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## EXECUTIVE SUMMARY

### 1. ORGANISATION OF THE REPORT

This report is organised as follows:- the Introduction traces the evolution of the Irish labour market since 1993 as a precursor to discussing Irish unemployment indicators. Section One examines international approaches to the measurement of unemployment. Section Two then looks at the three principal sources of information on Irish unemployment: quarterly labour force surveys, the Live Register of unemployment benefit claimants, and the FAS Job-Seekers' Register. Section Three assesses the composition of the Live Register and enumerates its deficiencies as a measure of unemployment. Section Four charts the development of both domestic and European Union policies aimed at helping the unemployed back to work and traces out some of the operational implications for domestic labour market agencies. The report ends with a set of conclusions.

### 2. INTRODUCTION: LABOUR FORCE TRENDS SINCE 1993.

Rapid and sustained economic growth over the past five years has resulted in a sharp improvement in demographic and labour market performance. Between 1993 and 1998:-

- the population of working age increased by 8% to almost 2.9m.;
- the labour force expanded by 15.5%;
- employment rose by over one-quarter to 1.5m people;
- unemployment fell by more than two-fifths;
- the unemployment rate was more than halved.

The continuing strength of the economy indicates that employment will continue growing, and unemployment declining, through 1999. As a result of the sustained expansion of employment, labour is becoming scarce. In these conditions cutting unemployment not only improves the living standards of those gaining work but it alleviates labour shortages, so removing a potential barrier to the continuance of growth into the future.

### 3. MEASURING UNEMPLOYMENT INTERNATIONALLY

Most developed countries compile three types of data that yield information about unemployment. These are:-

- regular labour force surveys;
- counts of recipients of unemployment payments;
- counts of job seekers registering with the public employment service.

In general, the international experience has identified the labour force survey approach as providing the most accurate measure of unemployment. In such surveys, the preferred definition of unemployment is that formulated by the International Labour Organisation (ILO). It defines unemployed people as those who are not in work, are available for work and are actively seeking work.

#### **4. IRISH SOURCES OF INFORMATION ON UNEMPLOYMENT.**

Reflecting the international experience, Ireland produces three types of information on unemployment:-

- regular labour force surveys in the form of the Quarterly National Household Survey (QNHS), now produced every three months by the Central Statistics Office. In these surveys, unemployment is measured in conformity with ILO definitions. In consequence, the results are comparable with surveys conducted in other European Union members. This is seen as the most reliable indicator of actual unemployment in Ireland;
- the monthly Live Register, published by the CSO, enumerating those receiving unemployment payments and those signing on for credited contributions. The Live Register is seen as an inaccurate guide both to the level of unemployment and to short-run changes in the numbers out of work;
- the Job-Seekers Register, compiled by FAS. Registration is voluntary and once on, job seekers are not deleted unless they have made no contact with FAS for six months and are known not to be on the Live Register. As a result, the Job-Seekers register is not deemed to reflect accurately the numbers searching for work.

It is concluded that regular labour force surveys of the QNHS type provide the best available measure of the level of, and trends over time in, Irish unemployment. While they are inaccurate guides to the numbers out of work, both the Live Register and the Job-Seekers Register are extremely important from a policy perspective since they are comprised of real, identifiable individuals.

#### **5. COMPOSITION AND DEFICIENCIES OF THE LIVE REGISTER**

The past decade has witnessed a growing divergence between unemployment as measured by labour force surveys and the numbers on the Live Register. In 1988, the gap between the two was just 25,000; by 1998, it had widened to over 100,000.

The Live Register is an administrative count of benefit claimants and those signing for credited contributions. For any given underlying level of unemployment, the numbers on the Live Register will change where:-

- i) the coverage of the unemployment benefit system is altered through the inclusion or exclusion of certain population segments. Thirty such administrative and policy changes were recorded between 1970 and 1995;
- ii) the statutory conditions governing eligibility for benefit, and the interpretation of those eligibility conditions, are varied. Particularly important are the interpretations of the 'availability for work' and 'genuinely seeking employment' conditions;
- iii) control and enforcement procedures are loosened or tightened;
- iv) policy changes or the publication of data generate 'announcement' effects.

To take an example: in September 1996, the CSO published an ILO analysis of a sample of persons on the Live Register. In summary, it revealed that of the adjusted sample, 21.4% were at work, full- or part-time, 24.6% were not economically active, 4.5% were marginally attached to the labour force and 49.5% were unemployed. The publication of the results occasioned much public controversy. DSCFA procedures were codified and reaffirmed. The 'announcement' effects prompted many to sign off the Register. As a result, the CSO found that on publication of the sample survey results in September 1996, "the Live Register began to fall steeply and the steepest fall on record was for October 1996".

## **6. HELPING THE UNEMPLOYED TO REGAIN WORK**

The reduction of unemployment is a central objective of national economic policy and a cornerstone of 'Partnership 2000'. At a European level, the Treaty of Amsterdam and the subsequent Luxembourg Jobs Summit of 1997 established a new European Employment Strategy (EES). The four pillars supporting the employment strategy are Employability, Entrepreneurship, Adaptation and Equal Opportunities.

The EES has required member-states to draw up National Action Plans on Employment to implement specific policy guidelines under each of the four pillars. Preventing the drift into long-term unemployment has been the key strategic policy thrust under the Employability pillar.

Since September 1998, the implementation of Guideline 1 of the National Action Plan on Employment has required 'systematic engagement' with the young unemployed at risk to long-term unemployment.

Under the guideline, those aged under 25 who are approaching six months on the Live Register are referred by DSCFA to FAS for interview and subsequent placement. Such systematic and intensive face-to-face interaction with the unemployed is a relative novelty in Ireland, though it has long been a feature of policy in other European countries.

The results to date are encouraging. Amongst all DSCFA referrals since September 1998, 47% had left the Live Register by end-November. Of all those who left the LR, two out of five were in work and a further one in four were enrolled in FAS programmes or the education system. Amongst referrals interviewed by FAS, more than four out of five were at work or on FAS programmes. The caseworking approach adopted in the implementation of Guideline 1 offers the best hope for helping those on the Live Register in the future.

## 7. CONCLUSIONS

- i) Sustained employment growth since 1993 is now giving rise to incipient labour shortages across the skills spectrum. Reintegrating unemployed people into the workforce can both raise their living standards while also helping to alleviate labour scarcity.
- ii) The Quarterly National Household Survey published by the Central Statistics Office provides the best and most accurate measure of Irish unemployment.
- iii) The Live Register is a count of claimants. As such, it is neither an accurate barometer of unemployment nor a reliable indicator of short-run trends in unemployment.
- iv) The divergence between the LR and survey measures of unemployment arises because each is measuring a different event. It is thus unlikely that a full reconciliation between the two sets of figures can be achieved.
- v) In these circumstances, there is a strong case for switching the emphasis to ensuring that the unemployed on the Live Register are helped back to work by the state.
- vi) Ireland has a poor record of helping the unemployed on an individual basis back into employment. The case-based approach, pioneered under Guideline 1 of the National Action Plan on Employment, offers the best hope of reintegrating those on the LR back into work.
- vii) Even when fully operational, the National Action Plan on Employment will engage systematically with only a minority of those on the Live Register, namely those at risk to long-term unemployment. The existing stock of long-term unemployed are thus largely excluded from the current activation process.



- viii) In furtherance of existing policies to combat unemployment, and especially long-term unemployment, we would propose that consideration be given to the introduction of systematic and regular labour market interviews with all of those who have passed a given duration threshold on the Live Register.
- ix) The role, functioning and efficiency of the Local Employment Service (LES) in assisting the unemployed back to work requires further examination.
- x) It is difficult to justify the availability of Unemployment Assistance (UA) to 18 year-olds who have neither worked nor availed of the array of state education, training, placement or work experience interventions specifically targeted at improving the employability of young people.

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## **INTRODUCTION: IRISH LABOUR MARKET TRENDS SINCE 1993**

### **I. STRUCTURE AND METHODOLOGY**

The purpose of this introduction is to provide a broad overview of the way in which the Irish labour force, including both employment and unemployment, has evolved since 1993.

The data presented is drawn from annual Labour Force Surveys conducted by the Central Statistics Office each April for the years 1993 through 1997 and subsequently from the Quarterly National Household Survey (QNHS).

The data classify the Irish population over 15 years of age in the following way:-

#### **I. POPULATION OVER 15 YEARS OF AGE**

**MINUS**

#### **2. ECONOMICALLY INACTIVE POPULATION OVER 15 (i.e. not in the labour force)**

**EQUALS**

#### **3. THE TOTAL NUMBERS IN THE IRISH LABOUR FORCE**

**COMPRISING**

#### **4. THE EMPLOYED AND THE UNEMPLOYED SEEKING WORK**

From this configuration, it follows that the labour force consists of those who are at work and those who are unemployed but available for, and actively seeking, work.

In categorising employment, unemployment and the thus the size of the labour force, widely-accepted International Labour Office (ILO) definitions are used throughout.

Specifically,

- i) Those 'In Employment' are defined as persons who worked for an hour or more for payment or profit in the week preceding the survey, including those working on family farms or in family businesses. Those who held a job but were not at work due to holidays or illness in the period covered by the survey are treated as employed;



- ii) The 'Unemployed' are defined as those persons who, in the week before the survey, were out of work, were available for work and had taken specific steps to find work in the four weeks preceding the survey;
- iii) The 'Labour Force' is derived by adding together those 'In Employment' and the 'Unemployed'.
- iv) The 'Inactive Population', those over 15 years of age but not in the labour force, comprises all other persons. Amongst others, this includes students, those engaged on home duties and retired people.

## II. DERIVING THE LABOUR FORCE FROM THE POPULATION

The derivation of the labour force from the total population is effected in Table A.

**TABLE A**  
**THE POPULATION AND THE IRISH LABOUR FORCE 1993-1998**  
 Figures each April/Spring in '000s of people

YEAR	POPULATION TOTAL	POPULATION OVER 15	ECONOMICALLY INACTIVE	LABOUR FORCE
1993	3,574	2,657	1,254	1,403
1994	3,586	2,687	1,256	1,432
1995	3,601	2,723	1,264	1,459
1996	3,626	2,767	1,259	1,508
1997	3,661	2,815	1,276	1,539
1998*	3,705	2,870	1,249	1,621
Change 1993-98	+3.7%	+8.0%	-0.4%	+15.5%

\* Switch from Labour Force Survey to QNHS.

SOURCES: 'Population and Migration Estimates April 1998', Central Statistics Office, November 1998, Table 1; 'Quarterly National Household Survey - First and Second Quarters 1998', CSO, November 1998, Table 9.

Table A shows that the national population increased by 3.7% to just over 3.7 million in the five years to April 1998. However, reflecting the peaking of the birth rate in 1980 and the replacement of net emigration by net immigration during the 1990s, the population aged over 15 increased by 8% between 1993 and 1998. Thus, over the past five years, the population over 15 years of age has risen more than twice as fast as the national population.

Moreover, all of the expansion in the population aged 15 and over flowed into the labour force. As Table A shows, and allowing for changes in survey methodology, the economically inactive population was broadly the same size in absolute terms in 1998 as in 1993.

In consequence, the labour force itself - consisting of the employed and the unemployed - exhibited particularly rapid growth over the past five years. The numbers in the labour force increased by 218,000 over the five year span, representing a rise of 15.5%. Put another way, since 1993, the Irish labour force has been expanding at an annual average rate in excess of 3%.

### III. THE GROWTH OF THE IRISH LABOUR FORCE SINCE 1993

Since the labour force consists of those at work and those unemployed who are seeking work, Table B shows the contribution of both elements to labour force growth.

**TABLE B**  
**THE COMPONENTS OF LABOUR FORCE GROWTH 1993 - 1998**  
In '000s of people each Spring

YEAR	LABOUR FORCE	AT WORK	UNEMPLOYED	UNEMPLOYED RATE %*
1993	1,403	1,183	220	15.7
1994	1,432	1,221	211	14.7
1995	1,459	1,282	177	12.2
1996	1,508	1,329	179	11.9
1997	1,539	1,380	159	10.3
1998**	1,621	1,495	127	7.8
Change 1993-98	+15.5%	+26.4%	-42.3%	-50.3%

\* Unemployment as a percentage of the labour force.

\*\* The switch to the QNHS in 1998 is estimated by the CSO to have raised the numbers employed and the numbers in the labour force by 20,000 due to changes in methodology. These changes are not assessed as having any impact on the numbers unemployed.

SOURCE: QNHS, CSO, November 1998, Table 9.

As Table B indicates, the underlying increase in the numbers at work amounted to almost 300,000 people in the five years to April 1998. This represents an employment gain of one-quarter in the space of five years.

Conversely, the numbers unemployed declined by almost 100,000 - from 220,000 in 1993 to 127,000 in 1998. Thus, total unemployment has fallen by more than two-fifths since 1993. The unemployment rate - those out of work as a percentage of the labour force - has halved in the past five years.

In broad terms, Ireland's labour market experience over the past five years can be summarised briefly as follows:

the total at work advanced by 312,000. With the labour force expanding by 218,000, this caused unemployment to drop by almost 94,000.

Not all of the gains in employment represented full-time jobs. The distribution of employment advances between full- and part-time jobs since 1993 is shown in Table C.

**TABLE C**  
**DISTRIBUTION OF EMPLOYMENT GAINS 1993 - 1998**  
In '000s of people each Spring

YEAR	TOTAL EMPLOYMENT	FULL TIME EMPLOYMENT	PART TIME EMPLOYMENT	PART TIME AS % TOTAL
1993	1,183	1,056	127	10.8
1994	1,221	1,083	137	11.2
1995	1,282	1,128	154	12.0
1996	1,329	1,176	152	11.4
1997	1,380	1,210	170	12.3
1998*	1,495	1,245	250	16.7

NOTE: Data may not add to exact totals due to rounding.

\* Data influenced by switch from LFS to QNHS

SOURCE: QNHS, CSO, November 1998, Table 9.

In broad terms, of the 312,000 job gains registered between 1993 and 1998, additional full-time jobs accounted for 189,000 with part-time employment contributing the remaining 123,000 jobs created. By April 1998, one in every six of those at work was engaged in part-time employment.

However, the vast majority of those working part-time are not looking for full-time jobs. Of the 249,600 people found to be working part-time in the Spring 1998 QNHS, 239,400 were described as "not under-employed". Only 10,300 were categorised as working part-time but under-employed.

#### IV. THE COMPOSITION OF UNEMPLOYMENT

Many of those who are out of work have suffered prolonged spells of unemployment. The long-term unemployed are defined as those who have been out of work for a year or more but are still actively seeking jobs. Unemployment by duration is shown in Table D for the years since 1993.

