

**Staff Paper**

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# **Characteristics and implications of the level of household joblessness in Ireland**

Irish Government Economic and Evaluation Service

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*\* This paper has been prepared by the Labour Market and Enterprise Policy Division of the Department of Public Expenditure & Reform. The views presented in this paper are those of the author alone and do not represent the official views of the Department of Public Expenditure and Reform or the Minister for Public Expenditure and Reform. Analytical papers are prepared on an ongoing basis in the context of the expenditure management process and reflect the data available at a given point in time.*

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## Executive Summary

Household joblessness in Ireland has been a focus of attention in recent years. The purpose of this paper is to assess whether there is a core structural jobless household problem in Ireland and, if so, to consider what the elements of the policy response might be.

The analysis found that, while there are different ways of measuring this issue, by any metric, the rate in Ireland has been particularly high in recent years. For example,

- The proportion of adults living in jobless households, as measured by the Quarterly National Household Survey, reached a high of 15.9% in 2012, compared to 10.9% in the EU in the same year.
- The difference for children was even more significant, at 20.2% in Ireland compared to 11.1% in the EU.
- The low work intensity measure of the EU Survey on Income and Living Conditions (SILC) showed Ireland at over twice the EU average over the period of the recession - and well above the EU average even at a time of very low unemployment.

In 2015, the European Commission issued a Country Specific Recommendation to Ireland which alluded to the household joblessness issue.<sup>1</sup>

As one might expect, the rate of household joblessness in Ireland increased during the economic crisis post 2008 in tandem with the rate of unemployment. However, even when Ireland's economy was strong there was a significant divergence between the rates of household joblessness and unemployment, which suggests that there has been a structural as well as cyclical element to this issue, whereas in the EU the two figures have closely reflected each other. For example, in 2005, when Ireland's economy was still experiencing strong growth, the gap between the rate of unemployment and the proportion of adults in jobless households was 4%, compared to 0.8% in the EU. While the gap narrowed to less than 1% between 2009 and 2011 as a result of the surge in unemployment, as unemployment has reduced the gap has begun to widen again, to 2.6% by the second quarter of 2015, by which time unemployment had fallen by 33% from its peak in 2011/2012, whereas the proportion of adults in jobless households had fallen by 22% in the same period.

The demographic make-up of Irish households has been a significant contributor to household joblessness. When compared to the rest of the EU Ireland has higher proportions of people with disabilities, one parent families and children in jobless households. The structure of jobless households in Ireland means that the reduction in the level of jobless households is

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<sup>1</sup> ["Take steps to increase the work intensity of households and to address the poverty risk of children by tapering the benefits and supplementary payments upon return to employment and through better access to affordable childcare."]

not keeping pace with the reduction in unemployment. Research by the ESRI<sup>2</sup> has shown that only one quarter of job entries in Ireland remove households from joblessness.

Regionally, the Mid-East has consistently had the lowest proportion of people living in jobless households. While the rate was highest in the Border region during the recession, generally the Midlands has experienced the highest rates.

## Conclusions

- Ireland's social welfare system has been successful at mitigating the effects of the economic downturn, but may have acted as a disincentive to work in certain cases where replacement rates have been particularly high, such as for unemployed people with children. As well as the obvious social benefits, reducing the proportion of people in jobless households has the potential to deliver expenditure savings in the social protection area. It is estimated, for example, that social welfare expenditure on jobless households across a range of schemes was in the region of €3.5 billion in 2015.
- In view of the fact that in 2015 Ireland received a Country Specific Recommendation dealing with low work intensity, this may be a valid area for structural reform in the context of the EU fiscal rules which have come into effect from 2016.
- There are a range of activation measures in place, particularly under the Pathways to Work strategy, which should play a role in reducing the level of household joblessness. A number of welfare reforms have been introduced, such as the Back to Work Family Dividend, which are designed to get people back to work. It is too early to measure the impact that some of these measures will have on the incidence of household joblessness. Further analysis on this point would be useful in the years ahead.
- It is noted that the new Programme for Government includes a commitment to publish a dedicated "Pathway to Work for Jobless Households". The issues surfaced by this analysis suggests a number of areas which such a strategy could potentially encompass including:
  - The availability and affordability of childcare
  - Reform in the area of payments/supports for people with disabilities
  - Early education intervention
  - Further welfare reform to increase work incentives and improve the interaction between welfare and activation services.

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<sup>2</sup> "Transitions into and out of Household Joblessness, 2004 to 2014", Dorothy Watson, Bertrand Maitre and Helen Russell

## 1. Introduction

The issue of household joblessness has been the subject of increased focus since the advent of the economic crisis. While the extent of the problem differs depending on the datasets examined and definitions applied, by any available measures, in recent years Ireland has clearly had a high rate of households where no member is working or where there is very low work intensity.

Traditionally examinations of unemployment and policies designed to reduce low work intensity have concentrated on individuals. However, there is now a recognition, both in Ireland and across the EU, that jobless households have a particular vulnerability to social exclusion and poverty, and that a particular policy response is required to tackle the problem. Ireland has been relatively successful in mitigating the potential for financial poverty in jobless households via a suite of welfare payments, but this in turn has implications for the long term sustainability of our social welfare system. Successfully addressing the problem would therefore be beneficial both from a social inclusion and an Exchequer point of view.

### *Expenditure context*

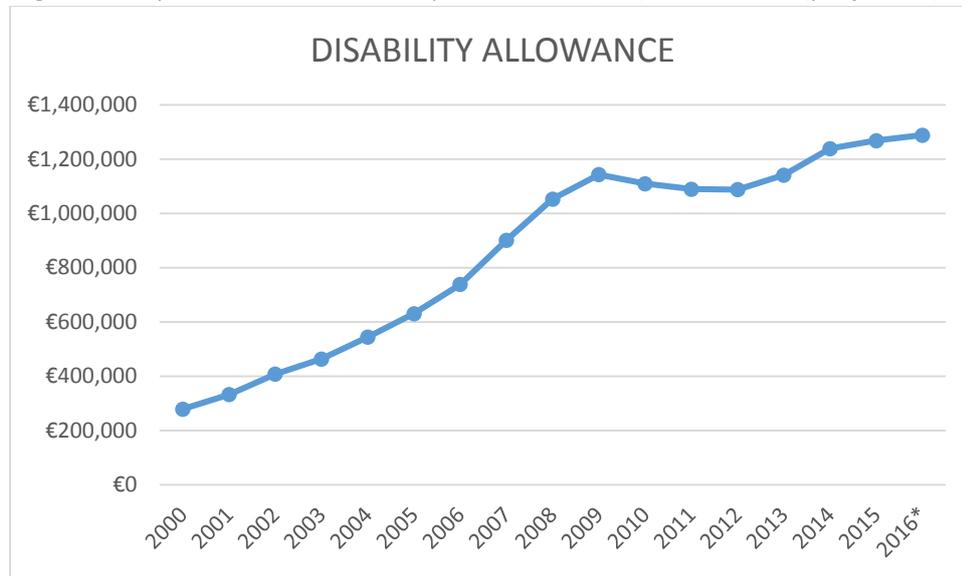
Expenditure on social protection has risen significantly over the past decade, from around €13 billion in 2005 to €19.9 billion in 2015, representing 11.1% of GNP and nearly 40% of Government expenditure. In addition, Ireland's demographic make-up is putting pressure on the social protection budget, with the cost of funding State Pension payments rising by over €200m each year due to increased numbers alone. Ireland is also required to adhere to the new EU fiscal rules, whereby expenditure cannot increase at a faster rate than economic growth and any additional cyclical tax revenue must be used to reduce the debt burden. The long term sustainability of the social welfare system is therefore a key issue.

