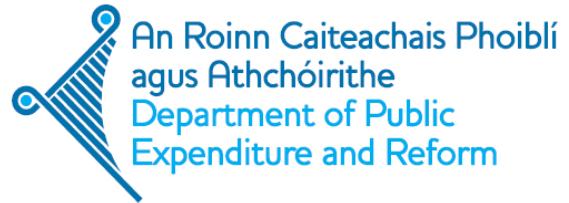




Irish Government Economic & Evaluation Service



Staff Paper 2017

Analysis of Jobseekers and Related Expenditure

October, 2017

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This paper has been prepared by IGEES staff in the Department of Public Expenditure & Reform. The views presented in this paper do not represent the official views of the Minister for Public Expenditure and Reform or the Department of Employment Affairs and Social Protection.



Summary

The number of person on the Live Register has been declining since peak levels in 2011. This has resulted in expenditure declining from €3.9bn in 2011 to an estimated €2.4bn in 2017. These savings have been used to fund other Social Protection expenditure pressures such as increased pension demographic costs.

Reductions in the number of persons on the Live Register accelerated in 2016 and 2017. In percentage terms, 2017 data shows a 14.2% year-on-year reduction in numbers. Analysis of trends in the persons exiting the Live Register demonstrates an increase in the percentage taking up employment which points to the continued strengthening of the labour market and the creation of more employment opportunities. Based on these developments, Live Register related expenditure is estimated to fall by €390m in 2017 inclusive of additional funding for a €5 increase in weekly jobseeker rates from mid-March 2017.

2018

The economic outlook for 2018 is positive with strong economic and employment growth forecast from a range of organisations including Department of Finance, ESRI and Central Bank. These trends point to the likelihood of the continuation of Live Register reductions in 2018.

A trend analysis is carried out to estimate the number of persons and associated expenditure for the Live Register in 2018. The mid-scenario was selected and the main metrics are summarised in the table below.

Table 1: Summary 2017 and 2018 LR metrics

	2017 Estimated Outturn	2018 Estimate	Change
Average Live Register	259,719	225,967	-33,752
Cost per 1,000 on LR (€m)	9.30	9.38	0.08
Expenditure	€m	€m	€m
<i>Jobseekers expenditure</i>	2,414	2,120	-294

Overall, the average number of persons on the Live Register is estimated to fall from by 33,752 over the course of 2018. This is expected to generate an approximate **€294m reduction** in Live Register related expenditure on a no-policy change basis in 2018.

1. Introduction

The Live Register (LR), measuring the numbers of people registering for Jobseekers Benefit (JB) or Jobseekers Allowance (JA) or for various other statutory entitlements with the Department of Employment Affairs and Social Protection, is a constantly moving metric. In 2017 €2.5bn was allocated to JA and JB schemes accounting for 13% of the total Social Protection allocation. Given the significant changes in the number of persons registered each year and the large quantum of associated expenditure, this paper aims to examine the potential developments over the course of the rest of 2017 and into 2018.

The objectives of this paper are to:

- Review trends in jobseekers and related expenditure since 2011;
- Analyse 2017 trends in expenditure compared to profile; and
- Estimate the number of persons on the Live Register in 2018 and associated expenditure including a description of the methodology used

