

Work and Poverty in Ireland, 2004-2010

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This briefing summarises the main findings from the research report *Work and Poverty in Ireland: an Analysis of the CSO Survey on Income and Living Conditions 2004 - 2010*. The research report examines the distribution of work in Ireland and its relationship to poverty. It covers the period 2004 to 2010, a time of rapid economic change, spanning both strong economic growth and deep recession.

The study examines two key indicators of work: jobless households and in-work poverty. These indicators provide novel insights into the role of work in preventing poverty in Irish households.

The research is timely given the Government decision in 2012 to set a sub-target for reducing poverty in jobless households, as part of the national social target for poverty reduction.

The report is an output of the Department of Social Protection/ Economic and Social Research Institute research programme on monitoring poverty trends.

Main Findings

- There has been an upward trend in the percentage of people in **jobless households** since the onset of the recession, rising from 15 per cent in 2007 to 22 per cent in 2010.
- By 2010, Ireland had twice the rate of jobless households as the EU-15 average (11 per cent). The UK is the next highest at 13 per cent.
- The high rate of jobless households reflects a structural problem partly caused by a high jobless rate among adults, and partly by jobless adults being less likely to live with working adults and more likely to live with children.
- People are more likely to live in a jobless household if the householder never worked; is in the unskilled manual/service class; has no educational qualifications; has a disability; lives alone or is a lone parent.
- A quarter of children live in jobless households, which raises the prospect of the intergenerational transmission of unemployment and poverty.
- Social transfers have become more effective in alleviating income poverty in jobless households, but there remains a strong connection with other measures of poverty. Jobless households account for almost two thirds of those in consistent poverty.
- Jobless households should be recognised as a risk factor for poverty and social exclusion and a group in need of targeted policy interventions and supports.
- The **in-work poor** are only a small proportion of the working population at 8 per cent. However, they account for almost a third of income-poor adults. Generally, the working poor are not a particularly disadvantaged group.



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Introduction

The research draws on data from the CSO *Survey on Income and Living Conditions* (SILC) from 2004 to 2010 to provide new insights into the relationship between work, unemployment and poverty. This relationship has assumed greater importance given the economic recession and the consequent rise in unemployment.

The research examines two key policy indicators used by the European Union (EU) and the Organisation for Economic Cooperation and Development (OECD). The first indicator is jobless households, as measured by household work intensity (Box 1). The second indicator is in-work poverty, as measured by at-risk-of-poverty (Box 2). Both measures focus on adults of working age. The jobless household indicator also includes dependent children.

Irish and EU policy is strongly focused on work as the primary route out of poverty. Critical factors for the success of this approach are an equitable distribution of work at the household level, and adequate earnings and other supports to lift working households out of poverty.

Recently, the issue of jobless households has been recognised as a key social indicator, both in the EU poverty target and the national social target for poverty reduction. Similarly, in-work poverty has been adopted by the EU as an official indicator for monitoring poverty trends.

This research briefing presents the report's findings on the following issues:

1. Why the rate of jobless households is so high in Ireland
2. Who is living in jobless households
3. The relationship between jobless households and poverty
4. The significance of in-work poverty
5. The policy implications of the research.

Box 1: Measuring jobless households by household work intensity

Jobless households are measured by the work intensity (WI) of the household. Work intensity refers to the ratio between the number of months that all working-age household members worked during the previous year and the total number of months that they could theoretically have worked. Work intensity is broken into five categories, based on the proportion of time spent in work:

| | |
|--------------|------------------------------|
| Very low WI | < 20 per cent |
| Low WI | 20 per cent to < 45 per cent |
| Medium WI | 45 per cent to < 55 per cent |
| High WI | 55 per cent to < 85 per cent |
| Very high WI | 85 per cent to 100 per cent |

A jobless household refers to a household with very low work intensity (i.e. less than 20 per cent of available adult time spent working), in line with the EU indicator.

A working-age person is defined as a person aged 18 to 59, excluding students aged between 18 and 24. The work intensity of the working-age members is applied to all children and students living in the household, excluding those aged 60+ years.

Box 2: Measuring in-work poverty by the at-risk-of-poverty threshold

In-work poverty is measured at the individual level. In this report it is the percentage of adults who are currently at work, either full-time or part-time, who also have an income below the at-risk-of-poverty threshold (set at 60 per cent of median income). In the report, to make sure the discussion of both indicators refers to the same adult population, the measure is confined to adults aged 18 to 59 in employment.

