Activation in Ireland: Are we on the Right Path?

Philip O’Connell

Work and Poverty: National and EU Perspectives
Dublin, December 11th, 2012
Overview

- The unemployment crisis
  - Employment and unemployment
  - The composition of unemployment
- Key research findings on activation policies
- Pathways to Work
  - Strengths and weaknesses
Since mid-2007: Male employment rate has fallen from 78% to 63%, Female from 61% to 55%
Long-term Unemployment has risen steadily during crisis. It now stands at 60% of total unemployment. Reducing LTU should be a key objective of labour market policy.

Source: Constructed from the Quarterly National Household Survey, Central Statistics Office.
Short and Long-term Unemployment, 2008 & 2012 (1,000s)

2/3rds of unemployed males are unemployed for more than 1 year

![Graph showing short-term and long-term unemployment by gender and quarter for 2008 and 2012. The graph indicates a significant increase in long-term unemployment among men from Q3 2008 to Q3 2012.]
Unemployment by Age Group, 2012

Number

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Men</th>
<th>Women</th>
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Unemployment rate (%)

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Unemployment rates by Education and Sex, Q1 2011

- Unemployment rates fall with higher education
  - but PLCs are higher than Leaving Cert
Education...

- Educational composition of unemployed has shifted upward in recession
  - in 2011 35% of men and 45% of women have > Post Leaving Cert qualification
- Educational profile of long-term unemployed is much less favourable than ‘short-term’ unemployed
Active Labour Market Programmes

- **Supply side**
  - Job Search Assistance/Encouragement
    - Interviews/counselling, job placement services, etc
    - Increase effectiveness of job search + monitoring & sanctions
  - Training
    - Enhance skills and employment prospects

- **Demand Side**
  - Public-sector Employment schemes
    - Retain contact with labour market
  - Incentives to employers or self-employment
    - Encourage employers to create new jobs or retain existing jobs
The Impact of Job Search Assistance

- Job Search Assistance – *International evidence*
  - Effective for many groups
  - Low cost
  - More effective with regular monitoring and sanctions

- Previous research (OECD and ESRI):
  - Ireland has had a poor record in the past
  - Lack of regular monitoring, assistance or sanctions
  - Impact of reforms?
Key Principles for effective labour market activation

- Labour market activation to assist and encourage the individual to return to work should be initiated as soon as he or she makes a claim.
- Effective job search advice and assistance should be delivered to all non-employed.
- Job search activity should be monitored on a regular and ongoing basis.
- An effective activation strategy needs to be backed up with appropriate sanctions for non-compliance with job search and activation requirements.
Research Findings:
Programmes with strong market linkages show strong positive effects on employment (1990s, 2006-8)

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Content and quality of education & training is vital

- Education and training programmes should be demand led
  - driven by the needs of growth sectors
  - strongly connected with real jobs
- Content of training should be driven by needs of enterprises
  - need to develop up-to-date intelligence of skill needs.
- Training initiatives should broadly reflect the education profile of the unemployed.
  - In the current crisis, the educational and skills profile of the unemployed has increased: training programmes should reflect that.
- Training providers should be chosen on the basis of their ability to deliver high quality effective and relevant training.
Pathways to Work/Intreo

Many positive features:

- **Battle against unemployment as top priority**
- **Commitment to reducing Long-term Unemployment**
  - Integration of income support with activation
    - One-stop-shop in Intreo offices
  - Additional training places
  - Statistical profiling to target those most at risk
  - Extension of employer PRSI scheme
  - Greater emphasis on training in CE
Moving in the right direction, but:

- **Pace of change:**
  - Intreo roll out over 2 years
  - Client profiling still incomplete
    - Needs to be adapted to new clients and new conditions
- **Immediate activation for all clients?**
  - New unemployed
    - Only in Intreo offices - Non-Intreo, wait 3 months
  - Current unemployed
    - Too little too late – insufficient activation
  - Others not economically active
- **Capacity?**
  - OECD: insufficient staff to implement activation system before crisis
  - Live Register has grown from 290,000 in 2009, to 440,000 in 2012
  - Skills?
The Way Forward: Demand and Supply

Demand

- *Pathways* recognises the importance of programmes to match labour market needs
  - Can Expert Group on Future Skill Needs + FAS Skills and Labour Market Research Unit meet that challenge?
  - Need for ongoing and up-to-date information
  - Specific sector skills councils
  - Ensure nature and content of education and skills are market relevant
- Training programmes should include job placement component

Supply

- Respond to upward shift in educational profile of unemployed
- Provide intensive retraining to tackle structural unemployment among former construction workers
The Way Forward: Providers

- Education and Training is excessively provider driven
  - Not designed to meet training needs of unemployed or skill needs of employers
- Can SOLAS + Local Education and Training Boards meet training needs?
  - Experience, expertise, priority focus?
  - DSP as broker/coordinator of training?
- Providers should be chosen on the basis of their ability to deliver quality training
  - Provision could be incentivised according to results (job placements)

- All education, training and employment schemes should be subject to rigorous evaluation to identify effective interventions and enable timely restructuring/closure of ineffective interventions
Concluding Remarks

- Research on profiling shows that unemployed with working partners are less likely to become long-term unemployed
  - Need to target jobless households

- Budget 2013
  - 6,000 after-school care places could ease access to work
  - 10,000 additional ‘work activation’ places
  - 7,500 in direct employment schemes (CE, TÚS, Social Employment Scheme) that, on average, do not improve job chances
  - 2,500 on JobBridge, whose effectiveness remains untested