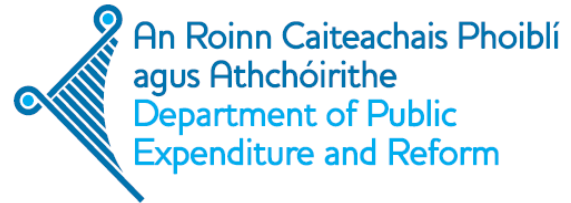




Irish Government Economic & Evaluation Service



## **Spending Review 2017**

# **Review of Social Protection Employment Supports Expenditure**

**July, 2017**

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This paper has been prepared by IGEES staff in the Department of Public Expenditure & Reform in the context of the Spending Review 2017. The views presented in this paper do not represent the official views of the Minister for Public Expenditure and Reform or the Department of Social Protection.

## **Core Recommendations**

### **1. Quantum of expenditure**

The 2017 allocation of €952m represents the highest level of funding per 1,000 persons on the Live Register, highlighting the scope to reduce funding requirements on a cyclical basis. While noting the need to maintain the infrastructure of necessary and effective supports that has been built up over the last half decade in addition to supporting those most in need, given recent trends in the labour market, expenditure on employment supports should continue to decline significantly in the short to medium term.

### **2. Mix of schemes**

Recently announced reforms to the range of work programme supports should be implemented as soon as possible and be subject to both internal and external monitoring and evaluation.

Given the multiple schemes across the breadth of employment supports, there may be scope to streamline the offering in the future.

### **3. Referral to Employment Supports**

Further analysis should be undertaken on the role of Public Employment Services, in particular regarding the current capacity levels compared to developments in the Live Register and whether there is overlap between the different services in this area.

Activation and case management through Intreo should play a leading role in screening the Live Register cohort for entry onto the various employment schemes.

There are a number of data gaps regarding the level of referrals and engagements by Intreo and other public employment services with the job seeker cohort. Additional information regarding the level of expenditure and performance indicators regarding the intensity of engagement with jobseekers should be made available.

### **4. Targeting of supports**

In terms of targeting of places, the long-term unemployed must remain the focus of resources. Despite the objective of employment supports to help the long-term unemployed, the number of places taken up by persons with shorter duration on the Live Register is significant.

Greater focus on activation support for persons with disabilities to increase participation and employment rates is important in terms of recipient outcomes and the sustainability of disability allowance payments.

## 1. Introduction

Active Labour Market Policies (ALMPs) refers to a broad range of measures, which are designed to improve the skills and competencies of workers and to improve matching between jobs and workers (i.e. the unemployed). Overall, the primary goal of ALMPs is to increase the employment opportunities for job seekers (European Commission, 2016). Given this rationale for policy intervention, the magnitude of the role of ALMPs will vary depending on economic conditions. For the purposes of Spending Review 2017, this paper focuses on the range of employment supports provided by the Department of Social Protection.

The Department of Social Protection's ALMP is based on the provision of a range of employment supports to encourage and support the unemployed to return to work with associated investment of €1bn in 2016. This expenditure provides a wide range of supports across four different categories: work programmes, subsidies, training and education support and other including public employment or matching services. Following the economic downturn and the ensuing rapid increase in unemployment, this policy area underwent considerable change with significant increases in resources.

However, the context for this level of spending has changed considerably as the economy is now in a recovery period with rising levels of employment and significantly reduced levels of unemployment. Therefore, it is time to re-assess the appropriate level of resources that the State contributes to support people both in and attempting to attain employment. Going forward, there is a need to establish the appropriate level of provision of employment supports, balancing the recovery in the labour market with the need to maintain the employment supports infrastructure to support those jobseekers furthest from the labour market. In order to consider this policy question, this paper is structured as follows:

- Section 2 briefly outlines developments in the labour market over the past 6 years;
- Section 3 sets out the overall trends in expenditure and recipients;
- Sections 4 to 7 examine the individual schemes in each of the four employment support categories including:
  - Objectives of the schemes including the target cohort;
  - Key trends in expenditure, participant numbers and average costs;
  - Consideration of previous studies undertaken; and
  - Discussion of the future outlook.
- Section 8 provides a profile of participants on employment support schemes including age, gender, regional distribution and educational attainment;
- Section 9 summarises the key findings from the analysis; and

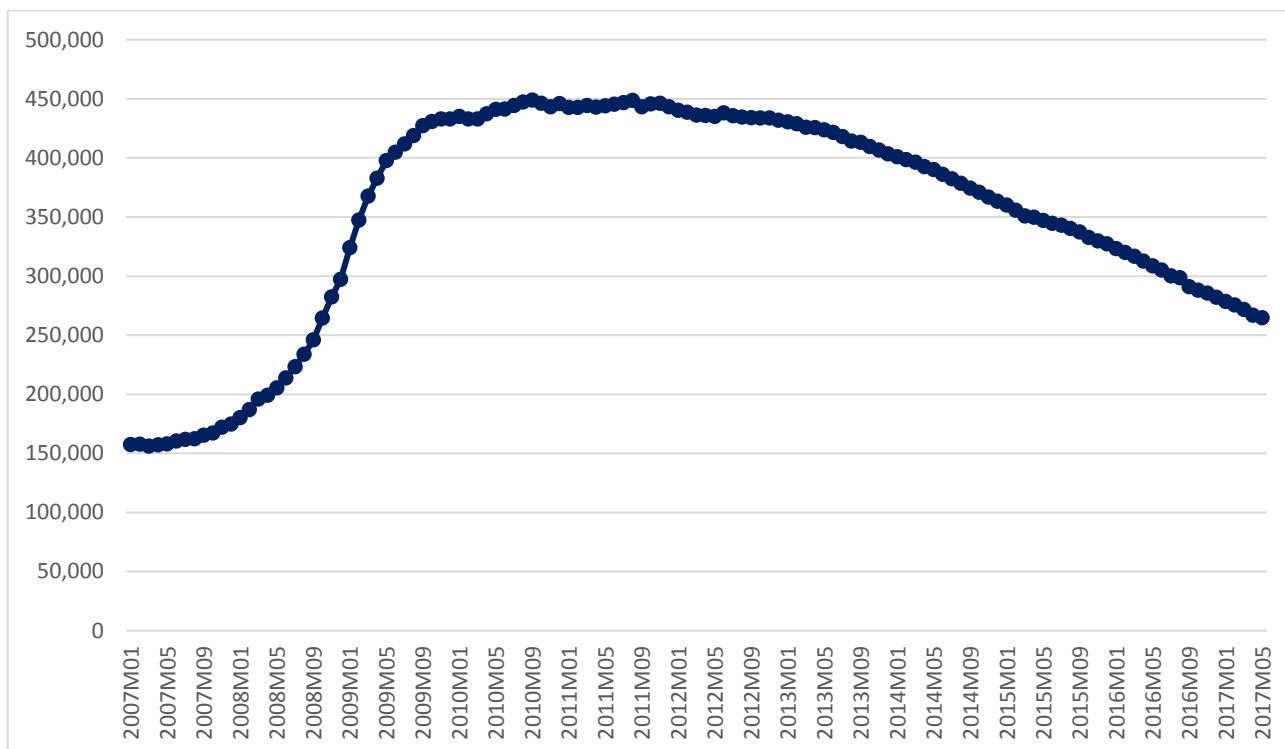
- Section 10 concludes with some recommendations for the future direction of this policy area.

## 2. Policy Context – Labour Market

Over time, active labour market policies should be responsive to developments in the labour market. This section briefly reviews the developments in the Irish labour market over the past decade to provide context for the following analysis of DSP’s employment supports.

The number of persons on the Live Register increased rapidly between 2008 and 2011 reaching a peak of 470,000 in Q3 2011. Since then the Live Register has been on a downward trajectory with 264,700 persons (on a seasonally-adjusted basis) registered at end May 2017.

**Figure 1: Live Register Seasonally-Adjusted Trend, 2007-2017**



Source: CSO Statbank

The unemployment rate, as measured by the QNHS, has been falling steadily since 2012. The number of unemployed persons fell more rapidly than numbers on the Live Register. At end Q1 2017, the number of unemployed stood just below 146,100.

The ratio of persons on the Live Register to the numbers unemployed has changed over the past decade. The ratio fell to 1.4 during the economic downturn before widening in the recovery period since 2012 due to faster reductions in unemployment than the Live Register. The ratio stood at approx. 1.8 in 2016 and falls to 1.47 when casual and part-time workers are excluded from the Live Register figure.

A synopsis of some key labour market statistics are provided in the box below.

## Key Labour Market Statistics

### Labour Force Participation

- At end 2016, there were 2.2 million people in the labour force. This represents a labour force participation rate (LFPR) of 70.5%
- Changes over the previous decade were dominated by cyclical factors with the participation rate falling from 72.6% in 2007 to 69.2% in 2011. It gradually increased over the period since 2011 reaching 70.5% in 2016.
- Ireland's participation rate (16-64 years) is 3.3 percentage points below the EU-average

### Unemployment

- The seasonally adjusted unemployment rate stood at 6.6% at end March 2017, with 146,100 unemployed.

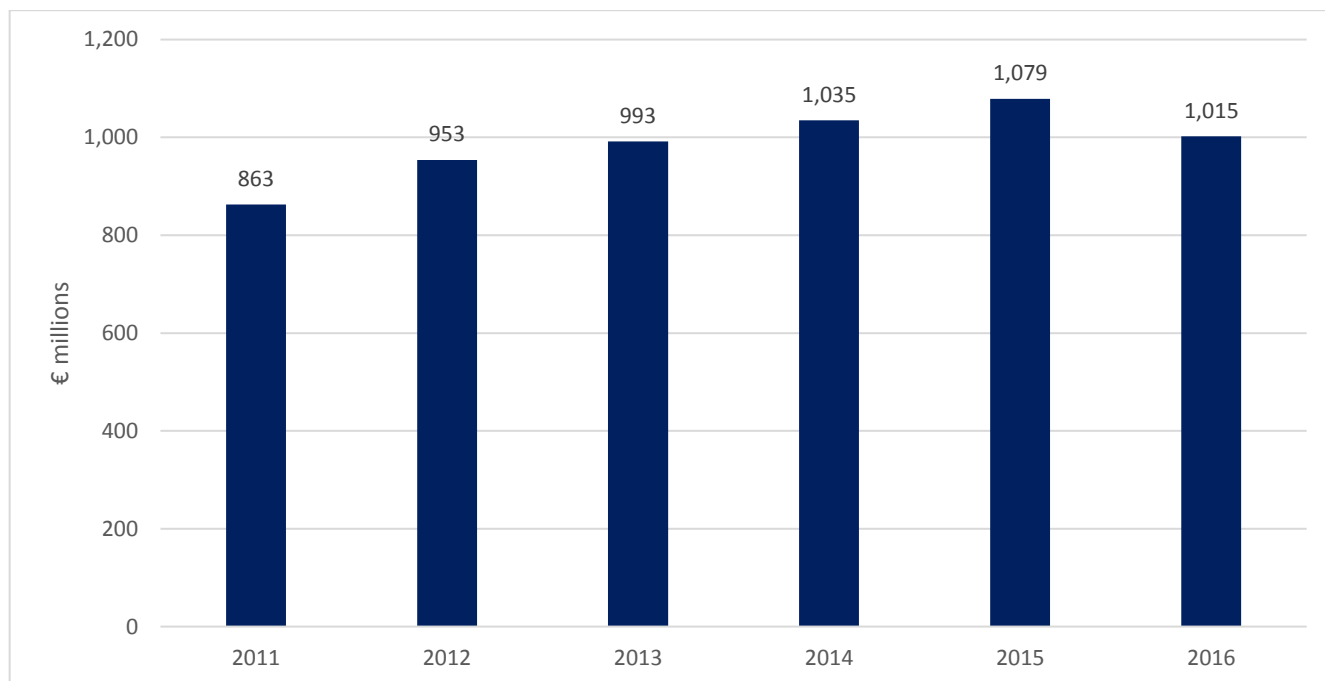
### Live Register

- At end Quarter 1 2017, there were 275,000 people on the Live Register
  - 68,000 have a duration of more than 3 years
  - A significant proportion are aged over 55 (54,400 persons, 60% of whom have a duration of more than 1 year) & likely far-removed from the labour market
  - The total number of youth (aged under 25) on the LR is approx. 31,600.
  - 17,000 have a duration of less than 6 months so limited interventions, beyond engagement with Intreo, are required for that cohort.
  - 58% are male, but this figure increases to 62% for duration of over 1 year
- By end 2017, the Live Register is forecast to fall further to approx. 250,000.
- The cohorts requiring the most assistance, in terms of numbers and distance from the labour market, are:
  - People on the Live Register for more than 3 years; and
  - People with disabilities.