Section 1: Why the rate of jobless households is so high in Ireland

There was a sharp increase in the population in jobless households (i.e. very low work intensity) in Ireland following the start of the recession in 2008. Figure 1 shows the jobless rate increasing from 13 per cent in 2004 to 22 per cent in 2010. But the rate had been high compared to other EU countries even during the boom years of 2007 and earlier.

We can see from Figure 1 that as the recession continued, there was also an increase in the percentage of people living in low work intensity households (work intensity between 20 and 45 per cent), from 7 per cent in 2007 to 12 per cent in 2010. At the same time, there was a fall in the percentage living in fully employed households (from 31 to 24 per cent).

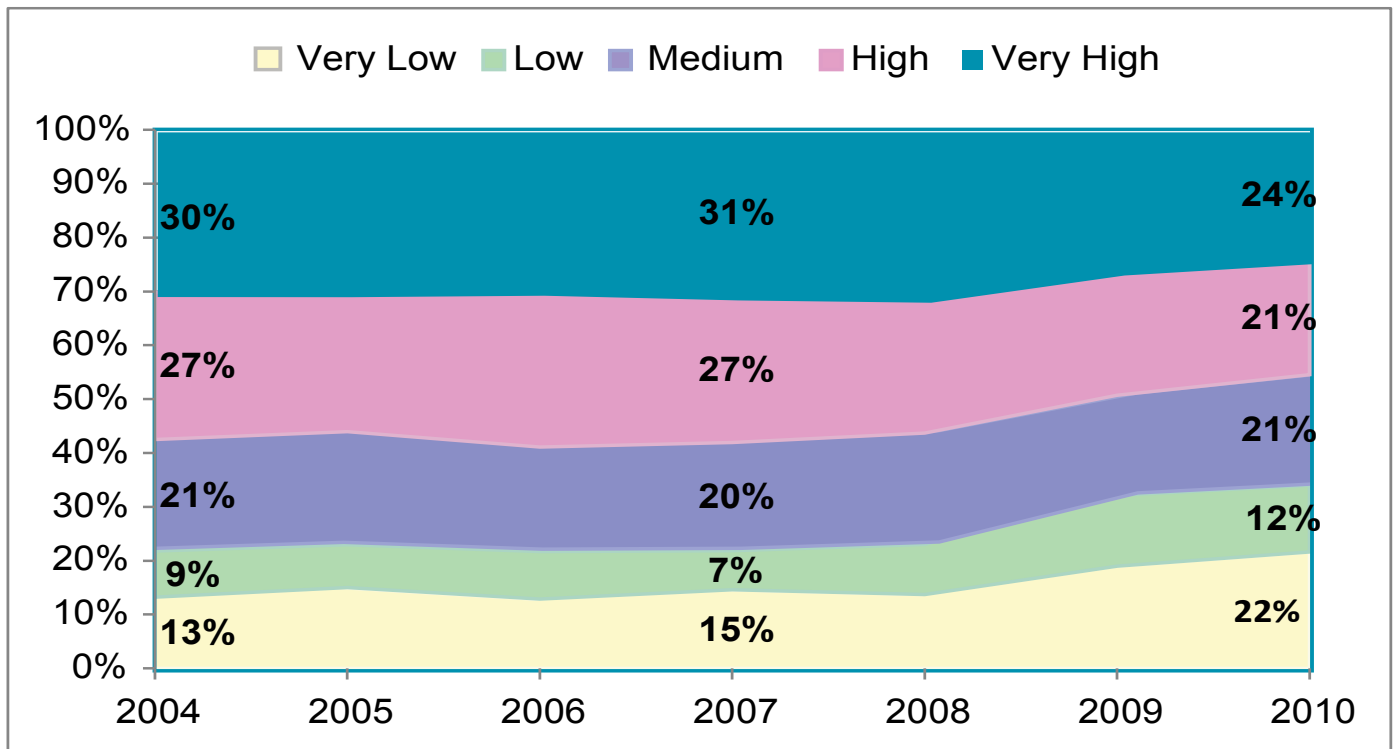
Much of this change in work intensity is due to changes in work patterns in couple households. These account for nearly three quarters of all

working-age adults and children under 18 years. These changes have resulted in a shift away from the traditional male breadwinner model (male working full time, female jobless). Male breadwinner households fell from 31 per cent of couples in 2004 to 23 per cent in 2010. Meanwhile, the percentage where neither partner is at work grew from 9 per cent in 2004 to 15 per cent in 2010.

