Staff Paper 2019

The Inactive Working Age Population: A Comparison of Cohort Links to the Labour Market

CATHAL MCDERMOTT AND DANIEL O'CALLAGHAN

IGEES UNIT

DEPARTMENT OF PUBLIC EXPENDITURE AND REFORM

OCTOBER 2019

IGEES

Irish Government Economic and Evaluation Service

Summary

Policy Context

- Despite a strongly performing labour market, Ireland still has a comparatively low working age (15-64) participation rate – 73.1% in 2018 quarter four compared to 73.8% in the EU28 and 78.1% in the UK[5].
- The Future Jobs Ireland 2019 strategy is targeting a 3 percentage point increase in the overall participation rate for people aged 25 to 69 by 2025 with a particular focus on females and older people.

Attachment of Inactive Cohorts to the Labour Market

- This analysis aims to build on the existing evidence base in this area by providing an assessment of the attachment of inactive cohorts to the labour market with a particular focus on education levels, employment history and household income.
  - ➢ **Retirees under 65** - relatively highly educated (41% third level) with significant experience in management and professional occupations (58%), largely in the public sector. Low interest in re-entering the labour market with 88% reporting they do not want a job. In relatively high income households with 40% in the top half of the income distribution.
  - ➢ **Disability** - relatively lower levels of education (52% lower primary/secondary). Predominantly previously in occupations which are likely to require a physical aspect to the work (55% in skilled trade, operatives and elementary). In relatively lower income households with 16% in top half of the income distribution. A high proportion have previous work experience (75%) although 48% of those with work experience have not been in employment for over 10 years.
  - ➢ **Home duties** - evidence to suggest that home duties is comprised of at least two quite distinct groups. One highly educated cohort that were previously in management, professional and associate professional roles with 80% of those previously in these occupations having third level education. Around 25% of home duties inactive are in the top half of the income distribution. It is not possible to directly link income to previous occupation. There appears to be another larger cohort that have lower levels of education and were formerly in occupational groups that are shown to be relatively lower wage (e.g. administrative, caring, sales and customer). A high proportion have previous work experience (74%) although 42% with work experience have not been in employment for over 10 years.

Key findings and Further Considerations

- The analysis shows that the working age inactive are a diverse group with a number of distinct cohorts with varying, and often significant, indicators of distance from the labour market. Given this cohort variation, a tailored policy approach to different cohorts may be required to effectively increase participation with a potential for focussing on decreasing transitions from employment to inactivity.
- Further research would be useful to understand inactivity in further detail. This could include further cohort specific analysis (e.g. link between characteristics and household level analysis) and econometric analysis exploring transitions to and from inactivity.

1

1. Introduction

The operation and functioning of the labour market is a key element of the overall economy and has a number of implications for Government revenue and expenditure. Since 2013, there has been a significant labour market recovery in Ireland following the recession period. Unemployment peaked at 15.8% in 2011 and has since fallen to 5.3%[1]. There are now 2.3 million people in employment which is a record high[2]. An important consideration is the extent to which people are participating in the labour market. Those classified as economically inactive are defined as not being in employment or unemployed (actively seeking employment).

Participation and inactivity is a topic which is of great importance to labour market policy, given its implications for economic and social wellbeing. There was a large increase in inactivity in Ireland after the recession and participation rates remain lower than pre-crisis levels[3]. In the context of a transition to full employment, further employment growth will rely on either increased participation or migration. In its Country Specific Recommendations since 2015, the European Commission has noted that persistent labour market inactivity remains a challenge and have recommended the use of Active Labour Market Policies (ALMPs). Ireland's Future Jobs strategy, which was launched in March 2019, sets out a framework with a range of actions across five pillars. The fourth pillar within this is the objective of increasing participation in the labour market with a target of a 3 percentage point increase in participation of 25-69 year olds, with a particular focus on females and older people.

There has been a large variety of research completed on participation and inactivity in Ireland. This has focused on understanding the characteristics of the inactive population with a view to informing policy responses. The purpose of this paper is to take stock of this existing analysis and to provide additional insights into the relationship between the inactive population and the labour market to better inform policymaking in this area. In particular, the analysis will seek to understand the education levels of the inactive and their work experience including former sector and occupation of employment. The analysis will also consider the current household income of the inactive population and some cohort specific analysis which is of relevance to their relationship to the labour market.

---

[1] Monthly Unemployment, September 2019, Central Statistics Office;
https://www.cso.ie/en/releasesandpublications/er/mue/monthlyunemploymentseptember2019/
[2] Labour Force Survey Quarter 2 2019, August 2019, Central Statistics Office;
https://www.cso.ie/en/releasesandpublications/er/lfs/labourforcesurveyquarter22019/
[3] Compositional Analysis of Labour Force and Inactive Working Age Population, Department of An Taoiseach, March 2018; https://igees.gov.ie/compositional-analysis-of-labour-force-and-inactive-working-age-population/

2. Existing Research on Inactivity in Ireland

There has been a wide range of research completed in relation to inactivity in Ireland. The purpose of this section is to briefly outline the key findings from this stock of analysis. Table 1 on page 6 sets out the main papers from which this analysis is drawn.

> **As of Q4 2017, there were just under 860,000 people of working age (15-64) who were economically inactive. This represents around a quarter of the working age population.**

As previously described, economic inactivity refers to people who are not in employment or seeking employment (unemployed)[4]. It is possible to consider inactivity amongst the working age population or the total population. Of the working age population in Ireland, 27% were classified as being inactive as of Q4 2017. When all those over the age of 15 are included the total number of inactive persons increases to 1.44 million or 38% of the population.

> **The level of inactivity in Ireland increased after the recession and has not returned to pre-recession levels. There is a higher proportion of working age people inactive in Ireland compared to the EU or Eurozone average.**

Following the economic recession, the number of working age people classified as inactive increased by over a quarter of a million between 2007 and 2017[3]. While there has been a significant labour market recovery in terms of the number of people in employment and the decrease in the unemployment rate, the participation rate has remained low. In 2007, the working age participation rate was 76.4% while it has remained at or below 73.5% since 2011. In terms of international comparison, as of Q4 2017, Ireland's working age participation rate was 72.8%, slightly below the EU28 average (73.5%), while in comparison the UK participation rate was 77.8%[5]. For females only, the working age participation rate was 66.9% in Ireland compared with 68% in the EU28 and 73.1% in the UK. For those aged 50-64, the participation rate in Ireland was 67.9% compared with 69.3% in the EU28 and 73.5% in the UK.

> **In terms of the make-up of the inactive working age population, the largest groups are students, those on home duties and those with ill health or a disability. The largest number of transitions to employment in 2016 came from students, other, home duties, retired and disability in that order.**

There are a number of sub-groups within inactivity which relate to the reason why people are not in the labour market. As of Q4 2017, the largest group within the inactive working age population were those listed as

---

[4] LFS definition for unemployment is to be available for employment in the next two weeks and to have taken steps to find employment in the preceding four weeks
[5] Activity rates by sex, age and citizenship, Eurostat;
https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsq_argan&lang=en

students with 327,300 (38%). This was followed by those listed as on home duties with 237,700 (28%) and those with ill health or disability with 143,300 (17%). Those listed as being retired accounted for 68,100 (8%) and those listed as other accounted for 82,300 (10%). Females accounted for around two thirds of the inactive working age population with males accounting for one third. The SOLAS 2017 National Skills bulletin[6] includes an analysis of transitions between inactivity and employment during 2016. Of all those transitioning from inactivity to employment, the largest proportion of transitions came from students, the other category, home duties, retired and the disability inactive cohorts in that order.

> **The main drivers of increased inactivity over the period of the recession were; the ageing of the labour force, increased inactivity among the 15-24 age cohort and an increase in male inactivity.**

As of Q4 2017, males accounted for almost two-thirds of the increase in inactivity after 2007. In terms of relevant age groups there were large increases in inactivity among the 65 year old and older cohort. When just focusing on the working age population the largest increases in inactivity were seen in the 15-24 year old cohort. This corresponds with the majority of inactive males in the recession years being in the student category. Female labour market activity has performed better. While females represented the majority of inactive working age adults, the number of females in the labour force has been consistently increasing over the last decade and there were more females than ever before in the labour force in Q3 2017. This corresponded with significant declines in the numbers of inactive females in the engaged in home duties category of inactivity.

