



Unemployment Statistics

Forum Report No. 13

May 1997



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PUBLISHED BY THE NATIONAL ECONOMIC AND SOCIAL FORUM

Copies of this Report may be obtained from the:
GOVERNMENT PUBLICATIONS SALES OFFICE
Sun Alliance House, Molesworth Street, Dublin 2.

or

THE NATIONAL ECONOMIC AND SOCIAL FORUM
Centre Block, Government Buildings,
Upper Merrion Street, Dublin 2.

Price: £7.00

(PN 3879)

ISBN-1-899276-12-2

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■ This symbol indicates where a recommendation is made in the Report.

Executive Summary

Executive Summary

Purpose

1. Although unemployment statistics are among the most reported of data, they are often subject to public controversy, as evidenced with the publication last Autumn of a sample survey by the CSO of Live Register and Labour Force Survey data. The Forum hopes that this Report will contribute to a more informed public debate; maintain the political consensus on the scale and nature of our unemployment problem; and clarify the complexities involved in measuring unemployment and the dynamic changes occurring on the labour market. We also hope that it will lead to a number of improvements in unemployment statistics for the purposes of more effectively targeting the needs and circumstances of the different categories of the unemployed. Such improvements would also assist in benchmarking and monitoring the provisions of Partnership 2000.
2. **Section I** sets out the background and earlier work by the Forum, the structure and sequence of the Report and the main purposes why it was undertaken.
3. **Section II** provides an overview of labour market developments such as employment growth and labour supply, policy issues in unemployment measurement and the characteristics of the four main data sources on unemployment.
4. **Section III** looks at the divergence and overlaps between the main statistical methods. The Forum concludes that a series of additional or alternative measures of unemployment are necessary to understand and explain the increasingly complex functioning of the labour market and it renews its call for a parallel register of those looking for work.
5. **Section IV** sets out the Forum's views on the study which it commissioned from Professor Brendan Walsh and Mr Anthony Murphy of UCD on an analysis of labour force survey data. This study, which is the most detailed of its kind undertaken to-date in this country, represents an important advance in our understanding of unemployment and of the dynamics and the factors influencing participation, employment and unemployment in the labour force. It empirically confirms the views expressed in a number of previous Forum Reports in relation to long-term unemployment and the multi-dimensional strategies which are required to tackle it. The study also articulates for policy purposes the differences between, and particular needs of key groups and

individuals for targeted labour market assistance such as lone parents, women, and the disadvantaged, particularly those in local authority housing in urban areas.

6. Section V presents the Forum's main conclusions and its four detailed **recommendations** which in summary are as follows:

- (i) examination by the Central Statistics Office of the feasibility of:
 - (a) publishing a range of unemployment rates (9 in all) to arrive at a measure of the 'slack' labour force (including those on schemes, discouraged workers and those interested in a job but economically inactive) and the rate of unemployment in households with children where no adult is employed;
 - (b) publishing a detailed quarterly *Employment Report* on changes in the labour market (and containing policy-focussed articles, commissioned on a periodic basis, on labour market issues); this should coincide with, or follow shortly after, publication of the quarterly Labour Force Survey results which are due to begin later this year;
 - (c) the development of data in relation to the labour market status of those on training and employment schemes, students, people with a disability and women working in the home;
 - (d) making the very rich Labour Force Survey information available in a suitable format to meet more detailed data needs of Government and interest groups on a planned basis;
 - (e) more actively reaching out and promoting greater dialogue with various interest groups on its unpublished data bank;
- (ii) development of Live Register data by the Department of Social Welfare for labour market purposes and the continuation and strengthening of recent Government measures to eliminate fraudulent claims, having due regard to the privacy, morale and assumption of honesty of claimants and without undermining their capacity to participate in Government training and employment schemes;

- (iii) examination by the Department of Enterprise and Employment of the feasibility of establishing a parallel register of job-seekers, perhaps on a pilot basis initially, using Local Employment Service data and information from the FÁS Job-Seekers Register; and
 - (iv) regular independent monitoring, evaluation and publication of the results of Government policy measures to assist the unemployed, as called for by the Forum in its Opinion No. 3 – *Long-term Unemployment Initiatives* – in April 1996.
7. Finally, the Forum urges that the CSO and the Departments involved should report back to Government as soon as possible with a view to decisions being taken on the feasibility of its recommendations. It is recognised that there will be some additional cost implications involved but these should not be significant and could possibly be financed within existing resources. Otherwise, and given the agreement across the political spectrum on the priority attached to addressing unemployment, the Forum considers that there should be a reordering of public expenditure priorities to meet any extra costs involved.

Section I

Introduction

Introduction

Purpose

- 1.1 The Forum's purpose in preparing this Report was threefold:
- (i) to examine and clarify issues and controversy associated with the measurement of unemployment, with particular regard to the increasing divergence between the Live Register and the Labour Force Survey methods and the related question of fraudulent unemployment claims;
 - (ii) to interpret and evaluate the relative merits of the different methods for measuring unemployment;
 - (iii) to make recommendations for policy purposes which would:
 - better inform Government on the level and nature of unemployment, particularly long-term unemployment;
 - assist the more effective targeting of measures to combating unemployment so that the different needs of particular socio-economic groups are more clearly identified and addressed; and
 - provide a fuller understanding of the functioning of the labour market and the level of labour supply for policy purposes.
- 1.2 In its Opinion on *Long-term Unemployment Initiatives* (April, 1996), the Forum recommended that the increasing divergence between the Labour Force Survey and the Live Register should be assessed; that the timeliness of data on long-term unemployment should be improved; and that consideration be given to the establishment of a parallel register, perhaps linked in with the Local Employment Service, in order to capture those who classify themselves as seeking work.
- 1.3 The present Report has been prepared pursuant to the discussion and debate at the Forum's Plenary Session in December last. Other participants in these discussions included, inter alia, representatives of the OECD, ILO, CSO, the NESC and the Departments of Finance and Social Welfare. Professor Brendan Walsh, UCD, also presented preliminary results of a research study which had been commissioned by the Forum on labour force survey unemployment data.
- 1.4 The content of this Report is as follows:

- **Section II** contains an overview of current unemployment statistics;
- **Section III** looks at divergences and overlaps between the main statistical methods;
- **Section IV** presents a commentary on the main findings from the research study mentioned above; and
- **Section V** sets out the Forum's main conclusions and recommendations.

The research study is presented in full in the Appendix to the Report.

Section II

**Overview of
Current
Unemployment
Statistics**

Overview of Current Unemployment Statistics

Introduction

- 2.1 Unemployment data are generally regarded as among the key indicators of economic and social performance and are often cited as an indicator of the severity of socio-economic conditions. However, the conventions under which statistics are compiled may fail to take account of the changing nature of work and a considerable number of persons who are not '*officially*' in the labour force e.g. women who are working primarily in the home, or those who may have given up looking for employment because they believe that no jobs are available (discouraged workers). In addition, unemployment statistics may include those who are not available for or seeking work. Controversy often arises over the level of unemployment and the question of fraud, sometimes as a result of differences in statistical methods and in reporting frequency.
- 2.2 Beginning with a brief overview of recent trends and developments in the labour market, this Section will examine its increasingly complex functioning; the policy issues and criteria involved in measuring unemployment; the characteristics and definitions involved in the four main methods of unemployment measurement, the PES, ILO, Live Register and the Census of Population; and also the FÁS Job-Seekers Register with its associated problems of low coverage of those on the Live Register and job placement rates.

Employment Growth and Labour Supply

- 2.3 Given that employment performance is a separate key indicator of economic well-being, it is also necessary to look at this aspect of labour market activity in examining overall supply and demand. The creation of 122,000 non-agricultural jobs (excluding Government training and employment schemes) in this country over the period 1993-1996 (PES basis) is a very significant achievement by any standards, with the services sector being the main area of growth. Total employment over the period grew by around 4 per cent per annum on average, compared to an EU average of only 0.3 per cent. The forecast increase of 45,000¹ new jobs this year is also very positive.

1. *Economic Background to the Budget*, Department of Finance (January, 1997).

- 2.4 However, despite this unprecedented boom in job creation and the associated vacancies and skills shortages currently being experienced in this country, the rate of unemployment stood at 11.9 per cent in 1996². Although this has fallen from 15.7 per cent in 1993, its continuing high level alongside strong employment growth points to the on-going need to keep unemployment at the top of the political agenda.
- 2.5 To understand why the unemployment rate continues to be so high, it is necessary to look at the increasingly complex functioning of the labour market – in the Forum's view, employment and unemployment can no longer be regarded as mutually exclusive polar opposites. Changes in technology, the continuing decline in agricultural employment, increasing participation rates by women in the labour force and the rapid growth in the services sector have brought about changes in the demand for labour and new concepts about what it means to be in work, together with an increasing trend towards more flexible work arrangements. These concepts cover a continuum ranging from total unemployment to temporary part-time/temporary full-time work, part-time work, contract work, under-employment and full-time employment. The Forum is also concerned with the extent of discouragement and withdrawal from the labour market following on prolonged failure to get employment, particularly where these are associated with poverty and social exclusion. Changes in the labour force over the period 1993-1996 are set out in Table 2.1 opposite.
- 2.6 A medium to long-term analysis of labour market changes is beyond the scope of this Report. However, in its Reports No. 7 and 9, the Forum has previously commented on the rapid increase in part-time work in recent years (around 60 per cent over the period 1991 to 1995 – from 95,000 to 152,400) although, in this regard, it is noteworthy that the entire increase in jobs in 1996 was accounted for by full-time jobs.
- 2.7 The main factors affecting labour supply are:
- the high rate of natural increase in the labour force (over 20,000 per annum over the period 1991-1996); this is projected to remain high over the next number of years (though there should be some tailing off in the growth rate);
 - the increased participation of women in the labour force, which rose from 36 per cent in 1991 to 41 per cent in 1996 (ILO basis) and is rapidly approaching the EU average of 44 per cent; and

2. Standardised Unemployment Rate basis (April, 1996).

Table 2.1
Changes in the Labour Force 1993-1996 (ILO basis)

	1993 000s				1996 000s			
	Male	Female	Total	% Labour Force	Male	Female	Total	% Labour Force
Employed:								
Full-time;	710	341	1,051	75.2%	769	397	1,166	78%
Part-time;								
– Not under-employed	24	79	103	7.4%	28	100	128	8.6%
– Under-employed	12	11	23	1.7%	12	11	23	1.6%
Unemployed:								
– Seeking Full-time work	135	61	196	14%	106	44	150	10%
– Seeking Part-time work	3	21	24	1.7%	3	24	27	1.8%
Total Labour Force	884	513	1,397	100%	918	576	1,494	100%
Inactive:								Change 96/93
– Marginally attached	18	15	33	–	11	9	20	–40%
– Not economically active	399	817	1,216	–	425	817	1,242	2.1%

Source: CSO Labour Force Surveys.

- low levels of net emigration – high net outflows in the 1980s have been turned around to such an extent that there were small net inflows in 1992 and 1996³.

2.8 This growth in the labour supply has been checked to some extent by the increase in those staying on in education in recent years (13,000 per annum on average over the period 1991-1996). Another factor affecting labour supply is the degree to which people who want a job become discouraged from looking because they believe, for a variety of reasons, that there are no suitable jobs available to them (those regarded as marginally attached to the labour force).

3. CSO Annual Population and Migration Estimates 1991–1996.

In 1991, there were 26,000 such people in the labour force; this rose to 33,000 in 1993 and fell to 20,000 in 1996 (11,000 male, 9,000 female). In addition, special tabulations from the 1996 Labour Force Survey (ILO basis) indicate that around 107,000 people classified as 'not economically active' were interested in a job but were either not looking or not available for work for various reasons at that point in time. These factors indicate the strong elasticity of labour supply in this country.

2.9 The current vacancies and skills shortages also raise particular policy issues; the problems in the building and construction industry have been well reported, while a recent report by CERT⁴ found that 39 per cent of establishments in the tourism industry are experiencing recruitment difficulties, with the highest level of difficulty being reported by hotels (69 per cent). A recent survey by the Small Firms Association⁵ of 236 small companies employing less than 50 staff across all sectors (covering an employment force of over 4,000) identified recruitment difficulties as a major problem for almost 80 per cent of the companies surveyed. The survey indicated that the main factors affecting the filling of vacancies were:

- a lack of skills in 43 per cent of cases;
- a lack of interest in seeking work in 20 per cent of cases; and
- the balance of 37 per cent were those who regarded themselves as better off on social welfare and secondary benefits.

2.10 FÁS are currently tracking these vacancies with a view to filling as many of them as possible. More generally, policy responses to deal with skills shortages are already in hand and the Forum notes that the *White Paper on Human Resource Development* has just been published. In this regard, it wishes to highlight that policy responses need to tackle the particular difficulties faced by the long-term unemployed in being considered for employment, including the problems caused by unemployment traps arising out of the inter-action between the tax and social welfare system. The proper resourcing and functioning of the Local Employment Service as recommended in its Report No. 4 – *Ending Long-term Unemployment* – should play a key role in such policies; the recent extension of the LES to a further four unemployment blackspots is a welcome development in this respect.

4. *Employment Survey of the Tourism Industry in Ireland*, BDO Consulting on behalf of CERT (1996).

5. The SFA is an IBEC-affiliated organisation.

Policy Issues in the Measurement of Unemployment

2.11 Having set the context for this Report, the Forum aims to highlight what is required from our unemployment data in order to better inform and assist policy-making to the greatest extent possible in tackling our most serious economic and social problem. Generally, the five main reasons for unemployment measurement can be taken to be:

- (i) to assess the extent of the under-utilisation of labour;
- (ii) as an indicator of social hardship/poverty;
- (iii) to assess labour availability in a particular area;
- (iv) to assess unemployment costs for public expenditure purposes; and
- (v) to target measures to address the particular circumstances and needs of the different categories of the unemployed.

The Forum will now outline the main data sources on unemployment, examine their characteristics and assess their usefulness against these criteria.

Main Data Sources

2.12 The main sources of unemployment data in this country are:-

- the two statistical methods used in the annual Labour Force Survey viz.:
 - (i) the Principal Economic Status (PES) method where the respondent describes his/her own labour market status (self-classification basis);
 - (ii) the International Labour Office (ILO) method which is based on particular criteria governing availability for work and job-search activity;
 - (iii) the monthly Live Register – a count of those entitled to Unemployment Benefit/Unemployment Assistance/Credits under the social welfare system; data on long-term unemployment from this source is published twice yearly (April and October); and
 - (iv) the five-yearly Census of Population, which measures unemployment based on the PES method; the Census covers all of the population and gives a complete ‘snap-shot’ measure of unemployment down to local level.

- 2.13 FÁS also maintains a voluntary Job-seekers Register which contains information on the education and training skills of those looking for work. In 1995, only 40 per cent of those on the Live Register were registered with FÁS.⁶ Information on the remaining 60 per cent who do not choose to register with FÁS is very limited. However, data flows between the Department of Social Welfare and FÁS (updated monthly) have increased during 1996, particularly in relation to younger people (65 to 70 per cent of 18 and 19 year olds on the Live Register are now registered with FÁS, mainly as a result of changes in the 1996 Budget requiring such registration after six months on the Live Register for this age-group) so that this situation is improving. In this context, it is also of interest to note that only about 23 per cent of private sector vacancies are notified to FÁS (although this proportion is increasing) while about 35 to 40 per cent of such vacancies are filled by FÁS referrals.
- 2.14 Also, a pilot project is now underway in Newbridge Exchange, Co. Kildare, to link Live Register data with FÁS⁷ information needs; this project aims to capture data on education and skills levels for those ‘*signing on*’ who do not register separately with FÁS. In addition, FÁS intends to update data on those who register voluntarily on a yearly basis, instead of every 18 months as at present.
- 2.15 While acknowledging the above efforts to improve the availability of data on labour supply and demand in local areas, it is essential that job-seekers and employers have confidence that the system will be able to meet their needs. It is necessary to consider how best this might be done using all available resources; a proposal for a parallel register is developed later in this Report.
- 2.16 Table 2.2 sets out the figures for unemployment and long-term unemployment (i.e. unemployed for more than 12 months) according to the above three main sources of unemployment statistics.

Table 2.2
Comparison between Live Register/PES/ILO Total Unemployed

April, 1996	Total Unemployed			Total Long-term Unemployed		
	Male	Female	Total	Male	Female	Total
Live Register	179,300	102,000	281,300	95,621	40,773	136,394
PES	137,700	52,200	189,900	*	*	*
ILO	109,100	68,400	177,600	68,700	33,600	102,300

* Not available

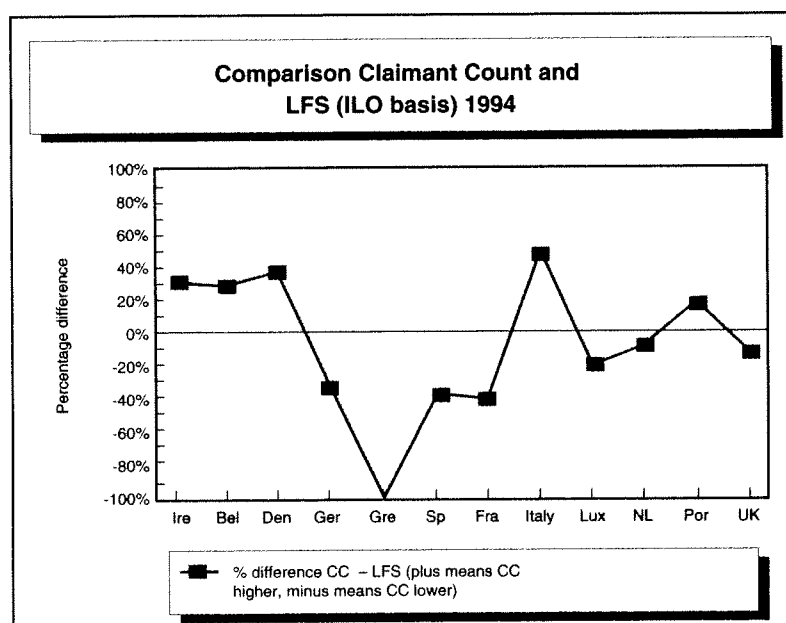
Source: CSO Labour Force Survey 1996 and Live Register Data.

6. Source: Information supplied to the Secretariat by FÁS.

7. Arising from a recommendation by an *Inter-Departmental Group on the Enhancement of Data on Registered Unemployed* (1996).

2.17 Such data differences between the various statistical methods are not unique to this country as Figure 2.1 shows. These differences are mainly due to eligibility and entitlement criteria which vary widely between countries. For example, in 1994, the claimant count (Live Register) was 30 per cent higher than the ILO figure in Ireland, while in the UK it was 10 per cent lower and in Greece it was 106 per cent lower.

Figure 2.1



Source: Department of Finance unpublished data.

Characteristics of the main methods of measurement

2.18 The main methods involved are outlined and evaluated beneath in the following sequence:

- (i) Labour Force Survey
 - (a) Principal Economic Status method; and
 - (b) International Labour Office (ILO) method;
- (ii) Live Register; and
- (iii) the Census of Population.

In this sub-Section, the Forum draws on the study it commissioned from Professor Brendan Walsh and Mr Anthony Murphy, UCD, in relation to LFS data. This study is reproduced in full in the Appendix.

(i) **Labour Force Survey (LFS)**

2.19 The Labour Force Survey is based on a sample of approximately 50,000 households. It was first carried out in 1975 and has been carried out consistently on an annual basis since 1983. (It will be carried out on a quarterly basis from September of this year). The two sets of data derived from the Labour Force Survey come from the Principal Economic Status (PES) method and the International Labour Organisation (ILO) method.

(a) *Principal Economic Status Method:*

2.20 This method is based on a response to a question seeking a self-description of a person's '*usual situation*' in relation to employment. Nine possible options for reply are given as follows:

Employed

- working for payment or profit;

Unemployed

- looking for first regular job; or
- unemployed having lost or given up previous job; or
- actively looking for work again after a voluntary interruption of working life for personal or domestic reasons.

Not in Labour Force

- student or pupil; or
- engaged on home duties; or
- retired from employment; or
- unable to work owing to permanent sickness or disability; or
- other.

2.21 Because of its relative simplicity, PES data results are available for some months before the ILO data and have, therefore, tended to be given more prominence by economic commentators, although the CSO has now indicated that it intends to publish the annual ILO and PES results together for the first time in October next. The move to quarterly surveys later this year and the use of new technology should mean that both sets of data should be available at around the same time in the future.

- 2.22 While the PES method provides useful information as to how respondents see themselves in terms of their labour market status, its usefulness as an indicator of labour supply is somewhat limited as it relies on self-assessment and is therefore open to subjectivity. This is a particular problem if the person's labour market situation is not clear cut, in which case the mutually exclusive definitions are inappropriate. For example, some women may classify their 'usual situation' as being on 'home duties' although they may actually be available for and interested in a job outside the home. Murphy and Walsh found that almost half the women classified as ILO⁸ unemployed assigned themselves to the PES 'home duties' (Appendix, I.3.ii). In addition, the PES method, in common with the ILO method, does not separately identify those on Government schemes, nor does it provide sufficient information on the labour market status of students or people with a disability.
- 2.23 With regard to information on disability, Murphy and Walsh state that 'it would be desirable to ask all respondents if their economic activity is limited by a health or disability problem' (Appendix I.1.ii); they further consider that some additional information concerning the nature of the disability or illness might be elicited from those assigned to the PES 'Unable to work due to (permanent) sickness or disability'. Given that the CSO has indicated to the Forum its willingness to talk to the interest groups involved regarding possible definitions of disability and that it has also advised that it may be possible to look at this issue in the context of the social topics to be covered from December next in the quarterly surveys, the Forum urges the CSO to further take on board the above comments in refining PES data on disability.
- 2.24 A further drawback is that data at local level under the PES method are not published. This is for reasons of confidentiality and sampling error. However, the Forum considers that these issues should be re-examined by the CSO in terms of devising a format for data presentation so that that these difficulties can be overcome. This is important for policy purposes, given the many local area-based approaches now in place to tackle unemployment.
- 2.25 In assessing the groups most likely to suffer from poverty, the ESRI uses the PES definition of unemployment for the *Living in Ireland* survey. The most recent such survey, for 1994, indicates that households headed by a person who is unemployed are more likely to suffer poverty than any other household and make up the largest single group of poor households.
- 2.26 In summary, in relation to the reasons for unemployment measurement and the criteria set out in paragraph 2.11 above, the PES method provides a limited indication of the under-utilisation of labour given the problems associated with

8. To be classified as ILO unemployed, a person must be available for and actively seeking work. More details are given in paragraph 2.27.

self-classification, particularly in the case of women. However, this is not to downplay its usefulness as an indicator of a person's own perception of their employment status as an important social indicator in itself.

(b) International Labour Office (ILO) Method:

2.27 The ILO method is based on a number of rigorous questions regarding work and job search activities in a stated week and leads to 27 distinct labour force sub-groups. These can be classified as:

(i) Economically Active:

- *In employment*, all persons who worked in the last week for at least one hour for profit or payment;
- *Unemployed*, all persons who in the last week were out of work, but were available and taking steps to find full-time or part-time work (i.e. actively seeking work using any of 13 listed methods of job search, including 'other', in the four weeks prior to the survey – among the 'active' methods is being registered with, or awaiting a call from FÁS);

(ii) Economically Inactive:

- all people not falling into the above two groups and, therefore, not regarded as part of the labour force; within this category, the ILO method also provides information on those interested in a job who are not looking for work for reasons of discouragement and on those who say they would like a job but who are not actually looking for one for a variety of reasons other than discouragement.

2.28 The ILO method is regarded by economists as a standardised measurement of unemployment which is internationally comparable. The detailed questions in the survey elaborate on the initial questions regarding labour market position under the PES method and this eliminates the level of subjectivity. It allows for a more detailed breakdown of the labour force and of its increasing diversity and flexibility and can, therefore, help to address the increasing blurring of the distinction between employment and unemployment on the one hand, and unemployment and economic inactivity on the other.

2.29 The ILO method also recognises that women can be looking for work at the same time as carrying out home duties and that this, therefore, represents some form of unemployment. It also gives an indication of the level of hidden unemployment (e.g. involuntary part-time or under-employment) and other forms of labour market activity and diversity. However, Murphy and Walsh note that there is no guarantee that all of those classified as ILO unemployed would accept a job offer, while some who are classified as ILO inactive might return to work if offered employment (Appendix, I.2.i), indicating that *'no measure of*

unemployment should be regarded as a definitive gauge of the numbers available for employment' (Appendix, I.4).

- 2.30 As with the PES method, data at local level is not published and there is no information regarding the labour market status of those on Government training and employment schemes, students or people with a disability. Both methods are, therefore, likely to underestimate the level of unemployment. In relation to those on schemes, Murphy and Walsh note that in the UK individuals on schemes are identified separately and classified as employed (Appendix, I.1.i).
- 2.31 Although the ILO definition of being '*at work*' is based on having worked for at least one hour in the previous week, which may seem too broad, Murphy and Walsh found that the number of such people who might be regarded as only marginally attached to the labour force was small, suggesting that such employment is rare or that respondents tend not to report marginal employment (Appendix, I.1.i).
- 2.32 Internationally, to ensure consistency and comparability across countries, there has been an increasing trend towards the use of labour force surveys. For example, the measurement of unemployment from most European labour force surveys is now based on standards that emerged from the ILO's 1983 International Conference of Labour Statisticians. In a study of ninety four countries that use unemployment statistics, Brennan⁹ found that forty use a labour force survey only, twenty-three use administrative records only and thirty one use both. Moreover, while the frequency of one month for administrative data was consistent across countries, this was not the case for labour force surveys with 28 per cent conducting it monthly, 31 per cent publishing the survey on a quarterly basis, 38 per cent carrying it out annually and the remainder having it bi-annually.
- 2.33 While the ILO method is a very rich data source, this is not immediately evident from the published statistics in this country. Although a wide number of variables are analysed at an aggregate level, much of the detail of the survey remains unpublished. Possible variables for periodic analysis that would be useful for policy purposes might include:
- labour force status by level of education and gender;
 - duration of unemployment by level of education, gender and location;
 - reasons for discouraged workers by gender, age, education level, location; and

9. Paper presented to the Forum Plenary by Mr P. Brennan, Director, ILO London Office.

- labour force status of lone parents by location, gender, age and education level.

2.34 In summary, and weighed against the reasons and criteria for measuring unemployment in paragraph 2.11 above, the ILO method provides a measure of the underutilisation of labour, enables a picture of the dynamics in the labour market to be formed and can identify target groups for policy measures in tackling unemployment. Its other main advantage is its international comparability and there was unanimous agreement within the Forum that it provides a key indicator of our economic performance in global terms.

(ii) Live Register

2.35 The Live Register is the monthly figure of unemployment derived from the Department of Social Welfare claimant count of those entitled to Unemployment Benefit (UB), Unemployment Assistance (UA) and Others (mainly those claiming credits – around 18,000 – the majority of whom are married women). The Register is, therefore, a measure of those people who are entitled to receive such State support. Those signing on the Register are required to sign a declaration that they are available for and genuinely seeking work. The Forum notes that the 1997 Social Welfare Act gives the Minister for Social Welfare the power to introduce regulations to define what will be necessary for people on the Register to prove they are available for and genuinely seeking work.

2.36 In the case of those signing for credits, the requirement to be genuinely seeking work has been relaxed, following a recent Ombudsman's ruling, to the extent that the claimant need only be available for work (though it cannot be inferred from this that those signing for credits to protect pension rights are not also looking for work). The Forum understands that this situation is now actively under review by the Department of Social Welfare.

2.37 The Live Register is not, of course, a static pool of people. For example, over the period January to December 1996 there were approximately 27,600 new registrants and around 29,000 'signing off' per month. Data on inflows to the Live Register in that period are set out in Table 2.3.

Table 2.3
Source of Inflows to the Live Register January–December 1996 (%)

Full-time employment	41%
Casual/part-time employment	18%
FAS/CE schemes	7%
School/college	5%
Other Social Welfare payment	9%
Outside the State	10%
Other	10%

Source: Department of Social Welfare (based on around 85% of computerised claims data).

2.38 Data on outflows from the Live Register has recently become available. Details of the reasons for leaving over the period November, 1996 to February, 1997 are set out in Table 2.4. This shows that around 50 per cent of those leaving had found work (this includes recipients of the Back to Work Allowance Scheme). Around 50 per cent of those leaving were aged between 25 and 45 and around 30 per cent aged under 25, while around 80 per cent were on the Register for less than one year. Only around 5 per cent of those leaving were from the very long-term unemployed i.e. on the Register for three years or more. Of those who found work in February, the majority (55 per cent) had been on UB, 41 per cent on UA and 4 per cent were signing for credits. While the outflow data are too recent to draw any firm policy conclusions on trends, the Forum welcomes its development and urges the Department of Social Welfare to publish the details on a monthly basis as a valuable indicator, particularly in relation to local labour market developments and short-term changes in the labour market.

Table 2.4
Source of Outflows from the Live Register

Reason	November 1996 (36,728 leaving)	December 1996 (18,240 leaving)	January 1997 (34,822 leaving)	February 1997 (27,659 leaving)
Found work (including recipients of Back to Work allowance)	49%	48%	63%	55%
Took up Educational Training or Employment Scheme place	13%	13%	5%	5%
Transferred to other DSW Scheme	5%	5%	4%	5%
No longer entitled to unemployment payment	9%	11%	10%	11%
Other	7%	7%	6%	7%
No Reason Stated	17%	16%	12%	17%

Source: Department of Social Welfare – based on claims data amounting to around 70 per cent of all claims (the current level of computer data availability).

- 2.39 The Live Register is the only up-to-date data source available on a regular basis and at local level and the only direct source of accurate information on duration of unemployment, type of claimant and seasonality of unemployment. However, it is a by-product of the administrative system for State benefits and as such is not internationally comparable and does not, and cannot, capture other key features of labour market activity or potential labour supply e.g. the extent of job search activities, perceived availability for work and hidden unemployment.
- 2.40 While those on Government training and employment schemes are also not included under the rules governing the Live Register, the numbers involved are available from other administrative sources, and can be taken on board for labour supply purposes without the danger of double counting, unlike the PES and ILO methods. With regard to time series, it is difficult to construct a consistent one for the Live Register given that there have been over thirty administrative changes over the last 25 years, including changes regarding short-time workers, older age groups (pre-retirement schemes), women, small farmers and the self-employed. Attempts to construct such a time series in the UK have given rise to problems in relation to the credibility of the data.
- 2.41 Increasingly, policy-makers are moving away from the Live Register as an economic indicator, as it is no longer considered to adequately reflect short-term trends in employment and unemployment. For example, over the period of strong employment growth between 1993 and 1996, the Live Register only fell by 13,100 (from 294,800 in April, 1993 to 281,700 in April, 1996, seasonally adjusted). By contrast, the PES measure of unemployment fell by 40,000 and the ILO measure by 42,000 over the same period.
- 2.42 Part of the reason for the above relatively small drop in the Live Register may be attributed to the recent changes in welfare legislation to support unemployed people in moving gradually back into employment through part-time or casual work. There are now around 30,000 such workers 'signing on' the Live Register in respect of days for which they are not working. With regard to the large fall since September, 1996, this has led to the discontinuation of monthly returns from the Register being used to extrapolate the standardised unemployment rate between annual labour force surveys, pending a review of the methodology by the CSO.
- 2.43 When set against the reasons for measuring unemployment outlined in paragraph 2.11 above, the Live Register scores high in terms of measuring the cost of unemployment for public expenditure purposes, as a poverty indicator in terms of measuring the levels of cash benefit available against average household income and in the ready availability of local level data by age and duration. However, before drawing any overall conclusions on its usefulness, it is necessary to look more closely at the reasons behind its divergence from the PES and ILO methods. This will be considered in Section III.

