



An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta  
National Economic & Social Council

# Jobless Households: An Exploration of the Issues

No. 137 June 2014

## National Economic and Social Council

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3. Any reports which the Council may produce shall be submitted to the Government, and shall be laid before each House of the Oireachtas and published.
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Senior Policy Analyst

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## Abbreviations

**AGTSW**

Advisory Group on Tax and Social Welfare

**CEDRA**

Commission for the Economic Development of Rural Areas

**CIB**

Citizens Information Board

**DA**

Disability Allowance

**DSP**

Department of Social Protection

**DWS**

Developmental Welfare State

**FT**

Full time

**HAP**

Housing Assistance Payment

**LFS**

Labour Force Surveys

**OPFP**

One Parent Family Payment

**PALF**

Potential Additional Labour Force

**PT**

Part time

**SE**

Self Employed

**SILC**

Survey of Income and Living Conditions

**UET**

Unemployed Total

**UE**

Unemployed

**VLWI**

Very Low Work Intensity



Unemployment is one of the most devastating impacts of the economic crisis. While the focus of unemployment tends to be on individuals, there is a related concern: households where no one is working or has very limited access to work. There is a need to address the issue of household joblessness for a number of reasons: for the households themselves, especially for the future of their children; to reduce poverty; for the productive capacity of the economy; and for the common good and societal well-being.

Jobless households are defined in two ways. One is based on working adults living in a household where no one is at work. The other, and more commonly used definition, is based on low work intensity. A household is considered jobless if the total time in work over the last year by all the working-age adults (excluding students) is less than 20 per cent of their working time (very low work intensity).

Using the low work-intensity definition, Ireland has a high level of household joblessness compared to other European countries, with nearly one-quarter (23 per cent) of households in Ireland described as jobless (in 2010). The next-highest countries were UK and Belgium at 13 per cent, with an EU-15 average of 11 per cent. A distinguishing feature of Ireland's jobless households is the likelihood that they contain children. While fewer than 30 per cent of adults in jobless households live with children in other EU-15 countries, more than half do in Ireland at 56 per cent.

There was a sharp increase in jobless households in Ireland following the economic crash in 2008. A combination of factors has been attributed to this increase in household joblessness: the increase in unemployment, changes in household structure, and other characteristics such as having a disability or having caring responsibilities. For example, in Ireland jobless adults are less likely to live with at least one working adult than in many other European countries. The working patterns in couple households have changed in that there has been a decline in 'traditional male breadwinner' households. At the same time, there has been an increase in dual-earner households and a growth in households where neither partner is at work.

The complexity of jobless households is reflected in their composition. Children make up nearly one-third of those in jobless households. About one-fifth are unemployed, 18 per cent are in home duties, and 12 per cent are sick or disabled. A further 13 per cent are students over sixteen, or are adults who are otherwise inactive in the labour market. The risk of being in a jobless household is related to the employability of those in the household and the household structure. Thus, those who live in jobless households are more likely to have no educational

qualifications, to have never worked or to be in the unskilled social class. They are also more likely to be renting their accommodation, to be single or parenting alone, and to either have a disability or to live with someone with a disability.

There is a spatial dimension to household joblessness. Jobless households are not equally distributed throughout the State, reflecting variations in unemployment and participation in the labour market at regional and local level, and between and within counties and towns. The uneven distribution of unemployment may indicate persistent underlying structural differences. Jobs are required to address the issue of household joblessness, but jobs are not equally distributed throughout the State. They are not necessarily located where there are jobless households, nor do the job requirements necessarily match the skills and capacity of those seeking the jobs. Some towns and areas that have lost jobs may also be at risk of losing basic services, making jobless households even more vulnerable. Thus, responses will require a spatial dimension, with a role for local organisations and communities.

Various explanations have been put forward to explain the causes of household joblessness. These can be summarised as follow:

- The operation of the tax and welfare system;
- The state of the labour market; and
- The characteristics of jobless households (age, level of education, age and number of children, health status of adults and children).

Further to these explanations, a number of issues have been raised in relation to jobless households. These include:

- Risk of poverty—jobless households experience high levels of deprivation and economic stress, with a risk of an intergenerational transmission of poverty.
- Cost to the social welfare system—while the Irish social welfare system has been reasonably successful in ameliorating poverty, even in the face of a severe recession, there are questions about the overall financial sustainability of the social welfare system if the high level of household joblessness is not addressed.
- Barriers and traps (real and perceived)—the interactions between the social welfare system, the taxation system, and access to services and employment are complex and, depending on people’s circumstances, can facilitate, or in some cases hinder, the transition from social welfare into employment.
- Understanding household decision-making—in making decisions about employment, individuals take into account the overall finances of the household as well as the needs of others in the household, especially children.

A number of responses have been made to address the problem of unemployment, if not specifically household joblessness. These include the *Pathways to Work*

programme and the *Action Plan for Jobs*, as well as the work of the Advisory Group on Tax and Social Welfare (AGTSW). Notable reforms include the transformation of the public employment and education and training services, as well as reconfiguration of the One Parent Family Payment (OPFP).

Given the diversity of household joblessness, however, the issue will not be resolved through single solutions, but through packages that reflect the complexity of the situation of jobless households and their needs. This means that the emphasis on participation and activation must extend beyond those on the Live Register and those classified as long-term unemployed. Responses must also include developing a capacity to provide tailored services that respond to people's real needs and circumstances. Such services include: adult literacy, child development, family supports, addiction services, disability services, housing, education and training, public employment, community employment, and so on, as well as engagement with employers. NESC intends to undertake further work in this area.

# Jobless Households: An Exploration of the Issues

## 1.1 Introduction

One of the greatest impacts of the economic crisis has been the increase in unemployment. This has led to a concern about households where no one is working or has very limited access to work. The concept of ‘jobless households’ is a complex one and this report sets out some of the key issues relating to jobless households.

This report addresses the following questions: what is the background to household joblessness? What is a jobless household? Why does Ireland have a high proportion of jobless households? What are the characteristics of, and where are, jobless households in Ireland? What are the issues and policy responses to household joblessness in Ireland? What further responses are required and what further contribution can NESC make?

## 1.2 Background to Household Joblessness

### 1.2.1 Overview

One of the factors associated with household joblessness is related to the distribution of employment. In the late 1990s Gregg and Wadsworth (1996, 1998) identified a growing polarisation of employment by showing that in many western countries jobs have become concentrated in certain households, leaving other households of working-age adults with no one in work. In further work on related issues, Gregg *et al.* (2010) showed that there has been a growing disparity between individual and household-based worklessness measures across many western countries.

In their review of household joblessness and its impact on poverty and deprivation in Europe, de Graaf-Zijl and Nolan (2011) suggest a number of different *factors relating to an increasing concentration of joblessness*. These include:

- Marriage/partnering behaviour where those most likely to be jobless are less likely to find a partner with good labour-market prospects (‘marital homogamy’);
- Within-household factors such as a rise in inactivity among men with low levels of education and skill and/or chronic illness, who are partnered with women with low levels of education and skill, who also have health issues;

- Changes in household structures with an increasing number of single-adult households for which the incidence of joblessness is highest;
- The presence of children; and
- Labour-market shifts in employment across gender, age, region and skill leading to employment polarisation.

While these factors have been suggested, there is mixed evidence on the extent to which they are substantiated.

In examining the potential *causes of household joblessness*, Whiteford (2009) has suggested the following factors:

- The overall state of the labour market;
- Characteristics of jobless family members (age, level of education, age and number of children, health status of adults and children); and
- The operation of the tax and benefit system.

There are a number of *impacts of household joblessness*, though it is difficult to attribute causality specifically to household joblessness. These are summarised by de Graaf-Zijl & Nolan (2011) as follows:

- Likelihood of poorer educational outcomes in children, with a higher risk of subsequent unemployment (although inter-related with other factors, such as early family disruption);
- Lower levels of psychological well-being (though this is also attributed to being unemployed, in general, whether or not living in a jobless household);
- More likely to live on a low income and thus be at greater risk of poverty, especially if there are children in the household.

These suggested factors, causes and impacts are further discussed throughout this report.

### 1.3 What is a Jobless Household?

There are a number of understandings of the term 'jobless household'. In a literal sense, it means a household without jobs. The reference to 'household' (an accommodation and its occupants, who live together as a unit) is relevant in that much of the information available about the population is on individuals and so we have a more limited understanding of who these individuals are living with, and thus their overall circumstances. This focus on households is sometimes referred to as viewing joblessness through a 'household lens' and provides a more holistic

picture of the circumstances of the population. Nevertheless, there are data challenges in capturing this information.

The 'jobless' element is more difficult to define, for two reasons. Firstly, the term implies that no one within a household has a paid job, and this is not necessarily the case, i.e. there can be a low level of paid work. Secondly, the 'jobless' term implies that a job will rectify the problem, but this is to simplify the complexity of 'jobless households'. For example, some of these households may not be in a position to take up a job, at least in their present circumstances. Many of these households comprise lone parents, people with disabilities, carers, people with low skills, low education, and/or redundant skills so that additional supports may be required before they are in a position to enter/re-enter the labour force, or if they are even able to do so in some cases. These issues are further discussed in the remainder of the report, but first we return to definitional issues in relation to available data sources.

At European level, the two most common definitions used by Eurostat are based on the Labour Force Surveys (LFS) and on the Survey of Income and Living Conditions (SILC). The LFS definition is based on working-age adults (18–59) living in a household where no one is at work. The LFS definition of being at work is used, e.g. in the last week if a person performed work, even for just one hour, or was temporarily absent from their usual work, they are considered to be working.

The SILC definition is also based on anyone aged 18–59 living in a jobless household, but here the definition of joblessness is related to work intensity over the last year. A household is considered jobless if the total time in work over the year reported by all the working-age adults (excluding students) falls below a threshold of 20 per cent of their working time (very low work intensity, VLWI).

