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Low Income Working Families: EU-SILC  
analysis  
2/10/07

[Work in Progress – Final Report due end 2007]

### Why this study?

- In 1992 there was 1.1 million in employment. By 2006 there was over 2 million in employment
- Service and Construction sector were mainly responsible for employment growth
- Increased job *flexibility* (more part-time work; fixed-term/ temporary contracts)
- Wage moderation is enshrined in the social partnership agreements
- Low tax regime
- ↑ personal consumption but ↓ share of wealth to workers

### Government and the work-poverty relationship

- 'the best safeguard against social exclusion is a job' – *The Lisbon Strategy*
- 'Employment is the main route out of poverty' – *National Action Plan for Social Inclusion 2007-2016*
- A work-poverty policy focused on income supports, services, activation and good quality employment which 'recognises the continuing challenges faced by those in work but on low incomes' - *National Action Plan for Social Inclusion 2007-2016*

### National Action Plan for Social Inclusion 2007-2016 focus on consistent poverty

- Consistent poverty is defined as being below 60% median income and experiencing one of the following:
  1. Inability to afford two pairs of strong shoes
  2. Inability to afford waterproof coat
  3. Inability to afford to buy new rather than second-hand clothes
  4. Unable to afford to eat meals with meat chicken, fish (or vegetarian equivalent) every second day
  5. Unable to afford to have a roast joint (or its equivalent) once a week
  6. Had to go without heating during the last 12 months through lack of money
  7. Unable to afford a substantial meal through lack of money
  8. Going into debt to meet ordinary living expenses

### National Action Plan for Social Inclusion 2007-2016 perspective on the at 'risk-of-poverty' rate

- The at 'risk-of-poverty' rate is defined simply as being below 60% median income
- Takes no account of overall living standards
- Cannot track changing trends in real income
- Main value is in identifying particular groups which may have difficulty keeping pace with living standards generally

### Even so, the at 'risk-of-poverty' rate is a proxy for many other forms of disadvantage in society

- Access to health
- Parenting
- Educational opportunity
- Access to culture
- Security
- Useful to use in conjunction with other measures

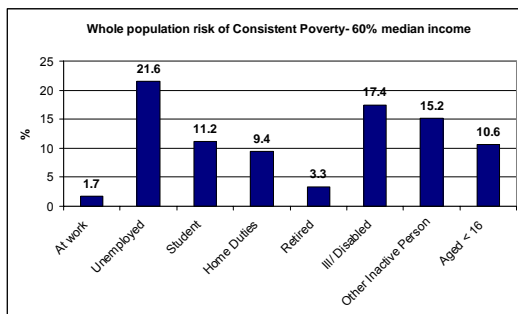
## Defining 'low-income working households'/'working poor'

- Households that receive their primary income through paid work and yet are still precluded from having a standard of living *that is regarded as acceptable by Irish society generally*
- Consistent poverty; at 'risk-of-poverty'; minimum essential budgets
- Labour market wage does not take account of how many individuals wage/ salary must be distributed over, unlike welfare benefits
- Possible role for state intervention

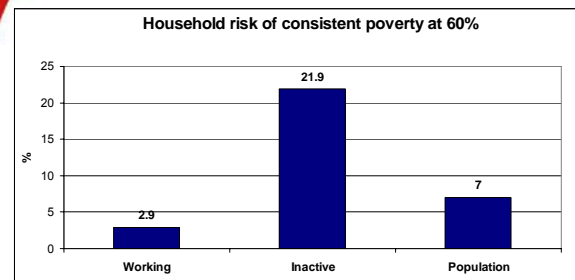
## EU-SILC

- Yearly survey on income and living conditions carried out in all EU member states
- 2005 Irish sample: 15,539 individuals and 6,085 households
- Representative sample
- Data is weighted age, sex, region and household composition
- Workers have been defined as such if they answered 'at work' to the Principal Economic Status question
- Working households are households with at least one individual whose principal economic status is 'at work'