Parallel to the rise in jobless households, there was an increase in welfare dependency among working-age adults, especially jobseekers, people who are ill or disabled, and carers.

Ireland has a much higher rate of jobless households than any of the other EU-15 member states. In 2010, the rate was 22 per cent in Ireland, compared to 13 per cent in the next highest country, the UK.

Figure 1: Trends in work intensity 2004-2010

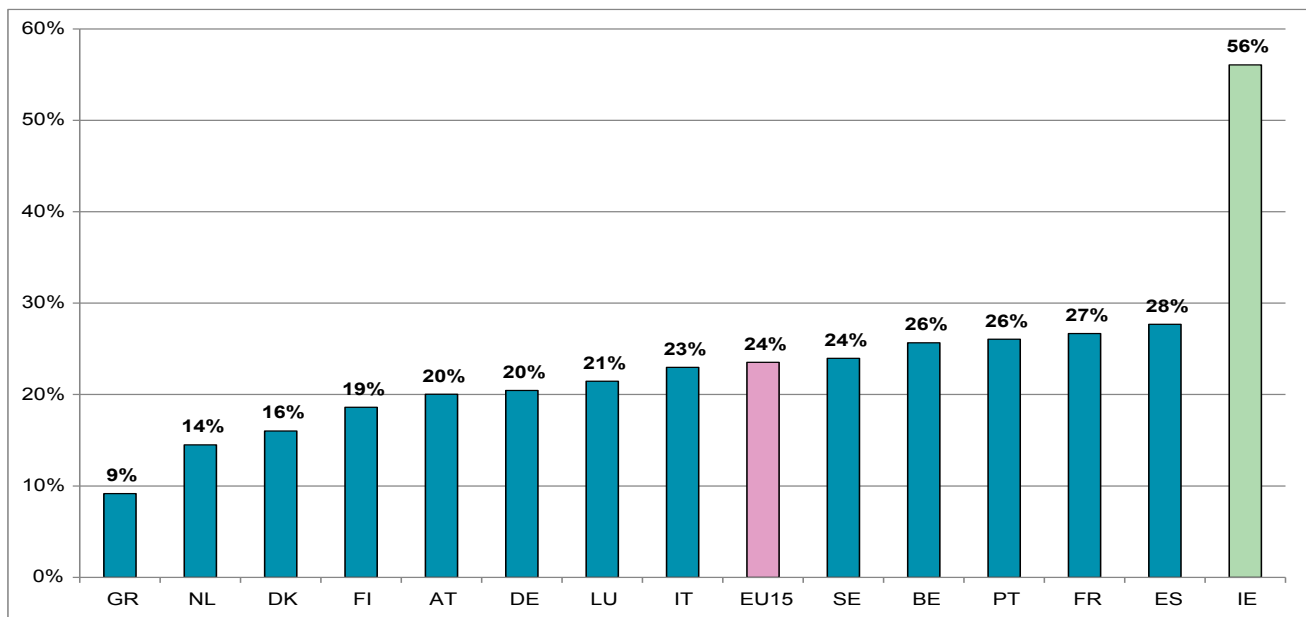


Part of the explanation for the high Irish rate is the high level of joblessness among the working-age population. In 2009, Ireland had the highest European level of economic inactivity at 42 per cent of the working-age population.

The analysis showed that other factors relating

to household composition are at play in Ireland: only about half of jobless working-age adults live with someone who works – one of the lowest rates in the EU; and the majority of adults in jobless households live with children (56 per cent), twice the average of the EU 15 in 2009 (Figure 2).

Figure 2: Percentage of adults in jobless households with children, 2009



Section 2: Who is living in jobless households?

The strongest risk factors for very low work intensity include aspects of the employability of the householder (such as level of education) as well as household structure.

Figure 3: 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, either social housing, local authority or private.

The adult

- has a disability.

The household type

- one person household
- lone-parent household.

