

## Labour Market Advisory Council - Minutes

Tuesday, March 1<sup>st</sup>, 2022 – 12:00 (Online)

### **In Attendance:**

Minister for Social Protection, Heather Humphreys TD.

*Council Members* - John Martin (Chair), Terry Corcoran, Philip O’Connell, Frank Gleeson, Ger Gibbons, Bríd O’Brien, Anne Heraty.

*Ex-Officio Members* –Niall Egan (DSP), Roshin Sen (DSP), David Hegarty (DETE), Jasmina Behan (DPER), Mary McGarry (alternate for William Beausang, DFHERIS), Shauna Dunlop (alternate for Andrew Brownlee, SOLAS).

*D/SP Officials* - Jeff Dwan O’Reilly (LMAC Interim-Secretary), Niall Hickey, Rory Geary, Oisín Murphy, Zana Babaiee, Stephen McGreal

*Ministerial advisors:* Pauric McPhillips, Niall O’Connor.

### **Apologies:**

Kara McGann, Angela Smyth, Marie-Claire McAleer.

### **1. Adoption of the agenda and matters arising**

Members adopted the agenda of the meeting.

The Chair formally welcomed Anne Heraty (founder and non-executive director of CPL Resources) and Marie-Claire McAleer (head of research and policy at the National Youth Council of Ireland (NYCI)) to the Council’s membership. The Chair also noted that Niall Egan, Assistant Secretary General at DSP, had taken over from Geraldine Hurley as the Department’s Ex-Officio representative on the Council.

The Chair informed Council members that the LMAC had been formally invited to attend the forthcoming Commission on Taxation and Welfare (COTW) Stakeholder Forum on March 3<sup>rd</sup> and 4<sup>th</sup>. As the Chair would be unable to attend the Forum, a member of the Secretariat would attend on the Council’s behalf and report back to the Chair on proceedings.

Finally, the Chair noted the short paper circulated by the Department for Members information on the ongoing development of the new ‘Work and Welfare Longitudinal Database’ (WWLD). As work on this important project progresses, there would be opportunity for further discussion at the LMAC Evaluation sub-group and they will report back their views to the Council.

## **2. Minutes of the previous meeting (December 9<sup>th</sup>, 2021)**

The minutes of the previous meeting on December 9<sup>th</sup>, 2021, were approved pending suggested amendments from two Members. The Secretariat agreed to duly incorporate these changes and circulate in advance of the next meeting for information.

## **3. Opening remarks from Minister Humphreys**

The Minister began by welcoming the newly appointed Members to the Council, Anne Heraty and Marie-Claire McAleer. She appreciated the wealth of experience and expertise from an employer's perspective Anne Heraty would bring to the Council's discussions and also highlighted the importance of having the interests of young people represented on the Council by Marie-Claire McAleer (NYCI), in recognition of the adverse impact labour market disruptions can have on that cohort.

The Minister noted the very positive labour market developments that had been observed prior to the temporary reintroduction of public health restrictions in early-December 2021. In particular, she cited the continued growth in overall employment levels and the increase in participation rates – particularly for women – which now exceed pre-pandemic levels. Despite these positive developments, the Government was still acutely aware of the potential for long-term scarring for some individuals as a result of the pandemic. Supporting these individuals in their return to work remained among Government's top priorities going forward.

The Minister gave a brief overview of Government's plans to restart the gradual phasing out of pandemic-related income and employment supports (PUP and EWSS) and welcomed views from the Council as to what they envisaged would be the impact on businesses and future (un)employment numbers following the closure of these schemes.

The Minister also acknowledged the challenge of ongoing labour market tightness being reported in some sectors but noted these labour shortage issues were not unique to Ireland's recovery from COVID-19. Citing recent research, she highlighted the extent of employment movements observed among former PUP recipients between employers and sectors, which could potentially explain some of the difficulties in recruiting. To help ease these current labour market frictions, the Minister encouraged employers to engage with *Intreo* to avail of employment supports and recruit, where possible, from the available pool of jobseekers in Ireland and across Europe.

Finally, the Minister referred to the Council's role of monitoring and reporting on the Government's national employment services strategy, *Pathways to Work 2021–2025*. She urged Council members to reflect on the progress achieved during 2021 and, in light of recent developments in the labour market (labour market tightness, the war in Ukraine), suggest any new or remedial actions that may need to be considered in order to ensure the strategy both achieves its goals and remains flexible to changing conditions.

