

Poverty in Ireland – The Current Picture

The results from the 4th year of a major longitudinal study of poverty in Ireland were published in June 1999, in a report titled *Monitoring Poverty Trends*¹. The study was based on the Living in Ireland survey conducted in 1997 by the Economic and Social Research Institute and sponsored by the Combat Poverty Agency and the Department of Social, Community and Family Affairs.

Overall the results revealed that the numbers of people experiencing income poverty was generally higher in 1997 than in 1994. However, there was a significant decrease in the numbers of people experiencing income poverty together with basic deprivation, that is, consistent poverty.

This briefing outlines the background to the study, highlights key findings and identifies policy issues arising from the results.

KEY FACTS

- Some 35 per cent of persons fell below the 60 per cent relative income poverty line in 1997. 22 per cent fell below the 50% relative income poverty line² – for a single person, the 50 per cent line was about £77 in 1997 and the 60 per cent line was about £93.
- This was an increase of just over one per cent in the numbers falling below the corresponding lines in 1994.
- The 1997 survey shows that people were falling further below these income poverty lines in 1997 than in 1994.
- When income poverty was combined with non-monetary indicators of basic deprivation, e.g. not having a warm winter coat or a substantial meal in the day, the overall numbers of people experiencing poverty was lower, and fell between 1994 and 1997. The number below the 60 per cent poverty line and experiencing such deprivation fell from 15 per cent to 10 per cent, while the percentage of those below the 50% line and experiencing basic deprivation fell from 9 per cent to 7 per cent between 1994 and 1997. This represents a significant reduction in those experiencing long term or consistent poverty. Nevertheless, 10 per cent of the population are still in consistent poverty.
- For households headed by an unemployed person, the risk of falling below the 50 per cent income poverty line³ remained at around 60 per cent, but the decline in unemployment meant that this group constituted a substantially lower proportion of all those below the line by 1997. The risk of falling below the 50 per cent poverty line increased by about 12 per cent for households headed by someone sick or disabled, from 44 per cent to 56 per cent. For those working in the home, the risk of falling below the 50 per cent poverty line increased by 15 per cent, from 35 per cent to 51 per cent.
- For households headed by a farmer, the risk of being below the 50 per cent poverty line decreased by 8 per cent between 1994 and 1997 – from 20 per cent to 12 per cent. Since 1994, the risk of poverty has increased for households headed by an employee. In relation to household types, the risk of poverty has increased for single person households, 2/3 adult households without children and couples with 3 or more children. Couples with 4 or more children remained at the highest risk of poverty, while single adults had become the next highest risk group by 1997.
- The risk of falling below the 50 per cent poverty line for households headed by an older person⁴ rose dramatically from almost 10 per cent in 1994 up to 29 per cent in 1997.

1 Callan, T., Layte, R., Nolan, B., Watson, D., Whelan, C.T., Williams, J. and Maitre, B. (1999): *Monitoring Poverty Trends; Data from the 1997 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 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.

4 An older or elderly person is defined as someone aged 65 years or over.



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INTRODUCTION

Monitoring Poverty Trends presents evidence from the 1997 Living in Ireland survey. The survey is based on a European Union longitudinal panel survey in which the same set of households in each member state has been interviewed each year since 1994. The survey provides comparable information on poverty for each member state, and also allows for an examination of movements in and out of poverty over time as the studies revisit the same households each year. This briefing, based on the *Monitoring Poverty Trends* report, draws from the 1997 data only, making comparisons with 1994 results.

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, Community and Family Affairs. The Irish questionnaire included a number of additional elements to the basic European one. From the 4,048 households surveyed in 1994, about 3,500 were returned to in 1997; this has resulted in a total of over 8,300 individuals being re-interviewed. Because it was based on a survey of private households, the study did not tell us anything about the experiences of people who are homeless, or of many Traveller families or of people living in institutions and others not living in private households.

HOW IS POVERTY MEASURED?

The study measures poverty at the household level by looking at relative income levels and the experience of deprivation. This is based on the definition of poverty agreed by the Irish government in its National Anti-Poverty Strategy, which states, "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."

INCOME

The study identifies three relative income poverty lines based on percentages of average household disposable income.

These are set at 40 per cent, 50 per cent and 60 per cent of average household income. The 50 and 60 per cent lines are more commonly accepted as reflecting the reality of poverty, while the 40 per cent line is mainly used for comparative purposes. In 1997 money terms, these lines

represented approximately £63, £78 and £94 per week respectively for an individual. In 1997, many social welfare payments were at £67.50 for a single person.

