

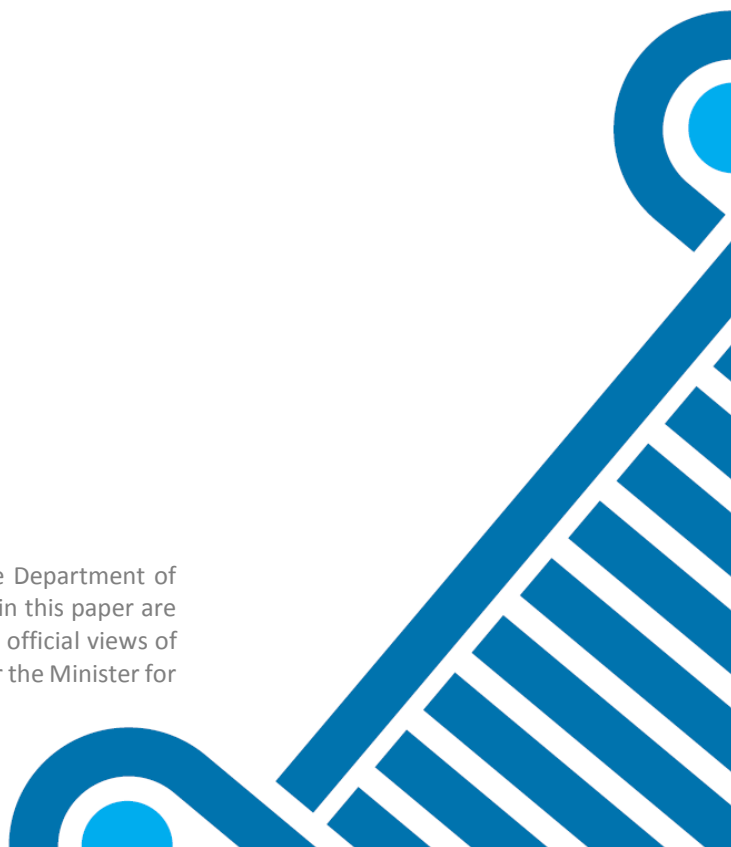
Spending Review 2017

Further Education and Training & Employment Supports Overview Paper

July, 2017

**Education & Skills and Social Protection Votes
Department of Public Expenditure and Reform**

This paper has been prepared by IGEES staff in the Department of Public Expenditure & Reform. The views presented in this paper are those of the author alone and do not represent the official views of the Department of Public Expenditure and Reform or the Minister for Public Expenditure and Reform.



Summary

Resourcing

- Expenditure on further education and training provision (FET) and employment supports, across the Social Protection and Education sectors, amounted to €1.7bn in 2016. 60% of this investment related to Social Protection's range of supports.
- This investment provided support to an estimated 87,500 recipients.
- Over the period 2009 to 2015 expenditure in this area was on an upward trajectory, peaking at €1.7bn in 2015. 2016 saw a reduction of €42m or 2.4%.
- The international evidence indicates that Ireland spends above the OECD average (2013 data) in this area. The allocation of funding differs from the OECD average with higher levels of training and direct job creation supports.

Policy

- A number of key lines of FET provision and employment supports form part of a suite of active labour market policies, an area which has undergone significant change in recent years driven by the significant employment challenges and the development of the activation policy agenda.
- Policies in the area prior to 2009 were directed at reskilling those already in employment and cohorts of the labour market that were hard to reach. The scale and structural nature of the long-term unemployment challenge post crisis prompted a shift in policy towards increasing engagement with those on the Live Register.
- Given the characteristics of the labour market and low basic skill levels among certain cohorts of unemployed, it is necessary to maintain a level of general skills and education programmes in order to equip individuals with the necessary foundations to pursue more specific programmes and in order to meet important educational and social objectives.
- While recognising that wider socially and community focused measures are a feature of the FET and employment supports landscape in Ireland, the level of provision needs to be closely monitored and evaluated in line with developments in the wider economy and labour market.

Future outlook

- Cross-departmental policy areas such as activation require joined-up policy responses and, where appropriate, a collaborative approach to data collection / analysis and the sharing of evidence. It is acknowledged that currently there are legacy data and systems issues in the sector, however

significant work has been undertaken to address these limitations including the ongoing development of the Programme and Learner Support System (PLSS). This system will enable SOLAS to capture learner data in the FET sector and as they progress into higher education, employment, return to the live register, etc. facilitating better evidence based policy making and enabling more effective joined-up policy responses.

- As Ireland returns to more normalised labour market conditions, it is timely to consider the available evidence on the level and targeting of expenditure in this area. In the context of the mid-term review of the FET strategy due to commence in 2017, to consider strategic issues regarding the aggregate level of expenditure on FET, the breakdown of expenditure between labour market focussed provision and wider socially focussed provision and how this correlates with wider labour market conditions. It is intended that the review will also consider and make appropriate recommendations regarding the overarching focus of the FET Strategy for the 2018-2019 period, including the potential re-alignment and re-prioritisation of high level goals and actions in line with the improving economic and labour market situation. The Department of Social Protection (DSP) is undertaking a programme of evaluation as part of the Pathways to Work strategy. These results, in particular the evaluation of Intreo, can be used to help inform future developments in this policy area.

Further analysis

- Further analysis of expenditure in both the Education and Social Protection sectors is set out in two separate Spending Review papers: *Analysis of Further Education & Training Expenditure by Education Training Boards* and *Employment Supports Expenditure*.