**TABLE D**  
**THE DURATION OF UNEMPLOYMENT IN IRELAND 1993-98 ('000s)**  
 In '000s of people each Spring

YEAR	UNEMPLOYMENT TOTAL	OF WHICH LONG TERM UNEMPLOYMENT	U RATE %	LTU RATE %
1993	220.1	125.4	15.7	8.9
1994	211.0	128.2	14.7	9.0
1995	177.4	103.3	12.2	7.1
1996	179.0	103.3	11.9	6.9
1997	159.0	86.3	10.3	5.6
1998*	126.6	63.5	7.8	3.9

NOTES: U RATE = all unemployed as a % of the labour force

LTU RATE = long-term unemployed as % of the labour force.

\* Switch from LFS to QNHS database

SOURCE: QNHS, November 1998, CSO, Table 8

Total unemployment has declined from 220,100 in 1993 to 126,600 in 1998. Since 1994, the decline in long-term unemployment (LTU) has been faster than the fall in total unemployment. From its peak at 128,200 in 1994, LTU had been reduced by more than one-half, to 63,500, by 1998.

The rate of long-term unemployment rate in 1994, at 9.0%, was higher than the total 7.8% unemployment rate in 1998. By 1998, the long-term unemployment rate had been reduced to just 3.9% of the national labour force.

As a result, long-term unemployment's share in total unemployment has declined from 57.0% in 1993 to 50.2% of a much-smaller national total by 1998.



As emphasised earlier, the ILO definition of unemployment encompasses only those who are out of work and are actively seeking jobs. However, where long-term unemployment has been extensive for prolonged periods, many amongst the LTU may have given up the search for jobs. Once unemployed individuals cease active job searches, they are no longer classified as members of the labour force.

To gain a clearer picture of the composition of unemployment, Table E presents a more complete profile both of the unemployed and those marginally attached to the labour force over the past five years.

**TABLE E**  
**THE COMPOSITION OF IRISH UNEMPLOYMENT 1993 - 1998 ('000s)**

CATEGORY	1993	1994	1995	1996	1997	1998
Short Term U (up to 1 year)	94.7	82.8	74.1	75.7	72.7	63.1
Long Term U (over 1 year)	125.4	128.2	103.3	103.3	86.3	63.5
Total Unemployed	220.1	211.0	177.4	179.0	159.0	126.6
Discouraged Workers*	20.3	19.1	16.4	13.6	16.9	14.1
Passive Job Seekers*	11.9	10.6	11.1	6.6	8.3	5.6
Total Unemployed And Marginally Attached to the Labour Force	252.3	240.7	204.9	199.2	184.2	146.2

\* Classified as 'Marginally Attached to the Labour Force' and therefore as 'economically inactive'.

SOURCE: QNHS, November 1998, CSO, Tables 8 and 9.

This wider interpretation of unemployment shows that the numbers out of work but available for employment has fallen from over one-quarter of a million in 1993 to under 150,000 by 1998. Amongst those groups marginally attached to the labour force, the numbers of discouraged workers have fallen by 30% while passive jobseekers have declined by more than half over the past five years.

In summary, every component of unemployment - short-term, long-term, discouraged workers, passive jobseekers - has registered a significant decline over the past five years. Since the Spring of 1998, the national level of unemployment has fallen further, to 7.0% by January 1999. At this level, it stands well below the average rate of unemployment throughout the European Union, which remains in double digits.



## V. REGIONAL TRENDS IN EMPLOYMENT AND UNEMPLOYMENT

The regional pattern of employment and unemployment over the years 1996 through 1998 is shown in Table F.

**TABLE F**  
**REGIONAL PATTERNS OF EMPLOYMENT AND UNEMPLOYMENT 1996-98**

In '000s of people each April/Spring

REGION	LABOUR FORCE	EMPLOYMENT	UNEMPLOYMENT	UNEMPLOYMENT RATE %
<b>Border</b>				
1996	162.6	138.0	24.6	15.1
1997	160.2	141.2	18.9	11.8
1998	162.7	145.9	16.9	10.4
<b>Dublin</b>				
1996	473.4	415.1	58.3	12.3
1997	484.5	430.8	53.8	11.1
1998	520.0	482.6	37.4	7.2
<b>Mid East</b>				
1996	149.0	133.6	15.4	10.4
1997	155.8	142.7	13.1	8.4
1998	168.1	156.2	11.9	7.1
<b>Midland</b>				
1996	82.6	74.6	8.0	9.7
1997	85.5	77.4	8.1	9.5
1998	84.0	77.2	6.7	8.0
<b>Mid West</b>				
1996	125.0	113.8	11.2	9.0
1997	127.5	114.7	12.8	10.0
1998	138.5	129.0	9.5	6.9
<b>South East</b>				
1996	155.2	135.8	19.4	12.5
1997	157.4	139.6	17.9	11.3
1998	165.4	149.3	16.1	9.7
<b>South West</b>				
1996	220.0	194.1	26.0	11.8
1997	221.1	200.9	20.2	9.1
1998	232.8	214.5	18.3	7.9
<b>West</b>				
1996	139.6	123.6	16.0	11.5
1997	147.0	132.7	14.3	9.7
1998	149.7	139.9	9.8	6.6
<b>National</b>				
1996	1,507.5	1,328.5	179.0	11.9
1997	1,539.0	1,379.9	159.0	10.3
1998	1,621.1	1,494.5	126.6	7.8

**KEY TO REGIONS SHOWN IN TABLES F AND G:**

<b>Border</b>	Counties Cavan, Donegal, Leitrim, Louth, Monaghan and Sligo
<b>Dublin</b>	County Dublin, including Dun Laoghaire, Fingal and South Dublin
<b>Mid East</b>	Counties Kildare, Wicklow and Meath
<b>Midland</b>	Counties Laois, Offaly, Longford and Westmeath
<b>Mid West</b>	Counties Clare and Limerick; Tipperary North Riding
<b>South East</b>	Counties Carlow, Kilkenny, Waterford and Wexford; Tipperary South Riding
<b>South West</b>	Counties Cork and Kerry
<b>West</b>	Counties Galway, Mayo and Roscommon

As shown in Table F, between 1996 and 1998, the labour force and employment increased in every region while the numbers out of work also fell in all regions. However, the rates of change differed markedly between regions.

Between 1996 and 1998, the national unemployment rate declined from 11.9% of the labour force to 7.8%. In 1998, the lowest regional unemployment rate was in the West, at 6.6%, followed by the Mid-West (6.9%), the Mid-East (7.1%) and Dublin (7.2%). The highest unemployment rates in 1998 were in the Border region, at 10.4%, followed by the South-East at 9.7% and the Midlands, at 8.0%.

In terms of employment growth between 1996 and 1998, the best performance was reported by the Mid-East region. Employment in the Mid-East region advanced by 16.9% over the two years. Dublin posted the largest absolute rise in employment, adding 67,500 jobs to its *workforce* between 1996 and 1998, representing a jobs gain of 16.3%. Employment in the Mid-West increased by 13.4% and in the West by 13.2%. The weakest employment performances were reported by the Midland region, where the number of jobs rose by just 3.5%, and the Border region, where job gains were limited to 5.7%.

Table G ranks the regions by job gains. It also shows that the biggest percentage cuts in unemployment between 1996 and 1998 were effected in the West, Dublin and South West regions.

**TABLE G**  
**EMPLOYMENT GROWTH BY REGION 1996-98 (PERCENTAGE CHANGES)**

RANK	REGION	EMPLOYMENT %	UNEMPLOYMENT LEVEL	UNEMPLOYMENT RATE
1	Mid East	+16.9	-22.7	-3.3 points
2	Dublin	+16.3	-35.8	-5.1 points
3	Mid West	+13.4	-15.2	-2.1 points
4	West	+13.2	-38.8	-4.9 points
5	South West	+10.3	-29.6	-3.9 points
6	South East	+9.9	-17.0	-2.8 points
7	Border	+5.7	-31.3	-4.7 points
8	Midland	+3.5	-16.3	-1.7 points
	National	+7.5	-29.3	-4.1 points

SOURCE: Derived from Table F.

## VI. THE LINKS BETWEEN GNP GROWTH, JOBS AND UNEMPLOYMENT

The links between economic growth, employment expansion and changes in unemployment are shown in Table H for each of the years 1993 through 1998.

**TABLE H**  
**THE LINKS BETWEEN GROWTH, JOBS AND UNEMPLOYMENT 1993-98**  
 Percentage changes between the years

ITEM	1993/94 %	1994/95 %	1995/96 %	1996/97 %	1997/98 %
Real GNP	+7.8	+8.8	+6.9	+7.7	+8.5
Employment Expansion	+3.2	+5.0	+3.7	+3.7	+6.9
Change in ILO					
Unemployment	-4.1	-15.9	+0.9	-11.2	-20.4
Change in Live Register	-4.0	-1.6	+0.5	-8.9	-12.9

NOTES: Changes in economic growth and Live Register are for calendar years; changes in ILO employment and unemployment are for years to April. The change in the LR for 1997/98 is calculated as December 1998/December 1997.

SOURCES: Budget 1999, Budget 1998, Economic Review and Outlook 1997, Department of Finance; Quarterly National Household Survey, CSO, November 1998; Table 3.2 above.

Table H illustrates the extent to which sustained strong economic growth has translated into substantial rises in employment and continuing falls in unemployment. It also shows that both the surge in economic activity and the rapid rise in employment after 1993 were reflected more fully by the trend in ILO unemployment than by changes in the numbers on the Live Register.

## VII. FUTURE LABOUR MARKET TRENDS

In the year to Spring 1998, the total numbers at work increased from 1.380 million to 1.495 million. Allowing for changes in survey methodology, underlying employment rose by 95,000 or 6.9% between 1997 and 1998.

Despite the scale of national job gains over the past five years, employment is forecast to advance further in the years to 2001. The 1999 Budget forecasts for economic growth and employment expansion are presented in Table J.

**TABLE J**  
**OFFICIAL ECONOMIC FORECASTS FOR THE YEARS TO 2001**

YEAR	REAL GDP %	REAL GNP %	JOBS GROWTH* (000s)
1998	+9.5	+8.5	+65,000
1999	+6.7	+6.0	+45,000
2000	+6.4	+5.7	+35,000
2001	+5.8	+5.2	+27,000

\* Year to following Spring

SOURCE: Budget 1999, December 1998.

While economic growth is expected to slow somewhat from the peaks achieved in recent years, it is still forecast to remain well above the long-run historic trend. In concert, the pace of net employment expansion is forecast to moderate, though a further 172,000 jobs are expected to be added to the Irish workforce by the Spring of 2002.

The employment forecasts for the year to Spring 1999 have been supported by FAS. In its 'Labour Market Review', published in December, 1998, FAS anticipates that net additions to employment will amount to 65,000 in the twelve months to Spring, 1999. As a result, it expects a further fall of 20,000 in the level of unemployment.

Large annual additions to the numbers at work and continuing falls in unemployment are causing the labour market to tighten. Labour is becoming scarce. Such scarcity could threaten the sustainability of the Irish boom. If unrelieved, it would exert upward pressure on wages while acting as a deterrent to further inflows of foreign direct investment. Reintegrating the unemployed into the national workforce would relieve labour market pressures. Thus, reducing unemployment is not only a central goal of social policy, but a necessary element of economic policy for the future.



## SECTION ONE: INTRODUCTION: INTERNATIONAL APPROACHES TO THE MEASUREMENT OF UNEMPLOYMENT.

Virtually all countries in the world make some attempt to measure the level of unemployment on a regular and systematic basis. Essentially, there are three main approaches to the collection and presentation of unemployment information:

- the survey approach, which may generate unemployment data based on national definitions or on a set of agreed international definitions (the "ILO basis")
- counts of the numbers claiming unemployment-related income support
- counts of registrants with the Public Employment Service (ES).

A broad outline of these three approaches follows immediately below.

### 1.1 SURVEY MEASURES

Across most of the developed world, the principal method used to measure unemployment is by means of labour force surveys.<sup>1</sup> These use broadly comparable questionnaires, and follow agreed procedures (known as the "ILO definitions") for using the questionnaire returns to identify respondents as being employed, unemployed, or outside the labour force. Essentially, the ILO classification treats a person as unemployed where s/he *a) is not in work b) is available for work and c) has taken specific actions to seek work in the recent past.*

Some countries also use the surveys to generate parallel estimates of employment and unemployment based on long-standing national definitions (in Ireland's case, the Principal Economic Status or PES approach). However, use of the ILO definitions is now almost universal in international discussion and research on unemployment, and more and more countries are also adopting the ILO approach as their domestic "headline" unemployment measure. As discussed further below, official Irish figures also now follow the ILO approach. Distinctions between the ILO and PES approaches are discussed in more detail in a later section of this report.

Because these surveys measure employment as well as unemployment, they provide a basis for calculating the *unemployment rate* rather than simply reporting the absolute number of jobless people.<sup>iii</sup> The first Irish Labour Force Survey was in 1975, and there has been an annual LFS since 1983. Since mid-1997, the relevant data are being collected on a quarterly basis as part of the CSO's new Quarterly National Household Survey (QNHS).

<sup>1</sup> See Murphy and Walsh, p71

<sup>iii</sup> Using Murphy and Walsh's notation, if E = numbers employed and U = numbers unemployed, the unemployment rate is 100 times  $U/(E+U)$ .



There has been a general trend internationally to move from annual to quarterly surveys; in some countries, notably the USA and Sweden, a labour force survey is now carried out and published on a monthly basis.

A final point about labour force surveys is that they are carried out on a sample basis, interviewing only a section of the population, which has been carefully chosen to be representative of the population as a whole. Results are, however, usually "grossed-up", presenting estimates of the actual total numbers in the population who are employed and unemployed. The reliability of these estimates depends on:

- the size of the sample,
- how representative the sample really is, and
- the reliability of the underlying total population estimates.

Ireland is relatively well positioned on each of these, (see Section 2.1.1 below).

## 1.2 COUNTS OF CLAIMANTS FOR UNEMPLOYMENT PAYMENTS

Most countries have some form of insurance system, under which people who have a sufficient record of employment and have made financial contributions to the system can receive *unemployment benefit* for a specified period if they become unemployed. In addition, unemployed people who do not have entitlement to such benefits, or have exhausted their entitlement, are usually eligible to receive welfare payments under an *unemployment assistance* scheme. Some countries produce data at regular intervals on the numbers of people receiving such benefit or assistance. The Irish monthly Live Register figures are generated in this way.

Payment-based counts are rarely used in international comparisons. The principal reason is that they reflect wide differences between the systems of social protection in different countries. Duration of entitlement to unemployment benefit varies widely, for example. Moreover, not all countries have a general social assistance payment on which those who have exhausted unemployment can fall back (e.g. the USA). Where social assistance exists it may be severely limited (e.g. in France it is not payable to persons under 25 years unless they have had some work experience). Unemployment compensation may or may not be paid to part-time or casual workers for days not worked.