The profile of jobless households is influenced but not dominated by these risk factors. For instance, nearly half of the jobless population are in households where the reference person is married. A similar proportion is in households

comprising two adults and one or more children. Eighteen per cent are adults with a disability and 41 per cent are people who live in a household with one or more adults with a disability. In almost one third of cases, the householder had no educational qualifications, or was unemployed.

A quarter of all children are in jobless households, and they represent one third of the total jobless household population. This raises the prospect of the intergenerational transmission of unemployment and poverty. Household joblessness is an important risk factor for child poverty.

Between 2004 and 2010, there was a big increase in the percentage of jobless householders who were unemployed (from 19 per cent to 31 per cent). In other respects, there appeared to have been some 'mainstreaming' of the profile of jobless households, as the recession drew larger numbers into the very low work intensity category.

The analysis compared the characteristics that distinguish the inactive adults who live in a jobless household from inactive adults who live with someone who is in employment. This issue is important because it indicates whether policies to promote employment need to be tailored to ensure that those in jobless households benefit.

It found that the two groups had quite different risk profiles, with a stronger pattern of educational and social class disadvantage characterising adults in jobless households. Compared to inactive adults who live with someone in employment, those in jobless households are more likely to have no

educational qualifications, to have never worked or to be in the unskilled manual social class. They are also more likely to be renters than homeowners, to be single rather than married and to either have a disability or live with someone with a disability.

Section 3: The relationship between jobless households and poverty

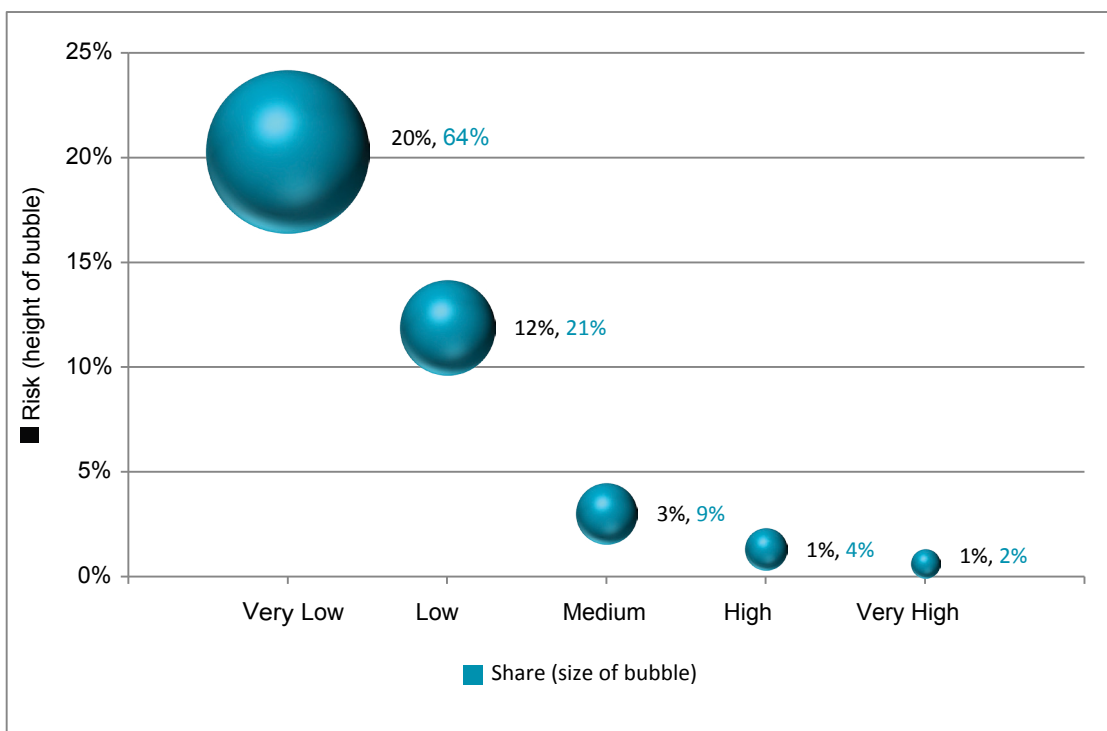
There is a much higher at-risk-of-poverty rate in 2010 for those in jobless (34 per cent) or low work intensity (22 per cent) households than in households with medium (16 per cent), high (8 per cent) or very high (4 per cent) work intensity. This pattern is even more pronounced when we look at consistent poverty (the overlap of at-risk-of-poverty and basic deprivation).

