

CHAPTER 1

Recent labour market developments and prospects

Special focus on patterns of employment and joblessness from a household perspective

A. INTRODUCTION

Several favourable forces have been operating on the global economy. Growth in the OECD area averaged 3.1 per cent in 1997, the best outcome since 1989, inflation continued to be subdued, and fiscal consolidation is on track nearly everywhere. Developments in the labour market partly reflect the improved macroeconomic conditions: unemployment in the OECD area as a whole declined slightly, from 7.5 per cent of the labour force in 1996 to 7.2 per cent this year, or some 35.4 million people. But the fall in unemployment was not universal: unemployment rates rose in 10 OECD countries. The outlook for 1998 and 1999 partly depends on the impact of the recent financial crisis in East Asia on the wider economy. The growth rate of OECD GDP is projected to moderate to around 2.4 per cent in both years. Unemployment in the OECD area is expected to stabilise at around 7 per cent of the labour force.

Section B provides an overview of these recent developments and prospects. Section C analyses the labour market and its developments over the past decade from the perspective of households. Although patterns and trends of employment, unemployment and inactivity are normally analysed at the individual level, it is also very helpful to analyse them from a household perspective. Many labour supply decisions are best understood within a framework that treats households, rather than individuals, as the basic decision unit. Furthermore, a focus on households is probably more appropriate for making judgements about welfare, as the economic well-being of individuals may depend largely on the degree of support they receive from other members of their households.

Special attention is paid in Section C to patterns of non-employment, *i.e.* the proportion of the working-age household population with nobody in paid work. Non-employment is important for the following reasons: first, it is often regarded as a broader indicator of labour market slack than the unemployment rate, as the latter does not take account of differences in participation that are only

partly voluntary; second, when considered at the level of households, non-employment is an indication of potential welfare problems, since there is no income from paid employment to support that household's living standards. After taking account of trends in household population structures, the analysis shows how employment and non-employment are distributed across households, highlighting how many households have nobody in employment. The analysis also looks at the relationship between an individual's position in the income distribution and the labour market status of his or her household, again with a particular focus on joblessness. The final section summarises the main findings of the chapter.

B. RECENT DEVELOPMENTS AND PROSPECTS

1. Economic activity

Economic conditions improved in 1997. In the OECD area GDP is estimated to have risen by 3.1 per cent (Table 1.1), the best outcome since 1989. At close to 4 per cent, growth was particularly buoyant in the United States and Canada, reflecting strong domestic demand. Economic growth also strengthened in the European Union, where real GDP grew by 2.6 per cent compared with 1.7 per cent in 1996. Activity picked up in Spain and started to gather pace in France and Germany; there was continued strong growth in the United Kingdom and some other smaller countries (Denmark, Finland, Ireland, the Netherlands and Portugal). Most emerging market economies in Europe also enjoyed a good year: growth continued to be strong in Poland and accelerated in Hungary following the slowdown in 1995-1996. In the Czech Republic, on the other hand, growth slowed sharply, as financial market pressures forced an exchange rate depreciation. Mexico continued its strong recovery following the recent crisis.

Japan and Korea are the two major exceptions to this picture of stronger output growth in 1997. Growth slowed in Japan, with domestic demand

Table 1.1. **Growth of real GDP in OECD countries^{a, b}**

Annual percentage change

	Share in total OECD GDP 1991	Average 1985-1995	1996	1997	Projections	
					1998	1999
Australia	1.7	3.0	3.7	2.7	3.2	3.2
Austria	0.8	2.6	1.6	2.1	2.7	2.9
Belgium	1.0	2.1	1.5	2.7	2.7	2.8
Canada	3.2	2.2	1.2	3.8	3.3	3.0
Czech Republic	0.6	..	3.9	1.0	0.9	1.2
Denmark	0.6	1.7	3.5	3.4	3.0	2.8
Finland	0.5	1.4	3.6	5.9	4.2	3.0
France	6.2	2.1	1.5	2.4	2.9	2.8
Germany ^c	8.1	1.4	1.4	2.2	2.7	2.9
Greece	0.6	1.6	2.7	3.5	3.0	3.4
Hungary	0.4	..	1.3	3.8	4.3	4.6
Iceland	0.0	1.9	5.5	5.0	4.6	3.4
Ireland	0.3	5.0	7.7	10.5	8.6	6.6
Italy	5.8	2.0	0.7	1.5	2.4	2.7
Japan	14.1	3.0	3.9	0.9	-0.3	1.3
Korea	2.4	8.7	7.1	5.5	-0.2	4.0
Luxembourg	0.1	5.9	3.0	3.7	3.4	3.5
Mexico	3.0	1.2	5.2	7.0	5.3	4.9
Netherlands	1.5	2.6	3.3	3.3	3.7	3.2
New Zealand	0.3	1.6	2.7	2.8	3.1	3.4
Norway	0.5	2.6	5.3	3.5	4.1	3.0
Poland	1.0	..	6.1	6.9	5.8	5.6
Portugal	0.6	3.2	3.0	3.5	3.8	3.2
Spain	3.0	2.9	2.3	3.4	3.5	3.3
Sweden	0.9	1.4	1.3	1.8	2.6	2.4
Switzerland	0.9	1.3	-0.2	0.7	1.5	1.8
Turkey	1.6	4.4	7.2	6.3	5.5	5.0
United Kingdom	5.4	2.3	2.2	3.3	1.7	1.8
United States	35.2	2.4	2.8	3.8	2.7	2.1
OECD Europe^d	40.2	2.1	2.1	2.8	2.9	2.9
EU	35.2	2.0	1.7	2.6	2.7	2.7
Total OECD^d	100.0	2.5	2.8	3.1	2.4	2.5

.. Data not available.

a) The OECD Secretariat's projection methods and underlying statistical concepts and sources are described in detail in "Sources and Methods: OECD Economic Outlook" which can be downloaded from the OECD Internet site (<http://www.oecd.org/eco/out/source.htm>).

b) Aggregates are computed on the basis of 1991 GDP weights expressed in 1991 purchasing power parities.

c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

d) Average for 1985-1995 excludes the Czech Republic, Hungary and Poland.

Source: *OECD Economic Outlook*, No. 63, May 1998.

being unexpectedly weak in the aftermath of moves to tighten fiscal policy. The emergence of financial turbulence in Southeast Asia during the middle of the year exacerbated the weakness of the Japanese economy and seriously affected the capacity of the Korean economy to grow in line with its potential.

A number of favourable factors lie behind the gradual improvement of the macroeconomic situation in the OECD area. Government budget deficits fell for the fourth year running, to reach an average level around 1.4 per cent of GDP. Favourable inflation trends almost everywhere have allowed monetary policy to provide an offset to the restraining effect on economic activity exercised by fiscal retrenchment in most countries. The broadly favour-

able movements in exchange rates between OECD countries which, since early 1995, have tended to support economies where activity has been weak and to restrain demand and activity in countries which appear to be close to capacity limits, have largely been maintained. In particular, the continued strength of the dollar and sterling has probably helped offset any emerging wage pressures in the United Kingdom and the United States, whilst the weakness of currencies in continental Europe has provided some stimulus to external demand.

These favourable forces are expected to persist over the 1998-1999 projection period. Inflation is likely to remain subdued across nearly all of the

OECD area, although it may show a modest upward trend in the United States and some European countries. An easing in the speed of fiscal retrenchment is expected for 1998 which should reduce the restraining effect on demand. However, in Japan, despite some easing, fiscal policy remains oriented towards deficit reduction, and in Korea new spending obligations, especially linked to the restructuring of banks, are likely to be offset by a tightening of fiscal policy. The Asian crisis is projected to have little overall macroeconomic impact in most OECD countries, although a slowdown in world trade growth is expected. Mature expansions should proceed at sustainable non-inflationary rates, but more slowly than in 1997 in countries where growth has been running at above-trend rates and spare capacity has largely been eliminated, notably the United States, the United Kingdom, Canada and some smaller European countries. In the prospective Euro area, recoveries that are in relatively early stages should be strong enough to absorb spare capacity: growth should rise to close to 3 per cent in Germany and France, and pick up gradually in Italy to 2.7 per cent by 1999. Growth is also expected to remain strong in Hungary, Mexico, Poland and Turkey, while remaining sluggish in the Czech Republic. Australia and New Zealand are expected to record somewhat stronger growth at around 3 per cent, despite their exposure to the Asian crisis. The short-term outlook for Japan and Korea, on the other hand, is poor. Output is likely to fall slightly in 1998, and the two economies may only return to a modest growth path in 1999. Against this background, average growth in the OECD area as a whole is expected to slow down at around 2½ per cent over the projection period.

2. Employment and unemployment

Employment increased by 1.7 per cent in 1997 for the OECD as a whole, the best result since 1993 (Table 1.2). Above-average employment gains were recorded in Canada, Mexico, Spain, Turkey, the United States and some smaller European countries. Germany and Sweden recorded losses of 1 per cent or over.

The growth of the OECD labour force, on average, was slightly slower than that of employment (Table 1.2). As a result, OECD area unemployment declined slightly in 1997 to 7.2 per cent of the labour force, or some 35.4 million persons (Table 1.3). Unemployment rates fell in some high-unemployment countries, including Finland, Ireland, Poland and Spain. Denmark, Hungary, Mexico, the Netherlands, Norway and the United Kingdom also experienced sizeable declines. By contrast, unemployment increased by more than one point in

Germany, and substantial increases were also recorded in the Czech Republic, Korea, New Zealand and Switzerland.

Unemployment in the OECD area is expected to stabilise over the projection period, remaining around 7 per cent of the labour force. Further declines are projected for the European Union, as employment should rise more strongly than at any time since 1990. Nonetheless, unemployment in the European Union, at over 10 per cent of the labour force in 1999, will remain a serious economic and social problem. Sizeable reductions in the unemployment rate are also anticipated in Australia, Canada, Hungary, Norway, Poland, and Switzerland. In the United Kingdom and the United States, the projected slowdown in economic activity may lead to a mild reversal of the downward trend in the unemployment rate. Larger rises in unemployment are expected in those countries where the growth outlook is poor, notably the Czech Republic, Korea and, to a lesser extent, Japan.

3. Wages and unit labour costs

Wage growth, as measured by growth in compensation per employee in the business sector, picked up slightly in 1997 (Table 1.4), in spite of a further deceleration in inflation. When "high-inflation countries" (*i.e.* the Czech Republic, Greece, Hungary and Poland) are excluded, the growth rate for employee compensation was 3.6 per cent in 1997, up from 2.9 per cent in 1996. Despite the slight pick-up, the growth rate of wages in 1997 was still below the average annual rate of 4.1 per cent for the period 1985-1995.

Reflecting modest wage increases and a slowdown in productivity, unit labour costs grew at a somewhat faster pace in 1997 than in 1996 (Table 1.4). Excluding the high-inflation countries, area-wide unit labour costs grew by 1.8 per cent, as against 1.2 per cent in 1996. There are signs that the labour market is beginning to tighten in Denmark, the Netherlands, Norway, the United Kingdom and the United States, as growth of both compensation per employee and unit labour costs picked up in these countries.

In the OECD area as a whole, growth in compensation per employee in the business sector is expected to fall back slightly to around 3 per cent over the projection period. A slight acceleration in wage inflation in some countries – Denmark, Finland, Ireland, the Netherlands and the United Kingdom – should be more than offset by wage moderation in the other countries. As the slowdown in productivity growth is projected to continue throughout 1998 and 1999, the deceleration in unit

Table 1.2. **Employment and labour force growth in OECD countries^a**

Annual percentage change

	Employment						Labour force					
	Level 1996 (000s)	Average 1985-1995	1996	1997	Projections		Level 1996 (000s)	Average 1985-1995	1996	1997	Projections	
					1998	1999					1998	1999
Australia	8 385	2.0	1.3	0.8	1.7	1.8	9 166	2.1	1.3	0.9	1.1	1.4
Austria	3 416	0.7	-0.7	0.3	0.5	0.8	3 646	0.9	-0.2	0.2	0.4	0.6
Belgium	3 710	0.4	0.4	0.3	1.0	0.9	4 255	0.4	0.1	0.2	0.6	0.4
Canada	13 676	1.4	1.3	1.9	2.2	1.8	15 149	1.3	1.5	1.3	1.5	1.5
Czech Republic	5 110	..	0.4	-0.7	-1.1	-0.9	5 294	..	0.8	0.3	0.3	-0.1
Denmark	2 598	0.1	1.3	2.3	1.9	1.7	2 844	0.2	-0.4	1.2	0.8	1.1
Finland	2 096	-1.6	1.4	3.2	2.6	1.9	2 503	-0.3	0.2	1.0	0.2	0.2
France	22 448	0.3	0.0	0.3	1.1	1.3	25 594	0.5	0.8	0.4	0.5	0.5
Germany ^b	34 460	0.5	-1.2	-1.3	0.1	0.8	38 425	0.5	-0.2	-0.1	0.2	0.3
Greece	3 872	0.6	1.3	1.2	1.0	1.2	4 318	0.9	1.6	1.3	1.2	1.2
Hungary	3 605	..	-0.5	-0.1	0.8	1.1	4 006	..	-0.8	-1.5	-0.2	0.6
Iceland	127	0.3	2.1	2.1	1.8	1.3	133	0.7	1.5	1.6	1.4	1.2
Ireland	1 317	1.5	3.4	4.2	3.6	3.5	1 494	0.9	3.1	2.3	2.6	2.2
Italy	20 088	-0.3	0.4	0.0	0.3	0.5	22 851	0.1	0.5	0.2	0.0	0.2
Japan	64 863	1.1	0.5	1.1	-0.1	0.2	67 111	1.1	0.7	1.1	0.0	0.3
Korea	20 763	3.1	1.9	1.5	-3.2	-0.6	21 188	2.9	1.9	2.0	0.1	0.0
Luxembourg	168	1.0	0.8	1.6	1.6	1.5	174	1.1	1.2	2.0	1.6	1.4
Mexico	15 491	..	5.0	13.3	3.2	2.8	16 392	..	4.1	11.3	2.8	2.8
Netherlands	6 187	1.8	2.0	2.5	1.9	1.9	6 628	1.6	1.5	1.4	1.4	1.5
New Zealand	1 688	0.5	3.4	0.5	0.7	1.5	1 798	0.8	3.2	1.2	0.8	1.2
Norway	2 137	0.3	2.8	2.9	1.8	1.0	2 246	0.6	2.7	2.1	1.0	0.7
Poland	14 969	..	1.2	1.4	1.5	1.6	17 076	..	0.0	0.1	0.3	0.7
Portugal	4 217	0.3	0.5	1.9	1.6	1.2	4 550	0.2	0.6	1.3	1.1	0.9
Spain	12 408	0.9	1.5	2.9	2.6	2.4	15 950	1.2	0.9	1.1	1.0	1.0
Sweden	3 956	-0.6	-0.9	-1.0	0.6	0.7	4 302	-0.1	-0.5	-1.1	-0.8	0.2
Switzerland	3 807	1.2	0.3	-0.2	0.2	0.7	3 978	1.6	0.8	0.3	-0.4	0.3
Turkey	20 895	2.0	2.4	2.4	2.1	2.0	22 236	1.9	1.5	2.0	2.0	2.0
United Kingdom	26 455	0.6	1.1	1.7	0.5	0.0	28 753	0.3	0.4	0.5	0.4	0.4
United States	126 708	1.5	1.4	2.2	1.5	0.8	133 938	1.4	1.2	1.8	1.4	1.1
OECD Europe^c	20 895	0.6	0.6	0.8	1.0	1.1	221 255	0.6	0.5	0.5	0.6	0.7
EU	26 455	0.4	0.3	0.6	0.9	0.9	166 286	0.5	0.5	0.4	0.5	0.5
Total OECD^d	126 708	1.1	1.1	1.7	0.9	0.9	485 997	1.1	1.0	1.4	0.8	0.8