Table 1 presents the two measures for selected EU countries in 2006.<sup>1</sup> Overall, the differences between the two measures are relatively minor with Ireland and France showing the biggest differences, but in contrasting directions. The SILC measure is 3 percentage points higher for Ireland,<sup>2</sup> while the LFS measure is 3.2 percentage points higher for France. There is little difference between the two measures in some countries, e.g. Czech Republic, Germany, Denmark and Lithuania; for others the LFS measure is higher, e.g. Austria, Belgium, Estonia, Spain, Finland, France, Greece, Italy, Latvia, Poland and Portugal; whereas for others the SILC measure is higher, e.g. Netherlands, UK and Ireland. Focusing on Ireland and taking the LFS measure where there is no one working in the household in the last week, Ireland was below the EU average, yet using the SILC measure where there has been some low-intensity work over the last year, Ireland was above the EU average for household joblessness. Further analysis of these figures by de Graaf-Zijl and Nolan

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<sup>1</sup> Despite the figures being based on 2006, at the height of the boom, the key point is the comparison between the two sets of measures.

<sup>2</sup> This difference may suggest a low level of temporary, part-time work in these households in Ireland but further research is required in order to draw any definitive conclusions.

led them to conclude that there is little evidence of a consistent pattern among groupings of countries often categorised together in terms of welfare regimes or geographically—within the Nordic countries, the corporatist countries, the Southern European and the Eastern European countries, for example, there is considerable variation in household joblessness levels, illustrating the complexity of the issue.

The SILC measure is used in the EU poverty target and relates to under-employment as well as complete joblessness, and is the measure most commonly used. In further work on this issue, Ward and Ozdemir (2013) consider the way this indicator is defined and calculated, the age group taken to be of working age, the treatment of students, the threshold defined to denote low work intensity and the extent of missing cases, as well as other related issues. Among a number of conclusions they suggest the possibility of using the LFS as an alternative source of data on household work intensity, which would enable the monitoring of developments in work intensity on a more timely basis.

**Table 1: Alternative Eurostat Figures for the Percentage of Individuals Living in Jobless Households in 2009**

Country	LFS Measure (%)	SILC Measure (%)
Austria	7.6	6.3
Belgium	13.6	11.5
Czech Republic	7.2	7.1
Germany	10.5	10.1
Denmark	7.1	7.8
Estonia	6.6	5.5
Spain	6.3	5.1
Finland	9.5	7.0
France	10.5	7.3
Greece	8.1	6.3
<b>Ireland</b>	<b>7.8</b>	<b>10.8</b>
Italy	9.5	8.2
Lithuania	6.9	6.6
Latvia	6.7	5.5
Netherlands	7.4	9.3
Poland	13.2	12.9
Portugal	5.8	5.1
UK	10.8	13.3
<b>EU</b>	<b>9.7</b>	<b>9.1</b>

Source: de Graaf-Zijl and Nolan, 2011: 16.

Unpublished analysis by the Department of Social Protection in Ireland, using LFS data, shows that prior to the crisis the share of the adult population in jobless households in Ireland (at 9 per cent) was below the EU average (at 10 per cent).<sup>3</sup> However, a slightly higher proportion of the child population was found in jobless households in Ireland (at 11 per cent) than in the EU average (at 10 per cent), with joblessness being more prevalent in lone-parent households in Ireland than elsewhere in the EU. By 2012, Ireland had an above average share of the adult population in jobless households (nearly 16 per cent compared to an EU average of 11 per cent). Encouragingly, however, the 2013 data suggest that the numbers in jobless households have started to fall, following the decline in unemployment that started in 2012.<sup>4</sup>

In an attempt to clarify these issues, the Department of Social Protection has commissioned a technical paper to examine why there are substantive differences in the estimates of joblessness in Ireland (relative to the EU-15 average) between the SILC and the LFS. Specifically, the paper will examine what accounts for the difference between the SILC and the LFS in the estimates of household joblessness in Ireland, and whether the results suggest that household joblessness in Ireland is cyclical or whether it contains a structural element in addition to the high rate of unemployment associated with the recession. The report is due to be available in late 2014.

## 1.4 Why Does Ireland Have a High Proportion of Jobless Households?

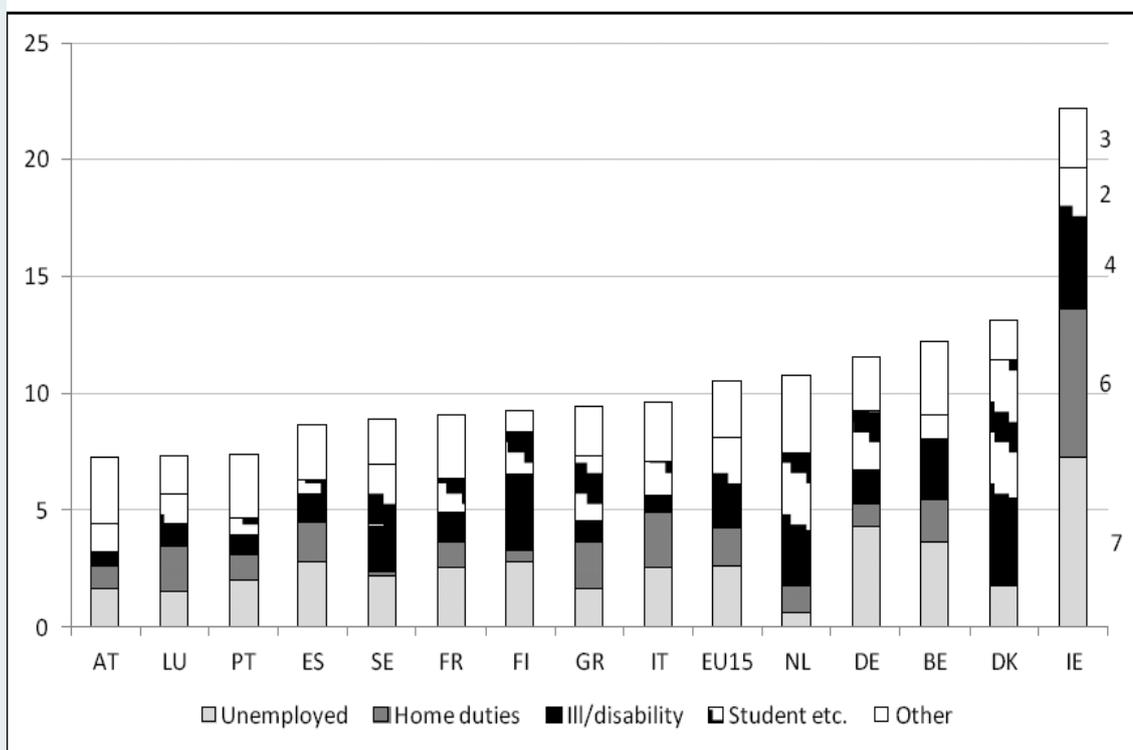
In recent comparisons of household joblessness across European countries, using SILC data, Ireland has been shown to have by far the highest incidence of jobless households in EU-15. In 2010, 23 per cent of households in Ireland had a very low work intensity, compared to the next-highest countries, UK and Belgium, at 13 per cent and an EU-15 average of 11 per cent. Most countries had rates of household joblessness between 6 and 11 per cent, so Ireland is clearly exceptional (Watson *et al.*, 2012).

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<sup>3</sup> Personal communication from the Department of Social Protection, April 2014.

<sup>4</sup> There remains uncertainty about whether this is a cyclical problem or whether there is an underlying structural element.

**Figure 1: Principal Economic Status of Working-Age Population (18–59) in Very Low Work Intensity Households, SILC 2009**



Source: Watson *et al.*, (2012), Figure 3.3: 36.

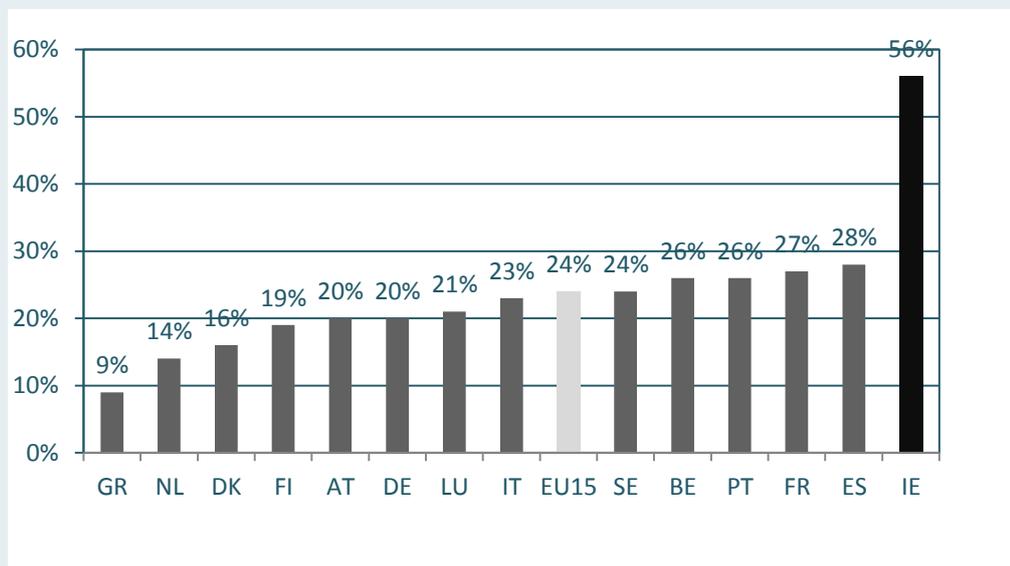
Probing deeper, the breakdown of jobless households by principal economic status is interesting: see Figure 1. This breakdown shows the high proportion of people in very low work intensity households in Ireland who are unemployed, but also the high proportions who are on home duties and who are ill and disabled. Watson *et al.* (2012: 37) have accounted for this high proportion as being possibly due to the high representation of these groups in the population generally in Ireland. However, what also emerges from their analysis is that, in comparative terms, household joblessness is much higher in Ireland than comparative individual unemployment figures would imply, suggesting that household living arrangements are a factor in Ireland's high rate of household joblessness.

