

Please cite this paper as:

González Pandiella, A. (2013), "Getting Irish Youth on the Job Track", *OECD Economics Department Working Papers*, No. 1101, OECD Publishing.
<http://dx.doi.org/10.1787/5k3twr9k6s7h-en>



OECD Economics Department Working
Papers No. 1101

Getting Irish Youth on the Job Track

Alberto González Pandiella

JEL Classification: I28, J21, J24, J60, J88

Unclassified

ECO/WKP(2013)93

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

09-Dec-2013

English - Or. English

ECONOMICS DEPARTMENT

GETTING IRISH YOUTH ON THE JOB TRACK

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By Alberto González Pandiella

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ABSTRACT/RESUMÉ

Getting Irish youth on the job track

Irish youth was hit hard by the crisis. Many young workers have remained unemployed for a long time and, unless it is tackled promptly, this issue will become one of the most enduring legacies of the recession. New labour-market policy initiatives have been introduced recently, but more will be needed to limit scarring effects and keep youth connected so that they can get back to work as soon as the recovery strengthens. For many young workers learning new skills is the way to get ready. The Irish economy is shifting away from bricks and mortar towards knowledge-based services, and those previously employed in construction-related activities need to acquire the skills and competencies required in these expanding sectors. For those who have already drifted into more marginalised environments, a longer process of rehabilitation will be necessary to escape poverty and social exclusion. This chapter recommends focusing limited fiscal resources on policies empirically-proven to help regain employment; this will require systematic and rigorous evaluation of labour-market programmes and policy decisions to close down ineffective schemes while strengthening successful ones.

This working paper relates to the *2013 Economic Survey of Ireland* (www.oecd.org/eco/surveys/ireland)

JEL Classification: J21; J24; J60; J88; I28

Keywords: Ireland, labour market, youth, unemployment, Not in Education, Employment, or Training, labour market programmes, education, vocational educational, apprenticeship, youth entrepreneurship, disadvantaged youth

Favoriser l'emploi des jeunes en Irlande

En Irlande, les jeunes ont été durement touchés par la crise. Le chômage de longue durée frappe un grand nombre d'entre eux : si les autorités ne s'attaquent pas rapidement à ce problème, il pourrait devenir l'une des conséquences les plus durables de la récession. De nouvelles politiques actives du marché du travail ont été lancées récemment mais il faudra faire plus pour limiter les effets stigmatisants du chômage des jeunes et les préparer à reprendre un emploi dès que la reprise sera plus solide. Pour se préparer, la solution pour de nombreux jeunes travailleurs consiste à acquérir de nouvelles compétences. L'économie irlandaise se détourne progressivement des secteurs d'activité traditionnels au profit des services fondés sur le savoir : ceux qui travaillaient auparavant dans le secteur de la construction doivent donc désormais acquérir les qualifications requises dans ces secteurs d'activité en expansion. Pour les plus marginalisés, un processus de réadaptation plus long sera nécessaire afin d'échapper à la pauvreté et à l'exclusion sociale. Il est recommandé de cibler les ressources budgétaires limitées sur les politiques les plus efficaces en matière de retour à l'emploi, ce qui passe par une évaluation systématique et rigoureuse des programmes du marché du travail et par des choix stratégiques pour mettre un terme aux programmes inefficaces et redéployer les ressources vers les programmes les plus performants.

Ce Document de travail se rapporte à *l'Étude économique de l'OCDE de l'Irlande, 2013* (www.oecd.org/eco/etudes/irlande)

Classification JEL : J21 ; J24 ; J60 ; J88 ; I28

Mots-clés : Irlande, marché du travail, jeunes, chômage, non pas dans l'éducation, l'emploi ou la formation, les programmes du marché du travail, l'éducation, l'éducation professionnelle, apprentissage, l'entrepreneuriat des jeunes, les jeunes défavorisés

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TABLE OF CONTENTS

Getting Irish youth on the job track	5
The situation of youth in Ireland's labour market	5
Ensuring active labour market and benefit policies better support young unemployed	17
Improving the transition from school to work	23
Supporting youth self-employment and entrepreneurship	30
Better integration of disadvantaged youth	32
Bibliography	35

Tables

1. Trends in Department of Social protection employment support schemes (EUR million)	22
2. Summary labour market and training schemes	31

Figures

1. Youth labour market indicators	6
2. Broader measures of young unemployment	7
3. Youth employment rates by sex, age and highest level of education attained	7
4. Youth employment by industry and occupation	8
5. Youth unemployment rate by highest level of education attained and sex, 2012	9
6. Participation rates by age group, 2007 versus 2012	10
7. Youth cohort	10
8. Share of long-term unemployment in total youth ¹ unemployment, 2007 versus 2012	11
9. Evolution of unemployment-exit probabilities	12
10. NEET rates among youth in European countries	14
11. NEET by age group, 2012	15
12. Young people at risk of poverty or social exclusion	16
13. Total suicide and intentional self-harm death rates per 100 000 for 15-29 years olds	17
14. Public expenditure on Labour Market Programmes: main categories	18
15. Young participants on Labour Market Programmes: main measures	19
16. Employment rates of individuals with vocational and general education attainment at ISCED 3-4 level, 2010	25
17. Percentage of temporary employees	28
18. Percentage of part-time employees	29
19. Minimum annual wage: difference between youth and adults, 2011	29
20. Self-employment rates 2012	30
21. Enrolment rates in early childhood and primary education at age 4	33

Boxes

Box 1. Pathways to work	20
Box 2. SOLAS, the new Further Education and Training Authority	24

Box 3. A dual system of apprenticeship and vocational training	26
Box 4. Recommendations for getting Irish youth on the job track.....	34

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GETTING IRISH YOUTH ON THE JOB TRACK

By Alberto González Pandiella¹

The youth unemployment rate has risen sharply since the onset of the crisis and reached an historical high in 2012. Of special concern is that about half of unemployed youth have been out of work for more than a year. Such long-term youth unemployment risks having large and enduring negative implications, as shown by past experience (Martin and Manning, 1999; Bell and Blanchflower, 2011). It is associated with deskilling, permanent scarring effects and a rise of the structural unemployment rate, which would imply that those worst affected would drift into social exclusion and would no longer be able to participate in normal economic activities. Moreover, younger cohorts of workers typically introduce new skills and innovative expertise into the production processes, thus raising the overall productivity level (Lalkemond and Ryckx, 2009; Prskawetz et al., 2006). Maintaining youth excluded from the labour market would, therefore, have seriously damaging repercussions on Ireland's growth potential. It would also have a large cost for the society as it is associated with welfare dependency, risk of poverty and fall into marginalisation and social exclusion. Unless the youth unemployment problem is tackled head-on, these large personal, economic and societal costs risk being among the most enduring and negative legacies of the recession.

This chapter first describes the situation of youth in Ireland's labour market by reviewing recent developments as described by a number of key economic and social indicators. It then discusses the role that labour market policies can play in limiting the negative impact of unemployment and in facilitating the reintegration to work. Afterwards, it examines ways to improve the transition from education to work, and it follows with a review of ways to support youth self-employment and entrepreneurship. Last, the chapter considers how to better integrate youth in more disadvantaged circumstances into the labour market.

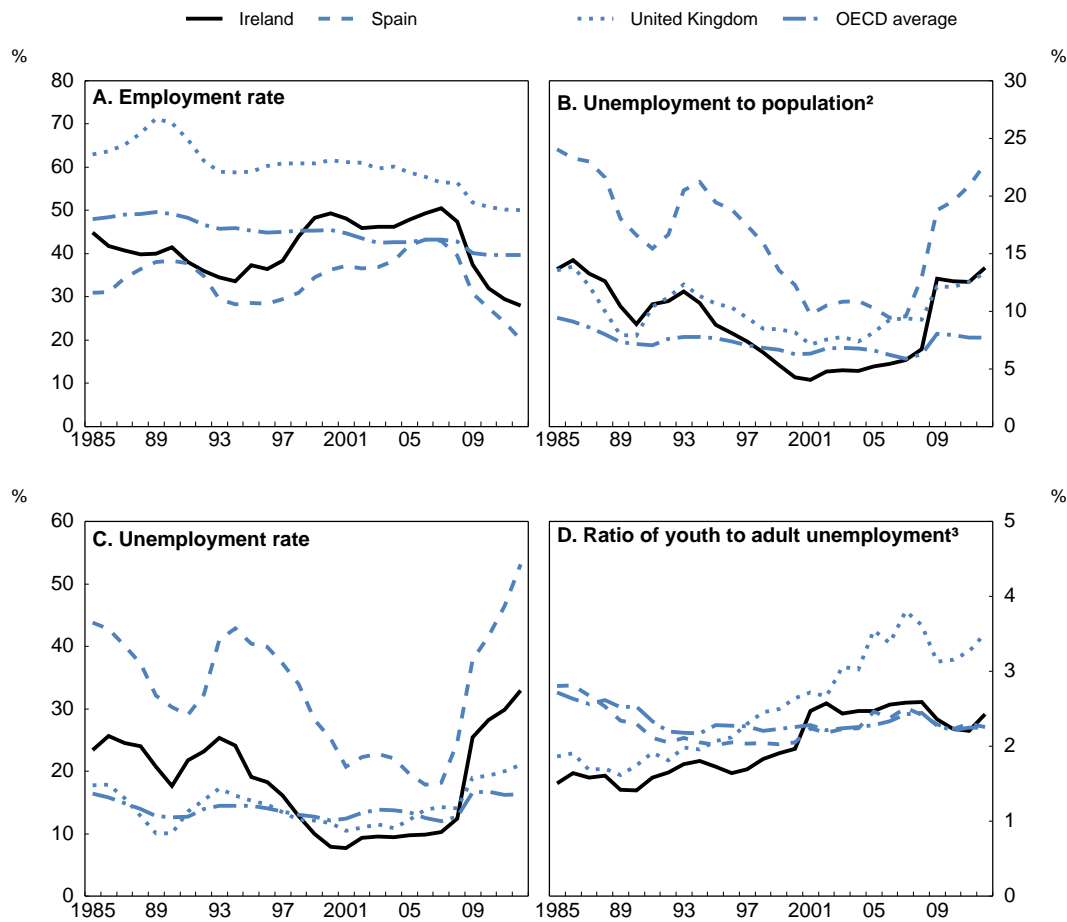
The situation of youth in Ireland's labour market

The youth employment rate in Ireland has fallen sharply since the recession, declining from about 50% to 30%, which is its historical minimum and well below the OECD average (Figure 1). The unemployment-to-population ratio, calculated by dividing the number of 15-24 year old unemployed people by the total population aged 15-24 years, increased by nearly 7 percentage points after the crisis and currently stands at 12%, well above the OECD average. The unemployment-to-labour supply ratio has also increased sharply, by 20 percentage points to 30%, the highest level recorded since the mid-1980s and significantly higher than the OECD average. The exposure of youth to the risk of unemployment had

1. This paper was originally prepared for the OECD Economic Survey of Ireland published in September 2013 under the authority of the Economic and Development Review Committee. Alberto González Pandiella is Economist in the Economics Department at the OECD. He has greatly benefited from valuable input and comments by Shruti Singh, Andrew Dean, Robert Ford, Patrick Lenain and David Haugh, statistical assistance by Josette Rabesona. The views expressed are those of the author, and not necessarily those of the OECD or its member countries.

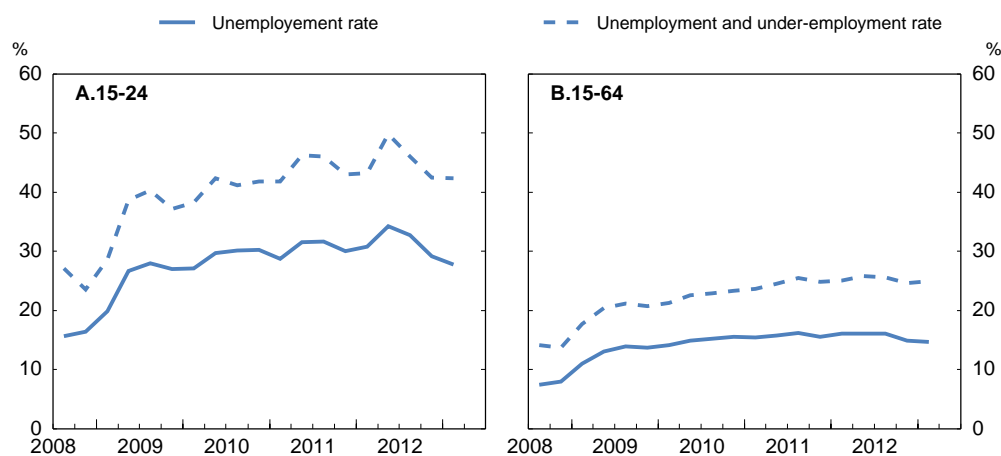
already increased prior to the crisis, as shown by the ratio of youth to adult unemployment but has fallen in recent years. This contrasts with the OECD average, which has remained constant since the 1990s. Broader measures of unemployment, including discouraged workers and involuntary part-time workers, show about half of active young people are under-employed, nearly twice as much as for the total working-age population (Figure 2).

Figure 1. Youth¹ labour market indicators



1. Persons aged 15-24.
2. Unemployed as a percentage of the population in the age group.
3. Unemployment rate of youth (15-24) divided by unemployment rate of adult (25-54).

Source: OECD Labour Force Statistics database.