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. A basic index of 8 deprivation indicators has been developed by the ESRI to assess basic 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 the lack of a warm winter coat.

Using deprivation indicators in conjunction with income lines provides a measure of consistent poverty. This shows that those with the lowest incomes are not always those with the lowest standards of living, nor do all those with higher levels of current income necessarily enjoy a higher standard of living. (Poverty Briefing No. 6 provides more detail on the use of deprivation indicators in assessing poverty.) Those who experience both low income and deprivation are identified as being consistently poor, and therefore subject to long term poverty.

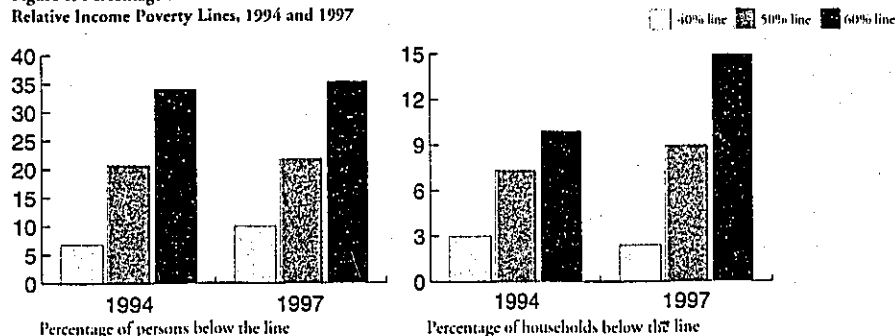
RISK AND INCIDENCE

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 belongs to a particular group, so that we can assess the extent to which particular groups feature within the population experiencing poverty.

HOW MANY WERE POOR?

In 1997, more than one fifth of the population (22 per cent) fell below the 50 per cent poverty line, i.e. were living on less than £78 per week (for a single adult) and 10 per cent fell below the 60 per cent poverty line. The percentage of the population in income poverty increased between 1994 and 1997 (see figure 1).

Figure 1: Percentage of Persons and Households Below Relative Income Poverty Lines, 1994 and 1997



HOW POOR WERE THEY?

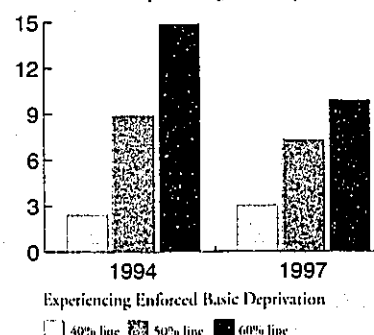
A simple head count of those below income lines does not provide the full picture of poverty trends. The study therefore looked at how far under the poverty line households fell (depth of poverty) and at the levels of deprivation they experienced. As well as an increase in the number of people falling below the three poverty lines, the depth of poverty also increased.

It emerged that the numbers of persons falling below a "real income" line⁵ has sharply decreased, from 18.4 per cent in 1994 to 11.4 per cent in 1997.

CONSISTENT POVERTY

When income is combined with deprivation indicators the results show significant reductions in levels of deprivation since 1994 (see figure 2).

Figure 2: Percentage of Households below Relative Income Thresholds and Experiencing Basic Deprivation in 1994 and 1997



The percentage experiencing both basic deprivation and falling below the 60 per cent line decreased significantly, from 15 to 10 per cent, having fallen only by 1 per cent between 1987 and 1994. There was a smaller decrease in the numbers experiencing basic deprivation and falling below the 50 per cent line from 9 per cent to 7 per cent. For those below the 40 per cent line, there was a marginal increase in experience of basic deprivation, from 2.4 per cent in 1994 to 3 per cent in 1997. As an illustration of changes in deprivation, the number lacking central heating fell from 45 per cent to 17 per cent between 1994 and 1997. By 1997, only one in seven households lacked a telephone, compared to one in every two in 1987. Analysis was undertaken to assess the validity of

5 A "real income" line was set at 60 per cent of average equivalent income in 1987 and up-rated only with increases in prices since that date.

