# LABOUR MARKET MONITOR

Vol. 1, No. 3: Winter 2014

## Welcome to Issue Three of *LMM*

In this issue of ***LMM*** we take a closer look at the youth labour market, along with wage and trends in the wider labour market, including data from the CSO and worrying new findings from NERI.

Wages are a live issue across the EU and we examine some newly-published information from the ETUC on minimum wage rates in Europe and feature analysis of developments in Austria.

The final ***LMM*** of 2014 includes a guide to the range of 'labour market activation' schemes that have arisen in recent years and last - but not least - we publish in full the official Congress response to a European Commission 'evaluation' of the role of Troika in Ireland. Well, they did ask.

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# Section 1: The Irish Labour Market

## Earnings & Labour Costs Survey (Q3, 2014): An Overview

Weekly average earnings in the private sector showed a decrease of 0.4% (-€2.24) from €608.22 to €605.98 in the year to Q3 2014, compared with a decrease of 0.9% (-€8.13) in the public sector (including semi-state sector) from €914.02 to €905.89. Wages rose in six sectors and fell in the remaining seven. The largest percentage falls were in education and health, which shows the effects of the Haddington Road Agreement. However, decreases are also evident in parts of the private sector such as accommodation and food services and in wholesale/retail. This points to the problem of low pay.

The extent of this problem is highlighted in the last two editions of the *Employment Outlook* of the Organisation for Economic Co-operation and Development (OECD) which defines 'low-paying' as jobs that earn less than two-thirds of a country's median income (the mid-point where half of the population are above and half below). On average, around 16% of jobs in OECD countries are considered low-paying.

Sweden and Finland's rates are in single digits while the incidence of low pay in the UK remained constant in this decade at 20.5%. Ireland's rate rose from 19.2% in 2002 to 21.8% in 2012. Put another way, Ireland's incidence of low pay was two percentage points above the OECD average in 2002, but 5.3% above in 2012, making Ireland the lowest scoring country in the EU on this measure.

This statistic serves to reinforce the need for the reintroduction of sectoral minimum wages, such as were provided by the Joint Labour Committees (JLCs). It also highlights the role of hours worked in determining earnings, the need for measures to give stability of hours worked and the need for the social welfare system to be neutral in this equation rather than supporting a low earnings regime.

## Quarterly National Household Survey

Looking at the employment numbers on a year to year basis, it will be seen that the total numbers in employment shows a modest increase of 4.5%.

| | | | | |
|---|---|---|---|---|
| Employed | 1899 | 1926 | | 1% |
| Part time not underemployed | 311.4 | 327.9 | | 5% |
| Part time underemployed | 139.3 | 124.3 | | -11% |
| Unemployed | 282.9 | 245.5 | | -13% |
| Potential additional | 56.6 | 47.8 | | -16% |
| Self employed | 309.9 | 317.6 | | 2% |
| Total employed | 1573 | 1595 | | 1% |

The decreases are interesting and indicate an improvement in the labour market – these are a decrease of 10.7% in the numbers of involuntary underemployed, of 13.2% in the number of unemployed and of 15.5% in to ‘potential additional labour force’ – such as those who have exhausted jobseeker's benefit but are ineligible for jobseeker's allowance due to a spouses earnings.

It will be seen that the rate of increase for the numbers of self-employed is double that for employees. Unlike in the case of underemployment, self-employed respondents are not asked whether their status is voluntary or not. On a regional basis, the largest increase is in the mid-east (basically the Dublin travel-to-work area) followed by the border region. The decreases are in the south west followed by the west, regions normally associated with the pharmachem and medical devices industries.

| | | | | |
|---|---|---|---|---|
| Border | 182 | 190 | | 4% |
| Midland | 111 | 113 | | 2% |
| West | 186 | 182 | | -2% |
| | | | | |
| Dublin | 570 | 577 | | 1% |
| Mid East | 217 | 230 | | 6% |
| Mid West | 153 | 156 | | 2% |
| South East | 194 | 203 | | 5% |
| South West | 287 | 277 | | -3% |
| | | | | |
| State | 1899.3 | 1926.9 | | 1% |

## SIPTU Wins Wage Increases

SIPTU has recorded 40 wage increases in 2014. Sixteen of the agreements were for a duration of 12 months, 11 were for a duration of between 13 and 24 months, and the balance were for a duration of greater than 25 months, mainly for a 36 month duration. Two agreements in the pharmachem/ medical devices sector have a 54 month duration.