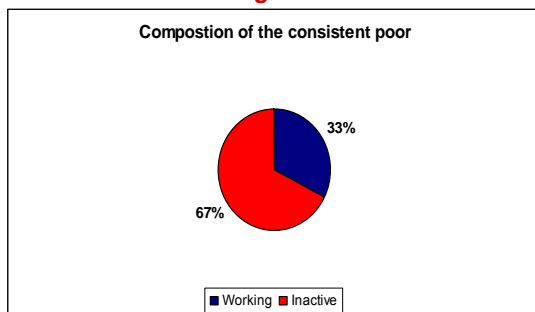
## 1.7% of people 'At Work' are in consistent poverty



## 2.9% of people in Working Households are in consistent poverty

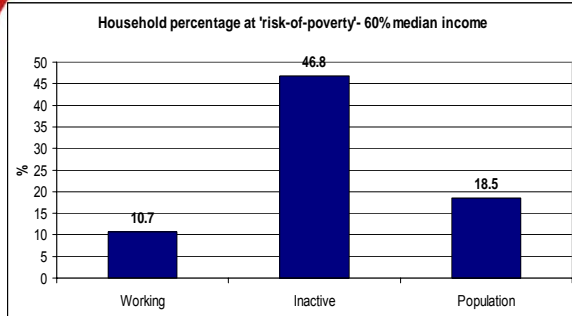


## But... 32.6% of the consistently poor live in working households

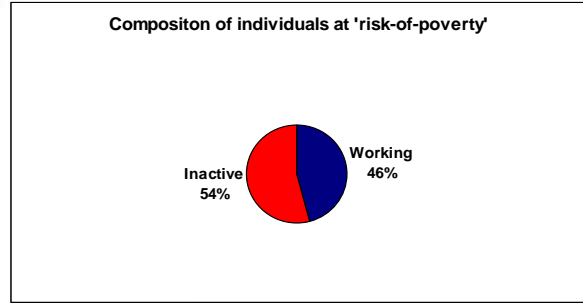


**93,978 people live in working households that are in consistent poverty**

**10.7% of people living in working households 'at risk of poverty'**



**45.7% of those at 'risk-of-poverty' live in working households**



**350,035 people live working households that are at 'risk-of-poverty'**

**'the majority of children in poverty live in jobless households' - NAPS**

Composition of children in consistent poverty



Composition of children at 'risk-of-poverty'



**34,047 children living in working households are in consistent poverty**

**AND**

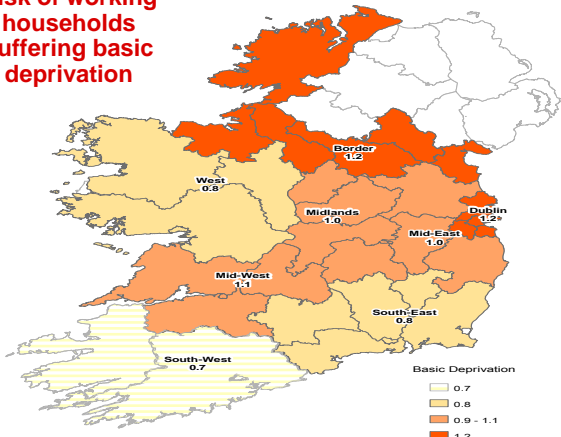
**102,318 children living in working households that are 'at risk-of-poverty'**



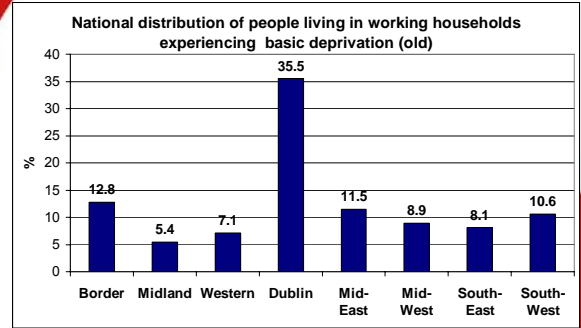
**Spatial Analysis**

**Where are low-income working households?**

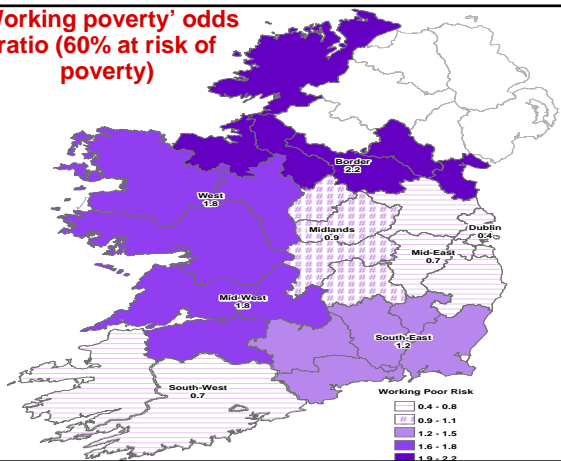
**Risk of working households suffering basic deprivation**



