

## Cross Cutting Issues - Activation Measures

### Summary

Activation measures in Ireland can be broadly categorised as Employment Services, Training & Education Services, Employment Schemes and Monetary Incentives.

The rationale for State investment in activation is due to the benefits which employment brings – both individually and to society. If those that are unable to find work without activation measures are left to become long-term or very long-term unemployed, despite the availability of job opportunities in the economy, then the loss to the welfare of the state will outweigh the costs of effective activation measures.

### **Proposed Savings**

#### *Employment Services*

A single employment service should be created to integrate all services within one organisation. While there would be minimum savings on implementing this proposal, there would be a better utilisation of existing resources.

#### *Training & Education Services*

##### *Apprenticeships*

One proposal put forward by D/ET&E in their submission to the Group was to reduce the Apprenticeship budget by 20% (saving €20m in a full year). Greater savings could be achieved if all current apprenticeship training was stopped immediately even for those currently in the middle of courses, however realistically, it may not be feasible to do so.

##### *Overlap of services*

There is significant overlap between some training services offered by *FÁS*, the Back to Education Initiative and those run by VTOS. For example, *FÁS* fund the Community Training Centres which offer much the same activities as VTOS. The average cost of VTOS to deliver these services is lower than the CTCs - which could produce a potential saving of €10-15m based on the 2200 participants in the CTCs.

### *Payment of Allowances*

- Consideration should be given to abolishing the payment of training allowances to participants on *FÁS* courses who do not qualify for JA/JB producing a saving of €19.5m per annum.
- The range of supplementary allowances could be replaced with a standard cost of education or training grant producing a saving of €3.9m.
- The training bonus of €31.80 given to the long term unemployed who undertake *FÁS* and VTOS courses could be abolished. Data was not available on the number of LTU beneficiaries of the training bonus but for example every 10,000 would yield circa €16.5m per annum in savings if this training bonus was abolished.

### *Efficiency of FAS Courses*

The unit cost of some of the *FÁS* training schemes appears at face value to be very high. A full evaluation of all these courses should be carried out, examining both the cost of the courses and the effectiveness of the courses provided. Potentially significant savings could accrue from such an analysis.

### *Cost Recovery*

*FÁS* should consider further cost recovery, either full or partial, on some of its training courses, particularly those in respect of people in employment.

### ***Employment Schemes***

#### *Incremental / Double Payments*

CE participants currently receive a training bonus of €24.40 per week – if this bonus was removed for all participants there would be an annual saving of €29m. Further savings are possible by eliminating double payments of social welfare benefits and CE allowances. It is estimated that this would save €48m a year for the Exchequer in respect of new entrants to the CE scheme, rising to annual savings of €128m a year within a 3-year period.

### *Job Initiative*

Serious consideration should be given to shutting down the JI Scheme. There are question marks about its effectiveness as no further recruitment has taken place since November 2004 but there are still significant numbers on the scheme. The scheme is very expensive as participants receive circa €25k a year, which would give a gross saving of around €40m if the scheme was abolished. However, there would be increased expenditure on the social welfare budget.

Significant cuts in the Supervisor / Team Leader grants for CE and JI should also be considered (in the case of JI, if the scheme is not abolished in full as proposed above). Grants for CE supervisors / JI Team leaders range up to €855.54 / €814.32 per week.

### *Community Services Programme*

Steps should be taken to reduce the cost of the CSP. The average cost of employing somebody in the programme is €27,181, the minimum wage for a 39 hour, 52 week year is €17,542, leaving €9,640 in other overheads and costs. Reducing this in half would yield savings of circa €9m.

### *Overlap of services*

There appears to be considerable overlap between the various schemes. One way of tackling the overlap and reducing the potential for duplication is to give responsibility for all remaining employment schemes to a single entity.

### *Monetary incentives*

By changing the periods of time for which a person can retain social welfare payments or by reducing the percentage of benefits they can retain, significant savings can be made to the €73m spend on the Back to Work and Back to Work Enterprise Allowances. Other potential savings in this area, include removing the eligibility for BTEA recipients to apply for the DES means tested student maintenance grant which would yield an estimated saving of €35m a year if applied to all recipients.

## Cross Cutting Issues - Activation Measures

### **1. Overview**

Activation is a term that captures the range of policies that are implemented to encourage people to find employment and to better equip individuals for work in the labour market.

The state invests in activation because of the benefits of employment both individually and to society and because some individuals who are unemployed are less likely to find work without encouragement, incentive and assistance.

Activation measures in Ireland can be broadly categorised as Employment Services, Training & Education Services, Employment Schemes and Monetary Incentives. Running alongside the activation system is the basic welfare system consisting of the various payments, allowances and control systems, which impact on the overall success of the activation system.

Benefit rates have increased in this decade and the ratio of benefits to average wages has narrowed considerably since 2000. International experience dictates that these high levels of benefit have to be matched with intensive activation and control measures.

This country is currently experiencing a rapid increase in unemployment, and numbers on the live register are now expected to average in excess of 400,000 during 2009. The rapid rise in unemployment has led to a significant change in the profile of the Live Register. The altered labour market environment has potentially very important implications for the current portfolio of activation supports. Many of the current supports evolved to facilitate engagement of a relatively small cohort of long-term unemployed with opportunities in the mainstream workforce. With increasing numbers of newly unemployed and declining employment opportunities the current focus of activation measures needs to be reviewed to ensure that whatever resources are available are deployed to maximum effect – reskilling and retraining the

unemployed, and where appropriate providing financial incentives to alleviate poverty traps, to ensure that to the maximum extent possible jobseekers can be matched with available opportunities and to provide for future skills needs.

The focus of this paper is on the current activation measures in place and the justification for continued investment in them, at this point in time. It doesn't extend to identifying new activation programmes which might be appropriate in the current environment. Nevertheless, it should be noted at the outset that any savings identified may need to be reallocated to some new initiatives in the area.

The paper is structured as follows, the main activation measures are outlined in Section 2, the rationale for these measures are detailed in Section 3, the costs and participation levels of the activation measures are detailed in Section 4, and potential savings are outlined in Section 5.

## 2. Activation Measures

The core Activation measures are:

### **(i) Employment Services**

- *FÁS*

*FÁS* are the main providers of employment services. The two primary aims of *FÁS* Employment Services are to assist jobseekers to enter/re-enter the active labour market, and to provide a high quality employment service to employers by matching and filling vacancies at all levels. They have approximately 500 staff including clerical support who work from 70 employment offices, the total staff salary costs (excluding pensions) were €25.7m in 2007.

