

# Work and Poverty in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004-2010

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## Foreword from the Minister

I welcome the publication of this important new report on the distribution of work and its relationship with poverty in Irish society. How work is shared among the population and among households has to date not received adequate attention from researchers or policymakers. There is an exclusive focus on the employment status of individuals, yet most people of working age live with other adults in households, and often with children. The household circumstances of the jobless have assumed greater importance with the onset of the economic recession and the rise in unemployment.

The report has done an excellent service in highlighting the problem of jobless households in Ireland, which was eclipsed by the unemployment problem but is now receiving more attention. It brings into public focus the large proportion of the population – 22 per cent – in such households, as well as their many vulnerabilities. Jobless households represent a severe form of exclusion from the labour market, which includes many vulnerable groups such as the long-term unemployed, people with disabilities and lone parents. The fact that there are many children amongst their midst raises a further set of issues to do with lifetime opportunities and the intergenerational transmission of poverty.

One positive finding in the report is the vital role played by welfare payments and other social transfers in lifting jobless households out of financial poverty. Ireland is somewhat unique in Europe in the extensive financial support it provides for jobless households. This support has continued despite measures taken to restore order to the public finances as part of EU-ECB-IMF programme. This shows the Government's commitment to protecting the most vulnerable. Despite this achievement, jobless households remain a high risk group for non-monetary forms of poverty.

In the longer-term, welfare supports alone are not the solution to jobless households. We need to address the underlying problem: how can we ensure better access to employment in households where at the moment there is none? The report provides valuable policy guidance about how labour market policy could to be better aligned with the needs of jobless households.

My department is at the forefront of this Government's response to unemployment, as outlined in the policy statement *Pathways to Work*. Central to my department's role is the development of *Intreo*, the integrated employment and support service. *Intreo* is a proactive intervention targeted at unemployed welfare recipients, with the aim of getting people back to work as quickly as possible. It is important that we do not repeat the mistakes of the 1980s when high levels of unemployment resulted in a problem of structural unemployment that continued long after the recession was over.

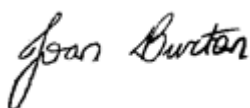
A sign of the Government's intent on tackling jobless households is the recent decision to adopt a specific sub-target on reducing poverty among this group, as part of the revised national social target for poverty reduction. The sub-target aims to reduce consistent poverty to 4 per cent by 2016 and to eliminate it by 2020. Reducing the level of jobless households will be critical to achieving this target, as two-thirds of the target population live in jobless households.

I am particularly concerned about the situation of children living in jobless households. There are grave social and economic risks in letting almost a quarter of Irish children grow up in jobless households. These risks include child poverty, limited educational achievements and ultimately, the intergenerational transmission of unemployment and poverty. It is for this reason that my Department provided financial support in Budget 2013 to the new area based approach to child poverty being developed by the Department of Children and Youth Affairs and the Office of the Tánaiste.

It is important to note that jobless households are not just an Irish problem but a European issue. Indeed, the EU has highlighted jobless households as a priority group for its policy of 'active inclusion' under the *Europe 2020 Strategy* for jobs and growth. When Ireland assumes the Presidency of the EU in 2013, I will seek to ensure that jobless households remain a priority on the European policy agenda.

The report also examines the issue of in-work poverty. While it finds this is not a significant issue in Ireland currently, we need to remain vigilant in ensuring that people have access to quality work which rewards them adequately.

Finally, I wish to compliment the research team in the ESRI and UCD responsible for this pioneering study: Dorothy Watson, Bertrand Maître and Christopher Whelan. I also want to thank the staff in the social inclusion division in the department who initiated the study and managed it through to its publication.



Joan Burton TD  
Minister for Social Protection



## **Brollach ón Aire**

Cuirim fáilte roimh an tuarascáil thábhachtach seo a foilsíodh ar dháileadh na hoibre agus ar a ghaolmhaireacht leis an mbochtaineacht i sochaí na hÉireann. Níl dóthain airde tugtha go dtí seo ag an lucht taighde ná ag an lucht déanta beartas ar an gcaoi a roinntear an obair i measc an phobail agus i measc na líonta tí. Ní dhírítear béim ach ar stádas fostaíochta an duine aonair, mar sin féin cónaíonn an chuid is mó de dhaoine in aois fostaíochta le daoine fásta eile i líonta tí, agus le leanaí go minic. Tá níos mó tábhachta bainte amach ag dálaí an lín tí ina bhfuil an duine dífhostaithe, i bhfianaise an chúlaithe gheilleagraigh agus i bhfianaise an ardaithe ar an dífhostaíocht.

Tá an-fónamh déanta ag an tuarascáil trí bhéim a leagan ar fhadhb na líonta tí gan duine fostaithe in Éirinn, rud ar tharraing fadhb na dífhostaíochta ní ba mhó airde ná é ach rud ar a dtugtar a thuilleadh airde anois. Tarraingíonn sí aird an phobail ar chéatadán mór an daonra – 22 faoin gcéad – i líonta tí dá leithéid, chomh maith lena leochaileachtaí líonmhara. Is éard atá sna líonta tí gan duine fostaithe ná cineál tromaí eisiata ó mhargadh an tsaothair, rud a chuimsíonn mórán dreamanna leochaileacha mar dhaoine atá dífhostaithe le fada, daoine faoi mhíchumas agus tuismitheoirí aonair. Eascraíonn saincheistean eile ó thaobh deiseanna saoil agus seachadadh na bochtaineachta ó ghlúin go glúin ó líonmhaireacht na leanaí i measc na líonta tí seo.

Tátal dearfach amháin sa tuarascáil is ea an cion bithriachtanach feidhme a chomhlíonann na híocaíochtaí leasa agus na haistrithe sóisialta eile ó thaobh líonta tí gan duine fostaithe a thabhairt amach as an mbochtaineacht airgid. Tá Éire mós uathúil san Eoraip ó thaobh na mórthacaíochta airgeadais a chuirtear ar fáil do líonta tí gan duine fostaithe. Leanadh den tacaíocht seo d'ainneoin na mbeart a rinneadh chun ord a chur ar ais san airgeadas poiblí mar chuid de chlár an AE-BCE-CAI. Taispeánann sé seo tiomantas an Rialtais do chosaint na ndaoine is leochailí. D'ainneoin an éachta seo, is dream i bhfíorbhaol fós iad na líonta tí gan duine fostaithe ó thaobh chineálacha neamhairgeadaíochta na bochtaineachta.

Ní haon réiteach ar na líonta tí gan duine fostaithe iad na tacaí leasa ar bhonn fadréimhseach. Is gá dúinn aghaidh a thabhairt ar an bhfadhb bhunúsach: conas is féidir linn fáil níos fearr ar an bhfostaíocht a chinntiú i gcás na líonta tí nach bhfuil fáil iontu ar an bhfostaíocht i láthair na huaire? Tugann an tuarascáil treoirbheartas luachmhar maidir leis an gcaoi a bhféadfaí comhréir nób fhearr a dhéanamh idir beartas mhargadh an tsaothair agus riachtanais na líonta tí gan duine fostaithe.

Tá mo Roinn ar thús cadhnaíochta na freagartha ón Rialtas seo ar an dífhostaíocht, mar a léirítear sa ráiteas beartais *Bealaí chun Oibre*. Cuid lárnach de chion feidhme mo Roinne is ea forbairt a dhéanamh ar *Intreo*, seirbhís chomhtháite na fostaíochta agus na tacaíochta. Is

éard atá in *Intreo* ná tionscaint réamhghníomhach a dhírítear ar dhaoine dífhostaithe a fhaigheann an leas sóisialach, arb í is aidhm léi ná daoine a chur ar ais ag obair chomh sciobtha agus is féidir. Tá sé tábhachtach nach ndéanfimid arís botúin na n-ochtóidí nuair a tháinig an dífhostaíocht struchtúrach, a lean ar feadh na mblianta i bhfad tar éis dheireadh an chúlaithe, mar thoradh ar leibhéil arda na dífhostaíochta.

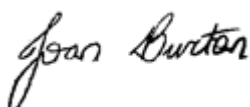
Is comhartha chuspóir an Rialtais ó thaobh dul i ngleic leis na líonta tí gan duine fostaithe é an cinneadh a rinneadh le déanaí go nglacfaí fo-spríoc ar leith chun an bhochtaineacht a laghdú i measc an dreama seo, mar chuid den spríoc shóisialta náisiúnta athbhreithnithe chun an bhochtaineacht a laghdú. Tá sé mar aidhm ag an bhfo-spríoc an bhuanbhochtaineacht a laghdú go 4 faoin gcéad faoin mbliain 2016 agus deireadh a chur léi faoin mbliain 2020. Chun an spríoc seo a bhaint amach, beidh sé ríthábhachtach go laghdófar leibhéal na líonta tí gan duine fostaithe, toisc go gcónaíonn dhá thrian den spríocdhaonra i líonta tí gan duine fostaithe.

Tá imní orm go háirithe mar gheall ar staid na leanaí a chónaíonn i líonta tí gan duine fostaithe. Baineann mórphriacail gheilleagracha shóisialta le ligean do bheagnach an ceathrú cuid de leanaí na hÉireann a bheith ag fás aníos i líonta tí gan duine fostaithe. Áirítear ar na priacail seo bochtaineacht linbh, gnóthachtálacha teoranta oideachais agus, ar deireadh, seachadadh na dífhostaíochta agus na bochtaineachta ó ghlúin go glúin. Is dá thoradh seo gur chuir mo Roinn tacaíocht airgeadais i gCáinainéis na bliana 2013 ar fáil don chur chuige nua i leith na bochtaineachta linbh a bheadh bunaithe sa cheantar agus a bheadh á shaothrú ag an Roinn Leanaí agus Gnóthaí Ógra agus ag Oifig an Tánaiste.

Tá sé tábhachtach go dtabharfar faoi deara nach fadhb iad na líonta tí gan duine fostaithe a bhaineann le hÉirinn amháin ach gur saincheist í seo a bhaineann leis an Eoraip ar fad. Déanta na fírinne, tá béim curtha ag an AE ar na líonta tí gan duine fostaithe mar dhream tosaíochta i gcomhair a bheartais i dtaca le 'cuimsiú gníomhach' faoin Straitéis *Eoraip 2020* ar mhaithe le poist agus fás. Nuair a ghlacfaidh Éire le hUachtaránacht an AE sa bhliain 2013, féachfaidh mé lena chinntiú go bhfanfaidh na líonta tí gan duine fostaithe mar thosaíocht ar chlár beartais na hEorpa.

Thairis sin, scrúdaíonn an tuarascáil saincheist na bochtaineachta ag an obair. Cé go bhfionnann sé nach saincheist shuntasach in Éirinn í seo faoi láthair, is gá dúinn a bheith san airdeall go gcinnteofar go mbeidh fáil ag daoine ar obair ar ardchaighdeán a thabharfaidh leorluach saothair dóibh.

Mar fhocal scoir, is mian liom moladh a dhéanamh ar an mbuíon taighde san Institiúid um Thaighde Eacnamaíochta agus Sóisialta agus sa Choláiste Ollscoile, Baile Átha Cliath, a bhí freagrach as an staidéar ceannródaíoch seo: Dorothy Watson, Bertrand Maître agus Christopher Whelan. Is áil liom freisin mo bhuíochas a ghabháil leis an bhfoireann sa rannán um chuimsiú sóisialta sa Roinn a thionscain an staidéar agus a bhainistigh é go dtí gur foilsíodh é.



Joan Burton TD  
Aire Coimirce Sóisialaí

## Executive Summary

There is broad recognition of the crucial role of employment in preventing poverty and in enabling poor households to move out of poverty (ILO, 2005; Caputo, 1991; OECD 1998, 2004). In this report we examine in detail the relationship between work and poverty in Ireland from 2004 to 2010 – a period of rapid economic change, spanning both strong growth and recession. Ireland is an interesting case because of the depth of the recession and because, even during the boom years of the early 2000s, the rate of joblessness at household level was very high by European standards. Throughout the report we focus on adults of working age (taken as age 18 to 59, following Eurostat conventions) and the children who depend on them.

We consider two key indicators related to work and poverty. The first is household joblessness, measured using the EU ‘very low work intensity’ (VLWI) indicator. A household is considered in VLWI when the working-age adults were in employment for less than one fifth of the available person-months (with an adjustment for part-time work) over the previous year. The rate of VLWI in Ireland, as noted above, was very high by European standards at the end of the 2000s. In 2010, the rate in Ireland (22 per cent) was more than double the average across the EU 15 countries.

The second indicator is in-work-poverty, where an adult lives in a household where the total income, after adjusting for household size and composition, is below the at-risk-of-poverty threshold (60% of median household income).

We draw on the Central Statistics Office (CSO) Surveys on Income and Living Conditions (SILC) from 2004 to 2010 to address a number of research questions:

1. Why is the rate of VLWI so high in Ireland, compared to other EU countries?
2. What impact has the recession had on household work patterns?
3. What are the characteristics of VLWI households?
4. Has the relationship between VLWI and poverty changed over time?
5. How significant is in-work poverty (IWP) in Ireland? and
6. What are the characteristics of the in-work poor?

## Key Results

Among the key findings of the report are the following:

### Very Low Work Intensity

- The rate of VLWI in Ireland increased from 13 per cent of people under age 60 in 2004 to 22 per cent in 2010. Most of the increase was after 2007 – the rate in 2007 was 15 per cent.
- The rate in Ireland is currently more than double the rate in other EU countries. The average across the EU 15 countries in 2010 was about 11 per cent. Unemployment is not the only factor contributing to the high rate in Ireland: the VLWI rate was high in Ireland even before the recession in the early 2000s, reflecting structural factors that had little to do with the recession. The reason for the very high VLWI rate in Ireland is partly due to the high joblessness rate among adults, but also due to the fact that jobless adults are less likely in Ireland to live with working adults and more likely to live with children.
- Since most children and working-age adults live in couple households, the work pattern in couple households will have consequences for the quality of life and living standards of close to three quarters of the non-elderly population. The main impact of the recession on couple work patterns was on male employment. Between 2007 and 2010 there was a substantial drop in male full-time working (from 80 to 64 per cent) and a commensurate increase in male joblessness (from 16 to 28 per cent). Among females in working-age couple households, there was little change in full-time working (from 34 to 35 per cent) but a more sizeable fall in part-time working (from 28 to 22 per cent). As a result, the increase in female joblessness was not as marked as for males (from 37 to 43 per cent). Couple households where neither partner works increased (from 9 to 15 per cent). The decline in the percentage of couple households where both partners worked full-time was more modest (from 29 to 26 per cent).

- It is worth noting that medium work intensity (where the partners work for about 50 per cent of the available time) can be arrived at by very different combinations of paid and unpaid work. For instance, a single-full-time earner (either the male or female partner) or two part-time earners would both result in a medium-work intensity household. The apparent stability in the percentage of medium work intensity households between 2004 and 2010 (at about 21 per cent) masked quite substantial change within these households in terms of female and male work patterns.
- We examined both the risk factors for living in a VLWI household and the profile of those living in VLWI households. The strongest risk factors for VLWI included householders who had never worked; householders in the unskilled manual/service social class; adults with a disability; householders with no educational qualifications; adults living alone and adults who were lone parents; households living in rented accommodation (either social housing/local authority or private).
- The profile of VLWI households in 2010 was influenced by these risk factors, but not dominated by them. There were slightly more women than men in VLWI households (53 per cent vs. 47 per cent). Over one third of those in VLWI households were children under age 18 (36 per cent) and a further 18 per cent were adults with a disability – giving a total of 54 per cent who are either children or adults with a disability. In almost one third of VLWI cases, the householder had no educational qualifications (31 per cent) and in almost one third (31 per cent) the householder was unemployed.
- Are there any characteristics that distinguish adults in VLWI households from inactive adults who live with someone who is at work? One obvious difference is household structure, specifically, the number of adults in the household. If someone is inactive but is the only adult in the household then, by definition, the household is VLWI. So in order to avoid being in a VLWI household, the inactive person must live with at least one other adult. Apart from the number of adults in the household, there were other differences pointing to those in VLWI households as having a more severe pattern of educational and social class disadvantage. Those in VLWI households also tend to be older and more likely to have a disability or to live with an adult with a disability.

- Did the relationship between work intensity and poverty change over time? There is a strong increase in the at-risk-of-poverty rate as we move from households with high work intensity to households with medium, low and very low work intensity. However, the strength of the link between VLWI and the at-risk-of-poverty rate weakened considerably between 2004 and 2010. In 2004, 70 per cent of those in VLWI households were at-risk-of-poverty. This had fallen to 34 per cent by 2010. This change over time appears to be entirely due to the impact of social transfers. There is no decline in the before-transfer risk of poverty for those in VLWI households in the period. Social transfers became more effective in drawing those in VLWI households above the at-risk-of-poverty threshold, due to an increase in the generosity of social welfare payments relative to the poverty income threshold. However, the improvement consists in drawing households just above the at-risk-of-poverty threshold. The improvement between 2004 and 2010 is less apparent at the 70% poverty threshold and is not evident at all for the indicator of basic deprivation.

#### In-Work Poverty

- In 2010, the in-work poor accounted for only a small proportion of the adult population (4 per cent of those aged 18-59) and a small proportion of the working population in this age group (8 per cent). However, expressed as a percentage of poor adults aged 18-59, the in-work poor account for a more sizeable proportion at 30 per cent. Thus, while the number of in-work poor is not large relative to adults at work, it accounts for a substantial proportion of working-age adults at risk of poverty.

When we focus on their profile in 2010, however, the in-work poor do not emerge as a particularly disadvantaged group. Over two fifths (44 per cent) were either self-employed or farmers, 39 per cent had third level education, 71 per cent worked full-time. In addition, the in-work poor were less likely than the non-working poor to be economically vulnerable or deprived. The fact that a relatively high proportion were in self-employment raises doubts about the added value of this indicator, especially as it is known that there are problems with the validity of income as an indicator of the material well-being of the self-employed.



## Policy Implications

There are several implications for policy of the findings in this report. In summary form, the implications are as follows:

- Since VLWI is strongly associated with economic vulnerability, at-risk-of-poverty and deprivation, attention needs to be paid to household joblessness as a risk factor for social exclusion in its own right, independently of unemployment.
- The Government's new social targets for poverty reduction include an explicit recognition of the contribution of household joblessness to poverty. The new targets in the area of household joblessness are to be developed in consultation with stakeholders. Maintaining adequate 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 (VLWI) households are either children under age 18 or adults with a disability.
- Labour market activation of adults in jobless households needs to be emphasised as a means of exiting poverty in the long term.
- Addressing household joblessness through labour market activation policies is likely to be more complex and require a broader range of responses than addressing unemployment among those on the current 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 need to be reconfigured to (a) include the total jobless population of working age (including recipients of disability allowance and one-parent family payments) in addition to those on the current Live Register and (b) 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 on becoming 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.

## Introduction

It is widely acknowledged that employment is one of the key factors in preventing poverty and in enabling poor households to move out of poverty (ILO, 2005; Caputo, 1991; OECD 1998, 2004). This has been recognised at a European level with the European Councils of Lisbon, Nice and Stockholm. While acknowledging the multidimensional nature of social exclusion and the need to take account of the different issues arising at specific lifecycle stages, the Commission argues that 'unemployment is the main cause of poverty for the working-age population' (European Commission 2010b, p. 4). As a consequence, 'getting a job is the safest route out of poverty for those who can work' (p. 6).

This report focuses on people of working age in Ireland and the children who depend on them. The report analyses data from the Survey on Income and Living Conditions (SILC) for Ireland. The SILC is part of an EU project to provide harmonised data on the income and living conditions of households. The Irish data is collected and managed by the Central Statistics Office (CSO) and is used to monitor poverty and social exclusion in Ireland. The report draws mainly on the 2010 data but also on data from 2004 to 2010, in order to understand the links between poverty and work in Ireland in a period that spanned both economic boom and recession.

While being at work is the best safeguard against poverty, it does not provide complete protection. Thus, there are two distinct aspects of the relationship between work and poverty: joblessness at the household level and in-work poverty linked to low pay or insecure work. Both of these are considered in this report. The indicator of household joblessness we adopt here is 'very low work intensity' (VLWI) which occurs when the working-age adults in a household spend less than 20 per cent of the available person-months at work in the reference year. For the past decade, the rate of VLWI has been high in Ireland by European standards, and has been increasing. The research questions which provide a focus for the study are as follows:

1. Why is the rate of VLWI (jobless households) so high in Ireland, compared to other EU countries?
2. What impact has the recession had on household work patterns?
3. What are the characteristics of VLWI households?

4. Has the relationship between very low work intensity and poverty changed over time?
5. How significant is in-work poverty in Ireland? and
6. What are the characteristics of the in-work poor?

## **Report Outline**

The first Chapter describes the policy background to work and poverty and briefly reviews the research literature dealing with joblessness and with in-work poverty.

In Chapter 2, we discuss the measurement of the main indicators used in this report: work intensity and in-work poverty. We provide an overview of how these have changed in Ireland between 2004 and 2010. We also describe how work patterns in couple households have changed as the recession emerged.

In Chapter 3, we focus on ‘very low work intensity’ (VLWI) – an indicator that captures non-working households. This indicator has been given increased prominence as a measure of social exclusion in the EU strategy (*Europe 2020*). We examine the level of VLWI in Ireland compared to other EU countries and ask why the level of VLWI is so high in Ireland relative to other European countries.

In Chapter 4 we examine the relationship between poverty and work intensity and also present the change over time in the indicator of in-work poverty. We ask how important household work intensity is in accounting for the higher poverty risk of vulnerable groups such as lone parents and those with low levels of education. Did the relationship between work intensity and poverty increase or decrease between 2004 and 2010?

In Chapter 5 we examine the risk factors for very low work intensity and for in-work poverty. Using multivariate analysis, we ask whether certain groups are more likely to be in very low work intensity or in-work poor households. We also examine the profile of these two groups – the in-work poor and those living in VLWI households.

Finally, in Chapter 6, we draw together the results in order to highlight the main findings of the report and point to their implications for social inclusion and labour market policy.

## Chapter 1: The Conceptual and Policy Context

### 1.1 Introduction

This report examines the relationship between work and poverty in Ireland from 2004 to 2010. Although the focus is on a single country, Ireland in this period is a particularly interesting case in terms of what we can learn about the significance of work for poverty. First, the economic crisis in Ireland beginning in 2008 was particularly profound, as the financial crisis led to a bursting of the property bubble and led to a fiscal crisis of the State, whose revenues had become overly dependent upon taxes on property transactions. Gross National Product (GNP) fell by 10 per cent between 2007 and 2009 (CSO 2012b, Table 1). Total employment fell by almost four per cent in 2008 and by over eight per cent in 2009 (CSO, 2010). As we shall see, this had very serious consequences for joblessness at the household level. Second, as we shall explore in more depth in Chapter 3, the rate of joblessness at household level was relatively high in Ireland, *even during the boom years*. By 2010, the rate of household joblessness in Ireland at 22 per cent was about 10 percentage points higher than the next highest group of countries.

In this chapter we examine the policy background to work and poverty and briefly review the research literature dealing with joblessness and with in-work poverty.

### 1.2 Policy Issues

#### 1.2.1 Welfare and work

In the European context, the emphasis on work as a route out of poverty is embedded in the social investment approach to social policy. This approach gained momentum in the 1990s and was influenced by the work of a number of prominent social scientists such as Giddens (1998), Esping-Andersen (2002) and Rodrigues (2003). The Lisbon Strategy and the EU 2020 approach to social inclusion were heavily influenced by the idea of social investment (Diamond and Liddle, 2011). The social investment approach is linked to an understanding of the economy as a 'knowledge-based' service economy – where knowledge is seen as the driver of productivity and economic growth. A 'knowledge-based' economy requires a skilled and flexible labour force which is adaptable to changing needs. It also requires a welfare state which will address new social risks such as population ageing, single parenthood, more precarious forms of job contract associated with a lack of continuous employment, work-family conflict, and the obsolescence of skills (Morel, Palier and Palme, 2011).

The social investment approach emphasises policies that invest in human capital development (such as early childhood education and care, education and life-long training) and that help to make efficient use of human capital (supporting the employment of women, lone parents, people with disabilities, active labour market policies, labour market regulation and social protection institutions that promote flexible security), while fostering greater social inclusion (notably by facilitating access to the labour market for groups that have traditionally been excluded). This emphasis on social inclusion distinguishes ‘social investment’ from ‘flexicurity’ which is more narrowly focused on reconciling employers’ need for a flexible workforce with workers’ need for security (European Commission, 2007b).

However, the social investment approach does not necessarily result in a reduction in poverty or joblessness at the household level. In a review of the Lisbon Strategy during the first decade of the current millennium, Cantillon (2011) notes that while there was a significant increase in employment in many EU Member States, as well as increases in average incomes and in social spending, less progress was made in tackling relative income poverty particularly in the working-age population (p. 437). This can happen under a number of conditions, including: (a) if job growth benefits households where there is already someone at work more than workless households; (b) pro-work social spending (on training, childcare and so on) benefits those who are already at work rather than extending to those initially outside the labour market; and (c) a shift in emphasis away from redistribution and traditional social transfers means that these become less generous and less adequate in keeping workless households out of poverty. In a related discussion, Cantillon et al. (2012) point to the tense relationship between three objectives of social welfare systems: to maintain living standards in the face of adverse social risks, to combat poverty by guaranteeing a minimum income and to foster ‘active inclusion’. The authors argue that an increased emphasis on the third goal – fostering employment and independence from welfare – has dominated in recent European policy.

Welfare reforms to encourage work were introduced in a number of European countries, such as the United Kingdom, Norway, Denmark and the Netherlands in the 1990s and Germany in the 2000s. The reform programmes shared a concern to ensure a benefit package and system of services to provide individualised support to help people into employment, training, education or to take other opportunities which would improve their outcomes in the longer term (Department of Social Protection, 2010). The reforms generally took the form of a change from passive to active social

policies, involving financial stimuli (in-work benefits, cuts of other benefit entitlements), job search assistance, training and skill development and work support subsidies (like childcare and transportation assistance) (Ochel, 2004). The form taken by the reforms differed across countries. Liberal countries such as the US and the UK emphasised financial incentives and sanctions while social democratic Scandinavian countries attempted to activate and educate social welfare recipients (Ochel, 2004; Lødemel and Trickey, 2001). Lødemel (2005b) argues that strategies that offer a range of placement options, including options that emphasise the development of skills as well as labour market attachment, are likely to be more empowering for participants.

In contrast to the broad concern with the link between social policy and the economy in the European context, the policy debate in the United States has tended to focus rather narrowly on the issue of workfare vs. welfare. Here, the concern is more on the trade-off between alleviating need among the poor, on the one hand, and promoting work and independence, on the other (Grogger and Karoly, 2005). The US welfare reforms of the 1990s mainly impacted on single mothers. The reform packages differed from state to state and emphasised different combinations of mandatory participation in short-term programmes to facilitate job search and job retention as a condition for receiving benefits; funding for childcare; retention of public health insurance benefits; increased earnings disregards, and time limits on welfare receipts (Blank, 2005). However, the reforms tended to have effects that were modest in magnitude and which tended to fade over time and to have less of an impact on income and poverty status than on work (Grogger and Karoly, 2005b).

To some extent, there is a tension in policy between the conviction that work is the best route out of poverty, on the one hand, and the desire to take people's specific circumstances into account. The question is to what extent we expect all people to work. This is clearest in the case of lifecycle groups such as older adults (the retired) and children, but it also arises, to varying degrees, for people who have a disability, carers and parents of young children. Gregg (2008), in the context of a review of welfare for the working-age population in the UK, distinguishes three different groups. The first is a 'Work Ready' group, who are immediately ready to enter the labour market and for whom the primary task is to search for work. The second group is a 'progression to work group', who are not yet ready to return to work but who will be ready at some point in the future. The task of this group is, with the support of an advisor and access to other services, to plan for return to work. Finally,

the third group – the ‘no conditionality group’ consists of people who would continue to receive social welfare support without any requirement for work-related activity. This group includes the parents providing primary care for very young children, other carers and people with severe limitations arising from disability. This approach to reform is linked to a proposed single working-age benefit system that avoids categorising people according to the kind of benefit they receive (such as ‘people with a disability’, ‘lone parents’, ‘carers’) in a way that precludes access to employment-related resources and services for all but those classified as ‘unemployed’.

### 1.2.2 European policy targets

Work-related policy is very closely tied to the Europe 2020 strategy for ‘smart, sustainable and inclusive growth’ (European Commission, 2010a). The strategy includes five measurable targets to be achieved by 2020. These five targets concern employment, research and development, climate change and energy, education and, finally, poverty and social inclusion. This final target aims to lift at least 20 million people out of the risk of poverty and social exclusion by 2020. Although the target was initially specified in terms of the at-risk-of-poverty rate, or income poverty (European Commission 2010a, p. 9, footnote 3), this was expanded in the document outlining the platform against poverty and social exclusion (European Commission, 2010b). Here, the target is defined in terms of three indicators: at-risk-of-poverty, severe material deprivation and being in a household with very low work intensity (European Commission, 2010b, p. 3). The population at risk of poverty or exclusion is the population identified on any one of these three measures, that is, being income poor or being deprived or living in a household with very low work intensity.

Very low work intensity occurs when the working-age adults in the household are in employment for less than one fifth of the available time. There is considerable overlap with the EU Labour Force Survey indicator of joblessness at the household level. The addition of the measure of very low work intensity as an indicator of social exclusion is a new departure. This highlights the strong concern of the EU with the link between work and poverty. The international literature (OECD, 1998, 2001, 2009) has shown strong evidence of the relationship between low income and low work intensity. However, in spite of this association, de Graaf-Zijl and Nolan (2011) found that there was little association between household joblessness and income poverty and deprivation. Analysing the 2006 EU-SILC, the authors found that in most EU countries little more than half the working-age adults in jobless households are

either income poor or deprived (ibid.). Neither is there a systematic association at the country level between trends in very low work intensity and trends in income poverty and deprivation (ibid., p. 428). The Irish case illustrates this clearly. The VLWI rate increased from 15 per cent to 22 per cent between 2005 and 2010 while over the same period the at-risk-of-poverty rate decreased from 20 per cent to 16 per cent.

### 1.2.3 Irish policy

In the Irish context, the need to link welfare and activation has been raised in the context of reforming social welfare benefits and social welfare services in a manner that promotes work (OECD, 2009b, 2011; Department of Social Protection, 2011). Significant institutional changes are already underway which involve merging functions formerly housed in the Department of Enterprise, Trade and Innovation, the Department of Community, Equality and Gaeltacht Affairs, FÁS and the Community Welfare Service of the HSE under the umbrella of the Department of Social Protection.

One of the features of the Irish welfare system has been its complexity, with a diverse range of different benefits available to working-age adults, based on the particular contingencies they face, such as unemployment, disability, blindness, caring, lone parenthood and widowhood. While the payment rates are quite similar, each scheme has its own set of rules regarding the assessment of means, tapering arrangements and earnings disregards (Department of Social Protection, 2010, p. 48). The social welfare system has been criticised for leading to people labelling themselves in terms of the contingency resulting in a reduced emphasis on activation and the possibility of people remaining on social welfare for a long period (NESC, 2005; OECD, 2009, 2011; Department of Social Protection, 2011). The National Economic and Social Council has advocated a simpler approach with a single payment for adults of working age. This would be combined with a requirement that the person avail of specific support services, depending on their needs, to promote a return to work or to education and training.

A review by the Department of Social Protection (2010) accepts many of these recommendations and proposes an approach similar to that advocated by Gregg (2008). This would involve grouping welfare dependent working-age adults into three tiers, based on differences in the barriers they face to employment or their 'distance from the labour market'. A single payment scheme would be available but with different conditions related to the expectation of work-related activity. Those with



significant barriers to employment (level 3) might include people with long-term illness, disability/caring responsibilities or lone parents of very young children. This group would require the greatest level of support in order to move towards 'work readiness'. At the other end of the continuum, those who are 'work ready' would include adults immediately available for work. This group would have minimal support needs. The intermediate group would consist of those who need a support plan to prepare for return to work. The significance of this system is that supports are not directed towards those who are 'work ready' but towards those further from the labour market. In addition, the Department of Social Protection notes that not all interventions are about getting people back to work. They also have a social dimension, promoting participation, inclusion and building of confidence and motivation (Department of Social Protection, 2010, pp. 84-85). These interventions can have benefits for children and for family dynamics as well as in terms of labour market activation.

In March 2012, the Government published its policy document *Pathways to Work* (Government of Ireland, 2012). This document outlines a comprehensive policy on labour market activation, linked to the development of a single working-age assistance payment over three years. There are five elements to the activation strategy, including greater engagement with people who are unemployed; greater targeting of activation programmes; incentives to take up employment; job creation; and improving delivery of services through setting up in the Department of Social Protection (pp. 13-22). Intreo - the new integrated employment and support service provided by the Department of Social Protection -- provides a service, based on individual needs including advice on education, training and personal development opportunities, job search assistance as well as information on and access to the range of income supports. The targeting of activation programmes involves the use of statistical profiling tools to predict the probability that somebody will become long-term unemployed (p. 11; O'Connell et al., 2009, 2012).

Following a review of the national poverty target under the *National Action Plan for Social Inclusion 2007-2016* in 2012, the Government decided to revise and enhance the targets, which are now renamed the National Social Target for Poverty Reduction. The renaming is intended to reinforce the view of poverty as a multi-dimensional phenomenon with links to a range of social targets (especially employment and education) rather than seeing it simply as a matter of the level of welfare benefits (Department of Social Protection, 2012b, p. 51). The review adopts

consistent poverty as the key indicator for the headline target, and recommends a target of four per cent by 2016 (interim target) and two per cent or less by 2020, from the 2010 baseline rate of 6.2 per cent (p. 50).<sup>1</sup> In addition, the review draws specific attention to two groups which have a high risk of consistent poverty and are important from a range of social policy perspectives: children and jobless households (p. 50). It recommends the adoption of new sub-targets for these groups. Child poverty is particularly relevant to a concern to combat the intergenerational transmission of poverty. Although the details of these targets are to be worked out in consultation with relevant stakeholders, the review recommends that the headline target should include a reduction in the differential in the rate of consistent poverty between children and adults and a reduction in the concentration of the population in consistent poverty who are in jobless households.

### **1.3 Household Joblessness**

Policy on welfare and work has generally focused on individuals, but there has long been a concern that work is not equally distributed across households. Joblessness at the household level is correlated with joblessness at individual level, but the two do not necessarily go together and it is important to understand the relationship between them (Dawkins, Gregg and Scutella, 2002; Russell et al., 2004; Gregg, Scutella and Wadsworth, 2010; Whiteford, 2009). Household joblessness adds value to our understanding of social exclusion because (a) it takes account of adult joblessness in the context of the activity status of other adults in the household and (b) it takes account of non-employed statuses other than unemployment, such as caring, home duties and being unable to work due to illness and disability. In many Western countries, joblessness became increasingly concentrated in certain households throughout the 1990s (Gregg and Wadsworth, 1996, 1998). This means that rising employment levels may not have an impact on the number of jobless households. In fact, rising employment in the EU in the 2000s only partially benefitted jobless households (Cantillon, 2011). The pattern in Ireland in the 1990s was more positive, with declining levels of household joblessness accompanying the strong economic growth here (Russell et al., 2004). In contrast to Ireland's experience in the 2000s, the rate of joblessness in Ireland in the 1990s was towards the middle of the EU distribution and had been declining with the economic growth of the 1990s (Russell et al., 2004).

<sup>1</sup> Consistent poverty includes those in households with equivalised income below the 60% of median income threshold *and* lacking two or more of the basic deprivation items. The review (pp. 50-51) also recommends adding two supporting indicators: 'vulnerable to consistent poverty' (defined as the overlap of basic deprivation and an income of between 60% and 70% of the median (four per cent of population in 2010) and 'absolute poverty' (defined as at-risk-of-poverty anchored in 2010 values; 15.8 per cent of population in 2010).