.. Data not available.

a) See note a) to Table 1.1.

b) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

c) Averages for 1985-1995 exclude the Czech Republic, Hungary and Poland.

d) Averages for 1985-1995 exclude the Czech Republic, Hungary, Mexico and Poland.

Source: OECD Economic Outlook, No. 63, May 1998.

Table 1.3. Unemployment in OECD countries^a

	Percentage of labour force					Millions				
	Average 1985-1995	1996	1997	Projections		Average 1985-1995	1996	1997	Projections	
				1998	1999				1998	1999
Australia	8.5	8.5	8.6	8.1	7.7	0.7	0.8	0.8	0.8	0.7
Austria	5.1	6.3	6.2	6.1	5.9	0.2	0.2	0.2	0.2	0.2
Belgium	11.1	12.8	12.7	12.3	11.9	0.5	0.5	0.5	0.5	0.5
Canada	9.6	9.7	9.2	8.6	8.3	1.4	1.5	1.4	1.3	1.3
Czech Republic	..	3.5	4.4	5.8	6.6	..	0.2	0.2	0.3	0.3
Denmark	9.7	8.6	7.6	6.7	6.2	0.3	0.2	0.2	0.2	0.2
Finland	9.2	16.3	14.5	12.4	11.0	0.2	0.4	0.4	0.3	0.3
France	10.4	12.3	12.4	11.9	11.3	2.6	3.1	3.2	3.1	2.9
Germany ^b	7.8	10.3	11.4	11.5	11.1	2.7	4.0	4.4	4.4	4.3
Greece	8.2	10.3	10.4	10.6	10.6	0.3	0.4	0.5	0.5	0.5
Hungary	..	10.0	8.7	7.8	7.3	..	0.4	0.3	0.3	0.3
Iceland	2.3	4.4	3.9	3.5	3.4	0.0	0.0	0.0	0.0	0.0
Ireland	15.2	11.9	10.2	9.3	8.2	0.2	0.2	0.2	0.1	0.1
Italy	10.0	12.1	12.3	12.0	11.8	2.3	2.8	2.8	2.7	2.7
Japan	2.5	3.4	3.4	3.5	3.6	1.6	2.2	2.3	2.4	2.4
Korea	2.8	2.0	2.6	5.7	6.3	0.5	0.4	0.6	1.2	1.4
Luxembourg	1.8	3.3	3.6	3.6	3.5	0.0	0.0	0.0	0.0	0.0
Mexico	..	5.5	3.7	3.4	3.4	..	0.9	0.7	0.6	0.6
Netherlands	7.1	6.7	5.6	5.1	4.8	0.4	0.4	0.4	0.3	0.3
New Zealand	7.0	6.1	6.7	6.7	6.4	0.1	0.1	0.1	0.1	0.1
Norway	4.3	4.9	4.1	3.3	3.0	0.1	0.1	0.1	0.1	0.1
Poland	..	12.3	11.2	10.1	9.3	..	2.1	1.9	1.7	1.6
Portugal	6.2	7.3	6.7	6.3	6.0	0.3	0.3	0.3	0.3	0.3
Spain	19.5	22.2	20.8	19.6	18.4	3.0	3.5	3.4	3.2	3.0
Sweden	4.0	8.1	8.0	6.7	6.2	0.2	0.3	0.3	0.3	0.3
Switzerland	1.9	4.7	5.2	4.5	4.1	0.1	0.2	0.2	0.2	0.1
Turkey	7.9	6.0	5.7	5.6	5.6	1.6	1.3	1.3	1.3	1.3
United Kingdom	9.1	8.0	6.9	6.8	7.2	2.6	2.3	2.0	2.0	2.1
United States	6.3	5.4	4.9	4.8	5.0	7.9	7.2	6.7	6.7	7.0
OECD Europe^c	9.4	10.5	10.2	9.9	9.5	17.4	23.2	22.8	22.1	21.5
EU	9.9	11.4	11.2	10.9	10.5	15.6	18.9	18.7	18.2	17.7
Total OECD^d	7.1	7.5	7.2	7.1	7.0	29.6	36.4	35.4	35.2	35.1

.. Data not available.

Notes and source: See Table 1.2.

Table 1.4. **Business sector labour costs in OECD countries**^{a, b}

Percentage changes from previous period

	Compensation per employee					Unit labour costs				
	Average 1985-1995	1996	1997	Projections		Average 1985-1995	1996	1997	Projections	
				1998	1999				1998	1999
Australia	4.8	5.2	4.3	4.4	4.4	3.8	2.8	1.7	2.8	3.0
Austria	4.8	2.0	2.0	2.2	2.7	2.4	-0.6	0.0	-0.2	0.5
Belgium	4.3	1.0	2.7	2.5	2.6	2.6	0.1	0.1	0.8	0.6
Canada	3.9	3.6	4.4	1.9	3.1	3.1	3.8	2.5	0.8	1.8
Czech Republic	..	17.0	12.2	11.9	10.2	..	12.8	10.2	9.4	7.7
Denmark	5.0	3.6	4.0	4.3	4.7	3.2	0.8	2.5	2.8	3.2
Finland	6.7	2.9	1.7	3.4	2.8	2.6	-0.2	-2.2	1.5	1.3
France	3.7	2.8	3.3	2.3	2.4	1.5	0.9	0.8	0.4	0.8
Germany ^c	0.0	2.4	2.2	1.8	1.9	0.0	-0.4	-1.5	-1.0	-0.3
Greece	14.4	10.9	9.5	6.7	5.5	13.3	9.1	6.7	4.4	3.1
Hungary	..	19.0	20.0	18.3	16.0	..	16.8	15.4	14.3	12.0
Ireland	4.8	3.5	4.9	6.0	5.9	0.9	-0.8	-1.3	0.9	2.8
Italy	6.8	4.3	4.4	3.2	2.8	4.1	3.8	2.5	0.8	0.2
Japan	2.5	0.5	1.8	0.2	0.7	0.5	-2.9	1.9	0.5	-0.4
Korea	13.3	9.9	8.2	-1.1	2.0	7.0	4.3	3.8	-4.3	-2.7
Netherlands	2.5	2.1	2.5	2.7	3.6	1.3	0.8	1.4	1.1	2.3
New Zealand	6.0	2.4	2.9	3.1	2.9	4.7	3.0	0.9	0.5	0.9
Norway	5.4	3.0	4.8	5.0	5.8	3.6	2.4	3.9	3.4	5.0
Poland	..	26.7	20.5	14.6	13.3	..	20.2	14.3	10.0	9.1
Portugal	12.6	5.5	6.0	4.1	4.0	8.9	2.4	4.1	1.6	1.7
Spain	6.6	3.6	3.1	3.0	3.5	4.2	2.6	2.7	2.0	2.6
Sweden	6.8	6.2	3.6	4.1	4.0	4.4	4.0	0.5	1.7	2.1
Switzerland	3.6	0.7	0.5	0.7	1.2	3.5	1.3	-0.4	-0.7	0.0
United Kingdom	6.1	3.3	4.9	5.4	4.8	4.6	2.5	3.4	4.0	2.8
United States	3.8	3.0	4.2	3.8	3.9	3.1	2.0	2.3	3.0	2.7
OECD Europe^{d, e}	4.2	4.2	4.2	3.6	3.5	2.7	2.4	1.8	1.5	1.5
EU^e	4.4	3.3	3.5	3.1	3.1	2.8	1.6	1.2	1.0	1.1
Total OECD less high inflation countries^{e, f}	4.1	2.9	3.6	2.8	3.0	2.6	1.2	1.8	1.6	1.4
Total OECD^{d, e}	4.0	3.3	3.9	3.0	3.2	2.7	1.6	2.1	1.8	1.6

.. Data not available.

a) See note a) to Table 1.1.

b) Aggregates are computed on the basis of 1991 GDP weights expressed in 1991 purchasing power parities.

c) The average growth rate has been calculated by chaining on data for the whole of Germany to the corresponding data for western Germany prior to 1992.

d) Averages for 1985-1995 exclude the Czech Republic, Hungary and Poland.

e) Countries shown.

f) High inflation countries are defined as countries which have had, on average, 10 per cent or more inflation in terms of the GDP deflator during the 1990s. Consequently, the Czech Republic, Greece, Hungary and Poland are excluded from the aggregate.

Source: OECD Economic Outlook, No. 63, May 1998.

labour costs is expected to be less pronounced, at 1.6 per cent in 1998 and 1.4 per cent in 1999.

C. PATTERNS OF EMPLOYMENT AND JOBLESSNESS: A HOUSEHOLD PERSPECTIVE

1. Introduction

Patterns and trends of employment, unemployment and inactivity are normally analysed only at the individual level, aggregated up to the whole economy, and used as measures of overall labour market performance. Clearly, however, labour supply decisions of individuals are not made independently of their household situation, and, from a social welfare perspective, the analysis of the labour force status of individuals only offers a partial picture, as the economic well-being of individuals may depend largely on the degree of support they receive from other members in their households. As a consequence, there has been growing interest recently in analysing how labour market activity affects households and families [Gregg and Wadsworth (1994, 1996); OECD (1995a)].¹ This section takes up the household perspective, with special attention paid to jobless households, *i.e.* those with nobody in work [see Annex 1.A for definitions and data sources].

The analysis focuses on non-employment for two main reasons. First, the non-employment rate, which is calculated as the sum of the unemployed and the inactive divided by the population of working age, can be considered as a broader indicator of under-utilisation of labour resources than the unemployment rate, as it takes account of differences in participation that are only partly voluntary. In particular, it takes account of those who may have been discouraged from searching for work and are thus not counted as unemployed under the standard definition, but instead, as being out of the labour force. However, many of them also state that they would like a job if one were available. But not all non-employment reflects under-utilisation of labour resources. Women who are not in paid employment may be producing valuable services in the form of household work and the caring of children or elderly relatives. Young people may be investing in their own human capital in the form of education and training. Many older people may have chosen voluntarily to retire from the labour market.

The examination of non-employment patterns becomes even more important from the household perspective. The absence of any income from paid work coming into a household is an indicator of potential welfare problems for the household in

question. It often implies the need for income support from the social protection system.² Different labour market and social policies come into play if a substantial proportion of the unemployed and the inactive are living in households with no other adults in employment. However, just as with non-employment at the individual level, so-called "jobless" households must not always be considered as a policy problem. Some households consist only of students, or of persons aged between 55 and 64 years who may enjoy a reasonable standard of living due to retirement benefits and other non-work income.

At the same time, the presence of some work in the household is not always sufficient to protect its members from the risk of low income. The number of adults working in the household, the total amount of hours worked and the level of earnings are important factors in accounting for the economic well-being of household members. The final sub-section of this chapter offers a brief overview of these factors, by looking at the relationship between the position of individuals in the income distribution and the labour market status of their households. A distinction is drawn between jobless households, households with some work, and households with someone in full-time work throughout the year (also see Chapter 2).

Due to the complex links between the factors determining the economic well-being of households and their members, a detailed examination of the policy implications of joblessness at the household level is well beyond the scope of this chapter. The analysis is descriptive in nature and addresses the following questions: How are employment and non-employment distributed across working-age households? Has this distribution changed over the past decade? What are the characteristics of those working-age households where nobody is employed? To what extent do demographic and social factors explain the labour force status of household members? Finally, to what extent is joblessness at the household level a cause of concern for the economic well-being of household members?

