

Reforming Ireland's Labour Market Policy

Part 2

Philip O'Connell

Irish Government Economic and Evaluation Service

Conference on Medium Term Economic Strategy

Sept 3rd, 2013, Dublin Castle



UCD Geary Institute

Research, Analysis, Evidence

Outline

- ▶ Profiling and activation
 - We can predict who will become long-term unemployed
 - We don't use that strategically
- ▶ Active Labour Market Policies
 - We have some idea of what works
 - The research is old, needs updating to inform policy
- ▶ Institutions for tackling unemployment
 - Changing slowly
 - Are they fit for purpose?
- ▶ A Programmatic Approach to Evaluation



Context

- ▶ Dramatic increase in long-term unemployment
- ▶ Substantial movements into and out of unemployment
 - Unemployed as a lake rather than a pool
- ▶ Labour Market policies can influence structure of unemployment
 - Proportion long-term unemployed as policy outcome
- ▶ International experience on labour market interventions:
 - Early in the business cycle at level of economy
 - Early in the employment spell of the individual
- ▶ Ireland has done neither
- ▶ Issue is no longer inflow:
 - it's the 'stock' of unemployed
 - c.60% of unemployed are long-term



Profiling the Unemployed: Who Will Become Long-term Unemployed?

- ▶ Early Identification of Individuals with High Risk of Long-Term Unemployment
- ▶ Referral of High Risk Clients to Appropriate and Effective Interventions
- ▶ Advantages
 - More Systematic, Rigorous, Accurate Identification of those with High Risk
 - Allows for Ranking of Individuals by Probability of Long-Term Unemployment
- ▶ Irish Model developed with data capture Autumn 2006 -Summer 2008
 - Caveats
 - Business Cycle (more effective in tight labour market)
 - Policy Changes (e.g. Unemployment Benefit Eligibility Criteria)



Summary of Probit Model of an Individual's Live Register Status after 12 months

- **Increase Probability of Remaining on Live Register**

- Age
- Children
- Made Claim in Last 5 Years & had been Signing On for 12+ Months
- On CE for 12+ Months
- Job Seekers Allowance
- Literacy/Numeracy Problems
- Bad Health

- **Increase Probability of Exiting to Employment**

- Education
- Recently Employed
- Would Move for a Job
- Own Transport
- Job Seekers Benefit
- Married and Spousal Income

- **Irish model has strong predictive power** (c. 80% correct at 70% risk of LTU)

National Profiling system implemented: 2012-13

- **Pace of change:**
 - Roll out over 2 years: still incomplete
- **Immediate activation for all clients?**
 - New unemployed
 - Only in Intreo offices - Non-Intreo, wait 3 months
 - Current (long-term) unemployed
 - Too little too late – insufficient activation
- **Needs to be recalibrated to new clients and new conditions**
- **Potential as monitoring/evaluation tool not being realised**
- **Profiling must be integrated with effective interventions**
 - What are they?



Active Labour Market Programmes

- Supply side
 - Job Search Assistance/Encouragement
 - Interviews/counselling, job placement services, etc
 - Increase effectiveness of job search + monitoring & sanctions
 - Training
 - Enhance skills and employment prospects
- Demand Side
 - Public-sector Employment schemes
 - Retain contact with labour market
 - Incentives to employers or self-employment
 - Encourage employers to create new jobs or retain existing jobs



Types of ALMPs

<i>Labour Market Leverage</i>	<i>Market Orientation</i>	
	<i>Weak</i>	<i>Strong</i>
Supply – Training	General Training	Specific Skills Training
Demand – Employment	Direct Employment Schemes	Employment Subsidies

'Recent' Information on Impact of ALMPs

A. Evaluation Results

- Some training enhances employment probabilities
- Highest returns:
 - Short duration training in Job search techniques
 - High-end Specific Skills training
- Lower returns to General training
- Zero for low Skilled training

B. Internal Review DSP 'High Level Issues Paper' (Jan 2013)

- Work Programmes (Community Employment, TUS, RRS etc)
 - Disappointing labour market outcomes
 - 2 strands – activation & service
- Back to Education Allowances
 - 60% return to Live Register in 2012 + lock-in
 - Reforms to eligibility & payments

