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CORI JUSTICE COMMISSION

# Policy Briefing

## Poverty

The failure to address poverty in a sustained, effective and meaningful way is one of the major failures of Governments over the past decade. Despite the huge economic growth, the unprecedented increase in the number of people in employment and the dramatic decreases in unemployment, the numbers living in relative income poverty are not being reduced.

Over 700,000 now live in poverty, an increase of almost 84,000 since 1994 (p.4). Of these, more than 250,000 are children.

In 2004 the poverty line is €180.30 a week for a single person i.e. €9,375.60 a year (p.2). For a couple with two children the poverty line is €418.30 a week (€21,751.60 a year). These are the minimum amounts required if people are to provide the basics that would enable them to live life with dignity.

What has changed quite dramatically over the past decade is the composition of those living in poverty (p.3). For example, a

decade ago more than 40 per cent of all those living in poverty lived in a household headed by a person who was unemployed. This has now fallen to 7.3 per cent.

Today more than 60 per cent of those living in poverty live in households headed by a person who is not in the labour force (p.3).

These are people who are retired, or ill or have a disability or are in the category entitled 'home duties' which includes many carers. For these, social welfare rates are critically important.

The sustained high rates of poverty and income inequality in Ireland require greater attention. Tackling these problems effectively is a multifaceted task.

It requires action on many fronts ranging from healthcare to education, from accommodation to employment. However, the most important requirement in tackling poverty is the provision of sufficient income to people to enable them to live life with dignity. No anti-poverty strategy can

possibly achieve any success without an effective approach to addressing low incomes.

This is a critical time for Ireland. Sustained economic growth has not delivered a fairer society. The economic recovery came and delivered jobs and higher incomes but it has not led to a more just society. Significant inequalities continue to exist with respect to income, wealth, health and education.

A National Fairness Strategy is required to address these inequalities (p.4). Ireland has had a National Anti-Poverty Strategy since 1997. It has not been as effective as it should be. The figures in this *Policy Briefing* show that it has failed to tackle poverty on the scale that was required. The economic growth of the Celtic Tiger economy produced the necessary resources. But Government decisions did not prioritise the elimination of poverty.

A new approach is needed if poverty is to be eliminated in the foreseeable future.

CORI Justice Commission

Bloomfield Avenue  
Dublin 4

Phone: 01 6677363

Fax: 01 6689460

www.corie.ie/justice

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*Policy Briefing* is a regular publication issued by the CORI Justice Office. It addresses a wide range of current policy issues from the perspective of those who are poor and/or socially excluded. Comments, observations and suggestions on this briefing are welcome.



# How many are below the poverty line?

The most up-to-date data available on poverty in Ireland comes from the 2001 *Living in Ireland Survey*, conducted by the ESRI. Table 2 presents the results of that survey alongside the results of similar surveys from 1987, 1994, 1997, 1998 and 2000. These are the only years for which data are available.

Using the 50 per cent poverty line, the findings reveal in 2001, the year where Ireland attained the title as the fastest growing economy ever in the history of the OECD, almost one in every four households and one in every five people in Ireland were living in poverty.

The trend in poverty over fourteen years is also visible from table 2. Using the 50 per cent of average income poverty line the percentage of *households* in poverty has increased from 16.3 per cent in 1987 to 23.8 per cent in 2001.

The percentage of *persons* experiencing poverty remained stable across the period, with the corresponding numbers being 18.9 per cent in 1987 and 18.4 per cent in 2001.

These figures allowed the ESRI to conclude that Ireland has a high rate of relative income poverty compared to other EU countries and that it is caused by structural factors that need to be tackled while the resources are available to do so (Layte et al, 2001).

Commenting on the publication of the figures an editorial in *The Irish Times* (5 September 2002) concluded by pos-

***almost one in every four households and one in every five people in Ireland live in poverty***

ing the question “how viable is such a society in the long run?”.

Table 3 provides further detail on the composition of those in poverty. It provides a breakdown for the period 1994-2001 of those below the 60 per cent of median income poverty line (known as the *incidence* of poverty) classifying them by the labour force status of the head of household. The median income is the income of the middle person in society’s income

distribution and the 60 per cent of median income poverty line is regarded as being very similar to the 50 per cent of mean (average) income.