- Local Employment Services

Partnership Companies, under contract from *FÁS*, provide a Local Employment Service (LES) in 25 disadvantaged areas. The objective of the LES is to focus on the provision of services to those most disadvantaged in the labour market and to be responsive to the local context within which it operates. 311 staff work in the Local Employment services, the services (including LES Jobs Clubs) cost €24.3m in 2007.

- Local Development Social Inclusion Programme (LDSIP)

Other Partnership Companies provide information and advice under the Services for the Unemployed measure which is part of the LDSIP. The Services for the Unemployed measure provides for ‘integrated approaches to identify, nurture and support individuals, groups and communities in accessing suitable and sustainable employment and self-employment’ options. The types of activity supported under the Services for the Unemployed Measure include: proactive outreach and targeted supports such as complementary education and training, support with work placement, support into self-employment or enterprise, and community enterprise activities. 25,800 adults availed of services under this measure in 2007.

- Congress Centres Network

There are 25 Congress Centres, under the direction of the ICTU and local trade union councils, staffed mainly by CE participants. These Centres provide welfare advocacy services, job-search support and Job Clubs as well as on-the-job training through participation in, and management of, local CE projects.

## **(ii) Training & Education Services**

*FÁS*, D/ES and the VECs run a range of training programmes as follows:

- *FÁS* Training

*FÁS* Training is separated between training for those seeking employment (e.g. specific skill training) and training for those already in employment (e.g. apprenticeships). The different types of courses are:

<b><u>Training For Employment*</u></b>	<b><u>Training In Employment*</u></b>
Bridging Foundation	Apprenticeship
Foundation / Progression in Community Training Centres	Services to Business Training & Sectoral Initiatives
Return to Work	Basic Workplace Education Scheme
Specific Skills Training / Job Training Scheme	Film & Television Sector
Traineeship	Sponsored Training
Local Training Initiatives	Evening Courses
Specialist Training Providers	Life Long Learning / <i>FÁS</i> eCollege

The costs and participation levels for each of these schemes is addressed in Section 4.

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\* Based on *FÁS* 2007 Annual Report

- D/ES Back to Education Initiative

The Back to Education Initiative (BTEI) (part-time programme) aims to increase the participation of young people and adults with less than upper second level education in a range of flexible learning opportunities. Target groups include adults with disabilities, lone parents, early school leavers, unemployed, Travellers, ex- offenders, homeless and people with literacy difficulties.

The BTEI comprises two strands: the formal strand which is 90% of the funding (VECs and Secondary, Special and Community and Comprehensive Schools) and the community strand (community groups and organisations).

In 2007 there were 9,000 places available and this increased to 9,500 in 2008 under T2016.

- Vocational Training and Opportunities Scheme

The Vocational Training and Opportunities Scheme provides a range of courses to meet the education and training needs of unemployed people. It is aimed at those over 21, who are unemployed and have been getting certain social welfare payments for at least 6 months (e.g. jobseekers allowance, jobseekers benefit, one-parent family payment, disability allowance, etc.) The scheme gives participants opportunities to improve their general level of education, gain certification (e.g. Leaving Cert, Further Education and Training Awards Council) develop their skills and prepare for employment, self-employment and further education and training. It is particularly aimed at unemployed people who are early school leavers.

The courses range from basic education and training to advanced vocational training. The courses are full-time and can last for up to 2 years, with many leading to qualifications such as the Junior Certificate, Leaving Certificate and the FETAC awards at Level 3, 4, and 5 on the National Framework of Qualifications (i.e. up to basic certificate level). VTOS covers a wide range of learning areas including general education as well as art/craft/design, business studies, childcare, communications, drama, fashion design and performing arts.

In addition to the BTEI and VTOS, the general education system, in particular the Institutes of Technology and Post-Leaving Certificate facilities, offer a wide range of courses. Providers of Post-Leaving Certificate (PLC) courses (at FETAC Levels 5 and 6) must provide a labour market justification for all new courses they propose to offer in order to obtain sanction from the Department of Education and Science. The PLC programme is for young people who have completed senior cycle and adults who are returning to education. There are over 30,000 PLC places and this has grown from 12,000 in 1990. PLC courses are delivered in 213 centres around the country in both second level schools and stand-alone colleges and in all there are over 1,000 courses available in over 60 disciplines including business, electronics engineering, computing, catering, sport and leisure, theatre and stage, performance art, art craft and design, equestrian studies, multi-media studies, journalism etc.

The Institutes of Technology provide programmes of education and training in areas such as business, science, engineering, linguistics and music to certificate, diploma and degree levels. The IoTs also provide for elements of the various apprenticeship courses. There are 14 Institutes of Technology located around the country.

### **(iii) Employment Schemes**

There are three different employment schemes:

- Community Employment Scheme (CE)

The *FÁS* Community Employment Programme provides long-term unemployed and other disadvantaged people with training and work experience through part-time and temporary placements in jobs based within local communities. *FÁS* pays the participant's wages and they are entitled to keep some of their social welfare income. All participants are not treated the same with lone parents and those on disability retaining most or all of their welfare benefits. There are currently around 23,000 participants on CE Schemes.

Participants' wages depend on whether participants have child or adult dependants and can range from €228.70 (including €24.40 training bonus) for a participant with no dependants to a maximum of €364.30 for a participant with a dependant adult.

Participants receive an extra €26 (€13 half rate) for each dependant child. Grants for supervisors range up to €855.54 and for assistant supervisors up to €601.20 (in both cases inclusive of employers PRSI).

- Job Initiative Scheme (JI)

The Job Initiative Scheme is a Programme providing full-time employment for people 35 years of age or over and who were receiving Jobseeker's Benefit, Jobseeker's Allowance, or the One-Parent Family Payment (OFP) for 5 years or more. The Programme is supported by groups wishing to benefit the local community, namely voluntary organisations, public bodies and those involved in not-for-profit activities, who provide the job placements for participants. Since November 2004, there has been no further recruitment onto the scheme. There are 1608 people (2007 figures) on the JI scheme. Participants can keep the child dependant allowance portion of their social welfare payment for 13 weeks, and the medical card for 3 years. From January 2008 the minimum payment to a Job Initiative participant is €444.40. Team leader grants have 4 points from a minimum of €674.23 to a maximum of €814.32.

- Community Services Programme (CSP)

The DCR&GA funds the Community Services Programme which subsidises employment in community projects and community enterprises. Grants are given which cover wages up to a limit and the projects are free to top-up these wages with own (earned) income. The grant provides a contribution to workers' wages calculated on the basis of the minimum wage, plus a "non-wage" amount towards overheads and other costs. Participants may retain secondary benefits, depending on individual circumstances. There are currently 2,000 jobs funded under the CSP.

