

FACTS AND ANALYSIS OF EMPLOYMENT AND UNEMPLOYMENT

However while the main outlines are often familiar the report's discussion of the finer detail adds new insights. For example it shows (in a careful examination of developments in taxation policy since 1986) that such widening of the personal income tax base as has occurred has concentrated on reducing basic as against discretionary allowances and thus has eroded the

progressivity of the tax system. This is the kind of analysis that is necessary to put detailed 'meat' on the 'bones' of the policy of widening the tax base. Throughout the report there are many other detailed policy discussions that fill out the policy 'menu' in a range of areas.

What is also new is the sense of urgency that the Council brings to the call for significant changes in structural policies. These are not optional extras to be considered as an afterthought. They must move to the centre of Government action in the immediate future. It remains to be seen whether the Government and the administrative system more generally has the capacity to formulate and implement policies in the decisive fashion that is necessary. There is more than one hint in the NESC report that the challenge of innovation is at least as urgent in the area of public administration as it is in industry.

2. LONG TERM UNEMPLOYMENT

The report unambiguously states that the Council attaches "Very high priority" to tackling this problem: "the Council proposes that macroeconomic policy, incomes policy, structural policies in industry and agriculture and training policy need, as soon as possible, to be complemented by a radical approach to the problem of long-term unemployment using targetted special employment measures". This is a significant commitment and a considerable advance on the earlier "Strategy for Development" in which long-term unemployment hardly featured as an issue. Also important is the clear recognition by the Council that the priority they give to tackling long-term unemployment implies support for shifting resources towards policy in this area even at the cost of less resources to other policy areas.

What the report has to say on the details of policies to tackle long-term unemployment is, however, rather disappointing. Much of what it has to say is not new. For example, it favours targeting employment subsidies on particularly disadvantaged groups such as the long-term unemployed as a way of re-directing hiring towards these groups. The Employment Incentive Scheme was recently restructured along these lines (see Working Notes No. 11).

Also there are considerable gaps in the analysis. For example the report makes a valid general argument in support of direct job schemes - i.e. that even temporary employment can improve a person's subsequent chances in the labour market. However it gives no concrete assessment of the particular strengths or weaknesses of the main Irish direct job scheme - the SES. Yes, in theory, temporary job schemes may improve a person's chances in the labour market but, in practice, there is little evidence to show that the Social Employment Scheme actually has this effect. Indeed throughout the discussion any concrete assessment of existing Irish programmes is largely absent.

Perhaps as a result of this one is largely left with the impression that the 'radical' approach advocated by the Council largely means an expansion of existing programmes. This suggestion is reinforced by the report's claim that "the design of the Swedish employment measures is not unlike the programmes already in operation in Ireland (and many other countries) - 'Sweden differs only in the scale of the enterprise'". This claim is quite misleading. To take just one example, temporary employment schemes in Sweden are typically shorter (six months), full time and paid at the rate for the job, rather a different prospect than the SES. The essential point here is that in any programme to tackle long-term unemployment, quantity is only half the battle. Quality of programme design is equally important, but this qualitative element is not adequately addressed in the report.

However, in one sense the Council are clear that they are not simply advocating 'more of the same'. They do wish to see programmes operated in a more integrated fashion within deprived areas. This of course is a welcome recommendation, as is the general emphasis in the report on the need for more integrated local area based strategies to tackle concentrated deprivation. However, the integration of existing programmes is not enough. New initiatives are also called for. These might include for example much greater emphasis on more active placement initiatives that positively discriminate in favour of long-term unemployed people, especially those living in 'unemployment blackspots'. Also training for the long term unemployed, especially for those over 25 years, is a minority option within current provision. The NESC report while arguing correctly that training does not create employment in the short term, agrees that it can improve the job chances of the long-term unemployed. However it draws no specific conclusion from this for its approach to tackling long-term unemployment.

One other specific issue raised in the report must be mentioned here. The report notes that it is sometimes the case that sufficient numbers are not available to participate on existing schemes for the long-term unemployed. As part of the answer it suggests changes in tax and social welfare which remove disincentives to take up places on programmes. However, it also invokes the Swedish practice of withdrawing benefit for one month where a person refuses a temporary employment or training offer. This selective borrowing from the Swedish experience is an exercise of dubious value. The comments of the (British) Employment Institute, (which is chaired by Professor Richard Layard, whose work is heavily used in the NESC report) on similar arguments in the British context are worth quoting in some detail - "Comparisons with Sweden have prompted some commentators to claim that compulsion would be a practicable and acceptable way forward. What they fail to realise is that, alongside a generous system of benefits, the Swedish authorities offer the guarantee of high-quality training and ready access to the jobs market in return for an expectation that longterm unemployed people will then participate in their schemes. The proposed

new unified training programme in no way measures up to current Swedish programmes in terms of quantity or quality. Until it does so, talk of additional methods of compulsion beyond the powers already available to the authorities here to refuse benefits is vindictive and irrelevant" (2)

To be fair to the authors of the report any attempt to develop positive policies to combat longterm unemployment faces considerable obstacles. As the report itself notes: "there is a marked dearth of detailed research on the unemployed, on the experience of unemployment, and on the impact of education, training, social welfare and other policies", and "despite the drastic rise in unemployment in Ireland since 1979 no overall authoritative, representative surveys have been taken of unemployment - the skills and education of the unemployed, their past income and occupational profiles, their responsiveness to training and income maintenance initiatives and so on".