Settlements continued the trend of 2013 and ran at about 2% on an annualised basis. There was little divergence between the sectors as can be seen:

| | |
|---|---|
| Agribusiness Meat/Dairy | 1.9% |
| Electronics and Engineering | 1.9% |
| Agriculture Food & Drink | 1.6% |
| Industrial Production | 1.9% |
| Pharmachem/Medical Devices | 2.05% |

At first sight this appears a slowdown on the number of agreements in 2013, where 74 were concluded. However only 28 percent of these agreements were of 12 month duration, with 53% due a phase payment in 2014 and 18% due a phase payment in 2015.

## Ireland's Youth Labour Market

### *Leaving School in Ireland Study (ESRI Research Series No. 36)*

Published in August 2014, this is a survey of a group of school leavers who left school in 2007 / 2008. The survey presents the result of interviews undertaken in 2011. Chapter seven deals with the labour market, and includes selected observations by the young people on their situation. We reproduce selected highlights of this chapter below:

Overall 23% of school leavers in the group were in the labour market during the initial post - school period (30% of males relative to 17% of females). Just over one - quarter of these labour market participants were unemployed, with the majority successful in gaining employment at this stage. In the 3 - 4 year period after leaving school , more young people progressed to the labour market, many on completion of further training or study.

Just under 40% of the school leavers were in the labour market at the time of the survey. Many of the remainder were in higher education. Almost half of the male labour market group reported that they were unemployed at the time of the survey, compared to 40% of female labour market participants.

Many of the survey participants are still not in the labour market at the time of the survey and some, especially higher education graduates, have only recently entered the labour market.

It is worth distinguishing between unemployment ratio (the proportion of all young people who are unemployed) and unemployment rate (the proportion unemployed among those in the labour market).

If we look at the unemployment ratio by main post - school pathway, 36% of those who entered the labour market directly upon leaving school were unemployed at the time of the survey compared with 30% of those who took PLC courses and 7% of those who went on to higher education. However, this does not give the full picture as many of the higher education entrants were still in full-time education at the time of the survey. Looking only at those in the labour market, unemployment rates were 37% for direct labour market entrants (including apprentices), 35% for recent higher education graduates and 52% for those who had taken PLC courses. A full 43% of young people surveyed had been unemployed at some time since leaving school.

This figure was much higher for those who entered the labour market immediately upon leaving school, for those who had taken an apprenticeship and for those who had taken a PLC course without going on to higher education, with around two thirds having had at least one spell of unemployment.

Of those who entered the labour market immediately after leaving school young men are more likely to have experienced unemployment than young women (75% compared with 57%).

The experience of unemployment was more prevalent among those who had attended working class schools (75% compared with 60% of those from socially mixed schools and 38% of those from middle class schools). Furthermore, those who had experienced some unemployment had significantly lower Leaving Certificate grades than those who had never been unemployed (9.8 compared with 12.3 grade points).

Working in shops or restaurants is predominant, with over 80% of the higher education group employed in these sectors. Only 15% of higher education graduates are in managerial and professional positions. This pattern may reflect the fact that these young people have left college only very recently. It should also be noted that those who took longer education courses have yet to enter the labour market.

Just 14% of school leavers in employment are members of a trade union in their current or most recent employment. Despite the wider economic context and the nature of the jobs in which young people are employed, school leavers feel relatively secure in their employment – 34% feel very secure, 44% secure and just 22% insecure.

Looking at the nature of the jobs young people hold, there are important differences between those who are studying and working part - time and those whose main status is employment. For 80% of those still enrolled in higher education, their employment is of a part-time nature. For those whose main status is employment, one fifth are working in a part-time capacity. There may be some element of under employment among the group.

It is interesting to note that among those who are currently unemployed, over half had been previously working in a part-time job. Unemployment was a common feature of the transitions process with more than 40% of all young people having at least one spell of unemployment. Among those in employment, the majority are in lower sales and service jobs.

Half of the higher education graduates and 40% of the PLC leavers surveyed felt that they did not use the knowledge and skills acquired through their education in their current job and around half of both groups rated their job as 'not at all' appropriate to their level of education.

This pattern may be explained by the recent graduation of these young people; furthermore, the fact that many of the cohort were still in higher education at the time of the survey means that we cannot give a full picture of post-graduation outcomes.

However, the pattern will be of concern if it persists beyond the early stages of labour market integration and young people become ‘stuck’ in these stop gap jobs. The study is worth reading, in particular for young people’s observations on their status. It is available at: http://www.esri.ie/UserFiles/publications/RS36.pdf

## NERI Worries on Wage Trends

The Earnings, Hours and Employment Costs Survey shows a fall in average weekly earnings of 7.8% between Q4 2008 and Q3 2014. However, when price inflation is factored in, the real value of average weekly earnings is down by 11.5% from Q4 2009 to Q3 2014.

