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# **Public service integration in hard times: Merging unemployment benefit and labour market activation measures**

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## **Abstract**

The creation of Intreo as a one-stop shop for jobseekers in Ireland occurred during the financial and sovereign debt crisis period of 2010–16. The organisational merger was the product of an extensive programme of successful administrative reorganisation and service integration that deserves attention. This article begins with an overview of the policy to merge insurance-based unemployment benefit, discretionary social welfare payments and labour market activation measures, as well as the various political and institutional rationales that led to this development. Drawing on the special issue framework concerning how the interaction of ideology, institutions and interests comes into play during policy change, we consider the contextual factors that facilitated the rapid implementation of the programme and its overall successful execution. Whilst focusing on the success, we also critically point out the inhibitors in the implementation chain, some of which predated the crisis, as well as problems during the implementation process, such as delays in the national rollout and back-office supports. We identify the main

contributing factors for successful implementation of a one-stop shop for activation and unemployment services as (a) a high problem pressure, (b) a small and agile implementation team, (c) changing labour relations (e.g. binding arbitration, weakened unions) and (d) a modern communication strategy.

*Keywords:* Unemployment insurance, active labour market policies, Ireland, crisis, organisation merger, union, implementation

## Introduction

The creation of Intreo, a network of one-stop shops (OSSs) for jobseekers in Ireland, occurred during a period of significant state retrenchment when resources were in short supply but demand for welfare and employment services were high. As such, the implementation process and outcome may be considered as one of the more successful policy initiatives in Irish government of recent years. To better understand the process of Intreo's creation, and the successes and inhibitors in that process, it is necessary to set Irish welfare policy in context with a view to establishing how the constellation of ideology, interests and ideas interacted to deliver on what was a long-standing policy objective of several governments.

Within the study of welfare policy, the concept of labour activation has attracted a wide variety of meanings (see Weishaupt, 2011), and became mainstream within the European policy discussion in the late 1990s. Lødemel & Moreira (2014, p. 9) provide a broad definition of activation policy as 'designing benefit rules and employment or training services with a view to moving unemployment income benefit recipients into work, and involving a wide range of interventions including fiscal policy, public services and education or training'.

The Global Financial Crisis and subsequent Great Recession led to sharp increases in unemployment that pushed welfare policies and labour activation strategies centre stage for governments (Martin, 2015). The role and arrangement of pre-existing welfare 'regimes' (Esping-Andersen, 1990) also came under closer scrutiny as governments sought to meet increased demands for such services with diminishing resources. In the two decades prior to the crisis, most industrial countries had moved from passive support of the unemployed through transfers and income maintenance, towards activation measures that facilitated re-entry to the labour market. At the onset of the crisis Ireland was a laggard in activation measures.

Despite reform ideas in this policy field being mooted for some time (Department of Social Welfare, 1986), by the mid 2000s there was already a salient knowledge (partly arising from EU benchmarking and partly through numerous national policy reports) that Ireland lacked effective integration of labour market policies and activation measures.

As the current experience in the UK with the introduction of the Universal Credit system demonstrates, reform of social welfare systems and employment-related benefits can be deeply problematic in implementation terms and politically controversial, and can take far longer than expected to realise. That the Irish systems of welfare benefits for jobseekers and labour activation measures were integrated and made more active in a relatively short period through a new organisational form, and during a time of rapidly increased demand and in the context of rapidly shrinking public finances, must be regarded as a major policy success that deserves closer scrutiny. It required a major reconfiguration of a large department whilst successfully ensuring millions of welfare transfers and changes to eligibility and benefit duration at a time of economic decline. In the words of one formal senior official in that department, ‘apart from actually just responding to an increase in business, we’ve actually changed the business we do’ (Interview, 9 September 2015). In this paper we begin by setting out the context to the reform of the Irish labour activation system, before looking at the process of creating a new OSS system for jobseekers during the crisis. A final section considers the success factors that contributed to the reform, as well as some inhibiting factors that did not jeopardise overall progress.

The analysis is based on two separate qualitative data sets, obtained independently from each other. We gained access to internal government documents concerning the reform process. This includes, for instance, agendas, minutes and progress reports. In addition, qualitative interviews with politicians, ministers and civil servants were conducted between 2015 and 2016. This paper focuses on the civil servants involved in the implementation process, while the interviews with politicians and ministers serve as a contextual background. All interview transcripts were scrutinised through content analysis to identify key reform stages.

A recent report by the Economic & Social Research Institute also evaluated the direct outcomes of the Intreo introduction (Kelly et al., 2019). It found that the OSS model did not decrease the chance of claiming unemployment benefits (exiting the live register) after six to

twelve months. Yet there are indications that the introduction a unified claimant process has reduced false claims. Conceptually and methodologically, this evaluation of effectiveness has major limitations, one being to assess the success relatively early after implementation, and remains rather inconclusive at this stage. In contrast to the impact evaluation on jobseekers, we are concerned with the success of the implementation. At the same time we are not conducting a process evaluation – it is merely an analysis of the ideology, institutions and interests that facilitated success or failure of the implementation.