> **8% of the inactive cohort can also be classified as Potential Additional Labour Force (PALF) meaning that they are comparatively close to the labour market in terms of availability and work seeking behaviour.**

The concept of Potential Additional Labour Force (PALF) is based on the notion that some of the people outside the standard labour force have a stronger attachment to the labour market than others based on their stated availability and work seeking behaviour. Of the inactive cohort in Q4 2017, 111,200 (8%) persons were classified as PALF. This group consists of those who are available but not seeking work and those seeking but not available for work, and includes those who classify themselves as unemployed inactive, students, on home duties, and retired.

> **Broader measures of the labour market suggest that the level of labour underutilisation is declining and is now below previous peaks in 2007. Net migration is likely to be a major source of future job growth.**

---

[6] National Skills Bulletin 2017, SOLAS, December 2017; http://www.solas.ie/SolasPdfLibrary/NSB.pdf

In recent years, research has been carried out by the Central Bank to create a non-employment index for Ireland. This is a new measure of labour utilisation that takes into account potential additional labour supply. Essentially, the index takes account of the cohorts within the inactive population which are closer to the labour market using probabilities of transition into the labour market. The measure also includes those working part time who are underemployed. The latest research shows that the Non-Employment Index has now fallen to below the levels seen before the crisis, and now stands at 11.9%, compared with 13.1% in late 2007. This suggests that the level of underutilisation in the labour market is declining.

Other analysis from the Central Bank suggests that inward migration is likely to be an important source for any further job growth in the economy in line with a position of full employment. The analysis concludes that Ireland is likely at full employment but that there have been decreases in the inactive population transitioning into employment in 2018. In analysing the proportion of the working age inactive population which state that they do not want a job, analysis suggests that there are a number of categories which make 'not wanting a job' more likely including; being older, female, married, less educated and having children. The likelihood of not wanting a job increases significantly with the time since employment was last held.

Table 1: Recent Research related to Participation and Inactivity in Ireland (Note: Hyperlinks Included)

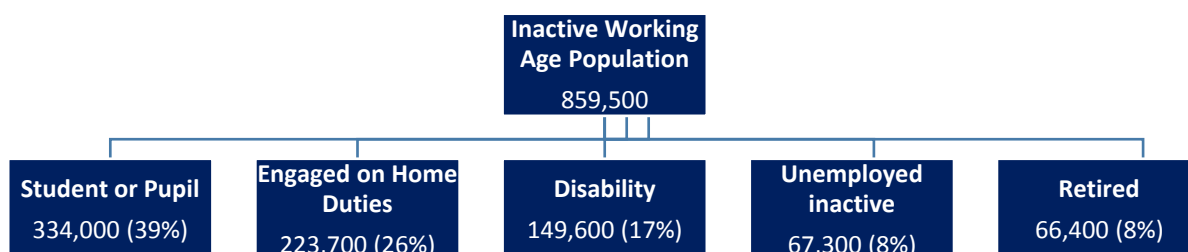| Title	Date	Source	Detail
CSO Labour Force Survey	Quarterly	CSO	Quarterly statistical publication by the CSO on the labour market. It is the key source of data in relation to employment, participation and inactivity.
National Skills Bulletin (Annual)	September 2016 December 2017 November 2018	Solas	Annual statistical publication which provides detailed analysis of the Labour Market. The analysis includes consideration of transitions from and to inactivity as well as characteristics.
A Non-Employment Index for Ireland	August 2017	Central Bank	This paper creates a non-employment index for Ireland which is an additional measure of labour utilisation that takes account of potential additional labour supply through assessing likely transitions.
Compositional Analysis of Labour Force and Inactive Working Age Population	July 2018	D/Taoiseach	IGEES paper completed by staff in the Department of the Taoiseach looking at the composition and characteristics of the inactive working age population.
Social Impact Assessment: Female Labour Force Participation	October 2018	DPER	IGEES Social Impact Assessment looking at the issue of female labour force participation. This provides a detailed statistical analysis of female participation across a variety of characteristics.
An Update on Non-Employment and Labour Market Slack	April 2019	Central Bank	As part of its Quarterly Bulletin for Q2 2019, the Central Bank released updated analysis for the Non-Employment Index. This provides more recent analysis and updates the previous publication in August 2017.
Quarterly Skills Bulletin Q1 2019 – Women on Home Duties	May 2019	Solas	Analytical publication by Solas focusing on the female cohort of the inactive population classified as being on home duties.
Employment Growth: Where Do We Go From Here?	July 2019	Central Bank	Paper assesses potential sources of future employment growth including increased participation and migration.
Quarterly Skills Bulletin Q2 2019: Older Workers	August 2019	Solas	Statistical analysis of those in employment who are between the ages of 50 and 59. Analysis relevant in relation to sustaining employment over lifecycle as opposed to inactivity.

Note: List is not exhaustive. LFS previously called Quarterly National Household Survey

3. Comparative Analysis of Inactive Cohorts

This section provides some scene setting analysis on the overall inactive working age (15-64) population and seeks to provide additional analysis on the closeness of the inactive working age population to the labour market by exploring education levels, work experience history and household income. This includes the presence of previous work experience, the sector and occupation of the most recent work experience. The data throughout this section is from two sources: the CSO's Labour Force Survey (LFS)[7] and the CSO's Survey on Income and Living Standards (SILC)[8]. All LFS analysis has been carried out on 2018 Q4 while SILC analysis has been carried out on the 2017 survey.

In Q4 2018 there were 1,467,000 inactive people over the age of 15 in Ireland. When subset to the working age population, this number decreases to 859,500. Figure 1 below shows the main economic status breakdown of the inactive working age population. The following analysis focusses on all of the inactive subgroups in Figure 1 except the student population, as the student population can be considered as likely to join the labour market in future. Ireland has higher rates of inactivity due to disability and due to home duties than the EU28 average and the UK, but lower rates of retirees under 65 (see Appendix A).

Figure 1: Breakdown of Inactive Working Age Population, 2018 Q4

Inactive Working Age Population 859,500				
Student or Pupil 334,000 (39%)	Engaged on Home Duties 223,700 (26%)	Disability 149,600 (17%)	Unemployed inactive 67,300 (8%)	Retired 66,400 (8%)

Source: Author Analysis of CSO LFS. Note: Not all inactive cohorts shown.

3.1 Education Levels

Figure 2 illustrates the breakdown of highest level of educational attainment of the inactive working age cohorts (participating[9] working age population shown for comparison). This shows quite significant differences in the education levels of the different cohorts. Retirees under 65 have levels of third level education (41%) almost in line with the active population (49%). Home duties have more mixed levels of educational attainment with a relatively high proportion having third level education

---

[7] https://www.cso.ie/en/statistics/labourmarket/labourforcesurvey/ Note: Results in this paper are based on analysis of strictly controlled Research Microdata Files provided by the Central Statistics Office (CSO). The CSO does not take any responsibility for the views expressed or the outputs generated from this research

[8] https://www.cso.ie/en/silc/

[9] Includes employed and unemployed seeking work

(28%). The disability and unemployed inactive populations are more likely to have finished their education at primary/lower secondary level (52% and 39% respectively).

Figure 2: Highest Level of Educational Attainment by Active/Inactive Working Age Cohorts, 2018 Q4
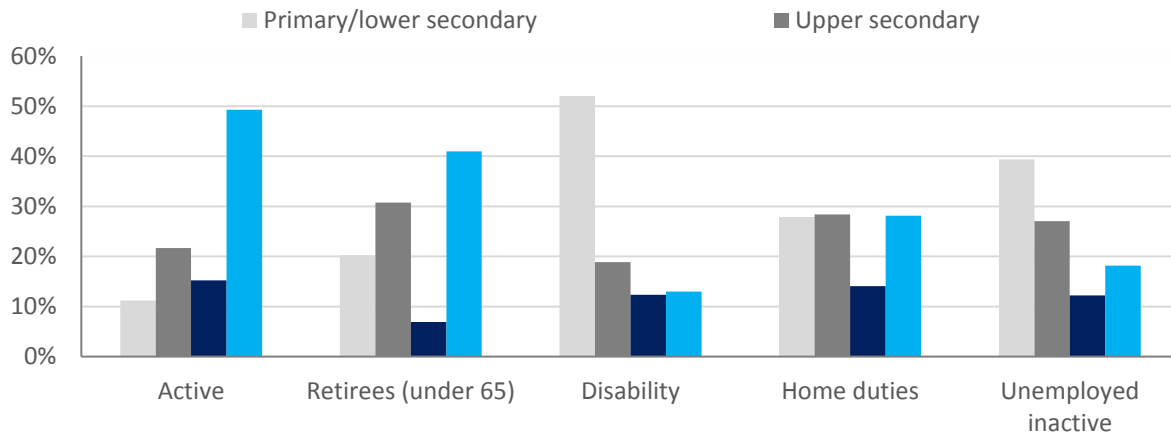
Participation rates have been shown to be higher as the level of education increases.[10] It can thus be assumed that higher levels of third level education among the cohort indicates a group which have a closer attachment to the labour market.

