



**TITHE AN OIREACHTAIS**

**AN COMHCHOISTE UM POIST, FIONTAIR AGUS NUÁLAÍOCHT**

**Beartais a Oibríonn a Chruthú**

*Gníomhartha chun Aghaidh a thabhairt ar an Dífhostaíocht Fhadtéarma  
agus i measc Ógánach*

**Feabhra, 2013**

**HOUSES OF THE OIREACHTAS**

**JOINT COMMITTEE ON JOBS, ENTERPRISE AND INNOVATION**

**Creating Policies that Work**

*Actions to Address Youth and Long-Term Unemployment*

**February, 2013**

**31 JEI 004**



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Damien English  
**Committee Chairman**  
(FG)



John Lyons  
**Committee Vice-Chairman**  
(Lab)

***Joint Foreword by the Chairman and the Vice Chairman  
of the Joint Committee on Jobs, Enterprise and Innovation, Mr  
Damien English, T.D. and Mr John Lyons, T.D.***

From its establishment in June 2011, the former Joint Committee on Jobs, Social Protection and Education identified unemployment in general, long term unemployment and youth unemployment as key priority issues that were fundamentally important in national efforts to achieve economic recovery.

In February 2012, on foot of a proposal from Deputies John Lyons and Michael Conaghan, the then Joint Committee on Jobs, Social Protection and Education agreed to examine the issue in detail and to seek the views of the relevant organisations and individuals with a view to identifying realistic policy recommendations which could contribute towards reducing the current jobs crisis.

That Joint Committee and its successor, the current Joint Committee on Jobs, Enterprise and Innovation, held a series of roundtable discussions throughout 2012 with a wide range of key organisations and individuals to elicit their views. In addition, the Committee wrote to the key stakeholders requesting written submissions and also advertised for written submissions from interested parties on the Oireachtas website.

All the written submissions, opening statements and presentations received and the transcript of the public meetings of the Joint Committee at which the various organisations and individuals gave evidence can be electronically accessed on the Committee website at [http://www.oireachtas.ie/parliament/oireachtasbusiness/committees\\_list/jobsenterpriseandinnovation/reports/](http://www.oireachtas.ie/parliament/oireachtasbusiness/committees_list/jobsenterpriseandinnovation/reports/)

The Joint Committee mandated a Steering Group of its Members (comprised of Deputies Damien English, Michael Conaghan, John Lyons and Peadar Tóibín and Senators David Cullinane, Feargal Quinn and Mary White) to examine and consider the analysis and research produced by the Oireachtas Library and Research Service as well as the stakeholder contributions made both in written submissions and in oral presentations at public meetings of the Joint Committee.

Following detailed consideration by the Steering Group of all the available information, a draft report with recommendations was submitted for the consideration of the full Joint Committee. The draft report was considered in detail by the Joint Committee over a number of meetings and finally agreed at its meeting of 5 February 2013.

On behalf of the Joint Committee, we would like to express our deepest gratitude to the Steering Group for all the detailed work done on drafting the Report, to the Oireachtas Library and Research Service and the staff of the Committee Secretariat for the excellent on-going research, analytical and administrative support throughout and to all the organisations and individuals who came before the Joint Committee to give evidence as well as the organisations and individuals who submitted written submissions. The Joint Committee gained valuable insights and indeed, new perspectives from all those who came before the Committee or made written submissions.

Tackling the serious issue of youth and long-term unemployment is an economic and social priority for this country. The Joint Committee for its part, is fully committed in close consultation with the relevant Ministers, Departments, State Agencies and stakeholders to monitoring the progress being made on the on-going implementation of the recommendations contained in this Report as well as other policy initiatives.



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**Damien English, T.D.,  
Chairman,  
Joint Committee on Jobs, Enterprise and Innovation,  
February 2013.**



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**John Lyons, T.D.,  
Vice-Chairman,**

## Overview

The report deals with themes under five headings:

- 1) youth unemployment;
- 2) activation policies - all age groups;
- 3) sources of funding for job creation in Ireland;
- 4) the importance of the manufacturing sector; and
- 5) the role of the Government and the role of the private sector in job creation.

The Report is also informed by several recent European reports such as: *Youth and Work in Austria* (2011), *The Role of Public Employment Services in Youth Integration: A Review of European Good Practice* (2011), *European Employment Observatory Review: Youth Employment Measures* (2010), *Recent Policy Developments relating to NEETs* (2012), *Comparative Paper on Youth Integration* (2011), *Young People and NEETs in Europe: First Findings* (2011), *Apprenticeship supply in Member States of the European Union: Final Report* (2012), *Study on a Comprehensive Overview on Traineeship Arrangements in Member States: Final Synthesis Report* (2012), and *Policy Brief on Youth Entrepreneurship: Entrepreneurial Activities in Europe* (2012).

The submissions received from a wide range of organisations and individuals (See Appendix 7), the stakeholder engagement by the Committee over 11 meetings in 2012 (See Appendix 6) as well as the detailed background research by the Oireachtas Library and Research Service have all greatly assisted the Joint Committee in the development of the recommendations contained in this Report.

Effective strategies to reduce unemployment are multi-faceted and include measures for creating an environment in which business can thrive, as well as ensuring that Public Employment Services help jobseekers to find work. More broadly they may involve investment of capital in job-intensive projects and boosting the skills of the workforce.

The Report takes a three-pronged approach to the jobs crisis with recommendations made which:

- 1) keep young people and jobseekers engaged with the jobs market through work placement, training and education;
- 2) focus on securing funding for investment and job creation; and
- 3) match jobseekers with suitable jobs, with the co-operation of the public and private sectors.



## ***Recommendations***

The Joint Committee's recommendations are detailed below in full. They have also been further summarised according to their likely effects in the short, medium and long-term (pages 17 to 24)

Those recommendations that are judged to have short-term impact have been further refined by identifying six which are judged to have the potential for most impact. Those six recommendations are listed on pages 25 and 26 of the Report.

**The Report's recommendations, in numerical order, are:**

### **Recommendation 1**

There is evidence that part-time work has a beneficial impact on young people. In Canada, The Federal Student Work Experience Programme (FSWEP) aims to equip students with work experience. The Committee recommends that the Government place more emphasis on encouraging summer work among school students so that they have some work experience when they leave school. This could be done by reinvesting in the Student Summer Work Scheme.

### **Recommendation 2**

The Committee recommends that Ireland establish a Youth Guarantee in consultation with the relevant Departments and with the assistance of employer groups. This should be established in the shortest possible timeframe. Youth Guarantees have been used in several regions around the world including Austria, UK, Sweden and New Zealand. Ireland has already applied to be included in an EU Youth guarantee pilot programme and should know if the application has been successful by the end of March 2013.

### **Recommendation 3**

The Committee recommends that the Government investigate the possibilities of better preparing young people for future careers by combining technical and academic education in a particular discipline, where appropriate. An international example of this can be found in

'career academies' in the USA, which work in partnership with local companies to equip students with work skills in subjects such as finance, technology and healthcare. Academies are usually offered through schools.

#### **Recommendation 4**

The Committee recommends that the Government consider whether, and if so how, activation schemes could better target young people from disadvantaged backgrounds, so that they are given training, support and guidance which will direct them towards a career. The Committee was interested in the approach taken in the USA, where schemes such as Job Corps and Youth Opportunity Grant (YOG) targeted young people from disadvantaged backgrounds.

#### **Recommendation 5**

The Committee acknowledges the success of JobBridge and recommends the expansion of this scheme in meeting with best international standards and ensuring that all participants receive adequate training and support.

#### **Recommendation 6**

The Committee recommends that monies allocated to Active Labour Market Programmes are more targeted towards programmes with strong linkages to the labour market, e.g. FÁS traineeships, Skillnets etc, while programmes shown to have weaker linkages are further developed with a view to strengthening their ties with the labour market. Any consideration of funding of programmes with weaker labour market linkages should take account of the many societal benefits these programmes offer in terms of social inclusion, lifelong learning and providing essential community services, amongst others.

#### **Recommendation 7**

The Committee recommends that the National Employment Action Plan be re-examined to ensure that it incorporates the needs of those with literacy and/or numeracy difficulties.

**Recommendation 8**

The Committee recommends that the Government sets a target to reduce unemployment in acute unemployment blackspots within a specific time period.

**Recommendation 9**

The Committee would like to see more initiatives from the private sector, where the food and grocery industry has come together to provide training and skills to unemployed young people. The State could provide a facilitator role in such private sector initiatives.

**Recommendation 10**

The Committee recommends that the Government continues to apply pressure to the European Commission to expand the European Globalisation Adjustment Fund (EGF) and, reflecting the recent PAC inquiry, recommends that the government front load payments to those entitled to support through the EGF. Government departments should be directed to act in a joined-up manner to maximise the draw-down of funds to aid those unemployed return to work.

**Recommendation 11**

The Committee recommends that Enterprise Ireland expands the level of current funding of programmes such as the €10 million start-up fund to encourage the growth of indigenous industries.

**Recommendation 12**

The Committee recommends that the Government, in collaboration with industry, consider rolling out a national youth strategy on entrepreneurship. In addition the Government could introduce a Youth Entrepreneurship Fund, of €1,000,000 on a two year trial basis, pending further review. The Committee recommends that Ireland consider developing a scheme for encouraging entrepreneurship among first-time jobseekers (aged 18-35), that would follow the example set by Portugal, which provides aid for the start-up of small, for-profit companies that create jobs. In Portugal, two credit lines with low interest rates were launched to support the approved initiatives.

**Recommendation 13**

The Committee recommends that the Government consider soliciting ideas from the public as to how business regulations might be improved and where possible, remove unnecessary regulation. The Red Tape Challenge used in the UK may provide a model for this.

**Recommendation 14**

The Committee recommends that the Government consider the creation of a Retail Policy Forum, similar to that which exists in the UK. The purpose of this would be that research based analysis, with an associated action plan on the future trends of retail industry and the blockages to maximising the potential of that industry, in Ireland, can be agreed.

**Recommendation 15**

The Committee recommends that the Government reviews local government funding with the view to changing the rates charged to business. This can be achieved through developing a new mechanism for calculating rates, taking heed of the profitability of business. This can be achieved from efficiencies achieved from local government reform. In the short term, the Committee recommends that Government consider introducing rate breaks for start-ups on vacant buildings on the 'high street'.

**Recommendation 16**

The Committee recommends that the Government makes greater use of social clauses in all contracts issued by the State. Such clauses could ensure that a percentage of workers hired are long-term unemployed.

**Recommendation 17**

The Committee recommends that the Government focus on commercialising research and development and continue with its stated aim of becoming a world centre or 'hub' for managing, trading, distributing and investing in intellectual property.

**Recommendation 18**

The Committee acknowledges initiatives that assist the development of a lasting commercial relationship between large buyers (e.g. retail multiples, large manufacturers) and existing or potential supplier SMEs, and recommend that such programmes be supported in all sectors.

**Recommendation 19**

The Committee recommends that the Government considers the issue of supports to employers who take on young unemployed or long term unemployed for apprenticeships. It should also support the unemployed in meeting the additional cost of returning to work through broadening the back to work scheme.

**Recommendation 20**

The Committee sees the reform of the Further Education and Training sector and creation of Education Training Boards (ETBs) as a potential opportunity to revamp and reform the apprenticeship system. This could ensure that the reformed sector is more relevant to current employment market demands and is flexible in order to adapt to future demands. Equally the Committee recommends that a full review of the current apprenticeship system be undertaken. The Committee further recommends that future apprenticeship schemes be benchmarked against international models of best practice and that employers and unions are involved in the review, in addition to the relevant educational interests.

**Recommendation 21**

The Committee recommends that the Government consider the merits of implementing the Social Justice Ireland Part-Time Job Opportunities Programme. Social Justice Ireland estimates that this could create 100,000 part-time jobs for unemployed people. In addition the Committee recommends that the Joint Committee on Jobs, Education and Social Protection's 2012 report on casual workers be reviewed in this context.

**Recommendation 22**

The Committee recommends the expansion of the MOMENTUM Initiative which provides courses to give the long term unemployed in-demand skills in order to access work in sectors of the economy where there are job opportunities.

**Recommendation 23**

The Committee recommends that the Government give consideration to the Forfas (2012) recommendation that A National Foreign Language Education Policy be developed within a 5-10 year window - as stated in the report titled *Key Skills for Enterprise to Trade Internationally*.

**Recommendation 24**

The Committee recommends that the Government would screen existing and proposed legislation with a view, where possible, of easing the burden of regulations on SMEs which employ fewer than 50 people (while safeguarding the rights of workers and consumers).

**Recommendation 25**

The Committee notes that the Government is currently reviewing employment rights within the state and recommends that research be carried out in order to achieve an efficient and fair system of employment termination.

**Recommendation 26**

The Committee recommends that there should be an investigation into the effects of the minimum wage (both positive and negative) on the jobs market and recommends that research should be carried out at a later stage.

**Recommendation 27**

The Committee recommends that the Government consider the introduction of an Earned Income Tax Credit, as was introduced in Sweden, with the aim of boosting employment and stimulating growth. An Earned Income Tax Credit (EITC) is a refundable tax credit which benefits working people with low to moderate income. The Committee recognises that the cost to the Exchequer would have to be carefully considered.

**Recommendation 28**

The Committee recommends that the Government use a 5 year average of investment in research and development to determine an enterprise baseline for consideration of additional R&D supports.

**Recommendation 29**

The Committee recommends that the Government agencies support and promote the development of co-operative models of enterprise including special measures to incentivise the development of non-profit community and private business co-operatives. The Committee is cognisant that these should be genuine co-operatives and not formed solely for taxation purposes.

**Recommendation 30**

The Committee recognises the differential rates of economic growth and unemployment in regions across the state. The Committee calls on the government to target funds for job creation to reflect levels of [regional] unemployment.

**Recommendation 31**

The Committee recommends that the Government set targets for the reduction of unemployment and for job creation on an annual basis to return to the employment levels of 2001 – 2006.

**Recommendation 32**

The Committee endorses the Community Employment (CE) Scheme as a worthwhile labour activation measure and also acknowledges the dual purpose of supporting the community infrastructure in disadvantaged areas, as identified by Fahey and Norris (*Combating Social Disadvantage in Social Housing Estates*, February 2011). The Committee, furthermore, calls for additional places on the CE Scheme.

**Recommendation 33**

The Committee recommends that the Government invest in the social economy, which, as the Committee heard from Clann Credo, is comparatively poorly developed in Ireland. This may help to maximise jobs potential in this sector.

**Recommendation 34**

The Committee recognises the mobility of the labour market and interlinked economies North and South and recommends that the Government in partnership with the Northern Ireland Executive update the Comprehensive Study of the All Ireland Economy 2006 and develops and All Ireland approach to job creation and skills development.

**Recommendation 35**

The Committee recommends that initiatives, such as the Discovery Zone (which are fully funded programmes designed to facilitate experienced professionals who find themselves out of work to develop new business ideas, start a new business and use their skills to

exploit commercial opportunities) should be examined as an example of best practice which could be promoted. Such initiatives have the capacity to help reduce national unemployment and deliver real business benefit to the economy.



## Short-term impact

### **Recommendation 2**

The Committee recommends that Ireland establish a Youth Guarantee in consultation with the relevant Departments and with the assistance of employer groups. This should be established in the shortest possible timeframe. Youth Guarantees have been used in several regions around the world including Austria, UK, Sweden and New Zealand. Ireland has already applied to be included in an EU Youth guarantee pilot programme and should know if the application has been successful by the end of March 2013.

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## Medium-term impact

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## Long-term impact

### **Recommendation 1**

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## **Six recommendations judged to have the most impact in the short-term**

Not all of the initiatives in the recommendations above can be implemented in the short-term. Some initiatives, such as those relating to language skills, will have a longer-term impact on the jobs crisis in Ireland. Therefore, this Report identifies six recommendations which are likely to have most impact in the short-term, as follows:

### **Recommendation 2**

The Committee recommends that Ireland establish a Youth Guarantee in consultation with the relevant Departments and with the assistance of employer groups. This should be established in the shortest possible timeframe. Youth Guarantees have been used in several regions around the world including Austria, UK, Sweden and New Zealand. Ireland has already applied to be included in an EU Youth guarantee pilot programme and should know if the application has been successful by the end of March 2013.

### **Recommendation 12**

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**Recommendation 22**

The Committee recommends the expansion of the MOMENTUM Initiative which provides courses to give the long term unemployed in-demand skills in order to access work in sectors of the economy where there are job opportunities.

## Introduction

The seasonally adjusted unemployment rate from the most recent Quarterly National Household Survey (QNHS) was 14.8% in the third quarter of 2012.<sup>1</sup> The unemployment rate decreased by 3,600 (-1.1%) in the year to Q3 2012. This brings the total number of persons unemployed to 324,500. The long-term unemployment rate increased from 8.8% to 8.9% over the year to Q3 2012, while long-term unemployment accounted for 59.5% of total unemployment in Q3 2012 compared with 58.4% a year earlier and 49.1% in the third quarter of 2010.<sup>2</sup>

Neil Gibson, Economic Advisor with Ernst and Young, says that our emigration problem is keeping the unemployment rate lower than it might otherwise be:

"If we weren't emigrating in significant numbers, we might have an unemployment rate akin to what we have in places like Spain where it's well over 20%."<sup>3</sup>

An IMF quarterly report on Ireland seems to concur with this view:

"...outward migration continued to act as a relief valve for unemployment...had all employees who lost their jobs since the outset of the crisis remained in the labour force, the unemployment rate would stand at around 20 per cent".<sup>4</sup>

The EU27 unemployment rate was 10.7% in October 2012, up from 10.6% in September. The unemployment rate in the twelve months to October 2012 increased in sixteen Member States, fell in nine and remained stable in Austria and Slovenia.<sup>5</sup>

In 2011 it was estimated that the construction sector in Ireland accounted for almost half (47 per cent) of the total decline in employment over the previous two years.<sup>6</sup>

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<sup>1</sup> <http://www.cso.ie/en/newsandevents/pressreleases/2012pressreleases/pressreleasequarterlynationalhouseholdsurveyquarter32012/>

<sup>2</sup> Ibid.

<sup>3</sup> <http://www.breakingnews.ie/ireland/ernst-and-young-ireland-to-return-to-recession-this-year-556151.html>

<sup>4</sup> <http://www.irishtimes.com/newspaper/finance/2012/1220/1224328044407.html>

<sup>5</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-30112012-BP/EN/3-30112012-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-30112012-BP/EN/3-30112012-BP-EN.PDF)

<sup>6</sup> European Commission. (2012). Study on a comprehensive overview on traineeship arrangements in Member States.

The Tánaiste and Minister for Foreign Affairs and Trade, Eamon Gilmore, T.D. recently announced that Ireland will prioritise the issue of youth unemployment during its EU presidency. The Tánaiste said:<sup>7</sup>

“We will push for a comprehensive EU approach to the problem, starting with the youth employment package. We aim to get consensus among member states on the principles of a youth guarantee...”

The eighth Troika (IMF/EC/ECB) review of Ireland’s progress referred to Ireland’s ‘unacceptably high’ unemployment rate and urged the Government to strengthen employment and training services by implementing the *Pathways to Work* initiative. The Troika also recommended that the private sector be involved in providing employment services.

In her submission to the Committee, Dr. Mary Murphy of NUI Maynooth wrote of the psychological effects of unemployment and its long-term consequences:

“We know that the longer the unemployment the harder the re-entry and that younger unemployed have a 20% ‘wage scar’ all their life but also that unemployment delays other life progression including relationships, marriage, parenthood and house purchase.”

While the majority of the unemployed are men, over three quarters of those made unemployed in the last twelve months were women, showing a recent acceleration among this group.<sup>8</sup>

The purpose of this paper is not to outline the extent of the jobs crisis in Ireland, which is well-known, but to recommend initiatives which will have a direct and measurable impact on job creation in Ireland.

The paper collates commentary from experts in this area, who have met with the Committee. The Government’s two main jobs policy documents are *The Action Plan for Jobs* (launched in February 2012) and *Pathways to Work* (which focuses on labour market activation). Recommendations from the Committee’s report are intended to augment rather than replace

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<sup>7</sup> Irish Times. (2012). EU membership crucial for our economic future. Accessed on 2<sup>nd</sup> January 2012 at <http://www.irishtimes.com/newspaper/opinion/2012/1231/1224328278554.html>

<sup>8</sup> TASC. (2012). TASC Submission on Unemployment and Youth Unemployment.

these documents. The 2013 Action Plan for Jobs is currently being developed and will be published early in 2013.<sup>9</sup>

Following a reconfiguration of Oireachtas Committees, the Joint Committee on Jobs, Enterprise and Innovation was established on 12<sup>th</sup> June 2012. The paper also refers to meetings held by the Joint Committee on Jobs, Social Protection and Education. Any meeting held prior to 12<sup>th</sup> June 2012 refers to those held by that Committee.

The first section of the paper looks specifically at the problem of youth unemployment.

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<sup>9</sup> [http://www.djei.ie/publications/2013APJ\\_Proposal\\_form.pdf](http://www.djei.ie/publications/2013APJ_Proposal_form.pdf)

# 1. Youth Unemployment

## 1.1 Unemployment rates and ratios

According to latest data, youth (under 25 yrs) unemployment rate (seasonally adjusted) in Ireland was 29.9% in October 2012 compared to 23.4% in the EU-27 (Eurostat, 2012).<sup>10</sup>

It should be noted, the unemployment rate is calculated as the number of people unemployed as a percentage of the labour force. However, the labour force does not include young people who are studying full-time and are therefore neither working nor looking for a job.<sup>11</sup> An increase in the number of people going back to education will lead to an increase in the unemployment rate therefore. For this reason, youth unemployment ratios are also calculated. The youth unemployment ratio calculates the share of unemployed youth for the whole population of young people.<sup>12</sup>

Youth unemployment ratios in the EU are typically much lower than youth unemployment rates (see table below), as they have a larger denominator. For example, in 2011 Ireland had a youth unemployment rate of 29.4% but the youth unemployment ratio was significantly lower at 11.7%.<sup>13</sup>

On 24<sup>th</sup> June 2012 the Financial Times published an article on the calculation of unemployment rates which explained that:<sup>14</sup>

“For example, the youth unemployment rate for Spain is 48.9 per cent, but the youth unemployment ratio is only 19 per cent. The youth unemployment rate in Greece is 49.3 per cent; its youth unemployment ratio is only 13 per cent. In both Ireland and Italy, the rate is 30.5 per cent, but the ratio is only 11.7 per cent and 8 per cent respectively. For the eurozone, the youth unemployment rate is 20.8 per cent but the ratio only 8.7 per cent.”

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<sup>10</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-30112012-BP/EN/3-30112012-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-30112012-BP/EN/3-30112012-BP-EN.PDF)

<sup>11</sup> Census 2011 shows that there was a large increase in the number of students in Ireland compared to the previous census in 2006 (an increase of 16.9% from 349,596 in 2006 to 408,838 in 2011).

<sup>12</sup> See [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Unemployment\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics)

<sup>13</sup> See Eurostat online at

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php?title=File:Youth\\_unemployment,\\_2011\\_Q4\\_\(%25\).png&filetimestamp=20120502094632#file](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Youth_unemployment,_2011_Q4_(%25).png&filetimestamp=20120502094632#file)

<sup>14</sup> Financial Times. (2012). Youth employment is bad, but not as bad as we're told. Accessed on 12<sup>th</sup> July 2012 at [http://www.ft.com/intl/cms/s/0/5cc9db3e-bbbc-11e1-9436-00144feabdc0.html?ftcamp=published\\_links%2Frss%2Fcomment%2Ffeed%2F%2Fproduct&ftcamp=crm/email/2012625/nbe/Comment/product#axzz1ynlkS78g](http://www.ft.com/intl/cms/s/0/5cc9db3e-bbbc-11e1-9436-00144feabdc0.html?ftcamp=published_links%2Frss%2Fcomment%2Ffeed%2F%2Fproduct&ftcamp=crm/email/2012625/nbe/Comment/product#axzz1ynlkS78g)

Table 1 shows the difference between unemployment rates and unemployment ratios in the EU 27.

**Table 1: unemployment rates and ratios in the EU27**

|                       | Youth unemployment rate |          |      |         | Youth unemployment ratio |      |      |
|-----------------------|-------------------------|----------|------|---------|--------------------------|------|------|
|                       | 2009                    | 2010     | 2011 | 2011Q4* | 2009                     | 2010 | 2011 |
| <b>EU-27</b>          | 20.1                    | 21.1     | 21.4 | 22.1    | 8.7                      | 9.0  | 9.1  |
| <b>Euro area</b>      | 20.2                    | 20.9     | 20.8 | 21.4    | 8.7                      | 8.7  | 8.7  |
| <b>Belgium</b>        | 21.9                    | 22.4     | 18.7 | 17.5    | 7.1                      | 7.3  | 6.0  |
| <b>Bulgaria</b>       | 16.2                    | 23.2     | 26.6 | 28.2    | 4.8                      | 6.7  | 7.3  |
| <b>Czech Republic</b> | 16.6                    | 18.3     | 18.0 | 18.3    | 5.3                      | 5.7  | 5.4  |
| <b>Denmark</b>        | 11.8                    | 14.0     | 14.2 | 14.3    | 8.4                      | 9.4  | 9.6  |
| <b>Germany</b>        | 11.2                    | 9.9      | 8.6  | 8.3     | 5.8                      | 5.1  | 4.5  |
| <b>Estonia</b>        | 27.5                    | 32.9     | 22.3 | 25.1    | 11.0                     | 12.6 | 9.1  |
| <b>Ireland</b>        | 24.4                    | 27.8     | 29.4 | 30.5    | 11.5                     | 11.8 | 11.7 |
| <b>Greece</b>         | 25.7                    | 32.8     | 44.4 | 49.3    | 8.0                      | 10.0 | 13.0 |
| <b>Spain</b>          | 37.8                    | 41.6     | 46.4 | 48.9    | 17.1                     | 17.8 | 19.0 |
| <b>France</b>         | 23.9                    | 23.6     | 22.9 | 22.7    | 9.2                      | 9.0  | 8.5  |
| <b>Italy</b>          | 25.4                    | 27.8     | 29.1 | 30.5    | 7.4                      | 7.9  | 8.0  |
| <b>Cyprus</b>         | 13.8                    | 16.7     | 22.4 | 26.8    | 5.7                      | 6.8  | 8.5  |
| <b>Latvia</b>         | 33.6                    | 34.5     | 29.1 | 27.4    | 14.0                     | 13.9 | 11.2 |
| <b>Lithuania</b>      | 29.2                    | 35.1     | 32.9 | 34.3    | 8.9                      | 10.4 | 9.6  |
| <b>Luxembourg</b>     | 16.5                    | 15.8     | 15.6 | 16.0    | 5.5                      | 3.5  | 4.2  |
| <b>Hungary</b>        | 26.5                    | 26.6     | 26.1 | 26.7    | 6.5                      | 6.6  | 6.4  |
| <b>Malta</b>          | 14.4                    | 13.1     | 13.7 | 14.0    | 7.4                      | 6.7  | 7.1  |
| <b>Netherlands</b>    | 7.7                     | 8.7      | 7.6  | 8.5     | 4.8                      | 6.0  | 5.3  |
| <b>Austria</b>        | 10.0                    | 8.8      | 8.3  | 8.7     | 6.0                      | 5.2  | 5.0  |
| <b>Poland</b>         | 20.6                    | 23.7     | 25.8 | 26.9    | 7.0                      | 8.2  | 8.7  |
| <b>Portugal</b>       | 24.8 (e)                | 27.7 (e) | 30.1 | 34.1    | 7.9                      | 8.2  | 11.7 |
| <b>Romania</b>        | 20.8                    | 22.1     | 23.7 | 24.8    | 6.4                      | 6.9  | 7.4  |
| <b>Slovenia</b>       | 13.6                    | 14.7     | 15.7 | 16.4    | 5.6                      | 5.9  | 5.9  |
| <b>Slovakia</b>       | 27.3                    | 33.6     | 33.2 | 33.8    | 8.6                      | 10.4 | 10.0 |
| <b>Finland</b>        | 21.5                    | 21.4     | 20.1 | 19.9    | 10.9                     | 10.6 | 10.1 |
| <b>Sweden</b>         | 25.0                    | 25.2     | 22.9 | 22.8    | 12.8                     | 13.0 | 12.0 |
| <b>United Kingdom</b> | 19.1                    | 19.6     | 21.1 | 22.0    | 11.4                     | 11.6 | 12.4 |

\* The quarterly youth unemployment rate is seasonally adjusted.  
e: estimate  
Source: Eurostat (une\_rt\_q, lfsi\_act\_a)

Young people who are in the NEET group, i.e. 'not in employment, education or Training' are of particular concern to policymakers. Eurofound (2011)<sup>15</sup> carried out research on this group. The report looked at risk factors for becoming NEET and found that:

- those reporting having some kind of disability are 40% more likely to become NEET;
- young people with an immigration background are 70% more likely to become NEET;
- those with a low education level are three times more likely to become NEET compared to those with tertiary education;
- living in remote areas increases the probability of becoming NEET by up to 1.5 times;
- young people with a low household income are more likely to become NEET than those with average income.
- having parents who experienced unemployment increases the probability of becoming NEETs by 17%;
- having parents with a low level of education doubles the probability of becoming NEETs;
- young people whose parents divorced are 30% more likely to become NEET.

