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REDUNDANCY AND RE-EMPLOYMENT IN IRELAND

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BRENDAN J. WHELAN and BRENDAN M. WALSH

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BRENDAN J. WHELAN and BRENDAN M. WALSH

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THIS study examines the operation of the Irish Redundancy Payments Scheme. It presents information regarding the experiences of a sample of redundant workers: their search for employment on becoming redundant, the amount of time they spent unemployed and their wages and conditions of work in their new employment.

The findings are relevant not only to an evaluation of the Scheme, but also to the wider problem of unemployment in Ireland today. The study examines the effect of factors such as age, skill level and education on a workers' ability to find a job on becoming redundant. Information is presented on the type of jobs obtained by redundant workers and the different job search strategies which they use. The effect of State payments and other income on the duration of unemployment is also studied.

The study is based mainly on data regarding 1,803 workers whose redundancies were notified during the first three months of 1972 and who became redundant before the end of May, 1972. The Departments of Labour and Social Welfare provided certain information about these workers, and we interviewed a random sub-sample of them in order to obtain more detailed information.

The Redundancy Payments Scheme

The Redundancy Payments Acts of 1968 and 1971 provide that redundant workers who meet certain conditions will be entitled to a lump sum at the time of redundancy and to weekly payments for some weeks thereafter. The conditions for qualification are: (i) the employee be dismissed due to the complete or partial closure of his place of employment or a decrease in his employer's requirements for employees of his kind or qualifications; (ii) that the redundant worker be fully insured, and (iii) that the worker should have at least two years' continuous service with his employer. The amount of the lump sum and the duration of the weekly payments depend on the worker's age and length of service.

The weekly payments are financed from a Redundancy Fund into which is paid part of the employer and employee social welfare contributions. The lump sum is paid in the first instance by the employer who may claim a rebate of between 55 and 70 per cent, depending on how much notice he has given.

The number of qualified redundancies notified to the Department of Labour rose from 3,863 in 1968 to a peak of 19,004 in 1975, falling back to 12,764 in 1976. There is a consistent, although by no means close, relationship between the notifications of redundancies and the number of new entrants to the Live Register. A comparison of the data on redundancy with those relating to unemployment shows that in some sectors, notably Building and Construction, the chances of a newly unemployed worker qualifying for redundancy payments are much lower than in the economy generally.

Characteristics of Redundant Workers

We found that, although redundancies were more common among the older male workers in our sample than among their younger counterparts, this was no more the case than is true for the unemployed in general. In fact, a higher proportion of male redundancies were aged 25–44 than is the case for the unemployed. Among females, however, redundancies were more heavily concentrated in the older age groups, by comparison both with the employed labour force and the unemployed. Older workers are more likely to meet the length of service condition needed to qualify for Redundancy Payments and the financial and other attractions of becoming redundant lead to some "voluntary" redundancy among those with substantial service with their employer. The reason why these factors do not lead to male redundant workers being significantly older than the unemployed as a group could be the much longer duration of unemployment among the elderly.

We found that the pay received in their pre-redundancy job by the males in our sample was lower than the average for industry as a whole, which suggests that those who are let go may be less efficient and productive than the average member of the employed labour force.

Length of service is of major importance in determining one's entitlement to redundancy payments and we therefore made a detailed study of the factors which influence it. Not surprisingly, age is the chief among these, with length of service tending to increase by about 5 months for each additional year of age among men, and just over three months among women. There are significant differences between sectors and occupations with respect to the build-up of length of service. Non-manual workers tend to accumulate more tenure than their manual colleagues of the same age; workers in Building and Construction tend to accumulate less, and those in public utilities (Gas, Electricity, etc.), Food, and Textiles, more tenure than those in the remaining industrial sectors. Married women accumulate less service than their unmarried contemporaries.

The Experience of Redundancy

The overall average amount of notice received by the workers in our sample was just over five weeks. This varied from an average of 1·8 weeks in the Building and Construction sector to almost 10 weeks in the Entertainment sector.

The average statutory lump sum received by workers in our sample was £194 for males and £136 for females. The largest lump sum in our sample was £1,614 for a male and £858 for a female. The rapid inflation of earnings since 1972 suggests that the statutory lump sums being paid at present would be more than twice as large as those paid to the workers in our sample.

The average number of weekly payments received by workers in our sample was 8. This varied from an average of 3 in the youngest age group to almost 50 among those aged 65 and over.

Little previous data were available regarding the prevalence and size of redundancy payments over and above the statutory amounts. Respondents were therefore asked whether they received any such *ex gratia* payments and, if so, the amount of these. The importance of these payments may be gauged from the fact that *ex gratia* payments averaged £185 for males and £84 for females—almost as much as workers received in the form of statutory lump sums. There were large differences between the sectors in the average size of *ex gratia* payments: the Food, Drink and Tobacco sector gave *ex gratia* payments equal to almost two-thirds of the total payment received, whereas the Building and Construction sector paid relatively little above the statutory minimum.

We examined the factors which influence the size of the *ex gratia* payment and found that these payments closely follow the pattern established by the statutory payments, although a number of factors peculiar to the circumstances of individual firms also play a major role in determining how much a worker gets.

It appears that most respondents spend their lump sums prudently. The most common use of these payments is to meet day-to-day expenses in the period immediately following redundancy. Other uses, such as financing a change in residence or getting started in a new trade, are relatively rare.

Experience after Redundancy

On becoming redundant most of the workers in our sample found jobs quite quickly; one year afterwards less than 20 per cent of the sample was still classified as unemployed. However, it is clear that a sizeable

proportion of the redundant fail to find new employment, and the deterioration in labour market conditions in 1975 and subsequently, has probably led to a sharp rise in the average duration of post-redundancy unemployment.

Among the factors that were associated with prolonged unemployment were low wages in the previous job, a high income from private sources while unemployed, advancing age and entitlement to a large number of weekly redundancy payments. Those who commenced their search for a job immediately on learning of their redundancy seemed to have substantially shorter spells of unemployment after redundancy than those who did not begin to search until later.

We collected data on the wage at which those who were unemployed at the time of the interview would have been willing to work. The average of these "reservation wages" was close to the actual take-home pay in industry at the time of the inquiry. Individuals' reservation wages were closely related to previous earnings, with a discount for age and for duration of unemployment. On the whole, the results show that even those who had been out of work for a long time were not willing to accept a new job at wages substantially below the level they had previously earned.

Wages in the job found after redundancy seemed on average not to keep pace with the growth in the overall wage level in the intervening period. This fall in real earnings was more pronounced among older workers and those out of work for a long time after losing their job.

Many of the workers who became redundant were entitled to a high proportion of their pre-redundancy pay in the form of State benefits. However, when their entitlement to weekly redundancy payments ceased, they experienced a substantial fall in income. This is less true since the introduction of the pay-related supplement to Unemployment Benefits, which maintains income at a gradually tapering off level for a much longer period of time.

One of the striking features of the experience of our sample was the very small proportion (less than 4 per cent) who underwent any re-training after redundancy. It was also striking that less than 5 per cent of our sample reported changing residence in order to obtain another job, or to be closer to a new job. On the whole, those made redundant tended to seek work through contacting employers locally and reading job-vacancy advertisements. The very low degree of contact between redundant workers and the various State agencies involved in manpower policies is a disturbing finding.

In a general sense the Scheme has been formulated so that those most likely to suffer severe hardship following redundancy are entitled to the

most compenstion. This is achieved by the way in which age and length of service are built into the formula used to calculate an individual's entitlements under the Scheme. We should, however, note that these formulae achieve at best a rough and ready approximation between entitlement to Redundancy Payments and duration of unemployment. Moreover, the Scheme takes no account of the general level of unemployment at the time when a worker is made redundant, which obviously has a major effect on the degree of hardship caused by the redundancy.

Policy Issues

By way of summary of our discussion of policy issues, we list the four major reforms suggested by our study and summarise the reasoning behind them.

(i) *Replacement of the flat-rate contributions by an income-related levy.*

Like most forms of Social Welfare contribution, the employee payments to the Redundancy Fund are regressive in nature. This means that the contributions, being fixed in magnitude, are a higher proportion of low than of high wages. However, the amounts received in redundancy payments are calculated as a multiple of earnings. Those with high pre-redundancy earnings therefore benefit at the expense of the lower paid. The obvious solution is to replace the present flat-rate contribution with an income-related one.

(ii) *Dovetailing of the income maintenance features of the Scheme with the social welfare system as a whole.*

Although "compensation for property rights" in one's job was stressed as a justification for the Redundancy Payments Scheme, the formula used in calculating entitlement seems to derive more from a desire to maintain workers' incomes.

The justification for a Redundancy Payments Scheme that is overwhelmingly income maintenance in nature has been greatly reduced by changes in the social welfare system since 1968. In particular the introduction of the pay-related supplement and the extension of the duration of Unemployment Benefits to over a year, together with the steady increase in rates of benefit, have led to a situation where the income receivable by an unemployed person is now a much higher proportion of net earnings than was the case in 1968, and this income is receivable for an extended period of time.

It is not clear why income maintenance in the form of a weekly redundancy payment should be payable to those who qualify under the conditions in the Redundacy Payments Scheme and not to any other category

of unemployed worker. For instance, those on Unemployment Assistance, who are receiving the smallest State payments while unemployed, are not likely to qualify for redundancy payments. Moreover, the Scheme has done nothing to improve the level of income maintenance for those whose insured employment is very intermittent.

Our findings suggest that some element of work disincentive is present in the weekly redundancy payments, even when allowance is made for the influence of other factors such as age, skill level and earnings. This is another argument for re-thinking the income maintenance aspects of the Scheme.

(iii) *Protection for workers who are not adequately protected by the present Scheme.*

Our report stresses the point that "qualified redundancies" are only a fraction of the total number of workers becoming unemployed. It is clear that workers with intermittent employment, and especially those in certain inherently unstable occupations and industries, face greater difficulty in building up the required minimum of two years' service than do other workers. To the extent that the Redundancy Payments Scheme is designed to maintain workers' incomes, it is illogical not to extend this protection to those who experience greatest difficulty in obtaining subsequent employment. Perhaps a better solution would be to remove the income maintenance element from the Scheme and leave this to the social welfare system, as suggested in (ii) above.

The present study draws attention to the fact that unemployed workers are of two different types: "job changers" and "long-run unemployed". The degree of hardship experienced by these two groups is radically different. Older and less skilled workers are more likely to experience long-term unemployment and we believe that the resources of the scheme should be more narrowly concentrated on the elderly and the unskilled.

Consideration might be given to the possiblity of trying to confine redundancy to younger workers who appear to be better able to cope with the problems involved. The disadvantage of this suggestion is the possible cost to industry in terms of reduced efficiency and flexibility. Detailed research is needed on the effects on productivity of retaining older workers.

(iv) *Greater involvement of the National Manpower Service and AnCO in planning redundancies.*

Our survey showed almost no evidence that the Redundancy Payments Scheme had been used as an active instrument of manpower policy. This was evident first of all in the very small percentage of redundant workers

who had any contact with agencies such as AnCO or the National Manpower Service after losing their job. Moreover, we did not find any indication of a substantial gain in productivity or a marked diminution in industrial disputes related to redundancy as a result of the Redundancy Payments Scheme. Indeed, by affording an insurance to qualified workers which is not available to all, the Scheme may have tended to increase the difficulty of access by certain categories of worker, (especially the young, the elderly and women) to stable employment where they would build up the service necessary to qualify under the Scheme.

Some of these features of the way the Scheme has operated are perhaps understandable in the light of the generally depressed condition of the Irish labour market. However, there is a clear need for a much more active policy aimed at reducing the prolonged unemployment experienced by some redundant workers.

This policy should (*a*) provide information to employers and employees facing redundancies with a view to concentrating job losses among those who will experience least hardship; (*b*) provide advice directly to redundant workers on job opportunities; and (*c*) expand the resources devoted to retraining the redundant.

Section 1

Introduction

THE Redundancy Payments Acts of 1968 and 1971 marked a significant extension of the Irish social security system. Prior to this legislation workers who lost their jobs were thrown back on their entitlement to Unemployment Benefits or Assistance as their only source of State income to tide them over any ensuing period of unemployment. Individual employers may have provided *ex gratia* redundancy payments to workers who had been in their employment for a long period, but there was no legal entitlement to such settlements. Undoubtedly, some employers were better placed than others to pay and how much an individual worker received depended to a great extent on luck. The new legislation changed all this by entitling those who qualified under the Acts to a lump sum at the time of redundancy and to weekly payments for some weeks thereafter (conditional on remaining unemployed). Following the introduction of this legislation there has been a tendency to regard the Acts as providing only a minimum settlement, and employers frequently pay much more generous lump sums than are provided for in the Acts.

Since 1968 changes have occurred in other aspects of our social security system that are relevant to a discussion of the Redundancy Payments Scheme. The most important of these is the introduction in 1974 of a pay-related supplement to Unemployment Benefit. Maximum entitlement to Benefit has been extended from six months in 1967 and earlier, to twelve months in 1968, and to fifteen months in 1976. Moreover, throughout this period there has been an upward trend in the amounts paid in benefits, both in real terms and relative to net incomes. Finally, in 1974 the social insurance scheme was extended to include almost all employees, irrespective of earnings.

The Redundancy Payments Scheme was introduced in Ireland during a period of what now appears to have been exceptionally low unemployment. The non-agricultural unemployment rate fluctuated in the region of 6 or 7 per cent during the years 1967–71, rose to over 7 per cent for most of 1972–74, but under the impact of the severe recession of 1974–76 reached 12 per cent and even higher in 1975. There is no immdiate prospect of a return to the relatively low unemployment rates of the late 1960s.

In the light of these developments there is an obvious need to examine the way in which the Redundancy Payments Scheme has operated. The

present study is based primarily on the results of a survey of the experiences of workers who qualified under the Scheme early in 1972. A random sample of these redundant workers was interviewed for this study in late 1974. Further information about these individuals was made available to us from the records of the Departments of Labour and Social Welfare, without whose co-operation the study could not have been completed in its present form. We collected data on the experiences of the redundant workers in regard to the Scheme itself, their search for employment when they became redundant, the amount of time they spent unemployed, and their wages and conditions of work in their new employment.

Our findings are relevant not only to an evaluation of the Redundancy Payments Scheme, but also to the wider problem of unemployment in Ireland today. For example, we examine the effect of factors such as age, skill level, and education on a worker's ability to find a job on becoming redundant. We present information on the type of jobs obtained and the effect of different job search strategies on re-employment. The effect of State payments and other income on the duration of unemployment is also examined. Although our data relate to the period before the recent very severe recession, our findings are, we believe, of general validity in relation to the factors influencing an individual worker's re-employment prospects. Information about these factors is clearly very relevant to the design of programmes to deal with the problem of Ireland's endemically high unemployment rate.

Section 2

The 1968 and 1971 Redundancy Payments Acts

Meaning of Qualified Redundancy

In the Irish legislation, *redundancy* is defined as "dismissal due to the complete or partial closure of an employee's place of employment, or a decrease in his employer's requirements for employees of his kind or qualifications". This definition makes it clear that those quitting work voluntarily or being dismissed for reasons other than those stated above, as well as new entrants to the labour force who are seeking work, are not "redundancies" although they might be entitled to Unemployment Benefits or Assistance.

Not all redundant workers qualify for redundancy payments. A *qualified redundancy* must meet several additional requirements, which are more fully discussed below. The two most important conditions are that the redundant workers be fully insured and have at least two years' continuous service with his last employer.

Thus qualified redundancies form only part of the total inflow to the pool of unemployed workers. This inflow also contains entrants to the labour market seeking their first employment, those quitting their jobs for personal reasons, those who have been dismissed for reasons other than redundancy, and redundant workers who fail to meet all the qualifications laid down in the Redundancy Payments Acts. Unfortunately, no data are published on the numbers falling into these various categories of newly unemployed persons. In Appendix C of this report we attempt to establish what proportion of the inflow to the Live Register is accounted for by qualified redundancies.

Main Provisions of the Acts

The Acts entitle a qualified worker to (*a*) a lump sum payable on becoming redundant and (*b*) a weekly payment for a number of weeks afterwards. The amount of the lump sum and the number of weekly payments to which the worker is entitled depend upon the worker's age and length of service with his last employer. The lump sum equals one week's normal pay[1], plus a half-week's pay for each year of service between age 16 and 41, plus a week's pay for each year of service over the age of 41. Each weekly

[1] "Normal Weekly Pay" is calculated as an average over the months prior to redundancy and includes "normal" overtime.

payment equals one half the worker's normal weekly pay (subject to a maximum payment of £24·04 weekly), and the number of such payments to which he is entitled equals one for each year of service, with an additional payment for each year of service over the age of 41, and (since 1974) a further payment for each year of service over the age of 51. These entitlements can be summarised as follows:

Lump sum = Normal week's pay x (1 + ½ (years service aged 16–40) + years service aged 41–70)

Number of weekly payments = years service aged 16–70 + years service aged 41–70 + (since 1974) years service aged 51–70.

This formula implies that before 1974 half of the total entitlement under the Act was in the form of the lump sum, half in the form of weekly payments. If a worker is re-employed before having exhausted his entitlement to weekly payments, the remainder is credited to him against any future spell of unemployment.

The Acts lay down that to qualify for Redundancy Payments a worker must

(*a*) be fully insured for all benefits under the Social Welfare Acts,

(*b*) be aged between 16 and 70 years of age,

(*c*) be resident in the State,

(*d*) be rendered unemployed due to redundancy (as defined above),

(*e*) have been continuously employed by the same employer for at least two years after attaining the age of 16 years. (Before 1971 the requirement was for four years' continuous service.)

These are the main provisions: detailed regulations are set out in various publications issued by the Department of Labour.

The 1968 Act specified that those receiving redundancy payments could not obtain more than 90 per cent of their (gross) normal pay from Unemployment Benefits plus the weekly redundancy payment. In 1974 this ceiling was raised to 100 per cent, but in 1976 it was lowered to 85 per cent of *net* pre-redundancy pay or £50, whichever is smaller[2]. Where total entitlement to benefits exceeds this limit, the weekly redundancy payment is curtailed.

[2]The pay-related supplement and tax rebate are included in the State payments whose aggregate must not exceed 85 per cent of net pay or £50.

TABLE 2.1: *Number of redundancies notified* 1968–1976

	Annual total	*Cumulative total*
1968	3,863	3,863
1969	3,696	7,559
1970	3,896	11,455
1971	8,556	20,011
1972	10,159	30,170
1973	7,504	37,674
1974	11,202	48,876
1975	19,004	67,880
1976	12,764	80,644

Source: *Irish Statistical Bulletin*, various issues.
Redundancies by sex are set out on a quarterly basis in Appendix C of the present report.

The weekly payments made under the Scheme are financed from a Redundancy Fund into which is paid part of the employer and employee social welfare contributions. The lump sum is paid in the first instance by the employer, who may claim a rebate of 55 per cent, provided at least two weeks' notice of the redundancy has been given. An additional 2½ per cent of the lump sum is rebated for each additional week's notice, up to a maximum rebate of 70 per cent. Thus, the Redundancy Fund finances all of the weekly payments and up to 70 per cent of the lump sum. Employers are liable for a minimum of 30 per cent of the statutory lump sum. Some policy issues arising from the method of financing the Scheme are discussed in Section 7 below.

A Brief Account of the Operation of the Scheme

The number of qualified redundancies notified to the Department of Labour in each year since the introduction of the Scheme is set out in Table 2.1. It may be seen that the annual total rose from 3,863 in 1968 to a peak of 19,004 in 1975, falling back to 12,764 in 1976. In Appendix C we discuss the relationship between the redundancy data and the official unemployment figures in detail. We show that there is a consistent, although by no means close, relationship between the notifications of redundancies and the number of new entrants to the Live Register. A comparison of the redundancy and unemployment data by sector shows that in some sectors, notably Building and Construction, the chances of a newly unemployed worker qualifying for redundancy payments are much lower than in the economy generally.

TABLE 2.2: *Current account payments from the redundancy fund, and estimated total statutory redundancy payments,* 1968–75. (£'000)

(Payments from the redundancy fund)

Year ended 31 December	*Surplus (+) or deficit (−) of receipts over payments*	*Weekly payments to employees*	*Rebates in respect of lump sums paid by employers*	*Other payments*	*Total payments (excluding surplus) if any)*	*Estimated total statutory payments under the redundancy payments acts.* (a)
1975	−2,568	3,832	2,880	525	7,237	8,677
1974	+ 296	1,709	1,415	224	3,348	4,056
1973	− 374	1,338	1,362	202 (2) *(b)*	2,402	3,083
1972	−1,457	1,509	1,185	162 (12) *(b)*	2,856	3,448
1971	− 407	819	549	340 (83) *(b)*	1,708	1,982
1970	+ 580	347	264	51	662	794
1969	+ 443	406	320	85	812	972
1968	+ 655	182	173	37	392	479

(a) Equals total payments from the Fund plus 50 per cent of "Rebates in Respect of lump sums paid by Employers."
(b) Amounts paid as additional lump sums to workers under the retrospective provisions of the 1971 Act.
Source: Department of Labour, *Annual Accounts of the Redundancy Fund,* 1968–75. The figures in the last column are our own calculations.

There has been a rapid growth in the amount paid from the Redundancy Fund. This may be seen from Table 2.2 where the total amount paid from the Fund is set out, together with an estimate of the total amount of statutory redundancy payments, for the years 1968–75[3]. Payments from the Fund grew from £0·4 million to £7·2 million over the period, while estimated total statutory payments grew from £0·5 to £8·7 million.

As we shall explore in greater detail in Section 6 below, the statutory lump sum is often only part of the total settlement received by a worker at the time of his redundancy. We estimate from the findings of our survey that in 1972 non-statutory or *ex gratia* payments received by redundant workers equalled about 80 per cent of the statutory total. If this ratio applied throughout the period since the introduction of the scheme, then total (statutory plus non-statutory) payments would have grown from £0·7 million in 1968 to £12·7 million in 1975.

The pattern of surpluses and deficits from the Fund requires comment. During the first three years of operation the numbers qualifying under the Acts were remarkably stable. The 1971 Act liberalised the qualification conditions and a small deficit resulted. In 1972 the unemployment rate, and with it the number of qualified redundancies, rose sharply. Appreciable increases in the rates of contribution and a levelling off in unemployment resulted in a small surplus in 1974, but the steep rise in unemployment in 1975 resulted in another deficit.

While the level of redundancies may increase sharply as the economy adjusts to free trade or during a recession, a steady flow of redundancies could be regarded as a normal feature of a dynamic labour market. It is probably impossible to forecast accurately the number of redundancies that will occur in the future, and hence any attempt to set the rate of contribution so that the Fund will approximately balance will be frustrated.

The growth in the level of payments associated with redundancy has been due to three factors: the liberalisation of the qualifications' conditions in 1971, the sharp increase in the numbers becoming unemployed, and the rise in weekly earnings. In Table 2.3 the growth in various measures of the level of redundancy payments and in related magnitudes is set out. In may be confirmed from this table that the number of redundancies notified under the Act has grown much more rapidly than the numbers claiming Unemployment Benefits, and this is the main reason why payments from the Redundancy Fund have grown from less than 7 per cent of the amount paid in Unemployment Benefits in 1968 to over

[3]The total statutory payment is estimated on the assumption that the statutory lump sum equalled 1·5 times the amount rebated. The rebate must lie somewhere between 55 and 70 per cent of the total and hence the grossing-up factor must lie between 1·82 and 1·43. The evidence in Table 5·1 (below) suggests that a factor of 1·5 is appropriate.

