

**ACTIVATING AND RE-INTEGRATING
THE LONG-TERM UNEMPLOYED**

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**Paper presented to MISEP National Correspondents Meeting
(Dublin Castle, 3rd October, 1996)**

INTRODUCTION

Drawing on the results of a recent evaluation of the Back to Work Allowance Scheme (BTWAS), this paper examines the effectiveness of the BTWAS in activating and reintegrating the long-term unemployed. The economic and policy context of the operation of the BTWAS is sketched and emphasis is placed on the role of the BTWAS in developing active welfare policy and in linking welfare with labour market policy as a means of combating long-term unemployment. The results point to the importance of recognising the difference between activating the long-term unemployed to participate in a programme such as the BTWAS and reintegrating the long-term unemployed back into the labour market and employment or self-employment. It is shown that while the BTWAS has been effective in activating a substantial proportion of the long-term unemployed that had become inactive, only approximately half of entrants to the BTWAS can be expected to survive in employment or self-employment following the withdrawal of financial support. The key issue for the future development of the BTWAS is identified as improving its capacity to reintegrate the long-term unemployed it has succeeded in bringing into employment or self-employment.

ECONOMIC AND POLICY CONTEXT

Among the central features of the economic and policy context in which the BTWAS operates is the persistence of long-term unemployment and documented weaknesses in the package of labour market programmes and services targeted toward the long-term unemployed (NESC, 1993; NESF; 1994; Report of the Task Force on Long-Term Unemployment, 1996). During the years prior to the introduction of the BTWAS in 1993, long-term unemployment increased by 32 per cent: from 100,266 in 1990 to 132,102 in 1993. While the economic and employment context improved considerably from 1993 forward (e.g., the net increase in the employed labour force between 1993 and 1995 was 87,000) long-term unemployment continued to increase, rising to over 136,000 in April 1996 at which time it accounted for almost half (48%) of the unemployed on the Live Register.

The persistence of long-term unemployment in the context of rapid employment growth confirms the limitations of solely relying on a macroeconomic policy response and the continuing relevance of special measures focusing on both the prevention and amelioration of long-term unemployment. As argued elsewhere, the essential feature of effective measures to combat long-term unemployment is that they address the real barriers to the inclusion of the long-term unemployed in the labour market and employment (Ronayne *et al*, 1994). These barriers include supply side barriers arising from the educational, occupational and age profile of the long-term unemployed and demand side barriers arising from the nature of employer recruitment practices and the structure of occupational change. There is also evidence that the level of wages on offer for much of the employment for which the long-term unemployed are qualified, or at least could be qualified for in the short-term, is low. Combined with the operation of the taxation and welfare system this creates an unemployment trap, effectively excluding a substantial proportion of the

long-term unemployed from the labour market (Dawes, 1993; O'Toole, 1994; McLaughlin, 1994).

Previous and current labour market programmes for the long-term unemployed have proven to be weak instruments for their integration into employment. Among the key factors contributing to this is the lack of a real linkage between the programmes and emerging employment opportunities, the low level of qualifications which they provide for participants, and the absence of work experience related to contemporary work practices and employment conditions (Ronayne *et al.*, 1994; O'Connell and Sexton, 1995). Compounding the limited effectiveness of the programmes for the long-term unemployed that arise from aspects of their design is the volume and quality of educational and training programmes targeted toward young new entrants to the labour force (Ronayne, 1995). The net effect of this is twofold: on an annual basis the adult long-term unemployed are competing with a large cohort of well qualified young people for all employment; and, because of weakness in the content of provision for the adult long-term unemployed they are not in a position to compete for those jobs for which the qualifications available to young entrants are an entry requirement.

A further aspect of the context in which labour market programmes for long-term unemployed operate is the changing nature of the content and structure of employment in the contemporary labour market. Conventional occupational forecasting models, while capturing some of the elements of growth and decline in relation to specific occupational categories, significantly underestimate the shifts in skills and competencies required in relation to specific occupations in the contemporary labour market. What conventional approaches do highlight, however, is the substantial mismatch that exists between the occupational qualifications of a substantial proportion of the long-term unemployed and the structure of occupational growth. Equally important, however, is what has been termed the growth of atypical employment. This includes part-time employment, short-term contractual employment and temporary employment, and self-employment. To date, employment programmes for the long-term unemployed have had only a limited engagement with either the structure of occupational change or the growth of atypical employment. However, evidence that this is changing is provided by the inclusion of a self-employment strand in the BTWAS.

More generally, a feature of the introduction of the BTWAS is its role in transforming passive welfare expenditure into an active form of support to the long-term unemployed. While there are precedents for this - for example, in the Vocational Training Opportunities Scheme participants retain their welfare entitlements while participating in a full-time educational course - the BTWAS is qualitatively different in that the long-term unemployed are enabled to combine incomes from employment and welfare. In this regard, the lessons arising from the operation of the BTWAS address the wider debate regarding the most effective means of reconciling the traditional role of welfare policy in the area of social protection and income maintenance with a new role in the area of supporting employment growth and labour market inclusion. The effective integration of these roles is increasingly been viewed as an important feature of an effective policy response to long-term unemployment in the European Union (CEC, 1995).

THE BACK TO WORK ALLOWANCE SCHEME

The rationale for the establishment of the Employment Support Service and the introduction of the BTWAS was outlined by the Minister for Social Welfare in terms of what he identified as the *more important secondary role* of the Department:

Passive income support is not enough on its own. We need a strong proactive approach to providing additional support measures which will: increase the number of job outlets and enterprise opportunities available to unemployed people; increase the number of options for training and further education available to unemployed people; and, facilitate unemployed people to make the most of the new opportunities available to them to regain a foothold in the jobs market. (Paper presented to the Forum on Social Welfare Supports for Jobs and Transition to Work, p. 3).

In line with this, the main aim of the BTWAS is to allow people who have been long-term welfare dependants to test employment options and regain a foothold in the labour market while retaining some financial security during the early years of employment or self-employment.

In order to qualify for the BTWAS a person must be aged 23 years or over and have been in receipt of (or have on underlying entitlement to) Unemployment Assistance for a minimum of 12 months. The durational criteria are interpreted flexibly (e.g., a total of two years unemployment over the previous three years with periods spent on labour market programmes being counted toward the minimum period of unemployment). The BTWAS is also open to persons in receipt of a Lone Parents Allowance for a period of 12 months. The BTWAS is also available as a form of continuing support to the long-term unemployed who have become self-employed under the Area Allowance Enterprise Scheme (AAES).

