An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

Active Labour Market Policies

Briefing Paper 10 of 2018
Séanadh

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This Briefing Paper is provided by the Parliamentary Budget Office (PBO) in order to assist members in understanding Active Labour Market Policies (ALMPs) and in interpreting budgetary data relating to ALMPs in Ireland. It does so in the context of:

- An Irish labour market approaching full employment where excess demand for labour must be met from outside the existing labour force (e.g. via activation or inward migration) if Ireland is to avoid overheating. In the context of full employment, ALMPs can play a critical role in expanding the labour force;
- The European Commission's Country Specific Recommendations (CSRs) for 2018 which highlight relatively high rates of inactivity in Ireland; and,
- Difficulties in accurately assessing the performance of ALMPs in achieving policy goals and the effectiveness of allocated expenditure (from a performance-budgeting perspective) due to the lack of relevant data.

Ireland’s labour force participation rate of 61.5% in 2018, remains lower than the pre-crisis peak of 64%, with persistently high rates of long-term unemployment and inactivity. The female labour force participation rate remains relatively low. In addition, Ireland has one of the lowest employment rates of people with disabilities in the EU.

ALMPs are policy interventions aimed at improving participants’ prospects of finding gainful employment or to otherwise increase their earnings capacity. Public expenditure on ALMPs is generally allocated through Vote 26 – Education and Skills, and Vote 37 – Employment Affairs and Social Protection. The total voted allocation for 2018 is approximately €1.1 billion.

ALMPs can take several forms, including Work Programmes, Subsidies and Training programmes. Work Programmes make up the biggest share of ALMP expenditure in Ireland at €520 million in 2018, but reviews of Work Programmes to date have shown weak employment outcomes for participants; a result which has also been observed internationally. Conversely, expenditure on labour market Subsidies have, in preliminary assessments, resulted in the highest progression rates of participants to employment, yet receive significantly less funding than Work Programmes.

However, poor monitoring of participant outcomes makes it difficult to assess the effectiveness of ALMPs in Ireland. The PBO concludes that this lack of data restricts evidence-based policy-making and places a constraint on the capacity to undertake effective performance budgeting. More generally, the PBO recognises that a systematic approach to data collection and monitoring in relation to participant outcomes, and to programme review and evaluation, should be an integral part of future policy design.
ALMPs are policy interventions in the labour market intended to help the unemployed and inactive find work. Approximately €1.1 billion was allocated to spending on ALMPs across Vote 26 – Education and Skills, and Vote 37 – Employment Affairs and Social Protection, in Budget 2018.

Three key factors underscore the need for a consideration of ALMPs in the context of budgetary oversight and Ireland’s overall fiscal policy:

- As the Irish economy is approaching **full employment** any excess demand for labour must be met from outside the existing labour force (e.g. via labour market activation) if Ireland is to avoid overheating;
- The European Commission’s Country Specific Recommendations (CSRs) for 2018 have explicitly referenced the **high levels of labour inactivity** in Ireland and the economic risk this poses; and,
- From a performance budgeting perspective, the **lack of appropriate micro-level data** has contributed to difficulties in accurately assessing the performance of ALMPs and the effectiveness of allocated expenditure in achieving policy goals.

As unemployment approaches pre-crisis levels of 5% (considered to constitute full employment or the Natural Rate of Unemployment1), the Department of Finance’s **Summer Economic Statement 2018** notes that there is a need to support solid labour force growth. Activation programmes are a means to increase employment growth through an increase in labour market participation, by incentivising those who have left the workforce to re-join, or providing support to those outside the workforce who face barriers-to-entry.

The European Commission noted in the **Country Report Ireland 2018**2 that persistently high long-term unemployment and inactivity rates remain a challenge. Successive Country Specific Recommendations (CSRs) since 2015, under the European Semester, have referenced the impact of these factors on Irish economic activity. These CSRs have recommended using ALMPs to broaden the tax base and to reduce the number of jobless households, and separately, to lower the cost of childcare to facilitate improvements in female labour force participation. The **2018 Recommendations**3 note that progress has been made to address these concerns but reaffirmed the need to continue efforts to broaden the tax base through increased labour force participation, and to focus on the upskilling of the workforce with a prioritisation of digital skills.

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1 The Natural Rate of Unemployment is considered to be the lowest level of unemployment the economy will reach, accounting for structural (due to industrial reorganisation in the economy) and frictional (movement between jobs) unemployment. It is often used as a synonym for the Non-accelerating Inflation Rate of Unemployment (NAIRU), which is the unemployment rate at which the labour market is in equilibrium and at which, should unemployment fall further, inflation will begin to accelerate (OECD Glossary of Statistical Terms, 2018).


3 PBO Note 11 of 2018 (May 2018), **2018 European Semester: Draft Country Specific Recommendations for Ireland.**
This Briefing Paper explores the context for activation programmes in Ireland, with a characterisation of inactivity and unemployment. It further provides an overview of current ALMPs in Ireland, in terms of expenditure and participant numbers. The Paper is structured as follows:

1. **Section One** profiles the composition of the active and inactive populations in Ireland in the context of labour market participation;
2. **Section Two** outlines the economics underpinning ALMPs;
3. **Section Three** reviews Voted Expenditure on ALMPs in Ireland;
4. **Section Four** reviews the implementation of ALMPs and reviews participation rates;
5. **Section Five** examines the available material on the performance outcomes of ALMPs;
6. **Section Six** gives a brief assessment of the future of ALMPs in Ireland;
7. **Section Seven** provides the PBO’s concluding remarks.

The data used in this paper are taken from the Voted Expenditure allocations as provided in the Department of Public Expenditure and Reform’s [Expenditure Database](#). Where expenditure figures are missing, they are supplemented by the Department of Employment Affairs and Social Protection’s (DEASP) [Statistical Report 2016](#); participant numbers for ALMPs are also taken from the DEASP Statistical Report. Supplementary figures for 2017 participant numbers and disaggregated expenditure were supplied to the PBO through correspondence with DEASP. Additional data on unemployment and labour market participation are also taken from the CSO.

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Labour Market Participation

This section explores labour market participation rates in Ireland. It further examines unemployment and inactivity rates in the Irish context.

Persistently low levels of labour market participation risk undermining sustained economic development, and can also have wider social consequences. In order to best allocate resources to address this risk, Active Labour Market Policies (ALMPs) should be designed in light of underlying demographics and the changing dynamics of the labour market.

The Labour Force Survey (the LFS, formerly the Quarterly National Household Survey) carried out by the Central Statistics Office (CSO) offers the most comprehensive source of data on the Irish labour market. Under CSO definitions, an individual is defined as active, and therefore participating in the labour market if they are either in employment or unemployed and actively seeking work. The LFS classifies the Labour Force Participation Rate as the number of persons in the labour force expressed as a percentage of the population aged 15 or over. Those of working age who are not in employment or actively seeking employment are excluded from this number, and classified as inactive. The Irish Labour Force Participation Rate as of Q1 2018 is 61.5%.

Inactivity is distinct from unemployment, with the latter excluding those not actively seeking work. The LFS defines an unemployed person as “someone who, in the week before the survey, was without work and available for work within the next two weeks, and had taken specific steps in the proceeding four weeks to find work”. Therefore, the LFS differs from the Live Register, which may include people who are working part-time or who may for other reasons not be classified as active under the LFS.

Prior to the onset of the financial crisis in 2008, the labour force was expanding by an average of 30,000 workers per annum, peaking at a participation rate of 64% in 2007. Byrne and O’Brien (2017) note that the increase in participation beyond 2004 can, in part, be attributed to European Union (EU) expansion and the subsequent inflow of migrant workers. Specifically, increases in the participation rate were attributed to compositional changes in the Irish population through increases in the working age population, and also the steady increase in female labour force participation since the 1980s.