TABLE 2.3: *Growth of payments related to redundancies and some of related magnitudes 1968–75*

	Number of notified redundances	*Payments from redundancy fund*		*Estimated total statutory redundancy payments*		*Estimated total payments to redundant workers*		*Expenditure on unemployment benefits*		*Average number of weekly claimants of unemployment benefit*	*Index of weekly earnings in manufacturing industry*
		total £000	*per redundancy* £	*total* £000	*per redundancy* £	*total* £000	*per redundancy* £	*total* £000	*per recipient per week* £		
1975	19,400	7,237	373	8,677	447	12,700	655	41,100	13·16	60,500	302·5
1968	3,863	392	101	479	124	721	187	5,800	3·16	35,320	100
Ratio 1975–1968	4·8	18·5	3·7	18·1	3·6	17·6	3·5	7·1	4·2	1·7	3·0

Note: See text for assumptions used in calculating various redundancy payments. Data on unemployment benefits and earnings from *Irish Statistical Bulletin.*

17 per cent in 1975. In fact, the amount spent *per redundancy* has not risen as fast as the Unemployment Benefit per claimant, but the extension of redundancy payments to a wider range of insured workers in 1971 greatly increased the importance of the Redundancy Payments Scheme in our social insurance system.

Section 3.

Data Sources for this Study

THE initial source of data for this study was the files of the Department of Labour. From this source we extracted detailed records on 1,803 workers whose redundancies were notified during the first three months of 1972 and who became redundant before the end of May, 1972. This total compares with 2,643 redundancies notified to the Department during the first three months of 1972. The reasons for the non-appearance of 840 cases in our study are:

(i) Some of those notified as qualified under the Redundancy Payments Scheme during the first quarter of 1972 may have become redundant after the end of May, or may never have been made redundant at all. This is to be expected in view of the financial incentive for employers to notify possible redundancies well in advance.

(ii) Some of those notified as qualified under the Scheme may not, in fact, have met the qualifications laid out in the Acts, and these would have been excluded from the Department's records, even if their redundancies materialised.

(iii) Some of the relevant files were not available from the Department when the study was in progress. This would apply in particular to cases which were still being considered, or which were the subject of appeal.

The information obtained from the Department of Labour included the following particulars: sex, insurance number, date of birth, occupation, industry in which employed, date at which employment commenced and terminated, county in which employer was located, normal week's pay, number of weekly payments due and amount of lump sum due. With the co-operation of the Department of Social Welfare, we were able to obtain the number of weeks each worker spent in employment or claiming unemployment or disability benefits during the years 1972 and 1973. At this stage we could not trace 133 workers from the original total, due to death, emigration or retirement from the insured labour force. We have established by statistical tests that there was relatively little systematic bias due to this loss (see Appendix A). Finally, we selected a random sub-

sample of 600 from the 1,670 cases on whom we had information from the Department of Social Welfare and attempted to obtain responses to an interviewer-administered questionnaire*. A total of 501 completed interviews was obtained; the remaining 99 in the sample either could not be contacted or refused to be interviewed. Two additional questionnaires from the pre-tests of 40 respondents were usable in the final analysis, which was, therefore, based on 503 respondents.

Since the sample was selected using unequal sampling fractions in the various strata, it was necessary to re-weight the survey means and percentages to obtain unbiased estimates. The methodology used is presented in Appendix A.

In summary, we were interested in the 2,643 workers who were notified as qualified redundancies during the first quarter of 1972. We obtained information on 1,803 redundancies notified during the first quarter of 1972 and occurring before June 1972 from the files of the Department of Labour. We then obtained further information about 1,670 of these from the Department of Social Welfare files. Finally, a sample of 600 was randomly selected from this 1,670 and completed interviews were obtained from 503 respondents. In the analysis in this report, we make clear which of the three data sources is being used by indicating the total number of cases at the end of each table.

*It may be obtained from The Economic and Social Research Institute, 4, Burlington Road, Dublin 4, Ireland.

Section 4

Characteristics of Redundant Workers

THE published information on notified redundancies records only the sex of those made redundant and the industry in which they were working. We collected a great deal of additional information on these workers, both from the files of the Department of Labour and Social Welfare, and from our own follow-up survey. This information is used extensively in subsequent sections of this report to test hypotheses about the worker's experience after redundancy. The main characteristics of those who became redundant during the first quarter of 1972 are summarised in a descriptive manner in this part of our report. Further details are presented in tabular form in Appendix B.

Industrial Group

The official data on notified redundancies provide information on the industrial group in which the redundancy occurs. In Table 4.1 we set out a comparison of the industrial distribution of the cases included in our sample with that of the total notified during the first quarter 1972 and the whole of 1972. The most marked discrepancy is the fairly large loss between redundancies notified in the Distribution Sector compared with the number included in our sample. It is interesting to note that our sample resembles the official data for 1972:1 more closely than they do the official figures for all of 1972. This suggests that notified redundancies are translated fairly quickly, if at all, into actual redundancies.

Age

The age distribution of redundant workers is of considerable importance from a policy viewpoint. The Redundancy Payments Act of 1971 provides that each year of service after the age of 41 years counts double in the calculation of the lump sum and number of weekly payments due. Since 1974 an additional weekly payment is added for each year of service after age 51 years. Thus, older workers receive preferential treatment under the Acts. This may be a reflection of the belief that the hardship attendant on redundancy increases with advancing age. On the other hand, it may encourage employers to shed older workers first, a reversal of the "first in, last out" policy that tends to emerge under collective bargaining in the absence of a Redundancy Payments Scheme. Undoubtedly, the Scheme

TABLE 4.1: *Comparison of industrial structure of total redundancies notified and those included in the present study, 1972 (both sexes) percentage distribution*

Industrial group	*Qualified Redundancies*		
	Present study	*Total notified in first quarter 1972*	*Total notified in year 1972*
	per cent	*per cent*	*per cent*
Food, drink, tobacco	25·1	22·4	17·6
Textiles, clothing, leather	13·3	12·2	17·1
Engineering	11·6	10·0	7·3
Other manufacturing*	7·0	9·4	10·1
Building and construction	13·4	13·6	13·0
Transport, communication, gas, water, electricity	5·8	3·9	3·4
Distribution	5·2	8·3	10·9
Public administration, professions, finance	3·5	3·3	4·2
Personal service	4·4	4·7	7·8
Entertainment, sports	2·6	4·5	2·4
Other non-agricultural	2·3	3·0	1·6
Agriculture, fishing	5·7	4·8	4·6
Not stated	0·2	—	—
Total	100·	100·	100·
n =	1,803	2,643	10,159

*Woodworking, vehicles, fertiliser, mining, bricks, paper, etc.

as now structured implies that an older worker with long service stands to obtain a relatively large lump sum and entitlement to weekly redundancy payments if made redundant. Employers may feel that on strict cost and productivity considerations, it is preferable to reduce the numbers on the payroll by letting older workers go first and retaining the younger and more adaptable members of staff. The only disadvantage to this approach from an employer's point of view is that the cost of the redundancy payments to the firm will be greater. The effect of the Scheme on older workers is of great importance in Ireland in view of the evidence that unemployment among older workers has become a more serious problem in recent years, and the suspicion that this deterioration coincided with the introduction of the Redundancy Payments Scheme (cf. Walsh, 1974).

These considerations apply equally to the British scheme and a review of the evidence led Mukherjee (1973 Chapter 8) to conclude that older workers, and in particular those aged over 40, were at greater risk of being

TABLE 4.2: *Age distribution of employees at work and out of work, census 1971, and of redundancies during first quarter 1972*

per cent

Age group	*Males*			*Females*		
	Employees at work	*Employees out of work*	*Redundancies*	*Employees at work*	*Employees out of work*	*Redundancies*
Under 25	26·3	19·7	18·0	51·1	45·3	20·0
25–34	23·1	15·0	23·7	17·1	15·8	17·2
35–44	18·1	15·0	17·3	9·8	10·5	15·9
45–54	16·7	19·6	15·0	10·3	11·6	23·4
55–59	7·2	11·4	7·9	4·7	6·3	10·4
60–64	5·3	11·4	9·3	3·4	5·3	5·4
65+	3·2	7·8	8·8	3·6	4·2	7·7
Total	100	100	100	100	100	100

Sources: Data on Employees at work and out of work from Census of Population, 1971, Vol. V., Table 10. Redundancy data from our sample.

made redundant. This conclusion was based on a comparison of the age structure of redundancies with that of the insured labour force. However, it is important to compare the age distribution of redundancies both with the insured labour force and the unemployed[4]. Unfortunately, data on the age distribution of the insured labour force are not readily available, but the Census of Population provides information on the ages of employees. The main difference between the insured labour force and the census definition of employees lies in the exclusion from the former (in 1971) of non-manual employees earning more than £1,200 a year. In Table 4.2 we set out the age distribution of employees at work, out of work, and of the redundancies in our sample.

It is clear from this table that males aged under 25 are less likely to be either unemployed or among the qualified redundancies than their share of the employee labour force would suggest. There is a much higher rate of unemployment and redundancy among older workers. However, the contrast is between the unemployed (including the redundant) and the employed: the age distribution of males qualifying for redundancy payments is somewhat *younger* than that of the unemployed, due to the higher proportion of the redundant who were aged 25–44. Two factors are at work here. On the one hand, young employees are less likely than

[4]Ideally we should compare the age structure of newly unemployed workers before and after the introduction of the Scheme, but no suitable data are available. Moreover, the proportion of older persons on the Live Register fell following the introduction of retirement pensions in 1970.

their older colleagues to meet the length of service condition if they are made redundant: this would tend to depress the proportion of very young workers among the qualified redundancies compared with the unemployed. On the other hand, older workers experience much longer spells of unemployment when they become unemployed, and this tends to make them over-represented among the unemployed. Only 11 per cent of male claimants to Unemployment Benefit in October 1974, who had worked for 9 out of the previous 12 months were aged over 60, compared to almost 20 per cent of the redundancies. This is fairly strong evidence that older workers are more likely to be made redundant under the Scheme.

For females, the pattern is more clearcut, with the proportion of redundancies aged under 25 being very much smaller than expected on the basis of the age structure of the labour force or the unemployed. This must be due to the short length of service characteristic of younger women workers, who, therefore, tend not to qualify for redundancy payments when they become unemployed. It is also likely that, compared to the labour force as a whole, a higher proportion of young women become unemployed for reasons other than redundancy. Thus, the women qualifying for redundancy payments tend to be very much older than the female labour force as a whole or the women who were classified as "out of work" at census time.

These data, however, say little about the behaviour of employers and employees in regard to the selection of which workers will be made redundant. Freedom of choice in this area really exists only in cases where a part of the employers' labour force is being laid off: if the whole plant or firm is closing down, then redundancies will of necessity reflect the age structure of the labour force, and the age distribution of qualified redundancies will be modified only by the fact that older workers are more likely to meet the length of service condition.

We tried to get some further insight into the question of whether older or younger workers tend to be let go in situations where there is some choice by classifying our redundancy data by age and whether or not the redundancy occurred as a result of closure of the entire factory, plant or firm. Our information on this is based on the responses of those in our interviewed sample and suffers from the limitation that individuals may not always have understood the question on "reason for redundancy" accurately. Approximately two-thirds of our respondents reported being made redundant due to the re-organisation of the firm or a cut-back in production, while the remainder were made redundant due to the closure of the entire firm or plant. A comparison of the age distribution of the two types of redundancies revealed very little difference between them: if any-

thing, a slightly higher proportion of the cases where the whole firm closed down were aged 45 and over (53 per cent, compared with 50 per cent, for males). This lends no further support to the hypothesis that in cases where redundancies affect only part of the labour force there will be greater emphasis on getting rid of older workers. However, it is possible that the labour force in the firms which closed down completely was older than in those which were shedding part of their labour force, so this evidence is not conclusive.

Choice about Being Made Redundant and offers of Alternative Employment

Another way of exploring the effect of the legislation on the age pattern of redundancies is by examining the answers to the question in our interview on whether the respondent had any degree of choice about becoming redundant. In Table 4.3 we set out the responses to this question. Eleven per cent of the sample reported that they had some choice in the matter. In general, workers with longer service were more likely to have "volunteered" to be among the redundancies. One-fifth of those with more than 20 years' service reported that they had some choice about being made redundant. Of course these tended also to be older and closer to the normal retirement age. We also asked those who felt they had some choice about being made redundant why they had decided to be made redundant rather than staying on at work. Twenty-one per cent stated they were in poor health, 7 per cent were close to retirement, and 6 per cent mentioned the attractiveness of the redundancy settlement. Many of these reasons are associated with advancing age, and it is evident that older workers were more likely to "volunteer" to become redundant. But it is also clear

TABLE 4·3: *Percentage replying 'Yes' to: "Did you have any choice in the matter of being made redundant?"*

Length of Service Years	*Males*	*Females*	*Total*
	per cent	*per cent*	*per cent*
2–5	6·1	9·4	6·8
6–10	10·1	17·6	12·7
11–15	7·5	0·0	6·1
16–20	10·9	12·4	11·4
21–25	24·5	0·0	19·2
26 and over	22·5	19·2	21·7
Total	10·7	11·0	10·7

TABLE 4.4: *Percentages of males and females who were offered alternative employment and percentage who accepted, classified by industry*

Industry	*Percentages offered alternative employment*		*Percentage of those to whom alternative employment was offered who accepted*	
	Males	*Females*	*Males*	*Females*
	per cent	*per cent*	*per cent*	*per cent*
Food, drink, and tobacco	14·2	18·8	30·8	9·3
Textiles, etc.	13·4	4·6	54·0	100·0
Other manufacturing	5·0	26·3	0·0	0·0
Engineering	0·0	52·4	—	48·5
Building and construction	4·0	—	50·8	—
Transport and communications	31·9	64·9	41·3	0·0
Distribution	0·0	0·0	—	—
Public administration, finance and professions	0·0	28·1	—	24·1
Personal services	33·0	0·0	100·0	—
Entertainment	19·1	16·4	0·0	0·0
Agriculture and fisheries	4·9	—	29·5	—
Other	7·3	—	100·0	—
All industries	10·0	20·0	43·4	20·8

that only a minority of those made redundant at any age were in any sense "volunteers"[5].

Table 4.4 shows the proportion of those made redundant who received offers of alternative employment at the time of redundancy. Only 10 per cent of the men, and 20 per cent of the women reported receiving such offers. A higher proportion of the females than of the males refused the offers they received. Among the reasons given for refusing the offers were unsuitable hours (which was very important among the women in the sample) and poor health. It is not surprising that the proportion in the sample receiving alternative job offers at the time of redundancy is low because the availability of such an offer can lead to disqualification from entitlement to redundancy payments.

Normal Pay

It is to be expected that when a redundancy situation arises employers will try to shed the least efficient and productive workers first. This leads us to expect that the average earnings of those made redundant will be

[5]It has been suggested that, to the extent that a Redundancy Payments Scheme encourages "voluntary" redundancies, it discourages job transfer within a firm and thus militates against mobility within a labour force. The findings from our survey do not suggest that this is a major consideration.

lower than the average for the labour force as a whole. It is not easy to make this comparison, however, due to the unavailability of earnings' data for the labour force as a whole. The published data are for industry only, and are not classified by age. Our redundancy data cover services as well as industry, and we have seen that our sample contains a much smaller percentage of younger workers (whose earnings would be below average) than is found in the labour force.

The overall average normal pay (as defined for the purposes of the Redundancy Payments Scheme) of those in our sample who worked in manufacturing was £25·52 for males, and £14·22 for females. This compares with average adult weekly earnings in transportable goods' industries of £28·79 (males) and £14·40 (females) in March 1972. The low average earnings for the males in our sample indicates that those made redundant are earning substantially below average for adults in the labour force as a whole, which is in line with our expectations. For females, however, the average earnings in our sample were about the same as in industry as a whole. The fact that the earnings of redundant females approximated to the average earnings of females in the labour force as a whole may be due to the much higher average age of our sample compared with the female labour force (see Table 4.2). More detailed tabulations of the earnings' data are set out in Appendix B.

Length of Service

This is a key variable in any study of redundancy. Entitlement to redundancy payments is conditional on having at least two years' continuous service with an employer before being made redundant, and the amount of the payments increases with length of service (with additional weighting for service at older ages). In our discussion of the ratio of notified redundancies to unemployment we drew attention to the apparent tendency for those experiencing unemployment in sectors such as Building and Construction to be less likely to qualify for redundancy payments than those in other sectors. The most obvious explanation of this phenomenon is the greater volatility of employment in these sectors. If this inference is correct we also expect a shorter average length of service among workers who qualify for redundancy payments in these sectors. To test this we have tabulated average age and length of service by industry and sex in Table 4.5. It may be seen that certain sectors, such as Building and Public Administration, although characterised by older than average workers, tended to have shorter than average length of service. This confirms our hypothesis about the effect of sector of employment on length of service among qualified redundancies.

TABLE 4.5: *Average age and length of service, classified by industry and sex*

	Males		*Females*	
	Average Age	*Average length of service*	*Average Age*	*Average length of service*
Food, etc.	40·0	12·7	40·3	9·8
Textiles etc.	42·8	13·9	41·4	18·2
Engineering	33·4	7·0	39·2	6·2
Other manufacturing	40·4	9·8	43·8	17·6
Building	42·7	5·1	37·4	8·8
Transport, gas, etc.	42·1	15·7	41·9	9·9
Distribution	46·2	14·3	28·1	6·3
Public administration	43·2	5·7	50·0	9·0
Personal services	43·3	10·3	43·8	10·6
Entertainment	41·0	12·5	53·0	13·5
Agriculture and fishing	51·3	15·3	52·0	23·0
Other	32·8	6·7	49·0	9·0
All industries	41·1	10·5	41·4	11·9
n =		1,340		451

A more formal test of this hypothesis can be obtained by regressing length of service on age and a set of industry dummy variables. The results obtained for males and females are set out in Table 4.6.

Even when the influence of age was controlled for, male workers' length of service varied signficantly as between different industrial and occupation groups[6]. Notable in this context was the tendency for workers in the Building and Public Administration sectors to have considerably less service than the overall average, whereas those in the Gas, Electricity, etc., sector had appreciably longer than average service. The short length of service in the Public Administration sector reflects the fact that the males from this sector in our sample were mainly forestry workers employed by the Department of Lands. These results show the importance of the sector of the economy in which a worker is employed in determining continuity of service and hence his entitlement to redundancy payments.

It is of interest to compare the male and female coefficients for the age variable. The results for males suggests that length of service tends to increase by about 0·4 year for each additional year of age, when allowance is made for other factors. For females, however, the results suggest only 0·3 year additional length of service for each additional year of age. Thus.

[6]We entered the industry variables as slope shifts to allow for the possibility that an additional year's age had a different effect on length of service in each sector.

women are, on average, less likely to accumulate continuous service with an employer than are men. For this reason they are presumably much less likely to be included in our sample in the first place, since they are less likely to have met the two years' service requirement necessary under the Redundancy Payments Acts. We have already found evidence of this in the small number of young women workers who qualified. It should be noted that the differential between men and women persists even allowing for the effect of marriage on female length of service. On average, the married women in the sample had five and a half fewer years of service than their unmarried contemporaries.

TABLE 4.6: *Regression results with length of service as dependent variable (t–ratios in parentheses)*

Variable	*males (n = 378)*
Age	0·37 (12·3)
Building sector × age	−0·14 (4·6)
Gas, etc. × age	0·19 (4·7)
Public administration × age	−0·19 (3·6)
Textiles × age	0·10 (3·0)
Food × age	0·09 (1·6)
Non-manual occupation × age	0·06 (1·9)
Intercept	−5·01
$\bar{R}^{-2}$	0·46

Variable	*females (n = 122)*
Age	0·27 (5·0)
Skilled manual occupation × age	0·15 (3·5)
Married woman × age	−0·13 (3·9)
Intercept	0·22
$\bar{R}^{-2}$	0·33

Marital Status and Dependants

Just over a quarter of the males, and one half of the females, in our sample were single. These percentages are lower than those found in the labour force, and in fact at each age there appeared to be a higher proportion of married persons in our sample than in the labour force. Similarly, almost half the males in our sample had at least one dependent child, compared with only 40 per cent of those on the Live Register. The explanation for this is possibly that married men have a more stable employment history and hence are less likely to appear in the *unemployment* totals than are single persons, but when factories close or reduce their employment, the married are more likely than their single colleagues to qualify for redundancy payments due to their more stable employment record.

Details of the marital status and number of dependent children of those included in our sample are set out in Appendix Tables B4 and B5.

Education and Training

The majority of our sample had attended primary school only, but educational standards were higher among the younger age groups. The percentages that had attended vocational school and/or served apprenticeships were markedly higher among those aged 45 years or younger. Details of the educational attainment of our sample are set out in Appendix Tables B6, B7 and B8.

The proportion of males in our sample who had finished their full-time education at the primary level is almost the same as that reported in the 1966 Census of Population for the labour force as a whole, but 72 per cent of the females in our sample finished their education at primary level, compared with only 46 per cent of the female labour force according to the 1966 Census. This contrast is probably attributable to the older average age of the females in our sample, already noted, and the concentration of women with post-primary education in clerical and civil service-type jobs where redundancies are unlikely to occur.

Trade Union Membership

Our results showed that about three-quarters of all the redundant workers were members of trade unions. McCarthy *et al* (1975, p. 24) show that just over fifty per cent of all employees in the Irish labour force are members of trade unions. Thus, trade union members are considerably more likely than other workers to qualify under the Redundancy Payments Scheme. This would be due to the concentration of redundancies in the

highly unionised sectors of the economy, or to a greater awareness of entitlement to Redundancy Payments among union members.

Summary

In this section we have presented information regarding several characteristics of the redundant workers in our sample. The more important findings may be summarised here. We saw that our sample agreed fairly closely with the official figures on redundancies notified during the first quarter of 1972 as far as industrial distribution is concerned. We devoted considerable attention to the age distribution of the redundancies in order to discover whether the scheme encourages redundancies disproportionately among older workers. Among males we found that although redundancies were more common among older than younger workers, this was no more the case that is true for the unemployed in general. In fact a higher proportion of male redundancies were aged 25–44 than is the case for the unemployed. Among females, however, the redundancies were extremely concentrated among older women, by comparison both with the employed labour force and the unemployed.

Older workers are more likely to meet the length of service condition needed to qualify for redundancy payments, and the financial and other attractions of becoming redundant lead to some "voluntary" redundancy among those with substantial service with their employer. The reason why these factors do not lead to male redundant workers being significantly older than the unemployed as a group could be the much longer duration of unemployment among the elderly.

We found that the pay received in their pre-redundancy job by the males in our sample was lower than the average for industry as a whole, suggesting that those who are let go are earning below average and may be less efficient and productive than the average member of the employed labour force.

The importance of length of service in determining entitlement to redundancy payments led us to study the factors influencing this in detail. Not surprisingly, age is the chief among these, with length of service tending to increase by about five months for each additional year of age among men, and just over three months among women. There are significant differences between sectors and occupations with respect to the build-up of length of service. Non-manual workers tend to accumulate more tenure than their manual colleagues of the same age; workers in Building and Construction tend to accumulate less, and those in public utilities (Gas, Electricity, etc.). Food, and Textiles, more tenure than those in the remaining industrial sectors. Married women accumulate less service than their unmarried contemporaries.

Section 5

The Experience of Redundancy

THE loss of a job in which one has served for a number of years is undoubtedly a traumatic experience for most of those who undergo it. This study as a whole is concerned with the analysis of this experience, and in this section we present the data we collected on various aspects of the immediate event. Our emphasis is on the more objective and readily measurable dimensions of the experience, because we believe these are the ones that are most relevant from a policy viewpoint. The omission of any measure of the emotional and other problems involved should not be construed as implying that we regard these as unimportant.

Notice

The Redundancy Payments Acts require that notice be given in writing at least two weeks before the redundancy occurs. A financial incentive is provided to encourage employers to give more than this minimum notice (see Section 2, above). This provision is designed to allow the worker to prepare for the loss of his job by beginning to look for alternative employment, applying for job-training, and perhaps making adjustments in financial outgoings.

