

**The Socio-Economic Costs of Unemployment in Ireland with
particular reference to the Arigna Mining Community**

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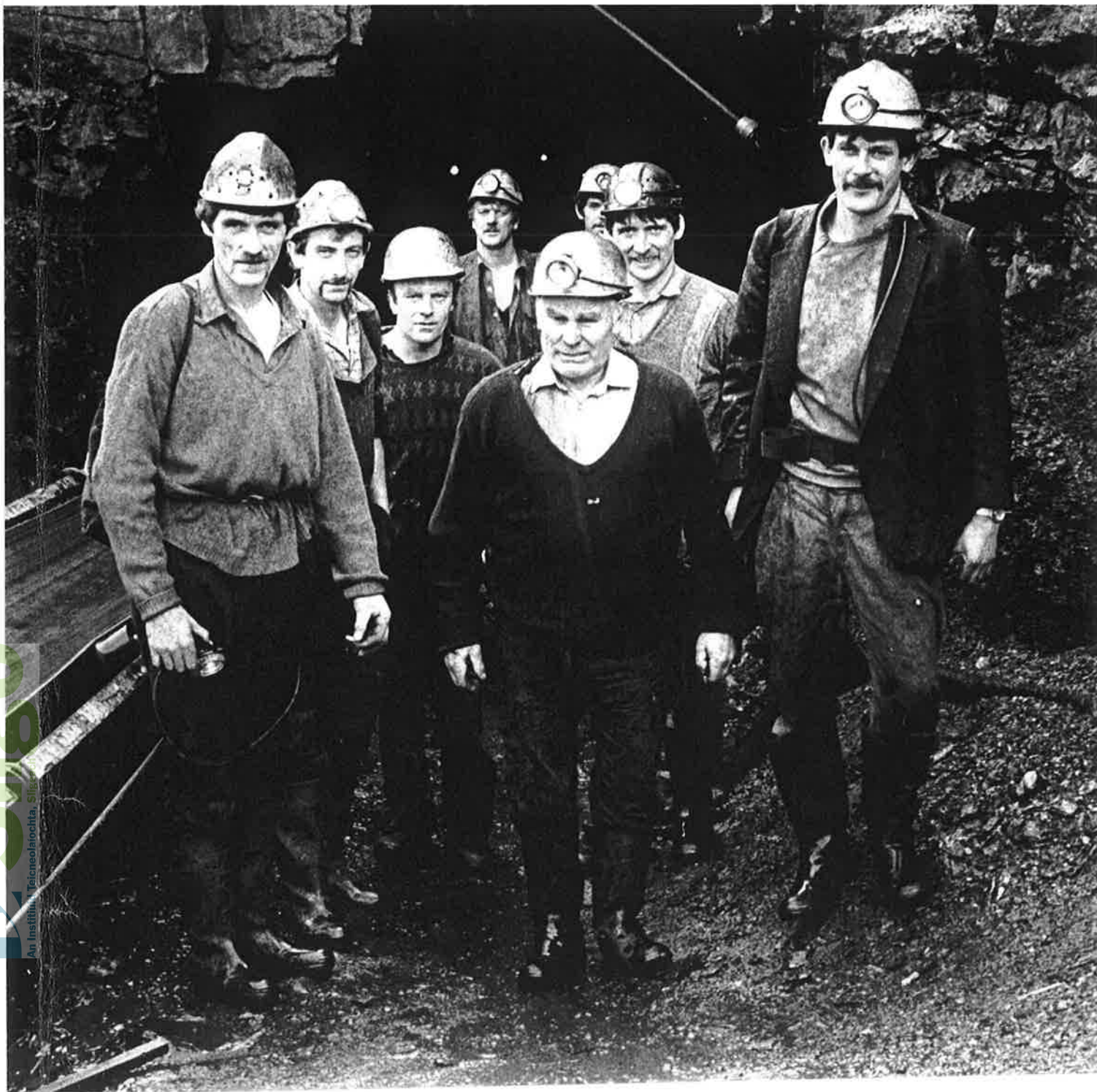
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Dedicated to

The Arigna Miners and their Families



The final days of the Arigna Miners.

“Is there light at the end of the tunnel?”

ABSTRACT

The socio-economic costs of unemployment in Ireland with particular reference to the Arigna mining community.

Denise McMorrow

The objective of this thesis is to investigate the socio-economic costs of unemployment in Ireland.

These are the related social costs of unemployment in terms of poverty, ill health, inadequate education and training. On the economic side, these are the costs to the economy as a whole in lost output, the costs to the exchequer in terms of financing unemployment assistance/benefit, non-payment of taxes, training costs and administration costs of social welfare and training.

The survey population was confined to those made redundant from the Arigna mines. At the time of interviewing; 58% of those made redundant were unemployed while some of the 42% were re-employed in temporary positions.

The unemployed experienced much greater difficulties since the closure in providing for food, clothes, education, household items and family outings.

The closure appeared to have a more substantial and damaging effect on the psychological health of those made redundant who are unemployed, than on those who are re-employed.

Over half of those interviewed took part in re-training, but only 46% felt they had gained a skill as a result.

The cost analysis suggests that in the short run the mines could have continued to operate at no additional cost to the exchequer and considerable savings could have been made in terms of reduced benefits, labour market payments, higher tax receipts and increased output. The question must therefore be asked "should the Arigna mines not have been supported by the state until alternative employment was found for its workforce?"

The scale of Irish unemployment represents a major exchequer cost estimated at £3.3 billion in 1996, while output lost was estimated at £2.3 billion bringing the total economic cost of unemployment to £5.6 billion.

In order to solve the problem of unemployment we need a new vision of Ireland in relation to unemployment; a vision that will create jobs to harness the potential of the unemployed; a vision that will conserve threatened jobs until alternative employment opportunities come on stream.

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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

This chapter will present the rationale for a study on the socio-economic costs of unemployment in Ireland. It will explain the overall objective of the thesis as well as the boundaries of the research. It will also give the reader an overview of the details discussed in each of the chapters in the thesis.

1.1 THESIS RATIONALE

The live register figure for 1996 showed the average number unemployed was 279,233 and estimates suggest that an extra 53,000 other people were participating in labour market programmes. Long-term unemployment is also a major problem. In 1993 the long-term unemployed in Ireland represented 60% of the total unemployed which is a higher proportion than in any other European Union country.

Hastings and Walshe (1995) wrote an article entitled: “£2 billion jobless toll”, this article inspired the author to investigate not only the exchequer/economic costs, but also the social costs of unemployment. It referred to a new report by the Government Task Force on long-term unemployment which estimated that the direct costs attributable to Irish unemployment in 1993 were in the region of £2.16 billion or about 7pc of the Gross Domestic Product and that the indirect costs were difficult to quantify but were likely to be multiples of this figure.

After carrying out a literature review on the socio-economic costs of unemployment in Ireland, there appeared to be little existing empirical data available in this area. When speaking about the socio-economic costs of unemployment in Ireland, Breen (1988, pp. 8) highlighted the need for more research on the costs of unemployment:

“On the non-economic side, there are the costs of unemployment in terms of health, marital stability and crime, and, on the economic side, the costs to the economy as a whole in lost output, the costs to the Exchequer, and the costs to the individuals who are unemployed. Essentially the author will review the existing literature. Ideally, the author would have liked to review Irish research on these issues, but this is relatively scant.”

Piachaud (1994) when referring to the high costs associated with unemployment in Britain highlighted costs across seven distinct but inter-related headings: poverty, health, family relationships, crime, racism, creation of an ‘underclass’ and economic costs. While addressing Piachaud’s work the Office of the Tánaiste (1995, pp. 39) emphasised the significance of researching the social costs of unemployment in Ireland:

“With the exception of exchequer and economic costs, little or no work has been done in Ireland to value these dis-benefits/costs of unemployment.”

This research aims to address in some part the lack of tangible empirical data on the socio-economic costs of unemployment in Ireland.

1.2 OBJECTIVES OF RESEARCH

The objective of this thesis is to investigate the socio-economic costs of unemployment in the West of Ireland. It is difficult to quantify the cost that unemployment in Ireland imposes on individuals, the exchequer and on society as a whole. This research gives an indication of some of the costs from a social and

economic perspective as well as the costs to the exchequer. The benefit of preserving employment or implementing job creation policies to re-employ those made redundant, are balanced against the social and economic costs of unemployment.

1.3 THESIS BOUNDARIES

The costs of unemployment discussed in this thesis, are the major costs of unemployment which were highlighted in the literature review. On the non-economic side, these are the related costs of unemployment in terms of poverty, ill health, inadequate education, and inadequate training. On the economic side, these are the costs to the economy as a whole in lost output, the costs to the exchequer in terms of financing unemployment assistance/benefit, non-payment of taxes, training costs and administration costs of social welfare and training. Other related social costs of unemployment such as drug abuse and increased crime will not be addressed in this thesis.

Due to time constraints, the survey population was confined to the West of Ireland. Every effort was made to find a sample from a population which was made redundant from what was once a thriving industry. As it turned out all of those interviewed were made redundant from the Arigna mines.

1.4 THESIS OVERVIEW

Chapter 2 concentrates on the research methodology and describes in detail the background to the closure of the Arigna mines. It describes the rationale behind selecting the miners as a representative sample for gathering data for the research. The chapter also highlights the advantages of using a questionnaire and personal interviews

to gather the information needed. It describes how the questionnaire was developed and administered. It discusses how the sample was selected, the response rate and the analysis of the information gathered in the questionnaire.

Chapter 3 investigates the relationship between unemployment and poverty. In order to fully understand the meaning of poverty, the chapter begins with an examination of the literature in an attempt to define poverty. An investigation of the link between unemployment and poverty is made in order to establish if an association exists between poverty and unemployment. The results from this research are discussed and a comparison is made between the negative effects of unemployment and poverty on the lives of the current unemployed and the current re-employed, before and after the closure. The importance of tackling poverty is highlighted and the most recent attempt to eradicate it, is also discussed. Finally, based on academic research and on the author's own empirical findings, a conclusion will be drawn about the unemployment and poverty relationship.

The objective of Chapter 4 is to examine the relationship that exists between ill health and unemployment. The chapter begins by outlining the importance of work to an individual's health. An examination of the relationship between unemployment and ill health will be made, paying particular attention to the psychological impact of unemployment on health. The author will focus upon her own empirical findings which have found an association between unemployment and ill health. Finally, the author will draw conclusions about the unemployment and ill health relationship.

The objective of Chapter 5 is to investigate the related social costs of inadequate education, inadequate training and the resultant unemployment. It also addresses the issue of job search and the difficulties encountered by those interviewed in re-gaining employment. Finally, conclusions will be drawn about the significance of education and training within a policy of job creation, as important areas for intervention in improving the plight of the unemployed.

Chapter 6 examines the exchequer and economic costs of unemployment resulting from the Arigna mines' closure as well as the exchequer and economic costs of unemployment in Ireland. Deficiencies in the quality and nature of information available to decision makers has according to the author contributed to the problem of unemployment in Ireland and elsewhere.

Chapter 7 sets out with the aim of putting unemployment at the top of the Irish political agenda. The chapter highlights the unemployment statistics, identifies the causes of such high rates of unemployment and proposes solutions to Ireland's unemployment problem.

Finally in Chapter 8 the author draws together findings from the research and discusses their implications for government policy.

CHAPTER 2

RESEARCH METHODOLOGY

2.0 INTRODUCTION

A research project into the socio-economic costs of unemployment was the ideal choice for post-graduate research due not only to the need for more empirical data on the social costs of unemployment, but also because of the enormous exchequer/economic costs of unemployment in Ireland. It was felt that Irish society cannot afford to accept high unemployment figures as a 'fait accompli', and that costs of unemployment needed to be highlighted in order to put the unemployment issue at the top of the Irish political agenda.

This chapter will concentrate on the following areas:

- How the research started off
- Background to the closure of the mines
- Designing the questionnaire
- Administering the questionnaire
- Selection of the sample
 - Responses Rate
 - Analysis of the information received using contingency tables
- Limitations of the research

2.1 STARTING THE RESEARCH

The research started off with an intense study of any available data on the costs of unemployment both social and economic. The search for good quality secondary data was an imperative part of the research in order to determine social and economic costs of unemployment that needed to be highlighted in Ireland.

Unfortunately, as already stated there was little Irish research available and so in many instances references came from English, American and Spanish authors.

Amongst the sources from which the author received information, advice and guidance were the following: Libraries - CD ROM (this proved especially useful), the Internet, Newspapers, and many Government Departments including the Department of Social Welfare, the Revenue Commissioners, the Central Statistics Office, the Department of Enterprise and Employment, Fás, Developing the West, Arigna Community Development Company, County Councils and many others.

After completion of the literature review questions and hypotheses were formulated in order to determine the social and economic costs of unemployment that need to be highlighted in Ireland.

Towards the end of the first year of the research project, the author was struck by an article in the Irish Independent (April, 1996) which stated: 'Ex-mine village tops the jobless.' Arigna which is on the Leitrim/Roscommon border was according to the article: 'the country's unemployment blackspot with an unemployment rate of 63.6 per cent.' Coal had been mined for over 100 years in Arigna.

Before the mines closed in 1990, 95% of the coal from the Arigna mines had been supplied to the nearby power station which subsequently closed.

After carrying out some research into the closure, it was found that there were some bitter ironies associated with the closure of the mines and the subsequent closure of the power station.

“The Arigna power station was rated the fifth most efficient in the Electricity Supply Board (ESB) network in 1989, four places ahead of mighty Moneypoint. The miners were paid off when the good quality top seam coal in the mines ran out, but left behind untouched in the hills all around,, were vast deposits of lower grade fossil fuel known as crow coal. The crow coal could have been used to fire the power station if only the government and the ESB had shown some imagination by making the necessary technical changes. But this never happened and Arigna effectively was written off.” Finlan (1995).

2.2 BACKGROUND TO THE CLOSURE OF THE MINES¹

Coal mining activities were established in the Arigna Area in 1890. Arigna Collieries Ltd., was incorporated in 1934, and other family owned companies were established later. They were the only privately owned coal mining companies in Europe. Initially, coal from the Arigna Mines was sold on the commercial market and to a number of semi-state bodies. Following a Government decision in the late 1950's an ESB Coal Fired 15 MW Power Station² for the generation of electricity was established close to the Mining area at Arigna. In the late 1970's thought was given to the construction of a new 45 MW Power Station with an estimated cost of £90 m. This would allow the Power Station at Arigna, through the use of a “Fluidised Bed” system of combustion, to use low grade coals from the Arigna

¹ Information received from the Arigna Task Force (July, 1990). Report for the Minister for Energy.

² This station had a projected life span of 25 years.

Collieries. However, due to a number of economic factors including a fall in world market prices for oil, etc., a Government decision was taken to defer construction of the proposed new Power Station. In the early 1980's there were indications that the volume of high grade coals suitable for the existing Power Station at Arigna were in decline and consideration was given to closing the Power Station at that time, under National proposals set out in the ESB's Strategic Plan 1983-1988. However, the government decided on the 30th May, 1984 that electricity generation at the Coal Fired Arigna Power Station should continue in operation as long as no major investment became necessary at the Generating Plant and suitable coal continued to be available from local sources at economic rates. The benefits accruing from coal mining in the area were enormous; 214 people were employed in the mines. Indications from the coal mining firms alone showed that the total wages paid to workers amounted to £2,271,000 in 1989. In addition the State had direct benefit as follows: - £1,213,500 between PAYE/PRSI and Net Vat. Over 95% of all coal production from the mines was supplied to the ESB Power Station at Arigna. This amounted to a total income of £4 million per annum to the Arigna Area for coal supplies, Arigna Task Force (1990).

On the 31st October, 1989 the ESB announced publicly that they proposed to close the Arigna Station in about two years, because it was uneconomical and local supplies of acceptable coal were at a the point of exhaustion. It also announced that it would cease acceptance of supplies of local coal in April 1990.

It subsequently agreed that it would extend this date by three months. And, so effectively the closure took place in July, 1990.

At the time of the closure, Esso (through Imperial Oil) operated an open pit operation in south-eastern British Columbia where the coal exceeded 40 metres in thickness. It had also opened a large new mine in Colombia. In both areas production tended to average 25 to 30 tonnes per man shift, as compared with 1 to 1.5 tonnes per man shift in the Arigna area. This had continued to force down thermal coal prices - such that clean thermal coal from overseas could be landed in Arigna for one third of the price currently being paid for local coal. Electricity from the Arigna plant was sold for 7.3d (3.042p) per kilowatt hour while it cost 7.4d (3.083p) per kw/hr, Newmarch (1989).

In July, 1990 the mines closed with the displacement of 214 workers. The Government and the ESB were criticised by the workers for closing down the mines and the Power Station. One main objection to the closure expressed by the workers, was the following:

“But the coal in Arigna can be burnt economically and moreover, it has been found that there is a ready market for the particular coal ash of the area in the cement industry. But all this is of little concern to our Government and the E.S.B. whose policy for the 90’s seems to be ‘buy Irish but not Irish coal.’ It matters nothing that the country will be held up to ransom by having to depend on outside generosity for its power needs and less that an entire rural area in the West must die.” Leitrim Observer (Jan, 1990).

It was decided that the mine workers would be a representative sample to carry out empirical research on the socio-economic costs of unemployment in Ireland for the following reasons:

- (1). Arigna where a large proportion of the miners resided had the highest rate for unemployment in Ireland, Irish Independent (4/1996).
- (2). Comparisons could be made about the effects of the closure on the lives of those who remained unemployed and those who were re-employed, with the hope of further highlighting the significance of jobs to the individuals concerned.
- (3). Examination of the costs associated with a company closure e.g. lost taxes, social welfare payments, training, secondary benefits and lost output was possible and could be balanced against the benefit of preserving existing employment or implementing job creation policies to re-employ those made redundant from folding industries.
- (4). Based on Irish empirical data, conclusions could be drawn from a social and economic perspective to determine whether or not it costs more to have someone unemployed, than to conserve threatened jobs until alternative employment opportunities come on stream.

2.3 DESIGNING THE QUESTIONNAIRE

From the literature on research methods it was decided that a questionnaire would be the most suitable method of collecting the information.

(See Frankfort-Nachmias & Nachmias 1992, pp. 267, also Bright 1991, pp. 49-56).

2.4 ADMINISTERING THE QUESTIONNAIRE

Due to the time constraints a cross sectional study of the interviewee seemed the most appropriate method for collecting the data. Interviewing a respondent in person is the traditional and still the most common method of collecting market research data, Hague (1993, pp. 23).

Among the advantages of personal interviews pointed out by Hague (1993, pp. 23-27) were *better explanations* due to less restrictions on time.

Depth, as it is easier to maintain the interest of a respondent for a longer period of time if the interview is face-to-face. *Co-operation* tends to be better at a personal interview. Finally *greater accuracy*, in a face-to-face interview as the respondent has more time to reflect and consider.

Among the other advantages of personal interviews cited by Frankfort-Nachmias & Nachmias (1992, pp. 227-228) included: *Flexibility*. The interview allows great flexibility in the questioning process, and the greater the flexibility, the less structured the interview. *Control* of the interview situation. An interviewer can ensure that the respondents answer the

questions in the appropriate sequence or that they answer certain questions before they are asked subsequent questions. Moreover, in an interview situation, it is possible to standardize the environment in order to ensure that the interview is conducted in private; thus respondents would not have the opportunity to consult one another before giving their answers.

High response rate. The personal interview results in a higher response rate than the mail questionnaire. *Collection of supplementary information.* An interviewer can collect supplementary information about respondents. This may include background information about the respondents' personal characteristics and their environment that can aid the researcher in the interpretation of the results.

However, Hague (1995, pp. 25-27) also pointed out some disadvantages of personal interviews such as increased *organisation*. Face-to-face interviews are difficult to organise compared with those undertaken from a central location by phone. The *cost* of face-to-face consumer interviews varies considerably between those carried out in the street and those in the home.

Time, face-to-face interviews take longer to carry out because there is more administration required and, apart from street interviews, less can be done in a day.

Frankfort-Nachmias & Nachmias (1992, pp. 228-229) also highlighted some of the disadvantages associated with personal interviews which

included: *Interview bias*. The very flexibility that is the interview's chief advantage leaves room for the interviewer's personal influence and bias. A semi-structured interview seemed the most appropriate type, Hague (1993, pp. 41-42). In these interviews a questionnaire is still used but there are many open-ended questions and the interviewer has more scope to administer it in a way that suits the respondent.

After due consideration it was felt that the advantages associated with personal interviews largely outweighed the disadvantages, and so, it was decided that a cross sectional study using semi-structured questionnaires and personal interviews would be the most appropriate way to gather the information. Among the questions asked were questions in relation to demographics, health, poverty, education, re-training and re-employment as well as income received while in the mines, current social welfare receipts and secondary benefits (see Appendix A, pages i-xv for a copy of the questionnaire).

2.5 SELECTION OF THE SAMPLE

2.5.1 Simple Random Sampling

The method of selection of the sample used can be identified as ‘simple random sampling’(see Bright (1991, pp. 42) for further details on sampling methods).

Contact was made with the largest mine owner, SIPTU, the local County Councillor and the local priests, in order to discuss the nature of the research and if possible to find names of those made redundant from the mine and the Power Station (see Appendix A, pages xvi-xxii for copies of letters sent). The largest mine owner was unable to furnish a list of those made redundant, but SIPTU allowed an examination of their records to obtain a list of the miners. The author subsequently decided to concentrate on the ex-miners only and not the Power Station workers. A list was compiled of 106 workers who were made redundant from the mines. An announcement was made in the local churches (see Appendix A, pp. xxiii). This was followed by a letter which was sent to each person on the list to inform them of the purpose of the research and to stress that any information received would be treated with the strictest confidence (see Appendix A, pp. xxv). A joint letter signed by the local priest and the county councillor in order to inform the interviewees of the proposed research and of it’s significance was enclosed with the letter of introduction (see Appendix B, pp. xxiii-xxiv). After completion of a pilot survey, adjustments were made to the original questionnaire. The letters

sent to the miners were then followed up by telephone calls to arrange dates and times for the interviews to take place. Where the respondent did not have a telephone, personal visits were made to the respondents' homes to arrange appropriate times for the interviews to take place. All interviews were conducted through personal visits by the author. The bulk of the interviewing took place between November 1996 and January 1997. On completion of the study a letter will be sent to each participant of the survey to thank them for their co-operation and to re-assure them that they will remain anonymous at all times.

2.5.2 Response Rate

The total sample selected consisted of 106 households. Of these, 17 had left before the closure, 11 could not be contacted and 3 people refused to co-operate. There were 81 people interviewed, but of the 81 people interviewed, 10 were not used because during the course of the interview, it was discovered that they had left the mines before the closure. An "effective sample" of 71 people was used for analysis. In order to allow comparisons to be made about the effect of the closure on the unemployed and the re-employed groups, 67 of the 71 people (4 were pensioners) became a representative sample for the analysis of the social section of the thesis. It was found that 39 (58%) people were unemployed while some of the remaining 28 (42%) were re-employed in part-time and temporary positions (see Appendix C, pp. (i)).

2.5.3 Analysis of information received using Contingency Tables

The statistical package Minitab was used for the analysis of the social section of the questionnaire. All quantitative answers to the questions had to be coded, and after running the various tests the results were interpreted. Hypotheses were tested with regard to poverty, health, education, re-training and re-employment. Contingency tables were used for the hypothesis testing. An example of an hypothesis is given below. For instance if we want to test whether or not respondents think their health has declined as a result of their employment status. The following would be the Hypotheses:

Null hypothesis (Ho) The two variables under consideration are independent. Variable 1 (Decline in Health) is independent of Variable 2 (Employment Status)

Alternative hypothesis (H1) The two variables are not independent. i.e. Decline in health is dependent on employment status.

We accept the Null Hypothesis (Ho) if the P-Value is > 0.05 . However, we reject the Null Hypothesis (Ho) and accept the Alternative Hypothesis (H1) if the P-Value ≤ 0.05 . See Freund (1981, pp. 320-325) for a fuller explanation of the contingency tables.

Using Minitab to analyse the questionnaire also allowed frequencies to be drawn up to give a clearer picture of the data. The exchequer section was analysed manually, e.g. average wages received while in the mine, social

welfare costs. On a larger scale conclusions were also drawn about the exchequer/economic costs of unemployment in Ireland, this was also done manually.

2.6 LIMITATIONS OF THE RESEARCH

In order to complete the research within a reasonable deadline, time became an important factor. The sample was restricted to employees made redundant from the same industry. The analysis of the questionnaires was painstaking due to the depth of the questions and the answers. Only those areas from the questionnaire, which were considered the most important were included in the report.

CHAPTER 3

UNEMPLOYMENT AND POVERTY

“The poor man’s wisdom is despised, and his words are not heard”.

Ecclesiastics 9:16

3.0 INTRODUCTION

The objective of this chapter is to examine the relationship between unemployment, poverty and poorer living standards. In order to fully understand what poverty means the chapter begins with an examination of the literature in an attempt to define poverty. An investigation of the link between unemployment and poverty is made to establish if a association exists between poorer living standards and unemployment. The results from the research are discussed - a comparison is made between the negative effects of unemployment on the living standards of the current unemployed and the current re-employed before and after the closure. The importance of tackling poverty is highlighted and the most recent attempt to eradicate it, is discussed. Finally, based on academic research and on the empirical findings a conclusion will be drawn about the unemployment and poverty relationship.

3.1 DEFINITION OF POVERTY

One approach that is frequently used in attempting to define poverty, is to distinguish between absolute and relative poverty, Brown (1977, pp. 21-27). Many people who live in Third World countries experience “absolute poverty” they live in impoverished conditions, are poorly clothed, have inadequate health care and education facilities, they live short lives and may even die at infancy or in early childhood from starvation or other deprivation-related diseases.

Relative poverty on the other hand, refers to a state of human suffering which results from the inability of a person or group of persons to meet the needs that other people in society have come to take for granted, Brown (1977, pp. 22).

Callan et al., (1989, pp. 3) when writing about poverty in Ireland, stated:

“In a society at Ireland’s stage of development, being able to ‘keep body and soul together’ - avoid starvation, or have a roof over one’s head - is not enough to avoid being in poverty.”

In a later publication, Nolan and Callan (1994, pp. 5) commented that:

“Poverty is taken to be a social construct, in the sense that it refers to the failure to meet minimum social needs as they are seen in a particular society at a particular time.”

In Ireland, most people live in sheltered accommodation, they have an efficient supply of the basic necessities of human life, such as food, safe drinking water, clothing, housing and health care. But this does not mean that there is no poverty here. Due to lack of resources a person can be barred from participating in the life of his/her community. Poverty in this sense is seen in the context of standards in a particular society being examined, this is what is often referred to as “relative poverty”. When authors speak of relative poverty they frequently quote Peter Townsend (1979, pp. 31):

“Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged, or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.”

Townsend's definition of relative poverty underlies much of the research on poverty. The European Community (EC) for example in framing its anti-poverty programmes adopted such an approach. In 1975, the EC Council of Ministers defined the poor as:

"Those individuals or families whose resources are so small as to exclude them for the minimum acceptable way of life in the member state of which they live, and who lack the resources of goods, cash income, plus services without which a person is excluded from society." Dennet et al (1982, pp. 29-30).

In December 1984 the EC Council of Ministers in deciding on specific community action to combat poverty, established the poor as:

"Persons, families and groups of persons whose resources, material, cultural and social are so limited as to exclude them from the minimum acceptable way of life in the member states in which they live." Combat Poverty Agency (1988, pp. 5).

Relative poverty is referred to in a frequently quoted passage from Adam Smith's ¹ (1776) 'The Wealth of Nation', where he spoke of "necessaries" as including *"not only the commodities which are indispensably necessary for the support of life, but what ever the custom of the country renders it indecent for creditable people, even the lowest order, to be without."*

As Sen (1982) has emphasised, it is with the notion of shame that the cost of the concept of poverty is to be found: the absence of resources puts people in a situation where they face a constant struggle to live with dignity in their society.

¹ First published in 1776.

One of the most recent definitions of poverty in Ireland is that of the National Anti-Poverty Strategy, Office of the Tánaiste (1996, pp. 15), here poverty is defined as:

“People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society.”

The Director of the Combat Poverty Agency, Frazer (1994, pp. 4) defined Poverty in Ireland as follows:

“Poverty in Ireland is about being excluded and marginalised from the general standard of living and way of life that is the norm. People are living in poverty if their income and resources are so inadequate as to preclude them from enjoying a lifestyle which would be regarded as acceptable by society generally. It is caused by economic and social inequality.”

Maher (1989, pp. 66) spelt out the difference between poverty today in Ireland and poverty of former times:

“We are not confronted with scenes of hunger and deprivation on a scale which epitomises many of the less developed countries of the world, but rather by a poverty that excludes people from the ordinary living standards and way of life common to, and enjoyed by the great majority of Irish people. There are still some enclaves of absolute poverty in this country, but they tend for the most part to be restricted to particular and identifiable disadvantaged groups such as Travellers and the Homeless. The relative poverty, a problem of inequality in society which intensifies as the income gap between the ‘haves’ and ‘have-nots’ increases.”

Near the end of the nineteenth century a major contribution to the definition and measurement of poverty was made by a Liverpool businessman,

Charles Booth (1978, pp. 3) who distinguished between the 'poor' and the 'very poor' as follows:

"The 'poor' are those whose means may be sufficient, but are barely sufficient for decent independent life, the 'very poor' are those whose means are insufficient for this according to the usual standard of life in this country. My 'poor' may be described as living under a struggle to obtain the necessaries of life and make both ends meet while the 'very poor' live in a state of chronic want."

Piachaud (1987, pp. 148) was referring to relative poverty when he stated that

"close to subsistence level there is indeed some absolute minimum necessary for survival apart from this, any poverty standard must reflect prevailing social standards: it must be a relative standard."

Muzaale (1987, pp. 77) defined poverty as a:

"Multi-dimensional concept that denotes a universally undesirable human condition (describing) varying kinds and degrees of human deprivation in society."

Donnison (1982, pp. 7) argues that the concept of minimum standards is what most people have in mind today when they talk about poverty and the poor. He suggests that:

"Poverty means a standard of living so low that it excludes people from the community in which they live."

Evidence has shown that the majority of authors agree that poverty is to be seen in the context of the standards of the particular society being examined, it is in that sense relative.

3.2 POVERTY IN IRELAND, THE UNEMPLOYMENT-POVERTY

RELATIONSHIP

From a religious perspective, Pope John Paul II ² in the encyclical *Laborem Exercens* (1981) states that unemployment ‘in all cases is an evil’. Unemployment, in particular long-term joblessness is now the dominant influence on poverty in Ireland. Chronic unemployment, has hit Arigna harder than most communities, as well as absolute lack of money, poverty and unemployment involves isolation, powerlessness and exclusion from participation in the normal activities of society because of inadequate income and resources. The unemployed lead restricted lives, they experience isolation, pain and anxiety in a constant struggle to survive and make ends meet. Evidence in the next chapter will confirm that unemployment also brings with it depression, fatigue and despair. Furthermore, it can drain the confidence out of an entire region and it’s people who are weary of the constant battle to find work.

Conference of Religious of Ireland, CORI (1994, pp. 16) has documented the effect of unemployment and poverty on the individuals concerned:

“People who are poor lack resources to provide even the basic necessities to live life with dignity.”

Kennedy (1993, pp. 14) comments:

“As regards the unemployed, empirical studies show that, contrary to the view sometimes expressed, the majority of the unemployed incur a severe reduction in disposable income vis-à-vis earnings from previous employment.”

² As quoted in Kennedy (1993).

A recent picture of poverty in the 1990s has been revealed with the publication of data from a new source; the 1994 Living in Ireland Survey. An extensive body of research on poverty has likewise been produced using the household survey carried out in 1987 by the Economic and Social Research Institute (ESRI). The extent of poverty and the risk and incidence of poverty for different types of households, and how this has changed since 1987, was examined. The ESRI Living in Ireland Household survey (1994) also identified the extent of long-term poverty. Nine per cent of households were living on 50% of the national average income and experiencing basic deprivation. Fifteen per cent of households were living on 60% of the national average income and experiencing basic deprivation.

It was also found that the largest majority of those living in poverty are households headed by an unemployed person. Callan et al., (1996, pp. 124-125) have documented the findings of the Living in Ireland Survey 1994 as follows:

“Between 1987 and 1994, average household income (adjusted to take differences in household size and composition into account) rose by about 50 per cent. With consumer prices rising about 21 per cent over the same period, this represents a substantial increase in real terms. The poverty line set at half average income in 1994 is about £63 per week for a single person. Alternative lines set at 40 per cent and 60 per cent of the average are about £50 and £75 respectively. Compared with 1987, the proportion of people below the 50 per cent, and even more so the 60 per cent line, increased by 1994, though the percentage below the 40 per cent relative line fell or was stable. With the highest, 60 per cent line, the poverty rate is three to four percentage point higher in 1994 than in 1987. ...With the 50 per cent relative income line, about one-third of poor households in 1994 are headed by an unemployed person, with the second-largest group being those headed by someone in home duties.”

Table 1 below shows the composition of the household below the 50 per cent relative income line in 1994, and of the entire sample, together with the corresponding figures for 1987, 1980 and 1973. This shows that in 1987 and in 1994, households with an unemployed head make up the largest single group.

Table 1 Composition of Households Under the 50 Per cent Relative Poverty Line by Labour Force Status of Head of Household, 1973-94.

| Labour Force Status of Head | % of All Households Below Line ^a | | | | % of All Households in Sample | | | |
|----------------------------------|---|-------|-------|-------|-------------------------------|-------|-------|-------|
| | 1973 | 1980 | 1987 | 1994 | 1973 | 1980 | 1987 | 1994 |
| | HBS | HBS | HBS | LII | HBS | HBS | HBS | ESRI |
| Employee | 9.0 | 10.3 | 8.2 | 6.2 | 42.4 | 47.1 | 38.6 | 37.5 |
| Self-employed (excl. farmers) | 3.6 | 3.5 | 4.8 | 6.7 | 6.5 | 6.8 | 7.5 | 8.5 |
| Farmer | 26.0 | 25.9 | 23.7 | 8.9 | 22.4 | 16.1 | 11.7 | 8.1 |
| Unemployed | 9.6 | 14.7 | 37.4 | 32.6 | 2.9 | 3.9 | 10.6 | 10.2 |
| Ill/Disabled | 10.2 | 9.3 | 11.1 | 9.5 | 4.5 | 3.3 | 6.0 | 4.0 |
| Retired | 17.0 | 18.9 | 8.1 | 10.5 | 10.6 | 13.7 | 14.5 | 18.3 |
| Home Duties | 24.6 | 17.4 | 6.7 | 25.5 | 10.7 | 9.1 | 11.1 | 13.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Callan et al., (1996, pp. 95).

^a Equivalence scale 1/0.66/0.33.

Callan et al., (1989, pp. 102 - pp. 103) indicated that clearly a critical factor in shaping the changes in the composition of low-income households was the increase in unemployment, particularly between 1980 and 1987. The overall unemployment rate rose from 8 per cent to 18.5 per cent between these years. Within this unemployed population, there was also an increase in the incidence of long-term unemployment: the proportion of the unemployed out of work for more than a year rose from 34 per cent to 45 per cent. This is reflected in the increased incidence of households headed by an unemployed person towards the bottom of the income distribution.

Kennedy (1993, pp. 14) when referring to the findings of Callan et al., (1989) said that they:

“have major implications for poverty policy: if one really wants to tackle poverty, then reducing unemployment should be the first priority. The adverse consequences for the unemployed are not confined to financial deprivation: the unemployed are also more vulnerable to social and psychological problems.”

The relationship between unemployment and psychological problems will be discussed in full in Chapter 4.

3.2.1 The Relationship between Poverty and the Length of Unemployment

Nolan et al (1994, (1) pp. 82), focused on the combined income/deprivation criterion and the duration of inactivity experienced by a sample to determine poverty levels at varying lengths of unemployment. It is shown that the relationship between unemployment experience and current risk of poverty is strong. The risk of being in a household below relative income poverty lines, or poor in terms of combined income

plus deprivation criteria, rises sharply as the extent of unemployment in the previous year increased. They found that only 4 per cent of current employees are in households below the 60 per cent line and experiencing basic deprivation, however, about twice as many of the current employees with some unemployment are in such households. The figure now rises steadily from 8 per cent of those employees with some unemployment to 23 per cent of the unemployed with 26 weeks or less unemployment, 33 per cent of these with 27-51 weeks, to 47 per cent of the “fully unemployed”. Thus the more unemployment experienced in the previous year, the higher the risk of current basic deprivation due to lack of resources. Almost two-thirds of those who were unemployed all year were in households below the 60 per cent relative income line, and almost half were also experiencing basic deprivation. This highlights the increased risk of poverty as the length of unemployment increases (see Table 2 overleaf).

Table 2 Those Experiencing/Not Experiencing Unemployment in Previous Year:
Poverty Status of Household.

| % in Households Below | Employee No Unemployment | Employee Some Unemployment | Unemployed < 26 Weeks Unemployment | Unemployed 27-51 Weeks Unemployment | Unemployed 52 Weeks Unemployment |
|---------------------------------|--------------------------|----------------------------|------------------------------------|-------------------------------------|----------------------------------|
| 50% Income Line | 2.6 | 6.1 | 30.5 | 32.1 | 48.2 |
| 60% Income Line | 7.5 | 14.9 | 44.3 | 44.6 | 65.4 |
| 60% Income + Deprivation | 3.4 | 8.0 | 22.6 | 32.9 | 46.6 |
| % of All Employees + Unemployed | 74.8 | 8.0 | 2.7 | 3.0 | 11.5 |

Source: Nolan et al., (1) (1994, pp. 82).