## Context

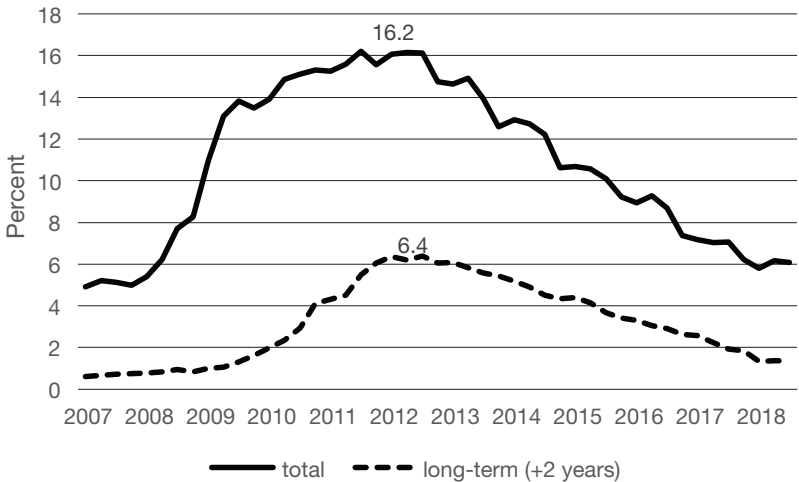
Hardiman (2012) argues that the Irish state has traditionally placed considerable emphasis on market conformity, enhancing competitiveness and keeping the state ‘out of the way’ of private (and particularly international) enterprise. Consequently, one would expect weak labour market regulation, a lack of costly active labour market policies (ALMPs) and low benefits (Muffels & Luijkx, 2008). Muffels & Luijkx (2008) show how pre-crisis Ireland fits that theoretical expectation for a liberal welfare state. Others have claimed that Ireland is an outlier in activation policies (Murphy, 2016, p. 2), but in fact the UK was the unusual case for a liberal welfare state. The UK implemented several ALMPs under New Labour, while maintaining weak regulation and low benefits. And the UK model of activation also differs strongly to the Scandinavian model, with a much stronger emphasis on sanctions, whereas Denmark and Sweden focus on providing costly services such as training and job placements. Martin (2015, p. 9) suggests that although basic principles of labour activation were supported politically in Ireland, they were not implemented due to the complacency which arose during the pre-crisis period of essentially full employment. Overall, we argue, contrary to Murphy (2016), that the pre-crisis Irish labour market fits well in the liberal welfare regime typology with little emphasis on ALMPs, low benefits, inflexibility (Muffels & Wilthagen, 2013) and weak regulation.

O’Connell (2017, p. 240) points out that Ireland entered the Great Recession with a passive approach to labour activation, a wide number of relatively ineffective ALMPs and weak conditionality over extended periods of unemployment. There was also institutional separation between the department responsible for unemployment-related

welfare benefits and the National Training and Employment Authority, FÁS (Foras Áiseanna Saothair). And despite strong evidence of its success in other EU states, the OSS model of providing benefit payments, advice, and education or job placements for jobseekers had not gained traction in Ireland. Importantly, the issue was not one of particular ideological contestation, and while traditional left-right confrontation is not apparent across a range of policy domains in Ireland, the issue of labour activation might reasonably be expected as one where ideological concerns halted reform progress.

The onset of the economic crisis from early 2008 had a two-fold effect on the process of service integration. First, the demand for services began to rapidly increase as unemployment levels increased (Figure 1). With the onset of the financial crisis the unemployment rate tripled from about 5 per cent to more than 16 per cent in the third quarter of 2011, and was only limited by emigration over the same period. Long-term unemployment, involving those continuously unemployed for two years or longer, increased from less than 1 per cent of the labour force in 2007 to 6.4 per cent in early 2012.

**Figure 1: Quarterly unemployment rate in Ireland, 2007 Q1 to 2018 Q3**



*Note:* Unemployment rate is percentage of active population, 15–64 years.

*Source:* Generated using Eurostat (lfsq\_ugan and lfsq\_agan).

Those who now found themselves unemployed relied heavily on welfare payments and other benefits in the absence of viable employment opportunities. Moreover, the socio-demographic profile of jobseekers had changed dramatically. While during the Celtic tiger years jobseekers had few skills and little labour market experience, these new crisis clients were better educated, had long careers and demanded a much more supportive service environment. In sum, the unemployment crisis and the more demanding client profile created a high problem pressure for institutional change.

Second, the government agency responsible for coordinating and delivering activation programmes and courses (FÁS) went through an expenses scandal in November 2008 and the director had to resign subsequently. Although most of the dust had settled by late 2009, the organisation was in a weak position. Radha & Camasso (2013) suggest that, in an age of outrage, an immediate half-hearted policy response would follow, but on a more cosmetic level than radical and integrated policy reform. In other words, when the major policy reform was announced in spring 2010, a FÁS merger was not included in the proposal. Still, the low staff morale within the organisation and close association with the scandal made it politically opportune to include the FÁS merger in the later development of the service integration.