3.2 Previous Work Experience

Figure 3 shows the presence of previous work experience among the cohorts. The presence of previous work experience is high among all the cohorts with the unemployed inactive category having the lowest level of previous work experience (66%).

**Figure 3: Presence of Previous Work Experience, 2018 Q4**
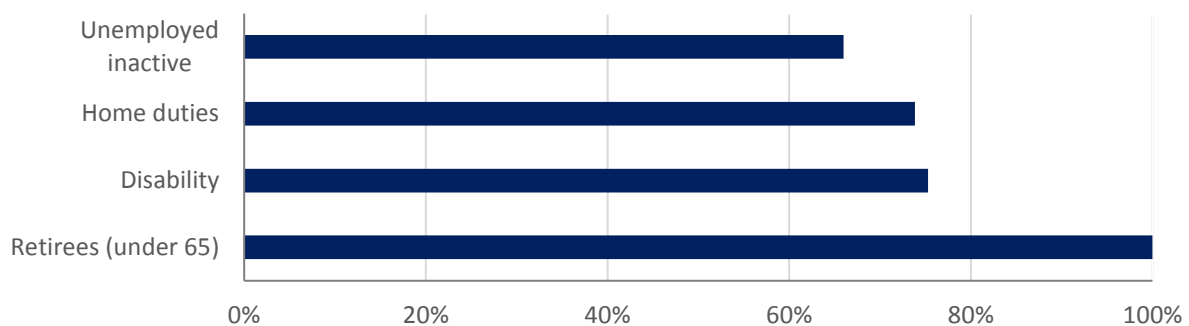
The recency of this work experience is an important consideration in the relationship of cohorts to the labour market. Figure 4 below shows how long ago the most recent work experience was for each

---

[10] Educational Attainment Thematic Report, Central Statistics Office, December 2018,
https://www.cso.ie/en/releasesandpublications/er/eda/educationalattainmentthematicreport2018/

cohort (excluding retirees under 65). For disability and home duties, a significant proportion of people with previous work experience have not been in work for over 10 years (48% and 42% respectively). For the unemployed inactive population, almost half (48%) have been in work at some point in the preceding two years. This suggests the unemployed inactive are more likely to be in a transitory break from the labour market than a longer term (or permanent) break which is more evident in the disability and home duties cohorts.
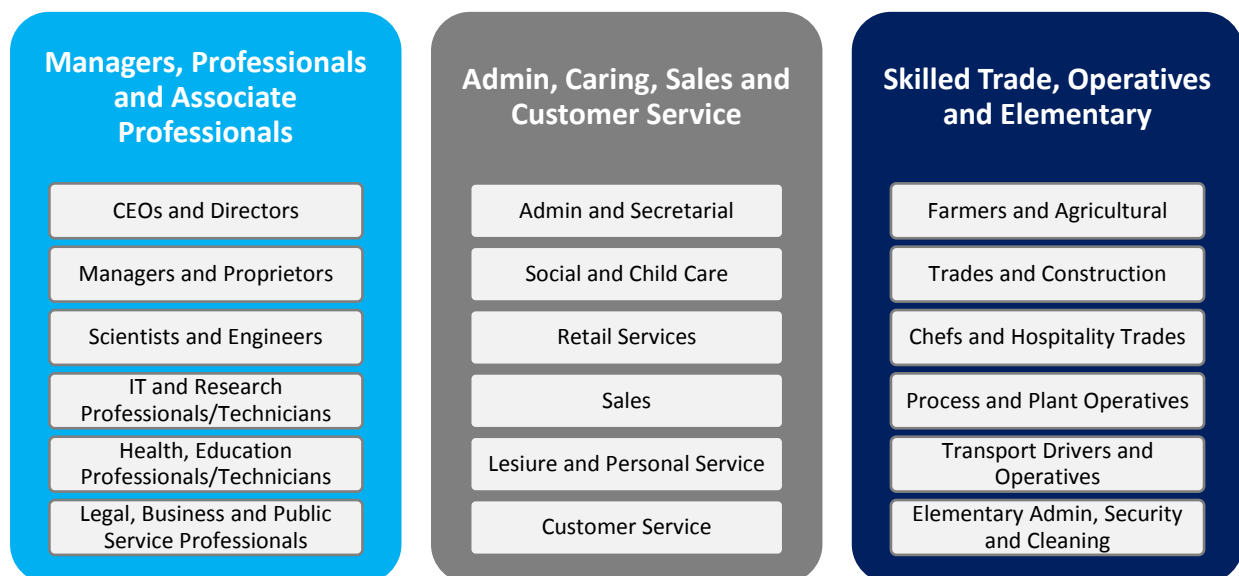
Figure 4: Recency of Most Recent Work Experience, 2018 Q4
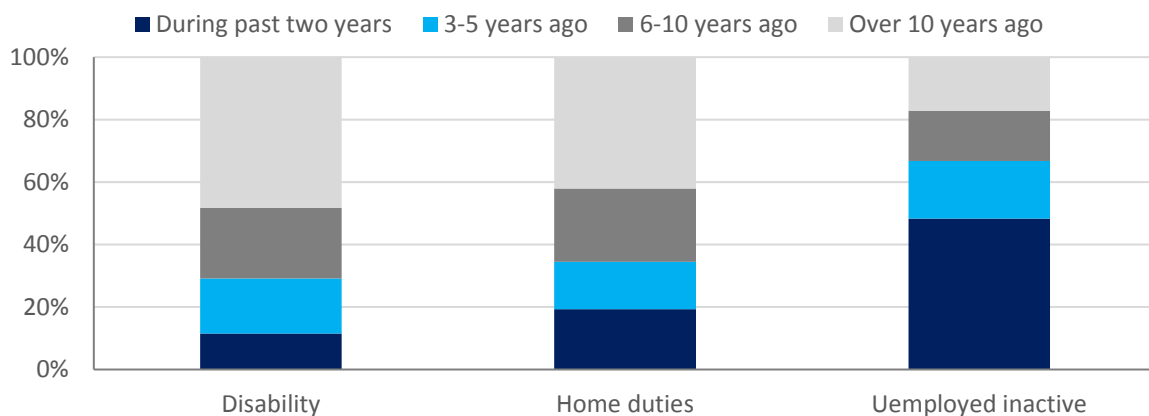
Source: Author Analysis of CSO LFS. Note: Missing/not stated not included in denominator. Note: Unemployed inactive 3-5 years ago category is based on a small number of sample cells meaning this figure is considered to have a wider margin of error and should be interpreted with caution. Past two years comprises the current year of the survey and the previous two years to the current survey year.

3.3 Previous Occupation

Figure 5 below shows a breakdown of the occupation of the most recent work experience. For the purposes of this analysis occupations have been grouped into the categories[11] as set out below:

Managers, Professionals and Associate Professionals	Admin, Caring, Sales and Customer Service	Skilled Trade, Operatives and Elementary
CEOs and Directors	Admin and Secretarial	Farmers and Agricultural
Managers and Proprietors	Social and Child Care	Trades and Construction
Scientists and Engineers	Retail Services	Chefs and Hospitality Trades
IT and Research Professionals/Technicians	Sales	Process and Plant Operatives
Health, Education Professionals/Technicians	Lesiure and Personal Service	Transport Drivers and Operatives
Legal, Business and Public Service Professionals	Customer Service	Elementary Admin, Security and Cleaning

---

[11] Based on Standard Occupational Classification (SOC) codes;
https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassificationsoc/soc2010

There is significant variation in occupational experience with retirees under 65 having mostly previously worked in management, professional or associate professional roles (58%); likely related to higher levels of third level education in this group. The disability and unemployed inactive have quite similar levels of occupational experience with skilled trade, operatives and elementary occupations making up the largest share of experience (55% and 48% respectively). Home duties is more evenly split across occupational experience with most experience in administrative, caring, sales and customer services (47%) but also a reasonably high share in managers, professionals and associate professionals (26%). For context, management, professional and associated professional roles have by far the highest average income of these broad occupational groups[12].

