

# **The Growth of Jobless Households in Australia**

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## **Abstract**

Individual and household based aggregate measures of joblessness offer conflicting signals about labour market performance. This paper shows that while individual based measures of joblessness have remained fairly stable over the last 10 years or so and have fallen after highs in the early 1980s, household measures of joblessness have risen. Joblessness among the working age population has become more concentrated within certain households. In the past Australia's non-working population (of working age) were supported in households where others worked whereas they are now primarily supported by welfare payments from the state. What is perhaps most striking is how many children now are living in households with no earned income. The incidence of jobless households falls disproportionately on households headed by those who are young or approaching retirement age, with little or no qualifications or born overseas. Many jobless households are single parents so they are also much more likely to be headed by a female. We also show that the poor are disproportionately represented in jobless households.

**JEL Classification: J6**

**Key Words: Jobless households, Joblessness**

# 1 Introduction

Although aggregate OECD employment rates have generally recovered from the 1980s recession lows there has also been an upward trend in the number of jobless households in the majority of these nations (OECD, 1998). Thus the aggregate unemployment rate or employment rate based on individual data may not fully capture the economic and social impact of joblessness on families. Australian and overseas studies have shown (for eg. Dawkins, 1996; Miller, 1997; Gregg and Wadsworth, 1996a, 1996b and 2000; OECD, 1998; Gregory, 1999) that the burden of unemployment or more generally joblessness tends to be concentrated in certain households. Furthermore this concentration has become more pronounced, so that there has been a switch away from those not in work being supported by other family members toward whole households being jobless and being largely supported by the state.

The relationship between individual unemployment (non-employment) and household circumstances has been changing quite sharply over the last 15 years or so which has ramifications for welfare support costs and poverty. This paper seeks to examine this relationship in more detail and aims to reveal the actual extent of joblessness at the household level using a single data source. Patterns of joblessness and poverty are explored along with how these patterns have evolved since 1982. We also investigate in some detail, and consistent with the aggregate patterns, which sections of Australian society have disproportionately suffered from jobless households. Poverty rates in jobless households are then compared across those of the general population.

The structure of the paper is as follows. Section 2 outlines the results of previous studies on the incidence of joblessness in Australia. A description of the data set used in the following analysis is provided in Section 3 while Section 4 presents patterns and trends in the incidence of jobless families between 1982 and 1997. Patterns of poverty in jobless households are presented in Section 5. Possible causes of the rise in jobless

households are offered in Section 6. Finally, concluding comments are made in Section 7. It is shown that joblessness has become more concentrated within certain households over the years with the incidence of jobless households falling mainly on households headed by those who are young or approaching retirement age, with little or no qualifications or born overseas. As many jobless households are single parents they are also much more likely to be headed by a female. It is also shown that poverty rates in jobless households are significantly higher than for the remainder of society.

## **2 Previous literature and evidence**

There has been a growing awareness of the polarisation of paid work across Australian households. Dawkins (1996) showed that while there was strong growth in the number of income units and households with two or more workers in them, between 1983/84 and 1993/94, there was also strong growth in the number of households with no work. A recent OECD study (Gregg and Wadsworth 1996b, OECD 1998) highlighted that in 1996 just over 1 in 6 (16%) of Australian working age households had no adult in work. In addition, 14% of households with children had no adult in work in 1996. This was among the highest level of joblessness in households with children among developed nations, surpassed only by Britain and Ireland<sup>1</sup>. Most of these jobless households have the lowest incomes in society. According to the OECD some 70% of jobless households had incomes in the bottom quintile of all Australian households.

The recent McClure Report on Welfare Reform (Reference Group on Welfare Reform 2000), emphasised that the growth in jobless households and families over the last two decades, was a major motivation for their recommendations, and that substantially reducing the number of jobless households and families, should be one of three targets for reform. A second target was to reduce substantially the number of people who rely heavily on income support. A substantial reduction in jobless families would also impact on that target.

The McClure Report emphasised that reducing jobless families would not only be a major improvement for society at the time, it could be expected to have positive inter-generational effects. McClelland et al (1998) state that there is evidence to suggest that the likelihood of a young person completing secondary school and finding secure employment is affected by their parent's socio-economic background. Gregory (1999, p.1) states "...a child's future development may depend importantly on access to economic resources during the first fifteen years of life. Long spells of parent joblessness may have consequences for children that extend well beyond the period of living in a family without work. Future income, social class and relative economic success may be adversely affected...long spells without employment often generate tension and conflict in families. There are many studies which suggest that long spells of adult unemployment may lead to poor health, divorce, family violence and social exclusion. All these manifestations of family unemployment can have important effects on child development."

Long-term joblessness among families with children is of particular concern because of its impact on the children in these families. Longitudinal social security data (Pech and McCoull, 1999) show that, between the ages of 16 and 18, young people from income support recipient families are much more likely than other young people to become parents at an early age, leave school early, receive income support and be highly income support reliant themselves. For all of these outcomes but the first, the risk is highest for young people whose parents have received income support continuously for at least two years.

