



# Briefing Paper



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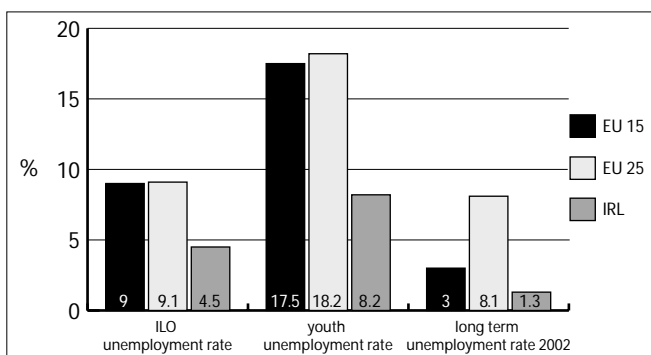
## IRELAND'S NATIONAL EMPLOYMENT ACTION PLAN

### Introduction

This paper provides an analysis of Ireland's 2003 National Employment Action Plan (NEAP) from a European and Irish perspective. It focuses particularly on guidelines 1 and 2 of the European Employment Strategy, namely prevention and activation and job creation and entrepreneurship. The paper will conclude with some policy recommendations on increasing the effectiveness of the NEAP at both European and national level.

### Unemployment in the EU

The latest figures for June 2004 using the ILO definition<sup>1</sup> show that the seasonally adjusted unemployment rate stood at 9% within the EU15<sup>2</sup> countries. This increases slightly to 9.1% when including the enlargement of the EU with the 10 new countries. The lowest rates were recorded in Luxembourg and Austria (both 4.2%) and Ireland (4.5%), whereas the highest unemployment rates are in Poland (18.9%), Slovakia (16.2%), Lithuania (11.4%) and Spain (11.1%). Youth unemployment (those aged under 25 years) remains a key concern across Europe and although Ireland's rate at 8.2% is below the EU average it is still nearly double Ireland's overall unemployment rate.



<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 within two weeks 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.

<sup>2</sup> The EU15 are those member states that were members of the EU prior to enlargement in May 2004.

Based on figures for 2002, long term unemployment affected around 3% of the EU labour force and this figure is substantially higher at 8% for the newly joined EU countries. Again Ireland's rate of 1.3% is lower than the EU average, however, 2002 saw the first increase in the long-term unemployment rate since 1994 and it has increased consistently since then. Currently the rate is 1.6%, equating to 30,500 people. Across the EU, the highest long-term unemployment rates are recorded in Slovakia (12%), Poland (11%), and Lithuania (8%).

### Evolution of Employment Action Plans

By the mid 1990's high unemployment levels were of common concern across the EU and it was agreed at the 1997 European Council Summit to jointly tackle the issue by introducing a strategy to co-ordinate employment policies across the member states. This strategy, namely the European Employment Strategy (EES), advocates a system of co-ordination and review. This requires that each member state draw up an annual NEAP based on a series of common priorities for action, which then undergoes a review process by the EU Commission. This 'peer-review' process results in both the EU Commission and Council jointly examining each NEAP before presenting their analysis and country-specific recommendations for improvement in the Joint Employment Report. This 'peer-review' process is called the Open Method of Co-ordination.

In 2003, the EES was amended to shift the focus of the strategy onto the achievement of the Lisbon goals and targets that were set at European Council in Lisbon in 2000. These are :

- To build 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.'
- To attain the EU employment targets of 70% overall employment rate, 60% female employment rate and 50% employment rate amongst older workers (aged 54-64).

The revised EES identifies three overarching and complementary objectives. These aims are for full employment, quality and productivity at work and social cohesion and inclusion. Each member state is now requested to draw up annual NEAPs with these objectives in mind and in line with the ten specific guidelines identified to support these objectives.

## European Employment Guidelines

### **1) Active and preventative measures for the unemployed and inactive**

Actions under this guideline focus on the supports and measures available to assist the unemployed return to work. The roll out of the preventative strategy is of primary importance. This involves the active engagement of unemployed people with the public employment services (i.e. FÁS and the Local Employment Service) following a 6-month period of unemployment.

