

Staff Paper 2015

**Analysis of the QNHS unemployment and the
Live Register**

Irish Government Economic and Evaluation Service

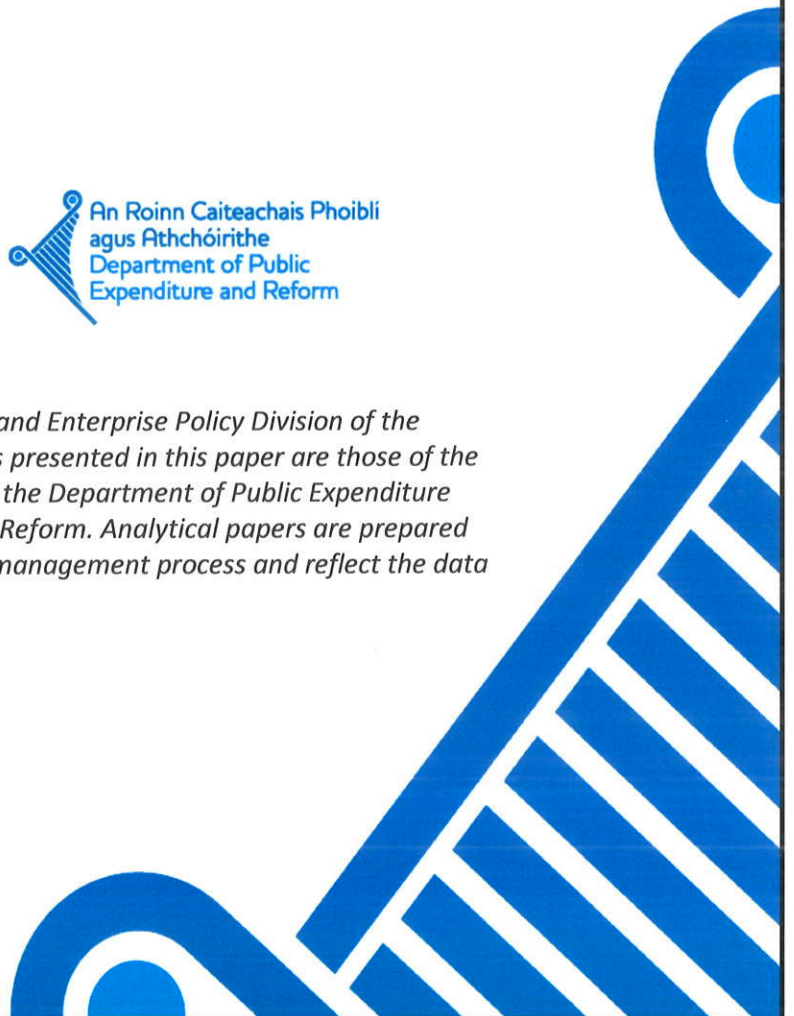
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** This paper has been prepared by the Labour Market and Enterprise Policy Division of the Department of Public Expenditure & Reform. The views presented in this paper are those of the author alone and do not represent the official views of the Department of Public Expenditure and Reform or the Minister for Public Expenditure and Reform. Analytical papers are prepared on an ongoing basis in the context of the expenditure management process and reflect the data available at a given point in time.*



Abstract

The State's official unemployment statistics are derived from the Quarterly National Household Survey (QNHS). The survey sets out categories according to International Labour Force classification based on those in employment, those who are unemployed and all other persons. At end-Q2 2015 unemployment as measured by the QNHS measured 211,200. The Live Register, on the other hand, is the Department of Social Protection listing of people registering for Jobseekers Assistance/Benefit or for various other statutory entitlements at local offices of the Department of Social Protection (CSO, 2015). It is not designed to measure unemployment. The Live Register at end Q2 2015 was 356,520. In the State, there are 1.69 times as many people on the Live Register than declared unemployed in the QNHS survey. The ratio in the Border region has consistently been higher than in the rest of the State and has increased further in the two years to end Q2 2015.

Summary of key findings

- In the State, there are 1.69 times as many people on the Live Register than declared unemployed in the QNHS survey.
- To account for this, the paper looks at the ratio of the Live Register minus casuals compared to the QNHS. The ratio is still well above 1 at 1.36.
- The Border region is where there the largest disparity occurs and there is potential for savings to the Exchequer if the ratio in this area could be reduced towards the national average.
- Activation Policy has responded to this challenge in recent years and the previous passive welfare system will be replaced by an active welfare system. It is hoped that a more active system will help reduce the gap between unemployed benefit recipients and surveyed unemployed and reduce the difference experienced between the Republic of Ireland and Northern Ireland.

