



## IRISH NATIONAL ORGANISATION OF THE UNEMPLOYED

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### INOUE Submission to Joint Committee on European Affairs on the

#### Social dimension of the Economic and Monetary Union

#### Introduction

The INOU welcomes this opportunity to make a presentation to the Joint Committee on European Affairs on the social dimension of the Economic and Monetary Union. As Ireland prepares for the Troika to leave, it is increasingly clear that austerity is not leaving with them. Many policy makers, politicians, commentators believe Ireland has no choice in this matter otherwise the country will be unable to access adequate funding. Other policy makers, politicians, commentators strongly believe that Ireland would have choices if the political will was there to develop and make them. The INOU is keenly aware that addressing the unemployment crisis in a 'smart, sustainable and inclusive' manner will not be feasible unless alternative policies are developed and pursued. This is not only a challenge at the national level but also one at the European level. The emphasis on strengthening the "EMU's economic governance and multilateral surveillance" has created a limited policy context in which social issues can be appropriately addressed. The focus on tight fiscal controls is also throwing up economic challenges: for example, the implications of dangerously low levels of investment in Ireland<sup>1</sup>.

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<sup>1</sup> "Lack of investment by the domestic private and public sectors both exacerbates the shortfall in domestic demand in the short-term and undermines the economy's productive capacity in the long-term." NERI Working Paper Series "Ireland's Investment Crisis: Diagnosis and Prescription" by Victor Duggan

At a personal level, economic and social issues are intertwined. A critical question 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 creation is insufficient to give many of those who are now unemployed any long-term meaningful options. An issue that is exacerbated by the fact that many unemployed people do not hear about employment options as increasingly jobs are not advertised; and when they are advertised a reluctance by some employers to employ people who are long-term unemployed. These issues are not only personal but local, national and European and addressing them at all these levels is critical. How the perceptions of unemployed people and jobless households are articulated, the language used in public discourse, the policies devised, their implementation on the ground all influence potential outcomes and in particular whether or not they are equitable and inclusive.

## Europe 2020

As a Troika country Ireland was not subject to the full Europe 2020 process, as the Troika leaves this process and its targets will become more pertinent. Ireland meeting its obligations under the Troika agreement presented contradictions and challenges to Ireland meeting some of its targets set under Europe 2020. Even with the revised and less ambitious poverty targets, introduced in light of the impact of austerity, Ireland is currently moving in the wrong direction<sup>2</sup>. According to the *Survey on Income and Living Conditions 2011* consistent poverty had increased to 6.9%: for unemployed people this figure is considerably higher at 16.5%.

On the educational target<sup>3</sup> Ireland is moving in the right direction as according to Eurostat the percentage of early school leavers fell from 11.4% in 2010 to 10.6% in 2011; and the tertiary

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<sup>2</sup> Ireland's Revised Headline Target: To reduce consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.

<sup>3</sup> To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%.

attainment rate for 30-34 year olds was 49.7% in 2011, the highest in the EU 27. However, as Ireland's structural unemployment problem indicates, we have a long way to go before addressing the challenges facing disadvantaged young people distant from the labour market. An equally difficult challenge is the one facing older long-term unemployed people whose skill set does not match up with current or emerging job opportunities: an issue that is explored under the employment target.

The employment target sets out to *“raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.”* Recent employment and unemployment data indicate a stabilisation of the employment loss / unemployment crisis however improving headline statistics often mask underlying problems.

The INOU is keenly aware that the official unemployment figures published by the CSO through their Quarterly National Household Survey (QNHS) only identify people as unemployed who “in the week before the survey, were without work and available for work within the next two weeks, and had taken specific steps, in the preceding four weeks, to find work.” If, for whatever reason, an unemployed person does not fill either of these criteria they are not deemed unemployed. If they worked for an hour or more in the week before the survey, they will then be counted amongst the employed regardless of the nature or sustainability of the employment involved. If they have not sought work because previous attempts to find work proved fruitless they will be counted as ‘inactive’ and not counted as unemployed. An interesting statistic that the CSO now produces is called the ‘Potential Additional Labour Force’ which captures those who are ‘persons seeking work but not immediately available’ and ‘persons available for work but not seeking’. According to the most recent QNHS, Q2 2013 this figure stands at 60,000 people.<sup>4</sup>

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<sup>4</sup> 300,700 people were officially unemployed in Q2: of this figure 58.2% or 175,000 people were long-term unemployed.