TABLE 5·1: *Average number of weeks' notice, classified by industry*

Industry	*Average number of weeks' notice*	*Percentage stating that notice was by letter*
Food, drink and tobacco	6·48	76·8
Textiles, etc.	4·67	23·7
Other manufacturing	5·18	50·9
Engineering	7·82	55·9
Building and construction	1·78	38·2
Transport and communications etc.	4·86	76·0
Distribution	3·89	36·1
Public administration, finance, etc.	5·82	100·0
Personal services	3·03	53·2
Entertainment	9·85	90·5
Agriculture and fisheries	5·98	27·5
Other	6·53	37·1
All industries	5·46	53·4

In Table 5.1 we set out the number of weeks' notice that the respondents reported they had received. The overall average notice was just over five weeks. This varied from an average of 1·8 weeks in the Building and Construction sector to almost 10 weeks in the Entertainment sector. We tested the hypotheses that the amount of notice given would be greatest in unionised sectors and in sectors where the typical establishment was large. In fact, neither of these variables was significantly correlated with the amount of notice given. It is probable that notice is mainly a function of the variability of demand for final output in the industry, with certain gradually contracting sectors, such as Entertainment, able to foresee redundancies well ahead of time, but other more volatile sectors, such as Building, less able to plan redundancies.

Overall only 53 per cent reported that they received notice by letter, which is very low in view of the legal requirement to give notice in writing. There may be some ambiguity, however, as to what constitutes "written" notice. Certain sectors, such as Textiles, Building and Construction, Distribution, and Agriculture seem particularly remiss on this score[7].

Statutory Lump Sum and Number of Weekly Redundancy Payments

The amount payable in lump sum at the time of redundancy varies enormously from worker to worker. In our sample we found that the largest lump sum was £1,614 for males and £858 for females. The median was much smaller: £112 (males) and £81 (females). The only other data available on this aspect of the scheme was cited when the 1971 Bill was being discussed in Dáil Eireann, where the Minister stated that lump sums during the first three years of the scheme varied from about £15 to nearly £1,000. The rapid inflation of normal weekly earnings since 1972 suggests that the lump sums being paid at present would be more than twice the level at the time the workers in our sample were made redundant.

Three factors enter the formula by which the statutory lump sum and number of weekly redundancy payments due are calculated, namely, length of service, age, and normal week's pay. We have already noted that length of service is closely associated with age (despite significant variations by industry, occupation, and sex). Weekly earnings also tend to increase with age, although at a decreasing rate (see Walsh and Whelan 1976). Thus, the amounts to which a worker is entitled under the Redundancy Act are expected to increase sharply with age and from Table 5.2 we see that this is the case.

[7]In fact, the average notice that our respondents reported receiving in the Building and Construction sector was less than the statutory minimum.

The inter-industry pattern of lump sums shown in Table 5.3 reflect the pattern of inter-industry differentials in workers' length of service and age. For example, the small average lump sum paid in Building and Construction is expected on the basis of the short service typical of workers in that industry, whereas the very small lump sums paid in the Service sector are due to the fact that of the 29 women made redundant in Distribution, 24 were aged under 25 years of age.

TABLE 5.2: *Average and median statutory lump sum payment received (£) classified by age and sex*

	Males		*Females*	
Age group	*Mean*	*Median*	*Mean*	*Median*
Under 25	59·4	53·3	40·4	38·1
25–34	98·7	81·2	70·9	60·8
35–44	142·7	115·5	96·9	88·3
45–54	240·7	177·0	148·2	119·3
55–59	281·2	200·5	221·1	177·3
60–64	343·6	231·1	295·0	278·0
65+	467·1	424·5	325·2	371·0
All ages	194·4	112·0	135·9	81·2

(n = 1793)

TABLE 5·3: *Average statutory lump-sum paid classified by industry*

Industrial group	*Males*	*Females*
	£	
Food, drink, tobacco	270·3	109·3
Textiles, etc.	215·2	172·0
Engineering	126·9	85·2
Other manufacturing	173·3	216·2
Building, construction	115·2	108·2
Transport and communications, etc.	258·3	126·7
Distribution	245·4	58·7
Public administration, finance, etc.	111·0	148·8
Personal services	179·1	115·2
Entertainment	273·6	228·2
Agriculture	226·2	158·7
Other	112·9	126·2
All industries	194·4	135·9

TABLE 5.4: *Average number of weeks redundancy pay due classified by age and sex*

Age group	*Males*	*Females*	*Total*
Under 25	2·8	2·9	2·8
25–34	3·8	4·3	5·1
35–44	5·7	6·4	5·9
45–54	9·8	10·3	9·9
55–59	11·4	14·3	12·3
60–64	17·1	22·7	18·1
65 +	38·8	44·2	40·0
All ages	8·1	9·3	8·4

(n = 1793)

In Table 5.4 the number of weekly redundancy payments to which the workers in our sample were entitled is set out. The average was 8, ranging from less than 3 among the youngest age group, to almost 50 among those aged 65 and over. The largest entitlement in our sample was 80 payments. (The maximum feasible entitlement according to the formula set out in the legislation is 102 payments.) The inter-industry differentials in entitlement to weekly payments follow the pattern already discussed in connection with the lump sums paid.

Non-statutory Payments

An increasingly common feature of redundancy settlements in Ireland seems to be the negotiation of extra payments over and above the amounts that workers are entitled to under the Redundancy Payments Acts. We therefore included in our questionnaire an item as to whether an *ex gratia* or "golden handshake" payment had been received. As the respondents were being interviewed some two years after redundancy, it was likely that their recollection of the exact source of the payments they had received would have been less than fully accurate. We therefore first asked them to state the *total* lump sum payment they received on being made redundant. By subtracting from this the amount of their statutory entitlement (available to us from Department of Labour records) we obtained an estimate of the non-statutory or *ex gratia* component. This estimate must be regarded as tentative, however, as it is a residual and reflects any error contained in the respondents' response to the question about the total lump sum received. It is also possible that a number of somewhat extraneous elements were included by the respondents in this total, such as payment for accrued

TABLE 5.5: *Estimated average lump sum payment, classified by industry, length of service and sex*

	Statutory lump sum		*Ex gratia payment*		*Total payment*	
	Males	*Females*	*Males*	*Females*	*Males*	*Females*
Industry	£		£		£	
Food, drink, and tobacco	296	102	427	127	723	228
Textiles, etc.	219	123	106	17	325	140
Other manufacturing	164	227	80	0	244	227
Engineering	134	75	201	45	334	120
Building and construction	112	—	21	—	143	—
Transport and communications	320	164	86	196	407	359
Distribution	187	57	77	81	264	137
Public administration, finance, etc.	92	110	202	23	294	133
Personal services	160	79	75	0	235	79
Entertainment	171	204	347	221	518	424
Agriculture	243	—	30	—	273	—
Other	114	—	42	—	156	—
Length of Service (years)						
1–5	73	42	52	43	125	85
6–10	145	96	162	32	307	129
11–15	229	135	318	102	547	237
16–20	301	193	112	100	413	293
21–25	427	212	563	298	990	509
26 and over	638	355	332	249	970	604
Overall average	210	115	185	84	394	198

($n = 503$)

leave, accumulated pension rights, or payment in lieu of notice. The estimated *ex gratia* payments are set out in Table 5.5. In the light of the way in which they are derived, the figures set out in this table should be treated as tentative.

The importance of payments over and above the statutory entitlement is obvious from this table. As a general rule, redundant workers seemed to get almost as much again in *ex gratia* payments as they received in statutory lump sums. There were, however, large differences between sectors, with the Food, Drink and Tobacco sector rather exceptional in providing an *ex gratia* payment equal to almost two-thirds the total payment received.

On the other hand, the Building and Construction sector paid relatively little over and above the statutory entitlement.

We explored the factors that determined the amount received in *ex gratia* payments more systematically by regressing this payment on the statutory lump sum, the worker's normal weekly pay, whether he was a union member, and the reason for redundancy[8]. The results are set out in Table 5.6. The statutory lump sum is closely associated with the estimated *ex gratia* payment, our results suggesting that for each £1 received in statutory payments, the *ex gratia* payment is £0·60. It is interesting that this result is very similar for both men and women, indicating no discrimination against women on this score. The *ex gratia* payment also reflected

TABLE 5.6: *Regression results with ex gratia lump sum payment as dependent variable*

(t–ratios in parentheses)

Independent variables							
Intercept	*Length of service*	*Statutory lump sum*	*Union member*	*Normal week's pay*	*Food, drink tobacco industry*	*Whole firm closed*	$\bar{R}^2$
			Males				
24·9		0·73 (6·1)					0·12
−207·5		0·58 (5·7)	31·53 (0·6)	7·65 (2·2)	213·43 (3·7)		0·18
−162·0		0·56 (6·2)	8·72 (0·2)	7·66 (3·2)	164·06 (4·0)	−44·93 (1·0)	0·18
−310·3	12·2 (5·4)		42·85 (0·7)	11·72 (3·4)	203·88 (3·5)	−95·75 (1·6)	0·17
			Females				
9·0		0·68 (5·7)					0·22
−127·6		0·60 (5·1)	−35·53 (1·2)	9·65 (3·0)	93·09 (3·5)		0·33
−132·6		0·59 (4·9)	−34·30 (1·1)	9·85 (3·0)	95·65 (3·4)	4·86 (0·1)	0·33
−155·3	7·56 (5·6)		−26·75 (0·9)	10·55 (3·6)	91·36 (3·1)		0·31

[8]See above for our reservations about the reliability of this variable.

the worker's normal weekly pay directly in addition to the indirect effect through the amount of the statutory lump sum. The net influence of unionisation on the *ex gratia* payment was not significant for either men or women, nor was the variable measuring the type of redundancy in question ("whole firm closed down") although its coefficient was negative, as expected, in the case of men.

One industrial sector, the Food, Drink and Tobacco group, was characterised by particularly generous payments to both men and women, the reported *ex gratia* payment being £164 above what would otherwise have been expected in the case of men. No other sector had a significant differential. The same broad conclusions are supported by the results obtained when length of service is substituted for the statutory lump sum.

Thus, the factors influencing the *ex gratia* payment conform only in part to those hypothesised. Personal characteristics of the workers, such as entitlement to statutory payments and normal weekly pay, were shown to be important, but characteristics of the firm for which they worked, such as the reason for redundancy, were not. The $\bar{R}^2$ reported, especially for men, is lower than would be expected, particularly in the light of the inclusion of money sums of roughly equal magnitude on both sides of the equation. On the whole, then, we must conclude that we have not been very successful in accounting for the amounts reported by the redundant workers as *ex gratia* payments[9].

Uses Made of Redundancy Payment

Table 5.7 sets out the uses which the respondents said they made of the lump sum they received at the time they became redundant. By far the most common use was "financing household expenses", which was reported by 46 per cent as the principal use made of the lump sum. "Home improvements, etc." was mentioned by 19 per cent, about 10 per cent said they paid off debts, and 7 per cent devoted the money to "long-term saving". Very few reported using the money for a holiday or spending spree. The subsidiary uses reported were broadly similar to the principal. The payment was rarely used to finance a change of residence, although one of the justifications often mentioned for having a Redundancy Payments Scheme is to encourage mobility to areas where employment is available. Of course, anyone who emigrated would not have been included in our sample, and they would lose their entitlement to weekly redundancy payments.

[9]We included "size of firm" as an explanatory variable but it too proved non-significant.

TABLE 5.7: *Principal uses to which lump sum was put, classified by size of lump sum* (%)

Main use	*Under* £50	£51-100	£101-150	£151-200	£201-300	£301-400	£401-500	*Over* £500	*Total*
	Size of statutory sum								
Financing household expenses while out of work	58·4	54·7	47·7	43·7	28·7	31·9	25·1	29·6	45·6
Home improvements—buying appliances etc.	11·3	12·6	19·8	29·2	25·3	28·5	17·5	25·0	18·5
Long-term saving	11·3	5·8	3·3	4·4	8·8	4·3	18·3	12·0	7·3
Getting started in own business	0·0	0·7	0·0	0·0	2·2	6·4	7·9	7·0	1·7
Moving to new job, house	0·0	0·0	1·6	0·0	0·0	0·0	0·0	0·0	0·2
"Spree," holiday	3·1	5·4	4·6	0·0	3·4	9·0	0·0	0·0	3·8
Paid off debts	3·8	11·7	12·3	10·5	17·3	6·6	0·0	7·9	10·1
Purchasing own/family home or putting deposit on home, etc.	1·1	1·3	0·0	6·3	4·1	2·9	21·2	9·7	3·5
Purchasing car/van	0·0	0·0	1·6	2·9	6·3	3·8	2·8	3·5	1·9
Other	11·2	7·8	9·1	3·0	3·9	6·6	7·2	5·3	7·3
Subsidiary uses									
Financing household expenses while out of work	18·4	14·7	33·6	21·7	17·4	36·8	25·5	16·8	21·9
Home improvements—buying applicances etc.	26·3	32·3	28·5	26·1	25·2	15·4	31·9	25·7	27·1
Long-term saving	0·0	10·2	8·8	11·6	9·7	6·2	12·8	18·8	9·9
Getting started in own business	0·0	2·3	2·9	0·0	0·0	6·2	0·0	0·0	1·4
Moving to new job, house	6·6	9·7	2·9	5·8	2·6	0·0	0·0	0·0	4·1
"Spree", holiday	0·0	4·0	4·4	7·3	5·2	7·7	4·3	7·9	5·0
Paid off debts	6·6	13·1	13·1	15·9	18·1	21·5	17·0	24·8	16·0
Purchasing own/family home or putting deposit on home etc.	0·0	0·0	2·9	5·8	7·7	3·1	8·5	0·0	3·2
Purchasing car/van	0·0	2·3	0·0	0·0	7·7	3·1	0·0	4·0	2·7
Other	42·1	11·4	2·9	5·8	6·4	0·0	0·0	2·0	8·7

The varying pattern of expenditures reported by those receiving lump sums of different sizes should be noted. Naturally enough, uses involving substantial outlays, such as buying a house or getting started in business, occur more frequently among those who obtained relatively large cash settlements. For those receiving more modest sums, day-to-day expenses or small capital improvements account for most of the money received.

These accounts of how the lump sum payments were spent may be reassuring to those who fear that the redundant workers tend to squander the money they receive at the time of becoming redundant. They are also important from the point of view of evaluating whether the consumption pattern of workers is affected by paying them a lump sum as opposed to giving them weekly payments. Although our results in Table 5.7 are not very detailed, and may be subject to some distortion because the respondents were unwilling to admit that the lump sum had been spent frivolously, they suggest that the lump sum is used prudently, and in much the same manner as would an equivalent amount disbursed as a weekly payment over a number of weeks.

Pensions

Although the sample which we interviewed excluded those who retired after being made redundant, a small proportion of the respondents reported that they received "pensions" or other regular payments in addition to their lump sums. Details of these are given in Table 5.8.

About 4 per cent received an employer's pension. About two-thirds of these were in the Food, Drink and Tobacco industry, which thus appears to be the only sector where such a scheme is of any importance to those who have not reached retirement age. This sector was also exceptional in the size of the *ex gratia* payment made to redundant workers.

Difficulties with Entitlement

About 11 per cent of the males and 4 per cent of the females experienced difficulties regarding their entitlement to redundancy pay. Almost all their

TABLE 5.8: *Type of pension, amount, and percentage receiving it*

Type of pension	*Average weekly amount received by those obtaining it*	*Percentage of sample receiving this type of pension*
	£	*Per cent*
Employer's pension	4·80	4·2
State pension	12·05	0·7
Other pension	4·51	2·1

complaints were described either as a failure to pay or a delay in paying on the part of the employer. When asked how the difficulties were resolved, 27 per cent of the respondents affected said they made personal representations, a further 27 per cent said that their union resolved the problem, 21 per cent said that the Labour Exchange helped out, 15 per cent went to a tribunal and 9 per cent said that their grievance had not yet been settled. Thus, the administration of the scheme seems to be very smooth, since less than one per cent of all the workers affected felt that they had an unresolved grievance.

Conclusion

In his section we have set out our findings regarding notice, lump sum and other payments, pensions and difficulties about entitlement.

The main findings under these headings have been summarised in the text. Perhaps most important from a policy viewpoint is the way in which non-statutory or *ex gratia* payments follow the pattern established by the statutory payments, although a number of factors peculiar to the circumstances of individual firms also play a major role in determining how much a worker gets. The way in which the respondents reported they had spent their lump sums shows that this payment is most frequently used to meet day-to-day expenses in the period immediately after redundancy. Other uses, such as financing a change in residence or getting started in a new trade, are relatively rare.

Section 6

Experience after Redundancy

MODELS of economic behaviour normally assume that the labour market tends to equate labour supply and demand at equilibrium wage levels. From this viewpoint, redundancy or job loss is a prelude to a period of job search followed by eventual re-employment. However, even the most rarefied model allows for certain factors which may result in prolonged unemployment. For example, the skills and experience of workers who lose jobs may not correspond with those required by employers in expanding sectors. Older workers may have accumulated considerable non-transferable on-the-job training, which is not required in the sectors where job opportunities are available. Trade union pressure and other factors, including the existence of State income maintenance payments to the unemployed, set floors below which wage rates may not fall, so that the market clearing wage may not be reached. There may be geographical imbalances between the distribution of redundancies and the availability of new jobs, and the costs associated with moving from one location to another in search of employment are significant. Finally, due to factors such as a cyclical downturn or some longer-term disequilibrium in the economy, the overall level of jobs available may fall significantly short of the number of job seekers at prevailing wages. For all these reasons, some of those becoming redundant are likely to experience substantial periods without work, and in some cases fail to obtain employment for the rest of their lives.

One of the purposes of a Redundancy Payments Scheme of the type studied in this report is to protect workers against the hardship that they may experience due to the operation of the factors listed above. We have seen that the scheme is structured to afford special treatment to older workers who have served a long time with one employer. In this section, we investigate the experiences of our sample in the period after redundancy, paying particular attention to their success in becoming re-employed. Information on this subject is essential if we are to evaluate the costs of redundancy to different categories of workers and the efficiency of the Redundancy Payments Scheme in offsetting these costs.

Duration of Unemployment

Most of those included in our sample found jobs fairly soon after becoming redundant. This is the most striking showing of Table 6.1, which sets

out the labour force status of our sample at various intervals after redundancy. Slightly less than half the men, and somewhat more than half the women, were still unemployed three months after losing their jobs. One year after becoming redundant, less than 20 per cent of our sample was still classified as unemployed[10]. Not all of those no longer classified as unemployed had obtained jobs, however: about 8 per cent of males were either retired, or disabled, and some 20 per cent of females were retired, disabled, or in "home duties". It is notable that not much more than half (about 58 per cent) of the women were re-employed within a year, compared with almost three-quarters (73 per cent) of the men. The weaker labour force attachment of women, and their tendency to drop out of the labour force in the face of unemployment, is a well-documented phenomenon. (Walsh and Whelan 1973).

Despite this generally optimistic conclusion, it is disturbing to see that a sizeable proportion of the redundant failed to find new employment within six months of losing their previous job. Even in the relatively buoyant labour market of the period covered by our study (1972–74) there was a significant element of long-duration unemployment among those who were made redundant. The serious deterioration in labour market conditions in 1974–76 probably led to a sharp rise in the average duration of post-redundancy unemployment.

TABLE 6.1: *Labour force status of male and female respondents in the sample, immediately after redundancy and after* 3, 6, 12 *and* 24 *months*

	Labour force status										
	Employed		*Unemployed*		*Training*		*Disabled*		*Retired*		*Home Duties*
	M	*F*	*M*	*F*	*M*	*F*	*M*	*F*	*M*	*F*	*F*
	Per cent										
Immediately after redundancy	13·6	10·1	79·1	74·0	—	—	1·8	3·2	5·5	4·8	7·9
3 months after redundancy	46·2	23·7	45·1	58·2	0·6	—	2·3	3·9	5·8	4·8	9·5
6 months after redundancy	61·9	41·0	29·3	40·0	0·6	—	2·4	4·8	5·8	4·8	9·5
12 months after redundancy	73·4	57·8	17·6	20·1	0·6	—	2·4	4·8	6·0	6·3	11·0
24 months after redundancy	80·2	64·1	9·7	12·9	0·6	—	2·7	5·7	6·7	6·3	11·0

(n = 503)

[10]These figures are based on the responses to our questionnaire, and hence rely on the respondents' own understanding of the term "unemployed and seeking employment" in contrast to the findings in Table 6·7 below where "unemployed" means claiming Unemployment Benefits or Assistance.

TABLE 6.2: *Percentage distribution of time from redundancy to first job (excluding those who left labour force)*

Weeks	*Per cent*
Less than 2	14·7
2–under 6	7·1
6–under 10	10·0
10–under 14	6·0
14–under 18	6·9
18–under 22	5·8
22–under 26	5·1
26 under 50	16·9
50 and over	27·5

TABLE 6.3: *Average length of time to obtain first job after redundancy classified by age and sex (weeks)*

Age	*Males*	*Females*
Under 25	22	19
25–34	17	38
35–44	25	44
45–54	32	51
55–59	42	44
60–64	59	75
All ages	30	43

TABLE 6.4: *Average length of time to obtain first job after redundancy classified by occupational group and sex (weeks)*

Occupational group	*Males*	*Females*
Unskilled manual	34	45
Semi-skilled manual	34	47
Skilled manual	26	66
Non-manual routine	25	—
Non-manual supervisors	23	8
Professional/management	5	24
Total	30	43

From the viewpoint of the Redundancy Payments Scheme, the most relevant measure of unemployment is the number of weeks between the loss of employment and obtaining another job. This is the period over which a worker may draw weekly redundancy payments until entitlement is exhausted. In Table 6.2 we set out the distribution of this variable among our respondents[11]. This distribution is highly skewed: a substantial proportion (15 per cent) got another job within two weeks after redundancy; while at the other extreme, over a quarter (27 per cent) had not obtained employment after 50 weeks. We have already seen that about 10 per cent of the sample remained unemployed two years after losing their jobs. The median spell of unemployment recorded in our sample was five months.

The framework of the Redundancy Payments Act suggests that older workers deserve special protection against job loss, presumably on the grounds that they will experience particular difficulty in becoming re-employed. In Table 6.3 we set out the average time taken to obtain a job classified by age and sex. After age 35 there was a steady increase in duration of unemployment, and those aged 60–64 took, on average, three times as long to obtain employment as those aged 25–34. Younger women appeared to spend more time unemployed than their male counterparts.

Less pronounced differentials emerge from Table 6.4 where the data are classified by skill level (occupational group). Among males the longest duration of unemployment was in the unskilled and semi-skilled manual groups, whose average spell of unemployment was two months longer than that of skilled and non-manual workers.

Finally, we have tabulated the duration of unemployment against the number of weeks' entitlement to redundancy payments. The following is the percentage distribution of the sample according to whether they had obtained employment before, at, or after their entitlement to redundancy payments ran out:

Before	*At the same time*	*After*	*Total*
12	17	71	100

By far the most usual case was for workers to remain longer unemployed than they were entitled to weekly redundancy payments.

These associations are, of course, gross. In order to assess the net influence of any of these variables on duration of unemployment we must specify a model and test it through regression analysis. The literature on job search

[11]The data in Table 6·2 exclude those who left the labour force, whereas Table 6·1 shows those unemployed as a percentage of the total sample.

and unemployment suggests that a number of economic and demographic factors influence the length of the unemployment experienced by workers (cf. Mackay and Reid, 1972). Weekly pay before redundancy, for example, is a measure both of the opportunity cost of remaining unemployed and of the proportion of jobs on offer that will be open to a worker, and hence duration of unemployment is expected to be negatively associated with this variable[13]. There are obvious reasons why duration of unemployment may tend to increase with age: the fixed costs (pension rights, etc.) associated with hiring older workers exceed those for younger workers; any investment in training will probably yield the employer a lower return if it is devoted to an older worker; older workers, as we have seen, have longer average tenure in their previous employment, and hence may have accumulated considerable industry-specific skills which may render them less mobile between sectors of the economy. All these factors may induce employers to use age as a screening device so that, given a choice between two similarly qualified workers, they prefer to employ the younger.

