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Paper for the Panel on Manpower meeting on 19 May 2005

Proposal to undertake an overseas duty visit

Purpose

This paper seeks members' agreement on a proposal for the Panel to undertake an overseas duty visit.

The proposed visit

Proposed scope

2. At the meeting on 26 April 2005, Hon CHAN Yuen-han suggested that consideration be given for the Panel to undertake an overseas duty visit to better understand overseas experience in resolving the problem of unemployment. The Panel Chairman has, in discussion with some Panel members after the meeting, suggested that a visit to the Republic of Ireland be conducted by the Panel to study -

- (a) Ireland's policies and initiatives to tackle unemployment;
- (b) training and manpower development strategies and programmes of Ireland to support its employment policies/initiatives; and
- (c) Government involvement in and funding for training/retraining of the Ireland workforce.

3. The Research and Library Services Division of the Legislative Council Secretariat has prepared a fact sheet providing background information on Ireland's initiatives to tackle unemployment and provision of training/retraining (**Appendix**) for members' reference.

4. Activities to be undertaken during the visit will include meetings with the relevant government officials, training and manpower development authorities, as well as site visits to training institutes.

Proposed duration

5. It is proposed that the visit be conducted in September 2005, say, from 24 to 29 September 2005.

Delegation size and composition

6. The broad guidelines are that members of the Panel should have priority in participating in the visit, and the delegation should be of a manageable size in order not to create difficulties in logistical arrangements. Non-Panel members may join a duty visit outside Hong Kong with the consent of the Panel.

Funding

7. As approved by The Legislative Council Commission on 20 February 2001, each Member (except the President) is provided with an overseas duty visit (ODV) account for the purpose of duty visits outside Hong Kong organised by committees, other than the Parliamentary Liaison Committee, of the Council. The fund in the account is for use by the Member in a four-year term. As approved by the Commission, the allocation for each Member's ODV account for the 2004-08 term is \$55,000. Any expenditure incurred in the term in excess of \$55,000 has to be paid by the Member personally.

The way forward

8. Subject to members' agreement for the Panel to undertake the visit, the Secretariat will proceed with the preparatory work. The House Committee's permission will be sought, in accordance with House Rule 22(t), for the Panel to undertake the visit.

Legislative Council Secretariat
18 May 2005

FACT SHEET

Unemployment in Ireland

1. Introduction

1.1 The purpose of this fact sheet is to provide the Panel on Manpower with information on the macroeconomic developments underlying the turnaround in the Irish labour market since the mid-1990s, and the active labour market programmes being adopted by the Irish government to help the unemployed, particularly those at the risk of structural unemployment, back into work.

1.2 The Irish labour market has improved markedly since the mid-1990s¹, in contrast to the preceding years when Ireland's unemployment rates were amongst the highest in the OECD (Organization for Economic Co-operation and Development) countries. In particular, Ireland outperformed other OECD countries in registering the largest reduction in the structural unemployment rate² from 14.3% in 1991 to 6.4% in 2001.

2. Macroeconomic developments

2.1 Swift development in several macroeconomic fronts since the early 1990s has set the stage for the subsequent improved performance of the Irish economy, in particular the labour market. In the 1990s, Ireland implemented stability-oriented macroeconomic policies focusing on sound public finances and effective control of inflation. The resulting price stability, coupled with an abundant supply of low-cost skilled and unskilled labour at the time, attracted increased inflows of foreign direct investment into Ireland. Furthermore, many multinational firms made use of Ireland as an offshore production base, in view of gaining access to the large European Union (EU) market made possible by Ireland's EU membership.

2.2 Another factor contributing to increased foreign direct investment was the signing of a series of three-year "Social Partnership" agreements beginning in 1987, involving the government, trade unions and the employers. Under these agreements, the trade unions accepted relatively modest wage increases in return for the government's promise to reduce tax burden and increase the spending on social welfare benefits. The restraint in wage increases helped Ireland strengthen its international competitiveness and attractiveness to foreign investors.

¹ See the Annex

² The structural unemployment rate is referred to the "non-accelerating inflation rate of unemployment" estimated by the OECD Secretariat.

2.3 Against the above background, Ireland has seen an influx of multinational firms, specializing in the production of high-tech goods, such as computer hardware and software, chemicals and medical instruments, for export to other EU member states, Asia and the United States. Apart from boosting economic growth and employment opportunities, the move of these multinational firms into Ireland has also created additional demand for intermediate goods produced by local companies.

3. Active labour market programmes

3.1 The inflows of direct foreign investment helped boost the annual average growth rate in Ireland's gross domestic product to 9.7% during 1994-1999. The Irish economy sustained its growth momentum at an annual average rate of 5% during 2000-2004 after the rapid growth in the preceding years.

3.2 Amid the improved economic fundamentals and flourishing employment opportunities, the Irish government has implemented active labour market programmes to help the long-term unemployed back into work. These programmes include direct employment schemes, employment subsidy schemes, job search assistance scheme and training courses.