The Eurofound (2011) report calculated the cost of being NEET based on the sum of the resources costs (foregone earnings) and public finance costs (excess transfer). The report estimates that the annual cost of NEETs to the Irish state is 2.1% of GDP, approximately €3.8BN.

## **1.2 The experience of youth unemployment in Ireland**

Regardless of which measure we use, there has been a huge increase in young people not in education, employment, or training (NEET) in Ireland. At a meeting on 18<sup>th</sup> April 2012, Mr. Peter Rigney from the Irish Congress of Trade Unions (ICTU) said:

“Eurostat show that Ireland has had the largest increase in NEETS among the 27 EU member states.”

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<sup>15</sup> Eurofound.(2011). Young people and NEETs in Europe: first findings. Accessed on 7<sup>th</sup> November 2012 at <http://www.eurofound.europa.eu/pubdocs/2011/72/en/1/EF1172EN.pdf>



The eighth Troika review of Ireland's progress (25/10/2012) referred to the 'unacceptably high' rate of unemployment, particularly among young people and indicated that job creation must be a priority for the country.<sup>16</sup>

Youth unemployment is also a problem across the OECD. The OECD (2012) reports that the youth unemployment rate has increased to twice that of adults<sup>17</sup> and that in mid-2010, 12.5% of youth aged 15-24, in the 26 countries for which data is available, were NEET, up from 10.8% in 2008.<sup>18</sup>

### **1.3 Possibility of a Youth Guarantee Scheme in Ireland**

During the Committee's meetings on the topic of unemployment, several stakeholders and members expressed their support for a Youth Guarantee Scheme. Also, the National Youth Council of Ireland (NYCI) produced a report in 2011 which recommended that the Government examine the feasibility of a 'Youth Guarantee' scheme.<sup>19</sup>

In a submission to the Committee, Dr. Mary Murphy of NUI Maynooth, called for a formal Youth Guarantee in Ireland. In the submission, Dr. Murphy wrote:

"To reflect the urgency of tackling long term youth unemployment government should seek funding from the European Social Fund to offer an immediate Youth Offer Guarantee to all young people under 25 with second level or lower education. The state should where necessary act as an employer of last resort."

At a Committee meeting on 18<sup>th</sup> April 2012, Dr. Murphy reiterated this point, citing the number of young people who had left school prematurely for jobs in the construction sector and were now facing a lifetime of unemployment. As regards funding of such an initiative, Dr. Murphy said:

"New European initiatives appear to provide up to €3 billion through the European Social Fund for a youth guarantee. The Spanish government announced recently it would target it."

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<sup>16</sup> Sunday Business Post. (2012). Troika review: statement in full. <http://www.businesspost.ie/#!/story/Home/News/Troika+review%3A+IMF%2FEC%2FECB+statement+in+full/id/19410615-5218-5089-2c54-c42244007577>

<sup>17</sup> [http://www.oecd.org/document/31/0,3746,en\\_2649\\_37457\\_46328479\\_1\\_1\\_1\\_37457,00.html](http://www.oecd.org/document/31/0,3746,en_2649_37457_46328479_1_1_1_37457,00.html)

<sup>18</sup> Ibid.

<sup>19</sup> NYCI. (2011). Launch of Youth Unemployment Action Plan – 'Creating A Future for Young Jobseekers'

On 29<sup>th</sup> June 2012, in response to the dramatic rise of youth unemployment, the European Council urged Member States to step up efforts to increase youth employment, with:

"...the objective that within a few months of leaving school, young people receive a good quality offer of employment, continued education, apprenticeship or a traineeship."

It recommended that these measures be supported by the European Social Fund (ESF). The Commission called for proposals from each member state in relation to implementing a Youth Guarantee.<sup>20</sup>

Neri's (2012) third Quarterly Economic Observer recommends that savings made in public sector spending should be redirected towards a youth guarantee to extend training and work opportunities for school leavers.<sup>21</sup>

### **Funding a Youth Guarantee in Ireland**

The EU's Youth Opportunities Initiative is a set of measures, planned for 2012 and 2013, to drive down youth unemployment. Key actions of the initiative involve national governments tapping into the €30 billion not yet allocated to projects for 2007-13.<sup>22</sup> For qualifying countries it also includes:<sup>23</sup>

- €1.3 million in ESF technical assistance to set up apprenticeship schemes – EU countries have been asked to contribute to a 10% funding increase.
- €3 million in ESF technical assistance for young business starters and social entrepreneurs
- €4 million to help EU countries get young people into employment, further education or (re)training within 4 months of leaving school.

The European Commission also proposed a pilot action plan to help the eight Member States with the highest levels of youth unemployment (Greece, Ireland, Italy, Latvia, Lithuania, Portugal, Slovakia and Spain) to re-allocate some of their EU structural funds. In Ireland, €25 million were allocated to the Youthreach programme which provides education,

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<sup>20</sup> European Commission. (2012). Current call for proposals. Accessed on 14<sup>th</sup> September 2012 at <http://ec.europa.eu/social/main.jsp?catId=630&langId=en&callId=362&furtherCalls=yes>

<sup>21</sup> [http://www.nerinstitute.net/download/pdf/geo\\_pdf\\_final\\_autumn\\_2012.pdf](http://www.nerinstitute.net/download/pdf/geo_pdf_final_autumn_2012.pdf)

<sup>22</sup> <http://ec.europa.eu/social/main.jsp?catId=1006>

<sup>23</sup> Ibid.

training and work experience to young people who have left school early. This will ensure that 3 700 training places for early school leavers are maintained until end 2013.<sup>24</sup> In a reply to a PQ<sup>25</sup> on 2<sup>nd</sup> October 2012 the Minister for Jobs, Enterprise and Innovation, Mr. Richard Bruton, T.D. signalled that the European Commission is expected to publish a set of proposals in early December in the form of a Youth Transitions package, the main element of which would be a Youth Guarantee. The Minister also said:

“I can confirm that there are continuing discussions involving the Department of Social Protection, the Department of Education and Skills and my own Department, among others, regarding the possible content of the expected European Commission proposals, how they can be best adapted to the most urgent needs...”

In a press release on 5<sup>th</sup> December 2012, the European Commission proposed a package of measures to help member states tackle youth unemployment.<sup>26</sup> The package includes a recommendation that member states introduce a Youth Guarantee that would ensure all young people under 25 are offered continued education, an apprenticeship or traineeship within four months of becoming unemployed. To pay for this, member states are urged to make full use of the European Social Fund and other structural funds.<sup>27</sup>

#### **1.4 International examples of Youth Guarantee Schemes**

Youth Guarantee Schemes have been used in many countries in response to high levels of youth unemployment. These schemes usually involve placing young people (usually under 25 years of age) on education, training, or work placements. This section will look at recent examples of youth guarantee schemes, operating in the UK, Sweden, New Zealand and Austria.

##### **United Kingdom**

In January 2010, the then Prime Minister of the UK, Gordon Brown, announced a Youth Guarantee Scheme which would ensure that every young person, unemployed for six months or more, would receive an offer of a job, training or work experience. The

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<sup>24</sup> European Commission. (2012). Tackling youth unemployment: using EU structural funds to help young people. Accessed on 21<sup>st</sup> September 2012 at

[http://ec.europa.eu/europe2020/pdf/themes/17\\_youth\\_action\\_team\\_en.pdf](http://ec.europa.eu/europe2020/pdf/themes/17_youth_action_team_en.pdf)

<sup>25</sup> PQ no 41645/12

<sup>26</sup> [http://europa.eu/rapid/press-release\\_IP-12-1311\\_en.htm](http://europa.eu/rapid/press-release_IP-12-1311_en.htm)

<sup>27</sup> Ibid.

Government predicted that the scheme would offer up to 470,000 job opportunities over the next 15 months and benefit 100,000 young people immediately.<sup>28</sup> The scheme was funded through the £1 billion Future Jobs Fund. It offered work-focused training, a place on a community task force, and help with self-employment and internships. If young people refused to take a placement on the scheme their benefits would be negatively affected. When the new coalition Government came to power in May 2010, they scrapped the Youth Guarantee Scheme, claiming that it was overly focused on the public sector and short-term placements.<sup>29</sup>

In November 2011, the current UK Government announced the 'Youth Contract' initiative. This initiative aims to help young unemployed people get a job by working with employers to establish work placements and employment vacancies. The Chancellor of the Exchequer's Autumn Statement of 29 November 2011 stated that the Youth Contract will cost £940 million in total over the three years in which it will operate (from April 2012 to March 2015): £365 million in 2012/13, £310 million in 2013/14 and £265 million in 2014/15.<sup>30</sup>

Over three years from April 2012, the Department of Work and Pensions (DWP) in the United Kingdom states that Youth Contract will provide at least 410,000 new work places for 18 to 24 year olds. The key initiatives under the scheme are as follows:<sup>31</sup>

- **Work Experience:** under this scheme, the young person is paid unemployment benefit while participating on Work Experience. The intention of Work Experience is to offer participants the opportunity to gain the experience and skills that they can use to enhance their job search and market themselves to potential employers. The DWP states that 250,000 work experience placements will be made under the period of the scheme for 18 to 24 year-olds.
- **Sector-based work academies:** provided by private or voluntary / community organisations, a sector-based work academy can last up to six weeks and has three key components:

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<sup>28</sup> The Independent (UK). (2010). Youth work scheme 'tackles lost generation'. Accessed on 3<sup>rd</sup> July 2012 at <http://www.independent.co.uk/news/uk/politics/youth-work-scheme-tackles-lost-generation-1878212.html>

<sup>29</sup> BBC. (2012). Miliband 'pledges real jobs guarantee' for youngsters. Accessed on 3<sup>rd</sup> July 2012 at <http://www.bbc.co.uk/news/uk-politics-17394506>

<sup>30</sup> [http://cdn.hm-treasury.gov.uk/autumn\\_statement.pdf#page=45](http://cdn.hm-treasury.gov.uk/autumn_statement.pdf#page=45)

<sup>31</sup> <http://dwp.gov.uk/docs/youth-contract-details.pdf>

- Pre-employment training- relevant to the needs of businesses.
  - A work experience placement.
  - A guaranteed job interview.
- **Wage Incentives:** these provide financial incentives to private or voluntary / community organisations to employ an unemployed young person (18-24) for a defined period of time. It is anticipated that this will encourage employers to give young people a chance to prove themselves and to reduce the cost of taking on new employees. Under the scheme, 160,000 wage subsidies, worth up to £2,275 each, will be available for employers who recruit an 18-24 year-old through the Work Programme.
  - **Apprenticeship Wage Incentives (in England):** this is aimed at helping eligible employers to offer young people employment through the Apprenticeship programme, by providing wage grants to assist employers in recruiting their first apprentice. It is anticipated that at least 20,000 more incentive payments will be made available to encourage employers to take on young apprentices.

#### *Effectiveness of Youth Contract*

Overall, views from different stakeholders on the progress of Youth Contract have been mixed. While formal evaluations have yet to be conducted, the DWP cites the success of previous work placement schemes which the Youth Contract initiative seeks to build on. From January 2011 up to and including August 2011, the Department states 16,360 claimants have started a work experience placement and more than half of those who enter the scheme are off benefits within three months.<sup>32</sup>

In general, business groups are supportive of the scheme. Members of the Confederation of British Industry (CBI), for example, have welcomed the initiative, stating that it gives the employer time to consider the attitude and ability of the young person, and for the candidate to see if they like the employer.<sup>33</sup>

While also welcoming Youth Contract, The National Institute of Adult Continuing Education (NIACE) argues that although 400,000 young people will take part in the initiative, there is no Youth Contract for approximately 500,000 young people not in employment, education or training in the UK. The NIACE therefore argues that Youth Contract should be extended.

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<sup>32</sup> <http://dwp.gov.uk/docs/youth-contract-details.pdf>

<sup>33</sup> Department for Work and Pensions. (2012). Business backs new Youth Contract. <http://www.dwp.gov.uk/youth-contract/business/>

The NIACE also expressed concern that employers may cherry pick the most work-ready candidates, leaving behind those who need the most help. The Trade Union Congress (TUC) claim that Youth Contract will only assist one in ten young people and that the unpaid work experience scheme is not helping young people to find work.

The Institute for Public Policy Research (IPPR) has also criticised Youth Contract. It argues that the current state of the economy suggests that the private sector is not willing to recruit additional staff.<sup>34</sup> They cite the Office of Budget Responsibility, who claim that the initiative will have no effect on the level of employment for the population as a whole. The IPPR suggests that Youth Contract may lead to jobs being taken away from older workers and given to younger ones instead.<sup>35</sup> On this basis, the IPPR argues that the initiative should be extended, with all those out of work for more than a year given a minimum wage job in the public or voluntary sector.

Further to this, some concerns have been raised that the Youth Contract initiative is exploiting young unemployed persons. In light of this, Tesco (among many other private companies) announced that any young person accepted for work experience in the future would be offered a choice of participating in the government scheme (which protects their benefits for the duration of the four-week placement) or be paid by Tesco for the placement, with a guaranteed permanent job at the end, provided they complete the placement satisfactorily.<sup>36</sup>

## **Sweden**

According to Forslund (2008), the recession of the early 1990s provided the main impetus to develop large scale programmes for unemployed young people in Sweden.<sup>37</sup>

In Sweden, young unemployed people can typically expect to enter a programme early in an unemployment spell (at about 100 days of unemployment). Between 1998 and 2006, this was primarily achieved through a Youth Guarantee Programme and from 2007 by the Job

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<sup>34</sup> <http://www.ippr.org/articles/56/8376/youth-contract-will-not-deliver-on-its-promises>

<sup>35</sup> [http://cdn.budgetresponsibility.independent.gov.uk/Autumn2011EFO\\_web\\_version138469072346.pdf](http://cdn.budgetresponsibility.independent.gov.uk/Autumn2011EFO_web_version138469072346.pdf) see page 57

<sup>36</sup> Tesco moves to quell unpaid job row , *Financial Times*, 22 February 2012

<sup>37</sup> [http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden\\_BE08.pdf](http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden_BE08.pdf)

Guarantee for Youth. Under such guarantees, the government commits itself to offer youths, in a defined target group, a place in an education, training or work programme.

### *Effectiveness of Youth Guarantee Sweden*

Overall, studies examining Sweden's youth guarantee programmes have found mixed results. Forslund and Nordström Skans (2006), cited by Forslund (2008), for instance, analysed labour market programmes targeted at young people during the period 1999–2003. Their analysis indicated that the youth guarantee initiative for 20-24 year olds was effective in shortening the unemployment spells, but that the effects were short-lived.<sup>38</sup>

This finding is also supported by OECD studies, cited by Hansen (2011), which conclude that while the youth guarantee programmes in Sweden proved unsuccessful in providing workers with regular employment, they can be useful in keeping the unemployed attached to the labour market during a period of high unemployment. The studies argue that as labour market conditions improve, subsidised work placement measures should be downsized and support for workers should focus on job search.<sup>39</sup>

Other studies have shown that activation programmes in Sweden are more effective for young people than for adults. These studies, however, found that the positive effects from youth policies were largely due to intensive job-search support and pre-programme deterrence effects (i.e. threat of welfare sanctions) rather than from positive treatment effects for those actually participating in the programmes (see Forslund and Nordstrom Skans, 2006).<sup>40</sup>

More recent evaluations of the Job Guarantee for Youth in Sweden have also identified mixed results. One study, for example, found that within the first 120 weeks after enrolment, 89% of the participants were not “sufficiently” engaged in activation and job-search activities and that 65% of the participants were engaged less than 10 hours per week or not at all (Martinson and Sibbmark, 2010).<sup>41</sup>

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<sup>38</sup> [http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden\\_BE08.pdf](http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden_BE08.pdf)

<sup>39</sup> [http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden\\_BE08.pdf](http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden_BE08.pdf)

<sup>40</sup> [http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden\\_BE08.pdf](http://www.mutual-learning-employment.net/uploads/ModuleXtender/PeerReviews/5/sweden_BE08.pdf)

<sup>41</sup> [http://www.oecd-ilibrary.org/economics/limiting-long-term-unemployment-and-non-participation-in-sweden\\_5kghxkjj1s6l-en](http://www.oecd-ilibrary.org/economics/limiting-long-term-unemployment-and-non-participation-in-sweden_5kghxkjj1s6l-en) Also, no information, however, which quantifies the level of engagement

## **New Zealand**

New Zealand launched a Youth Guarantee Scheme in 2010. In order to be included an applicant must:<sup>42</sup>

- be 16 or 17 years of age, and not turn 18 within three months of starting study
- be thinking about leaving school and getting a job
- want to learn practical skills
- be more motivated in a non-school setting
- be prepared to enroll in a full-time course for a minimum of one year

New Zealand has established trade academies as part of its Youth Guarantee Scheme, which are partnerships between schools, tertiary providers and industry training organisations, to offer an alternative for 16 and 17-year-olds who are not doing well at school.

In 2011 the Minister of Education in New Zealand announced the 'next step' in the Youth Guarantee, which was the development of vocational pathways for students at risk of dropping out of the school system. These pathways will cover: manufacturing and technology, construction and infrastructure, primary industries, social and community services, and service industries.<sup>43</sup>

As an example of what is happening at a local level in New Zealand, in a pilot initiative by the mayor of Matamata-Piako, students are being taken out of school for work experience. The Mayors Taskforce was set up to make sure that all young people aged under 24 were either employed or studying.<sup>44</sup>

### *Effectiveness of the Youth Guarantee Scheme in New Zealand*

The Minister of Education in New Zealand said that it will be a couple of years before there is meaningful data on how successful the Youth Guarantee Scheme in New Zealand has been.

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<sup>42</sup> <http://www.studylink.govt.nz/about-studylink/glossary/youth-guarantee-programme.html>

<sup>43</sup> Reply to PQ in New Zealand Parliament. (2011). [http://www.parliament.nz/en-NZ/PB/Business/QOA/b/4/0/49HansQ\\_20110413\\_00000011-11-Youth-Guarantee-Progress.htm](http://www.parliament.nz/en-NZ/PB/Business/QOA/b/4/0/49HansQ_20110413_00000011-11-Youth-Guarantee-Progress.htm)

<sup>44</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10816774](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10816774)



The Minister suggested however that early signs showed it was keeping young people in school for longer.<sup>45</sup>

## Austria

Austria implemented a youth guarantee in 2008 (*'Ausbildungsgarantie'*). The guarantee was part of a 'Youth Employment Package' and has become part of the 'Vocational Training Law'.<sup>46</sup> Placement guarantee means that all young people are granted access to vocational training in a school, a company or a training facility with the aim of allowing them to successfully complete their apprenticeship.<sup>47</sup>

This youth employment campaign is based on two main features: guaranteed apprenticeship placement and a programme called **Aktion Zukunft Jugend** which aims at placing young people aged 19 to 24 in a new job, subsidised employment or a further training programme within a period of six months. In addition, new jobs were created in the public services (police, health and social services). In 2010, youth unemployment in Austria (15 to 24 years) fell by 6.6% compared with a total average decline of 3.7%.<sup>48</sup>

The Austrian Minister of Social Affairs, Labour and Consumer Protection recently said.<sup>49</sup>

"There is one instrument which works for young people and we have proof in Austria: it is the introduction of a youth guarantee. We are very happy that other Member States are beginning to follow our example and introduce such youth guarantees. This is a testament to the progressive, coordinated and inclusive policies of our European social democratic family. With an average 8.3% unemployed people under 25, Austria is one of the EU countries where youth unemployment is the lowest."

The Apprenticeship system (dual training) is crucial to the Austrian employment model. Vocational training has recently been guaranteed by law through an apprenticeship guarantee. The law is implemented by offering those unable (up to age 18) to find an

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<sup>45</sup> The New Zealand Herald. (2011). Auckland teenagers to have more access to trade academies. Accessed on 3<sup>rd</sup> July 2012.

<sup>46</sup> <http://www.eurofound.europa.eu/eiro/studies/tn1101019s/at1101011q.htm>

<sup>47</sup> <http://arenas.itcilo.org/countries/austria/presentation-of-nbp/executive-summary>

<sup>48</sup> Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection. (2011).

<https://broschuere.service.bmask.gv.at/PubAttachments/Jugend%20und%20Arbeit%20Englisch.pdf?db=-1>

<sup>49</sup> [http://www.youth-guarantee.eu/press\\_conference\\_austria\\_luxembourg](http://www.youth-guarantee.eu/press_conference_austria_luxembourg)

apprenticeship, a place in a supra-company training programme (*überbetriebliche Lehrausbildung*).<sup>50</sup>

A recent report from the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection (2011) shows that in 2010, 34.8% of all former apprentices were working for the same company two years after completion of their training there.<sup>51</sup> According to this report, 40% start an apprenticeship after completing compulsory education. There are about 250 apprenticed trades in crafts, industry and services sectors. Apprenticeship training can last from 2-4 years.<sup>52</sup>

Box 1 summarizes measures found to be the most effective in terms of getting young people back into employment.<sup>53</sup>

#### **Box 1: Getting young people back into employment – what works?**

Research indicates that the following are most effective in getting youth into employment:<sup>1</sup>

- Job-search assistance programmes.
- Training programmes – in close connection with local or national labour market needs.
- Early action – many countries have started programmes before unemployment reaches six months.
- Age appropriate targeting of programmes.
- Greater involvement of social partners – helps to guarantee quality and effectiveness.
- Residential programmes which take young people out of their regular locality for training – such as Job Corps (USA).

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<sup>50</sup> DG Employment, Social Affairs and Inclusion.(2011). 'The Role of Public Employment Services in Youth Integration: A Review of European Good Practice'.

<sup>51</sup> <https://broschuerenservice.bmask.gv.at/PubAttachments/Jugend%20und%20Arbeit%20Englisch.pdf?db=-1>

<sup>52</sup> Ibid.

<sup>53</sup> OECD. (2009). Jobs for Youth: Poland. Retrieved 1<sup>st</sup> February 2012 from [http://www.oecd.org/document/39/0,3343,en\\_2649\\_33927\\_43994151\\_1\\_1\\_1\\_37457,00.html](http://www.oecd.org/document/39/0,3343,en_2649_33927_43994151_1_1_1_37457,00.html)

## 1.5 Other youth activation measures

The OECD (2010) report *Off to a Good Start? Jobs for Youth* emphasises the need for a smooth transition from education to work. The report reads:

“The crisis has highlighted once again that one of the main underlying structural problems in the youth labour market is related to education and training.”

### Transition from school to work: school-to-work programmes

The OECD (2010) report *Off to a good start? Jobs for Youth*<sup>54</sup> states that the model of ‘study first, then work’ is too abrupt for a smooth transition from school to work. The report advocates an approach like that taken in the Nordic countries and the USA where young people regularly ‘go back and forth between work and study.’ School-to-work programmes include: job shadowing, mentoring, summer jobs, internships and apprenticeships. The OECD (2010) report cites North American research by Morisi (2010) that school-to-work programmes (OECD, 2010, p.79): ‘boost labour market attachment, skill development, wages, and earnings.’

Summer work is heavily promoted in Canada and the USA. Canada has over 300 Service Canada Centres for Youth, which help students and employers to match applicants with jobs.<sup>55</sup> The centres are open from May until August every year. However, fewer summer and entry level job opportunities in Canada and the USA have led both countries to expand federal subsidies to promote summer job opportunities.<sup>56</sup> In Canada, the Federal Student Work Experience Programme (FSWEP)<sup>57</sup> established in 1990, is the primary vehicle through which federal organizations recruit and hire students. The programme provides full-time students hands-on work experience related to their field of study. It is open to secondary and post-secondary students. Candidates are randomly selected once their applications are filed away in an e-recruitment inventory, which is managed by the Public Service Commission of Canada.

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<sup>54</sup> OECD (2010). *Off to a good start? Jobs for Youth*. Accessed on 25<sup>th</sup> May 2012 at <http://www.oecd-ilibrary.org/docserver/download/fulltext/8110231e.pdf?expires=1337946770&id=id&accname=ocid43019575&checksum=BAAF1BF6337120E463693FC0AADA19ED>

<sup>55</sup> OECD (2010). *Off to a good start? Jobs for Youth*. Accessed on 25<sup>th</sup> May 2012 at <http://www.oecd-ilibrary.org/docserver/download/fulltext/8110231e.pdf?expires=1337946770&id=id&accname=ocid43019575&checksum=BAAF1BF6337120E463693FC0AADA19ED>

<sup>56</sup> Ibid.

<sup>57</sup> <http://jobs-emplois.gc.ca/fswe-pfete/index-eng.htm>

## **United States of America**

The Workforce Investment Act (WIA) account funds a number of youth employment programmes. WIA funded youth programmes are targeted at low-income youth groups. The target population are youths aged 14-21 who are facing barriers to work, such as illiteracy or homelessness. There are a number of regional and nationwide programmes funded under the WIA. Evaluations have been done on the effectiveness of some of these programmes and the following are found to be the most effective:

### **(i) The Youth Opportunity Grant (YOG):**

The Youth Opportunity Program was authorized by US Congress as part of the Workforce Investment Act of 1998.<sup>58</sup> The grants focused resources over a 5-year period (beginning in February 2000) in each community to provide education, job training, and job placement opportunities to young people who were most at risk of chronic unemployment. The YOG programmes concentrated their efforts on low income communities where NEET youths were commonplace. The projects were funded from 2000-2005 and recruited 91,000 youths across 36 sites. YOG's goal was to improve the long-term education and employment prospects of youths in disadvantaged areas and involved work placements with two year follow ups.