As a result of these differences, payment-based counts greatly exceed unemployment as measured in national surveys in some countries, and fall well below the survey measure in others.

### 1.3 REGISTRATION WITH THE EMPLOYMENT SERVICE

Most developed countries have some kind of *Public Employment Service* (ES) which acts as a broker in the jobs market, putting job seekers and potential employers in contact with each other.<sup>iv</sup> FÁS is the main body responsible for this function in Ireland.<sup>v</sup> The way the ES approaches its task varies widely across countries. In some cases an attempt is made to cover vacancies and job-seekers at all occupational levels, whereas elsewhere the focus is on semi-skilled and unskilled vacancies and on the unemployed to the exclusion of job-changers. Some public employment services systematically match all vacancies against registered job seekers, while others use a predominantly self-service approach (simply displaying details of notified vacancies in local offices). Use of the service may or may not be compulsory for both employers and for unemployed welfare recipients.

Data are usually available on the number of job seekers on the ES register. The quality and relevance of these data depends largely on which of the above approaches characterises the operation of the ES concerned. Data from this source are rarely used in international comparisons of unemployment.

### 1.4 SUMMARY

The principal ways of approaching the measurement of unemployment are by means of labour force surveys, counts of unemployment payment recipients, or counts of job seekers registered with the public employment service. In general, international experience has identified the survey approach as being the best of these and most countries now compile their unemployment data on this basis. The preferred definition of unemployment within these surveys is that based on the agreed ILO classification - i.e. a person is unemployed when s/he is not in work, is available for work, and is actively seeking work.

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<sup>iv</sup> It may or may not be integrated with the agency responsible for administering unemployment payments.  
<sup>v</sup> Job-broking services are also provided through the Local Employment Service (controlled by Area Partnerships) in some 17 partnership areas throughout the country. Specialist agencies (e.g. those dealing with people with disabilities) also engage in placement work.

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## SECTION TWO: MAIN IRISH INFORMATION SOURCES

### 2.1 LABOUR FORCE SURVEY/QUARTERLY NATIONAL HOUSEHOLD SURVEY

As already noted, the annual LFS carried out annually since 1983 was replaced, as and from mid 1997, by the new QNHS. What follows is a description of the main features of the QNHS — in terms of survey design, sampling approach, data analysis etc. Insofar as unemployment is concerned, the main elements of the approach are similar as between the two surveys. Where differences do exist, these will be noted at the relevant point in the text.

#### 2.1.1 SAMPLE DESIGN

The QNHS covers 39,000 households each quarter-year. This represents about 3.3% of all households in the State. These households are chosen as follows:

The State is first broken down into about 12,000 “blocks”, with the typical block containing 75 dwellings. These blocks are divided into eight strata, classified by population density (e.g. large urban area, small urban area, rural area etc.)

From this total a first-stage sample of 2,600 blocks is chosen. This sample of blocks is fixed for a five-year period. Sampling is carried out at county level, and is designed to give proportional representation to each of the population-density strata within each county.

Within each sample block, 15 households are surveyed each quarter, giving a total quarterly sample of 39,000 households, containing over 130,000 people.

In “grossing-up” to provide national estimates of the survey results, the sample returns are weighted to agree with independent national population estimates broken down by age, sex and region. These estimates have been compiled and published annually by CSO for some years, and are now being updated on a quarterly basis.

These procedures mean that the QNHS performs well on each of the data-reliability criteria identified in Section 1.1 above. The QNHS sample is large,<sup>vi</sup> and is selected on a random basis within each of a large number of “strata” as described above. Even with these advantages, reliable

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<sup>vi</sup> Typically, the sample for labour force surveys in other EU member states covers about 0.5% of households. The Irish sample, as noted in the text, contains 3.3% of all households

estimates of employment and unemployment are available only down to regional level. Below this (e.g. for counties or smaller areas), survey-type data are available only from the less-frequent Census of Population. Regarding the reliability of the estimates of the total population, Ireland is unusual and fortunate in that a full census is carried out every five years as opposed to the international norm of every ten years. This reduces the possibility of the population estimates for inter-censal years developing cumulative errors.<sup>vii</sup>

### 2.1.2 DATA COLLECTION

Information is collected continuously, with 3,000 households being surveyed each week throughout the quarter. All results are presented as relating to the typical situation of the population over the relevant quarter.

Households are asked to participate in the survey for five successive quarters, then replaced by other households in the same block. There is thus an overlap of 80% between the samples for consecutive quarters, and a 20% overlap between the same quarter in consecutive years.

Interviewers collect the information on laptop computers, using computer-assisted personal interview (CAPI) software. The main questions of relevance to labour force issues relate to:

- Whether the person worked in the week prior to the survey, together with questions on the nature of this work (employee/self-employed, hours worked, occupation, employer's business if an employee, etc.)

- Whether the person is looking for work, and has taken specific job-search actions in the preceding four weeks

- Whether the person is available to take up work within the next two weeks

- Whether the person, even if not seeking work, is interested in working.

In addition, respondents are asked one question on how they themselves would describe their "principal economic status" in the week prior to the survey.

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vii A frequent full census is particularly significant for Ireland, because migration (which is not generally subject to administrative regulation because it is intra-EU) has a major impact on population trends. This point was illustrated by the experience of the 1970s, when the 1976 census was cancelled. Although Labour Force surveys were carried out in 1975 and 1977, it transpired that the employment estimates they produced were seriously understated because the underlying population estimates were wrong. The availability of the 1979 census results indicated that the population, and employment, had been growing much more quickly, in the mid-1970s, than had been thought.



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### 2.1.3 DEFINING UNEMPLOYMENT IN THE QNHS

#### ILO definition

People are assigned to different “ILO” labour force categories based on their responses to the questions described in the preceding section.

*Persons in employment* are those who, in the preceding week, worked for one hour or more for payment or profit (including work on the family farm) and all persons who had a job but were absent due to illness or holiday.

*Unemployed persons* are those who, in the preceding week, were without work, were available for work, and had taken specific action, at some stage in the preceding four weeks, to look for work.

*Inactive persons* are all those who fall into neither of these categories.

The labour force (sometimes described as the “active population”) comprises persons employed plus unemployed. The *unemployment rate* is the number of unemployed, shown as a percentage of the labour force.

#### PES definition

The principal economic status question in the QNHS asks respondents to describe their “usual situation with regard to employment”. They must assign themselves to one of the following response categories:

At work

Unemployed after loss of a job or after a period out of the labour force

Unemployed (seeking first regular job)

Student

Engaged on home duties

Unable to work due to permanent disability or illness

Retired

Other

Again, the labour force comprises those employed and unemployed (i.e. the first three categories) and the remaining categories are the inactive population.



## Reasons for moving to ILO as main approach in published data

Employment and unemployment data from the LFS series that commenced in 1975 were generally presented on the PES basis. However the questions necessary for compiling ILO-type data have been included in the LFS questionnaire since 1983, and ILO results have been included, as supplementary information, in the published LFS results since 1988. From this year, coinciding with the move from LFS to QNHS, the ILO data have been given primacy in the published results. The changeover followed on from a recommendation by the National Economic and Social Forum. This change has been made for several reasons.

A strength of the ILO approach is that it builds up a profile of the entire adult population on the basis of factual questions about work, availability for work, and job-seeking activities. It therefore allows the production of more detailed additional information on each of the three main labour force categories. Thus, for example, among those in employment it is possible to identify full-time and part-time workers separately. Part-time workers, in turn, can be broken down into those who are under-employed (i.e. seeking full-time work or additional part-time hours) and those who are not. The unemployed can be broken down into those who are seeking full-time jobs and those who are only seeking, and available for, part-time employment. The ILO approach also provides information on the *duration* of unemployment. Finally, additional information is also provided on the inactive population, which can be used to give an indication of the *potential* supply of workers from outside the existing labour force. For example, it is possible to identify “discouraged workers” — those who say they want work but say they are not seeking it because they believe no jobs are available for someone with their skills. Equally, it is possible to identify people who say they want work, but are currently unavailable because they have to complete their studies or because they have family caring responsibilities.

The ILO definitions thus provide relatively sophisticated information on the full-time/part-time availability of those currently in the workforce, (both employed and unemployed) and on potential supply from people currently outside the workforce who might be available for work under certain conditions. This kind of information can be extremely important for economic planning purposes.

The strength of the PES data is their continuity, with a time-series available since 1975. The PES categories are also widely perceived as meaningful. However, a number of weaknesses in the PES approach have become apparent over time. One is the fact that the PES data are not readily comparable with employment and unemployment statistics from other countries. A second is that they are based on subjective self-classification by respondents, rather than on responses to factual questions as with the ILO data. Finally, the PES approach automatically consigns groups such as students, the retired, and housewives to “inactivity”. It therefore fails to capture the growing complexity of modern labour markets where many people, who would see their “principal” status as being in one of these groups, are available for or already engaged in part-time work.

The positive "refinement" impact on part-time employment is considered to have been greater than 20,000. The change is considered to have impacted negatively on reported full-time employment. Further analysis of the size of this impact will have to await QNHS data for subsequent quarters.

In the context of the present report, the most important point of note in this discussion is the CSO assessment that *the changes have not affected the estimates of actual numbers unemployed*. However, because the overall labour force estimate is affected, this has some small effect on the reported unemployment rate. This is given as 7.8% for Spring 1998 in the published QNHS, but would be 7.9% if the labour force were corrected for the CSO's estimate of the discontinuity in the measurement of the labour force.

## 2.1.5 COMPREHENSIVE PICTURE OF THE POPULATION

One important feature shared by the LFS and the QNHS is that they provided for the unique assignment of every individual in the sample (and through them the population they represent) to one or other of the labour force categories used in the survey. This is particularly clear in the ILO approach. Each respondent is unambiguously employed, unemployed or inactive, depending on the answers s/he provides to the questions on work, availability and job search.<sup>ix</sup> This may seem straightforward, but carries important advantages over data from administrative sources that cover only part of the population, such as the Live Register. The survey approach thus generates estimates of employment and unemployment that are internally consistent. This allows meaningful calculation of the unemployment rate, and of other important ratios such as the labour force participation rate. Because additional data on age, education, marital status etc. are also collected in respect of each respondent, these rates can be calculated for a wide variety of sub-groups of the population. The surveys therefore provide vital information on the *structure* of employment and unemployment. We know, for example, that the unemployment rate is particularly high among unqualified youth, but very low among middle-aged graduates. We can examine whether labour-force participation is lower among mothers of pre-school children than among whose children are all of school-going age.

A second strength of the survey approach is that it establishes clearly the situation of each respondent at a given moment in time — the data is collected instantaneously. Again, this has important advantages over data from administrative sources. In the latter, there can be significant lags between the actual occurrence of an event and its being recorded. People may be retained in an administrative count of, for example, claimants for unemployment benefits, for some time after their underlying situation has changed.

<sup>ix</sup> The PES approach is more ambiguous, as it refers to "principal" status rather than to the individual's situation at a particular time. Moreover it forces respondents to select one from a pre-set range of alternatives (e.g. a housewife who also works part-time must decide whether to classify herself as either "at work" or "engaged in home duties"). Two respondents whose objective situations were identical might classify themselves quite differently under this approach (as might the same individual at different times).

### 2.1.6 CONCLUSION

The LFS/QNHS series, particularly with the move to using the ILO definitions, produces meaningful estimates of underlying employment, unemployment and inactivity. These are consistent over time, as well as being internationally comparable. The former series based on the PES definitions, although no longer given primacy in the published results, continues to be produced and can provide useful supplementary information.

While some discontinuity is involved in the move from the LFS to QNHS, the impact is small and has no effect on the comparability of the estimates of the numbers unemployed over time. In addition, the move to the QNHS will improve the timeliness and frequency of the survey results.

## 2.2 THE LIVE REGISTER

Perhaps the single most important point that needs to be made about the Live Register is carried on the front page of all relevant CSO statistical releases:

*"The Live Register is not designed to measure unemployment."*

The reasons for this statement will become clear in the following description of the LR and its components.

### 2.2.1 UNDERLYING SOURCE AND METHODOLOGY

The Live Register is a monthly administrative count of three categories of persons who sign on regularly at offices of the Department of Social Community and Family Affairs (DSCFA):

those claiming Unemployment Benefit (UB), excluding persons working under systematic short-time arrangements introduced by their employer for economic reasons, who claim for only part of each week

those applying for Unemployment Assistance (UA) excluding small-holders and self-employed persons claiming on grounds of low income from their trade  
those who, while not having an entitlement to either of these payments, sign on for "credited contributions" or "Credits" which maintain the continuity of their social insurance contribution record for pension purposes.

Persons in the first two categories must sign a declaration that they are available for and genuinely seeking work. Those signing for credits are required to declare their availability for work, but the requirement to be genuinely seeking work was relaxed several years ago following an Ombudsman's ruling.<sup>x</sup>

### 2.2.2 CATEGORIES OF PERSONS INCLUDED IN THE LR WHO ARE NOT UNEMPLOYED.

There are a number of ways in which someone who is not unemployed, in the sense of the ILO definition, can be included in the Live Register. They include:

**Entitlement not yet decided.** These are applicants for one or other of the payments, whose claim is not yet decided, but who will eventually be disqualified because they do not meet the job-search or availability requirements. At any time, up to 10% of those on the LR are recent joiners awaiting a decision on their claim. Some of these are discovered not to meet the relevant criteria, and are not therefore unemployed.

**Part-time workers.** These are persons who are legitimately working in part-time casual jobs and receiving UA. The National Economic and Social Forum estimated their numbers at 30,000 in 1997. These people are not unemployed on the ILO definition

**Fraudulent or marginal claimants.** As noted above, new claimants must declare that they are not working, available for and seeking work when they first sign on. There is clearly a financial incentive to make this declaration even if it is untrue. (There is no similar incentive in responding to the LFS or QNHS). Technically, a claimant re-affirms this statement each time s/he signs on. Again, the incentive structure does not encourage an existing claimant to notify what may be temporary failure to meet the availability and search requirements.

**Delay in recording change of situation.** In any system of administrative records, there are inevitable time lags. In relation to the LR, lags can arise where a claimant leaves the register (e.g. on re-entering employment or on emigrating). Unless the person concerned notifies the authorities immediately, this change of status is unlikely to be recorded until s/he fails to sign on at the next appointed date. In the meantime, although no longer unemployed, the person will remain in the LR count. Given that outflows from the LR in 1998 have been running at over 6,500 each week on average, and that claimants now sign on only every four weeks, it is clear that this could lead to significant over-recording of the true number of live claimants. (Indeed the move in recent years away from weekly to monthly signing is likely to have led to an increase in such over-recording).

