The Growth of Jobless Households and the Polarisation of Employment in Australia

Peter Dawkins, Paul Gregg and Rosanna Scutella

Introduction

- Inequality of jobs and inequality of income
- Strong growth in jobless households
- Strong growth in multiple job households
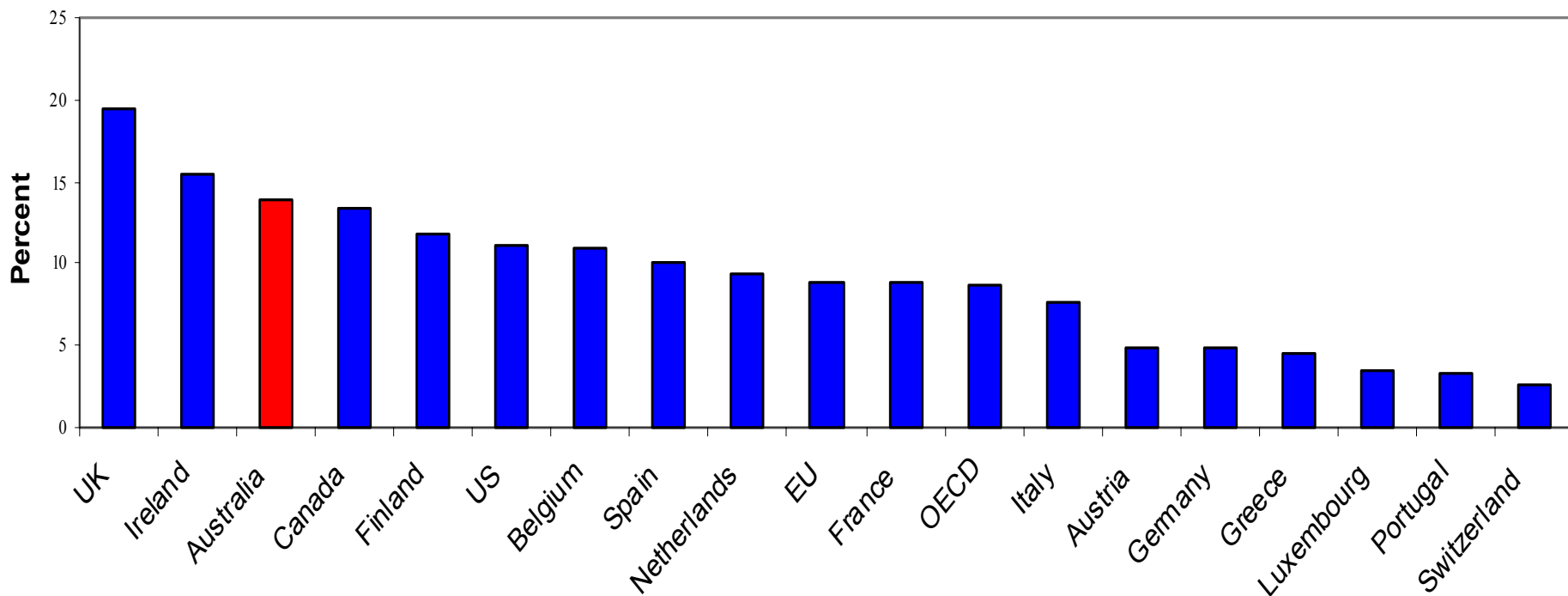- Growth in small households

This paper

- Documents the growth in jobless households
- Looks at the characteristics of jobless households and their place in their income distribution
- Goes behind the data to see what has been driving this growth in jobless households
  - Changing structure of households?
  - Distribution of jobs across households – polarisation of employment?
  - Looks at sub-groups – e.g. households with children
    - Nearly one in six children live in jobless households
    - Couple households with children have suffered most from polarisation

Jobless Household Rate by Country for Households with Children, (OECD-1996)

Jobless and Job-rich Household Rates, 1982–1997/8

	Employment rate	Jobless household rate		Job-rich household rate
		All households	Households with children	
1982	70.4	12.7	9.8	49.5
1986	71.9	14.9	11.2	53.6
1990	74.2	14.2	11.5	58.3
1994/5	73.1	15.5	13.7	58.2
1995/6	74.3	15.1	13.1	60.3
1996/7	72.8	16.8	15.0	57.4
1997/8	73.7	16.3	14.6	59.4

Income Distribution of Jobless Households, 1997/98

Why has the incidence of jobless households risen?

