



Budget April 2009

1 Introduction:

In our pre Budget 2009 submission, the INOU highlighted the scale of the unemployment problem facing Ireland. Our message was a simple one, that addressing unemployment needs to be treated with the same degree of urgency as that has been given to addressing the financial crisis – both banking and public. Unemployment has both an economic and social cost, costs that are borne by the country, the community, and in particular unemployed people themselves and their families. We called upon the State to play its part in supporting unemployed people to address the issues facing them particularly the loss of income and securing future employment, but how did the unemployed fare in budget 2009? In this post budget analysis we discuss the changes announced under the headings used in our pre-budget submission: income adequacy; improving public services; labour market; education and training.

2 Income Adequacy:

Though no changes were made to the basic social welfare adult rate, other changes were made that will hit the income levels of the most vulnerable hardest. In particular, the cutting of the Christmas bonus which many families were expecting and dependent on to cover a very expensive time of year. And the reduction to €100 for young people under 20 entitled to a Jobseekers Allowance. This reduction will not apply if the recipient has dependent children but will apply to the Qualified Adult payment where there are not child dependants.

Major changes were made to Rent Supplement (RS) which will have a negative impact on people's income in 2009: these will come into effect from 31st May. The minimum contribution that RS recipients must pay has been raised to €24. Over the past year this contribution has gone up by €11 or 85%. These RS supplement tenants are also facing an 8% reduction in their current rent supplement payment. According to the Minister for Social and Family Affairs, Mary Hanafin, TD "it is hoped that landlords will decrease the rent in recognition of the fact that rents have fallen generally and that there are now a large number of vacant rental properties nationally." Given the comments we have received from unemployed people living in RS accommodation it will be the tenant and not the landlord who will take the hit. This means that a RS tenant who has lost their Christmas bonus is facing an average drop in income of 5% and not an 8% rise as the Minister for Finance, Brian Lenihan, TD asserted in the Dáil last week.

Rent Supplement was originally introduced as an emergency payment to assist people with their immediate accommodation needs but over time became a key mechanism in meeting people's longer-term needs. Over the past number of years accommodation policy has sought to change this reality with the introduction of RAS which is administered by the Local Authorities and an increased focus on social housing provision. In April's Budget a decision was made to restrict access to Rent Supplement to people already in rented accommodation and who have been assessed as having a housing need. The maximum rent limits for new Rent Supplement payments will be reduced by 6% to 7% on average, ranging up to 10%, depending on the geographical area and household size.

3 Improving Public Services:

The INOU commented on the growing challenge facing the Irish social welfare system in its incompatibility with an increasingly flexible and atypical labour market. This time of crisis presents an opportunity to address this issue not only from an equality and modernization perspective but also from the perspective of job maintenance through a combination of social welfare and employment income. Unfortunately the INOU believes that the changes announced in the budget will not be sufficient to address this issue.

We also sought for the government to set real targets for maximum times for processing claims for Jobseekers Benefit (JSB) and Jobseekers Allowance (JSA). We are concerned that the Government did not take this opportunity to comment on or institute maximum processing times for applications for social welfare payments. Given the huge rise in the number of people signing on to the live register it is crucial that the social welfare system is resourced to provide as fast and efficient a service as possible.

4 Labour Market:

In seeking to address the unemployment situation we are now facing, the INOU highlighted the need for innovative thinking on the continuum of job maintenance; job creation; and education and training. We were disappointed that the changes announced under Annex F (Support those who lose their jobs) of Minister Brian Lenihan's speech showed very little in the way of innovation and in particular at the scale required to start seriously addressing the unemployment crisis.

The INOU proposed that as a matter of urgency the Government should hold the proposed Jobs and Skills Summit; and that the High Level Group on the Labour Market be re-convened immediately. We were again disappointed that no progress has been made and appears unlikely while the National Social Partnership process remains stalled.



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The INOU raised the need to significantly improve integration between the Department of Social and Family Affairs, FAS as well as the Local Employment Service in the development and delivery of benefits and employment supports and services. In Annex F of Minister Brian Lenihan's speech he outlined that "The Departments of Enterprise, Trade & Employment, Education & Science and Social & Family Affairs have agreed a joint approach to activation and have produced a range of measures aimed at maintaining people in employment, re-skilling and facilitating better access to allowances, while avoiding undue negative impacts on vulnerable individuals."

The Department of Enterprise, Trade and Employment will provide resources for an additional 400 places on the Community Employment Scheme (C.E.). The INOU had urged the Government to maintain the focus of C.E. on addressing disadvantage as it is the primary avenue into employment for those most distant from the labour market. There was no indication in any of the Ministerial budget speeches what focus CE would take in the future.

Annex F, Section 1.2.6 announced a "Pilot Training Scheme for Workers on Short Time: This represents a significant new approach to supporting people in vulnerable employment. It will provide training and income support to workers considered to be in vulnerable employments, by introducing a pilot scheme for companies that have placed staff on a 3-day week, to provide 2-days training a week to up-skill employees for a period of 52 weeks. The proposal envisages 277 participants at a cost of approx €1 million for the training element. The details of this scheme will be finalized between the Department of Enterprise, Trade and Employment, and the Department of Social and Family Affairs with a view to early implementation." The INOU welcomes this development as it is in keeping with our call for an 'Earn and Learn' approach, however the numbers involved are the bare minimum given the unemployment / employment crisis to be addressed.

In Annex F 2,000 places on a new 'Work Experience Scheme' have been announced. The INOU will be following up with the Departments of Enterprise, Trade and Employment and Social and Family Affairs what exactly this new scheme will entail; who can access it; and to what end.