In their 2012 analysis Watson *et al.* found that in Ireland jobless adults were less likely to live with at least one working adult than in many other European countries, e.g. only 51 per cent of jobless adults of working age in Ireland live with at least one working adult, compared to 60 per cent for EU-15. In such situations the non-working adults are less likely to be drawn out of joblessness by other working adults in the household. Households with members in employment are in the best position to find employment for other household members (Pahl, 1984: 333).

Another strong feature of Irish household joblessness is the likelihood that jobless adults live with children. Figure 2 shows how much of an outlier Ireland is in this regard.

While fewer than 30 per cent of adults in very low work intensity households in the other EU-15 countries live with children, more than half do in Ireland, at 56 per cent. Ireland is exceptional in that jobless adults in very low work intensity households are more likely to live with children and they also tend to live with a larger number of children than most other EU-15 countries.

**Figure 2: Percentage of Adults aged 18–59 in VLWI Households Living with Children, SILC 2009**



Source: Watson *et al.*, (2012), Figure 3.7: 41; base=all adults in VLWI households aged 18–59.

Having looked at Ireland in a comparative context the specific characteristics of jobless households in Ireland are now examined.

## 1.5 Characteristics of Jobless Households in Ireland

There was a sharp increase in jobless households in Ireland following the economic crash in 2008. The jobless household rate increased from 13 per cent in 2004 to 22 per cent in 2010.<sup>5</sup> Nevertheless, the rate was comparatively high, even during the boom years, compared to other European countries. Watson *et al.* (2012) attribute much of this change in work intensity to changes in work patterns in couple households, which account for nearly three-quarters of all working-age adults and children under 18 years.<sup>6</sup> The traditional male-breadwinner households (male working full-time, female engaged in home duties) fell from 31 per cent of couples in 2004 to 23 per cent in 2010. At the same time, the percentage where neither partner was at work increased from 9 per cent in 2004 to 15 per cent in 2010—this pattern is more common in the manual and lower service and sales social class, with almost one-quarter of couples where neither partner works in this social class. Along with the increase in jobless households, there was a rise in the receipt of welfare benefits among working-age adults, especially jobseekers, people who are ill or disabled, and carers. These trends are presented in Appendix 1.

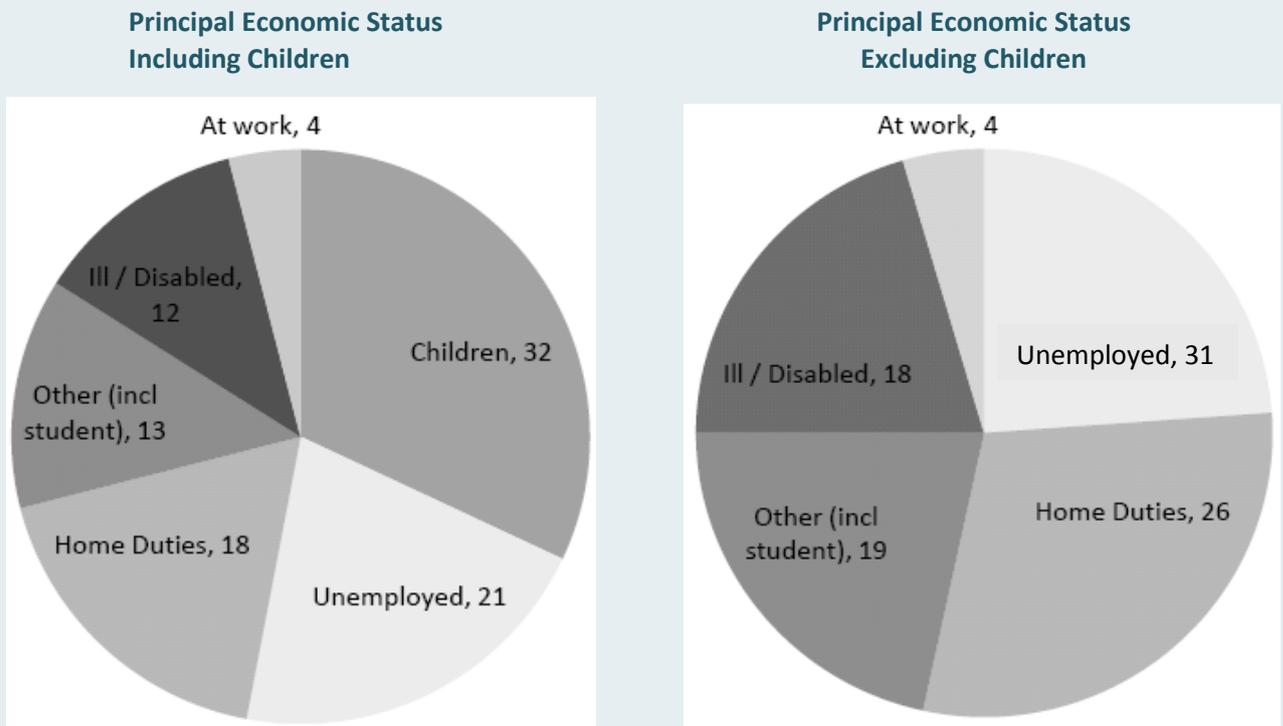
Figure 3 shows the composition of those in very low work intensity households by principal economic status in 2010. The biggest group is children under 16 years old, who make up nearly one-third (32 per cent) of those in jobless households. About one-fifth (21 per cent) are unemployed, 18 per cent are in home duties, and 12 per cent are sick or disabled. A further 13 per cent are students over age 16 or are adults who are otherwise inactive in the labour market. A small proportion (4 per cent) have said they are working (Watson *et al.*, 2012: 24). It should be noted that the analysis does not include adults aged 60 and over.

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<sup>5</sup> Based on analysis by Watson *et al.* (2012). They note that the figures reported by Eurostat (23 per cent) differ marginally from those calculated based on the SILC data for Ireland (22 per cent), because of the use of slightly different population weights.

<sup>6</sup> The work-intensity measure includes persons aged 0–59 in households with at least one working age person (age 18–59, not a student aged under 25). Excluded are adults aged 60+ and households with no working-age adults. The ‘work’ measure is the proportion of available person-months over the past year spent at work by working-age adults, adjusting for hours worked. Joblessness is equated with ‘very low work intensity’, which is less than 20 per cent of time spent at work in the last year.

**Figure 3: The Composition of Very Low Work Intensity Households, 2010**



Source: Watson *et al.*, (2012), based on Figure 2.5: 23.

Turning to the risk of being in a very low work intensity household, risk factors relate to the employability of those in the household and the household structure. These risk factors are summarised in Box 1. In addition, Watson *et al.* (2012) found that the characteristics of those who live in households with others who are inactive are different to those who live with someone in employment. Those who live in jobless households are more likely to have no educational qualifications, to have never worked or to be in the unskilled social class. They are also more likely to be renting their accommodation, to be single or parenting alone, and to either have a disability or to live with someone with a disability.

**Box 1: Risk Factors for Jobless Households****The Householder**

- Has never worked
- Is in the unskilled manual/service social class
- Has no educational qualifications
- Is living in rented accommodation
- Has a disability

**The Household Type**

- One-person household
- Lone-parent household

Source: Watson *et al.*, (2012).

The fact of never having worked is a high-risk factor of being in a jobless household. Figures on the numbers of people on Jobseeker's Allowance who have never made any contribution to the PRSI system can provide a perspective on this issue.<sup>7</sup> In April 2013 there were 43,375 such people, based on Class A contributions. More than half (55 per cent; 23,636) were under 25 years of age, which is understandable in the midst of a prolonged recession. Nevertheless, there are nearly 20,000 (19,739) people aged 25 and over in receipt of Jobseeker's Allowance who have never made such a contribution. However, when Class J and Class S contributions are taken into account, the number of people aged over 25 on Jobseeker's Allowance with no contributions at the end of 2013 was 14,000. Of these, 9,000 were Irish nationals, with the remainder being non-Irish nationals.<sup>8</sup> These figures warrant further investigation to ascertain the characteristics of these people and their potential opportunity and capacity for work.

As set out in the Government's *Pathways to Work 2013*, the Department of Social Protection is due to publish a report on jobless households that will assess the factors influencing the level of jobless households, and provide a range of recommendations that will allow Government to take tangible steps to assist these households. In addition, the Department of Social Protection has commissioned a

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<sup>7</sup> Parliamentary Question Ref. No. 22199–13 asked by Colm Keaveney as responded to in writing on 14 May 2013.

<sup>8</sup> In the case of non-Irish nationals low or zero contributions are more likely to be linked to recent arrival than lengthy dependence on welfare.

thematic report that will analyse the SILC data for Ireland, focusing on transitions into and out of household joblessness in Ireland from 2004 to 2012. Specifically, the report will address:

- How much movement into and out of household joblessness was there between 2004 and 2012, and how was this affected by the recession?
- How important are each of the following in accounting for household joblessness transitions: between work and unemployment, between work and non-employment (inability to work due to illness/disability, home duties, retirement, education), increase or decrease in hours worked, changes in household structure (people of working age moving in/out of the household)?
- What is the relationship between welfare and work? Is there evidence that means-tested welfare payments and non-means-tested welfare payments differ in their impact on the transition out of joblessness?

The report is due to be completed by the end of 2014.

## 1.6 The Spatial Dimension of Jobless Households

The spatial dimension of jobless households is worth addressing for three reasons:

- i. Jobless households are not equally distributed throughout the State;
- ii. Jobs are not equally available throughout the State; and
- iii. The desire to create vibrant communities throughout the State.

### 1.6.1 Distribution of Jobless Households

As it is not yet possible to map jobless households in the State, other indicators such as unemployment and participation (available at individual level only as proxies for jobless households) are used. Taking unemployment as one proxy indicator of household joblessness, there is considerable regional variation. For example, in the third quarter of 2013, a number of regions had unemployment rates of more than 14 per cent (South-East 16.6 per cent, Border 15.2 per cent, Midland 14.4 per cent and Mid-East 14.2 per cent) compared to the State average of 13 per cent (with Dublin at 10.5 per cent and the South-West at 11.3 per cent). Looking at changes in unemployment rates over time, analysis by Morgenroth (2012) has commented on the widening gap in unemployment rates between regions, increasing from a difference of 2 to 3 percentage points in 2007 between the region with the lowest unemployment rate and the region with the highest unemployment rate, to 6 percentage points in 2011. He suggests that this indicates persistent underlying structural differences. It is also worth noting that the unemployment rate for the Border Region in 2012 was 17.7 per cent compared to 7.4 per cent in the Northern Ireland Border Region.