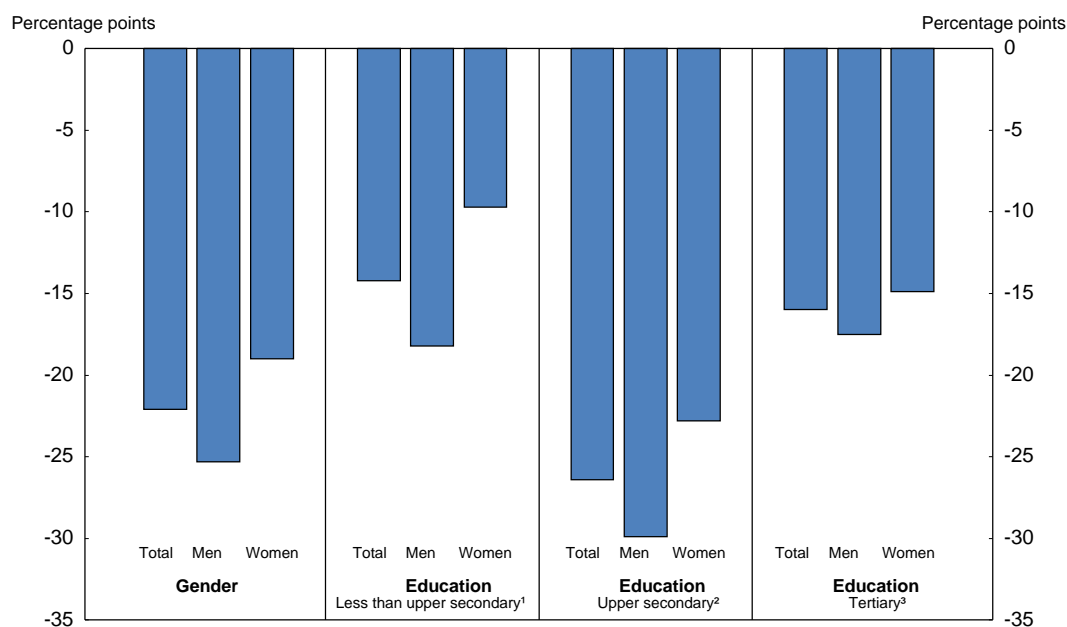
Figure 2. **Broader measures of young unemployment**

Source: Central Statistics Office.

Young people from all educational backgrounds have been affected (Figure 3), including those with tertiary education. Men with upper secondary education and those with less than secondary education have been greater for women with the same level of education. This reflects the large number of young male workers in construction-related activities during the cyclical upswing.

Figure 3. **Youth employment rates by sex, age and highest level of education attained**

Difference between 2007 Q4 and 2013 Q1

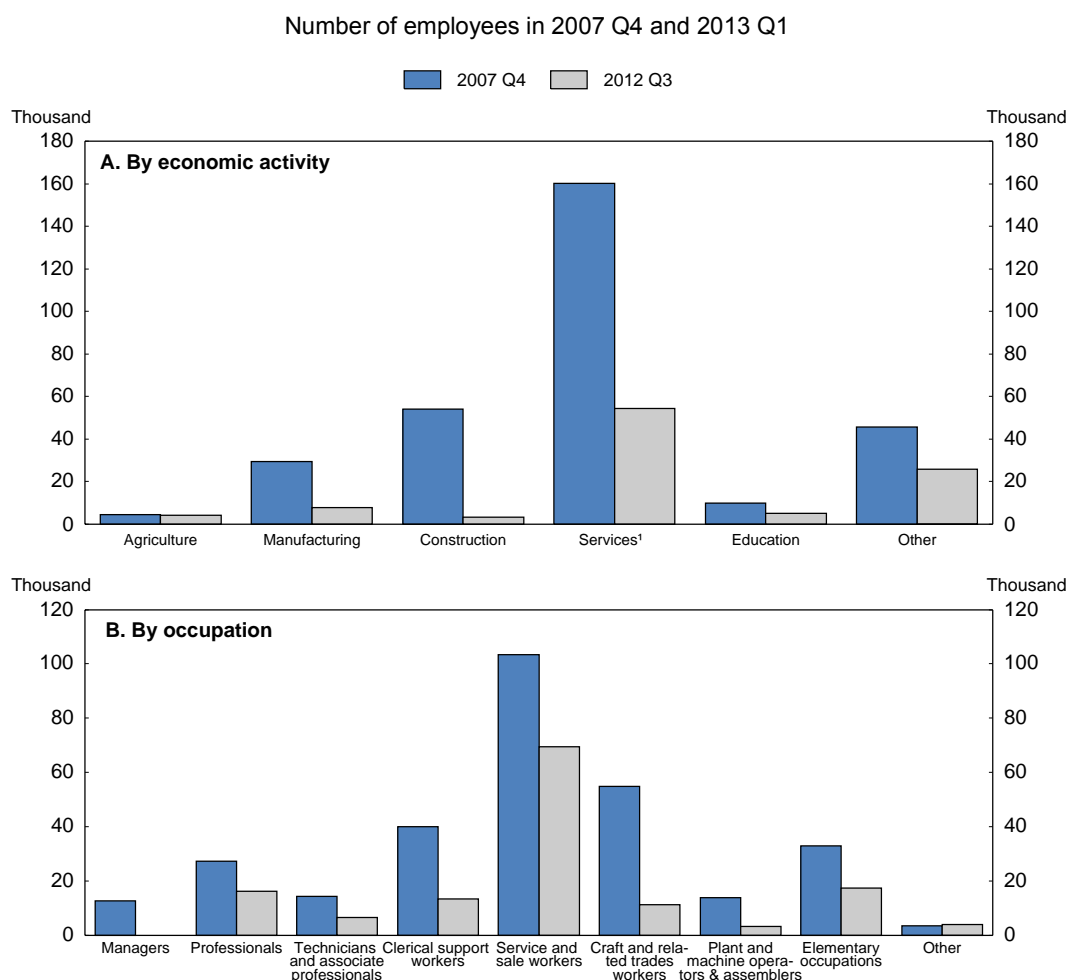


1. Pre-primary, primary and lower secondary education (levels 0-2).
2. Upper secondary and post-secondary non-tertiary education (levels 3 and 4).
3. First and second stage of tertiary education (levels 5 and 6).

Source: Eurostat, *European Union Labour Force Survey (EU-LFS)*.

The decline in youth employment was concentrated in construction, a sector where the number of jobs collapsed from 60 000 at the end of 2007 to only 5 000 in the third quarter of 2012, and in services, which went from 160 000 to 90 000 positions during the same period (Figure 4). The sharpest fall has been among workers in craft and related trades, reflecting the collapse of construction activities. About 20% of the unemployed female and 10% of the unemployed male have a tertiary qualification (Figure 5).

Figure 4. Youth employment by industry and occupation



Note: Data refer to persons aged 15-24.

1. Service sector includes G-L sections of NACE rev.2. For 2007 Q4, data refer to G-K sections of NACE rev.1.

Source: Eurostat, European Union Labour Force Survey (EU-LFS).

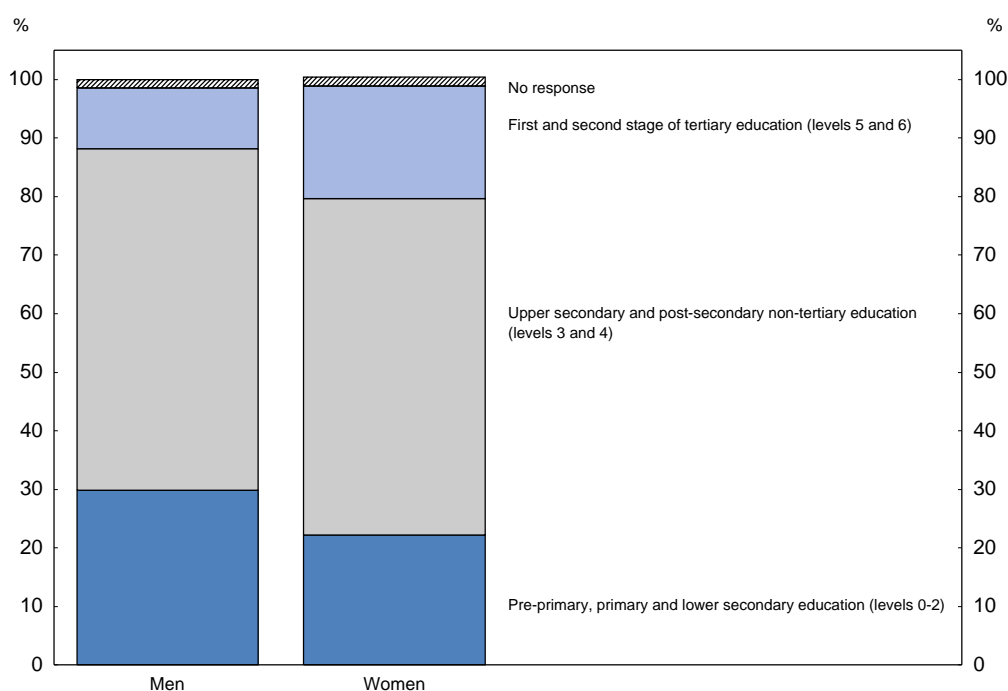
Labour-market participation has fallen since the crisis, particularly among those aged 15-24 (Figure 6), who accounted for 90% of the overall decline in participation.

Increasing emigration is a risk for long-term growth prospects

As a consequence of the massive loss of employment and weak economic prospects, outward migration has sharply increased, reversing the pattern prior to the recession when Ireland was a net recipient of migration. Net emigration averaged 1.4% of the labour force in the period 2010-2012 and is expected to continue (one person out of two aged 18-24 was considering emigrating according to a poll by

the National Youth Council of Ireland conducted in October 2012). Initially, after the bust, outward migration was mainly accounted for by workers from new EU member states. However, from 2010, emigration by Irish nationals surged and it now accounts for more than half of total emigration. Total emigration reached 87 000 in the twelve months to April 2012 (CSO, 2012) and it has been concentrated in the 15-24 and 25-44 age groups. A notable change concerns destination. While the United Kingdom used to be the main destination followed by the United States and European Union countries, the majority are now moving to other countries such as Australia and Canada (Conefrey, 2013). Despite high levels of unemployment, poor labour market prospects and increasing emigration by Irish nationals, Ireland is still receiving significant immigration (around 50 000 every year) (Gilmartin, 2012). This reflects the shortage of workers with the appropriate skills in some areas.

Figure 5. **Youth¹ unemployment rate by highest level of education attained and sex, 2012**



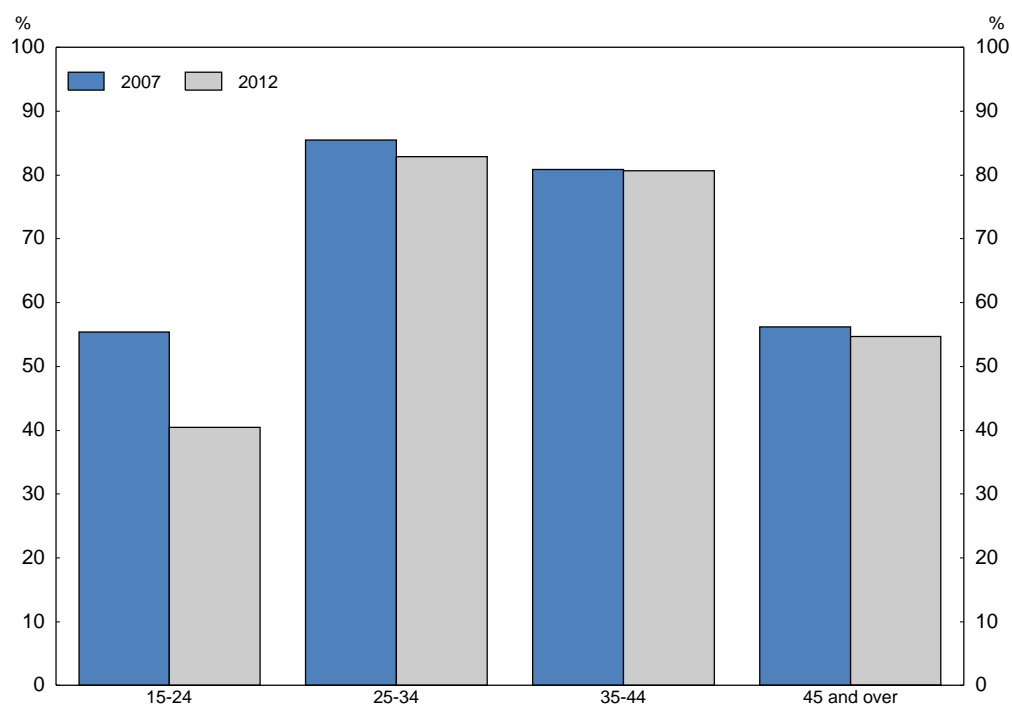
1. Persons aged 15-24.

Source: Eurostat.

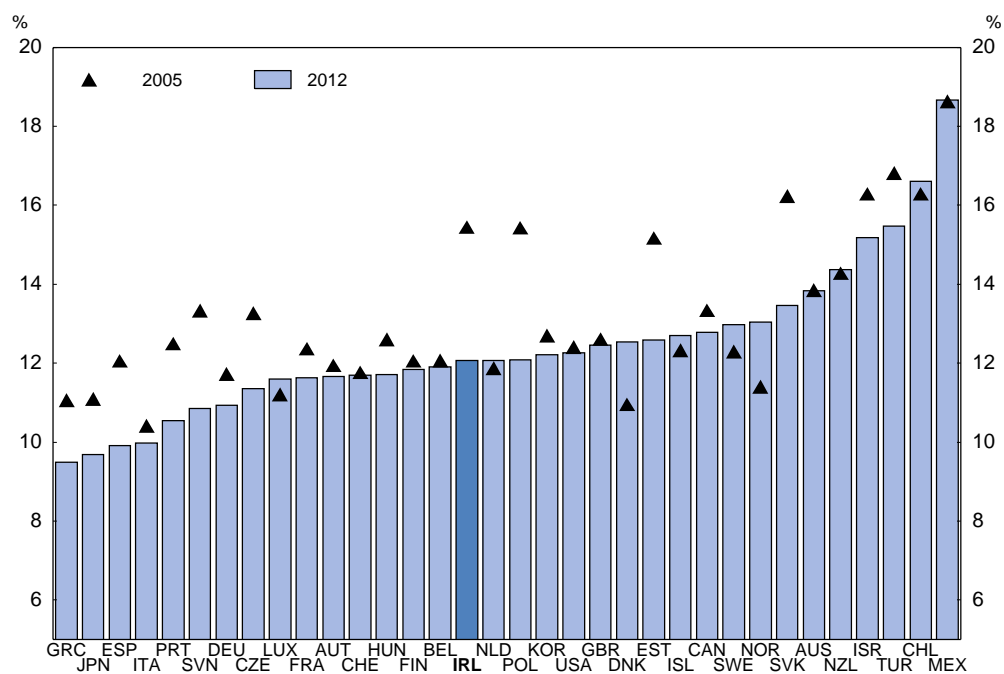
While emigration can be seen as a factor moderating the rise in unemployment, limiting scarring effects of being out of work and alleviating the pressure on public services, it entails significant risks for the long-term growth potential of the economy if the departures become permanent. This is not only because of the reduction in the size of the labour force, but also because emigration is concentrated in younger cohorts, which will exacerbate the impact of ageing. While Ireland had one of the largest youth cohorts in the OECD prior to the crisis, accounting for 16% of the population, this has fallen to 12%, reflecting demographic trends and the rise in emigration (Figure 7).