The fall in the participation rate to a low of 60.1% in 2012, following the crisis, has been attributed to a number of factors:

- **Outward migration:** net migration shifted from +104,800 people in 2007 to -25,700 in 2012 (CSO Population and Migration Statistics, 2018);
- **Investment in education:** those aged 15 to 24 deciding to extend their time spent in education in lieu of entering the labour force (Byrne and O’Brien, 2017);

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- **Increase in long-term unemployment**: periods of unemployment in excess of 12 months led to skill degradation and increased the probability (by 16.5%) of an individual exiting the labour force entirely (Byrne and O’Brien, 2017); and,

- **Gender effects**: high childcare costs and poor employment opportunities mean that unemployed females are more likely to exit the workforce to stay at home.\(^6\)

An alternative measure of labour market engagement is the **Employment Rate** (or Activity Rate). This is the standard international metric for assessing labour market engagement, and is measured as the number of employed individuals (aged 15 to 64) expressed as a percentage of the total population (aged 15 to 64). Ireland’s current Employment Rate is 67.9%. The Employment Rate is referred to in this Briefing Paper when making cross-country comparisons of labour market engagement or activity.

**Unemployment**

Ireland’s unemployment rate grew by 11 percentage points in four years during the financial crisis. Total unemployment peaked at 15.9% in 2011/2012 (see Figure 1) with 78% of job losses concentrated in the construction, manufacturing and retail sectors, causing significant pressures on the Exchequer.

**Figure 1: Seasonally adjusted monthly unemployment rate, 2008-2018, %**

![Seasonally adjusted monthly unemployment rate, 2008-2018, %](image)

- **Total – Seasonally Adjusted Monthly Unemployment Rate (%)**
- **Male – Seasonally Adjusted Monthly Unemployment Rate (%)**
- **Female – Seasonally Adjusted Monthly Unemployment Rate (%)**

*Note: Data refers to December of 2008 to 2017, and to June of 2018.*


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\(^6\) Regan, Mark, Keane, Claire and Walsh, John R. (2018), Lone-Parent Incomes and Work Incentives, ESRI Budget Perspectives 2019, Paper 1, ESRI.
There has been a substantial improvement in labour market conditions since the crisis. Unemployment has decreased steadily since the peak in 2011/2012 and stood at 5.8% at the end of Q1 2018. The Department of Finance’s Summer Economic Statement 2018 estimates unemployment for 2019 and 2020 at 5.3%, bordering on full employment. Youth unemployment has also fallen to 12.5% (CSO, April 2018), below the EU average of 15.6%, and from a high of 29% in 2012.

However, Ireland still has a relatively high long-term unemployment rate, compared to pre-crisis levels. The long-term unemployed 7 accounted for 2.1% of the labour force in Q1 2018; this represents an improvement from the crisis peak of 9.8%. Prior to the crisis, just 1.4% of the labour force was classified as long-term unemployed. While men make up the majority of the long-term unemployed (comprising 74% in 2012, falling to 53% in Q1 2018), women who experience long-term unemployment are more likely to exit the workforce entirely.8

The inactive population

The European Commission noted in the 2018 Country Report for Ireland that persistent labour market inactivity remains a challenge. Successive Country Specific Recommendations since 2015 have noted the impact of this on Irish economic activity, recommending the use of ALMPs to broaden the tax base (i.e. to decrease the inactive population and increase the number of people in employment and paying income tax) and to reduce the number of jobless households.

Box 1. Under-employment

Apart from inactivity and unemployment, the OECD also defines under-employment as “when a person’s employment is inadequate in relation to specified norms of alternative employment, account being taken of their occupational skill”. Under-employment has negative implications for the economy as it indicates an under-utilisation of skills in the workforce and a loss of human capital. Under-employment in the Irish labour force has been acknowledged as a persistent challenge in the 2017 and 2018 Action Plan for Jobs9. According to the Labour Force Survey, in Q1 2018 there were 113,700 persons working part-time who were classified as visible underemployed, an increase from 96,100 in Q1 2017.

Visible under-employment refers to “individuals who are involuntarily working less than the normal duration of work determined for the activity, which are seeking or available for additional work during the reference period”, while invisible under-employment refers to “individuals who are working in jobs where their skills are not adequately utilised”.

In Ireland, the proportion of people not working due to inactivity (having the capacity to work but having left the labour market and no longer seeking work) is comparatively higher than other EU and OECD countries. The 2017 National Skills Bulletin10 estimated that 891,600 persons were classified as inactive in the Irish working age population as of December 2017. While this number includes students and retirees, 271,900 were inactive due to home duties, 119,200 were inactive

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7 Long-term unemployment refers to those who have been unemployed for 12 months or more.
due to ill health or disability with a further 102,900 inactive due to ‘Other’ reasons. In Q1 2018, the CSO estimated that of those not in the labour force, the absolute number classified as being inactive and with the potential to join the labour force was 119,200.

**Education**

Inactivity is notably higher among those with only primary or secondary education levels, and most pronounced among young people within this cohort. Strikingly, the difference in Employment Rates between young people with high skill levels and low skill levels in Ireland is the highest in Europe.

**Figure 2: Employment rates in Ireland by education level, 2008-2017, %**

![Employment rates in Ireland by education level, 2008-2017, %](image_url)

**Source:** Eurostat – Employment Rate by Educational Attainment Level, 2018.

**Disability**

Ireland has one of the lowest rates of employment for those with disabilities in the EU, estimated to be between 29% and 31%, compared to the EU average of 47.5%. In addition, analysis by the ESRI has shown that people with disabilities are far more likely to be dependent on welfare payments and are at a significantly higher risk of falling into poverty and economic disadvantage relative to the rest of the population (Watson, Lawless and Maitre, 2017). People with disabilities face substantial barriers-to-entry in participating in the workforce. These barriers can include mobility constraints, self-care constraints or chronic pain, and are not only a function of an individual's physical disability, but are also contingent on the availability of appropriate supports to facilitate workplace accessibility. The ESRI note that the

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12 Ibid.
presence of any disability, regardless of its impact on physicality or mobility reduced the odds of a person entering into work by 30%, and that, approximately 19% of people with disabilities who are not already in employment wish to enter the labour force.

The *Comprehensive Employment Strategy for People with Disabilities 2015-2024* was launched by the Department of Justice and Equality in 2015. The strategy outlines measures that would allow recipients to continue to receive Disability Allowance while in employment, and includes a commitment to have people with disabilities account for 6% of public sector employees (an increase from the target of 3% under the *Disability Act 2005*). In line with this strategy, €15.39m was allocated for Disability Activation Supports in the 2018 Revised Estimates for Public Services, an increase of 65% from 2017.

### Gender

Byrne and O’Brien (2017) find that a falling birth rate and a rise in the relative returns to labour have been significant drivers in women joining the labour force in Ireland. In addition, shifting cultural and institutional barriers, such as higher educational attainment, equal pay legislation and improving attitudes to women in the workforce have historically increased female participation rates. As of Q1 2018, the female employment rate in Ireland is 62.3%.\(^\text{13}\)

However, historically, the gender employment gap in Ireland has been persistently higher than the EU average, and has been noted in successive Country Reports by the European Commission as an area in need of improvement. In 2017 the female employment rate in Ireland stood at 63%, on par with the employment rate of 63% in the wider EU for the first time since the crisis. However, this remains well below the employment rates of 74% and 73% for men in Ireland and the wider EU respectively (see Table 1).

In addition, Irish women across lower secondary and non-tertiary education levels are significantly less likely to participate in the labour market than their EU counterparts. Notably; these rates have not recovered since the crisis and are significantly lower than employment rates for this cohort in 2007. Women with lower secondary education or less were found to have a participation rate of 24.6% in 2017 compared to 60% of upper secondary and post-secondary non-tertiary educated women, and 81% of tertiary educated women.