In addition, some people who become unemployed may not show up in the unemployment figures because they withdraw from the labour market (i.e. a fall in the participation rate) or leave the region/country. For example, in quarter three of 2013 the participation rate in the Border Region was just 54.8 per cent (59 per cent in the South-East and 59.3 per cent in the Midland Regions) compared to 63.1 per cent in the West and 62.7 per cent in Dublin, the regions with the highest participation rates. The Border Region has had a tradition of working-age people leaving the region to find work, and its unemployment rate (15.2 per cent) would be much higher if its participation rate had not fallen since 2007 (Morgenroth, 2012). Again the participation rate in the Border Region of the Republic of Ireland in 2012 at 53.3 per cent is much lower than that in the Border Region of Northern Ireland at 59.9 per cent.

Underemployment and precarious employment are also features of jobless or very low work intensity households. Figures are not readily available on underemployment at a regional or sub-regional level without further analysis.

While regional analysis gives some indication of variation in unemployment and participation rates throughout the country at regional level, it (i) can mask variation at sub-regional level, for example, at county level and in towns and villages; (ii) does not provide household-level information; and (iii) does not take into account other characteristics of the household such as age, qualifications, lone parenthood, disability, care responsibilities, etc.

Teagasc has undertaken analysis of the three main indicators used in the national social target for poverty reduction, including jobless households, using five locational categories: see Table 2 (O'Donoghue *et al.*, 2014).

**Table 2: Poverty Indicators Used in the National Social Target, by Location in 2011**

	Consistent Poverty	Children in Consistent Poverty	Jobless Households
Cities and Suburbs	4.9%	8.1%	19.8%
Towns & Environs with Pop=> 5,000	9.6%	13.2%	29%
Towns & Environs with Pop 1,000<=<5,000	10.1%	14.9%	31.5%
Mixed Urban/Rural Areas	7.5%	8.1%	24.6%
Rural	6.5%	8.3%	24.3%
<b>State</b>	<b>6.9%</b>	<b>9.3%</b>	<b>24%</b>

Source: CSO SILC (2013) and Walsh, (2013) in O'Donoghue *et al.* (2014: Table 11).

What is notable from this table is the high level of jobless households in small and medium-sized towns, with up to one-third of working-age households with nobody employed, which is much higher than in cities or rural areas. Towns also have high levels of consistent poverty and children in consistent poverty, highlighting the important spatial dimension of household joblessness.

Smaller area analysis is available from the Census. The CSO has area profiles available on their website for the 34 counties, 43 Dáil constituencies and 272 cities and towns with a population of 1,000 or more. While these profiles do not provide information on jobless households, they do contain useful information on age profiles, living arrangements, education, social class, labour-force details and disability. It is also possible to assess deprivation at small-area level using the deprivation index available through the Pobal and AIRO websites.<sup>9</sup> This local area information can be used by local authorities and local agencies to identify areas of

<sup>9</sup> The deprivation index was developed by Trutz Haase and his colleagues. Trutz Haase is a social and economic consultant who has developed a Census-based deprivation index that has been widely used in the Republic of Ireland.

high unemployment and deprivation. An example of the information available from the Census is provided in Box 2.<sup>10</sup>

In conclusion, two points are worth bearing in mind: (i) there is spatial variation in the distribution of unemployment, participation in the labour market and jobless households at regional and at local level between and within counties and towns; and (ii) there may be a structural element to this lack of participation and unemployment so that additional interventions may be required to support these households to benefit from any economic recovery.

### 1.6.2 Spatial Distribution of Jobs

Jobs are required to address the issue of jobless households, but jobs are not equally distributed throughout the State, nor are they necessarily located where there are jobless households, nor do the job requirements necessarily match the skills and capacity of those seeking the jobs.

The recent regional labour-markets bulletin published by SOLAS (Burke *et al.*, 2013) showed that there are many differences across regional labour markets, such as the contribution of agriculture to regional employment, the share of high-skilled employment, and recent employment growth rates. It is also notable that Dublin accounts for more than three-quarters of all medium to large financial businesses and more than two-thirds of all medium to large ICT businesses.

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<sup>10</sup> Using Teagasc's 'Index of the Economic Strength of Rural Towns', Carrick-on-Shannon is ranked at 178, with Boyle ranked at 246 (of 302). The 'Index of the Economic Strength of Rural Towns' is a function of the unemployment rate, and the level of migration—the lower the unemployment rate the stronger the town, and the higher the level of inward migration, the stronger the town. The strongest town overall is Bearna in County Galway and the weakest town is Bunclody-Carrickduff in County Wexford (O'Donoghue & Meredith, 2014).

**Box 2: Comparison of the Profiles of Two Towns: Carrick-on-Shannon, Co. Leitrim, and Boyle, Co. Roscommon**

Carrick-on-Shannon and Boyle are two towns within 16 kilometres of each other in the Border Region, yet their profiles are markedly different, with Boyle having a more disadvantaged and dependent population. This knowledge is important, both for national and local agencies, in addressing the issue of jobless households. Key statistics are presented below.

Statistic	Carrick-on-Shannon	Boyle
Population	3,980 (49% men; 51% women) Pre-school (0–4) = 354 (9%) Primary (5–12) = 352 (9%) Secondary (13–18) = 246 (6%) 65+ = 447 (11%) 18+ = 3,059 (76%) High proportion of 25-to 40-year-olds	2,588 (48% men; 52% women) Pre-school (0–4) = 181 (7%) Primary (5–12) = 237 (9%) Secondary (13–18) = 155 (6%) 65+ = 506 (20%) 18+ = 2,309 (90%) High proportion of 55+ year-olds
Households	One person = 34% Couple without children = 19% Couple with children = 25% Lone-parent family = 10% Other = 12%	One person = 33% Couple without children = 21% Couple with children = 27% Lone-parent family = 12% Other = 7%
Labour Force	15+ in the labour force = 2,153 At work = 77% Unemployment rate = 23% Outside the labour force: - Students = 24% - Looking after family/home = 25% - Retired = 39% Professional services are the largest industry (1,000)	15+ in the labour force = 1,147 At work = 74% Unemployment rate = 26% Outside the labour force: - Students = 17% - Looking after family/home = 26% - Retired = 41% Commerce and trade are the largest industry (371)
Education	15+ whose full-time education is over - Primary level only = 12% - Second level = 53% - Third level = 35%	15+ whose full-time education is over - Primary level only = 19% - Second level = 57% - Third level = 24%
Disability and Carers	Persons with a disability = 438 (11%) - 25% were aged 65+ 139 persons (3%; 59 men & 80 women) provide regular unpaid personal help for a friend or family member with a long-term illness, health problem or disability (16% for more than 6 hours per day)	Persons with a disability = 501 (19%) - 51% were aged 65+ 125 persons (5%; 42 men & 83 women) provide regular unpaid personal help for a friend or family member with a long-term illness, health problem or disability (28% for more than 6 hours per day)
General Health	Very good or good health = 84% Bad or very bad health = 2%	Very good or good health = 82% Bad or very bad health = 2%

Source: CSO, Census 2011 Results: Area Profile for Town.

In a study on local job creation in Ireland the OECD (2013), drawing on case studies in Dublin and the South-East Regions, made a number of observations relevant to the operation of local labour markets. A key recommendation was the need to target policy to local employment sectors and to invest in quality jobs, supported by the utilisation of existing skills along with the development of relevant skills, including for career progression. Action on this recommendation will require better alignment of local employment policies and programmes to local economic development, through giving local employment agencies greater flexibility to adapt policies and programmes to local labour conditions, and by focusing on target groups. These target groups should encompass the most disadvantaged, including jobless households. Better availability and use of data at sub-national level will be required to more effectively match the needs of people in jobless households and local labour markets, including engagement with employers.

An example of a town impacted by the recession, with a large number of jobless households, is Gort, in County Galway. O'Donoghue of Teagasc has examined this town in some detail, and described the impact of the recession on employment and the lives of people living there: see Box 3.

In conclusion, jobs are not distributed equally throughout the State, so that attention needs to be given to local labour markets and the distribution of jobs, along with targeting and supporting jobless households. For example, O'Donoghue *et al.* (2014) have suggested that in the short term measures may be required to encourage job creation to reduce local unemployment, while in the longer term more structural changes may be required, such as the enhancement of skills and development of infrastructure and services.

### **1.6.3 Creation of Vibrant Communities**

In relation to the spatial dimension of jobless households is the desire to create vibrant communities throughout the State. From a cursory examination of the spatial distribution of jobless households and the variability of local labour markets, it is evident that some towns may be at risk of terminal decline without specific interventions. This means loss of jobs and loss or diminution of basic services (private and public) for those living there. The situation may be especially acute for vulnerable families, including jobless households, many of whom contain children and people with disabilities, who may have limited access to any available jobs and to services.

### Box 3: The Impact of the Recession on Gort, Co. Galway<sup>11</sup>

Teagasc has constructed an index of the economic circumstances of small and medium-sized towns. According to this index, unemployment and emigration rates increased more in Gort than in most other towns in the country. Gort lost 400 jobs in the five years between 2006 and 2011 in a town of 2,530 people (in 2011). The jobs were lost mainly in construction and manufacturing-related industries. The overall population of the town dropped by 9 per cent over the same period, but there was a 15 per cent drop in the working-age population, with the number of people employed falling by 30 per cent.

In 2006 Gort was an expanding town with employment in a beef processing plant and a large proportion of the population working in the construction sector (21 per cent). With the economic crash, jobs were lost in the construction sector and the beef factory closed down. Many houses had been built in Gort during the boom, but with the crash, loss of jobs and subsequent loss of people from the town, many of the houses are now vacant. Businesses, relying on local trade, have also closed. Gort has high poverty rates, with one-third of working-age households with no one in work.

