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Examining the Need to Reduce Jobseeker's Allowance for Young People

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SUMMARY

The rationale for the change to Jobseeker's Allowance announced in Budget 2014 is examined in this *inBrief*. The recent adjustment sought to incentivise young people to take up training or employment opportunities by reducing the weekly rate payable under the scheme to new applicants aged between 22 and 24 years old.

The data suggest young people are not particularly susceptible to remaining in receipt of Jobseeker's Allowance on a long-term basis. Looking at a recent evaluation of FÁS/Solas training schemes shows that prior to the recent incentivisation measure young people were willingly participating in training, with most still unable to find work upon finishing their course. The absence of jobs, not motivation, is the central issue for young people looking for work.

KEY POINTS

- Jobseeker's Allowance is 30 percent lower for new entrants aged 22-24 and 23 per cent lower for those aged 25.
- The Department of Public Expenditure and Reform estimate that €32 million will be saved by the measure over the course of 2014
- The options for young people seeking work are severely limited. Only 36 percent in the 15-24 had found employment in the 12 month period following successful completion of full-time training provided by FÁS

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Research for new economic policies

Recent changes to Jobseeker's Allowance

Budget 2014 reduced Jobseeker's Allowance (JA) to recipients less than 26 years of age. The adjusted rates are 30 percent lower for new entrants aged 22-24 and 23 per cent lower for those aged 25. They came into effect on 15 January 2014. The measure was presented as a way to "incentivise young jobseekers to avail of education and training opportunities and [to] try to avoid them becoming welfare dependent from a young age." The Department of Public Expenditure and Reform (2013) estimate that €32 million will be saved by the measure over the course of 2014. A summary of the changes is provided in the tables below:

Table 1: JA rates prior to Budget 2014

Age	Basic Allowance (€)
18-21	100
22-24	144
25 and over	188

Source: Expenditure Allocation 2014-2016

People aged between 18 and 25 on the higher rate before 15 January 2014 were not affected by the changes. Similarly, people transferring from disability allowance and new claimants with dependent children remained eligible to claim the rates applicable prior to 2014. Jobseekers aged 18-25 who participate in education or training programmes qualify for higher rates of payment—typically €160 per week.

The recent changes expanded on a number of adjustments to the rates and age bands applicable to Jobseeker's Allowance that began in the Budget announced in April 2009. The intervening years have seen various welfare rates were being reduced and new revenue raising measures introduced. However, just considering the changes to social welfare rates alone, young people looking for work have shouldered

the burden of adjustment from the early stages of the economic crisis. Table 3 gives provides detail on the number of young people impacted by adjustments to the weekly rates and age bands applicable Jobseeker's Allowance prior to the new measures being introduced.

It is unclear how many people were affected by the changes announced in Budget 2014. As of the end of March 2014 there were 57,900 Jobseeker's Allowance receipts under 26 years of age—with 36,800 in receipt of a reduced rate of payment. The number of people under the age of 25 on the live register declined by 13 per cent in the year to August 2014.

Table 2: JA rates post Budget 2014

Age	Basic Allowance (€)
18-24	100
25	144
26 and over	188

Risk of welfare dependence

As noted by a complementary NERI inBrief, the data fails to support the notion that young people are particularly susceptible to becoming dependent on employment support payments.

While a longer timescale is required to draw a more definitive judgement, the data currently available shows no evidence of the new measures increasing the rate of decline in young people on the Live Register relative to the older age groups. The proportion of young people on the Live Register fell 1.1 percentage points between August 2013 and August 2014; a rate consistent with the decreases observed in the years prior to the changes to Jobseekers Allowance introduced in January 2015.

Table 3: Age profile of people on various JA rates as of end December 2013

Age	€100	€144	€188	Totals	Reduced rate as a % of total
18	3,728	n/a	150	3,878	96.13
19	5,669	n/a	387	6,056	93.61
20	6,349	n/a	563	6,912	91.85
21	6,291	n/a	926	7,217	87.17
22	n/a	6,148	2,266	8,414	73.07
23	n/a	4,844	4,688	9,532	50.82
24	n/a	3,170	6,171	9,341	33.94
Overall	22,037	14,162	15,151	51,350	70.49

Source: Dail Debates (2014) Written Answer [1884/14], 16 January 2014.

Looking specifically at people receiving Jobseeker’s Allowance, Figure 1 shows the number of young people claiming the payment for a year or more rose dramatically in the second half of 2009 compared with the opening 6 months of the year. Since then, the 18-24 age group has regularly experienced the greatest rate of reduction in number of long term claimants compared to older cohorts. Demographic factors undoubtedly influence this pattern; however, it suggests, that similar to other age groups, young people were unwilling to remain welfare dependent for a long period of time. The need for additional activation measures for this age group is questionable.