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1. Introduction

While the Live Register (LR) does not represent the true level of unemployment in Ireland, it does include those who are officially declared unemployed or underemployed with the Department of Social Protection. The Quarterly National Household Survey (QNHS) is the method through which the estimated numbers of unemployed in Ireland are measured.

Within the constraints of the data available, the objective of this paper is to investigate the relationship between the Live Register and the Quarterly National Household Survey (QNHS) unemployed, and the paper will account for those that are on the LR but employed (casual workers) to see if a disparity remains.

The paper will also look at the comparison between surveyed unemployment and administrative unemployment in other jurisdictions as produced by the OECD.

Next, the paper will investigate the regional variation of the ratios between the LR and the QNHS unemployed, to see if there are particular problem areas within this state.

The following formulae detail how the ratios are calculated:

$$\text{Ratio between LR and QNHS unemployed} = \frac{\text{Numbers on the LR}}{\text{Numbers unemployed on the QNHS}}$$

$$\text{Ratio between LR minus Casuals and QNHS unemployed} = \frac{\text{Numbers on the LR minus Casuals}}{\text{Numbers unemployed on the QNHS}}$$

Finally, the paper will set out some conclusions and areas and issues which would benefit from further examination.

2. Live Register and QNHS Unemployment Analysis

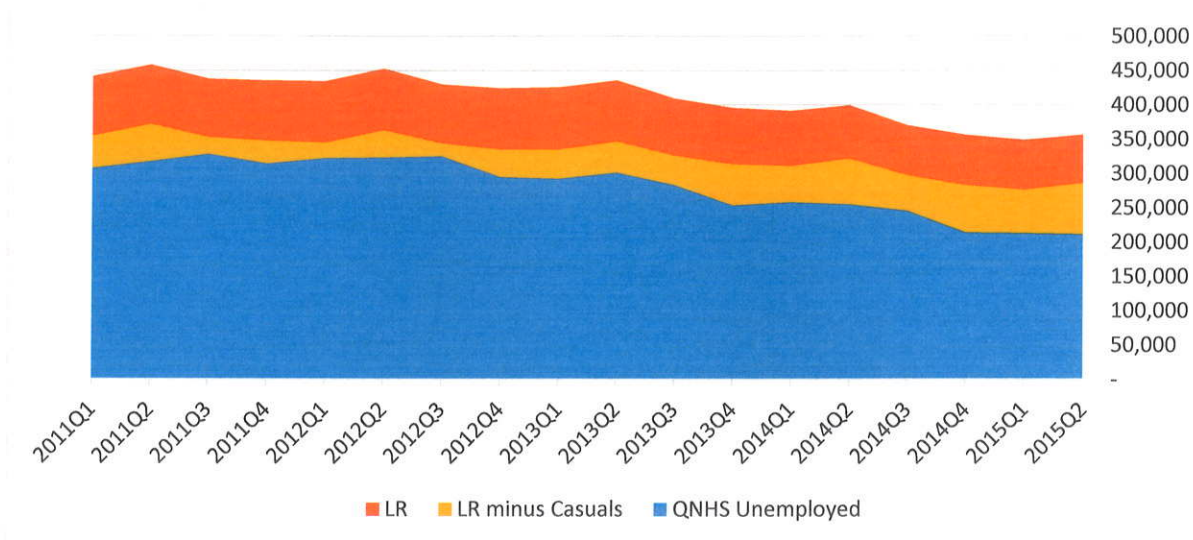
The Live Register stood at 356,520 at end-March 2015 of which around 46% were in receipt of the full weekly rate of €188 per week. The remainder (54%) of the people on the Live Register received less than the maximum personal weekly Jobseekers Allowance (JA)/Jobseekers Benefit (JB) rate of €188. This remaining group were divided as follows:

- 18% received no payment.
- 17% received payment for part of the week only.
- The remaining 19% or 67,287 received JA or JB of less than the maximum personal rate,

of which: 34,475 people received a reduced rate of JA due to their means (and/or penalty rates applied due to non-compliance), 28,011 people received the reduced rate of JA for those aged under 26 (these cases may also be penalty-rated) and 4,801 people received a graduated rate of JB.

