

Unemployment and poverty

Unemployment is the largest single cause of poverty in Ireland. Unemployed people are the most likely to be living in poverty and the least likely to get new jobs. The degree to which earnings are replaced by social welfare payments significantly impacts on the standard of living that unemployed people can maintain and therefore the extent to which they can avoid or fall into poverty.

Paid employment impacts on poverty when it provides an income that is sufficient to lift households out of poverty. Well-paid and secure employment for those most marginalised from the labour market is a key anti-poverty strategy. The National Anti-Poverty Strategy Working Group on Long-Term Unemployment considered that:

Paid employment should be available to all men and women currently in poverty who are seeking employment. This should be capable of providing adequate income, either on its own or when combined with other forms of support, sufficient to lift them out of poverty and should be available without barriers of discrimination.

KEY FACTS

- Unemployed households have a high risk of being in poverty. Over half the households defined as poor in the 1994 Living in Ireland Survey were headed by someone who did not have a paid job.
- Unemployment has been falling for a number of years¹. It has been falling faster among the under 25s than among the older age groups. However a large proportion of jobs have been going to people living in households with other employed people.
- Households with earners have a lower poverty rate than social welfare-dependent households. The level of income support payments for unemployed people influences their level of poverty and the severity of their poverty.
- Over 45 per cent of the total number of people who are unemployed are over 45 years of age.
- Over 75 per cent of people who are long-term unemployed² are over 25 years of age.
- High unemployment rates are particularly concentrated in local authority housing estates where up to one in three household heads are unemployed.
- Long-term unemployed people, as a percentage of the labour force, have dropped from 9 per cent in 1993 to 3.9 per cent in 1998. This is partly due to the huge increase of 222,000 in the labour force since 1993 mostly reflecting the much larger number of women in the workplace.

FACTORS CAUSING UNEMPLOYMENT

The high rate of natural increase in the labour force arising from a substantial youth population, low emigration, high immigration and the substantial increase in participation of married women in the labour force characterize the supply of labour in Ireland. Technological change, the continuing reduction in agricultural employment, the increased participation of women in the labour force and services sector growth are recent factors affecting the demand by employers for labour. Unemployment currently prevails alongside spectacular employment growth in this changing labour market.

Job creation and falling unemployment will not necessarily result in a drop in the number living in poverty. New jobs are more likely to be filled by people who are not living in poverty than by people who are. In the early years of the current economic boom a sharp increase in the number at work was not reflected in a drop in unemployment levels because many of the jobs were going to people who had not been defined as unemployed e.g. young well-qualified labour market entrants, women and returned emigrants. Unemployment is currently falling. However people moving into low paid and insecure jobs may be at risk of becoming the "working poor".

1 There are three main methods of measuring unemployment. These are the Quarterly National Household Survey (formerly the Labour Force Survey); the Live Register and the Census of Population. The Quarterly National Household Survey comprises two approaches: the Principal Economic Status (PES) measure and the International Labour Office (ILO) method. The latter is used in state and official statistics and was the measure used in the setting of an unemployment target in the National Anti-Poverty Strategy. The Live Register is the monthly figure of unemployment derived from the Department of Social, Community and Family Affairs claimant count of those on Unemployment Benefit and Assistance and those signing for credits (mostly married women). A more detailed description explaining these data and the divergences in unemployment counts they give rise can be found in the NESF (1997), *Unemployment Statistics, Forum Report No. 13*. Dublin: National Economic and Social Forum.

2 Long-term unemployment refers to people who are unemployed continuously for twelve months or more.



poverty

Low educational qualifications and inappropriate labour market experience means that many unemployed people lack the skills and education to compete for decently paid and secure jobs in the labour market. For many older long-term unemployed people, the changing nature of work has meant that their skills, once in demand in the labour market, are now redundant. An inadequate provision of appropriate replacement jobs has contributed to establishing an extended period of long-term unemployment. This mismatch between the skills being demanded by employers and the skills on offer by unemployed people is often referred to as structural unemployment.

Educational attainment determines both access to employment and level of income derived from employment. 1991 Labour Force Survey data revealed that:

- just under 50 per cent of the long-term unemployed had attained at most primary education compared to 24 per cent of the short-term unemployed;
- only 20 per cent of the long-term unemployed had qualifications equivalent to Leaving Certificate or higher compared with 40 per cent of the short-term unemployed and over 50 per cent of those in employment.

