

WORKING NOTES



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FACTS AND ANALYSIS OF EMPLOYMENT AND UNEMPLOYMENT

Action Needed to Combat LONG - TERM UNEMPLOYMENT

"... long - term unemployment will not disappear of its own accord - even in the event of substantial economic and employment growth. There has to be, therefore, an acceptance that its resolution will require special measures. If the situation is allowed to drift, with insufficient assistance provided for those out of work a long time, in many countries this would be tantamount to consigning large numbers of long - term unemployed to near permanent social oblivion"

OECD 1988 (1)

Most people are aware that unemployment in the Republic of Ireland more than doubled in the 1980's. Along with this massive increase - registered unemployment now stands at 230,000 - the character of unemployment has changed. In the late 1980's unemployment is much more likely to be a long - term, even semi - permanent condition. In April 1989 there were 105,000 people who had been unemployed for a year or more - close to half (45%) of the total number unemployed at that time. And of these, 46,000 had been out of work for over three years.

Public discussion of long - term unemployment has highlighted the resultant risk of poverty and the need for adequate income maintenance. (2) Some of the misery attached to the condition of long - term unemployment could be alleviated if, for example, the minimally adequate social welfare payments proposed by the Commission on Social Welfare (about £60 for a single adult at 1989 prices) were introduced. But it is not enough to

make the condition of long - term unemployment less miserable, we also need to make it less likely. Here we ask is there any way of assisting people to break out of long - term unemployment - back into employment.

One obvious answer is that if there were enough jobs to go around few people would be unemployed, long - term or otherwise, and so a convincing strategy for job - creation must be at the centre of efforts to combat unemployment. This is true - but not the whole truth. At least in the medium term, even a sustained increase in the total number of jobs in the economy may have little impact on those longer out of work. Much of the increase may be taken up by new entrants to the labour market who might otherwise have emigrated, or by those who have become unemployed most recently.

And being at the end of the queue for the extra jobs created in the economy is not the whole story. Even in a situation of high unemployment there is a considerable circulation of jobs. Many jobs become available and are filled as people move on to other jobs or retire. According to the National Development Plan around 200,000 vacancies are filled each year. Again the people with the best chance of filling these vacancies are those who are already in employment or are only recently unemployed.

The problem of long - term unemployment then, is not just a question of overall job numbers - it is also a question of job access. By definition the long -

term unemployed person's chances of finding a job are less than those of every other group in the labour market. In fact the longer you are unemployed the more difficult it is to escape from unemployment. If any significant progress is to be made in reducing long - term unemployment we must find out why this is the case and what can be done about it.

Why do the long - term unemployed have less chance of getting jobs? Some care is required here to separate myth from reality. Firstly, the myth of 'unemployability' needs to be examined carefully. Do we still harbour the suspicion that some people are simply 'unemployable' and that this is the underlying cause of long - term unemployment? If this is the case, how do we explain the sudden explosion in the numbers of such people in the population in the last decade? And is it not true that most of the long - term unemployed have held regular jobs earlier in their lives. Not to mention the fact that in order to qualify for inclusion in the Live Register people must be capable of work. To suggest that the cause of long - term unemployment is the "unemployability" of the persons affected explains very little. And it encourages an unnecessarily fatalistic response to the problem.

The reality here is that long - term unemployment may have the effect of making people less employable by eroding habits of work, punctuality, skills etc. But the importance of such factors should not be exaggerated. We should not assume that all or even the majority of the long - term unemployed suffer such effects. And we must ask whether such effects, where they occur, are permanent or temporary. Considerable evidence suggests that "once back in work the long - term unemployed quickly establish the same work - patterns and are reliable and as efficient as other workers". (3) And of course negative effects are potentially avoidable or reversible - if labour - market policy ensures access to training and good quality employment programmes for the long - term unemployed, as stepping stones back to work.

Secondly, the myth of lack of motivation. In the 'common sense' view people rather quickly lose hope of finding a job and stop looking for work. Having thus 'opted out' of the labour market the long - term unemployed need to be encouraged - or pushed - to opt back in. But a considerable

amount of research challenges this view. British studies have found that most people do not so easily give up looking for work, at least in the first three years of unemployment (4). In fact several recent studies suggest that the most significant decline only occurs after five years (5). We know of no similar studies for Ireland. But until somebody actually researches the issue it seems reasonable to assume that the situation here is not too different.

When it comes to job - seeking the main problem facing the long - term unemployed is not lack of motivation but lack of information and opportunities. The long - term unemployed are often the last to hear about any jobs that are available - that is if they hear about them at all! Many jobs are neither advertised nor notified to the state manpower service. Instead they are filled through personal contacts, word of mouth etc. So if you are actually in work you are more likely to hear about jobs as they become available. On the other hand the longer you are out of work the less contacts you are likely to have through which you can receive such information.

