

Ireland and the Europe 2020 Strategy

Employment, Education and Poverty

A review of the social inclusion aspects of Ireland's National Reform Programme in the context of the Europe 2020 Strategy

*'...it is clear that building a stronger Social EU
is both a necessary investment to support economic growth
and underpin free movement
and an indispensable requirement to ensure
the EU's continuing political legitimacy'
(Frazer et al, 2010)*

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Overview

This report was compiled by *Social Justice Ireland* in light of the Europe 2020 Strategy and its high-level targets, and of Ireland's National Reform Programme, which sets out Ireland's response to achieving those targets.

The report covers three of the five headline targets established in the Europe 2020 Strategy and addressed in the Irish National Reform Programme, namely, employment, education and 'poverty and social exclusion'. In each of these areas the report identifies the Europe 2020 target and Ireland's corresponding headline target, and then:

- Analyses the current context;
- Assesses progress (or otherwise) in achieving the Irish headline target;
- Reviews recent policy decisions and assesses their contribution (or otherwise) to Ireland achieving its targets;
- Identifies a number of issues relevant to the achievement of the targets; and
- Makes recommendations on adjusting the targets that Government has set in particular areas.

A partnership approach to the development of National Reform Programmes is envisaged in the Europe 2020 Strategy, involving a range of stakeholders, including those from civil society. The report, therefore, also addresses the issue of governance relating to the consultation process on the framing and development of the Irish National Reform Programme. Suggestions are made on how that process may be improved.

This report has been prepared by *Social Justice Ireland* drawing on data available from the EU and from Ireland's Central Statistics Office (CSO) as well as on on-going work *Social Justice Ireland* is doing on European and global issues. It also builds on our 2011 report on this same topic. Our findings include that the austerity measures being pursued in many countries, and which are especially acute in Ireland, will result in the erosion of social services and will lead to the further exclusion of people who already find themselves on the margins of society, something that is of major concern to *Social Justice Ireland*. This runs counter to the aim of inclusive growth which is central to the Europe 2020 Strategy.

Implicit in the approach taken in the Europe 2020 Strategy is that economic development, social development and environmental protection are complementary and interdependent – three sides of the same reality. Overall, current trends in Irish public policy are running counter to the promotion of 'inclusive growth,' which is one of the three key priorities which underlie the Europe 2020 Strategy. Inclusive growth is not just about fostering a high-employment economy, it also aims to deliver social cohesion – it is integral to the Europe 2020 strategy and needs to be integral to the response of the Irish Government.

The information and data in this review cover the period to September 2012.

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1. Introduction and Context

It has been argued that a positive effect of the economic and fiscal crisis has been to increase awareness of the important role that social policy in general and social protection systems in particular can play as economic stabilisers. This in turn has reinforced the need to address the tensions between economic, employment and social objectives and to develop a more balanced and sustainable approach in the future (Frazer *et al*, 2010, p. 33). Adopted by the European Council in June 2010, the Europe 2020 Strategy set out to do that, and, while not without its critics, the Strategy is also seen as a significant development in social policy within the EU. In particular, its inclusion of targets aimed at increasing employment, improving education and reducing poverty and social exclusion are considered potentially significant because they highlight the importance of social policy goals to a vision for Europe's future well-being. In this report we look at key aspects of Ireland's performance in response to the Europe 2020 Strategy in the areas of employment, education and poverty.

The Europe 2020 Strategy

*'Europe 2020 now has the social dimension at its heart.'
(Communication from the EU Commission, 2010b, p.18)*

The Europe 2020 strategy was designed to address the economic and financial crisis that had wiped out 'years of economic and social progress', while also exposing what were considered to be structural weaknesses in Europe's economy. The strategy aims to turn the EU into a 'smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion' (European Commission, 2010, p. 5).

Frazer *et al*, have argued that the Strategy represents a major step forward in the development of EU policymaking, having increased the potential visibility and importance of social issues, and the possibility of 'a much more integrated and coordinated approach to economic, social, employment and also environmental governance' (2010, p.3). As these authors put it:

'The Lisbon Treaty and the Europe 2020 Strategy provide a significant, if far from perfect, opportunity to move towards a better and more mutually reinforcing balance between economic, employment and social objectives – and thus towards a stronger Social EU' (Frazer et al, 2010, p 34).

While there has been criticism of aspects of the Europe 2020 strategy (some of which we will discuss briefly in Chapter four¹), the existence of targets aimed at reducing poverty and social

¹ There has, for example, been criticism of the way indicators were combined to determine the target for 'poverty and social exclusion' (Nolan & Whelan, 2011). Another area sometimes considered problematic is the fit between the governance architecture of the Europe 2020 Strategy and EU social policy coordination as it had developed over a decade through the Social Open Method of Coordination (OMC) (Zeitlin, 2010).

exclusion will, it has been argued, create a new dynamic and impose pressure on politicians and policy-makers to deliver against those targets (Walker, 2011, p.1).

Priorities, Targets & 'Flagship Initiatives'

The Strategy articulates three priorities, five headline targets for 2020 intended to be representative of the three priorities, as well as a number of actions at national, EU and international levels to underpin them (European Commission, 2010).

The three **priorities** are:

- Smart growth: developing an economy based on knowledge and innovation,
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy,
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

The **headline targets** for 2020 are intended to steer progress toward achieving the priorities. They are:

- Employment – 75% of the 20-64 year-olds to be employed,
- R&D – 3% of the EU's GDP to be invested in R&D (includes public and private investment),
- Climate change/energy –
 - greenhouse gas emissions 20% lower than 1990 (or 30% if the conditions are right)
 - 20% of energy from renewables
 - 20% increase in energy efficiency
- Education –
 - Reducing school drop-out rates below 10%
 - at least 40% of 30-34 year-olds completing third level education
- Poverty /social exclusion –
 - The number of Europeans living in or at risk of poverty and social exclusion should be reduced by 20 million (this target is based on a combination of three indicators² - people are counted if they come under any of the three)

² This indicator corresponds to the sum of persons who are at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year (Eurostat, 2012)

The targets are intended to be representative of the three priorities underlying the Strategy (rather than exhaustive of them), and to be interrelated. So, it is recognised, for example, that better educational levels help employability, which in turn will help to reduce poverty. Targets were to be translated into national targets to reflect the current situation of each Member State (European Commission, 2010).

Seven **flagship initiatives** were proposed to underpin the priorities with actions at European and national levels. These are ‘Innovation Union’, ‘Youth on the Move,’ ‘A Digital Agenda for Europe’, ‘Resource Efficient Europe,’ ‘An Industrial Policy for the Globalisation era,’ ‘An Agenda for New Skills and Jobs,’ and ‘European Platform against Poverty’.

Amongst the flagship initiatives, the European Platform against Poverty (EPAP) is of particular importance in the context of this report, with its recognition that the vulnerable in our societies have borne much of the impact of the economic crisis, and

- that fighting poverty requires a response that cuts across all policy domains and that is mainstreamed into all policy development
- of the need for greater and more effective use of the EU Funds to support social inclusion (European Commission, 2010b, p. 5,6).

Integrated Guidelines

Ten **integrated Guidelines** for implementing the Europe 2020 Strategy were adopted by the Council in October 2010 (EU Council of Ministers, 2010 and 2010a). They include four guidelines relating to employment policies - although one focuses on social inclusion and poverty (Guideline 10). See Table 1. The Guidelines aim to provide guidance to Member States in defining their National Reform Programmes (see below) and in implementing reforms. Guideline 10 underlines the importance of labour market participation for those furthest away from the labour market and of preventing in-work poverty, as well as the role of pensions, healthcare, and public services in maintaining social cohesion.

| Extract from Integrated Guidelines for Europe 2020 | |
|--|---|
| Guideline 7 | Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality |
| Guideline 8 | Developing a skilled workforce responding to labour market needs and promoting lifelong learning |
| Guideline 9 | Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education |
| Guideline 10 | Promoting social inclusion and combating poverty |

TABLE 1: INTEGRATED GUIDELINES, EMPLOYMENT (INCLUDING SOCIAL INCLUSION AND COMBATING POVERTY).

Source: EU Council of Ministers 2010a

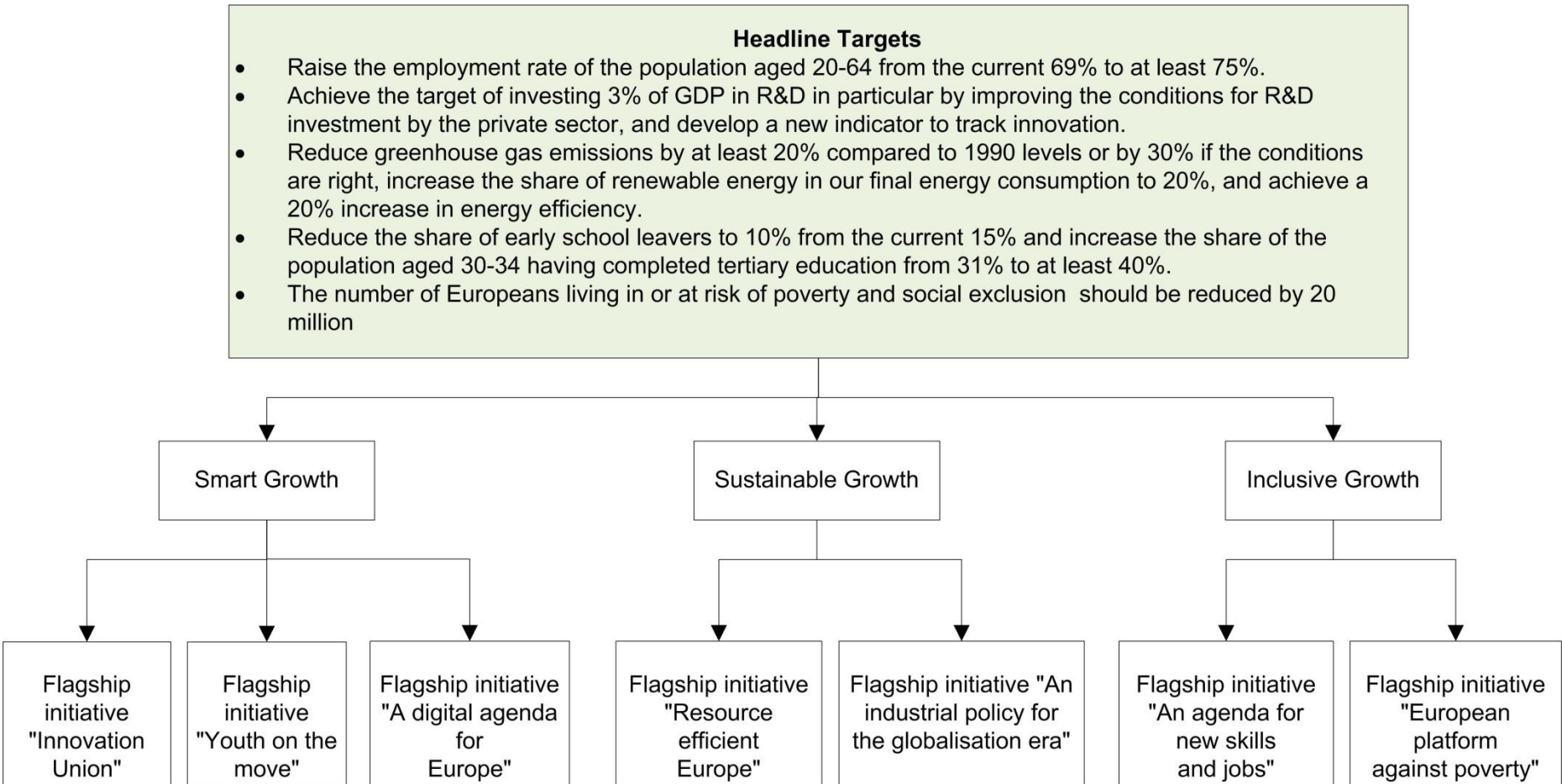


FIGURE 1 EUROPE 2020 STRATEGY FRAMEWORK

Monitoring and the European Semester

In order to monitor progress towards the achievement of its targets, the Europe 2020 Strategy envisaged country reporting in the form of National Reform Programmes. These are intended to help Member States to develop strategies for sustainable growth and sustainable public finances and to track progress toward targets. In light of the Europe 2020 Strategy, the Social Protection Committee examined the pre-existing Social Open Method of Coordination (OMC)³, concluding that OMC (across its three strands of social inclusion, pensions, health care and long-term care) would be essential to assessing the social dimension of the 2020 Strategy.

It was recommended that, at the same time as reporting under their National Reform Programmes, Member States would annually be invited to report on progress in National Social Reports (The Social Protection Committee, 2011).

A key feature of governance relative to the Europe 2020 strategy was the introduction of a new annual reporting cycle, the 'European semester,' which commenced in January 2011. One of the aims of the new structures was to align the way the EU's Stability and Growth Pact is implemented so as to improve coordination with the 2020 Strategy (European Commission, 2010a). The year 2012 is the first year in which National Social Reports are to accompany National Reform Programmes of Member States and form part of the reporting cycle under the European Semester. See box below.

The Europe 2020 Strategy envisages a partnership approach to the elaboration of National Reform Programmes and to the implementation of the Strategy – one that includes EU Committees, national parliaments, regional and local authorities as well as social partners and stakeholders in civil society (European Commission, 2010).

³ The 'OMC' or Open Method of Coordination was initiated by the 2000 Lisbon Strategy, and was succeeded by the development of social indicators agreed in Laeken in 2001 (and consequently often called the Laeken process) and subsequently developed and refined on an ongoing basis. It involves a peer review process developed to assist policy learning. The OMC process includes agreement on common objectives, commonly defined social indicators, development and peer reviewing of national strategic reports along with recommendations for policy change (Walker, 2011).

The European Semester

The cycle of the European semester is as follows:

- **Feb/March:** European Council identifies the main economic challenges and advises on policies based in the Commission's *Annual Growth Survey*,
- **April:** Member States submit their National Reform Programmes, indicating the actions they will take, in areas such as employment and social inclusion, as well as their Stability and Convergence Programmes on public finances; from 2012 they also submit National Social Reports,
- **June:** the Commission presents country-specific recommendations addressed to Member States,
- **Second Half of Year:** Member States finalise national budgets and policies based on advice received
- **Nov/Dec:** Annual Report of the Social Protection Committee, which (from 2012) is to inform the Commission's *Annual Growth Survey*,
- **Jan:** Commission assesses how Member States have taken EU guidance into account (*Annual Growth Survey*).

(European Commission, 2010a; The Social Protection Committee, 2011, 2011a)

Recent European Context

The Annual Growth Survey published by the EU Commission for 2012, which launched the 2012 European Semester, recognises that in addition to economic challenges, the 'social tissue of the EU is being put to the test' and that already vulnerable people have been disproportionately affected. It recognises also signs of increased income poverty, especially amongst children, and resulting in acute health problems and homelessness in extreme cases (European Commission, 2011, p.12). Tackling both unemployment and the 'social consequences' of the crisis features amongst five priorities identified for 2012 (European Commission, 2011, p. 3)

The Survey recommends attention to the following social dimensions in the programmes being pursued by Member States:

- the distributional impacts of reforms to avoid compounding existing social difficulties, the needs of the most vulnerable in any tax shifts,
- young people not in employment, education or training,
- improvement of the effectiveness of social protection systems...avoiding precipitate withdrawals of past extensions of coverage and eligibility (European Commission, 2011, p. 3-11).

Irish National Reform Programme - Targets

The Irish Government submitted a National Reform Programme in 2011, and an 'Update' in 2012. To date no National Social Report has been submitted.

The following targets for employment, education and poverty reduction are set out in the Irish National Reform Programme:

To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.

To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%

To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% less by 2020, from the 2010 baseline rate of 6.2%, which will lift at least 200,000 people out of the risk of poverty and exclusion between 2012 and 2020. Revised Target, 2012 (Government of Ireland, 2012).

In 2012, the target in respect of poverty contained in Ireland's National Reform Programme Update was revised and is considerably less ambitious than formerly. Previously it targeted a consistent poverty rate of between 2-4% by 2012, the elimination of consistent poverty by 2016, and at least 186,000 people lifted out of the risk of poverty and exclusion. The current target is related to the 6.2% rate of consistent poverty in 2010, aiming only to reduce those experiencing consistent poverty to 4% by 2016 and to 2% or less by 2020. We will return to consider this in Chapter four.

While recognising the interdependence of economic, environmental and social sustainability, it is not within the intended scope of this report to address all components of the Europe 2020 Strategy targets or the Irish National Reform Programme. Each of the above targets will be considered in the next three Chapters of this Report, which will focus on employment, education and poverty, respectively. The issue of governance will be considered in the fifth Chapter.

2. Employment

EU Headline Target: The employment rate of the population aged 20-64 should increase from the current 69% to at least 75%, including through the greater involvement of women, older workers and the better integration of migrants in the work force (European Commission, 2010).

Ireland Headline Target: To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy (Government of Ireland, 2011).

European Context

Under its 'inclusive growth' priority, the Europe 2020 Strategy envisages a high-employment economy delivering economic, social and territorial cohesion. Challenges identified in this context include high unemployment, low skills, those working who do not earn enough to get out of poverty (that is, the 'working poor'). The Strategy referenced the following facts about Europe (based on the data available when the Strategy was adopted in 2010):

- Only two-thirds of the working-age population are employed
- About 80 million people have low or basic skills
- 8% of those at work do not earn enough to reach the poverty threshold
- At 21%, the unemployment rate for young people is particularly high
- There is a strong risk that those away from the labour market or those poorly connected with it will lose ground *(European Commission 2010, p.17-18)*

European policy recognises the need to integrate social and employment policy solutions especially in light of the fact that so many people with jobs are at risk of poverty (European Commission, 2011a, p. 13). As well as including a major focus on employment, the 2020 Strategy emphasises education, training and lifelong learning (European Commission, 2010, p.12,18).

Figure 2 below shows the position of EU States for 2010 and 2011 relative to the high-level employment target (75%) set out in the Europe 2020 Strategy for people aged 20-64⁴. Five countries now already exceed the 2020 target (Sweden, Netherlands, Germany, Denmark and Austria). However, the European average rate of employment is 68.6% (EU 27). Ireland's rate has dropped from 65% in 2010 to 64.1% in 2011. It is below the European average and is almost 11% lower than the Europe 2020 Strategy target of 75%.