Based on provisional estimates real wages have fallen again in Q3 2014. One possible explanation is that workers who stay in employment are seeing modest increases in wages but new entrants to the workforce are starting on much lower wages and this is dragging down the overall average for wages…. Set against a backdrop of rising employment it appears that lower paid workers (usually young or part-time) are gradually replacing older or better paid workers. At the other end of the age-spectrum there is some evidence that older workers are staying on in employment (sometimes as self-employed) and this is helping to increase overall employment totals (but not average wages). Looking in more detail at trends in real earnings, it is worth noting that broad types of employees have experienced differences with managers and professionals faring relatively better than production, clerical, retail, service and manual workers. On the face of it, the recent recession looks like a 'blue collar' recession.

An average fall of 11.5% in average weekly earnings is not the equivalent of a fall in disposable household income. The latter includes other forms of income; typically contains more than one individual; and is affected by taxes and social transfers to households (e.g. child benefit).

The latest NERI Quarterly Economic Facts indicates a nominal fall of 18% (or 17% in real terms) in average (median) disposable household income between 2008 and 2012. A further fall between 2012 and 2014 is likely pointing towards a real cut of over 20%. The overall picture that begins to emerge is a fall of around 10% in real average wages from a peak in 2009 and a much bigger fall of over 20% in 'living standards' as measured by average (median) disposable household income from 2008 to 2014. The fall in household income is related to falling wages, higher taxes and lower social payments (not to mention restricted social services).

A slump in aggregate demand - especially domestic demand - has put downward pressure on wages through reduced demand for workers. Continuing austerity has also taken its toll directly in the case of public service employment and wages as well as indirectly through falling demand in the economy.

Changes in working hours, compositional changes in the workforce and other factors are part of the explanation for these wage trends. Long-term trends in technology, trade and declining union bargaining power have also impacted on the wage share in advanced economies. The main point is that real wages have declined by over 10% since 2009 and the pattern has continued into the second half of this year. While a direct link from declining real wages to stagnant personal consumption expenditure cannot be made it is clear that the two are not unrelated. It is difficult to kick start the domestic economy without real wage growth.

Read the full story at: http://www.nerinstitute.net/blog/2014/12/12/the-wages-elephant-is-in-the-domestic-parlour/

## Section 2: Europe & Beyond

*In this section we look at an ETUC discussion document on minimum wages and report on recent unsuccessful attempts by Austrian employers to reduce wage growth*

Across Europe, the debate on minimum wages is developing. Six years into the crisis it is by now abundantly clear that the crisis management based on cutting wages and neoliberal structural reforms not only failed to generate growth and employment but rather led to far- reaching social repercussions such as a substantial increase of in-work poverty. Against this background, the debate about minimum wages in Europe acquired new momentum. In the summer of 2014, for instance, Germany decided to introduce a statutory minimum wage of €8.50 from 1 January 2015 onwards, with the possibility of collective bargaining agreements to deviate temporarily from this initial level.

Meanwhile, the Renzi government in Italy is proposing the introduction of a statutory minimum wage in an act to reform labour law, an act which, ironically, is mostly about further labour market deregulation. All this is not without implications for the policy discussion at European level, where the idea of a European minimum wage is gaining ground. This concerns in particular the European S&D party which has used the idea of a European support for minimum wages as one of the prime conditions for their approval of the president of the Commission Jean Claude Juncker.

The latter, in his speech before the European Parliament, referred to the idea of Europe making sure that a minimum wage exists in each member state.

Regarding minimum wages, in its resolution for a European Social Compact (June 2012), the ETUC declared itself in favour of minimum wages that respect the standards set by the Council of Europe , which in its 1961 European Social Charter stipulates that "all workers have the right to a fair remuneration sufficient for a decent standard of living for themselves and their families." (Part I, Article 4).

The Council's European Committee of Social Rights (ECSR) has since put forward a definition according to which a 'fair' or 'decent' wage is at least 60% of the average net wage - and certainly not below a level of 50% of the average net wage.

This reference however is not as clear as it may appear to be at first glance. This definition of a 'fair' or 'decent' wage raises at least three issues for discussion:

Some Basic Definitions

The Council of Europe does not refer to a 'minimum' wage as such but defines the 50 to 60% references as constituting a 'fair' wage. This is confusing and needs further clarification. The concept of the Living Wage in the UK comes closest to the definition of the European Social Charter by referring to a wage that enables the individual to meet the basic needs to maintain a decent standard of living within the community enabling the individual to participate in the social and cultural life. In quantitative terms the national living wage in the UK currently amounts to approximately 60% of the national median wage. The concept of the living wage embraces not only the idea of establishing a basic minimum floor of wages but also the ambition to ensure a 'decent' standard of living.