Miller (1997) uses Census Data and Labour Force data to look at the changing burden of unemployment in Australia. Both data sources show that unemployment is becoming more concentrated in families. Using the labour force data Miller finds that, "One in 13 couple families had at least the husband or wife unemployed in 1994. Almost one-quarter of the total unemployment among couple families in 1994 was in

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<sup>1</sup> The improvement in the Irish economy recently suggests that only Britain will now have higher proportions of children in jobless household.

families where both husband and wife were unemployed.” p.17. This compares to less than nine percent of total unemployment in couple families in 1974.

Also found in the study by Miller (1997), ten per cent of couple families whose youngest child is aged between 5 and 9 years have at least one spouse unemployed and 29 per cent of the total unemployment for these families is concentrated in couple families where both partners are unemployed. Twenty one per cent and 25 per cent of all unemployment occurs in jobless families for the Australian born and for immigrants from English speaking countries respectively. Immigrants from non-English speaking countries however, thirty per cent of the burden of unemployment is concentrated in jobless families. “For immigrants from non-English speaking countries, one couple family in every 8 has either the husband or wife unemployed... Moreover, one couple family in every 48 has both the husband and wife unemployed, indicating a considerable degree of concentration of the burden of unemployment”. (Miller, 1997, p.22).

Using the Labour Force Survey, Gregory (1999) shows that over the period 1979-1998 the number of families in which no adult is employed increased by 229,000. The number of families in which two adults are employed increased by 395,000. Seventy per cent of the increase in jobless families occurred over the last ten years whereas 70 per cent of the increase in two income earner families occurred during the 1979-1990 period. Also the entire decline in families with one person working occurred in the first decade. Gregory notes that in the first decade the increase in polarisation was primarily due to the division of employment among families and not by lack of jobs whereas in the second decade it was primarily due to the lack of jobs and the growth of jobless families. In 1998, 18 per cent of dependent children lived in families without a parent employed, an increase from 11 per cent in 1979. About 60 per cent of these families were lone parent families with the remaining 40 per cent couple families. Two thirds of the increase in jobless families over the period 1989 to 1998 originated due to the growth of sole parent families.

Gregory also finds that the majority of jobless families are not in the labour force (both partners not in labour force for couple families). This group accounts for 79 per cent of families without work in 1979 and 71 per cent in 1998. Families with all members not in the labour force have increased since 1992 while the number of families seeking work has declined. Thus the official measure of unemployment is not a good indicator of lack of work among families as most jobless families are not in the labour force. There was an increase of 143,000 families with no adult in the labour force and an increase of 86,000 families where the only member in the labour force was unemployed.

Gregory's study shows that the proportion of couple families where neither partner has work has doubled between 1979 and 1998. Similar to Miller's findings, male joblessness has increased while the growth in female employment has gone to women with an employed partner. Our study seeks to elaborate on these findings and explore the trends and characteristics of jobless households in more depth.

## ***2.1 Poverty and Unemployment***

The incidence of poverty moved from the aged to the unemployed over the period between the early 70's to the mid 90's. King (1997) shows that poverty rates (before housing) for households where the head is unemployed rose from 16.6% in 1972-73 to 74.2% in 1996. Post housing poverty rates rose from 18.7% to 69.4% over the same period. This suggests that if there are a growing number of families where both parent is unemployed, poverty will be a serious problem.

The increase in the generosity of family payments after this period may go some way in reducing this poverty rate in the late 90's. In Australia the proportion of families headed by a sole parent has nearly doubled over the past twenty years and over three quarters of sole parents receive some form of benefit income (McHugh and Millar, 1996). Sole parents in Australia are much more likely to be on low incomes often below or near the poverty line (Perry, 1993) & (King, 1998). With demographic shifts

in the population leading to an increasing share of sole parent households, if joblessness amongst sole parents is also increasing, it is expected that the poor will increasingly be represented in jobless households.

Harding and Szukalska (2000) found a decline in the extent of child poverty between 1982 and 1997-98, mainly due to improvements in the levels of financial assistance provided by government to low income families with children (this included families without work and those on very low wages). However using a different measure – that is income over a year rather than income over a week, Bradbury and Jantti (1998) find an increase in child poverty over a similar period. Thus, depending on which study is accurate, rising joblessness amongst households has either had no impact on child poverty due to increased generosity in welfare payments to the jobless or has contributed to increasing levels of child poverty.

### **3 The Data Base for this Study: The Survey of Income and Housing Costs**

The Australian Income and Housing Costs Survey contains detailed unit record data on the composition of income and housing costs both at the income unit level and at the person level. Demographic characteristics of each person of workforce age in each income unit are recorded such as: age, sex, marital status and country of birth of each person; number of dependent children and age of youngest child, dwelling type and structure, tenure type, current weekly rent paid and current weekly loan repayments of each income unit. Other characteristics recorded include employment status, labour force status, highest educational qualification, weekly hours of work, occupation and industry in main job, duration of unemployment, current weekly earned and unearned income from various sources and annual income from each source in previous financial year. Income sources are detailed and include income from wages and salary, property and interest, social security allowances and pensions, superannuation and other regular sources. The information in the data set allows us to aggregate up to the



household level and thus we can look at the composition of households in detail. Households may comprise a number of income units.

Since 1994 the Income and Housing Costs Survey has been conducted on an annual basis. Prior to this it was conducted at four yearly intervals. At present there are unit record data for the following years: 1982, 1986, 1990, 1994, 1995, 1996 and 1997.