To best answer these questions, the unit of observation should be the economic unit within which resources are held in common, and decision-making is done. For practical reasons, it is assumed here that, with few exceptions, the economic unit is the household, generally defined by two criteria: the sharing of the same dwelling; and common domestic arrangements. In terms of resource-pooling, however, the household may not always be the most appropriate unit of observation. Reality spans a range of possible levels of economic integration, from all resources being held in common to every individual in the household constituting a separate

economic unit. Indeed, there remains much to learn about decision-making and allocation processes within the household: in general, economic integration is more likely to occur within a family unit whose members are linked by close kinship relations but, even then, particular groups, such as spouses or children not in the labour force, may have little control over the use of the household budget.

The employment profile of households is described on the basis of the number of adults in the household who are in employment, irrespective of their hours worked. The analysis is confined to the working-age population. Working-age households are defined as those that contain at least one person of working age (15 to 64 years old). The exceptions are Australia, the Czech Republic, Japan, Mexico, New Zealand and Switzerland where, due to data constraints, working-age households are defined as all households with a working-age head.

2. Non-employment at the individual and household level

The non-employment rate at the *individual* level is the sum of the inactive and the unemployed divided by the population of working age. Chart 1.1 provides background information on patterns and trends of non-employment disaggregated by gender, and between unemployment and inactivity. Non-employment rates differ considerably across countries: they are highest in Greece, Ireland, Italy, and Spain, and lowest in Japan, New Zealand, Switzerland and the United States. Within countries, non-employment rates for women are always higher than for men. The right-hand side of the chart shows that one common trend across all OECD countries has been the continued rise in participation, and usually employment, rates for women that, in many cases, more than “compensated” for the decline in participation rates for men and/or a rise in the aggregate unemployment/population ratio. As a consequence, the employment rate for the working-age population increased or remained stable in many countries. The largest declines in non-employment and rises in employment over the period 1985-1996 were recorded in the Netherlands and Ireland, where gains in female participation were combined with substantial falls in the unemployment/population ratio. In France, Greece, Italy, New Zealand and Portugal, the rise in female participation rates did not fully offset the increase in the unemployment/population ratio, and the share of jobless persons in the working-age population increased.

The picture changes when taking a *household* perspective. Chart 1.2, Panel A, plots non-employment rates at the individual level against the household

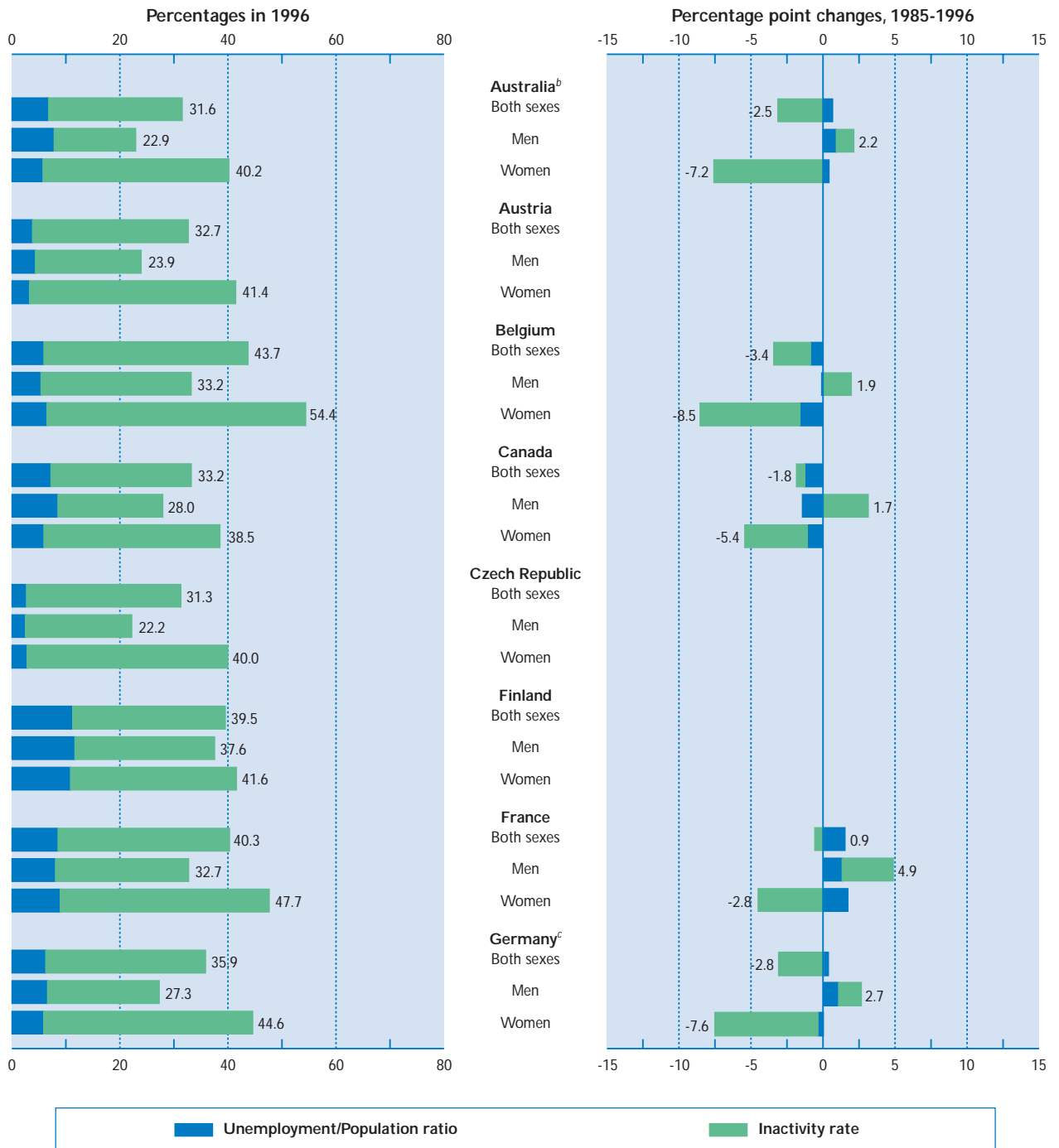
non-employment rate. Two features are striking. First, there is much less variation between countries if non-employment is measured across households rather than across individuals: 16 of the 22 countries shown are concentrated in a narrow band of household jobless rates between about 13 and 22 per cent, while individual non-employment rates range between 28 and 53 per cent. Below this band, the Czech Republic, Japan, Mexico and Switzerland have the lowest household jobless rates. Above it, Belgium and Finland record the highest rates. Second, although there is a positive correlation between non-employment rates for individuals and for households, the countries with the highest non-employment rates do not have the highest proportion of households without any work. For example, Greece, Ireland, Italy and Spain have the highest proportion of individuals in the working-age population not in work, but their household jobless rate is the same as in Germany, the Netherlands and New Zealand, and lower than in the United Kingdom, all countries where individual non-employment rates are lower.

These two features are explained by the fact that the risk for non-employed persons of living in jobless households varies across countries, and in general is lowest (highest) in countries where individual non-employment rates are highest (lowest), as shown more clearly in Chart 1.3. In southern European countries, Ireland, Luxembourg and Mexico, a relatively low proportion of the inactive population live in households without a person in employment, while in Finland and the United Kingdom, over 50 per cent of them do not share their dwelling with somebody in employment. The pattern is similar for those who are unemployed, except for Ireland, where the share of unemployed persons living in households with no other persons in employment is relatively high.

The results outlined above suggest that the phenomenon of non-employment requires careful interpretation when drawing conclusions about economic welfare. In Greece, Ireland, Italy and Spain, high non-employment rates for persons can probably be sustained because they have a lower impact on households, as many unemployed and inactive individuals share a dwelling with somebody in employment. However, it is likely that household formation and the composition of households are not exogenous to the economic environment and are, themselves, affected by individual risks of joblessness. Where extended families tend to live together, the family/household can play a crucial role in providing protection for all its members against adverse overall economic and labour market conditions.

Chart 1.1.

Non-employment rates for working-age individuals^a



a) Persons aged 15 to 64 years.

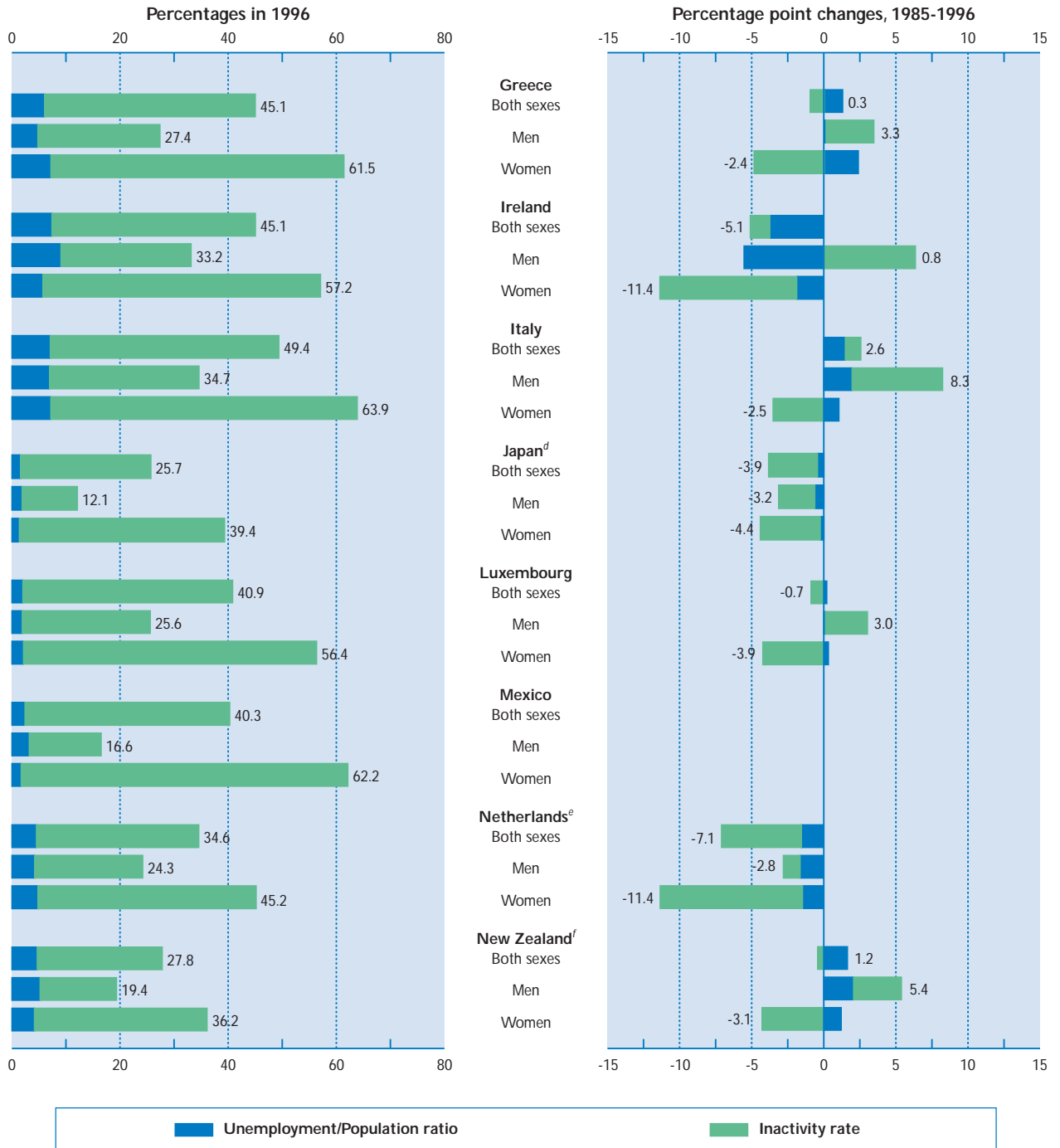
b) 1986 instead of 1985.

c) Data for Germany relate to the former western Germany for comparisons between 1985 and 1996, but refer to the whole of Germany for 1996 levels.

Source: See Annex 1.A.

Chart 1.1. (cont.)