### 3. Overall Trends

This section sets out an overview of trends in expenditure and participants on employment support schemes. Over the period 2011 to 2015, expenditure increased by €216m or 25% as set out in Figure 2. Expenditure then declined by €63m or 6% in 2016 to approximately €1bn.

**Figure 2: Employment Supports expenditure, 2011-2016<sup>1</sup>**



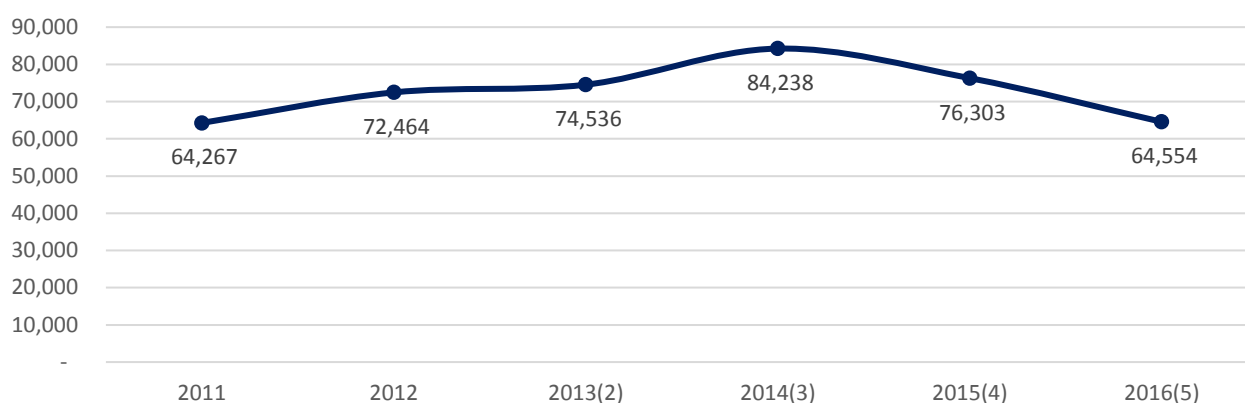
Source: DSP Statistical Report & Provisional Outturn 2016

In terms of participants, approximately 64,500<sup>2</sup> people took part in different employment support schemes in 2016. The trend in the number of participants over the period 2011 to 2016 is set out in the chart below depicting increases in participant number up to 2014 before a significant reduction of almost 20,000 over the course of 2015 and 2016.

<sup>1</sup> This expenditure refers to all schemes included under Working Age Employment Supports heading (Revised Estimates subheads A12 – A24)

<sup>2</sup> This reflects the number of participants at end 2016.

**Figure 3: Employment Supports Participants (end year), 2011-2016<sup>3</sup>**



Source: DSP Statistical Report

The number of people unemployed as measured by the Quarterly National Household Survey and the number of people on the Live Register peaked in 2012 but as demonstrated in Figure 2, there was a lagged policy response with expenditure on employment supports increasing each year from 2011 to 2015 by an average of €54m or 6%.

Expenditure can be divided into 4 categories: work programmes, subsidies, training and education supports and other. A brief summary of each category is provided in the table below with further details provided in Section 4 to 7. In addition approximately €65m was allocated to JobPath, a privately provided public employment service, in 2016 to provided increased capacity for activation and case management.

**Table 1: Definitions of ALMP/Employment Support categories<sup>4</sup>**

Category	Description
<b>Work Programmes</b>	<p>Work programmes or direct job creation refers to temporary work in the public sector or in non-profit organisations offered to unemployed persons.</p> <p>These programmes create additional jobs - usually of community benefit or socially useful, and usually in the public or non-profit sector for the long-term unemployed or persons otherwise difficult to place.</p>
<b>Subsidies</b>	<p>Recruitment incentives are programmes making payments for a limited period only to facilitate the recruitment of unemployed persons and other target groups into jobs where the majority of the labour cost is covered by the employer.</p>

<sup>3</sup> This includes Community Employment, Rural Social Scheme, Tus, Jobs Initiative, Back to Work Enterprise Allowance, JobBridge, Back to Education Allowance, Part-Time Jobs Incentive, Gateway, Partial Capacity Benefit, Short-Term Enterprise Allowance and Other.

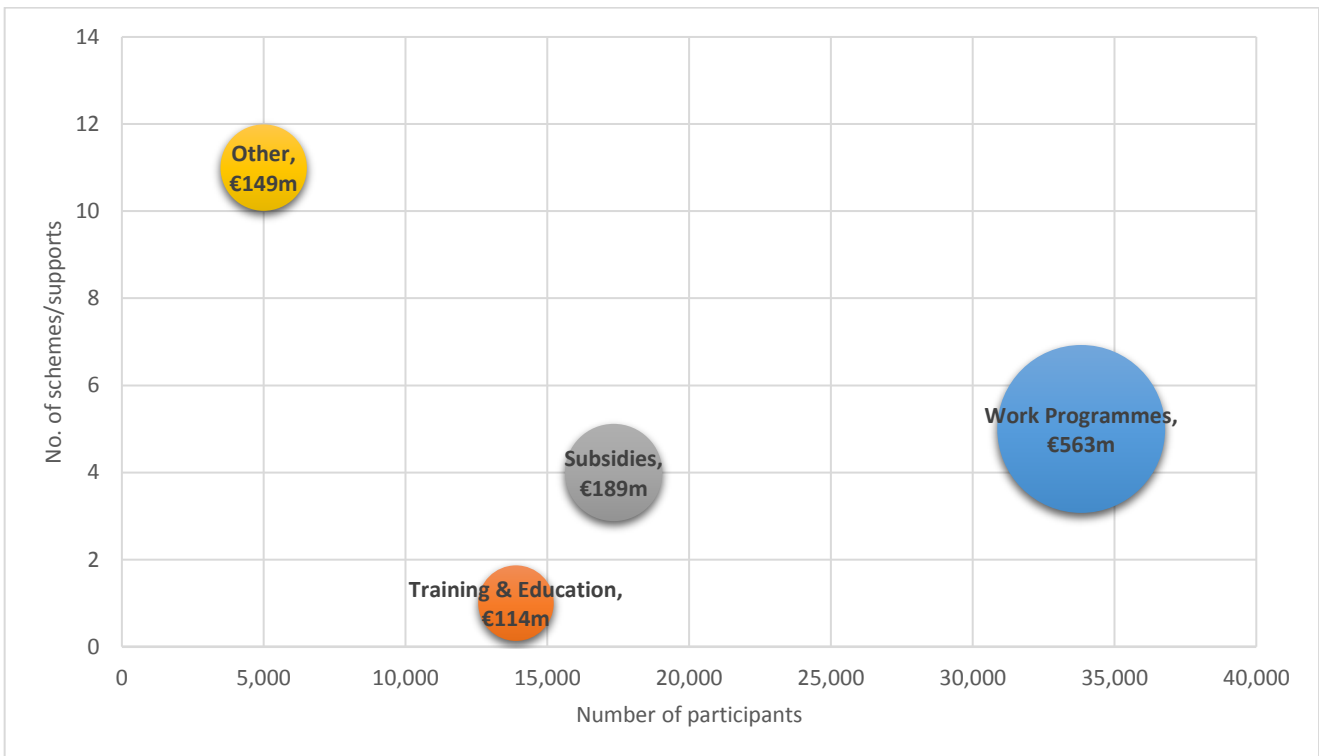
<sup>4</sup> <http://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf>



<b>Training and Education</b>	In terms of DSP's spending in this area, it relates to the provision of income support to facilitate former welfare recipients engaged in higher education or Further Education and Training (FET).
<b>Other</b>	This category includes all other expenditure classified under the Employment Supports subhead including some elements of the Public Employment Services provision and activation supports for people with disabilities.

In terms of the scale of each of the categories, the bubble chart below illustrates their relative size using three metrics including expenditure as depicted by the size of each bubble, number of participants on the x axis and number of schemes on the y axis. It is clear from Figure 4 that work programmes dominate the range of employment supports in terms of expenditure and the number of participants.

**Figure 4: Categories of employment supports by expenditure, number of schemes and number of participants, 2016**



Source: DSP Provisional Outturn 2016

Considering changes over time, the most significant growth was in the work programme category with an increase of €125m or 28% over the period. In relative terms, the “subsidy” category grew the most at 52%. The “other” is also the only category which experienced an increase in expenditure in 2016. Expenditure on

Training & Education declined every year over the period but significant investment is made in the Further Education and Training sector by the Department of Education and Skills and SOLAS.

**Table 2: Employment Supports Expenditure by category, 2011-2016**

	2011	2012	2013	2014	2015	2016	Change 2011-2016	
	€m	€m	€m	€m	€m	€m	€m	%
Work Programmes	438	468	503	550	586	563	125	29%
Training & Education	202	200	187	162	144	114	-88	-44%
Subsidies	124	183	190	209	218	189	65	52%
Other*	100	102	113	114	131	149	49	49%
<b>Total</b>	<b>864</b>	<b>953</b>	<b>993</b>	<b>1,035</b>	<b>1,079</b>	<b>1,015</b>	<b>151</b>	<b>17%</b>

Source: (Department of Social Protection, 2011-2014), Social Protection Outturn 2015 and 2016

\*Other includes the Back to Work Family Dividend, Wage Subsidy Scheme and a number of other small schemes discussed in further detail in Section 5

Each of the following four sections will analyse each of the categories in further detail by considering developments in the number of participants, the average cost per participant and the impact of past or future policy changes.