### *Effectiveness*

In a 2007 review of YO grants<sup>59</sup> it was found that YO had some positive impacts on labor-force participation overall and on the employment rate for certain demographic subgroups, including the younger age range. The educational effects of the programme were more pronounced than the employment effects. YO significantly increased school enrollment for a number of ethnic groups and “had a significant positive effect on reducing the number of disconnected youths.”<sup>60</sup>

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<sup>58</sup> Decision Information Resources, Inc. (2007). Youth Opportunity Grant Initiative: Impact and Synthesis Report. Accessed on 13<sup>th</sup> July 2012 at [http://wdr.doleta.gov/research/FullText\\_Documents/YO%20Impact%20and%20Synthesis%20Report.pdf](http://wdr.doleta.gov/research/FullText_Documents/YO%20Impact%20and%20Synthesis%20Report.pdf)

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

## **(ii) Career Academies**

Career academies were introduced in the USA over forty years ago and combine academic and technical education in a particular discipline (health care, technology, hospitality and finance). Career academies aim to give students skills beyond academic achievement, which will serve them in their future careers.<sup>61</sup> The academies are in partnership with local employers to provide job placements. These placements allow students to experience working life beyond the classroom. Originally these academies were targeted at youths at risk of leaving school but since the 1990s they have expanded to include high performing students also. The additional cost of career academies relative to second level instruction is estimated to range from \$300 to \$1500 USD per pupil.

### *Effectiveness*

An evaluation of the academies found that attending the academies helped young men to get better paying jobs with more hours. On average young male participants received 17% more than non-participant counterparts. These men were also found to have a more stable family life. They were not more likely to extend their stay in education.<sup>62</sup>

## **(iii) Job Corps**

Job Corps is a residential programme for disconnected youth with a focus on education, employability and social development. The programme has been running in the USA for several decades. Job Corps is aimed at youths aged 16-24 and recruits 60,000 youths annually. Approximately 85% of youths are residential while the remainder commute to the centres. On average it takes 12 months to complete the programme. At the end of the programme participants are placed in employment.

### *Effectiveness*

Job Corps is in contact with seven unions to provide job-specific training and place youth in jobs. Many Job Corps participants move on to apprenticeships when they finish their programme. In 2007, 83% of Job Corps graduates were placed in employment. Based on performance measures such as hourly wage, long-term career as well as placement rates,

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<sup>61</sup> <http://www.aypf.org/documents/092409CareerAcademiesPolicyPaper.pdf>

<sup>62</sup> OECD Jobs for Youth (2006-2009) series

Job Corps received an average national rating of 89%. Studies reveal the following effects of Job Corps on participants:

- Increase in time spent in education and training.
- Significant reduction in involvement in the criminal justice system.
- Small beneficial impacts on the receipt of public assistance and health status.
- Small increases in the likelihood of independent living or living with a partner.

However, one study shows that the cost of the Job Corps programme exceeded its net-benefit to society, with the exception of the 20-24 year age group, among whom the net benefit to society was 90% greater than the cost of the programme.<sup>63</sup>

## **New Zealand**

New Zealand's approach to activation of unemployed youth is characterised by the following:

- training and education are a priority;
- targeting takes place early on;
- programme providers are private contractors;
- a fourth of the ALMP budget is spent on youth programmes (large by international standards); and
- there is limited use of employment subsidies.

## **Youth Training (YT) and Training Opportunities Programme (TOPS)**

The two main training programmes for unemployed youth are Youth Training (YT) and Training Opportunities (TOPS). Both of these programmes assist low-skilled young people by providing vocational and/or industrial training. The differences are that YT is a programme of educational support which assists those under 18, while TOP is classroom-based and targeted at those over 18. A person is eligible after 26 weeks of unemployment.

A success clause means that private companies hired to run these programmes are bound by contract to provide at least 60% successful outcomes (job placement or further training).

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<sup>63</sup> Ministry of Social Development. (2011). Evidence on Training Opportunities and related training programmes. Accessed on 5<sup>th</sup> July 2012 at <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/evidence-on-training-opportunities-and-related-training-programmes/report-2011-evidence-on-training-programmes-for-training-opportunities-review.pdf>

### *Effectiveness*

Statistics on YT participants show that 43% moved into employment and 22% into further education or training. There have been several evaluation studies of TOPS. The evidence on the effectiveness of the programme overall is mixed but findings suggest it is effective for those under 20. There is some indication that the success clause mentioned above is having a positive effect on employment outcomes. Most providers meet this target and a number have exceeded it. The Ministry of Social Development in New Zealand recently published a review<sup>64</sup> of the Training Opportunities programme between 2000 and 2008. The review found that Training Opportunities did not improve the chances of getting a job and that the programme was more effective for some groups than others. For instance it was more effective for female participants and participants at medium or high risk of long-term benefit receipt.

### **Job Plus**

The aim of Job Plus (which has been running since 1990) is to assist disadvantaged job seekers to gain employment, by providing a wage subsidy to employers. However, the proposed position has to be permanent in order to attract a Job Plus wage subsidy.<sup>65</sup> The amount of subsidy paid is dependent on the skill level of the jobseeker and the length of time they have been unemployed. The use of this programme is declining however, with only 2.5% of unemployed youth in New Zealand entering a subsidised job in 2005/2006.

### *Effectiveness*

The Jobs Plus programme was shown to have positive effects on the employment chances of participants.<sup>66</sup> Evaluation of the Job Plus scheme suggest that most youths either go into employment or further education at the end of the programme. In one evaluation 59% were

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<sup>64</sup> Ministry of Social Development. (2011). Evidence on Training Opportunities and related training programmes. Accessed on 5<sup>th</sup> July 2012 at <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/evidence-on-training-opportunities-and-related-training-programmes/report-2011-evidence-on-training-programmes-for-training-opportunities-review.pdf>

<sup>65</sup> Perry, G. (2007). Economic Evaluation of Three New Zealand Active Labour Market Programmes. Paper presented at the International Conference of the German Association of Political Economy: Germany. Accessed on 5<sup>th</sup> July 2012 at [http://doku.iab.de/veranstaltungen/2007/cape\\_2007\\_perry.pdf](http://doku.iab.de/veranstaltungen/2007/cape_2007_perry.pdf)

<sup>66</sup> Ibid.

independent of Work and Income assistance after six months, which increased to 66% after five years.

### **Reform of the Further Education and Training Sector in Ireland**

The Education and Training Bill 2012 reached second stage on the 16<sup>th</sup> October 2012. The Bill provides for the establishment of new Education and Training Boards (ETBs). These ETBs will replace the Vocational Education Committees (VECs). A link to the Oireachtas Library and Research Service Bills Digest on this Bill can be found [here](#). Also, the main reforms planned for the education and training sector in Ireland are included in Appendix 2.

The next section looks at activation policies for all age groups.



## 2. Activation Policies – all age groups

This section looks at examples of Active Labour Market Policies (ALMPs) in Ireland and other OECD countries. The aim of ALMPs is to improve the employment prospects of those who are unemployed. They do this through core activities, such as job mediation, and reintegration measures, such as training. Some countries use welfare-to-work programmes, which make receipt of jobseeker benefits conditional on engaging in work placement, education or training. There are two main types of welfare-to-work programmes:<sup>67</sup>

- those that provide services to encourage direct employment, and
- those that provide training and education so as to enhance employability of those currently claiming benefits.

### 2.1 Activation policy in Ireland

The National Employment Action Plan (NEAP) was established in 1998 by the then Government as its response to the European Employment Guidelines. The NEAP, operated by the Department of Social Protection and FÁS, is the main activation measure for jobseekers.

Under the NEAP, those approaching three months on the live register are identified by the Department of Social Protection and referred to FÁS for interview and assistance, which will include information on the latest training and education options available.<sup>68</sup> Budget 2012 allocated €20 million for a new Labour Market Activation Fund, specifically targeted at the long-term unemployed. The fund aimed to deliver over 6,500 training education and training places in 2012.<sup>69</sup> The Minister for Social Protection, Ms Joan Burton, T.D. reported that about €900 million was spent in her Department on activations schemes in 2012, providing places to about 75,000 social welfare recipients.<sup>70</sup>

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<sup>67</sup> European Centre. (2009). Welfare to Work Programmes in the UK and Lessons for Other Countries. Accessed on 9<sup>th</sup> July 2012 at [http://www.euro.centre.org/data/1256301189\\_92058.pdf](http://www.euro.centre.org/data/1256301189_92058.pdf)

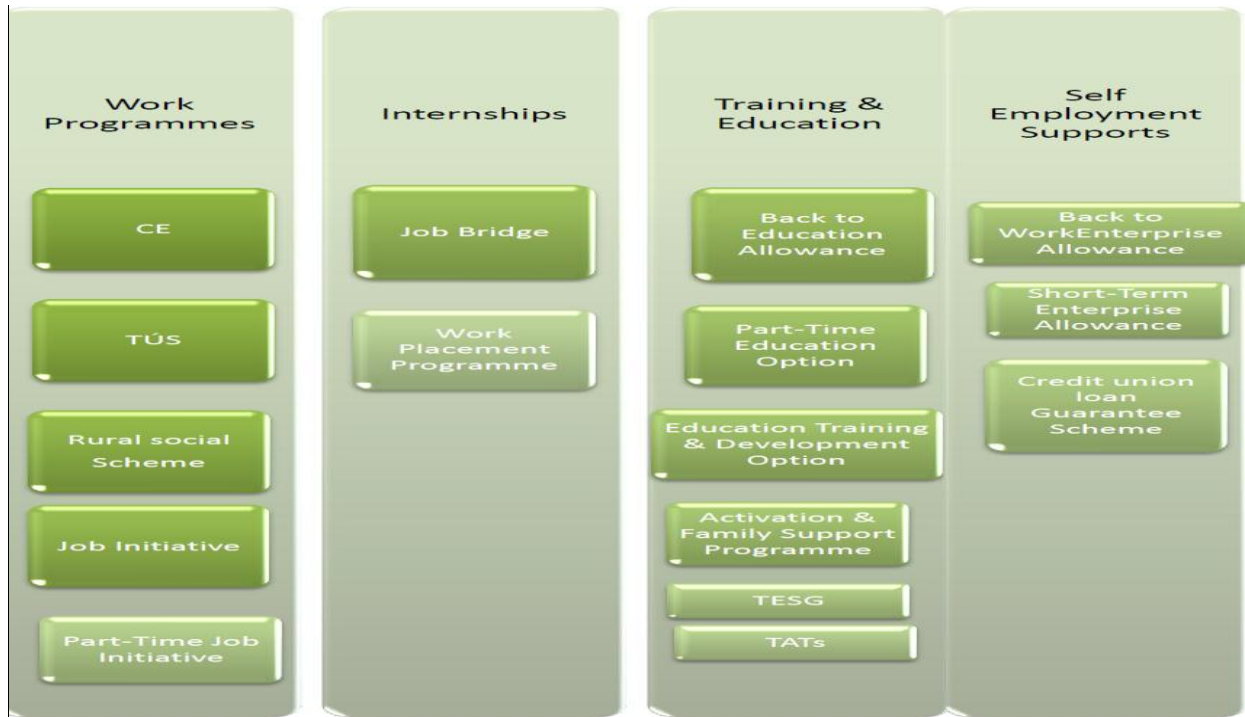
<sup>68</sup> Aontas. (2012). What are my training and education options if I become unemployed? Accessed on 27<sup>th</sup> June 2012 at <http://www.aontas.com/information/faqs/upskillingretra.html>

<sup>69</sup> Citizens Information. (2012). Budget 2012. Accessed on 12<sup>th</sup> July 2012 at [http://www.citizensinformation.ie/en/money\\_and\\_tax/budget\\_2012.html](http://www.citizensinformation.ie/en/money_and_tax/budget_2012.html)

<sup>70</sup> <http://www.welfare.ie/en/pressoffice/Pages/pr150113.aspx>

A useful diagram of the Department of Social Protections' activation schemes is reproduced below, divided into four strands:

**Figure 1: Activation schemes within each strand of activation in DSP.<sup>71</sup>**



This section looks at some of the above schemes, along with other schemes which were discussed frequently during the Committee's meetings.

### **JobBridge**

JobBridge is a National Internship Scheme which provides work experience placements for interns for a 6 or 9 month period. The number of available places on the JobBridge scheme was 7,000 places in 2012. Mr. Martin Murphy, managing director of Hewlett Packard, chaired the Steering Committee of JobBridge. Speaking to the Committee on Wednesday 16<sup>th</sup> May 2012, Mr. Murphy said:

"I and many of those participating in the scheme believe it deserves critical acclaim. From a standing start, this public-private partnership built the first national internship scheme in the history of the State from scratch in a period of eight weeks. Inside ten

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<sup>71</sup> Department of Social Protection (2012). High Level Issues Paper emanating from a Review of Department of Social Protection Employment Support Schemes. Accessed on 4<sup>th</sup> February 2013 at <http://www.welfare.ie/en/pressoffice/Pages/pr150113.aspx>

months, almost 7,000 interns have commenced placements. This has exceeded our expectations.”

The largest take-up of the scheme has been in the SME sector, where 6,481 or 58% of all placements to-date. The interim results from an independent evaluation of the scheme were published by the Department of Social Protection on 22<sup>nd</sup> October 2012.<sup>72</sup> The findings of the evaluation show that 52% of those who have completed JobBridge are now in paid employment. Other findings are:

- 51.6% of non-graduate interns have secured employment.
- 89.3% of interns felt JobBridge had given them new skills.

The Minister for Social Protection, Ms Joan Burton, T.D. recently announced the allocation of a further 2,500 places on JobBridge in 2013.<sup>73</sup>

There has also been some criticism of JobBridge, namely that some of the work experience is low-skilled. Also, some critics comment that JobBridge is focusing on multi-national companies but not making use of the social economy and NGO sector.<sup>74</sup>

### **Tús Community Workplace Initiative**

The community workplace initiative provides short-term work for the unemployed through voluntary and community organisations. The initiative became operational in mid - 2011 and provides part-time work opportunities for those aged 18 and over. The Minister for Social Protection, Ms Joan Burton, T.D. recently announced the allocation of a further 2,500 places on the Tús initiative in 2013.<sup>75</sup>

The participants work for 19 ½ hours a week for the 12 month duration of the programme. The rate of pay is the full Jobseeker’s Allowance rate plus €20 a week. The work carried out by Tús participants must be of benefit to the community. The types of project eligible for the scheme may include:<sup>76</sup>

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<sup>72</sup> <http://www.welfare.ie/en/press/pressreleases/2012/Documents/pr221012.pdf>

<sup>73</sup> Public Affairs Ireland Newsletter, Issue 259, January 21<sup>st</sup> 2013.

<sup>74</sup> European Commission. (2012). Study on a comprehensive overview on traineeship arrangements in Member States.

<sup>75</sup> Public Affairs Ireland Newsletter, Issue 259, January 21 2013.

<sup>76</sup> Citizens Information. (2012). Tús – community workplace initiative. Accessed on 6<sup>th</sup> July 2012 at [http://www.citizensinformation.ie/en/employment/unemployment\\_and\\_redundancy/employment\\_support\\_schemes/tus.html](http://www.citizensinformation.ie/en/employment/unemployment_and_redundancy/employment_support_schemes/tus.html)

- Energy conservation work in homes and community buildings
- Social care of all age groups and people with disabilities
- Caretaking, securing, supervising of community buildings and spaces
- Renovation of community and sporting facilities, including the regeneration and enhancement of community, recreation and sporting spaces
- Work in support of cultural and heritage activities
- Community administration and community event management
- Coaching for sporting activities
- Repair of equipment for the Third World – for example, farm tools, bicycles, computers, sewing machines, health equipment

### **Community Employment (CE) programme**

The Community Employment (CE) programme is designed to help the long-term unemployed and other disadvantaged people get back to work. The CE scheme offers part-time and temporary job placements within local communities. The Community Employment (CE) scheme was recently reviewed with the following terms of reference:<sup>77</sup>

- to examine the income and funding of sponsoring organisations in terms of their ability to continue the programme with reduced funding from the Department of Social Protection;
- to quantify the expenditure on training provided and the qualifications achieved by participants;
- alternative sources of support will be examined particularly with reference to funding from other state agencies to avoid duplication; and
- to establish if income is generated by scheme activity and the potential for utilisation of these funds to cover project costs.

In February 2012 it was announced that lone parents on the CE scheme would no longer receive qualified child increases (QCIs) while working in such schemes.<sup>78</sup> Recently there has been some criticism of the CE scheme cutbacks. Support and campaign group One Family said the cuts would drive lone parents away from the workplace. Siptu estimates about 70% of Community Employment (CE) workers in community childcare facilities are lone parents.<sup>79</sup>

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<sup>77</sup> PQ 34480/12. Accessed on 14<sup>th</sup> September 2012 at

<http://debates.oireachtas.ie/dail/2012/07/17/00217.asp>

<sup>78</sup> <http://www.irishexaminer.com/news/working-single-parents-suffer-as-supports-are-cut-by-30-a-child-182841.html>

<sup>79</sup> <http://www.irishtimes.com/newspaper/ireland/2012/0508/1224315744458.html>

The Minister for Social Protection, Ms Joan Burton, T.D. recently announced the allocation of a further 2,000 places on the Community Employment Programme in 2013.<sup>80</sup>

### **Community Services Programme (CSP)**

The Community Services Programme (CSP) is funded by the Department of Social Protection under the Social Inclusion chapter of the National Development Plan 2007-2016 and is managed on behalf of the Department by Pobal. Services include facilities and activities for: older people, those with disabilities, rural transport, community media, childcare, leisure facilities, home insulation and environmental projects.<sup>81</sup>

The aim of the CSP is to support community businesses to deliver local services to their communities and create employment opportunities for people from disadvantaged groups. The programme currently provides funding support for some 425 community companies and co-operatives.<sup>82</sup> Companies in contract with the Programme must be not-for-profit, social enterprise or community business in nature.<sup>83</sup>

### **Skillnets and Fastrack to IT**

Two skills training programmes were mentioned during the course of the Committee's meetings. These were 'Skillnets' and 'Fastrack to IT' (FIT). Skillnets is an enterprise training programme funded by the Department of Education and Skills, which trains both the employed and the unemployed. Each Skillnets programme has a limited number of free places for job-seekers.<sup>84</sup> According to the recently published Annual report for 2011, 97% of companies involved agreed that Skillnets training has helped them to fill skill gaps.<sup>85</sup>

Fastrack to IT (FIT) describes itself as:

“the primary industry skills development initiative facilitating collaboration with government, education and training providers and disadvantaged communities to enable greater access to employment for marginalised job seekers.”

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<sup>80</sup> Public Affairs Ireland Newsletter, Issue 259, January 21 2013.

<sup>81</sup> <https://www.pobal.ie/Publications/Documents/CSP%20Rules%20Conditions.pdf>

<sup>82</sup> <https://www.pobal.ie/FundingProgrammes/CommunityServicesProgramme/Pages/CSP%20Home.aspx>

<sup>83</sup> <https://www.pobal.ie/Publications/Documents/CSP%20Rules%20Conditions.pdf>

<sup>84</sup> Skillnets. (2012). Annual Report 2011. Accessed on 20<sup>th</sup> July 2012 at [http://www.skillnets.ie/sites/skillnets.ie/files/pdf/annual\\_report\\_2011.pdf](http://www.skillnets.ie/sites/skillnets.ie/files/pdf/annual_report_2011.pdf)

<sup>85</sup> Ibid.

FIT aims to enhance the IT skills of jobseekers and allows them to claim their benefits while training. Over 6,500 people have participated in FIT so far.<sup>86</sup>

## Springboard

The Minister for Education and Skills launched 'Springboard' as part of the Government's Jobs Initiative on 25<sup>th</sup> May 2011. The programme offered 5,875 part-time places in higher education in areas of identified skills-need in Ireland. A second phase of Springboard funding was announced as part of Budget 2012, with €10m committed.<sup>87</sup>

## 2.2 Review of Ireland's activation policies

Ireland's activation and training programmes have met with some criticism from various bodies such as the OECD and ESRI. The ESRI (2011) report, *Activation in Ireland*,<sup>88</sup> found that:

1. There were problems of access to the National Employment Action Plan (NEAP) programmes - not all those who should have participated in an activation measure did so.
2. Those who participated in the NEAP activation interview were less likely to become employed (by 17%). However,
3. FÁS training programmes increased participants' likelihood of exiting the live register by 10-14%.

The OECD (2011) report was critical of Ireland's record on job assistance programmes. The report went on to say that these shortcomings were a result of too few resources for guidance and specifically cited the lack of integration between the Department of Social Protection and FÁS IT systems as a problem.

The OECD (2011) published the findings of an Economic Survey on Ireland in 2011 and includes a recommendation that Ireland:

"Improve the alignment of training programmes with participants' background and labour market skill needs."

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<sup>86</sup> Fastrack to IT. <http://www.fit.ie/index.php?page=alias>

<sup>87</sup> <http://www.heai.ie/files/Springboard2012CALLfinal.pdf>

<sup>88</sup> [http://www.esri.ie/news\\_events/latest\\_press\\_releases/activation\\_in\\_ireland\\_an\\_/index.xml](http://www.esri.ie/news_events/latest_press_releases/activation_in_ireland_an_/index.xml)

The report notes that long duration programmes providing specific skills and which match skills and labour shortages are the most effective. However the authors of the report comment that ‘most of these require third-level qualifications.’ (p.100). The authors also recommend that some of those unemployed, who have been out of work and/or education for several years may require some general skills training (e.g. language and math ability) before taking up specific training programmes.

TASC’s submission to the Committee states that:

“Investment in human capital through education and training will also create jobs directly while ensuring that labour force skills are continuously upgraded.”

Kernel Capital, in an open letter<sup>89</sup> to the Minister for Education and Skills, and to the Minister for Jobs, Enterprise and Innovation, dated June 10<sup>th</sup> 2012, raised the importance of sales skills, writing:

“International sales are the engine of national growth. To be a major export nation, we need to be world class at selling our technology and innovations. Yet, relative to the availability of scientists, engineers, finance experts, legal experts, venture capitalists and other professionals, our innovation-led companies have a critical shortage of world-class, internationally-focused sales expertise.”

The letter goes on to recommend that a professor of international sales be appointed and a ‘virtual’ International Sales Faculty be established. To those who would dismiss the need for such training, Kernel Capital write:

“In the 1970s, Irish business leaders were dismissive of the then BComm degrees offered by our universities. The newly established NIHE (now the University of Limerick) responded by creating some of Ireland’s first third level programmes to address design, manufacturing and marketing of products.”

At the time, the letter notes, some academics thought that such practical training did not belong in academia.

A recent review of activation and training programmes published by the Department of Public Expenditure and Reform (2011)<sup>90</sup> evaluated programmes with the stated aim of

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<sup>89</sup> Kernel Capital. (2012). An Open Letter. Accessed on 18<sup>th</sup> September 2012 at [http://www.kernelcapital.ie/downloads/Open\\_Letter\\_to\\_Minister\\_of\\_Education.pdf](http://www.kernelcapital.ie/downloads/Open_Letter_to_Minister_of_Education.pdf)

reducing unemployment or preparing individuals for unemployment. The report finds that the closer activation and training measures are to the labour market, the more likely they are to be effective.

Table 2 is reproduced from this report. The table shows that 58% (€716 million), of relevant expenditure is spent on programmes with ‘weak’ linkages to the labour market, while 38% (€467 million) is spent on public sector employment programmes.

**Table 2: Labour market programmes and spending**

| Labour Market Leverage     | Market Orientation      |            | Total                             |              |
|----------------------------|-------------------------|------------|-----------------------------------|--------------|
|                            | Weak                    | Strong     |                                   |              |
|                            | € mil                   | € mil      |                                   |              |
| <i>Supply – Training</i>   | Youthreach              | 67         | PLC                               | 186          |
|                            | VTOS                    | 80         | FÁS specific skills               | 106          |
|                            | Literacy / numeracy etc | 35         | FÁS apprenticeships               | 68           |
|                            | FÁS community training  | 44         | FÁS traineeships                  | 33           |
|                            | Back to Education       | 17         | LM Activation Fund                | 15           |
|                            | FÁS Bridging            | 14         | Skillnets                         | 1            |
|                            | Community Education     | 10         |                                   |              |
|                            | Guidance                | 6          |                                   |              |
|                            | Jobs clubs              | 6          |                                   |              |
|                            | <i>Sub total</i>        | <i>249</i> |                                   | <i>409</i>   |
| <i>Demand – Employment</i> | Community Employment    | 362        | JobBridge                         | 13           |
|                            | Rural Social Scheme     | 46         | Back to Work Enterprise Allowance | 91           |
|                            | TÚS                     | 30         |                                   |              |
|                            | D/SP JI programme       | 29         |                                   |              |
|                            | <i>Subtotal</i>         | <i>467</i> | <i>Subtotal</i>                   | <i>104</i>   |
| <b>Total</b>               | <b>716</b>              |            | <b>513</b>                        | <b>1,229</b> |

*Source: D/PER analysis using D/SP and D/ES data.*

<sup>90</sup> Department of Public Expenditure and Reform. (2011). Labour Market Activation and Training. Accessed on 2<sup>nd</sup> October 2012 at <http://per.gov.ie/wp-content/uploads/Labour-Market-Training-and-Activation.pdf>



The Committee acknowledges the non-monetary benefits that such schemes have. For instance the CE scheme provides societal benefits in terms of social inclusion, lifelong learning and providing essential community services, amongst others. In addition the Department of Social Protection’s (2012) review, also commenting on the Department of Public Expenditure and Reform’s report, wrote that:

“...while community employment schemes may be viewed as appearing in a weak position on the grid...the OECD has concluded that such schemes can provide a useful, temporary backstop to activation regimes in a recession for the hard-to-place unemployed, particularly if the recession is deep and long.”

### 2.3 Reforming Ireland’s activation policies

Part of Ireland’s agreement with the EU-IMF, is reform of activation measures. In January 2013 the Department of Social Protection published a review of the Department’s Social Protection (DSP) Employment Support Schemes. The report identified some instances of overlap and duplication and recommended that the number of DSP schemes be reduced from 16 to 8. These eight schemes would be as follows:<sup>91</sup>

**Figure 2: Proposed schemes available post review recommendations.**



<sup>91</sup> Department of Social Protection (2012). High Level Issues Paper emanating from a Review of Department of Social Protection Employment Support Schemes. Accessed on 4<sup>th</sup> February 2013 at <http://www.welfare.ie/en/pressoffice/Pages/pr150113.aspx>

The review states that:

“In all cases the recommendations aim to ensure that DSP has available to it a more streamlined and practical set of programmes to assist Government in implementing activation policy.”

Another review by the Department of Social Protection was published in June 2012. The report found that:<sup>92</sup>

1. Unemployed individuals with literacy and/or numeracy difficulties are more likely to become long-term unemployed. Despite this, such individuals are not more likely to be in receipt of government-sponsored training under the NEAP.
2. Those with literacy and/or numeracy difficulties benefit more than average from training. They are 29% more likely to exit the Live Register compared to 11% for the general unemployment population.
3. Individuals with literacy and/or numeracy difficulties can be effectively activated within the mainstream NEAP system.

Upon publication of this study the Minister for Social Protection, Ms Joan Burton said that:

“It is crucial that nobody be allowed drift without support into long term unemployment. The Department of Social Protection wants to engage with every unemployed person and this new personalised approach is at the core of the Pathways to Work initiative that the Government launched earlier this year. A key element of the Pathways to Work approach is the transformation of social welfare offices into new one-stop-shops where jobseekers can, in addition to accessing their entitlements, get help with planning their return to work.”