Taking the first quarter of 2015 as a point in time, when there were 270,000 jobless households in Ireland, we estimate annual social welfare expenditure of over €3.5bn on these households, made up of payments such as jobseekers, one parent family, disability, along with certain supplementary payments. Clearly, therefore, tackling household joblessness will not only have significant social benefits – there is also the potential for Exchequer benefits.

However, the structure of jobless households in Ireland means that the effects of the economic recovery on household joblessness will be more limited than on the rate of unemployment. In this context disability allowance is a particular concern. Over 40% of low work intensity households include someone with a disability. Expenditure on disability allowance has increased from €279 million in 2000 to a projected €1.288 billion in 2016, while

the numbers in receipt of the payment over this period have risen from around 60,000 to 116,000. The bulk in the increase in numbers occurred during a period of high economic growth.

Figure 1. Expenditure on Disability Allowance (€m) 2000-2016 (projected)



Source: DSP

### Objectives

The objectives of this paper are to examine the issue of household joblessness in Ireland by reference to:

- the rate of, and trend in, household joblessness in Ireland in recent years, including by region;
- the characteristics and causes of household joblessness;
- Ireland’s rates of household joblessness and unemployment over the past decade in a comparative context; and
- the effectiveness of Ireland’s social welfare system in supporting the transition into work.

Finally, the paper will examine the policy response to household joblessness and the scope for further measures to reduce the level of household joblessness and by extension social protection expenditure.

## 2. Assessment of household joblessness in Ireland

### 2.1 Definitions of jobless and very low work intensity households

There are two commonly used but differing definitions which measure household joblessness; that of the Labour Force Survey which measures the rate of jobless households and that of the Survey on Income and Living Conditions (SILC), which measures very low work intensity.

The LFS definition of household joblessness is derived from the data in the European Union Labour Force Survey (EU-LFS). The Quarterly National Household Survey (QNHS) is used to supply Ireland's data. **Under this definition a jobless household is one where no member is in employment, so that every member of the household is either unemployed or inactive.** The calculation is solely based on a person's activity in the week prior to that in which the survey is carried out. Under the QNHS a person is considered to have been employed in the reference period if they were over 15 and worked for a minimum of one hour. Separate calculations are made for adults i.e. those aged 18-59 and children i.e. those aged 0-17. Students aged 18-24 who live in households entirely made up of students are excluded from the calculation.

The SILC definition refers to very low work intensity and so is broader than the QNHS definition. Work intensity means the percentage of available time that adults aged 18-59 spend in employment. Again, students aged 18-24 are excluded from the calculation. In this case the reference period is the year prior to when the survey takes place, with work intensity varying from 0 to 1. Thirty-five hours a week for 52 weeks is considered full time for the purposes of the calculation. If, for example, a person worked an average of ten hours per week for 26 weeks of the year, then their work intensity would be 14%. The work intensity of the household is simply calculated by adding up the intensity for each working age adult and dividing by their number. A household is considered to have very low work intensity when it measures below 20%. The work intensity indicator assumes that all adults aged 18-59 are available for work and does not take account of illness, disability or caring duties within the home.

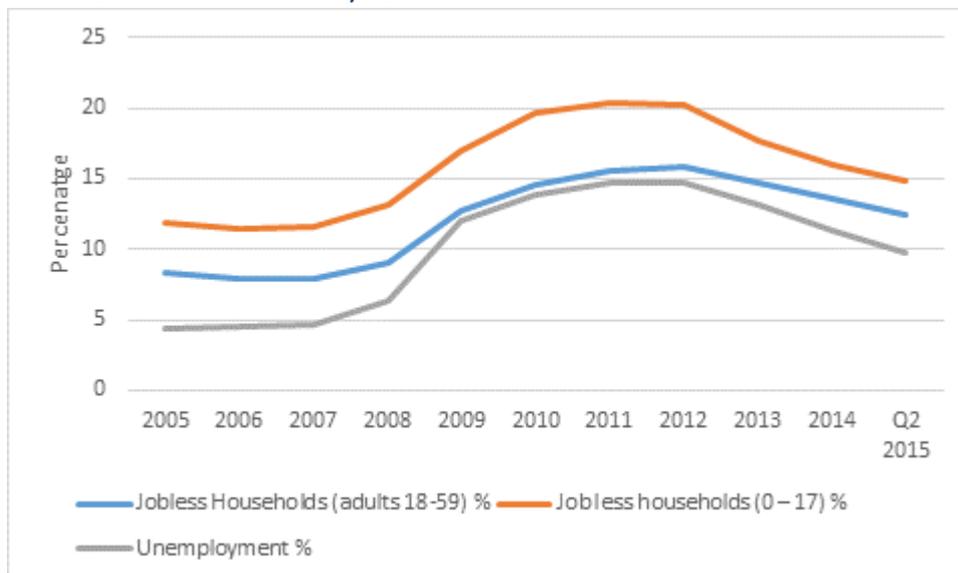
It is notable that both of the measures consider that working age extends only to 59, despite the fact that retirement ages in most countries are considerably higher. In Ireland the State Pension is not payable until the age of 66 and the intention is that by 2028 it will not be payable until a person reaches 68. Therefore, neither measure reflects the full working population in Ireland or Europe.

For the purposes of this paper the focus will predominantly be on the QNHS data. As a result of the differences in measurement used for the two surveys, there is usually a gap between the two in respect of each country. However, the gap in relation to Ireland is significantly higher and this has led to debate on the accuracy of the SILC figures. For the time being the European Commission has agreed that the QNHS measure will be considered the official figure for Ireland.

## 2.2 Trend in household joblessness in Ireland

As one might expect, the rate of household joblessness in Ireland increased during the economic crisis post 2008 in tandem with the rate of unemployment (see Figure 2 below).