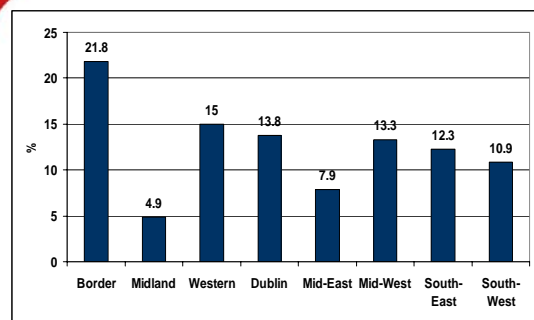
**National distribution of working households suffering deprivation**



**'Working poverty' odds ratio (60% at risk of poverty)**

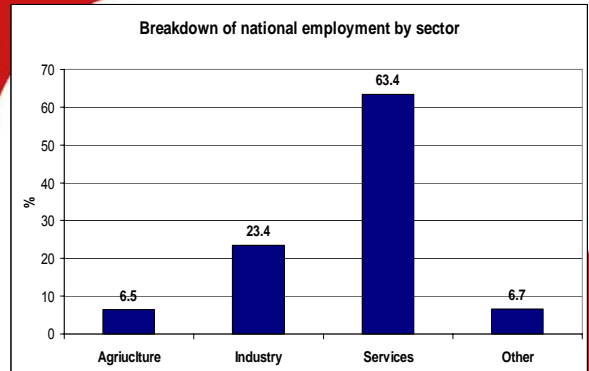


**National distribution working households at 'risk-of-poverty'**

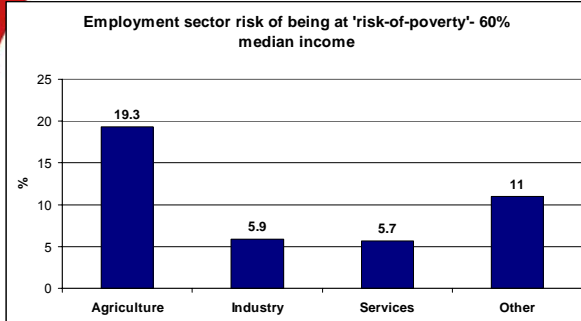


**Does employment type distinguish low-income workers from other workers?**

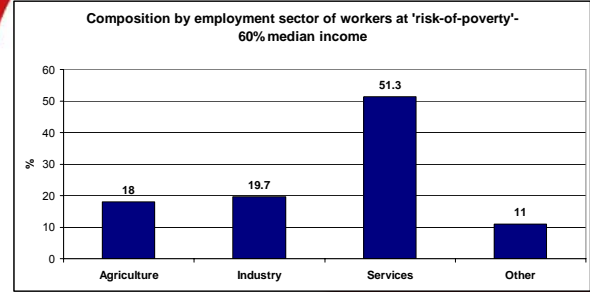
**Employment**



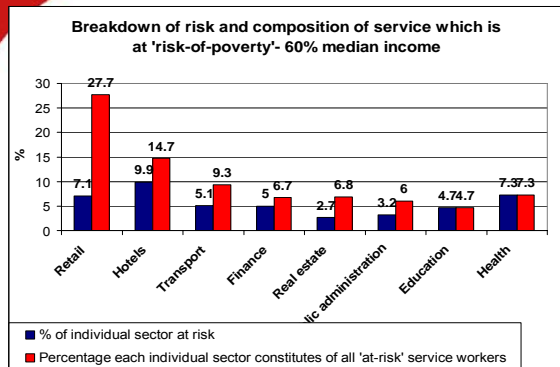
## Employment- Agricultural sector most at risk of low-income employment