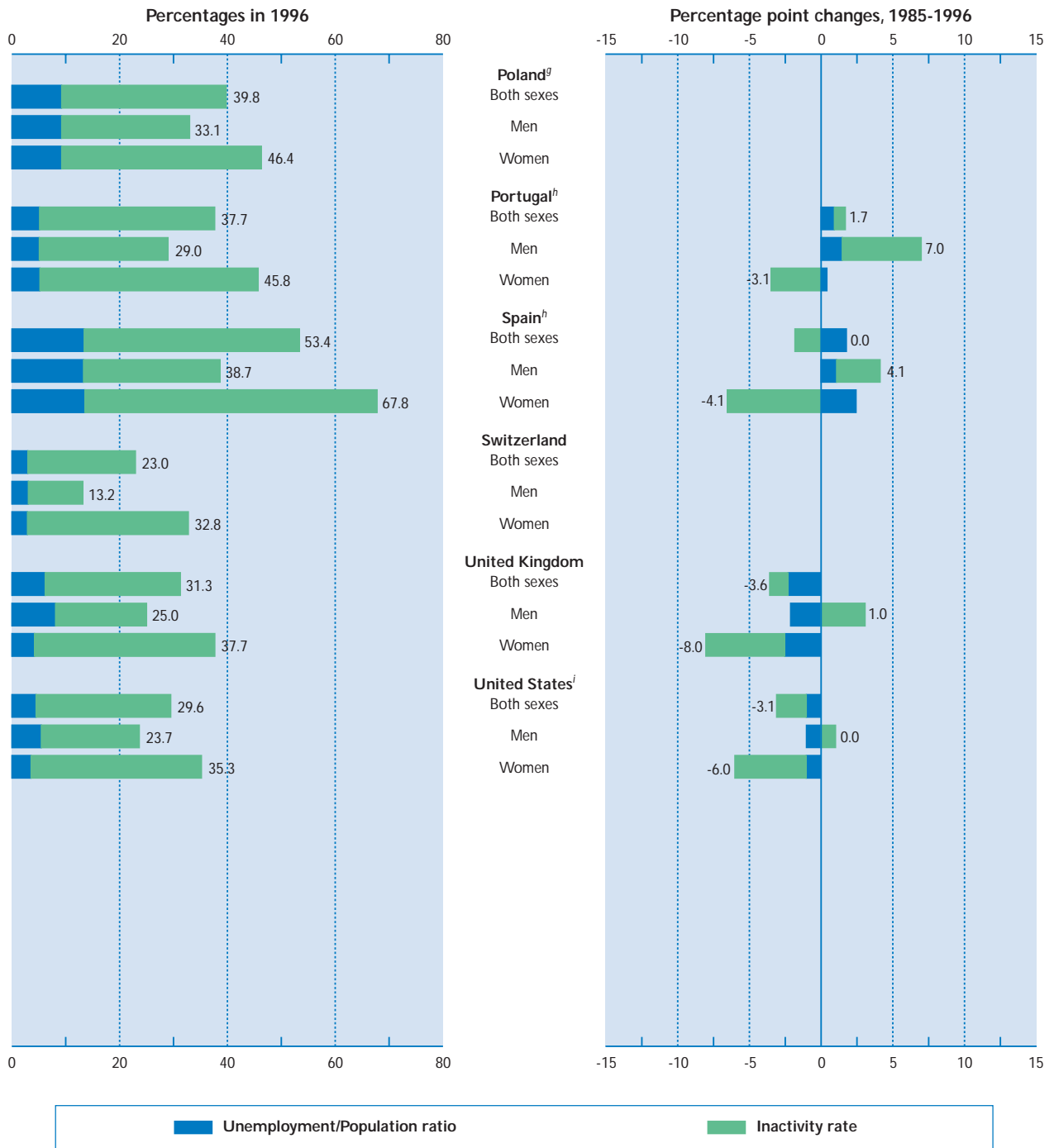
Non-employment rates for working-age individuals^a



a) Persons aged 15 to 64 years.
 d) 1992 instead of 1996 and 1987 instead of 1985.
 e) 1988 instead of 1985.
 f) 1986 instead of 1985.
 Source: See Annex 1.A.

Chart 1.1. (cont.)

Non-employment rates for working-age individuals^a

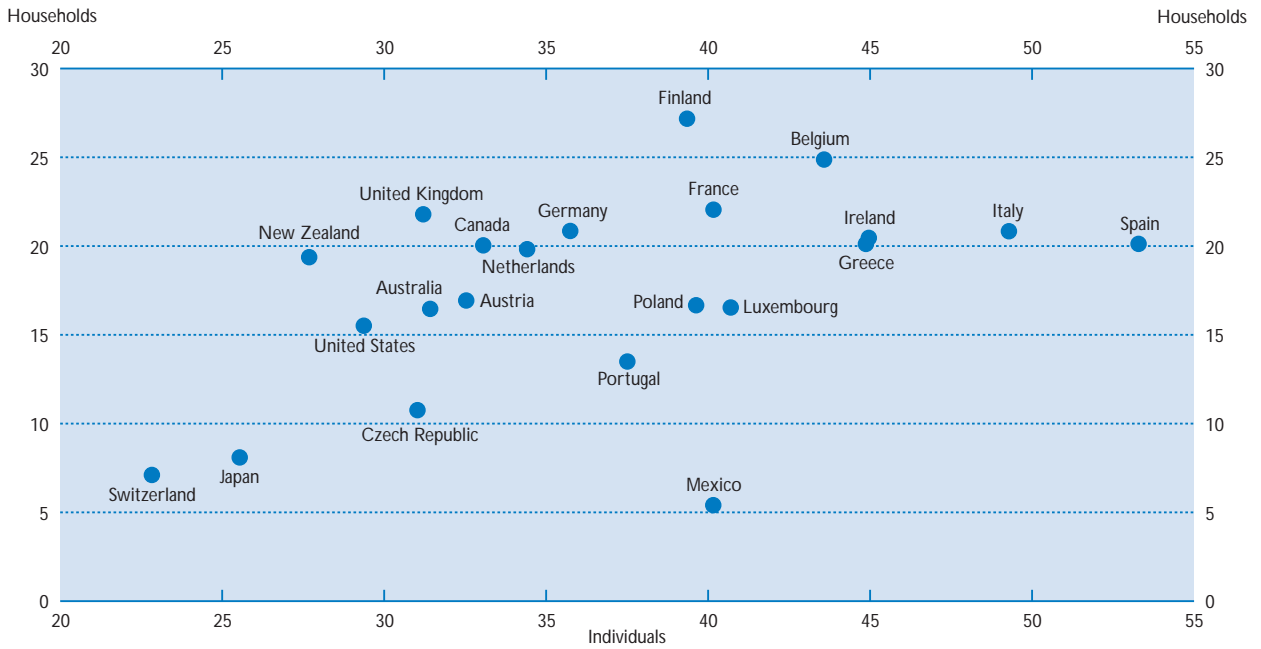


a) Persons aged 15 to 64 years.
 g) 1995 instead of 1996.
 h) 1988 instead of 1985.
 i) 1986 instead of 1985.
 Source: See Annex 1.A.

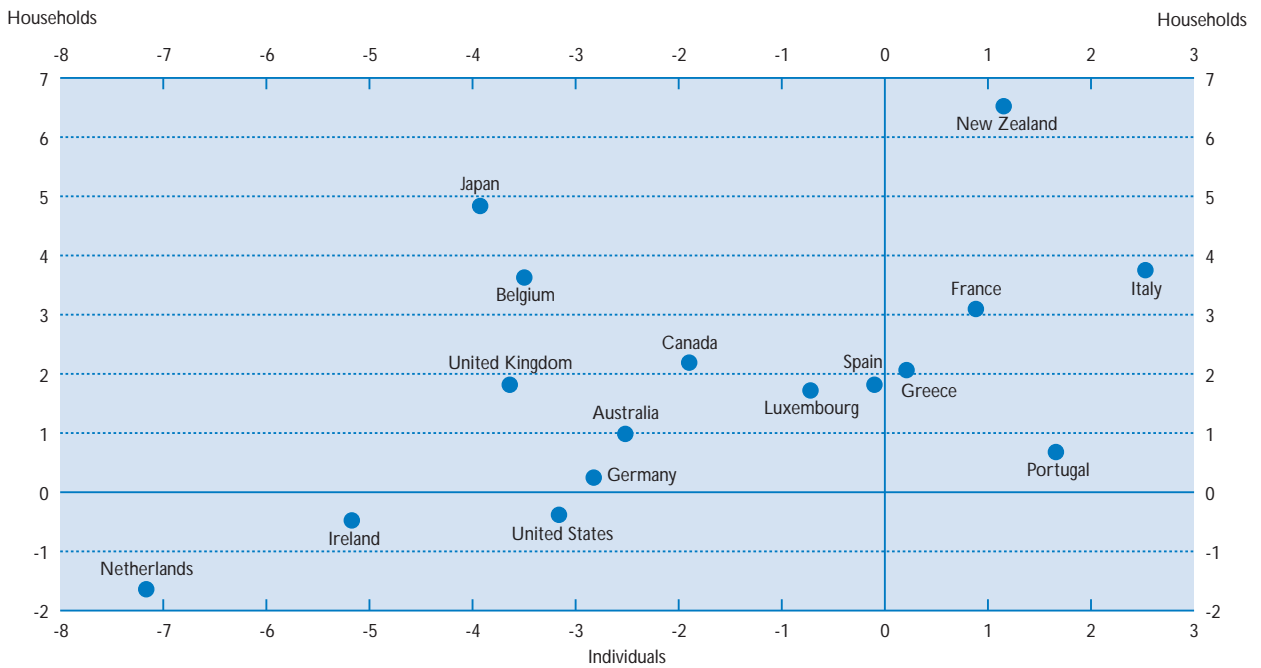
Chart 1.2.

Non-employment rates for working-age individuals and households^a

Panel A. Percentages in 1996^b



Panel B. Percentage point changes, 1985-1996^c



a) Working-age households are defined as households where there is at least one adult member of working age, except for Australia, the Czech Republic, Japan, Mexico, New Zealand and Switzerland, where they are defined as households with a head of working age.

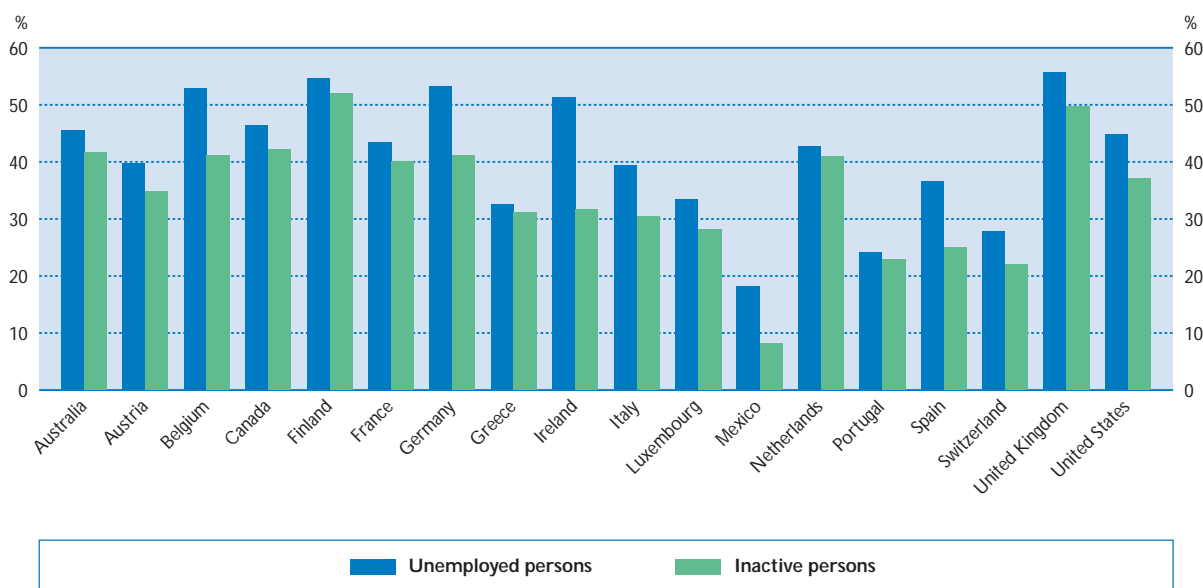
b) Japan: 1992; Poland: 1995 for individuals.

c) Australia, New Zealand and the United States: 1986-1996; Japan: 1987-1992; the Netherlands, Portugal and Spain: 1988-1996. Data for Germany relate to the former West Germany.

Source: See Annex 1.A.

Chart 1.3.

Risk of living in households with no other persons in employment for unemployed and inactive persons
As a percentage of all persons of working age^a who are unemployed or inactive in 1996



a) Persons aged 15 to 64 years.
Source: See Annex 1.A.

Although the risk of living in jobless households for the non-employed population varies across countries, all show a similar variation between different groups (Table 1.5). Non-employed prime-age men and older persons are more likely to live in jobless households than are youth or prime-age women. In general, well over one-half of unemployed or inactive prime-age men live in households where nobody has work. Seen in a family context, this is consistent with previous findings that unemployed men are more likely to have non-employed spouses [for a summary discussion of empirical studies in this area, see OECD (1997a)]. For older persons, retirement is likely the main reason for non-employment. Their propensity to live in jobless households is partly due to the fact that they either live alone or they share their dwelling with other persons of their age, who are also likely to be retired. In all countries, unemployed youth and prime-age women are more likely to live in jobless households, compared with youth and women not in the labour force. For the latter, inactivity is likely dominated by attending education or caring for family responsibilities and may be contingent upon others in the household having paid work. It is worth

noting that the share of unemployed youth who live in workless households is, at over 40 per cent, highest in Finland, Ireland and the United Kingdom, and lowest in the southern European countries, Austria, Luxembourg, Mexico and Switzerland. In these latter countries, it is also true that a smaller proportion of unemployed and inactive prime-age women live in non-employed households.