Figure 2: Trends in unemployment and % of adults and children in jobless households in Ireland 2005-Q2 2015 measured by QNHS



Source: CSO

The QNHS data over the past decade in Ireland shows that trends in jobless households have broadly reflected trends in unemployment. As unemployment increased as the recession took hold, so too the rate of household joblessness increased. However, whereas the gap in 2005 was 5% (or 4%, if measuring adults only) by the time the rate of unemployment reached its peak in 2012, the gap between it and the rate of jobless households had narrowed to 3% and just 1.2% when measuring adults. Unemployment began to fall from 2013 onwards. From its peak of 14.7% in 2011 and 2012, by the second quarter of 2015 it had fallen to 9.8%, whereas the proportion of adults in jobless households had fallen from its peak of 15.9% to 12.4% over the same period. Proportionately, unemployment had fallen by 33%, while jobless households had fallen by 22%. The gap has widened once more as the economy improved, again suggesting that household joblessness is less responsive to an economic upturn than the rate

of unemployment and that the problem has structural as well as cyclical elements. Low work intensity is not just a function of unemployment but can also result from non-participation in the labour market.

It is to be expected that the rate of unemployment would grow at a faster pace than that of jobless households, as job losses only translate to a jobless household in the event that nobody in the household is working. The distribution of unemployment is, therefore, an important factor in determining the level of low work intensity.

In their research briefing, *Transitions into and out of Household Joblessness, 2004-2014*, Watson *et al* have shown that job creation of itself is not sufficient to address the problem of household joblessness. As we would expect, over the period 2007 until the end of 2012 the rate of adults entering household joblessness exceeded those leaving, so that the overall stock increased. The rate of exits fell from about 10% between 2004 and 2006 to 7.5% between 2008 and 2010, before rising back up to between 8% and 10% per quarter from mid 2013 onwards. This shows that even during the recession there was still relatively significant movement out of household joblessness. However, over the period 2004 to 2014 only 24% of adult job entries moved a household out of joblessness because, in most cases, there was already someone working in the household. Taking 2013 and 2014 in isolation, the figure increases to 29%. By the same token, in the same ten year period only 28% of job exits led to households becoming jobless as in most cases there was still an adult in the household in employment.

### 2.3 Is Ireland an outlier?

There has been a general acceptance, based on the SILC figures, that Ireland was an outlier compared to the rest of Europe when it came to low work intensity, especially from 2008, when the economic crisis began to take hold.

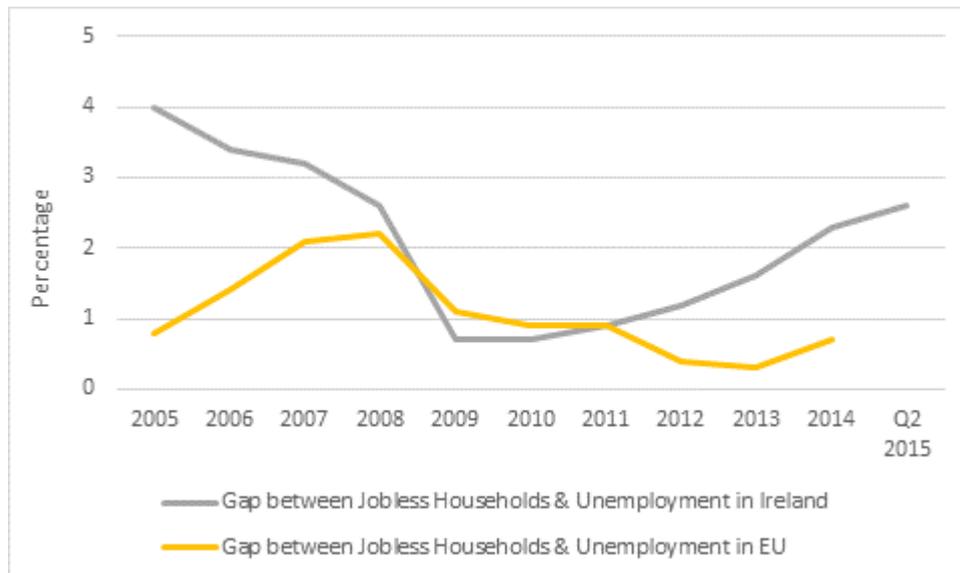
However, using the QNHS data, we can see that in the years up to 2008 Ireland's rate of jobless households in fact came in below the EU average (see Figure 3 below). From 2008 through to 2013 Ireland's unemployment rate increased by 6.7 per cent, while the jobless household rate increased by 5.7 per cent. In the EU as a whole over the same period unemployment increased by 3.9 per cent compared to an increase in jobless households of 2 per cent. **While Ireland is less of an outlier under the QNHS data, its rate of jobless households is still higher than the European average.**

Figure 3: LFS jobless household and unemployment figures – Ireland and EU 2005-2014



Figure 4 below highlights that the gap between household joblessness and unemployment is more significant, particularly when the economy is growing. Comparative data is only available to 2014 at time of writing.

Figure 4: Gap between jobless household and unemployment figures – Ireland and EU 2005-2014



There has clearly, as shown in Figure 3 above, been a correlation between the substantial increase in unemployment and the increase in household joblessness in Ireland over the past few years, whereas in the EU the correlation was already clearly established.. However, in the

years leading up to the recession the rate of household joblessness in Ireland was substantially greater than the historically low rates of unemployment. This gap demonstrates that high rates of unemployment do not fully explain the causes of household joblessness in Ireland and that there have been other factors besides the rate of unemployment which have influenced the level of the problem. It also indicates that a reduction in unemployment alone will not be sufficient to address the problem of household joblessness and the attendant expenditure pressures imposed on the State. Indeed, Ireland received the following Country Specific Recommendation in 2015 from the European Commission regarding low work intensity:

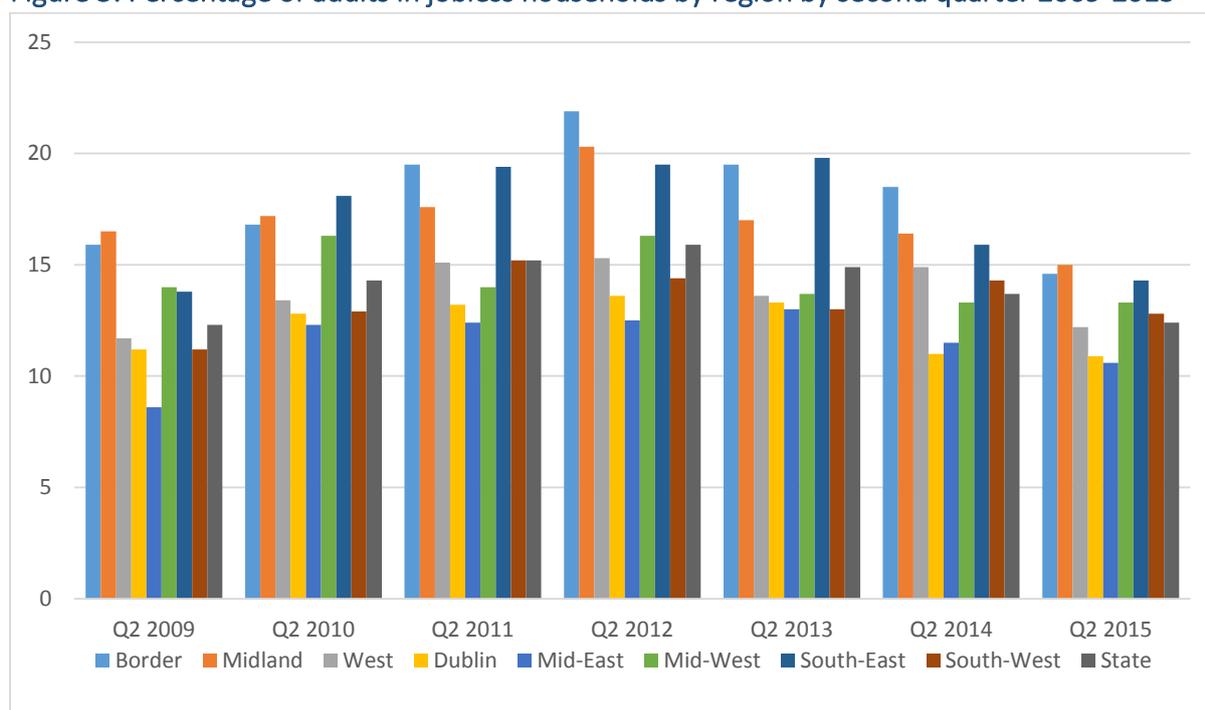
*Take steps to increase the work intensity of households and to address the poverty risk of children by tapering the benefits and supplementary payments upon return to employment and through better access to affordable childcare.*

#### 2.4 The regional dimension to household joblessness

Looking at the regional data breakdown we find that, overall, the trend in household joblessness has mirrored the trend at national level. However, there was significant differentiation at regional level. Looking at the second quarter of 2012, we see that the proportion of the population in jobless households was 17.2%.

At the regional level it ranged from 14.3% in the Mid-East to 22.8% in the Border region in that year (see Figure 5 below). There was also a significant gap of 6.1% between the unemployment rate of 16.7% in the Border region and its jobless household rate. The rate of household joblessness accelerated more quickly in the Border area than in other regions. While the rate of household joblessness was highest in the Border region at the height of the recession, prior to and after this period the Midlands has consistently had the highest rate.

Figure 5: Percentage of adults in jobless households by region by second quarter 2009-2015



Source CSO

## 2.5 Characteristics of household joblessness in Ireland

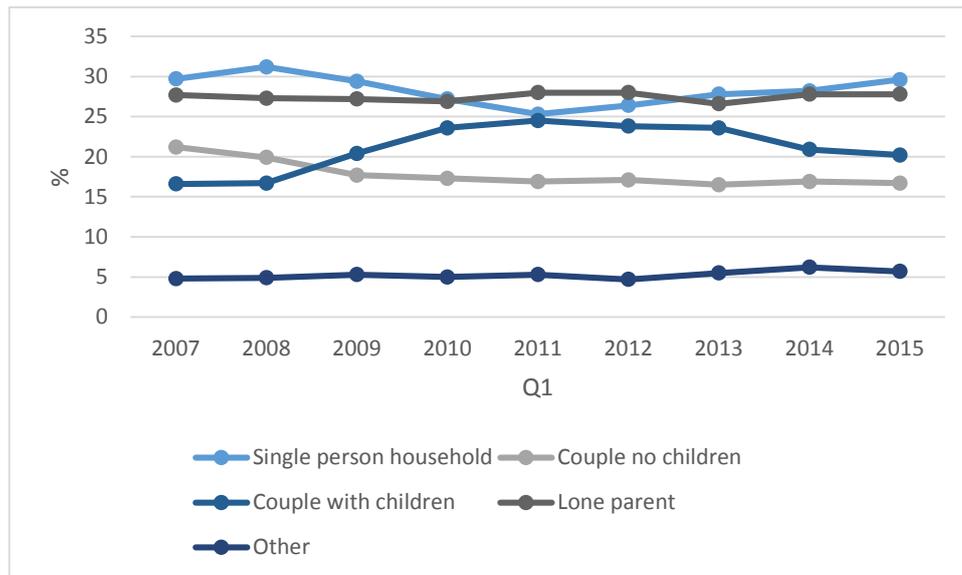
A number of characteristics tend to apply to those living in jobless and low work intensity households. Adults in these households are more likely to have never worked, to have no educational qualifications, and are twice as likely both to be unskilled and to be living in rented accommodation<sup>3</sup>. They are also more than three times more likely to have a disability than those in working households (Watson et al, 2012). Furthermore, in terms of household structure there is a prevalence of both one person and lone parent households amongst the jobless households, as shown in Figure 6 below. For example, in the second quarter of 2014 one parent family and single households made up 55% of all jobless households compared to just 27% of non-jobless households.

It is striking that the proportion of one parent families have remained fairly constant as a proportion of the total of jobless households over the period pre-recession, during the recession and as the recovery has taken hold. Again, this suggests that there is a structural element to the level of household joblessness in Ireland. However, the proportion of multi-adult households with children increased significantly over the course of the recession, from

<sup>3</sup> SILC 2010

16.6% in Q1 2007 to 24.5% by Q1 2011, although it has substantially reduced from 2013 onwards, down to 20.2% by Q1 2015. Conversely, the proportion of jobless households made up of couples with no children actually reduced as the economy declined, from 21.2% in Q1 2007 to 16.9% in Q1 2011, after which it has remained relatively constant, reaching 16.7% in Q1 2015.