Third, as MacCarthaigh (2018) argues, the economic crisis produced what Kingdon (2011) referred to as a 'window of opportunity' for introducing a range of public sector reforms that were otherwise unlikely to have occurred during this time. There was a long-standing problem of integrating welfare and activation measures, there were solutions on offer to address this, and the crisis provided the window for political and administrative actors to act on these solutions. The shift from passive to active engagement on unemployment was one of the most significant policy shifts to occur during the crisis, and stands in sharp contrast to other policy arenas such as housing and health, where little paradigmatic institutional reforms occurred and problems accumulated in light of the budget cuts.

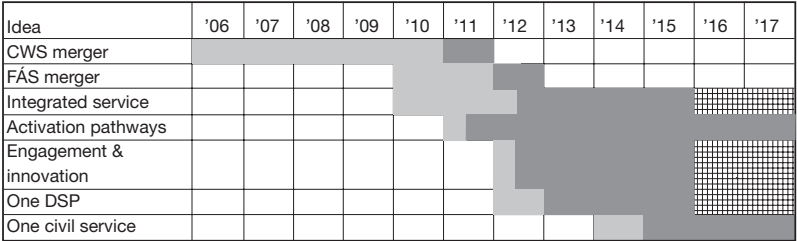
## **Welfare and labour activation in Ireland prior to the crisis**

The ambition to integrate labour activation measures into the social welfare regime (as per the standard European practice), and bringing policy and service delivery closer together, was a long-standing one in Ireland. The fact that some of the welfare services for jobseekers were

administered through the health portfolio had given rise during the 1980s to discussions about divesting the health services of this responsibility. Despite a discussion to shift service provision to the Department of Social Protection (DSP), this early reform agenda did not emphasise service integration and did not result in any meaningful policy change.

Figure 2 gives an overview about the idea formation and implementation of major reform proposals around unemployment benefits, activation measures and public service renewal since 2006. The light grey areas indicate when the policy ideas were proposed and darker grey areas indicate the actual implementation, including the duration of the implementation process from the first policy reform to full nationwide delivery of the reform agenda. The more recent reform ideas circulated in the early 2000s and cumulated in a report by the then Department of Health and Children, published in 2006, which was concerned about moving activities not regarded as ‘core’ to the health services to other government departments and budgets. The report established the idea of moving social welfare allowances – which were the ‘income support of last resort’ to a wider constituency than just jobseekers – from the then health boards (later consolidated as the Health Service Executive (HSE)) to the Department of Social Welfare (Department of Health and Children, 2006).

**Figure 2: Timeline of ideas and implementation, 2006–17**



*Note:* Light grey: idea formation; dark grey: set-up/implementation; checked: ongoing refinement/adaptation post set-up phase.

*Source:* Adapted from Köppe & O’Connell (2017).

Following the HSE report, in the same year the government decided to move the Community Welfare Service (CWS), which had a discretionary element, to the DSP. In 2007 preparations were set in train to prepare for the transfer, which would include negotiations

with relevant public services unions over changing staff employment terms and conditions. In practice, these negotiations were complex and protracted, and by the time of the crisis little actual change had occurred (Köppe & O'Connell, 2017).

An OECD review of Irish activation policies, which was published in the immediate aftermath of the crisis, noted the ongoing organisational fragmentation of the employment placement support system. In contrast to the HSE report, the OECD review focused on the integration of unemployment benefit administration and activation measures, while neglecting the administrative fragmentation of discretionary payments. It suggested that the following features characterised Irish employment services:

- with a few exceptions, a separation of the benefit administration function from the employment service function (which placed Ireland amongst a minority of OECD countries);
- a range of actors providing employment services;
- an 'overriding focus on training and upskilling of the labour force, employed and unemployed'. (Grubb et al., 2009, p. 29)

The report noted that implementation by the Department of Social Welfare and its successor, the Department of Social and Family Affairs, of reforms 'that were announced some years earlier has been slow' and that 'to allow more effective policy-making in this area the government needs to gain better control of its own administration' (Grubb et al., 2009, p. 93).

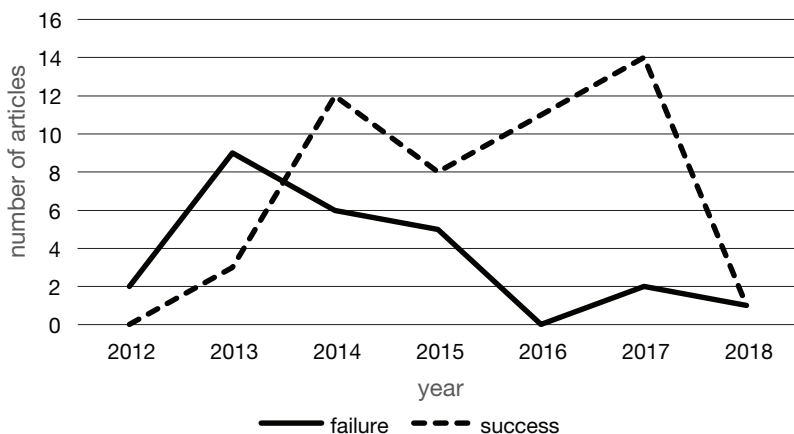
The organisational fragmentation was not just at national level but also between levels of government. The main employment service was the state agency FÁS (which had been established during the previous era of mass unemployment in the 1980s), under the supervision of the Department of Enterprise, Trade and Employment. However, employment counselling supports were also provided by a separate Local Employment Service, facilitators within the Department of Social and Family Affairs, and 'Services to the Unemployed' activity within the Local Development Social Inclusion Programme, managed by another state agency called Pobal (Grubb et al., 2009, p. 5). The object of reform was therefore to consolidate jobseekers' supports and activation measures into a single dedicated organisation.