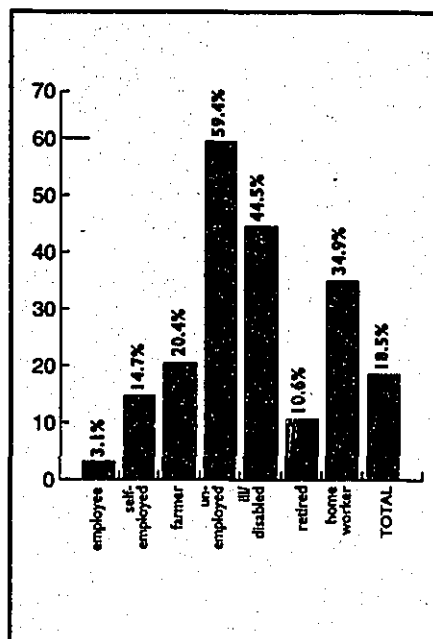
Early school leavers with no qualifications are at high risk of poverty and unemployment. Annually, approximately 20 per cent of school-goers leave the education system with no or poor educational qualifications suggesting their vulnerability to future long-term unemployment. In a period of employment growth, school-goers may be tempted to leaving school without qualifications or with poor qualifications for low paid temporary jobs. Without adequate in-work education and training, the long-term consequence of this may be their vulnerability to unemployment in the future.

Recruitment practices, employer discrimination and unemployment traps³ are also contributory factors to unemployment.

UNEMPLOYMENT AND POVERTY⁴

The National Anti-Poverty Strategy (NAPS)⁵ recognises unemployment as the most important cause of poverty.

Table 1: Risk of Poverty by Labour Force Status of Household Head 1994 (50% relative poverty line)



The link between unemployment and poverty is particularly strong in the case of the long-term unemployed and those excluded from the labour market. Unemployment is the largest single cause of poverty in Ireland. Over half the households defined as poor in the 1994 Living in Ireland Survey (Table 1) were headed by someone who did not have a job. Household heads are likely to have dependants. There is, therefore, a high risk of poverty when the household head is long-term unemployed (receiving Unemployment Assistance), when no other person in the household is in paid work and when there are dependant children.

Class is a key determinant of poverty. Research highlights that the risk of being poor is influenced by current labour force status and the extent of unemployment experienced in the past. It also suggests that people in the unskilled manual class face a twenty times greater poverty risk than people in the professional and managerial classes. The poverty risk is also higher for people in the unskilled manual class, and who are originally from that class, than for those from a higher class.

The degree to which earnings are replaced by social welfare payments significantly impacts on the standard of living that people who are unemployed can maintain and therefore the extent to which they can avoid or fall into poverty. The level of basic social welfare

payments and Child Benefit in particular are important influences on the level and severity of poverty within households headed by an unemployed person. The current individual social welfare rate for an unemployed person (both short-term and long-term unemployed) ranges from £68.40 - £70.50 per week. In November 1998, some 80 per cent of Live Register recipients got less than £100 per week; 14 per cent got between £100 and £150 and 6 per cent got over £150. Factors such as number of dependants, whether adult or child dependants influence the size of a weekly payment.

Social welfare payment levels are announced each year in the Government's budget. There is no statutory provision in Ireland for establishing a basis for uprating social welfare rates. The European Union's work on the convergence of social protection policies suggests that social welfare systems "should provide employed workers who cease work at the end of their working lives or who are forced to interrupt their careers due to sickness, accident, maternity, invalidity or unemployment with a replacement income which will maintain their standard of living in a reasonable manner"⁶. It is sometimes argued that the level of social welfare rates create a financial disincentive for unemployed people to take up paid work. Depending on household circumstances and composition, this 'unemployment trap' affects transitions for unemployed people from welfare to low paid and/or insecure jobs. The interaction of wage levels and the tax and social welfare systems are important factors in supporting unemployed people into decently paid and secure job opportunities.

As an anti-poverty strategy, social welfare rates need to keep pace with the general standard of living in society. In times of low inflation, uprating in accordance with rises in income from earnings may be appropriate while in times of high inflation uprating in accordance with rises in prices may be more appropriate.

Trends in long term unemployment, unemployment and employment over recent years are indicated in Table 2. Being out of work is not necessarily the same as being poor, because savings, redundancy payments, or family support can, for instance, provide a financial cushion during a short period out of work. Over time, unemployment causes

3. Unemployment trap refers to barriers to employment caused by the operation of the tax and social welfare systems whereby income from paid work may not be equal to or not be more than welfare income.