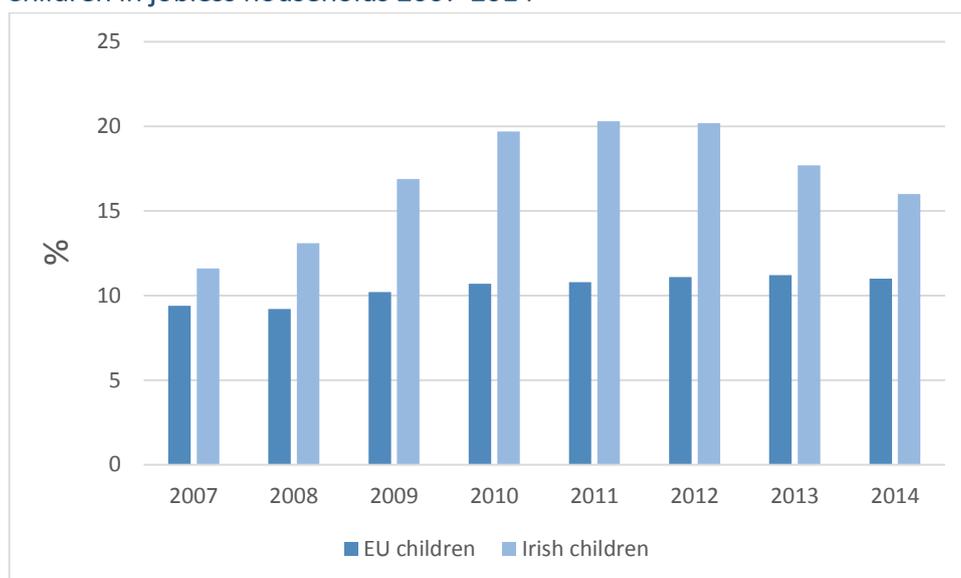
Figure 6: Total percentage of jobless households by family unit type with a person aged 0-59 resident, 1st quarter 2007-2015



Source: CSO

Ireland is a notable outlier in European terms for the high number of children living in low work intensity households. According to the QNHS data, by the end of 2014, 35% of those living in these households were children. In 2013 an average of 17.7% of children in Ireland lived in jobless households. This compares to an average of 11.2% throughout the EU, where the figure very closely reflects that for adults. By 2014 16% of children and 14% of adults under 60 were living in low work intensity households. While the pre-crisis level of children in the low work intensity households was higher than the EU average (as opposed to the figure for adults, which was lower), the gap widened significantly over the course of the recession. While the gap has narrowed as the economy improved, by 2014 it was still 5%, compared to a gap in unemployment of just 1.1%.

Figure 7: Children in jobless households 2007-2014



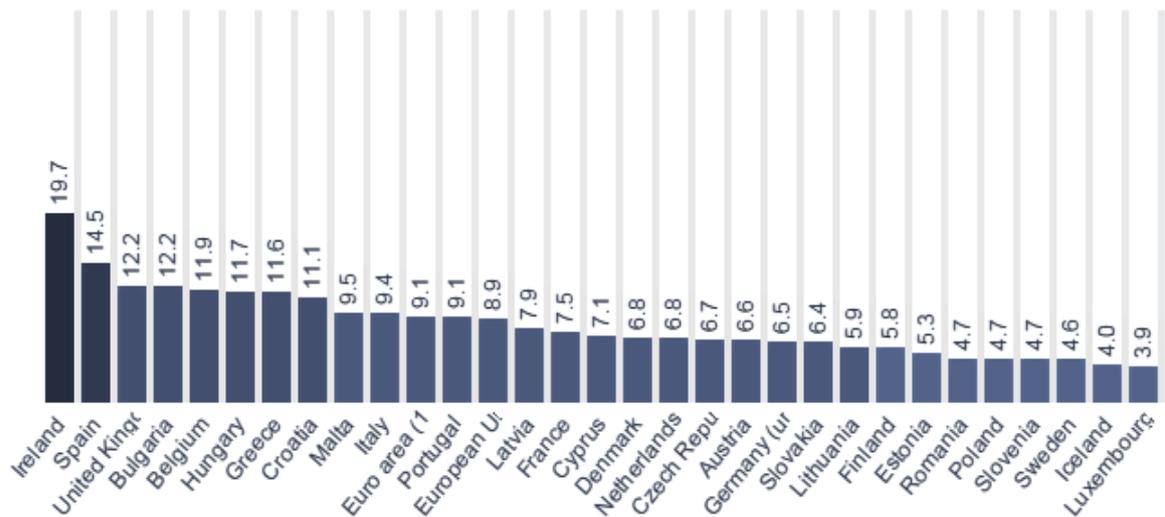
Source: Labour Force Survey, Eurostat

The income profile of jobless households changed over the course of the recession, as the link between jobless households and low income reduced, with the percentage of the households found in the second and third income quintiles increasing from 20 to 32 and six to 14 respectively over the period 2004 to 2010<sup>4</sup>. The recession, with its corresponding sharp increase in unemployment, drew a cohort who would have been considered less disadvantaged previously into the group experiencing low work intensity.

As mentioned earlier Ireland differs substantially from the EU in terms of the proportion of children in jobless households and also by virtue of the fact that there tend to be higher numbers of children within these households, as shown by the Eurostat figures in Figure 8 below. Added to this Ireland has a high proportion of one parent family households. Over the period 2004-2014 (the latest year for which data is available) Ireland had a persistently high proportion of low work intensity households with children. The number of children in low work intensity households also tend to be higher than elsewhere in Europe; Watson et al's analysis of the 2009 SILC figures showed that 56% of adults in low work intensity households lived with children, compared to just 30% in the other EU-15 countries. As we will discuss in section 3 higher numbers of children lead to higher replacement rates and to increase the disincentive to work.

<sup>4</sup> "Work and Poverty in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004-2010", Dorothy Watson, Bertrand Maitre and Christopher T Whelan

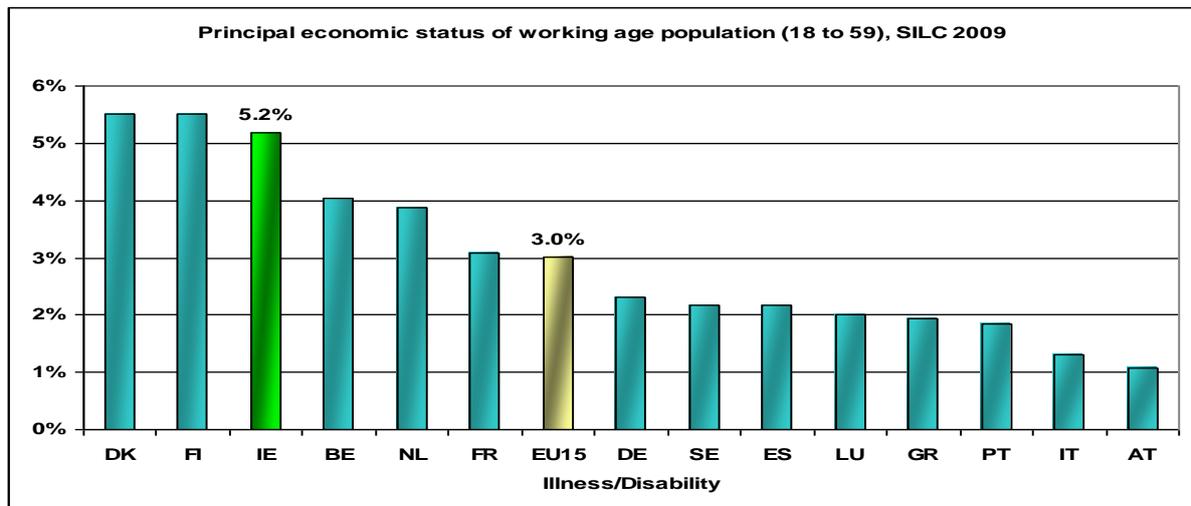
Figure 8: Very low work intensity households with children as proportion of total households 2004-2014