The graph below shows details of excess numbers on the Live Register in comparison to the QNHS unemployed. The LR has **1.69 times** the number of people as declared unemployed in the QNHS figures.

Figure 1: The numbers on the Live Register and QNHS unemployed 2011- Q2 2015



Source: CSO

The OECD stated “arguably, one outcome from an effective activation strategy should be to keep the ratio of benefits in payment to ILO unemployment to below, or at least not above, one.”¹ This offers Ireland the opportunity to lower the Live Register substantially through the implementation of an effective activation strategy.

The OECD have highlighted the fact that the numbers claiming social welfare benefit on the Live Register in Ireland are substantially higher than the numbers surveyed as unemployed (QNHS measure) when compared to other countries over the last decade. Even during the period of full employment, Ireland “had the highest ratio of unemployment benefit recipients to labour force survey unemployment of any OECD country.”

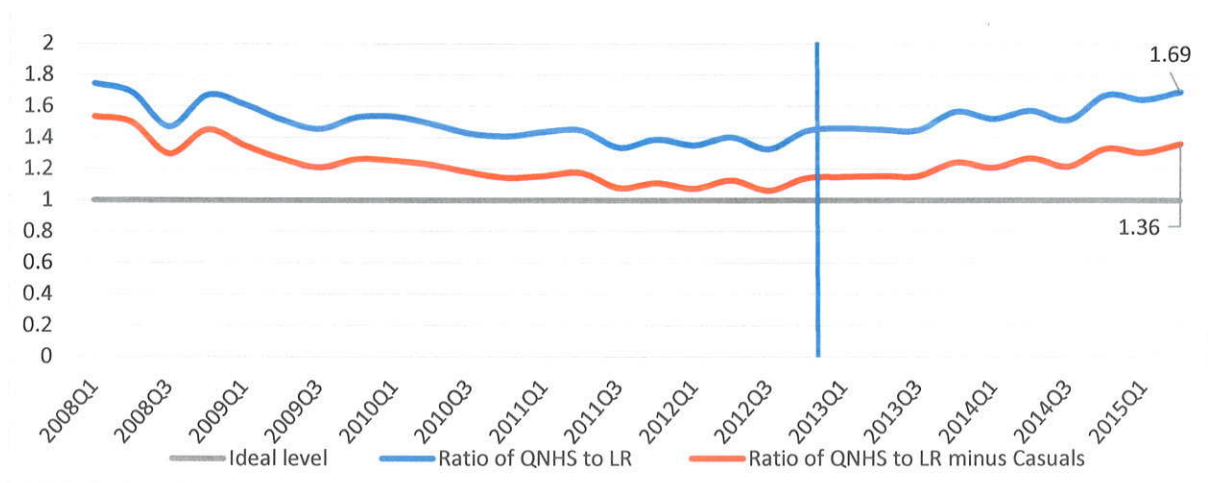
¹ Grubb, D., S. Singh and P. Tergeist (2009), “Activation Policies in Ireland”, OECD Social, Employment and Migration Working Papers, No. 75, OECD Publishing; link: <http://dx.doi.org/10.1787/227626803333>. (Para. 185)

2.1 Accounting for part-time employment

An increase in part-time employment can increase the QNHS/LR ratio as these people may remain on the Live Register but are counted as employed in the QNHS figures. To control for the impact of part-time employed we have looked at comparing the LR without casuals² to the QNHS unemployment numbers (see graph below). This does significantly reduce the ratios, with the Q2 2015 reducing from 1.69 down to 1.36. However, there is still a notable increase in the ratios since Q3 2012 as shown in the graph and the ratio is well above the recommended level of 1 even with the impact of casuals taken into account.

The trend in the ratio is surprising given that the roll-out of the Intreo service was almost complete at the end of 2014. We would expect to see this ratio reduce as engagement with Jobseekers recipients increased and they were called into interviews. This has reduced at the end of Q1 2015 and we would hope this will continue given the Exchequer resources committed to activation and needs to be further investigated.

