

# BRIEFING PAPER

## Eliminating Long-Term Unemployment



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### 1. Introduction

The focus of this paper is on proposing policy developments and initiatives in order to increase access and participation in the labour market for all. To attain the National Anti-Poverty Strategy (NAPS) target of eliminating long-term unemployment by no later than 2007 a multi-faceted approach involving most of the Government departments and social partners is needed. Correspondingly, this paper highlights and addresses the different barriers facing those who are unemployed and particularly long-term unemployed. For the purposes of clarity, long-term unemployed is defined as being 12 months or more out of work.

### 2. Who are the Unemployed

The unemployed are not a homogenous group. They are men and women, young and old, married, single, one parent families, people with disabilities, Travellers, refugees and asylum seekers, urban and rural dwellers etc. Some may have recently lost their jobs while others may have never been able to access the labour market. While all experience different levels of unemployment, they all share the same basic problem – the lack of opportunity to earn their living.

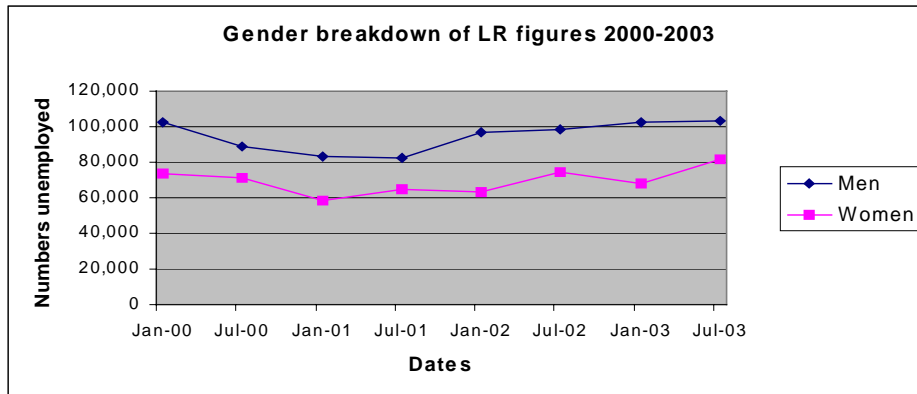
The correlation between unemployment and poverty is well established however for certain groups, particularly those who are more vulnerable to becoming long-term unemployed, their experience and risk of poverty is higher. In 2000, the majority of households in poverty were headed by a person outside the labour force (*Nolan et al*).

Over the last decade the unemployment rate has fallen substantially from 15.7% in 1993 to a historically low rate of 3.7% in 2001. However, the unemployment rate has risen consistently in the last two years and currently stands at 4.4%. The latest figures from the CSO Quarterly National Household Survey (QNHS) for the 2nd Quarter 2003 shows that **81,400** people were defined as unemployed of which **26,900** were recorded as long-term unemployed. This compares with the Live Register figures for July 2003 of **185,447** people and **178,500** on the seasonally adjusted.<sup>1</sup>

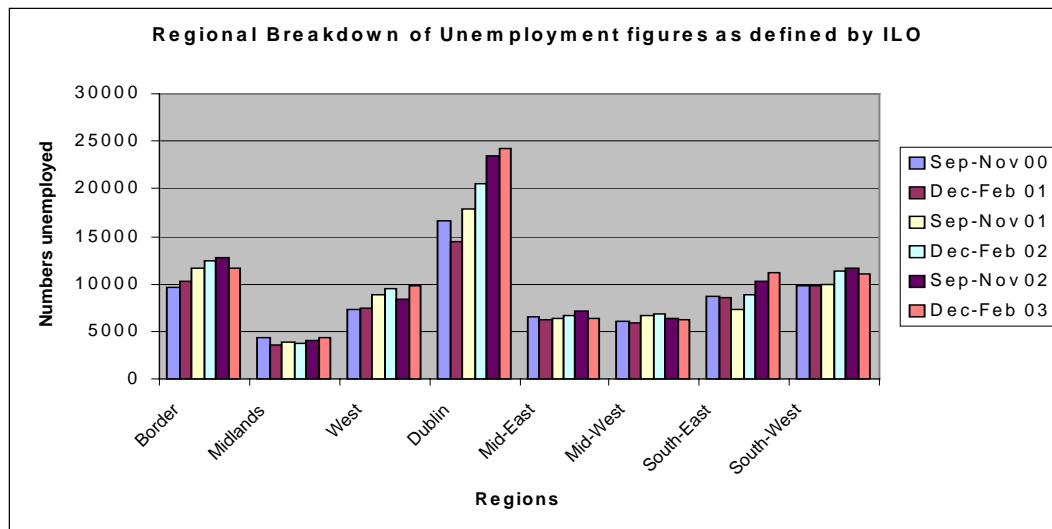
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<sup>1</sup> The QNHS/ILO defines the unemployed as only those people who, in the week before the survey, were unemployed and available to take up a job and had taken specific steps in the preceding four weeks to find employment. Any person who was employed for at least one hour is classed as employed. In contrast the Live Register includes part-time employees, seasonal and casual employed entitled to Unemployment Assistance or Benefit.