(iii) The Census of Population

- 2.44 The fourth main source of unemployment data is the five-yearly census. As the census form is self-completed, the questions concerning employment status are quite general and based on the PES format, and the Census does not, therefore, provide information on complex labour market issues. Its key advantage, however, is that it provides valuable labour market information for the population as a whole right down to local level, as compared to the survey method of the PES and ILO measures, which are subject to sampling error. In this context, the Forum particularly welcomes the addition of a question on the duration of unemployment in the 1996 Census (as was previously recommended to the CSO by the Forum) which will add to the value of the labour market data it contains.
- 2.45 However, the main difficulty with the Census is that, due to resource constraints and competing priorities within the CSO, the publication of the data is subject to a considerable time-lag (generally around two years), hence its value for short-to-medium term analysis is limited. However, the CSO have indicated that they may be in a position to meet most data users' needs in relation to the 1996 Census by the end of this year and in such a format as to provide local-level data. This represents a positive development in the timeliness of data supplied by the CSO which is welcomed by the Forum.

Section III

**Divergences and
Overlaps between
Statistical
Methods**

Divergences and Overlaps between Statistical Methods

Introduction

3.1 This Section now brings a stage further the earlier consideration of policy issues involved and the main methods used in the measurement of unemployment through examining:

- the divergences; and
- the overlaps between the ILO, PES and Live Register statistical methods.

3.2 A number of conclusions for policy purposes are indicated at the end of the Section.

Divergences between Methods

3.3 The most commonly quoted figure on the scale of the difference between the Live Register and the Labour Force Survey is that calculated using the PES measure; on this basis, the gap stood at 91,000 in mid-April 1996. Table 3.1 (overleaf) shows how this gap has been widening over the years and its breakdown according to gender and age-group. It will be seen that the largest increase in absolute terms has been the growth in the number of women over 25 years of age signing on the Live Register.

3.4 Figure 3.1 sets out these changes in graphic form. While all unemployed groups, irrespective of age and gender, now show a higher Live Register figure than for the PES method, the changes between men and women aged between 25-64, were particularly striking in recent years. Initially, the trends for these two groups were very close; since 1986, however, the rapid increase in women aged 25-64 on the Live Register (from 64,404 in 1986 to 103,593 in 1996) in comparison to those unemployed on a PES basis (which fell from 54,000 to 52,000 over the same period) widened the gap between the two. It is also notable that, between 1994 and 1996, the difference between the number of men aged 25-64 on the Live Register as compared to the Labour Force Survey has grown rapidly to the extent that it is now converging on the difference for women in that age-group, in absolute terms.

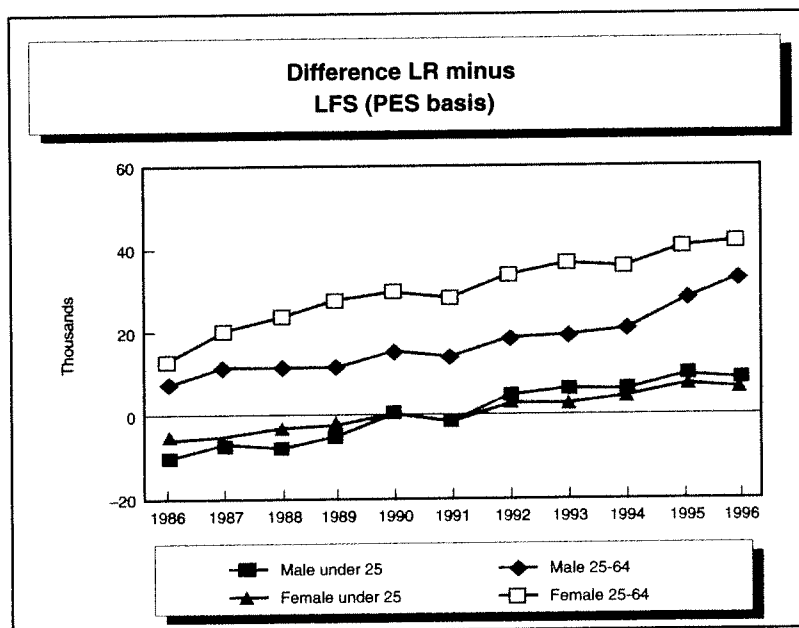
Table 3.1
Live Register Count minus LFS-based PES Unemployment Measure (000s)

Year	Male			Female			Total
	Under 25	25-64	Male Total	Under 25	25-64	Female Total	
1986	-9.9	+7.9	-2	-5.8	+12.5	+6.7	+4.7
1987	-7	+11.5	+4.5	-5.1	+20.5	+15.4	+18.6
1988	-7.4	+11.5	+4.1	-3	+23.8	+20.8	+23.8
1989	-4.6	+11.7	+7.1	-2	+27.6	+25.6	+31.8
1990	+1.2	+15.2	+16.4	+0.5	+29.9	+30.4	+45.5
1991	-1.4	+14.7	+13.3	-1.1	+28.3	+27.2	+39.3
1992 #	+5	+18.5	+23.5	+3.1	+34.6	+37.7	+59.9
1993 #	+6.6	+19.7	+26.3	+3.4	+36.5	+39.9	+64.9
1994 #	+6.3	+20.9	+27.2	+5.1	+36.2	+41.3	+66.7
1995 #	+10.1	+28	+38	+8	+41	+49	+86.2
1996 #	+9.4	+33	+42.4	+7.3	+42.8	+50.1	+91.4
Overall change 1986/96 in gap between LR and LFS	+19.3	+25.1	+44.4	+13.1	+30.3	+43.4	+86.7
% change in gap 1986/1996	194%	418%	2220%	226%	342%	748%	1944%

Source: Based on figures from CSO Statistical Bulletin, December, 1996.

#1996 based on preliminary LFS estimates. 1992-95 data subject to minor revision when final 1996 Census of Population results become available (possibly at the end of this year).

Figure 3.1



3.5 Murphy and Walsh also carried out a similar analysis which looks at the extent of the differences between the Live Register and the ILO and PES methods of measuring unemployment between 1988 and 1996 (Appendix, I.3.i). These results indicate that the gap between the ILO figure and Live Register figures stood at 103,700 in 1996, in comparison to 91,000 under the PES method. Their key findings in relation to the 1996 data were:

LR and LFS-PES

- for all males and for women under 25, the Live Register was around 30 per cent higher than the PES figure, while for women over 25, the difference was 143 per cent higher than the PES figure;

LR and LFS-ILO

- for men and women under 25, the Live Register was around 40 per cent higher than the ILO figure, while it was 54 per cent higher for women over 25 and almost 73 per cent higher for men over 25; and

LFS-PES and LFS-ILO

- the difference between the PES and ILO measurement is small for all people under 25; and
- unemployment as measured by the PES was over 32 per cent higher than the ILO measure for men aged 25 or over, whereas in the case of females aged 25 or over the ILO measurement was found to be 60 per cent higher than the PES figure.

3.6 Murphy and Walsh also found that the ILO and PES rates of unemployment follow the same cyclical pattern (Appendix I.3.ii); in the case of males, there is no clear cyclical pattern to the excess of PES over ILO unemployment but this has tended to increase over time (15 per cent in 1983 compared to 27 per cent in 1996). Among women, there has been a tendency for the gap between the PES and ILO measures to narrow.

Reasons for differences

3.7 The size of these differences often leads to confusion and allegations of fraud in the social welfare system. However, the question of exactly **what** is being measured is central to the issue. According to the Central Statistics Office, in their monthly Live Register release:

“the Live Register is not designed to measure unemployment. It includes part-time (working up to three days per week), seasonal and casual workers entitled to Unemployment Assistance/Benefit if they meet the statutory conditions.”

3.8 The above viewpoint on the unreliability of the Register has also been put forward by, *inter alia*, Government in its comments on the monthly Live Register figures as well as by the ESRI and the EU Commission.¹⁰ However, divergent views were expressed on this in the Forum; while some Members took the view that the Register no longer reflects unemployment trends, others considered that it remains an important indicator of the social impact of unemployment and reveals important information on the operation of the labour market which is not captured elsewhere, particularly as it impacts on poverty and labour market marginalisation.

3.9 The CSO has also indicated that the widening gap between the LR and the LFS may be attributed to a number of administrative changes associated with the Live Register. In an Information Note in November 1995, it presented these changes in the approximate chronological order in which they happened, as follows:

- the implementation of equality legislation in 1985, which resulted in an increased number of women signing on without any change in their labour force status;
- the requirement to be on the Live Register to access employment and training schemes;
- the increasing number of part-time and occasional workers (other than systematic short-time workers) who sign on in respect of days when they are not employed;
- changes in administrative rules in relation to means testing;
- changes in the levels of UA and UB payments; and
- arrangements for splitting of entitlements between spouses.

3.10 Again, divergent views were expressed within the Forum as to the above explanations for the widening gap, particularly in relation to women signing on without any change in their labour force status. Some Members felt that the underlying assumptions could be interpreted to mean that people ‘*signed on*’ but were not unemployed.

3.11 In this regard, some representatives on the Forum consider that there is no basis in reality for these assumptions. They further argue that there is no reason to believe that people signing on for any of the above reasons are not ‘*unemployed*’ by other definitions and every reason to believe that they are. As an example of this, they point out that there could be no greater proof that someone is looking for work than if they ‘*sign on*’ in order to get on to an employment scheme.

10. *Labour Market Studies, Ireland* ESRI/EU (December, 1996).

3.12 These differences reflect the wider debate on the current issues involved in using administrative data for unemployment purposes. However, the Forum's proposals in relation to the improved recording of data and administrative efficiency of the Live Register which will be set out in Section V of this Report are aimed at bridging such differences.

Cross-referencing between data sources

3.13 In September last, the CSO carried out a sample survey of about 1 per cent of those on the Live Register cross-referenced against Labour Force Survey responses (PES and ILO). Just over 28 per cent of the sample could not be found as they were not listed as a usual resident of the address given to the Department of Social Welfare; they were therefore eliminated from the survey.¹¹ The results of this weighted study are shown in Table 3.2 opposite on a percentage basis i.e. the percentage of those on the Live Register according to their labour force status on an ILO or PES basis. The survey indicated that:

- almost 44 per cent of the sample on the Live Register did not describe their status as unemployed in the LFS according to the PES classification (in which people describe their own status);
- over 11 per cent indicated that they had full-time jobs and about three quarters of these indicated that this full-time job was a permanent one;
- 10 per cent (ILO) said they were working part-time (this would indicate a figure of around 28,000 part-time workers on the Live Register; according to Department of Social Welfare estimates, the actual number is around 30,000);
- almost 25 per cent were classified as '*others not economically active*' under the ILO classification; about three people in four of these indicated in their responses that they were neither looking for nor wanted work; and
- just under 4 per cent indicated that they were retired and a similar proportion described themselves as students.

3.14 The Forum notes that the 1994 ESRI *Living in Ireland* survey found lower levels of working and signing than in the CSO survey, indicating that further work needs to be done in this area before there can be any certainty about the level of this form of welfare fraud. The key conclusion from Table 3.2 is that there are many people who are not statistically classified as unemployed in the Labour Force Survey (44 per cent on a PES basis) but who are included in the monthly Live Register total. Conversely, there are unemployed persons according to Labour Force Survey definitions who are not on the Live Register.

11. The CSO stated that "no specific conclusions can be drawn from this study in respect of them".

Table 3.2
CSO Sample Survey of Live Register results by
ILO/PES classification

ILO Economic Activity Status	Principal Economic Status			Total (ILO)
	At Work	Unemployed	Not in Labour Force	
Employed:				
– Full-time	11.3%	0.1%	–	11.4%
– Part-time				
– Not under-employed	6.8%	0.2%	0.3%	7.3%
– Under-employed	2.4%	0.2%	0.1%	2.7%
Unemployed	0.1%	45.5%	3.9%	49.5%
Marginally attached to the Labour Force	0.1%	3.6%	0.9%	4.6%
Others not economically active	0.1%	6.7%	17.7%	24.5%
Total (PES)	20.8%	56.3%	22.9%	100%

Source: CSO Labour Force Surveys.

- 3.15 Although the results of the survey must be interpreted with caution, since they are subject to sampling error, they have already been the subject of a major public and political debate. In its Press Statement last September on the CSO survey, the Government reiterated its continued commitment to tackling unemployment while vigorously pursuing those who cheat on social welfare. Following a Government decision in the matter at that time, the Minister for Social Welfare has since been reporting to Government on a monthly basis on control and management measures in relation to the Live Register.
- 3.16 According to latest figures from the Department of Social Welfare, the Live Register has fallen by 23,700 on a seasonally adjusted basis over the eight month period August 1996 to March, 1997. (There was a seasonally adjusted increase of 1,700 over the same period in 1995/96). The Department has attributed this fall mainly to the impact of the programme of control measures put in place following the release of the survey. Some of the drop may also be accounted for by an increase in those going on training and employment schemes. (The CSO have advised that increases in the Back to Work Allowance (BTWA) and the Area-Based Allowance Schemes would not be affected by seasonal factors – on

the basis of details available for the BTWA Scheme, the increase in the number leaving the Live Register to go on this Scheme in the period August 1996 to March 1997 was around 5,900 compared to an increase of around 2,600 over the same period in the previous year¹²).

- 3.17 The Forum understands that the CSO will not be repeating the comparison of the Live Register and the Labour Force Survey in conjunction with the April 1997 LFS in order to guard against any potential damage to the credibility, reliability and validity of the LFS. We further understand that the Minister for Social Welfare is considering engaging outside independent expertise to conduct a similar exercise (but not based, however, on the LFS).
- 3.18 The Forum also fully supports those Government initiatives which are aimed at ensuring the administrative efficiency and control of the Live Register in relation to fraud, given the implications for labour market policy, the Exchequer finances and the effectiveness of the control and compliance measures of the Department of Social Welfare. This is particularly the case in relation to the 28 per cent who were not at the addresses given by them and the 11 per cent who indicated that they had full-time jobs.
- 3.19 Initiatives aimed at tackling fraud should respect the right to privacy, morale and assumption of honesty of unemployed claimants. Adequate training and clear guidelines for the staff operating these initiatives are of the highest importance if anti-fraud measures are not to have a negative impact on claimants. The Forum is also particularly concerned about the 25 per cent on the Live Register (of which around three quarters indicated that they were neither looking for nor wanted work) who were economically inactive according to the ILO definition; we consider that particular measures are required for this group to assist them into employment, to avoid the possibility that punitive approaches may lead to welfare claims being terminated without any other form of income being available, thus leading to deepening poverty and perhaps homelessness.
- 3.20 In relation to poverty, the Forum notes that, using sensitivity analysis of the data contained in the 1994 *Living in Ireland* survey, the ESRI found that, even on the basis of an extreme assumption of fraud i.e. 30 per cent of claimants on the Live Register working and signing, there was a very limited effect on the incidence of relative income poverty.
- 3.21 In summary, the above highlights the need for improvement in Live Register data for analytical and policy purposes and, in the Forum's view, this requires a number of steps in order to:

12. Source: data on numbers on schemes provided by the Department of Social Welfare.

- improve statistical reliability in the recording and updating of claims;
- improve the presentation of data within the Live Register e.g. in relation to those working part-time, splitting entitlements, signing on for credits and frequency of reappearances on the Register over a period of time etc.; and
- develop the data to provide new information on profiles of individuals and groups, reasons for inflows and outflows and for systematic co-ordination with FÁS data to accurately monitor targeted groups for assistance.

Overlaps between LFS-PES and LFS-ILO statistical methods

3.22 The results of the analysis of Murphy and Walsh (Appendix, I.3.ii and I.3.iii) of the 1996 LFS data indicate that:

ILO/PES

- the vast majority of male ILO unemployed classified themselves as PES unemployed;
- however, almost half the women classified as ILO unemployed assigned themselves to PES *'home duties'*; and
- the vast majority of those who are classified as economically inactive under the ILO definition also classify themselves as inactive under the PES method (79 per cent of men and 94 per cent of women).

PES/ILO

- 75 per cent of men and 67 per cent of women who were PES unemployed were also ILO unemployed.

3.23 According to Murphy and Walsh, a significant minority of the PES *'regard themselves as unemployed even though they are not actively seeking work'* (23 per cent of males and 30 per cent of females – Appendix, I.3.ii). This could have important implications for labour supply, for measures to tackle unemployment and for job creation policies. The Forum was therefore interested in the analysis by Murphy and Walsh of what they term *'Discouraged Workers I'* and *'Discouraged Workers II'*.

3.24 In this regard, Table 1.5 of the study sets out the level of interest in employment among the ILO inactive population (males aged 20-59, females aged 20-54) based on tabulations from the 1993 LFS. From this, a figure of 8.2 per cent of

inactive males and 2.3 per cent of inactive females were found to be passively seeking work and available to start within two weeks of the survey (*Discouraged Workers I*). A further 4.9 per cent of inactive men and 3 per cent of inactive women were not looking for work for reasons of discouragement but were interested in a job (*Discouraged Workers II*).

- 3.25 Murphy and Walsh conclude therefore that only a small proportion of the ILO inactive should be described as discouraged workers in the sense that they are interested in a job but only passively looking for work or have ceased to search for work because of a pessimistic view of the labour market. They looked at the effects of including these marginally attached workers on the unemployment rate in 1996 and found that it raised the rate from 11.8 to 12.8 per cent for males and from 11.9 to 13.2 per cent among females. They also looked at the effect on the unemployment rate of including under-employed part-time workers and found that it was negligible when allowance is made for an equivalent adjustment to the unemployed figure to reflect those who are only seeking part-time work. Murphy and Walsh conclude that the level of 'hidden unemployment' is not very large in this country and that it varies counter-cyclically viz. rising during recessions and falling during booms, in line with the experience in other countries (Appendix, I.3.iii).

LFS and the Live Register data

- 3.26 Murphy and Walsh found that replies to the question "are you on the unemployment Live Register" in the 1993 LFS allowed reasonably close estimates to be derived in comparison to the number actually on the Live Register (86 per cent for males aged between 20-59 and 75 per cent for females aged 20-54), but there has been a widening in the discrepancies of answers in the LFS between 1993 and 1996 (Appendix, I.3.iv). In 1993, most of the ILO unemployed and 24.8 per cent of the ILO inactive males in the 20-59 age-group reported that they were on the Live Register. In the case of women in the 20-54 age-group, only 51 per cent of the ILO unemployed and 3 per cent of the ILO inactive¹³ reported that they were on the Live Register.

Long-term Unemployment

- 3.27 Having looked at the issues involved in unemployment measurement in an overall context, the following paragraphs deal with long-term unemployment. Table 3.3 shows that Ireland had the third highest rate of long-term unemployment in the EU in 1995, on an ILO basis.

13. There are, of course, far more inactive than unemployed women; 3 per cent of the former constitute about half of those reporting that they were on the Live Register.

Table 3.3
Long-term Unemployment rates 1995

	B	DK	D	GR	E	F	Irl	It	Ned	P	UK
Overall LTU rate (%)	5.8	2.0	4.0	4.7	12.4	4.8	7.4	7.5	3.5	3.6	3.8
Youth LTU rate (%)	9.6	0.9	2.3	13.9	19.1	6.4	9.1	20.8	4.3	6.6	4.2
Older LTU rate (%)	5.4	2.2	4.2	3.4	11	4.6	6.7	5.3	3.4	3.8	3.7

Source: derived from Eurostat Labour Force Survey, 1995.

3.28 Table 3.4 sets out a breakdown of the unemployed by age, gender and duration of unemployment. It can be seen that the long-term unemployment share of total unemployment was almost 58 per cent, with males accounting for 69,000 or 67 per cent of the total. The risk of long-term unemployment is also somewhat higher for males, with an incidence of around 63 per cent, compared to around 50 per cent for females.

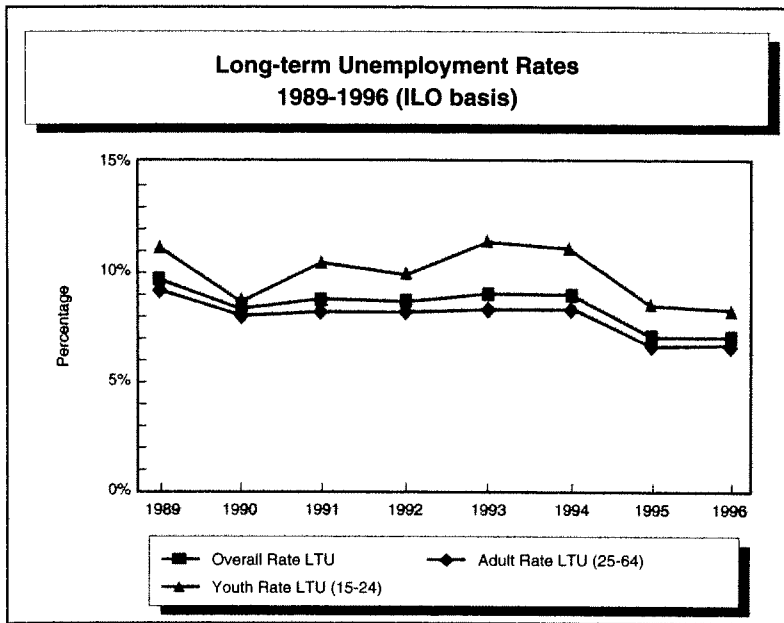
Table 3.4
The Unemployed classified by Age and Duration of Unemployment, 1996
(ILO Basis)

Age	<1 yr	1 year or more (LTU)	Not stated	Total Unemployed	LTU Share (%)
Males					
15-24	14.0	14.5	0.9	29.4	49.3
25-44	18.0	34.0	0.7	52.6	64.6
45 or over	6.7	20.3	0.2	27.1	74.9
Total	38.7	68.7	1.7	109.1	63.0
Females					
15-24	12.0	8.5	0.9	21.5	39.5
25-44	16.4	17.6	0.6	34.6	51.0
45 or over	4.3	7.5	0.6	12.4	60.4
Total	32.7	33.6	2.1	68.4	49.1
Persons					
15-24	26.0	23.0	1.9	50.8	45.3
25-44	34.4	51.6	1.3	87.2	59.2
45 or over	11.0	27.8	0.7	39.5	70.4
Total	71.4	102.3	3.8	177.6	57.6

Source: Based on CSO Labour Force Survey 1996.

3.29 Figure 3.2 shows the change in the rate of long-term unemployment (ILO basis) over the period 1989-1995. While welcoming the fall in the rate over the period 1994 to 1995, it should be noted, however, that the labour force grew substantially in that period, so that, in absolute terms, the overall number who are long-term unemployed is still unacceptably high.

Figure 3.2



Source: Special tabulations from CSO LFS.

3.30 In a recent report¹⁴, the ESRI found that the decline in the rate of long-term unemployment held true, even when account is taken of the expansion of numbers on State employment schemes targeted at this group, “indicating that long-term unemployment is much more significantly affected by cyclical changes in the economy than had previously been thought.” However, the ESRI noted that the problem is still very formidable, with a significant structural dimension, and pointed out that long-term unemployment has never fallen below 100,000 since the mid 1980s. The ESRI further noted that, since the best equipped among the long-term unemployed tend to find work first, it may be increasingly difficult to achieve further reductions as the remaining body of long-term unemployed people will tend to have an increasingly disadvantageous education and skills profile and that this will therefore require continuing intervention on the part of the State.

14. Source: Labour Market Studies in Ireland, ESRI/EU Commission (December, 1996)

- 3.31 One of the main difficulties with long-term unemployment statistics is the long time-lags involved in their publication; data on an ILO basis has only been available annually while Live Register data on duration is only published every six months. The move to quarterly LFS surveys later this year is, therefore, a welcome development in providing more up-to-date data. In this context, the Forum urges the CSO to improve the timeliness of Live Register duration data by putting it on a monthly basis.

Conclusions and Policy Implications

- 3.32 The analysis in this Section of the main sources of unemployment statistics has shown that each is deficient in certain aspects. As already noted, there are divergent views in the Forum on using the Live Register as a measure of unemployment. However, the overall consensus viewpoint is that, while all of the main statistical methods are useful in their own right, they do not individually give a full picture of all of the factors impacting on the functioning of the labour market.
- 3.33 The Forum considers, therefore, that a broader set of measures is required, building on the strengths of the existing data, to determine the full extent of marginalisation and exclusion from the labour force and designed to improve the efficiency and effectiveness of targeted measures to tackle unemployment and associated poverty and disadvantage.
- 3.34 This is already the practice in a number of countries. For example, the US and Canada have been publishing a number of wider rates and measurements of unemployment for some time. In the UK in 1995, a Report by the Royal Statistical Society¹⁵ on unemployment measurement concluded that “*We are firmly of the view that the headline count of unemployment should be based upon the LFS and the internationally accepted ILO definition.*” However, that Report also went on to say that “*A battery of indicators, rather than one single indicator, is essential if the complex labour market is to be better understood than at present.*” The UK Employment Policy Institute has now begun to publish a quarterly *Employment Audit*, which, in addition to analysing quarterly employment, earnings and unemployment data, will cover issues such as job tenure and job turnover and a set of five *Joblessness Indicators* will be analysed on a regular basis.
- 3.35 In a presentation to last December’s Plenary Session of the Forum, Dr. Anne Green, University of Warwick, illustrated how the use of a battery or a range of such measures could highlight, for different users, real differences between unemployment rates in various regions of the UK (e.g. between Wales, North-East England, Merseyside and West Central Scotland), which, under the more

15. *Measurement of Unemployment in the UK*, Royal Statistical Society (April, 1995).

usual methods of measurement, appeared to converge. Dr Green also outlined the results of a study she had carried out for the UK Department for Education and Employment regarding micro-level or small area unemployment rates, which was commissioned partly because of the increasing use of the unemployment rate as the only measurement of social distress. A variety of indicators such as inactivity rates, permanent sickness, the duration of unemployment and the proportion of residents who have never worked were used to identify wards suffering from severe labour market disadvantage and to capture the variety and diversity involved. Three main groups of disadvantage were identified by the study as follows:

- Chronic Disadvantage – those wards which were high on all indicators of labour market disadvantage;
- Long-standing Disadvantage – with a markedly higher than average proportion of residents on Government schemes; and
- High Inactivity – those areas where unemployment rates were high but inactivity rates and permanent sickness rates were even higher.

3.36 In short, a focus solely on conventional measurements of unemployment understates the number of people without work.

3.37 The Forum considers that the above examples of alternative indicators of unemployment should be used as a basis to provide models of good practice by illustrating how some groups may be more severely affected than others by changes in the economic cycle, particularly where such data is broken down at local level. For example, trends in a rate of unemployment which includes discouraged workers or those in involuntary part-time employment which are out of line with the overall unemployment rate can indicate an increase in hidden unemployment. Our proposals in relation to alternative indicators are set out in Section V.

3.38 Finally, the Forum recalls the proposal set out in its Opinion No. 3, *Long-term Unemployment Initiatives*, for a parallel register to record all those who want a job, perhaps linked to the Local Employment Service, particularly now that the LES is being extended to a further four unemployment blackspots bringing total coverage to 18 centres around the country. Such a register would be particularly important in the case of women, given the difficulties which many of them encounter in signing on the Live Register. We also consider that the need for such a register is now very timely, given the existing deficiencies associated with the FÁS Job-seekers Register which were mentioned in Section II and in the light of current skills shortages in certain sectors and possible further shortages in the near future. Discussions around the widely-reported proposals for the restructuring of FÁS in the Government's just published

White Paper on *Human Resource Development* provide an important opportunity to co-ordinate the FÁS register with the proposed LES register in order to develop an essential nation-wide database on local level labour supply, education, training and skills.

Section IV

Policy Implication of the Research Study by Murphy and Walsh

Policy Implications of the Research Study by Murphy and Walsh

Introduction

- 4.1 In embarking on this topic, the Forum wished to analyse more fully the statistical data so as to establish the human dimension and profile of the economic waste and social distress which unemployment represents. For this purpose, it commissioned Professor Brendan Walsh and Mr. Anthony Murphy of UCD to carry out a study of unemployment data in the Labour Force Survey. In this Section, the Forum considers the main results of their detailed analysis.
- 4.2 This study deepens the body of knowledge on the distribution of unemployment, job search and duration patterns, labour force participation and non-participation and the socio-economic factors impacting on unemployment at a given point in time. It is the most detailed and comprehensive study of its kind to date in this country which allows us to build a profile of unemployed people and to confirm econometrically what has generally only been known anecdotally. The full results are presented in the Appendix. At the outset, the Forum wishes to formally acknowledge the co-operation given by the CSO in making LFS data available to the researchers in a manner which facilitated their in-depth study while protecting the confidentiality of the respondents in the survey.
- 4.3 Section I of the study examines some issues that arise in the measurement of unemployment and the labour force. The researchers main findings in this regard have already been noted in Sections II and III of this Report. Section II of the study, with which this Section is concerned, looks at *Labour Force Participation, Employment and Unemployment*. As the researchers note, their approach allowed them to establish the '*ceteris paribus*' (other things being equal or net) effects of a wide range of factors. Their results display very consistent patterns, inspiring a high level of confidence in the findings. The Forum was particularly struck by the profile of unemployed men and women which is established. A summary of the very detailed analysis in the study follows.

Males

4.4 Based on ILO data, Murphy and Walsh found a number of characteristics were associated with 'bad' outcomes for men in labour market terms i.e. leading to a higher risk of non-employment, non-participation and unemployment. These characteristics are:

- being single;
- low educational attainment;
- residence in large cities or towns;
- the presence of children aged under 16;
- living in local authority rented accommodation; and
- the presence of other unemployed or inactive adults in the household.

Some individuals may be in more than one of these categories, and consequently suffer a particularly high risk of unemployment, according to the study.

4.5 Given that similar characteristics were found to be associated with unemployment and non-participation, the researchers considered that there is a sense in which non-participation can be regarded as an extension of unemployment, especially in age groups that are 'normally' economically active. Murphy and Walsh established that those men who classified themselves as PES unemployed but who were not ILO unemployed were more likely to be older single males with low educational levels and men with large families. Also, many of the factors associated with **ILO unemployment** listed above were associated with the probability of **ILO inactivity among PES unemployed** men. The researchers found that there was low expressed interest in employment among the relatively large sub-group (31 per cent) of PES unemployed men who stated that they were not looking for work and did not want a job.