From the viewpoint of the Redundancy Payments Scheme, the variable whose influence on duration of unemployment is most relevant is the number of weekly redundancy payments to which the worker is entitled. These weekly payments cease when a worker accepts a new job (although any unused entitlement remains credited against future spells of unemployment). A payment of this type, which is equal to half pre-redundancy normal pay and which ceases on accepting a job, would be expected to exercise a substitution effect between employment and "leisure". This is specially true because the weekly redundancy payment is a marginal payment, coming in addition to the worker's entitlement to Unemployment Benefits. It is important to see whether this variable exerted any influence on the average duration of unemployment in our sample.

In addition to State income payments, many of our respondents had income from other sources, such as contributions made by a working spouse or child. These payments are expected to increase the duration of unemployment. On the other hand, the number of dependants a worker has to support would tend to lower the amount of time spent unemployed, as a married man with children has a more urgent need for additional income than a single man or a couple without children.

Finally, it is important to see whether different approaches to job search have an influence on the probability of becoming re-employed. It is to be expected that those who start looking for new employment as soon as they hear of an impending redundancy should spend less time unemployed than

[13]Unemployment Benefits as a proportion of take-home pay are negatively correlated with wages, and this is another reason why wages and duration of unemployment may be negatively correlated.

those who wait until they have become unemployed to start searching for a new job. We have, therefore, included in our regressions a variable on when job search was commenced.

The results of testing a model including some, or all, of these variables, are set out in Table 6.5. It is notable that in all cases the signs of the coefficients are in accordance with expectations, although in many instances the coefficients are not statistically significant. Normal week's pay exercises the expected negative influence on duration of unemployment, and is generally statistically significant. Income from non-State sources lengthens the period between redundancy and getting another job. Although the number of dependants present in the household enters all the equations with a negative sign, as expected, this variable does not appear to have a significant influence on the duration of unemployment.

From a policy viewpoint, the influence of the redundancy payment variables is of greatest interest. Both the statutory lump sum and the number of weekly payments due, when entered separately into the regression equation, are seen to tend to prolong the period of unemployment. When entered together the high correlation between these two definitionally related variables ($r=0{\cdot}84$) reduces their individual significance, but the number of weekly payments due remains significant at a fairly high confidence level. As both of these variables are by definition correlated with age. the inclusion of either of them in the equation tends to reduce the significance of age. The total lump sum (which includes both statutory and non-statutory components) is less highly correlated with age than the statutory lump sum, but it is interesting to note that it is less significant in the regressions (comparing equations 2 and 3). Evaluating these results, it seems justified to conclude that there is a tendency for the Redundancy Payments Scheme to lead to an increase in the duration of unemployment, especially due to the weekly redundancy payments which cease on taking a new job.

The lump sum, on the other hand, has no substitution effect on the relative attractiveness of work and "leisure", being paid regardless of the duration of unemployment subsequent to redundancy. Mackay and Reid (1972) concluded from their study of redundancies in Britain that

> there is no evidence of a significant relationship between the amount of redundancy (lump sum) pay a man receives and the length of time before he finds another job, provided one allows, as one clearly must, for other factors which affect that period, such as age (op. cit., p.1269).

Our findings are similar, with the important difference that the Irish scheme includes a weekly payment, which does seem to exert a significant effect on the duration of unemployment. In this, too, our results are similar to Mackay and Reid (1972), who found that the amounts payable

in weekly Unemployment Benefits exerted a significant effect on the length of time taken to find a job.

The coefficient of the number of weekly payments due in equations 4 and 5 suggests that the abolition of these payments would have reduced average unemployment among our sample by 9 weeks out of a total of 33 weeks. Thus, the size of the effect is substantial in relation to the average duration of unemployment. However, the effect on unemployment in the economy as a whole is likely to be less than that suggested by these results, because the longer duration of unemployment among workers entitled to redundancy payments presumably made it easier for others, not entitled to these payments, to obtain employment. On the other hand, if the substitution of "leisure" for work were a large-scale phenomenon it would result in upward pressure on wages as employers found it more difficult to fill vacancies at going wage rates.

The influence of the job search variable in the results of Table 6.5 is important, and suggests that those who start to look for another job immediately on hearing of their redundancy, experience significantly less unemployment after they become redundant. Mackay and Reid (1972) labelled those who adopt this job search strategy "snatchers" and found that they experienced significantly shorter periods of unemployment. Whether this result is a genuine explanation of shorter unemployment and significant returns to early job search, or whether it merely reflects the characteristics of those who respond to redundancy by immediate job search is difficult to establish (we look at this point again later in this section). The inclusion of the job search variable tends to reduce the influence of age, as may be seen from a comparison of equations 6 and 7.

To summarise these results, it seems that the following factors are largely responsible for the longer duration of unemployment experienced by older redundant workers compared with their younger colleagues: the usually larger number of weekly redundancy payments due to older workers, their generally higher level of income from private sources, and the timing of their job search.

Another measure of unemployment in the period after redundancy is the proportion of the years 1972/73 spent in insured employment. We had this information from social insurance records on those individuals who remained in our sample (i.e., did not retire or otherwise disappear from the labour force). In defining the dependent variable, we excluded from both numerator and denominator any time spent on disability benefits. Our records covered a total of 1,003 cases. This was a much larger sample than that for which we had data on "length to first job", but the amount of relevant information available on these cases was considerably less. The

TABLE 6.5: *Regression results with the number of weeks between redundancy and first job after redundancy as dependent variable*

(*t-ratios in parentheses*)

Equation number:	1	2	3	4	5	6	7	8
Independent variables								
Intercept	12·6	12·1	22·5	21·4	21·7	24·0	35·5	42·0
Normal weekly pay (£)	−0·60	−0·76	−0·88	−0·63	−0·64	−0·80	−0·56	−0·56
	(2·1)	(2·7)	(3·1)	(2·3)	(2·0)	(3·6)	(2·6)	(2·5)
Number of weekly redundancy payments' entitlement				1·18	1·14	1·31	1·25	1·52
				(3·4)	(1·9)	(3·9)	(3·9)	(6·2)
Total income from non-state sources (£)	0·81	0·80	0·76	0·79	0·79	0·67	0·54	0·58
	(3·3)	(3·1)	(3·1)	(3·2)	(3·2)	(2·9)	(2·5)	(2·7)
Unspecified income (1 = yes)	9·56	9·76	10·20	12·8	12·8	12·4	14·1	14·5
	(1·6)	(1·6)	(1·7)	(2·1)	(2·1)	(2·1)	(2·4)	(2·5)
Number of dependant (males)	−2·24	−2·19	−1·8	−1·9	−1·9			
	(2·1)	(2·0)	(1·7)	(1·7)	(1·7)			
Number of dependants (females)	−3·26	−3·16	−2·66	−2·1	−2·1			
	(1·8)	(1·8)	(1·5)	(1·1)	(1·1)			
Age (years)	0·84	0·77	0·57	0·38	0·38	0·32	0·21	
	(6·5)	(5·7)	(3·5)	(2·2)	(2·1)	(1·9)	(1·3)	
Total redundancy lump sum (£)		0·0064						
		(1·8)						
Statutory redundancy lump sum (£)			0·036		0·0016			
			(2·6)		(0·1)			
Job search before becoming redundant (1 = yes)							−21·9	−22·4
							(6.1)	(6·4)
$\bar{R}^2$	0·15	0·15	0·16	0·16	0·16	0·16	0·22	0·22

TABLE 6.6: *Proportion of 1972/73 spent in employment classified by age and sex*

	Males	*Females*
Under 25	·806	·883
25–34	·826	·783
35–44	·756	·671
45–54	·629	·657
55–59	·606	·642
60–64	·410	·401
65 and over	·237	·398
All ages	·693	·677

average proportion of the two years spent in employment was two-thirds, but this varied by age, as may be seen from Table 6.6. Males aged 25–34 spent the highest proportion of the period in employment, and this proportion declined steeply at older ages.

We undertook a regression analysis of this variable along the lines already discussed for "length to first job". The results are presented in Tables 6.7 and 6.8. A similar set of inferences are warranted from these tables: the amount of time spent in unemployment tends to increase sharply with age, to decrease with pay or skill level and those who were disabled spent less time in employment even when time spent disabled is excluded. The coefficient of "number of weekly redundancy payments due" is highly significant and indicates that for each weekly payment due, unemployment tends to increase by about 0·4 weeks. This is less than one half the effect shown on "length to first job" and suggests that some of the time spent on additional job search between redundancy and first job pays off in terms of a reduced probability, or lower duration, of unemployment subsequently.

We can summarise these results concerning the duration of unemployment after redundancy by drawing attention to the type of worker who is at greatest risk of experiencing prolonged unemployment. This worker is likely to be older than the labour force as a whole, in a less skilled or lower paying occupation, in receipt of some income from sources other than unemployment benefits, and entitled to an above-average number of weekly redundancy payments. Other factors, such as illness during the year, the absence of dependants (or being unmarried), and, in the case of females, rural residence also tend to increase the duration of unemployment. Job-search strategy influences unemployment significantly, with those who start searching as soon as they hear of their job loss spending much less time between redundancy and their next job.

TABLE 6.7: *Proportion of period 1972–73 spent in employment regressed on various independant variables for males, females and both sexes, based on Social Welfare data (1,003 valid cases). Skill level proxied by pay before redundancy. (t–ratios are given in parentheses)*

Independent variable	*Males (n = 748)*	*Females (n = 255)*	*Both sexes (n = 1,003)*
Normal week's pay before redundancy	0·00225	0·01389	0·00355
	(1·71)	(3·99)	(2·91)
Proportion of 1972–73 spent disabled	−0·39926	−0·55818	−0·43626
	(5·52)	(6·82)	(7·92)
Age	0·01384	0·00023	0·00859
	(2·86)	(0·03)	(2·28)
Age squared	−0·00025	−0·00006	−0·00018
	(4·29)	(0·75)	(3·95)
Rural residence	0·03240	−0·09873	0·00676
	(1·64)	(3·44)	(0·41)
Number of weeks redundancy pay due	−0·00434	−0·00712	−0·00418
	(2·56)	(3·20)	(3·17)
Sex (male = 1)	—	—	−0·02489
			(1·00)
Married woman	—	0·02980	0·00702
		(0·94)	(0·20)
Constant	0·59188	0·73516	0·68475
$\bar{R}^2$	0·278	0·401	0·291
Standard error	0·259	0·206	0·254

Our findings suggest that it would not be feasible to develop a formula based on the characteristics of individual workers that would accurately anticipate the degree of hardship experienced as a consequence of redundancy. The formula presently used correctly anticipates that older workers will, on average, remain unemployed for longer than their younger colleagues following redundancy. However, we have shown that the Scheme does not cope adequately with the prolonged unemployment experienced by some older workers who are made redundant. Furthermore, the Scheme does not incorporate any mechanism for compensating lower paid or unskilled workers for the greater difficulty they experience compared to their more highly qualified counterparts in becoming re-employed. Moreover, the formula takes no account of fluctuations in the general level of unemployment, which clearly influences the degree of hardship experienced by redundant workers.

Thus, although the ideal Scheme would appear to be one which accurately anticipates post-redundancy hardship, our evidence suggests that such a Scheme cannot be based on the worker's characteristics at the time of redundancy. Perhaps the solution lies in closer integration between the Redundancy Payments Scheme and the social welfare system as a whole.

TABLE 6.8: *Proportion of period 1972–73 spent in employment, regressed on various independent variables for males, females and both sexes, based on Social Welfare data (1,003 valid cases) Skill level proxied by dummy variables. (t-ratios are given in parentheses)*

Independent variable	*Males (n = 748)*	*Females (n = 255)*	*Both sexes (n = 1,003)*
Foreman/supervisor	0·09355	0·17295	0·09523
	(1·99)	(1·70)	(2·56)
Skilled manual	0·08795	−0·18866	0·06911
	(3·60)	(2·75)	(3·11)
Semi-skilled manual	0·06837	−0·07449	0·04048
	(2·93)	(2·28)	(2·01)
Ordinary clerical	0·04195	0·13369	0·15568
	(0·62)	(3·50)	(4·49)
Proportion of 1972–73 spent disabled	−0·40785	−0·52265	−0·44104
	(5·65)	(6·55)	(8·07)
Age	0·0144	0·00785	0·01186
	(3·08)	(1·31)	(3.24)
Age squared	−0·00026	−0·00015	−0·00021
	(4·56)	(4·42)	(4·84)
Rural residence	0·03410	−0·10178	0·00876
	(1·74)	(3·64)	(0·53)
Number of week's redundancy pay due	−0·00442	0·02649	−0·00448
	(2·61)	(0·85)	(3·39)
Sex (male = 1)	—	—	0·01969
			(0·87)
Married woman	—	0·02649	0·00280
		(0·85)	(0·07)
Constant	0·59561	0·77221	0·62551
$\bar{R}^2$	0·289	0·438	0·303
Standard error	0·257	0·200	0·252

Income Sources While Unemployed

We have seen that the income available to the household has a significant effect on the duration of unemployment among redundant workers. In this section we set out some details of the sources of income available in 1972 and the effect of changes introduced since then.

State Payments

In addition to weekly redundancy payments, workers becoming unemployed in 1972 were entitled to Unemployment Benefits for up to 312 days and, subject to a means test, to Unemployment Assistance thereafter. The rates payable depend on the number of qualified dependants. Some illustrations are set out in Table 6.9 where entitlement to redundancy payments is calculated on the basis of average normal pay for our sample (£20·70 for single men, £14·74 for single women, £25·90 for married men).

It is clear from this table that up to the time when the weekly redundancy payments ceased, a typical unemployed person was entitled to a very high proportion of pre-redundancy take-home pay. This table does not take into account the redundancy lump sum, nor any tax rebate to which the individuals may be entitled.

When entitlement to redundancy payments was exhausted (after about eight weeks in the typical case) the unemployed person's income dropped sharply to between one-third and one-half pre-redundancy take-home pay. If the individual remained unemployed for more than 312 days, there was a further substantial fall in income, to as little as one-quarter of pre-redundancy pay in some cases.

A pay-related supplement to Unemployment Benefits was introduced in 1974, the maximum period of eligibility for Unemployed Benefits was extended during 1976 and in June, 1976 an upper limit of 85 per cent of net pre-redundancy pay was placed on the total entitlement to State payments while unemployed. The effects of these changes are illustrated in Table 7.10. (The earnings figures have been updated from Census of Industrial Production sources.) It is obvious that the introduction of the pay-related supplement had a much greater impact on the weekly income of the unemployed than did the weekly redundancy payment. This is due to the generally brief period of entitlement to weekly redundancy payments, compared with the prolonged, although gradually tapering-off, entitlement to the pay-related supplement. Moreover, the operation of the 85 per cent ceiling must now, in effect, disqualify many of those becoming redundant from receiving any weekly redundancy payments: in the typical case, the weekly redundancy payment has been almost eliminated during the period of maximum pay-related supplement (the first 147 days of unemployment), and we have seen that only a small minority of those becoming redundant were likely to remain unemployed and entitled to payments after five or six months.

These calculations illustrate the extent to which the weekly redundancy payment has declined in importance as a means of income maintenance. In view of the effects of this weekly payment on the duration of unemployment, as evidenced in our findings presented earlier in this section, this decline may be a welcome development. On the other hand, it implies that the Redundancy Payments Scheme is even less effective in coping with the costs of long-term unemployment than it was in 1972: to all intents and purposes the only remaining link between the Scheme and the duration of unemployment after redundancy now lies in the correlation between the amount of a lump sum and the duration of unemployment. We have shown that this correlation is not particularly high.

TABLE 6.9: *Illustration of amounts payable to redundant workers after various periods of unemployment (first quarter 1972)*

		Single man	*Single woman*	*Married man with dependent wife and the following number of children*			
				1	2	3	4
Average gross weekly pay before redundancy	(£)	20·70	14·75	25·90	25·90	25·90	25·90
Weekly social insurance contribution	(£)	1·02	0·95	1·02	1·02	1·02	1·02
Income tax	(£)	3·08	1·00	2·06	0·98	—	—
Average weekly take-home pay before redundancy	(£)	16·60	12·80	23·82	23·90	24·88	24·88
Weekly amount payable till end of entitlement to redundancy payment	(£)	15·30	12·33	22·25	23·15	23·31	23·31
	% Take-home pay	*92·2*	*96·3*	*93·4*	*96·9*	*93·7*	*93·7*
Weekly amount payable from end of entitlement to redundancy payments until 312th day of unemployment	(£)	4·95	4·95	9·30	10·20	10·85	11·50
	% Take-home pay	*29·8*	*38·7*	*39·0*	*42·7*	*43·6*	*46·2*
Weekly amount payable after 312 days of unemployment	(£)	3·95	3·95	7·80	8·55	9·05	9·55
	% Take-home pay	*23·8*	*30·9*	*32·7*	*35·8*	*36·8*	*38·4*

TABLE 6.10: *Amounts payable to redundant workers after various periods of unemployment. (June 1976)*

		Single Man	*Single woman*	*Married man with dependent wife and the following number of dependent children*			
				1	2	3	4
Average gross weekly pay before redundancy	(£)	44·45	31·67	55·62	55·62	55·62	55·62
Weekly social insurance contribution:							
flat rate	(£)	2·60	2·53	2·60	2·60	2·60	2·60
pay related	(£)	0·44	0·32	0·48	0·48	0·48	0·48
Income tax	(£)	7·65	4·38	7·76	6·50	6·50	4·19
Average weekly take home pay before redundancy	(£)	33·76	24·44	44·78	46·04	47·19	48·35
Weekly amount payable till end of entitlement to redundancy payments	(£)	28·70	20·77	38·06	39·13	40·11	41·10
	% Take-home pay	*85·0*	*85·0*	*85·0*	*85·0*	*85·0*	*85·0*
Weekly amount payable from end of entitlement to redundancy payments until 147th day of unemployment	(£)	23·80	17·97	35·5	38·60	40·11	41·10
	% Take-home pay	*70·5*	*73·5*	*79·3*	*83·8*	*85·0*	*85·0*
Weekly amount payable from 148th to 225th days of unemployment	(£)	20·04	16·20	31·90	35·00	37·60	40·20
	% Take-home pay	*59·4*	*66·3*	*69·7*	*76·0*	*79·7*	*83·1*
Weekly amount payable from 226th to 303rd days of unemployment	(£)	18·51	15·31	30·10	33·20	35·80	38·40
	% Take-home pay	*54·8*	*62·6*	*71·2*	*72·1*	*75·9*	*79·4*
Weekly amount payable from 304th to 381st days of unemployment	(£)	16·99	14·43	28·30	31·40	34·00	36·60
	% Take-home pay	*50·3*	*59·0*	*63·2*	*68·2*	*72·0*	*75·7*
Weekly amount payable after 390th days of unemployment	(£)	8·90	8·90	18·10	20·85	22·95	25·05
	% Take-home pay	*26·4*	*36·4*	*40·4*	*45·3*	*48·6*	*51·8*

Other Income

In Table 6.11 we set out the responses to our question about non-State income sources while unemployed. No more than one in eight of our respondents[13] reported any non-State income while unemployed, so that the numbers receiving any particular payment were small. Furthermore, responses to this type of question must be treated with caution in view of the sensitive nature of this inquiry.

We may see that some of the older unemployed workers had a pension, some of the married men had a working wife and, more frequently, that some of the women had a working husband. Very few of the respondents reported income from part-time work. The average of income received from all non-State sources amounted to £3 weekly. The most important source of such income was contributions from children who were working. The overall importance of having more than one gainfully occupied person in the household is illustrated by these figures.

Job Search, Wage Aspirations, and Wages after Re-employment

Holt has called attention to the neglect by economists of the empirical study of how workers adjust their wage expectations while searching for employment (Holt, 1970, p.96). The importance of this process for an understanding of how the labour market operates and how wages are determined is obvious. In our questionnaire we collected information that allows us to analyse how workers set their reservation or aspiration wage while searching for employment. We asked "If you were offered a suitable job, what is the minimum weekly take-home wage at which you would accept it?" Holt has hypothesised that the aspiration wage will tend to decline exponentially as the duration of unemployment lengthens. His approach may be summarised in the following equation:

$$w_{i\,T+t} = A_i w_{iT}(W_{T+t}/W_T)e^{-D_i t}$$

where w_{iT+t} = the i^{th} worker's aspiration wage at time period $T+t$, where T is the period in which he became unemployed

w_{iT} = actual wage of i^{th} worker when he became unemployed

W = the general wage level prevailing (at time T and $T+t$)

D_i = the rate at which the worker's aspiration wage declines per period

e = base of natural logarithms

[13]This question was asked only of those who experienced some unemployment after becoming redundant.

We have data for the worker's normal weekly wage before redundancy, which is a measure of w_{iT}. The worker's response to the question cited above may be taken as a measure of the aspiration wage, w_{iT+t}. There is a disparity, however, in that the normal weekly wage was measured gross, whereas we inquired about "take-home pay". Since we do not have direct observations on w_{iT+t} for various t, we cannot obtain a direct estimate of D_t as suggested by Holt. However, we know the number of months during the years 1972–73 spent in unemployment, and we take this as a relevant measure of duration of unemployment. There are a number of variables in addition to normal pay and duration of unemployment that we consider likely to influence a worker's aspiration wage. Chief among these is his age, which is likely to be negatively associated with w_{iT+t}; we expect older workers to reduce their aspiration wage more rapidly than younger workers in recognition of the difficulty they encounter in obtaining employment.

Our information on duration of unemployment was collected at time period T+t, and does not necessarily refer to continuous unemployment during the interval since redundancy. Moreover, the effect of general wage inflation measured by W_{T+t}/W_T in Holt's model, will also include the difference between gross and take-home pay in our results because our data on weekly pay before redundancy refer to gross pay, but our question about reservation wages referred to take-home pay.

Before presenting our regression results, it is of interest to note that the mean reservation wage reported in our survey was £26·04 weekly, compared with gross pay before redundancy of £21·60 weekly. Allowing for the inflation that occurred between the date when our workers were made redundant and when they were answering this question brings gross pay up to £32, so that the acceptable take-home pay sought in late 1974

TABLE 6.12: *Average minimum weekly take-home wage at which respondents would accept an otherwise suitable job, classified by age and sex.*

Age group	*Males*	*Females*
	£	
Under 25	26·1	7·5
25–34	35·2	12·0
35–44	33·1	17·1
45–54	26·7	13·2
55–59	25·5	13·0
60–64	15·6	—
All Ages	28·6	13·4
(n=71)		

TABLE 6.11: *Average weekly amounts of family income from various sources while unemployed, classified by age, sex and occupation*

Source of income	*Percentage of all the unemployed who had income from this source*	*Age group*							*Occupation*					*Average over those receiving this type of income*	*Average over all unemployed*
		Under 25	25–34	35–44	45–54	55–59	60–64	65+	*Unskilled manual*	*Semi-skilled*	*Skilled manual*	*Ordinary Non-manual*	*Supervisory non-manual*		
								Males							
											£			£	£
Pensions	6·1	10·0	—	3·0	2·0	7·5	6·5	4·5	3·3	8·7	4·9	8·8	—	6·1	0·37
Working spouse	5·4	17·6	19·0	21·5	18·6	—	18·6	23·0	18·5	20·3	19·8	—	10·0	18·0	0·99
Odd jobs, "nixers"	5·0	5·6	8·7	8·2	7·8	—	7·6	—	8·2	7·3	7·0	—	5·0	7·2	0·33
Childrens' contributions	11·3	—	—	8·6	10·9	8·9	9·8	8·3	11·6	11·6	7·3	14·0	10·0	9·0	1·13
Other sources	3·2	—	6·0	—	4·0	10·0	10·5	—	9·0	13·0	2·7	—	5·0	6·1	0·15
								Females							
Pensions	5·0	—	—	15·0	1·0	6·9	—	—	3·0	10·6	8·0	—	—	8·2	0·39
Working spouse	20·1	—	30·0	25·0	25·9	20·0	—	—	21·3	28·8	30·4	—	—	26·0	4·33
Odd jobs, "nixers"	3·1	2·0	—	25·0	25·9	20·0	—	—	21·3	28·8	30·4	—	—	3·8	0·12
Childrens' contributions	12·5	—	—	10·0	8·5	5·0	—	—	7·1	10·8	—	—	5·0	8·9	1·13
Other sources	1·4	—	—	—	—	—	2·0	—	2·0	—	—	—	—	2·0	0·02

(n=403.)

seems only slightly lower than the take-home pay that would have been earned by these workers had they remained in employment throughout the intervening months. This relatively high reservation wage in relation to actual earnings should be borne in mind when assessing the reasons for high unemployment in Ireland.