This analysis refers to adults as individuals of working age not in full time study where working age is defined as 15-64 years for males and 15-59 years for females. The age of retirement for females is gradually increasing. However at the time of the data available to us it was 60 years. Households where the head is of retirement age or absent are not included in the analysis. Dependent children are defined as all children less than 15 years plus full-time students under the age of 18 years<sup>2</sup>. Note that all other full time students are excluded from the analysis which may lead to differences in the information presented in this analysis and other published statistics. The resulting weighted population of households for each year are presented in Table 1.

**Table 1: Number of households, 1982 to 1997**

	Total number of households	Total number of households with dependents
1982	4,090,126	2,145,580
1986	4,309,897	2,201,263
1990	4,573,388	2,314,861
1994	4,857,340	2,244,426
1995	4,993,706	2,275,102
1996	4,900,039	2,287,730
1997	5,034,191	2,326,003

<sup>2</sup> Due to limitations in age categories, dependent children in 1982 also included full-time students aged 18-20 years.

## 4 The Incidence and Trends in Jobless Households

Previous studies have shown an increase in the incidence of both unemployed households and jobless households in general in Australia. The following section explores the incidence and trends in jobless households using the various Income and Housing Costs Surveys outlined above. Aggregate incidence of joblessness amongst households is presented, along with a comparison of Australian levels of household joblessness to those in other OECD nations. Following that, demographic characteristics of jobless households are explored to obtain further insight into what is driving the increasing trend in jobless households.

### 4.1 *Aggregate Incidence*

Table 2 shows the aggregate employment rate (the jobless rate can be calculated as one hundred minus the employment rate) and the overall incidence of jobless households from 1982 to 1997. Aggregate employment recovered between 1982 and 1990 after the early 80s recession. Since then it has been broadly unchanged. By contrast, there has been a near continuous growth in the overall incidence of jobless households, from 13.3 per cent in 1982 to 16.3 per cent in 1997. Table 2 also shows the proportions of working age adults and the proportion of children in jobless households. Both of these have also risen over the period, with the proportion of dependent children in jobless households rising at a notably faster rate. The proportion of children in jobless household having risen by 5 percentage points (or nearly 1 ½ times the 1982 share). Labour force data published by the Australian Bureau of Statistics (1999) show that the upward trend in the number of children living in jobless families has continued over recent years with about 860,000 (17.4 per cent) of dependent children living in jobless households in June 1999<sup>3</sup>.

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<sup>3</sup> In the labour force data dependent children are defined as children under 15 plus dependent students aged 15-24.

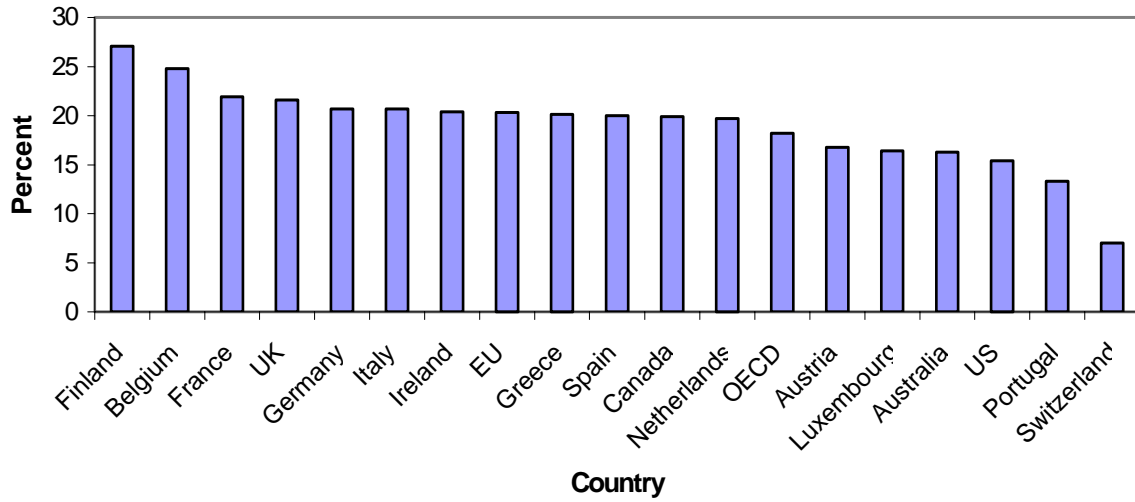
**Table 2: Comparison of employment rates and jobless household rates, 1982 to 1997**

	Employment rate	Jobless households		Working age adults in jobless households		Dependent children in jobless households	
	%	n	%	n	%	N	%
1982	70.14	558,343	12.67	801,352	9.45	432,274	10.11
1986	71.90	641,127	14.88	925,112	10.76	496,474	11.52
1990	74.22	649,466	14.20	948,166	10.49	511,367	11.42
1994	73.06	751,886	15.48	1,112,880	11.79	616,341	14.20
1995	74.30	754,398	15.11	1,068,740	11.18	565,060	12.92
1996	72.79	821,939	16.77	1,161,142	12.27	686,529	15.58
1997	73.69	819,442	16.28	1,165,596	12.11	660,242	15.00

The picture is one of rising individual employment and rising family joblessness. Further, this diverging picture is true for both the 1980s (post-1982) and the 1990s. Indeed the rise of the jobless household is if anything faster after 1990, especially as far as households with children are concerned.