4.6 In addition, the study reveals different characteristics between the two categories of male discouraged workers. While both categories were less well educated than the male population as a whole, those who were not seeking work due to discouragement were markedly older than those passively seeking work.

4.7 With regard to duration of unemployment, the findings suggest that a constellation of factors such as increasing age, low educational qualifications, renting from a local authority and the presence of a large family increase the

risk for men in becoming long-term unemployed. Over half of those in the majority of the tabulations done under each of these headings (Tables II.7 to II.10 in the Appendix) had been out of work for over three years. Murphy and Walsh observe that *“Over time many of the long-term unemployed leave unemployment not to return to work but by ceasing active job search and becoming classified as inactive.”*

Females

4.8 The Forum was particularly interested in the study’s findings¹⁶ on factors which influence a woman’s decision to participate in the labour force in the first place. These are, in some ways, more complex than those affecting men, particularly in relation to marital status and the presence of children. Again using econometric techniques, the researchers established that:

(i) *Participation*

- women in their late twenties and early thirties are most likely to be economically active and employed. A woman aged 45-49 is more than 20 per cent less likely to be economically active than one in her late twenties; the effect of age is more important on the decision to participate than on the probability of employment;
- the probability of being employed rises with increasing age for a longer time interval – up to 35 years of age – among single women. However, this reflects the relatively high rate of non-participation among single women which is not explained by a higher tendency to participate in education – this is developed further below;
- even when other factors, such as the presence of children, are allowed for, marital status has a large effect on participation – single women are most likely to participate, followed by widowed women, and then by the separated and divorced, with married women (including those cohabiting) least likely;
- the presence of a child under 4 years old reduces the probability of a mother’s labour force participation by over 10 per cent while the presence of a child aged 10 to 15 years old reduces it by only about 4 per cent. However, the presence of children up to age 15 has a markedly greater deterrent effect on labour force participation by non-married women. Murphy and Walsh note that as the number of unmarried women with children has been increasing, this finding is relevant to understanding the fall in labour force participation rates among young single women referred to above. The Forum shares Murphy and Walsh’s belief that this finding merits further research;

16. The sample size was the largest ever undertaken in this country and the study was also virtually unique in including non-married women in the research.

- using education as a proxy for potential earnings, there was a high elasticity of labour supply of both married and other women with respect to earnings – there was a strong association between higher levels of educational attainment and increased female labour force participation;
- housing tenure has a large effect on labour market outcomes for all women (with a larger effect on the probability of employment than on the probability of entry to the labour force) but proportionally somewhat greater for non-married than for married women; a non-married woman living in local authority rented accommodation is over 14 per cent less likely to be economically active than one in private mortgaged accommodation;
- the presence of another employed adult in the family unit tends to increase the probability of the respondent being economically active while the presence of another inactive adult raises the probability of her being inactive (these effects are not very large – around 4 per cent – and significant only among non-married women);
- with regard to location, this factor had generally little or no effect on labour market outcomes although women living in Dublin appeared to be better off in terms of employment opportunities than those in rural areas, in contrast to the position for men. However, there was a negative and puzzling influence of location in the East region (excluding the Greater Dublin area) in terms of lower participation rates and higher unemployment rates relative to those living in the Dublin region and those in the rest of Ireland.

(ii) Unemployment

4.9 Moving on to the profile of unemployed women, Murphy and Walsh found that most of the characteristics associated with men also applied in the case of women. The main characteristics of unemployed women are:

- more likely to be a young labour market entrant than an older job seeker. (The Forum notes that the ILO unemployment rate among single women only fell from 15.4 to 13 per cent over the period 1988 to 1996, while that for married women fell from 18.7 per cent to 10 per cent);
- widows are six or seven per cent more likely to be unemployed (given that they are economically active) than married or single women, other things being equal;
- while the total number of children in the household increases the risk of unemployment among both married and other women, the presence of young children is a significant factor among non-married, but not among married, women;

- while the influence of education on the risk of unemployment indicates that it is generally not significant, the results suggest that those with lower educational attainments are more likely to be unemployed than those with higher qualifications; in addition, this is cumulative on the important effect of education on a woman's decision to enter the labour force in the first place, as noted earlier, so that the impact of education on the probability of employment is much greater than shown by its effect on the probability of being unemployed, having entered the labour force (in other words, poor educational qualifications have a negative effect on the likelihood of being economically active);
- women living in rented local authority housing are significantly more likely to be unemployed than those in other types of accommodation (10 per cent more likely than in the case of those owning or purchasing private housing). The Forum is particularly concerned by the researchers observation that this effect would be cumulative for married couples (in other words, a significant worsening of both their employment opportunities) and thus having a very large impact on a household's economic fortunes; and
- the clustering of like with like, as in the case of men, also arises in the case of women – the presence of another unemployed person in the family raises the probability that a woman respondent will be unemployed by 10 per cent, while the presence of another employed person lowers it by 3 per cent (by comparison to a family unit with neither).

4.10 Given the increased participation by women in the labour force in recent years, the Forum was interested in where the flows into employment were coming from. Based on the 1993 LFS data, the researchers found that, of the married women in the PES 'home duties' a year earlier, 12.6 per cent were classified as ILO active at the time of the LFS (5.5 per cent employed, of which four-fifths were in part-time employment, and 7.1 per cent unemployed). Among single women on PES 'home duties' a year earlier, 14.8 per cent were classified as ILO economically active at the time of the survey (3.9 per cent in employment – predominantly part-time – and 11.4 per cent unemployed). Murphy and Walsh observe that this indicates a reasonably high level of movement from the PES 'home duties' to job search and (part-time) employment.

4.11 The study also looks further at the transition to employment by cross-tabulating respondents' PES situation at the time of the 1993 survey with their PES one year ago (Appendix, Table II.16). A high degree of continuity over time was apparent. Just over a fifth of the unemployed women moved into employment in the course of the year. Only 2.5 per cent of those on PES 'home duties' a year ago classified themselves as 'employed' or 'unemployed' at the time of the survey,

indicating a relatively small inflow from 'home duties' to the PES labour force. Of those who were PES "employed" in 1993, less than 7 per cent entered that situation from unemployment or inactivity in the course of the previous year. Of the inflow to the PES "employed", one third came from the "unemployed" category, one quarter from the educational system and a little over one third from 'home duties'.

- 4.12 Murphy and Walsh also found a very strong effect from respondents' labour force situation a year ago: women who were on 'home duties' a year ago were least likely to be in full time employment, followed by those who were students and then by those who were unemployed. They say that these findings suggest that there is a gradient from 'home duties', education or job search to part-time employment and from part-time employment to full-time employment.
- 4.13 In addition, Murphy and Walsh note that the number of women aged 25 and over registered as unemployed on the Live Register has almost doubled since 1988, despite the very buoyant labour market for women and falling rates of ILO unemployment for women in that age-group. They also expect that, with the entry of more women in the labour force, the number of adult women on the Live Register will continue to grow as more women acquire some social welfare entitlement.

Households

- 4.14 The researchers also looked at the extent of work-rich and work-less households with children and without children. Based on 1993 LFS data, they found, inter alia, that 10.4 per cent, or around one in ten private households with children (head of household aged 20-59), where there was at least one person unemployed, were workless. When the number of such households where there was no economically active member was added in, this percentage rose to 18 per cent. This indicates that almost one in five households with children where the head of the household was of prime working age were without work in 1993. The researchers emphasise that further analysis is required to refine the data and to show the underlying trend over time.

Conclusions of the Study

- 4.15 Murphy and Walsh summarise their findings in terms of the principal adverse influence which strongly affect labour market outcomes, for both men and women in all the demographic groups, as being:

- low educational attainment;
- living in local authority rented accommodation; and
- living in a household with other unemployed/inactive adults.

These factors tend to lower the probability of participation and, among those who participate, they also raise the probability of being unemployed.

- 4.16 On the possibility of reverse causation (or joint dependency), the researchers are satisfied on the basis of econometric analysis that there is an independent influence running from housing tenure to labour market outcomes which has a persistent and statistically significant effect. This finding is important in relation to formulating strategies to tackle poverty and social exclusion and work incentives.
- 4.17 In relation to existing data availability, Murphy and Walsh consider that the ILO measurement of unemployment should be used as the headline measure of unemployment; that unemployment rates by age and sex should be publicised; and that trends in supplementary measures of unemployment derived from the LFS, including those who are marginally attached to the labour force, should be monitored. They note that further research is needed on the links between marital status, family formation patterns and labour market outcomes. The researchers also consider that maximum use should be made of the rich array of data on employment and unemployment contained in the LFS.
- 4.18 On the policy implications of their findings, the main conclusions drawn by Murphy and Walsh centre on the importance of:
- targeting training and back-to-work schemes on the most disadvantaged groups, particularly where such training schemes are linked to labour market requirements;
 - externally accrediting these schemes; and
 - experimentation with alternative approaches to the unemployment problem, differentiating between the particular needs of inner city areas, the suburbs and rural areas; they consider that specific responses at the community level are necessary to reduce the high rates of long-term unemployment in large urban local authority housing estates.

Forum's Conclusions

- 4.19 The Forum considers that the Murphy and Walsh study provides important insights in our understanding of unemployment and the continuum which exists between it and inactivity. The research confirms the views of the Forum expressed in its Report No. 4 – *Ending Long-term Unemployment* – and Report No. 11 – *Early School Leavers and Youth Unemployment* – regarding the cyclical nature of poverty for disadvantaged communities and households and the multi-dimensional strategies which are required to combat it.

4.20 The study signposts the areas requiring policy initiatives and targeted interventions; these are:

- the need for education and training interventions to combat poor educational qualifications, linked to labour market requirements with provision for core competencies in literacy and numeracy; this also requires early intervention in the education system to ensure those in danger of leaving with no qualifications are targeted for assistance. The Forum has already submitted a number of policy recommendations in this area in its Report No. 11 and the Government's response is awaited;
- measures for unemployed/inactive males need to be targeted particularly at those in urban blackspots living in local authority housing, and taking into account the different needs of those who are passively seeking work (generally younger males) and those who are discouraged (generally older males). The decline in the participation rate of older men is a source of concern to the Forum and we consider that it should be tracked for policy purposes. In this regard, we share Walsh and Murphy's view that policy-makers should also pay attention to the employment/population ratio in addition to the unemployment rate when assessing labour market conditions among the *'prime working age'* population;
- in relation to women, education qualifications, marital status and the presence of children all strongly influence the decision to participate in the labour force. Strategies to encourage women to participate (now all the more important in a tightening labour market) should, therefore, be focused on education and training interventions targeted at the very disadvantaged. Provision for childcare costs should be an integral part of these programmes. Given that the study clearly identified the strong impact of children on the non-participation of single mothers in the labour force, policy should continue to focus on lone parents as a target group for assistance;
- the strong adverse impact of local authority tenure affecting participation decisions and employment chances requires concerted action at a wide variety of levels. The Forum considers this to be an extremely important issue which it will be revisiting later this year; and
- the need for on-going evaluation of Government training and employment programmes; the Forum will be returning to this again in its future work as well as the related issue of work incentives.

4.21 Clearly, all of these issues are already familiar and the Forum recognises the many initiatives which have been put in place by Government, notably the

introduction of the Local Employment Service and policy changes announced in the last two Budgets. What the Murphy and Walsh study does is to draw all of these elements together for the first time by empirically establishing the factors influencing employment, unemployment and inactivity on a quantitative basis and which articulates for policy purposes the differences between, and particular needs of, the key groups and individuals for targeted labour market assistance.

4.22 Finally, the research by Murphy and Walsh illustrates the in-depth analysis that can be carried out on data from the Labour Force Survey. The Forum shares the researchers' views that a number of unemployment rates should be published and that the rich source of data in the LFS should be developed. This is particularly important for policy purposes in relation to the development of existing data for groups such as lone parents. Data needs in relation to Travellers should also be addressed. While the CSO has indicated its willingness to provide more detailed data to users on foot of a specific request, the Forum considers that it should be available as a matter of course. We further consider that the costs should not be significant, given that the data is already there.

Section V

**Main Conclusions
and
Recommendations**

Main Conclusions and Recommendations

Conclusions

- 5.1 From its earlier analysis, and on the basis of the special study which we commissioned from Murphy and Walsh¹⁷ in the Appendix to this Report, the Forum concludes that the four main data sources on unemployment used in this country i.e. Principal Economic Status, ILO, Live Register and Census, all provide rich and detailed information. However, and for a number of reasons, these have tended to be seen as separate and conflicting statistical methods. As is evident from this Report, the measurement of unemployment is a very complex issue, yet commentaries have by and large tended to add to general confusion in the public mind. In the circumstances a more meaningful and useful presentation of unemployment data is needed.
- 5.2 For international comparability purposes, the Forum considers that the ILO method is the most appropriate. There were, however, different views within the Forum as to the use of the ILO figure as the headline figure for domestic purposes. For industrial policy and job creation purposes, for the targeting of active labour market measures and in order to more effectively tackle poverty, all of the existing methods, ILO, PES and Live Register, provide useful information. However, what is particularly striking in the Forum's view, is the extent to which a coherent analysis of the main statistical methods **taken together**, such as that set out in the Murphy and Walsh study, can illuminate and explain movements and trends in labour market activity, and also serve to underpin and benchmark Government policy initiatives on unemployment.
- 5.3 With regard to such policy initiatives, the need for recognised monitoring and periodic evaluation has already been well referred to in the Forum's Report No. 4, *Ending Long-term Unemployment* (June, 1994). This is also one of the issues identified in the recent Report *Sharing in Progress* (National Anti-Poverty Strategy, April, 1997). In that Report, two key elements in monitoring and evaluation are identified as:
- to gather comprehensive baseline data against which to measure progress; and
 - the collection and analysis of existing and new data by the CSO and more frequent publication of this analysis.

17. *Aspects of Unemployment and Employment in Ireland*, Murphy and Walsh, UCD, (1997).

5.4 The Forum fully shares this view. We will be looking at the various schemes available to assist the unemployed in more detail later this year as part of our work programme. Given the monitoring role envisaged for the Forum under *Partnership 2000* and the benchmarking analysis which is to be undertaken by the NES, improvements to, and the appropriate use of, unemployment statistics is all the more important.

- 5.5 In conclusion and with a view to providing a more coherent picture of labour supply and demand and to develop data for monitoring and evaluation purposes, the Forum **recommends** that a battery of indicators needs to be developed to provide information on trends across a range of parameters, including changing work and household patterns e.g. changes in part-time and atypical work and work-rich/work-less households. It is also essential that these indicators be analysed in the context of a quarterly *Employment Report* which should be prepared and published on a user-friendly basis in relation to all of the main data sources. Our detailed recommendations in this regard are set out below.

Recommendations

5.6 The Forum's **recommendations** are as follows:

- The *Central Statistics Office* should examine the feasibility of:
 - (i) publishing a range of unemployment rates, as is already the case in other countries; the Forum proposes that such a range should include:
 - U1: rate of unemployment according to the standard ILO definition;
 - U2: U1 plus those on Government training and employment schemes;
 - U3: U2 plus ILO discouraged workers;
 - U4: U3 plus all those interested in a job but classified as ILO economically inactive;
 - U5: U4 plus half the ILO number who are part-time and classified as under-employed in the labour force;
 - U6: U1 plus those who are PES unemployed but not ILO unemployed;
 - U7: ILO unemployed > 1 year (long-term unemployment);

U8: ILO youth unemployment rate (i.e. those aged between 15 and 25);

U9: rate of unemployment for households with children under age 15 where no adult is employed¹⁸;

(ii) publishing a quarterly *Employment Report* to coincide, or to issue shortly after, the publication of the quarterly Labour Force Survey figures; this Report should set out, at national, regional and local levels an analysis of:

(a) changes in employment, including trends in the rate of employment and the employment/population ratio, and different patterns of employment (viz. full-time, atypical forms etc.), including a detailed analysis of changes in the gender composition of employment;

(b) changes in unemployment according to the ILO, PES and Live Register methods and in accordance with the proposed set of indicators set out at (i) above; and

(c) a separate analysis of trends in unemployment and inactivity at household level and for different socio-economic groupings e.g. lone parents, people with a disability, women, young people and older males; data deficiencies in relation to Travellers also need to be addressed, particularly in relation to identification of those living in local authority housing.

In the context of developing local labour market data, the Forum suggests that the concept of *Travel to Work Areas*¹⁹ currently in use in the UK might be explored. We further suggest that periodic policy-focussed articles might be commissioned on aspects of the labour market for the quarterly report.

The Forum considers that the Central Statistics Office is the appropriate body to publish such a factual report given that it holds all the source data, can ensure its confidentiality and has the necessary expertise and impartiality to do this. In order to assist the CSO in this work, an Advisory Group of representative interests should be established to provide for structured consultation.

18. The denominator for this rate would be the total number of households with children under age 15.

19. Travel-to-work areas have been developed in the U.K. to provide approximations of self-contained labour markets i.e. those areas where all commuting to and from work occurs within each respective area. The main criteria are that they have at least 75 per cent self-containment, have a working population of 3,500 and are contiguous.

- (iii) including additional questions in relation to:
- (a) the labour market status of those on training and employment schemes;
 - (b) the labour market status of students (full-time or part-time) and people with a disability (the nature of their disability or illness in relation to their employment prospects); as a first step, the Forum welcomes the CSO's declared willingness to discuss with the relevant interest groups the inclusion of disability as a social topic in the context of its quarterly surveys later this year; and
 - (c) more categories for women working in the home in relation to their labour market aspirations/intentions.

The development of further data on the above categories under the ILO classification should be pursued at EU and international levels by the CSO.

- (iv) making more readily available the rich source of data yielded by the Labour Force Survey (which will be enhanced by the CSO's intention to include surveys on an even broader range of topics such as health and education) and by publishing periodic reports on these topics on an annual, twice-yearly or occasional basis.²⁰ The proposed Advisory Group in (ii) above should also be consulted on these Reports. The possibility of contracting out this work might be considered if this would be more beneficial in terms of costs. Wider access by interest groups to the data and publication on the Internet could also be explored; and
- (v) more actively reaching out and promoting greater dialogue with various interest groups on its unpublished data bank and, in this regard, the CSO should consider highlighting in its publications some examples of the kind of additional information which could be provided to these groups.

- In relation to the Live Register, the *Department of Social Welfare* should:
 - rigorously examine and improve statistical reliability in the recording and updating of claims, building on the progress that has been made since September last. The Forum shares the Government's concern that abuse of the welfare system must be

20. At the Forum's Plenary Session, the CSO representative noted that the Australian monthly labour force surveys form the basis of a planned series of special social topics which appear on an annual twice-yearly or occasional basis; applying this kind of model to this country would achieve the dual purpose of meeting the data needs of interest groups and Government Departments and State agencies in a planned way and at minimum extra cost.

eliminated, having due regard to the privacy, morale and assumption of honesty of claimants and without undermining their capacity to participate in labour market schemes which offer more progression opportunities;

- improve the presentation and breakdown of data within the Live Register e.g. in relation to those working part-time, couples splitting entitlements and those signing for credits; and
- develop the data to provide information on profiles of individuals and groups so that it becomes a more effective record of those who are seeking work as well as a proper mechanism in defining eligibility for labour market measures; those reappearing on the Register over a period of time should be monitored; details of inflows and outflows and of measures to tackle fraud should be published on a regular basis; and there should be systematic and on-going co-ordination with the LES and FÁS to accurately monitor targeted groups for assistance under Government training and employment programmes. This information should be used in a supportive way to assist those who are marginalised from the work force.

■ The *Department of Enterprise and Employment* should examine the feasibility of establishing a parallel register of job-seekers as a matter of urgency; this could be done, initially perhaps on a pilot basis, using Local Employment Service data and information from the FÁS Job-seekers Register. In this context, access to second chance education, training and work experience programmes for those unemployed people who are currently excluded from the Live Register in their own right, particularly women, should be examined and provision made for the very disadvantaged.

■ Finally, the Forum repeats the call in its Opinion No. 3, *Long-term Unemployment Initiatives* for:

- regular monitoring and independent evaluation of Government policy measures to assist the unemployed, particularly the long-term unemployed. (In this regard, the Forum welcomes the recent expansion of the Local Employment Service and notes that an evaluation of this service has now been completed by Forfás; the Forum also welcomes the commitment in *Partnership 2000* to extend the LES nation-wide and will be returning to these issues later in the year);

- the publication of the results of these evaluations;
- the publication by the Minister for Enterprise and Employment of periodic reports for debate in the Oireachtas on the results achieved; and
- consultation with the main interest groups, and with the Forum, on these reports.

Costs and Timetable

5.7 The CSO and the above Departments should examine and report on the feasibility of the above recommendations within six months of the publication of this Report. The Forum recognises that there will be cost implications but these can only be properly assessed by the CSO and Departments concerned. Any such additional costs should not, however, be significant and could possibly be covered within existing resources. If this is not possible, the Forum considers that there should be a re-ordering of public expenditure priorities to meet any extra costs involved.

Appendix

**Research Study on
*Aspects of
Employment and
Unemployment
in Ireland***

Appendix

Aspects of Employment and Unemployment in Ireland

by

**Anthony Murphy and Brendan Walsh
Department of Economics,
University College, Dublin**

Prepared for the

National Economic and Social Forum

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Introduction¹

This Report contains a detailed analysis of several aspects of the Irish labour market, based on published data and on an analysis of a computer file of the 1993 Labour Force Survey.²

The first Section discusses the measurement of unemployment and analyses the trends revealed by alternative sources of information on Irish unemployment. The second Section analyses in detail the factors that influence labour force participation, and the incidence of employment and of unemployment in the economically active population. The final Section contains a discussion of the implications of the findings.

Our aim has been to compile a more detailed, analytical picture of labour force participation, employment, and unemployment in Ireland than has been available up to now.

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1. We wish to acknowledge the Central Statistics Office, and Donal Garvey and Joe Treacy in particular, for their help with the data used in this study. Gavan Conlon provided valuable research assistance. The views expressed and any errors contained in this report are the authors' responsibility.
 2. The data made available to us were anonymised and aggregated by region to preserve confidentiality. Further details are contained in Murphy and Walsh (1996).

Section I

The Measurement of Unemployment in Ireland

In this Section we explore some issues that arise in the measurement of the labour force and unemployment.

I.1 Labour Force Statistics

The principal source of labour force statistics in most countries is now some form of *labour force survey*. This approach was pioneered by the Bureau of Labor Statistics (BLS) in the United States, which now conducts a monthly Current Population Survey (CPS). The CPS survey instrument has influenced the development of labour statistics throughout the world. The International Labour Office (ILO) has sponsored international co-operation in the production of labour market statistics along the lines used in the CPS, and the Labour Force Surveys (LFS) now conducted in all Member States of the European Union are based on a similar methodology. The first LFS was conducted in Ireland in 1975. Surveys have been undertaken annually since 1983 and will be undertaken quarterly from mid-1997. In line with international trends, the LFS has come to be regarded as the most important source of information on the Irish labour market.

The measurement of the labour force in a survey-based approach centres on the responses to questions about work activity during a particular week prior to the interview (the *'reference week'*). The estimates of employment and unemployment obtained from these responses are referred to as the *labour force on an ILO basis*.

I.1.i The Labour Force on the ILO Basis

The ILO approach to measuring employment and unemployment makes use of the detailed information collected in the answers to questions on employment and job search in the reference week, and, for the economically inactive population, expressed interest in employment and reasons for not working.

Those who report having spent at least one hour during the reference week *working for payment or profit*, including work in a family business or on a family farm, and those who are temporarily absent from an existing job, are classified as *'employed'*. Those who were not working but *actively seeking work and available for work* are classified as *'unemployed'*. Those who were neither working nor actively seeking work are classified

as 'economically inactive' or 'not in the labour force'. The ILO unemployment rate is the number classified as unemployed as a percentage of the labour force (that is, the employed plus the unemployed)³ and is used to calculate the 'standardised unemployment rate' (SUR). This is the Central Statistics Office (CSO) benchmark unemployment rate and the one cited for Ireland in international comparisons.

Because the ILO approach utilises responses to several questions on employment, job search, interest in working, and reasons for not working, it facilitates the classification of the population into as many as 27 distinct labour force sub-groups, which may then be aggregated into a smaller number of broad labour force categories⁴. Table I.1 summarises these categories.

The ILO approach is based on an economically meaningful concept of unemployment and employment and is generally acknowledged to provide the best indicators of labour market conditions. For example the Royal Statistical Society Working Party on the Measurement of Unemployment in the UK concluded that

'We are firmly of the view that the headline count of unemployment should be based on the LFS and the internationally accepted ILO definitions. The LFS provides a rich source of information on employment and unemployment and is used by virtually all OECD countries.' (Royal Statistical Society, 1995, p.389)

A prominent US labour economist has stated that 'almost everything we know about the size of the US labor force comes from tabulations of the CPS data' (Borjas, 1996, p. 18). Garvey (1988) documents the superiority of the ILO approach to the measurement of employment and unemployment for most purposes in an Irish context.

While we concur with these judgments we believe the following points need to be considered in relation to the ILO-based data.

3. If E = numbers employed, U = numbers unemployed, the unemployment rate is 100 times $U/(E+U)$.

4. See Appendix B of recently published Labour Force Surveys and Garvey (1988) for a discussion of these categories.

Table I.1
Classification of population on ILO basis

Situation in reference week	Labour force category
Full-time employed , <i>or</i> Part-time employed (≥ one hour) (not underemployed), <i>or</i> Part-time employed (≥ one hour) (underemployed)	Employed
<i>Actively seeking and available within two weeks for:</i> – full-time work <i>or</i> – part-time work	Unemployed
<i>Persons marginally attached to labour force:</i> – on lay-off – discouraged workers – available and passively seeking work (full or part-time) <i>or</i>	Economically inactive
<i>Other persons not economically active</i>	

- Defining as '*employed*' those who state that they have worked for as little as one hour a week may inflate the employment figures by including some whose labour force participation is marginal. However, the small numbers actually recorded as employed but working very few hours a week suggests that such employment is rare or that respondents tend not to report marginal employment.
- A limitation of the Irish LFS data is that it is not possible from the questions asked to identify whether those on government training schemes, special employment schemes, and the like are classified as employed or unemployed. In the UK individuals on such schemes are identified separately and classified as employed. If this treatment were adopted here it is likely that the result would be to lower the ILO unemployment rate.
- Finally, in view of the growing importance of participation in education by young adults, it would be desirable to be able to identify all full-time students, and to estimate their employment and unemployment rates, on the basis of an explicit question such as 'Are you a full-time student?' (This would supplement the information gathered in respect of students through the question on Principal Economic Status.)

I.1.ii The Labour Force on a PES Basis

Respondents to the LFS are asked to classify themselves according to their 'usual situation with regard to employment' or Principal Economic Status (PES). The nine categories suggested to respondents are shown in Table I.2. Those who are classified as *employed* or *unemployed* constitute the active labour force. Those in the other PESs are *economically inactive*.

Although the PES classification of the population is not as meaningful from an economic point of view as the ILO classification, the categories used are none the less readily intelligible. We show below that they provide useful supplementary information to the ILO classification of the labour force.

The following possible improvement on the existing PES classification of the population struck us:

- Some further information concerning the nature of the disability or illness might be elicited from those assigned to the PES '*Unable to work due to (permanent) sickness or disability*'. While a full inquiry into disability would not be appropriate within the confines of a labour force survey, it would be desirable to ask all respondents if their economic activity is limited by a health or disability problem.

Table I.2
Classification of Population on PES Basis

Response to question:	Labour force category
'What is your usual situation with respect to employment?'	
'Working for pay or profit'	Employed
'Looking for first regular job', <i>or</i> 'Unemployed, having lost previous job', <i>or</i> 'Actively looking for work again after voluntary interruption'	Unemployed
'Student', <i>or</i> 'On home duties', <i>or</i> 'Retired from employment', <i>or</i> 'Unable to work due to permanent sickness/disability', <i>or</i> 'Other'	Not in labour force

I.1.iii Other Sources of Labour Force Data

The LFS data can be supplemented with further information on employment and unemployment from a variety of other sources. For example, the *Census of Population* collects information on labour market activity on a basis similar to the LFS PES. The Census results provide important benchmarks for the measurement of the labour force. They are extensively used in studies of the longer-run trends in the structure of the labour market. But in view of the five year interval between censuses and the relatively long lag in the publication of results their value for short to medium-term analysis is limited.

There are a variety of other sources of information on employment in specific sectors, notably the monthly index of employment in building and construction; the quarterly surveys of employment in industry, the public sector and banking; the annual survey of the farming and services sectors, as well as occasional specialised surveys. These are all of great value in sectoral studies of employment but they are not relevant to the concerns of the present study.

The most widely cited source of statistics on unemployment is the *Live Register (LR)* monthly statement. This provides figures for the numbers registered at Local Employment Offices and includes a wealth of detail on those claiming Unemployment Benefits (UB), Unemployment Assistance (UA) and Other Registrants. The monthly returns (unadjusted and adjusted for seasonality) are published by age and sex. Monthly analyses of flows on and off the LR and a biannual age-by-duration analysis are also published. Because of the frequency and timeliness with which they are published, as well as their long-standing reputation as the principal source of official information on unemployment, it is important to consider in detail how well the LR data serve as a measure of labour market conditions. This is a topic that has been keenly debated in Ireland in recent months. We therefore turn to a detailed discussion of the properties of the three main alternative available measures of unemployment.

I.2 Alternative Measures of Unemployment

As we have seen, there are three main sources of information on unemployment. Two are derived from the LFS – ILO unemployment and PES unemployment – and the third from the monthly LR returns.

I.2.i ILO Unemployment

As we have already noted, those classified as ILO unemployed are not working during the reference week but state that they are interested in and have actively searched for work in the preceding four weeks and that are available to start a job within two weeks. The key distinction is that those who state that they are looking for and available to start a job and have used any of thirteen listed methods of job search

(including 'other') during the previous four weeks are classified as ILO unemployed, while those who state they are not looking for a job, or are looking but who are not available to start or who do not indicate any particular method of job search, are classified as ILO inactive. Respondents who are interested in employment but not 'actively' looking for work are therefore not included in the ILO measure of unemployment.

The ILO inactive comprise (i) those who state that they are not actively looking for work, (ii) those who, although actively looking for work, state that they could not start work within two weeks, and (iii) those who state they are looking for work but are not using any particular method of job search⁵. Obviously the criterion of 'active job search' is not hard and fast – for example, among the 'active' methods is being registered with or awaiting a call from FÁS, which does not necessarily imply current search activity. Nor can we be sure that all of these classified as ILO unemployed would accept a job offer. On the other hand, the ILO measure of unemployment should not be regarded as a definitive gauge of the numbers available for employment because some who are classified as ILO inactive might return to work if offered employment.

