

2014: Budgeting to address unemployment



1 INTRODUCTION

As Ireland prepares for Budget 2014, as the Troika prepares to leave, the debate to 'be austere or not' continues to rage. Many policy makers, politicians, commentators believe Ireland has no choice

otherwise the country will be unable to access sufficient credit to stay afloat. Other policy makers, politicians, commentators strongly believe that Ireland would have choices if the political will was there to

develop and make them. On both sides of the debate the issue of jobs, the scale of the jobs lost in the crisis, the urgent need for their creation and the necessity to address unemployment are rightly acknowledged. At the macro level, the acid test of course will be whether sufficient jobs are created.

At a personal level, the issue facing unemployed people is whether or not they have a realistic prospect of finding sustainable employment. A question that becomes even more pertinent as unemployed people face the prospects of sanctions if

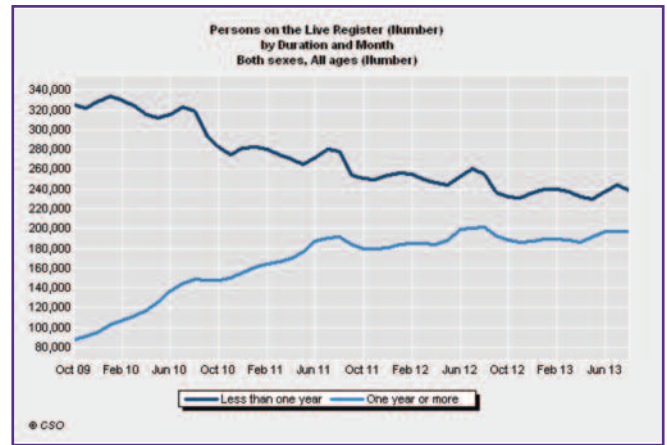
they fail to take up the 'activation' options presented to them. Yet the stark reality is that the current scale of job maintenance and creation is insufficient to give many of those who are now unemployed any long-

term meaningful options. Without a significant increase in job creation and an even bigger increase in the access to these jobs by the unemployed, it is hard to see how Ireland's budget arithmetic will ultimately add up.

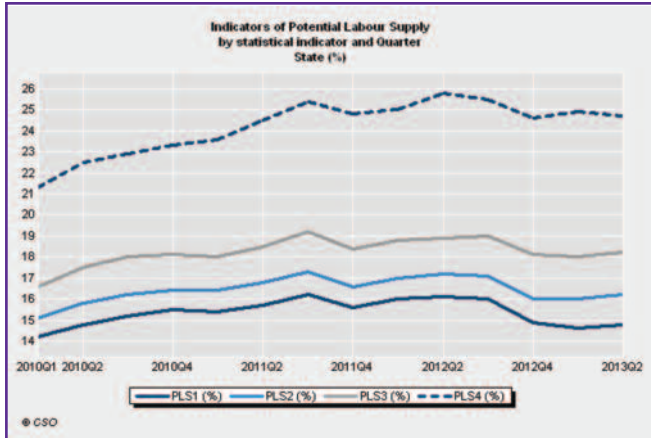


A more relevant way of framing the debate would be: 'invest or not invest'. Many who view these debates from an economic perspective only, would fear the public expenditure implications of investment. Others, who are keenly aware of the cold realities on the ground facing so many families and communities, see the negative impact of disinvestment. Failure to address social issues carries with it significant long-term economic costs: nowhere is this more evident than with unemployment, an issue where the interconnectedness of the social and the economic is so apparent.

Over the past year the Live Register has floated down to a seasonally adjusted figure of 415,300 people: the last time the register was at this level was August 2009. However, looking at the unadjusted data it is clear that much of this fall is in short-term unemployment. Of particular concern to the Irish National Organisation of the Unemployed are the numbers of people on the Live Register for more than a year. As Figure 1 illustrates, this number is hovering just under 200,000 people.



Rate which now stands at 13.4%: a rate last seen in April 2010. As the Indicator of Potential Labour Supply captures a broader range of data, it illustrates more clearly the extent of the employment challenge facing Ireland and in particular if it is to be addressed in an inclusive manner.