#### **(iv) Monetary incentives**

D/S&FA and Revenue offer a number of monetary incentives to return to work for certain qualified applicants:

- Back to Work Allowance

This Department of Social and Family Affairs allowance is aimed at unemployed people and others getting certain social welfare payments who are returning to work.

In order to qualify the person must be over 23 and unemployed for 2 years and receiving Jobseekers allowance (or illness benefit for 3 years). People who qualify for the BTWA may take up employment while keeping part of their social welfare payment for up to 3 years; 75% of the weekly social welfare payment for the first year, 50% for the second year, and 25% for the third year. Only employers who can provide suitable jobs are eligible to participate. The work being offered must:

- Be likely to develop into a lasting job
- Not displace existing employment
- Be a minimum of 20 hours per week
- Be for at least 12 months.

- Back to Work Enterprise Allowance

The Back to Work Enterprise Allowance (BTWEA) scheme encourages people receiving certain social welfare payments in Ireland to become self-employed. The Allowance is mainly targeted at those setting up a self-employment business that has been approved in advance in writing by a Job Facilitator or Partnership Company; and are 2 years unemployed and getting Jobseeker's Benefit or Jobseeker's Allowance during this time (others on different welfare payments may also qualify). People who are setting up their own business and who qualify for the BTWEA scheme can retain a percentage of their social welfare payment for 4 years. The scheme allows recipients to keep the following portions of their social welfare payment: 100% in year 1, 75% in year 2, 50% in year 3 and 25% in year 4.

- The Back to Education Allowance

The Back to Education Allowance allows people to return to full-time education (second and third level) and to retain 100% of their social welfare payment for the duration of the course. They also receive an annual cost of education allowance of €500 per academic year. It is aimed at those who are unemployed, getting a One-Parent Family Payment or have a disability, and wish to undertake an approved second-or third-level education course. The allowance is standard rated which means

if the participant is currently getting a reduced rate of payment, they will be entitled to the maximum standard rate of payment.

- Part-time Job Incentive

This scheme is for people who have been getting Jobseeker's Allowance for 15 months or more. It is intended as a stepping stone to full-time work. It allows those eligible to take up part-time work (which must last for more than 2 months) and get a special weekly allowance instead of their unemployment payment. The allowance is €105.00 per week (single person) and €174.10 per week (for those with a qualified adult). There are no increases in these rates for those with qualified children. The allowance is payable regardless of the salary earned, however, the salary is taxable in the usual way. Participants can retain the medical card for the duration of the PTJI Scheme regardless of earnings (up to a maximum of 3 years).

- Revenue Job Assist

The Revenue Job Assist is an alternative to the D/S&FA Back to Work Allowance. The person returning to work gets an extra tax allowance for three years at a declining rate (€3,810 - €2,540 - €1,270). Those who qualify for Revenue Job Assist are those getting Jobseeker's Benefit or Jobseeker's Allowance for 1 year or more; a lone parent on the One-Parent Family Payment; those receiving Disability Allowance or Blind Person's Pension for 12 months or more; those getting Invalidity Pension for 12 months or Illness Benefit for 3 years or more; and those released after 12 months or more in prison. The job must be for a minimum of 30 hours a week and be capable of lasting at least 12 months. No salary cap applies. The employer is also entitled to make a double deduction of the employee's income from their company's taxable income for up to 3 years.

- Other Allowances

There is also a range of other allowances available to people to undertake training courses. These allowances include:

- A *FÁS* Training Allowance (€204.30 per week) for those who do not qualify for Jobseekers Allowance (JA)/ Jobseekers Benefit (JB);

- Supplementary allowances e.g. meal/travel/ accommodation, for FÁS training courses and Vocational Training Opportunities Scheme (VTOS).

Running alongside the overall activation programme are the basic welfare measures which make up the social welfare system. While these measures can not be considered part of the activation system, they do have an important role in the success of any activation system. The basic welfare measures are:

*Unemployment Payments, Disability Payments, One Parent Family Payments*

The purpose of a Social Welfare payment is not to activate the individual but the rates relative to wage rates and the conditions under which these payments can be claimed are key elements of the Activation System. Payments are administered by 1000 D/S&FA staff through a network of 58 Social Welfare Offices and 68 branch offices.

*Control Systems*

The payment control systems in place help to ensure that individuals are not claiming payments when they are able to earn an income elsewhere. The D/S&FA are responsible for payment control systems. Control systems are an indirect activation measure.

*Emergency Payments, Rent Allowance*

Like the Social Welfare payments the purpose of emergency assistance is not to get somebody back to work but the rates at which it is paid and eligibility for rent allowance and other benefits can influence the ability of and incentives for an individual to return to work. The D/S&FA provide the Supplementary Welfare Allowance Funding but it is administered by 700 HSE staff from 1,000 locations.

### **3. Rationale for Measures**

The State invests in activation because of the benefits of employment both individually and to society and because some individuals who are unemployed are less likely to find work without encouragement, incentive and assistance. If those that are unable to find work without activation measures are left to become long-term or very long-term unemployed, despite the availability of job opportunities in the economy, then the loss to the welfare of the state will inevitably outweigh the costs of effective activation measures.

Using the four categories outlined in section 2 above, the rationale for intervention can be attributed as follows:

#### *Employment Services*

The rationale behind providing the employment services is that without state support or provision, the two primary functions i.e. to assist jobseekers to enter/re-enter the active labour market, and to provide a high quality employment service to employers by matching and filling vacancies at all levels, would not be provided. While the rationale for state intervention in assisting jobseekers enter the labour force, particularly those who are disadvantaged, is clear, the need for intervention in providing an employment service to employers by helping them to match and fill vacancies, is less so.

#### *Training & Education Services*

The rationale behind providing training and education services is that without state support or provision, the two primary functions i.e. (i) equipping those who are unemployed with the necessary skills to enter the workforce, and (ii) equipping those already in the workforce with the necessary skills to develop within the workforce, would not be provided. Again, while the need for the state to have a highly developed workforce is clear, the rationale for state provision is questionable, especially for those who have already entered the work force. The returns to training and education services are predominantly private, accruing to the individual and their employers and should only be subsidised to the extent necessary to encourage individuals and their employers to participate in training opportunities.

### *Employment Schemes*

The objective of the different employment schemes is to help people who are long-term unemployed and disadvantaged to get back to work by offering part-time and temporary placements in jobs based within local communities. After the placement, participants are encouraged to seek permanent part-time and full-time jobs elsewhere based on the experience and new skills they have gained while in the various schemes. The rationale for state investment is that without the work placement, the participants would fail to progress away from state benefits into alternative paid employment, but that following this intervention they should be able to find mainstream employment.

