

## What is poverty?

Poverty and social exclusion can affect all age groups. It is multi-faceted and combating it requires a multi-policy response. This is reflected in the definition of poverty and social exclusion which the Government first adopted in 1997:

*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.*

This definition continues to be valid and underpins the Government's strategic response to tackling poverty and social exclusion as set out in the National Action Plan for Social Inclusion 2007 – 2016 (NAPinclusion).

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## What are the terms used?

Many words within poverty and social exclusion are used interchangeably. However, they do have different meanings, as defined below:

- Deprivation is defined as unmet basic human needs;
- Poverty is deprivation due to a lack of resources, both material and non-material, e.g. income, housing, health, education, knowledge and culture. It requires a threshold to measure it;
- Social exclusion is being unable to participate in society because of a lack of resources that are customarily available to the general population. It can refer to both individuals, and communities in a broader framework, with linked problems such as low incomes, poor housing, high crime environments and family problems;
- Inequality is a comparative or relative concept. It does not measure deprivation or poverty and does not require a threshold. It is possible for inequality to exist with or without poverty. Similarly, poverty can exist with or without inequality;
- Resources can be personal, within the family, or within the society.

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## How can we measure poverty?

There is no one measure that gives a complete picture of the situation regarding deprivation, poverty and social exclusion. This is particularly true for a country like Ireland that has experienced rapid economic growth over the last ten years.

Therefore, a number of indicators are used to measure progress in achieving social inclusion covering areas such as income, levels of deprivation, early school leaving, jobless households, long-term unemployment, and life expectancy.

Indicators such as these are also used at EU level to obtain a picture of the situation regarding poverty and social exclusion across Member States. In June 2006 EU Member States adopted a revised set of common indicators of social protection and social inclusion. The main social inclusion indicators are as follows:

#### Income

- *At risk of poverty* rate
- *At risk of poverty* rate anchored at a fixed moment in time
- Persistent *at risk of poverty* rate
- *At risk of poverty* gap
- *At risk of poverty* rate before social transfers
- Dispersion around the *at risk of poverty* threshold
- In-work poverty risk
- S80/S20 income ratio
- Gini co-efficient

#### Employment

- Long-term unemployment rate
- Regional Cohesion (dispersions of regional employment rates)
- Jobless Households
- Employment gap of immigrants
- Making work pay indicators (unemployment trap, inactivity trap, low-wage trap)

#### Education

- Early school leavers
- Persons with low educational attainment
- Low reading literacy performance of pupils

#### Health

- Healthy life expectancy
- Child well-being (to be developed)

#### Housing

- Housing (to be developed)

#### Deprivation

- Material deprivation (to be developed)
- Self reported limitations in daily activities

More information on EU social inclusion indicators can be obtained from the European Commission website at:

[http://ec.europa.eu/employment\\_social/social\\_inclusion/indicators\\_en.htm](http://ec.europa.eu/employment_social/social_inclusion/indicators_en.htm)

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## **What is consistent poverty?**

The official Government approved poverty measure used in Ireland is consistent poverty, developed independently by the Economic and Social Research Institute (ESRI). This measure identifies the proportion of people, from those with an income below a certain threshold (less than 60% of median income), who are deprived of two or more goods or services considered essential for a basic standard of living.

The consistent poverty measure was devised in 1987 using indicators of deprivation based on standards of living at that time. The Government has accepted the advice of the ESRI to revise the deprivation indicators to better reflect current living standards and, in particular, to focus to a greater degree on items reflecting social inclusion and participation in society. This resulted in the measure, originally based on lacking one or more items from an 8-item index, changing to one based on lacking two or more items from the following 11-item index:

1. Two pairs of strong shoes
2. A warm waterproof overcoat
3. Buy new not second-hand clothes
4. Eat meals with meat, chicken, fish (or vegetarian equivalent) every second day
5. Have a roast joint or its equivalent once a week
6. Had to go without heating during the last year through lack of money
7. Keep the home adequately warm
8. Buy presents for family or friends at least once a year
9. Replace any worn out furniture
10. Have family or friends for a drink or meal once a month
11. Have a morning, afternoon or evening out in the last fortnight, for entertainment

This revised set of deprivation indicators will be used to measure consistent poverty over the course of the new NAPinclusion. The current (2005) rate of consistent poverty using the new measure is 7.0%, having reduced from 8.0% in 2003.

