



DPE 022/002/2021

16th February 2022

To: Accounting Officers

DPER Circular: 06/2022

Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Examination of the 2019 Appropriation Accounts for Vote 37 – Department of Employment Affairs and Social Protection.

A Dhuine Uasail,

I am directed by the Minister for Public Expenditure and Reform to enclose, for your information and guidance, a copy of the Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Examination of Matters in relation to the 2019 Appropriation Accounts for Vote 37 – Department of Employment Affairs and Social Protection.

Issues raised

The Minute of the Minister addresses the following issues:

- Jobpath;
- Local Employment Services;
- Material level of Irregular payments ; and
- Pandemic Unemployment Payment

Enquiries

Enquiries in relation to this Circular should be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571 or email: govacc@per.gov.ie.

Mise le Meas,

David Moloney
Secretary General

Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Examination of the 2019 Appropriation Account for Vote 37 – Employment Affairs and Social Protection

The Minister for Public Expenditure and Reform has examined the Committee's Report and has taken account of its recommendations. In relation to the Committee's recommendations, the Department of Public Expenditure and Reform has engaged with the Department of Social Protection and the response to each recommendation is as follows:

Issue 1-Jobpath:

JobPath is an employment support service designed to assist those who have been unemployed for more than 12 months to re-enter the workforce. JobPath is not a job creation initiative but is intended as an employment activation service for people who are long term unemployed and who face significant barriers in returning to work. Providers are contracted to provide 12 months of employment advice and support and in-work support for three months should individual's progress into employment. The provision of associated services is contracted to two private firms and payments to those companies are made on a performance-based agreement.

Between July 2015 and October 2020 some 283,826 people had engaged with the JobPath service with the cost of the service totalling €247.9 million over the same period of time. The Department of Social Protection stated that this works out at approximately €873 per participant and that this is a cheaper average price per participant when compared to Local Employment Services and direct employment services provided by the Department.

Aside from the initial registration fee (approximately €311 per jobseeker), JobPath is an outcomes based payment model. This means that any other payments are contingent on a confirmed, sustained employment outcome. Where an individual does not progress into employment the JobPath provider is required to continue to support this individual at least once every twenty days for a twelve month period and will receive only the initial registration payment of €311 for providing an employment advisory service to this individual. Any other payments are dependent on the individual securing sustained employment.

However, the Committee was informed that of the 283,826 individuals who have engaged with JobPath, the official statistics show that 64,000 people started work and that 22,000 people had retained their employment up to a period of 12 months. The Department does not monitor the progress of individuals who have completed the JobPath programme after 12 months. However, an econometric review of JobPath carried out by the Irish Government Economic and Evaluation Service (IGEES) found that the outcomes for jobseekers who had engaged with JobPath services are 37% better compared to those who had not been provided with such a service. Notwithstanding this, the €247.9 million paid for employment supports through JobPath resulted in just 22,000 persons obtaining employment for more than one year.

The Committee also notes that JobPath has been extended for a second time to the end of 2021 at an anticipated cost of €50-€60 million. The Committee notes that since its engagement with the Department of Social Protection that the decision has been made to cease referrals to JobPath at the end of 2021.

Recommendation 1:

The Committee is of the view that the JobPath model has not delivered value for money for the taxpayer and, in the majority of cases, the advice provided did not lead to sustainable employment for jobseekers. The Committee recommends that the Department of Social Protection explores other avenues to provide better value through localised, non-profit driven employment services.

The Minister for Public Expenditure and Reform is informed by the Department of Social Protection that it partially accepts the recommendation. The Minister is further informed by that Department that:

It recognises that the Committee has noted that the JobPath contracts are for the provision of employment advisory services and over 280,000 individuals have been provided with these services under the JobPath programme. This equates to a cost per participant of approximately €873, which is cheaper compared to other employment advisory services provided by the Department and the Local Employment Service. While the Committee notes the costs of the Local Employment Service it does not comment on value from this comparative perspective.

If the JobPath scheme did not exist, as per Government policy, the 280,000 individuals supported by JobPath, would have been provided with employment advisory services delivered through a different provider, either the Department or another contracted service. However, this would have been delivered at a greater cost to the State.