Concurrent media discourse on the Intreo reforms also reveals some interesting patterns to understand perceptions of success and failure. Figure 3 shows all articles published in Irish newspapers that



mention Intreo and also mention either failure or success. Overall, there are twice as many articles that use success in the context of Intreo than those that use failure. In addition, the trend over time also shows that the success discourse dominates from 2014 onwards, about two years after the unemployment rate peaked. In other words, in the public perception a failure discourse reversed into a discourse of success.

**Figure 3: Intreo discourse in Irish newspapers, 2012–18**



*Note:* Search terms (Intreo AND (fail\* OR success\*)), all Irish newspapers.

*Source:* Generated using LexisNexis.

Notwithstanding the changing public discourse, reformers faced several challenges that could have potentially hindered a successful reform (see also Köppe & O'Connell, 2017):

- Firstly, due to the sovereign debt crisis all changes had to be implemented with virtually no budget to facilitate these changes. Any major investments had to be found from existing strategic service development and there were limited resources for an implementation team, considering the scale of the reform proposals. In hindsight, however, the budget constraints also facilitated some successful changes (below).
- Secondly, trade union resistance to reassigning personnel to different pay scales and contracts within the civil service had to be overcome. In Ireland only the core civil servants in government

departments are members of the civil service. All other state authorities belong to the public sector with different recruiting routes, contractual arrangements, pay scales, occupational pensions and trade union affiliations.

- Thirdly, the reform team faced complex negotiations with numerous actors. Due to the fragmentation of the service provision, three government departments, at least four unions and two semi-independent authorities (HSE, FÁS) were involved.

### **Accounting for success: Ideas, institutions and interests**

After the formal announcement in spring 2010, and the new government reconfirming and prioritising the plan for service integration in spring 2011, the first implementation phase was achieved in autumn 2012 with the formal opening of Intreo – the new national service for jobseekers delivered via a network of OSSs across the state. The process itself was facilitated by the interplay between a variety of ideas, institutions and interests that, as Kingdon (2011) argues, determines whether a policy successfully emerges from the policy process. Its success – whether it achieves what it aims to – is also a result of the interplay of these factors (see FitzGerald et al. in this issue). We suggest that a number of contextual factors played a role in the successful introduction of Intreo: the preparatory work that had been invested in anticipation of the merger of organisations and services (ideas); wider administrative reorganisation and changes to the general IR environment (institutions); and the presence of a loan programme agreement (interests) with the ‘troika’ of the International Monetary Fund (IMF), European Commission and European Central Bank.

#### ***Advance preparation: Acting on the idea***

As noted above, the idea of integrating welfare provisions for jobseekers with activation measures had been mooted over two decades earlier. The actual decision to proceed with this policy was taken prior to the crisis in 2006, although the main reason for the reform was to divest non-health-related policy responsibility from the HSE, instead of integrating services for jobseekers. This meant that preparatory work in respect of personnel and logistics was fortuitously quite advanced when the crisis hit. The government had made a decision to move the CWS function from the HSE to the DSP in 2006,

and preparatory work began in 2007. However, it took until 2011 for negotiations to conclude, with unions representing CWS staff on their transfer, and arguably their conclusion was accelerated by changes in the political and economic environment (below).

In the 2006 decision the idea was not to establish a new organisation, but rather allow the HSE to focus on its core work and simply expand the capacity of the DSP. The decision to move towards an OSS system came later, but the transfer of staff was an important facilitating component. Köppe & O'Connell (2017, p. 11) refer to this reform journey as a shift from asynchronous integration (where there would be organisational integration but policy would remain fragmented) towards a parallel integration (of organisations and policy), to eventually a full merger in respect of both organisations and policy. The fact that much of the planning for the merger had already taken place prior to the change of government in 2011 was important in facilitating the subsequent developments. Once the idea for creating the OSS had become government policy, a period of institutional change alongside the management of various interests took hold that was to determine the pace of implementation.

### ***Administrative reorganisation: Institutional modernisation***

The creation of Intreo occurred in the wider context of a general programme of public sector reform and organisational rationalisation that began in the immediate aftermath of the crisis. As the crisis took hold in 2008, the government announced a series of state agency or 'quango' closures and mergers in a bid to reduce costs and simplify the state's administrative apparatus (MacCarthaigh, 2014). This had limited impact but the government that came to office accelerated and expanded on this administrative reorganisation at national and local levels (MacCarthaigh, 2017). This post-2011 reorganisation agenda also included the consolidation of procurement across the public service into a single entity and greater use of shared services models for back-office support functions such as payroll and pensions. It was in this environment that the reorganisation of functions which led to the creation of Intreo took place.