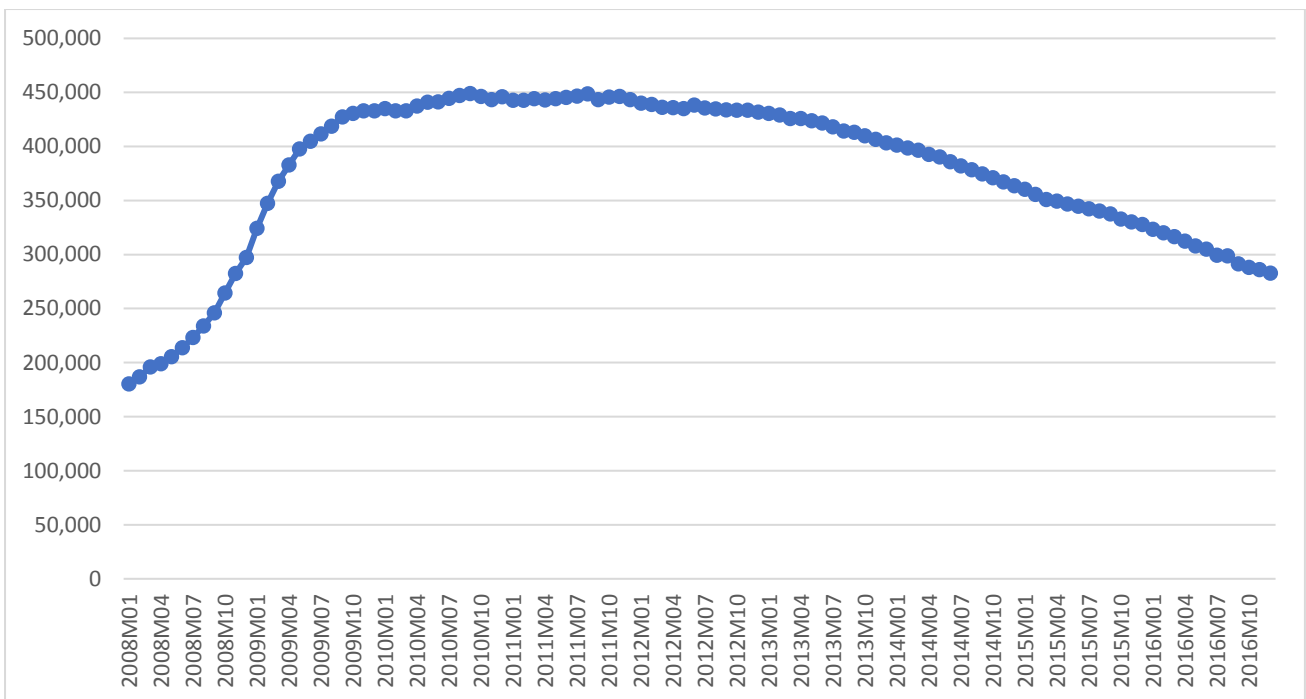
2. Trend: 2008 – 2016

This section sets out a number of trends in the key Live Register parameters including the number of people on the Live Register and the associated expenditure.

Live Register Numbers

Figure 1 sets out the trend in the number of persons on the Live Register over the period 2008 to 2016. Following the onset of the economic downturn, the Live Register increased rapidly in 2008 and 2009. The LR peaked in mid-2011 at approx. 470,000. Since then it has been on a downward trajectory reaching 276,502 at end 2016. This represents a reduction of over 193,000 or 41% from peak levels.

Figure 1: Number of persons on the Live Register, 2008-2016



Source: CSO Live Register Dataset

Expenditure

Over the same period expenditure increased from €2,088m in 2008 to €4,104m in 2010 before falling by €1,296m over the period 2011 to 2016. Expenditure reductions in 2011 and 2012 were mainly driven by reductions in the weekly rate of payments introduced in Budget 2010 and 2011. Since then expenditure reductions have been due to falling numbers on the Live Register. Expenditure has fallen more rapidly since 2014 with the annual percentage reduction rate increasing from 3% in 2012 and 2013 to an average of 8.3% over the period 2014 to 2016. 2016 saw a 10% year-on-year reduction in expenditure, the largest percentage reduction seen over the period. The average number of persons on the Live Register has followed a similar downward trajectory with an accelerated reduction from 2014 onwards.