The Department has detailed costings of all contracted PES (Public Employment Service) providers and these were used to calculate an average cost per referral. JobPath costs are on average €873 per individual referred. The equivalent cost for the LES (Local Employment Service) service is €1,052. Intreo costs are more difficult to assess but based on DPER/IGEES analysis of PES from 2018¹ and using the average cost as per Public Spending Code framework and using the mid-point of HEO salary, employer PRSI, pension contributions and overheads, the cost of Intreo activation in 2017 was approximately €57 million. Given that there were approximately 55,000 Short term Jobseekers case loaded and engaged by Intreo in 2017 this equates to a cost per jobseeker referred to Intreo of approximately €1,035, which exceeds the equivalent JobPath cost.

The Committee has noted that aside from the initial registration fee (approximately €311 per jobseeker), JobPath is an outcomes based payment model. This means that any other payments are contingent on a confirmed, sustained employment outcome. Therefore, the majority of fees paid to JobPath providers are based on individuals securing sustained employment outcomes. If these individuals didn't secure employment then as per the contract the majority of fees would not have been paid to the providers.

¹ [12.-Public-Employment-Services.pdf \(igees.gov.ie\)](#)

The Committee notes that an econometric review of JobPath which was conducted by the Department in conjunction with the Organisation for Economic Cooperation and Development (OECD). This review found that outcomes, for persons who had participated on JobPath, in terms of gaining and sustaining employment and salary rates, were better than those who have participated on any of the Department's other employment services including Local Employment Services. The Department has recently updated this analysis and found that between 2017-2020 JobPath participants earned approximately €100 million more from employment than they would have earned without the programme. And these better employment outcomes led directly to a saving in 2017-2020 Social Protection expenditure of over €60 million. I am also advised that the OECD intends to publish its own paper on the evaluation in the New Year.

These are significant findings and confirm the original econometric review's findings and provide further insight into the positive impact derived from the JobPath programme. The Department has a responsibility to ensure the delivery of high-quality employment service in a cost-effective manner. The phased procurement of employment services currently underway follows the engagement of external consultants and intensive consultations with relevant stakeholders. This procurement process will deliver a new Intreo local employment service capability through open and competitive tenders and in so doing gives effect to the Committee's recommendation relating both to the localised delivery of services and through providing an opportunity for all existing and potential service providers, from any sector, to demonstrate to the Department their ability to deliver high quality services in a manner that deliver value to the State.

Given the fact that the cost per participant for JobPath is lower than other contracted services, and that employment outcomes are better when compared to other employment services, the Department of Social Protection view is that JobPath has delivered value for money for the taxpayer in providing employment opportunities for the long-term unemployed.

Issue 2 – Local Employment Services:

The Committee discussed the issue of Local Employment Services (LES) provided by Local Development Companies (LDCs). The Department of Social Protection informed the Committee that LES are not paid on a performance-based model. Payments are made on an agreed contract capacity regardless of whether the individual obtains employment after completing the scheme. In 2020 the contracts for LES were worth €19.6 million and the caseload at the time of the Committee meeting was 18,636. This is an average of €1,052 per participant. The Committee is of the opinion that employment services provided by LDCs are more beneficial to service users when the supports are provided within their own communities. However, according to the Irish Local Development Network (ILDN), the representative body for 49 LDCs, LES provided by LDCs are not available in 14 counties. The Department informed the Committee that procurement was due to begin to expand public employment services and that an additional €6 million would be provided for such services in 2021. The Department is currently in the process of expanding Public Employment Service provision across the State to ensure a consistent delivery of employment activation service provision to individuals. The Department state that this expansion will see the rollout of a new National Employment Service to replace JobPath and a new Regional Employment Service that will be in lieu of the Local Employment Service and Job Club provision but will be available in all 26 counties, unlike the current services.

The Department of Social Protection stated that JobPath, which is provided by external contractors, is used to provide services where it would not be possible to provide services to all participants through the LES or directly by the Department. However, the contracts for JobPath and the LES are due to expire at the end of 2021, and the Committee is of the opinion that local employment service providers are best placed to operate employment activation programmes and that these should be prioritised during the development of all employment services.

The Committee also noted that LES contracts have not been tendered for using a public procurement process. The Committee is of the opinion that this is not best practice and that all State services should be subject to a public procurement process.