Nevertheless, Gort is a town in a rural area with relatively high human capital. It is located between the education centres of Galway and Limerick and has a fairly high educational profile. In terms of Gort's future, O'Donoghue suggests that, geographically and geologically, Gort has major tourism assets that have not yet been developed, including a significant cultural heritage as part of a Celtic revival movement.

**Source:** Article by Nicola Corless in *The Clare Champion* (5/3/14) based on a presentation by Professor Cathal O'Donoghue of Teagasc's Rural Economy Development Programme, from the report of The Commission for the Economic Development of Rural Areas (CEDRA).

Clearly, there is a need for policy responses to be co-ordinated at national, regional and local levels to address these issues, and integrated approaches by services at local level. A recent report by CEDRA (2014) has highlighted the need for financial help for declining towns, recommended greater collaboration between government departments and agencies, and suggested the piloting of rural economic development zones. Initiatives such as the reform of local government, the establishment of local enterprise offices, and reconfiguration of the public employment service and education and training provision have the potential to address some of these issues. Their work can be enhanced through the use of online interactive data tools.<sup>12</sup>

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<sup>11</sup> Gort is ranked at 296 (of 302) on Teagasc's 'Index of the Economic Strength of Rural Towns' (O'Donoghue & Meredith, 2014).

<sup>12</sup> For example, AIRO can provide information on the socio-economic performance of Ireland's gateways and hubs, and also has a pilot mapping tool that shows accessibility to a number of health services.

## 1.7 Issues

As outlined previously, the composition and risk of household joblessness provides some clues to an explanation of why household joblessness is so high in Ireland, but do not provide a full and unambiguous understanding of Ireland's position. One cluster of explanations relates to the role of social welfare and interaction with the labour market and tax system. A second bunch of reasons dwell on the State of the labour market. There is another, third, set of explanations, however, which are not fully understood but which relate to various disadvantages, such as disability and lone parenthood, and lack of access to the labour market because of various long-term structural barriers that seem to be different in Ireland compared to many other European countries.

While not offering an explanation, this section discusses some of these issues in relation to jobless households.

### 1.7.1 Risk of Poverty

One consequence of living in a jobless household over a period of time is the risk of poverty. For example, there was a much higher at-risk-of-poverty rate in 2012 for those in jobless households, at 37 per cent, than among the population in general (16.5 per cent). Jobless households comprise more than two-thirds of all those in consistent poverty, with low work intensity households strongly allied to high levels of deprivation, along with associated economic stress and vulnerability (Central Statistics Office, 2014a).

This situation has implications for the transmission of intergenerational joblessness and poverty. Research from Combat Poverty (Nolan *et al.*, 2006) indicates that where neither adult was in work, 80 per cent of children experienced recurrent or persistent low income. Unless there are systemic changes and/or specific interventions to address the issues these jobless households face they may not be able, without such changes/interventions, to find a job when employment picks up.

It will also be extremely difficult to make progress on meeting the Irish national social target of reducing consistent poverty to 4 per cent by 2016 (interim target) and to 2 per cent or less by 2020, from the 2010 baseline of 6.3 per cent, unless the number of jobless households is reduced. There are now specific sub-targets to decrease the extent of children in consistent poverty and to lower the extent of jobless households in consistent poverty by reducing the proportion of such households in the general population. Reducing the number of households with very low work intensity is also part of the European poverty target, which is one of five targets to be achieved by 2020 as part of the Europe 2020 Strategy.

### 1.7.2 Cost to the Social Welfare System

In general, the Irish social welfare system has been reasonably successful in ameliorating poverty, even in the face of a severe recession. For example, the poverty-reduction effects of Irish social transfers (excluding pensions, in line with

the EU norm) rose from 26 per cent in 2001 to 42 per cent in 2005 and to 60 per cent in 2010 (Social Inclusion Division, 2012). Social transfers have been shown to be *effective* in reducing the poverty gap of jobless households: for example, in 2011, social transfers reduced the poverty gap for people in jobless households by 84 per cent. As well as being highly effective, social transfers have a high level of *efficiency* in reducing the poverty gap, as in 2011 when 80 per cent of social transfers to people in jobless households contributed to reducing the poverty gap (compared to 40 per cent reduction on average). In other words, there was very little ‘waste’ (Watson & Maître, 2013).

However, there are three areas of concern. Firstly, despite the success of social transfers in preventing income poverty, there is no evidence of an overall improvement in basic living standards, as levels of basic deprivation remain high in jobless households. Secondly, even if employment and economic growth do resume more strongly than in the recent past, many people may not be in a position to take up offers of employment. One consequence of Ireland’s reliance on income transfers is that it has led to relative neglect of services that could respond to people’s diverse needs and circumstances through tailored solutions that could help them participate in the economy and society. Thirdly, Ireland’s reliance on income transfers leads to questions about the overall financial sustainability of Ireland’s social welfare system. Between 2002–12, total social welfare expenditure more than doubled and in 2012 represented 16 per cent of GNP as opposed to 9 per cent in 2002.

### 1.7.3 Barriers and Traps—Real and Perceived

Interactions between the social welfare system, the taxation system, and access to services and employment can be complex and, depending on people’s circumstances, can facilitate, or in some cases hinder, the transition from social welfare into employment.

#### ***Potential disincentives in transferring from welfare to work***

Concerns are often expressed that the total income people receive when jobless compares favourably with what their disposable income would be when employed so that some people could find it not financially beneficial to leave welfare for work. In a detailed study, NESF (2011) found that the number of people on the Live Register who were faced with this situation was, in fact, low. This is because the large majority of claimants are single people or have spouses/partners still in employment, whose earnings are taken into account in the household means test and which reduce the amounts of social welfare paid. This is not to say that the maintenance of payments plays no role in calculating whether to take employment but is likely to be assessed together with other considerations such as affordability of childcare, continuing access to secondary payments, and so on. Research by Callan *et al.* (2012a) on work incentives concluded that, in general, Ireland did not have high replacement rates that damaged incentives to work. For example, their analysis showed that the percentage of people with high replacement rates in 2012

was actually lower than in 2005, and in comparative terms was lower in Ireland than in the UK.

The Citizens Information Board (CIB) has documented factors that influence people's decisions to take up work. There are two main points of note. The first is that most of those using the services of the CIB who are unemployed want to work and are seeking opportunities to enhance their prospect of employment. In general, they find being on the Live Register demeaning and often will take a job for little financial gain because of its perceived value in terms of self-worth and personal development. Accepting that most people do want to work, the CIB suggests that there is a need to ameliorate the acute impact of the loss of secondary benefits for people in some circumstances, which may hinder them from taking a job in some cases.

Secondly, the CIB has listed some of the main disincentives for people transitioning from welfare to work. While the applicability of these disincentives will depend specifically on people's circumstances, the disincentives documented by the CIB are:

- Working hours' criteria—the fact that jobseekers payments for part-time workers are calculated according to days rather than hours does not take sufficient cognisance of the type of atypical work arrangements that have developed in the Irish economy;
- Non-eligibility for Family Income Supplement for those working less than 19 hours a week—particularly where childcare costs may have to be covered;
- The different treatment of married and co-habiting couples in the income tax and social welfare codes—with co-habiting couples being treated as a couple in the social welfare code, but as individuals (not eligible for joint assessment) in the income tax code;
- In-work costs, such as childcare and transport—the ESRI has estimated travel costs at €15–25 per week and childcare costs at €94–135 for a child aged under 5 years (Callan, 2012b);
- The withdrawal of Rent Supplement—for anyone working in excess of 30 hours per week this may be a disincentive to gaining 'full-time' work;
- The impact of the Universal Social Charge—as it becomes payable on all income beyond €10,036, it may be a disincentive, especially for those working on the minimum wage;
- The availability of transport in rural areas;
- The loss of the Back to School Clothing and Footwear Allowance;
- The loss of a medical card; and

- Administrative delays—especially in the processing of Family Income Supplement.

Actions are currently in hand, or being put in place, to address many of these disincentives.

### ***Potential transfers between social welfare benefits***

It is sometimes thought that people transfer between schemes, especially between jobseekers' payments and disability payments, to avoid activation measures. The Department of Social Protection has undertaken an analysis of the extent of transfer and found it to be minimal (Department of Social Protection, 2013a). First, changes in the numbers receiving disability and illness payments were analysed. The number of people in receipt of disability-related payments<sup>13</sup> increased by 34 per cent between 2002 and 2012. However, over this period there was also an increase in the overall working-age population (of 15 per cent), along with a changing age structure, showing a declining proportion of young adults aged 15–24 (down 14 per cent) and an increase in the proportion aged 60–64 (up 43 per cent). This changing age structure would tend to lead to an increased incidence of illness and disability, and therefore recourse to the payments.

Overall, these disability-related payments were received by 5 per cent of the working-age population in 2002, rising to 7 per cent in 2010, and falling back to 6 per cent in 2012. When broken down by age, the most significant increases in rates have been concentrated in the youngest and oldest extremes of the age distribution, but less marked in the middle where increases would be expected if there was a 'flight from activation' effect.<sup>14</sup> It is notable that the percentage of the working-age population in receipt of disability-related payments has been falling across almost all age groups since 2010.

Second, when transfers from the Live Register to other Department of Social Protection (DSP) schemes are examined these are found to have been very consistent since 2003. The majority (two-thirds) of these transfers are accounted for by Illness Benefit claims, which are likely to transfer back to the Live Register after a short period of certified illness. Transfers of the two longer-term disability payments (Disability Allowance and Invalidity Pension) account for only 5 per cent of transfers in both 2011 and 2012.

### ***The role of secondary benefits***

As illustrated above, it is often said that secondary benefits, such as rent supplement, medical cards, and other additional payments that accompany welfare

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<sup>13</sup> Disability Allowance, Invalidity Pension, Disablement Pension, Illness Benefit for more than two years, Pre-Retirement Allowance.