The claim is sometimes made that there is a substantial level of 'hidden unemployment' not reflected in the official ILO unemployment figures. This would include, for example, those who have become discouraged from seeking employment due to a belief that there are no jobs, or no jobs for which they are qualified, available. The published LFS results contain information on persons *marginally attached to the labour force*, who include discouraged workers in the above sense as well as those who are on lay-off and looking for work, and those available for and passively seeking work. We analyse the information provided by these statistics below.

Finally, it should be noted that the ILO measure of unemployment does not include those who are underemployed in the sense that they are in part-time employment but want a full-time job. This topic is discussed below.

I.2.ii PES Unemployment

This measure is based on the response to the question on 'usual situation with regard to employment'. Those who classify themselves as 'looking for a first regular job', or 'unemployed, having lost or given up a previous job', or 'actively looking for work again after a voluntary interruption' constitute the PES unemployed. Apart from the third one, these categories are not defined with reference to active job search. A person interested in working and keeping an eye out for a job might none the less classify him or herself in the PES Student, or Home Duties, or Retired. On the other hand, a person who had worked in the past but had given up looking for a job or who had lost interest in working might classify himself or herself as PES Unemployed.

5. Respondents who are not working but state that they are looking for work are shown a card listing 13 methods of job search (including 'other'). Those who specify a particular form of job search are classified as ILO unemployed; those who state 'No method used' are classified as ILO inactive.

I.2.iii The Live Register

It is generally recognised that the LR numbers are strongly influenced by administrative considerations and consequently they are a poor indicator of the level and trend of unemployment (Corcoran, 1992; O'Brolchain, 1995). The following is a summary of the shortcomings of the LR from this viewpoint:

- Although those claiming UA or UB are required to make a declaration affirming their availability for, and interest in, employment, the LR is not designed to measure unemployment in the sense of the numbers actually seeking employment and available for work. It provides no direct information on individuals' interest in and availability for employment, and no information on job search.
- It is difficult to construct a consistent time series from the LR returns for past years. Eligibility for UB and UA and the coverage of the LR have been affected by thirty administrative changes since 1970 (O'Brolchain, 1995). Numerous categories of individuals have been affected including those in the older age groups, women, short-time workers, farmers, and the self-employed.
- Due to the differences in social insurance schemes between countries, the LR cannot be used for international comparisons.
- There is a large and growing discrepancy between the LR total and the level of unemployment shown in the LFS returns (see below).
- Recent research undertaken by the CSO has demonstrated major anomalies in the LR data. The following is the distribution by ILO labour force status of a sample of 1,496 individuals who were on the LR and traced for interview at the time of the 1996 LFS (weighted results):

Employed (full or part-time):	21.4 per cent,
Unemployed	49.5 per cent
Economically inactive	29.1 per cent

Source: Central Statistics Office, 1996.

While it is clear that the LR is unreliable as an indicator of Irish labour market conditions the returns are valuable for a number of reasons:

- They are available shortly after the end of every month.
- In the course of the year detailed analyses of the LR data are published which provide useful information on flows into and out of registered unemployment, and on the duration of registration. These data shed some light on labour market dynamics (see Strobl and Walsh, 1996).
- The LR returns are used to extrapolate the standardised unemployment rate between LFS returns (currently suspended pending a review of the methodology by the CSO).

I.3 Comparisons of the Level of Unemployment According to Different Definitions

In this Section we examine the levels of unemployment revealed from the different sources discussed above. Because of the importance of the unemployment rate in the assessment of labour market trends, we are particularly anxious to establish whether the alternative measures display different cyclical patterns over time.

I.3.i The LR and LFS

Table I.3 and Figure I.1 compare the April 1996 data for the three measures of unemployment (LFS-ILO, LFS-PES and the LR) classified into four broad demographic groups. The following points may be noted:

- PES unemployment is higher than ILO unemployment among males, especially those aged 25 or over.
- ILO unemployment is higher than PES-unemployment among women aged 25 or over.
- The LR figure for unemployment is the highest in all four population groups. The excess is largest for those aged 25 or over, women in particular.

Table I.3
Numbers classified as unemployed, April 1996

	Males		Females		Total
	Under 25	25 & over	Under 25	25 & over	
	Thousands				
LR	41.6	137.7	29.6	72.4	281.3
LFS-PES	32.4	105.3	22.4	29.8	189.9
LFS-ILO	29.4	79.7	21.5	46.9	177.6
	%				
LR as % of LFS-PES	128.4	130.7	132.1	243.0	145.3
LR as % of LFS-ILO	141.5	172.8	137.7	154.4	155.4

Source: *Labour Force Survey 1996 and Live Register Statement, 26 April 1996*

Table I.4 and Figure I.2 show that the discrepancy between the LR and the LFS measures of unemployment has widened very significantly since 1988.

It is to be expected that the numbers claiming UA and UB would tend to exceed those returned as unemployed in a survey of the population. There is no incentive to answer an interviewer in a manner that would lead to being classified as unemployed, whereas there is an incentive to claim benefits or assistance and to 'sign on' for credited contributions. Several recent changes in entitlement to UA and UB have increased the range of people eligible and in some cases (such as short-time workers) made it possible to continue to work and claim. In addition, the CSO survey referred to above documented a significant level of misrepresentation by claimants. While it is important from an administrative point of view to monitor the LR and to account for the discrepancies between the numbers registered as unemployed and the LFS totals, the main lesson to be learned from the evidence in Figures I.1 and I.2 is that the LR data should not be used as a guide to labour market trends.

Table I.4
Numbers Unemployed: LR and LFS (000s)

	Males			Females		
	LR	LFS		LR	LFS	
		PES	ILO		PES	ILO
1988	171.8	169.6	141.5	69.9	49.0	75.8
1989	162.6	157.3	129.3	70.5	44.9	68.0
1990	150.5	138.1	110.7	70.5	40.8	63.8
1991	168.4	155.9	125.3	79.6	52.8	72.5
1992	188.4	163.7	133.6	92.5	55.4	75.5
1993	195.3	170.2	138.3	99.3	59.7	81.4
1994	187.5	162.5	130.9	97.0	55.9	78.6
1995	179.2	142.7	109.1	96.8	47.9	66.2
1996	179.3	137.7	109.1	102.0	52.2	68.4

Source: *Labour Force Survey*, 1988-96 and *Live Register Statement*.

Note: LR figures are for April.

I.3.ii ILO and PES unemployment

Figure I.1 and Table I.3 show that among women the ILO measure of unemployment exceeds the PES measure, whereas the reverse is the case for males. The discrepancies are larger among those aged 25 or over than among the younger population. It is of interest to explore how the series correlate over time. In Figure I.3 we present the

ILO and PES unemployment rates over the period 1983–96.⁶ The most important point to note is that for both men and women the two unemployment rates follow the same cyclical pattern. While they indicate different *levels* of unemployment, the two rates tell the same story about its *variation* over the business cycle. It is also true, however, that the excess of the PES over the ILO unemployment rate among males has increased over time – from 15 per cent in 1983 to 27 per cent in 1996. Among women, on the other hand, there has been a tendency for the PES rate to converge on the ILO rate.

These comparisons of the different measures of unemployment relate to gross totals – they do not reveal how much overlap there is between the various categories. In Figure I.4 we present a cross-tabulation of the ILO unemployed by their PES for 1996. The vast majority of male ILO unemployed classified themselves as PES unemployed. However, almost half the women classified as ILO unemployed assigned themselves to the PES ‘*Home Duties*’ category. This indicates that these women, although looking for work and available to take up a job, regarded themselves primarily as housewives at the time of the LFS. In Figure I.5 we tabulate the PES unemployed by their ILO classification in 1996. The overlap between the two measures of male unemployment is smaller when viewed from this direction – in 1996 only 75 per cent of the men who were PES unemployed were also ILO unemployed. However, the overlap for females is larger – 67 per cent of the women who classified themselves as PES unemployed were also classified as ILO unemployed. An important point is that a significant minority of the PES unemployed are inactive on an ILO classification – 23 per cent of males and 30 per cent of female. This shows that many people regard themselves as ‘*unemployed*’ even though they are not actively seeking work. On the other hand, the fact that among women ILO unemployment is higher than PES unemployment shows that many adult women do not regard ‘*unemployed*’ as the best description of their ‘*usual situation*’ even though they may be actively seeking work, and/or claiming UB or UA or signing on for credited contributions.

The discrepancy between the two LFS measures of unemployment among males is studied in depth in Murphy and Walsh (1996). It was found that the discrepancy widens with age: in 1993 there were 38 per cent more men aged 45-54 classified as PES unemployed than ILO unemployed, and among those aged 55-59 the excess was 62 per cent. Econometric analysis shows that the following characteristics are associated with being PES unemployed while not ILO unemployed: being unmarried, increasing age, poor educational qualification, and the presence of a large number of children. A majority of the men in this situation also reported ‘*signing on*’ – that is claiming UA or UB. It may be concluded that men who classify themselves as PES unemployed but do not qualify as ILO unemployed (mainly because they do not declare that they were actively looking for work) have poor employment prospects and face relatively high social welfare replacement ratios, in the sense that they would

6. Note that both the numerators and the denominators of these rates differ: the PES unemployment rate is defined as the number PES unemployed divided by the PES measure of the labour force.

find it very hard to obtain a job that offered them significantly more in terms of take-home pay than they are entitled to while unemployed, especially when account is taken of means-tested benefits in kind such as differential local authority rents and work-related expenses.

I.3.iii Hidden Unemployment and Discouraged Workers

The reliance of the ILO measure of unemployment on the criterion of active job search raises the possibility that it may lead to an understatement of the 'true' level of unemployment. We can shed light on this issue by examining the information in the LFS on the 'usual situation with regard to employment' or PES of the ILO inactive and on their job search and interest in employment.

The PES classification of the ILO inactive population suggests that the vast majority of them do not regard themselves as economically active. In 1996 78.5 per cent of the ILO inactive men classified themselves as either Retired, Students, or Permanently Sick/Disabled, while 94.3 per cent of the ILO inactive women classified themselves as either Students, in Home Duties, Retired, or Permanently Sick/Disabled. The only significant indication of unemployment among the ILO inactive is the 7.3 per cent of ILO inactive men who classified themselves as PES unemployed.

In Table I.5 we tabulate the responses to the LFS questions on interest in working among the ILO inactive. (It should be recalled that to be classified as ILO inactive respondents must either state that they are not looking for work or, if they are looking, fail to specify any particular method of job search or are unable to start work within two weeks.) Thirteen per cent of ILO inactive males said they were looking for a job but did not specify using any particular method. Of these, two thirds said they could start work within two weeks. Of the eighty seven per cent who stated they were not looking for a job (even passively), the vast majority (78 per cent) stated they were not interested in a job. The level of interest in employment was even lower among the ILO inactive women who were passively looking for a job – only four per cent of them expressed an interest in working and only 54 per cent of these were available to start work within two weeks. An even lower level of interest in working was revealed among those women who were not seeking work. It follows that only a small proportion of the ILO inactive should be described as *discouraged workers* in the sense that they are interested in a job but only passively looking for work or have ceased to search for work because of a pessimistic view of the labour market.

Since 1988 the published results of the LFS provide details of those '*marginally attached to the labour force*'. This category includes those who are not looking for work for reasons of discouragement and those available for, but only passively seeking, work. To quantify the significance of this type of unemployment we have calculated an unemployment rate including it.⁷ The effect of extending the definition of

7. If we let E = employed, U = unemployed and D = discouraged workers, the conventional unemployment rate is $U/(U+E)$ and the broader measure is $(U+D)/(U+E+D)$.

unemployment in 1996 in this manner is to raise the rate from 11.8 to 12.8 per cent among males and from 11.9 per cent to 13.2 per cent among women. In Figure I.6 we show how the male and female unemployment rates including and excluding marginally attached workers have varied over the period 1983-96. It is clear that the cyclical pattern of this expanded measure of unemployment is very similar to that of the standard measure. The gap between the two measures has tended to narrow, particularly among women, in recent years as the unemployment rate has fallen. We conclude, therefore, that the level of *'hidden unemployment'* is not very large in Ireland and that it varies counter-cyclically, rising during recessions and falling during booms. This is in keeping with the evidence from many other countries (Borjas, 1996).

It is also possible to adjust the unemployment rate to take account of those who are in part-time employment but state that they are looking for full-time employment. These are classified as ILO employed, but could be treated as equivalent to half an unemployed person, while at the same time those who are classified as unemployed, but only looking for a part-time job could be reclassified as equivalent to half an unemployed person. Making both these adjustments raises the male unemployment rate and lowers the female rate, but both by very small proportions. Garvey (1988) found that this adjustment had a similar effect over the years 1983-86.

Table I.5
Interest in Employment among the ILO Inactive Population
Passively looking for job?

Males aged 20-59			
Yes = 13.3%		No = 86.7%	
Could start within two weeks?		Want a job?	
Yes = 61.7%	No = 38.3%	Yes = 21.9%	No = 78.1%
= <i>Discouraged Workers I</i>		<i>of which</i>	
= 8.2% of all inactive	Must complete education = 67.8%	Not looking for reasons of discouragement = 26.4%	
		= <i>Discouraged Workers II</i>	
		= 4.9% of all inactive	
Females, Aged 20-54			
Yes = 4.3%		No = 95.7%	
Could start within two weeks?		Want a job?	
Yes = 54.0%	No = 46.0%	Yes = 12.9%	No = 86.7%
= <i>Discouraged workers I</i>		<i>of which</i>	
= 2.3% of all inactive	Must complete education = 50.5%	Not looking for reasons of discouragement = 26.4%	
		= <i>Discouraged Workers II</i>	
		= 3.0% of all inactive	

Notes: 'Passive job search' refers to looking for work but not being able to specify any particular method of job search. If a method of job search is specified, the respondent is classified as unemployed, not inactive.

'Reasons of discouragement' equals 'lack education/skill/experience', 'too young', 'could not find any work', or 'believe no work available'.

Source: Tabulations of 1993 LFS.

I.3.iv LFS Data on the LR

The LFS asks whether the respondent is on 'the unemployment Live Register', and, if the response is 'yes', whether the respondent is drawing UB, or UA, or 'signing for credits'. It might be expected that the answers to this question would be very unreliable but in fact the derived estimates of the numbers on the LR in 1993, although lower than the actual LR figures, are reasonably close. For the population age groups that we have studied in detail, the estimated LR derived from the LFS was 86 per cent of the actual figure for males (aged 20-59 years) and 75 per cent for females (age 20-54 years). However in view of the fact that between 1993 and 1996 the discrepancy between the LR and the LFS measures of unemployment increased markedly (see Table I.4), it is not surprising that the reliability of the LFS answers to the question on 'signing on' deteriorated⁸.

The ratio of the reported to actual LR claimants rises with age among men⁹. There are also differences between the accuracy of reporting of the various LR categories – the numbers reporting to claim UB and Other (mainly those signing on for credited contributions), are very similar to the actual figures, whereas there is a marked shortfall in the reported number claiming UA. Among females the ratio of reported to actual claimants declines with age after 25 years, but varies little between UB, UA and Other.

As is to be expected, a large majority (86.7 per cent) of male respondents to the LFS who were classified as unemployed by ILO definitions reported that they were on the LR. However, a significant minority (24.8%) of ILO inactive males also reported that they were on the LR. The proportion of ILO unemployed women in the LFS who reported that they were on the LR was lower (50.7 per cent), and only 3 per cent of ILO inactive women reported that they were on the LR.¹⁰

In our previous research (Murphy and Walsh 1996) we explored econometrically the factors associated with being on the LR among ILO inactive males. We found that the presence of a large family, low levels of education, local authority tenancy, and the presence of other inactive persons in the household all significantly raise the probability of a respondent reporting that he is on the LR. Recent employment history is also important – those who were employed a year ago are more likely to report being on the LR even if not actively seeking work. This is to be expected in view of the relevance of entitlements to social welfare payment and the value of claiming benefits or assistance.

8. A preliminary analysis of the 1996 LFS data indicates that the LFS estimate of the number of males on the LR had fallen to 77 per cent of the actual figure.

9. There is in fact an excess of reported claimants aged 55 and over, which probably reflects a confusion in the respondents' minds between the unemployment LR and various pre-retirement schemes.

10. There are, of course, far more inactive than unemployed women, and as a consequence 3 per cent of the former constitute about half of those reporting that they were on the LR.

We undertook a similar analysis of the females who stated on the LFS that they were claiming benefits or assistance. Table I.6 contains the results of a probit analysis¹¹ in which the dependent variable is whether or not the respondent stated that she was claiming LR benefits or assistance. We analysed ILO unemployed and ILO inactive women separately. While 49.4 per cent of the ILO unemployed stated that they were on the LR, compared with only 5.5 per cent of the ILO inactive, 37.9 per cent of those who said they were on the LR were in the latter category. Thus an understanding of the factors that lead inactive women to claim would shed light on the large discrepancy between the LR and LFS measures of female unemployment.

By far the most important influence on whether the respondent stated she was claiming, among both unemployed and inactive women, was economic activity a year ago. Among unemployed women those who had been either employed or unemployed a year ago were 30 per cent more likely to be claiming at the time of the survey; among inactive women, the differential was 11 per cent. The influence of this variable is understandable in view of the fact that a record of past (insured) employment is a condition for entitlement to unemployment benefits.¹² Relatively few other variables exert a significant influence. Among unemployed women single women were more likely to state they were claiming, and there was some tendency for the incidence of claiming to increase with age; the presence of children tended to decrease the likelihood among unemployed women; those with higher educational qualifications were somewhat less likely to claim.

The fact that whether a woman is on the LR or not is strongly influenced by her *previous* labour force activity, with those who were working or unemployed in the past far more likely to claim than those who were not in the labour force, implies that the growth in the number of women entering insured employment will cause the numbers on the LR to grow.

11. This statistical technique is described in Section II, where it is used extensively.

12. A relatively small proportion of women on the LR are claiming UA: 42.3 per cent (of those aged 25 or over) in January 1997 compared with 79.9 per cent for men.

Table I.6
Incidence of Claiming Benefits
Probit Results for ILO Unemployed and Inactive Women Aged 20-54

Variable	Co-efficient	Absolute t-statistic	Marginal Effect (%)	Co-efficient	Absolute t-statistic	Marginal Effect (%)
Unemployed women (N = 2,834)			Inactive women (N = 15,548)			
Region (Ref. cat. = Rest of country)						
Dublin	0.11	1.4	3.4	-0.19	3.2	-1.7
Rest of East	-0.06	0.7	-1.8	-0.11	1.7	-0.1
Age						
Age	0.11	3.6	5.9	0.03	1.6	-1.8
Age ²	-0.002	4.1		-0.0007	2.6	
Marital status (Ref. cat. = Single)						
Married	-0.33	3.4	-9.9	-0.14	1.8	-1.2
Separated/divorced	-0.64	2.4	-19.1	-0.17	1.0	-1.5
Widowed	-0.24	1.9	-7.0	0.26	2.9	2.3
Children (Ref. cat. = None)						
Total number	-0.08	2.0	-2.3	-0.15	6.9	-1.4
Youngest aged under 2	0.24	1.8	7.1	0.40	4.7	3.5
Youngest aged 2 to 4	-0.10	0.9	-3.40	0.20	2.3	1.8
Youngest aged 5 to 9	-0.45	3.6	-13.5	-0.04	0.4	0.3
Youngest aged 10 to 15	-0.51	4.4	-15.1	-0.09	1.2	-0.8
Education (Ref. cat.= None)						
Primary	-0.14	0.2	-4.3	-0.10	0.6	-1.0
Intermediate Cert	-0.27	0.4	-7.9	-0.20	1.1	-1.8
Leaving Cert	-0.24	0.4	-7.1	-0.16	0.9	-1.4
Other third level	-0.42	0.6	-12.5	-0.44	2.1	-3.9
Degree	-0.80	1.2	-24.2	-0.60	2.6	-5.3
Age-Education Interactions						
20-24 with Leaving Cert	-0.2	1.5	-5.5	-0.77	6.7	-6.9
20-24 with Other 3rd level	0.16	0.8	4.6	-0.03	0.1	-0.3
20-24 with Degree	0.29	0.5	8.7	-0.22	0.8	-2.0
Housing Tenure (Ref. cat. = LA rental)						
Owner occupier	0.05	0.5	1.6	-0.06	0.9	-0.6
Buying (prv)	0.17	1.8	4.9	0.00	0.0	0.0
Buying (LA)	0.40	3.3	11.8	0.06	0.7	0.5
Other tenure	0.11	1.0	3.3	-0.20	2.5	-1.8
Others in Family Unit (Ref. cat. = None)						
Employed	-0.02	0.2	0.0	-0.15	2.8	-1.3
Unemployed	0.12	0.0	3.5	0.01	0.2	0.1
Inactive	0.00	0.0	0.0	-0.10	2.2	-0.9
Economic Act. year ago (Ref. cat. = inactive)						
Employed	1.02	13.7	30.3	1.23	19.2	11.0
Unemployed	0.98	13.6	29.2	1.34	18.0	12.0
Log Likelihood	-1497.54			-2652.78		
Pseudo R ²	0.30			0.14		
Positive observations	49.4%			5.5%		
Correct predictions	74.7%			94.3%		

Note: Variables for stratum were also included in equations.

I.4 Conclusions on the measurement of unemployment

We draw the following conclusions relating to the measurement of unemployment in Ireland:

- There is no single 'correct' measure of unemployment. At the margin the threshold between being 'unemployed' and 'economically inactive' is not clear cut.
- The ILO measure of unemployment derived from the LFS is the most precise of the available measures. It corresponds most closely to what the economist means by unemployment. It also has the advantage of being based on internationally-agreed conventions and definitions.
- All three main available measures of unemployment – the LFS-ILO, LFS-PES and LR measures – contain useful information about labour market conditions. There is no reason to plump for one measure to the exclusion of the others.
- The LFS could be extended slightly to gather more information on the economic activity of students, the disabled, and those on special employment and training schemes.
- The LFS-PES measure provides information on respondents' own perception of their situation. This is of value in conjunction with other information in the LFS.
- The LR data are a poor guide to both the level and trend of unemployment. It is regrettable that their timely availability inevitably leads to their use as the headline figure for unemployment. They are of interest for the light they may shed on the seasonality of unemployment and flows into and out of unemployment. A comparison of the actual LR data with the responses to the LFS question on claiming benefits is also of interest.
- The vast majority of both men and women who are inactive according to ILO definitions evince no interest in finding employment, stating that they are not looking for work and not interested in a job.
- Our research shows that the situation facing many unemployed individuals – low potential earnings and relatively high replacement ratios, in particular – also faces those who have dropped out of the active labour market by ceasing active job search. For this reason, we believe that when assessing labour market conditions among the prime working age population, especially of men, attention should be paid to the employment/population ratio in addition to the unemployment rate.

- No measure of unemployment should be regarded as a definitive gauge of the numbers available for employment.
- Broadening the definition of unemployment to include '*discouraged workers*' (or those '*marginally attached to the labour force*') results in a relatively small increase in the unemployment rate – from 11.8 to 12.8 per cent for males, and from 11.9 to 13.2 per cent for females in 1996. A similar adjustment to take account of part-time under-employment and unemployment has an even smaller effect.
- All the LFS measures of unemployment – PES, ILO (including and excluding marginally attached workers) – display very similar cyclical patterns. There is no instance in which one has risen and the others have fallen.
- An analysis of the respondents to the LFS who stated that they were on the LR reveals that the factors that raise the probability of a man being unemployed or inactive also raise the probability that he would state in the LFS that he is '*signing on*', but his recent employment history was also found to be important: those who had been in the labour force a year ago were more likely to be claiming than others with similar characteristics. Among women we found the influence of previous employment on the incidence of signing on to be very strong. It is likely that the number of women claiming UB will continue to increase (regardless of the '*true*' level of female unemployment) as more women acquire a record of (insured) employment.
- The introduction of a quarterly LFS will greatly enhance our ability to monitor short-term labour market trends.

