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Department of Social Protection**

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**'An Active Approach to Tackling Youth Unemployment'**

**Speech by Joan Burton T.D., Minister for Social Protection at the OECD**

**International Conference**

**'Building Quality Jobs in the Recovery'**

**Dublin, 13 October 2011**

**Introduction**

Madam Chair, Chairman of OECD/LEED - Mr Hendeliowitz, distinguished contributors and colleagues. I am delighted to have the opportunity to speak at such a significant event and on a topic of such significance to the Government.

**The Problem**

Youth unemployment has risen steeply across all OECD countries since the onset of the economic crisis and recession in 2008. As is noted in the conference issues paper, the unemployment rate of persons aged 15-25 was 29%, compared to 13% for those aged 25-54 and 8% for those aged over 55.

Studies over many years, most recently by Bell and Blanchflower in 2009<sup>1</sup>, have confirmed that the young are hit disproportionately hard in an economic downturn. They tend to work in sectors more exposed to the business cycle like retail, construction and catering, have less protection than older often unionised workers and work on short-term or fixed contracts that can be easily terminated once business activity declines.

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<sup>1</sup> Bell, D. N. F. and D. G. Blanchflower, 2009, "What Should Be Done about Rising Unemployment in the UK", IZA Discussion Paper, No. 4040, Bonn.



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And while much of the political and policy focus has been on tackling long-term adult unemployment, youth unemployment might in the past have been seen as something that would naturally correct itself by way of return to education or emigration.

However this is not my view or the view of my colleagues in Government; it is clear to me, based on all the empirical evidence that youth unemployment does lasting damage to the individual and the society at large.

For example Bell and Blanchflower, using British data, found that youth unemployment continues to impact negatively on an individual up to two decades later in a number of ways, including unemployment, health status, wages and job satisfaction in contrast to unemployment when in one's early thirties. They conclude that there are "permanent scars" from youth unemployment in that even a short spell of unemployment when young continues to have a harmful impact in later life<sup>2</sup>.

In short, youth unemployment is a personal and societal tragedy that cannot be tolerated by any government, much less one of national recovery.

**Who are the Young Unemployed in Ireland?**

Due to the severity of the current economic downturn, people in all age cohorts find themselves in a situation of unemployment that they would never have contemplated. Many of our young graduates are experiencing severe difficulties in finding a demand for their skills among employers, particularly in the areas of property and construction that have been so decimated by the recession.

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<sup>2</sup> Bell, D. N. F. and D. G. Blanchflower, Ibid.



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The recent study commissioned by the National Youth Council of Ireland into understanding the experiences of young Irish jobseekers and their interaction with key state support services, which James Dooley will discuss in greater detail, is instructive in this regard. The study found that the experience of unemployment has left many young jobseekers feeling scarred and damaged, experiencing negative feelings such as low self-esteem, low morale and feelings of hopelessness. On top of this, they also have to cope with significant financial stress, with many already carrying a significant debt burdens.

Side by side with the higher- skilled young jobseekers are unskilled young people who are drifting into long-term unemployment. A recent ESRI paper looked at this cohort and made some stark findings about the factors associated with youth long-term unemployment risk in Ireland.<sup>3</sup>

Unsurprisingly, young men and women with previous experience of long-term unemployment, literacy or numeracy problems, no formal education qualifications and/or who live in large urban areas have a higher risk of becoming long-term unemployed.

However for young women additional factors, including whether they have children, spousal earnings and the number of welfare benefits that they receive all had a significantly negative effect on the probability that they would move from unemployment to employment before 12 months, albeit that such factors only apply to 2-3% of unemployed young women. Furthermore, the negative impact of these factors for young women is much larger than for women in general.