3.2.2 Social Welfare and the Risk of Poverty

Nolan and Farrell (1990, pp. 60-61) examined the risk of being below the relative poverty lines facing households in receipt of various social welfare benefits, particularly for households with children. Table 3 shows the percentage of households falling below each of the three relative lines where the household head is in receipt of Unemployment Benefit, Unemployment Assistance (UA), etc. There is a high risk facing households where the head is in receipt of Unemployment Benefit, but even more so, Unemployment Assistance. It is worth emphasising, that 61 per cent of households with the head in receipt of UA are below the 50 per cent relative poverty line, and 70 per cent are below the 60 per cent line.

Table 3: Risk of Being Below Relative Poverty Lines for Households with Head in Receipt of Various Social Welfare Payments

| Household Head in Receipt of | Per cent below relative poverty line | Per cent below relative poverty line | Per cent below relative poverty line |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 40% | 50% | 60% |
| Unemployment Benefit | 6.3 | 38.3 | 59.9 |
| Unemployment Assistance | 16.0 | 60.9 | 70.3 |
| Disability Benefit | 3.6 | 34.3 | 56.8 |
| Invalidity Pension | 3.3 | 13.0 | 64.2 |
| Old Age Pension (contr) | - | 0.9 | 10.1 |
| Old Age Pension (non-contr) | 3.5 | 10.1 | 35.7 |
| Widow's Pension (contr) | 1.0 | 3.6 | 21.0 |
| Widow's Pension (non-contr) | 8.0 | 13.7 | 38.8 |
| Deserted Wife's Benefit/Assistance | - | 17.4 | 69.4 |
| Unmarried Mother's Allowance | - | 21.7 | 69.1 |
| Supplementary Welfare Allowance | 26.0 | 42.8 | 69.0 |
| Family Income Supplement | - | 47.8 | 92.7 |

Source: Nolan and Farrell (1990, pp. 61).

Evidence shown in Walker (1993, pp. 176) highlighted that many claimants in England face difficulty in struggling to survive on social welfare.

“The only conclusion that can be drawn from the evidence on the living standards of social assistance recipients which has been presented is that the majority of claimants cannot manage on benefit. ... However, this book has shown that the debt is seldom the result of profligacy or mismanagement, it is the inevitable result of having too little money to live on. Social assistance claimants are constantly having to make hard choices: ‘whether to meet today’s need or put aside for tomorrow, to replace the worn-out pair of children’s shoes or to save for the electricity bill.’”

Some Irish authors have addressed the detrimental effect that means test system has on increasing poverty amongst the unemployed e.g. CORI (1994, pp. 16):

“Unemployed people (most of whom want to work) are barred from working as a condition of getting their social welfare. At the same time they are blamed for not contributing to society’s development. Poor and unemployed people are excluded from decision-making even when the decisions concern their level of income or their right to work. They are seen as a commodity by many, are viewed as surplus to the requirements of the society and dismissed accordingly. Society is now structured in such a way that people in these groups have no future prospects of work. People who are poor and unemployed are excluded from the main life of the community. The gap between them and the better off is widening.”

Lister (1989, pp. 220) points out that many of the unemployed are excluded from society:

“means-tested benefits, confined to the poor, isolate them so that the rest of society no longer has a real stake in defending and improving what is becoming an increasingly stigmatized system associated with failure.”

In considering the relationship between increased risk of poverty for social welfare claimants, it is important to note that some progress has been made in the struggle against poverty. Since 1987 much has been done by the Department of Social Welfare to increase the rates of payments.

Callan et al., (1996, pp. 126) state that:

“At the same time, as recommended by the Commission on Social Welfare, priority was given to what had been the lowest social welfare rates in 1987 - UA and SWA - and these were increased substantially more rapidly than mean incomes. However, the scale of increase sufficed to bring them much closer to, but not quite up to, the 50 per cent relative income line.”

3.3 FAMILY POVERTY AND UNEMPLOYMENT

If a single person is unemployed only one person is directly affected by unemployment. If a sole earner with a spouse and three children is unemployed then five people are directly affected by unemployment. Thus the incidence of unemployment in families of different sizes is important, Piachaud (1994). Unemployment levels continue to disrupt entire family lives, causing child poverty and placing more children in a position of dependence on State aid.

A comprehensive investigation of the effects of unemployment on living standards was reported by Ritchie 1990 in a sample interviewed in 1983/4 and again in 1988. She found that the benefit system was rarely seen as sufficient for providing financial security, or relieving insecurity in the longer term. Even expenditure which was a priority, like food, heating, clothes or other things for the children, or tobacco, had to be curtailed in unemployment. Items which continue to have priority give rise to concerns about health; the deprivation of educational or social needs of their children, and the general impact on family life. Most families had to accept some adjustment to their required standard of living both in unemployment and in the recovery period after a return to work. Spending

on low priorities was minimal or non-existent. In general, self-esteem appeared to be more affected by the lack of employed status and occupation than by the financial consequences of unemployment. Nevertheless, for some families the consequences of unemployment - a depleted domestic stock of personal possessions, the absence of choice in expenditure, the inability to mix socially, the onset of debt or arrears - affected people's feelings of pride and respect in themselves, Ritchie (1990, pp. 62-63).

Nolan and Farrell (1990, pp. 58) examined the impact of unemployment on child poverty.

In 1987, the majority of the households with children falling below the lines had a household head who was not at work, for the most part because of unemployment.

Households with an unemployed head accounted for almost half of all the households with children below half average equivalent income. Table 4 compares households with and without children falling below the 50 per cent line, classified by head's labour force status.

This shows that there are in fact some important differences between the pattern for all households below the line and that for households with children.

Table 4: Households With and Without Children Below 50 per cent Relative Poverty Line, by Head's Labour Force Status

| Labour Force Status of Household Head | Per Cent of Households Below Line With Children | Per Cent of Households Below Line Without Children | Per Cent of Households Below Line All Households Below Line |
|--|--|---|--|
| employee | 11.9 | 5.5 | 9.6 |
| self-employed | 5.2 | 4.6 | 4.9 |
| farmer | 16.9 | 33.9 | 23.7 |
| unemployed | 48.5 | 14.1 | 34.2 |
| ill | 9.3 | 11.7 | 10.4 |
| retired | 0.7 | 21.4 | 9.3 |
| home duties | 7.1 | 8.4 | 7.8 |
| | 100 | 100 | 100 |

Source: Nolan and Farrell (1990, pp. 58)

A study by Callan and Nolan (1988)³ also demonstrates the strong impact of unemployment on family poverty. For 2 adult households with 3 or more children, 45 per cent of those below the poverty line, as measured by 50 per cent of mean household income in 1987, are headed by an unemployed man. In summarising the findings of their analysis, Callan and Nolan list as first, and possibly most important, the growing role of unemployment in causing family poverty.

³ As cited in Kennedy (1989).

3.4 UNEMPLOYMENT AND MARITAL DISSOLUTION

Unemployment does not only put unemployed children at higher risk of poverty, but also causes much strain and puts stress on relationships within a marriage. In households where the head of household is unemployed there is a higher incidence of unemployment of spouses than in households where the head of household is employed, Blackwell (1988). Many academics have shown a relationship between unemployment and marital dissolution. Thornes and Collard (1979) found that the average total duration of all spells of unemployment among divorcing couples was double that for stable marriages.

Lampard (1994) found that:

“A bout of unemployment during one calendar year raised the chances of dissolution during the following calendar year by approximately 70 per cent... In short, it appears that postmarital unemployment caused a significant number of marital dissolutions which would otherwise either not have occurred at all, or would have occurred at a later date.”

Fagin (1981) reported that unemployment of the household head was associated with worsening of marital relationships, leading, in some cases, to permanent separation between the partners.

However, the relationship is not entirely straight forward. For example Kiernan (1986) found that marital dissolution appeared to be ‘transmitted’ intergenerationally’ i.e. those individuals whose family histories include one or more marital dissolutions were at increased risk. Ermisch (1986) found a significant positive relationship between early child bearing and the risk of dissolution.

Nevertheless, many studies provide evidence that unemployment is a contributory factor - if not the sole cause - of marital difficulty. For example, Linker and Elder (1983) in an interview which followed families over a period of two decades, indicated that unemployment led to increased marital stress. However, the precise effects of unemployment varied according to the initial quality of the marital and family relations. In general, where close-knit, good relations prevailed before the onset of unemployment, unemployment itself could strengthen these bonds, whereas unemployment puts a strain on initially poor relationship.⁴

3.5 DISCUSSION AND PRESENTATION OF THE RESULTS

Based on a combination of the deprivation index (ESRI) and measurements of living standards identified in Ritchie's (1990) case studies, questions were asked about difficulties in providing items regarded as a priority e.g. food, clothing, household items etc., before and after the closure. Some of the sample were fortunate enough to obtain a job again, therefore the author was also allowed to compare the standard of living of the current unemployed with the current re-employed. Results have clearly shown that the current unemployed have a much poorer quality of life than the current re-employed. The greatest difficulties experienced by the current unemployed when compared to the current re-employed, are related to food, clothing, household items e.g. washing machines and televisions. These are followed by socialising and finally problems in providing education for their children. Many of those interviewed missed their working colleagues and the routine they had while they were working in the mine.

⁴ As cited in Gallie et al (1994).

Eventhough results prove that the current unemployed are more severely affected by the closure, it is important to note that the closure also had negative effects on those currently re-employed.

3.5.1 Quality of Life:

The results of the analysis indicated that the quality of life of the unemployed was much poorer than that of the re-employed. The largest difference was between those who recorded their quality of life as only 'reasonable' - 82 % of the unemployed in comparison to 54 % of the re-employed. Another significant difference was that, while 10% of the re-employed described their quality of life as very good, none of the unemployed described their quality of life as 'very good' (see Appendix B pp. (i), Table 3.1).

3.5.2 Difficulty in Providing Food:

Many of those who were unemployed at the time of interviewing experienced difficulty in providing food; 59% of the unemployed had difficulties in providing food after the closure in comparison to 7% of the re-employed (see Appendix B pp. (i), Table 3.2).

However, the results indicate that very few of the current unemployed and the current re-employed had any great difficulty in providing food prior to the closure (see Appendix B pp. (ii), Table 3.3). This is clear proof that difficulties in providing food is a result of employment status.

3.5.3 Difficulty in providing clothes:

The unemployed have difficulty in providing clothes for themselves and for their dependents. It was found that 56% of the current unemployed are experiencing difficulties in providing clothes in comparison to 17% of the current re-employed (see Appendix B pp. (ii), Table 3.4). When the author analysed the differences in providing clothing before closure, neither groups appeared to have great difficulty in providing clothes. Only 5% of the unemployed reported difficulties in providing clothes while 4% of the re-employed reported difficulties prior to the closure (see Appendix B pp. (iii), Table 3.5). These findings highlight the more disadvantaged position of the unemployed when it comes to providing clothes for themselves or for their dependents, it also indicates that overall those made redundant have greater difficulty now in providing clothes than when employed in the mine. This may be due to the fact that many of those who are currently re-employed have experienced varying lengths of unemployment since redundancy, and have failed to find permanent employment.

3.5.4 Difficulty in Providing Education:

It was found that 52 people were either in the married, separated or widowed category. Based on the 52 people above, tests were run to examine if a relationship existed between employment status and difficulties in providing for education. Results have shown that the current unemployed have much greater difficulties in providing for education than the current re-employed group. It was found that 41% of the current unemployed have difficulty in providing for education in comparison to 13% of the current re-employed (see Appendix B pp. (iii), Table 3.6). Only 7% of the current unemployed reported difficulties,

while 4% of the current re-employed reported difficulties in providing for education prior to the closure (see Appendix B pp. (iv), Table 3.7). This proves that greater difficulty in providing for education is related to the employment status of the unemployed.

3.5.5 Difficulty in providing household items, e.g. washing machine, fridge, T.V.:

It was found that 62% of the unemployed are currently experiencing difficulties in providing for household items in comparison to 25% of the re-employed (see Appendix B, pp. (iv) Table 3.8). It is important to note however, that both groups are experiencing more difficulties in providing for household items post-closure than pre-closure. The unemployed (11%) and the re-employed (14%) reported similar difficulties in providing for household items before the closure. (See Appendix B, pp. (v) Table 3.9).

3.5.6 Difficulty in providing for family outings:

The unemployed experience much greater difficulty in providing for family outings than the re-employed. Results indicate that 56% of the unemployed are experiencing difficulty in contrast to 32% of the re-employed (see Appendix B, pp. (vi) Table 3.11). Greater difficulty in providing for family outings can once again be directly related to employment status, because neither groups reported any difference in providing for family outing prior to closure. It was found that 13% of the unemployed reported difficulties in providing for family outings before the closure, while 18% of the current re-employed reported such difficulties in providing for family outings before the closure (see Appendix B, pp. (vi) Table 3.12).

3.5.7 Lack of Routine as a Result of Unemployment:

Both the current unemployed and the current re-employed have been affected by lack of routine as a result of closure. Results indicate that 77% of the unemployed believe that they were affected by lack of routine as a result of the closure/unemployment. While 61% of the re-employed believe that they were affected by lack of routine as a result of the closure/unemployment (see Appendix B, pp. (ix) Table 3.17).

3.5.8 Unemployment and Lack of Friendship:

Both groups have been affected by lack of friendship, perhaps because of the deep sense of camaraderie between the miners, the unemployed have been much more severely hit by lack of friendship. The result is very significant at 1%. It was found that 90% of the unemployed are affected by lack of friendship in comparison to 68% of the current re-employed (see Appendix B, pp. (vii) Table 3.13).

3.5.9 Unemployment and Confidence Levels:

There was no significant difference between the confidence levels of the unemployed and that of the re-employed. However, the experience of unemployment has negatively affected both groups level of confidence, the level of confidence of 51% of the current unemployed has been affected, while it has affected the level of confidence of 32% of the current re-employed (see Appendix B, pp. (viii) Table 3.15).

3.5.10 A voice from the unemployed:

In addition to quantitative measures to determine if a relationship exists between unemployment and poorer living standards, respondents also made extra comments during the course of interviewing, these have been taken into account. The most common difficulties people suffered as a result of job loss were severe shortages in food, clothing and footwear, problems paying for car expenses, water bills, ESB and phone bills. Many also led restricted lives and were unable due to lack of resources to socialise. No alterations have been made to the respondents' comments in relation to their living standards. They are presented here, as they were heard. Names have been changed for the sake of anonymity.

Few felt that they had enough money to live comfortably, many were scraping to make ends meet, e.g. Sean's wife:

'Can't have the things you would like every week. Can't have cakes every week. Something suffered for the week that £28 was paid on books, cut back on food. Make sure to have flour and potatoes. When socialising no rounds, can't spend, drink minerals, £10 covers socialising; £6 on Saturday night £4 on Sunday. Can't have clothes that you would like to have, no brand names. No money for sales. Christmas shopping got. Built up items over a few weeks e.g. pot of jam left over put in press for Christmas. Have to do shopping every Thursday. Do a budget every week. Lucky if there is £5 left until next week for milk and bread. Cannot afford Chivers buy all cheaper brands when shopping. Can't have branded cheeses, same with every item.'

Sean:

'If a drink was taken in house life would be very poor, couldn't smoke, used to smoke the pipe but gave it up. Decided that it was better to use the extra couple of pound for children.'

In comparison to when they were working the majority have difficulty in providing for family outings and other treats, e.g. Sean's wife (two children):

'When working.. weren't going out but could afford a holiday can't now, go out on Saturday buy four new pairs of shoes can't now.'

Another man explains his difficulties with trying to live on social welfare.

Francis:

'Very tight (scraping coming up to Christmas). ESB bill, one holiday this last four years, sister paid for house in Clifden. Can't get Christmas bonus not entitled to it. From 1993 onwards total change in drinking habits.'

Another respondent speaks of the severe cutbacks,

Tom:

'Very difficult to buy clothes. Cut back on food. Fire stuff, spare it. Can only get it so often. ESB and phone, pay so much every week. Cannot have fire lit all day. Got oil burner £3 per week. Before this got as much fuel as needed taken from wages. Come Wednesday it is difficult to make ends meet. Rise in Social Welfare is the greatest insult to our country men.'

James's wife (who has a large family):

'Two years since any new clothes were bought, buy second hand clothes. Save £5 per week in saving club for Christmas. Great difficulty in buying coal, forced to use children's allowance for this.'

Later, James spoke about the effects that he felt unemployment had on his family:

'Children were accused of robbery, the main reason was because I was on the dole'. James's wife: "Gardai came one Saturday morning at nine a.m. with a search warrant. There had been a robbery (nearby). Two of the children were doing summer work and got paid. When each of them cashed £20 at the local shop they automatically became suspects. Early on Saturday morning, three Garda called to house and tore it apart, but found no money. Boys were brought to Garda Station and questioned all day. They were

eventually released. Complaint made to Garda complaints board, but no formal apology was made.'

Another man explains the embarrassment caused by unemployment, as well as the lack of facilities, which he feels results from high unemployment in an area, Sean:

'When neighbor's children come with tickets can't afford them. Hall closed in Arigna, no Irish dancing for women. Two schools in Arigna, biggest worry is when daughter wants to go to third level. Delighted to see fishing season, in order to have dinner can't afford to have meat everyday. Fish puts dinner on table. Only catch what one wants to eat.'

Even where there is good money management the unemployed continue to undergo difficulties, a common difficulty is with car insurance and tax. Peter:

'Wife sorts things out well. Family outings are the last things to think of. Car hard to keep, insurance and tax.'

Many described what it was like to have to live on a tight budget, e.g. Joe:

'Very difficult, impossible to buy new car, (talked about socialising) go out at eleven used to go out at nine. Lack of friends hardly ever see them now.' Oliver: (when speaking about difficulties in food) : 'Only bear necessities.' Tommy: 'Wait a while for clothing, never go socialising.' Joe (lone parent): 'Fierce difficult to socialise the first thing is a baby-sitter, no money for drinks.'

Although some were successful in regaining employment, many of the jobs were temporary, some explain the difficulties in trying to survive on an income from such work: Gerry's' wife (Temporary whole-time work, off during the summer):

'All year see things want to buy .. can't afford them. Trying to pay off for the next year on mortgage things you used to do can't afford them .'

Gerry:

'Only camping in summer, it's cheaper. Don't go out. Car insurance and house insurance and Christmas coming up at same time after going back to work.'

3.6 TACKLING POVERTY AND THE ERADICATION OF POVERTY

“The truth is however that the oppressed are not marginals... living outside society. They have always been inside - inside the structure which made them ‘beings for others’. The solution is not to integrate them into the structure of oppression, but to transform the structure so that they can become ‘beings for themselves’.”

Friere 1972.

The existence of widespread poverty in any society is a contentious issue. In a relatively wealthy society like Ireland, in which so many people are excluded from the mainstream of economic, social and cultural life, it is an even more contentious issue. Without a job which provides financial security as well as extended networks of mutual support, the unemployed continue to fight an up-hill battle in an attempt to survive on social welfare. Unemployment is a major cause of increased poverty and basic social injustices; there is simply no other better reason for seriously tackling it.

Joyce and McCashin (1982, pp. 26) point out that:

“The nature and extent of poverty in any developed society is overwhelmingly influenced by the mechanisms whereby all resources both public and private are distributed within that society.”

Various authors have addressed the gravity of the unemployment and resultant poverty in Ireland and have given reasons as to why it should be tackled. The quickest route out of poverty is the creation of jobs for the unemployed, Mackin (1992, pp. 24) ended his report on the extent and effects of unemployment in the words of Beveridge⁵ :

⁵ Full employment in a Free Society, (1942).

“The main principles which should govern national finance in the future are few and simple. The first rule is that outlay in total, private and public, must always be enough for full employment. The second rule is that outlay, public and private should be directed by social priorities, putting first things first, the prevention of Want, Disease, Squalor and Ignorance before inessentials. Bread and health for all before cake and circuses for anyone. To submit to unemployment or slums or want, to let children go hungry or sick and old untended for fear of increasing the national internal debt is to lose all sense of proportion.”

Kennedy (1993, pp. 15) was speaking about jobs for the unemployed when he commented:

“from a humanist perspective also, participation is the essence of citizenship in a liberal democracy, and one of the more basic forms of economic participation is access to work - so that the denial of this form of participation to such a large minority constitutes a grave injustice. If the high level of unemployment were a passing phenomenon, then its implications would be less severe. But its persistence could create and enduring dualism in the economy and society, with an increasing minority left further behind in terms of access to jobs, income and education, and the attendant risk of similar deprivation being transmitted intergenerationally to the children of this marginalised section. Why, then, in the light of such substantial costs is more not done to address the problem?”

When referring to the Living in Ireland survey quoted earlier, (Nolan, 1997) commented:

“Two findings in the report are particularly worrying. First, there has only been a very small reduction in the percentage of households below the relative income poverty lines and experiencing basic deprivation. This is important because it is a good indication of those who are trapped in long-term poverty such as the long-term unemployed. Secondly, there is the finding that children continue to face a higher risk of being below the income lines than adults. Children who grow up in poverty are more likely in their turn to face a range of social problems, do less well at school at to be the future long-term unemployed.”

Flynn, (1994, pp. 5):

“We must seize the opportunity now to radically reduce the high levels of poverty in Ireland today so that everyone, especially children and the long-term unemployed have an equal chance to enjoy the same social, educational, cultural and economic opportunities as the rest of society, ..strong social and economic policies and action are imperative if we are to make a maximum impact on poverty by the end of this decade.”

The decision to develop a National Anti-Poverty Strategy (NAPS) followed the UN World Summit for Social Development held in Copenhagen in March 1995. At that Summit, the Irish government agreed a programme of action geared not only to eliminate absolute poverty in the developing world, but to achieve a substantial reduction of overall poverty and inequalities domestically. The overall aim of the National Anti-Poverty Strategy is to reduce the population who are consistently poor as measured by the ESRI, from 15% to less than 10%, between 1997 to 2007.

It is recognised that the following five key areas need to be tackled if there is to any significant progress in eradicating poverty. These are:

- Education
- Unemployment, particularly long-term unemployment
- Income inadequacy
- Disadvantaged urban areas
- Rural poverty.

With regard to unemployment the target is to reduce the rate of unemployment, on the basis of the Labour Force Survey, from 11.9% at April 1996 to 6% by 2007; to reduce the rate of long-term unemployment from 7% to 3.5% by 2007, Office of the Tánaiste (1996).

However, some authors question the effectiveness of programmes developed by the government to tackle poverty e.g.: Frazer (1997, pp. 3) comments:

“Clearly previous programmes, while they have done much to promote stability and economic growth, have not adequately contributed to narrowing the gap between the rich and poor in Irish society. Thus, any new programme must give a much higher priority to measures to tackle the causes of poverty and social exclusion.”

Healy, (1994) questioned the Irish government's response to tackling poverty, he commented:

“Despite growing wealth and increasing numbers of people in employment, Ireland has failed to come to grips with some of its most intransigent problems such as widespread poverty, larger numbers of people being barred from doing meaningful work and extensive exclusion of substantial proportion of the population from any meaningful participation in the life of this society. Almost one third of the population lives below the poverty line. An even higher proportion of the nation's children fall into this category. If unemployment is to be eliminated by the year 2000 we need a net gain of 437,000 on the present number of jobs available. In other words job numbers must increase by 37% over the next five years if unemployment is to be eliminated. To date the response of the Irish Government and the wider society to this challenge has been hopelessly inadequate.”

Callan and Nolan (1994, pp. 3):

“It can no longer be comfortably assumed that economic growth will cascade or even trickle down to the poor, with the social welfare system picking up the few stragglers in danger of being left behind. Fundamental issues, therefore, have to be face, based on the acknowledgment that poverty, far from being a problem for a small number at the margins of society, is a product of economic and social structures affecting everyone.”

3.7 CONCLUSION

The results from this research clearly highlight the difficulties suffered by the unemployed in trying to survive on social welfare. Due to the temporary nature of the jobs found by many of the re-employed, they are also struggling to make ends meet.

Unemployment and poverty are problems requiring priority attention. We must choose to put unemployment and poverty at the top of the Irish political agenda. Poverty is a matter of economic as much as social policy and it should therefore be an important concern for all Government Departments. Attempts should be made to engage with local communities and people affected by poverty to ensure employment for all. Irish society must assist in providing for people's social, emotional and cultural needs as well as their physical wants. Failure to do so will hinder economic and social development for all our citizens.

The indications are that the opportunity now exists in the so-called 'Celtic Tiger' to radically reduce and if possible eliminate poverty. It is clear, however, that the elimination of poverty or even the achievement of a significant reduction in its level, will not happen automatically. The Celtic Tiger will need a social conscience and imaginative policy initiatives, to ensure that the benefits of economic growth and rising living standards are shared in a just and equitable manner. Unless this is the case, the gap will further widen between those who are well off and in secure employment and those who are living on the margins of our society.

CHAPTER 4

UNEMPLOYMENT AND ILL HEALTH

“Without work all life goes rotten”

Camus¹

4.0 INTRODUCTION

The objective of this chapter is to examine the relationship that exists between ill health and unemployment. An attempt will be made to incorporate the research findings with existing research that has examined the relationship between ill health and unemployment. Therefore, the author will refer to other research that has already been carried out in Ireland, Britain, Spain and the USA.

This chapter will begin by outlining the importance of work to an individual's health. An examination of the relationship between unemployment and ill health will be made, paying particular attention to the psychological impact of unemployment on health. The author will refer to the impact of unemployment on the health of the individual concerned and on his/her family. Attention will be drawn to the fact that the psychological impact of unemployment may be different for different people. The author will point out that the factors producing the observed relationship between ill health and unemployment are sometimes complex and difficult to dis-entangle. The author will focus on the empirical research findings in this thesis, which have found an association between unemployment and ill health. Finally, the author will draw conclusions about the unemployment and the ill health relationship.

¹ As cited by Piachaud (1994).

4.1 THE IMPORTANCE OF WORK

The importance of work to an individual's and indeed to a family's well-being, has been studied by many academics. Some of the author's viewpoints will be addressed below.

Breen (1988, pp. 9) stated that: "the meaning of work is broader than the mere earning of a wage." He pointed out a large number of authors (for example Hayes and Nutman, 1981, pp. 38-43; Jahoda et al 1971, pp. 494-495) who had identified several other functions served by work; these included the structuring of time, the affording of opportunities for social interaction, and the provision of a basis for one's social status, self-respect and identity. Breen suggested that the absence of work, then, results in far more than a loss of income.

Jahoda (1982) concentrated on the latent, non-economic, consequences of unemployment; involving the loss of social contact, activity, status, purposefulness and time structure.

The benefits of employment are far reaching, Warr (1983, pp. 14) states:

" We are confident that causal interpretations are valid: making the transition into unemployment yields a marked reduction in psychological well-being and regaining a job restores well being very sharply. "

Warr (1984, pp. 439) also states that:

".. the results are clear in respect of psychological symptoms: unemployment does reduce psychological health. "

Wadel (1973, pp. 76) suggested that:

“Interaction with friends involves more than exchange of goods and services, talks and visits: much of it involves exchanges of information, advice and support. George (respondent) had more subsistence goods and more time to give away than most of his friends, but he had considerably less to offer of the other goods. Since he was not working and thus did not ‘get around very much’ his stock of information tended to be small and most important, it was not renewed.”

Wadel (1973, pp. 78) further goes on to add:

“A basic pre-requisite for feeling equal, then is that one has certain attributes in common with others, and one of these attributes seems to be work.”

We can conclude that the meaning of work extends far beyond the earning of a wage.

The importance of work can perhaps be best summarised in the words of Jahoda and Rush. Jahoda and Rush (1980, pp. 11-12) emphasised the benefits of employment to psychological health, according to which employment satisfies several latent (as well as manifest) functions:

“Employment of whatever kind and whatever level makes the following categories of psychological experiences inevitable: it imposes a time structure on the working day; it compels contacts and shared experiences with others outside the nuclear family; it demonstrates that there are goals and purposes which are beyond the scope of an individual, but require a collectivity; it imposes status and social identity through the division of labour in modern employment and last but not least, it enforces activity.”

4.2 UNEMPLOYMENT AND ILL HEALTH

There are numerous studies which show that both mental and physical health deteriorate in areas of high unemployment. From the following writers, there is strong evidence that unemployment does damage health.

Authors have focused on the stages of unemployment in accounts of the psychological effects of unemployment. Eisenberg and Lazarfeld (1938: 378) concluded:

“ We find that all writers who have described the course of unemployment seem to agree on the following points: first there is shock, which is followed by an active hunt for a job, during which the individual is still optimistic and unresigned; he still maintains an unbroken attitude. Second, when all efforts fail, the individual becomes pessimistic, anxious and suffers active distress: this is the most crucial state of all. And third, the individual becomes fatalistic and adopts himself to his new state but with a narrower scope. He now has a broken attitude.”

Breen (1988, pp. 9) describes the process of looking for a job, when attempts to find work meet with no success. He states:

“Then, the process of looking for work itself becomes humiliating, and this humiliation may be compounded by those who regard the unemployed as ‘social scroungers’ or ‘defrauders.’ The result is: the stage of fatalism, when the individual ceases to look for work and becomes resigned to joblessness.”

Warr (1984, p. 425) suggests that psychological well-being is negatively affected by unemployment, because in addition to experiencing the loss of the psychological and material benefits offered by employment, the characteristics of the role of being unemployed are taken on.

Whelan et al., (1991, pp. 35), examined the relationship between unemployment and psychological distress in the Irish case, they concluded that:

“The relationship between unemployment and psychological distress is of a very substantial scale. Thirty-four per cent of the unemployed were above the General Health Questionnaire² threshold compared to seven per cent of employees.”

² See Whelan, Hannon & Creighton (1991) for explanation of the General Health Questionnaire (GHQ).

Warr (1984, 417) cautions however, that low psychological well-being is not identical to ill health, because sometimes it features in those who are not ill. However, he goes on to add that:

".. when the features are relatively extreme, generalised, and extended in time, the low psychological well-being may be reflected in psychological ill health."

Corrigan (1980, pp. 295-297) noted that a growth in consumption (under the General Medical Scheme) of sedative/tranquiliser drugs in Ireland between mid-1974 and mid-1975, ...coincided closely with the rise in unemployment in the same period.

Wheaton (1980) states, that:

"unemployment is clearly an event which is predominantly undesirable, uncontrolled and unscheduled. It has generally been labeled an acute stressor and fits readily within the stressful life change approach."

Beale and Nethercott (1985, pp. 513) investigated the medical records of 129 families affected by redundancy when a factory closed. They demonstrated a significant increase in morbidity, arguing that:

".. unemployment results in a negative effect on health and not merely on welfare and morale. The results show a significant increase in the numbers of times that both men and women employees consult their doctors when subjected to compulsory redundancy. This increase is also shown by their spouses."

Beale and Nethercott suggest that the increases in consulting were stress related, and that there was also an increase in symptoms requiring specialist advice. Furthermore, they also discovered that these trends began some two years prior to redundancy, as

families became aware of their economic uncertainty, a finding corroborated in the researches of Kasl et al., (1975).

Kasl et al., (1975, pp. 121), assessed the impact of job loss on health through physiological measurements. They also examined illness behaviour during the process of job loss. Their findings indicated significantly raised blood pressure and cholesterol levels, especially during the pre-unemployment phase.

Beale and Nethercott (1986) showed that the greatest increase in consulting occurred among previous low consulters. They suggest the loss of a job to which they had previously been happily attached was a major reason for the increase in consulting.

Fagin and Little (1984, pp. 205) covered physical health in a study of twenty families where the head of the households was unemployed. From their data they concluded that there was strong evidence for an association between unemployment and ill health.

Miles (1983, pp. 384) found that unemployed men reported themselves much less satisfied with their lives than employed men. Stokes and Cochrane (1984, pp. 316) found that, following job loss, the unemployed manifested higher levels of mild undifferentiated psychiatric disturbance, than those in stable employment who lived and worked alongside them in the same locality.

They commented:

“While the effects of economic stress are probably felt throughout a locality, distress is more acutely experienced by those experiencing job loss.”

Irish findings on the effect of unemployment on psychological health come from a study carried out in 1982 and 1983 (McCarthy and Ronayne 1984; Ronayne and McCarthy 1985), using a sample of around 200 registrants (unmarried and aged 15-25) at two Dublin city centre offices of the National Manpower Service. Their findings indicated that:

“Among this group, the experience of unemployment ... was accompanied by considerable psychological distress It was ... accompanied by high levels of anxiety, depression and hostility. Indeed, for approximately two-thirds of the sample the levels of negative affect... were similar to what, on average, one would find among a psychiatric patient sample’, McCarthy and Ronayne (1984, pp. 31).”

In later interviews they found that the sub-sample which meanwhile had obtained employment experienced less anxiety and depression, while those who were still unemployed continued to suffer acute worry and despair. This suggests that the entry into employment clearly improved the interviewees psychological well-being.

Others e.g. Warr (1987) argue that there are other aspects as well - such as financial anxiety, insecurity rejection, and loss of control over one’s life - which may lead to psychological deterioration. Whatever the explanation, the severe damage that unemployment inflicts on mental health cannot be overlooked.

Alvaro (1994, pp. 9) stated: “in looking at Spanish studies one can conclude, with the exception of one study carried out on young workers (Alvaro, 1989) that a longer period of unemployment is related to a significant deterioration in mental health, (Garcia, 1985; Quintilla, 1988).”

Platt (1983, pp. 4-5), in a careful study of the period 1968-1982, found a positive and highly significant association between unemployment rates and parasuicide.³ In his studies, he showed that the long-term unemployed were at least nine times more likely to commit parasuicide than the employed. He also discovered that the longer-term unemployed had a much higher risk of parasuicide than the short-term unemployed.

Brenner (1973, pp. 145-59; 1979, pp. 568-73; 1987, pp. 183-96) consistently reported a direct relationship between annual rates of unemployment and mortality. One of Brenner’s earliest attempts at examining the relationship between unemployment and ill health was in an investigation of mortality rates from heart disease and unemployment rates in the state of New York between 1914-1967. He claimed that first admissions over this period were inversely related to the employment rate, (Brenner 1973). Other studies have found similar results e.g. Marshall and Funch 1979. Stokes and Cochrane (1984) found the same pattern with data for England and Wales over the period 1950-1976.

³ Parasuicide: Deliberate, but non-fatal attempts at self-harm.

The British Regional Heart Survey found that middle-aged unemployed men had many more chronic physical illnesses than the employed - whether they considered themselves to be unemployed on the basis of health or not. They are also able to determine that more of their unemployed respondents said they were ill as the reported duration of unemployment increased, (Cook et al 1982).

In examining mortality amongst a sub-sample of 6,000 men aged 15-64 who were 'seeking work' at the time of the census. The Standardised Mortality Ratio (SMR) of this group was 36 per cent above the national average. After adjustment by class and then by housing tenure: "... a 20-30 per cent excess remained unexplained," Moser, Fox and Jones (1984, pp. 1328). They concluded that 'on balance' unemployment did have adverse effects upon health.

From the authors cited above it is clear that unemployment does have damaging effects on the health of the individual. The effect of unemployment can vary from low psychological well-being to increased mortality rates in the more extreme cases.

4.3 EFFECTS OF UNEMPLOYMENT ON THE FAMILY

Unemployment does not only affect the unemployed individual, but it can extend to affect the entire household, when the head of the household is unemployed. A study of the household enables researchers to highlight the impact that unemployment has on the family, as well as on the unemployed individual.

Many writers have studied the effects of unemployment with this in mind e.g. Fryer, 1988; McGhee & Fryer, 1989; McKee & Bell, 1985.

Others e.g. Fagin & Little (1984) found depression in wives of unemployed men, particularly if they did not work themselves. They also found some evidence of psychological problems amongst the children including disturbed feeding habits, minor gastrointestinal complaints, sleeping difficulties, proneness to accidents and behavioural disorders. Moser et al., (1984) demonstrated convincingly, using the OPCS longitudinal study, that the wives of unemployed men also suffered increased levels of mortality.

Burchell (1992, pp. 351) states:

“This serves as a reminder that even those who are not in the workforce or on the claimant count will be victims of economic recession.”

Sinfield (1981, pp. 53) comments that:

“Observing the pressures and strains that poverty and prolonged unemployment places on many families, my own research has made me much more conscious of the many ways the double impact wears them down and turns them in on themselves. The silent endurance of deprivation and rejection does not make the headlines, and is astonishingly often dismissed as apathy or lack of will.”

In a study of babies in Glasgow, Cole et al., (1983, pp. 717-21) found that the mean birthweight of those whose fathers were unemployed was significantly less than those whose fathers were at work.

Brennan and Stolen (1976, pp. 681-82) found that, among children aged 0-4 years, unemployment of the household head was an important determinant of mortality, even

when allowances are made for social class background. The rates of hospitalisation were doubled for those children from families suffering from unemployment.

The loss of income leads to a reduction in expenditure on food, heating and so forth, thus increasing the risk of neonatal and infant ill health (see Hakim 1982, p. 448).

These studies have indicated that poverty is the immediate cause of children's ill health. Kelvin and Jarrett (1985, pp. 18) note that while those concerned with the psychology of work have long stressed that work provides much more than money, those concerned with unemployment need to stress that to be unemployed is frequently to be poor. It is likely that a similar relationship holds in the Irish context, especially since a recent report of the Office of the Tánaiste (1996, p. 15) stated that:

"It is widely accepted that unemployment, particularly long-term unemployment, is the most significant cause of poverty in Ireland and getting a paid job is the most likely route out of it."

The 1930's field study of Marienthal, an Australian village stricken by mass unemployment, showed that there was a clear connection between a family's attitude and it's economic situation, Jahoda et al., (1933/1971). Whelan (1992, pp. 342) demonstrated the role of poverty in mediating the impact of unemployment not only for the individuals involved but also for the members of their families.

Whelan concluded that:

“the original Marienthal conclusion appears to be no less true today. The deterioration in mental health among members of households affected by unemployment is intimately related to the erosion of economic resources.”