### **What targets have been set to reduce poverty?**

The target set in the Revised National Anti Poverty Strategy (2002) was to reduce the numbers of those who are consistently poor to 2.0% by 2007 and, if possible, to eliminate consistent poverty, as then defined. A major discontinuity between the Living in Ireland Survey (LIIS), previously used for monitoring progress, and the new EU Survey on Income and Living Conditions (EU-SILC), which was introduced from 2003, means that it is not possible to compare trends in consistent poverty between the two surveys. However, continuing low levels of unemployment and the substantial resources devoted to social welfare and other social services support the view that the downward trend, (from 8.3% in 1994 to 4.1% in 2001), would have continued and the target would have been reached.

The overall goal of the new NAPinclusion is to make a decisive impact on consistent poverty. This is underlined by the fact that a new target is being set, using the new set of up-to-date indicators, which are more realistic and in keeping with living standards today. The new target is:

**To reduce the number of those experiencing consistent poverty to between 2% and 4% by 2012, with the aim of eliminating consistent poverty by 2016, under the revised definition.**

The new target reflects experience and expert advice that it may be difficult to bring consistent poverty down to zero. This is due in part to the subjective and sensitive nature of the survey questions used to identify deprivation. This is borne out by the fact that, in addition to those below the 60% poverty threshold, a significant minority of people with incomes above that threshold also report deprivation. This may occur for a variety of reasons such as consumption patterns and choices, or temporary and unexpected heavy spending. It is accepted, however, that the consistent poverty measure does clearly identify those who are most vulnerable.

There are difficulties in setting poverty targets for a number of reasons, as recognised in the national social partnership agreement *Towards 2016*, including the relatively recent status of EU-SILC. Nonetheless, the Government and the social partners have agreed that it is important to set real and achievable targets. In this context, the overall approach to effective poverty measurement will be reviewed by the Office for Social Inclusion (OSI), supported by its Technical Advisory Group, which advises the Office on the development of its data strategy.

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## What is 'at risk of poverty'?

The 'at risk of poverty' indicator identifies all those (households or people) who fall below a certain income threshold, which in the EU has been set at 60% of the median income. Median income is the amount that divides the income distribution into two equal parts, half of people having incomes above the median and half having incomes below the median. This measure is the best known and quoted indicator as it affords some comparisons with other countries. It does not, however, measure poverty as such, but rather the proportion of people below a certain income threshold who may be 'at risk of poverty'. Whether persons below the 60 per cent threshold are actually experiencing poverty will depend on a number of factors. These include:

- The degree to which income is below the relevant thresholds;
- The length of time on this relatively low income – a long such period can lead to real deprivation, as a person's assets run down and cannot be fully maintained or replaced;
- Possession and use of other assets, especially one's own home.

The 'at risk of poverty' indicator has particular limitations as a measure of poverty in the case of Ireland in recent years. It takes no account of overall living standards and fails to reflect the fact that the 60% median income threshold increased by 88% from €102.44 in 1997 to €192.74 in 2005. Over the same period, prices (CPI) increased by just 30.6%, average industrial earnings increased by 56.4% and basic social welfare payments increased by 79.1%. The high levels of economic growth led to an increase in the number of women in the workforce and, consequently, in the number of two income households. Incomes in these cases outpaced the incomes of those who were not in the workforce and of some single income families. All groups in society have benefited from economic growth, therefore the main value of the indicator is in identifying particular groups which may have difficulty keeping pace with living standards generally. It has also been acknowledged that the 'at risk of poverty' indicator is not suited to making comparisons between countries at different stages of economic development. The problems inherent in using the 'at risk of poverty' indicator for international comparisons were restated in an article last year in the UN Development Programme journal "Development and Transition", which concluded that:

- The results too often belie common sense;
- The 'at risk of poverty' label sends the wrong signal to the public and policy makers;
- The 'risk of poverty' logic does not lead to effective national policy.

A copy of this article can be accessed on the following website:

<http://www.lse.ac.uk/collections/developmentAndTransition/DevAndTransFour.pdf>

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## What is the current data on poverty?