Recommendation 2:

The Committee recommends that any future public employment service is managed by either the Department or community-based organisations, and that all contracts between the Department and service providers satisfy procurement rules and guidelines. The Committee recommends that contracts are awarded to providers based on a broader criteria than simply cost. The criteria should include the suitability of employment that will be provided to jobseekers.

The Minister for Public Expenditure and Reform is informed by the Department of Social Protection that it accepts the recommendation subject to the clarifications provided below.

The Minister is informed by the Department that the Department of Social Protection operates and has overall management responsibility for the State's Public Employment Service (PES). The PES is composed of

services delivered directly by the Department and services delivered on its behalf by Local Employment Services, JobPath, Job Clubs and Employability and will include the new employment services currently being procured.

The Department is committed to ensuring that all employment services contracts will be awarded in compliance with procurement rules. A phased open and competitive procurement process to give effect to this policy has commenced and will continue throughout 2022. It is to be noted that while the Department has overall management responsibility for the PES day to day management of the various services to ensure delivery of the contracted services is entrusted to the service providers. The Department cannot under procurement rules specify that these providers must be drawn from a particular sector – be that community/voluntary or private sector.

The Department has commenced a phased procurement exercise for the delivery of employment services. The first Phase saw the issue of Request for Tenders for the provision of employment advisory services in seven counties. Under this RFT 25% of the award criteria were based on cost and the remaining 75% of the award criteria was based upon service delivery, community linkages and social value. In addition, the performance metrics of the tender focussed upon the sustainability of employment. It will be the role of the service provider within the contract to assist the customer in identifying their employment goals and any barriers they may experience in achieving them and to assist in overcoming those barriers. The suitability of the employment to the customer will be measured by their success in gaining and sustaining that employment.

Issue 3 – Material level of Irregular payments:

The Committee was informed that the Department of Social Protection operates approximately 80 different schemes and that in 2019 over 1.3 million people were in receipt of a weekly social welfare payment. In the *2019 Report on the Accounts of the Public Service* the Comptroller & Auditor General (C&AG) drew attention to a material level of irregular payments totalling €117 million in 2019.

The Department of Social Protection provided the following breakdown detailing the causes of irregular payments: -

- Fraud - €31.3 million,
- Customer error - €45 million,
- Official error - €17.5 million, and
- Estate cases - €22.6 million.

The C&AG also informed the Committee that irregular payments attributed to suspected fraud and official error had trended downwards in recent years. The Department of Social Protection carries out control surveys on individual schemes on a cyclical basis. This involves reviewing up to 1,000 randomly selected payment claims. The results of the reviews indicate the estimated level of incorrect payment on the scheme. When questioned by the Committee the Department of Social Protection stated that it aims to carry out two such control surveys a year; since 2012 some 17 control surveys had been completed which is broadly in line with this objective.

The C&AG stated that the Department of Social Protection also carries out a programme of reviews of individual payment cases, usually selected on a risk assessment basis. 609,000 control reviews were carried out in 2019. The results indicate that the targeting of cases for review is relatively effective, generally identifying a higher percentage of cases with overpayment than would be expected if cases were selected randomly. However, the Department of Social Protection conducted only 80% of the control reviews it had planned for 2019.

Recommendation 3:

The Committee recommends that the Department of Social Protection continues to work in a targeted manner using control surveys as this approach appears to provide substantial results. The Committee also recommends that the Department ensures that the target of control reviews to be carried out each year is met to ensure proper oversight of social welfare payments

The Minister for Public Expenditure and Reform is informed by the Department of Social Protection that it accepts the recommendation.

The Minister is further informed by that Department that it will continue to work closely with the C&AG on a programme of Control Surveys and aims to complete two surveys of its schemes each year. The Department will continue to review and improve the methodology used for control surveys, in cooperation with the C&AG. Regarding control reviews, the Department will continue to aim to achieve review and

savings targets to ensure proper oversight of social welfare payments. Control Review targets are set at a demanding level that stretch the resources available to control but as the table below shows, prior to the pandemic the Department consistently met, or came close to meeting, its control reviews and savings targets in recent years.

Year	Percentage of Reviews Target Achieved	Percentage of Savings Target Achieved
2016	95%	99%
2017	86%	104%
2018	93%	107%
2019	80%	95%
2020	77%	77%

During 2020 the Covid-19 pandemic had a considerable impact on the Department’s control activities. Both the re-focusing of the Department’s resources required to implement pandemic supports, and the impacts of the public health restrictions imposed during the pandemic, meant that many normal control activities could not proceed as planned.