### ***Shifting industrial relations***

Notwithstanding a series of pay and pension cuts post 2008, as well as voluntary exit schemes, the government agreed a comprehensive pay agreement with public service unions in 2010. As identified by MacCarthaigh (2017), at its heart the Public Service Agreement

2010–14 (informally referred to as the Croke Park Agreement after the location of its signing) sought to reconcile trade union concerns over compulsory redundancies with the government's need to further reduce the public service payroll bill. In return for a guarantee of no forced redundancies or further public service pay cuts during the lifetime of the agreement, trade unions agreed to implement significant cost-saving reform measures, and to adhere to 'flexible' redeployment arrangements and industrial peace.

The agreement acted as an enabler for reforms that involved personnel moving between public service organisations and removed the possibility of industrial action. These changes removed major impediments to reform, as the 2009 OECD review of Irish activation policy had noted how the two unions<sup>1</sup> representing the majority of community welfare officers in mid 2006 had expressed their strong opposition to a proposed transfer to the Department of Social and Family Affairs. In total four different unions were affected by the Intreo process, some of whom lost members due to changes in employment arrangements of their members, and others gained members by virtue of these changes (Köppe & O'Connell, 2017, p. 32). But in the absence of the changed environment provided by the troika, which quickly became the dominant interest, their acquiescence would have been less certain.

***The troika loan programme: International pressure, but Irish interests matter***

Irish tax revenues fell by 22 per cent between 2008 and 2010 but, notwithstanding the savings envisaged in the Croke Park Agreement, the economy continued to experience negative growth as 2011 loomed and the measures under the agreement looked increasingly unlikely to deliver sufficient savings. When the cost to the Irish Government of borrowing money on bond markets grew to prohibitive rates, arising from wider eurozone issues, the government reluctantly agreed to an external 'bailout loan' in December 2010 of some €67 billion provided by the troika. The support and conditionality framework in the memorandum of understanding (MOU) required a schedule of reform of the benefits system to create greater incentives to take up employment and to tighten eligibility and means-test criteria (Hardiman & Regan, 2012, p. 12).

<sup>1</sup> Services Industrial Professional and Technical Union (SIPTU) and Irish Municipal, Public and Civil Trade Union (IMPACT).

In the MOU, a series of reforms were envisaged across three main domains:

- i. further fiscal consolidation, including new taxes;
- ii. financial sector reforms, including recapitalisation of the Irish banks;
- iii. structural reforms, including more social welfare activation measures, reform of the social protection system, reductions to the minimum wage, and legislation to address restrictions to trade in sectors such as the legal and medical professions. (Laffan, 2017)

Although the first two elements were completed over the three years of the programme, in respect of structural reforms, the plans for minimum wage reduction were abandoned and little reform occurred in respect of the sheltered professions. Despite the external pressure of the troika, our interviews reveal that politicians and the Irish civil service had significant control over the structural reform agenda. As described by Hick (2018), the civil service steered the troika towards the stalled activation reform agenda and gained strong support among the international creditors. The troika supported the overall idea of the OSS and were more concerned about the implementation progress than the policy design, which gave Irish officials considerable leeway to find creative policy solutions, albeit under high time pressure. Constant international monitoring and accountability towards the troika was one of the key drivers behind the successful achievements in respect of the labour market activation and social protection reform measures, albeit they still took longer than envisaged. Although the full national implementation across the country showed some delays, the initial reform pace and quick implementation for the majority of jobseekers in 2012 and 2013 were seen as a huge success by the troika. These placed much emphasis on structural reforms to the benefit and activation regimes along the lines spelt out by an OECD review in 2009 (Grubb et al., 2009). Murphy (2016, p. 7) suggests that the presence of the subsequent troika programme was an important factor in the government being able 'to drive through the veto culture which might otherwise have sunk this long anticipated reform agenda'.

In order to implement the troika plan, the government published its *National Recovery Plan 2011–14* immediately after the loan programme was signed, which noted that 'welfare and labour market policies must reward work and provide a pathway to employment, education and training opportunities for those who have lost their

jobs. Reforms in this area, along with measures to enhance competitiveness, are pivotal to growth in our economy' (Government of Ireland, 2010, p. 10). As recalled by a former senior official in the DSP:

[The troika] used to engage in very considerable depth because they wanted us to move to a much more proactive model of welfare delivery, particularly in the context of unemployment, and move to one where activation was the key rather than necessarily income support. So that was a fundamental shift, that was a real cultural shift for staff and people, a real difference created in terms of how we interacted with people and the kind of real emphasis on the responsibilities of those who were getting assistance from us, but they also had responsibilities in terms of showing a willingness to engage or take up training or look for jobs or whatever that wouldn't have been present to the same extent before that time.

So now, a huge interest, an awful lot of attention paid to it, an awful lot of attention paid to the overarching policy and querying component elements of that and why we're doing things in particular ways or why we couldn't do things differently. So quite intense engagement... this was very detailed reporting [to the troika] and also to cabinet committees on... a monthly basis, having to show very detailed reports about what was actually happening on the ground. So a huge amount of oversight while all of this was going on. (Interview of 9 September 2015)

The three elements of the MOU provided an important context for the actual delivery of the reform process necessary to bring Intreo into being. In the next section we look in some more detail at the steps taken before turning to the key success factors that led to the new policy and organisation being delivered.