Figure 5: Occupation Breakdown of Previous Employment of Inactive Cohorts, 2018 Q4
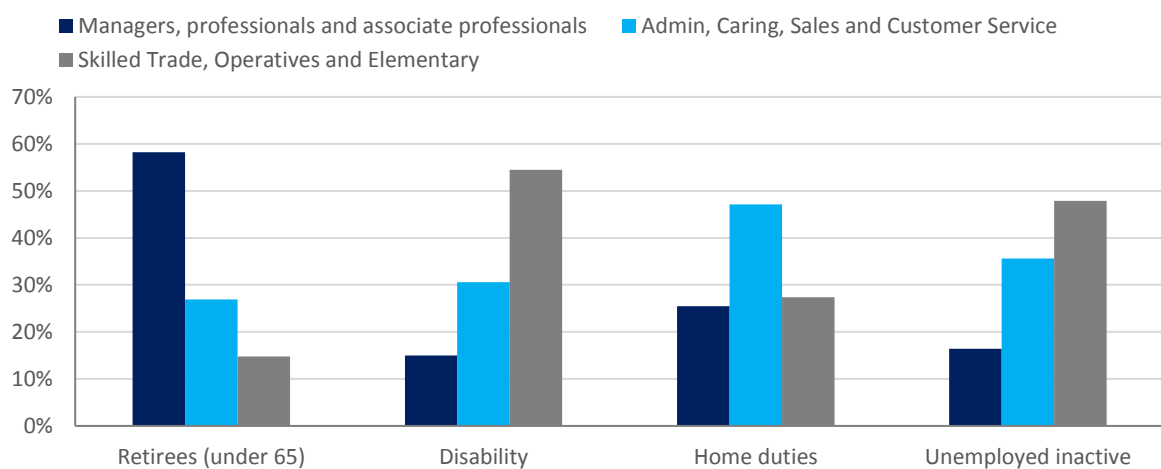
Source: Author Analysis of CSO LFS. Note: Managers, professionals and associate professionals for the unemployed inactive category is based on a small number of sample cells meaning this figure is considered to have a wider margin of error and should be interpreted with caution. Note: Missing/not stated excluded from denominator.

3.4 Previous Sector

Table 2 below shows the top three most common sectors of recent work experience for the inactive cohorts. It is not possible to include the unemployed inactive sub-group due to low sample sizes in the underlying data. Retirees under 65 were largely in sectors associated with the public sector such as public administration and education. The home duties and disability groups are largely most recently experienced in the retail, accommodation and food services and human health and social work sectors. These sectors are in line with the most common sectors of employment in the labour market. Accommodation and food services and retail are also among the sectors with the lowest average hourly earnings[12].

---

[12]Table A1, Earnings and Labour Costs Quarterly, Central Statistics Office, August 2019;
www.cso.ie/en/releasesandpublications/er/elcq/earningsandlabourcostsq12019finalq22019preliminaryestimates/

In terms of availability of jobs in these sectors, it is worth noting that vacancy rates are reasonably high across sectors. As of 2019 quarter two, the national vacancy rate stood at 1%, with vacancy rates ranging from 0.6% (industry, transportation and storage, healthy) to 2.1% (Professional, scientific and technical activities)[12].

**Table 2: Common Sectors of Most Recent Work Experience, 2018 Q4**

	RETIREES (UNDER 65)	HOME DUTIES	DISABILITY
1	Public Administration and Defence - 19.6%	Retail – 18.7%	Retail - 14.2%
2	Human Health and Social Work -18.3%	Human Health and Social Work - 14.7%	Accommodation and Food Services - 11.8%
3	Education – 17.2%	Accommodation and Food Services - 13.4%	Human Health and Social Work - 11.2%

Source: Author Analysis of CSO LFS. Note: The sector percentages for the disability group are based on a small number of sample cases meaning this figure is considered to have a wider margin of error and should be interpreted with caution. Note: Missing/not stated excluded from denominator.

3.5 Age

Figure 6 shows the age distribution of the inactive cohorts. Retirees under 65 are not included as they are almost entirely in older age categories. The disability cohort are relatively older with 58% aged fifty or over. Around a quarter of the home duties cohort are each distributed across the 30-39, 40-49 and 50-59 age bands. The unemployed inactive are largely under 40 (56%). In general, participation rates are highest between the ages of 25 and 54[3]. Sub-groups of the inactive population with larger proportions of individuals in these age ranges could thus be considered as closer to the labour market.

Figure 6: Age Distribution of Inactive Sub-Groups, 2018 Q4

Source: Author Analysis of CSO LFS
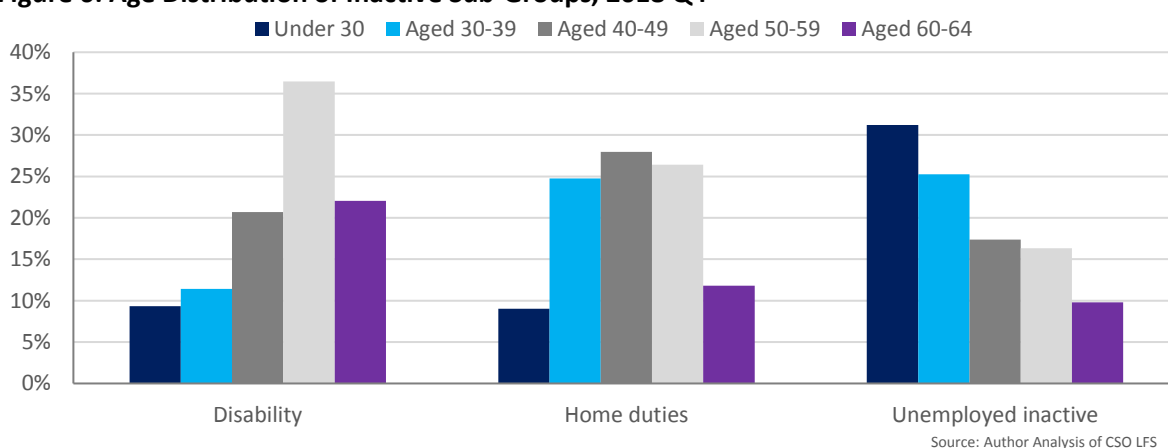
3.6 Gender

Figure 7 shows the gender distribution of the inactive cohorts. Home duties is an almost exclusively female group (94%). Retirees under 65 are slightly more like to be female (55.3%) while disability and unemployed inactive are slightly more likely to be male (53.4% and 55.0% respectively).

**Figure 7: Gender Distribution of Inactive Cohorts, 2018 Q4**
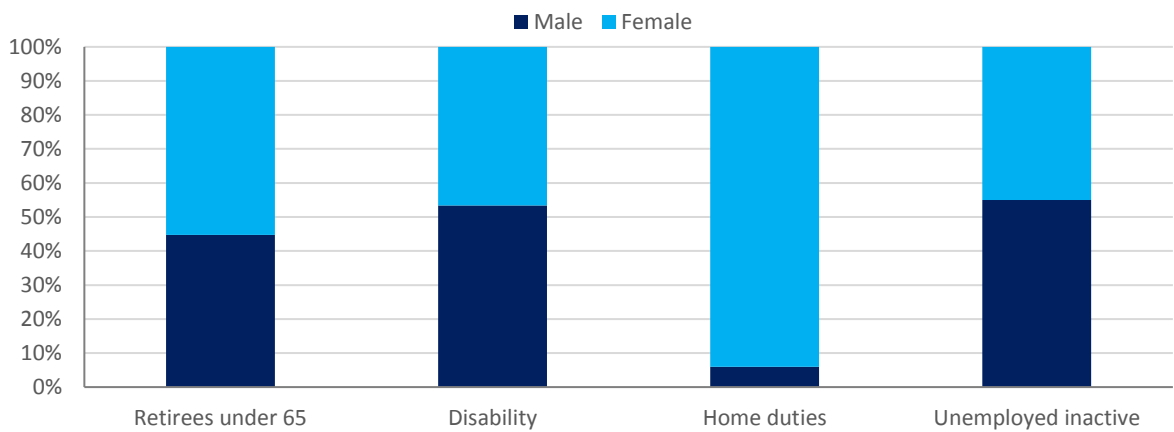
Source: Author Analysis of CSO LFS

3.7 Employment Status of Family Unit

Figure 8 shows the employment status of the family unit for each of the inactive cohorts. Retirees under 65 are excluded as some of the categories do not have sufficient sample sizes for comparison with the other cohorts. The disability group are largely in inactive family units, either single (35%) or couples (25%). Home duties are largely in family units where the other adult is employed (60%) while the unemployed inactive are quite evenly split across the four employment status groups.