Amongst the 175,000 people officially long-term unemployed, there are people who come from communities where structural unemployment, poverty and socio-economic exclusion are daily realities; and there are those who never imagined they would ever be unemployed and are now struggling with the cumulative negative impact of being long-term unemployed.

It should also be noted that welcome and essential as the Youth Guarantee is, that in Ireland 87% of the long-term unemployed are aged over 25 and that specific measures are also required to address the issues facing older unemployed people, including discrimination.

### **Reinforcing surveillance of employment and social challenges and strengthening policy coordination**

While welcoming the proposed increased focus on social issues within the economic / fiscal monitoring procedures in place in Europe, the INOU is conscious of the challenge facing Europe. For example, when the tight control envisaged under the Macroeconomic Imbalances Procedure (MIP) prevents appropriate levels of social and economic investment to really tackle structural unemployment and those 'at risk of poverty and social exclusion'. So in seeking to strengthen policy coordination will an economic focus invariably dominate a social one? Or will the learning drawn from the key employment and social indicators scoreboard be used to really address the underlying structural issues which give rise to long-term unemployment, poverty and social exclusion? Without a strong focus on equality and policy and system design that strives to appropriately meet the needs of people living and working in Europe, there is a real danger that activation measures will fail unemployed people and others distant from the labour market.

It is also striking that European wide progress on social policy will be assessed through, for example, the exchange of best practice through the Open Method of Coordination which is a far cry from the potentially draconian measures envisaged on the economic / fiscal policy side.

## **Enhanced solidarity and action on employment and labour mobility**

A strong focus on 'active inclusion' will be integral to the development of a smart, sustainable and inclusive Europe; integral to developing and deepening social cohesion within and across Europe; integral to realising the Social Investment Package's (SIP) full potential.

Europe has defined 'active inclusion' as "enabling every citizen, notably the most disadvantaged, to fully participate in society, including having a job". There are three interlocking aspects to active inclusion: adequate income support; inclusive labour markets; access to quality services. Access to adequate income supports and quality services are critical to addressing poverty and social exclusion. They are also critical in supporting people who become unemployed to manage their unemployment and access an appropriate response.

The INOU is concerned that the increasing focus on conditionality within and across Europe is undermining social protection supports and that elements within SIP that "stresses prevention rather than cure, by reducing the need for benefits" will leave an increasing number of people managing the personally unsustainable and impoverishing cycle of welfare and low paid precarious work. Such a development will undermine solidarity at all levels of European society. It also raises serious questions for the whole issue of labour market mobility and its impact on social stability and the formation of sustainable family and communal life.

On the potential of financial instruments, welcome and all as these are, at a time of tighter fiscal rules the scale of these instruments in comparison to the need or the implications of matched funding where required, limits their potential impact.

## **Strengthened social dialogue**

It is critically important that any developments across Europe to strength the social dimension of the Union's focus and organisation explicitly includes people who are living with and seeking to address unemployment and other forms of inequality and social exclusion. The vision for

growth within Europe 2020 is for growth that is smart, sustainable and inclusive. To develop and implement policies that underpin this vision, it is not only critical but smart to include the very people who are often the objectives of policy developments. The active participation of people living and working in Europe is critical to improving social cohesion and the creation of a Europe that is seen as meaningful to the lives of its inhabitants and citizens.

Community and voluntary sector organisations or NGOs *as* social partners have an important role to play in social dialogue and in the articulation and development of inclusive policies and their implementation. CVS / NGOs like the traditional social partners contribute to the role out, review and development of improved policy responses and good practice. A key element of good practice is engaging with people who are unemployed, socially or economically excluded and drawing on their lived experience to develop better and more appropriate responses. An integral part of such work is the provision of good quality information that facilitates people to make informed choices and choice must be at the heart of activation and other policies.

## **In conclusion**

The Communique notes that “A well-functioning monetary union requires flexible markets and appropriate institutions to address the social situation and provide adequate national safety nets”. It also requires an equal weighting to be given to social policy as is afforded economic / fiscal policy; and it needs to strive to have at the heart of its policy development a strong commitment to equality and inclusion.

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