## **Implementation of the reform**

The creation of a new entity for all employment and income supports within the department was formally announced in March 2010, and a programme board comprised of stakeholder representatives from the main affected organisations (FÁS, Department of Education and DSP) created. Initially, the programme was entitled the National Employment and Entitlements Service (NEES). The eventual name

Intreo emerged later in 2012 as a combination of the words ‘introduction’ and the Irish ‘treo’, which stands for direction. Köppe & O’Connell note that, at a meeting of the project board in 2010, an implementation period of three to five years was envisaged for the full integration of the project (2017, p. 11).

Following the conclusion of the Croke Park negotiations in June 2010, agreement was reached with unions on the sequencing of staff moves, and during the autumn and winter the process of staff transferring to the new organisation began. The first phase involved divesting the HSE of its CWS function and the transfer of the approximately 1,000 staff involved in this work from the CWS to the DSP. At the same time legislation was passed in parliament allowing for the transfer of policy competence and responsibility from FÁS and CWS to the department.

In March 2011 a new coalition government took office, and in their programme for government the Fine Gael/Labour Party coalition stated that:

all employment and benefit support services will be integrated in a single delivery unit managed by the Department of Social Protection. This integrated service would provide a ‘one stop shop’ for people seeking to establish their benefit entitlements; looking for a job; and seeking advice about their training options. (Department of the Taoiseach, 2011, p. 7)

This represented an important change to the organisational form of the service, and the use of an OSS model (which had not previously existed in Ireland, save at local authority level for public services) required additional measures.

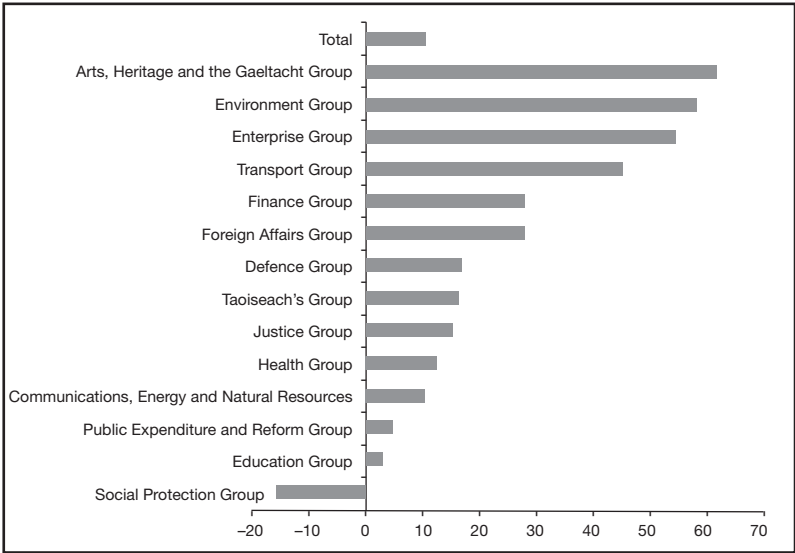
By the end of 2011 the CWS staff had fully integrated into NEES and in 2012 were joined by about 700 staff from FÁS who had worked on community employment and employment services within that organisation. By this stage, however, three years had passed since the onset of the crisis. FÁS itself had been abolished and replaced by a new entity, SOLAS (An tSeirbhís Oideachais Leanúnaigh agus Scileanna, the Further Education and Training Authority), which was given a remit to focus on further education and training programmes, including a national apprenticeship programme. Several hundred other staff were transferred from other departments from 2009 – and from 2010, facilitated by the Croke Park Agreement provisions on mobility – so that the department grew from 4,900 staff in 2008 to

almost 7,000 by 2012, one of very few to experience growth during this period. Reflecting on this, a former senior official noted:

we brought in a lot of [people] who had been working in employment services or as community welfare officers but they also brought their work with them which is something that people forget... this wasn't that we suddenly got a present of 1,700 staff with no work. We got their work, we then had to look at how do we integrate, how do we streamline it, how do we integrate it, how do we offer it differently, how do we boost it up where it needs to be boosted, how do we train people.

The budgetary allocation to the department also grew substantially during this time of retrenchment. As Figure 4 identifies, it was the only department that increased its budget in the period 2008–12, mainly driven by higher demand for benefit payments. The increased responsibilities and taking on of new staff from the HSE and FÁS also increased the administrative budget, but not to the same extent as increased claimant figures.

**Figure 4: Impact of spending cuts by policy area (%), 2008–12**



Source: Data extracted by authors from <http://databank.per.gov.ie/Expenditure.aspx>



A series of practical issues also arose in relation to the new staff, including differences in contractual arrangements given many, but not all, were employed on civil servant contracts. Many of the CWS staff were also dispersed across 900 locations across the state, and the FÁS staff were similarly decentralised across approximately 60 locations. As social workers, CWS staff had also operated with a necessary degree of discretion, which was not part of the culture in the department or FÁS. The programme board overseeing the creation of NEES/Intreo therefore invested heavily in communications across the merging and physically dispersed organisations to make sure all staff were aware of impending changes. These communications were also vital for ensuring consistency across the service such that all jobseekers would receive the same service regardless of location, and have equal access to training opportunities.