Figure I.1

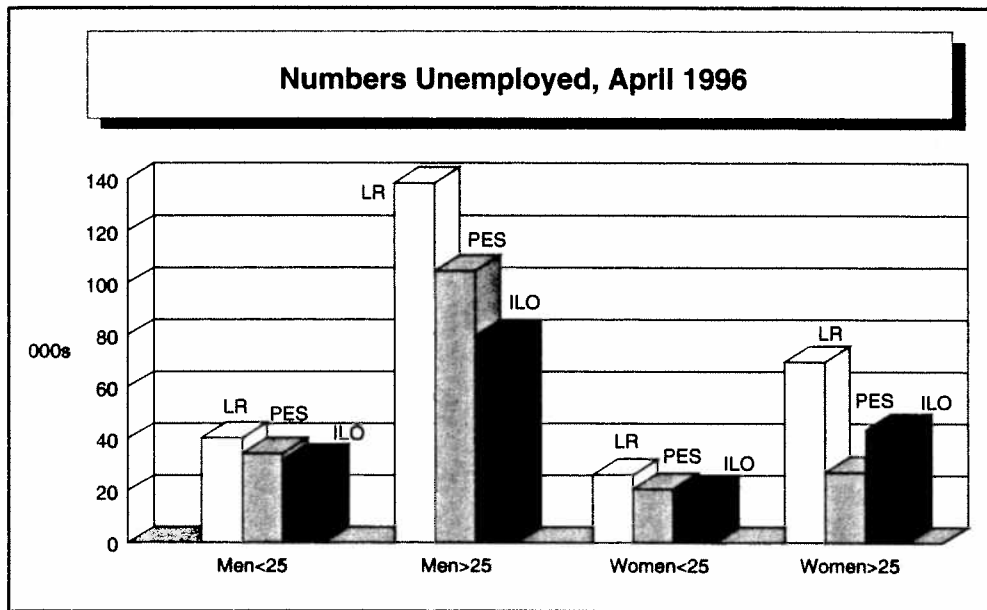


Figure I.2a

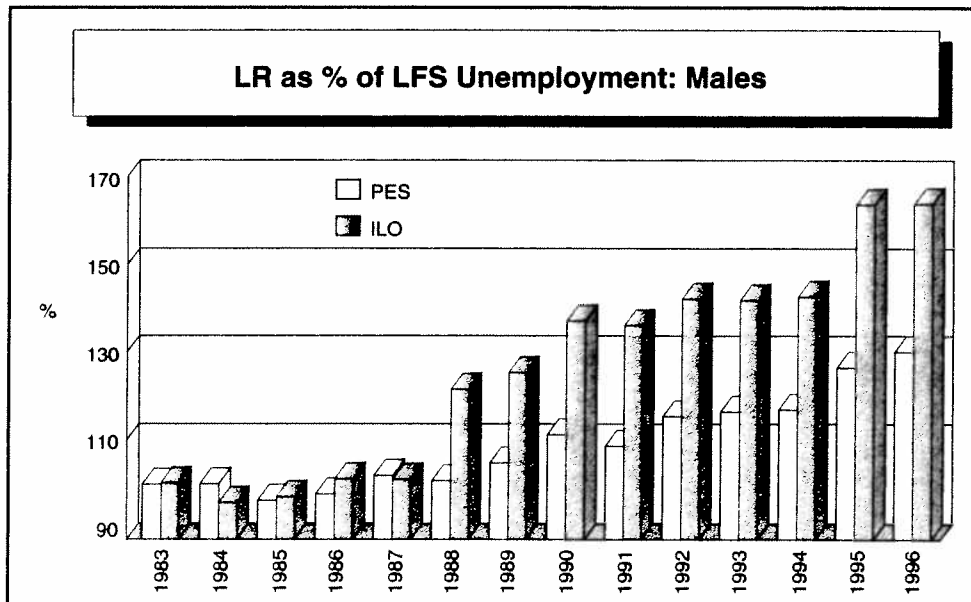


Figure 1.2b

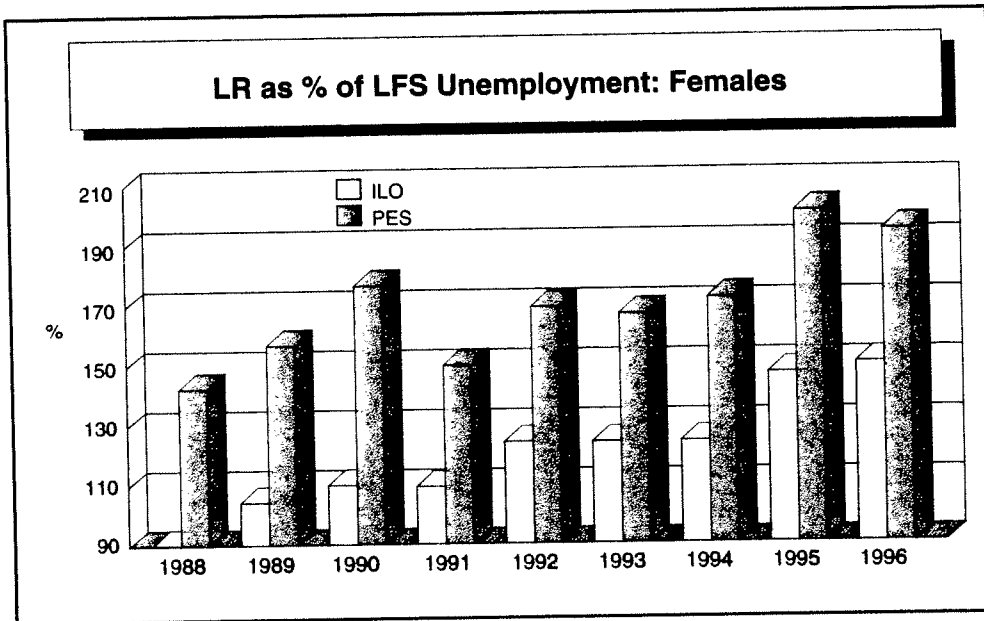


Figure I.3a

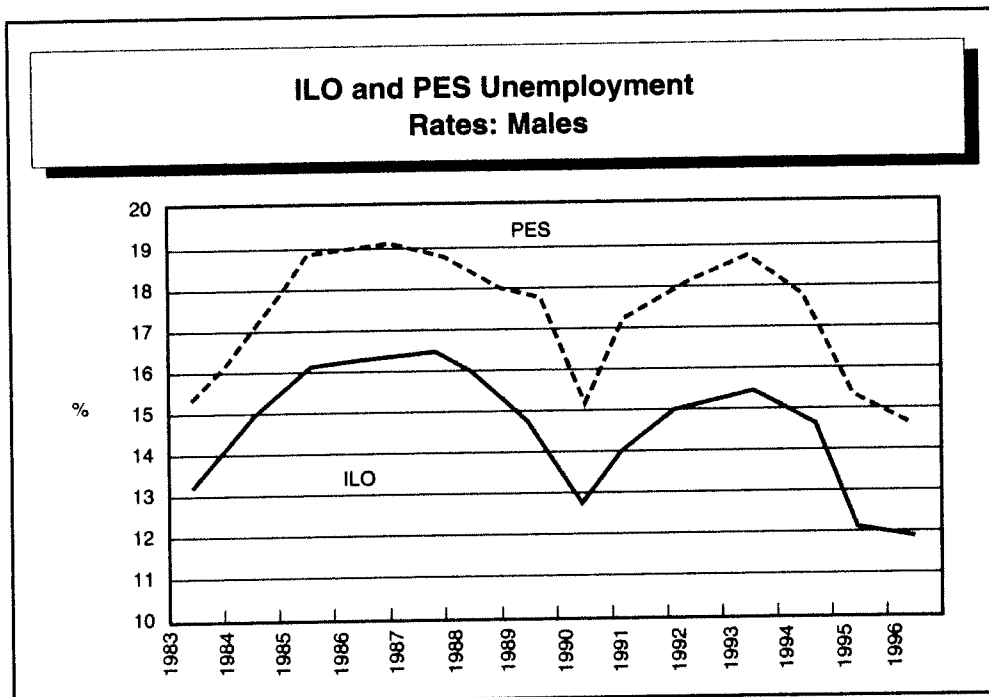


Figure I.3b

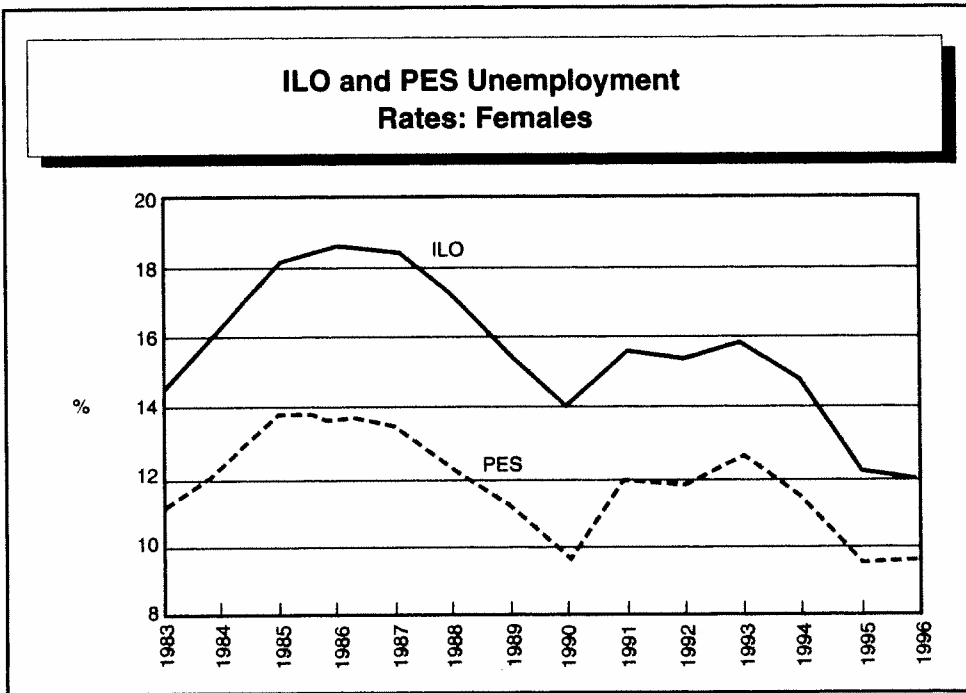


Figure I.4a

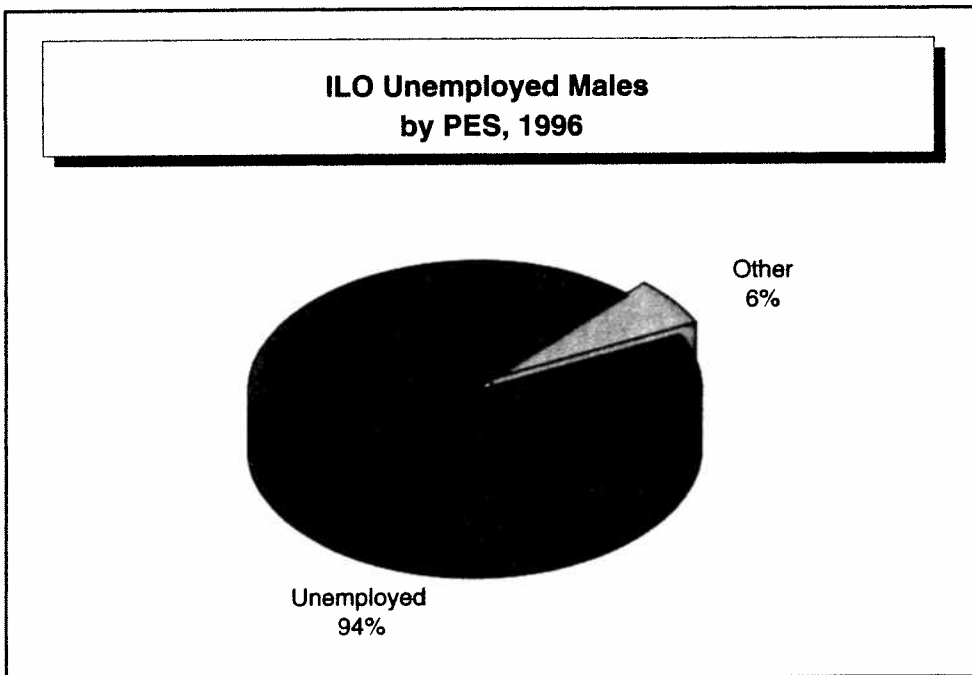


Figure I.4b

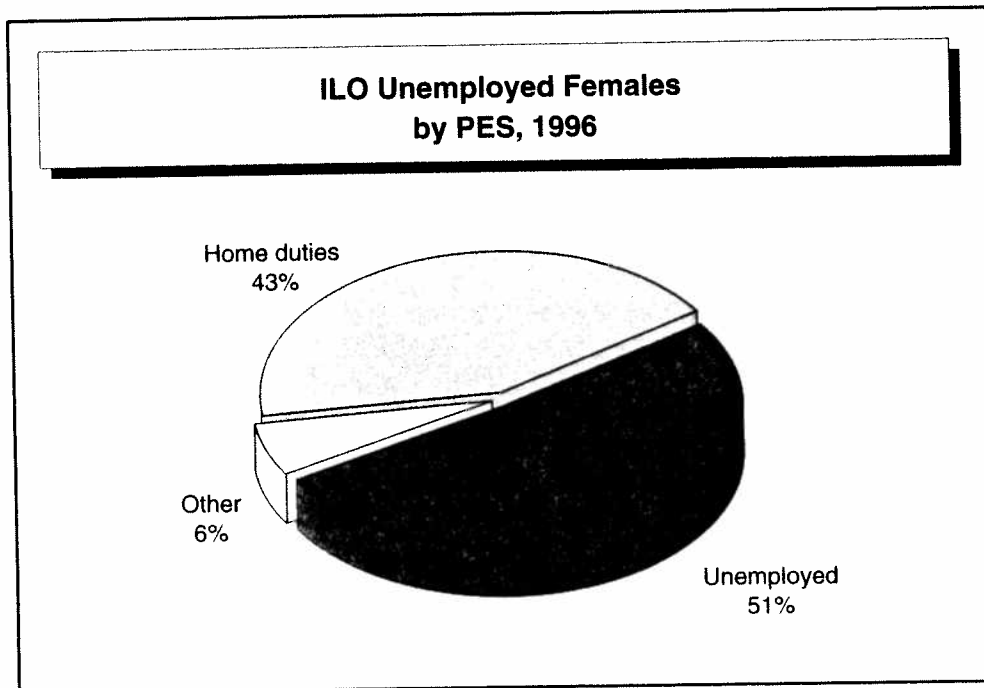


Figure I.5a

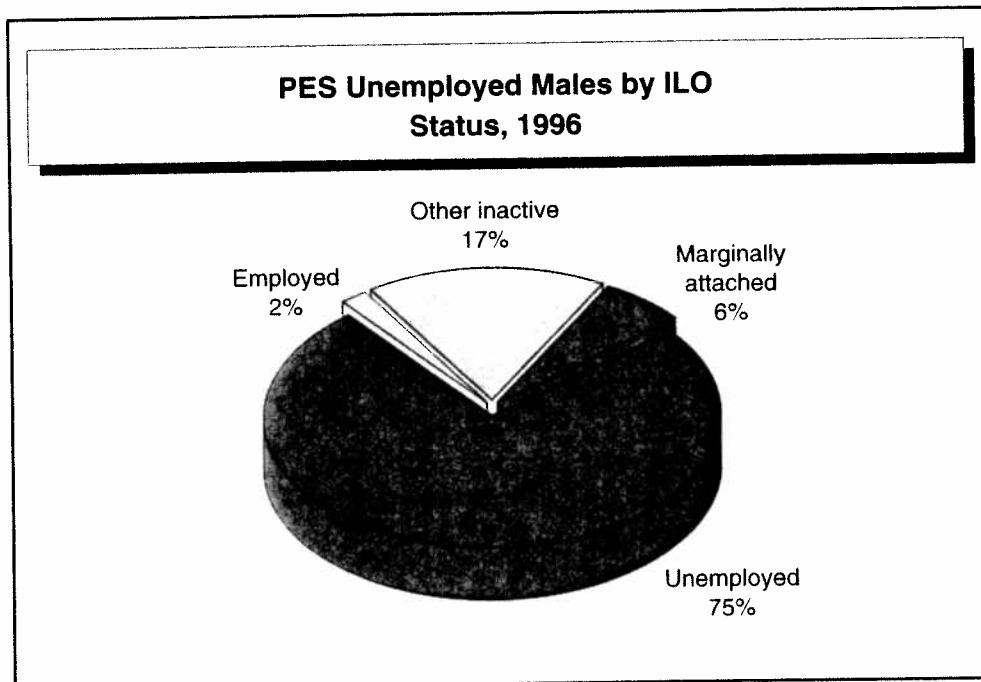


Figure I.5b

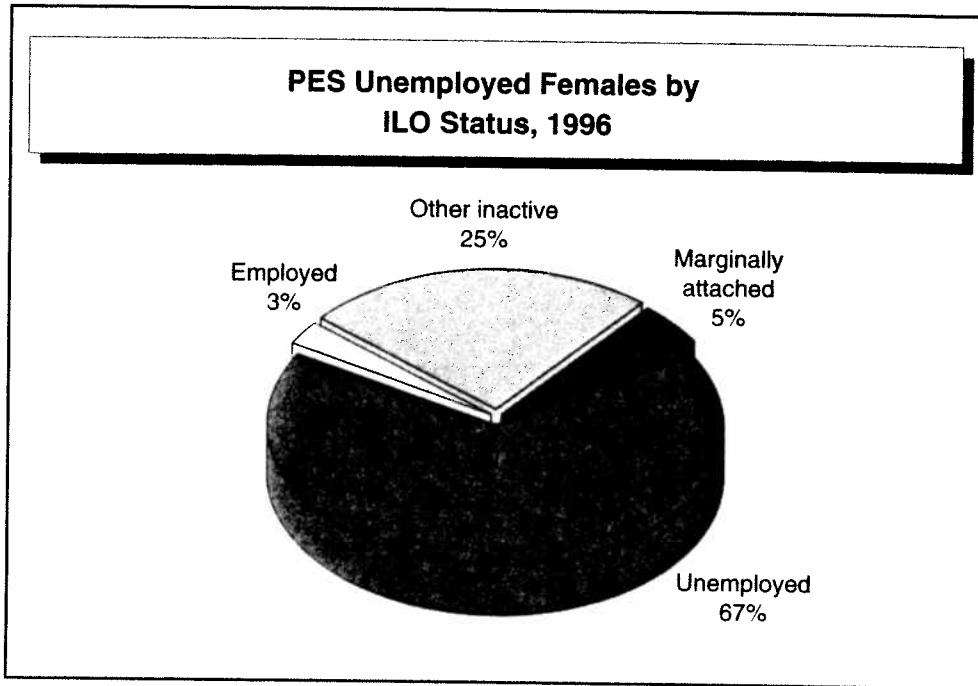


Figure I.6a

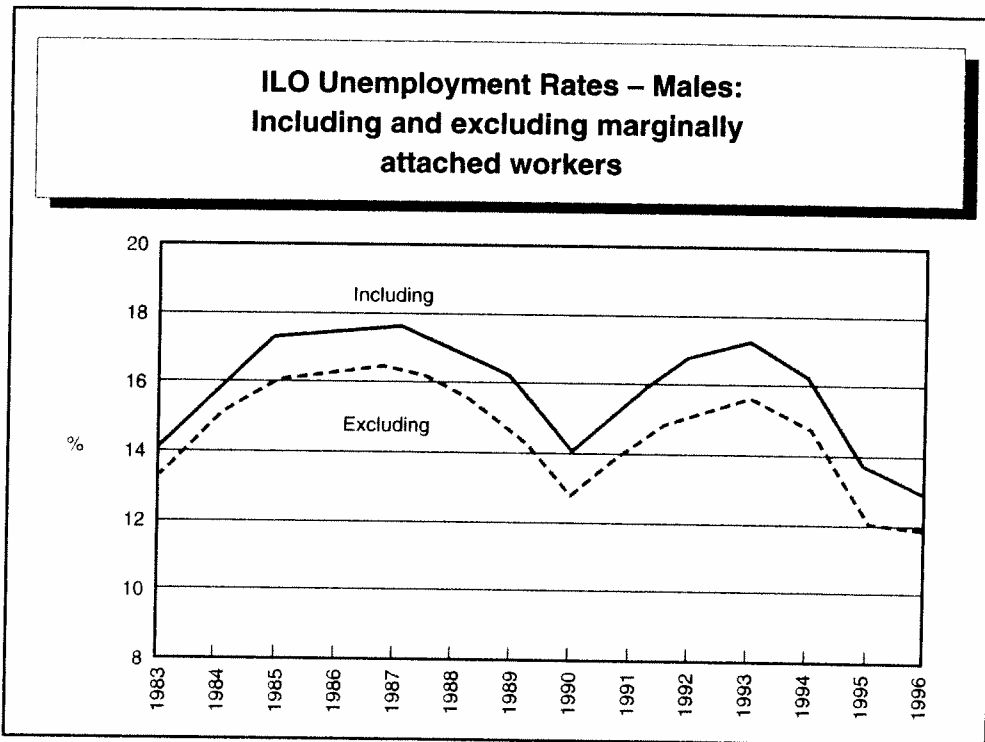
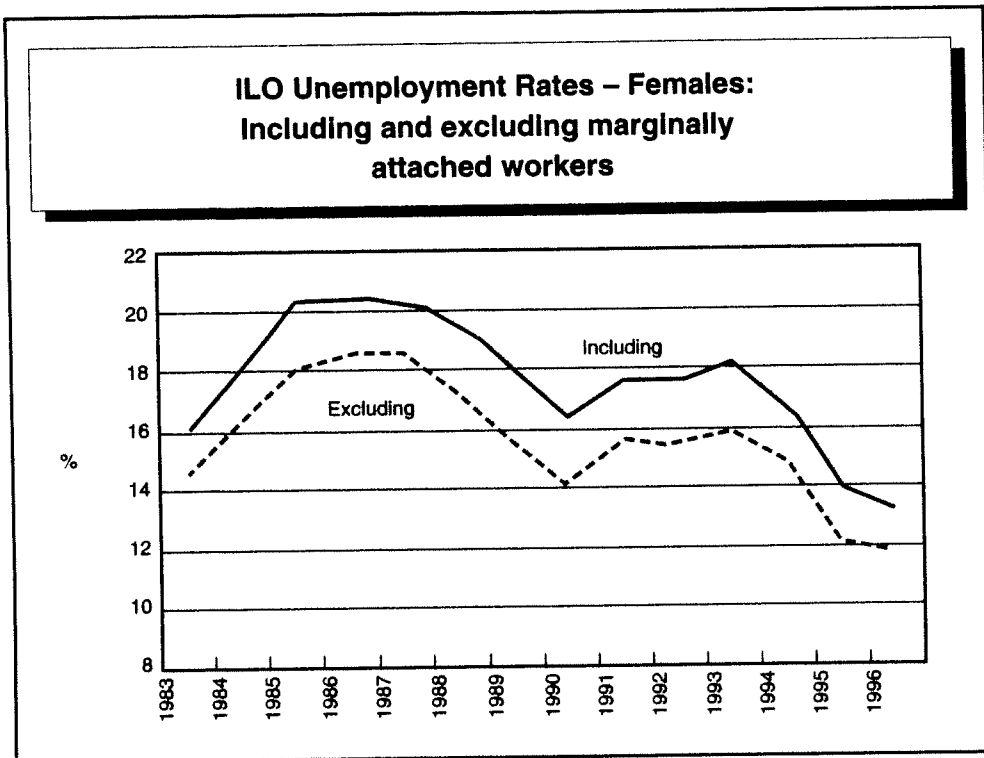


Figure I.6b



Section II

Labour Force Participation, Employment, and Unemployment

In this Section we discuss the factors that influence participation in the labour force and the incidence of employment and unemployment among the economically active population. In the first sub-section we present some background material on recent trends in unemployment and labour force participation derived mainly from the published LFS results. This is followed by a summary and discussion of our previous research on male employment and unemployment in Section II.2. In Section II.3 we present a detailed analysis of women's participation in the labour force.

II.1 Recent Labour Market Trends

In Section I we presented a number of measures of unemployment and commented on the significance of the differences between them. In this sub-section we present some additional information on labour market conditions that serves as background to our discussion of the factors influencing labour force participation, employment and unemployment in the remainder of the Section.

II.1.i Gender Trends in the Labour Market

Recent labour market developments have been more favourable to women than to men. The clearest indication of this is the fact that the number of women at work has been increasing uninterruptedly since 1985 and by 1996 had grown by 45.3 per cent; the number of men at work, which has only been growing since 1989 has increased by only 9 per cent over the same period (Figure II.1). The female unemployment rate has declined relative to the male rate – in 1983 the female unemployment rate was 17 per cent higher than the male rate but since 1992 the male rate has been slightly higher than the female (Figure II.2).¹ We shall also see that there has been a sharp rise in women's labour force participation rates at a time when male rates have declined. These developments are part of a long-run trend for the share of women in the labour force to grow, which has been attributed to factors such as declining family size, rising women's educational levels, and shifts in the demand for labour in favour of traditionally female occupations (Walsh, 1993).

1. The improvement in relative labour force conditions for women is not apparent from the LR data, due to the increasing divergence between the LR data and LFS measures of unemployment. As we noted in Section I, the discrepancies between the LR and the LFS measures of unemployment are proportionately smaller, and increased less markedly in recent years, among men than among women.

II.1.ii Unemployment by Marital Status and Age

Figure II.3 displays the ILO unemployment rate by marital status for men and women separately. While both married and single unemployment rates have followed the cyclical pattern common to all our measures of unemployment, it is clear that unemployment has become increasingly concentrated among single men and women. In 1988 the ratio of single to married unemployment rates was 1.39:1 for men and 0.82:1 for women, by 1996 these ratios had risen to 1.85:1 and 1.29:1. Figure II.4 displays age-specific ILO unemployment rates for men and women. Youth unemployment rates are relatively high for both sexes. The ratio of youth to adult unemployment rates has remained fairly stable among men but has risen among women. There has been little discussion of the factors that have raised the relative level of unemployment among young and unmarried women. This is an issue that could have important implications for social policy.

The rate of unemployment among married men or males of prime working age is regarded by economists as a truer index of the tightness of the labour market than the overall unemployment rate. It is therefore of interest to note that by 1996 the unemployment rate among married males had fallen to 8.7 per cent, compared with 13.8 per cent in 1988. The relatively low rate of unemployment among married males points to considerably tighter labour market conditions than is suggested by the overall unemployment rate of 11.9 per cent.

II.1.iii Labour Force Participation Rates

Because of the *'hidden unemployment'* phenomenon discussed in Section I, it is important to take account of the behaviour of labour force participation rates as well as unemployment rates. Figure II.5 shows the labour force participation rates by marital status and sex for 1988 and 1996. Labour force participation rates have fallen steeply among young adults (male, female, married and single). Among older married men there has been little change, but there was a significant fall in participation rates among older, single men. On the other hand, the labour force participation rate has risen dramatically among married women aged 20 or over and to a lesser degree among single women aged 45 or over. The divergent trends in participation rates among men and women is further evidence of the relatively favourable labour market conditions facing women in recent years.² However, the decline in labour force participation rates among single women aged 20-34, taken in conjunction with the rise in their unemployment rate, is noteworthy.

The contrast between the recent labour market experience of men and women can be further illustrated by showing the behaviour of (a) the unemployment rate and (b) the non-employment rate.³ Figure II.6 shows these for men and women aged

2. Falling rates of labour force participation have received much attention internationally (Juhn, 1992; European Commission, 1996).

3. The unemployment rate is $E/(E+U)$ and the non-employment rate is $1 - (E/P)$, where E, U, and P represent the numbers employed, unemployed and the total population group.

25-44 over the period 1983-1996. Although the gap between the two series widened over the period, the close correlation between unemployment and non-employment rates for males is striking. This bears out our contention that non-participation is affected by similar factors that influence unemployment. In contrast, the non-employment rate of women aged 25-44 has fallen steadily since 1987 and the gap between unemployment and non-employment has narrowed as the female labour force participation rate rose. The female unemployment rate declined steadily and whereas it was higher than the male rate in 1983, it is now lower than it. This further reinforces the point that the demand for female workers has been more buoyant than that for men over the recent past.

II.1.iv Distribution of Employment and Unemployment by Household.

Recently attention has been focussed on an apparent '*polarisation*' of work in Britain. It has been shown that the proportions of both '*workless*' and '*workrich*' households have been increasing (Employment Policy Institute, 1996). '*Workless*' households are those with no employed member – everyone is either unemployed or inactive – while '*workrich*' households are those with more than one employed member and no one unemployed. From the published Irish LFS results it is possible to derive the proportions of households in these categories on a PES basis but only for the total population – the data are not cross tabulated by age of the head of household or whether children are present. A misleading figure of '*worklessness*' would result from the inclusion in the total of households comprised of retired couples and pensioners living alone. To avoid this in Figure II.7 we show the proportion of Irish households in the '*workrich*' and '*workless*' categories *confining attention to households with at least one person who is economically active (either employed or unemployed)*⁴ over the period 1988-96. It may be seen that the proportion of '*workrich*' households increased from 29.4 per cent in 1988 to 40.2 per cent in 1996. This growth has persisted without interruption – although at different rates – over the entire period. On the other hand, the proportion of households with at least one unemployed and no employed member has risen and fallen counter-cyclically – it declined from 12.6 per cent in 1993 to 9.8 per cent in 1996.

Access to the LFS data tape for 1993 allows us to estimate the incidence of worklessness controlling for the age of head of household and the presence of children (Table II.1). We used the ILO categories because these have been used internationally. Among private households where the head of household was aged 20-59, 9.8 per cent had no employed member and at least one unemployed member, while a further 9.4 per cent had no active member⁵, suggesting a total of 19.2 per cent of workless households. While the proportion of households with no active person is lower among those where children are present, 18 per cent of these are

4. Which implies that '*workless*' means with at least one unemployed person and no one employed.

5. Among the categories that would be included here is single-parent families headed by an inactive mother, for example.

none the less workless. While the fall in the unemployment rate since 1993 would have lowered this percentage, the incidence of unemployment by household type merits further research.⁶

Table II.1
Distribution of Private Households by ILO Labour Force Status of Members,

Head of Household aged 20-59, 1993			
<i>Percentage of private households:</i>	Total	Without children under 16 years	With children under 16 years
With no employed person	19.2	20.9	18.0
<i>Of which:</i> With at least one unemployed person	9.8	8.9	10.4
With no active member	9.4	12.0	7.6

II.2 Male Labour Force Participation, Employment, and Unemployment

In our earlier study (Murphy and Walsh, 1996) we analysed the factors associated with male '*non-employment*', that is both unemployment and non-participation in the labour force. We used the detailed results of the 1993 LFS to investigate labour market outcomes among males of prime working age (aged 20-59). The approach we used allows us to establish the factors that affect the distribution of a given level of unemployment (namely, that prevailing in April 1993) between individuals with different characteristics. Replicating the same analysis at different points of time, especially if these are fairly close together, is unlikely to have much effect on our inferences regarding the effects of characteristics on the differential probability of being unemployed, employed, or inactive, but it would shed light on how changing macroeconomic conditions affect the distribution of unemployment. We plan to return to this topic in a future study.

II.2.i Characteristics of the Inactive Male Population

Before summarising the findings of our previous research, it is useful to consider the distribution of the ILO inactive population by detailed economic status (Table II.2). The most striking feature of this tabulation is that the preponderance of inactive males are not looking for a job and do not want a job. Other '*inactive*' reasons, such as ill health, disability, participation in education, and child care responsibilities,

6. For an interesting early attempt to measure the '*economic strength*' of Irish households see Geary (1954)

accounted for a further 14 per cent. Only 4.7 per cent were '*discouraged workers*' in the sense of not looking for work because they believed no jobs, or none for which they are qualified, were available.

Table II.2
The ILO Inactive Population by Detailed Economic Status, Males aged 20-59

ILO Economic Status	%
Passively looking for work & available to start in two weeks	5.6
Looking for work but not available to start in two weeks	6.0
Not yet started to look for work	2.4
On lay-off, awaiting recall and not looking for work	2.0
Not looking for work due to reasons of discouragement	4.7
Not looking for work for other ' <i>inactive</i> ' reasons	14.2
Not looking for work because no job wanted	65.1
Total	100.0

Source. Grossed up 1993 LFS returns.

In Table II.3 we present some of the characteristics of ILO inactive males. The discouraged workers and those passively looking for employment are described as '*marginally attached to the labour force*' in the published LFS. It may be seen that they are markedly less well educated than the male population as a whole and than those in other inactive categories. Those in the first category are also considerably older than those who are passively seeking work, who are also less likely to be married.

Thus a picture emerges of fairly distinct types of inactive males who are marginally attached to the labour force – there is a group of older, poorly educated men who have given up job search due to the belief that there are no jobs available – or none for which they are qualified – and another group consisting of younger men, also relatively poorly educated having regard to their age, who are not actively seeking work, but are passively interested in a job.

The relatively large group who stated they had no interest in a job exhibit a U-shaped age distribution, with relatively few aged 30-45 and large proportions of younger and older men. They were predominantly single, but surprisingly well educated. Some of these may be still in the educational system, others may have left but have yet to start looking for work, and still others may have adopted a more permanent '*alternative*' lifestyle.

As a cross check on these findings, we also looked at some of the characteristics of the relatively large sub-group (31 per cent) of PES unemployed men who stated that they were not looking for work and did not want a job. By any job search criterion those in this group are unequivocally outside the labour force, even though they classify themselves as unemployed. They tend to be older, poorly educated men, of whom 86

per cent had also been PES unemployed a year ago. An interesting fact is that for almost half (48 per cent) of this group no information is available on their last job and a majority (55 per cent) of those for whom this information is available had been labourers or production workers. The fact that 62 per cent of this group report that they are claiming unemployment benefits or assistance has an obvious bearing on why they regard themselves as 'unemployed' even though they are neither seeking work nor interested in a job. Thus, characteristics of the PES unemployed men are consistent with those shown for the ILO inactive men in Table II.3.

Table II.3
Characteristics of Male ILO Inactive Population

ILO Inactive Males aged 20-59					
	All males aged 20-59	Passively looking	Discouraged	No Job Wanted	All inactive
Age	%				
20 - 24	16.7	17.3	8.2	29.5	31.8
25 - 29	13.6	11.7	10.2	7.1	8.3
30 - 34	13.6	11.9	8.0	5.5	6.5
35 - 39	13.6	15.9	13.1	6.4	7.7
40 - 44	13.1	13.2	18.1	8.0	9.0
45 - 49	11.8	13.7	12.3	9.6	9.3
50 - 54	9.4	7.5	13.6	13.2	11.3
55 - 59	8.2	8.7	16.5	20.8	16.0
Educational Attainment	%				
No formal education	0.5	1.9	4.9	3.7	3.0
Primary	24.3	53.8	66.0	41.2	39.4
Inter/Group Leaving	28.1	28.3	19.9	14.7	16.6
Third level - non-univ.	9.3	1.7	2.2	4.7	4.6
Third level - univ.	10.5	2.7	1.1	7.1	6.8
Marital Status	%				
Single	47.0	47.0	34.2	55.8	56.5
Married	48.0	48.0	59.4	38.5	38.3
Divorced	0.8	0.8	1.7	2.1	2.1
Widowed	4.2	4.2	4.8	3.0	3.1

II.2.ii Flows into and out of unemployment and duration of unemployment

The LFS contains a question about the respondent's usual economic status a year ago. When this is tabulated by their current economic status (PES), some information is obtained about transitions between labour market states over a year. Table II.4 summarises this information for men aged 20-59 on the basis of the 1993 LFS results. The flows between labour market categories are relatively small: over 80 per cent of those in each category in 1992 were in the same category in 1993. However some encouragement can be taken from the fact that over 15 per cent of those who had been classified as unemployed in 1992 were classified as employed in 1993. In Table II.5 we show the results of classifying the respondents by PES in 1992 and ILO status in 1993. (We have no information on their ILO status in the year prior to the survey.) The 63.0 per cent of those in the PES unemployed in 1992 who were classified as ILO unemployed a year later is similar to the comparable proportion (68.1 per cent) reported for the Northern Ireland male labour force (Murphy and Armstrong, 1994). Care must be taken in interpreting the 19.9 per cent of the PES unemployed a year ago who were in the ILO 'other' category a year later. This in fact is almost the same as the proportion of this year's PES unemployed who are in the ILO 'other' category – mainly classified as inactive because they have ceased active job search. The data in Table II.5 thus indicates that the flow from the PES unemployed into ILO inactive over the course of the year is small. Over 70 per cent of unemployed males had been unemployed a year ago. This is a higher proportion of long term unemployment than is found among males aged 20-59 on the Live Register. In April 1993, 51.1 per cent of those on the Live Register had been continuously registered for a year or more. It is to be expected that the proportion *continuously* registered as unemployed over the whole year would be smaller than that unemployed *at this time last year*. The gap between the two proportions reflects men who obtained some work over the twelve months.

Table II.4
Principal economic status in 1993 and 1992, males aged 20-59

		PES in 1993 (%)			Total
		Employed	Unemployed	Other	
PES in 1992	Employed	93.5	5.7	0.7	100
	Unemployed	15.8	82.6	1.5	100
	Other	7.5	3.7	88.8	100

Table II.5
Principal economic status in 1992 by ILO status in 1993,
males aged 20-59

		ILO status in 1993 (%)			Total
		Employed	Unemployed	Other	
PES in 1992	Employed	93.7	4.8	1.4	100
	Unemployed	16.8	63.0	19.9	100
	Other	9.5	6.7	83.7	100

Table II.6
Distribution of PES unemployed in 1993 by PES a
year earlier, males aged 20-59

				(%)
Employed	Unemployed	Other	Total	
26.1	71.6	2.3	100	

II.2.iii Who are the Unemployed Men?