#### 4. Update from LMAC Sub-Groups.

Responding first to the Minister's opening remarks, the **Employer Engagement Sub-Group** Chair, Frank Gleeson, noted that despite some recovery, those sectors closed for a prolonged period during the pandemic would be unlikely to return to pre-pandemic activity levels until end-2022 or 2023 owing to ongoing labour/skill shortages and reduced consumer demand (fewer international tourists and slow return to the office among workers). With respect to the latter, the changing world of work – in particular the adoption of hybrid working – may mean that city-centre activity will not return to pre-pandemic levels and, as such, SMEs in these service industries are expected to be hardest hit by the withdrawal of Government supports, on which they have become reliant.

Among the key issues discussed by the Sub-Group on February 11<sup>th</sup> was how employers could best support longer-term unemployed people into work, in particular, in terms of promoting and using the schemes set out in the Pathways to Work strategy. Suggestions included championing and demonstrating to other employers how supports run by the State work, many of which are unknown to employers or are perceived to be administratively burdensome.

Encouraging participation through improved supports and working flexibility for those currently outside the labour market was also stressed as being a key objective of both employers and the Department in order to help ease labour supply pressures.

In response to a query from one Council member, the Sub-Group Chair gave his sense as to what was driving price inflation from a business perspective, namely increases in raw material and energy prices as well as labour/skill shortages. In order to protect profits in the face of price pressures in each of these core inputs, businesses have had to increase prices. Following on from this, another Council member stressed the necessity for awareness among employers of the need, where possible, to increase wages of staff in line with inflation.

On the issue of low take-up of the WPEP to date, some Council members noted it was perhaps unsurprising given its very recent introduction, the dampening presence of public health restrictions for much of its existence and the wide availability of job opportunities at present. Given the changed labour market circumstances since it was first devised, it was suggested that improved messaging and tailoring of the scheme by Intreo/DSP as a 'transition tool' into employment for specific cohorts may be useful in increasing its up take. In particular, it was suggested by some to target the scheme towards those young people whose employment outlook had been most impacted by COVID-19 as well as older workers, a cohort that can struggle the most to regain their footing in the labour market once made unemployed.

Philip O'Connell (Chair of the **Evaluation Sub-Group**) began by noting that the Sub-Group had met twice since the previous Council meeting.

The first meeting on February 10<sup>th</sup> was a briefing session with the joint OECD-JRC-DSP team who gave an outline of its approach to the forthcoming evaluation of the Community Employment (CE) programme. The evaluation will involve a counterfactual impact evaluation

which will endeavour to determine the effectiveness and impact of CE across a range of employment outcomes and sub-group populations. The evaluation will also consider the importance of sequencing and combining different ALMPs on employment outcomes for CE participants over time.

A detailed report, prepared by the Sub-Group Chair, on the group's discussions regarding the evaluation approach was circulated to all Council members for their information. One point emphasised by both the Chair and the Minister was to impress upon the evaluation team the need to adequately factor in the multiple socio-economic and community objectives fulfilled by CE, which differentiate it from other employment focused programmes. The evaluation team will meet with the Evaluation Sub-Group for a second consultation once they have identified the available data and finalised their methodology.

At the second meeting on February 24<sup>th</sup>, the Sub-Group considered a draft joint report from DSP and Solas on trends in employment arrangements. Among the comments raised by sub-group members was the need to identify what groups specifically are employed in 'new forms of work', such as so-called 'bogus' self-employment. The Sub-Group did however acknowledge that measuring the extent of so-called 'bogus' self-employment was very challenging owing to the limitations of official statistics.

Following a presentation from the ESRI, the Sub-Group also discussed the new Probability of Exit (PEX) profiling model which is to be used to identify those jobseekers most likely to drift into long-term unemployment (LTU). The ESRI are currently working to recalibrate and simplify the existing model which has proven to be a very accurate predictor of LTU. The implications of this model for the implementation of Pathways to Work, in terms of targeting supports to those most likely to become LTU, raised some policy issues which would warrant further consideration by the Council.

## **5. Update on the latest labour market developments and future of COVID-19 related supports.**

Roshin Sen introduced two papers prepared by DSP for the Council's consideration: a report on the latest developments in the Irish labour market, and a presentation on trends in post-PUP transitions to employment.

Key points (*Labour Market Developments Paper*):

- Following the re-introduction of public health restrictions in December 2021, the COVID-19 adjusted rate of unemployment increased between November 2021 and January 2022, from 6.9 to 7.8 percent. However, the seasonally adjusted standard ILO measure remained stable at 5.3 percent, close to its pre-pandemic level.
- Similarly, numbers on PUP increased rapidly to over 80,000 following the re-introduction of public health restrictions in December. However, since the lifting of these restrictions in late January, numbers in receipt of the payment have fallen back sharply and now stand close to the pre-December scheme reopening level.