Furthermore, the treatment of long-term unemployment only occupies part of one chapter in a very wide ranging report. Given the urgency and priority that this report now attributes to the issue of long-term unemployment, NESC might play a significant part in filling the gaps in the unemployment picture. In the immediate future, and building on the work in this report, the area of programmes to combat long-term unemployment merits a more comprehensive examination.

REFERENCES

- (1) "A Strategy for the Nineties: Economic Stability and Structural Change" NESC Report No. 89, October 1990. All quotations are from this report unless stated otherwise.
- (2) "Employment Institute - Economic Report" Vol. 3, No. 5, February 1988. London 1988

TALKS ON A NEW PROGRAMME

1. The discussions taking place at present on whether or not a new Programme for National Recovery (we wonder what the title will be!) should be entered into by the social partners - government, employers, trade unions, farming interests - ought to lead to a renewed programme that will have a significant impact on the lives of the whole population for the coming three years. While there are some voices suggesting that such a programme should not be entered into (dissenting voices can be heard among a small number of trade unionists, a small number of community groups, a small number of social commentators and policy analysts), there is a very broadly supported view that another programme is the best step for the social partners to take at this time (cf. WORKING NOTES no. 8 for an assessment of the first Programme at the half-way stage).

2. The Programme for National Recovery which has operated over the past three years was largely based on the NESC report of 1987 which outlined a strategy for socio-economic development for the period 1987 - 1990. While centralized agreements had operated in Ireland in the 1970's the last one had faded out in 1981. The agreement entered into in 1987 was, therefore, seen as an effort by all social groups in the country to face a situation of major economic difficulties (high debt high unemployment high emigration). It was seen as supporting a corporatist approach to socioeconomic development in Ireland. Politically, the Programme for National Recovery has

been a major achievement for the government - helping bring about a situation in the economy where inflation is low, government borrowing on current spending has been reduced, and yet, despite the uncertainties facing the economy, significant growth rates are forecast. Of course, the government on its own would have achieved little without the backing of the trade union movement and of the Fine Gael party, which broadly accepted its main objective. A key goal of the programme, job creation, (about 40,000 net jobs created in the 3 years) has largely been met and the turn-around in the economy has been seen as an achievement. However, it would be very inaccurate to neglect the many problems facing people at this time which have not been changed by the PNR 1: continued high levels of emigration, continued high levels of unemployment - 219,000 on the register at present - and problems facing the agricultural sector.

3. Just as the Programme for National Recovery 1987 - 1990 have been based on the NESC strategy for a three- year period, so the new programme will be based largely on the NESC 1990 strategy for a further period (cf. article in this WORKING NOTES). The arguments in favour of national agreements and a programme agreed on by the main social partners are convincing at this time. There is no blue-print for every society about whether or not a corporatist approach is the best

form of promoting socio-economic development. The relationships between states and markets vary enormously in different social and historical settings. However, given the location, size and shape of the Irish economy - a small economy, in a unifying Europe, made up of exporting and home-directed manufacturing, the arguments against the programme seem unconvincing at this time, especially as its critics have offered no alternative strategy.

4. What kind of negotiating stance and what kind of detailed expectations will the social partners have in their approach to a new agreement? There appear to be quite conflicting objectives in the shopping list of demands which the main negotiating groups are bringing to the talks on a new Programme. For example, employers organizations have been calling for the elimination of borrowing and for further tax cuts - with the implication that public spending should be further curbed. This contrasts with the NESC argument that current government spending should be maintained at current levels.

a) The trade unions are entering the talks on the renewal of a programme for national recovery by pointing out the general context to be kept in mind and the long term vision of the socio-economic developments needed in the country in the years between 1990-200, along with the concrete steps necessary for implementing the vision. They favour a consensus-building or corporatist approach, which they say, has produced improved living standards in such European societies as Austria and Finland. The trade union movement feels that the current programme favoured employers too much especially by limiting the incomes of employees when many firms were earning considerable profits. They will want workers to have a greater share of the rewards of improved economic performance in any future agreement. They will also want the corporate sector to accept higher levels of corporate taxation.

b) The government favours the acceptance of a new agreement and appears to favour the approach of the unions in looking at long-term planning for socio-economic development. It sees the agreement on a new programme as of key importance for the development of the economy and the continued challenge of job creation.

c) The employers are suggesting that the trade unions in the negotiations may harm our competitiveness and express fears that wage demands may be unrealistic. They wonder if demands for a greater share of profits may be harmful to investment, and ask whether the negotiations on a new programme for national recovery respect enough the current concern about future developments in the economy, and the uncertain future we are entering - 1992 and the integrated European Market, the Iran crisis, the future of farm incomes after the current round of GATT talks on price supports for agricultural products.

d) The farming interests in the talks on the Programme for National Recovery will be looking for special assurances and measures to guarantee incomes at a time of uncertainty about price supports from the European Community.

e) The unemployed and groups living and working in areas of high unemployment will be represented largely by the trade union movement and are expecting that their needs will be given priority in a new programme. The needs of the long term unemployed have been highlighted in the NESC report, as have proposals on local area programmes for areas of special social needs. The experience and research work of groups in Tallaght and Ballymun and other areas of high unemployment which have highlighted the need for integrated planning and development with area-level interventions will, it is hoped, be listened to, and acted on.

5. The discussions leading to a new Programme can lead to a broader and a deeper consensus about how Irish society should be organized in the coming decade.