Figure 2: Irish Ratios of LR to QNHS unemployed 2008- Q2 2015



Source: CSO; author's calculations

2.2 Difficulties in comparing QNHS and the Live Register

The task of comparing the Live Register and QNHS figures is not as straight forward as we would like. There are compilation and classification issues on both sides that make it difficult to compare like for like. There are some groups which can be compared quite easily whilst there are others which have been left out such as people on credits and those not receiving a full payment on the

² People may apply for Jobseeker's Benefit or Jobseeker's Allowance if they only work for part of a week (no more than 3 days a week) and be included on the Live Register. This group are defined as Casuals on the Live Register. This cohort would be classified as employed by the QNHS survey however.

Live Register side, and the marginally attached and those who say they want to work on the QNHS side. It would be beneficial to have a further breakdown of the data for each of these groups which would help for comparison purposes. There is no definitive way of directly matching these and the safest comparison is the use of the Live Register minus casuals versus the QNHS unemployed, which has been done in this paper.

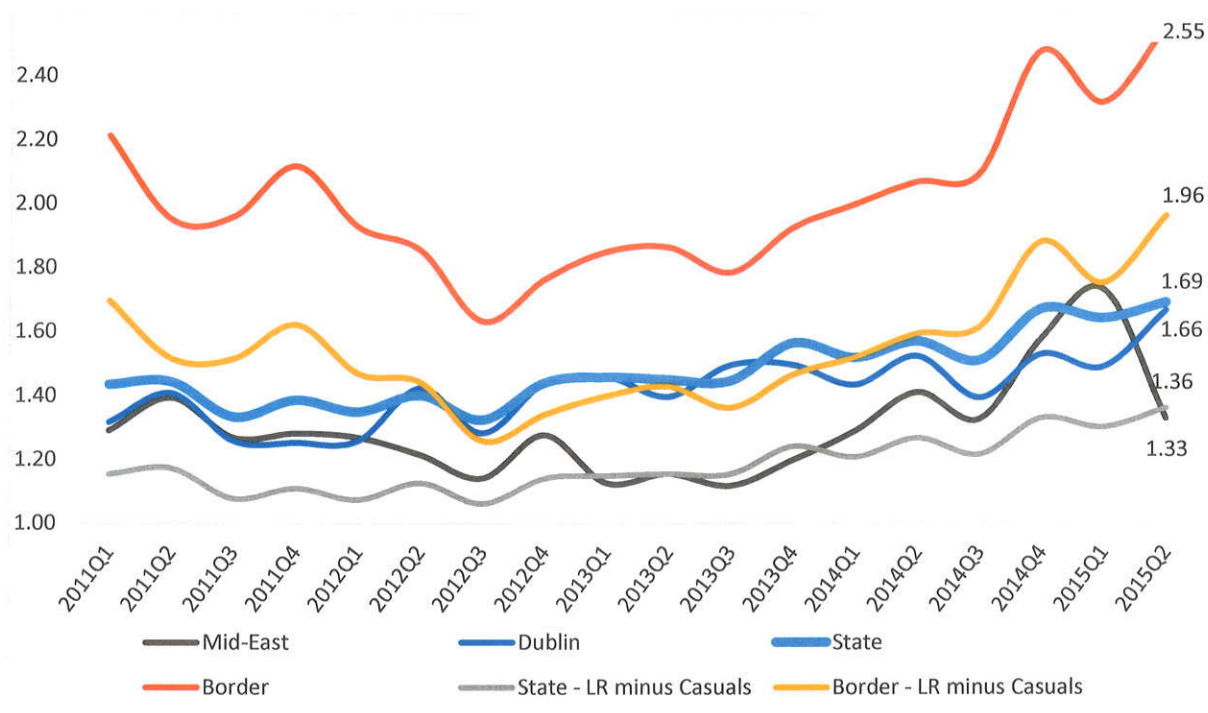
2.3 Regional Analysis

Building on the State-wide analysis of the QNHS/LR ratio, in this section we focus on the regional picture. We observe two things:

- Firstly, similar to the trend in the State-wide data, the ratios have been increasing in most regions over the last 3 years. While there was a fall in Q1 2015, the ratio increased again in Q2
- Secondly, as can be seen from Figure 3 below, the border area is clearly an outlier with almost two and a half times the number of people on the LR than declared unemployed in the QNHS survey. When the casuals are excluded this ratio reduces to 1.96.