1. Introduction

Further Education and Training provision (FET) and employment supports form part of the suite of active labour market policies. The objective of these supports is to encourage and support the unemployed to return to work. There is both a short-run and long-run dimension to activation policy. In recent years the focus has been largely on the stock of unemployed. As unemployment continues to fall, there may be other labour market challenges to be addressed such as increasing labour force participation.

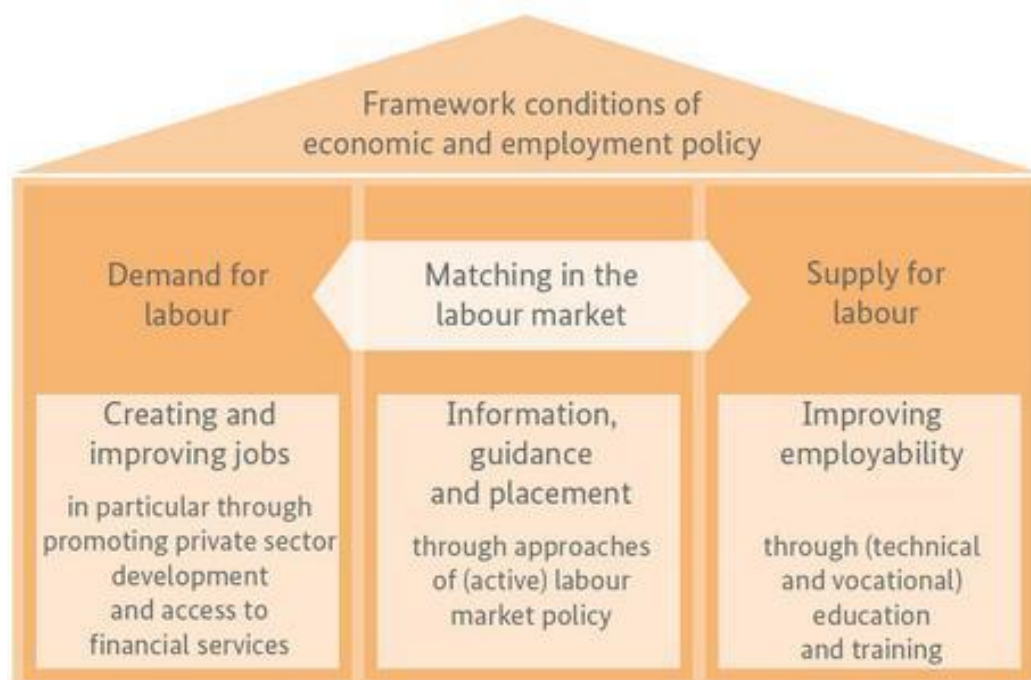
A range of supports are provided by the State and the aim of this paper is to provide an overview of existing policies and the level of resourcing. It is structured as follows:

- Section Two examines the labour market policy context in which employment supports operate and provides an overview of expenditure and numbers receiving FET and employment supports;
- Section Three draws on various findings from international evidence; and
- Section Four considers the future direction of policy.

2. Labour Market Policy

A number of key lines of FET provision and Employment supports form part of a broader framework aimed at providing conditions to encourage and support economic activity and employment growth. Figure 1 below sets out a framework with three pillars: demand for labour, matching in the labour market and supply for labour. FET and employment supports fall under both the second and third pillar regarding improving people's employability and bringing them closer to the labour market.

Figure 1: Framework for Economic and Employment Supports



In terms of information and guidance under Pillar 2, there are a number of services providing support for matching unemployed persons to employment and training opportunities. Public employment services include “placement, counselling and vocational guidance; job-search courses and related forms of intensified counselling for persons with difficulties in finding employment; support of geographic mobility and similar costs in connection with job search and placement”¹. The Department of Social Protection operates the Intreo service, Local Employment Service (LES) and Employability. In addition JobPath, the state funded contracted employment activation service mainly for people who are long-term unemployed (over 12 months), was rolled out in 2015.

In terms of placements and skills development through education and training, both the Department of Social Protection and the Department of Education and Skills, through SOLAS, provide a range of supports which are explored in more detail in two other papers. FET and Employment supports form part of the active labour market policy toolkit aimed at “*supporting and incentivising productive participation in society and [to enable*

¹ [OECD statistical definition](#)

people to] become and remain self-sufficient and less dependent on public support”². The key strategies in this are:

- Labour market policy is guided by the **Pathways to Work Strategy**, which seeks to ensure that as many jobs as possible go to people on the Live Register. The latest Strategy reflects the changed labour market context with the primary purpose of activation policies now to support the filling of vacancies as quickly as possible; and to increase active labour market participation of all working-age people. Over the coming years therefore, the aim of the Strategy is to deliver enhanced engagement with jobseekers, develop closer links with employers and closer collaboration between the Department of Social Protection, SOLAS and ETBs around the design and delivery of opportunities to address skills gaps, and ensure that positive incentives are in place for people to take up job opportunities. In addition, the scope of activation services will expand beyond jobseekers with the aim of boosting participation in the labour market for other groups such as people with disabilities and lone parents.
- The **Further Education and Training Strategy 2014 – 2019**, published by SOLAS in April 2014, sets out a five-year framework to transform the FET sector and to provide the focus for annual funding and investment priorities. The FET Strategy also reflects the priorities articulated in the ‘Action Plan for Jobs’, ‘Pathways to Work’ and wider policy reform in education. The Strategy aims to deliver a higher quality learning experience by supporting economic development, increasing social inclusion and meeting the needs of all learners, communities and employers who engage with FET, and to prioritise the provision of education and training to long-term unemployed and other priority DSP clients in areas of identified skills needs.

