

Poverty in Ireland - the Facts

The results of the first major study of poverty in Ireland in nearly ten years were published in December 1996, in a report titled *Poverty in the 1990s*¹. The study was based on the Living in Ireland survey conducted in 1994 by the Economic and Social Research Institute and sponsored by the Combat Poverty Agency and the Department of Social Welfare.

Overall the results revealed that the numbers of people experiencing poverty since 1987 had risen. However the depth of their poverty had been reduced, the number of people experiencing the worst levels of poverty had been reduced and there had also been a small reduction in the number of people experiencing long-term poverty.

This briefing outlines the background to the study and how it was conducted, highlights its key findings and identifies the range of policy issues that are raised by the results.

Key Facts:

- ➔ 21% of persons fell below the 50 per cent relative income poverty line in 1994 and 34% of people fell below the 60 per cent relative income poverty line² - for a single person the 50 per cent line was worth about £65 in 1994 and the 60 per cent line was worth about £77
- ➔ This was an increase of 2% in the numbers experiencing poverty at the 50 per cent line since 1987, and an increase of up to 4% in the numbers experiencing poverty at the 60 per cent line
- ➔ While the numbers of households and people below relative income poverty lines were higher at the 50 per cent and 60 per cent lines in 1994 than in 1987, the depth of their poverty had been reduced - in other words their incomes did not fall as far below the income lines as they did in 1987
- ➔ When income poverty was combined with non-monetary deprivation indicators e.g. not having a warm winter coat or a substantial meal in the day, the overall numbers of people experiencing poverty were lower - with 9% of households below the 50 per cent line and experiencing basic deprivation, and 15% below the 60 per cent line and experiencing basic deprivation - these figures are said to represent those in long-term poverty or consistently poor
- ➔ This was a reduction of about 1% in those experiencing long term poverty or consistently poor since 1987
- ➔ Households headed by an unemployed person were the largest group in poverty, representing about one third of all households in poverty at the 50 per cent income line, and also faced the greatest risk³ of poverty - households headed by someone working full time in the home made up the next largest group of households in poverty
- ➔ Since 1987 the risk of poverty had increased for single-adult households, the elderly, households headed by women and households headed by full time home workers - with a good deal of overlap between these groups
- ➔ Children continue to face a higher risk of poverty than adults - the risk of poverty for children was almost 30% at the 50 per cent line, and over 40% at the 60 per cent line - for adults the corresponding risks were 18% and 32%

¹ Callan, T., B. Nolan, B. J. Whelan, C. T. Whelan, J. Williams (1996): *Poverty in the 1990s; Evidence from the 1994 Living in Ireland Survey*, Dublin: Oak Tree Press.

² Relative income poverty lines in this study are based on percentages of average household income i.e. those who fall below 40 per cent, 50 per cent or 60 per cent of average household income.

³ The risk of poverty measures the proportion of a group which falls below an income line providing an assessment of the degree to which that group is at risk of poverty.

poverty

Introduction

Poverty in the 1990s presents evidence from the 1994 Living in Ireland survey, providing an updated picture of poverty in our society. The survey is based on a European Union longitudinal panel survey in which the same set of households in each member state was interviewed in 1994, 1995 and 1996. This will provide comparable information on poverty for each member state, and will also allow for an examination of movements in and out of poverty over time as the studies revisited the same households each year.

In Ireland the research was undertaken by the Economic and Social Research Institute (ESRI), and sponsored by the Combat Poverty Agency and the Department of Social Welfare. The Irish questionnaire included a number of additional elements to the basic European one. Over 4,000 households were surveyed from an initial target sample of just over 7,000, and within these households almost 10,000 people were interviewed. Because it was based on a survey of households, the study did not tell us anything about the experiences of the homeless, or of many Traveller families.

How is poverty measured?

The study measures poverty at household level by looking at two things, relative income levels and the experience of deprivation.

Income

In relation to income, the study identifies three relative income poverty lines based on percentages of average household income.

These are set at 40 per cent, 50 per cent and 60 per cent of average household income. The 50 per cent line is more commonly accepted as reflecting the reality of poverty, while the 40 per cent line is mainly used for comparative purposes. In 1994 money terms, these lines represented approximately £52, £64 and £77 per week for an individual - the 50 per cent line being closest to the main social welfare rates for a single person.

