



Labour Market Advisory Council

Policy Paper: ‘Preparing for Economic Recovery’

June 2020

The views presented in the paper do not represent the official views of the Department or Minister for Employment Affairs and Social Protection.

LMAC
Labour Market Advisory Council

Foreword

The Labour Market Advisory Council was established in early-2020 by the Minister for Employment Affairs and Social Protection; it succeeded a previous body, the Labour Market Council which last met in 2017. The role of the Council is to provide advice to the Minister for Employment Affairs and Social Protection and the Government with regard to the efficient operation of the labour market, with a particular view to increasing participation rates, minimising unemployment levels and reducing average unemployment durations in line with Ireland's commitments under UN Sustainable Development Goal 8.¹ The Terms of Reference for the Council are set out in the Appendix.

The first task assigned to the Council by the Minister is to develop, as a matter of urgency, proposals for actions to tackle the labour market challenges arising as a result of the COVID-19 pandemic. This Paper represents the Council's opening response to this mandate. The Paper should not be read as representing the views of the Minister or the Department but as advice offered to the Minister for consideration.

For the purposes of this Paper, the Council is solely concerned with the formulation of recommendations with regard to Ireland's labour market. Specifically, the Council does not propose to comment with regard to fiscal policy or the application of tax revenues.

Council membership is drawn from academia and a range of sectors and organisations. However, the Paper does not necessarily reflect the opinion of individual members nor should the Paper be read as having the endorsement of the organisations that the membership is drawn from.

In particular, ICTU has advised that, while it concurs with much of the analysis in the paper and welcomes the recommendations flowing from that analysis, it believes that the paper should have paid more attention to a number of broader labour market issues including, for example, the application of Sustainable Development Goal 8, the general performance of the Irish labour market pre-COVID-19, the role of collective bargaining in improving labour market outcomes and the adequacy of certain welfare payments. For these reasons, the ICTU was unable to give its approval to the Paper (see Appendix for the detailed position of the ICTU).

¹ <https://www.gov.ie/en/publication/656a27-labour-market-advisory-council/>

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Guiding Principles

The Council has regard to the following guiding principles to inform the content of this policy paper:

- i. **Equity:** Ensuring that measures designed to support the recovery pay sufficient attention to the needs of the most-at-risk jobseekers and others on the fringes of the labour market.
- ii. **Responsiveness:** Designing policy recommendations to support labour market recovery in the context of the most up-to-date public health guidance and the return-to-work safely protocols.
- iii. **Evidence-based:** Adopting an evidence-based approach so that, where available, facts and appropriate benchmarks are used to support our analysis and conclusions.
- iv. **Transparency:** Setting out the proposed measures clearly and communicating them effectively to all the key actors.
- v. **Cost-effectiveness:** Ensuring that the measures proposed and their implementation are cost-effective so that public funding is used wisely.
- vi. **Solidarity:** Implementing a cohesive approach to ensure high levels of public support and improved levels of social inclusion.

1 Introduction

Prior to the outbreak of the COVID-19 pandemic, conditions in the Irish labour market were relatively close to full employment, as conventionally defined. Over 2.36 million people were in employment, and the unemployment rate fell to 4.7 per cent in the fourth quarter of 2019. The labour market situation has changed dramatically since mid-March 2020. The Department of Employment Affairs and Social Protection (DEASP) has recently published a Working Paper which presents an analysis of the initial impacts of the COVID-19 pandemic on Ireland's labour market.² This indicates that since the implementation of public health measures requiring the closure of all non-essential businesses, the labour market recorded unprecedented joblessness over a four-week period, a much more rapid increase than witnessed during the Financial Crisis. Approximately 1.3m persons were in receipt of State income support (or wage subsidies) by May 2020 with the COVID-19 Adjusted Monthly Unemployment Estimates standing at more than 28 per cent in April.³

Ireland quickly mobilised a comprehensive package of temporary income and enterprise supports for households and firms to help cushion the blow. These supports include the COVID-19 Pandemic Unemployment Payment (PUP) and the Temporary Wage Subsidy Scheme (TWSS). Beyond these, a range of additional supports have been introduced for businesses including the waiving of commercial rates and the warehousing of tax liabilities alongside the Pandemic Stabilisation and Recovery Fund, the Trading Online Voucher Scheme and the COVID Response Marketing Support Package.

The Council notes the rationale set out by Government underlying the design of the various COVID-19 income supports, that they:

- be significant enough, in value terms, to sustain incomes at a level necessary to absorb the shock of simultaneous income loss by a large number of workers, thereby helping to support demand;
- sustain public confidence and buttress support for the restrictive public health measures;
- support potentially viable firms to minimise bankruptcies and to maintain employees on their payroll until demand recovers; and
- be capable of being implemented quickly, be as simple as possible to administer and as easy as possible to communicate.

Given the high Exchequer costs of supporting firms and workers in employment or in receipt of social welfare payments, incentives and supports will need to be carefully

² Coates et al. (2020)

³ By 21st May 2020, over 473,500 employees had already received at least one payment under TWSS

calibrated to maximise effectiveness as well as to minimise the incidence of support payments where none are needed. In addition, the supports will need to be flexible enough, during this initial phase, to support any intermittent pattern of shutdowns/re-openings based on public health developments.

We are entering a period where there is an imperative to revive the economy again whilst also complying with public health guidelines and the Return to Work Safely Protocol. This requires a rethink on the role of the temporary supports so that they can be best used/adapted to support the recovery and how best to deploy upskilling and reskilling supports. The Council recognises that the current suppressed level of economic activity will inevitably limit the fiscal space available to the public authorities in framing any next steps (as a consequence of reduced tax receipts and higher public spending). To this end, any future policy proposals must take cognisance of these fiscal constraints.

As we seek to address the challenges ahead and prepare for economic recovery, social dialogue and cooperation between governments, employers' and workers' organizations, workers and civil society will have an important role to play. Assessments undertaken by the International Labour Organisation (ILO) and the Organisation for Economic Co-operation and Development (OECD) of country responses to the COVID-19 crisis indicate that social dialogue has proven effective in the early stages of crisis response and can help to promote recovery.⁴ By working together for their mutual benefit and sharing information, social dialogue between the key actors can promote trust and help reach collective solutions as we move into the next phases (i.e. promoting economic and social recovery).

Finally, the Council recognises that there are a range of further challenges facing Ireland's labour market, including: fast-tracking digital transformation in response to the COVID-19 crisis; the impact of the COVID-19 crisis on particular cohorts of the labour market including young people, women, and ethnic minorities; the challenges posed to many vulnerable sectors and regions by Brexit; climate change; population ageing; ensuring the availability of decent work for all – in particular for groups with low participation rates – and the implications of the changing world of work. It is proposed to deal with these topics and other elements of the Council's Terms of Reference in future Policy Papers.

⁴ See ILO (2020) and OECD (2020). Both studies also highlight the positive employment and wage outcomes which inclusive collective bargaining systems have yielded in certain countries.