In operational terms, the BTWAS allows the long-term unemployed to take up paid employment or become self-employed while retaining 75 per cent of their social welfare payments in the first year, 50 per cent in the second, and 25 per cent in the third. The entitlement to a third year of support was not part of the original design of the BTWAS. It was introduced in early 1995. In addition to the receipt of an allowance, all persons participating in the BTWAS retain any established entitlements to secondary benefits (e.g., Back to School Allowances, Butter Vouchers, Fuel Allowances, Medical Card, Christmas Bonus Payments, Rent Allowance and Differential Rent). The latter is subject to an income limit of £250 per week.

Employers are encouraged to participate in the BTWAS by offering positions to persons who have been long-term unemployed. Assistance to employers seeking to recruit new employees is provided by the Job Facilitators. Three conditions attach to employers use of the BTWAS: the jobs they are seeking to fill must be new and not displace existing jobs; the jobs must have the potential to become permanent jobs: conversely temporary and short-term jobs are not eligible; and, the number of hours worked per week must not be less than 20. Employers recruiting persons entitled to

support from the BTWAS may also avail of the Employers' PRSI Exemption Scheme. Under this scheme, qualifying employers are exempted from paying their share of PRSI for a period of two years.

The BTWAS is implemented by Job Facilitators. These operate on a regional basis and undertake a variety of actions related to promoting, implementing and monitoring the BTWAS. By the end of 1994, a total of 30 Job Facilitators had been appointed. There is a degree of individual flexibility in the manner in which Job Facilitators implement the BTWAS. Noting this, the following set of activities is typical: providing information to the unemployed and employers regarding the operation of the BTWAS; canvassing employers for vacancies that can be filled under the BTWAS; responding to requests from employers for people to fill vacancies; interviewing people seeking to become employed or start their own business with assistance from the BTWAS; and providing follow-up assistance to employees, employers and the self-employed. The Job Facilitators also play a role in attempting to ensure that entrants to the self-employment strand of the BTWAS do not displace existing businesses.

The Trend in Number of BTWAS Participants

The number of participants on the BTWAS has increased steadily since its introduction in September, 1993 (see Figure 1). By the end of 1995 the total number of participants was 10,120. While the ratio of employees to self-employed at one to two has remained fairly constant since mid 1994, there is evidence that since the latter part of 1995 the employee strand of the BTWAS was increasing relative to the self-employment strand.

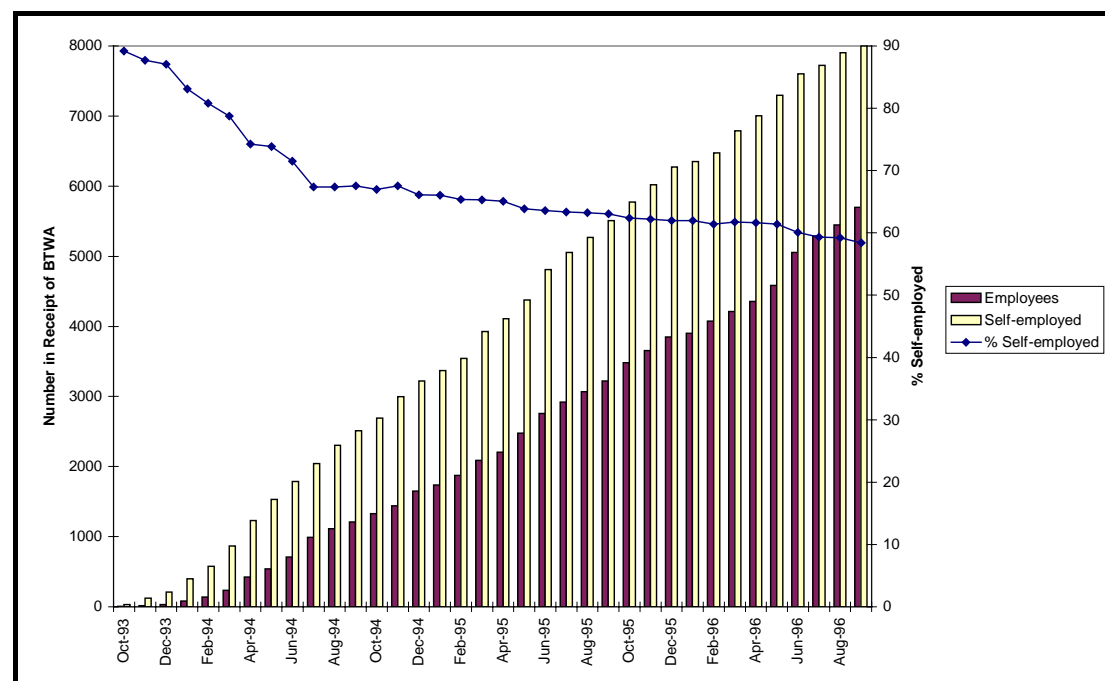


Figure 1 Numbers in Receipt of BTWA, October 93 to September 96

The proportion of women on the BTWAS at 12 per cent is lower than their representation among the eligible categories on the Live Register (e.g., 28 per cent of long-term unemployed are women). As is shown later, this is due to the very low number of women taking up self-employment with support from the BTWAS.

METHODOLOGY

The methodology for the present study involved sample surveys of entrants to the BTWAS and of employers who had recruited employees under the BTWAS. In the survey of entrants to the BTWAS, a team of interviewers conducted face-to-face interviews with both past and continuing participants using a structured interview schedule. The survey of firms used a postal questionnaire with telephone follow-up and the provision of a free-phone telephone number in the event of queries from respondents. The survey of entrants to the BTWAS was undertaken over the months of July and August, 1995. The postal survey of employers was undertaken over the months of August and September, 1995.

Supplementary postal surveys of entrants to the BTWAS and firms that had recruited employees under the BTWAS were also undertaken. The rationale for undertaking these was to increase the number of cases in which matched data from both employees and employers were available for analysis. A total of 76 matched cases were obtained.

In addition to the above, a postal survey of Job Facilitators and Regional Co-Ordinators was undertaken. This sought their views on the operation of the BTWAS. As many of the Regional Co-Ordinators did not have direct involvement in the day to day operations of the BTWAS, data from the questionnaires returned by the Job Facilitators were used in the analysis of their role in the implementation of the BTWAS. A total of 26 of the 30 (87%) Job Facilitators returned completed questionnaires.

Sampling of Entrants to the BTWAS

The sampling frame for the survey of entrants to the BTWAS comprised all persons who entered the BTWAS prior to the end of September, 1994 (N=3,998). A two stage sampling procedure was used to draw a sample corresponding to approximately 14 per cent of the intake to that date. Given the nature of the administrative data available, the primary sampling units were counties. The secondary sampling units were post offices within counties. In both cases the probability of selection was proportional to size. The sample obtained covered nine counties (Cork, Donegal, Dublin, Galway, Laois, Limerick, Meath, Waterford, Wexford) and the total number of persons in the sample came to 545. The overall response rate in the survey of entrants was 74.5 per cent (N=406.). The adjusted response rate based on actual contact was 91.2 per cent. A total of 390 interviews were entered for analysis.