In the mid-1990s, a period of high growth, Ireland was successful in reintegrating migrants, but international competition to attract workers with specialized skills has become fiercer and the automatic return of migrant workers, once the economy regains strength, should not be taken for granted. Mechanisms to better track emigrants and support their eventual return could reduce the risks of a permanent loss of valuable qualified workers from the labour force.

Figure 6. Participation rates by age group, 2007 versus 2012



Source: Eurostat.

Figure 7. Youth¹ cohort

Note: For the year 2012, population data are estimated for many countries.

1. Persons aged 15-24.

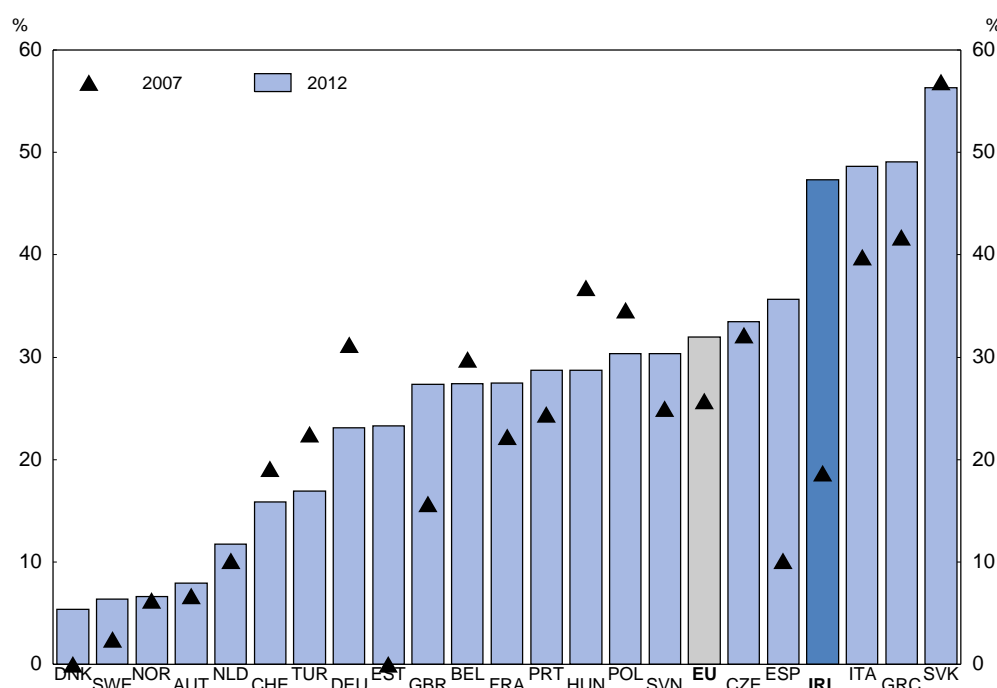
Source: Eurostat.

Long-term unemployment, structural change, and the risks of a lost generation

Long-term unemployment entails depreciation of human capital and may also be associated with poor health conditions and social distress (Arulampalam et al. 2001; Paul and Moser, 2009; Puig-Barrachina, 2011) (more below). This is a matter of concern because the proportion of young people who are long-term unemployed has increased from 21% in 2007 to close to 50% in 2012 (Figure 8) and they face poor probability of exiting from unemployment (Figure 9). While before the crisis the probabilities of youth re-entering employment was similar in Ireland, the United Kingdom and the Euro area, the prospects in Ireland are now the worst. The exit prospects have deteriorated in overall terms, but those who have been unemployed for more than one year are the ones who had the largest decline in the probability of exiting unemployment. The probability of exiting unemployment for young workers unemployed for less than twelve months is 65%, but it falls to 40% for those unemployed for longer than a year.

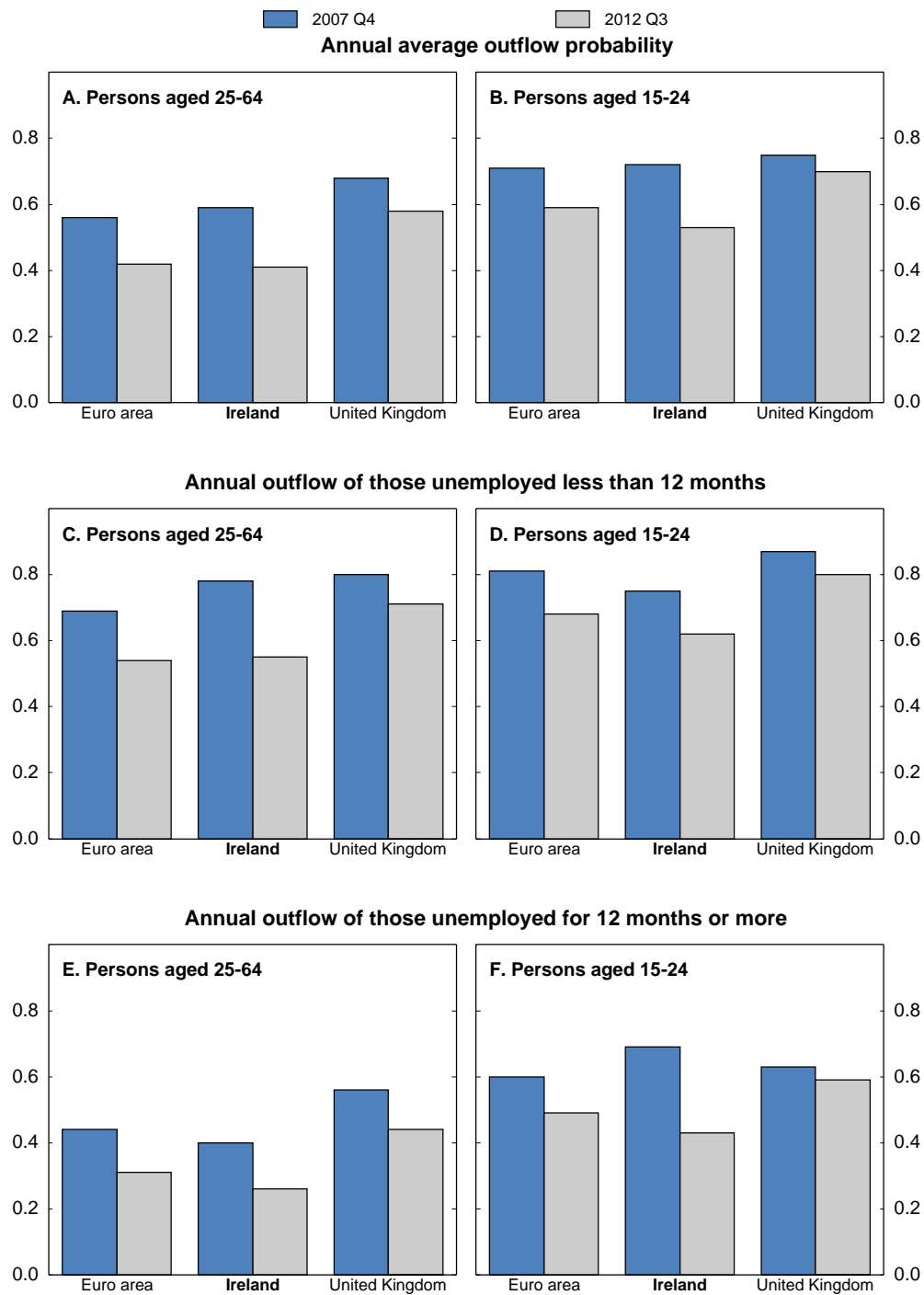
Prior to the recession, the duration of an earlier unemployment spell was found to be key to explaining the risk of remaining unemployed (Kelly et al., 2012). The recession has increased this negative effect of past unemployment spells, with the proportion of those making a successful return to work having fallen from 38% in 2006 to only 17% in 2011, while the proportion of youth remaining continuously unemployed increasing from 37% to 52% during the same period and the share of those drifting into inactivity increasing from 25% to 31% (Kelly et al. 2013). Those with an unemployment period lasting more than three months are significantly less likely to return to work. There are also significant differences pre and post-recession in other factors such as education level or age (discussed below).

Figure 8. Share of long-term unemployment in total youth¹ unemployment, 2007 versus 2012



1. Persons aged 15-24.

Source: Eurostat.

Figure 9. **Evolution of unemployment-exit probabilities**

Note: Euro area refers to the 17 countries. The outflow probability for those unemployed less than 12 months (for those unemployed for 12 months or more) is calculated as one minus the ratio of the number of unemployed with a duration of 12-24 months (number of unemployed with a duration of 24 months or more) over the number of persons unemployed for less than 12 months (number of persons unemployed for 12 months or more) one year earlier.

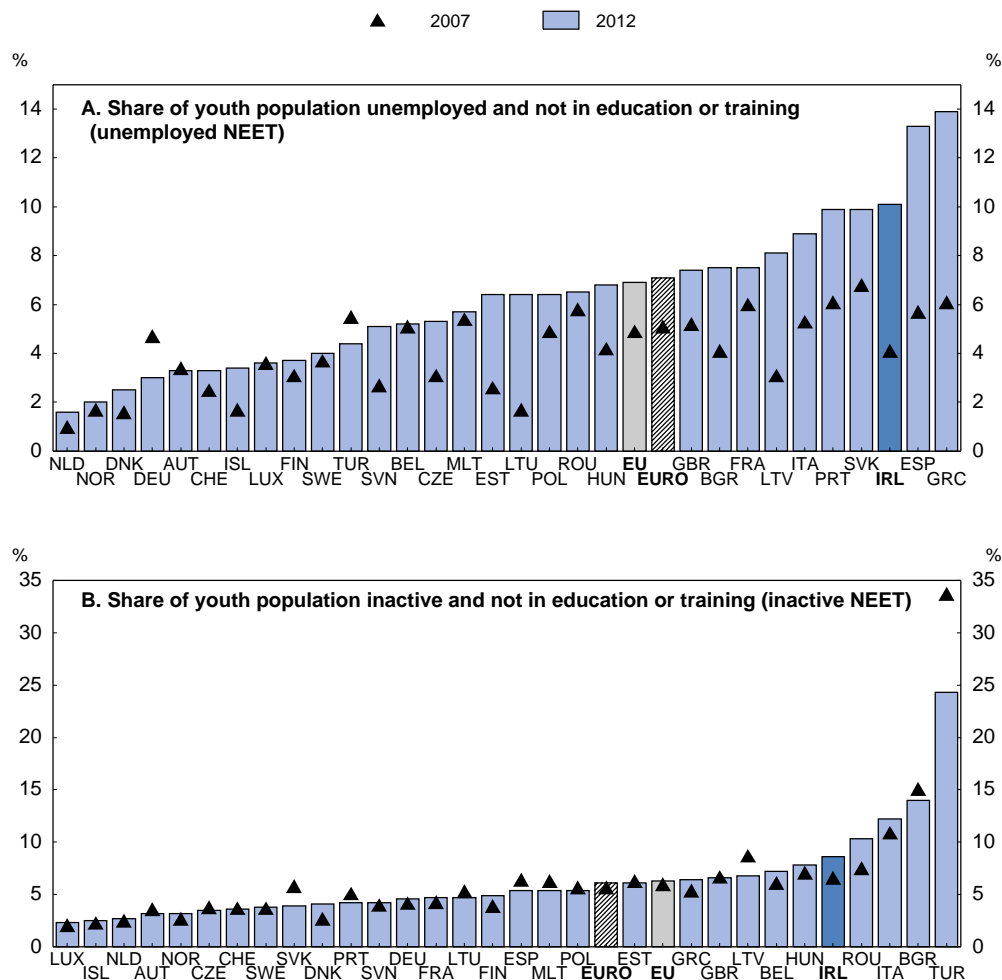
Source: Own calculations based on Eurostat data.

Youth employment is generally more sensitive than adult employment to business-cycle conditions (e.g. Bell and Blanchflower, 2011), and particularly so in Ireland (OECD, 2008b). Such sensitivity is greater for the 15-19 age cohort and then declines progressively with age. This is explained by the higher incidence of temporary contracts among young workers, and in the case of Ireland it is also due to a higher concentration of youth jobs in highly cyclical sectors, such as the construction sector. The Irish economy is not expected to return to the exuberant pace of growth of the decade preceding the crisis, particularly the housing and property market weighed down mired by excessive supply, so the economy may not generate significant many low and medium-skilled jobs. Employment is more likely to be found in the exporting high-tech sector, where high-skilled services play a greater role. The new jobs are already concentrated in services such as information and communication, professional, and scientific and technical activities (CSO, 2013).

Against this background, young people who have been unemployed for many months and do not have the types of skills demanded by fast-rising sectors risk become increasingly detached from the labour market. Empirical evidence indicates that, while prior to the recession unemployed youth aged 20 to 24 were more likely to find a work compare to those aged 15-19, the opposite is observed post-recession (Kelly et al., 2013). This could indicate that employers may have a preference for younger workers who have a lower minimum wage and shorter spells of unemployment to the detriment of older youth that have been out of work for a longer period, and highlights the risks of a cohort of young workers getting excluded from emerging job opportunities. This calls for important policy action to foster labour re-allocation via active labour market policies, particularly training.