The distribution of reservation wage by age and sex is set out in Table 6.12. (The numbers in individual cells are very small, so that these data are illustrative only.) The lower wage for females and older workers is notable. Regression results along the lines discussed above are presented in Table 6.13. These show that the reservation wage is closely related to previous earnings, but that other things being equal, older workers are in fact willing to accept a lower wage than their younger colleagues. The coefficients in the last equation in this table suggest that the net effect of age is, for example, to lower the reservation wage of a 50 year-old worker to 87·5 per cent that of a 30 year-old worker who had the same previous normal wage. The reservation wage is not very sensitive to the duration of unemployment (the latter is, however, correlated with age). Married workers appear to have higher reservation wages than their single counterparts, possibly a reflection of their greater likelihood of having relatively high income from State or private sources.

These results provide evidence of the type of job offers that are required to reduce unemployment. Our findings suggest that reservation wages are fairly closely linked to previous earnings, with some tendency to adjust for increasing age. While the downward adjustment of wage expectations may be deemed desirable from the viewpoint of raising the probability that an unemployed worker will receive an acceptable job offer, on the other hand, the implied reduction in income may be very hard for the individuals concerned to sustain, and the degree of downward adjustment necessary to clear the job market is not always achieved, especially in the

TABLE 6.13: *Regression results with reservation wage (£) as dependent variable (double log specification)*

	Independent variables				$\bar{R}^2$
Intercept	*Normal weekly wage (£)*	*Age*	*Months unemployed 1972–73*	*Married (1 if yes)*	
1·31	0·644 (5·6)				0·35
2·29	0·63 (5·7)	−0·26 (2·4)			0·40
2·57	0·51 (4·0)	−0·27 (2·0)	−0·004 (1·0)	0·30 (2·8)	0·49

(n=71)

case of older workers. An important point to remember about our findings on the reservation wage is that we have data on this variable only for those who remained unemployed at the time of the interview. We have no information on the reservation wage sought by those who obtained employment. In one study in the US it was shown that workers with lower (prior) reservation wages were more likely to obtain and accept job offers than those with higher reservation wages, (Kasper, 1967).

We have information on the earnings of those who were re-employed at the time of the interview. Between early 1972 and late 1974 (the period between which the redundancies occurred and the time of our interview) earnings in industry rose by 51 per cent. In Table 6.14 we compare the earnings reported for the present (or most recent job) with earnings prior to redundancy, deflating current earnings by 51 per cent to see whether they kept pace with or fell behind the general increase in earnings. Entries on the main diagonal in this table are cases where earnings in the present job have kept pace with the general growth of earnings, above this diagonal are cases where they have fallen behind, and below are cases where the respondent has done better than the general growth of earnings. It may be seen that cases of workers falling behind were more common than cases of doing better than the trend: 50 per cent of the males in our sample had fallen behind the trend, compared with 19 per cent going ahead, and 31 per cent remaining on trend. Similarly for women, 56 per cent reported earning less than would have been expected on the basis of their previous earnings and the overall growth of wages. This suggests that the costs of redundancy are not confined to the period of unemployment but tend to continue in the form of reduced earnings in subsequent employment.

In Table 6.15 we present regressions with the present wage as dependent variable. These are the same form as those of Table 6.13, where the reservation wage was the dependent variable. The present wage is closely associated with previous earnings, and there is a discount attributable to age. Thus, older workers are the most likely to be adversely affected by redundancy even when they are successful in becoming re-employed, because their earnings in their new job are likely to be a smaller proportion of their previous earnings than is the case with their younger colleagues. The duration of unemployment experienced by workers significantly reduces the wage levels at which they eventually accept job offers. This contrasts with the smaller, insignificant, coefficient which was obtained when the reservation wage of those still unemployed was used as the dependent (cf. Table 6.13.) It may be, then, that those who were still unemployed at the time of the study had more rigid wage expectations than those who had become re-employed.

The intensity and methods of job search may have an influence both on the duration of unemployment and the wage rate in the new job. While it is not reasonable to believe that all the time spent in unemployment after redundancy is devoted to searching for a new job, undoubtedly the probability of receiving a job offer that meets the worker's reservation wage

TABLE 6.14: *Comparison of gross weekly earnings in present (most recent) job, (deflated by the rise in average industrial earnings between the first quarter of 1972 and the third quarter of 1974) with gross weekly earnings in job held prior to redundancy. (Percentage of respondents with incomes in the stated categories)*

Pay in present (most recent) job	*Pay in job held prior to redundancy*							
	Males							
	£0–10	£11–15	£16–20	£21–25	£26–30	£31–35	£36–40	*Over* £40
£0–10	33	8	6	2	5	4	—	—
£11–15	50	28	12	7	3	7	7	—
£16–20	17	16	46	41	16	5	10	—
£21–25	—	48	20	34	33	26	13	—
£26–30	—	—	10	13	35	37	54	25
£31–35	—	—	—	2	3	7	7	—
£36–40	—	—	6	—	5	14	—	50
£40+	—	—	—	1	—	—	10	25
Total	100	100	100	100	100	100	100	100
	Females							
£0–10	65	39	—	—	—			
£11–15	35	43	87	16	—			
£16–20	—	15	13	68	100			
£21–25	—	3	—	16	—			
Total	100	100	100	100	100			

(n=360)

TABLE 6.15: *Regression results with take-home pay (£) in present job as dependent variable (double log specification)*

Intercept	*Independent variables*					$\bar{R}^2$
	Normal weekly wage (£)	*Age*	*Months unemployed 1972–73*	*Skilled manual worker*	*Married (1=yes)*	
1·86	0·70	−0·21	−0·009			0·41
	(13·1)	(3·6)	(3·3)			
1·96	0·65	−0·21	−0·008	0·12		0·42
	(12·0)	(3·7)	(3·2)	(2·8)		
2·03	0·66	−0·24	−0·007		0·10	0·41
	(12·0)	(4·1)	(3·1)		(2·3)	

(n=312)

increases with the amount of time spent unemployed, provided reasonable time is allocated to trying to obtain a suitable job. We enquired as to the methods used by the redundant workers to try to find employment, and the time when they commenced their job search.

In Table 6.16 we show when the redundant workers began looking for a new job, classified by age. It may be seen that over half the men in our sample began looking as soon as they heard they were going to be made redundant. This proportion was very high among younger workers, reaching 75 per cent among those aged 25–34. On the other hand, "later" is a more common answer among older respondents, and almost 40 per cent of those aged 55–59 said they did not begin searching until some time after losing their jobs. There is strong evidence that this measure of intensity or promptness in job search is associated with success in becoming re-employed. When, for example, a variable for beginning job search as soon as notice was obtained was included in the regression with "length to first job" as dependent variable, its coefficient was invariably negative and highly significant, usually at the expense of the significance of the age variable (see equation 6, Table 6.5). While the interpretation of a high productivity to early job search is not implausible, it is also possible that this job search variable merely reflects the relative ease with which younger workers obtained job offers, and the pessimism among older workers about their prospects of becoming re-employed. Moreover, job search behaviour is probably very responsive, not only to the worker's perceptions of his chances of obtaining a job, but also to his ability to finance a spell of unemployment, and older workers were more likely to have relatively large lump sums and entitlement to a substantial number of weekly redundancy payments, as well as a working spouse or child.

We asked those who had obtained a job since redundancy how they heard about this job. The responses to this question are set out in Table 6.17, classified by age. It may be seen that direct contact with employers was the most important single technique used, and its importance tended to increase with the age of the workers. Hearing about jobs from friends was the next most important method. The use of more formal channels of information about the labour market, such as Employment Exchanges or the National Manpower Service, was mentioned relatively infrequently. The policy implications of this are taken up in Section 7. If we concentrate on those who were unemployed at the time of the interview, many of whom had been out of work for a long period of time, we see that a range of job search techniques was mentioned by most of them (Table 6.18), although it is surprising that less than one-third of them said they visited employers to seek jobs. In this instance, as with the time when job search

began, it is possible that the methods used reflect the worker's perception of his chances of getting a job, and only those with relatively good employment prospects take the more aggressive step of contacting employers, whereas the less hopeful rely more heavily on passive techniques such as reading advertisements in the newspapers.

A curious feature of the responses to our questions about the new job compared with the pre-redundancy job was that a majority of our sample claimed to like the new job better than the previous one (Table 6.19). This suggests that the fall in earnings, relative to the trend, experienced by some of the workers tended to be outweighed by other factors, such as "more pleasant working conditions". (It should be noted that the respondents citing "better pay" presumably had money rather than constant price wages in mind.) It is, of course, possible that those who had lost a job and spent some time unemployed were so grateful to have obtained a new job that their responses to questions about working conditions were coloured by relief at no longer being unemployed. In any event, the responses to this question do suggest some gain in the non-wage component of job satisfaction as a consequence of the re-deployment of labour caused by redundancies.

Almost 40 per cent of the males, and 25 per cent of the females, in our sample had had more than one job since redundancy. In Table 6.20 we set out the reasons for changing jobs reported by those who had more than one job after becoming redundant. By far the most common reason was "left voluntarily" (44 per cent), with over 70 per cent of the under 25 year-olds giving this reason. On the other hand, a third of the respondents said they were made redundant again. These responses are of interest in that they provide us with some information about the reasons for unemployment, and the importance of voluntary job-switching among younger workers. As we noted in Section 2 above, no comparable data exist for the unemployed as a whole.

Geographical Mobility

Mobility between jobs is often synonomous with movement between areas when local job markets, either for particular skills or for labour in general, became depressed. These effects can be particularly marked where there are large-scale redundancies in an industry employing a highly specialised work force. In such circumstances, the only way of ensuring that all those made redundant are re-employed may be for some of the surplus labour to move out of the area. The need to encourage mobility was mentioned prominently among the reasons for introducing the Redundancy Payments Scheme.

TABLE 6.16: *When respondents began to search for work, classified by age and sex*

Time when started searching	*Age group* Under 25 M	F	25–34 M	F	35–44 M	F	45–54 M	F	55–59 M	F	60–64 M	F	*Total* M	F
	Per cent													
Upon receipt of notice of redundancy	59·1	42·0	75·1	27·6	60·5	23·3	51·8	28·3	39·9	31·8	29·2	12·9	55·4	28·6
At time of redundancy	20·2	4·2	10·3	4·9	12·1	34·3	11·4	14·9	13·7	10·4	9·9	0·0	13·1	14·3
Later	18·9	33·8	13·3	47·0	24·6	35·2	22·4	33·8	39·4	38·1	15·7	18·7	20·3	35·3
Retired/did not look for another job	1·8	20·0	1·3	20·5	2·8	7·2	14·4	23·0	7·0	19·8	45·2	68·4	11·2	21·8

(n = 389)

TABLE 6.17: *How respondents who had held at least one job since redundancy heard about their present (most recent) job, classified by age and sex*

Heard about job through:	*Age group* Under 25 M	F	25–34 M	F	35–44 M	F	45–54 M	F	55–59 M	F	60–64 M	F	*Total* M	F
	Per cent													
Advertisement	11·7	30·2	17·0	18·6	11·2	15·2	10·6	21·8	8·2	8·3	5·3	0·0	12·0	18·5
Friend/acquaintance	38·4	33·9	30·0	34·7	31·2	14·5	24·0	43·2	25·2	21·7	39·8	0·0	31·0	28·7
Employment exchange/ manpower service	4·2	0·0	4·7	15·5	6·7	3·4	5·4	0·0	3·3	0·0	4·8	0·0	4·9	3·1
Contacted employer	30·3	20·5	33·1	32·4	35·1	62·0	32·8	13·8	47·6	55·1	27·4	100·0	34·0	38·2
Union	2·0	15·6	0·0	0·0	3·0	0·0	4·8	0·0	4·3	0·0	7·8	0·0	2·8	2·7
Firm contacted respondent	9·4	0·0	9·7	0·0	7·0	0·0	9·3	0·0	9·7	7·6	15·4	0·0	9·4	1·3
Other	3·7	0·0	5·6	0·0	5·8	4·7	13·2	21·1	1·7	7·4	0·0	0·0	5·8	7·6

(n = 408)

TABLE 6.18: *Methods of searching for jobs used by those unemployed at time of interview*

Method of job search	*Percentage who used this method*	*Percentage who did not use this method*
Reading advertisements in the Press	62·3	37·7
Contacting employers	30·8	69·2
Ask friends	59·3	40·7
Manpower service/Labour Exchange	43·0	57·0

(n = 71)

TABLE 6.19: *Respondents' satisfaction with present job compared with the job held prior to redundancy, together with the reasons for level of satisfaction*

	Males	*Females*	*Both sexes*
		Per cent	
Likes present job more	52·4	28·5	47·5
Likes present job less	18·6	36·5	22·2
Indifferent	29·0	35·0	30·2
Total	100·0	100·0	100·0
Reasons given for liking new job more		*Per cent*	
More pleasant work/better conditions	52·6	73·5	55·1
Better pay	25·6	22·1	25·2
More permanent	6·3	—	5·5
Better chance of promotion	2·0	—	1·8
Other	13·5	4·4	12·4
Total	100·0	100·0	100·0
Reasons given for liking new job less		*Per cent*	
Hours unsuitable	11·0	11·1	11·1
Pay lower	18·6	11·1	16·2
Work less pleasant/worse conditions	43·0	46·9	44·3
Other	27·3	30·9	28·5
Total	100·0	100·0	100·0

(n = 391)

TABLE 6.20: *Reasons given for leaving by those respondents who left their first job after redundancy, classified by age and skill level*

Age group	*Reason why left*			
	Made redundant/ Laid off	*Left voluntarily*	*Illness/ Accident*	*Other*
Under 25	18·7	74·4	0·0	6·9
25–34	41·2	42·3	2·6	13·9
35–44	30·4	41·6	12·0	16·0
45–54	56·6	13·2	10·4	19·8
55–64	48·9	27·7	14·9	8·5
Skill level				
Unskilled	43·2	32·6	9·5	14·7
Semi-skilled	34·6	43·4	9·4	12·6
Skilled	37·1	46·4	5·1	11·4
Routine non-manual	30·7	57·0	0·0	12·3
Higher non-manual	12·0	64·0	0·0	24·0
All ages/skill levels	36·4	44·0	6·9	12·7

(n = 174)

We asked respondents whether, and how often, they had moved since redundancy and we also tried to determine the reason for these moves—were they connected with employment prospects, or were they motivated by other considerations such as a move to a better house, marriage, etc. Sixteen per cent of our sample reported that they had moved house once since redundancy, 3 per cent that they had moved twice and under 1 per cent that they had moved three times. Our sample would not, however, have included those who emigrated in search of work.

The pattern of movement and the reasons given for the moves are shown in Table 6.21. Internal mobility within the respondent's own county was far and away the most frequent type of move—81 per cent of first moves were of this type. The remaining moves were fairly evenly distributed over the other categories (to and from Dublin, to abroad and to other places in the Republic). The reasons given for the moves suggest that employment prospects had surprisingly little to do with respondents' mobility. Only about one in five of those who moved did so to be near a new job, or to look for a new job.

Thus, while there was a moderate degree of geographical mobility in our sample, most of this movement was within the respondents' home county and was motivated by factors other than the desire to obtain work.

This showing is consistent with the infrequency with which respondents reported using their lump sum to finance a change of residence. The small number availing of the re-settlement allowance scheme was noted by the Minister in introducing the 1971 Redundancy Payments Act—only 186 persons during 1970. Despite an extension of this scheme, in 1975 expenditure was only £80,000, compared with over £7 million in redundancy payments.

Our study does not extend to the question whether the low level of geographical mobility in Ireland is a serious obstacle to the more efficient allocation of labour. It is likely that given the high unemployment rate in all regions of Ireland since 1975 that the returns to such mobility are low. None the less, the ratio of almost 100:1 between expenditure on redundancy settlements and expenditure on mobility subsidies points to a possible case for re-examining priorities in the way unemployed people are assisted financially by the State.

TABLE 6·21: *Moves by respondents since redundancy*

Type of move	*First move*	*Second and Subsequent moves*
		Per cent
Within local county	81·3	47·3
To Dublin	3·8	10·5
From Dublin	5·0	5·3
To Abroad	3·8	5·3
To other place in Republic	6·0	31·6
	100·0	100·0
Reason for move	*First move*	*Per cent*
To be near new job (i.e., moved after getting new job)	12·9	21·1
To look for new job (i.e., moved before getting new job)	5·7	21·1
Moved to better accommodation	32·4	31·6
Got married	25·9	5·3
Other reasons unconnected with employment	19·7	21·1
Don't know	3·3	—
No. of moves on which percentages based	80	19

Re-training

An important aspect of manpower policy is the re-training of workers whose skills become redundant either in the local or national labour markets. Part of the reason for encouraging employers to give ample notice of impending redundacies lies in the time it gives the various manpower and training agencies to mobilise in helping the worker find new employment. We asked our interviewees whether they had undergone re-training. Only 19 respondents out of the sample of 503 reported re-training of any sort, and in 9 of these cases the "re-training" involved was induction training of one sort or another, i.e., training given to the respondent after he obtained a job. Thus, only 10 of our respondents attempted to acquire new skills in the expectation that these would help them to find new employment.

When viewed in conjunction with the low contact rate between the redundant workers and the National Manpower Service, these results convey an overwhelming impression that the various State agencies involved in training and placement were not effective in helping redundant workers over the period 1972–74.

In view of the sizeable proportion of the sample that experienced fairly prolonged unemployment after redundancy, it is surely surprising that so few were reached by any re-training programmes. It is, however, true that the resources devoted to re-training have increased substantially since 1974. In 1975 AnCO trained 5,302 adults, compared with only 2,524 during the entire four years 1971–74. However, during 1975 qualified redundancies totalled 19,000 and it is doubtful whether the expansion of AnCO has been sufficient to make an impact on the greatly increased flow of redundant workers.

Summary

In this section we examined the experience of workers after becoming redundant. We saw that a majority were re-employed after a fairly short spell of unemployment. However, a significant minority experienced more prolonged unemployment and some failed to obtain another job during the two years after redundancy.

Among the factors that were associated with prolonged unemployment were low wages in the previous job, a high income from private sources while unemployed, advancing age, and entitlement to a large number of weekly redundancy payments. Commencing job-search immediately on learning of the redundancy seemed to lead to a shorter spell of unemployment

after redundancy. Caution must be used in interpreting these results, however, because many of the factors listed are fairly highly correlated—older workers, for example, were more likely than their younger colleagues to have income from working children, or to be entitled to a large number of weekly redundancy payments, and less likely to have begun looking for a new job immediately on hearing of the impending redundancy.

We collected data on the wage at which those who were unemployed at the time of the interview would have been willing to work. The average reservation wage was close to the actual take-home pay in industry at the time of the inquiry. Individual's reservation wages were closely related to previous earnings, with a discount for age and for duration of unemployment. On the whole, the results show that even those who had been out of work for a long time were not willing to accept a new job at wages substantially below the level they had previously earned.

Wages in the job found after redundancy seemed on average not to keep pace with the growth in the overall wage level in the intervening period. This fall in real earnings was more pronounced among older workers and those who had been out of work for a long time after losing their job.

Many of the workers who became redundant were entitled to a high proportion of their pre-redundancy pay in the form of State benefits. However, when their entitlement to weekly redundancy payments ceased, they experienced a substantial fall in income. This is less true since the introduction of the pay-related supplement to Unemployment Benefits, which maintains income at a gradually tapering-off level for a much longer period of time.

One of the striking features of the experience of our sample was the very small proportion (less than 4 per cent) who underwent any re-training after redundancy. It was also striking that less than 5 per cent of our sample reported changing residence in order to obtain another job, or to be closer to a new job. On the whole, those made redundant tended to seek work through contacting employers locally and reading "job-wanted" advertisements. The very low degree of contact between the various State agencies involved in manpower policies and redundant workers is a disturbing finding.

In a general sense the Scheme has been formulated so that those most likely to suffer severe hardship following redundancy are entitled to the most compensation. This is achieved by the way in which age and length of service are built into the formulae used to calculate an individual's

entitlement under the Scheme. We should, however, note that these formulae achieve at best a rough and ready approximation between entitlement to Redundancy Payments and duration of unemployment. Moreover, the Scheme takes no account of the general level of unemployment at the time when a worker is made redundant, which obviously has a major effect on the degree of hardship caused by the redundancy.

In the concluding section of this study we shall try to draw together the evidence in an overall evaluation of how the scheme has operated and how effective it is in achieving its goals.

Section 7

Policy Issues Relating to the Redundancy Payments Scheme

In this section we draw on some of the main findings in our study to discuss questions of policy in regard to redundancy.

The Philosophy of the Irish Redundancy Scheme

(i) Compensation for Job Loss

The idea that a worker builds up "property rights" in a job over his years of service is fundamental to the Irish Redundancy Payments Scheme. However, the precise legal or economic justification for this idea is not clear, nor is the reason for linking the value of these property rights to length of service and age. One possible rationale may be the desire to compensate workers for loss of benefits, such as employer's contributions to a pension fund, or for loss of future increments to salary based on seniority. Alternatively, the Scheme could be regarded as equivalent to an insurance against instability of employment. In the absence of any scheme to compensate those made redundant, employments characterised by unstable employment would, in order to attract workers, have to pay a premium over more stable jobs requiring similar qualifications. However, the Scheme explicitly excludes from entitlement to Redundancy Payments those in very unstable employments who fail to build up the two years' continuous service necessary to qualify under the Act.

The importance of the property rights justification for the Irish scheme was stressed in the ministerial speech at the time the Redundancy Payments Bill was being debated. There were repeated references to the need to compensate redundant workers for their rights in a job: "This Bill recognises the principle that, over the years, a worker builds up certain rights in his job, and if he is deprived of these rights by circumstances outside his control, that he ought to be compensated" (*Dáil Debates,* 30 May, 1967, col. 1608). Mukherjee (1973, p. 16) has drawn attention to the fact that a similar philosophy underlies the British legislation on redundancy, in contrast with the French and German methods of dealing with redundancy, where no cash compensation is legally required[14].

[14]Recent French legislation provides that those who are made redundant receive their pay for up to a year afterwards if they remain unemployed. In Germany all redundancy compensation is established by collective bargaining between unions and employers.

The use of age and length of service in calculating entitlement to Redundancy Payments does not, in fact, measure the value of a worker's property rights in his employment. If anything this should be calculated as the present value of his expected earnings from the employment, which would obviously be larger for younger than for older workers. In reality, then, the rationale for the formula used in calculating entitlement under the Scheme seems to derive more from a desire to maintain workers income, than from the notion that they should be compensated for loss of property rights.

