

**Tuesday 8 May 2018**

## **Check Against Delivery**

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Chairperson, Committee Members,

I would like to thank the Committee for the opportunity to appear before it today for the discussion on *JobPath*. I am joined by my colleagues Chris Kane, Principal, with responsibility for contracted employment services (including LES and JobPath) and Jim Lynch, Principal, with responsibility for our operations in the South West of the country.

I am aware that this committee and its predecessor committee on Education and Social Protection has already received numerous presentations on JobPath from the Department and others. I am also conscious that the main purpose of today's meeting is to give committee members an opportunity to hear directly from the JobPath. If I may, however, I would like to make some general comments on activation in general. I will also address some issues raised by committee members at its meeting of 8 March 2018.

### **Activation and Employment Services**

Many, if not most, developed States now provide an integrated public employment and welfare service. The purpose of this service is to provide an income support to people who are unfortunate enough to be unemployed and, in addition, to provide employment services to assist people secure and sustain employment. Typically employment services (sometimes known as active labour market programmes – ALMPs) are categorised into four groups

- Job advisory/Job search assistance services such as are provided by Intreo, LES and JobPath
- Employment and recruitment incentives such as JobsPlus

- Access to, and support during, training and education programmes such as is facilitated in Ireland via the ETBs and the Back to Education Allowance.
- Placement into State employment schemes such as CE and Tús.

There is a considerable body of research which examines the effectiveness of these programmes. In general their effectiveness is assessed in terms of whether they reduce the overall level of unemployment at the macro level and the extent, at the micro level, by which they reduce the duration of unemployment and improve the progression into employment of individuals.

It is fair to say that results from these evaluations are mixed. In general research shows no, or only a modest impact, on unemployment at the macro level (although I believe that the evidence from Ireland in recent years will, when it is reviewed, show a more significant effect). At the micro level the research is somewhat more positive; active labour market measures are shown, in most studies, to contribute to improved employment outcomes and reduced unemployment durations for individuals. In terms of impact, employment advice, job search assistance and employment incentives are shown to have the most positive impacts, particularly where receipt of welfare payments is contingent on participation in such activities. The impact of training and education appears to depend on the duration of the programmes and the linkages between those programme and employers (short job specific programmes have positive outcomes). The research shows that participation in long duration education programmes and State employment schemes can, due to what is known as the 'lock-in' effect, have a negative impact on employment outcomes.

Although these results should not be interpreted in a simplistic manner they do suggest that the State should ensure that all unemployed jobseekers have access to, and receive, tailored employment advice, and, that this advice should inform both job search, and the selection of other interventions such as referral to training and State employment programmes.

Unfortunately, in the past, this was not the case. As demonstrated in studies by bodies such as the OECD and the ESRI, Ireland's public employment service was, prior to the recession, under-resourced and was overly focused on referring people to training programmes. This

situation became particularly acute during the recession when the ratio of jobseekers to case officers, or caseload, exceeded over 1,000:1 compared to international norms of 200:1 for unemployed people generally and 100:1 for long term unemployed people. As a result many jobseekers and in particular long-term unemployed jobseekers never received the advice and support of a case officer.

It was for this reason that it was decided to significantly increase the capacity of the public employment service as part of the *Pathways to Work* strategy – both by doubling the number of case officers directly employed by the Department and by increasing its contracted resource capacity. The use of contracting as a method of providing additional resources is in line with approaches in most other countries. It reflects the requirement to have a flexible resourcing component that enables the Department to adjust capacity in response to variations in demand levels over a medium term time horizon. The contracting model used, which we termed JobPath, was designed following an extensive process of research and consultation. Its key feature is that it is a payment by results model. This ensures that some of the risk associated with expanding the service was borne by the service providers and that costs incurred are directly linked to employment outcomes.

