

How poor were people?

A head count of those below income lines provides a partial picture of poverty trends. It is necessary to examine the depth of poverty (how far below the poverty line households fell) and the deprivation levels experienced. The depth of income poverty increased across the three poverty lines. By contrast, there was a sharp decline in the number of persons falling below a 'real income' line⁹ from 18% in 1994 to 6% in 1998.

From 1994 to 1998 the percentage of households with incomes below the 60 % line and experiencing basic deprivation dropped from 15 to 10%.

Comparing Ireland and the EU

Poverty in Ireland can be compared with other EU countries, using the European Community Household Panel Survey. The most recent published poverty data relate to 1996 (Table 1).¹⁰

Ireland's 1996 poverty rate was 18% compared to the EU norm of 17%. Spain, Italy, the UK, Greece and Portugal also had above average poverty rates.

Compared to the EU average Ireland had a greater percentage of poor women and children. Female poverty in Ireland was 2% above the European average of 18%. In Ireland, Italy, the UK, Greece and Portugal women were more likely to be on a low income and Ireland had 3% more poor children than the 20% EU norm. At 26% Ireland had the second worst rate of child poverty after the UK. (However, the 1996 Irish figure is an improvement on 1994: down from 28 to 23%.) Three types of EU households have above average poverty rates: lone parents (35%), women living alone (26%) and couples with three or more children (25%). In Ireland two of these groups, half of lone parents and a third of women living alone, are poor. Ireland has an equivalent share of poor couples with three or more children.

For people aged 65 or over, Ireland's

performance is better than the 20% EU average, with 16% experiencing poverty; the lowest rates are in Luxembourg and the Netherlands, at 9-10%.

Before redistribution through social benefits, Ireland has the highest rate of poverty at 33% (26 is the EU norm). Social benefits halve this rate, still leaving above-average poverty. Denmark achieved the greatest poverty reduction through social benefits, cutting its poverty rate by two-thirds, from 30 to 11%.

3. Persson, T. and Tabellini, G. (2000) *Is Inequality Harmful for Growth?*, The American Economic Review, Vol. 84, No. 3.

4. Wilkinson, R. (1996) *Unhealthy Societies: The Affliction of Inequality*: London: Routledge

Poverty in Ireland – the facts: 1998

This summarises the key findings from a major longitudinal study of poverty in Ireland, based on 1998 data, published in *Monitoring Poverty Trends and Exploring Poverty Dynamics in Ireland*.¹ From 1994-1998 there was little change in the numbers experiencing income poverty. However, there was a decrease in the percentage of households experiencing income poverty and basic deprivation, i.e. consistent poverty.

Key Findings From 1998

21% of the population (761,000)² were below the 50% relative income poverty line, while 30% (1,088,000) were below 60%. For a single person, the 50% line was about €116 weekly in 1998 and the 60% line about €139.

Where the household head was unemployed the risk of poverty remained high. However, by 1998 falling unemployment meant that, at 56%, this group represented a lower proportion of people in poverty.

Households whose head was retired were at a higher risk in 1998 (29%) than in 1994 (10%) from the impact of rapid increases in average household income since 1994 relative to state pension increases.

Where the household head was ill or disabled, the risk of falling below the 50% poverty line increased sharply from 50% in 1994 to 73% in 1998.

For those working in the home, the risk of falling below the 50% line increased from 33% in 1994 to 58% in 1998. Where the household head was ill/disabled or working at home duties the risk was even higher in 1998 than for the unemployed although the risk for households headed by an employee remained very low.

Between 1994 and 1998, there was a sharp increase in risk for single person households without children. However, the risk remained stable for households with two adults and one or two children, but decreased considerably for two-adult households with three children.

When income poverty was combined with non-monetary indicators of basic deprivation, the overall numbers experiencing poverty were lower, and fell between 1994 and 1998; 8% of households had incomes below 60% of average income and experienced basic deprivation. This fell considerably from 15% in 1994.

Understanding poverty

Poverty is exclusion from everyday living standards through lack of income. This is the definition from the Irish government's National Anti-Poverty Strategy (NAPS):

“People are living in poverty, if their income and resources

(material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and resources, people may be excluded and marginalised from participating in activities which are considered the norm for other people in society".³

Introduction

Monitoring Poverty Trends and Exploring Poverty Dynamics in Ireland presents data from the 1998 LIS. This Economic and Social Research Institute survey is part of an annual EU longitudinal panel survey of the same set of persons in each member state since 1994.

In 1994 4,048 households were surveyed and 3,000 in 1998. Within these, just over 9,000 people were interviewed. The survey does not include the homeless, many Traveller families, people living in institutions and others not in private households.

How is Poverty measured

Poverty is measured by looking at relative household income levels and the experience of deprivation.

