

Reforming Ireland's Labour Market Policy

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Outline

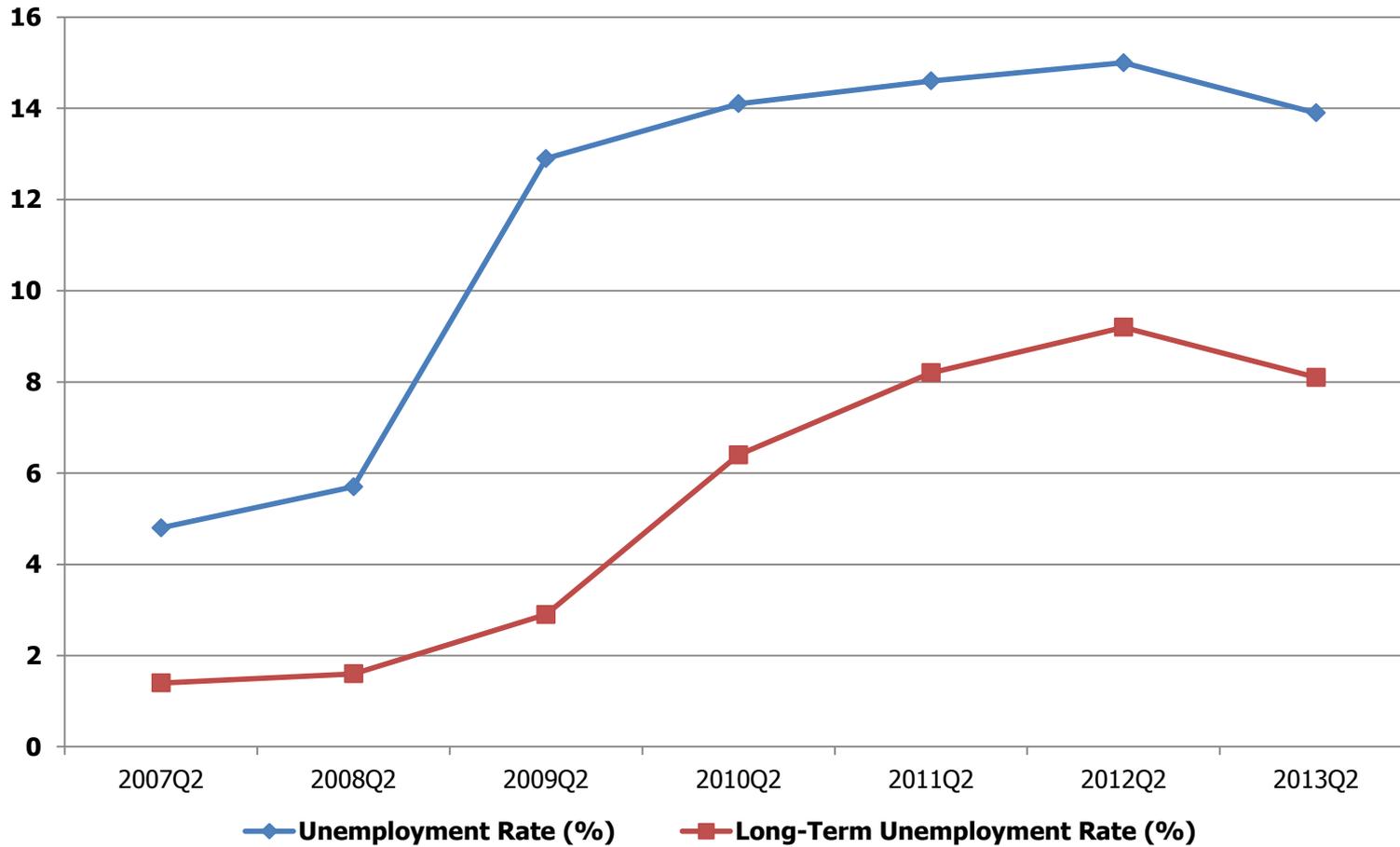


- Activation of the Unemployed
 - Developments since the Recession
- Evaluation of Labour Market Interventions
 - Use of administrative data and a counterfactual?
- Higher Education in the Labour Market
 - Is the composition correct?