How have individual and household jobless rates changed over time? As is evident in Chart 1.2, Panel B, there is a positive correlation between changes at the individual and changes at the household level.³ Over the past decade, only in Ireland, the Netherlands and the United States has the rise in employment been strong enough to lead to a reduction in the incidence of non-employment at the household level. In other countries where employment rose, the jobs created were not sufficient to increase the number of households with someone in work and, in many cases, were not evenly distributed across households. In Belgium, Japan and the United Kingdom, the individual-based non-employment rate decreased more than in the United States, yet the household jobless rate increased. The largest increase in the household-

Table 1.5. **Risk of living in households with no other persons in employment for different groups of the non-employed population^a**
As a percentage of the non-employed population in each age group in 1996, and percentage point changes between 1985 and 1996^b

	All non-employed persons				Unemployed persons				Persons not in the labour force			
	Youth ^c	Prime-age men ^c	Prime-age women ^c	Older persons ^c	Youth ^c	Prime-age men ^c	Prime-age women ^c	Older persons ^c	Youth ^c	Prime-age men ^c	Prime-age women ^c	Older persons ^c
Australia												
Levels	25.9	60.2	34.1	63.6	29.4	60.8	44.9	60.1	24.5	59.6	32.4	63.8
Changes	4.5	0.9	9.8	0.8	-2.1	-1.5	9.1	-5.0	7.1	3.5	9.3	1.2
Austria												
Levels	14.2	47.4	22.3	58.4	20.5	45.9	41.5	50.6	13.5	48.5	19.5	58.6
Changes	..	..	..	..	..	..	..	..	..	..	..	..
Belgium												
Levels	18.0	70.0	32.3	70.8	38.2	71.4	44.3	74.2	16.0	68.9	29.2	70.7
Changes	3.5	8.0	13.5	3.9	11.9	6.0	21.5	11.4	3.5	10.1	11.3	3.8
Canada												
Levels	25.0	59.1	37.6	63.2	31.3	57.3	41.0	51.6	23.7	60.7	36.4	64.0
Changes	1.0	1.4	12.5	5.6	0.7	0.4	3.7	-7.1	1.8	2.0	13.2	6.6
Finland												
Levels	35.0	59.6	45.8	76.4	46.5	63.0	51.1	66.3	30.7	56.9	42.6	77.4
Changes	..	..	..	..	..	..	..	..	..	..	..	..
France												
Levels	21.8	58.1	28.4	72.7	29.1	58.1	37.2	61.5	20.7	58.1	24.3	73.1
Changes	4.1	1.1	8.8	2.4	4.3	1.5	6.6	-1.8	5.0	0.4	6.9	2.6
Germany												
Levels	18.5	60.0	26.1	68.9	43.3	62.9	41.6	63.2	16.0	57.2	22.1	69.4
Changes	3.1	0.2	9.1	-1.0	15.4	-1.3	9.6	-4.2	2.6	2.2	8.4	-0.7
Greece												
Levels	19.3	53.5	18.6	58.3	21.3	53.4	29.5	55.4	19.0	53.6	16.8	58.4
Changes	0.3	-5.2	0.5	1.9	-1.8	-4.7	0.9	-7.9	0.6	-5.7	-0.5	2.1
Ireland												
Levels	26.9	61.0	26.9	50.6	42.4	61.2	42.9	61.9	24.7	60.7	24.6	50.0
Changes	4.8	-6.1	5.2	4.2	10.7	-8.3	2.7	5.4	5.9	0.3	4.8	4.5
Italy												
Levels	15.9	51.8	22.1	55.9	25.7	61.4	34.9	61.6	13.9	45.9	20.1	55.8
Changes	5.4	1.8	10.1	-1.5	8.1	9.2	11.5	3.6	5.4	-2.7	9.0	-1.6
Luxembourg												
Levels	7.9	44.0	14.4	62.1	-	-	-	-	-	44.8	13.3	62.1
Changes	1.8	5.9	5.8	2.9	-	-	-	-	-	8.1	5.1	2.8
Mexico												
Levels	5.9	29.1	7.2	19.6	8.5	34.6	15.5	30.5	5.7	24.8	7.0	19.3
Changes	..	..	..	..	..	..	..	..	..	..	..	..

Table 1.5. **Risk of living in households with no other persons in employment for different groups of the non-employed population^a (cont.)**As a percentage of the non-employed population in each age group in 1996, and percentage point changes between 1985 and 1996^b

	All non-employed persons				Unemployed persons				Persons not in the labour force			
	Youth ^c	Prime-age men ^c	Prime-age women ^c	Older persons ^c	Youth ^c	Prime-age men ^c	Prime-age women ^c	Older persons ^c	Youth ^c	Prime-age men ^c	Prime-age women ^c	Older persons ^c
Netherlands												
Levels	23.2	64.1	23.8	70.3	30.7	65.2	31.3	64.3	21.8	63.6	22.6	70.4
Changes	-0.5	-0.8	3.3	3.7	-6.7	-9.1	-2.8	-10.1	0.7	6.6	4.2	4.0
Portugal												
Levels	10.3	32.2	17.7	46.5	16.0	31.0	22.1	43.5	9.6	33.1	16.7	46.6
Changes	1.0	-5.7	3.7	1.5	3.7	-3.1	5.0	-0.6	1.0	-6.5	3.1	1.6
Spain												
Levels	15.5	51.2	19.9	49.5	25.2	52.5	30.6	50.1	12.8	48.5	16.2	49.4
Changes	0.9	-1.3	4.8	2.0	2.6	-2.9	1.1	-1.2	1.5	1.5	3.4	2.2
Switzerland												
Levels	6.6	33.7	11.5	56.4	16.1	33.0	22.1	50.8	5.7	34.5	10.1	56.8
Changes	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom												
Levels	33.1	66.1	45.4	66.9	41.6	67.1	51.7	61.1	30.8	65.1	44.4	67.4
Changes	4.6	1.6	19.3	4.5	5.4	0.9	20.3	3.7	5.6	4.2	19.4	4.5
United States												
Levels	21.9	58.9	34.0	59.9	29.4	54.8	48.0	58.3	20.6	61.2	32.2	60.0
Changes	0.0	4.6	6.2	1.2	-1.5	3.6	4.0	0.3	0.7	4.0	6.7	1.3
EU^d												
Levels	20.0	55.3	26.4	62.1	31.7	57.8	38.2	59.5	19.1	54.2	24.0	62.3
Changes	2.6	0.0	7.6	2.2	5.4	-1.2	7.6	-0.2	3.2	1.7	6.8	2.4
OECD^d												
Levels	18.2	50.5	24.6	56.3	27.5	51.9	35.0	53.6	17.2	49.8	22.7	56.5
Changes	2.5	0.5	8.0	2.3	3.9	-0.7	7.2	-1.0	3.2	2.0	7.5	2.5

.. Data not available.

- Data are not shown because they may be associated with relatively large sampling errors.

a) Persons aged 15 to 64 years old.

b) Australia and the United States: 1986-1996; and the Netherlands, Portugal and Spain: 1988-1996. Data for Germany relate to the former West Germany for comparisons between 1985 and 1996, but refer to the whole of Germany for 1996 levels.

c) Youth: 15 to 24 years of age; prime-age persons: 25 to 54 years of age; older persons: 55 to 64 years of age.

d) Unweighted average for above countries and years only.

Source: See Annex 1.A.

based jobless rate was recorded in New Zealand, where the individual non-employment rate also increased.

Although non-employment (employment) rates for women declined (increased) most everywhere, the burden of increases in joblessness at the household level has fallen mainly on prime-age women in most countries. In the United Kingdom, for example, the risk for prime-age women to live in households with no adults in employment increased by more than 19 percentage points (Table 1.5).

3. Trends and patterns of joblessness across households

The overall household jobless rate, and its changes, are the combined result of the mix of household types, the non-employment rate within each household type, and changes in both.

Table 1.6 shows the household population structure in 1996 and its changes over the past decade. Six types of households are distinguished, on the basis of the number of adults living in the household (one, two, three or more), and the presence, or not, of children aged less than 15 years. In Canada, Finland and the United States, more than one-third of all working-age households contain only one adult, while in southern European countries, Ireland and Mexico, households with two or more adults represent more than 80 per cent of all working-age households. Children are more likely to be found in households with two adult members. The share of single-adult households in total households with children is highest in the United Kingdom and the United States.⁴ Presence of children is less common when there are at least three adult members in the household.⁵

The proportion of households comprised of single adults has increased everywhere: on average, such households accounted for over 20 per cent of all OECD households of working age in 1996, an increase of 4.5 percentage points over their share in 1985. Two-adult households without children have generally seen their share in the total number of households increase, although by little. By contrast, the share of childless households with three or more adults increased only in southern European countries and Ireland. In general, single-adult households with children have increased, while the opposite pattern was recorded for two-adult households with children. The highest increase in the share of single-adult households with children was recorded in the United Kingdom.

Not surprisingly, the risk of joblessness in a household decreases with the number of adults present. As shown in Table 1.7, the *incidence* of non-

employment is highest among single-adult households, either with or without children,⁶ except in Austria and Luxembourg, where it is highest in childless households with two adult members. More than one-half of single-adult households with children are without employment in Australia, Belgium, Ireland, the Netherlands, and the United Kingdom. Over time, the incidence of non-employment among adults living alone has declined everywhere except in Canada, France, Ireland and the United States. When there are children present, single-adult households have become more vulnerable to non-employment in Belgium, Canada, France, Luxembourg, Portugal and Spain.

Within multi-adult households, the presence of children is generally associated with a low incidence of joblessness. Over the past decade, non-employment rates for these households have been fairly stable, as the presence of more than one adult provides a buffer against adverse changes in the labour market. That said, in Italy, non-employment rates for two-adult households recorded a large increase, especially when there are children, while they declined substantially in Ireland.

The presence of young children is a critical element in the decisions of household members over the allocation of their time between market work and the nurturing and rearing of children. The decision will be influenced by the level of income available to households, either from work if another household member is in employment, or from social benefits and other sources, and by the quality and access to child-care facilities.⁷ However, there is no simple causal relationship between the presence of children and the labour supply of household members, as the labour force status and earning capacity of the household certainly has a bearing on the decision to have children.

Considering Tables 1.6 and 1.7 together, the trends recorded in the United Kingdom stand out: the risk of non-employment within the two dominant household types has declined, but a sharp rise in the proportion of households with a high incidence of joblessness, *i.e.* single-adult households, caused the aggregate workless household rate to grow. This appears more clearly from Chart 1.4, showing the decomposition of changes in aggregate household non-employment rates into changes in the mix of household types and changes in non-employment rates within each. The results show that over the period 1985-1996, increases in joblessness at the household level are largely due to a shift towards household types with a relatively high incidence of joblessness, *i.e.* single-adult households. In Ireland, the Netherlands and the United States, however, this shift was more than offset by a reduction of the jobless rate *within* household types. In France and

Table 1.6. **Working-age households^a by type**
Distribution in 1996, and percentage point changes between 1985 and 1996^b

	Single-adult households without children	Single-adult households with children	Two-adult households without children	Two-adult households with children	Three or more- adult households without children	Three or more- adult households with children		Single-adult households without children	Single-adult households with children	Two-adult households without children	Two-adult households with children	Three or more- adult households without children	Three or more- adult households with children
Australia							Luxembourg						
Levels	17.3	4.2	27.7	25.3	16.2	9.4	Levels	21.6	2.2	23.9	24.2	20.6	7.6
Changes	3.0	1.0	2.2	-3.2	-1.1	-1.9	Changes	7.5	0.6	-2.3	0.3	-4.2	-1.8
Austria							Mexico						
Levels	21.0	3.0	26.1	20.7	21.4	7.8	Levels	4.3	3.0	8.6	37.6	13.3	33.3
Changes	..	..	..	..	..	..	Changes	..	..	..	..	..	..
Belgium							Netherlands						
Levels	18.2	2.9	27.7	23.2	21.3	6.7	Levels	23.8	2.2	32.2	21.9	14.4	5.4
Changes	7.9	1.3	0.5	-5.4	-1.9	-2.3	Changes	2.7	0.0	4.2	-2.1	-3.5	-1.3
Canada							Portugal						
Levels	27.7	4.3	25.4	20.7	15.5	6.4	Levels	7.5	1.6	21.8	20.1	37.2	11.8
Changes	2.6	0.9	1.5	-2.5	-0.9	-1.6	Changes	1.4	-0.1	0.3	-4.1	6.3	-3.7
Finland							Spain						
Levels	34.6	3.6	27.9	18.8	11.6	3.4	Levels	5.3	1.0	17.6	21.9	40.5	13.7
Changes	..	..	..	..	..	..	Changes	1.1	0.3	0.0	-3.1	6.1	-4.4
France							Switzerland						
Levels	22.2	3.3	27.8	23.5	15.6	7.6	Levels	25.5	2.0	27.6	23.2	15.9	5.8
Changes	4.4	0.7	0.4	-3.8	-0.9	-0.8	Changes	..	..	..	..	..	..
Germany							United Kingdom						
Levels	26.9	2.8	30.3	19.5	15.0	5.5	Levels	20.0	6.4	30.1	22.5	14.9	6.1
Changes	4.4	0.6	0.6	0.8	-5.0	-1.4	Changes	6.9	3.5	-0.4	-2.9	-4.4	-2.6
Greece							United States						
Levels	12.4	1.0	25.7	21.0	30.7	9.4	Levels	31.3	6.8	22.1	20.3	10.9	8.6
Changes	2.5	-0.1	3.4	-6.0	3.7	-3.5	Changes	3.6	1.1	-0.4	-1.4	-2.7	-0.3
Ireland							EU^c						
Levels	14.0	3.1	21.0	24.0	23.0	14.8	Levels	18.5	2.7	25.7	21.9	23.0	8.3
Changes	3.2	1.6	2.5	-7.1	2.1	-2.3	Changes	4.0	0.8	0.9	-3.6	0.4	-2.4
Italy							OECD^c						
Levels	12.7	1.4	21.4	22.9	33.0	8.5	Levels	19.2	3.0	24.7	22.9	20.6	9.5
Changes	1.6	0.1	1.0	-5.7	5.8	-2.7	Changes	3.8	0.8	1.0	-3.3	0.0	-2.2

.. Data not available.

a) Working-age households are defined as households where there is at least one adult member of working age (15 to 64 years old), except for Australia, Mexico and Switzerland, where they are defined as households with a working-age head.

b) Australia and the United States: 1986-1996; and the Netherlands, Portugal and Spain: 1988-1996. Data for Germany relate to the former West Germany for comparisons between 1985 and 1996, but refer to the whole of Germany for 1996 levels.

c) Unweighted average for above countries and years only.

Source: See Annex 1.A.

