



Opening Statement to the Oireachtas Joint Committee on Social Protection on Labour Activation

Tony Donohoe, Head of Education and Social Policy

Introduction

I wish to thank the Joint Committee for the opportunity to address you on what continues to be a critical issue for the business sector from both an economic and social perspective. The emphasis may change, depending on the economic cycle. During the depths of the recession, there were compelling social inclusion imperatives to keep as many people attached to the labour market as possible. As the economy recovers, the labour market has tightened and skills shortages are emerging.

However before looking at the some of emerging challenges, it is important to acknowledge the achievements to date. The headline figures are encouraging. Unemployment has fallen from over 15% to 7.2%. The most critical metric, long-term unemployment, has fallen from 9.5% to 4.5% and the youth unemployment rate has more than halved.

In any discussion about labour activation, there will be a debate about cause and effect. How much of the reduction in unemployment can be attributed to the general economic recovery and how much to well designed activation policies.

And without wishing to be too predictable, it is important to remember that government doesn't create jobs, business does. Labour market recovery is more likely to continue in a business environment that supports competitiveness. However, Government policy has a major impact on the conditions which are conducive to firms rehiring and on the quality of education and skills of those seeking employment.

Government must also ensure that there is a strong incentive to work and that the best approach is taken to assist and up-skill those who are looking for work.

And we have made significant progress on activation. I can recall in the early to mid-nineties, long-term unemployment remained obstinately high. In 1995, when the economy was growing at 6%, the long-term unemployment rate was over 9%, twice the level of today. So, we have learned a lot about activation.

However the figures are still too high. And, despite the improved labour market situation, very long-term unemployment of more than three years, youth unemployment, inter-generational jobless households and unemployment amongst people with disabilities all remain of serious concern.

The challenge is obviously multi-faceted. So I will just single out four priorities:

- Consolidation of existing reforms
- Increased emphasis on programme evaluation
- Employer engagement
- The development of relevant skills

The first priority is the consolidation of existing reforms

There has undoubtedly been a significant improvement in the delivery of employment and activation services since the Pathways to Work Strategy was introduced in 2012. The implementation of new engagement processes, jobseeker profiling, the establishment of an employer relations division, a reduced payment regime for people who do not engage with the system and the back-to-work family dividend are all positive developments. Employers are also well disposed to the JobPath contracted employment service which supplements Intreo in delivering support to the long term unemployed.

We believe the overall philosophy of Pathways to Work – a social contract to ensure that all parties understand that with rights come responsibilities - is the correct one.

However, as always, there remains the challenge of translating the rhetoric we see in strategies and policy documents into a reality for people who engage with the services. Although the delivery has improved significantly, there are still inconsistencies in the quality of service. Therefore there should be a particular emphasis on ensuring that Intreo staff have the capacity, competence and culture to deliver services that meet the needs of their clients

We also need to develop a culture of constant evaluation. The introduction of more labour market facing jobseeker services and programmes such as JobBridge , JobsPlus, Springboard, ICT Skills Conversion programmes and Momentum has been positive. However, there are a plethora of other training and activation schemes for which we have very little outcomes-based data.

And in the few instances we have published evaluations, the results are not encouraging. For example, the Economic and Social Research Institute study on the back to education allowance scheme found that the employment prospects of people who used the scheme to undertake long-term training courses were significantly reduced, even four or five years after completing the programmes.

Ironically, where we had an independent evaluation of a scheme that showed very strong employment progression – JobBridge – we closed the scheme. The Indecon Review of JobBridge showed that 79% of candidates were employed directly and 64% are still in employment. Matched against a control group, an unemployed person had a 32% better chance of getting employment and sustaining it having gone on JobBridge.

Undoubtedly we need a reformed work experience programme that matches the new economic environment and we welcome the Government's commitment to introduce a replacement. However, I am concerned about the vacuum that has been created with the closure of JobBridge and the establishment of a replacement should be expedited.

I now want to turn to the issue of employer engagement.