Table 3 shows that:

- In 2001, the majority of households in poverty were headed by a person outside the labour force. When figures for households headed by a retired person, a person who is ill/disabled and a person on home duties’ are combined they account for 59.7 per cent of all the households in poverty.
- Households headed by a person working full time in the home are the largest single group living in poverty (29 per cent).
- Households headed by a retired person make up the next largest group of households living in poverty (18.8 per cent).
- Households headed by an unemployed person and living in relative income poverty have decreased since 1994 from 41.1 per cent to 7.3 per cent in 2001.

	1987	1994	1997	1998	2000	2001
<b>Households</b>						
50 per cent line	16.3	18.6	22.4	23.8	23.7	23.8
<b>Persons</b>						
50 per cent line	18.9	17.4	18.1	19.3	18.0	18.4

	1994	1997	1998	2000	2001
Employee	8.3	11.5	6.0	15.4	18.8
Self-employed	10.1	7.8	8.3	8.2	6.6
Farmer	10.6	8.0	10.4	8.9	7.6
Unemployed	41.1	29.6	22.9	12.2	7.3
Ill / Disabled	6.2	10.4	9.1	10.7	11.9
Retired	6.0	9.1	12.0	16.3	18.8
Home Duties	17.8	23.6	31.4	28.4	29.0
<b>Total All</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Callan et al (1996: 73) and Whelan et al (2003: 11-12, 24), equivalence scale A.

## Over 700,000 live in poverty

As it is sometimes easy to overlook the sheer scale of Ireland's poverty problem it is useful to translate the poverty percentages into numbers of people.

CORI Justice Commission have combined the ESRI results for the 50 per cent poverty line (see table 2) and population statistics from the Census to calculate the numbers of people in Ireland who have been in poverty for the years 1994, 1996, 1998, 2000 and 2001. These calculations are presented in table 4.

The results give a better insight into how large the phenomenon of poverty is. Between 1994 and 2001 the num-

ber of people living in poverty increased by almost 84,000.

Although no poverty figures are available for more recent years, CORI Jus-

tice Commission's annual post-budget analysis has shown that this figure is likely to have continued to increase.

**Table 4: The numbers of people in poverty in Ireland, 1994-2001**

	% of persons in poverty	Population of Ireland	Numbers living in poverty
1994	17.4	3,585,900	623,947
1996	18.1	3,626,100	656,324
1998	19.3	3,703,000	714,679
2000	18.0	3,789,500	682,110
2001	18.4	3,847,100	707,866

## Over 250,000 children in poverty

Of all the households in Ireland that were in poverty in 2001, 55.7 per cent were households that contained children. The ESRI have found that the risk of a child being poor marginally decreased between 1994 and 2001 - from 24.5 per cent to 23.4 per cent (see table 5). However, the scale of this statistic implies that in the first year of the new millennium almost one in every four Irish children was living in poverty.

Using Census data from 2002 this translated into approximately 251,793 children living in poverty. Given that our children are our future, this finding

is shocking and not acceptable.

There is widespread support for increasing child benefit if child poverty is to be eliminated. Child benefit is also a very effective component in any strategy to improve equality. This remains a key route to tackling child

poverty and is of particular benefit to those families on the lowest incomes.

CORI Justice Commission believes that child benefit should be substantially increased. However we oppose the inclusion of child benefit as part of the parents' tax assessment.

**Table 5: Percentage of children in poverty (below 60% median income)**

	1994	1998	2001
Children (under 18 yrs)	24.5	22.6	23.4

## It is time for a National Fairness Strategy

This is a critical time for Ireland. Sustained economic growth has not delivered a fairer society. For years we were told to wait for the economic recovery that would lift all boats.

The economic recovery came and delivered jobs and higher incomes but it has not led to a more just society. Significant inequalities continue to exist with respect to income, wealth, health and education. A National Fairness Strategy is required to address these inequalities. The need for a discrete

and seismic change of direction has been recognized at various stages in the past in this society. We saw it in the late 1950s with the *First Programme for Economic Expansion* which created the conditions for a new and sustained type of economy in Ireland. The publication of the *Programme for National Recovery* in 1987 provided the impetus for a new form of social partnership that continues to impact on economic and social progress in this country.