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<sup>x</sup> National Economic and Social Forum, *Report No. 13: Unemployment Statistics*, May 1997.



**Credits.** Given the relaxation of the job-search rule for those claiming credits, it is likely that a significant proportion of this group would not now be classified as unemployed under the international definitions.

### 2.2.3 ESTIMATE OF NUMBERS INVOLVED IN THESE CATEGORIES.

Administrative records themselves can provide little guidance on the size of these groups. Part-time worker claimants, of course, can be identified, as evidenced by the NESF estimate quoted above (although there are no regular published data showing changes in their number over time). However, it is impossible to determine what proportion of those on credits, or those awaiting determination of their entitlement, currently fail to meet the job-search and availability criteria for unemployment. Statistics on currently open fraudulent claims are by definition unavailable, since fraud continues only if undetected by the authorities.

A once-off study carried out by the CSO in 1996<sup>xi</sup> did however produce an estimate of the overall numbers on the LR who do not meet the standard unemployment criteria. This involved the inclusion, in the annual LFS for that year, of a sample of those on the LR at the relevant time. These people's responses to the LFS questionnaire were specially tabulated and reported on separately in the September 1996 report. The results are set out in Table 1 overleaf, with data on the overall population of working age shown for comparison.

According to the study, slightly fewer than 50% of those on the LR at that time actually met the ILO unemployment criteria. Just over 20% were working, and half of these were working full-time. The remaining 29% were "inactive". A minority of this last group had a marginal labour force attachment (mainly "discouraged workers"), but the majority had not even a marginal attachment.

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<sup>xi</sup> *Unemployment Statistics: Study of the Differences between the Labour Force Survey (LFS) Estimates of Unemployment and the Live Register.* CSO, September 1996.



TABLE 1: ILO STATUS OF THE WORKING-AGE POPULATION, 1996

		All persons aged 15-64		Those on LR	
		('000)	(%)	('000)	(%)
Working	Total	1295.5	55.1%	60.0	21.4%
	Full-time	1147.6	48.8%	32.0	11.4%
	Part-time not underemployed	124.4	5.3%	20.5	7.3%
	Part-time underemployed	23.5	1.0%	7.5	2.7%
Unemployed	Total	177.3	7.5%	138.7	49.5%
	-seeking Full-time	150.0	6.4%	#NA	#NA
	-seeking Part-time	27.5	1.2%	#NA	#NA
Labour force		1472.8	62.6%	198.7	71.0%
Inactive	Total	879.7	37.4%	81.3	29.0%
	Marginally attached to labour	19.3	0.8%	12.6	4.5%
	Not attached	860.4	36.6%	68.7	24.5%
Total population		2352.8	100.0%	280.0	100.0%

Source: For all persons, *Labour Force Survey 1996*, Table 28.

For Live Registrants, *Monthly Live Register Statement* April 1996; registrants are distributed across categories based on the sample results in the September 1996 report.

The table gives some indication of the numbers in at least some of the non-unemployed categories on the LR, identified at 2.2.2 above. The number of Live Registrants reported as working part-time, for example, accords reasonably closely with the NESF estimate of this group based on administrative sources. Equally, the full CSO report noted that about a quarter of those shown as working full-time (or about 3% of the LR overall) had only entered employment in the last month. These are probably cases where there has been an administrative delay in recording their change of status.

However, there was a further number of full-time workers (8% of the LR) who had been in their jobs for over one month. In addition, only part of the number reported as being "unattached to the labour force" can be accounted for by those signing for credits. About three-quarters of this inactive group (accounting for almost 20% of the LR overall) indicated *that they were neither looking for nor wanted work*. The size of these "unaccounted-for" groups suggests that, by 1996, there was a substantial body of people on the LR who were failing to meet the stated requirements for receipt of unemployment payments.

## 2.2.4 UNEMPLOYED PERSONS NOT INCLUDED IN THE LR.

For many years prior to the recent tightening of the labour market, public comment tended to concentrate not so much on those on the LR who were not strictly unemployed but rather on the possible numbers of "real" unemployed who were *not* included. The table also sheds some light on this issue. The 1996 LFS identified 177,000 people as unemployed on the ILO definitions. Of these, 27,000 were seeking part-time work only, and would not therefore be eligible for unemployment payments.<sup>xii</sup> Unemployed persons seeking full-time work numbered 150,000, and the results of the special report indicate that 139,000 of these were actually included in the LR. Although exact figures are unavailable, it is likely that three groups account for the bulk of this difference:

Several thousand of the ILO unemployed are aged under 18 years and would not therefore be eligible for unemployment payments<sup>xiii</sup>

The ILO figure would include persons on FÁS and other short-term training courses for unemployed people, if they met the availability and job search conditions. However, these people receive FÁS training allowances rather than unemployment payments, and are thus not included in the LR.<sup>xiv</sup>

DSCFA provides a payment known as the Pre-retirement Allowance, separate from Unemployment Benefit and Assistance, to almost 12,000 workers approaching retirement age who have been unemployed for some time. The stated job-search requirements for this payment are less strict than for UA and UB, and recipients are not included in the LR. It is however probable that at least some of those involved continue to meet the ILO criteria and would therefore be identified as unemployed in the LFS.

On balance, therefore, it appears that there were few if any fully unemployed persons aged over 18 years in 1996 who were not in fact included in the LR at that time.

## 2.2.5 LACK OF COMPARABILITY OVER TIME.

The foregoing discussion sheds light on the weaknesses of the LR as a measure of the *level* of unemployment at a particular time. But a measure which is inaccurate in this way could nonetheless be useful as a *trend* indicator provided that it met certain conditions:

The measure itself would need to be compiled consistently over time (so that it was fairly comparable between time-periods)

xii Most of this group were housewives or full-time students.

xiii There were about 16,000 persons aged under 20 unemployed in the 1996 LFS. While no further break-down is published, perhaps one-third of these would have been aged under 18 years.

xiv The number of participants on relevant FÁS courses in April 1996 was approximately 12,000. The number of these who were recorded as unemployed on the ILO definition in the 1996 LFS is not known.

It would also need to show a consistent relationship, over time, with the variable it was being used to track (in this case, underlying unemployment)

Unfortunately, the LR does not meet these conditions. As discussed in Section 3, the regime of social welfare payments that underlies the LR has been subject to a large number of changes over the years. Many of these have had a significant effect on the numbers and categories of people who are included in the LR count.

For example, it is noted above that current evidence suggests that the vast majority of unemployed people are now included in the LR. But this was not always the case — the review of past trends in Section 3 indicates that large numbers of such people were excluded from the LR up to the early 1980s. Some of the changes over time can be allowed for, but many cannot.

Nor is this a problem which arises only over the long term; the trend in the LR has failed to track trends in underlying unemployment even over relatively short periods. This is illustrated by the recent experience of the CSO in using the LR as a trend indicator over the months between successive annual Labour Force Surveys. Each month, the LR statement contains, apart from the raw LR figures, a table showing the "Standardised Unemployment Rate" (SUR). The SUR for the current month is calculated by taking the underlying (ILO) rate of unemployment from the most recent available LFS, and assuming that, since the survey, underlying unemployment has moved in line with the trend in the LR. However, this estimation system has not performed well in recent years. For example, using the (known) LFS unemployment rate of 10.3% in April 1997 and the LR trend in the subsequent twelve months, the CSO estimated the SUR for April 1998 at 9.4%. In fact, the results of the Spring 1998 QNHS indicate that unemployment had actually fallen to 7.8% by that date.

## 2.2.6 CONCLUSION

The discussion in this section lends overwhelming support to the CSO view quoted at the outset. The Live Register statistics provide neither an accurate measure of the current *level* of unemployment nor a reliable indicator of the *trend* in unemployment over time. The high profile these statistics achieve, mainly due to their frequency of publication, makes little contribution to public and political debate on the issues surrounding unemployment; indeed it lends confusion to that debate. It is to be hoped that this profile will recede as more regular survey-based unemployment data become available from the ongoing QNHS.

To say that the LR is an unreliable *statistical* source is not to deny that information generated through the social welfare system is entirely without worth. One important feature of the register is that it is made up of individuals who are identifiable by the public authorities and come into regular contact with those authorities. This is clearly not the case with data from surveys, based as they are on samples and subject to confidentiality. The register, which is increasingly

computerised, can thus be used to target policy interventions and supports directly at known individuals. And, while it clearly includes many additional people who are not unemployed, the discussion above indicates that the LR also now contains the vast majority of those who are in fact unemployed. It should therefore be possible, having used survey data to identify *groups* or *categories* of unemployed people encountering severe labour-market problems, to use the LR as an operational means of targeting assistance on *individuals* within those groups or categories. There may also be a sound public policy case for directing interventions at some individuals among the non-unemployed on the LR (e.g. the inactive, part-time workers), particularly at a time when labour supply is emerging as a potential constraint on economic growth. These potential uses of the underlying information in the LR will be addressed further in the overall conclusions and recommendations of this report.

## 2.3 JOB SEEKERS REGISTERING WITH FÁS

### 2.3.1 FÁS' APPROACH TO THE JOB-BROKING FUNCTION

As noted in Section 1, public employment services in different countries range across a spectrum in terms of how they approach their job-broking function. They vary in terms of:

- Occupational coverage of vacancies

- Degree of integration with the benefit system,

- Whether they concentrate solely on benefit recipients among the unemployed, or also try to serve other groups such as job-changers

- Whether they try to fill vacancies primarily by matching against their existing register of job-seekers, or by the "self-service" approach.

Against these criteria, the main features of the current operations of the FÁS Employment Service can be summarised as follows:

**Coverage:** Although there is no specific policy on the issue, the activities of the FÁS ES tend to be *de facto* concentrated at the lower-to-middle end of the employment market. Up to the end of November 1998, approximately 61,500 vacancies were notified to the ES. Of these, 4% were professional and managerial, 17% were secretarial/clerical, 20% were skilled manual, and 58% were semi-skilled and unskilled manual.

**Integration with the benefit system.** Unlike the situation in the UK, for example, the FÁS ES has no involvement in the administration and payment of unemployment benefit or assistance. Nor, in general, is registration with FÁS a condition for receipt of unemployment payments. However, practical integration of systems between FÁS and the Department of Social Community and Family Affairs (DSCFA) has developed significantly in recent years, particularly through sharing of computerised data. The FÁS/DSCFA relationship is now entering a further phase of development under the National Employment Action Plan (see below).



**Concentration on benefit recipients?** The policy of providing placement facilities for *all* job-seekers, whether unemployed, outside the labour force or in employment but seeking to change job, was a feature of the original National Manpower Service of the Department of Labour from its inception three decades ago. This reflected the perceived role of the NMS, at that time, as being critical to mobilising labour supply to meet the needs of new foreign industry, particularly in areas of the country where industrial development was a new phenomenon. It was also seen as desirable to make the service available to people who were in insecure or otherwise unsuitable jobs and wished to improve their lot.

While the practical focus of day-to-day activities on these different categories has inevitably shifted as unemployment rose and fell, this policy of servicing all job seekers has remained in force up to and including the absorption of the NMS into FÁS.

**Matching versus self-service.** Until the recent past, few of the vacancies notified to FÁS were matched against the job-seeker register — the vast majority was advertised in FÁS offices under the "self-service" system. This practice resulted in part from extremely stretched resources; apart from its placement responsibilities, the ES was also charged with the management of Community Employment, a temporary employment programme with 40,000 participants at any given time. Recent internal re-organisation within FÁS has released additional staff resources for pure placement work, and an increasing proportion of vacancies will be subject to a matching process in future.

### 2.3.2 IMPLICATIONS FOR FÁS JOB SEEKERS REGISTER

These underlying features of FÁS relationship with job seekers mean that the ES register of job seekers has limited use as a *statistical* source on unemployment.

First, since registration with the ES is voluntary even for benefit recipients, the limited occupational coverage of FÁS vacancies limits the incentive for significant groups of job seekers to register.

Second, because of the policy of providing a full service to all job seekers, before deleting a client from its register, FÁS must know not only that s/he has found a job (or a place in training or education), but also that s/he is satisfied with this job and does not wish to continue seeking alternative opportunities. FÁS is slow to delete a client from its register *unless a clear indication has been received that the client is no longer seeking FÁS service.*<sup>xv</sup> In the absence of such a client instruction, current practice is to delete clients automatically from the register only if they

<sup>xv</sup> In practice, few clients provide such an indication, or even inform FÁS when they have found a job or otherwise changed their status.



have had no contact with the ES over a period of six months  
and  
are known not to be on the DSCFA LR.

Inevitably, therefore, much of the information on *current* employment status of FÁS clients is out of date.

The first of these factors would tend to depress the FÁS register while the second would tend to inflate it, as compared with any measure of underlying unemployment. In practice, the second effect appears greater, and the numbers registered with FÁS are in fact much greater than either the LR or the numbers of unemployed as identified by surveys. At the end of November 1998, for example, the number of people who have registered with FÁS and are currently reported as “active” was 285,000.<sup>xvi</sup> The database contains a wealth of labour-market relevant information on these individuals — age, education, work history, preferred occupation, willingness to take up work on a shift or part-time basis, etc.

### 2.3.3. RELATIONSHIP BETWEEN THE FÁS REGISTER AND THE LR

As part of the developing relationship between the two organisations, each week FÁS receives from DSCFA a computer file containing limited details of individuals who are on the LR. The intention is that people on the LR, even where they have not registered with FÁS, can be matched against, and informed of, opportunities arising on programmes such as Community Employment which are specifically targeted at those on the LR. The file does not cover the complete LR. It excludes those Live Registrants who are casual or part-time workers. It also relates only to registrants at DSCFA offices that are computerised (although the number excluded in this way is now small and continues to decline). At end-November, the number of people on the file was just under 177,000, out of a total LR of 207,000 at that date. The existence of this file allows some cross-comparison between the FÁS active register and the LR.

From a Live Register perspective, this comparison indicates that 93,000 (53%) of the 177,000 people on the selective LR file are also registered fully with FÁS.

From the perspective of the FÁS register of 285,000:

93,000 (33%) are also on the LR file

104,000 (36%) have been on the LR file at some stage but are no longer on it

the remaining 88,000 (31%) are not recorded as ever having been on the LR file.<sup>xvii</sup>

<sup>xvi</sup> This compares with the November 1998 LR figure of 207,000 and the most recent QNHS figure (Spring 1998) of 127,000.

<sup>xvii</sup> A proportion of this last group may be signing on, or have signed on the LR at some stage, but in one of the categories excluded from the file supplied to FÁS — i.e. as part-time workers or at non-computerised DSCFA offices.

