

# Unemployment: The Need for a Comprehensive Response

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## Introduction

There is no doubting that nearly everyone who stood as a candidate in the February 2011 General Election saw employment – its maintenance and creation – as a critical issue to be addressed by the in-coming Dáil. Now that a new Dáil has been elected and a new Government appointed, what should be the focus in tackling unemployment? What is needed to give unemployed people hope for the future as well as proper income and social supports to meet their needs?

This article draws on the perspectives and experiences of the Irish National Organisation of the Unemployed (INOUE), a federation of unemployed people, unemployment centres and groups, community organisations, and trade unions. The core aim of INOUE is to represent and defend the interests and rights of those who want decent employment and cannot find it, and to campaign for an acceptable standard of living for unemployed people and their dependants.<sup>1</sup>

The previous Government's response to the unemployment crisis was open to the criticism that it was limited and driven by the need to ensure that all new initiatives were cost or revenue neutral. However, the scale of job losses since the beginning of the economic crisis has been such that it is simply not possible to tackle unemployment effectively without investing additional resources.

The previous Government claimed that education and training provision had been substantially increased in response to the growth in unemployment but, in reality, what happened was that existing courses were modularised and split into shorter courses. Such a policy might have been acceptable if job losses had been limited and job creation had been maintained but given the scale of the losses, and the lack of employment growth, there emerged a significant gap between the demand for education and training places and their supply on the ground.

Unemployed people and front-line service providers are very clear that it is inadequate provision, and in particular the lack of jobs, which constitutes the

real barrier to unemployed people moving from welfare to work – in other words, to their being able to participate effectively in the process of 'activation', which is now a key aspect of the policy response to unemployment.<sup>2</sup>

What is urgently required is the development of an integrated employment and social service which has at its heart the specific needs of individuals and which engages proactively with them, ensuring that they are given access to their entitlements as quickly as possible and that they are provided with the very best advice and support in relation to training, education and job search.

People who are unemployed have been looking for such an approach for a long time. It is therefore critically important that the development of the new National Employment and Entitlement Service, promised in the Programme for Government of the Fine Gael-Labour Party Government,<sup>3</sup> responds appropriately to these needs and is informed by principles of inclusion, equality, effectiveness and efficiency.

## The Growth in Unemployment

Two sets of official data give us a picture of trends in unemployment in Ireland: one is the Live Register published monthly and the other is the Quarterly National Household Survey. The Live Register includes all claimants of job seeker payments as well as those who are registering for credited social welfare contributions; both groups are considered to be available for work. However, since the Live Register includes people who are part-time, seasonal and casual workers it is not deemed to be the source for the official unemployment figure: that comes, instead, from the Quarterly National Household Survey.

The Household Survey for the fourth quarter of 2007 – that is, at the end of the year in which the previous General Election was held – showed there were 2,138,900 people in employment in Ireland. By the fourth quarter of 2010, however, the number had dropped by well over a quarter of a million (315,700), so that the total number in employment was 1,823,200.<sup>4</sup>

This precipitous fall in overall employment is reflected in the unemployment statistics. Whereas at the end of 2007, there were 101,000 people unemployed, by 2010 the number had grown to 299,000 – an increase of 196 per cent. The unemployment rate in the final quarter of 2007 was 4.5 per cent; by the corresponding period of 2010 it had more than trebled and stood at 14.1 per cent.

Long-term unemployment (defined as being out of work and seeking work for more than a year) grew even more dramatically in the three-year period, increasing by 423 per cent: the numbers rose from 29,400 in late 2007 to 153,900 in late 2010, with the rate increasing from 1.3 per cent to 7.3 per cent. By the end of 2010 – and for the first time since the late 1990s – long-term unemployment accounted for more than half of unemployment, with 51.5 per cent those unemployed out of work for more than a year.<sup>5</sup>

In February 2007 there were 159,399 people on the Live Register but by February 2011 the number had risen to 442,677, an increase of 283,925 or 177 per cent.<sup>6</sup> The rate of increase in the Live Register has slowed over the past year; however, the number of people on it for more than a year has continued to increase and this group currently makes up 37 per cent of the total. In fact, the number of people on the Live Register for a year or more is now greater than the overall total number on the Register just three years ago.