Sampling of Firms

A simple random sample of firms was drawn from among all firms that made a recruitment under the BTWAS before the end of September, 1994. The total number

of firms in the sample came to 198. All firms in the sample received a letter from the Employment Support Services section of the Department of Social Welfare (DSW) outlining the purpose of the survey, guaranteeing the confidentiality of their responses, and requesting their co-operation. The response rate obtained in the survey of firms was 46.5 per cent. When employers in the supplementary sample are included, the total number of employers contacted increases to 295. A total of 132 questionnaires were returned, of which 130 were entered for analysis. The latter figure corresponds to a response rate of 44.1 per cent.

EVALUATING THE EFFECTIVENESS OF THE BTWAS

The effectiveness of a labour market programme is conventionally defined as the extent to which its objectives are achieved or brought about as a result of implementing the programme. In the context of evaluating effectiveness, a distinction can be made between programme mechanisms and the delivery system of a programme. Applying this to the BTWAS, the central programme mechanism is the retention of a component of prior welfare income and established entitlements to secondary welfare benefits. The delivery system is the Employment Support Service of the DSW, particularly as represented by the Job Facilitators. This distinction is important as effectiveness can be compromised to varying degrees by either weaknesses in the design of programme mechanisms or the delivery system for the programme. It should be noted, however, that as Job Facilitators deliver non-financial supports to participants they also represent a programme mechanism.

The two main objectives of the BTWAS are:

1. enabling the long-term unemployed to break the cycle of long-term unemployment through taking up a job or becoming self-employed; and,
2. the reintegration of the long-term unemployed into employment and self-employment.

The first of these is the *activation* objective of the BTWAS. The second is the *reintegration* objective. The main indicator of effectiveness in relation to the former is the extent to which the BTWAS is the critical factor in enabling the long-term unemployed to escape from long-term unemployment and to make transitions to employment or self-employment. This encompasses assessing the level of deadweight associated the operation of the BTWAS. The main indicator used to assess the reintegration objective is the extent to which the transitions to employment and self-employed are sustained over the three year period of the BTWAS and into the post-BTWAS period. The critical indicator here is the survival rate of participants into the post-BTWAS period. Due to the timing of the evaluation it was not possible to assess fully the extent to which the long-term unemployed who had been brought back into active participation in the labour market as employees or self-employed actually succeed in becoming securely integrated. The assessment of this is of an *ex-ante* nature with survivors' expectations of their post-BTWAS situation being the main indicator used. This analysis is supplemented here with an analysis

of administrative data from the DSW which allow estimates of survival to the second and third year of the BTWAS to be made.

The BTWAS also has a number of secondary objectives. These include:

- providing a route out of the black economy to legitimate employment or self-employment;
- encouraging employers to recruit from among the long-term unemployed;
- matching the qualifications and experience of the long-term unemployed to the jobs they take up under the BTWAS; and,
- job creation.

While these are noted here, it is not possible within the confines of this paper to address these and the reader is referred to the main evaluation report (Ronayne and Eason, 1996).

Activating the Long-Term Unemployed

There is considerable evidence that long-periods of unemployment are associated with demoralisation, the cessation of active job search and withdrawal from the labour market (Ronayne and Creedon, 1991; White *et al*, 1994). What is also evident is that a considerable number of the long-term unemployed are non-participants in labour market programmes (e.g., in the current sample almost two thirds - 62 per cent - had not participated in any labour market programme prior to the BTWAS). In this context the issue of contact and activation is a necessary first step to reintegration in the labour market and employment. Here, we examine the manner role played by the BTWAS in activating the long-term unemployed. Four sets of findings are considered: those concerning their relationship to the labour market prior to hearing of the BTWAS; participants' reasons for entering the BTWAS; the extent to which the BTWAS was a critical factor in making the transition to employment or self-employment; and, the demographic and educational composition of entrants

Relationship to the Labour Market Prior to the BTWAS

The main areas investigated under this heading included jobsearch behaviour and participation in labour market programmes. Among the relevant findings are that:

1. during the six months prior to becoming aware of the BTWAS, over one quarter (29%) of participants had not made a single job application and a further one fifth (19%) had made between two and five. Thus, almost half (48%) of the intake to the BTWAS consisted of persons who had either not been actively seeking employment or had made only limited efforts in this regard prior to hearing of the BTWAS;
2. among the long-term unemployed who had been active in the labour market prior to hearing of the BTWAS, there is evidence that the small proportion (18%) of these who actually obtained job offers did not take up such offers because of the low wages and poor conditions associated with the jobs on offer. Thus, among

the overall intake to the BTWAS there was a significant minority of persons who had been experiencing an unemployment trap; and,

3. prior to entering the BTWAS just over under two thirds (62%) of participants had never participated in a labour market programme. Thus, among the intake to BTWAS one finds two categories of participant: those who had not been activated by other labour market programmes; and, those who, despite having previously participated in at least one labour market programme, had not secured employment as a result of their participation.

On the basis of these findings it appears that the BTWAS interacts with the situation of the long-term unemployed in two main ways. First, it activates those who have become discouraged as reflected in both their non-engagement with either the labour market or labour market programmes. Second, in the case of the long-term unemployed who were seeking work but experiencing difficulties in securing suitable employment it provides a link into employment and self-employment. Given the low average wage rates found among employees in the sample - the average gross wage on entering employment at £142 was just 44 per cent of the average gross wage of manufacturing workers - the BTWAS can be seen as effectively underpinning their decision to take up employment. Similarly, as a high proportion of the self-employed had low incomes from their businesses - an average of just under £90 per week when calculated over their duration in business - the BTWAS can be seen as having made self-employment a viable option. These findings, taken at face value, indicate that the BTWAS is playing a role in activating a substantial component of the long-term unemployed and that a key factor is the financial incentive of being able to retain a component of welfare income and established secondary welfare entitlements.

Reasons for Participating in the BTWAS

The manner in which the BTWAS intervened in the circumstances of the long-term unemployed is shown by participants' responses to a open-ended question probing their reasons for participation (see Table 1). Overall, just under one fifth of participants said that they had decided to participate because there were no other options available to them and a further quarter said they entered the BTWAS to get off the dole. These "push factors" were more prevalent among participants entering the employee strand of the BTWAS.