At a Committee meeting on 18<sup>th</sup> April 2012, Mr. Michael Conaghan, T.D. said that:

“I believe people should be able to choose the parts of an activation measure, such as fitness, health, swimming, mountain climbing and so on, which suits them. There should be a mix of lifestyles, including the obvious elements of education and training, which engages and provokes young people...a good activation measure should embrace all these elements so that it is as engaging as possible.”

Programmes which target the young unemployed through sport are used in Latin America.

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<sup>92</sup> [http://www.esri.ie/news\\_events/latest\\_press\\_releases/literacy\\_numeracy\\_and\\_act/index.xml](http://www.esri.ie/news_events/latest_press_releases/literacy_numeracy_and_act/index.xml)

The Inter-American Development Bank (2012) write that:

“An estimated 53.5 percent of young people aged 13 to 23 in Latin America and the Caribbean are currently not enrolled in school, and 16.1 percent of 15- to 24- year-olds are unemployed. Given sports’ proven ability to engage, motivate, train, and retrain youth in programs, the IDB and MIF have integrated sports into their youth development activities.”<sup>93</sup>

Through sports the young people learn teamwork skills which boost their employability and self-esteem.<sup>94</sup>

Dr. Mary Murphy, in her submission to the Committee, emphasised that it was important to approach activation from an Active Inclusion for All approach. This is an approach which she says that:

“...as a principle avoids punitive conditionality – the focus on reducing or cutting benefits when people fail to get or take up jobs offered, especially when reduced job opportunities exist.”

Dr. Murphy advocates this approach which is based on three pillars:

- adequate income support,
- inclusive labour markets and
- access to quality services

The Active Inclusion for All approach is also advocated by the European Anti-Poverty Network.<sup>95</sup>

The Government recently announced the establishment of a new service for jobseekers to be called Intreo.<sup>96</sup> Intreo was officially launched on 14<sup>th</sup> October and is described as a one-stop-shop service that will replace services provided by Fás, the Department of Social Protection and the Community Welfare Service. Each jobseeker will be given a personal progression plan, which will include goals. A social contract will exist between the Jobseeker and the State, whereby the jobseeker declares that they are available for work, fit for work,

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<sup>93</sup> Inter-American Development Bank (2012). What is the IDB doing in Sports? Accessed on 17<sup>th</sup> July 2012 at <http://www.iadb.org/en/topics/sports/sports.1648.html>

<sup>94</sup> Ibid.

<sup>95</sup> Submission received by the Committee from Dr. Mary Murphy, 18<sup>th</sup> April 2012.

<sup>96</sup> <http://www.welfare.ie/EN/Intreo/Documents/intreojobseeker.pdf>

and looking for work. If this is found not to be the case it will result in a reduction or withdrawal of jobseeker's payment.<sup>97</sup>

## 2.4 International examples of Activation policy

In most OECD countries, funding of ALMPs has been increased as a result of the downturn. Almost all countries have increased job search assistance and counselling, offered mainly by public employment services (PES) to those who have lost their job.<sup>98</sup> Many countries have increased PES staffing to enable them to provide adequate services for the influx of job seekers. Many countries have also stepped up the intensity of job search assistance, notably by offering earlier assistance.<sup>99</sup>

Most countries have increased provision of training programmes for unemployment benefit recipients. Some of this training is targeted at vulnerable job seekers, e.g. youth in Australia, New Zealand, and Finland. Fewer countries have expanded work experience programmes.<sup>100</sup>

Table 3 (over) shows changes to activation, job search assistance, job-finding incentives, work experience and training programmes, for the unemployed undertaken in response to the economic downturn.

**Table 3: Changes to ALMPs in response to the economic downturn.**

|                  | <b>Changes to activation requirements for unemployed</b>  | <b>New or expanded job search assistance</b>  | <b>New or expanded training programmes for unemployed</b>                                       |
|------------------|---|---|---|
| <b>Australia</b> | Immediate intensive assistance for newly laid-off workers as condition of benefit reciprocity from April 2009 and requirement that young unemployed be in full-time school or training to receive benefits. | (i) Additional job search assistance for newly laid-off workers from April 2009 and<br>(ii) additional job search support for young job seekers (19-24 years) from July 2009. | Additional pre-vocational training places and entry to apprenticeships for youth (19-24 years). |

<sup>97</sup> Ibid.

<sup>98</sup> Ibid.

<sup>99</sup> OECD. (2009g). *Addressing the labour market challenges of the economic downturn: A summary of country responses to the OECD-EC Questionnaire*. Retrieved 5<sup>th</sup> February 2010 from <http://www.oecd.org/dataoecd/15/29/43732441.pdf>

<sup>100</sup> Ibid.

|                    |  |  |   |
|--------------------|--|--|---|
| <b>New Zealand</b> | ..   | Redeployment of PES staff to increase job search assistance and seminars   | Partnerships with employers to provide training and work placements for low-skilled 16-24 year olds.                                |
| <b>Finland</b>     | (i) Increase in job search activity requirement and (ii) earlier assessment of job seekers and (iii) development of job plan | (i) Temporary increase in funding for PES staff and (ii) extension of existing job search assistance & counselling to laid off workers not previously required to register with PES. | Increase in training places for unemployed, with some places in vocational training targeted at low-skilled and youth.              |
| <b>France</b>      | ..   | Expansion of support programme for workers affected by mass layoffs and additional PES staffing.   | Increased support for workers after mass layoff who participate in work placements and training programmes.                         |
| <b>Germany</b>     | ..   | Additional PES staffing to ensure early placement interviews and counselling.  | Additional funding for vocation training and re-training and for unemployed to as nurses to meet future demand in aged care sector. |
| <b>Poland</b>      | Stricter sanctions for refusing to take up employment, training or other forms of support.                                   | Local labour offices to have special units to improve implementation of ALMPs, further legal changes to allow private employment agencies.   | Expansion of vocational training in income support for unemployed taking part in training, on-the-job training or apprenticeships.  |
| <b>USA</b>         | ..   | Expansion in funding for job search assistance and career counselling provided through state employment services.  | Expansion of training programmes for unemployed and dislocated workers and additional funds for Job Corps centres.                  |

Source: OECD (2009). Addressing labour market challenges to the economic downturn.

The remainder of this section looks at in-depth at initiatives taken by some countries to boost employment.

## Germany

In Germany training vouchers, *Bildungsgutscheine* as they are termed, were introduced as part of the *Hartz Reforms* in 2003.<sup>101</sup> Vouchers are designed to increase choice for consumers of job placement services.

There are three vouchers which aim to get people back into work, training or employment. These vouchers are:

**Training voucher** - allows the unemployed to choose which training provider to use when participating in a recommended type of measure. Hipp and Warner (2007) evaluate the effectiveness of training vouchers in USA and Germany. The authors find that although the theory behind the vouchers is that they promote choice, this does not happen and furthermore they weaken the partnerships public employment agencies previously had with training providers and may lead to a shortage of high quality training.

**Placement voucher** - all clients can request placement vouchers after six weeks of unemployment, and use them to purchase services from private placement agencies. If successful, the private agency which has made the placement receives €2,000 (in two instalments), while there are no up-front or service fees. Winterhager et al. (2006) find positive effects for participants one year after the job placement voucher receipt, in terms of employment status. The authors argue that the job placement voucher scheme should be continued.

**Education credit voucher** – this provides subsidised continuing vocational training and can be issued by employment agencies to the unemployed or persons at risk of unemployment. The education credit voucher shows, among other things: the training objective, the period needed to achieve it, the scope of regional validity, and the duration of validity (three months maximum). The credit voucher can be redeemed by the participant with a body of his choice.

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<sup>101</sup> Hipp, M. and Warner, M. (2007). Market forces for the unemployed? Training vouchers in Germany and the US. Accessed on 13<sup>th</sup> July 2012 at <http://government.cce.cornell.edu/doc/pdf/vouchers%20final%20ss.pdf>

### ***Effectiveness of these vouchers***

The effectiveness of such vouchers usually depends on competition and informed consumer choice.<sup>102</sup> Studies reviewing the effectiveness of the voucher system in Germany have been mixed. A 2008 study by Rinne et al.<sup>103</sup> found that the vouchers increased the employment probability and earnings of the participants. However the system worked less well for low-skilled workers who were not as competent at finding an appropriate course.

Some limitations of the vouchers, as identified by Hipp and Warner (2007) are as follows:

- jobseekers do not know what training is adequate for them, what qualifications are needed on the labour market and which providers offer high quality training.
- where jobseekers are free to choose their training provider they are more likely to choose an inappropriate one as they lack the case workers skills and experience.<sup>104</sup>
- in Germany in 2004, eight vouchers out of nine remained unused and jobseekers had problems finding training providers.<sup>105</sup>

Hipp and Warner (2007) argue that the use of training vouchers for the unemployed will suffer from three forms of market failure: preference misalignment (service users choose the wrong training programmes), information asymmetry (relevant parties do not receive the same information), and failure of a market to form (in a quasi-market, 'competition quickly erodes').

### **United Kingdom – The Work Programme**

In 2010 the new UK coalition Government overhauled the single Universal Credit to replace work-related benefits. Iain Duncan Smith, the Work and Pensions Secretary, said sanctions would be used against benefit claimants who refused to take up jobs, while all those on incapacity benefit would be reassessed.

The Work Programme, launched in June 2011 aims to provide "tailored support" to the long-term unemployed. The programme is designed by the Department for Work and Pensions

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<sup>102</sup> <http://government.cce.cornell.edu/doc/pdf/vouchers%20final%20ss.pdf>

<sup>103</sup> Rinne, U., Uhlendorff, A., Zhao, Z. (2008). Vouchers and Caseworkers in Public Training Programs: Evidence from the Hartz Reform in Germany. Accessed on 16<sup>th</sup> July 2012 at <http://ftp.iza.org/dp3910.pdf>

<sup>104</sup> <http://government.cce.cornell.edu/doc/pdf/vouchers%20final%20ss.pdf>

<sup>105</sup> Ibid.

(DWP) and kicks in after nine months for young people and a year for everyone else.<sup>106</sup> The scheme offers providers a differential pricing structure so that they receive more money for placing people considered, difficult to place, or "...who are furthest from the labour market..."<sup>107</sup>

The Department for Work and Pensions outline the rationale for the Work Programme as follows:<sup>108</sup>

"The Work Programme also ensures value for money for the taxpayer by basing payments largely on results, and paying service providers from the benefits saved from getting people into work. It is very much a partnership between Government and providers from across the public, private and third sectors."

As an extra incentive for providers, the DWP will give greater market share to the best-performing providers over the lifetime of the contracts.<sup>109</sup> Private providers are incentivized to get people back into work or training and can recommend work placements for applicants.<sup>110</sup>

#### *Effectiveness of the scheme*

On Monday 25<sup>th</sup> June, journalist Samira Shackle spoke on the RTÉ Radio 1 Pat Kenny show.<sup>111</sup> Ms Shackle described how the Work Programme shifted responsibility from the State to private providers of training and work placement providers in a 'payment by results' approach. According to Samira Shackle the programme is not very effective in getting people off welfare, as they tend to move from jobseekers' benefits to incapacity benefits instead. There has also been disappointment on the side of private providers. Providers receive a higher premium for referrals who are receiving incapacity benefit. However, as only

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<sup>106</sup> The Guardian. (2012). Government's work experience: what are the schemes, and do they work? Accessed on 9<sup>th</sup> July 2012 at <http://www.guardian.co.uk/global/reality-check-with-polly-curtis/2012/feb/22/unemployment-work-programme-welfare>

<sup>107</sup> <http://www.dwp.gov.uk/docs/the-work-programme.pdf>

<sup>108</sup> Department for Work and Pensions. (2011). The Work Programme. Accessed on 9<sup>th</sup> July 2012 at <http://www.dwp.gov.uk/policy/welfare-reform/the-work-programme/>

<sup>109</sup> <http://www.dwp.gov.uk/docs/the-work-programme.pdf>

<sup>110</sup> <http://www.guardian.co.uk/global/reality-check-with-polly-curtis/2012/feb/22/unemployment-work-programme-welfare>

<sup>111</sup> <http://www.rte.ie/radio1/todaywithpatkenny/2012-06-25.html>



30% of referrals are claiming incapacity benefit (less than the providers projected), providers are not getting as much revenue as they anticipated.<sup>112</sup>

Ms Shackle said that the numbers of people who have secured jobs through The Work Programme has been 'Hugely less than expected', at around 10,000 people. This is in spite of the fact that the Government projected that the scheme would secure jobs for 3.3 million people over 5 years. Part of the difficulty is in the lack of jobs. According to figures from the Office for National Statistics Feb - April 2011, there is one vacancy for every ten job seekers.<sup>113</sup>

Concern has been expressed by some members of the UK Public Accounts Committee that private providers may cherry pick individuals who are easier to place in employment.<sup>114</sup> The Committee chairwoman, Margaret Hodge, said:

"Fees will be paid by the DWP to contractors based on outcomes and regardless of the service individuals receive. Such an arrangement might tempt contractors to pass over those who are hardest to help into employment and cherry pick those who need little support."

The UK's PAC said it would not be able to determine if the scheme was working until Autumn 2012.<sup>115</sup>

## **2.5 Training/upskilling**

Across the OECD, there are a range of programmes on offer for unemployed young people. Many countries prefer to focus on up-skilling younger workers by placing them in education or on vocational training programmes, as is the case in Australia, New Zealand, Finland and the USA. Other countries, such as Poland, place a large emphasis on apprenticeships which provide employment while the trainee is up-skilling.

One downside to training is its expense relative to other activation measures. This is because the State must pay for the cost of training as well as provide income supports for

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<sup>112</sup> <http://www.rte.ie/radio1/todaywithpatkenny/2012-06-25.html>

<sup>113</sup> Ibid.

<sup>114</sup> The Guardian.(2012). Ministers told Work Programme scheme must ensure people are in work. Accessed on 9<sup>th</sup> July 2012 at <http://www.guardian.co.uk/uk/2012/may/15/news-politics-society-work-programme-welfare>

<sup>115</sup> Ibid.

participants during training. On average, a year of labour market training costs around €6,400 per person (Eurostat, 2009).<sup>116</sup> While labour market training seeks to have a positive impact on employment, often it is unknown whether graduates have later secured jobs (Field et al., 2009).

### *Effectiveness of training/upskilling*

International reviews on the effectiveness of training shows mixed results.<sup>117</sup> Evidence from the USA indicates that training has better long-term effects for adults than out-of-school youth. The Danish experience indicates that the prospect of having their welfare payments cut if they do not enrol in training is more effective than the training itself.<sup>118</sup>

The OECD (2009) argue that up-skilling programmes do not deliver positive results because they tend to focus on low skilled individuals who require more than the short-term training given. In spite of Australia's mutual obligations policy,<sup>119</sup> there is no evidence to suggest that the young unemployed are transferring from income support to employment in significant numbers.

The Ministry of Social Development in New Zealand reviewed international training programmes in July 2011. When examining international evidence, the authors found a mixed record on the effectiveness of training programmes. They found that successful training programmes:<sup>120</sup>

- were tightly targeted at groups shown to benefit;
- small-scale;
- tightly targeted to the needs of participants who gain qualifications that are recognised and valued by employers;
- have an on-the-job component with strong links to local employers.

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<sup>116</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-09-034/EN/KS-SF-09-034-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-09-034/EN/KS-SF-09-034-EN.PDF)

<sup>117</sup> Ministry of Social Development. (2011). Evidence on Training Opportunities and related training programmes. Accessed on 5<sup>th</sup> July 2012 at <http://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/evaluation/evidence-on-training-opportunities-and-related-training-programmes/report-2011-evidence-on-training-programmes-for-training-opportunities-review.pdf>

<sup>118</sup> OECD. (2009). *Jobs for Youth: Australia*. Retrieved 2<sup>nd</sup> February 2010 from [http://www.oecd.org/document/59/0,3343,en\\_2649\\_37457\\_38019131\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/59/0,3343,en_2649_37457_38019131_1_1_1_1,00.html)

<sup>119</sup> Mutual obligation refers to a policy where in return for receipt of unemployment assistance a jobseeker must do their best to find work and/or improve their skills and increase their employment prospects.

<sup>120</sup> Ibid.

While many other countries have contracted out their job-placement services, the European Centre (2009)<sup>121</sup> finds that such a policy has the following effects:

### Positive findings

- Can tap the expertise of a variety of local sources to engage with local client groups.
- Examples of cost savings for the Government in Australia and the Netherlands, according to a recent Joseph Rowntree Foundation reports.

### Negative findings

- The contractors cherry-pick the clients who are easier to help.
- A report by the UK's Child Poverty Action Group does not find evidence on efficiency gains, cost savings or innovations in service delivery in Australia, Denmark, Germany and the Netherlands.<sup>122</sup>

## 2.6 Local employment services and unemployment blackspots

Unemployment, while affecting the entire country, is particularly prevalent in some areas. The CSO (2012) report *This is Ireland: Part Two* provides information on unemployment blackspots at Electoral District (ED) level.<sup>123</sup> An unemployment blackspot is defined in the report as an ED with a labour force above 200 and an unemployment rate over 35%. There were 81 such EDs in 2011 with an average unemployment rate of 39.2% compared with 19% nationally.

Figures from the April 2011 census indicate that seven out of ten jobless blackspots are in Limerick city.<sup>124</sup> Table 4 shows this data.

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<sup>121</sup> [http://www.euro.centre.org/data/1256301189\\_92058.pdf](http://www.euro.centre.org/data/1256301189_92058.pdf)

<sup>122</sup> [http://www.euro.centre.org/data/1256301189\\_92058.pdf](http://www.euro.centre.org/data/1256301189_92058.pdf)

<sup>123</sup> Full report can be found here

<http://www.cso.ie/en/media/csoie/census/documents/thisisirelandpart2census2011/This%20is%20Ireland%20Highlights,%20P2%20Full%20doc.pdf>

<sup>124</sup> The Irish Times. (2012). 'Seven of top 10 jobless blackspots in Limerick.' Accessed on 13<sup>th</sup> September 2012 at <http://www.irishtimes.com/newspaper/ireland/2012/0629/1224318966467.html>

**Table 4: unemployment blackspots around the country by administrative county 2011**

| <b>County</b>                            | <b>No. unemployment blackspots</b> | <b>Average unemployment</b> | <b>County unemployment rate (percent)</b> |
|--|------------------------------------|-----------------------------|---|
| Limerick city                            | 18                                 | 42.9                        | 28.6                                      |
| Cork city                                | 9                                  | 39.8                        | 22.2                                      |
| Donegal                                  | 9                                  | 38.4                        | 26.2                                      |
| Dublin city                              | 8                                  | 38.4                        | 18.5                                      |
| Waterford city                           | 7                                  | 41                          | 25.1                                      |
| South dublin                             | 4                                  | 38.9                        | 19.6                                      |
| Galway county                            | 4                                  | 45.6                        | 18.1                                      |
| Wexford                                  | 2                                  | 36                          | 24  |
| Clare                                    | 2                                  | 38.9                        | 18.8                                      |
| Kerry                                    | 2                                  | 36.3                        | 19.5                                      |
| South Tipperary                          | 2                                  | 37.7                        | 20.7                                      |
| Mayo                                     | 2                                  | 38.3                        | 19.5                                      |
| Cavan                                    | 2                                  | 35.8                        | 21.2                                      |
| Other counties (have one blackspot each) | 10                                 | 38.7                        | 18.8                                      |
| <b>Total</b>                             | <b>81</b>                          | <b>39.2</b>                 | <b>19</b>                                 |

## 2.7 Strategies to tackle unemployment blackspots

In the UK, local Connexion services provide services for young people aged 13- 25 years and young people with learning difficulties, or disabilities.<sup>125</sup> When young people leave the education system, they are notified by the Young People's Learning Agency so that finding an alternative provision can begin as early as possible. A study by the Joseph Rowntree Foundation (1998) found that there was no clear relationship between local job creation and falling long-term unemployment.<sup>126</sup> This is because job creation does not necessarily 'trickle down' to the long-term unemployed. However, the authors found that the 'localisation' of employment policy can have advantages in tackling long-term unemployment including: "adaptation to local conditions, closeness to the target groups, and greater scope for co-ordinated action through a partnership approach."

In Ireland Local Employment Offices (Obair) provide free, voluntary and confidential services for local residents. They are funded through the Department of Social Protection. Services include: providing information on employment agencies, training programmes, career guidance, welfare to work, literacy support and mediation. At a Committee meeting on 13<sup>th</sup> November 2012, Mr. Séan Murphy of Chambers Ireland emphasised the need for LEOs to have clearly defined roles and fill gaps in employment services. Mr. Murphy also stressed that local government should be working closely with local companies. The Musgrave Group, in its submission to the Committee recommended that the 'Feeding Britain's Future' programme, which provides training and skills to unemployed young people, be adapted to Ireland where it would be particularly useful in employment blackspot areas.

In a written answer to a PQ<sup>127</sup> on 12<sup>th</sup> July 2012, which asked "the steps being taken to redress the unemployment blackspots in Counties Limerick, Cork, Waterford, Galway and Donegal as identified by the census," the Minister for Jobs, Enterprise and Innovation, Mr. Richard Bruton, T.D. said:

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<sup>125</sup> European Commission. (2012). European Employment Observatory Review: Youth Employment Measures 2010 Accessed on 5<sup>th</sup> November 2012 at [www.ec.europa.eu/social/BlobServlet?docId=6762&langId=en](http://www.ec.europa.eu/social/BlobServlet?docId=6762&langId=en)

<sup>126</sup> JRF. (1998). Local responses to long-term unemployment. Accessed on 25<sup>th</sup> September 2012 at <http://www.jrf.org.uk/system/files/sprn28.pdf>

<sup>127</sup> PQ number [33855/12](#)

“...the regional spread of job opportunities is a major concern and in order to improve support for job creation in the regions, I have put the following measures in place:

- 50% of foreign direct investments will be located outside of Dublin and Cork;
- The Succeed in Ireland Initiative has been launched;
- The creation of small business and first time exporters units within EI and reorganisation of the County and City Enterprise Boards;
- New supports are being put in place for SMEs including microfinance and partial loan guarantee schemes;
- The South East Action Plan is being progressed and
- Shannon Development is being restructured.”

The Minister went on to explain that the County and City Enterprise Boards (CEBs) are present in all of the locations identified by the census. In addition both Enterprise Ireland and IDA Ireland have offices in Limerick, Cork, Waterford, Galway and Letterkenny, and Co. Donegal. Enterprise Ireland has a network of 110 Community Enterprise Centres in operation across the regions.<sup>128</sup>

## 2.8 Social Economy

The Social Economy Framework Document published in August 2000 by FÁS defined the social economy as:

“That part of the economy, between the private and public sectors, which engages in economic activity in order to meet social objectives.”<sup>129</sup>

The FÁS (2000) report listed the type of enterprises funded under the social economy programme. These are:

- **Community Businesses:** financed from trading income alone and which would be expected to move into self-sustaining viability in the medium term.
- **Deficient Demand Social Economy Enterprises:** demand for particular goods and services within a community is not matched by resources to pay for these.
- **Enterprises Based on Public Sector Contracts:** which deals with the potential for subcontracting public sector expenditure in disadvantaged areas and communities to local Social Economy enterprises.

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<sup>128</sup> Ibid.

<sup>129</sup> <http://www.fas.ie/en/pubdocs/SocialEconomyProgrammeEvaluation.pdf>

Social Economy enterprises found within the typology presented above have the following potential benefits:

- providing services which are not commercially viable or provided by state/public bodies;
- empowering local communities to identify and respond to local needs;
- improving the quality of subsidised unemployment opportunities available to the long-term unemployed and,
- route back into employment for women who may have spent time out of the formal labour force.

At a Committee meeting on 27<sup>th</sup> June 2012, Ms. Sinéad Pentony, Head of Policy at TASC said that:

“In particular, social enterprise is well placed to provide access to the labour market for the long-term unemployed and those at risk of permanent exclusion from the labour market.”

The Programme for Government states that:

“The Government will promote the development of a vibrant and effective social enterprise sector. We will instruct agencies to view social enterprises as important stakeholders in rejuvenating local economies. We will continue support for social innovation projects for young people through education, community and voluntary structures.”<sup>130</sup>

The Action Plan for Jobs 2012 (Action 6.7) includes an undertaking to conduct a report on the potential of social enterprises to create jobs. The Minister for Jobs, Enterprise and Innovation, Mr. Richard Bruton T.D. has commissioned Forfás to carry out this work. The report will identify the actions required by Government and other relevant bodies to support job creation in the social economy sector. The report will also briefly discuss how social enterprises can contribute to wider policy objectives.

At a Clann Credo Conference, Tánaiste Eamon Gilmore T.D. confirmed that the report was being prepared and that the EU Commission’s recently announced Social Business Initiative designed to create a “more favourable” climate for the sector.<sup>131</sup> The Tánaiste said social enterprises would enjoy better access to public procurement processes across the EU and new regulations on social business investment.

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<sup>130</sup> PQ 01/05/2012, No. 21551/12

<sup>131</sup> <http://www.clanncredo.ie/newsdetails.aspx?ref=122>

### 3. Sources of funding for job creation in Ireland

At a Committee meeting on 27<sup>th</sup> June 2012, Ms. Sinéad Pentony, Head of Policy at TASC estimated that the country would need to spend 3% of GDP annually for the purpose of job creation. TASC's pre-budget submission for 2012 advocates taking €1.2BN from the NPRF<sup>132</sup> for job creation, annually for four years.<sup>133</sup> Ms. Pentony also recommended that Ireland 'piggy-back' on European job initiatives.

At a Committee meeting on 18<sup>th</sup> April 2012, Mr. Paul Sweeney of the Irish Congress of Trade Unions said:

"Ireland is a regional economy in Europe and if we want to get the whole edifice moving, we need a European-wide stimulus."

The Troika's eighth review<sup>134</sup> of Ireland's progress alluded to planned initiatives for job creation and growth. The statement read:

"...plans are progressing to utilise resources from the European Investment Bank, the National Pension Reserve Fund, and private investors to finance job-rich projects in several sectors."

This section will look at possible sources of funding for growth and job creation in Ireland. Many of the elements looked at in this section are EU funded.

#### 3.1 EU Structural Funds

Ireland's National Strategy for using European Union Structural Funds (NSRF 2007-2013) sets out the direction for investment by the European Social Fund and European Regional Development Fund until 2013. In a speech made by An Taoiseach, Mr. Enda Kenny, T.D. on 16<sup>th</sup> April 2012, the Taoiseach stated that Ireland has received €901 million in structural

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<sup>132</sup> As of 31<sup>st</sup> March 2012 the NPRF contained €15.1BN, the value of the discretionary portfolio (the Fund excluding the public policy investments in Allied Irish Banks and Bank of Ireland) was €5.8BN.

<sup>133</sup> [http://www.tascnet.ie/upload/file/Budget2012\\_final.pdf](http://www.tascnet.ie/upload/file/Budget2012_final.pdf)

<sup>134</sup> Sunday Business Post. (2012). Troika review: statement in full.

