



Submission to the *Joint Committee on Jobs, Social Protection and Education on Unemployment and Youth Unemployment*

Elish Kelly, Seamus McGuinness and Philip O'Connell

The Economic and Social Research Institute

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Extent of the Problem: Overall Rate of Unemployment and Youth Unemployment

Based on the most recent Quarterly National Household Survey (QNHS), which is for Quarter 4 2011, the average number of persons unemployed in 2011 was 304,225. This figure compares with 291,650 in 2010, which is an annual increase of 4.3 per cent. In 2006, just before the current economic downturn, the average number of unemployed persons in Ireland was 95,250; thus, there has been a 219 per cent increase in the numbers unemployed between 2006 and 2011. In terms of the unemployment rate, this has increased from 4.4 per cent in 2006 to 14.4 per cent in 2011. Males and females recorded a similar unemployment rate in 2006, 4.6 and 4.2 per cent respectively, but by 2011 the unemployment rate among males was considerably higher compared to the rate among females, 17.4 and 10.6 per cent respectively.

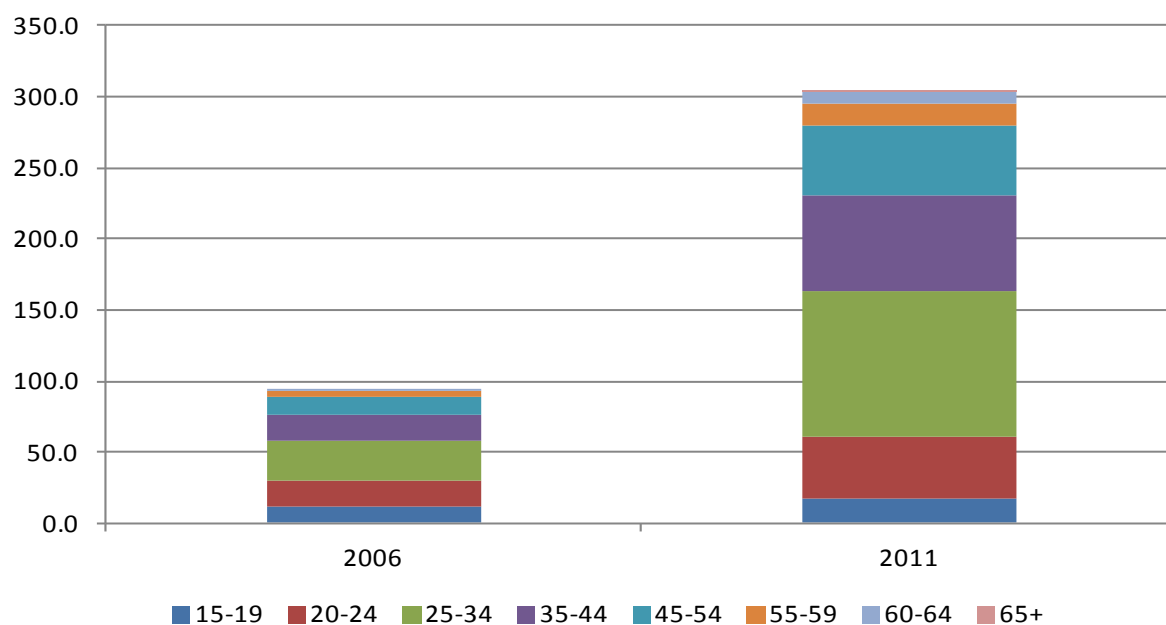
In relation to youth unemployment, which relates to those aged between 15 and 24, 30,000 young people were unemployed in 2006, increasing to 61,000 in 2011. Of this 2011 figure, 17,300 were aged between 15 and 19 and 43,700 between 20 and 24. The unemployment rate of 15-19 year olds increased from 13.3 per cent in 2006 to 38.8 per cent in 2011, while the rate for those aged 20-24 increased from 7.1 per cent in 2006 to 26.9 per cent in 2011. As can be seen from Table 1, young people have higher unemployment rates than those in other age categories, and this is the case regardless of the economic context. However, it is important to bear in mind the actual numbers unemployed by age category and when we look at unemployment from this perspective, which is set out in Figures 1a and 1b, young people account for only a small number and proportion of total unemployment, with most people that are unemployed being aged between 25-34 and 35-44.