2 Economic Recovery: The Need for a Differentiated Sectoral Approach

In planning for economic recovery, the Council recognises that there is a need to find ways to create demand for struggling sectors. It is imperative that we plan ahead for the recovery period and consider how best to support businesses to retain and rehire workers, and resume operations. We should consider all tools that are currently available to the State, be they labour market policies or business supports, and how best these can be scaled up or adapted to respond to increased levels of unemployment, under-employment and business disruption. As part of this planning work, it is also important to consider the interaction of labour market interventions and business supports so as to ensure that these are aligned in order to reboot the economy more generally.

It is inevitable that the pace and extent of the upcoming recovery will be varied across sectors. Whereas some sectors and enterprises may recover relatively quickly, others may struggle to resume operations, particularly those without the capacity to comply with social distancing guidelines and the Return to Work Safely Protocol. As such, a differentiated approach will be necessary to support sectoral recovery.

Those employed in the food and accommodation, and retail sectors have been hardest hit, with over 90 per cent of their collective workforce now receiving either the PUP or the TWSS. A notable feature in the hospitality and tourism sectors is the loss of seasonal employment that would have arisen when these sectors expanded from March/April. The arts and transport sectors have also been hard hit. Even if restrictions are gradually lifted within these sectors, consumers who consider themselves to be at risk are unlikely or less likely to gather in public places for some time for fear of contracting the virus.

While initially impacted by public health restrictions, the childcare, construction (or outdoor work, more generally) and administration sectors have the potential to begin recovery in the near future as containment measures are eased gradually. These sectors will be bound by strict social distancing and hygiene protocols for some time to come. They will require information on available funding streams that will facilitate the necessary modifications to their business model.⁵

It will be particularly important to support the childcare sector to re-open. The Council is acutely conscious that many workers seeking to return to work as the public health restrictions are lifted will be challenged by the lack of available childcare

⁵ See the National Return-to-Work Safely Protocol for guidelines to assist employers and workers in this task. See: <https://www.gov.ie/en/publication/22829a-return-to-work-safely-protocol/>

arrangements. Increasing access to good-quality and affordable childcare must be a high priority. Outside of the construction sector, many workers in the sectors hardest hit by the pandemic are predominantly female, and without adequate childcare provision it will be very difficult for these workers to return to paid employment.

Sectors unlikely to 'bounce back' in the short to medium-term include those that rely heavily on inward tourism and large(r) gatherings (i.e. hospitality, food and beverage and transport/travel). The aviation sector is particularly negatively impacted. This is a crucial sector of the Irish economy and the return to normal levels of air travel will be influenced by the pace at which travel restrictions are lifted in Ireland and internationally and the return of consumer confidence.

Therefore, the introduction of enhanced incentives and opportunities for workers in these sectors to upskill for alternative roles within their current sector; or re-train for redeployment to other sectors offering vacancies, are required, thus avoiding a drift into long-term unemployment. Public training programmes can be very effective if they are closely tied to the skill requirements of local labour markets. In addition, further education and training (FET) supports, alongside recruitment incentives such as JobsPlus, can play an important role in providing retraining/upskilling assistance to workers.

Some sectors (i.e. services and logistics) may not be immediately impacted by the pandemic but are likely to face disruption in the longer term due to supply/demand issues. In particular, firms wholly dependent on restricted global supply chains may need to source alternative markets or stimulate the domestic production of their goods or services. Firms within these sectors are likely to enhance their remote working functionality and roles that did not exist prior to the pandemic may begin to emerge in the medium to long-term to support new ways of working. New vacancies within these sectors could potentially be filled by workers in sectors that are unlikely to recover in the short to medium term. This should, of course, be assisted by the early provision of appropriate upskilling and retraining for such vulnerable workers and the provision of good advice and guidance so that they are making informed choices that will enhance their future prospects.

The current economic crisis also presents opportunities for sectoral growth. The health and long-term care sectors are clearly potential growth sectors and this is likely to continue over the long-term, especially as the population ages. In particular, the demand for home-carers is expected to increase as vulnerable citizens are asked to restrict movements until a vaccine or viral antidote is found. A capital expenditure programme to retrofit Ireland's housing stock also has the real potential to create significant labour demand in the medium-term.

The *Roadmap for Reopening Society and Business* outlines five phases and the triggers which will allow us to progress from one phase to the next. These are intended to inform an incremental reduction of current public health restrictions and

allow a gradual return of social and economic activity. Given that certain sectors will recover at a varying pace as the unwinding of the current public health restrictions takes place, the Council recommends consideration be given to a sectoral approach to any transitional supports. The timing of supports for firms should have regard to the different approaches firms and sectors will take to scaling back up their operations: lifting restrictions; supply chain impacts; the period for which wage subsidy supports are available and consumer behaviour. This will ensure that scarce resources can be best targeted at those sectors that will recover at a slower pace, improve the performance and quality of the labour market, reassure workers, sustain public confidence and, crucially at this time, raise consumer demand. Such sectoral measures could include:

- Aligning business supports provided by D/BEI and other Government Departments and agencies with labour market supports to achieve labour market recovery. As part of this work, some conditionality should be built into the design of these supports to ensure that firms rehire workers, having regard to social distancing requirements that may remain in place for some time. Such supports should also seek to ensure that there is no diminution of workers' terms and conditions of employment;
- Business voucher schemes to help consumer demand in sectors most at risk from the COVID-19 pandemic and where employment is most impacted. Any such initiative should be strictly time-limited and focused;
- Stimulus grants for firms that are reliant on global supply chains with the aim of increasing domestic production of in-demand products and services;
- Access to upskilling and reskilling supports for employees to allow firms to adapt to necessary changes in their business models as a result of the crisis (e.g. digital capability, remote working and management, infection control);
- Supporting the shift towards virtual modes of trading (e.g. online shopping, take-away services from restaurants and bars, drive-through and virtual concerts/cinema/theatre experiences; modifications to public and air transport to support social distancing);
- Provide enhanced business mentoring services for micro and small and medium-sized enterprises to advise on: rehiring options, recruitment, liquidity, available funding streams. This may involve establishing a panel of contracted business/recruitment experts and

building on the mentoring schemes available through Local Enterprise Offices (LEOs).

Finally, the Council considers that the *Roadmap for Reopening Society and Business* should be kept under constant review so that barriers to resuming business and going back to work – such as social distancing rules – are reframed and updated subject to public health guidance. The cost to businesses and sectors arising from social distancing should be monitored on an ongoing basis.

3 Remodelling Income Support Payments

As employment opportunities increase over the period of recovery, consideration must be given to the most appropriate supports for people who received the PUP who remain unemployed. For those people who may not have an underlying entitlement to a Jobseeker's payment, one solution is to withdraw the PUP on a tapered basis over a specified period. But even for those people who would secure a Jobseeker's payment, the difference in the levels of support is such that a phased changeover would be important to reduce the negative impact.

The initial choice after exiting the pandemic period in which people receive the PUP is whether to channel them towards Jobseekers Benefit (JB), Jobseekers Allowance or TWSS (including short-time work variants). It will be absolutely critical to provide effective assistance and good guidance to the unemployed to help them find decent work. In the meantime, timely and well-informed supports will be critical so people can switch claims and, where appropriate, access education and training opportunities.