Table 1.7. **Risk of non-employment for working-age households^a by type and presence of children**As a percentage of households in each type in 1996, and percentage point changes between 1985 and 1996^b

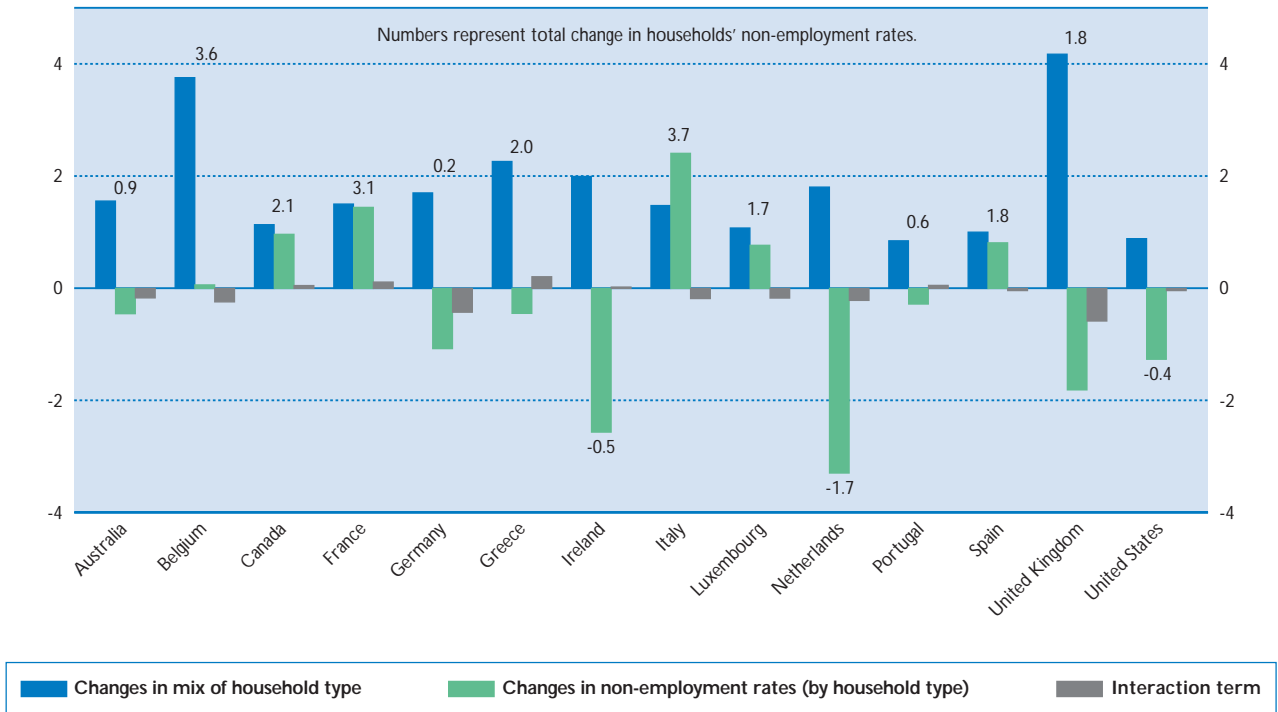
	Single-adult households without children	Single-adult households with children	Two-adult households without children	Two-adult households with children	Three or more- adult households without children	Three or more- adult households with children	All working-age households		Single-adult households without children	Single-adult households with children	Two-adult households without children	Two-adult households with children	Three or more- adult households without children	Three or more- adult households with children	All working-age households
Australia								Luxembourg							
Levels	32.6	57.1	15.8	9.4	5.5	6.6	16.3	Levels	25.5	29.7	31.4	2.1	10.1	1.8	16.4
Changes	-0.9	-5.3	-2.3	1.6	0.2	-0.5	0.9	Changes	-1.2	7.7	-1.0	0.5	3.6	0.5	1.7
Austria								Mexico							
Levels	29.4	23.5	29.8	3.3	6.3	2.0	16.8	Levels	20.6	33.6	10.0	2.8	3.6	1.5	5.2
Changes	..	..	..	..	..	..	..	Changes	..	..	..	..	..	..	..
Belgium								Netherlands							
Levels	44.0	51.1	39.1	6.3	11.0	10.0	24.8	Levels	35.6	55.1	23.7	5.7	5.7	5.3	19.7
Changes	-4.6	16.1	-0.4	0.9	-0.3	2.2	3.6	Changes	-4.7	-13.7	-4.5	-1.4	-1.8	-1.1	-1.7
Canada								Portugal							
Levels	30.9	48.9	22.4	8.2	9.1	6.5	19.9	Levels	42.0	25.2	29.2	2.5	7.2	1.8	13.3
Changes	1.0	2.9	1.5	0.2	1.0	0.7	2.2	Changes	-1.3	1.8	-0.4	-0.7	0.4	-0.7	0.6
Finland								Spain							
Levels	42.1	41.8	28.9	7.2	11.8	5.6	27.1	Levels	46.6	39.4	39.0	9.0	17.1	9.7	20.0
Changes	..	..	..	..	..	..	..	Changes	-1.1	1.6	-1.5	0.8	1.5	2.3	1.8
France								Switzerland							
Levels	37.1	34.0	31.9	5.9	11.5	6.7	21.9	Levels	15.5	17.1	6.9	1.7	2.0	1.1	7.0
Changes	3.4	5.2	0.2	1.6	1.0	0.6	3.1	Changes	..	..	..	..	..	..	..
Germany								United Kingdom							
Levels	31.8	38.0	28.1	5.5	8.0	4.6	20.7	Levels	35.8	60.8	21.5	10.7	7.9	8.5	21.6
Changes	-5.6	-5.7	-1.6	1.3	2.3	2.5	0.2	Changes	-6.4	-3.9	-2.3	-1.4	0.4	1.5	1.8
Greece								United States							
Levels	46.9	35.4	35.9	3.1	11.9	4.2	20.1	Levels	22.4	34.1	16.4	5.7	7.1	5.7	15.4
Changes	-1.9	-7.4	2.5	-2.1	-0.1	-1.2	2.0	Changes	0.5	-7.5	-2.9	-1.1	0.3	-1.4	-0.4
Ireland								EU^c							
Levels	38.3	61.2	25.9	12.0	13.4	11.2	20.4	Levels	38.2	40.3	31.0	6.2	10.5	6.0	20.3
Changes	0.6	-18.6	-3.6	-5.5	0.2	0.1	-0.5	Changes	-2.3	-1.7	-1.0	-0.2	0.9	0.9	1.5
Italy								OECD^c							
Levels	41.4	28.9	38.9	6.6	13.9	6.7	20.7	Levels	34.4	39.7	26.4	6.0	9.1	5.5	18.2
Changes	-3.0	-1.6	1.5	4.3	3.2	3.4	3.7	Changes	-1.8	-2.0	-1.1	-0.1	0.8	0.6	1.3

.. Data not available.

Notes and source: See Table 1.6.

Chart 1.4.

Decomposition of changes in household^a non-employment rates into changes in the mix of household types and changes in non-employment rates by household type^b
Percentage point changes



a) Working-age households are defined as households where there is at least one adult member of working age, except for Australia, where they are defined as households with a working-age head.

b) Changes between 1985 and 1996, except for Australia and the United States: 1986-1996; the Netherlands, Portugal and Spain: 1988-1996. Data for Germany relate to the former West Germany.

Changes in households' non-employment rates are decomposed using the following calculation:

$$\Delta N = \sum_{j=1,6} (\Delta s_j) n_{j0} + \sum_{j=1,6} (\Delta n_j) s_{j0} + \sum_{j=1,6} (\Delta n_j) \Delta s_j$$

where n_{j0} are households' non-employment rates by household type in the base year and s_{j0} the shares of each household type in total households in the base year. The first term, $\sum (\Delta s_j) n_{j0}$, represents the contribution of changes in the mix of household types in total changes of households' non-employment rates; the second term, $\sum (\Delta n_j) s_{j0}$, represents the contribution of changes in non-employment rates within each household type; and the third term, $\sum (\Delta n_j) \Delta s_j$, is the interaction between those two effects.

Source: See Annex 1.A.

Italy, the deterioration of employment patterns within each household type accounts for a large part of the rise in aggregate worklessness across households.

Table 1.8 outlines the *distribution*, rather than the incidence as in Table 1.7, of workless households by type and by the presence, or not, of children. In this case, workless households consist mainly of those without children, except in Mexico. In general, single adults dominate the non-employed household population in those countries where individual non-employment rates are lowest. In contrast, in the

remaining countries, worklessness is largely concentrated in childless households with two adults. In all countries except Germany and Italy, the share of single-adult households in total jobless households increased.

4. Polarisation or dispersion of work across households?

So far, the analysis has concentrated exclusively on joblessness. As was noted in the introduction to

Table 1.8. **Non-employed households^a by type and presence of children**Distribution in 1996, and percentage point changes between 1985 and 1996^b

	Single-adult households without children	Single-adult households with children	Two-adult households without children	Two-adult households with children	Three or more- adult households without children	Three or more- adult households with children		Single-adult households without children	Single-adult households with children	Two-adult households without children	Two-adult households with children	Three or more- adult households without children	Three or more- adult households with children
Australia							Luxembourg						
Levels	34.6	14.7	26.8	14.7	5.5	3.8	Levels	33.6	4.0	45.8	3.2	12.7	0.8
Changes	3.5	1.6	-3.3	0.1	-0.5	-1.4	Changes	8.0	1.6	-11.9	0.5	1.8	0.0
Austria							Mexico						
Levels	36.7	4.1	46.2	4.0	8.0	0.9	Levels	18.4	21.2	17.9	21.9	10.0	10.6
Changes	..	..	..	..	..	..	Changes	..	..	..	..	..	..
Belgium							Netherlands						
Levels	32.2	6.0	43.7	5.9	9.5	2.7	Levels	43.1	6.3	38.7	6.3	4.2	1.4
Changes	8.7	3.3	-7.0	-1.4	-2.9	-0.6	Changes	3.3	-0.8	1.8	-1.7	-2.1	-0.6
Canada							Portugal						
Levels	43.1	10.5	28.6	8.5	7.1	2.1	Levels	23.6	3.0	47.9	3.8	20.2	1.6
Changes	0.8	1.7	0.5	-2.0	-0.4	-0.5	Changes	2.7	-0.1	-2.4	-2.3	3.5	-1.4
Finland							Spain						
Levels	53.8	5.6	29.9	5.0	5.0	0.7	Levels	12.4	1.9	34.5	9.9	34.7	6.6
Changes	..	..	..	..	..	..	Changes	1.5	0.4	-4.8	-1.4	5.1	-0.7
France							Switzerland						
Levels	37.6	5.0	40.5	6.3	8.2	2.3	Levels	56.7	5.0	27.2	5.5	4.7	0.9
Changes	5.8	1.2	-5.7	0.2	-1.0	-0.4	Changes	..	..	..	..	..	..
Germany							United Kingdom						
Levels	41.4	5.2	41.2	5.2	5.8	1.2	Levels	33.1	18.1	29.8	11.1	5.4	2.4
Changes	-0.6	0.5	-2.0	1.4	0.2	0.5	Changes	5.2	8.4	-6.7	-4.3	-1.9	-0.7
Greece							United States						
Levels	28.9	1.7	46.0	3.3	18.2	2.0	Levels	45.6	15.1	23.6	7.5	5.1	3.2
Changes	2.2	-0.8	4.7	-4.5	0.3	-1.9	Changes	7.2	0.1	-3.8	-1.8	-0.8	-0.8
Ireland							EU^c						
Levels	26.3	9.5	26.8	14.1	15.2	8.1	Levels	32.9	5.6	39.3	6.6	13.0	2.6
Changes	6.8	3.6	0.5	-12.0	2.0	-1.0	Changes	3.6	1.5	-3.5	-2.0	0.9	-0.6
Italy							OECD^c						
Levels	25.4	2.0	40.3	7.4	22.2	2.8	Levels	34.8	7.7	35.3	8.0	11.2	3.0
Changes	-3.7	-0.4	-4.8	3.3	5.0	0.5	Changes	3.7	1.4	-3.2	-1.8	0.6	-0.6

.. Data not available.

Notes and source: See Table 1.6.

this section, the number of adults working in the household is one important determinant of the economic well-being of its members. The analysis that follows examines the distribution of work across multi-adult households and how it has changed over the past decade. In order to avoid the problem arising from cross-country differences in the demographic patterns and trends of the population aged 65 and over, the data presented in Table 1.9 only relate to those households where there are no persons of this age.

In all the countries for which data are available, households with at least two adults in employment dominate the household population. Only in Greece, Italy, Luxembourg and Spain, is the largest share of two-adult households represented by those where there is only one employed person.

Since 1985, the proportion of two-adult households where both adults work increased in all countries, and this increase is mainly accounted for by a decline in the share of households where only one adult is in work, although in Ireland, Luxembourg, the Netherlands, Spain and the United Kingdom, the share of two-adult households where nobody is in work also declined. Within households with at least three adult members, the share of those with at least two adults in employment increased everywhere except in Germany, Italy, Luxembourg and Portugal. With few exceptions, the share of households with only one adult employed decreased, while that of jobless households increased.

Looking at multi-adult households taken together, the picture shows a growing concentration of employment in the same households. In 9 of the 11 countries, there is some evidence of *polarisation of employment*, i.e. of a simultaneous increase in the proportion of both workless households and households with at least two adults in employment, coupled with a decline in the share of households with only one adult member in employment. In Greece, Luxembourg, Portugal, Spain and the United Kingdom, however, the growth of jobless households was negligible. Ireland and the Netherlands are the exceptions: the share of households with at least two members employed increased by more than 10 percentage points, while the share of jobless households decreased by more than one percentage point.⁸

Concentration of employment within the same households may be due to many factors. There may be common characteristics between household members (either observable or unobservable) which make it likely that they will be either all employed or non-employed. A correlation between the labour force status of household members may, therefore, reflect a tendency for individuals sharing common

characteristics to live together in the same household. For example, household members are usually searching for jobs in the same local labour market and a depressed labour market will have some impact on all of them. Another potential common characteristic is educational attainment, as people with similar educational background may be more likely to form a household. Since persons with fewer educational qualifications typically experience higher unemployment and non-employment rates compared with more educated persons, households whose members all have a low level of educational attainment could be over-represented among workless households.⁹ As the employment probabilities of the low skilled have deteriorated in many countries, the number of workless households may have increased as a consequence.¹⁰

Another force that could partly account for polarisation of the population into "work-rich" and "work-poor" households are the disincentive effects arising from the interactions of the tax and benefit systems, which may give rise to situations where, if one member of the household is on benefit, the other household members may have little incentive to work. To get out of this trap, all members of the household must find a job simultaneously. This problem is more likely to occur in countries with extensive means-testing of welfare benefits based on family resources.^{11, 12}

5. Household joblessness and individual economic well-being

The risk and extent of economic distress for individuals without work depend on many factors. One is the degree of income sharing with other household members. This subsection looks at the relationship between an individual's position in the household income distribution and the labour market status of his or her household.