### **2) Job Creation and Entrepreneurship**

Attention focuses on improving the conditions for job creation and hiring, which implies creating a favourable environment for entrepreneurship.

### **3) Address change and promote adaptability and mobility in the labour market**

The guidelines set out essential conditions to combine job flexibility with job security, including providing workers with access to training. The existence of labour shortages may result from rigidities within the labour market that may be overcome through occupational and geographical mobility.

### **4) Promote the development of human capital and lifelong learning**

The guidelines call for comprehensive strategies to ensure lifelong learning for all, to exploit all possible mediums for learning and to give everyone the chance to update their skills regularly.

### **5) Increase labour supply and promote active ageing**

In face of Europe's demographic challenges, all sources of labour potential have to be tapped, therefore there is a need for inclusive employment strategies to ensure the increased participation of older workers, immigrants etc.

### **6) Gender Equality**

Gender gaps in employment, unemployment and pay are still too high in Member States and reveal unequal conditions of access to a job. A gender mainstreaming approach is recommended as well as the creation of specific policies to redress these inequalities.

### **7) Promote the integration of and combat the discrimination against people at a disadvantage in the labour market**

A more inclusive labour market is needed for both economic and social reasons. To this end, policies are needed to tackle discrimination and to create adequate job opportunities for those who experience discrimination.

### **8) Making work pay through incentives to enhance work attractiveness<sup>3</sup>**

This guideline focuses on the imbalances between the fiscal, social security and benefit systems / schemes that need to be addressed to ensure that people are not trapped in unemployment, inactivity or poverty because it does not pay to accept work.

### **9) Transform undeclared work into regular employment**

Undeclared work needs to be turned into regular work to improve the overall employment rate as well as to improve the quality of work and the chances of social integration of those concerned.

### **10) Address regional employment disparities**

This guideline calls for the large regional employment / unemployment disparities to be addressed. This imbalance has economic and social cohesion implications and should be tackled through an approach involving actors at all levels.

<sup>3</sup> See other INOU briefing paper 'Making Work Pay', April 2004.

## Ireland's 2003 National Employment Action Plan

Ireland's 2003 NEAP was submitted to the EU Commission in October 2003. The EU critique of the plan was part of its Joint Employment Report (JER) that was signed off by the EU Spring Council meeting in March 2004. Using this 'peer-review' process the analysis and recommendations for Ireland centres on the following:

- The challenge of increasing access to active labour market measures for a larger share of the unemployed and inactive and to ensure that those recently unemployed do not drift into long-term unemployment.
- The strong emphasis on research and development as it has been prioritised for investment.
- The gender occupational segregation and gender pay gap remains high and no targets have been set in this area to redress this imbalance. Also the provision of childcare is inadequate and needs to be increased.
- Finally, the NEAP is criticised for being weak in reporting on impacts.

The 2004 NEAP is due to be submitted to the EU in October 2004 and will focus particularly on how these areas are being addressed / improved.

Bearing this EU critique of the 2003 plan in mind as well as the current formulation of the 2004 plan, the following will focus on how Ireland's NEAP assists unemployed people by examining the appropriateness of the actions stated under Guideline 1 and 2.



### Guideline 1 – Activation and Prevention

The stated actions under this guideline are a reinstatement of current provision to unemployed people and those inactive. They include:

- The roll out of the preventative strategy on a national basis. This strategy is aimed at targeting interventions to unemployed people to prevent the drift into long-term unemployment. Under this process, candidates are referred to FÁS from the Department of Social and Family Affairs once they have reached the six-month threshold of unemployment. Once interviewed by FAS the candidates are to be placed in an appropriate job / training scheme or education. It operates on a voluntary and confidential basis.
- The introduction of the High Supports Process for those experiencing particular employability barriers on a phased basis in 2003.
- FAS engaging with redundant workers through the establishment of task forces at a time of large company closures or layoffs.
- The reduction in the number of places in Active Labour Market Programmes (ALMPs) i.e. Community Employment and Jobs Initiative schemes and the aim to refocus such programmes towards enhanced progression into jobs and / or training.