4. Poverty is understood as having a household income of less than half the national average disposable (post-tax) household income. In 1998 terms, the 50% poverty line for an individual adult equalled £69 per week. Poverty is not just about income. It is also about having adequate resources to participate in society.

5. The NAPS is a ten year government strategy to reduce overall long-term poverty from 9-15% of the population to 5-10% by 2007.

6. Cousins M. (1997). Income Adequacy and Poverty in A Selection of Papers from Combat Poverty Agency Policy and Research Conference 'Prioritising Poverty'. Dublin: Combat Poverty Agency

these resources to be used up. However, even a long period out of work may not result in poverty where members of a household, other than the household head, are earning.

Paid employment providing a decent wage is the factor most likely to raise a household out of poverty. It has been shown that the average family income is increased by almost 50% when the head of household gets a job⁷.

WHERE IS UNEMPLOYMENT?

The highest risk of unemployment is found in villages and small towns, the lowest in open country areas and Dublin. Over 60 per cent of households are located in either Dublin or open country; these areas contain 46 per cent of households with an unemployed head. The highest unemployment rate is found among local authority housing estates, where one in three household heads are unemployed. Over a third of the long-term unemployed also live in local authority estates compared to just over a fifth of the short-term unemployed and a tenth of those in employment⁸. The unemployment rate for local authority tenant purchasers and private rented household heads is 16 per cent while it is 6 per cent for household heads in owner-occupied households (with or without a mortgage)⁹. This suggests that while unemployment is nationally spread, it is also concentrated locally.

DISTRIBUTION OF UNEMPLOYMENT/EMPLOYMENT

A 1994 study¹⁰ revealed the unequal burden of unemployment. About 70 per cent of those employed in the study who had some unemployment spent less than half the year in unemployment. Two-thirds of the unemployed spent the whole year in unemployment. At the time of survey, of people who had more than five years experience of unemployment, 43 per cent were then unemployed, 15 per cent were employees; 10 per cent retired; nine per cent disabled and seven per cent in home duties. They were predominantly men (87 per cent).

Employees with no unemployment experience face a very low risk of poverty. There is a high poverty risk for people with more than two years unemployment in their careers.

Table 2: Labour Force Data (ILO) Basis

Year	1993	1995	1997
Numbers (thousand)			
Males LTU	84.7	70.2	58.8
Females LTU	40.7	33.1	27.5
Total LTU	125.4	103.3	86.3
Total unemployed	220.1	177.4	159.0
LTU as % of total unemployed	57%	58%	54%
Employment	1,183	1,282	1,380

Source: 1997 CSO Labour Force Survey

Table 3

Households	1992	1997
With no member at work	367,500	375,000
of which		
No member looking for work	100,700	80,500
Two or more members at work	306,300	391,900
Total number of households	1,094,500	1,191,900

Source: 1992, 1997 CSO Labour Force Survey

There are also differences in the gender distribution of unemployment. Conventional methods of measuring unemployment are criticised for not adequately recording women's economic activity/inactivity. The 1997 Labour Force (ILO) suggests that over 62,000 of the unemployed were women while over 97,000 were men.

The relationship between unemployment experience and poverty risk¹¹ is strong. The poverty risk increases significantly as the extent of unemployment in a previous year increases and the highest risk is experienced by people out of work all year and out of work for long periods of their careers. In this way the standard of living enjoyed by people is strongly influenced by their long-term labour market experience. There is a very strong link between the length of time a person is unemployed and their prospect of remaining unemployed:

- a person unemployed for less than a year has a 30 per cent chance of being unemployed a year later;
- a person unemployed for over a year but less than two years has a 61 per cent chance of being unemployed a year later and
- a person unemployed for over two years has a 74 per cent chance of being unemployed one year later. This figure rises to over 80 per cent for males aged

25-44 and to 90 per cent for males aged 45-54.¹²

There is also some evidence of an unequal sharing of employment. The number of households with two or more income earners has risen sharply in recent years but there has also been a rise in the number of households with no wage or salary earner as Table 3 shows.