As the income data refer to annual amounts (except in Australia), the labour force status of households is redefined accordingly. Workless households are now defined as those where no adult member was in *paid* employment at any time during the year, whereas a working household is defined as one that had at least one adult member in paid employment at some time during the reference period. Also, a distinction is drawn between full-time/full-year employment and employment involving any number of hours at any time of the year. Comparisons are made across countries and, within countries, across different groups of households, for one point in time (mid-1990s).¹³

Table 1.9. **Labour force status of households with at least two adults of working age and nobody aged 65 and over**
Distribution by type in 1996, and percentage point changes between 1985 and 1996^a

	All multi-adult households			Two-adult households			Three or more- adult households		
	Nobody employed	One adult employed	Two or more adults employed	Nobody employed	One adult employed	Both adults employed	Nobody employed	One adult employed	Two or more adults employed
Austria									
Levels	9.0	28.7	62.3	12.0	33.7	54.4	3.3	19.5	77.2
Changes	..	..	..	..	..	..	..	..	..
Belgium									
Levels	15.0	32.1	52.9	18.3	32.0	49.7	8.5	32.2	59.3
Changes	1.2	-9.3	8.1	1.5	-10.0	8.4	0.4	-8.1	7.7
Finland									
Levels	13.7	33.9	52.5	15.5	36.8	47.7	7.9	24.3	67.9
Changes	..	..	..	..	..	..	..	..	..
France									
Levels	12.1	33.6	54.3	14.3	35.5	50.2	7.0	29.4	63.6
Changes	1.0	-2.6	1.6	1.4	-2.8	1.4	0.1	-1.9	1.8
Germany									
Levels	11.5	33.1	55.4	14.0	36.8	49.2	5.1	23.7	71.2
Changes	1.7	-4.6	2.9	0.7	-7.7	7.0	2.1	-1.3	-0.7
Greece									
Levels	10.4	41.8	47.7	12.6	46.4	41.0	7.5	35.9	56.6
Changes	0.3	-5.8	5.5	1.2	-8.7	7.5	-0.5	0.1	0.4
Ireland									
Levels	13.4	35.2	51.3	14.6	39.5	45.9	11.9	29.7	58.3
Changes	-1.8	-13.0	14.8	-3.7	-18.8	22.5	1.5	-2.8	1.3
Italy									
Levels	12.5	43.5	44.0	14.9	46.2	38.9	9.8	40.3	49.9
Changes	3.7	-5.4	1.7	4.3	-8.2	3.8	3.5	-1.0	-2.4
Luxembourg									
Levels	8.8	44.4	46.9	11.1	46.9	42.0	4.2	39.2	56.6
Changes	0.3	-2.1	1.7	-0.6	-6.1	6.7	1.3	4.0	-5.3
Netherlands									
Levels	10.3	30.6	59.0	12.3	33.8	53.9	4.9	21.9	73.3
Changes	-1.2	-9.6	10.9	-1.7	-11.2	12.9	-1.4	-8.3	9.8
Portugal									
Levels	7.1	28.1	64.8	10.7	33.5	55.9	3.7	22.9	73.3
Changes	0.2	-2.7	2.5	0.8	-5.3	4.4	0.1	1.5	-1.6
Spain									
Levels	12.8	46.2	41.1	14.8	52.1	33.0	11.0	40.9	48.1
Changes	0.5	-5.4	4.8	-0.1	-8.1	8.2	1.5	-1.7	0.2
United Kingdom									
Levels	10.9	23.8	65.3	12.6	27.3	60.1	6.5	14.5	78.9
Changes	0.0	-7.1	7.1	-0.8	-11.1	12.0	0.8	-0.8	0.0
EU^b									
Levels	11.3	35.0	53.7	13.7	38.5	47.8	7.0	28.8	64.2
Changes	0.5	-6.1	5.6	0.3	-8.9	8.6	0.8	-1.9	1.0

.. Data not available.

a) The Netherlands, Portugal and Spain: 1988-1996. Data for Germany relate to the former West Germany for comparisons between 1985 and 1996, but refer to the whole of Germany for 1996 levels.

b) Unweighted average for above countries and years only.

Source: See Annex 1.A.

Table 1.10. **Risk of low income^a for members of different types of households^b**

As a percentage of working-age individuals belonging to households in each group

Individuals living in the following types of households	Australia 1995	Belgium 1993	Denmark 1993	Finland 1995	France 1993	Germany 1993	Greece 1993	Ireland 1993	Italy 1993	Luxembourg 1993	Netherlands 1993	Portugal 1993	Spain 1993	United Kingdom 1993	United States 1995	EU ^f	OECD ^f
Single-adult households, without work ^c	87.6	43.7	52.4	70.0	56.0	59.9	30.4	76.9	31.9	44.6	52.2	45.9	47.1	55.4	77.0	49.7	55.4
of which: without children	..	38.5	53.0	..	53.6	57.5	29.1	70.7	32.2	42.1	47.9	46.6	45.8	45.1	68.5	46.8	42.0
of which: with children	..	72.1	44.5	..	76.8	78.3	47.9	86.8	28.1	67.8	78.6	37.0	58.0	74.7	93.8	62.6	56.3
Single-adult households, some work during the year ^d	11.5	14.0	21.6	17.4	19.6	19.4	15.2	10.2	9.0	25.2	18.3	26.1	16.8	14.0	18.4	17.4	17.1
of which: single adult households in full-time, full year work ^e	..	7.3	10.1	..	9.0	11.7	7.9	7.4	4.9	21.3	8.8	18.4	9.1	5.9	8.5	10.2	8.7
Two or more- adult households, without work ^c	61.2	41.8	31.8	25.7	30.6	31.2	27.9	43.4	31.6	22.2	28.0	40.3	36.9	41.2	63.6	33.9	37.2
of which: without children	..	33.8	29.9	..	28.2	26.8	27.5	21.9	29.3	16.5	19.3	36.7	31.8	28.8	54.1	27.5	25.6
of which: with children	..	62.4	40.1	..	40.6	58.7	30.1	55.9	38.3	82.3	59.6	53.6	54.8	62.4	87.8	53.2	48.4
Two or more- adult households, some work during the year ^d	7.4	7.9	6.9	6.5	12.6	11.4	14.3	6.4	15.2	14.3	10.1	12.6	14.8	8.3	12.4	11.2	10.7
of which: at least two in full-time, full-year work ^e	..	3.3	2.8	..	3.5	3.9	3.4	0.6	5.2	6.3	1.4	7.2	3.3	4.0	3.3	3.7	3.2
All workless households ^c	71.1	42.2	43.8	45.0	36.8	40.4	28.3	48.9	31.6	26.6	35.1	41.0	37.6	45.5	67.9	38.2	42.8
of which: without children	..	34.9	44.1	..	34.9	36.8	27.8	33.9	29.8	21.5	28.2	38.2	32.9	33.8	58.4	33.1	30.4
of which: with children	..	63.7	41.7	..	45.8	64.2	31.6	59.2	37.8	79.2	63.6	52.8	54.9	65.9	89.9	55.0	50.0
All households with some work ^d	7.8	8.4	9.5	7.7	13.2	12.4	14.4	6.6	14.9	15.2	10.9	12.9	14.8	8.7	13.0	11.8	11.4
All households with at least one adult in full-time, full-year work ^e	..	6.2	5.8	..	9.8	9.4	12.8	4.5	12.6	14.1	8.6	11.6	11.1	6.2	8.6	9.4	8.1

.. Data not available.

a) Low income refers to the bottom quintile of household annual income distribution.

Adjusted income per equivalent household member is derived by dividing total income of the household by the number of adult equivalents.

In particular, the adjusted income of an individual i who is a member of household j , is defined to be:

$$(1) \quad W_i = Y_j / S_j^{0.5}$$

 Y_j is the value of total household income, S_j is the number of members in household j and 0.5 is the equivalence elasticity. It follows from (1) that all members of the same household have the same level of "adjusted" household income (W_j).The measure of scale used - $S^{0.5}$ - incorporates diminishing weights for each additional person in the household. For the definition of the income concept used in each country, see Annex 1.A.b) Household members of working age (15 to 64 years old). In *Australia*: individuals aged 15 and over who are members of households with a working-age head. For *Finland*: household members aged 15 and over.c) *EU countries* (except Finland): no adult member (aged 16 or more) in the household was in wage and salary employment or self-employed for one month or more during the year.*Australia*: no adult member (aged 18 or more) in the household was in wage and salary employment or in self-employment during the reference week.*Finland*: no adult member (aged 16 or more) in the household was in wage and salary employment or self-employed for at least 6 months during the year.*United States*: no adult member (aged 15 or more) in the household was in wage and salary employment or self-employed for more than 3 weeks during the year.d) *EU countries* (except Finland): at least one adult member (aged 16 or more) in the household was in wage and salary employment or self-employed for one month or more during the year.*Australia*: at least one adult member (aged 18 or more) in the household was in wage and salary employment or in self-employment during the reference week.*Finland*: at least one adult member (aged 16 or more) in the household was in wage and salary employment or self-employed for at least 6 months during the year.*United States*: at least one adult member (aged 15 or more) in the household was in wage and salary employment or self-employed for more than 3 weeks during the year.e) *EU countries* (except Finland): a full-time, full-year worker is a wage and salary earner or a self-employed on a full-time basis (30 hours or more per week) for at least 10 months during the year.*Australia and Finland*: this category is not available.*United States*: a full-time, full-year worker is a wage and salary earner or a self-employed on a full-time basis (35 hours or more per week) for at least 40 weeks during the year.

f) Unweighted average for above countries and years only. For EU, unweighted average for EU-12 (excluding Finland).

Source: See Annex 1.A.

Income includes all sources of monetary incomes received by the household (wages, dividends, etc.), and monetary social transfers, such as pensions and private transfers. In order to reflect households' living standards as accurately as possible, income is expressed as adjusted income per equivalent household member, where the varying size of households and economies of scale in consumption are taken into account using an equivalence scale.¹⁴

Individuals in jobless households have a much higher risk of being in the bottom quintile of the income distribution compared with individuals in households with someone in paid employment (Table 1.10). This is particularly the case when there are children in the household. Working-age members of non-employed households are particularly exposed to the risk of low household income in Australia, Finland, Ireland and the United Kingdom. In all countries, the risk of low income is highest for single adult-households not in work, though this varies a lot across countries, ranging from less than one-third in Greece and Italy to over 80 per cent in Australia.

When the household has access to some earned income, it is important to distinguish between different degrees of "employment intensity", as individuals living in households with two adults in full-time jobs will likely be materially better off than members of households where there is only some part-time employment. In 7 of the 12 countries for

which this type of data are available, the presence of some full-time/full-year work in the household is sufficient to lift more than nine out of ten working-age individuals above the income limit of the bottom quintile of households. With the exception of Italy, full-time/full-year employed heads of single-adult households fare worse than members of households with at least two members in full-time/full-year work.

Although the risk of low income is higher among households with nobody in paid employment, it does not follow that low-income individuals live mainly in workless households. Table 1.11 shows that members of workless households make up more than one-half of the bottom income quintile distribution only in Australia, Belgium, Finland and Ireland. More than one-half of all low-income individuals of working age in the other ten countries live in working households, with the largest shares in southern European countries and Luxembourg. In these countries, the presence of at least one adult in a full-time job throughout the year is not sufficient for the household to escape the bottom quintile of the income distribution. The distribution of low-income individuals by the labour force status of their households obviously reflects the distribution of the overall population by the employment patterns of their households. Countries where a relatively high proportion of the population live in households without any paid employment are more likely to have a high share of all low-income individuals also living in these households.

Table 1.11. **Distribution of low-income^a working-age individuals^b by the labour force status of their households**

	Non-employed households ^c	Households with some work ^d	<i>of which:</i> households with at least one member in full-time, full-year work ^e
Australia 1995	56.7	43.3	..
Belgium 1993	61.0	39.0	25.8
Denmark 1993	41.9	58.1	30.0
Finland 1995	74.0	26.0	..
France 1993	41.9	57.6	36.8
Germany 1993	36.8	63.2	43.3
Greece 1993	24.4	75.6	59.5
Ireland 1993	65.3	34.7	20.3
Italy 1993	28.7	71.3	53.4
Luxembourg 1993	20.7	79.3	68.7
Netherlands 1993	44.0	56.0	39.8
Portugal 1993	22.9	77.1	64.9
Spain 1993	29.2	70.8	44.7
United Kingdom 1993	49.8	50.1	31.5
United States 1995	27.0	73.0	43.3
EU^f	38.9	61.1	39.9
OECD^f	41.6	58.3	37.5

Notes and source: See Table 1.10.

D. CONCLUSIONS

Patterns of non-employment (“joblessness”) differ depending on whether the perspective adopted is that of the individual or the household. Belgium and Finland have the highest rates of jobless households, whereas the jobless rate for individuals is highest in Greece, Ireland, Italy and Spain. Variation across countries is much lower if non-employment is measured over households rather than individuals. Furthermore, although there is a positive cross-country correlation between individual- and household-based non-employment (or employment) rates, the countries with the highest non-employment rates do not have the highest proportions of households without any work, as unemployed and inactive individuals tend to live in households with someone who has a job.