Factors such as household size and structure (number of children and adults), as well as the economic status of adults in the household, are important to understanding household joblessness (Russell et al., 2004). Other important considerations are marriage market outcomes (Ultee et al., 1988); educational homogamy (Verbakel and de Graaf, 2008), changes in household structure (OECD, 1998; Gregg and Wadsworth, 2008) and employment levels by social class (Nickell, 2004).

Joblessness at the household level is not necessarily associated with poverty, even among adults of working age. In an analysis of joblessness across Europe, de Graaf-Zijl and Nolan (2011) find that in most EU countries just over half the working-age adults in jobless households are either income-poor or deprived. This means that poverty and joblessness are not identical and more is to be gained in terms of understanding social processes by examining the relationship between them than in conflating the two.

The issue of work incentives is important in the context of examining household joblessness. The concern here is that some aspect of the social welfare system may be causing a 'poverty trap' or 'joblessness trap', such that people would actually be worse off financially were they to return to work. The incentive to work is influenced by what is termed the 'replacement rate': the ratio of out-of-work income to in-work income. There is a large literature on replacement rates and its impact on work incentives, both internationally (Carone et al., 2004; Atkinson and Mogensen, 1993; Adam et al., 2006; Adam and Brown, 2010) and in Ireland (Callan et al., 1996; Callan et al., 2011; Callan et al., 2012). Recent work by Callan et al. (2012) examined the impact of welfare in Ireland on work incentives. The authors estimated the replacement rates for a large representative national sample. The analysis indicated that Ireland did not have a generalised high replacement rate which damaged incentives to work. In fact, the percentage of people with high replacement rates (above 70% of expected work income) was lower in 2012 than in 2005 and was also lower in Ireland than in the UK.

The EU (European Commission, 2001; Eurostat, 2003) and the Organisation for Economic Co-operation and Development (OECD) (see for example OECD, 2004), have adopted household joblessness as a key social indicator. According to the measure adopted by the EU, Ireland had the highest level of very low work intensity

across Europe, at 23 per cent, in 2010, compared to 11 per cent in the EU 15.<sup>2</sup> Such a high rate of joblessness in Ireland is of great concern, particularly in the current recession with high levels of unemployment and rising long-term unemployment.

#### 1.4 In-Work Poverty

How effective is work in reducing poverty? The risk of poverty is indeed lower in working households. However, a significant proportion of those in poverty live in households where at least one adult is at work (Bardone and Guio, 2005). This is such a concern that the EU has included an indicator of working poverty – the ‘in-work at-risk-of-poverty rate’ – among the EU social indicators. This indicator is measured as the risk of income poverty for individuals who were employed for more than half the income reference period. The analysis of in-work poverty is potentially useful as a means of understanding whether labour market conditions or household characteristics mainly contribute to poverty in these situations (Ponthieux, 2010, p. 6).

In 2010 the in-work at-risk-of-poverty-rate for the EU 15 was 7.9 per cent, and had been at a similar level since 2007. In Ireland, the rate was of 7.6 per cent in 2010, increasing from 5.6 per cent in 2007. The risk of in-work poverty in Ireland is not high by EU standards, although it has increased since the start of the recession.<sup>3</sup> The in-work poverty risk in the EU was higher for the self-employed and those working part-time (Ponthieux, 2010, p. 9); there was no gender difference and the risk tended to be higher for those over age 45, for those with lower levels of education and for those in single parent households (p.11).

As well as this, structural factors are important, such as the level of wage inequality and prevalence of low-paid employment (Lohmann and Marx, 2008). However the literature (Andress and Lohmann, 2008; Nolan et al., 2010) also finds that the majority of low paid workers are not necessarily living in low-income households. Other institutional factors are also important here, such as the generosity of state transfers (not only in terms of in-work benefit programmes but also any other form of transfers that would affect other household members’ incomes) and the provision of services such as childcare.

<sup>2</sup>Figures from Eurostat website, Table ilc\_lvhl11 (Last updated 26/7/2012). Available at: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc\\_lvhl11&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_lvhl11&lang=en). Note that the figures for Ireland reported by Eurostat (23 per cent) differ marginally from those calculated based on the SILC data for Ireland in this report (22 per cent), because of the use of a slightly different population weights.

<sup>3</sup>Tables from Eurostat website, Table tesov110. Available at: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tesov110&plugin=1>.

There are some limitations to the in-work poverty indicator, including the fact that it focuses only on those at work. This means children and retired people are excluded; moreover, those at work may be a select subset of the working-age population. The ‘real problem’ for the poor may well be access to the labour market and jobs, rather than earnings or hours once at work (Ponthieux, 2010, p. 25). The in-work poverty indicator also focuses exclusively on income poverty, neglecting other aspects such as deprivation and economic stress.

Ponthieux notes a difficulty related to the fact that the indicator draws on both individual-level and household level characteristics:

Quite apart from the issue of defining workers, any statistics relating to the “working poor” are difficult to interpret, since they are constructed by combining activity characteristics, which are individual, and a measure of income computed at the household level (on the assumption of income pooling). It follows that all the individuals in a given household are either poor or not poor; but not all are workers. (Ponthieux, 2010, p. 27)

## **1.5 Summary**

In this chapter we described the conceptual and policy background to the present research on work and poverty. The European policy debate on welfare and work is set against the background of the social investment approach, which recognises the need for human capital investment and development of supports for employment, while promoting social inclusion and social security. Work – specifically household joblessness – has also been emphasised in the development of European poverty targets. Although the Irish Government uses a different concept of poverty, it also recognises the importance of reducing household joblessness as a way to combat poverty. This is particularly pressing because the rate of household joblessness is considerably higher in Ireland than in any other European country.

While work is generally one of the best defences against poverty, there is still a small group of people who are in employment but who are living in households below the poverty threshold. Although the in-work poverty rate in Ireland is not high by European standards, it is important to understand the characteristics of these individuals and their households. Both in-work poverty and household joblessness will be explored in depth in subsequent chapters.

## Chapter 2: Irish Work Patterns at Household Level over Time

### 2.1 Introduction

In this chapter we discuss the main indicators used in this report and provide an overview of how they have changed in Ireland between 2004 and 2010. We begin by discussing the key indicators of work that take account of the household context: work intensity, couple work patterns and in-work poverty. For the remainder of the chapter, we focus on work intensity and on couple work patterns, examining how these have changed between 2004 and 2010 and their relationship to individual economic status.

This report analyses data from the Survey on Income and Living Conditions (SILC) for Ireland. The SILC survey collects information on the income and living conditions of households as well as a large range of socio-demographic information about the household members, ranging from personal characteristics to personal income, living conditions, labour market position, education and health status. The data are based on a voluntary survey of private households carried out by the Central Statistics Office (CSO). The SILC survey was initiated in 2003, with interviews in Ireland carried out only on a six-month period from June to December 2003. The survey was subsequently carried out annually, with data collection taking place throughout the year. The number of households in the completed sample varied from 4,600 to 6,000 between 2004 and 2010. In 2010, the total completed sample size was 4,642 households and 11,587 individuals. A two-stage sample design was employed, with eight population density stratum groups (based on the 2006 Census of Population) with random selection of sample and substitute households within blocks and the application of an appropriate calibration weight (CSO, 2010).

### 2.2 Key Indicators

The main indicators are summarised in Table 2.1 and are discussed more fully in what follows in this chapter. The first indicator is 'work intensity'. This is measured at the household level as the ratio of the total number of months that all working-age adults in a household actually worked in the reference year to the total number of months the adults could theoretically have worked in that year. An adjustment is made for part-time work (less than 35 hours), based on current hours worked<sup>4</sup>. Someone working 17 hours per week, for example, is treated as working for half the relevant number of months. Work intensity can range from 0 (no working-age adult at

<sup>4</sup> If the hours worked are not available, they are imputed based on age and gender.

work) to 100 per cent (all working-age adults worked full-time, full-year). Working-age, for this purpose, is defined as being between the ages of 18 and 59, excluding students under age 25. Adults aged 60 and over are excluded from consideration entirely (even if they live in a household with working-age persons and even if they have worked in the reference period). Children are assigned a work intensity score based on the working-age adults in the household. This means that the indicator is best suited to studying the work situation of individuals at the working life-cycle stage and their dependent children.

The strength of this indicator is that it allows us to examine work at the household level, allowing for the fact that parents, in particular, may manage their joint time allocation to paid work and unpaid caring work so as to maximise the wellbeing of household members.

**Table 2.1 Key Work Indicators Relevant to Social Exclusion**

Measure	Base and Measurement
<b>Work Intensity</b>	<p>Base population: Persons aged 0-59 in households with at least 1 working-age person (age 18-59, not a student under age 25);</p> <p>Measure: Proportion of available person months over past year spent at work by working-age adults; adjusting for hours worked.</p> <p>Excluded: adults age 60+; households with no working-age adults</p> <p>Very Low Work Intensity (&lt;20%) is a key social exclusion indicator.</p>
<b>Couple Work Pattern</b>	<p>Base: Couples;</p> <p>Measure: Pattern of work (full-time, part-time), unemployment and activity in couples.</p> <p>Excluded: Non-couples</p>
<b>In-work poverty (individual)</b>	<p>Base: Person aged 18-64 in employment<sup>5</sup></p> <p>Measure: Poverty status of persons of working age in employment</p> <p>Excludes: Persons not of working age; persons not at work</p>

Among the limitations of the work intensity indicator is the implicit assumption that all adults of working age are equally available for work. In other words, it takes no account of extra responsibilities that household members may fulfil, such as unpaid caring for children or people with a disability. Neither does it take account of the possibility that illness or severe disability may limit the capacity of some working-age adults to engage in paid work. Finally, another limitation as specified at the EU level,

<sup>5</sup> In order to have the work intensity and in-work poverty indicators calculated for the same adult population, we restrict the analysis of in-work poverty in this report to the population aged 18 to 59.

it is not defined for adults age 60 and over – despite the fact that the state pension age is currently 66 in Ireland and the age is set to rise over the coming decades.

‘Very low work intensity’ is a key indicator of social exclusion at the EU level. It is defined as being in a household with a work intensity level lower than 20 per cent of potential working time. Essentially, this is equivalent to a household where no adult has worked full-time or part-time for the duration of the reference period.

A closely related indicator, based on the EU Labour Force Survey rather than SILC data, is the share of people living in jobless households. Jobless households are defined as households where no member is in employment according to the ILO definition, excluding households comprised solely of students. Like the VLWI indicator, this is calculated for people aged 0 to 59 (European Commission, 2012). This indicator considers only current employment situation (not employment over the entire year) and makes no adjustment for hours worked.<sup>6</sup> We focus on the VLWI indicator here as this has been adopted as an indicator of social exclusion for the purpose of target setting at the EU level (European Commission, 2010b).

The second indicator focuses on the division of labour between partners in couple households, distinguishing between full-time and part-time paid work, unemployment and being engaged in activities outside the labour market such as caring, housework or studying. As we shall see, there have been some very marked shifts in the work pattern of couple households since the start of the recession. This is a useful indicator for examining changes in the household division of labour, and the consequences of these changes for household work intensity. Its limitations are that it focuses on couple households, thus excluding people living alone, lone parents or other multi-adult households.

The third indicator, ‘in-work poverty’, is calculated at the individual level for adults who are at work either full-time or part-time. The indicator captures being at work and, at the same time, being in a household at-risk-of-poverty. The at-risk-of-poverty indicator identifies individuals in households where the total income, adjusted for household size and composition, is below 60 per cent of median income across individuals. Being in-work-poor will depend on the hours worked and hourly earnings of the individual, but also on the sources of income of other adult household members and on children in the household depending on the income. It is useful for examining the impact of low earnings or low hours worked on poverty. However, as

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<sup>6</sup> See <http://epp.eurostat.ec.europa.eu/portal/page/portal/sdi/files/Jobless%20households.pdf>.



noted in the previous chapter, it does have a number of significant limitations. It focuses only on those at work, who tend to be a select subset of the working-age population. It excludes those who are retired and those unable to work because of illness or disability. It focuses exclusively on income poverty, neglecting material deprivation. Finally, research has indicated that most of those with low wages are not found in poor households (Andress and Lohmann, 2008; Nolan et al., 2010).

For consistency with the work intensity indicator, we limit our attention to the population aged 18 to 59. In addition, we base our measure of being 'at work' on the person's current principal economic status, rather than their status over the previous 12 months. In these two respects, our measure differs from the EU in-work at-risk-of-poverty rate (European Commission, 2009).

In the following, we focus on the work intensity indicator and in this context we also examine how it relates to the work pattern in couple households. In the next chapter, where we discuss the relationship between work and poverty, we will discuss the in-work poverty indicator in more detail.

## **2.3 Work Intensity**

### 2.3.1 Coverage of the work intensity indicator

At this point we examine the work intensity indicator. We begin by examining the coverage of the indicator – what percentage of the total population is included or excluded. Table 2.2 shows the percentage of the total population by age group covered by the work intensity indicator. The Eurostat work intensity indicator focuses on the population aged 0 to 59. As column A of Table 2.2 shows, this includes virtually all children as well as all adults aged 18-59. About 29 per cent of adults aged 60 and over live with somebody in the 18 to 59 age group.

Column B shows the percentage of people in each age group who are covered by the work intensity indicator. As well as excluding all adults aged 60 and over, adults aged 18 to 24 who are students are also excluded. As can be seen in column B of Table 2.2, this has virtually no impact on the inclusion of children and only a small impact on the percentage of adults aged 18 to 59 who are excluded.<sup>7</sup> No adults over age 60 are included. Although 29 per cent of people aged 60 and over in 2010 lived with adults of working age, these are excluded from the work intensity indicator. Altogether, the work intensity indicator covered 82 per cent of the population in 2010.

<sup>7</sup> The only excluded adults aged 18-59 are students under age 25 not living with a working-age adult.

**Table 2.2 Percentage by age group with (A) Somebody Aged 18-59 in Household (B) Included in Work Intensity Indicator (C) Somebody aged 60+ in household**

Measure	A. Somebody aged 18-59 in Household	B. Included in Work-Intensity Indicator	C. Somebody aged 60+ in Household
Children under 18	99.9%	99.9%	3.1%
Adults age 18-59	100.0%	99.0%	10.2%
Adults age 60+	28.8%	0.0%	100.0%
All ages	87.8%	82.3%	23.6%

Source: SILC 2010, analysis by authors.

Notes: The work intensity indicator is calculated for all persons aged 18 to 59 in households with at least one working-age adult. A working-age adult is a person aged 18 to 59, except for students aged 18 to 24.

Another consideration is that in calculating the work intensity indicator according to the European Commission specifications, any work done by persons aged 60 and over is not counted, but in examining household poverty levels, any income received by these individuals (such as from work or a pension) will be included.<sup>8</sup> This can lead to some apparent inconsistencies when we examine the link between work intensity and poverty. This would potentially affect three per cent of children and 10 per cent of adults aged 18-59, as can be seen from column C of Table 2.2.

### 2.3.2 Trends in work intensity from 2004 to 2010

We examine changes over time in work intensity by dividing work intensity into five categories. Following the European Commission Social Protection Committee (2012, p. 13), the work-intensity categories are based on the percentage of working time the working-age adults in the household spent in employment in the reference year:

- Very low work intensity = 0 per cent to less than 20 per cent
- Low work intensity = 20 per cent to less than 45 per cent
- Medium work intensity = 45 per cent to 55 per cent
- High work intensity = over 55 per cent to 85 per cent
- Very high work intensity= over 85 per cent to 100 per cent.

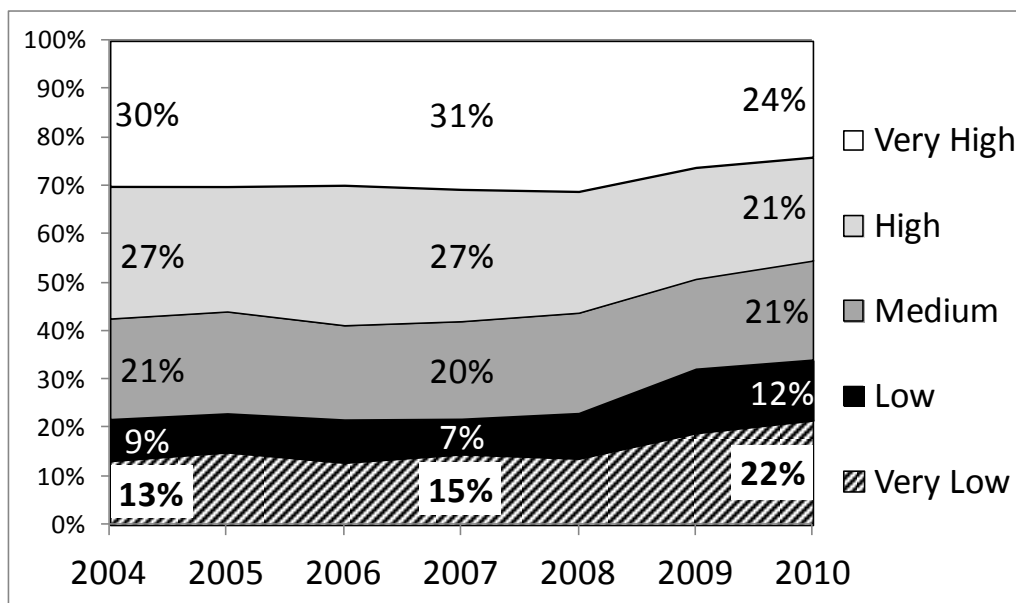
Take a couple household, for instance: if neither person worked, the household work intensity would be very low. If one partner worked part-time for the full year and the other worked part-time for half of the year, the household work intensity would be low. This is an unusual pattern and, as can be seen in Figure 2.1, it is the smallest of

<sup>8</sup> See 'People living in households with very low work intensity', <[http://epp.eurostat.ec.europa.eu/portal/page/portal/europe\\_2020\\_indicators/headline\\_indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators)> [accessed January 31, 2012].

the five categories. Medium work intensity is most often associated with one partner working full-time while the other is not active in the labour market. A couple household where both partners worked part-time would also have a medium work intensity level, but this pattern is more unusual. High work intensity would be associated with one partner in a couple household working full-time and one working part-time. Finally, where both partners work full-time, the household work intensity would be very high.

Figure 2.1 shows the trend in work intensity from 2004 to 2010. With the onset of the recession in 2008 there was a clear fall in the percentage of people living in high or very high work intensity households and an increase in the percentage living in low or VLWI households. There was a sharp drop from 2007 to 2010 in the percentage of persons in high work intensity households (from 27 per cent to 21 per cent) and in very high work intensity households (from 31 per cent to 24 per cent).

**Figure 2.1 Trends in work intensity in Ireland from 2004 to 2010**

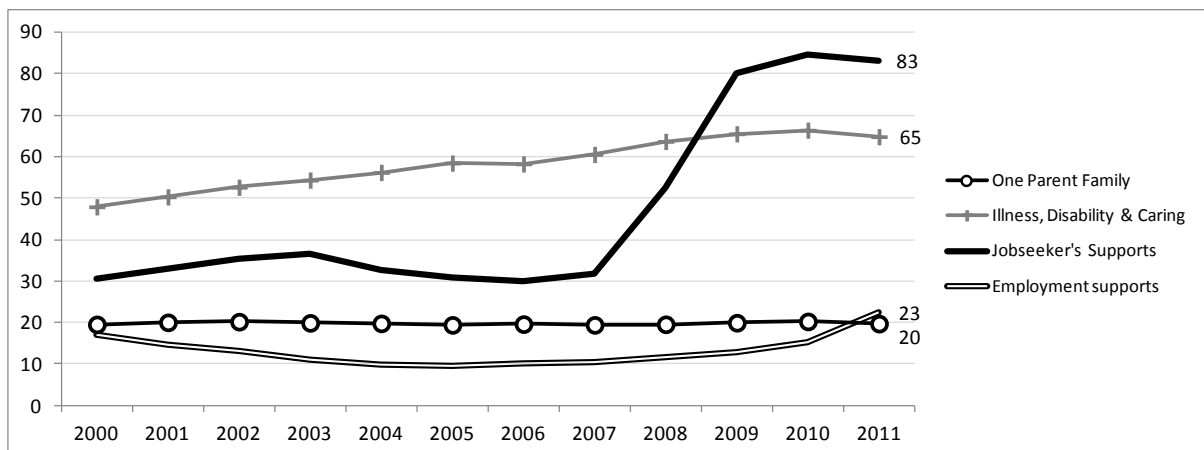


Source: SILC 2004-2010. Base = population aged 0-59 with 1+ working-age adult in household. Percentages have been rounded to the nearest whole number.

The population in VLWI households increased from 13 per cent in 2004, to 15 per cent in 2007 and 22 per cent in 2010. The percentage of persons in either low or VLWI households remained between 22 and 23 per cent from 2004 to 2008 before increasing to 32 per cent in 2009 and 34 per cent in 2010. The percentage of persons in medium work intensity households changed least over the period, remaining at about 20 to 21 per cent.

Without income from work, most people living in VLWI households will depend on social welfare income. This means that the increase in VLWI households after 2007 will be reflected in an increase in the numbers receiving social welfare payments. Figure 2.2 shows the number of recipients of the main social welfare payments for working-age adults from 2000 to 2010. There was a sharp increase in the number of recipients of jobseekers' supports after 2007, from 32 recipients per 1,000 people in 2007 to 83 per 1,000 in 2011. Jobseekers' supports include Jobseeker's Benefit and Jobseeker's Allowance (formerly known as Unemployment Benefit and Unemployment Allowance, respectively). The number of recipients of social welfare benefits related to illness, disability and caring also rose (from 48 per 1,000 in 2000 to 65 per 1,000 in 2011), but this increase was more gradual between 2000 and 2011, with no major change in the rate of increase after the onset of the recession.<sup>9</sup>

**Figure 2.2 Trends in number of recipients of main weekly social welfare payments for working-age adults, 2000 to 2010 (Number of recipients per 1,000 of population)**



Source: Department of Social Protection (formerly Department of Social and Family Affairs), *Statistical Information on Social Welfare Services*, annual reports from 2000 to 2011, Table A9.

There was also an increase in the number of people receiving employment supports such as Family Income Supplement, Back to Work Allowances and Back to Education Allowances from 10 recipients per 1,000 population in 2007 to 23 per 1,000 in 2011. However, the number of recipients of One-Parent Family Allowance did not increase substantially as a proportion of the total population, remaining at about 20 per 1,000 of population throughout the period.

These figures suggest that of the working-age adults who receive social welfare payments, roughly 56 per cent receive payments linked to employment (jobseeker

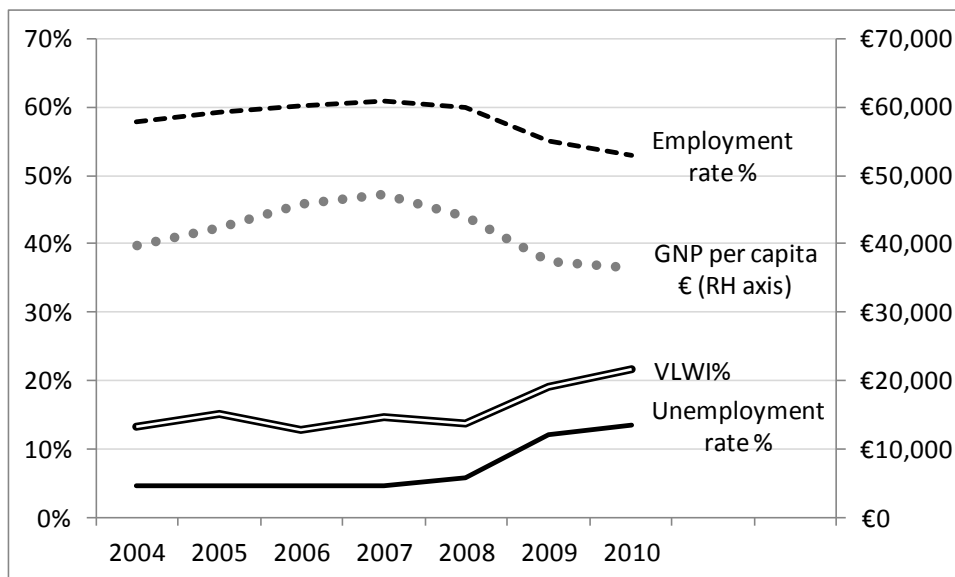
<sup>9</sup> These weekly payments include Illness (formerly Disability) Benefit, Invalidity Pension, Disability Allowance, Disablement Pension and Blind Pension as well as Carer's Allowance.

supports and employment supports), while 45 per cent receive payments not linked to employment (such as payments to people with illness or disability, to carers, to lone parents). In addition to the recipients, there would be roughly five qualified adults per 1,000 benefitting from payments related to disability and caring; 16 per 1,000 benefitting from jobseeker supports and 4 per 1,000 benefitting from employment supports.<sup>10</sup>

### 2.3.3 Very low work intensity and other economic indicators

Figure 2.3 shows how the trends in very low work intensity compare to the trends in Ireland over the same period in some of the more frequently-cited economic indicators. While the VLWI rate and unemployment rate both increased after 2008, the increase in the unemployment rate was sharper. The unemployment rate in 2010 was about three times the rate in 2004 while the increase in the VLWI rate was about 1.6 times that rate. The Irish VLWI rate earlier in the period was quite high by European standards, as we shall see in the next chapter. The fall in the employment rate also occurred after 2008, dropping from 61 per cent in 2007 to 53 per cent by 2010.

**Figure 2.3 Very low work intensity, GNP per capita, unemployment rate and employment rate in Ireland from 2004 to 2010**



Source: Very low work intensity from SILC 2004-2010. Base = population age 0-59 with 1+ working-age adult in household. Other indicators from CSO (2011) *Statistical Yearbook of Ireland, 2011* (Tables 1.2, 2.1, 2.2 and 8.1). The VLWI, employment and unemployment rates are charted against the vertical axis on the left; GNP per capita is charted against the vertical axis on the right.

The movement in the GNP per capita was a little different. The VLWI rate was relatively flat (at about 13 to 15 per cent) between 2004 and 2008, but the GNP per

<sup>10</sup>Department of Social Protection, *Statistical Information on Social Welfare Services*, 2011, Table A16, calculations by authors.

capita was increasing from 2004 to 2007 (from about €39,800 to a peak of about €47,200 in 2007). The GNP per capita rate fell after 2007, a year ahead of the drop in employment and the rise in the VLWI and unemployment rates.

The patterns in Figure 2.3 suggest that while the VLWI rate is correlated positively with the unemployment rate and negatively with movements in GNP per capita and the employment rate, the correlation is not perfect. This is because very low work intensity can come about through non-participation in the labour market as well as through unemployment. In addition, the extent to which unemployment will bring about an increase in low work intensity depends on how unemployment is distributed across households: if those losing their jobs live with other people who are employed, their unemployment will not generally result in the household work intensity dropping into the 'very low' category.

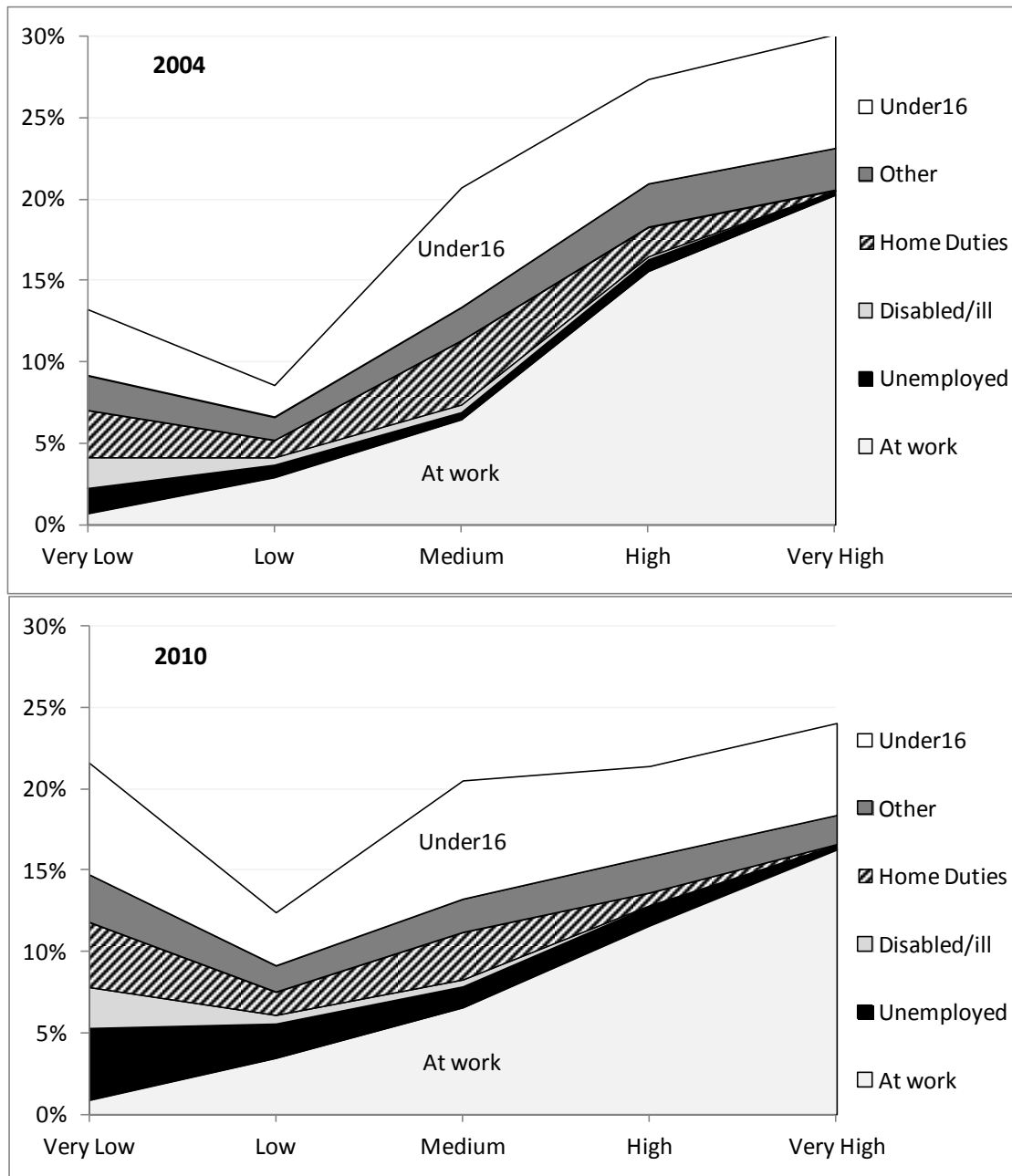
#### 2.3.4 Work intensity and principal economic activity status

Figure 2.4 shows the work intensity and principal economic activity for the base population in 2004 and 2010. The base population consists of persons under age 60 in a household with at least one working-age adult. As we saw in Table 2.2, this includes virtually all children and adults aged 18-59. Principal economic activity status is not recorded for adults under age 16, so these are shown separately in Figure 2.4.

The increase in the percentage of the population in low and VLWI households is evident. These work intensity categories were pushed upwards by a sharp increase in unemployment. In 2004, unemployed adults comprised 12 per cent of those in VLWI households. This had increased to 21 per cent by 2010.

The percentage of the base population under age 16 increased slightly between 2004 and 2010 from 27 to 29 per cent. This group increased more rapidly in the VLWI households and dropped slightly in very high work intensity households. As a result, more of the children under age 16 are in VLWI households in 2010 than in 2004.

**Figure 2.4 Principal activity status and work intensity (% of all persons, 2004 and 2010)**



Source: SILC 2004 & SILC 2010, analysis by authors.

From Figure 2.4 we see that adults at work are most likely to be found in very high or high work intensity households. In 2004, 78 per cent of adults at work were in these household types, falling slightly to 72 per cent by 2010. The drop is likely to be associated with the increase in the prevalence of part-time employment between 2004 and 2010. In both years, only a very small percentage of those at work are found in VLWI households (one per cent in 2004 and two per cent in 2010).

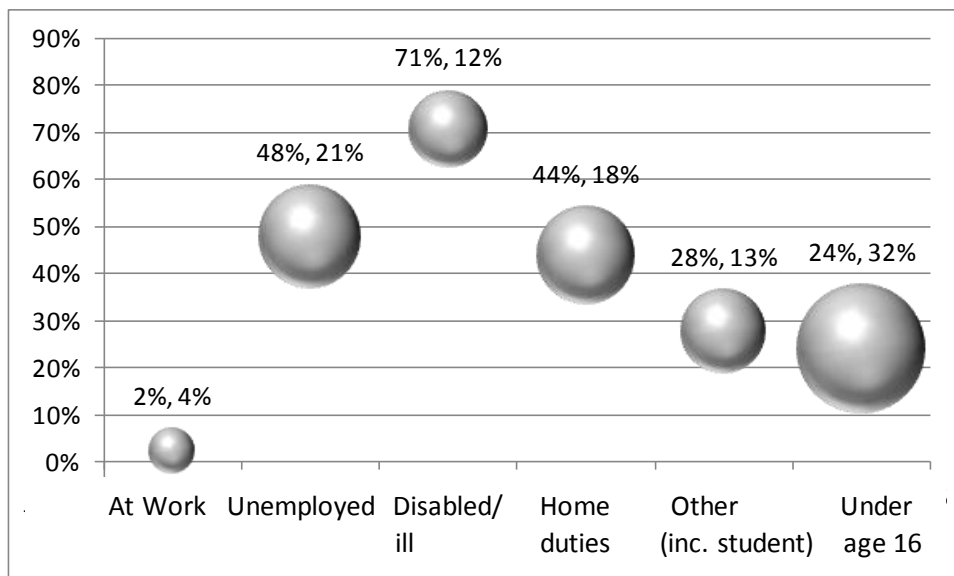
Note that economic status – being at work, unemployed or inactive – is based on the individual's current economic status. There will inevitably be some slippage between current economic status and household work intensity due to the different reference

periods. Work intensity is based on the work status of adults in the household over the previous 12 months. Those who have just lost a job may have been working for most of the past 12 months. Similarly, people who have just started a job may have been unemployed or otherwise inactive for most of the previous year. Another source of the discrepancy is that work intensity depends not only on what an individual adult is doing, but on the economic status of all adults in the household.

### 2.3.5 Very low work intensity and economic activity status

Figure 2.5 shows the risk and composition of very low work intensity by principal economic activity status in 2010. A bubble chart is used to display risk and composition together in the same chart. The height of the bubble (and the first percentage shown in the chart) indicates the risk of being in a VLWI household. The size of the bubble (and the second percentage shown in the chart) indicates the proportion of those in very low work intensity who are in that principal economic activity status. Since principal economic activity status is not recorded for children under age 16, these are shown in a separate bubble.

**Figure 2.5 Very low work intensity: risk and composition by individual activity status, 2010**



Source: SILC 2010, analysis by authors. Note: height of bubble = risk; size of bubble = composition of those in very low work intensity.

Turning first to the risk of being in a VLWI household (shown by the height of the bubbles), we see that this risk is lowest (two per cent) for adults at work and highest (71 per cent) for adults who describe themselves as 'unable to work due to illness or disability'. Almost half (48 per cent) of the unemployed in 2010 were in VLWI households. This implies that over half of the unemployed (52 per cent) are not in VLWI households because they live with at least one other adult who is at work. Of



those engaged in home duties, 44 per cent are in VLWI households. The 'other' category consists mainly of students over the age of 16, but also of some people who have retired early and those who are otherwise not active in the labour market. This group has a lower risk of being in a VLWI household (28 per cent) compared to other inactive adults. Finally, almost a quarter (24 per cent) of children under the age of 16 are in VLWI households.

In terms of composition (shown by the size of the bubble), the biggest group consists of children under age 16, who account for nearly one third (32 per cent) of those in VLWI households. About one fifth (21 per cent) are unemployed and a slightly smaller proportion (18 per cent) are engaged in home duties. One in eight people in a VLWI household is an adult who is unable to work due to illness or disability and a similar proportion (13 per cent) are students over age 16 or adults who are otherwise inactive in the labour market. The fact that a significant proportion of those in VLWI households are children suggests that difficulties in accessing childcare may be a significant barrier to labour market entry.