The OECD note in their Economic Survey of Ireland\(^\text{14}\) that women in Ireland face greater personal costs in entering employment than men. In particular, the care of dependents has been found to have significant impacts on the female participation rate (European Commission *Country Report*, 2018). In fact, the inactivity of women in the formal workforce due to caring responsibilities was found to be among the highest in Europe in 2018. The design of parental leave\(^\text{15}\) (which provides for 2 weeks of paternity leave for fathers, compared to 26 weeks of maternity leave for mothers) potentially undermines choice regarding the sharing of parental responsibilities. In addition, the ESRI note\(^\text{16}\) that childcare costs in Ireland are the highest in Europe for lone parents and the second highest for couples, acting as a significant barrier to accessing paid employment for low income and single parent households, with the burden of caring responsibility falling disproportionately on women. Byrne and O’Brien (2017) find that the female participation rate universally declines after age 25, as women begin to exit the labour force after having children.

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14 OECD Economic Surveys: Ireland (March 2018), OECD.
15 The Paternity Leave and Benefit Act (2016).
The introduction of the Single Affordable Childcare Scheme is intended to help alleviate the cost of childcare for parents, particularly mothers, which may be deterring them from entering the labour force. The scheme provides subsidies to those working, involved in education and training or community work, and is progressive in nature according to income level. However, the Scheme should be subject to independent review and evaluation to assess its success in meeting policy objectives.

Table 1: Employment Rate (%) by age, gender and educational attainment – updated and adapted by the PBO using OECD, Eurostat and CSO data

<table>
<thead>
<tr>
<th></th>
<th>Ireland 2007</th>
<th>Ireland 2017 Q4</th>
<th>EU 2007</th>
<th>EU 2017 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Rate</td>
<td>69.2</td>
<td>67.6</td>
<td>65.2</td>
<td>67.7</td>
</tr>
<tr>
<td>Youth (15-24)</td>
<td>51</td>
<td>39</td>
<td>79</td>
<td>80</td>
</tr>
<tr>
<td>Prime age (25-54)</td>
<td>78.6</td>
<td>78.9</td>
<td>79</td>
<td>80</td>
</tr>
<tr>
<td>Older population (55-64)</td>
<td>53.9</td>
<td>58.9</td>
<td>44.5</td>
<td>57.8</td>
</tr>
<tr>
<td>Men</td>
<td>77.5</td>
<td>74</td>
<td>72.4</td>
<td>73</td>
</tr>
<tr>
<td>Women</td>
<td>60.6</td>
<td>62.3</td>
<td>58.1</td>
<td>62.8</td>
</tr>
<tr>
<td>Lower secondary or less</td>
<td>49.4</td>
<td>37</td>
<td>48.4</td>
<td>46</td>
</tr>
<tr>
<td>Upper secondary and post-secondary non-tertiary</td>
<td>74.2</td>
<td>67.8</td>
<td>70</td>
<td>71</td>
</tr>
<tr>
<td>Tertiary</td>
<td>85.7</td>
<td>84</td>
<td>83.7</td>
<td>84.8</td>
</tr>
</tbody>
</table>

| Youth:                      |               |                 |         |            |
| Lower secondary or less     | 23            | 9.8             | 25      | 19.4       |
| Upper secondary and post-secondary non-tertiary | 66.1 | 52.8 | 48.7 | 45.5 |
| Tertiary                    | 79.9          | 77              | 61.7    | 61.3       |

| Women:                      |               |                 |         |            |
| Lower secondary or less     | 34.8          | 24.6            | 39.1    | 37.6       |
| Upper secondary and post-secondary non-tertiary | 64.2 | 60 | 63.4 | 65 |
| Tertiary                    | 82            | 81              | 80.4    | 81         |

An interesting pattern emerges when employment rates are broken down by age cohort (see below). During the crisis, the youngest cohort was the most affected, with the employment rate among 15 to 24 year olds falling significantly more than others. Furthermore, there has been little recovery in the employment rate for this group relative to older age cohorts.

There are several potential explanations for this pattern. Increased participation in post-secondary education or a move away from engagement with post-secondary alternatives to education may go some way to explaining this trend. Specifically, the Review of Apprenticeships in Ireland published by the Department of Education and Skills, highlights a substantial decline in the apprentice population from 2008 to 2011. Furthermore, data provided by the Minister of State for Education and Skills, in response to a Parliamentary Question (31094/17) on 4 July 2017, indicated that the apprentice population continued to decline from 2011 to 2013. This was followed by a gradual rise year-on-year from 5,711 in 2013 to approximately 11,273 in July 2017.

Although beyond the scope of this paper, the failure of the employment rate for 15 to 24 year olds to recover to pre-crisis levels alongside older age cohorts, merits further consideration.

**Employment rates by age cohort, 2000-2017, %**

*Source: CSO data, annual employment rates are calculated as an average of quarterly rates. This analysis was previously carried out by Seamus Coffey as part of a presentation given to the ESRI Budget Perspectives conference.*
Active Labour Market Policies (ALMPs) are policies that influence the interaction between the economy's labour supply and demand, with the primary goal of increasing employment opportunities for jobseekers. Supply-side ALMPs are worker orientated and are designed to align the skillset of the unemployed or inactive to the requirements of the labour market through general or specific training. Demand-side ALMPs are job focused and designed to encourage employers to hire workers who are currently unemployed or face added barriers to entry via Work Programmes or employer Subsidies. ALMPs can increase employment opportunities for those unemployed and actively seeking work, and can be used to incentivise those outside the labour force and classified as inactive to join.

Definition of ALMPs

The OECD defines ALMPs as including: “All social expenditure (other than education) which is aimed at the improvement of the beneficiaries’ prospect of finding gainful employment or to otherwise increase their earnings capacity.”

ALMPs are distinct from passive labour market policies, such as unemployment payments, which do not directly encourage recipients to seek out employment opportunities and are instead intended to supplement income during periods of unemployment.

The scope and magnitude of any ALMP intervention varies in accordance with the profile of the inactive and unemployed population and their reasons for inactivity or unemployment, and with the state of the economy. The OECD defines four main categories of ALMPs. For the purposes of this paper, ALMPs funded by the Exchequer will be categorised under these four headings.17

1. **Work Programmes**: refer to temporary work in the public sector or in non-profit organisations offered to unemployed persons;
2. **Subsidies**: also known as recruitment incentives, refer to programmes in which payments are made for a limited period to facilitate the recruitment of unemployed persons and other target groups into jobs where the majority of the labour cost is covered by the employer;
3. **Training and Education**: in the Irish context this refers to the provision of income supports to welfare recipients who are engaged in higher education or Further Education and Training (FET); and
4. **Other**: encompasses all other expenditure classified as employment supports including some elements of the Public Employment Services (e.g. Intreo) and activation supports for people with disabilities.

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The economics of ALMPs

ALMPs can be designed to address specific labour market conditions as and when they arise (e.g. in line with fluctuating economic conditions, changes in the composition of the labour market, skills shortages etc.) and to tackle specific barriers to entry (e.g. for women or people with disabilities).

During an economic downturn, ALMPs can be used to ensure that the unemployed stay in close proximity to the labour market, and maintain their human capital. This helps to reduce pressure on the Exchequer by ensuring that welfare recipients are well equipped to return to work once market conditions improve. This approach guided the Government’s *Pathways to Work 2012-2015* strategy, which focused on the provision of frontline services and employer engagement. In the introduction to the 2016-2020 strategy, the Department of Social Protection attributed 38% of the reduction in unemployment to the 2012 to 2015 Pathways to Work programmes.

In times of economic growth, ALMPs can be used to respond to a tightening labour supply. Programmes can be designed to incentivise inactive workers to re-join the labour market and reduce barriers-to-entry for those who may face challenges joining the labour market. At present, there is a recognised risk of overheating in the Irish economy. As the economy approaches full employment, excess demand for labour will need to be met by an expanded labour force, either through inward migration or labour market activation. Failure to do so might exacerbate the effects of overheating, such as inflation and upward pressure on wages.

The *Pathways to Work 2016-2020* strategy recognises this and emphasises a shift towards maintaining the downward pressure on unemployment while supporting those who wish to enter the labour market. Fundamentally, effective ALMPs should be tailored to address the issues underpinning the causes of inactivity or unemployment, and to ensure that they align with the needs of participants and employers. ALMPs should have clear policy goals or objectives, facilitating a thorough performance review that enables an assessment of the success of the programme in helping participants to exit to suitable employment.