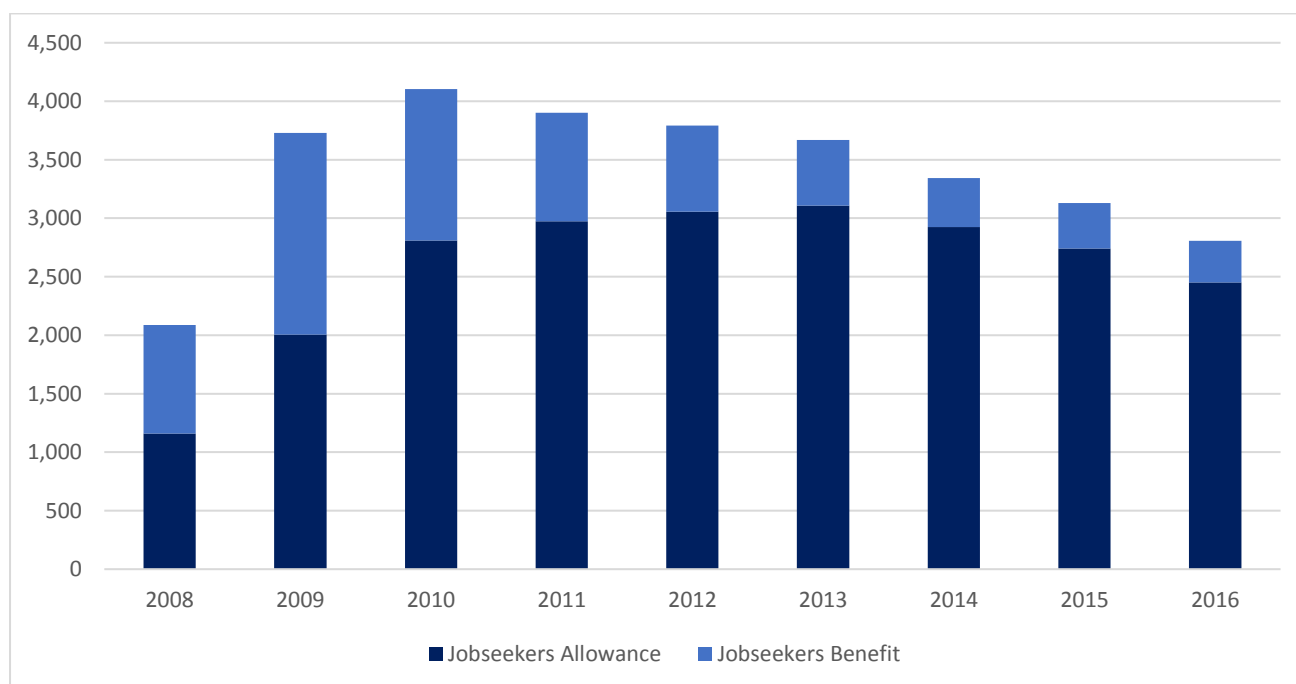
Table 2: Live Register Expenditure and numbers, 2008-2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Expenditure	2,088	3,730	4,104	3,902	3,792	3,669	3,344	3,130	2,808
Annual change		1,642	374	-202	-110	-123	-325	-214	-322
Annual % change		79%	10%	-5%	-3%	-3%	-9%	-6%	-10%
Average LR	226,735	398,159	441,689	444,905	435,694	418,465	383,461	343,269	302,661
Annual change		171,424	43,530	3,216	-9,211	-17,229	-35,004	-40,192	-40,608
Annual % change		76%	11%	1%	-2%	-4%	-8%	-10%	-12%

Source: DPER Statbank and CSO Live Register data

In 2016 87% of expenditure related to Jobseekers Allowance, compared to 56% back in 2008. Reductions in Jobseeker Benefit expenditure were concentrated at the beginning of the recovery period from 2011 to 2014 while reductions in Jobseeker Allowance have accelerated from 2014 onwards as set out in Figure 2.

Figure 2: Jobseeker Related Expenditure, 2008-2016



Source: DPER Statbank

Table 3 overleaf illustrates the trend in total Social Protection, Live Register related expenditure and underlying expenditure. In 2008 LR expenditure represented 12% of total Social Protection expenditure. By 2011, at peak levels of Social Protection expenditure, LR expenditure represented 19% of the total. In 2016 this figure had fallen to 14%.

Table 3: Total Employment Affairs and Social Protection and Live Register expenditure, 2008-2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Total SP Expenditure	17,753	20,443	20,807	20,917	20,735	20,248	19,785	19,878	19,778
LR Expenditure	2,088	3,730	4,104	3,902	3,792	3,669	3,344	3,130	2,808
LR as % of total SP Expenditure	12%	18%	20%	19%	18%	18%	17%	16%	14%

Source: DPER Statbank

Live Register related expenditure began to decline from 2010 onwards. This fall in expenditure has not been entirely matched by commensurate reductions in overall Social Protection expenditure as demonstrated in Table 4.

Table 4: Annual changes in Live Register and other Social Protection expenditure, 2010 to 2016

	2010	2011	2012	2013	2014	2015	2016	Change
	€m	€m	€m	€m	€m	€m	€m	€m
Total SP Expenditure	20,807	20,917	20,735	20,248	19,785	19,878	19,778	-1,029
Annual change		110	-182	-487	-463	93	-100	
LR Expenditure	4,104	3,902	3,792	3,669	3,344	3,130	2,808	-1,296
Annual change		-202	-110	-123	-325	-214	-322	
Underlying Expenditure	16,704	17,015	16,943	16,579	16,441	16,748	16,970	266
Annual change		311	-72	-364	-138	307	222	

Source: DPER Statbank

This evidence suggests that LR expenditure savings have been redirected towards demographic-related pressures, e.g. pension expenditure, disability-related pressures and budgetary measures. This is particularly evident from 2015 onwards and this trend has continued into 2017.

3. 2017 Developments

Live Register expenditure is based on a number of key parameters including: (i) the number of persons on the Live Register, (ii) the number of persons in payment and (iii) the average cost of payments. This section summarises the assumptions underpinning the 2017 parameters and how each parameter has performed for the year to date.