As observed, the ratio in this area has increased consistently in the two years to Q2 2015 and is out of step with the rest of the country. In particular, Donegal and Louth stand out as outliers in terms of the percentage of the population on the Live Register. The Department of Social Protection (DSP) have pointed out that about 14% of Louth office registrants live outside the county. This is due to the proximity to Louth offices of claimants from surrounding counties such as Meath. This phenomenon may well account for a portion of the disparity but no firm data one way or the other on this residency/claim location issue was provided to the author. Certainly, the impact of such residency/claim location issues will need to be further analysed by DSP but, even allowing for it, it is not unreasonable to conclude that the disparity suggests an intensification of control activities in this area may be warranted.

Figure 3: Ratio of LR to QNHS unemployment by Region

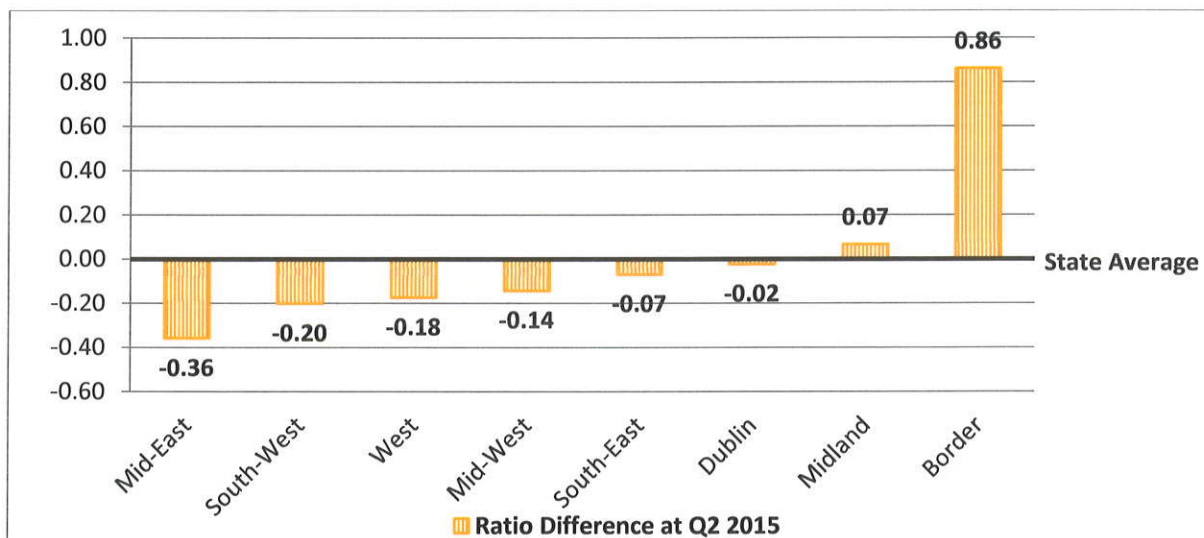


Source: CSO; Author's Calculation

The figure above contains selected ratios of the LR to QNHS by region, including the Mid-East, which has the lowest ratio in Ireland and the Border, which has the highest, along with the capital and the State average. The analysis has also included the State Average and Border when casuals are taken out.

Figure 4 compares the ratio in each of the regions against the State Average ratio. Similar to Figure 3, it's quite apparent that the region of greatest concern is the Border. At end-Q2 2015, the Border ratio was 0.86 greater than the State average whereas most of the other regions were relatively close to the State average. It is clear that the Border region is driving up the average for the State as a whole. DSP have expressed the view that the absolute level of the difference between the LR and QNHS measures is almost fully explained by the differences in definitions used in both measures. However, while this might reduce the ratio (depending on the numbers signing on for credits) our analysis suggests that there would nonetheless still be a disparity in the Border region even taking this into account.

Figure 4: Differences in ratio from State Average by Region



Source: CSO; Author's Calculation

2.4 Treatment of unemployed across different jurisdictions

The OECD produced an Employment Outlook paper in 2013 which set out the employment situation in OECD member states at that time. The paper had a specific chapter on activating jobseekers in which it investigated seven OECD countries of which Ireland was one. Table 1 below details the comparison in the ratios between unemployment benefit recipients and labour force survey unemployed in the seven countries. It shows that the Irish average over the period 2000 to 2011 was consistently over 1 and Ireland had the highest ratio of the seven countries chosen. We have shown also that the Irish ratio has not improved since 2011, when the OECD analysis ended. The Table backs up the point made by the OECD on several occasions that Ireland has an unusually high ratio between the Live Register and the QNHS.