The *International Labour Organisation* note that the challenge for policymakers in designing effective ALMPs, is to identify what policy is best for participants and employers, and society at-large, without over burdening workers, enterprises and public funds, and while still allocating sufficient funding to enable the implementation of effective policies. If firms’ reactions to changes in the economy result in labour market shocks (such as redundancies), governments have a role to play to ensure the policy response stops unemployment from rising without negatively impacting economic activity. For example, in Sweden in the 1990s, sizeable job creation schemes implemented by the Government squeezed out private sector employment, and resulted in increased pressure on wages.18

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Following the onset of the crisis and against a backdrop of rising unemployment, spending as a percentage of GDP on ALMPs increased year-on-year from 2007 to 2011. However, Ireland has historically prioritised passive labour market policies (such as direct unemployment payments) over active policies, and to a greater extent in comparison to other OECD countries (see Figure 3 and Figure 4). As a percentage of GDP, public expenditure on ALMPs in Ireland remained marginally below the OECD average in 2016\textsuperscript{19}.

**Figure 3: Public expenditure on active versus passive labour market policies as a percentage of GDP, 2016, %**

Source: PBO analysis using data on ALMPs for a sample of OECD countries, 2018.

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\textsuperscript{19} It is important to note that these figures include GDP (rather than GNI*), which is subject to certain globalised distortionary effects. For more information on GDP versus GNI*, see PBO Note 15 of 2018.
Exchequer funding for ALMPs in Ireland is primarily allocated via Vote 37 – Employment Affairs and Social Protection, and Vote 26 – Education and Skills in support of SOLAS, the Further Education and Training Authority. Taken in tandem, total allocated expenditure on ALMPs across Vote 37 and Vote 26 is approximately €1.1 billion in 2018.20

In the Pathways to Work 2016-2020 strategy, it is noted that the bulk of expenditure on ALMPs during the recession was invested in the expansion of programmes and front-line services to beneficiaries. This included increasing the number of places on programmes, case officer capacity (such as the number of interviews and counselling sessions provided) and the creation of new programmes. In focusing on direct service delivery during the crisis, support systems such as information technology (IT) and staff fell behind in terms of capacity development. Most notably, systematic participant outcome monitoring did not occur.

As the economy improves and direct pressure on unemployment services decreases, the DEASP is undertaking a development programme to ensure that support functions are updated, and that a quantitative and qualitative analysis of ALMPs is carried out to evaluate their impact and inform future policy developments.

It is essential that programme reviews are carried out and detailed data on participant outcomes is collected and monitored. Systematic review and evaluation would allow for evidence-based policy-making, enabling policy-makers to better identify poorly performing programmes, which could then be closed to free up Exchequer funds for programmes that are proven to be effective.


20 A detailed breakdown of expenditure on Active Labour Market Policies and participant numbers as compiled by the PBO is available upon request.
Composition of Vote 37 – Employment Affairs and Social Protection Funding

The distribution of funding under Vote 37 and the Social Investment Fund is shown in Table 2 below. This funding increased year-on-year from 2012 to 2015, in spite of an overall decline in unemployment as noted in an IGEES Spending Review in 2017. However, there is a notable decrease in funding for 2017 and 2018.

Table 2: Exchequer funding for ALMPs under Vote 37 (Employment Affairs and Social Protection) and the Social Investment Fund (SIF), 2012-2018, € millions

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Programmes</td>
<td>469</td>
<td>502</td>
<td>543</td>
<td>585</td>
<td>559</td>
<td>535</td>
<td>520</td>
</tr>
<tr>
<td>Training</td>
<td>200</td>
<td>187</td>
<td>163</td>
<td>144</td>
<td>115</td>
<td>93</td>
<td>73</td>
</tr>
<tr>
<td>Subsidies</td>
<td>182</td>
<td>187</td>
<td>195</td>
<td>193</td>
<td>186</td>
<td>151</td>
<td>133</td>
</tr>
<tr>
<td>Other</td>
<td>104</td>
<td>115</td>
<td>135</td>
<td>156</td>
<td>149</td>
<td>148</td>
<td>97</td>
</tr>
<tr>
<td>Total Funding</td>
<td>954</td>
<td>992</td>
<td>1,035</td>
<td>1,077</td>
<td>1,009</td>
<td>928</td>
<td>824</td>
</tr>
<tr>
<td>Participants (000s)</td>
<td>71</td>
<td>77</td>
<td>90</td>
<td>80</td>
<td>70</td>
<td>55*</td>
<td>N/A</td>
</tr>
<tr>
<td>Unemployment (000s)</td>
<td>329</td>
<td>289</td>
<td>243</td>
<td>214</td>
<td>173</td>
<td>150</td>
<td>139</td>
</tr>
</tbody>
</table>

Source: Department of Employment Affairs and Social Protection (DEASP) Statistical Report 2016; Department of Public Expenditure and Reform Database, CSO Unemployment Statistics

Note: The Partial Capacity Benefit (PCB) and the Part-Time Job Initiative Scheme are included in Other. The PCB is paid from the SIF. * 2017 participant numbers are provisional numbers provided by the DEASP and do not include JobsPlus.

Figure 5 shows the evolution of the composition of Vote 37 funding across each programme category from 2012 to 2018. Work Programmes dominate in every year, with increases in funding year-on-year from 2012 to 2015. The share of funding allocated to Training programmes has fallen year-on-year. Between 2012 and 2015, total expenditure on ALMPs under the Working Age Employment Supports subhead increased from €954 million in 2012 to a height of €1.08 billion in 2015. This fell to €928 million in 2017, as expected alongside an improving labour market.

The allocated funding under Vote 37 for 2018 is €805 million, rising to €824 million once Partial Capacity Benefit Funding from the SIF is included (23% below the 2015 figure). This reflects the winding up of schemes such as JobBridge and Gateway (categorised here under Subsidies), and declining participation and expenditure on the Back to Education Allowance (categorised here under Training). Of each of the ALMPs addressed in this paper, only one programme (JobsPlus) has continued to see increased participation and funding year-on-year.

Reference:
It is notable that Work Programmes are the largest ALMP category in Ireland, both in terms of participation and expenditure, yet are considered to be the least effective policy intervention by the OECD (as discussed later in this paper under Performance of ALMPs). IGEES similarly note in their 2017 Spending Review\(^\text{22}\) that, as currently designed, Work Programmes have weak links to the labour market which results in poor outcomes for participants looking to return to employment. As the unemployment rate continues to fall, it is expected that expenditure on Work Programmes should continue to decline, following reductions in funding for 2016 to 2018. The winding down of the Jobs Initiative and Gateway will help to facilitate the reallocation of resources away from Work Programmes.

**Figure 5: Distribution of Vote 37 (Employment Affairs and Social Protection) funding by programme type, 2012-2018, € millions**

![Distribution of Vote 37 (Employment Affairs and Social Protection) funding by programme type, 2012-2018, € millions](source)

*Source: Department of Public Expenditure and Reform data.*

\(^{22}\)Ibid.
**Composition of Vote 26 – Education and Skills Funding**

Additional Exchequer funding for ALMPs is administered under Vote 26 and is distributed via SOLAS in the form of further education and training. Some SOLAS programmes are orientated towards labour market activation and are aimed at assisting the long term unemployed to enter the labour market. As shown in Figure 6 below, funding under this Vote Group has declined from 2012 to 2015. However, there has been a notable rise between 2017 and 2018. The Exchequer allocation for all SOLAS programmes in 2018 is over €306 million.

**Figure 6: Distribution of Vote 26 (Education and Skills) funding, 2012-2018, € millions**

Source: Department of Public Expenditure and Reform data.
Box 3. The National Training Fund

This Briefing Paper focuses mostly on the allocation of Voted Expenditure to Active Labour Market Policies (ALMPs). However, in addition to Voted Expenditure, outlays from the National Training Fund (NTF) are used to fund training and education programmes.