One can conclude from the above authors that when unemployment strikes it does not only affect the unemployed individual, but in many cases it affects the entire household.

4.4 THE VARYING IMPACT OF JOB LOSS ON THE INDIVIDUAL

A difficulty common to the question of health and unemployment may be that the effects of unemployment can be different for different people. Some of the mediating factors affecting how the unemployed react to unemployment include the following: social class, education, gender, age, work commitment, social support and purposefulness and use of time.

4.4.1 Social Class

Social Class, often in terms of occupational status, has been cited as a mediating variable by British researchers such as Hepworth (1980, 139-145) and Hill (1977). In Ireland Ronayne et al., (1986, pp. 16) compared the health of the young unemployed with the health of a sample of young white collar workers. They have shown that the former have poorer health in several respects, and that the unemployed smoke more and have poorer dietary practices.

More recent research for the Republic of Ireland Nolan (1990, pp. 193-208) has shown substantial differentials across socio-economic groups. For men aged 15-64, the (standardised) mortality rate in 1981 was more than twice as great for the unskilled manual groups as for the professional/managerial groups. Lower socio-economic status is therefore associated with both more unemployment experience and considerably higher mortality rates.

4.4.2 Education

It can be argued that well-educated individuals may experience more severe psychological consequences because of the sharper decline in social status when they lose their jobs ('the higher the climb, the harder the fall,' Bakke (1940, p. 323)). Shaufeli & Yperen (1992, pp. 302), in their study of psychological distress among graduates suggested that:

"unemployment does not necessarily lead to psychological distress. Obviously the psychological consequences of unemployment are moderated by aspects of the particular group under study (i.e. level of education) as well as by the specific structural and cultural context."

4.4.3 Gender

Alvaro (1994, pp. 7) states:

"The British and other English-language evidence currently available, although limited, indicates the importance of employment in the psychological well-being of women. As pointed out by Warr (1987), for women registered as unemployed the impact of unemployment on the effective well-being can be as negative as for men."

4.4.4 Age and Unemployment

Alvaro (1994) states:

"With regard to age, the middle-aged undergo a greater psychological deterioration as a result of unemployment (e.g. Alvaro, 1992; Buendia, 1988; Escobar, 1988) than do other age groups. It is this group, which has the greatest financial responsibilities as well as a longer history of and a greater degree of socialisation into work than other groups, the effects of unemployment on mental health are most apparent."

4.4.5 Work Commitment and Unemployment

Work commitment is defined by Stafford et al., (1980, pp. 293) as, “the degree to which a person wants to be engaged in work.”

Alvaro (1994, pp. 10) states:

“Studies in Spain indicate that those unemployed who are more committed to being in paid employment have a higher degree of psychological distress, while the negative consequences of unemployment for those with a low employment commitment are less acute.”

A similar viewpoint is held by Warr (1982), he states that it is firmly established that they (the unemployed who were highly committed to their work) suffer the most negative psychological effects of unemployment.

4.4.6 Purposefulness and use of time

In the Marienthal study, Jahoda et al., (1933) reported that many unemployed people became apathetic and spent much of their time in the streets engaged in apparently aimless activities. Recent researchers have shown that the psychological impact of unemployment is related to how unemployed people use their time. Feather & Bond (1983, pp. 241-254), Warr (b) (1984, pp. 271-275), Warr & Jackson (1985, pp. 795-807). Warr & Payne (1983, pp. 206-222) also emphasise that those who cope best take part in purposeful activity and maintain regular contact with people outside the nuclear family.

Feather (1992, pp. 322) states:

“At a much more general level of analysis, the evidence from research on structure and purpose in the use of time can be interpreted as indicating that the psychological well-being of individuals depends on the degree to which they see themselves as having a goal structure in their daily lives. Our studies have consistently shown that psychological well-being is positively related to the time structure and that the unemployed people tend to report that their use of time is less structured or purposive than employed people.” Rowley & Feather (1987, pp. 323-332).

4.4.7 Social Support

Concerning social support the results of studies carried out in Spain show that perception of social support, arising principally from the family, lessens depressive symptoms, Buendia (1988). Unemployed people with a lower sense of social support experience a greater deterioration not only in their mental health but also in their level of self-esteem, Alvaro (1992).

Jackson & Warr (1987, pp. 295, 525) drew attention to the importance of community support in explaining why men living in areas of high unemployment were less psychologically healthy than the unemployed in low unemployment areas.

Gore (1978, pp. 157-165) made an explicit rural/urban comparison. She found that social support modified the severity of the psychological and health-related responses to unemployment.

The conclusions of Berkman and Smye (1979, pp. 191) appear to agree with the previous authors; they stress that social relationships played a critical role in determining health status. Reporting findings from a longitudinal study they state:

“ In every category of health status for both men and women, those with the most social contacts have lower mortality rates than those most isolated.”

4.5 DIRECTION OF CAUSATION

Despite almost a century of research, the nature of the relationship between unemployment and health remains in dispute. Breen (1988, p.10) states that:

“Some of the most influential studies on the effects of unemployment have been based on small-scale research in which the samples were too small and whose rigour was not sufficient to enable us to draw conclusions about causation, Jackson (1985, p.83); Bolger et al., (1983, pp. 24-25). However, the same problems can arise in those instances where large samples have been used or where aggregate measures have been used, Hakim (1982); Cook (1985).”

From what we have seen so far one could conclude that there is little doubt that unemployment leads in many cases to hopelessness, depression, despair and in extreme cases parasuicide, suicide and even increased mortality rates. However, the question arises whether or not and to what extent, unemployment can be held responsible for measurable increases in physical and mental health.

Nolan and Whelan (1992, pp. 25) point out that

“people who experience unemployment have more ill health than others, this does not necessarily mean the unemployment itself causes this ill health.”

They add:

".. obviously it could work the other way around: illness could itself be contributing to difficulties someone is having in the labour market."

Breen (1988, pp. 10) suggested:

"to show that the unemployed are more likely to be ill-or even to die-is not the same as demonstrating that unemployment is the principal or even a partial cause of ill health."

The direction of causation is sometimes unclear. There are suggestions that rather than unemployment been the main cause of ill health, ill health may be the cause of unemployment. However, there are reasons for doubting this assumption e.g. Hakim (1982, pp. 445) points out that in a time of rising unemployment the selection thesis suggest the health of the unemployed would rise - as the more fitter ex-workers are incorporated. Thus the strength of the statistical link between unemployment and ill health should decline, he notes however that:

"In practice the opposite trend is observed, so that a second process is clearly at work, with unemployment itself contributing to an increase in morbidity, and at the extreme, mortality."

Like Brenner, Eyer (1977) conducted macro social analysis with data for the United States. However, the conclusion he drew from the data was precisely opposite to Brenner's conclusions, particularly that the rise in mortality occurred in concert with economic booms, and that a decline in mortality coincided with unemployment, Eyer (1977, pp. 635).

Eyer argued that the stresses generated in a population during economic booms were greater than those created in depression, and that the death rate therefore peaked with the boom, Eyer (1977, pp. 625).

The author doubts that Brenner's claim is incorrect, because there is substantial evidence which highlights the negative effects that unemployment imposes upon the health of the individual concerned and the families of those who are unemployed.

Nolan & Whelan (1992, pp. 35), state:

“The issue of the relative importance of unemployment and poverty must, to some extent, be an artificial one since unemployment is one of the major causes of poverty. The evidence though, is clearly relevant to the issue of the relative significance of manifest and latent functions of employment.”

Finally, the author would like to add that the issue of the above mediating factors too must, to an extent be artificial, because unemployment is a major cause of poverty, insecurity, rejection and loss of control over one's life. Many authors have stated that unemployment is the result of psychological distress. It is unfortunately beyond the scale and scope of the present study to draw conclusions about causation. However, the author's results will indicate that poorer health appears to be a result of unemployment and not the other way around.

4.6 EMPIRICAL RESEARCH FINDINGS

In summary the aim of the research in this section is to examine the relationship between redundancy and dis-improved health and whether or not those who continue to remain unemployed have poorer health than those who are currently re-employed. The author has split the empirical research findings into three major sub-sections. In each of the three sub-sections, one will be able to determine the direction of causation (whether unemployment causes ill health, or ill health causes unemployment). The author will begin with the first hypotheses in sub-section one, which examine the health description of those interviewed, these will be covered in Hypotheses 4.1-4.3 inclusively. Secondly, the author will examine in sub-section two the respondents reported decline in health. This will be covered in Hypotheses 4.4-4.8 inclusively. Finally, in sub-section three, the author will examine the doctor visits made by the current unemployed and the current re-employed. These will be covered in Hypotheses 4.9-4.14 inclusively.

4.6.1 Description of Health

This section covers the respondents description of their health, before and after the closure (see hypothesis 4.1). It also relates the respondents health description before the closure to their current employment status (see hypothesis 4.2). Furthermore, it relates their health description after the closure to their current employment status (see hypothesis 4.3).

Hypotheses 4.1: Has the overall health of the sample worsened since the closure?

Hypothesis 0; Health before the closure is the same as the health after the closure

Hypothesis 1; Health after the closure is worse than health before the closure

Table 5

| Health Description before and after the closure | | | | | |
|--|-----------------------|------------|------|-----------|-----|
| Rows: Health Before | Columns: Health After | | | | |
| | Poor | Reasonable | Good | Very Good | All |
| Poor | 0 | 1 | 0 | 0 | 1 |
| Reasonable | 3 | 8 | 1 | 0 | 12 |
| Good | 3 | 13 | 23 | 1 | 40 |
| Very Good | 2 | 1 | 6 | 5 | 14 |
| All | 8 | 23 | 30 | 6 | 67 |

Result: Chi-square = 30.208, DF = 9, P = 0.05

Conclusion:

The author rejects the null hypothesis and accepts the alternative hypothesis, the result is significant at 5%. Therefore, one concludes that the overall health of the sample is worse since the closure.

Hypothesis 4.2: Is the health of the current unemployed worse than the health of the current re-employed since the closure?

Hypothesis 0: Health of the unemployed is the same as the health of the re-employed post closure.

Hypothesis 1: Health of the unemployed is worse than the health of the re-employed post closure.

Table 6

| Health Description of the current unemployed and the current re-employed health since the closure | | | | | |
|--|--|------------|-----------|-----------|-----------|
| Rows: Employment Status | Columns: Health After the Closure | | | | |
| | Poor | Reasonable | Good | Very Good | All |
| Unemployed | 8 | 16 | 14 | 1 | 39 |
| Employed | 0 | 7 | 16 | 5 | 28 |
| All | 8 | 23 | 30 | 6 | 67 |

Result: Chi-square = 12.862, DF = 3, P-Value = 0.005

Conclusion:

Result is very significant at 1%. The author rejects the Ho and accepts the H1, poorer health is related to employment status, i.e. the health of the current unemployed is poorer than the health of the current re-employed.

Hypothesis 4.3: Was the health of the current unemployed worse before the closure than the health of the current re-employed before the closure?

Hypothesis 0; Health Description of the current unemployed was the same as the current re-employed before the closure.

Hypothesis 1; Health Description of the current unemployed was different to the current re-employed before the closure.

Table 7

| Health Description of the current unemployed and the current re-employed before the closure. | | | | | |
|---|-------------------------------|------------|-----------|-----------|-----------|
| Rows: Employment Status | Columns: Health Before | | | | |
| | Poor | Reasonable | Good | V. Good | All |
| Unemployed | 1 | 9 | 7 | 22 | 39 |
| Employed | 0 | 3 | 7 | 18 | 28 |
| All | 1 | 12 | 14 | 40 | 67 |

Result: Chi-square = 2.666, DF = 3, P-Value = >0.05.

Conclusion: Result is not statistically significant. Therefore, the author concludes that the null hypothesis is correct, i.e. health of both groups was the same prior to closure. However, the current unemployed now appear to have poorer health. This contradicts any claims that ill health causes unemployment and it supports the view that poorer health is a result of the employment status of those interviewed.

4.6.2 Health Decline

This section examines if the people's perception of personal health has declined since the closure. Their decline in health is then related to their employment status (see hypothesis 4.4).

Hypothesis 4.4: Is there a relationship between the decline in health of the respondents and their employment status?

H₀; There is no relationship between decline in health and employment status.

H₁; There is a relationship between decline in health and employment status.

Table 8

| Relationship between decline in health of the respondents and their employment status | | | |
|--|-----------------------------------|----------|-----|
| Rows: Health Decline | Columns: Employment Status | | |
| | Unemployed | Employed | All |
| No | 22(56%) | 25(89%) | 47 |
| Yes | 17(44%) | 3(11%) | 20 |
| All | 39 | 28 | 67 |

Result: Chi-square = 8.412, DF = 1, P- Value = 0.004

Conclusion: The author accepts the H₁, there is a very significant relationship at 1% between the interviewees' perception of their decline in health and employment status. It can be seen from the table above that 44% of the unemployed respondents felt that their health had declined, in contrast, only 11% of the re-employed respondents felt that their health had declined. This is a clear indication that the impact of a closure is much more severe for the current unemployed than for the current re-employed.

Respondents were asked if they related their decline in health to unemployment/closure effects. In order to determine if the current unemployed or the current re-employed differed in regard to the perceived cause of decline in health, employment status was related to decline in health as a result of closure/unemployment effects (see hypothesis 4.5).

Hypothesis 4.5: Is there a relationship between whether the respondents thought that their decline in health was related to closure/unemployment effects and employment status?

Hypothesis 0 : People's perception of their decline in health as a result of closure/unemployment is independent of employment status.

Hypothesis 1: People's perception of their decline in health as a result of closure/unemployment is dependent on employment status.

TABLE 9

| Relationship between people's perception of their decline in health as a result of unemployment and employment status. | | | |
|---|-----------------------------------|-----------------|------------|
| Rows: Decline in Health | Columns: Employment Status | | |
| | Unemployed | Employed | All |
| No | 27 | 28 | 55 |
| Yes | 12 | 0 | 12 |
| All | 39 | 28 | 67 |

Result: Chi-square = 10.495, DF = 1, P-Value = 0.001

Conclusion

Result is very significant at 1%. The author rejects Ho, and concludes that people's perception of their decline in health is dependent on employment status. Clearly, those who are currently unemployed think that their health has been affected as a result of

unemployment/closure effects at a much more significant level than those who are currently re-employed.

Similarly, respondents were asked if they related their decline in health to the work they did while in the mine. In order to determine if the employed or unemployed differed in how they perceived their decline in health, employment status was related to decline in health as a result of the work while in the mine (see hypothesis 4.6).

Hypothesis 4.6: Is there a relationship between whether the respondents thought their decline in health was related to work while in the mine and current employment status?

Hypothesis 0: Decline in health as a result of work while in the mine is independent of employment status.

Hypothesis 1: Decline in health as a result of work while in the mine is dependent on employment status.

Table 10

| Relationship between people's perception of their decline in health as a result of employment status. | | | |
|--|------------|----------|-----------------------------------|
| Rows: Decline in health is a result of the nature of work done while in the mine | | | Columns: Employment Status |
| | Unemployed | Employed | All |
| No | 34 | 25 | 59 |
| Yes | 5 | 3 | 8 |
| All | 39 | 28 | 67 |

Result: Chi-square = 0.069, DF = 1, P-Value = 0.793

Conclusion

The author accepts Ho, the result is not significant. Therefore, decline in health as a result of work while in the mine is independent of employment status. From the table above one can conclude that few of either the current unemployed or the current re-employed relate their decline in health to the nature of the work while in the mine. By comparing the hypothesis 4.5 with hypothesis 4.6, one can further conclude that the decline in health is related more to unemployment effects than to the nature of the work while in the mine

Finally, in order to determine whether age had an influence upon their health decline; decline in health was related to the age of the sample interviewed (see hypothesis 4.7).

Hypothesis 4.7: Is there a relationship between people's perception of their decline in health and age of the sample?

Hypothesis 0: Age is independent of health decline.

Hypothesis 1; Age is dependent on health decline.

Table 11

| Is there a relationship between people's perception of their decline in health and age of the sample? | | | | | | | |
|--|------------------------------|-----------------|-----------------|-----------------|-----------------|----------------|------------|
| Rows: Health Decline | Columns: Age Category | | | | | | |
| | <= 30 | <= 40 | <= 44 | <= 50 | <= 57 | > 57 | All |
| No | 11 | 9 | 18 | 3 | 1 | 5 | 47 |
| Yes | 2 | 1 | 8 | 2 | 6 | 1 | 20 |
| All | 13 | 10 | 26 | 5 | 7 | 6 | 67 |

Result: Chi-square = 14.368, DF = 5, P-Value = 0.013

Conclusion:

There is a significant relationship between age and people's perception of their decline in health. It may be argued that the decline in health is as a result of age and not unemployment effects. However, the direction of causation is difficult to prove as age is also related to employment status (80% of those over the age of 44 years were unemployed at the time of interviewing).

4.6.3 Doctor Visits

The number of doctor visits of those interviewed post closure were related to employment status to determine whether the current unemployed or current re-employed go more frequently (see hypothesis 4.8).

Hypothesis 4.8: Are there more doctor visits made by the current unemployed post closure than by the current re-employed post closure?

Ho; The number of doctor visits are the same for the current unemployed as the current re-employed post closure.

H1: The number of doctor visits are greater for the current unemployed than the current re-employed post closure.

Table 12

| Number of Doctor visits post closure and employment status | | | | | | |
|--|---------|-------------------------------------|------------|-------------|-------------|-----|
| Rows: Employment Status | | Columns: Doctor visits post closure | | | | |
| | <= Once | <= twice | <= 5 times | <= 12 times | <= 52 times | All |
| Unemployed | 17 | 9 | 2 | 7 | 4 | 39 |
| Employed | 22 | 2 | 2 | 1 | 1 | 28 |
| All | 39 | 11 | 4 | 8 | 5 | 67 |

Chi-square = 9.855, DF = 4, P-value = 0.043

Conclusion: Reject Ho, accept H1, there appear to be more doctor visits made by the unemployed post closure. The result is significant at 5%.

Doctor visits were also analysed pre closure, in order to determine whether the current unemployed attended the doctor more frequently than the current re-employed (see hypothesis 4.9).

Hypothesis 4.9: Are the number of doctor visits pre closure the same for the current unemployed and the current re-employed groups?

Ho; Doctor visits pre closure are independent of employment status

H1; Doctor visits post closure are dependent on employment status

Table 13

| Number of Doctor visits pre closure and employment status | | | | | | |
|---|-----------|--|------------|-------------|-------------|-----------|
| Rows: Employment Status | | Columns: Number of Doctor visits pre closure | | | | |
| | <= Once | <= twice | <= 5 times | <= 12 times | <= 52 times | All |
| Unemployed | 31 | 3 | 2 | 0 | 3 | 39 |
| Employed | 22 | 3 | 2 | 1 | 0 | 28 |
| All | 53 | 6 | 4 | 1 | 3 | 67 |

Result: Chi-square = 3.825, DF = 4 P- value = >0.05

Conclusion: The author accepts Ho, the number of doctor visits pre closure are independent of employment status. Again, this questions the idea that poor health is the cause of unemployment and in fact it supports the view that increased doctor visits are a result of employment status, with the unemployed going more frequently. This section was further broken down under doctor visits for physical related illnesses and doctor visits for stress related illnesses.

Doctor visits for physical illnesses pre and post closure were considered in order to determine if there was an overall increase in doctor visits for physical illnesses (see hypothesis 4.10).

Hypothesis 4.10: Have Doctor visits for physical related illnesses increased since the closure?

Ho; Doctor visits for physical illnesses are the same pre and post closure.

H1; Doctor visits for physical illnesses are greater post closure than pre closure.

Table 14

| Have Doctor visits for physical related illnesses increased since closure? | | | |
|---|---|-----------|-----------|
| Rows: Doctor (physical illness before) | Columns: Doctor (physical illness after) | | |
| | Yes | No | All |
| Yes | 39 | 13 | 52 |
| No | 8 | 7 | 15 |
| All | 47 | 20 | 67 |

Result: Chi-square = 2.610, DF = 1, P-Value = 0.106

Conclusion: Accept Ho, there does not appear to be an increase in Doctor visits for physical related illnesses since the closure.

Doctor visits for physical illnesses post closure and employment status were related to determine if the current unemployed have more doctor visits for physical related illnesses than the current re-employed (see hypothesis 4.11).

Hypothesis 4.11: Do Doctor visits for physical illnesses differ between the current unemployed and the current re-employed post closure?

Ho; Doctor visits for physical ailments after the closure are independent of employment status.

H1; Doctor visits for physical ailments after the closure are dependent on employment status.

Table 15

| Are Doctor visits for physical ailments post closure related to employment status. | | | |
|---|---|-----------------|-----------------------------------|
| Rows: | Doctor visits (physical illness) | | Columns: Employment Status |
| | Unemployed | Employed | All |
| Yes | 29 | 18 | 47 |
| No | 10 | 10 | 20 |
| All | 39 | 28 | 67 |

Result: Chi-square = 0.790, DF = 1, P-Value = 0.374

Conclusion: Accept Ho, doctor visits for physical illnesses are the same for the current unemployed and the current re-employed post closure.

The same relationship was tested pre closure (see hypothesis 4.12).

Hypothesis 4.12: Did doctor visits for physical illnesses differ between the current unemployed and the current re-employed pre closure?

Ho; Doctor visits (physical ailments) pre closure are independent of employment status.

H1; Doctor visits (physical ailments) pre closure are dependent on employment status.

Table 16

| Doctor visits for physical illness pre closure and employment status. | | | |
|--|-----------------------------------|-----------------|------------|
| Rows: Doctor (physical illness) | Columns: Employment status | | |
| | Unemployed | Employed | All |
| Yes | 30 | 22 | 52 |
| No | 9 | 6 | 15 |
| All | 39 | 28 | 67 |

Result: Chi-square = 0.025, DF = 1, P-Value = 0.873

Conclusion: Accept Ho, the current unemployed and the current re-employed did not report any difference in doctor visits for physical related illnesses pre closure.

Doctor visits for stress related illnesses after the closure and employment status were examined to determine if the current unemployed had more stress related doctor visits than the current re-employed (see hypothesis 4.13).

Hypothesis 4.13: Did doctor visits for stress related illnesses differ between the current unemployed and the current re-employed groups since the closure?

Ho; Doctor visits for stress related illnesses post closure are independent of employment status

H1; Doctor visits for stress related illnesses post closure are dependent on employment status

Table 17

| Doctor visits for stress post closure and employment status | | | |
|---|------------|-----------|-----------|
| Rows: Doctor visits for stress (post closure) Columns: Employment Status | | | |
| | Unemployed | Employed | All |
| No | 34 | 28 | 62 |
| Yes | 5 | 0 | 5 |
| All | 39 | 28 | 67 |

Results: Chi-square = 3.879, DF = 1, P-value = 0.049

Conclusion:

Reject Ho, Accept H1, there appear to be more Doctor visits for stress related illness made by the current unemployed after the closure than the current re-employed. The result is significant at 5%.

The same relationship was considered for doctor visits and employment status pre closure to determine if the current unemployed had more doctor visits for stress related illnesses pre closure than the current re-employed (see hypothesis 4.14).

Hypothesis 4.14: Did doctor visits for stress related differ between the current unemployed and the current re-employed groups before the closure?

Ho; Doctor visits for stress pre closure are independent of employment status

H1; Doctor visits for stress pre closure are dependent on employment status

Table 18

| Doctor visits for stress pre closure and employment status | | | |
|---|-----------------------------------|-----------|-----------|
| Rows: Doctor visits for stress pre closure | Columns: Employment Status | | |
| | Unemployed | Employed | All |
| No | 37 | 28 | 67 |
| Yes | 2 | 0 | 2 |
| All | 39 | 28 | 67 |

Result: Chi-square = 1.480, DF = 1, P-Value = > 0.05.

Conclusion:

Accept Ho, there was no difference between the current unemployed and the current re-employed in doctor visits for stress related illnesses before the closure.

4.7 DISCUSSION OF RESULTS

The overall health of those interviewed has dis-improved since the closure. The result is significant at 5% (Hypothesis 4.1).

Both the current unemployed and current re-employed had similar health descriptions prior to closure (Hypothesis 4.3). However, the current unemployed now have poorer health than the current re-employed (Hypothesis 4.2).

There is a very significant relationship between perceived decline in health and employment status, the result is significant at 1%. It was found that 44% of the current unemployed felt that their health had declined while 11% of the re-employed felt that their health had declined.

Both the current unemployed and the current re-employed had similar patterns for doctor visits before the closure (Hypothesis 4.9). However, the current unemployed now attend their doctor more often than the current re-employed, the result is significant at 5% (Hypothesis 4.8). It is interesting to note that the increase in doctor visits appear to be for stress related illnesses (Hypotheses 4.13 and 4.14).

There was no significant increase in doctor visits for physical illnesses since the closure (Hypothesis 4.10). Both the current unemployed and the current re-employed now appear to have similar visiting patterns for physical illnesses (Hypotheses 4.11 and 4.12.).

There is a significant relationship between interviewees' perceived decline in health and their age (Hypotheses 4.7). The majority (80%) of those interviewed who were

over 44 years were unemployed, this may be a contributory factor to the poorer health of the older workers.

The evidence from these research findings contradicts the 'selection thesis' and indicates that poorer health is a result of unemployment and not the other way around.

4.8 CONCLUSION

The overall health of those interviewed has dis-improved since the closure of the mines. It is clear that the current unemployed now have poorer health than the current re-employed and evidence suggests that their decline in health is a result of unemployment.

Unemployment continues to have a more substantial and damaging effect on the psychological health of those made redundant who remain unemployed, than on those who are re-employed.

From the evidence provided in the literature on the unemployment and ill health relationship and from the author's own empirical research findings, employment clearly does provide much more than money. Work has links with the environment which are crucial. The absence of work is associated with a decline in health. There is an abundance of evidence to support this view. It is time for change, it is time to place unemployment at the top of the political agenda. The absence of employment has a profound effect on individuals; it can effect not only their income, but also their health and their whole approach to life.

CHAPTER 5

EDUCATION, TRAINING AND EMPLOYMENT

5.0 INTRODUCTION

Poverty and depression dominate the lives of the chronically unemployed. The importance of the relationship between education, training and employment emerges in many aspects of the experiences highlighted in research, Creedon (1992, pp. 7). The objective of this chapter is to investigate the related social costs of inadequate education, inadequate training and the resultant unemployment. It also addresses the issue of job search and the difficulties encountered by those interviewed in re-gaining employment. Finally, conclusions are drawn about the significance of education and training within a policy of job creation as important areas for intervention in determining the fate of the unemployed.

5.1 EDUCATION AND EMPLOYMENT/UNEMPLOYMENT

A large number of studies have shown education to be crucial in determining one's labour market prospects and the likelihood of finding a job. Indeed, sociologists' concern with the workings of the educational system is, at root, based on the belief that inequalities in education generate inequalities in labour market position and life chances generally, Breen (1984, pp. 26).

The importance of education and the initial entry into work are crucial for one's longer term experiences in the labour market, Carter (1978, pp. 93) writes

“.. the level of job entered on leaving school represents... a ticket for a life journey - occupationally and socially too, in crucial dimensions of life chances and life styles (for example, housing, place of residence, medical care, education of children, recreation and leisure.)”

Sinfield (1981, pp. 69) summarises much research in his statement that:

“Surveys show a much higher rate of unemployment among young people without any qualifications, and a tendency for this unemployment to be both more frequent and longer lasting.”

In a British survey of 16-19 year olds Colledge (1977), it was found that young people without qualifications made up 53 per cent of the total unemployed within this group, and that 61 per cent of the unqualified young people had been unemployed for more than six months. Furthermore, the importance of qualifications may increase at times of high unemployment. A UK working committee reported that:

“most firms agreed.. that in times of high unemployment.. they were more selective with their normal standards. As a result it is likely that the qualified boy or girl will be more successful than the unqualified.” HMSO (1974, pp. 21); see also Colledge (1977, pp. 1345-1346).

Morgan (1996, pp. 10) documented the effect of early school leaving:

“Early school leaving (commonly referred to as ‘dropping out’ of school) has a number of negative consequences in terms of labour market experience and negative outcomes in the social, personal, and health domains. It is now established that early school leavers have a much higher chance of becoming unemployed.”

The lower the level of qualifications the less likely was an individual to move from unemployment into a job and the more likely he or she was to move from work into unemployment, Breen (1991, pp. 80). Movement from unemployment into a job seems to depend on two sets of factors which employers use to select workers. The first of these is educational qualifications, the second is the individual’s labour force record, where the duration of current unemployment is important in reducing the chances of getting a job, Breen (1991, pp. 81).

Table 19 compares the educational levels of those at work with those unemployed, and, within the unemployed, between short-term and long-term unemployed. Education is strongly related to labour market success, not only because income derived from employment is positively related to educational qualifications, but also because access to employment is related to education. About 22% of those at work had no qualifications while this was true of over 40% of the unemployed. Three-quarters of those unemployed had either no qualification or an Intermediate or Group Certificate, whereas this was true of less than half of those at work. At the other end of the educational scale, almost 21% of those at work had a third-level qualification while less than 7% of the unemployed had such a qualification, NESCS (1993, No. 96, pp. 479-480).

Table 19: Educational Qualifications of Those at Work and Unemployed in Ireland in 1991

| Educational Level | At Work | Unemployed | Short-Term Unemployed | Long-Term Unemployed | |
|-------------------------|---------|------------|-----------------------|----------------------|--------------------------|
| | | | | Total | Of which \geq 35 years |
| % | | | | | |
| No Qualifications | 22.4 | 40.1 | 24.3 | 47.2 | 65.1 |
| Intermediate/Group Cert | 25.6 | 34.5 | 37.7 | 33.2 | 22.4 |
| Leaving Cert. | 30.9 | 18.6 | 26.9 | 14.9 | 8.3 |
| 3rd Level | 20.8 | 6.7 | 11.1 | 4.8 | 4.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Labour Force Survey, 1991 (Special Tabulation).¹

The analysis of educational qualifications of the unemployed helps to explain why long-term unemployment has increased to alarming levels in Ireland. Table 20 shows the distribution of education by employment status for young labour force participants

¹ NESCS Report (1993, No. 96, pp. 49).

(aged 15-24 years) in 1990. Of the 294,200 young people participating in the labour force in 1990, 57,600, nearly 20% were unemployed. A total of 29,300, fully 10%, had no qualifications whatsoever, and 46% of them were unemployed. An additional almost 100,000 (34%) young people had attained only the Intermediate or Group Certificate, and almost 27% of them were unemployed. The table suggests that the relationship between education and labour market success is particularly strong for young workers; as educational attainments increase, unemployment rates fall sharply, NESCS (1993, No. 96, pp. 480).

Table 20 Employment Status by Level of Education of those in the Labour Force, Aged 15-24 years 1990

| Level of Education | At Work | Unemployed | Total | Percentage Unemployed |
|--------------------|---------|------------|---------|-----------------------|
| Number | | | | |
| No Qualifications | 15,800 | 13,500 | 29,300 | 46.1 |
| Inter/Group Cert. | 73,100 | 26,600 | 99,700 | 26.7 |
| Leaving Cert. | 111,111 | 14,300 | 125,400 | 11.4 |
| Third-Level | 36,200 | 3,000 | 39,200 | 7.7 |
| Not Stated | 500 | 200 | 700 | 28.6 |
| Total | 236,600 | 57,600 | 294,200 | 19.6 |

Source: 1990 Labour Force Survey.²

Given the relationship between class, labour market experiences and education it is hardly surprising, as shown in Table 21 overleaf, that the risk of poverty varies sharply by level of educational qualifications. Only 4 per cent of those with a Leaving Certificate, or better,

² NESCS Report, (1993, No. 96).

are in poverty; this rises to just less than 1 in 6 for those with the Intermediate or Group Certificate; and to just over 1 in 4 for those with no qualification. In composition terms, we find that 3 out of 4 households are headed by a person with no qualifications; a mere 6 per cent had the Leaving Certificate, or better. The poor are predominantly poorly educated, Nolan et al (1994, pp. 100). Having already examined the relationship between poverty and unemployment in Chapter 3, it would appear that there is a strong three way link between poor educational records, unemployment and poverty.

Table 21 Risk of Poverty by Educational Qualifications of Household Head (Aged 65 or less)

| Educational Level | Percentage Poor | Composition of the Poor |
|-----------------------------------|-----------------|-------------------------|
| No Qualifications | 26.1 | 75.1 |
| Intermediate or Group Certificate | 15.6 | 18.9 |
| Leaving Certificate | 4.6 | 3.9 |
| Third Level | 3.0 | 2.1 |

Source: Nolan et al (1994, pp. 100).

Class Origins and Level Of Education

As shown in Table 22 the relationship between class origins and level of education is striking. Almost 7 out of 10 of those from lower working class origins attained no educational qualification, compared with fewer than 1 in 10 of those from professional and

managerial backgrounds. Correspondingly, 40 per cent of the latter obtained third level qualifications, compared with only 3 per cent of the former.

Table 22: Educational Qualifications of Head of Household by Class Origin - Head aged less than 65 (Percentage by Column)

| Qualification | Professional & Managerial | Intermediate Non-Manual & Upper Petit Bourgeoisie | Upper Working Class & Lower Petit Bourgeoisie | Lower Working Class |
|-----------------------------------|---------------------------|---|---|---------------------|
| No Qualification | 9.0 | 40.0 | 55.8 | 68.2 |
| Intermediate or Group Certificate | 13.8 | 19.9 | 22.5 | 23.2 |
| Leaving Certificate | 38.1 | 21.0 | 12.4 | 2.1 |
| Third Level | 39.1 | 19.1 | 9.2 | 3.4 |

Source: Nolan et al, (1994, pp. 100).

5.1.1 Social Class and Education

It was found that upper-middle-class children born in the period 1930-49 were three times as likely as lower-middle-class children to reach university, and nearly 12 times as likely as lower-working-class to do so, Hasley (1975, p. 14).

5.1.2 Educational Qualifications, Gender and Social Class

It was shown that, while educational level is crucial in determining employment status, it is itself, dependent upon both the sex and the occupational background of the individual pupil. Total unemployment (i.e. including first job seekers) is highest among those who leave school early with none, or few qualifications, and thus males, because they leave school earlier than females, and young people from manual backgrounds, run the highest risks of unemployment, Breen (1984, pp. 54).

5.1.3 Duration of Unemployment and Educational Disadvantage

The unemployed are not however, a homogenous group, and there are significant differences in educational qualifications by duration of unemployment. The distribution of qualifications among the “short-term” unemployed (those unemployed for less than one year) is significantly better than the average for all those unemployed. On the other hand, however, the long-term unemployed tend to have a particularly poor educational profile. About 47% of long-term unemployed persons were without formal educational qualifications, compared with 24% of persons out of work for less than one year.

Those with the greatest educational disadvantages are the older long-term unemployed: almost two-thirds of the long duration unemployed who were aged 35 years or more were without any qualifications and only 12% of this group had attained Leaving Certificate or higher qualifications, NESCS (1993, No. 96, pp. 480).

Another concern is the finding that educational disadvantage is cumulative through time (Hannan and Shortall, 1991; Breen, 1991)³. Unless an individual is successful at all stages of the educational system, it penalises at each juncture. Stated simply, following primary school, successful entrance exams are important for entry to, and streaming within second-level schools, a successful junior certificate determines the level at which Leaving certificate subjects are taken, and Leaving certificate results determine further education options and employment opportunities. The inflexibility of the system is not conducive to second chance education, NESc (1993, No. 95, pp.11).

³ As cited in Nolan et al, (1994).

5.2 PRESENTATION AND DISCUSSION OF FINDINGS ON EDUCATION AND RE-EMPLOYMENT

5.2.1 Education and Employment Status

The relationship between the level of education and the employment status of those interviewed was analysed. It was found that 64% of those interviewed with primary qualifications were unemployed, while half of those with post primary qualifications were unemployed (see Table 23 below).

Table 23 Education and Employment Status

| Rows: Education Status | Columns: Employment Status | | |
|------------------------|----------------------------|----------|-----------|
| | Unemployed | Employed | All |
| Primary | 25 (64 %) | 14 (36%) | 39 |
| > Primary | 14 (50%) | 14 (50%) | 28 |

The relationships between lower levels of education and difficulties in regaining employment were further highlighted through respondents comments which are detailed below:

A 43 year old, single unemployed man who had not got a job since the closure of the mines, said that he had a very negative attitude about finding another job; “No employment in the area, unless I had education, there is no chance.”

A married man with four children aged 43 years, who had not got a job since the closure, had a very negative attitude about finding another job; “No skills, no education, no Leaving Cert, you would have to have the know-how.”

Another married man aged 58 years who had not got a job since the closure said he did not have any plans for future business ideas:

‘Because I’m not talented or educated enough.’ He doesn’t apply for any jobs, and has a very negative attitude about finding another job; “Wasn’t skilled/trained in anything else.’

5.2.2 Unemployment and Second Chance Education

It should be noted that none of those interviewed availed of any second chance educational opportunities since the redundancy. The poor rate of progression to further education is a matter for concern, since most of those interviewed suffered severe educational disadvantages and are likely to experience continued difficulties in the labour market without further education or improved training.

Fortunately, some authors have already recommended that action be taken in this area.

The priority for policy must be targeting specially designed programmes at those who have already left school with little or no qualifications, and introducing measures to reduce the numbers leaving school each year in that position. Recent evaluations of the effectiveness of EC Structural Funds expenditure in the human resources area have made clear that training per se does not address the needs of many of the long-term unemployed, and have emphasised the importance of what is effectively second-chance education as a prelude to retraining (Sexton and O’Connell, 1993).⁴

The roots of early school leaving lie not alone in the educational system but in the pre-school environment and in the complex set of relationships between families, communities and schools. If a serious attempt is to be made to address the problems of unqualified

⁴ As Cited in Nolan et al, (1994, pp. 111-112).

school leavers in the labour market, it is in these areas that policies must be pursued, Breen (1991, pp. 85).