Figures 1 and 2 place Australia in the international context. These draw on the data published by the OECD (OECD, 1998). The OECD estimates of jobless households for Australia in 1996 match ours closely, at 16%. Australia in this data has fewer jobless households than is common in most developed nations but perhaps the most striking feature is just how little variation there is given the wide variations in employment patterns. This commonality disappears however, when households with children are considered. Here Australia, along with other English speaking countries other than the US, has an unusually high incidence of children growing up in households with no adult working.

**Figure 1: Jobless household rate by country (OECD – 1996)**



**Figure 2: Jobless household rate by country for households with children (OECD – 1996)**

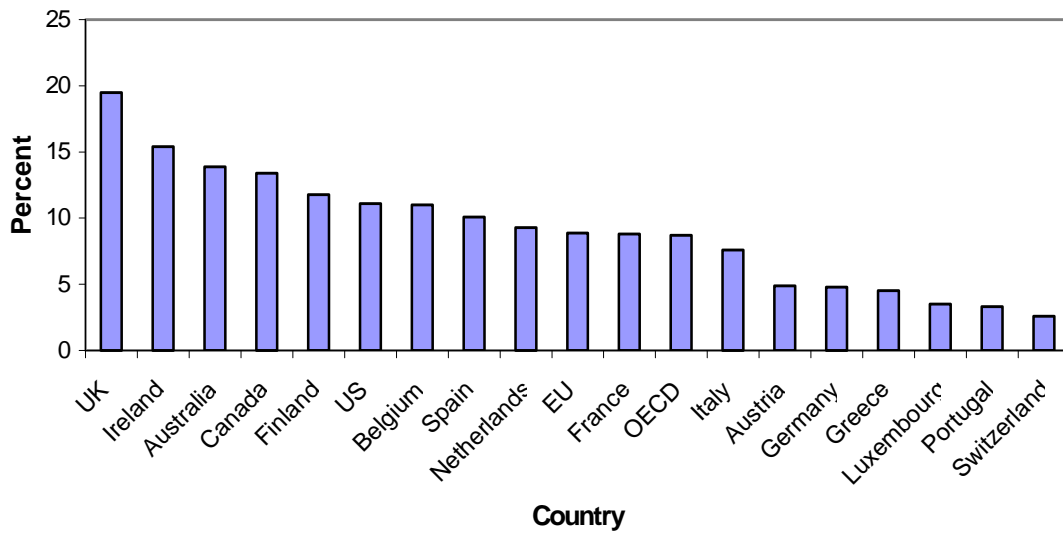


Table 3 outlines the shifting household circumstances of the non-employed population. It presents the population and proportions of those unemployed and not in labour force in jobless households between 1982 and 1997. It shows that the unemployed and inactive are increasingly resident in jobless households over this period. The proportion of the unemployed in households with no other working adult has risen from 42% to 54% in fifteen years. The share of the inactive who live in jobless households has risen from 29% to 44%. These results are consistent with evidence of Miller, discussed above, for the increasing household concentration of unemployment but like Gregory (1999) it suggests that the increasing household concentration of the inactive is even more marked. These developments occur over the 1982-90 period of rising employment and the period of broadly unchanged employment 1990-97.

**Table 3: Numbers of unemployed and not in labour force working age adults in jobless households, 1982 to 1997**

	Unemployed persons in jobless households		NILF persons in jobless households <sup>1</sup>	
	n	%	n	%
1982	194,161	41.56	607,191	29.49
1986	222,502	43.82	702,610	36.28
1990	285,743	46.30	662,423	38.39
1994	315,341	50.75	797,539	41.50
1995	293,943	50.72	774,797	41.28
1996	307,249	50.91	853,893	43.32
1997	303,880	53.92	861,716	43.77

1) Does not include full time students

## **4.2 Incidence by household type**

Table 4 shows the incidence of jobless households by household type. Not surprisingly one adult households are more likely to be jobless with lone parent households at the highest risk. Couple households with children are the least likely to be jobless. However the jobless rate for all these household types increases slightly

after 1990 when employment levels are broadly flat but more dramatically they rose or were flat for all household types when employment was expanding rapidly between 1982 and 1990. “Other” households only comprise a small proportion of the population.

**Table 4: Jobless household rate by household type, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
Persons living alone	24.47	25.82	25.71	25.97	25.98	26.53	26.44
Lone parent household	42.26	49.53	46.66	46.37	45.01	52.16	46.95
Couple no children	14.38	15.81	13.03	13.36	11.89	14.08	13.34
Couple with children	6	5.91	5.97	8.11	6.97	7.44	7.78
Other	6.72	17.71	20.92	6.65	12.45	13.91	12.54

The small rises in joblessness within household types relative to the aggregate suggests there has been a compositional shift among household types. The share of all households with persons living alone rose from 12.6% to 18.1% and likewise the share of lone parent households among all households rose from 5.5% to 8.1%. But couples with children have seen rising household joblessness whilst overall employment rose significantly. This means that the population of jobless households is increasingly made up of single adult households.