With respect to establishing a minimum floor two other definitions are relevant for the discussion about minimum wages in Europe. These are the low wage threshold - defined by the OECD as two thirds of the national median wage and the poverty wage threshold, which can be defined as 50% of the median wage.

Chart 1, below, presenting the various (statutory) national minimum wages as percentages of the national median wage illustrates that the statutory minimum wage in none of the EU countries reaches the low wage threshold as officially defined by the OECD.

France with 62%, Slovenia with 60% and Portugal with 58% come closest. It also illustrates that only four further countries (Hungary, Belgium, Latvia and Germany) are above the poverty wage threshold. The situation in the Nordic countries is very different. There, the collectively agreed minimum wages are generally between 60 -70% of the national median and therefore significantly higher than in the rest of the EU countries.

## Net Wages Versus Gross Wages

The Council of Europe definition refers to net wages rather than gross wages. The advantage of referring to net wages is that, firstly, the reference point is what workers actually receive in their pocket at the end of the month; and secondly, that it takes into account other redistribution policies through, for instance, progressive tax systems.

The key problem of referring to net wages is the complexity of calculating the net value of wages after the deduction of social security contributions and taxes. For this reason most of the international databases refer to the gross wage. Another argument against using net wages is the fact that the burden of providing decent wages is shifted from the employers to the state by ensuring sufficiently high net wages through redistributive policies and compensatory measures.

## Average Versus Median Wages

The Council of Europe uses the 'average' wage as the concept of reference, not the 'median' wage which is usually taken as the point of reference for international comparisons. While the average wage represents the arithmetical mean of all wages, the median wage divides the overall wage structure into two equal segments with one half of the employees earning more and the other half earning less than the median wage. Obviously, the choice of reference has practical implications for comparisons. The table below ranks the countries with a statutory minimum wage as percentage of the median and average wage.

Chart 1

| | Average wage | | Median wage |
|---|---|---|---|
| France | 50 | Turkey | 69 |
| Slovenia | 50 | France | 61 |
| Ireland | 44 | Slovenia | 56 |
| Belgium | 43 | Portugal | 56 |
| Netherlands | 42 | Hungary | 54 |
| Hungary | 40 | Lithuania | 52 |
| Poland | 40 | Belgium | 50 |
| Lithuania | 40 | Poland | 50 |
| uk | 39 | Romania | 50 |

| | | | |
|---|---|---|---|
| Portugal | 38 | Ireland | 48 |
| Turkey | 38 | Latvia | 48 |
| Slovakia | 36 | Netherlands | 47 |
| Latvia | 36 | UK | 47 |
| Spain | 35 | Slovakia | 46 |
| Luxembourg | 34 | Greece | 45 |
| Romania | 34 | Spain | 41 |
| Estonia | 33 | Luxemburg | 41 |
| Czech republic | 31 | Estonia | 39 |
| Greece | 30 | US | 37 |
| United States | 27 | Czech republic | 36 |

This demonstrates that the median wage as the more robust indicator is less sensitive to the few extreme outliers. The average wage is much more sensitive to outliers in the overall wage structure. Turkey and Portugal are two cases in point.

They are both at the top of the table when measuring the minimum wage as percentage of the median wage – and only in the middle of the ranking when the average wage is taken as reference point. In 2013, the minimum wage in Turkey was almost 70% of the median wage but only 38% of the average wage. For Portugal the respective figures are 56% of the median and 38% of the average wage.

The differences in the ranking of the two countries can be explained with the highly unequal wage structure in Turkey and Portugal and a large informal economy in which for many workers the minimum wage is the standard wage. This means that only a few extremely high wages push up the average wage.

Minimum wages can be useful as an instrument to increase wage levels paid out to relatively large groups of workers. Estimates show that some 16% of workers in Europe would benefit if minimum wages in Europe reached the standard of 60% of the median wage.

### *'Race to the Bottom Thwarted by Austrian Unions'*

(By Roland Jannsen, ETUC)

*In Europe, wage bargaining does not take place on isolated islands. What happens in one part of Europe tends to spill over to other parts. And so it can be expected that the deep wage cuts which workers of Euro Area deficit countries are suffering will sooner or later be used to try and press wages down in the 'surplus' countries as well.*

*A first sign that this may be in the pipeline comes from the recent collective bargaining round in the machinery sector in Austria. In these negotiations, employers launched the rather surprising idea of no longer linking wage increases with the expected rate of inflation in Austria which is 1.7% but with the current average inflation rate of Europe, which is 0.5% only. The employers' proposal would therefore substantially slow down wage dynamics in Austria.*