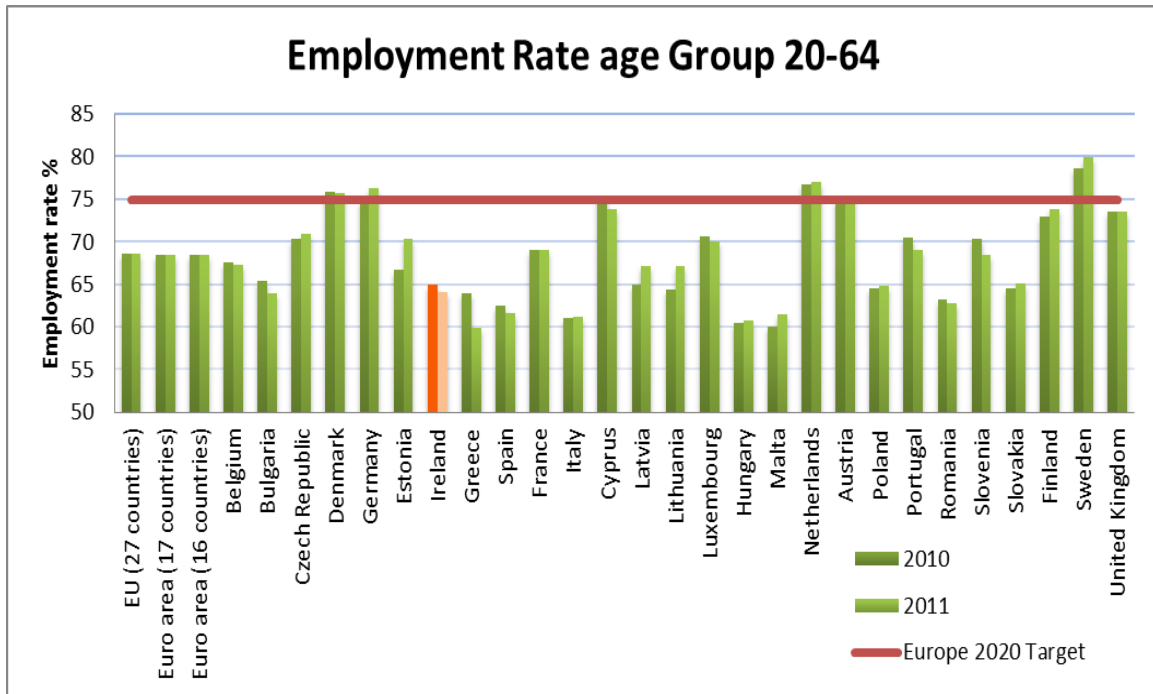


FIGURE 2: EMPLOYMENT RATE IN EUROPE SHOWING THE EURO 2020 TARGET OF 75%.

Source: Eurostat, 2012

In a recent review, the European Commission noted worrying trends across Europe - overall, to reach the 75% target, some 17 million jobs would have to be created by 2020, and, given recent trends the Commission can see 'little hope of any significant progress soon' (European Commission, 2012a, p. 15,16, 69).

As already stated, Ireland's 2020 target for employment according to its National Reform Programme is 69-71% for those aged 20-64. Figure 3 shows how European countries, including Ireland, are performing relative to their individual national targets. Ireland's employment rate is

⁴ The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey. The survey covers the entire population living in private households and excludes those in collective households such as boarding houses, halls of residence and hospitals. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent (Eurostat, 2012).

falling, rather than rising, going from 65% in 2010 to 64.1% in 2011. In 2011, only seven countries out of EU27 had lower employment rates – Greece, Spain, Italy, Hungary, Malta, Bulgaria and Romania.

As regards unemployment, with a rate of 14.6⁵%, Ireland’s is amongst the highest in Europe, exceeded only by four other countries – Greece, Spain, Portugal and Latvia (Eurostat, 2012a).

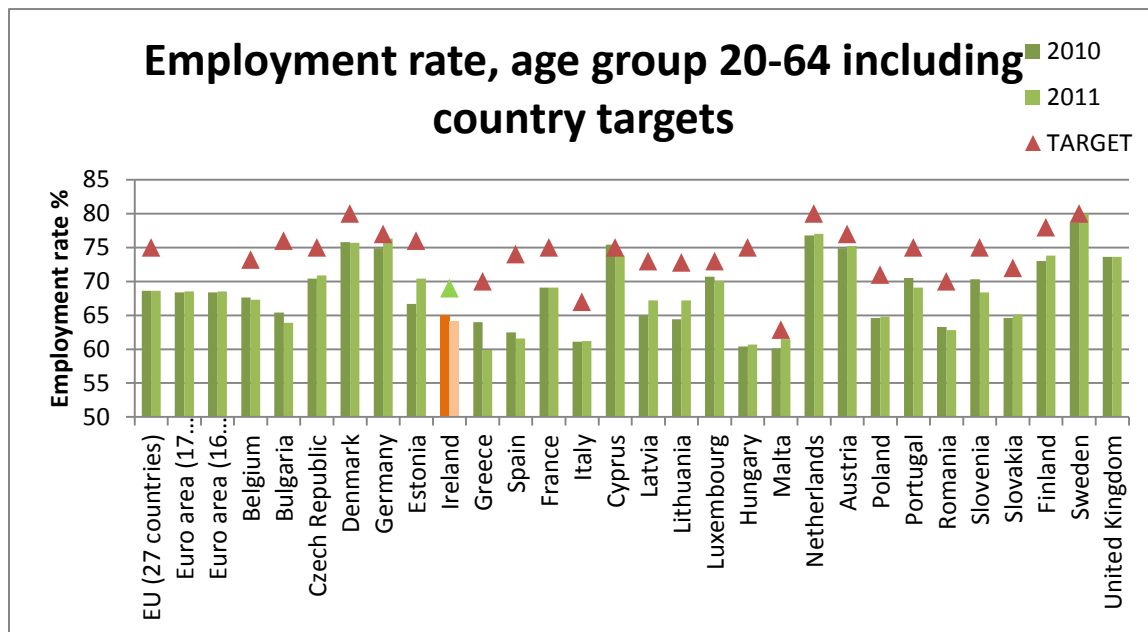


FIGURE 3: EMPLOYMENT IN EUROPE SHOWING THE TARGETS SET BY INDIVIDUAL COUNTRIES.

Source: Eurostat, 2012

Ireland: Employment and Unemployment

Since 2008 Ireland has seen a return to widespread unemployment with serious consequences not only for the exchequer but also for individuals, families and the social fabric. Figure 4, below, shows the employment rate of 20-64 year olds in Ireland for the years from 1992 to 2011, and of those aged 15-64 during Quarter 1 of 2012. It illustrates that, after increasing for many years, there has been a steady drop in the employment rate from 2007 onwards to a rate of 64.1% in 2011.

According to the Quarterly National Household Survey of the Central Statistics Office (CSO), amongst those aged 15-64, the overall employment rate is 58.6% for the first quarter of 2012 and was 59.3% in the last quarter of 2011 (CSO, 2012a).

⁵ This appears to have been revised down from 14.8% by 0.2percentage points for comparison purposes due to ‘the inclusion of the most recent EU Labour Force Survey data in the calculation data and calculation process and updates to the seasonally adjusted series’ (Eurostat, 2012a).

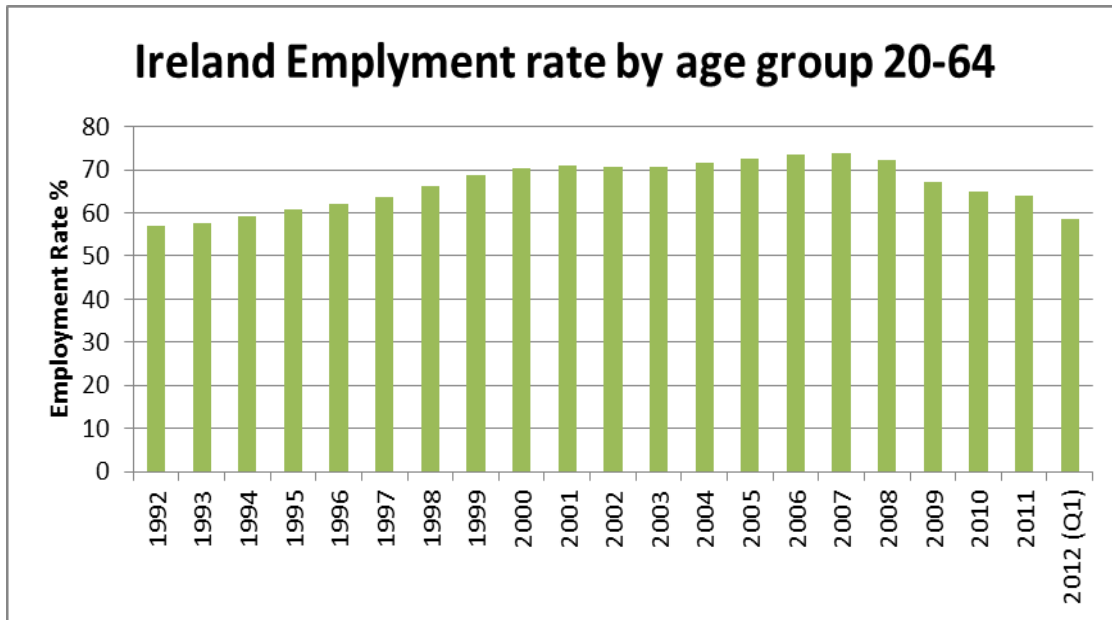


FIGURE 4: EMPLOYMENT RATE OF AGE GROUP 20-64 IN IRELAND, 1992-2011, WITH QUARTER 1 FOR 2012.

Sources: Eurostat 2012, years 1992-2011; CSO, 2012a, Q1, 2012 (note: the 2012 figure is for quarter 1 only, and relates to those aged 15-64)

One consequence of all these job losses has been a sharp increase in unemployment and emigration. See Table 2 for overall figures on unemployment, long-term unemployment and youth unemployment.

- The current unemployment rate is 14.8% (309,000 people) (CSO, 2012 a).
- The share of adults living in households where no-one works rose by 2% to 14.6% in 2010 (European Commission, 2012a, p87).

The rate for young people is particularly high with the greatest increase seen amongst the 25-34 and 35-44 year old groups between Q1, 2005 and Q1, 2011 (a period when the unemployment rate increased by over 240%) (CSO, 2011c). In 2011, 178,000 of those unemployed, or almost 60%, had no more than second-level education with 95,000 not having completed more than lower secondary (equivalent to the junior certificate); at the other end of the scale 12% (38,700 people) of all those unemployed had at least a degree (Healy, *et al*, 2012, p. 146,147, based on CSO, QNHS on-line database, table S9a). The preponderance of people with lower levels of education suggests that re-skilling should be an important part of the response.

| Unemployment : Headline Figures , 2012 (Q1) | | | |
|---|--------------------------|-------|----------------|
| Unemployment rate | | 14.8% | 309,000 people |
| Long-term unemployment rate | Unemployment rate | 8.9% | 187,400 people |
| Unemployment, People (25-34) | Young | 20.7% | 101,300 people |

TABLE 2: UNEMPLOYMENT: HEADLINE FIGURES, Q1, 2012

Source: CSO, 2012a

The worsening employment situation and the sheer number of individuals and families affected requires a range of responses. We will mention in the following sections a number of recommendations from *Social Justice Ireland* to address the problem.

Long-Term Unemployment

The Europe 2020 Strategy recognises that those with least connection to the labour market are especially at risk. In Ireland long-term unemployment is a particular problem. This is at a time when (since 2009) there is an overall decline in the labour force due principally to net migration, which, evidence shows, is most heavily concentrated in the age groups 20-24 and 25-34 (CSO, 2012a).

- The long-term unemployment rate is 8.9% (187,400 people), and this represents 60.6% of total unemployment (compared with 55.1% in 2011), representing a return to rates not seen since the late 1990s.
- The Irish long-term unemployment rate is well above the European average rate of 4.3%. *(CSO, 2012a; European Commission, 2012a)*

The European Commission describes long-term unemployment in Ireland as ‘dramatic’ and noted recently that it is particularly marked amongst men, with no signs of levelling off (European Commission, 2012a, p.87). At 8.9% Ireland’s long-term unemployment is at its highest rate since 1988, as Figure 5 shows.

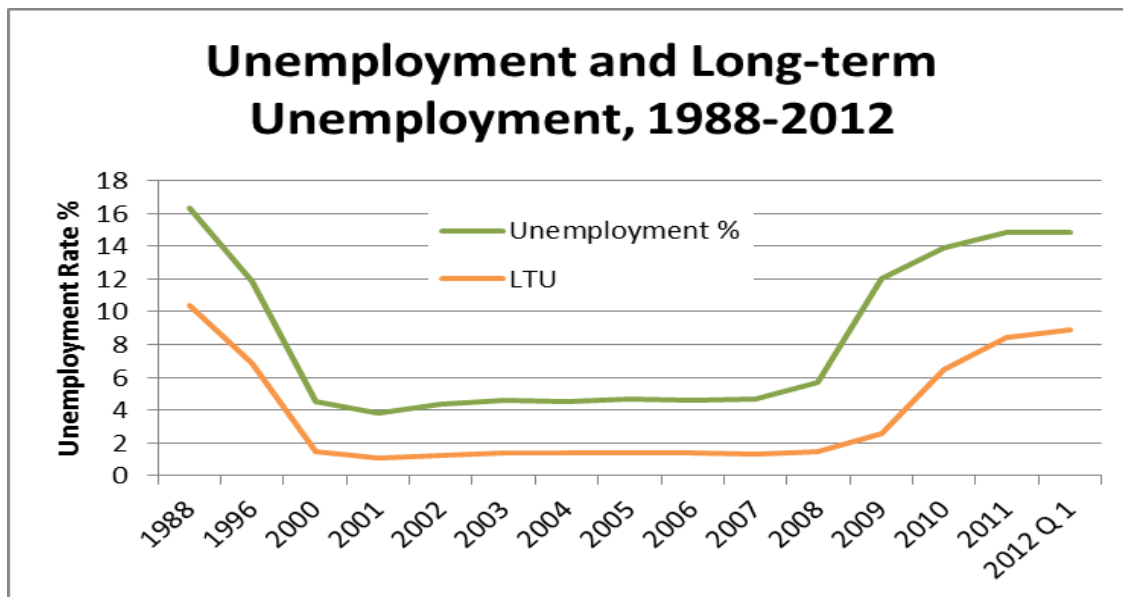


FIGURE 5: UNEMPLOYMENT AND LONG-TERM UNEMPLOYMENT, 1988-2012.

Source: *Social Justice Ireland*, 2012, based on the QNHS figures from the CSO

Long-Term Unemployment: *Social Justice Ireland* Response

The longer people spend unemployed is directly related to their likelihood of re-entering paid employment. For example, the European Commission’s Spring 2012 Review of Ireland notes that recipients of benefits for less than a year have a 60% higher chance of leaving unemployment than those recipients of between one and two years (European Commission, 2012b, p. 41).

Social Justice Ireland believes that this issue requires immediate and appropriate action. While the Government initiative Pathways to Work (see below) has begun to establish targets relative to long-term unemployment, a specific sub-target on reducing long-term unemployment should be included in the National Reform Programme to ensure this issue receives the priority it demands.

The Working Poor

The Europe 2020 Strategy recognises that large numbers of people who work nonetheless do not earn enough to get out of poverty (about 8% of Europeans who work). The EU Social Protection committee has referenced the need to address this by ensuring living wages for those at work, and, amongst other things, by addressing low pay and under-employment (The Social Protection Committee, 2011b, p.25).

- In Ireland data for 2010 reports an in-work risk of poverty of 7.8%, ranked 12th highest among EU27 countries, and that 29.1% of households who were at risk of poverty were headed by someone who was at work (CSO, 2012, ps. 33,37, 74)

- There was a significant increase in the rate (2 percentage points) between 2009 and 2010 (CSO, 2012, p. 74).
- In numerical terms, the working poor amount to 122,202 people (Healy et al, 2012, p. 67, calculated from CSO SILC data, relating to 2010).

The Working Poor: *Social Justice Ireland* Response

It is important that policy begin to address this problem. Protecting the value of the minimum wage is important in this area. The exemption in Budget 2012 of low-paid, part-time and seasonal workers with annual incomes of less than €10,036 from the Universal Social Charge was a welcome example. Similarly, attempts to increase awareness among low income working families of their entitlement to the Family Income Supplement (FIS) are also welcome; evidence, however, suggests that FIS is experiencing dramatically low take-up and as such has questionable long-term potential. *Social Justice Ireland* is currently finalising research on the issue of Family Income Supplement and hopes to publish the results soon.

One of the most effective mechanisms available within the present system to address the problem of the working poor would be to make tax credits refundable, something on which *Social Justice Ireland* has published research. Its 2010 study, entitled *Building a Fairer Taxation System: the Working Poor and the Cost of Refundable Tax Credits*, showed that making tax credits refundable is feasible at relatively small cost. Such a move would have a very positive impact on those who are the working poor. We include a brief outline of the proposal in Chapter 4.

We strongly urge that a specific sub-target should be developed to address the issue of the working poor. We propose the following sub-target be added to the current headline target:

- To reduce in-work poverty by making tax credits refundable. (For more details, see Chapter 4 and *Social Justice Ireland's* study *Building a Fairer Taxation System: The Working Poor and the Cost of Refundable Tax Credits*).

Youth Unemployment

Youth unemployment⁶ is recognised in the Europe 2020 strategy as a particular challenge. The May 2012 rate for EU-27 countries is 22.7% (up from 21% in May 2011) (Eurostat, 2012a). In

⁶ Youth unemployment includes all the youth (i.e. people between the ages of 15 and 24, inclusive) who are unemployed. Youth unemployment rate is the percentage of the unemployed in the age group 15 to 24 years old compared to the total labour force (both employed and unemployed) in that age group. However, it should be remembered that a large share of people between these ages are outside the labour market (since many youths are studying full time and thus are not available for work), which explains why youth unemployment rates are generally higher than overall unemployment rates, or those of other age groups. Eurostat, 2012.

Ireland the rate (for those aged 15-24) rose from 13.3% in 2008 to 27.8% in 2010 (Eurostat, 2011a). In April 2012 it stands at 27.5% some 5 percentage points above the EU average (European Commission, 2012a). At 18.9% in 2010, the NEET (neither in employment nor in education or training) rate is one of the highest in the EU (European Commission, 2012a).

As already mentioned the greatest increase in the unemployment rate between 2005 (Q1) and 2011 (Q1) occurred amongst people in the 25-34 and 35-44 year old groups. Those age groups accounted for just under half of total unemployment in 2005 (Q1) rising to 58% by Q1, 2011 (CSO, 2011c). The latest fall in employment is also concentrated in these age groups (Q1, 2012) (CSO, 2012a).