<http://www.businesspost.ie/#!/story/Home/News/Troika+review%3A+IMF%2FEC%2FECB+statement+in+full/id/19410615-5218-5089-2c54-c42244007577>



funds from 2007-2013. Of this, €750m is earmarked for the two Regional programmes (ERDF) and the national Social Fund programme (ESF).<sup>135</sup>

In January 2012, the president of the European Commission, José Manuel Barroso sent letters to eight member states, including Ireland, who have youth unemployment rates of 30% or more. The letter urged leaders to develop action plans by March/April 2012, which would be incorporated into national reform programmes.<sup>136</sup>

In February 2012, Mr. Barroso urged the European Council to use money from the EU's structural funds to create jobs and reduce youth unemployment. Mr. Barroso suggested that €82 billion of unused structural funds be used for this purpose. Under this proposal, €60bn would come from the European Regional Development Fund (ERDF) and €22bn from the European Social Fund (ESF).<sup>137</sup> Member states would have until the end of 2013 to draft, approve and implement new programmes to use the funds.

On 7<sup>th</sup> February 2012, in response to a PQ, the Minister for Public Expenditure and Reform, Mr. Brendan Howlin, T.D.said that Ireland has no unallocated Structural Funds. The Minister went on to say:

“As there are no unused Structural and Cohesion funds available for Ireland at present, we will, in the first instance, be looking at whether employment programmes might be re-focused to better effect.”<sup>138</sup>

Structural funds are not transferrable between countries, so Ireland cannot access funds which have not been used by another member state.

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<sup>135</sup>

[http://www.taoiseach.gov.ie/eng/Government\\_Press\\_Office/Taoiseach's\\_Speeches\\_2012/Speech\\_by\\_the\\_Taoiseach,\\_Mr\\_Enda\\_Kenny,\\_T\\_D\\_,\\_at\\_the\\_Launch\\_of\\_the\\_Transnational\\_Ecosystem\\_Laboratory\\_Actions\\_TESLA\\_Project,\\_Ballaghadereen,\\_Co\\_Roscommon,\\_Monday\\_16th\\_April\\_2012\\_at\\_10\\_30am.html](http://www.taoiseach.gov.ie/eng/Government_Press_Office/Taoiseach's_Speeches_2012/Speech_by_the_Taoiseach,_Mr_Enda_Kenny,_T_D_,_at_the_Launch_of_the_Transnational_Ecosystem_Laboratory_Actions_TESLA_Project,_Ballaghadereen,_Co_Roscommon,_Monday_16th_April_2012_at_10_30am.html)

<sup>136</sup> Ibid.

<sup>137</sup> European Voice. Com. (2012). Barroso calls for unspent funds to help job creation. Accessed on 5<sup>th</sup> June 2012 at <http://www.europeanvoice.com/article/imported/barroso-calls-for-unspent-funds-to-help-job-creation-/73437.aspx>

<sup>138</sup> PQ number 6884/12

### 3.2 Using the National Pensions Reserve Fund (NPRF) for job creation

In 2011 the Strategic Investment Fund was established, using money from the NPRF. In addition the Government will seek to match commercial funding from private industry for the purposes of job creation.<sup>139</sup>

On the 15<sup>th</sup> March 2012, the Minister for Jobs, Enterprise and Innovation, Richard Bruton TD announced an investment of \$37.5m in Sofinnova Ventures under the Innovation Fund Ireland programme. Sofinnova Ventures is said to be *"one of the premier US healthcare venture capital funds*. The money will come from the National Pensions Reserve Fund (€12.5 million) as well as Enterprise Ireland (€25 million).

The Minister said:

"Developing a dynamic venture capital industry in Ireland is a key part of this Government's growth strategy. Venture capital funds provide crucial funding, as well as mentoring and advice, to early-stage high-potential companies in key high-growth sectors."<sup>140</sup>

On 19<sup>th</sup> June 2012 the Irish Times reported that Silicon Valley bank is to invest \$100 million in Irish start-up firms, which show high potential. The initiative is part of a new partnership with the National Pensions Reserve Fund (NPRF).<sup>141</sup>

### 3.3 European Globalisation Adjustment Fund

The European Globalisation Adjustment Fund (EGF) is a solidarity fund which aims to respond to an emergency or crisis situation. The fund supports redundant workers in regions and sectors which have been 'disadvantaged by exposure to the globalised economy.' It has an annual budget of around €500 million to help redundant workers get back into employment.<sup>142</sup> EGF funded programmes must be co-financed from national funding

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<sup>139</sup> <http://www.irishtimes.com/newspaper/breaking/2011/0929/breaking13.html>

<sup>140</sup> [http://www.finfacts.ie/irishfinancenews/article\\_1024076.shtml](http://www.finfacts.ie/irishfinancenews/article_1024076.shtml)

<sup>141</sup> <http://www.irishtimes.com/newspaper/breaking/2012/0619/breaking19.html>

<sup>142</sup> [http://europa.eu/legislation\\_summaries/employment\\_and\\_social\\_policy/social\\_agenda/c10155\\_en.htm](http://europa.eu/legislation_summaries/employment_and_social_policy/social_agenda/c10155_en.htm)

sources. As of May 2012 EGF expenditure across all approved Irish programmes has been €93.2 million, of which €60.6 million is available from the EU.<sup>143</sup>

Specifically, the EGF finances:

- job-search assistance;
- tailor-made retraining;
- promotion of entrepreneurship;
- aid for self-employment;
- special temporary "income supplements" (job-search allowances, mobility allowances, training allowances, measures to stimulate disadvantaged or older workers to remain in or return to the labour market, etc).

Members states can only make applications for EGF assistance in cases:

“..where at least 500 workers are made redundant in a single company over a four month period or in a particular sector of economic activity over a nine month period.”<sup>144</sup>

In 2009 the EGF made its first allocation to Ireland following the closure of Dell's manufacturing operation in Limerick which resulted in over 2,000 direct job losses.<sup>145</sup> The Irish Examiner (2011) report that the EGF funding for the Dell workers led to the creation of 250 jobs.<sup>146</sup> EGF funding was also secured for retraining, upskilling and providing educational and enterprise creation supports for workers made redundant by Waterford Crystal and SR Technics. On 29<sup>th</sup> February 2012 the Department of Education and Skills applied to the EGF for co-financing assistance for workers made redundant as a result of the closure of the TalkTalk facility in Waterford.<sup>147</sup>

At a Committee meeting on 16<sup>th</sup> May 2012, the Committee met with officials from the Department of Education and Skills to discuss the EGF in Ireland to date.

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<sup>143</sup> Figures provided at Committee meeting on 16<sup>th</sup> May 2012.

<sup>144</sup> <http://egf.ie/about-egf/>

<sup>145</sup> The Irish Times.(2012). 'Enterprise board in Limerick city says nearly 400 jobs created last year.' Accessed on 5<sup>th</sup> June 2012 at

<http://www.irishtimes.com/newspaper/ireland/2012/0204/1224311250387.html>

<sup>146</sup> Irish Examiner. (2011). 'EU fund to help former Dell staff creates 250 jobs.' Accessed on 5<sup>th</sup> June 2012 at <http://www.irishexaminer.com/ireland/kfgbidqlqsln/rss2/>

<sup>147</sup> See PQ dated 27 June 2012, no 30990/12

At that meeting, concern was expressed that the length of time required for applications to be considered and approved was too long. Mr. Peadar Tóibín, T.D. said:

“The third issue is there are big waiting gaps. As I stated, 18 months after making applications, none of the 9,000 workers has been contacted. No doubt matters change over 18 months but if individuals could be contacted much sooner, one is more likely to get into dealing with them under the initial assessment...”

At the same meeting Mr. Brendan Ryan, T.D. also raised the length of time processing applications:

“Regarding the application process, the time for drawing down funds once an application has been made is limited. It takes a long time to get from application to successful decision. Someone mentioned as many as seven or ten months. The effect of this is to limit the window for individual workers to draw down funding.”

On 22<sup>nd</sup> June 2012 the *Irish Times* reported<sup>148</sup> that the Irish Government is campaigning for the EU to expand the EGF, but its calls are being resisted by Germany, UK, Sweden and Estonia. The European Commission had intended to include a similar but larger scheme in the EU budget 2014-2020. However, resistance to the scheme means this may not go ahead.

### **3.4 European Investment Bank**

The European Investment Bank's (EIB) stated role is to 'provide long-term finance in support of investment projects.' The bank lends to projects in both the private and public sectors and creditors range from large corporations to SMEs. The bank also has a venture capital facility targeted at high-technology SMEs and those with strong growth potential.

The EIB's website writes that in 2011, total EIB financing was €61 billion, 90% of which went on projects within the EU. The EIB is also active outside the EU and invests in over 150 countries.<sup>149</sup> The bank, which has a AAA credit rating, borrows on the capital markets and lends at an interest rate which is often lower than a sovereign country could secure.

On the 15<sup>th</sup> May 2012 the *Irish Times* reported that the Minister for Finance, Mr. Michael Noonan, T.D. and the Minister for Public Expenditure and Reform, Mr. Brendan Howlin, T.D.

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<sup>148</sup> <http://www.irishtimes.com/newspaper/finance/2012/0622/1224318455539.html>

<sup>149</sup> <http://www.eib.org/about/index.htm>

met with representatives of the EIB to address a “blockage” in the system for Public Private Partnerships (PPPs) and seek funding for infrastructure projects and job creation.<sup>150</sup> Of the meeting, Minister Howlin said:

"I think what we are looking at is issues that are required to feed into economic growth, that would be shovel ready, that would have an immediate impact in terms of employment."<sup>151</sup>

After the meeting on 15<sup>th</sup> May, Minister Noonan said that €250 million could be made available, by the EIB, both to AIB and Bank of Ireland for funding small and medium sized enterprises.<sup>152</sup> Recent talks in Europe have resulted in agreement that leaders will invest 1% of European GDP (around €130BN) as a growth package for Europe.<sup>153</sup> The package may include: increasing the European Investment Bank's capital, redirecting unspent EU regional funds, and launching project bonds to co-finance major public investment programmes.<sup>154</sup>

“Mr Noonan also said the European Investment Bank had agreed to relax the collateral rules allowing the Government and the private sector to access fresh funding which is expected to be announced as part of a package of European growth measures to be agreed at next week's summit of EU leaders.”

EU leaders are expected to increase the capital of the EIB by €10 billion, which in turn could leverage the EIB's lending capacity to up to €60bn, which would then be spent on infrastructure projects. Ireland's access to EIB is limited because as a triple A-rated bank it requires certain collateral rules.<sup>155</sup>

### **3.5 Sale of State assets**

The Government aims to sell State assets worth €3 billion in the next two years. Following talks with the Troika and the European Investment Bank on 17<sup>th</sup> May 2012 Minister Howlin

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<sup>150</sup> Irish Times. (2012). Noonan meets European Investment Bank. Accessed on 6<sup>th</sup> June 2012 at <http://www.irishtimes.com/newspaper/breaking/2012/0515/breaking44.html>

<sup>151</sup> Herald.ie (2012). Ireland close to Europe bank funds. Accessed on 6<sup>th</sup> June 2012 at <http://www.herald.ie/breaking-news/national-news/ireland-close-to-europe-bank-funds-3109847.html>

<sup>152</sup> RTE News. (2012). Govt may secure funding from EU for businesses. Accessed on 6<sup>th</sup> June 2012 at <http://www.rte.ie/news/2012/0515/govt-may-secure-funding-from-eu-for-businesses.html>

<sup>153</sup> Irish Independent. (2012). Debt crisis: Big four countries agree €130 BN growth package but divided on bonds. Accessed on 25<sup>th</sup> June 2012 at <http://www.independent.ie/business/european/debt-crisis-big-four-countries-agree-130bn-growth-package-but-divided-on-bonds-3146474.html>

<sup>154</sup> RTÉ News. (2012). Ireland to remain outside financial tax group – Michael Noonan. Accessed on Friday 22<sup>nd</sup> June 2012 at <http://www.rte.ie/news/2012/0622/key-eurozone-leaders-to-hold-talks-in-rome.html>

<sup>155</sup> <http://www.rte.ie/news/2012/0622/key-eurozone-leaders-to-hold-talks-in-rome.html>

said that half of the money raised from the sale of State assets will be used for direct job creation in Ireland. On 17<sup>th</sup> July 2012 it was announced that the first of the State assets to go on the market will be Bord Gáis Energy.<sup>156</sup>

SIPTU president Jack O'Connor stated publicly that the sale of state assets should not be used to fund a new stimulus plan. Mr. O'Connor expressed concern that any sale of State assets at the moment would not result in good value for the State.<sup>157</sup>

However, Minister Howlin has stated:

"But I've said from the beginning, if we don't get a fair deal for the Irish taxpayer, we're not going to sell anything and that's the bottom line here."<sup>158</sup>

On August 2<sup>nd</sup> 2012 the Irish Times<sup>159</sup> reported that NewERA, the agency overseeing the sale of State assets had launched a protocol:

"...safeguarding against potential future claims of preferential access or unfair procedures from unsuccessful bidders for the assets."

In other words the protocol aims to avoid any conflict of interest which may arise. Any meetings between a bidder and a minister, department official or their advisers, will have to be arranged through NewERA. The agency will keep a record of all such meetings.

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<sup>156</sup> Irish Times. (2012). €2bn stimulus package announced. Accessed on 17<sup>th</sup> July 2012 at <http://www.irishtimes.com/newspaper/breaking/2012/0717/breaking2.html>

<sup>157</sup> Breakingnews.ie (2012). O'Connor: State assets sale should not fund stimulus plan. Accessed on 6<sup>th</sup> June 2012 at <http://www.breakingnews.ie/ireland/oconnor-state-assets-sale-should-not-fund-stimulus-plan-552266.html>

<sup>158</sup> <http://www.irishtimes.com/newspaper/breaking/2012/0517/breaking14.html>

<sup>159</sup> Irish Times. (2012). New rules seek to prevent conflict of interest on Sale of State assets. Accessed on 4<sup>th</sup> October 2012 at <http://www.irishtimes.com/newspaper/finance/2012/0802/1224321294418.html>

## 4. The importance of the manufacturing sector

### 4.1 Ireland's manufacturing base

Ireland has a large manufacturing base compared to our European counterparts. This fact was brought to the Committee's attention by Paul Sweeney, of the Irish Congress of Trade Unions (ICTU), at a Committee meeting on 18<sup>th</sup> April 2012. Mr. Sweeney said:

"Ireland has quite a large manufacturing base compared to most other European countries, being second behind Germany. The problem is the Germans own theirs, but we do not own all of ours..."

The point that Ireland is so reliant on foreign-owned manufacturing has been taken up by several commentators. Forfás (2012) write that 85% of the value of total exports result from foreign-owned companies.<sup>160</sup>

Fostering the growth of indigenous companies is part of the Government jobs strategy. The Minister for Jobs, Enterprise and Innovation, Richard Bruton T.D., launched a €150million Development Capital Scheme aimed at encouraging Fund managers to invest funds in Irish SMEs.<sup>161</sup> Making the announcement at a briefing attended by members of the financial services community, Minister Bruton said:

"A key part of this Government's plan for growth and job-creation is building a powerful engine of indigenous enterprise. Our ambition must not only be to attract the next Google or Microsoft to Ireland, but to develop and grow the next Google or Microsoft in Ireland."

The first quarter of 2012 saw a fall in manufacturing output of 5.2%, putting it at its lowest level since the end of 2009.<sup>162</sup> However, manufacturing output rose during the months

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<sup>160</sup> Forfás. (2012). Key Skills for Enterprise to Trade Internationally. Expert Group on Future Skills Needs.

<sup>161</sup> <http://www.enterprise-ireland.com/en/News/PressReleases/2012-Press-Releases/New-%E2%82%AC150million-Government-scheme-to-support-growing-Irish-companies-and-create-jobs-launched-by-Minister-Bruton.html>

<sup>162</sup> Irish Times. (2012). 'Manufacturing output falls 5.2% in first quarter.' Accessed on 11<sup>th</sup> June 2012 at <http://www.irishtimes.com/newspaper/finance/2012/0505/1224315653910.html>

February to April by 1.2% on the previous quarter.<sup>163</sup> Figures published by the CSO (2012) show that production for Manufacturing Industries for April 2012 was 1.3% higher than in March 2012 and 2.2% higher than April 2011.<sup>164</sup> The Production for Manufacturing Index (PMI) shows that production grew for the fifth month in a row during September 2012.<sup>165</sup>

Also the *Irish Examiner* reported in June 2012 that the number of business orders rose for the fourth consecutive month.<sup>166</sup> The employment index also increased for the third month in a row.

#### **4.2 How the manufacturing sector can help create jobs**

According to the Report of the High Level Group on Manufacturing (2008)<sup>167</sup>:

“The manufacturing sector makes a valuable contribution to the Irish economy in terms of expenditures on wages, and Irish-sourced materials and services.”

Mr. Seán O’Driscoll, speaking at a Committee meeting on 19<sup>th</sup> April 2012 emphasised the multiplier effect that the manufacturing sector has on jobs:

“Every manufacturing job creates 2.5 indirect jobs, whereas every service job creates 0.7 indirect jobs.”

He said that in the past there was an overreliance on construction jobs:

“In excess of 20% of Irish GDP for a decade came from construction whereas the long-run average for a well-balanced OECD economy is just under 10%. That is the reason our structural problem was hidden when we thought we had full employment. During that period our economy was completely unbalanced.”

Mr. O’Driscoll also said that manufacturing represents 70% of all research and development spend worldwide and therefore a thriving manufacturing sector is a prerequisite for ‘a research and development society’.

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<sup>163</sup> Irish Times. (2012). ‘Irish industrial activity improves.’ Accessed on 12<sup>th</sup> June 2012 at <http://www.irishtimes.com/newspaper/breaking/2012/0605/breaking14.html>

<sup>164</sup> Central Statistics Office. (2012). ‘Industrial Production and Turnover.’ April 2012 (Provisional) and March 2012 (Final).

<sup>165</sup> [http://www.finfacts.ie/irishfinancenews/article\\_1024975.shtml](http://www.finfacts.ie/irishfinancenews/article_1024975.shtml)

<sup>166</sup> Irish Examiner. (2012). ‘Manufacturing sector turns a corner.’ Accessed on 11<sup>th</sup> June 2012 at <http://www.irishexaminer.com/archives/2012/0602/business/manufacturing-sector-turns-a-corner-196042.html>

<sup>167</sup> <http://www.djei.ie/publications/enterprise/2008/Reportofthehighlevelgrouponmanufacturing.pdf>



According to figures provided by the NCB purchasing managers index for June 2012, employment in manufacturing is increasing at the fastest rate in more than 12 years.<sup>168</sup> Finfacts<sup>169</sup> commenting on September 2012's manufacturing figures report that:

“Higher workloads encouraged firms to take on extra staff during September. The rate of job creation was solid, and the fastest in three months.”<sup>170</sup>

### **4.3 Crafts Council of Ireland**

The Crafts Council of Ireland (CCol) is engaged in education, training and development programmes and is funded by the Department of Jobs, Enterprise and Innovation via Enterprise Ireland. Estimates for 2009 from the CCol's *Strategic Plan 2010-2012* indicate that the value of crafts exports is €124.5m, while the value of domestic sales is estimated at €373.5 million.<sup>171</sup> The CCol also runs a Building Craft Enterprise Programme, which is in its third year.

On 24<sup>th</sup> July 2012 the Committee met with Ms Karen Hennessy, Chief Executive, Ms Louise Allen and Mr. Brian McGee from the Crafts Council of Ireland (CCol). According to figures provided by Ms Hennessy, the CCol contributes €498 million to the Irish economy and employs more than 5,700 people throughout the country. Ms Hennessy said that:

“In terms of international links, we have an exciting programme, Innocrafts programme, which is focused on new ways of working and developing policies for SMEs, linking in with Enterprise Ireland, the county enterprise boards and the different universities including WIT and UCD.”

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<sup>168</sup> Irish Times. (2012). Manufacturing employment rises at fastest rate in 12 years. Accessed on 17<sup>th</sup> July 2012.

<sup>169</sup> Finfacts is a business and finance portal.

<sup>170</sup> [http://www.finfacts.ie/irishfinancenews/article\\_1024975.shtml](http://www.finfacts.ie/irishfinancenews/article_1024975.shtml)

<sup>171</sup> Crafts Council of Ireland. (2012). Strategic Plan 2010-2012.

## 5. What is the role of the Government in job creation and what can the private sector do?

The role of the Government in job creation is a matter of much debate. At a Committee meeting on 25<sup>th</sup> April 2012, Ms. Bríd O'Brien of the Irish National Organisation of the Unemployed said:

“Enterprise cannot be understood as solely involving private sector for profit entities and the Department of Jobs, Enterprise and Innovation needs to play a role.”

While at a Committee meeting on 16<sup>th</sup> May 2012, Mr. Martin Murphy of Hewlett Packard said:

“Government creates the environment and industry creates jobs.”

Úna Halligan speaking on behalf of the Expert Group on Future Skills Needs (EGFSN)<sup>172</sup> at a Committee meeting on 18<sup>th</sup> September 2012 urged a cross-departmental approach to the jobs crisis:

“It is our view, therefore, that the Department of Jobs, Enterprise and Innovation should ensure that the environment is supportive for job creation; that the Department of Education and Skills should ensure that individuals are appropriately educated and trained to be able to avail of those job opportunities; and that the Department of Social Protection should ensure that the unemployed are supported appropriately while out of work and kept close to the labour market through targeted activation designed to meet individual needs.”

Mr Ian Martin, speaking to the Committee on 2<sup>nd</sup> October 2012, on behalf of The Small Firms Association, urged the Government to ‘job proof’ all Government policies, by conducting a cost-impact analysis of how Government proposals will affect employment.

This section will concentrate on the role of Government in job creation using examples from Ireland and other jurisdictions.

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<sup>172</sup> The EGFSN (established in 1997) reports to the Minister for Jobs, Enterprise and Innovation and to the Minister for Education and Skills. It advises the Irish Government on current and future skills needs of the economy and on other labour market issues.

## 5.1 Regulation – the problem of over regulation (red tape)

At a Committee meeting on 19<sup>th</sup> April 2012, Mr. Seán O’Driscoll said that:

“Mindless regulation is the equivalent of carbon dioxide to a human, it is the silent killer of jobs.”

Regulations are created and implemented by regulatory bodies in accordance with the guidelines set by legislation, either primary or secondary, and either national or European legislation. Statutory instruments include orders, regulations, rules and bye-laws which are made by Ministers and other bodies under a power conferred by primary legislation. European regulations have direct application in member states but EU directives must be transposed via national legislation and/or regulations. They are transposed by either primary or secondary legislation (SIs). The latter is more commonly used (OECD, 2010).<sup>173</sup>

Reform of the regulatory framework has been a policy goal since 1999 when *Action for Regulatory Reform, Cutting Red Tape* was published by the Government. This was followed in 2001 by an OECD review of Regulatory Reform in Ireland which found reform of regulatory governance to be slow. This led the Government to commit to introduce a form of Regulatory Impact Assessment (known as a RIA) on major new pieces of legislation and to conduct a public consultation process in 2002 which fed into a Government White Paper *Regulating Better* (2004). The 2007 Programme for Government included a commitment to “ensure that our regulatory framework remains flexible, proportionate and up-to-date and to implement procedures to ensure direct feedback from business on regulatory burdens, and to publish annual reports on how these issues have been addressed.”

A 2007 ESRI survey<sup>174</sup> of businesses found that when asked about the single most significant type of regulation: VAT, health and safety regulations, and income/corporation tax were most commonly mentioned. The highest proportion of negative views were expressed with respect to the lack of flexibility in implementing regulations.

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<sup>173</sup> OECD.(2010) Better Regulation in Europe: Ireland.

<sup>174</sup> ESRI. (2007). Business Regulation Survey. Dublin.

The Business Regulation Unit, within the Department of Jobs, Enterprise and Innovation was created in 2007 to look at regulation. The Unit is also responsible for a web portal for business which brings together guidance on regulations from over 30 Government bodies.<sup>175</sup>

In 2010 the Oireachtas Joint Committee on Economic Regulatory Affairs held a number of meetings with various stakeholders to consider the cost of regulation to business, specifically SMEs. The inquiries aimed to establish the extent to which the Government's policy of reducing the cost of regulation to SMEs is achieving its objectives in an efficient and focused manner. Box 2 shows the issues identified by stakeholders during these meetings.

### **Box 2: Regulatory issues identified by stakeholders**

#### **Regulatory issues identified by stakeholders were as follows:**

**(i) Administrative Burden:** Form filling / Information Provision (red tape) - According to ISME, small businesses are still expected to complete 110 – 111 (as of 27th April 2010) core forms per year to comply with the requirements of many state bodies including the Revenue Commissioners, the CSO, the CRO and several departments.

**(ii) Taxation: Financial, Compliance and Administrative Costs Regulators:** Office of the Revenue Commissioners, Department of Finance

**(iii) Permits, Licences and Inspections, Regulators:** Department of the Environment, Heritage & Local Government (DEHLG), Local Authorities

**(iv) Local Authorities, Regulation and SMEs**

**v) Health and Safety and Grocery Retail Sector Regulations Regulators:** Health and Safety Authority, DJEI, Department of Agriculture, Fisheries & Food (DAFF), Department of Health & Children (DoHC), Health Service Executive (HSE) and others

**v) Company Law and Late Payment Legislation, Regulators:** DJEI

**(vi) Consolidation of Legislation; Company Law**

**(vii) Late Payments Legislation**

**(viii) Employment Law**

**(ix) The general attitude towards the SME Sector by Regulators**

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<sup>175</sup> <http://www.djei.ie/commerce/businessregulation/>

In 2008 the then Government set a 25% target to reduce the burden of red tape on business by 2012, the same target as set by the European Commission and all other Member States. The Department of Enterprise, Trade and Innovation was given the lead role in this project. The National Recovery Plan 2011-2014 includes a commitment to achieve this target by end-2011.<sup>176</sup>

The Department of Jobs, Enterprise and Innovation states that the Department, as of May 2012, achieved a reduction of over 24%. This amounts to over €206 million of business savings each year.<sup>177</sup>

When he addressed the Committee on 19<sup>th</sup> April 2012, Mr. Séan O’Driscoll said:

“My message to members of this committee is that it is they and their colleagues who make these regulations and it is within their gift to take back some of those regulations.”

### **UK example**

Efforts are underway in the UK to cut some business regulations. It was recently announced that the UK Government are planning to exempt thousands of businesses from health and safety inspections. In addition the government says it will scrap or change more than 3,000 regulations in order to save companies millions of pounds.<sup>178</sup> As part of this, the Government has freed up some of the regulation around entertainment events. For example, pubs will be able to host non-amplified music events between the hours of 8-11pm, without the need for a specific license. More broadly, the UK Government has launched The Red Tape Challenge website which invites the public to suggest regulations to be cut, maintained or simplified. The Minister with responsibility for this area will then have three months to consider these proposals. Crucially the Minister will have to justify keeping any particular regulation.<sup>179</sup>

The Musgrave Group submission to the Committee drew attention to the Retail Policy Forum, which is run by officials from the Department of Business, Innovation and Skills (UK). The forum enables discussion between retailers, Government and the EU about regulations

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[http://www.taoiseach.gov.ie/eng/Publications/Publications\\_Archive/Publications\\_2011/Better\\_Regulation\\_Website\\_Content.pdf](http://www.taoiseach.gov.ie/eng/Publications/Publications_Archive/Publications_2011/Better_Regulation_Website_Content.pdf)

<sup>177</sup> <http://www.djei.ie/commerce/businessregulation/about.htm>

<sup>178</sup> <http://www.bbc.co.uk/news/uk-19540318>

<sup>179</sup> <http://www.redtapechallenge.cabinetoffice.gov.uk/about/>

and how the burden of regulations can be better managed. The Musgrave Group recommend this as a good model.