Overview

In 2017 €2.5bn was allocated to fund jobseekers payments, a €300m reduction on 2016 levels of expenditure. This was based on a number of assumptions which are summarised in Table 5. The two key assumptions were a 36,440 reduction in the average number of persons on the Live Register and an increase of €130,000 or 1.4% in the cost per 1,000 persons. Further detail on the 2017 parameters is set out in a previous version of this paper undertaken in 2016 and published on the IGEES website¹. This paper was prepared in September 2016 and reflected the latest figures available at that time.

Table 5: Key Live Register Budget Parameters, 2016 & 2017

	2016 Outturn	2017 REV Estimate
Average Live Register	304,140	267,700
y-on-y variance		-36,440
Cost per 1,000 on LR (€m)	9.23	9.36
<i>Jobseekers expenditure</i>	€m	€m
Jobseekers Allowance	2,452	2,162
Jobseekers Benefit	356	343
Total	2,808	2,505

Source: DEASP Admin data and IGEES Paper

The key point to note here is the 2017 Rev Estimate figure of 267,700 was based on a forecast end 2016 position devised in September 2016. **The reduction in the number of persons on the Live Register over the period October to December 2016 was larger than forecast resulting in a lower starting position for 2017.**

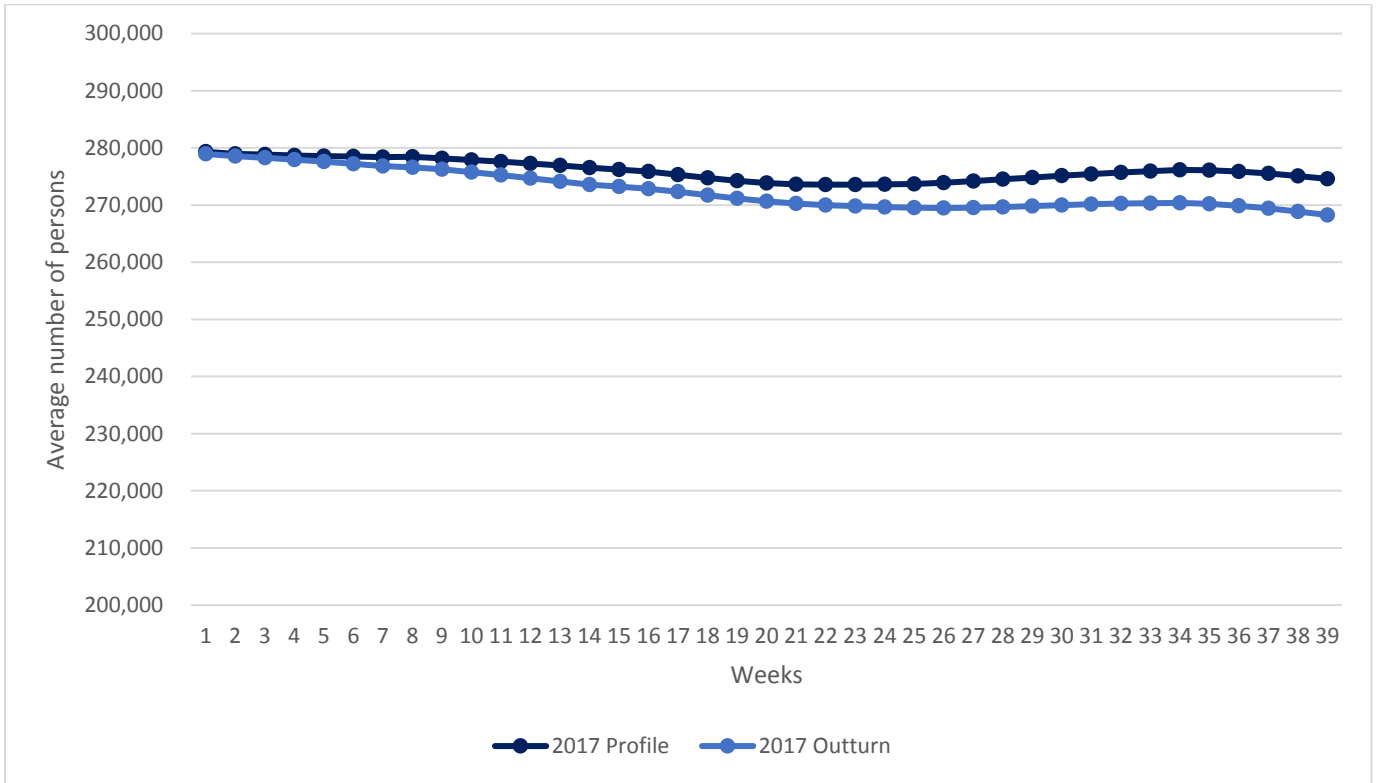
Latest Position

For the week ending 29th September 2017 the average number of persons on the Live Register had fallen by 35,521 to 268,264 over the first 39 weeks of the year (see Table 7). In relation to the 2017 profile, the average number of persons on the Live Register is 6,301 or 2.3% below profile. Figure 3 sets out the trend in the 2017

¹ <http://igees.gov.ie/wp-content/uploads/2013/06/FINAL-Estimating-JA-and-JB-for-2016-2017.pdf>

profile versus the outturn for weeks 1 to 39. Since Week 19 the gap between the profile and outturn has widened.