The National Anti-Poverty Strategy recognises the role education plays in eliminating poverty and sets the following three interlinked targets:

- The elimination of early school-leaving before the Junior Cert;
- Increasing participation rates to the end of the senior cycle to 90% by the year 2000 and 98% by the year 2007;
- Achieving a situation in which there are no students with serious literacy and numeracy problems in primary education within the next five years.

However, dividends from such a policy on education will only be enjoyed in the next century. For the moment, there is a real need to recognise the importance of intensive training in order to improve opportunities of finding a job for the unemployed.

5.3 THE IMPORTANCE OF TRAINING

Labour market policies, such as training programmes, help the unemployed in their job search. Countries which pursue intensive training policies have less unemployment, and when they experience an increase in their vacancies their unemployment falls by more (in proportional terms) than in other countries. Labour market policies also speed up the adjustment to equilibrium, by reducing the influence that past unemployment has on future unemployment, Jackman et al., (1990).

Focusing on the labour market measures, recent evaluations of the main training and employment schemes in operation up to the present suggest that they have not been effective in creating jobs and reducing unemployment, Breen (1994).

Ronayne et al., (1986) conclude in their review of locally-based responses to unemployment;

“most employment schemes achieve little in terms of reduction of unemployment; many initiatives are not job creation oriented but are in fact, responses to a broader range of social needs in areas which carry multiple burdens.”

Allen (1993, pp. 56-57) highlighted the ineffectiveness of some training schemes:

“A further example of how the world looks different from the dole is that of the schemes designed to ‘Give Them Back Their Dignity’. A number of men who have now set up an unemployed group in the north-west were formerly employed on a social employment scheme there. Their employment was to cut hedges and, presumably to save money, they were given equipment from the 1930s with which to do it. In the months that they struggled with the old tools to cut a couple of miles of hedgerows, the full-time council worker, using modern equipment, cut every other hedgerow in the county. Leaving this pointless scheme would have meant losing their dole. They were left feeling angry and powerless, their time and effort totally undervalued. All of this was justified as ‘Giving People Back Their Dignity’.”

O’Donnell (1993, pp. 4-5) highlighted the importance of job creation strategies as well as training in order to reduce Irish unemployment:

“Training will only reduce unemployment when unemployment is due to a mismatch between the skills of the unemployed and existing vacancies. Since only a fraction of

unemployment in Ireland, or Europe, would seem to be of this type, training will only reduce unemployment if it is accompanied by policy measures which increase the demand for the labour of those undergoing training.”

There would appear to be value in encouraging community development responses which recognise the relevance of resource and support issues, and which have the potential to give the unemployed access to categories of experience previously denied to them. The cost of financing such interventions must be set against the costs currently associated with the consequences of unemployment and poverty, not just in terms of scale of human misery generated but also of the extent of utilisation of health services, Whelan et al., (1991, pp. 141).

5.4 RESEARCH RESULTS

The research indicates that 42% of the sample interviewed did not take part in a Fás re-training course. Of the 58% who did take part in re-training since the closure, 27% took part in one course, 15% took part in two courses, 9% took part in three courses, and 7% took part in as many as four courses. It would appear that those who remain unemployed continue to take part in some form of re-training.

Of those who participated in re-training, only 46% felt that they had gained a skill as a result of taking part in the course or courses. Their perception of whether or not they gained a skill was then related to employment status to determine if there was a difference in the unemployed and employed groups. Results indicated that there was no statistically significant difference between the groups in their perception of skills gained (see Appendix C, pp. (ii) Table 5.6). It can be deduced that the majority (54%) of those re-training

participants felt that they did not gain any skills as a result of participating in the re-training course or courses.

Those who did gain skills made the following comments:

An unemployed man aged 42 years, married with two children who never got a job since the closure took part in four re-training courses. The first course was a brick laying course, the last three were as a 'school caretaker.' When asked if he gained any skills as a result of doing the courses, he said; 'yes'; 'Block laying and brick laying.'

An unemployed man, aged 43 years, married with four children, who is currently doing a Fás course, said that he had already taken part in three re-training courses.

He thinks he gained skills as a result of doing the courses; 'Did plastering - gained skills in brick laying and building,' but he is pessimistic about finding a job; " where are the jobs no matter what skills one has?"

The majority (54%) of those who took part in re-training felt that they did not gain any skills as a result of participating in the course or courses. They commented as follows:

An unemployed single man, aged 43 years, commented: 'It is not skilled work. It is only labour work. (I would like to landscape gardens).'

Another man with a wife and two dependents who has been unemployed since the closure and who is currently doing his fourth Fás course - 'building walls and amenity work.' He doesn't think he gained any new skills as a result of doing the course; 'They are all right for getting a few pound, but training is nil. Good to get out of house and mixing with other people.'

A married man aged 42 married with three children, who was lucky enough to become re-employed a year after the redundancy, took part in a re-training course; cleaning up a river. When asked if he felt he gained any skills as a result of doing this course, he commented; 'No, no need for a brain to do this type of work, only way of keeping numbers off the dole.'

From the evidence found in the survey, it would appear that there is a communication gap between Fás, the state agency responsible for the training of the unemployed and those interviewed who took part in re-training courses. Many of those interviewed were dissatisfied with the training. Given the high number of those who remained unemployed, it would seem advisable to reappraise the effectiveness of such re-training courses. For that reason, the author thinks that it is appropriate to examine Sweden's labour market policies which have had much success in controlling unemployment levels.

5.5 SWEDEN'S APPROACH TO LABOUR MARKET POLICIES⁵

Many authors refer to Sweden's labour market policies when speaking about policies aimed at solving the unemployment crisis. The basic philosophy of the Swedish approach is what they call the "employment strategy",⁶ in contrast to the "cash assistance strategy." The employment strategy means that if a person wants an income, it should be possible for him to earn it rather than depending on cash transfers from others.

As the National Labour Market Board put it, "benefits are a last resort, only to be used if no other measures are suitable or available." If people do not have work, the key

⁵ This section draws heavily on the work of Layard et al., (1994).

⁶ "Arbetslinjen". This is variously translated in English as "employment principle", "job principle", or "employment strategy". But the basic idea is that activity is essential, rather than idleness.

objective is to improve their employability. No one should be allowed to sink into passive inactivity, Layard and Philpott (1991, pp. 37).

The variation in policy across countries in the provision of training for the adult unemployed is enormous. Measured in terms of expenditure as a proportion of GDP: Ireland, Denmark and Sweden do most in this respect, but measured in relation to the numbers of unemployed people Sweden is again far ahead, Jackman et al., (1990, pp. 8). To reskill the unemployed is a serious business. It cannot be done on a shoe-string. Sweden spends as much on an unemployed trainee as on a university student. We (Britain) spend half, Employment Policy Institute (1993).

Layard et al., (1994, pp. 77) also show that, the degree of commitment varies greatly, with the Swedes doing much more than any other country and Germany doing more than any other EC country. In fact, Sweden goes to the length of guaranteeing every unemployed person a temporary job if he or she has still not found a job when benefits run out (after 14 months).

Layard et al., (1994, pp. 92-93) have described the success of the Swedish labour market policies and benefits as follows:

“The classic example of an active manpower policy is the Swedish system. In the 1960s most foreign economists (including some of us) thought the Swedes had gone over the top. But the wisdom of their approach was proved by the fact that, even after two oil shocks, the Swedish unemployment rate never lingered over 3 per cent; long-term unemployment was never allowed to emerge, and unemployment quite soon come down to under 2 per cent.”

They have also outlined the Swedish policies towards employment:

Benefits for the unemployed run out after 14 months, but linked to this are labour market policies to make sure that people find productive work. These have four main ingredients.

- (a) The placement services (employment exchanges). These go into intensive operation from the moment a person becomes unemployed. Case loads are low - only 35 unemployed people per member of staff, compared with at least five times more in Britain. And the exchanges have excellent information on the labour market both locally and elsewhere, based on the compulsory notification of vacancies.
- (b) Retraining. Hard-to-place workers are sent on high-quality training courses in some cases as soon as they become unemployed. Thus, economic change is welcomed as an opportunity to provide experienced workers for the industries of the future. Generally, about 1 per cent of the workforce are on courses of this kind.
- (c) Recruitment subsidies. If workers have not been placed within six months, employers recruiting them can be offered a 50 per cent wage subsidy lasting six months. The numbers taken up under this scheme peaked at 0.3 per cent of workers in 1984.
- (d) Temporary public employment and the right to work. If all these measures fail, the public sector (mainly local authorities) acts as the employer of last resort. It provides work for up to six months, mostly in construction or the caring services. Provision is highly counter-cyclical, covering some 2 per cent of the

workforce at the peak and under 0.5 per cent by 1988. Anyone whose benefit entitlement has run out is entitled to such work by law.

Such policies are expensive, and the Swedes spend nearly 1 per cent of national income on them. But, by keeping down unemployment, the programmes reduce unemployment benefits, which in the EC cost 1.5 per cent of GNP compared with 0.7 per cent in Sweden. In Ireland the direct costs attributable to unemployment were approximately 7% of GDP in 1993, Hastings and Walshe (1995).

In the long term the Swedish programmes may be largely self-financing to the Exchequer. In terms of social cost-benefit analysis, they almost certainly pass the test.⁷ By any criteria, the Swedish labour market has performed extremely well (during the 1980s). The employment-population ratio, already the highest in the world, has gone on rising, while it has fallen in all the main EC countries.

5.6 RECOMMENDATIONS FOR TRAINING

The information from placement and tackling data indicates that, in general, marginalised groups experience the greatest difficulty in obtaining work on completion of training programmes. The return to unemployment, or withdrawal from the labour market, is likely to lead to the depreciation of whatever augmentation of human capital that was achieved on the course. The poor integration of programmes directed at marginalised and poorly educated groups with the rest of the education and training system, represents a major barrier to the long-term success of interventions to assist disadvantaged people, NESCC (1993, No. 96, pp. 498).

⁷ ... For a full description of the Swedish system see Layard and Philpott (1991).

In a recent study for the National Economic and Social Council, evidence regarding skill levels, productivity and economic performance in Ireland are compared to Denmark and the Netherlands, successful economies which share significant structural characteristics with Ireland. Skill differences are noticeable at all levels; shop floor worker, supervisor and manager. The findings from the matched plant studies are in line with the conclusion of the Industrial Policy Review Group: there is a skills gap between Ireland and best practice firms in competitor countries, NESCC (1993, No. 96, pp. 491).

From the literature provided on training, it would appear that training policies to combat unemployment must be combined with the creation of demand in the labour market specifically targeted at the unemployed and at those at risk of unemployment if such training policies are to be effective. As this research has shown over the six-seven year period since the closure of the mines, training appeared to represent a break in a spell of unemployment, without generating any lasting effects for the participants. Many of those participating in re-training courses had low levels of education, and were middle-aged with little real chance of employment in the open labour market. Findings point to the need for high quality intensive re-training and job placement schemes. This research indicates that the only way out of unemployment is to be well trained in order to compete on the open labour market for jobs.

5.7 RE-EMPLOYMENT

Not only did the closure of the Arigna mines directly affect the employees of the mine, but it also affected the entire community. The loss of employment meant a reduction in spending power and a drop in the demand for goods and services in the local community. The author will concentrate on the individuals' reactions to job-loss, their difficulties encountered in re-gaining employment and their attitudes towards finding another job. When asked about their reaction to job-loss, the majority of those interviewed were more than prepared to tell the full story with very little prompting. Whether devastation was followed by optimism or pessimism was likely to depend upon age, health and the level of resources, and whether or not they were ever re-employed since the closure. Alas, in the majority of cases, their devastation was followed by pessimism.

Evidence so far indicates that the closure of the Arigna Mines had a terrible impact on many of those interviewed. The most common reactions to job-loss were shock, devastation and a great sense of loss. Those who suffered most are those who failed to re-gain employment. The author has decided to directly quote some of the interviewees' reactions to job-loss, in order to give the reader a clearer understanding of the impact of the closure on their lives.

Unemployment is usually a crisis. The loss of paid work can be a bereavement like losing your possessions in a fire or burglary, losing your neighbours when moving house, or losing your health. The loss of something that has been taken for granted can be devastating, and occasionally people do not recover. But generally people do recover,

Walter (1985, pp. 173). Unfortunately for the people in Arigna the closure of the mines meant that their lives would never be quite the same again.

A married man with four children, aged 43 years who never got a job since the closure, described his reaction to job loss: 'It was a shock, coal dust, alot of drinking, worried about mortgage. Hyperventilation as a result of unemployment.'

Another man aged 29 years who got another job since the redundancy, described his reaction to the redundancy: 'Emigrate - felt mad, felt down, felt bored, missed it, saw people who worked with, don't see them now.'

Some of the men thought about emigrating, but couldn't because they were married with children.

A married man aged 36 years with three children who never got a full-time job since the closure, described his reaction as follows: 'Shock and sadness, didn't know how I was going to manage. Thought about emigrating but couldn't with children.'

A married man aged 43 years with a large family who never got a job since the closure, described his reaction to job-loss: 'No work again, bitterly disappointed. Trained for nothing, no education. No one working in the family. Bleak future, thought about England, had to stay because of children.'

Others spoke about their losses which resulted from unemployment: An unemployed man, aged 42 years, married with three children who never got a job since the closure of the mines, described his reaction as follows: 'Shocked, devastated. Big mortgage on the house, when mines closed, couldn't keep up the mortgage. Recently council bought the house, don't have the house!'

A man who has never been out of work and has only just been made redundant, will often be very eager to talk about the injustice and outrage. The vividness and even bitterness may be all the sharper if he has spent most of his working life with one company and doubts whether he will ever find another job, Sinfield (1981, pp. 39). An unemployed married man with four children, who never got another job since the closure described how he felt: 'Devastated. Blamed everybody for it, the government and the ESB were blamed. Why didn't they put up the second power station?'

A Married man with two children aged 28 years, when asked about his reaction to job-loss commented; 'Very mad at the government for taking the work out of the area.'

Loss of identity and status is another resultant cost of redundancy. As Hayes and Nutman (1981, pp. 86), put it: When this status is removed it is not simply a question of the individual who loses the status of a working person, but more importantly he or she loses the means by which the integrity of the self-image is maintained.

Age appeared to have an impact on how the workers felt, with older workers expressing more severe reactions because of their reduced chances of re-employment. A man aged 52 years, who never got another job since the closure, described his reaction to redundancy as follows: 'Knew I would never get another job. Felt very bad. When come to this age, nobody wants you.'

A man aged 57 years, who never got a job since the closure, had the following reaction to job-loss: 'Rough one, didn't know what I was going to do. Didn't know where I was going to go. Couldn't get a job anywhere else around.'

An unemployed married man with four children, aged 43 years, who never got a job since the closure; 'Couldn't believe it, thought it would never close, the way of life in the area, knew nothing else except this.'

Some appeared to have a delayed reaction to job-loss and they did not realise the difficulty of gaining employment until a while after the closure.

An unemployed man, aged 48 years, married with two children who never got a job since the closure and who was forced to sell his house, described how he reacted to redundancy; 'No reaction until it was twelve months gone. Nobody realised it.'

A re-employed man aged 43 years, commented: 'Shock - and dismay in the area! People didn't want to believe it. Shock was really worse when redundancy was gone. Skilled men, but employment potential was low.'

A single re-employed man aged 28 years, described his reaction to job-loss: 'Didn't hit me until twelve months later. People had to go to Carrick-on-Shannon, stamp money ran out, means tested. Small farms everything totted up they would only be entitled to five or ten pounds per week.'

Some, made redundant by closures of the mines in Cumberland, West Durham and Northumberland in the 1950s and 1960s, had never worked outside the same pit since leaving school forty or fifty years before. In many of these villages nearly all other employment was serving mining directly, or else indirectly in meeting the consumer demands of miners and their families, Bulmer (1978). Almost all of those made redundant from the Arigna mines had never worked outside of the mines.

Some of those interviewed directly addressed the impact of the redundancy on the entire community:

A man aged 40 years, married with five children who never got another job since the closure of the mines, described his reaction as follows: 'Very disappointed, hoping against hope that it would go on another few years, but that was a waste of time. No trade in Drumshambo the way it was. Loss of Arigna was a big blow.'

Many people looking for work find it harder to get a job than they expected. This includes skilled men made redundant in their thirties or forties, who generally have much less difficulty in finding work unless their particular skill has become obsolete, Sinfield (1981, pp. 42).

Even if those made redundant do not remain unemployed, they may still fail to regain the careers and standard of living they previously had. In addition, the impact of redundancy on a community diminishes the total available employment and may also jeopardize the continued employment of many other workers in that community and elsewhere. As the Consett and Port Talbot closures showed in 1980, the repercussions on the lives of the community may be far-reaching. The single number of those made redundant therefore understates the significance for society as a whole, Sinfield (1981, pp. 67-68).

Watts (1983, pp. 111-112) described the situation created in communities dependent on a single industry which is in decline:

“In such areas, high unemployment can damage the community’s infrastructure, and can lower morale not only of those without work but also of the community as a whole. This can produce a downward spiral which is hard to reverse, deterring possible external investors, and developing a sense of resignation which makes it difficult for local people’s energies to be sustained and harnessed. Unemployment has ripple effects which run through the whole labour market and whole society, reducing people’s sense of confidence and fulfillment.”

Since employers use length of unemployment as a rough rule of thumb in choosing between applicants, the impact of a redundancy may fall heavily on many already out of work. Thus, the great majority of workers gained their new jobs at the expense of others

looking for work, whether they were already unemployed or were hoping to change jobs or to enter the labour market, Sinfield (1981, pp. 64)

A single unemployed man aged 45 years, who never got a job since the closure of the mines stated: 'Didn't panic, always figured I would get another job. Didn't realise things would be as bad in the country.'

From the evidence provided it can be concluded that the impact of a redundancy on the individual and a community is far reaching.

5.8 JOB SEARCH AND RE-EMPLOYMENT

Employers' recruitment practices tend to operate against the long-term unemployed because the length of time since the candidate last worked is often used as a means of selecting from a pool of applicants. Some employers may simply consider that workers deteriorate as their time out of work lengthens and prefer someone who has evidently been fit enough to hold down a job more recently, Sinfield (1981, pp. 96).

This research has found that 45% (see Appendix C, pp. (ii), Table 5.5), of those interviewed, never got a job again since the closure of the mines. At the time of interviewing as many as 58% were unemployed (see Appendix C, pp. (i), Table 5.3). Some of the 42% who were re-employed were in temporary and part-time work (see Appendix C, pp. (i), Table 5.4). The majority (92%) of those who got jobs again said that they were satisfied to be re-employed (see Appendix C, pp. (iii) Table 5.7). Some of the re-employed expressed their satisfaction at gaining employment as follows: Re-employed man aged 34 years; 'Money aspect and it keeps one occupied, something to do.' Another re-employed man, aged 43 years; 'Quality of life is better now, more income financially better off working.'

5.9 UNEMPLOYMENT AND ATTITUDES TO WORK

The issue of the willingness to work is often disputed. Voluntary unemployment is caused by the erosion of the will to work due to increases in state benefits. However, this idea is not supported by the available evidence: such increases as there have been in benefits have had little or no direct effect on unemployment rates, Showler (1981, pp. 42-5).

Evidence in Chapter 3 has clearly indicated the link between unemployment and poverty, few of the unemployed are financially better off than they would be in employment (see Marsden (1982, pp. 222)); and not only would the vast majority prefer to be in a job, but a fair number are willing to accept cuts in their previous real earnings, (e.g. Moylan and Davies, (1981)).

In a study to ascertain whether the activities which unemployed people pursue in their spare time provide an alternative to the psychological functions claimed to be provided by employment, Kelvin et al., (1984, 1985, pp. 1) concluded that:

“It is quite clear from our findings that at this point in time the ‘leisure’ activities do not provide the kind of structure both social and practical provided by employment.”

They add however that:

“One crucial factor... is that unemployment also means financial hardship. It is by no means clear whether the failure to pursue ‘satisfying leisure activities’ when unemployed stems from ‘social psychological consequences’ of being out of work or mainly from a lack of material resources.”

In a British survey, some 69 per cent of employed men and 65 per cent of employed women said they would continue in employment even if it was no longer financially necessary; only 15 per cent and 18 per cent respectively said they would want to stop work and never start again. (Warr, 1982)⁸ In a parallel US study among the hard-core unemployed, the proportion saying they would want to work even if it were not an economic necessity was 84 per cent, Kaplan and Tausky (1972, pp. 475)⁹.

⁸ As cited by Watts (1983).

⁹ As in 8 above.

For example, a study by Warr (1982) of a representative sample of 2,419 men and 1,206 women in mainland UK indicated that, in absolute terms, large numbers of people want full-time employment, even if they don't need the money (e.g. 55% of men, and 52% of women in the 45-64 age bracket). At the same time, however, the study indicated that many people would appear not to want employment in the absence of financial need (e.g. 27% of men, and 36% of women in the 45-64 age bracket).

Informal Contacts

Walter (1985, pp. 87);

"A job in the formal economy has another important advantage. It puts you in daily contact with workmates and customers who also have money. In other words, it puts you in touch with the market for your services. The unemployed person is likely to have fewer social contacts, and - as unemployment tends to cluster into certain districts - several of these may well be unemployed and short of cash also."

This research has shown that 99% of those interviewed would prefer to work rather than be unemployed (see Appendix C, pp. (i), Table 5.1).

It is often argued that many unemployed could find work quicker, if they did not set their sights too high and were not too cushioned by generous or at least high benefits. The evidence for this appears to be largely anecdotal and is not supported by the findings of many surveys over the last fifteen years. One study in 1979 showed that a majority of unemployed men had tended to come from low-paying jobs, but only 3 per cent would be receiving more in benefits than they had previously earned (the average gap was £34 per week), Smith (1980).

The National DHSS Cohort Study (Moynan and Davies, 1980) of men becoming unemployed in the autumn of 1978 also found that there was little, if any, evidence of the earnings target being set too high, Sinfield (1981, pp. 43).

There comes a point (when) people can no longer sustain their motivation in the face of continued rejection, heightened awareness of their own shortcomings, disillusionment with job finding services, belief that all available options have been covered, and a knowledge that jobs are scarce anyway, College and Bartholomew (1980, 5.4).

The very decline in confidence that results from months and years out of work saps the energy and determination to keep looking for work. This may help to reinforce a downward spiral or 'a vicious circle in the relationship between the unemployed and the rest of the community which may make it even more difficult for people who have been out of work for a long time to get back into full-time employment, Newcastle, (1980, pp. 39).

Allen, (1993, pp. 56);

"Few things can be more damaging to self-esteem than to offer yourself repeatedly for hire to employers who have no vacancies, and so face rejection after rejection. In many European countries - notably those with low levels of unemployment-all vacancies must be notified to the state recruitment agency. They can be filled in any suitable way, but people using the state recruitment offices must at least have a chance of applying. Here we have a system that requires unemployed people who are seeking jobs to seek them in Fás, but does not require employers to offer them in Fás. The vast majority don't."

For some, the readiness to engage in an active search is the essential indicator of genuine concern to have a job; for others, it is held to be of limited significance, given the lack of real opportunities for work for substantial sections of the unemployed. In the second of these perspectives, the conventional distinction between unemployment and non-activity is regarded essentially as an artificial one, masking the processes that lead to progressive exclusion from the labour market, Gallie et al., (1995, pp. 115).

5.10 RESEARCH FINDINGS AND DISCUSSION

The unemployed are largely victims of their circumstances: they were unlucky enough to have been employed in an industry that engaged in a large-scale redundancy and found themselves in a labour market where there is little demand for their skills. This research has found that of those who were made redundant, the unemployed have a much more negative attitude about finding another job than the re-employed. The result is very significant at 1%. It was found that 30% of the unemployed had a very negative attitude about finding a job in comparison to only 7% of those who are re-employed, (If looking for other work). These results highlight the damaging effect of unemployed status on the impact of attitude about re-employment (see Appendix C, pp. (iii), Table 5.8). Some of the comments of those who would like to have another job are also included to give a clearer picture of the real desire to work expressed by those made redundant.

A married man aged 36 years, re-employed part-time since the closure of the mines, who would prefer to work rather than be unemployed spoke about his desire to get another job; 'Day goes quicker, happier in oneself.' However, he hasn't applied for any jobs and feels very negative about finding another job; 'nothing in the area.'

Another man aged 43 years who would prefer to work rather than be unemployed; 'routine out of house, making good money, would be happier working.' He has a very negative attitude about finding another job; 'no education, no skills, learned nothing from coal mines, no books to do. People thought it would never close.'

Another re-employed man who has experienced a long spell of unemployment, but who is now re-employed said: "Nobody wants to be unemployed. Nothing to do."

Others expressed their desire to work and the need to get out of the house and have a routine, however many expressed that the greatest barriers to re-employment were lack of skills, education, and lack of jobs.

5.10.1 Re-employment - the Disposable Older Worker - Age and Unemployment

'Ageism in terms of discrimination against older workers has been long evident in the unquestioning acceptance of higher and prolonged unemployment. Once older workers lose their jobs, they have very great difficulty in getting back to work, and so from a large proportion of those out of work for many months and years, Sinfield (1981, pp. 76).

Prolonged unemployment is for most people a profoundly corrosive experience, undermining personality and atrophying work capacities. And it is an experience to which some of the worst disadvantaged groups in our society are particularly vulnerable, and all are most vulnerable in areas of high unemployment, Harrison, (1976, pp. 347).

Breen and Halpin (1989, pp. 75) addressed the issue of the difficulties encountered by the long-term unemployed in trying to get re-employed. The main obstacle to hiring the long-term unemployed is the perception, on the part of many employers, that the long-term unemployed have acquired bad work habits and may prove difficult to train. In addition, many employers claimed that the jobs for which they were recruiting were not suitable for the older, long-term unemployed worker. This may reflect the nature of the jobs on offer, but it probably also relates to the wage that the employer would be willing to pay.

Callanan (1994, pp. 18) highlights the difficulties encountered by the unemployed:

“The greatest barriers to employment, including age, lack of educational qualifications and the mistaken perceptions of employers, are encountered by the long-term unemployed. Added to these impediments, researchers into long-term unemployment complain that low paying jobs, by providing no financial incentive to give up unemployment and social welfare benefits, are perpetuating the problem.”

This research has found that those over 44 years have much greater difficulty in finding another job, than those below 44 years. Of those between 45 and ≤ 50 years; 80% were unemployed, of those aged between ≤ 50 and ≤ 57 years; 80% were unemployed, and of those aged > 57 and ≤ 65 years; 83% were unemployed. This highlights the disadvantaged position of the older worker when looking for work (see Table 24 overleaf).

Table 24 Relationship between Employment Status and Age

Ho: Employment status is independent of age

H1: Employment status is dependent on age

Rows: Employment Status

Columns: Age Category

| | ≤ 30 | ≤ 40 | ≤ 44 | ≤ 50 | ≤ 57 | > 57 | All |
|------------|-----------|-----------|-----------|-----------|-----------|--------|-----|
| Unemployed | 4 | 6 | 13 | 4 | 4 | 5 | 39 |
| Employed | 9 | 4 | 13 | 1 | 1 | 1 | 28 |
| All | 13 | 10 | 26 | 5 | 5 | 6 | 67 |

Chi-square = 12.316, DF = 5, P-Value = 0.031

Conclusion: Reject Ho, accept H1, the result is statistically significant, employment status is dependent on age.

5.11 THE IMPORTANCE OF IMPLEMENTING JOB CREATION STRATEGIES

For Beveridge, the decisive argument for his definition for full employment was, that difficulty in selling labour has consequences of a different order of harmfulness from those associated with difficulty in buying labour. A person who has difficulty in buying the labour he wants suffers inconvenience or reduction in profits. A person who cannot sell his labour is in effect told that he is of no use. The first difficulty causes annoyance or loss; the other is a personal catastrophe, Beveridge (1944, pp. 19).

The underlying philosophy behind his definition is that for people 'to have a sense of value there must always be useful things waiting to be done, with money to pay for doing them.' Despite his traditional and conservative style, he is clearly under no illusion about what he sees as full employment and its significance for both the unemployed and the whole society, Sinfield (1981, pp. 129).

The 'unthinkable' that we should be planning for is not a society without work for many more than today. We should recognise that many more people want to work and contribute to the society in which they live than are able to. 'Why should we be concerned to persuade people that they will never work again when they want to work and their work is needed?' (TUSIU, 1980, PP. 29).¹⁰

When speaking about unemployment the General Secretary of the Irish National Organisation of the Unemployed, Mike Allen addressed the need for job creation.

Our problem is too few jobs, not too many people. You can see this clearly when you look at the numbers in work instead of the numbers out of work. Austria is not exceptional in finding jobs for over 40 per cent of its population, we can only find jobs for 30 per cent of

¹⁰ As cited by Sinfield, (1981, pp. 153.)

ours. That extra 10 per cent of the population in work would wipe out our unemployment, Allen (1993, pp. 53).

The communities in which long-term unemployment is concentrated have to be allowed to break out of their marginalisation and powerlessness if that unemployment is to be tackled, O'Toole (1993, pp. 36).

Findings from studies on the unemployed emphasise the importance of work:

"Without a job people are rootless. They become confused as to who they are and where they belong. Given this unsatisfactory state of affairs we must get people back into employment. It is only in employment, within a job, that distress will be alleviated and a state of normality resumed, Fineman (1987, pp. 268)".

Jahoda (1981) notes, it is a tie to reality and we all need some tie to reality so as not to be overwhelmed by fantasy and emotion.

Support for the importance of work also comes from different religious and philosophical traditions, Schumacher (1973, chapter 4, pp. 49), for example, has drawn the attention of the Western world to what he terms 'Buddhist economics':

The Buddhist point of view takes the function of work to be at least three-fold:

- to give a man a chance to utilise and develop his faculties;
- to enable him to overcome his egocentredness by joining with other people in common task;
- to bring forth the goods and services needed for a becoming existence.

Many writers recognised that work represents a deep human need. Freud (1930, pp. 34)

argues that 'laying stress upon importance of work has a greater effect than any other

technique of living in the direction of binding the individual more closely to reality', since 'in his work he is at least securely attached to a part of reality, the human community.' Beyond the personal needs met in work, there is also an argument for asserting its social and political importance, as 'the major point of connection between the individual's creative energies and the purposes and policies of the whole society,' Channan (1976/7, pp. 43).

The Universal Declaration of Human Rights issued by the United Nations in 1948 stated that:

"Everyone has the right to work, to free choice of employment.. and to protection against unemployment, (article 23)¹¹."

Allen (1993) quoted Therborn, when he referred to the importance of a job creating strategy. Therborn (1987) found that while such countries as Sweden, Switzerland and Japan had very little in common in terms of their economic system or natural resources, they shared two essential features. Firstly, a national consensus that full employment is of overriding national importance, and secondly, the existence of institutions to carry this sense of priority into action. Ireland has neither of these. The result of this has been to consign one-fifth of our potential workforce to a partial life, where potential is not fulfilled, hopes are not realised and lives are stunted and wasted.

The National Economic and Social Council is acutely aware of the high social cost of long-term unemployment and the extent to which that cost is borne by the weakest members of society. It has therefore, concluded that special measures must be taken to address the needs of the long-term unemployed, over and above measures to stimulate

¹¹ As cited by Watts (1983, pp. 136).

employment growth generally. The Council believes that the limited scope for increases in public expenditure in the context of it's macroeconomic strategy should therefore be applied primarily to creating opportunities for the long-term unemployed to engage in meaningful work in their communities. This would be in addition to targeted measures to increase their education and skill levels, and thus potential to compete for open employment. Failure to provide direct work opportunities for the many thousands of long-term unemployed is effectively to condemn them to decades of unemployment without prospect of relief. The Council regards such a prospect as unconscionable, NESC (1993, No. 96).

Kennedy, (1993, pp. 144-145) was speaking about full employment when he stated:

"If we really believed as a community that unemployment was the overriding national priority, virtually all other objectives, however desirable, would be subordinated to that. A country in a national emergency, such as a war, marshals all of its national resources in order to survive and my suggestion is that such a single-minded focus is needed today."

Kennedy, (1993, pp. 154):

"Surely it should mean that national policies in so many areas, whether education, taxation, exchange rates, social welfare, labour legislation or others, should all be critically examined to ensure that they are focused on the objective of creating long-term viable jobs in Ireland by facilitating and supporting an effective business response."

Jahoda stresses the importance of the role played by formal and informal institutions in relation to human needs.

Marx emphasised the importance of work, for Marx (1963, pp. 69) the capacity to invent tools and produce the means of subsistence was what distinguished man from other animals. However Hill (1980a, pp. 208) has emphasised the importance of providing satisfactory employment: "Jobs had to be worthwhile to the workers and to the

community.” Accordingly, Beveridge (1944, pp. 20) in urging the importance of full employment emphasised that the unemployed would have the chance of rendering useful service, and be given the feeling that their work is valued: “employment is not wanted for the sake of employment, irrespective of what it produces.”

It is arguably an essential quality of work in its broader sense that it is ‘an activity that produces something of value for other people.’ (O’Toole et al., 1973, pp. 3).

We cannot afford to become blasé about the doom of long-term unemployment.

O’Donnell (1993, pp. 4):

“The combination of very high levels of unemployment since the mid 1980’s and the results of a series of studies have resulted in considerable fatalism about unemployment - in society and among social scientists and policy makers. It seems to have become accepted that there is no intellectually respectable argument that unemployment can be significantly reduced. This fatalism must be overcome. The urgency with which the problem of unemployment is approached and our orientation to it are crucial.”

The Employment Policy Institute (1993):

“When people become unemployed, the key thing is that they should remain (or become) employable. If they come to feel useless, enormous long-term damage is done.”

It is also clear that the labour market prospects of individuals are strongly linked to their educational attainment. This in turn is strongly linked to socio-economic background. It follows that education and training policies must address a range of goals simultaneously: to provide the knowledge base for society as a whole; to equip people with the skills and attitudes they need for a fulfilled and productive life and with the capacity for life-long learning and development; and to ensure that all members of society receive education and training which enable them to develop their talents and become productive members of the community. It follows that education and training policies should be addressed together,

and that administrative and institutional structures should reflect rather than dictate the analysis of policy and performance, NESC (1993, No. 95, pp. 199).

The effective, preventative management of the changes brought about by changing markets and new technology should become the central part of a policy of unemployment as it is very difficult to integrate people once they become unemployed for any length of time. It is worth remembering that only 30 percent of new employment created in Europe since 1985 has gone to unemployed people; 70 per cent went to new entrants to the labour force. The percentage of long-term unemployed has grown and the tendency is for those to be located in particular communities which makes re-integration even more difficult. The most desirable strategy is to have the retraining take place while people are still employed, Walley (1993, pp. 162).

Evidence from studies in Britain as well as other countries shows that the most effective way of helping those who are most likely to become long-term unemployed is to give them particular help as soon as they become unemployed. It is even better to help to reduce their chances of becoming unemployed in the first place by adjusting redundancy compensation and other measures, Sinfield (1981, pp. 104-105).

Kennedy, (1993, pp. 149):

“National Education and training policies are crucial to the success of industry and thus vital for the long-term sources of job-creation policies. Skills and knowledge do constitute one of the few areas where an economy can command a differential competitive advantage. To a large extent competition in global markets today has become a competition between different educational systems.”

5.12 CONCLUSION

The marginalisation of the Arigna community, like many other communities suffering from high levels of unemployment, raises important moral issues of social justice not to mention the more obvious social and economic problems. High unemployment rates if not tackled in such areas may pose threats to the future stability of Irish society.

Reducing unemployment necessarily requires increased employment opportunities on an unprecedented scale. The structural misfit between low qualifications possessed by the unemployed and the sharp rise in qualifications required by the changing nature of work in industry, may also highlight the need to preserve jobs if possible and for the creation of jobs for the less qualified. Improved educational and training qualifications of the work force will not bear fruit in the immediate future. However, there is a need for intensive training courses for those unqualified able-bodied people who remain unemployed. The establishment of an effective employment service and the development of a very much more up-to-date training system are both vital to Ireland's economic growth.

In order to solve the problem of unemployment we need a new vision of Ireland in relation to employment, a vision which can release the creativity and enterprise of people by putting employment creation at the top of the Irish political agenda.

CHAPTER 6

EXCHEQUER AND ECONOMIC COSTS OF UNEMPLOYMENT

6.0 INTRODUCTION

The objective of this chapter is to attempt to quantify the total exchequer and economic costs of unemployment in Ireland. Deficiencies in the quality and nature of information available to decision makers has contributed to the problem of unemployment in Ireland and elsewhere.

Government decisions about company closures and unemployment appear to be taken without full knowledge of the resultant costs. Are the costs of unemployment hidden in Departmental budgets? Are the costs of maintaining unemployment, balanced against the costs of preventing closures or subsidising new industries to replace jobs lost? The objective of this chapter is to quantify the exchequer cost of unemployment so that those who tolerate current levels may understand what the real cost is.

6.1 THE EXCHEQUER COSTS OF UNEMPLOYMENT

The exchequer cost of unemployment and of long-term unemployment in particular, has been analysed by labour market economists over the last two decades. The most obvious cost of unemployment is the expenditure on social security benefits to unemployed people. In Ireland, this expenditure grew from £600 million in 1985 to over £1 billion in 1995, Department of Social Welfare (1996, pp. 57). The direct expenditure on benefits for the unemployed, is however, far from the full measure of the costs to the Exchequer. Other costs include the increased burden on social services; rising poverty, poorer health especially psychological ; and the increasing levels of educational underachievement.

Piachaud (1994) identified costs across seven different but inter-related headings: poverty, health, family relationships, crime, racism, creation of an ‘underclass’ and economic costs. If one concentrates specifically on exchequer costs in Britain, Piachaud’s estimates suggest,

“A total exchequer cost of over £26 billion in 1994, around £9,000 per unemployed person.”