## 4. Work Programmes

Work programmes are designed to provide work opportunities to the long-term unemployed (Department of Social Protection, 2012). Many of the work placements provide valuable services in the community, for example environment and community development services including amenities management, arts and culture, sports, and tidy towns, childcare and health related services (Department of Social Protection, 2015). The OECD defines these supports as direct job creation programmes, which “*create additional jobs, usually of community benefit or socially useful, for the long-term unemployed*” (OECD, 2015). 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 six schemes are detailed in the table below. In terms of the objectives of the schemes, there is a significant degree of overlap with most schemes providing support for work placements undertaken in the community and targeted at persons far removed from the labour market.

**Table 3: Overview of Work Programmes**

<b>Programme Name</b>	<b>Aims / Objectives</b>	<b>Target Cohort</b>	<b>Duration of scheme</b>
<b>Community Employment Programme<sup>5</sup> (CE)</b>	To assist long-term unemployed and other disadvantaged people to get back to work by offering part-time and temporary placements / training opportunities in local communities	Long-term unemployed and other disadvantaged people  Qualifying age of 21 years from 2017 onwards (previously 25)	Average of 118 weeks <sup>6</sup>
<b>Rural Social Scheme (RSS)</b>	To provide income support for underemployed farmers and fishermen/women to provide services of benefit to rural communities	Low-income farmers and fishermen/women (not related to unemployment or the Live Register)	Average of 6 years
<b>TÚS</b>	To provide short-term working opportunities for people who are unemployed while at the same time carrying out beneficial work within communities	On Live Register for more than 1 year	Max 12 months
<b>Gateway</b>	To provide short-term work opportunities in county & city councils to bridge the gap between unemployment and re-entering the workforce	Long-term unemployed people who have been on the Live Register for over 2 years	Max 22 months
<b>Job Initiative (JI) (closed to new</b>	To assist long-term unemployed people to prepare for work opportunities	People 35 years of age or over who have been unemployed for 5 years or more	

<sup>5</sup> There are 2 different categories of Community Employment (CE), each with its own set of eligibility requirements. These are the Part-time Integration Option and the Part-time Job Option.

<sup>6</sup> In general, all CE placements will be for one year also. However, if a CE participant is pursuing a major award, their time can be extended to complete this award - up to 2 years to complete the training and work experience and to complete any outstanding modules. No extension will be given beyond 3 years.

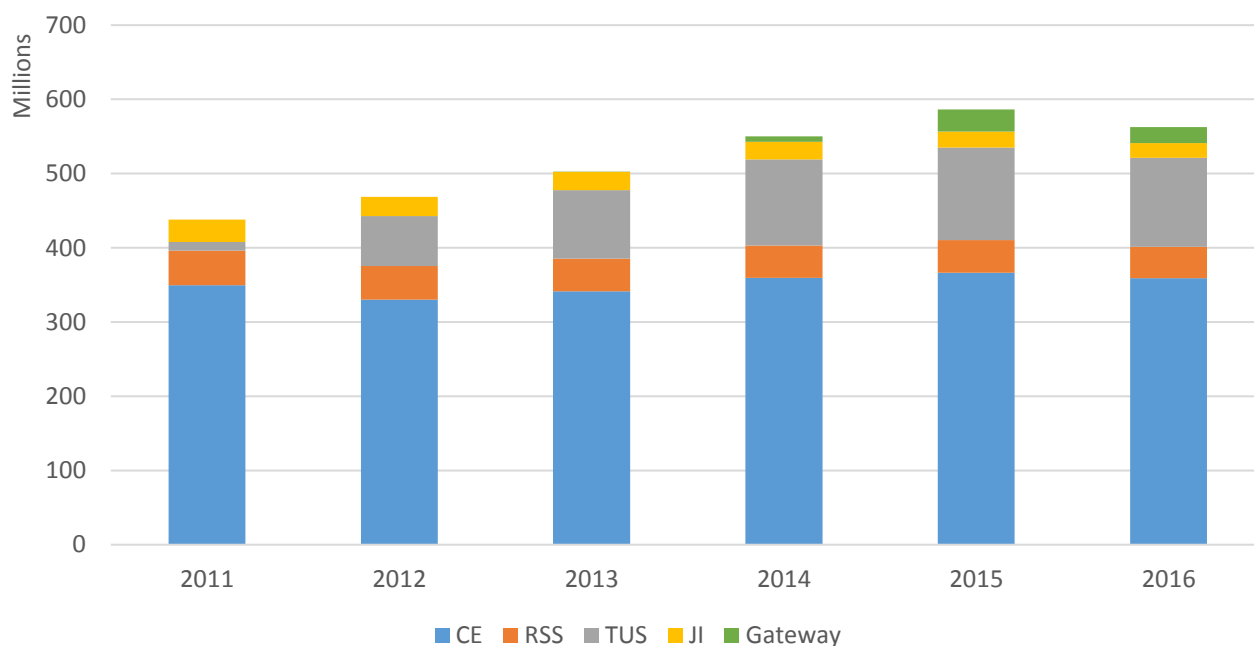
<b>entrants since 2004)</b>	through work experience, training and development opportunities		
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Source: (Citizens Information, 2017), (Department of Social Protection, 2012), DSP correspondence

## Expenditure Trend

Work programmes is the largest category of employment supports with approx. €563m spent across five different schemes in 2016, of which Community Employment is the biggest scheme with expenditure of €359m in 2016.

**Figure 5: Work Programmes Expenditure, 2011-2016**



Source: (Department of Social Protection, 2011-2014), DSP correspondence, Provisional Outturn 2016

Expenditure increased by €125m or 28% over the period 2011 to 2016. This can be divided into two phases:

- Cumulative growth of €148m over the period 2011 to 2015. The largest contributor to growth over this period was the introduction of Tús and Gateway, in 2011 and 2013 respectively, accounting for €142m of the €148m total increase. Community Employment increased by €17m with decreases across the other three schemes including RSS, Community Service and Job Initiative. Expenditure on Job Initiative is declining year-on-year as it was closed to new entrants in 2004.
- Decline of €24m or 4% in expenditure in 2016 mainly due to reductions across Gateway (€8m), Community Employment (€7m) and Tús (€5m).

## Participant Trend

The number of participants on work programmes follows a similar pattern to expenditure with growth of 6,374 or 33% over the period 2011 to 2016. Again, this is split into two phases:

- An increase of 9,048 or 33% over the period 2011 to 2015. This was due to an expansion of 5,741 in the number of Tús participants and the introduction of Gateway as set out in Table 4. The number of Community Employment participants also increased by 6% over that period.
- A decrease of 2,674 or 7% in 2016 driven by a large reduction in the number of Gateway participants and a smaller decrease in Community Employment and Tús.

**Table 4: Annual average number of work programme participants, 2011-2016 (Source: DSP Stats)**

	2011	2012	2013	2014	2015	2016	Change 2011-2016
Community Employment*	21,627	21,627	21,455	22,937	22,926	22,590	963
Rural Social Scheme	2,537	2,591	2,537	2,576	2,532	2,527	-10
Tús	2,077	4,530	6,999	7,877	7,818	7,140	5,063
Job Initiative	1,211	1,180	1,091	1,023	958	886	-325
Gateway	n/a	n/a	5	1,695	2,266	683	683
<b>Total</b>	<b>27,452</b>	<b>29,928</b>	<b>32,087</b>	<b>36,108</b>	<b>36,500</b>	<b>33,826</b>	<b>6,374</b>

Source: (Department of Social Protection, 2011-2014) (Department of Social Protection, 2015)

\*This includes supervisors and assistant supervisors

## Average cost

The average annual cost of a work programme place was approximately €15,000 in 2016. The Rural Social Scheme had the highest average annual cost per participant at €16,903 while Gateway had the lowest cost at €12,869 as set out in Table 5.

**Table 5: Work programme average annual cost per participant, 2016**

	Community Employment	Rural Social Scheme	Tús	Gateway
2016 minimum weekly payment <sup>7</sup>	€210.50	€210.50	€210.50	€210.50
2016 average annual cost	€15,808	€16,903	€15,373	€12,869

Source: DSP correspondence

<sup>7</sup> The 2017 minimum weekly payment is €215.50

There are numerous components of the average annual cost per participant including weekly payments to participants, supervisor costs, materials and training costs. The Gateway programme does not have supervisors.

The weekly payment to participants is based on the Jobseeker’s Allowance payment of €188 per week in 2016<sup>8</sup> plus a top-up payment of €22.50<sup>9</sup>. This equates to an annualised cost of €10,946. In addition, participants may also receive payments for Qualified Adults<sup>10</sup> and Children<sup>11</sup>. The magnitude of expenditure on these payments varies across schemes (see **Table 6**) depending on the number of qualified persons of scheme participants in a given year. The Rural Social Scheme has the highest level of Qualified Adult payments at 39% of participants and the highest rate of full-rate Qualified Children at 23%. Overall, the inclusion of qualified adult and children payments results in an hourly cost above the National Minimum Wage (NMW) (Department of Social Protection, 2015).

**Table 6: Percentage of Qualified Adults and Children, 2016**

	Community Employment	Rural Social Scheme	Tús	Gateway
<b>Qualified Adult</b>	29%	39%	24%	27%
<b>Qualified Children</b>	34%	30%	28%	26%
<b>Full rate</b>	19%	23%	17%	19%
<b>Half rate</b>	14%	7%	12%	7%

Source: (Department of Social Protection, 2011-2014), DSP correspondence

In relation to the other costs such as supervisors, materials and training, these costs tend to fall at a slower rate than the number of participants due to an element of fixed costs within contracts.

The average cost per participant per scheme varied over the period 2012 to 2016 as depicted in Figure 6.

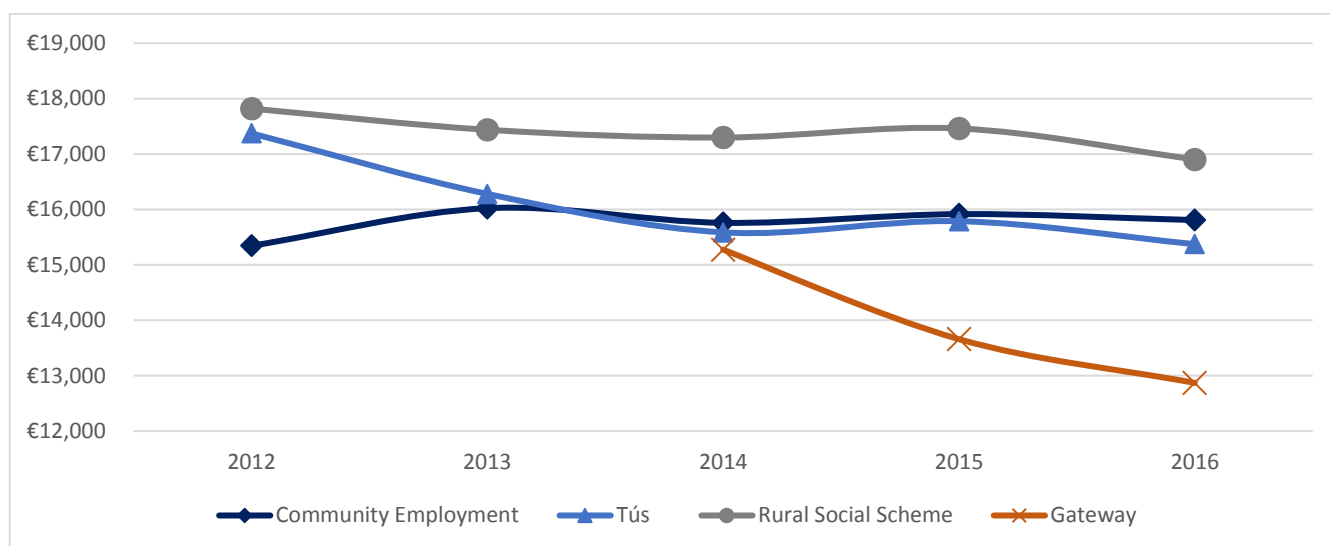
<sup>8</sup> This rate increased to €193 as of March 2017

<sup>9</sup> The top-up payment was increased by €2.50 from €20 in Budget 2016.