### *Monetary Incentives*

The rationale for offering the back to work, back to work enterprise, back to education allowances, part-time job incentive scheme and the Revenue Job Assist tax allowance is to ease the unemployed away from state welfare payments into paid employment / self employment or into the education system. As beneficiaries can retain a percentage of their unemployment benefits – it alleviates potential poverty traps associated with the move from welfare to employment or education.

#### 4. Costs and Participation Levels

The costs and participation levels of the main activation measures are outlined in Table 1.

**Table 1 – Costs and Participation levels of the main Activation Measures (2007) (excluding FAS staff costs and general overheads)**

	Costs	No. of	Cost per participant
	€'000	Participants	€
<b><u>Training For Employment</u></b>			
Bridging / Foundation	21,226	4738	4480
Foundation / Progression in Community Training Centres	46,793	2208	21195
Return to Work	2,833	800	3541
Specific Skills Training / Job Training Scheme	37,364	6450	5793
Traineeship	25,191	2010	12533
Local Training Initiatives	30,736	2173	14144 <sup>†</sup>
Specialist Training Providers	52,009	1862	27939 <sup>‡</sup>
<b><u>Training In Employment</u></b>			
Apprenticeship	129,030	19100	6755
Services to Business Training & Sectoral Initiatives	48,656	N/A	
Basic Workplace Education Scheme	3,732	N/A	

<sup>†</sup> This figure is high as it includes a grant towards the cost of employing a project co-ordinator and assistant co-ordinator; funding to contribute to the cost of training materials and administration of the project; and a training allowance for the participants on the programme in lieu of JA/JB. The Local Training Initiative programme is a project-based training and work experience programme carried out in the local community run by local community groups. The programme allows local communities to carry out projects, while at the same time training participants in areas related to the project work so that they can go on to gain employment or progress to further training.

<sup>‡</sup> FAS contracts with 20 Specialist Training Providers, such as the National Learning Network (formerly National Training and Development Institute), in 55 centres country-wide to deliver training courses to people with disabilities who require more intensive support than would be available in non-specialist training provision. This results in much higher average costs per participant.

Film & Television Sector	1,496	N/A	
Sponsored Training	1,157	4700	246
Evening Courses	1,593	6700	238
Life Long Learning / FÁS eCollege	243	3720	65
<b><u>Integration Supports</u></b>			
FÁS / LES Job Clubs	5,642	N/A	
Local Employment Services	18,682	N/A	
<b><u>Employment Schemes</u></b>			
Community Employment	357,505	22746	15717
Job Initiative	40,065	1608	24921
Wage Subsidy Scheme <sup>§</sup>	7610	788	9652
<b><u>Other Schemes not operated by FÁS</u></b>			
Back To Education Initiative	18,850	9101	2071
VTOS	68,000	5733	11861
Community Services Programme	52,000 <sup>**</sup>	1913	27182

N/A - denotes that the figures are unavailable or not applicable for the particular support.

## Training Services

A more detailed study on unit costs of the various training schemes is necessary, however, some of the expenditure on the training provided appears, at face value, to be quite high in terms of average costs per participant. A key consideration is whether FÁS should be involved in the direct provision or procurement of courses at

<sup>§</sup> The Wage Subsidy Scheme is aimed at jobseekers with disabilities. It provides financial incentives to employers, outside the public sector, to employ disabled people who work more than 20 hours per week. A person on the Wage Subsidy Scheme is subject to the same conditions of employment as other employees.

<sup>\*\*</sup> The grant to CSPs includes a contribution to workers' wages calculated on the basis of the minimum wage, plus a "non-wage" amount towards overheads and other costs. In some instances the grant includes a contribution to a manager's salary.

all, especially in areas as varied as training for a beauty therapist or trainee jockey, or whether its role should be to match potential trainees with appropriate training courses – similar to its job placement function.

### **Employment Schemes**

The different employment schemes are described in Section 2 and are further discussed in Section 5 below. However, it would appear from Table 1 that the schemes are very expensive. Participants on JI are paid in excess of the national minimum wage costing an additional €9m a year. Participants on CE are also paid in excess of the minimum wage for their 19.5 hour week but in many cases there is a significant offset in the form of reduced welfare payments.

**Table 2 – Costs and Number of Recipients in D/S&FA provided Activation Measures (2008)**

<i>Measures provided by D/S&amp;FA</i>	<i>Costs</i>	<i>No. of Recipients</i>	<i>Average Amount per Recipient</i>
	€'000		€
Back to Work Allowance / Back to Work Enterprise Allowance	73,143	8,162	8,961
Back to Education Allowance	77,136	8,883	8,683
Part-time Job Incentive Scheme <sup>††</sup>	1,320	210	6,285
<i>Measures provided by Revenue</i>	<i>Amount Claimed (€'000)</i>	<i>No. of Recipients</i>	<i>Average Amount per Recipient</i>
Job Assist <sup>‡‡</sup>	1,102	342	3,220

*Back to Work Allowance / Back to Work Enterprise Allowance*

There is no available data on the breakdown in:

- expenditure between the Back to Work Allowance (BTWA) and the Back to Work Enterprise Allowance (BTWEA)
- numbers at each stage in the allowance e.g. number on 100% of benefits, number on 75% of benefits, and so on.

However, if the expenditure is divided evenly between the number of recipients on both schemes, the average payment is just under €9,000. This figure does not include the secondary benefits, including medical card etc., which may be retained for three to

<sup>††</sup> 2007 Figure

<sup>‡‡</sup> Preliminary 2006 Figure (unpublished)

four years (depending on allowance) once the weekly income from work does not exceed €317.43.

#### *Back to Education Allowance*

The Back to Education Allowance allows people to return to full-time education and to retain 100% of their social welfare payment for the duration of the course. They also receive an annual cost of education allowance of €500 per academic year, as well as retaining some secondary benefits such as fuel allowance, rent supplement, etc. In 2008 the average cost per recipient was €8,683 per academic year, which would equate to €240 per week in a typical academic year. Unemployed students who return to full-time education in the PLC (second level) or third level sectors under the BTEA are also eligible to apply for a DES student maintenance grant which is means tested on reckonable income (which excludes BTEA).

#### *Part-time Job Incentive Scheme*

The scheme allows those long-term unemployed people who were receiving Jobseekers allowance for 15 months or more, to take up part-time work and get a special weekly allowance instead of their unemployment payment. In 2007, this payment averaged €6,285 per recipient, not including entitlement to other secondary benefits such as medical cards, family income support, etc. which can be retained.

#### *Job Assist*

The latest data that Revenue has on the Job Assist Scheme relates to 2006. The 2006 data shows that 342 people claimed the Job Assist credit, which totalled €1.1m in deductions. The cost to the Exchequer was €257,000.