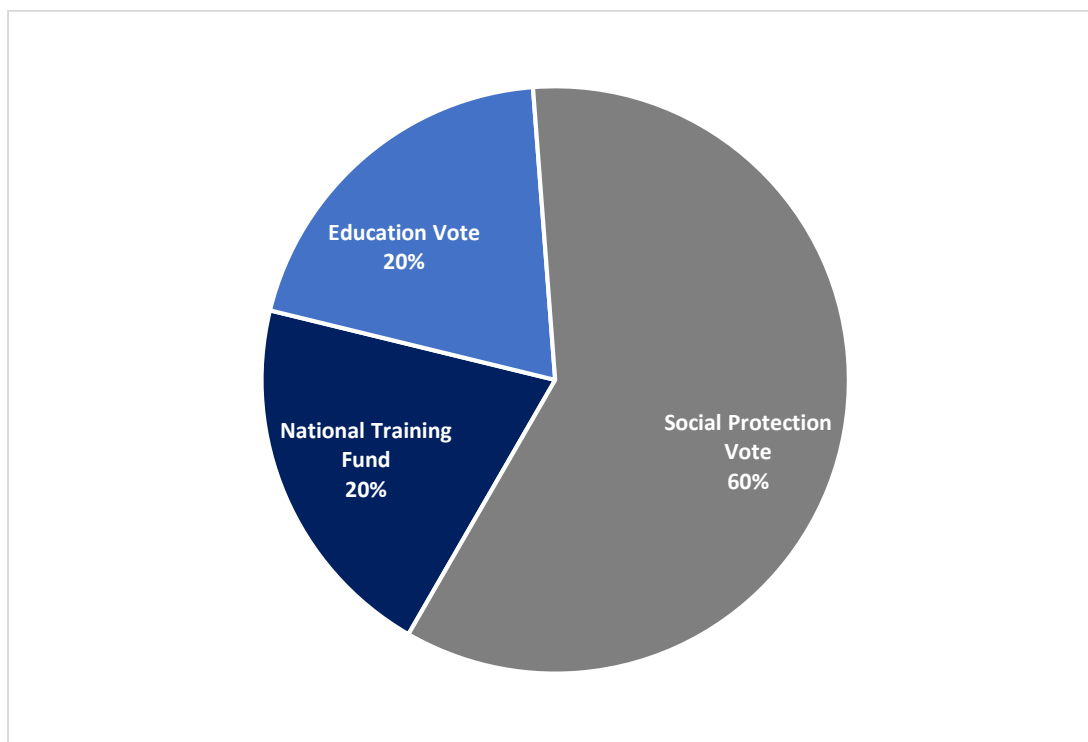
In addition to improving employability, a number of the supports provided are also designed to promote social inclusion. In relation to Social Protection, many programmes such as Community Employment also encompass social inclusion objectives aimed at supporting local communities. FET provision in Ireland is wide-ranging and also extends beyond a strict activation / labour market orientation into broader, more community orientated aims, as well as wider progression-focused objectives aimed at those socially disadvantaged and furthest from the labour market.

Overall Expenditure

In 2016, €1.7bn was invested in FET and employment supports. This funding is split across both the Social Protection and Education sectors. The Social Protection element is funded solely by the Exchequer with approximately half of the Education sector funded by the Exchequer and the other half by the National Training Fund (NTF). Figure 2 sets out the composition of total expenditure in 2016.

² OECD 2012: Activation Policies in OECD Countries: An Overview of Current Approaches