Table 5 shows how the proportion of jobless households of different types has evolved through time. Persons living alone represented 24.3 per cent of jobless households in 1982, but this had increased to 29.41 per cent by 1997. Lone parents represented 18.19 per cent of jobless households in 1982. This had increased to 23.26 by 1997. There was a corresponding decline in the proportion of jobless households that were married or de facto couples with and without children (down from 22.25 per cent to 18.23 per cent and 31.39 per cent to 26.61 per cent respectively). Thus the composition of jobless households has changed dramatically over the period 1982 to 1997. In 1982 couples without children were the most highly represented household type in jobless households whereas by 1997 persons living alone comprised the largest grouping. With the growth in lone parent households and the decline in the share of

couples with children, lone parent households have become a much larger proportion of jobless households than couples with children.

**Table 5: Composition of jobless families, 1992 to 1997**

	1982	1986	1990	1994	1995	1996	1997
Persons living alone	24.30	23.52	23.38	28.71	32.34	28.84	29.41
Lone parent household	18.19	20.46	22.6	20.35	21.82	24.54	23.26
Couple no children	31.39	32.79	29.88	28.94	25.27	27.1	26.61
Couple with children	22.25	17.86	18.38	20.65	17.65	17.21	18.23
Other	3.87	5.38	5.76	1.35	2.92	2.32	2.49
Total	518,324	641,127	649,466	751,886	754,398	821,939	819,442

Table 6 presents the jobless household rates by number of dependent children in each household. It is evident from this table that the jobless household rate in households with dependent children have generally increased over the 1982 to 1997 period. Large families (with four or more dependents) seem more likely to be jobless.

**Table 6: Jobless household rate by number of children, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
One dependent	10.39	11.27	12.98	14.8	14.06	16.14	15.74
Two dependents	8.25	9.93	9.84	10.8	12.82	11.96	12
Three dependents	9.57	12.29	10.92	15.82	9.98	15.68	14.56
Four or more dependents	16.58	15.42	15.58	21.84	17.83	26.56	25

### **4.3 Incidence by Characteristics of Head of Household**

#### *Gender*

There is a much higher incidence of joblessness in households whose household head is female. This is, in part, related to the finding above about the high incidence of joblessness in lone parent families, as the large majority of lone parents are female. As

Table 7 shows, however, the incidence of joblessness has grown as much in households with male heads since 1982.

**Table 7: Jobless household rate by gender of household head, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
Male	10.13	11.42	10.67	12.26	11.63	12.68	12.56
Female	30.4	37.58	36.41	34.2	32.75	38.26	35.95

### *Age*

Table 8 presents the jobless household rate by age of head of household. As might be expected households whose head is young are also more likely to be jobless. Furthermore the growth has been particularly dramatic in such households. Over half of all households with a head between 15 and 20 years of age were jobless by 1997, and about a quarter of households with a head aged 21-24. The jobless household rate is also higher when the head of the household is over 55 years. Jobless household rates have been rising across all ages of household head, indicating that early retirement is not a major contributory factor to the rise of jobless households.

**Table 8: Jobless household rate by age of head of household, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
15-20 years <sup>1</sup>	15.4	29.53	28.11	48.55	69.95	42.95	54.1
21-24 years <sup>1</sup>	10.18	18.11	20.23	18.33	14.99	21.79	24.07
25-29 years	9.32	11.9	12.02	11.34	12.22	14.13	15.05
30-34 years	9.32	7.63	8.88	13.27	11.95	15.13	10.97
35-39 years	8.34	10.17	9.27	12.29	12.67	11.4	12.77
40-44 years	7.9	7.6	8.33	7.12	10.55	11.66	12.23
45-49 years	8.77	9.52	8.88	9.33	9.66	13.04	9.31
50-54 years	9.74	13.42	12.21	13.72	15.78	12.99	14.8
55-59 years	19.74	23.86	25.44	26.01	21.68	24.87	23.06
60-64 years	43.17	48.03	41.29	45.31	39.13	44.43	42.79

1) The first age category in 1982 is actually 15-19 years whilst the second is 20 to 24 years.



### *Educational Qualifications*

Table 9 shows that the jobless household rate declines with the level of educational qualification of the head of the household. Not surprisingly households where the head of household has no qualifications have the highest incidence of joblessness. Such households have also experienced the strongest growth in the incidence of joblessness. Tertiary education seems to have a large effect on the incidence of joblessness with households where the head has an undergraduate university degree or higher much less likely than the other households to be jobless. However the rise in the incidence of jobless households is again common to all education groups even if most marked in the shrinking group with no educational qualifications.

**Table 9: Jobless household rate by educational qualification of head of household, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
Bachelor degree or higher	3.98	4.75	3.99	5.72	3.89	5.35	5.94
Diploma	8.20	10.39	11.22	9.55	9.86	9.00	12.47
Vocational	10.88	8.60	9.65	11.12	10.41	13.39	12.63
No Qualifications	16.55	20.84	20.37	22.05	22.50	24.11	22.73

### *State of Residence*

Tables 10 and 11 present aggregate employment rates and jobless household rates by state of residence respectively over the period 1982 to 1997. Typically high employment states (ACT/NT, Western Australia and Victoria) tend to have lower rates of jobless households, however, the jobless household rate has increased over the period 1982 to 1997 in all of the states even though the aggregate jobless rate fell. However in Tasmania, which has seen the slowest employment growth, the rise in jobless households has been exceptionally rapid and vice versa in Western Australia.

