EMPLOYMENT & THE CRISIS
Work, Migration, Unemployment

Trinity College Dublin, 11 March 2011
Camille Loftus
BETTER OFF ON THE DOLE?

- Are social welfare payments too high?
  - Media reports claim ‘typical’ families *are* better off on the dole
  - Employers complain people prefer to work part-time

- However, with the same social welfare system:
  - 2007: 4.6% unemployment
  - 2011: 13.6% unemployment
  - We have fewer jobs!

- So is there a problem?
  - Yes, but not with the level of basic rates
78% have no children

Of those with children:
- 36% have 1 child
- 35% have 2 children
- Only 7% have 4 children

77% on means-tested JA
- 82% singles
- 71% couples

DSP analysis of Live Register, February 2011, excludes casual claimants
RELIANCE ON RENT SUPPLEMENT

% with Rent Supplement

- Single: 11.0%
- Couple, no CD: 10.8%
- Couple, with CD: 17.5%
- All Jobseekers: 12.4%
- OFP: 20.5%

- RS claimants a minority
- Couples with children
  - 3.8% of unemployed Jobseekers
  - 1 child: 1.7%
  - 2 children: 1.3%
  - 4 children: 0.2%
- Lone parents
  - 1 child: 12.3% OFP
  - 3 children: 1.8% OFP

DSP analysis of Live Register, February 2011, excludes casual claimants
Welfare to work: 40 hrs @ NMW - 87.6% claimants

- Unemployed (JA)
- 40 NMW
- Replacement rate

<table>
<thead>
<tr>
<th>Couples</th>
<th>Single</th>
<th>0 children</th>
<th>1 child</th>
<th>2 children</th>
<th>3 children</th>
<th>4 children</th>
</tr>
</thead>
<tbody>
<tr>
<td>net per week</td>
<td>€0</td>
<td>€100</td>
<td>€200</td>
<td>€300</td>
<td>€400</td>
<td>€73%</td>
</tr>
</tbody>
</table>

Replacement rates:
- Single: 68%
- 0 children: 69%
- 1 child: 79%
- 2 children: 77%
- 3 children: 76%
- 4 children: 73%
CASUAL & PART-TIME WORKERS

Now almost a fifth of claimants on LR
- Up from 13% (Feb-07)
- M: from 8% to 15%
- F: from 20% to 26%

38% working part-time/variable hours Q3 2010
**THE ‘3 IN 6’ RULE**

- **3 days:** ‘unemployed’
  - Retain reduced JA
  - Income increases by €94 (46%)

- **5 days:** ‘employed’
  - No JA entitlement
  - Income decreases by €52 (26%)
**Means Assessment**

- Income disregard + withdrawal rate
  - Disregard reduces the initial withdrawal rate
  - Rarely updated
- Where both high
  - Incentivises lower earnings
- Where both low
  - Benefit withdrawal starts earlier, but is less severe
ASSESSING EARNINGS

Defining unemployment

- All Jobseeker claimants must be available for, actively & genuinely seeking full time work
- But considered ‘employed’ if working on 4 days
- Previously assessed per day
- Need to reflect the flexibility required in modern labour markets

Means test structure

- Disregards are rarely updated
- High disregard + withdrawal rate: incentivises lower earnings – and penalises increased earnings
- Lower disregard + withdrawal rate maintains incentive to take some work, and to increase earnings
IMPACT OF HOUSING COSTS

Single person

- **Unemployed**
  - No rent: €300
  - RS: €250
  - LA: €200

- **40 @ NMW**
  - No rent: €300
  - RS: €300
  - LA: €300

Couple with 2 children

- **Unemployed**
  - No rent: €500
  - RS: €400
  - LA: €300

- **40 @ NMW**
  - No rent: €500
  - RS: €450
  - LA: €400

THE HOUSING ISSUE

- Rent Supplement unemployment trap severe
  - Relatively high disregard and withdrawal rate
  - No entitlement if working 30+ hours
- 29% increase in assessed housing need 2005-8
  - 53% cannot afford to meeting housing needs
  - 68% live in private rented accommodation
  - 45% single, 36% lone parents, 19% couples
- RAS a potential solution, but
  - Slow roll out & restricted to min. 18 months unemployed
WELFARE TO WORK: LONE PARENTS

- RR: 51%
- RR: 52%
- RR: 78%
- RR: 77%
- RR: 86%

Net per week

- OFP, 1 child
- 40 NMW

No rent or childcare
- Private rent
- LA rent
- Childcare
- Private rent + childcare
- LA rent + childcare
THE CHILDCARE ISSUE

- Private provision prohibitively expensive for low paid
- Insufficient supply of subsidised places
- Disregard for lone parents ineffective
  - Insufficient for those paying for private childcare
- Long-term: increase subsidised places
- Short-term: subsidise receipted expenditure
Cut in adult rates required to reduce RR by 10 percentage points (NMW)

- At-risk-of-poverty threshold
- JA: current
- JA: reduced
- % reduction in JA

<table>
<thead>
<tr>
<th></th>
<th>Single</th>
<th>no children</th>
<th>1 child</th>
<th>2 children</th>
<th>4 children</th>
</tr>
</thead>
<tbody>
<tr>
<td>JA: current</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JA: reduced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% reduction in JA</td>
<td>-38%</td>
<td>-31%</td>
<td>-28%</td>
<td>-26%</td>
<td></td>
</tr>
</tbody>
</table>

DSP analysis based on profile of LR, February 2011 (excludes casual & part-time workers)
CONCLUSIONS

- Simply cutting rates is not an answer, restructuring is required
  - Definitions: to reflect modern labour market
  - Means assessments
  - An alternative – an in-work benefit for all?
    - A Work Tax Credit, designed to guarantee a given RR?

- Housing and childcare costs

- The importance of information
  - Decisions may be based on poor information