<sup>14</sup> Increases in the youngest age groups are likely to be related to young people moving from Domiciliary Care Allowance to Disability Allowance at age 16.

payments, can make it financially more difficult to transition from welfare to employment because these benefits are lost on taking up a job. While the contribution of secondary payments is just one part of the overall calculation, along with such items as the affordability of childcare as stated earlier, research by the ESRI (Callan *et al.*, 2012a) does underline that some secondary payments such as the Rent and Mortgage Supplement, and Qualified Adult and Child payments, can play a significant role in encouraging people to take up employment or not.

In terms of numbers, in 2012 there were 88,000 recipients of Rent Supplement (with an expenditure of €420m). Those in receipt of Rent Supplement were mainly recipients of Jobseeker's Allowance (36,000), One Parent Family Payment (14,000), Disability Allowance (10,000) and basic Supplementary Allowance (7,500). Some 55,000 (63 per cent) recipients of Rent Supplement were aged between 25 and 45. Just over one-third (38 per cent, i.e. 33,000) had been in receipt of Rent Supplement for less than one year; 41 per cent (36,000) for one to three years; and 21 per cent (18,000) for more than three years.

It is apparent that to support access to employment there is a need to ameliorate the acute impact of the loss of secondary benefits, such as Rent Supplement, medical cards, and other additional payments that accompany welfare payments. Losing these can make it financially more difficult to make the transition from welfare to employment. Nevertheless, they are an important supplement for many people in preventing poverty and in meeting particular needs. In the past, mechanisms to support the transition from welfare to work included retention of the benefits for a limited period of time (for example, until assessment for Family Income Supplement, FIS, took place) or a tapered withdrawal of the benefit as income from work increases. Many of these approaches require detailed calculations pertaining to people's particular circumstances.

### ***High marginal effective tax rates leading to poverty traps***

The proportion of increased earnings that is 'lost' to people through the combination of higher taxes and withdrawn benefits can be so large that people decide against working additional hours or taking on more demanding jobs. NESI (2011) suggested that Ireland's social welfare system may be challenged more by these poverty traps than unemployment traps. That is to say that the system may permit people in receipt of a social welfare payment to engage in low-paid, part-time work but it may discourage people from taking up full-time work.

The CIB considers the fact that the Universal Social Charge becomes payable on all income once it increases beyond €10,036 a disincentive. CIB advocates that the basic principle in return-to-work situations should be an initial disregard of some income coupled with a percentage of income from work taken into account, which would be set against, for example, rent in the case of Rent Supplement.

### ***From contingency payments towards a Single Working Age Payment?***

NESI (2005) argued that benefit withdrawal traps are probably secondary in accounting for long durations of welfare receipt. Of more importance might be

deeper issues such as the contingency basis to payments. These encourage people to see an aspect of their current situation (being a lone parent or having an illness or disability) as a disadvantage confirming their inability to be self-reliant and yet their need to adhere to it as a guarantee of a secure income. Recognising this outcome—where people are seen as being outside the workforce rather than as unemployed members of it—has been one of the reasons why the idea of a Single Working Age Assistance Payment has been proposed.

A single payment could help to rationalise rules around concurrent payments and so help improve work incentives. It would potentially give welfare claimants access to a payment more quickly and under more transparent and stable conditions. This would reduce poverty and unemployment traps, as well as limiting the hazards (and negating any potential advantage) of transferring to a different welfare payment. Very importantly, a single age payment would ensure that accessing the payments that provide the more secure income support (e.g. OPFP, Disability Allowance) is not conditional on proving an inability to prepare for or seek employment (CIB, 2012). A single payment would, however, require that supports such as affordable and accessible childcare are in place.

## 1.8 What Do We Know About Household Decision-making?

Qualitative research studies can provide an insight into the labour-market decisions of low-income and jobless households. Jordan and his colleagues, in their study of 36 couples with children living on a deprived estate in Exeter in south-west England in 1988, found that people in low-income households framed their employment decisions ‘less in calculative, economic terms than in terms of their roles in the family, and hence in their responsibilities towards each other ... hence, all economic decisions ... keeping a steady job, working for cash “on the side”, fitting in work hours with children’s needs, or refusing low-paid employment—were justified in terms of the standards expected of partners and parents (and to a secondary extent, of kin, neighbours or residents of their estate)’ (Jordan *et al.*, 1992: 1).

The conclusions of this study indicate that labour-market decisions are based on the needs of the household, something that OECD researchers Immervoll and Llena-Nozal point to in outlining social policies for economic recovery (2011). They state that ‘to date, policy responses to the crisis have mostly concentrated on individual job losses and less on the situation of households and families. To be as effective as possible, work-related support should not be restricted to individual job losers, but directed at non-working partners as well’ (Immervoll & Llena-Nozal, 2011: 25). In particular, they highlight the important role of women’s participation.

Pahl (1984) in his seminal study on the divisions of labour highlighted this point, stating that the household is the basic social unit around which people conduct their lives, observing that ‘as finding employment becomes more difficult, the household, with its distinctive set of work practices, becomes of greater salience’ (Pahl, 1984: 13), concluding that ‘perhaps if the importance of all forms of work is seen, and if what ordinary women and men say about their lives is listened to and

understood, we could begin to hope that out of that restricted everyday reality a more humane society will emerge' (*ibid.*: 336).

Jordan *et al.* (1992: 317) also make this point, stating that low-income households do not analyse or criticise the labour market or benefits system from the detached stance of an academic or a politician, but 'speak as insiders, experienced in the arts of living within the regulatory constraints of both'.

In relation to decision-making in low-income households, an important context is the role of family and community networks—for income support, for child-minding, for household repairs and for social contacts, including obtaining information about possible jobs (Jordan *et al.*, 1992; Pahl, 1984). However, where that community support is absent, households can be quite isolated and, in some cases, intimidated, as found in Daly and Leonard's Irish study of family life on a low income. This can particularly be the case for lone parents (Daly & Leonard, 2002).

These research studies provide an insight into how low-income and jobless households make labour-market and income-related decisions. The studies highlight the importance of the household unit, as well as the role of family and community networks.

## 1.9 Responses To Date

Since the economic crash the Government has put in place a number of strategies to address unemployment, with some reference being made to the issue of jobless households. The two main strategies are *Pathways to Work* and *Action Plan for Jobs*, plus related reforms. As outlined earlier, important contextual information is the maintenance (or minimal reduction) in the rates of many of the main social welfare payments, thereby limiting the impact of the economic crash on jobless households. Alongside that, however, as documented throughout this report, there have been large job losses, especially in some sectors and some areas, and deficiencies in some areas of service provision.

### 1.9.1 Pathways to Work

The Government launched its initial *Pathways to Work* programme in 2012 and updated it in 2013. Essentially, it sets out fifty actions to tackle long-term unemployment, focusing on those in receipt of jobseeker payments. Many of the actions are now well underway, with the establishment of an integrated employment and support service that focuses on work activation (Intreo). The development and roll-out of this service continues. Specific initiatives include a national internship scheme, JobBridge, and the Momentum Programme, which provides work-focused training to long-term unemployed people. A new programme of employment activation aimed specifically at the long-term unemployed and those most distant from the labour market, JobPath, is to be introduced in the autumn of 2014. A new delivery model is proposed for this programme, with the service to be provided by private contractors on a payment-by-results basis.

Further institutional reform includes the rationalisation and merger of the main agencies involved in further education and training (FÁS Training and the VECs), with the establishment of SOLAS and Education and Training Boards. Other relevant developments include the introduction of a new Housing Assistance Payment (HAP) and the work of the Advisory Group on Tax and Social Welfare (AGTSW). The main focus of AGTSW's work is on the transition of households with children from unemployment into employment. The Group is considering what role working-age supports, both in the social welfare and tax systems, can play in assisting that transition through reducing work disincentives. Other issues examined by the Group include atypical working patterns in the context of jobseekers' schemes and the role child-income supports and in-work supports, such as Family Income Supplement, can play in incentivising employment. This report of the AGTSW is due to be published in 2014.

*Pathways to Work 2013* pays specific attention to jobless households, recognised as an 'embedded feature of our system'. Specific attention is given to the household dimension and intergenerational impacts, and a call for 'a radical reform of our welfare system and related public services' (2013a: 10). There is an acknowledgement of the need to examine the causes of household joblessness and to ensure that economic recovery does not bypass these families. The Department of Social Protection has a commitment to examine and report on this issue, as referenced earlier in this report.

### **1.9.2 Action Plan for Jobs**

One of the Government's current priorities is facilitating the creation of jobs in order to address unemployment and support economic recovery. To this end it published its original *Action Plan for Jobs* in 2012 and updated versions in 2013 and 2014. These *Action Plans for Jobs* focus on 'disruptive reforms' (such as entrepreneurship, big data, trading online), competitiveness, access to finance, Irish enterprises, Foreign Direct Investment and sectoral opportunities. NESC, with others, has contributed ideas to these job plans, in particular, through its enquiry into four areas of policy: SME finance and investment; enterprise policy; green economy; and activation: identifying the need for deeper reform and further institutional innovation (NESC, 2013).

The 2014 Plan contains 385 actions involving all government departments and 46 agencies. The main objective of the *Action Plan for Jobs 2014* is the creation of jobs, so there is not a specific emphasis in this plan on the needs of jobless households.

### **1.9.3 Related Reforms**

A number of reforms are taking place that may support some people in jobless households back into employment. For example, under the Social Welfare and Pensions Act (2012), the One Parent Family Payment (OPFP) is undergoing extensive reform so that between July 2013 and July 2015 the age threshold of the youngest child for a lone parent to qualify for OPFP will be reduced on a phased

basis to seven years of age. Once the youngest child of an OPFP recipient reaches seven years of age, the recipient will no longer be entitled to OPFP. It is likely that most of them will transfer to Jobseeker's Allowance, where they will need to be available for full-time work. To deal with the transition, the Department of Social Protection has introduced the Jobseeker's Allowance transitional arrangement, where OPFP recipients moving on to Jobseeker's Allowance and whose youngest child is under fourteen years of age are exempt from having to be available for and genuinely seeking full-time employment. Individuals in receipt of the Jobseeker's Allowance transitional arrangement are required to engage with the Department of Social Protection's activation services.