In terms of age profile, people under twenty-five represent 18.6 per cent of those on the Register, with those over twenty-five representing 81.4 per cent. People in the 25–34 year old age category make up the single biggest group on the Register, at 32 per cent: this is the age group which has been hit the hardest by this recession in terms of job loss and over-indebtedness.

### **Policy Context**

It is important to note that the policy context within which unemployment in Ireland is addressed is strongly influenced by European Union developments. For example, innovative responses in the past have evolved from European-wide programmes. The National Employment Action Plan is Ireland's response to the EU's 'Employment Guidelines' – within which there is a growing emphasis on activation. Ireland reports to the European Commission on the implementation of the Plan through the National Reform Process.

In the current crisis, the influence of the EU has been strengthened as a result of the financial assistance given to Ireland through the joint International Monetary Fund (IMF)/EU bailout agreement,<sup>7</sup> and this is reflected in the underpinning documentation and the related *National Recovery Plan 2011–2014*.<sup>8</sup>

### **Activation Programmes**

Budget 2011, introduced in the Dáil on 7 December 2010, included four specific measures to address unemployment:

- 'Refocusing' the National Employment Action Plan to ensure that State agencies 'interact early and often to provide opportunities for education, training and work experience placement as appropriate'.
- Provision of an additional 15,000 'activation places' for unemployed people.
- Extension of the Employer Job (PRSI) Incentive Scheme to the end of 2011.
- Transformation of the Business Expansion Scheme into a new Employment and Investment Incentive to boost job creation by small and medium-sized enterprises.<sup>9</sup>

### **National Employment Action Plan**

In regard to the first of these measures, the reality is that the implementation of the National Employment Action Plan at present means little more than the Social Welfare Local Office referring unemployed people to their local FÁS office for discussion of their employment, training and education options. Feedback from unemployed people reveals very mixed reactions to this process.

Under the Programme for Government of the Fine Gael–Labour Party Government, FÁS will be replaced by the proposed National Employment and Entitlements Service (NEES), the aim being that 'all employment and benefit support services will be integrated in a single delivery unit managed by the Department of Social Protection'.<sup>10</sup>

This development will be much broader in scope than merely replacing FÁS and is potentially more far-reaching than the initiative undertaken by the previous Government under which FÁS Employment and Community Services have been moving into the Department of Social Protection since the beginning of 2011. It is vitally important that the creation of NEES results in a consistent and well-informed frontline service for people who are unemployed.

### *Additional activation places*

Even as an additional 15,000 ‘activation’ places were announced in the Budget, FÁS training places were being reduced by 15,410 – effectively a net loss. In the Programme for Government 2011–2016, the coalition Government is promising a Jobs Fund within 100 days which will include ‘an additional 15,000 places in training, work experience and educational opportunities for those who are out of work’.<sup>11</sup>

The additional activation places announced in Budget 2011 were split between three schemes, two of which are under the Department of Education and Skills and the other under the Department of Social Protection.



*Highlighting the Scale of Unemployment* © Derek Speirs

One of the two schemes controlled by the Department of Education and Skills is called the *Skills Development and Internship Programme*, to be implemented ideally within sectors with reasonable prospects of job growth. A welcome feature of this scheme is that a weekly ‘top-up’ of €100 will be paid to participants (that is, in addition to their social welfare payment). Opportunities for education and training will also be made available – either provided directly by the employers availing of the programme or supported through their contribution to a training fund. This programme sets a standard in terms of conditions that should also exist in other activation measures.

The second Department of Education and Skills initiative is the extension of the Work Placement Programme to allow placements in the public service. While the extension of the scheme is welcome, a key concern regarding it still remains – namely, there is no additional payment to support people to work on what is a full-time, nine-month programme.