*This proposal is likely to be inspired by the usual concern of employers with wage competitiveness. With several European trading partners of Austria having squeezed inflation down to zero (or even to negative inflation rates in some* *cases), nominal wage dynamics in these economies will adjust and go down as well. If, however, wages in Austria continue to be based on a higher annual inflation rate, then the relative competitive position of Austria in terms of wage costs will gradually worsen. Hence, the employer's demand to replace the higher inflation rate of Austria in wage negotiations with the much lower inflation rates in its European trade partners.*

*The Austrian Unions rejected this employer demand and by mobilised for some action. In the end, and after tough and long discussions, an agreement with employers was reached on 29th of October. The agreement does not hold down wages next year as was proposed by employers but defines a wage increase of 2.1%. This can be thought of as reflecting a 1.7% inflation rate a as well as part of the productivity increase of next year (around 1% according to the Commission's most recent forecasts). In other words, employers in Austria did not really get what they wanted.*

*What would be the consequences if this peculiar rule of aligning national wage formation with very low European inflation rates were to be put in practice? Let's first consider Austria itself. By aligning wages in Austria on an inflation rate of 0.5%, wage cost pressure on prices will correspondingly fall and inflation itself will start edging closer to this annual rate of 0.5%. Austria, in other words, would be joining the team of Euro Area countries experiencing 'lowflation', as this is called by the IMF.*

*Is this a problem? Yes, because by running an inflation rate as low as 0.5%, an economy exposes itself to the risk of sliding into a situation of deflation when being hit by a negative economic shock. And once an economy finds itself in deflation, it is difficult to get out of it: deflation (falling prices) pushes up real* *interest rates, dragging spending, investment and activity even further down. At the same time the central bank often finds itself up against the so called zero lower bound interest rate and is therefore unable to cut nominal interest rates further.*

*In the case of Austria, with its banking system strongly connected with CEE economies, it is not hard to imagine such a negative deflationary shock taking place. One can for example think of additional fiscal tightening so as to find the public money to recapitalise Austrian banks after these incurred substantial losses on their loan portfolios in CEE countries.*

## *Consequences for the Rest of Europe*

*If implemented, the proposal of business leaders from Austria would hamper the ongoing process of rebalancing the Euro Area. Indeed, in the absence of a European investment push, the only hope for distressed Euro Area members to limit job losses is to keep up exports.*

*This hope disappears if 'surplus' countries such as Austria, despite having access to finance, also switch to a policy of keeping wages down. This will squeeze domestic demand inside the surplus countries, thereby negatively affecting the prospects for the 'deficit' countries' to export to the rest of the Euro Area.*

*Businesses in Austria can very well afford to contribute to some 'positive' Euro Area rebalancing by keeping real wages up and domestic demand going. Indeed, Austria still has a current account surplus, running as high as 2.7%. Austria followed quite closely the German strategy of wage cost stagnation over the first half of the past decade. As a result, its total increase in unit wage costs* *since 1999 is still below the wage cost increase in trade partners such as Spain or France.*

*This strategy of wage restraint has beefed up business profits. While Austria's gross operating surplus has gone down a bit in recent years, it is still quite a bit higher compared to 1999, the year when the single currency started. In other words, businesses in Austria still have buffers in the form of increased profit margins at its disposal.*

*Employers did not succeed in pursuing their idea of getting wage dynamics in Austria substantially down. That is a good thing. At the same time, it also means that a rather perverse form of 'Europeanisation' of national collective bargaining has now been put on the table. It is an 'Europeanisation' of collective bargaining whose objective is NOT to prevent member states from competing with each other into deflation and depression. Instead, its objective is to institutionalise the wage race to the bottom by proclaiming those member states that have cut wages and inflation the most as examples the others should follow. Let's hope that employers from the German metal sector do not take up this idea in their upcoming collective bargaining rounds early next year.*

## Economics …More an Art than a Science

A recent paper by Donal O'Neill - somewhat awkwardly titled *Minimum Wage Debate in the United States: Divided Opinion on The Fair Minimum Wage Act of 2013: Random or Systematic Differences* - analyses the support or opposition of economists' for the Fair Minimum Wage Act of 2013.

The paper examines the characteristics of almost 1,000 economists who signed petitions, either supporting or opposing the Bill prior to a Senate debate on the legislation. Systematic differences are found between those economists supporting the legislation and those opposing it.

Support for the legislation is higher among females and those who obtained their PhD outside the US. Financial economists are more likely to oppose the Bill, while those specialising in labour economics are more likely to support it. Furthermore the support among labour economists is strongest for academics who have received their PhD in recent years.