## 5.2 Increasing competitiveness

Writing of the decline in Ireland's competitiveness, economist Ronan Lyons cites OECD figures which show that the average wage in Ireland grew by 37% between 2000 and 2006, compared with 15% in France and Germany.<sup>180</sup> Since 2006 however, wages have been static in Ireland, while they have grown by almost 10% in France and Germany.<sup>181</sup>

The OECD (2011) note that between 2008-2010 Ireland recorded the largest decrease in unit labour costs among euro area countries. However the report also found that:

“...cost competitiveness is not complete and requires sustained wage restraint over the medium term...”

Wages are not the only factor in an economy's competitiveness. The National Competitiveness Council (NCC) published *Ireland's Competitive Scorecard 2011*.<sup>182</sup> The report noted:

“Ireland's exporting companies are performing well, driven by significant competitiveness gains. In 2010 export volumes and values increased, while Ireland's market share in world trade also grew. Growth in exports was facilitated and supported by the reductions in the cost base for firms as well as improvements in productivity. As a consequence of lower costs and higher productivity, unit labour costs fell in 2010. On the downside, however, high public debt, falling investment, and shortages of credit all weaken Ireland's competitive position and Ireland remains an expensive country in which to do business.”

However, the NCC has identified a number of policy actions to improve competition in the Irish market:

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<sup>180</sup> <http://www.ronanlyons.com/2011/11/01/can-ireland-improve-its-competitiveness-while-raising-taxes/>

<sup>181</sup> Ibid.

<sup>182</sup> National Competitiveness Council. (2011). National Competitiveness Council assess Ireland's competitiveness performance and highlights seven areas of concern. Accessed on 12<sup>th</sup> July 2012 at [http://www.competitiveness.ie/media/Forfas060911\\_Irelands\\_Competitiveness\\_Scorecard\\_Press\\_Release.pdf](http://www.competitiveness.ie/media/Forfas060911_Irelands_Competitiveness_Scorecard_Press_Release.pdf)

1) The active pursuit of measures to enhance competition, particularly in locally trading sectors of the economy, e.g. solicitors, barristers, banking and non-life insurance, transport, energy and waste services, medical and paramedical professions. Current laws, rules and customs should be reviewed to ensure that they are not anti-competitive, and

2) The NCC welcomes the recent publication of the *Government Statement on Economic Regulation* and the emphasis on the importance of effective economic regulation for Competitiveness.

On 10<sup>th</sup> October 2012 the CSO reported that Ireland is the fifth most expensive country in the EU. In 2008 Ireland was the second most expensive EU country in which to live. The CSO attribute the improvement in our relative position to our low rate of inflation.<sup>183</sup> The Musgrave Group submission to the Committee recommended reforming Employment Regulation Orders (EROs) and the Registered Employment Agreements as they ‘contribute to a lack of competitiveness in the country.’

### **5.3 Social clauses and procurement**

Social clauses in public procurement refer to social and labour standards which contractors have to fulfill if they wish to tender for public contracts. The aim of such clauses is to protect wages and working conditions against ‘downward pressure.’<sup>184</sup> SIPTU in Northern Ireland advocated and welcomed the provision of a social clause ensuring a ‘threshold of decency’ of employment conditions for every worker employed by community sector organisations funded by the public purse, in the Northern Irish programme for Government.<sup>185</sup>

Social clauses can also be used to alleviate social problems, such as youth unemployment. Some local authorities in the UK have used social clauses for this purpose. See Box 3.

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<sup>183</sup> CSO. (2012). New CSO report paints mixed picture of Ireland’s progress. Accessed on 10<sup>th</sup> October 2012 at

<http://www.cso.ie/en/newsandevents/pressreleases/2012pressreleases/pressreleasemeasuringirelandspprogress2011/>

<sup>184</sup> <http://www.siptu.ie/media/pressreleasearchive2001-2011/2011/fullstory,15185,en.html>

<sup>185</sup> [http://www.indymedia.ie/article/101632?userlanguage=ga&save\\_prefs=true](http://www.indymedia.ie/article/101632?userlanguage=ga&save_prefs=true)

### Box 3: Social clauses in South Tyneside<sup>186</sup>

South Tyneside Metropolitan Council runs two dedicated Apprenticeship initiatives, set up in response to the dramatic rise of young people NEET in the area.

The local authority uses social clauses throughout its supply chain to 'purchase wellbeing' through work placements, tasters and Apprenticeships. A dedicated 'social clauses co-ordinator' is employed within the Regeneration and Resources Directorate who liaises with businesses. The social clauses mindset is now embedded across the local authority, and all departments contact the social clauses co-ordinator when going through a procurement process, in order to ascertain how social clauses can be included in relation to young people and Apprenticeships. So far social clauses have helped to expand the Apprenticeship places on offer, and have also generated a large amount of investment in local businesses (in particular in construction and manufacturing business).

Nearly 100 young people have been recruited through the two initiatives to date. Following a strategic plan that gained political support, the local authority began using social clauses in procurement contracts.

In 2009 the UK's Homes and Communities Agency (HCA) began the Kickstart Housing Delivery Project, which will complete stalled development sites for mixed tenure housing. The HCA has engaged with developers and agreed a charter with them, which aims to ensure that contractors take on a certain number of apprenticeships as part of their work.<sup>187</sup> Dutch and Danish local authorities have also tried to use social clauses as a way of securing work for the long-term unemployed.<sup>188</sup>

The NESO (2011) report *Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession* refers to the European Commission which notes that public procurement accounts for 17% of EU GDP, affording national governments the opportunity to use their purchasing power for social policy objectives. Some commentators

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<sup>186</sup> Apprenticeships.org.co.uk. (2010). Social Clauses. Accessed on 15<sup>th</sup> June 2012 at <http://www.apprenticeships.org.uk/LAToolkit/Case-studies/SocialClauses.aspx>

<sup>187</sup> <http://hub.westmidlandsiep.gov.uk/uploads/files/smes/toolkit.pdf>

<sup>188</sup> <http://www.qgprocurement.com/index.php?q=eu-approach-social-clauses-public-procurement>



have urged the Government to use social clauses as a means of ensuring that contracts have a benefit to the Irish economy. On 28<sup>th</sup> February 2012 Caoimhghín Ó Caoláin, T.D. asked the Minister for Public Expenditure and Reform, if he would request that all public sector bodies include social clauses:

“...in all public procurement contracts for supplies, services and construction in order to enhance the prospects of Irish, regional and local bases tenders securing said contracts...”

Such clauses must be compatible with EU law and cannot mitigate against the success of contractors from other member states. The Minister in his reply to Deputy Ó Caoláin said:

“I understand that the National Procurement Service is currently looking at developing guidance for contracting authorities in relation to the use of such social clauses.”

At a Committee meeting on 18<sup>th</sup> April 2012, Mr. Peter Rigney from the Irish Congress of Trade Unions (ICTU) spoke about social clauses. He said:

“We think social clauses should be tried out in public procurement and we should say to the successful tenderers that they will have to demonstrate to us a mode whereby they will link up with a particular training centre or college and will take a certain number of people into regular entry level jobs, whether apprenticeships or something else. That has not been tried. It is not toxic or forbidden by the EU and it has been tried in Northern Ireland.”

On 17<sup>th</sup> July 2012 plans to build a new 73-acre DIT campus in Grangegorman, Dublin revealed that the DIT agreed a 20% local employment clause.<sup>189</sup> In January 2013 Minister of State for Public Expenditure and Reform, Brian Hayes, T.D. told the Dáil he would be bringing proposals to the Government demanding that a percentage of people in contracts being awarded by the State, will have suffered unemployment as a result of the downturn in the construction industry.<sup>190</sup>

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<sup>189</sup> <http://www.breakingnews.ie/ireland/ojojsneyidoj/>

<sup>190</sup> Irish Times. (2012). State to adopt 'social clauses'.

#### 5.4 Commercialisation of intellectual property

A large emphasis is being placed on research commercialisation in Ireland. However, while the value of research commercialisation is widely accepted, there is less consensus on the best approach for exploiting this work.<sup>191</sup> Dr. Seán Baker, a co-founder of *Iona Technologies*, stressed the need for university and industry to focus on commercially viable projects rather than ‘curiosity based research.’<sup>192</sup> Dr. Baker argues that one of the main barriers to commercialisation is intellectual property, which universities are too protective of.<sup>193</sup>

Enterprise Ireland funds a Technology Transfer Strengthening Initiative (TTSI), the objective of which is to facilitate the transfer of intellectual property from Higher Education Institutions to industry, so that research can be used for commercial gain.

Dr. Steve Collins, founder of *Havok*<sup>194</sup> and part-time lecturer in TCD criticised universities and told would-be entrepreneurs to avoid academic environments, claiming there is a chasm between university based research and commercialising that research into companies.<sup>195</sup> In particular, he said that the process of licensing a technology from the university where it was initially developed was slow, taking up to nine months. This was partly because universities generally thought their research could become a company “worth billions” and were slow to agree a price for licensing research.<sup>196</sup>

Dr. Collins said there were significant problems with funding early-stage, research based companies. “There is a ton of money going in from Science Foundation Ireland, and we are not getting the output. Something is going wrong,” he said. While Collins acknowledged that Enterprise Ireland provided funds for proof-of concept projects and commercialising research, he said there was “still a defined, critical and hurtful gap” in funding. “We are all aware of the difficult funding environment, particularly if you are pre-revenue,” he said.<sup>197</sup>

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<sup>191</sup> Golden, P. (2008). ‘Growth During a Storm: A Focus on Commercialisation’. Technology Ireland, 11/08.

<sup>192</sup> Campbell, I. (2009). ‘College research needs business input early – ISA’. *Irish Times*, June 12<sup>th</sup>.

<sup>193</sup> Ibid.

<sup>194</sup> Havok is a leading developer of games technologies.

<sup>195</sup> Daly, G. (2009). ‘Havok founder slams universities for being ‘afraid’. *The Sunday Business Post Online*, March 8<sup>th</sup> 2009.

<sup>196</sup> Ibid.

<sup>197</sup> Ibid.

NovaUCD was established in 2003 at University College Dublin to oversee UCD policies relating to intellectual property (IP) and to give advice on the identification, protection and exploitation of this IP. NovaUCD is the main point of contact for companies seeking partners for collaborative research and advice on commercial opportunities.<sup>198</sup>

The research alliance between University College Dublin and Trinity College Dublin announced in March 2009 is modelled on a similar approach adopted in the US, at both Silicon Valley and Massachusetts Institute of Technology, and in Finland and Sweden in the 1990s. The alliance is supported by €650 million drawn from State, industry and private funding.<sup>199</sup>

The new framework has three major components:

- i. The Innovation Task Force will develop the policy, legal and infrastructural elements required to facilitate world-class innovation.
- ii. A postgraduate TCD/UCD Innovation Academy will focus on PhD training. It will also ensure the expertise and resources at UCD and TCD are available to Ireland's future entrepreneurs.
- iii. The TCD/UCD Joint Venture in Enterprise Development will build on the universities' existing technology transfer operations and enterprise facilities. It will include new facilities for research and design, prototyping and process innovation – to help commercialise new ideas, knowledge and inventions.

On the 18<sup>th</sup> June 2012 the *Irish Times* published an article on Ireland's intellectual property (IP) related industry.<sup>200</sup> The article reports that the Government's aim is to increase the potential of IP-related industry in Ireland to create jobs and stimulate growth. The Government is developing a new intellectual property protocol with the aim of establishing Ireland as a centre for IP. The new protocol will make it easier to establish agreements between business and researchers. It will also make it easier for commercial business to find

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<sup>198</sup> <http://www.ucd.ie/nova/>

<sup>199</sup> Flynn, S. (2009b). 'Universities hope merger will create 30,000 jobs'. *Irish Times*, March 12<sup>th</sup>. Retrieved 2<sup>nd</sup> July 2009 from

<http://www.irishtimes.com/newspaper/ireland/2009/0312/1224242738378.html>

<sup>200</sup> Irish Times. (2012). Ireland needs to do more to protect IP base. Accessed on 18<sup>th</sup> June 2012 at <http://www.irishtimes.com/newspaper/finance/2012/0618/1224318130277.html>

IP which stems from publicly funded research, through a new 'central technology transfer office'.<sup>201</sup>

However, Raymond Hegarty, vice-president of global licensing, Europe, believes that Ireland should shift its focus from investing in Research and Development, which has very long-term gains, to focusing on the 'commercialisation stage'. Essentially this would mean that Ireland would become a centre for the exchange of IP, similar to the Intellectual Property Exchange International (IXPI).<sup>202</sup>

A similar point was made at a Committee meeting on 16<sup>th</sup> May 2012, by Mr. Martin Murphy, managing director of Hewlett Packard who said:

"Ireland should examine becoming a global hub for intellectual property. We should examine how we could exploit intellectual property and build a proposition that is the best in Europe for patenting, which is better than any offering available in terms of the protection and cost of patents, and the speed of service. If the intellectual property is here, we can centre the jobs here and, most likely, we can make the products or deliver the services from here."

The prospect of a common EU patent has been touted for almost 40 years.<sup>203</sup> Currently, while patents are applied for centrally in the European Patent Office, patents must be validated in each EU member state. This can be very costly to companies. A common European patent, therefore, would mean savings for many companies. The aim is that such a move would increase competitiveness by making European patents less expensive than American patents. The European Commission estimates that European patents would cost about €680, compared to an average of €1,850 for an American patent.<sup>204</sup> There is still disagreement among EU members about how such a patent will work however.

### **5.5 Retrofitting – pay as you save scheme**

In 2011 the Government announced its intention to introduce a "pay as you save" scheme to replace the current grant-aided system for retrofitting old housing stock with insulation. This commence in 2013, replacing the Exchequer funded Better Energy Programme. Under this

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<sup>201</sup> Ibid.

<sup>202</sup> <http://www.ipxi.com/>

<sup>203</sup> Irish Times. (2012). Patently obvious idea close to fruition. Accessed on 16<sup>th</sup> July 2012

<sup>204</sup> Ibid.

plan consumers would repay funds for modernising their home insulation over a number of years, in some cases up to 20 years.<sup>205</sup>

It was estimated that the retrofitting programme could be worth €14 BN to the Irish economy.<sup>206</sup> The Sustainable Energy Authority's cost benefit analysis concludes that for every €1 it spends on the scheme, the economy benefits to the tune of €5.<sup>207</sup>

Speaking about the scheme, on 14<sup>th</sup> April 2012 the Minister for Energy, Communications and Natural Resources, Mr. Pat Rabbitte, T.D. said that:<sup>208</sup>

“I do believe that Pay As You Save can be a win-win formula. The Exchequer will save money by withdrawing from grant aid. Home owners will improve their quality of life and save money also. The scheme will be a major economic opportunity for the construction and retrofit industries. And we will sustain thousands of our fellow citizens in much needed jobs.”

At a committee meeting on 19<sup>th</sup> April 2012, Mr Seán O’Driscoll stated that:

“...70% of the (energy) cost comes from space and water heating and 30% of this energy goes out through the walls as waste.”

## **5.6 Promoting the Revenue Job Assist Programme**

The Revenue Commissioners’ Job Assist Programme provides extra incentives for employers to recruit those who are unemployed for 12 months or more, by allowing employers a double wages deduction in their accounts.<sup>209</sup>

The double wages deduction may last for 3 years and applies to:

- Wages paid to a qualifying employee in a qualifying employment and
- Employer's PRSI contributions paid in respect of such wages<sup>210</sup>

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<sup>205</sup> RTÉ News. (2011). ‘Pay as you save’ retrofitting scheme planned. Accessed on 19<sup>th</sup> June 2012 at <http://www.rte.ie/news/2011/0923/energy.html>

<sup>206</sup> Ibid.

<sup>207</sup> Ibid.

<sup>208</sup> <http://www.labour.ie/press/listing/13343994395310230.html>

<sup>209</sup> <http://www.revenue.ie/en/tax/it/leaflets/it59.html>

<sup>210</sup> Ibid.

At a Committee meeting on 13<sup>th</sup> June 2012, the Minister for Jobs, Enterprise and Innovation, Mr. Richard Bruton, T.D. stated that there was a very low take-up of the Revenue Job Assist scheme. At the same meeting Senator Fidelma Healy-Eames asked whether the Government would consider promoting the scheme through a media campaign:

“I agree that the message is not out there in regard to the existence of incentive schemes for employers such as the Revenue’s Job Assist scheme and the PRSI holiday. Will the Department consider running a television advertisement campaign as the most effective and direct way of setting out the incentives that are available?”

In reply to a PQ asking about the take-up of this scheme, the Minister for Finance, Mr. Michael Noonan T.D. provided a written answer on 28<sup>th</sup> June 2012, which gave the figures presented in Table 5. The table shows the relevant information available in relation to the numbers of employees and employers who availed of the Revenue Job Assist scheme for the income tax years 2010 and 2011 respectively, the latest years for which the necessary detailed information is available.

**Table 5: Numbers availing of Revenue Job Assist for 2010 and 2011**

|             | <b>Employers</b> | <b>Employees Availing of Revenue Job Assist</b> |
|-------------|------------------|---|
| <b>Year</b> | <b>Numbers</b>   | <b>Numbers</b>                                  |
| 2010        | 342              | 650   |
| 2011        | 794              | Not Yet Available                               |

An estimated breakdown of the figures on a geographical basis is available on the basis of Revenue tax regions and is set out as follows in tables 6 and 7.

**Table 6: Revenue Job Assist by region for 2010**

| <b>Revenue Region</b> | <b>Numbers of Employees 2010</b> |
|-----------------------|----------------------------------|
| Dublin                | 215                              |
| East South-East       | 132                              |
| Border Midlands West  | 137                              |
| South West            | 119                              |
| Other/Unidentified    | 4                                |
| <b>Total</b>          | <b>606</b>                       |

**Table 7: Revenue Job Assist by region for 2011**

| <b>Revenue Region</b> | <b>Numbers of Employees 2011</b> |
|-----------------------|----------------------------------|
| Dublin                | 275                              |
| East South-East       | 146                              |
| Border Midlands West  | 132                              |
| South West            | 134                              |
| Other/Unidentified    | 107                              |
| <b>Total</b>          | <b>794</b>                       |

### **5.7 Promoting the Employer Job PRSI Incentive Scheme**

Under the Employer Job PRSI Incentive Scheme, if an employer employs an eligible employee who has been unemployed for 6 months or more, they are exempt from paying employers' PRSI for 18 months. The job must be new, be for at least 30 hours a week and last for at least six months.

In February 2012, under the Action Plan for Jobs, the Government agreed to simplify and extend the Employer Job PRSI Incentive scheme for new recruitment to the end of 2012. The duration of exemption, previously 12 months, has been increased to 18 months from 1<sup>st</sup> January 2012.

In response to a PQ the Minister for Social Protection, Ms. Joan Burton, T.D. gave the following statistics regarding take-up of the scheme:

“In 2010, a total of 736 employers were awarded exemptions in respect of 1,202 employees. A total of 660 employers were awarded exemptions in respect of 923 employees in 2011. To date in 2012, 239 employers have been awarded exemptions in respect of 311 employees.”

The table in Appendix 3 shows the breakdown by county of employers approved for the scheme since 2010.

## 5.8 Microfinance and credit guarantee

A report by the Department of Finance (2012) shows that the Government imposed a combined SME lending target of €21 BN on each of the two Pillar Banks for the calendar years 2011 – 2013.<sup>211</sup>

However, the most recent data reported by the Irish Central Bank indicates that Ireland has the second lowest approval level for small business loan applications in the euro zone, ahead of Greece.<sup>212</sup> The report also found that:

“The share of “discouraged” Irish SMEs who do not apply for credit due to the belief that they will be rejected is the second highest in the euro area, suggesting that steps must be taken to improve perceptions of lending institutions among potential borrowers. On the supply side, Ireland’s share of firms that were rejected when applying for a loan or overdraft is the highest in Europe.”

A further report released by the Central Bank on the status of nearly 7,000 SME loans at the end of 2010 shows that very small companies are more likely to default on their loans than larger ones. Specifically the report found that almost one-fifth of loans in construction were in default by the end of 2010, while between 10pc and 15pc of lending involving the real estate, hospitality and manufacturing sectors defaulted.<sup>213</sup>

The Credit Review Office (CRO) was set up to provide independent review of lending applications which were turned down by banks. The most recent report from the CRO (8<sup>th</sup> October 2012) indicates that lending has tightened in 2012 for struggling SMEs and farms and concludes that more could be done to assist access to credit. The report shows that in 14 cases out of 21 completed in this quarter, AIB and Bank of Ireland’s decisions were overturned resulting in the two banks subsequently supplying €1,180,224 of credit.

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<sup>211</sup> Department of Finance. (2012). SME lending. Accessed on 18<sup>th</sup> September 2012 at [http://banking.finance.gov.ie/wp-content/uploads/SME\\_Lending.pdf](http://banking.finance.gov.ie/wp-content/uploads/SME_Lending.pdf)

<sup>212</sup> Central Bank of Ireland. (2012). Irish SME credit supply and demand: comparisons across surveys and countries. Accessed on 18<sup>th</sup> September 2012 at <http://www.centralbank.ie/publications/Documents/Economic%20letter%20no.%208,2012.pdf>

<sup>213</sup> Irish Times. (2012). Small firms ‘more likely’ to default on their loans. Accessed on 19<sup>th</sup> September 2012 at <http://www.independent.ie/business/irish/small-firms-more-likely-to-default-on-their-loans-3234054.html>  
<http://www.creditreview.ie/docs/NinthQuarterlyReport%20fromJohnTrethowan.pdf>



Two recent pieces of legislation aim to improve the lack of lending to viable businesses that has come about due to the credit crunch.

On 16<sup>th</sup> May 2012 the *Credit Guarantee Bill 2012*<sup>214</sup> reached second stage in the Dáil. The Bill is designed to target two specific market failures that prevent banks lending to some commercially viable businesses. To do this, it will provide a 75% State guarantee to banks against losses on qualifying loans where businesses have insufficient collateral and where businesses operate in sectors in which the banks are not familiar. Initially, the scheme will facilitate up to €150m of SME lending per annum, which is in addition to lending targets set for the two pillar banks (i.e. AIB and Bol). The introduction of a loan guarantee scheme has had reasonably wide support within the business community. The Bill was enacted in July 2012. The Government announced that the scheme will be in operation from 24<sup>th</sup> October 2012.<sup>215</sup>

The *Microenterprise Loan Fund Bill 2012* (link to digest below) was presented to the Dáil on 20<sup>th</sup> June 2012. The Bill provides for the setting up of a loan fund for small companies (less than 10 employees and with an annual turnover or balance sheet total less than €2 million) who have been turned down for credit from banks and other financial institutions. The Fund (to be known as Microfinance Ireland) will have initial seed capital of €10m, and can borrow up to €25 million to increase its lending capacity. Industry representatives have broadly welcomed the Fund, seeing it as a welcome step for start-up companies though not a panacea. Some have criticised the delay in getting this scheme and other supports activated.<sup>216</sup> The Bill was enacted in July 2012 and has been in operation since October 1<sup>st</sup> 2012.<sup>217</sup>

## 5.9 Taxation measures

There are ways in which taxation may be used to promote job creation. The Finance Bill 2012 included tax breaks aimed at 'project champions' who would relocate to Ireland in order

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<sup>214</sup> L&RS. (2012). Bills Digest: Credit Guarantee Bill 2012. [http://vhllms-a01/AWData/Library2/Temporarypartialcreditguaranteebill\\_162246.pdf](http://vhllms-a01/AWData/Library2/Temporarypartialcreditguaranteebill_162246.pdf)

<sup>215</sup> Irish Times. (2012). Small firms gets access to €450m credit line, 18<sup>th</sup> October 2012.

<sup>216</sup> L&RS. (2012). Bills Digest: Microenterprise Loan Fund Bill 2012. [http://vhllms-a01/AWData/Library2/Microenterprise\\_Loan\\_Fund\\_Bill\\_Digest\\_25062012\\_185900.pdf](http://vhllms-a01/AWData/Library2/Microenterprise_Loan_Fund_Bill_Digest_25062012_185900.pdf)

<sup>217</sup> Ibid.

to oversee investments in indigenous as well as multinational firms.<sup>218</sup> This is known as the *Special Assignee Relief Programme*. The relief programme allows certain multinational employees to receive a portion of their pay tax free.<sup>219</sup> The *Irish Times* report that a Government source stated that:

“The incentives are there for the appropriate specialised job creation initiatives but we also need to have tax incentives to ensure that the right people who can develop these kinds of projects come to Ireland...”<sup>220</sup>

The *Irish Times* reports that the source went on to emphasise that the incentives would only apply to people involved in new product development and people already working here would be excluded.

The Community Platform (2011)<sup>221</sup> has compiled a report entitled *Paying Our Way*<sup>222</sup>. The first chapter of the report makes the point that:

“Ireland’s low-tax model is deeply ingrained in our economic culture. There has been an overwhelming consensus that low taxation is the key to economic prosperity.”

The Community Platform (2011) challenges this idea and says that:

“Ireland’s low tax regime is one of the reasons why levels of poverty and inequality in our society remain at unacceptably high levels. Indeed, contrary to the arguments of some, we believe that Ireland’s low tax regime undermines our economic competitiveness and socio-economic development.”

The Community Platform (2011) recommends that the Irish tax take align itself, over the course of a decade, to the EU norm of 40-45% of GDP (it is currently 28%). This would involve raising employers’ contributions to PRSI significantly. However, the OECD (2011) report on Ireland recommends that the Government extend the duration of the cut in employers’ PRSI for low-wage workers. This measure, the OECD (2011) report

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<sup>218</sup> Irish Times. (2012). ‘Finance Bill will include tax breaks to lure top earners here.’ Accessed on 6<sup>th</sup> June 2012 at <http://www.irishtimes.com/newspaper/frontpage/2012/0208/1224311465114.html>

<sup>219</sup> <http://www.irishtimes.com/newspaper/finance/2012/0225/1224312374448.html>

<sup>220</sup> Ibid.

<sup>221</sup> Community Platform is a network of more than 30 organisations working to end poverty and inequality.

<sup>222</sup> [http://communityplatform.ie/uploads/payingourway\\_preview%20\(2\).pdf](http://communityplatform.ie/uploads/payingourway_preview%20(2).pdf)

recommended, should be budget neutral, “possibly by base broadening measures in taxation.”

The Government’s 2012 Action Plan for Jobs 2012 states that:<sup>223</sup>

“...taxing work is not the way to revive the economy... In the last three years before the current Government took office more than 80% of the increase in taxation was on labour. That is simply unsustainable and this Government has made the choice to protect, as much as it can, the income and take home pay of workers.”

### **5.10 Reduction of VAT to help the tourism sector**

The Irish Government reduced the VAT rate (from 13.5% to 9%) on services for the hospitality and tourism sectors in 2011. The Government has signalled that the 9% VAT rate for these services will continue into 2013.<sup>224</sup>

Minister for Transport, Tourism and Sport, Dr. Leo Varadkar, T.D. said he was:

“...pleased to see that overseas visitor numbers increased by 6 per cent in 2011...While there has been a marginal reduction in overseas visits in the first three months of 2012, indications from industry representative groups are positive.”