And this problem of information is compounded by the social isolation arising from the concentration of the long - term unemployed in particular areas of our cities. The more of your neighbours and friends in employment the more chance you have of hearing about job opportunities. If a majority of people on your estate are out of work your chances of hearing about jobs are much slimmer. Is there an argument here for placement service offices located in the areas of greatest unemployment to counter this information gap?

But perhaps the 'myths' we have looked at so far are just particular examples of a more general myth - the belief that the place to look for explanations of long - term unemployment is among the unemployed themselves, that if we can just find out what they are doing wrong we have the key to the problem. And if we believe this we ignore the obvious - that how employers make decisions about recruitment is at least as important as how the unemployed look for work. After all it is employers who decide who will or will not get a job.

Employers may simply not consider people who are long - term unemployed as suitable candidates. One British survey found that while only one in ten employers would screen out the newly unemployed when recruiting, one half would screen out those

who had been unemployed for a year or more. An Institute of Manpower Studies survey similarly found that job applicants were likely to be rejected at least 50% of the time simply because they were long - term unemployed (6). Again, as far as we know, no such studies have been carried out in Ireland. This doesn't mean that such discrimination does not occur here - just that we don't know about it. Discrimination of this sort can occur in both the public and the private sectors. In addition recruitment to State training and employment programmes may also discriminate against those longer out of work with selection procedures which 'cream off' the most easily placed from among the unemployed.

Of course blaming employers in some moralistic way is as useless as blaming the unemployed themselves. We recognise that employers may have what they regard as good reasons for screening - "Even if they are aware that most of the long - term unemployed applicants they get would make good workers, they may well reason that the risk of taking on a bad worker is higher with the long - term unemployed, that it is not easy to sift out the bad worker at the time of recruitment, and that with plenty of job applicants, there is no need to take on this additional risk" (7). Nevertheless the effect of such reasoning is to lock the long - term unemployed out of the labour market. So policies to reduce discrimination in recruitment have a key role to play in tackling long-term unemployment. These could include, for example, recruitment subsidies, 'priority hiring' or 'contract compliance' measures. Also set quotas could be used to ensure access for the long - term unemployed to training programmes.

In general, anything that encourages a more positive attitude among employers towards people who are longer out of work is to be welcomed. Stereotypes of the long - term unemployed as poor workers, as hard to train or whatever must be challenged. We need to hear more of how persons recruited from among the long - term unemployed actually perform at work. For example a recent study of the Employment Incentive Scheme found that employers who had recruited from among the long - term unemployed were less likely - as against employers who had not done so - to consider the long - term unemployed difficult to

train. (8) This is an area in which employer associations could do much to educate their members.

We have emphasised that the long - term unemployed are much more able and willing to work than they are often given credit for. But enormous obstacles - in the areas of job information and employer discrimination - hamper them in their search for work. It is clear that long - term unemployment will not go away of its own accord. The Government must introduce special measures to tackle it in a much more systematic way than they have up to now.

Since the early eighties some concern about long - term unemployment has emerged in State manpower policy. Various programmes have been introduced, including the Social Employment Scheme, the Alternance Programme and the Jobsearch Programme. But the scale and, in some cases, the quality of these initiatives leave a lot to be desired. Policy to combat long - term unemployment has, in recent months, been reviewed by FAS, by the Ministerial Committee on Employment and by a sub-group of the Central Review Committee of the Programme for National Recovery. Also earlier this year the Government submitted a plan on action to combat long - term unemployment to Brussels as part of the negotiations for increased support from the EC Structural Funds.

The improved economic climate presents an opportunity for a new offensive on long - term unemployment. We hope that all the bodies reviewing policy in this area, and in particular the Minister for Labour, take the threat of 'social oblivion' facing a section of our people seriously enough to face up to the challenge.

NOTES

- (1) OECD, "Measures to Assist the Long - term Unemployed - recent experience in some OECD countries", Paris, 1988 - p's 66/67
- (2) e.g. Combat poverty, "Poverty and the Social Welfare System", Dublin 1988
- (3) Richard Jackman, "A Job Guarantee for Long - Term Unemployed People", Employment Institute, London, 1986. - p. 41.
- (4) Jackman, op cit. p. 14.
- (5) Peter Robinson "Training and Enterprise Councils: a briefing Paper", Action Trust, London 1989.
- (6) reported in Peter Robinson, "Why are the Long-Term Unemployed Locked Out of the Labour Market and What Can Be Done About It!" Campaign for Work, London 1988
- (7) Jackman op. cit., p. 41.
- (8) Richard Breen with Brendan Halpin "Subsidising Jobs: an Evaluation of the Employment Incentive Scheme" E.S.R.I. No. 144 1989