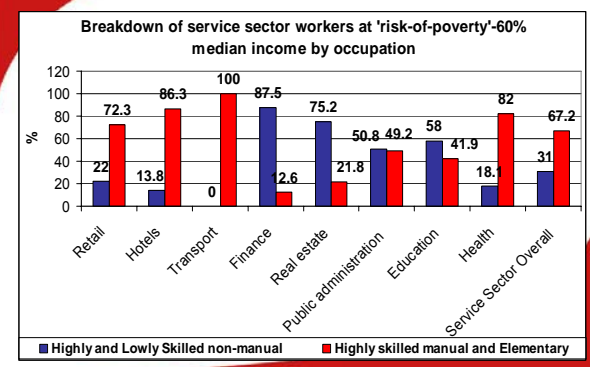
## But... Service workers are the largest group of low-income workers



## Breakdown of service sector



## Breakdown of 'service' sector



What are the characteristics that distinguish low-income working households from other working households?

## Worker characteristics included in model

- Education
- Employment Sector
- Occupation
- Hours worked
- Employee/ self-employed
- Work contract
- Tenure status
- Age
- Urban/ Rural
- Gender
- Nationality
- Region
- Marital Status
- Health
- Supervisory role
- Off-farm employment

## Household characteristics included in the model

- Children (yes/ no)
- HH has more than one worker
- HH has an unemployed person
- HH has a retired person
- HH work intensity
- One person household
- HH has five or more persons
- HH has person with disability
- HH has person on home duties
- HH has student

## Working households- 60% at 'risk-of-poverty'

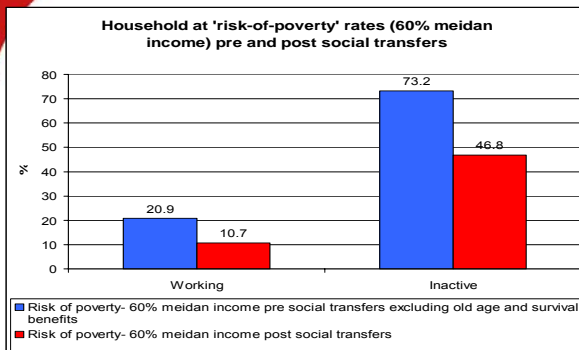
R squared = 0.365	
Significant Variables	Likelihood that working household is at 'risk-of-poverty'
Supervisory Role: No (as opposed to yes)	2.323
Student in household (as opposed to no student)	3.454
Household has two or more workers	0.308
Lowly skilled non-manual: (as opposed to highly skilled non-manual)	2.339
Highly skilled manual: (as opposed to highly skilled non-manual)	3.715
Elementary: (as opposed to highly skilled non-manual)	3.510
Craft and related: (as opposed to highly skilled non-manual)	1.592

## Continued... Working households- 60% at 'risk-of-poverty'

5 or more individuals in the household (as opposed to less than 5)	1.914
Permanent job (as opposed to temp/part-time job)	0.378
Location: Rural (as opposed to Urban)	1.871
Female (as opposed to male)	1.935
Lower secondary or below education (as opposed Upper secondary and above)	1.603
Southern and Eastern (as opposed to Border, Midland and Western)	0.587
Non-Irish (as opposed to Irish)	2.023

## Welfare benefits and tax contributions

## Social transfers are essential if poverty is to be eliminated



## Family Income Supplement (FIS)

- To ensure the incomes of families with children in work are significantly higher than incomes out of work
- Dual purpose: 'incentive to work' and 'poverty reduction' (primarily child poverty)
- Eligibility is determined by:
  - (1) Households working >19 hours per week;
  - (2) The presence of children in the household and;
  - (3) Household net disposable income being below specific income thresholds dependent on the number of children
- Payment is 60% of the difference between net household income and the eligibility threshold

### FIS- Consistent Poverty reduction

- Sample size is small. Only 84 households receive FIS.
- **Before** the FIS payment 13 households out of the total 84 households receiving the payment are in consistent poverty
- **After** receiving FIS only 7 (8.3%) are in consistent poverty.
- Therefore, FIS has **46.2%** success at reducing consistent poverty

