

## Long term unemployment

The potential for the economic cancer of long term unemployment to take hold in Ireland is becoming more and more of a reality.

Workers remaining out of employment for very long periods and not the more transitory nature of unemployment we have experienced over the past fifteen years is going to ultimately create higher economic and social costs.

Long-term unemployment is an economic disaster. It damages individuals because they lose their self-respect and employers lose interest in them. Those who have been unemployed for a short time have a good chance of leaving unemployment, while those who have been unemployed for a long time have a much lower chance. We need to now acknowledge the potential for long term unemployment to become embedded and deal with it accordingly and not retrospectively.

Presently we have 327,900 unemployed (8+%) This is conservatively predicted to rise to 12% by year end; the results for last month were the fastest rate of monthly increase ever recorded

The rate of unemployment and its consequential multiplier effect on long term unemployment is a threat to our potential for a proper viable recovery. At this pace we look like we will break the 400,000 mark before the end of this year.

This scale and rate of the problem introduces the possibility of creating a long term unemployed underclass that has economically always been extremely difficult to redress. In any economy when long term unemployment (over 12months) becomes embedded, it proves very difficult to recover from it.

The Taoiseach admittance at the beginning of the year that the situation has not even yet stabilised and that it will take at least five years to recover some proper order indicates that he and his Government must immediately act and deal with those issues they can deal with, such as anticipating the impact long term unemployment has on an economy.

At this level and rate of unemployment a new set of criteria evolve, where personal confidence, reemployability etc. become diminished. This should not be allowed develop.

We should now consider a National Public works scheme

**'FÁS must be transformed into a rapid-reaction agency capable of providing a public works scheme for the unemployed (FG Policy presented by Richard Bruton)'**

The introduction of immediate Public Works schemes administered by FAS and the Voluntary Sector who already sponsor Community Employment schemes offers a

potential solution and the opportunity to deal with some elements of public infrastructure in areas such as social services, healthcare, heritage, arts, culture, tourism, sport, environment and education.

The model closest to the above idea currently at work throughout the country is the Community Employment or CE Scheme. The eligibility criteria are listed below from the FAS website. The weakness is already apparent in that at the very least one has to wait 12 months before potentially starting on these schemes. The current eligibility to participate on this type of scheme straight away raises the initial potential for long term unemployment to take root before we even begin to deal with the problem.

The thing that strikes me is that the FAS organisation does not appear to be responding and adapting to either the current or future situation. The detail on its website still reflects a different era. As per Richard Brutons assertion it needs to be transformed to a more rapid responsive type organisation. It looks flat footed and seems to be trying to apply criteria that were appropriate over the last number of years.

This can be backed up by the Minister of State for Labour Affairs contribution in last weeks economic debate.

“Every day there are job losses and company closures, which comprise the most immediate impact of a global downturn. For this reason alone, we must increase the number of training programmes and expand FÁS’s capacity to deal with people as they become unemployed. This will place a great burden on the Exchequer. I urge all those involved in the State agencies dealing with the unemployed to put in an extra little bit of time and effort. While we know they are under a lot of pressure, we depend on them fundamentally to create the courses and training programmes for the unemployed.”

“The mistakes we made in the 1980s in respect of unemployment, namely, throwing people on the scrapheap, must not be repeated. We must learn this lesson. We had large-scale unemployment but did not deal with the unemployed and provide them with training opportunities and educational courses. The Department of Enterprise, Trade and Employment will try to determine the programmes necessary to deal with this issue.”

The tone of this is more one of hope than insistence, ‘will try’, ‘I urge’, ‘extra little bit of time and effort’.

In 2007 FAS spent €358 million on community employment with 24,500 participants around the country. Most of this money went on wages. Additional funding for participant training and sponsor group materials also comes from this amount. The differential in what participants are paid on CE schemes and what they would receive on unemployment assistance is not that much, so if a scheme such as this were exponentially expanded in relation to not allowing long term unemployment

take root, the net cost to the exchequer would not be much different. Retraining could (and already does) also come under this remit.

There is a national network of voluntary groups running Community Employment schemes. In essence these are small businesses in that payroll and other administrative duties are carried out by the voluntary groups.

These schemes may have the capacity to expand and there is no reason why new ones could not be established. I think we as a party should look seriously at either increasing the number on Community Employment or establishing a new National Public Works Scheme modelled on CE and aim to place 50000 on this programme.