These estimates are close to similar calculations by the House of Lords Select Committee on Employment (1982) and by Taylor (1987). Expenditure on social security benefits, including their administration (which accounts for around 5% of benefit expenditure in Ireland), is another obvious exchequer cost of unemployment. (See Table 25 for Piachaud’s estimates.)

TABLE 25**Exchequer costs of unemployment in UK, 1994**

| Social Security | £m (Sterling) |
|---|----------------------|
| Benefits to unemployed | 10,816 |
| Extra benefits to long term sick and disabled | 4,004 |
| Administration | 640 |
| Taxes Foregone | |
| Direct taxes | 4,581 |
| Employers National Insurance contributions | 3,371 |
| Indirect Taxes | 3,164 |
| Total Exchequer Cost | 26,576 * |

Source: Piachaud (1994)

* Figure does not include cost of training, work experience and other labour market interventions targeted at the unemployed.

By applying the same relationship, in an Irish context, between unemployment benefits and other exchequer costs, in December 1995 the Task Force on Long-term Unemployment suggested that the

“Total exchequer cost of unemployment was around £2.7 billion (i.e. including payments plus taxes foregone but excluding many of the costs of ongoing labour market programmes, such as CE) compared to £1.0 billion paid in benefits. This translates to an annual cost of £10,200 per unemployed person compared to an average annual benefit cost of £3,900.”

Other research in this area includes the work of Layard and Philpott (1991), they concluded that the annual cost per unemployed person in 1990/91 was £8,002, (Sterling). See Table 26 overleaf for Layard and Philpott’s estimates.

Table 26**The Cost of unemployment to the English Exchequer**

The calculations of annual Exchequer cost per unemployed person in 1991/92 are thus as follows (€ Sterling)

Benefits

73.54×52 3,824

Income tax

$((258 \times 1.15 \times 52 \times 0.665))$

$- (3,865 \times 1.10) 0.25$

$= (10,259 - 4,251) 0.25$ 1,502

Employees' NI

$(10,259 - 2,392) 0.09$ 708

Employers' NI

$10,259 \times 0.09$ 923

Community Charge

$340 \times 1.8 \times 0.8$ 408

Indirect tax

$(10,259 - 1,511 - 708 - 3,824) \times 0.17$ 716

8,082

Layard and Philpott (1991), did not include extra benefits to the long term sick and disabled or the administration expenses on social security payments. Piachaud (1994) does not include Poll Tax in his calculation, whereas this is accounted for in Layard and Philpott's calculation.

In a White Paper of the European Community 6/93 entitled: "Growth Competitiveness, Employment" the direct costs of unemployment in each of the Member States were illustrated. These costs comprised of the amounts paid out in unemployment benefits and the income lost, i.e. the amount that would have been received from taxes and social contributions were those unemployed people in employment. In Germany, for example, the figures suggested that unemployment cost the government ECU 40 billion in 1993 - ECU 19 billion from benefit payments and ECU 21 billion from foregone income. The estimates suggested that the public cost of unemployment is in excess of ECU 200 billion in 1993, which equated to the Gross Domestic Product (GDP) of Belgium. These costs, it should be noted, did not take account of the increased costs to social services resulting from unemployment, European Community (1993).

Economic Cost

The real economic cost of unemployment is however much greater. As a result of unemployment people who could be producing goods and services are not doing so. Philpott (1994) estimated that the output lost in Britain in 1992-93 amounted to at least 8 per cent of the Gross Domestic Product. On the basis of Piachaud's (1994)

calculations, it is estimated that that the loss of earnings - and of output - amounts to £34 billion in Britain in 1994. This equates to 5% of the Gross Domestic Product, which suggests a loss per unemployed person, including direct Exchequer costs, in excess of £20,000. It is reasonable to assume that a similar relationship exists in the Irish economy, where the level of unemployment is of a similar magnitude, Office of the Tánaiste (1995, pp. 40). Piachaud's estimates do not take account of the consequences of unemployment for social services e.g. increased health costs, policing and the criminal justice system.

Empirical Research Findings

In order to quantify the exchequer Costs of Unemployment, a number of excellent reviews on the economic costs of unemployment have been drawn upon - Layard and Philpott (1991), the House of Lords (1982), Taylor (1993). Others included the Bulletin of the European Communities (6/93), Piachaud (1994), Philpott (1994), and the Office of the Tánaiste (1995).

Unemployment imposes many extra costs on the Irish exchequer. There are the costs arising from unpaid taxes, Primary Social Welfare Payments, Labour Market Programmes and Secondary Benefits. There is also the extra cost of administering Social Welfare Payments, Labour Market Programmes and Secondary Benefits.¹ Finally there is the overall loss to the economy in terms of lost output.

¹ The cost of administering Social Welfare Payments is estimated at 5% of the payments. Applying 5% to the cost of social welfare payments, Re - training payments and Secondary Benefits, an estimate of total administrative costs of these payments is made.

Adopting an approach similar to that of Piachaud (1994) and Layard and Philpott (1991), an attempt was made to quantify these exchequer and economic costs of unemployment.

The real costs of a company closure and unemployment can be more clearly understood by focusing on an area struck by a large scale redundancy. The closure of the Arigna mines in 1990, resulted in a direct loss of 214 jobs. However, it is important to emphasise that these were not simply temporary job losses which would easily be replaced as new jobs were created. Even if a miner found alternative employment that does not mean that a replacement job had been created in the economy. On the contrary it means that another person who could have taken that work, remained unemployed. Thus the economic costs of the higher unemployment rates are not simply once-off, but the costs persist for a long period.

According to figures published in the Irish Independent (4/1996), Arigna is now the country's worst unemployment blackspot, with an unemployment rate of 63.6%. This research found that 124 (58%) of the miners were unemployed at the time of interviewing and some of the remaining 90 (42%) were re-employed in part-time and temporary positions.² As a result of extensive research on the costs of unemployment in Arigna, the author was able to estimate the full exchequer and economic costs of the mines closure. The estimated exchequer benefit that would have arisen if another

² The costs of unemployment in 1996 for those who were re-employed in temporary and part-time jobs were included in the estimated exchequer and economic cost of the Arigna mines closure.

industry had been set up in Arigna to re-employ those made redundant was also calculated. Finally the total exchequer and economic cost resulting from having 279,233³ people unemployed in Ireland in 1996 was estimated.

The remainder of this chapter has been divided into four sub-sections. Sub-Section 1 outlines the estimated cost of the Arigna mine's closure to the exchequer and the economy.

Sub-Section 2 examines the estimated exchequer and economic benefit of setting up another industry to re-employ those made redundant from the Arigna mines.

Sub-Section 3 estimates the total exchequer and economic cost of Irish unemployment in 1996. Finally Sub-Section 4 discusses the findings.

³ This figure is an average annual figure taken from the Live Register in 1996. Costs were also calculated for the estimated 53,000 who were taking part in employment opportunities in 1996.

Section 1:

6.2 ESTIMATED EXCHEQUER AND ECONOMIC COSTS OF THE ARIGNA MINES CLOSURE

Based on mining wages for the years 1990 and 1996 the Exchequer and economic costs are presented for 1990; the costs per single person, per married person and the total exchequer and economic costs of the Arigna mine's closure are estimated.

Exchequer and economic costs in 1996 are also examined. The exchequer and economic costs per single person unemployed, per married person unemployed and the total exchequer and economic costs of those unemployed in 1996 are estimated.

The costs resulting from the Arigna mine's closure are illustrated in a series of six tables. All of the methods of calculation are to be found in Appendix D.

What was the estimated cost per single person made redundant in 1990 (mining wages)?

Close examination of the costs of closure revealed that it cost the exchequer an estimated £7,945 for every single person who was made redundant in 1990. When lost output is taken into account, an extra £6,059 is added to the cost, which brings the estimated total economic cost per single person made redundant from the mines in 1990 to £14,004. When retraining is taken into account for the exchequer loss is £10,111 and the total economic cost is £16,170. See Table 27, (Appendix D (i) for method of calculation).

Table 27

Estimated Exchequer Costs per Single Person Unemployed in 1990

| | |
|---------------------------------|-----------------------|
| PAYE/PRSI (Mining Wages) | £5,090 |
| Unemployment Benefit | £2,496 |
| Secondary Benefits | £223 |
| Administration | £136 |
| Total Exchequer Costs | £7,945 ⁴ * |

* The estimated output lost is £6,059, when this figure is included it brings the total economic cost of unemployment up to £14,004, however this does not include the cost of training.

⁴ This figure does not include Mortgage Supplement estimated at £738 in 1990, nor does it include Rent Allowance estimated at £704 in 1990. Other costs are Redundancy Payments estimated at £14,513 and Enterprise Grants estimated at £993.

What was the estimated exchequer cost per married person with a spouse and two dependents made redundant from the mines in 1990 (mining wages)?

Examination of the costs revealed that the estimated total loss per married person with a spouse and two dependents made redundant in 1990 was £9,852. If lost output estimated at £6,059 is added to the cost, the estimated total economic cost was £15,911. When re-training is taken into account the exchequer cost per unemployed person is £12,504 while the economic cost is £18,563. See Table 28 below, (Appendix D (ii), for method of calculation).

| | |
|---------------------------------|-----------------------------|
| PAYE/PRSI (Mining Wages) | £3,929 |
| Unemployment Benefit | £5,294 |
| Secondary Benefits | £347 |
| Administration | £282 |
| Total Exchequer Cost | £9,852⁵ * |

* The estimated lost output resulting from the closure is an extra £6,059 bringing the total cost per person unemployed in 1990 to £15,911, however this does not include the cost of training.

⁵ This figure does not include Mortgage Supplement estimated at £738, nor does it include Rent Allowance estimated at £704. Other costs include Communion and Confirmation Allowance estimated at £74.00 and Rent Allowance for School Books estimated at £41.00. The total costs of these benefits is estimated at £853.00 (excluding Rent Allowance on Accommodation). Extra costs not included are redundancies estimated at £14,513 and enterprise grants estimated at £993.

What was the estimated total exchequer cost for the 214 people made redundant in 1990 from the Arigna Mine's?

This Research has shown that the estimated total exchequer cost was £2,347,290.

When lost output is taken into account, it added an extra £1,296,626 to the cost, this brings the estimated total economic cost for the 214 made redundant to £3,643,916.

See Table 29 below, (Appendix D (iii), for method of calculation).

Table 29

Estimated Total Exchequer Costs of the Arigna Mine's Closure in 1990

| | |
|---------------------------------|---------------------------------|
| PAYE/PRSI (Mining Wages) | £902,920 |
| Unemployment Benefit | £558,460 |
| Secondary Benefits | £67,625 |
| Re-Training Costs | £749,508 |
| Administration | £68,777 |
| Total Exchequer loss | £2,347,290⁶ * |

* This figure does not include the estimated output lost at the time of the closure £1,296,626, this would bring the total economic cost of the closure to £3643,916.

⁶ This figure includes Mortgage Supplement and other Secondary Benefits, but excludes Redundancy Payments which amounted to £3,105,863 and Enterprise Grants of £212,511.

What is the estimated exchequer cost per single person unemployed in 1996 (mining wages)?

Examination of the costs revealed that the estimated exchequer cost per single person who is unemployed in 1996 is £9,342. When lost output which is £6,915 is added to the exchequer cost, the estimated total economic cost per single person unemployed in 1996 is £16,257. When re-training is taken into account the exchequer cost is £10,645, while the economic cost is £17,560. See Table 30 below, (Appendix D (iv), for method of calculation.)

Table 30

Estimated Exchequer Cost per Single person unemployed in 1996

| | |
|-------------------------------------|-----------------------------|
| PAYE/PRSI (Mining Wages) | £5,512 |
| Primary Social Welfare Costs | £3,318 |
| Secondary Benefit Costs | £330 |
| Administration | £182 |
| Total Exchequer loss | £9,342⁷ * |

* This figure does not include lost output estimated at £6,915 in 1996, this brings the total economic cost to £16,257, nor does not include the cost of re-training.

⁷ This figure does not include Mortgage Supplement which is estimated at £21.00 per week (£1,092 per year), nor does it include Rent Allowance estimated at £20.00 per week (£1,040 per year). However these and other Secondary Benefit Costs will be included in the total Exchequer costs in 1996.

What is the exchequer cost per married person with a spouse and two dependents unemployed in 1996?

Examination of the costs of the closure revealed that the estimated exchequer cost per married person with a wife and two dependents is £11,637. Lost output adds an extra £6,915 to the cost, which brings the estimated total exchequer cost per married person unemployed in 1996 to £18,552. See Table 31, (Appendix D (v - vi), for method of calculation.)

| | |
|-------------------------------------|------------------------------|
| PAYE/PRSI (Mining Wages) | £4,071 |
| Primary Social Welfare Costs | £6,692 |
| Secondary Benefit Costs | £514 |
| Administration | £360 |
| Total Exchequer loss | £11,637⁸ * |

* This figure does not include output lost estimated at £6,915, this brings the total economic cost of the closure to £18,552, nor does it include the cost of training.

⁸ This figure does not include Mortgage Supplement which is estimated at £21.00 per week (£1,092 per year), nor does it include Rent Allowance estimated at £20.00 per week (£1,040 per year). Other costs not included are Communion and Confirmation Allowance estimated at £110 per year, and Rent Allowance for School Books estimated at £60.00 per year. The total costs of these excluding Rent Allowance for Accommodation are estimated at £1,262. These costs will be accounted for in the total costs.

What is the estimated exchequer cost for those currently unemployed in 1996/1997 (mining wages)?

This research found that 124 (58%) of the miners were unemployed at the time of interviewing and some of the remaining 90 (42%) were re-employed in part-time and temporary positions. The current estimated loss to the exchequer of having such a large number unemployed is £1,428,190. When lost output is taken into account it adds an extra £878,205 to the cost, this brings the estimated total economic cost of the current unemployed in 1996 to £2,306,395. See Table 32 below, (Appendix D (vii - viii), for method of calculation.)

Table 32

Estimated Total Exchequer Costs of the unemployed miners in 1996

| | |
|-------------------------------------|---------------------|
| PAYE/PRSI (Mining Wages) | £619,798 |
| Primary Social Welfare Costs | £580,759 |
| Secondary Benefits | £30,865 |
| Re-training Costs | £158,273 |
| Administration Costs | £38,495 |
| Total Exchequer Costs | £1,428,190 * |

* The total output Lost was £878,205, this brings the total economic cost up to £2,306,395⁹

⁹ Redundancy Payments of £3,105,863 and Enterprise Grants of £212,511 are not included.

Section 2

6.3 THE EXCHEQUER AND ECONOMIC BENEFITS OF SETTING UP ANOTHER INDUSTRY IN ARIGNA

An investigation was made into the exchequer benefit of setting up another industry in 1990, to replace jobs lost from the Arigna Mines. Estimated exchequer benefits per single person re-employed, per married person re-employed and the total exchequer benefit of the re-employment of the 214 people made redundant from the mine's closure in 1990 are estimated.

Estimated exchequer benefits from re-employing the unemployed in 1996 are also examined. Estimates are made per single person re-employed, per married person with a spouse and two dependents re-employed. Finally, the total exchequer benefits that would accrue from the re-employment of the 214 made redundant from the mines are estimated. However, it was beyond the scope of this project to investigate the costs incurred to employ the individuals concerned e.g. the cost of grants to attract industries to locate in the area to re-employ the unemployed miners.

Six tables are presented which clearly illustrate the benefits resulting from the re-employment in another industry of those made redundant from the mines.

What would have been the estimated exchequer benefit per single person re-employed in 1990?

The estimated exchequer benefit per single person re-employed in 1990 would have been £7,073. The increased output would have been £6,059, this brings the estimated total economic benefit per single person re-employed in 1990 up to £13,132. When retraining is taken into account it cost the exchequer loss is £9,239 and the total economic cost is £15,298. See Table 33 below, (Appendix D (ix), for method of calculation.)

| | |
|--|------------------------------|
| PAYE/PRSI (Average Industrial Earnings) | £4,218 |
| Unemployment Benefit | £2,496 |
| Secondary Benefits | £223 |
| Administration Costs | £136 |
| Total Exchequer Costs | £7,073¹⁰ * |

* This figure does not include the increased output resulting from the other industry, this is estimated at £6,059, which brings the total economic benefit up to £13,132, nor does it include the cost of training.

¹⁰ This figure does not include Mortgage Supplement estimated at £738 in 1990, nor does it include Rent Allowance estimated at £704 in 1990. Other costs include Redundancies estimated at £14,513 and Enterprise Grants estimated at £993.

What would have been the estimated exchequer benefit per married person with a spouse and two dependants re-employed in 1990?

The estimated annual exchequer benefit per married person re-employed would have been £9,096. The increased output would have been £6,059, this brings the estimated total economic benefit up to £15,155. When re-training is taken into account the exchequer cost is £11,748 and the economic cost is £17,807. See Table 34, (Appendix D (x - xi) for method of calculation.)

| | |
|--|------------------------------|
| PAYE/PRSI (Average Industrial Earnings) | £3,173 |
| Unemployment Benefit | £5,294 |
| Secondary Benefits | £347 |
| Administration Costs | £282 |
| Total Exchequer Cost | £9,096¹¹ * |

* This figure does not include the increased output estimated at £6,059, this would bring the total economic benefit per person re-employed to £15,155, nor does it include the cost of training.

¹¹ This figure does not include Mortgage Supplement estimated at £738, nor does it include Rent Allowance estimated at £704. Other costs include Communion and Confirmation Allowance estimated at £74.00 and Rent Allowance for School Books estimated at £41.00. The total costs of these benefits is estimated at £853.00 (excluding Rent Allowance on Accommodation). Other costs include redundancies estimated at £14,513 and enterprise grants estimated at £993.

What would have the estimated total exchequer benefit from the re-employment of the 214 made redundant from the mines in 1990?

If another industry had been set up at the time of the closure in order to re-employ the 214 made redundant there would have been an estimated total exchequer benefit of £2,115,402.. The increased output would have been £1,296,626, this brings the estimated total economic benefit up to £3,412,028. See Table 35 below, (Appendix D (xii) for method of calculation.)

| Total Exchequer Benefit from the Re-employment of the Arigna Miners in 1990 | |
|--|---------------------|
| PAYE/PRSI (Average Industrial Earnings) | £741,136 |
| Unemployment Benefit | £491,962 |
| Secondary Benefits | £67,625 |
| Re-Training Costs | £749,508 |
| Administration Costs | £65,441 |
| Total Exchequer Costs | £2,155,402 * |

* This figure does not include the increased output estimated at £1,296,626, this brings the total economic benefit up to £3,412,028.

What would have been the total exchequer benefit per single person re-employed in 1996?

The exchequer benefit per single person re-employed in 1996 would have been £8,372, the output gained would have been £6,915 this brings the estimated total exchequer benefit up to £15,287. When re-training is taken into account the exchequer cost is £9,675, while the economic cost is £16,590. See Table 36 below, (Appendix D (xiii) for method of calculation.)

| Exchequer Benefit per Re-employed Single Person in 1996 | |
|--|------------------------------|
| PAYE/PRSI (Average Industrial Earnings) | £4,542 |
| Primary Social Welfare Costs | £3,318 |
| Secondary Benefit Costs | £330 |
| Administration Costs | £182 |
| Total Exchequer Cost | £8,372¹² * |

* This figure does not include output lost estimated at £6,915, this brings the total benefit per single person re-employed in 1996 to £15,287

¹² This figure does not include Mortgage Supplement which is estimated at £21.00 per week (£1,092 per year), nor does it include Rent Allowance estimated at £20.00 per week (£1,040 per year). However these costs will be included in the total costs.

What would have been the total exchequer benefit accruing from the re-employment of a married person with a spouse and two dependants in 1996?

The exchequer benefit of having a married person re-employed in 1996 was estimated at £10,803, the increased output was £6,915 this brings the estimated total economic benefit of having a married person re-employed up to £17,718. When re-training is taken into account the exchequer cost is £11,988, while the economic cost is £18,903. See Table 37, (Appendix D (xiv) for method of calculation.)

| Exchequer Benefit of Re-employment per Married person with a spouse and two Dependents in 1996 | |
|---|-------------------------------|
| PAYE/PRSI (Average Industrial Earnings) | £3,237 |
| Primary Social Welfare Costs | £6,692 |
| Secondary Benefit Costs | £514 |
| Administration Costs | £360 |
| Total Exchequer Loss | £10,803¹³ * |

* This figure does not include increased output estimated at £6,915, this brings the total economic benefit up to £17,718, nor does it include the cost of training

¹³ This figure does not include Mortgage Supplement which is estimated at £21.00 per week (£1,092 per year), nor does it include Rent Allowance estimated at £20.00 per week (£1,040 per year). However these costs will be accounted for in the final cost analysis. Other costs not included are Communion and Confirmation Allowance estimated at £110 per year, and Rent Allowance for School Books estimated at £60.00 per year. The total costs of these excluding Rent Allowance for Accommodation are estimated at £1,262.

What would have been the estimated total exchequer benefit accruing from the re-employment of those who were made redundant from the mines, who are unemployed in 1996?

This research found that 124 (58%) of the miners were unemployed at the time of interviewing and some of the remaining 90 (42%) were re-employed in part-time and temporary positions. The estimated gain to the exchequer from re-employing the miners in full-time positions would have been £1,312,012. When the increased output is taken into account it added an estimated extra £878,205 to the benefit, this brings the estimated total economic benefit to £2,190,217. See Table (38) below, (Appendix D (xv - xvi), for method of calculation).

Table 38

Estimated Total Exchequer Benefits in 1996

| | |
|--|---------------------|
| PAYE/PRSI (Average Industrial Earnings) | £503,620 |
| Primary Social Welfare Costs | £580,759 |
| Secondary Benefits | £30,865 |
| Re-training Costs | £158,273 |
| Administration | £38,495 |
| Total Exchequer Loss | £1,312,012 * |

* This figure does not include increased output estimated at £878,205 this brings the total economic benefit up to £2,190,217.

Section 3

6.4 EXCHEQUER COSTS OF UNEMPLOYMENT IN IRELAND IN 1996

The Exchequer Costs of Unemployment in Ireland are enormous. Based on Piachaud's estimates the Task Force on Long-term Unemployment estimated the total exchequer loss resulting from unemployment in 1995 at £2.7 billion (i.e. including payments plus taxes foregone but excluding many of the costs of ongoing labour market programmes).

What was the exchequer cost of unemployment in Ireland in 1996?

From the estimates below which are based on empirical research it would appear that the total exchequer cost of unemployment in Ireland in 1996 amounted to £3.3 billion (i.e. including social welfare payments, plus taxes foregone, administration costs, as well as the labour market programmes). If the output lost which is estimated at £2.3 billion is added, it would suggest that the total economic loss resulting from unemployment in 1996 was £5.6 billion. See Table 39 below, (Appendix D (xvii) for method of calculation.)

Table 39

Total Exchequer Costs of Unemployment in Ireland in 1996

| | |
|--|-------------------------|
| PAYE/PRSI (Average Industrial Earnings) | £1,266,412,849 |
| Social Welfare | £1,454,087,474 |
| Secondary Benefits | £143,707,533 |
| Re-training courses | £328,379,130 |
| Administration Costs | £96,308,705 |
| Total Exchequer Cost | £3,288,894,691 * |

* This figure does not include output lost estimated at £2,297,764,605, this brings the total economic loss to £5,586,659,296.

Section 4

6.5 DISCUSSION OF FINDINGS

Exchequer Costs of the Arigna Mine's Closure

Were the costs of keeping jobs in Arigna Mines out of proportion to the benefits that would have accrued to individuals, families, society and the Arigna community?

The author's argument is that the mines should have continued to operate until the threatened job losses in the mines had been replaced by other jobs. Based on wages earned in the mine it would appear from the calculations, that if the mines had to continued to operate in 1990, it would have saved the exchequer an estimated £2.3 million in foregone revenue, social welfare and re-training payments. This translates to an estimated exchequer gain of £10,111 per single person, £12,504 per married person who continued to be employed in the mines. The estimated total economic saving would have been £3.6 million. This translates to an estimated exchequer and economic gain of £16,170 per single person and £18,563 per married person who continued to be employed in the mines.

However, according to the Arigna Task Force report, in 1990, electricity from the Arigna plant was sold for 7.3d per kilowatt hour while its cost was 7.4d per kw/hr. This loss amounted to a loss in excess of £2 million per year. Taking this loss into consideration, if the mines had to continue to operate in 1990, the net exchequer saving would still have been £0.3 million, while the net economic saving would have been £1.6 million. The calculations from Section 1 suggest that in the short run, the mines could have continued to operate at no additional net cost to the public purse.

The Exchequer could have made considerable savings - in terms of reduced benefit, labour market payments and higher tax receipts - as a result of the reduction in the number of the long-term unemployed. There was a sufficient main coal reserve to last for 2 years, Newmarch, (1989). Therefore, the mines could have stayed open until 1991 at no additional cost to the exchequer.

Nevertheless in the long run, the power station would have had to build a “Fluidised Bed” system of combustion which would have enabled the Station to use low grade coals from the Arigna Collieries.¹⁴ The estimated cost of this was in the region of £90m. The estimated loss to the exchequer as a result of the closure of the mines was £2.3m in 1990 alone (see Table 29 - this figure does not include once-off redundancy payments of £3). When the cost of building a “fluidised burner” is taken into consideration, the long run costs would have exceeded the exchequer savings of keeping the mines open. It would appear to have been uneconomical to keep the mines in operation, once the main coal reserve had run out.¹⁵

Many of the most recent proposed solutions to unemployment is to prepare people better to fill new job vacancies when and if they arise. The preservation or replacement of existing jobs, where possible, can achieve both these objectives and in a more direct way. It is to be hoped that this research will highlight to the Irish government the

¹⁴ . “An additional 4 years of life for the plant at Arigna Power Station, before some major breakdown and resultant closure is likely to be its maximum remaining operating term,” Newmarch (1989).

¹⁵ However, the coal lost through the Arigna mine’s closure would have had to be substituted by some other source of energy. If the coal was substituted by imported coal there would have been an obvious effect on the balance of payments. Glyn (1992) estimated the cost to the balance of payments of replacing 31 million tonnes of UK coal would be between £0.5 - £1 billion. No estimates of these extra cost resulting from the substitution of imported sources of energy have been made in the long-run costing of the mine closure.

importance of preserving existing jobs if possible, until new employment opportunities can be phased in.

The Exchequer and Economic Benefit of Setting up another industry

Failure to replace jobs lost in a folding industry is a fundamental issue to be addressed in developing responses to company closures and unemployment. The benefits to the exchequer of implementing policies to re-employ those made redundant from a folding industry are very significant. From Section 2, the total exchequer gain in 1990 from the re-employment of the 214 made redundant from the mines in another industry would have been over £2 million, the overall economic gain would have been over £3.4 million.¹⁶

In 1996 it was found that 58% of those made redundant in 1990 were unemployed, if those people were re-employed along with the 42% who were in temporary positions, there would be an estimated exchequer gain of £1.3 million in 1996, and a further economic gain of £.9 million.¹⁷

A conscious effort must be made by the Irish government to resolve the highly complex problems of achieving higher economic and employment performance. In order to reduce the number unemployed, employment opportunities offering acceptable pay levels should be increased on an unprecedented scale. Pro-active labour market policies at the time of a company closure will be central to such a strategy.

¹⁶ This translates to an annual exchequer benefit per single person re-employed of £9,239 and an annual exchequer benefit per married person re-employed of £11,748. While the economic gain per single person re-employed would be £15,298 and per married person re-employed £17,807.

¹⁷ This translates to an annual exchequer benefit of £9,675 per single person and an exchequer benefit of £11,988 per married person re-employed in 1990. While the economic gain of £16,590 per single person and an economic gain of £18,903 per married person re-employed in 1996.

This will require a radical new look at the whole range of available instruments that can influence the employment environment e.g. fiscal and social security incentives.

The Exchequer and Economic Costs of Irish Unemployment in 1996

Irish unemployment represents a major exchequer and economic cost. It represents a tremendous waste of human resources. While the 1996 exchequer cost is estimated at £3.3 billion, the massive scale of output lost adds another £2.3 billion bringing the total exchequer and economic cost of unemployment in 1996 to £5.6 billion. This translates to an annual exchequer cost of £9,675 per single person unemployed and £11,988 per married person unemployed. The exchequer and economic cost per single person unemployed is estimated at £16,590 and the economic cost per married person unemployed is £18,903¹⁸. While some of the methods and estimating assumptions differ from other academic estimates, the results are consistent with the earlier estimates made by the Task Force Report on Long-term Unemployment (1995), in which the total exchequer loss resulting from unemployment in 1995 was estimated at £2.7 billion.

¹⁸. Detailed estimates of the exchequer and economic costs of unemployed per single and per married person are to be found in Tables 36 and 37.

6.6 CONCLUSION

Can Ireland support the costs of mass unemployment outlined in this thesis and the future costs about which one can only speculate, or can it benefit from putting the unemployed back to work? A choice has to be made. Evidence from this research clearly highlights that unemployment acts like a 'trap'. Once a person enters unemployment his or her chances of making an exit are reduced and become progressively worse as unemployment lengthens. If as a nation, we fail to implement policies to effectively tackle unemployment, the consequences will be traumatic for individual workers and for our society at large. The Irish government now has an opportunity to effect change in the 'Tiger Economy', to counteract the scourge of unemployment.

CHAPTER 7

CAUSES AND PROPOSED SOLUTIONS TO IRISH UNEMPLOYMENT

“ A man willing to work and unable to find work is perhaps the saddest sight that fortunes equality exhibits under the sun.”

Thomas Carlyle¹

7.0 INTRODUCTION

Unemployment is one of the major sources of misery in our society. When people record their sense of well-being, it is found that being unemployed makes a person much more unhappy than being poor, Clarke and Oswald (1994). The objective of the following chapter is to put unemployment at the top of the Irish political agenda. It highlights the unemployment figures, identifies the causes of such high rates of unemployment and proposes solutions to Ireland's unemployment problem.

Whether unemployment is 279,233 ² or 190,000 ³, it is unacceptably high in a civilised society. This research indicates that in addition, there are an estimated extra 53,000 other people who are participating in labour market programmes.

The 1960s were a period of very low unemployment, since then unemployment has risen in most countries. The rise has been more severe in the European Union (EU) than anywhere else, with unemployment increasing in every year between 1973 and 1986 (from 3 to 11 %). After 1986 European unemployment fell very slowly until early in the 1990s when it began to rise again. In the United States, by contrast

¹ As cited by Borjas (1996).

² Average annual Live Register (LR) figure for 1996. This Live Register is compiled by the Central Statistics Office (CSO) in conjunction with the Department of Social Welfare at the end of each month. It is the most widely known source of information on unemployment because of its frequency and timeliness of publication.

³ Labour Force Unemployment Rate 1996. The Labour Force Survey (LFS) is compiled by the Central Statistics Office (CSO). It is an annual survey of approx. 47,000 households and is based on a person's own description of his or her "Principal Economic Status" (PES).

unemployment has fluctuated around a rate of 6-7%, which is much lower than the European Union (EU) average.

Layard (1995) is of the view that:

"Long-term unemployment is an almost total waste. In any economy there has to be some short-term unemployment to ease mobility and to restrain wage pressure by providing employers with a pool of workers able to fill vacancies. But long-term unemployment appears to be largely useless, since it exerts very little downward pressure on inflation."

Unfortunately, long-term unemployment is a problem right across Europe, but it is more acute in Ireland than in most European countries. In 1993, the long-term unemployed represented a higher proportion of the total unemployed in Ireland than in any other European country. Only Spain and Finland had higher unemployment rates than Ireland. Finland has a remarkably low incidence of long-term unemployment. This reflects the very active nature of their labour market policies and the relatively new emergence of high unemployment rates, Office of the Tánaiste (1995, pp. 30-31). See Table 40 overleaf for details on the unemployment rates in European OECD countries for the years 1983 and 1993.

Table 40

Unemployment in European OECD countries, 1983 and 1993

| | Unemployment Rate (%) | | Incidence of Long-term Unemployment (over 1 year/as a percentage of total unemployment) | |
|----------------|-----------------------|--------------|---|--------------|
| | 1993 | 1983 | 1993 | 1983 |
| Austria | 4.2% | 4.1% | — | — |
| Belgium | 10.3% | 13.2% | 52.9% | 64.8% |
| Denmark | 10.7% | 11.4% | 26.2% | 44.3% |
| Finland | 17.6% | 5.4% | 9.2% | 19.2% |
| France | 11.1% | 8.3% | 34.2% | 42.2% |
| Germany | 8.8% | 7.9% | 40.3% | 41.6% |
| Greece | 9.4% | 7.9% | 50.9% | 33.2% |
| Iceland | 2.1% | 1.0% | — | — |
| Ireland | 15.7% | 14.0% | 58.9% | 36.7% |
| Italy | 10.3% | 9.3% | 57.7% | 58.2% |
| Luxembourg | 2.3% | 1.6% | 32.4% | 36.4% |
| Netherlands | 6.0% | 11.8% | 52.3% | 48.8% |
| Norway | 6.0% | 3.4% | 27.2% | 4.8% |
| Portugal | 5.4% | 7.8% | 43.4% | 53.7% |
| Spain | 22.8% | 17.0% | 50.1% | 52.4% |
| Sweden | 8.1% | 3.5% | 10.9% | 10.3% |
| Switzerland | 4.7% | 0.9% | — | — |
| UK | 10.2% | 11.2% | 42.5% | 45.6% |

Source: OECD Labour Force Statistics 1973-93, 1993 edition.

The April Live Register for 1996 showed unemployment at 283,170⁴ in Ireland. The extent of long-term unemployment in Ireland presents enormous challenges. In 1996 the number out of work for more than a year was 206,000 (more than 70% of all those unemployed). Table 41 below sets out the trend in the overall levels of unemployment in the period 1980-1996, together with trends in long-term unemployment as a percentage of the total number unemployed. It can be seen that the rapid rise in unemployment (U/E) in the first half of the 1980's was matched by an even more rapid growth in long-term unemployment (LTU). The economic recovery at the end of the eighties saw unemployment and LTU fall, however it rose again in the 1990's. Throughout these years long-term unemployment as a share of total unemployment has risen sharply. Office of the Tánaiste (1996, pp. 19).

| | 1980 | 1987 | 1990 | 1992 | 1993 | 1995 | 1996 |
|---------------------|--------|---------|---------|---------|---------|---------|---------|
| Total U/E | 92,353 | 249,762 | 223,251 | 279,881 | 279,958 | 278,279 | 283,170 |
| LTU > 1 Yr. | 32,180 | 111,000 | 100,266 | 118,510 | 132,102 | 133,996 | 136,394 |
| Above as % of total | 34.8% | 44.4% | 44.9% | 42.3% | 44.3% | 48.2% | 48.1% |
| LTU > 3 Yrs | n/a | n/a | 46,656 | 54,295 | 58,312 | 67,995 | 69,667 |
| Above as % of total | n/a | n/a | 20.8% | 19.4% | 19.5% | 24.4% | 24.6% |

Source: CSO Live Register: Age by Duration Analyses (April issues).

⁴ Meanwhile, the preliminary Labour Force Survey for 1996 shows that the numbers in work have increased by 136,000 between April 1993 and April 1996. At the same time there has been a fall in unemployment from 230,000 in 1993 to 190,000 in 1996. The standardised unemployment rate is now at 11.9% of the Labour Force.

From this it can be inferred that existing strategy has been successful in fostering an environment conducive to employment growth and in increasing the number of jobs and people at work. It has been less effective in reducing the overall number of unemployed persons.

Unemployment must be a top political and social priority in Ireland for the foreseeable future as it acts like a parasite feeding off social ills that are tearing society and communities apart. Unemployment contributes to poorer health, especially poorer psychological health.

It increases poverty, breaks up family life and alienates the unemployed individual. The results from this empirical research support the view that all of these social problems are linked to unemployment, either directly or indirectly.

The Office of the Tánaiste (1996, pp. 15) pointed out that:

"Unemployment, particularly long-term unemployment, is the most significant cause of poverty in Ireland and getting a paid job is the most likely route out of it."

The author believes that to tackle, and if possible, eliminate long-term unemployment would be one of the most significant improvements that could be made in Irish society today. Nevertheless, before we look at the proposed solutions to tackling unemployment, let us first of all examine the causes of Irish unemployment.

7.1 WHAT ARE THE CAUSES OF UNEMPLOYMENT IN IRELAND?

Economists vary in their analysis, but usually, there are three approaches to explaining Irish unemployment:

- 7.1.1 External factors.
- 7.1.2 Domestic structural factors.
- 7.1.3 Labour market inflexibility.

7.1.1 External Factors

Poor economic growth, falls in the demand for labour and a decrease in the numbers emigrating are among the external factors which influence Irish unemployment.

World Economic Growth: It is by now recognised that the appalling unemployment record of the 1970s and 1980s can partly be attributed to supply-side difficulties in the world economy, Fitzgerald (1993, pp. 39).

Import price shocks: most countries have been subjected to two major upward shocks to import prices—the first and second oil and commodity price shocks. The size of these shocks was much greater in Europe than in the USA, since the USA produces so much of its own raw materials, Layard et al., (1993, pp. 89).

Changes in the demand for labour: Both in the 1970's and 1980's, the increases in unemployment originated due to falls in the demand for labour. In most countries the initial rise in unemployment persisted because of changes on the supply side that reduced the job effectiveness of the unemployed, Jackman et al., (1990, pp. 37).

Structural economic changes affect the natural rate of unemployment. For example,

the 1980s witnessed a substantial deterioration in the labour market status of less-skilled workers. The empirical evidence suggests that part of the observed increase in unemployment can be attributed to the economic experiences of less-skilled workers, Juhn et al., (1991, pp. 75-142)⁵. The unskilled workers had severe difficulty in re-gaining employment. This idea is supported by Borjas (1996, pp. 467):

“ As we have seen, the demand for unskilled workers declined perhaps because of technological change which favours skilled workers or because of the internationalization of the US economy. These structural changes created a pool of long-term unemployed and increased the natural rate because the displaced workers could not be easily digested by other sectors of the economy.”