### FIS- At 'risk-of-poverty' reduction

- **Before** the FIS payment is made 33 households out of the total 84 households receiving the payment are at 'risk-of-poverty'
- **After** receiving FIS 20 households are at 'risk-of-poverty'.
- Therefore, FIS has **39.4%** success at reducing those at 'risk-of-poverty'

### Is the effectiveness of the FIS influenced by the number of children in the household?

Number of children	At 'risk-of-poverty' before FIS	At 'risk-of-poverty' after FIS	Poverty reduction success rate
1	4	2	50%
2	11	6	45.5%
3	7	6	14.2%
4	5	3	40%
5	4	2	50%

### What about those working families on low incomes but not receiving FIS?

Of the 195 working households with children/students who were at 'risk-of-poverty', only 20 are receiving FIS

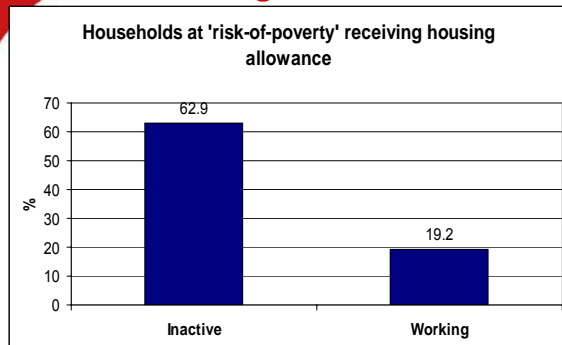
### At 'risk-of-poverty' reduction if potential recipients received FIS

N Children	At 'risk' Before FIS	Mean Payment	At 'risk' After FIS	Success Rate
1	51	€2,575	33	32.7%
2	51	€3,212	31	39.2%
3	41	€2,746	27	34.1%
4	25	€4,603	18	28%
5	9	€5,652	3	67%

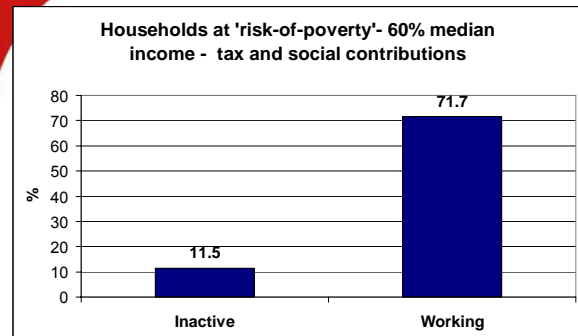
### FIS Conclusions

- Average success rate = approximately 40%
- Increasing take-up has the potential to seriously reduce the number of households with children at 'risk-of-poverty'
- Even so, FIS would barely scrape a 'D' in an exam at poverty reduction
- Raising income eligibility thresholds/ withdrawal rate will lead to further gains in poverty reduction

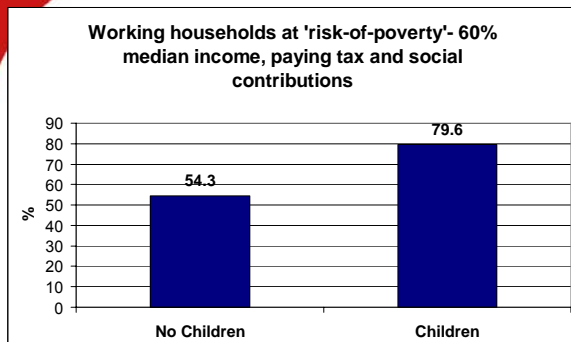
## Housing Allowance



## Tax and social contributions



## Tax and social contributions



## Annual Finances

	Working households at 'risk-of-poverty'	Inactive working age households at 'risk-of-poverty'
Gross HH income after social transfers	21,552	12,933
HH tax and social contributions	2,978	167
Total Net disposable income	18,574	12,769
Equivalised income after social transfers	7,547	8,009

## Policy Options



## Labour market intervention vs. benefit supports

- New employee/ employer wage legislation
- Improving FIS
- Extending Housing allowance
- Improved Tax credit system
- System of automatic take-up
- Creating a support for low-income workers without children
- Not mutually exclusive