Ireland has had a National Anti-

Poverty Strategy since 1997. To date it has not reduced poverty. In fact, the figures above show that relative income poverty has grown over the past decade.

CORI Justice Commission supports the call for a new National Fairness Strategy made by economists Eamon O'Shea and Brendan Kennelly. Such a Strategy should incorporate a values framework and significant public consultation to provide the basis for a sustained attack on inequalities in the coming decades.

# The depth of poverty is increasing

A further insight into the experience of poverty in Ireland comes from an analysis of the depth of poverty. This approach not only counts the numbers of people in poverty but also takes into account how far below the poverty line their income is (the poverty gap).

As there is a considerable difference between being €10 and €100 below the poverty line this approach is significant.

Table 6 presents the results of this analysis. In effect, the larger the figure the greater the depth of poverty being experienced. It shows that since 1994

the ESRI measure of the depth of poverty has consistently increased.

*“the disparity between the poor and the non-poor has been widening” (ESRI, 2004)*

This finding led the ESRI to conclude that “those falling below relative income thresholds are falling further and further behind the middle of the income distribution” and that “there can be no doubting that its (poverty’s) depth has been increasing and the disparity between the poor and the non-poor has been widening over time”.

	1994	1998	2001
Depth of poverty	0.0067	0.0116	0.0196

## Poverty has become more persistent

At the EU Laeken summit in 2001 one of the eighteen agreed statistical indicators of social inclusion was persistent poverty. The resulting measure of persistent poverty is defined as a person/household being below the 60 per cent of median income poverty line in the current year and for two of the three previous years.

Persistent poverty therefore identifies those persons or households who have experienced sustained levels of poverty which is seen to seriously harm their quality of life and increase their levels of deprivation.

The figures in table 7 are from the ESRI Living in Ireland Surveys for 1997, 1998, 2000 and 2001. It uses the 60 per cent of median income poverty line to measure the persistence of poverty.

In 2001 15.6 per cent of persons in Ireland were persistently poor. That

means they had an income below the poverty line in 2001 and for two of the previous three years.

The table also shows that the rate of persistent poverty has rapidly increased across this period from 10.1 per cent in 1997 to 15.6 per cent in 2001.

	1997	1998	2000	2001
60% of median income	10.1	10.3	12.7	15.6

## Poverty and older people

According to Census 2002 there are 392,836 people aged over 65 living in Ireland and of these 113,826 live alone. When poverty is analysed across the age groups dramatic differences between the young, middle aged and older people are visible.

The 2001 figures show that 17.1 per cent of all those aged between 18-64 live in relative income poverty while 44.1 per cent of those aged 65 and over are in this situation. Concurrently the risk of being in poverty has increased sharply for a household

headed by an elderly person. The ESRI found that in 1994 this stood at 6.5 per cent, by 1998 it had risen to 25.3 per cent and in 2001 it reached 36.6 per cent

Table 8 shows how the proportion of older people who are in poverty

changed between 1994 and 2001. Poverty is measured using 60% of median income.

It reports a dramatic increase in poverty among the elderly in Ireland climbing from 5.9 per cent in 1994 to 44.1 per cent in 2001.

	1994	1997	2000	2001
Aged 65 +	5.9	24.2	38.4	44.1

# Massive increases in poverty among welfare recipients

Increasingly, those dependent on social welfare benefits or assistance have experienced high levels of poverty. Table 9 presents the poverty risk figures for five groups of welfare recipients. These figures indicate the proportion of persons in receipt of each type of welfare payment who are living in poverty.

All categories have experienced large growth in their poverty risk since 1994. For example, in 1994 only 5 in every 100 old age pension recipients were in poverty. By 2001 this had increased ten-fold to almost 50 in every 100. The experience of widow's pension recipients is similar.

The lesson to be learnt from table 9 centres on the inadequacy of social welfare payments. Throughout the last decade CORI Justice Commission has

repeatedly pointed out how these have failed to rise in proportion to earnings elsewhere in society. The primary consequence of this is that recipients have slipped further and further back and as a consequence more and more have fallen into poverty. The outcome is that at least one in every four welfare

recipients is in poverty.