The most up to date data on poverty in Ireland is contained in the results of the new EU Survey on Income and Living Conditions (EU-SILC) for 2005, published by the Central Statistics Office (CSO) in November 2006 ( the results, together with commentary on the key findings, can be found on the CSO website at <http://www.cso.ie/eusilc/default.htm> )

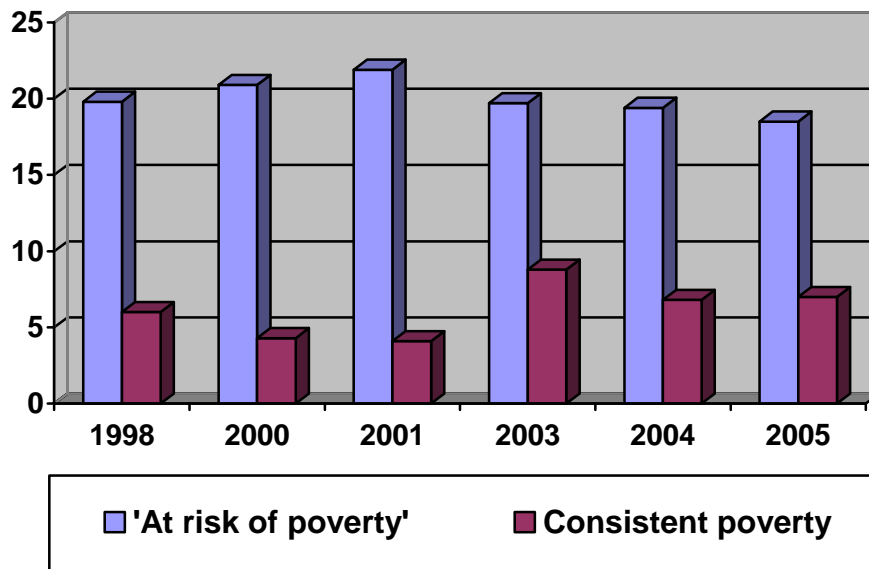
These latest survey results show that the overall rate of consistent poverty in 2005, based on the old 8-item, deprivation list was 7.0%, having reduced from 8.8% in 2003. The survey results also show a decrease in the 'at risk of poverty' rate in Ireland from 19.7% in 2003 to 18.5% in 2005, which may indicate that the distorting effect of significant structural changes to the Irish economy, detailed above, may no longer be a major factor. The reduction results in part from the successful implementation of policies to move persons from unemployment into employment and to provide substantial real increases in incomes and improvements in other services for persons not in a position to enter employment.

EU – SILC results for 2005 also record continuing positive trends in relation to poverty and social exclusion, and show the impact being made by the greatly increased resources now devoted to social welfare and other social services. For example, the survey revealed that there has been a significant decrease in consistent poverty rates for lone parent households from 31.1% to 27.2%, a drop in consistent poverty levels for people with disabilities from 21.7% to 17.4%, and a substantial drop in the number of older people 'at risk of poverty' from 27.1% in 2004 to 20.1% in 2005. Also reflected in the findings is the impact of employment in ensuring that people achieve a good standard of living, with only 1.7% of people at work experiencing consistent poverty.

EU - SILC results for 2005 includes additional information not contained in previous releases of the survey including health related variables, such as possession of medical cards and whether a person smokes. The survey also contains for the first time information on poverty rates based on nationality, with non-Irish nationals experiencing a higher 'at risk of poverty' rate (26.9%) compared to Irish nationals (18.0%). Non-Irish nationals also experience a higher consistent poverty rate at 13.1% compared to Irish nationals at 6.6%.

The following tables illustrate some of these results, together with other results from EU-SILC 2005, and also provide comparisons with earlier years.

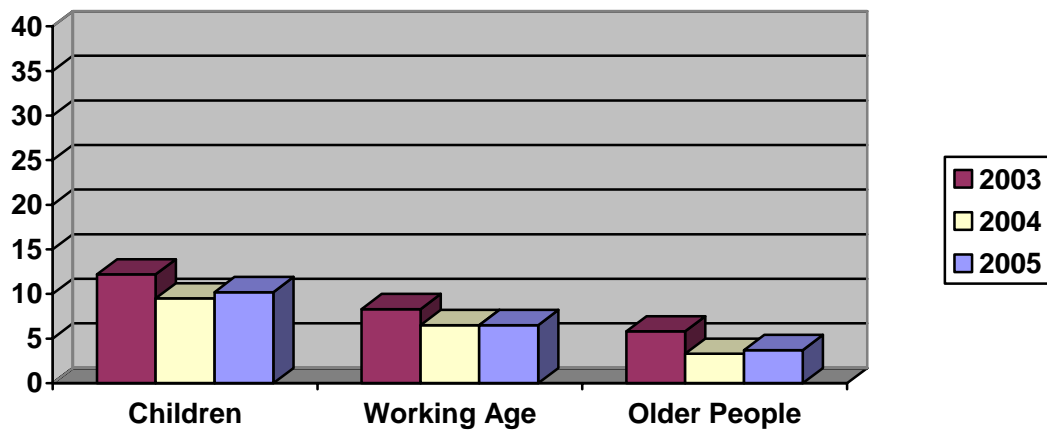
**Table 1 – 'At risk of poverty' and consistent poverty\* rates (1998 - 2004)**