Disadvantaged youth

Entering the labour market at the current juncture is especially challenging for disadvantaged youth such school dropouts, young individuals from immigrant background, those living in workless households and those suffering from disabilities. The proportion of those who are at risk of losing contact with the labour market, youth not in education or employment (NEET), is higher in Ireland than in most other OECD countries, and has seen a sharp increase from 2007 to 2011 (Figure 10). Of significant concern is the rate of youth not in education and not in the labour force (i.e. inactive youth), which was already high prior to the crisis (OECD, 2012). An additional concern is that Ireland has one of the highest NEET rates among those aged 15-19. Being away from the labour market and from the educational system at such an early age is likely to have long-lasting damaging consequences.

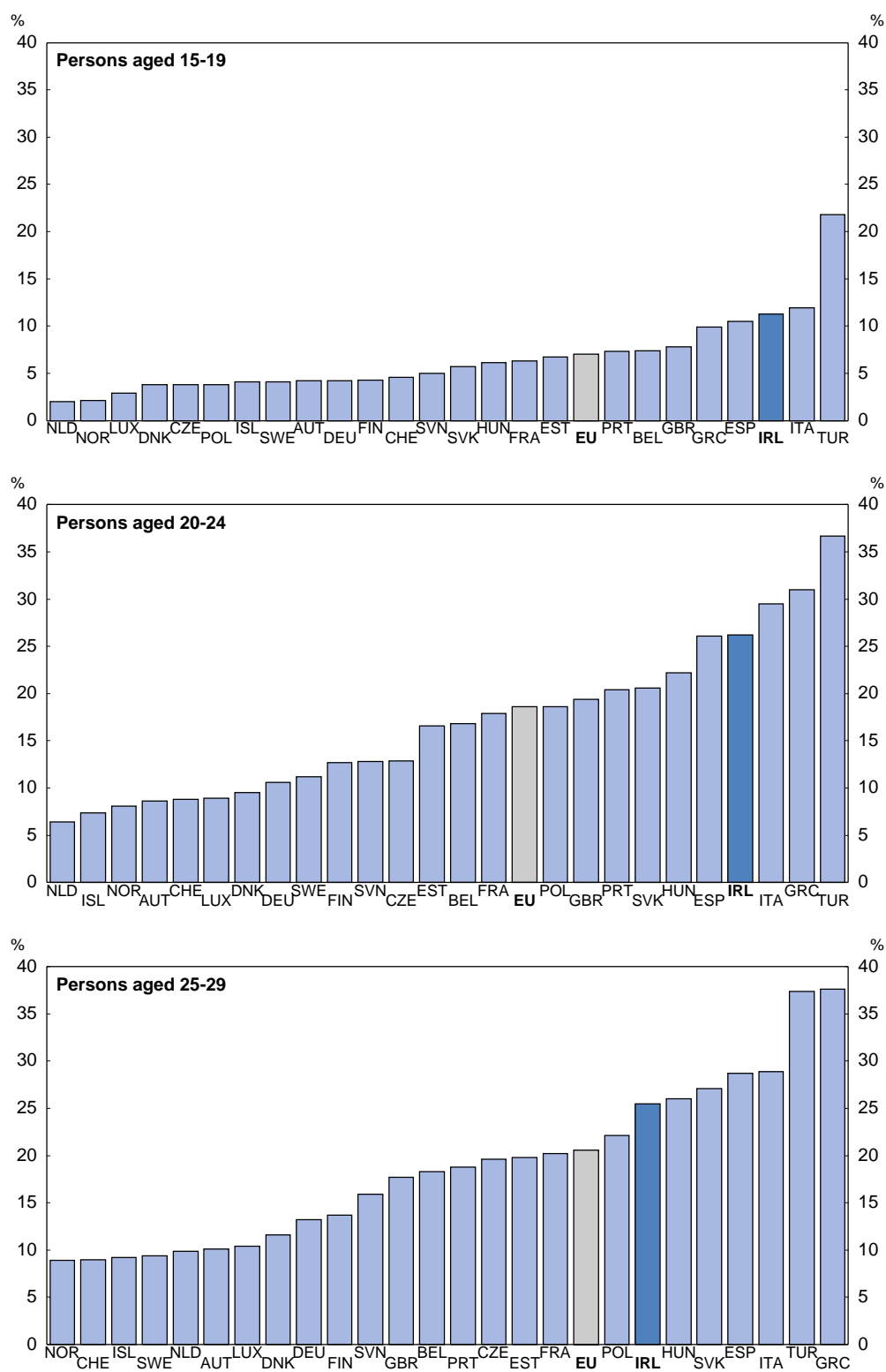
Figure 10. **NEET rates among youth¹ in European countries**

1. Persons aged 15-24.

Source: Eurostat.

Employment losses have hit non-Irish nationals four times more than Irish nationals (McGinnity et al., 2011). While young non-Irish had slightly better prospects than young Irish before the recession, they now seem to be having more difficulties in exiting unemployment than Irish nationals (Kelly et al., 2013). The second generation of immigrants, contrary to findings in other European countries, seems well integrated and there is no significant evidence of school segregation (Byrne, 2010). This is mainly due to the high geographical dispersion of the immigrant population and the wide variety of nationalities present in Ireland.

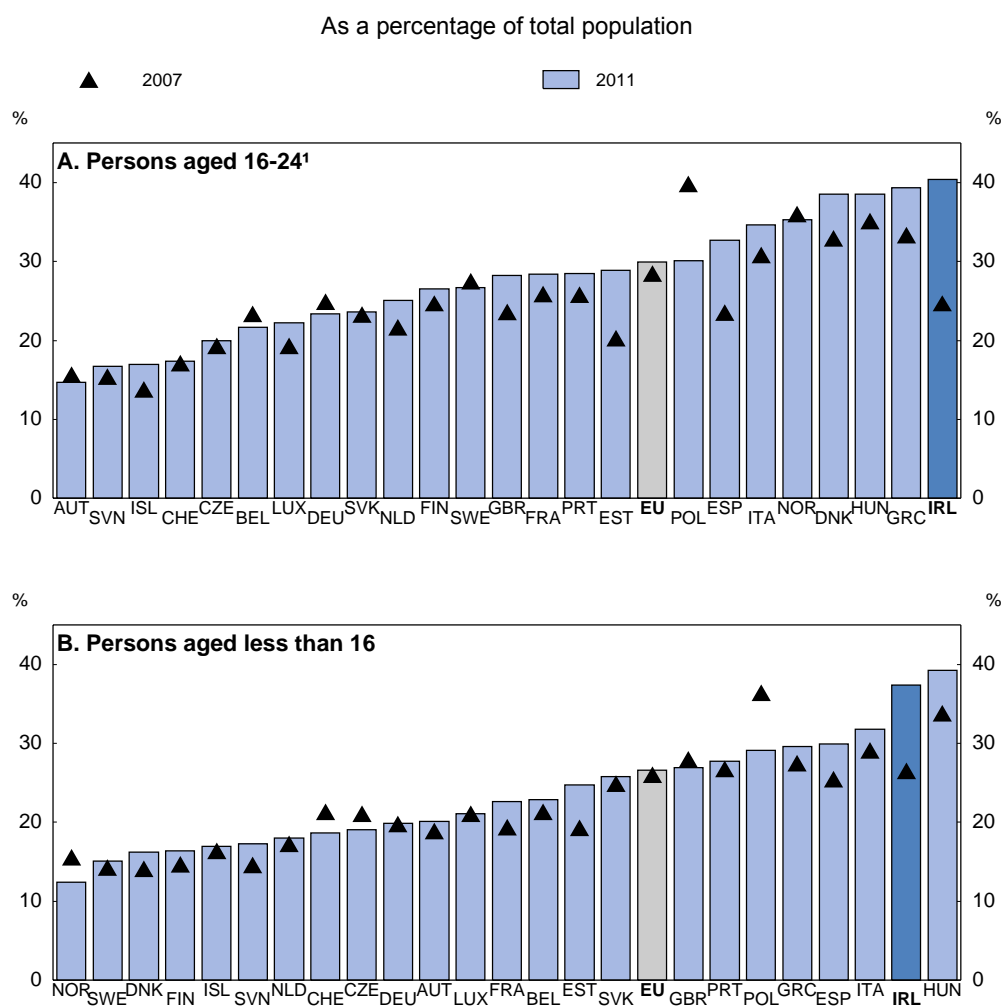
Figure 11. NEET by age group, 2012



Source: Eurostat.

Ireland's welfare system has provided an effective cushion during the crisis. Nevertheless, the risk-of-poverty of those between 16 and 24 years old is above the EU average (Figure 12) and has increased from 26% in 2007 to 40% in 2011. The same indicator for individuals below 16 years had a similar increase in the same period. These developments highlight the pressing need for helping youth to step into the labour market as the best way to escape poverty and social exclusion.

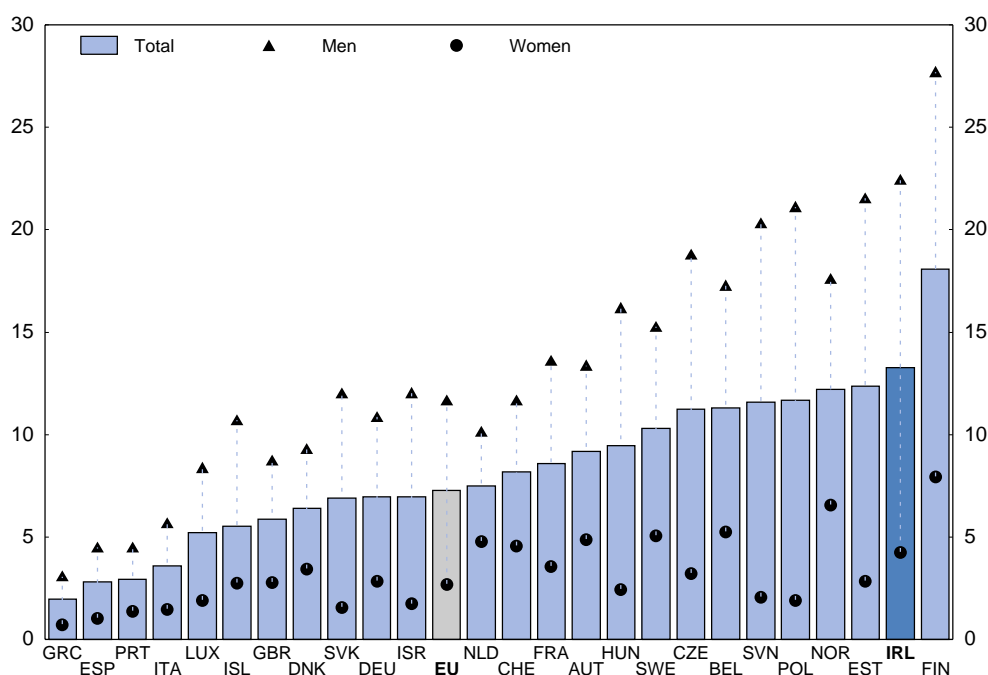
Figure 12. **Young people at risk of poverty or social exclusion**



1. Caution should be used in cross-country comparisons due to differences in the propensity of students to live away from home.

Source: Eurostat.

An increase in the long-term unemployment rate and dependency on social welfare has been associated with a rise in mental health issues, drug and alcohol abuse, and an increase in criminal behaviour among young people. However, to date the consumption of alcohol, tobacco, cannabis and other drugs by Irish youth does not stand out in international perspective (ESPAD, 2012) and there is no significant evidence of an increase in youth crime. Nevertheless, Ireland has one of the highest rates of suicide among youth in Europe, specially for male youth (Figure 13), and in historical perspective, a link between the unemployment rate and the male suicide rate in younger age groups has been established for Ireland (Walsh, 2012). This demands an increased focus on prevention policies.

Figure 13. **Total suicide and intentional self-harm death rates per 100 000 for 15-29 years olds**

Note: 2011 or latest year available.

Source: European Mortality database, August 2012.

Ensuring active labour market and benefit policies better support young unemployed

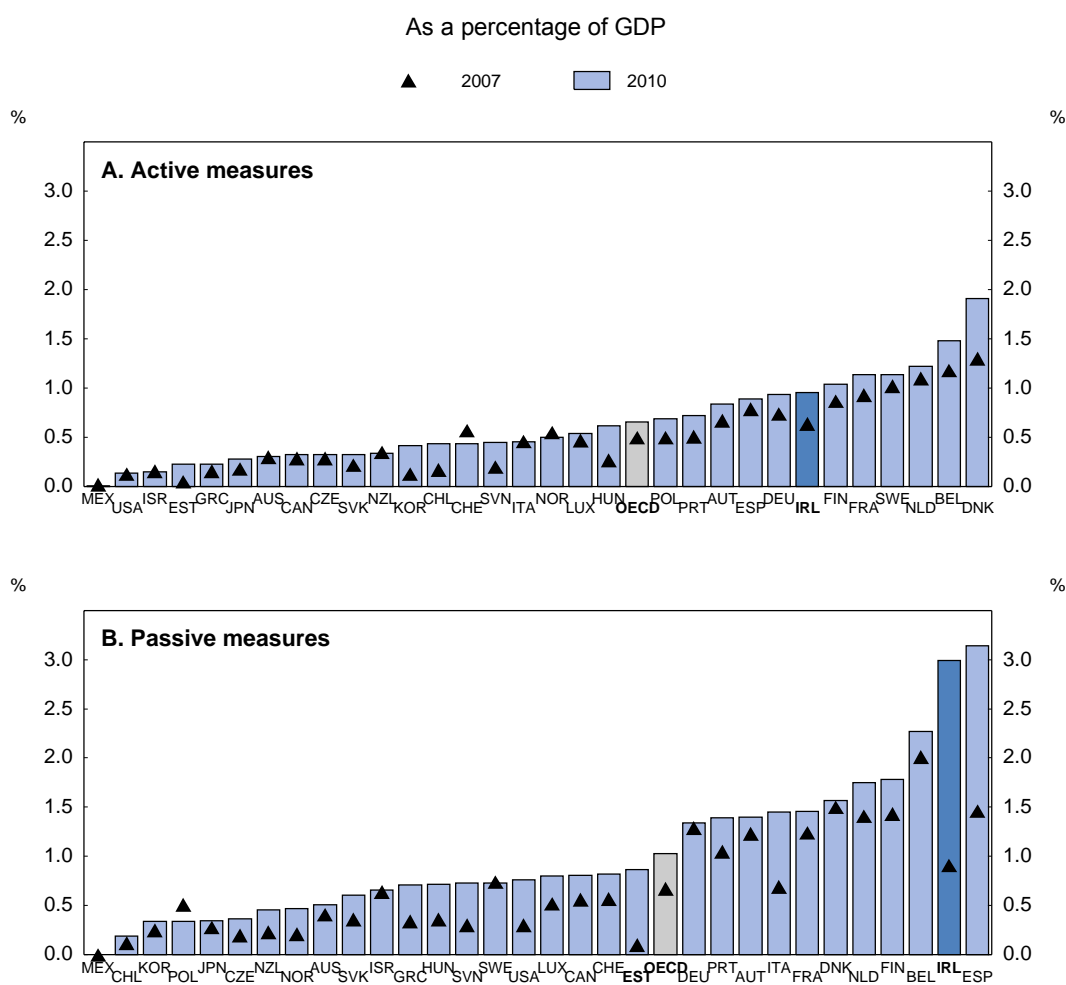
The risk of a “lost generation” calls for decisive intervention in the youth labour market. Given high and persistent unemployment rates among young workers, activation policies are paramount to limiting scarring effects. In the short-term, weak economic growth and labour demand will limit the decline in unemployment. However, it is important to maintain youth connected to the labour market so that they can return to work when the recovery strengthens. To that aim, implementing effective active labour market programmes (ALMPs) well targeted at the specific needs of youth is key. ALMPs are essential for youth even in times of buoyant employment creation. Young workers may be less efficient in job search activities than adults. They are also likely to have fewer contacts and less experience of finding work, placing them at a relative disadvantage compared to adults (Bell and Blanchflower, 2011). Therefore employment assistance and support services provided by the public employment services can play a vital role.