Emigration: In early 1990, unemployment in traditional emigrant destinations rose sharply. Net emigration from Ireland reached a peak at 44,000 in 1989, CSO (1995, pp. 16). But by 1992, there was a net immigration into the country due to the international recession, which contributed to high levels of unemployment.

The 1996 figures show a net migration out of the country of 5,700. On the basis of published CSO figures, the most likely range of outcomes for the period 1996 to 2006 will be an average annual net outward flow of between 7,500 and 17,500, CSO (1995, pp. 16). However, the author feels that in the future the net outward flow of emigration should be reduced due to the positive impact of the economic boom in the late 1990's.

⁵ As cited in *Labour Economics* by George J. Borjas (1996).

7.1.2 Domestic Structural Factors

Demographic pressure:

Borjas (1996, pp. 466) addressed the effects of demographics on unemployment when he wrote:

“The equilibrium unemployment rate is determined by transition probabilities indicating the rate of job loss among workers, the rate of job-finding among the unemployed, and the magnitude of the flows between the market and the non-market sectors. It is inevitable therefore, that demographic shifts influence the natural rate of unemployment. The baby-boom cohorts that entered the labour market in the 1970s and 1980s probably increased the natural rate. Young workers are much more likely to be in between jobs as they locate and try out alternative job opportunities. In contrast, the aging of the baby boomers in the 1990s should have a moderating impact on the natural rate, because they are now settling into long-term jobs”.

The changing role of women in society has produced a predominantly female employment growth, increasing female participation rates. Female participation rates in Ireland are still low by European standards. In 1994, the overall female participation rate was 45% compared with the EU average of 56% and rates of 64.6% and 77.5% in the UK and Sweden respectively, Office of the Tánaiste (1996, pp. 50).

It is believed that these demographic shifts increased the natural rate of unemployment by over 3.5% in the period 1970/87, Barry and Bradley, (1991, pp. 24-25).

7.1.3 Labour Market Inflexibility

Among the rigidities that prevent the labour market from clearing include Social Welfare and Taxation.

Social Welfare: Unemployment benefit increases unemployment at a given level of vacancies. But the effect is small when compared with the effect of the maximum duration of benefits. Countries where benefits run out after say six or twelve months experience a more favourable vacancy-unemployment relation than countries that pay benefits indefinitely, Jackman et al., (1990, pp. 38). Unemployment persisted in the EU, while in the USA it fell rapidly after 1982. This was because persistence is much higher in the European Union (EU) where benefits are open-ended in duration. The European Free Trade Association (EFTA) countries escaped persistent unemployment partly because unemployment rose little in the first place and partly because persistence there is low, for three main reasons: a limited duration of benefits (in most of the countries), a corporatist approach to wage-setting, and (especially in Sweden) intensive labour market policies for the unemployed. Layard et al., (1994, pp. 89).

Taxation: Due to the spending spree by the government during the late 1970's, it was essential to cut government spending in the 1980's in order to reduce the National Debt. The maintenance of a "seller's market" for labour, as Beveridge had wished, could continue only so long as a combination of regulation and co-operation kept down prices and wage inflation. Heavy debts accumulated in the 1970's, with the result that the Irish government were forced to use restrictive fiscal and monetary policies to pay back a huge national debt. This climate of restrictive monetary policies imposed

severe financial constraints on labour market policies, which added to the unemployment problem.

It can be deduced that all of the above factors; external, domestic and structural, have contributed to the Irish unemployment rate becoming one of the highest in the EU.

In 1991, Barry and Bradley, through the use of a sophisticated disaggregated macroeconomic model quantified the proximate causes of the rise in Irish unemployment over the period 1970-1987. They attributed most of the changes in unemployment to three major influences:

(A) External factors comprising of changes in

- world demand,
- world interest rates and
- UK labour market conditions.

(B) Domestic policy - in terms of the supply-side and demand-side effects of fiscal policy.

(C) Demographic factors which affected the labour supply.

Their results indicated that over the longer period (1970-87), the external factors accounted for nearly half of the total explained rise in unemployment of ten percentage points. The demographic factors accounted for about one-third, and domestic policy for only one-fifth. However, the impact of these forces, was different in the 1970s than in the 1980s. When the shorter period (1979/86) is examined; domestic policy factors accounted for over half of the total explained rise in unemployment. Meanwhile, external factors accounted for only one-third of the rise, while demographics

accounted for only about one-tenth of the rise in unemployment. This does not indicate, that fiscal policy was better in the longer period 1970/87. On the contrary, while in the short term it kept unemployment down, this was only achieved by borrowing on a scale that resulted in a large national debt. Domestic policy reduced unemployment in the 1970's but largely increased it in the 1980's.

In the words of Barry and Bradley (1991, pp. 25):

“This was not simply the “bad luck” of an unexpected world recession; the unemployment of the 1980's has been to a significant extent a consequence of the fiscal mis-management of the 1970's, when inappropriate policies were pursued, the tax base eroded, and the national debt built up. Our analysis highlights the perils of using fiscal policy as a macroeconomic instrument in a small open economy.”

So, it can be concluded that the damage caused by such an over-expansionary fiscal policy had a very substantial effect on later unemployment figures in Ireland. Having considered the major causes of Irish unemployment let us now examine the proposed solutions to unemployment, solutions which the author believes are achievable by putting unemployment at the top of the political agenda.

7.2 SOLUTIONS TO THE UNEMPLOYMENT PROBLEM

Proposed solutions to the unemployment problem fall under the following three main ideologies:

→ Classical Ideologies

Classical economists are of the view that the market if left alone, will clear due to the flexibility of wages and prices. The principal role of the government is to remove the rigidities that prevent the market from clearing e.g. the removal of employment subsidies and the power of trade unions. They also suggest that the economy would be more competitive if labour costs were reduced.

→ Keynesian Ideologies

Keynesian economists blame lack of aggregate demand for the unemployment problem and claim that government intervention is necessary to restore the economy to full employment.

→ Radical Ideologies

Radical economists claim that regardless of the amount of investment in money or energy, the unemployment problem will not be cured, unless the system is completely changed.

It is not within the scope of this project to describe in detail each of the three ideologies mentioned above. It is the author's opinion that a reduction in wages as proposed by Classical economists would only impede production levels and curb economic growth as the best qualified would more than likely emigrate to countries

where they could earn more money taking their skills and expertise with them. A complete renewal within the system as suggested by Radical economists is unrealistic. For the above reasons, the author will focus on Keynesian ideologies to highlight the need for a commitment to full employment in the 1990's. She will then outline approaches aimed at solving the unemployment problem.

7.2.1 The Theory of Full Employment

In 1936 J.M. Keynes wrote "The General Theory of Employment, Interest and Money". The result was Keynesian economics. Keynes objected to Says Law⁶. According to Keynes expenditure not supply, created demand. Hence, the principal reason for the existence of unemployment was insufficient demand. Keynes believed that the unemployed were eager to work but the jobs simply didn't exist. Economists who believe in this theory today are known as "Keynesians economists". Such economists feel that governments should take control of economies and reduce unemployment by cutting taxes and boosting government expenditure.

In 1944 William Beveridge wrote a book entitled: "Full Employment in a Free Society". In this book he explains the significance of a commitment to full employment. He stated:

"Idleness is not the same as want, but a separate evil, which men do not escape by having an income. They must also have the chance of rendering useful service and of feeling that they are doing so".

⁶ The principal of classical economics is Say's Law - "supply creates it's own demand", in other words output creates the income used to buy output. This outlines that all resources including labour, are fully employed. The market, if static would clear due to the flexibility of both wages and prices.

It was also Beveridge's view that:

"A person who has difficulty in buying the labour that he wants suffers inconvenience or reduction of profits. A person who cannot sell his labour is in effect told that he is of no use. The first difficulty causes annoyance or loss. The other is a personal catastrophe".

Beveridge (1944) gave three further reasons why full employment should be maintained:

- to prevent the growth of restrictive practices
- to make structural change in the economy more acceptable
- to provide a stimulus to technical progress and the more productive use of labour.

According to Beveridge, the main requirement for full employment, was an adequate level of aggregate demand. The full employment strategy described by Beveridge implied the creation of a 'seller's market' for labour. He defined full employment as being a state in which there were 'more vacant jobs than unemployed men'. Moreover, he said that these should be:

"Jobs at fair wages of such a kind, and so located that the unemployed men can reasonably be expected to take them."

The principal tools for securing an adequate level of demand, according to Beveridge were extra public spending, both current and capital and the regulation of private investment. Hence the management of aggregate demand would have to rely on fiscal policy. Beveridge believed that a reasonable target to aim at would be a 3% rate of unemployment.

"This margin would consist of a shifting body of short-term unemployed who could be maintained without hardship by unemployment insurance." Beveridge (1944).

The General Secretary of the Irish Congress of Trade Union; Peter Cassells (1993. pp. 86) strongly believes in government intervention to restore the economy to full employment:

“The resources of every citizen in this country, their energy and their good will must be inspired by the target of wiping out the blight of unemployment.”

Among the policies outlined by Cassells (1993, pp. 80) to achieve full employment were:

“A recognition in this country that the right to work is a fundamental human right and that providing every citizen with the opportunity to exercise that right is a primary aim of economic policy.”

He also suggests:

“selective state intervention when key players in the free market are unnecessarily threatening existing jobs or ignoring profitable opportunities to create new jobs.”

Brendan Walsh (1993, pp. 131) endorsed the importance of government intervention in restoring the economy to full employment:

“Faith has declined in the ability of the economies of Europe to restore anything approaching ‘full employment’ unless an active role is played by government.”

Recently, Williams (1993) defined full employment as a

“situation where there are at least as many job openings as there are persons seeking employment, probably calling for a rate of unemployment, as currently measured, of between 1 and 2%. Practically, the desirable situation ought to be one in which any reasonably responsible person willing to accept available employment can find a job paying a living wage within 48 hours.”

Williams (1993) also outlined the benefits arising from full employment:

“Full employment, as delineated above, would have salutary consequences for levels of production, would reduce budgetary drains for unemployment insurance benefits, welfare payments and the like, and would have a significant impact on levels of poverty, homelessness, drug addiction, and crime. It would also substantially ease tensions over such issues as defense cutbacks, race relations, free trade and immigration, as well as over many labour-management issues such as, demarcation, seniority, and job tenure”.

Britton (1994, pp. 24) addressed the importance of Beveridge’s work when he wrote about full employment in Britain in the 1990’s.

According to Britton:

“Since Beveridge wrote about unemployment much has changed, but much also remains the same. It is still true that enforced idleness destroys self-respect. There is still the same need to belong to society, to serve and to be valued. For most people, this need to belong can be satisfied only by participation in the economy in paid work. High levels of unemployment have divided society and alienated a substantial minority. We have to ask what kind of society we want to live in.”

Like Britton, the author believes that most people would agree that they want a society in which everyone is able to participate, in which there is effective access for all to work in exchange for an income. This is clearly borne out by the author’s research on the devastating effects that unemployment imposes on the lives of the unemployed, their community and on society as a whole.

However, as pointed out by Britton (1994, pp. 25): *“society cannot always underwrite the continued existence of particular jobs or even occupations. Neither can there be a right to a job of one’s own choosing or a wage one considers fair. A commitment to full employment will leave many individual ambitions unsatisfied and hopes disappointed”.*

Closures and redundancies will always occur, but we must find a better way of dealing with the consequences e.g. jobs lost through redundancies can be replaced at little or no long-term cost to the exchequer (Chapter 6). We could prevent people being too dependent on the continuation of a particular job through increased job opportunities and improved training so that they would recover from the misfortune of a redundancy when it hits them.

A job is, for most people, the basis for participation in their local community, and to be deprived of a job is to be forsaken or pushed to the margins. As highlighted by the Trade Union Congress/Employment Policy Institute (TUC/EPI), (1994), full employment depends on a consensus, not just between political parties about the conduct of policy, but also between employers and employees about the priority of jobs as against pay.

The costs of failing to radically reduce unemployment and if possible eliminate long-term unemployment are colossal. As earlier chapters have shown unemployment breeds poverty, damages the health of individuals and affects the whole community.

The burden on the Irish taxpayer of maintaining 279,233⁶ unemployed people in 1996 amounts to an estimated £3.3 billion. This cost to the Irish exchequer per single person unemployed is estimated at £9,675 and £11,988 per married person unemployed. Piachaud (1994) calculates that if British unemployment were reduced to its average level in the 1970s, the Exchequer cost would fall by the equivalent of 10 pence on the basic rate of income tax. The author would therefore have to ask the question 'can we as a society afford not to aim at full employment?'. Mass unemployment should never be acceptable in the Irish economy.

⁶ There are an estimated extra 53,000 taking part in Labour Market Programmes, the cost of the labour market programmes have been accounted for in the £3.3 million.

7.3 HOW CAN UNEMPLOYMENT BE REDUCED?

The objective of the Anti-Poverty Strategy (Report of the Working Group on Unemployment, 1996) was that:

"Paid employment should be available to all men and women currently in poverty who are seeking employment. This should be capable of providing adequate income, either on its own or when combined with other forms of support, sufficient to lift them out of poverty and should be available without barriers of discrimination".

However many strategies will have to be tried before the above can be achieved , this is recognised by Breen (1994) who said that

"if the effort and ingenuity of instituting new labour market measures were any guide, Ireland's unemployment problem should have been solved years ago."

In this section, the following proposals will be put forward to tackle the unemployment problem:

- 7.3.1** Labour Market Regulation
- 7.3.2** Equal Opportunities
- 7.3.3** Education, Skills and Competitiveness
- 7.3.4** Employment taxes and benefit reform
- 7.3.5** Employment creation in the public and private sector
- 7.3.6** Trade unions and Employment
- 7.3.7** The preservation of jobs
- 7.3.8** Setting targets, the importance of accurate employment statistics

7.3.1 Labour market regulation

The Office of the Tánaiste (1996, pp. 27) referred to the range of important developments at EU level in relation to addressing unemployment. Central to these are the White Paper on Growth, Competitiveness and Employment, the Green Paper on Social Policy and the conclusions of the Essen Summit in 1994 which states:

"the fight against unemployment and equality of opportunity for men and women will continue in the future to remain the paramount tasks of the EU and its Member States."

The Organisation for economic Co-operation and Development (OECD) Jobs Study (1994) indicates that neither the US or the EU has adapted well to change. The European Union has since the mid-1970s, sustained strong productivity growth through shedding workers from agriculture and declining industries, but, with the exception of some increase in public sector employment, generated few new jobs. As shown earlier, the result has been high unemployment and particularly long-term unemployment.

The US economy by contrast, although growing at a comparable rate, has been better at creating jobs - both high and low skilled - mostly in low wage services sector. But productivity has grown only slowly and there have been profound implications for pay.

The OECD jobs study (1994) concludes that the way societies adapt to shocks and strains is what in the end matters for employment and unemployment, not the shocks and strains themselves, Philpott (1994).

The White Paper on Growth, Competitiveness and Employment (1993, pp. 129), is looking for a 'middle way' approach and the issue of 'jobs without poverty'. Among the key proposals for action include the following:

- to raise the levels of employment,
- to focus on the broader employment environment
 - e.g. the effects of financial deterrents to employment creation,
- investment in human resources so that a higher rate of employment can be achieved.

A 'middle way' approach is supported by Philpott (1994, PP. 81) who concluded that :

“ Not that all regulation is good and all de-regulation is bad. The secret is to find the right balance of intervention within a progressive policy of re-regulation. This balance should seek to ensure that low productivity jobs are not needlessly destroyed (or their creation wantonly prevented). But as the same time re-regulation should be used to gear the economy to compete at the high productivity end of world markets.”

The author is also of the view that a 'middle way' approach could also work well in the Irish economy. However the Irish government needs to more aware of the colossal costs associated with company closures and the resultant unemployment so that every effort can be made to protect existing jobs where possible and to replace jobs lost through folding industries.

7.3.2 Equal opportunities

Unemployment is also affected by the search behaviour of the unemployed, and is higher when the unemployed search less (whether because of unemployment benefits or the demoralization arising from long-term unemployment), Layard et al., (1994, pp. 112). As discussed in Chapter 5, the results from this research indicate that in general the unemployed have a very negative attitude about finding another job. They feel marginalised and many believe that the jobs simply don't exist in their area. The unemployed feel rejected and isolated from the workplace because of lack of skills and inadequate education.

Whelan et al., (1993)⁷ highlighted that among the factors which employers stated would be most likely to lead to their recruiting more long-term unemployed included: "evidence that the person had recent work experience."

⁷ As cited in the NAPS Report, Office of the Tánaiste (1996, pp. 57).

Jobstart, Back to Work Allowance and special initiatives in the context of Area Partnerships are examples of policies currently being pursued by the government to get more people back into the labour market.

It is hoped that, in future, the unemployed will benefit from initiatives developed to help the long term unemployed back to work such as “Jobstart.” This research has found that only a very small percentage of those interviewed were benefiting from the above programmes. The benefits derived from taking part in such programmes should be clearly pointed out to the unemployed with the hope of integrating more unemployed individuals back into the workplace. Another area that needs immediate attention is better child care facilities to integrate more working Mothers back into the labour market. Fortunately, the Office of the Tánaiste (1996, pp. 59) has identified the lack of childcare facilities as an obstacle, particularly for women, in accessing jobs, further education or training.

“There is no coherent national policy on childcare notwithstanding its importance as a potential source of jobs, its role in facilitating access to employment and its capacity to act as a preventive strategy by facilitating early childhood development. A national childcare policy-with appropriate resources - could have a major impact on both unemployment and poverty. Ensuring that those currently without jobs are equipped with the necessary skills to be able to take up jobs.”

7.3.3 Education, Skills and Competitiveness

An educated and skilled workforce will be essential in order to exploit the opportunities that technology offers for creating jobs in the Irish economy, Borjas (1996, pp. 467). Active labour market policy is a term which covers a number of

programmes designed to improve the efficiency with which the labour market works, and to promote greater equality of opportunity in the labour market, Robinson (1995). Policies aimed at second chance education should be further developed to help those unemployed people become more qualified, especially the long-term unemployed. However while investment in improved education and training opportunities is welcomed, it is also important, where possible to create and sustain jobs for those with low levels of education.

The ESRI (1997)⁸ in a recent Occupational Employment Forecast commissioned by Fás says more focus must be put on raising the skills of the unemployed and greater effort is needed in placing them in sustainable jobs. The unemployment figure could be greatly reduced by improvements in training, and this appears to be the most attractive solution for some of the long-term unemployed.

Research carried out by Jackman et al., (1990, pp. 39) point out the benefits arising from the unemployed taking part in training.

“Labour market policies, such as training programmes, help the unemployed in their job search, explicit placement programmes for hard-to-place groups etc., help to shift the vacancy-unemployment relation towards the origin and they also make it flatter. Thus, at given vacancies, countries that pursue these policies have less unemployment, and when they experience an increase in their vacancies their unemployment falls by more (in proportional terms) than in other countries. Labour market policies also speed up the adjustment to the equilibrium, by reducing the influence that past unemployment has on future unemployment.”

They also suggest that such a policy is largely self-financing because it reduces the number unemployed.

⁸ ESRI (1997), FAS/ESRI Manpower Study, Occupational Employment Forecasts 2003', by Hughes, G., Sexton, J. and Duggan, D.

The author feels that placement officers should be personally responsible for ensuring that unemployed individuals can benefit from any such measures aimed at the unemployed. The initial outlay would be large, but savings would be made in the long run in terms of reduced benefit and increased taxes, not to mention all of the social benefits that would follow (see Chapter 5 for the Swedish approach to retraining and placement services).

As pointed out in Chapter 5, once people have become long-term unemployed employers are reluctant to hire them. Layard (1995) makes the case for more extensive use of active labour market policies to eliminate long-term unemployment which he considers to be a total waste of human resources.

The author would like to stress that such labour market policies should take place at the time of company closures, or in the early stages of unemployment. It is best to focus directly on the real objective of creating more jobs, and for that reason reform of PRSI contributions and subsidies for low-skill employment seem more appropriate than paying benefits to low income individuals who are forced to remain idle as a condition of receiving social welfare.

7.3.4 Employment taxes and benefits reform

Taxes:

Some taxes, for example employer's Pay Related Social Insurance contributions, directly increase the cost of labour over and above the amount employers have to pay out in wages to employees. This may affect the eagerness of employers to recruit the unemployed, especially the semi-skilled or unskilled. This has been recognised by many Irish writers such as McCarthy (1993, pp. 23). More recently a study by the ESRI (1997) says that despite high levels of unemployment many firms are reporting difficulties in recruiting semi-skilled or unskilled personnel, "in some cases this may well be due to the offering of uncompetitive wages or otherwise unsatisfactory working conditions". It suggests that there still seems to be a problem for firms who are offering standard industry rates of pay. The financial incentive for people to move from unemployment into low skilled work can be very low and "can operate as a powerful disincentive to work," particularly for older, married people. However, it must be worthwhile for these people to take up the jobs and this will require tax cuts to be targeted at the lower-paid, rather than offering relief to people on higher incomes, The Irish Times (14/11/97).

Benefits:

The choices which potential employers and individuals make in the labour market are occasionally influenced by the tax and benefit system. Some writers have suggested a reduction in benefits as a solution to unemployment and would argue that the principal

problem with the benefit system is that people on benefit are caught in the 'unemployment trap' and are worse off if they take a job. The issue of the integrating the tax and social welfare system is being addressed by the government. The Office of the Tánaiste (1996) indicates the importance of ensuring that when jobs become available it is worthwhile for the disadvantaged unemployed to take them up:

“The strategies to be considered are essentially about easing the transition from welfare to work through addressing poverty and unemployment traps and the provision of ongoing income support to those who take up lower paid work. Where State supports are being provided, care must be taken to ensure that they do not affect the wage setting behaviour of employers. The second strategy is to subsidise the additional costs of low paid workers on an ongoing basis while wages are low (e.g. through Family Income Supplement).”

The author feels that only a small percentage of the unemployed are caught in an 'unemployment trap,' (e.g. unemployed fathers with a large family) and that most unemployed people want to work. Empirical evidence from this research shows that most unemployed people are far worse off without paid employment, Piachaud (1994) also concurs with this finding. As presented in Chapter 3, poverty has increased dramatically as unemployment has risen in Ireland. Such a finding contradicts any notion that the unemployed are 'workshy'. Moreover, results from this research indicate that the unemployed are eager to work, but they feel the jobs simply don't exist. The ESRI (1997) suggests more focus must be put on raising the skills of the unemployed and greater effort is needed in placing them in sustainable jobs. It points out that if this were done then it would justify some tightening of the job-seeking criteria for drawing unemployment assistance “which would not have been legitimate in the past when jobs were simply ineffective.”

7.3.5 Employment creation in the public and private sector

Private Sector:

Direct employment options and positive discrimination measures to encourage the unemployed to take up opportunities in the labour market should be encouraged.

Indications are that the CORI Part-Time Job Opportunities Pilot Programme⁹ has been very successful. This programme should be developed on a nationwide basis as it could greatly improve opportunities for the long-term unemployed in the job market.

The Office of the Tánaiste (1996) has highlighted that there must still be a role for lower-skilled workers in the economy. It is estimated ESRI (1993) that about half of all vacancies arising in the economy are for semi or unskilled positions. Less than 10% of these were filled by people who were previously long-term unemployed.

The issue of lack of jobs for the lower skilled is also evident from the most recent announcement of the 'Job Market Boom'. The Fás/ESRI report says the number at work will increase by 285,300 in the period 1995-2003, bringing the total employment figure to a record 1.5m. The three major groups most likely to account for almost half of the employment in the period 1995-2003 are professional, clerical and sales occupations. However, jobs which require low levels of educational qualifications will decline. (Irish Independent, 15/11/97).

The author would like to reiterate the importance of preserving and creating jobs in our 'Tiger Economy' for semi and un-skilled individuals.

⁹ See the Task Force Report on Long-term Unemployment (1995, pp. 75-96) for a fuller description of measures aimed at integrating the unemployed back into the workplace.

Public Sector:

Decisions regarding the acquisition of labour saving equipment and technology should be influenced not only by cost factors but also by the potential for local employment generation (ILO paper - Reducing Poverty Through Labour Market Policies).¹⁰

It is important for the Irish Government to continue it's efforts in reducing unemployment through the provision of jobs in the public sector for the unemployed.

This policy of providing worthwhile jobs in the public sector has worked well in Sweden, Layard et al., (1994, pp. 94).

7.3.6 Trade Unions and Employment

Jackman et al., (1990, pp. 38) have promoted a corporate approach to wage setting:

“Corporatism shifts the vacancy-unemployment relationship inwards, giving rise to less unemployment at given vacancies. We interpret this effect of corporatism as arising from the fact that corporatist countries are more likely to reach consensus on the appropriate labour market policies and work for the success of the policies.”

Layard et al., (1994, pp. 108) have also addressed the issue of employment protection legislation:

“On balance, employment protection laws are probably bad for employment, since they strengthen power and encourage the payment of efficiency to motivate workers who cannot be threatened with dismissal.”

However they added that:

“evidence on adverse employment effects is not strong enough to warn a total abandonment of the practice.”

Philpott (1994, pp. 94) addressed the issue of a British pay problem as follows:

¹⁰ As cited in Office of the Tánaiste (1996, pp. 53).

“The ‘pay problem’ arises simply because of a tendency for pay increases to grow at a faster rate than productivity. This is especially true when demand for labour is buoyant (and even more so when skill shortages are significant and the long-term unemployed are very numerous). When this occurs, the result is (unit) wage cost inflation and (usually) price inflation. Although the higher price inflation will tend to diminish the real value of a pay rise, those who are employed may nonetheless find themselves to be better off. But there will also be losers if the government responds to the inflation by depressing demand and allowing unemployment to rise.”

Ireland is currently experiencing the benefits of a job’s boom and higher than usual

wages are being offered to some graduates, especially computer graduates. However, the government must ensure that companies do not outprice one another when recruiting labour. The long-run affects of such a policy can be damaging as it increases wage inflation and eventually decreases growth in employment opportunities.

7.3.7 The preservation of jobs

As already mentioned in chapter 6, the thrust of most of the currently proposed solutions to unemployment is to prepare people better to fill new job vacancies when and if they arise.

The preservation of existing jobs, where possible, can achieve both these objectives and in a more direct away. Determined efforts should be made to maintain and if necessary support existing jobs in an area until replacement jobs can be provided.

7.3.8 Setting targets the importance of accurate employment statistics

Targets and deadlines need to be put in place in order to reduce the numbers unemployed. The White Paper on Growth Competitiveness and Employment has set the following target:

“the objective of creating at least 15 million new jobs, thereby halving the present rate of unemployment by the year 2000.” Bulletin of the European Communities (6/93, pp. 43) .

The Task Force on Long-term Unemployment (1995, pp. 41) has also gave an indication of the number of jobs needed to reduce unemployment in Ireland:

“Based on certain assumptions about low migration and female participation, rates, an average of 28,000 new jobs are likely to be needed each year to 2006 to reduce unemployment to 100,000.”

Good unemployment statistics will be fundamental for setting targets. The difference between the monthly live register figures and the labour force figures are substantial and cause a lot of confusion. The use and publication of jobless figures should be reformed. The Employment Policy Institute (EPI) has advocated introducing the system operated by the US Bureau of Labour Statistics. This involves publishing a range of unemployment rates derived from the Labour Force Survey. The range would include not only the standard ILO measures of people unemployed and actively seeking jobs but also a measure of people who want a job but have given up searching for one, Employment Policy Institute (1994). Perhaps Ireland could adopt a similar system.

7.4 CONCLUSION

The author wishes to emphasise that failure to implement policies to protect existing jobs, where possible and reduce unemployment especially long-term unemployment, would be disastrous. Irish unemployment will continue to breed poverty, it will continue to damage the health of individuals - especially psychological health, it will continue separate the lives of the unemployed from the working community. It is time for the Irish government to exercise a social conscience in developing strategies to tackle unemployment particularly long-term unemployment.

CHAPTER 8

CONCLUSIONS

8.0 INTRODUCTION

The objective of this thesis was to investigate the socio-economic costs of unemployment in Ireland with particular reference to the Arigna mining community. This research has revealed that 45% of those interviewed did not find another job since the closure of the mines. At the time of interviewing as many as 58% were unemployed, while some of the remaining 42% were employed in temporary positions. The population referred to in this study consisted of the 58% currently unemployed and the 42% currently re-employed.

The social costs associated with unemployment had a very severe impact on those currently unemployed and to a lesser extent on those fortunate enough to be re-employed.

The following social and economic costs associated with unemployment were identified in the research:

- Unemployment and Poverty,
- Unemployment and Ill health,
- Education, Training and Employment,
- The Exchequer and economic costs of unemployment both in *Arigna* and in *Ireland*.

This chapter discusses the main conclusions drawn from the research under these four headings as well as briefly discussing the causes and proposed solutions to Irish unemployment.

8.1 UNEMPLOYMENT AND POVERTY

This research found that the unemployed had a poorer quality of life than those who were re-employed. The unemployed and the re-employed experienced much greater difficulties since in the closure in providing for food, clothes, education, household items and family outings. However, the unemployed experienced greater difficulties in the above categories since the closure than the re-employed.

The unemployed and the re-employed were equally affected by lack of routine, as a result of the closure. Many of those interviewed had lower levels of confidence, missed their working colleagues and led restricted social lives since the closure of the mines. Nevertheless, the unemployed had been much more severely affected by lack of friendship and restrictions on their social life than the re-employed perhaps because the re-employed gained new outlets as a result of finding another job.

Unemployment and poverty are problems which demand priority attention. Poverty is a matter of economic as much as social policy and therefore, focusing on employment for all should be an important concern for the Government. The research found that the unemployed felt that they were not being listened to. It is important to hear the voice of poverty, attempts should be made to engage with local communities and people affected by poverty, to give individuals a chance to clearly voice their experiences and needs.

8.2 UNEMPLOYMENT AND ILL HEALTH

The results from this research support the view that there is an association between unemployment and ill health. Unemployment continues to have a more substantial and damaging effect on the health of those made redundant who remain unemployed, than on those who were re-employed.

The health of the entire sample had dis-improved since the closure of the mines. This was highlighted through the respondents' description of their health before and after the closure. However, those who were unemployed when interviewed appeared to have poorer health than those at work. More doctor visits for *stress related illnesses* were made by the unemployed than the re-employed. It is noteworthy that there was no difference in the number of times the unemployed and the re-employed had attended their doctor prior to closure. Doctor visits for *physical illnesses* did not appear to increase for either the unemployed or the re-employed since the closure. The dis-improved health of the unemployed also costs more to the exchequer in terms of increased medical costs.

From evidence provided in the literature on the relationship between unemployment and ill-health, and from the author's own empirical research findings, it is quite clear that employment provides much more than monetary benefit. Work greatly enhances the employees sense of security and well being. Employment forms a vital link between the individual and their community.

8.3 EDUCATION, TRAINING AND EMPLOYMENT

The relationship between the level of education and the employment status of those interviewed was examined. It was found that 64% of those who did not have post-primary qualifications were unemployed while 50% with post-primary qualifications were unemployed. None of those interviewed took part in any of the 'second chance educational opportunities,' aimed at the unemployed. However, the results from this research indicate that over half of the sample interviewed took part in Fás courses. Only 46% of these, however, felt that they had gained a skill as a result of doing the course or courses.

Age appeared to influence the interviewees' chances of re-gaining employment; over 80% of those aged between 45 and under 65 years were unemployed.

In order to reduce unemployment, it is essential that employment opportunities be dramatically increased. The structural misfit between low qualifications possessed by the unemployed and the sharp rise in qualifications required by the changing nature of work in industry, may also highlight the need to preserve jobs, if possible, and for the creation of jobs for the less qualified. It is only over time that the tangible benefits of education will be realised. However, there is a need for an effective employment service. Also there is a need for a more intensive and modern training system for those unqualified able-bodied people who remain unemployed.

8.4 EXCHEQUER AND ECONOMIC COSTS OF UNEMPLOYMENT IN

ARIGNA

An investigation was made into the exchequer and economic loss arising from the closure of the mines. This investigation examined two specific years: 1990, the year when the mines closed; and, in 1996, the year the research was conducted. Increased costs to the exchequer include those resulting from lost taxes (mining wages), social welfare payments, secondary benefits, re-training (e.g. Fás payments), administration costs on social welfare and Fás payments, and the economic loss in terms of lost output.

1990 Costs

This research estimated the total exchequer cost in 1990 for the 214 made redundant at £2.3 million. When lost output was taken into account, it added an extra £1.3 million to the cost, which brought the total estimated exchequer and economic cost in 1990 to £3.6 million.

1996 Costs

The majority (58%) of the 214 people made redundant were either drawing social welfare or participating in a labour market programme at the time of interviewing. Based on the 58% currently unemployed and some of those who were re-employed (temporary and part-time workers) the estimated cost to the exchequer of such a large number remaining unemployed was £1.4 million in 1996.

When lost output was taken into account it added an extra £0.9m to the cost, this brought the estimated total exchequer and economic cost of those who were unemployed in 1996 to £2.3 million.

8.5 EXCHEQUER AND ECONOMIC BENEFIT OF RE-EMPLOYING THE ARIGNA MINERS

This study examined the direct exchequer and economic benefit that would have accrued if another industry had been set up to employ those made redundant in 1990. Increased costs to the exchequer include those resulting from lost taxes (using Average Industrial Earnings for the years 1990 and 1996), social welfare payments, secondary benefits, re-training (e.g. Fás payments), administration costs on social welfare and Fás payments, and the economic cost in terms of lost output.

Obviously, there would have been a cost incurred in setting up another industry, but it was not within the scope of this research project to quantify that cost. The exchequer and economic benefit from the re-employment of those unemployed or in part-time positions in 1996 was also investigated.

1990

Results indicated that the exchequer would have gained an estimated total benefit of £2.1 million if another industry had been set up to re-employ the 214 made redundant in 1990. The increased output would have been £1.3 million, this would have brought the estimated total exchequer and economic benefit up to £3.4 million.

1996

The exchequer would have gained an estimated total benefit of £1.3m if another industry had been set up to re-employ in full-time jobs those 58% who were unemployed and some of those who were re-employed in temporary positions, in 1996. The increased output would have been £0.9 million, this would have brought the estimated total exchequer and economic benefit up to £2.2 million.

The calculations suggest that in the short run, the mines could have continued to operate at no additional net cost to the public purse. The exchequer could have made considerable savings in terms of reduced benefits, labour market payments and higher tax receipts.

The question must therefore be asked should the Arigna mines not have been supported by the State, until alternative employment was found for its workforce ?

8.6 ECONOMIC AND EXCHEQUER COSTS OF UNEMPLOYMENT IN IRELAND

The Irish exchequer cost per single/married person unemployed in the year 1996 would have been £9,675/£11,988. The output lost was £6,915 this brings the estimated total exchequer and economic cost up to £16,590/ £18,903 in the year 1996.

This empirical research indicates that, the total Irish exchequer cost of having over 279,000 unemployed and another 53,000 participating in labour market programmes,

amounted to £3.3 billion in 1996 (i.e. including social welfare payments, secondary benefits, taxes foregone, administration costs, as well as the labour market programmes). When the output lost, which was estimated at £2.3 billion, was added to the cost, it brought the total exchequer and economic cost resulting from unemployment in 1996 to £5.6 billion. While some of the methods and estimating assumptions differ from other academic estimates, the results from this research are consistent with earlier estimates by the Task Force Report on long-term Unemployment (1995), in which the total exchequer loss resulting from unemployment in 1995 was estimated at £2.7 billion.

8.7 CAUSES AND PROPOSED SOLUTIONS TO IRISH UNEMPLOYMENT

Chapter 7 focused on putting employment at the top of the Irish political agenda by highlighting the unemployment figures, identifying the causes of such high rates of unemployment and proposing solutions to Ireland's unemployment problem. Efforts are made to detail unemployment patterns in Ireland and Europe over the last twenty years. The author then proceeds to highlight the causes of unemployment which include external factors such as the change in demand for labour, domestic structural factors such as the effects of demographics on unemployment and finally labour market inflexibility, which relates to the level of social welfare payments and also taxation.

This chapter concludes with eight proposals to tackle the unemployment problem which are outlined below:

- Labour Market Regulation
- Equal Opportunities
- Education, Skills and Competitiveness
- Employment, Taxes and Benefit Reform
- Employment creation in the public and private sector
- Trade unions and employment
- The preservation of jobs
- Setting targets, the importance of accurate employment statistics

The two main conclusions from this chapter are that; the Irish Government must implement policies to reduce long-term unemployment and determined efforts should be made to maintain and if necessary support existing jobs in an area until replacement jobs can be provided.

8.8 A Final Word

Were the costs of keeping jobs in Arigna Mines out of proportion to the benefits that would have accrued to individuals, families and to the Arigna community? The author's argument is that the mines should have continued to operate until the threatened job losses in the mines had been replaced by other jobs. The results of this research bear this out.

The benefits to the exchequer of implementing policies to re-employ those made redundant from a folding industry are very significant. While re-training is essential money must also be invested in preserving existing jobs and replacing jobs lost through folding industries. The benefits to the exchequer of temporarily subsidising folding industries and implementing policies to re-employ those made redundant from a folding industry are very significant. However, the logic of this approach has still to be appreciated.

Reducing unemployment requires an unprecedented increase in employment to match the needs of the unemployed. As pointed out by the Office of the Tánaiste (1995)¹ the costs of long-term unemployment have their toll on individuals, families, communities, the Exchequer and on the economy as a whole. It is clear from the evidence provided in previous chapters that unemployment acts like a 'trap'. Once a person enters unemployment the chances of him or escaping are much reduced and worsen with time. 'Prevention is better than cure': determined efforts should be made to maintain

¹ Office of the Tánaiste (1995). Report of the Task Force on Long Term Unemployment, December, 1995.

and if necessary support existing jobs in an area until replacement jobs can be provided.