- Latest Labour Force Survey (LFS) figures from the CSO for Q4 2021 reflect a continuation of the positive labour market developments in recent quarters. Ireland's labour force had risen to 2.63 million while the employment total slightly exceeded 2.5 million – the highest recorded level in the history of the State. Participation rates had also increased, particularly among women and older people.
- Phasing out of COVID-19 supports: the PUP scheme will end on March 25<sup>th</sup>, 2022, with the last payment on Tuesday, March 29<sup>th</sup>. Remaining PUP recipients will start transitioning to standard jobseeker terms, and if eligible, will start to move onto a jobseeker payment effective from April 5<sup>th</sup>, 2022. With respect to EWSS, it would close for businesses on either April 30<sup>th</sup> or May 31<sup>st</sup>, depending on whether businesses were directly impacted by the latest public health restrictions.
- Job Vacancy Rate (JVR) data from the CSO suggests demand for workers in the Irish economy remains high. However, the JVR at the end of Q4 2021 was slightly lower than in Q3. However, this figure may not fully capture the situation with other real-time data sources suggesting an increase in unfilled vacancies into 2022.
- Preliminary earnings data from the CSO also shows that average weekly earnings rose by 3.4 percent between Q3 and Q4 2021, although there was significant variation across sectors.

*Key points (Trends in Post-PUP Employment Paper):*

- Analysis shows the extent to which people who availed of the PUP and exited as of, or prior to October 5<sup>th</sup>, 2021, have returned to work. In summary, the findings indicate that, at the time of the analysis (Nov 2021), of all former recipients identified as having closed their PUP claim and returned to employment:
  - 55 percent were working for their Pre-PUP employer.
  - 45 percent had moved to work with a different employer – the majority of these (69 percent) in a different sector than that in which they worked immediately prior to opening their PUP claim.
- Furthermore, the analysis also suggests that the PUP retained employer-employee linkages with 71 percent of those back in employment returning to work for their pre-PUP employer (at some stage) after claiming their last PUP.
- This analysis also highlights the sectoral movements in the labour force of those who have exited PUP into employment, with some sectors seeing considerable net losses.

**The points raised by Members in response, included:**

- Forthcoming withdrawal of the EWSS:
  - Several members highlighted the coming withdrawal and tapering of the EWSS as a concern, particularly with regard to its unknown impact on redundancy and unemployment levels.

- On this point, another member noted that while there is limited evidence of substantial inflation in wages to date (albeit with some variation across sectors), total labour costs were likely to grow regardless with the withdrawal of the EWSS, putting additional pressure on some businesses.
- PUP transitions to employment report:
  - Some members responded to the paper’s findings, noting that the significant level of inter-sectoral churn in the economy at present tended to be concentrated among moderate and lower skill levels, a typical feature of the labour market. Similarly, young people were seen to be the most dynamic in terms of transitions, another traditional feature.
  - Another member noted that the sectoral movements of former PUP recipients leading to labour shortages in some sectors could possibly be explained by the quality of the jobs they were leaving. Many of these jobs were likely to have had poorer pay or conditions than opportunities now available in other sectors.
  - The Chair noted the complementarity of the PUP and EWSS in terms of their shared ability to retain employer-employee linkages. He wondered as to whether this was a specific objective in the design of the PUP beyond being a direct income support for those impacted and, if so, was there a need to invest in the EWSS?
    - In response to the Chair, DSP officials outlined how, at the exceptional time of the PUP’s design, its ability to retain employee-employer connection was unknown and hence the impetus arose to devise the Wage Subsidy Schemes. The Minister also interjected, stating that the two COVID-19 schemes working harmoniously together had proven instrumental in supporting Ireland’s labour market and businesses through recovery.
    - Agreeing with the Chair, the Minister noted that learning lessons from each of these schemes would be essential for the design of Ireland’s new Short-Time Work Support (STWS) scheme, as well as a new Pay-Related Benefit system.
  - A number of Council members expressed an interest in reading the draft full-length paper on the subject. The Secretariat agreed to circulate this after the meeting.
- Youth NEET rate
  - One member highlighted the concerning growth in the youth NEET rate in Ireland in 2020, particularly for those of non-Irish nationality. Acknowledging that these figures were likely to have improved somewhat over the course of the 2021 recovery, further investigation of this point was suggested as being useful.

The Chair thanked the secretariat for the papers circulated and suggested several avenues of future research. These included an analysis of the recent stability of the Live Register as well as the need to actively monitor wage, vacancy, and skill shortage developments in the context of rising inflationary pressures. In researching the latter, the Chair suggested examining real-time labour market data.

Finally, one member informed the group of a forthcoming report between Solas and *Burning Glass* which will examine the impact of COVID-19 on the Irish labour market at an occupational level. It was agreed to share the report with the Council, once available.