**Table 10: Employment rates by state of residence, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
NSW	69.64	70.71	73.91	72.88	75.41	72.71	72.92
Victoria	71.68	73.66	74.70	72.56	74.04	72.36	74.74
Queensland	69.54	69.88	73.83	73.00	73.55	73.08	72.86
South Australia	70.01	70.13	74.75	72.34	72.24	71.03	72.25
Western Australia	71.96	74.47	73.77	74.48	73.96	75.05	76.26
Tasmania	66.16	69.28	70.74	69.59	71.14	67.07	68.03
ACT/NT	75.21	82.41	79.77	81.11	78.74	78.55	80.02

**Table 11: Jobless household rate by state of residence, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
NSW	13.17	16.49	14.26	16.09	14.5	17.85	16.64
Victoria	11.81	12.68	12.92	14.47	13.77	15.14	14.19
Queensland	13.2	14.79	14.63	15.45	17.53	16.81	17.56
South Australia	13.75	17.91	15.53	18.04	17.01	20.63	20.56
Western Australia	11.03	14.06	14.74	14.54	14.42	13.68	13.78
Tasmania	15.21	16.83	18.4	18.92	17.07	21.57	21.75
ACT and NT	10.81	6.6	12.37	9.27	12.96	12.77	12.53

**Table 12: Jobless household rate by year of arrival of head of household, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
NA/Born in Australia	12.53	14.43	13.98	14.82	14.59	16.59	15.14
Arrived before 1976	13.29 <sup>1</sup>	17.66 <sup>4</sup>	15.64 <sup>1</sup>	18.84	18.51	17.97	17.83
Arrived 1976-1980	11.24 <sup>2</sup>	15.52 <sup>5</sup>	13.03 <sup>7</sup>	18.97	19.4	18.33	20.97
Arrived 1981-1985	11.38 <sup>3</sup>	8.07 <sup>6</sup>		12.92	10.21	21.66	14.93
Arrived 1986-1990			12.12 <sup>8</sup>	10.44	15.11	19.46	20.31
Arrived 1991-1995				16.4	10.6	20.1	26.67
Arrived 1996					0	12.34	28.83
Arrived 1997						0	18.02

1) Arrived before 1975

2) Arrived 1975 to 1979

3) Arrived 1980 and later

4) Arrived before 1970

5) Arrived 1970-1979

6) Arrived 1980 and later

7) Arrived 1975-1984

8) Arrived 1985 or later

### *Year of Arrival*

Households where the head is Australian born are less likely than those headed by a migrant to live in jobless households (see Table 12). But there has been a profound change in the relative position of immigrants. In 1982 and 1986 recent arrivals tended to be less likely to be in jobless households. By contrast in later years (1995-97) they are much more likely to be in jobless households.

### *Whether unemployed and for how long*

Jobless household rates by duration of unemployment between the period 1994 and 1997 are presented in Table 13. Not surprisingly households headed by an unemployed person are much more likely to be in a jobless household than other households. In 1997 there was a clear pattern of increasing jobless household rates with unemployment duration length with the longer the duration of unemployment for the head of the household the more likely the household was to be jobless. However for the other years the short-term unemployed were more likely to be in jobless households than the long term unemployed.

**Table 13: Jobless household rates by whether household head unemployed and duration of unemployment, 1994 to 1997<sup>4</sup>**

	1994	1995	1996	1997
Not applicable	11.24	11.46	12.80	12.53
Under 3 months	77.50	68.14	79.79	65.73
3 to 6 months	82.50	76.24	77.65	66.89
6 to 12 months	68.84	82.83	72.20	68.91
12 months to 24 months	75.01	80.59	77.56	78.67
24 months and over	70.04	66.75	79.30	85.41

<sup>4</sup> Data on duration of unemployment are not available in the 1982, 1986 and 1990 surveys.

## 5 Jobless Households and Poverty

Perhaps the most important manifestation of the divergence between the individual and household based pictures of joblessness is poverty. Overall patterns of Australian poverty are presented in Table 14, which shows both pre and post housing poverty rates for the working age population excluding full time students. There has been a moderate increase in measured poverty amongst this population on both measures. This picture of modest rises in poverty also broadly holds for all household types across both measures. Pre and post housing poverty rates for jobless households are presented in Table 15 and Table 16 respectively. Jobless households are, pretty obviously, much more prone to poverty than the general population and show similar moderate increases in poverty rates. Single parents are the exception to this with poverty rates dipping a little. This is due to increased generosity in social security payments, particularly with regards to basic pension rates and family payments.

The last two rows of Tables 15 and 16 show the proportion of the poor (all and just children) living in jobless households has risen moderately over the period. Around 50% of the poor (all and just children) on the pre-housing measure are in jobless households, up from 40% in 1982. On the post-housing measure the rise is from around 35% to 40%. Hence, those in jobless household represent a rising proportion of growing numbers of working age adults and children in poverty.