In order to solve the problem of unemployment we need a new vision of Ireland in relation to employment; a vision which can release the creativity and enterprise of the unemployed by putting employment creation at the top of the Irish political agenda. The scale of Irish unemployment represents not only a human tragedy but also a tremendous waste of resources which if fostered and developed effectively would contribute to the well-being of all. The Celtic Tiger will need to exercise a social conscience in creating imaginative labour policies, so that the benefits of economic growth will be shared more equally. Unless this is the case, the gap between well-off individuals who are in secure employment, and the unemployed who are living on the margins, will continue to widen.

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APPENDICES

APPENDIX A

CHAPTER 2

RESEARCH METHODOLOGY

**Questionnaire on the Socio-Economic
Effects of Unemployment Resulting
From the Arigna Mines Closure**

*Your co-operation in completing this questionnaire would be very much appreciated. The information you provide is strictly confidential. You shall at all times remain **anonymous**. At no stage, will your personal name be associated with any of the information you provide. Your name will not appear on the questionnaire, nor will it appear in any other published literature.*

Section 1: Demographics

(1.1) Sex

- (a) Male
(b) Female

(1.2) Please indicate in which of the following age groups you are?

- (a) Under 20 What age? _____
(b) 20 and under 35
(c) 35 and under 50
(d) 50 and under 65
(e) Over 65 What age? _____

(1.3) What is your marital status?

- (a) Single
(b) Married
(c) Separated or Divorced
(d) Widowed

(1.4)

- (a) No. of adult dependants ? _____ dependants.
(b) No. of child dependants ? _____ dependants.
(c) Ages of children (under 18) ? _____

(1.5) Please indicate in which type of accommodation you are living?

- (a) Home owner
(b) Rented accommodation
(c) Living with family or friends, and paying rent
(d) Living with family or friends, but not paying rent
(d) Other (please specify)? _____

(1.6) Which of the following academic qualifications, if any, have you attained?

(1.6.1) Primary School

(1.6.2) Secondary School

- (a) Group Certificate
(b) Intermediate Certificate
(c) Leaving Certificate

(1.6.3) Apprenticeship
(Please specify qualification attained?) _____

(1.6.4) Third Level
(Please specify qualification attained?) _____

(1.6.5) Other
(Please specify?) _____

Section 2: Work history

(2.1) What date or year did your employment commence? □□/□□/□□

(2.2) What date or year did your employment cease? □□/□□/□□

(2.3) Was that employment: (please tick appropriate box)?

(a) Full-time & permanent?

(b) Full-time but not permanent?

(c) Part-time & permanent?

(d) Casual or intermittent?

(Please specify average number of hours per week?) _____

(e) Other (Please specify?) _____

(2.4) What was the title of your position held in the mine? _____

(2.5) Were you already trained or experienced in this area? Yes /No

(2.6) How would you rate job satisfaction while working ?

(a) Very satisfied

(b) Satisfied

(c) Reasonably satisfied

(d) Dissatisfied

(e) Very dissatisfied

Why? _____

(2.7) What was your reaction when you heard that you were going to lose your job?

Section 3: Finance

(3.1) From the following please indicate your average net weekly income, not including overtime, at the height of mining productivity?

- (a) Under £50 How much? _____
- (b) £50 and under £100
- (c) £100 and under £150
- (d) £150 and under £200
- (e) £200 and under £250
- (f) £250 and under £300
- (g) over £300 How much? _____

(3.1.1) Please indicate the average extra net amount earned per week when on overtime?

- (a) Under £20 How much? _____
- (b) £20 and under £30
- (c) £30 and under £40
- (d) £40 and under £50
- (e) Over £50 How much? _____

(3.2) Please indicate the average number of hours worked per week, not including overtime, at the height of mining productivity?

- (a) Under 30 hours How many? _____
- (b) 30 and under 35 hours
- (c) 35 and under 40 hours
- (d) 40 and under 45 hours
- (d) 45 and under 50 hours
- (e) Over 50 hours How many? _____
- (f) Other (please specify?) _____

(3.2.1) Please indicate the average extra overtime hours worked per week?

- (a) Under 5 hours How many? _____
- (b) 5 and under 10 hours
- (c) 10 and under 15 hours
- (d) 15 and under 20 hours
- (e) Over 20 hours How many? _____

(3.2.2) How often did you work overtime?

- (a) Monthly _____ times.
(b) Yearly

(3.3) Which, if any, of the following resources did you have when you became unemployed?

- (a) Savings
(b) Home
(c) Land holdings
(d) Car
(e) Life assurance policy
(f) Other (please specify?) _____

(3.4) Which, if any, of the following resources do you have now?

- (a) Savings
(b) Home
(c) Land holdings
(d) Car
(e) Life assurance policy
(f) Other (please specify?) _____

(3.5) When made redundant did you receive a redundancy payment? Yes /No
(If yes, can you indicate how much you received in the redundancy payment?)

- (a) Under £5,000 How much? _____
(b) £5,000 and under £10,000
(c) £10,000 and under £15,000
(d) £15,000 and under £20,000
(e) £20,000 and under £25,000
(f) £25,000 and under £30,000
(g) Over £30,000 How much? _____

(3.6) Did you receive any advice on how to use the payment? Yes /No
(If yes, can you please mention who gave this advice, e.g. Financial Institution)

(3.7) Did you use your redundancy for any of the following ?

- (a) Savings
 - (b) Home
 - (c) Land Holdings
 - (d) Car
 - (e) Life Assurance Policy
 - (f) Other
- (please specify?) _____

Section 4: Social Welfare and Secondary Benefits

Pre-Redundancy Period

(4.1) Did you receive social welfare before becoming unemployed? Yes /No
(If yes, can you tick the approximate amount received per week?)

- (a) Under £50 How much? _____
- (b) £50 and under £75
- (c) £75 and under £100
- (d) £100 and under £125
- (e) £125 and under £150
- (f) £150 and under £175
- (g) £175 and under £200
- (h) Over £200 How much? _____

(4.2) Before, becoming unemployed which of the following secondary benefits did you receive?

- (a) Back to School Clothing and Footwear Allowance
- (b) Rent allowance
- (c) Mortgage Supplement
- (d) Fuel Allowance
- (e) Other (please specify?) _____

Post-Redundancy Period

(4.3) Do you receive social welfare now? Yes /No
(If yes, please indicate approximate amount received per week?)

- | | |
|-------------------------|--|
| (a) Under £50 | <input type="checkbox"/> How much? _____ |
| (b) £50 and under £75 | <input type="checkbox"/> |
| (c) £75 and under £100 | <input type="checkbox"/> |
| (d) £100 and under £125 | <input type="checkbox"/> |
| (e) £125 and under £150 | <input type="checkbox"/> |
| (f) £150 and under £175 | <input type="checkbox"/> |
| (g) £175 and under £200 | <input type="checkbox"/> |
| (h) Over £200 | <input type="checkbox"/> How much? _____ |

(4.4) Since, becoming unemployed which of the following Secondary Benefits do you receive?

- | | |
|--|--------------------------|
| (a) Back to School Clothing and Footwear Allowance | <input type="checkbox"/> |
| (b) Rent allowance | <input type="checkbox"/> |
| (c) Mortgage Supplement | <input type="checkbox"/> |
| (d) Fuel Allowance | <input type="checkbox"/> |
| (e) Other (please specify?) _____ | |

Section 5: Education

(5.1) While receiving unemployment assistance have you participated in any of the following educational opportunities?

- | | |
|---|--------------------------|
| (a) VTOS (Vocational Training Opportunities Scheme) | <input type="checkbox"/> |
| (b) Second Level Certificate Courses | <input type="checkbox"/> |
| (c) Third Level Education Courses | <input type="checkbox"/> |
| (d) Other (please specify?) _____ | |

(5.2) Before, becoming unemployed, please indicate the number of children/dependants, if any, who received third level grants?

(5.3) Since, becoming unemployed, please indicate the number of your children/dependants, if any, who receive third level grants?

Section 6: Social Costs

Pre-Redundancy Period

(6.1) Have you ever experienced difficulties in providing any of the following for your dependants before becoming unemployed?

- (a) Food
- (b) Clothing
- (c) Education
- (d) Household items
- (e) Family outings
- (f) Socialising
- (g) Other (please specify?) _____

(6.2) How did you perceive your quality of life before becoming unemployed?

- (a) Poor
- (b) Reasonable
- (c) Good
- (d) Very good
- (e) Excellent
- (f) Other (please specify?) _____

Post-Redundancy Period

(6.3) Are you experiencing difficulties in providing any of the following for your dependants now?

- (a) Food
- (b) Clothing
- (c) Education
- (d) Household items
- (e) Family outings
- (f) Socialising
- (g) Other (please specify?) _____

(6.4) How do you perceive your quality of life now?

- (a) Poor
- (b) Reasonable
- (c) Good
- (d) Very good
- (e) Excellent
- (f) Other (please specify?) _____

(6.5) Have you experienced any of the following as a result of becoming unemployed?

- (a) Restrictions on social life
- (b) Loss of self confidence
- (c) Loss of routine
- (d) Effects on family life
- (e) Lack of companionship
- (f) Ill health

(6.5.1) If you have experienced any of the above, can you rate them in order of difficulty with coping?

(1= most difficult...4, 5, 6 = least difficult)

- (a) Restrictions on social life
- (b) Loss of self confidence
- (c) Loss of routine
- (d) Effects on family life
- (e) Lack of companionship
- (f) Ill health

Section 7 :Health

Pre-Redundancy Period

(7.1) Did you have a medical card before becoming unemployed? Yes /No

(7.2) How would you describe your health before becoming unemployed?

- (a) Poor
- (b) Reasonable
- (c) Good
- (d) Very good
- (e) Other (please comment?) _____

(7.3) How many times did you attend your Doctor before becoming unemployed?

- (a) Weekly
- (b) Monthly _____ times.
- (c) Yearly

(7.4) Can you please indicate the nature of the illness?

- (a) Stress related illness
- (b) Physical illness
- (c) Other (please specify?) _____

(7.5) Did you take medication for any of the following before becoming unemployed ?

- (a) Stress related illness
 - (b) Physical illness
 - (c) Other (please comment?) _____
-

(7.6) Were you hospitalised for any of the following before becoming unemployed?

- (a) Stress related illness
- (b) Physical illness
- (c) Other (please comment?) _____

Post-Redundancy Period

(7.7) Do you have a medical card now? Yes /No

(7.8) How would you describe your health now?

- (a) Poor
- (b) Reasonable
- (c) Good
- (d) Very good
- (e) Other (please comment?) _____

(7.9) How many times do you attend your Doctor now?

- (a) Weekly
- (b) Monthly _____ times.
- (c) Yearly

(7.10) Can you please indicate the nature of the illness?

- (a) Stress related illness
- (b) Physical illness
- (c) Other (please specify?) _____

(7.11) Do you take medication for any of the following now?

- (a) Stress related illness
 - (b) Physical illness
 - (c) Other (please specify?) _____
- _____

(7.12) Were you hospitalised for any of the following since becoming unemployed?

- (a) Stress related illness
 - (b) Physical illness
 - (c) Other (please comment?) _____
- _____

(7.13) If your health has declined since redundancy do you relate it to?

- (a) Nature of work while employed
- (b) Unemployment effects
- (c) Other (please comment?) _____

Section 8: Re-training

(8.1) Had you any form of advice about re-employment or re-training? Yes /No
(If yes, please indicate who offered this advice?)

- (a) Fás
- (b) Other (please mention who?) _____

(8.1.2) Can you indicate how often, if ever, you receive this advice?

- (a) Directly after been made redundant _____ times.
- (b) Monthly _____ times.
- (c) Yearly
- (e) Other (please specify?) _____

(8.2) Did you participate in any form of re-training? Yes /No

(8.3) Which of the following was the course funded by?

- (a) Mining company
- (b) Government
- (c) E.S.B.
- (d) Self
- (d) Other (please comment?) _____

(8.4) Please indicate the average training allowance or wage per week for the course or courses in which you participated ?

- (a) Under £50 How much? _____
- (b) £50 and under £75
- (c) £75 and under £100
- (d) £100 and under £125
- (e) £125 and under £150
- (f) Over £150 How much? _____

(8.5) Please indicate the number of courses in which you have participated? _____

First course after unemployment:

(8.5.1) Name of course 1 _____ Time spent ____ years ____ months

How would you rate the usefulness of this course for gaining employment?

- (a) Poor
- (b) Fair
- (c) Good
- (d) Very good
- (e) Excellent

Most recent course to date:

(8.5.2) Name of course 2: _____ Time spent ____ years ____ months

How would you rate the usefulness of this course for gaining employment?

- (a) Poor
- (b) Fair
- (c) Good
- (d) Very good
- (e) Excellent

Any other course since unemployment:

(8.5.3) Name of course 3: _____ Time spent _____ years _____ months

How would you rate the usefulness of this course for gaining employment?

- (a) Poor
- (b) Fair
- (c) Good
- (d) Very good
- (e) Excellent

(8.6) Have you acquired any new skills as a result of participating in the course or courses? Yes /No

Comment:

Section 9: Re-employment

(9.1) Did you have any employment at all since the closure? Yes /No
(If yes, what was your occupation?) _____

First job after unemployment:

(9.2.) What date/year did you start? □□/□□/□□

(9.2.1) What date/year did you finish? □□/□□/□□

(9.2.3) Was that employment: (please tick appropriate box)?

- (a) Full-time & permanent?
- (b) Full-time but not permanent?
- (c) Part-time & permanent?
- (d) Casual or intermittent?

(Please specify average number of hours per week?) _____

(e) Other (Please specify?) _____

Most recent job to date:

(9.3.1) What date/year did you start? □□/□□/□□

(9.3.2) What date/year did you finish? □□/□□/□□

(9.3.3) Was this employment: (please tick appropriate box)?

(a) Full-time & permanent?

(b) Full-time but not permanent?

(c) Part-time & permanent?

(d) Casual or intermittent?

(Please specify average number of hours per week?) _____

(e) Other (Please specify?) _____

(9.4) When you became re-employed after your unemployment period were you?

(a) Satisfied

(b) Dissatisfied

Why?

Section 10: Future Prospects

(10.1) Did you attempt to set up a new business at any stage? Yes /No

(If yes, please indicate amount, if any, you have received in funding?)

(a) Under £5,000 How much? _____

(b) £5,000 and under £10,000

(c) £10,000 and under £15,000

(d) £15,000 and under £20,000

(e) £20,000 and under £25,000

(f) £25,000 and under £30,000

(g) Over £30,000 How much? _____

(10.2) Do you have any plans for future business ideas? Yes /No

Why ?

(10.3) Which, if any of the following organisations have you approached for help?

- (a) County Enterprise Board
- (b) Fás
- (c) Leader
- (d) Arigna Enterprise Fund
- (e) Other (please specify?) _____

(10.4) Would you prefer to work rather than being unemployed? Yes /No

(10.4.1) Why?

(10.5) How many job applications do you make?

- (a) Per month _____ applications.
- (b) Per Year _____ applications.
- (c) Other (please specify?) _____

(10.6) Please indicate how your period of unemployment has affected your attitudes towards finding another job?

- (a) Very Negative attitude
- (b) Negative attitude
- (a) Unaffected attitude
- (b) Positive attitude
- (c) Very positive attitude

Why ?

(10.7) Do you think politicians are doing enough to solve the problem of unemployment? Yes /No

Comment: _____

***Thank you for your time and co-operation in filling out this questionnaire.
I would like to remind you that whatever information you provide is strictly
confidential and at no stage will any interviewee's
personal name appear in the thesis.***

REGIONAL TECHNICAL COLLEGE SLIGO
Ballinode, Sligo, Ireland
School of Business and Humanities
Head of School: Dermot Finan, B.Comm.MSc.FCA
Tel: Direct line (071)55382

Fr. Tynan,
Arigna,
Carrick-On-Shannon,
Co. Roscommon.

7 October, 1996.

Dear Fr.Tynan,

I am a third level post-graduate student carrying out a Masters of Business Studies Degree by Research and Thesis at Sligo Regional Technical College. The subject area I am examining is the Socio-Economic Effects of Unemployment in Ireland. A substantial part of my research work involves carrying out surveys in a specific area in order to clarify and attempt to quantify the socio-economic effects of unemployment.

I have decided to base my study on the Arigna community. As I come from Leitrim, I am very aware of the suffering and hardship endured as a result of unemployment in Arigna and the surrounding areas. Arigna is quoted as being one of the highest unemployment blackspots in the country. I feel that more should be done to highlight the gravity of the unemployment problem, so that, an attempt, at least, can be made to try to solve it.

For the purpose of the study, I will have to limit the size of my interview sample. The biggest part of the sample will be made up of the unemployed who were made redundant from the Arigna Mines and the Arigna Power Station.

The people I interview will at all times remain anonymous. The information they provide is strictly confidential. At no stage will a personal name be associated with any of the information provided. The unemployed person's name will not appear on the questionnaire, nor will it appear in any other published literature.

I feel that the people involved may need to be re-assured about the nature of this survey, and that whatever information I receive will be treated confidentially. I would hope that the results from the questionnaires might highlight some of the important issues in order to tackle the unemployment problem in an area that has so much to offer like Arigna.

Thanking You,
Yours Sincerely,

Denise McMorrow
Denise McMorrow.

REGIONAL TECHNICAL COLLEGE SLIGO
Ballinode, Sligo, Ireland
School of Business and Humanities
Head of School: Dermot Finan, B.Comm.MSc.FCA
Tel: Direct line (071)55382

Mr. Peter Leyden,
Arigna Fuels Ltd,
Arigna,
Co. Roscommon.

Tel: (071) 55382

Tuesday, 15 October, 1996.

Dear Mr. Leyden,

I am a third level post-graduate student carrying out a Masters of Business Studies Degree by Research and Thesis at Sligo Regional Technical College. The subject area I am examining is the Socio-Economic Effects of Unemployment in Ireland. A substantial part of my research work involves carrying out surveys in a specific area in order to clarify and attempt to quantify the socio-economic effects of unemployment.

I have decided to base my study on the Arigna community. As I come from Leitrim, I am very aware of the suffering and hardship endured as a result of unemployment in Arigna and the surrounding areas. Arigna is quoted as being one of the highest unemployment blackspots in the country. I feel that more should be done to highlight the gravity of the unemployment problem, so that, an attempt, at least, can be made to try to solve it.

For the purpose of the study, I will have to limit the size of my interview sample. The biggest part of the sample will be made up of the unemployed who were made redundant from the Arigna Mines and the Arigna Power Station.

Because of all the knowledge you have gained over the years from working in the mining industry, I feel that your co-operation is invaluable to me in the successful execution of this survey. I would like to interview you, to gain your insight into the impact of the mine closure and the power station closure on Arigna.

At the moment, I need to have a list of all the people made redundant in the mine and the power station, before I can begin my sampling work. If I do succeed in obtaining a sample list, the people I interview will at all times remain anonymous. The information they provide is strictly confidential. At no stage will a personal name be associated with any of the information provided. The unemployed person's name will not appear on the questionnaire, nor will it appear in any other published literature.

I feel that the people involved may need to be re-assured about the nature of this survey, and that whatever information I receive will be treated confidentially. I would hope that the results from the questionnaires might highlight some of the important issues in order to tackle the unemployment problem in an area that has so much to offer like Arigna.

I will call you in the very near future, and if it was convenient for you, I would very much like to meet you in person so that we could discuss this in more detail.

Thanking you,
Yours Sincerely,

Denise McMorrow

Denise McMorrow.

REGIONAL TECHNICAL COLLEGE SLIGO
Ballinode, Sligo, Ireland
School of Business and Humanities
Head of School: Dermot Finan, B.Comm.MSc.FCA
Tel: Direct line (071)55382

Mr. Pat Daly,
Community Company Leader Programme,
Arigna,
County Roscommon.

Tuesday, 15 October, 1996.

Dear Mr. Daly,

I am a third level post-graduate student carrying out a Masters of Business Studies Degree by Research and Thesis at Sligo Regional Technical College. The subject area I am examining is the Socio-Economic Effects of Unemployment in Ireland. A substantial part of my research work involves carrying out surveys in a specific area in order to clarify and attempt to quantify the socio-economic effects of unemployment.

I have decided to base my study on the Arigna community. As I come from Leitrim, I am very aware of the suffering and hardship endured as a result of unemployment in Arigna and the surrounding areas. Arigna is quoted as being one of the highest unemployment blackspots in the country. I feel that more should be done to highlight the gravity of the unemployment problem, so that, an attempt, at least, can be made to try to solve it.

For the purpose of the study, I will have to limit the size of my interview sample. The biggest part of the sample will be made up of the unemployed who were made redundant from the Arigna Mines and the Arigna Power Station.

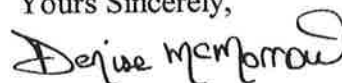
Because of all the knowledge and experience you have from working in the Leader Programme, I feel that your co-operation is invaluable to me in the successful execution of this survey. I would like to interview you, to gain your insight into the impact of the mine closure and the power station closure on Arigna.

At the moment, I need to have a list of all the people made redundant in the mine and the power station, before I can begin my sampling work. If I do succeed in obtaining a sample list, the people I interview will at all times remain anonymous. The information they provide is strictly confidential. At no stage will a personal name be associated with any of the information provided. The unemployed person's name will not appear on the questionnaire, nor will it appear in any other published literature.

I feel that the people involved may need to be re-assured about the nature of this survey, and that whatever information I receive will be treated confidentially. I would hope that the results from the questionnaires might highlight some of the important issues in order to tackle the unemployment problem in an area that has so much to offer like Arigna.

I will call you in the very near future, and if it was convenient for you, I would very much like to meet you in person so that we could discuss this in more detail.

Thanking You,
Yours Sincerely,



Denise McMorrow.

REGIONAL TECHNICAL COLLEGE SLIGO
Ballinode, Sligo, Ireland
School of Business and Humanities
Head of School: Dermot Finan, B.Comm.MSc.FCA
Tel: Direct line (071)55382

Mr. Charlie Hopkins,
Derriniskey,
Arigna,
County Roscommon.

Friday, 18 October, 1996.

Dear Mr Hopkins,

I am a third level post-graduate student carrying out a Masters of Business Studies Degree by Research and Thesis at Sligo Regional Technical College. The subject area I am examining is the Socio-Economic Effects of Unemployment in Ireland. A substantial part of my research work involves carrying out surveys in a specific area in order to clarify and attempt to quantify the socio-economic effects of unemployment.

I have decided to base my study on the Arigna community. As I come from Leitrim, I am very aware of the suffering and hardship endured as a result of unemployment in Arigna and the surrounding areas. Arigna is quoted as being one of the highest unemployment blackspots in the country. I feel that more should be done to highlight the gravity of the unemployment problem, so that, an attempt, at least, can be made to try to solve it.

For the purpose of the study, I will have to limit the size of my interview sample. The biggest part of the sample will be made up of the unemployed who were made redundant from the Arigna Mines and the Arigna Power Station.

Due to knowledge and experience you have from working as a County Councillor in the area. I feel that your co-operation is invaluable to me in the successful execution of this survey. I would like to interview you, to gain your insight into the impact of the mine closure and the power station closure on Arigna.

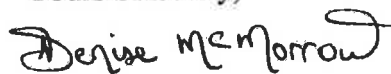
At the moment, I need to have a list of all the people made redundant in the mine and the power station, before I can begin my sampling work. If I do succeed in obtaining a sample list, the people I interview will at all times remain anonymous. The information they provide is strictly confidential. At no stage will a personal name be associated with any of the information provided. The unemployed person's name will not appear on the questionnaire, nor will it appear in any other published literature.

I feel that the people involved may need to be re-assured about the nature of this survey, and that whatever information I receive will be treated confidentially. I would

hope that the results from the questionnaires might highlight some of the important issues in order to tackle the unemployment problem in an area that has so much to offer like Arigna.

I will call you in the very near future, and if it was convenient for you, I would very much like to meet you in person so that we could discuss this in more detail.

Thanking You,
Yours Sincerely,



Denise McMorrow.

REGIONAL TECHNICAL COLLEGE SLIGO
Ballinode, Sligo, Ireland
School of Business and Humanities
Head of School: Dermot Finan, B.Comm.MSc.FCA
Tel: Direct line (071)55382

6 November, 1996

Dear Fr.Ryan/Fr.Tynan,

Following our recent telephone conversation please find enclosed details about the survey that will be taking place in your area. It would be very much appreciated if you could announce the following details at Mass on Sunday, and if possible include them in the weekly newsletter.

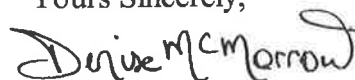
Details about the survey:

A survey is being carried out in your area by a post-graduate research student named Denise McMorrow from Sligo R.T.C. The survey will examine the social and financial effects of unemployment resulting from the Arigna mines closure. All ex-miners contacted are encouraged to co-operate with this student, as the results from the survey may be beneficial in attempting to solve the unemployment problem in this area. The survey will be carried out over the coming weeks. You will be required to fill in a questionnaire which will take approximately half an hour of your time. The questionnaire is purely for academic purposes. Ex-miners who participate in this survey will at all times remain anonymous, and all of the information you provide is confidential. It is recommended that you should seriously consider taking part in this survey.

End of Announcement.

Thank again for all of your time and help,

Yours Sincerely,



Denise McMorrow.

November, 1996.

Dear Mr. ,

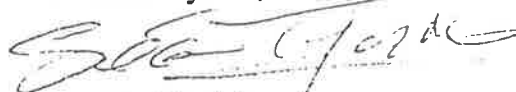
Denise McMorrow is a post-graduate research student at Sligo Regional Technical College. She is currently carrying out research on the social and financial effects of unemployment in Ireland. She has approached us in regard to carrying out a survey on the ex-miners who worked in the Arigna Mines. We feel that the work she is doing is very important and will further highlight some of the sufferings and hardship experienced in our area as a result of unemployment.

We would encourage you to co-operate with her, as we feel that the results from this survey may be beneficial in attempting to solve the unemployment problem here in Arigna.

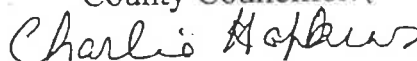
Denise will need to talk to you for half an hour in order to fill in a questionnaire. She would like to examine the effect the mine closure had on your life from a social and financial aspect. The questionnaire is purely for academic purposes. You will at all times remain anonymous, and all of the information you provide is confidential.

We recommend that you should seriously consider taking part in this survey.

Thanking you,
Yours Sincerely,
Fr. Sean Tynan, P.P.



Charlie Hopkins,
County Councillor.



REGIONAL TECHNICAL COLLEGE SLIGO

Ballinode, Sligo, Ireland
School of Business and Humanities
Head of School: Dermot Finan, B.Comm.MSc.FCA
Tel: Direct line (071)55382

Miner A,
Arigna,
Co. Roscommon.

15, November, 1996.

Dear Mr. Miner A,

I am a third level post-graduate student carrying out a Masters of Business Studies Degree by Research and Thesis at Sligo Regional Technical College. The subjects I am examining are the social and financial effects of unemployment in Ireland.

Arigna has been quoted as the country's worst hit unemployment blackspot with an unemployment rate of 63.6%pc. Therefore, I think your area, like some other areas in Ireland is experiencing many of the sufferings and hardship associated with unemployment. I feel that more should be done to highlight the gravity of the unemployment problem in Arigna, so that an attempt, can be made to try to solve it.

I am carrying out a survey on all of the people who worked in the Arigna mines. I would like to examine the social and financial effect the mine closure had on you, by comparing your life before the mine closed, with your life after the mine closed. This involves meeting with you for approximately half an hour to complete a questionnaire. I am confident that your participation in this survey will be of great benefit to the quality of the final research results.

I would sincerely hope that you will co-operate with me in filling in this questionnaire. The questionnaire is purely for academic purposes. If you do co-operate you will at all times remain anonymous. At no stage will your name ever be on a questionnaire, or in any other published material. The completed questionnaires will be unidentifiable from each other. Absolute confidentiality of all the information you provide is guaranteed.

I would be very grateful if you would seriously consider taking part in this survey, I feel that your views and experiences will be most valuable and your participation would be very much appreciated.

Please find enclosed, a joint-letter from Fr. Tynan, P.P., and Charlie Hopkins, County Councillor, indicating their support for the project. They would also like to encourage you to take part in this survey. I will contact you in the near future in the hope of arranging an interview.

Thanking You in advance,
Yours Sincerely,
Denise McMorrow
Denise McMorrow.

APPENDIX B

CHAPTER 3

POVERTY AND UNEMPLOYMENT

Presentation of Results

Table 3.1 Relationship Between Quality of Life Now and Employment Status

| | | | |
|---|------------|-----------------------------------|-----|
| Hypothesis 0: Quality of life is independent of employment status | | | |
| Hypothesis 1: Quality of life is dependent on employment status | | | |
| Rows: Quality of life post closure | | Columns: Employment Status | |
| | Unemployed | Employed | All |
| Reasonable | 32 | 15 | 47 |
| Good | 7 | 10 | 17 |
| Very Good | 0 | 3 | 3 |
| All | 39 | 28 | 67 |
| Chi-square = 8.090, DF = 2, P-Value = 0.018 | | | |
| Conclusion: Accept H1, there is a strong statistically significant relationship between quality of life and employment status. | | | |

Table 3.2: Relationship Between Difficulties in providing food Now and Employment Status

| | | | |
|---|------------|-----------------------------------|-----|
| Hypothesis 0: The unemployed have greater difficulties in providing food post closure than the employed. | | | |
| Hypothesis 1: The unemployed have the same difficulties in providing food post closure as the employed. | | | |
| Rows: Food Difficulties post closure | | Columns: Employment Status | |
| | Unemployed | Employed | All |
| No | 23 | 26 | 49 |
| Yes | 16 | 2 | 18 |
| All | 39 | 28 | 67 |
| Chi-square = 9.523, DF = 1, P-Value = 0.002 | | | |
| Conclusion: Accept the H1, difficulties in providing food is much worse for the unemployed than the re-employed. The result is very significant at 1% level. | | | |

Table 3.3 Relationship Between Food Difficulties prior to closure and employment status

Hypothesis 0: The unemployed have the same difficulties in providing food as the re-employed before the closure.
Hypothesis 1: The unemployed have more difficulties in providing food than the re-employed before the closure.

Rows: Food Difficulties Before **Columns:** Employment Status

| | Unemployed | Employed | All |
|-----|------------|----------|-----|
| No | 38 | 27 | 65 |
| Yes | 1 | 1 | 2 |
| All | 39 | 28 | 67 |

Chi-square = 0.057, DF = 1, P-Value = > 0.05

Conclusion: Accept Ho, difficulty in providing food before the closure was the same for both groups.

Table 3.4: Relationship Between Difficulties in Providing Clothes and Employment Status Post Closure

Hypothesis 0: The unemployed have the same difficulties in providing clothes as the employed.
Hypothesis 1: The unemployed have greater difficulty in providing clothes than the employed.

Rows: Clothes difficulties post closure **Columns:** Employment Status

| | Unemployed | Employed | All |
|-----|------------|----------|-----|
| No | 17 | 23 | 40 |
| Yes | 22 | 5 | 27 |
| All | 39 | 28 | 67 |

Chi-square = 10.069, DF = 1, P-Value = 0.002

Conclusion: Accept the H1, i.e. employment status clearly does affect the ability to provide clothes. The unemployed have much greater difficulty in providing clothes than the re-employed since the closure The result is statistically significant at 1% level.

Table 3.5: Relationship Between Difficulties in providing clothes before the closure and employment status.

Hypothesis 0: The Unemployed have the same difficulties in providing clothes as the unemployed prior to closure.

Hypothesis 1: The Unemployed have more difficulties in providing clothes than the unemployed prior to closure.

Rows: Employment Status

Columns: Clothes

| | No | Yes | All |
|------------|----|-----|-----|
| Unemployed | 37 | 2 | 39 |
| Employed | 27 | 1 | 28 |
| All | 64 | 3 | 67 |

Chi-square = 0.092, DF = 1, P-Value = 0.761

Conclusion: Accept H_0 , there was no difference between the groups in providing clothes prior to closure.

Table 3.6: Relationship Between Difficulties in Providing Education Now and Employment Status.

Hypothesis 0: The unemployed have the same difficulty in providing for education than the current re-employed post-closure

Hypothesis 1: The unemployed have greater difficulty in providing for education than the current re-employed post-closure

Rows: Difficulties in providing for Education

Columns: Job status

| | Unemployed | Employed | All |
|-----|------------|----------|-----|
| No | 17 | 20 | 37 |
| Yes | 12 | 3 | 15 |
| All | 29 | 23 | 52 |

Chi-square = 5.018, DF = 1, P-Value = 0.025

Conclusion: Accept H_1 , unemployed have much greater difficulties in providing education than the re-employed, after the closure.

Table 3.7: Relationship Between Difficulties in providing education before the closure and employment status

Hypothesis 0: The current unemployed have the same difficulties in providing for education before the closure as the current re-employed.
 Hypothesis 1: The current unemployed have greater difficulties in providing for education before the closure than the current re-employed.

Rows: Education Difficulties Before the closure **Columns:** Employment Status

| | Unemployed | Employed | All |
|-----|------------|----------|-----|
| No | 27 | 22 | 49 |
| Yes | 2 | 1 | 3 |
| All | 29 | 23 | 52 |

Chi-square = 0.153, DF = 1, P-Value = 0.695
Conclusion: Accept Ho, the unemployed and the employed groups both have the same difficulties in providing for education before the closure.

Table 3.8: Relationship Between Difficulties in Providing Household Items after the closure and employment status

Hypothesis 0: The unemployed have greater difficulty in providing household items than the employed.
 Hypothesis 1: The unemployed have the same difficulty in providing household items than the employed.

Rows: Household difficulties **Columns:** Employment Status

| | Unemployed | Employed | All |
|-----|------------|----------|-----|
| No | 15 | 21 | 36 |
| Yes | 24 | 7 | 31 |
| All | 39 | 28 | 67 |

Chi-square = 8.753, DF = 1, P-Value = 0.003
Conclusion: Reject Ho, i.e. results are highly significant at 1%. Therefore, the unemployed have much greater difficulty in providing household items than the re-employed after the closure

Table 3.9: Relationship Between Difficulties in providing Household items before the closure and employment status.

Hypothesis 0: The current unemployed have the same difficulties in providing household items before the closure as the current re-employed.
 Hypothesis 1: The current unemployed have greater difficulties in providing household items before the closure than the current re-employed.

Rows: Employment Status **Columns:** Household Difficulties Before the Closure

| | No | Yes | All |
|------------|----|-----|-----|
| Unemployed | 31 | 8 | 39 |
| Employed | 24 | 4 | 28 |
| All | 55 | 12 | 67 |

Chi-square = 0.430, DF = 1, P-Value = 0.512
 Conclusion: Accept Ho, both groups have the same difficulties in providing household items before the closure.

Table 3.10: Relationship Between Difficulties in Household items and in Food Difficulties post closure and employment status after the closure

Hypothesis 0: Household difficulties are independent on food difficulties
 Hypothesis 1: Household difficulties are dependent on food difficulties

Rows: Household Difficulties post closure **Columns:** Food Difficulties post closure

| | No | Yes | All |
|-----|----|-----|-----|
| No | 36 | 0 | 36 |
| Yes | 13 | 18 | 31 |
| All | 49 | 18 | 67 |

Chi-square = 28.582, DF = 1, P-Value = 0.000
 Conclusion Reject H0, accept the H1, Household difficulties are dependent on food difficulties.

Table 3.11: Relationship Between Difficulties in Family outings after the closure and Employment Status

Hypothesis 0: The current unemployed have the same difficulties in providing for family outings than the current re-employed after the closure.
Hypothesis 1: The current unemployed have greater difficulties in providing for family outings than the current re-employed after the closure.

Rows: Family Life Post Closure **Columns: Employment Status**

| | Unemployed | Employed | All |
|-----|------------|----------|-----|
| No | 17 | 19 | 36 |
| Yes | 22 | 9 | 31 |
| All | 39 | 28 | 67 |

Chi-square = 3.861, DF = 1, P-Value = 0.049
Conclusion: Reject Ho, accept H1, effects of family life are worse for the unemployed than the re-employed

Table 3.12: Relationship Between Difficulties in Family Outings Before the Closure and Employment Status

Hypothesis 0: The unemployed have the same difficulties in providing for family outings before the closure as the current re-employed.
Hypothesis 1: The unemployed have greater difficulties in providing for family outings before the closure than the current re-employed.

Rows: Employment Status **Columns: Family Outings Before the Closure**

| | No | Yes | All |
|------------|----|-----|-----|
| Unemployed | 34 | 5 | 39 |
| Employed | 23 | 5 | 28 |
| All | 57 | 10 | 67 |

Chi-square = 0.326, DF = 1, P-Value = 0.568
Conclusion: Difficulties in providing for Family outings before the closure are independent of employment status.

Table 3.13: Relationship Between Difficulties in Socialising After the Closure and Employment Status

Hypothesis 0: The Unemployed have the same difficulties in providing for socialising as the current re-employed after the closure.

Hypothesis 1: The unemployed have greater difficulties in providing for socialising than the current re-employed after the closure.

Rows: Employment Status

Columns: Socialising After the Closure

| | No | Yes | All |
|------------|----|-----|-----|
| Unemployed | 14 | 25 | 39 |
| Employed | 19 | 9 | 28 |
| All | 33 | 34 | 67 |

Chi-square = 6.661, DF = 1, P-Value = 0.010

Conclusion: The unemployed have much greater difficulty in providing for socialising since the closure than the re-employed.

Table 3.14: Relationship Between Difficulties in Socialising Before the Closure and Employment Status

Hypothesis 0: The current unemployed had the same difficulties in providing for socialising before the closure as the current re-employed.