The OECD (2011) report on Ireland was circumspect on the impact the Government’s VAT reduction would have. The report writes:

“The case for reducing VAT rates in low-skill sectors as a way to boost demand for low-skilled workers is unconvincing, though there is some anecdotal evidence that a similar measure taken in Ireland in 1986 was successful in promoting tourism.”

The OECD (2011) recommends that an independent review of this measure be conducted.

On the 11<sup>th</sup> September 2012 the CSO published their most recent figures on the tourism sector. The figures showed that:<sup>225</sup>

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<sup>223</sup> Department of Jobs, Enterprise and Innovation. (2012). Action Plan for Jobs 2012. Accessed on 24<sup>th</sup> July 2012 at <http://www.djei.ie/publications/2012APJ.pdf>

<sup>224</sup> Irish Times. (2012). Lower tourism VAT to stay until end of 2013. Accessed 8<sup>th</sup> June 2012 at <http://www.irishtimes.com/newspaper/ireland/2012/0510/1224315843866.html>

<sup>225</sup> [http://www.cso.ie/en/media/csoie/releasespublications/documents/tourismtravel/2011/tata\\_2011.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/tourismtravel/2011/tata_2011.pdf)

- 6.6 million people travelled from overseas to Ireland last year, half a million more than in 2010 (+7.9%).
- the number of nights spent in Ireland by overseas travellers also rose by more than 6% in 2011, up from 48 million to 50.9 million.
- expenditure in Ireland by overseas travellers increased by 0.7% between 2010 and 2011, from €3,556 million to €3,580 million.
- the number of overseas trips made by Irish residents fell by 4.2% last year, from 6.7 million to 6.4 million trips.
- total overseas tourism and travel expenditure of Irish residents declined by 7.2%, from €5,211 million in 2010 to €4,835 million in 2011.

These tourism statistics show positive growth within the tourism sector in Ireland.

### **5.11 The likely effects of a fiscal stimulus**

This section will briefly look at the possible effects of a fiscal stimulus on the economy, a measure which has been advocated by some economists and media commentators.

#### **International Monetary Fund**

According to the IMF<sup>226</sup> the: size, timing, composition, and duration of stimulus matter. State multipliers tend to be larger if (a) only a small part of the stimulus is saved or spent on imports, (b) interest rates do not rise as a consequence of the fiscal expansion (thereby countering its effects), and (c) the country's fiscal position after the stimulus is viewed as sustainable.

The IMF note that multipliers can be small or even negative if the expansion raises concerns about sustainability, in which case the private sector would likely counteract government intervention by increasing savings or moving money offshore. Multipliers<sup>227</sup> also tend to be higher for spending measures than for tax cuts or transfers and lower for small, open

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<sup>226</sup> <http://www.imf.org/external/pubs/ft/fandd/basics/fiscpol.htm>

<sup>227</sup> The multiplier effect is the effect of additional spending on national income.

economies (in both cases, because of the extent of leakages, i.e. savings or spending on imports).

Newer IMF analysis<sup>228</sup> suggests that multipliers were higher in developed countries during the current recession than previously. This finding is consistent with research suggesting that in today's environment multipliers may well be above 1. However, the IMF's forecasts for Ireland using lower multipliers were very accurate and it may be that the multiplier they use for Ireland of approximately 0.5 is appropriate.

### **Organisation for Economic Co-operation and Development**

The OECD Interim Economic Outlook March 2009 *Chapter 3: The Scope and Impact of Fiscal Stimulus* also explores the effects of fiscal stimulus.<sup>229</sup> This paper examines the multiplier in various OECD countries and estimates the multiplier effect for different types of spending increases and tax cuts. For Ireland it finds very low multipliers. For Government consumption (Government expenditure minus social transfers) the multiplier is 0.3 in the first year rising to 0.4 or 0.7 in the second year depending on what assumptions are made. For transfers to households the multiplier is 0.2 in the first year and 0.4 or 0.6 in the second year. For Government investment the multiplier is 0.7 in the first year rising to 0.9 or 1.1 in the second year.

On the tax-cut side, personal income taxes and indirect taxes (e.g. V.A.T.) have very low multipliers in the first year 0.1 or 0.2, rising to 0.2 or 0.6 in year 2 for personal income tax cuts and 0.1 or 0.3 for indirect tax cuts.

The data indicates that for Ireland, only a fiscal stimulus focusing on Government investment would have a positive effect on growth. However, with a multiplier of 1.1 the effect would be marginal i.e. a 1% of GDP increase in Government investment would lead to a 1.1% increase in GDP. This would not be self-financing as the State would receive only a proportion of the 1.1% of GDP back in taxes.

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<sup>228</sup> IMF. (2012). World Economic Outlook: Coping with High Debts and Sluggish Growth. Accessed on 20<sup>th</sup> November 2012 at <http://www.imf.org/mwg-internal/de5fs23hu73ds/progress?id=SvBWgBV3NA>

<sup>229</sup> <http://www.oecd.org/dataoecd/3/62/42421337.pdf>

## Other authors

A working paper by Davide Furceri and Ricardo M. Sousa,<sup>230</sup> looked at the effects of Government spending on the private sector. The authors found an increase of government consumption by 1% of real GDP immediately reduces private sector consumption by approximately 1.2%, with the decline continuing for about four years, an effect known as 'crowding out.'

A 2009 study by the US Executive Office of the President Council of Economic Advisers,<sup>231</sup> which included data collected by the IMF, OECD and Brookings, concluded that:

"The evidence suggests that countries that did larger stimulus in 2009 had better GDP performance in the second quarter of 2009 than would have been expected."

The report shows that the average stimulus for the full sample (20 countries) is 1.6 percent of GDP, and for the OECD is 1.5 percent. The U.S. stimulus was above average, estimated at 2 percent of GDP.

A recent 2012 report by The Nevin Economic Research Institute (Neri), a think tank which is funded by a number of unions affiliated with the Irish Congress of Trade Unions, finds that introducing a stimulus could create more than 20,000 jobs, while existing austerity measures could cost 20,000 jobs. Neri writes that:

"We urgently need an investment stimulus starting with €500 million 'off the books' next year and a cancellation of a further cut in the public capital programme earmarked by Government for 2013. Our proposals which we refer to as Plan B would: - Leave the government deficit at the same level as planned and targeted by government - Employment 21,000 higher than under Plan A - Growth higher by 1.3% next year compared to baseline Department of Finance projections."

Neri (2012) include figures from the Department of Finance (2009) *Infrastructure Investment Priorities 2010-2016* document estimating the impact on jobs that infrastructure investment would have. This is outlined in Table 8.

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<sup>230</sup> [http://www3.eeg.uminho.pt/economia/nipe/docs/2009/NIPE\\_WP\\_6\\_2009.pdf](http://www3.eeg.uminho.pt/economia/nipe/docs/2009/NIPE_WP_6_2009.pdf)

<sup>231</sup> [http://www.whitehouse.gov/assets/documents/CEA\\_International\\_Fiscal\\_Policy\\_Report\\_FINAL.pdf](http://www.whitehouse.gov/assets/documents/CEA_International_Fiscal_Policy_Report_FINAL.pdf)

**Table 8: Estimated Labour Intensity of the Construction Phase of an Infrastructure Investment**

| <b>Investment Sector</b>                           | <b>Jobs per €1 million invested</b> |
|--|-------------------------------------|
| Health capital                                     | 12.0                                |
| Regional and local roads                           | 11.5                                |
| National roads                                     | 10.0                                |
| Prisons  | 10.0                                |
| Schools  | 9.3                                 |
| Housing  | 8.0                                 |
| Public transport                                   | 8.0                                 |
| Water services                                     | 8.0                                 |
| Small-scale refurbishments, fit-outs etc           | > average                           |
| <b>Source:</b> Department of Finance (2009:14-15). |                                     |

The Fiscal Advisory Council (FAC) disagrees with some of Neri's (2012) analysis. Commenting on Neri's proposals, at a sitting of the Joint Committee on Finance, Public Expenditure and Reform, the head of the FAC, John McHale, said the proposals:

"...don't grapple with the trade-off of supporting the economy while also dealing with the debt sustainability question."<sup>232</sup>

On 17<sup>th</sup> July 2012 the Government announced a €2.25 billion infrastructure stimulus package which the Minister for Public Expenditure and Reform Brendan Howlin estimates will generate around 13,000 jobs.<sup>233</sup> The money for this stimulus package will come from numerous sources, such as the EIB and the National Pension Reserve Fund.

### **5.12 Initiatives to encourage entrepreneurship**

Over the course of the Committee's meetings the issue of what could be done to encourage entrepreneurship among jobseekers and young jobseekers in particular came up several times.

<sup>232</sup> Irish Examiner. (2012). Think-tank questions rival budget report.

<sup>233</sup> Irish Times. (2012). Healthcare, schools and roads focus of EUR 2bn plan. Accessed on 18<sup>th</sup> July 2012 at <http://www.irishtimes.com/newspaper/breaking/2012/0717/breaking2.html>

The European Commission's Eurobarometer conducted a survey in 2009 to learn about individual's attitudes towards self-employment and business start-up across Europe.

The survey found that 28% of people in the EU indicated that self-employment would be feasible within the next five years. This figure was lower than in the USA and China, where 36% and 49% of people saw self-employment as feasible in the next five years.<sup>234</sup>

The report notes the following barriers preventing young people from starting their own business:

- social attitudes,
- lack of skills,
- inadequate entrepreneurship education,
- lack of work experience,
- under capitalisation,
- lack of networks, and
- market barriers.

This section draws from the European Employment Observatory Review (2010),<sup>235</sup> which examined initiatives in other countries to foster entrepreneurship. Box 3 shows some examples from this report.

#### **Box 4: Initiatives to foster entrepreneurship in Romania and Portugal**

**Romania** recently introduced a scheme targeted at 'start-up enterprises' created by individuals under 35 years old. The scheme will exempt these companies from taxation for a few years and subsidise the recruitment of employees for a limited duration. Profits reinvested by these companies will be considered tax-free. Several other advantages will include a state-backed credit guarantee up to a certain ceiling which will allow new entrepreneurs to tap into cheaper, easier financing.

**Portugal** launched the 'Support programme for entrepreneurship' to foster entrepreneurship. First-time jobseekers (aged 18–35) with at least secondary

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<sup>234</sup> European Commission. (2012). Policy Brief on Youth Entrepreneurship: Entrepreneurial Activities in Europe. Accessed on 12<sup>th</sup> November at

[www.ec.europa.eu/social/BlobServlet?docId=8759&langId=en](http://www.ec.europa.eu/social/BlobServlet?docId=8759&langId=en)

<sup>235</sup> European Employment Observatory Review. (2010). Youth employment measures. Accessed on 6<sup>th</sup> November 2010 at [www.ec.europa.eu/social/BlobServlet?docId=6711&langId=en](http://www.ec.europa.eu/social/BlobServlet?docId=6711&langId=en)



education can apply to this programme. The programme provides aid for the start-up of small, for-profit companies that create jobs. Two credit lines with low interest rates were launched to support the approved initiatives.

In addition, the *Finicia Jovem* programme, launched in 2008, aims to offer financing solutions and technical consultancy for new projects for young entrepreneurs with secondary education aged between 18 and 35.

The Musgrave Group submission to the Committee highlighted the work that Musgrave's are doing with Enterprise Ireland, Bord Bia and Teagasc through the SuperValu Supplier Development Programme. The programme identifies ten start-up food supply companies each year and provides mentoring and support so that they can develop and achieve supermarket listings. So far the programme has helped 26 companies to achieve listings.

Discovery Zone also run a 12 week pilot programme to encourage entrepreneurship. The programme currently has 15 would-be entrepreneurs coming from a state of unemployment.

Mr. Gerry Moane, speaking to the Committee on 18<sup>th</sup> September 2012 said that:

"I emphasise it is not a "start your own business" programme, and this is for a specific reason. We are of the firm opinion that "start your own business" programmes and, in a similar way, the apprenticeship programmes alluded to earlier in the meeting are in need of a major overhaul. The Discovery Zone is an attempt to try to address that."

Mr. Moane reported the following statistics to the Committee:

"Of the 90 who have come through the programme, 81 are still in business and, not alone that, 15 of them have gone through to the enterprise platform programmes, which are Enterprise Ireland's way of growing high potential start-ups. Therefore, 15 of the 90 have gone on to grow high potential start-ups and, in turn, attract angel investment in their own right."

### 5.13 Subsidies to employers

The European Commission (2011)<sup>236</sup> reports on countries that provide employer subsidies to take on some jobseekers. The report gives the examples of Austria and Denmark who provide a basic subsidy if employers provide apprenticeship training places. In Belgium employers receive €1,100 per month, if they employ a person younger than 26 years who has not completed second level education.

The value of wage subsidies to employers varies from 20% - 67% of salary and can be paid or up to two years (again this varies). In Sweden employers receive a payroll reduction of 31% for the employment of a jobseeker and in the Netherlands employers have the right to a tax deductible sum of € 2,500 per year for every apprentice they train.<sup>237</sup>

### 5.14 Part-time work

Social Justice Ireland has urged the Government to create a Part-Time Job Opportunities Programme, which the group estimates will take 100,000 people off the live register, on a voluntary basis, over a three-year period. The Social Justice Ireland website states that this was piloted in six different part of the country during Ireland's last period of high unemployment (1994-98). Details of this plan are as follows:

- Paid at the going hourly rate;
- Work the number of hours required to earn the equivalent of social welfare payment plus a small top-up;
- Maximum of 19.5 hours a week.
- Access would be on a voluntary basis only;
- Jobs would be created in the public sector and the community and voluntary sector;
- Participants would be remunerated through the reallocation of social welfare payments.
- Participants would be allowed to take up other paid employment in their spare time, without incurring loss of benefits, and would be liable to tax in the normal way if their income was sufficient to bring them into the tax net.

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<sup>236</sup> European Commission. (2011). Comparative Paper on Youth Integration. Accessed on 7<sup>th</sup> November 2012 at [www.ec.europa.eu/social/BlobServlet?docId=6789&langId=en](http://www.ec.europa.eu/social/BlobServlet?docId=6789&langId=en)

<sup>237</sup> Ibid.

In May 2012, the Joint Committee on Jobs, Education and Social Protection published a report on casual labour in Ireland.<sup>238</sup> The report was critical of how part-time workers are classified (in terms of days, rather than hours) and recommended that part-time work should be defined as working 24 or less hours per week. The report also proposes that the Part Time Jobs Incentive Scheme should be more widely advertised and eligibility for the scheme reduced from 15 months to 11 months. Upon publication of the report Anthony Lawlor, T.D. (the Committee's Rapporteur) said that jobseekers on the Live Register should not be discouraged from seeking part-time work.<sup>239</sup>

### **5.15 What can the private sector do?**

The private sector stands to gain from any success that the Government has in terms of job creation and overall economic performance. But what can this sector do to create jobs?

The International Labour Organisation (ILO) cites actions taken by employer organisations to create job growth as follows:<sup>240</sup>

- job facilitation and placement schemes to match young jobseekers with job offers from companies (e.g. a job bank by an organization);
- use of government programmes and incentives to create new jobs for young people;
- mentoring of young entrepreneurs and business start-up assistance; and
- establishment of young entrepreneurs' networks or support to ease access to enterprise networks.

In addition the ILO note that employers can play a role in training and upskilling workers. They give the following examples of such interventions:<sup>241</sup>

- participation in national vocational training systems and training programmes (e.g. enterprise-based training);
- campaigns geared towards businesses to create or expand training places;
- special training schemes organized by employers outside the framework of national training systems in order to generate the skills required by a specific industry or company; and
- establishment of school-industry partnership arrangements e.g. workplace learning initiatives within the educational framework.

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<sup>238</sup> <http://www.oireachtas.ie/parliament/media/committees/jobssocialprotectionandeducation/Final-Report,-Review-of-the-status-of-casual-workers-in-Ireland.pdf>

<sup>239</sup> <http://www.oireachtas.ie/parliament/mediazone/pressreleases/name-7928-en.html>

<sup>240</sup> International Labour Organisation. (2012). The Role of the Private Sector. Accessed on 10<sup>th</sup> October 2012 at <http://www.ilo.org/youthmakingithappen/PrivateSector/index.htm>

<sup>241</sup> Ibid.

## The role of internships

The European Foundation for the Improvement of Living and Working Conditions (2012)<sup>242</sup> writes that:

“Internships can present a good opportunity for young people to bridge the gap between education and employment and for some they may lead to a paid – and perhaps permanent – job with the employer in question.”

In Denmark, funding has been allocated to create internship places, with the aim of providing NEETs with a traineeship in a company and support them to take up vocational training or further youth education.<sup>243</sup> In Sweden the Young Potentials Programme is a joint collaboration between some of Sweden’s largest companies and the Public Employment Service (*Arbetsförmedlingen*); it offers 1,000 academics aged 25–29 internships lasting three to six months in a company like IKEA followed by a month in an NGO.<sup>244</sup>

On August 22<sup>nd</sup> 2012 the *Financial Times* reported on initiatives in the U.S., showing what companies can do to invest in young people while meeting their own skills needs.<sup>245</sup> Five years ago Advanced Technology Services (ATS), based in Illinois, decided to develop their own curriculum in tandem with the local community college. So far, some 200 alumni have gone on to work for the company. Elsewhere, the FT writes, smaller companies are getting together to tell colleges what kind of skills they need. In return they are pledging to offer jobs to graduates. Another example cited by the FT is in Wisconsin where Tailored Label Products has turned part of its factory into a classroom to train teenagers.

The European Commission (2011)<sup>246</sup> notes the co-operation with employers which takes place in some European countries. It gives the example of Germany where a ‘National Training Pact’ was concluded with employer associations, containing commitments to the provision of additional training places for disadvantaged young people. The Netherlands made a similar pact with employers and Austria has the Territorial Employment Pacts.

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<sup>242</sup> The European Foundation for the Improvement of Living and Working Conditions. (2012). ‘Recent policy developments related to those not in employment, education and training.’ Accessed on 6<sup>th</sup> November 2012 at <http://www.eurofound.europa.eu/docs/erm/tn1109042s/tn1109042s.pdf>

<sup>243</sup> Ibid.

<sup>244</sup> Ibid.

<sup>245</sup> Financial Times. (2012). US manufacturers bring training on to the production line. August 22<sup>nd</sup> 2012.

<sup>246</sup> European Commission. (2011). Comparative Paper on Youth Integration. Accessed on 7<sup>th</sup> November 2012 at [www.ec.europa.eu/social/BlobServlet?docId=6789&langId=en](http://www.ec.europa.eu/social/BlobServlet?docId=6789&langId=en)

## 6. Skills: foreign languages and ICT

### 6.1 Importance of foreign languages

At European level there is a drive for every European to be fluent in their mother tongue plus at least two other European languages. However, in comparison with other countries, Ireland's competence in foreign languages is low.<sup>247</sup> Irish primary schools have the lowest level of foreign language tuition in the EU27.<sup>248</sup> Only 3% of primary school students study a foreign language compared with an EU average of 31%.

Studies show that language skills are advantageous in the labour market. A 2010 Eurobarometer study found that 40 per cent of recruiters in industry considered language skills to be highly important for future employees. This is reinforced by the 2011 *Languages for Jobs* report<sup>249</sup> which found that language skills were considered to be among the top 10 most important skills required by employers.<sup>250</sup> However, Forfás (2012) make the point that while Irish-based export companies are aware of the importance of having a foreign language in their company, companies which do not export, or export only to English speaking countries do not, to the same extent, recognise this value. The same report writes that only 9% of Irish companies surveyed by Eurostat considered foreign language skills to be essential for future graduates over the next 5-10 years – compared to a 31% EU average.

At a Committee meeting on 18<sup>th</sup> April 2012, Mr. Peter Rigney said that:

“...a lot of the industries are multinational and so will require foreign language speakers...the countries will have to bring in people.”

The IDA made a similar point in their presentation to the Committee on 17<sup>th</sup> July 2012 when Mr. Barry O'Leary, CEO, said that workers brought in to Ireland, to fill a skills gap, will still have an economic benefit for the country. Mr. O'Leary also said that when companies are

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<sup>247</sup> NCCA. (2008). Modern languages in the Primary School Curriculum: Feasibility and futures.

<sup>248</sup> Forfás. (2012). Key Skills for Enterprise to Trade Internationally. Expert Group on Future Skills Needs.

<sup>249</sup> European Strategic Framework for Education and Training. (2011). Languages for Jobs. Accessed on 20<sup>th</sup> June 2012 at [http://ec.europa.eu/languages/pdf/languages-for-jobs-report\\_en.pdf](http://ec.europa.eu/languages/pdf/languages-for-jobs-report_en.pdf)

<sup>250</sup> The Irish Times. (2011). Cut in modern language support.

looking for language skills they are often looking for native speakers. In addition Mr. O’Leary said that 40% of jobs in the future would require a technical skill or language.

While Mr. Rigney made the point that it would be impossible for Ireland to match the demand in the wide spectrum of languages needed by multinational companies it remains the case that Ireland is significantly underskilled in modern languages. This section looks at ways in which Ireland can encourage language acquisition among young people.

## **6.2 Teaching foreign languages in schools**

The Modern Languages in Primary Schools Pilot Project was announced in 1997 by the then Minister for Education and Science. The pilot involved teaching fifth and sixth class children one of four languages: French, German, Italian or Spanish. In 2001 the pilot scheme was extended and became the Modern Languages in Primary Schools Initiative (MLPSI). Two evaluations of the MLPSI took place with most teachers and principals reporting positive effects, though some concern was expressed about curriculum overload.<sup>251</sup> In June 2012 there were 545 schools participating in the scheme.<sup>252</sup>

In Budget 2012 the Government announced that it would cancel the MLPSI, citing funding as the main factor. By cancelling the programme the Department estimates it will save €2.5 million annually. The Government wishes to focus its resources instead on implementing the literacy and numeracy strategy.<sup>253</sup>

The Minister for Education and Skills, Mr. Ruairí Quinn, T.D. said that:<sup>254</sup>

“Participation in foreign languages, relative to other subjects, remains high. The vast majority of students are studying two languages and are therefore developing core skills which will serve them well in future language learning over the life span, and there are many opportunities outside the second-level system for people to resume language learning.”

Tanya Flanagan, national co-ordinator of the MLPSI, wrote an article in the Irish Times, voicing her concern over cancellation of the programme. She wrote that:<sup>255</sup>

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<sup>251</sup> NCCA. (2008). Modern languages in the Primary School Curriculum: Feasibility and futures.

<sup>252</sup> The Irish Times. (2012). Modern languages at primary level are crucial.

<sup>253</sup> Ibid.

<sup>254</sup> Kilkenny People. (2012). Four Kilkenny schools lose language funding.

“In many ways, the decision to end the MLPSI comes at a time when there has never been as much momentum behind the languages agenda. IBEC, Forfás, the Expert Group for Future Skills Needs, the IDA, the RIA and even the Department of Enterprise, Trade and Innovation have all highlighted the language skills deficit in this country which is affecting not only indigenous companies wishing to capitalise on export potential but also multinationals who have their European and international bases here.”

At a meeting with the Committee on 2<sup>nd</sup> May 2012, the Minister for Education and Skills when asked about the MLPSI, said that:

“...I met the coordinators of the programme and hope to be able to keep the organisation intact and if we are in a position to relaunch it, we will not have lost the core base.”

Competency in a foreign language is also low among schoolchildren in the UK, prompting the UK government to make the study of modern languages compulsory in primary schools from age seven.<sup>256</sup>

In terms of the Irish secondary cycle, figures provided by the State Examinations Commission and included in the Forfás study show that French was the most popular foreign language subject in 2010 with 51% of leaving cert sits, followed by German (13%), and Spanish (7%).

### **6.3 Erasmus for all 2014-2020**

Erasmus for all is a European education programme, which focuses on the following:

- the learning mobility of individuals;
- cooperation for innovation and good practice;
- support for policy reform .

Studies show that time spent abroad improves language learning, intercultural skills and self-awareness.<sup>257</sup> On May 2<sup>nd</sup> 2012 the Minister for Education and Skills, Mr. Ruairí Quinn, T.D. met with the Committee to discuss the then forthcoming European Education, Youth, Culture and Sport Council meeting, on the agenda of which was the ‘Erasmus for all programme.’

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<sup>255</sup> The Irish Times. (2012). Modern languages at primary level are crucial.

<sup>256</sup> Press Association National Newswire. (2012). Pupils ‘lag behind on languages.’

<sup>257</sup> Forfás. (2012). Forfás. (2012). Key Skills for Enterprise to Trade Internationally. Expert Group on Future Skills Needs.

The Minister told the Committee of the European Commission's plans to increase the current funding of the existing programme by 70%. The Commission plans to increase the funding of the new programme (to be commenced in December 2013) by €19.1 BN over the seven years of its existence.

In a statement dated 11<sup>th</sup> May 2012, the European Education, Youth, Culture and Sport Council says that the Erasmus programme aims to:

“...support the EU's efforts to overcome one of the most difficult economic periods in its history, notably by aligning itself very closely with the Europe 2020 strategy for growth and jobs, in which education and training play an essential part.”

Europa 2012 provides statistics on the number of job placements secured through the Erasmus programme. The report finds that:<sup>258</sup>

“Since 2007, Erasmus has offered students the opportunity to go abroad to gain work experience in companies or other organisations. In 2010-11 one-in-six Erasmus students – 40 912 out of 231 410 – chose this option, an increase of 15.1% on the previous year... The largest group of students on Erasmus placements came from a social sciences, business and law background (26.6%), overtaking humanities and arts (17.1%) which had the biggest share the previous academic year...”

The top 3 destinations for Irish students were France, Spain, and the United Kingdom.<sup>259</sup> However, Forfás (2012) report that relative to the student population, Ireland's participation on ERASMUS is half that of Italy and Spain (but similar to Denmark and the Netherlands).

#### **6.4 Erasmus for Young Entrepreneurs**

This programme is partially funded by the EU as a cross-border exchange programme which gives new and aspiring entrepreneurs the chance to learn from experienced entrepreneurs in other European Union countries.

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<sup>258</sup> Europa. (2012). The Erasmus programme in 2010-11: the figures explained. Accessed on 25<sup>th</sup> June 2012 at <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/310&format=HTML&aged=0&language=EN&guiLanguage=en>

<sup>259</sup> Ibid.



The specific objectives of the programme are:<sup>260</sup>

- On-the-job-training for new entrepreneurs in small and medium-sized enterprises (SMEs) elsewhere in the EU in order to facilitate a successful start and development of their business ideas.
- Exchanges of experience and information between entrepreneurs on obstacles and challenges to starting up and developing their businesses.
- To enhance market access and identification of potential partners for new and established businesses in other EU countries.
- Networking by building on knowledge and experience from other European countries.

New entrepreneurs will be judged based on their: relevant skills, experience, education, knowledge of a second language, and motivation to work as displayed via a business/work/learning plan linked to a concrete business project.<sup>261</sup>

The programme is described by co-ordinators as a ‘win-win’ collaboration. The new entrepreneur is expected to benefit from the experience of their host in how to run a small firm, while the host is expected to benefit “from fresh ideas from a motivated new entrepreneur on your business.”<sup>262</sup>

## 6.5 European Voluntary Service

The European Voluntary Service (EVS) spans a wide range of areas, such as culture, youth, sports, social care, cultural heritage, the arts, civil protection, the environment, development co-operation, etc.<sup>263</sup> While the work is unpaid, it:<sup>264</sup>

“...seeks to develop solidarity, mutual understanding and tolerance among young people, thus contributing to reinforcing social cohesion in the European Union and to promoting young people's active citizenship.”