<sup>10</sup> A qualified adult is someone a participant is married to or living with as husband and wife and who is wholly or mainly maintained by that participant.

<sup>11</sup> A qualified child is a child who normally lives with the participant and is being maintained by the participant up to the end of the academic year in which they reach age 18, or they are aged 18 to 22 and in full time education by day at a recognised school or college

**Figure 6: Average cost per place, 2012 to 2016**



Source: DSP correspondence

There are a number of notable details:

- Overall, there were no changes to the Jobseeker's Allowance rate over the period 2012 to 2016. 2016 saw an increase of €2.50 in the top-up payment from €20 to €22.50. Therefore changes in the base rate were minimal over period.
- Gateway consistently has the lowest average cost due to the fact there are no supervisors on the scheme. The significant decline in the average cost in 2015 and 2016 may be attributable to the winding down of the scheme as participant numbers fell.
- The average cost for Tús and Rural Social Scheme fell over the period, by 12% and 5% respectively. This coincided with a reduction in the percentage of Qualified Adult and Children payments on RSS and Tús.
- Conversely, the average cost of a Community Employment place increased by 3% and this may be attributable to an increase in the percentage of participants with a Qualified Adult and/or Child payment.

### Previous studies

Numerous reviews and evaluations have been carried out on the various work programmes over the past number of years.

*Rural Social Scheme* – The Department of Public Expenditure and Reform published an FPA on this scheme in 2014, which suggested that it is not designed as an employment activation scheme and was not set up to help people into sustainable employment (IGEES, 2014). Further to this, DSP have suggested that if this scheme is

to continue unchanged, consideration should be given to transferring the scheme to a Department or body that is engaged with the development of rural and community services (Department of Social Protection, 2012). Following a 2015 review of the scheme, all new entrants from February 2017 onwards will be aged over 25 and participation will be limited to 6 years.

*Community Employment* – In March 2017 a report on Community Employment from 2015 was published alongside a series of reforms (Department of Social Protection, 2015). The report had a series of recommendations including:

- To adjust the total number of places on Community Employment, Tús, Gateway and RSS to approx. 32,000 for 2017, a reduction of 900 on 2016 levels
- To categorise employment places on CE into two strands; activation (33% of places) or social inclusion (67% of places) with progression rates of 50% and 20% respectively.
- To make changes to the duration of time spent on certain schemes – limit duration to 1 year with options for a second and third year depending on client needs. Current participation duration of over 4 years will no longer be permitted.
- To make amendments to the eligibility conditions for the schemes – reduce qualification age to 21
- To consider whether the use of CE to support service delivery in local communities is appropriate given reduced statutory funding in this sector and to determine whether local services could be maintained without CE or be provided through alternative sources of funding.

## **Future Outlook**

- 2016 saw a fall in the number of participants due to reduced demand as the Live Register decreased. This is expected to continue in 2017 and beyond.
- Budget 2017 saw an increase of 500 places on the Rural Social Scheme with a full year cost of €8.5m (€5.1m in 2017).
- The average cost per participant is likely to increase in 2017 due to the increase in the weekly Jobseeker's Allowance payment. Other costs such as supervisors, training and materials should be closely monitored to ensure they respond to the reductions in demand.
- A series of reforms are to be rolled out in 2017 to limit time spent on schemes and to reflect the social inclusion objectives. Implementation of these reforms will require close monitoring.
- Expenditure on Job Initiative will continue to fall as the scheme unwinds (7% reduction per annum over the past 3 years).



## 5. Training Supports

The Department of Social Protection provides one scheme in this area: the Back to Education Allowance (BTEA). It is an income maintenance support to enable participants to avail of second chance educational opportunities scheme for those in receipt of certain social welfare payments who wish to pursue full-time second, third (limited postgraduate) levels of education while still retaining their income support. Further details are set out in Table 7.

**Table 7: Overview of General Training Supports by Type**

Programme Name	Aims / Objectives	Target Cohort	Duration
<b>Back to Education Allowance</b>	To raise education and skill levels to enable people to access the labour market	Over 21 (or over 24 for post graduate courses) and in receipt of qualifying welfare payment  For second level courses, the qualifying period is 3 months on a qualifying social welfare payment. For third level courses, the qualifying period is 9 months	The duration depends on the type of training course being undertaken

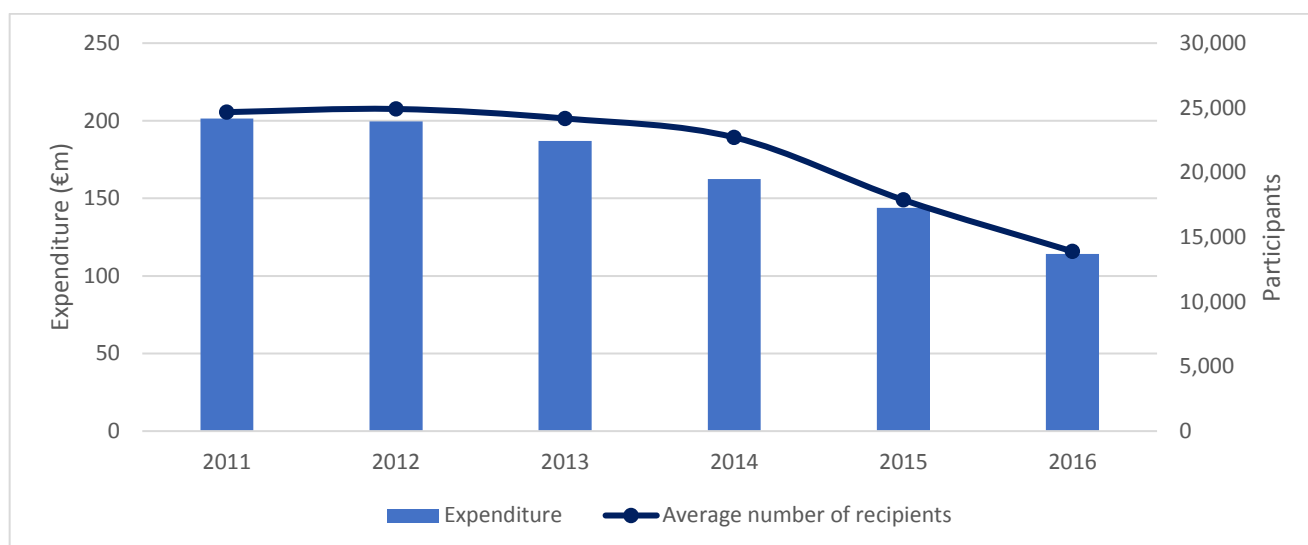
Source: Citizens Information, DSP

In 2016, 31% of jobseekers on BTEA were pursuing second level courses (Fetac level 5 & 6, PLC courses and Leaving Certificate). 69% are pursuing third level courses at Hetac level 7 & 8 and 143 persons are studying the Professional Masters of Education (PME) which is a two-year course.

### Expenditure and Participant Trend

Expenditure in this category amounted to €114m in 2016. Expenditure fell by €87m or 43% over the period 2011 to 2016. This was due to a combination of a reduction in the number of participants of 10,700 or 44% and a decline in the average cost per participant. Expenditure on this scheme relates to income maintenance payments to participants and does not include the cost of the provision of the education and training supports.

**Figure 7: Back to Education Allowance expenditure and recipients, 2011-2016 (Source: DSP Stats)**



Source: DSP Statistical Report & Provisional Outturn 2016

The downward trend illustrated in **Figure 7** differs from the upward trajectory experienced across the majority of other schemes over the period 2011 to 2015. There may be a number of reasons for the decline in the number of participants:

- A previous evaluation report found a significant negative effect of the scheme, with BTEA participants 25% less likely to have left the Live Register following participation on the scheme than a control group (ESRI, 2015). Subsequent reforms may have resulted in lower referral levels to the scheme.
- The qualification criteria were amended in 2015 whereby persons can no longer qualify for BTEA when their Jobseeker’s Benefit ends<sup>12</sup>.

### Average Cost

The average weekly cost per participant was €196.52 in 2016. The payment is based on the participant’s previous social welfare payment. For participants aged over 26, they continue to receive the amount of their previous social welfare payment. For participants under 26, the maximum rate is €160 in line with the age-related Jobseeker’s Allowance payment. BTEA is not paid during the summer period between academic years but participants may revert to their previous social welfare payment. BTEA also has a means test which assesses a participant’s means from part time work while studying. This also influences the weekly average rates. As with the work programmes, participants may also be in receipt of additional payments for qualified dependants. In 2016 11.8% of participants were in receipt of a Qualified Adult payment and 23.2% are in receipt of a Qualified Child payment. These percentages are below the average payment percentages for the work programme schemes reflecting the younger age profile of participants (see Section 8).

<sup>12</sup> The person can still qualify for BTEA when their JB ends if they have an underlying entitlement to JA.

The average weekly BTEA payment fell by 11% over the period 2012 to 2016 as set out in **Table 8**.

**Table 8: Average weekly payment, 2012 to 2016**

	2012	2013	2014	2015	2016	Change 2012-2016	
Average Payment	€221.17	€210.17	€209.71	€197.43	€196.52	€24.65	11%

Source: DSP correspondence

The reductions over the period reflect a number of developments including:

1. For the 2012-13 academic year the Annual Cost of Education payment reduced from €500 to €300. Also, BTEA and Half rate JB, the half rate payment ceased for new applicants from 02 February 2012.
2. For the 2013-14 academic year - The €300 cost of Education Allowance was abolished for new and existing BTEA participants.
3. The practice of uprating over 25 year olds on all DSP payments to the maximum weekly rate was discontinued for new entrants only and the uprating of under 25s on age related Jobseeker payments to a new reduced maximum rate of €160 applies to new entrants only. Under 25 year olds with means will have their means applied to the new €160 rate.
4. The reduction in the average cost from 2015 onwards, as demonstrated in Table 8, reflects the changes to the means-testing introduced in that year and changes in the composition of participants. The proportion of youth participants, with an associated lower cost, fell over the period by 4 percentage points.

### ***Previous studies***

The ESRI evaluated the BTEA scheme in 2015<sup>1</sup>. The report noted that the scheme did not appear to be effective in terms of its core goal of assisting the unemployed to transition to employment. The report also stated that while the underlying reasons for the negative results derived in the evaluation of the BTEA are unknown, it is not clear that any of the specific reforms to the BTEA scheme in 2014 would fundamentally alter the effectiveness of the scheme. However, the report noted that the removal of self-selection into courses, with case officer recommendation and approval now required, was a positive development which may lead to courses being more aligned with labour market needs. In addition, greater follow-up by case officers is now carried out. BTEA participants on multi-year programmes, who are entering their final year of study, are meeting with their case officer to demonstrate progress on their chosen programme and to discuss/advance potential employment options on course completion

A qualitative study was undertaken in 2016 to further assess the reasons for the negative impact of the scheme. The results will be published in 2017.