Activation of the Unemployed

Background: Unemployment Path



Onset of Crisis until Early 2011

- From the onset of the economic crisis in 2008 to March 2011, labour market policy was under the remit of a FF/Green coalition
- During that time period, Ireland's activation strategy was known as the *National Employment Action Plan (NEAP)*, a system that could be characterised as having relatively light interventions
- Main focus after the emergence of the crisis was on measures to reduce the fiscal deficit
- The first major labour market initiatives came in 2010: the *Labour Market Activation Fund (13000 places)* and *Employer Job PRSI Incentive Scheme (780 exemptions in 2012)*
- The 2011 Budget (Dec 2010) contained a commitment to reform the NEAP, but little detail was provided as to how this was to be achieved

New Administration in March 2011



- Activity in the labour market sphere increased with the change of Government (FG/Labour coalition) in March 2011:
 - Jobs Fund (June 2011)
 - Action Plan for Jobs (February 2012)
 - Action Plan for Jobs 2013 (February 2013)
 - Pathways to Work 2013 - Focus on LTU (July 2013)
 - Various Active Labour Market Programmes launched: Springboard (May 2011); JobBridge National Internship Scheme (June 2011); Momentum (December 2012)
 - Announcement in 2013 Budget for additional funding for 10,000 activation places
 - Restructuring/replacement of the NEAP: the National Employment and Entitlement Services (August 2011) – plan to develop a new system of activation (Intreo)

Activation of the Unemployed: Conclusions



- Ireland was ill-prepared to deal with the detrimental labour market effects of the recession – major OECD study in 2009 highlighted problems with the NEAP e.g. no immediate activation, no regularised monitoring, very low sanction rates
- An ESRI evaluation of the NEAP in 2011 identified additional issues with the system e.g. individuals experiencing multiple spells of unemployment excluded from assistance, large proportion of qualifying individuals not referred, referral to interview actually reduced the probability of employment
- Failure to address Ireland's activation system in the early years of the recession meant that the new Government in 2011 faced a mammoth task in tackling the unemployment problem (UE rate was 14.6% and LTU 8.2% in Q2 2011)
- Change of Government has resulted in a substantial amount of positive activity in the labour market sphere, **but** the pace of change remains slow (e.g. Intreo not fully operational until end 2014) – **much too late for most.**
- Also, not clear the new activation system (Intreo) has got the key elements right- does it reflect all aspects of international best practice (e.g. systemised regular contact between caseworkers and claimants, and proof of job search requirement)?

Evaluation of Labour Market Interventions

Labour Market Policy Evaluations



- Department of Social Protection (DSP) and Department of Education and Skills (DES) now the main departments with responsibility for labour market policy and its evaluation; the Department of Jobs, Enterprise and Innovation (DJEI) have a peripheral role → Labour market policy and its evaluation fragmented
- An explicit budget does not exist for conducting labour market research or evaluations
- Unlike many other countries, the use of administrative data, pilots, roll-outs etc. to conduct labour market policy evaluations is not common practice in Ireland
- Based on international best practice, the evaluation of labour market programmes should always involve a number of key elements
 - The measurement of a counterfactual using a properly constructed control group
 - The application of methods that eradicate key difficulties such as selection bias, unobserved heterogeneity and dynamic bias

Labour Market Policy Evaluations - II



- Very few Irish labour market evaluations, internally or externally conducted, have followed international best practice – what are the reasons?
 - Is it a lack of complex evaluation expertise to design effective terms of reference of evaluations?
 - Are policy-makers not thinking of the evaluation problem at the programme design and implementation stages (how can use of roll outs, pilots and administrative data help?)
 - Are such evaluations viewed as a threat? This generates a potential moral hazard problem that the department being evaluated writes the terms of reference and chooses the evaluator
 - Are sufficient resources being allocated to evaluations? On occasions, submitted tenders that meet international best practice are rejected on cost (even when the evaluation cost is <1% of annual programme cost)



Higher Education in the Labour Market

Higher Education Sector



- Higher Education (HE) is extremely important sector:
 - Key to human capital development, which in turn is important for economic growth and attracting FDI
- Funding constraint within the sector:
 - Lack of suitable funding system may act as barrier to participation: current registration fee is similar to the tuition fee implemented in the UK a few years ago
 - Need to look at alternatives, such as income contingent loan scheme
- Is the composition of our graduate stock meeting the requirements of our labour market?
 - No First Destination Survey since 2008: important piece of intelligence as variations in graduate employment, unemployment and utilisation rates by field of study and level are key indicators can inform policy
 - Extent of graduate brain drain is also unknown
- Demographic challenge approaching:
 - Need to look at moving to more flexible forms of HE delivery, and the more effective utilisation of highly educated migrants in the labour market



Thank you