Ireland devotes significant fiscal resources to labour-market policies by international standards (Figure 14). However, a large proportion of this spending has gone into passive programmes, even before the bust, and some of the spending on active measures, such as Community employment, had little effect in helping participants to re-enter the labour market (more below). In a context of tight fiscal and budgetary constraints, the emphasis should be on implementing cost-effective policies found to increase the employability of participants. In international perspective, job search assistance seems to yield favourable results (Martin, 2000; Kluve, 2006; Card et al. 2010), and in the Irish context it also has been found to increase the probability of returning to work (McGuinness et al., 2011). Direct public sector employment programmes are found to be less effective both internationally (Kluve, 2006; Card et al. 2010) and in Ireland (McGuinness et al., 2011). Training programmes are associated with positive medium-term impacts

(Card et al. 2010). In Ireland those who participated in training were found to be less likely to be unemployed although the impact differed according to the type and duration of the training received (McGuinness et al., 2011a) (more below).

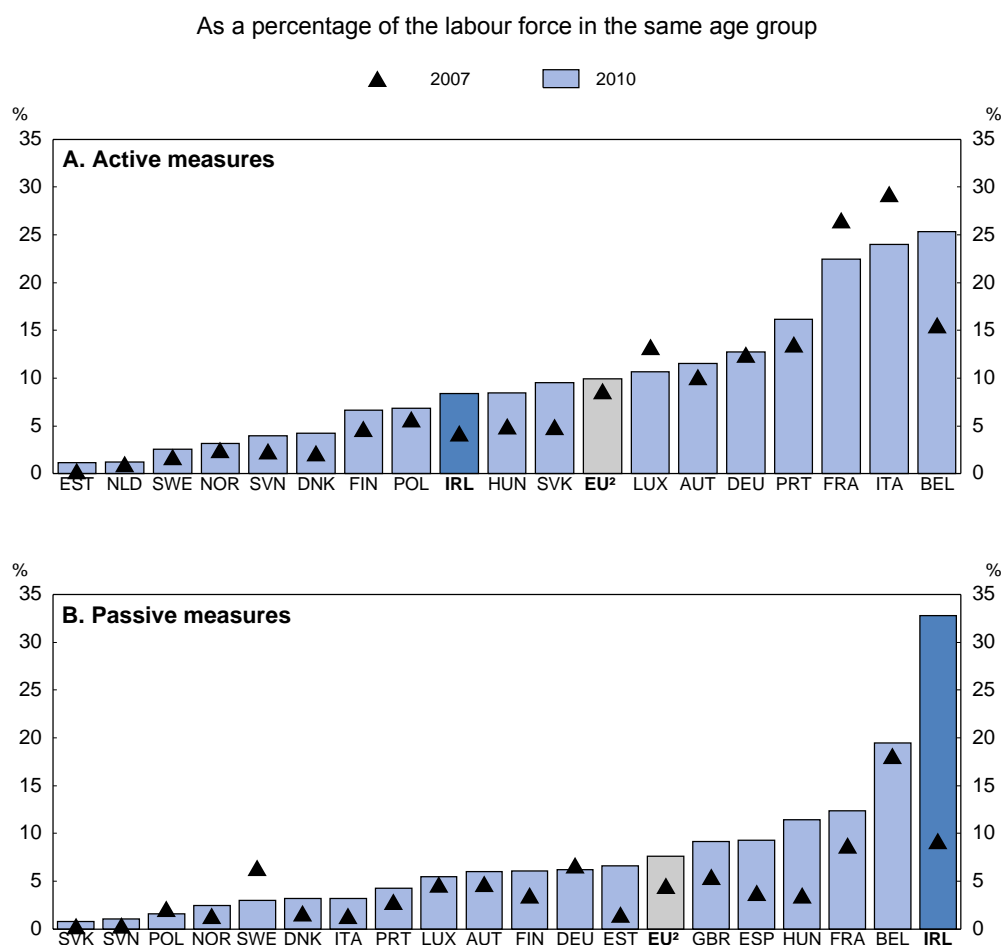
Comparing the pre-crisis participation of youth in active and passive labour market schemes across countries highlights that participation in active measures, such as training or employment incentives, was low in international perspective (Figure 15). By contrast, participation in passive measures, aimed at income support, was already relatively high in 2007. Post-crisis, the percentage of youth supported by passive measures increased from 10% in 2007 to more than 30% of the youth labour force, the highest rate in the EU and more than triple the EU average. Participation in active labour market programmes also increased but remained clearly below the EU average.

Figure 14. **Public expenditure on Labour Market Programmes: main categories**



Note: Active measures refer to categories 1-7 of the OECD/Eurostat Labour Market Programme database. They include PES and administration (placement and related services, benefit administration), training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. Passive measures refer to categories 8-9 and include out-of-work income maintenance and support and early retirement. 2. Include out-of-work income maintenance and support and early retirement.

Source: OECD/Eurostat Labour Market Programmes database.

Figure 15. **Young¹ participants on Labour Market Programmes: main measures**

Note: Active measures refer to categories 2-7 of the OECD/Eurostat Labour Market Programme database and include training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. Passive measures refer to categories 8-9 and include out-of-work income maintenance and support and early retirement.

1. Persons aged 15-24.

2. The EU area is the simple average of countries for which data are available.

Source: OECD/Eurostat Labour Market programmes database.

Support for youth via passive schemes is needed to avert poverty risk and social exclusion. Passive measures include out-of-work income maintenance and support measures such as the job seekers benefits (JSB) and job seekers allowances (JSA). JSB are taxable weekly payments to persons over 18 who are out of work and have accumulated enough social security contributions. They were paid for 15 months in the 2000s, were reduced to 12 months in 2008 and, as of April 2013, were reduced again to 9 or 6 months depending on the level of social security contributions paid. Those not qualifying for JSB, or those who have used it up, can apply for the JSA, which is means tested. Youth unemployed retain their full JSB payment if they participate in a training programme. As of 2013, the maximum JSB payable to youth was reduced from 188 EUR per week to 100 EUR for those under 22 years and to 144 EUR for those aged 22-24, with a rate of 160 EUR for those participating in certain education and training programmes. These changes aim at boosting work incentives and encouraging participation in training activities.

As the economic recovery strengthens and employment prospects improve, the emphasis of labour market policies should be re-gear towards more active measures for youth to the detriment of passive schemes. It will be increasingly important to ensure that income support is subject to stricter and rigorous mutual obligation regimes. In an-innovation led economy, such as the one Ireland strives to become, it is essential to foster continuous labour reallocation across sectors and firms through effective active labour market policies.

The Irish authorities launched Pathways to Work (PTW) in February 2012, a major initiative to foster engagement with the unemployed, enhance activation and incentives to take-up opportunities, strengthen links with employers, and reform institutions to improve the services delivered to the unemployed (Box 1). The new activation regime is stricter than the previous one, where the waiting period to receive benefit payment and employment services was around 4 weeks and the first intensive job-counselling interview with a caseworker was typically only offered after three months on the live register. The number of sanctions imposed was also low prior to the reform. PTW has introduced a new stricter procedure for sanctions, although the actual number of people sanctioned remains low in international comparison, reflecting the high compliance so far. In certain respects, such as job-search monitoring, the regime remains weaker in comparison with other OECD countries such as the United Kingdom or Australia where a minimum of job-search actions need to be reported every two weeks.

Box 1. Pathways to work

The Pathways to Work policy and the establishment of the new Integrated National Employment and Entitlement Service (Intreo) service aims at establishing an enhanced engagement between the employment and income support services and the unemployed, including those under the age of 25. Intreo services are delivered via one-stop-shops where job-placement and benefit administration are integrated in a single delivery unit. The new policy is underpinned by five core principles (Pathways to Work, 2012):

- More regular and ongoing engagement with the unemployed.
- Greater targeting of activation places and opportunities.
- Incentivising the take up of opportunities by the unemployed.
- Creating and enhancing relations with employers through incentivising the provision of opportunities for people who are unemployed.
- Reforming institutions to deliver better services to the unemployed.

The first stage in the process is the client registration both for welfare entitlements and employment services. As part of the registration process the client completes a profile questionnaire to enable a case worker to assess their Probability of Exit (PEX) from unemployment and develop a personal progression plan. Depending on the outcome of the assessment, the progression plan will offer a level of engagement with the employment services. For example, clients with a high PEX rating will be encouraged and helped to search for employment. Clients with a mid-point PEX rating, and those with a high-PEX rating but still unemployed after three months, will be invited to participate in group sessions where they will be provided with guidance on how to improve their job search activities and also on the training and development opportunities available to them to improve their employment prospects. Clients with a low-PEX rating and all those unemployed after 12 months will receive intensive one-to-one support from an employment advisor.

PTW improves the delivery of ALMPs in Ireland and it is in line with previous OECD recommendations in this area (OECD, 2011, Grubb et al. 2009). However, the pace of reform implementation is slow and the number and scope of unemployed workers covered by the enhanced Intreo services remains low considering the pressing needs for activating the jobless population. Previous OECD studies stressed the number of people in employment offices providing job-search assistance and monitoring, relative to the numbers of unemployed workers in the economy, were well below that in other

advanced economies. These resource constraints are more acute nowadays given the growing number of unemployed. At present, each case worker oversees approximately 800 jobseekers, which is high by international standards. Youth require a more intense and comprehensive job-search assistance and counselling and are therefore likely to be seriously affected by the insufficient number of caseworkers. A major concern is also that the long-term unemployed are not covered by the enhanced Intreo services and have not yet even received the one-to-one interview where the needs of the individual are assessed by a caseworker and the personalised action plan is drawn-up and initiated. To reach more long-term unemployed persons, the government is considering contracting out activation to private providers. Experiences in other countries suggest that, if properly designed, contracting out can make a positive contribution but there are difficulties in implementing it in an effective way. In addition, empirical research, focused on large-scale job seeker assistance program targeted at young graduates in France, suggests that contracting out may create a substitution effect. Job seekers assisted by external providers are more likely to get a job, but at the expense of other unemployed workers with whom they compete in the labour market and did not receive the external assistance, and there is no significant net effect on reducing unemployment (Crépon et al, 2013). Further delaying tackling the long-term component of youth unemployment with an effective activation regime increases the risk of a lost generation. The number of caseworkers in Intreo should be further increased as soon as possible, through further internal redeployment, to provide long-term unemployment with appropriate engagement and support.

The government needs a more strategic approach to youth unemployment

A comprehensive national strategy to tackle the very high unemployment rates among youth is lacking. Youth policy is fragmented, with several Government departments taking individual action. A more coordinated and tailored approach to the youth unemployment problem is required, including profiling and a reallocation of resources towards schemes with greater activation success for youth based on rigorous evaluation and a youth guarantee.

Good programme targeting is vital for youth because their profiles and their needs may differ significantly. The introduction of the profiling model to define targeted pathways to work depending on the characteristics of the individual is a decisive step forward. However, the Irish economy is undergoing profound structural changes and recent evidence indicates that the determinants of unemployment have changed significantly (Kelly et al., 2013). In line with practices in other countries such as Australia (Lipp, 2005), the profiling model needs to be continuously assessed and updated to take into account the new economic conditions. The model is currently being applied to jobseekers who get registered in the employment offices. There is also a pressing need to define targeted policies for youth neither in education nor in the labour force or those suffering from disabilities. The profiling model should therefore be enhanced in order to incorporate relevant characteristics for those individuals.

Outreach programmes together with early intervention are key for youth. For that it is essential to ensure appropriate co-operation between the public employment services and the education system to reach youth as soon as possible (OECD, 2010). The focus should be on assessing whether they have relevant qualifications, and in case they do not have them, they should return to training. For those considered job-ready the most cost-effective ALMP is to provide them with a job-search assistance “package” as early as possible. The “package” should include not only aspects related with job-search techniques such as how to write a resume but should also incorporate guidance concerning geographical mobility or housing assistance. For those with more important problems entering the labour market, the “package” could include adult mentoring, work experience and remedial education (OECD, 2010). Reading and writing tests should be taken as early as possible to detect potential obstacles in these areas, which have been associated with risk of long-term unemployment (Kelly et al. 2011). Courses should be made available for those who do not meet acceptable literacy standards before progressing to other ALMPs.