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<sup>3</sup> ESRI, 2011, "Transitions to Long-Term Unemployment Risk Among Young People: Evidence from Ireland", Working Paper 394



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From my point of view there are clear policy conclusions to draw from this research:

- that we need to move decisively to provide more affordable childcare facilities
- that we need to massively increase our focus on numeracy and literacy
- that we need to ensure that the benefits that young women in particular are receiving are not an obstacle to them seeking employment

**Policy Measures**

While our social protection system is successful in providing a basic level of income support and a threshold of decency, it does not sufficiently enable people to get themselves back on track, in to work, or, in the absence of jobs, to go back to education or training, and ultimately to achieve their full potential.

To date we have taken a largely passive approach. We allow people to receive certain benefits indefinitely. Traditionally there were only very limited sanctions for those who refused offers of work or training.

Our system has also had very limited success to date in activation - assisting people in getting back to work, education or training as soon as possible by providing advice, placement and training referral services. Over the past decade most OECD countries have successfully introduced such policies, while in Ireland there has been hardly any movement at all in this area. What little we have done has not been successful<sup>4</sup>.

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<sup>4</sup> ESRI, 2011, "An Evaluation of the National Employment Action Plan"



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More is the pity, for the OECD has estimated that we would have entered the recession with 100,000 fewer on the live register if previous governments had introduced such policies during the good times.<sup>5</sup>

While activation is the key labour market policy for this Government, we must not see it as a cure to all our ills when it comes to unemployment. In particular, we should pay careful attention to the substantial body of evidence to suggest that activation policies are better targeted at older jobseekers. Bell and Blanchflower summarised the position by stating that there was little evidence to support large scale, active labour market programs to help the young.

They suggest instead a number of other measures, including expansion of education and training places; giving subsidies to companies to employ young unemployed, based on additional net hires in order to avoid displacement of older workers; and the creation of job guarantee schemes where for example public sector or local government bodies would be allowed to employ young people for a year or two and pay them the equivalent of the benefits they would have received on unemployment benefits plus a small premium. In effect this would be a form of subsidised training<sup>6</sup>.

To my mind these are all sensible and workable policies. This Government has embarked on a number of initiatives like this and is examining how we step up our efforts in the context of the forthcoming budget.

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<sup>5</sup> OECD, 2009, "Activation Policies in Ireland"

<sup>6</sup>Ibid



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**What the Government is Doing**

I would now like to turn to the measures that the Government has taken since we came into office in March of this year.

As the traditional informal employment opportunities that would normally be available to young people in the lower skill retail, hospitality and service sectors have been greatly diminished by the squeeze in consumer spending, we have had to shift our focus from up skilling through training and continuing education to also promoting practical on the job experience.

Recent initiatives, such as the introduction of JobBridge, the National Internship Scheme are the first of a number of such schemes that must be developed. JobBridge will provide 5,000 internship opportunities of 6 or 9 months in organisations in the private, public, community and voluntary sectors. Participants will retain their social welfare entitlements and will also receive a 'top-up' of €50 per week.

In addition, a fully integrated nationwide range of services and supports is available to employers and jobseekers through FÁS Employment Services, responsibility for which has been transferred to my Department. The National Employment Action Plan (NEAP) process is a key element in addressing the progression needs of those on the live register. It provides a stimulus to job search and affords an opportunity to explore and access, under professional guidance, a full range of employment and training services.



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Development of the NEAP is central to ongoing development in the labour market policy area and will be progressed within the framework of the new National Employment and Entitlements Service which, as provided for in the Programme for Government, is being established by the Department. The new service will integrate employment and benefit payment services, currently delivered by FÁS and the Department, respectively, within the Department and will be based on a case management approach with the objective of providing a more customised and personal service to customers.

With improved profiling of people on the live register, together with improved case management approaches with the integration of a number of services, including the employment and community services of FÁS within the Department of Social Protection, these work and training placement initiatives can, with other training interventions, provide improved channels to access the labour market.