In April 2012, just over a year after the government announced them, a number of pilot schemes which integrated benefit claims with activation measures were initiated. These were deemed to have been a success and in October Intreo was formally launched by the Taoiseach and the Minister for Social Protection. The minister at this time was from the social democratic Labour Party and had a long-standing commitment to systematic welfare reform and provided strong support for the reform during her term of office until 2016. However, her focus was on the main reform strategy and less on the modalities of the implementation. Despite the ministerial support from 2011 onwards, it would be another year before the first tranche of Intreo OSSs were opened, and it took another two years for the nationwide scheme of OSSs to open (Köppe & O'Connell, 2017, p. 12). Her successor in 2016, from the Christian democratic Fine Gael Party, likewise supported the programme but without engaging in changes to the implementation plan.

During this period, and as noted above, there was considerable pressure arising from government and troika demands for progress information on the implementation of the reform measures. Added to this, the department experienced several staff changes at senior level due to retirements in autumn 2010 though, as Köppe & O'Connell (2017, p. 15–16) note, this also allowed for new networks to be created and new ideas to emerge in the key implementation stage of 2011/12. Also, while the department was undertaking this reform in tandem with an escalation of demand for income supports for jobseekers, it was also charged with delivering several other reforms at the same time. These included changes in eligibility and the duration of benefits

across a number of income support schemes, including one-parent family payments, housing support payments and changes in the nature of exceptional needs payments.

### **Key success factors**

Köppe & O'Connell (2017, p. 23–9) suggest that a number of factors were critical to the successful creation of the Intreo project (see also Figure 2):

- a small and experienced team of four senior staff to design, negotiate and lead on the reform implementation;
- strong cooperation between staff, staff representatives and local managers across the thirteen regions through which the DSP had divided its work across the state;
- emphasis on a 'One DSP' brand to unite different work cultures;
- monthly progress reports to a cabinet subcommittee and quarterly reports to the troika during 2011–13, which provided political visibility at a top level for the Intreo work, as well as a chain of accountability;
- trade union acquiescence (in the context of the Croke Park Agreement) to staff mobility and also to Labour Court determinations in respect of changes to terms and conditions of employment following staff transfers;
- a new regional management structure, with thirteen divisions each managing the integration of CWS, DSP and former FÁS services;
- in the absence of the necessary skills, engagement of an external consultancy firm to assist with development of a blueprint for the new service;
- piloting of the new integrated service;
- engagement of local staff in the implementation and adaptation of the new service to local needs.

Considering the three key challenges of budget constraints, union resistance and complex organisational fragmentation described above, these actions and decisions were critical to a successful change and deserve elaboration. The limited use of external consulting in the context of small budgets meant greater use of rapid evidence reviews and small design workshops.

While pioneering countries often started with lengthy pilots and original research to test the effectiveness of various activation

measures, the implementation group followed a very efficient international policy transfer and local adaptation process. Considering there was already a wealth of international evidence concerning which activation policies worked and the mounting problem pressure, this was a very effective strategy to achieve a rapid change, while ensuring good outcomes. A further advantage of this strategy was that all reform proposals had been tested and validated in other countries, so that the team could learn from these successes and failures. Explicitly, team members referred to the implementation failures of the OSS model in France and their strategic planning sought to avoid these. And the small management team could make decisions about which reform option to follow much faster than could a large one.

While focusing on the internal communication and organisation, the core team also had to engage with the wider political-administrative system. Indeed, the overall programme governance required support from the most senior levels across the department, and engagement with the political executive and troika (as the reform formed part of the conditionality to which Ireland had agreed). There were also many people involved in the actual organisational amalgamation. Thus, the idea of how to proceed with the reform measures was supported by a strong evidence base, and by all major political and administrative actors.

Second, overall the crisis created a window of opportunity to overcome an important interest group that had traditionally held veto power over such change. At a time of high unemployment, public sector trade unions have little bargaining power, and the Croke Park Agreement limited the opportunity for union resistance. While the overarching negotiation strategy was collaborative, at key stages the reform team used the new binding arbitration mechanism to bring contested reform proposals to the Labour Court. Instead of further lengthy negotiations it sped up the decision process and the DSP also won in most of the cases (Köppe & O'Connell, 2017, p. 30).

In relation to partisan interests, the absence of any great ideological division within the Irish political system over the creation of Intreo was important. In large part, this was due to the social democratic Labour Party being in office and holding responsibility for public expenditure and public service reform. Their centre-right Fine Gael coalition partners had committed to the reform measures in the programme for government, and the troika demands also served to remove the creation of Intreo as a subject of contestation. Equally, there is little evidence of lobbying by interest groups or jobseekers themselves to inhibit the reform programme.