In approaching the problem in this way the advantages offered are varied

- A rowing back of the individualism that has to some extent placed us where we are today in that workers are building or developing on behalf of a community, administered by that very same community
- The individual is not allowed slip into the economic wasteland of long term unemployment.
- The actual work done

Being in regular work is far and away the best route to staying as part of the economically active labour force.

Joe Carey 6<sup>th</sup> Feb 2009

### **Costings for Proposal**

Jobseekers Allowance

#### **Weekly Rates 2009:**

Personal rate (claimant)	€204.30 (maximum rate)
Qualified adult	€135.60 (maximum rate)
Qualified child	€26 (full-rate)
	€13 (half-rate)

*Taken from Dept of Social and Family Affairs*

## **Community Employment Programme Grants**

### **Participant Wages Grants**

Effective: 01 January 2009

#### **Participant Category (temporary/part-time) Grant €**

Participant without Dependants	228.70
Participant with an Adult Dependant	364.30
Each Child Dependant (Full Rate)	26.00
Each Child Dependant (Half Rate)	13.00

#### **Notes**

1. The wages are paid weekly by the programme sponsor and are liable to tax and PRSI deductions.
2. The participants' rates are based on a 19.5 hour week or 39 hours every two weeks (this will be determined by the sponsor in conjunction with FÁS).
3. Participants are encouraged to engage in part-time work outside the time spent working on the Community Employment Programme, but are advised to check this and any secondary benefits which are being claimed with their local Social Welfare Office, Health Service Executive and/or Local Authority to see if benefits are affected (for example, lone parents, rent allowance, medical card).

*Taken from FAS website*

Differential between Jobseekers Allowance and Community Employment €24.40

(Adult and Child Dependent remains the same)

50000 on this Public Works Scheme implies net cost to exchequer of €1,22M over what it would pay out on Social Welfare.

The current schemes also have a Materials Grant per participant per week of €20, this would imply a total extra cost to the exchequer of €2M. This specific grant is used by the scheme in the provision of goods and services etc. in order to carry out the work. In essence this is money that is used in purchasing and as such could be regarded as providing an element of liquidity in the broader economy, so the cost to the exchequer is realistically less. At the very least the exchequer will recoup the VAT. Taking an avg. VAT of 17.5% implies returns of €0.1M. Thus the Net Cost is €2.9M

Current participants also receive a Training allocation of €500 each. 50000 extra participants implies a cost of €25M again this is debatable as a net cost in that training for the unemployed will have to happen anyway and again it offers a revenue stream for those offering training in the broader economy.

All schemes currently operate with a Supervisor, the average scheme has up to 15 participants, this implies an extra 3300 supervisors. The Supervisors pay is linked to the training and advancement level of the participants (of course the current model has been to a large extent dealing with the chronic long term unemployed). The gross average pay for a supervisor to date is approximately €35K. Again this implies a cost to the exchequer of €115M. The returns to the exchequer in PAYE and Income Levy would be approx. €25M. One could also assume that Supervisors could be recruited from the pool of unemployed skilled tradespeople, those that perhaps have worked in the construction industry heretofore, bringing supervisory skills already established.

Applying the basic rate of Jobseekers Allowance (€204.30) to 3300 people implies a cost to the state of €35,057,880, this in all probability would be higher in that many would have dependants. The Net cost to the state in relation to supervision of the scheme would thus be €4,942,120

There would also be a cost associated with internal administration in FAS. This is not possible to determine at the moment.

**The Gross cost to the exchequer would be approximately €193,220,000.**

Gross Cost 50000 Workers

Addition over JobSeekers	1.22M
Materials Grant	52.00M
Training Grant	25.00M
Supervisors	115.00M
Total	193.22M

**The Net Cost to the exchequer would be approximately €124,062,120**

Net Cost 50000 Workers

Addition over JobSeekers	1.22M
Materials less VAT	42.90M
Training	25.00M
Supervisor less Tax & Jobseekers	54.94M
Total	124.6M

Some of these monies as explained are recoupable by the exchequer. The most significant cost is that of the Supervisors. This figure could be examined in more detail, there may be alternatives both on actual numbers and perhaps the possibility of using existing resources

such as Local Authority or Town Council in this supervisory role. See example below for Supervisor wages. There is currently also a grant available towards PRSI for Supervisor and Participants.