The study outlines how many people and households fall below each of these relative poverty lines

and how far below each line they fall. Therefore we know not just how many people and households experience poverty but also the depth of poverty they experience.

Deprivation

Deprivation refers to the extent to which someone is denied the opportunity to have or do something that is considered the norm in society. An index of 20 deprivation indicators has been constructed by the ESRI to assess deprivation levels. The index includes indicators such as not having adequate heating, a day without a substantial meal, arrears on mortgage, rent, electricity or gas, and lack of a warm winter coat.

Using deprivation indicators in conjunction with income lines shows that those with the lowest incomes are not always those with the lowest standards of living, nor do all those with higher current levels of income necessarily enjoy a higher standard of living.

A household below the poverty line because it has recently experienced a redundancy from a middle income job for instance may have savings to tide them over a bad spell, while a family just over a poverty line but dependent over a lifetime on low pay may experience greater deprivation because over the long term the income doesn't allow for saving or large outgoings. Those who suffer both low income and deprivation are identified as consistently poor, and therefore most subject to long-term poverty.

Risk and incidence

The study also assesses the risk and incidence of poverty among particular groups in society. The risk of poverty experienced by a particular group tells us what proportion of that group actually falls below an income line, and therefore to what extent that group is at risk of poverty. The incidence of poverty experienced by a group in society tells us what proportion of all those in poverty belong to a particular group, so that we can assess the extent to which particular groups feature within the population of people experiencing poverty.

Figure 1: Percentage of Persons Below Relative Income Poverty Lines, 1987 and 1994

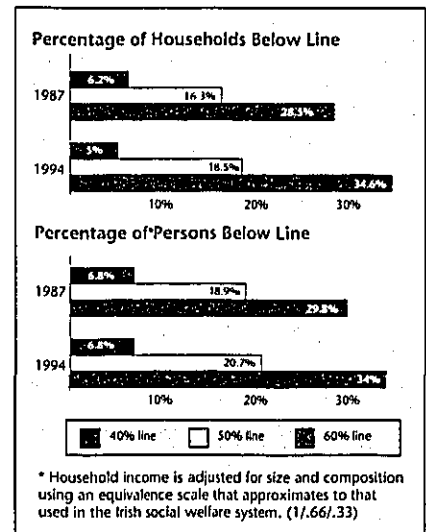
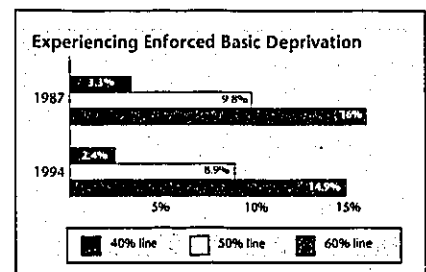


Figure 2: Percentage of Households Below Relative Income Thresholds and Experiencing Basic Deprivation in 1987 and 1994



How many were poor?

The 1994 data on poverty allows an assessment of the trends in poverty since 1987, the last time a poverty study was published prior to 1994. Overall the number of people in poverty below the lowest poverty line, 40 per cent, fell or was stable between 1987 and 1994, while at the 50 per cent and 60 per cent line the numbers increased - by 2% and by 3-4% respectively. See figure 1.

However if income thresholds from 1987 are simply updated with prices (rather than representing a proportion of average household income in today's terms) the results showed a substantial decline in the numbers below the income lines - from 20% to 8% at the 50 per cent line, and from 30% to 20% at the 60 per cent line.

How poor were they?

A simple head count of those below income lines does not provide the full picture of poverty trends. The study therefore looked

at how far under the poverty line households fell, and at the levels of deprivation they experienced, to understand more fully the changes that had taken place. While the head count of people affected by poverty was higher at the 50 per cent and 60 per cent lines by 1994, the results showed that the depth of the poverty they experienced was lower on average than in 1987. In other words their incomes were still below, but much closer to the poverty line than before.

