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CHALLENGES FACING ALMPS/ACTIVATION FOLLOWING THE
COVID-19 SHOCK

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PRESENTATION

- The need to ramp up public spending on ALMPs/Activation
- Can we justify a large hike in public spending on ALMPs/activation?
- The role of case workers in the PES
- When to step up activation efforts
- How to avoid a lost Covid-generation
- Fighting a resurgence of long-term unemployment

THE NEED TO RAMP UP THE PUBLIC SPENDING EFFORT ON ALMPS/ACTIVATION

- ❑ Starting Point: **below-average** spender on ALMPs – in 2018 Ireland spent just over 0.3% of GDP on ALMPs
 - ✓ During crisis years of 2009-2012, we spent on average almost 0.9% per year
 - ✓ In 2018, Denmark spent 1.8%; Sweden 1.1% ; Finland 0.9%
- ❑ Given the rapidity/size of the hike in unemployment, we need to ramp up the public spending effort quickly, perhaps to the order of 1% of GDP or more
- ❑ Public spending on ALMPs was about 1 bill. in the 2020 Budget so this implies increasing spending three-fold at least
 - ✓ Extra spending on ALMPs in the July Jobs Stimulus package added 212 mill. to ALMPs over the next 18 months
- ❑ Would it be justified to spend so much public funding on ALMPs/activation?

EVIDENCE BASE ON EFFECTIVENESS OF ALMPS

- ❑ Large and growing international literature on rigorous evaluations of ALMPs
- ❑ Ireland has lagged behind many other OECD countries in this field until recently
- ❑ Thanks in part to an initiative taken by the Labour Market Council, DSP, SOLAS/DES have invested in rigorous evaluations of many ALMPs
- ✓ Studies undertaken by ESRI, Indecon, academics
- ✓ Often consist of both quantitative impact evaluations using quasi-experimental methods and qualitative surveys of key actors
- ❑ ALMPS that work: PLC courses; Specific Skills Training; Back to Work Enterprise Allowance; JobsPlus; JobBridge; JobPath; Back to Work Allowance; Social Inclusion and Community Activation Programme
- ❑ ALMPS that did not work: Back to Education Allowance; Vocational Training Opportunities Scheme
- ❑ Question mark over Community Employment

CASE WORKERS IN THE PES

- Evaluations from several European countries show that effective case workers in the PES can make real differences to their clients' outcomes
- Faced with huge jumps in inflows to unemployment, several countries – Germany, France, UK – have announced plans to recruit and train many new case workers for their PES
- ✓ UK Treasury/DWP have announced plans to double the number of JobCentre+ staff by the end of 2020
- International evidence suggests that an ideal caseworker/ client ratio should be in the range of 100-150
- Does INTREO have sufficient experienced case workers to cope with the huge increase in clients?
- ✓ Intreo case workers will be supplemented by LEOs, LDCs, Jobs Clubs and JobPath providers but the question still remains

WHEN TO STEP UP ACTIVATION EFFORTS

- International evaluation literature shows that activation – job-search assistance, counselling and monitoring, backed by sanctions threat – is a cost-effective ALMP
- But hard to implement effectively following huge hike in unemployment due to Covid
- ✓ Most urgent needs: (a) process the inflows quickly; (b) ensure that the unemployed get their benefits on time
- Not a good idea to put activation efforts on hold for too long
- As soon as hirings and vacancies start to increase again, unemployed should be referred to vacancies and also to available ALMP slots
- Develop the use of digital tools to help minimize health risks and enable PES case workers to devote more time and effort to counselling/monitoring their clients, especially those who are at high risk of LTU

HOW TO AVOID A LOST COVID GENERATION

- New entrants and youth among the most hard-hit on the labour market
- Among this cohort, those with low education/skills coming from disadvantaged families/localities at high risk of unemployment/NEET
- Evidence from past recessions shows that scarring effects are large and long-lasting for many new entrants/youth
- Many youth will postpone labour force entry by staying on in education/training
- For those who opt to join the labour market, need to put in place a revamped work placement/internship scheme and extend it to older youth
- Increasing apprenticeship slots is highly desirable but difficult to persuade firms to offer them faced with uncertain demand prospects
- ✓ Unlikely to be successful unless public subsidy is increased significantly
- Hiring subsidies targeted to disadvantaged youth can work

FIGHTING AGAINST A RESURGENCE OF LONG-TERM UNEMPLOYMENT(LTU)

- ❑ LTU will increase sharply over the next two years
- ❑ Vital to target those most at risk of LTU using the PEX profiling model adapted to the current labour market situation
- ❑ Intensive interventions can work for this group – see the SICAP success – but rely heavily on experienced case workers/close links to local labour markets
- ❑ Need to continue to contract for-profit and not-for-profit employment services providers to assist the LTU to find jobs
 - ✓ These providers have valuable expertise and local offices; JobPath and SICAP evaluations show that they work
 - ✓ Contracts may need to be reviewed to ensure that providers have sufficient incentives to assist their clients; avoid “cherry-picking” and “parking” of clients
- ❑ Vital to enhance digital skills for many of those at high risk of LTU
 - ✓ SOLAS/ETBs have a vital role to play here and to ensure that training offers are closely linked to local labour market needs

CONCLUSIONS

- ❑ Urgent to expand significantly the public spending effort on ALMPs/activation
- ❑ We have a good evidence base on what works and what does not among ALMPs in Ireland
- ❑ It will be important to hire and train more INTREO case workers and invest more in online services
- ❑ As the labour market recovers, activation efforts should be stepped up
- ❑ Young people and those at high risk of LTU must be given priority