Direct employment schemes

3.3 In Ireland, direct employment schemes are designed to provide the long-term unemployed with work experience and skills training through job placement opportunities provided by local communities. The Community Employment Programme is the major direct employment scheme implemented.

3.4 The Community Employment Programme helps the long-term unemployed and other disadvantage groups back to work by providing part-time and temporary placements in jobs based within local communities. Under the programme, part-time work placements of up to three years are provided to people who are aged over 35 and have been unemployed for more than three years

Employment subsidy schemes

3.5 Ireland has put in place a range of employment subsidies to encourage the unemployed to take up employment in the private job market. The main employment subsidy schemes are discussed below.

Back-to-Work Allowance

3.6 The Back-to-Work Allowance is an employment subsidy that encourages the long-term welfare dependents to take up employment opportunities by allowing them to retain a reducing proportion of their social welfare payment over the first three years of re-entering the job market. The Back-to-Work Allowance is paid on a diminishing scale over the three-year period, i.e. 75% of a person's social welfare payment in the first year, 50% in the second year and 25% in the third year.

Very Long Term Unemployment Programme

3.7 Linked to the Back-to-Work Allowance scheme is a scheme – the Very Long Term Unemployment Programme – available to persons unemployed for five years or more. Under the programme, each participant will continue to receive an unemployment payment, plus an additional weekly payment of €44.50 (HK\$445)³ per week for up to six weeks while receiving training from his/her new employer. After the training period, participants can apply for the Back-to-Work Allowance scheme if they remain in employment.

Part-Time Job Incentive Scheme

3.8 The Part-Time Job Incentive Scheme is available to people claiming the long-term rate of unemployment assistance. Under the scheme, when a participant takes up a part-time job, he/she receives a special income supplement each week instead of an unemployment payment. The income supplement is offered independent of the amount of income from the part-time job. If the part-time work is developed into a lasting job, then the participant has to give up the income supplement and apply for the Back-to-Work Allowance scheme instead.

Revenue Job Assist Scheme

3.9 The Revenue Job Assist Scheme provides financial incentives to people who return to work after being unemployed for 12 months or more. Under the scheme, an eligible applicant can, on top of his/her normal tax credits, claim an additional tax allowance for three years after taking up a qualifying employment.

³ The calculation was based on the exchange rate of HK\$10 per Euro on 11 May 2005.

Job search assistance scheme

3.10 Ireland has embarked on a job search assistance scheme – the Early Intervention Process – to engage systematically with people at an early stage of unemployment, in order to prevent the drift to long-term unemployment. An unemployed young person is offered a new start in the form of counselling, career guidance, referral to suitable education or employment opportunities, and/or participation in the programmes run by FAS (the national training and employment authority) before reaching six months of unemployment. Unemployed adults are also offered a fresh start through the same programmes provided to young people before reaching nine months of unemployment.

Training courses

3.11 FAS runs/finances training courses to improve the employability of vulnerable working-age people who are at the risk of structural unemployment. These training courses comprise the Vocational Training Opportunities Scheme, the Bridging/Foundation Programme and the Community Training Programmes.

Vocational Training Opportunities Scheme

3.12 The Irish government has embarked on a large-scale programme – the Vocational Training Opportunities Scheme – to help unemployed adults to receive education without losing their social welfare benefits. To be eligible for the scheme, one must be aged above 21 and at least six months in receipt of social welfare payment. The Vocational Training Opportunities Scheme lasts for one to two years and trainees are provided with training in one or more of the following areas: personal development, job search, and vocational skills in commerce, business, craft and design, electronics, science and tourism.

Bridging/Foundation Programme

3.13 The Bridging/Foundation Programme is geared towards early school leavers who have no or few employable skills. The programme provides an integrated approach to personal development, including the preparation of work and training plans and skill training at an introductory level. Options available to participants after the training period include progression to further training/study or job placement.

Community Training Programmes

3.14 The Community Training Programmes are locally-based training/work projects carried out by the local communities with financial support from FAS. The programmes consists of a sub-programme – Community Training Workshops – which provides foundation skills and personal development training for youths who are aged 16-25 and have left school early without any formal qualifications.

Research and Library Services Division
17 May 2005
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Annex

Unemployment rates in Ireland and OECD

Year	Ireland	OECD average
1990	13.4%	6.1%
1992	15.4%	7.4%
1993	15.6%	7.8%
1994	14.3%	7.7%
1995	12.3%	7.3%
1996	11.7%	7.2%
1997	9.9%	7.0%
1998	7.5%	6.9%
1999	5.6%	6.7%
2000	4.3%	6.3%
2001	3.9%	6.5%
2002	4.4%	7.0%
2003	4.6%	7.1%

Source: OECD (2003a).

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4. OECD. (1997) *Implementing the OECD Jobs Strategy: Member Countries' Experience*. Paris.
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