Latest figures from the CSO (Q1, 2012) suggests that for those aged 20-24 the unemployment rate is now 35.8%; for those aged 25-34, rate is 20.7% (CSO, 2012a). While the Live Register is not an explicit measure of unemployment (including, for example, some people working part-time as well as people who are signing on for credits), it gives a short-term trend indicator of unemployment. It shows very rapid increases in those under 25 on the live register between 2008 and 2012. As Table 3 shows, the number doubled between January 2008 and January 2009, and peaked at just under 89,000 in September 2010. Since then decreases have occurred, but these are likely in large part to be attributable to emigration.

| Persons Under 25 years on the Live Register, Jan 2008-June 2012 | |
|--|----------------|
| Month and Year | Numbers |
| Jan 2008 | 36,945 |
| Jan 2009 | 70,268 |
| Jan 2010 | 85,910 |
| Sept 2010 | 88,663 |
| Jan 2011 | 82,237 |
| Jan 2012 | 75,345 |
| June 2012 | 79,098 |

TABLE 3: UNDER 25s ON LIVER REGISTER, 2008-2012

Source: CSO, Live Register Online Database, LRM02

Youth Unemployment: *Social Justice Ireland* Response

The European Commission in its most recent Annual Growth Survey recommended attention to the social aspects of the programmes being pursued by Member States, specifically mentioning

young people not in employment, education or training (European Commission, 2011, p. 11). The Irish Government's National Reform Programme, 2020 target for employment is projected to be achieved through the greater participation in the labour market of young people (and some other groups).

The trend toward increasing youth unemployment deserves specific action, and *Social Justice Ireland* recommends a specific policy response, which will need to have a number of different elements in it. For example, Government should consider an initiative to tackling youth unemployment such as introducing a jobs guarantee for those aged 16-25. Consideration should be given to the initiative proposed in France, 'Emplois d'avenir'. This initiative is designed to target people aged 16-25, coming from the poorest urban neighbourhood as well as rural areas suffering from lack of basic infrastructures (OFCE, 2012). It involves a target of 150,000 jobs, 100,000 in the public sector and 50,000 in the market sector, with 75% of their cost being state-subsidized.

Irish Government Initiatives

In its National Reform Programme, the Irish Government states that the main focus of Government policy is 'employment creation through export growth and improved competitiveness' (Government of Ireland, 2011, p.9).

Certain groups are identified as priorities because of their risk of a drift to long-term unemployment. These are people with low skills or education levels (i.e. unemployed people who do not have a Leaving Certificate qualification or equivalent), people who are on the Live Register for long periods (over one year), people aged under 35, and people who were previously employed in sectors most affected by restructuring (Government of Ireland, 2011, p. 10)

However, the National Reform Programme includes no detailed measures of any scale in respect of the groups identified as at particular risk of long-term unemployment and no targets are set for them.

The main measures referenced in the National Reform Programme relate to improved job search supports as well as education and training and higher education places (Government of Ireland, 2011, p. 11). Further similar measures were announced as part of a Jobs Initiative in 2011, which sought to add 20,000 education, training and internship places (Government of Ireland, 2012a, p. 30).

More recently two new initiatives have been launched: Action Plan for Jobs, and Pathways to Work (and referenced in the National Reform Programme Update for 2012).

The Action Plan for Jobs sets out a range of initiatives (270) to be delivered by all Government Departments and 36 State agencies. It aims to have 100,000⁷ more people at work by 2016, and 2 million people in work by 2020, which it is intended will result in an employment rate of 67.6% by 2015, and 70.1% by 2020, which is intended to come within Ireland's individual Headline Target (69%-71%) under the Europe 2020 Strategy (Government of Ireland, 2012; 2012a).

⁷ To be made up of 20,000 jobs in manufacturing, 30,000 in internationally traded services and 50,000 in spin offs (Government of Ireland, 2012a, p.14)

Initiatives will address seven key areas ((1) building competitive advantage, (2) supporting indigenous start-ups, (3) assisting indigenous business to grow, (4) attracting inward entrepreneurial start-ups, (5) developing and deepening the impact of Foreign Direct Investment, (6) developing employment initiatives within the community, (7) exploiting sectoral opportunities (examples are listed from 14 sectors included from manufacturing to health and the green economy)). The Plan sees as its ambition creating the environment for the creation of jobs, and many of the actions focus on supporting business. These include a Development Capital Scheme aimed at addressing the lack of funding for indigenous companies, an extension of the corporate tax exemption for start-up companies and a Micro Finance Fund to generate up to €100million in lending for micro-businesses over ten years (Government of Ireland, 2012a).

In February 2012 the Government launched Pathways to Work, which sets out an approach to providing supports for unemployed people, and seeks to match job opportunities with people who are unemployed. It provides, amongst other things, for more regular and on-going engagement with people who are unemployed, and greater targeting of activation places and opportunities.

Pathways to Work includes a target of 75,000 people currently long-term unemployed moving into work by 2015, and an interim target of increasing vacancies filled by the Department's employment service from the Live Register to 40% by 2015 (Government of Ireland, 2012b, p. 8-9). However, recognising that its target-setting needs to be improved, it includes a commitment to carry out analysis to facilitate target setting relative to vacancies being filled by those on the live register.

A stimulus package has been announced by Government, July 2012, involving an investment of €2.25billion between 2012 and 2018. This is in addition to the €17billion investment announced in 2011. The areas targeted include education (mainly second-level and third level), health (primary care centres), transport (upgrading motorways and primary routes) and justice (State Pathology Laboratory, two new Garda divisional headquarters, and a number of courthouses). The announced investment relates to public infrastructure projects, and its first phase is said to involve Public Private Partnerships designed to stimulate economic growth and create 13,000 jobs (Department of Public Enterprise and Reform, 2012, p. 1,2).

Social Justice Ireland – Response

As just described, Government has introduced a number of measures to address the issues of employment and unemployment. *Social Justice Ireland* welcomes the cross-cutting approach and the involvement of all Government Departments contained in Action Plan for Jobs and the moves to begin to set targets to address long-term unemployment outlined in Pathways to Work.

However, *Social Justice Ireland* believes that it is highly unlikely that sufficient market-based jobs will emerge in the short to medium term to provide the necessary positions that would substantially reduce unemployment in Ireland. The reality is that unemployment is at a very high level with long-term unemployment accounting for 60% of people experiencing unemployment, which, *Social Justice Ireland* believes, requires radical action based on a strategic analysis of labour-market needs and skills supply. Otherwise, the current high levels of unemployment will

only be eroded due to emigration and the marginal impacts of existing schemes. *Social Justice Ireland* believes that the Government's current strategy is unlikely to see unemployment falling below 10% of the labour force by 2015 (this is the Government's projection from Budget 2012) meaning that the prospect of Ireland persisting with a decade-long unemployment crisis is very high.

A number of measures are needed, and some groups and issues, such as young people and those long-term unemployed as well as people with disabilities and asylum seekers, need a particular approach.

The European Commission has recently noted that only 12% of those unemployed in Ireland at the end of 2011 were previously employed in managerial, technical or professional backgrounds. This suggests, they argue, that the focus of current measures (to attract capital intensive FDI in high productivity sectors) does not match the skills profile of many unemployed and long-term unemployed people. This is something that is highlighted further by rising vacancy levels evidencing a mismatch between the demand in sectors that are growing and the skills/education of unemployed people (European Commission, 2012b, p. 39, 40,41).

Social Justice Ireland believes that it is important to focus on job creation and on preparing people to be in a position to avail of an economic upturn as soon as it begins to create jobs. We would identify the following issues with the approach to date:

- The Action Plan for Jobs does not include any quantified short-term, medium or long-term targets on job creation, nor does it propose targets or measures based on an analysis of the work backgrounds of those currently long-term unemployed, including those with poor educational backgrounds and poor literacy levels. Moreover, we will return below to question the prospects for achieving the targets for job creation included in the Action Plan.
- Each of the jobs initiatives undertaken by Government has targeted small reforms and has had limited success given the nature and scale of the unemployment crisis. According to the CSO, by end May 2012, 76,589 people were availing of Activation Programmes, an increase of some 10,000 from the previous year (CSO, 2012b, p. 13). This is still a relatively small proportion of those unemployed and even of those long-term unemployed.
- The stimulus package announced in July 2012 lacks accompanying detail as to how it will operate and how it will generate jobs, and its reference to the creation of only 13,000 jobs in its first phase is disappointing, given the scale of the unemployment problem. *Social Justice Ireland* has already recommended an investment package in social infrastructure⁸ (Healy *et al*, 2012). *Social Justice Ireland* believes that the Government's stimulus package should be much larger, delivered over a much shorter timeframe, and be more focused on social infrastructure. *Social Justice Ireland* believes a package of €7bn over a three year period 2012-2015 is required and can be funded from off-balance-sheet sources. It should be focused on areas such as providing primary care facilities across the country, retrofitting local authority social housing units with energy efficient products and devices, on eliminating prefabricated accommodation in all primary and secondary schools by 2015.

⁸ In social infrastructure such as schools, social housing, a nationwide high-speed broadband network, a water-system investment programme (e.g. pipes and metres), a green energy programme and a rural transport programme to offer the prospect of simultaneously creating employment and addressing some of the socio-economic deficits that persist in Irish society (Healy *et al*, 2012).

Such funding could also be used to extend the early childhood care and education programme by adding extra facilities and an extra year for each child. Several other proposals in this area are contained in our publication *Budget Choices 2013*, published September 2012, and available on our website. Of special interest in this context is the European Commission's advice to governments to focus on developing jobs in the green economy, in health and social care services, in ICT and digital areas (European Commission, 2012c). More detail should be published by government also about the planned outcomes of the proposed investment, showing whether it is of sufficient scale to deal with unemployment, long-term unemployment and youth unemployment

Government needs to adopt a strategy of making large scale job-creation interventions in the labour market. We propose that in addition to its current measures, Government make an intervention that will significantly address the scale of the unemployment problem through a part-time jobs programme.

Social Justice Ireland has produced costed proposals showing how such an initiative of scale could be developed by Government while also reducing the borrowing requirement each year as envisaged in its Memorandum of Understanding with the EC/IMF/ECB. These proposals have also been presented to the EC/IMF/ECB by *Social Justice Ireland*.

In a series of documents and briefings to Government, political parties and the Oireachtas over recent years, *Social Justice Ireland* has outlined a proposal for a *Part Time Job Opportunities Programme* (PTJO). *Social Justice Ireland* estimates that 100,000 positions can be created using this PTJO approach – 10,000 places in the Community and Voluntary sector and 90,000 in the public sector. The total net additional cost of 100,000 places would be €150 million: €90,000m for the places in the public sector, and €60m for the places in the community and voluntary sector. Funding currently being spent on social welfare payments on this programme would be paid to their new employers. We include further details of the programme at the end of this Chapter.

Current Prospects and the Europe 2020 Strategy Targets

The current National Reform Programme target is to raise the employment rate to 69-71%, or by a minimum of 10%, by 2020. In the opinion of *Social Justice Ireland*, the national target is unrealistic given the measures planned to achieve it, and the resources allocated, which are not sufficient to address the current unemployment problem in Ireland. In this section, we discuss why we have reached this conclusion.

In its Stability Programme Update, April 2012, Government reduced its growth forecast for 2012 from 1.3% to 0.7%, and for 2013 from 2.4% to 2.2%; employment is expected to fall by 0.4% (Government of Ireland, 2012c). The Government is forecasting an export-led recovery with domestic demand not expected to contribute to growth until at least 2014. However, the update also revises down GDP projections for Ireland's key trading partners for exports to just 0.5% for the coming year. Some key points in the report are:

- A fall of 2.5% in investment is forecast for 2012,
- The contraction in private consumption is set to be ½ a percentage point higher than previously projected,

- Employment fell by 2.1% in 2011 and is expected to fall by 0.4% in 2012,
- A slight fall in unemployment to 14.3% is projected – this will be due to continued outward migration and a fall in labour-force participation.

Ireland's employment rate (ages 15-64) has fallen from 60.2% in Q1 2010 to 58.6% in Q1 2012 while the unemployment rate has increased from 12.9% to 14.7% over the same period (CSO, 2012a, p. 8). In its Action Plan for Jobs, Government states "*the ambition to have 100,000 more people in work by 2016 and 2 million people in work by 2020*". As mentioned, both Action Plan for Jobs and Pathways to Work provide little detail in terms of quantitative and time-bound employment targets that the Government aims to meet. The targets set in the Action Plan for Jobs require that Government actions lead to the creation of 213,900 jobs by 2020. As already stated, Government is predicting that employment will fall by 0.4% in 2012. There are currently 309,000 people unemployed and 1,786,100 people employed in Ireland (CSO, 2012a).

Should Government reach the 2016 target, a further 113,900 people have to be moved into employment by 2020 to reach the '2 million people in work' target.

The Medium Term Fiscal Statement forecast is that 65,000 jobs will be created between 2013 and 2015 (Department of Finance, 2011 p. 5, 25). In order to reach the interim target outlined in the Action Plan for Jobs, a further 35,000 jobs must be created (that is, to create 100,000 jobs by 2016). Even if the Action Plan for Jobs target were achieved, this would still leave almost 209,000 people unemployed in 2016 if the economy does not create further significant employment on top of that predicted by the Government (because there are currently 309,000 people unemployed in Ireland: CSO, 2012a).

Government's National Reform Programme update for 2012 assumes that the 20-64 year old population will hold constant between 2012 and 2020 (Government of Ireland, 2012, p.3). Early indications suggest that this assumption may not be valid, as the Government itself is forecasting a reduction in the labour force numbers in 2012. In reality this means that the Government is depending on emigration to reduce unemployment in 2012, as it is forecasting a simultaneous decrease in both employment and unemployment.

Ireland needs a more ambitious national target with sub-targets for young people and those who are long-term unemployed. *Social Justice Ireland* believes that the Government's current approach to tackling our problems is running down the economy.

Government's own projections in the latest Stability Programme Update suggest that there will be no substantial impact on unemployment. Ireland is facing a lengthy period of low-growth, high debt, increasing poverty, high unemployment and growing inequality. At the same time the austerity drive to balance the nation's books is creating a society with deep social injustices, not least for young people who have no sustainable jobs and no future in Ireland.

Social Justice Ireland Recommendations

Social Justice Ireland has argued in this chapter for a number of actions by Government to address the issue of unemployment. These include a recommendation that Government make substantial investments aimed at creating jobs and improving social infrastructure. This should be accompanied by quantified measures of sufficient scale to deal with unemployment, long-

term unemployment and youth unemployment. These initiatives should be incorporated into the National Reform Programme with measurable targets for the short-term, medium-term and long-term. These measures should include investment measures and programmes to reduce long-term unemployment, in particular.

We have discussed a series of measures that might be adopted to specifically address certain sub-groups within those unemployed such as young people, the long-term unemployed and the working poor.

In addition, we make the following recommendations for changes to the targets set in Ireland's National Reform Programme:

We recommend a more ambitious **national target** relative to employment as well as a range of more ambitious measures aimed at reaching that target.

Long-term unemployment: We recommend that a sub-target be added to the current National Reform Programme headline target:

To reduce the level of long-term unemployment to 1.3% of the labour force.

Working poor: We strongly urge that a specific sub-target should be developed to address the issue of the working poor. We propose the following sub-target be added to the current headline target:

To reduce in-work poverty by making tax credits refundable. (For more details, see Chapter 4).

Social Justice Ireland's Part Time Jobs Proposal

Proposal to reduce the numbers on the live register by 100,000 through creating real part-time jobs.

Background

This proposal is based on a programme piloted by the current Directors of *Social Justice Ireland*, Seán Healy and Brigid Reynolds, from 1994-1998. That programme created 1,000 part-time jobs paying the 'going hourly rate' for the job. The jobs were open to a number of categories of people who were unemployed. They worked the number of hours necessary to earn their social welfare payment. After that they were free to seek further employment and, of course, pay tax on the money they earned in the normal way. The programme was taken on by 162 organisations and was extremely successful. 500 of the original 1,000 employees left during the course of the programme – almost all of these took up full-time employment. These were all replaced by others who fitted the criteria for participants. The programme was piloted in six very different pilot areas (i.e. County Laois, Waterford city, Finglas, North Kerry, four towns in South Tipperary and the islands off the coast). There was huge demand for the programme and there was always a waiting list of eligible candidates.

Proposal

Social Justice Ireland proposes that Government create 100,000 part-time jobs in the public sector and in the community and voluntary sector following the model piloted in the 1994-98 period.

Outline of the programme

This programme would enable unemployed people to be employed on a part time basis:

- In the public sector (e.g. local authorities, Government departments, the healthcare and educational authorities) and the community and voluntary sector
- Voluntarily
- Doing work of public or social value which is not being done or is only partly being done at present
- At the hourly 'going rate for the job'
- For as many hours as would give them a net income equivalent to what they were receiving from jobseekers allowance plus an additional €20 a week. (They would work for a minimum of 8 hours and a maximum of 19.5 hours.)
- The person taking up the new position would lose none of his/her other social welfare entitlements
- Once the required number of hours had been worked, the person would be free to do whatever she/he wished for the remainder of the week
- The money paid to the person filling the new position would be reallocated to the

employing organisation by the Department for Social Protection

- The employer would be encouraged to give extra hours to the worker who would be taxed accordingly
- If the person received further income from another job, this income would be assessed for tax purposes in the normal way
- To protect against a 'deadweight effect' no position could be created if a person had been employed to do this particular work at any point during the previous two years

Eligibility

The Programme would be available to:

- All recipients of jobseekers allowance
- All recipients of jobseekers benefit after 6 months

Voluntary nature of the programme

The voluntary nature of the programme is considered very important from the point of view of the worker and the employer. It must not have any of the characteristics of 'workfare'.

- From the viewpoint of the worker, he/she must freely choose to come on the programme, and must be free to leave if he/she chooses, subject only to normal requirements with regard to notice to the employer
- From the point of view of the employer, there must be free choice in selecting workers from among those eligible for the programme. The employer should also be free to select the number of workers required. This ensures that the work offered is real. The pilot programme showed that there would be more demand for these jobs than there were positions to accommodate them

To protect the voluntary nature of the programme and to ensure that the work is real the following would be expected:

- Positions should be advertised publicly by the employing body, through local media, or any other method used in the local area.
- A job description would be provided.
- Workers should be interviewed for the positions.
- Written job contracts should be provided.
- Employers would not be pressurised to take more workers than they need.
- Leaving a particular job would not prejudice a worker seeking to participate in another project or training programme.

- Employers could replace workers immediately they left the programme.

‘Going rate for the job’

The ‘going rate for the job’ is an important concept in valuing the work done. It is the value which is placed on work in the market economy.

In the pilot programme the programme’s manager liaised with trade unions, professional organisations, employment agencies and personnel departments in an effort to arrive at a reasonable hourly rate for the various jobs created. In order to reflect incremental scales in many areas of employment, most rates were set at two levels, a lower and a higher level, within which employers were free to negotiate the actual rate.