The NTF supports programmes which aim to improve the skillsets of those in employment, as well as programmes aimed at upskilling the unemployed. The NTF also provides funding for research to identify the existing and future skills needs of the economy. Responsibility for the NTF was transferred from the Minister for Enterprise, Trade and Innovation to the Minister for Education and Skills in 2010.

The creation of the NTF was announced in Budget 2000. The Fund was established under the National Training Fund Act 2000, and is resourced by a levy collected from employers. This means that payments into the NTF are pro-cyclical, with improvements in the numbers in employment generating higher revenue for the Fund.

As part of Budget 2018, the NTF levy was raised by 0.1% to 0.8%, with further increases of 0.1% announced for 2019 and 2020. This increase is being accompanied by a programme of reforms in how the NTF is managed, evaluated and reported on. As outlined in the National Training Fund Expenditure Report 2018, some of the key reforms include:

- A Comprehensive Review of the NTF;
- Additional and refocused expenditure on programmes relevant to employers;
- An NTF more aligned with employer needs;
- A greater say for employers, more transparency and stronger evaluation;
- A new strategic dialogue model, incorporating strategic performance agreements clearly aligning local/ regional and national targets, will be put in place in FET from 2018; and
- As part of the new reforms, at least one NTF-funded programme will be evaluated each year.

The NTF generated €431 million in 2017 and is expected to raise €553 million in 2018. The total allocation for NTF expenditure for 2018 is €416 million, with a focus for 2018 on labour market skill needs.

More information on the programmes funded by the NTF, including a breakdown of funding by programme and participant numbers, can be found in the National Training Fund Expenditure Report 2018.
This section examines ALMP funding and participation by programme type. A more detailed description of ALMPs in Ireland is provided in the Appendix.

Work Programmes

Work Programmes are typically targeted at the long-term unemployed. They are designed to place the unemployed in public sector or non-profit jobs. They aid the participant by smoothing the transition into (or return to) the workforce, while also fulfilling roles which will benefit the public good. In doing so, it is argued that they balance the need to keep unemployed individuals in close proximity to the labour force while also facilitating the provision of valuable public services. Participants in Work Programmes are entitled to receive the minimum level of Jobseeker’s Benefit or Jobseeker’s Allowance while participating in the programmes, inclusive of additional payments for Qualified Adults and children.

The strength of Work Programmes as an intervention tool is contingent on the proximity of the programme to the labour market, and its alignment with labour market demands. At present, there are three active Work Programmes currently operating in Ireland: the Community Employment Programme (CEP), the Rural Social Scheme (RSS), and Tús. Two further programmes have recently been wound down; the Jobs Initiative in 2017 and Gateway in 2018.

Figure 7: Distribution of funding across Work Programmes, 2012-2018, € millions

Source: Department of Public Expenditure and Reform data.
Subsidies

The provision of Subsidies is intended to drive the demand for labour by reducing companies’ marginal cost of hiring. Subsidies can be implemented in coordination with the private sector and can facilitate the placing of participants in employment.

These programmes may provide financial support to entrepreneurs wishing to start their own business (the Back to Work Enterprise Allowance), subsidise income for the long-term unemployed to encourage them to take up part-time employment while seeking full time employment, or provide subsidies to employers who offer employment opportunities to particular target groups such as the long-term unemployed or the young unemployed (JobBridge and JobsPlus). Payments to participants are based on the Jobseeker’s Allowance with additional weekly top-ups. Three subsidy programmes currently operate in Ireland – the Back to Work Enterprise Allowance, the Part-Time Job Incentive Scheme, and JobsPlus. JobBridge was closed to new applicants in 2017, and is to be replaced by the Youth Employment Support Scheme.

Figure 8: Distribution of funding in the form of Subsidies, 2013-2018, € millions

Source: Department of Public Expenditure and Reform data.

* Expenditure for the Part-Time Job Incentive Scheme is allocated under ‘Other Working Age Employment Supports’ as part of Vote 37 – Employment Affairs and Social Protection, disaggregated figures are not yet available for 2018.
Training

ALMPs have also been used to facilitate the training, re-skilling or upskilling of the recently unemployed and long-term unemployed. The longer a person spends out of employment, the further the decline in their human capital. Training programmes allow individuals to update skill-sets or learn new skills which are more tailored to the current job market. As such, the strength or effectiveness of Training-based ALMPs is contingent on their proximity to the labour market.

Beyond the disparity in employment rates between the low and highly educated, there is also concern for the developing skills mismatch in the Irish economy as also noted in the European Commission’s CSRs for Ireland. With the challenges faced by the construction sector in 2008, a large segment of skilled workers became unemployed and with a skillset unmatched to the sectors which continued to grow both during and after the crisis, including technology, pharmaceuticals and other STEM industries.

Under Vote 37, the DEASP provides one scheme in this area – the Back to Education Allowance (BTEA). The BTEA is an income maintenance support that enables participants to avail of second chance educational opportunities while in receipt of certain welfare payments. Approximately €72m was allocated to the BTEA in 2018. Participation in the scheme fell by approximately 10,700 people from 2011 to 2016.

Vote 26 – Education and Skills provides funding for training and education services, administered via SOLAS. SOLAS funds and coordinates a suite of different courses through Education and Training Boards, targeted at varying levels of education and work experience, with options for full-time, part-time or online courses, and evening classes.

Figure 9: Distribution of funding across Training programmes in Vote 26 (Education and Skills) and Vote 37 (Employment Affairs and Social Protection), 2012-2018, € millions

Source: Department of Public Expenditure and Reform data. SOLAS funding indicated is based on voted expenditure only and does not include any funding from the National Training Fund or EU Funding.
Other

A number of other supports are provided by the DEASP to assist people in returning to work or to improve their relative positions in the labour market, which do not fit into the categories of Work Programmes, Training or Subsidies. When compared to previously discussed ALMPs, the ‘Other’ category has significant overlap with social interventions. These services include family subsidies, Public Employment Services, supports for those with disabilities and more general interventions such as community service programmes, and drug task forces. The Partial Capacity Benefit for people with disabilities also falls under the ‘Other’ category, alongside the Wage Subsidy Scheme, Employability Programme, and Disability Awareness/Grants. Spending on ALMPs that fall under the Other category increased year-on-year from 2012 until 2015, with a marked fall in spending in 2016, and subsequent declines in 2017 and 2018.

The Public Employment Services (PES) – Intreo, EmployAbility, Local Employment Service, Jobs Clubs, and JobPath – are also classified under the Other category of ALMPs. The PES are intended to help improve direct labour market matching through job search assistance, employer intermediation services, and job seeker’s counselling and monitoring. In doing so, PES help to increase the efficiency of job searches, aid transition back to employment and improve skill matching in jobs. These functions are significant as regular and frequent meetings between the unemployed and their case officers have been found to increase the probability of the job seeker successfully obtaining work. The Community Services Programme was transferred from the DEASP to the Department of Rural and Community Development at the start of 2018.

**Figure 10: Distribution of funding across programmes classified under ‘Other’, 2012-2018, € millions**

Source: Department of Public Expenditure and Reform data. Funding for the Community Services Programme was indicated by the Minister for Rural and Community Development to be approximately €46 million in 2018, in response to a Parliamentary Question (25933/18) on 14 June 2018.
Box 4. Employment orientated tax expenditures

While this Briefing Paper focuses on the allocation of Voted Expenditure to ALMPs, tax expenditures have also been used as a means of encouraging job creation in the private sector.

Tax expenditures are a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax, rather than by direct expenditure. These expenditures provide tax rebates or credits for firms that create a certain number of jobs and/or employ a certain number of individuals from targeted unemployed cohorts. They also include supports for entrepreneurs and new businesses, as well as for persons relocated to Ireland by their employer for work purposes. These programmes include: the Employment and Investment Incentive, the StartUp Refund for Entrepreneurs (SURE), and the Special Assignee Relief Programme. The Revenue Job Assist scheme is an additional tax allowance for people who have been long-term unemployed and are now returning to employment.

