

## **Joint Oireachtas Committee on Employment Affairs & Social Protection**

### **Opening Statement April 2<sup>nd</sup> 2019**

Irish Local Development Network is the representative body for the country's 49 not-for-profit Local Development Companies that deliver community services across the country. LDC boards comprise of local, voluntary directors alongside public-sector personnel and in many cases employers, unions and elected representatives. They link to Local Economic & Community Plans and Local Community Development Committees, ensuring wide-ranging oversight and democratic accountability.

Each year, LDCs support circa 15,000 community groups and 173,000 individuals by delivering €330 million worth of state programmes, many for jobseekers including the Back to Work Enterprise Allowance, Tús, Local Employment Service, Jobs Clubs, Community Employment and Jobs Initiative. Currently 19 Local Development Companies manage 23 Local Employment Service (LES) Contracts. The remaining 3 are also managed by not for profit companies. These activation supports are integrated with other social inclusion supports, facilitating jobseekers to simultaneously avail of complementary services such as training, childcare and health promotion.

### **Indecon Review of Local Employment Service and Job Clubs**

In 2017 Indecon International Economic Consultants completed reviews of the Local Employment Services and Job Clubs across the country. It should be borne in mind that in 2016, the LES service had been considerably altered from its original purpose and formulation focussing on long-term unemployed to a caseload and purpose reformatted for crisis times. Hence, the evaluation was not focussed on the LED model as it was designed but rather a reformulation that was rapidly constituted. We are now in an era more akin to what the LES was originally designed and this submission, whilst addressing the content of evaluation, will have a later focus on the employment services model required for today's operating environment.

The value of these initiatives under review in 2016 was circa €25 million. Combined, the services employ 400 qualified and experienced staff. In 2016 the LES services assisted 47,025 individuals and Job Clubs assisted a further 19,663 a combined total of circa 66,000 unemployed individuals in 60 separate locations across the country.

## **Main Findings on Placement Rates, Client Satisfaction and Employer Satisfaction**

Indecon reported that LES achieved a placement rate of 28.8% against a target of 30% set by DEASP. It should be noted that only employment over 30 hours per week is included in this figure. Excluded and not measured are jobs under 30 hours and placement in training, education and other necessary progression activities for those distant from the labour force.

It is against this background that the 28.8% achievement is independent evidence that the LES performance is excellent when compared with like operations nationally and internationally.

75% of LES clients reported that their interaction with LES had motivated them to seek work or undertake further education or training. A further 71% of LES clients said that the LES supports had improved their employment prospects.

89% of employers surveyed reported that the LES had helped their organisation find suitable candidates for vacancies. 83% of employers reported that LES had provided an efficient recruitment service for their organisation.

The two Indecon reports total over 300 pages and whilst there are many findings which we could engage with in more detail, the focus is rightly on the future. In that regard, Indecon have made seven **recommendations** and we will use our time to discuss the merits or otherwise of these.

### **1 Merger of Jobs Clubs and Local Employment Services**

The first recommendation is that given their close relationship consideration should be given to merging Job Clubs with Local Employment services. ILDN believe this recommendation would provide for a more integrated service to jobseekers.

### **2 Governance**

Indecon recommends that LES/ Jobs Clubs contractors should adhere to Best Practice Governance. ILDN fully supports this recommendation and notes currently that all LDCs are all registered companies with voluntary Board of Directors. They are all registered charities. All LDCs with an LES Contract hold the Q Mark standard. As the companies hold contracts for several programmes across many funders, there are multiple accountabilities in place including to ODCE, CRO, Revenue Commissioners, ESF, funder audits as well as oversight through LCDCs and linkage to Local Economic and Community Plans.

### **3 Overall Resources for LES and Jobs Clubs**

Indecon states that “Given the very significant reduction in the levels of unemployment, we believe that this should be reflected in the overall resources provided for LES and Jobs Club by the state.”

ILDN fundamentally disputes the logic of this assertion. As employment recovers from crises, those who are most job-ready return to employment first and they require the lowest levels of intervention and support. Local Development Companies and their LES operations work with those most distant from the labour market. Lack of marketable skills allied to social barriers require deeper and longer intervention than that required in a recovering economy with 16% unemployment. At this point in our post-recession environment, the marginal cost of assisting others to access the labour market rises.

### **4 Focus on “the most disadvantaged and other activation groups who are not currently obtaining assistance from other state delivered/funded programmes.”**

ILDN agrees with the configuring and resourcing of employment services in this way. Given the current buoyancy of employment creation, the support of those not currently on the Live Register or able to access what the ILO calls ‘Decent Work’ should be an actively-pursued policy objective.