Scale

Social Justice Ireland estimates 100,000 positions can be created using this approach – 10,000 places in the Community and Voluntary sector and 90,000 in the public sector

Cost: The total net additional cost of 100,000 places would be €150m: €90m for the 90,000 places in the public sector and €60m for the 10,000 places in the CV sector

3. Education

EU Headline Target : A target on educational attainment which tackles the problem of early school leavers by reducing the dropout rate to 10% from the current 15%, whilst increasing the share of the population aged 30-34 having completed tertiary education from 31% to at least 40% in 2020 (European Commission, 2010).

Ireland Headline Target: To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60% (Government of Ireland, 2011).

The Irish National Reform Programme links this headline target to three pre-existing targets in the National Skills Strategy:

- the proportion of 20-24 year olds with at least upper secondary education (Levels 4/5 in our National Framework of Qualifications (NFQ)) to increase from 86% in 2005 to 94% by 2020;
- the progression rate to tertiary education (Levels 6-10 in our NFQ) to increase from approximately 55% in 2005 to 72% by 2020;
- 48% of the labour force (i.e. those in the population in the age range 25-64 inclusive) to have tertiary attainment (i.e. qualifications at NFQ Levels 6-10) by 2020 (Government of Ireland, 2011).

European Context

The headline target in the Europe 2020 Strategy, stated above, has two aspects: one focusing on early leavers from education and training⁹, and the other focusing on tertiary (or third level) education.

The following issues concerning education in Europe were referenced in the Strategy:

- One in seven young people leaves education and training too early
- Less than one person in three aged 25-34 has a university degree
- Eighty Million People have low or basic skills, but lifelong learning benefits mostly the more educated
- By 2020, the demand for low skills will drop by 12 million jobs

(European Commission, 2010, p. 12, 18)

⁹ Early leavers from education and training refers to persons aged 18 to 24 fulfilling the following two conditions: first, the highest level of education or training attained is ISCED 0, 1, 2 or 3c short; second, respondents declared not having received any education or training in the four weeks preceding the survey (numerator) (Eurostat, 2012)

As already mentioned, the Europe 2020 Strategy recognises how all the various targets are linked (European Commission, 2010). The EU Social Protection Committee emphasises that the success of the Strategy depends on ‘an integrated and coherent approach between all policy areas in particular social, employment and economic’ (The Social Protection Committee, 2011b, p. 8). As regards improved educational achievement of young people, the Commission recognises this as a cross-cutting measure that addresses two priority areas of the Europe 2020 Strategy - that for ‘smart growth’ by improving skills levels, and ‘inclusive growth’ by tackling one of the major risk factors for unemployment and poverty. It sees reducing early school-leaving as a ‘gateway’ to achieving other Europe 2020 Strategy targets (European Commission, 2011b, p.2).

The Flagship Initiative ‘Youth on the Move’ aims to raise the quality of all levels of education and training in the EU. It envisages that the Commission will promote recognition of both formal and informal learning, and that the Member States will improve educational outcomes across all segments, instancing pre-school, primary, secondary, vocational and tertiary encompassing key competencies and aiming to reduce early school-leaving (European Commission, 2010, p. 13). Under another Flagship Initiative, ‘An Agenda for New Skills and Jobs’, the implementation of life-long learning principles is envisaged (European Commission, 2010, p. 18). The European Platform against Poverty proposes development of innovative education for deprived communities so that those experiencing poverty and social inclusion can live in dignity and take an active part in society (Council of the European Union, 2011, p 2).

As well as the headline targets of the EU 2020 Strategy, the EU also has a strategic framework for cooperation in education and training under which targets have also been set for 2020 - The Strategic Framework for European Union cooperation in Education and Training (known as ‘ET 2020’). In it four strategic objectives are identified:

1. Making lifelong learning and mobility a reality;
2. Improving the quality and efficiency of education and training;
3. Promoting equity, social cohesion and active citizenship;
4. Enhancing creativity and innovation, including entrepreneurship, at all levels of education and training (Council of the European Union, 2011).

The ‘ET 2020’ framework is considered to be consistent with the 2020 Strategy, capable of making a significant contribution towards achieving its objectives (Council of the European Union, 2011, p. 1,3). The four objectives (above) are considered applicable for adult education.

Amongst the targets which the ET 2020 framework has set for 2020 are:

- at least 95% of children between the age of four and the age for starting compulsory primary education should participate in early childhood education;
- the share of 15-years olds with insufficient abilities in reading, mathematics and science should be less than 15%;
- an average of at least 15 % of adults (age group 25-64) should participate in lifelong learning

Ireland: Education

'Expenditure on educational institutions is an investment that can help foster economic growth, enhance productivity, contribute to personal and social development and reduce social inequality'(OECD, 2011, p 225).

Overall, Ireland compares well relative to many European countries in terms of the two targets relating to education established under the Europe 2020 Strategy.

In particular, at 49.4% in 2011, Ireland's share of 30-34 year olds who have completed tertiary or equivalent education is the highest in Europe (Eurostat, 2012). The EU average for 2011 is 34.6% (EU-27). The Irish Government has established an ambitious target of 60% in regard to this in the National Reform Programme (Government of Ireland, 2011). See Figure 6.

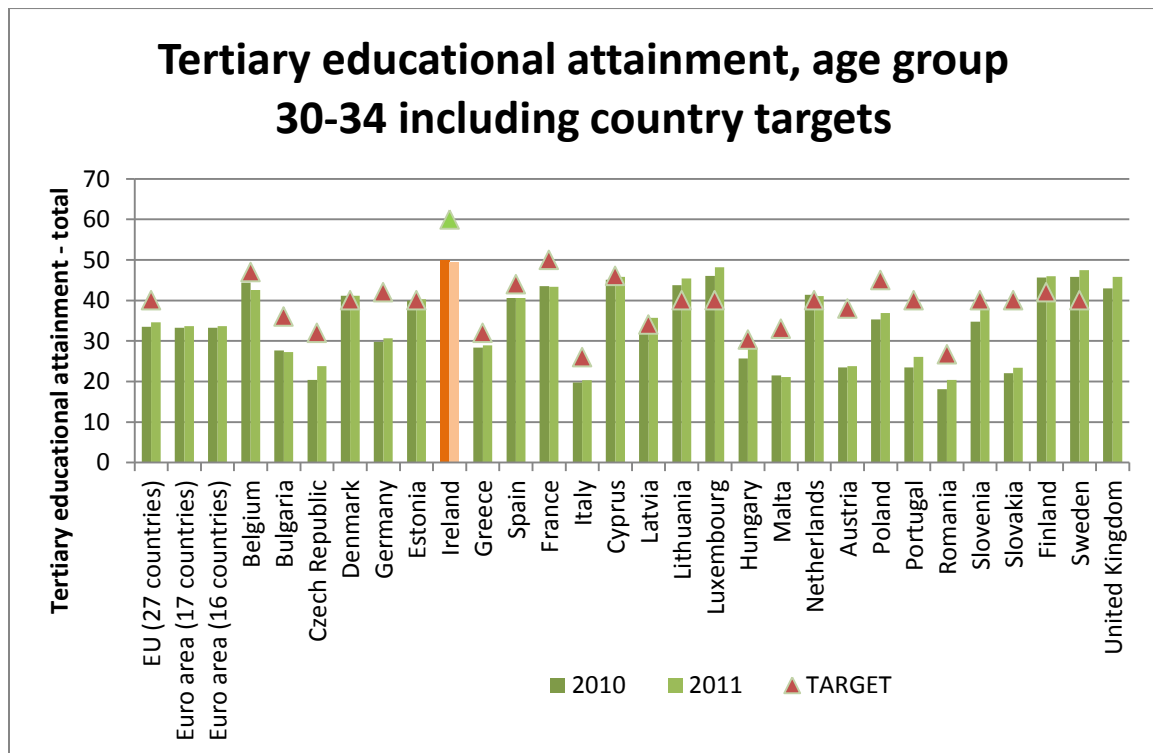


FIGURE 6: TERTIARY EDUCATION LEVELS, 2010-2011 ACROSS EUROPE SHOWING NATIONAL TARGETS

Source: Eurostat, 2012

The European average for 18-24 year olds classified as early school-leavers was 13.5% in 2011 (EU27). The corresponding figure for Ireland was 10.6%, meaning that, based on the latest available figures across Europe, our ranking is 12th (EU27) (Eurostat, 2012). See Figure 7 for European rankings and national targets. Latest figures from the CSO (relating to the second Quarter of 2011) indicate that 9% of those aged 18-24 were defined as early school-leavers (that is, people whose highest level of education attained is lower secondary or below and who have

not received education in the four weeks prior to the survey), a figure that has dropped from 13% in Q2, 2004, and from 11% in Q2, 2008 (CSO, 2011). Given that Ireland’s percentage of early school-leavers was 11.4% in 2010, when the European 2020 Strategy was adopted, the 8% target adopted by the Irish Government cannot be considered ambitious.

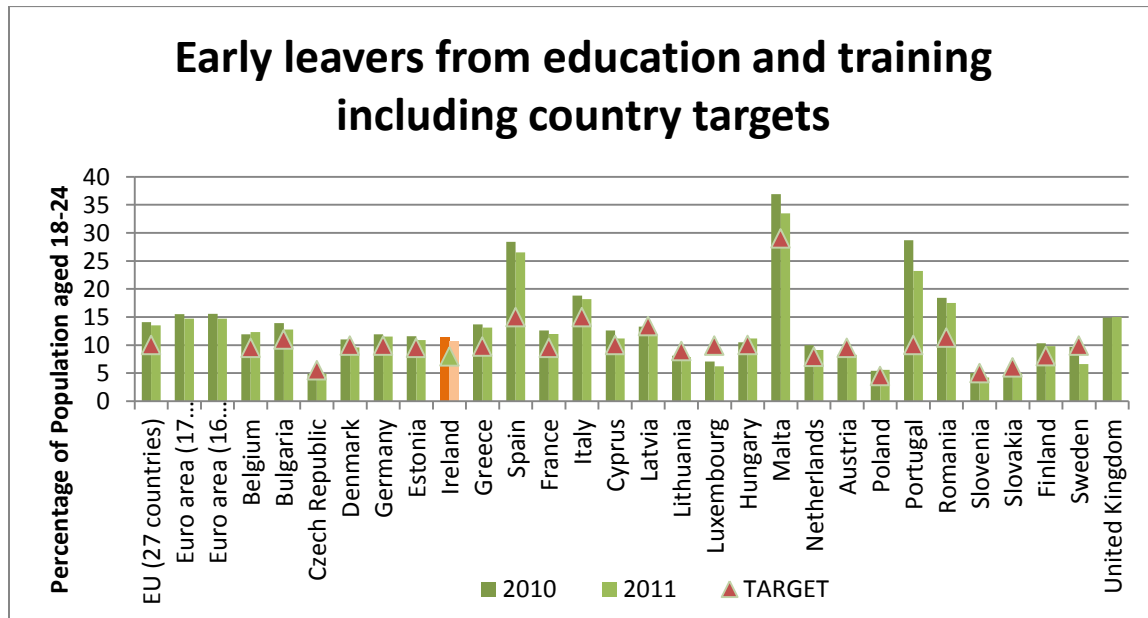


FIGURE 7: EARLY LEAVERS FROM EDUCATION, 2010-2011 ACROSS EUROPE SHOWING NATIONAL TARGETS

Source: Eurostat, 2012

Ireland’s expenditure on education equalled 5.6% of GDP in 2008 (CSO, 2011a, p. 48), the latest year for which comparable EU-wide data are available. This compares to an EU-27 average of 5.1% of GDP in that year (CSO, 2011a, p.48) and an OECD average of 5.9% (OECD, 2011, p.229). Given Ireland’s relatively young population by European standards, a higher than average spend might be expected.

The OECD argues that the highest performing education systems internationally are those that combine quality with equity – by equity they meant that personal or social circumstances like gender, family or ethnic origin are not obstacles to achieving educational potential and that all individuals reach at least a basic minimum (OECD, 2012, p. 2).

There are also a number of areas of education where Ireland does not do well in international comparisons. These include:

- Despite an expenditure of 3.0% of GDP on primary and lower secondary education (OECD, 2011) Ireland’s Competitiveness Scorecard, 2012, shows that Ireland does not perform well in terms of hours of tuition for 9-11 year olds and 12-14 year olds in maths and science (Forfás & National Competitiveness Council, 2012, pp. 118-121). In terms of

tuition time, and despite requiring more compulsory time in the classroom than any other country, out of 20 countries, Ireland performed 16th in maths, and 19th in science for 9 – 11 year olds. For 12-14 year-olds the ranking was 11th in maths and 19th in science.

- Ireland traditionally did not invest public funds in early childhood education on any wide-scale basis (showing no public investment in an OECD study from 2008, where the OECD average is 0.5% of GDP (OECD, 2011, p. 230), although this is an area where an initiative has been introduced (the Early Childhood Care and Education Scheme);
- Ireland has a significant problem with literacy, both for adults and for 15-year olds. An international survey published in 1997¹⁰ (the IALS) showed that a quarter of Ireland's adult population aged 15-64 performed at the very lowest level of literacy; more recently, results from the OECD's PISA study found that Ireland's 15-year olds rank 17th for reading levels amongst 34 OECD countries (OECD, 2010);
- Ireland's participation rates in lifelong-learning do not compare well with other European countries, being well below the average, something that the Expert Group on Future Skills Needs has identified as a concern (2007, p. 6). Ireland's performance in lifelong learning has been declining since 2005 and those with the highest levels of formal education are more likely to participate (Forfás & National Competitiveness Council, 2012).

In this chapter, as well as considering early school leaving in Ireland in the context of the Europe 2020 Strategy targets, we will also consider the position of Ireland in the areas covered by three of the targets set by the ET 2020 strategy – namely, that for early childhood or pre-school education, people with literacy difficulties (or 'insufficient abilities in reading and mathematics' as the ET 2020 strategy terms it), and lifelong learning.

Early School Leaving

Ireland's National Reform Programme target is to reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%. The DEIS scheme (Delivering Equality of Opportunities in Schools) is identified as a key measure in supporting the achievement of the national target in regard to early school leaving¹¹. The rate of early school leaving has been falling in recent years as Figure 8 shows, and in 2011 stands at 10.6%, down from 11.4% in 2010 (Eurostat, 2012).

- Ireland's Early school leaving rate: 10.6%

¹⁰ Ireland is currently participating in the OECD PIAAC study of adult skills with results due to be published in 2013, a sixteen year gap since the IALS survey in 1997

¹¹ DEIS focuses on the needs of 3 -18 year olds from disadvantaged communities. A review published in Jan 2012 showed positive impacts at school and individual level and this evaluation is continuing (Government of Ireland, 2012)

- Nearly 80% of early school leavers aged 18-24 were unemployed or not economically active (in Q2, 2011)

Early school leaving impacts negatively on individuals and on society and the economy at large, and early school leavers are:

1. At higher risk of poverty and social exclusion;
2. Confronted with limited opportunities to develop, culturally, personally and socially.

Furthermore, there is a recognised cyclical effect associated with early school leaving, resulting in the children of early school leavers experiencing reduced success in education (European Commission, 2011b).

Unemployment rates increase, the lower the level of education that has been attained. In Europe in 2011, the average unemployment rate for those who attained at most lower secondary education was 16.7%, much higher than the rate of unemployment for those that had obtained a tertiary qualification (5.6%) (Eurostat, 2012c). Ireland's figures (for Q2, 2011) show a similar pattern. A very high proportion (78%) of early school leavers aged 18-24 were unemployed or not economically active (CSO, 2011). Compared with people of a similar age (18-24) early school leavers had

- over twice the rate of unemployment (37% compared to 15%), and
- a much lower rate of employment (21% compared to 42%) (CSO, 2011).

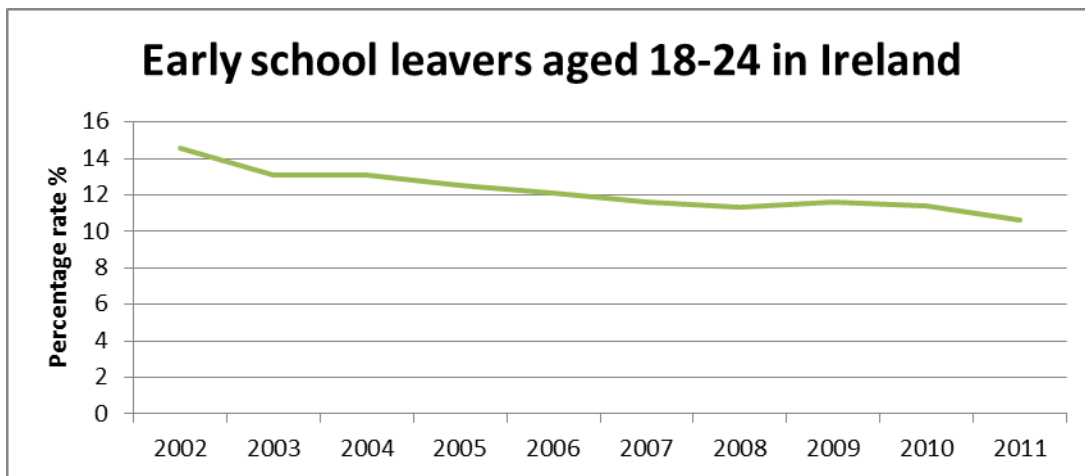


FIGURE 8: IRELAND: EARLY SCHOOL LEAVERS, AMONGST THOSE AGED 18-24.

Source: Eurostat, 2012.

Irish rates of early school-leaving are illustrated in Figure 8, showing a decreasing rate since 2002 which is a very positive trend. However, given the very high rate of unemployment among this group (78%), early school leaving remains a serious issue.

Early School-Leaving: *Social Justice Ireland* Response

Social Justice Ireland considers that the Irish National Reform Programme target of 8% is very unambitious in this context.

The Irish Government has invested heavily in trying to secure a school-based solution to this problem through, for example, the work of the National Educational Welfare Board (NEWB). However, other initiatives identified in the National Reform Programme (2011) as key to addressing the problem, such as the DEIS scheme suffered cut-backs in Budget 2012, which are being partially rolled-back. Cuts made within education in a number of areas are affecting the provision of education and may impact on the positive trend in reducing early school-leaving over the last decade. These include

- 100 posts to be lost in small rural primary schools in 2012 due to the increase in pupil threshold, a further 150 posts to be lost in these schools in 2013,
- 500 language support posts will have been removed from the system by 2015,
- Since 2011 capitation grants, which support the day-to-day running of schools, community education, adult literacy, Youthreach and other programmes have been cut by 7%.

Social Justice Ireland believes that the situation calls for a long-term policy response, which would encompass alternative approaches aimed at ensuring that people in this cohort have alternative means to acquire the skills required to progress in employment and to participate in society. Approaches in the area of adult literacy and lifelong learning are important in this context, something that we will come to below.