Source: Eurostat

Watson et al (2015) found that the chances of a member of a jobless household finding employment was only 59% of those of someone living in a working household, while the presence of children in the household was associated with a slightly lower chance of finding employment. They made similar findings in relation to job exits. The presence of children increased the likelihood of job exits, more so in lone parent households than for couples with children. Ireland has particularly high proportions of people on home duties and disability and illness payments when compared to the rest of the EU (see Figure 9 below) and this is reflected in the make-up of low work intensity households. In their analysis of the 2010 SILC figures Watson et al found that 41% of those living in very low work intensity households either had a disability or lived with one or more adult who had a disability. In addition, a higher proportion of non-working adults in Ireland than in the EU live with other non-working adults; this was the case in 71% of low work intensity households in 2010.

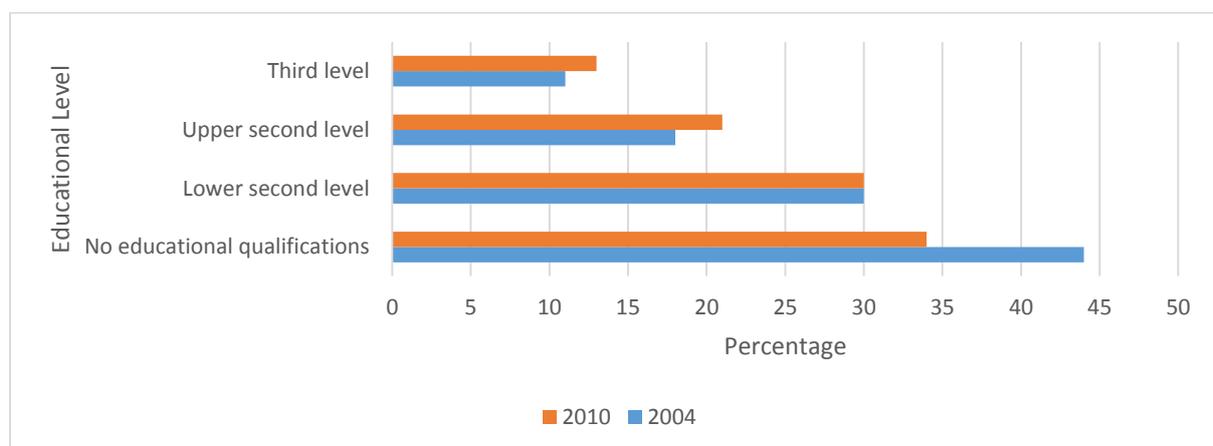
Figure 9: Illness/disability percentage of working age population in EU-15



Source: EU SILC 2009

While the educational profile of those living in low work intensity households improved between 2004 and 2010, this can be regarded as a function of the economic cycle given that by 2010 the recession was affecting all cohorts. Lack of educational qualifications is a persistent feature of household joblessness. For example, notwithstanding the limits of SILC data, analysis by Watson et al of the data from 2010 shows that 35% of those in low work intensity households had no educational qualifications, while a further 30% had gone no further than lower second level.

Figure 10: Educational qualifications of very low work intensity households, 2004 & 2010



Source: SILC 2010, as analysed by Watson et al, 2010

## KEY POINTS

- The level of household joblessness in Ireland depends on whether the QNHS or SILC definition is used. The SILC measurement has been consistently higher.
- The correlation between household joblessness and unemployment is weaker in Ireland than in other EU countries, which suggests that **there is a structural as well as cyclical element to the problem.**
- While the gap between household joblessness and unemployment narrowed from 4% in 2005 to less than 1% between 2009 and 2011 as a result of the surge in unemployment, as unemployment has reduced the gap has begun to widen again, to 2.6% by the second quarter of 2015. Since 2012 unemployment has fallen 33%, compared to a 22% drop in the number of adults in jobless households.
- Only c. 25% of job entries in Ireland remove households from joblessness.
- Adults in jobless households are more likely to have never worked; to have no educational qualifications or skills; to live in rented accommodation: and to have a disability.
- There is a prevalence of one person (c. 30% in Q2 2015) and lone parent (c. 28% in Q2 2015) households among the jobless household cohort.
- Ireland consistently has a higher proportion of children living in jobless households compared to the EU average, even in times of high growth and low unemployment. In 2007, for example, when the proportion of adults in jobless households in Ireland was 7.2% compared to 9.3% in the EU, the proportion of children was 11.6% compared to 9.4% in the EU.
- The structural nature of the problem in Ireland means that a reduction in unemployment alone will not be sufficient to address household joblessness.

### 3. Is Ireland's welfare system a barrier to work?

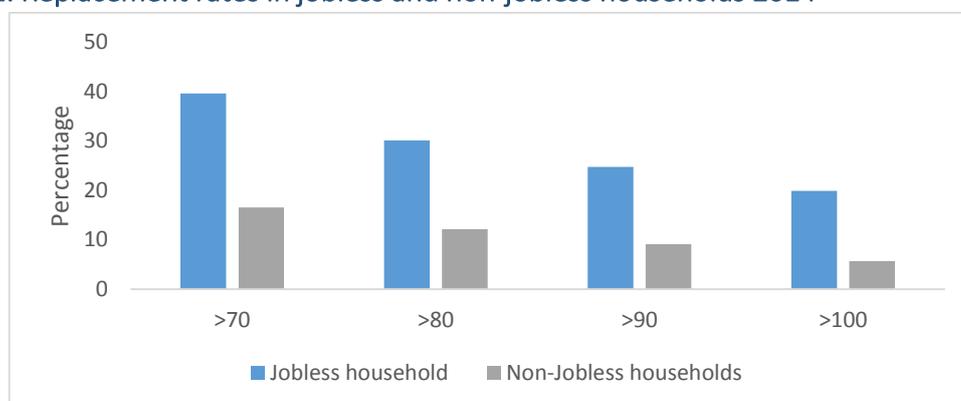
#### 3.1 Replacement rates

The replacement rate measures the proportion of income from employment which would be replaced by welfare payments when out of work. A replacement rate of 70% or over is considered high and a replacement rate of 90% or over is considered very high. The lower the replacement rate, the higher the incentive to work. On the other hand, from a social perspective, the higher the replacement rate the greater the protection provided for those who become unemployed. The challenge for policy makers is to provide an adequate level of support for those in unemployment without causing a disincentive to work.