This approach represents a regression from the

position under the Back to Work Allowance scheme, introduced in 1993, under which long-term unemployed people were able to take up employment and maintain their jobseeker’s payment on a sliding scale for up to three years.<sup>12</sup> As this was allowable under social welfare legislation, it is open to question why an additional payment cannot be made to participants in the Work Placement Programme, even without amending legislation. Many employers who avail of the programme are uncomfortable with the existing arrangement.

The new Department of Social Protection scheme, called *TÚS – Community Work Placement Initiative*, is currently in the process of being rolled out. It will provide work opportunities in the community and voluntary sector. Like the existing Rural Social Scheme,<sup>13</sup> this programme will be implemented through the Local Development Companies. The pay and conditions under *TÚS* will be similar to those under the long-established Community Employment scheme: €20 in addition to the personal jobseeker’s payment for a 19.5 hours working week.

There is, however, one very serious cause for concern regarding the new scheme: participation will not be by choice. The Department of Social Protection will identify those in receipt of a jobseeker’s payment who have been unemployed for more than twelve months, and from those identified will select potential *TÚS* participants by lottery. This is in contrast to the situation in both the Rural Social Scheme and the Community Employment programme where participation is by choice and potential participants apply for jobs advertised through FÁS or the Local Development Company.

In the interest of best practice, the principle of choice should be maintained for the new *TÚS* scheme also. On a practical level, the selection system for the scheme is likely to create logistical nightmares. Local community and voluntary organisations will register the jobs they need to have filled with their Local Development Company: the Company will then have to match up the person with the right job. Obviously, it is of crucial importance that the community and voluntary organisation is happy with the prospective new employee – and especially so if the work involved is in the area of social care or youth work.

The potential for frustration inherent in the lottery

system for selecting candidates for the scheme is immense. It will limit the pool of people from which local and community organisations can recruit, potentially excluding highly suitable people. It will also be very frustrating for unemployed people who would welcome the opportunity to participate but find that they cannot because they are not picked through the lottery. The lack of a training budget for this programme is also a cause for concern.

The Memorandum of Understanding between Ireland and the EU/IMF states:

*At each subsequent review of the programme, the government will submit reports containing an assessment (including by means of quantitative indicators) of the management of activation policies and on the outcome of job seekers' search activities and participation in labour market programmes.*

The production of more comprehensive data on activation would be very welcome: this is an area which has not been adequately addressed up to now and the EU should long since have challenged Ireland on it, through the National Employment Action Plan and related National Reform Programme processes. However, the INOU is very concerned that in the interests of 'being seen to be doing' unemployed people will continue to be sent on the merry-go-round that is the current employment services/social welfare system. Feedback not only from unemployed people but from officials on the ground is that there are insufficient places to meet current demand, let alone manage increased activation.

#### *Incentives to employers*

Budget 2011 also extended the Employer Job (PRSI) Incentive Scheme to the end of 2011.<sup>14</sup> Another initiative of this type is the Revenue Job Assist (RJA) scheme, which has existed since 1998, but has not received the same degree of publicity from the State.<sup>15</sup>

Under RJA, employers may claim a double deduction in calculating their taxable income on the qualifying employees' wages and on the employer's PRSI contributions for these employees for up to three years. Unlike the Employer Job (PRSI) Incentive Scheme, there is no upper limit on the number of qualifying positions. The attraction of the RJA scheme for unemployed people, in particular for those with dependent children, is that they get additional tax credits for up to three years –

though it should be noted that these are on a sliding scale. The Programme for Government 2011–2016 promises to 'halve the lower 8.5% rate of PRSI up to end 2013 on jobs paying up to €356 per week'.<sup>16</sup>

#### **Acceptable Standard of Living**

An emphasis on placing the burden of the necessary adjustment in the public finances on the less well-off – through measures that reduce already low social welfare payments and wages – has been a notable feature of policy over the past three years. This approach is also evident in the Memorandum of Understanding between the European Commission and Ireland, in the sections dealing with social welfare and unemployment. It is proposed that, in order to 'reduce the risk of long-term unemployment':

*The government will reform the unemployment benefit system in such a way as to provide incentives for an early exit from unemployment. This reform of unemployment and social assistance benefits will be part of overall reforms in the welfare system designed to reach budgetary savings of €750m in 2011.*<sup>17</sup>