It is important to stress that in Ireland (as in Britain) cash compensation for the loss of a job (provided the condition of a minimum of two years' service is met) is now a legal entitlement regardless of the experience of the worker in finding subsequent employment. The redundancy lump sum payment must be made even if the worker proceeds into immediate alternative employment. In Section 6 we saw that a significant proportion of those made redundant obtained employment fairly soon after losing their jobs, but this proportion was lower among the elderly who are most likely to receive substantial lump sums. On the other hand, a worker who has served less than two years is not entitled to any compensation on being made redundant, regardless of the hardship he subsequently experiences in obtaining employment. In fact, because of this length of service condition, the majority of those becoming unemployed do not qualify under the Redundancy Payments Scheme (see Appendix C for further details on this point).

Since 1971, the Irish Scheme has treated older workers preferentially by double-counting service after age 41 in determining the lump sum and by the provision that service after age 41 is double-counted, and after age 51 treble-counted, in calculating entitlement to weekly payments. This principle probably reflects a belief that older workers experience greater difficulty in becoming re-employed, and our findings show that this is indeed the case. We saw, however, that age and length of service (and hence entitlement to redundancy payments) are not very highly correlated, and that in certain sectors elderly workers are significantly less likely to have built up the same length of service than is the case in others. This reduces the effectiveness of the Scheme in anticipating which categories of workers will experience greatest hardship as a result of job loss. There is probably no solution to this problem as long as entitlement to redundancy payments is calculated on the basis of workers' characteristics rather than on their actual experience when they become redundant.

There are a number of alternatives to the present strategy of trying to concentrate the resources of the Redundancy Fund on workers most

likely to experience hardship following redundancy. It would be possible to attempt to confine redundancies to the type of worker who would experience least difficulty in obtaining subsequent employment. This approach would involve employers, trade unions and state manpower agencies in discussion where redundancies are impending, with a view to agreeing on who should be made redundant. Another approach would be to concentrate the resources of the Redundancy Fund on an active manpower policy designed to help those who have been made redundant find another job. The Scheme as it is now constructed offers no guarantee that a redundant worker will obtain any retraining or vocational guidance in the period following redundancy. We have stressed the degree to which the Scheme in effect operates as an income maintenance scheme and does not form a part of manpower policy, despite its location in the Department of Labour. Attention should be directed to deciding how the Scheme could be properly integrated into labour market and employment policies.

(ii) Income maintenance

The Irish redundancy legislation was framed against a background of relatively low social welfare payments to unemployed workers. In 1967 an unemployed man with four children obtained as Unemployment Benefit at most 44 per cent of net industrial earnings. A single man would have obtained only 21 per cent. (These figures are from Walsh, 1976.) It was, therefore, understandable that the redundancy legislation had among its main objectives "to provide financial help for redundant workers in the difficult period between the loss of one job and the securing of another" (*Dáil Debates,* 30 May, 1967, col. 1604). In this the Irish scheme diverged from the British, where there was "an explicit rejection of redundancy payments being regarded as an element of income maintenance during unemployment" (Mukherjee, 1973, p. 45). This presumably accounts for the fact that the only major difference between the Irish and British Schemes lies in the inclusion of a weekly payment in the Irish Scheme, while the British is limited to a lump sum.

As was emphasised in the previous discussion, the Scheme does not really attempt to compensate for a worker's property rights in a particular employment (assuming such rights exist and could be measured), and in practice even the lump sum payment is, by virtue of the way it is calculated, a form of income maintenance.

The justification for a Redundancy Payments Scheme that is overwhelmingly income maintenance in nature has been greatly reduced by changes in the social welfare system since 1968. In particular, the introduction of the pay-related supplement and the extension of the duration of

Unemployment Benefits to over a year, together with the steady increase in the rates of benefit, have led to a situation where the income receivable by an unemployed person is now a much higher proportion of net earning than was the case in 1968, and this income is receivable for an extended period of time. In 1975 a married man with four children was entitled to benefits equal to 86 per cent of average net earnings, a single man to benefits equal to 56 per cent, without taking redundancy payments into account. The administration of the Redundancy Payments Scheme has had to be adjusted to take account of this situation by imposing a ceiling of 85 per cent of net earnings on the total of all weekly benefits receivable by a redundant worker.

It is not clear why income maintenance in the form of a weekly redundancy payment should be payable to those who qualify under the conditions in the Redundancy Payments Scheme and not to any other category of unemployed worker. Moreover, the formula used to calculate the number of weekly payments to which a redundant worker is entitled leads to a situation where the typical worker exhausts his entitlement before finding another job: in our sample more than two-thirds were still unemployed when their entitlement to weekly redundancy payments ran out. The typical qualified redundant worker is entitled to weekly payments for far less time than he is entitled to Unemployment Benefits and the pay-related supplement. On the other hand, those on Unemployment Assistance, who are receiving the smallest State payments while unemployed, are not likely to qualify for redundancy payments. Moreover, the Scheme has done nothing to improve the level of income maintenance for those whose insured employment is very intermittent.

Thus it is difficult to find a continued justification for the income maintenance aspects of the Scheme and we believe that it should be examined with a view to relinquishing this function to the social welfare system. If this suggestion was accepted, attention would be focused on the need to re-structure the Scheme with a genuine employment/labour market policy content.

Financing the Scheme

In Section 2 we outlined the manner in which the payments made under the Redundancy Payments Acts are financed. Apart from a maximum equal to 45 per cent of the lump sum which is paid by the employer, the payments are made out of a Redundancy Fund which is financed from the Social Welfare Contribution paid by employers and employees. The amounts paid from this Fund were shown in Table 2.2 above.

The weekly rates of contribution in respect of the Redundancy Payments Scheme were virtually unchanged from the inception of the Scheme in 1968 until 1971, but since 1971 there has been a rapid increase in these contributions. The following were the amounts payable weekly in 1971 and 1976.

Weekly amounts contributed by:

	Employer	*Employee*	
		Male	*Female*
1971	3p	2p	1p
1976	25p	13p	12p

Although still relatively small as a percentage of total labour costs, these rates have risen more rapidly than wages. They share the regressive feature of Social Welfare Contributions generally, being a higher proportion of low than of high wages. This is especially anomalous in the case of the contributions to the Redundancy Fund, because the amounts received in redundancy payments are calculated as a multiple of earnings. This point can be illustrated by comparing the contributions and entitlement of males and females under the Scheme. A man with average industrial earnings during 1975 would be entitled to some multiple of £59 as his entitlement under the Scheme, whereas a woman of the same age and length of service would receive the same multiple of £31 or only 53 per cent of the male entitlement. The female contribution to the Redundancy Fund, however, amounts to 97 per cent of the male. This is not a specific discrimination against females in the way the Scheme is financed, but against lower-paid workers in general. The obvious solution is to replace the present flat-rate contribution by an income-related one.

Another feature of the way the Scheme is operated which calls for comment is the absence of any link between the contributions to the Scheme and the employer's actual employment record. Firms with a record of steady or expanding employment are, in effect, subsidising those with a contracting labour force. However, the amount of this subsidy is small, and it would be administratively difficult to devise a suitable method for adjusting rates of contribution to reflect the pattern of claims under the Scheme.

A more general point might be raised in connection with the use of a specific tax on employment to finance the Scheme. In fact, the Redundancy Fund is unlikely to balance exactly in any year due to the difficulty of predicting how many redundancies will occur. Thus the rates of contibution tend to be adjusted in response to a surplus or deficit already incurred. This emerges clearly from the data in Table 2.2, where

a large deficit tends to be over-corrected in the subsequent year (e.g., comparing 1973 with 1974). The desirability of financing a scheme such as the Redundancy Payments Scheme through a special fund is related to the wider issue of the role of such funds in relation to our social welfare system as a whole, and this issue is not pursued further here.

Effects of the Scheme

(i) Effect on Productivity

One of the results that was hoped for from the redundancy payments legislation was a more flexible attitude towards adjustment and re-allocation necessitated by changing economic conditions. "The ultimate success of the Government's measures will depend to a large extent on the capacity and the willingness of individual businesses to adapt themselves to new and changing demands; to avail themselves of the most modern techniques for improving their efficiency; and to accept change as a prerequisite for increased productivity" (*Dáil Debates,* loc. cit.). The existence of a compulsory scheme for compensating redundant workers is expected to have encouraged both employers and employees to accept labour-saving technical change. This, in turn, should have led to some acceleration in the rate of growth of labour productivity.

There are very serious methodological and data problems with any attempt to establish this effect empirically. We have taken the conventional measure of labour productivity—the index number of the volume of gross output per worker—and studied the impact of the introduction of the redundancy legislation on the growth of this variable. The simplest approach to explaining the growth in productivity is to regress this variable on the rate of growth of the volume of output. Using Q and L to denote the volume of output and the numbers engaged, respectively, and a superscript to denote percentage growth rates, the following equation can be estimated:

$$(\dot{Q}/L)_t = a + b\,(\dot{Q})_t$$

Studies of the growth of labour productivity of this type are associated with "Verdoorn's law" and have been examined in detail with Irish data by Kennedy (1971).[15] Using data for the 25 sectors of the Census of Industrial

[15]An objection to this approach is the difficulty of reconciling this equation with any of the widely-used production functions. A better test of the effect of the Scheme on labour productivity would have been to regress Q/L on K/L and see whether this relationship shifted after 1968. The Scheme might also have had an impact on the rate of growth of K/L. Due to the absence of time series data on K these possibilities cannot be explored. The test described in the text should capture any major shift in the relationship between Q/L and K/L and also any acceleration in the rate of growth of K/L.

Production and measuring growth rates for each of these over the years 1953–68, he obtained the following relationship:

$$(\dot{Q}/L)_i = \underset{(11\cdot1)}{1\cdot02 + 0\cdot44\ \dot{Q}_i} \qquad \bar{R}^2 = 0\cdot83$$

(The t-test for the regression slope is given in parentheses.) $i = 1 \ldots 25$ (sectors). We applied the same approach to the data on output and productivity growth for all industries, using annual data for the period 1953–75 and obtained the following result:

$$(\dot{Q}/L)_t = \underset{(6\cdot1)}{1.46 + 0\cdot41(\dot{Q})_t} \qquad \bar{R}^2 = 0\cdot63 \quad DW = 1\cdot64$$

Despite the different basis for estimating the parameters, this result is very similar to that obtained by Kennedy and those reported in the literature on the Verdoorn law. Our interest lies in seeing whether a shift occurred in this relationship following the introduction of the Redundancy Payments Scheme. We tested for this by adding a dummy variable, *RP*, equal to zero before 1968 and to one thereafter. The following result was obtained:

$$(\dot{Q}/L)_t = \underset{(6\cdot08)}{1\cdot31 + 0\cdot41\ (\dot{Q})_t} \underset{(0\cdot70)}{+ 0\cdot40\ RP} \qquad \bar{R}^2 = 0\cdot63 \quad DW = 1\cdot74$$

Although the sign of the RP variable is positive, indicating an increase in the "autonomous" rate of growth in productivity following the introduction of the Scheme, it is not statistically significant[16]. Thus, the evidence is not strong that the introduction of the scheme led to any measurable change in the growth rate of productivity after 1968, although there is some suggestion that this growth rate shifted upward by 0.4 per cent annually. This topic is worth more detailed investigation, but the tentative conclusion reported here is unlikely to be altered dramatically by such study.

(ii) Effect on Industrial Disputes

Another hoped-for benefit from the Redundancy Payments Scheme was a reduction in the friction associated with dismissals due to economic factors. This is closely associated with the productivity effect, but pre-

[16]We experimented with two separate regressions for the periods 1953–67 and 1968–75, and found no difference in the slopes between these two periods.

sumably the Scheme would be working beneficially if the same rate of growth in labour productivity were achieved at reduced cost in terms of industrial disputes.

It is not easy to test for the effect of the Scheme on industrial relations. The only data available are the series on industrial disputes classified by cause issued by the Department of Social Welfare. We assume that the type of dispute that is relevant to our study is that classified in the published statistics as "concerning conditions of employment in relation to engagement or dismissal of workers, redundancies, etc." In Table 7.1 we set out the number of such disputes, the number of workers involved, and the number of work-days lost over the period 1962–74. We present both the absolute numbers and these numbers as a percentage of industrial disputes due to all causes. There is some evidence of a falling-off in the absolute number and the relative importance of disputes related to redundancies in the years immediately following the introduction of the Scheme. The proportion of all man-days lost attributed to redundancy disputes was very low indeed for the years 1968–70. However, the record of the next three years deteriorated markedly, even compared with the pre-1968 period. Indeed, 1971 was one of the worst years on record for industrial disputes and man-days lost due to disputes relating to redundancies.

While it is not possible to arrive at firm conclusions on the basis of an examination of a table such as 7.1, it is very hard to see in these data any evidence of a permanent beneficial effect on the level of industrial disputes following the introduction of the Redundancy Payments Scheme[17]. However, it may be argued that the ability of the economy to adjust to the vastly increased level of redundancies during the recent recession was greatly enhanced by the existence of the Scheme. It is impossible to test for the net impact of the Scheme in absence of a theory which would allow us to predict what the level of disputes would have been if the Scheme had not been introduced. All that Table 7.1 establishes is that the existence of the Scheme certainly has not removed redundancies from their prominent place among the causes of industrial disputes in Ireland.

The ability of a scheme of the type introduced in 1968 to reduce resistance to redundancy is limited by the prospects faced by redundant workers seeking re-employment. The lump sum and weekly payments in the typical case equal less than six months' wages. If, on average, workers

[17]Mukherjee (1973 p. 152) reports that "an examination of stoppages of work from disputes about redundancy fails to reveal any moderation that can be attributed to the beneficial influence of the statutory severance payments scheme". This is at variance with the conclusion drawn by Parker *et al* (1971), based on data for the years 1966–69. The act apparently reduced the level of industrial disputes relating to redundancy in the UK in the years immediately following its introduction, but this beneficial effect did not last into the 1970s.

TABLE 7.1: *Industrial disputes related to engagement or dismissal of workers, redundancy, etc.* 1962 *to* 1974

Year	*No. of disputes relating to redundancies etc.*	*No. as per cent of total No. of disputes*	*No. of workpeople involved*	*No. as per cent of total work people involved in all disputes*	*No. of man-days lost*	*No. as per cent of total man-days lost in all disputes*
1974	63	28·77	7,654	17·61	55,046	9·98
1973	40	21·98	5,871	18·48	33,340	16·13
1972	36	27·48	2,722	12·22	48,249	23·31
1971	45	33·83	10,267	23·45	110,801	40·47
1970	37	27·61	3,207	11·15	27,380	2·72
1969	26	19·40	2,150	3.48	12,616	1·35
1968	36	28·57	6,136	15·78	23,013	5·67
1967	24	30·38	3,927	18·77	24,347	13·33
1966	24	21·43	3,417	6·54	29,810	3·80
1965	32	35·96	3,881	9·76	23,299	4·19
1964	22	25·29	3,735	14·80	16,079	2·95
1963	25	35·71	5,622	34·99	51,008	21·83
1962	17	28·33	1,524	16·57	21,855	21·01

Source: Irish Statistical Bulletin, various issues.

face a longer period of unemployment than the number of weeks' pay they receive in redundancy payments, then the resistance to redundancies will not be eliminated by a scheme of the type operating in Ireland. Moreover, we should not lose sight of the fact that the Scheme covers only a fraction of those being made redundant, and, obviously, it will have little effect on resistance to change among workers who are not entitled to payments under the Scheme.

A Redundancy Payments Scheme of the type introduced in Ireland in 1968 was designed to be most helpful in removing resistance to redundances in long-established firms undergoing modernisation or facing the need to cut back on their payroll in a generally expanding economic environment. Those faced with redundancy in this situation are likely to be older workers, nearing the end of their active lives, who are unwilling to seek, and unlikely to be offered, work in new industries. For workers in this situation the liberal settlement to which they are entitled under the Scheme is similar to an early pension, and many welcome the opportunity for early retirement. Undoubtedly, the Irish scheme helped many firms to deal more smoothly with this situation. But it is erroneous to imagine that even a substantial fraction of those losing their jobs in Ireland, especially since the onset of the recent severe recession, are in this type of situation. It is possibly because the majority of the redundancies occurring in recent years have not been of the special type envisioned in the redundancy payments legislation that the Scheme appears to have done so little to reduce resistance to redundancies.

(iii) Effect on older workers

We have seen that there is some evidence that the Scheme has the effect of encouraging employers to let older workers go and retain the younger members of their labour force. The only penalty built into the Scheme for doing this is the higher lump sum that will usually be paid to older workers, at least 30 per cent of which is borne by the employer[18]. We also documented that older workers experience the greatest difficulty in obtaining re-employment after becoming unemployed. On the other hand, there is a correlation between age and the amounts to which a worker is entitled under the scheme: we saw, however, that this correlation was by no means close. Thus, the Scheme, as it operates now, is a fairly crude means of compensating for the actual hardship experienced after redundancy.

[18]A 50 year-old man earning £60 a week with 20 years' service with his employer would be entitled to a £930 lump sum, of which the employer would pay at least £280. If the *ex gratia* payment equalled £800 (as is suggested by the equations in Table 5·6), it would cost the employer over £1,000 to make this person redundant, compared with zero cost in the case of a worker with less than 2 years' service. However, £1,000 represents less than the labour costs of keeping the older worker on the payroll for four months.

The desirability of a Scheme which provides encouragement for the concentration of redundancies among older workers is open to question. The costs of redundancy to older workers in terms of loss of earnings while unemployed usually exceed the compensation that is provided under the Scheme. Against this may be offset the increased productivity gained by the firms in question. We saw that the existence of this effect is hard to establish empirically and its magnitude does not appear to be large. Moreover, this gain in productivity is reaped exclusively by those fortunate enough to retain their jobs.

As mentioned earlier in this Section consideration might be given to the possibility of trying to confine redundancy to younger workers. Alternatively, the cost to employers of making older workers redundant might be increased by, for example, requiring them to pay part of the income maintenance received by the workers as long as they are unemployed. In this way, the brunt of the adjustment to changing patterns of demand would be borne by younger workers who are better able to cope with the problems involved. Continuity of employment would be guaranteed as far as possible to those whose prospects of re-employment following redundancy are poorest. In Ireland the prospects are for a decrease, both relatively, and even in the absolute numbers of older workers over the next decade. This implies that they will find it very difficult to obtain jobs in competition with an abundant supply of younger workers; and that the costs to the economy, as a whole, of greater stability of employment for these workers could be fairly painlessly spread over the growth in the total labour force. This type of policy towards redundancy has been implemented in some European countries where management, trade unions and state manpower agencies are involved in deciding who will be made redundant. The disadvantage of this proposal is the possible cost to industry in terms of reduced efficiency and flexibility. There is need for detailed research of the effects on productivity of retaining older workers and of their ability to adjust to new roles in employment.

(iv) Effects on non-qualified workers

We have repeatedly stressed the point that "qualified redundancies" are only a fraction of the total number of workers becoming unemployed. Probably the main reason for not qualifying under the Acts is the lack of two years' continuous service with one's last employer. Workers in certain inherently unstable occupations and industries, such as labouring or the Building and Construction sector, obviously face greater difficulty in attaining the continuity of service qualification than is the case in other

occupations and sectors. It may be the case that wages in these employments compensate for the greater instability of employment, but it is clear that the Redundancy Payments Scheme is an ineffective insurance system in this situation. In so far as the Scheme is designed to compensate for "property rights" in a job, it may be argued that workers in unstable occupations are rightly excluded from benefits. However, the Irish Scheme as presently structured contains an income maintenance element and it is illogical not to extend this part of the Scheme to those who experience the greatest difficulty in obtaining subsequent employment. Perhaps a more logical course of action would be to remove the income maintenance element from the Scheme and leave this function to the social welfare system. This coincides with the suggestion which we made independently of the considerations in this paragraph when we reviewed the lack of dovetailing between the weekly Redundancy Payment and the rest of the social welfare system.

(v) Effect on the Level of Employment

To the extent that the Scheme promoted increased labour productivity, it caused a fall in employment from what it otherwise would have been unless the increased productivity resulted in a higher level of production. We have seen, however, that the existence of a productivity effect is hard to establish, and its magnitude does not appear to have been very substantial.

The Scheme may have influenced the level of employment through its implications for the costs of hiring and dismissing workers. The Redundancy Fund is financed mainly by a tax on employment. Although it has grown much more rapidly than wages, this tax amounts to less than 1 per cent of total labour costs, and is unlikely to have had a significant employment-depressing effect. Any employment-depressing effects that it has had are likely to have been concentrated in sectors of the economy where there is a high female labour content. However, we have no empirical evidence of the existence of this effect, and it would be virtually impossible to separate the effect of the redundancy contribution from that of social welfare contributions in general.

The Scheme was designed to provide an insurance against redundancy. Although the employer remains responsible for at least 30 per cent of the statutory redundancy payments, the net effect has been to subsidise the costs of making workers redundant by financing up to 70 per cent of the statutory payments from a state fund. Undoubtedly, in the absence of the Scheme, employee resistence to redundancies would have been much stiffer

over the past decade. To the extent that the Scheme has acted to facilitate redundancies, it runs counter to government policy in other areas which is aimed at maintaining and expanding employment. Moreover, by affording an insurance to qualified workers which is not available to all, the Scheme may tend to increase the difficulty of access by certain categories of workers, especially the young, the elderly, and women, to stable employment where they would build up the length of service necessary to qualify under the Scheme. In this respect, the Scheme resembles the social welfare system as a whole, which has financed vastly improved benefits mainly through a tax on employment which bears hardest on the lower paid worker and may have had significant employment-reducing effects.

(vi) Duration of Unemployment and Work Incentives

The first point which must be emphasised in relation to the duration of unemployment experienced by those in our sample is that the overall record of re-employment was good, especially among men. This record is particularly impressive in view of the chronically high unemployment rate in Ireland: in 1972 the non-agricultural unemployment rate averaged 8·1 per cent, and over a quarter of unemployed men in urban areas were recorded as having no work during the previous twelve months. The fact that a high proportion of our sample succeeded in obtaining new employment in the face of the high overall unemployment rate suggests that there is a substantial variation between labour force categories with respect to re-employment prospects. It draws attention to the fact that the overall unemployment rate is made up of different components, one of which could be named "job changers" and the other the "long-run unemployed". It is obvious that the degree of hardship experienced by these two components is radically different, and that labour market policy should be concentrated mainly on the latter.

The minority of our sample who did not obtain employment within a year or even two years after losing their jobs deserve special attention, since they are the people for whom the costs of redundancy are especially high. The probability of obtaining re-employment is related to characteristics of the job-seeker (such as age and skill level) and perhaps also to the industry in which he has worked or the area of the country where he lives. Older and less skilled workers experience far greater hardship in obtaining new employment than do younger and more skilled workers, for whom the experience of redundancy does not seem to pose a special problem. It follows, therefore, that the resources of the Scheme should be more narrowly concentrated on the elderly and the unskilled because they are

most likely to experience severe hardship after losing their jobs. Their plight has presumably been exacerbated by the much higher unemployment rate now prevailing than was the case at the time of our interviews.

Our findings suggest that some element of work disincentive is present in the Redundancy Payments Scheme. The two types of payment incorporated in the Scheme—the lump sum and the weekly payments—have different effects on the incentives facing redundant workers. The lump sum increases the income of the redundant workers without altering the costs of remaining unemployed, whereas the weekly redundancy payment is equivalent to a tax on earnings from employment because it ceases if the worker accepts another job. By lowering the returns to accepting offers of employment, the weekly redundancy payment may be expected to increase the amount of time spent unemployed by the typical redundant worker[19]. The lump sum does not change the relative prices of work and unemployment, and any effect on the duration of unemployment would occur only to the extent that an increase in the living standards of an unployed person might allow him to spend more time looking for work, or in leisure, than would otherwise be possible. This "income effect" is likely to be much smaller than the "substitution effect" of the weekly payment.