## **2.4 Couple Work Pattern**

### 2.4.1 Introduction

In this section, we turn our attention to couple households. One of the notable features of the recession which began in 2008 is the strong gender difference in unemployment risk. This was largely as a consequence of the loss of employment in construction, where most jobs were held by men. Between 2007 and 2010, male employment fell by 17 per cent compared to a five per cent fall among women. There was a 55 per cent fall in the number of men employed in the construction sector (from 257,000 to 115,000). Job losses in construction accounted for two thirds of male jobs lost. The sectoral concentration was less pronounced among women. The biggest fall was in health and social work (44 per cent), followed by industry (37 per cent) and retail and wholesale (30 per cent).<sup>11</sup> This gender difference will have implications for the change over time in work pattern in couple households.

We begin our exploration by asking how many adults and children we are talking about when we focus on the work pattern of couple households. Table 2.3 shows that the majority of children live with both parents (or step parents). Between 74 per cent and 80 per cent of children live in couple households, although the proportion

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<sup>11</sup> See <http://www.cso.ie/en/qnhs/releasesandpublications/qnhs-calendarquarters/>; Table 2b; comparing second quarter of 2007 and 2010.

declined between 2004 and 2010. The figure was 80 per cent in 2004, 77 per cent in 2007 and 74 per cent in 2010. By 2010, just over one quarter of children lived in another household type, most often with a lone parent.

**Table 2.3 Percentage of adults and of children in couple households, 2004, 2007 and 2010**

	Children			Adults age 18-59		
	2004	2007	2010	2004	2007	2010
In couple household	80%	77%	74%	70%	73%	72%
Not in couple household	20%	23%	26%	30%	27%	28%

Source: SILC 2004, SILC 2007 and 2010, analysis by authors. Base = adults and children under age 60 where there is at least one person of working age in the household.

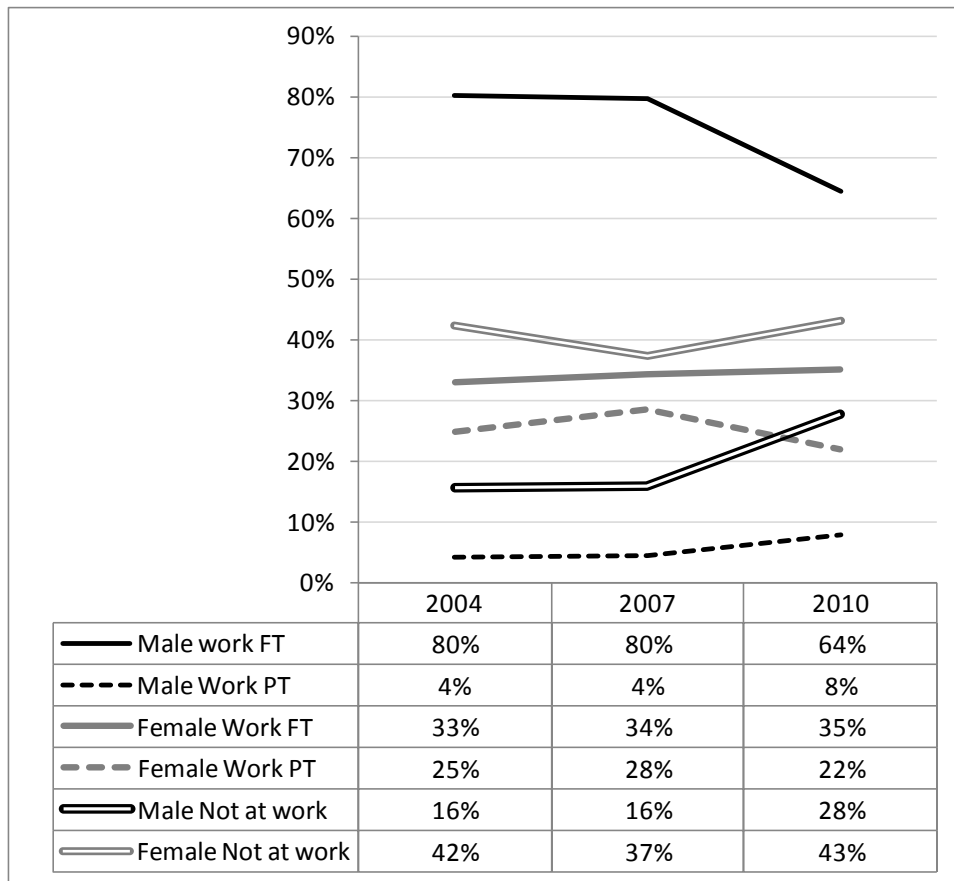
The majority of adults in the 18 to 59 age group also live in couple households. The percentage has increased slightly between 2004 and 2010. In 2004, 70 per cent of adults in the 18-59 age range lived in a couple household. The figure was 73 per cent in 2007 and 72 per cent in 2010. Since most children and working-age adults live in couple households, the work pattern in couple households will have consequences for the quality of life and living standards of close to three quarters of the non-elderly population.

#### 2.4.2 Work of male and female partner, 2004 to 2010

Figure 2.6 shows how the pattern of working (full-time or part-time) and engagement in other activities (including caring for home and family) has changed for men and women living with partners between 2004 and 2010. There was a marked fall in male full-time employment after 2007 (from 80 per cent to 64 per cent by 2010) and a more modest increase in male part-time working (from four per cent in 2007 to eight per cent in 2010). The male 'inactivity' rate (including unemployment and being outside the labour market) increased from 16 per cent in 2007 to 28 per cent in 2010.

The changes for women were less evident for full-time work than for part-time work. There was actually a slight increase in female full-time working (from 34 per cent in 2007 to 35 per cent in 2010) but a sizeable fall in female part-time working (from 28 per cent in 2007 to 22 per cent in 2010). The female inactivity rate (which includes unemployment as well as being outside the labour market) fell to 37 per cent in 2007 before rising to just above the 2004 rate in 2010 (43 per cent).

**Figure 2.6 Work pattern of male and female partners in couple households, 2004, 2007 and 2010**

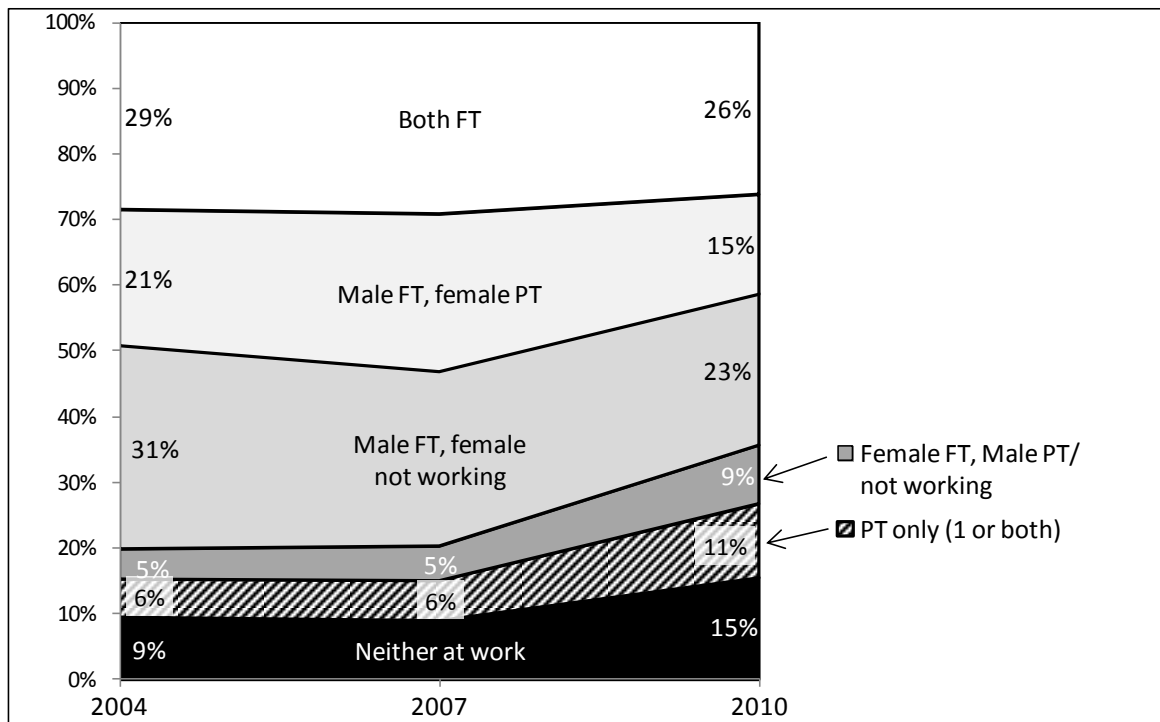


Source: SILC 2004, SILC 2007 and 2010, analysis by authors. Base = adults under age 60 living with a partner, where there is at least one person of working age in the household.

#### 2.4.3 Couple work pattern over time

As a result of the shifts in male and female employment, some important changes occurred in the couple work patterns between 2004 and 2010, particularly after 2007. If we think of the male breadwinner model as a couple where the man works full-time with the woman either not at work or working part-time, there was a sizeable decline in this model after the onset of the recession. This pattern accounted for 52 per cent of couples in 2004, with the woman not at work in 31 per cent and working part-time in 21 per cent. By 2010, it had declined to 38 per cent of couple households, with the woman not at work in 23 per cent and working part-time in 15 per cent.

There was a substantial increase in the percentage of couples where neither partner works, from nine per cent in 2004 to 15 per cent in 2010. There was less change over time in the model where both partners work full-time. In fact, the size of this group changed least with the recession. Couples where both partners work full-time accounted for 29 per cent of couples in 2004 and had fallen slightly to 26 per cent by 2010.

**Figure 2.7 Work pattern in couple households, 2004, 2007 and 2010**

Source: SILC 2004, SILC 2007 and 2010, analysis by authors. Base = adults under age 60 living with a partner, where there is at least one person of working age in the household.

Some additional analysis of the characteristics of dual full-time earner couples showed that they were more likely to have third level education by 2010 (60 per cent compared to 48 per cent in 2004). Even taking account of the general increase in the proportion of working-age adults with third level education in the period, the rate of increase was higher (an increase of 56 per cent) in the dual full-time earner households than it was generally (an increase of 47 per cent).

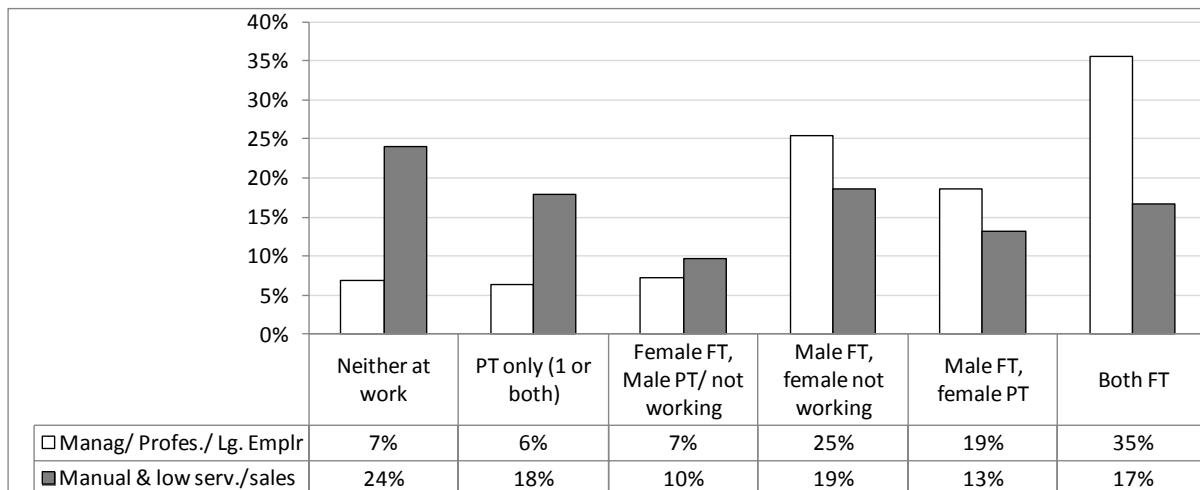
Another change was the increase in the percentage of couples relying on the part-time work of one or both partners, with neither working full-time. This category includes couples where one partner works part-time and the other is inactive or where both work part-time. This accounted for six per cent of couples in 2004 but had risen to 11 per cent by 2010. Of these, in 2010 male part-time and female part-time working were about equally likely, both accounting for about five per cent of couples.

With the fall in male employment, there was an increase in the percentage of couples where the only full-time work was done by the female partner. Couples where the woman worked full-time and the man was either working part-time or was inactive increased from five per cent in 2004 to nine per cent in 2010. In most cases, (seven per cent of couples in 2010) the woman was working full-time and the man was unemployed or outside the labour market.

#### 2.4.4 Couple work pattern and social class

There are important class differences in the couple work patterns. This is illustrated in Figure 2.8 by focusing on the work pattern of couples by social class. The social class is that of the householder and is based on the European Socio-economic Classification (Rose and Harrison, 2009). Figure 2.8 focuses on two social classes: the professional/managerial and large employer social class and the manual and lower service/sales social class.

**Figure 2.8 Work pattern in couple households by social class, 2010 (% in each social class)**



Source: SILC 2010, analysis by authors. Base = adults under age 60 living with a partner, where there is at least one person of working age in the household.

Both partners are more likely to be at work in the professional /managerial /large employer social class. In 2010, 35 per cent of couples in this social class had both the male and female partner working full-time and a further 19 per cent had the male working full-time and the female working part-time. In contrast, in the manual and lower service/sales class, only 17 per cent had both partners working full-time and a further 13 per cent had the male working full-time and the female working part-time. In other words, over half of couples in the professional/managerial/ large employer social class had both partners working and at least one working full-time, compared to less than one third in the manual and lower service/sales social class.

Interestingly, the broadly defined male breadwinner model (with the woman either not at work or working part-time) is also more prevalent in the professional/ managerial/ large employer social class, though the difference is not as marked. In 2010, 44 per cent of couples in this social class had the man working full-time and the woman either working part-time or not at work. The figure was 32 per cent for couples in the manual and lower service/sales social class.

In 2010, neither partner was at work in only seven per cent of couples in the professional /managerial/ large employer social class, but in almost one quarter (24 per cent) of the manual and lower service/sales social class. Couples relying on part-time work (of one or both partners) are also significantly represented in the manual and lower service/sale class (18 per cent), as are couples where only the female is working full-time (10 per cent).

#### 2.4.5 Couple work pattern and work intensity

Figure 2.9 shows the relationship between work intensity and couple work pattern in 2004 and 2010. The area covered by the chart represents all adults aged less than 60 living in couple households in 2004 and 2010.

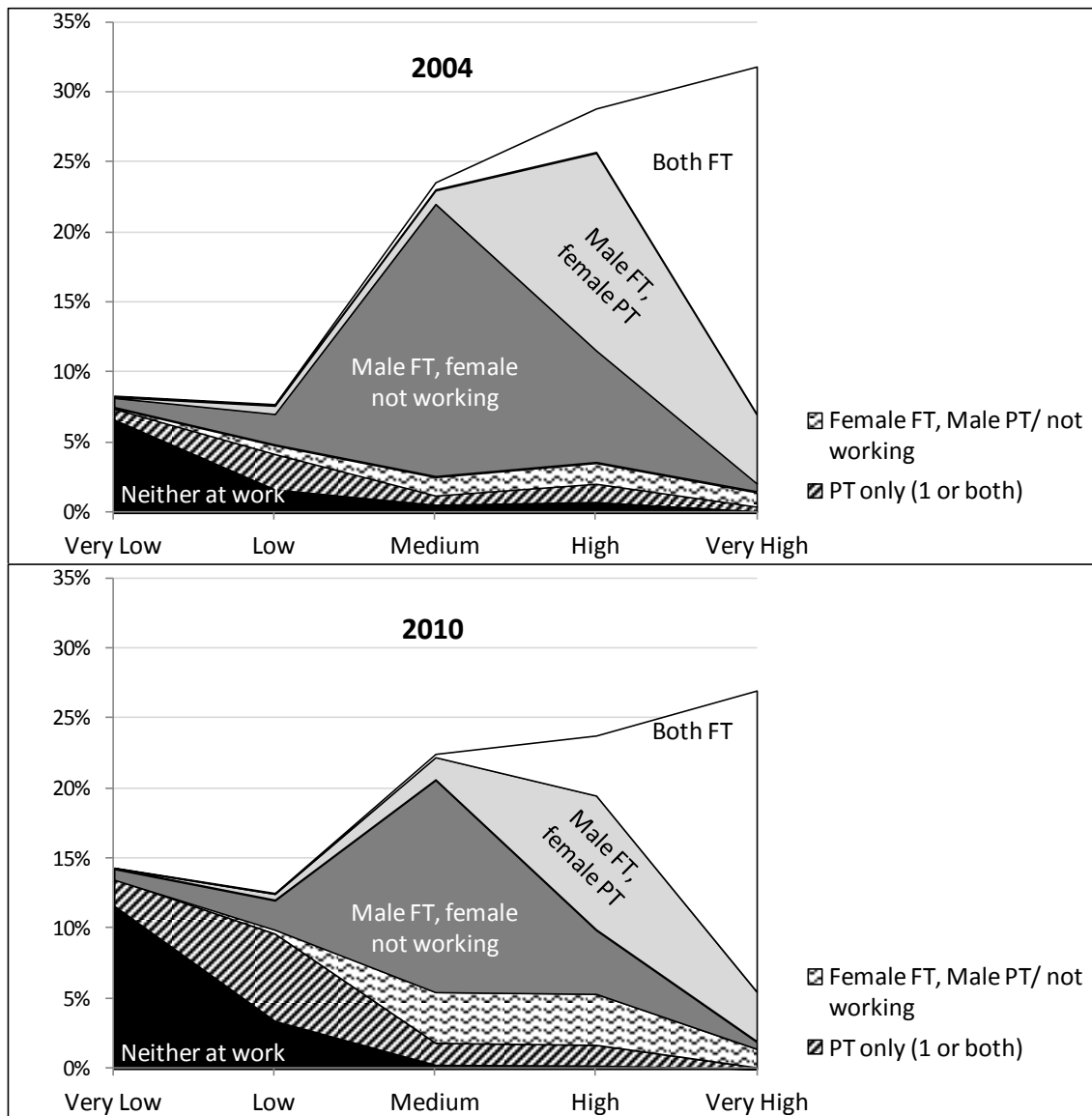
There is a clear association between work intensity and the couple work pattern. A one-to-one relationship does not occur between the two, however. This is because couple work pattern is based on the current economic activity of the couple whereas work intensity is based on work measured over a year. In addition, the work intensity indicator takes account of the work status of other adults of working age in the household, besides the couple.

The dual full-time earner pattern is associated with very high work intensity. There are some high (rather than very high) work intensity households in this group as well. This may be because one of the partners was not at work for the full year or because there are other non-working adults in the household. The male working full-time and female working part-time is associated with high work intensity. The male working full-time and the female not at work is associated with medium work intensity. Neither partner at work is associated with very low work intensity. Low work intensity is both the smallest category and the one that is most mixed in terms of the couple work patterns associated with it.

The most striking change between 2004 and 2010 is the rise in the percentage of couple households where neither partner works. It was this increase that was responsible for most of the rise in the prevalence of very low work intensity in couple households. At the same time, there was a striking fall in the prevalence of traditional male breadwinner households where the male works full-time and the female is not at work. Despite this drop, the number of couple households with medium work intensity did not change appreciably, because of the increasing prevalence of another work pattern associated with medium work intensity: the couple households

relying on female full-time work (with the male not working or working part-time) and, to a lesser extent, couple households relying on part-time work of one or both partners.

**Figure 2.9 Couple work pattern and work intensity, 2004 and 2010**



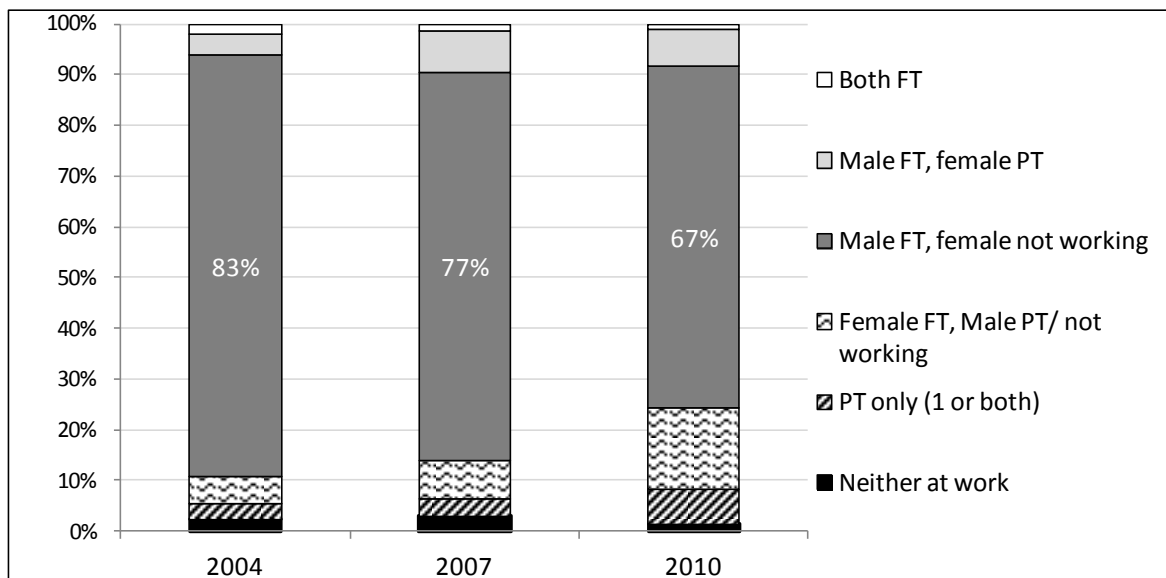
Source: SILC 2004 and SILC 2010, analysis by authors. Base = adults under age 60 living with a partner, where there is at least one person of working age in the household.

Although the prevalence of medium work intensity households did not change very much between 2004 and 2010, as we saw earlier in Figure 2.1, the combination of male and female work in medium work-intensity couple households changed significantly. This is shown in Figure 2.10 which breaks down couple households of medium work intensity by the couple work pattern in 2004, 2007 and 2010. In 2004, 83 per cent of these couple households fit the traditional male breadwinner model (male working full-time, female not at work). Already by 2007, before the start of the recession, this had fallen to 77 per cent reflecting an increase in female labour force

participation during the years of economic growth. By 2010, the percentage had fallen to 67 per cent.

At the same time, couple households where the female partner worked full-time and the male partner either did not work or worked part-time had increased from six per cent in 2004 to 16 per cent in 2010 of medium work intensity households. This change could be due to either an increase in the percentage of couples where the female worked full-time or a fall in the percentage where the male worked full-time. As we saw in Figure 2.6, above, the major change in the period was the drop in male full-time working. The percentage relying on part-time work of one or both partners increased from three to seven per cent in the same period.

**Figure 2.10 Couple work pattern in households of medium work intensity, 2004, 2007 and 2010**



Source: SILC 2004, 2007 and 2010, analysis by authors. Base = adults under age 60 living with a partner, where there is at least one person of working age in the household.

This shows that medium work intensity can be arrived at by very different combinations of paid and unpaid work within couple households. The apparent stability in the percentage of medium work intensity households masked quite substantial change within these households in female and male work patterns.



## 2.5 Summary

In this chapter, we focused on change between 2004 and 2010 in the work intensity indicator and in the work pattern in couple households. 'Work intensity' measures the proportion of possible working time spent at work by working-age members of a household. Most of the change in work intensity occurred between 2007 and 2010. With the onset of the recession in 2008, there was a sharp fall in 'very high work intensity' (over 80 per cent of potential time spent at work) and a sharp rise in very low work intensity (less than 20 per cent of potential time spent at work). The biggest driver of these changes was the rise in unemployment.

The recession was characterised by a larger fall in male than in female employment, particularly in the construction sector. As a result, in couple households we saw a significant fall in the male breadwinner work pattern. At the same time, there was a substantial increase in the percentage of couples where neither works (from nine per cent to 15 per cent). This pattern, where neither partner is at work, is more common in the manual and lower service and sales social class: almost one quarter of couples where neither partner works are in this social class. There was less change in the pattern where both partners work full-time, declining slightly from 29 per cent in 2004 to 26 per cent in 2010. This pattern is strongly associated with the professional/managerial and large employer social class – over one third of couples where both partners work full-time are in this social class.

While the analysis of the work pattern in couple households was useful in pointing to changes in the labour supply and unemployment rate of men and women since the onset of the recession, it is not as useful as the indicator of very low work intensity. This is because it is limited to couple households so that it does not cover the situation of single adults or lone parents (28 per cent of adults aged 18 to 59). In addition, while the household division of labour between men and women is interesting from the perspective of family dynamics, labour market activation policy seeks to promote the employment of both men and women rather than one or the other.

We noted that the work intensity indicator, as it is specified by the European Commission, also had some limitations. In particular it does not cover adults aged 60 to 65. This group would not yet be entitled to the Irish state pension which means that, from the perspective of Irish policy, they are still considered to be of working age. However, it covers virtually all children and there is nothing, in principle, to

prevent the construction of a work intensity indicator that includes adults up to the age of 65. We retained the EU definition here for comparability with the statistics produced by Eurostat for other countries.

Placing the changes in work intensity in context, we noted that while the VLWI rate increased very markedly after the onset of the recession, there was an even sharper increase in the unemployment rate and in the numbers receiving social welfare payments for jobseekers. This suggests that with the onset of the recession unemployment was becoming less concentrated at the household level. We shall return to this issue in Chapter 5 where we examine whether there were changes in the profile of VLWI households between 2004 and 2010.

In the next chapter, we draw on statistics at the European level to examine how the VLWI rate in Ireland compares to that in other European countries.

## Chapter 3: Very Low Work Intensity in Europe

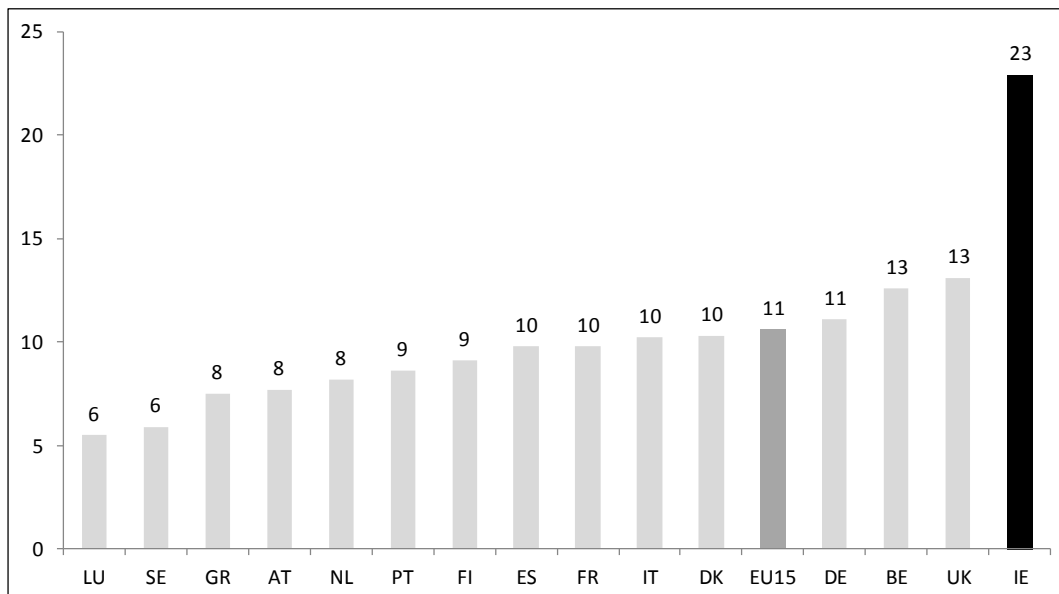
### 3.1 Introduction

Given the emphasis placed on very low work intensity as an indicator of social exclusion in the EU2020 strategy, the very high rate of very low work intensity in Ireland is a concern. In this chapter, we explore some of the differences between Ireland and the EU in the risk of very low work intensity. We begin by presenting an overview of Ireland in the European context, using data from 2010. We then consider whether Ireland's outlier position emerged with the recession or was present beforehand. Next, we examine three factors that may account for the differences in very low work intensity between Ireland and other EU 15 countries: the rate of joblessness among working-age adults, the percentage of jobless adults who live with someone with a job and the percentage of jobless adults who live with children.

### 3.2 Ireland in the EU context in 2010

The most recent published results by Eurostat show that of all the EU countries, Ireland has by far the highest level of very low work intensity at 23 per cent (Figure 3.1).<sup>12</sup> For most of the EU 15, VLWI rates range from six per cent to 13 per cent. Ireland's rate at 23 per cent is clearly an outlier.

**Figure 3.1 Very low work intensity in Ireland and in the EU 15, EU-SILC 2010**



Source: Eurostat 2010 Tables from website. Base = persons aged 0 to 59.

<sup>12</sup>Note that the figures for Ireland 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 a slightly different population weights.

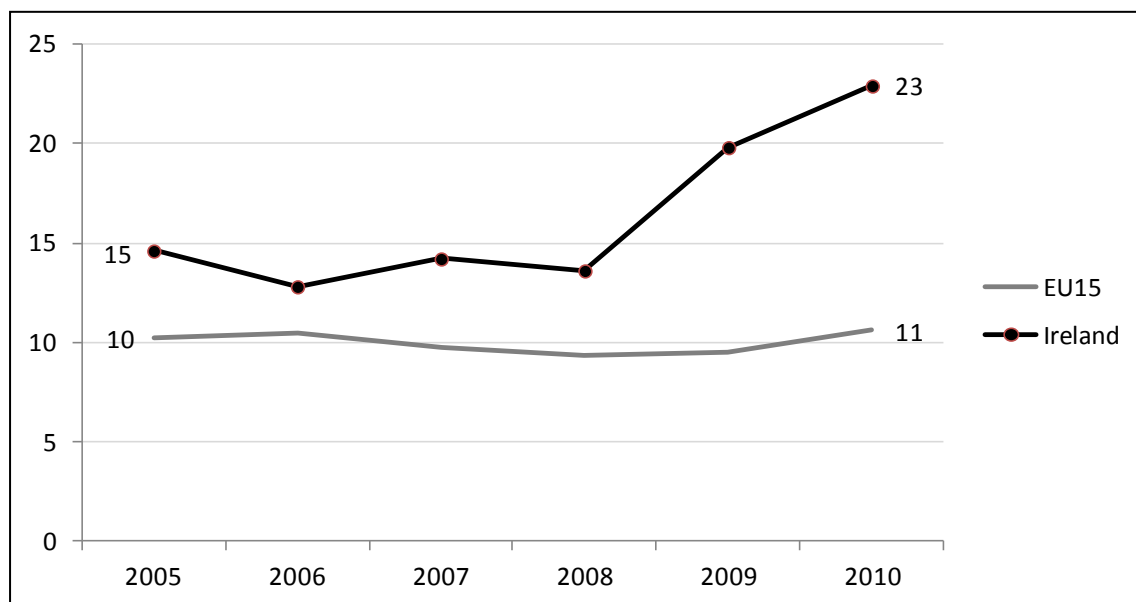
### 3.3 Very Low Work Intensity in the EU context since 2005

The very high rate of very low work intensity in Ireland in 2010 could be due partially to the strong impact of the recession on the Irish economy and labour market.

Therefore we now look at the evolution of very low work intensity, in an EU comparative context, prior to the recession that hit Ireland in 2008.

Looking at Figure 3.2 we see that overall, compared to the EU 15 countries, Ireland is quite distinctive in reporting a very high level of very low work intensity. We see that even during the period 2005 to 2007, while the unemployment rate was at a very low level of four to five per cent, Ireland had a VLWI rate that oscillated between 13 per cent and 15 per cent while it was 10 per cent, on average, in the EU 15. When the recession struck, we see a slow increase in very low work intensity in the EU 15, from nine per cent in 2008 to almost 11 per cent in 2010. Ireland experienced a much sharper increase in very low work intensity from 2008 (14 per cent), to reach 20 per cent in 2009 and almost 23 per cent in 2010. Clearly, then, while there is no doubt that the impact of the recession in Ireland led to a sharp increase in very low work intensity, even prior to the recession, Ireland was characterised by a high structural level of very low work intensity.

**Figure 3.2 Very low work intensity in Ireland and in the EU 15, 2005 to 2010**



Source: Eurostat 2010 Tables from website. Base = persons aged 0 to 59.

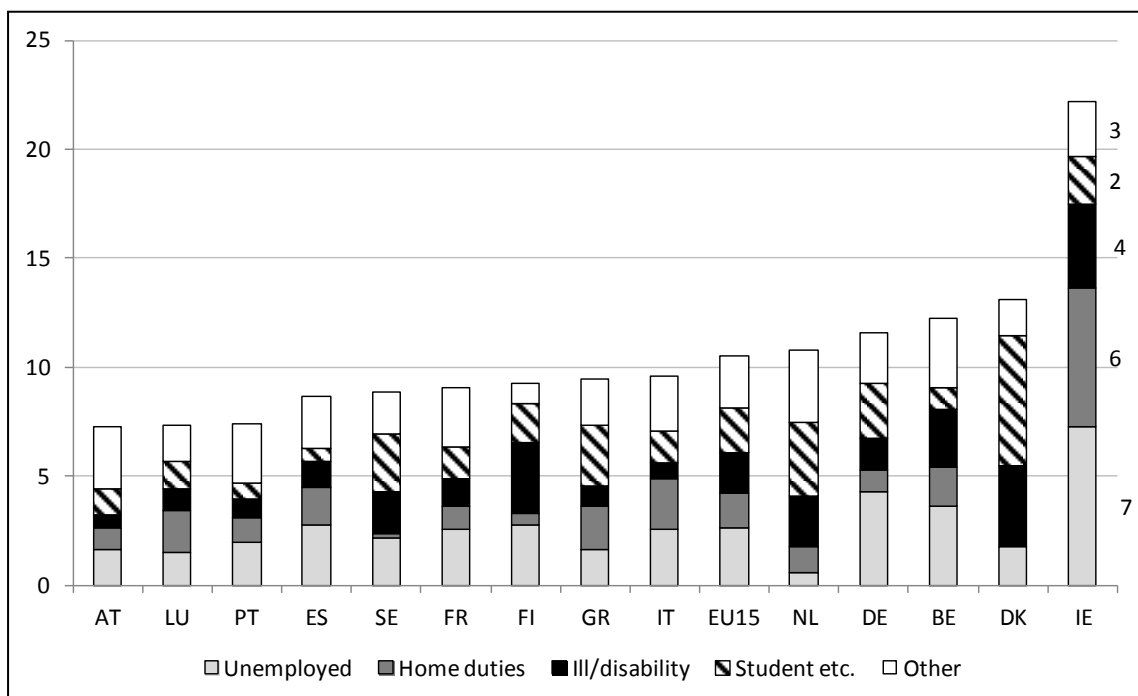
### 3.4 Work Intensity and Economic Status in the EU

Ireland appears then to be very distinctive in the EU context. In order to get some insight into the VLWI rate in Ireland, we need to examine in more detail some of the characteristics of the Irish population that may distinguish it from that of other EU countries. This can be done only by using the Eurostat EU-SILC microdata. The

most recent microdata available at the time of writing this report is the EU-SILC 2009 wave. We use the 2009 data for subsequent analyses and focus on the working-age population aged 18 to 59 in order to get detailed individual socio-economic information.<sup>13</sup>

We begin by looking at the principal economic status of the working-age adults in VLWI households (Figure 3.3). The ‘other’ category includes being an employee, self-employed, retired and other inactive. Focusing on Ireland we see that the two largest groups are the unemployed and people on home duties at respectively seven per cent and six per cent.

**Figure 3.3 Principal economic status of working-age population (18 to 59) in VLWI households, EU-SILC 2009**



Base: Adults aged 18-59, showing principal economic status for adults in VLWI households. Source: EU-SILC 2009, microdata.