To a large extent, the approach to be taken depends on one's view of how long it will take for the economy to enter a robust recovery phase. This, in turn, will inform our choices with regard to whether unemployment payments or short-time working/wage subsidies are the best way forward. If we believe this is a short-term but temporary interruption, after which most elements of the economy will resettle much as they were before, international evidence suggests that a well-designed short-time work scheme (STWS) is the best option. If a large-scale and long-term, or permanent, redistribution of labour across sectors, unemployment payments and engagement with the Public Employment Service (PES) has the potential to facilitate retraining and movement to other occupations or sectors.⁶

The two main temporary supports, the PUP and TWSS, pose difficult questions once the recovery gets underway arising from their different designs and purposes. PUP is not means-tested, relies on no minimum threshold of social insurance contributions and is paid at a relatively high level (relative to the distribution of net earnings).⁷ In contrast, the TWSS is explicitly calibrated to previous earnings levels (regardless of any employer top-up), with adjustments made to the top and bottom of the earnings distribution.

The range of social welfare payments and their associated eligibility conditions have always created anomalous situations where the financial incentive to work an

⁶ For instance, away from hospitality in the short-term, perhaps towards health or construction in the longer term.

⁷ This has given rise to relatively high replacement rates for some cohorts as noted in the recent Working Paper (Coates et al., 2020).

additional day decreases rapidly, a feature that is not unique to Ireland. The expectation of a transition beyond the PUP payment period brings into focus the challenge of designing social welfare payments to provide adequate income support across disparate household types while encouraging work at the margin, noting that the most severely impacted sectors have many workers on relatively low wages.

The question for consideration here is the extent to which people who had been supported by PUP will find themselves no better off once it is phased out, in terms of employment, and whether the range of social welfare supports meets their needs. This requires an examination of the characteristics of PUP recipients, but it is worth noting that, in addition to those who retain their previous payment concurrently with PUP, the recipients of PUP include:

- People who expect to be in receipt of a payment other than a Jobseeker payment (such as a One-Parent Family Payment or Disability Allowance) after the pandemic payment ceases; and
- People who will not be entitled to Jobseeker payments under current eligibility criteria.

A pathway towards labour market and economic recovery should aim to:

- Increase job-matching activities, with a specific focus on matching PUP recipients to job offers in areas where labour demand exists (e.g. horticulture, supermarket retail, care and homecare). It will be important for this work to be done in collaboration with the individual, and that offers are reasonable;
- Recalibrate the PUP to ensure that it is tapered over a specified period to ensure better employment incentives and equity when compared with other welfare payments and the TWSS. The purpose of any recalibration of PUP should be to position the TWSS as a more beneficial approach for most workers and in so doing help reinforce employer-worker linkages; and
- It will also be important to ensure that people for whom the TWSS is not an option – for example, where their employment does not re-emerge after the lockdown – are supported to adjust and provided with good advice and guidance. As part of this process, a tapered withdrawal from PUP will be required, as well as the proactive provision of timely information on other social protection supports and services.

3.1 Wage Subsidies

In the case of a sudden and temporary employment shock, maintaining worker attachment to an employer is vital: firm-specific human capital cannot be rebuilt overnight and protecting this resource allows us to better position Ireland's labour market for any recovery on the horizon. The TWSS currently performs this function by providing employees with a degree of certainty that they can return to 'their job' in due course while simultaneously avoiding a potentially large level of mismatch arising in the labour market following the crisis. In its current form, however, this support cannot be a feature of our labour market beyond the near-term and consideration must be given to new approaches. This must be balanced against the need to ensure that supports are not withdrawn prematurely, with the associated risk that this could lead to redundancies which firms currently in significant distress would find unaffordable.

It would be unproductive if the TWSS as presently designed were to enable unviable firms to remain in operation, thereby tying up valuable labour and capital that would be better reallocated to more productive uses. Similarly, the current design of the TWSS, being based on firm revenue rather than profitability, is such that it might encourage some firms to operate at reduced capacity levels in situations where the value of the wage subsidy exceeds the additional profit margin from increased activity. This would be damaging to productivity levels in sectors and in the economy generally.

Where the return to work is partial or at least gradual in the initial period, it may be that a large number of those employed will be supported by either using the existing Short-Time Work Support (STWS) scheme or availing of what are known as casual jobseeker payments.⁸ While differing in how they mitigate underemployment, these schemes are conceptually two sides of the same coin and have proven useful as a response to helping workers back to full-time employment following the previous recession.

For firms where demand may rise slowly but predictably, and where compliance with public health guidelines and the Return to Work Safely Protocol does not pose a difficulty, STWS may be the most suitable option. It should be noted that the usual deployment of short-time work is where the choice is between a firm laying off workers or reducing aggregate hours in response to a cyclical downturn in demand. The current situation is quite different, but some firms may be persuaded to transition from TWSS to STWS, re-employing all staff but on reduced hours. This also affords an opportunity to link such schemes to access to flexible upskilling and re-skilling courses in higher and further education and training as a means to further safeguard

⁸ A jobseeker is regarded as a casual employee where s/he is normally employed for periods of less than a week; the number of days and the days of the week on which s/he is employed varies with the level of activity in the employer's business.

the route back into sustainable and full-time employment and help enhance productivity gains.

For some sectors, it is perhaps not yet feasible to resume operations and, in these cases, it should be considered whether shifting TWSS recipients to the PUP for a limited period represents the better option. This depends, to a large extent, on whether data can identify leading indicators of sectoral trends so that decisions can be based on evidence. Plausible estimates of how realistic it is that operations recommence in 6, 12 and 18 months are critical and should be reviewed on an ongoing basis. This line of analysis also presumes that sectoral delineation is sharp and accurately reflected in official data. The Council notes that this, in turn, may give rise to considerable challenges as accessing and assessing such data will take time. Both TWSS and PUP are time-limited, however, and some recipients may not be able to access a Jobseeker's payment, leaving them in a very difficult position.

The Council recommends that:

- TWSS should be extended for a period of time to ensure that businesses that are re-opening can be supported following the resumption of business activities;
- TWSS should in future have regard to a firm's capacity and profitability to discourage firms from operating at reduced capacity;
- Its design during this period should ensure that it is phased out gradually so that unviable firms do not continue to rely on it and having regard to its cost on public funds for an extended period of time;
- DEASP should, as soon as is practicable, consider adapting or enhancing the existing STWS scheme or design a new STWS, potentially modifying the TWSS for this purpose, tailored to the Irish context, drawing upon the rich experiences of many EU countries which have such schemes; and
- DEASP should work in partnership with the Department of Education and Skills and SOLAS to consider how firms and workers that avail of short-time work schemes can use the free time to invest in upskilling and reskilling opportunities.

4 Active Labour Market Programmes, Further Education and Training

The OECD defines Active Labour Market Policies (ALMPs) as including: “All social expenditure (other than education) which is aimed at the improvement of the beneficiaries’ prospect of finding gainful employment or to otherwise increase their earnings capacity”.

Increased levels of unemployment will undoubtedly place the PES, primarily its activation service, under great strain. It is essential that ALMPs are provided with the capacity to address current labour market conditions, can contribute to minimise unemployment durations and are effectively targeted at those who will benefit from them in keeping with the equity principle outlined above.