Our analysis of the ILO measures of labour force status showed that a number of characteristics contribute to 'bad' outcomes – non-employment, non-participation and unemployment – among men. These are:

- Being single.
- Low educational attainment.
- Residence in large cities or town.
- The presence of children aged under 16.
- Living in Local Authority rented accommodation
- The presence of other unemployed or inactive adults in the household.

We should bear in mind that an individual may be in more than one of these categories, so that, as an extreme example, a single person with low educational attainment, living in local authority housing with other unemployed adults would be particularly at risk of unemployment. But some of the characteristics that predispose to unemployment are unlikely to be found in combination – few single men would have a large number of dependent children, for example, but a married man with a large family is more likely to be unemployed than one with no children.

A similar set of characteristics is associated with both unemployment and non-participation. The probability of a non-employed man not seeking work actively is raised by much the same factors that increase the risk of unemployment. In fact, the influence of most of these characteristics on the risk of non-employment can be approximated as the sum of their influence on non-participation (for the whole population) and on unemployment (for the active population). This is an important finding because it suggests that there is a sense in which non-participation can be regarded as an extension of unemployment, despite the low level of interest in employment expressed by inactive men.

Some of our findings – such as the negative influence of low educational attainment on employment prospects – are in line with expectations, but others, such as the influence of housing tenure, the presence of children, and the influence of other adult members of the household, are less obvious. Furthermore, contrary to expectations, we found the net influence of age on employment prospects to be relatively unimportant. Finally, it was unexpected to find that males living in rural areas tend to have the most favourable labour market outcomes, other things equal. This could reflect a tendency for men living in rural areas to report employment on farms, even when this marginal.

The study allowed us to quantify the effects of several important variables on labour market outcomes. The impact of educational attainment is very large – for example, an economically active man with university education is some 20 per less likely to be unemployed than a man with only primary level education, added to which is the fact that the less well educated man is more likely not to be in the labour force. The net effects of housing tenure are also large.

The interpretation of these findings that we favour is that men whose labour market prospects are poor, due in particular to low educational standards, inner city residence, renting from a local authority, and relatively large entitlements to social welfare payments (including in-kind benefits, such as rent reductions) are less likely to participate in the labour force, and if they participate, more likely to be unemployed, than others. The large adverse affect of local authority rented accommodation on men's labour market outcomes may be attributed to a number of factors such as the extra marginal tax on earnings implicit in the differential rent system, employer discrimination, and the effect of local networks on access to information about employment opportunities. Bad luck may also play a part, in the sense that a proportion of those unemployed at any point in time are people experiencing temporary set backs – ill health, family problems, etc. This could be particularly true of those in local authority housing, which tends to serve as a safety net. The issue of whether these effects persist is addressed when we consider the factors affecting the duration of unemployment.

The picture that emerges from our study of labour market outcomes among males is broadly speaking the expected one. Poorly educated men, single men, those renting local authority accommodation, and those living in family units with dependent children and other unemployed adults are all more likely to be unemployed and to have dropped out of the active labour force than their better educated, married counterparts who are not living in local authority housing and who are in households with few dependent children and no other unemployed or inactive adults. Finally, other things equal, those living in large cities (county boroughs) experience bad labour market outcomes, especially by comparison with those living in rural areas.

In Section I we drew attention to the relatively large number of men who, although they classified themselves as PES unemployed, were not classified as ILO unemployed. In our econometric research we found that this combination was more likely among older single males with low educational levels and among men with large families. Many of the factors associated with ILO unemployment were also associated with the probability ILO inactivity among PES unemployed men. This led us to conclude that dropping out of the active labour force may be regarded as an extension of the problem of unemployment, especially among males in the age groups where being economically active is the norm.⁷

II.2.iv Duration of Unemployment.

In the LFS those who are unemployed are asked two questions relating to the duration of unemployment, namely, 'How long have you been looking for a job?' and 'When did you last work?'. Duration of unemployment is defined as the shorter of these two intervals. We have used the answers to these questions to explore the characteristics associated with long-term unemployment among men. Table II.7 tabulates duration by age, Table II.8 duration by education, Table II.9 duration by housing tenure and Table II.10 by number of children in the family unit. It may be seen that long-term unemployment is extremely high among men with low levels of education and those living in local authority rented accommodation. It is lowest among those with third level education and those owning or purchasing private accommodation. There is a stark contrast between the 50 per cent of the unemployed males with only primary education who had been out of work for three years or more, and the less than 10 per cent of those with third level education of whom this is true. Thus it seems that not only do low educational qualifications and renting from a local authority increase a man's likelihood of becoming unemployed, but they also considerably increase the risk that, having become unemployed, he will remain unemployed for a long period of time. Finally, it is clear that the duration of unemployment increases steadily as the number of children present in the household increases. Men with large dependent families are much more likely to be out of work for very long periods of time than those with fewer children. It should be noted, however, that relatively few

7. This is a reason why many studies supplement the unemployment rate with additional indicators of labour market conditions such as the employment/population ratio: see, for example, Tables A and B in the Statistical Annex to the OECD 1996 *Employment Outlook*.

unemployed men live in households with large numbers of dependent children – the majority are unmarried men without children.

Care must be used in the interpretation of the results in Tables II.7 – II.10. These cross-tabulations are not *ceteris paribus*, that is, they do not control for the influence of other variables and hence do not isolate the *net* impact of the variables that are studied one at a time. More elaborate analysis is required for this (see Murphy and Walsh, 1997). It seems clear, however, that a constellation of factors including increasing age, low educational attainment, renting from a local authority, and the presence of a large dependent family predispose men to becoming long-term unemployed. While relatively few men fall into all or even several of these categories, those that do are very likely to become virtually permanently unemployed. Moreover, men in this situation are only distinguished from those who have dropped out of the labour force, and are classified as ILO inactive, because they continue to state that they are looking for work. Over time many of the long-term unemployed leave unemployment not to return to work but by ceasing active job search and becoming classified as inactive.

Table II.7
Duration of unemployment by age, unemployed males, aged 20-59, 1993

%					
Age					
Unemployment Duration	20-24	25-34	35-44	45-54	55-59
0-6 months	23.7	21.9	17.3	15.0	15.8
6-12 months	19.9	14.9	13.3	12.8	12.8
1-2 years	21.8	20.2	14.3	14.3	11.8
2-3 years	13.3	13.2	12.5	11.9	14.4
3 years or over	21.3	29.8	42.6	46.0	45.2
Total	100.0	100.0	100.0	100.0	100.0

Source: Author's tabulations using anonymised 1993 LFS dataset.

Table II.8
Duration of unemployment by education, unemployed males, aged 20-59, 1993
 %

Unemployment Duration	Education				
	None/ Primary	Inter Cert	Leaving Cert	Other 3rd Level	Degree, etc.
0-6 months	13.8	20.2	26.1	25.2	37.0
6-12 months	10.7	15.4	17.3	29.5	29.7
1-2 years	13.1	19.7	20.8	24.3	16.7
2-3 years	11.6	14.1	13.9	10.8	8.0
3 years or over	50.8	30.6	21.9	7.2	8.6
Total	100.0	100.0	100.0	100.0	100.0

Table II.9
Duration of unemployment by housing tenure, unemployed males, aged 20-59, 1993
 %

Unemployment Duration	Housing				
	LA rental	LA purchase	Owned purchase	Owned outright	Other Rental
0-6 months	10.3	16.2	25.7	20.9	23.7
6-12 months	8.3	14.0	18.9	14.3	21.7
1-2 years	13.1	11.7	19.5	20.2	19.9
2-3 years	12.0	13.1	13.0	13.9	11.4
3 years or over	56.3	45.0	22.9	30.7	23.3
Total	100.0	100.0	100.0	100.0	100.0

Table II.10
**Duration of unemployment by presence of children,
 unemployed males, aged 20-59, 1993**
 %

Unemployment Duration	Children			
	None	1 or 2	3 or 4	5 or more
0-6 months	21.1	18.7	17.6	12.7
6-12 months	17.0	13.5	12.1	8.9
1-2 years	19.0	17.4	15.0	6.4
2-3 years	13.7	11.7	11.2	13.4
3 years or over	29.2	38.7	44.1	58.6
Total	100.0	100.0	100.0	100.0

Tabulations for women showed a similar concentration of long-term unemployment among older women, those with low educational attainment, and those living in local authority rented housing. An important determinant of the duration of unemployment among women, which was not important among men, was economic situation a year ago. A record of previous employment is associated with relatively short term unemployment among women. The proportion of unemployed women who had ever had a job who were unemployed for over a year was 52.3 per cent, compared with 70.1 per cent of those who had never had a job. A much higher proportion of those who entered unemployment from employment over the year were in short term unemployment than those who had been in the educational system or in home duties. Unsuccessful job search and long-term unemployment is therefore more prevalent among women with no previous work experience than others. Finally, we looked at the duration of unemployment among women by the composition of the households in which they lived. The proportion of unemployed women whose male spouse or partner was employed in long term unemployment was much lower (51.1 per cent) than that of women whose partner was unemployed (64.7 per cent) or inactive (70.3 per cent). A generalisation that is suggested is that many of the characteristics associated with the risk of unemployment also increase the likelihood that an unemployed person will be long-term unemployed.

II.3 Female Labour Force Participation, Employment, and Unemployment

We have noted the very buoyant labour market conditions facing women in Ireland in recent years. The rapid growth in female employment has been accompanied by a large increase in women's labour force participation rates, especially among married women. The participation rate rose by 80 per cent among married women aged 35-44 years between 1988 and 1996. Starting from a higher level, labour force participation rates among single women have risen much less dramatically and only among those aged over 35.

Despite the changes that have occurred, the age-specific participation rates for married women remain much lower in 1996 than those for single women, and both married and single women's participation rates are still considerably lower than the corresponding male rates. However, the labour force participation rate among younger married women in Ireland is now approaching the levels found in the United Kingdom, where the availability of child care facilities is similar to that in Ireland. While it is likely that women's labour force participation rates will continue to increase in Ireland, if for no other reasons than that married women now aged 25-44 who are economically active are moving into age groups where the participation rate is still relatively low, the pace of increase will slow as an upper asymptote is approached⁸.

8. If the participation rate among women aged 35-44 were to continue to increase at the pace recorded over the last eight years, it would be over 90 per cent by the year 2004!

II.3.i Characteristics of the Economically Inactive Female Population

Before examining the factors that influence women's labour force participation in detail, in Table II.11 we present details of the ILO economic status of women aged 20-54 based on the 1993 LFS results. (This is directly comparable with Table II.2 for males.) The very striking feature of this table is the fact the over 80 per cent of inactive women were not looking for work and could not be described as discouraged or otherwise unemployed – the reasons they gave for not participating were not related to labour market conditions (*'inactive reasons'* – such as illness, child care, participation in training, etc.). We do not have a further breakdown of the relative importance of these categories but it likely that child care looms very large. While many of these women might wish that better or cheaper child care facilities were available, this issue lies outside the purview of the LFS.

We examined some of the characteristics of the ILO-inactive women (Table II.12). The *'passively looking'* group were similar in age distribution to the female population as a whole, somewhat less well educated, and more likely to be unmarried. Discouraged workers, on the other hand, tended to be older, with a relatively high proportion of widows, and markedly less well-educated. Those who stated that they did not want a job were predominantly married women, older than the population as a whole, and also less well educated.

In general no impression is conveyed by these data of significant groups of women who are not in the labour force due to lack of qualifications, pessimism regarding the availability of jobs, or similar negative factors.

Table II.11
The ILO Inactive Population by Detailed Economic Status, Females aged 20-54

ILO Economic Status	%
Passively looking for work & available to start in two weeks	0.9
Looking for work but not available to start in two weeks	2.2
Not yet started to look for work	1.4
On lay-off, awaiting recall and not looking for work	0.4
Not looking for work due to reasons of discouragement	1.8
Not looking for work for other <i>'inactive'</i> reasons	11.1
Not looking for work because no job wanted	82.2
Total	100.0

Source: Grossed up 1993 LFS returns

II.3.ii Female Labour Force Participation and Employment

Women's participation in the labour market has been the subject of several previous studies (Walsh and Whelan, 1973; Walsh and O'Toole, 1973; Callan and Farrell, 1991; Walsh, 1993). These studies found that higher educational standards and the

associated increase in potential labour market earnings have been the principal forces leading to higher labour force participation rates among married women. Falling family size has also been important.

We have undertaken an econometric analysis of female labour market outcomes along the lines of that reported for males in the previous sub-section. Our sample size was much larger than that used in any previous study of participation in Ireland (over 12,000 married women, compared with just over 2,000 in Callan and Farrell, 1991, for example). The large sample facilitates a fuller analysis of a richer range of influences on participation, and also increases the confidence that can be placed in the results. Our analysis included non-married women, whereas previous Irish studies focussed almost exclusively on married women.

Table II.12
Characteristics of ILO Inactive Population, Females

	All females aged 20-55	ILO Inactive Females aged 20-55		
		Passively looking	Discouraged	No job Wanted
Age	%			
20 - 24	11.6	15.2	8.1	9.2
25 - 29	9.4	9.2	6.1	8.7
30 - 34	14.0	15.8	11.8	13.3
35 - 39	16.7	21.4	19.5	16.7
40 - 44	17.0	16.1	17.3	17.6
45 - 49	17.0	10.1	15.9	18.3
50 - 54	14.4	12.2	21.3	16.2
Educational Attainment (%)				
No formal education	0.9	1.8	0.4	1.0
Primary	29.6	37.8	39.3	30.3
Inter/Group	29.3	28.3	33.6	29.6
Leaving	31.3	24.0	23.5	30.5
Third level - non-univ.	5.3	4.8	0.6	5.1
Third level - univ.	3.7	3.3	2.6	3.4
Marital Status (%)				
Single	16.7	23.7	14.9	13.8
Married	76.9	70.3	74.6	80.0
Divorced	2.0	0.7	1.5	2.1
Widowed	4.5	5.3	9.0	4.1

Our study was structured to take account of the specific factors that influence women's decision to participate in the labour force. While the range of variables included in our analysis of women's labour market outcomes was similar to that used in our study of males, greater attention was devoted to modelling the influence of variables such as the presence of children, which are likely to exert a particularly important influence on women's labour force participation⁹. The econometric techniques used were the same as those applied in the study of males. Because all the dependent variables are discrete (0/1, depending on whether the respondent is or is not economically active, employed, unemployed, etc.) we estimated probit models throughout.

The principal independent variables included in our analysis are:

Variable	Reference category for dummy variables
<i>Area</i>	<i>Rest of the country</i>
<i>Age (in years)</i>	—
<i>Education</i>	<i>None</i>
<i>Geographical stratum</i>	<i>Rural</i>
<i>Marital status</i>	<i>Single</i>
<i>Number of children present</i>	—
<i>Age of youngest child</i>	—
<i>Composition of family unit</i>	<i>No other active person</i>
<i>Housing tenure</i>	<i>Rented from Local Authority</i>

In general we present results with all the categories of variables included. We could have excluded insignificant coefficients and merged categories with similar coefficients, but we prefer to present the reader with the full set of results set out in a standard format. Independent variables with positive coefficients increase the probability of being in the '1' category of the dependent variable. These effects are all *ceteris paribus* with respect to a hypothetical individual in the set of reference categories listed above: we are measuring the *net* influence of the variables, controlling for the effects of all the other variables included in the equation. In addition to presenting the coefficients of the explanatory variables we report their estimated marginal effects (multiplied by 100). These show the percentage increase in the probability of being in the '1' category of the dependent variable attributable to membership of the relevant category of the independent variable relative to the reference category.¹⁰

9. Ideally the labour market behaviour of men and women in the same household should be modelled jointly. This is an item for future research.

10. Because of the large number of variables used in our analysis we have omitted the stratum variable (that is, the size of geographical area in which the respondent was resident) from our tables, although its influence is allowed for in the reported results.

Tables II.13 presents the results of probit analyses of all women aged 20-54 in which the dependent variable is '1' if the respondent was (i) economically active and (ii) employed according to ILO definitions. Table II.14 presents similar results for married and for other women separately, concentrating on the probability of labour force participation. The results are satisfactory by the usual statistical criteria. In each equation there are several highly significant regressors (absolute t-ratio > 2) and all the overall relationships are highly significant. There is also a general consistency of results across the dependent variables. The following are the most important findings contained in these tables.

- **Age.** We found that the most satisfactory way to model the influence of age on the probability of participation and employment was to include a variable for the respondent's age and the square of her age. The interpretation of the results reported in II.13 is that, other factors equal, women in their late twenties and early thirties are most likely to be economically active and employed. The probability falls off with increasing age, so that a woman aged 45-49 is more than 20 per cent less likely to be economically active than one in her late twenties. The influence of age on participation and employment is similar, although the decline in the probability of employment occurs at a slightly later age for employment. A comparison of the results for married and other women in Table II.14 shows that the probability of being employed rises with increasing age for a longer interval – up to 35 years of age – among non-married women. This reflects the relatively high rate of non-participation among single women, which is not explained by a greater proclivity to participate in the education system (we have allowed for this possibility by the inclusion of age-educational interactive variables that are highly significant among non-married women).
- **Marital status.**¹¹ In Table II.13 the coefficients of the marital status variables are all negative, indicating that married, widowed, and separated/divorced women are less likely to be economically active than the reference group of single women. In Table II.14 the coefficients of the marital status variables are negative in the equation for non-married women, indicating that relative to the single reference group widowed and separated/divorced women are less likely to be economically active. This shows that marital status does affect economic activity, even when the presence of children, household composition, and other factors are controlled. Other things equal, single women are most likely to participate in the labour force, followed by widowed women, and then by the separated and divorced, with married women least likely. The marginal effects of marital status are large, greater than those of the presence of children; compared to a single women, the probability of a married women being economically active is 16.5 per cent lower, that of a separated/divorced woman 10.5 per cent lower, and of a widow 5 per cent lower.

11. It is important to note that in the LFS cohabiting couples are classified as 'married'.

- **Presence of children.** We found that the best way to model the effect of the presence of children on women's participation and employment was to include the total number of children (and its square) as well as age-specific dummy variables for the presence of children. The number of children captures the (non-linear) effects of family size, while the age-specific dummies capture the effect of the ages of the children. It may be seen from Tables II.13 and II.14 that both the total number of children and their ages are very significant influences on women's labour force participation and employment. From Table II.13 it may be seen that there is relatively little difference between the effects of children on participation and on employment. The effect of additional children on participation and employment is negative until a very large family size (over seven) is reached. The variables for age of youngest child shows that the presence of younger children acts as a greater deterrent to economic activity than that of older children. From Table II.13 it may be inferred that the presence of a child aged under four years old reduces the probability of a mother's labour force participation by over 10 percent, whilst the presence of a child aged 10 to 15 years old reduces it by only about four per cent. The effects on the probability of employment are somewhat smaller.

When this relationship is explored separately for married and other women (Table II.15) it emerges that the presence of young children has a markedly greater deterrent effect on labour force participation by non-married women: the coefficients and marginal effects of the variables for the number of children and their ages are up to twice as high for non-married as for married women. In fact, allowing for the total number of children in the family, the presence of children aged five and over has no significant influence on the probability of a married woman participating in the labour force, but the presence of children up to age 15 continue to reduce it among non-married women. This contrast may be due to several factors, such as the time devoted to child-care by husbands, the greater ability of a married couple to afford paid child care, and a tendency for means-tested child dependent social welfare payments to unmarried mothers to discourage labour force participation. As the number of unmarried women with children has been increasing, this finding is relevant to understanding the fall in labour force participation rates among young, single women referred to earlier.

- **Education.** In common with all previous studies, we have found a strong association between higher levels of educational attainment and increased female labour force participation. A woman with a university education is about 40 per cent more likely, other things equal, to be in the labour force (and to be employed) than a woman with only primary level education. The effect of education on participation and on employment is very similar (taking all women together, Table II.13). Comparing the marginal effects on the probability of participation between married and other women (Table II.14), large effects are evident among non-married women. Previous studies, Callan

Table II.13
Incidence of ILO Economic Activity and Employment
Probit Results for Women Aged 20–54, N = 36,732

Variable	Co-efficient	Absolute t-statistic	Marginal Effect (%)	Co-efficient	Absolute t-statistic	Marginal Effect (%)
Incidence of economic activity (ILO)			Incidence of employment (ILO)			
Region (<i>Ref. cat. = Rest of country</i>)						
Dublin	0.04	1.6	1.4	0.04	1.6	1.1
Rest of East	-0.20	7.7	-6.0	-0.20	7.7	-6.2
Age						
Age	0.10	12.9	-5.0	0.12	15.9	-3.0
Age ²	-0.002	18.2		-0.002	19.8	
Marital status (<i>Ref. cat. = Single</i>)						
Married	-0.53	18.1	-16.5	-0.41	14.3	-12.9
Separated/divorced	-0.33	6.3	-10.4	-0.26	4.8	-8.1
Widowed	-0.16	3.7	-5.0	-0.23	5.3	-7.3
Children (<i>Ref. cat. = None</i>)						
Total number	-0.25	8.6	-22.7	-0.29	9.6	-24.4
Total number ²	-0.01	2.6		0.02	3.9	
Youngest aged under 2	-0.34	7.3	-10.7	-0.25	5.3	-7.9
Youngest aged 2 to 4	-0.36	7.6	-11.2	-0.29	6.0	-9.0
Youngest aged 5 to 9	-0.16	3.4	-4.9	-0.16	3.4	-5.0
Youngest aged 10 to 15	-0.11	2.8	-3.5	-0.10	2.6	-3.3
Education (<i>Ref. cat. = None</i>)						
Primary	1.28	8.3	40.2	1.10	6.3	34.7
Intermediate Cert.	1.56	10.0	48.9	1.38	8.0	43.5
Leaving Cert.	1.87	12.0	58.6	1.76	10.2	55.5
Other third level	2.40	15.3	75.0	2.25	12.9	70.7
Degree	2.56	16.2	80.4	2.43	13.9	76.7
Age-Education Interactions						
20-24 with Leaving Cert.	-0.50	12.8	-15.8	-0.32	8.6	-10.2
20-24 with Other 3rd level	-0.39	5.5	-12.2	0.42	6.9	-13.3
20-24 with Degree	-1.25	16.8	-39.1	1.01	14.3	-32.0
Housing Tenure (<i>Ref. cat. = LA rental</i>)						
Owner occupier	0.30	9.2	9.5	0.49	13.6	15.4
Buying (prv)	0.48	15.0	15.0	0.64	18.5	20.3
Buying (LA)	0.40	8.7	11.1	0.47	10.7	14.8
Other tenure	0.10	2.6	3.1	0.24	5.8	7.4
Others in Family Unit (<i>Ref. cat. = None</i>)						
Employed	0.06	3.1	1.9	0.09	4.3	2.7
Unemployed	0.12	5.3	3.7	0.00	5.0	-3.6
Inactive	-0.15	8.6	-4.5	-0.17	9.7	-5.1
Log Likelihood	-20276.00			-20341.50		
Pseudo R ²	0.25			0.24		
Positive observations	51.8%			43.9%		
Correct predictions	72.0%			72.2%		

Note: Variables for stratum were also included in equations.

Table II.14
Incidence of ILO Economic Activity
Probit Results for Married and Other Women Aged 20–54

Variable	Co-efficient	Absolute t-statistic	Marginal Effect (%)	Co-efficient	Absolute t-statistic	Marginal Effect (%)
Married women (N = 24.383)			Other women (N = 12.340)			
Region (<i>Ref. cat.</i> = Rest of country)						
Dublin	0.02	0.8	0.7	0.10	2.6	2.7
Rest of East	-0.18	6.2	-6.1	-0.19	3.9	-5.2
Age						
Age	0.04	3.8	-1.4	0.16	13.1	-1.1
Age ²	-0.001	8.0		-0.002	14.8	
Marital status (<i>Ref. cat.</i> = Single)						
Separated/divorced				-0.60	9.7	-16.0
Widowed				-0.27	5.2	-7.2
Children (<i>Ref. cat.</i> = None)						
Total number	-0.26	8.6	-13.6	-0.25	2.5	-22.3
Total number ²	0.01	2.8		0.04	2.2	
Youngest aged under 2	-0.27	5.1	-8.8	-0.82	6.1	-22.0
Youngest aged 2 to 4	-0.25	4.8	-8.2	-0.74	5.7	-19.9
Youngest aged 5 to 9	-0.10	-0.2	-0.4	-0.47	3.6	-12.6
Youngest aged 10 to 15	0.03	0.7	1.0	-0.22	1.9	-5.9
Education (<i>Ref. cat.</i> = None)						
Primary	0.81	2.2	26.6	1.36	8.0	36.3
Intermediate Cert.	1.02	2.8	33.6	1.80	10.8	49.3
Leaving Cert.	1.29	3.6	42.7	2.16	13.2	60.3
Other third level	1.87	5.1	61.9	2.51	14.1	67.1
Degree	2.06	5.6	67.9	2.64	14.6	70.7
Age-Education Interactions						
20-24 with Leaving Cert.	0.02	0.2	0.6	-0.58	10.4	-15.4
20-24 with Other 3rd level	-0.28	1.2	-9.2	-0.18	1.9	-4.7
20-24 with Degree	-0.86	2.7	-28.5	-1.00	10.3	-26.7
Housing Tenure (<i>Ref. cat.</i> = LA rental)						
Owner occupier	0.20	4.5	6.5	0.37	7.1	9.8
Buying (prv)	0.40	9.5	13.1	0.54	10.2	14.5
Buying (LA)	0.25	4.8	8.3	0.43	6.3	11.4
Other tenure	0.13	-0.1	4.5	0.21	3.7	5.5
Others in Family Unit (<i>Ref. cat.</i> = None)						
Employed	-0.05	1.8	-1.8	0.16	4.8	4.4
Unemployed	-0.20	0.6	-0.6	0.25	6.1	6.8
Inactive	-0.20	9.0	-6.6	-0.09	2.5	-2.3
Log Likelihood	-14167.00			-5873.30		
Pseudo R ²	0.19			0.26		
Positive observations	42.7%			69.6%		
Correct predictions	69.5%			77.5%		

Note: Variables for stratum were also included in equations.

and Farrell (1991) in particular, interpret the effect of higher educational attainment on participation by estimating an earnings function in which educational attainment is the key variable. In as far as educational attainment may be regarded as a proxy for potential earnings, we can interpret our findings as confirming the high elasticity of labour supply of both married and other women with respect to earnings.

- **Housing tenure.** In our study of male labour market outcomes (Murphy and Walsh, 1996) we found that housing tenure had an important influence on the probability of male participation and employment. It may be seen from Tables II.13 and II.14 that the same is true for women. All other forms of housing tenure tend to increase the probability of female participation and employment relative to renting from a local authority. The effect of this variable on the probability of employment is greater than its effect on participation, suggesting that local authority renting tends to lower the probability of being employed among those who are seeking work – which is indeed shown to be the case in Table II.18. The housing tenure variable has a large effect on labour market outcomes for all women, but proportionally somewhat greater for non-married than for married women. A non-married women living in local authority rented accommodation is over 14 per cent less likely to be economically active than her counterpart living in mortgaged private accommodation. As with men, the interpretation of this finding is complicated. While statistical tests indicated that housing tenure could be regarded as an exogenous variable that influences labour market outcomes independently of any influence they may have on it, there is always the possibility that those renting from local authorities are unable to afford alternative accommodation due to unemployment. Renting from a local authority could influence labour market outcomes directly through employers' stigmatisation of local authority tenants or addresses, through the absence of information networks relating to labour market opportunities in local authority estates that are remote from employment opportunities, and finally through the implicit marginal tax rate implied by the differential rent system which would cause some of the income earned by taking a job to be paid in additional rent. On the other hand, the higher probability of employment among women living in mortgaged private accommodation may reflect their need for extra income to service a mortgage and/or the greater capacity of a household with two income earners to obtain a mortgage.
- **Others in family unit.** Among males we found a marked tendency for *'like to cluster with like'* in the sense that the presence of other unemployed or inactive adults in the family unit tended to increase the probability of the respondent being unemployed or economically inactive. It may be seen from Tables II.13 and II.14 that the same is true for women – the presence of another employed adult in the family unit tends to increase the probability of the respondent being economically active, while the presence of another inactive adult raises

the probability of her being inactive. These effects are not very large, however – of the order of 4 per cent – and significant only among non-married women. This could reflect a tendency for single women to remain out of the labour force in order to care for invalid members of the household.

- We included variables for **region of the country** and **geographical stratum** in our probit analyses. We have not reported the coefficients for the latter in the interest of concentrating on the most important findings. There was relatively little evidence of significant net effects of geographical stratum (or size of area of residence) on labour force outcomes. The main result obtained was a tendency for women living in the '*rest of the East region*' – that is the East excluding the Greater Dublin area – to experience worse outcomes (lower participation rates and higher unemployment rates) relative to those living in the Dublin region and those in the rest of Ireland. There is a contrast between this finding and that reported for men. Male employment outcomes tended to be worse in Dublin and better in the rest of the East and in the rural areas. The better employment prospects of women in Dublin may be a reflection of the composition of employment opportunities in the capital city, with its preponderance of service jobs in which women are more likely to be employed. The poorer outcomes outside the city may reflect the impact of the importance of commuting to work and access to transport as a constraint on women's employment in rural areas. The negative influence of residence in the East region outside Dublin on women's employment is, however, somewhat puzzling.

II.3.iii (Re)entry to the labour force

To shed light on the factors influencing women's labour force participation at the margin, we analysed those whose '*usual situation*' PES a year ago was '*Home duties*' and explored the factors associated with the incidence of ILO economic activity among them at the time of the survey. We thus focus on the decision to *reenter* the labour force (or enter for the first time).¹²

Of the married women in the PES '*home duties*' a year earlier, 12.6 per cent were classified as ILO active at the time of the LFS – 5.5 per cent employed, of which four fifths were in part time employment, and 7.1 per cent unemployed. Among single women who were in the PES '*home duties*' a year earlier, 14.8 per cent were classified as ILO economically active at the time of the survey (3.9 per cent in employment – predominantly part-time – and 11.4 per cent unemployed). This conveys a picture of a reasonably high level of movement from the PES '*home duties*' to job search and (part-time) employment. We analysed the probability that a woman who classified herself as in the PES '*home duties*' a year before the survey would be classified as ILO

12. Note that we do not know what their ILO status was a year ago. Some women may have been ILO active *and* in the PES '*home duties*' both the year of the survey and a year earlier.

active at the time of the survey. The results are contained in Table II.15. A number of interesting contrasts emerge between these findings and those reported in the previous tables, which related to the stock of economically active women. The first is that **age** has a diminished effect on the probability of joining the labour force (as distinct from being in it). Although highly significant, the marginal effects of the age variable in Table II.15 are much smaller than those in Tables II.13 and II.14. The gradient of increasing probability of participation with respect to age peaks at age 25-29, and is quite flat over the interval 40-54. The effect of age on the probability of employment is smaller than on the probability of being economically active – what we are picking up is clearly the effect of age on the likelihood of a women entering the labour force and seeking employment.