### 2.3.4 CONCLUSION

Clearly, the FÁS register as currently constituted does not provide a reliable indicator of underlying unemployment. Experience from other countries suggests that this is a widespread feature of data on the activities of employment services with a brief similar to FÁS.

Again, however, as in the case of the LR, this does not mean that the FÁS register contains no information of use for public policy purposes. As with the LR, the FÁS register contains data on identifiable individuals at whom intervention and support could be targeted. Indeed the information is much more extensive than that typically available to DSCFA (in terms of the individual's past education and training, employment history and on-the-job experience, type of work preferred, etc.) The critical current weakness of the FÁS register, when considered in these terms, is the doubt about the reliability of the information on the current status of many of the individuals contained in the register. A number of factors, however, suggest that this situation will improve over time:

Increasing resources in the ES are leading to an increase in the use of matching against the register when filling vacancies. This of itself involves more FÁS-initiated contact with clients, leading to more regular up-dating of FÁS information on their current job seeking status. It also increases the incentive for FÁS to contact clients for the sole purpose of establishing their current position, as this will reduce the number of unproductive contacts which have to be made during the matching process.

The process of more systematic FÁS contact with persons receiving DSCFA unemployment payments under the National Employment Action Plan will lead to greatly increased FÁS coverage of this group.

This second point is important. Currently, as noted above, FÁS has full registration details on approximately 53% of DSCFA claimants, but this proportion is likely to rise substantially as a result of the Action Plan. Given the greater level of detail in the labour-market relevant information collected through the FÁS registration process, this will further enhance the potential of the LR itself as a mechanism for targeting intervention and support.

## 2.4. CONCLUSION ON AVAILABLE IRISH INFORMATION SOURCES

### 2.4.1 PREFERRED MEASURE OF UNEMPLOYMENT

It seems clear from this review of the alternatives that a survey-based measure, based on the ILO definitions, is the best available indicator of the level of and trend in unemployment. It provides data which are consistent over time, and which can be compared across countries. Surveys can be used to establish important structural aspects of both unemployment and employment — thus helping to identify the groups in the population who most require labour-market assistance. The surveys also identify the extent of *potential* labour supply from people who are currently outside the labour force.

In the light of this, the decision, commencing with the first publication of the QNHS, to present the ILO data as the primary measure of unemployment, seems entirely appropriate. It is also welcome that the QNHS publication includes summary measures of potential labour supply, which include discouraged workers and others on the margins of the labour force in addition to the ILO unemployed.

#### 2.4.2 POTENTIAL USE OF OTHER INFORMATION SOURCES

This review confirms the unreliability of the LR and of the FÁS register as indicators of the level and trend of unemployment. However, it has indicated the potential strength of these databases as mechanisms for targeting assistance and support on *individuals* within the priority groups identified under the survey approach. Some of this potential is now being exploited under the National Employment Action Plan; further measures in this direction will be proposed in the final section of this report.

#### 2.4.3 IDENTIFYING FALSE CLAIMS

Clearly, the LFS/QNHS survey data have the potential to provide broad estimates of the extent of dubious claims in the in the system of social welfare payments for unemployed people. However, as the CSO report of September 1996 showed, this potential could only be exploited when a specific identifiable sub-sample of persons known to be on the LR is included in the sample for the LFS. Even then, as shown at 2.2.3 above, true comparison between a survey, based on the situation of individuals at a particular point in time, and an administrative count based on the accumulation of records over a long period, remains difficult.

In this sense, it would be unwise to suggest regular use of the survey approach as a means of trying to identify the scale and nature of possible welfare fraud. Establishing the presence of fraud is a semi-judicial process in which rules of evidence apply and where individual claimants have the right of appeal. No survey, even if individual respondents were identifiable, could meet these tests. In actual fact, the whole basis on which labour force surveys are carried out is that the individual responses remain confidential, and this confidentiality has been shown, in international experience, to be critical to public co-operation and the reliability of the survey results.

Rather, the approach to improving control of fraud and dubious claims should be rooted in a detailed examination of the current administration and control systems. Which elements of the current approach (e.g. frequency of signing, requiring of evidence of job search, etc.) seem most likely to ensure compliance with the conditions for receipt of unemployment payments? How does the approach to these elements differ from that in other countries, and what is the effect of these differences? These issues will be discussed further in the final section of the report.



## SECTION 3: THE COMPOSITION OF THE LIVE REGISTER: ITS DEFICIENCIES AS A MEASURE OF UNEMPLOYMENT

In Section 2.2, it was emphasised that the Live Register is neither a useful indicator of the absolute level of unemployment in Ireland nor of short-run trends in unemployment. As noted in Section 2.2.5, the continuing and pervasive use of the LR as a measure of unemployment by the media, pressure groups and politicians confuses rather than clarifies the substantive debate on unemployment. For these reasons, the composition of the LR, its trend over time and its growing deviations from more accurate measures of unemployment are examined extensively in this section.

### 3.1. THE LIVE REGISTER AS A COUNT OF CLAIMANTS

The Live Register does not measure, nor does it purport to measure, the absolute level of Irish unemployment. As the Central Statistics Office restated in its written submission to the Committee on Public Accounts:-

*"The CSO has always emphasised that the Live Register does not provide a measure of the absolute level of unemployment. On the one hand, some persons who are clearly unemployed may not be included on the Live Register because they do not comply with the statutory and administrative regulations (e.g. contribution requirements, income level) for receipt of Unemployment Assistance or Unemployment Benefit. On the other hand, there are persons qualifying under the regulations (and therefore counted on the Register) who are employed. Examples include part-time (working up to 3 days per week), seasonal and casual workers" (17).*

This view was reiterated in evidence given to the Committee on Public Accounts by the Director-General and the Director of Demographic and Social Statistics of the Central Statistics Office in June, 1998 (18).

The Live Register is an administrative count of unemployment benefit claimants and applicants for credited contributions. It comprises a monthly enumeration of benefit claimants and applicants for benefits and credits under three headings:-

- i) All claimants for Unemployment Benefit (UB) excluding systematic short-time workers;
- ii) Applicants for Unemployment Assistance (UA) excluding smallholders and self-employed persons;
- iii) Others, including applicants for credited Social Welfare contributions, but excluding those involved in industrial disputes.

The numbers in each of the three categories at December 1997 are shown in Table 3.1.

(17) Note to Public Accounts Committee, Central Statistics Office, May 1998, page 6.

(18) Committee on Public Accounts, Vote No 5: Central Statistics Office, June 4 1998, especially pps 11-17.

**TABLE 3.1.**  
**COMPOSITION OF LIVE REGISTER AT DECEMBER 1997**

CATEGORY	NUMBER	% OF TOTAL
<b>Unemployment Benefit Current Claims</b>		
Male	33,009	13.3
Female	36,992	14.9
<b>Total UB</b>	<b>70,001</b>	<b>28.3</b>
<b>Unemployment Assistance Current Applications</b>		
Male	114,192	46.1
Female	45,633	18.4
<b>Total UA</b>	<b>159,825</b>	<b>64.5</b>
<b>Others on the Live Register</b>		
Male	3,779	1.5
Female	14,125	5.7
<b>Total Others</b>	<b>17,904</b>	<b>7.2</b>
<b>TOTAL LIVE REGISTER</b>	<b>247,730</b>	<b>100.0</b>

SOURCE: Statistical Bulletin, March 1998, page 196.

Unemployment Benefit (UB) is an entitlement based on prior social insurance contributions. Continuous eligibility spans 15 months. For the year from 27 May 1998, the personal UB rate is £70.50 per week <sup>(19)</sup>. A further weekly payment of £41.20 is made in respect of a qualified adult dependant where that dependant is earning less than £60 per week <sup>(20)</sup>. Further, a weekly payment of £13.20 is made for each dependant child where the unemployed spouse's earnings remain below £60 per week.

Unemployment Assistance (UA) is means-tested. The maximum short-term personal UA rate amounts to £68.40 per week. The long-term rate, which applies after 390 days, amounts to £70.50. Again, where the applicant's spouse is earning less than £60 weekly, a weekly adult dependant allowance of £41.20 is payable. Where the maximum personal rate of UA is paid, child dependant allowances of £13.20 may be payable for each child where spouses are earning less than £60 per week. Unlike many other countries, access to UA is open-ended in terms of duration, once applicants continue to satisfy the means test requirements.

The vast majority of the 'Other' category on the LR are persons, mainly women, signing on for credited social welfare contributions.

<sup>(19)</sup> 'Social Welfare Rates of Payment 1998/99', DSCFA, 1998, pps 9, 27.

<sup>(20)</sup> An escalating 'clawback' operates where spouses' incomes range between £60 and £90 per week. Above £90 per week, entitlement to the dependant allowance ceases.



Thus, of the 231,327 on the Live Register at April 1998, some 38,000 were either part-time workers or were signing on for credits. At that date, the number of part-time workers on the Register was estimated at 22,000 while those signing for credits were estimated at 16,000. <sup>(21)</sup>

### **3.2. YOUNG PEOPLE ON THE LIVE REGISTER**

Of the 247,730 people on the Register at December 1997, shown in Table 3.1, some 53,035 or 21.4% were aged under 25. Amongst the under 25s on the Register at that date, 30,399 (57.3%) were men and 22,636 (42.7%) were women.

Young people gain eligibility for Unemployment Benefit on having paid 39 PRSI contributions from the time of entry to the workforce and a further 39 contributions in the governing year. Young people must have attained the age of 16 years before they can make PRSI contributions.

Those applying for Unemployment Assistance must be at least 18 years of age. Unemployment Assistance is means-tested. In the case of unemployed 18 year olds living at home, eligibility for UA is governed by 'benefit and privilege' rules. The value of board and lodgings provided by parents to a claimant was capped at 17% of net parental income in 1995. Net parental income is calculated as gross income less income tax, PRSI, health and VHI contributions, union dues, expenses incurred travelling to and from work and rent and mortgage payments in respect of children.

At present levels of UA (£68.40 a week), where net parental income, calculated as above, is £400 a week or less, then children aged 18 and over would meet the means test criterion for an Unemployment Assistance payment. Amongst this group, all of those deemed eligible for UA on meeting the statutory conditions are now entitled to a minimum weekly payment of £25 a week.

Thus, on reaching 18, young people residing at home, where gross parental income could be approaching £30,000 a year, would meet the means test criterion for a minimum weekly UA payment of £25. Assuming other UA eligibility conditions are met, and UA payments commence, there is no requirement for such young people to register initially with the FAS employment/placement service.

### **3.3. THE MECHANICS OF THE LIVE REGISTER**

Registration and payments are administered through 58 local Department of Social Community and Family Affairs (DSCFA) offices and 80 branch employment offices arrayed across the country.

Standard control procedures are used to ensure that a client meets and continues to meet the conditions of being unemployed, available for and genuinely seeking work. These include:-

- i) measures to verify the identities and addresses of new claimants;

(21) 'Note to Public Accounts Committee', CSO, 1998, p8.

- ii) at the registration stage, claimants are made aware of the conditions of benefit receipt, the need to fulfil eligibility on a continuing basis and the consequences of making false declarations. The means of new UA claimants are assessed either by desk interview or home visit. Decisions on applications for benefit are made by Deciding Officers, who assess whether new claimants fulfil the statutory conditions.
- iii) at the payments stage, identity checks are made using the social services card and the verification of claimants' signatures. Benefit claimants are no longer required to 'sign on' the Live Register on a weekly basis. While signing frequency is at the discretion of the local office, it has become general practice for claimants to sign on once every four weeks.<sup>(22)</sup>

The benefit payments system is now operated by An Post. Payments are disbursed principally through local post offices. In late 1998, provision was made for new UB claims to be paid directly into claimants' bank accounts.

The declaration of unemployment signed by registrants is shown as Appendix A3.1. It states:-

*"I hereby declare...that, since my previous declaration of unemployment, I was unemployed, capable of, and available for and genuinely seeking, but unable to obtain suitable employment"*.

Existing claims are examined on an ongoing basis by the External Control Unit (ECU) in local offices to ensure that claimants are available for work and seeking employment on a continuing basis. The ECU may interview clients at local offices, at signing centres or at home.

The Special Investigation Unit (SIU) investigates clients where fraud or abuse is suspected. Special investigations may be targeted on specific industries, occupational groups or geographic locations.

The strategic approach to control adopted by DSCFA consists of three strands<sup>(23)</sup>:-

- "-prevention - procedures to prevent incorrect payments fraud and abuse;
- detection - procedures to detect fraud at an early stage and to target areas of greatest risk; and
- deterrence - procedures to ensure that claimants and the broader public are aware of the risks and penalties".

<sup>(22)</sup> 'Signing Arrangements', DSCFA Circular, 21/4/1998.

<sup>(23)</sup> 'Note for Information on Fraud/Abuse of Live Register Payments', DSCFA, 1998.

### 3.4. DEFICIENCIES IN THE LR AS A MEASURE OF UNEMPLOYMENT

The deficiencies of the Live Register as a barometer of unemployment have been spelled out clearly by Professor Brendan Walsh and Mr Anthony Murphy of UCD <sup>(24)</sup>:-

*"It is generally recognised that the LR numbers are strongly influenced by administrative considerations and consequently they are a poor indicator of the level and trend of unemployment... The following is a summary of the shortcomings of the LR from this viewpoint:-*

*" Although those claiming UA and UB are required to make a declaration affirming their availability for, and interest in, employment, the LR is not designed to measure unemployment in the sense of the numbers actually seeking employment and available for work. It provides no direct information on individuals' interest in, and availability for, employment, and no information on job search.*

*" It is difficult to construct a consistent time series from the LR returns for past years. Eligibility for UB and UA and the coverage of the LR have been affected by thirty administrative changes since 1970.... Numerous categories of individuals have been affected, including those in the older age groups, women, short-time workers, farmers and the self-employed.*

*" Due to the differences in social insurance schemes between countries, the LR cannot be used for international comparisons.*

*" There is a large and growing discrepancy between the LR total and the level of unemployment shown in LFS (Labour Force Survey) returns..."*

*" Recent research undertaken by the CSO has demonstrated major anomalies in the LR data. The following is the distribution by ILO (International Labour Office) labour force status of a sample of 1,496 individuals who were on the LR and traced for interview at the time of the 1996 LFS (weighted results):*

<i>Employed (full- or part-time)</i>	<i>21.4%</i>
<i>Unemployed</i>	<i>49.5%</i>
<i>Economically inactive</i>	<i>29.1%"</i>

In short, the numbers on the Live Register are determined not only by the state of the labour market, but by the administrative conditions governing registration and the efficiency of control systems. All have played a role in determining the actual numbers on the Live Register.