Early-Childhood Education

Ireland now has a universal provision of early childhood care and education (the Early Childhood Care and Education Scheme), introduced in 2010 and described in the National Reform Programme as ‘a major development’ enabling 63,000 or 95% of the eligible child cohort to participate (Government of Ireland, 2011, p. 21). However, as the OECD has noted participation is voluntary (OECD, 2012, p. 6).

The European Commission sees early-childhood education as contributing to the objectives of the Europe 2020 strategy – being the foundation for successful lifelong learning, social integration, personal development and later employability, and thus making a strong contribution to achieving two of the Europe 2020 headline targets – particularly that on early school-leaving and on poverty and social exclusion (European Commission, 2011c). The Commission recognises that early childhood education and care has a profound and long-lasting impact which measures taken at a later stage cannot achieve – as it means that later learning is more effective and more likely to continue throughout life, lessening the risk of early school-leaving, increasing the equity of educational outcomes and reducing costs for society in terms of lost talent and of public spending on social, health and even justice systems (European Commission, 2011c, p. 1).

Early-Childhood Education: *Social Justice Ireland* Response

Ireland's introduction of a free pre-school year was a step in the right direction. Unfortunately, in Budget 2012 the capitation rate for this year was reduced by 3%, and the staff to child ratio was increased 1:11.

It is well recognised that the highest returns from investment in education are obtained between 0-5 years (Healy *et al*, 2012, p. 211). Early childhood education and care plays a crucial role in providing young people a chance to develop their potential to the fullest possible extent. *Social Justice Ireland* believes that adequate resources must be invested in early childhood education, which has the potential to both reduce the incidence of early school-leaving and to increase the equity of educational outcomes. Government should develop the early childhood education infrastructure (involving investment at all stages from 0-3) and invest an extra €100m in this area annually

Literacy

While the Europe 2020 Strategy does not set a headline target for literacy levels, the ET 2020 framework does (as referenced above) of less than 15% of 15-years olds with 'insufficient abilities in reading, mathematics and science'.

As already mentioned, Ireland has problems with literacy levels of both adults and school-aged children, an area that has been controversial in public discourse. In 1997¹², an OECD survey (the IALS) found that a quarter of Ireland's adult population (aged 15-64) performed at the very lowest level of literacy. More recently, results from the OECD's PISA study found that Ireland's fifteen-year olds rank at average reading levels among OECD countries. They also highlighted that average reading levels have been decreasing across all ability levels over time in Ireland and that 17% of students in Ireland are low-achieving in reading, which means that they are 'below the basic level needed to participate effectively in society and in future learning' (OECD, 2010). Numeracy levels also displayed a similar pattern.

- A quarter of Irish adults performed at the lowest levels of literacy (1997).
- Ireland's 15 year olds had average reading levels among OECD countries and 1 in 6 (that is, 17%) students are unable to read at the most basic level (OECD, 2010).

The OECD's findings suggest that while reading levels among the school-going population are better than the population generally, this difference is smaller than might be expected. Also, there is something fundamentally wrong with an education system where 1 in 6 students (that is, 17%) are unable to read at the most basic level. Irish students from low socio-economic backgrounds are 2.4 times more likely to be low performers than their peers with high socio-economic status (OECD, 2010, p. 6).

¹² Ireland is currently participating in the OECD PIAAC study of adult skills with results due to be published in 2013, a sixteen year gap since the IALS survey in 1997

Society is ever more dependent on literacy skills as a result of several issues such as ‘low-skilled’ work now requiring higher performance due to automation, information on state services being most readily available online, schooling requiring parental involvement, goods/services being available for purchase online (Dorgan, 2009, p. 7,8). The evidence suggests that people with literacy/numeracy difficulties are

- more likely to be long-term unemployed (O’Connell *et al* 2009, p. xii),
- to have lower earnings and career aspirations (Dorgan, 2009a),
- less likely to take part in education and training¹³ (Expert Group on Future Skills Needs, 2007, p. 6,86).

A strategy to improve literacy and numeracy in schools has been introduced, *Better Literacy and Numeracy for Children and Young People (2011-2020)*. It includes a range of potentially significant measures to improve literacy and numeracy in early childhood education and in primary and post-primary schools and introduces tangible national targets. A range of targets are included for 2020.¹⁴

Where adult literacy is concerned, while there has been a commitment in public policy articulated since 2000, it is much harder to identify substantive implementation resulting in tangible outcomes. The National Action Plan for Social Inclusion (NAP Inclusion) 2007-2016 sets a 2016 target for the proportion of the population (aged 16-64) with restricted literacy (Level 1) of between 10% -15%. However, it also seems that the targets in the NAP Inclusion were destined for attainment without any policy action on adult literacy (because of the trend for younger people to have overall better literacy levels) (Dorgan, 2009, p.13).

Literacy: *Social Justice Ireland* Response

The recent introduction of a strategy for schools was overdue, is very necessary and potentially very positive.

Public policy aimed at tackling literacy problems among adults is simply inadequate and unacceptable. As mentioned, the target for adult literacy set by the *NAP Inclusion* strategy is to reduce the proportion of the population (aged 16-64) with restricted literacy to between 10%-15% by 2016, where ‘restricted literacy’ is defined as level 1 on the International Adult Literacy Scale. People at this level of literacy are considered to possess very poor skills, where they may, for example, not be able to identify the correct amount of medicine to give a child from information printed on a package. As Table 4 shows, in numerical terms this implies that the aim of government policy is to still have 301,960 adults of working age with serious literacy difficulties in Ireland by 2016.

¹³ Without policy change, those without skills will in the future have difficulty getting jobs and will be competing with a large pool of other unskilled or low skilled persons

¹⁴ Targets included: to increase the percentage of primary children performing at the highest level (Levels 3 and 4) in the National Assessment of Mathematics and English reading by at least 5 percentage points at both second and sixth class, and to increase the percentage of 15-year old students performing at or above the highest levels (Levels 4 and 5) in PISA reading, literacy and numeracy tests by at least 5 percentage points (Department of Education, ps 5,6).

| Official Adult Literacy Target for 2016 | |
|---|-----------|
| Adult population (under 65 yrs) in 2016 | 3,019,600 |
| 10% restricted literacy' target | 301,960 |
| 15% restricted literacy' target | 452,940 |

TABLE 4: IRISH GOVERNMENT ADULT LITERACY TARGET FOR 2016

Source: Healy *et al*, 2012, calculated from CSO (2008:27) using the lowest CSO population projection for 2016 (the MOF2 population projection assumption.)

The question needs to be asked, how can policy aim to be so unambitious? How will these people with serious literacy problems function effectively in the economy and society that is emerging in Ireland? How can they get meaningful jobs? In reality achieving this target could only be interpreted as representing substantial and sustained failure.

Overall, *Social Justice Ireland* believes that the Irish Government's 'restricted' literacy target is illogical, unambitious and suggests a complete lack of interest in seriously addressing this problem. Funding for adult literacy programmes was further reduced by 2% in Budget 2012. By 2015, funding for adult literacy will have been reduced by 11%¹⁵. The current target on 'restricted' literacy should be revised downwards dramatically and the necessary resources committed to ensuring that the revised target is met. *Social Justice Ireland* believes that a new and more ambitious target should be adopted:

- Reducing the proportion of the population aged 16-64 with restricted literacy to 5% 2016; and to 3% by 2020.

This will still leave approximately 150,000 adults without basic literacy levels in 2016. However, this target is more ambitious and realistic in the context of the future social and economic development of Ireland.

We strongly urge that this specific target on adult literacy be included as a sub-target in the National Reform Programme to ensure this issue receives the priority it urgently requires.

Lifelong Learning

'Improved education and training also yield a social dividend: they result in better social cohesion and public health, and mitigate against poverty, crime and social welfare dependency' (Expert Group on Future Skills Needs, 2007 p. 17)

¹⁵ Department of Public Expenditure and Reform, 2011, Budget 2011: reduced by 5% capitation grants for adult and further education courses; Budget 2012: further reduction of 2%; Budget 2013: 2%; Budgets 2014 and 2015: projected 1% each year.

The importance of life-long learning is recognised in both Irish public policy (HEA, 2008) and at European level (Council of the European Union, 2011). According to a Council Resolution, adult learning can make a significant contribution to meeting the Europe 2020 goals. The Council calls for particular attention to improving provision for low-skilled Europeans targeted in Europe 2020 starting with literacy, numeracy and second-chance measures as a precursor to up-skilling for work and life in general (Council of the European Union, 2011, p. 3).

As already mentioned, ET 2020, the strategic framework for European cooperation in education and training, sets a benchmark to be achieved by 2020 for lifelong learning, namely that an average of at least 15 % of adults aged 25 to 64 should participate in lifelong learning (Eurostat 2012b).

Figure 9, below, shows European participation rates in lifelong learning¹⁶ relative to the target of 15% for 2011 (EU 27). It can be seen how, with a proportion of 6.8%, Ireland is below the European average of 8.9% and far below the target of 15% set in ET 2020.

However, lifelong learning does not feature in the Irish National Reform Programme from 2011 nor in its 2012 Update under the Education Target, where the focus is on early school-leaving and tertiary education. Education and training for adults is referenced under the Employment target – situating it within an ‘activation’ context rather than embedding it as an important programme in its own right within the context of the National Reform Programme targets on education.

- At 6.8% Ireland is below the European average for participation in lifelong learning and far below the target set by ET 2020 (of 15%)
- Those with only primary level qualifications (aged 25 -64) are three times more likely to be unemployed than those with a third level qualification

¹⁶ Life-long learning refers to persons aged 25 to 64 who stated that they received education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding those who did not answer to the question 'participation to education and training'. The information collected relates to all education or training whether or not relevant to the respondent's current or possible future job (Eurostat, 2012b)

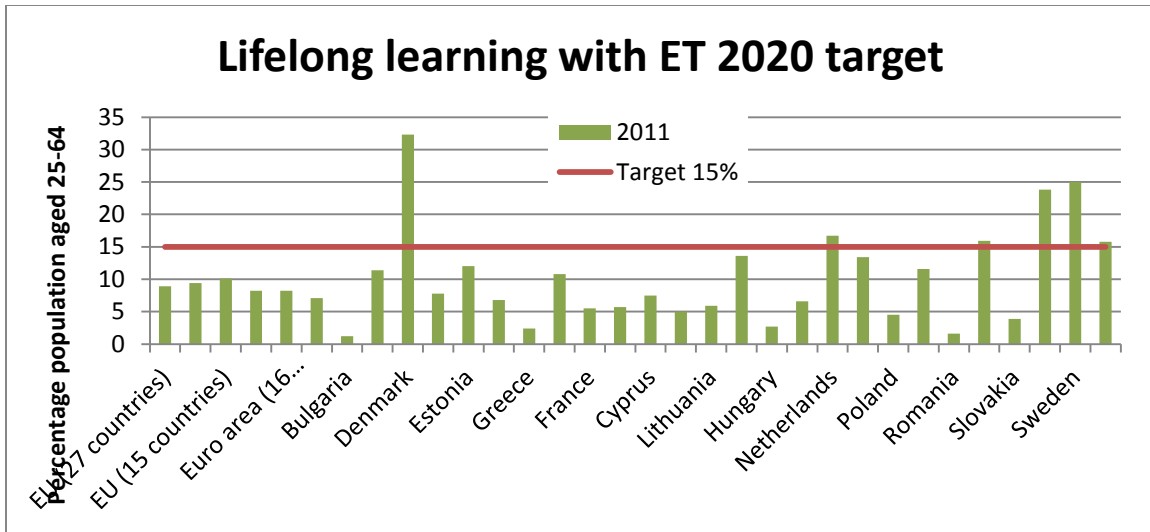


FIGURE 9: LIFELONG LEARNING, EU-27 SHOWING THE ET 2020 TARGET OF 15%

Source: Eurostat, 2012b

The National plan for access to higher education (*National Plan for Equity of Access to Higher Education 2008-2013*) recognises that participation rates in continuing education are linked with initial levels of education in every OECD country, and that promoting lifelong learning amongst those who need it most is a challenge for all countries (Higher Education Authority, 2008). A target was set to reach EU average levels for lifelong learning by 2010 and to move ahead of the European average by 2013. The mid-term review of this plan, while outlining some areas of improvement in Ireland’s performance on aspects of lifelong learning, acknowledges that no improvement has been recorded on participation in lifelong learning (as defined by Eurostat) among 25-64 year-olds, and that the target set for 2010 had not been reached (Higher Education Authority, 2010, p. 19). In fact the rate declined between 2007 and 2010 as can be seen from Table 5, which also shows a slight increase in 2011.

| Lifelong Learning Participation Rates | | | | | | | | |
|---|------|------|------|------|------|------|--------------|-------------|
| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Irish Participation Rates, lifelong learning | 6.1% | 7.4% | 7.3% | 7.6% | 7.1% | 6.3% | 6.7% | 6.8% |
| Higher Education Authority Strategy, Target | | | | | | | 12.5% | 17% |

TABLE 5: IRISH PARTICIPATION RATES IN LIFELONG LEARNING, AGES 25-64 WITH HEA TARGETS

Source: Eurostat, 2012b; Higher Education Authority, 2008.

Table 6 highlights the link between educational attainment and employment. Those aged 25-64 with only primary level qualifications are three times more likely to be unemployed than those with a third level qualification (24% as opposed to 7%). This gap has increased from 10 percentage points in 2009 to 17 percentage points in 2011 (CSO, 2011), evidence of the challenges faced by Government in trying to help those with low levels of educational attainment to up-skill in such a way as to obtain employment.

| Educational Attainment and Labour Force Participation, age group 25-64 | | | | | | |
|---|------------|--|------------------------|--------------------------|--|--|
| Highest education level attained | % | Labour Force Participation rate | Employment rate | Unemployment rate | | |
| Primary or below | 10 | 46 | 35 | 24 | | |
| Lower Secondary | 15 | 67 | 54 | 21 | | |
| Higher Secondary | 24 | 76 | 65 | 14 | | |
| Post Leaving-Cert | 13 | 78 | 64 | 18 | | |
| Third Level | 38 | 87 | 81 | 7 | | |
| Total persons aged 25-64 | 100 | 76 | 66 | 13 | | |

TABLE 6: SUMMARY, EDUCATIONAL ATTAINMENT AND LABOUR FORCE PARTICIPATION, AGE GROUP 25-64, APRIL – JUNE 2011.

Source: CSO, 2011, Table A

Lifelong Learning: *Social Justice Ireland* Response

The scope of this report does not permit an in-depth analysis and response relative to Ireland’s performance on life-long learning. In Ireland it is clear that the lifelong learning opportunities of those who are socially excluded and educationally disadvantaged contrast sharply with the opportunities of those who have completed second level and third level education. Therefore, lifelong education is a basic need, and second chance education and continuing education are vital, particularly for those who experienced educational disadvantage at an early stage in an education system that failed them. This is an issue of rights, of equality, of social inclusion and of citizenship. It is also a necessary response of the Irish Government to be consistent with the headline target they adopted in the National Reform Programme on employment – where the target is to be reached through ‘greater participation of young people, older workers and low-skilled workers and the better integration of migrants’ (Government of Ireland, 2011).

Social Justice Ireland believes that the National Reform Updates should address the issue of lifelong learning, treating it as a cornerstone of education policy under the Education Target, rather than as a component of activation measures in the context of employment. Labour market activation cannot be the sole factor defining education and training curricula for adults.

Social Justice Ireland recognises that the establishment of the new state-agency SOLAS is an important development, and that it is vitally important that the approach that SOLAS takes is one that supports lifelong learning in a realistic and holistic manner that addresses, in particular, the real needs of people with backgrounds of disadvantage and their communities. Some important points relative to SOLAS:

- SOLAS should collect accurate information to ensure that it is funding courses that are increasingly relevant, effective and that meet individual needs and national targets. This would involve coordinating existing research information and sharing it with the providers it funds. Building on the work of the CSO, the Expert Group on Future Skills Needs, and FÁS Skills and Labour Market Research Unit (SLMRU), it should ensure there is commonly understood and easily accessed and regularly updated information comparing future needs with current and planned provision to identify new course requirements to providers.
- In order to achieve this it needs to build on the report by the Council of Europe and the European Parliament (2006) entitled “*Key Competences for Lifelong Learning*”. The key competences listed in that report are:
 1. Communication in the mother tongue (reading, writing, etc.);
 2. Communication in foreign languages;
 3. Mathematical and basic competences in science and technology;
 4. Digital competence;
 5. Learning to learn;
 6. Social and civic competences;
 7. Sense of initiative and entrepreneurship;
 8. Cultural awareness and expression.
- These key competences are all interdependent, and the emphasis in each case is on critical thinking, creativity, initiative, problem solving, risk assessment and decision taking. They also provide the framework for community education and training programmes within the Education and Training 2010 work programme (the overall framework for cooperation in education and training) and ET 2020.
- The recommendations of a Forfás Report entitled “*Sharing our future: Ireland 2025*” (2009) should also be acted on. These highlighted the increasing range of generic skills that individuals require to operate within society and the economy. They included basic skills such as literacy, numeracy, use of technology, language skills, people related and conceptual skills. The report of the Expert Group on Future Skills Needs “*Tomorrow’s Skills – Towards a National Skills Strategy*” (2007) indicates that there is substantial

evidence to show that employers regard generic skills as equal to, if not more important than, technical or job specific skills.

Much more needs to be done at government level to ensure that the further adult and community education sector achieves parity of esteem with other sectors within the formal system since it is expected to respond to the needs of large sections of the population who have either been failed by that system or for whom it is unsuitable as a way of learning. As already mentioned, this is particularly important when one considers that the employment target set in the National Reform Programme is to be reached through the greater participation of low skilled and older workers. Implicit in this is the need for continuing educational opportunities if these identified groups are to be in a position to remain in and take up employment.

Social Justice Ireland Recommendations

Education is widely recognised as crucial to the achievement of both national objectives and those of the Europe 2020 strategy such as ‘smart growth’ and ‘inclusive growth.’ However, the overall levels of public funding for education in Ireland are out of step with these aspirations, particularly as regards under-funding of early childhood education and care, and in the areas of lifelong learning and second-chance education – the very areas that are most vital in promoting greater equity and fairness. Specific recommendations include:

Set a more ambitious national target of 5% in the National Reform Programme for reduction of early school leaving.

Provide sufficient resources to the DEIS programme and the national strategy ‘Literacy and Numeracy for learning and life’ referenced in the National Reform Programme as measures undertaken to reach the national early school-leaving target.

Invest in universal, quality early childhood education and care that addresses all stages of early childhood (that is, in addition to the year allowed under the Early Childhood Care and Education Scheme) making an additional investment of €100million annually.

Adopt in the National Reform Programme a new more ambitious adult literacy target to reduce the proportion of the population aged 16-64 with restricted literacy to 5% 2016; and to 3% by 2020

Adopt in the National Reform Programme an ambitious target for participation in lifelong learning.