Using the Live Register unadjusted figures (see graph) from January 2000 to July 2003, it reveals that the number of women claiming an unemployment payment increased by 20% in the last six months. These figures do not reflect the number of women who could claim an unemployment payment in their own right and accordingly the male rate of unemployment is always higher. Both sexes attained their lowest levels of unemployment in the first half of 2001, this mirrors the statistics gathered in the QNHS for the same time period.



Based on the QNHS / ILO definition of unemployment, there have been increases in all regional areas since November 2001. From November 2001 to February 2003, the largest increases have been recorded in the Dublin (up 37%) and South-East (up 53%) regions. These figures do not include the large number of factory closures announced in the last few months. These closures affecting thousands of jobs in a number of industries have been mainly located in the midlands, south and east of the country.



### 3. Current Policy Climate

In the last two years since the demise of the so called Celtic Tiger, Government policies in relation to job creation, development and unemployment supports have been inadequate and inconsistent especially at a time of rising unemployment.

Firstly, there have been widespread cuts to the Active Labour Market Programmes specifically Community Employment and Jobs Initiative without any consultation with the social partners. These supports are very valuable to unemployed people, people with disabilities, lone parents etc. in assisting them to gain work experience, training and to access the labour market whilst providing essential services to their communities. The cutbacks along with the ringfencing of some of the CE services results in fewer places and opportunities for other eligible participants. See below for further details.

Secondly, Government policy on job creation is heavily focused on attracting foreign investment with less emphasis on creating and sustaining indigenous employment opportunities. This is reflected by the reduction in the 2003 budgets to the job creation agencies and the refocusing of the Back to Work Enterprise Allowance to those who have been five or more years unemployed.

Thirdly, current macro economic policy does little to ensure that Ireland has a competitive, sustainable and diverse labour market. High inflation, rising insurance costs and the strength of the Euro against other currencies has been quoted as reasons for the recent factory closures. However, little is being done to address these issues.

This inaction by the Government combined with budgetary cutbacks flies in the face of stated Government commitments to create '*stable and quality employment for all*' and '*to eliminate long-term unemployment ... in any event not later than 2007*' (NAPS 2002).

In order to make serious inroads towards the attainment of the NAPS target and to honour commitments stated in different Government agreements and strategies such as in Sustaining Progress and the National Development Plan, comprehensive well-resourced policies are needed. Such policies should address the employment difficulties faced by different individuals trying to access and participate in the labour market and be expansive to ensure job creation and development in all sectors and industries. Such policies must be complementary to the work of other Government departments and be cognisant of treaty obligations under the EU especially with the expansion of the EU in May 2004.

The remainder of this paper outlines key aspects / barriers to the labour market that face unemployed people and makes policy suggestions on ways to expand and enhance the labour supply and increase entrepreneurship whilst ensuring regionally balanced development.

#### **4. Active Labour Market Programmes (ALMPs)**

As mentioned earlier the number of places on the main ALMPs are currently being slashed with no alternative scheme being established for either the participant or sponsor. The numbers on the Community Employment programme will be reduced from 25,000 to 20,000 by the end of 2003 and up to 325 places will be gone on the Job Initiative scheme. Despite Sustaining Progress recognising the merits of both schemes there is no stated commitment to retain the 2003 level of places or budget for the duration of the Agreement.

There is much speculation that there will be an overhaul of the ALMP's in line with the reduced numbers and budgets. However, any such overhaul must take cognisance of the recommendations arising from the Standing Committee of the Labour Market report. Any changes must, at a minimum, maintain the current 2003 budget and places and ensure the continuation of the underpinning functions of the existing schemes which are:

- an employment opportunity for individuals to gain work experience and skills to progress to the open labour market
- a provider of valuable services to local communities, delivered mostly by organisations in the community and voluntary sectors
- providing a form of 'sheltered' employment or non progression option for a number of people.

The **Social Economy programme** is failing in its original objectives because the Government has failed to provide the amount of money that was originally earmarked for the programme. In order to improve the credibility and effectiveness of the programme, sufficient resources and investment must be committed to ensure that local communities are not without essential services and that local unemployed people have a work experience option open to them in their area.

The **High Supports Process** (HSP) should be rolled out nationally. This process is designed to be person centred by focusing on addressing individual employability barriers such as literacy difficulties etc. However, to date FÁS has focused too heavily on just the training needs of the individual. The HSP should continue to link with the Local Employment Service to ensure that all support provided / offered is appropriate to the referral concerned.