<sup>(24)</sup> 'Aspects of Employment and Unemployment in Ireland', Anthony Murphy and Brendan Walsh, Department of Economics, UCD, Appendix in 'Unemployment Statistics', Forum Report No 13, NESF, May 1997, page 77.

### 3.5. LONG-RUN TRENDS IN THE LIVE REGISTER

In the first instance, the Live Register has, over time, effectively developed an existence independent of current economic conditions. This can be seen by examining the long-run trend in the Live Register shown in Table 3.2 and assessing it against prevailing economic conditions.

**TABLE 3.2**  
**LONG-RUN TRENDS IN LIVE REGISTER (LR) UNEMPLOYMENT**  
Annual averages in '000s of people, except as specified

YEAR	LR CLAIMANTS
1979	89.6
1980	101.5
1981	127.9
1982	156.6
1983	192.7
1984	214.2
1985	230.6
1986	236.4
1987	247.3
1988	241.4
1989	231.6
1990	224.7
1991	253.9
1992	283.1
1993	294.3
1994	282.4
1995	277.8
1996	279.2
1997	254.4
1998*	231.3
1998**	215.8

\*April 1998; \*\* Latest Figure: December 1998

SOURCE: Live Register, Central Statistics Office.



As Table 3.2 shows, the average annual numbers on the Live Register passed 100,000 for the first time in 1980 and 200,000 in 1984. The very steep rise in the numbers on the Live Register through the first half of the 1980s at least coincided with a sharp and perceptible deterioration in Irish economic conditions.

Economic activity began to pick up from 1987 and at an accelerating pace from 1993 onwards. Initially, higher activity levels were slow to be reflected in the labour market. But from 1993, employment levels and ILO unemployment mirrored the pick-up in activity. The LR, however, manifestly failed to reflect these trends.

### 3.6. THE LIVE REGISTER AND ILO UNEMPLOYMENT COMPARED

Trends in the labour force, employment and unemployment as captured in labour force surveys (ILO basis) are shown in Table 3.3.

**TABLE 3.3**  
**THE LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT (ILO BASIS)**  
In '000s of persons each Spring

YEAR	LABOUR FORCE	EMPLOYMENT	UNEMPLOYMENT
1987	1,337	1,111	226
1988	1,328	1,111	217
1989	1,308	1,111	197
1990	1,332	1,160	172
1991	1,354	1,156	198
1992	1,372	1,165	207
1993	1,403	1,183	220
1994	1,432	1,221	211
1995	1,459	1,282	177
1996	1,508	1,329	179
1997	1,539	1,380	159
1998*	1,621	1,495	127
<b>CHANGE</b> 1987-98	+21.2%	+34.6%	-43.8%

NB: Figures may not add to exact totals due to rounding.

\* Quarterly National Household Survey (QNHS) result for March-May 1998. Change in survey methodology is estimated to have added 20,000 to employment levels and the size of the labour force. Adjusting for this, the increase in the numbers at work since 1987 is 364,000 or 32.8%.

SOURCES: Tabulations from 1997 Labour Force Survey, CSO; Quarterly National Household Survey First and Second Quarters 1998, CSO, November 1998, Tables 8, 13.



As can be seen from Table 3.3, on a survey basis, between 1987 and 1998, the labour force has risen by one-fifth and the total numbers at work by one-third. Most importantly, on an ILO basis, unemployment has declined by almost 100,000 or by well over two-fifths.

These changes are simply not reflected in the Live Register, shown in Table 3.2. As can be seen, the Live Register average annual total for 1997 was 7,000 higher than it had been in 1987.

Put another way, those depending solely on the LR to inform their view of unemployment would have been forced to the conclusion that unemployment in 1997 was higher than in 1987.

The failure of the Live Register to reflect labour market changes detected in labour force surveys has led to a widening gap between the Live Register and survey measures of unemployment. This gap is charted in Table 3.4 with data being shown for April each year.

**TABLE 3.4**  
**THE WIDENING GAP BETWEEN THE LR AND SURVEY UNEMPLOYMENT**  
Figures for April each year in '000s

YEAR	LIVE REGISTER	ILO SURVEY UNEMPLOYMENT	VARIANCE	VARIANCE %
1988	242	217	+25	+11.5
1989	233	197	+36	+18.2
1990	221	172	+49	+28.5
1991	248	198	+50	+25.3
1992	281	207	+74	+35.7
1993	295	220	+75	+34.1
1994	285	211	+74	+35.1
1995	276	177	+99	+55.9
1996	281	179	+102	+57.0
1997	255	159	+96	+60.4
1998*	231	127*	+104	+81.9

\* Spring 1998; data collected March to May.

NOTE: The variance measures the amount by which the LR exceeds ILO in each year. The VAR % shows the percentage variance and is calculated:  $(LR - ILO)/ILO \times 100$ .

SOURCES: Live Register series, CSO; Table 3.3.

As shown in Table 3.4, the failure of the LR to respond to positive changes in labour market conditions has led to a widening gap between the LR and ILO unemployment.

In 1988, the gap between the two figures amounted to just 25,000, with the LR exceeding ILO unemployment by 11.5%. By 1993, the Live Register was 75,000 higher than ILO unemployment and the variance had risen to more than one-third. In 1998, the numbers on the Live Register exceeded ILO unemployment by more than 100,000. At Spring 1998 levels, there were almost 82% more Live Register claimants than persons conforming with ILO definitions of unemployment.

### 3.7. THE EFFECT OF ADMINISTRATIVE CHANGES ON THE LR

It has been emphasised throughout this paper that the numbers on the Live Register at any time represent, in the main, an enumeration of those qualifying for registration at that date. Additionally, the numbers may be inflated by the failure, in some cases, of the Register to reflect accurately the current labour market status of some registrants.

In other words, the numbers on the Live Register are determined by a combination of the conditions governing eligibility, the control procedures in operation and the vigour with which they are enforced.

It follows that the numbers on the Live Register will be particularly sensitive to changes in the administrative regulations governing registration. If such changes were few and narrow in scope, they would be of little import. However, they have been numerous and extensive in range. As noted earlier by Walsh and Murphy, 30 administrative changes were introduced between 1970 and 1995. There have been further substantial changes since 1995.

In documenting the administrative changes in the LR introduced between 1970 and 1995, Aisling O Brolchain identified seven categories of persons affected <sup>(25)</sup>:-

- i) Women working in domestic service or farming; single women and widows; married women. The Equality legislation of the 1980s led to a gradual relaxation of the special conditions relating to women's eligibility to claim UB and to apply for UA.
- ii) Men residing in rural areas without dependants or occupying land over a set value. These categories were excluded from receipt of UA, and from the LR, by Employment Period Orders during 1970 and 1971. Thereafter, they rejoined the LR.
- iii) Persons over 65 years of age. Following the gradual reduction in the qualifying age for a state old age pension from 70 to 66 between 1973 and 1977, those over 65 were removed from the LR in January 1980.

<sup>(25)</sup> 'Changes in the Live Register Since 1970', Aisling O Brolchain, FAS Labour Market Review, Volume 5, No 2, Winter 1995, pps 19-38.

- iv) Systematic short-time workers. Those working a three-day week were excluded from the LR in January 1980. In May 1992, this was extended to those working a 'week on, week off' basis who had worked 50% or more of their normal working days over the previous four weeks. The number of systematic short-time workers registered but excluded from the LR stood at 4,416 at December 1997.
- v) The pre-retirement age cohorts. The Pre-Retirement Allowance (PRETA) and Pre-Retirement Credit Schemes (PRECS) were both introduced in 1990. Initially, people over 60 who made a declaration that they had retired from the labour force qualified for these schemes but were excluded from the LR as a result. The qualifying age for both schemes was reduced to 55 years in 1992. At December 1997, there were 18,081 persons under 65 on PRETA and PRECS excluded from the Live Register.
- vi) The self-employed in receipt of UA. Certain groups of self-employed individuals, most notably fishermen and shop-keepers, were in receipt of full or partial UA. In 1992, it was decided to treat such groups in a similar fashion to smallholders. In consequence, while continuing to receive UA, they were excluded from the LR. The total number of smallholder and self-employed applicants for UA excluded from the LR at December 1997 was 11,833.
- vii) Claimants residing with their parents. The value of board and lodgings provided by parents to a claimant was capped at 17% of net parental income as of 1995. The value of such benefits is assessable in determining eligibility for means-tested income supports such as UA. From 1992 onwards, minimum UA payments of £5 weekly were introduced for those passing the means test. This minimum UA payment had risen to £25 weekly by 1995.

With respect to the period 1970-1995, O Brolchain reaches two conclusions:-

First, administrative changes have significantly influenced the numbers on the LR;

Second, from 1970 to the mid-1980s, changes on balance increased the LR. From 1986 to 1995, the position was more complicated. While the majority of 'statistical' changes have acted to reduce the LR, "further changes in the social welfare code together with the cumulative effect of the 'equality' changes in the mid-1980s have operated in the opposite direction" <sup>(26)</sup>.

<sup>(26)</sup> O Brolchain (1995), op. cit., page 22

In seeking to explain the widening gap between the LR and survey measures of unemployment, the CSO in its submission to the Public Accounts Committee stated:-

*"The main factors likely to have impacted on the level and composition of the Live Register and contributing to the increasing divergence are listed below in the approximate chronological order in which they occurred:-*

*The Social Welfare (No 2) Act 1985 (implementing EU Social Welfare provisions) which resulted in an increased number of women signing on, without any change in their actual labour force status;*

*The introduction of 'signing on' as an eligibility requirement for subsequent participation in employment or training schemes;*

*The increasing number of part-time and occasional workers (other than those on systematic short-time) who sign on in respect of days when they are not employed;*

*Changes in the rules and practices in relation to means testing (e.g. for unemployed persons resident with parents);*

*Changes in the levels of Unemployment Benefit and Assistance payments;*

*Arrangements for splitting entitlements between spouses.*

*"These factors tended, in the main, to exert an upward influence on the Live Register. It is not, however, possible to quantify the exact contribution of any one of these factors to the growth of the divergence between the LFS and the Live Register" <sup>(27)</sup>*

Thus, the numbers on the Live Register reflect the administrative criteria governing eligibility at any given time. Changes in those criteria will cause changes in the numbers on the Live Register even where labour market conditions themselves remain unaltered.

Nor should the cumulative effects of increased employment - and thus an increased insured population - on LR numbers be discounted. As Walsh and Murphy concluded:

*"Among women, we found the influence of previous employment on the incidence of signing on to be very strong. It is likely that the number of women claiming UB will continue to increase (regardless of the 'true' level of female unemployment) as more women acquire a record of (insured) employment". <sup>(28)</sup>*

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<sup>(27)</sup> Note to Public Accounts Committee, CSO, May 1998, pages 8-9.

<sup>(28)</sup> Murphy and Walsh (1997) op. cit., page 88.



### 3.8. 'ANNOUNCEMENT' EFFECTS AND RECENT POLICY CHANGES

The LR is essentially an administrative count of those signing on for benefits or for credits. This provides the first part of the explanation for the growing disparity between the LR and unemployment as measured by official surveys of the labour force.

Second, there may have been significant numbers on the LR who were not currently fulfilling all of the conditions necessary for valid benefit claims. As noted in Section 3.3, the declaration requires claimants to affirm that they are unemployed, capable of, and available for work and that they are genuinely seeking suitable employment.

The CSO's Labour Force Survey analysis of a sample from the LR at April 1996 was referred to briefly in Section 3.4. In seeking to explain the widening gap between the LR and survey unemployment, the CSO selected a sample of 2,672 people from the LR and sought to identify their ILO economic activity status. The sample was weighted towards the short-term unemployed. Some 2,414 usable responses were collected.

However, of these, 679 were not listed as usual residents at the addresses they had given. A further 161 were found to have left the LR while 78 fell into categories not included in the LR count, including those on systematic short-time working. In all, 918 people were excluded from further investigation, reducing the available sample for additional analysis to 1,496. The results of that analysis are shown in Table 3.5.

**TABLE 3.5.**  
**ECONOMIC ACTIVITY STATUS OF A SAMPLE OF PERSONS ON THE LR**  
At April 1996. Sample size: 1,496

ILO CATEGORY	SAMPLE RESULTS		WEIGHTED RESULTS	
	PERSONS	%	PERSONS	%
Employed Full Time	220	14.7	167	11.4
Employed Part Time	162	10.8	146	10.0
Total Employed	382	25.5	313	21.4
Unemployed	664	44.4	724	49.5
Marginally Attached to Labour Force	64	4.3	66	4.5
Not Economically Active/Others	386	25.8	359	24.6
<b>Total</b>	<b>1,496</b>	<b>100.0</b>	<b>1,462*</b>	<b>100.0</b>

\* Sample reweighted to reflect LR composition and adjusted for a small outflow (34).

SOURCE: 'Unemployment Statistics: Study of the Differences between the Labour Force Survey Estimates of Unemployment and the Live Register', Central Statistics Office, September 1996, derived from Tables 1 and 2.

The raw results show that of the sample drawn from the LR in April 1996, one-quarter of respondents were working full- or part-time, one-quarter were economically inactive while well under one-half were unemployed using ILO definitions.

The sample was then re-weighted to reflect the profile of all on the LR and to allow for a small outflow. The re-weighted results showed that over one fifth were in full- or part-time jobs, almost one-quarter were inactive while just under one-half were unemployed using standard international definitions of unemployment.

Unsurprisingly, the publication of these results by the CSO in September 1996 provoked much controversy. It also subsequently induced accelerated outflows from the LR. The gross outflow from the LR averaged more than 9,000 each week during September and October 1996, levels not approached during any other month in 1996 or 1997 <sup>(29)</sup>.

Commenting on these results, the CSO has stated:-

*"While the sole purpose of the study was statistical quality control, its publication provoked a heated debate on the administration of the Live Register. Following its publication in September 1996, the Live Register began to fall steeply and the steepest fall on record was for October 1996" <sup>(30)</sup>.*

While it cannot be established conclusively, it would appear a reasonably safe deduction that the announcement effects of the CSO's LR unemployment analysis prompted an increased incidence of 'signing off' the LR during the Autumn of 1996.

Similar 'announcement' effects were in evidence amongst the unemployed under 25 following the launch in September 1998 of the National Action Plan on Employment <sup>(31)</sup>. The numbers under 25 on the LR fell sharply as a result.

However, 'announcement' effects are, of their nature, transitory. Unless they are buttressed by strong control procedures and effective enforcement - subject to due process and adherence to the rules of natural justice - 'announcement' effects are likely to lose their impetus over time.

Tentative evidence for this can be derived from the relative performance of the LR and ILO unemployment between April 1997 and April 1998. Over this period, the Live Register total declined from 255,500 to 231,300. From this trend, the CSO calculated that the Standardised Unemployment Rate (SUR) had declined from 10.3% in April 1997 to 9.4% by April 1998.