It was also decided that the service would focus on providing support to long-term unemployed people. In this way it complements the work of the Department's own Intreo staff which is focused on short-term unemployed people (the best approach to reducing long-term unemployment is to reduce the rate at which people who are short-term unemployed transition into long-term unemployment). Focusing JobPath on long-term unemployed people also augmented the activities of LES providers, enabling those providers to reduce their caseloads and, together with JobPath, expand coverage so that those long-term unemployed people who never had access to an employment advisor or case worker would, in time, receive a referral to a case worker. This is important. Contrary to what some commentators have suggested JobPath does not compete with the Department's Intreo service or the LES; expenditure and staffing of those services has not been reduced. The introduction of JobPath has augmented our resource capacity, it has reduced pressure on Intreo and the LES, and it has enabled both of those services to provide an improved service to their clients.

### **Issues Previously Raised by The Committee.**

The Department has provided the committee, under separate cover, with further information on some issues where information was not to hand or could not be covered in the time available at the last committee meeting. I hope that information addresses the questions of interest to the committee but will be pleased to take further questions or follow up with further clarifications if required.

There are a number of points that I would like to address in this opening statement.

At the last meeting committee members enquired, based on the data available to them, if it was accurate to say that JobPath cost €13,000 to €14,000 per job. It is not. JobPath is not a job creation initiative that is to be assessed on a basis similar to say, Enterprise Ireland. It is, as I have said, an advisory and support service to help unemployed jobseekers compete for the job opportunities that are already available in the labour market.

Therefore the correct metric to use is the cost per jobseeker supported by the service. To the end December 2017 some 150,000 people had accessed the service at a cost of €84m. This equates to a cost of about €600 per client. This compares more than favourably with the costs of the Department's own Intreo service and with those of the Local Employment Services. For example the Local Employment Service is contracted to serve 20,000 clients for 2018 with a budget of just short of €20 million, this is an average cost per client served of about €1,000.

Committee members also expressed an interest in knowing more about the contract arrangements and the individual fees paid to each of the two service providers - Seetec and Turas Nua. The Department has not disclosed this level of detail as to do so would breach the confidentiality of the agreements with the service providers and would place the State at a disadvantage in any future procurement that may be undertaken.

I can however confirm that fees are paid on client registration and on successful and sustained job outcomes. Sustainment fees account for c 90% of the total fees paid in respect of any individual jobseeker who secures employment.

A sustained job outcome is one which involves employment of at least 30 hours per week for a period of at least 13 weeks. Up to four job sustainment fees may be made over a 12 month (52 week) period. The level of the sustainment fee paid varies depending on the prior duration of unemployment of the jobseeker concerned and the contract year in which they were referred to the JobPath provider. As part of the tendering process bidders were asked to bid separate prices against 120 price points - Registration fees plus a separate fee for each year of the contract against 6 client cohorts (12 months unemployed, 2 – 3 years unemployed etc.) and for each period of sustainment (13 weeks, 26, weeks, 39 weeks and 52 weeks). It was suggested at the last meeting that as the Department had published the overall cost of the JobPath service each provider could reverse engineer the fees charged by the other provider so fee confidentiality was not an issue. Given the fee structure just described the reverse engineering of fees is not possible using the information published.

I would like to emphasise that in order to protect the interests of the State and of jobseekers, and in order to protect against an excessive level of profits the fees paid to the Service providers are subject to downward adjustment based on the level of employment growth in the wider economy (Prices have already been reduced by 8% on this basis). Fee reductions can also be applied if providers do not achieve performance targets with respect to the level of employment outcomes or achieve a satisfactory score in independent surveys of customer experience. To date, providers have exceeded their performance targets and scored highly in customer satisfaction research so the question of retention fees has not arisen.

The committee also queried how effective the JobPath service was in helping people secure sustained employment. – It was suggested that the published performance data was not very impressive. In fact job outcomes among jobseekers referred to JobPath are significantly higher than job outcomes of jobseekers of similar unemployment duration that were not referred to JobPath (up to 59% higher for people 3 years or more unemployed). While this data is not ‘controlled’ for factors other than unemployment duration, the fact that referral to JobPath is random suggests that inclusion of other control variables should not

significantly alter the results. A full econometric review of the service has commenced and will be completed later this year.