4. Poverty

EU Headline Target: To promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion¹⁷ (Government of Ireland, 2011)

Ireland, Headline Target, 2011: To reduce the number experiencing consistent poverty to between 2-4% by 2012, with the aim of eliminating consistent poverty by 2016, which will lift at least 186,000 people out of the risk of poverty and exclusion (Government of Ireland, 2011).

Ireland, Revised Headline Target, 2012: To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.2%, which will lift at least 200,000 people out of the risk of poverty and exclusion between 2012 and 2020 (Government of Ireland, 2012).

Before considering the position of Europe and Ireland relative to these targets, we need to address briefly the choice of measures and metrics - something of critical importance in setting targets and in measuring performance. There are three aspects to the definition of 'poverty and exclusion' as included in the EU headline target. It includes people either

- below a country-specific relative income poverty threshold (the at-risk-of-poverty rate),
- above a material deprivation measure, or
- in a 'jobless' household (European Commission, 2010b, p. 3).

The Europe 2020 Strategy for the first time combines the three to identify an overall target group 'at risk of poverty and exclusion'¹⁸. Meeting *any* of the criteria will suffice to be counted within the target population. This shift represents a significant dilution of the target that had originally been mooted – which related to only the first of the three indicators, those 'at risk of poverty', which had previously been the most prominent indicator at EU level (Nolan & Whelan, 2011, p. 5).

Member States can set national targets based on what they consider to be the most appropriate indicator or combination of indicators.

¹⁷ This target has been revised and was originally framed as follows: The number of Europeans living below the national poverty lines should be reduced by 25%, lifting over 20 million people out of poverty (European Commission, 2010, p.11).

¹⁸ This indicator corresponds to the sum of persons who are at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Material deprivation covers indicators relating to economic strain and durables. Severely materially deprived persons have living conditions severely constrained by a lack of resources. They experience at least 4 out of 9 listed deprivations items. People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year (Eurostat, 2012)

The Irish targets relate to ‘consistent poverty,’ which is the poverty target used in the National Action Plan for Social Inclusion, 2007-2016, and reflects Ireland’s use of two indicators to measure poverty and exclusion: at risk of poverty (below the 60% median income threshold) and material deprivation (lacking two or more basic necessities). These are similar to the first two of the EU indicators that make up the EU target of ‘poverty and social exclusion’¹⁹. The added value of using the third - low work intensity or ‘joblessness’ - as a poverty measurement in an Irish context is not accepted by the Irish Government (2011, p. 23), and, indeed is also questionable in the opinion of commentators.²⁰ The ‘consistent poverty’ indicator combines deprivation and poverty into a single indicator by calculating the overlap between the two – that is, people simultaneously experiencing poverty and registering as deprived. As such it captures a sub-group of the poor.

The revised target contained in the Government’s National Reform Programme Update, 2012, represents a change in both the baseline rate (from a 2008 rate of 4.2% in consistent poverty to a 2010 rate of 6.2%) and in the timetable for achieving it. The aim is to lift 200,000 people out of the risk of poverty or exclusion between 2012 and 2020 (Government of Ireland, 2012, p. 16).

European Context

The Europe 2020 Strategy envisaged that a major effort would be needed to combat poverty and social exclusion, to reduce health inequalities and to ensure that everyone could benefit from growth. Headline facts on poverty in Europe were described in the Strategy, which (based on figures available at that time) included:

- 80 million people at risk of poverty, which is more than the population of the largest Member State, or 16.5% of the total population (figures from prior to the crisis),
- 19 million children at risk of poverty,
- 8% of people who work are still below the poverty line
- With the economic crisis, the situation has worsened
- Young people, migrants and the low skilled have experienced the greatest increases in unemployment.

(European Commission, 2010, p.18; 2010b, p. 3-5)

One of the aims of the flagship initiative ‘European Platform against Poverty’ is to raise awareness of the fundamental rights of people experiencing poverty and social exclusion,

¹⁹ The definitions differ somewhat: The Irish deprivation indicator is defined as enforced lack of two items from a set of 11 basic necessities; the EU deprivation indicator is defined as enforced lack of four items from a set of nine. There is also a difference in how the income concept is defined for the at risk of poverty indicator (Government of Ireland, 2011, p. 23).

²⁰ For example, Walker argues that ‘Joblessness’ arguably reduces the conceptual and policy coherence of the EU Target measure; it is more a cause of poverty than a characteristic, it is restricted to the working age population and, has even less overlap with low income and material deprivation than elsewhere. (Walker, 2011, p.16).

enabling them to ‘live in dignity and take an active part in society’ (European Commission, 2010, p. 19). Action is envisaged from Member States to

- implement measures for people at particular risk such as one-parent families, older women, minorities, disabled people and homeless people,
- deploy social security and pension systems to ensure adequate income support and access to healthcare.

The European Economic and Social Committee has highlighted the need for policy coherence between economic, financial, employment and social measures in the Europe 2020 strategy with all contributing to social cohesion. In particular, the Committee argues that austerity measures should not increase the risk of poverty and that there must be a stronger emphasis on reducing inequalities and enforcing fundamental human rights, including through fairer income distribution (European Economic and Social Committee, 2011).

Those at risk of poverty and social exclusion in Europe (meaning that they are affected by at least one of the three relevant indicators) rose from 23.1% in 2009 to 23.4% in 2010, representing an increase of approximately 2 million people (Eurostat, 2012).

Ireland: Poverty

During the first decade of this century Ireland saw progress on the issue of poverty driven by increases in social welfare payments, particularly payments to unemployed people, older people and people with disabilities. So the rate of poverty significantly declined between 2001 and 2009. However, the most recent data indicates that poverty has begun to increase climbing from a record low level in 2009 to a higher level in 2010 driven by budgetary policy which has reversed earlier social welfare increases.

In this section, we will first look at how Ireland is performing when analysed under the ‘poverty and exclusion’ indicator, and under the three constituent parts of this measure that make-up the poverty reduction target set under the Europe 2020 Strategy. We will then consider poverty in Ireland looking in more detail at some indicators commonly used in this country, including ‘consistent poverty’, the indicator used to frame Ireland’s national target under the Europe 2020 Strategy, before considering the situation of some groups (children and the working poor) whose positions are highlighted in the Europe 2020 Strategy. Linked to the issue of poverty is Ireland’s approach to income distribution, which we will look at next before finishing the Chapter with some recommendations.

Note that we use the latest figures available from Eurostat and the Central Statistics Office, which are for 2010. It may be worth noting here that there are slight differences between the way some indicators are measured/calculated by Eurostat and by the Irish Central Statistics Office, something that we will refer to again below.

Ireland and the EU Poverty or Exclusion Indicators

When we look at Ireland’s figures for those at risk of poverty and exclusion (that is, the combined indicator used in the Europe 2020 Strategy), the percentage increase has been

considerably larger than at the overall European level. According to Eurostat, it has gone from 23.1% in 2007 to 29.9% in 2010, representing 1.3 million people by 2010, an increase of 185,000 people over the 2009 figure. See Table 7.

| Ireland: People at risk of poverty and social exclusion - % | | | | | | | |
|---|------------------|------------------|----------------|------------------|------------------|------------------|------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| % | 24.8 | 25 | 23.3 | 23.1 | 23.7 | 25.7 | 29.9 |
| Number of people | 1,007,000 | 1,038,000 | 991,000 | 1,005,000 | 1,050,000 | 1,150,000 | 1,335,000 |

TABLE 7: IRELAND PERCENTAGE OF POPULATION AT RISK OF POVERTY AND SOCIAL EXCLUSION

Source: Eurostat, 2012

Figure 10 shows that by 2010 Ireland had one of the highest rates of poverty and social exclusion in Europe, higher than the European average (of 23.4%), equal to that of Hungary and exceeded only by four Eastern European countries – Bulgaria, Latvia, Lithuania and Romania. Ireland’s 29.9% rate translates into 1,335,000 people.

Figure 11 compares the rate for Ireland with the EU-27 average rate, showing the relatively dramatic increase in the Irish rate from 2007. Adding the populations affected by the three indicators puts Ireland’s rate at this very high level, particularly due to the high numbers captured by the low work intensity indicator compared to the European average (Department of Social Protection, 2011, p. 263)²¹.

²¹ The set of three indicators used for the EU 2020 Strategy correspond, with some compositional differences, with indicators used within Ireland (a relative income poverty line: ‘at risk of poverty’; material deprivation indicator based on inability to afford items from a list; and the consistent poverty measure, based on the overlap between the two), but the EU 2020 Strategy includes ‘low work intensity households’ as its third indicator. However, the Department of Social Protection has shown that essentially the same proportion of the population is covered – 26% in 2009 (Department of Social Protection, 2011, p. 263). It is not the practice in Ireland to combine the indicators to arrive at an overall figure for ‘poverty and exclusion’ a practice that has questionable outcomes (Walker, 2011) as already referenced.

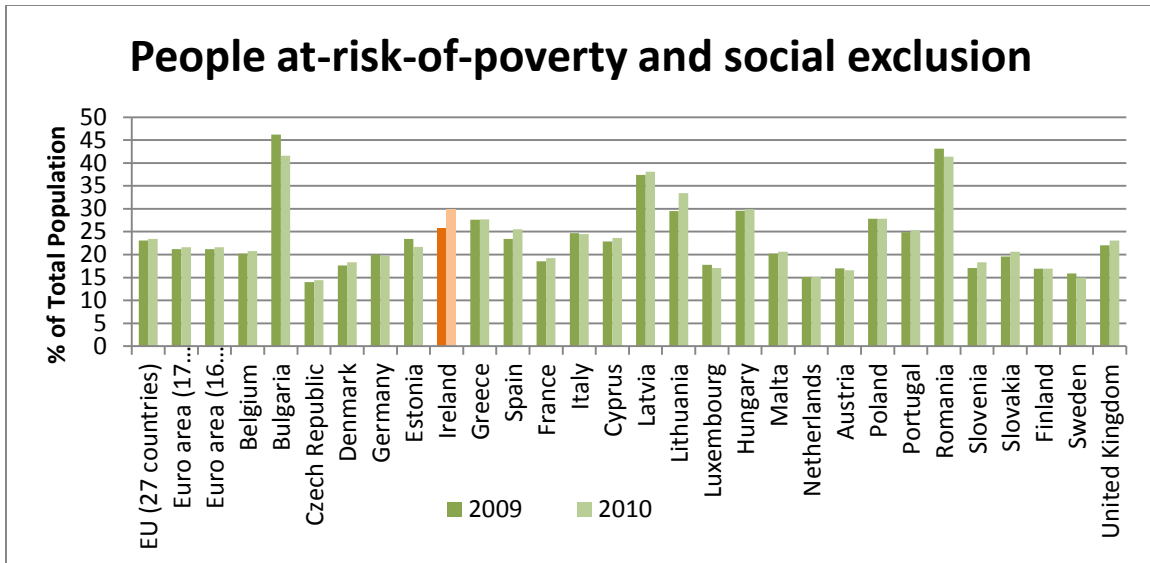


FIGURE 10: EUROPE: PEOPLE AT RISK OF POVERTY AND SOCIAL EXCLUSION

Source: Eurostat, 2012

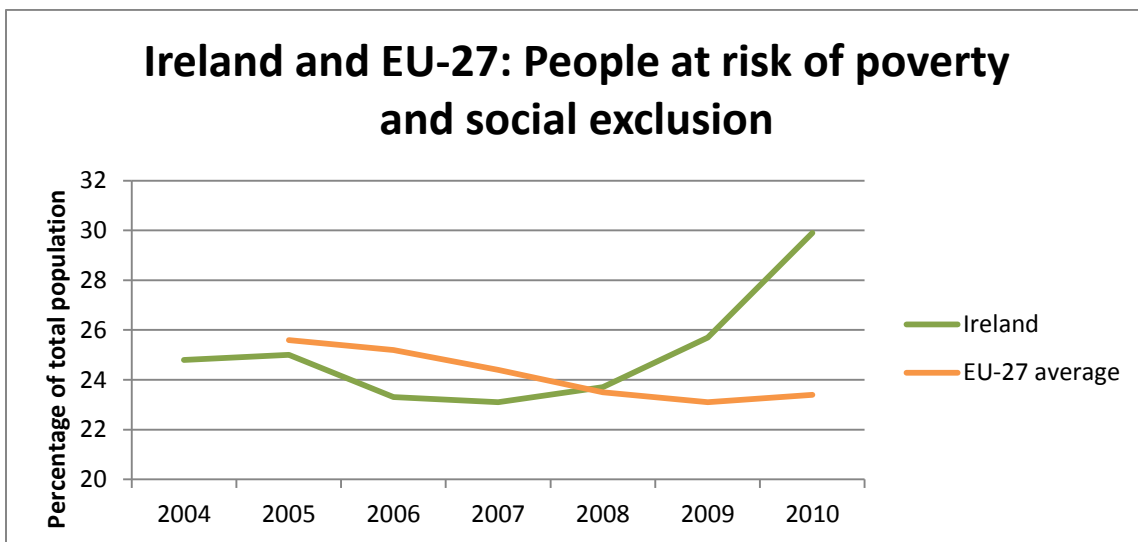


FIGURE 11: IRELAND AND EU-27: PEOPLE AT RISK OF POVERTY AND SOCIAL EXCLUSION 2004-2010

Source: Eurostat, 2012

It is also possible to examine Ireland’s performance in a European context under each of the separate indicators that make up the ‘at risk of poverty and exclusion’ indicator for the purpose of the Europe 2020 Strategy.

Figure 12 shows the trajectory of the three poverty indicators used in the Europe 2020 Strategy as applied to Ireland. A steady decrease in people ‘at risk of poverty’, as measured by Eurostat, can be seen from the early 2000s to 2009, when they reached a record low. The year 2008 marked the first time that Ireland’s at risk of poverty levels fell below average EU levels as can be seen from Table 8. It is clear that this was driven by sustained increases in welfare payments in the years prior to 2008 (Healy *et al*, 2008, p. 76).

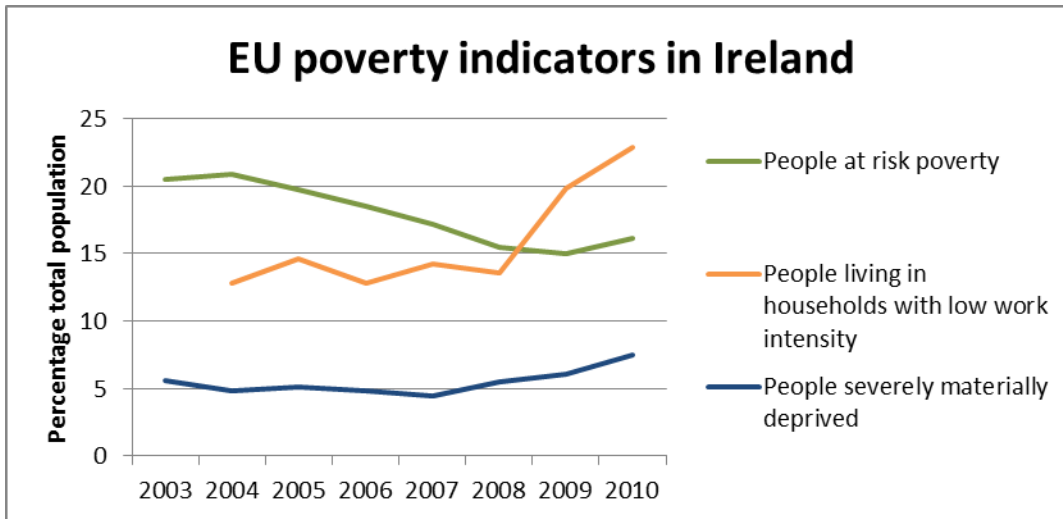


FIGURE 12: THE THREE EU POVERTY INDICATORS IN IRELAND, 2003-2010

Source: Eurostat, 2012

| Ireland: People at risk of poverty (60% line) after social transfers: percentage of the total population – Ireland and European average | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-----------|-------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| EU - 27 | | | 16.4 | 16.5 | 16.5 | 16.4 | 16.3 | 16.4 |
| Ireland | 20.5 | 20.9 | 19.7 | 18.5 | 17.2 | 15.5 | 15 | 16.1 |

TABLE 8: IRELAND: PEOPLE AT RISK OF POVERTY (60% LINE) AFTER SOCIAL TRANSFERS: PERCENTAGE OF TOTAL POPULATION

Source: Eurostat, 2012

However, all three indicators are now increasing and there has been a dramatic rise in people living in households with very low work intensity from years 2008 to 2010.

Ireland: A Closer Look at Poverty

In trying to measure the extent of poverty, the most common approach has been to identify a poverty line (or lines) based on people’s disposable income (after taxes but including all

benefits). The European Commission and the UN in recent years adopted a poverty line located at 60% of median income²² (and this is reflected in one of the indicators described above relative to the combined EU 2020 Strategy target ‘at risk of poverty and exclusion’). It has also been used since 2003 by the Irish Central Statistics Office (CSO) in its SILC surveys, the latest available one relating to 2010.

Figure 13 shows how Ireland compares with other European countries when the indicator is ‘at risk of poverty’ using figures from Eurostat. At 16.1%, Ireland’s rate has risen from 15% in 2009, and was just below the European average of 16.4% (EU-27) in 2010 and 12th highest.

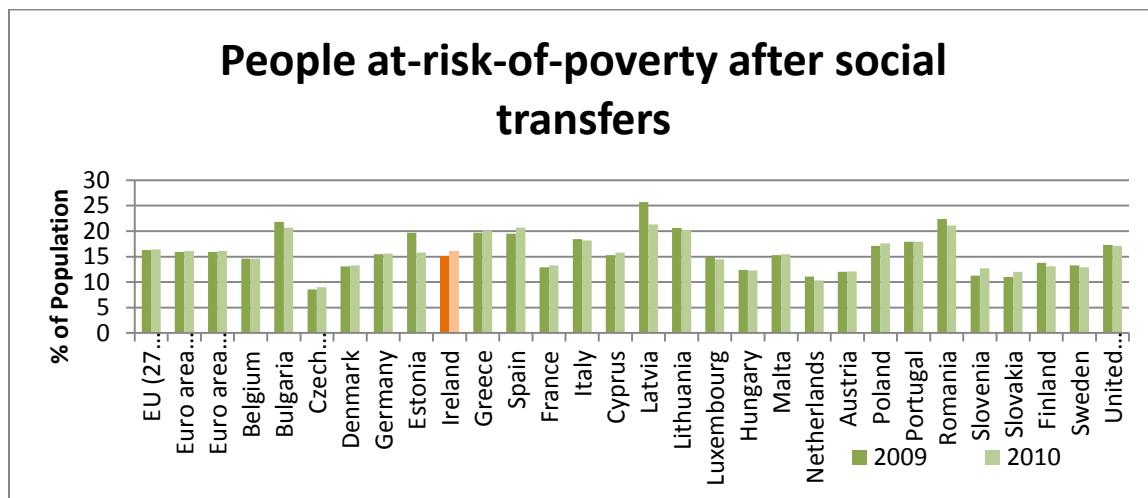


FIGURE 13: PEOPLE AT RISK OF POVERTY, EU-27

Source: Eurostat, 2012

Using figures from the Irish CSO (which, as mentioned, differ slightly from the figures given above from Eurostat²³) it is possible to see that just under 16 out of every 100 people in Ireland were living in poverty in 2010 (15.8%). See Table 9, below. Prior to that, between 2001 and 2008, rates of poverty fell, lifting more than 135,000 people out of poverty, which must be welcomed. This directly relates to increases in social welfare payments delivered in Budgets spanning the years 2004-2008, something that has been reversed in recent budgets.