To ensure targeting of ALMPs, all PUP and TWSS recipients who transition to normal jobseeker supports should be profiled using the Department’s Probability of Exit from Unemployment (PEX) toolkit to identify those most at risk of becoming long-term unemployed. ALMPs should then be targeted at those most at risk. The PEX system may need to be adjusted to reflect current conditions in the labour market and incorporate information on the sector of previous employment.

Approximately €1bn was allocated to spending on ALMPs, in Budget 2020. ALMPs currently funded by the Exchequer can be categorised under the following headings:

- Work Programmes: temporary work in the public sector or in non-profit organisations, offered to unemployed persons;
- Recruitment Subsidies: payments which are made for a limited amount of time to facilitate the recruitment of unemployed persons and other target groups where the majority of the labour cost is covered by the employer;
- Work placements: designed to bring/keep unemployed people close to the labour market and provide them with quality work experience to increase their employability. Such work placements facilitate employers to contribute to the national activation agenda and could be linked to upskilling and reskilling programmes;
- Training and Education Supports: provision of income supports to welfare recipients who are engaged in higher education or FET to find a pathway back into sustainable employment; and
- Job-search assistance and monitoring: comprises most of the remaining ALMP expenditure classified as employment supports within the Public

Employment Service (Intreo) and, importantly, includes activation supports for people with disabilities.⁹

4.1 Effective programmes/schemes

In the years prior to the pandemic, Ireland has been a relatively low spender on ALMPs relative to GDP compared with OECD/EU averages.¹⁰ The significant rise in unemployment due to COVID-19 will necessitate a rapid scaling up of ALMPs and public spending on them. Given the scale of the impact that the COVID-19 crisis is having on the labour market, it is essential that investment in ALMPs be guided by evidence about their effectiveness. Evaluations of existing/past programmes help to identify effective ALMPs that enhance the likelihood of their participants achieving employment and income gains. Any planned reform to or expansion of current ALMPs in response to the current crisis should be guided by evaluation evidence, thus ensuring effective targeting of public funds.

One of the key characteristics that distinguish the more effective programmes is the strength of linkages to the open labour market: those programmes that enhance their participants' job prospects are those that have strong linkages to real jobs in the labour market. Job-search assistance and monitoring is shown internationally to be an effective means of helping jobseekers to engage with the labour market and yields positive results in reducing unemployment durations. There are a range of offerings across FET which provide training for occupations that are experiencing skill shortages and are also shown to be effective in raising the longer-term earnings of participants. The provision of good guidance to assist unemployed people to access the most appropriate option for them will be critical.

The Back to Work Enterprise Allowance scheme provides subsidies to support self-employment as a route out of long-term unemployment and a 2017 evaluation showed that it significantly boosted post-programme employment and income gains for participants.¹¹ JobsPlus, which provides wage subsidies to employers who recruit long-term unemployed people, is another scheme that has strong links to the labour market and a recent evaluation shows that it too has significantly improved employment and income prospects for participants.¹² The Council considers that the Department should explore how it can tailor and expand these types of interventions to add impetus to labour market recovery.

⁹ Including a range of supports provided by the DEASP Intreo centres, the Local Employment Services (LES), Jobs Clubs and JobPath services as well as the Social Inclusion Community Activation Programme (SICAP) provided under the auspices of the Department of Rural and Community Development.

¹⁰ The latest OECD data on public spending on ALMPs refer to the year 2017. They show that Ireland spent 0.4% of GDP on these policies compared with an OECD average of 0.52%.

¹¹ Working paper: Back To Work Enterprise Allowance – a counterfactual impact evaluation (DEASP, 2017)

¹² EC Joint Research Council Technical Report on the JobsPlus evaluation (forthcoming)

Historically, we can see a similar pattern of effectiveness for other programmes with strong linkages to the labour market. These include the Back to Work Allowance Scheme, and the Employment Incentive Scheme. JobBridge was an internship programme to provide work experience, mainly for young labour market entrants. It was terminated in 2016, following negative commentary on the nature of the programme from various critics, notwithstanding a rigorous evaluation by Indecon that pointed to very positive effects on subsequent employment of its participants.¹³ The Back to Work Allowance Scheme provided for a gradual step-down of unemployment payments over a period of three years to ease the transition from welfare to work for long-term unemployed people who secured jobs. It was also evaluated as having a positive effect on employment, although concerns were raised about the long-term sustainability of employment achieved under this programme. The Employment Incentive Scheme, a much older programme that provided wage subsidies to incentivise employers to hire long-term unemployed people, was also evaluated as having positive employment effects, net of deadweight (Breen, 1989; O'Connell and McGinnity, 1997). The Department should explore how work placement and return-to-work schemes can be reintroduced and/or adapted to support jobseekers in the months ahead with an emphasis on quality offerings to jobseekers. It will be important to strike an apt balance between drawing on those programmes which were proven to be effective during previous downturns and remaining sufficiently flexible to adopt new measures.

DEASP should consider augmenting the recruitment subsidies to employers, such as are available through the JobsPlus scheme, to facilitate the recruitment of unemployed persons and other target groups while taking steps to minimise the potential for employers to avail of these supports to recruit persons that would otherwise have been hired in the absence of any subsidy and/or to substitute in favour of subsidised candidates.

4.2 Delivering FET Supports

Another policy response for consideration relates to the delivery of FET (as and when permitted with reference to public health consideration). DEASP (2020) indicates that there is a direct correlation between the worst impacted occupations and lower education levels. Hence, it will be important to scale up public investment in FET to help the unemployed to upskill, especially those with low educational attainment. This group may initially need to avail of education, as well as training, opportunities through DEASP referral. The international evaluation evidence suggests that public training programmes can be very effective if they are closely tied to the skill requirements of local labour markets. Close involvement by local

¹³ Indecon International Research Economists (2016) – Indecon Evaluation of JobBridge Activation Programme. Available at: http://www.welfare.ie/en/downloads/LabourMarketCouncil/Indecon_JobBridge_Evaluation_Report.pdf.

employers, trade unions and training providers can help ensure good outcomes for participants. A current surplus in the National Training Fund will be a valuable resource at this time to help fund such training. It will be important, however, to strike a balance between maintaining a focus on firms' competency to upskill its workforce while also providing a service to those who have been displaced as a result of the economic downturn. This is another incidence where the active engagement of the individual person, be they unemployed or not, will be critical; people must really feel that the supports and services are there to help them improve their lives.

SOLAS and the ETBs have a track record in designing and delivering upskilling programmes that offer pathways back to work for those hit by the impact of recession and intend to roll out an activation response. By combining and ramping up three strands of FET provision - transversal skills development to help employability; building the digital capabilities now required for almost every job; and specific Level 4-6 courses targeting growth sectors and occupations - and linking this to tailored advice and support, there is potential for an immediate and powerful labour market activation response from the FET sector. An appropriate focus should be placed on providing supports to some jobseekers to overcome barriers that may prevent them seeking to avail of, or who could benefit from, relevant course provision. Based on ETB planned capacity throughout 2020, the Council is advised that this could offer 41,000 full-time and 28,000 part-time places which could be focused on up-skilling and re-skilling in this way. It is important that employment supports and active labour market policies work in tandem with business supports and this targeted education and training to support business competitiveness and sustainable employment. Innovative methods of delivery by further and higher education institutions should be pursued to give access to courses to prospective participants who may not be able to access conventional course provision. This could also address upskilling requirements in business in rural areas.