- Increased incidence of small households?
- Employment polarisation
  - Labour market has become harder for less educated, low skilled workers?
  - Labour supply incentives
    - Incentives to work for jobless households have declined?
    - Incentives for second earners to enter

Changing Size of Households in Working Age Population

	1 adult (%)	2 adult (%)	3 adult (%)	Total (%)
1982	19.2	62.2	18.7	100
1997/8	29.1	56.1	14.8	100
Change	10.0	–6.1	–3.9	

Employment Polarisation

	Actual jobless household rates (%)	Predicted jobless household rates (%)	Employment Polarisation (%)
1982	12.7	11.5	1.2
1997/98	16.3	11.8	4.5
Change	3.6	0.3	3.3

Increased incidence of small households versus employment polarisation

Change in jobless household rate and employment polarisation between 1982 and 1997/98

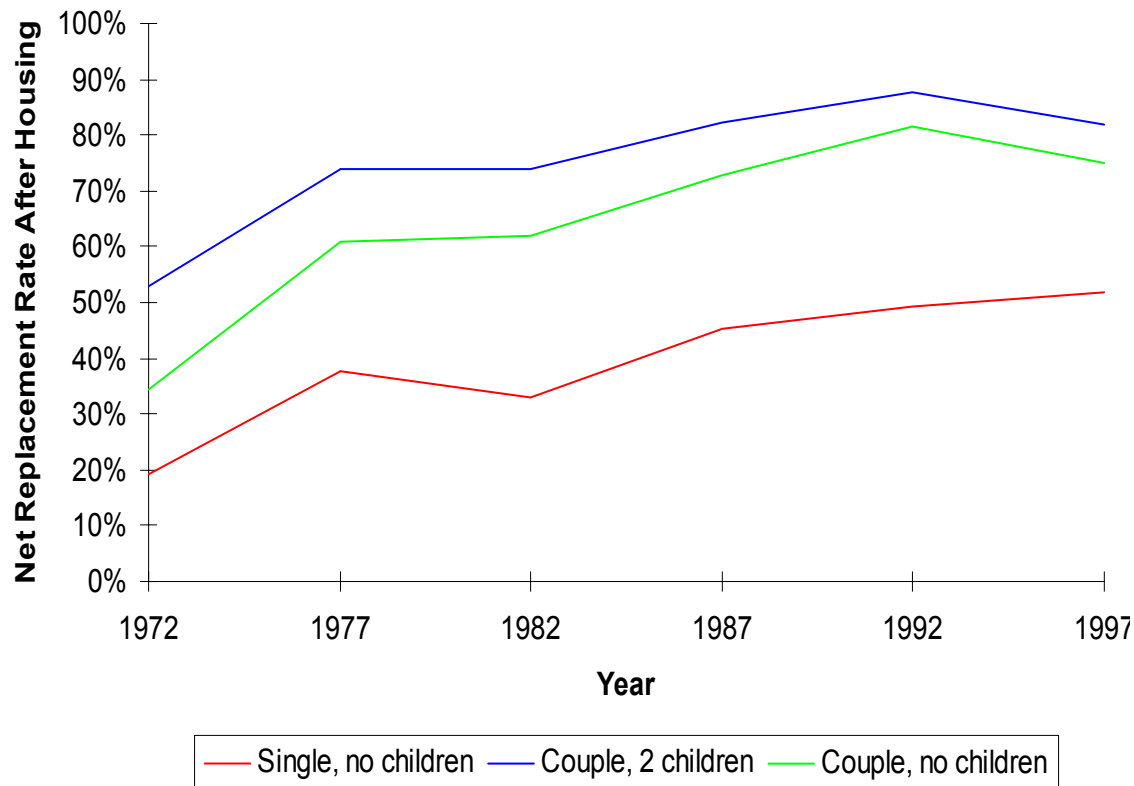| Actual	Predicted		Polarisation
3.6	0.3		3.3
	Household composition	Employ-ment	
	2.3	−2.0	

Taking into account variations in employment across sub-groups of the population

- Less educated men are losing employment whilst better educated women are gaining jobs and these groups tend to live in different households

- Shifts in the pattern of employment to better educated, the prime-aged and women can explain about one third of the polarisation

Work Incentives

Net Replacement Rates of Income Support versus Minimum Wage

Other findings

- Polarisation is especially a feature in households with children
- Over half of the polarisation within-household types is in couple households with children
- Jobless household rate rose through the 80s and 90s
  - ◆ Polarisation dominated in the 1980s
  - ◆ Changing household composition dominated in the 1990s

Policy Implications

- Incidence of jobless households, especially households with children a major concern
- Welfare reform is targeting a reduction in jobless households
- Change in household structures
  - Incentives for re-partnering
  - Increasing employment of lone parents?
- Demand for low skilled labour
  - In the long-run education and training
  - In the short run make less skilled labour more attractive to employers?

Policy Implications (Cont)

- Supply of labour from jobless households
  - Participation requirements
  - Employment services
  - Work Incentives

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Decomposition of "Within Household" Polarisation

Change in polarisation within households between 1982 and 1997/98		
2.8 (84.6%)		
1 adult	2 adult	3+ adult
0.6 (23.0%)	2.1 (74.8%)	0.1 (2.2%)