Table 1: Unemployment Rates by Age Category: 2006 and 2011

Unemployment Rates	2006	2011
15-19	13.3	38.8
20-24	7.1	26.9
25-34	4.5	16.5
35-44	3.6	12.5
45-54	3.3	10.9
55-59	3.1	9.9
60-64	1.5	8.8
65+	0.0	0.5

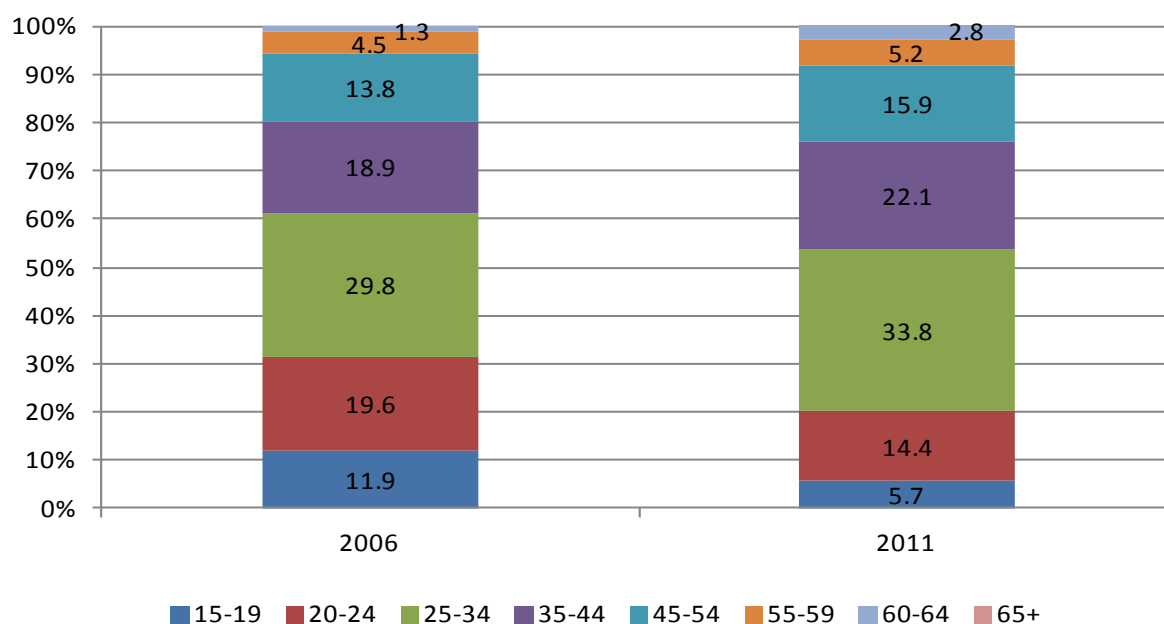
Source: Constructed with data from 2006 and 2011 Quarterly National Household Surveys, CSO.

Figure 1a: Numbers Unemployed by Age Category: 2006 and 2011



Source: Constructed with data from 2006 and 2011 Quarterly National Household Surveys, CSO.

Figure 1b: Proportions Unemployed by Age Category: 2006 and 2011



Source: Constructed with data from 2006 and 2011 Quarterly National Household Surveys, CSO.

Note: The age category “65+” has been omitted from the chart as it is not possible to make the category visible due to the small proportions of unemployed people in this age grouping in each year (0 per cent in 2006 and 0.1 per cent in 2011).

Another important dimension to unemployment relates to the numbers that are long-term unemployed, which is defined as those that have been unemployed for one year or more. This is an important component to any country’s current unemployment crisis, because of the well known negative implications associated with long-term unemployment for both the individual and society at large. From this perspective, the long-term unemployment rate in Ireland has increased from a low of 1.3 per cent in 2006 to 8.1 per cent in 2011. As of Quarter 4 2011, long-term unemployment accounted for just over 60 per cent of total unemployment¹, which compared with 30.3 per cent in the same quarter in 2006.