It is clear that adequate levels of social welfare need to be delivered. An immediate priority is to increase social welfare rates to a value equal to 30% of Gross Average Industrial Earnings by 2007.

**Table 9: Percentage of persons in receipt of welfare benefits/assistance who are living in poverty**

Welfare benefits/assistance	1994	2001
Old age pension	5.3	49.0
Unemployment Benefit/assistance	23.9	43.1
Illness/disability	10.4	49.4
Lone Parents allowance	25.8	39.7
Widow's pension	5.5	42.1

## Illness and disability

The recent ESRI study on poverty found that there had been a dramatic increase in the experience of poverty among households headed by a person who is ill or has a disability. In 1994 29.5% of such households were classified as in poverty. By 2001 this had increased to 66.5%. (Note that far more of this group are in poverty than are in receipt of social welfare payments). In simple terms this means that in 1994 approximately three out of every ten households headed by a

***people who are ill or have a disability are now the group at highest risk of living in poverty***

person who is ill or has a disability were in poverty and that by 2001 this had increased to almost seven out of every ten households. As such, they are now the group at highest risk of living in poverty.

Households headed by people who are ill or have a disability account for 11.9 per cent of all those living in relative income poverty (see table on page 3).

CORI Justice Commission believes there is a clear need to initiate targeted policies to assist this group. These include job creation, retraining and increases in social welfare supports. There is also a very strong case to be made for introducing a non means tested cost of disability allowance.

## Poverty and gender

Consistently, the results of income surveys indicate that women in Ireland experience a greater risk of poverty than men. Among all adults men experience a risk of being in poverty of 19.4% while women have a risk of 23.2%.

When analysed across age groups women are consistently found to be at a higher risk of poverty than men. The difference is particularly pronounced in the age group over 65. In that group, 50.2 per cent of women are at risk of

***women are consistently found to be at a higher risk of poverty than men***

experiencing poverty, compared to 36.1 per cent of men. The greater dependency of elderly women on social welfare payments and pensions, whose growth has lagged behind average income growth, is a major part of the reason behind this trend. Among adults aged 18-64 women have a poverty risk rate of 17.4% compared to 16.7% for men. The ESRI data record an increased risk of poverty for households headed by someone working full time in the home. The data also indicate that in 2001, 46.8 per cent of all single-adult households and 42.9 per cent of single-parent households were in poverty. All these classifications are households primarily headed by women and help explain the growth in female poverty risk.

# Main Policy Recommendations on Poverty

## CORE POLICY OBJECTIVE

**To provide all with sufficient income to live life with dignity. This would involve enough income to provide a minimum floor of social and economic resources in such a way as to ensure that no person in Ireland falls below the threshold of social provision necessary to enable him or her to participate in activities that are considered the norm for other people in society.**

- Acknowledge that Ireland has a serious poverty problem that to date has not been significantly addressed by government.
- Recognise that the nature of poverty has changed over recent years and that it is now a more persistent and deeper.
- Develop a National Fairness Strategy to address the inequalities that currently exist in income, wealth, health, education and accommodation.
- Pursue budgetary policies that will redress the imbalances of recent years where the major beneficiaries were the better off.
- Poverty-proof all public policy initiatives and provision.
- Recognise and address the very serious increases in poverty experienced by those dependent on social welfare.
- Move decisively to implement the NAPS commitment that the lowest social welfare payment for a single person will be benchmarked to 30 per cent of GAIE by 2007. To achieve this the weekly increases in the lowest social welfare payments in the next three Budgets must be €14 in 2005, €16 in 2006 and €17.90 in 2007.
- Introduce refundable tax credits as a method of addressing poverty experienced by the low-paid employees.
- Adopt more measures to immediately tackle the situation of 250,000 children living in poverty. Included in such a policy initiative should be a move to increase child benefit substantially.
- Recognise that households headed by people who are ill or have a disability are the group most at risk of poverty.
- Introduce a cost of disability allowance and establish targeted policies to assist this group including job creation and retraining schemes.
- Resource the production of up-to-date data in the area of poverty and social exclusion and ensure the publication of such data as soon as they become available.
- Move towards introducing a basic-income system which would be fairer and more efficient than the present system. This should be achieved by ensuring that all initiatives in the area of income and work constitute a positive move towards the introduction of a full basic income guarantee system.