Women and men differ in their sharing of paid work. There are differences in the types of jobs they occupy and the wages earned. Women are over-represented in clerical, professional/technical and service occupations and are more likely to work in jobs with lower pay and poor conditions. With more married women joining the labour force two, or more, income families are fast becoming the norm with a significant proportion of new jobs going to members of households in which there is already a wage or salary earner. Historically Ireland has had markedly low labour market participation by women. During the 1990s there has been a radical increase in the numbers of women taking up or staying in employment. In 1992 there were 199,300 married women in full or part-time employment. This had risen to 262,500 by 1997.

Although the number of households with no member in paid employment has been rising there has been a fall in

7. NESF (1994). *Ending Long-term Unemployment*. Dublin: National Economic and Social Forum

8. Williams J. & B. Whelan (1994). *The Dynamics of Poverty*. Dublin: Combat Poverty Agency

9. Nolan B. et al. (1998). *Where are Poor Households? The Spatial Distribution of Poverty and Deprivation in Ireland*. Dublin: Oak Tree Press in association with the Combat Poverty Agency.

10. Nolan B. et al. (1994). *Poverty and Time: Perspectives on the Dynamics of Poverty*. Dublin: ESRI

11. Poverty risk refers to the proportion of a group who live in poverty.

12. NESF (1994) op.cit

the number of such households in which there is a member actually looking for work and thereby defined as unemployed.

EFFECTS OF UNEMPLOYMENT

Unemployment and poverty seriously impact on psychological health¹³ where the stress within a household of coping with inadequate economic resources deteriorates the mental health of its members. Employment, as well as providing income, serves a number of functions such as providing status, a social role, social support networks. Through unemployment, the unemployed person experiences a loss of self-esteem. This is brought about by the erosion of the economic and social functions of employment. For married women, the unemployment of their husbands has a major impact on their mental health.

Unemployment also impacts on child poverty levels. Half of the children living in poverty live in households where the 'head' is unemployed. The children of unemployed parents are more likely to experience educational disadvantage, are vulnerable to unemployment and at risk of an inter-generational cycle of poverty and disadvantage.

Local and high concentrations of unemployment and poverty also impact on the economic, social and physical environments of local communities. Socially segregated and concentrated in local authority housing, there may also be inadequate private and public provision of services, facilities and amenities.

POLICY IMPLICATIONS

While job creation through sustained economic growth is a necessary requirement in tackling unemployment, the impact on poverty of rising employment levels depends on who gets the jobs.

The National Anti-Poverty Strategy set a target of reducing the unemployment rate from 11.9 per cent in 1996 to 6 per cent in 2007 (ILO measure). Within that target the aim is to halve the long-term unemployment rate to 3.5 per cent over the same period. By April 1998 over two-thirds of the target in relation to unemployment has been achieved and the long-term unemployment target has almost been reached. However, the achievement of the NAPS target, while welcome, still leaves many thousands of long-term unemployed.

As a result of EU priorities, reflected in National Action Plans on employment, there is an emphasis on preventative measures to stem the flow into unemployment rather than remedial measures to support the reintegration the long-term unemployed into the labour market. A newly published EU Employment Action Plan 1999 offers 20 guidelines for tackling promoting employment. Each EU member state is required to produce a National Action Plan to respond to these areas of policy. The 20 guidelines include:

1. Offer a new start to young people before reaching 6 months of unemployment
2. Offer a fresh start to unemployed adults within 12 months of being unemployed
3. Increase the numbers in active measures to 20%
4. Review and re-design benefit and tax systems to ensure take up of work or training
5. Social partners to agree to increase training and similar measures
6. Member states and social partners to develop lifelong learning possibilities
7. Substantially reduce drop out from school system
8. Better equip young people for the labour market
9. Specific attention to the needs of the disabled, ethnic minorities and other disadvantaged groups
10. Reduce the administrative burden on small and medium enterprises
11. Encourage self-employment
12. Promote measures to increase job creation at local level, in the social economy
13. Develop a policy framework to fully exploit the employment potential of the services sector, in particular in the information society
14. Set targets for reducing overall tax burden
15. Agreements with social partners, especially on more flexible work arrangements
16. Examine ways of incorporating into law more adaptable types of work contracts
17. Reduce obstacles to investment in human resources and provide incentives for in-house training
18. Reduce gap in unemployment rates between men and women
19. Promoting family-friendly policies, including access to care services for children and other dependents
20. Specific provision for women, and men, wishing to return to the workforce after an absence

13. Nolan B. and T. Callan. (1994) op. cit.