#### *Other Allowances*

A range of other allowances payable to people undertaking training courses were noted in Section 2 above. The annual costs and numbers receiving these other allowances are outlined in Table 3.

**Table 3 – Costs and Number of Recipients of other training & education related payments**

<i>Payment</i>	<i>Annual Cost</i>	<i>No. of Recipients</i>
<i>FÁS</i> Training Allowance for those who do not qualify for JA / JB	€19.5m	5573
Supplementary allowances for <i>FÁS</i> / VTOS courses (meal/travel/accommodation)	€26.7m	81700

## 5. Proposals on Potential Savings

As noted earlier, this country is currently experiencing a rapid increase in unemployment and numbers on the live register are now expected to average in excess of 400,000 during 2009. International experience has found that policies which only intensify activation after long years of high unemployment are unlikely to be successful. As there are limited resources available for activation and with additional resources unlikely to be provided, potential savings identified below may need to be redeployed into other more appropriate / effective activation measures – with a greater focus on helping the high numbers of recently unemployed to return to the workplace quickly.

### (i) *Employment Services*

#### *Overlap of services*

There is considerable overlap and duplication in the provision of employment services. Currently *FÁS* has its own employment service, it also funds the Local Employment Services (provided by the Partnership companies) to provide a more intensive service to 26 disadvantaged areas. Partnerships also provide employment services to the unemployed under the Services for the Unemployed measure in the LDSIP. A single employment service should be created to integrate all services within one organisation - this proposal would follow a 2003 Fitzpatrick Report recommendation on the creation of a national organisational framework, with a single employment service “brand”. The Fitzpatrick Report also commented on the low level of service coordination between the two services (LES and *FÁS*) in 2003, however a recent OECD report (2009) noted that some progress had been made in achieving a closer working relationship between the LES and *FÁS*.

While there would be minimum savings on implementing this proposal, there would be a better utilisation of existing resources.

(ii) *Training & Education Services*

*Apprenticeships*

One proposal put forward by D/ET&E in their submission to the Special Group was to reduce the Apprenticeship budget by 20%. This seems very low considering that: (i) of the new apprentice registrations for 2007 over 75% of the registrations were construction related; and, (ii) one third of the Live Register currently comprises people formerly working in construction and related industries. These two facts would suggest that the bulk of the apprenticeship budget is concentrated in an area with poor employment prospects in the current environment and should be radically scaled back or reallocated to other priority areas. Investment in apprenticeship training can be re-prioritised when employment trends in the construction industry indicate renewed demand and improved employment prospects.

The D/ET&E proposed reduction of 20% produces a saving of €20m in a full year. Greater savings could be achieved if all current apprenticeship training was stopped immediately even for those currently in the middle of courses, however a gradual wind down may be more appropriate. While, realistically it may not be feasible to cease all current apprenticeship training immediately, *FÁS* should ultimately be seeking to match supply to projected demand on the basis of assumptions on economic performance in the short to medium term and longer term pattern of demand in the economy and need to re-direct resources to other types of non construction type apprenticeships or into interventions in support of the smart/knowledge economy.

*Overlap of services*

There is significant overlap between some training services offered by *FÁS*, the Back to Education Initiative and those run by VTOS. For example, *FÁS* fund the Community Training Centres which are community managed organisations offering training to young people much of which is in leaving cert type subjects – the same activities that VTOS focus on. Based on Table 1, the average cost of VTOS to deliver services is much lower than the CTCs - which could produce a potential saving of €10-15m (when the different rates of income support / allowances are excluded) based on the 2200 participants on the similar courses provided in the *FÁS* community

training centres. Potential savings would also arise from removing the duplication of services, shared administration and course facilities, etc. between the two organisations.

#### *Payment of Allowances*

Consideration should be given to abolishing the payment of training allowances to participants on *FÁS* courses who do not qualify for JA/JB. The training bonus of €31.80 given to the long term unemployed who undertake *FÁS* and VTOS courses could be abolished and the range of supplementary allowances (meal / travel / accommodation) could be replaced with a standard cost of education or training grant. Figures on potential savings through abolishing the training allowance and replacing the supplementary allowances are set out below. Data was not available on the number of LTU beneficiaries of the training bonus but for every 10,000 would yield circa €16.5m a year in savings if this training bonus was abolished.

Possible Measure	Current Position		Estimated Savings	
	No. of participants	Annual Cost	All participants	New Entrants
Cease payment of <i>FÁS</i> Training Allowance (of €204.30 per week) for those who do not qualify for Jobseekers Allowance (JA)/ Jobseekers Benefit (JB).	5573	€19.5m	€19.5m	€11.4m
Replace range of supplementary allowances (meal/travel/accommodation) with a standard cost of education or training grant for <i>FÁS</i> / VTOS courses	81700	€26.7m	€3.9m	€1.6m

#### *Efficiency of FÁS Courses*

As noted in Section 4, the unit cost of some of the *FÁS* training schemes appears at face value to be very high. A full evaluation of all these courses should be carried out, examining both the cost of the courses and the effectiveness of the courses provided. Potentially significant savings could accrue from such an analysis.

#### *Cost Recovery*

*FÁS* should consider further cost recovery, either full or partial, on some of its training courses, particularly those in respect of people in employment.

Any potential savings that are made in these areas may be directed to expansion in activation measures elsewhere in the training and education system. For example the following measures to increase activation provision are currently under consideration.

### **Measures to increase activation provision**

Expand access to full-time third level education.

This involves providing, **within existing budgets**, for the following extra capacity

- 650 places on short part-time transition courses to facilitate entry to courses starting in September 2009
- 400 places on accelerated certificate programmes beginning immediately
- 700 places for redundant apprentices to pursue a special education programme in Institutes of Technology
- 2,000 full-time places will be available for the unemployed within the existing budget for third level colleges.

Sustainable Energy Education

500 places can be provided in Institutes of Technology to deliver Programmes in all aspects of sustainable energy and to provide progression from *FÁS* courses in this area. This will require an additional €1m in 2009 and subsequent years.

Back to Education Initiative.

Expand BTEI immediately by 1,000 places per annum over the period 2009-2011. The additional 3,000 places by 2011 would afford options in part-time education for some 6,000 learners. The cost would be €1.5m in 2009, €3m in 2010 and €4.5m in 2011 (full year).

Post Leaving Certificate.

Expand PLC provision by 3,000 places in September 2009 which would have a cost of €14m in 2009 and €40m in a full year.

These measures would provide for some 9,250 learners in 2009 and 13,250 in 2011. The cost for 2009 is estimated at €16.5m and full year cost at €45.5m.