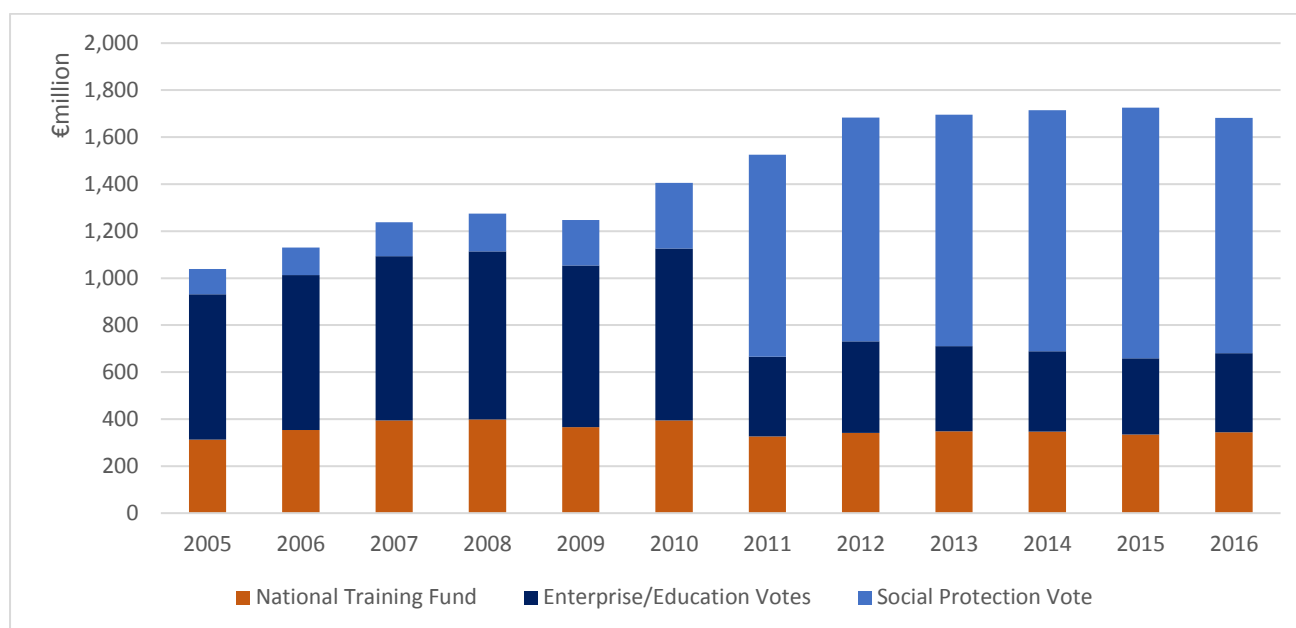
Figure 2: Overall Expenditure, 2016



Over the period 2005 to 2016 expenditure increased by €657m or 63% as set out in Figure 3 . There have been numerous changes to the departmental structure of this area of expenditure over this period. Prior to 2010 the Department of Jobs, Enterprise and Innovation had responsibility for FÁS’s employment support programme as part of its Labour Force Development programme and for the NTF. Some functions subsequently transferred to the Department of Education and Skills (DES) in 2010. On 1 January 2012, FÁS’s employment support function including associated staff, programme and facilities was transferred to DSP, while the other FÁS supports and grants for further education and training remained with DES. With the dissolution of FÁS and the merger of the Vocational Educational Committees (VECs) into the Education and Training Boards (ETBs) and the subsequent transfer of the former FÁS training centre network, associated staff training programmes and facilities into the newly established ETBs during the period 2013/2014 the new further education and training authority, SOLAS was established on 29th October 2013. SOLAS provides “strategic coordination and funding and monitoring of the further education and training sector”³ and remains under the aegis of DES.

³ SOLAS Report

Figure 3: Total Expenditure Trend, 2005-2016*



*2011 DSP Expenditure includes €468m in relation to the transfer of functions relating to FÁS from DES to DSP.

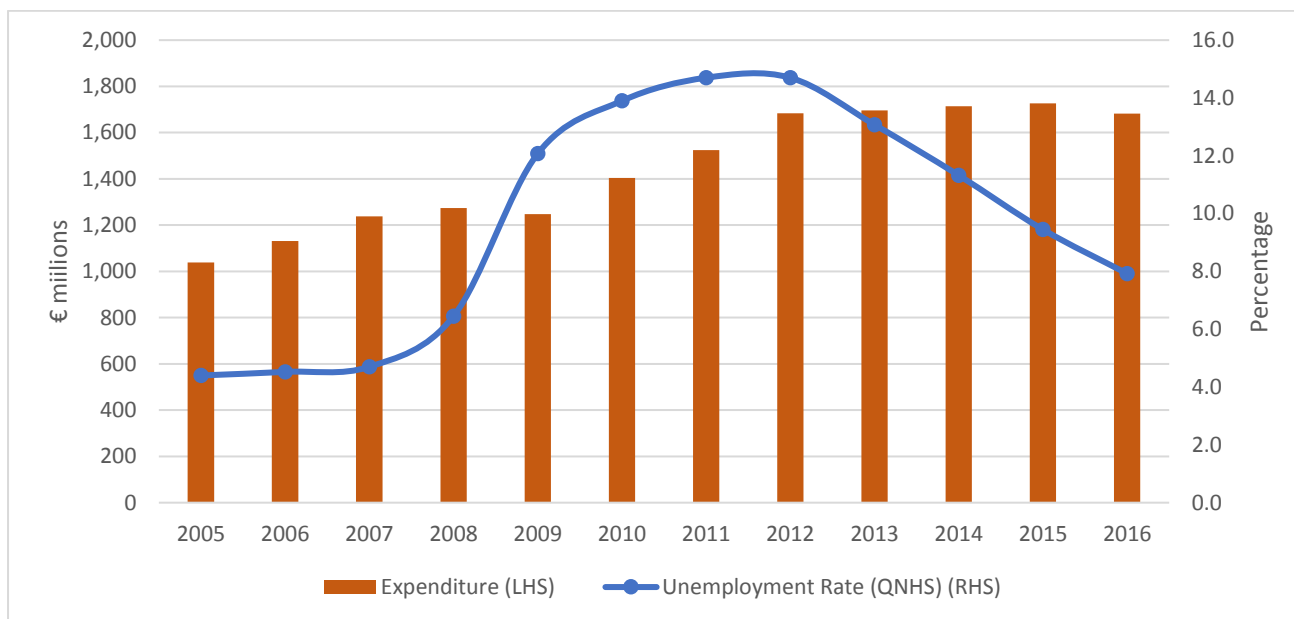
Note: the costs of ETB teachers and PLC provision are not included in these figures. NTF figure also includes funding for training in the HE sector.

The expenditure trend can be divided into four phases:

- 2005-2009: Expenditure increased from €1,038m to €1,248m
- 2010 – 2012: Expenditure increased rapidly by an average of €146m per annum
- 2013 – 2015: Expenditure stabilised with an increase of €34m or 2% over the period.
- 2016: This year saw an overall decline in expenditure of €42m or 2.4% decomposed into a €63m fall in Social Protection expenditure and a €21m increase in Education expenditure.

The step-change from 2010 onwards with greater levels of investment in this area to deal with the unemployment challenge, as illustrated in Figure 4. This included the expansion of existing supports and the introduction of new schemes. The unemployment rate peaked in 2011/2012 but expenditure lagged this development with increases over the period 2011 to peak levels in 2015.