The Council also notes that it will be important not to lose sight of learners below Level 4, in particular people who require literacy and numeracy supports. Community-based providers play an important role in providing learning opportunities for people most distanced from the labour market through community and adult education.

Another option here relates to the provision of subsidies to firms which enable their staff, in particular those with a lower skills base, to engage with existing lifelong learning/upskilling opportunities (i.e. Skills to Advance, Explore, SkillNet). The upcoming launch of Springboard Plus by the HEA will offer a suite of flexible part-time upskilling courses which will assist the activation efforts. The continued roll-out of free, online, e-College courses also provide tangible upskilling solutions to both workers and jobseekers. Since SOLAS opened up eCollege online learning resources in the early stages of the crisis, over 13,000 have enrolled across the 34 courses available, with a strong focus on digital upskilling, and there is potential to expand the portfolio of offerings to meet labour market needs. The European

Commission proposal for a Coronavirus Response Investment Initiative will provide €37bn of investment under cohesion policy that could potentially be utilised to scale up the upskilling agenda.

The Council recommends that DEASP works in partnership with the Department of Education and Skills, SOLAS and the HEA to align its employment supports and active labour market activation policies with the portfolio of upskilling and reskilling opportunities being made available in higher and further education and training.

The Council also recommends that SOLAS ensures that any planned reform to or expansion of FET in response to the current crisis utilises the significant evaluation and evidence base which now exists to establish what works and what does not, and for what target groups and taking on board the variety of provision required to meet the diversity of learning need. Where rigorous evaluations of FET programmes do not exist, they should be undertaken as a high priority.

DEASP, DES and SOLAS should assess the feasibility, potential role and impact of introducing training vouchers for those job-seekers most at-risk of long-term unemployment. Vouchers would enable qualifying jobseekers to engage directly with employers and/or accredited education and training providers for upskilling and reskilling in priority areas identified through national and regional skills advisory structures.

4.3 Targeting Supports

In addressing the prospects for economic recovery, it is important to consider the opportunities for forging an entry path for new, young entrants to the labour market.¹⁴ Young people have been particularly impacted by the loss of their jobs arising from the public health-led response to the COVID-19 crisis. Using the CSO's COVID-19 Adjusted Monthly Unemployment Estimates, the unemployment rate for those aged 15-24 stood at 32.4 per cent in March, rising to 52.8 per cent in April. Under the current circumstances, the prospect of emigration is unlikely to be so open to this cohort. Within this cohort, it is especially necessary to reach out to disadvantaged youths. These youth already face significant barriers to work. For some, this may include lower levels of education and limited prior work experience.

In addressing the planned shape of any transitional interventions to support recovery over the period ahead, it is important to recognise the vulnerability of younger workers in this period. The State is currently compensating employees who had

¹⁴ When considering youth unemployment and the impact of COVID-19 on the labour market outcomes of young people, however, there is an important caveat concerning the measurement of the phenomenon. The size of the youth labour force (the denominator in the unemployment rate measure) is only a small fraction of the total population aged 15-24 since many youth are engaged full-time in education or training or are inactive.

earnings in the period leading up to the pandemic's initial impact here. There is, however, the potential for a longer-term effect on this year's entrants to the labour market. To this end, it is important to consider whether there is scope for targeted wage subsidies to ease labour market entrance for this cohort, for other workers displaced by the COVID-19 pandemic crisis and/or, in the case of those who need to upgrade their skills, incentives to study/train for occupations in demand.

The use of work placements to straddle the transition from education and training to full-time employment has proven successful in the past (see above) and should be developed further to provide valuable work experience for jobseekers. Existing programmes, such as the Youth Employment Support Scheme (YESS), provide supports to assist young long-term unemployed to return to, or enter, the workplace. When accompanied by appropriate upskilling and training provision, these have the potential to provide skilled labour to struggling firms, while offering valuable work experience and retraining opportunities to jobseekers. It will be important that sight is not lost of the original target group: young people distanced from the labour market for whom YESS may be the starting point for them acquiring skills. The Council recommends that the number of these funded work placements should be increased significantly by the DEASP and access to such work placements made available to other vulnerable jobseekers including older jobseekers. The augmenting of work placement programmes should, as a matter of urgency, include a review of the YESS programme in order to broaden the categories of jobseekers that can avail of it, with a specific emphasis on long-term unemployed.

Close co-operation with SOLAS and the Education and Training Boards (ETBs) in order to identify appropriate re-skilling and upskilling opportunities for young jobseekers should remain a key focus of DEASP case officers providing job-search and activation supports. In this regard, the Council notes the increasing range of apprenticeships and traineeships now being made available through ETBs and recommends that the provision of further such courses should be targeted to sectors in the economy where labour demand will continue and increase, and that, if appropriate, wage subsidies are made available to employers who employ jobseekers and other target groups in designated education and training provision such as apprenticeships.

5 Capacity of the Public Employment Service (PES) – Intreo – and Skills and Training Provision

Council members are keenly aware that there will be logistical difficulties in providing job-matching activities in the near term. It is unlikely that the Intreo service model, delivered by staff in Intreo Centres, the LES and JobPath, will return initially, as it would be difficult to hold Group Information Sessions and/or one-to-one interviews and support meetings. Education and training opportunities will be required to support some people to move from their current/former job into jobs where there is demand; while for others the provision of good guidance, accurate and relevant information on employment and job search will be essential.

The key short-run priority for the DEASP is to process the increased inflows of benefit claimants and ensure that they receive their benefits quickly. Given the potential increase in the numbers of workers who will remain unemployed, a greater emphasis is now required on activation and employment services, which must include good guidance as to the most appropriate options for the unemployed, as well as job-search assistance and referral, monitoring of job-search behaviour and counselling with case officers, to support unemployed people to make the transition back to employment. This will be very challenging for the DEASP and it will be necessary to ensure that sufficient resources, both internal and contracted, are in place to ensure that this objective can be delivered in order to meet these increased activation and employment service demands. It will be important to invest resources well to secure good employment outcomes for unemployed and other jobseekers distanced from the labour market.

Employment services delivered through Intreo will require adaptation to meet the public health and social distancing requirements that will remain in place for quite some time. It will be important that employment and activation services support people to access decent jobs and that, as people migrate from PUP to standard jobseeker payments, the PES/Intreo ensures that they are offered and engage with the employment and training services that are available. In particular, based upon lessons learned from prior downturns, it will be necessary to ensure that effective supports are available to those cohorts which find it disproportionately difficult to secure work as the labour market recovers, including lone parents, people with a disability and older workers.

Case management and employment advisory services will also need to be reinstated and intensified. In the short-term, Intreo case officers should encourage jobseekers to remain job-ready and apply for existing job vacancies in sectors that

have continued to hire during the lockdown. They should also be supporting them to upskill where appropriate and accessible. Council members are keenly aware that on-line learning can be a useful life-long mechanism.