The differences between our results for married and other women are small. The same factors appear to influence whether a married or non-married woman formerly in the PES *'home duties'* decides to look for employment. In particular, the influence of **presence of children** and **education** on the decision to reenter the labour force is significant for both groups and comparable, although somewhat smaller, to their effects on participation described above. This reflects the fact that in Table II.13 and II.14 we are capturing the cumulative effect of these variables on the structure of the labour force, whereas in Table II.15 we are measuring their effects on the flow into the labour force between 1992 and 1993. However, there is less of a contrast between the effect on the incidence of economic activity than on the incidence of employment – pointing to the greater importance of these factors on the decision to seek work than on the probability of finding it.

Housing tenure also has a larger influence on the probability of employment than on the probability of entry to the labour force, with those living in rented local authority housing less likely to return to employment than those in other types of housing, but the marginal effect is relatively small. Finally, the presence of **other inactive persons** in the family unit decreases the probability of reentry to the labour force – another example of like clustering with like.

We studied the transition to employment further by looking at a cross tabulation of respondents' labour force situation (PES) now and a year ago (Table II.16). A high degree of continuity over time is apparent – apart from the unemployed and students, the vast majority remained in the same PES over the year. Just over a fifth of the unemployed women moved into employment in the course of the year, almost all of the rest remaining unemployed at the time of the survey. This persistence of unemployment among women is somewhat surprising. Only 2.5 per cent of those on *'home duties'* a year ago classified themselves as *'employed'* or *'unemployed'* at the time of the survey, indicating a relatively small inflow from *'home duties'* to the PES labour force. An examination of those who were employed by their PES a year earlier showed that less than seven per cent of the employed in 1993 entered that situation from unemployment or inactivity in the course of the previous year. Of the inflow to the

Table II.15
Return to the Labour Force
Probit Results for Women Aged 20–54 on Home Duties a Year Ago

Variable	Co-efficient	Absolute t-statistic	Marginal Effect (%)	Co-efficient	Absolute t-statistic	Marginal Effect (%)
	Married women (N = 15.211)			Other women (N = 2.226)		
Region (<i>Ref. cat. = Rest of country</i>)						
Dublin	0.01	0.1	0.1	-0.20	1.9	-4.2
Rest of East	-0.14	3.0	-2.7	-0.01	0.0	-0.1
Age						
Age	0.02	1.4	-2.7	0.11	4.1	-1.1
Age ²	-0.0006	3.1		-0.002	4.8	
Children (<i>Ref. cat. = None</i>)						
Total number	-0.05	3.6	-1.1	-0.05	1.2	-1.1
Youngest aged under 2	-0.22	3.0	-4.4	-0.25	1.4	-5.3
Youngest aged 2 to 4	-0.10	2.3	-1.8	-0.10	0.5	-1.9
Youngest aged 5 to 9	0.17	1.3	3.3	0.06	0.4	1.2
Youngest aged 10 to 15	0.14	2.9	2.9	0.19	1.6	4.0
Education (<i>Ref. cat. = None</i>)						
Primary	0.66	1.5	13.2	0.53	1.1	11.3
Intermediate Cert.	0.81	1.8	16.1	0.69	1.4	14.7
Leaving Cert.	0.87	1.9	17.3	0.59	1.2	12.5
Other third level	1.13	2.5	22.4	1.19	2.3	25.4
Degree	1.07	2.4	21.4	1.13	2.0	24.1
Housing Tenure (<i>Ref. cat. = LA rental</i>)						
Owner occupier	-0.05	0.9	-1.1	-0.05	0.4	-1.0
Buying (prv)	0.01	1.5	1.6	0.25	2.3	5.4
Buying (LA)	0.06	0.9	1.3	0.05	0.4	1.1
Other tenure	0.08	1.0	1.8	0.28	2.4	5.9
Others in Family Unit (<i>Ref. cat. = None</i>)						
Employed	-0.04	0.9	-0.9	-0.05	0.5	-1.0
Unemployed	0.13	3.0	2.6	0.22	2.3	4.6
Inactive	-0.11	3.4	2.2	-0.21	2.5	-4.5
Log Likelihood	-5524.43			-860.70		
Pseudo R ²	0.03			0.07		
Positive observations	12.6%			14.8%		
Correct predictions	87.3%			85.0%		

Note: Variables for stratum were also included in equations.

PES 'employed', one third came from the 'unemployed' category, one quarter from the educational system, and a little over one third from 'home duties'.

These findings are based on PES labour force status. It is of interest to look at the women who were employed according to ILO definitions by their current and previous PES (Table II.17). Whereas just under 90 per cent of ILO employed women were in the PES employed a year ago, 96 per cent were PES employed in the current

year. Further examination of the women who were ILO employed at the time of the survey and in the PES 'home duties' a year ago revealed that only 42 per cent also classified themselves in the PES 'employed' in the current year. A majority – 58 per cent – of those in part-time employment classified themselves in the PES 'home duties'. This suggests a progression over time among women who re-enter the labour force from regarding themselves as principally on 'home duties' to principally 'employed', with an intermediate stage when they are ILO employed (most likely part-time) and still classify themselves in the PES 'home duties'.

Table II.16
Economic Activity a Year Ago by Current Activity
Women aged 20-54, 1993 LFS (N = 34,783)

<i>Current PES:</i>		Employed	Unem- ployed	Student	Home Duties	Other	Total
Percentage							
<i>PES a year ago</i>	Employed	92.2	4.2	0.5	2.7	0.3	100
	Unemployed	21.9	72.2	0.8	4.1	1.0	100
	Student	17.7	6.0	74.5	1.0	0.8	100
	Home Duties	2.4	0.3	0.1	97.2	0.0	100
	Other	7.9	0.6	0.2	0.5	90.4	100

Table II.17
ILO-Employed by PES
Women aged 20-54, 1993 LFS
(N = 16,121)

	PES			Total
	Employed	Home Duties	Other	
<i>Current PES.</i>	95.6	3.7	0.7	100
<i>PES A Year Ago</i>	89.7	5.7	4.6	100

II.3.iv Who are the Unemployed Women?

Turning explicitly to the question of women, we re-emphasise that the ILO measure of unemployment is dependent on unemployment among the respondent stating she is actively seeking work and able to take up a job within four weeks. For women, in particular married women, this may be a poor indicator of availability for work. An offer of a suitable job might persuade a woman who was not actively seeking employment to go back to work at short notice, while on the other hand a woman seeking a part-time job might hold out for a long time before accepting a 'suitable' offer.

Table II.18 shows the results of a probit analysis of unemployment among the ILO active women (employed or unemployed) in our sample. The results for married and other women differ sufficiently to warrant presenting them separately. Several factors are strongly associated with the probability of being unemployed, many of them similar to those that we have already identified in our commentary on the probability of being employed (Table II.13) but there are some important differences. The probability of unemployment declines with **age** – being greatest among those aged 20-24 and falling steadily down to age 40-44. Women aged 20-24 are some 10 per cent more likely to be unemployed, other things equal, than those aged over forty. Thus, among women unemployment is more a phenomenon of the young labour market entrant than of the older job seeker.¹³ The most marked influence of **marital status** on unemployment among women is the higher incidence among widows, who are, other things equal, six or seven per cent more likely to be unemployed than single or married women. It is of interest to note that while the total **number of children** in the household increases the probability of unemployment among both married and other women, the **presence of young children** is a significant factor among non-married, but not among married women.

The influence of **education** on the risk of unemployment among women is generally not significant, although the results suggest that those with lower educational attainment are more likely to be unemployed than those with higher qualifications; for example, a women with a university education is 17 per cent less likely to be unemployed than one with only a primary education. It should be borne in mind that the effects of these variables on the probability of women being *employed* are cumulative; first there is the effect on the decision to enter the labour force and seek work and then there is the effect on the probability of obtaining work, so that, as we noted in connection with Table II.13, the effect of education on the probability of employment is much greater than shown by its effect on the probability of being unemployed, having entered the labour force.

The effect of **housing tenure** on the probability of unemployment is consistent with the effect already noted on employment – women living in rented local authority housing are significantly more likely to be unemployed than those in other types of accommodation. The difference in the probability of unemployment between those owning or purchasing private housing and those in local authority rental is over ten per cent. This confirms the importance of housing tenure as a determinant of labour market outcomes for women, as it was for men. Bearing in mind that for married couples the effects would be cumulative, the role of this factor in households' economic fortunes is very large.

The influence of **the composition of the family unit** on unemployment is significant. The presence of another unemployed person in the family unit raises the probability

13. In fact this is not very different from the pattern of unemployment by age we established among males, but it does contrast with the popular perception that increasing age is, other things equal, a contributing factor to the risk of unemployment.

that a woman respondent will be unemployed by ten per cent, the presence of another employed person lowers it by three per cent (by comparison to a family unit with neither).

Table II.18
Incidence of Unemployment
Probit Results for Women Aged 20–54

Variable	Co-efficient	Absolute t-statistic	Marginal Effect (%)	Co-efficient	Absolute t-statistic	Marginal Effect (%)
Married women (N = 10,421)			Other women (N = 8,592)			
Region (<i>Ref. cat.</i> = Rest of country)						
Dublin	0.06	1.2	1.3	-0.03	0.5	-0.6
Rest of East	0.15	2.7	3.1	0.08	1.3	1.8
Age						
Age	-0.04	2.1	0.6	-0.10	6.8	3.1
Age ²	-0.0004	1.7		0.001	5.3	
Marital Status (<i>Ref. cat.</i> = None)						
Separated/Divorced				0.13	1.2	2.8
Widowed				0.36	4.6	7.6
Children (<i>Ref. cat.</i> = None)						
Total number	0.28	4.1	-16.2	0.00	0.0	6.0
Number ²	-0.004	2.9		-0.01	0.4	
Youngest aged under 2	-0.11	1.1	-2.1	0.93	4.3	19.7
Youngest aged 2 to 4	-0.06	0.6	-1.1	0.59	2.7	12.6
Youngest aged 5 to 9	0.03	0.3	0.6	0.57	2.7	12.2
Youngest aged 10 to 15	0.04	0.5	0.8	0.38	2.0	8.1
Education (<i>Ref. cat.</i> = None)						
Primary	-0.50	0.6	-10.6	0.11	0.3	2.3
Intermediate Cert.	-0.64	0.7	-12.9	-0.13	0.3	2.3
Leaving Cert.	-0.90	1.0	-18.5	-0.64	1.5	-13.5
Other third level	-1.19	1.3	-23.9	-0.56	1.3	-12.0
Degree	-1.40	1.5	-27.5	-0.72	1.7	-15.2
Housing Tenure (<i>Ref. cat.</i> = LA rental)						
Owner occupier	-0.50	6.5	-10.7	-0.58	7.9	-12.3
Buying (prv)	-0.50	6.7	-10.1	0.67	9.2	-14.4
Buying (LA)	-0.30	3.5	-6.8	-0.43	4.9	-9.2
Other tenure	-0.17	1.8	-3.5	-0.44	5.6	-9.3
Others in Family Unit (<i>Ref. cat.</i> = None)						
Employed	-0.20	3.4	-4.1	-0.23	5.3	-4.9
Unemployed	0.36	6.2	7.3	0.49	10.3	10.4
Inactive	-0.04	0.9	-0.8	0.16	3.4	3.4
Log Likelihood	-3817.03			-3311.95		
Pseudo R ²	0.10			0.14		
Positive observations	14.2%			16.4%		
Correct predictions	86.0%			84.6%		

Note: Variables for stratum were also included in equations.

II.3.v Full- and part-time employment

We looked in detail at the issue of whether a woman was in full or part-time employment. In the LFS these are self-reported categories, although additional information is collected on hours worked. In Table II.19 we present the results of an analysis of the probability that a woman is working full-time, given that she is employed. (The analysis is confined to the employees in the sample.) The results reveal a number of significant influences on the probability that a woman who was employed at the time of the sample would be employed full-time, as distinct from part-time. Among single women the incidence of full-time employment increases up to about **age 35** and then declines. For married women it decrease throughout the relevant range. Women in their forties are about ten per cent more likely to be working part-time than younger women. **Marital status** has a significant effect, with married women 12 per cent more likely to be working part-time than their single counterparts. The **presence of young children** also increases the probability that a working woman will be in part-time employment, although the marginal effect is small compared with that of marital status. The effect of **education** on full- versus part-time work is similar to its effect on labour force participation: women with higher educational qualification are more likely to be working full-time. The probability of full-time employment also increases with **educational level**. A university education adds over 10 per cent to the probability of full-time employment compared with a primary education. The effect of **housing tenure** on the probability of working full-time is similar to its effect on participation, with women who live in local authority rented housing ten per cent more likely to be working part-time than those in owned or purchase accommodation. The influence of **others in family unit** is relatively slight. There is a very strong effect from **labour force situation a year ago**: women who were on 'home duties' a year ago are the least likely to be full-time employed at the time of the survey, followed by those who were students, and then by those who were unemployed. These differences are large: a married women who was employed at the time of the survey but was on 'home duties' the year before was almost 40 per cent more likely to be part-time employed than one who was employed the previous year, a non-married woman about 23 per cent more likely. These findings suggest that there is a gradient from home duties, education, or job search to part-time employment, and from part-time employment to full-time employment. This is consistent with a process of acquiring knowledge of labour market opportunities, experience, and making child care arrangements through part-time employment.

Table II.19
Incidence of Full-time Employment
Among Women Aged 20–54
(Employees only)
Probit Results for Women

Variable	Co-efficient	Absolute t-statistic	Marginal Effect (%)	Co-efficient	Absolute t-statistic	Marginal Effect (%)
Married women (N = 8,941)			Other women (N = 7,180)			
Region (<i>Ref. cat.</i> = Rest of country)						
Dublin	-0.06	1.3	-1.7	0.16	2.6	2.4
Rest of East	-0.10	1.8	-2.7	-0.04	0.4	-0.6
Age						
Age	-0.03	1.5	-2.6	0.07	3.9	0.7
Age ²	-0.00002	0.1		-0.001	4.3	
Marital Status (<i>Ref. cat.</i> = None)						
Separated/Divorced				-0.60	4.9	-8.3
Widowed				-0.47	4.9	-6.9
Children (<i>Ref. cat.</i> = None)						
Total Number	-0.13	6.3	-3.5	-0.05	0.8	-0.8
Youngest aged under 2	-0.08	1.2	-2.2	-0.34	1.5	-5.1
Youngest aged 2 to 4	-0.15	2.3	-4.2	-0.51	2.6	-7.6
Youngest aged 5 to 9	-0.28	4.3	-7.8	-0.41	2.2	-6.0
Youngest aged 10 to 15	-0.22	3.9	-6.0	-0.38	2.7	-5.7
Education (<i>Ref. cat.</i> = None & Primary)						
Intermediate Cert.	0.04	0.8	1.2	0.10	1.2	1.5
Leaving Cert.	0.25	4.6	6.7	0.29	3.4	4.2
Other third level	0.42	6.7	11.4	0.40	4.2	5.9
Degree	0.79	11.2	21.6	0.19	1.9	2.8
Housing Tenure (<i>Ref. cat.</i> = LA rental)						
Owner occupier	0.50	5.2	14.9	0.39	3.7	5.8
Buying (prv)	0.54	5.4	14.7	0.41	3.8	6.1
Buying (LA)	0.34	2.8	9.2	0.37	2.8	5.4
Other tenure	0.58	4.7	15.8	0.30	2.5	4.4
Others in Family Unit (<i>Ref. cat.</i> = None)						
Employed	-0.14	2.2	-3.7	-0.08	1.5	-1.2
Unemployed	-0.12	2.0	-3.4	-0.02	0.2	0.0
Inactive	-0.03	0.6	-0.7	-0.13	2.2	-1.9
Economic Status a Year Ago (<i>Ref. cat.</i> = Inactive)						
Employed	0.23	0.9	6.2	0.33	1.0	4.9
Unemployed	-0.72	2.5	-19.8	-0.68	2.0	-10.0
Student	-0.80	0.5	-21.8	-0.81	2.4	-12.0
Home duties	-1.22	0.3	-33.4	-1.22	3.3	-18.0
Log Likelihood	-4359.55			-1965.56		
Pseudo R ²	0.23			0.15		
Positive observations	71.1%			90.0%		
Correct predictions	77.9%			90.4%		

Note: Variables for stratum were also included in equations.

II.3.vi Reasons for the increase in women's labour force participation

Previous studies, notably Callan and Farrell (1991) and Walsh (1993), attributed much of the increase in married women's labour force participation observed during the 1980s to increased wage rates and declining fertility. The rise in wages was attributed partly to women's rising educational levels and increased earnings potential and partly to the strong demand for qualified women in the labour force.

In Table II.20 we summarise recent developments in the factors affecting the supply and demand for women in the labour force. We include data for the period 1981-88 studied by Callan and Farrell and the years since then. It is evident that there has been continuity over the entire period, but the growth of demand for women in the labour force has clearly accelerated in recent years. Female employment (on a PES basis) grew at an annual average rate of 4.2 per cent between 1988 and 1996, compared with only 0.6 per cent a year over the previous eight years. The rate of increase in real after-tax earnings was similar over the two sub-periods (approximately 20 per cent over the period or 2 per cent a year),¹⁴ but the rate of decline in fertility rates (used as a proxy for family size and the presence of young children) was slower.

It is striking that married women accounted for all of the increase in the first sub-period (when the number of single women in employment actually fell) and over two thirds of the increase in the second sub-period. In response to the extremely buoyant demand for female labour in recent years the number of married women at work, and married women's labour force participation rates, increased rapidly.¹⁵ There seem to be two forces operating here. On the one hand the labour supply of women is highly elastic and very responsive to increased employment opportunities and/or rising real income from employment; in addition, the supply of women to the labour force has been increasing due to their rising educational qualifications and declining fertility.

Looking to the future, it is unlikely that the rate of growth in the number of women at work that has been recorded in the recent past will be replicated. The factors that we identified as acting as a deterrent to participation – the presence of young children, low educational qualification, local authority housing tenure, and age – will increasingly constrain their labour force participation, although the maintenance of a high rate of economic growth will lead to continued growth in the demand for women in the workplace. The tightening labour market implied by these developments will offer a chance to overcome some of the obstacles that have reduced the employment opportunities for particular groups of women in the past.

14. The exact figure depends on whether the woman was married or single, and also on the initial level of earnings.

15. The outcome has been a large increase in the proportion of the female work force that is comprised of married women: whereas in 1981 there were twice as many single as married women in employment, by 1996 married women outnumbered single women in the work force.

Table II.20
Labour market developments for women, 1981-96

		1981	1988	1996
Index of women's real (take-home) wages		100	115	138
Number of women in employment (000s):				
Single	ILO	n.a.	189.5	224.3
	PES	211.0	186.3	216.2
Married	ILO	n.a.	156.6	252.1
	PES	102.6	146.3	241.4
Total	ILO	n.a.	364.7	507.7
	PES	336.7	350.5	488.0
Married women's labour force participation rate (%)		16.7	28.6	40.6
Unemployment rate (ILO):				
Single women (%)		n.a.	15.4	13.0
Married women (%)		n.a.	18.7	10.0
Total Fertility Rate		3.07	2.18	1.91

Notes: The wage data in Callan and Farrell do not allow for the effects of changes in income tax and PRSI; the estimated trend between 1988 and 1996 does. The 1981 LFS was based on a sample of the 1981 Census of Population and the labour force data collected was on a PES basis.

Sources: Callan and Farrell, 1991; Census of Population 1981; Labour Force Surveys, and authors' calculations.

II.4 Conclusions

In this Section we looked in detail at the labour force status of men and women as revealed in the Labour Force Survey. Our analysis revealed the value of using the self-reported PES classification of the population to supplement the information contained in the ILO classification which in our view should be the principal basis for labour market statistics.

We noted the existence of a relatively significant group of men of prime working age who were not in the labour force on ILO definitions and drew attention to the fact that their characteristics were similar to those of the active but unemployed population. Even though the majority of inactive men did not declare an interest in employment, we argued that there was a sense in which their inactivity might be regarded as an extension of the problem of unemployment because it seems to be closely related to a lack of skills, work experience, and other characteristics that we showed were strongly linked to the incidence of unemployment and its duration.

Among women there was far less evidence of a problem of inactivity as an extension of unemployment. The overwhelming majority of women who were not in the labour force expressed no interest in employment, and the principal reason given for this was unrelated to labour market conditions or to a lack of qualifications.

We used the detailed results of the LFS to study men and women's labour market outcomes econometrically. Our approach allowed us to claim with a high degree of confidence that certain factors exert consistent and important influences on the incidence of unemployment and participation. We have also been able to quantify these effects with some precision. One of the striking conclusions from our study is the pervasiveness of several factors that affect individual labour market outcomes. Both men and women are strongly affected by a similar cluster of variables, and non-participation and unemployment are associated with similar variables in all the demographic groups we studied. The principal adverse influences on labour market outcomes are:

- Low educational attainment;
- Living in local authority rented accommodation; and
- Living in a household with other unemployed/inactive adults.

The presence of young children in the household also reduces the probability of employment among both men and women, and the probability of full-time employment among employed women, but this could reflect a decision to devote time to child care (or difficulty in making alternative arrangements) rather than an inability to obtain employment.

It is striking how consistent the influence of these variables is. They tend to lower the probability of participation and, among those who participate, they also raise the probability of being unemployed. Among employed women they additionally increase the probability of being part-time, as distinct from full-time, employed. Among unemployed men they increase the duration of unemployment. Some individuals may suffer from particularly high risk of bad labour market outcomes because they fall into several of these categories.

We also found that being single exerted a negative influence on male labour market outcomes. Among women we found that being married continues to lower the probability of being employed when other factors are allowed for. However, we drew attention to the greater deterrent effect of young children on single women's labour force participation. In view of the relative deterioration in single men and women's employment rates over the past ten years, we believe these findings merit further research.

With many of the factors listed above the possibility of reverse causation (or joint dependency) cannot be ruled out. We have to consider the possibility that unemployment or non-participation in the labour force could confine a person to remaining in local authority rented housing, as well as the possibility that living in this type of housing makes it difficult to obtain employment. We have explored this issue econometrically and are satisfied that there is an independent influence running from housing tenure to labour market outcomes. Our confidence in this interpretation is increased by the large number of variables we control for and the persistence of a strong, statistically significant effect of housing tenure after these controls have been put in place. We cannot specify the exact nature of the mechanism behind this finding, but have been impressed by the strength and consistency of this result throughout our research.

We have not highlighted many regional or geographical aspects of our findings. This is a reflection of a relative dearth of clear cut findings relating to these variables. The most important relevant finding is the relative disadvantage in the labour market of men living in inner city areas, especially compared with their rural counterparts. On the other hand, women in Dublin enjoy some advantage in their employment prospects.

We confined our analysis to the population of 'prime working age' – 20 to 54 years for women and 20-59 years for men. Over this age interval we did not find a strong association between adverse outcomes and increasing age. In fact the risk of unemployment among both men and women was found to be higher, other things equal, among those in their 20s. Public perceptions of the influence of age on the probability of unemployment wavers between a concern with youth unemployment, which dominated in the early 1980s, and the feeling that age is a penalty when seeking re-employment after losing a job. Our results show that when other factors are controlled for, young people are more likely to be unemployed.