The official unemployment figure comes from the Quarterly National Household Surveys which uses the tight International Labour Office definition which only classifies people as unemployed if they are actively seeking work. Over the most recent quarters long-term unemployment has fallen year-on-year to 175,000 people. This begs the question: where did these people go? Examining the Indicator of the Potential Labour Supply (PLS) provides a broader picture which captures not only those who are 'officially' unemployed but people who are underemployed and those who have become discouraged / 'inactive', many of whom are amongst the long-term unemployed. The broadest of these indicators is PLS4 and in Q2 2013 it stood at 24.7%, a figure it has hovered around over the past six quarters. This contrasts with the overall Standardised Unemployment

In the most recent National Skills Bulletin detailed data from the Quarterly National Household Survey was used to explore movements / transitions between employment, unemployment and inactivity. At one level it highlighted a significant amount of flexibility within the labour market as in 2012, 130,000 people moved from unemployment into employment, while 120,000 people went from work to being unemployed. Interestingly, 39% of the transitions from unemployment into work were people who have been long term unemployed. However, the report notes that on average over the year 74.5% of those who had been unemployed in one quarter were unemployed in the next. The scale of the employment challenge and in particular addressing it sustainably is also highlighted: "as a significant share of transitions to and from employment, as well as within employment, are associated with relatively lower skilled jobs, the analysis suggests that the challenge for many job seekers appears to be not just in securing any employment, but in securing sustainable jobs". (p10)







As so many people remain unemployed the issue of income maintenance and supports are of paramount importance. It should be remembered that 70% of Jobseekers are in receipt of a personal payment only; and that less than 11% are in receipt of Rent Supplement. €188 is the maximum payment the vast majority of unemployed people receive: an unsustainable level of income. As the 2011 Survey for Income and Living Conditions shows the at-risk-of-poverty; the deprivation; and the consistent poverty rates were all higher for unemployed people than the rate for the State at: 30.6% v 16.0%; 42.4% v 24.5%; and 16.5% v 6.9% respectively.

Even though far fewer unemployed people are in receipt of housing supports than popular myth would suggest, for those in receipt of it, it is a critical support. The Department of Environment, Community and Local Government are scheduled to take over this support for longer-term recipients through the proposed Housing Assistance Payment. HAP should be designed so that the welfare to work issues arising with Rent Supplement do not re-emerge. HAP should operate in a similar manner to the differential rental system that currently operates for Local Authority housing. However, the necessary supports must be put in place to ensure that the Local Authorities deliver on this aspect of social protection appropriately.

From an unemployed perspective, Family Income Supplement (FIS) is an activation measure seriously underused by the state. FIS is also an income measure that supports people with families in low paid employment once they are



-  The INOU is calling on the Government to stand by its 'Programme for Government' commitment that "We will maintain social welfare rates."
-  Rent Supplement should be set at a level that truly assists unemployed people to address their accommodation needs.
-  It is imperative that the necessary supports are put in place to operationalize HAP's development properly.
-  To make Family Income Supplement (FIS) a better option:
 - ▼ Pay automatically.
 - ▼ Review the minimum hours.
 - ▼ Make the application easier and the process more prompt.
 - ▼ Automatically increase the payment when the recipient has another child i.e. link to receipt of Child Benefit.

working at least 19 hours a week or 38 a fortnight. Notwithstanding the Advisory Group on Tax and Social Welfare 'First Report on Child and Family Income Supports', the INOU recommends that no changes take place until issues surrounding people of working age are also considered. Basically poor children live in poor families and if poverty and social exclusion are to be adequately addressed then none of these issues can be looked at in isolation. Nor can they be looked at from an income focus only, as access to appropriate and quality services plays a critical role. To that end it is important that Family Income Supplement is maintained and that access to it is triggered automatically as people exit a social protection payment to take-up work.

The educational profile of the unemployed is broader than the previous crisis and as a consequence requires a variety of educational and training responses to ensure that individual unemployed people are accessing the most appropriate opportunity for them. Indeed the challenge facing so many young unemployed people is not that they lack a high standard of education but that they lack the job opportunities to use and develop the skills their education has given them. Ireland will regret the loss of talent and energy to its current and future development as we lose so many young people to emigration.

However, the strong correlation between educational status and employment status is still a reality with so many people with a lower standard of education experiencing long-term unemployment and joblessness; and others a dispiriting cycle of welfare and poorly paid and precarious employment.

Further Education and Training (FET) and Higher Education (HE) have a role to play in providing unemployed people with the right skill set to secure them a decent job. Programmes like Springboard and Momentum are a welcome development but need to happen on a larger scale. It is also important that good links are built to sustainable employment opportunities. The funding mechanism incorporated in Momentum should address this issue but will the employment be sustainable? Feedback the INOU has received highlights the need for interdepartmental and interagency cooperation and collaboration to ensure that the unemployed person undertaking the education and training is supported to find a related job.