When income level was combined with deprivation indicators the results showed a slight fall in the percentage of households below the relative income lines and experiencing basic deprivation. See figure 2. One third of households below the 60 per cent income line and experiencing basic deprivation were found to have severe debt problems, 40% could not afford new clothes, 37% could not afford 2 pairs of strong shoes, 25% could not afford a warm waterproof coat, 33% were deprived of a roast or equivalent on Sundays and 21% were deprived of a meal with chicken, meat and fish every second day.

Who were the poor?

Household type

The study identified the types of households which were poor, both in terms of the incidence and risk of poverty. In other words which households accounted for most of the poor, and which households faced particularly high risks of poverty.

Classifying households on the basis of Labour Force Status of the head of household, those headed by an unemployed person and those headed by someone working full-time in the home were the largest groups in poverty in 1994. For example at the 50 per cent line, about one third of poor households were headed by an unemployed person. Households with an unemployed head continued to be the most substantial group among the poor using a combination of income and deprivation information.

Figure 3: Risk of Poverty by Labour Force Status of Head of Household 1987 and 1994

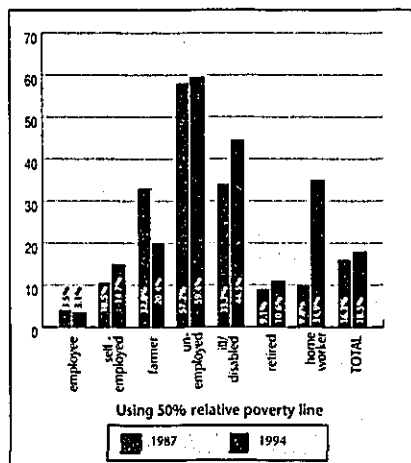
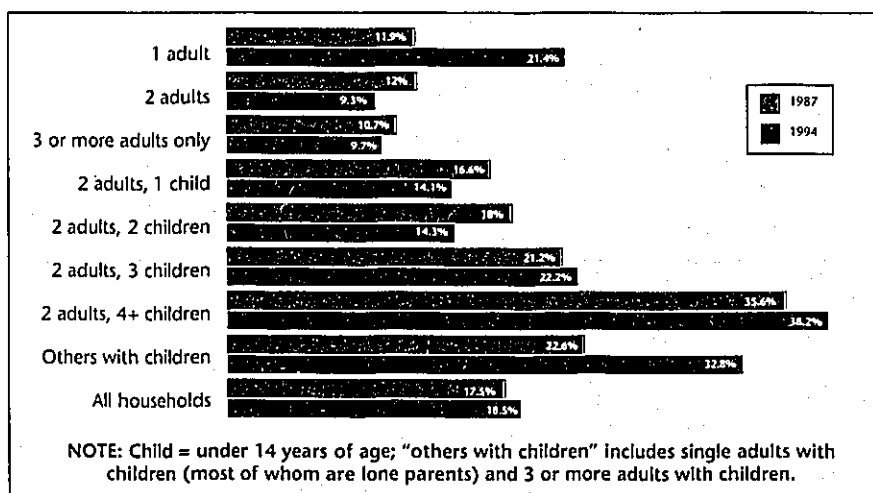


Figure 4: Trends in Risk of Poverty by Household Type at 50% Relative Poverty Line, 1987/1994.

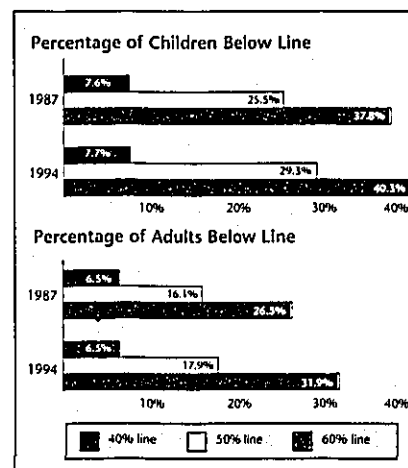


NOTE: Child = under 14 years of age; "others with children" includes single adults with children (most of whom are lone parents) and 3 or more adults with children.

Households headed by an unemployed person also had the highest risk of poverty, followed by households headed by someone with a disability, and households headed by someone working full-time in the home. The increase in households headed by a full time home worker appears to relate to the increase in risk for single adult households. Many of these households were headed by elderly women. See figure 3.