Figure 4: Total FET and Employment expenditure and unemployment rate trend, 2005-2016



Range of supports

A range of SOLAS funded FET programmes and DSP employment supports / schemes are available and these can be categorised into four groups using the international literature. Using OECD methodology, the suite of employment support schemes available can be categorised into three main groups as set out below.

- Work programmes or direct job creation programmes create additional jobs, usually of community benefit or socially beneficial, for the long-term unemployed. Their aims, in practice, reflect the duality of keeping people near the labour market by providing direct employment opportunities but also reducing social disadvantage.
- The objective of subsidies or employment incentive schemes are the creation and take-up of new jobs by the unemployed.
- The objective of FET programmes includes raising the education and skills of unemployed people, in particular unemployed persons referred to FET by DSP as part of an agreed activation pathway, in order to support their return to the labour market.
- A range of other supports are also available and discussed further in the Social Protection Employment Supports Expenditure paper.

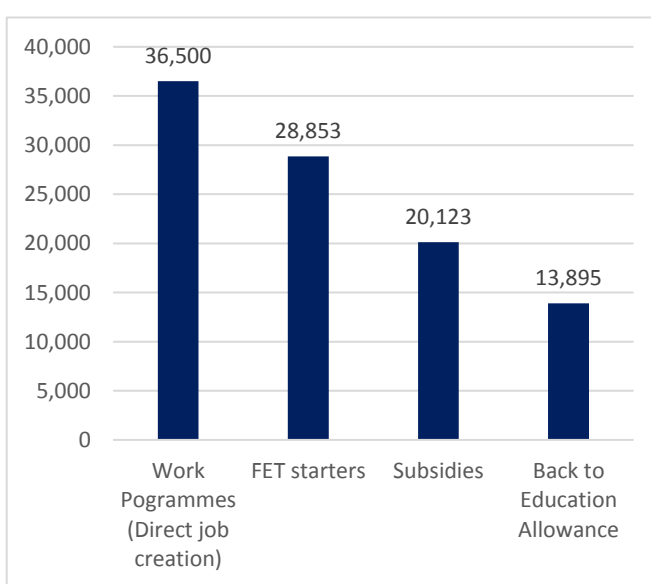
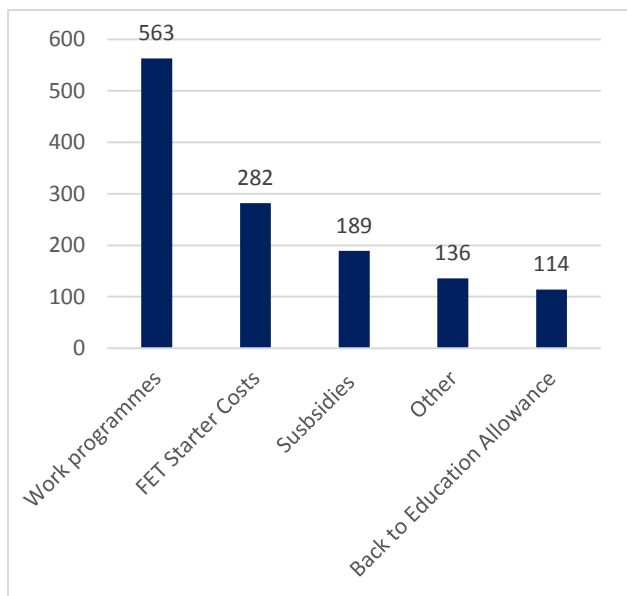
Figures 4 and 5 illustrate the expenditure on FET & employment supports and the numbers receiving these supports in 2016. With regard to FET, it is important to note that SOLAS typically collate and report FET activity by reference to “beneficiary” numbers - which describes the total number of interventions provided for through the FET budget. Beneficiary captures all individuals who benefit from a SOLAS intervention in a given

year, irrespective of whether they are present at the start of the year or join a course during the year; and the degree of participation, for instance some learners will partake in a full-time academic course of 33 weeks, while others may participate in a five-hour a week part-time literacy course.

It is acknowledged that this dataset severely limits analysis and SOLAS have since undertaken significant, critical work in addressing these data and system limitations including the development of a national FET programme database system, a national FET programme calendar scheduling system and a national FET learner database – the Programme and Learner Support System (PLSS) which will allow future analysis at the individual and full-time equivalent level. Further details on these system developments are outlined in the accompanying spending review paper on FET. Notwithstanding these developments, individual-level data restricts analysis of the sector.

The use of a beneficiary number of c. 340,000 would distort the analysis, therefore for the purpose of this overview paper and to allow for comparison with those on work programmes etc., the number engaging in FET programmes relates to those in full-time, predominantly labour marked focussed or progression focussed provision and who are in receipt of an income support (see page 13 for further information on classifications used in FET). Other technical adjustments⁶, advised by SOLAS, are made to give an estimated participant level. The €282 million cost set out in figure 4, relates to the corresponding cost of those participants and does not represent the aggregate amount of FET expenditure (€680 million) as set out in Figure 3.

Figure 4: 2016 Costs of FET⁴ & Employment Supports Figure 5: 2016 Numbers Receiving FET⁵ & Employment Supports⁶



⁴ FET expenditure reflects those attending full time FET and in receipt of a corresponding income support.

⁵ As FET expenditure includes a wide range of programmes and not just activation focussed provision, it is necessary to make certain assumptions regarding participant numbers. For the purpose of this paper a participant is defined as those participating in full time FET receiving an income support. Other technical adjustments and assumptions made reflect (i) the numbers starting more than one course in the same year; and (ii) early school leavers attending community training centres and Youthreach courses who are not on the live register. The numbers do not include PLC provision.