An effective activation policy requires a significant level of engagement with business in order to identify opportunities for jobseekers and promote the recruitment of people who are on the live register. However the particular structure of Irish business – with a large number of small employers and relatively small number of large companies that have the resources to engage with the many State agencies – makes this a challenge. Intreo is also competing with the many other avenues of recruitment including staff referrals, private recruitment agencies and online services. Therefore, we should ensure that it has the staff and resources to develop this important work.

I now wish to turn to the issue of training and employability skills.

I have followed some of your debates around whether it should be a 'job first' or 'education first' approach to labour activation. I believe that the response is determined by individual circumstances and this is not a binary decision.

There is a need to ensure that the unemployed are matched appropriately with upskilling. There is a sizeable cohort of very low-skilled unemployed, distant from the labour market, who need specialised interventions within education and training provision. The low skilled can become trapped in insecure employment, punctuated by spells of unemployment, in the absence of upskilling opportunities. Previous negative education experiences, lack of awareness of the opportunities and benefits of education, lack of familiar role models may all act to dissuade individuals from engaging in upskilling.

This is why guidance is such a critical component. Close and formal collaboration between Intreo offices and Education and Training Boards in guiding the unemployed to effective training or work placement opportunities is critical. I am aware that protocols are in place but I am not convinced that a systematic integrated service is being delivered in all areas.

The principles that should guide our education and training strategy are well documented: flexibility and responsiveness in delivery; robust evaluation of outcomes based on on-going collection and assessment of data; developing and adapting courses that meet the skills needs of local and regional employers;

allocation of resources to the most effective elements of education and training in helping the unemployed, meeting skills needs and continuing to provide a pathway to work for school-leavers.

These have been acknowledged in the National the Skills Strategy and the Action Plan for Education. The establishment of the regional skills councils will hopefully help to bring employers together with all the local stakeholders in what can be a very crowded space.

We should also place a particular emphasis on developing 'employability skills'. Ibec's research has consistently shown that in recruiting people for entry level positions, employers may not require a lot of hard skills and qualifications. However, they want evidence that candidates have the attitudes and soft skills that will enable them to learn what their job entails, adapt to the company culture and get on with their colleagues.

On the last occasion that we asked our members to indicate the level of importance they attached to each of ten attributes, 75% described 'work attitude' as very important, more than double the weighting attached to the second and third attributes. In follow up focus- groups, companies told us that they are willing to arrange for, or supply, any specific training required once the requisite willingness to learn and adaptability are present.

I think that this an important message for our guidance and training services.

I wish to conclude with a comment about how we can ensure that our labour activation policies can adapt to an uncertain future and the inevitable shocks that can be imposed on economies. In the US and the UK, we have seen a dramatic manifestation of concerns related to outsourcing and relocation, increased income inequalities, automation and gaps between skilled and unskilled workers.

In order to meet these challenges, we need new forms of flexibility and security for individuals and companies. Individuals need employment security rather than job security, as fewer will have the same job for life. Companies need to be able

to adapt their workforce to changes in economic conditions. They should be able to recruit staff with a better skills match, who will be more productive and adaptable leading to greater innovation and competitiveness.

Over a decade ago, the European Commission promoted the concept of 'flexicurity', an integrated strategy to enhance, at the same time, flexibility and security in the labour market. Unfortunately, the strategy was overtaken by the recession and we hear very little about it. I think it should be revisited.

There are four main policy components to flexicurity:

- Flexible and reliable contractual arrangements from the perspective of the employer and the employee;
- Comprehensive lifelong learning strategies to ensure the continual adaptability and employability of workers, particularly the most vulnerable;
- Effective active labour market policies that help people cope with rapid change, reduce unemployment periods and ease transition to new jobs;
- Modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility.

We have certainly made some progress under these headings. But if we hope to fulfil our commitments to growth and jobs, and to social cohesion, we need to create a situation in which security and flexibility can reinforce each other.

Once again, I wish to thank the committee for the opportunity to present the business perspective on this important issue. I will be pleased to address any questions that members may have.