Savage et al (2014) examined replacement rates in Ireland for single people without children, lone parents and couples, and found that there was a significant divergence between the replacement rate of unemployed people in jobless households and in non-jobless households and that there was a notable difference between the replacement rates of the unemployed depending on whether they have children.

Jobless households were 2.5 times more likely to have a high replacement rate and 3.5 times more likely to have a very high replacement rate than non-jobless households (see Figure 11 below). A major cause of this difference is the nature of Ireland's social welfare system, which is designed to distribute the highest payments to those on the lowest incomes. An unemployed person married to another unemployed person or to someone on home duties may not only receive the maximum jobseeker payment but is also likely to qualify for payments in respect of qualified children and a qualified adult, whereas if one of the couple is in employment then the unemployed member of the couple will most likely not qualify for a qualified child or adult payment, and may also receive a lower jobseeker payment.

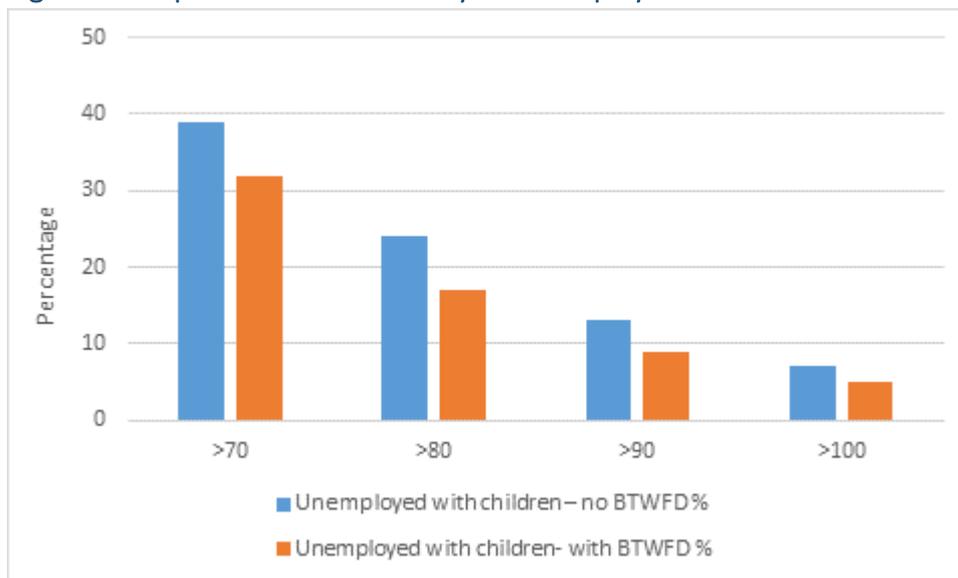
Figure 11: Replacement rates in jobless and non-jobless households 2014



Source: Savage et al (2014), reproduced from SWITCH

In 2015 the Government introduced the Back to Work Family Dividend (BTWFD), which allows unemployed or lone parent families to keep the Qualified Child increase payment in full for the first year after returning to work and at 50% for the second year of employment. The introduction of the BTWFD has a significant positive effect on the incentive to work for unemployed people with children. In a Budget Perspectives 2015 paper *Savage et al* found that the introduction of the scheme reduced the proportion of this cohort with high replacement rates from 39% to 32% and the proportion with a very high replacement rate from 13% to 9%.

Figure 12: Impact of BTWFD in first year of employment



Source: *Savage et al (2015)*, reproduced from SWITCH

Overall, therefore, while Ireland’s social welfare system has been successful at mitigating the effects of poverty, when we look specifically at the jobless household cohort, where significant numbers have had replacement rates in excess of 100%, there is evidence that the system has acted as a disincentive to work. The problem is even more pronounced when we look at those unemployed with children, where even after the introduction of the BTWFD over 30% have high replacement rates.

## 4. Policy response

### 4.1 Policy response to date

Government has introduced a range of strategic policy measures in recent years which have a role to play in tackling the prevalence of household joblessness. These are summarised in Table 1 below.

There are a range of activation, education and training schemes in place in Ireland which have a role to play in addressing household joblessness. For 2016 the Government has allocated a budget of €1.6 billion to cover work experience, education and training, providing nearly 300,000 places across a range of programmes. This represents about 3% of projected Government expenditure in 2016.

Table 1: Relevant Existing Policy Measures

<i>Measure</i>	<i>Purpose</i>
<b>Activation</b>	
<i>Pathways to Work 2016-2020</i>	Pathways to Work is focused on reducing the stock of long-term unemployed. Objective to ensure that as many new jobs as possible are filled by the long-term unemployed. The latest Pathways to Work has six strands: <ul style="list-style-type: none"> <li>– enhanced engagement with unemployed people;</li> <li>– increasing the employment focus of activation programmes;</li> <li>– making work pay;</li> <li>– incentivising employers to offer jobs to unemployed people;</li> <li>– delivering enhanced services to unemployed people; and</li> <li>– building workforce skills. No specific measures to address household joblessness.</li> </ul>
<i>JobPath</i>	The outsourced provision of labour market activation services to the long-term unemployed over a six year period 2015-2021. This involves the introduction of 1,000 new case officers to proactively engage with the long term unemployed. JobPath will complement the Intreo service (which provides a one stop shop for jobseeker income and employment services).
<i>Social Inclusion and Community Activation Programme (SICAP)</i>	Runs from 2015-2017. Its aim is to reduce poverty and to promote social inclusion through local, regional and national engagement. SICAP pays particular attention to jobless households and by November 2015 over 26,000 of the jobless household cohort had registered with SICAP and received one-to-one support.
<b>Welfare Reform</b>	