Our youth employment policies have tended to focus on the supply side by improving the skill base. Now we also look at the importance of helping young people to create their own employment opportunities through self-employment and entrepreneurship development and positioning them to avail of opportunities offered by the smart economy and social media. This will present real challenges for our enterprise agencies who have not traditionally considered younger people for support

With the transfer of the training functions of FAS to the new Solas agency under the Department of Education we must ensure that our training initiatives are as closely aligned to the needs of the labour market as possible.



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In particular, we should pay heed to the findings of the recent Wolf review of vocational education in the UK, which concluded that the wrong kind of training can actually damage employment prospects. It found that almost a third of 16- to 19-year-olds in Britain are enrolled in low-level vocational courses that have little or no labour-market value<sup>7</sup>. Research indicates that taking a year or two to complete schemes of this sort reduces lifetime earnings unless the schemes are combined with employer-based apprenticeships.

In this context, there may be much to learn from the German system of apprenticeships, where a quarter of employers provide formal apprenticeship schemes and nearly two-thirds of schoolchildren undertake some form of apprenticeship. In addition vocational students at second-level can spend up to three days a week as part-time salaried apprentices of companies for two to four years, with the cost shared between the company and government. It is common for apprenticeships to turn into jobs at the end of the training, with the result that the youth-unemployment rate in Germany, at 9.5%, is one of the lowest in the EU. Apprenticeship schemes in the Netherlands and Austria have borne similar results.

As discussed, a key element for preparing young people for the world of work is to provide them with work experience. I believe scope exists to restructure our current employment programmes, such as community employment and Tús to open up opportunities for young people who have not benefited from third level education or lack work experience. In order to address this, I intend to propose an expanded back to work scheme in the forthcoming Budget.

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<sup>7</sup> UK Department of Education, 2011, "Review of Vocational Education - The Wolf Report"



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However, these efforts will be largely ineffective in preparing young people for work unless we are able to embrace new and innovative policies and actions that actually create additional employment opportunities for young people coming onto the labour market.

Like many countries it is clear that there are mismatches between skills and labour market opportunities. This presents issues for education and training policies and for other economic policies aimed at creating employment opportunities of the quality which responds to the expectations, and indeed, the aspirations of young people. Therefore, the focus of policy makers must be on creating employment outcomes for young people that are sustainable and support them through their career lifecycle.

Few organisations can themselves provide individualised solutions to the wide range of problems unemployed people have, but by working effectively in partnership with other organisations they can ensure that individual needs are met.

In particular, I am keen that we can harness the deep knowledge and insight of private sector companies on the needs of the labour market. In this regard, I have been particularly impressed by the range and breadth of the many proposals that the private sector has presented to me on tackling unemployment and key deficiencies in the labour market since becoming Minister.

Indeed the re-structuring of my Department into a fundamentally different entity embracing the integration of the Community Welfare Service and FÁS Employment and Community Services provides the opportunity to develop a deeper relationship with employers across all of the work areas of the "new"



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Department. Key areas for engagement will include developing services with and in support of employers in the work placement, job-matching and in-work support areas and the development of more employer- as- client and partner services.

As part of this very significant change agenda my Department is now commencing a process of ongoing consultation with employers, with an initial seminar to be held next week. It is envisaged that this seminar will prove useful in terms of providing the senior management and policymakers of employer representative organisations with information on policy developments and business changes within the Department and assist in establishing the issues which will provide the basis for further discussions.

**Conclusion**

As stated at the beginning, young people are a particularly vulnerable cohort whose long-term opportunities can be very badly affected by early unemployment. It is therefore critically important that we use all the tools at our disposal to enhance their skills and capabilities of in order to assist them to join the labour market as quickly as possible.

Spells of unemployment while young create permanent scars. As such, solving youth unemployment is among the most pressing problems this Government faces and which I as Minister for Social Protection am determined to address. We owe our young people nothing less.

Thank you very much for your attention.

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**Press Office**



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**MINISTER'S SPEECH ENDS**