Education is one issue where the 'invest or cut' debate is particularly stark. Successive Governments have talked about Ireland developing a smart or knowledge based economy: such an economy is not achievable without the necessary investment. ICT is one area where there are jobs and the potential for further job creation. Specific courses have been developed to fill some of the skills gaps in this area and provide unemployed people with marketable skills. However, one issue that has arisen is the issue of existing educational levels of unemployed people and what educational supports they may and may not access. In general post-graduate level education is not supported; neither are courses



The INOU is calling on the Government to properly support a learner centred provision of education and training supports to unemployed people.



Integral to such provision is the principle of choice and the provision of good adult guidance.



The Government should increase the provision of courses that will improve unemployed people's chances of securing paid employment.



Diversity amongst unemployed people must also be recognised and that the journey into work will be longer for some than others.



Integral to this will be the provision of literacy and numeracy training.

at a lower level to the person's existing levels of education even if it is in an unrelated field. In an increasingly flexible labour market, such inflexibilities within the system are not smart and should be addressed.

Similarly, at a time of constrained resources it is absolutely imperative that the systems are put in place to ensure that the right person is offered the right education and training course. Good adult guidance has a critical role to play in this regard: in developing a responsive and smart education and training system. Working with unemployed people, informing them of their options, assessing what is the best option for them, takes time but it is time well spent if the retention rates on the courses are higher and the outcomes are better. There are examples within the community based education sector and the private-for-profit sector of where a learner-centred model of engagement produced a win-win all-round.

The development of SOLAS, the rollout of the local Education and Training Boards, and the

interaction with the local Social Welfare Office / Intreo Office throws up opportunities to get all of this right. But it also throws up challenges and there are two critical questions that must be answered if education and training are to assist unemployed people to secure paid employment: (i) who will decide which course the unemployed person should be going on? And (ii) who is actually going to support the unemployed person into paid employment? To maximise the potential of activation to secure employment for unemployed people requires clarity on these questions. It requires excellent interagency /

departmental co-operation. Under initiatives like Momentum and the proposed JobsPath initiative private-for-profit providers will be playing a bigger role. It is absolutely critical that in the midst of all of this activity that the needs and aspirations of unemployed people are not lost sight of and that they are a key player in these decision making processes. It is also important that community and voluntary sector providers are included in these developments: in particular their work with individuals and groups particularly excluded from the labour market.

5

ACTIVATION: EMPLOYMENT

At present most of the employment growth or availability is in part-time employment. The INOU is concerned at the extent of the low paid and precarious nature of much of this employment which not only raises issues of sustainability for individual unemployed people and their families but also raises such issues for Ireland. However, access to part-time or short-term work present opportunities for unemployed people to build up their connections in the labour market. Yet it can be difficult to take-up. Some people are unaware or not informed of the Fast-Track system; while others have experienced severe delays getting back on a social welfare payment when they take up such work options. This dynamic is further exacerbated by the current structure of the social protection / employment engagement system which is based on a daily system i.e. one hours work is construed as a day's work. Regrettably recent changes to JB and JA add layers of complication that are questionable and likely to be counter-productive. It would be a win-win all-round to make the transfer to work as seamless as possible: ultimately a more responsive and flexible system will prove to be more effective and efficient in the longer term.

Under *Pathways to Work* and the *Action Plan for Jobs 2013 (APJ)*, the Department has set itself a target to move 20,000 long-term unemployed people back into work. It is absolutely imperative that this is decently paid work. It will be critically important that JobsPlus is promoted well as employer incentive schemes traditionally have had a poor take-up. However, one concern the INOU has is that the level of supports proposed are again tied to fairly low wages.



The INOU is calling on the Government to extend the Fast-Track system to 3 months and to promote this scheme pro-actively.



Introduce an hours-based social welfare system and re-design the earnings disregard accordingly.



Actively promote *JobsPlus* to unemployed people and potential employers.



Review how the PRSI system has been used to incentivise employment creation to ensure that it is not furthering the creation of low paid and precarious employment.



Introduce a flexible 'Back to Work Allowance'.

Concerns have also been raised with the INOU that the structure of employers PRSI is having a negative impact on the maintenance and creation of full-time work. In particular INOU affiliates have noted that some employers are opting to create part-time work or split existing employment to avail of the lower PRSI rates.

It is important that the system also introduces schemes that target supports to unemployed people progressing into employment. So from the unemployed person's perspective and to address some of the concerns people have raised with the organisation with regard to schemes like JobBridge and the lack of employer contribution, the INOU believes it is timely to re-visit the Back to Work Allowance scheme. One way to ensure that the unemployed person's ability to stay in work was not undermined by the precariousness

or unsustainability of emerging employment would be to allow the payment to move with the person. This could help to address some of the fears and uncertainties that people have of taking up employment if the employment may not last. For such a development to produce sustainable outcomes it will require employment services within DSP to work with unemployed people to find employment and to provide appropriate follow-up supports.