### ***Future Outlook***

- Given recent trends and the decline in the Live Register, the number of participants is likely to continue on a downward trajectory.
- The impact of the reforms regarding course referral and selection should be analysed particularly regarding the development of better linkages with the Education sector in terms of courses being undertaken.

## 6. Subsidies

The objective of employment incentive schemes are the creation and take-up of new jobs. *“They are typically targeted, temporary and conditional payments or reductions of tax/social security contribution that make labour cheaper for employers and through this increase labour demand”*<sup>13</sup> (European Commission, 2016). Subsidy-style employment supports vary widely including hiring subsidies and employer incentives. An overview of the main schemes in this area are set out in Table 9.

**Table 9: Overview of Employment Incentive Supports by Type**

Programme Name	Aims / Objectives	Target Cohort	Duration
<b>Back to Work Enterprise Allowance</b>	Provides support to people wishing to set up their own business.	In receipt of a qualifying payment for at least 9 months and setting up as self-employed	This is a 2 year scheme.
<b>JobBridge (closed to new entrants)</b>	To provide work experience opportunities for unemployed people	Persons unemployed for at least 3 months	6 or 9 month duration
<b>Part-Time Job Initiative Scheme</b>	To support people who are long-term unemployed to take up part-time employment for less than 24 hours per week while also making efforts to find full time employment	People working part-time for less than 24 hours per week and immediately before that were at least 15 months unemployed	PTJI is awarded for one year. This may be extended for a further period.
<b>JobsPlus</b>	An incentive to encourage and reward employers who offer employment opportunities to the long term unemployed and younger jobseekers	Long-term unemployed and younger jobseekers (under the age of 25). Larger payment to employers recruiting persons unemployed for over 2 years	Payment period is 2 years  Average duration was 17 months in 2014

Source: Citizens Information, DSP

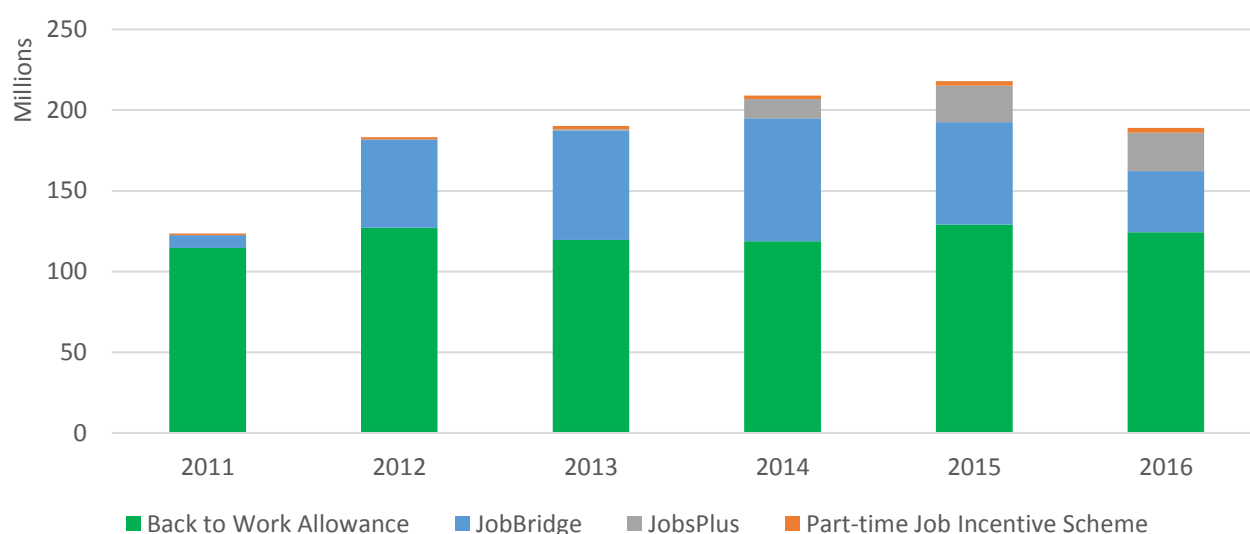
### Expenditure Trend

Expenditure on the subsidy category was €189m in 2016 across the four schemes, with two-thirds of expenditure relating to the Back to Work Enterprise Allowance (BTWEA). Expenditure increased by €65m or 52% from 2011 to 2016. Similar to the trajectory of the work programme category, the change over the period can be divided into two phases:

- Between 2011 and 2015 expenditure increased by €94m or 76% driven primarily by the introduction of new schemes: JobBridge in 2011 and JobsPlus in 2013, and 13% growth in BTWEA.
- 2016 saw a reduction in expenditure of €29m or 13%. This was mainly due to the unwinding of JobBridge which was closed to new entrants in 2016. JobsPlus’ expenditure has continued to increase but this was more than offset by a reduction in BTWEA expenditure.

<sup>13</sup> [http://ec.europa.eu/europe2020/pdf/themes/2016/employment\\_incentives\\_201605.pdf](http://ec.europa.eu/europe2020/pdf/themes/2016/employment_incentives_201605.pdf)

**Figure 8: Expenditure across four subsidy-type schemes, 2011-2016**



Source: DSP Statistical Report & Provisional Outturn 2016

### Participant Trends

There were 17,342 participants on subsidy schemes in 2016. **Table 10** sets out the change in the number of participants across the schemes over the period 2011 to 2016, which increased by 6,229 or 56%. The number of participants peaked at over 21,000 in 2014 and then decreased by 3,844 or 13% in 2015 and 2016. As above, this significant decline can be mainly attributed to the winding down of JobBridge. The remaining 1,764 participants on JobBridge at end 2016 will complete the scheme in 2017. JobsPlus is the only scheme which is continuing to expand with greater numbers of people registering for the scheme.

**Table 10: Subsidy scheme participants, 2011-2016**

	2011	2012	2013	2014	2015	2016	Change 2011-2016
Back to Work Allowance <sup>14</sup>	182	18	11	2			-182
Back to Work Enterprise Allowance	10,751	10,810	10,098	11,166	11,881	10,977	226
JobBridge	0	5,160	6,058	6,047	4,207	1,764	1,764
Part-Time Job Incentive Scheme	180	215	290	373	403	467	287
JobsPlus*			1,132	3,598	3,632	4,134	4,134
<b>Total</b>	<b>11,113</b>	<b>16,203</b>	<b>17,589</b>	<b>21,186</b>	<b>20,123</b>	<b>17,342</b>	<b>6,229</b>

Source: DSP Stats

\* The JobsPlus figures refer to the number of places taken up by employees (New Starters)

<sup>14</sup> This relates to the previous version of the Back to Work Enterprise Allowance and is closed to new entrants.

## Average costs

The average cost per participant varies widely due to the differing nature of the schemes. BTWEA, similar to the work programme schemes, is based on the Jobseeker's Allowance weekly payment rate. 32.4% of participants were in receipt of a Qualified Adult payment and 43.1% a Qualified Child payment in 2016. JobBridge was based on Jobseeker's Allowance payment in addition to a €50 weekly top-up payment<sup>15</sup>. JobsPlus is based on a grant of €7,500 or €10,000 paid to the employer over a 24 month period and the average cost has remained relatively stable over the period 2012 to 2016 as demonstrated in Table 11.

**Table 11: Average annual cost per place, 2012 -2016**

Annual cost	2012	2013	2014	2015	2016	Change	
BTWEA	€10,298	€10,432	€10,565	€10,636	€10,580	€282	3%
JobsPlus	€0	€4,509	€4,631	€4,723	€4,560	€51	1%

Source: DSP correspondence

## Previous studies

*JobBridge* – This scheme was reviewed by Indecon consultants in 2012. The evaluation found positive employment benefits for participants in the months after internships were completed. A survey of participants indicated that on the day of completion of internships, 36.3% of participants were in employment, this increases in the months after internships are completed with 61.4% of those surveyed indicating that they were in employment 5 months after completing their internships. Employment rates were less for those with longer period of prior unemployment.

*JobsPlus* – This scheme replaced previous Revenue employer incentive schemes. A Focussed Policy Assessment and a Counterfactual Analysis are to be carried out on this scheme in 2017 to assess its impact.

## Future Outlook

- Overall this category is the most sensitive to the business cycle with a large percentage increase over the period 2012 to 2015 followed by a 13% decline in 2016.
- The JobBridge scheme was closed to new participants in 2016. Given the average duration of time participants spent on the scheme is 6 or 9 months, the scheme will be wound up in 2017. There are preliminary plans to replace the scheme with another work experience scheme (Labour Market Council, 2016). However any plans to develop a work experience scheme should consider the ongoing

<sup>15</sup> The top-up increased to €52.50 in 2016.

development of apprenticeships and other initiatives by SOLAS and the Department of Education which seek to provide structured work experience.

- JobsPlus is the only scheme across the range of employment supports which is continuing to grow despite the falling Live Register. This may be partly explained by a growth in knowledge of the scheme, particularly given that JobPath providers encourage their clients to register for the scheme. However, this must be closely monitored with expenditure expected to exceed the 2017 allocation. Deadweight is likely to increase in an improved economy and increased targeting of the scheme may be required to counteract this inefficiency, e.g. by targeting the scheme at those with longer periods of unemployment, e.g. 3+ year cohort.

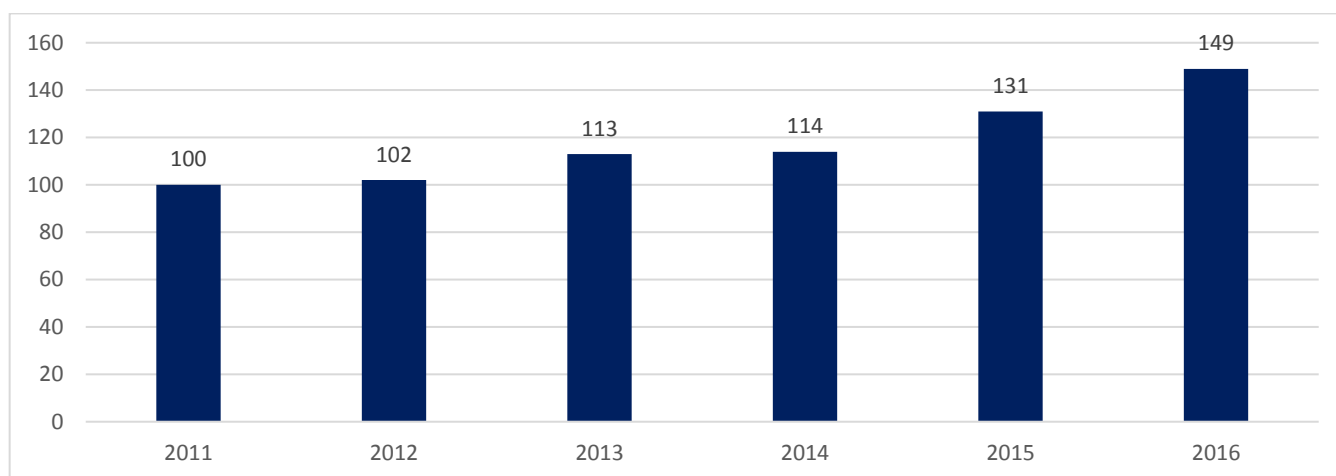


## 7. Other Supports

The Department of Social Protection also provide a number of other supports to help people return to employment or improve their participation in the labour market. These supports take a number of forms including Public Employment Services, other subsidies and supports for people with disabilities.