<i>One parent family payment</i>	The criteria for receipt of this payment have changed in since 2013 with a view to reducing the long term dependency on welfare of this cohort, access to activation services and female participation rates. Those lone parents who are already in work can still access the Family Income Supplement once they are working at least 19 hours per week. This is particularly relevant in the context of jobless households, given females make up 53% of the cohort and also given the high number of jobless households containing children as outlined earlier.
<i>Back to Work Family Dividend (BTWFD)</i>	Allows an unemployed or lone parent family to keep the qualified Child Increase Payment for up to two years after moving into employment an extra incentive to work is provided. Particularly relevant to tackling household joblessness as it targets both the long term unemployed and adults who have been operating outside of the labour market as a result of caring responsibilities.
<i>Housing Assistance Payment (HAP)</i>	Designed to “make work pay” and eradicate inactivity traps which lead to low work intensity. The HAP is designed to replace the payment of rent supplement in the long run. Improves the incentive to work by gradually phasing out entitlement to rent assistance as opposed to the situation with rent supplement whereby a person lost their entitlement once they worked 30 hours or more in a week.
<i>Comprehensive Employment Strategy for People with Disabilities</i>	The strategy is a cross-Government approach designed to address the employment barriers and challenges facing those with disabilities. Aims to build skills, provide supports into work, make work pay, promote job retention and engage with employers.
<i>Make Work Pay Group</i>	This group, comprising representatives from the Departments of Health, social Protection and Social Protection, as well as academics from the relevant disciplines, is examining the obstacles preventing disabled getting back to work and examining international best practice in the area. It is due to report to Government by the end of 2016.
<b>Childcare</b>	
<i>Early Childcare Education Programme</i>	From September 2016 children will be able to start pre-school from the age of three, and to remain in pre-school until they start primary school
<i>Community Childcare Subvention Programme</i>	Provides childcare at reduced rates to low-income or disadvantaged parents. There is also an After School Childcare Programme in place which facilitates unemployed parents in finding employment or taking a place on an employment course, or helps those already working to increase their hours. Additional 8,000 places provided in Budget 2016.

## 5. Conclusions and Recommendations

While household joblessness is falling as the economy recovers, and should continue to do so as unemployment reduces further, as we have shown earlier this problem will not be solved by low rates of unemployment alone. The reduction in household joblessness is not keeping pace with the reduction in unemployment, and the gap between household joblessness and unemployment which had closed over the recession has once again begun to widen as the economy grows, widening from less than 1% in 2009 to 2.6% by the second quarter of 2015.

A reasonable policy objective should be to bring Ireland's rate of household joblessness close to its rate of unemployment. This is important in terms of the long term sustainability of Ireland's finances and avoiding intergenerational poverty and joblessness. It will also be important to focus not only on the needs of individuals but on the collective needs of the household.

Ireland has taken significant steps in recent years to develop a coordinated employment activation policy and to ensure that the welfare system does not become a barrier to employment, while at the same time not increasing the risk of poverty. It is too early to gauge the impact of some of these reforms (which include One Parent Family Payment reforms, the Back to Work Family Dividend, the Housing Assistance Payment and the introduction of JobPath) on the levels of household joblessness, but further analysis in the future would seem worthwhile

While these measures should all have a positive impact on the rate of household joblessness, they are not designed specifically with household joblessness in mind. The new Programme for Government includes a specific commitment to establish a dedicated "Pathway to Work for Jobless Households". Such a strategy could consider action across a range of policy areas, including:

### *Childcare*

According to the OECD, childcare costs in Ireland are 40 per cent of the average wage, over three times the EU average and the highest in the OECD. One of the country specific recommendations the EU Commission made to Ireland in 2014 was to "facilitate female labour force participation by improving access to more affordable and full-time childcare, particularly for low income families". In its country report in 2015 it found that "no progress" had been made in this area.

While the measures announced in Budget 2016 highlighted earlier should play a role in improving access to childcare for the cohorts involved, and in turn work, further targeted measures to improve availability for low income families and contain costs could assist in reducing the number of single mothers not in the workforce and help

prevent intergenerational joblessness and poverty. Lone parent households have consistently made up around 27% of the total of jobless households, regardless of the prevailing economic conditions. Activation, training and education programmes need to be designed in such a way as to allow parents on low incomes, in particular mothers, to participate. In this regard, there are commitments in the Programme for Government to “ensure that households headed by women are no longer at a higher risk of poverty”, to address the gender pay gap and to provide training opportunities to assist women in returning to the labour market.

### *Disability*

Disability is a particular feature of household joblessness in Ireland. The Government’s Comprehensive Employment Strategy for People with Disabilities 2015-2024 aims to build skills, provide supports into work, make work pay, promote job retention and engage with employers.

More focus is needed on linking those in receipt of disability payments but who have the capacity to work with activation schemes. As referenced in Chapter 4, an expenditure review of disability and illness supports carried out by the IGEES in 2014 made a number of recommendations for structural reform of disability/illness schemes which could help ensure that those with a capacity to work are facilitated to take up employment opportunities.

An analysis of the potential for reform in the criteria applying to disability payments therefore seems particularly warranted, especially in view of the substantial increase in expenditure on the payment as shown in figure 1 in the first chapter. A separate IGEES paper has been published on this issue (<http://igees.gov.ie/wp-content/uploads/2014/11/Expenditure-Review-of-Disability-and-Illness-Schemes-December-2014.pdf>).

### *Early education intervention*

A particular feature of household joblessness in Ireland is the low level of educational attainment and lack of skills. Targeted measures for the jobless household cohort, who may require particular assistance in areas such as adult literacy, may assist in reducing the problem but would also have a positive effect on intergenerational joblessness.

### *Further welfare reforms/interaction between welfare and activation*

The possibility for further welfare reforms along the lines of the Back to Work Family Dividend and the Housing Assistance Payment warrants examination and has been recommended by the European Commission. For example, is there potential for the loss

of certain payments, such as disability allowance, to be tapered as people return to work?

The Pathways to Work 2016-2020 document makes a commitment to expand the scope and coverage of activation, including to people who are unemployed but not in receipt of a welfare payment, those with a disability and carers whose caring responsibilities are complete. The document also outlines the intention to “ensure that unemployed people have a financial incentive to work and that the tax, welfare and employment policies and services of the State act to encourage the take-up of work.”

In time, and as capacity allows, activation policy should also extend beyond those on the Live Register to non-participants in the labour market. Depending on the progress of the labour market, there may be potential for JobPath to extend its remit.

There should also be a focus on ensuring that funding for employment supports is directed at those which have been shown to be most effective, while winding down those schemes which are less effective or were more suitable for periods of high unemployment.

The OECD, EU and World Bank are currently carrying out research on the “Faces of Joblessness”, which is aimed at developing an understanding of employment barriers in order to inform policy to combat them. Its report in respect of Ireland will be available in mid-2017 and should prove useful in the development of policy and targeting of investment.

Finally, this analysis has been conducted against the backdrop of the Country Specific Recommendation issued by the European Commission in 2015 which references the low work intensity issue. Under the EU fiscal rules, in certain circumstances where major structural reforms which would have positive effects on a country’s long term budgetary position are introduced, deviations from the rules are permitted. In light of the focus on jobless households in the 2015 CSR, some consideration could be given to the potential for structural reform in this area as provided for under the fiscal rules.

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