6


ACTIVATION: EMPLOYMENT PROGRAMMES


The Department of Social Protection's review of employment programmes noted that *"The World Bank describes Active Labour Market Programs (ALMP) as having two basic objectives: economic, by increasing the probability of the unemployed finding jobs, productivity, and earnings; and social, by improving inclusion and participation associated with productive employment."* (p14 HLIP) Another important role that is not properly recognised is the importance of these schemes in providing badly needed employment in communities where it is otherwise lacking. The current job crisis has exacerbated this reality, however it has been and remains a reality for many long-term recipients of social protection payments who have been excluded from the wider labour market. If the issue of joblessness is to be addressed then better linkages between activation programmes and the wider labour market must be addressed, including issues of discrimination and exclusion.

Activation models that have worked well with marginalised groups have had good recruitment processes; quality training; and clear links to progression options including employment. Where employment has been the outcome it has either been within the community and voluntary sector, often the developers of these models, or where projects have had significant input from the other two sectors in the labour market: the state and the private sector.

Work must be undertaken to build better links, clearer pathways between labour market programmes and the wider labour market. The skills and experience acquired must be identified and this information used to support the



 The INOU is calling on the Government to ensure that employment services play their part in supporting participants on employment programmes to progress into employment in the wider labour market.

 The INOU is calling on the Government to ensure that participation on employment programmes:

- ▼ are by choice
- ▼ that where necessary education and training options are built in; and
- ▼ that progression into paid employment is actively supported by employment services.

participant to find subsequent employment through the job-matching facility developed by DSP employment services. This job matching facility and associated work should serve to address the misgivings of non-sponsoring employers regarding the quality of the work undertaken and the presumed lack of transferability of the skills acquired in employment programmes. Basically, DSP must strive to create an image, for itself and its programmes, of excellence, that both unemployed people and employers see as integral to providing employment and labour market supports.

The Back to Work Enterprise Allowance programme is the third biggest activation programme after the Back to Education Allowance and the Community Employment Programme. The option to address one's own unemployment is important for many unemployed people. The enterprise supports through the Local Community Development Programme play an important role in supporting unemployed people to avail of this option and it is vital that these supports suffer no further cut backs in the coming budget.

It is also important that other enterprise supports aimed at micro and SME businesses are accessible to unemployed people. The stark reality is that in many local areas there will be no IDA funded FDI or larger Enterprise Ireland supported industries to re-invigorate local economies or create employment. It will be local people setting themselves up in business, it will be local communities coming together to develop social enterprises that create local employment. The new Local Enterprise Offices should have an important role to play in all of these developments.

It appears from the most recent economic data that Ireland is not performing at a level that will produce the required results from the austerity policies that have been pursued. For many of us this is not surprising as it is hard to visualise how any country can cut its way out of a crisis or seek to secure economic growth through a process of disinvestment. Recent export data shows yet again the dangers of an over reliance on any particular sector in an ever changing world.

Export led growth has a clear role to play in Ireland's overall economy recovery but it will not address Ireland's unemployment crisis. For this to happen the domestic economy must also start to recover and this becomes harder and harder as the impact of fiscal consolidation bites deeper and deeper.

There is a real danger that with the economic policies being pursued that Ireland could see a jobless economic recovery. This must not be allowed to happen: the personal, communal, social and economic costs would be unconscionable.



The INOU is calling on the Government to pro-actively support unemployed people seeking to become self-employed;



Reinstate the BTWEA to 4 years;



Provide earlier access to the full scheme for unemployed people with viable business ideas;



Facilitate self-employed to insure against their own unemployment.

At present self-employed people can insure themselves against anything except the prospect of becoming unemployed. The consequence of this has been very evident in this crisis as formerly self-employed people are a significant group amongst the unemployed who are not in receipt of a payment and this must be addressed.

Ireland must start to invest in its own future. The State as a significant employer must re-think its own employment strategy: if for no other reason than to address the generation gap that is emerging within the Civil Service. It is extraordinary that Ireland has done so little to avail of the talents and skills of what is Ireland's best educated generation. It would be a very useful contribution to the Youth Guarantee for the State to start recruiting again: as an employer the State must lead by example.

The potential of the green economy must be developed as a matter of urgency. Such a drive could meet a number of key policy objectives: create jobs on a better scale and with a wider regional spread; give hope to unemployed people who have the necessary skills; meet our international environmental obligations; and address social issues like fuel poverty through better housing insulation and create alternatives to costly energy imports. All of this requires investment but it is investment that would generate a return on so many fronts it should be undertaken.