Further information and analysis on tax expenditures will be contained in a forthcoming PBO publication.

Participation in ALMPs

The most recent official DEASP figures on total annual ALMP participants are located in the DEASP’s Statistical Report 2016, with additional figures for 2017 provided to the PBO by the Department. The average cost of ALMPs varies across schemes but has roughly averaged approximately €13,500 per person per annum since 2011. The Live Register also details the total number of persons engaged in ALMPs on a monthly basis and can be used to provide indicative figures for 2018. The Live Register figures indicate a continuation of the downward trend in participation observed since 2015.

According to the DEASP figures, in 2017, 61% of ALMP beneficiaries were male while 39% were female, with ratios varying across the ALMP categories. Female participation was highest in the Training category, composing 45% of beneficiaries, and lowest in the Subsidies category at 28% (excluding JobPlus). In 2016, approximately 74% of participants across the Community Employment Programme, the Back to Education Allowance and Back to Work Enterprise Allowance had a previous Live Register duration of one year or more (and thus classified as being long-term unemployed), with 15% having a duration of 6 months or less.
Figure 11: Expenditure versus participants, total, 2011-2016

Source: Department of Employment Affairs and Social Protection (DEASP) Statistical Report 2016; Department of Public Expenditure and Reform Data, and PBO correspondence with DEASP.

Table 3: Live Register figures for total ALMP participation, 2011-2018

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</tr>
</thead>
<tbody>
<tr>
<td>Total activation programmes</td>
<td>81,307</td>
<td>83,470</td>
<td>86,167</td>
<td>88,364</td>
<td>81,309</td>
<td>71,828</td>
<td>61,072</td>
<td>54,337</td>
</tr>
</tbody>
</table>

Source: Live Register data as provided by the CSO, 2018. Figures for 2011 to 2017 are as of December each year, figure for 2018 as of May 2018.

The participation of various age cohorts differs across programmes. The 16 to 24 and 25 to 29 cohorts made up approximately 64% of participants in the Back to Education Allowance in 2017. This is attributed by IGEES to being a function of the administration of the Training schemes, which are deliberately targeted at these cohorts; the Back to Education Allowance for example has just a 3 month signing on period before availing of the Allowance.

Similarly, a 2017 survey of SOLAS programme participants found that 58% of participants had obtained a Leaving Certificate or less, with over 70% having previous employment experience. In designing interventions to address lower skilled participants soon after they become unemployed, Training programmes can significantly reduce the likelihood of future unemployment and increase standards of living through increasing lifetime earning via educational attainment and upskilling.

Over 66% of participants in 2017 Work Programmes were aged 45 and over. This is again reflective of the target age cohort of the intervention, which is generally designed to aid the long-term unemployed and assist the inactive in re-joining the labour force. For example, participants in Tús are required to have been on the Live Register for a minimum of one year, while Gateway was intended for those who had signed on for a minimum of two years. Older workers may find it more difficult to return to work after a job loss, due to skills mismatch or age discrimination. Furthermore, it is easier for those already in employment to find new roles or work. Work Programmes offer both work experience and training which can ease the transition of beneficiaries back into employment. However, they have been critiqued as ineffective in successfully placing people in full-time employment. The following section provides more detail on the performance of ALMPs generally.
An assessment of the effectiveness of ALMPs is contingent on the availability of relevant data. In particular, the lack of appropriate micro-level data on programme outcomes, exits to employment, and a lack of information on the inactive or unemployed who have not taken part in ALMPs means that a performance review of ALMPs can be challenging.

As noted by the Department of Social Protection in the Pathways to Work 2016-2020, ALMP participants’ post-intervention outcomes were not strictly monitored during the crisis. As such, it is not possible to confirm if the transition to full employment of participants was in-line with the associated policy intervention (e.g. an individual received training in accountancy and was subsequently employed in a relevant role in the financial sector) or if they have entered a role that was not associated with the nature and level of the support received.

Taken in tandem, these factors can cause significant difficulty in assessing the relative cost efficiencies or effectiveness of programmes in a holistic manner. The cost effectiveness of ALMPs should be considered carefully, particularly in making cross-programme comparisons. Programmes targeted at activating the long-term unemployed may incur a greater cost per participant than a programme aimed at those unemployed for shorter periods, given their relative proximity to the workforce.

The new Pathways to Work strategy has committed to conducting a rolling analysis of programme efficiency with reviews completed on the Back to Work Education Allowance, JobBridge, and the Back to Work Enterprise Allowance, and further studies underway on JobsPlus and JobPath. In addition, some individual programme reviews are available from which findings can be drawn.

Work Programmes

As highlighted in the OECD Economic Survey for Ireland in 2018, compared to other EU and OECD countries, Ireland spends a relatively high amount on direct job creation through Work Programmes, drawing criticism from the OECD for over prioritising policies with little verifiable activation outcomes. The lack of recent data related to participant outcomes in Work Programmes severely limits the ability to assess the effectiveness of Work Programmes during the crisis or of their possible efficiency in re-activating workers for future policy design. This is particularly noteworthy in light of the substantial investments in Work Programmes since 2011 despite repeated findings in both academia and by international bodies that they are weak labour market interventions.

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25 OECD Economic Surveys Ireland (March 2018), OECD.
26 OECD Employment Outlook (2015), OECD.
An IGEES 2014 review\(^{27}\) of the Rural Social Scheme noted that the programme was not originally designed as an ALMP and was not aiding progression to employment. The programme instead serves as a supplementary support to at-risk-of-poverty or under-employed farmers or fishermen/women and this failure to aid transition to more secure employment is underscored by an average participation duration in the scheme of 6 years. While it was initially intended to move the scheme to a different Department, the programme instead underwent limited reforms including the raising of the participation age to 25 and the implementation of a maximum duration of 6 years. It is unclear whether these reforms will significantly impact on participant outcomes.

Similarly, several reviews of the Community Employment Programme (CEP) have criticised the programme as being inefficient. A 2015 review\(^{28}\) of the CEP by the DEASP questioned the utility of the programme as an activation measure, noting that the CEP was playing a more active role as a tool of social inclusion than employment. A series of recommendations were made in 2017 to reform the scheme, including the division of programmes between activation and social inclusion, with target progression rates. In response to a Parliamentary Question (8022/18) on Thursday 15 February 2018, the Minister for Employment Affairs and Social Protection indicted that changes to the terms and conditions regarding participation in the CEP were implemented in July 2017. These changes are intended to broaden the availability of the CEP to a larger number of people on the Live Register and to standardise conditions regarding the length of time an individual can participate on the programme.

**Subsidies**

Subsidies are considered by the OECD to be one of the most effective ALMPs. However, they can also be some of the most highly scrutinised, given that they involve direct transfers from the Exchequer to the private sector. Analyses of the efficiency of current subsidy programmes are subject to data constraints, but lessons can be learned from the reviews of the effectiveness of previous and existing programmes from Indecon’s 2013 and 2016 reviews of JobBridge, and the DEASP’s 2017 review of the Back to Work Enterprise Allowance under the Pathways to Work.

**JobBridge**

The initial 2013 JobBridge report\(^{29}\) noted that 36.3% of internship participants reported that they had secured employment on the day of completion of their internship. This increased to 61.4% of respondents in a 5 month post completion survey. This pattern was reaffirmed in the 2016 Indecon report\(^{30}\) which found that 64.1% of JobBridge participants were in employment at the completion of their contract, 26.7% with their internship employer. Approximately 25% of participants were under 25 years, with 42% aged between 25 and 34. As the target cohort of JobBridge was unemployed young people, it was viewed that the scheme was effective in engaging and retaining young workers in the labour market. The decision to wind down the programme was taken in light of the changes in the labour market, with Indecon noting that the scheme, as designed, was not fit for purpose in a growing labour market approaching full employment.

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\(^{28}\) Department of Social Protection (2015), *An Analysis of the Community Employment Programme*.

\(^{29}\) Indecon International Research Economists (2013), *Indecon’s Evaluation of JobBridge*.