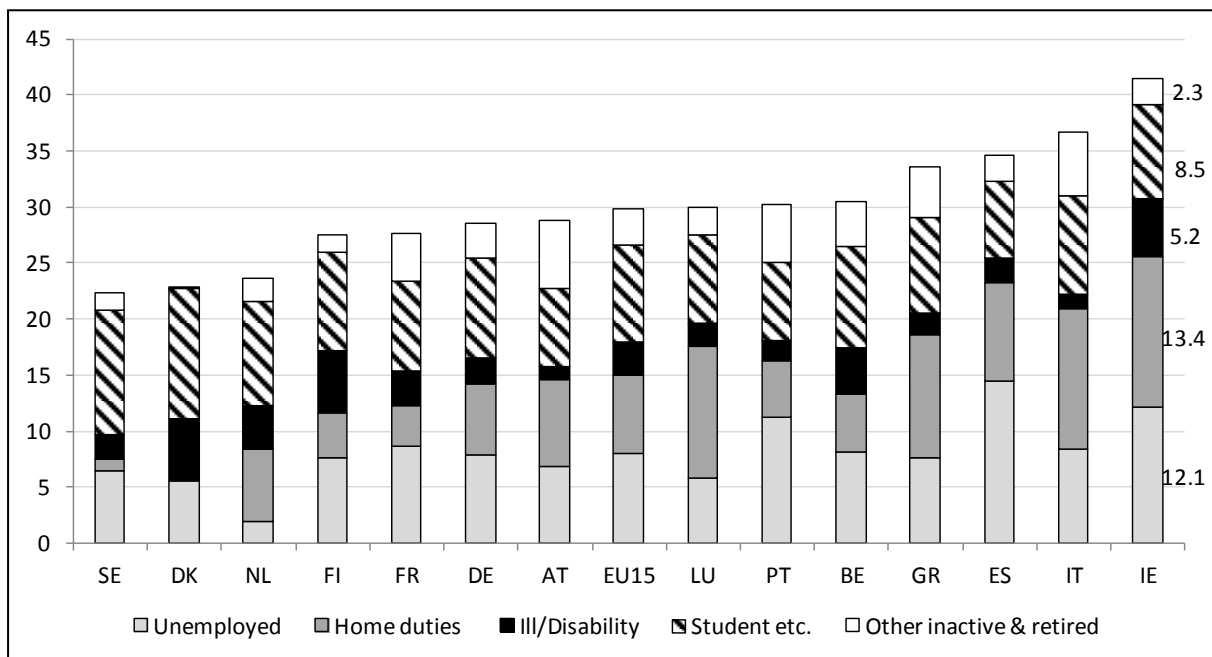
The unemployed and those engaged in home duties living in VLWI households constitute a much larger proportion of the working-age population in Ireland than all of the categories in VLWI households added together in any other country. The third largest category in Ireland is comprised of people who are unable to work because of illness or disability. In Ireland those in VLWI households unable to work because of

<sup>13</sup> Some small discrepancies exist between the VLWI figures calculated from the EU-SILC microdata and the results published by Eurostat, but the distribution of VLWI across countries remains identical with the highest figure in Ireland. We have excluded the UK from the analysis of the microdata as there were some technical problems in the current version of the EU-SILC microdata for the UK.

illness or disability represent four per cent of the working-age population – a relatively high figure compared to other countries.<sup>14</sup>

This distinctive high representation of the unemployed, people on home duties and people unable to work because of illness or disability among those in VLWI households in Ireland could be due to a very high representation of these groups in the population generally. We show in Figure 3.4 the distribution for the total working-age population in 2009 (not just those in VLWI households).

**Figure 3.4 Principal economic status of working-age population (18 to 59), EU-SILC 2009**



Base: All adults aged 18-59. Source: EU-SILC 2009, microdata.

The most striking feature of Figure 3.4 is that Ireland does indeed have the highest proportion of the working-age population in the jobless categories (unemployed, engaged in home duties, unable to work due to illness or disability and other inactive). The rate is 42 per cent in Ireland while the range across the remaining countries goes from a low of 22 per cent in Sweden to 37 per cent in Italy. Ireland is clustered with some southern European countries (Italy, Spain and Greece). However, what is equally clear from this chart is that while the level of joblessness in Ireland is high, Ireland is much less of an outlier in terms of joblessness at the individual level than it is in terms of very low work intensity at the household level. This suggests that we need to look beyond individual joblessness to living arrangements in order to understand what is unique about Ireland.

<sup>14</sup> The impact of the recession only partially explains such high level of VLWI in Ireland. In 2005, only 3% of the working age population in VLWI households were unemployed (versus 7% in 2009). However, the home duties and ill/disabled categories already formed a large group at 4% and 3% respectively.

### 3.5 Work Intensity and Living Arrangements

In the previous section we highlighted the role played in Ireland by the high level of joblessness in recent years among the working-age population compared to other European countries. In this section we now consider the impact of the living arrangements of jobless people of working age and how it might differ between Ireland and the other European countries. We focus first on the extent to which jobless adults live with someone who is in employment.

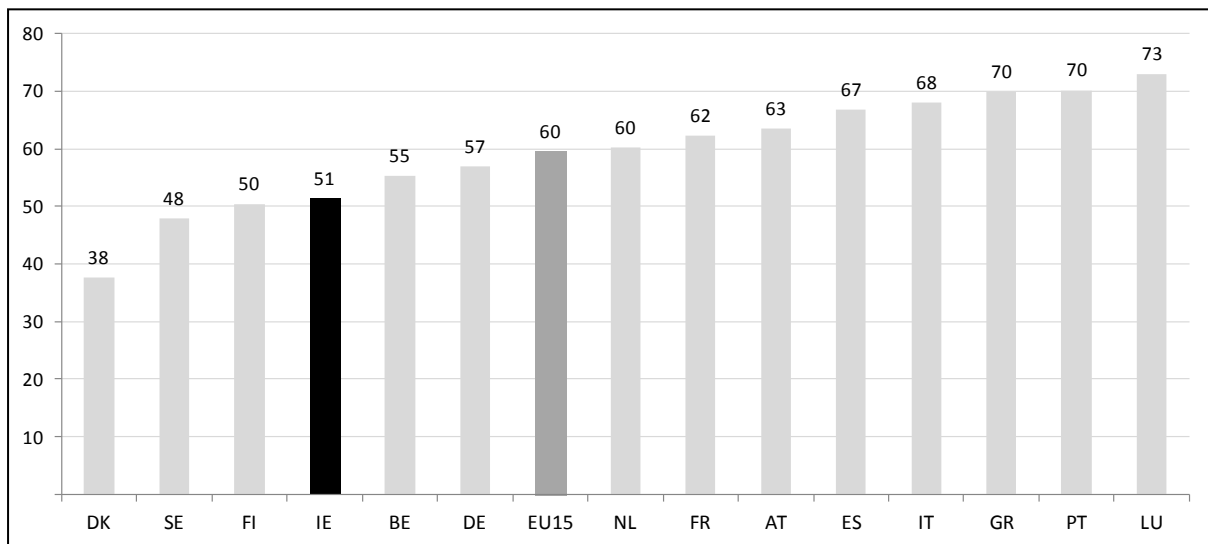
It is worth noting that, all things being equal, a household with more adults is less likely to be very low work intensity. Even if employment were equally distributed across adults in different types of household, we would expect the VLWI rate to be higher in one-adult households. This is because where there is only one adult in the household, the work intensity of the household depends solely on the employment of that adult. For example, assume an employment rate was 0.55 – implying a non-employment rate of 0.45, assuming further that employment is evenly distributed across household types, and that the employment of both partners in a couple household is independent. In this case, the probability of very low work intensity is 0.45 for a one-adult household and 0.20 ( $=0.45*0.45$ ) for a couple household. In other words, if employment were equally distributed across persons, the odds of being in a VLWI household would be lower for households containing more adults – simply by virtue of the number of adults in the household.

In Figure 3.5 we show the percentage of jobless adults who live with at least one working adult. There is wide variation in this respect across countries, from a low of 38 per cent in Denmark to a high of 73 per cent in Luxembourg. At the lower end we find the Scandinavian countries and at the upper end Spain, Italy, Greece and Portugal as well as Luxembourg. Ireland is at the lower end: only 51 per cent of jobless adults of working age in Ireland live with at least one working adult. This will contribute to a high rate of very low work intensity because the non-working adult will not be drawn out of the VLWI category by other working adults in the household.

The next issue is whether jobless adults in Ireland are more likely to live with children. The VLWI rate is calculated as the percentage of persons aged 0 to 59 (i.e. including children) in VLWI households. To the extent that children are more likely to live with a jobless adult, this will tend to inflate the VLWI level.<sup>15</sup>

<sup>15</sup> A comparison of the VLWI rates of the population aged 0 to 59 (i.e. including children) and of adults (aged 18 to 59) drawn from the EU-SILC 2010, shows that there is not very much difference between these two groups. For the vast majority of countries the rates of VLWI are higher for the adult population than for the population including children, with a difference of less than one percentage point. Of the few countries where the rate of

**Figure 3.5 Percentage of jobless adults aged 18-59 living with an adult in employment, EU-SILC 2009**



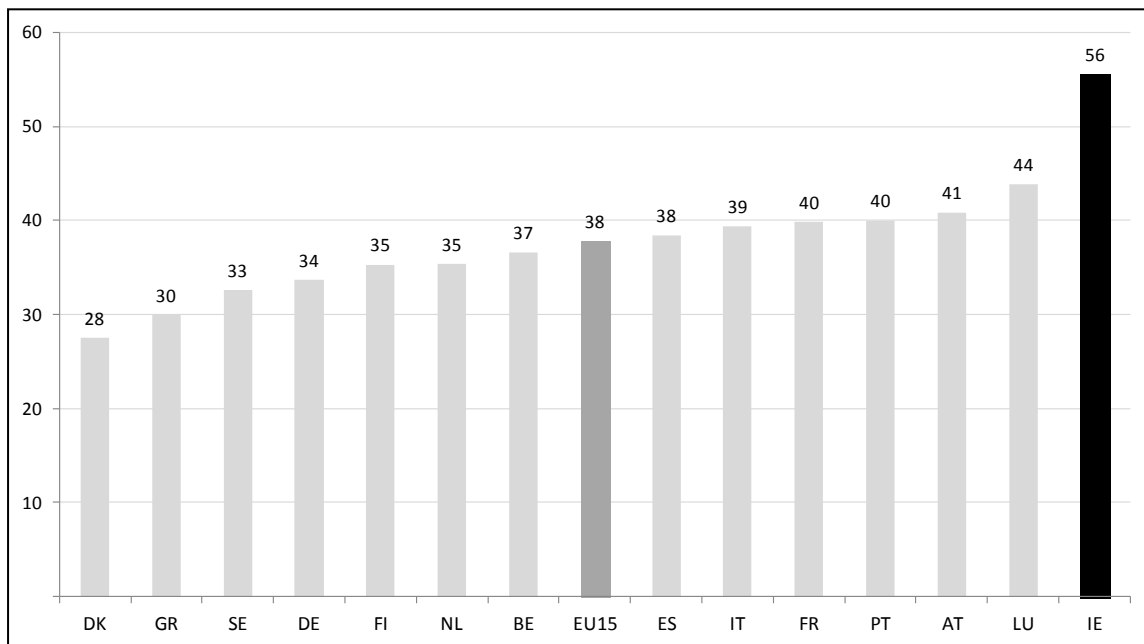
Base: All jobless adults aged 18-59. Source: EU-SILC 2009, microdata.

In Figure 3.6 we report the percentage of jobless adults who live with children aged 0 to 17. Jobless adults in Ireland are more likely to live with children (56 per cent) than in the EU 15 on average (38 per cent). In fact, in all countries except Ireland, only a minority of adults in very low work intensity are living with children, from 28 per cent in Denmark to 44 per cent in Luxembourg. Ireland is the only country where more than half of adults in VLWI households live with children. This high proportion of jobless adults with children partially explains the higher rate of very low work intensity in Ireland compared to other countries.

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VLWI is higher for the population including children than for the adults, Ireland and the UK are the only countries where the difference exceeds one percentage point with respective values of 1.2 and 1.5.

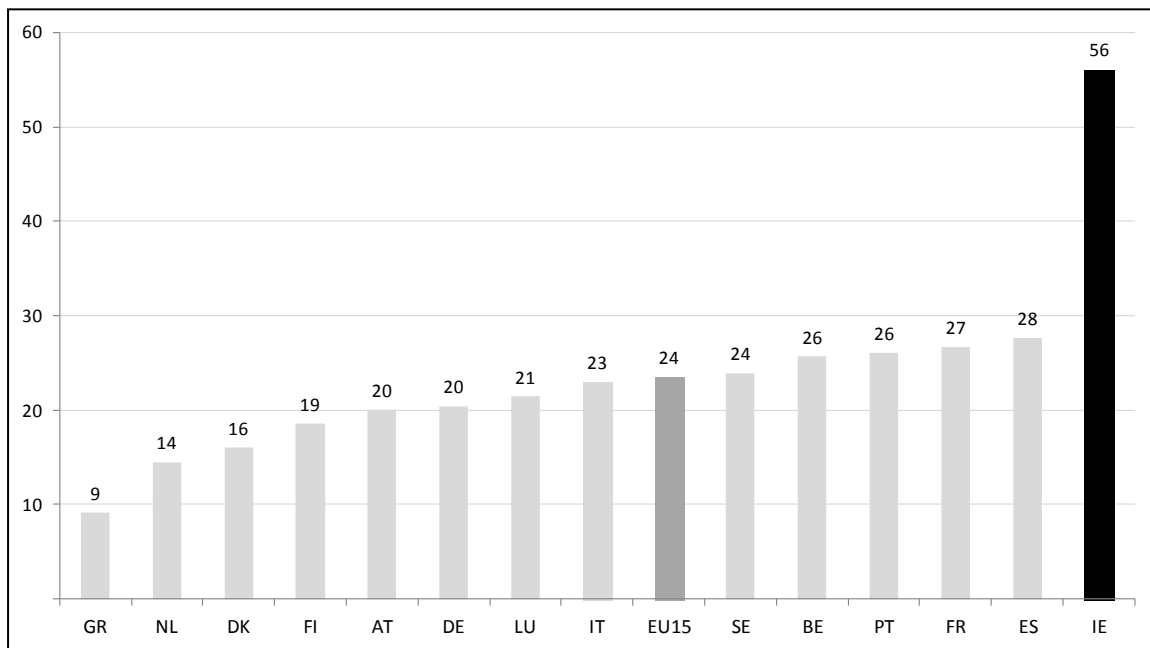


**Figure 3.6 Percentage of jobless adults aged 18-59 living with children, EU-SILC 2009**

Base: All jobless adults aged 18-59. Source: EU-SILC 2009, microdata.

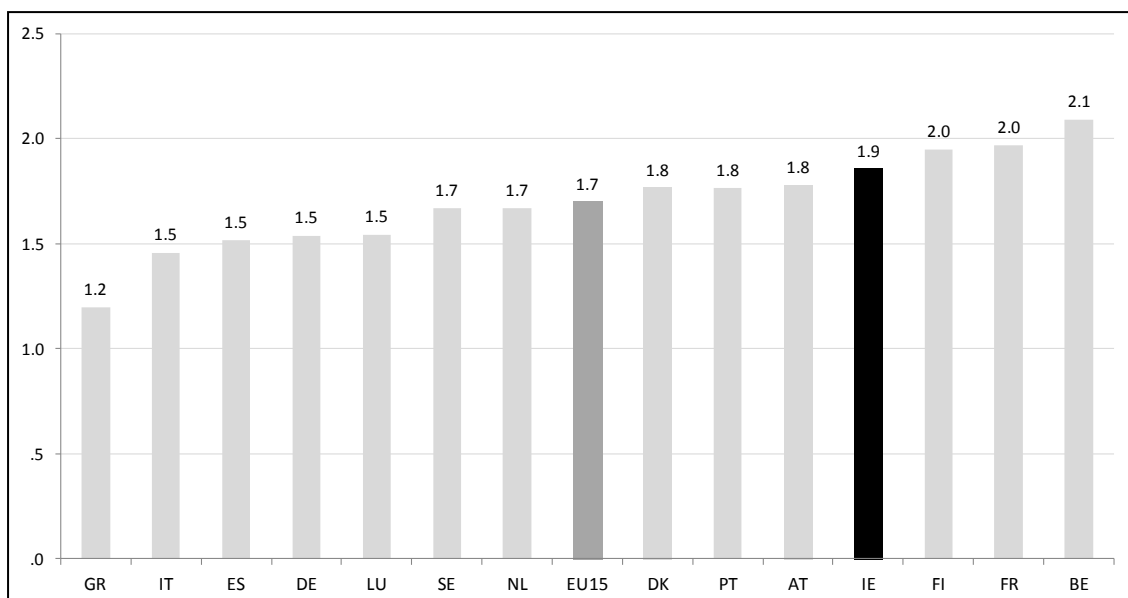
Some of the jobless adults in Figure 3.6 may be living with someone who is at work, however, and the household might not be in the VLWI category. Do we observe the same tendency for jobless adults to live with children in Ireland if we focus specifically on jobless adults in VLWI households – that is, on jobless adults who do not live with someone who is at work? Figure 3.7 examines the percentage of jobless adults in VLWI households who live with children. Ireland is clearly even more of an outlier in this respect than in Figure 3.6.

While fewer than 30 per cent of jobless adults in VLWI households in the other EU 15 countries live with children, the figure is 56 per cent in Ireland. In other words, comparing Figure 3.6 and 3.7, we can see that in Ireland there is essentially no difference in the likelihood that a jobless adult will live with children depending on whether the jobless adult is living in a VLWI household (56 per cent in both cases). This contrasts with the situation in the other EU 15 countries. In the other countries, jobless adults in VLWI households are less likely than jobless adults in households with a working adult to live with children.

**Figure 3.7 Percentage of adults aged 18-59 in VLWI households living with children, EU-SILC 2009**

Base: All adults in VLWI households aged 18-59. Source: EU-SILC 2009, microdata.

Figure 3.8 turns to the average number of children of jobless adults in VLWI households in 2009, where the person has at least one child. The average number of children ranges from 1.2 in Greece to almost 2.1 in Belgium. Ireland with an average of 1.9 is among the countries with the highest average. So Ireland is quite distinctive as not only are jobless adults in VLWI households more likely to live with children, but also they tend to live with a larger average number of children than most other EU 15 countries.

**Figure 3.8 Average number of children of adults aged 18-59 in VLWI households, EU-SILC 2009**

Base: All adults in VLWI households aged 18-59 who have children. Source: EU-SILC 2009, microdata.

### 3.6 Summary

In a European context, Ireland's level of very low work intensity is exceptionally high at almost 23 per cent in 2010. In this chapter, we saw how the recession contributed to a sharp increase in the VLWI rate in Ireland, compared to more modest increases in most of the EU 15 countries. However, even prior to the recession Ireland was already characterised by a higher level of very low work intensity than most of its European neighbours. In order to identify any structural factors that might explain these differences we analysed the EU-SILC 2009 microdata. Looking first at the economic status of the working-age population in very low work intensity, we found that Ireland reported a relatively high rate of joblessness among working-age adults. Among working-age adults, the percentage living in VLWI households and unemployed, engaged in home duties or unable to work due to illness or disability was higher than in other EU countries. In 2009, Ireland had the highest European level of joblessness at 42 per cent of the working-age population. However, this inactivity rate was just a little higher than other European countries and could not account for the exceptionally high VLWI rate. For an explanation of this, we needed to look at the living arrangements of jobless working-age adults.

Indeed a detailed examination of the 2009 EU-SILC data showed that in Ireland fewer jobless working-age adults lived with someone who was at work. In addition, over half of adults in VLWI households in Ireland lived with children and the average number of children in these households is among the highest in Europe. So the presence and the number of children in these households act as a multiplicative factor and contribute to the exceptionally high level of very low work intensity that is found in Ireland.

In this chapter, we saw that in order to understand the particularly high level of very low work intensity in Ireland, compared to European countries, it is not enough to focus on unemployment or joblessness at the individual level. The three important factors in accounting for Ireland's particularly high VLWI rate are:

- the high rate of joblessness among all adults aged 18-59 (especially as regards unemployment, home duties, and inability to work because of illness or disability)
- the low rate of jobless adults living with employed adults and
- the high rate of jobless adults living with children.

These factors have different implications from a policy perspective. Social and economic policy can, and does, seek to expand job opportunities, to increase the earnings capacity of the unemployed and seeks to ensure that social protection does not act as a disincentive to work. Personal life-course decisions on living arrangements and family formation, on the other hand, are less amenable to policy intervention. However, designing policies requires an understanding of the full range of factors that are important, even if not all of them are amenable to policy intervention.

## Chapter 4: Poverty, Deprivation and Work

### 4.1 Introduction

In this chapter, we examine changes in household work patterns since 2004 and the implications for the poverty status of households. Poverty is measured using three national indicators: at-risk-of-poverty, basic deprivation, and consistent poverty. The first measure of poverty we consider is the 'at-risk-of-poverty' indicator, which is based on living in a household where the income, after adjusting for household size and composition, is below 60 per cent of the median income across individuals. We also use the Irish national measure of deprivation, which means living in a household that lacks two or more of eleven basic goods and services, such as adequate food and clothing, adequate heat for the home and the ability to afford to socialise. Finally, we use the Irish measure of consistent poverty, which involves being below the at-risk-of-poverty threshold and lacking two or more of these basic goods and services.

We also examine the extent to which work intensity is linked to high levels of economic stress and to economic vulnerability. Economic stress is measured using four items: difficulty in making ends meet, being in arrears on housing or utility bills, finding housing costs a heavy burden and having to borrow in order to meet everyday living expenses. High economic stress involves experiencing two or more of these difficulties. Economic vulnerability is a composite measure, based on income levels, access to basic goods and services and difficulty in making ends meet. Economic vulnerability is intended to identify a larger group that might not be currently at-risk-of-poverty or deprived, but who have a similar risk profile to the poor and/or deprived.

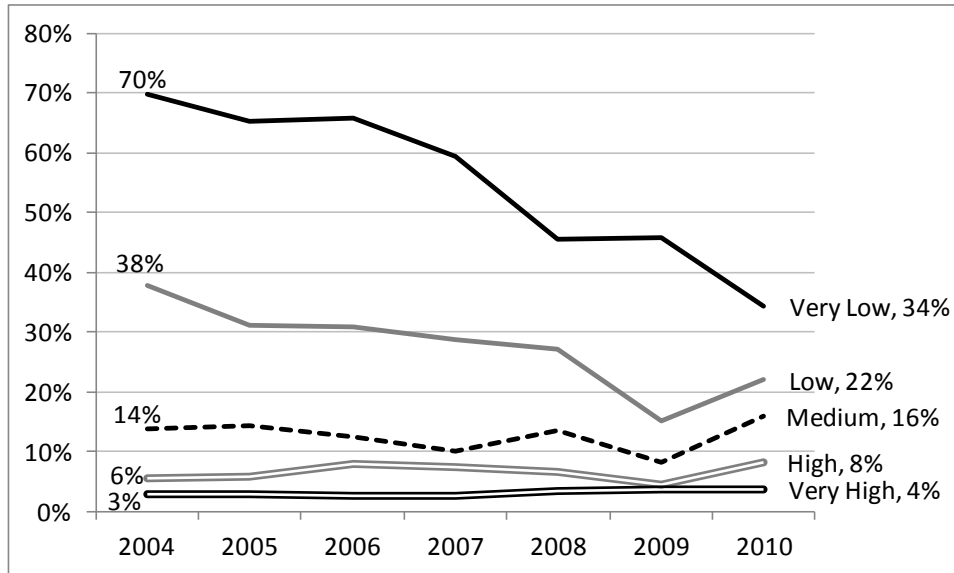
### 4.2 At-Risk-of-Poverty by Work Intensity

Figure 4.1 shows the at-risk-of-poverty rate by the work intensity of the household from 2004 to 2010. Work intensity has a strong effect on being at-risk-of-poverty. In 2010, only four per cent of those in very high work intensity households were at-risk-of-poverty compared to eight per cent of those in high work intensity households, 16 per cent of those in medium work intensity households, 22 per cent of those in low work intensity households and 34 per cent of those in VLWI households.

Throughout the period from 2004 to 2010, although there is a gradual increase in the at-risk-of-poverty rate as the work intensity declines, the gap was sharpest between those in VLWI households and the other levels of work intensity. An important

change between 2004 and 2010, however, is the very steep drop in the at-risk-of-poverty rate for those in VLWI households, from 70 per cent in 2004 to 34 per cent in 2010. The steepest decline was between 2007 and 2008 (from 59 per cent to 46 per cent) and between 2009 and 2010 (from 46 per cent to 34 per cent).

**Figure 4.1 At-risk-of-poverty Rate by Work Intensity of Household, 2004-2010**

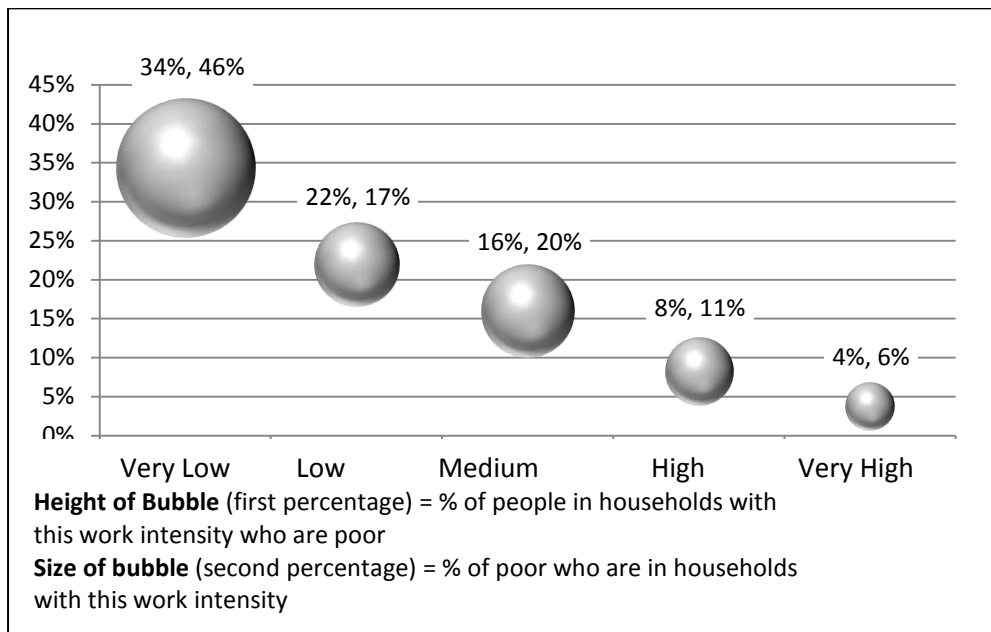


Source: SILC 2004 to SILC 2010, analysis by authors. Base = persons under aged 60 in households where there is at least one person of working age.

Figure 4.2 shows the risk and composition of poverty by the work intensity of the household in 2010. A bubble chart is used. The height of the mid-point of the bubble, and the first percentage shown in the figure, shows the at-risk-of-poverty rate for people living in households with each level of work intensity. The size of the bubble, and the second percentage shown in the chart, shows the percentage of those at-risk-of-poverty who are found in households with each level of work intensity – the composition of the poor in terms of work intensity.

The strong association between work intensity and poverty is clear. Over one third of those in VLWI households in 2010 were below the income poverty line and a little under half of the poor in 2010 (46 per cent) were in VLWI households. On the other hand, it is worth noting that while the percentage of people at-risk-of-poverty is quite a bit lower for those in medium or higher work-intensity households, the percentage of the poor in these households is not insignificant. In 2010, over one third of the poor (37 per cent) were in households with medium or higher work intensity. The relationship between work intensity and poverty is far from perfect, then, and will depend on the hours and earnings of those at work; on the number of adults and children relying on the household income; and on the activity status of adult household members.

**Figure 4.2 At-risk-of-poverty by work intensity of household (risk and composition)**



Source: SILC 2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age.

#### 4.2.1 At-risk-of-poverty before social transfers

It is worth noting that the Irish decline in the link between being at-risk-of-poverty and living in a VLWI household is quite distinct from the trend found generally in the EU. Cantillon (2011, p. 439) notes that between 2004 and 2008, the at-risk-of-poverty rate increased among jobless households in Europe. The increase was from 37 per cent in 2004 to 39 per cent in 2008 in the EU 27 and from 36 to 40 per cent in the EU 15. Cantillon attributes this to less adequate social protection for those who remained outside the labour force and, more generally, to a decline of the redistributive capacity of the pre-crisis welfare states. She links it to the shift in emphasis from passive social protection to activation and investment in education, more and better jobs, flexicurity and family-oriented services. The move from an emphasis on equality of outcomes to an emphasis on equality of opportunities reduced the adequacy of social protection for those outside the labour market (p. 440).<sup>16</sup>

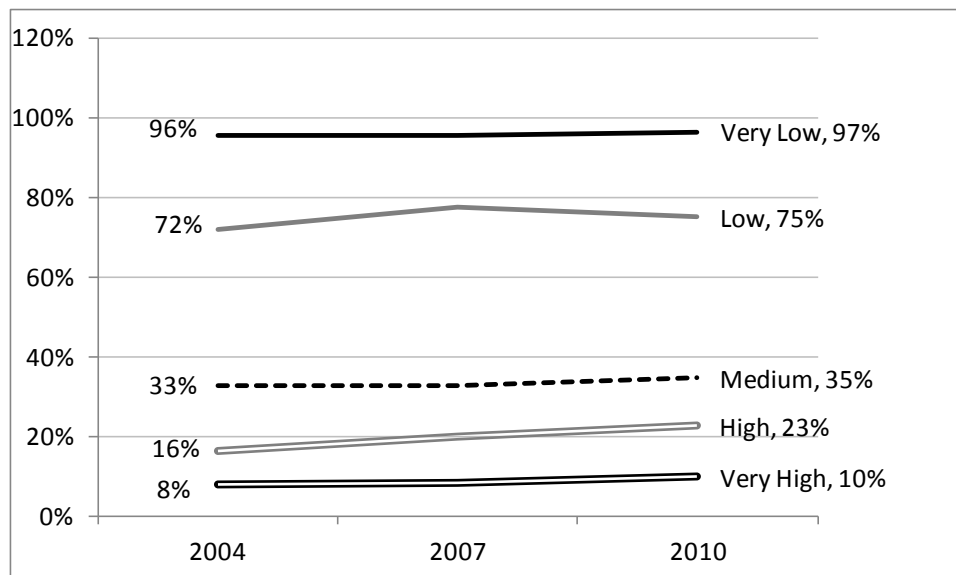
In Ireland, on the other hand, as a result of the falling at-risk-of-poverty rate associated with being in a VLWI household, the poverty gap between those in VLWI households and very high work intensity households has narrowed considerably. From Figure 4.1 we saw that in 2004, a VLWI household was about 24 times as

<sup>16</sup> 'Flexicurity' (from 'flexibility' and 'security') is a policy model that promotes the flexibility of labour markets and work organisation combined with protecting the job security and/or social security of weaker groups inside or outside the labour market (European Commission, 2007).

likely as a very high work intensity household to be at-risk-of-poverty. By 2010, this had narrowed to nine times as likely.

The difference between 2004 and 2010 for those in Irish VLWI households is due to the increased efficiency of social welfare payments in drawing households above the income poverty line. This can be seen in Figure 4.3 which shows the risk of poverty before social transfers by the work intensity of the household. Poverty before social transfers is measured by calculating incomes and the poverty threshold using income from employment, self-employment and private sources such as rents, royalties and private pensions. Comparing poverty before social transfers to poverty calculated taking account of social transfers (i.e. the normal at-risk-of-poverty rate) allows us to assess how effective social transfers are at reducing poverty.

**Figure 4.3 Risk of poverty before all social transfers by work intensity of household, 2004-2010**



Source: SILC 2004 to SILC 2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age. Poverty rate calculated excluding all social transfers.

If social transfers were not accounted for, there would have been very little change in the at-risk-of-poverty rate associated with work intensity between 2004 and 2010. In 2010, virtually all of those in VLWI households would be poor (97 per cent), compared to 75 per cent of those in low work-intensity households, 35 per cent of those in medium work intensity households, 23 per cent of those in high work intensity households and 10 per cent of those in very high work intensity households. Most importantly, if we exclude social transfers, there is no tendency for the gap to narrow over time between those in VLWI households and the other groups. This shows that it is the role of social transfers in pulling those in VLWI households out of poverty that changed between 2004 and 2010.

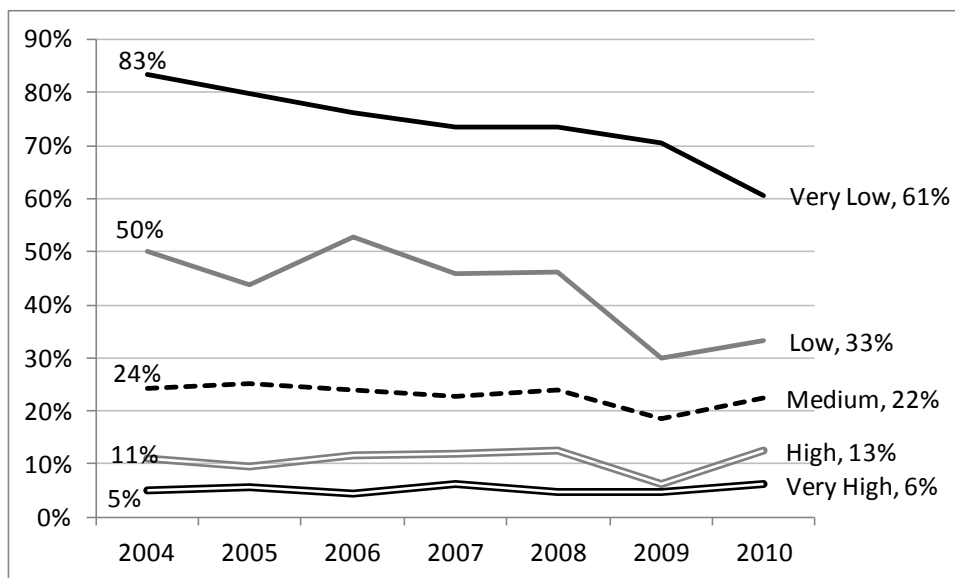


Why is it that social transfers were more effective at reducing poverty in VLWI households in Ireland at the end of the period? Is this related to changes in the generosity of social welfare benefits or changes in the profile of VLWI households and the type of social transfers for which they were eligible? Research in the broader EU context reveals that this pattern of increasing adequacy of social transfers in Ireland is quite different from the trend elsewhere in the EU 15. Cantillon et al. (2012, p. 29) reports that while for most EU 15 countries in the 2000s there was a decline in the net social assistance benefit package relative to the poverty threshold, there was a net increase in Ireland. This was almost entirely due to the increasing generosity of the social security system relative to the income poverty threshold, rather than to any change in targeting of benefits (Cantillon et al., 2012, p. 21).

As we shall see in the next chapter, there has also been a shift in the profile of those in VLWI households since 2008. The recession has drawn people into the VLWI category that are not as disadvantaged educationally or challenged in terms of household composition as those who were in that category in 2004. However, this change happened since 2008 and the biggest fall in the link between very low work intensity and at-risk-of-poverty, as we saw in Figure 4.1, happened before this – between 2006 and 2008. It seems then that it was changes in the level of social welfare payments relative to the poverty threshold, rather than changes in targeting of social welfare benefits or in the profile of those in VLWI households that made the difference in terms of the weakening link between very low work intensity and poverty.

#### 4.2.2 At-risk-of-poverty at the 70% threshold

Given that social transfers are important in protecting those in VLWI households from income poverty, it is worth examining how far above the poverty threshold they are located. Figure 4.4 shows the risk of poverty at the 70% of median poverty threshold (instead of the usual 60% of median poverty threshold) by work intensity. We still see some improvement over time: in 2004, 83 per cent of those in VLWI households were below the 70% income poverty threshold. This had fallen to 61 per cent by 2010. Although the fall was substantial, it was less dramatic than the fall at the 60% poverty line (from 70 per cent to 34 per cent).