⁶ The numbers receiving “Other” supports is not included due to data issues

Further detail on expenditure in each of the sectors is provided in separate papers.

Typology of Active Labour Market Programmes (ALMP)

Previous research undertaken by the ESRI⁷ presented a typology of ALMPs considering both labour market leverage and market orientation. The figure also shows the percentage allocation in 2016 of these resources across the four quadrants in the typology.

Figure 6: Typology of Active Labour Market Programmes and Allocation (%) of Resources 2016

Typology of Active Labour Market Programmes		
	Market Orientation	
Labour Market Leverage	Weak	Strong
Supply Training	General Training (18%)	Specific Skills Training (29%)
Demand Employment	Direct Employment Schemes (e.g. Community Employment) (40%)	Employment Subsidies (13%)

Source: ESRI regarding typology, Allocations relate to DPER analysis of DES and SOLAS data

The labour market’s exceptional performance in the years preceding the financial crisis diminished the importance of ALMPs. Policies in the area were directed at reskilling those already in employment and cohorts of the labour market that were hard to reach. The scale and structural nature of the long-term unemployment challenges post crisis prompted a shift in policy towards increasing engagement with those on the Live Register.

Social Inclusion

FET and employment supports not only encourage people to find employment and to better equip individuals for work in the labour market, but also help those hard to reach individuals who are at risk of marginalisation in leading fulfilling lives and achieving their potential.

⁷ O’ Connell, P, S McGuinness and E Kelly (2011) The Impact of Training for the Unemployed. Presentation to Policy Institute Research Symposium, “Employment and the Crises, Work Migration, Unemployment, 11 March, 2011

Social Protection:

Work programmes, such as Community Employment, have dual objectives of helping people to progress to the labour market and to support social inclusion. Recently announced reforms in relation to Community Employment will see one-third of places relating to labour market activation with a progression to employment target rate of 50% and two-thirds of places relating to social inclusion with a 20% progression target rate.

Further Education and Training Provision:

FET provides education and training related supports to provide a range of skills for labour market returners, for those interested in a new career direction, for those wishing to access 'second chance' education, and to prepare school-leavers and others for higher education or the jobs market. It also plays an important role in helping people to lead fulfilling lives, supporting some of the hard-to-reach individuals and groups to achieve their potential and reducing the costs to society of exclusion. The wider societal gains and the importance of the socially orientated programmes have been highlighted both by research carried out by NES⁸ and through the submissions received by the Department of Education and Skills in the consultation process carried out as part of the establishment of SOLAS. The classification used in this paper recognises the wider socially orientated programmes that SOLAS deliver. The broad provision of classification is set out below, further detail on which can be found in the accompanying spending review paper on FET:

Category 1: Predominantly Labour Market Focused (63% of funding) relates to programmes that have a direct progression path to employment and /or higher education and training opportunities.

Category 2: Predominantly Progression Focussed (28% of funding) relates to Further Education and Training programmes that support those that could potentially experience barriers to progression such as early school leavers, young offenders and people with disability.

Category 3: Predominantly Individual Transversal Skills Focused (9%) relates to Further Education and Training programmes that provide support for specific individual needs, for example those seeking opportunities to become proficient in sign language, those seeking to enhance their literacy, numeracy, IT Skills (usually to level 3 on the national Framework of Qualifications NFQ), English language skills etc.

⁸ NES⁸, (2013), A Strategic Review of Further Education and Training and the Unemployed.

3. Section Four: International Evidence

This section analyses evidence from other countries to compare the level and composition of ALMP funding. **Irish expenditure on ALMPs is above average at 0.9% of GDP for 2013 (OECD average of 0.57%).** The stock of people is also above average at 4.4% of the labour force (OECD average of 3%).

Figure 7: Public Expenditure on ALMPs (% of GDP, 2013*)

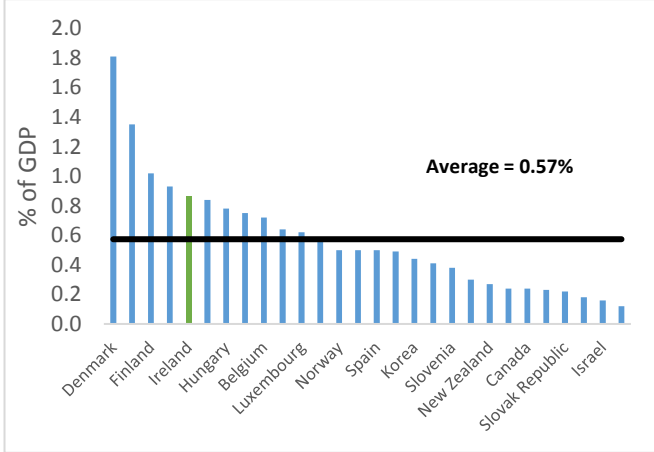
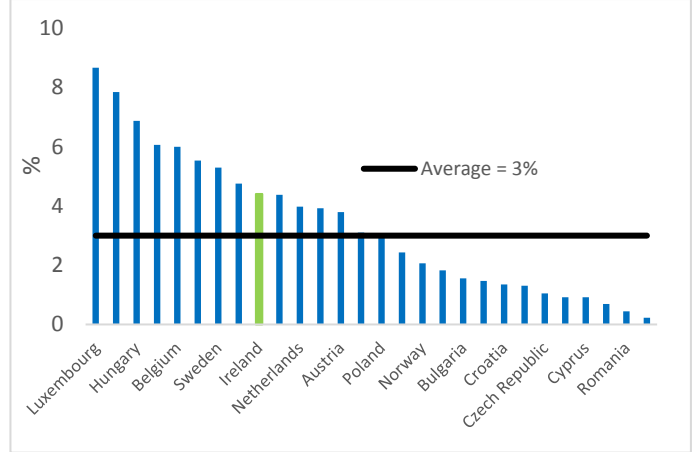


Figure 8: Stock of People⁹ (% of LF, 2013*)



Source: OECD *Note: Data for the UK are only available up to 2011 where the equivalent figure was 0.23% of GDP. Eurostat & World Bank *Note: Data for UK only available up to 2009 where the equivalent figure was 71,167.