Table 1: Ratio of the unemployed benefit recipients to the number of survey unemployed

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2000-11 average
Australia	1.06	0.95	1.03	1	1.03	1.01	1	1.01	0.97	0.94	1.04	1.01	1
Finland	1.23	1.3	1.29	1.33	1.34	1.31	1.25	1.22	1.37	1.39	1.3	1.37	1.31
Ireland	1.43	1.81	1.68	1.67	1.48	1.32	1.28	1.3	1.8	1.32	1.27	1.2	1.46
Japan	0.34	0.34	0.3	0.25	0.23	0.23	0.23	0.23	0.25	0.27	0.21	0.23	0.26
Norway	0.73	0.73	0.72	0.8	0.82	0.66	0.55	0.47	0.38	0.68	0.67	0.63	0.65
Switzerland	0.8	0.76	0.89	0.88	0.88	0.82	0.81	0.72	0.7	0.77	0.75	0.66	0.79
United Kingdom	0.66	0.68	0.61	0.62	0.58	0.59	0.55	0.5	0.54	0.61	0.58	0.59	0.59

Source: OECD Employment Outlook 2013, Table 3.1

While a 1 for 1 reduction between the LR and QNHS numbers would in fact increase the ratio, the OECD concluded that “activation measures are expected to reduce the number of people who are receiving unemployment benefits, but are not unemployed as recorded in the labour force survey (QNHS in Ireland) because they are not searching for work”³. Even when taking into account part-time workers, pre-retirement claimants, individuals signing for credits and individuals moving to other types of more appropriate benefit payment it suggests that maintaining a proactive activation policy could have a number of benefits in terms of creating very positive dynamics in the Irish labour market with an increase in the numbers of individuals searching for and finding work, thus:

- Reducing the numbers on the Live Register; and
- Reducing the length of duration on the Live Register with the attendant positive impact on long term unemployment.

A reduction in the ratio towards 1 has the potential to significantly lower the numbers on the Live Register and consequently yield savings for the Exchequer. The OECD acknowledge that a direct comparison between countries is difficult due to the different payments and treatments that exist in different states and different approaches to the exclusion or inclusion of long-term unemployed to the claimant count. For example, work produced by the Department of Social Protection in comparing the numbers of non-employed receiving a payment in Ireland and the UK shows how the two countries differ in terms of treatment. The following table shows this impact:

Table 2: Comparison of non-employed payment recipients in Ireland and the UK

		All non-employed	ILO unemployed	Unemployment payments	Disability payments ⁴	All payments
UK August 2014	('000)	10,450	2,518	859	2,968	3,827
	% of non-employed)	100%	24%	8%	28%	37%
Ireland Dec 2014	('000)	1,124	212	232	188	420
	% of non-employed)	100%	19%	21%	16%	37%

Source: The Department of Social Protection

³ OECD (2013), “Activating jobseekers: Lessons from seven OECD countries”, in OECD Employment Outlook 2013, OECD Publishing. Link: http://dx.doi.org/10.1787/empl_outlook-2013-7-en. Page 141.

⁴ In the UK, the Employment and Support Allowance, Incapacity Benefit, and Disability Living Allowance. In Ireland, Disability Allowance, Invalidity Pension, and Illness Benefit (where in payment for >2 years). Occupational Injuries/Disablement benefits are excluded in both countries, as are short-term illness benefits paid to people in employment.

In both Ireland and the UK, about 37% of non-employed working-age adults were in receipt of either an unemployment or disability-related payment in late 2014. However, in the UK a large majority of this group were on disability-related payments while only a minority were on disability payments in Ireland. The ratio of unemployment payments to survey-based unemployment, as a result, was 0.34 in the UK as compared with a ratio of over 1 in Ireland. This lower ratio is explained almost entirely by the greater tendency for the adult jobless in the UK to be classified as disabled rather than as jobseekers. That this is seen as a problem in the UK is evidenced by recent decisions to replace previous payments with the Employment and Support Allowance (ESA)⁵ and the gradual introduction of increased labour market conditionality on that payment.