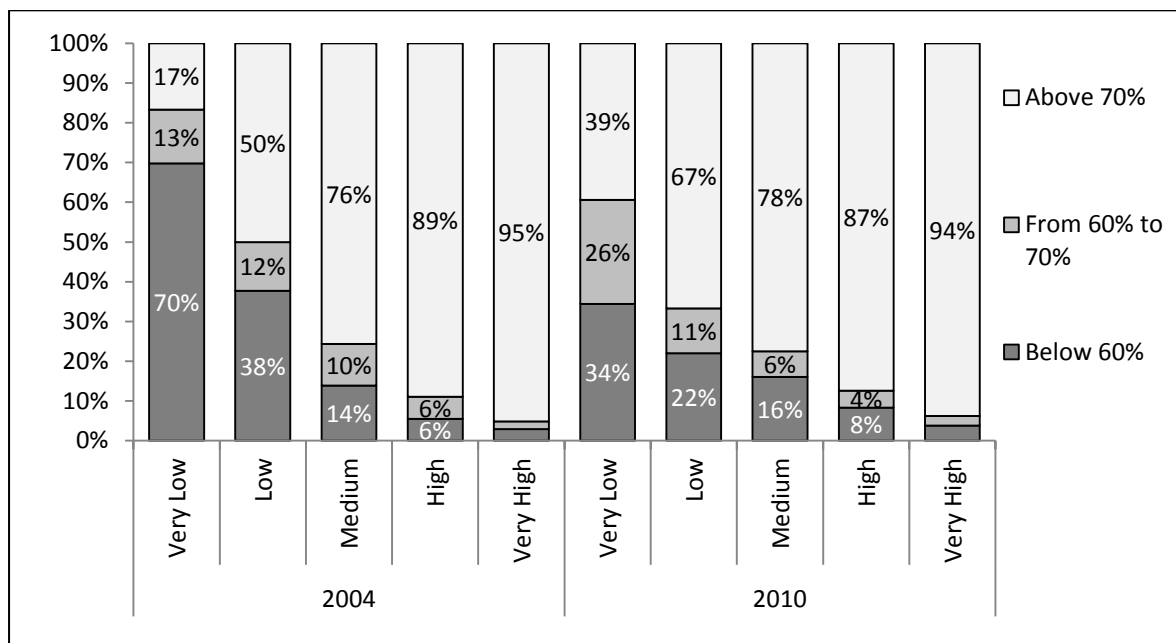
**Figure 4.4 Risk of poverty at 70% threshold by work intensity of household, 2004-2010**

Source: SILC 2004 to SILC 2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age. Poverty rate calculated excluding all social transfers.

Figure 4.5 brings together the patterns from 2004 and 2010 to highlight the fact that the change in the period mainly affected the very low and low work intensity households. There is very little difference between 2004 and 2010 in the location of medium, high and very high work intensity households along the poverty spectrum. Most were in households where the equivalised income was above 70% of the median income<sup>17</sup>.

As we move from very high, to high and to medium work intensity, the percentage below the 70% threshold and below the 60% threshold increases somewhat. No major difference occurs in the pattern for these groups between 2004 and 2010. If we focus on those in VLWI households, however, we see substantial differences between 2004 and 2010. The percentage below the 60% threshold dropped by about one half (from 70 per cent to 34 per cent). At the same time, the percentage between the 60% and 70% threshold doubled (from 13 per cent to 26 per cent) and the percentage above the 70% threshold more than doubled (from 17 per cent to 39 per cent)

<sup>17</sup> Equivalised income is household income adjusted for differences in household size and composition (number of adults and number of children). It can be interpreted as income per adult-equivalent.

**Figure 4.5 Risk of poverty at 60% and 70% threshold by work intensity of household, 2004 and 2010**

Source: SILC 2004 to SILC 2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age.

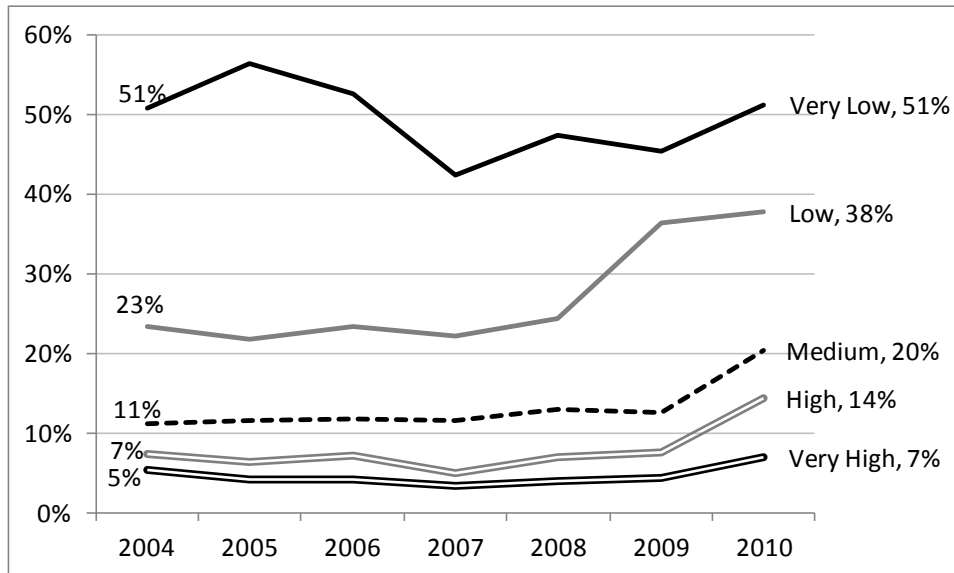
The changes were similar in direction, though less dramatic, for those in low work intensity households. The percentage below the 60% threshold fell from 38 per cent to 22 per cent; the percentage between the 60% and 70% threshold remained relatively unchanged; and the percentage above the 70% threshold increased from 50 per cent to 67 per cent.

### 4.3 Work Intensity and Basic Deprivation

At this point we consider the relationship between household work intensity and basic deprivation. Basic deprivation involves an enforced lack (i.e. due to inability to afford) of two or more of 11 basic goods and services, such as adequate food, clothing, heating for the home, and ability to participate in social activities. Basic deprivation is associated with income poverty, but it is not identical. There are some aspects of a household's command over resources that affect levels of basic deprivation even though they do not affect income, including levels of debt and savings. To some extent, the indicator of basic deprivation may also capture anticipated income flow. If a household's income depends on insecure employment, the current income situation may appear adequate, but the householder's knowledge of the insecurity of the situation may lead them to answer that they 'cannot afford' certain goods and services (Watson and Maitre, 2012, p. 28). The household is responding to an anticipated fall in income.

Figure 4.6 shows the relationship between household work intensity and basic deprivation from 2004 to 2010. As we observed earlier with the at-risk-of-poverty rate, we see more change in the rate of basic deprivation for those in low or very low work intensity households than those in households with medium or higher work intensity. This parallels the finding above with respect to the at-risk-of-poverty rate.

**Figure 4.6 Levels of basic deprivation by work intensity and year, 2004-2010**



Source: SILC 2004-2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age.

However, while the at-risk-of-poverty rate tended to decline in the period for those in VLWI households, the trend is not as clear for basic deprivation. The basic deprivation rate in VLWI households increased between 2004 and 2005 (from 51 per cent to 56 per cent), and then fell to a low of 42 per cent in 2007 before rising again to 51 per cent by 2010. The level of basic deprivation in low work intensity households remained relatively flat between 2004 and 2008 (at about 23 per cent) but rose to 38 per cent by 2010. The level of basic deprivation in households with medium or higher work intensity remained relatively flat between 2004 and 2009, but rose between 2009 and 2010.

#### 4.4 Work Intensity and Consistent Poverty

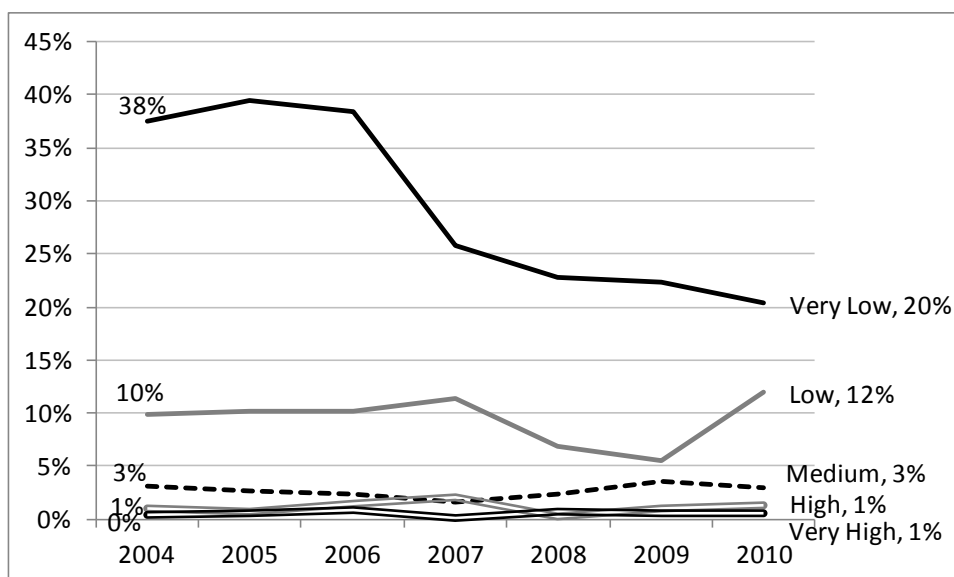
Consistent poverty is a key Irish national indicator of social exclusion that draws on both at-risk-of-poverty and basic deprivation. A person is consistently poor if he or she lives in a household with equivalised income below the 60% of median income threshold and they lack two or more of the 11 basic deprivation items. In other words, someone is consistently poor if they are both income poor and deprived. Because consistent poverty is based on both income and deprivation, it will change

over time in response to changes in both of these components as well as in response to the extent to which income poverty and deprivation overlap.

Figure 4.7 shows the level of consistent poverty by the work intensity of the household between 2004 and 2010. The biggest change in the period was for those in VLWI households. Following a period of relative stability between 2004 and 2006 (at about 38 per cent), the level of consistent poverty dropped sharply between 2006 and 2007 (to 26 per cent) and fell more gradually between 2008 and 2010 (to 20 per cent). The sharp fall between 2006 and 2007 arises because both the at-risk-of-poverty rate and the basic deprivation rate were moving in the same direction (downwards) in this period for those in VLWI households. The pattern is not as strong for the remainder of the period because the at-risk-of-poverty rate and basic deprivation rate were moving in opposite directions for the VLWI group.

There was less change over the period in the level of consistent poverty for the other work intensity categories. For those in low work intensity households, the level of consistent poverty fell between 2007 and 2009 (from 11 per cent to six per cent) before rising again (to 12 per cent).

**Figure 4.7 Level of consistent poverty by work intensity and year, 2004 to 2010**

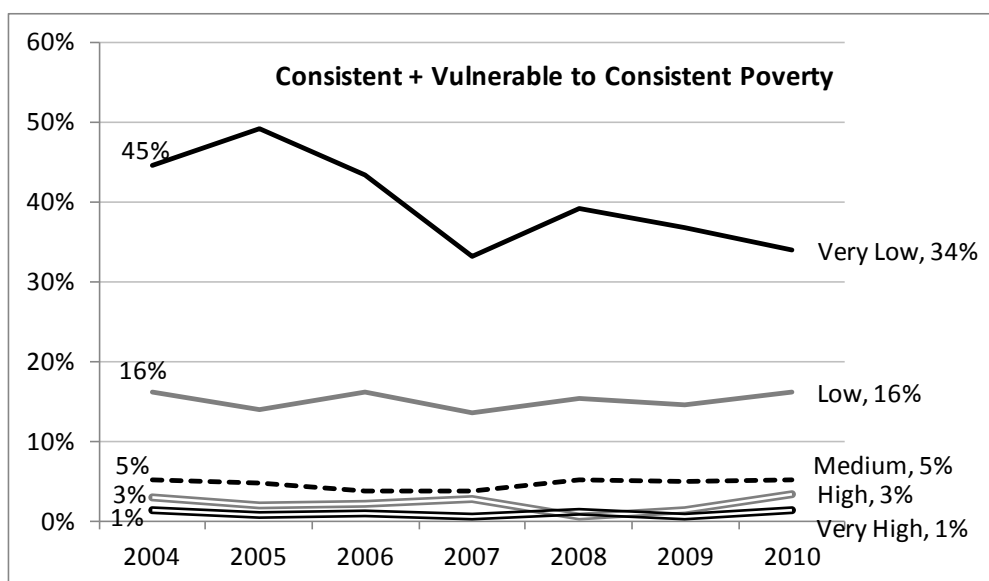


Source: SILC 2004-2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age.

An alternative indicator, proposed by Watson and Maître (2012), considers the group 'vulnerable to consistent poverty' as well as the consistently poor. Those 'vulnerable to consistent poverty' have equalised household income that is slightly higher than the consistently poor but with the same level of basic deprivation. They have an

equivalised household income above the 60% of median income threshold but below the 70% of median income threshold, but still lack two or more of the 11 basic deprivation items. This indicator is useful, considered together with consistent poverty, in a period where rapid changes in income (such as the fall in income generally accompanying the recession) may make the poverty threshold less reliable as an indicator of change over time in the material wellbeing of the households. For instance, if the median income falls as a result of a recession, we might see a drop in the percentage of people below 60% of median income threshold – an apparent fall in poverty rate – that is not accompanied by any real improvement in the living standards of the people who are now just above the threshold. Combining those vulnerable to consistent poverty and those who are consistently poor allows the basic deprivation indicator to do more of the work in a period where an income-based measure may be less trustworthy.

**Figure 4.8 Level of consistent poverty or vulnerability to consistent poverty by work intensity and year, 2004 to 2010**



Source: SILC 2004-2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age. 'Vulnerable to Consistent poverty' involves lacking two or more of the basic goods and services and having household income, after adjusting for household size and composition, below the 70% of median threshold.

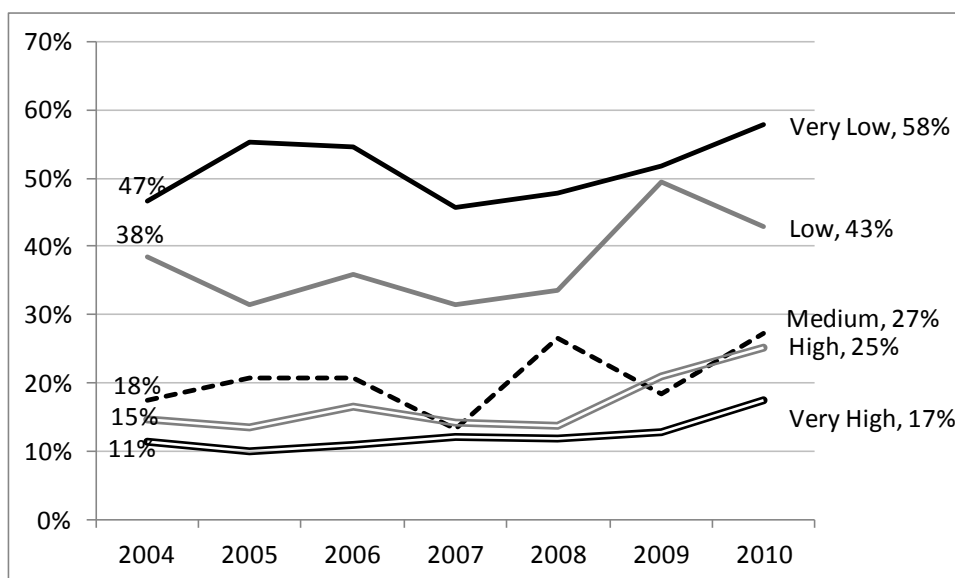
What we see in Figure 4.8 is a more moderated version of the pattern of change for consistent poverty taken alone. There is no real change for those in low, medium, high or very high work intensity households, but a somewhat uneven fall in the risk of being either consistently poor or vulnerable to consistent poverty for those in VLWI households (from 45 per cent in 2004 to 34 per cent in 2010).

#### 4.5 Work Intensity, Economic Stress and Economic Vulnerability

An alternative perspective on how households with different levels of work intensity have been faring can be obtained by looking at economic stress and economic vulnerability. As noted above, 'high economic stress' involves experiencing economic stress in two or more of the following four areas: difficulty or great difficulty in making ends meet, being in arrears on housing or utility bills, finding housing costs a heavy burden and having to borrow in order to meet everyday living expenses. These responses come from the householder – the person who completes the household questionnaire – and they are attributed to all persons in the household.

Figure 4.9 shows the percentage of people in households experiencing high economic stress by work intensity level. There is a clear differentiation in economic stress by the work intensity level of the household, with the biggest contrast between those in very low and low work intensity households and the other groups. There was a general increase in the percentage reporting high levels of economic stress between 2008 and 2010. The lowest percentages reporting high economic stress were in 2007 for those in VLWI households (46 per cent), low work intensity households (31 per cent) and medium work intensity households (13 per cent). By 2010, the percentages were 58 per cent, 43 per cent and 27 per cent for those in very low, low and medium work intensity households, respectively.

**Figure 4.9 Risk of High Economic Stress by Work Intensity and Year**

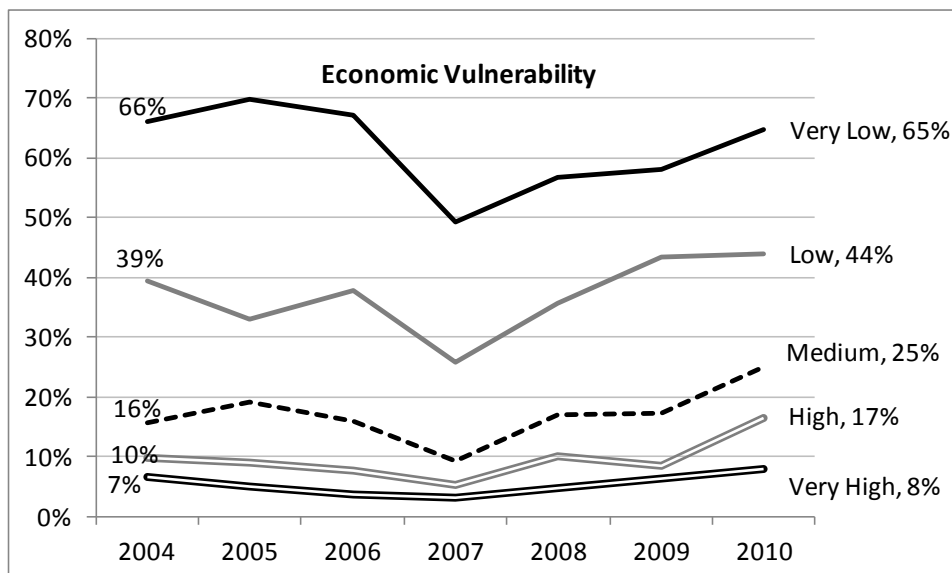


Source: SILC 2004-2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age.

We now turn to the risk of economic vulnerability associated with the work intensity of the household. Economic vulnerability is a composite measure, based on equivalised income levels, levels of basic deprivation and levels of difficulty in making ends meet. Vulnerability is intended to capture a larger group than those who are currently deprived or at-risk-of-poverty, but a group that has a profile in terms of income, standard of living and ability to manage financially that suggests a similar risk of becoming poor or deprived (Whelan and Maitre, 2005a, 2005b, 2010; see Glossary for some more detail).<sup>18</sup>

The pattern in Figure 4.10 shows a sharp differentiation in economic vulnerability by work intensity level. Again the main contrast is between those in VLWI households, those in low work intensity households and the other three groups (medium to very high work intensity). The pattern for those in VLWI households is similar to that observed for basic deprivation: a fall in the risk of economic vulnerability between 2004 and 2007 (from 66 to 49 per cent), followed by a rise to a very similar level by 2010 (65 per cent). The change over time follows a similar pattern, though less marked, for those in low and medium work intensity households. For these two groups, however, the level in 2010 is higher than the level in 2004: 44 per cent vs. 39 per cent for low work intensity and 25 per cent vs. 16 per cent for medium work intensity.

**Figure 4.10 Risk of economic vulnerability by work intensity and year**



Source: SILC 2004-2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age.

<sup>18</sup>A statistical technique called latent class analysis is used to distinguish the 'vulnerable' and 'non-vulnerable' populations, based on their poverty status, basic deprivation level and ability to make ends meet.



#### 4.6 Does Work Intensity Account for Differences in Economic Vulnerability?

In this section we ask to what extent differences between groups in work intensity account for differences between groups in economic vulnerability. We take economic vulnerability as our outcome measure here, because it takes account of both poverty and deprivation and also of difficulty in making ends meet. Table 4.1 shows the variables used in the analysis of differences between groups.

**Table 4.1 Variables used in models for very low work intensity**

Variable	Description	
Gender	Female = 1; Male = 0 (Reference).	
Age group	Under 5 5-9 10-17 18-24	25-34 35-44 (Reference) 45-54 55-59
Disability	1 = adult has disability; 0 = no disability or not an adult (Reference)	
Marital status of household Reference person (HRP)	Single Widowed	Divorced/separated Married (Reference)
Household type	Lives alone All adult household One adult with children More than one adult + children (reference)	
Number of children in household	0 (Reference), 1 to 5, (5 means 5 or more children).	
HRP education	No qualifications Lower 2 <sup>nd</sup> Level (e.g. Junior Certificate) Higher 2 <sup>nd</sup> Level (e.g. Leaving Certificate, Reference) Lower 3 <sup>rd</sup> Level (e.g. certificate, diploma) Higher 3 <sup>rd</sup> Level (Degree or higher)	
HRP social class	Managerial/Professional/Large Employer (Reference) Intermediate (clerical), Technician and supervisory Self-employed and small employer (including farmer) Lower technical, lower sales/service Routine (unskilled) Never worked	
Housing tenure	Own outright (Reference) Purchasing on mortgage	Local authority renter Private renter Rent free
Year	2004 (Reference), 2005-2010	

Note: HRP = Household reference person

The characteristics include age group and gender of the individual; marital status, education; social class of the householder; and housing tenure. We take the level of education, social class and marital status of the household reference person (HRP) and attribute them to all persons in the household, on the assumption that these

characteristics of the householder (rather than of some other adult in the household) are likely to be most consequential for other household members. We also include disability status of the individual and number of adults with a disability in the household.<sup>19</sup> The presence of adults with a disability in a household may reduce the availability of other household members for work to the extent that they are involved in caring for the person with a disability.

In Table 4.2, we turn to the question of how important household work intensity is in accounting for differences in the risk of economic vulnerability. Table 4.2 shows the odds ratios from two logistic regression models for 2004 and two models for 2010. The models show the impact of individual and household characteristics on economic vulnerability, (a) without controlling for work intensity and (b) controlling work intensity. The odds ratios show how much more (or less) likely the named group is to be economically vulnerable than the reference group. An odds ratio greater than one indicates that a group has higher odds than the reference group of economic vulnerability. An odds ratio less than one indicates that a group has lower odds than the reference group of economic vulnerability. For instance, the odds ratio of .7 for those in households where the HRP has higher third level education (Model A for 2004) indicates that the highly educated are less likely than those with the equivalent of the Leaving Certificate (the reference category) to be economically vulnerable (their odds are only 70 per cent as high).

We are particularly interested in whether the odds are different when we control for work intensity of the household. This is summarised in the table by showing the percentage change in the odds ratio between the two models – '(B-A)/A' in the Table. For instance, when we control for work intensity in 2004, the odds of economic vulnerability for women is changed by only a very small amount (a fall of one per cent) while the odds of economic vulnerability for lone parent households are more substantially reduced (a fall of 31 per cent).

Work intensity is strongly related to economic vulnerability in both years. The odds of being vulnerable (vs. non-vulnerable) are nine to 10 times higher for those in VLWI households than those in very high work intensity households.

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<sup>19</sup> Disability status is only recorded for persons aged 16 or over.

**Table 4.2 Odds of economic vulnerability in 2004 and 2010 (A) without control for work intensity and (B) with control for work intensity**

		A. 2004	B. 2004	(B-A)/A	A.2010	B.2010	(B-A)/A
Gender	Female	1.15 *	1.14 *	-1%			
Age group	Under 5						
(Ref=35-44)	5-9						
	10-17	1.23 *	1.25 *	1%			
	18-24	1.26 *			1.42**	1.32 *	-7%
	25-34						
	45-54	1.29 *	1.27 *	-1%			
	55-59	1.59**					
Disability	Has disability	1.36**			1.29 *		
	No. adults with	1.69**	1.32**	-22%	1.52**	1.23**	-19%
HRP Marital.	Single	1.81**	1.70**	-6%	1.53**	1.45**	-5%
(Ref	Widowed		1.33 *				
	Divorced/separated	2.45**	2.33**	-5%	2.00**	1.82**	-9%
HH Type	Lives alone	1.76**					
(Ref = adults	All adult household				0.60**	0.55**	-8%
+ children)	Lone parent	2.77**	1.91**	-31%	1.36**		
Num. Child.		1.42**	1.32**	-7%	1.27**	1.15**	-9%
HRP Educ.	No qualifications	2.19**	1.78**	-19%	1.29**		
(Ref Hi 2nd)	Lower 2nd	1.61**	1.45**	-10%	1.35**	1.23 *	-9%
	Lower 3rd		0.79 *		0.81 *		
	Higher 3rd	0.70 *			0.58**	0.68**	18%
HRP Social	Intermediate				1.45**	1.39**	-4%
Class	Self-employed	1.79**	1.93**	7%	2.15**	2.31**	7%
(Ref=1&2)	Tech., lo. sales	2.25**	1.84**	-18%	2.54**	2.22**	-12%
	Unskilled	2.56**	1.90**	-26%	3.30**	2.77**	-16%
	Never worked	3.36**	1.58**	-53%	2.99**	2.05**	-31%
Tenure	Purchaser				1.36**	1.77**	30%
	L.A. renter	3.60**	3.05**		3.95**	2.95**	-25%
	Private renter	2.85**	2.44**		2.59**	2.28**	-12%
	Rent free				2.41**	2.28**	-5%
Work	Very low	---	9.50**		---	8.84**	
Intensity	Low	---	4.75**		---	5.83**	
(Ref=v. high)	Medium	---	1.95**		---	2.22**	
	High	---			---	1.84**	
Nagelkerke R-Square		0.319	0.448		0.307	0.388	

Source: SILC 2004 and 2010, analysis by authors. Base = persons under age 60 in households where there is at least one person of working age. Only statistically significant odds ratios shown – blank cells mean that variable is included but effect is not statistically significant; '---' indicates variable is not included in this model; '\*\*\*' indicates  $p \leq .01$  and '\*\*' indicates  $p \leq .05$ . Full model shown in Appendix Table A4.1.

In 2004, work intensity was very consequential in accounting for the higher economic vulnerability of some households: those with one or more people with disability in the household (-22 per cent), lone parents (-31 per cent), those with no educational qualifications (-19 per cent), those in the routine/unskilled social class (-26 per cent) and those where the householder never worked (-53 per cent). There is only one group with initially high odds of economic vulnerability where controlling for work

intensity made only a relatively small difference (-5 per cent) to the odds of economic vulnerability: divorced or separated householders.

In 2010, the overall importance of work intensity is still high. This can be seen in the strong odds ratios (8.8 for those in VLWI households vs. those in very high work intensity households). However, work intensity seems to have become somewhat less important in accounting for differences between groups in the odds of economic vulnerability. Where it does make a difference, it tends to be for the same groups as in 2004: people with disability (-19 per cent), those in the routine /unskilled social class (-16 per cent) and those where the householder never worked (-31 per cent).

It seems that with the onset of the recession, work intensity has lost some of its strong association with disadvantage. One aspect of this – the composition of the population in VLWI households – is to be explored in more detail in the next chapter when we look at risk factors for very low work intensity and the profile of those in VLWI households. Another aspect of the association between very low work intensity and household income poverty, however, is the issue of whether there are disincentives to work built into the tax and welfare system. Recent research by Callan et al. (2012), concluded that more than three quarters of individuals have replacement rates below 70% and that ‘Ireland does not have a generalised problem of high replacement rates damaging incentives to work’ (p. 76).

#### **4.7 In-Work Poverty**

At this point we focus our attention on those who are at work – either full-time or part-time – but who live in households below the 60% of median income poverty threshold. This is the in-work poverty indicator. For consistency with the work intensity indicator examined above, we limit our attention to the population aged 18 to 59 – even though the in-work-poverty indicator need not be limited to this age group. In addition, we base our measure of being ‘at work’ on the person’s current economic status, rather than their status over the previous 12 months. In these two respects, our measure differs from the EU in-work at-risk-of-poverty rate (European Commission, 2009).

It is useful to begin by gaining a perspective on who is included and who is excluded when we focus on this indicator. We divide the population aged 18 to 59 into four groups:

- those in work, but not living in a household at-risk-of-poverty (the largest group, accounting of 53 per cent of persons in 2010)
- those not in work, and not living in a household at-risk-of-poverty (the second-largest group, accounting for 32 per cent of persons in 2010)
- those not in work, and living in a household at-risk-of-poverty (10 per cent of persons in 2010) and
- those in work and living in a household at-risk-of-poverty (four per cent of persons in 2010).

From these figures, as shown in Table 4.3, we can see that the in-work-poor comprise a very small percentage of the working-age population (four per cent). They also form a rather small proportion of the population who are actually at work (eight per cent of those at work in 2010). The latter figure represents the in-work poverty indicator: the percentage of adults at work who are below the at-risk-of-poverty threshold.

**Table 4.3 Persons aged 18-59 by whether at work and whether at-risk-of-poverty, 2010**

	% of persons aged 18-59	% of persons aged 18-59 at work	% of persons aged 18-59 at-risk-of-poverty
In work, not poor	53%	92%	----
Not in work, not poor	32%	----	----
Not in work, poor	10%	----	70%
In work, poor	4%	8%	30%
Total	100%	100%	100%

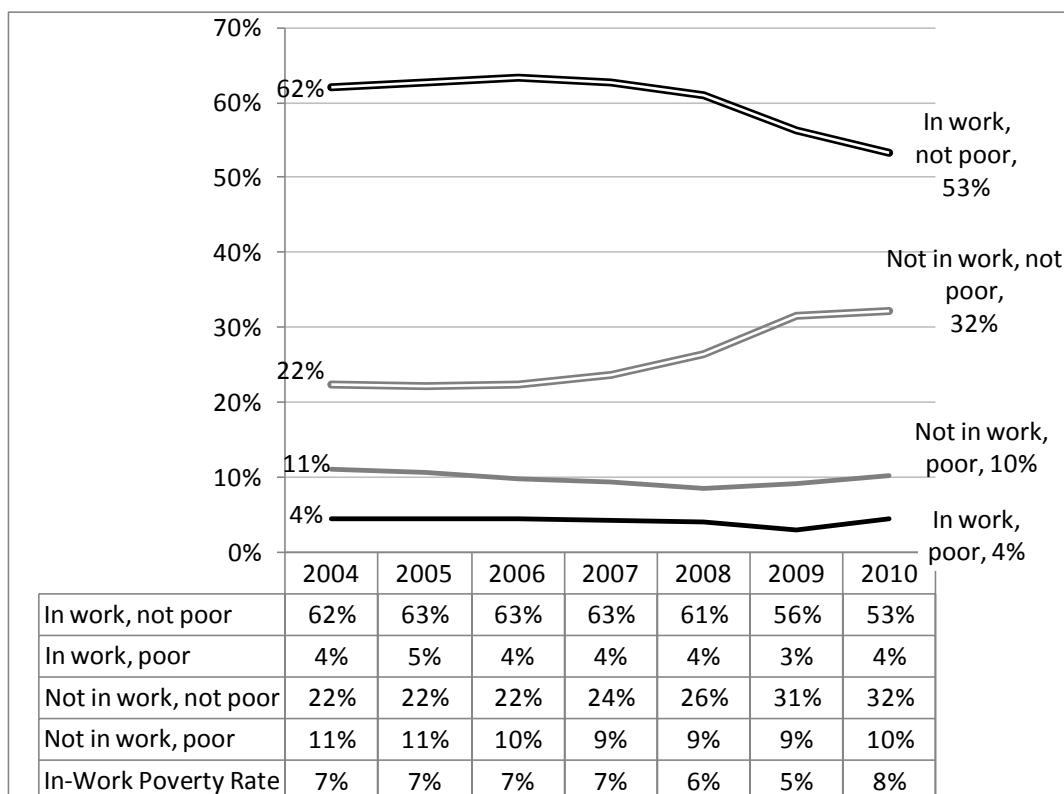
Source: SILC 2010, analysis by authors. Base = persons aged 18-59.

They make up a more substantial proportion of poor adults of working age (about 30 per cent of poor working-age adults in 2010). In other words, the risk of poverty is very low for those at work – work is indeed an effective defence against poverty. However, it is not a perfect defence, and because most adults aged 18-59 are at work, the in-work poor make up nearly one third of the poor in this age group. We cannot effectively tackle poverty among working-age adults without also paying attention to in-work poverty. In fact, under certain conditions, reducing the VLWI rate might have the effect of increasing the in-work poverty rate. This might happen if a

sharp reduction or withdrawal of social protection had the effect of forcing people to take poorly-paid jobs.

Figure 4.11 shows how the distribution of the working-age population across the work and poverty categories changed from 2004 and 2010. The main changes occurred after the start of the recession, between 2007 and 2010 and are seen for 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). At the same time, there was an increase in the percentage of adults who are not in work and not poor (from 24 per cent in 2007 to 32 per cent in 2010). 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 about nine per cent to about 11 per cent throughout the period. The percentage in work and poor remained in an equally narrow range of three per cent to five per cent.

**Figure 4.11 Risk of in-work poverty by year**



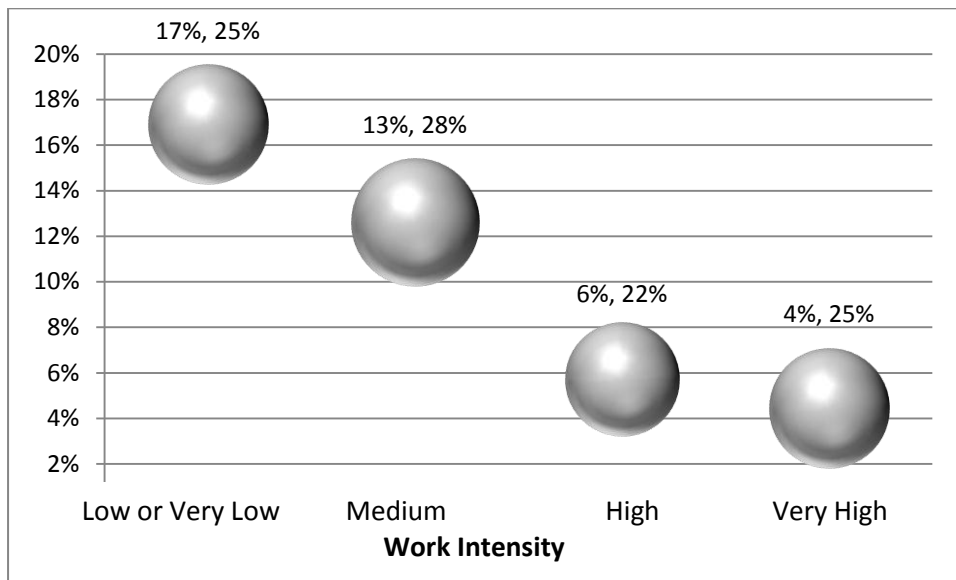
Source: SILC 2004-2010, analysis by authors. Base = persons age 18 to 59 in households where there is at least one person of working age in household.