Furthermore, legislation is to be introduced with a view to:

*Taking steps to tackle unemployment and poverty traps including through reducing replacement rates for individuals receiving more than one type of benefit (including housing allowance).*<sup>18</sup>

Elsewhere, it is stated that 'changes will be introduced to create greater incentives to take up employment'.<sup>19</sup>

As one unemployed participant in a recent activation workshop run by the INOU asked: 'what jobs?' Unemployed people and those working on the ground are crying out for increased supports and options; the 'big stick' approach so strongly promoted not just in the Memorandum of Understanding but in the *National Recovery Plan 2011–2014*, and reflected in a number of election manifestos, fails to address this reality.

Proponents of the argument that welfare payments are too high invariably use examples of families which have two or more dependent children and are living in accommodation that attracts the maximum level of support available under the Rent Supplement scheme. However, what is not taken into account in the resulting public discourse is

that only a very small proportion of the registered unemployed are living in households of this type.

With long-term unemployment already standing at over 150,000 and amounting to over 50 per cent of the overall unemployed figure, proposals focusing on the supposed need to induce unemployed people into jobs read as if they come from another era – the era of technical full-employment.

It is vital that social protections for unemployed people are maintained and developed, otherwise social exclusion and poverty will deepen. Budget 2011 cut jobseeker and other social welfare payments to people of working age by 4.1 per cent; the previous Budget did likewise. These cuts have brought the personal social welfare rate under most schemes down to €188 – almost back to 2007 rates.

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Over the past few years, a number of cuts have introduced a range of anomalies into the social welfare system. There are now three different age-related payments for people in receipt of the means-tested payment, Jobseeker's Allowance. Young people aged between eighteen and twenty-one who qualify for this payment receive a maximum rate of €100; those aged between twenty-two and twenty-four receive a maximum of €144; and those over twenty-four receive €188. Furthermore, the weekly personal rate of Supplementary Welfare Allowance, which had been the equivalent of the adult rate of Jobseeker's Allowance, has now dropped below this, having been cut by 5.1 per cent in Budget 2011.

The promise in the new Programme for Government to 'maintain social welfare rates' is to be welcomed; the implementation of this is crucial if another of the stated commitments of the Programme is to have any meaning:

*The elimination of poverty will be an objective of this Government. We are committed to achieving the targets in the National Action Plan for Social Inclusion to reduce the number of people experiencing poverty.*<sup>20</sup>

The commitment within the Programme for Government to reverse the cut in the minimum wage is also to be welcomed.<sup>21</sup> This reduction was included in the EU/IMF financial assistance documentation, as well as in the *National Recovery Plan 2011–2014* and Budget 2011. The cut of €1 or 11.6 per cent took effect from the beginning of February 2011.

It was nothing short of perverse to cite such a measure as necessary to 'reform' the labour market and to 'remove barriers' to job creation. The introduction of the Universal Social Charge compounded the impact of this cut: for example, someone on the minimum wage working a forty-hour week would have seen his or her net wage reduced by 13.5 per cent. Yet there is no 'inability to survive clause' available for low paid workers! The Programme for Government also promises to 'review the Universal Social Charge'<sup>22</sup> but to what end is not yet clear.

### **Concluding Comments**

A striking feature of the new Programme for Government 2011–2016 is the continuing absence of an integrated and inclusive Jobs Strategy. Given the focus in the Programme on jobs and enterprise development this point may appear to be nit-picking. However, the 'smart' or 'knowledge' economy will not of itself meet the employment needs of all those now out of work. An integrated and inclusive Jobs Strategy is therefore required to provide the vision, clear goals and ambitious targets needed not only to address the immediate unemployment crisis but to identify where and how jobs can be created. Such a Strategy is necessary to ensure that all aspects of the labour market are explored and that the role of all potential employers, from the private sector to the State to the community and voluntary sector, is fully realised.