It is of concern that between 2009 and 2010 the poverty rate increased again (from 14.1% to 15.8%) representing an increase of 77,000 people (calculated from CSO, 2012). This means that 700,000 people lived with incomes below the poverty line in 2010. The level of income which this denotes is as low as €207.94 per week for a single person in 2012 (we will show how this is calculated below), so it is clear that these people face difficulty in achieving ‘a standard of living that is regarded as acceptable by Irish society generally’, one of the hallmarks of life in poverty as defined in the Irish Anti-Poverty Strategy (1997).

²² ‘People at risk of poverty’ are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers) (Eurostat, 2012).

²³ Differences in definitions of income and equivalence scales result in slight differences in the poverty rates reported for Ireland by the EU and given above, and when compared with figures given by the CSO using national definitions of income and the Irish equivalence scale

| Ireland: People below Relative Income Poverty Line in Ireland, 1994-2010 | | | |
|---|-------------------------------|------------------------------|---------------------------|
| Year | % of people in poverty | Population of Ireland | Numbers in Poverty |
| 1994 | 15.6 | 3,585,900 | 559,400 |
| 1998 | 19.8 | 3,703,000 | 733,194 |
| 2001 | 21.9 | 3,847,200 | 842,537 |
| 2003 | 19.7 | 3,978,900 | 783,843 |
| 2004 | 19.4 | 4,045,200 | 784,769 |
| 2005 | 18.5 | 4,133,800 | 764,753 |
| 2006 | 17.0 | 4,239,800 | 720,766 |
| 2007 | 15.8 | 4,339,000 | 685,562 |
| 2008 | 13.9 | 4,422,100 | 614,672 |
| 2009 | 14.1 | 4,459,300 | 628,761 |
| 2010 | 15.8 | 4,470,700 | 706,371 |

TABLE 9: PEOPLE BELOW RELATIVE INCOME LINE IN IRELAND, 1994-2010

Source: *Social Justice Ireland*, 2012, calculated using CSO (2011, p.11), Whelan *et al* (2003, p.12) using national equivalence scale and CSO SILC data for various years.

It is notable how significant social welfare payments are in keeping people out of poverty – without social welfare transfers, Ireland’s poverty rate in 2010 would have been 51% as opposed to 15.8% (CSO, 2012, p. 26), reducing poverty by 35.2 percentage points. Such an underlying poverty rate suggests a deeply unequal distribution of direct income, something that has implications for all of society and not just people who are poor. We will return below to the issue of income distribution.

The rise in the poverty rate between 2009 and 2010 took place at a time when there was a decrease in the ‘at risk of poverty’ threshold (meaning the threshold at which people are considered to be ‘at risk of poverty’), which reduced in line with the median income (due to overall declines in income). The decrease in the poverty threshold was from €12,064 in 2009 to €10,831 in 2010, a decrease of more than 10% (CSO, 2012, p. 10, 25).

The median disposable income per adult in Ireland during 2010 was €18,502 per annum or €346.22 per week. The income poverty line for a single adult derived from this is €207.73 per week (60 per cent line) (Healy *et al*, 2012 based on CSO, 2012). From this it is possible to update the figures to 2012 levels using the ESRI’s predicted changes in wage levels for 2011 (+0.1%) and

for 2012 (0 %) (Economic and Social Research Institute, 2012, p. iv). Thus, in 2012 the relative income poverty line for a single person is €207.94 per week representing the minimum weekly disposable income that one adult needs to be above the at risk of poverty line (after taxes and including all benefits). One consequence of this is that most weekly social assistance rates paid to single people are less than the poverty line, in many cases considerably so²⁴, something that is at odds with the statement by Government in its National Reform Programme Update, 2012 that 'minimum welfare payments (including fuel allowance) are equivalent to 100% of the at risk of poverty threshold' (Government of Ireland, 2012, p. 16).

Another possible measure of poverty (developed as part of the Laeken process) is 'persistent poverty' measuring those below the 60% median income line in the current year and for two of the previous three years (thus measuring those who experienced a sustained exposure to poverty). To date the detail of this is not included in the CSO SILC surveys for Ireland, although some data is available as 'tentative estimates for persistent poverty' in 2009 (SILC, 2010, cited in Healy *et al*, 2012). The persistent poverty rate was 7.7%. These preliminary figures are worryingly high, indicating that more than half of those in poverty have been in poverty for a number of years (the overall population figure for people below the poverty line was 14.1%). They imply that most of Ireland's poor are long-term poor, and that poverty in Ireland is a structural problem which requires focused policies to reduce it.

Consistent Poverty

As already mentioned, the Irish target under its National Reform Programme is stated in terms of 'consistent poverty', an indicator that combines the 'at risk of poverty' and 'deprivation' indicators, calculating the proportion simultaneously experiencing both. Thus, it identifies a subgroup of the people experiencing poverty. This is intended to 'reflect[s] the policy priority on those most in need' (Government of Ireland, 2011, p. 23). The revised national target is to reduce the consistent poverty rate to 4% by 2016 and to 2% or less by 2020, intended to lift 200,000 people out of the risk of poverty and exclusion between 2012 and 2020 (Government of Ireland, 2012, p. 15).

However, having declined from 2003 to 2008 (Department of Social Protection, 2011, p. 23) the consistent poverty rate has increased since 2009, as Table 10, below, shows²⁵ and now stands at 6.2%

The increase in numbers of people was from 186,000 in 2008 to 277,000 in 2010 (representing an increase of almost 50% on the 2008 figures) (Government of Ireland, 2012, p. 15). These are

²⁴ For example, Jobseeker's Allowance for a single person is €188 per week since Jan 2012, and while the Fuel allowance (€20 per week) is generally paid to those on Jobseekers Allowance, since Budget 2012, this is only for 26 weeks per year, and only one allowance is paid per household, which means that not everyone on Jobseekers Allowance gets it. The Jobseeker's Allowance rate for those aged 22-24 is €144; and that for those aged 18-21 is €100 – these rates leave people way below the at risk of poverty rate. Source of payment rates: web site Citizens' Information Board; Source of policy on Fuel Allowance: Department of Social Welfare, 2011, p 171, 195; ESRI, 2012a, p. 49.

²⁵ Although the CSO considers the change between 2009 and 2010 to be not statistically significant (CSO, 2012, p. 62)

very high numbers of people. It is not clear how the revised Government target will be reached given the upward trajectory of the rate combined with budgetary policies.

| Ireland: Consistent Poverty Rates, 2006-2010 | | | | | |
|--|------|------|---------|---------|---------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| % | 6.5 | 5.1 | 4.2 | 5.5 | 6.2 |
| Numbers of people | | | 186,000 | 245,000 | 277,000 |

TABLE 10: IRELAND CONSISTENT POVERTY RATES, 2006-2010

Source: Rates in %: CSO, 2012, p.61; Numbers of People, 2008 & 2010: Government of Ireland, 2012, p15; 2009: Department of Social Protection, 2011, p. 24

- The consistent poverty rate is now 6.2%, and the numbers affected have increased by almost 50% since 2008.
- Children (under 17) are the group most at risk of consistent poverty (8.1% rate).

With a rate of 8.1%, children are the group most at risk of consistent poverty in 2010, and they also make up a high proportion (35.5%) of the population in consistent poverty (CSO, 2012, p. 66). When principal economic status of individuals is analysed, unemployed people report the highest consistent poverty rate at 15.2% (up from 11.5% in 2009), the next highest rate was for people not at work due to illness or disability (13%). When household composition is considered, those with a lone adult with children have a rate of 9.3% (CSO, 2012, p.62, 66).

Child Poverty

Child poverty is recognised within the Europe 2020 strategy as constituting a significant proportion of those in Europe in poverty (European Commission, 2010, p. 18). This is also highlighted by the Social Protection Committee, which notes how child poverty can have long-term detrimental impacts on educational achievement and future life chances and how in some countries fiscal consolidation measures will affect benefits that are important for families (The Social Protection Committee, 2011b, p. 36). The Committee recommends that:

Member States need to prioritise early childhood intervention in areas such as health and education, to enhance the availability of quality child care and enabling services, to promote the labour market participation of parents, and to guarantee adequate income support to families with children through a combination of well-designed universal and targeted benefits (The Social Protection Committee, 2011b, p. 7).

Child poverty is measured as the proportion of all children aged 17 or younger that live in households with an income below the 60% of median income poverty line. In Ireland child poverty has begun to increase, as Table 11 shows. The Department of Social Protection has

noted the significance of this given the ‘negative effects of poverty on childhood development and their legacy into adulthood’ (2011, p.22).

- The child poverty rate was 19.5% in 2010, which is in excess of that for 2006 (CSO, 2012, p. 33).
- This means that in 2010 almost one in five children (under 17) in Ireland was at risk of poverty; this was just over 200,000 children; More than one in four children aged between 12 and 17 was at risk of poverty.
- The change since 2008 (when the rate was 18%) means that in the very recent past 30,000 children have slipped below the poverty line.
- 18.7% of those living in households with children are at risk of poverty compared with 11.8% of those in households without children
- Between 2009 and 2010, households with children saw their disposable income fall by 8.8% compared with a fall of 2.1% for households without children

(Healy et al, 2012, p, 58, calculated using SILC data and from Whelan et al, 2003; CSO, 2012c).

| Risk of Poverty Rate among Children in Ireland, 2006-2010 | | | | | |
|---|-------|-------|-------|-------|-------|
| Year | 2006 | 2007 | 2008 | 2009 | 2010 |
| Children, 0-17 years | 19.0% | 17.4% | 18.0% | 18.6% | 19.5% |

TABLE 11: RISK OF POVERTY RATE AMONGST CHILDREN IN IRELAND, 2006-2010

Source: Healy *et al*, 2012, based on various editions of CSO, SILC reports; 2006 and 2007 data exclude SSIA effect.

As already noted, children are the group most at risk of consistent poverty with a rate of 8.1% in 2010, and they also make up a high proportion (35.5%) of the population in consistent poverty (CSO, 2012, p. 66).

Child Poverty: *Social Justice Ireland* Response

This situation is not acceptable in human terms. Furthermore, the fact that such a large proportion of our children are living below the poverty line has obvious implications for the education system, for the success of these children within it, for their future job prospects and for Ireland’s economic potential in the long-term.

The Government has indicated in both the National Reform Programme and the Programme for Government that it will tackle child poverty through the use of targeted social inclusion programmes and a new area-based approach to addressing this issue. The reality remains that continued cuts and austerity measures are eroding the social infrastructure and impacting upon community based programmes. Child benefit remains a key route to tackling child poverty, and is of particular value to families on the lowest incomes. A number of measures in recent budgets such as cuts in child payments are of concern, and on foot of these policies it seems likely that child poverty will increase further over the next few years – a major setback in an area where the State already has a dismal record.

Working Poor

We have already discussed the issue of the working poor in the context of employment in Chapter 2. Having a job is not, of itself, a guarantee that one lives in a poverty-free household. A high percentage (7.8%) of those who are employed are living at risk of poverty, and these figures remained high even when the rates for other groups were falling.

- The rate of in-work risk of poverty of 7.8%, ranked 12th highest among EU27 countries, and 29.1% of households who were at risk of poverty were headed by someone who was at work (CSO, 2012, ps. 33,37,74)
- There was a significant increase in the rate (2 percentage points) between 2009 and 2010 (CSO, 2012, p. 74).
- In 2010, almost 120,000 people in employment were still at risk of poverty (Healy et al, 2012, p. 67, calculations based on CSO SILC Reports)

Working Poor: *Social Justice Ireland* Response

These are remarkable statistics, requiring that policy-makers begin to address it. Policies which protect the value of the minimum wage, and that attempt to keep those on that wage out of the tax net are important. Similarly attempts to increase awareness amongst low income working families of their entitlement to the Family Income Supplement (FIS) are welcome; although evidence suggests that FIS is experiencing dramatically low take-up, and as such has questionable long-term potential. However, one of the most effective mechanisms available within the present system to address this problem would be to make tax credits refundable, a proposal that we will outline at the end of this Chapter.

Incomes in Ireland

We noted above that Ireland's structural problem with poverty suggests a deeply unequal distribution of direct income.

The latest CSO SILC survey shows that Ireland's income inequality has grown. In 2010 the poorest decile (or 10%) of households had a disposable income of €171.24 a week (€8,928 a year) while the richest decile had €2,369.53 a week (€123,547 a year). See Table 12.

Between 2009 and 2010, those in the bottom decile saw their household disposable income fall by 18.6%, while the top decile rose by 4.1% (*Social Justice Ireland, 2012*). Each of the top three deciles now receives a larger proportion of Ireland's disposable income than they did thirty years ago. Figures 14 and 15 show that Ireland's income distribution is largely unchanged over thirty years but that income inequality has grown during that period.

| Disposable Household income, bottom and top deciles, 2009 & 2010 | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Decile | 2009 | | 2010 | |
| | Weekly Disposable income | Annual Disposable income | Weekly Disposable income | Annual Disposable income |
| Bottom | €210.45 | €10,973 | €171.24 | €8,928 |
| Top | €2,276 | €118,677 | €2,369.53 | €123,547 |

TABLE 12: DISPOSABLE HOUSEHOLD INCOME, BOTTOM AND TOP DECILES, 2009 & 2010

Source: *Social Justice Ireland, 2012*, calculated from CSO (2012: 14-16; 2010: 24-25)

- Between 2009 and 2010 household disposable income fell by 18.6% in the bottom nine deciles, while the top decile (or top 10%) rose by 4.1%,
- Each of the top three deciles now receives a larger proportion of Ireland's disposable income than they did thirty years ago (*Social Justice Ireland, 2012*).

On the other hand each of the bottom six deciles receives a lower proportion than they did three decades ago. Today the top 10% receives almost 14 times more disposable income than the poorest 10% receives (28.5% compared to 2.06%). It was 8 times more in 1980. In fact, the top 10% of the population now receives more disposable income than the bottom 50% of the population. The poorest and most vulnerable saw inequality grow despite the 'boom' years.

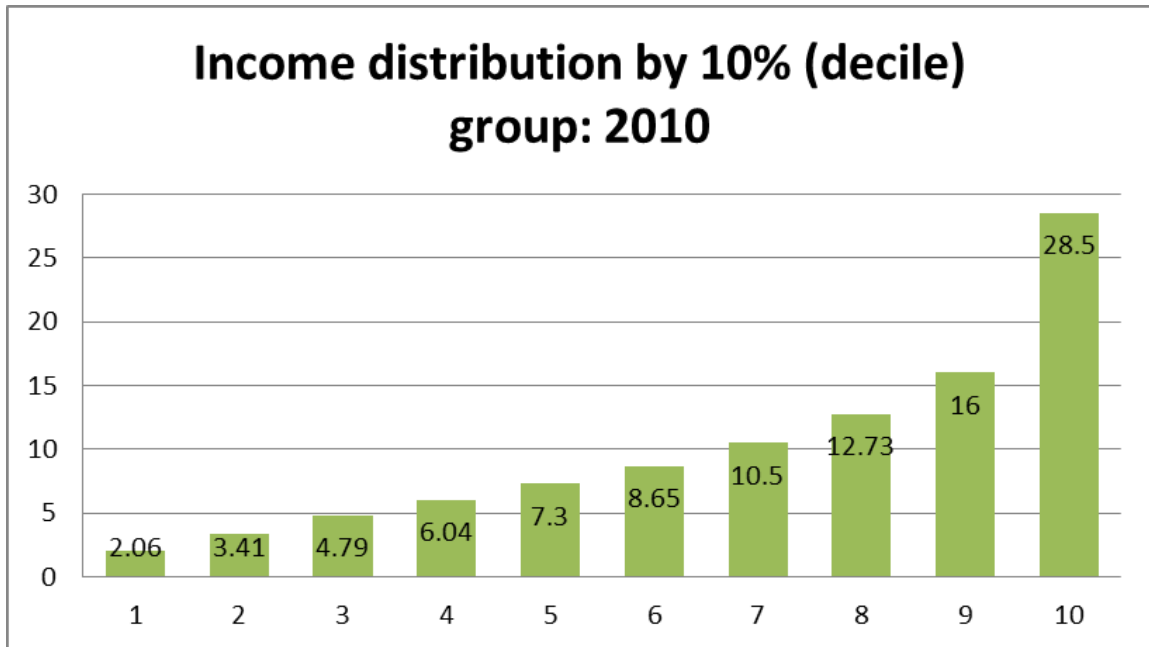


FIGURE 14 INCOME DISTRIBUTION (%) BY DECILE, 2010

Source: *Social Justice Ireland, 2012* (calculated from CSO, 2012, 14-15)

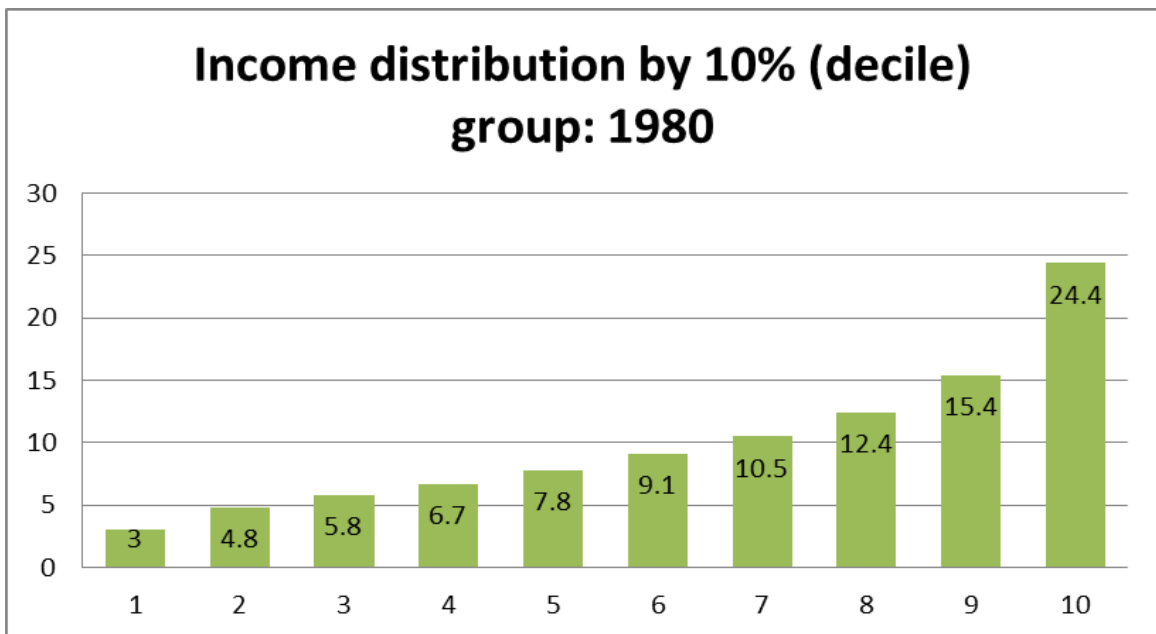


FIGURE 15 INCOME DISTRIBUTION (%) BY DECILE, 1980

Source: *Social Justice Ireland, 2012*, calculated from CSO Household Budget Surveys

Decisions taken in Budget 2012 are likely to have only increased inequality. Budget 2012 was the seventh fiscal adjustment in Ireland since 2008. Out of all these adjustments, Budget 2012 was the most unequal. According to the Economic and Social Research Institute (ESRI), the poorest 40% of households will see a fall of between 2-2.5% in their incomes; the richest 30% of households will lose only 0.7% as a result (ESRI, 2012a).