The Department of Social Protection has been increasing spending on ALMPs despite intense fiscal constraints (Table 1). However, programmes that account for more than half of spending (direct job creation programmes, such as Community employment) have very little youth participation. The main programmes potentially aimed at youth are the internship schemes, accounting for 8% of the total spending, and Back to Education Allowance, which accounts for 23% of the spending. The fourth main scheme, with 16% of the budget, aims to supporting self-employment and also has few young participants (more below). In addition, the two programmes with the largest participation by youth, accounting for 31% of the total, are not exclusively targeted at youth and also have significant adult participation.

Table 1. Trends in Department of Social Protection employment support schemes (EUR million)

	Nature	2007	2010	2011	2012
Community Employment Programme	work-programme	357.5	368.3	356.7	315.2
Rural Social Scheme	work-programme	47.8	46	46.1	45.7
Tús - Community Work Placement Scheme	work-programme	0	0	30	84
Job Initiative	work-programme	40	30.2	28.5	27.2
Back to Work Allowance	Self-entrepreneurship	71	87.9	91.5	137.9
JobBridge	internship	0	0	20	65.8
Back to Education Allowance	training	64.1	179.8	198.8	183
Other programmes reviewed (est.)		10	16	17.3	15
Total above		590.4	728.2	788.9	873.81

Source: Department of Social protection.

In a context of structural change the ability to adapt to labour market needs is key for designing successful and efficient ALMPs. Allocating resources to those programmes that prove effective and efficient in improving the labour force performance of participants and abandoning those that do not help the unemployed return to work is vital to get value for money. It also enables the authorities to establish targets for government agencies and private sector service providers. All this calls for a systematic, independent, and rigorous programme evaluations and performance measurement. Evaluations should be able to isolate the effect of the programme from the outcome that would have been achieved without programme participation. This can be done either via experimental evaluations or quasi-experimental evaluations based on statistical techniques. Evaluation culture is well-established in North-America and the United Kingdom, and is progressing in some European countries such as the Nordic countries and the Netherlands. Ireland should also take decisive steps in this field. These steps should include greater political commitment to evidence based policy making (Johnston, 2006) and establishing legal requirements for evaluation including its funding. Linked to the rigorous evaluation, sunset clauses should systematically be introduced, implying a regular review of the need for policies and schemes.

When allocating resources to different schemes, preference should be given to those schemes that are effective in integrating participants in the labour market, to the detriment of those schemes with a poor performance in increasing the employability of participants, such as Community employment (O'Connell et al., 2009). The programme was originally targeted at those who have been unemployed for more than a year, aged more than 25 years and with low educational or disadvantaged backgrounds. Comparing the educational background of participants in 2008 vis-à-vis more recent years reveals that the share of persons entering the scheme with secondary or higher education attainment has increased, reflecting the persistence of long-term unemployment across the labour force. Community employment should not be expanded in its current configuration, focused on the provision of goods and services to the

local communities, but should be limited to the most disadvantaged participants with little realistic prospects in the open labour market and for whom there is no other alternative. Its funding should be treated and budgeted as providing welfare and social support and not as an active labour market policy. The extra resources freed up should be reallocated to other schemes more effective in improving the employability of participants such as *Momentum*, *Springboard* or ICT conversion programmes (see below).

The Back to Education allowance (BTEA) accounts for a substantial proportion of the education resources available to the unemployed. BTEA is a second chance educational opportunities scheme for people on welfare payments who wish to participate in full time education, from basic foundation up to third level courses. Since 1 January 2013, the allowance is paid to new entrants at a weekly rate equivalent to the rate of the relevant social welfare payment that qualifies the applicant for participation in the scheme, with the exception of under 25 year olds who are subject to a new ceiling of EUR 160. While the scheme is generous in providing the unemployed with re-education opportunities, it resembles more a pure education allowance rather than a genuine activation programme and the linkage with labour market needs is lacking. To better align the BTEA to the labour market, job-services should take a central role in the selection of the degree that the participant is going to pursue to ensure that the qualification and skills gained are adequate to the participant profile and are relevant to the labour market, in line with the recommendation in the Department of Social Protection review (DSP, 2012). As is done in other education programmes, a link between the degrees pursuable via a BTEA and the findings of the Expert Group on Future Skills Needs Expert should be established. Access to the allowance should be aligned to the school calendar to avoid unduly long waiting periods.

The most effective ALMPs are those based on the mutual obligation principle, whereby the unemployed receive income and employment support, and in return, they are required to participate actively in job-search and/or training (Martin, 2000; Kluve, 2006). PTW has mutual obligation as one of the core underlying principles but the limited resources devoted to job-assistance and monitoring may limit its effective implementation. Some countries, such as the Netherlands, have a strict implementation of the mutual obligation approach for youth, whereby authorities are obliged to give a young person aged 18-27 who applies for social benefits an offer of work, training or a combination, and the young cannot remain inactive and must accept the offer to be entitled to social benefits. Ireland should introduce a similar stricter mutual obligation compact for youth. The first step in such a compact or youth guarantee would be to provide those in long-term unemployment and those neither in education nor in the labour force with an offer of training or work so as to keep at bay social exclusion and marginalisation.

Improving the transition from school to work

An education system that prepares youth for entering the labour market is vital from both economic and social viewpoints. Ireland ranks favourably in terms of the share of the youth population that has completed tertiary education. Nearly half of those between 25 and 34 year old have completed tertiary education, which is one of the highest rates in the OECD (OECD, 2012). In addition, around a third of the fall in youth participation in the labour market since 2009 is accounted for by a return to education (Conefrey, 2012). Nevertheless there remains a large cohort of jobless unskilled youth and Ireland is under a profound process of structural change which requires substantial labour reallocation. This requires ensuring that the training system provides skills relevant in the labour market and meets the needs of the long-term unemployed, improving the apprenticeship system and making good use of internships. The general weak situation of European Union labour markets increases the challenges. Even in low to medium skills occupations, youth must be able to compete with other youth immigrants who are often well qualified and mobile from elsewhere in the EU.

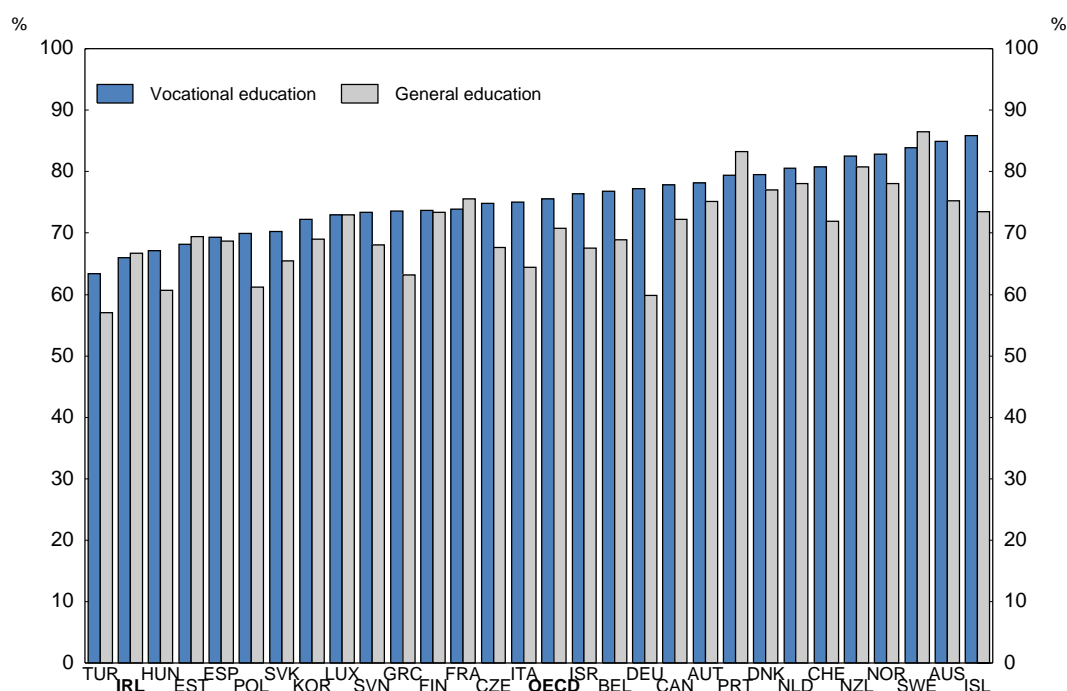
To tackle the mounting training challenges faced by Ireland, the authorities embarked in a re-organisation of the training system (Box 2). SOLAS, the new education authority in the Department of Education and Skills, will oversee the delivery of training to the unemployed and also of further education such as vocational training. While there are potential efficiency gains in pooling the funding for unemployed training and further education, SOLAS will face major challenges in terms of supervision and coordination. A key challenge will be to ensure that the training provided is effective in addressing the needs of unemployed, in particular of long-term and other disadvantaged unemployed. For that, the training providers should be chosen according to their ability to deliver suitable instruction, irrespective of whether they are embedded in the public sector or they are private sector providers. Given scarce resources, to increase effectiveness, the provision of training should be incentivised according to the number of jobs placements achieved. Effective coordination with the Department of Social Protection (DSP) will also be vital so that DSP can assess whether the training is having the appropriate impact on the employability of the jobseekers and ensure that the training is driven by the needs of the participants, rather than provider-driven. SOLAS, in coordination with the Department of Social Protection, should establish channels to monitor the attendance at the training schemes in a timely way so that the mutual obligations underlying Pathways to Work are maintained. A target of 51 000 placements has been reserved for the long-term unemployed and it is intended to intensify this in 2014.

Box 2. SOLAS, the new Further Education and Training Authority

The 33 vocational education committees, which provide further education, are being rationalised into 16 Education and Training Boards. In addition to providing for further education these Education and Training Boards will take over the responsibility for training services currently provided by FÁS. FÁS is being disbanded and a new body, SOLAS is being established. SOLAS will act as an oversight and funding body of the Further Education and Training sector. Further education encompasses a range of full and part time programmes. Full-time schemes are: Post Leaving Certificate courses, targeted at those who have completed a Leaving certificate (secondary education) or adults reentering education; Vocational Training Opportunity Schemes, aimed at unemployed over 21 years old and leading to secondary level qualifications; Youthreach, which provides integrated education and training for early school leavers without qualification. Part-time programmes are adult literacy schemes, community education for those harder to reach and the Back to Education initiative targeted at those who have not completed the Leaving certificate qualification (secondary education).

In most countries, vocational training has been identified as a significant determinant of ensuring an efficient school-to-work transition (OECD, 2010). Employment rates of those with vocational education and general education is the second lowest in the OECD after Turkey (Figure 16). In addition, contrary to most countries, in Ireland the employment rate of individuals with general education, which in principle tends to provide skills with fewer direct links to the labour market, is higher than those with vocational education. The recession and the subsequent shift in Irish growth model have important implications on the effect that different educational qualifications have on labour market transitions (Kelly et al., 2013). Before the recession having a post-leaving certificate (PLC), the largest vocational education scheme, was associated with the best prospects for getting into employment. Lower qualifications such as leaving certificate also had a significant positive impact. After the recession, there is no significant difference in the impact that a post-leaving certificate has in comparison with lower qualifications such as a junior certificate. On the contrary, while possessing a third level non-degree did not help in the pre-recession era, after the crisis the impact is positive, likely reflecting that employment growth is taking place in higher skill areas. Holding a third level degree had a positive impact on employment prospects before the recession, and the impact has increased after the recession (Kelly et al., 2013). In order to cope with these changing requirements it is essential to establish progression plans going beyond the traditional pathways (i.e. from school to higher education).

Figure 16. **Employment rates of individuals with vocational and general education attainment at ISCED 3-4 level, 2010**



Note: Countries are ranked in ascending order of the employment rate of 25-64 year-olds with vocational education at ISCED 3-4 level.

Source: OECD Education at a Glance 2012.

Research has shown that training providing high-level skills is the most effective in increasing employability, while general training tended to provide lower returns and low-skilled training seemed to have no impact on increasing employability of participants (McGuinness et al., 2011). In order to respond to the current demands for specialised workers, the emphasis of vocational schemes should be on specialised courses providing the participant with high-level skills relevant in potential growth areas in the labour market and including a job placement component (Ashton, 2002). The recently launched *Momentum* programme seems to incorporate many of these elements. The programme is targeted at the long-term unemployed and will provide 6 500 places in expanding employment areas of ICT, digital media, healthcare and social services, the green economy, food processing and sales and marketing. Participants in *Momentum* account for approximately 11% of total participants in all FAS programmes in 2013, so the scope of the programme is limited. Its effectiveness should be evaluated, and in case of positive results the programme coverage should be extended. As a general principle, education and training schemes need to be continuously evaluated so that unsuccessful schemes can be disbanded in a timely fashion and new ones set up. This is particularly important for vocational training schemes, which provide very specific skills, in some cases of limited versatility.

Apprenticeships can have large benefits for youth due to the combination of classroom and practical experience and tight linkages with employers (see Box 3). The current Irish apprenticeship system is concentrated in craft areas such as construction, the electrical sector, engineering, motor and printing. Contrary to the PLCs, whose workplace training periods have been found to be limited (Kis, 2010), apprenticeships provide abundant workplace training. Prior to the crisis the apprenticeship system provided around 8 000 new registrations every year, with a high concentration on the construction sector. After the

collapse in construction activity, registrations have stabilised at around only 1 000 every year and the government has announced a review of the apprenticeship system. In order to foster and facilitate the on-going labour reallocation, it is important that the new apprenticeship system goes beyond craft related activities and also provides skilled workers to other sectors of the economy.

The cost of apprenticeships is high in Ireland in international perspective. To improve cost-effectiveness, training on specialised equipment should take place in the company, where more up-to-date technology is available (Kis, 2010). On-going structural change in the Irish economy requires a flexible apprenticeship system where the terms of the apprenticeship depends of the needs of the specific sector, with real possibilities to create new apprenticeships rapidly enough to react to emerging needs and where resources and participants can be shifted towards those with better prospects. For that it is essential that a good level of foundation and transversal skills is ensured (Hoeckel, 2007). One key element of a successful apprenticeship and vocational system is to engage employers both in the design of the curricula and in the delivery of apprenticeship time. This is important because employers are aware of changing labour market needs. In the case of Ireland it is essential to involve SMEs, since they account for 70% of private employment. Coordinated shared training structures should be put in place to allow that smaller companies, with more limited training capabilities, can become engaged and participate in the system.