## **5. Preventative Measures to Reduce the Numbers becoming Long-Term Unemployed**

Arising from the Amsterdam Treaty all EU member states have to submit National Employment Action Plans that are in line with the European Employment Guidelines. Part of Ireland's Action Plan is the roll out of a preventative strategy aimed at targeting interventions to unemployed people to prevent the drift into long-term unemployment. Following its introduction on a phased basis, the roll out will be complete by the end of 2003 to all persons aged 18-54 who are over six months unemployed. This process involves candidates being referred to FÁS from the Department of Social and Family Affairs once they have reached the six-month threshold. Once interviewed by FÁS the candidates are to be placed in an appropriate job/ training scheme or education. It operates on a voluntary and confidential basis.

So far, the success of this intervention has been limited as can be seen from the table below. It shows that there has been an increase of 88% in the number of referrals between July 2001 and July 2003, this is obviously reflective of the rise in unemployment and long-term unemployment in particular. Of those who attended the interview with FÁS the percentage of them that were placed onto a job or programme has continuously dropped from an already low figure of 27% in 2001 to 21% in 2003. Also, the percentage of FÁS interviewees who left the Live Register has dropped

from 51% in 2001 to 40% in 2003. This would indicate that candidates are remaining in the EAP process for longer.

	<b>July-01</b>		<b>July-02</b>		<b>July-03</b>	
	referrals	%	Referrals	%	referrals	%
Numbers Referred	11,323	100%	16,312	100%	21,290	100%
Left Live Register	5,562	49%	7,204	43%	9,071	43%
Numbers Interviewed	7,456	66%	10,144	61%	13,526	64%
Of These - Placed in Jobs / Programmes	1,979	27%	2,486	25%	2,871	21%
Fas Interviewees off the LR	3,807	51%	4,371	43%	5,427	40%
Non Attendees	2,709	24%	4,428	27%	5,799	27%
Non Attendees now off LR	1,755	65%	2,833	64%	3,644	63%

With the numbers on the Live Register rising monthly, more people are being referred under this process, however with cutbacks in supports and programmes to the unemployed the success of such intervention is further hindered. To prevent the drift into long-term unemployment a fully comprehensive suite of options need to be available to these referrals. Such choices should be offered on a voluntary basis and be appropriate to the referral concerned. They could include relevant job vacancies, places in employment support programmes /schemes, adequate places on training and education courses etc.

For the EAP process to be effective and fully inclusive, extensive outreach to specific groups such as people with disabilities, rural unemployed people and Travellers needs to be conducted as they traditionally have a low-take up rate of services and supports. These groups are particularly vulnerable to long-term unemployment as they experience a much higher than average level of unemployment.

The eligibility criteria surrounding the **Back to Work Allowance** which assisted unemployed people to move from welfare to work, should be returned from 5 years unemployed to 15 months. This would present a realistic option for many people being referred under the EAP process.

In the interests of competitiveness and against a backdrop of rising unemployment, the **retraining of both the employed and unemployed** is needed. In line with the FÁS Statement of Strategy, specific attention should focus on those who have recently lost their jobs if the drift into long-term unemployment is to be avoided. Such training should be voluntary and be reflective of the needs of the individual's concerned. Also, evidence has shown that the Specific Skills Training carried out by FÁS enhances employment opportunities for participants.

The correlation between low educational attainment and the risk of long-term unemployment is well known. Therefore, adequate and appropriate supports in the form of literacy training, education, specific training etc. must be available to **early school leavers** to provide them with a second chance at education and / or work. This would also assist towards the attainment of the NAPS target of 'reducing the number of early school leavers so that the percentage of those who complete the upper second level or equivalent will reach 90% by 2006'(NAPS 2002).

## 6. Job Creation

For continuous sustainable employment, the creation and **development of indigenous enterprises** is essential. To this end, the Government must review its job creation policy and place additional resources into the budgets of the job creation agencies such as the Enterprise Ireland and assess the relevance of enterprise supports for certain groups. For instance the change in the qualifying period for the Back to Work Enterprise Allowance (BTWEA) to 5 years effectively eliminates this scheme as an option for the unemployed. The BTWEA when available to those over 1 year unemployed proved to be an effective tool to assist them to set up their own business and remain off welfare. Whereas now as research has shown the longer a person is unemployed the less likely they are to have the resources, motivation and supports to set up a business.

For other groups particularly women returners, Travellers and other minority ethnic groups specific **enterprise supports** need to be available. These groups should be involved in the design and delivery of programmes that will encourage and assist them to turn their current skills and knowledge into an entrepreneurial opportunity. For some groups particularly Travellers self-employment is their preferred choice of economic activity but to date have received little or no recognition or support from the State for this type of work.

From a rural perspective, the **number of smaller holdings** is decreasing as EU policy steers towards fewer farms of larger size. In order to ensure regional balanced development, supports must be available to enable farmers of small holdings transfer their skills set and property into another viable economic venture.