Classifying households on the basis of their size and composition the study showed 'other households with children' to have been the biggest group under the 50 per cent income line. This category comprised single adults with children and three or more adults with children, mostly the latter. (A child was defined as under 14 years by the study so three or more adults with children, may have been single adults or couples with older children). Single adult

Figure 5: Risks of Poverty for Adults and Children, 1987 and 1994.



households were the second biggest group in poverty. The highest risks of poverty were for households comprising a single adult only, a single adult or three or more adults with children, and a couple with four or more children. A significant proportion of the single adult households below the line in 1994 comprised an elderly person or widow - and again some of the three adult households may in fact have referred to single or two parent families with older children. See figure 4.

Gender

During the 1987-94 period, the relative position of households headed by women disimproved considerably at the 50 per cent and 60 per cent lines. At these lines the risk of poverty for households headed by women rose markedly, whereas the risk for households headed by men or where two people shared the role of household head was little changed.

Children

Children continued to face a higher risk of poverty than adults - the risk of poverty for children was almost 30% at the 50 per cent line, and over 40% at the 60 per cent line - for adults the corresponding risks were 18% and 32%.

The gap between the risks of poverty for children and adults narrowed somewhat between the two studies. The increased risk for adults is largely accounted for by the rise in the risk of poverty for the elderly. See figure 5.

Changes since 1987

The principal changes since 1987 in the types of households experiencing poverty were the striking decline in the risk of poverty for farm households, and the increased risk of being below the 50 or 60 per cent lines for single adult households, the elderly, households headed by women and households headed by full time home workers. There is a good deal of overlap between these groups. The reasons for these changes are dealt with below.

Understanding the changes

To understand the picture of poverty presented by the survey data it is important to consider the context in which the changes since 1987 have taken place. The macroeconomic backdrop to the period 1987-94 was a positive one, with average household income rising substantially.

Public policy during the period gave priority to increasing the lowest social welfare payments. This contributed to the reduction of poverty at the 40 per cent line, and to the reduction in the depth of poverty experienced at the 50 per cent and 60 per cent lines. However it had little impact on the overall numbers of those in poverty at the 50 per cent and 60 per cent lines.

This policy of prioritising increases in the lowest rates of welfare may also explain the increase in the number of single adult households comprising an elderly person or widow experiencing poverty over the period. Pensions which were set at a relatively high rate in 1987 increased more slowly than the lowest social welfare rates over the period.

The drop in the number of farm households in poverty was largely because 1986, the year covered by the 1987 survey, was an unusually bad one for farming and farm incomes have substantially improved since then. However, the volatility of farming incomes makes it relatively difficult to be precise

about the risk of poverty for farmers based on data collected only for single years.

Policy implications

Overall the findings of this survey suggest that efforts to tackle poverty have not been sufficiently radical. Two findings are particularly worrying. First there has only been a very small reduction in the percentage of households both below the relative income poverty lines and experiencing basic deprivation. This is important because it is a good indication of those who are trapped in long-term poverty.

Secondly, children continue to face a higher risk of being below the income lines than adults. Children who grow up in poverty are more likely in their turn to face a range of social problems, do less well at school and to be the future long-term unemployed.

The findings lend support to policy efforts to:

- tackle the multi-dimensional nature of poverty in a strategic way on a national basis
- address unemployment especially long term unemployment
- fight child poverty particularly through enhancing child income support
- address educational disadvantage through all stages of the education system
- focus on the needs of particular groups experiencing high risks of poverty e.g. people with disabilities, lone parent families, large families.

The survey data reinforces the decision by government to implement a National Anti-Poverty Strategy. Further analysis of the basic data provided by the Living in Ireland survey will elaborate on what we now know about poverty in Ireland, and will present this in the context of policy changes which took place in the period between the two studies. In particular further analysis should provide additional information about the experiences of particular groups such as people with disabilities and women. The results of this and further panel surveys will also be useful in devising monitoring mechanisms for the National Anti-Poverty Strategy and benchmarks against which progress can be measured.