Box 3. A dual system of apprenticeship and vocational training

Countries such as Austria (OECD, 2013), Germany (Hoeckel et al, 2010) and Switzerland (Fazekas et al., 2013) have a longstanding tradition of apprenticeship systems based on a dual approach and associated with good labour market outcomes for participants. The main characteristics of the dual approach are:

- They combine learning time at a vocational school with learning time at a host company.
- Employers and social partners are engaged in the design, running and financing of the system.
- Employers get the possibility of hiring young workers “ready to work”, reducing spending on recruitment and training; employees get a recognized qualification together with related and relevant work experience.

The strength of the dual apprenticeship system is that all key stakeholders, including employers, social partners (trade unions, chambers of commerce, etc.) and experts from the vocational schools, are engaged in developing the vocational training curricular frameworks. The vocational school then takes care of delivering the theoretical part of the curricula, while the private companies provide the practical part. Around 60% of the training takes part in the company. The high involvement of employers in the design of the scheme ensures a good match between the supply of and demand for skills. It also provides flexibility to respond to the requirements of the labour market and to deliver training that is adjusted to changing needs.

In Germany, special mechanisms are in place targeted at SMEs, whose training capacities may vary. This includes intercompany facilities to supplement the training hosted at some SMEs and specific structures such as the “lead enterprise with partner enterprise”, whereby the lead enterprise keeps the overall training responsibility but part of the training is conducted at other partner enterprises.

Concerning higher education, to respond to the skills shortages in certain high skilled areas, the Higher Education Authority has launched *Springboard* and ICT skills conversion programmes. These schemes, some of which are oversubscribed, establish clear links with current and emerging labour market needs. *Springboard* offers part-time higher education courses for the unemployed leading to qualifications in growing and emerging sectors such as ICT, biopharma, green economy or international financial services. Recently-launched ICT Skills conversion programmes, are specifically aimed at building the supply of high-level ICT graduates. They include work-placement periods and are delivered in partnership with industry. In both cases a thorough evaluation of the outcomes of the schemes should be continuously

undertaken. If the initial promising results found in the on-going monitoring are confirmed, the programmes should be expanded.

Internships provide a less involved structured pathway from education to work. In 2012 the DSP rolled out *JobBridge*, a national internship scheme aimed at individuals with a welfare entitlement in the preceding six months. The evaluation of the program (Indecon, 2013) revealed that about half of the participants have secured employment since finishing their internships. Youth participants (i.e. those between 15 and 24 years old) accounted for 29% of all participants, and the highest participation was in the 25-34 age group, which was 45% of the total. Most participants had a bachelor degree and only few had lower qualifications, such as junior or leaving certificate. Most of the participants also had significant working experience: 85% had at least one year of previous working experience. Participation declined with the duration of unemployment prior to starting the internship. One third of participants had been unemployed for less than 6 months, and 40% of participants were long-term unemployed. A third of internships took place in the Dublin area, with a lower participation in some of the counties where youth unemployment is higher.

While the scheme has served many unemployed workers with working experience to regain employment, the impact on unemployed workers without previous experience has been more limited. Given the profile of the participants, the scheme seems to have functioned more as an employer incentive scheme, which subsidised the cost of employment, rather than as a genuine internship programme aimed at facilitating the transition of inexperienced young workers to the labour market. In order to break the circle “no experience-no job-no-experience” a specific track should be established for youth (Table 2). While an ex-post evaluation of the programme has taken place (Indecon, 2013), a more thorough evaluation, based on a full control group dataset, should be undertaken to assess its effectiveness in increasing employability when taking into account participants qualifications and previous working experiences. This would also contribute to further adjusting eligibility criteria to limit potential deadweight costs associated with the scheme.

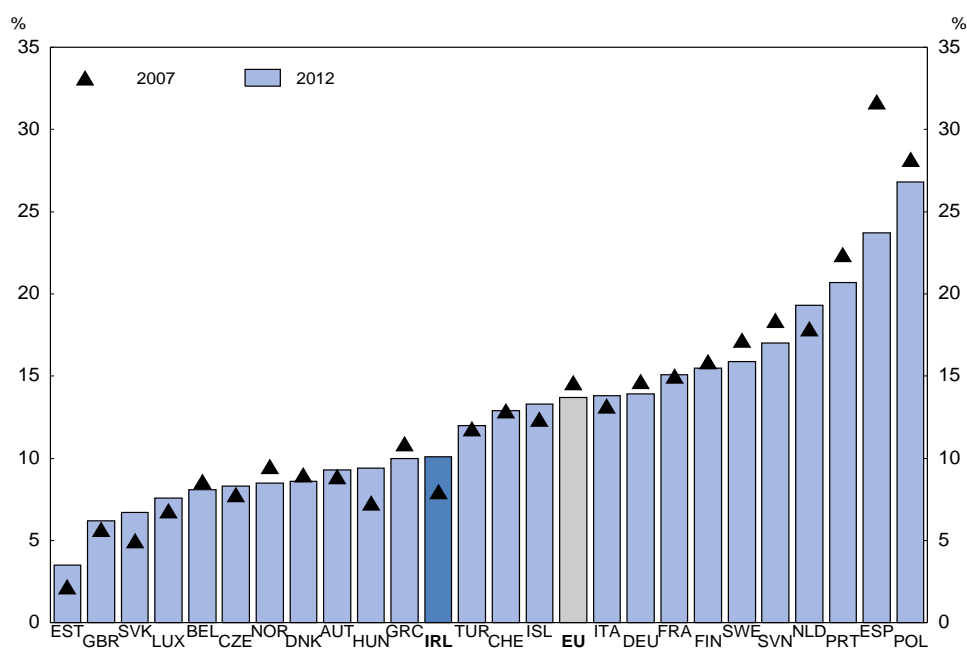
Reducing labour demand barriers for youth

Across OECD countries, the two main demand-side barriers faced by youth, and particularly by low-skilled youth, are inflexible employment protection legislation and high labour cost. Ireland retains one of the most flexible labour markets among OECD countries as measured by the OECD Employment legislation index. Despite that, the current economic uncertainty makes employers reluctant to hire on permanent contracts and they are making more use of temporary and part-time contracts (Figures 17 and 18). When faced with unemployment as the alternative, temporary and part time contracts are arguably a more favourable option. For young people entering the labour market for the first time, they can act as an initial stepping stone to permanent and full time employment.

As outsiders to the labour market, youth, in particular the low-skilled, are more likely to suffer from too high labour costs. The two main policies affecting wage and labour costs are the social security contributions paid by employers for low-pay/low-skilled workers and the minimum wage.

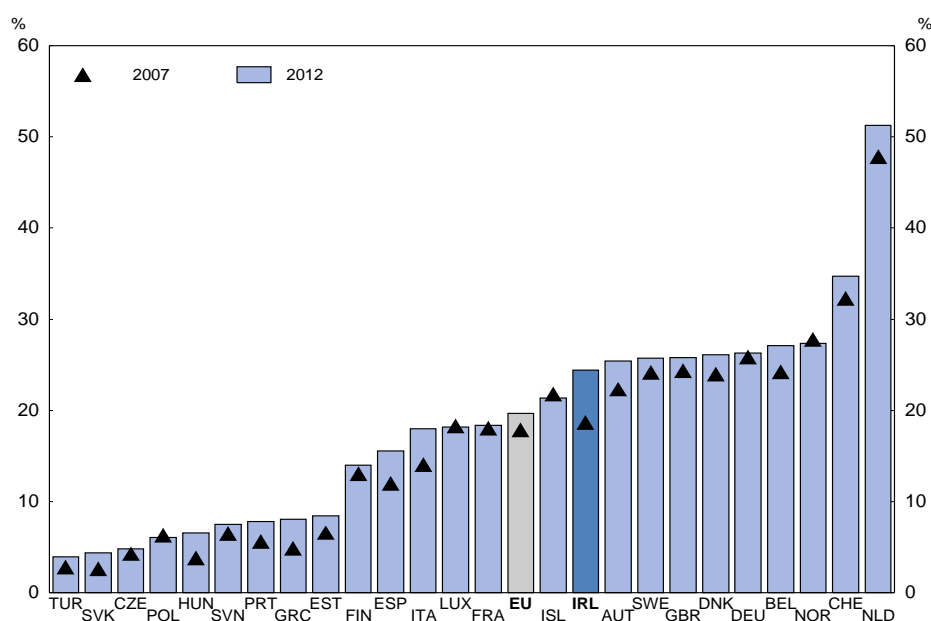
To improve conditions for job creation at the lower salary band, the Irish government extended the Employer Job PRSI Incentive scheme in 2012. The scheme provides an exemption in social security contributions for employers who take on an additional member of staff who had been unemployed for 6 months or more and had the potential to benefit young unemployed workers, especially the low skilled. However, the scheme has had low take-up, likely reflecting weakness of business confidence in that period and the lack of awareness by employers. As a response, the government plans to introduce *JobPlus* to provide those employers who hire unemployed workers with a cash payment. This new scheme aims at obtaining a higher take-up by providing a simpler framework. Employers will receive a fixed payment over two years for hiring an individual who has been unemployed for more than 12 months. The payment will be larger if the unemployment spell has been greater than 24 months. The scheme seems well targeted to address the difficulties that the long-term unemployed are facing but there is no specific provision for youth. As in the new internship schemes, this may put them at a disadvantage to adult workers who tend to have more working experience. The scheme should be evaluated to assess whether it is successful in facilitating the access of long-term youth unemployed to employment. In case it is not, a specific track targeted at youth long-term unemployment needs to be established.

Figure 17. **Percentage of temporary employees¹**



1. Persons aged 15-64. Number of temporary employees as a percentage of the total number of employees.

Source: Eurostat.

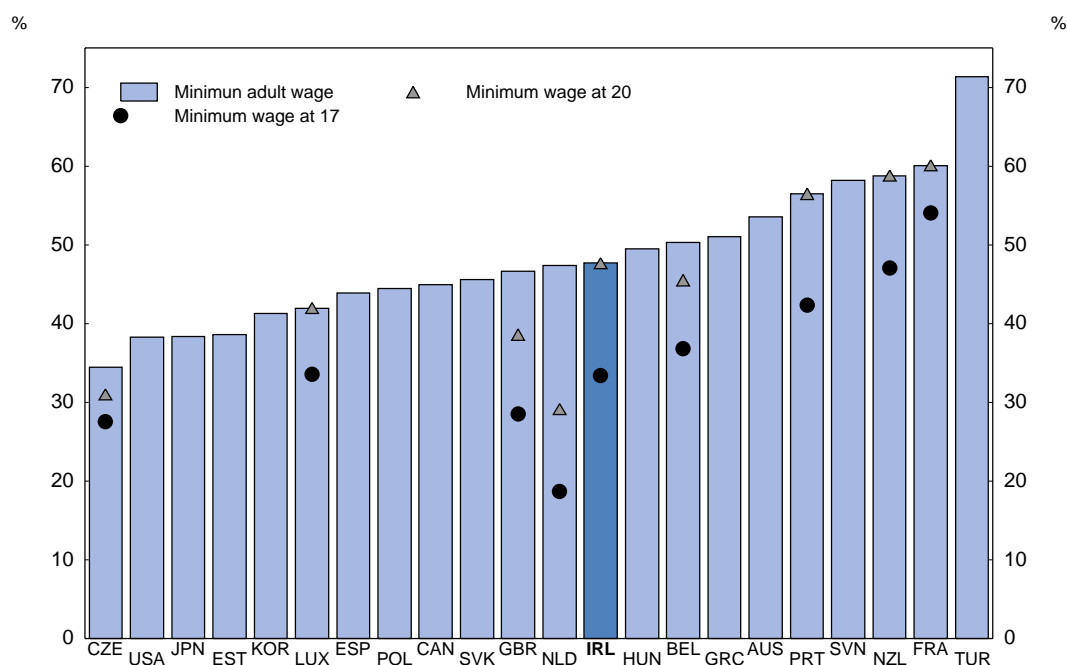
Figure 18. **Percentage of part-time employees¹**

1. Persons aged 15-64. Number of part-time employees as a percentage of the total number of employees.

Source: Eurostat.

Figure 19. **Minimum annual wage¹: difference between youth and adults, 2011**

As a percentage of median wage



1. Data refer to the gross wage, which does not take into account potential social contribution exemptions.

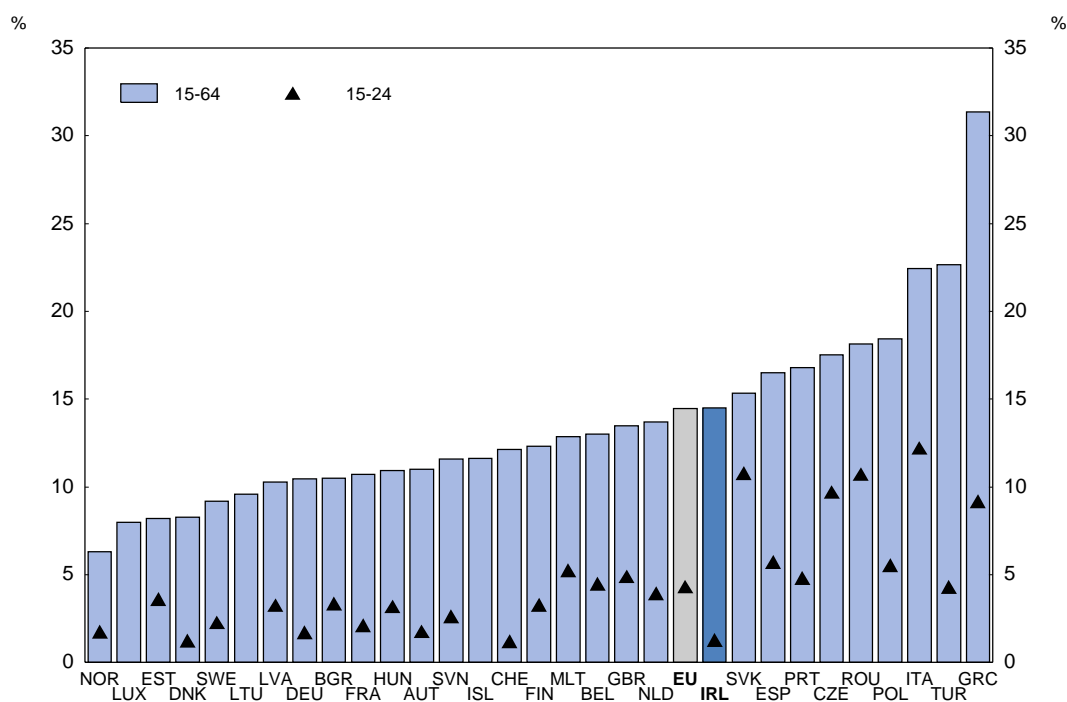
Source: OECD Minimum Wages and Earnings database.