## **6. Update on Pathways to Work 2021-2025 implementation and monitoring (end-2021)**

Roshin Sen provided a short update on the intra- and inter-Departmental frameworks that have been put in place to monitor and report on the progress of the Pathways to Work strategy. An overview was also given as to the Council's own governance and oversight role with regards to the strategy's implementation. This included its responsibility to provide an annual report to the Minister in Q3 of each year outlining its view on progress, remedial actions that may need to be taken and any new actions that it considers should be included.

Roshin Sen also gave a short presentation on the implementation progress of the Pathways to Work commitments, up to end-2021. In particular, those few commitments identified as being unfulfilled and overdue were highlighted and ongoing work in these areas discussed.

As part of the presentation, a broad template for the annual report was proposed for Council approval. This proposed template included a section on 2021 Labour Market context, the LMAC's view on progress, the LMAC's view on remedial steps and the LMAC's view on new actions. Overall, Council members approved the report's draft structure although one Member noted that it would be useful to extend the labour market section into 2022 to better set the context of the strategy and take account of the current dynamic economic environment.

Some Council members expressed concern regarding some of the coming actions in 2022, in that progress to date was unlikely to be sufficient to achieve the commitment by the deadline, particularly for those disadvantaged cohorts most distant from the labour market. One member also noted that the RAG status system and 'in progress' labels were likely to lead to ambiguity as to what had actually been achieved under each commitment and specific details would be essential in evaluating what work was underway and with what objective in mind.

The same Council member also stressed the need to have access to quality social inclusion and equality data for those disadvantaged cohorts most distant from the labour market in order to get an accurate sense of their situations and the impact of any targeted State labour market interventions aimed at supporting them into work.

Another Council member expressed a number of concerns around specific commitments (no. 24, 29, 32) in the strategy with regard to the limited amount of stakeholder engagement, particularly with trade unions, worker representatives and social partners. The member felt these groups should be consulted and involved in the ongoing work in these areas.

The point was also raised around the commitment to develop a new STWS scheme, and in particular whether it will be linked to the PSRI system. The member cited the strengths of comparative European schemes used during COVID and warned that a scheme linked to PSRI would exclude those without enough contributions. The development of a new and flexible scheme would be important in dealing with future crises.

Another Member suggested that, in the context of the current engagement model, there may be scope within the Pathways to Work strategy to examine the continuity of engagement with those jobseekers who transition to, or sequence through, a variety of activation programmes. Having the same PES Case Officer working with a client as they progress through the system and activation programmes may be an important factor in more effectively managing their transition into work.

A brief discussion was also held between Members on the Government's 2030 employment target of 78.2 percent (20-64 age group) proposed as part the European Commission's Pillar of Social Rights Action Plan. Diverging views were expressed as to the target's ambitiousness and the importance of stakeholder engagement on employment target setting was also emphasised.

The Chair also expressed his views on several strategy commitments including the perceived lack of clarity on the link between the updated PEX model (no.17) and the new holistic diagnostic tool for Case Officers (no.18). He also expressed concern at the lack of reference to further programme evaluations in the strategy from which to build a strong evidence base for policy. The apprenticeship target (no.6) was also considered to be somewhat unambitious given the structural skill shortage and mismatches facing Ireland's economy in the future. Final comments from the Chair queried the logic around increasing funding for the Back-to-Education Allowance scheme given its historically poor performance on improving employment outcomes and also sought clarity on the level of FET referrals and their subsequent completion rates.

## **7. Discussion on the OECD's planned review of Ireland's national skills policy.**

Mary McGarry informed the group that OECD colleagues would be willing to present their ongoing review of Ireland's national skills policy to the Council at its next meeting. The Chair agreed that that would be very welcome and looked forward to the presentation.

## **8. AOB**

The Chair expressed his hope that the next meeting of the Council would take place in Dublin in-person, subject to any changes in public health guidance. The Secretariat will inform Council members of the meeting date and venue once finalised.

In light of recent changes to the Council's membership, one Member requested that an updated membership list be circulated and that, where possible, the LMAC webpages be updated including relevant meeting documents.

## **Action Points**

### *LMAC Secretariat:*

- Attend the forthcoming COTW Stakeholder Forum on behalf of the LMAC and report back to the Chair on proceedings. Subsequently, circulate this report to all Council members on the Chair's behalf, for their information.
- Amend the meeting minutes of December 9<sup>th</sup>, 2021, to reflect the changes requested by Council members.
- Circulate the draft 'Trends in Post-PUP Employment Working Paper' to all Council members, for their information.
- Circulate Solas and Emsi Burning Glass report on occupational impact of COVID-19, once available.
- Circulate an updated Council membership list in advance of the next meeting.
- Update the meeting documents and Council membership on the LMAC webpages.

### *DFHERIS:*

- Once a meeting date is agreed, liaise with colleagues in the OECD to organise a presentation on the review of Ireland's national skills policy to be given at the Council's next meeting.