A primary criticism of the 2003 NEAP is the lack of sufficient financial and staff resources allocated to implement all the actions. Only through an adequately resourced plan will all the actions be effective in addressing the diverse needs of unemployed people.

Although the national roll-out of the preventative strategy is to be welcomed, its success will be limited if the numbers being referred under this process is increasing while the number of options open to them have decreased as a result of cutbacks or changes in the eligibility criteria. A fully comprehensive suite of options needs 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 ALMPs / schemes or places on training / education courses etc. This is especially true for those who are already long-term unemployed and are now engaging with this process and may require additional assistance to help them return to work.

Another criticism noted in the JER of all members states NEAPs is the lack of focus on achieving the third overarching objective, namely social cohesion and inclusion. All member states including Ireland place more weight on the attainment of full employment and increasing quality and productivity at work. This imbalance is evident under this guideline as none of the actions are specifically geared to include those

whose unemployment rates are higher than the national average or those who are inactive. For instance, for the preventative strategy to be more effective, 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. Similarly, it is stated that the focus of ALMPs is to be reoriented towards more progression into jobs and training. However, there is no mention of a replacement programme for those whose progression chances are weak yet who have personally benefited greatly from participation on such schemes whilst simultaneously providing valuable social services to these communities. The newly introduced Rural Social Scheme could be described as such a programme as it is not progression orientated but the places available and eligibility is restricted to only those with a herd number thereby excluding unemployed people. Therefore a similar programme offering a form of 'supported employment' for unemployed people is needed.

There is a need for more synchronisation between Ireland's NEAP and its National Action Plan against Poverty and Social Exclusion (NAPSincl) if the targets of 'eliminating long-term unemployment by 2007', and 'reduce the level of unemployment experienced by vulnerable groups to the national average by 2007,' are to be realised.

The Joint Employment Report is negative of Ireland's NEAP as it is weak in reporting impacts. Under this guideline there is no reporting of the current number of taskforces established by FÁS to engage with redundant workers. Neither is there information on locality, size of company closure / layoffs, extent of engagement with workers and overall outcomes of establishing these taskforces. This is of particular relevance given it is reinstated as a Governmental action when tackling redundancy issues in the current social partnership agreement Sustaining Progress 2003-2005. A more systematic and transparent reporting system is needed to ensure increased effectiveness of these taskforces for both the redundant workers and FÁS.

Lastly, all actions stated under this guideline are provided by the State predominately through its public employment agency, FÁS which has offices throughout the country. To increase the effectiveness of these actions and to increase the involvement of those experiencing poverty in the development and delivery of some of these services alternative routes should be explored. This could include delivering a more varied training programme at a local level such as through the Local Employment Service, engaging with local non-governmental organisations to increase contacts with local employers etc. This would be further in line with the

EES and JER which advocate the principles of governance and partnership by promoting the implementation of actions to be done by 'mobilising all actors at all levels'.

## Guideline 2

### - Job Creation and Entrepreneurship

The stated actions under this guideline are influenced by the Department of Enterprise, Trade and Employment's strategy statement for 2003-2005 which prioritise investment in science, technology and innovation and the development of the knowledge society. It also aims to enhance the competitiveness environment but is cognisant of the need for regional balance. These goals are to be realised by a combination of indigenous and Foreign Direct Investment channels.

The NEAP outlines the current provision of supports both financial and administrative as well as reporting where possible examples of beneficiaries in 2002, in the following areas:

- Research and development, for instance through the Science Foundation Ireland which commissions research in areas of science, engineering and technology.
- Employment creation and support through State agencies such as Enterprise Ireland, IDA and City & County Enterprise Boards.
- Access to capital for Start-ups and high growth potential business including such schemes as the Seed Capital Scheme.
- Encouraging Entrepreneurship / Training Industry Links through the education system both at secondary and tertiary levels. These include supporting initiatives such as Youth Enterprise Ireland schemes and IBEC Business Education Links Scheme both of which are operational in some schools.