Figure 4 shows the share of the population in consistent poverty by household work intensity in 2010. Very low work intensity households comprise almost two-thirds of all those in consistent poverty, a finding of major

significance for the achievement of the national social target for poverty reduction. This is linked to their high poverty risk (20 per cent).

Figure 4 also shows there is a further 21 per cent of the poverty population in low work intensity households (also with a high poverty risk at 12 per cent). By contrast, high work intensity and very high work intensity households comprise only 4 per cent and 2 per cent of the population in consistent poverty respectively, reflecting their very low poverty risk (1 per cent).

Figure 4: Consistent poverty by household work intensity, SILC 2010

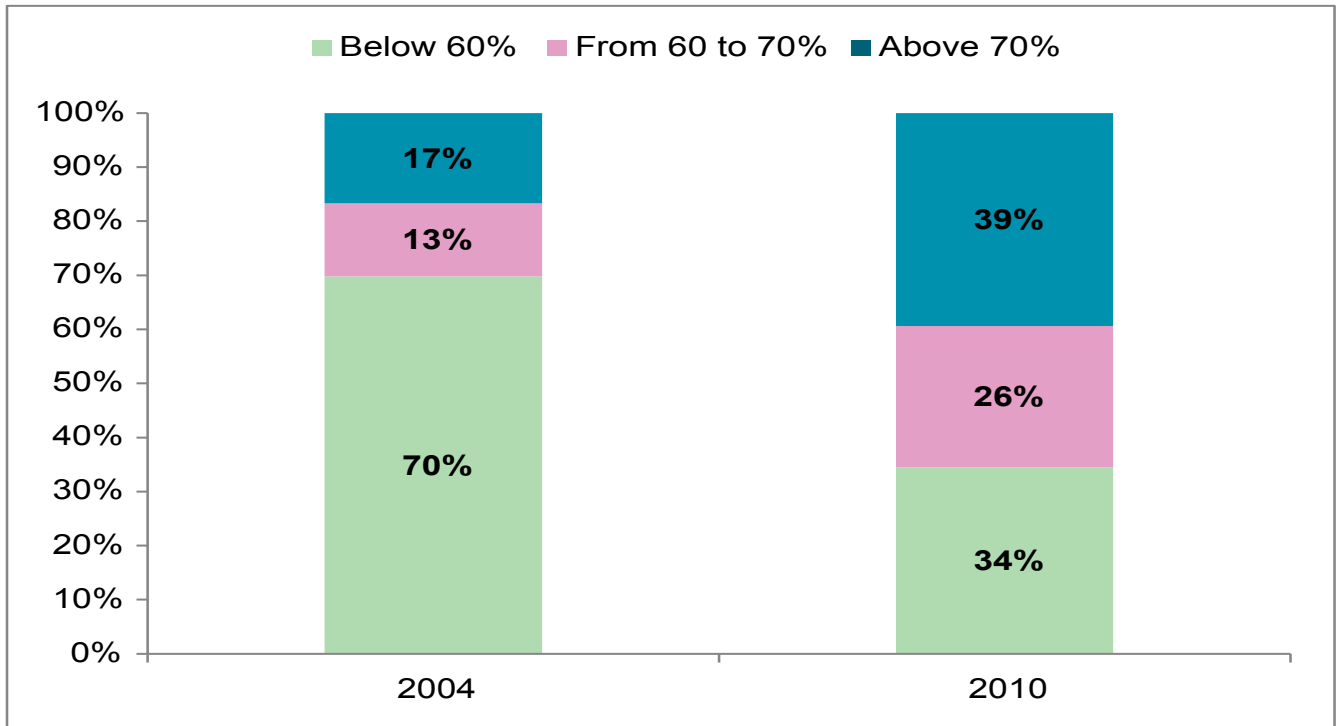


It is also noteworthy that the consistent poverty rate for children in jobless households is 22 per cent. Furthermore, almost two-thirds (63 per cent) of all children in consistent poverty are in these households.