**Table 14: Pre and post housing poverty rates<sup>5</sup>, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
<i>Pre housing</i>							
Total	14.76	19.09	16.53	19.16	18.70	18.43	18.92
Person living alone	23.04	24.50	23.65	27.60	24.90	23.88	25.28
Single parent	44.21	56.84	54.56	46.72	44.45	49.10	41.90
Couple, no children	8.93	11.46	9.42	13.37	11.50	12.60	13.33
Couple, with children	13.83	17.26	13.77	16.39	17.14	14.87	16.21
Other households	6.48	21.73	16.15	10.27	14.49	12.97	14.21
<i>Post housing</i>							
Total	17.28	21.74	20.37	21.81	21.85	21.88	23.10
Person living alone	26.35	27.01	28.71	30.73	31.77	29.49	32.03
Single parent	46.24	59.08	60.05	57.32	54.55	57.58	53.16
Couple, no children	8.95	12.13	10.32	11.74	11.18	11.48	12.45
Couple, with children	17.49	21.41	19.31	21.06	20.16	19.92	21.74
Other households	10.27	23.96	18.51	13.18	16.47	18.93	21.02

**Table 15: Pre-housing poverty rates in jobless households, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
All jobless households	61.80	63.67	63.83	68.5	63.55	64.25	66.35
Person living alone	69.34	72.08	69.73	72.67	66.50	66.37	71.04
Single parent	83.69	87.47	81.70	78.00	72.56	74.02	70.54
Couple, no children	42.93	39.03	42.49	56.39	50.91	53.57	55.41
Couple, with children	65.41	69.85	70.52	72.26	66.73	67.64	69.67
Other households	43.74	65.99	59.10	38.47	53.82	34.34	64.23
Proportion of poor living in jobless households	42.94	39.38	45.22	47.95	42.53	50.12	48.90
Proportion of poor kids living in jobless households	39.87	37.64	42.77	47.69	39.80	50.44	47.76

<sup>5</sup> Poverty line taken as half mean equivalised disposable income with equivalence scale of 1 for first adult, 0.52 for second and subsequent adults and 0.32 for each child. Post housing income is calculated as disposable income minus housing costs which includes rent, home loan repayments and rates.

**Table 16: Post-housing poverty rates in jobless households, 1982 to 1997**

	1982	1986	1990	1994	1995	1996	1997
All jobless households	59.69	60.43	61.67	63.3	63.56	62.69	64.98
Person living alone	65.67	68.13	68.37	73.52	70.85	72.52	75.11
Single parent	82.32	86.63	83.61	81.98	82.46	80.98	78.6
Couple, no children	36.25	30.97	34.24	37.69	37.54	35.14	37.9
Couple, with children	68.61	73.52	72.63	68.21	65.15	64.53	68.62
Other households	54.54	63.19	55.65	38.47	57.2	55.37	80.68
Proportion of poor living in jobless households	35.83	33.31	35.15	38.04	36.7	40.59	38.92
Proportion of poor kids living in jobless households	34.27	33.23	34.16	38.58	35.41	41.89	39.05

## 6 Possible reasons for rise in jobless households

If the divergence between patterns of individual and household joblessness is largely a social problem stemming from the growth of smaller households, there is less need to look toward the labour market for solutions. If however, joblessness has risen from polarisation of work across households then this suggests that policy makers need to be aware of the reasons why jobs are going disproportionately to households already benefiting from earned income. In this study we find an indication that changes in the demographic structure of the population partially explain the increase in the jobless household rate. While the proportion of single adult and lone parent households has grown, the share of couple households with dependents has declined (see Table 17). Also the share of couple households without dependents has increased. Not surprisingly then, single adult and lone parent households have become an increasing share of jobless households. But the bulk of these shifts have occurred after 1990. Prior to that, jobless households rose despite strong employment growth and only minor changes in family structure. However, we have also shown evidence, to suggest that joblessness within certain household types has increased (see Table 4).

**Table 17: Changing demographic structure of working age population, 1982 to 1997**

	Single adult	Lone parent	Couple, without dependents	Couple, with dependents	Other
1982	12.58	5.45	27.66	47	7.29
1986	13.55	6.14	30.86	44.93	4.52
1990	12.91	6.88	32.57	43.74	3.91
1994	17.12	6.79	33.54	39.41	3.14
1995	18.8	7.32	32.09	38.24	3.55
1996	18.23	7.89	32.28	38.8	2.8
1997	18.11	8.06	32.46	38.14	3.23

There are many reasons put forward to why unemployment, or joblessness in general tends to be concentrated in particular households. Some of these are due to assortative mating, locational factors and the disincentives associated with the interactions of the tax and social security systems.

Assortative mating means that members of couples share similar characteristics such as age and education, and of course neighbourhood of residence. In a study of youth based on 1985 Australian Longitudinal Survey, Miller and Volker (1987), show that the predicted unemployment rate of a married male with an unemployed partner is 33 percentage points higher than for other married groups. This study along with other studies such as Bradbury, Grade and Vipond (1986); Bureau of Economic Research (1986); and King, Bradbury and McHugh (1995) show there is a strong similarity between the labour market status of partners.