Skills Profile of the Unemployed

In terms of the skills profile of those that are unemployed, which we assess by analysing a person’s educational attainment, over two-thirds of those that were unemployed in 2006, both males (75.4 per cent) and females (64.1 per cent), had a secondary-level qualification (i.e. higher secondary or less), with less than a fifth having a third-level qualification. However, the education composition of the unemployed has changed somewhat since then. In relation to males, compared to 2006 a slightly smaller proportion have a secondary-level qualification, a similar percentage have a third-level qualification (16.5 per cent compared to 16.6 per cent in 2006) but there has been a noteworthy growth in the number with a post-leaving certificate qualification, 18 per cent

¹ 66.9 per cent of total male unemployment and 46.8 per cent of total female unemployment.

compared to 8.1 per cent in 2006. Regarding females, there has been a slight increase in the percentage with a post-leaving certificate qualification, 16.1 per cent compared to 13.3 per cent in 2006, but the proportion with a third-level qualification have increased quite significantly, from 22.5 per cent in 2006 to 30.8 per cent in 2011.

Table 2: Educational Attainment of those Unemployed: 2006 and 2011 (QNHS, Quarter 2)

Educational Attainment:	Males		Females	
	2006	2011	2006	2011
No Formal/Primary	23.9	12.2	12.2	5.9
Lower Secondary	24.9	23.9	22.2	15.3
Higher Secondary	26.6	29.4	29.7	31.8
Post Leaving Cert	8.1	18.0	13.3	16.1
Third-level Non-Honours Degree	6.3	7.7	10.1	13.4
Third-level Honours Degree or Higher	10.3	8.8	12.4	17.4

Source: Constructed with data from 2006 and 2011 Quarterly National Household Surveys (Quarter 2), CSO.

Table 3 shows how the skills profile of those unemployed in 2011 varies across the age distribution, separately for males and females. Overall, we can see that for each age category unemployed females have higher levels of educational attainment compared to their male counterparts. Focussing specifically on females, a greater proportion of the older age categories have a third-level qualification, whereas, perhaps not surprisingly, most unemployed females aged 15 to 24 have a second-level qualification. A different pattern exists for males. In particular, for each age category a fifth or less of unemployed males in 2011 have a third-level qualification with, apart from those aged 15 to 24, the majority having a lower secondary or less qualification.

Table 3: Educational Attainment of those Unemployed in 2011 by Age Category (QNHS, Quarter 2)

Educational Attainment:	Males				Females			
	Age 15-24	Age 25-34	Age 35-44	Age 45-54	Age 15-24	Age 25-34	Age 35-44	Age 45-54
Lower Secondary or Less	30.6	28.6	38.1	45.5	21.6	14.0	18.6	-
Higher Secondary	48.6	27.0	26.8	23.2	43.7	32.0	22.5	-
Post Leaving Cert	10.3	23.9	18.4	14.9	13.8	15.8	19.0	-
Third-level	10.6	20.5	16.8	16.5	20.9	38.3	39.9	-

Source: Constructed with data from the 2011 Quarterly National Household Surveys (Quarter 2), CSO.

Note: - results not presented due to small cell sizes (the same applies for age categories above Age 45-54).

If we look at those that are long-term unemployed in 2011 (Table 4), we can see that there is no significant gender difference in the age profile of this group: the majority are aged between 25 and 34, which is a worrying trend.

Table 4: Age Profile of the Long-Term Unemployed in 2011 (QNHS, Quarter 2)

	Males	Females
Age Category:		
Age 15-24	13.2	15.4
Age 25-34	34.4	35.7
Age 35-44	24.2	25.6
Age 45 Plus	28.2	23.3

Source: Constructed with data from the 2011 Quarterly National Household Surveys (Quarter 2), CSO.

As regards to the education profile of the long-term unemployed (Table 5), long-term unemployed males have lower levels of educational attainment compared to their female counterparts: just over two-fifths have a lower secondary or less qualification compared to a quarter of females, whereas a higher proportion of long-term unemployed females have a third-level degree, 27 per cent compared to 13 per cent of long-term unemployed males.

Table 5: Educational Attainment of the Long-Term Unemployed in 2011 (QNHS, Quarter 2)

	Males	Females
Educational Attainment:		
Lower Secondary or Less	41.3	25.1
Higher Secondary	28.4	32.1
Post Leaving Cert	17.3	16.1
Third-level	13.0	26.7

Source: Constructed with data from the 2011 Quarterly National Household Surveys (Quarter 2), CSO.

In relation to the previous sector of employment of those unemployed in 2011 (Table 6), not surprisingly construction was the main industry that unemployed males used to work in, whereas for females wholesale & retail and public administration, education & health were their major previous sectors of employment.