The actual impact of the Scheme on the behaviour of redundant workers is an empirical question on which the findings of Section 6 of this report shed some light. The evidence suggests that the number of weekly payments to which a worker is entitled does influence the length of time between becoming redundant and finding subsequent employment. This effect persists when allowance is made for the influence of other factors such as age, skill level, and earnings.

The importance of this effect lies not only in its implications for the interpretation of the unemployment statistics as a measure of the excess supply of labour, but also in its possible repercussions on wage rates and inflation[20]. By placing a relatively high floor under the income of redundant workers for a certain period after they become unemployed, the weekly redundancy payments tend to increase the minimum wage at which an offer of employment will be accepted. We found that those who were still unemployed at the time of our interview had in fact high reservation wages compared with the actual wages earned by those in employment.

[19]This may be modified somewhat by the fact that any unused entitlement to weekly payments remains credited against any future spell of unemployment.

[20]It could be argued that relatively high income while unemployed may, in the long run, have some beneficial effect on the unemployment rate by permitting a longer period of job search, so that the jobs which workers ultimately accept are more suitable than the first offers they receive.

As we pointed out earlier, the justification for the weekly redundancy payment when the Scheme was introduced in 1968 lay in the generally low level of State payments to the unemployed prevailing at that time. We have noted that for certain categories of workers this has changed dramatically since 1968. At present, those who qualify under the Redundancy Payments Scheme are also entitled to Unemployment Benefits and the pay-related supplement, which amount to a substantial proportion of average net industrial earnings. On the other hand, the category of the unemployed for whom State payments are lowest—those on Unemployment Assistance—would not normally qualify for redundancy payments. Thus, the income maintenance justification for the weekly redundancy payment has largely disappeared.

(vii) Redundancy and Manpower Policy

The results of our survey of redundant workers highlighted the extent to which the Scheme operates solely to compensate for job loss and provide for income maintenance. The survey showed almost no evidence that the Scheme had been used as an active instrument of manpower policy to assist redundant workers to become re-employed. This was apparant from the very small percentage of redundant workers who had any contact with agencies such as AnCO or the National Manpower Service after losing their job. There is little evidence that any attempts had been made to plan redundancies so that those becoming unemployed would be easier to re-employ. After losing their jobs most of the workers seemed to rely exclusively on informal channels of information about job opportunities. Very few of them changed residence in order to obtain re-employment.

Some of these features of the way the Scheme has operated are perhaps understandable in light of the generally depressed condition of the Irish labour market. However, the need for a much more active manpower policy aimed at reducing the prolonged unemployment experienced by some redundant workers is clear.

This policy should (*a*) provide information to employers and employees facing redundancies with a view to concentrating job losses among those who will experience least hardship, (*b*) provide advice directly to redundant workers on job opportunities, and (*c*) expand the resources devoted to retraining the redundant.

Suggestions for Reforming the Scheme

The major reforms in the Scheme suggested by our study are:

1. The flat-rate contributions ought to be replaced by an income-related levy.

2. The income maintenance features of the Scheme should be dovetailed with the social welfare system as a whole. Indeed, our findings could be interpreted as showing little justification for the present form of Redundancy Payments Scheme with its pronounced emphasis on income maintenance.

3. Thought should be given to provide some protection to workers whose occupations are characterised by very intermittent employment, who, although they experience frequent spells of unemployment, may never qualify for redundancy payments.

4. Much greater attention should be paid to involving the resources of the National Manpower Service and AnCO in the planning of redundancies and in helping those who are made redundant to find new jobs.

APPENDIX A

Sample Selection, Weighting, Biases and Sampling Errors

Sample Selection

A considerable amount of information about each member of the population under study was available from the records of the Departments of Labour and Social Welfare, and this information was utilised so as to make the sample selection procedure as efficient as possible.

First of all, those who were known to have died and those over 65 were excluded from the sample. This eliminated 67 persons. Females under 66 who were resident in "Rural" counties (see below) numbered only 46. In view of the higher costs of sampling in Rural areas, it was decided to eliminate this group entirely from the study. Of the 1,670 records from the Department of Labour, this left 1,557 from which the sample was to be selected.

Samples size was fixed by cost considerations at about 600. Two major issues had then to be decided: (i) what variables should be be used to stratify the population and (ii) how many persons should be sampled from each stratum.

Stratification Factors

Three variables were used to stratify the population: sex, area of residence and proportion of the previous two years spent in the labour force. Age was also considered as a possible stratification factor, but examination of the allocation achieved by the use of age in combination with the other factors convinced us that the gain achieved did not justify the trouble of re-weighting the different age groups. Seventy-five per cent (1,252) of those made redundant in 1972 for whom Social Welfare records were available were male and twenty-five per cent (418) were female. These two groups were utilised as strata and a uniform sampling fraction was appied to each stratum. This resulted in a sample of 450 males and 150 females. Three categories of area were defined: Dublin, Other Urban (i.e., counties with large towns, viz., Cork, Limerick, Waterford, Louth) and Rural (i.e., all other counties). The rationale for this division was that interviewing costs are appreciably higher in rural areas.

The final stratification factor used was the proportion of the previous two years spent in employment. The values of this variable were available from

the records of the Department of Social Welfare for 1,053 members of the population. It was, therefore, possible to divide the population into three strata: those people who had spent an above average proportion of the years 1972–73 in employment; those who had spent a below average proportion, and those about whom full information was not available from the Department of Social Welfare. The mean of this variable (0·69) was utilised as a stratum boundary.

Numbers Selected from each Stratum

The next step was to determine the number of persons to be selected from each stratum. Cochran (1963) shows that optimum allocation of a sample over the different strata is achieved when

$$n_h = n. \frac{N_h S_h/\sqrt{c_h}}{\sum_h (N_h S_h/\sqrt{c_h})}$$

where n_h = the number to be selected from the *h-th* stratum.
where n = the total sample size.
N_h = the total number of elements in stratum h.
S_h = the standard deviation of the values of the variable under study in stratum h.
c_h = the (relative) cost of sampling in stratum h.

Since the two sexes were to be represented proportionately in the sample, it was possible to select two separate samples, one of 450 males and another of 150 females. The "variable under study" was the proportion of the previous two years spent in employment. It was assumed that this variable would be closely related to most of the other variables of interest and that the allocation would, therefore, be optimal for as many important variables as possible. On the basis of previous experience at ESRI, it appeared likely that interviews in rural areas would cost about $1\frac{1}{3}$ times as much as interviews in Dublin or other large towns.

The values of the N_h, $(S_h/\sqrt{c_h})$ and N_h in the various strata are shown in Table A1. One-third of the sample was selected from the 617 respondents whose re-employment records were not available from the Depatrment of Social Welfare. Thus, 150 males and 50 females were selected from this group, distributed proportionately over the various areas. The remainder of the sample was selected by means of the above formula.

Response Rate and Weighting Factors

Table A2 gives the actual and desired sample sizes and the response rates in the various strata. With the exception of women who spent a less than average amount of time in employment, the response rate was 75 per cent or over in each cell. The overall response rate was 89·6 per cent. The explanation for the relatively low response rate among women with low employment may be that some of these moved on marriage, and could not be located by interviewers. However, the low response rate in this sub-group seems unlikely to introduce major biases into the sample, and on the whole the response rate seems satisfactory.

Since the sample utilised unequal sampling fractions in the various strata, it was necessary to weight the responses in the survey to obtain unbiased estimates of the population means, totals and percentages. This weighting system also incorporated an adjustment for any biases arising from unequal response rates. Thus, to estimate the mean of a variable X from the survey, we calculate

$$\hat{\bar{X}} = \frac{1}{\mathcal{N}} \sum_{h=1}^{15} \sum_{i=1}^{n_h} X_{hi} \left(\frac{\mathcal{N}_h}{n_h} \right)$$

where $\hat{\bar{X}}$ = the estimated mean of X.
$\mathcal{N}$ = the total number in the survey population.
h = the sub-script for the cell (as shown in Table A1) to which the individual belongs.
n_h = the number of individuals in the sample in cell h.
$\mathcal{N}_h$ = the number of individuals in the population in cell h.
X_{hi} = the value of variable X for the i-*th* member of cell h.

The term in parentheses $\left(\frac{\mathcal{N}_h}{n_h} \right)$ is known as a weighting or grossing factor and the full set of such factors as used in the study are shown in Table A3. All the proportions, means and totals presented in the study have been weighted in this way.

Biases

The distinction between bias and sampling error (or sampling variance) is fundamental in sampling theory. Bias refers to systematic exclusion of individuals with certain characteristics from the sample chosen. It commonly arises from faulty selection procedures, non-response or bad questionnaire design. The magnitude of the bias is usually unknown and no matter

TABLE A1: *Values of* N_h, $(S_h/\sqrt{c_h})$ *and* n_h *in the various strata*

Area		Males				Females				Total
		*Low employment**	*High employment**	*Employment* unknown*	*All males*	*Low employment**	*High employment**	*Employment* unknown*	*All Females*	
Dublin	N_h	75	169	167	411	59	81	73	213	624
	$S_h/\sqrt{c_h}$	0·2004	0·0822	—	—	0·1300	0·0951	—	—	—
	n_h	51	48	51	150	28	28	29	85	235
Other urban	N_h	98	220	180	498	52	40	55	147	645
	$S_h/\sqrt{c_h}$	0·2210	0·0875	—	—	0·1595	0·882	—	—	—
	n_h	74	66	55	195	31	13	21	65	260
Rural	N_h	58	88	142	288					288
	$S_h/\sqrt{c_h}$	0·1887	0·0747	—	—					—
	n_h	38	23	44	105					105
All areas	$\sum N_h$	231	477	489	1,197	111	121	128	360	1,557
	$\sum n_h$	163	137	150	450	59	41	50	150	600

*Low employment means that the person spent less than 69% of the years 1972–74 in employment.
High employment means that the person spent 69% or more of the years 1972–74 in employment.

TABLE A2: *Desired an actual number of interviews, together with proportionate response rate*

Area		Males				Females				Total (both sexes)
		Low* employment	High* employment	Employ-ment* unknown	All males	Low* employment	High* employment	Employ-ment* unknown	All Females	
Dublin	Desired n_h	51	48	51	150	28	28	29	85	235
	Actual n_h	38	38	42	118	17	24	23	64	182
	Response rate per cent	74·5	79·2	82·4	78·7	60·7	85·7	79·3	75·3	77·4
Other urban	Desired n_h	74	66	55	195	31	13	23**	67**	262**
	Actual n_h	61	58	49	168	23	13	23	59	227
	Response rate per cent	82·4	87·9	89·1	86·2	74·2	100·0	100·0	88·1	86·6
Rural	Desired n_h	38	23	44	105					105
	Actual n_h	36	19	39	94					94
	Response rate per cent	94·7	83·6	88·6	89·5					89·5
All areas	Desired n_h	163	137	150	450	59	41	52**	152**	602**
	Actual n_h	135	115	130	380	40	37	46	123	503
	Response rate per cent	82·8	83·9	86·7	84·4	67·8	90·2	88·5	80·9	83·6

*Low employment means that the person spent less than 69% of the years 1972–74 in employment.
High employment means that the person spent more than 69% of the years 1972–74 in employment.

**This includes two respondents from the pilot whose replies were suitable for inclusion in the main study.

TABLE A3: *Weighting factors used in the study*

Area	*Males*			*Females*		
	Low employment*	*High† employment*	*Employment unknown*	*Low† employment*	*High* employment*	*Employment unknown*
Dublin	1·9737	4·4474	3·9762	3·4706	3·3750	3·1739
Other urban	1·6066	3·7931	3·6735	2·2609	3·0769	2·3913
Rural	1·5263	4·6316	3·6410	—	—	—

*Low employment means that the respondent spent less than 69% of the years 1972–74 in employment.
†High employment means that the respondent spent more than 69% of the years 1972–74 in employment.

how large a sample is selected, the bias will remain. Sampling variance, on the other hand, refers to the variations in the estimates of a certain characteristic which arise from selecting different samples of the same size from a given population. This variance can be calculated and used to derive confidence intervals. The sampling variance approaches zero as the sample size approaches the population size.

If we take as the target population "all those made redundant in the first quarter of 1972", there are three points at which bias may have crept into our selection procedure.

(i) The first of these points was when we were obtaining the original 1,803 records from the Department of Labour. We saw above (Section 2) that the number of notified redundancies in the period in question was 2,643. Bias at this stage would mean that the 840 records which we could not obtain were systematically different from the 1,803 that we succeeded in getting. We do not believe that this bias was serious, for two reasons: (*a*) quite a high proportion of these were people whose redundancies did not materialise[21] and hence did not form part of the target population. (*b*) Table 2 above shows that the industrial breakdown of our sample was very similar to that of all notified redundancies.

(ii) The second point at which some selection bias may have crept in was when we obtained the data from the Department of Social Welfare. As was seen above, 133 individuals could not be located in the Department's files. The question therefore arose as to whether these workers were systematically

[21]The Redundancy Payments Act has an incentive for the employer to notify possible redundancies even if these do not materialise, since "a bonus of 1½ per cent of that portion of a lump-sum up to the equivalent of 20 weeks' pay will be added to (the employer's) rebate in respect of each extra week of notice given by the employer" (Dept. of Labour 1974, p. 22).

different from the 1,670 whose records were obtained. The columns headed "Missing Records" in Table A4 provide some fairly reassuring evidence on this point. These columns give the values of χ^2 which were obtained on the null hypothesis that the 133 workers did not differ from the overall population of 1,803. Out of the seven variables tested, only two show significant divergences for males and only one for females. Even in these cases, examination of the frequency distributions involved suggests that the test was picking up arbitrary fluctuations rather than systematic exclusion of certain groups. For instance, the significant χ^2 value of 14·4 for males on the Normal Pay variable arose mainly because 15·6 per cent of males whose records were missing were in the £10–15 category compared with only 6·3 of the population. However, the opposite pattern was observed in the £15–20 category. About 12·2 of the missing records fell into this category compared with 18·0 of the total population. Both of these divergences made substantial contributions to the χ^2 value, but if we had amalgamated the categories and looked at the "£10–20 group" the χ^2 value would not be significant.

TABLE A4: *X^2 values to test the divergence from expectation of the distributions of certain variables in the missing data sub-population.*

Variable	*Degrees of freedom*	*Males*		*Females*	
		Missing Records (a)	*Incomplete information (b)*	*Missing records (a)*	*Incomplete information (b)*
Lump sum received	19	26·5	18·6	16·0	11·1
Country in which made redundant	8	6·0	3·6	6·8	7·5
Normal week's pay before redundancy	7	14·4*	4·2	26·9**	1·4
Occupation	8	11·1	14·2	14·1	3·6
Length of service before redundancy	6	17·6*	4·2	6·7	9·5
Age	7	8·7	29·6**	4·2	13·1
Industry in which employed before redundancy	12	6·9	17·2	17·1	8·9

(*a*) "Missing records" denotes the group of 123 individuals (90 males and 33 females) who were made redundant in 1972 but whose insurance cards could not be located by the Department of Social Welfare.

(*b*) "Incomplete information" refers to the group of 644 individuals (490 males and 154 females) whose Social Insurance records accounted for less than 96 weeks in the insurance years 1972/73 and 1973/74.

*Value significant at the 95 per cent level.

**Value significant at the 99 per cent level.

(iii) The third possible source of bias occurred when we were deriving the data on which the regression of duration of unemployment in Section 7 was based. We adopted the rule that any individual whose insurance record accounted for less than 96 weeks in the two years following redundancy was to be excluded. This rule eliminated 490 males and 154 females. The columns headed "Incomplete Information" in Table A4 show the χ^2 values based on the null hypothesis that the distribution on the variables listed of the individuals about whom information was incomplete was the same as that of the total population. Only one variable, age, showed substantial divergence from expectation. This probably arose from the fact that older workers tended to leave the labour due to retirement. The inclusion of more older workers in the data on which the regressions in Section 6 were based would probably have reinforced the effect of age on re-employment prospects.

A further test of the presence of bias from this source comes from an analysis of the "employment unknown" sub-group in the survey. Table A5 shows the values of various variables for this sub-group and the re-

TABLE A5: *Comparison of means in the "Known employment" and "Unknown employment" strata*

Variable		*Mean in "Known employment" stratum*	*Mean in "Unknown employment" stratum*	*Significance of difference (t-value)*
Reported take-home pay before redundancy	£	19·08	20·46	4·80**
Number of jobs held since redundancy	No.	1·35	1·37	0·66
Reported take-home pay in most recent job	£	25·94	26·03	0·22
Number of spells of unemployment since redundancy	No.	1·17	1·20	0·82
Number of dependent children	No.	1·44	1·29	1·85
Number of months unemployed before getting first job after redundancy	Month	7·27	9·62	6·45**
Number of months unemployed since redundancy	Month	8·23	8·99	2·31*
Percentage in unions	%	79·3	71·1	3·49**
Percentage who had changed address	%	14·5	20·3	3·89**
Percentage who were satisfied with the way in which the scheme had operated	%	63·9	72·9	7·86**
Percentage male	%	75·8	79·3	1·84
Percentage skilled	%	32·9	34·0	0·60

*Indicates a difference significant at the 95% level.

**Indicate a difference significant at the 99% level.

mainder of the sample (i.e., those whose employment histories were known before sampling). This table suggests that there is a greater divergence between the "known" and "unknown" strata than would be expected from Table A4. Members of the "unknown" stratum seem to be slightly better off in terms of pre-redundancy income, to have spent longer out of a job and to be more mobile than those in "known" stratum.

Sampling Errors

Any enumeration which includes less than 100 per cent of the population runs the risk of producing unrepresentative results. One of the great advantages of random methods of sample selection is that the probability of such errors is calculable. The standard error (the standard deviation of the sampling distribution of the mean) and the confidence interval (roughly speaking, the range within which the true value is likely to be) are the commonest measures of sampling error.

In the present study, sampling error applies only to the randomly selected sub-sample of 503 individuals whom we interviewed. The other two groups of workers (i.e., the 1,803 original records from the Department of Labour and the 1,670 of these which could be traced in the files of the Department of Social Welfare) were not randomly selected from the target population. Hence, the only way to ascertain whether these sub-groups were representative of this population or not was to check for biases on known variables, as was done in the previous section.

Cochran (1963) shows that the standard error for the mean of a variable based on a stratified random sample of the type used in the present study may be estimated as follows:

$$s(\bar{y}_{st}) = \sqrt{Var(y_{st})} = \sqrt{\frac{1}{N^2}\sum_{h=1}^{L} N_h(N_h - n_h)\frac{s_h^2}{n_h}}$$

where $\bar{y}_{st}$ = the mean of y as estimated from a stratified random sample.

N = the total number in the population.

h = subscript to denote stratum.

N_h = the number in the population from stratum h.

n_h = the number in the sample from stratum h.

$$s_h^2 = (1/(n_h - 1)) \cdot \sum_{i=1}^{n_h} (y_{hi} - \bar{y}_h)^2$$

= the estimated variance of y in stratum h.

The standard error for a total Y is estimated by Ns. The confidence interval for the mean is given by:

$$\bar{y}_{st} \pm t\sqrt{s(\bar{y}_{st})}$$

where t determines the probability level and can be read from tables of the normal distribution (for example, $t = 1{\cdot}96$ gives 95 per cent confidence). The same basic formula applies to the estimation of standard errors and confidence intervals for a proportion p except that s_h^2 may be replaced by the simpler expression $p_h\,(1-p_h).\left(\frac{n_h}{n_h-1}\right)$ where p_h is the proportion in stratum h having the attribute in question.

Table A6 gives an idea of the order of magnitude of the standard errors

TABLE A6: *Estimated means, sampling variances and confidence intervals for a selection of variables from the study*

Variable	*Unit*	*Estimated mean*	*Estimated sampling variance*	*Ninety-five per cent confidence interval*
Reported take-home pay before redundancy	£	19·62	0·083	0·56
Number of jobs held since redundancy	No.	1·36	0·002	0·08
Reported take-home pay in most recent job	£	25·97	0·164	0·79
Number of spells of unemployment since redundancy	No.	1·18	0·001	0·07
Number of dependent children	No.	1·38	0·007	0·16
Number of months before getting first job after redundancy	Months	8·16	0·133	0·71
Number of months employed since redundancy	Months	8·52	0·108	0·65
Percentage in unions	%	76·1	5·528	4·61
Percentage who had changed address	%	16·0	2·227	2·93
Percentage who were satisfied with the way the scheme operated	%	67·2	1·313	2·25
Percentage male	%	76·8	3·631	3·73
Percentage skilled	%	33·1	3·317	3·57

of a selection of variables from the present study. The precision achieved in the sample seems quite satisfactory since all the confidence intervals are small relative to the means of the variables. Of course, the confidence intervals for estimates in sub-groups of the sample (e.g., the percentage of females in trade unions) would usually be larger than those shown. This should be borne in mind when interpreting the results of the study.

APPENDIX B

Additional Tables

TABLE B1: *Redundancies classified by industry and sex, and mean age in each industry*

Industrial group	*Numbers*		*Mean age (years)*	
	Males	*Females*	*Males*	*Females*
Food, drink, tobacco	317	127	40	40
Textiles, clothing, leather	134	105	43	41
Engineering	182	27	33	39
Other manufacturing*	98	28	40	44
Building, construction	236	5	43	37
Transport, communications, Gas, Water, electricity	73	31	42	42
Distribution	55	39	46	28
Public administration, Professions +finance	29	35	43	50
Personal services	51	28	43	44
Entertainment	25	22	41	53
Agriculture + Fishing	101	1	51	52
Other	38	3	33	49
Unspecified	1	—	31	—
Total (numbers)	1,340	451		

*Woodworking, Vehicle Assembly, Fertilisers, Paper, Mining, Bricks etc.,
(Number of missing observations = 12.)

TABLE B2: *Redundancies classified by occupation and sex, and mean age in each occupation.*

Occupational group	*Numbers*		*Mean age (years)*	
	Males	*Females*	*Males*	*Females*
Non-manual				
Clerical-regular	39	80	42	31
Clerical-supervisors	29	11	37	48
Shop assistants	17	28	40	34
Service workers	15	59	47	49
Manual				
Foremen, supervisors	83	12	45	44
Skilled workers	300	20	40	41
Semi-skilled workers	318	127	39	41
Unskilled workers	530	109	42	45
Unknown	7	4	56	50
Total	1,330	450	Mean = 41·0 Median = 39·6	Mean = 41·2 Median = 43·3

(Number of missing observations = 15.)

TABLE B3: *Percentage of each age group earning certain amounts of normal pay, classified by sex*

Age / Pay	*Males* Under 25	25–34	35–44	45–54	55–59	60–64	65	*All ages*	*Females* Under 25	25–34	35–44	45–54	55–59	60–64	65	*All ages*
£/Week	*Percentage*								*Percentage*							
Under £5	—	—	—	—	—	—	—	—	—	—	—	—	—	3·8	—	0·2
£5–£9	2·0	—	1·7	—	—	0·8	2·6	0·9	12·2	14·7	21·1	18·5	6·5	15·4	15·6	15·4
£10–£14	17·5	2·2	2·2	2·0	4·7	7·3	9·6	6·3	43·3	28·0	35·2	34·3	39·1	30·8	56·3	37·1
£15–£19	22·8	7·9	10·3	19·5	30·2	28·2	26·3	18·0	38·9	42·7	33·8	40·7	45·7	42·3	21·9	38·8
£20–£24	31·7	27·3	26·3	34·0	29·2	29·0	36·8	30·1	5·6	9·3	5·6	5·6	8·7	7·7	3·1	6·5
£25–£29	15·0	31·1	28·9	23·0	17·9	23·4	14·0	23·3	—	2·7	2·8	—	—	—	—	0·9
£30–£34	5·7	19·4	15·1	12·0	11·3	3·2	7·0	11·8	—	1·3	1·4	0·9	—	—	3·1	0·9
£35 and over	5·3	12·1	15·5	9·5	6·6	8·1	3·5	9·5	—	1·3	—	—	—	—	—	0·2
Mean	£21·0	£27·1	£27·4	£25·1	£24·5	£22·8	£22·2	£24·9	£13·8	£16·6	£14·9	£14·4	£15·3	£14·7	£13·5	£14·8
n =	246	315	232	200	106	124	114	1,337	90	75	71	108	46	26	32	448

(Number of missing observations = 18.)