The majority of participants, however, referred to the opportunities provided by the BTWAS as the single most important factor in their decision to participate. The proportion of respondents citing "pull factors" was higher amongst the self-employed than employees (57% compared to 47%). The specific opportunities referred to by respondents varied according to their participation status. For self-employed participants, the opportunity to become self-employed, or to have a certain amount of income secured while doing so was important. Almost one quarter (22%) of self-employed participants cited one of these as their main reason for participating. Amongst employees, 39 per cent referred to the opportunity provided by the BTWAS to increase their income or to make the acceptance of a job offer financially feasible.

It is of note that only a small proportion overall cited pressure from the DSW as their main reason for participation.

Table 1
Reasons for Participation in the BTWAS among Employees
and the Self-Employed

<i>Reason</i>	<i>EE</i> %	<i>SE %</i> %	<i>Total</i> %
<i>Pull Factors:</i>			
To increase my income	23.7	8.2	13.0
Could work and maintain secondary benefits	4.2	15.7	12.2
To become self-employed	0.0	13.1	9.1
Made taking a job / working financially viable	15.3	3.4	7.0
To try out self-employment having security of income	0.0	9.0	6.2
Chance to go legitimate	3.4	7.1	6.0
<i>Push Factors:</i>			
To get of the dole	27.1	23.1	24.4
No other options	26.3	14.6	18.1
Pressure from the DSW	0.0	2.5	1.8
Other	0.0	3.3	2.2
Total	100.0	100.0	100.0

The capacity to retain secondary welfare benefits while on the BTWAS was also cited as a factor influencing decision-making. This feature of the BTWAS was more important to the self-employed than to employees reflecting the higher proportion of the former with both dependant partners and children (i.e., 60 per cent as compared to 31 per cent among employees). In all probability, this reflects the family and household circumstances of the self-employed. However, a more direct question probing the influence of being able to retain secondary benefits on decisions to participate showed little variation between employees and the self-employed. That question revealed the importance which participants attach to the retention of these benefits. Overall, approximately one third of entrants said they would definitely have participated even if they could not have retained their secondary benefits and a further 22 per cent said they would “probably” have participated. The proportions stating they would “probably not” or “definitely not” have participated are almost as large (13% and 30%, respectively). Among persons saying that they would not have participated in the BTWAS if they had not been able to retain secondary benefits, 49 per cent referred to the loss of income that would have resulted as the main reason while a further 43 per cent cited specifically the loss of their medical card. This highlights the value placed on the retention of the medical card by a substantial proportion of the target group for the BTWAS.

The Role of the BTWAS

An assessment of the extent to which the BTWAS itself is *the* crucial factor in enabling the long-term unemployed to leave the Live Register to take up a job or become self-employed inevitably raises the counterfactual question of what would

have happened in the absence of the BTWAS?. The most salient finding in the present context is that 42 per cent of entrants to the BTWAS said that in the absence of the BTWAS they would have taken up a job or become self-employed. At 48, per cent the level of deadweight was higher in the self-employment than in the employee strand of the BTWAS (i.e., 27%). A crude interpretation of the overall deadweight figure is that the BTWAS itself was the significant factor in enabling the transition to employment or self-employed among 58 per cent of the intake to the Scheme. We return to the findings regarding deadweight below.

The Composition of Entrants to the BTWAS

Entrants to the BTWAS are not drawn uniformly from among the long-term unemployed and in this respect there is evidence that the BTWAS is catering for specific groups from within its target population. Two aspects of this are illustrated here.

First, the vast majority of entrants to the BTWAS are men (87%) and a high proportion (57%) are over the age of 35 years. This is mainly due to the demographic profile of the self-employed stand of the BTWAS in which 96 per cent of entrants are men and 63 per cent are at least 35 years of age. In contrast, 30 per cent of entrants to the employee strand are women of whom two thirds (64%) are under the age of 35 years. Among men entering the employee strand of the BTWAS just over half are under the age of 35 years.

A broad interpretation of these findings is that the financial supports available under the BTWAS operate in such a manner as to enable young entrants to take-up employment that otherwise would not be accepted because of the low wages on offer. Similarly, the demographic profile of the self-employed suggests that many are likely to have experienced difficulties in actually accessing employment due to factors related to their age. For these the BTWAS is an opportunity to test the alternative option of self-employment while retaining some level of financial security.

Table 2
Education Levels of Entrants to BTWAS Compared with the Unemployed, the Long-Term Unemployed, the Employed Labour Force and Participants on Labour Market Programmes

	<i>No Second Level Quals</i> %	<i>Completed Junior Cycle</i> %	<i>Completed Senior Cycle</i> %	<i>Third Level</i> %	<i>Total</i> %
BTWAS - EE	32.7	27.7	27.7	11.8	100.0
BTWAS - SE	33.7	38.5	16.7	11.1	100.0
BTWAS	33.4	35.2	20.1	11.3	100.0
Unemployed	46.5	32.4	16.4	4.7	100.0
Long-term unemployed	52.3	32.4	12.2	3.1	100.0
Employed	13.5	24.1	34.9	27.5	100.0

Second, when the educational and occupational composition of entrants to the BTWAS is taken into consideration, there is evidence that the BTWAS is catering for

the better educated and more occupationally qualified of the long-term unemployed (see Table 2). For example, 33 per cent of participants in the BTWAS had no formal second level qualification in comparison to 52 per cent of the long-term unemployed. There are substantial differences in this regard between entrants to the employee and self-employed strands of the BTWAS. In addition to the higher educational profile of the self-employed just under half (48%) possessed a craft qualification. The corresponding proportion among entrants to the employee strand was 28 per cent.

Reintegrating the Long-Term Unemployed

To address this question effectively it is useful to distinguish between the sustainability of employment or self-employment during the three years for which participants are eligible for the BTWA from that in the post-BTWAS situation. This distinction is also necessary because, given the timing of the evaluation, no participant had entered their third year on the BTWAS and consequently the data available for the analysis of the sustainability of employment to the time of the survey and those for the analysis of the post-BTWAS situation are qualitatively different. The former are based on the actual survival rates of participants to the time of the survey. The latter are based on survivors' views of the likelihood that they will remain in employment or self-employment following the cessation of their eligibility for the BTWA.