*(iii) Employment Schemes*

*Community Employment Scheme*

FÁS Employment Programmes, including the CE scheme and Job Initiative, cost €405m in 2007. However, there is very little data available to determine how successful these Programmes are e.g. what percentage of participants progress to alternative paid employment. If anything the available data indicates that there are relatively low rates of progression to employment or further training, for both the CE and Job Initiative schemes.

*Reducing the Numbers on Community Employment Scheme*

If the levels of progression from CE schemes were low during the boom years, the likelihood of the progression levels improving in the current climate will be slim. For this reason the numbers on CE schemes must be examined. However, a key consideration here is the impact of a reduction in the CE Scheme on the local services which CE projects provide and the extent of the net savings achievable considering participants will become a cost on the social welfare budget in the absence of finding alternative employment. [ A separate proposal to increase the number of places on CE schemes by a further 400 places, as part of a wider package on increasing activation provision mentioned in the table above, is currently under consideration. ] The abolition of incremental and double payments (see below) would achieve significant cost savings without reducing numbers on CE and eliminating whatever benefits that do accrue from CE. The current breakdown of the type of Community employment schemes is detailed in the table below.

**Table 3 - General Breakdown of CE Schemes**

	<b>Voluntary</b>	<b>Public</b>	<b>Total</b>
Arts/Cultural	377	42	419
Community	14439	803	15242
Educational	255	10	265
Environmental	3301	385	3686
Enterprise Development	102		102
Not Stated	171	50	221
Social Services/Healthcare	2417	70	2487
Sport/Coaching	370	3	373
Sport/Caretaking	799	54	853
Tourism	243	38	281

This number of places equate to approximately eight million days of work to the different community groups / projects. It is difficult to draw any conclusions from such an overview, especially as the main component Community (60%) is not further sub-divided, however any reduction in the CE scheme will have to be carefully targeted to ensure that it will not have a major impact on exchequer expenditure elsewhere.

#### *Incremental / Double Payments*

One potential saving would be to remove / reduce the incremental payment that CE participants receive. CE participants currently receive a training bonus of €24.40 per week to participate in a CE scheme – if this bonus was removed for all participants there would be an annual saving of €29m. Further savings are also possible by eliminating double payments (to recipients of One Parent Family Payment, Widow/ers pension and disability related payments) of social welfare benefits and CE allowances. It is estimated that this proposal would save €48m a year for the Exchequer in respect of new entrants to the CE scheme, rising to annual savings of €128m a year within a 3-year period. Immediate savings of €128m would arise if the double payment ceased immediately for all participants, however given that the volume of savings would be achievable within a 3 year period anyway, it might be

more feasible for the reductions to be introduced by applying to new entrants only. This approach would also require a change in policy which would *make all SW payments conditional* on e.g. accepting places on employment schemes, following up on job vacancy referrals, attending training courses, etc. - with failure to meet requirements resulting in a loss of entitlement.

### *Job Initiative*

Serious consideration should be given to shutting down the JI Scheme. There are question marks about its effectiveness as no further recruitment has taken place since November 2004 but there are still 1,608 participants (2007 figures) on the scheme. The scheme is very expensive as participants receive circa €25k a year, which would give a gross saving of around €40m if the scheme was abolished. However, there would be increased expenditure on the social welfare budget / live register.

Significant cuts in the Supervisor / Team Leader grants for CE and JI should also be considered (in the case of JI, if the scheme is not abolished in full as proposed above). Grants for CE supervisors range up to €855.54 per week and for assistant supervisors up to €601.20 per week (in both cases inclusive of employers PRSI). JI Team leader grants have 4 points from a minimum of €674.23 to a maximum of €814.32 per week. These grants seem particularly generous for employment schemes.

### *Community Services Programme*

Steps should be taken to reduce the cost of the CSP. The average cost of employing somebody in the programme is €27,181, the minimum wage for a 39 hour, 52 week year is €17,542, leaving €9,640 in other overheads and costs. Reducing this in half would yield savings of circa €9m.

### *Overlap of services*

There appears to be considerable overlap between the various schemes with very little distinction between the schemes – CE, Job Initiative and Community Service Programme. One way of tackling the overlap and reducing the potential for duplication is to give responsibility for all remaining employment schemes to a single entity.

*(iv) Monetary incentives*

By changing the periods of time for which a person can retain social welfare payments or by reducing the percentage of benefits they can retain, significant savings can be made to the €73m spend on the Back to Work and Back to Work Enterprise Allowances. However a full review of the incomes of beneficiaries, poverty traps and levels of deadweight would be needed before any changes are implemented. New income limits for those re-entering the work force and who are otherwise eligible for these allowances, should also be introduced to minimise deadweight issues. These limits should be set no higher than the average industrial wage and may be set lower following a full review of potential poverty traps.

Other potential savings in this area, include removing the eligibility for BTEA recipients to apply for the DES means tested student maintenance grant which would yield an estimated saving of €35m a year if applied to all recipients.

*(v) Policy changes to the Welfare System*

As mentioned in section 2, the overall activation Programme is supported by the basic welfare measures which make up the social welfare system. While these measures can not be considered part of the Activation system, they do have an important role in the success of any activation system. The policy changes listed below, which closely mirror the recommendations made in a recent OECD Working Paper – Activation Policies in Ireland, are required to support the above proposals. However, some of these activities are very resource intensive, and with the recent high increases on the Live Register already placing pressure on the system, additional resources might not be available to effectively implement them at this point in time.

- *Payment rates need to be flexible to reflect changes in wage levels.* The ratio of benefits to the average wage levels has increased significantly since 2000. A person with a low earning capacity had a benefit replacement rate of 65% in 2000. This has risen to close to approximately 75% in 2007. If salary levels fall towards European average levels benefit ratios to average earnings will increase.

- *Tighten medical verification of disability claims and identify partial disability*

- *Increase the frequency of face to face contact.* The average frequency of compulsory interviews per person in the Irish labour force is about 30 times lower than in the UK.

- *Make all payments conditional.* All payments should be conditional on attending face to face interviews, following up on job vacancy referrals, attending training courses or accepting places on employment schemes.