TABLE B4: *Marital status, classified by age and sex*

	Age group						
	Under 25	25–34	35–44	45–54	55–59	60–64	*All ages*
				Males per cent			
Single	67·1	22·2	18·4	22·5	14·0	16·6	27·1
Married	32·9	77·8	81·6	73·1	72·6	76·9	69·7
Widowed, Separated, etc.	—	—	—	6·4	13·4	6·5	3·2
				Females per cent			
Single	86·2	44·1	48·2	30·0	65·4	66·7	52·9
Married	13·8	55·9	47·8	59·1	18·1	25·0	40·2
Widowed, Separated, etc.	—	—	4·0	10·8	16·5	8·3	6·9

(n = 502.)

TABLE B5: *Percentages of males and females having different numbers of dependant children*

	Number of dependent children						
	0	1	2	3	4	5	6+
Males	51·3	10·0	11·9	10·8	5·7	5·2	5·0
Females	71·5	8·8	6·3	5·4	2·7	0·9	5·3

(n = 497.)

TABLE B6: *Type of education last attended, classified by age at redundancy and sex*

Type of education	Age group						
	Under 25	25–34	35–44	45–54	55–59	60–64	*All ages*
				Males per cent			
Primary	45·5	54·9	60·4	75·6	74·2	86·8	64·3
Vocational/ Commercial	37·6	29·3	19·5	8·6	3·7	2·0	19·1
Secondary	16·9	14·4	20·1	15·8	22·1	11·2	16·3
Other	—	1·4	—	—	—	—	0·3
				Females per cent			
Primary	34·2	50·1	79·8	93·0	87·7	69·5	72·4
Vocational/ Commercial	23·2	35·7	12·3	3·4	—	13·0	13·0
Secondary	42·7	7·4	7·9	3·6	12·3	17·4	13·8
Other	—	6·8	—	—	—	—	0·9

(n = 500.)

TABLE B7: *Age when left school, classified by age at redundancy and sex*

Age when left school	*Age group* Under 25	25–34	35–44	45–54	55–59	60–64	*All ages*
				Males per cent			
13 and under	—	1·4	7·4	6·3	15·3	18·7	6·1
14	46·6	51·4	44·0	56·3	37·1	60·8	50·1
15	17·5	9·1	10·5	11·1	14·9	8·0	11·7
16	19·8	14·7	21·5	15·8	12·2	9·4	15·9
17 and over	16·1	23·4	16·6	10·4	20·4	8·0	16·1
				Females per cent			
13 and under	—	—	6·9	15·7	11·6	—	7·4
14	34·0	41·9	68·4	58·7	54·6	56·5	53·6
15	—	21·5	12·4	19·4	15·6	—	13·1
16	34·6	10·2	8·3	2·6	12·1	21·7	12·9
17 and over	31·4	26·5	4·0	3·6	6·1	21·7	12·9

(n = 493.)

TABLE B8: *Proportion of males and females who had served an apprenticeship or had special training, classified by age group*

	Age group Under 25	25–34	35–44	45–54	55–59	60–64	*All ages*
Males							
Percentage who had served an apprenticeship	40·1	30·0	42·6	25·7	25·8	17·9	31·7
Percentage who had special training	31·0	18·1	16·9	15·0	4·9	1·0	16·2
Females							
Percentage who had served an apprenticeship	4·2	11·9	12·0	9·7	6·0	45·8	11·5
Percentage who had special training	17·4	27·5	—	3·6	6·1	—	8·3

(n = 502.)

APPENDIX C

Incidence of Redundancies and its relationship with Unemployment

In this Appendix we discuss several aspects of the relationship between notified redundancies and the numbers registered as unemployed.

In Table C1 we set out quarterly data on notified redundancies by sex over the period 1968–76 (the annual totals were shown in Table 2.1). The measure of unemployment that is logically closest to the redundancy series is the numbers claiming Unemployment Benefit who have been continuously registered as unemployed for less than one week. This figure, which we refer to as entrants to the UB category, is available four times a year, from the analysis of the duration of unemployment conducted in a week in February, May, August and November. Table C1 shows this series for males and females, 1968–76. In Figure C1 we present a graph of the two redundancy series, seasonally adjusted using the additive option of the X–11 program. This figure clearly shows the very sharp peak in redundancies reached in the second quarter of 1975 for males. For females, the peak was spread over the period from the last quarter of 1974 to the second quarter of 1975.

There are several reasons why we should not expect a very close relationship between notified redundancies and any measure of unemployment based on the Live Register.

1. Some notified redundancies may not materialise.

2. There is an incentive to provide advance notification of redundancies, and hence the actual occurrence may lag by an unknown interval behind the notification. The information from our sample suggested an average of 5 weeks' notice was given to employees.

3. Our measure of entrants to the Unemployment Benefits category relates to a single week in each quarter, rather than to the quarter total.

4. Most importantly, many of the "entrants to Unemployment Benefit" would not qualify for redundancy payments. This applies especially to those who experience frequent spells of unemployment and fail to accumulate two years' continuous service between each spell.

TABLE C1: *Notified redundancies and new claimants of unemployment benefit, by sex, 1968–76*

		Notified redundancies		*New claimants of Unemployment benefit*	
Year	*Quarter*	*Males*	*Females*	*Males*	*Females*
1968:	I	710	265	1,723	580
	II	906	194	1,517	646
	III	623	160	1,393	477
	IV	867	138	1,816	627
1969:	I	861	202	1,977	791
	II	863	130	1,006	335
	III	706	186	944	287
	IV	543	205	1,446	522
1970:	I	708	267	1,868	466
	II	672	245	1,560	469
	III	685	208	1,303	492
	IV	850	261	1,613	700
1971:	I	1,419	512	1,733	657
	II	1,493	321	1,323	647
	III	1,377	427	1,309	592
	IV	2,284	723	1,934	723
1972:	I	1,964	679	1,776	690
	II	1,964	979	1,309	537
	III	1,385	674	1,309	638
	IV	1,628	886	1,570	568
1973:	I	1,549	533	1,629	597
	II	1,400	633	1,083	490
	III	1,235	390	1,051	505
	IV	1,171	593	1,386	534
1974:	I	1,544	930	1,462	706
	II	1,446	650	1,693	566
	III	1,815	699	1,442	987
	IV	2,678	1,440	1,962	1,261
1975:	I	3,092	1,235	2,017	1,167
	II	4,526	1,398	1,981	1,028
	III	3,237	874	2,068	1,117
	IV	3,908	734	2,556	992
1976:	I	2,556	880	2,116	1,013
	II	2,795	805	1,818	1,094
	III	2,167	661	1,723	1,188
	IV	2,155	745	1,832	995

Source: *Irish Statistical Bulletin*, various issues, and unpublished quarterly analysis of Live Register.

FIGURE C1 (a): Redundancies Male Seasonally Adjusted 1968-1976

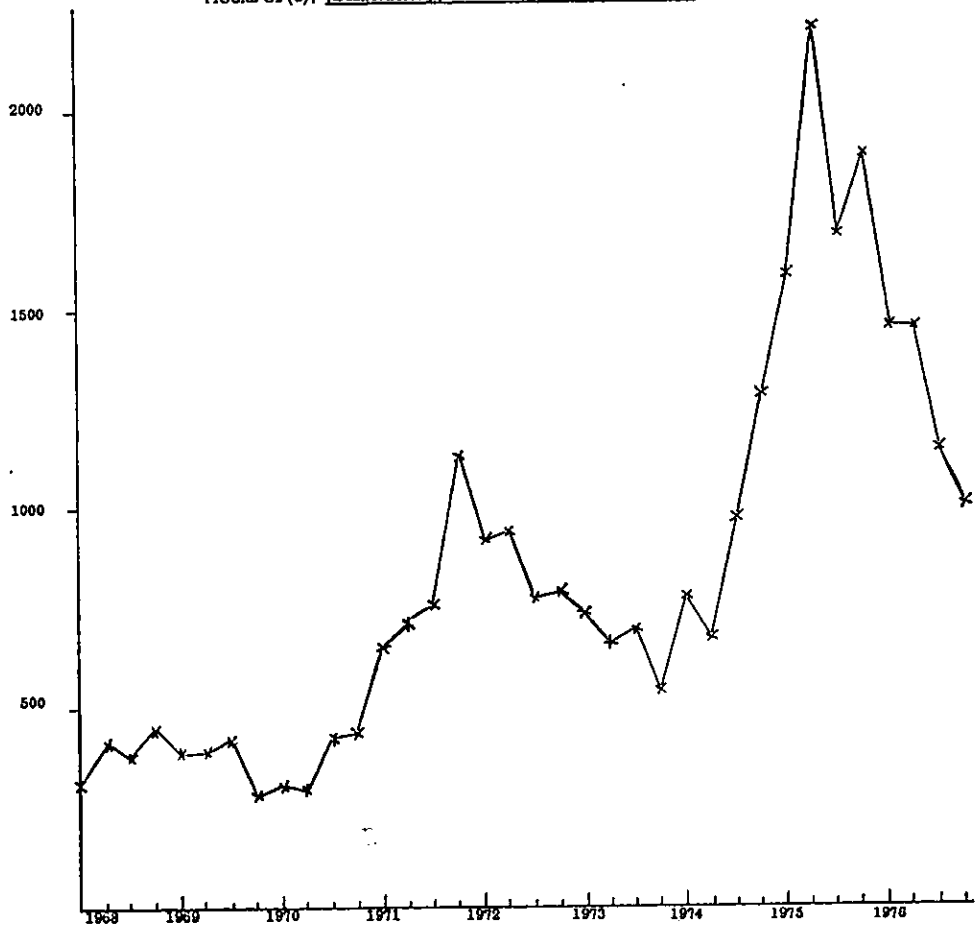
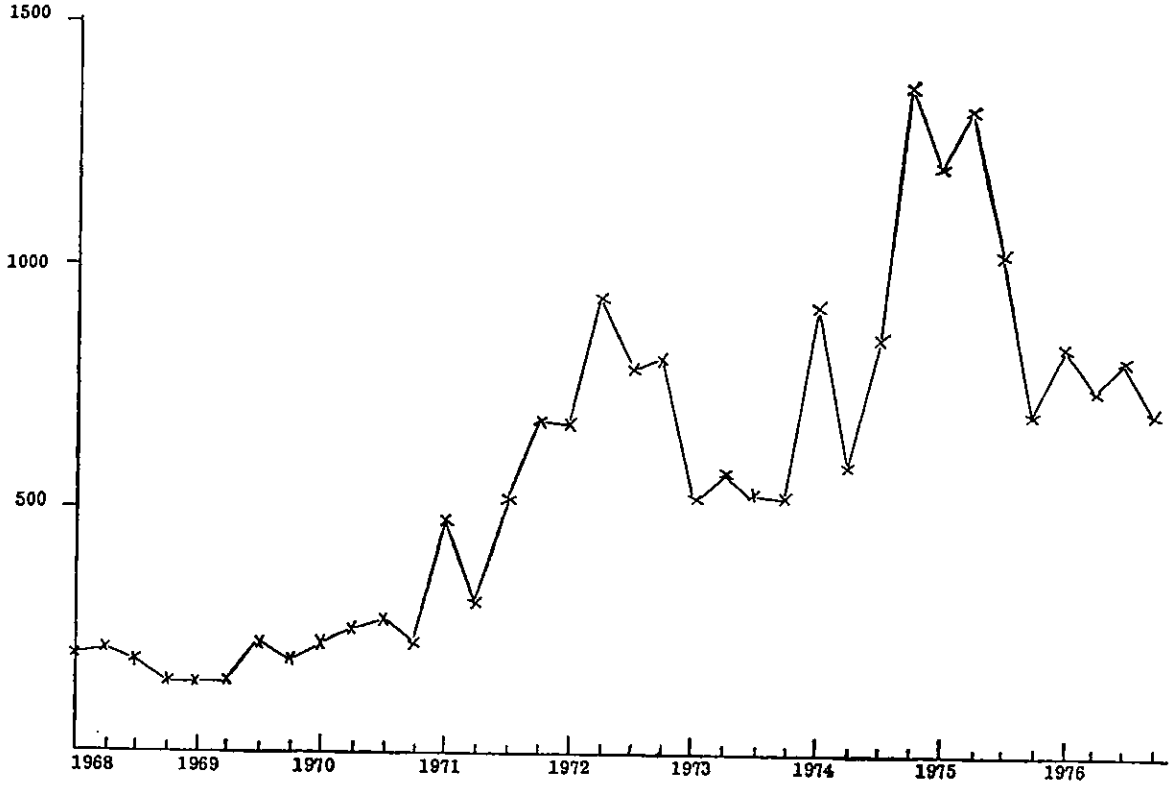


FIGURE C1(b): Redundancies Female Seasonally Adjusted 1968-1976.



Nevertheless, it would be strange if no relationship were found between the redundancy and the unemployment figures. To establish the existence of this relationship we regressed the Unemployment Benefit series on the redundancy series and a set of seasonal dummy variables. In order to allow for the possibility of a lag between the notification of a redundancy and the appearance of a new claimant of Unemployment Benefits we present results with redundancies lagged one period and with the lagged value of the dependent variable[22]. To allow for the change in the legislation in 1971, which reduced the number of years service necessary to qualify under the Scheme from four to two, we have estimated all the equations for two separate sub-periods. In the second sub-period, running from 1971:4 to 1976:4 we introduce a dummy variable PAYREL to test whether the substantial increase in entitlement to unemployment compensation caused by the introduction of the pay-related supplement in 1974 occasioned an increase in the number of new claimants of UB which was not associated with an increase in the number of redundancies notified.

The regression results are set out in Table C2. The major conclusions drawn from these results are:

1. The fit between UBNEW and RED is closer in the second sub-period. In the earlier sub-period, there is generally no significant relationship between the two series.

2. The lags between notification of redundancy and the appearance of a new UB claimant appears to be brief. The results from the distributed lag specifications suggest that about 70 per cent of the total effect of RED on UBNEW is felt in the first period.

3. The PAYREL variable is highly significant in all equations for the second sub-period and indicates that the introduction of pay-related supplement increased the number of new claimants of UB by about 250 males and 400 females weekly. This substantial effect is consistent with results obtained from an entirely different approach to testing how the pay-related supplement affected measured unemployment (Walsh, 1976).

[22]The linear model presented here presumes a constant relationship between redundancies and UBNEW. To allow for the possibility that the proportion of new claimants who are qualified redundancies rises as unemployment increases, we also estimated equations of the form, RED = a+b log UBNEW, where the slope of RED with respect to UBNEW = $\frac{b}{\text{UBNEW}}$, and decreases as UBNEW rises. We found no substantial differences between the results in this specification and those reported in Table C2.

TABLE C2: *Number of new claimants of unemployment benefits (UBNEW) regressed on number of notified redundancies (RED), a set of seasonal dummies (S_1, S_2, S_3) and a dummy for the introduction of the pay-related supplement to unemployment benefits (PAYREL).*

(t-ratios in parentheses)

Dependent Variable	*Independent Variable*								$\bar{R}^2$	*DW*
=UBNEW	*Red*	Red_{-1}	$UBNEW_{-1}$	S_1	S_2	S_3	*PAYREL*	*Intercept*		
Males:										
1968:1–1971:3										
	−0·001			200·4	−273·3	−387·7		1626	0·53	1·1
	(0·007)			(1·5)	(2·1)	(3·0)		(10·7)		
		−0·06		239·5	−257·5	−368·1		1667	0·51	0·9
		(0·3)		(1·7)	(1·9)	(2·6)		(10·3)		
	−0·027		0·44	58·2	−538·8	−446·5		1107	0·56	
	(0·2)		(1·9)	(0·4)	(2·9)	(3·7)		(3·5)		
1971:4–1976:4										
	0·24			−9·6	−350·6	−300·3	251·3	1202	0·83	1·5
	(5·4)			(0·1)	(4·5)	(3·7)	(3·2)	(12·4)		
		0·21		−144·5	−383·5	−502·9	286·1	1329	0·80	1·8
		(4·7)		(1·6)	(4·6)	(5·8)	(3·6)	(15·2)		
	0·20		0·21	−104·8	−406·4	−326·7	193·4	1008	0·83	
	(4·1)		(1·5)	(1·1)	(4·9)	(4·1)	(2·3)	(6·4)		
Females:										
1968:1–1971:3										
	0·45			−42·4	−101·6	−174·1		526	0·11	1·5
	(1·5)			(0·5)	(1·3)	(2·2)		(6·3)		
		0·75		9·1	−187·6	−182·8		477	0·22	1·4
		(2·2)		(0·1)	(2·1)	(2·4)		(5·6)		
	0·36		0·32	−86·1	−164·3	−203·5		412	0·07	
	(1·2)		(1·2)	(0·9)	(1·8)	(2·5)		(3·3)		
1971:4–1976:4										
	0·34			27·1	−153·3	70·6	372·8	367	0·83	1·4
	(3·6)			(0·5)	(2·7)	(1·2)	(8·0)	(4·5)		
		0·09		9·2	−165·8	−25·5	427·9	576	0·72	1·9
		(0·7)		(0·1)	(2·2)	(0·3)	(6·8)	(7·1)		
	0·28		0·33	21·5	−136·9	101·1	245·8	215	0·85	
	(3·1)		(2·4)	(0·4)	(2·7)	(1·8)	(3·6)	(2·2)		

These results do not allow direct estimation of the proportion of UBNEW who are entitled to redundancy payments. However, the coefficients of RED in the second sub-period, 0·24 for men and 0·34 for women, if multiplied by 13 to convert from a weekly to a quarterly basis, suggest that for each notified redundancy there may be as many as 3 (men) or 4 (women) new claimants of UB. Bearing in mind that there are also entrants to the Live Register who receive only Unemployment Assistance, this supports the view that only a minority of the newly unemployed are entitled to redundancy payments.

Another way of trying to estimate what proportion of the newly unemployed are entitled to redundancy payments is to consider that during 1976 there was a total of 12,764 notified redundancies. The number of persons on the Live Register for less than 1 week (average of the figures for a week in February, May, August and November) was 3,890 (excluding farmers, those aged over 65, and those applying for credits). If this weekly average is taken as representative of the year, then we obtain a figure of 202,280 (=3,890 x 52) separate spells of unemployment during 1976. This is almost 16 times the number of redundancies notified. It is obvious from these figures that the chances of a person coming on the Live Register being entitled to redundancy payments are low: the vast majority of entrants to the Live Register are not qualified redundancies[23].

Another source of information on the level of redundancies is the Industrial Development Authority's data on "gross job creation". According to figures in the Authority's 1975 Annual Report, gross job creation in manufacturing industry totalled 48·5 thousand between 1973–75. The numbers employed in industry actually *declined* by 10,000 over this interval, suggesting that 58·5 thousand jobs were lost due to redundancies and retirement etc. This compares with a total of 20,553 notified redundancies in manufacturing industry over the same period. Although the estimate of jobs lost based on IDA data is inflated to the extent that the figure for "gross job creation" is inflated, this calculation further supports the view that only a minority of those becoming unemployed qualify under the Redundancy Payments Scheme.

In Table C3 we set out the rate of notified redundancies and the unemployment rate by industry for 1972 and 1975. There are some very marked contrasts in the ratio of redundancies to unemployment. It is clear that a person becoming unemployed in sectors such as Food, Drink, Tobacco, or Textiles, for example, was much more likely to qualify for

[23] There are a number of estimates of the proportion of British redundancies that qualify for redundancy pay, ranging from 1 in 5 to 1 in 2—see Hill, Harrison, Sargeant and Talbot (1973), Fryer (1973), and Mukherjee (1973).

redundancy payments than an unemployed person in Building and Construction, Transport and Communications, or Public Administration. Obviously, when a sector experiences a sharp rise in unemployment, the ratio of unemployed to redundancies in that sector falls. On the other hand, sectors with fairly stable, but chronic, unemployment problems will have a high ratio. Finally, sectors where frequent spells of unemployment are relatively common will also have a high ratio, because many of those coming on the LR will not meet the continuity of service condition for redundancy payments. This last case may be exemplified by the Building and Construction and Personal Services sector.

TABLE C3: *Comparison of industrial structure and notified redundancies and of the Live, Register,* 1972 *and* 1975

Industrial group	*Rate* of notified redundancies*		*Unemployment rate**		*Ratio of Unemployment to redundancies*	
	1972	1975	1972	1975	1972	1975
Mining and quarrying	2·1	6·1	88	128	43	21
Food, drink and tobacco	3·2	3·3	75	103	24	31
Clothing	3·1	6·0	100	196	32	33
Metals and engineering	1·8	5·1	55	112	30	22
Woodworking, furniture, etc.	2·8	4·6	103	146	37	32
Papermaking, printing, etc.	1.0	3·3	41	61	39	18
Textiles	3·1	7·8	72	155	24	20
Bricks, etc.	0·5	2·5	47	85	90	34
Skins and leather	2·1	4·9	56	143	27	29
Vehicles	1·4	7·1	57	159	40	22
Fertilisers, chemicals	2·2	3·5	72	110	33	31
Building and construction	1·6	4·2	161	228	103	54
Gas, electricity and water	1·3	1·6	54	69	43	43
Transport and communications	0·6	2·7	91	118	152	44
Distributive trades	1·3	1·5	67	100	51	67
Finance	0·3	1·8	52	71	158	39
Public administration	0·4	0·2	42	49	102	245
Personal services	1·8	0·6	80	115	45	192
Professions	0·5	1·2	32	45	67	37
Entertainment, sport	3·5	1·7	82	135	24	79
Agriculture, fishing	1·0	n.a.	181	n.a.	174	n.a.
Miscellaneous	2·8	6·3	244	310	87	49

*Rate per 1,000 in the insured labour force
Source: Irish Statistical Bulletin, various issues

With the exception of sectors where special factors may be at work (e.g., Public Administration, Personal Services, Entertainment), the ratio of unemployment to redundancies is more uniform in 1975 than in 1972, probably because the sharp rise in unemployment due to the recession affected most sectors about equally. The increase in the rate of notified redundancies in the Building and Construction sector, relative to the unemployment rate in that sector, is worth emphasising in view of the importance of this sector in the unemployment total.

Year-to-year fluctuations in the rate of redundancies have a major impact on the ratio of redundancies to unemployment, not only by industrial group, but also by sex. In 1972, 32 per cent of the redundancies notified were females, and this proportion was quite constant until 1975, when it fell to 22 per cent. In contrast, the percentage of the LR that is female has remained very stable in the neighbourhood of 20 per cent over the entire period 1972–75.

We may summarise our findings concerning the association between the data on notified redundancies and the official unemployment statistics by saying that a relationship exists between the two series both over time and between industries. This relationship, however, is by no means close, for reasons discussed in this section.

Our ignorance of the importance of qualified redundancies as a component of registered unemployment is serious. This could be remedied by:

(i) publishing a series on the number of qualified redundancies actually occurring (as distinct from those notified each quarter).

(ii) publishing a series on the numbers in receipt of weekly redundancy payments at specified points in time.

(iii) attempting to classify the new entrants to the LR into qualified redundancies, non-qualified redundancies, (voluntary) job quitters or changers, dismissals (other than redundancies), new entrants to the labour market, and others. This classification system would be of considerable help in the analysis of trends in unemployment.

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