€149m was spent on these other supports in 2016. Over the period 2011 to 2016 expenditure increased by €49m or 49%. This was primarily driven by the introduction of the Back to Work Family Dividend<sup>16</sup> in 2015 at a cost of €14.4m and it subsequently increased to €28m in 2016<sup>17</sup>.

**Figure 9: Other Expenditure Trend, 2011-2016**



Source: DSP Statistical Report & Provisional Outturn 2016

In order to get a clearer picture of the breadth of supports included in the category of Other Expenditure, Table 12 sets out the different elements of 2016 expenditure.

**Table 12: Other Employment Supports Expenditure, 2016**

Category	Scheme	€m
<b>Family</b>	Back to Work Family Dividend	28.45
	Activation and Family Support Programme (AFSP)	0.84
<b>People with Disabilities</b>	EmployAbility Service	8.57
	Wage Subsidy Scheme	21.11
	Disability Activation and Employment Supports	0.45
<b>Public Employment Services</b>	Local Employment Service	18.44
	Jobs Clubs	5.40
<b>Other</b>	Community Services Programme	44
	Employment Support Grant (Training for BTW scheme)	4.48
	Technical Employment Support Grant	3.15
	Drugs Task Force	0.65
	European and Other Initiatives	0.28

<sup>16</sup> The Back to Work Family Dividend aims to help families to move from social welfare into employment. It gives financial support to people with qualified children who are in or take up employment or self-employment and as a result stop claiming a jobseeker's payment or a one-parent family payment.

<sup>17</sup> €14.4m has been allocated to Back to Work Family Dividend for 2017.

	Partial Capacity Benefit	13.1
<b>Total</b>		<b>148.9</b>

Source: DSP Provisional Outturn

### ***Supports for People with Disabilities***

In 2015, the Government published the “Comprehensive Employment Strategy for People with Disabilities”<sup>18</sup>. The priorities of this Strategy are to build skills, capacity and independence, provide bridges and supports into work, promote job retention and re-entry to work and provide co-ordinated and seamless support. Pathways to Work<sup>19</sup> also echoed this policy priority stating the need to “*extend and intensify the pro-active engagement approach for people with a disability.*”

The Partial Capacity Benefit<sup>20</sup> was introduced in 2012 to provide continued income support to people returning to work. An existing suite of employment supports are also available to assist people with disabilities including the Wage Subsidy Scheme, EmployAbility programme<sup>21</sup> and Disability Support/Awareness Grants and Schemes. From 2015 onwards employment supports are available to people with disabilities on a voluntary basis with all Intreo offices providing trained case officers to enhance service delivery.

These are important initiatives in supporting disabled people back to work in Ireland, with these schemes supporting approx. 5,000 people<sup>22,23</sup> at an annual cost of €30m in 2016. Going forward, further consideration should be given to the scale of provision required to help support people with disabilities to access the labour market.

### ***Public Employment Services***

The aim of PES are to improve labour market matching through job search assistance, employer intermediation services, and counselling and monitoring. These services help to improve job search efficiency; increase inflow into employment; and improve matching quality.

Ireland’s Public Employment Services have become more developed over the last few years. There are now 4 PES delivering services to jobseekers and employers in Ireland – Intreo<sup>24</sup>, EmployAbility, Local Employment

<sup>18</sup> <http://www.justice.ie/en/JELR/Comprehensive%20Employment%20Strategy%20for%20People%20with%20Disabilities%20-%20FINAL.pdf/Files/Comprehensive%20Employment%20Strategy%20for%20People%20with%20Disabilities%20-%20FINAL.pdf>

<sup>19</sup> <https://www.welfare.ie/en/downloads/PathwaysToWork2016-2020.pdf>

<sup>20</sup> Partial Capacity Benefit is a social welfare scheme which allows you to return to work or self-employment (if you have reduced capacity to work) and continue to receive a payment from the Department of Social Protection.

<sup>21</sup> EmployAbility provides an employment support service for people with a health condition, injury, illness or disability and a recruitment advice service for the business community.

<sup>22</sup> <https://www.welfare.ie/en/downloads/IndeconEvaluationofEmployAbility.pdf>

<sup>23</sup>

[http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/\(indexlookupdail\)/20170309~WRJ?opendocument](http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/(indexlookupdail)/20170309~WRJ?opendocument)

<sup>24</sup> Intreo is a single point of contact for all employment and income supports and is designed to provide a more streamlined approach offering practical, tailored employment services and supports for jobseekers and employers. Funding of Intreo is not included within Employment Supports category.

Services (LES), Jobs Clubs<sup>25</sup> and JobPath<sup>26</sup>. In terms of resources, €32.4m was spent on LES, Jobs Clubs and Employability in 2016 as part of the total €1bn investment in employment supports. In addition, funding is also allocated to JobPath and Intreo. While it is important to maintain this type of infrastructure throughout the economic cycle, the improving labour market context suggests that there is merit in assessing whether there is overlap in the services being provided and if so, how best to reform these services to provide efficient and effective services to the jobseeker cohort.

In particular, the level of engagement referrals with the unemployed cohort fell during 2016 by approx. 17%. As set out in Table 13, the number of Group Engagement and one-to-one referrals and interviews have all declined. However, the frequency of engagement with the unemployed has increased with at least one engagement per month for people already long-term unemployed or assessed as being at high risk of becoming long term unemployed and at least once every two months for other jobseekers. This is in line with the targets set out in the Pathways to Work 2016-2020 strategy<sup>27</sup>. 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.

**Table 13: Activation and Case Management System Activity, 2016 and 2017**

	2016Q1	2017Q1	Change	
Group Engagement Referrals	37,000	30,800	-6,200	-17%
One-to-one Referrals	27,500	22,800	-4,700	-17%
Interviews achieved	23,300	19,500	-3,800	-16%

Source: Live Register and Activation Report April 2017

### **Future Outlook**

- This area of expenditure has expanded in recent years. Current and future policy developments, in terms of Pathways to Work’s actions to rollout activation services to non-job seeking cohorts and the Comprehensive Employment Strategy for People with Disabilities, may partly offset the fall in expenditure in this area.

<sup>25</sup> Job Clubs provide a service to assist jobseekers to enter / re-enter employment through the provision of individualised supports, a ‘drop in’ service and formal workshops.

<sup>26</sup> JobPath is an outsourced approach to employment activation which caters mainly for people who are long-term unemployed (over 12 months) to assist them to secure and sustain full-time paid employment or self-employment. Again funding for this payment by results model is not included within the Employment Support category.

<sup>27</sup> <http://www.welfare.ie/en/downloads/LabourMarketCouncil/Pathways-to-Work-2016-2020-StatusReportQuarter12017.pdf>

- Further work should be carried out to determine the level of public employment service engagement capacity required for a declining Live Register cohort and in particular the extent of any possible overlap among the different PES providers.
- An evaluation of Pathways to Work reforms and the rollout of Intreo offices is due in late 2017. The findings should help to inform the allocation of resources going forward.

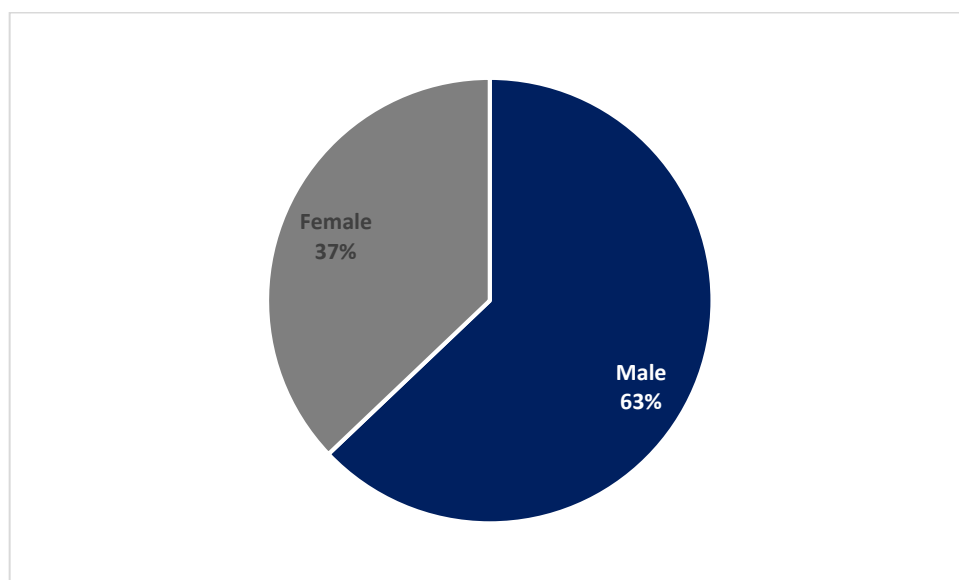
## 8. Profile of Participants

This section will provide an overview of the profile of participants on the various employment support schemes, including gender, age, regional distribution, previous Live Register duration and previous educational attainment levels. Data relating to the schemes in the three different categories is used in this analysis including work programmes, subsidies and training supports. The section will conclude by drawing comparisons between the cohort of employment support participants and the Live Register cohort.

### Gender

In 2016 63% of employment support participants were male. This percentage varies across the three categories. Subsidies had the highest proportion of male participants at 71% while training supports had the lowest at 57%.