These factors continue to impact on the work of the Department and on the environment in which control work is undertaken. Even under these circumstances, the Department managed to conduct 77% of the targeted number of Control Reviews in 2020 and achieved 77% of the targeted Control Savings. It is intended that normal control activities will resume as soon as the prevailing public health conditions allow.

Issue 4 – Pandemic Unemployment Payment:

The Committee discussed the issue of the Pandemic Unemployment Payment (PUP) which is a temporary social welfare measure brought in to counteract the level of unemployment experienced due to the COVID-19 pandemic. At the time of publication, the Scheme is closed to new applicants and the weekly payment rates began to reduce on 7 September 2021.

The Committee acknowledges the work performed by the Department of Social Protection during the COVID-19 pandemic, noting that 1.5 million claims were processed in less than a week at the start of the pandemic. However, the Committee questioned the control review that is due to be carried out on the PUP scheme in the future. The Department of Social Protection stated that the biggest risk associated with the PUP is the sheer scale of the scheme noting that it was established in a short space of time. For comparison, the Department of Social Protection explained that a standard Jobseekers Assistance application has an average processing time of two to three weeks.

Recommendation 4:**The Committee recommends that:**

- **The Pandemic Unemployment Payment control review commences as soon as possible,**
- **the Department provide the Committee with a timeline for completion of the control review by the end of quarter one 2022, and**
- **the Department provides the Committee with a copy of the review upon completion.**

The Minister for Public Expenditure and Reform is informed by the Department of Social Protection that the recommendation is consistent with the recommendations in Chapter 11 of the Comptroller and Auditor General Report 2020, which made two recommendations on the review of employed and self-employed PUP claimants. These recommendations were accepted by the Department and are being actioned.

The Minister is informed by the Department of Social Protection that notwithstanding the challenges posed by the volume of applications received under the scheme and the overall impact of Covid related public health restrictions, the Department did take steps at an early stage to put in place a range of controls. These included the establishment of a dedicated team to review claims both at “take-on” stage and while in payment; migration of claims to the Department’s main IT platform, thereby ensuring greater integration with all scheme processing; the initiation of checks against Revenue records for evidence of previous employment; requiring claimants to formally confirm their eligibility for continued payment; weekly checks against Revenue TWSS records; and a range of reviews by staff of the Special Investigations Unit and locally based Social Welfare Inspectors.

Further detail on the recommendations contained in the Comptroller and Auditor General’s report is as follows:

First, the Department will establish and implement a strategy to retrospectively review employee PUP claimant records to identify potential cases of overlaps between PUP payments and employment records or where evidence suggests that PRSI compliance issues may arise. The results of this review will then be used to identify those cases where there was a higher risk of ineligible expenditure claims.

In parallel with the above exercise, the Department will review cases where an individual has identified themselves as an employee, but there is no accompanying record of PRSI having been returned by their employer. The results of this review will be used to target employer reviews for possible non-compliance with PRSI obligations. Work to address this recommendation has commenced. This involves a comparison of PUP payment records against PRSI data to identify potential overlaps between periods for which PUP was paid and where payments of wages or salaries was made. The initial focus is on the 2020 year, but the exercise will subsequently move to look at the 2021 year.

Second, the Department will establish and implement a strategy to retrospectively review self-employed PUP claimants, through the utilisation of Revenue data such as self-employment PRSI returns and the use of business analytics tools, to identify those cases where there was a higher risk of ineligible expenditure claims.

In the first instance, the Department will review self-employed PUP claimants to ensure that individuals submitted income returns to the Revenue Commissioners in fulfilment of their obligations in respect of both Income Tax and PRSI. The necessity for non-compliance action in the event of failure to submit returns of income will also be considered, and the Department will liaise with the Revenue Commissioners in respect of any issues which may emerge from the exercise. Work on this exercise will commence in early 2022 once data on self-employed contributors for the 2020 year is provided to the Department by the Revenue Commissioners.

Given under the Official Seal of the Minister for Public
Expenditure and Reform on this the day of January, 2022.



L.S.

A handwritten signature in blue ink, appearing to read 'David Moloney', written in a cursive style.

David Moloney

Secretary General

Department of Public Expenditure and Reform