Although there was very little change in the percentage of adults who are in-work poor, because the percentage of adults at work fell, the in-work poverty rate increased. This is because the in-work poverty rate is the number of in-work poor divided by the total number at work. The in-work poverty rate fell somewhat at the beginning of the recession (from seven per cent in 2007 to five per cent in 2009), before rising back to eight per cent in 2010. This fall and rise may reflect the loss of 'worse' jobs (lower-paid, less secure jobs) when the recession began. As these jobs were eliminated, those remaining at work tended to be those with better jobs. As a result, those at work appeared relatively better off. By 2010, however, the job loss had spread to include 'better' jobs. At the same time, there were reductions in take-home pay due to public sector wage cuts, reductions in overtime, reductions in hours worked, an increase in part-time rather than full-time working and the introduction of the Universal Social Charge. Since income is measured over the previous 12 months, it would take some time for all of these changes to filter through to the total household income position.

Whether or not someone at work is poor depends not only on their own hours and earnings, but also on the number of people depending on the income and the other sources of income in the household. An important part of this picture will be the overall work intensity of the household. Figure 4.12 examines the risk and composition of in-work poverty by the work intensity of the household. A bubble chart is used to display the patterns. The height of the mid-point of the bubble (and the first percentage shown in the chart) shows the risk of in-work poverty for adults in each work intensity category. The size of the bubble (and the second percentage shown in the chart) shows the percentage of the in-work poor accounted for by adults in each work intensity category. We combine the 'low' and 'very low' work intensity categories, because there are very few adults at work in VLWI households. Generally, one adult working even part-time is enough to pull a household out of this category. The only exceptions would be based on the different reference periods used: work intensity is measured over the previous 12 months while in-work poverty is based on current economic status.<sup>20</sup>

<sup>20</sup> Note that this is a consequence of the definition of 'in-work' we adopt in this report, which is based on the individual's current activity rather than their average level of activity over the previous calendar year.

**Figure 4.12 Risk and composition of in-work poverty by household work intensity in 2010**



Source: SILC 2010, analysis by authors. Base = persons aged 18 to 59 in households where there is at least one person of working age.

Note: Bubble height (first percentage) = rate of in-work poverty (base = persons at work).

Bubble size (second percentage) = composition of in-work poor = percentage of in-work poor who are in households with this work intensity (base = all in-work poor).

There is a clear and steady decline in the risk of in-work poverty as we move from low/very low work intensity to medium to high and very high work intensity. What is worth noting, however, is that the risk of in-work poverty is not very high even in low work intensity or VLWI households, at 17 per cent. The composition of the in-work poor is also quite interesting. Only one quarter of the in-work poor are in low work intensity or VLWI households. Three quarters of the in-work poor are in households with medium or higher work intensity. Clearly, then, it is not the labour supply of other adults in the household that is the main driver of in-work poverty. The question then becomes whether it is characteristics of the job (hours of work, employment contract, occupation/social class), characteristics of the worker (education, experience) and/or characteristics of the household (such as number of children) that are the main factors in accounting for in-work poverty. This question is explored in the next chapter.



## 4.8 Summary

In this chapter, we focused on the relationship between work and being at-risk-of-poverty or experiencing basic material deprivation. We first considered the relationship between work intensity and two measures of income poverty, using the 60% and 70% thresholds. Using two different thresholds allows us to examine how sensitive the results are to the threshold chosen. Turning first to the relationship between household work intensity and being at-risk of poverty at the 60% threshold, there is a strong differentiation in the risk of poverty by the work intensity of the household, with much higher risk of poverty for those in VLWI households than in households with medium or higher work intensity. However, the strength of this relationship weakened between 2004 and 2010, mainly because the risk of poverty declined substantially for those in VLWI households in that period (from 70 per cent in 2004 to 34 per cent in 2010 – a fall of 51 per cent). The reason for this fall was the increasing effectiveness of social transfers in drawing those in VLWI households above the 60% of median poverty threshold. In the absence of social transfers, virtually all of those in VLWI households would be poor with little change in this respect between 2004 and 2010.

When we consider the 70% threshold, the association between income poverty and work intensity remained strong and declined less dramatically over time. In 2010, 61 per cent were below the 70% income poverty threshold, down from 83 per cent in 2004. This represents a fall of 27 per cent, less than the 51 per cent fall observed at the 60% threshold. This shows that the magnitude of the fall in the association between work intensity and income poverty over time is quite sensitive to the choice of income threshold.

We then considered the relationship between work intensity and basic deprivation. This is a direct measure of living standard that avoids some of the problems associated with relying on an income measure (such as the difficulty in measuring income for the self-employed and fluctuations in the income threshold in periods of rapid economic change). There was less change between 2004 and 2010 in the association between work intensity and basic deprivation, though there was some fluctuation in the relationship over the period. There is clearly a stronger risk of basic deprivation for those in VLWI (51 per cent in 2010 compared to under 20 per cent for those in medium or higher work intensity households).

Consistent poverty involves being both at-risk-of-poverty and lacking two or more of the basic goods or services. This identifies a smaller group that experiences both low income and inadequate living standards. The pattern for consistent poverty is influenced by the pattern for both the component indicators. We again see a strong increase in risk as we move from medium to low and very low work intensity. There was a big drop in the risk of consistent poverty for those in VLWI households between 2006 and 2007, but less change since that time. The pattern of change over time is more moderated if we include the group vulnerable to consistent poverty (those between the 60% and the 70% of median income thresholds and lacking two or more of the basic items). Again, the choice of threshold is quite important to the magnitude of the fall in the association between consistent poverty (or vulnerability to consistent poverty) and work intensity.

Two further indicators of social exclusion were considered: economic stress, which captures difficulties in managing on the household income, and economic vulnerability, which is a composite indicator that takes account of equivalised income levels, levels of basic deprivation and difficulty in making ends meet. Both of these indicators also showed a strong association with work intensity. In 2010, 58 per cent of those in VLWI households experienced high levels of economic stress and 65% were economically vulnerable, compared to less than 27 per cent for those in medium or higher work intensity households. Economic vulnerability reached a low point in 2007 for all work intensity groups before rising again until 2010.

All of the indicators of social exclusion were strongly associated with the measure of household work intensity. However, they gave different pictures of the change over time in the association between work intensity and social exclusion. The at-risk-of-poverty indicator suggested a marked weakening of the relationship over time. This pattern was weaker at the 70% income poverty threshold and there was no overall downward trend for basic deprivation and economic stress. This suggests that the weakening of the relationship over time was mainly a matter of changes in incomes among those in jobless households relative to the 60% income poverty threshold.

The second indicator discussed in this chapter was in-work poverty. In-work poverty is an indicator for the adult population at work and reports the percentage of those at work who are in households with equivalised incomes below the 60% of median threshold. To put the in-work poverty indicator in context, we noted that the in-work poor expressed as a percentage of all adults was low (about four per cent) and it was also low when expressed as a percentage of all adults at work (eight per cent in 2010). However, it is a more substantial figure when expressed as a percentage of all adults of working age who are poor (about 30 per cent in 2010). In other words, the risk of poverty is very low for those at work – work is indeed an effective defence against poverty. It is not a perfect defence, however, and because most adults in the working-age group are at work, the in-work poor make up nearly one third of the poor in this age group. Some preliminary analyses suggested a relatively weak link between in-work poverty and household work intensity.

The in-work poverty rate is not primarily a matter of workers being poor because other household members are relying on their incomes. This suggests that we need to look beyond the household's work patterns in order to understand in-work poverty, to factors such as hours worked, level of education and so on. In the next chapter, we explore in more detail the precise risk factors for both very low work intensity and in-work poverty.

## Chapter 5: Risk Factors for Very Low Work Intensity and In-Work Poverty

### 5.1 Introduction

In this chapter, we will examine the risk factors for very low work intensity and for in-work poverty and also the profiles of both these groups. In addition, we ask whether there has been a significant change over time in the risk of very low work intensity or in-work poverty and whether the profiles of these two groups have changed significantly since 2004.

One might assume that given the negative impact of the recession on youth employment, living in a VLWI household would be a particular problem for young adults. CSO figures show that in Q2 2012 the state unemployment rate was 14.7 per cent while it was twice that, at 29 per cent, for the 20 to 24 age group (CSO, 2012). Looking at trends over the recent period we note also that not only is youth unemployment much higher than the overall rate, the increase in unemployment over the last two years has been greatest for young adults. Between Q2 2010 and Q2 2012, the overall unemployment rate increased by one percentage point while it increased by three percentage points for the 20 to 24 age group. Whether the risk of very low work intensity is also higher for young adults is one of the questions we will have in mind as we examine the risk factors and profiles in this chapter. The answer will depend on the living arrangements of young adults as well as on their economic activity status.

### 5.2 Analysis Strategy

For each of the two outcomes (very low work intensity and in-work poverty) we present two sets of results. The first set of results comes from a model of the risk factors for the outcome (being in VLWI households and being in-work poor), including a check for whether the risk increased or decreased over time. The second set of results focuses on the profile of those in each outcome group (those in VLWI households and the in-work poor). The two analyses do not necessarily point to the same characteristics of the individual or their family. A numerically small group (such as people with a disability) may have a very high risk of being in a VLWI household but members of this group might only account for a small proportion of all those in VLWI households. In order to be useful for policy, we need to have both types of information – on risks and composition.

We pool the data for the period from 2004 to 2010. This allows us to maximise the number of cases available for analysis and to examine whether the changes between 2004 and 2010 were statistically significant when we control for any changes in the composition of the population.

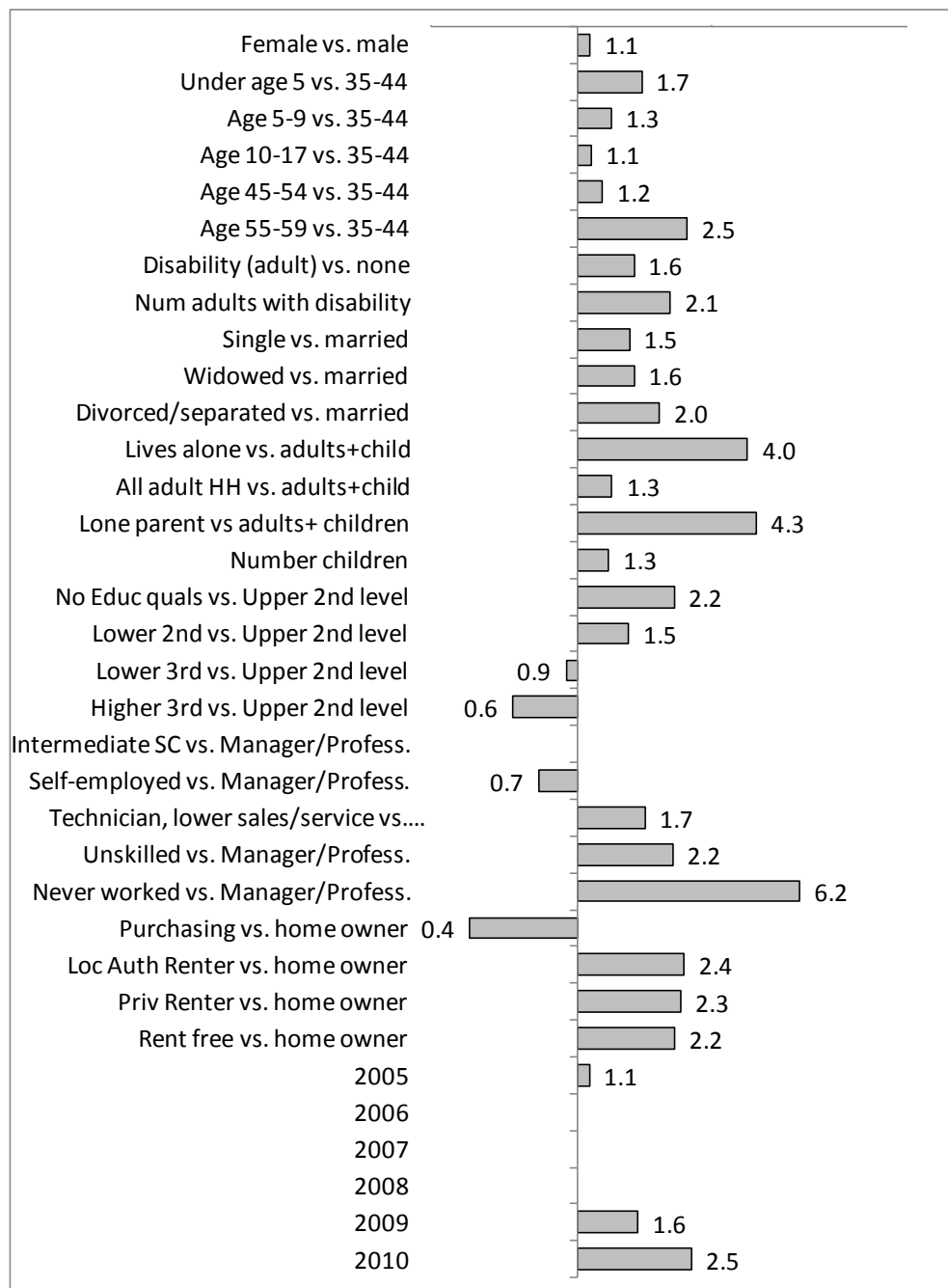
### 5.3 Risk of Being in a Very Low Work Intensity Household

Figure 5.1 shows the significant risk factors for being in a VLWI household. The base for the analysis is the population of persons aged 0 to 59 in households where there is at least one person of working age. The full model is shown in Appendix Table A5.1. Figure 5.1 shows the significant odds ratios.<sup>21</sup> The odds ratios show how much more (or less) likely the named group is to be in a VLWI household than the reference group. An odds ratio greater than one indicates that a group has higher odds than the reference group of being in a VLWI household. A ratio less than one indicates that a group has lower odds than the reference group of being in a VLWI household. For instance, the odds ratio of .6 for those in households where the household reference person has higher third level education indicates that the highly educated are less likely than those with the equivalent of the Leaving Certificate (the reference category) to be in VLWI households (their odds are only 60 per cent as high).

The strongest risk factors for very low work intensity are the social class of the householder, having a disability, living alone, being a lone parent and low education. Where the householder never worked, there is a six-fold increase in the odds of being in a VLWI household. The odds are 2.2 times higher where the social class is routine unskilled manual/service occupations. Taking together the two coefficients for people with a disability, the odds of being in a VLWI household are about 3.4 times higher for a person with a disability.<sup>22</sup> The odds are increased by a factor of two for each additional adult with a disability in a household.

<sup>21</sup> The figure shows the odds ratios but these are graphed as the log of the odds ratios in order to give a more accurate display of the relative importance of odds ratios greater than one and those less than one.

<sup>22</sup> This is calculated by multiplying the odds for having a disability (1.6) and being in a household where one person has a disability (2.1).

**Figure 5.1 Odds of being in VLWI household, 2004 to 2010.**

Source: SILC 2004-2010, analysis by authors. Base = persons aged 0 to 59 in households where there is at least one person of working age. Logistic regression model; only statistically significant odds ratios shown. From Model 1 in Appendix Table A5.1. Nagelkerke R-squared is .374.

Where the householder has no educational qualifications the odds of very low work intensity are twice as high as where the householder has completed second level education (i.e. Leaving Certificate or equivalent). The other two strong risk factors are associated with household structure: living alone (four times the odds of being in a VLWI household) and being a lone parent (4.3 times the odds). As noted in Chapter 3, if employment were equally distributed across persons, the odds of being in a VLWI household would be higher for households containing fewer adults – simply by virtue of the low number of adults in the household.

There are significant differences by household tenure, with lower odds of being in a VLWI household among those purchasing on a mortgage than among those who own the home outright (0.4) and higher odds of very low work intensity among local authority renters (2.4), private sector renters (2.3) and those living in the accommodation rent free (2.2). There are also significant differences by gender, age, marital status and number of children. The odds of being in a VLWI household are slightly higher for women, those who are not married, and for households with a higher number of children. The association with number of children is likely to reflect the greater requirement for childcare in these households.

There is a curvilinear relationship with age. The odds of very low work intensity are high for young children (odds ratio of 2.0 for the under fives compared to those aged 35 to 44). The association with age of child is again likely to reflect the requirement for childcare if parents are to enter employment. The odds gradually fall with increasing age until age 35 to 44, and then begin to increase again. The highest odds are found for people aged 55 to 59 (2.5 times as high as the 35 to 44 age group). The age pattern may reflect different processes at different stages of the lifecycle. When children are young, the labour market participation of mothers is likely to be constrained by the high care requirements of infants and issues such as the affordability of childcare. At the other end of the age spectrum, early retirement as well as the lower labour market participation of the cohort of older women are likely to be important in increasing the odds of being in a VLWI household.

We noted above the higher odds of very low work intensity where the householder has no educational qualifications (2.2 times compared to a householder with completed second level education). The odds are significantly lower where the householder has a degree or higher level of education (0.6 compared to householder with completed second level education). Level of education is associated with employability and with returns to employment so the finding of a substantial association here is not surprising.

There is a generally strong association between very low work intensity and householder social class, apart from the high risk associated with householders who never worked and householders in the routine manual and service social class noted above. Apart from the self-employed and farmers, who tend to have a lower odds of being in VLWI households (0.7 times the odds compared to managerial and professional householders), the odds are higher than the managerial and

professional social class than for other social classes. The difference is smallest for those in the intermediate social class (clerical, lower supervisory and technicians).

Finally, controlling for characteristics of the individuals and their households, there are some significant changes over time. Apart from a slight increase in 2005, the odds of very low work intensity remained relatively stable between 2004 and 2008. There was a slight increase in the odds in 2009 (1.6 times higher than 2004) and a more substantial increase in 2010 (2.5 times higher than 2004). These reflect the impact of the recession on employment.

In the course of examining the risk factors for very low work intensity, we checked whether any of the risk factors became more or less important between 2004 and 2010. In general, the relative importance of different factors remained stable, with a few exceptions.<sup>23</sup> These were that the differences by age group were not as marked in 2010 as in 2004;<sup>24</sup> the risk associated with lone parenthood had moderated somewhat; and some of the social class differences became less pronounced. In terms of social class, those in the intermediate and technical social class were less distinct from professionals and managers – in relative terms, their risk of very low work intensity had fallen by 2010. In terms of social class, the risk of very low work intensity had increased for the self-employed and small employers. The higher risk associated with being in the routine (lower manual and service) and lower sales/service and manual classes remained unchanged between 2004 and 2010, however. Some of these differences, such as the weakening of the patterns by age and lone parenthood, may reflect the changing profile of very low work intensity during the recession. As male unemployment became more prominent in VLWI households, the role played by barriers to female employment (lone parenthood and lack of access to affordable childcare for young children) became relatively less important.

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<sup>23</sup> See Model 2 in Appendix Table 5.1 which shows the significant interactions with 2010 vs. 2004.

<sup>24</sup> A further examination of the risk of very low work intensity by age group revealed that while adults under 25 (21 per cent in 2010) and aged 26 to 30 (22 per cent in 2010) had a higher risk of being in a VLWI household than those aged 31 to 50 (17 per cent), the risk was highest for those aged 51 to 64 (27 per cent in 2010). While the risk of very low work intensity for all age groups increased since 2004, the relative position of the different age groups had changed little although the pattern was less pronounced in 2010.



#### 5.4 Distinguishing Adults in Very Low Work Intensity households from Other Inactive Adults

One of the issues raised in Chapter 1 was that the improvements in employment and the increased social spending in the EU in the 2000s did not necessarily benefit jobless households. This raises the question as to whether it is possible to distinguish inactive adults in jobless households from inactive adults who live in households where at least one adult is already at work. An understanding of any distinctive characteristics of adults in jobless households would be important to ensuring that employment-promoting policies are designed in such a way that those in jobless households benefit at least as much as the inactive adults who live with someone who is working.

For this analysis, we focus on adults aged 18 to 59 who are not at work (based on current principal economic status) in 2010 and ask if there are any characteristics that distinguish these two groups:

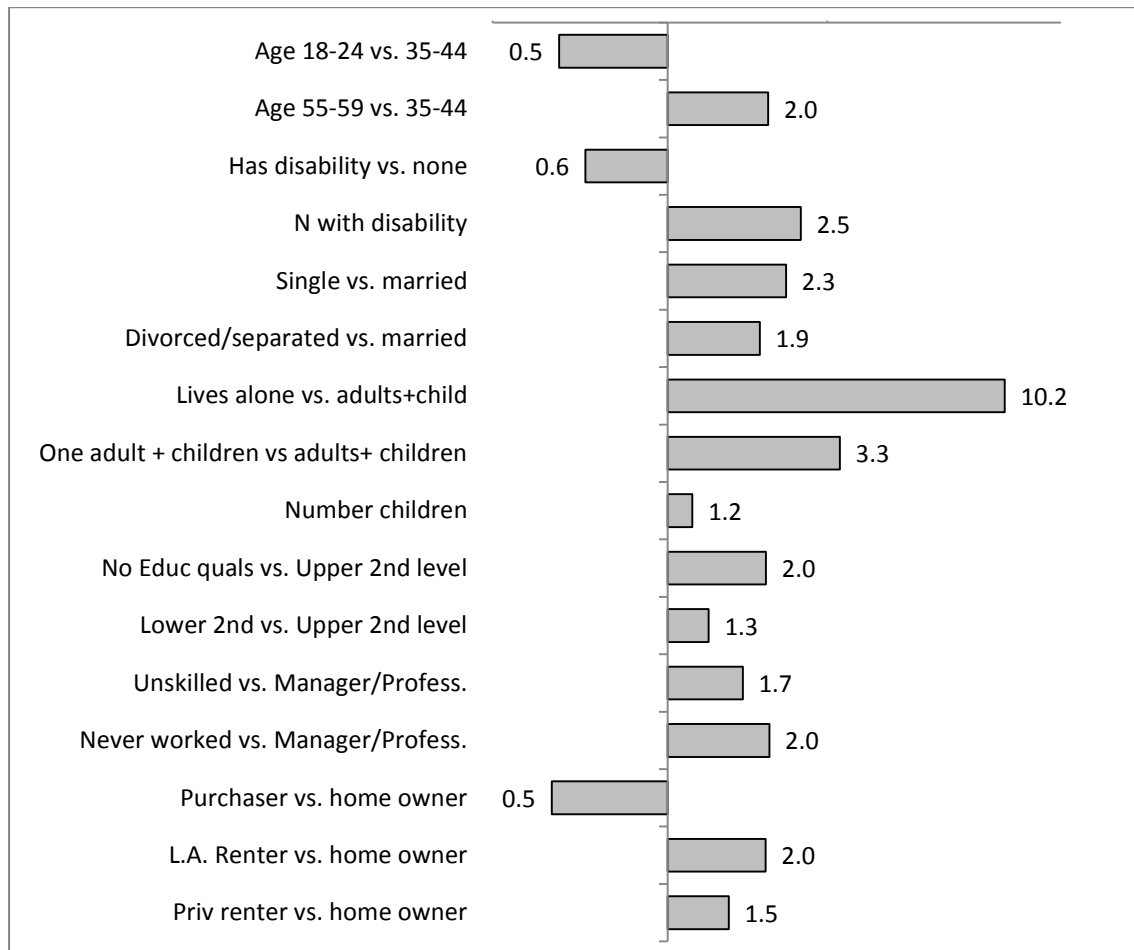
- those who are inactive but not living in a VLWI household (that is, they live with at least one working adult)
- those living in a VLWI household.

Figure 5.2 shows the statistically significant odds ratios and the full table is shown in Appendix Table A5.2. As we can see from the chart, the strongest distinguishing characteristics have to do with household structure: living alone (odds 10.2) and being a lone parent (odds 3.3). As noted earlier, in households with a smaller number of adults, all other things being equal, the odds of very low work intensity occurring will be higher simply by virtue of there being fewer adults in the household.

Other characteristics that distinguish inactive adults who are in VLWI households from other inactive adults are age, disability, marital status, social class, education and housing tenure. Those in VLWI households are more likely to be aged 55 to 59, to have a disability or to live with someone with a disability,<sup>25</sup> to be non-married, to have lower levels of education and to either never have worked or to be in the unskilled manual social class. Those renting their accommodation are also more likely to be in VLWI households whereas the odds are lower for those purchasing their accommodation on a mortgage than for those who own the home outright.

<sup>25</sup> The odds for someone with a disability are the product of the odds for having a disability (0.6) and living in a household with a person with a disability (2.5) = approximately 1.4. The odds are also high for those living with a person with a disability, at 2.5.

**Figure 5.2 Odds of being inactive and living in a VLWI household versus inactive and living with someone in employment, adults aged 18 to 59, 2010**



Source: SILC 2010, analysis by authors. Base = persons not at work, aged 18 to 59. Logistic regression model; only statistically significant odds ratios shown. From Appendix Table A5.2. Nagelkerke R-squared is .384

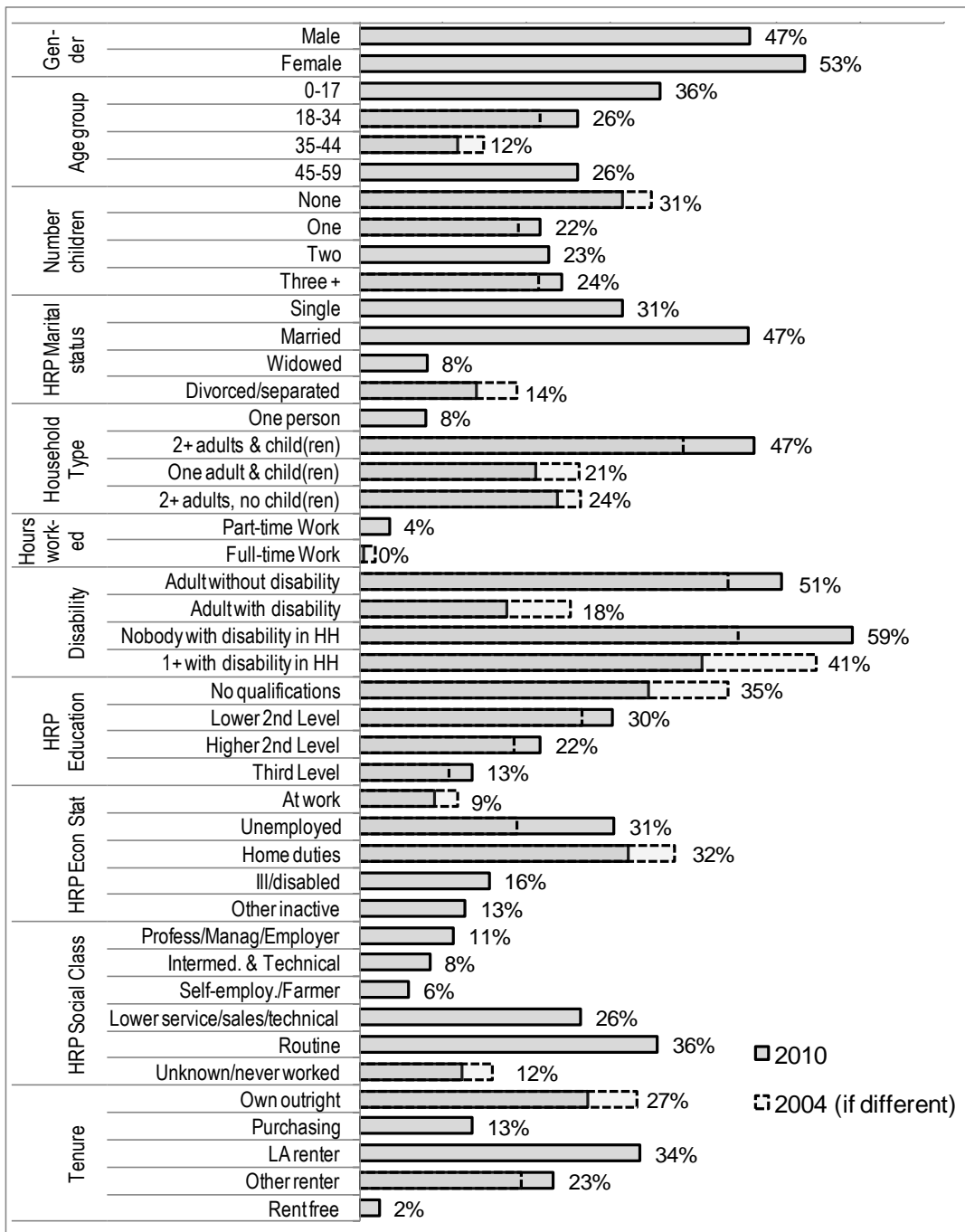
Overall then, the risk profile of those in VLWI households is of a more seriously disadvantaged group than the inactive adults who live with someone who is in employment.

### 5.5 Profile of Population in Very Low Work Intensity Households

As noted above, high risk groups do not necessarily account for the biggest numbers of those in VLWI households. For instance, those in households where the householder never worked make up a small group, so even though their risk of very low work intensity is very high, they may not account for a substantial proportion of those in VLWI households. We present the profile of those in VLWI households in Figure 5.3. The figure also indicates whether there was a significant change in profile between 2004 and 2010. Where there is no statistically significant difference, the 2004 figures are not shown in the chart. Where the differences are statistically significant, we show the 2004 figures (using the dashed lines) as well as the 2010 figures.

Those in VLWI households are more likely to be female (53 per cent) than male (47 per cent). This ratio has not changed significantly between 2004 and 2010. This might seem surprising, given the greater loss of employment among males than among females during the recession. However, most men and women live with other adults: in 2010, about 60 per cent of working-age adults lived with a partner and a further 30 per cent lived with at least one other adult. This means that the loss of employment among men affected the household work intensity of both men and women.

**Figure 5.3 Profile of those in VLWI households in 2010**



Source: SILC 2004 and 2010, analysis by authors. Base = persons age 0 to 59 in VLWI households. Figures for 2004 are indicated in the chart if they differed significantly from the 2010 figures.

In terms of age profile, it is significant that over one third (36 per cent) of those in VLWI households are children under age 18, and this percentage has not changed significantly between 2004 and 2010. Over one quarter (26 per cent) are aged 45 to 59 and this percentage has not changed between 2004 and 2010. There has been some change over time in the two middle age categories, however. The proportion of persons in VLWI households who are young adults (aged 18 to 34) increased from 22 per cent to 26 per cent, while the percentage who are aged 35 to 44 decreased from 15 per cent to 12 per cent.<sup>26</sup>

As we saw in Figure 5.1, there is an association between the number of children in the household and the risk of very low work intensity. Nevertheless, the profile perspective shows that 31 per cent of people in VLWI households in 2010 were in childless households. Although this fell from 35 per cent in 2004, it remains a substantial proportion of people in VLWI households. The proportion of those in VLWI households who are in one-child households increased from 19 per cent in 2004 to 22 per cent in 2010; the percentage in two-child households remained unchanged at 23 per cent and the percentage in households with three or more children increased slightly from 21 per cent to 24 per cent. Between 2004 and 2010, then, there was an increase in the proportion of people living in VLWI households that had children from 65 per cent to 69 per cent, although the overall proportion of children who lived in VLWI households remained relatively stable.

The marital status of the householder did not change significantly between 2004 and 2010, apart from a fall in the proportion of cases where the householder was divorced or separated (from 19 per cent to 14 per cent). The biggest category is that of married householders, accounting for 46 per cent of VLWI households. This is followed by single householders (31 per cent). The smallest group was widowed householders, at eight per cent, and this figure remained unchanged between 2004 and 2010.

The proportion of VLWI households that are made up of two or more adults and children increased (from 39 per cent in 2004 to 47 per cent in 2010), while the percentage made up of one adult with children declined (from 26 per cent to 21 per cent). There was also a decline in the percentage comprising two or more adults and no children (from 26 per cent to 24 per cent).

<sup>26</sup> Looking the age profile in more detail, we noted that the 18 to 25 age group comprises about 15 per cent of people in VLWI households and this figure remained relatively stable since 2004.

In terms of disability status, in 2004, one quarter of people in VLWI households were aged 16 and over with a disability. This had dropped to 18 per cent by 2010. Again, this reflects the spread of very low work intensity to households with a less vulnerable profile by 2010.

There was a general increase in education between 2004 and 2010, and this is reflected in the improved educational profile of the VLWI householders. The proportion with no qualifications fell (from 44 per cent to 34 per cent); the proportion with lower second level education remained unchanged (at 30 per cent); there was an increase in the proportion who completed upper second level (from 18 per cent to 21 per cent) and in the percentage who completed third level (from 11 per cent to 13 per cent). Nevertheless, a fall in the percentage of VLWI householders with no qualifications was sharper than the rather modest rise in the percentage of the VLWI householders with higher second level or third level education. As a result, the profile of those in VLWI households in 2010 is less polarised in terms of education than was the case in 2004.

The biggest change over time in terms of economic status of the householder is the increase in the percentage of VLWI householders who are unemployed, from 19 per cent in 2004 to 31 per cent in 2010. At the same time, there were falls in the percentages at work (from 12 per cent to nine per cent) or engaged in home duties (from 38 per cent to 32 per cent). The percentages who are unable to work because of illness or disability remained relatively stable at 16 per cent and the percentage who are otherwise inactive (including students over age 25 and early retirees) remained unchanged at 13 per cent.

Turning to the social class of the householder, the largest class, accounting for over one third of VLWI households, is the routine (unskilled) manual/services class. This is followed by the lower service/sales and manual social class, accounting for 26 per cent of very low work intensity in both years. Householders whose social class is unknown, in most cases because the householder has never worked for pay, accounted for 16 per cent of VLWI households in 2004 but had dropped to 12 per cent by 2010. Householders in the professional/managerial or large employer social class accounted for only 11 per cent of VLWI households and the proportions were even lower for those in intermediate and technical occupations (eight per cent) and the self-employed (six per cent).

There is some evidence here that by 2010, VLWI households were somewhat less polarised in terms of disadvantage with respect to marital status, disability status, lone parenthood, and educational and social class disadvantage. We conducted some additional analysis to check whether this was also reflected in the income profile of VLWI households. Not surprisingly the vast majority of those in very low work intensity are located in the bottom quintile of the income distribution. However there has been a strong shift towards the middle of the income distribution over time. In 2004, 70 per cent of those in VLWI households were located in the bottom income quintile, falling to 64 per cent in 2007 before reaching 49 per cent in 2010. The percentage of those in VLWI households located in the second quintile increased from 20 per cent to 32 per cent and the percentage in the third quintile increased from six per cent to 14 per cent between 2004 and 2010. These results highlight a loosening of the link between very low work intensity and low income over time. One of the consequences of the recession, then, appears to have been to draw into the VLWI category people who have a less disadvantaged profile than those found in the VLWI group in 2004.

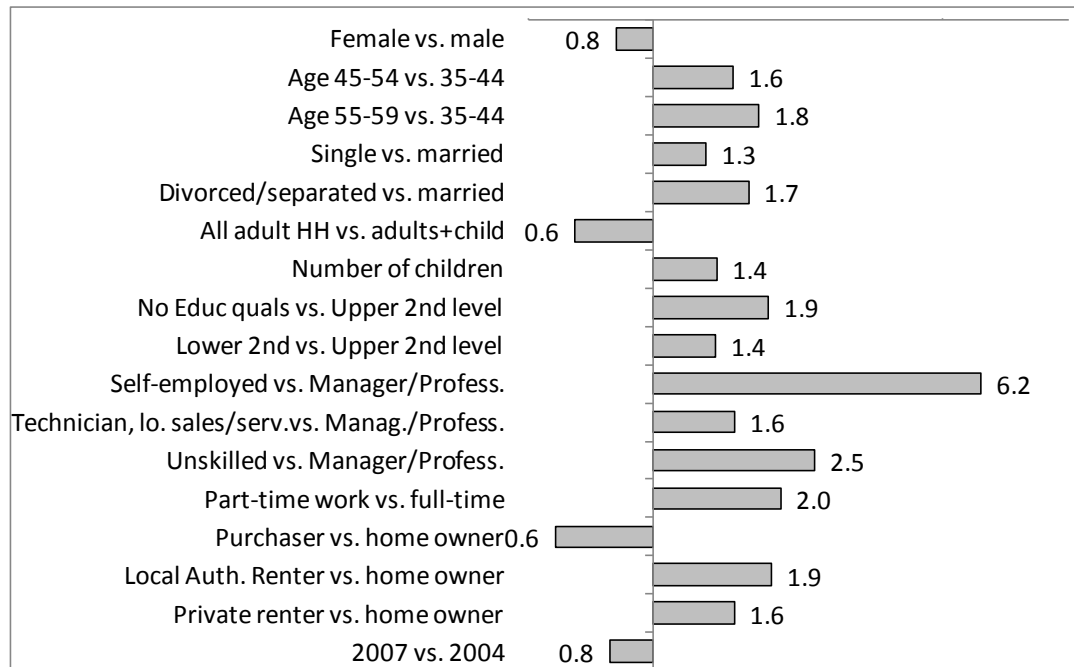
### **5.6 Risk of In-Work Poverty**

At this point we turn our attention to the second key indicator, that of in-work poverty. We begin by discussing the results of a regression model showing the odds of being at-risk-of-poverty for those who are at work. Recall that the base population for the analysis is people who are currently at work (full-time or part-time) in the 18 to 59 age group. We select this age range so as to maintain a consistent population group throughout this report. Since our focus is on adults, we use the characteristics of the adults themselves in terms of education, social class, and marital status (rather than the corresponding characteristics of the householder). The model is run on the data for 2004, 2007 and 2010 so that we can test for broad changes over time in the risk of in-work poverty. Figure 5.4 shows the statistically significant odds ratios for the risk of in-work poverty, based on the model shown in Appendix Table A5.3.