Figure 3: 2017 Average Live Register Profile versus Outturn, Week 1 to 39 (End Sept)



Source: DEASP Admin Data

Comparing the trend in the first 9 months of 2017 to previous years shows **there has been an acceleration in the percentage reduction in the Live Register in 2017**. The average monthly reduction in 2017 (over the previous year) has been in the order of 14.2%. This is higher than the 10.6% and 11.3% reductions observed in 2015 and 2016 respectively.

Table 6: Comparison of 2015, 2016 and 2017 LR performance for period January to September

	2015 & 2016 Average	2017
Annual nominal reduction	41,840	41,784
Annual percentage reduction	10.9%	14.2%

Source: DEASP Admin Data

In relation to expenditure, jobseeker payments amounted to approx. €1,870m at end September 2017. This is €52m under profile for 2017 and represents a €278m year-on-year reduction in expenditure. The average cost per 1,000 persons stood at 9.30, below the profile figure of 9.36.

Table 7: Comparison of 2017 profile and outturn for key LR metrics for end September

	2017 Profile (September YTD)	2017 Outturn (September YTD)	Variance
Average Live Register	274,565	268,264	-6,301
Cost per 1,000 on LR (€m)	9.36	9.30	-0.06
<i>Jobseekers expenditure</i>	€m	€m	€m
Jobseekers Allowance	1,660	1,607	-53
Jobseekers Benefit	263	264	+1
Total	1,923	1,871	-52

Source: DEASP Interim Finance Report, CSO Live Register data

Live Register Flow

In terms of Live Register trends, it is useful to consider both the total number of persons on the Live Register and the “flow” or rate at which persons are entering or exiting the Live Register. Table 8 sets out an analysis of the exits from the Live Register for the period January to May in both 2016 and 2017.

Table 8: Comparison of average monthly flow statistics, May YTD 2016 and 2017

	May 2016 YTD	May 2017 YTD
Average monthly exits	28,036	26,350
Average number of persons on Live Register	314,933	270,267
Average monthly exits as percentage of average number of persons	9%	10%
Average monthly LTU exits	6,860	6,217
Average monthly LTU exits as percentage of average monthly exits	24%	24%

Source: Live Register Memorandum to Government

In nominal terms the average monthly number of exits from the Live Register declined in 2017 compared to the same period in 2016. However, the total number of persons on the Live Register is on a downward trajectory. Overall the average number of monthly exits from the Live Register increased by 1 percentage point in 2017. This points to a strong outflow and **a continuing strong performance of the labour market**. The number of persons with a duration of more than one year on the Live Register (LTU) has remained stable at 24% of monthly outflow.

In terms of reasons for exiting the Live Register, an increased percentage are exiting to employment. This metric increased by 2 percentage points from 43% to 45%. This points to robust employment growth in the economy.

Table 9: Reasons for exiting Live Register, May YTD 2016 and 2017

Reasons for exit	May 2016 YTD	May 2017 YTD
Left to Take up employment	43%	45%
No Longer Entitled to Benefit	28%	27%
Took up Educational, Training or Employment Placement	8%	7%
Transferred to other DEASP Schemes	7%	7%
No Reason Stated	14%	14%

Source: Live Register Memorandum to Government

The number of persons taking up educational, training or employment placements has fallen by 1,719 and by 1 percentage point. This is consistent with the reduced demand for employment supports in 2017.

Overall this analysis of the exits from the Live Register reinforces the data presented previously that the downward trajectory of the Live Register has continued in 2017 and this is being driven by a strengthening of the labour market and the creation of more employment opportunities.

4. Forecasts

This section sets out two methods for estimating the future trajectory of the numbers of person on the Live Register and associated expenditure for the rest of 2017 and 2018.

Methodology

As previously mentioned there are two main variables required in forecasting the funding requirement for the Live Register:

- Average weekly number of persons on the Live Register
- Average cost of persons on the Live Register

Two methods are used to undertake this forecasting exercise: **Conversion Rate** method and **Trend Analysis** method.