C. Other

- JobBridge probably helps (Indecon)
 - We don't know the deadweight or displacement

Research Findings:

Programmes with strong market linkages show strong positive effects on employment (*1990s, 2006-8*)

<i>Market Orientation</i>		
<i>Labour Market Leverage</i>	Weak	Strong
Supply – Training	<p><i>General Training (e.g. ECDL)</i></p> <p>Some Weak Positive</p>	<p><i>Specific Skills (e.g. Computer Assisted Design)</i></p> <p>Strong Positive</p> <ul style="list-style-type: none"> - Job search training - Medium & High level skills - <i>Employment and wages</i>
Demand – Employment	<p><i>Public Employment (e.g. Community Employment)</i></p> <p>No Impact on Employment</p>	<p><i>Employment Incentives (e.g. JobBridge)</i></p> <p>Strong Positive</p> <ul style="list-style-type: none"> -In the 1990s - Now??

Rough Estimate of Spend on ALMPs for Unemployed c. 2011-12

2/3rd on programmes with weak market links

1/3rd on direct employment schemes

Market Orientation			
Labour Market Leverage	Weak	Strong	
Supply – Training	General Education and Training c. €430 (33%)	Skills Training c. €220 (17%)	€650 (50%)
Demand – Employment	Direct Employment c. €440 (34%)	Employment Supports c. €200 (16%)	€640 (50%)
Total	€870 (67%)	€420 (33%)	€1,290

Sources: Mainly DPER Comprehensive Expenditure Review data

What do we know about ALMPs in Ireland?

- Spend and effort is skewed to less effective programmes
- Evidence used to inform policy is
 - Old
 - Haphazard
 - Varies in rigour = quality



Pathways to Work 2012 & 2013

Many positive features:

- Battle against unemployment as priority
- Commitment to reducing Long-term Unemployment
 - Integration of income support with activation
 - Additional training places
 - Statistical profiling to target those most at risk
 - Employer incentives - PRSI Scheme & JobsPlus
 - Removal of disincentives – Housing Assistance Payment
 - Youth Guarantee



UCD Geary Institute

Research, Analysis, Evidence

Moving in the right direction, but:

- **Pace of change – *the crisis started 5 years ago*:**
 - Intreo roll out over 2+ years
 - Client profiling still incomplete
 - Needs to be adapted to new clients and new conditions
- **Immediate activation for all clients?**
 - New unemployed
 - Only in Intreo offices - Non-Intreo, wait 3 months
 - Current unemployed
 - Too little too late – insufficient activation
 - Others not economically active
- **Inflow is no longer the issue:**
 - The main problem is structural, long-term unemployed
- **Capacity?**
 - OECD: insufficient staff to implement activation system before crisis
 - Live Register has grown from 290,000 in 2009, to 440,000 in 2012
 - Profiling LTU?
 - Skills?
 - Outsource activation role?



Institutions:

Significant changes already achieved & in progress

- Education and Training is excessively provider driven
 - Not designed to meet training needs of unemployed or skill needs of employers
 - Does the academic calendar meet the need of the unemployed?
- Shift to client centred system
 - Funding to follow the client
 - Ensure progression from programmes with weak to strong market links
- Can SOLAS + Education and Training Boards meet training needs?
 - Experience, expertise, priority focus?
- Employer Demand:
 - Need for on-going and up-to-date information
 - Specific sector skills councils?
 - Ensure nature and content of education and skills are market relevant
 - No employers on SOLAS Implementation Group or Technical Advisory Group
- Providers should be chosen on basis of ability to deliver quality training
 - Provision could be incentivised according to results (job placements)
- Evaluation missing from SOLAS functions



Programmatic Approach to Evaluation

- All programmes should be subject to rigorous independent evaluation:
 - identify effective interventions
 - timely restructuring/closure of ineffective interventions
- Principles:
 - Budget \leq 0.5% of operational budget
 - 1/10th of 1% of €1.2bn ALMP budget = €1.2m
 - Appropriate frequency
 - Independence
 - From service provider, sponsoring Dept.
 - Where best to locate evaluation expertise/capacity for conduct/commissioning?
 - Best practice methods
 - Account for counterfactuals, selection bias etc
 - Published Peer Review