As noted earlier local communities have an important role to play in the local economic and

social development. The recent publication from Forfás on the potential of social enterprise is welcome and it is important that this coming Budget seeks to build on this type of activity. At a time when the state is pulling back from public service provision, when for so many people and their communities' private-for-profit providers are not meeting their needs, social enterprise has an important role to play. Another key aspect to social enterprises is the creation of jobs for those who may otherwise not find employment.

This is a key challenge within the employment / unemployment discourse. If Ireland's job creation strategies are to play their part in addressing unemployment then there must be clearer pathways into employment for unemployed people. As noted earlier initiatives like JobsPlus must be promoted to potential employers. The Government as a collective must promote the Live Register as a significant human resource pool. Key Departments and in particular Social Protection must build up good working relationships with all employers. Key to this development will be a good facility to match up the right person with the right job: nothing will discourage private sector employers more than some of the strategies that are emerging on training and employment programmes which are being filled on a first come, first served basis regardless of suitability. Getting these systems right will create a dynamic that in itself would improve economic activity, it would also have a positive impact on the health and well-being of the unemployed.

8

COMMUNITY

Community and voluntary sector organisations are key actors in the roll-out of employment support schemes. Many of these programmes underpin a wide range of public services; while for many marginalised communities and individuals they provide the only accessible employment. It is important that in the reforms underway in activation supports that this reality is not lost sight of: but that every effort is made to support the work of CVS organisations and build on it to create a more inclusive labour market.

Community based and lead organisations also play an important role in providing information, supports and participation opportunities for unemployed people. With the deepening of this crisis demand on local organisations has increased but the resources available to them have



-  The INOU is calling on the Government to pursue a more ambitious and innovative investment and job creation programme to properly address unemployment.
-  Resource Employment Services to create access to decent employment for unemployed people.
-  Resource good cross departmental and local agency co-operation to support access to employment.
-  Actively support unemployed people seeking to create their own employment and ensure they receive adequate supports in particular through the LEO one-stop-shop.
-  Support social and co-operative enterprise developments.



-  The INOU is calling on the Government to properly support community and voluntary sector organisations to continue their work in addressing social and economic exclusion.
-  To build on the good practice developed by community based organisations including the Local Employment Services Network model of engagement, guidance and support.

decreased. It is absolutely critical that supports to CVS and local development organisations are not further eroded.

The implementation and roll-out of 'Pathways to Work', Intreo, the Local Enterprise Offices, the development of SOLAS and the local Education and Training Boards, point to more interactive social protection, enterprise and education services than to-date has been provided to unemployed people. The culture underpinning these developments will be absolutely critical. The INOU is particularly concerned at the increasing control focus in much of the change underway in social protection services. It would be more productive and ultimately cost less to create a citizen (in the broadest sense of the word) centred service that supports people when they become unemployed and supports them to get back into decent work as soon as possible. To achieve that end will clearly require other state bodies delivering on appropriate education and training opportunities; local job creation opportunities; and other social supports. A key element to these developments and improving public services overall will be properly resourced and informed frontline staff.

Concerns have also been raised with the INOU about the exclusion from employment services of people who are not in receipt of a payment or not in a receipt of a payment with an activation focus. In the past the National Employment Service, for all its faults and failings, was accessible to a wider range of participants and it would be important for the Department of Social Protection to broaden its concept of 'client' to beyond those in receipt of a payment.



The INOU is calling on the Government to ensure a consistency of approach across its reform agenda.



Promote active participation in society.



Put the citizen at the centre of services and policies.



Provide an inclusive and accessible national employment service with a dynamic job matching facility.



Invest in the professional development of frontline staff and the management systems underpinning their work.



Resource improved communications between Government Departments to facilitate an integrated client centred professional educational guidance and information service.

The INOU is keenly aware of the challenges facing Ireland as we exit the Troika agreement. The INOU is calling on the Government to reconsider the tax to cuts ratio: the relentless austerity and dampening down of domestic demand will not get people back to work.

A more ambitious and innovative investment programme is required if long-term unemployment is to be actually addressed. Ireland needs a vision of the type of society we want and the nature of the economic activity essential to its realisation.

Integral to securing a sustainable future will be an equitable tax base: it is timely now for Ireland to give serious consideration to the introduction of wealth tax.

Such a development would be in keeping with the Government's declaration in the Programme for Government that *"By the end of our term in Government Ireland will be recognised as a modern, fair, socially inclusive and equal society supported by a productive and prosperous economy."*



INO Contact:

Brid O'Brien

Head of Policy and Media

Email: policy@inou.ie

Telephone: 01 856 0088