The strongest risk factor for in-work poverty is being self-employed (including farmers – odds ratio 6.2 compared to professional/managerial workers). This is something of a worrying finding, since we know that there are problems with income as an indicator of command over economic resources among the self-employed (Whelan, Layte and Maître, 2004). The at-risk-of-poverty rate is higher among the self-employed than among employees, yet they do not show a greater level of disadvantage on indicators of material deprivation (see, for example, Watson,

Whelan and Maître, 2009). The strong relationship between in-work poverty and self-employment suggests that in-work poverty may be identifying a group that looks poor on the income indicator but who would not appear disadvantaged on other indicators of poverty.

**Figure 5.4 Odds of being in-work poor, 2004, 2007 and 2010**



Source: SILC 2004-2010, analysis by authors. Base = persons at work aged 18 to 59. Logistic regression model; only statistically significant coefficients odds ratios shown. Full model in Appendix Table A5.3.

Other significant risk factors for in-work poverty include being in the routine (unskilled) social class (2.5), having no educational qualifications (1.9), working part-time (2.0), being a local authority renter (1.9 vs. home owners) and being in the 55 to 59 age group (1.8 vs. those aged 35 to 44).

Women who are at work have slightly lower odds of in-work poverty than men (80 per cent as high). In part, this reflects the fact that women at work are more likely than men at work to have a working spouse. Another factor is that women with lower earnings potential are less likely than their male counterparts to be in the labour force.

Compared to adults aged 35 to 44, the odds of in-work poverty are higher for those aged 45 to 54 (1.6 times as high) and those age 55 to 59 (1.8 times as high). There is no significant effect of having a disability or the number of people with a disability in the household. This probably reflects a certain selectivity associated with people with a disability who are at work. People with a disability are much less likely to be in the labour force and at work than those without a disability (Watson and Nolan,

2011; Watson, Kingston and McGinnity, 2012, forthcoming). Those who are at work are likely to be unusual in terms of their level of qualification, the extent to which they are limited by the disability and other work-related attributes.

There are also a number of significant differences in the odds of being in-work poor by marital and family status. Single people (1.3 times the odds) and divorced or separated people (1.7 times the odds) are more likely to be in-work poor than married persons. Compared to households consisting of two or more adults with children, the odds of in-work poverty are lower for all-adult households (about 60 per cent as high). The odds increase with the number of children (1.4 times for each additional child). This can be understood in terms of the number of dependents relying on the income of the person at work.

As noted earlier, those with no qualifications have nearly twice the odds of in-work poverty compared to those with full second level education (Leaving Certificate equivalent). The odds are also higher for those who have lower second level qualifications (1.4 times as high for Junior Cert equivalent). In social class terms, we noted above the much higher odds of in-work poverty associated with being self-employed and the higher odds (2.5 times) of those in unskilled manual/service jobs. Compared to those in the professional/managerial social class, the odds are also higher for those in technician (skilled manual) and lower sales/service jobs (1.6 times as high).

As we might expect, the risk of in-work poverty is higher for those working part-time (2.0 times the odds of those working full-time), showing the importance of labour supply as well as qualifications and social class.

Looking at change over time, we see a slight drop in the odds of in-work poverty in 2007 compared to 2004 (80 per cent) but the odds in 2010 and 2004 are no different. No clear tendency emerges for the risk of in-work poverty to increase or decrease since 2004.

In the model whose results are shown in Figure 5.5, we constrained the effects of factors such as age, gender, education and so on to be the same across years. If we allow the effects to vary across years, a small number of differences between 2004 and 2010 emerge as statistically significant (See Model 2 in Appendix Table A5.3). Compared to its impact in 2004, the factor of the number of children matters less to



in-work poverty in 2010 and that of having no educational qualifications matters a good deal less. The gap between the higher and lower social class groups is also smaller in 2010 than in 2004 and the difference in odds of in-work poverty between full-time and part-time workers has also narrowed over time. If we allow for the fall in odds of in-work poverty by number of children among those with no educational qualifications, those in the technician and lower sales/service classes social class and those working part-time, there was an upward trend in in-work poverty for other groups in 2010 compared to 2004. The net effect of the increase in odds of in-work poverty for some groups and a decrease in odds for other groups was no significant overall change in the period (Model 1 in Appendix Table A5.3).

### **5.7 Profile of the In-Work Poor**

What are the characteristics of the in-work poor and how have these changed between 2004 and 2010? The impact of the recession on in-work poverty could move in two different directions. On the one hand, the less secure jobs – which are often less well paid – may be the first to disappear, so that those remaining in work have an even lower risk of poverty than in the boom. On the other hand, cuts in wages and hours might reduce earnings below the poverty threshold, so that in-work poverty is pushed upwards. In the last chapter, we saw that the in-work poverty rate fell between 2007 and 2009 (at the start of the recession), before rising again in 2010. We hypothesised that this may reflect an initial loss of employment in 2008 and 2009 in the ‘bad’ jobs – work that is insecure and poorly paid with few additional protections or benefits. By 2010, the reductions in earnings – including wage cuts in the public sector and a reduction in hours and overtime in both the public and private sectors – had become more general, pushing the in-work poverty rate upwards. If this hypothesis is correct, we would expect the in-work poor in 2010 to be less disadvantaged than the in-work poor in 2004: fewer of them would have low levels of education or be in the unskilled manual social class.

This is the set of questions that we address in this section. In Figures 5.5 we show a profile of those who are at work, but whose household incomes are below the 60% at-risk-of-poverty threshold. The number of sample cases who are working poor is relatively small in both waves (332 in 2004 and 239 in 2010). This means that the margin of error for the reported figures will be rather wide (up to six per cent in 2010 and up to five per cent in 2004). The figures are shown for 2010. If there was a significant change for 2004, we also show the 2004 figures using the dashed lines in the chart.

We first consider the profile in terms of gender, age group, marital and family status and disability. The in-work poor are more likely to be male (68 per cent) than female (32 per cent). Nearly half of the in-work poor are aged 45 to 59 (47 per cent), 26 per cent are in the 18 to 34 age group and 28 per cent are in the 35 to 44 age group. The gender and age profile of the in-work poor did not change significantly between 2004 and 2010.

The majority of the in-work poor are married (59 per cent). Just under one third are single, about one in ten is divorced or separated and less than one per cent are widowed. The dominant family type is that of a couple with dependent children (68 per cent). Only three per cent are lone parents with children under age 18. Seven per cent live alone and 22 per cent are all-adult households. The only significant change since 2004 is the slight fall in the percentage who are lone parents with children under 18 (from seven per cent to three per cent).

There have also been some changes over time in the number of children dependent on the in-work poor. The percentage with no children remained relatively stable at 29 per cent. Among those with children, however, the proportion with three or more children declined significantly (from 24 per cent to 13 per cent). The percentage with one child (28 per cent) and with two children (30 per cent) did not change significantly over time. This weakening of the association with large family size is yet another change that suggests a weakening between 2004 and 2010 of the association between challenging socio-demographic circumstances and in-work poverty.

Only a small proportion of the in-work poor have a disability (eight per cent) and this percentage has not changed between 2004 and 2010. The fact that few of the in-work poor have a disability is consistent with the finding reported in Figure 5.4 of no significant association between in-work poverty and having a disability. This is because the real hurdle for people with a disability is getting a job in the first place. Adults at work who live with a person with a disability account for a smaller proportion of the in-work poor in 2010 than in 2004 (18 per cent compared to 32 per cent). It is not clear what underlies this change, but it fits with an emerging pattern whereby the in-work poor in 2010 seem to be less disadvantaged in many respects than their counterparts in 2004.

In Section 5.5 above, we saw that the risk of in-work poverty was not as strongly associated with level of education or social class in 2010 as in 2004 (See Model 2 in Appendix Table A5.3). This is reflected in the fact that fewer of the in-work poor in 2010 have no educational qualifications (12 per cent compared to 28 per cent in 2004) and a higher proportion have third level qualifications (39 per cent, compared to 13 per cent in 2004). This means that the in-work poor in 2010 are less disadvantaged in terms of education than their counterparts in 2004.

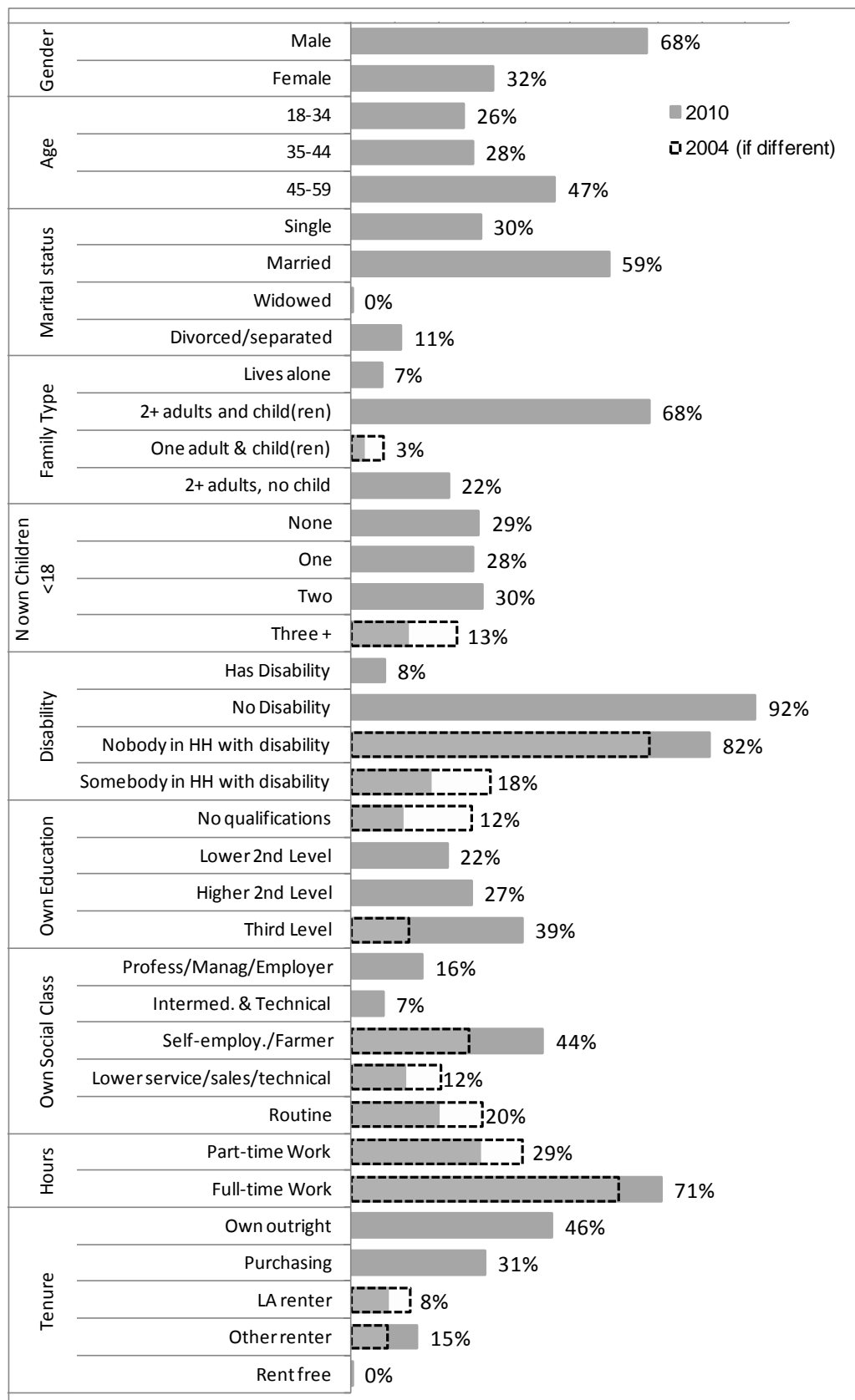
We see a similar shift in terms of social class: in 2010, fewer of the in-work poor are in the technical / lower service/sales occupations and routine occupations (32 per cent compared to 50 per cent in 2004). As with education, then, the in-work poor are less disadvantaged in social class terms in 2010.

The in-work poor have also come closer to the typical worker in terms of hours worked. In 2004, 39 per cent of the in-work poor were working part-time but this percentage had fallen to 29 per cent by 2010.

There were also some changes in housing tenure between 2004 and 2010, mainly affecting renters. In both years, most people in work-poor households either owned their home outright (47 per cent) or were purchasing it (31 per cent) and these figures had not changed between 2004 and 2010. There was a decline in the percentage of the in-work poor living in local authority housing (from 13 per cent to eight per cent) and an increase in the percentage renting accommodation privately (from eight per cent to 15 per cent).

A number of the changes between 2004 and 2010 suggested that the in-work poor were a less disadvantaged group in 2010 than in 2004. By 2010 the in-work-poor were less likely to be lone parents, less likely to have three or more children, less likely to live with an adult with a disability, less likely to have no qualifications and were less polarised in terms of social class. On the other hand, the in-work poor in 2010 were more likely to have third level education (39 per cent) and to be self-employed or farming (44 per cent). Since the overall size of the in-work poor group has remained relatively stable over time, the most likely explanation for the reduced disadvantage of this group since the onset of the recession is that those with lower levels of education have lost their jobs and are no longer among the in-work poor.

**Figure 5.5 Profile of adults who are in-work-poor, 2004 and 2010**



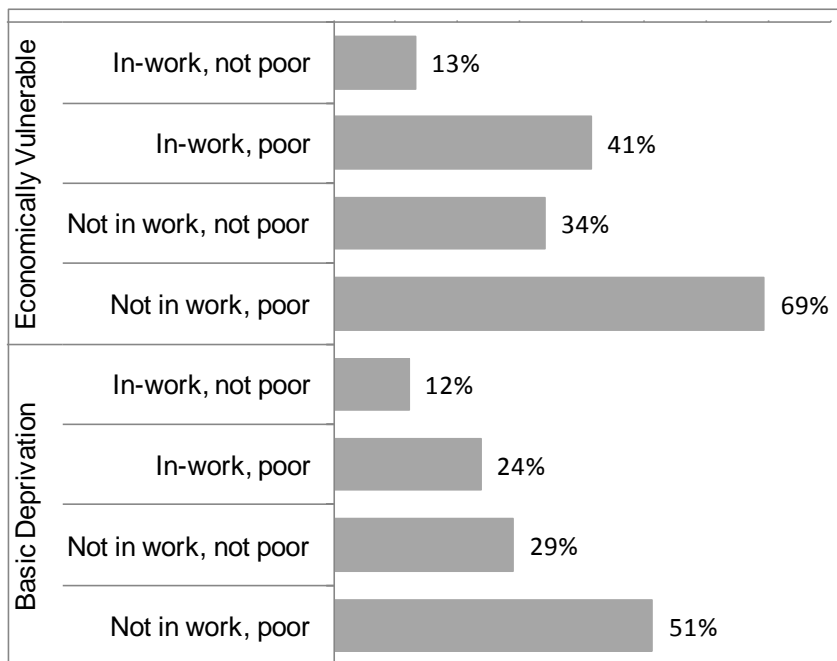
Source: SILC 2004-2010, analysis by authors. Base = persons at work aged 18 to 59.  
 Note: HH = household.

The fact that the in-work poor in 2010 appear to be a less disadvantaged group raises the question as to whether the in-work poor are a distinct group who have little in common with the poor who are not in employment. Figure 5.6 provides some

further insight on the in-work poor by comparing their economic vulnerability and rate of basic deprivation to adults who are poor but not in work. Do the in-work poor look similar in terms of these measures of social exclusion to the poor outside the workforce? The answer is that they do not – their levels of economic vulnerability and basic deprivation are not as high.

The in-work poor in 2010 are less likely than the non-working poor to be economically vulnerable (41 per cent compared to 69 per cent) and to experience basic deprivation (24 per cent compared to 51 per cent). These differences are statistically significant. In fact, the in-work poor, along with those who are not poor but not in work, occupy an intermediate position between the working non-poor on the one hand and the non-working poor on the other. Both not working and being at-risk-of poverty are associated with economic vulnerability and deprivation, and the most vulnerable and most deprived group are those who are both poor and not working.<sup>27</sup>

**Figure 5.6 Comparing the economic vulnerability and rate of basic deprivation for adults by work and poverty typology, 2010**



Source: SILC 2010, analysis by authors. Base = adults aged 18 to 59. Differences between in-work poor and the poor who are not in work are statistically significant on both economic vulnerability and basic deprivation.

<sup>27</sup> We checked whether the same pattern existed in 2004, and in broad terms it did. See Appendix Table A5.4.

## 5.8 Summary

In this chapter, we examined the risk factors for very low work intensity and in-work poverty and also the profile of those in VLWI households and the in-work poor.

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:

- The social class of the householder had odds that were six times higher if the householder never worked and 2.2 times higher if the householder was in the routine (unskilled) manual/service social class.
- Those having a disability had odds that were 3.4 times higher.
- Those living alone had odds that were four times as high as adults plus child(ren).
- Those in a lone parent household had odds that were 4.3 times higher.
- Those with low education had odds that were 2.2 times higher compared to those with Leaving Certificate or equivalent.
- Those renting local authority or private accommodation and those in rent-free tenure had odds that were 2.2 to 2.4 higher than home owners.

Other patterns were the slightly higher risk of very low work intensity among women and the curvilinear relationship to age. The impact of the recession was evident in the increase in the level of very low work intensity in 2010 compared to 2004 and in changes in some of the risk factors. These changes included a weakening of the differences in risk of very low work intensity by age, by lone parenthood and by social class.

We also asked whether there were any differences in the risk factors for being in a VLWI household compared to the risk factors for being inactive, but not in a VLWI household (i.e. living with at least one working adult). One obvious difference is household structure, specifically the number of adults in the household. If someone is inactive but is the only adult in the household then, by definition, the household is in the VLWI category. So in order to avoid being in a VLWI household, the inactive person must live with at least one other adult. Not surprisingly then, those in VLWI households are more likely to be living alone or to be lone parents and are less likely to be married. After controlling for household structure, the analysis indicated that there was a stronger pattern of educational and social class disadvantage among those in VLWI households. Those in VLWI households were also more

disadvantaged in terms of housing tenure (more likely to be renting), were more likely to have a disability or live with an adult with a disability and were more likely to be aged 55 to 59.

We also examined the profile of those living in VLWI households. Those who comprise a large proportion of people in VLWI households might not necessarily be the groups with a high risk of very low work intensity: a group that is very small in size could have a high risk of very low work intensity and still only account for a small proportion of all people in VLWI households. The profile of members of VLWI households will have implications for the targeting of policy interventions. The main patterns we found were as follows.

- Over one third of the VLWI population are children (36 per cent) and 69 per cent are in households with children.
- Nearly half of the VLWI population are in a household where the reference person is married and a similar proportion are in households consisting of two adults and one or more children.
- Forty-one per cent of the VLWI population live with one or more adults with a disability, although only 18 per cent are themselves adults with a disability.
- Just under one third of the VLWI population were in households where the reference person was unemployed and a similar proportion were in a household where the reference person was engaged in home duties.

Over time, there was some ‘mainstreaming’ of the profile of those in VLWI households, including the reduction in the percentage with a disability, the reduction in the percentage in lone parent households, the reduction in the percentage where the householder had no educational qualifications and the increase in the percentage in households comprising couples and children. Nevertheless, as noted above, compared to inactive adults who live with a working adult (and are therefore not in a VLWI household), those in VLWI households remain a group with a very disadvantaged risk profile in terms of education and social class.

In this chapter we also considered in-work poverty. This indicator is measured for adults who are at work and identifies those who are in households at-risk-of-poverty. The main risk factors for in-work poverty, conditional on the individual being at work, were:

- self-employment or farming (with odds 6.2 times those of professional/managerial employees)

- being in the routine (unskilled) manual/service social class (with odds 2.5 times those of managers/professionals)
- having no educational qualifications (with odds 1.9 times those of someone with the equivalent of the Leaving Certificate)
- working part-time (with odds 2.0 times those of someone working full-time) and
- being aged 55 to 59 (with odds 1.8 times higher than someone aged 35 to 44).

Over time, a number of changes occurred in the risk factors for in-work poverty. These included a reduction in the importance of educational qualifications, reduced impact of number of children, and a reduction in the differences by social class.

Turning to the profile of the in-work poor, we found that:

- the in-work poor were more likely to be male than female (68 per cent vs. 32 per cent)
- fifty-nine per cent were married and 68 per cent were in households comprising two adults with one or more children
- in 2010, 39 per cent had third level qualifications
- forty-four per cent were self-employed or farming and
- seventy-one per cent worked full-time.

We also examined whether the in-work poor were similar to the non-working poor in terms of basic deprivation and economic vulnerability. We found that the in-work poor had a lower risk of basic deprivation and economic vulnerability than the non-working poor, occupying a less disadvantaged position both in 2004 and 2010.

Looking at the profiles of the two groups, the VLWI population and the in-work poor population looked considerably less disadvantaged in 2010 than in 2004. This was seen in their levels of education, the percentage who are lone parents and in their social class characteristics. The apparent 'democratisation' of risk came about as a result of the recession drawing people with better qualifications and fewer challenges in terms of household structure into VLWI and in-work poor categories.

Returning to one of the questions we posed at the beginning of the chapter regarding whether very low work intensity is higher among young adults, we can answer that it is not. The odds of being in a VLWI household are greater for children and for older adults than for the reference group aged 35 to 44, but the odds are not significantly different for younger adults.



## Chapter 6: Conclusions

In this chapter, we draw together the results to specifically address the research questions outlined at the beginning of the report. We then comment on the implications of the findings for policy. The report has analysed two key indicators, one dealing with household joblessness and one dealing with in-work poverty. The indicator of household joblessness is the ‘very low work intensity’ measure (VLWI). This indicator is more than double the EU rate in Ireland in 2010 and had increased substantially since 2004 (from 13 per cent to 22 per cent)<sup>28</sup>. The in-work poverty indicator is the percentage of employed adults who are in poor households. This had changed less since 2004 and was at about the EU average in Ireland in 2010 (at eight per cent).

### 6.1 Why is the Very Low Work Intensity Rate So High in Ireland?

Very low work intensity occurs when the working-age adults in a household spend less than one fifth of the potential working time actually at work over the reference year. Working-age adults are those aged 18 to 59, excluding students under age 25. The VLWI indicator is one of three measures of being at risk of poverty or exclusion (along with at-risk-of-poverty and severe material deprivation) for the purposes of the EU 2020 strategy. Ireland has a much higher rate of very low work intensity than any other European country. In 2010, the rate was 23 per cent in Ireland, compared to 13 per cent in the next highest EU country, the UK.

There was a sharp increase in very low work intensity in Ireland following the start of the recession in 2008 – sharper than in the other EU countries – but the rate had been high in Ireland even during the boom years of 2007 and earlier. The VLWI rate in Ireland in 2005 was 15 per cent compared to an average rate of 10 per cent in the EU 15.

Part of the high level in Ireland is explained by 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. However, this inactivity rate on its own is not enough to account for the exceptionally high rate of very low work intensity in Ireland. For an explanation of this, we needed to look as well as the living arrangements of inactive working-age adults. If jobless adults in

<sup>28</sup> Note that there is a slight difference in the VLWI rate using EU-SILC data (23 per cent) and the rate based on Irish SILC data (22 per cent) because of different weighting schemes.

Ireland are less likely to live with someone who works and more likely to live with children compared to jobless adults in the EU generally, this would contribute to a much higher rate of very low work intensity than we would expect based on the adult joblessness rate alone.

Indeed a detailed examination of the 2009 EU-SILC data showed that in Ireland fewer inactive working-age adults lived with someone who was at work than in other EU countries. In Ireland, only about one half of jobless working-age adults live with someone who works – one of the lowest rates in the EU. Additionally, in Ireland the majority of adults in VLWI households lived with children (56 per cent) and the average number of children in these households is among the largest in Europe (1.8). Since the work intensity of the adults is assigned to all children in the household in calculating the overall VLWI rate, the fact that jobless adults live with children means that the impact of joblessness is multiplied by the number of children living with the jobless adult.

Overall then, we need to take account of individual economic activity, household and family structure and the impact of the recession in order to understand the exceptionally high VLWI rate in Ireland in 2010.

## **6.2 How Have Household Work Patterns Changed with the Recession?**

As noted in the previous section, there was a sharp increase in the VLWI rate in Irish households after the start of the recession in 2008. There was a decline in the percentage of people living in very high and high work intensity households, while the percentage living in medium work intensity households remained largely unchanged.

In order to gain an understanding of the components of this change, we examined the changes in work patterns in couple households. About three quarters of children under age 18 and almost the same proportion of working-age adults (72 per cent) lived in couple households in 2010. This means that any change in the pattern of work in couple households will have implications for the majority of working-age adults and the majority of children.

The main changes in work pattern in couple households following the start of the recession were a sharp fall in male full-time employment (from 80 per cent to 64 per cent of couples), mainly due to a sharp rise in male joblessness (from 16 per cent to

28 per cent). There was also a modest increase in male part-time working (from four per cent to eight per cent). The changes for women were not as dramatic as for men. There was a significant drop in female part-time employment (from 28 per cent to 22 per cent) and an increase in female joblessness (from 37 per cent to 43 per cent). However, the female rate of full-time working remained essentially unchanged, at between 34 per cent and 35 per cent.

As a result of these changes, there was a shift in the work pattern in couple households away from the traditional male breadwinner model of male full-time work and female joblessness. This was the largest group in 2004 (31 per cent of couples) but had declined to 23 per cent of couples by 2010. The 'modern' male breadwinner model, with the male partner working full-time and the female partner working part-time, also declined significantly from 21 per cent in 2004 to 15 per cent in 2010. There was less change in the dual-earner model where both partners work full-time (from 29 per cent in 2004 to 26 per cent in 2010). The main increase was in households where neither partner is at work (from nine per cent in 2004 to 15 per cent in 2010).

There were important class differences in the couple work patterns. In 2010, the dual earner model where both partners worked full-time was more characteristic of the professional/managerial social class (35 per cent). The pattern where neither partner was at work was more common in the manual and lower service/sales class (24 per cent).

### **6.3 Who are in Very Low Work Intensity Households?**

In Chapter 5 we examined the risk factors for very low work intensity and also the profile of VLWI households in 2004 and 2010. 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. The risk of very low work intensity was very high where the householder had never worked or was in the unskilled manual/service social class; where the householder had no educational qualifications; and where the adult had a disability. The risk was also higher in a number of household types, such as living alone and being in a lone parent household.

The impact of the recession was evident in the increase in the level of very low work intensity in 2010 compared to 2004 and in changes in some of the risk factors.

These changes included a lessening of the differences in risk of very low work intensity by age, by social class and by household type. The changes reflected the fact that the recession drew into very low work intensity people whose profile was more advantaged in terms of education, household structure and social class.

The profile of those in VLWI households is influenced but not dominated by these high-risk groups. For instance, nearly half of the VLWI population are in households where the reference person is married and a similar proportion are in households comprising two adults and one or more children. Over one third of the VLWI population are 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 VLWI cases, the householder had no educational qualifications (31 per cent) and in almost one third (31 per cent) the householder was unemployed.

Between 2004 and 2010, there was a big increase in the percentage of VLWI 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 VLWI households, as the recession drew larger numbers into the VLWI category. This was evident in the reduction in the percentage of VLWI adults with a disability, the reduction in the percentage in lone parent households, the reduction in the percentage of households where the householder had no educational qualifications and the increase in the percentage of households comprising couples and children.

Are the risk factors for being an adult in a VLWI household the same as the risk factors for inactivity of the individual? In other words, is there any set of characteristics that distinguish the inactive adults who live in a VLWI household from inactive adults who live with someone who is in employment? The question is important because it is relevant to the question of whether policies to promote employment need to be tailored in any way to ensure that those in jobless households benefit.

We compared the risk factors for being in a VLWI household and being inactive but not in a VLWI household (i.e. living with at least one working adult) in 2010.

Apart from the obvious fact that there must be at least two adults in the household for the latter possibility, a number of other differences emerged. The analysis indicated that the two groups had quite different risk profiles, with a stronger pattern

of educational and social class disadvantage characterising adults in VLWI households. Compared to inactive adults who live with someone in employment, those in VLWI 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.

#### **6.4 What is the Relationship Between Very Low Work Intensity and Poverty?**

In Chapter 4 we saw a strong differentiation in the risk of poverty by the work-intensity of the household. There is a much higher risk of poverty for those in very low (34 per cent in 2010) or low (22 per cent) work intensity households than in households with medium (16 per cent), high (eight per cent) or very high (four per cent) work intensity.

The strength of this relationship weakened between 2004 and 2010, mainly because the risk of poverty had declined substantially for those in VLWI households (from 70 per cent in 2004 to 34 per cent in 2010). This change over time appears to be entirely due to the impact of social transfers: there is no decline in the before-transfer risk of poverty for those in VLWI households in the period.

In addition, the change over time is more marked at the 60% poverty threshold than at the 70% poverty threshold. This suggests that social transfers have become more effective in the 2004 to 2010 period in drawing VLWI households just above the 60% poverty threshold. This increased effectiveness of social transfers with respect to poverty is something that differs from the pattern found in other European countries in this period (Cantillon et al., 2012).

Very low work intensity is also strongly associated with basic deprivation, consistent poverty, high levels of economic stress and economic vulnerability. Apart from consistent poverty, these other relationships to work intensity did not show the same tendency to weaken over time as we observed for the relationship between work intensity and at-risk-of-poverty. In the case of consistent poverty, the pattern is strongly affected by the weakening impact of work intensity on at-risk-of-poverty rate, as the latter is one of the components of the consistent poverty measure.

The very marked weakening of the relationship between work intensity and poverty over time is peculiar to the association between work intensity and at-risk-of-poverty

and, to a lesser extent, consistent poverty which is partly based on the at-risk-of-poverty indicator. The fact that this weakening was not observed for basic deprivation or economic stress cautions against a simplistic conclusion that work has become less relevant for social inclusion. The pattern in Ireland reflects the narrowing of the gap between the social welfare payment levels and the income poverty threshold (Cantillon et al., 2012).

### **6.5 How Significant is In-Work Poverty?**

In-work poverty is an indicator that focuses on those at work, either full-time or part-time, and asks whether they are in households with incomes below the 60% poverty threshold. In 2010, the in-work poor accounted for four per cent of the population aged 18 to 59 and eight per cent of the working population aged 18 to 59. However, they accounted for a more sizeable fraction of the working-age population who are poor, at 30 per cent. Because most adults aged 18 to 59 are at work, the in-work poor make up nearly one third of the poor in this age group.

There was a slight increase in the in-work poverty rate after the start of the recession, from seven per cent in 2007 to eight per cent in 2010. This increase followed an initial decline to six per cent in 2008 and five per cent in 2009. There were only modest changes in the percentage of poor working-age adults who were actually in work, from 32 per cent in 2007 to 30 per cent in 2010.

The main risk factors for in-work poverty are self-employment (odds ratio 6.2 compared to managers/professionals), followed at some distance by being in the routine (unskilled) social class (odds 2.5), having no educational qualifications (odds ratio 1.9 compared to Leaving Certificate level), working part-time (2.0) and being in the 55 to 59 age group (odds ratio 1.8 vs. age 35 to 44). There was a slight fall in the risk of in-work poverty between 2004 and 2010 when we control for individual and household characteristics, but the difference between 2004 and 2010 is not statistically significant when these controls are included.

When we look at the profile of the in-work poor in 2010, they do not emerge as a particularly disadvantaged group. They are more likely to be male than female (68 per cent vs. 32 per cent); more likely to be married (59 per cent) than single (30 per cent); more likely to be two or more adults with children (68 per cent) than lone parents with children (three per cent). In 2010, only one in eight had no educational qualifications and 39 per cent had third level qualifications. They are 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.

The profile of the in-work poor changed in a number of respects between 2004 and 2010. 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. Since the overall size of the in-work poor group has remained relatively stable over time, the most likely explanation for the reduced disadvantage of this group since the onset of the recession is that those with lower levels of education have lost their jobs. The one respect in which the in-work poor in 2010 still differed from the typical worker was that they were much more likely to be self-employed or farming (44 per cent) and this percentage had increased substantially since 2004 (from 27 per cent).

### **6.6 Strengths and Limitations of Very Low Work Intensity and In-work Poverty Indicators**

The analysis of work intensity and in-work poverty in this paper drew attention to a number of strengths and weaknesses of these indicators in understanding the dynamics of social exclusion. One strength of the VLWI indicator is that it draws attention to the role of household dynamics, as well as individual human capital and economic status, in influencing the distribution of work across households. This was particularly evident when we sought to understand the reasons for the very high rate of very low work intensity in Ireland compared to other European countries. The impact of the recession on the percentage of working-age adults who are unemployed or outside the labour force (such as those engaged in home duties or unable to work due to illness or disability) was important, but these factors were only part of the explanation. The jobless rate was indeed high among working-age adults in Ireland – particularly in 2010 – but the distribution of joblessness across households is also important. We found that in Ireland, jobless adults are less likely to live with a working adult than the European average. In addition, jobless adults in Ireland are more likely to live with children and to have a higher average number of children than is typical in the EU.

Thus the reasons for a high level of very low work intensity can be varied and complex. They include the individual joblessness rate among adults, and its

component elements in the unemployment rate, labour market participation rate among women and among people with a disability. They also include the distribution of work across households and the rate of joblessness in households with children. In order to understand the latter, we need to pay attention to the dynamics of household formation and dissolution and the way in which these are related to work.

The in-work poverty rate is a more problematic indicator. First, it is limited to adults who are at work – less than 60 per cent of the working-age population in 2010. Second, the indicator focuses on the individual, but individual characteristics are only part of the explanation for household poverty. The work and income situation of other adults in the household and the number and ages of children in the household are also important. Third, in 2010 (and also in 2004), the level of disadvantage experienced by the in-work poor in terms of basic deprivation and economic vulnerability was considerably less than that experienced by the non-working poor in the same age group. Another, perhaps related, worrying factor is that 44 per cent of the in-work poor in 2010 were self-employed or farmers. Since we know that there are issues with the measurement of self-employment income (Bradbury, 1996; Peña-Casas and Latta, 2004), this suggests that the indicator may be identifying a group for whom we can be less confident about the adequacy of income in capturing their command over material resources. This concern is reinforced when combined with the fact that the in-work poor are less likely to experience basic deprivation or economic vulnerability than the non-working poor. For these reasons, we believe the in-work poverty indicator should be treated with caution.



## 6.7 Policy Implications

This report has identified a wide range of factors associated with very low work intensity and in-work poverty. Some of these factors are more amenable to policy intervention than others. Social and economic policy routinely seek to expand job opportunities, to increase the earnings capacity of the unemployed and to ensure that social protection does not act as a disincentive to work. Personal life-course decisions on living arrangements and family formation, on the other hand, are less amenable to policy intervention, although these factors may help explain the very high rate of very low work intensity in Ireland compared to other European countries. However, an awareness of the full range of important factors is required to ensure that labour market and social protection policy is appropriately designed.