Young people in training

Possessing skills relevant to the workplace influences labour market outcomes. These skills are developed through a mixture of education and experience. Young people are more likely to lack experience in the workplace compared to older people, though the majority of those on the Live Register worked prior to claiming state support. Limited workplace experience means suitable training for young people is of particular importance.

The claim that young people need to be incentivised to take up training is examined by looking at the profile and performance of people in FÁS training. The survey conducted by Solas/FÁS reveals a broad picture of young people willing to participate in training, with most still unable to find work upon finishing their course. In this context, reducing Jobseeker’s

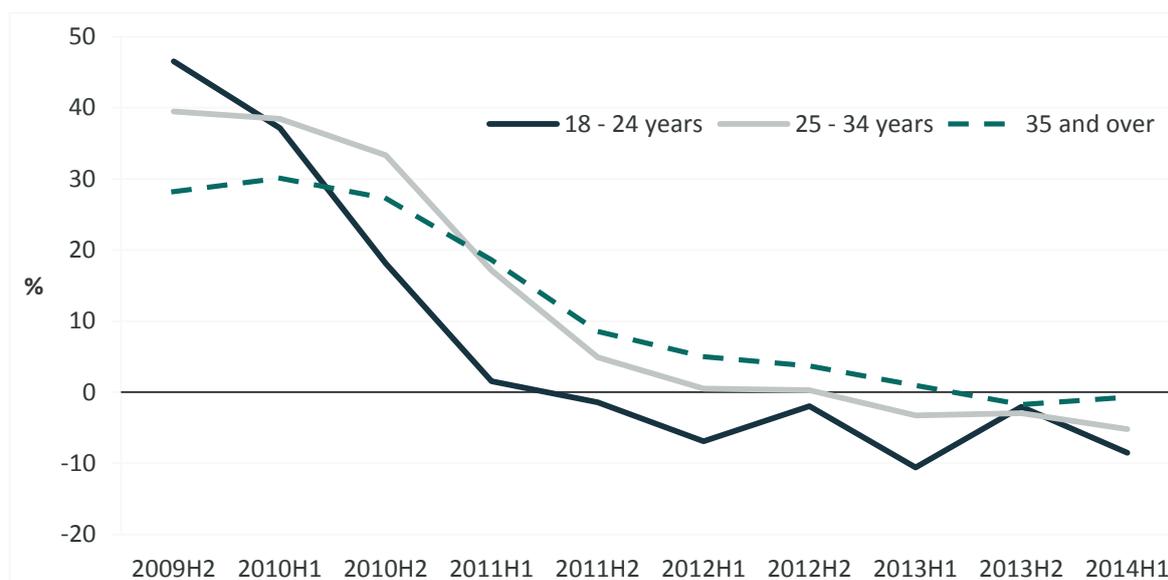
Allowance with the stated intent of encouraging young people to take up training is an inappropriate response to the issue.

The report covers the period between June 2012 and June 2013. It predominantly looks at five types of day courses offered by FÁS. While the demographics and content of the programmes varies, all training streams aimed to enhance participants’ employment prospects.

The study found the 15-24 cohort was over represented in the courses examined; at the time of the survey this age group represented 22 percent of the unemployed population, but 33 percent of the trainees partaking. Similar to other participants, young trainees are reported to be willingly participating in training. The report notes “the vast majority of those who registered with FÁS in the summer of 2011 did so of their own volition... only 11% of trainees were directed by the Department of Social Welfare.” The report provides evidence of a substantial number of young people willingly undertaking state provided training and raises doubt on the need to introduce additional incentives aimed at encouraging greater participation in education opportunities.

The lack of jobs is a key issue. When evaluating the employment outcome following completion of the training the survey sought to find out how many of those finishing the course had found a job “at some point” during the 12 month period

Figure 1 Percentage change in the number of people claiming JA for more than one year, by age



Source: CSO (2014) Persons on Live Register (Number) by Region, Sex, Social Welfare, LRH02

since exiting the training. Even by this accommodating employment metric only 36 percent in the 15-24 had found employment; the lowest success rate amongst all the age cohorts.

Many factors could be influencing this poor outcome—education level prior to commencing the training and length of time unemployed, for instance. However, a lack of job opportunities leading to intense competition for available vacancies is a key hindrance to people exiting training taking up employment. The average number of unemployed over 12 month job search period covered by the study was 207,000. This equated to one job for every 30 unemployed people for the majority of the reference period. In this type of labour market the options for young people seeking work are severely limited.

Conclusion

The data does not support the notion the young people are particularly susceptible to settling into a life of welfare dependence. The ratio of people of under 25 on the Live Register was shrinking prior to the most recent age targeted cut to Jobseeker's Allowance, while the vast majority of young people worked prior to claiming support. The 2013 FÁS survey shows young people

were actively looking to improve their employment prospect by participating in training prior the incentive of reduced core Jobseeker's Allowance payment announced in Budget 2014. The absence of jobs, not motivation, is the central issue for young people looking for work.

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