## Migrant Workers: New Developments & the Irish Connection

New EU rules are needed for foreign workers in Holland, according to SER, the Dutch equivalent of the NESC. Business rules covering foreign workers in the Netherlands need to be revised and there should be a EU-wide blacklist of companies which commit employment-related fraud, according to The report says a new plan needs to be drawn up to ensure worker mobility in Europe does not lead to some member states being disadvantaged. The council was asked to make recommendations for encouraging equitable labour mobility by social affairs minister following union complaints. SER says the EU rules are often abused to the detriment of Dutch workers, who are losing out on jobs to cheaper foreign workers and unfair competition. In particular, it says the rules on using staffing agencies need to be revised, the draft report states. Since 1996, companies have been able to take advantage of a clause in the legislation which allows firms to pay foreign workers in line with Dutch minimum wage rules but pay social insurance and pension premiums in their country of origin – which is cheaper. This shopping around for lower employment costs has occurred in the Dutch construction industry, and an Irish agency has been mentioned in this context.

Another example is often Hungarian lorry drivers represented by the FNV trade union, who are flown from Hungary to Eindhoven airport. They then travel to a town in Holland to pick up their lorry and spend the next three weeks driving in the Netherlands and abroad. The employer claims their work in the Netherlands is minimal and they are rightly paid according to Hungarian norms. The union says their Hungarian subsidiary employer is a letter box firm and everything, including the job interviews, took place in the Netherlands. The court will rule on the case on January 8th.

*Source: Dutch news*

## Section 3: Unemployment

### Do you know Your Job Path from your Jobs Plus?

At social events over the festive season, when the conversation turns to the labour market- as it inevitably does – you may be in danger of committing a social gaffe if you confuse Job Path with Jobs Plus, or mistaking the Back to Education initiative for the Back to Education allowance.

As a festive service to our readers, the LMM hereby attempts to set out a definitive guide to the plethora or labour market activation schemes currently operating. Since the mid 1980s the state has attempted to reduce unemployment by way of three types of measures: employer subsidy, education and training or social economy schemes.

The latter have more recently become known as 'activation schemes' and are listed each month in the live register figures. There are in addition to five other state schemes related to the labour markets, or with the word 'job' in their title.

Two schemes have no direct participant. They are Pathways to Work – which is the overall brand for the suite of programmes – and Job Path, which involves the contracting out of activation measures to private sector providers. (See below).

If this approach is successful –and the precedents in the UK are less than encouraging - this will have an effect on the potential number of participants for TÚS and community employment.

These schemes can be categorised under three headings – employer subsidy, social economy and education and training.

## Employer Subsidy

This involves giving money to an employer to hire an unemployed person, or allowing the employer to use the labour of an unemployed person for free. Subsidies to self-employment come under this heading.

The strength of this approach is that it introduces the worker directly to an employer, and gets the worker into insurable employment straight away. This is in contrast to other labour market schemes which aim at employment as the end point of a process. The weakness of this approach is that it may subsidise employers to recruit people they would have recruited anyway, even in the absence of a subsidy.

Schemes along these lines are Job Bridge, which is included in the live register appendix, and Jobs Plus, which is not.

Jobs Plus pays a subsidy to employers to hire long term unemployed people subject to certain conditions. The employer will be paid €7,500 over a two year period if they recruit and retain in employment a person who has been unemployed for between 12 and 24 months.

The employer will be paid €10,000 over a two year period if they recruit and retain in employment a person who has been unemployed for 24 months or more. There are currently approximately 2,500 participants on Jobs Plus, with the majority having been unemployed for more than twenty four months.

The conditions for Jobs Plus have certain positive aspects. Firstly it is preferable that if employers are to be subsidised to recruit workers that these workers should have normal pay and conditions.

Secondly the scheme incentivises employers to retain workers for at least two years, giving them rights under redundancy and unfair dismissals legislation. Thirdly, the thirty hours minimum threshold is an implicit acceptance of the union position on stability of working hours.

Social Economy

This involves allowing voluntary bodies to employ unemployed people as workers to carry out community-based work. This approach can harness the activities of the large voluntary sector and can therefore provide both reach and mass. Such schemes are useful for groups who have a low likelihood of securing ‘real’ employment. It has been stated that one outcome of these schemes has been to undermine voluntary work within communities. Additionally there can be an inbuilt conflict between the objectives of the sponsoring body to get work done and the needs of the scheme participants to progress to the labour market.

The largest of these schemes is Community Employment which has been in existence for about thirty years. TUS is more recent, but shares many of the characteristics of CE. In addition – and not included in the Live register - is the rural social scheme which provides opportunities for people on farm assist payments to do community work.