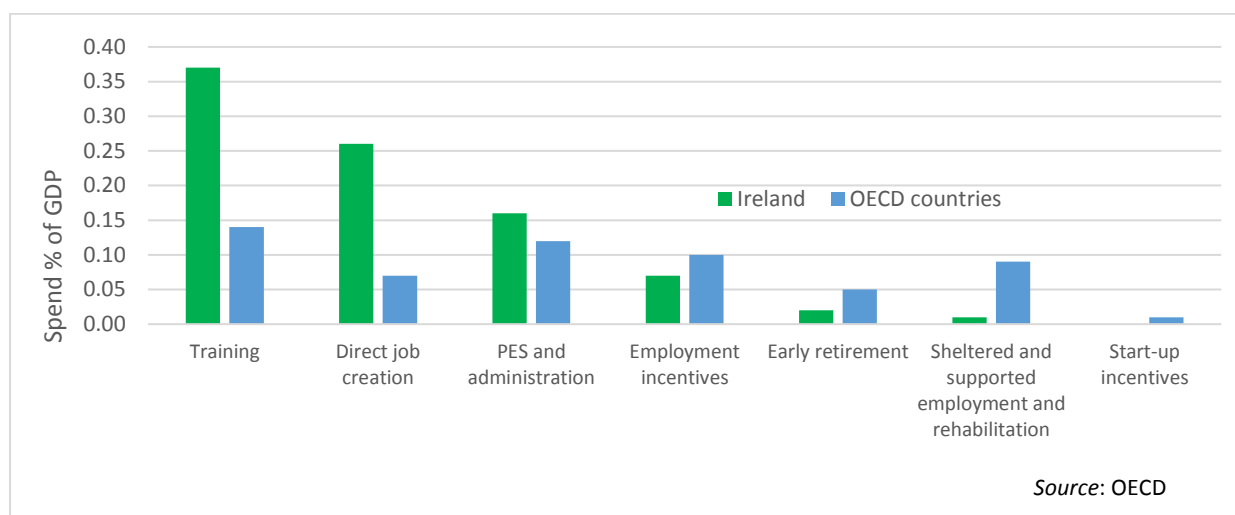
In contrast to the OECD average, Ireland has prioritised ‘training’ and ‘direct job creation¹⁰’ components within ALMP spending (see Figure 9). Ireland allocates smaller percentages to ‘employment incentives’ and ‘sheltered and supported employment and rehabilitation¹¹’ supports. There has been a change in the composition of spending across OECD countries in recent years with increased spending on job subsidies in tandem with reduced funding for direct job creation.

⁹ LMP category 2–7 = training, job rotation/ jobsharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives as well as “passive” supports, which mostly refer to unemployment benefits.

¹⁰ Direct job creation category refers to work programme type supports.

¹¹ Measures included in this category typically provide an ongoing support and have no planned duration. However, lifetime sheltered work provisions where the subsidies cover 100% or more of the wages (i.e. also cover administrative costs) for an indefinite period are considered as part of social policy and outside the scope of the LMP database. To the extent that disabled persons participate in regular measures, spending on employment services for the disabled does not necessarily appear in this category.

Figure 9: Comparative Analysis of Public Expenditure on ALMPs in Ireland and OECD Countries - 2013



Literature Review

A brief review of the literature in this area suggests:

ALMPs have a larger impact in periods of slow growth and high unemployment. During a recessionary period, the pool of unemployed is larger and with an associated higher skill level. In a strengthening labour market, the pool shrinks and the proportion of harder to reach individuals increases. Matching persons on the Live Register with employment or activation opportunities becomes more difficult making the correct targeting of supports critical. In this context, FET supports are vitally important and can be effective in increasing the skill levels of jobseekers. This can facilitate better engagement with employment supports and increase their long term labour market prospects.

In an economic recovery, activation measures should primarily focus on specific groups facing employment difficulties. These groups include those at the greatest distance from the labour market, e.g., long-term unemployed for more than three years, persons with a disability.

Going forward, a comprehensive package of services must remain in place with supports oriented to labour demand and linked to real workplaces. Many countries with the lowest long-term unemployment rates are those with high levels of ALMP participation. For periods of recovery, the most effective ALMPs are those which strengthen a person's attachment to the labour force and their incentive to leave unemployment. In other words, policies which provide both positive and negative incentives.

Subsidisation of employment can create significant displacement and deadweight effects in an improved economic environment. Wage subsidy type schemes can increase the persistence of the long-term unemployed during normal economic times due to lock-in effects. Hiring subsidies are an important stabiliser to support recoveries and should ideally be targeted at specific disadvantaged cohorts.

Human capital enhancement has an important role to play in a recovery to upgrade workers' skills to raise employability and productivity. Training supports provide the best long-term outcomes and have lower levels of deadweight. However programmes should be tailor-made in nature and closely linked to developing skills required in the labour market. This may require a greater focus on in-work training supports or specific training.