Figure 8: Family Unit Employment Status of Inactive Cohorts, 2018 Q4
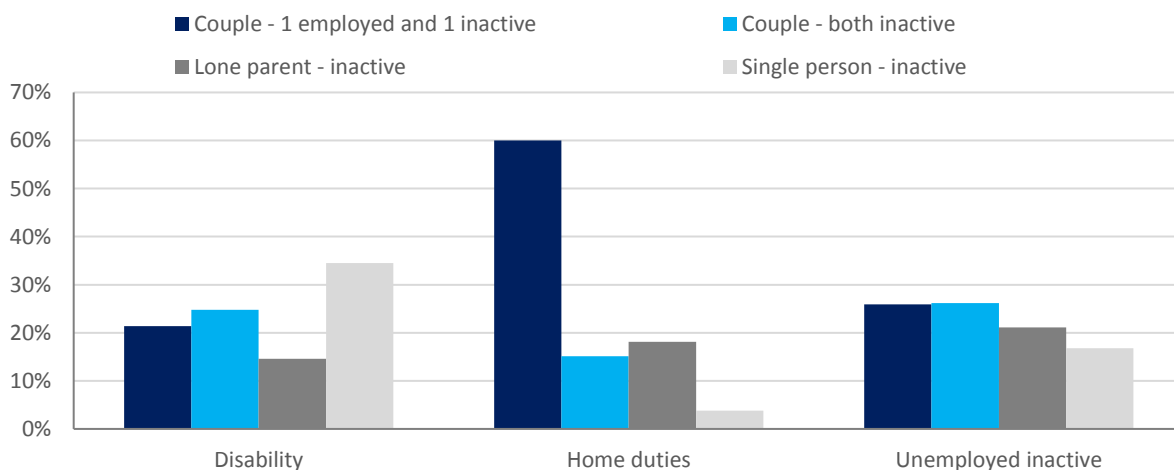
Source: Author Analysis of CSO LFS. Note: Smaller categories excluded from chart but included in denominator.

3.8 Preference for Work

The concept of PALF is based on the notion that some of the people outside the labour force have a stronger attachment to the labour market than others based on their stated availability and job seeking status. This group consists of those who are available but not seeking work and those seeking but not available for work.

The unemployed inactive category is an outlier in terms of the proportion who identify as seeking or available for work (43%). This likely relates to their not belonging to an inactive group that has an express reason for being inactive (e.g. home duties, disability). Of the other inactive sub-groups, those on home duties express the next highest degree of availability/work seeking (10%).

Significant proportions of all the cohorts report that they do not want a job. This is as opposed to saying they want a job but are not seeking one due to their reason for inactivity (i.e. disability affecting ability to seek a job).

Figure 9: Expressed Preference for Work of Inactive Cohorts, 2018 Q4
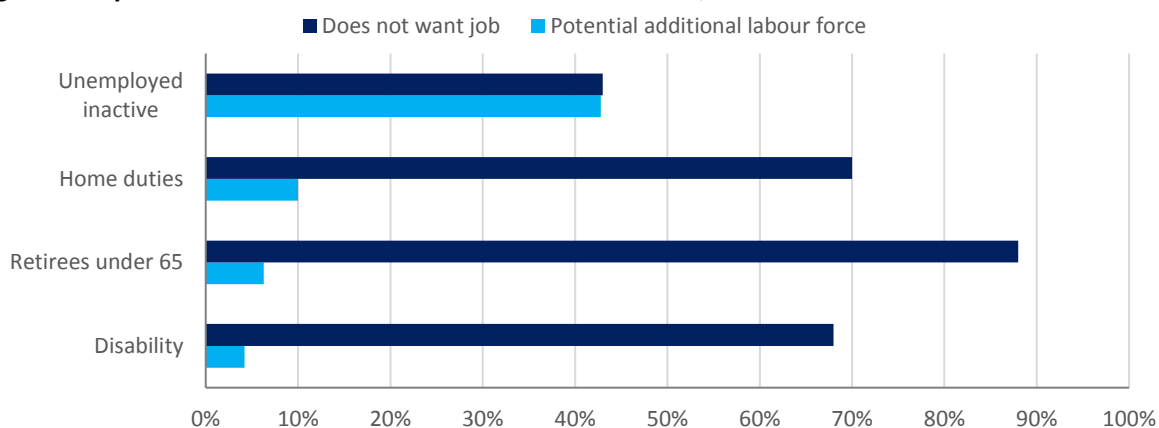
Source: Author Analysis of CSO LFS. Note: PALF percentages for the disability and retirees under 65 groups is based on a small number of sample cases meaning this figure is considered to have a wider margin of error and should be interpreted with caution. Note: Missing/not stated excluded from denominator.
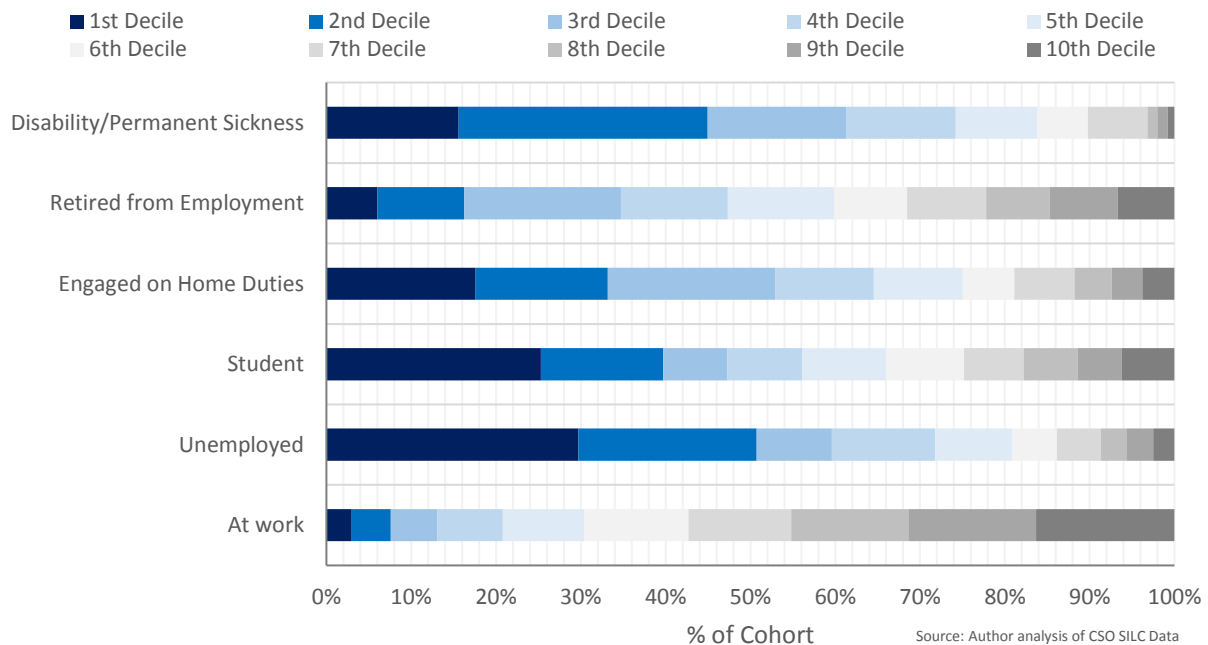
3.9 Income

A final area which is relevant to consider is the household income of those currently within the inactive population. In terms of the relationship between those who are inactive and the labour market, it is important to consider income dynamics as this may impact on the incentive to participate in the labour market. In particular, consideration is given here to the household income and the sources of income for different cohorts within the inactive working age population.