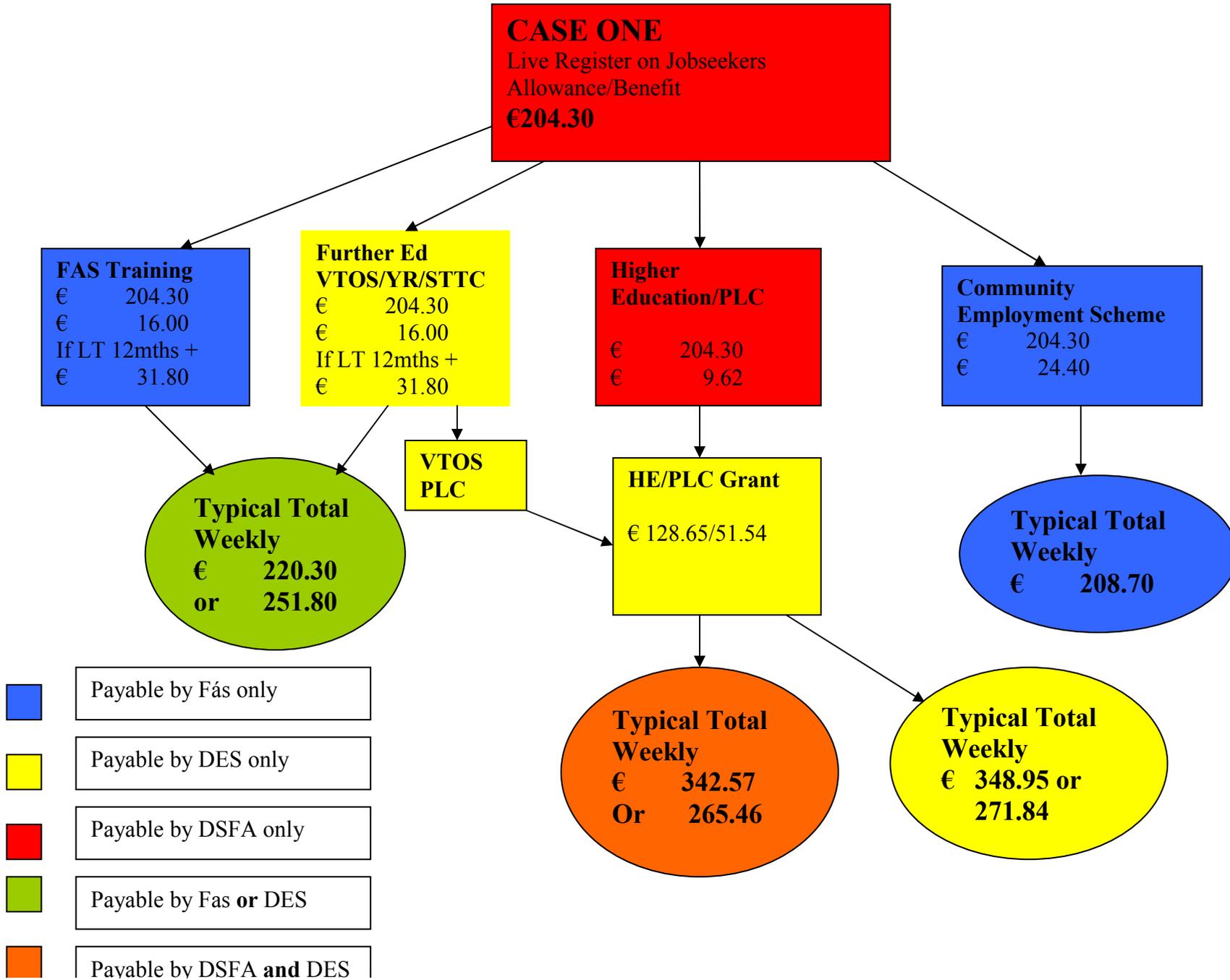
- *Tackle benefit fraud.* If activation is to be intensified and sanctions are to be increased for non-compliance then to ensure fairness benefit fraud must be minimised.

- *Target limited resources by using profiling.* Research has shown that profiling claimants can be used to identify those that are likely to stay on the live register and those that are likely to leave of their own accord. More efficient use of resources could be achieved if efforts are concentrated on those that are likely to stay on the live register without intervention.

- *Organisational Changes to improve efficiency.* Currently the administration of Supplementary Welfare Allowances and welfare benefits are dealt with separately by the HSE and D/S&FA. As the majority of the work of the community welfare officers is in the administration of the SWA, and as the payments are funded by D/S&FA, it would seem logical that the administration of the SWA should be part of D/S&FA. [This change has been long mooted, however there are continuing IR issues in relation to this issue.]

Some case studies, prepared for the Senior Officials Group on Social Inclusion, indicating the different allowances payable for the various education and training participants, for different categories of claimants are enclosed at Appendix 1.

APPENDIX 1



APPENDIX 1

**CASE TWO**  
 Live Register on Jobseekers  
 Allowance/Benefit with Wife + Child  
 $€204.30 + 135.60 + 26.00 = € 365.90$