Conversion Rate Method

The conversion rate is a ratio of the average LR to the unemployment rate for the previous 12 months. The current conversion ratio is 39,815 reduction in the LR for every 1% drop in unemployment (see Appendix 1 for further details). The Department of Finance published unemployment projections on a QNHS basis as part of the analysis accompanying Budget 2018². For 2018, the projected average unemployment rate is 5.7%³. Using the conversion rate, the reduction in the number of persons on the Live Register in 2018 would be of the order of 23,889.

Table 10: 2018 LR Weekly Estimate using Conversion Rate method

	2017	2018	Change
QNHS Unemployment Rate	6.3%	5.7%	-0.6%
Conversion Rate Reduction			23,889

Source: Author calculation based on CSO Live Register data and Department of Finance Budget 2018 forecasts

However, it must be noted that this is purely an academic exercise and **linking the QNHS and LR is difficult as both measure different things**. While the LR does not represent the true level of unemployment in Ireland, it includes those who are officially declared unemployed or underemployed with the Department of Employment Affairs and Social Protection. The QNHS, on the other hand, is the method through which the estimated numbers of unemployed in Ireland are measured. To illustrate, a person in part-time employment

² Department of Finance Economic Outlook – Presentation to the Irish Fiscal Advisory Council: http://www.finance.gov.ie/wp-content/uploads/2017/10/171004-IFAC-Council_for-publication.pdf

³ The ESRI are forecasting a 5.4% unemployment rate in 2018 based on their Quarterly Economic Commentary Autumn 2017. The Central Bank are forecasting a 5.6% unemployment rate in 2018 based on their Quarterly Economic Bulletin July 2017.

may qualify for an LR payment and therefore be captured in the LR data but as they are considered to be in employment, they will not appear in the QNHS data.

For this reason, DPER estimate of the annual LR position is informed by both the conversion rate method and a trend analysis methodology.

Trend Analysis Method

This methodology uses a Microsoft Excel based, historic trend analysis to estimate the end year projection for LR numbers and expenditure. Under this approach time series data, where the numerical value is known over different points in time, is used.

Results

In order to derive a set of forecasts the following steps are taken:

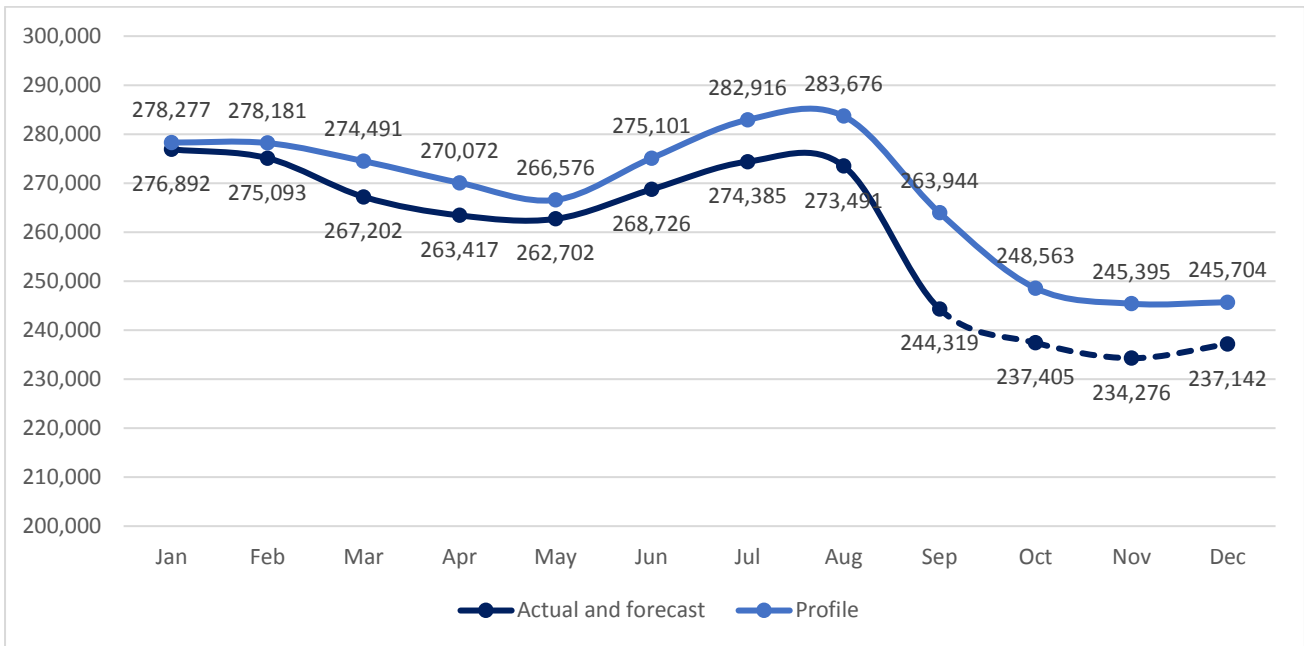
- i. Estimation of the number of persons on LR at end 2017 based on actual trends to end September 2017;
- ii. Review of average LR costs; and
- iii. Scenario analysis to forecast the average number of persons on LR and expenditure implications for 2018.