From analysing the distribution of working age inactive persons across the different income deciles of the population, as measured by net disposable equivalised household income[13], a number of interesting findings are evident. Among the inactive groups, it is clear that those who are inactive due to a disability are typically in households in lower income deciles with just 16.2% of this cohort in the top five income deciles. This compares to 25% of those in home duties, 34% of those who are students and 40% of those who are retired. In general, those who are retired are in relatively higher income households compared to other inactive groups. It should be noted that for the purposes of this analysis

---

[13] Disposable household income is divided by the equivalised household size to calculate equivalised disposable income for each person, which essentially is an approximate measure of how much of the income can be attributed to each member of the household.

the group retired from employment includes those over the age of 65. The difference between those who are in employment and those who are inactive is evident from the analysis with a majority of those in employment in the top 50% of the income distribution.

Figure 10: Proportion of Cohorts by Income Decile (Net Disposable Equivalised Household Income), 2017

Source: Author analysis of CSO SILC Data

In terms of understanding income dynamics in more detail it is useful to consider gross household income by cohort and also the composition of income in terms of income from employment, social transfers[14] and other sources. Figure 11 shows that a higher proportion of the inactive live in households with lower levels of gross income compared to active cohorts. 55% of inactive people live in households with less than €45,000 in annual income. In terms of splitting out the inactive cohorts it is evident that there are differences across cohorts (Figure 12):

- A higher proportion of those who are inactive due to a disability are in lower income households. 68% of this cohort are within a household with less than €20,000.

- Half of the home duties cohort (51%) and the retired cohort (47%) are within this gross household income range while only 37% of the student cohort.
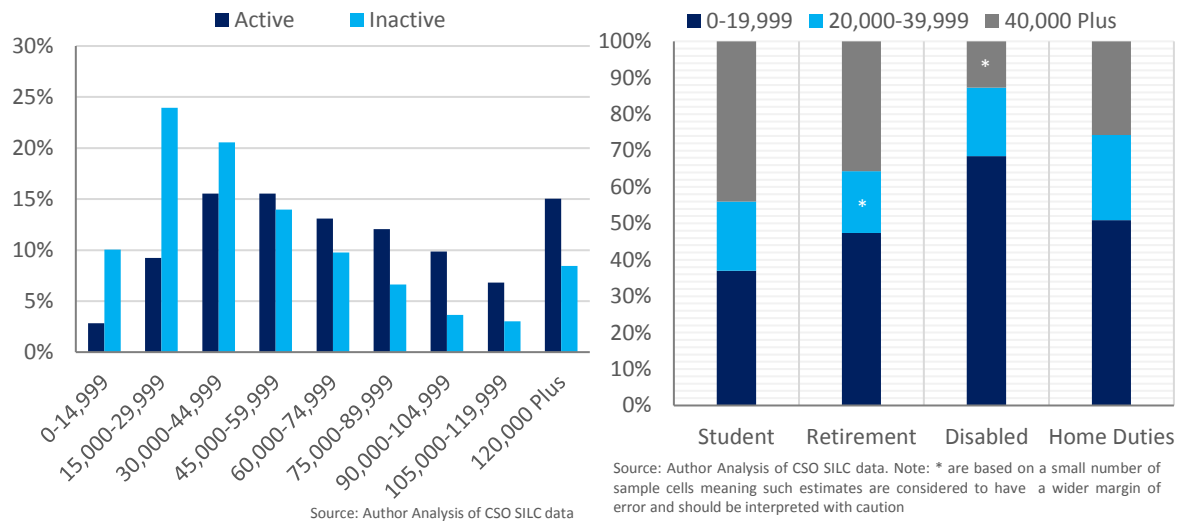
There is a higher reliance on social transfers for income for households which include inactive person. For a quarter of these households, social transfers makes up the entirety of their gross household

---

[14] Within SILC social transfers refers to unemployment related transfers, old-age payments, family/children related allowances, housing allowances and other social transfers.
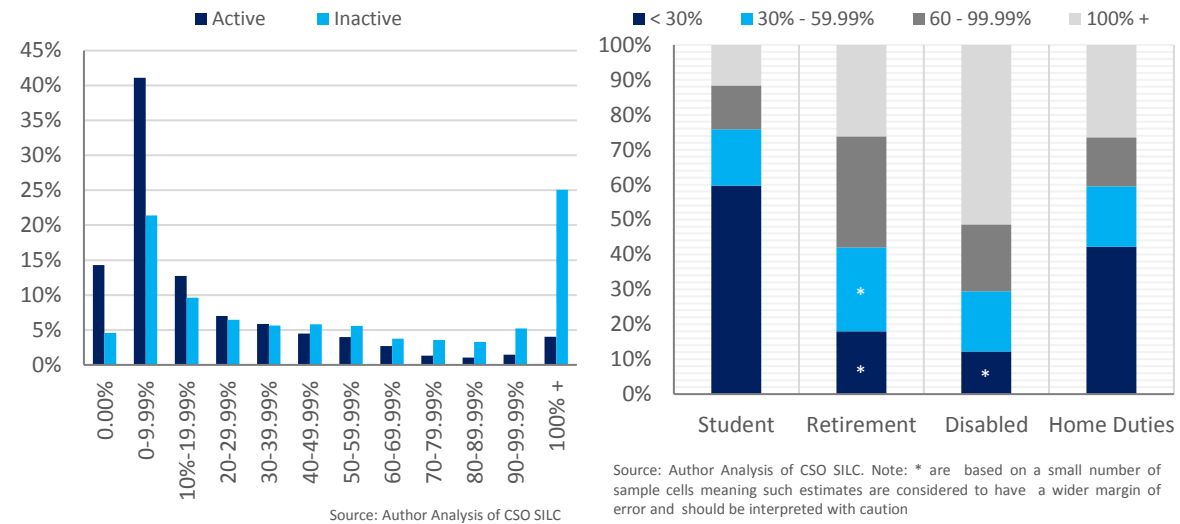
income. In terms of the composition of income, some cohorts are within households that rely on social transfers for a greater proportion of their income.

Those who are inactive due to a disability are more reliant than other inactive cohorts on social transfers for income. 52% of this cohort are within households that rely on social transfers for all of their income compared to 27% in home duties, 26% in retired and 12% in students.

Figure 11 and 12: Gross Annual Household Income by Activity Status and Inactive Working Age Cohort, 2017

Source: Author Analysis of CSO SILC data

Source: Author Analysis of CSO SILC data. Note: * are based on a small number of sample cells meaning such estimates are considered to have a wider margin of error and should be interpreted with caution

Figures 13 and 14: Social Transfers as a Proportion of Gross Annual Household Income by Activity Status and Inactive Working Age Cohort, 2017

Source: Author Analysis of CSO SILC

Source: Author Analysis of CSO SILC. Note: * are based on a small number of sample cells meaning such estimates are considered to have a wider margin of error and should be interpreted with caution

4. Subgroup Specific Analysis

Section 3 presented a comparison of the main cohorts of the inactive working age population across a number of characteristics. This section provides some more cohort specific analysis which is of relevance to their relationship to the labour market.

A - Retirees under 65

Figure 15 below shows age at time of retirement calculated as the difference between the age at the time of survey and age in the year in which the respondent indicated that they had last worked. The most common age at retirement was 55-59 (37%). It is also instructive to consider the employment status of the family unit of retirees over 65. Most of this group are in family units where both adults are inactive (54%) or where the other adult is at work (39%).