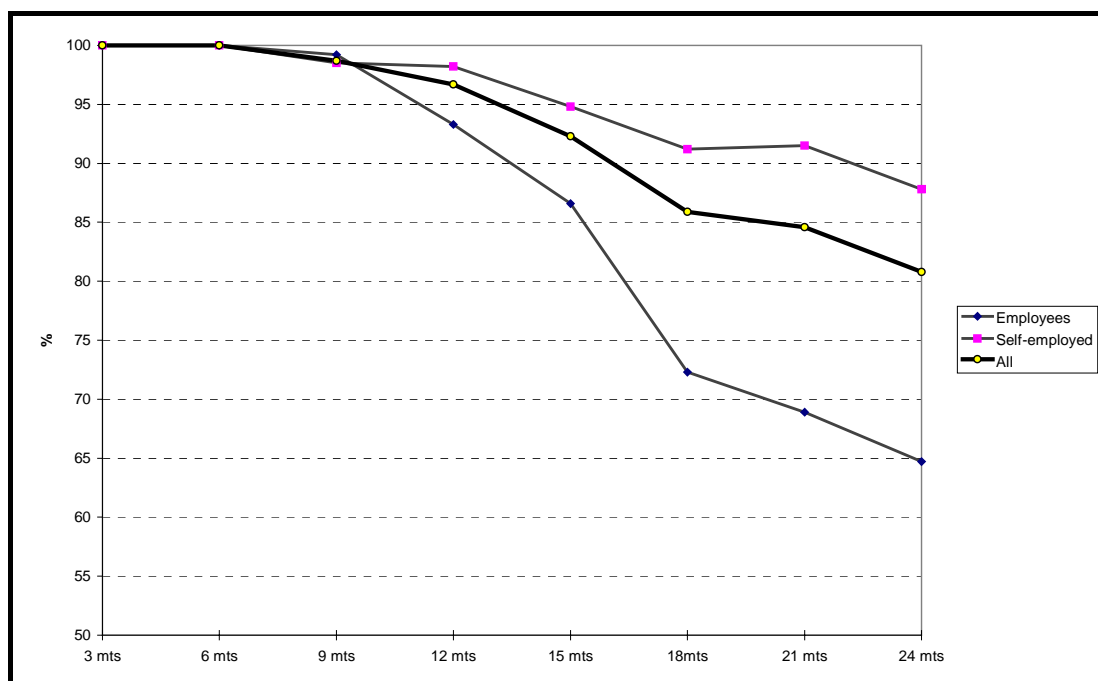


Figure 2 Survival Rates for Employees and Self-Employed by Duration on the BTWAS

At the time of the survey 65 per cent of employees were still in employment and 88 per cent of the self-employed were still trading. When these proportions are combined, the overall survival rate of entrants to the BTWAS over the first two years of its operation is 81 per cent. These rates, however, are based on participants who entered the BTWAS at different times and consequently had spent different durations of time on the BTWAS. When the latter were taken into account, the survival rate to end of the first year on the BTWAS was estimated to be 93 per cent in the case of employees and 99 per cent in the case of the self-employed (see Figure 2). The survival rates of both categories of participants declined over the next four quarters, reaching the rates identified above at the end of the second year. In both cases, this decline was concentrated over the three to six months following the transfer from the 75 to the 50 per cent rate of the BTWA. Taken at face value this would suggest that while the BTWAS has been successful in enabling a transition into employment or self-employment, it is less successful in sustaining this transition, particularly among employees. This becomes clearer in the context of survivors' views of their situations following the cessation of their entitlement to the BTWA.

Among employees, approximately half (53%) were reasonably confident that they would continue in employment when support from the BTWAS ceased. Taking this, together with the survival rate at the time of the survey, as an indicator of the post-BTWAS survival rate gives a figure of 34 per cent. This, however, is based solely on the expectations of employees. When the views of employers and employees in the matched sample regarding this were examined, the resulting estimate of the post-BTWAS survival rate is 39 per cent. These figures suggest that a reasonable estimate of the post-BTWAS survival rate for any given cohort of entrants to the employee strand is in the region of 35 to 40 per cent.

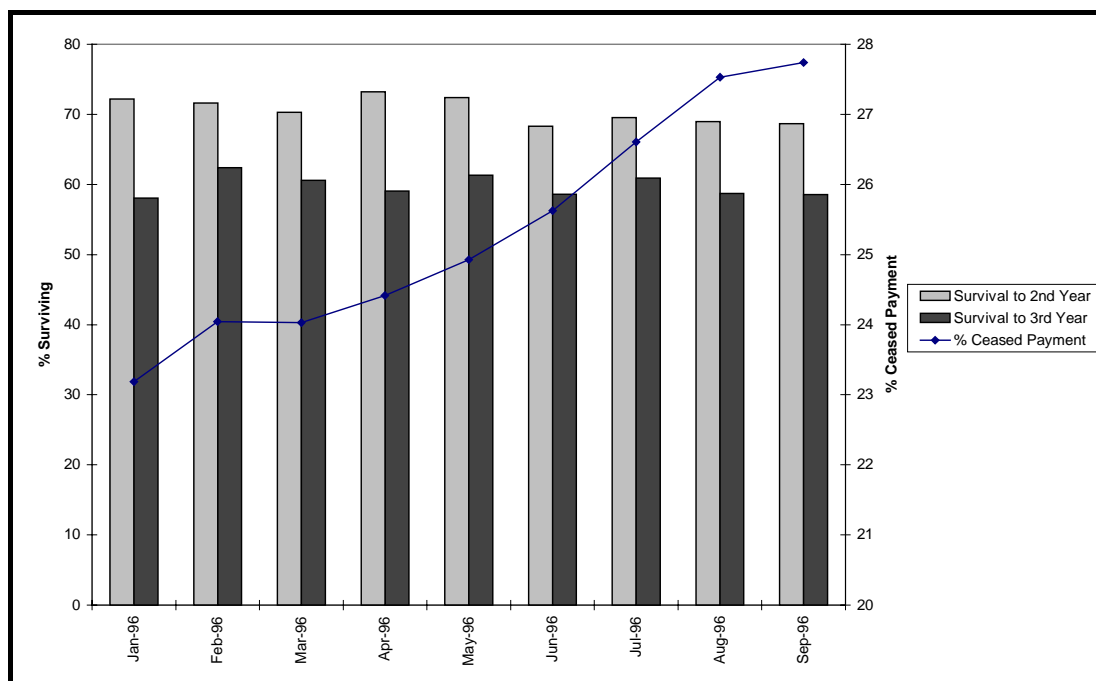


Figure 3 Survival Rates to the Second and Third Years of the BTWAS Based on Transfer Rates to the 50 and 25 per cent Rates of the BTWA

Expectations of survival into the post-BTWAS situation among the self-employed varied from 80 per cent in the case of those in business for less than one year to 70 per cent in the case of those who had been at least one year in business. As the latter could be expected to have a better indication of their viability after the BTWAS, this was used to estimate the post-BTWAS survival rate in the self-employment strand. The rate resulting from this procedure is 62 per cent. That is, for any given cohort of entrants to the self-employment strand of the BTWAS we would expect approximately 60 per cent to survive into the post-BTWAS situation. When this is compared with the findings of other studies of enterprise type programmes for the unemployed it appears to be on the high side (OECD, 1993). Consequently, one might expect the rate to fall below this.