**Figure 10: Gender profile of employment supports, 2016**



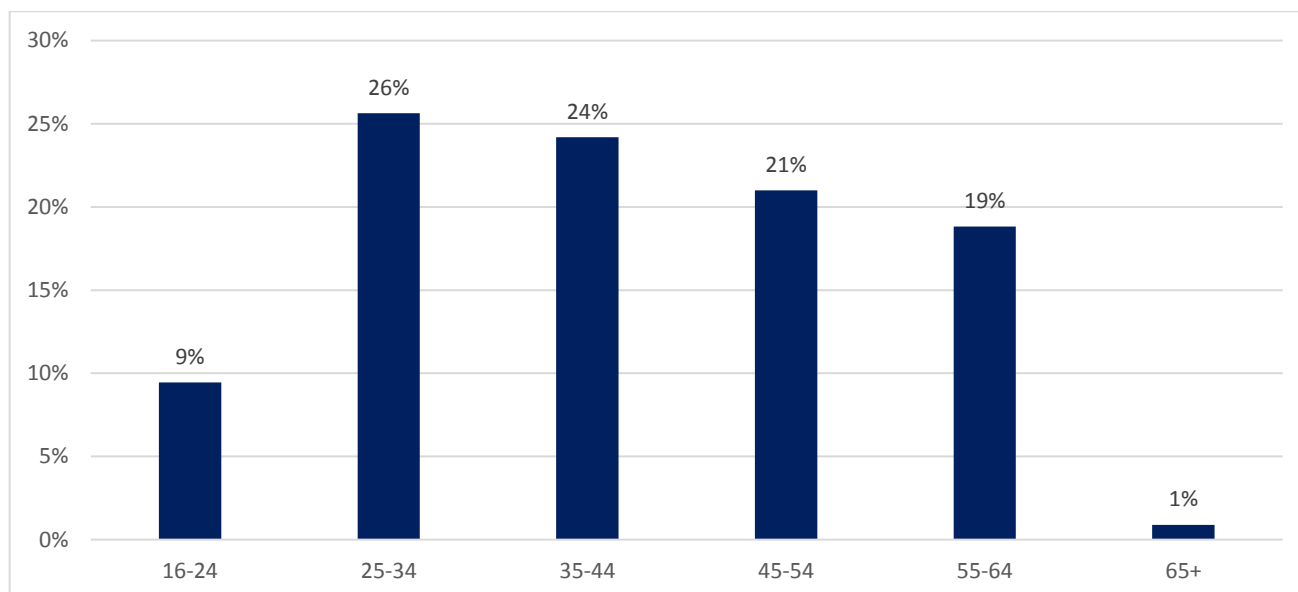
Source: DSP Statistical Report 2016

### Age

The age profile of participants on employment supports is presented in Figure 11 with the 25-34 age cohort reported as the largest group. Comparing the three different employment support categories, training has the youngest age profile with two-thirds of participants aged between 16 and 34. This is likely a function of the training scheme, given that Back to Education Allowance has a short qualifying duration (3 months on a qualifying payment in order to undertake a second level course) and the nature of the intervention regarding upskilling. In contrast, work programmes had a comparatively higher number of older people with 58% of participants aged 45 and over. Again, this reflects the target cohort of these schemes with higher qualifying

ages, e.g. 25 years for Community Employment<sup>28</sup>, and longer periods of time spent on the Live Register, e.g. 2 years for Gateway.

**Figure 11: Age profile of employment support recipients, 2016**



Source: DSP Statistical Report 2016

In terms of changes over the period, the number of 18-24 year olds on Community Employment and Tús increased by 3 percentage points over the period, despite these schemes being mainly targeted at persons over 25 with longer periods of time on the Live Register. The increased number of younger people likely reflects the implementation of the Youth Guarantee in 2014, which aims to provide young people under the age of 25 with a good quality offer of employment, continued education, an apprenticeship or a traineeship within a short time of becoming unemployed. In this regard, 500 Community Employment places and 1,000 Tús places were to be provided under the Guarantee<sup>29</sup>. In terms of Back to Education Allowance, the percentage of 18-24 year olds decreased over the period.

### **Previous Live Register duration**

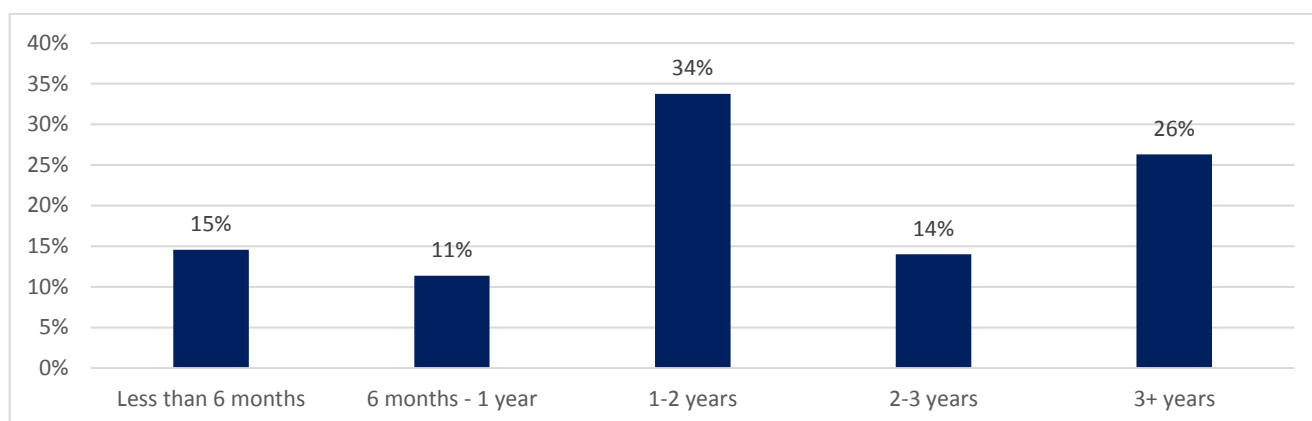
74% of participants on a number of selected schemes had a previous Live Register duration of more than 1 year. This is consistent with many of the supports being targeted at the long-term unemployed. However a significant percentage, 15%, have a previous Live Register duration of less than 6 months<sup>30</sup>. In particular, 17% of starters on Community Employment were less than 6 months on the Live Register.

<sup>28</sup> This was reduced to 21 in 2017.

<sup>29</sup> <https://www.welfare.ie/en/downloads/Youth-Guarantee-Implementation-Plan.pdf>

<sup>30</sup> Some of this percentage may be accounted for by data issues pertaining to determination of duration on the Live Register. Other groups without Live Register duration, such as One Parent Family recipients, are also eligible for Community Employment.

**Figure 12: Previous Live Register Duration, 2016 (based on CE, BTEA and BTWEA)**



Source: DSP Statistical Report 2016

### Live Register comparison

In terms of comparison to the Live Register cohort, the following table presents the latest available figures. The Live Register cohort, as of end Q1 2017, broadly mirrors the profile of the participants on employment supports in 2016.

**Table 14: Comparison of employment support participants and Live Register cohort (end Q1 2017)**

	Employment Supports	Live Register (Total)	Live Register (Greater than 1 yr) <sup>31</sup>
<b>Gender (Male %)</b>	63%	58%	62%
<b>Age participation (%)</b>			
<b>Youth (&lt;25yrs)</b>	9%	13%	9%
<b>25-54 yrs</b>	70%	72%	71%
<b>55+</b>	20%	15%	20%

Source: Author calculation based on DSP Statistical Report, CSO Statbank

<sup>31</sup> The figures for the Live Register include Jobseeker Allowance applications and Jobseeker Benefit claims. Other registrants are excluded.

## 9. Findings

This section combines the key findings from the preceding trend analysis of the suite of employment supports with an assessment of the scale, market orientation and future direction of expenditure.

### Scale of schemes

- Work programmes are the largest category with 51% of participants and 56% of expenditure in 2016.
- Community Employment is the largest scheme with 35% of participants and 36% of expenditure in 2016.
- The “subsidy” category of expenditure increased most significantly over the period with “other” expenditure the only category to increase in 2016.
- The Live Register is falling with an average annual reduction of 10% over the past 4 years. In 2016 approximately 64,500 people participated on employment supports, with JobPath providing activation and case management services to an additional 70,000 registered people. Table 15 illustrates the increase in the ratio of employment supports expenditure to the size of the Live Register cohort over the period 2011 to 2017. **Based on the current 2017 average Live Register forecast, the ratio is due to reach 3.55, the highest level over the period from 2011.**

**Table 15: Ratio of LR cohort to employment supports expenditure, 2011 - 2017**

	2011	2012	2013	2014	2015	2016	2017
Employment Supports Expenditure (€m)	863	954	992	1035	1079	1002	952*
Average LR ('000)	444.90	435.69	418.47	383.46	343.27	302.66	267.80**
Employment supports per '000 LR (€m)	1.94	2.19	2.37	2.70	3.14	3.31	3.55

Source: DSP Statistical Report, 2016 Provisional Outturn

\*2017 allocation as per Revised Estimates 2017

\*\*This is the average forecast figure for 2017 as per IGEES paper “Analysis of Jobseekers and Related Expenditure”

Source: (Lawless & Reilly, 2016)

### Objectives and conditions of schemes

- 5 out of 11 schemes are specifically aimed at persons on the Live Register for longer than one year.
- 9 of the 11 schemes have a duration of participation of more than one year.
- However, a considerable number of places are provided to persons with shorter-term durations of time spent on the Live Register. For example, 17% of CE starters in 2016 had a Live Register duration of less than 6 months. These statistics call into question the targeting and referral of participants to the various schemes particularly given that the DSP activation matrix, illustrated in Appendix A, clearly sets out the order of referral to training and employment supports.



- Many of the schemes have very similar and broad defined objectives.
- Some of the schemes in the work programmes category have a dual function; activation and social inclusion/provision of services in the community. It is worth considering the appropriateness of this dual functionality under the umbrella of active labour market policies. Recently announced reforms to Community Employment will serve to provide greater clarity with two-thirds of places to be categorised as social inclusion and one-third for labour activation. This will facilitate better evaluation and focus on the core objectives of CE. The objectives of the Rural Social Scheme are more aligned with the “**development of rural and community services**” through the provision of income supports to participants involved in local service provision. As previously suggested by DSP, this scheme may be better served through another Department, such as the Department for Community and Rural Affairs.

### Expenditure and average costs

- In 2017 €952m was allocated to the employment supports area. This represents a similar level of investment to 2012 when expenditure amounted to €954m. However, the labour market conditions are much improved since 2012.
- The cost per place varies across schemes and categories and this is due to the differing components of expenditure as discussed previously. Work programme schemes are more expensive, but the costs include weekly Jobseeker Allowance payments. In contrast, JobsPlus does not involve a DSP payment to individuals but rather to the employer. Therefore, it is difficult to directly compare the costs due to the different scheme criteria and profile of participants with different levels of educational attainment and distance from the labour market. However, the fixed cost element of schemes should be closely monitored given the upward pressure on costs from Jobseeker Allowance rate increases.

### Profile of participants

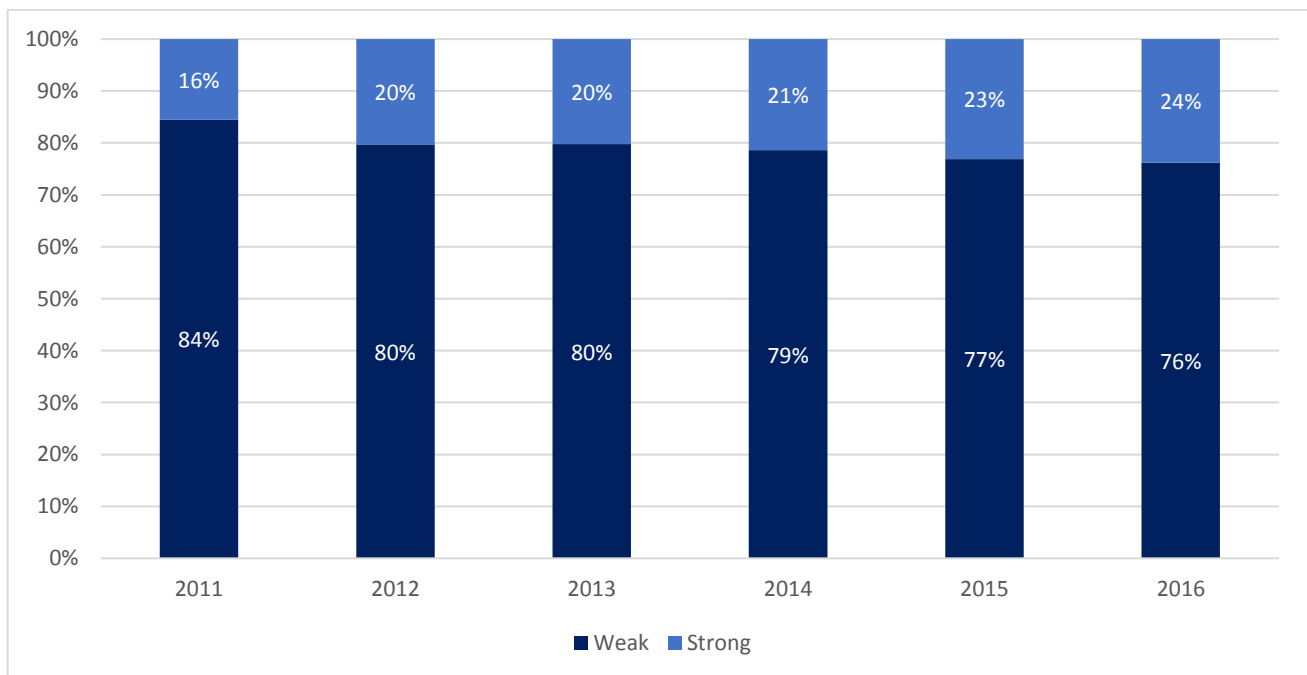
- **Gender:** 63% of participants are male. “Training” category (BTEA) has the highest level of female participation at 43% and “Subsidies” have the lowest at 29%.
- **Age:** 70% of participants were aged 25 to 54 years in 2016 which is consistent with the main working-age range.
- There may be scope to improve the targeting of subsidy schemes by ensuring they are closely aligned with the Live Register cohort, e.g. through targeting of older age cohorts and longer previous duration

of time spent on the Live Register. This would help to reduce deadweight effects which have a tendency to increase in better economic conditions.