Figure 15: Age at Retirement for Retired under 65s, 2018 Q4
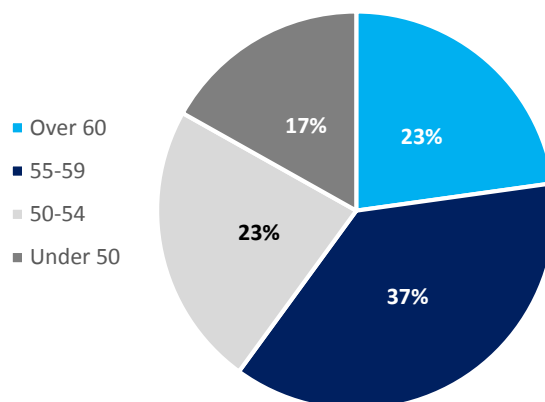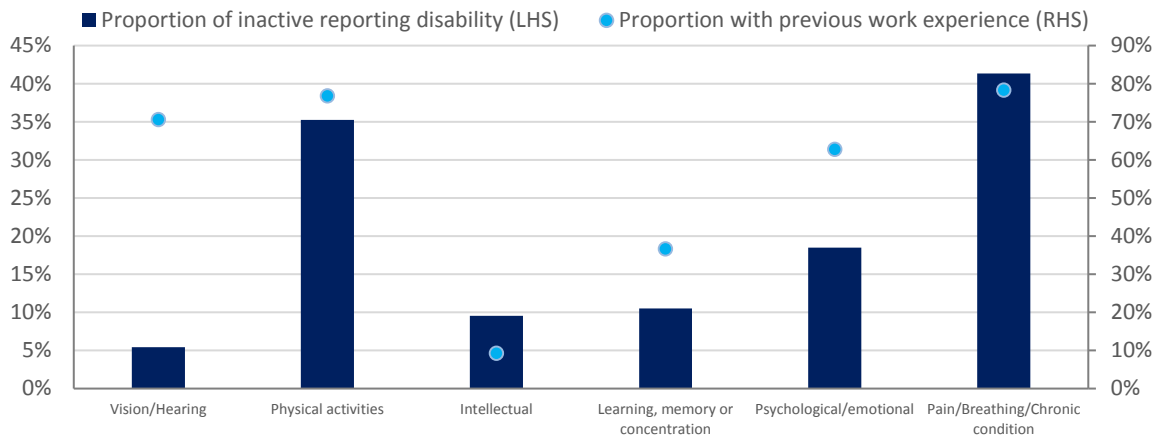

Source: Author analysis of CSO LFS Data

B - Disability

Until quarter two of 2017 the LFS included questions on type and impact of disability. Figure 16 below shows the breakdown of the inactive disability population by type of disability. Note that there will be some co-occurrence of disabilities in the same individual. For example, over half of those with a difficulty with basic physical activities also report a difficulty with pain, breathing or a chronic condition.

Pain, breathing and chronic conditions (41%) are the most commonly reported disabilities followed by a difficulty with basic physical activities (35%) and psychological or emotional conditions (19%). The right side axis of the chart shows the proportion of the disability type that report having previous work experience. Work experience is relatively high across the most common disabilities and lowest for intellectual disabilities (9%) and learning, memory or concentration conditions (37%).

65% of the inactive working age population responded that their disability does impact their ability to work or go to school.

Figure 16: Type of Disability and Work Experience of Inactive Disability Population, 2017 Q2

Source: Author analysis of CSO LFS Data. Note: Work experience percentages for the vision/hearing and learning, memory or concentration are based on a small number of sample cases meaning this figure is considered to have a wider margin of error and should be interpreted with caution. Note: Missing/not stated excluded from denominator.

C – Home duties

Most people in this category would be assumed to be on home duties due to (a) caring for a child/children in the household or outside the household; (b) caring for an adult; or (c) both. These details are not requested in the LFS. However, it is possible to arrive at some indication by exploring the household composition of the inactive home duty population. Figure 17 below shows the household composition of the inactive home duty cohort. A significant proportion of these households (28%) have no children. The inactive in these households could be considered as more likely to be inactive on home duties caring for an adult or child outside the household. The remainder (72%) with at least one child in the household could be considered more likely to be on home duties taking care of their children. There could be a subset of these populations that may both be taking care of a child/children and an adult.

Figure 17 also presents the working age inactivity rate for each of the household compositions with lone parents (7.2%), two adults (not a couple) with children (7%) and couples without children (6.5%) having slightly higher inactivity rates.

The LFS includes a question on the impact of care needs as a reason for not seeking work. Of those inactive working age on home duties, around 21% report that suitable care services for children are not available/affordable which is impacting on their decision not to look for work and around 23% report that the availability/affordability of care services for children/disabled/elderly is impacting their decision not to look for work. Sub setting to lone parents and couples with children, these proportions increase to 69% and 60% respectively.

Figure 17: Inactive Working Age Home Duties Population by Household Composition (including Inactivity Rates), 2018 Q4
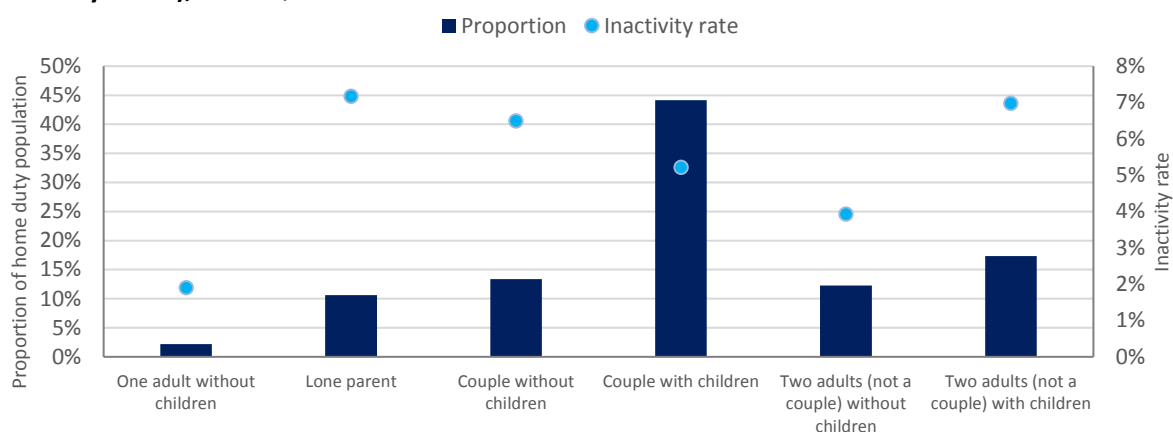
Source: Analysis of CSO LFS Data. Note: The one adult without children category is based on a small number of sample cases meaning this figure is considered to have a wider margin of error and should be interpreted with caution.

5. Conclusions and Policy Implications

The analysis shows that the inactive are a diverse group with a number of distinct cohorts with varying, and often significant, indicators of distance from the labour market (e.g. time since last in employment, potential benefits/physical suitability of re-entering occupation in which experience lies, existing high levels of household income, etc.).

Given this cohort variation, a tailored policy approach to different cohorts of the inactive population may be required to effectively increase participation with a potential for focussing on decreasing the transition from employment to inactivity.

5.1– Cohort summaries

A - Retirees under 65

Number: 66,400
Most common education level: Third level (41%)
Previous work experience: 100%
Most common previous occupation: Managers, professionals and associated professionals (58%)
Most common previous sectors: Public administration (20%), health (18%), education (17%)
Mean age: 60
Gender: Female (55%)
Most common family economic status: NA
Work preference: 6.3% PALF, 88% do not want job
Income*: 40% in top half of income distribution, median household income €42,400, 68% of gross annual household income from transfers on average.
Additional information: 55-59 is the most common age range at which early retirees became retired (37%).
*Income numbers for this group based on all retired, not just those under 65.

This appears to be a highly educated group with significant experience in management, professional and associate professional occupations, largely in the public sector. However, a large proportion of this group has no interest in re-entering the labour market with 88% reporting they do not want a job. Moreover there is evidence that many in this group are in relatively high income households with 40% in the top half of the net disposable equivalised income distribution and a relatively high gross household median income (€42,400). On average, this group receives around 68% of its gross household income from transfers.

The most common age range for retirement for this group was 55-59 (37%) meaning there was scope for a large proportion of this group to continue participating in the labour market at the time they retired. The current cohort of retirees under the age of 65 may be higher than it otherwise would have been due to the effects of the economic recession and the subsequent period of consolidation. Although analysis from the Economic and Social Research Institute (ESRI) suggests that while the early retirement rate did increase to 2.4% in 2012 from 1.7% in 2006, the increase does not appear to be drastic.

The above suggests that this is a highly skilled and experienced group that may have the means to leave the labour market relatively early and do not seem inclined to participate again. The findings from the data suggest that encouraging these people to stay in work longer may be more effective than encouraging those who have already left the labour market to re-enter.

B - Disability

Number: 149,600
Most common education level: Primary/lower secondary (52%)
Previous work experience: 75%, 12% in last two years
Most common previous occupation: Skilled trade, operatives and elementary (55%)
Most common previous sectors: Retail (14%), Accommodation and food (12%), Health (11%)
Mean age: 49
Gender: Male (53%)
Most common family economic status: Single inactive (35%)
Work preference: 4.2% PALF, 68% do not want job
Income: 16% in top half of income distribution, median household income €27,200, 77% of gross annual household income from transfers on average.
Additional info: Difficulty with pain, breathing and chronic conditions (41%) and difficulty with basic physical activities (35%) are the most common disabilities reported – often co-occurring. Those with intellectual disabilities are the least likely to have previous work experience (9%). 65% report that their disability causes difficulty working or going to school/college.