Building and sustaining skills in the labour force will require a key focus as the labour market recovers, with a particular emphasis on skills which will be in demand. SOLAS has responded during the lockdown period with enhanced provision of e-learning and online training courses (see above). The Council urges it to continue this focus over the period of recovery to ensure easy access to such courses for jobseekers. The Department of Education and Skills, SOLAS and the DEASP should continue to work closely together, and with the social partners and other stakeholders, on the dissemination of information on training offers to jobseekers over the period ahead utilising the valuable national networks available through the Intreo offices, ETBs, regional skills fora in all regions and community and local development organisations. Continued engagement with the overall skills advisory architecture led by the National Skills Council and employers on skills requirements should also remain a focus.¹⁵

Self-employment has the potential to provide opportunities for work to many persons impacted by the current crisis. It will be important to ensure that unemployed people who take this route gain access to the full range of supports that are available for such work. To that end, it will be useful to review, and where necessary improve, the suite of measures available to support self-employment.

Finally, the Council notes that DEASP now delivers a large range of welfare services via its digital MyWelfare.ie platform and has recently tested the delivery of some case officer services via digital means. The Council recommends that the DEASP should enhance its plans to put more of Intreo's employment services on digital platforms and create new channels to deliver activation and job-search supports, such as online meetings and information provision. This will enable it to operate in a 'socially distant' manner, boost its efficiency and effectiveness and enable it to cope with increased caseloads. As noted earlier, Council members are conscious of the digital divide, and though many people will welcome on-line services as it will mean no queuing, for others the provision of face-to-face services with capable and well-informed staff will be critical.

5.1 Addressing the inflow to Long-term unemployment

Whilst the economy and labour market is forecast to enter a (likely slow) recovery as we advance through 2020 and into 2021, the cohort classified as long-term unemployed (LTU) will increase significantly over the period to come. To cope with this challenge, the Council recommends that the capacity of the PES be substantially

¹⁵ The NTF Advisory Group, the Regional Skills Fora and the Expert Group on Future Skills Needs.

augmented to ensure that jobseekers can be provided with job-search, employment supports, good guidance and appropriate referrals to upskilling and retraining where appropriate. Those who were already long-term unemployed prior to the COVID-19 pandemic must also be catered for appropriately.

The Council notes that the existing contracted capacity to service the long-term unemployed, provided by both private sector providers through the JobPath contractors and the community non-profit sector through Local Employment Services and Jobs Clubs providers, is due to cease at the end of 2020.¹⁶ The combined resources of these providers represent about 70 per cent of the total PES case worker capacity. It will be impossible to replace this capacity with other supply in the short to medium-term. To this end, the Council recommends that the existing contracted services be extended for at least two more years beyond 2020 to provide the continuity of an augmented service that is now required given both the looming scale of the long-term unemployment challenge and the immediate requirements of supporting workers displaced as a result of the COVID-19 restrictions. It will also be imperative to communicate this development constructively and ensure that engagement in these services is a positive experience for unemployed people and others distant from the labour market, leading ultimately to jobs with career prospects.

Consideration will also need to be given to initiatives to provide people who, despite their best efforts, become long-term unemployed with opportunities to participate in their community. The DEASP already provides employment programmes for jobseekers who are long-term unemployed through the Community Employment and Tús schemes. For jobseekers whose duration of unemployment is prolonged by the economic circumstances arising from the COVID-19 pandemic, these employment programmes can play a vital role in providing valuable work experience, particularly where it is accompanied by relevant training provision. Increasing the capacity of these programmes could be worthwhile in the current situation, especially if the DEASP can work with, and support, the sponsors of these schemes to ensure that the participants on these schemes are provided with relevant training and development opportunities that are aligned to local labour market demands and opportunities.

¹⁶ The Council is aware of criticisms of JobPath. However, it notes that a preliminary rigorous evaluation of the scheme by DEASP, in conjunction with the OECD, shows that it yielded significant post-programme employment and income gains for participants. See DEASP (2019) for details.

6 Conclusions and Recommendations

Recent events have had an unprecedented impact on labour supply and output in Ireland. As we enter a period where activity begins to resume, there is still considerable uncertainty around the implications of social distancing measures and remote working for the labour market. As the economy recovers, it is clear that COVID-19, and its aftermath, will impact people, enterprises and regions differently.

The Council's deliberations have highlighted that there is no "silver bullet" available which will lead to a return to employment for many people who have been displaced from employment because of the COVID-19 crisis. Its discussions on measures that will support labour market recovery led to a focus on strategies which have proved effective in response to previous crises in Ireland and elsewhere. The Council also considers that Government should commit the appropriate capacity and resources to these strategies so they can be delivered in a timely and cost-effective manner. Such a commitment will provide for a cohesive approach to social inclusion and enable people to participate fully in society and have a pathway back to employment.

The Council's recommendations to support labour market recovery are set out below:

Temporary Income Supports

The PUP and TWSS should be adapted with care to support the economic and social recovery process having due regard to the public finance constraints. The Council considers that a pathway towards labour market and economic recovery should aim to:

- Increase job-matching activities with a specific focus on matching PUP recipients to job offers in areas where labour demand is buoyant. It is essential that this work is done in collaboration with the individual, and that offers are reasonable;
- Recalibrate the PUP to ensure that it is tapered over a specified period to ensure better employment incentives and equity when compared with other welfare payments and the TWSS. The purpose of any recalibration of PUP should be to position the TWSS as a more beneficial approach for most workers and in so doing help reinforce employer-worker linkages; and
- It will also be important to ensure that people for whom the TWSS is not an option – for example, their employment does not re-emerge after the

lockdown – are supported to adjust and provided with good advice and guidance.

The Council recommends that:

- TWSS should be extended for a period of time to ensure that businesses that are re-opening can be supported following the resumption of business activities;
- TWSS should in future have regard to a firm's capacity and profitability to discourage firms from operating at reduced capacity; and
- Its design during this period should ensure that it is phased out gradually so that unviable firms do not continue to rely on it and having regard to its cost on public funds for an extended period of time;

In addition, it is important that steps should be taken to adopt a reformed set of arrangements to support short-time working arrangements over the medium-term. To this end, the Council recommends that:

- DEASP should, as soon as is practicable, consider adapting or enhancing the existing STWS scheme or designing a new STW scheme, potentially using a redesigned TWSS, tailored to the Irish context; and
- DEASP should work in partnership with the Department of Education and Skills and SOLAS to consider how firms and workers that avail of any short-time work scheme can use the free time to invest in retraining opportunities.

Labour Market and Business Supports

The labour market and business support tools available to the Government should be aligned to achieve a decent work-based labour market recovery and reboot the economy. As some sectors may recover relatively quickly, other sectors will struggle to resume operations. A differentiated sectoral approach will be necessary to support recovery and the Council believes that it will be necessary to:

- Identify work opportunities in sectors that have opportunities for growth;
- Provide enhanced incentives and opportunities for workers in vulnerable sectors to upskill for alternative roles in their sectors, or to retrain for redeployment to opportunities in other sectors;

- Provide access to upskilling and reskilling supports for workers to allow firms adapt to necessary changes in their business models.