The Miller study discussed earlier notes that there is “an apparent relationship between labour market status of married women and that of her husband”, (p.20) and thus suggests the increasing concentration of unemployment in particular families is largely due to changes in the male labour market. He notes that women with husbands working full-time have the highest participation rate whereas where the husband is not

participating the woman's participation rate is much lower. Also, the unemployment rate is greatest among married women whose husbands are unemployed and lowest among women whose husbands are working full-time. The reverse is also true. The unemployment rate is greatest among married men whose wives are unemployed and lowest among men whose wives are working full-time or part-time. In fact, it is shown in this study that the unemployment rate for married men with unemployed spouses increased 66 per cent between 1985 and 1994 (from 20.1% to 33.3%).

This kind of 'assortative mating' indicates that the burden of unemployment or joblessness in general will be concentrated in particular households.

To explore whether there has been any change in assortative mating by age over the period the correlation between the age of head of household and spouse are presented in Table 18. As expected the correlation coefficient is quite high showing that members of couples are generally in the same age bracket. Also, the correlation seems to be stable with a slight fall over the 1982-1997 period suggesting that couples are no more likely to marry individuals of their age bracket in 1997 than they were in 1982.

**Table 18: Correlation between age of head of household and spouse, 1982 to 1997**

	Correlation coefficient
1982	0.9277
1986	0.9176
1990	0.9109
1994	0.9073
1995	0.9074
1996	0.9010
1997	0.9079

While assortative mating by age has remained relatively unchanged over the years, couples were much more likely to marry those with an equivalent educational qualification in 1997 than they were in 1982 (see Table 19). As those with no



educational qualifications are more likely to be out of work, the rise in assortative mating by education is consistent with an increase in the jobless household rate.

**Table 19: Correlation between educational qualification of head of household and spouse, 1982 to 1997**

	Correlation coefficient
1982	0.2085
1986	0.3604
1990	0.3696
1994	0.4020
1995	0.4096
1996	0.4155
1997	0.4065

The association of locational factors with the incidence of joblessness is highlighted in Hunter (1994) and Gregory and Hunter (1995). Here the authors find that there has been an increase in the economic polarisation within our cities with low socio-economic status areas being characterised by job loss and income falls and high socio-economic status areas being characterised by job growth and income rises. Gregory and Hunter (1995) show that within major cities, two job families are congregating together in areas of high socio-economic status, especially in areas where manufacturing workers used to live. On a geographical basis families are polarising into neighbourhoods of double income earner or no income earner families.

The interaction of tax rates and means tested social security benefits leads to high effective marginal tax rates, particular on families with children (stacking of personal and partner means tests on base payment, rent assistance, family payment, withdrawal of non-cash benefits such as health care card) and those with low potential earnings. With fixed costs of employment such as travel to work and child care the design of the welfare system may act as a huge disincentive for the spouse of a non-employed partner to enter into low paid employment. Increased targeting of welfare payments in

the 1980's along with an increasing generosity in payments may be one of the contributing factors to the rising occurrence of the jobless household.

## **7 Conclusions**

Using the Income and Housing Costs Surveys carried out by the Australian Bureau of Statistics between 1982 and 1997 we show that although measures of joblessness based on the individual have been declining in Australia, household measures show a significant increase in the jobless household rate. Joblessness has become concentrated in particular households. The typical household is no longer comprised of a single income earner with the partner performing home duties. Single adult households have grown alongside an increase in the proportion of couple households where either both or neither partner is working. Unemployed and inactive persons are now much more likely to be in jobless households than they were in 1982. Part of this trend can be explained by changes in the demographic structure of the population with an increase in the share of single adult and lone parent families. However, this analysis shows that jobless household rates within certain household types, particularly within couple households with children, have also grown marginally over the years. In a follow up paper we explore more formally the contribution of changes in family structure, aggregate employment and polarisation of work across households.

This paper sheds some light on what parts of society are more likely to find themselves living in jobless households. Largely due to the increase in the proportion of single parent households, we find that jobless households are more likely to be headed by a female. They are also more likely to be headed by someone young or approaching retirement with significant growth in the jobless household rate for households with a young household head. Households headed by persons with no qualifications or born outside of Australia are also more likely to be jobless.

We also show that jobless households are much more prone to poverty than the general population. More significantly the proportion of poor adults and children that are in jobless households has increased, and likewise the proportion of jobless households living in poverty has risen. The one exception to the last point is that among jobless lone parents poverty rates have declined.

Given the growth in the jobless household rate within demographic groups, particularly in couple households with children, at a time of rising individual employment means there must have been a degree of increasing polarisation of employment across households. Such polarisation is likely to be related to labour market developments. Regional factors may be partly to blame with employment growth occurring in pockets of Australian society while individuals in other areas have limited access to employment opportunities and suffer from rising unemployment. Assortative mating may also be a contributing factor with a growing correlation between education levels between couples. As those without qualifications are more likely to be jobless, the overall incidence of jobless families has risen. Finally, the incentives to work faced by families when the structure of the tax and transfer system has been taken into account may cause them to prefer either no partner working or both partners working. With a combination of benefits available to families and high effective marginal tax rates over certain ranges of income, it may not pay for one person in a family to enter the workforce. Government policy aimed at reducing these disincentives to work through increasing assistance to low income working families may help in alleviating the incidence of jobless households, whilst simultaneously reducing working poverty.

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