However, when the QNHS survey data for Spring 1998 became available, the unemployment rate was shown to have fallen from 10.3% in April 1997 to just 7.8% in the Spring of 1998. The growth in the labour force over this twelve months can explain about one-half of a percentage point of the difference, reducing the LR-derived SUR to 8.9% for April 1998.

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<sup>(29)</sup> 'Statistical Bulletin', March 1998, Table 16, p 216.

<sup>(30)</sup> 'Note to the Public Accounts Committee', Central Statistics Office, May 1998, page 9.

<sup>(31)</sup> See Part 4 of this report, especially Table 4.1(c).

However, even adjusting for the size of the labour force, there still remained a gap of more than a full percentage point between the adjusted SUR of 8.9% and the QNHS unemployment rate of 7.8% for the Spring of 1998. Thus, in the year to Spring 1998, movements in the LR had once again failed to track movements in actual unemployment. This suggests not only that the LR is an inaccurate guide to the level of real unemployment, but that it is a poor predictor even of short-run fluctuations in the unemployment rate.

In turn, this raises the question as to why the LR is not fully reflecting changes in the economy's short-run underlying unemployment performance.

### 3.9. SUMMARY CONCLUSIONS

The conclusions of the first three sections of this report can be summarised concisely thus:-

- I. The Live Register is an administrative count of those signing on for benefits or credits. As such, it is neither an accurate guide to the absolute level of unemployment nor to short-run trends in unemployment.
- II. Surveys of unemployment, most notably the new Quarterly National Household Survey (QNHS), based on internationally-accepted ILO definitions, provide a much more accurate assessment of the numbers out of work.
- III. Through the 1990s, the divergence between the Live Register and survey indicators of unemployment widened. In essence, this reflects the fact that each measures a different event. The LR counts the numbers claiming benefits or signing on for credited contributions; surveys measure the unemployed who were willing, able and actively seeking work.
- IV. Policy changes and changes in the rules governing eligibility clearly affect the numbers on the LR, irrespective of the underlying trend in unemployment. 'Announcement' effects also influence the numbers signing on the LR.
- V. The numbers on the LR are also a function of the control mechanisms in place and the effectiveness of their enforcement.
- VI. Young people residing at home can meet the means test criterion for Unemployment Assistance payments where net parental income ranges as high as £400 per week, equivalent to a gross income of up to £30,000 annually. Subject to meeting the statutory conditions, a young person in these circumstances would be entitled to a minimum weekly UA payment of £25.
- VII. The fact that the LR is an inaccurate indicator of unemployment does not detract from its many other uses. Its great strength is the data it possesses on the labour market experience of real, identifiable individuals. As a result, it is an ideal platform for active labour market interventions targeted at delivering counselling, education, training, work experience and jobs to the most disadvantaged in Irish society.

### APPENDIX A 3.1

The declaration signed by unemployed persons is set out hereunder:

- "1. I hereby declare in respect of each day marked X in the period ending on the date shown below against which my signature or mark or initials is/are inserted, that, since my previous declaration of unemployment, I was unemployed, capable of, available for and genuinely seeking, but unable to obtain suitable employment.*
- "2. I declare that, aside from those changes which I have notified to my Local Office, there has been no other change whatsoever in my, or my spouse/partner's income /means or other circumstances since I first claimed.*
- "3. I am continuing to claim increases in respect of my qualified adult and child dependants as already notified.*
- "4. I have read and understood the warning notice.*
- "5. I undertake to notify my local office immediately:-*
  - if I obtain suitable employment*
  - if I cease to be available for employment*
  - of any change in my or my spouses/partner's income/ means*
  - of any other change in our circumstances whatsoever".*

SOURCE: Supplied by the Department of Social, Community and Family Affairs, November, 1998.



## SECTION FOUR: HELPING THE UNEMPLOYED TO REGAIN WORK

### 4.1 THE MANAGEMENT OF THE LIVE REGISTER: PAST PERFORMANCE

Traditionally, the principal labour market focus of the Department of Social, Community and Family Affairs has been the proper management, administration and policing of the unemployment benefit payments system.

Broadly, up to a decade ago, the Department primarily operated passive labour market policies, delivering income support payments to the registered unemployed, who signed on weekly. No significant efforts were made to deliver other labour market supports to the unemployed. It was essentially a payments-based approach.

In itself, the proper delivery of income support payments constituted no small task. There is extensive traffic through the Live Register each year, with a throughput of as many as 600,000 individuals annually. Managing the weekly unemployment queues, the paperwork and the associated flows of weekly payments effectively precluded the initiation of other services. While policing and anti-fraud controls were always in place, it is conceded that a relatively small percentage of claimants were in practice challenged for evidence that they had unsuccessfully sought employment.

In 1988, ILO unemployment stood at 217,000 while the numbers on the Live Register averaged 241,000. Employment that year was lower than in had been in 1980. In these depressed labour market conditions, the corporate culture prevailing within DSCFA at the time implicitly accepted that there was little point in exerting severe pressure on the unemployed to pursue jobs that were not there.

Over the past decade, the Department's approach has changed in three identifiable ways:-

- i) It has assumed a more active labour market role

The introduction of the 'Job Search' scheme in 1987 signalled a more active stance. The Department's major active labour market intervention to date has been the Back To Work Allowance Scheme (BTWAS). This scheme is targeted on reintegrating the long-term unemployed over the age of 23 back into the workforce. Those returning to work under the scheme can retain their primary and secondary social welfare entitlements on a sliding scale for three years, subject to a weekly earnings limit.

At present, some 28,000 people are now at work under the auspices of the scheme. This makes it the second-largest programme intervention in the Irish labour market after Community Employment, on which almost 40,000 people are participating\*. In furtherance of this more active approach, 32 'Jobs Facilitators' have been appointed at DSCFA local (unemployment) offices.

- ii) Payments and 'signing on' procedures have changed

\* The numbers on CE are due to fall to 37,500 this year.

Through 1993/94, a number of important administrative procedures were changed, driven largely by increases in the numbers on the Live Register. Their net effect was to divorce signing from payment.

Progressively, claimants were required to 'sign on' once every four weeks rather than every week. The post offices became the primary location for disbursing unemployment benefit payments.

In our view, these changes have yielded both positive and negative results. On the credit side, reduced attendance requirements, the transfer of the payments system to post offices coupled with the decline in the numbers on the Live Register since 1993 have increased the amount of time that can now be allocated to individual claimants. On the debit side, actual contacts with those on the Live Register have diminished, potentially weakening the control function.

iii) Eligibility Conditions have been tightened

As noted earlier, a 1996 ILO analysis of a sample of Live Register claimants conducted by the CSO showed that over one-fifth of those sampled on the register were in full- or part-time work, roughly one-quarter were economically inactive using ILO definitions and just under one-half were unemployed<sup>(32)</sup>. These findings provoked much public controversy and raised questions about the DSCFA's information systems, management and control of the Live Register. Subsequent to publication of these findings, the regulations governing eligibility for unemployment benefits have been codified and reaffirmed.

Regulations introduced by the Minister for Social, Community and Family Affairs in 1998 define with greater clarity the conditions that must be met by claimants for unemployment benefits.

The regulations require that the claimant be available for employment. Availability is acknowledged where the claimant can show that:-

*"s/he is willing and able at once to take up an offer of suitable full-time employment and does not impose unreasonable restrictions on the nature and terms of the employment"*<sup>(33)</sup>.

Claimants must also demonstrate that they are genuinely seeking employment. This requires that a claimant:-

*"can demonstrate that s/he has taken reasonable steps which offer him or her the best prospects of obtaining employment. The steps set out in the regulations provide for making applications for employment, seeking information on the availability of employment, availing of reasonable opportunities for training, acting on advice received concerning the availability of employment and taking steps towards establishing him/herself in self-employment"*.<sup>(34)</sup>

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<sup>(32)</sup> See pps 31-32 above for discussion of the findings

<sup>(33)</sup> Social Welfare (Consolidated Payments Provisions) (Amendment No 4) (Availability and Genuinely Seeking Employment Conditions) Regulations 1998, Explanatory Note

<sup>(34)</sup> Social Welfare Regulations 1998, Explanatory Note.

link the output of such programmes with the skills required in the labour market;  
target available opportunities and places at the hardest-to-place amongst the unemployed;  
develop programmes targeted at young people;  
enhance progression pathways for the disadvantaged into mainstream labour market measures.

The priority target groups identified in 'Partnership 2000' comprise:-

- i) persons in receipt of means-tested long-term unemployment payments;
- ii) the following categories of job seekers:-

dependent spouses of those claiming long-term unemployment benefits and other means-tested payments;  
unemployed persons under 18 years;  
lone parents;  
persons in receipt of Disability Allowance.

In terms of instrumentation, 'Partnership 2000' says:-

*"The development of an effective public employment service, especially through the Local Employment Service (LES), is essential to address the needs of the unemployed and particularly the long-term unemployed" (39).*

Such a service should, inter alia, provide:-

- "\* an effective guidance and counselling service;*
- \* systematic contact with the target groups concerned;*
- \* a comprehensive registration service and database;*
- \* an active placement service to liaise with employers."*

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(39) 'Partnership 2000', 1996, para 4.26, page 21

### 4.3. EUROPEAN UNION POLICY OBJECTIVES

The Treaty of Amsterdam, signed in October 1997, recognises, through its Title on Employment, that the attainment of high levels of employment is one of the fundamental objectives of the European Union. The Treaty created a framework within which employment policies throughout the EU could be co-ordinated and monitored and within which annual employment guidelines for the member-states could be established.

The Luxembourg Jobs Summit of November 1997 paved the way for the adoption in mid-December 1997 of the first co-ordinated guidelines on employment policies in the member-states. This new European Employment Strategy (EES) is founded on four pillars:-

- i) **Employability.** The approach here centres on the adoption of active labour market policies aimed at preventing both young and older people slipping into long-term unemployment;
- ii) **Entrepreneurship.** Encouraging enterprise by reducing administrative and tax impositions on business and by fostering the growth of self-employment;
- iii) **Adaptation.** Creating more education and training opportunities for those at work to facilitate adaptation to industrial change and to structural changes in the labour market;
- iv) **Equal Opportunities.** Facilitating the participation of women and other disadvantaged groups in the labour market.

To support these pillars, all member-states were required to prepare, adopt and implement National Action Plans (NAPs) on Employment, outlining how they intended to implement the Guidelines. The key strategic orientation under the Employability pillar is the adoption of a strong preventative strategy through early and systematic intervention with unemployed people with a view to preventing their drifting into long-term unemployment. Particularly in the context of the next round of structural funds, the European Social Fund (ESF) has been earmarked as the key financial instrument at the European level to support member states in the implementation of their National Action Plans.

The Irish NAP was approved and published by the Government in April 1998 and duly submitted to the European authorities. The key strategic issue identified for Ireland in its Action Plan was the finding of a balance between the adoption of the preventative approach while ensuring at the same time that the needs of those who were already long-term unemployed continued to be addressed. Consequently, a phased approach to the preventative strategy was adopted (recognising that the Guidelines themselves allow for a five year timeframe within which to implement the strategy).



#### **4.4. IMPACT OF THE NEW MEASURES**

The Employment Action Plan requires the public authorities to engage systematically, individually and intensively with those on the Live Register who stand at risk to long-term unemployment. Initially, interventions have centred on the young unemployed in danger of slipping into long-term unemployment. Subsequently, such interventions will be extended progressively to the adult unemployed approaching twelve months out of work.

This active case management approach, which concentrates on addressing the individual labour market needs of those threatened by long-term unemployment, represents a signal departure from the relatively impersonal passive income support traditionally provided to those on the Live Register.

This substantive change from passive to active measures has necessitated much closer co-operation and co-ordination between those government departments and agencies which deal with the unemployed.

The Live Register is administered and managed by the Department of Social, Community and Family Affairs. The employment service function - guidance, counselling and placement services for the unemployed coupled with the matching of job seekers with job vacancies - is primarily but not exclusively the responsibility of FAS, operating under the Department of Enterprise, Trade and Employment.

The exchange of timely and up-to-date data between DSCFA and FAS/DETE is the key to implementing the new strategy successfully. At present, it requires the referral of young people at risk to long-term unemployment by the DSCFA to FAS, the maintenance of individual case records on those referred, whether or not they attend subsequent interviews with FAS and the continuous tracking of labour market outcomes for FAS interviewees.

To date, operational co-operation and co-ordination on the implementation of the new strategy between the relevant government departments and agencies is reported to be good by all departments and agencies involved.

Addressing the individual labour market needs of those on the Live Register is substantially more resource-intensive than the straightforward management and control of an unemployment payments system.

In response, FAS has doubled its front-line placement staff and case officers to over 420, aided by internal staff redeployment and additional budgetary provisions.

Guideline 1 of the 1998 Employment Action Plan requires that young people under the age of 25 who are approaching six months on the Live Register must be offered a fresh start, in the form of training, retraining, education, work experience, a job or other employability support.

Most new entrants to the Live Register leave again within six months. In planning for the implementation of Guideline 1, it was estimated that 70% of new registrants under the age of 25 would have left again within six months. The remaining 30% were expected to give rise to a flow of 30,000 young people approaching six months on the Register in the course of a year. <sup>(40)</sup>

Guideline 1 was introduced from September 1, 1998. It operates as follows. When young people initially register as unemployed, they are advised by the DSCFA to register also with the FAS Employment Service. However, they cannot be compelled to do so. As they reach five months on the Live Register, an appointment with FAS is arranged for them three weeks ahead.

At this initial interview with FAS, those who have not previously registered with the employment service are required to do so. They are then interviewed by a FAS placement officer. The interview, which can be lengthy, seeks to identify the young person's needs, aspirations and labour market options. Efforts are initially directed at placing the young people in employment, or improving their job seeking skills, or identifying appropriate places on FAS programmes or, where intensive and extended support is required, referring young people to the Local Employment Service.

Where young unemployed people fail to attend their FAS interview, they are referred back to their DSCFA local office where they called for a control interview. Renewed efforts are made to encourage them to participate in the FAS placement process. If they refuse, the question of their continued eligibility for unemployment payments may be raised.

In the case of those who attend the FAS interview, are placed subsequently either in work or training and then drop out, the only issue to be determined is why they should continue to qualify for unemployment payments.

In both cases, any decisions to disallow benefit are subject, as always, to due process and the rules of natural justice.

The early impact of the implementation of Guideline 1 of the Employment Action Plan can be seen from Table 4.1. In interpreting these early programme indicators, it should be borne in mind that many of those referred had only been interviewed very recently.

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(40) 'National Action Plan - Ireland', April 1998, p 20.