### Market Orientation

Market orientation refers to the degree of connection or linkage of the scheme to the labour market. A previous paper prepared for the Comprehensive Review of Expenditure 2012 -2014 set out a typology of Active Labour Market Programmes (Department of Public Expenditure and Reform, 2011). International evidence finds that the closer a scheme is to the labour market the better the outcomes are for participants in terms of returning to employment. Figure 13 illustrates the percentage of expenditure spent on employment supports with a weak and strong market orientation. Over the period 2012 to 2016 the percentage of supports with a strong orientation has increased by 8 percentage points.

**Figure 13: Profile of Employment Support Expenditure by Labour Market Orientation**



Source: DSP Data & author calculations. Work programme and training are deemed to have weak links to the labour market, subsidies have strong links while “Other” employment support schemes have both weak and strong links.

Key points from the analysis in the above chart:

- The largest proportion of expenditure is allocated to what the literature characterises as weak employment supports, i.e. work programmes. As mentioned above, some of the schemes in this category have a dual function; activation and social inclusion/provision of services in the community. The recently announced reforms to Community Employment, with one third of places designed as

labour activation with a progression rate to employment of 50%, should help to increase the expenditure allocated to stronger market oriented supports going forward.

- Subsidy schemes tend to have strong links to the labour market given that the participants tend to be in some form of employment. This category saw the most significant increase in percentage terms during the downturn followed by a fall in demand for places in the recovery (JobsPlus as the exception).
- BTEA is categorised as having a weak labour market orientation. However, this may change over time as recent reforms require case officer recommendation and approval of the courses to be undertaken by participants.
- The increase in the percentage of expenditure with a strong labour market orientation has been driven by increased spending on subsidies and “Other” supports over the period. In particular, the Wage Subsidy Scheme and the Back to Work Family Dividend have driven the increase in 2015 and 2016.
- Overall policy should aim to ensure the proportion of expenditure with strong labour market orientation continues to increase in the future. This should include the further development of links with the Further Education and Training sector, e.g. in relation to BTEA participants.

## Future Developments

- DSP has an ongoing programme of evaluation of employment supports under the Pathways to Work Framework. It is important that any recommendations implemented on foot of these evaluations are monitored and the impacts assessed.
- There is both upward and downward pressure on expenditure in this area:
  - **Downward pressure:** The reduction in the Live Register and particularly the fall in the cohort with longer duration on the Live Register have led to falling demand for employment supports scheme places. Furthermore a number of schemes have been closed to new entrants and are in the process of winding up, e.g. JobBridge and Jobs Initiative.
  - **Upward pressure:** The cost base of a large portion of the expenditure is based on jobseeker payment rates and rates increases will drive up the average cost per participant. Secondly, the number of employers and potential employees registering and taking up places on the JobsPlus scheme is increasing year-on-year and this needs to be managed going forward.

- Overall there are substantial levels of investment in this area, c. €952m in 2017, and it is imperative that the resources are targeted effectively by ensuring the processing of referring persons on the Live Register to employment supports is carried out in an efficient way.

## 10. Conclusions and Recommendations

In 2005, when Ireland was experiencing full employment, employment supports expenditure amounted to €680m. Reflecting both the underdevelopment of policy in this area, in addition to significant increases in demand for activation places due to the financial crisis, expenditure increased to over €950m in 2012. In the same year the unemployment rate peaked at 15%. In 2016 unemployment fell to 6.9% over the course of the year but spending amounted to €1bn. The central question posed by this paper is what level and combination of employment supports are required in a recovering economy. This is a balancing act between ensuring the efficient use of resources given the declining Live Register while also providing sufficient funding to maintain the infrastructure of necessary and effective supports.

It is reasonable to expect that expenditure in this area should decline significantly in the short to medium term given the continuing labour market improvements. The ALMP policy space must be flexible to accommodate changes in economic conditions. Further analysis should be undertaken to determine the capacity requirements for activation and case management. This analysis could then feed into the resource planning in terms of the funding for the various schemes and the activity levels of Intreo.

The key findings from this analytical overview are:

## **Core Recommendations**

### **1. Quantum of expenditure**

The 2017 allocation of €952m represents the highest level of funding per 1,000 persons on the Live Register highlighting the scope to reduce funding requirements on a cyclical basis. While noting the need to maintain the infrastructure of necessary and effective supports that has been built up over the last half decade in addition to supporting those most in need, given recent trends in the labour market, expenditure on employment supports should continue to decline significantly in the short to medium term.

### **2. Mix of schemes**

Recently announced reforms to the range of work programme supports should be implemented as soon as possible and should be subject to both internal and external monitoring and evaluation.

Given the multiple schemes across the breadth of employment supports, there may be scope to streamline the offering in the future.

### **3. Referral to Employment Supports**

Further analysis should be undertaken on the role of Public Employment Services, in particular regarding the current capacity levels compared to developments in the Live Register and whether there is overlap between the different services in this area.

Activation and case management through Intreo should play a leading role in screening the Live Register cohort for entry onto the various employment schemes.

There are a number of data gaps regarding the level of referrals and engagements by Intreo and other public employment services with the job seeker cohort. Additional information regarding the level of expenditure and performance indicators regarding the intensity of engagement with jobseekers should be made available.

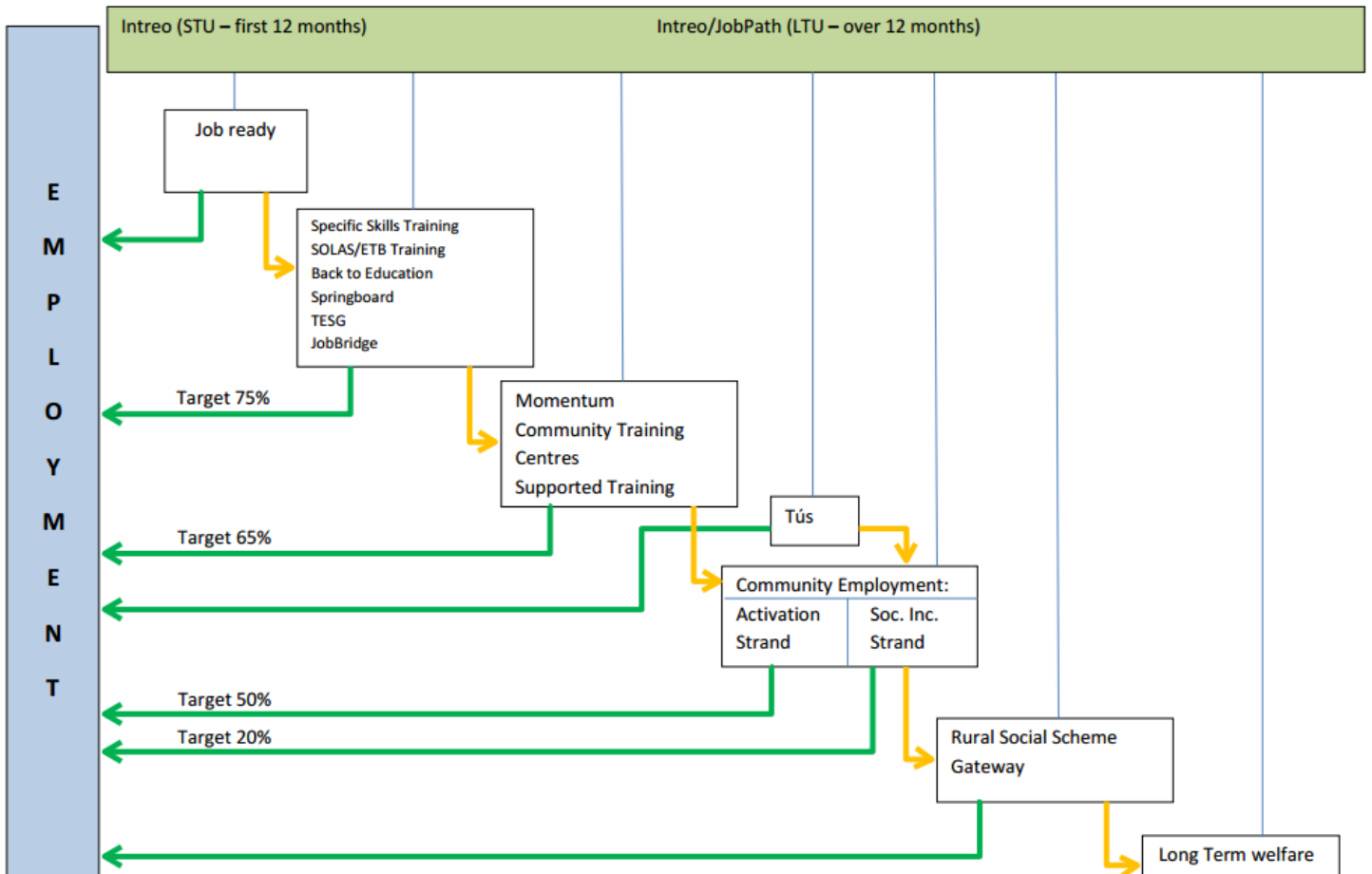
### **4. Targeting of supports**

In terms of targeting of places, the long-term unemployed must remain the focus of resources. Despite the objective of employment supports to help the long-term unemployed, the number of places taken up by persons with shorter duration on the Live Register is significant.

Greater focus on activation support for persons with disabilities to increase participation and employment rates is important in terms of recipient outcomes and the sustainability of disability allowance payments.

# 11. Appendix A

Figure 14: DSP Activation Matrix



## IGEES Paper 2017

### Quality Assurance Process:

In addition to the Spending Review Working Group, the author also engaged with the Department of Social Protection.