Figure 5 illustrates the at-risk-of-poverty rates for jobless households between 2004 and 2010. The percentage below the 60 per cent threshold (blue band) dropped by about one half (from 70 per cent to 34 per cent). This

change appears to be entirely due to the impact of social transfers: there is no decline in the before-transfer at-risk-of-poverty rate for those in jobless households in the period. At the same time, the percentage between the 60 per cent and 70 per cent thresholds (pink band) doubled (from 13 to 26 per cent) and the percentage above the 70 per cent threshold (turquoise band) more than doubled (from 17 to 39 per cent).

Figure 5: At-risk-of-poverty (60 per cent and 70 per cent thresholds) for jobless households, SILC 2004 & 2010



Compared to other European countries during this period, social transfers in Ireland were considerably more effective in reducing poverty.

Work intensity is also strongly associated with basic deprivation, high levels of economic stress and economic vulnerability. These relationships did not show the same tendency to weaken over time as observed for the at-risk-of-poverty indicator.

Section 4: The significance of in-work poverty

In 2010, the in-work poor accounted for 4 per cent of the population aged 18 to 59 years and 8 per cent of the working population aged 18 to

59 years. However, they accounted for almost one third (30 per cent) of the working-age population who are poor.

Figure 6: Distribution of working-age population across work and poverty categories, 2004 to 2010

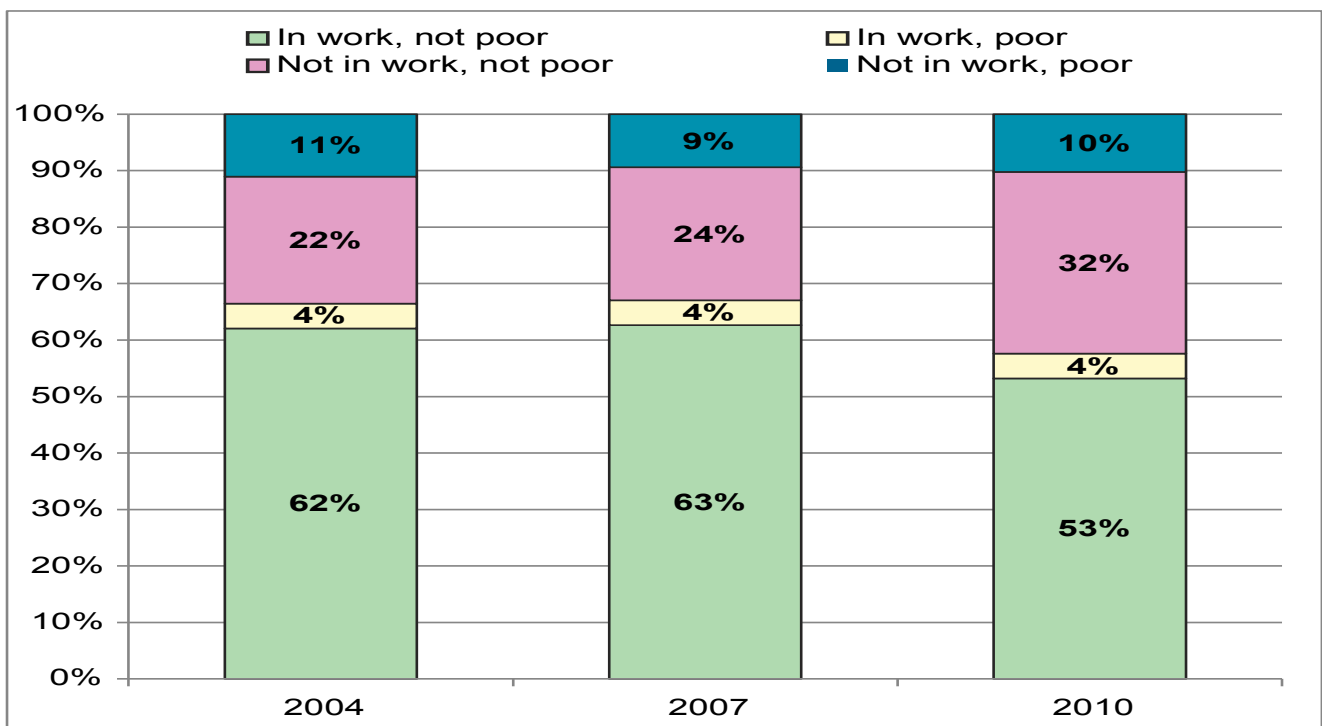


Figure 6 shows how the distribution of the working-age population across the work and poverty categories changed from 2004 to 2010. The main changes occurred after the start of the recession, between 2007 and 2010 and have impacted more on the non-poor rather than for the poor. There was a fall in the percentage of adults who are in work and not poor (from 63 per cent in 2007 to 53 per cent in 2010 – green band). At the same time, there was an increase in the percentage of adults who are not poor and not at work (from 24 per cent in 2007 to 32 per cent in 2010 – pink band).