### **5 Multi Annual Contracts**

The reports’ recommendation that DEASP should consider multi annual contracts in order that delivery agents can plan effectively is welcomed by ILDN whose members already successfully operate Multi-Annual contracts such as the SICAP Programme.

### **6 Configuration of Local Employment Services**

We will reverse the order of Recommendations 6 and 7 in order to give more time to Future Services. Indecon recommends that amalgamation of services may be required in order to achieve greater economies of scale.

ILDN note that there are multiple numbers of TUS/RSS contracts, multiple numbers of SICAP contracts and while economies of scale should be explored, the grounded and local nature of TUS/RSS and SICAP are major contributory factors in their success. The contracting Departments, DRCD and DEASP itself, can testify to the effectiveness and efficiency of contract management by small teams in each.

## 7 Procurement

Indecon recommends that active consideration is given to an open/public competitive procurement model for future provision of services and DEASP has indicated that it is preparing to follow this recommendation and procure for services within three months with a view to having such contracts in place for January 1<sup>st</sup>, 2020. ILDN makes the following observations:

Firstly, there are many good examples of state-funded programmes that are not contracted through an open procurement model, particularly in the labour activation area.

Secondly, if there is to be a new procurement process, it should keep the needs of job-seekers and value for the taxpayer at its core. This will require an objective assessment of all inputs and deliverables. Currently, effectiveness of employment services is evaluated by a single indicator – placement in employment of 30+ hours per week.

If commissioning is to be considered, it must fully take into account the objectives of the service and the costs of delivering all parts of that service including the elements of the journey to job-readiness.

Thirdly, international experience in competitive contracting of employment services by payments-by-results model has yielded unsatisfactory and unintended results.<sup>1</sup> I refer the committee to relevant academic literature, in particular the work of Greer and others. The downsides of a privatised, pay-by-result model include

- It removes experience and eliminates community organisations (i.e. those with a track record) from competing. Local Development Companies, as delivery agents for government, are generally prohibited from retaining a profit on most of their programmes including LES and, thus, their lack of reserves will remove them from a payment-by-results model.
- Gaming the system by Creaming (prioritising the low-hanging fruit), Parking those most distant from labour market and Coercion of those who wish to build a career rather than accept low-pay, precarious work are among the methods identified.
- Whilst open commissioning may initially appear attractive in cost terms, these are quickly offset by increased and often unclear procurement costs. More crucial, however, is the likelihood that the taxpayer will be tied into expensive, inflexible contracts often designed for a different phase of the boom/bust cycle.

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<sup>1</sup>cf. Greer et al, Creaming and Parking in Marketized Employment Services; an Anglo-German Comparison, 2018

- They compete with existing state-funded initiatives to the detriment of the latter.

ILDN recommend that whatever procurement model is devised, it needs to take cognisance of:

- The social inclusion aspects of delivering an employment service targeted at people most distant from economic activity.
- The Not for Profit contract model operated by the Department of Rural & Community Development (DRCD) for SICAP.
- LDCs, given their national coverage provide a readymade and workable solution to the challenge of reconfiguring employment services to include large elements of Social Inclusion work with targeted cohorts. The success of the TUS, RSS and the BTWEA schemes are current examples, offering value-for-money and agility to the contracting Department.
- Any changes to the current model require a greater lead-in time than proposed, given the need for an ongoing service to jobseekers, the rights of employees and the proper planning & development to be undertaken by Board of Local Development Companies.

Above all, the LDC capacity for service integration is required to meet the needs to today's jobseekers – the need for such an approach is independently identified by the EU Country Report on Ireland, 2018 -

“Some progress made, with the presentation of the Action Plan for Jobless Households, but groups furthest away from the labour market still require an integrated approach to helping them enter it”. <sup>2</sup>

**In Conclusion**, Irish Local Development Network recognises that Public Employment Services need ongoing adaptation to meet the changing needs of jobseekers but **points to the success of the not-for profit community model since 1991 and its greater effectiveness over a privatised, payment-by-results model in addressing deep-rooted unemployment**. The reconfiguring of the community-based model for the current challenges offers jobseekers, employers and the state the optimum solution – accessible, locally-based with national coverage, agile, high governance standards, linked to local democratic processes, values-driven, high personnel skills.

ENDS

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<sup>2</sup> EU Country Report Ireland 2018, p.13