**TABLE 4.1 (a)**  
**EMPLOYMENT ACTION PROGRAMME: GUIDELINE 1 OUTCOMES**  
 At end-November for all referrals since September 1 1999

CATEGORY	NUMBER	% TOTAL
<b>Referred by DSCFA to FAS</b>	1,616	100
<b>Of whom:</b>		
Interviewed by FAS	842	52
Did not attend interview	657	41
- (still on Live Register)	(283)	(18)
- (Left Live Register)	(374)	(23)
Active in Local Employment Service	51	4
FAS Interview Pending	56	3

**4.1 (b)**  
**OUTCOMES FOR THOSE INTERVIEWED BY FAS**

CATEGORY	NUMBER	% TOTAL
<b>Interviewed by FAS</b>	842	100
<b>Of whom:</b>		
Placed in jobs/training	258	31
Left Live Register	129	15
= Total placed plus Signed Off	387	46
Still on Live Register	455	54
<b>Of whom:</b>		
Referred to Training	69	8
Continuing with FAS Support	207	25
Not Progression-Ready	61	7
Dropped Out	109	13
Other Inactive	9	1

**TABLE 4.1 (c)**  
**TOTAL NUMBERS LEAVING THE LIVE REGISTER**

Those not attending FAS interviews	374	23%*
Those attending FAS interviews	387	24%*
Total leavers	761	47%*

\* Of all DSCFA referrals

SOURCE: Employment Action Plan, Monthly Progress Report No 2, November 1998, Department of Enterprise, Trade and Employment.

Table 4.1 (a) shows that in the first two months of Guideline 1's operation, 1,616 young people approaching six months on the Live Register were referred by the DSCFA to FAS.

Of all DSCFA referrals, 41% failed to present for interview on the dates arranged, 52% were interviewed by FAS and the remainder were either awaiting interview or were active in the LES.

Of the 657 young people who failed to attend their interviews, 374 had left the Live Register and 283 remained on it. Amongst the latter group, 72 or over one-quarter had their unemployment benefits suspended.

Table 4.1 (b) shows the outcomes for those who attended their FAS interviews. Of the total 842 interviewees in September and October, almost one-third (31%) were placed either in jobs or training. A further 15% left the Live Register without placement. Thus, almost one-half (46%) of those interviewed departed from the Live Register, either because they were placed in jobs or training or because they had signed off the Register.

Table 4.1 (c) shows the total impact of Guideline 1 on the Live Register during September and October 1998. Of all 1,616 referrals from the DSCFA to FAS, 761 or 47% left the Live Register.

Table 4.2 shows the destinations of those leaving the Live Register by end-November, whether or not they had been interviewed by FAS.

Of all those leaving the Live Register, more than three in five (62%) were either at work or engaged in FAS programmes. A further sixth (16%) had not signed on or had been classified as not entitled to unemployment benefits. The remainder had either entered the education system, gone abroad, transferred to other benefit schemes or their destinations were unknown.



Outcomes varied depending on whether DSCFA referrals had attended the FAS interviews arranged for them or not. Amongst those attending scheduled FAS interviews, a very high proportion - more than four out of five (81%) - were either in work or had been placed on FAS programmes.

Amongst those who did not turn up for their interviews, just two out of five (42%) were at work or enrolled in FAS programmes. Of non-attenders, 19% did not sign on while a further 9% were assessed as not entitled to benefits.

**TABLE 4.2**  
**DESTINATIONS OF THOSE LEAVING THE LIVE REGISTER (N = 761)**  
Referrals to end-October who left the LR by end-November

DESTINATION ON LEAVING LR	DID NOT ATTEND INTERVIEW BY FAS		INTERVIEWED BY FAS		TOTAL LEAVERS	
	TOTAL		TOTAL		TOTAL	
<b>TOTAL</b>	<b>374</b>	<b>100%</b>	<b>387</b>	<b>100%</b>	<b>761</b>	<b>100%</b>
At Work	145	39%	183	47%	328	43%
FAS	10	3%	131	34%	141	19%
Education	25	7%	19	5%	44	6%
Other Benefits	11	3%	5	1%	16	2%
Not Entitled	32	9%	6	2%	38	5%
Gone Abroad	24	6%	5	1%	29	4%
Did not Sign On	71	19%	13	3%	84	11%
Other/Unknown	56	15%	25	6%	81	11%

SOURCE: Employment Action Plan, Progress Report No 2, November 1998, Department of Enterprise, Trade and Employment.

#### 4.5. THE ROLE OF THE LOCAL EMPLOYMENT SERVICE (LES)

The status and role of the Local Employment Service was defined thus in the 1997 White Paper on Human Resource Development:-

*"The Local Employment Service (LES) and the FAS Employment Service constitute the two strands of the Public Employment Service. The LES has been established to provide a tailor-made response to targeted groups of unemployed at local level in areas of particular disadvantage" <sup>(41)</sup>.*

(41) 'White Paper on Human Resource Development', DETE, May 1997, para 4.24, page 78.

The budgets of the two strands of the Public Employment Service were almost equal in 1998. The LES, operating in 18 areas last year, had a budgetary allocation of some £10.7 million. Expenditure at the FAS Employment Service during 1998 was budgeted at £10.6 million. The FAS Employment Service operated through a network of some 70 FAS offices nationwide.

The LES has expanded very rapidly in recent years, indicating the priority accorded to developing the service in 'Partnership 2000'. During 1999, provision has been made to increase by seven the number of areas in which the LES will be operating, bringing the total to 25. In recognition of this expansion, the LES budget has been raised to some £14 million for 1999.

Given its assigned role, it might have been expected that the LES would have played an integral and active part in planning and preparing for the implementation of Guideline 1 of the National Action Plan on Employment.

However, this does not appear to have proved the case. While, as Table 4.1(a) shows, some 4% of DSCFA referrals to end-November have become active in the LES, there appears to have been a marked reluctance on the part of individual Local Employment Schemes to engage in co-ordinated preparation and planning for the implementation of Guideline 1 with other labour market agencies.

This may point to a deeper systemic malfunction in the co-ordination of policy for the public employment service. Commenting on the relationship between the local and national employment services in 1997, the White Paper on Human Resource Development noted:-

*"The present organisational arrangements are anomalous and give rise to some confusion of roles and uncertain lines of demarcation between the formulation and direction of policy and its execution. The result is a danger of poor utilisation of limited resources and a diminution in the effectiveness of an overall Employment Service. It is critically important that there is effective co-ordination between the general and local strands of the Employment Service in the period ahead given the Government's commitment to a strengthened Employment Service as a key instrument of labour market policy"* <sup>(42)</sup>

This view was echoed by the OECD in a 1998 evaluation of the constituents of the Irish Public Employment Service:-

*"there is now a striking contrast between the large client flows handled by FAS using self-service methods and the resource intensiveness of LES work. Unless the LES can attract more clients or have DSW (Department of Social Welfare) or FAS make more referrals to it on a voluntary basis, the viability of the initiative, evaluated against the criterion of efficient use of limited resources, will remain questionable".*

(42) White Paper on Human Resources Development, page 135

The National Competitiveness Council in its 'Statement on Skills' stated in December 1998 that:-  
*"Improved client services and operating economies could be achieved by combining the Local Employment Services (LES) and the FAS Placement Services"* <sup>(43)</sup>.

In its 'Action Points', it went on to recommend that:-

*"The Employment Services functions should be strengthened by integrating the FAS and LES operations"*. <sup>(44)</sup>

#### 4.6. IMPLICATIONS OF THE NEW MEASURES

Notwithstanding the caveats entered in Section 4.5, the thrust of the unemployment-preventing measures contained in the new Employment Action Plan have much to recommend them, and for four reasons:-

- i) The new initiatives have strengthened operational co-operation and co-ordination between the unemployment payments system, managed by DSCFA, and the employment service, administered by FAS. Only through systematic linkages between the payments and placement systems pioneered under the EAP to date can those out of work be offered genuine opportunities for escaping unemployment or improving their chances of finding work in the future.

At the same time, closer co-ordination of payments and placement services tests the availability for, and commitment to, finding work amongst those on the Live Register;

- ii) While limited at present, the coverage of the new measures will increase over time. Guideline 1, targeted on under 25s approaching six months on the Register, took effect only from September 1998. The first stage of Guideline 2, targeted on those aged 25 to 34 approaching twelve months on the Register, is scheduled for introduction in May, 1999. The scope of Guideline 2 will be extended progressively to all those over 25 who are approaching 12 months on the Register;
- iii) The case-based approach adopted - intensive efforts aimed at enhancing the employability of those at risk to long-term unemployment on an individual basis - is relatively novel in Ireland, though widely practised elsewhere in Europe. Such systematic and intensive engagement with a progressively larger share of those on the Register who are at risk to long-term unemployment will:-
  - a) improve their chances of gaining employment, through direct job placement or the provision of relevant training, education or counselling;
  - b) identify those who are unavailable for work or who are not genuinely seeking either employment or an enhancement of their employability;

(43) 'Statement on Skills', National Competitiveness Council, December 1998, page 7.

(44) 'Statement on Skills' (1998) op. cit., page 17.

c) cause those who are making unemployment claims that will not stand up to scrutiny to sign off.

- iv) As the reach of the activation process extends over time, it will yield a much fuller profile of the circumstances and characteristics of those who are unemployed and long-term unemployed. In turn, this will assist in shaping policies and interventions that fit the needs of the unemployed.

It is concluded that a case-based approach, centred on the needs and abilities of individuals, not only offers the best prospects of activating those at risk to long-term unemployment, but of ensuring that the Live Register reflects to a greater extent those who are available for and genuinely seeking work.

Proposals to extend the scope of the case-based approach to all of those on the Live Register over a certain duration are made in the conclusions. Such an extension would assist in enhancing the employability of long-duration LR claimants while at the same time reducing the incidence of false claims.



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## CONCLUSIONS

1. The numbers at work in Ireland advanced by more than one-quarter to almost 1.5 million over the past five years. As a result, it is becoming harder to recruit employees. Reintegrating unemployed people into the national workforce would both raise their living standards while helping to alleviate labour scarcity.
2. The Quarterly National Household Survey, published every three months by the Central Statistics Office, provides the best measure of Irish unemployment. It is derived using a large sample of households and conforms to International Labour Office (ILO) definitions of unemployment. It is comparable to labour force survey data produced in other European Union member-states.
3. The Live Register is not an accurate barometer of Irish unemployment. It does not measure the numbers out of work who are available for employment and actively seeking jobs. Rather, it is a register of those claiming unemployment benefits and those signing on for credited contributions towards future benefits.
4. The divergence between the numbers unemployed on an ILO survey basis and the numbers on the Live Register arises because each is measuring a different event. ILO survey unemployment is measuring labour market status while the Live Register figures measure benefit status. Thus, changes in the regulations governing benefit eligibility can result in changes in the numbers on the Live Register without any underlying changes in the labour market. The numbers on the Live Register also reflect the efficacy of control procedures and the efficiency of their enforcement.
5. A 1996 Labour Force Survey of Live Register claimants revealed that over one-fifth of the sample were at work, full- or part-time while just under one-half were unemployed on ILO definitions. Since then, the DSCFA rules governing eligibility for unemployment benefits have been codified and reaffirmed.
6. 'Unemployment Traps' - actual or perceived - and the uncertainty of many low-paid employments are amongst the principal economic impediments to the unemployed re-entering the workforce. Income tax cuts for the low-paid in recent budgets and the increased numbers recruited on programmes such as the Back to Work Allowance Scheme have helped to offset objective 'unemployment traps'.
7. Ireland has a poor record of assisting the unemployed on an individual basis back into employment. In the past, the payments-based unemployment benefit system focused primarily, though not exclusively, on delivering income support to those out of work. Finding a job was largely the responsibility of the unemployed themselves.

8. Recent initiatives, most notably the National Action Plan on Employment, have adopted a casework approach to helping the unemployed back to work. This represents a major policy departure and has required much greater co-operation and co-ordination between the benefit system (DSFCA) and the placement system (DETE/FAS).
9. The casework approach treats those on the Live Register as individuals and through an interview process provides counselling, guidance, education and placement in jobs or in training for those who attend. At present, it is confined to young people approaching six months on the Live Register, but it will gradually be extended over 5 years to all those at risk to long-term unemployment.
10. This casework approach has resulted in significant flows off the Live Register amongst the target population. These outflows have resulted from a high placement rate amongst those attending interviews and significant levels of signing off amongst those who have not appeared for interview.
11. Given that ILO unemployment and numbers of Live Register claimants differ in essence and that changes in each are shaped by different forces, it is unlikely that a full reconciliation between the two sets of figures will be achieved. In these circumstances, a more appropriate objective would be to ensure that benefit claimants on the Live Register meet, on a continuing basis, the statutory conditions for eligibility.
12. The casework approach embedded in the National Action Plan on Employment, even when fully operational, will apply to a relatively small proportion of those on the Live Register. It targets only those at risk to long-term unemployment. However, the interview-based approach it has pioneered is susceptible to more general application.
13. To improve the chances of escape from unemployment for those on the Live Register, and particularly for the long-term unemployed, we recommend the following proposal. Consideration should be given to the introduction of systematic and regular labour market interviews with all of those who have passed a given duration threshold on the Live Register. If the selected duration threshold were six months on the Live Register, then the proposal would entail regular interviews with all of those on the LR for more than six months. Such interviews would focus on job search, work placements, improving employability and identifying appropriate supports for the unemployed person from the array of state training, placement and education interventions.

14. This proposal represents an enhancement of, not a departure from, present policies. In essence, it would build on the existing process by extending to the long-term unemployed the benefits of the National Action Plan on Employment at present targeted only on those at risk to long-term unemployment. It would also meet the stated Government objective of

*"finding a balance between the adoption of the preventative approach and at the same time ensuring that the needs of those who are already long-term unemployed continue to be addressed".*

15. The adoption of the proposal would have implications for resource allocation and for the structure of the public employment service. Clearly, resources would need to be reallocated to the deployment of additional caseworkers/placement staff and to the provision of additional training and education places for those seeking employability supports. With the extension to the longer-term unemployed, it would also require much closer co-operation and co-ordination between the two strands of the public employment service - the LES and FAS. Furthermore, the implementation of Guideline 1 of the National Action Plan suggests that the introduction of systematic and regular interviews with those on the Live Register would yield savings to the Exchequer from increased LR outflows, many of them resulting from transfers to employment. The sharp falls in the numbers on the LR in the recent past now make the introduction of such systematic and regular interviews a feasible proposition on a phased basis over a number of years.
16. It is difficult to justify the fact that an 18 year old can claim Unemployment Assistance without first having worked or having been required to avail of any of the education, training, work experience or job placement programmes specifically targeted at improving the employability of young people.

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<sup>1</sup> See Murphy and Walsh, p. 71