Compared to these changes, there was less change among the poor. The percentage of the population not at work and poor remained in the range of 9 per cent to 11 per cent throughout the period. The percentage in work and poor remained at about 4 per cent over the period. The main risk factors for in-work poverty are:

- self-employment (odds 6.2 times those of managers/professionals)

Section 5: Policy Implications

The main policy implications of the report are:

- Attention needs to be paid to household joblessness as a risk factor for social exclusion in its own right - independently of unemployment. The work intensity indicator is broader than the measure of unemployment because it takes into account the activity status of all adults in the household. In addition, the high rate of jobless households is not completely explained by the unemployment rate – other factors such as living arrangements and other forms of inactive status are also relevant.
- The Government's social target for poverty reduction recognises the importance of addressing household joblessness. Maintaining income support for those in jobless households (to prevent an increase in consistent poverty), is important, particularly given that over half of those living in jobless households are either children under the age of 18 or adults with a disability.

- being in the routine (unskilled) social class (odds 2.5 times those of managers/professionals)
- having no educational qualifications (odds 1.9 times those of someone with of Leaving Cert level)
- working part-time (odds 2.0 times those of someone working full-time)
- being aged 55-59 (odds 1.8 times those aged 35-44).

The study examined the profile of the in-work poor and found that they are not a particularly disadvantaged group. Only one in eight had no educational qualifications, 39 per cent had third level qualifications and 44 per cent were self-employed. The in-work poor were also less likely than the non-working poor adults to be in economically vulnerable households or households experiencing basic deprivation. For groups such as lone parents and those with no educational qualifications, the main challenge is getting into employment rather than earnings and conditions once at work. In general terms, the in-work poor in 2010 appeared less disadvantaged (in terms of education, living with an adult with a disability, hours worked, social class) than the in-work poor in 2004.

- Labour market activation of adults in jobless household needs to be emphasised as a means of exiting poverty in the long term. Addressing household joblessness through activation policies is likely to be more complex and require a broader range of responses than addressing unemployment among those on the Live Register. As well as training and assistance in job search, childcare and services or supports specific to people with a disability will need to be included.
- The existing profiling models used to identify priority cases for activation purposes need to be reconfigured to (a) include the total jobless population of working age adults (including recipients of disability allowance and one-parent family payments) in addition to those on the current Live Register and (b) to profile the jobless population in terms of work-readiness, defined more broadly than the risk of long-term unemployment.

- Withdrawal of social welfare income and related in-kind benefits for those newly employed must be carefully planned to avoid the danger of inadvertently contributing to an increase in in-work poverty.
- Children living in jobless households are a particular concern because of the potential link to intergenerational poverty. An integrated response is required based on a multi-agency approach. In particular, activation programmes must be designed so as to ensure that parents can participate. In addition, the role of childcare in enabling parents to participate in the labour market needs to be considered. Developments at EU level, through the forthcoming EU Recommendation on Tackling Child Poverty, and at national level, through the Children and Young People's Policy Framework, will inform this response.

Publications

The research report *Work and Poverty in Ireland: an Analysis of the CSO Survey on Income and Living Conditions 2004-2010* is published at www.socialinclusion.ie and www.esri.ie. An Irish version of the research briefing is also available online.

A policy briefing on the national social target for poverty reduction is available at the above websites.

References

References are available in the main report.

The research report *Work and Poverty in Ireland: an Analysis of the CSO Survey on Income and Living Conditions 2004-2010* is jointly published by the Department of Social Protection and the ESRI as part of the Social Inclusion Report series. The authors are solely responsible for the views, opinions, findings, conclusions and/or recommendations expressed, which are not attributable to the ESRI who does not itself take institutional policy positions, nor are the views attributable to the Department. The researchers are responsible for the accuracy of the research and all reports are peer-reviewed.

ISBN: 978-1-908109-15-6

Department of Social Protection, Dublin, Ireland 2012