Figure 3: Risk of Poverty by Labour Force Status of Head of Household, 1994 and 1997

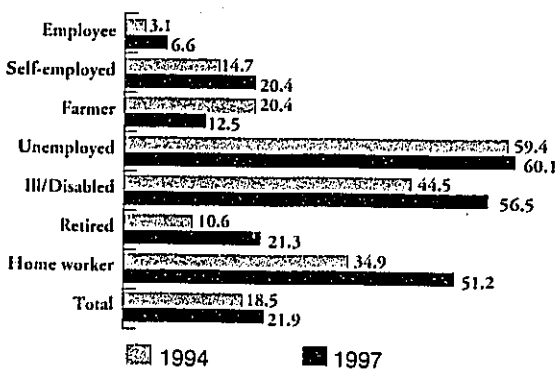
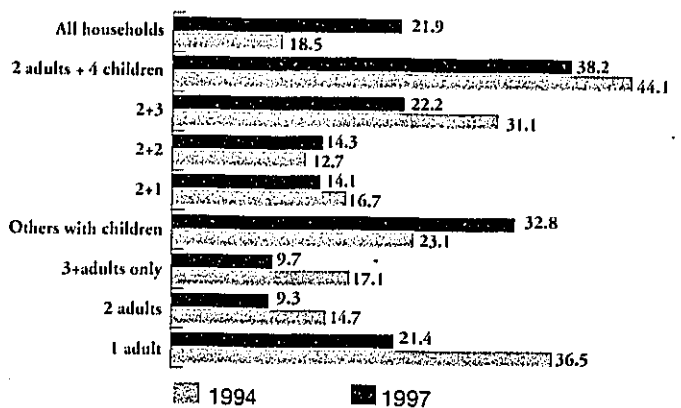


Figure 4: Trends in risk of poverty by household type at 50% relative poverty line, 1994-1997



indicators. The analysis found that the indicators employed are still relevant in 1997. However, it is recognised that further work is required on this issue.

WHO WERE THE POOR? HOUSEHOLD TYPE

Classifying households on the basis of the labour force status of the head of household, it was found that households headed by someone working full-time in the home formed the largest income poverty group (29 per cent) in 1997. This position had changed from 1994 when households headed by an unemployed person were the largest poverty group (33 per cent). (Households headed by an unemployed person made up 21 per cent of the poor in 1997.) The percentage of farmers among households below the 50 per cent line continued to decline, falling from 9 per cent in 1994 to 4 per cent in 1997. It is notable that households headed by an employee doubled as a proportion of the poor from 6 per cent to 13 per cent between 1994 and 1997 and those headed by a retired person increased from 10 per cent to 16 per cent of poor households. Households headed by an unemployed person remained at the highest risk of poverty, at 60 per cent in 1997 at the 50 per cent poverty line. However, this was closely followed by those headed by someone ill or disabled, which rose from 44 per cent in 1994 to 56 per cent in 1997. Other groups experiencing a sharp increase in risk of poverty were households headed by a retired person, which rose from 11 per cent to 21 per cent, and those headed by someone working full time in the home, which rose from 35 per cent to 51 per cent. The risk of poverty for household heads who were employees doubled from 3 per cent to 7 per cent, while farmers fell from 20 per cent to 12 per cent. (See figure 3.)

Classifying households on the basis of their size and composition, the study showed a

major shift in the composition of poor households, especially in relation to households with children versus those without. In 1994, households with children accounted for 55 per cent of all those below the 50 per cent line, while by 1997, this had fallen to only 35 per cent. By contrast, the percentage of one-adult households below this line had risen from 25 per cent to 37 per cent.

The highest risks of poverty were for households comprising:

- adults with four or more children;
- a single adult only;
- two adults with three children;
- others with children⁶.

(See figure 4).

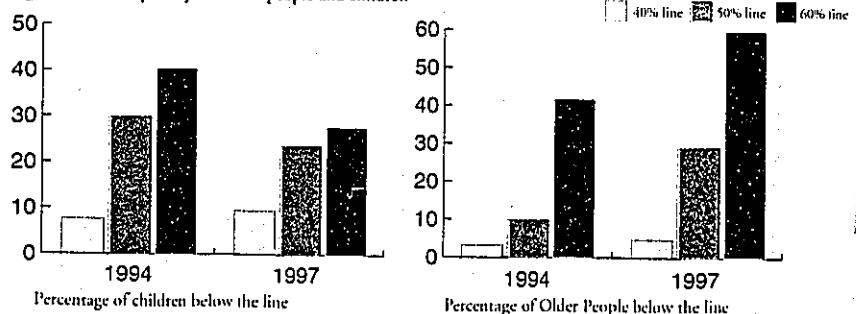
Since all those aged over 14 are counted as adults in the study, households with a couple or lone parent with older teenage offspring would be 'three or more adults with children'. By contrast, the profile of households falling below the 60 per cent line remained very stable between 1994 and 1997, the main change being that by 1997 households with two or three adults became at greater risk of poverty.

OLDER PEOPLE

Between 1994 and 1997, there was an increasing risk of poverty for older people living alone.