PROGRAMMES FOR THE LONG - TERM UNEMPLOYED

Since the early eighties a number of initiatives to combat long - term unemployment have been introduced:

- **Employment Incentive Scheme** - since 1984 double the normal subsidy has been payable to employers recruiting from among the long - term unemployed (LTU). It is now planned to target this scheme more fully on the LTU. (See 'Subsidising Jobs')

- **Social Employment Scheme** - introduced in 1985, this is a direct employment scheme which provides temporary (one year maximum) half - time work, primarily for the LTU. The average number of SES jobs reached a high of around 11,500 in 1987/88 but then declined again to below 10,000. It is in this context that the recent announcement of an additional 1,000 SES places must be seen. Also the SES has frequently been criticised for the poor quality of work provided and for the poor pay and conditions it offers participants.

- **Alternance Programme** - is a six month training course, also introduced in 1985. The Department report a 'throughput' for Alternance of 2,800 people in 1988. But this figure includes people who do not finish the course. Also, however measured, the numbers on Alternance have declined over the last year.

- **National Jobsearch Programme** - introduced in 1987 provides four week courses in jobseeking techniques. Also places on other schemes and training programmes are allocated through the Jobsearch Programme. There is considerable doubt as to whether Jobsearch has increased the allocation of training places to the LTU. Not all allocations made through Jobsearch are to the LTU and it is unclear to what extent the figures under the programme simply reclassify existing allocations under a new heading.

- **Part-time Job Incentive Scheme** - introduced in November 1988, is an income supplement paid to long - term unemployed persons who take on part - time work. It only covered 230 people up to mid - October 1989.

- **Vocational Training Opportunity Scheme** - will offer educational courses to the LTU while they continue receiving welfare payments. The target is only 200 places.

- **a pre - retirement allowance** - for LTU persons over sixty years old is planned. This will result in 6,000 LTU persons being removed from the register. The allowance will be at the same level as unemployment assistance, so while it will mean less hassle for the people concerned it is unlikely to change their material position significantly.

Also the long - term unemployed may participate in other State training programmes. However in general they tend to be under - represented in these areas. Access for the LTU to mainstream training programmes should receive greater emphasis. This could be achieved by setting aside a quota of places for the LTU on all such programmes.

SUBSIDISING JOBS

In March 1989 the E.S.R.I. published 'Subsidising Jobs: an Evaluation of the Employment Incentive Scheme'. Employment subsidies are paid by the State to employers to:

- (1) encourage them to create jobs they would not otherwise have created, and / or
- (2) encourage them to employ people who face particular obstacles in the job market.

The Employment Incentive Scheme is expected to do both of the above. Between 1977 and 1988 almost 70,000 people were recruited to jobs subsidised under the E.I.S., though the numbers varied significantly from year to year. The scheme is a very cheap initiative - in fact for all practical purposes it pays for itself as the costs are cancelled out by savings in social welfare payments and increased tax receipts. However though the scheme produced some new jobs, it seems that most of the jobs subsidised would have been created anyway.

The scheme had more success in re-directing recruitment towards the particular categories of job-seeker eligible for subsidy. However, the report argues that many of the people subsidised into employment were not the most disadvantaged in the labour market. This was because the categories of jobseeker to which the subsidy applied were too broad - covering all people on the live register for more than thirteen weeks. To date the EIS has had limited success in re-directing hiring towards the long-term unemployed, even though the subsidy in such cases was £60, twice that for other categories. Only 15% of hirings under the scheme have gone to the long-term unemployed. The authors of the report draw some important conclusions. They do not believe that the job-creation potential of the scheme can be significantly increased. They argue that the best use of the Employment Incentive Scheme would be to target it primarily on the long-term unemployed, in order to re-direct hiring towards this group.

In September the Minister of Labour announced a number of changes in the scheme which are a move in this direction. Under the new arrangements the subsidy will only apply to long-term unemployed people over 25 years old, early school leavers and handicapped persons. The subsidy will be paid for a longer period - 39 weeks as against 24 weeks. It will be £60 per week for the long-term unemployed and £45 per week for early school leavers and handicapped persons.

The E.S.R.I. suggest that such changes might result might result in a fall in demand for the subsidy but that this might be offset by greater marketing of the scheme by FAS. They also suggest that the 'incremental' restriction whereby subsidies only apply to additional jobs being created in firms might need to be re-examined, particularly if there is a large drop in demand for the scheme. Such a change would mean dropping the job creation aim of the scheme and focusing it entirely on re-directing recruitment to the long-term unemployed. While not without difficulties the potential of such a change merits examination. In fact a recent OECD study ('Measures to assist the Long-Term Unemployed' Paris 1988) recommends such an approach, pointing out that 'One would expect a significant increase in the intake on such schemes; this appears to be borne out by the recent experience in Denmark' (p. 69)