A high minimum wage with respect to the median wage could increase the difficulties of those least productive or skilled to gain employment. In Ireland the adult minimum wage is EUR 8.65 per hour and there is a sub-minimum for youth: 70% of the adult minimum wage for those under 18 (and those who enter employment for the first time), 80% in the first year of employment since the age of 18, and 90% in the second year. Youth sub-minima are useful in taking account productivity differentials among workers depending on their age and experience. When compared with the median wage, the statutory minimum wage in Ireland does not stand out in international perspective. The setting of youth sub-minima varies across countries. For example in the United Kingdom the sub-minimum applies to youth under 22 (Figure 19). In conjunction with other relevant parameters, the government should ensure that the level of the minimum salary, including the youth sub-minimum, does not hamper the employment of lower-skilled young workers. In addition, it is also essential that the lower skills youth cohort gets re-skilled to fulfil the productivity requirements in the service sectors that are currently creating employment. Failing to do so will put lower-skilled youth in a disadvantageous position vis-à-vis highly mobile and skilled youth workers from other European economies whose labour markets remain depressed.

Supporting youth self-employment and entrepreneurship

The self-employment rate among youth in Ireland is very low in international perspective (Figure 20). While this may partly reflect the uncertain post-crisis economic environment, the financing constraints and emigration trends, barriers to youth self-employment include a lack of exposure to entrepreneurship training and entrepreneurship as a career option.

Figure 20. Self-employment rates¹ 2012



1. Self-employment as a percentage of the employment in the age group.

Source: Eurostat.

Table 2. **Summary labour market and training schemes and recommendations**

Programme	Scope ¹	Nature of programme	Eligibility ¹	Youth participation ¹	Recommendation
Community employment	315 EUR million 24 000 participants	Work-programme	People over 25 in receipt of specified social welfare payments for at least a year	Very marginal	Limit to more disadvantaged cases and budget as welfare and income support. Reallocate freed up resources to other schemes
Back to Education allowances	197 EUR million 26 000 participants	Second chance education	Welfare payment recipients for at least 3 months older than 21	About 15% of all participants in 2011	Job-services to take a central role in ensuring the relevance and adequacy of pursued studies
<i>JobBridge</i>	55 EUR million 5 500 participants	Internships of up to nine months	Recipients of welfare claim for at least three months in the preceding 6 months	About 33% of all participants in 2012	Establish a track for inexperienced youth
Back to work	127 EUR million 6 300 participants	Support self-entrepreneurship	Recipients of welfare claim for at least 12 months	39% supported under 35 years in 2011	Introduce mentoring and coaching for youth participants. Set-up mechanisms to allow follow-up of supported business
<i>JoBPlus</i>		Encourage hiring of long-term unemployed	Employers hiring long-term unemployed	To be assessed	Evaluate outcome. In case youth not well-covered establish a youth track
Training for employment (currently provided by FAS)	75 000 participants		Unemployed by referrals		More emphasis on high-skills and driven by employers and participants needs
Post-Leaving certificate (provided by VECs)	32 000 participants	Vocational education (post-secondary)		Most participants are above 21	More emphasis on high-skills and driven by employers and participants needs. Increase work-placement component
Apprenticeship	1 400 participants				Expand to other areas of the economy and allow for more participation by SMEs
Momentum	6 500 participants	Vocational education	Unemployed for 12 months or more	New program starting in 2013	Evaluate its outcome and expand according to the result of the evaluation
Springboard	6 000 participants per year	Part-time courses in higher education	Unemployed people		Evaluate its outcome and expand according to the result of the evaluation
ICT Skills conversion courses	700 participants	Intensive ICT training	Graduates with priority for long-term unemployed		Evaluate its outcome and expand according to the result of the evaluation

1. DSP (2012).

To develop entrepreneurship skills among youth, entrepreneurship and the option to work for oneself could be better integrated into the Irish educational system, starting from primary education, where students may get first exposure with entrepreneurship as a career option. Evidence signals that programmes aimed at instilling entrepreneurial attitudes and competencies in secondary education are effective in increasing the entrepreneurial intentions of participants, have a significant effect on the self-perceived

feasibility to start a company and increase the perceived desirability of the self-employment option (Lepoutre et al, 2010). Providing information, advice, coaching and mentoring, facilitating access to financing and offering support infrastructure for business start-up are also important elements (OECD, 2012b). While Ireland has in place specific programmes to support entrepreneurship by specific groups, e.g. Enterprise Ireland provides the Competitive Feasibility Fund for Female Entrepreneurs targeted at female-led new start-ups, there is no specific provision for youth entrepreneurship so far.

Back to Work Enterprise Allowance and Short-term Enterprise Allowance are programmes supporting self-employment among those on social welfare payments. In neither of these schemes there are specific support provided to youth and there is no follow-up concerning outcomes and survival rates of the business supported by the schemes. In order to allow for a more efficient and effective delivery of the schemes, the allowances should be granted in conjunction with a coaching and mentoring package especially when these schemes are granted to young unemployed. A centralized gathering of information related to the schemes should be developed to allow for a proper evaluation and follow-up of the supported business.

Better integration of disadvantaged youth

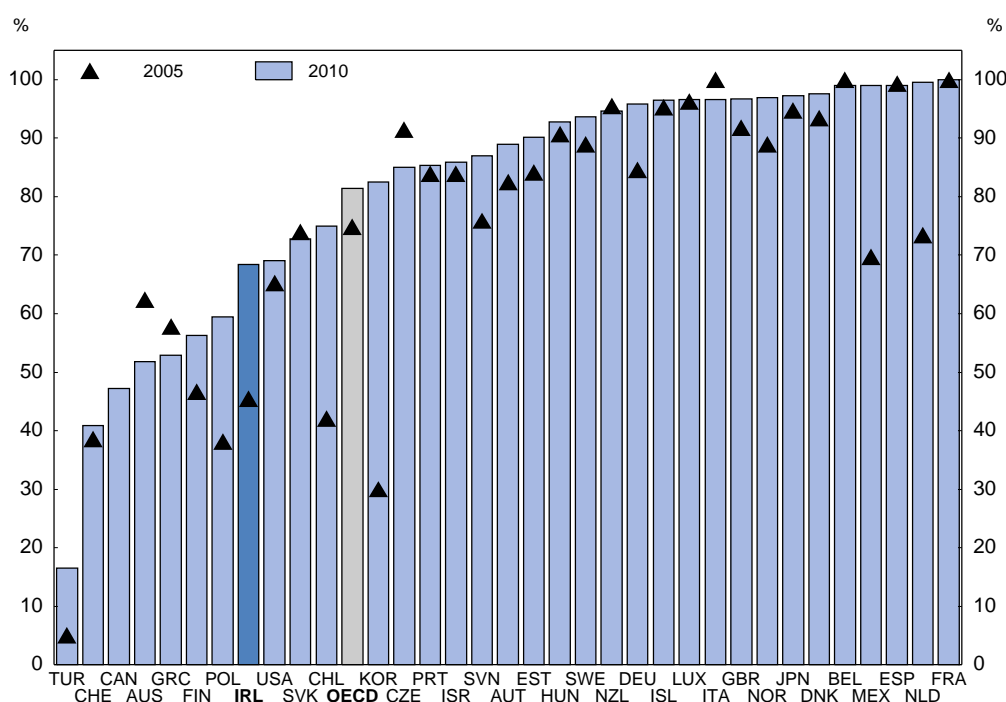
Standard policies are unlikely to work for disadvantaged youth i.e. those young workers who are disadvantaged by their personal circumstances from entering or re-entering the labour market, including youth of disfavoured social background or those with health problems or disability. Alternative schemes, such as the ones being provided by Youthreach, where participants received more inclusive and specialized attention, including adult mentoring, seem to offer good outcomes. Skill-upgrading should be tailored to the profile of the disadvantaged youth (OECD, 2010), and for that, the existing profiling models should be adapted to identify targeted pathways to work also for these people. Early action, and in particular enrolment in early childhood and primary education, has been identified as an effective way to mitigate social inequalities and avoid the perpetuation of social exclusion and poverty (Carneiro and Heckman, 2003; Caille and Rosenwald, 2006). Ireland's enrolment rate has increased but remains well below the OECD average (Figure 21). Efforts should be made to increase early childhood education as a preventive way to better integrate youth with more disfavoured social and economic backgrounds. This is also pertinent given the structural problems of workless households that Ireland suffers, with a high share of children living with lone-parents.

Ireland has the highest proportion of population in jobless households in the EU, and it was the second highest prior to the recession (Watson et al., 2012). The risk of long-term poverty is much higher for jobless individuals on benefits than for employed people. It is important that the tax and welfare systems operate to minimise disincentives to work especially for low-wage workers. This requires a careful and granular review of the interactions between tax and benefits for certain segments of the population to make work pay more vis-à-vis benefit receipt.

Employment rates of people with health problems or disability were already among the lowest in the OECD before the crisis, which signals some structural difficulties in accessing the labour market for these groups. Despite some recent changes, disability policy in Ireland remains mostly passive with little conditionality for the disabled group. Over the period 2000-10 the number of recipients of disability and illness allowances rose by 48% from 184 500 to 275 000 (DSP, 2012). The increase occurred in a context of general improvement in health and living conditions and strong demand for labour up to 2008, and partly reflects the easing of the conditions to access disability benefits as opposed to tighter conditions for unemployment benefits. At the end of December 2010 the Department of Social Protection introduced a Partial Capacity Benefit scheme with the intention of changing the current structure of the welfare system, which categorises people as 'fit to work' or 'unfit to work' and does not take into account those who have some capacity to work. This change is in the right direction; however, participation in the scheme remains

on a voluntary basis. Ireland is among the minority of OECD countries where young people can access disability benefits at the age of 16. DSP can refer young people to a mainstream training or to a specialist training provision. Nonetheless, no conditionality is imposed on benefit recipients. Disability benefit for young people should be more linked to participation in a targeted strategy towards reintegration in education or in the labour market.

Figure 21. **Enrolment rates in early childhood and primary education at age 4**



Note: The OECD area is the simple average.

Source: OECD Education database.

Mental health problems are increasingly becoming a major cause of labour market exclusion in many OECD countries (OECD, 2012c), and international evidence suggest that long-term unemployment can have significant negative effects on mental health (Paul and Moser, 2009). It is key that youth suffering from long-term unemployment receive adequate psychological support. The National Psychological Services (NPS) seem to have some good attributes including providing comprehensive psychological support in schools to intervene early and preventing mental health problems arising in the first place. However, as in other OECD countries, the ratio of individuals supported to psychologist is very high. Going forward, the role of the NPS and its capacity need to be stepped up to assist the employment services, particularly in supporting young people in long-term unemployment at risk of social exclusion and marginalisation.

Irish social enterprises have played a valuable role in fighting social exclusion through the number of disadvantaged or marginalised people they employ, but the sector remains comparatively under utilised in comparison with other European countries. Encompassing both nonprofit institutions and for-profits whose driving purpose is social, the social enterprise sector has the potential to provide significantly greater public returns by improving local communities and give youth more detached from the labour market additional working opportunities. In order to achieve such potential, the social enterprise sector, including

non-profits organizations, should be able to access the same kinds of government support as conventional enterprises including access to finance, knowledge sharing and business support services.

Box 4. Recommendations for getting Irish youth on the job track

Activating youth

To minimize the detrimental and enduring impact of long-term unemployment, establish a youth compact whereby those in unemployment will receive a compulsory offer of training, work or a combination.

To provide job-search assistance and activate the current cohort of long-term young unemployed, increase the number of caseworkers in the public employment service through internal redeployment.

Establish specific youth tracks in those schemes where youth is having difficulties to access (Table 1.2).

Fostering labour reallocation

To respond to the demand for specialised skills, concentrate training efforts in those schemes providing high level skills such as Momentum, Springboard or ICT conversion courses. Progression pathways between different education levels should be stepped-up.

To provide skilled workers to emerging sectors, expand the apprenticeship beyond craft-related areas involving the SME sector, better align curricula of vocational training to unemployed profiles and to employers demands and increase its workplace component.

Delivering cost-effective ALMPs

Establish a systematic and rigorous evaluation of all policies and schemes including sunset clauses to review at regular intervals the need for extensions. Based on the evaluation, reallocate resources to those schemes which are found to be effective in increasing employability (Table 1.2).

To adapt Pathways to Work to the changing structure of the Irish economy, establish a regular review and evaluation of the profiling model. Enlarge the model to encompass those more detached from the labour market.

Supporting youth entrepreneurship

Establish a strategy to provide youth with relevant training and support. Introduce mentoring and coaching in the existing programme supporting self-entrepreneurship among unemployed.

Better integrating disadvantaged youth

To reduce poverty risk and social exclusion, put a stronger emphasis on encouraging and facilitating the return to education or employment of those more unattached from the labour market by increasing mutual obligation approaches.

Step-up the role and the capacity of psychological services to assist employment services in supporting young people and increase early childhood education as a preventive way to better integrate disfavored youth.

To realise its potential in the social inclusion of disadvantaged people, the social enterprise sector, including non-profits organizations, should be able to access the same kinds of government support as conventional enterprises.

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