The Council is of the view that the pace and extent of the upcoming recovery will be varied across sectors and considers that there is merit to consider a sectoral approach to any transitional supports for businesses. Sectoral measures could include:

- Align business supports with labour market supports to support labour market recovery including some conditionality to be built into the design of these supports to ensure that firms rehire workers, having regard to social distancing requirements that may remain in place for some time, and that there is no diminution in workers' terms and conditions of employment;
- Encourage consumer demand in sectors most at risk from the COVID-19 pandemic – such measures could include well-designed business voucher schemes and stimulus grants;
- Support the shift towards virtual modes of trading; and
- Provide enhanced business mentoring services.

Active Labour Market Programmes and Further Education and Training

DEASP should ensure that all PUP recipients who transition to normal jobseeker supports should be profiled using the Department's Probability of Exit from Employment (PEX) toolkit to ensure that the most appropriate supports and services are provided to meet the individual's needs.

It is the view of the Council that the DEASP and the FET and Higher Education sectors should expand their interventions to add impetus to labour market recovery. DEASP should ensure it continues to work in partnership, at both the national and local level, with SOLAS, the ETBs and HEIs to align its activation supports with the portfolio of upskilling and reskilling opportunities being made available.

Any planned reform or expansion of ALMP or FET provision in response to the current crisis should be guided by rigorous evaluation evidence on what works and what does not, and for what target groups taking account of the variety of provision required to meet the diversity of participation and learning needs.

The Council recommends that steps are taken to:

- Ensure that ALMPs and FET provision have strong linkages to the labour market – at national and local levels;
- Align ALMP and FET provision to the skills requirements of sectors and regions;
- Provide good advice and guidance to participants and learners, and ensure that they are supported to avail of the most meaningful employment, education and training opportunity for them;
- DEASP should consider augmenting the recruitment subsidies to employers, such as are available through the JobsPlus scheme to facilitate the recruitment of unemployed people and other target groups. However, such incentives should not be cumulated with the TWSS.

DEASP should quickly enhance job-search assistance and referral supports to support unemployed people, including jobseekers with disabilities, to transition to employment. The Council recommends that:

- The expanded use of digital technology to support case officers should be pursued as a priority. DEASP should create new channels to deliver activation and job-search supports;
- DEASP should extend its existing contracted services, due to expire at end-2020, for at least two more years, to ensure that capacity remains available to DEASP to provide activation and job-search supports to its clients;
- Ensure care is taken to provide services in the most meaningful way for unemployed people and other jobseekers, so that people are supported to make informed choices about their own future; and
- The number of YESS slots be expanded significantly and that they be closely aligned to education and training provision, especially for the most disadvantaged youth. Consideration could also be given to expanding the target group eligible for YESS to include those aged 25-29 years.

Increasing the capacity of programmes such as CE and Tús could be worthwhile in the current situation, especially if the DEASP can work with and support the sponsors of these schemes to ensure that the participants on these schemes are provided with relevant training and development opportunities that are aligned to local labour market demands and opportunities.

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Appendix

1. Position of the Irish Congress of Trade Unions (ICTU)

As Ireland begins to emerge from the emergency stage of the Covid-19 crisis, the Irish Congress of Trade Unions (ICTU) believes the Labour Market Advisory Council (LMAC) has the potential to make a substantial contribution towards the economic recovery. On behalf of our affiliated trade unions and trade union members and workers across the country we are fully aware of our responsibilities as a member of the LMAC in this regard.

We acknowledge the substantial work over recent weeks by the Chair, the secretariat and members of Labour Market Advisory Council (LMAC) on the draft policy paper 'Preparing for Economic Recovery'. We have sought to contribute constructively to this work with the aim of reaching consensus, a consensus that we recognise may not always reflect our preferred outcomes but that we believe should be based at a minimum on the commitments that Ireland has undertaken at international and at EU level, particularly through the UN Sustainable Development Goal 8 and the European Pillar of Social Rights. And we acknowledge the recognition that the paper 'does not necessarily reflect the opinion of individual members of the LMAC nor should it be read as having the endorsement of the organisations that the membership is drawn from'.

We believe the latest and third version of the paper represents a considerable improvement in a number of important areas compared to the earlier drafts. These include the inclusion of the reference to Sustainable Development Goal 8; the inclusion of a number of references to decent work; the acknowledgment of the 'capacity and profitability' of some firms taking part in the Temporary Wage Subsidy Scheme (TWSS); the acknowledgement that many of the workers who have been most severely affected by this crisis are low-paid; and the acknowledgments of the role and potential of social dialogue to assist in the recovery. We acknowledge that these changes reflect ICTU's inputs over recent weeks.

We concur with much of the analysis in the paper and welcome the recommendations arising from that analysis. For example, we very much agree with the analysis concerning the potential of a well-designed short-time work scheme to support employment, and very much welcome the recommendations to consider adapting or enhancing Ireland's existing 'short-time work support' or designing a new short-time work scheme, potentially using a redesigned TWSS, and to consider retraining for workers during periods of short-time work. These particular recommendations are very much in line with the proposals that ICTU had been making since early 2019 to try to minimise the impact of Brexit. We look forward to working further on such an initiative. We also very much endorse the emphasis on

the potential of apprenticeships, which we would like to see further expanded in Ireland.

However, on some points, we believe the latest version represents a step backwards compared to earlier versions. For example, the first version had referred to the risk of 'some firms basing their supply of labour on continuing underemployment supported by the State.' We took this to refer to the situation whereby the state has to support the incomes of low-paid employees - many of whom whose fundamental right to collective bargaining is not respected - through measures such as the Working Family Payment which cost over €430 million in 2018. Regrettably, this point has not been retained in later versions.

On some other points, we believe some of the recommendations appear to contradict each other. For example, the recommendation about considering 'potentially using a redesigned TWSS' in a new short-time work scheme appears to be undermined by the recommendation that the TWSS's design during the period of its extension over the coming months 'should ensure *that it is phased out gradually*'. We had suggested that the TWSS evolve into a short-time work scheme and that *participation* by a firm could be time-limited.

In other areas, we believe the paper's analysis and presentation is somewhat partial and incomplete. For example, the reference in the *Foreword* to 'increasing participation rates, minimising unemployment levels and reducing average unemployment durations in line with Ireland's commitments under UN Sustainable Development Goal 8', implies that SDG 8 is *only* about these objectives. This is the only reference to SDG8 in the paper and this reference does not reflect the broader emphasis in SDG8 on promoting 'full and productive employment and decent work for all'. We believe this partial presentation of SDG8 undermines the subsequent positive references to decent work. These references to decent work are also limited by the narrow focus in the paper on considering 'some' conditionality that state business supports 'should also seek to ensure that there is no *diminution* of workers' terms and conditions of employment'. This does not address the situation of workers who endure *poor* terms and conditions, particularly workers whose right to collective bargaining is not upheld. Furthermore, the consideration of internships does not address the need to promote quality, paid internships that do not promote job displacement.

As we had suggested in responses to the earlier drafts, we believe the paper should address other important issues that are central to Ireland's economic recovery. For example, the paper should include a proper consideration of the relative under-performance of Ireland's labour market in comparison to peer European countries with higher employment and lower unemployment rates before the onset of the Covid-19 crisis and crucially issues relating to the quality of employment in Ireland, such as low pay and precarious work, as was acknowledged in the European Commission's 2019 country report for Ireland.