Figure II.1

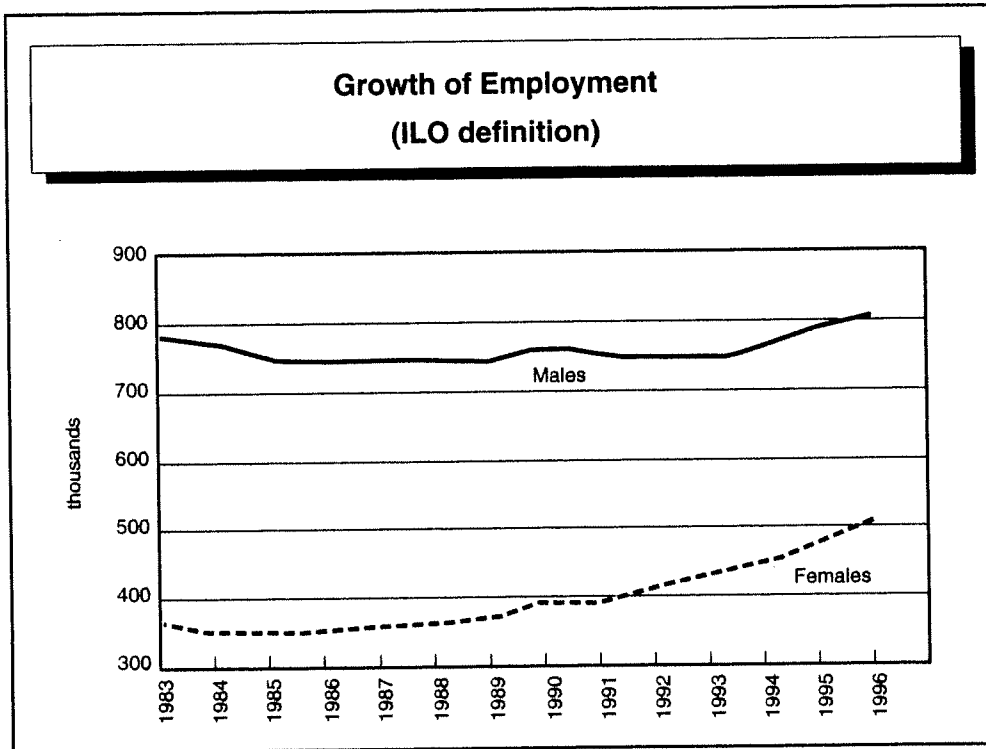


Figure II.2

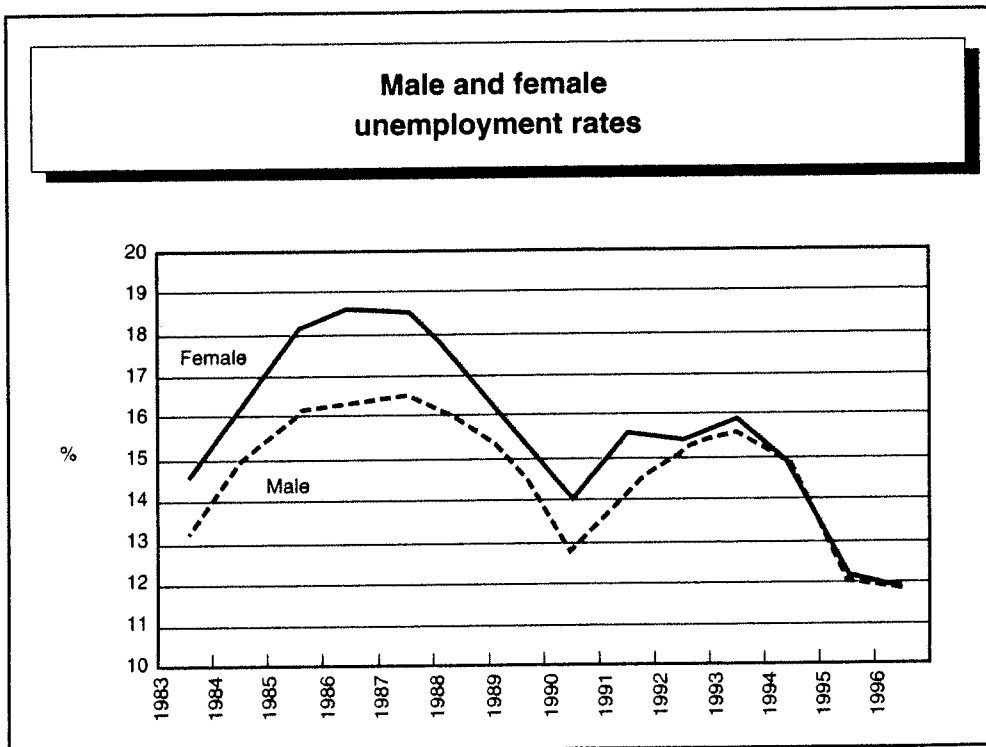


Figure II.3a

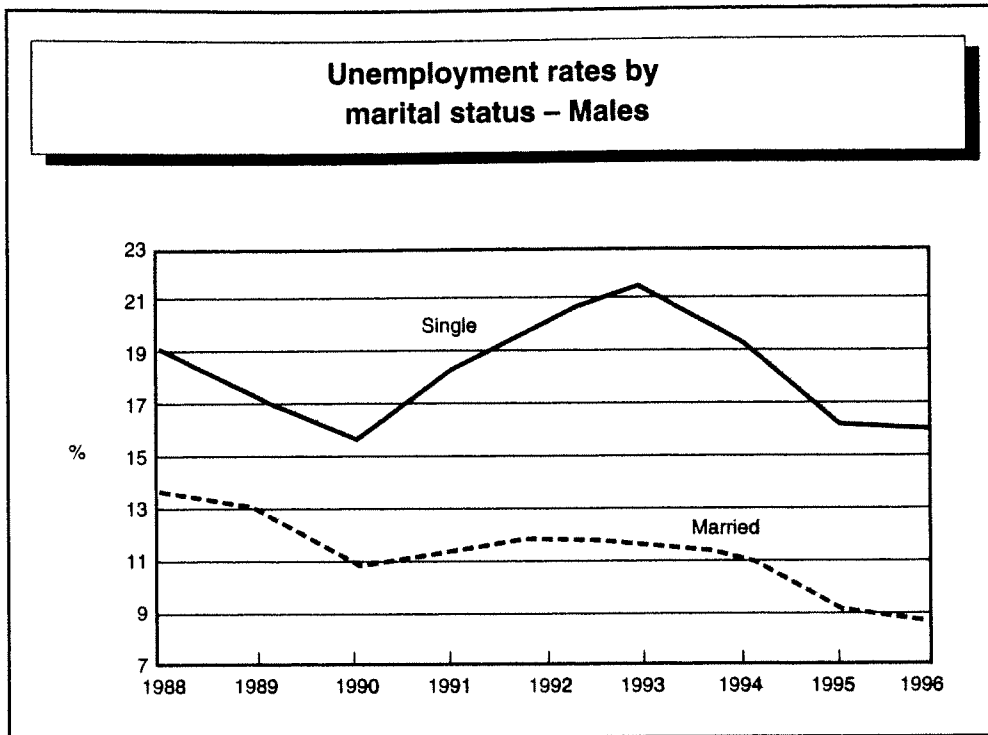


Figure II.3b

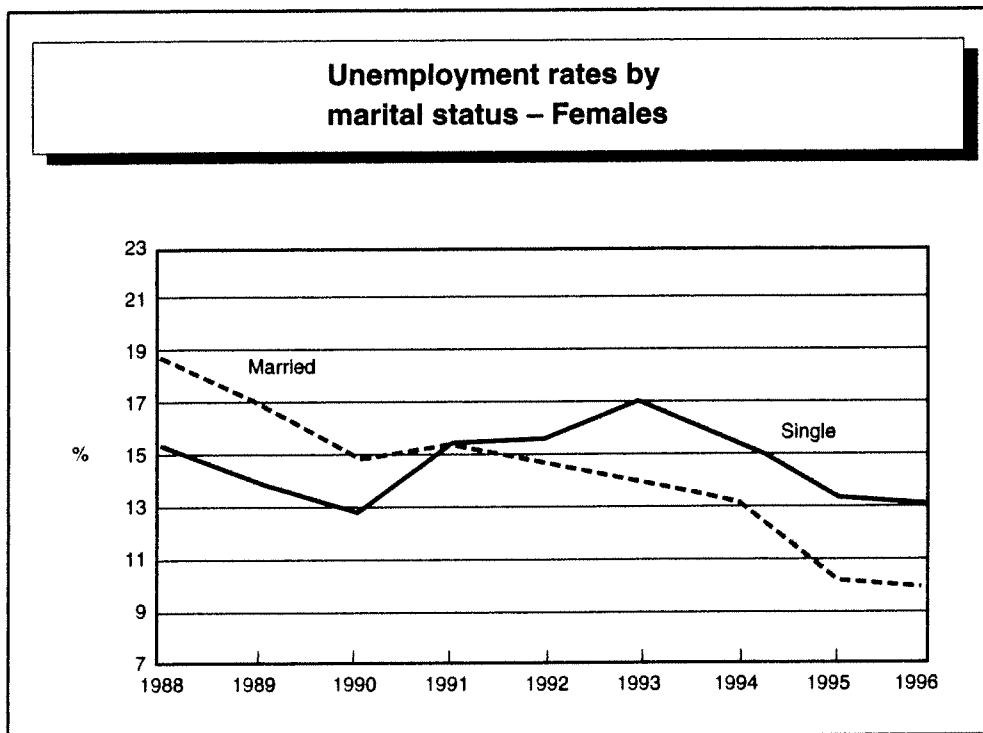


Figure II.4a

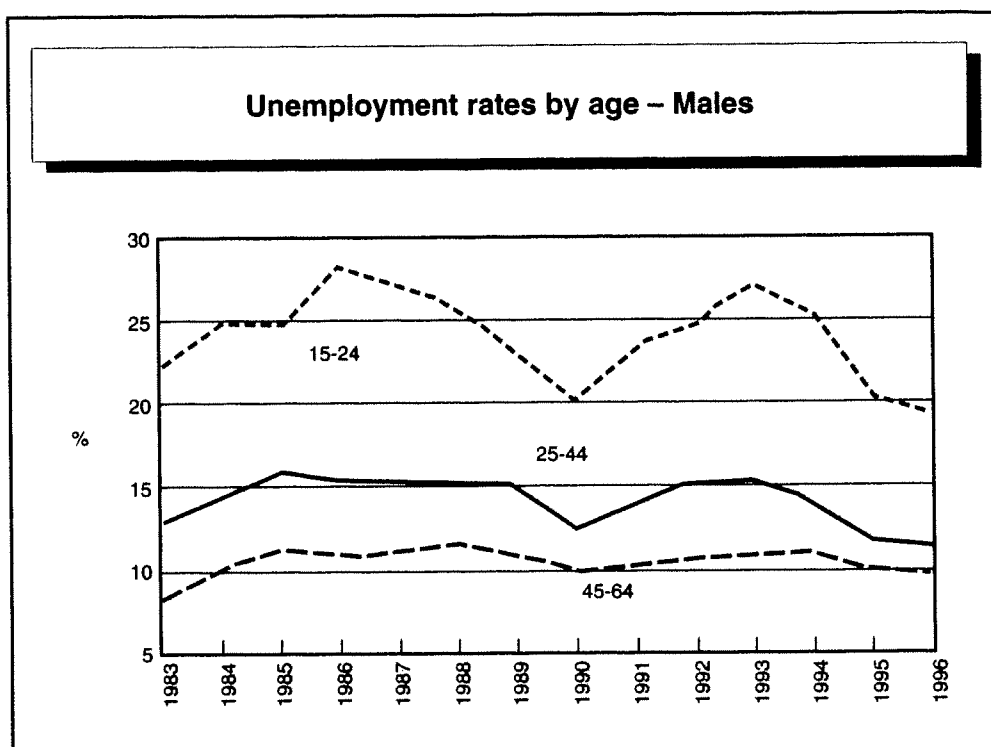


Figure II.4b

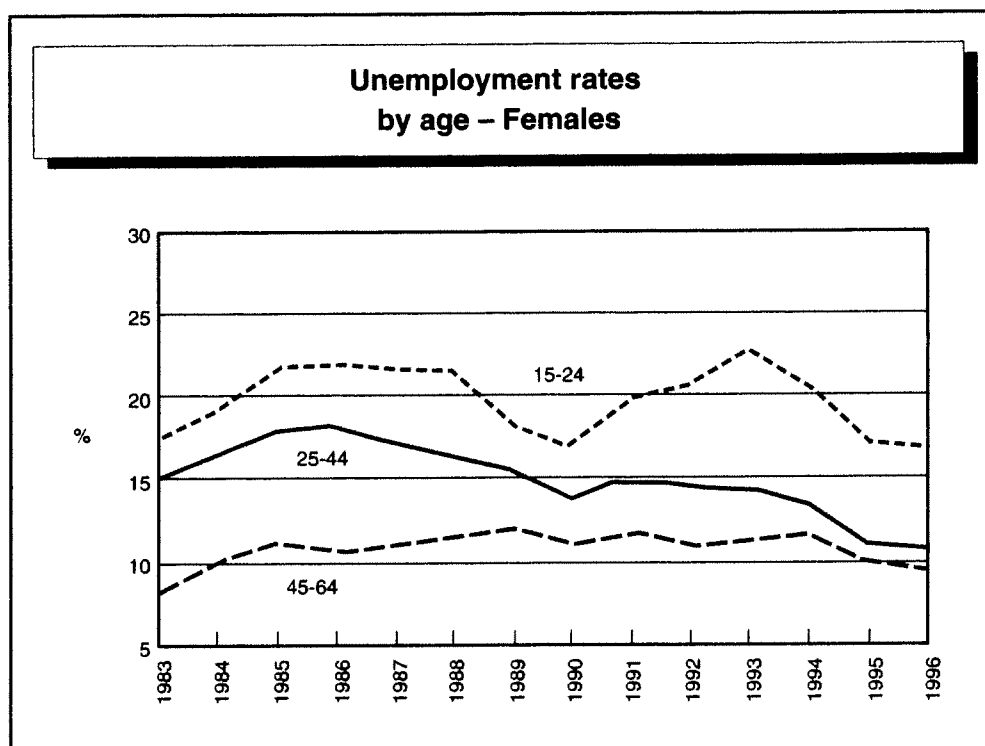


Figure II.5a

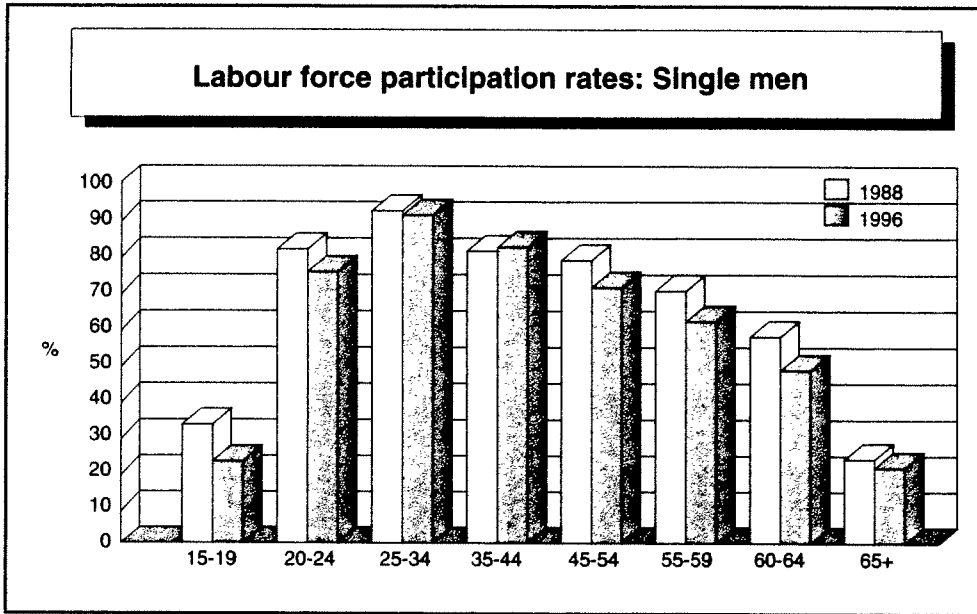


Figure II.5b

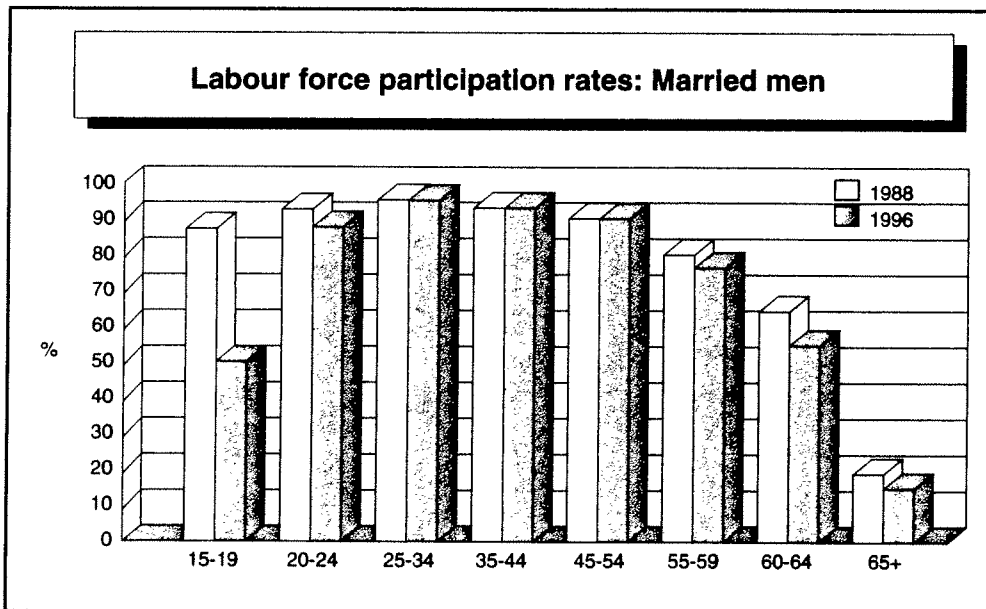


Figure II.5c

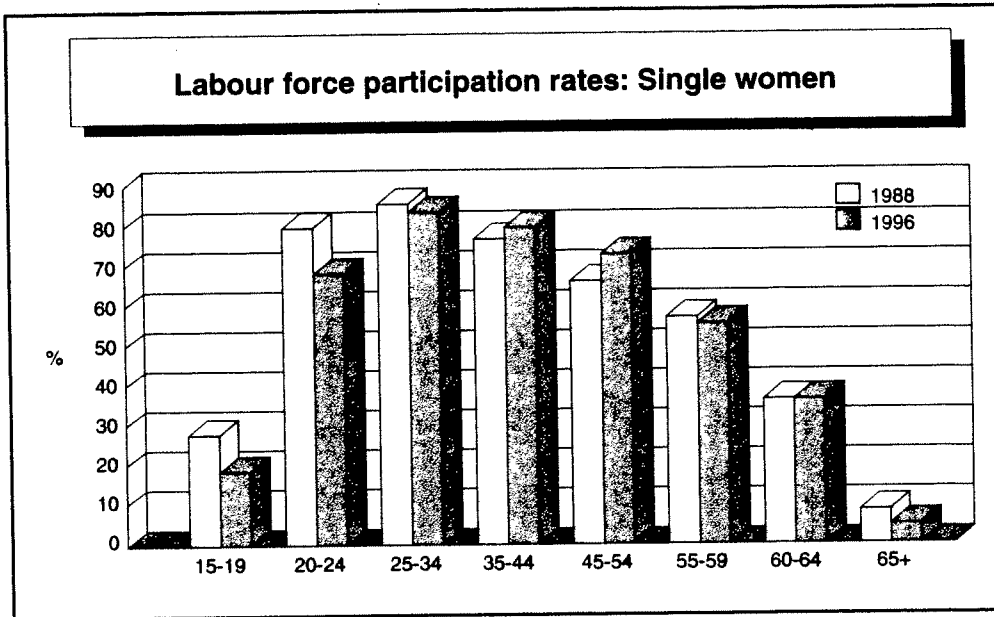


Figure II.5d

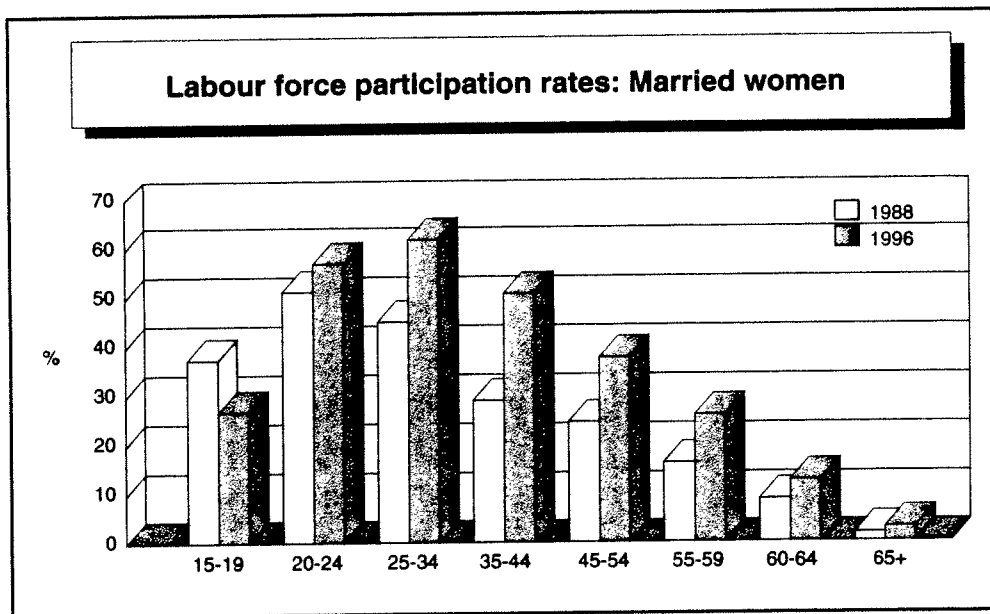


Figure II.6a



Figure II.6b

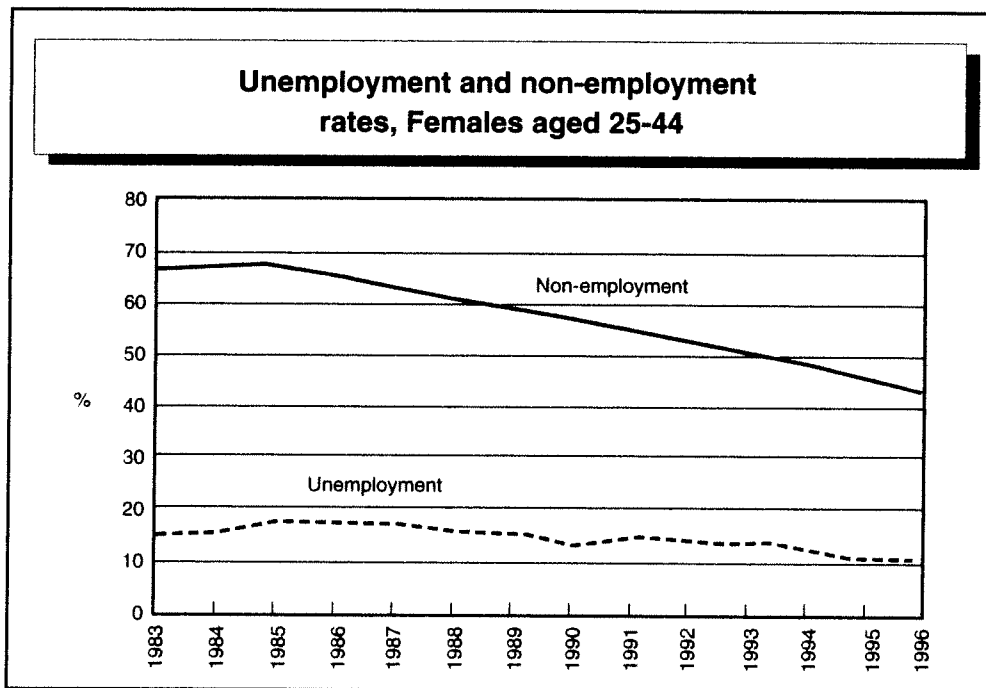
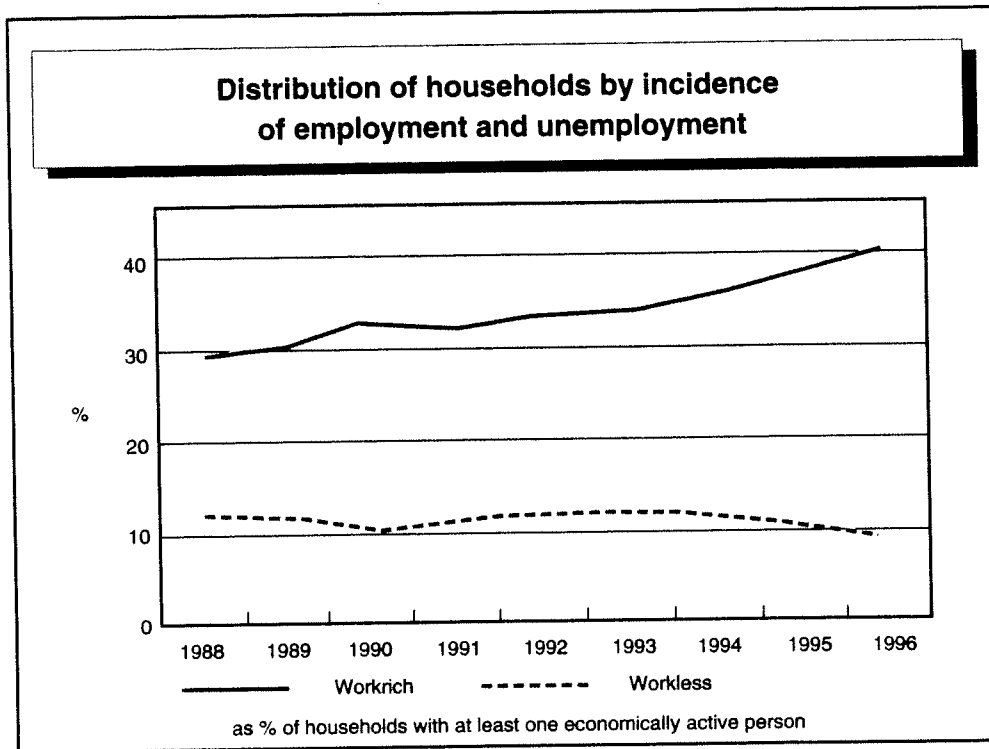


Figure II.7



Section III: Concluding Observations

In this concluding Section we discuss some of the broad issues raised by our study.

In Section I we examined in detail the measurement of employment and unemployment. We explored the relationship between the alternative measures that can be derived from the Labour Force Survey and compared these with the Live register (LR) data. We endorsed the international consensus for relying primarily on the International Labour Office definitions and measures. In Section II we used the ILO measures to track the performance of the Irish labour market since 1988.

We believe that the issue of the measurement of unemployment is important but it should not receive a disproportionate amount of attention. The growing discrepancy between the LR data on unemployment and both of the LFS measures of unemployment will continue to attract comment, especially if different trends in unemployment are revealed by the two series. We drew attention to the contribution of women aged 25 or over to this discrepancy. The contrast between the falling rate of ILO unemployment among adult women, on the one hand, and the growing numbers signing on the LR to claim UB or to obtain credited contributions reflects the growing stock of women with a record of insured employment. We showed that the probability of a woman signing on is strongly influenced by a record of previous employment. We suspect that the number of adult women on the LR will continue to grow even if the unemployment rate among this group continues to fall, as more women acquire entitlements through a record of insured employment. An appropriate response would be to publicise *ILO unemployment rates by age and sex* as the headline measure of unemployment and to switch the focus of discussion away from the *LR numbers*. The availability of quarterly LFS results from mid-1997 presents an opportunity to do this. It would also be worth monitoring the trend in supplementary measures of unemployment derived from the LFS, such as the rate based on PES data (especially for men) and the rate including those who are 'marginally attached to the labour force'. Maximum use should be made of the rich array of data on employment and unemployment contained in the LFS.

Our use of the detailed results of the LFS allowed us to show with a high degree of confidence that certain factors influence men and women's labour market outcomes and to quantify these effects. We were struck by the pervasiveness of several influences on labour market outcomes for both men and women. The likelihood of both non-participation and unemployment is associated with a similar set of variables in all the demographic groups we studied. The principal adverse influences on labour market outcomes are:

- Low educational attainment;
- Living in local authority rented accommodation; and
- Living in a household with other unemployed/inactive adults.

The presence of young children in the household also reduces the probability of employment among both men and women, and the probability of full-time employment among employed women. This reflects the value of time devoted to child care as an alternative to paid employment.

It is striking how consistent the influence of this set of variables is. They tend to lower the probability of labour force participation and, among those who participate, to raise the probability of being unemployed. Among employed women they additionally increase the probability of being part-time, as distinct from full-time, employed. Among unemployed men they increase the duration of unemployment. Some individuals suffer from a particularly high risk of bad labour market outcomes because they fall into more than one of these categories. Many of these characteristics are also associated with a reduced likelihood of leaving unemployment – not only do they predispose towards unemployment, they also result in longer spells of unemployment.

We found that, other things being equal, single men had worse labour market outcomes than their married counterparts. Among women we found that being married lowers the probability of being employed when other factors are allowed for. We drew attention to the greater deterrent effect of young children on single (compared to married) women's labour force participation. These findings are important in view of the relative deterioration in single men and women's employment rates over the past ten years, and the growing proportions of the younger cohorts that are now remaining unmarried. Further research is needed on the links between marital status, family formation patterns and labour market outcomes.

There was a relative dearth of clear cut findings relating to the influence of regional or geographic variables on employment. While this could be due in part to the absence of detailed regional codes in our data set, we believe it is likely that when the influence of other variables is taken into account the net effect of regional variables is relatively slight.

We confined our analysis to the population of '*prime working age*'. We did not find a strong association in this age interval between labour market outcomes and increasing age. The risk of unemployment among both men and women was found to be higher, other things equal, among those in their twenties. Public perceptions of the influence of age on the probability of unemployment wavers between a concern

with youth unemployment and a feeling that increasing age is a serious penalty when seeking re-employment after losing a job. Our results show that when other factors are controlled for, young people are more likely to be unemployed than middle aged persons. Lack of employment experience among the young seems to be a more serious problem than the obsolescence of the skills of older workers. However, this applies to the incidence of unemployment, but not to its duration: we found that over the relevant age interval, the probability of leaving unemployment falls with advancing age. While young men are more prone to experience unemployment, older men who become unemployed are more likely to become long term unemployed.

We highlighted a number of instances where the gap between the value of social welfare payments in cash and kind to the unemployed, on the one hand, and earnings after tax and work-related expenses, on the other, may be relatively small. This could constitute a serious disincentive to accepting the sort of offers of employment likely to be received. This situation arises when an unemployed person with low skills, and hence low potential earnings, is entitled to rent subsidies and child dependent payments as well as the basic adult rate of unemployment benefit or assistance and would have to incur significant travel-to-work and possibly child care expenses in order to take up an offer of employment. The problem is compounded by the perception that unemployment and dependence on social welfare offers a relative secure albeit low income, whereas employment at low wages may be insecure and short-lived. These are realities of today's economy, especially for those whose potential earnings are low due to their poor educational qualifications and lack of work experience. The problem can be compounded by living in a neighbourhood where a culture of unemployment and welfare dependency prevails.

One clear implication of these findings is the importance of targeting training and back to work schemes on the most disadvantaged groups, whose characteristics we have spelled out above. It would be useful to evaluate existing schemes to see to what extent they meet this criterion. We also believe that these training schemes should provide participants with skills that are valued in the labour market, and this can be ensured by having them externally accredited.

There are no quick or easy solutions to the problem of long term unemployment, but the current buoyancy of the economy has created a favourable framework in which to tackle them. We should draw eclectically on the accumulating experience of policies that have been shown to work in other countries. In Britain the Restart programme has reduced the numbers claiming benefits and increased the uptake of available employment, although some of this has been attributed to people taking up short-term employment from which they subsequently become unemployed. The basic mechanism has been to require the unemployed to present themselves for an interview and discuss their job search strategy at a Jobcentre. There is general agreement on the need for a closer link between signing on and active job search,

both for the individual unemployed person, the benefit office and the training agency. In the United States greater emphasis has been placed on workfare, which consists of encouraging, and to some extent compelling, the unemployed to train for employment, and to use unemployment benefits to travel to areas where jobs are available or to obtain child care facilities where this is a prerequisite of taking up an offer of employment. An important feature of the recent changes in the US approach to welfare is that individual States are now given block grants and allowed to experiment in how they spend them to address the welfare problem.

We believe there should be experimentation with alternative approaches to the unemployment problem in different areas. The same approach is not necessarily the most appropriate in inner city areas, the suburbs, and rural areas. While the disadvantages faced by those with poor educational qualifications are shared by all population groups, specific responses at the community level are called to reduce the high rates of long-term unemployment in large urban local authority housing estates.

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Terms of Reference and Constitution of the Forum

1. The Terms of Reference of the National Economic and Social Forum are to develop economic and social policy initiatives, particularly initiatives to combat unemployment, and to contribute to the formation of a national consensus on social and economic matters.

The Forum will:-

- (i) Have a specific focus on:-
 - job creation and obstacles to employment growth;
 - long-term unemployment;
 - disadvantage;
 - equality and social justice in Irish society; and
 - policies and proposals in relation to these issues;
 - (ii) Make practical proposals on measures to meet these challenges;
 - (iii) Examine and make recommendations on other economic and social issues;
 - (iv) Review and monitor the implementation of the Forum's proposals and if necessary make further recommendations; and
 - (v) Examine and make recommendations on matters referred to it by Government.
2. The Forum may consider matters on its own initiative or at the request of Government.
 3. The Forum will work in two year cycles and will inform Government of its programme of work within three months of the beginning of each cycle.
 4. In drawing up its work programme, the Forum will take account of the role and functions of other bodies in the social and economic area such as NESC and the CRC to avoid duplication.
 5. The Forum may invite Ministers, Public Officials, Members of the Forum, and outside experts to make presentations and to assist the Forum in its work.
 6. The Forum will publish and submit all its reports to Government, to the Houses of the Oireachtas and to other Government Departments and bodies as may be appropriate.
 7. The Forum will be drawn from three broad strands. The first will represent the Government and the Oireachtas. The second will represent the traditional Social Partners. The third strand will be representative of groups traditionally outside the consultative process including women, the unemployed, the disadvantaged, people with a disability, youth, the elderly and environmental interests.
 8. The Forum will have an independent Chairperson appointed by Government.
 9. The term of office of members will be two years during which term members may nominate alternates. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. The size of the membership may be varied by the Government.
 10. The Forum is under the aegis of the Office of the Tánaiste and is funded through a Grant-in-Aid from that Office. This Grant-in-Aid is part of the overall estimate for the Office of the Tánaiste.

Membership of the Forum

Independent Chairperson:	Maureen Gaffney
Government Representative:	Eithne Fitzgerald, T.D., Minister of State at the Office of the Tánaiste and at the Department of Enterprise and Employment
Chairpersons of the Standing Committees:	Dr. Eileen Drew Professor Donal Dineen
Oireachtas	
<i>Fianna Fáil:</i>	Martin Cullen, T.D. Chris Flood, T.D. Tom Kitt, T.D. Senator Willie Farrell Senator Marian McGennis Senator Paschal Mooney
<i>Fine Gael:</i>	John Connor, T.D. Frances Fitzgerald, T.D. Senator Bill Cotter Senator Madeleine Taylor-Quinn
<i>Labour:</i>	Joe Costello, T.D. Senator Mary Kelly
<i>Progressive Democrats:</i>	Senator Cathy Honan
<i>Technical Group:</i>	Kathleen Lynch, T.D.
<i>Independent Senators:</i>	Senator Mary Henry
Social Partners	
<i>Trade Unions:</i>	Paula Carey Charlie Lennon Patricia O'Donovan Manus O'Riordan Tom Wall

Employer/Business Interests:

Mirette Corboy
David Croughan
Declan Madden
Aebhric McGibney
Aileen O'Donoghue

*Agricultural/Farming
Organisations:*

Mary Coleman
Ciarán Dolan
Mervyn Wynne
Monica Prendiville
Michael Slattery

“Third Strand”

Womens' Organisations:

Ursula Barry
Noreen Byrne
Cris Mulvey

Unemployed:

Mike Allen
Brendan Butler
Joan Condon

Disadvantaged:

Niall Crowley
Mary Daniel
Eithne McNulty

Youth:

Gearóid O'Maoilmhichíl

Older People:

Breda Dunlea

People with a Disability:

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Theresa Higgins
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Forum Publications

(i) Forum Reports

Report No.	Title	Date
1.	<i>Negotiations on a Successor Agreement to the PESP</i>	November 1993
2.	<i>National Development Plan 1994-1999 – the proposed Local Development Programme</i>	November 1993
3.	<i>Commission on Social Welfare – Outstanding Recommendations</i>	January 1994
4.	<i>Ending Long-term Unemployment</i>	June 1994
5.	<i>Income Maintenance Strategies</i>	July 1994
6.	<i>Quality Delivery of Social Services</i>	February 1995
7.	<i>Jobs Potential of the Services Sector</i>	April 1995
8.	<i>First Periodic Report on the Work of the Forum</i>	May 1995
9.	<i>Jobs Potential of Work Sharing</i>	January 1996
10.	<i>Equality Proofing Issues</i>	February 1996
11.	<i>Early School Leavers and Youth Unemployment</i>	January 1997
12.	<i>Rural Renewal – Combating Social Exclusion</i>	March 1997

(ii) Forum Opinions

Opinion No. 1 (March, 1995) on the *Interim Report of the Task Force on Long-term Unemployment*.

Opinion No. 2 (January, 1996) on the *National Anti-Poverty Strategy*.

Opinion No. 3 (May, 1996) on *Long-term Unemployment Initiatives*.

Opinion No. 4 (August 1996) on the *Post-PCW Negotiations – A New Deal?*

Opinion No. 5 (December 1996) on the *Employment Equality Bill*.