i. End 2017

The downward trend in the number of persons on the Live Register has accelerated in 2017. In order to meet the 2017 profile parameters (as set out in Table 5) a considerable slowdown would be required in the final quarter of 2017. All economic forecasts point to continued economic and labour market growth⁴, therefore it is assumed that the downturn trend (of the order of 14%) will continue for the remainder of the year. Figure 4 sets out the estimated 2017 position based on actual data for January to September and an extrapolation for the final quarter.

⁴ The Department of Finance are forecasting GNP growth of 3.3% and employment growth of 2.3% in 2018 (Department of Finance Economic Outlook – Presentation to the Irish Fiscal Advisory Council). The ESRI are estimating GNP growth of 3.9% and employment growth of 2.25% in 2018 (Quarterly Economic Commentary Autumn 2017). The Central Bank's forecast are for GNP growth of 3.4% and employment growth of 2% (Quarterly Economic Bulletin July 2017).

Figure 4: 2017 LR Profile versus 2017 Estimated Forecast based on January to September data



Source: Author calculation based on CSO Live Register data

The cost per 1,000 persons was estimated to be €9.36m in 2017. The latest available figure point to an average of €9.30m for the year. This forecast end year position would result in lower than profiled expenditure generating additional savings of approx. €90m over the original €300m forecast. The table below illustrates the key metrics. Overall, **expenditure is forecast to decline by €390m or 13.9% between 2016 and 2017 despite a €5 increase in the weekly payment rate in 2017⁵**. Excluding the €53m approximate cost of the €5 rate increase⁶, underlying expenditure is forecast to decline by €443m in 2017.

Table 11: Key Live Register metrics, 2017 Rev versus estimated outturn

	2017 REV Estimate*	2017 Estimated Outturn	Variance
Average Live Register	267,700	259,588	-8,112
Cost per 1,000 on LR (€m)	9.36	9.30	-0.06
Jobseekers expenditure (€m)	2,504	2,414	-90

*This includes €53m in costs to fund a €5 rate increase from mid-March 2017

⁵The 2016 figure includes the provision of a Christmas Bonus while the 2017 does not.

⁶ The full year cost of the rate increase is €69m. The rate increase was implemented from mid-March 2017.

ii. Review of Live Register Costs

The average cost per 1,000 persons on the Live Register has been on an upward trajectory over the past number of years as demonstrated in Table 12. The significant increase in 2016 was mainly due to the movement of former One Parent Family Payment recipients into Jobseekers Transition Payment. These recipients had a higher average cost per recipient. This development is analysed in further detail in a previous paper “Analysis of Jobseekers and Related Expenditure 2015”⁷.

Table 12: Trend in average cost per 1,000, 2012-2017

	2012	2013	2014	2015	2016	2017*
Average cost per 1,000 (€m)	8.67	8.74	8.66	8.69	9.23	9.30
Annual change (€m)		0.07	-0.08	0.03	0.54	0.07
Annual change (%)		0.8%	-0.9%	0.3%	6.2%	0.8%

Source: DEASP Admin Data; *Estimated end year position

The weekly cost per 1,000 persons on the Live Register increased by 0.8% in 2017 which was less than forecast. This is to be expected given the €5 weekly rate increase implemented from Week 10 onwards.

DEASP estimate that the average cost per 1,000 will be 0.9% higher in 2017 at €9.38m per 1,000. This includes the carryover cost of the 2017 €5 rate increase introduced in mid-March 2017 and the cost of an additional payment day in 2018 due to 53 Mondays in the calendar year.

iii. 2018 Scenario Analysis

Three different scenarios are used to estimate the number of persons on the Live Register in 2018. The scenarios are summarised in the table below.

Table 13: Description of three scenarios for 2018

Scenario	Description
A	Application of prevailing average monthly reduction for period 2014 to 2017 based on seasonal patterns – approximate 12.2% year-on-year reduction in 2018
B	Application of prevailing average monthly reduction for period 2015 to 2017 based on seasonal patterns – approximate 13.0% year-on-year reduction in 2018
C	Application of prevailing average monthly reduction for period 2017 based on seasonal patterns – approximate 14.2% year-on-year reduction in 2018

⁷ <http://igees.gov.ie/wp-content/uploads/2014/11/Analysis-of-Jobseekers-and-Related-Expenditure-1.pdf>

An average cost per 1,000 of €9.38m is applied to estimate the associated JA and JB expenditure requirement. The results of the scenario analysis are presented in Table 14.