Joblessness in the household has an important bearing on the income situation of its members: non-employed people of working age living with no other person in employment have a far higher risk of low income, compared with those who live in households with some work, especially in Australia, Finland, Ireland and the United Kingdom. In these countries, the incidence of low income is greatly reduced if there is some employment in the household. Members of jobless households with children are particularly exposed to the risk of low income. Nonetheless, the majority of people in the bottom of the income distribution are, in most countries, living in households with someone in paid work, and often with a full-time job throughout the year.

Over the past decade, the overall share of households with no adult members in employment increased, except in Ireland, the Netherlands and the United States. In many cases, the increase in the incidence of household joblessness occurred even as non-employment rates at the individual level fell.

Changes in the structure of the household population are very important in accounting for this. The increasing number of single-adult households, for which the incidence of joblessness is highest, accounts for a large part of the growth in household non-employment rates, especially in Belgium and the United Kingdom. By contrast, in Italy, the increased incidence of non-employment within multi-adult households accounts for the largest share of the total increase in household joblessness. Within the generally dominant type of household (with at least two adult members), there is some evidence of so-called “polarisation” of employment, *i.e.* the simultaneous increase of both workless households and households with at least two adults in work.

The results outlined in this section shed new light on labour market-related issues. In countries like Greece, Ireland, Italy and Spain, high non-employment rates for persons can probably be sustained because they have a lower impact on households, as many unemployed and inactive individuals share a dwelling with somebody in employment. However, it is likely that household formation and the composition of households are not exogenous to the economic environment and are, themselves, affected by individual risks of joblessness. Many factors intervene in the explanation of the causes and consequences of joblessness at the household level, and a detailed examination of its policy implications is well beyond the scope of this chapter.

The examination undertaken provides a first example of analysis that could be carried out with household- (or family-) based data. There is still much scope for analysis of households’ labour force patterns. In particular, the next step could analyse in detail the reasons for both inactivity and unemployment in a household framework.

Notes

1. Economic theory has attempted to provide insights into some of the forces that shape the labour supply decisions of households. The theoretical models that underlie the empirical analysis of joint labour supply decisions within a (two-adult) household can be classified into two broad categories: in a more traditional model, the household is considered as the basic decision unit and is characterised by a unique utility function that is maximised under a budget constraint. In practice, these models extend the assumption of a single decision-maker to the household members, either by assuming they all have exactly the same preferences or by assuming that one household member makes all the decisions affecting all members. One drawback of this approach is that it treats the household as a black box: while it characterises its relationships with the outside economy, it says nothing about its internal decision processes. A second type of model, developed more recently, assumes that household members engage in a bargaining process, thus taking account of the intra-household decision processes. Examples of the latter approach are provided by Lundberg and Pollak (1994) and Chiapporri (1992).
2. Data for European Union countries from the European Community Household Panel (ECHP, see Annex 1.A) show that between 60 and 90 per cent of working-age adults in workless households rely upon social transfers as their largest source of household income.
3. The correlation between percentage point changes in the two rates between 1985 and 1996 is 0.52.
4. It is interesting to observe that, on a cross-country basis, the proportion of single-adult households with children is strongly correlated with the individual non-employment rates (the correlation when Mexico and Switzerland are excluded is -0.75 and statistically significant). This finding supports the idea that household formation and the composition of households are endogenous to the economic environment, as both are affected by individual risks of joblessness.
5. It is quite likely that a large proportion of these households are composed of two parents and youth aged between 15 and 24 years. In the definition adopted for this analysis, these youth are counted as adult household members. In fact, between 20 and 50 per cent of members of this type of household are in this age band. Most of them are inactive and, most likely, attending school, although in Australia, Italy and Spain, a large share are unemployed.
6. The population of single-adult households (with or without children) is rather heterogeneous: Finland, followed by Belgium, Canada and France, record the highest share of unemployed persons in such households, whereas in Austria, Greece, Luxembourg and Portugal more than 80 per cent of the adults are out of the labour force. When looking at the distribution of single-adult households by age of the adult, Finland and Greece have the highest share of youth, whereas in Italy, Luxembourg and Spain, a relatively large share are aged 55 to 64 years.
7. Families with children that face the prospect of finding low-paid or part-time work normally have lower work incentives than families without, due to higher replacement rates and marginal effective tax rates. In particular, lone parents are usually affected by high marginal effective tax rates [OECD (1997a)].
8. These results differ from those in Gregg and Wadsworth (1996), who found evidence of employment polarisation also in Ireland, but not for France, Luxembourg and Portugal. Apart from differences in the household population analysed, this possibly indicates the sensitivity of the results to the period chosen, 1983-1994 for them, and 1985-1996 here.
9. The available data for Canada, the European Union countries and the United States seem to confirm this pattern. In all countries, the share of households whose members have completed less than upper secondary education is one and a half to over twice as high in workless households than in households with some work. Furthermore, the proportion of low-educated households decreases with the number of household members who are in employment.
10. Gregg and Wadsworth (1994) try to identify the factors that explain the growing differential between work-poor and work-rich households in the United Kingdom between the late 1970s and 1990, and find that the changing composition of employment (part-time versus full-time) accounts for about one-fifth to one-quarter of this phenomenon.
11. This was recognised as a problem in Australia, and the reform of income support arrangements of July 1995 addressed this problem to some extent by giving each partner in a household where neither has a high level of earnings an individual benefit entitlement [OECD (1997a)].
12. All the factors determining concentration of joblessness within households that are described here are forces that work against "the added worker effect", according to which, in the face of falling income due to the unemployment (or non-employment) of a household member, the number of family members seeking market work may increase. This "added worker effect" has been developed within the frame of the conventional models of labour supply, described in footnote 1. Some empirical studies show that the added-worker effect does exist, although it is rather small. It

tends to be confined to families whose sole breadwinner loses a job [Lundberg (1985)].

13. For an examination of changes in the overall income distribution in relation to work attachment of household members, see Burniaux *et al.* (1998). The main findings of this study were: individuals in households with no wage earners have lower than average incomes; changes over time in the relative incomes of various population groups tend to be small, compared with differences in levels. Such changes are, however, closely linked to changes in patterns of earnings and employment; and increases in the number of individuals living in households with no member at work appear likely to have been an important factor underlying increased income inequality.
14. Adjusted income per equivalent household member is derived by dividing total income of the household by the number of adult equivalents. In particular, the

adjusted income of an individual i who is a member of household j (W_i), is defined to be:

$$W_i = Y_j / S_j^{0.5} \quad (1)$$

where Y_j is the value of total net household income, S_j is the number of members in household j and 0.5 is the assumed value of the so-called "equivalence elasticity". It follows from (1) that all members of the same household have the same level of "adjusted" household income (W_i). The measure of scale used – $S^{0.5}$ – incorporates diminishing weights for each additional person in the household and is flatter than the usual OECD and modified OECD scales. Like these two latter equivalence scales, it takes an intermediate position between the measure of per capita household income (where total household income is simply divided by the number of household members) and the case of no adjustment for need. See OECD (1995*b*).

ANNEX 1.A

Sources and definitions of data in Section C

This study uses data from labour force surveys, as well as other household surveys. While labour force surveys are normally used to produce information about individuals, data collection is also made for complete households. However, the accuracy of data at the household level may not be as high as for data at the individual level. One problem is that smaller households are often under-represented in the total number of households. Another problem is that most national labour force surveys base their grossing up procedure (where sample data are weighted to provide estimates of the population) on the individual person. Tate (1997) discusses this issue.

Working-age households are defined as all households that contain at least one person aged 15-64 years. In Australia, the Czech Republic, Japan, Mexico, New Zealand and Switzerland, however, working-age households are those with a working-age head. Both definitions have the disadvantage of including households containing adults aged 65 and over when they share the household with working-age adults or heads. However, as interest centres on household joblessness, this does not represent a problem. The definition based on the "presence of one adult of working age" is preferred over the "head of household" definition, since the latter excludes from the analysis some working-age persons, and because the definition of head of household may have changed between the two years of observation. For a discussion on this issue, see Hastings (1997). Depending on the country, the adopted definition of working-age households excludes from the analysis between one-eighth and one-quarter of all households. The share of households with all members aged 65 years and over in the total number of households is highest in Switzerland (more than 22 per cent), followed by Australia, Belgium, France, Germany, Greece, Italy and the United Kingdom (over 20 per cent of all households). In Canada, Ireland and Mexico, households with only adult members aged 65 and over represent less than 16 per cent of all households.

Households are characterised by the number of adults (aged between 15 and 64) in the household (one, two, three or more); the presence, or not, of children; and the number of adults employed (none, one, two or more).

Australia

Labour Force Survey. For Tables 1.6-1.9 and Charts 1.2 and 1.4, data refer to February 1986 and May 1996. For Table 1.5, and Charts 1.1 and 1.3, the data refer to September 1986 and 1996.

A household is a group of one or more persons in a private dwelling who consider themselves to be separate

from other persons (if any) in the dwelling, and who make regular provision to take meals separately from other persons, *i.e.* at different times or in different rooms. A household may consist of any number of family and non-family members.

For Tables 1.10 and 1.11, data are from the *Survey of Income and Housing Costs: 1995-96*. This is a continuous survey, started in July 1994, that collects information on the amount and sources of income, and the characteristics of income units and persons resident in private dwellings throughout Australia.

The reference period for income and employment data is a week during the survey reference period between July 1995 to June 1996. Current weekly income data is calculated as the latest pay pro-rated to weekly amount. The definition of households corresponds to that in the *Labour Force Survey*.

Canada

Labour Force Survey for April 1985 and 1996. The statistical unit is the "economic family", defined as a group of two or more persons who live in the same dwelling and who are related by blood, marriage (including common-law) or adoption. Unattached individuals are treated as separate "economic families".

The Czech Republic

Labour Force Sample Survey, Spring 1996. A household includes persons sharing a dwelling for more than 3 months without letup, irrespective of the kind of stay.

European Union Countries (Austria, Belgium, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and United Kingdom)

Data for Tables 1.5-1.9 and Charts 1.1-1.4 were provided by EUROSTAT, based on results from the Spring *Labour Force Sample Survey*.

A household is defined in terms of two criteria: the sharing of the same dwelling and common living arrangements. The latter can include meals taken together or a shared room, and/or a joint budget, and/or the use of common equipment. Italy and Portugal add the requirement of kinship relations, while in Spain and France the condition of common housekeeping is waived.

Austrian data before 1995 were based on the “main source of income” concept, and, therefore, are not comparable with 1996 data, which are based on the labour force concept (in accordance with EUROSTAT definitions). In the Netherlands, an important series break occurred when the continuous labour force survey was introduced in 1987. Thus, the data used refer to 1988 instead of 1985. In Denmark and Sweden, the sample unit is the individual instead of the household: data on the composition of households are, therefore, not available. In Finland, they have been available only since 1995.

Data for Tables 1.10 and 1.11 were also provided by EUROSTAT, based on results from the first wave of the *European Community Household Panel* (ECHP). The ECHP is a standardised household survey that involves annual interviewing of a representative panel of households and individuals in each country, covering a wide range of topics on living conditions. The first wave was conducted in 1994, for the then 12 EU Member states, *i.e.* excluding Austria, Finland and Sweden. For a detailed description of the ECHP methodology, see EUROSTAT (1996).

Total net monetary income covers all market incomes (wages, self-employment income, investment income, rent received) plus social and private transfers received, minus income taxes and social insurance contributions. Imputed rent (*i.e.* the rent owner-occupiers would have to pay if they did not own the dwelling they live in), as well as personal income taxes are not taken into account. The definition of households corresponds to that given above.

Since income statistics refer to receipts during the year preceding the interview, the labour force characteristics of households also refer to that period, except for the Netherlands. In this country, information on the labour force situation of households in the year preceding the interview was not available, and the characteristics of persons and households refer to the time of the survey.

Finland

For Tables 1.5-1.9 and Charts 1.1-1.4, see above. For Tables 1.10 and 1.11: *Income Distribution Survey*, Statistics Finland. A household is a group of persons living together and having wholly or partly common household arrangements.

Japan

The Employment Status Survey, 1987 and 1992. A “household” consists of a group of two or more persons sharing living quarters and living expenses or one person living alone in an independent dwelling or in a rented room, a dormitory, boarding house, or similar facilities.

Mexico

National Employment Survey, 1996. “Households” are defined as persons who share the same dwelling, have common living arrangements, and share some income.

New Zealand

Census of Population and Dwellings, 1986 and 1996. A “household” is a group of persons who live in the same (private) dwelling. Households may be made up of one or more families, unrelated persons (*e.g.* flatmates, boarders) or single-person households.

Poland

Labour Force Survey, May 1996. A household is a group of relatives or persons related by marriage living together and sharing domestic arrangements.

Switzerland

Active Population Survey (since 1991), second quarter of 1996. The criterion applied to identify a household is the sharing of the same dwelling and the same phone number.

United States

Monthly Current Population Survey, March 1986 and 1996. Data are based on the concept of “family”, defined as a group of two or more persons residing together and related by birth, marriage or adoption. Those living outside a family or with non-relatives only (*e.g.* a group of students living together) are considered as single adults. Therefore, for this country, the number of single adults will be slightly overestimated.

Income data in Tables 1.10 and 1.11 cover money income received before payments for personal income taxes, Social Security, Medicare deductions, etc. Non-money transfers, such as food stamps and health benefits, are not taken into account. Although income statistics refer to receipts during the year preceding the interview, the characteristics of the persons, such as age, labour force status, etc., and of their families, refer to the time of the survey. The definition of “family” corresponds to that given above.

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