The INOU has consistently acknowledged the positive benefits that schemes such as the Back to Work Allowance (BTWA) and the Back to Work Enterprise Allowance (BTWEA) have for unemployed people. In line with this we called for a reduction in the eligibility criteria for schemes like the BTWA, BTWEA, the Part-time Job Incentive Scheme and the Revenue Job Assist so that they would become an available option to all unemployed people after a period of 6 months.

The INOU is concerned that the positive changes made to the Back to Work Enterprise Allowance (BTWEA) are being made at the expense of the Back to Work Allowance and a reduction in the duration on the BTWEA. Given the prevailing and challenging economic conditions, how feasible is it that people will be able to get a business off the ground in a year or less? The changes to the BTWEA include:

- » People who are entitled to Jobseekers Benefit or in receipt of a statutory redundancy payment can access it immediately. However, they will only be able to participate on the scheme for the duration of the Jobseekers Benefit they would otherwise have received i.e. a year for those with 260 + contributions; and 9 months with those with < 260 contributions.
- » People in receipt of or moving on to JSA the eligibility criteria for the BTWEA will be reduced from 2 years to 1 year. However, the length of time they can participate on it will be reduced from 4 years to 2.

5 Education and Training:

There are clear links between educational attainment and employment status. The Expert Working Group on Future Skills Needs highlighted the challenges facing Ireland in matching up Ireland's labour force and potential employment into the future. The economic downturn impacts further on this challenge. At a time of decreasing resources it is imperative that education and training opportunities are linked to a broader vision for economic and social development.

There are two distinct re-training and up-skilling issues facing policy makers and practitioners at present. Firstly, there is the challenge of bringing people with low levels of formal education up to a level whereby they can compete in a 'smart economy' for a decent job. In many cases people in this group are early school leavers, who in more recent years found employment in the construction industry. Secondly, there is the challenge of supporting people who already have a high level of qualifications but whose existing skills mix does not fit easily with potential employment. These diverse needs present considerable challenges to education and training providers as well as employment services-as they ultimately have match-up potential employees with employment opportunities.

In Annex F a number of initiative where announced. Under the Department of Social and Family Affairs:

- » Earlier access to BTEA (Second Level Option) at 3 months instead of 6 months;
- » Earlier access to BTEA (Third Level Option) when recommended by a Facilitator (reduce from 12 to 9 months in line with NEAP);
- » Immediate access to a shorter BTWEA for someone who qualifies for a Jobseekers Benefit (with 104 contributions paid in the past 2 years), or who qualifies for statutory redundancy. It is estimated that 500 additional claims will result from this measure.

Under the Department of Enterprise, Trade and Employment:

- » Increase of 12,015 places under the Training Initiatives Strategy – Short Courses (10 weeks);
- » Increase of 1,833 places under the Training Initiatives Strategy – Longer Courses (20 weeks);
- » And the Pilot Training Scheme for Workers on Short Time described above under 'Labour Market'.

Under the Department of Education and Science:

- » Extra places at Third Level including: 930 places on short part-time transition courses to facilitate entry to courses starting in September 2009; 280 places on accelerated certificate programmes beginning immediately; 2,000 full-time third level places starting in September 2009 will be available for the unemployed.
- » Expansion of Post Leaving Certificate places by 1,500 in September 2009.
- » In conjunction with D/ETE, a Redundant Apprentice Scheme at the Institutes of Technology: initially an 11 week certified training programme for up to 700 redundant apprentices per annum.
- » In conjunction with D/ETE, provide Part-Time Third Level Education Places: providing 1,500 third level places to enable unemployed people or people who are on short time working, to pursue third level certificate or degree programmes.

In general the INOU welcomes these developments but is conscious that considerable more resources are required if unemployed people are to secure jobs – particularly in a 'smart' or 'knowledge' economy. However the organisation is concerned about shorter courses for two reasons. Affiliates of and callers to the INOU have raised these concerns: firstly with little or no work for people to progress on into how beneficial are these short courses; and secondly participants who have not secured employment have found re-entering the social welfare system problematic.

The organisation also sought the immediate production of the implementation plan for the National Skills Strategy so that resources across the continuum of job maintenance; job creation; and education and training are used as effectively as possible. No mention was made of this plan even though at a time of diminishing resources a planned and targeted approach is vital. In particular to ensure that those most distant from the labour market are not left further behind.

The INOU is deeply concerned that the Jobseekers Allowance payment for 18 and 19 year olds was cut by 51% yet in Annex F no new initiatives were introduced to target this age group to support their engagement with and progression from education and training opportunities. Invariably, the young people who will be affected by this change are young people who left school early and who come from communities where socio-economic disadvantage is high. A more pro-active and integrated response, as called for by the INOU, is required otherwise there is a real danger of exacerbating their social and economic exclusion.

6 Conclusion:

In its latest report, 'Ireland's Five-Part Crisis: An Integrated National Response', the National Economic and Social Council highlighted the need to work on this crisis across all of its parts. The INOU is not convinced that Budget April 2009 demonstrated that the Government is acting on this advice. The Live Register and redundancy figures are at unprecedented levels. Unemployment payments now account for 21.7% of the Department of Social and Family Affairs' estimated expenditure for 2009: they accounted for 11.7% of DSFA's expenditure in 2008. Clearly, the challenges facing the public finances cannot be addressed unless the unemployment crisis is addressed with equal seriousness. Integrated responses across government departments and their related agencies must become the norm. National and local organisations working on the issues of unemployment, social and economic exclusion have a lot to contribute to these discussions and their expertise should be harnessed to hammer out realistic and long term solutions.

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