**FAS Training**  
 € 365.90  
 € 16.00  
 + 12 mths unemp  
 € 31.80

**Further Ed  
 VTOS/YR/STTC**  
 € 365.90  
 € 16.00  
 + 12 mths unemp  
 € 31.80

**Higher  
 Education/PLC**  
 € 365.90  
 € 9.62

**Community  
 Employment Scheme**  
 € 365.90  
 € 24.40

**Typical Total  
 Weekly**  
 € 381.90 or  
 € 413.70

**VTOS  
 PLC**

**HE/PLC Grant**  
 € 128.65/51.54

**Typical Total  
 Weekly**  
 € 390.30

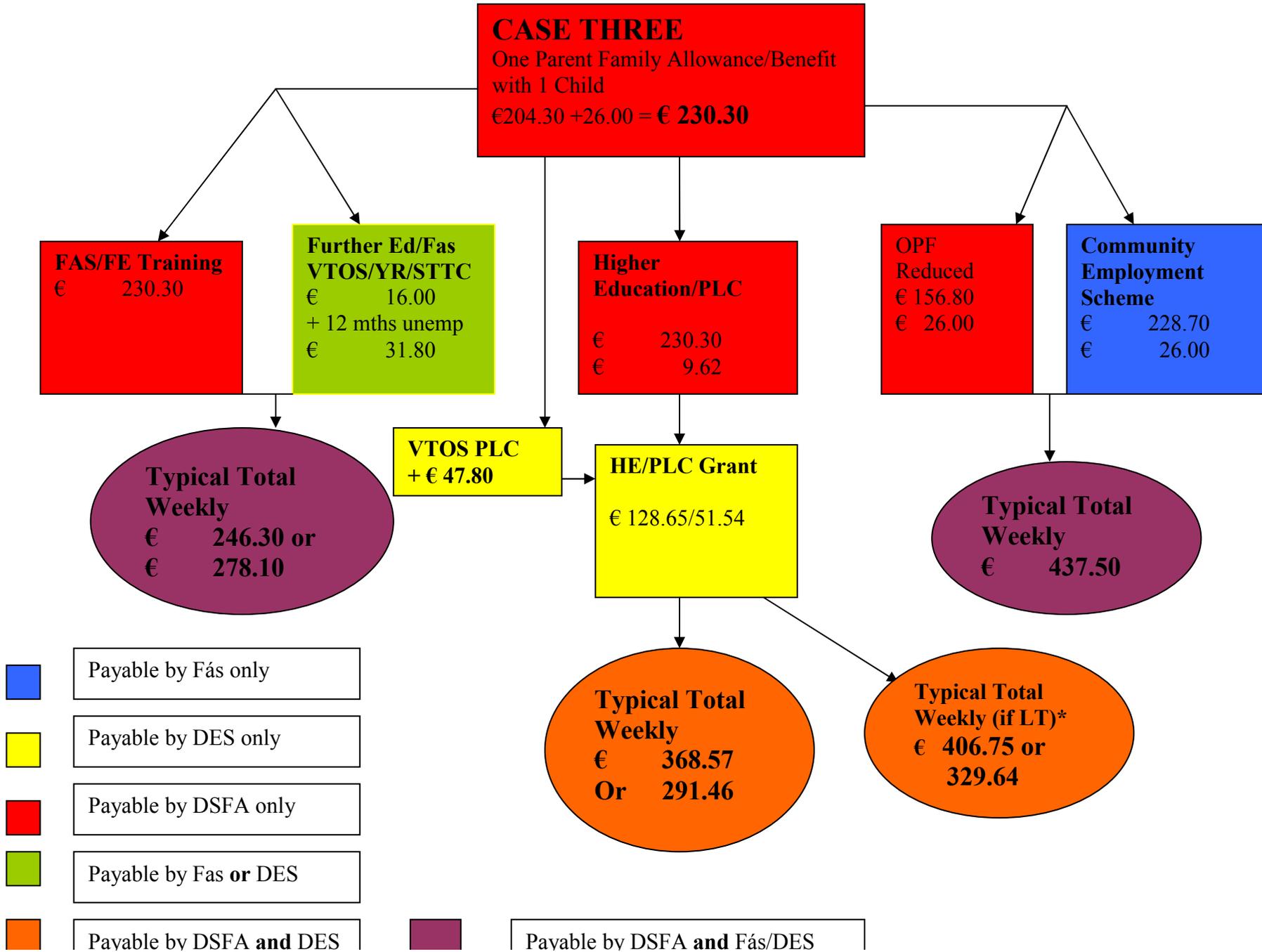
**Typical Total  
 Weekly**  
 € 504.17  
 Or 427.06

**Typical Total  
 Weekly (if LT)\***  
 € 510.55 or  
 465.24

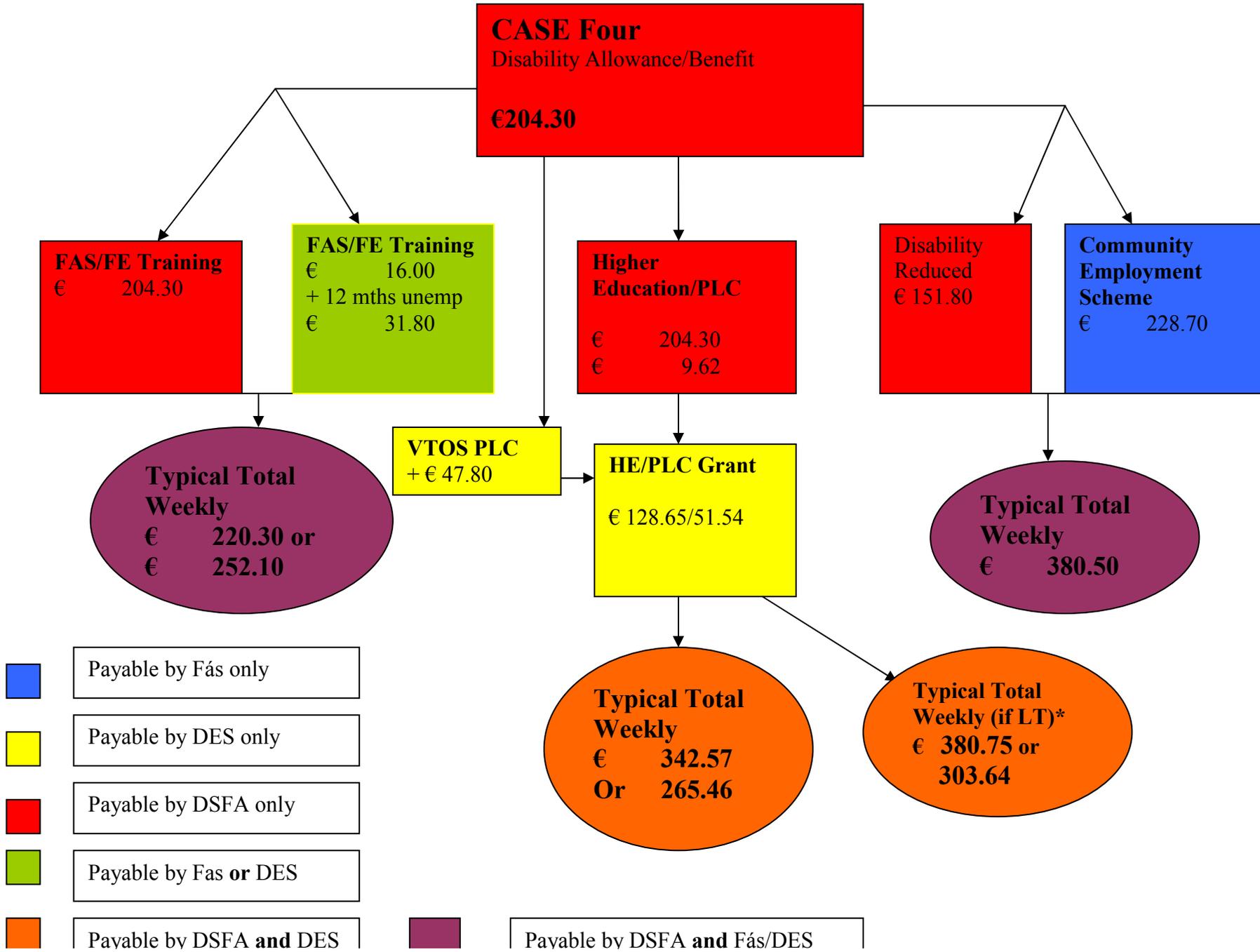
- Payable by Fás only
- Payable by DES only
- Payable by DSFA only
- Payable by Fas **or** DES
- Payable by DSFA **and** DES

\*i.e. Long Term Unemployed – fits Typical VTOS profile

APPENDIX 1



APPENDIX 1



## APPENDIX 1