Committee members also enquired as to the nature of the research carried out in developing the contract model. Internationally, contracted models similar to JobPath were first developed in the 1980s and are now commonplace in many OECD countries. Accordingly, the Department drew on international experience in developing JobPath. In addition the Department commissioned and took advice from experts who advised and prepared reports for the EU, the OECD, the UK Government, the UK House of Parliament Select Committees, the National Audit Office in the UK, the Northern Ireland Government and the Trade Union Council (TUC). The Department also took informal advice and input from the former Director General of Employment Policy and Services in the OECD, canvassed the opinion of Irish labour market experts in the NESC, the ESRI, the Geary Institute - UCD, and the National University of Ireland in Maynooth and took input from members of the Labour Market Council. Finally the Department held a number of public briefing events which involved participants from advocacy groups, local development companies and trade unions among others and sought feedback from participants. There is further detail on the research approach taken in the material provided under separate cover.

Committee members also queried if Personal Progression Plans were a type of service contract that must be signed by jobseekers. A Personal Progression Plan is a structured document which seeks to assist people in identifying barriers to employment and the steps that need to be taken to achieve their employment goals. It is developed by the case officer and the jobseeker working together. It is not fixed but is updated and revised over the course of the engagement period. A Personal Progression Plan is used in all of the Department's activation services – Intreo, LES or JobPath. It is also a standard feature in all other public employment services in developed countries. A similar plan is also now used in all CE engagements.

We ask all jobseekers to sign the Personal Progression Plan as a means of ensuring that it is an agreed document. The customer signature is also an important control feature in

determining whether or not registration fees are due to be paid under the JobPath contracts. Therefore we strongly encourage all jobseekers to sign the form. For most people this is non-contentious – the number of jobseekers who refuse to sign is assessed as being less than 1%.

In relation to Community Employment and Tús, the Committee will be aware of the Minister’s recent announcement that customers who are currently engaged with the JobPath service and those who may be referred in future will, from 1st June, have the option of applying for CE and Tús placement while continuing to engage with JobPath. We hope that this addresses the concerns raised by committee members, among others, regarding access to CE and TÚS.

### **Conclusion**

I’m conscious that some of discussion at the last committee meeting seemed to suggest that JobPath was an unnecessary imposition on JobSeekers and that most participants on the service feel oppressed. I would dispute that contention very strongly.

The Department and its staff work with unemployed jobseekers every day. We come from, live and work among the communities which we serve. We are, I believe, more sensitive to and aware of the needs of these citizens, our clients, than nearly any other service organisation in the country. Our own customer feedback and research indicate that the overwhelming majority of customers value and approve of the service we provide, they feel that they are treated in a friendly, respectful and considerate manner and they believe that the service does improve their employment prospects. The same is true of research into customers of the JobPath service.

This is not to say that our service is perfect nor is the JobPath service perfect, nor indeed is the LES – there will be process failures, there will be individual lapses, there will be system failures. In addition, in any service where eligibility and selection is determined, of necessity, by use of thresholds and bands, there will be people at either side of the thresholds that will feel disadvantaged. You as public representative and I as Secretary General will get to hear about these failures much more than we hear about the vast

majority of positive examples of good service and good outcomes. We should be open to these challenges and should be constantly looking for ways in which we can do better. However in, correctly highlighting the flaws, we should not lose sight of the good, - to use the cliché we should not let the pursuit of the perfect get in the way of the good.

This is a balance that needs to be struck. As Accounting Officer for the Department I am, for example, acutely conscious that all commercial contracts carry risk and I know that these risks are of concern to the committee. But the existence of risk should not – I would contend – inhibit action. Instead we need to seek ways to manage and mitigate that risk. In JobPath we have, learning from experience in other jurisdictions, sought to limit that risk through careful contract design incorporating price discounting, payment penalties, customer satisfaction tracking, on-site inspections and tight performance targets and monitoring. I will not refrain from taking the appropriate action if any of these control mechanisms indicate that any of our providers is not delivering the service in the manner or to the standard required.

In closing it is notable that the EU in its recent country report on Ireland commented favorably on JobPath and identified it as being one of the main reasons for the faster than anticipated reduction in long-term unemployment. – Long term unemployment rates in Ireland have reduced faster than short term unemployment rates; this is a notable exception to trend in all other countries and is at least partly attributable, as the EU has observed, to the reforms undertaken by the Department, including the development of Intreo and JobPath.

My colleagues and I will be happy to address any questions that committee members may have.

ENDS.