## Poverty and local authority tenants

The results of the 1999-2000 *Household Budget Survey* revealed that when all the state's households are classified by tenure (ownership/rent status) those households who rented from local authorities had the lowest income. These households recorded an average disposable income of €306.85 per week. This income level is 44.4% below the national average of €551.60.

In November 2002, Dublin City Council published a report profiling its tenants. The report entitled *Profile of Households Accommodated by Dublin City Council* provided an insight into the socio-demographic, income and spatial patterns of 24,073 households and 67,960 individuals during 2001. The survey's findings are quiet stark.

The report found that 62.5% of all

households accommodated by Dublin City Council were in poverty. This figure is enormous when compared to the corresponding figure of 23.8% for the overall population in 2001. When income levels were assessed by person, the report concluded that 60.7% of all those living in Dublin City Council accommodation were in poverty. This figure is over three times the equivalent percentage of 18.4% in the national population for 2001.

The poverty status of children living in City Council accommodation is particularly startling. Of the 25,050 children living in the households, 65.9% of them were living in households that were in poverty. This equates to approximately 16,500 children. Again when a comparison is made between this situation and the national picture the extent of the poverty recorded be-

comes more visible. In 2001 23.4% of Ireland's children lived in households with income at less than 50% of the average. Therefore child poverty among the population housed by Dublin City Council runs at 2.8 times the national level.

Across the age groups the report found that poverty divided evenly between men and women - 59.8% for men and 61.4% for women. However the report noted that poverty rates increased with age. Of those tenants aged over 65 years more women than men were found to have incomes below half the average national income. These poverty rates were 70.3% and 65.5% respectively.

This simply confirms the impression that there is a very high level of poverty among local authority tenants.

# The working poor

Government ministers have constantly repeated the mantra that a job is the solution to poverty. Most recently, the Minister for Finance in Budget 2004 criticised those he said “fail to see that job creation is the appropriate goal if we are to achieve real social inclusion”.

However, this position is a misreading of reality. While those who get jobs that pay good wages will move out of relative income poverty immediately, the situation is very different for many who are in low-paid jobs. Indeed statistics from the CSO show that the trend in poverty and unemployment has been moving in opposite directions since 1994.

The growth in jobs over recent years has been dramatic and many have benefited from the rapid rise in the number of jobs available.

However, it is important to realise that having a job is not, of itself, a guarantee that one lives in a poverty-free household. As table 3 (see page 3) has shown, 18.8 per cent of all those households in poverty are headed by an employee. This figure has dramati-

## *while jobs are important they are not the solution to Irelands current poverty problem*

cally increased from only 6 per cent in 1998.

These are remarkable statistics. Action is urgently required to address this problem of increasing numbers of low-paid poor people. The most effective mechanism within the present system would be to make tax credits refund-

able. This would mean that the part of the tax credit which a low-paid employee did not benefit from would be refunded to him/her by the state. CORI Justice Commission has given significant attention to such a system in our recent socio-economic review entitled *Priorities for Fairness*.

These findings combined with the fact that 59.7 per cent of those households in poverty are headed by a person outside the labour force (ill/disabled, retired or on home duties) underscores the message that while jobs are important they are not the solution to Irelands current poverty problem.

The old mantra no longer applies in the majority of cases. Consequently, CORI Justice Commission believes that adequate social welfare payments are essential if poverty is to be addressed in any meaningful way.

## Other Justice Commission Publications

The following documents are available for purchase from the Justice Commission Office:

- **Policy Briefing on Taxation - May 2004**
- **Priorities for Fairness (Justice Commission's annual socio-economic review) - April 2004**
- **Policy Briefing on Housing and Accommodation - March 2004**
- **Policy Briefing on Work, Unemployment and Job Creation - February 2004**
- **Budget Analysis and Critique - December 2003**

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## Social Policy Conference 2004

CORI Justice Commission's 17th annual social policy conference will focus on taxation policy. The conference will address a wide range of issues including major challenges facing Ireland today on issues such as how the tax-base could be widened and how the tax system could promote social inclusion.

Put the date in your diary

**October 20th, 2004**