## 7. Increase Labour Supply – Increase Adaptability and Mobility

In order to reduce the numbers experiencing long-term unemployment specific investment is needed to **combat the barriers** that they face. These barriers are multifaceted and impact differently on different groups but they include inadequate childcare facilities, literacy difficulties, buildings being inaccessible, poor public transport infrastructure, inflexible working conditions and inadequate job opportunities in certain areas. Addressing these difficulties would assist in achieving the NAPS target of reducing the level of unemployment experienced by vulnerable groups towards the national average by 2007.

### 7.1 Gender Equality

A key obstacle forcing women to remain unemployed is the **lack of affordable childcare** in Ireland. A flexible childcare system needs to be established that would facilitate parents working both within and outside the 9-5 working day and those participating in adult education or mainstream education and training. It should be provided in a range of formats not just crèche based, but also increased emphasis on provision at community level and within the workplace.

For those women seeking to return to the workforce, the FÁS initiative '**Expanding the Workforce**' should be extended to all areas, thereby establishing a mainstream National Support Programme for Women Returners, as recommended by the National Economic and Social Forum (NESF) report on Alleviating Labour Shortages 2001.

**Men** experience a higher rate of unemployment than women and especially older unemployed men who are particularly vulnerable to long-term unemployment. According to the QNHS for the 1<sup>st</sup> quarter of 2003 the male unemployment rate for those aged between 55-64 years was 4.9% in comparison to a female rate of 2.8%. One reason for this is that female job seekers are not claiming an unemployment payment. However, provision of supports to enhance the employability of older unemployed men is required and such provision must be available countrywide. This is extremely pertinent now, as many of the employees who recently lost their jobs would have worked for many years in that industry and so will require assistance to enhance their employability chances.

### **7.2 Asylum Seekers and Migrant Workers**

Presently asylum seekers are faced with enforced unemployment until their status has been finalised. This impedes their integration into Irish society and increases their vulnerability to poverty and long-term unemployment. Therefore to aid their integration process, asylum seekers should be entitled to work, where the Government fails to meet its own stated objective to definitively process all stages of an asylum application within six months. The initial six months should be used to enhance their employability by providing access to English language training.

In addition, asylum-seekers and migrant workers should be entitled to increase their employability chances by participating in state-funded training and employment schemes.

To avoid deskilling and to enable asylum seekers and refugees practice in their chosen profession there is an urgent need to have their qualifications which were gained overseas recognised by the National Qualifications Authority of Ireland.

### **7.3 People with Disabilities**

People with disabilities experience an unemployment rate of up to 70%. This group, regardless of the type of disability, will continue to suffer from long-term unemployment until the societal and attitudinal obstacles that impede their access and participation to the labour market are addressed.

Such obstacles include inability to access buildings / information, inadequate public transport, negative attitudes towards disability, lower educational attainment and the potential additional costs faced by employers for adapting the workplace when recruiting a person with a disability. From the individual's perspective fear of losing their medical card can act as a deterrent from taking up employment. There is an urgent need for the State to introduce a disability payment for all people with disabilities in recognition of the extra costs incurred when living with a disability.

### **7.4 Travellers**

Like other sections of society, Travellers are often the victims of discrimination and negative societal attitudes. This impedes their involvement in the labour market with some Travellers having to conceal their identity in order to take up employment but the majority remains unemployed.

Self-employment is the preferred choice amongst Travellers but to date they have received very little State support to pursue this option. Until the Traveller economy is

allowed to flourish and mainstream supports become more relevant to the Traveller community, Travellers will continue to experience poverty and long term unemployment.

### **7.5 Regional Development**

The combination of recent job closures, cutbacks in the ALMP's, inadequate rural public transport and fewer alternative employment prospects means a further increase in the already higher than average unemployment rate in rural areas. In line with the NDP aim of achieving regionally balanced development, local employment strategies need to be developed. Such strategies to be implemented locally should also be compatible with the objectives and targets of the National Spatial Strategy and the work of the City and County Development Boards, County Enterprise Boards and others.

### **8 Making Work Pay**

To ensure that the take-up of employment results in increased income all the anomalies in the **social welfare and tax systems** must be removed to ensure the removal of all poverty and unemployment traps.

At present, many financial disincentives still exist that discourage the long-term unemployed to take up low paid employment. These include:

- Failure to remove all minimum wage earners from the tax net
- Unrealistic low threshold of €317 for the retention of secondary benefits
- Fear of losing the medical card especially for Travellers and people with disabilities

### **Conclusion**

This paper has highlighted the current changes and challenges that the Irish labour market is currently facing. It has also discussed some of the key policy areas that need to be developed and explored in order to achieve the NAPS target of eliminating long-term unemployment. Such policy areas are as multi-faceted as the labour supply itself.