### 6.7.1 Household joblessness as a risk factor for social exclusion

Work intensity has a strong impact on economic vulnerability, independently of education and social class. Economic vulnerability is a composite and robust indicator of social exclusion which takes account of income poverty, deprivation and difficulty in making ends meet. The strong relationship of very low work intensity to economic vulnerability makes it worthy of policy attention in its own right, apart from the general concern with unemployment. The work intensity indicator is broader than the measure of unemployment because it takes account of the activity status of all adults in the household and because it considers the potential vulnerability associated with not working even where the person does not define themselves as unemployed: they could be engaged in home duties or could report themselves as unable to work due to illness or disability.

The Government's new social targets for poverty reduction, proposed following the review of the national poverty target under the *National Action Plan for Social Inclusion 2007-2016*, recognise the importance of labour market activation as a long-term solution to social exclusion. As well as the existing emphasis on reducing the overall level of consistent poverty, the review includes a proposal to develop a target addressing household joblessness insofar as it leads to vulnerability and poverty. The target in the area of household joblessness is to be developed in consultation with stakeholders. This decision indicates a recognition that household joblessness can be a significant risk factor for social exclusion, above and beyond unemployment, while also recognising that not all of those in jobless households are vulnerable. The solution will involve maintaining income support (to prevent an

increase in consistent poverty) but also labour market activation of adults in vulnerable jobless households as a means of exiting poverty in the long term.

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 also inform this response.

#### 6.7.2 Role of social transfers

As noted above, to meet the target of reducing consistent poverty, there is a continuing need to pay attention to the adequacy of social transfers for those in workless households. One of the important findings in this report was that, in contrast to the situation elsewhere in Europe (Cantillon, 2011), social policy in Ireland had been successful between 2004 and 2010 in reducing the at-risk-of-poverty rate of those in VLWI households. The main reason for this decline was the contribution of social transfers to the incomes of those in workless households. While Ireland was successful at improving incomes for those dependent on social welfare in the boom years, policy did not place sufficient emphasis on activation. It is worth emphasising that the improvement in income was less evident at the 70% poverty threshold and was not evident at all in terms of exposure to basic deprivation. This suggests that while social transfers became more effective at raising very low incomes in workless households, it did not raise them very much and, in many cases, not enough to escape basic deprivation. This implies that continued attention to the adequacy of income supports for workless households is required, particularly given that over half of those living in jobless (VLWI) households are either children under age 18 or adults with a disability.

It is also important to pay attention to the relationship between social transfers and work incentives. In the case of household joblessness, it is not only the income and entitlements of the individual that are relevant, but also the welfare entitlements of other adults in the household. As shown in recent work by Callan et al. (2012), which took the nuclear family as the unit of analysis, Ireland in 2012 does not have a generalised high replacement rate which damages incentives to work. However, in

order to ensure that this remains the case, it is important to be aware of the potential tension between the incentive to work and the loss of social welfare benefits and secondary benefits. The rate at which these benefits are withdrawn as someone begins to work in what may be an insecure job needs to be carefully planned.

### 6.7.3 Labour market activation

Irish social policy made significant progress in reducing the poverty risk of jobless households between 2004 and 2010 but policy has been less successful in the area of labour market activation. While it is important to ensure that social welfare payments are sufficient to keep households above the poverty threshold, this is not an adequate long-term solution. In the long term, welfare dependent households are poorly placed to achieve the standard of living considered the norm in society.

There are two ways in which household joblessness has implications for labour market activation policy. The first implication is that the target population is much broader than those who were traditionally the focus of unemployment policy. The *Pathways to Work* strategy announced in March 2012 and the proposal for the development of a single working-age assistance payment brings the opportunity for a more comprehensive approach to activation that goes beyond the old distinctions based on the kind of social welfare payment the person received. We saw in Chapter 2 that in 2011 about 83 people per 1,000 population received jobseeker social welfare supports. However, a further 65 per 1,000 received supports related to illness, disability and caring and 20 per 1,000 received a one-parent family payment. While these latter groups may not be 'work-ready' for various reasons, tackling the high rate of household joblessness (i.e. the VLWI rate) in Ireland requires that their circumstances be considered. Results from the National Disability Survey, for instance, suggested that about one third of people with a disability who were not at work would be interested in work if the circumstances were right (Watson and Nolan, 2011).

While this more comprehensive approach to activation is to be welcomed, it brings a number of challenges. One difficulty is that the profiling models currently available are designed to identify the risk of long-term unemployment, rather than grouping social welfare recipients according to work readiness, as envisaged in *Pathways to Work*. Moreover, the models are estimated based on the Live Register which includes primarily recipients of jobseeker social welfare payments (O'Connell et al.,

2012).<sup>29</sup> Thus, to meet the requirements of adopting a broader perspective on work and welfare, the profiling model would need to be reconfigured based on the jobless population of working age (including recipients of disability allowance, recipients of one-parent family payments and qualified adult dependents), not just those on the current Live Register. In addition, the profiling would need to be in terms of work-readiness rather than risk of long-term unemployment.

The pool of potential clients of an integrated approach to work and welfare is likely to be much bigger than anticipated. The range of policy responses is likely to be broader, encompassing not only work-related training and assistance in job search strategies, but also consideration of how best to meet the requirements for childcare and other caring responsibilities. The principle should be the provision of client-centred services to enhance employability for all jobless adults. However, the package of services will look very different depending on the person's circumstances.

The second implication of paying attention to household joblessness is that a careful targeting of scarce training and employment support services is needed if the rate of household joblessness is to be reduced. In 2010, 22 per cent of the population lived in VLWI households and 15 per cent lived in VLWI households with no income from work and where none of the adults was involved in education or training. In other words, about 65 per cent of those in jobless households were in a household where none of the adults were on a 'pathway to work'.

The level of household joblessness cannot be immediately read from the unemployment rate or even the more broadly defined joblessness rate among individuals of working age. A fall in unemployment will not necessarily benefit jobless households. Programmes to enhance human capital or to facilitate entry or re-entry into the labour market – including childcare and training – may disproportionately benefit those in households where there is already someone at work. If there is a concern to reduce the level of household joblessness, and we argue that there should be such a concern in the interest of social inclusion, then mechanisms need to be put in place to ensure that adults in jobless households benefit at least as

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<sup>29</sup> In May 2012, the Live Register had almost 433,000 people (about 189,000 had been registered for one year or longer), of whom about 400,000 were applicants for Jobseeker's Allowance or Jobseeker's Benefit (Central Statistics Office, 2012, *Live Register, May 2012*). Not all of the 400,000 were unemployed: about 88,000 were casual or part-time (e.g. three days per week) workers.

much from policies to promote employment as the unemployed in households where there is already an adult at work.

This raises questions about the feasibility and desirability of prioritising adults in jobless households over other jobless individuals. This issue needs further consideration by policymakers. However, there are two things to keep in mind. First, our results point to some issues that are particularly relevant to adults in jobless households rather than to jobless individuals more generally (some of whom may be living in a household that already has someone in employment). Those in VLWI households have a more disadvantaged educational and social class profile, which means that human capital investment will be needed to enable them to take an active part in the labour force. In addition, they are more likely to be lone parents or to have a larger number of children. This means that issues such as support for childcare will need to be addressed, in addition to the active labour market supports that focus on skills and job search supports. Moreover, about one in eight lives in a household where the householder never worked. This points to the importance of a focus on long-term unemployment – something that is already emphasised in the Government’s *Pathways to Work* strategy.

The second relevant point is that there are many similarities between the risk factors for being an adult in a jobless household and long-term unemployment. Profiling models indicate that the risk of long-term unemployment is greater for those with low levels of education, larger numbers of children and for older age groups. In addition, unemployed men who have a spouse in employment are less likely to become long-term unemployed (O’Connell et al., 2009).<sup>30</sup> If access to active labour market programmes were allocated on the basis of the probability of becoming (or remaining) long-term unemployed, this would already go some of the way towards targeting resources towards adults in jobless households.

#### 6.7.4 In-work poverty and policy

As noted above, the in-work poverty indicator is problematic, affecting a relatively small group that does not appear to be as disadvantaged as the poor who are outside the labour market. A number of features of this group – including the fact that they are better educated and more likely to be self-employed than inactive adults – suggests that they may be working for a low return now in anticipation of improved

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<sup>30</sup> This is not the case for unemployed women on the Live Register, however. Profiling models indicate that the risk of long-term unemployment among women is increased where the spouse is at work and has higher earnings. (O’Connell et al., 2009, Appendix Table C2).

rewards in the future. In other words, their income poverty may be of short duration. In any event, international research suggests that there are difficulties in devising policies that will address the issue of in-work poverty. Based on a systematic review of 285 studies which evaluated interventions to reduce in-work poverty, Tripney et al. (2009) were unable to reach a conclusive answer to the policy question about effective solutions to the problem of in-work poverty.

While it is not possible to propose a policy response to in-work poverty on the basis of the research in this report, it is worth noting that labour market activation strategies for jobless households could have the unintended consequence of increasing in-work poverty. This could happen if income supports are withdrawn before the adults have the capacity to earn enough to bring the household above the income poverty threshold. Indeed, in the context of the current high unemployment levels, this is a very real danger. Even if a jobless household is not completely independent of the need for welfare support, the goal of policy should be to support movement into the labour market as a route to a better job (and welfare independence) in the future. This means that the withdrawal of social welfare income and related in-kind benefits must be carefully planned. The single working-age assistance payment review also recognises the value of employment supports as a means of promoting social participation, even if complete welfare independence is not possible (Department of Social Protection, 2010, p. 69). In other words, progress in terms of social integration and social inclusion can be made even if some level of social welfare income support continues.

## Appendix Tables

**Appendix Table A4.1: Logistic regression for economic vulnerability with (Model B) and without (Model A) control for work intensity of household, 2004 and 2010**

		2004 Model A	Model B	2010 Model A	Model B
Gender	Female	0.14 (0.06) *	0.13 (0.06)	-0.01 (0.06)	-0.04 (0.06)
Age group	Under 5	0.21 (0.12)	0.03 (0.13)	-0.06 (0.11)	-0.08 (0.12)
(Ref=35-44)	5-9	0.13 (0.12)	0.06 (0.12)	0.09 (0.11)	0.05 (0.11)
	10-17	0.21 (0.10) *	0.22 (0.11)	0.16 (0.10)	0.19 (0.10)
	18-24	0.23 (0.12) *	0.21 (0.12)	0.35	0.28 (0.13) *
	25-34	0.05 (0.11)	0.11 (0.12)	0.05 (0.10)	0.13 (0.11)
	45-54	0.25 (0.10) *	0.24 (0.11)	0.10 (0.10)	0.11 (0.10)
	55-59	0.46 (0.13)**	0.17 (0.14)	0.24 (0.13)	0.10 (0.14)
Disability	Has disability	0.31 (0.10)**	0.14 (0.11)	0.25 (0.12) *	0.14 (0.12)
	N adults with	0.53 (0.05)**	0.28	0.42	0.21 (0.06)**
HRP marital	Single	0.60 (0.10)**	0.53	0.43	0.38 (0.09)**
(Ref=Married)	Widowed	0.26 (0.14)	0.28 (0.14)	0.12 (0.15)	0.07 (0.15)
	Divorced/separate	0.90 (0.10)**	0.85	0.70	0.60 (0.11)**
HH Type	Lives alone	0.57 (0.16)**	0.22 (0.17)	0.29 (0.15)	0.23 (0.17)
(Ref =	All adult HH	-0.06 (0.10)	-0.13 (0.11)	-0.51	-0.60
adults+children)	Lone parent	1.02 (0.11)**	0.65	0.31	0.13 (0.11)
Number children		0.35 (0.03)**	0.28	0.24	0.14 (0.03)**
HRP education	No quals	0.79 (0.08)**	0.58	0.25	-0.02 (0.09)
(Ref Hi 2nd)	Lower 2nd	0.47 (0.08)**	0.37	0.30	0.21 (0.08) *
	Lower 3rd	-0.14 (0.11)	-0.23 (0.11)	-0.21 (0.10)	-0.15 (0.11)
	Higher 3rd	-0.36 (0.17) *	-0.25 (0.17)	-0.55	-0.39
HRP social class	Intermediate	0.20 (0.11)	0.18 (0.12)	0.37	0.33 (0.11)**
(Ref=1&2)	Self-employed	0.58 (0.11)**	0.66	0.77	0.84 (0.10)**
	Technician, lower	0.81 (0.10)**	0.61	0.93	0.80 (0.10)**
	Unskilled	0.94 (0.10)**	0.64	1.20	1.02 (0.10)**
	Never worked	1.21 (0.14)**	0.45	1.10	0.72 (0.16)**
Housing tenure	Purchasing	-0.12 (0.07)	0.11 (0.08)	0.31	0.57 (0.08)**
( Ref=own	L.A. Renter	1.28 (0.09)**	1.12	1.37	1.08 (0.10)**
outright)	Private Renter	1.05 (0.10)**	0.89	0.95	0.82 (0.10)**
	Rent Free	0.26 (0.29)	0.20 (0.30)	0.88	0.83 (0.29)**
Work intensity	Very Low	---	2.25	---	2.18 (0.10)**
(Ref=V high)	Low	---	1.56	---	1.76 (0.11)**
	Medium	---	0.67	---	0.80 (0.10)**
	High	---	0.06 (0.10)	---	0.61 (0.11)**
Nagelkerke R-Square		0.371	0.448	0.307	0.388

Source: SILC 2004 and 2010, analysis by authors. Logistic regression coefficients shown. Base = persons under age 60 in households with at least one person of working age. '---' indicates variable not included in model; '\*\*\*' indicates  $p < .01$ ; ' \* ' indicates  $p < .05$ .

**Appendix Table A5.1: Logistic regression model of being in a VLWI household, 2004 to 2010, without (Model 1) 2010 interactions and with (Model 2) 2010 interactions.**

		Model 1	Model 2 with 2010 Interaction	
		Coeff. (SE)	Main Effect	Interaction
Gender	Female	0.10 (0.026)**	0.10 (0.028)**	0.00 (0.07)
Age group (Ref=35-44)	Under 5	0.52 (0.058)**	0.60 (0.064)**	-0.51 (0.154)**
	5-9	0.27 (0.056)**	0.32 (0.062)**	-0.26 (0.145)
	10-17	0.11 (0.049) *	0.14 (0.054) *	-0.16 (0.129)
	18-24	0.07 (0.054)	0.07 (0.059)	0.02 (0.149)
	25-34	-0.07 (0.051)	-0.03 (0.056)	-0.16 (0.132)
	45-54	0.20 (0.047)**	0.25 (0.051)**	-0.29 (0.128) *
	55-59	0.90 (0.053)**	0.96 (0.057)**	-0.44 (0.151)**
Disability	Has disability	0.46 (0.043)**	0.48 (0.046)**	-0.18 (0.131)
	N adults with disability	0.76 (0.023)**	0.76 (0.024)**	0.02 (0.07)
HRP Marital status (Ref=Married)	Single	0.42 (0.041)**	0.43 (0.045)**	-0.07 (0.108)
	Widowed	0.46 (0.052)**	0.46 (0.055)**	-0.03 (0.157)
	Divorced/separated	0.67 (0.043)**	0.68 (0.047)**	-0.05 (0.124)
HH Type (Ref=adults+children)	Lives alone	1.39 (0.064)**	1.43 (0.07)**	-0.26 (0.182)
	All adult HH	0.28 (0.045)**	0.28 (0.049)**	0.03 (0.126)
	One adult with children	1.46 (0.046)**	1.53 (0.05)**	-0.39 (0.123)**
Number children		0.25 (0.013)**	0.25 (0.015)**	0.06 (0.038)
HRP Educ (Ref=Hi 2nd)	No qualifications	0.79 (0.037)**	0.79 (0.04)**	0.01 (0.102)
	Lower 2 <sup>nd</sup>	0.42 (0.037)**	0.43 (0.04)**	-0.11 (0.098)
	Lower 3 <sup>rd</sup>	-0.10 (0.048) *	-0.08 (0.052)	-0.24 (0.138)
	Higher 3 <sup>rd</sup>	-0.54 (0.064)**	-0.50 (0.08)**	-0.12 (0.136)
HRP Social Class (Ref=Manager/ Professional)	Intermediate	0.09 (0.052)	0.14 (0.056) *	-0.32 (0.139) *
	Self-employed	-0.32 (0.056)**	-0.38 (0.062)**	0.33 (0.141) *
	Technician, lower	0.55 (0.044)**	0.56 (0.048)**	-0.05 (0.116)
	Unskilled	0.78 (0.043)**	0.79 (0.047)**	-0.09 (0.115)
	Never worked	1.82 (0.062)**	1.86 (0.067)**	-0.30 (0.182)
Housing tenure (Ref=Home owner)	Purchasing	-0.89 (0.038)**	-0.90 (0.042)**	0.03 (0.101)
	Local Authority renter	0.87 (0.037)**	0.86 (0.04)**	0.08 (0.106)
	Private renter	0.85 (0.042)**	0.88 (0.046)**	-0.18 (0.11)
	Rent-free	0.79 (0.116)**	0.87 (0.125)**	-0.54 (0.326)
Year (Ref=2004)	2005	0.09 (0.046) *	0.10 (0.046) *	---
	2006	0.01 (0.047)	0.01 (0.047)	---
	2007	0.05 (0.048)	0.05 (0.048)	---
	2008	0.05 (0.049)	0.05 (0.05)	---
	2009	0.49 (0.047)**	0.49 (0.047)**	---
	2010	0.93 (0.047)**	1.31 (0.182)**	---
Nagelkerke R-sq.		.440	.442	

Source: SILC 2004-2010, analysis by authors. Base = persons aged 0 to 59 in households where there is at least one person of working age. Logistic regression models; Model 1 has no interactions; Model 2 has interactions for effect in 2010 vs. 2004. Standard error in parentheses. '\*\*\*' p<=.01; '\*\*' p <= .05; '---' variable not in model.



**Appendix Table A5.2: Logistic regression of being in a VLWI household versus inactive but not in a VLWI household in 2010**

		In VLWI Household
Gender	Female	-0.17 (0.12)
Age group	18-24	-0.75 (0.23)**
(Ref=35-44)	25-34	-0.31 (0.16)
	45-54	-0.02 (0.16)
	55-59	0.69 (0.21)**
Disability	Has disability	-0.57 (0.19)**
	N with disability	0.92 (0.12)**
Own marital status	Single	0.81 (0.17)**
(Ref: married)	Widowed	-0.32 (0.41)
	Divorced/separated	0.64 (0.27) *
Household type	Lives alone	2.32 (0.35)**
(Ref=adults +	All adult household	0.09 (0.19)
	One adult with children	1.19 (0.22)**
Number of children		0.17 (0.07) *
Own Educ	No qualifications	0.68 (0.16)**
(Ref=higher 2 <sup>nd</sup> Lev)	Lower 2 <sup>nd</sup> level	0.28 (0.14) *
	Lower 3 <sup>rd</sup> level	0.09 (0.21)
	Higher 3 <sup>rd</sup> level	-0.24 (0.17)
Own social class	Intermediate	-0.14 (0.21)
(Ref=professional/ managerial)	Self-employed	-0.16 (0.28)
	Technician, lower sales/service	0.29 (0.18)
	Unskilled	0.52 (0.18)**
	Never worked	0.70 (0.21)**
Housing tenure	Purchasing	-0.80 (0.15)**
(Ref=home owner)	Local Auth. Renter	0.68 (0.17)**
	Private renter	0.42 (0.16)**
	Rent-free	0.68 (0.59)
Nagelkerke R-Sq		.384

Source: SILC 2004, 2007 and 2010, analysis by authors. Base = persons aged 18 to 59, not at work in 2010. Logistic regression model. Standard errors in parentheses. \*\*\*' p<=.01; '\*\*' p <= .05; '---' variable not in model.

**Appendix Table A5.3: Logistic regression coefficients for in-work poverty without (Model 1) 2010 interactions and with (Model 2) 2010 interactions**

		Model 1	Model 2	
		Coeff (SE)	Main	2010 Interact.
Intercept		-4.17 (0.20)**	-4.60(0.24)**	
Gender	Female	-0.20 (0.10) *	-0.20(0.12)	-0.03(0.21)
Age group	18-24	0.31 (0.17)	0.31(0.20)	-0.05(0.40)
(Ref=35-44)	25-34	-0.19 (0.14)	-0.23(0.17)	0.04(0.30)
	45-54	0.45 (0.11)**	0.44(0.13)**	0.02(0.23)
	55-59	0.59 (0.15)**	0.56(0.18)**	0.15(0.33)
Disability	Has disability	0.02 (0.16)	-0.02(0.18)	0.23(0.39)
	N with disability	0.07 (0.09)	0.15(0.10)	-0.35(0.22)
HRP marital status	Single	0.30 (0.14) *	0.31(0.16)	0.05(0.29)
(Ref=married)	Widowed	-0.74 (0.38)	-0.63(0.42)	-0.63(1.15)
	Divorced/separated	0.53 (0.19)**	0.44(0.22) *	0.22(0.42)
HH type	Lives alone	0.04 (0.20)	0.11(0.25)	-0.42(0.44)
(Ref=adults+ children)	All adult HH	-0.43 (0.13)**	-0.30(0.16)	-0.51(0.30)
	R is lone parent	0.16 (0.18)	0.36(0.21)	-0.69(0.41)
Number children	Number of children	0.36 (0.05)**	0.43(0.05)**	-0.32(0.11)**
HRP education	No quals	0.64 (0.12)**	0.75(0.14)**	-0.65(0.30) *
(Ref=Hi 2nd)	Lower 2 <sup>nd</sup>	0.35 (0.10)**	0.36(0.12)**	-0.03(0.24)
	Lower 3 <sup>rd</sup>	-0.07 (0.13)	-0.14(0.16)	0.29(0.29)
	Higher 3 <sup>rd</sup>	-0.22 (0.16)	-0.31(0.27)	-0.02(0.34)
HRP social class	Intermediate	0.30 (0.16)	0.47(0.20) *	-0.56(0.35)
(Ref=1&2)	Self-employ./farmer	1.82 (0.13)**	1.89(0.17)**	-0.25(0.28)
	Tech. lo sales/serv.	0.45 (0.14)**	0.66(0.18)**	-0.75(0.32) *
	Unskilled	0.90 (0.14)**	1.05(0.17)**	-0.61(0.31) *
	Part-time work	0.71 (0.09)**	0.87(0.11)**	-0.52(0.21) *
Housing tenure	Purchasing	-0.54 (0.10)**	-0.46(0.12)**	-0.31(0.21)
(Ref=owner)	Local Auth. renter	0.66 (0.14)**	0.77(0.15)**	-0.50(0.33)
	Private Renter	0.45 (0.13)**	0.57(0.17)**	-0.31(0.28)
	Rent Free	-0.69 (0.61)	-0.58(0.74)	-0.49(1.30)
Year (Ref=2004)	2007	-0.24 (0.09)**	-0.24(0.09)**	
	2010	0.17 (0.10)	1.74(0.43)**	
Nagelkerke pseudo R-squared		.192	.205	

Source: SILC 2004-2010, analysis by authors. Base = persons age 18 to 59 at work in 2004, 2007 and 2010. Logistic Regression Model; Model 1: model with no interactions; Model 2 = model with interactions for effect in 2010 vs. 2004. Standard error shown in parentheses. \*\*\* p<=.01; \*\* p <= .05; '---' variable not in model.

**Appendix Table A5.4: Economic vulnerability and basic deprivation by work and poverty typology of working-age adults, 2004 and 2010**

	In-work, not poor	In-work, poor	Not in work, not poor	Not in work, poor
<b>2010</b>				
<b>Economically vulnerable</b>	13%	41%	34%	69%
<b>Basic deprivation</b>	12%	24%	29%	51%
<b>2004</b>				
<b>Economically vulnerable</b>	7%	46%	19%	63%
<b>Basic deprivation</b>	6%	20%	16%	43%

Source: SILC 2004 and 2010, analysis by authors. Base = persons aged 18 to 59.

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## Glossary

**At-risk-of-poverty thresholds:** income thresholds derived as proportions of median income. These are based on the household income adjusted for household size and composition (referred to as equivalised income). A household at-risk-of-poverty has an adjusted (or equivalised) income below 60% of the median adjusted household income. The at-risk-of-poverty rate takes account of household income from all sources, number of adults and number of children in the household. There are some minor differences in the income concept and the equivalence scale between the Irish and EU measures of at-risk-of-poverty.

**At-risk-of-poverty:** a term used at EU level to denote whether a household's income falls below the 60% of median income threshold.

**At risk of poverty or exclusion:** this EU measure combines the number of people who experience at-risk-of-poverty or severe material deprivation or low work intensity. This measure is the basis for the Europe 2020 poverty target. In cases where people experience more than one of these indicators, they are counted only once. The Irish version of this measure is the combination of at-risk-of-poverty and basic deprivation.

**At-risk-of-poverty anchored at a moment in time:** the proportion of people with an equivalised disposable income below the at-risk-of-poverty threshold calculated in survey year N, adjusted by inflation over subsequent years. It essentially measures the percentage of the population falling below an at-risk-of-poverty threshold of an earlier year, after accounting for the effects of inflation. This indicator is also referred to as an absolute measure of poverty which reflects changes in fixed living circumstances, as distinct from changes in relative living standards.

**Basic deprivation:** people who are denied – through lack of income – at least **two items or activities on this index / list of 11** are regarded as experiencing relative deprivation. This is enforced deprivation as distinct from the personal choice not to have the items. Eleven basic items are used to construct the deprivation index:

- unable to afford two pairs of strong shoes
- unable to afford a warm waterproof overcoat
- unable to afford new (not second-hand) clothes
- Unable to afford a meal with meat, chicken or fish (vegetarian equivalent) every second day
- unable to afford a roast joint or its equivalent once a week
- without heating at some stage in the last year through lack of money
- unable to afford to keep the home adequately warm
- unable to afford to buy presents for family or friends at least once a year
- unable to afford to replace any worn out furniture
- unable to afford to have family or friends for a drink or meal once a month
- unable to afford a morning, afternoon or evening out in the last fortnight for entertainment.

The indicator of **basic deprivation** was developed by the Economic and Social Research Institute using data from the *Survey on Income and Living Conditions*. See Maitre B., Nolan B. and Whelan C. (2006) *Reconfiguring the Measurement of Deprivation and Consistent Poverty in Ireland*, Dublin: ESRI, for further information on the indicator.

**Confidence interval:** whenever we use data from a probability sample to draw conclusions about the population, there is a degree of uncertainty around our estimates. This is often reported as a confidence interval. This is the range within which we can be 95 per cent confident that the population figures lies. For instance, recent calculations of the persistent at-risk-of-poverty rate show a rate of 9.5 per cent (Confidence Interval  $\pm 1.7$  per cent). This means that we can be 95 per cent confident that the 'true' rate in the population lies between 7.8 per cent and 11.2 per cent (i.e. between 9.5-1.7 per cent and 9.5+ 1.7 per cent). In general, for a smaller sample size the confidence interval will be wider.

**Consistent poverty:** this is a measure of poverty used in the *National Action Plan for Social Inclusion 2007-2016 (NAPinclusion)* that takes account of the household's living standards as well as the household size, composition and total income. A household is consistently poor if the household income is below the at-risk-of-poverty threshold (see above) and the household members are deprived of **at least 2 out of the 11 items** on the basic deprivation list.

**Correlation:** a correlation between two variables refers to a statistical relationship of dependence between these two variables. This relationship of dependence can be measured by a correlation coefficient and there are many of them. There are many correlation coefficients and the most known is the Pearson correlation coefficient which measures the strength of the linear relationship between two variables.

**Cronbach's alpha:** a measure of reliability (i.e. internal consistency). It informs us how closely related a set of items are as a group.

**Deprivation:** see definition for basic deprivation above for measure of deprivation used in the *NAPinclusion*.

**Discrimination:** generally used to refer to unfair treatment of a person on the basis of his/her membership of a particular group, in terms of, for example, gender, nationality, disability or race.

**Economic Stress:** Economic stress is measured using four items: difficulty in making ends meet, being in arrears on housing or utility bills, finding housing costs a heavy burden and having to borrow in order to meet everyday living expenses. High economic stress involves experiencing two or more of these difficulties

**Economic vulnerability:** a measure of the economic situation of a household based on whether it is at-risk-of-poverty, experiences enforced basic deprivation and has difficulty making ends meet.

**Employment rate:** the employment rate is the proportion of the working-age population that is working.

**Equivalence scales:** a set of relativities between the needs of households of differing size and composition, used to adjust household income to take into account the greater needs of larger households. In Ireland the national scale attributes a weight of one to the first adult (aged 14+) and 0.66 to each subsequent adult and a weight of 0.33 to each child. International comparisons such as the one done by Eurostat uses the modified OECD scale which attributes a weight of one to the first adult (aged 14+) and 0.5 to each subsequent adult and a weight of 0.3 to each child.

**Equivalised Income:** This refers to household income from all sources adjusted for differences in household size and composition (number of adults and children). It is calculated by dividing total disposable (i.e. after tax) household income by the equivalence scale value. It can be interpreted as income per adult-equivalent.

**EU-SILC:** *European Union Statistics on Income and Living Conditions*; this is a voluntary household survey carried out annually in a number of EU Member States allowing comparable statistics on income and living conditions to be compiled. In Ireland, the Central Statistics Office (CSO) have been conducting the survey since 2003. The results are reported in the Survey on Income and Living Conditions (SILC). Any data as compiled by Eurostat and any reference to the questions or questionnaire in the household survey is here referred to as 'EU-SILC'.

**EU 15:** Member States of the EU prior to the accession of 10 new member states on 1 May 2004, i.e. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

**EU 25:** Member States of the EU after the accession of 10 new Member States on 1 May 2004, i.e. EU 15 plus Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

**EU 27:** Member States of the EU since 1 January 2007, i.e. EU 25 plus Bulgaria and Romania.

**European Socio-Economic Classification (ESeC):** the ESeC is an occupationally based classification but has rules to provide coverage of the whole adult population. The information required to create ESeC is:

- occupation coded to the minor groups (i.e. 3-digit groups) of EU variant of the International Standard Classification of Occupations 1988 (ISCO88 (COM))
- details of employment status, i.e. whether an employer, self-employed or employee
- number of employees at the workplace
- whether a worker is a supervisor
- economic sector (agriculture or other industries).

**Factor analysis:** a statistical technique to see whether a number of variables of interest (such as deprivation items) are linearly related to a smaller number of unobservable factors (such as dimension of deprivation).

**Household:** a household is usually defined for statistical purposes as either a person living alone or a group of people (not necessarily related) living at the same address with common housekeeping arrangements – that is, sharing at least one meal a day or sharing a living room or sitting room.

**Household equivalent (or equivalised) income:** household income adjusted to take account of differences in household size and composition by means of equivalence scales.

**Inactive:** the inactive population is the working-age population that is not in the labour force.

**In-work poverty:** is measured as the risk of income poverty for individuals who were employed for more than half the income reference period. It is calculated at the individual level for adults who are at work either full-time or part-time. The indicator captures being at work and, at the same time, being in a household 'at-risk-of-poverty'.

**Labour force participation:** the labour force participation rate is a measure of the proportion of the working-age population that engages actively in the labour market, either by working or looking for work.

**Life expectancy:** the number of years that a person could expect to live on average, based on the mortality rates of the population in a given year.

**LIIS:** the Living in Ireland Survey, a household survey carried out by the Economic and Social Research Institute between 1994 and 2001.

**Lone parent:** a parent who has primary custody of a dependent child and is not living with the other parent.

**Material deprivation (EU):** this indicator is one of the European Commission's common indicators on social protection and social inclusion. It measures the proportion of the population lacking at least three out of the following nine items:

- arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments
- capacity to afford paying for one week's annual holiday away from home
- capacity to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day
- capacity to face unexpected financial expenses (set amount corresponding to the monthly national at-risk-of-poverty threshold of the previous year)
- household cannot afford a telephone (including mobile phone)
- household cannot afford a colour TV
- household cannot afford a washing machine
- household cannot afford a car
- ability of the household to pay for keeping its home adequately warm.

**Mean:** the average value (for example, the average income in a sample obtained via household survey).

**Median:** the value that divides a sample in half (e.g. the income level above and below which half the people in a sample fall).

**Planning region:** the eight regions into which Ireland has been divided for certain planning and administrative purposes.

**Poverty gap:** the shortfall in incomes for those who fall below the at-risk-of-poverty threshold.

**Poverty and Social Exclusion:** these terms are defined broadly in the *National Action Plan for Social Inclusion 2007-2016 (NAPinclusion)* as follows:

‘People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society.’

The two concepts are very similar when used in Irish policymaking but poverty is sometimes used in the narrower context to refer to low income (or wealth). On the other hand, social exclusion is almost always used in the broader sense, to refer to the inability to participate in society because of a lack of resources that are normally available to the general population.

**Quintile:** One-fifth of a sample divided into five equal parts to show how income, for example, is spread throughout the population; each quintile represents where a person’s or household’s income is located, ranging from the bottom quintile (lowest fifth or 20 per cent) to the top quintile (highest fifth or 20 per cent).

**Risk-of-poverty:** a term used at EU level to denote whether a household falls below the 60% of median income threshold.

**Severe material deprivation:** this EU indicator measures the proportion of the population lacking at least four of the nine items listed in the EU index of material deprivation (see definition above).

**SILC:** in Ireland, the Central Statistics Office (CSO) is responsible for carrying out the EU-SILC survey. They produce analysis in accordance with Irish national poverty targets, indicators and related issues. These results are reported in the Survey on Income and Living Conditions (SILC). Any data or analysis that is sourced specifically from the CSO is here referred to as ‘SILC’.

**Social welfare transfers:** cash receipts paid from various social welfare schemes received by the individual or household.

**Urban/rural location:** in EU-SILC each country is divided into eight levels based on population density. These areas are further grouped into urban and rural areas as follows:

- **Urban:** cities, suburbs of cities, mixed urban/rural areas bordering on the suburbs of cities, towns and surrounding areas with populations of 5,000 or over (large urban); mixed urban/rural areas bordering larger towns; and towns and surrounding areas with a population of 1,000 to 5,000 (other urban)
- **Rural:** mixed urban/rural areas, and rural areas.

**Validity:** the extent to which a measure is identifying the construct we are interested in. Sometimes a distinction is made between:

- face validity (the items appear, on the ‘face’ of it) to measure the construct we are interested in and
- construct validity: the measure is related to other characteristics in the way we would expect. This is sometimes divided into:
  - **convergent validity:** the measure is positively associated with things we would expect it to be associated with (e.g. deprivation is associated with low income);
  - **discriminant validity:** the measure is distinct from other indicators that may be related but are not the same, e.g. at-risk-of-poverty is distinct from economic stress – they are related, but not identical.

**Very low work intensity (VLWI)** This is the EU measure of joblessness at the household level. It consists in the adult members of the household working for less than 20 per cent of the potential working time in the reference year. (See also ‘Work intensity, below’).

**Vulnerable to consistent poverty:** This is a group who experience the same level of basic deprivation as the consistently poor (lack two or more of the 11 basic items), but who have a slightly higher household income: their incomes (after adjusting for size and composition) are above the 60% income poverty threshold but below the 70% income poverty threshold.

**Work intensity:** This is an indicator of the amount of available work time the working-age adults in a household actually spend at work. It is calculated as the proportion of person-months over the reference year that working-age adults (18 to 59) actually spend in employment. An adjustment is made to the calculation for those who work part-time. Work intensity is often presented in five categories:

- Very low work intensity: Less than 20 per cent
- Low work intensity = 20 per cent to less than 45 per cent
- Medium work intensity = 45 per cent to 55 per cent
- High work intensity = over 55 per cent to 85 per cent
- Very high work intensity= over 85 per cent to 100 per cent.

**Working poor:** the population below the at-risk-of-poverty threshold (typically 60% of median equivalised income) containing some household members who are in paid work.