Based on 60% median income threshold and using the national equivalence scale.

\* It is not possible for survey methodology reasons to draw conclusions regarding the direction or scale of any real changes in consistent poverty between 2001 and subsequent years.

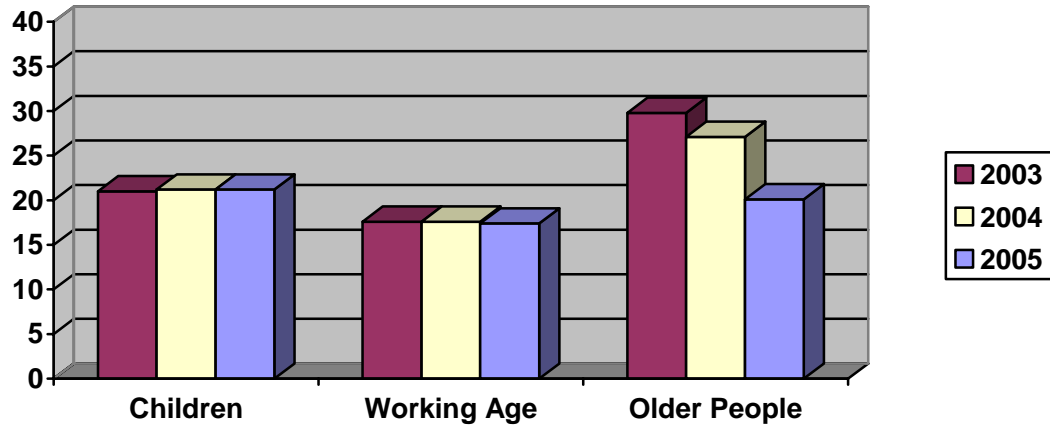
**Table 2 - Consistent poverty rates by age group (2003-2005)**



Based on 60% median income threshold and using the national equivalence scale.

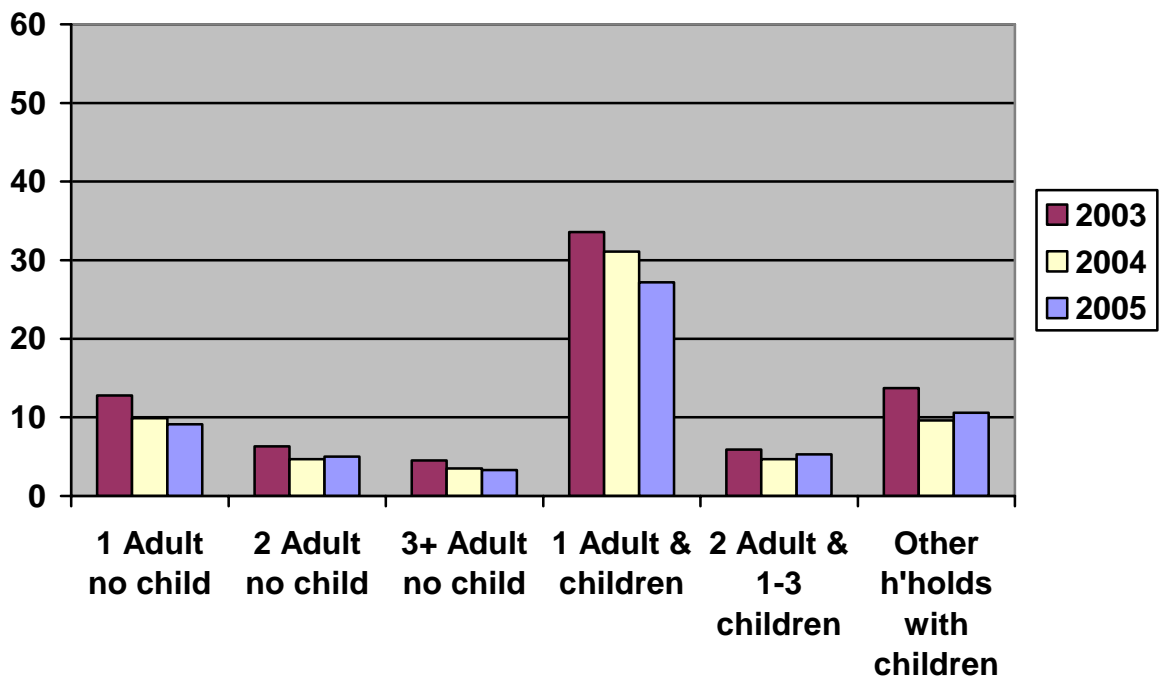
Children: aged 0-14, Working Age: aged 15-64, Older People: aged 65+