3. Conclusions and Recommendations

3.1 Exchequer benefits from a reduced ratio in the Border area

The analysis has shown that there is a significant issue with regard to excess claimants of unemployment benefits. Ireland remains a significant outlier based on analysis from the OECD and the ratio trend, since 2011, has increased significantly. Even when casual workers are excluded from the Live Register, there remains an additional 36% of people on the Live Register not marked as unemployed in the QNHS figures, with associated implications for public expenditure. It is, therefore, of key importance to reduce this ratio as close to 1 as possible and ensure that only those that are entitled to a Jobseekers payment actually receive one. One significant driver of this excess appears to be regional and the relative ratio of the border region appears to be far in excess of other regions and the state average.

The current ratio of unemployment benefit recipients to surveyed unemployed is at 2.55 in the border region. There is a considerable disparity between this figure and the average State ratio of 1.69. As Figure 3 shows, this is a long-term structural problem and suggests a strong focus on activation and control activity in this area would assist in reducing this ratio closer to the State average. Looking at the numbers on the Live Register by county in the Border region⁶, two counties in particular are outliers; Louth and Donegal. According to Census data 7.8% of the

⁵ All ESA claimants must undertake a Work Capability Assessment while their claim is being assessed. This is to see to what extent the illness or disability affects their ability to work. Recipients of the ESA allowance are then split into 2 groups: (i) A work-related activity group, where recipients will have regular interviews with an adviser and (ii) A support group, where recipients don't have interviews.

⁶ A similar county level breakdown of QNHS data is not available on the CSO website.

population is on the Live Register State-wide; whereas the figures for Louth and Donegal were 11.5% and 11.2% respectively. DSP point out that about 14% of Louth office registrants live outside the county due to the proximity to Louth offices of claimants from surrounding counties such as Meath.

However, our analysis suggests that that the Border region is an outlier, even accounting for factors such as casual working, and that accordingly further targeted interventions may be needed over the medium term to address this. It suggests the potential for Exchequer savings to be realised if the ratio in the Border area was brought closer to the ratio of the State as a whole.

Purely by way of illustration, if the border region minus casuals was brought into line with the rest of the State minus casuals, with a ratio of 1.36 the numbers on the Live Register would reduce by c.12,000 in the border region (see Table 3 below).

Table 3: Difference in the border LR if ratio equalled state average

Border	QHNS	Live Register minus Casuals	Ratio
Actual position at end of 2015 Q2	20,000	39,298	1.96
Position if Border ratio equalled State Ratio	20,000	27,200	1.36
Difference	0	12,098	0.60

3.2 Policy Response

Ireland's welfare system was particularly passive until recent times and lacked cohesion between the income support authority (DSP) and the employment support authority (FÁS), especially compared to the UK. Northern Ireland has had strong activation policies in place since 2008 when the Steps to Work Programme was initiated⁷ which included a range of services for jobseekers to get back into employment. This was later replaced by the 'Steps 2 Success' programme which uses an outsourced services delivery model. The same consolidated service was not available in the Republic of Ireland until the Intreo service was complete at the end of 2014. This Intreo service

⁷ The Steps to work in Northern Ireland provided jobseeker with personalised advice and guidance, help to find and remain in work, the opportunity to re-train while remaining on benefit plus receive a weekly Training Bonus and opportunities for work experience.

still doesn't deal with the significant cohort of long-term unemployed, which will be engaged with by the JobPath service when it is fully operational in 2016.

The OECD suggests that an effective activation policy should have an impact in reducing the ratio of unemployment beneficiaries to surveyed unemployed. Since the policy in Ireland has already adapted in this direction it will be useful to see the impact this has over the coming year on the ratio as detailed above. It would be expected, for example, that the ratio would drop considerably once the full range of unemployment recipients are fully engaged with and are assisted in getting back into employment. Sanctions for non-engagement with the employment services have been increased in recent years which should also have a positive impact. Additional analysis should be done to measure the impact of the activation services both state-wide and in the Border region in getting people back to work and increasing control on Jobseeker schemes.

3.3 Data Quality Proposal

For the purpose of future analysis in this area, it may be beneficial to work in conjunction with the CSO. In the mid-1990s the CSO deliberately included a number of known LR claimants into the QNHS survey to see how truthfully they answered. It was clear that the people did answer truthfully as many admitted they had done extra work in the previous week. DSP have suggested that a similar exercise could be carried out again and this idea would have considerable merit.