Some evidence supporting the possibility of a lower survival rate than that found in the survey data is provided by the results of an analysis of administrative data concerning transfers to the 50 and 25 per cent rates of payment. These suggest that the survival rate to second year of the BTWAS is of the order of 70 per cent and that to the third year is 60 per cent (see Figure 3). The figures also show that to date just under 28 per cent of all entrants to the BTWAS have ceased participation, a proportion that has been rising steadily over the past year as more entrants reach their second and third years on the BTWAS. While it is not possible to derive an estimate of the post-BTWAS from these, it is unlikely that this would be above 50 per cent, a figure consistent with the estimates based on the results of the survey of entrants presented above.

Factors Influencing the Survival of Employees in the BTWAS

We now turn to the findings concerning the factors influencing survival rates in the employee and self-employment strands of the BTWAS. We will deal with employees first. Two analyses were undertaken. The first carried out a bivariate analysis using data from both the employee and employer surveys to compare the characteristics of surviving employees with those of former employees. This analysis focused on six sets of independent variables to see whether these two groups were significantly different: prior duration of unemployment, demographic / company characteristics, recruitment related factors, wage rates, employment conditions and BTWAS related factors. The second analysis examined the reasons for the cessation of employment among former employees. This analysis also used data from the surveys of employers and Job Facilitators.

On the basis of the bivariate analysis just two variables were found to be of importance in differentiating survivors from former employees. These were levels of job satisfaction and the receipt of training. As would be expected, higher levels of job satisfaction and the receipt of training were positively associated with survival. The results of the analysis of employers' views on this pointed to the importance of levels of satisfaction with employee performance. None of the other demographic, wage related and employment related variables were found to be significantly associated with survival.

Data from former employees, the employers of former employees and Job Facilitators pointed to a multiplicity of reasons for the cessation of employment. For

employees, the short-term nature of the job *per se* featured prominently: 40 per cent said that they were either let go or the job obtained under the BTWAS was not permanent. Just over one fifth of employers also cited the temporary nature of the job. However, over half of employers cited either personal reasons or employees leaving to take up alternative employment as factors associated with the loss of employment. Job Facilitators' views of the reasons for the loss of employment on the part of employees focused on job dissatisfaction and low pay. Despite the apparent inconsistency in the views of employees, employers and Job Facilitators regarding reasons for the cessation of employment under the BTWAS, they nevertheless highlight the role of non-financial factors in this.

Factors Influencing the Survival of the Self-Employed

A similar set of analyses were undertaken in relation to the self-employed. The results of a comparison of survivors with participants who had ceased trading showed that of twenty-one variables examined, just eight reached statistical significance. These were:

- the completion of an apprenticeship - positively associated with survival
- would have started the business without the BTWAS - positively associated with survival
- turnover - positively associated with survival
- nature of premises used - use of the home or a rent free premises (i.e., non-commercial) was positively associated with survival
- type of assistance given with bookkeeping / financial management - use of professional assistance was positively associated with survival
- level of competition - businesses with no competitors were more likely to fail
- prior participation in an enterprise training programme - negatively associated with survival.

Apart for the latter two, the observed associations of these variables with survival are in the expected direction. One possible explanation for the negative association between lack of competitors and survival, is that there might have been no market for the product in the first place. With regard to the negative association between prior participation in an enterprise training programme and survival, a plausible explanation is that, in the absence of other options, a proportion of the unemployed may pursue such courses and subsequently start a business without being fully committed to or prepared for such a course of action. It is also possible that in the latter situation participation in an enterprise training programme becomes the reason for starting a business rather than *vice versa*. Despite the apparent contradictory nature of this finding this is not the only study in which it had been found (e.g., Breen and Halpin, 1988).

Despite not reaching statistical significance in the bivariate analysis, there is evidence that the sector entered by the self-employed is associated with survival. When the sectors entered by the self-employed were ranked according to their growth rates and then by their survival rates, the rank order correlation coefficient between the two was .73. This suggests that survival rates were higher for the self-employed who had entered sectors with the highest annual growth rates for the

period 1986-1994. These include *transport, communication and storage* and *professional services*.

Further insight into the factors influencing business survival were provided by the reasons given by the self-employed who had ceased trading at the time of the survey and the views of Job Facilitators as to why, in their experience, businesses cease trading. Three reasons appear to be influential: inadequate financial input; insufficient demand for product; and, lack of appropriate business skills. The latter two are consistent with the findings of the bivariate analysis in that businesses with no competitors and businesses using non-professional accounting assistance were the most likely to fail. Despite the fact that the lack of capital / financial support was given as a main reason for failure by both the Job Facilitators and those who had gone out of business, it was not significant in the bivariate analysis. This is likely to be due to the wide variety of businesses established under the BTWAS and consequently the very specific capital requirements of individual businesses.