The rationale for these changes is to prevent long-term dependency on welfare and to support OPFP recipients back into work. A basic requirement, however, will be the provision of affordable, accessible, quality childcare, as well as a work system that is more accommodating of work/life balance issues. A wide range of appropriate services and supports will also be required to meet the lone parents' needs, as many may have been out of the workforce for some considerable time, while others may need educational supports.

As highlighted throughout this report, however, activation will only be suitable for some people in jobless households but will not address many of the underlying issues such as the suitability of the local labour market; the household structure; household characteristics; and structural issues of systemic disadvantage. In addition, the care needs and the caring roles of individuals within jobless households warrant particular attention.

## 1.10 Further Responses Required

As discussed in the previous section, a number of responses to address the issue of jobless households are already in place. However, from the diversity and depth of the problem it seems that further responses are required.

### 1.10.1 Rationale

There is an impetus to address the problem of jobless households for a number of reasons: for the households themselves, especially the children; to meet the poverty target for jobless households (that is, to lift over 157,000 people in jobless households out of consistent poverty by 2020, the equivalent of at least 70 per cent of those currently affected); for the productive capacity of the economy; and for the common good and societal well-being.

### 1.10.2 Diversity Requires a Variety of Responses

The first point to bear in mind is that jobless households comprise disparate types of people—the unemployed, people with disabilities, people with caring duties in the home, and children. Assisting adults in jobless households to find employment will not come through single solutions but packages that reflect the complexity of their situation and needs. Unlike the unemployed, where there is a degree of

consensus about how to assist, there is no such agreement on dealing with jobless households. However, there are some issues that are likely to be crucial in helping them engage with the labour market. Doing this will be crucial for three reasons: (i) assisting people and their dependents to have an adequate buffer against poverty; (ii) helping to ensure the long-run financial sustainability of the social welfare system; and (iii) providing improved prospects for the long-term future of children who are currently in jobless households.

If people in the disparate kinds of households contained within the 'jobless household' category are to be activated, then it is likely that reforms will have to extend beyond existing activation measures. As has been recognised with the reforms of the OPFP scheme, the key to activating lone parents is to provide access to affordable childcare, so that former OPFP recipients can avail of an employment, education, training or work-experience opportunity. Dealing with people with disabilities or with caring responsibilities will require reforms that are non-monetary in nature but that will have financial implications.

This means that:

- i. The emphasis on participation and activation must extend beyond those on the Live Register and those classified as long-term unemployed.
- ii. There must be engagement with those groups of working-age people who are in receipt of social welfare payments but who believe there is little expectation to look for employment or avail of training opportunities.
- iii. Reform must be based on more than simply amending whatever financial disincentives to employment exist.
- iv. Reforms must also include developing a capacity to provide tailored services that respond to people's real needs and circumstances. Those in jobless households may require assistance with enhancing their educational capabilities or support for caring duties. It is proposed that this latter aspect will be the focus of further work by NESC on the issue of jobless households.

### **1.10.3 Drivers of Household Joblessness**

At the outset of this paper, three drivers of household joblessness were identified: interaction of the tax and welfare systems; the state of the labour market; and the specific characteristics of jobless households. The current state of play in relation to each of these is now briefly summarised.

#### ***Interaction of the tax and welfare systems***

As highlighted earlier, the interaction of the tax and welfare systems can, in some instances, result in disincentives and traps for those trying to make the transition from welfare to work. These issues are being considered and addressed through the actions in *Pathways to Work* and the work of the AGTSW. It is not proposed that NESC undertake any specific work in this area.

### ***The state of the labour market***

This driver contends that people/households are jobless because of a lack of jobs in the area or because of a mismatch of education, training, skills and jobs available. The public employment service, SOLAS and the enterprise and training boards, and job-creation initiatives have a remit to tackle these issues. However, this is an area that warrants further attention, as the spatial dimension discussed earlier suggests. The distribution of jobs, local labour markets, access for those seeking work who are not on the Live Register, matching skills with jobs, the role of local enterprise offices, and social enterprise are all important here, as is the *Action Plan for Jobs* and the National Spatial Strategy (and its successor). Nevertheless, it is not proposed that NESC engage further in this area at this time, as there are existing agencies working in this field and the recognition that local agencies have an important role to play.

### ***Supportive services for the diversity of jobless households***

As outlined in the preceding sections, various characteristics of jobless households make it more difficult for some of them to access jobs, such as lone parenthood, disability, caring responsibilities, or low levels of skills and education, so that a range of policies, programmes and more tailored and localised interventions are needed. This will require collaboration between a number of government departments and agencies as well as interaction between national and local bodies, along with public, private and community and voluntary organisations. Such an approach lends itself to revisiting the Developmental Welfare State (DWS) and Active Inclusion<sup>15</sup> approaches. An important dimension will be an emphasis on addressing the needs of children in jobless households and the importance of early intervention. Lessons from the area-based interventions for disadvantaged children will be relevant here. It is in this area that NESC will do further work.

## **1.11 A Potential NESC Contribution**

Drawing on its work on the DWS with its emphasis on capacity-building, participation, and tailored approaches, it is proposed that NESC examines the role of services in meeting the needs of jobless households. With a focus on households (rather than individuals), it will be of interest to explore how services engage with jobless households. The household dynamic and household decision-making is of interest, along with how service providers collaborate in meeting the needs of jobless households. Examples of the types of services required by jobless households include adult literacy, child development, family supports, addiction

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<sup>15</sup> Active Inclusion is a European term that means enabling every citizen, notably the most disadvantaged, to participate fully in society, including having a job. In practical terms that means adequate income support, inclusive labour markets and access to quality services. The Active Inclusion approach stresses the importance of social investment, which is about investing in people. Social investment means policies designed to strengthen people's skills and capacities, and supporting them to participate in employment and social life. Key policy areas include education, quality childcare, healthcare, training, job creation, job-search assistance and rehabilitation.

services, disability services, housing, education and training, public employment services, community employment, and so on, as well as engagement with employers.

It is proposed that NESC designs a project to explore in some depth how the various agencies and relevant organisations are responding to the range of needs of jobless households, using an active inclusion or DWS approach, with a particular emphasis on examining the current responses of the relevant agencies and organisations; and exploring, in particular, the collaborative approach of agencies and the potential for tailoring responses.



## Trends in Unemployment and Welfare Benefits

One of the factors affecting jobless households is the level of unemployment, although as outlined in the main text there is not a direct correlation. Nevertheless, it is useful to examine unemployment trends as an influential factor in household joblessness.

### Unemployment Trends

It is estimated that there are now 253,200 people officially unemployed in Ireland (quarter four of 2013). Table A1 breaks this number down by gender, the type of work sought by those who are unemployed as well as showing numbers defined as underemployed and others who are not in the labour force but are defined as potential additional labour force (PALF).<sup>16</sup>

The table shows that in addition to those who are officially unemployed (as defined by the ILO definition), there are substantial numbers of people who are underemployed and others who are potentially attached to the labour market, bringing the overall figure up to 445,800 people (the seasonally adjusted Live Register figure for March 2014 was 396,900).

Figure A1 shows the age breakdown of those classified as unemployed by age and gender. It is evident that nearly two-thirds of the unemployed are male (63 per cent), and the majority are in the age categories 25 to 54 (69 per cent overall).

Some 61 per cent (155,500) of the unemployed have been unemployed for more than one year (long-term unemployed); 68 per cent for men and 50 per cent for women. The better news, however, is that unemployment has been reducing over the last year for most age categories (to quarter four of 2013). It is not known the extent to which the reduction in unemployment is due to people getting jobs, migrating or withdrawing from the labour force, but these factors are probably all at play.

As well as unemployment trends it is useful to look at trends in welfare benefits. The evidence shows that jobless households comprise people who are unemployed, but also people on home duties, who are sick or disabled, and people with caring

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<sup>16</sup> Data from QNHS, 27 February 2014, Table 1a

responsibilities. Indeed, jobless adults in Ireland are less likely to live with another adult who is working and are more likely to live with children than in other European countries.

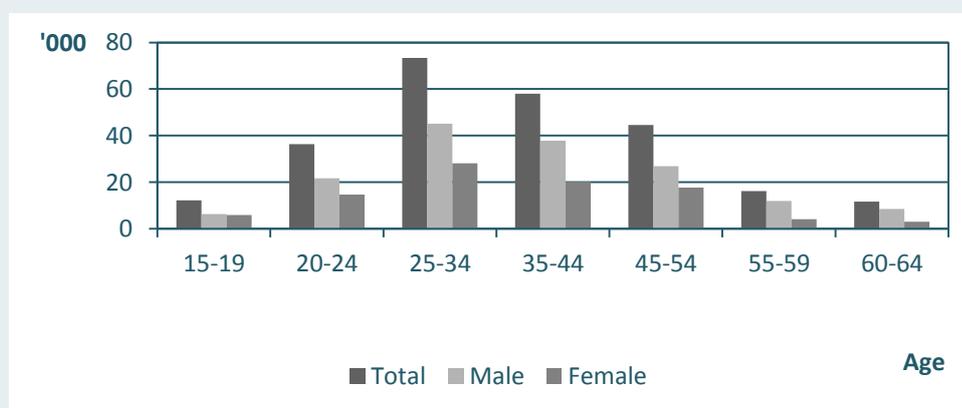
**Table A1: Numbers Unemployed and Underemployed in Q4, 2013**

	UE seeking FT work	UE seeking PT work	UE seeking SE work	UE Total	PALF <sup>17</sup>	UET + PALF	PT Under-employed	UET + PALF + PTUnderE
Male	144,700	6,800	7,400	158,900	27,400	186,300	63,700	250,000
Female	71,900	21,000	1,400 <sup>18</sup>	94,300	21,900	116,200	79,600	195,800
<b>Total</b>	<b>216,600</b>	<b>27,800</b>	<b>8,800</b>	<b>253,200</b>	<b>49,300</b>	<b>302,500</b>	<b>143,300</b>	<b>445,800</b>

**NB:** Some columns may not compute exactly due to rounding.

**Source:** CSO, QNHS, 27 February 2014.

**Figure A1: Numbers Unemployed by Gender and Age, Q4 2013**



**Source:** CSO, QNHS, 27 February 2014.

<sup>17</sup> PALF is the sum of two groups: 'persons seeking work but not immediately available' and 'persons available for work but not seeking'. Persons in the PALF are not part of the standard labour force, which encompasses only employed and unemployed people, but they have a stronger attachment to the labour market than other persons not in the labour force.