Third, the implementation team institutionalised an effective communication strategy at their core to coordinate across all involved institutional actors. Although the strategy was devised and driven at the top level, the core team was essential in elaborating and executing it successfully throughout the organisation. The core team defined themselves as an information hub that brought the departmental expertise together at the top level. At the same time they introduced what were then innovative human resource communication strategies into the DSP. Staff members were listened to in town hall meetings and regularly informed through reform newsletters, and senior management shared information videos via the intranet. Overall, this created cross-departmental information sharing and the implementation team was at the centre to coordinate the task effectively.

### **Inhibitors in the implementation chain**

Despite the overall implementation success in terms of delivering a national OSS network for jobseekers, we have to acknowledge a number of implementation inhibitors. These shortcomings did not hinder the delivery of the service, but rather contributed to considerable delays in some parts of the country. Therefore, failures would exaggerate the actual impact of these delays and inhibitors are more appropriate to describe the weak links in the implementation chain. In addition, they might have reduced the anticipated improvements in service quality and labour market outcomes for jobseekers.

In the first place, the national rollout was substantially delayed. Although the first Intreo office was launched in autumn 2012, and about a year later forty-four offices were open, it took another three years to open the remaining sixteen planned offices. These delays were mainly due to extensive refurbishing work that had to be done at these sites.

Secondly, the DSP started to deliver an integrated service for the user, but lacked efficient IT infrastructure to deliver a modern administrative OSS. The client databases were not merged and the DSP relied on the FÁS infrastructure. The actual work to integrate the benefit claimant software with the activation case management commenced only in 2014 and was completed in 2016. In other words, until that time Intreo office workers had to rely on different IT systems, while they were supposed to deliver an integrated service.

Thirdly, other work has also highlighted the poor match of the activation measures offered to jobseekers (O'Connell, 2017). Some of the training and education services delivered proved to have weak links to labour market demands and had little effect on labour market reintegration. The OSS improved massively the speed of benefit claims to benefit payment (from three weeks to three days) as well as the needs assessment (e.g. PEX scores), but matching jobseekers with optimal training retains potential for major improvements.

## **Conclusion**

What began as an organisational merger and the integration of employment services and benefits payments turned into a more substantial and overdue reform of national labour activation measures. However, far from being a rational, evidence-based policy affair imitating the practice in another European state, it was an iterative and incremental process (Köppe & O'Connell, 2017) that, in keeping with Kingdon (2011), saw long-standing ideas interact with existing (party and trade union) and new (troika) interests, as well as institutions, in the process of organisational reform. These reforms brought Ireland closer to the European norm (Murphy, 2016) within a very short period. The rapid catch-up process was enormous, considering the combined problem pressure of high unemployment and sovereign debt crisis.

The coordination of the reform implementation by a small management team over a number of years was heavily influenced by wider contextual factors, including the acquiescence of trade unions and strong consistent political commitment to the reform programme. As well as proximate factors that facilitated reforms, we also identified a number of inhibitors in the implementation programme, including delays with facilities and IT integration. The resulting model brings its own challenges, and O'Connell (2017, p. 250) suggests that Intreo continues to 'lack a systematic and rigorous system of monitoring of job search', and questions the efficacy of the training and educational offerings by the organisation in achieving suitable employment for those engaged in them. Nonetheless, that such a major organisational and service reform programme was implemented during the period of the Irish state's most serious economic crisis, and when demand for services increased rapidly, was a remarkable achievement.

The Irish labour market is still facing some key challenges which several of our European neighbours seem to address better. With

almost full employment, a revived Celtic tiger complacency appears to have slowed down the reform process. For instance, the Irish labour market structure remains highly segregated, with the highest pre-tax income inequality in Europe. Highly qualified and paid employees exist in the large tech, pharma and finance sectors, but a low paid 'gig' economy also exists. Ireland has one of the weakest labour market regulations in Europe (OECD, 2013, Chapter 2), which typically harms lowly paid workers. For instance, zero-hour contracts are not heard of in most European states. Other policy areas are not integrated within the activation agenda, such as affordable childcare and a transparent and gradual means-tested benefit system that encourages work. For instance, female labour force participation remains low and full employment only means male workers are in high demand. The activation agenda progressed considerably during this 2010–16 period, but has not yet led to embracing a social investment state (Köppe, 2018), and further reforms are required to see the positive benefits of activation, and not just increased sanctions.

This paper could not show the extent to which the reduction in unemployment figures from 2013 can be directly attributed to the activation reforms. The Irish Government made several other radical reforms during the crisis period in respect of taxation and reductions in pay and personnel across the entire public service that all contributed to relatively quick economic recovery in comparison to Greece or Portugal. Still, compared to previous recessions, the drop in unemployment figures was remarkably quick and sustained once the economy recovered, which is an indication that the concerted policy reforms made a difference, but it is not clear to which reform elements this can be attributed. More Irish and comparative research is required to assess the outcomes of these reforms in context. For instance, the fifth IMF progress report for Greece (IMF, 2014) noted significant delays in implementing activation reforms. In other words, the rapid implementation was a success, but it still has to be seen if the reforms are also linked to outcomes in the labour market.

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