Similar to guideline 1, the actions stated provide an overview of current provisions but fail to make a commitment that budgets to job creation agencies such as Enterprise Ireland and the City & County Enterprise Boards will be extended. In fact, there is still such a reliance on attracting Foreign Direct Investment into Ireland that Enterprise Ireland's budget for 2004 was further reduced. Although FDI has done much for job creation and growth in Ireland, a balance between FDI and indigenous industries is needed in order to maintain and increase job growth. The withdrawal and subsequent closure of large FDI companies have had a massive negative effect not just on the employees concerned but also on the locality as a whole.

Again the lack of inclusiveness is notable under these actions, as all are geared towards the achievement of high-tech, knowledge based jobs predominately in the science, engineering and technology sectors. Such jobs require a highly educated staff. This lack of inclusiveness of those individuals who will never attain these jobs is a serious concern. Even the Enterprise Strategy Group's recommendations for the direction of future industrial policy fails to consider those currently distanced from the labour market. Job creation strategies must stimulate and encourage employment opportunities in all sectors and at all levels to accommodate the diverse labour supply. Also in line with aforementioned objective of increasing quality and productivity at work, access to training and progression at all jobs levels should be visible for all employees.

Most of the supports and initiatives stated are geared towards companies about to set up or expand their business. There are few supports for the individual entrepreneur especially those who are unemployed or distanced from the labour market. The Back to Work Enterprise Allowance is available for those who are 3 or more years unemployed. This is a substantial amount of time to be out of the workforce and can result in a person being less likely to have the resources, motivation and supports to set up a business. The eligibility criteria should be returned to 12 months. Also a review of current supports in terms of their accessibility and relevance for certain groups who would prefer to engage in self-employment (e.g. some Travellers, ethnic minority groups) should be undertaken.

Despite the recognition of the need for regional balance, the actions stated do little to redress the current imbalance. Many of the supports available regionally are highlighted in Guideline 10 – addressing regional disparities however overall it is felt that the NEAP is very urban orientated and offers little for rurally based unemployed people.

Lastly there are no tangible targets or outcomes set out in the stated actions in order to measure performance against.

## Conclusion

This paper while briefly describing the evolution of the National Employment Action Plans has concentrated on how the current Irish plan is impacting on unemployed people. Although the NEAP covers wider issues across the 10 specific guidelines, it is guideline 1 and 2 that are of most relevance to unemployed people. Overleaf are some suggested recommendations to improve the effectiveness and implementation of the forthcoming NEAP at national and European level.

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## Suggested recommendations to increase effectiveness of NEAP

### National Level - General

- All the actions stated in the NEAP should reflect and achieve the 3 overarching and inter connecting objectives: full employment, quality and productivity at work and social cohesion and inclusion
- There must be increased synchronisation between the NEAP and the NAPSincl as there are many common areas in relation to access and participation in the labour market. This in turn would increase the inclusiveness of both policies.

### National Level - Guideline 1

- To increase the effectiveness of all the stated actions but especially the preventative strategy increases in terms of resources and options available to unemployed people is needed.
- To 'mobilise all actors', development and delivery of provision of services could be available at all levels not just through FAS. This could include increase service provision through the Local Employment Service and greater involvement with non-governmental organisations etc.

### National Level - Guideline 2

- Policies to stimulate job creation and growth should focus on all sectors not just high-tech, knowledge based industries.
- Entrepreneurship should be encouraged amongst the unemployed and those distanced from the labour market as a viable option for them.

### European Level 1

- Currently the review process / Open Method of Co-ordination has no legal backing. Countries are not legally obliged to take the recommended action or to fully implement its own NEAP. The possibility of issuing penalties for non-compliance should be explored.
- Similarly, perhaps the EU institutions should set tougher standards for member states who emphasis one objective of EES over the other key objectives.



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