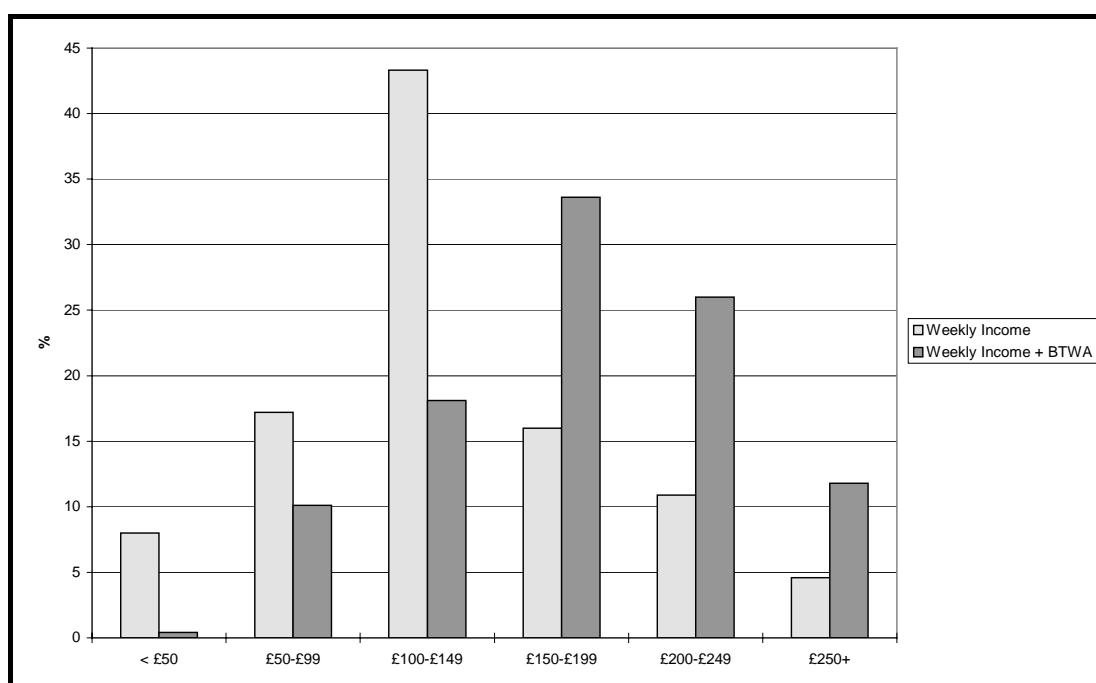


Figure 4 Current Weekly Incomes of the Self-Employed

There are two related issues that arise from the above findings: the adverse effects of inadequate planning (in terms of market research, formulation of business plans, etc.) by the self-employed themselves; and, insufficient access to business support / advice, both during the start-up and developing phases of the business. With regard to these the role of the Job Facilitator is of importance. Data from the survey of Job Facilitators show that the predominant form of assistance provided to the self-employed is of an information / referral nature. This is partly due to Job Facilitators not having the time to adopt a more hands on approach. As noted below in greater detail, the expansion of the BTWAS in 1996 is likely to make this situation even more problematic. An additional reason, however, for the limited involvement of Job

Facilitators in providing these types of support, is their lack of training in areas related to business start-up and development. In this regard, there was a substantial demand among Job Facilitators for training in the areas of business start-up and planning, bookkeeping and taxation, business consultancy, marketing, methods for determining the viability of businesses, and business management.

Finally, unlike employees there is clear evidence of the role of financial factors in the cessation of businesses started by the self-employed. The two clearest illustrations of this are the strong influence of turnover on survival and, related to this, the capacity of the business to provide an income additional to the BTWA. Regarding the latter, the self-employed no longer in business had managed to take an average of just under £40 per week from their business over the period they were trading. This is in comparison to just under £100 per week among those still in business. In this context, the substantial variation in current weekly incomes earned by the self-employed and the dependence of many on the BTWA to raise incomes to in excess of £100 should be noted (see Figure 4).

Deadweight and Displacement

Deadweight and displacement almost inevitably arise in the context of labour market programmes concerned with the direct insertion of the unemployed into employment and self-employment. As such they are generally viewed as the undesired or unintended effects of such programmes and effects which compromise their economic efficiency (Rossi and Freeman, 1993; Nicaise *et al.*, 1995). Deadweight and displacement, however, do not capture the distributional or equity impacts of labour market programmes. In this regard, deadweight and displacement effects need to be set in the context of distributional or equity gains in order to assess the overall impact of labour market programmes concerned with the insertion of disadvantaged groups into employment.

One measure conventionally used to capture the latter effects is the level of substitution achieved by a labour market programme. This has already been defined above. As conventionally defined, however, substitution is solely applicable to the employee strand of the BTWAS. In the case of the self-employment strand of the BTWAS, displacement can be seen as an approximate equivalent to substitution. That is, cases in which there is a loss of employment in other businesses as a result of a long-term unemployed person establishing a business, can be seen as a redistribution of employment chances and income toward the long-term unemployed. In this manner, both substitution and displacement can be viewed as concerned with the redistribution of employment chances between targeted and non-targeted categories of persons in the labour market. When viewed in this manner, displacement need not always be considered negatively.

Table 3
Estimates of Deadweight, Displacement and Substitution

	%
Employee Strand:	
Deadweight for Cost - Supply side	36
Deadweight for Benefit - Supply side	27
Deadweight - Demand side, all recruitments	52
Deadweight - Demand Side, named employee	43
Deadweight - Interaction of supply and demand sides	50
Displacement -Trade and Employment	5
Substitution of long-term unemployed	72
Self-Employed Strand:	
Deadweight for Cost	58
Deadweight for Benefit, employee and self-employment	48
Deadweight for Benefit, self-employment option only	45
Deadweight for Benefit - Time adjusted for duration in business	31
Deadweight for Benefit - Time adjusted for expected duration in business	38
Trade Displacement	19
Employment Displacement	12

The levels of deadweight and displacement associated with the operation of the BTWAS were assessed and are shown in Table 3. In relation to the employee strand of the BTWAS the estimates for deadweight ranged from 27 to a maximum of 52 per cent. The corresponding range for the self-employment strand was 31 to 58 per cent. In relation to both strands of the BTWAS the estimates of employment displacement were low: 5 per cent in the case of the employee strand and 12 per for the self-employment strand. As absolute values these figures do not directly indicate whether the levels of deadweight associated with the BTWAS are acceptable or not. For this one needs to place them in context. The elements of this context include, the equity effects achieved by the BTWAS and the comparative impact of other labour market programmes for the long-term unemployed on their labour market and income situations. Two main equity effects arising from the operation of the BTWAS can be identified in the findings of this evaluation. These are its employment and income effects.

First, the BTWAS has enabled a substantial number of the long-term unemployed to access either employment or self-employment. In gross terms to the end of 1995 approximately 12,000 persons entered the BTWAS and 10,000 were continuing participants. In the context of the documented barriers that the long-term unemployed experience in accessing economic participation, this is a substantial volume effect. Noting the estimates of deadweight and substitution, it can be conservatively estimated that approximately 60 to 70 per cent of these would not have accessed employment or self-employment in the absence of the BTWAS.

The second equity effect arises from the income gains made by participants while on the BTWAS. For employees and the self-employed at the time of the survey these income gains relative to prior welfare income were, on average, of the order to £60 to

£70 per week. While attention has been drawn above to the low average income of employees and the self-employed, participation in the BTWAS nevertheless results in a substantial income gain relative to prior welfare income for the majority of participants. This income effect of the BTWAS is of significance given evidence of the high risks of poverty associated with long-term unemployment (Callan and Nolan, 1994).

