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# 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-1990s<sup>1</sup>, 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 rate<sup>2</sup> 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.

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<sup>1</sup> See the Annex

<sup>2</sup> 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)<sup>3</sup> 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.

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<sup>3</sup> 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.

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## Annex

## Unemployment rates in Ireland and OECD

<b>Year</b>	<b>Ireland</b>	<b>OECD average</b>
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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