Two distinct administrative cultures have developed between TUS and RSS on the one hand, and CE on the other. CE devolves much of the work to the sponsoring committee including finance and payroll, while Pobal runs a centralised payroll system for both TUS and RSS schemes, acting as an agent for PAYE /PRSI.

The main difference between CE and TUS is that in the former, the sponsor recruits the worker whereas on TUS the Department of Social Protection nominates the worker to the scheme.

Education & Training

In addition to FAS training for unemployed people with approximately 8,000 participants, and the Vocational Training Opportunity Scheme with an estimated 5000 participants , the main provision is the Back to Education Allowance with 24,175 participants. BTEA supports unemployed people returning full time to study at either second or third level. In 2007 there were 5,980 receiving this allowance - the subsequent increase being related to the increase in unemployment.

In this case the money follows the student, so there is no set programme, as BTEA participants will be mixed in with 'regular' students. BTEA is funded by the Department of Social Protection (although provided in Education and Training Boards).

The Back to Education Initiative, on the other hand is funded by the Department of Education and Skills with the support of the European Social Fund. There are approximately 32,000 participants in three programmes, which operates mainly on a part time basis. It is delivered through ETBs who sometimes sub contract delivery to the community and voluntary sector.

It is accessible to Jobseekers' Allowance or Benefit recipients together with those who have not completed the leaving certificate. It enrols a very disadvantaged clientele – 60% had less than an upper secondary education in 2011. According to NESC, 43% achieved certification (2011). Of awards achieved, 27% were at Level 3, 20% at level 4 and 49% at Level 5.

While just over one half of BTEI participants are in the labour force (34 per cent unemployed and 20 per cent at work in 2011), almost one-half (46 per cent) are outside the labour force. 17 per cent were aged 55 or over (2011).

Participants on some of these programmes are included by the CSO in the monthly live register reports although the participants not counted as part of the live register

The criterion for inclusion of a scheme in the live register statistics is based on the receipt of a social welfare payment. It does however produce some anomalies. BTEA participants are included in the live register appendix while BTEI participants – possibly attending the same educational institution - do not. Job bridge participants are included in the live register appendix, while jobs plus participants are not. Strangest of all, numbers on VTOS can only be estimated

General Observations

There is a relatively large number of labour market schemes in operation, with a bewildering lack of diversity in titles. The schemes listed by the CSO in the monthly live register analysis gives only a partial view of the options available to unemployed people. Of the live register schemes, five have been closed to new entrants and are being left to wither.

It must of course be remembered that responsibility for these schemes is spread across three departments – Education & Skills, Social Protection and Jobs, Enterprise & Employment.

This has sound justification given the wide range of social and economic objectives to be served, but it does not lend itself to coherent analysis or evaluation.

## JOB PATH

This is the Government's new labour market activation service aimed specifically at the long-term unemployed and those most distant from the labour market. This involves the tendering out of services to the long term unemployed to two private entities. This process has been fraught with difficulty in other countries such as Australia and the UK, where the structure of payments encourages providers to either cherry pick the easiest to place or to 'park' the difficult to place in interim schemes out of the site of statisticians. DSP states that lessons have been learned from this, and that similar incentives will not exist in the Irish model.

Following the completion of a public procurement process two preferred tenderers have been selected. These are Turas Nua Ltd and Seetec Business Technology Centre Ltd.

Turas Nua is a new business and is a joint venture between FRS Recruitment (also known as farm relief services a co-operative recruitment company based in Roscrea) and Working Links (a UK-based well-established provider of employment services to long-term unemployed people). It will operate in counties Carlow, Clare, Cork, Kerry, Kildare, Kilkenny, Laois, Limerick, Offaly (part), Tipperary, Waterford, Wexford and Wicklow. There are currently some 80,000 long-term unemployed in these counties.

Seetec is a private company delivering a wide range of employability and skills programmes across both urban and rural areas of England. Seetec will operate in counties Cavan, Donegal, Dublin, Galway, Leitrim, Longford, Louth, Mayo, Meath, Monaghan, Offaly (part), Roscommon, Sligo and Westmeath. There are currently some 100,000 long-term unemployed in these counties.

It is intended to refer all current long-term unemployed to JobPath as well as those who become long-term unemployed. While it is a matter for the preferred tenderers to engage with local companies, both companies have indicated their intention to work with a range of local subcontractors, including local training companies as well as providers of employment services and specialist support services.