Hypothesis 1: The current unemployed had greater difficulties in providing for socialising before the closure than the current re-employed.

Rows: Employment Status

Columns: Socialising Before the Closure

| | No | Yes | All |
|------------|----|-----|-----|
| Unemployed | 38 | 1 | 39 |
| Employed | 25 | 3 | 28 |
| All | 63 | 4 | 67 |

Chi-square = 1.929, DF = 1, P-Value = 0.165

Conclusion: Neither the unemployed or the re-employed had difficulties in providing for socialising before the closure.

Table 3.15: Relationship between current employment status and effects of closure/unemployment on confidence levels.

Hypothesis 0: Employment status is independent of confidence levels
Hypothesis 1: Employment status is dependent on confidence levels

| Rows: | Confidence levels post closure | | Columns: Employment Status |
|-------|--------------------------------|----------|----------------------------|
| | Unemployed | Employed | All |
| No | 19 | 19 | 38 |
| Yes | 20 | 9 | 29 |
| All | 39 | 28 | 67 |

Chi-square = 2.432, DF = 1, P-Value = 0.119

Conclusion: Accept Ho, the closure/unemployment has affected the confidence of both the unemployed and the re-employed.

Table 3.16: Relationship between lack of friendship and employment status

Hypothesis 0: Lack of friendship is independent of employment status
Hypothesis 1: Lack of friendship is dependent on employment status

| Rows: Lack of friendship | Columns: Employment Status | | |
|--------------------------|----------------------------|----------|-----|
| | Unemployed | Employed | All |
| No | 4 | 9 | 13 |
| Yes | 35 | 19 | 54 |
| All | 39 | 28 | 67 |

Chi-square = 4.992, DF = 1, P-Value = 0.025

Conclusion
Accept H1, both the unemployed and the re-employed have been affected by lack of friendship as a result of the closure. However, the unemployed have been more severely affected than the re-employed.

Table 3.17: Relationship between lack of routine as a result of the closure/unemployment and current employment status.

Hypothesis 0: The unemployed are affected equally by lack of routine as the employed.
Hypothesis 1: The unemployed are affected more by lack of routine than the employed.

| Rows: | Routine Post Closure | | Columns: Employment Status |
|-------|----------------------|----------|----------------------------|
| | Unemployed | Employed | All |
| Yes | 30 | 17 | 47 |
| No | 9 | 11 | 20 |
| All | 39 | 28 | 67 |

Chi-square = 2.045, DF = 1, P-Value = 0.153

Conclusion: Accept Ho, but by looking at the data it is not that the routine of the unemployed and employed was unaffected, both groups have been affected.

APPENDIX C

CHAPTER 5

EDUCATION, TRAINING AND EMPLOYMENT

Table 5.1**People interviewed who said they would prefer to work rather than be unemployed**

| | Count | Percent |
|-----|-------|---------|
| Yes | 66 | 98.51 |
| No | 1 | 1.49 |
| N = | 67 | |

Table 5.2**Detailed employment status of the entire sample interviewed**

| Employment status | Count | Percent |
|---------------------------|-------|---------|
| Employed all year | 13 | 19 |
| Employed 44 weeks/year | 8 | 12 |
| Employed part-time | 3 | 5 |
| Back to work participants | 2 | 3 |
| Self-employed | 2 | 3 |
| Unemployed | 31 | 46 |
| Fás participants | 8 | 12 |
| N = | 67 | |

Table 5.3**Detailed employment status of the unemployed interviewed**

| | Count | Percent |
|--------------------------|-------------------------------------|---------|
| Unemployed | 31 | 79.48 |
| Current Fás participants | 8 | 20.52 |
| N = | 39 (58% of the sample interviewed.) | |

Table 5.4

| Detailed employment status of the re-employed interviewed | | |
|--|--------------|----------------|
| | Count | Percent |
| Employed all year | 13 | 46.43 |
| Employed 44 weeks/year | 8 | 28.57 |
| Employed part-time | 3 | 10.71 |
| Back to work participants | 2 | 7.14 |
| Self-employed | 2 | 7.14 |
| N = 28 (42% of the sample interviewed.) | | |

Table 5.5

| Employment status of those interviewed | | |
|---|--------------|-------------------|
| | Count | Percentage |
| Never got a job since redundancy | 30 | 44.78 |
| Got a job again since redundancy | 37 | 55.22 |
| N = 67 | | |

Table 5.6 : Relationship Between Employment Status and Skills gained.

Ho: There is no relationship between employment status and skills gained
H1: There is a relationship between employment status and skills gained
Rows: Skills gained Columns: Employment Status

| | Unemployed | Employed | All |
|------------|-------------------|-----------------|--------------------|
| Yes | 12 (48%) | 6 (42.86%) | 18 (46.15%) |
| No | 13 (52%) | 8 (57.14%) | 21 (53.85%) |
| All | 25 | 14 | 39 |

Chi-square = 0.096, DF = 1, P-Value = 0.757

Conclusion:

Accept Ho, i.e. there doesn't appear to be any relationship between a person's employment status and their perception of skills gained.

Table 5.7

| Satisfied/Dissatisfied to be re-employed | | |
|--|-------|---------|
| | Count | Percent |
| Satisfied | 35 | 92.11 |
| Dissatisfied | 1 | 2.63 |
| Unsure | 2 | 5.26 |

Table 5.8

Ho: Unemployed have the same attitude as the re-employed about finding another job

H1: Unemployed have a different (more positive) attitude about finding another job

| Rows: Attitude about a job | Columns: Employment Status | | |
|----------------------------|----------------------------|------------|-----|
| | Unemployed | Employed | All |
| Very Negative Attitude | 12 (30.78) | 2 (7.14) | 14 |
| Negative Attitude | 16 (41.03) | 4 (14.29) | 20 |
| Unaffected Attitude | 1 (2.56) | 2 (7.14) | 3 |
| Positive Attitude | 8 (20.51) | 18 (64.29) | 26 |
| Very Positive Attitude | 2 (5.13) | 2 (7.14) | 4 |
| | 39 | 28 | 67 |

Result: Chi-square = 17.179, DF = 4, P-Value = 0.002

Conclusion: Reject Ho, accept H1, there is a very strong relationship between employment status and attitude about finding another job. Those who were unemployed had a very negative attitude about re-gaining employment.

APPENDIX D

CHAPTER 6

**EXCHEQUER AND ECONOMIC COSTS OF
UNEMPLOYMENT**

**Exchequer and Economic Costs of Unemployment Estimated Exchequer Cost
Per Single Person Made Redundant in 1990
(Mining Wages)**

| | £ |
|--|---------------------------|
| PAYE/PRSI | |
| PAYE: (Gross Weekly Income ¹ - Tax Free Allowance ²) ((£248.22 - £85.58) 30%) 52 weeks | 2,537 |
| Employee's PRSI: ((Gross Income - PRSI Allowance) 7.75%) 52 ((£248.22 - £5.50) 7.75%) 52 | 978 |
| Employer's PRSI (Gross Income x PRSI Rate) 52 weeks ((£248.22 x 12.2%)52 | <u>1,575</u> |
| Lost PAYE/PRSI | 5,090 |
| Social Welfare Benefit ³ | 2,496 |
| Secondary Benefits ⁴ | |
| Medical Card (£193.56 ⁵ x 67.64%) | 131 |
| Fuel Allowance (£130.00 ⁶ x 67.64%) | 88 |
| Butter Vouchers (£6.24 ⁷ x 67.64%) | <u>4</u> |
| Total Secondary Benefit Costs | 223 |
| Administration ⁸ | |
| (£223 + £2,496) 5% | <u>136</u> |
| Total Exchequer Cost | £7,945⁹ |
| Lost Output ¹⁰ | |
| (£27,231 million /224,733) 5% | <u>6,059</u> |
| Total Economic Cost | £14,004 |

¹ Gross mining wage was estimated from amounts earned (mining wages) by those interviewed, as they indicated in the questionnaire.

² Tax Free Allowance is made up of the following: Personal Allowance £2,050, Mortgage Interest Relief £1,600, PAYE Allowance £800. Annual Tax Free Allowance £4,450 - Weekly Tax Free Allowance £85.58.

³ Social Welfare Benefits payable in 1990 - Department of Social Welfare.

⁴ All secondary benefits have been reduced to 1990 prices based on a 67.64% decrease in social welfare payments from 1996 back to 1990.

⁵ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of Claims and Payments - 1995.

⁶ Ref. SW 19 Rates of Payments 1996/97. Department of Social Welfare.

⁷ Based on information received from the Department of Social Welfare.

⁸ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long-term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits, the administration costs were estimated.

⁹ If the person took part in re-training it would have cost £4,559. When the cost of administration is added ((£223 + £4,559) 5% = £239.10). This brings the exchequer cost to £10,111.

¹⁰ Lost output:

(Gross Domestic Product/Number Unemployed)5%
(27,231 million (CSO, Department of Finance, 1990)/224,733 (Annual average unemployment rate - Live register May, 1990). If re-training is taken into account the economic cost of having someone unemployed is £16,170.

Estimated Exchequer Cost Per Married Person with a Spouse and 2 Child Dependants in 1990 (Mining Wages)

PAYE

(Gross Weekly Income¹ - Tax Free Allowance²)
 ((£248.22 - £160.00) 30%) 52 weeks 1,376

Employee's PRSI

((Gross Income - PRSI Allowance) 7.75%) 52
 ((248.22 x 5.50) 7.75%) 52 978

Employer's PRSI

(Gross Income - PRSI Rate) 52 weeks
 ((£248.22 x 12.2%) 52 1,575

Lost PAYE/PRSI 3,929

Social Welfare Benefit³ 5,294

Secondary Benefits

Medical Card (£193.56⁴ x 67.64%) 131

Fuel Allowance (£130.00⁵ x 67.64%) 88

Butter Vouchers (£24.96⁶ x 67.64%) 17

Back to School Clothing and Footwear (164.68⁷ x 67.64%) 111

Total Secondary Benefit Costs 347

Administration⁸

(£5,294 + £347) 5% 282

Total Exchequer Cost £9,852⁹

Output Lost¹⁰

(£27,231 million /224,733) 5% 6,059

Total Economic Cost £15,911

¹ Gross mining wage was estimated from amounts earned by those interviewed, as they indicated in the questionnaire.

² Tax Free Allowance (1990) is made up of the following amounts: Personal Allowance £4,100, 2 Child Dependants Allowance £220, Mortgage Interest Relief £3,200, PAYE Allowance £800. Annual Tax Free Allowance £8,320 - Weekly Tax Free Allowance £160.00.

³ Social Welfare Benefits payable in 1990 - Department of Social Welfare.

⁴ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of claims and payments (1995).

⁵ Ref. SW 19 Rates of Payment 1996/97 - Department of Social Welfare.

⁶ This cost is based on information received from Department of Social Welfare.

⁷ As in 6 above.

⁸ The administration costs on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long - term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁹ The cost of re-training is £7,820. The administration cost is £408. This would have brought the total exchequer cost to £12,504.

¹⁰ Lost output:

(Gross Domestic Product/Number Unemployed)5%

(27,231 million (CSO, Department of Finance, 1990)/224,733 (Annual average unemployment rate - Live Register, 1990). If the person took part in re-training, it would have cost £18,563.

Estimated Total Exchequer Cost in 1990 (Mining Wages)

| PAYE/PRSI ¹ | | £ |
|---|----------------|--------------------------|
| PAYE | | |
| Married: (£3,929 x (214 x 75%)) | 630,605 | |
| Single (£5,090 x (214 x 25%)) | <u>272,315</u> | 902,920 |
| | | |
| Social Welfare Benefit² | | |
| Married: (214 x 75% x £5,295 x 50%) | 424,924 | |
| Single: (214 x 25% x £2,496) | <u>133,536</u> | 558,460 |
| | | |
| Secondary Benefits | | |
| Married: 214 x 75% x £347 | 55,694 | |
| Single: 214 x 25% x £223 | <u>11,931</u> | 67,625 |
| | | |
| Re-training³ | | |
| Married: (214 x 50% x 75%)£7,820 | 627,555 | |
| Single:(214 x 50% x 25%)£4,559 | <u>121,953</u> | 749,508 |
| | | |
| Administration⁴ | | |
| (£558,460 + £67,562 + 749,508) 5% | | <u>68,777</u> |
| | | |
| Total Exchequer Cost | | £2,347,290 |
| Output Lost⁵ | | |
| ((£27,231 million /224,733) 5%) 214 | | <u>1,296,626</u> |
| Total Economic Loss | | <u>£3,643,916</u> |

¹ PAYE/PRSI payable is based on the amounts payable on mining wages per single and per married person.

² Social Welfare Benefits 1990 - the Department of Social Welfare.

³ This figure is based on the actual figures respondents said they received from re-training programmes. It is assumed that half of those interviewed took part in re-training.

⁴ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long - term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁵ Lost output:

(Gross Domestic Product/Number Unemployed)5%

((27,231 million (CSO, Department of Finance, 1996) / 279,233 (Annual average unemployment rate - Live Register, 1990))

Estimated Exchequer Cost Per Single Person in 1996/1997 (Mining Wages)

| PAYE/PRSI | | £ |
|---|-----------|---------------------------|
| PAYE | | |
| (Gross Weekly Income ¹ - Tax Free Allowance ²) | | |
| ((£305.68 - £107.69) | | |
| (197.99 - 190.38 ³) | | |
| 190.38 x 26% | 50 | |
| 7.61 x 48% | 4 | |
| Employee's PRSI | | |
| ((Gross Income - PRSI Allowance) 6.75%) | | |
| | 15 | |
| Employer's PRSI | | |
| Gross Income x 12% | | |
| ((£305.68 x 12%) | | |
| | <u>37</u> | |
| Lost PAYE/PRSI Annually (£106 x 52) | | 5,512 |
| Social Welfare ⁴ | | 3,318 |
| Secondary Benefits | | |
| Medical Card ⁵ | 194 | |
| Fuel Allowance ⁶ | 130 | |
| Butter Vouchers ⁷ | <u>6</u> | |
| Total Secondary Benefits | | 330 |
| Administration ⁸ | | |
| (£3,318 + £330) 5% | | <u>182</u> |
| Total Exchequer Cost | | £9,342⁹ |
| Output Lost ¹⁰ | | |
| (£38,616 million /279,233) 5% | | <u>6,915</u> |
| Total Economic Loss | | £16,257 |

¹ Gross mining wages were estimated from amounts earned by those interviewed, as they indicated during interviewing. (The 1990 amounts earned have been updated to 1996 figures based on an increase of 23.15% in average Industrial earnings from 1990-1996).

² Tax Free Allowance is made up of: Personal allowance £2,900, PAYE allowance £800, Mortgage Relief £1,900. Annual Tax Free Allowance £5,600. Weekly Tax Free Allowance £107.69.

³ Tax payable at 48% on earnings above £190.38. Ref. Revenue Commissioners 1990.

⁴ Social Welfare Payments 1996 - Department of Social Welfare.

⁵ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of Claims and Payments 1996.

⁶ Ref. SW 19, Rates of Payment 1996/97 - Department of Social Welfare.

⁷ Based on information received from the Department of Social Welfare.

⁸ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long -term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs are estimated.

⁹ If training is taken into account it would have cost £4,559 per person. The administration cost on training and secondary benefits would have been £244. The total exchequer cost would then have been £10,645.

¹⁰ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

(38,616 million (CSO, Department of Finance, 1996)/279,233 (Annual average unemployment rate Live Register, 1996). When re-training is included the total economic cost is £17,560.

Estimated Exchequer Cost Per Married Person with a Spouse and two Dependants Made Redundant in 1996/97 (Mining Wages)

| PAYE/PRSI | £ |
|---|----------------------------|
| PAYE | |
| (Gross Weekly Income ¹ - Tax Free Allowance ²) | |
| ((£305.68 - £204.23) 26% x 52 weeks | 1,372 |
| Employee's PRSI | |
| ((Gross Income - PRSI Allowance) 6.75%) 52 weeks | |
| ((£305.68 - £80) 6.75%) 52 | 792 |
| Employer's PRSI | |
| (Gross Income x PRSI Rate) 52 weeks | |
| ((£305.68 x 12%) 52 | <u>1,907</u> |
| Lost PAYE/PRSI | 4,071 |
| Social Welfare ³ | 6,692 |
| Secondary Benefits | |
| Medical Card ⁴ | 194 |
| Fuel Allowance ⁵ | 130 |
| Back to School Clothing and Footwear ⁶ | 165 |
| Butter Vouchers ⁷ | <u>25</u> |
| Total Secondary Benefit Costs | 514 |
| Administration ⁸ (£6,692 + £514) 5% | <u>360</u> |
| Total Exchequer Cost | £11,637⁹ |
| Output Lost ¹⁰ | |

¹ Gross mining wage was estimated from amounts that those interviewed indicated they earned, while they worked in the mines. The 1990 amounts earned have been updated to 1996 amounts. (Based on an increase of 23.15% in average Industrial Earnings from 1990 - 1996).

² Tax Free Allowance is made up of: Personal Allowance £5,800, PAYE allowance £800, 2 child dependants £220, Mortgage Relief £3,800. Annual Tax Free Allowance £10,620, weekly Tax Free Allowance £204.23.

³ Social Welfare Payments (1996) - the Department of Social Welfare.

⁴ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of Claims and Payments.

⁶ Ref. SW 19 Rates of Payment 1996/97 - Department of Social Welfare.

⁷ Ref. Information Leaflet SW 19 - Department of Social Welfare 1996.

⁸ Based on information received from the Department of Social Welfare.

⁵ Ref. SW 19 Rates of Payment 1996/97 - Department of Social Welfare.

⁶ As in 5 above.

⁷ Based on information received from the Department of Social Welfare.

⁸ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long - term Unemployment, 1995). Applying the same estimate to social welfare payment and secondary benefits the administration costs were estimated.

⁹ When re-training is taken into account it cost £7,820, administration cost (£7,820 + £514)5% = £417. The total exchequer cost is £12,822. and the economic cost was £19,737.

¹⁰ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

(£38,616 million /279,233) 5%

Total Economic Loss

6,915
£18,552¹²

38,616 million (CSO, Department of Finance, 1996)/279,233 (Annual average unemployment rates - Live Register, 1996).

¹² When re-training is accounted for the economic cost was £19,737.

Estimated Total Exchequer Cost in 1996/97 (Mining Wages)

| PAYE/PRSI ¹ | £ |
|---|----------------|
| PAYE | |
| Married: ((£4,071 x (214 x 74.65%)) | 650,346 |
| Single ((£5,512 x (214 x 25.35%)) | <u>229,020</u> |
| Total PAYE/PRSI lost | 879,366 |
| | |
| Actual PAYE/PRSI ² paid by those re-employed in 1996 | |
| Married £62.25 x 33.15 x 52 | 107,307 |
| Married £66.25 x 24.12 x 44 | 70,310 |
| Single £87.35 x 15.07 x 52 | 68,451 |
| Separated £86.25 x 3.01 x 52 | <u>13,500</u> |
| Actual PAYE/PRSI re-paid | <u>259,568</u> |
| Net PAYE/PRSI loss | 619,798 |
| Social Welfare Payments³ | |
| All year recipients (99.47 x £107.29 x 52 weeks) | 554,951 |
| 8 Weeks of year recipients (24.12 x £133.75 x 8) | <u>25,808</u> |
| | 580,759 |
| | |
| Re-training ⁴ | 158,273 |
| Secondary Benefits | |
| Medical Card ⁵ (£193.56 x (123.59 x 80.49%)) | 19,255 |
| Back to School Clothing and Footwear ⁶ (123.59 x 46.9%) x £164.48 | 9,534 |
| Butter Vouchers ⁷ | |
| Married: 49.77 x 4 x 52p x 12 | 1,242 |
| Single: 19.52 x 1 x 52p x 12 | 122 |
| Communion Allowance ⁸ (£55.50 x 2 children x 3) | 333 |
| Rent Allowance for School Books ⁹ (£30 x 6.32 x 2) | <u>379</u> |
| Total Secondary Benefits | 30,865 |
| Total Exchequer Loss | |

¹ Based on PAYE/PRSI payable per single, per married person in 1996/97 (mining wages).

² Based on PAYE/PRSI paid by the re-employed in 1996 - PAYE/PRSI was paid on average industrial earnings.

³ Figure represents the Social Welfare amounts that those interviewed indicated they received.

⁴ At the time of interviewing 11.3% of the unemployed (24 people) were taking part in a re-training course. This figure is based on the actual figures respondents said they received for re-training payments.

⁵ Ref. General Medical Services (Payments) Board 1996. Financial and Statistical Analysis of Claims and Payments.

⁶ Ref. SW 19 Rates of Payment 1996/97 - Department of Social Welfare.

⁷ Based on information received from the Department of Social Welfare.

⁸ This is an exceptional needs payment. Rates payable are based on Back to School Clothing and Footwear rates.

⁹ This allowance varies between schools. Therefore, an arbitrary figure of £30 per child is taken.

| | |
|-------------------------------------|--------------------------|
| Administration ¹⁰ | |
| (£580,759 + £158,273 + £30,865) 5% | 38,495 |
| Total Exchequer Cost | £1,428,190 |
| Output Lost ¹¹ | |
| £6,915 x 127 people | <u>878,205</u> |
| Total Economic Loss | <u>£2,306,395</u> |

¹⁰ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long - term Unemployment, 1995.) Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

¹¹ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

((38,616 million (CSO, Department of Finance, 1996)/279,233 (Annual average unemployment rate, Live Register, 1996)).

**Estimated Exchequer Benefit Per Single Person Re-employed in 1990
(Average Industrial Earnings)**

| | £ |
|--|---------------------------|
| PAYE/PRSI | |
| (Gross Weekly Income ¹ - Tax Free Allowance ²) ((£219.11 - £85.88) 30%) 52 weeks | 2,078 |
| Employee's PRSI (Gross Income - PRSI Allowance) 6.75%) 52 ((£219.11 - £5.50) 6.75%) 52 | 750 |
| Employer's PRSI (Gross Income x PRSI Rate) 52 weeks ((£219.11 x 12.2%) 52 | <u>1,390</u> |
| Lost PAYE/PRSI | 4,218 |
| Social Welfare | 2,496 |
| Secondary Benefits | |
| Medical Card (£193.56 ³ x 67.64% ⁴) | 131 |
| Fuel Allowance (£130.00 ⁵ x 67.64%) | 88 |
| Butter Vouchers (£6.24 ⁶ x 67.64%) | <u>4</u> |
| Total Secondary Benefit Costs | 223 |
| Administration ⁷ (£2,496 + £223) 5% | <u>136</u> |
| Total Exchequer Benefit | £7,073⁸ |
| Output Lost ⁹ (£27,231 million /224,733) 5% | <u>6,059</u> |
| Total Economic Benefit | £13,132 |

¹ Average Industrial Wage payable in 1996.

² Tax Free Allowances are based on 1990 tax allowances: Personal Allowance £2,050, PAYE Allowance £800, Mortgage Relief £1,600. Annual Tax Free Allowance £4,450 - weekly Tax Free Allowance £85.58.

³ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of claims and payments (1995).

⁴ All of Secondary Benefits have been multiplied by 67.64%, to equate them to 1990 prices, (The 67.64% represents the decreases in social welfare payments from 1996 back to 1990.)

⁵ Ref. SW 19, Rates of Payment 1996/97 - Department of Social Welfare.

⁶ This cost is based on information received from Department of Social Welfare.

⁷ The administration costs on social welfare payments are estimated at 5% of social welfare payments. (Task Force Report on Long-term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁸ When re-training is taken into account it cost £4,559. The administration costs were calculated as follows (£4,559 + £223)5% = £239. The exchequer cost would then have been £9,239.

⁹ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

((27,231 million (CSO, 1990)/224,733 (Annual average unemployment rate, Live Register, 1990)).

If re-training is taken into account the economic cost would have been £15,298.

Estimated Exchequer Benefit Per Married Person with a Spouse and Two Child Dependants Re-employed in 1990 (Average Industrial Earnings)

| PAYE/PRSI | £ |
|---|---------------------------|
| (Gross Weekly Income ¹ - Tax Free Allowance ²) 1990 Tax Rate ((£219.11 - £160.00) 30%) 52 weeks | 922 |
| Employee's PRSI ((Gross Income - PRSI Allowance) 7.75%) 52 ((£219.11 - £5.50) 7.75%) 52 | 861 |
| Employer's PRSI (Gross Income x PRSI Rate) 52 weeks (£219.11 x 12.2%) | <u>1,390</u> |
| Lost PAYE/PRSI | 3,173 |
| Social Welfare Benefit ³ | 5,294 |
| Secondary Benefits ⁴ | |
| Medical Card (£193.56 ⁵ x 67.64%) | 131 |
| Fuel Allowance (£130.00 ⁶ x 67.64%) | 88 |
| Butter Vouchers (£24.96 ⁷ x 67.64%) | 17 |
| | <u>111</u> |
| Total Secondary Benefit Costs | 347 |
| Administration ⁸ | |
| (£5,294 + £347) 5% | <u>282</u> |
| Total Exchequer Loss | £9,096⁹ |

Output Lost ¹⁰

¹ Gross mining wage was estimated from amounts earned by those interviewed, as they indicated in the questionnaire.

² Tax Free Allowance is made up of the following: Personal Allowance £4,100, 2 Child dependants £220, Mortgage Interest Relief £3,200, PAYE Allowance £800. Annual Tax Free Allowance £8,320. Weekly Tax Free Allowance £160.00.

³ 1990 Social Welfare Benefits - Department of Social Welfare.

⁴ There was a 67.64% decrease in Social Welfare payments from 1996 back to 1990. Secondary benefits have been multiplied by 67.64% to equate them to 1990 prices.

⁵ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of claims and payments (1995).

⁶ Ref. SW 19, Rates of Payment 1996/97 - Department of Social Welfare, 1996.

⁷ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of claims and payments (1995).

⁸ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long - term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁹ When re-training is taken into account it cost £7,820, administration cost (£7,820 + £347)5% = £408. The total exchequer cost is £11,748.

(£27,231 million / 224,733) 5%
Total Economic Loss

6,059
£15,155

¹⁰ Estimate of lost output:
(Gross Domestic Product/Number Unemployed)5%
((27,231 million (CSO - GDP, 1996) / 224,733 (Annual Average figure - Live Register, 1990)).
When re-training is taken into account the total economic cost would have been £17,807.

Estimated Total Exchequer Benefit of Re-employing the 214 Made Redundant in 1990 (Industrial Wages)

| PAYE/PRSI¹ | | £ |
|---|----------------|--------------------------|
| PAYE | | |
| Married: (£3,173 x (214 x 75%)) | 509,267 | |
| Single (£4,334 x (214 x 25%)) | <u>231,869</u> | 741,136 |
| Social Welfare Benefit² | | |
| Married: (214 x 75% x 50% x £5,295) | 424,924 | |
| Single: (214 x 25% x 50% x £2,496) | <u>66,768</u> | 491,692 |
| Secondary Benefits³ | | |
| Married: 214 x 75% x £347 | 55,694 | |
| Single: 214 x 25% x £223 | <u>11,931</u> | 67,625 |
| Re-training⁴ | | |
| Married: 214 x 75% x 50% x £7,820 | 627,555 | |
| Single: 214 x 25% x 50% x £4,559 | <u>121,953</u> | 749,058 |
| Administration⁵ | | |
| (£67,625 + £491,692 + £749,058) 5% | | 65,441 |
| Total Exchequer Cost | | £2,115,402 |
| Output Lost⁶ | | |
| (£27,231 million /227,733) 5% | | <u>1,296,626</u> |
| Total Economic Loss | | <u>£3,412,028</u> |

¹ PAYE/PRSI amounts are based on earlier estimates.

² Social Welfare Benefits - Department of Social Welfare 1990.

³ Secondary Benefits are based on previous estimates for a person unemployed in 1990.

⁴ For this cost estimate, it is assumed that half of the unemployed took part in a re-training course. This figure is based on the actual figures respondents said they received from re-training payments.

⁵ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long-term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁶ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

((27,231 million (CSO, Department of Finance, - GDP, 1990)/248,114 ((Annual average unemployment rate) Live Register, 1990).

**Estimated Exchequer Benefit Per Single Person Re-employed in 1996
(Industrial Wage)**

| PAYE/PRSI | £ |
|---|---------------------------|
| PAYE | |
| (Gross Weekly Income ¹ - Tax Free Allowance ²) 1990 Tax Rate ((£269.83 - £107.69) x 26%) 52 | 2,192 |
| Employee's PRSI | |
| ((Gross Income - PRSI Allowance) 6.75%) 52 ((£269.83 - £80.00) 6.75%) | 666 |
| Employer's PRSI | |
| (Gross Income x PRSI Rate) 52 weeks ((£269.83 x 12.2%) | <u>1,684</u> |
| Lost PAYE/PRSI | 4,542 |
| Social Welfare ³ | 3,318 |
| Secondary Benefits | |
| Medical Card ⁴ | 194 |
| Fuel Allowance ⁵ | 130 |
| Butter Vouchers ⁶ | <u>6</u> |
| Total Secondary Benefit Costs | 330 |
| Administration ⁷ | |
| (£3,318 + £330) 5% | <u>182</u> |
| Total Exchequer Cost | £8,372⁸ |
| Output Lost ⁹ | |
| (£38,616 million /279,233) 5% | <u>6,915</u> |
| Total Economic Loss | <u>£15,287</u> |

¹ Average Industrial Earnings 1996.

² Based on 1996/97 Tax Rates: Personal Allowance £2,900, PAYE allowance £800, Mortgage Interest Relief £1,900. Annual Tax Free Allowance £5,600. Weekly Tax Free Allowance £107.69.

³ Department of Social Welfare - 1990 Social Welfare Benefits.

⁴ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of Claims and Payments 1996.

⁵ Ref. SW 19 Rates of Payment 1996/97 - Department of Social Welfare.

⁶ Based on information received from the Department of Social Welfare.

⁷ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long -term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁸ When re-training is taken into account it cost £4,559. The administration cost was (£4,559 + £330)5% = £244. The total exchequer cost was £9,675.

⁹ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

(38,616 million (CSO, Department of Finance - GDP in 1996)/279,233 Annual average unemployment

rates - Live Register, 1996). When re-training is taken into account the economic cost was £16,590.

**Estimated Exchequer Benefit Per Married Person Re-employed in 1996/97
(Average Industrial Wages)**

| PAYE/PRSI | £ |
|---|-----------------------------|
| PAYE | |
| (Gross Weekly Income ¹ - Tax Free Allowance ²) 1996 Tax Rate ((£269.83 - £204.23) 26%) 52 | 887 |
| Employee's PRSI | |
| ((Gross Income - PRSI Allowance) 7.75%) 52 ((£269.83 - £80) 6.75%) | 666 |
| Employer's PRSI | |
| (Gross Income x PRSI Rate) 52 weeks ((£269.83x 12%) 52 | <u>1,684</u> |
| Lost PAYE/PRSI | 3,237 |
| Social Welfare ³ | 6,692 |
| Secondary Benefits | |
| Medical Card ⁴ | 194 |
| Fuel Allowance ⁵ | 130 |
| Back to School Clothing and Footwear ⁶ | 165 |
| Butter Vouchers ⁷ | <u>25</u> |
| Total Secondary Benefit Costs | 514 |
| Administration ⁸ | |
| (£6,692 + £514) 5% | <u>360</u> |
| Total Exchequer Cost | £10,803 ⁹ |
| Output Lost ¹⁰ (£38,616 million /279,233) 5% | <u>6,915</u> |
| Total Economic Loss | <u>£17,718</u> |

¹ Gross weekly income based on average industrial earnings.

² 1996/97 Tax Rates: Personal allowance £5,800, PAYE allowance £800, 2 Child Dependants £220, Mortgage Interest Relief £3,800. Annual Tax Free Allowance £10,620. Weekly Tax Free Allowance £204.23.

³ Department of Social Welfare - 1996 Social Welfare Payments.

⁴ Ref. General Medical Services (Payments) Board. Financial and Statistical Analysis of Claims and Payments 1996.

⁶ As in 5.

⁷ As in 6.

⁵ Ref. SW 19 Rates of Payment 1996/7 - Department of Social Welfare.

⁶ As in 5.

⁷ Based on information received from the Department of Social Welfare.

⁸ The administration costs on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long-term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁹ When re-training is taken into account it cost £7,820. Administration costs were the following: (£7,820 + £514)5% = £417. The total exchequer cost was £11,988.

¹⁰ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

((38,616 million (CSO, Department of Finance, 1996)/279,233 ((Annual average unemployment rate - Live Register, 1996)). If re-training was added to the cost it would have been £18,903.

Estimated Total Exchequer Benefits from the Re-employment of 214 Workers in 1996/97 (Industrial Wages)

PAYE/PRSI¹

£

Married/Widowed:

((£3,237 x (214 x 74.65%)) 517,920

Single/Separated

((£4,542 x (214 x 25.35%)) 245,268

Total PAYE/PRSI lost 763,188

Actual PAYE/PRSI² paid by those re-employed in 1996

Married £62.25 x 33.15 x 52 107,307

Married £66.25 x 24.12 x 44 70,310

Single £87.35 x 15.07 x 52 68,451

Separated £86.25 x 3.01 x 52 13,500

Actual PAYE/PRSI re-paid 259,568

Net PAYE/PRSI loss 503,620

Social Welfare Payments³

All year recipients (99.47 x £107.29 x 52 weeks) 554,951

8 Weeks of year recipients (24.12 x £133.75 x 8) 25,808 580,759

Re-training⁴ 158,273

Secondary Benefits⁵

Medical Card (£193.56 x (123.59 x 80.49%)) 19,255

Back to School Clothing and Footwear
(123.59 x 46.9%) x £164.48 9,534

Butter Vouchers

Married: 49.77 x 4 x 52p x 12 1,242

Single: 19.52 x 1 x 52p x 12 122

Communion Allowance (£55.50 x 2 x 3) 333

Rent Allowance for School Books
(£30 x 6.32 x 2) 379

Total Secondary Benefits 30,865

Total Exchequer Loss

¹ Based on amounts paid of PAYE/PRSI payable per single, per married (average industrial earnings) in 1996.

² Based on PAYE/PRSI payable on average industrial earnings.

³ Based on actual Social Welfare amounts that the unemployed indicated they received.

⁴ This figure is based on the actual figures respondents said they received for re-training payments.

⁵ Based on earlier estimates.

| | |
|------------------------------------|--------------------------|
| Administration ⁶ | |
| (£580,759 + £158,273 + £30,865) 5% | 38,495 |
| Total Exchequer Cost | |
| £1,312,012 | |
| Output Lost ⁷ | |
| £6,915 x 127 people | <u>878,205</u> |
| Total Economic Loss | <u>£2,190,217</u> |

⁶ The administration costs on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long-term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration fees were estimated.

⁷ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%

((38,616 million (CSO - GDP, 1996)/279,233 ((Annual average unemployment rates - Live Register, 1996)).

Estimated Total Irish Exchequer Loss in 1996/97 (Industrial Wages)

| | | |
|---|-----------------------|-----------------------|
| PAYE/PRSI¹ | | £ |
| Single or Separated (332,287 ² x 44%) x £4,542 | £664,067,652 | |
| Married or Widowed (332,287 x 56%) x £3,237 | <u>£602,344,197</u> | |
| Total PAYE/PRSI lost | | £1,266,411,849 |
| Social Welfare Payments³ | | |
| Single (279,233 x 44%) x £3,318 | £407,659,434 | |
| Married (279,233 x 56%) x £6,692 | <u>£1,046,428,040</u> | |
| Total Social Welfare Payments | | £1,454,087,474 |
| | | |
| Re-training (Community Employment) | | |
| Re-training courses ⁴ | | |
| Single (53,054 x 44%) x £4,355 | £101,662,120 | |
| Married (53,054 x 56%) x £7,631 | <u>£226,717,010</u> | |
| Total Re-training Costs | | £328,379,130 |
| | | |
| Secondary Benefits⁵ | | |
| Single (332,287 x 44%) x £330 | £48,247,980 | |
| Married (332,287 x 56%) x £513 | <u>£95,459,553</u> | |
| Total Secondary Benefits | | £143,707,533 |
| Administration⁶ | | |
| (£1,454,087,474 + £328,379,130 + £143,707,533) 5% | | |
| (1,926,174,137) 5% | | <u>£96,308,705</u> |
| Total Exchequer Loss | | £3,288,894,691 |
| Lost Output⁷ | | |

¹ Based on average industrial earnings 1996.

² The annual average unemployment rate was taken over the 12 month period in 1996 (Live Register 1996). Unfortunately, Fás figures for 1996 on the number of unemployed people who took part in re-training were not available. Based on Community Employment, this research estimated that (53,054) 19% of those unemployed were taking part in labour market programmes. This estimate is close to figures supplied by Fás (1995, pp. 50) which showed the total figure that took part in Employment Programmes was 54,900. Therefore, the number unemployed which was 279,233 plus 53,054 (279,233 x 19%) is combined to give a total estimate of all those currently unemployed. Marital Status break-up is derived from the Labour Force Survey 1996. The following marital status appear to be representative of the unemployed:

Single 41.26%, Married 54.24%, Widowed 3.04%, Separated 1.46%. Single and widowed groups have been combined (44%) and Married and Separated groups have been combined (56%).

³ An average of unemployment benefit, unemployment assistance (short - term), unemployment assistance (long - term) was taken from the Social Welfare Payments 1996 - Department of Social Welfare.

⁴ Based on Fás payments for 1996 (Community Employment.)

⁵ Based on earlier estimates (see page xiii).

⁶ The administration cost on social welfare payments is estimated at 5% of social welfare payments. (Task Force Report on Long -term Unemployment, 1995). Applying the same estimate to social welfare, secondary benefits and re-training payments, the administration costs were estimated.

⁷ Estimate of lost output:

(Gross Domestic Product/Number Unemployed)5%