Relative income poverty lines are set at 40, 50 and 60% of average household income. The 50 and 60% lines are accepted as the reality of poverty. The 40 % line is mainly used for comparative purposes.

Deprivation is the extent someone is denied opportunities considered the norm in society. The ESRI has eight basic deprivation indicators: inadequate heating, a day without a substantial meal, arrears on mortgage, rent, electricity or gas, and not having a warm winter coat. Using deprivation indicators with income lines provides a measure of consistent poverty. This shows that those with the lowest incomes do not always have the lowest living standards and those with higher income do not necessarily enjoy a better living standard. Those experiencing low income and deprivation are identified as

consistently poor.

Risk and Incidence

The risk of poverty tells us what proportion of a particular group falls below a poverty line. The incidence of poverty is the proportion of those in poverty belonging to a particular group, so we can assess the extent to which groups feature within the population experiencing poverty.

How many people were poor?

In 1998, one fifth of the population (21%) lived on incomes below the 50% relative income poverty line (less than €116 weekly); 30% lived in households below the 60% line. Between 1994 and 1998, the percentage living in income poverty fell at the 60% line, with little change at half average income (Figure 1).

Figure 1: Percentage of persons in households below mean relative income poverty lines

Who was in poverty?

Households headed by a person working at home were the largest income poverty group (39%) in 1998. Between 1994 and 1998 the percentage of households headed by an unemployed person halved from 30 to 15%. The percentage where the head was a farmer declined from 8 to 6%. Households headed by a retired person doubled as a proportion of the poor from 10 to 21% between 1994 and 1998.

Households headed by an unemployed person had the highest risk of poverty at the 50% poverty line in 1994. In 1998 however households headed by an ill or disabled person represented the largest risk group (Figure 2) - rising from 50% in 1994 to 73% in 1998. Households headed by a retired person rose from 10 to 29%. The risk for households headed by someone working in the home rose from 33 to 58%. The risk of poverty for households headed by an employee fell from 3 to 2%.

Figure 2: Risk of poverty by labour force status of head of household at 50% relative income poverty,

1998

From 1994 to 1998 there was a major shift in the composition of poor households. Households with children were 53% of those below the 50% line in 1994. This fell to 28% by 1998. The percentage of one-adult households below this line rose from 27% in 1994 to 45% in 1998.

Single adult households comprised the highest risk group in 1998 (Figure 3). There was a sharp increase in risk for two-adult households (from 9% in 1994 to 17% in 1998), while there was little change in risk for households with two adults and one child. The highest poverty risks in 1998 were for households comprising a single adult, one adult with children, three or more adults with children,⁴ and two adults with four or more children.

Figure 3: Trends in risk of poverty by household type at 50% relative income poverty, 1998

Gender

From 1987 to 1994, the relative position of households headed by women worsened considerably at the 50 and 60% poverty lines. Data for 1994 showed that women experienced a slightly greater risk of poverty than men.⁵ By 1998, however, this gap had widened, with 22% of women at risk of falling below the 50% poverty line compared to 17% of men (Figure 4).

Figure 4: Trends in risk of poverty by gender at 50% relative income poverty, 1994 and 1998

The emerging gap between men and women's poverty was primarily among older women.⁶ This is mainly explained by social welfare supports, on which many older women tend to depend, being less than half average income.

Older People

Between 1994 and 1998, there was a significant increase in the risk of poverty for older people. At the 50% line, the risk of poverty for households headed by an older person grew from 12% in 1994 to 42% in

1998. At the 60% line, it rose from 47 to 56%. The risk of falling below the 50 % income line rose dramatically for older people - from 10% in 1994 to 36% in 1998. Pensions increases, though significant since 1994, have been lower than household income increases. However, the percentage of older people experiencing deprivation decreased markedly between 1994 and 1998.

Children⁷

Between 1994 and 1998, the risk of income poverty for children⁸ decreased from 31 to 23% at the 50% line and from 42 to 33% at the 60% line (Figure 6). While children faced a higher risk of poverty than adults, the gap between the risks of poverty for children and adults narrowed. This is due to older adults' increased risk of poverty and declining unemployment. It is still of concern, however, that between 23 to 33% of children in households remained at risk of poverty in 1998.

How long were people poor?

The numbers remaining in poverty over time were significantly lower than the numbers in poverty at one time. For example, one third of those people below the 50% line did so for one year only. Relative income poverty was therefore not a permanent condition, with many people experiencing poverty in some years only. There was greater deprivation as the duration of income poverty increased, particularly evident the higher the income poverty line.

Single parent/person households and households comprising three or more children were at a higher overall risk of income poverty and being three or more years under the poverty line. The less advantaged groups (the unemployed, unskilled manual workers and those without qualifications) were more likely to experience higher poverty rates and be particularly vulnerable to persistent poverty. There was also less probability of exiting poverty.