This group has relatively lower levels of education and were predominantly previously in occupations in skilled trade, operatives and elementary occupations which are more likely to require a physical

aspect to the work and are relatively low paid. Difficulties with physical activities, pain, breathing and chronic conditions are the most commonly reported disabilities in this cohort. These physical difficulties are likely to make it difficult for individuals to return to work in the more physical occupations in which they have experience. Groups with intellectual, learning, memory or concentration disabilities are the least likely to have ever had work experience.

The inactive disability are more heavily distributed in lower income households compared to retirees under 65 and home duties, with 45% in the bottom two income deciles. Their median gross household income is the lowest of all the inactive cohorts at €27,200 with these households relying on transfers for 77% of their gross income on average. While 68% report as not wanting a job, this is lower than home duties and retirees under 65 meaning there is some appetite for participation in this group.

The data points to potential for increasing suitable employment opportunities and targeting the skills base of this group as themes for policy consideration.

C - Home Duties

Number: 223,700
Most common education level: Third level & Upper secondary (both 28%)
Previous work experience: 74%, 19% in last two years
Most common previous occupation: Admin, caring, sales and customer (47%)
Most common previous sectors: Retail (19%), Health (15%), Accommodation & Food (13%)
Mean age: 45
Gender: Female (94%)
Most common family economic status: Couple – 1 employed and 1 inactive (60%)
Work preference: 10% PALF, 70% do not want job
Income: 25% in top half of income distribution, median household income €39,200, 50% of gross annual household income from transfers on average.
Additional info: 28% have no children in the household – likely caring for another adult or child outside the household. Lone parents (7.2%), two adults (not a couple) with children (7%) and couples without children (6.5%) have slightly higher inactivity rates than other household compositions. 69% of lone parents and 60% of couples with children report that care availability/affordability is affecting their decision not to seek work.

There is evidence in the data to suggest that the home duties cohort is comprised of at least two quite distinct groups with different levels of education, work experience and household income. The group is split more or less evenly across third level, upper secondary and primary/lower secondary level. SOLAS analysis shows that those women on home duties with upper secondary as their highest level of education are typically older than those with third level as their highest level of education[15].

---

[15] Quarterly Skills Bulletin Q1 2019 - Women on Home Duties, SOLAS, 2019;
http://www.solas.ie/SolasPdfLibrary/Women%20Home%20Duties%20Report.pdf

In terms of previous occupation, home duties were mostly in administrative, caring, sales and customer service roles (47%) with the remainder equally split between managers, professionals and associate professionals; and skilled trade, operatives and elementary. There is a link between education and occupation in this cohort with 80% of those in management, professional and associate professional roles having third level education.

It is not possible to match the SILC data to the LFS data but further analysis could explore the link between third level education; experience in management, professional and associate professional roles; and those in the higher income households who may have ended up in higher income households due to socio-economic reasons. Those educated up to primary or secondary level were largely formerly working in the other occupational groups (e.g. administrative, caring, sales and customer service). By definition inactive lone parents on home duties are highly likely to be in the lower income deciles as there is no earning partner in the household.

The evidence from the data presented in this paper suggests there is a highly educated element to the home duties group that were previously in management, professional and associate professional roles. While there is a larger element that have lower levels of education, and were formerly in typically lower paid occupations. There is some evidence from the data presented in this paper that childcare affordability is more of a problem for these lower income households where there is no partner in the household to assist with childcare duties with inactive lone parents on home duties (69%) reporting that childcare affordability/availability is affecting their decision to seek work compared with 60% of the inactive home duties cohort in couples.

The findings suggest that the home duties inactive cohort is diverse and different policy interventions may be required to effectively target increased participation of the different subgroups within this cohort.

D - Unemployed Inactive

Number: 67,300
Most common education level: Primary/lower secondary (39%)
Previous work experience: 66%, 48% in last two years
Most common previous occupation: Skilled Trade, Operatives and Elementary (48%)
Most common previous sectors: Insufficient data
Mean age: 37
Gender: Male (55%)
Most common family economic status: Couple – both inactive (26%)
Work preference: 43% PALF, 43% do not want job
Income: N/A, SILC sample sizes too low for this group.
Additional info: N/A

The unemployed inactive group is quite similar to the disability group in some aspects. Primary/lower secondary education is the most common level of education; largely formerly working in skilled trades, operatives of elementary; and slightly more likely to be male.

Where the groups start to differentiate is that the unemployed inactive (37) are younger on average than the disability population (49) and the unemployed inactive group are much more likely to have been in employment more recently – 48% in the last two years compared to 12% for the disability group. A large proportion of the unemployed inactive also state that they are available for or seeking work (43%). There appears to be a correlation between the inactive disability cohort previously working in skilled trade, operative and elementary occupations that may risk materialising for the unemployed inactive given that skilled trade, operatives and elementary is the most common occupational group for this cohort.

5.2– Further Considerations for Analysis

This paper presents some further questions for future research which would be useful additions to the evidence base for the inactive population and potential avenues for increasing participation.

- Further cohort specific analysis to explore some of the specific issues indicated by the analysis in this paper. For example, to explore the links between education, former occupation, economic status of partner for the home duties cohort.
- Modelling of the future effects of increased levels of third level education on labour market participation as the working age population churns.
- Econometric analyses of the transitions of these cohorts between inactivity and employment. Identification of the characteristics which influence these transitions.

Quality Assurance process

To ensure accuracy and methodological rigour, the author engaged in the following quality assurance process.
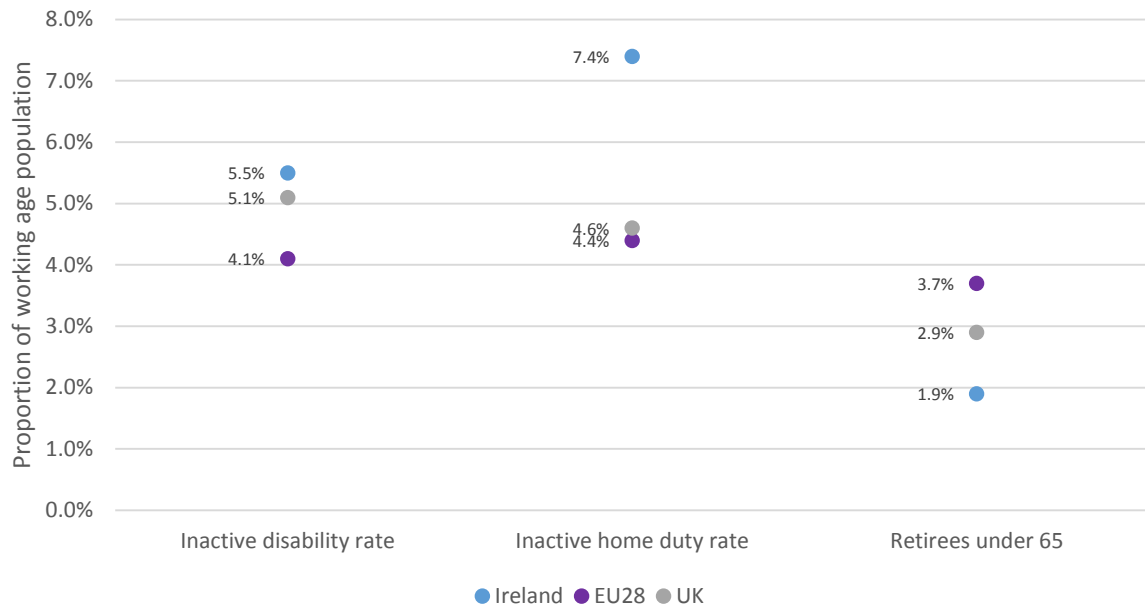
    Internal/Departmental
        ✓ Line management
        ✓ Other divisions/sections

    External
        ✓ Other Government Department
        ✓ Quality Assurance Group (QAG)

Appendix A

Proportion of working age (15-64) population inactive due to disability, home duties, retirement in Ireland, EU28 and UK, 2018

Source: Eurostat, lfsa_igar