The second issue in interpreting the balance between deadweight and displacement effects of the BTWAS and its positive value in enabling economic participation on the part of the long-term unemployed, concerns the impact of the BTWAS on the labour market and income situation of its target group relative to the impact of other labour market programmes that are available to them. Before addressing this, we must first draw attention to the absence of any formal analysis of the relative impact of labour market programmes for the long-term unemployed in Ireland. The analyses that have been undertaken to date have been confined to assessing relative differences in post-programme labour market outcomes in the absence of considering deadweight, displacement, substitution and, particularly, the income effects of either participation on these programme or resulting from these programmes (e.g., O'Connell and Sexton, 1995). This is a serious gap in the current literature, particularly given the objectives of the recently formulated national anti-poverty strategy (NAPS, 1995). Noting this point, and confining our attention to the post-programme outcomes of other labour market programmes for the adult long-term unemployed, the evidence suggests that in terms of enabling a direct link into employment the BTWAS is making a substantial contribution to the labour market prospects of its target group. The supporting evidence for this conclusion is the comparatively weak performance of existing programmes for adult long-term unemployed in terms of their post-programme employment outcomes.

In the context of the above, the overall conclusion of this evaluation regarding the deadweight and displacement effects of the BTWAS is that when set against the positive equity gains of the BTWAS, the levels of deadweight and displacement associated with it are within acceptable levels and are offset by the opportunities provided to the long-term unemployed to make transitions to employment and self-employment.

Implementation: The Role of the Job Facilitators

As noted above, effectiveness in the context of the BTWAS can be formulated in terms of either the activation or reintegration of the long-term unemployed, with the latter being clearly the ultimate objective of the BTWAS. This distinction is particularly useful in assessing the contribution of the Job Facilitators role to the effectiveness of the BTWAS.

On the basis of the findings regarding this, there is evidence that while the role of the Job Facilitators is effective in supporting the activation of the long-term unemployed, their role in sustaining those who have become activated is less effective. The findings supporting this conclusion include: the low level of contact between persons leaving the BTWAS and the Job Facilitators 36 per cent in the case of former

employees and 42 per cent in the case of the former self-employed); the unemployment rate of former employees and self-employed (48 and 76 per cent respectively); and, the comments of Job Facilitators themselves indicating the limited time at their disposal for follow up contact with participants. More generally, the findings point to the predominance of the information and advice aspects of the role of Job Facilitators, both during their initial contact with the long-term unemployed entering the BTWAS and during any subsequent contacts. With regard to supporting the self-employed, the Job Facilitators themselves pointed to the need for further training in order to enable them to effectively discharge their role.

The findings regarding the survival rate of participants and the unemployment rate of former participants point to a number of issues regarding the role of the Job Facilitators in supporting the effectiveness of the BTWAS. These centre on the balance struck between the amount of time allocated to supporting transitions onto the BTWAS on the part of the long-term unemployed and to supporting the reintegration of the long-term unemployed who have become active in the labour market as a result of the BTWAS. To date, it would appear the former has been prioritised resulting in a lack of on-going non-financial supports to participants while they are on the BTWAS. Given the multiplicity of specific tasks that form part of the role of Job Facilitators (see *The Job Facilitator's Role*, DSW, 1995), there is danger that the support to participants still in employment as well as those leaving the BTWAS is being compromised. This, if unaddressed, can be expected to have knock-on effects on the reintegration objective of the BTWAS. The sheer growth in the number of participants on the BTWAS can be expected to place further strain on the capacity of the Job Facilitators to provide effective support. For example, by the end of 1995 the number of participants on the BTWAS had reached just over 10,000 and in the 1996 Budget provision was made for an additional 5,000 places on the BTWAS by the end of 1996. The former gives a crude caseload of just over 330 participants per Job Facilitator. Moreover, it can be expected that this caseload will include three distinct categories of client - entrants, on-going participants, drop-outs - with different sets of needs. It should also be noted that within each of these three categories there are two further groups: employees and the self-employed. The results of the evaluation point to the different needs of these groups of participants.

CONCLUSION: FACTORS COMPROMISING THE EFFECTIVENESS OF THE BTWAS

Among the main conclusions that can be drawn from the discussion above is that while the BTWAS is an effective programme for the activation of the long-term unemployed it is less effective in achieving their reintegration into employment and self-employment. It is also evident that there are differences in the effectiveness of the two strands of the BTWAS with respect to the reintegration of the long-term unemployed and in the factors that are compromising this.

In the employee strand, the findings indicate that effectiveness is being compromised by a combination of the insecurity of the employment accessed under the BTWAS, the low level of wages secured, and the drop in income support from the BTWAS in the second year. The role of non-financial factors particularly job satisfaction and

training are also important. A number of consequences follow from this: a) should this pattern of drop-out prevail in the longer term then it is likely that at any given time the majority of employee participants will be on the 75 per cent rate of payment and the BTWAS will primarily operate as a programme for the activation of the long-term unemployed; and, b) if the effectiveness of the BTWAS is to be maximised, taking action to ensure the sustainability of employment among entrants to the BTWAS initially over three years and then following this into the post-BTWAS situation is of paramount importance.

In relation to the self-employment strand, while the findings point to a relatively high rate of survival at the time of the survey, it should be emphasised that a considerable proportion of the self-employed have a very low level of turnover and associated with this a low level of income from their businesses. There is also clear evidence that the inability of the business to provide an adequate income is one of the main reasons why the self-employed cease trading. In the medium term, the self-employed on the BTWAS will be faced with declining income support from the BTWAS and consequently the task of ensuring that the profit margins on their turnovers are sufficient to ensure both the survival of their businesses and adequate incomes for themselves. As the majority of businesses involve just one person these are effectively the same issue. There is evidence that many of the self-employed are not paying adequate attention to this issue. This extends in many cases to the presence of a low standard of business management, extending into such issues as the absence of sound book-keeping practices. In this context, the reintegration objective of the BTWAS will only be achieved by taking action to ensure that the businesses established have reasonable probabilities of surviving in the absence of income support from the BTWAS. This involves addressing issues such as market share, raising turnover, and achieving profit margins sufficient to provide adequate and sustainable incomes.

In conclusion, and returning to the broader issue of the role of the of the BTWAS as an instrument of active welfare policy, the findings of the evaluation highlight the necessity for further action to enhance the capacity of the BTWAS to *reintegrate* the long-term unemployed into employment and self-employment. Based on the findings of this evaluation, this will require developing the BTWAS in such a manner that it actively seeks to: (i) *consolidate* the gains that participants make as a result of taking up employment or becoming self-employed under the BTWAS; and, (ii) *prevent* the return of participants to unemployment. A number of broad lines of action need to be considered. These centre on the structure of the income support and the range and timing of non-financial supports provided to participants on the BTWAS. One overriding consideration that is important to note at the outset is that current arrangements for accessing the BTWAS involve a minimum of bureaucracy. In considering any changes to the operation of the BTWAS arising from the recommendations presented below the comparative ease with which participants can negotiate their entry to the BTWAS should be maintained. This is an important feature of the BTWAS in activating the long-term unemployed.

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