\(^{30}\) Indecon International Research Economists (2016), *Indecon Evaluation of JobBridge Activation Programme*. 

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**Back to Work Enterprise Allowance**

The Back to Work Enterprise Allowance (BTWEA) has been in place since 2009 and provides support to long-term unemployed recipients trying to set up their own business. BTWEA beneficiaries continue to receive 100% of their Jobseeker’s Allowance in the first year, and 75% of their allowance in the second. To avail of the BTWEA, the recipient must have a business plan for self-employment approved, in writing, by a partnership company, local development company, local enterprise office or DEASP case officer.

The 2017 review\(^\text{31}\) of the programme for the period of 2009 to 2014 found significant increases in the employment prospects for those who received the BTWEA and those who did not. In matching BTWEA recipients with Jobseeker’s Allowance recipients with similar backgrounds, the study was able to compare outcomes from programme participants against non-participants while controlling for certain external factors. The study found that in 2011, 81.2% of recipients were in employment 6 months after completion, compared to 41% of comparable non-recipients. However, the study also notes that participants in the programme had higher levels of work experience and skills relative to the long-term unemployed during normal market conditions, and that the programme would necessarily attract those with entrepreneurial experience or ambition.

**Training**

The efficiency of the Back to Education Allowance (BTEA) scheme has been the subject of sustained review in recent years. A 2015 ESRI study\(^\text{32}\) found that BTEA participants were 25% less likely to have found employment than their counterparts who did not enrol in a course. The scheme, as then designed, did not require course selection to have input, guidance or approval from case officers. These aspects were incorporated into the reforms undertaken in light of the 2015 study, with the 2017 review of the BTEA by BMG\(^\text{33}\) noting that 29% of participants did secure employment after completing a BTEA course, with some other participants seeing it as an entry point for further study. However, the study notes the lack of available statistics on the completion rate of BTEA, which confounds results, and interviews with educators and case officers indicate that non-completion of BTEA programmes is significant. Furthermore, the provision of intermediate level courses may not have aligned well with the third-level education demands of the labour market, underscored by limited engagement with employers.

As the BMG study did not have a control comparison for non-BTEA participants, it is not possible to assess whether the findings of the ESRI study persist.

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\(^{33}\) BMG Research (2017), *Exploring Drivers of Back to Education Allowance Outcomes*. 
**SOLAS**

Delays in launching the Programme and Learner Support system which will monitor interactions with, and outcomes from, programme participation restricts the depth of data available on the performance of SOLAS. Currently, participant surveys provide detail on the employment prospects of participants. A sample survey of 2016 programme participants (specifically those who exited FET training and employment programmes between January and March 2016) found that 75% completed their chosen course, with 84% of those who completed training receiving a certificate. A further 41% of respondents were in employment after completing training, compared to 13% who were employed while taking part in the course. However, 36% of respondents were classified as unemployed or inactive at all stages during and after course participation. Of those who took part in a Labour Market Orientated Course, 61% of respondents were either in employment, students or taking part in a subsequent scheme, while 34% were unemployed, and 4% were classified as inactive.

The OECD noted in its *2018 Survey* that SOLAS administered skills development programmes such as “Springboard” and “Momentum”, have proven effective at improving employment prospects, as they were designed specifically with reference to identified skill demands in the labour market. Momentum was targeted at the long-term unemployed and those classified as low-skilled, and combines work placement and counselling. Upon completion of the programme, 24% of participants were in full-time employment two-months later, with 6% in part-time employment (in 2014). The programme was ended by the Department of Education and Skills in 2017.

### Other

The IGEES 2018 Spending Review on Public Employment Services (PES) provides a detailed analysis of the performance of PES including Intreo, JobPath, EmployAbility, Local Employment Supports and Jobs Clubs. One of the key findings of the review is that there is a significant need for an improvement in the reporting of performance metrics of PES, as gaps in data exist across most programmes.

The paper further notes that the PES resource allocations, including staff and expenditure, have not changed in line with decreases in the unemployment rate, which suggests resource allocations are being underutilised. As of 2017, there were approximately 1,717 case officers across PES with €146 million in expenditure. The 2017 IGEES Spending Review noted that with the improvements in the labour market, the PES should be assessed for any duplication in services and possible efficiency reforms explored. As of the 2018 Spending Review, some duplication of services continues to persist, with multiple services targeting the same groups. This results in unclear referral criteria and complex programmes with overlapping target cohorts across different service providers.

According to the DEASP’s 2017 Performance Statistics, 87,653 people were referred to JobPath, above the 60,000 target of referrals, however this does not give an indication of employment outcomes. The target to increase personal engagement with case officers from 6 meetings a year to 12 was achieved for PES and long-term unemployed clients. The total number of group engagement and one-to-one referrals declined, though this is to be expected as unemployment falls. Approximately 19,500 interviews with unemployed clients were carried out in Q1 of 2017.

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34 Milicevic, Ivica (2017), *2016 Follow up Survey of FET Participants*, Skills & Labour Market Research Unit, SOLAS.

## Table 4: PES interactions

<table>
<thead>
<tr>
<th></th>
<th>2016 Q1</th>
<th>2017Q1</th>
<th>Change</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Engagement Referrals</td>
<td>37,000</td>
<td>30,800</td>
<td>(6,200)</td>
<td>(17%)</td>
</tr>
<tr>
<td>One-to-One Referrals</td>
<td>27,500</td>
<td>22,800</td>
<td>(4,700)</td>
<td>(17%)</td>
</tr>
<tr>
<td>Interviews Achieved</td>
<td>23,300</td>
<td>19,500</td>
<td>(3,800)</td>
<td>(16%)</td>
</tr>
</tbody>
</table>

ALMPs are a means to improve the labour force participation rate, to reduce unemployment and to provide for consistent employment growth. Effective ALMPs should be designed to address specific labour market conditions as and when they arise, reflecting economic conditions and the composition of the labour market. Reforms to current ALMPs and the design of future ALMPs should draw on the lessons learned from previous policies.

It is important to ensure that ALMPs are designed to allow for a detailed performance review and assessment. The collection and monitoring of outcome data will aid programme evaluation, and allow for evidence-based policy design. It is essential that a systematic approach to data collection and programme evaluation is taken, to aid in effective policy design and ensure the efficient and effective use of public funds.

As the composition of unemployment shifts with the return to full employment, it is the intention of the Government, as outlined in the 2018 Action Plan for Jobs,\textsuperscript{36} that ALMPs be adjusted to target the long-term unemployed and inactive workers in order to maintain a sustainable labour supply. Such policies will help mitigate the risk of the potential overheating of the economy and go some way to addressing the European Commission’s CSRs for Ireland in 2018.

The winding down of Gateway, a Work Programme targeted at the long-term unemployed, and its replacement with JobsPlus, a subsidy programme, will also provide an opportunity to explore the relative effectiveness of Work Programmes versus Subsidies, and the extent to which similar levels of expenditure on differently designed programmes targeted at the same cohort can garner different outcomes (Gateway expenditure in 2015 was €29 million, €30 million was allocated for JobsPlus in 2018). The planned launch of SOLAS Programme and Learner Support will aid the monitoring and analysis of participants in ALMP Training programmes. In collecting data on participant progression into higher education or employment, the State will be able to identify the programmes which are most efficient and areas in which improvements can be made.

Despite the shift outlined in the Pathways to Work 2016-2020, the bulk of ALMP spending remains concentrated on Work Programmes, with the Community Employment Programme allocated €520 million in 2018. These programmes have thus far had weak performance outcomes in placing participants in work, and are considered to be weak labour market interventions overall. The Rural Social Scheme in particular functions as an income supplement rather than an aid to job attainment. The average participation of 6 years and the increase in funding allocation to approximately €51 million in 2018, is indicative of the scheme’s inability to efficiently transition participants who wish to work, into full-time secure employment. The forthcoming review of the Community Employment Programme and Rural Social Scheme in light of reforms implemented in 2015 will be crucial in informing future policy design.