### **CE Supervisor Wage Grants**

	point	€
<b>Projects Providing Development Modules</b>		
Supervisors with 11-14 participants	1	471.97
	2	523.37
	3	574.83
	4	626.35
Supervisors with 15 or more participants	1	639.61
	2	683.86
	3	728.14
	4	772.55
Assistant Superv with 26+ participants	1	429.51
	2	467.23
	3	505.03
	4	542.84
<b>Projects Not Providing Dev Modules</b>		
Supervisors with 5-14 participants		444.07
Supervisors with 15 or more participants		503.21

## **CE Scheme eligibility**

### **Part-time Job Option**

#### **Part-time Job Option**

The Part-time Job Option is for people who are 35 or over and out of work for 3 years or longer. Eligible persons of 55 to 65 years of age can spend up to 6 years in total on this programme. You can qualify for this option if you are:

- Aged 35 years or over and are currently in receipt of any of the following payments for 3 years or more:
- Jobseekers Benefit (JB, formerly Unemployment Benefit);

- Jobseekers Allowance (JA, formerly Unemployment Assistance);
- One Parent Family Payment (OPFP);
- Widows/Widowers Contributory Pension;
- Widows/Widowers Non-Contributory Pension;
- Deserted Wife's Benefit (DWB);
- Farm Assist (FA).
- Time spent in receipt of Carer's Allowance can also count towards the 3-year eligibility period, but caring responsibilities must have ceased and the person must currently be in receipt of either JA, JB or OPFP.
- Aged 35 years or over and in receipt of any of the following payments from the Department of Social and Family Affairs (DSFA):
  - Disability Allowance;
  - Blind Pension;
  - Invalidity Pension (Note: you must have approval from the DSFA to engage in employment of a rehabilitative nature);
  - Illness Benefit for 6 months or more (Note: you must have approval from the DSFA to engage in employment of a rehabilitative nature).
- Ex-offenders aged 35 years or over referred by the Probation Service. Also, Ex-offenders aged 35 and over not referred by the Probation Service and in receipt of Jobseekers Assistance or Jobseekers Benefit for 3 years or more. Time spent as a prisoner is regarded as reckonable when considering duration unemployed.
- Travellers aged 18 years or over, who are unemployed and in receipt of Jobseekers Benefit, Jobseekers Allowance or One Parent Family Payment for 1 year or longer. In the case of travellers **under** 18 years of age, a minimum of 12 months spent in a Travellers Training Centre is enough for eligibility.
- All refugees aged 18 years or over, as authenticated by the Department of Justice, Equality and Law Reform, in receipt of payments from the Department of Social and Family Affairs.
- Persons aged 18 years or over inhabiting the offshore islands.
- Persons aged 18 years or over referred by the Drugs Task Force.
- Time spent on recognised training or employment programmes (such as a FÁS training course) can also be counted towards eligibility.

## Part-time Integration Option

### Part-time Integration Option

- If you are aged 25 years or over and are currently in receipt of any of the following payments for 12 months or more:
  - Jobseekers Benefit (JB, formerly Unemployment Benefit);
  - Jobseekers Allowance (JA, formerly Unemployment Assistance);
  - One Parent Family Payment (OPFP);
  - Widows/Widowers Contributory Pension;
  - Widows/Widowers Non-Contributory Pension;
  - Deserted Wife's Benefit (DWB);

- Farm Assist (FA).
- Time spent in receipt of Carer's Allowance can also count towards the 12-month eligibility period, but caring responsibilities must have ceased and the person must currently be in receipt of either JA, JB or OPFP.
- If you are aged 18 years or over and are currently in receipt of any of the following payments from the Department of Social and Family Affairs (DSFA):
  - Disability Allowance;
  - Blind Pension;
  - Invalidity Pension (Note: you must have approval from the DSFA to engage in employment of a rehabilitative nature);
  - Illness Benefit for 6 months or more (Note: you must have approval from the DSFA to engage in employment of a rehabilitative nature).
- Travellers aged 18 years or over, who are unemployed and in receipt of Jobseekers Benefit, Jobseekers Allowance for any period or One Parent Family Payment for 1 year or longer. In the case of travellers **under** 18 years of age, a minimum of 12 months spent in a Travellers Training Centre is enough for eligibility.
- All refugees aged 18 years or over, as authenticated by the Department of Justice, Equality and Law Reform, in receipt of payments from the Department of Social and Family Affairs.
- Persons aged 18 years or over inhabiting the offshore islands.
- Ex-offenders aged 18 years or over and referred by the Probation Service. Also, Ex-offenders aged 18 and over and not referred by the Probation Service and in receipt of Jobseekers Allowance or Jobseekers Benefit for a period of one year or more. Time spent as a prisoner is regarded as reckonable when considering duration unemployed.
- Persons aged 18 years or over referred by the Drugs Task Force.
- Time spent on recognised training or employment programmes (such as a FÁS training course) can also be counted towards eligibility.