It is notable that the Ministers of State in the new Government do not include a Minister of State for Labour Affairs or Activation. A Minister designated specifically to this area could play an important role in linking together the work of the three key relevant Government Departments – Social Protection; Education and Skills; Enterprise, Jobs and Innovation – to ensure that the work of each one complements that of the others in the overall task of getting unemployed people, and others distant from the labour market, into a decent job.

An integral part of a Jobs Strategy would be the

development and roll-out of a person-centred employment service. The current emphasis on public sector reform offers many opportunities and challenges: such reform must seek to provide the very best service to all, including those who have lost their job or who find accessing the labour market particularly difficult. If Ireland's recovery is to be 'smart, sustainable and inclusive',<sup>23</sup> it is imperative that economic, enterprise and employment policies interact constructively with education and social protection policies. Furthermore, if Ireland is to meet its poverty targets by 2016 then social welfare payments to people of working age must be maintained and improved, and the interests of those working for the lowest wages must also be protected.

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15. This scheme is also described in the information leaflet, *Employer Incentives to Recruit Unemployed People* ([www.inou.ie/download/pdf/employer\\_incentives\\_to\\_recruit\\_unemployed\\_people.pdf](http://www.inou.ie/download/pdf/employer_incentives_to_recruit_unemployed_people.pdf)).
16. *Towards Recovery: Programme for a National Government 2011–2016*, p. 8.
17. European Commission, *op. cit.*, p. 20.
18. *Ibid.*, p. 20.
19. *Ibid.*, par. 27, p. 10.
20. *Towards Recovery: Programme for a National Government 2011–2016*, p. 52.
21. *Ibid.*, p. 8.
22. *Ibid.*, p. 16.
23. These are the key concepts in the EU Strategy (published 2010) that is the successor to the Lisbon Agenda: see European Commission, *Europe 2020: A European Strategy for Smart, Sustainable and Inclusive Growth*, Communication from the Commission, Brussels, 3.3.2010 COM(2010) 2020.

**Notes**

1. For further information see the website of INOU ([www.inou.ie](http://www.inou.ie)).
2. For further information see INOU, *Activation: What's it all About?* ([www.inou.ie/download/pdf/inou\\_activation\\_2010.pdf](http://www.inou.ie/download/pdf/inou_activation_2010.pdf)).
3. *Towards Recovery: Programme for a National Government 2011–2016*, March 2011, p. 8 ([www.taoiseach.gov.ie](http://www.taoiseach.gov.ie)).
4. Central Statistics Office, *Quarterly National Household Survey, Quarter 4 2010*, Dublin: Central Statistics Office, 15 March 2011 ([www.cso.ie](http://www.cso.ie)).
5. *Ibid.*, p. 5.
6. Central Statistics Office, *Live Register February 2011*, Dublin: Central Statistics Office, 2 March 2011 ([www.cso.ie](http://www.cso.ie)).
7. European Commission, *Memorandum of Understanding between the European Commission and Ireland*, Brussels: European Commission, 2010.
8. *The National Recovery Plan 2011–2014*, Dublin: Stationery Office, 2010 ([www.budget.gov.ie](http://www.budget.gov.ie)).
9. *Financial Statement of the Minister for Finance, Mr Brian Lenihan, T.D., 7 December 2010* ([www.budget.gov.ie](http://www.budget.gov.ie)).
10. *Towards Recovery: Programme for a National Government 2011–2016*, p. 8.
11. *Ibid.*, p. 8.
12. The Supplementary Budget of April 2009 provided that from May 2009 onwards no new applicants would be accepted for the Back to Work Allowance scheme; this change was made in part to pay for changes introduced in the Back to Work Enterprise Allowance.
13. The Rural Social Scheme enables farmers and fishermen/ women who are receiving a social welfare payment to work for 19.5 hours per week in the provision of services that benefit rural communities.
14. This scheme is described in the INOU information leaflet, *Employer Incentives to Recruit Unemployed People* ([www.inou.ie/download/pdf/employer\\_incentives\\_to\\_recruit\\_unemployed\\_people.pdf](http://www.inou.ie/download/pdf/employer_incentives_to_recruit_unemployed_people.pdf)).