As the size of the resident working age population is projected by the CSO to contract in the medium term, ALMPs can play a key role in expanding the labour force to help mitigate this problem. Efficiently administered ALMPs have the potential to be an effective tool in maintaining employment growth, and in the mitigation of risks associated with an overheating labour market.

\textsuperscript{36} Department of Business, Enterprise and Innovation (2018), \textit{Action Plan for Jobs 2018}. 

\textbf{Future ALMPs}
Conclusions

This Briefing Paper provides an overview of Ireland’s Active Labour Market Policies (ALMPs) for the period of 2011 to 2018. It has done so in the context of the post-crisis recovery, with the economy approaching full employment and a recognised risk of overheating.

Ireland’s labour force participation rate of 61.5% remains lower than the pre-crisis peak of 64%, with persistent rates of long-term unemployment and inactivity. The female labour force participation rate remains relatively low (particularly for those with low educational attainment), in part hindered by childcare costs and the uneven distribution of caring responsibilities. In addition, Ireland has one of the lowest employment rates of people with disabilities in the EU. In the presence of full employment, ALMPs can play a critical role in expanding the labour force. They can assist the long-term unemployed and the inactive in returning to work, alongside policy measures such as the Affordable Childcare Scheme, which can incentivise women to re-join the workforce, or the Partial Capacity Benefit to assist persons with disabilities.

Sizeable gaps in data concerning ALMP participant outcomes constrain performance-based policy-making. As such, difficulties persist in verifying if individual programmes are achieving their policy goals and successfully engaging with their target cohorts, be they the long-term unemployed, unemployed youth or the inactive.

From a performance budgeting perspective, almost 50% of expenditure on ALMPs since 2011 has been on Work Programmes, which are considered to be the weakest means of policy intervention in the labour market, with the available programme reviews reporting poor employment outcomes. Conversely, expenditure on Subsidies have, in preliminary assessments, resulted in the highest progression rates of participants to full employment, yet receive significantly less funding than Work Programmes. The commitment of the Pathways to Work strategy to rolling programme evaluations and analysis, if implemented, should improve this information gap.

Routine assessments of the effectiveness of ALMPs is crucial to ensure that Exchequer funds can be allocated towards those programmes which are successful in meeting policy goals, and directed away from programmes which are proven to be ineffective. A systematic approach to data collection and monitoring in relation to participant outcomes, and to programme review and evaluation, would aid in evidence-based policy-making.
## Appendix Table 1. Sample of Work Programmes in operation in Ireland – IGEES reporting

<table>
<thead>
<tr>
<th>Programme</th>
<th>Target</th>
<th>Objective</th>
<th>Scheme duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Employment Programme</td>
<td>The long-term unemployed and those facing added barriers to entry</td>
<td>To assist the long-term unemployed and those facing added barriers to entry to re-enter the workforce by providing part-time and temporary work placements in local communities</td>
<td>Average of 118 weeks, intention of 52 weeks</td>
</tr>
<tr>
<td></td>
<td>Aged 21 and over (previously 25 prior to 2017)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Social Scheme</td>
<td>Low-income farmers and fishermen/women (not contingent on signing on to the Live Register)</td>
<td>Provision of income support to underemployed farmers and fisherpersons to provide services of benefit to rural communities.</td>
<td>6 years</td>
</tr>
<tr>
<td>Tús</td>
<td>The long-term unemployed, with a minimum one year signing on to the Live Register</td>
<td>To provide short term working opportunities for people who are long-term unemployed while providing work beneficial to local communities</td>
<td>Maximum of one year</td>
</tr>
<tr>
<td>Gateway (closed 2018)</td>
<td>Long-term unemployed of more than two years</td>
<td>The provision of short term work opportunities in City and County councils to aid transition back to the workforce</td>
<td>Maximum 22 months</td>
</tr>
<tr>
<td>Jobs Initiative (closed 2014)</td>
<td>People 35 aged 35 years or over, unemployed for 5 years or more</td>
<td>Assist long-term unemployed people to prepare for return to workforce</td>
<td>N/A</td>
</tr>
</tbody>
</table>
### Appendix Table 2. Sample of ALMP Subsidies in operation in Ireland – IGEES reporting

<table>
<thead>
<tr>
<th>Programme</th>
<th>Target</th>
<th>Objective</th>
<th>Scheme duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back to Work Allowance/Back to Work Enterprise Allowance</td>
<td>Persons In receipt of Jobseekers Payment for at least 12 months and setting up as self-employed</td>
<td>Provide support for people wishing to set up their own business</td>
<td>Two years</td>
</tr>
<tr>
<td>JobsPlus</td>
<td>Encourage firms to employ the long-term unemployed and younger jobseekers (under 25). Subsidies will increase to employers who hire people unemployed for two years or more.</td>
<td>Incentive based programme to encourage employers to hire young jobseekers and the long-term unemployed</td>
<td>Payment period for Two year</td>
</tr>
<tr>
<td>JobBridge (closed)</td>
<td>Persons unemployed for 3 months or more</td>
<td>To encourage employers to provide work experience for unemployed people</td>
<td>6 to 9 months</td>
</tr>
<tr>
<td>Part-time Job Incentive Scheme</td>
<td>People working part time for less than 24 hours per week and immediately before that were unemployed for 15 months or more</td>
<td>Support for the long-term unemployed to take up part-time employment for 24 hours per week while making efforts to secure full time employment</td>
<td>One year</td>
</tr>
</tbody>
</table>

### Appendix Table 3. Sample of ALMP Training programmes in operation in Ireland – IGEES reporting

<table>
<thead>
<tr>
<th>Programme</th>
<th>Target</th>
<th>Objective</th>
<th>Scheme duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Back to Education Allowance</td>
<td>Jobseekers Benefit recipients aged 21 years or more. For second level courses, minimum of 3 months on the Live Register. For third level courses, minimum of 9 months signing.</td>
<td>To increase the skill and education levels of participants to enable re-entry into the labour market</td>
<td>Course/Training dependent</td>
</tr>
</tbody>
</table>
Publications

Commentaries
Quarterly Economic and Fiscal Commentary (Q2 2018) 10 July 2018
Quarterly Economic and Fiscal Commentary (Q1 2018) 16 April 2018
Quarterly Economic and Fiscal Commentary (Q4 2017) 23 January 2018
Post-Budget 2018 Commentary for the Committee on Budgetary Oversight 24 October 2017
Quarterly Economic and Fiscal Commentary (Q3 2017) 5 October 2017
Pre-Budget 2018 Commentary for the Committee on Budgetary Oversight 25 September 2017

Briefing Papers
Briefing Paper 9 of 2018 An overview of the Common Agricultural Policy (CAP) in Ireland and potential regional and sectoral implications of future reforms 17 August 2018
Briefing Paper 8 of 2018 Public Sector Pay and Pensions: Features and Key Determinants 16 August 2018
Briefing Paper 7 of 2018 Value Added Tax: Overview and Issues for Budget 2019 24 July 2018
Briefing Paper 6 of 2018 Potential Output, the Output Gap and Associated Key Issues for Fiscal Policy-making in Ireland 11 May 2018
Briefing Paper 5 of 2018 An overview of Public Private Partnerships in Ireland 16 March 2018
Briefing Paper 4 of 2018 The Gender and Equality Budgeting pilot in the Revised Estimates for Public Services 2018 27 February 2018
Briefing Paper 3 of 2018 Revised Estimates for Public Services 2018 20 February 2018
Briefing Paper 2 of 2018 Local Property Tax: Issues to be considered with the revaluation of the base 15 January 2018
Briefing Paper 1 of 2018 European Semester 2018 and how it interacts with Ireland’s Budget 2019 15 January 2018
Briefing Paper 3 of 2017 Rainy Day Fund 19 December 2017
Briefing Paper 2 of 2017 Supplementary Estimates 2017 4 December 2017
Briefing Paper 1 of 2017 The role and functions of Ireland’s Parliamentary Budget Office (PBO) 24 November 2017

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