Examples of Budget 2012 measures which will have adversely impacted lower-income groups include:

- Increase in the standard rate of VAT from 21% to 23%, which will have a disproportionate effect on low-income families,
- Reduction in child benefit payment for third and subsequent children – this is the only universal payment in Ireland made to a parent to support them with costs of bringing up children and this was the third consecutive budget within which child benefit payments were reduced,
- Reduction in the number of weeks for which the fuel allowance is available (from 32 to 26 weeks) combined with increases in the carbon levy,
- Reductions in the amounts paid under the Back to School scheme.

In short, decisions made in Budget 2012 are likely to have increased inequality.

Income distribution: *Social Justice Ireland* Response

The Annual Growth Survey of the European Commission for 2012 recommends attention to the social dimensions of the programmes being pursued by Member States. Thus the distributional impacts of reforms are to avoid compounding existing social difficulties and attention is to be paid to the needs of the most vulnerable in any tax shifts (European Commission, 2011, p. 4,5)

In this section we have highlighted just such a negative distributional impact on people with low incomes caused by Government policy, especially Budget 2012, as well as the lack of progress on some key policy areas that *Social Justice Ireland* has been calling for during the past twenty years. In difficult times it is imperative that the policy decisions taken are fair and just, which has obviously not been the case in recent years.

Poverty in Ireland: *Social Justice Ireland* Response

Social Justice Ireland welcomes the increased attention given to the issue of poverty and exclusion by inclusion of a target in the Europe 2020 Strategy, although we regret that the process shifted its indicator from a concentration on the at risk of poverty rate to the combined measure of ‘poverty and exclusion.’ High rates of poverty and income inequality require greater attention than they currently receive. Tackling these problems requires a multifaceted approach with action on many fronts including healthcare and education, accommodation and employment. However, the most important requirement in tackling poverty is the provision of sufficient income to enable people to live life with dignity.

We very much regret that in 2012 the Irish Government revised down the headline target for poverty reduction that had been contained in the 2011 National Reform Programme. The revised target highlights the Government's lessening commitment to reducing poverty as well as its failure to protect those that are vulnerable in Irish society in these difficult times.

In the National Reform Programme Government has indicated that consideration will be given to the setting of subsidiary poverty targets for vulnerable groups in the context of developing relevant policies, such as the National Children's Strategy (Government of Ireland, 2011, p. 27). *Social Justice Ireland* believes that it is imperative that the Government address this issue and proposes new subsidiary targets.

While acknowledging that the policies of recent years may result in increases in the numbers in poverty, the National Reform Programme is stated to be aiming to protect the incomes of the poorest families as much as possible, and to enable these families to benefit from economic recovery and growth when it arrives (Government of Ireland, 2011, p. 24). However, there is also a reference to 'a stronger financial incentive to return to work and to make work pay' (Government of Ireland, 2011, p. 28). The fact that the plan makes a connection between reducing welfare rates and incentives to return to work is worrying, given the scale of the unemployment crisis, and the fact that Ireland is unlikely to generate sufficient numbers of market-based jobs at any stage in the near future.

Where are people, who have had their incomes reduced by recent decisions on welfare, supposed to find jobs?

Furthermore, placing pressure on people to enter into employment through the reduction of income supports without providing the necessary supports, such as affordable childcare and after-school care, does nothing to assist people to engage in the labour force. In this context it is interesting to note a recent OECD study, which concluded that:

'The cost of childcare acts as a major barrier to work in Ireland ... where it more than doubles the effective tax rates faced by low-wage sole parents, (2011, p. 223).

Ireland is currently moving further away from the Europe 2020 poverty target. Some headline statistics relative to this include:

- Unemployment is rising, and long-term unemployment is now a structural problem in Irish society,
- Over 700,000 people in Ireland are living in poverty,
- Of this number over 200,000 are children,
- Of this number 120,000 have a job and are amongst the working poor,
- The percentage of people in consistent poverty rose from 4.2% in 2008 to 6.2% in 2010 and is likely to continue to rise.

It is acknowledged and welcome that Government did not cut the basic social welfare rates in Budget 2012. However, if Government continues to pursue other policies that reduce the income and living standards of the groups most at risk in Irish society, there is no doubt that poverty, social exclusion and inequality will continue to grow.

Social Justice Ireland presented to the government a set of alternative proposals which would have ensured that the most vulnerable would not have been disproportionately impacted upon by austerity measures. However, the opposite has occurred:

- Government decisions are failing to support the social infrastructure that sustains the delivery of services to vulnerable groups and those on the margins, such as the many public services provided by Community and Voluntary organisations. These have come under pressure in recent years as the recession has forced an ever-growing number of people to seek help on a wide range of fronts. But, just at the very moment when the demand for their services increased dramatically, funding is being reduced to many such organisations.
- Budgetary decisions may provide a short-term gain or saving but have huge negative long-term consequences. There does not seem to be an assessment of what the long term impacts of the cuts to services and service reductions will mean for Ireland in ten years time.
- Those who are poor and/or vulnerable are bearing an inordinate part of the burden of restructuring. Such a development is an extraordinary indictment of government's decision-making. As already discussed, Budget 2012 will impact negatively on the living standards and income of the poorest households in Irish society, showing little indication that Government has attempted to protect the incomes of the most vulnerable.

This is at odds with recommendations of the 2011 Annual Growth Survey of the European Commission which recognised that as well as economic challenges, the 'social tissue of the EU is being put to the test,' and that already vulnerable people are being disproportionately affected. The Commission gave specific guidance to Member States for 2012 to tackle the 'social consequences' of the crisis as one of five identified priorities (European Commission, 2011).

Government has not yet published a National Social Report as is envisaged under the European Semester established to ensure monitoring of the EU 2020 Strategy (see Chapter 1). This report would be an important opportunity for Government to communicate its commitments, strategies and progress on the specific areas outlined by the Social Protection Committee of the EU Commission for the Europe 2020 strategy, such as policy priorities in the following areas:

- Reducing poverty and social exclusion,
- Adequate and sustainable pensions,
- Accessible and high-quality and sustainable healthcare and long-term care.

The publication of this report and subsequent discussion would provide Government with the opportunity to promote good governance, transparency and the involvement of all stakeholder in the design, implementation and monitoring of policy. It would also enable Government to reiterate its commitment to developing policies to eradicate poverty and social exclusion.

Implicit in the approach taken in the Europe 2020 Strategy is that economic development, social development and environmental protection are complementary and interdependent – three sides of the same reality. Overall, current trends in Irish public policy are in direct contradiction to the promotion of 'inclusive growth,' which is one of the three key priorities which underlie the Europe 2020 Strategy. Inclusive growth is not just about fostering a high-employment

economy, it also aims to deliver social cohesion – it is integral to the Europe 2020 strategy and needs to be integral to the response of the Irish Government.

Social Justice Ireland Recommendations

The Irish Government should carry out in-depth social impact assessments prior to implementing policies in order to ensure that the position of people experiencing poverty and social exclusion is not worsened by the austerity measures being pursued. Government should also publish its National Social Report for 2012.

Furthermore, *Social Justice Ireland* proposes that the following should be adopted as Ireland’s headline target on poverty:

Ireland Headline Target: To reduce by 2020 the consistent poverty rate to 2%; the at-risk-of-poverty rate anchored in time to 8%; and the at-risk-of-poverty (only) rate to 7%.

These headline targets should be accompanied by **subsidiary poverty targets** for vulnerable groups as set out in the following Table 13.

| Subsidiary Poverty Targets | | | | | | |
|----------------------------|----------------|----------|--------------|--------------------|----------------|--------|
| | Overall target | Children | Lone parents | Jobless households | Social housing | rented |
| Consistent poverty | 2% | 3-4% | 4-6% | 4-6% | 4-6% | |
| At-risk-of-poverty (only) | 7% | 8-10% | 10-12% | 10-12% | 10-12% | |

TABLE 13 RECOMMENDED SUBSIDIARY POVERTY TARGETS

Social Justice Ireland – Proposal for Refundable Tax Credits

Background

In Ireland in 2010, 7.8% of people who were employed were living at risk of poverty representing 120,000 people. It is important that policy-makers recognise and address this problem. One of the most effective mechanisms available within the present system to address the problem of the working poor would be to make tax credits refundable. *Social*

Justice Ireland has published research on this in its study 'Building a Fairer Taxation System: The Working Poor and the Cost of Refundable Tax Credits' (2010). The study showed that making tax credits refundable is financially possible at a relatively small cost. Such a move would have a very positive impact on those who are in poverty though working – the working poor.

The Proposal

The study identified that the proposed system would benefit 113,000 low-income individuals in an efficient and cost-effective manner. These individuals would receive a refund of their unused tax credits, the majority of which are valued at under €2,400 per annum or €46 per week.

When children and other adults in the household are taken into account, the total number of beneficiaries would be 240,000.

Many working families on low earnings struggle to achieve a basic standard of living. By making tax credits refundable, the Government would begin to address the problem of the working poor and would improve the living standards of a substantial number of people. The cost of making the change would be €140million.

Outcomes

This proposal would make Ireland's tax system fairer, ensure that in the future all changes in tax credits are experienced equally by all employees, address part of the problem of the working poor and improve the living standards of a substantial number of people. It would mark a significant step in building a fairer way for Irish society to allocate its resources.

5. Governance

A partnership approach was expressed as being at the heart of the Europe 2020 Strategy process. This was envisaged to encompass not only the European Council, the Commission, the European Parliament and EU Committees, but also to extend to national parliaments, to local/regional authorities to social partners and civil society. Both the elaboration of national reform programmes and their implementation were envisaged as being done in a partnership that included representatives of civil society so as to strengthen 'ownership' of the process (European Commission, 2010, p.6, 29):

By establishing a permanent dialogue between various levels of government, the priorities of the Union are brought closer to citizens, strengthening the ownership needed to deliver the European 2020 strategy (European Commission, 2010, p, 29).

Partnership in Practice

A pattern of less than adequate participation in the National Reform Programme process seems to have emerged in countries across Europe, with a number of European networks reporting a varied experience, often involving limited consultation on social inclusion issues and a failure to reflect stakeholder views in final programmes (Caritas Europa, 2011; EAPN, 2011, p. 7). Indeed the shadow report carried out by Caritas Europa (2011) indicated that the consultation programme in many countries appeared to be fulfilling an obligation rather than trying to ensure real participation.

In Ireland the experience of *Social Justice Ireland* relative to the consultation process has not been a positive one. During 2011, consultation meetings occurred in which *Social Justice Ireland* took an active part, but there was little evidence that the consultation had any impact on the proposals made in the final version of the National Reform Programme.

During 2012, the consultation process, if anything, worsened. The consultation process for the Community and Voluntary Pillar members (of which *Social Justice Ireland* is one) started on 15th March when a letter was received from the Department of an Taoiseach informing us that Ireland would not be submitting a comprehensive National Reform Programme (due to being in an EC/EU/IMF Financial Support Programme) but would instead be submitting a short update to the European Commission. Views on Ireland's progress were requested from interested parties within the Community and Voluntary Pillar with a deadline for submission of 26th March. The timeframe allowed covered two weekends and a public holiday. In practice only six working days were allowed for this consultation. It was totally inadequate for all NGO's and other voluntary organisations to give a comprehensive review of Ireland's progress. It also suggested that Government was simply engaging in a pro forma exercise so that it could be said that NGOs had been consulted. Despite the short notice, *Social Justice Ireland* made a detailed submission to Government. In practice there is no evidence that Government took any notice of any submission made.

Social Justice Ireland Response

The approach to partnership with an aim of fostering joint ownership enshrined in the Europe 2020 Strategy is a sensible and desirable approach.

Much work has been done in recent years by the Council of Europe on how such an approach might be formalised for the benefit of all concerned. From this has come the Charter on Shared Social Responsibilities, currently being considered by the Council. The charter argues that having a well-defined deliberative process can ensure, among other things, that individual preferences are reconciled with widespread priorities in the field of social, environmental and intergenerational justice. It can also reduce the ‘imbalances of power between stakeholders and neutralise its impact on the construction of knowledge and on decision-making’ (Council of Europe, 2011a, p 24):

The views of the weaker stakeholders must be able to be heard, heeded and able to influence decisions and results. This means avoiding situations where the stronger stakeholders, in possession of more information and organisational power, relinquish their specific responsibilities, impose priorities based on their interests alone and fail to acknowledge and compensate for the harm to which they may give rise (Council of Europe, 2011a, p. 18)

Social Justice Ireland recommends that, in the on-going framing, development and implementation of the National Reform Programme, Government move towards a deliberative approach. A deliberative process would see all stakeholders addressing the evidence together while the power-differentials between the stakeholders are not in play. The evidence would be presented and discussed with a view to providing the most accurate ‘reading’ of the issues being addressed.

Stakeholders would collaboratively identify;

- a) The current issues and how they arose;
- b) The most desirable future that could be achieved;
- c) The means by which to move forward.

As stated, this process would be based on evidence and thus would ensure that the most appropriate manner in which to address issues would be identified and agreed upon. This approach ensures a high level of accountability among stakeholders ensuring that responsibility is taken for decisions and the implementation of actions required.

6. Recommendations

In this Chapter we reproduce the recommendations relative to the targets set under Ireland's National Reform Programme already made towards the end of each of the preceding four Chapters.

Employment

Social Justice Ireland has argued in this report for a number of actions by Government to address the issue of unemployment. These include a recommendation that Government make substantial investments aimed at creating jobs and improving social infrastructure. This should be accompanied by quantified measures of sufficient scale to deal with unemployment, long-term unemployment and youth unemployment. These initiatives should be incorporated into the National Reform Programme with measurable targets for the short-term, medium-term and long-term. These measures should include investment measures and programmes to reduce long-term unemployment, in particular.

We have discussed a series of measures that might be adopted to specifically address certain sub-groups within those unemployed such as young people, the long-term unemployed and the working poor.

In addition, we make the following recommendations for changes to the targets set in Ireland's National Reform Programme:

We recommend a more ambitious **national target** relative to employment as well as a range of more ambitious measures aimed at reaching that target.

Long-term unemployment: We recommend that a sub-target be added to the current National Reform Programme headline target:

To reduce the level of long-term unemployment to 1.3% of the labour force.

Working poor: We strongly urge that a specific sub-target should be developed to address the issue of the working poor. We propose the following sub-target be added to the current headline target:

To reduce in-work poverty by making tax credits refundable. (For more details, see Chapter 4).

Education

Education is widely recognised as crucial to the achievement of both national objectives and those of the Europe 2020 strategy such as ‘smart growth’ and ‘inclusive growth.’ However, the overall levels of public funding for education in Ireland are out of step with these aspirations, particularly as regards under-funding of early childhood education and care, and in the areas of lifelong learning and second-chance education – the very areas that are most vital in promoting greater equity and fairness. Specific recommendations include:

Set a more ambitious national target of 5% in the National Reform Programme for reduction of early school leaving.

Provide sufficient resources to the DEIS programme and the national strategy ‘Literacy and Numeracy for learning and life’ referenced in the National Reform Programme as measures undertaken to reach the national early school-leaving target.

Invest in universal, quality early childhood education and care that addresses all stages of early childhood (that is, in addition to the year allowed under the Early Childhood Care and Education Scheme) making an additional investment of €100million annually.

Adopt in the National Reform Programme a new more ambitious adult literacy target to reduce the proportion of the population aged 16-64 with restricted literacy to 5% 2016; and to 3% by 2020

Adopt in the National Reform Programme an ambitious target for participation in lifelong learning.

Poverty and Social Exclusion

The Irish Government should carry out in-depth social impact assessments prior to implementing policies in order to ensure that the position of people experiencing

poverty and social exclusion is not worsened by the austerity measures being pursued. Government should also publish its National Social Report for 2012.

Furthermore, *Social Justice Ireland* proposes that the following should be adopted as Ireland’s headline target on poverty:

Ireland Headline Target: To reduce by 2020 the consistent poverty rate to 2%; the at-risk-of-poverty rate anchored in time to 8%; and the at-risk-of-poverty (only) rate to 7%.

These headline targets should be accompanied by **subsidiary poverty targets** for vulnerable groups as set out in the following Table.

| Subsidiary Poverty Targets | | | | | | |
|----------------------------------|----------------|----------|--------------|--------------------|----------------|--------|
| | Overall target | Children | Lone parents | Jobless households | Social housing | rented |
| Consistent poverty | 2% | 3-4% | 4-6% | 4-6% | 4-6% | |
| At-risk-of-poverty (only) | 7% | 8-10% | 10-12% | 10-12% | 10-12% | |

Governance

Social Justice Ireland recommends that, in the on-going framing, development and implementation of the National Reform Programme, Government move towards a deliberative approach. A deliberative process would see all stakeholders addressing the evidence together while the power-differentials between the stakeholders are not in play. The evidence would be presented and discussed with a view to providing the most accurate ‘reading’ of the issues being addressed.

Stakeholders would collaboratively identify;

- d) The current issues and how they arose;
- e) The most desirable future that could be achieved;
- f) The means by which to move forward.

As stated, this process would be based on evidence and thus would ensure that the most appropriate manner in which to address issues would be identified and agreed upon. This approach ensures a high level of accountability among stakeholders ensuring that responsibility is taken for decisions and the implementation of actions required.

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