<sup>18</sup> Computed.

## Welfare Benefits

At the end of 2012, there were over 1.4m recipients of a social welfare payment, paid in respect of 2.2m beneficiaries. In 2002, social welfare expenditure amounted to €9.5bn, while in 2012 expenditure stood at €21bn (which represents 41 per cent of gross current government expenditure and almost 13 per cent of GDP). Table A2 charts the changes in the main items of expenditure by programme group.

Table A2 demonstrates that, unsurprisingly, the largest increase has come in the area of Working Age Income and Employment Supports, which has grown almost five-fold. The next biggest increase in programme expenditure lies in the area of pensions which has grown by a factor of two and a half, as have payments relating to illness, disability and carers.

**Table A2: Changes in the Total Expenditure on the Main Items of Social Welfare by Programme Group between 2002–12<sup>19</sup>**

Main Areas of Social Welfare Expenditure	2002	2012	Difference	% Change
Pensions	€2.3bn	€6.3bn	+€4bn	+174
One Parent Family Payment	€613m	€1.1bn	+€487m	+79
Working Age Income and Employment Supports <sup>20</sup>	€1.2bn	€5.9bn	+€4.7bn	+392
Illness, Disability and Carers <sup>21</sup>	€1.4bn	€3.3bn	+€1.9bn	+138
Child Related Payments	€1.5bn	€2.4bn	+€0.9bn	+60
Supplementary Payments	€781m	€1.2bn	+€419m	+54

Source: Department of Social Protection Statistical Information on Social Welfare Services.

The graphs below show the trends in the numbers of recipients of the main social insurance and social assistance payments from 2002 to 2012. Three items are of particular note: (i) The largest number of recipients is in receipt of the State

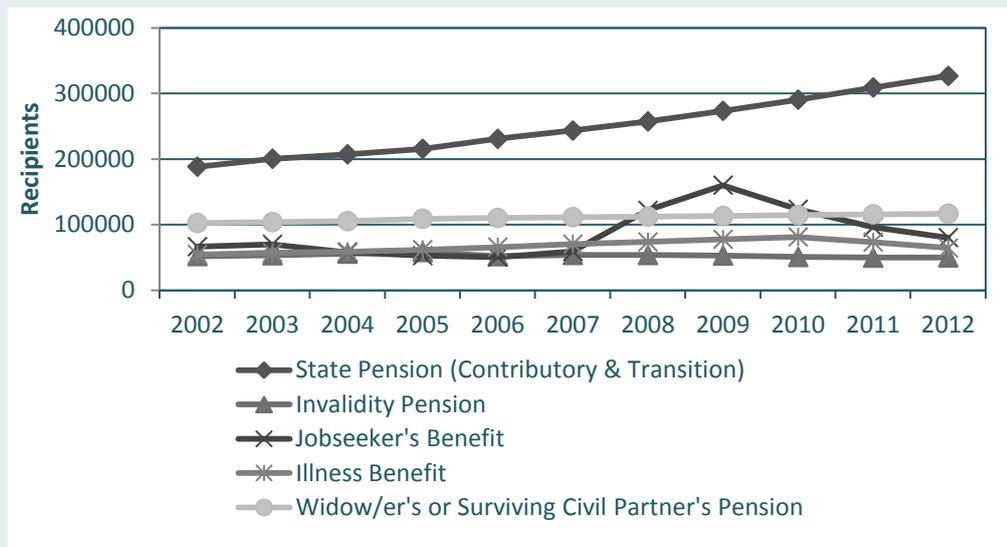
<sup>19</sup> Figures are approximate due to rounding up or down and the total amount does not constitute the overall figure for social welfare expenditure in that year. Figures for 2012 are provisional.

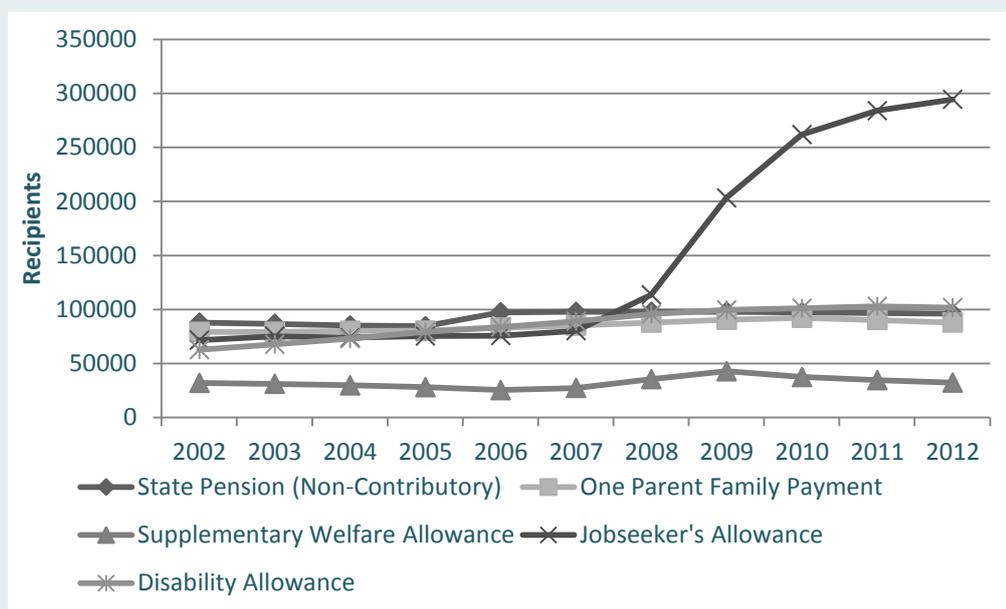
<sup>20</sup> This category contains payments made in respect of 24 different programmes that provide income support and other services to people of working age, facilitating them to engage in employment, training, education or development opportunities. Expenditure on OPFP is not included and is shown separately.

<sup>21</sup> This category encompasses 11 different payments with the largest outlay on disability allowance at just over €1bn.

Pension (Contributory and Transition); (ii) the large increase in jobseekers' payments since 2008, which dwarfs other payments; but (iii) the scale of this increase should not mask the significant growth in other areas, particularly in relation to Disability Allowance, which has exhibited more than a 60-per-cent increase in numbers in receipt of this payment.

**Figure A2: Recipients of the Main Social Insurance Payments, 2002 to 2012**



**Figure A3: Recipients of the Main Social Assistance Payments, 2002 to 2012**

Source: Department of Social Protection (2013b) *Statistical Information on Social Welfare Services 2012*, [www.welfare.ie](http://www.welfare.ie).

The following paragraphs set out the profile of recipients on Jobseeker's Allowance, OPFP, Disability Allowance and Carer's/Domiciliary Care Allowance.

### ***Jobseeker's Allowance***

In 2012 there were 294,000 people on Jobseeker's Allowance, with an annual expenditure of €3bn. Some 198,000 (67 per cent) received the personal rate only, while 89,000 (30 per cent) were recipients with a qualified adult, and 77,000 (26 per cent) had qualified children. It is the 77,000 with qualified children who are of most concern with regard to the transmission of intergenerational unemployment and poverty.

### ***Lone Parenthood***

There were 88,000 lone parents in receipt of OPFP at the end of 2012 (with an expenditure of €1.1bn). As expected, the majority recipients of OPFP are women (98 per cent), who are unmarried or separated (85,200 or 97 per cent of total OPFP recipients). Some 63,000 of OPFP recipients are aged between 25 and 45. Eighty-five per cent (74,500) have two children or fewer, and 56 per cent (49,000) have just the one child.

### **Disability**

In 2012 there were 102,000 recipients of Disability Allowance (DA), with 64,000 on Illness Benefit and 50,000 on Invalidity Pension.<sup>22</sup> For the purposes of re-engagement with the labour market and to prevent long-term welfare dependency, the focus is mainly on those receiving DA. Some 12,000 (11 per cent) of DA recipients are under the age of 25, about 38,000 (37 per cent) are aged 25–45, with 52,000 (51 per cent) over the age of 45. Some 84,000 (83 per cent) of DA recipients receive the personal rate only, while 4,900 (5 per cent) were recipients with a qualified adult, and 13,000 (12 per cent) had qualified children. Again, in terms of jobless households and the transmission of intergenerational poverty the key concern must be for the 13,000 recipients with children.

The DSP does not have information on DA recipients regarding the nature of their disability. Data prepared for the DA value for money review showed that the most frequently occurring disorders were mental diseases and intellectual disability (44 per cent); musculoskeletal system and connective tissue (13 per cent); nervous system (12 per cent); and circulatory system (8 per cent).<sup>23</sup> However, information is not available on the extent of their disability or their capacity for work. This additional information would be required to ascertain the appropriate policy response and the nature and extent of supports and services that would be required to support their transition to the labour force.

### **Caring**

In 2012, some 52,000 people were in receipt of Carer's Allowance, which is a payment to people on low incomes who are looking after someone who needs support because of their age, physical/learning disability or illness (at a cost of €510m). Nearly four out of five are women with half of those in receipt of Carer's Allowance between the ages of 40 and 60. In addition, 25,000 families were in receipt of a Domiciliary Care Allowance to help them care for a child with a severe disability (with an associated expenditure of €102m).

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<sup>22</sup> If you have paid PRSI contributions you can get Illness Benefit for a maximum of two years, while if you have paid PRSI contributions but are deemed permanently incapable of work because of an illness or incapacity you are entitled to Invalidity Pension. DA is means-tested (for those who have not made adequate PRSI contributions) and is paid to people with a disability.

<sup>23</sup> *An Extract from Briefing for a Government meeting on 11/04/2013.* The survey carries a health warning that multiple conditions were commonplace, and the categories are very broad.





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