Numerous impact studies have been carried out across the OECD with the results showing that the impact varies greatly across the type of programmes offered. A European Commission report (2014)¹² undertook work to review the effectiveness of ALMPs using a meta-analysis of numerous impact evaluation studies. The results are set out in the table below. The indicators analysed were the cost of the supports, the short and long run impact of the support and the level of displacement¹³ associated with the support.

Table 1: Summary of Evaluation Results for Each Employment Support Category

	Direct Job Creation/ Work Programmes	Employment Incentives/Subsidies	Training
Cost	High	High	Medium/High
Short-run effect	Negative	Positive	Negative
Long-run effect	Zero or negative	Positive (small)	Positive
Displacement	High	High	Low

Source: European Commission

In relation to the Irish experience:

- A considerable proportion of expenditure is allocated to schemes in the direct job creation/work programme category and this level of investment is above the OECD average. In the literature this category is associated with high unit cost, significant levels of displacement and weak short and long term employment outcomes. Furthermore, work programmes should aim to prevent human capital deterioration and improve future employability. However, lock-in effects can be high and skill attrition may occur resulting in the schemes becoming a safety net rather than a route to employment. Reforms are on-going in this space and will aim to limit participation duration to minimise lock-in effects as well as clarifying the objectives of these schemes reflecting their dual activation and social inclusion functions. These reforms are discussed further in the separate Employment Supports Expenditure paper.

¹² European Commission (2014) 'European Semester Thematic Fiche: Employment Incentives', http://ec.europa.eu/europe2020/pdf/themes/2016/employment_incentives_201605.pdf.

¹³ Displacement concerns the degree to which the effects which produce additional economic activity lead to consequent reductions in activity elsewhere in the economy that would not have occurred if the intervention had not been made.

- A significant portion of expenditure is related to broader policy objective of social inclusion.
- As mentioned above, employment subsidy schemes are associated with a tendency for high levels of displacement which is likely to increase in periods of strong economic growth. The main employer subsidy scheme in Ireland is JobsPlus¹⁴. This scheme is currently subject to evaluation and the results will assist in identifying any potential deadweight and steps which can be taken to minimise it in the future.
- As the literature demonstrates FET expenditure represents the category with the best value for money in terms of positive long-run outcomes and low displacement. Currently 63% of SOLAS funding to ETBs relates to programmes that have a direct progression path to employment and /or higher education and training opportunities, with 37% of funding going to predominantly progression and transversal skills focused provision.

¹⁴ JobsPlus is an incentive from the Department of Social Protection to encourage and reward employers who offer employment opportunities to the long term unemployed.

4. Future Policy Developments

The period 2012 to Q1 2017 has been characterised by continuous improvements in the labour market. Unemployment, as measured by the Quarterly National Household Survey (QNHS), has fallen 55% from 2012 to Q1 2017. This has been accompanied by a 39% reduction in the number of people on the Live Register. The long-term unemployed cohort also declined significantly, falling by 61% over the same period. This decline in unemployment has been accompanied by an increase in employment with growth of over 220,000 or 12% since 2012. As the recovery period becomes more established the policy environment must adapt to the evolving employment challenge of supporting greater labour force participation.

Numerous fundamental reforms have been implemented in the past few years including:

- Rollout of Intreo offices;
- Establishment of SOLAS as single agency assuming responsibility for all public funding, coordination and monitoring of FET primarily delivered by the ETB sector; and
- Establishment of 16 Education and Training Boards (ETBs) to replace previous network of 33 VECs.

Going forward there is a need to continue to ensure resources are allocated in an efficient and effective manner and ensure the activation agenda is responsive to the evolving needs of the labour market. This will require a stronger joined up approach between both Departments regarding the referral of jobseekers and other cohorts to different FET and employment supports. In order to support this process robust data systems and monitoring and evaluation frameworks are required.

It is acknowledged that there are legacy data and systems issues, arising from the fundamental reforms of the sector, which severely limits the level of analysis in the FET sector, particularly for trend, outcomes and individual level analysis. SOLAS have undertaken significant, critical work in addressing these data and system limitations including the ongoing development of the PLSS. The data gathered in the PLSS, in conjunction with CSO data, will enable SOLAS to capture learner data in the FET sector and as they progress into higher education, employment, return to the live register, etc. facilitating better evidence based policy making and enabling more effective joined-up policy responses. In this regard, it is imperative that the PLSS platform be populated as a matter of priority and that SOLAS and DES capitalise on the improved data emerging from the PLSS.

The mid-term review of the 2014-19 FET strategy will commence by year-end and will review the progress made in relation to the goals and objectives set out in the overarching Implementation Plan. The mid-term review, should also consider issues regarding the aggregate level of expenditure on the wider socially focussed FET provision and how this correlates with wider labour market conditions and, where possible, how this compares internationally. The review should also consider and make appropriate recommendations regarding

the overarching focus of the FET Strategy for the 2018-2019 period, including the potential re-alignment and re-prioritisation of high level goals and actions with the improving economic and labour market situation.

Similarly the Department of Social Protection is engaged in a rolling programme of evaluation studies as part of the Pathways to Work strategy¹⁵. The results of these evaluation studies should feed into the design, delivery and implementation of the various activation services and employment supports. In particular, an evaluation of the Intreo model is being undertaken in 2017 and the results should be used to inform future developments in this policy area. In addition, further analysis should be carried out to determine what level of activity is required to provide an effective public employment service to the declining number of people on the Live Register.

¹⁵ <https://www.welfare.ie/en/downloads/PathwaysToWork2016-2020.pdf>