**Table 3 – ‘At risk of poverty’ rates by age group (2003-2005)**



Based on 60% median income threshold and using the national equivalence scale.  
 Children: aged 0-14, Working Age: aged 15-64, Older People: aged 65+

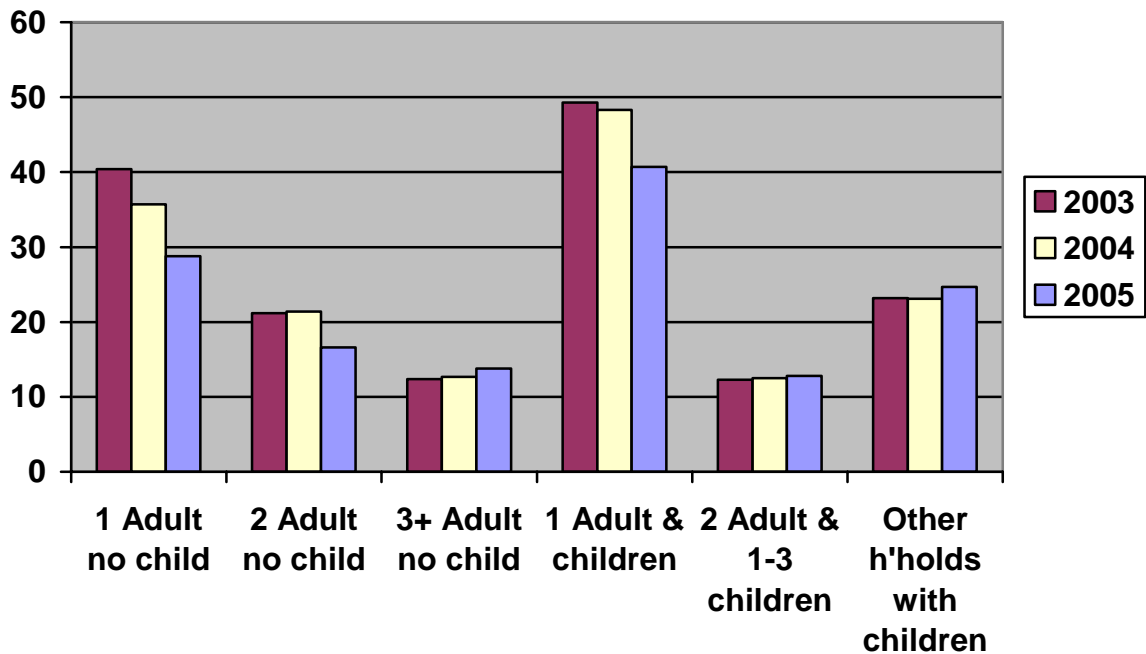
**Table 4 - Consistent poverty rates by household composition (2003 - 2005)**



Based on 60% median income threshold and using the national equivalence scale



Table 5 – ‘At risk of poverty’ rates by household composition (2003 - 2005)



### Government Response to the EU-SILC Results

In responding to the 2005 EU-SILC results, the Minister for Social and Family Affairs, Séamus Brennan T.D., said that the key results were encouraging as they showed that the greatly increased resources being devoted to social welfare and other social services were having a significant impact on poverty and social exclusion.

Furthermore, the survey clearly shows that policies and support measures that are being targeted at those who are most vulnerable, including older people, children and those with disabilities, are helping more and more people to escape poverty. For the Minister’s Press Release on the EU-SILC results, [click here](#).

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