Table 6: Previous Sector of Employment of those Unemployed in 2011 (QNHS, Quarter 2)

	Males	Females
Agriculture, forestry and fishing	-	-
Industry	12.8	9.8
Construction	36.9	-
Wholesale & Retail	9.4	18.0
Transport & Storage	4.5	-
Accommodation	4.4	8.8
Information, Finance & Professional Activities ¹	5.8	7.9
Administrative & Support Services	3.4	5.0
Public Administration, Education & Health ²	2.2	14.4
Other NACE Activities	2.3	7.1
No Sector Information Available	16.7	24.4

Source: Constructed with data from the 2011 Quarterly National Household Surveys (Quarter 2), CSO.

Note: - results not presented due to small cell sizes.

¹ Due to small cell sizes, the following sectors are included in this category: i) Information and communication, ii) Financial, insurance and real estate activities, and iii) Professional, scientific and technical activities.

² Due to small cell sizes, the following sectors are included in this category: i) Public administration and defence, ii) Education, and iii) Human health and social work activities.

Measures the Government Should be Taking

The new policy document, *Pathways to Work*, was launched by the Minister for Social Protection in February 2012. At the heart of the new policy is a commitment to reducing long-term unemployment. This is an important, ambitious and feasible objective. It is important because long-term unemployment (i.e. for more than a year) is not only bad for the individual, but also for society, insofar as it is associated with poverty, psychological distress and more general social exclusion. Long-term unemployment is also bad for the economy, as it can lead to deterioration in skills and the long-term unemployed find it difficult to take advantage of any upturn in economic activity. The policy is ambitious at a time of very sluggish economic growth and further expected contraction in employment. Nevertheless, it is feasible to reduce the growth in long-term unemployment, and facilitate those already long-term unemployed to return to work, but only if appropriate and effective active labour market policies are implemented.

In a number of recent studies researchers at the ESRI have laid out some key principles that should underpin an effective system of labour market activation, based on both Irish and international research². These principles include:

- A process of labour market activation to assist and encourage the individual to return to work should be initiated as soon as he or she makes a claim for Jobseeker's Benefit or Allowance.
- Effective and targeted job search advice and assistance should be delivered to all.
- Job search activity should be monitored on a regular and ongoing basis.
- An effective activation strategy also needs to be backed up with appropriate sanctions for non-compliance with job search and activation requirements.

The content and quality of education and training for the unemployed is also vital. On the basis of research evidence here and abroad, we have argued that:

- Education and training programmes programs should be demand led, driven by the needs of growth areas and strongly connected with real jobs in the economy.
- The content of training should be driven primarily by the needs of enterprises: we need to develop up-to-date intelligence of their skill needs.
- The distribution of training initiatives should broadly reflect the education profile of the unemployed. In the current crisis, the educational and skills profile of the unemployed has increased, and training should reflect that.
- Training provision should not be constrained by legacy structures: providers should be chosen on the basis of their ability to deliver high quality effective and relevant training.

Previous research from both the OECD and the ESRI has highlighted a number of systematic flaws in labour market activation systems in Ireland. These have included a lack of compulsion regarding interview attendance, an absence of systematic monitoring of job-search activity and, up to recently, a complete lack of sanctions for non-compliance. With respect to training, while its overall impact was found to be positive, there was a large

² P. O'Connell, S. McGuinness and E. Kelly, (2002) "The Transition from Short- to Long-term Unemployment: A Statistical Profiling Model for Ireland." *Economic and Social Review*, Vol 43, No. 1, Pp 135-164.

E. Kelly, S. McGuinness and P. O'Connell, (forthcoming, 2012) "Transitions to Long-Term Unemployment Risk Among Young People: Evidence from Ireland." *Journal of Youth Studies*.

S. McGuinness, P. O'Connell and E. Kelly, (2011) *Activation in Ireland: An Evaluation of the National Employment Action Plan*. ESRI Research Series 20.

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S. McGuinness, P. O'Connell and E. Kelly, 2011, "Carrots without Sticks: The Impacts of Job Search Assistance in a Regime with Minimal Monitoring and Sanctions." ESRI Working Paper No 409

S. McGuinness, P. O'Connell and E. Kelly, 2011 "One Dummy Won't Get It: The Impact of Training Programme Time and Duration on the Employment Chances of the Unemployed in Ireland." ESRI Working Paper No 410

degree of variation in programme effectiveness. We found that the programmes most likely to increase the job prospects of their participants were in the areas of job search training and high skilled programmes with strong links to the labour market. However, in the past, the majority of training effort was concentrated in the provision of less effective low level specific skills and in general skills training. A great deal of restructuring was required to match the training needs of unemployed individuals and the skill needs of employers.