Between them the preferred tenderers and their sub-contractors will provide some 1,000 staff, in approximately 100 outlets across the country, to assist the long-term unemployed to obtain employment and to overcome barriers to employment. Subject to successful finalisation of contracts, it is anticipated that JobPath will commence in mid-2015. *(Source: Reply by an Tánaiste to a parliamentary question)*

Employment level by level of Education (2012)

*(*unemployment rate *in italic*s)

| Ireland | primary | secondary | tertiary |
|---|---|---|---|
| All | 44.1 *23.3* | 65.4 *15.2* | 80 *7.0* |
| Men | 52.5 *27.1* | 72.3 *17.7* | 84 *7.6* |
| Women | 33.8 *15.2* | 58.3 *11.7* | 76.5 *6.4* |

*Source: OECD employment outlook 2014 for Ireland*

Comparing the highest with the lowest level of education, the employment rate almost doubles for all the population and more than doubles for women. Regarding unemployment the rate for higher education is just more than half that of the group with just secondary education.

## And finally.......

In the best tradition of 'our opinion matters to you' customer surveys, Congress recently received a questionnaire from the European Commission seeking our views on the effects of the troika restructuring programme on Ireland.

The reply was written by Congress General Secretary, David Begg. It was addressed to Marco Buti, Director-General for Economic and Financial Affairs at the European Commission.

And just in case there remained the slightest doubt of the Congress view, or if members of the Commission continued to harbour fond delusions – Congress having previously described the Troika as treating Ireland like an 'economic laboratory' – this missive from the General Secretary will have set the record straight. And then some.

*Dear Mr Buti,*

*Thank you for your invitation to contribute to the ex-post evaluation of the economic adjustment programme for Ireland which I am happy to do.*

*My colleagues and I met with representatives of the Troika on about ten occasions over the period of the adjustment programme. With the exception of the IMF, with whom we eventually established a useful bi-lateral dialogue, our experience of the Troika was uniformly bad. In our experience they amounted to an unfeeling, uncaring technocracy of neo-liberal zealots. Our distinct impression was that they viewed Ireland as a potential economic laboratory within which to test their theories on austerity.*

*Our view from the outset has been that these austerity policies would fail, as indeed they have. The volatility of financial markets in recent weeks suggests that they have begun to realise that there is the possibility of a Eurozone-wide economic depression with very low inflation – perhaps even deflation – over the next ten to twenty years.*

*That Ireland seems currently to be bucking the trend owes nothing to the ministrations of the Troika. The economic recovery, such as it is, is largely related to Ireland's geo-political location. Whereas the Eurozone is a largely semi-closed market trading most of its goods and services internally in its own currency, Ireland is a small very open economy within a triangle of three currency zones, i.e. the Euro, Dollar and Sterling. It is the strength of the US and UK economies that is helping Ireland at the present time. Of course Ireland's recovery may not be sustainable if Europe lapses into a third* *recession. Secular stagnation will adversely affect the country's ability to deal with residual private and public sector debt issues.*

*It is worth recalling that at the onset of the recession Ireland had a gross debt to GDP ratio of 25 per cent, one of the lowest in Europe. In fact it had been running budgetary surpluses of 4-5 per cent in the preceding years. As such Ireland did not then have a fiscal crisis. It had a property crisis due to banks borrowing on interbank money markets facilitated by EU policies on capital market deregulation. It was a problem compounded by the ECB's insistence that no bank should be allowed to fail and no bond holder should be bailed into the solution.*

*Instead the Troika insisted on the type of policy response appropriate to a fiscal crisis.*

*If there is one thing that is clear from the 2008 crisis it is that EMU is not sustainable without also having a fiscal, banking and political union. The paradox of the EU integration project, of which EMU is the flagship, is that popular support for deepening of integration no longer exists.*

*In the case of Ireland the actions of the Troika are a major contributory factor to this paradox. We expected enlightened leadership and guidance, instead we got an entirely inappropriate policy response. We expected solidarity, instead we got hard-nosed neo-liberalism.*

*To their credit the IMF have been willing to admit their mistakes; not so the European Commission or the ECB.*

*From a workers' perspective we can at least acknowledge that we learned a lot from our engagement with the Troika. We know that the concept of 'Social Europe' has been consigned to the grave.  We know also that, in the event of an external shock, and absent the facility to devalue the currency, the whole burden of adjustment will be visited upon the workers of Europe through internal wage devaluation and cuts in essential services.*

*I hope this leaves you in no doubt about our view of the economic adjustment programme for Ireland.*

*I realise that it does not align with your questionnaire but it seems to me that the questions are predicated on an acceptance that the overall trust of the adjustment programme was correct.  This is not a premise we can accept.  On the contrary our view is that the approach of the Troika was fatally flawed from the beginning.*

*Yours sincerely,*
*David Begg, GENERAL SECRETARY,*
*IRISH CONGRESS OF TRADE UNIONS*

That's one less Christmas card this year, or perhaps three.