Table 14: Results of scenario analysis

	Average LR figure	Average reduction	Average annual reduction (%)	Cost per 1,000	Expenditure Requirement 2018 (€m)	2018 Saving on 2017 Base (€m)
A	228,142	-31,576	12%	9.38	2,140	274
B	225,967	-33,752	13%	9.38	2,120	294
C	222,876	-36,843	14%	9.38	2,091	323

Source: Author calculations based on CSO Live Register data and DEASP Admin Data

For the purposes of Budget 2018 **the midpoint scenario B has been chosen and would generate savings of €294m**. This forecast reflects a continuation of the strong outflow from the Live Register seen in 2016 and 2017.

Other Expenditure implications

Reductions in the number of persons on the Live Register also has implications for DEASP expenditure beyond the JA and JB schemes.

- Supplementary benefits, such as Fuel Allowance and Rent Supplement, are linked to developments in the Live Register due to the qualifying criteria. For example, Fuel Allowance is payable to people who have been getting a jobseeker’s payment for 391 days.
- The demand for employment support scheme places is correlated with the Live Register. While expenditure has been declining in this area in recent years, reductions have lagged Live Register developments and this is the topic of a paper published as part of the Spending Review 2017.

5. Conclusion

The number of person on the Live Register has been declining since peak levels in 2011. This has resulted in expenditure declining from €3.9bn in 2011 to an estimated €2.4bn in 2017. These savings have been used to fund other Social Protection expenditure pressures such as increased pension demographic costs.

Reductions in the number of persons on the Live Register accelerated in 2016 and 2017. In percentage terms, 2017 data shows a 14.2% year-on-year reduction in numbers. Analysis of trends in the persons exiting the Live Register demonstrates an increase in the percentage taking up employment which points to the continued strengthening of the labour market and the creation of more employment opportunities. Based on these developments, Live Register related expenditure is estimated to fall by €390m in 2017 inclusive of additional funding for a €5 increase in weekly jobseeker rates from mid-March 2017.

2018

The economic outlook for 2018 is positive with strong economic and employment growth forecast from a range of organisations including Department of Finance, ESRI and Central Bank. These trends point to the likelihood of the continuation of Live Register reductions in 2018.

A trend analysis is carried out to estimate the number of persons and associated expenditure for the Live Register in 2018. The mid-scenario was selected and the main metrics are summarised in the table below.

Table 15: Summary 2017 and 2018 LR metrics

	2017 Estimated Outturn	2018 Estimate	Change
Average Live Register	259,719	225,967	-33,752
Cost per 1,000 on LR (€m)	9.30	9.38	0.08
Expenditure	€m	€m	
<i>Jobseekers expenditure</i>	2,414	2,120	-294

Source: Author calculations based on CSO Live Register data and DEASP Admin Data

Overall, the average number of persons on the Live Register is estimated to fall from by 33,752 over the course of 2018. This is expected to generate an approximate **€294m reduction** in Live Register related expenditure on a no-policy change basis in 2018.

6. Appendix A

The average conversion rate over the 21 months was 39,815 (i.e. each 1% on the QNHS unemployment equals to 39,815 persons on the Live Register).

Table 16: Conversion Rate 2016 and 2017 Average

	Live Register Monthly Number	QNHS Unemployment Rate (%)	Conversion Rate
2016M01	321,513	8.5	37,825
2016M02	319,449	8.4	38,030
2016M03	315,364	8.3	37,996
2016M04	305,540	8.4	36,374
2016M05	306,822	8.4	36,526
2016M06	315,654	8.3	38,031
2016M07	318,995	8.1	39,382
2016M08	316,018	7.9	40,002
2016M09	286,103	7.5	38,147
2016M10	276,809	7.2	38,446
2016M11	273,160	7	39,023
2016M12	276,502	6.9	40,073
2017M01	276,892	6.9	40,129
2017M02	275,093	6.8	40,455
2017M03	267,202	6.6	40,485
2017M04	263,417	6.4	41,159
2017M05	262,702	6.2	42,371
2017M06	268,726	6.1	44,053
2017M07	274,385	6.2	44,256
2017M08	264,256	6.1	43,321
2017M09	244,139	6.1	40,023
Average	287,083	7	39,815

Source: Author calculations based on CSO Live Register and QNHS Unemployment data

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Quality Assurance Process:

This paper was approved by line management in the Department of Public Expenditure and Reform.