The programme is open to all people between the ages of 18 to 30. There are three key actors involved: a sending organisation, a host organisation and the volunteer. The following restrictions apply to voluntary service:

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<sup>260</sup> [http://www.erasmus-entrepreneurs.eu/upload/ERASMUS-GUIDE\\_EN.pdf](http://www.erasmus-entrepreneurs.eu/upload/ERASMUS-GUIDE_EN.pdf)

<sup>261</sup> [http://www.erasmus-entrepreneurs.eu/upload/ERASMUS-GUIDE\\_EN.pdf](http://www.erasmus-entrepreneurs.eu/upload/ERASMUS-GUIDE_EN.pdf)

<sup>262</sup> <http://www.erasmus-entrepreneurs.eu/page.php?cid=02>

<sup>263</sup> European Commission. (2012). Youth in Action Programme: European Voluntary Service. Accessed on 19<sup>th</sup> July 2012 at [http://ec.europa.eu/youth/youth-in-action-programme/european-voluntary-service\\_en.htm](http://ec.europa.eu/youth/youth-in-action-programme/european-voluntary-service_en.htm)

<sup>264</sup> Ibid.

The Service must:<sup>265</sup>

- take place in a country other than the volunteer's country of residence
- be unpaid and non-profit making
- last between 2 and 12 months (except for disadvantaged youth and large groups)
- represent a clear European or international added value
- benefit the community
- not involve job substitution

## 6.6 Information and Communications Technology (ICT) skills

The importance of ICT skills in job creation is well documented and accepted by the Committee. Senator Deirdre Clune recently prepared a Rapporteur Report on ICT skills in Ireland, which was published by the Joint Committee on Jobs, Enterprise and Innovation on 10<sup>th</sup> October 2012.<sup>266</sup> The Committee met on 7<sup>th</sup> December 2011 with Mr. James Whelton, co-founder, and Mr. Ben Chapman, head co-ordinator, of Coder Dojo. Coder Dojo is a global network of free computer clubs which teach young people how to code and develop games.

Mr Whelton had several recommendations for the introduction of coding into the education curriculum. These were:

- School trips to companies such as Google, Facebook, etc
- Coding professionals teach in the classroom
- Career guidance teachers who are informed about careers in ICT and coding.
- Coding in the second level curriculum, should be implemented in a similar way to that of music or art.
- Courses must be designed to accommodate technological changes, so having a portfolio rather than a fixed syllabus would be better.

In addition to these points, Mr. Whelton said:

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<sup>265</sup> [http://ec.europa.eu/youth/youth-in-action-programme/faq-european-voluntary-service\\_en.htm](http://ec.europa.eu/youth/youth-in-action-programme/faq-european-voluntary-service_en.htm)

<sup>266</sup> Joint Committee on Jobs, Enterprise and Innovation. (2012). A review of the Information Communication Technology (ICT) skills demand in Ireland <http://www.oireachtas.ie/parliament/media/committees/jobenterpriseandinnovation/Report-on-ICT-Skills-amended-1-October-final.pdf>

“We implore the foundation of a proactive sub-committee comprising education professionals, active coding and technology professionals to work with this area more in-depth. The group should examine actual implementation proposals, teaching methodologies and use of pre-existing resources.”

## **6.7 Revamping the Irish approach to apprenticeships.**

### **Apprenticeships in the EU**

The European Commission (2012)<sup>267</sup> conducted a study on apprenticeships in the EU. The study found that the countries with the highest numbers of Vocational, Education and Training (VET) students following apprenticeship-type schemes are the largest countries, e.g. Germany, Italy, France, etc. However, in Germany or Denmark, the major proportion of VET students attend apprenticeship schemes in a ‘strict sense’, i.e. company rather than school based.

In some cases (e.g. Denmark, Estonia, France, Germany, The Netherlands, Slovakia or the United Kingdom), company-based training represents the largest share of total training hours, usually between 66%-70% of total training time. Other countries such as Poland and Spain favour more extensive school-based modules. School-based training tends to be more theoretical in countries with mainly work-based apprenticeship schemes.<sup>268</sup>

The report highlights the important role played by VET centres, which act as intermediate agents between enterprises and students, using their contacts with companies at the local level and implementing student guidance programmes.<sup>269</sup> The report notes that in Denmark and the Netherlands, special websites and databases have been deployed for ‘demand-supply matching.’

As regards access to apprenticeship programmes, the same report states that:

“...the access to apprenticeship-type studies is subject to important biases in terms of gender, ethnic origin or ability considerations. Thus, young women and some specific

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<sup>267</sup> The European Commission. (2012). Apprenticeship supply in the Member States of the European Union. Accessed on 7<sup>th</sup> November 2012 at [http://ec.europa.eu/education/vocational-education/doc/forum12/supply\\_en.pdf](http://ec.europa.eu/education/vocational-education/doc/forum12/supply_en.pdf)

<sup>268</sup> Ibid.

<sup>269</sup> Ibid.

ethnic groups are usually underrepresented in some specific apprenticeship-type studies and professions.”

### **Apprenticeships in Ireland**

Until March 2010, FÁS was responsible for providing placement and guidance services to job seekers as well as for training. In March 2010, the Government announced its decision to reconfigure departmental responsibilities so that responsibility for FÁS Training and the national Statutory Apprenticeship Scheme administered by FÁS were moved to the Department of Education and Skills (DES).

Responsibility for FÁS Employment Services and FÁS Employment Programmes (principally the Community Employment Scheme) were moved to the Department of Social Protection (DSP).<sup>270</sup>

There has been an increase in the number of starters on PLC, Youthreach and FÁS Community Training courses (excluding apprenticeship training) between 2006 and 2010.<sup>271</sup> The number of first year PLC course enrolments grew by almost a third to almost 33,000 in 2010, while the number of starters on FÁS training programmes also increased, by 6 per cent.

The number of learners at foundation level in Youthreach courses rose by almost a fifth between 2006 and 2009.<sup>272</sup>

The surge in these programmes contrasts with a reduction in apprenticeships in Ireland (22% reduction from 2009-2010 and a 68% reduction since 2008), owing to the fact that Ireland’s apprenticeships are over-reliant on the construction sector, which has been seriously damaged in the current downturn.

The issue of redesigning Irish apprenticeships was raised at a Committee meeting on the 18<sup>th</sup> September 2012 by several members. It was addressed by Mr. Robert Strauss of the European Commission, who said that:

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<sup>270</sup> National Economic and Social Council. (2011). Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession. Accessed on 26<sup>th</sup> September 2012 at [http://files.nesc.ie.s3.amazonaws.com/nesc\\_reports/en/NESC\\_123\\_2011\\_full.pdf](http://files.nesc.ie.s3.amazonaws.com/nesc_reports/en/NESC_123_2011_full.pdf)

<sup>271</sup> European Commission. (2012). Study on a comprehensive overview on traineeship arrangements in Member States.

<sup>272</sup> Ibid.

“Members asked whether some countries have redefined apprenticeships and the simple answer is “Yes”. Germany, Austria and Switzerland are the countries most associated with a well-working apprenticeship system. It is usually tied in with the vocational education and training system. Where it works best there is a seamless transition for pre-teen children or teenagers in a vocational stream towards apprenticeships and then jobs. In the past, such jobs were generally in manual labour or engineering companies but nowadays job options are much broader and can include IT companies and those operating in the services sector. In all developed economies the service sector is now much bigger than the manufacturing sector.”

The German apprenticeship model, in particular, has received widespread praise.

Germany’s dual system of apprenticeship means that apprentices receive classroom based education in tandem with structured training by their employer. Germany's dual system trains 1.5 million people annually and includes occupations from across the board, such as bakers carpenters, engineers and even violin-makers.

Government figures show that apprenticeship training is completed in about 90 percent of cases.<sup>273</sup> The average training ‘allowance’ is €680 a month, and about half of the apprentices stay on in the company that trained them.<sup>274</sup> Companies like Daimler take on around 2,000 apprentices every year (about a third of the German car industry intake every year).

Nine out of 10 apprentices will secure permanent jobs, while others may be offered short-term contracts.<sup>275</sup>

However, some commentators question whether it is possible to simply copy the German model. Those who have reservations argue that the model has its roots in German medieval ‘Guilds’ and has the school system and business culture to support it.<sup>276</sup> The Economist magazine, exploring the model, concluded:

“The dual system may be exportable, though not overnight.”<sup>277</sup>

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<sup>273</sup> Westervelt, E. (2012). The Secret to Germany’s Low Youth Unemployment. Accessed on 27<sup>th</sup> September 2012 at <http://www.npr.org/2012/04/04/149927290/the-secret-to-germanys-low-youth-unemployment>

<sup>274</sup> Ibid.

<sup>275</sup> BBC News. (2011). German apprenticeships: A model for Europe?. Accessed on 27<sup>th</sup> September 2012 at <http://www.bbc.co.uk/news/business-16159943>

<sup>276</sup> Ibid.

<sup>277</sup> The Economist. (2012). What Germany offers the world. Accessed on 27<sup>th</sup> September 2012 at <http://www.economist.com/node/21552567>

## APPENDIX 1: Action Plan for Jobs 2012

### Government Action Plan for Jobs 2012<sup>278</sup>

Action Plan for Jobs 2012 is the first instalment in an ambitious multi-year process which aims to deliver on the Taoiseach's commitment to make Ireland the best small country in the world in which to do business, and increase the number of people at work in Ireland by 100,000 – from 1.8million to 1.9million – by 2016. The measures to be implemented in 2012 include:

1. Establish a “one-stop-shop” for small business supports, by dissolving the County and City Enterprise Boards and creating a new Micro-Enterprise and Small Business Unit in Enterprise Ireland that will work with Local Authorities to establish a new network of Local Enterprise Offices in each Local Authority
2. Implement a range of new supports for small and medium-sized businesses struggling to access credit, including a €150million Development Capital Scheme aimed at addressing a funding gap for mid-sized, high-growth indigenous companies with significant prospects for jobs and export growth. A Loan Guarantee Scheme and a €100million Micro-Finance Loan Scheme will also go live shortly
3. Better support indigenous companies to improve their performance , including:
  - establishing a new Potential Exporters Division in Enterprise Ireland to identify more and better support indigenous exporters

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<sup>278</sup> <http://www.enterprise.gov.ie/News/News-Archive/Departmental-News/Government-publishes-Action-Plan-for-Jobs-2012.html>

- up to €1.2 million per year in extra funding for mentoring and management development networks
  - increased mentoring of SMEs by top business leaders, multinationals and large Irish companies
  - assisting small businesses to engage in R&D and innovation
4. Help more small businesses win big contracts, both from Government and from large multinationals
  5. Implement the ‘Succeed in Ireland’ scheme, to provide direct incentives to members of the diaspora and others across the world to create jobs in Ireland
  6. Turn more good ideas into good jobs, by implementing a Research Prioritisation Plan and enacting new laws to target the State’s core €500million annual research budget towards more applied areas of research with strong potential for commercialisation and job-creation
  7. Create a vibrant environment for business start-ups, attracting more international start-ups and making it easier for indigenous businesses to establish here
  8. Measures to reduce costs, including a request to Government Department and Agencies to identify, by next month, charges levied on business that can be frozen or reduced for 24 months
  9. The Government will identify a number of key sectors which will be major sources of job-creation and economic growth, such as:
    - Manufacturing, including establishment of a Manufacturing Development Forum
    - Establish a Health Innovation Hub to drive collaboration between the health system and the life sciences industry
    - Publish and implement a Cross-Departmental Plan for the Green Economy
    - Agri-food – including winning more investment from multinational food

companies for Ireland

- Cloud computing – including a Cloud Computing Strategy for the Public Service and establishment of a research centre in cloud computing
- Establish a cluster development team for digital games
- Establish industry clusters in targeted sectors



## **APPENDIX 2: Reform of the Further Education and Training Sector**

The restructuring of the VECs into ETBs has been government policy for some time. However, the programme of assistance agreed with the EU/ECB/IMF Troika in November 2011 also committed Ireland to a structural reform agenda which includes the establishment of a further Education and Training Sector as well as a Labour Market Activation strategy.

The reform programme provides for the pending dissolution of FÁS and the establishment of a new Further Education and Training Authority (SOLAS), the establishment of 16 Education and Training Boards (ETBs), the establishment of the National Employment and Entitlements Service (NEES), the establishment of Qualifications and Quality Assurance Ireland (QQAI), and the launch of the Pathways to Work Initiative.

### **SOLAS Implementation Group**

The SOLAS Implementation Group (SIG) is chaired by Minister for State with responsibility for Training and Skills and consists of representatives of IVEA, the Department of Education and Skills (DES), the Department of Social Protection (DSP) and FÁS. SIG is charged with the preparation of an Action Plan which will set out the road map 'for the establishment of a Further Education and Training sector consisting of SOLAS and the ETBs, with the active support and engagement of NEES.

A significant initiative already agreed by SIG is the establishment of an Interim Protocol to enable referral of unemployed people by the Department of Social Protection to Further Education programmes delivered by VECs. The protocol encourages closer interaction at local level between VECs and the DSP in advance of the establishment of NEES.

### **Establishment of SOLAS**

The drafting of legislation to provide for the dissolution of FÁS and the establishment of SOLAS as a new statutory authority to oversee the Further Education and Training sector continues. Phasing arrangements will then emerge around the incorporation of the 16 FÁS training centres and the 800 FÁS staff into the 16 ETBs. Ultimately SOLAS will be left with a

staffing complement of about 10% of that of FÁS (circa 200).

SOLAS is to be responsible for the co-ordination and funding of training and further education programmes around the country. ETBs will ultimately be responsible for the delivery of publicly-funded FET programmes. SOLAS will enter into annual Service Level Agreements (SLAs) with ETBs. These SLAs will align the strategies of ETBs with national priorities across education and training provision.

It has been indicated that there will be a clearer focus on the needs of learners and job seekers. There will be a greater focus on skills provision for occupations in growth areas like the services, ICT, medical devices, food, and bio-pharma sectors. With the support of other bodies, SOLAS will analyse demand for future FET provision and respond to emergent skills needs.

## **NEES**

All employment and benefits services will be integrated into a single delivery unit - the National Employment and Entitlements Service (NEES) - to be managed by the Department of Social Protection (DSP). The FÁS Employment Services have been transferred to the DSP (January 1st 2012) as part of the establishment of NEES.

The NEES therefore is a 'one-stop-shop' to support people in establishing their benefits entitlements, advise them about their training options, and assist them in securing employment.

The NEES is part of the government's reform of labour market activation policies as set out in the Pathways to Work Initiative launched on February 23rd 2012. The NEES will offer users a higher level of individual employment and education and training advice, with more frequent face-to-face interviews. NEES will closely interact with ETBs and SOLAS in regard to the referral of individuals for Further Education and Training. This will require specific protocols and operational mechanisms to be agreed between SOLAS and ETBs, and DSP/NEES.

## APPENDIX 3: Employer Job PRSI Incentive Scheme 2010-2012

**Table: Number of employers approved for the Employer Job PRSI Incentive Scheme 2010-2012**

| County       | Employers 2010 | Employers 2011 | Employers 2012 |
|--------------|----------------|----------------|----------------|
| Carlow       | 10             | 11             | 6              |
| Cavan        | 18             | 12             | 5              |
| Clare        | 28             | 21             | 6              |
| Cork         | 76             | 71             | 29             |
| Donegal      | 27             | 23             | 4              |
| Dublin       | 193            | 177            | 71             |
| Galway       | 46             | 45             | 10             |
| Kerry        | 19             | 18             | 4              |
| Kildare      | 26             | 23             | 8              |
| Kilkenny     | 13             | 14             | 8              |
| Laois        | 5              | 4              | 3              |
| Leitrim      | 10             | 4              | 1              |
| Limerick     | 31             | 39             | 8              |
| Longford     | 4              | 4              | 1              |
| Louth        | 24             | 17             | 12             |
| Mayo         | 14             | 12             | 9              |
| Meath        | 27             | 17             | 11             |
| Monaghan     | 20             | 15             | 5              |
| Offaly       | 11             | 11             | 2              |
| Roscommon    | 9              | 6              | 4              |
| Sligo        | 22             | 25             | 3              |
| Tipperary    | 24             | 19             | 9              |
| Waterford    | 19             | 15             | 8              |
| Westmeath    | 13             | 15             | 5              |
| Wexford      | 30             | 20             | 6              |
| Wicklow      | 17             | 22             | 1              |
| <b>Total</b> | <b>736</b>     | <b>660</b>     | <b>239</b>     |

## **APPENDIX 4: Membership of the Joint Committee**

### **JOINT COMMITTEE ON JOBS, ENTERPRISE AND INNOVATION 31<sup>st</sup> DAIL.**

#### **List of Members**

Chairman: Damien English (FG)

Deputies: Dara Calleary (FF)

Áine Collins (FG)

Michael Conaghan (LAB)

Damien English (FG)

John Halligan (Ind)

Seán Kyne (FG)

Anthony Lawlor (FG)

John Lyons (LAB) (Vice-Chairman)

Peadar Tóibín (SF)

Senators: Deirdre Clune (FG)

David Cullinane (SF)

John Kelly (LAB)

Michael Mullins (FG)

Feargal Quinn (Ind)

Mary White (FF)

## APPENDIX 5: Terms of Reference of the Joint Committee

### TERMS OF REFERENCE

#### **a. Functions of the Committee – derived from Standing Orders [DSO 82A; SSO 70A]**

- (1) The Select Committee shall consider and report to the Dáil on—
  - (a) such aspects of the expenditure, administration and policy of the relevant Government Department or Departments and associated public bodies as the Committee may select, and
  - (b) European Union matters within the remit of the relevant Department or Departments.
- (2) The Select Committee may be joined with a Select Committee appointed by Seanad Éireann to form a Joint Committee for the purposes of the functions set out below, other than at paragraph (3), and to report thereon to both Houses of the Oireachtas.
- (3) Without prejudice to the generality of paragraph (1), the Select Committee shall consider, in respect of the relevant Department or Departments, such—
  - (a) Bills,
  - (b) proposals contained in any motion, including any motion within the meaning of Standing Order 164,
  - (c) Estimates for Public Services, and
  - (d) other mattersas shall be referred to the Select Committee by the Dáil, and
  - (e) Annual Output Statements, and
  - (f) such Value for Money and Policy Reviews as the Select Committee may select.
- (4) The Joint Committee may consider the following matters in respect of the relevant Department or Departments and associated public bodies, and report thereon to both Houses of the Oireachtas:
  - (a) matters of policy for which the Minister is officially responsible,
  - (b) public affairs administered by the Department,

- (c) policy issues arising from Value for Money and Policy Reviews conducted or commissioned by the Department,
  - (d) Government policy in respect of bodies under the aegis of the Department,
  - (e) policy issues concerning bodies which are partly or wholly funded by the State or which are established or appointed by a member of the Government or the Oireachtas,
  - (f) the general scheme or draft heads of any Bill published by the Minister,
  - (g) statutory instruments, including those laid or laid in draft before either House or both Houses and those made under the European Communities Acts 1972 to 2009,
  - (h) strategy statements laid before either or both Houses of the Oireachtas pursuant to the Public Service Management Act 1997,
  - (i) annual reports or annual reports and accounts, required by law, and laid before either or both Houses of the Oireachtas, of the Department or bodies referred to in paragraph (4)(d) and (e) and the overall operational results, statements of strategy and corporate plans of such bodies, and
  - (j) such other matters as may be referred to it by the Dáil and/or Seanad from time to time.
- (5) Without prejudice to the generality of paragraph (1), the Joint Committee shall consider, in respect of the relevant Department or Departments—
- (a) EU draft legislative acts standing referred to the Select Committee under Standing Order 105, including the compliance of such acts with the principle of subsidiarity,
  - (b) other proposals for EU legislation and related policy issues, including programmes and guidelines prepared by the European Commission as a basis of possible legislative action,
  - (c) non-legislative documents published by any EU institution in relation to EU policy matters, and
  - (d) matters listed for consideration on the agenda for meetings of the relevant EU Council of Ministers and the outcome of such meetings.
- (6) A sub-Committee stands established in respect of each Department within the remit of the Select Committee to consider the matters outlined in paragraph (3), and the following arrangements apply to such sub-Committees:
- (a) the matters outlined in paragraph (3) which require referral to the Select Committee by the Dáil may be referred directly to such sub-Committees, and

- (b) each such sub-Committee has the powers defined in Standing Order 83(1) and (2) and may report directly to the Dáil, including by way of Message under Standing Order 87.
- (7) The Chairman of the Joint Committee, who shall be a member of Dáil Éireann, shall also be the Chairman of the Select Committee and of any sub-Committee or Committees standing established in respect of the Select Committee.
- (8) The following may attend meetings of the Select or Joint Committee, for the purposes of the functions set out in paragraph (5) and may take part in proceedings without having a right to vote or to move motions and amendments:
- (a) Members of the European Parliament elected from constituencies in Ireland, including Northern Ireland,
  - (b) Members of the Irish delegation to the Parliamentary Assembly of the Council of Europe, and
  - (c) at the invitation of the Committee, other Members of the European Parliament.

**b. Scope and Context of Activities of Committees (as derived from Standing Orders [DSO 82; SSO 70])**

- (1) The Joint Committee may only consider such matters, engage in such activities, exercise such powers and discharge such functions as are specifically authorised under its orders of reference and under Standing Orders.
- (2) Such matters, activities, powers and functions shall be relevant to, and shall arise only in the context of, the preparation of a report to the Dáil and/or Seanad.
- (3) It shall be an instruction to all Select Committees to which Bills are referred that they shall ensure that not more than two Select Committees shall meet to consider a Bill on any given day, unless the Dáil, after due notice given by the Chairman of the Select Committee, waives this instruction on motion made by the Taoiseach pursuant to Dáil Standing Order 26. The Chairmen of Select Committees shall have responsibility for compliance with this instruction.
- (4) The Joint Committee shall not consider any matter which is being considered, or of which notice has been given of a proposal to consider, by the Committee of Public Accounts pursuant to Dáil Standing Order 163 and/or the Comptroller and Auditor General (Amendment) Act 1993.
- (5) The Joint Committee shall refrain from inquiring into in public session or publishing confidential information regarding any matter if so requested, for stated reasons given in writing, by—
  - (a) a member of the Government or a Minister of State, or
  - (b) the principal office-holder of a body under the aegis of a Department or which is partly or wholly funded by the State or established or appointed by a member of the Government or by the Oireachtas:

Provided that the Chairman may appeal any such request made to the Ceann Comhairle / Cathaoirleach whose decision shall be final.



## APPENDIX 6: Organisations and individuals who attended meetings during 2012

| Date                | Organisations and individuals   |
|---------------------|---|
| <b>18 April</b>     | Irish Congress of Trade Unions (ICTU) (Mr Paul Sweeney and Mr Peter Rigney),<br>Social Justice Ireland (Dr Seán Healy, Sr Brigid Reynolds and Ms Michelle Murphy)<br>NUI Maynooth (Dr Mary Murphy).   |
| <b>19 April</b>     | Glen Dimplex Ireland (Mr Sean O'Driscoll).  |
| <b>25 April</b>     | Irish National Organisation of the Unemployed (INOUE) (Mr John Steward and Ms Brid O'Brien)<br>National Youth Council of Ireland (Mr James Doorley and Ms Marie Claire McAleer)<br>Assistant Area Officer, Ballyfermot Civic Centre (Mr Seán Moloney)<br>Dublin City Council (Mr Joe Garland)<br>Ballyfermot – Chapelizod Partnership (Mr Ciaran Reid).   |
| <b>16 May</b>       | Hewlett-Packard Ireland (Mr Martin Murphy, Managing Director and Ms. Anna Doody)<br>JobBridge (Mr. Brian O'Malley).   |
| <b>13 June</b>      | Minister for Jobs, Enterprise and Innovation (Mr Richard Bruton, T.D.)  |
| <b>27 June</b>      | TASC (Ms Sinéad Pentony, Head of Policy).   |
| <b>24 July</b>      | Crafts Council of Ireland (Ms Karen Hennessy, Chief Executive, Mr Brian McGee, Head of Marketing Development and Ms Louise Allen, Head of Innovation and Development Programmes).   |
| <b>4 September</b>  | Meitheal Mid West (Mr Bill Kelly)<br>School of Social Justice, UCD (Professor Kathleen Lynch, Professor of Equality Studies)<br>Gavin & Co Accounting (Dr Stephen Nolan)<br>Trademark and Services and Bridge Street Co-operative Society (Mr Michael Gavin).   |
| <b>18 September</b> | Head of the European Commission Representation in Ireland (Ms Barbara Nolan)<br>Directorate General Employment, Social Affairs and Inclusion (Mr Robert Straus)<br>SIPTU (Mr Jack O'Connor, General President and Ms Marie Sherlock, Policy / Research Department)<br>Forfás (Ms Una Halligan, Chairperson, Expert Group on Future Skills Needs and Ms Marie Bourke, Head of Secretariat)<br>Ernst & Young (Mr Frank O'Keeffe, Partner in Charge)<br>Griffin Group (Liam Griffin, CEO)<br>Discovery Zone (Gerry Moan) |
| <b>2 October</b>    | Irish Business and Economic Confederation (IBEC) (Ms Majella Fitzpatrick, Director of Communications, Mr Fergal O'Brien, Chief Economist and Mr Tony Donohoe, Head of Education and Social Policy)<br>Small Firms Association (SFA) (Mr Ian Martin, Chairman and Ms Patricia Callan, Director)<br>Rhonellen Developments (Mr A J Noonan, Managing Director)   |
| <b>13 November</b>  | Chambers Ireland (Mr Ian Talbot, Chief Executive; Mr Seán Murphy, Deputy Chief Executive and Mr Barry Peak, Policy and Research Executive)  |

## APPENDIX 7: Written Submissions Received

Irish Congress of Trade Unions (Mr Paul Sweeney and Mr Peter Rigney)  
Social Justice Ireland (Fr Sean Healy)  
Department of Sociology, Maynooth (Dr Mary Murphy)  
Irish National Organisation of the Unemployed (INOUE) (Mr John Stewart)  
National Youth Council of Ireland (Ms Marie Claire and Mr James Doorley)  
Dublin City Council (Mr Seán Moloney, Assistant Area Officer)  
Ballyfermot – Chapelizod Partnership (Ciaran Reid, Manager)  
Glen Dimplex (Mr Sean O'Driscoll, Chief Executive Officer)  
HP Ireland (Mr Martin Murphy)  
IBEC (Mr Danny McCoy, Director General)  
Forfás (Mr Martin D Shanahan, Chief Executive)  
TASC (Dr Nat O'Connor, Director)  
Economic and Social Research Institute (ESRI) (Ms Frances Ruane, Director)  
Irish Small and Medium Enterprises Association (ISME) (Mr Mark Fielding, Chief Executive)  
National Economic and Social Council (NESC) (Dr Rory O'Donnell)  
Youth Work Ireland (Mr Patrick Bourke, Chief Executive)  
Labour Youth  
Fianna Fáil  
Deputy Paudie Coffey T.D.  
Mount St Trust Employment Initiative (Ms Carmel Duggan)  
Dodder Valley Partnership (Ms Anna Lee, Manager)  
Dublin City University (Dr Helen McQuillan, Development Officer)  
Northside Partnership (Mr William Hamilton, Chairperson)  
Ms Emer Costello MEP