To what extent might *Pathways to Work* move us closer to an effective system of labour market activation? The initiative has many positive aspects, including the provision of an additional 21,000 training places; the use of statistical profiling to target resources on those most at risk of becoming long-term unemployed; the extension of the employer PSRI scheme; and the partial realignment of the Community Employment programme, with a greater emphasis on training. Nevertheless, the central flaws in Ireland's activation regime have yet to be addressed. We are concerned that there are no plans to commence activation for all clients immediately upon commencement of a claim for Jobseeker's Benefit or Allowance. We are also concerned at the absence of a rigorous system of monitoring whereby job seekers would be required to update their case-workers on progress at frequent specified intervals. This is particularly disappointing given that research suggests that continual monitoring, assistance and encouragement is a key aspect of successful activation systems in other countries. A report published by the OECD in 2009 argued that the Irish public employment system did not have sufficient staff to implement such a system of frequent and regular monitoring interactions with the unemployed. Staff numbers at the Department of Social Protection have recently been augmented by the transfer of Community Welfare Officers from the Health Service Executive and of Employment Services personnel from FÁS. Nevertheless, it is unlikely that the Department has expanded its capacity sufficiently to implement a much enhanced activation role to an greatly enlarged clientele, given that the Live Register increased from about 290,000 at the start of 2009 to over 440,000 in 2012. However, in addition to concerns about the numerical capacity of the newly-augmented DSP, we are also concerned about the availability of appropriate skills to deliver an effective activation service

The Community Employment (CE) programme delivers many important services to society. However, while the programme may encompass some pockets of best practice and effectiveness in helping participants back to work, on average and overall, it has been consistently found that CE is much less effective than other schemes in achieving a subsequent return to work. CE, along with several other similar public job creation schemes (the Rural Social Scheme, the Jobs Initiative, TÚS) represents the largest and most costly element of labour market activation, accounting for roughly 40% of total spending on active labour market programmes for the unemployed. While efforts to re-orientate CE more towards real economy skills are to be welcomed, it is unlikely that such spending will yield significant benefits in terms of assisting participants to get back to work. There are more effective active labour market programmes and at a time of fiscal crisis, it is vital that we

achieve value for money in the scarce resources available. A recent report by the Central Expenditure Evaluation Unit in the Department of Public Expenditure and Reform concluded that CE should “not be considered an active labour market policy intervention.” It might be better to stop regarding CE as an active labour market programme, reallocate part of the budget to an appropriate social services heading, and recognise the very useful social services performed by CE, without burdening the programme with the exacting test against which active labour market programmes should be measured – the extent to which they enhance job chances.

With regard to training, the document recognises the importance of accurate labour market intelligence in designing programmes to match labour market needs. However, it is not clear that the combined efforts of the Expert Group on Future Skill Needs and an in-house FÁS research body represent sufficient resources to meet such an important challenge. We consider that provision of ongoing up-to-date information on trends in the labour market should be central to driving the nature and content of education and training. The role of employers in the design of skill formation has been largely ignored in the *Pathways* document. We would argue that systematic consultation with employers, through, for example sectoral skills councils, as found in other European countries, would be an important source of information to guide the content and nature of training in skills that would be sufficiently market-relevant to enhance trainees’ job prospects. Moreover, we have been concerned for some time that education and training provision for the unemployed has been excessively provider driven. This is not a design that guarantees flexible training to meet either the training needs of the unemployed or the skill needs of employers. In a context where the entire further education sector is being overhauled, with the abolition FÁS and the Vocational Education Committees and their proposed replacement with SOLAS and sixteen local Education and Training Boards, the *Pathways* plan is silent on how the specific training needs of the unemployed are to be met efficiently and effectively.

There is much to be welcomed in *Pathways to Work* and it is clear that the Government is intent on placing the battle against unemployment at the top of its policy agenda. However, many of the key reforms necessary to restructure our unemployment activation and training policies in line with international best practice remain to be worked out.