Given the topic at hand and the emphasis in the guiding principles on evidence-based analysis and recommendations, we believe the paper should take account of the evidence provided by recent OECD research, now endorsed by the European Commission, that the *inclusive* collective bargaining systems of Austria, Denmark, Finland, Germany, the Netherlands, Norway and Sweden, where up to 90% of private sector workers are covered by collective agreements, produces better labour market outcomes, in terms of higher employment and lower unemployment (especially for women, young workers and low-skilled workers) as well as wage equality and productivity, than the lower level of coverage found in Ireland, and take account of one of the consequent key recommendations of the OECD 2018 Jobs Strategy's, namely that:

'The best way of fostering an inclusive collective bargaining system is through well-organised social partners based on broad memberships. To extend social dialogue to all segments of the economy, including small firms and non-standard forms of employment, governments should put in place a legal framework that promotes social dialogue in large and small firms alike and allows labour relations to adapt to new emerging challenges.'

This recommendation is in line with the European Pillar of Social Rights, which Ireland has endorsed. Principle 8 of the Pillar provides that the social partners '*shall* be encouraged to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action'. Principle 8 is also reflected in the EU's Council's recommendation on the economic policy of the euro area for 2020 (adopted in February 2020, with Ireland's support). This recommends that euro area member states take action over 2020 individually and collectively to, inter alia, 'enhance the effectiveness of social dialogue and promote collective bargaining'. We note that the EU is now emphasising implementation of the Pillar of Social Rights as a central component of the EU's Covid-19 recovery plan issued on 27 May, with the 'Repair and Prepare' Communication describing it as the 'compass to achieve solidarity between people, generations, regions and countries.

We believe the positive references in the paper to the role of social dialogue, as highlighted in the OECD and ILO papers cited, should also acknowledge that both organisations are in fact also emphasising the important role to be played by social dialogue *and* collective bargaining in the economic recovery - it is disappointing that the only reference in the paper to collective bargaining is in a footnote. In this regard, we would also be concerned if the reference to 'designing a new STW scheme, potentially using a redesigned TWSS, *tailored to the Irish context*', means that the paper is *de facto* ignoring the evidence of the OECD's 2018 Jobs Strategy that the most effective short-time work schemes are those that are based on social dialogue and collective bargaining - as these enable solutions tailored to the needs of individual firms or sectors, as is now being done in other countries such as Germany which has pioneered the use of short-time work.

While the paper does acknowledge the issue of the capacity and profitability of some firms taking part in the TWSS, it does not adequately address the issue of the payment of outstanding wages (so-called ‘top-ups’). This is in contrast to the situation in other countries that have also introduced wage subsidy schemes, such as Denmark, and the ongoing discussions in the UK about this aspect. Given the emphasis in the paper on raising demand, we believe that failing to recommend consideration of similar provisions in Ireland only serves to undermine demand.

Equally, the positive recognition of the role of the income supports such as the Pandemic Unemployment Payment in supporting demand is undermined by the emphasis in the paper on ensuring ‘better employment incentives and equity when compared to other welfare payments’. The paper does not acknowledge, as we had proposed, the question of the adequacy of some other welfare payments, nor the issue of referring to ‘employment incentives’ in the context of widespread low pay, especially for workers, including essential workers, whose right to collective bargaining is not upheld.

In this regard, we believe that the consideration of conditionality for state business supports could go further. For example, it could be linked to ‘enhancing social dialogue and promoting collective bargaining’ – in line with the European Pillar of Social Rights – as well as tackling issues such as aggressive tax avoidance, as some other European countries are doing in their responses to Covid-19, and has been again raised in the EU’s draft country specific recommendations to Ireland for 2020/2021 issued on 20 May.

While the concerns about JobPath are now acknowledged, if only in a footnote, we believe there needs to be a fuller and broader consideration of this programme. Furthermore, the references to the digital MyWelfare.ie platform could at least acknowledge the ongoing WRC process on this.

Finally, there are some new parts in the third version that are unclear. For example, it is not clear what ‘barriers’ other than social distancing rules are covered by the call to ‘reframe and update’ ‘barriers to resuming business and going back to work...subject to public health guidance? We note that there is no accompanying reference to the Return to Work Safely Protocol here as there is in some other sections of the paper that refer to public health guidance. We would welcome clarity on this issue.

Conclusion

As stated above, we acknowledge the role of the LMAC in assisting on Ireland’s economic recovery and our responsibility as a member of the LMAC. We also acknowledge the work that has taken place on this paper and the fact that issues and points we have raised during this work so far are reflected in the latest version. We agree with much of the analysis and welcome many of the recommendations.

However, we are concerned that the latest version does not adequately consider the past performance of the Irish labour market compared to other European countries; that there are apparently contradictory recommendations; that some of the analysis and presentation is partial and incomplete; that it does not address the role of collective bargaining in ensuring good labour market outcomes, as is being emphasised by international organisations such as the OECD and ILO in their responses to Covid-19, and which are among commitments that Ireland has undertaken at EU and international level; and that the paper that it does not address the issue of income adequacy or of the role and potential of income and business supports to support demand and to achieve wider policy objectives.

We are somewhat disappointed that more of our suggestions were not incorporated into the paper, particularly as the paper 'does not necessarily reflect the opinion of individual members of the LMAC nor should it be read as having the endorsement of the organisations that the membership is drawn from'.

For these reasons, we cannot at the present moment give our approval to the general approach set out in this version of the paper. We are of course fully willing to engage further on this paper, and to work in the LMAC on other issues.

2. Terms of Reference for the Labour Market Advisory Council

The role of the Labour Market Advisory Council is to provide advice to the Minister for Employment Affairs and Social Protection and the Government with regard to the efficient operation of the labour market with a particular view to increasing participation rates, minimising unemployment levels and reducing average unemployment durations.

The Council will have regard to UN Sustainable Development Goal 8 which promotes ‘sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’.

Employment Services Strategy for 2020-2025

- Providing the Minister for Employment Affairs and Social Protection and the Government with input to and advice on the development of a successor employment services strategy to replace Pathways to Work and covering the period 2020 – 2025.
- Monitoring the implementation, and reporting on progress, with regard to progress of the new employment services strategy.
- Identifying key issues arising from the implementation of the strategy and suggesting possible policy and/or operational responses.
- Contributing to developing the wider public awareness of the new employment services strategy.

Evaluations and Reviews

- Providing the Minister for Employment Affairs and Social Protection with advice with regard to evaluation of policy and service effectiveness including contributing to the design of evaluation programmes, the interpretation of results and the identification of policy/service implications.

Employer Engagement

- Providing views, advice and support on how best to engage with the needs of employers in a manner which supports the core objective of promoting higher levels of participation and reduced levels/durations of unemployment, and decent work for all.

General Employment/Labour Market Policy Issues

- Advising the Minister on the import of, and potential responses to, employment/labour market trends including changes in sectoral employment,

changes in occupational share of employment, changes in earnings levels and changes in the forms of employment (e.g. self-employment vs waged employment, part-time employment vs full-employment, temporary vs permanent employment etc.) and any upskilling or reskilling requirements.

- Providing advice to the Minister, as requested, on topical issues for example the perceived increase in so-called 'bogus' self-employment.
- Providing advice on the labour market implications (including temporal distribution of income) of and policy options for addressing population/labour force aging.