At the 50 per cent line, this risk grew from almost 10 per cent to 29 per cent in the same period;

Figure 5: Risk of poverty for older people and children



At the 60 per cent line, it rose from 41 per cent to 59 per cent.

However, the number of older people experiencing deprivation has decreased markedly since 1994. A recent study published by the National Council on Ageing and Older People, basing itself on analysis of the 1997 Living in Ireland survey, found that the level of non-cash benefits is sufficient to lift a large proportion of older people above the 50 per cent line, but not above the 60 per cent line.⁷

CHILDREN

The poverty risk for children, which had been highlighted in the 1994 survey, decreased from 30 per cent to 24 per cent by 1997 at the 50 per cent line and from 40 per cent to 38 per cent at the 60 per cent line. In general, there was a significant narrowing of the gap between the risks facing children as opposed to adults between 1994 and 1997. However, it is still of concern that between 24-38 per cent of households with children were at risk of poverty in 1997. (See figure 5.)

GENDER

From the 1994 data, it emerged that women in Ireland experience a greater risk of poverty than men.⁸ This was mainly due to the risk of poverty for single adult households (mainly headed by women) and households headed by someone working full-time in the home (mainly

6 'Others' with children are three or more adults with children and lone parents

7 Fahay, Tony, Layte, Richard and Whelan, Chris (1999) *Quality of Life after Age 65 in Ireland: Assessing Material, Physical and Mental Well-Being: A Report for the National Council on Ageing and Older People*, Dublin: Economic and Social Research Institute.

8 Nolan, Brian and Watson, Dorothy (1999) *Women and Poverty in Ireland*, Dublin: Oak Tree Press.

women). The risk of poverty has increased for single adult households and households headed by someone working full-time in the home, in the 1997 survey. Thus, by implication, the risk of poverty for women would seem to have increased.

CHANGES SINCE 1994

The principal changes since 1994 were the decrease in the number of people experiencing consistent poverty, the increase in the number of persons below income poverty lines, the rapid increase in the risk of poverty for single person households, notably where the person is aged 65 years or over and the narrowing in the gap between the poverty risk for adults and children. The reasons for these changes are dealt with below.

UNDERSTANDING THE CHANGES

The macroeconomic context in 1994-97 was a very positive one, with average weekly household income rising substantially, from £128.94 to £156.96. This led to a substantial decrease in the number of people experiencing consistent poverty. However, the growth in social welfare payments has been slower than the exceptional rates in earned pay. This has contributed to the increase in the numbers experiencing income poverty.

The increasing risk of poverty for older people reflects the impact of the rapid increase in average household incomes since 1994 relative to increases in state pensions. Although social welfare pensions have risen by 10-12 per cent since 1994, this is less than the increases in household incomes, which is estimated at 22 per cent.

The narrowing of the poverty gap between children and adults is due both to the increased risk experienced by older adults and the decline in unemployment rates in recent years, which has contributed to an improvement in the position of families with children. This is also a leading factor behind the significant decrease in the numbers experiencing consistent poverty.

POLICY IMPLICATIONS

Overall, the survey findings show that while a percentage of people have been lifted out of consistent poverty in the last three years, a number of issues are of particular concern. First, older people appear to be more vulnerable to experiencing poverty. Secondly, despite the positive economic climate in the period 1994-97, the percentage of persons or households below income poverty lines grew. Other findings show that there is still a high proportion of women and children at risk of poverty. Also, there has been an increase in the number of employees at risk of poverty between 1994 and 1997.

The findings lend support to policy efforts to:

- Ensure that those on low incomes see their real incomes rise and their deprivation levels decline. This would involve increases in social welfare rates in line with household earnings;
- Tackle the multi-dimensional nature of poverty in a strategic way on a national basis, by increasing the impetus of the NAPS;
- Focus on the needs of particular groups experiencing a high risk of poverty e.g. people with disabilities, older people, large families and women and children.

IMPLICATIONS FOR NAPS

Results from this survey suggest that, in order for policies to remain relevant, a poverty target needs to be re-based regularly - about every five years. It also suggested broadening the scope of the poverty target to encompass the distinct elements underpinning it, which are real income levels, non-monetary deprivation indicators and relative incomes.

The global poverty reduction target is central to the National Anti-Poverty Strategy and the data from this survey represents an important step in identifying future poverty targets. In light of these findings, the government has recently announced its intention to revise NAPS targets, by which consistent poverty is now to be reduced "to below 5 per cent by 2004". Unemployment is to be reduced to below five per cent by 2002 and long term unemployment to below 2.5 per cent. There are also plans to draw up new targets.

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