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Poverty

CORI JUSTICE

Policy Briefing

CORI Justice
Bloomfield Avenue
Dublin 4

Phone: 01 6677363

Fax: 01 6689460

www.corii.ie/justice

Poverty is falling but is still too high. The increases in social welfare rates sought by CORI Justice and delivered in recent Budgets has seen the risk of poverty reduced from 21.9% in 2001 to 18.5% in 2005 (the most recent year for which statistics have been published by the Central Statistics Office).

This global figure hides developments such as the dramatic fall in the risk of poverty among people aged 65+ which has fallen from 44.1% in 2001 to 20.1% in 2005.

However, Ireland still has a poverty problem. In 2007 the poverty line for a single person is €209.87 a week or €10,951 a year. For a household of four it is €486.90 a week or €25,406 a year.

More than three quarters of a million people are at risk of poverty with incomes below this level. Almost 25% of all those at risk of poverty live in households headed by a person who is employed. 22% of all children under 16 years of age are at risk of poverty.

More than 40% of those who are ill or have a disability are at risk of poverty. More than 40% of people who are unemployed are also at risk of poverty. 26.9% of foreign nationals are at risk of poverty; a figure that is almost 50% higher than the rate for Irish nationals.

This *Policy Briefing* provides the details on these numbers. The conclusion is clear: there are too many people at risk of poverty in Ireland today.

On February 21st Government published its *National Action Plan for Social Inclusion 2007-2016 (NAPinclusion)* (see pp. 4-5).

This Action Plan contains a number of positive initiatives that are welcome such as the benchmarking of the lowest social welfare rates, the tackling of social housing problems and the provision of 500 primary care teams. (see p. 5)

However the Plan completely fails to address the 'working poor' issue which is one of the major challenges facing Ireland if social exclusion is to be

addressed effectively. 7% of those in employment are living at risk of poverty. This means that just over 138,000 people in employment are at risk of poverty according to the latest CSO statistics.

Overall CORI Justice believes that the Plan lacks ambition. Given the extraordinary economic growth of the past decade and given the numbers at risk of poverty and the deficits in social services and social infrastructure that are causing social exclusion for so many people across the country, more ambitious targets and goals would have been expected.

If Ireland cannot tackle poverty and social exclusion in the present economic circumstances it will never do so. We are disappointed that more challenging targets and timeframes were not included in this Plan.

Progress is being made on reducing poverty but the poverty rate is still too high.

Ireland should set a target of reducing the risk of poverty to the EU average rate (16%) by 2011 and reducing that further by 2016.

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Policy Briefing is a regular publication issued by CORI Justice. 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 2005 *EU-SILC* survey, conducted by the CSO. Table 2 presents their key findings showing poverty levels among the Irish population.

Using the EU poverty line set at 60 per cent of median income, the findings reveal that in 2005 just under one in every five (18.5%) of those living in Ireland were living in poverty.

The table also indicates that there has been an overall growth in the proportion of the population living below the poverty line over the last eleven years. Data for 1994, 1998, 2001, 2003, 2004 and 2005 show that the proportion of the population in poverty has risen from 15.6 per cent in 1994 to 18.5 per cent in 2005.

As it is sometimes easy to overlook the sheer scale of Ireland's poverty problem table 2 translates the poverty percentages into numbers of people. The results give a better insight into how large the phenomenon of poverty is.

However, the most recent data indicate that the poverty levels have fallen over the past few years. This decrease can be directly related to the increases in social welfare payments sought by CORI Justice and delivered over recent Budgets.

Table 3 presents the results of a CSO analysis that shows without the social welfare system Ireland's poverty rate in 2005 would have been 40.1 per cent. The actual poverty figure of 18.5 per cent reflects the fact that social welfare payments reduced poverty by 21.6 per cent.

Looking at the impact of these payments on poverty over time it is clear that the recent increases in social welfare have yielded noticeable reductions in poverty levels. The small increases in social welfare payments in 2001 are reflected in the smaller effects achieved in that year. Conversely, the larger increases in recent years have delivered greater reductions. This has occurred even as pov-

erty levels before social welfare have increased. CORI Justice has warmly welcomed these increases and if the government continues to maintain a benchmarked social welfare payment, as agreed under the *NAPinclusion*, these figures measuring the role of

erty rate will decrease to EU levels over the next 3-5 years.

Finally, table 3 examined the number of adults in poverty in Ireland classified by their principle economic status (we discuss children on p7). The calculations show that one-fifth of Ireland's adults who have an income below the poverty line are employed. More than four in ten adults who are at risk of poverty in Ireland (42.4 per cent) are associated with the labour market (classified as in work, unemployed or ill/disabled). The remaining 55.4 per cent of adults who are poor are classified as being outside the labour market.

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social welfare in reducing poverty will increase. We believe that if this policy approach is maintained Ireland's pov-

Table 2: The numbers of people in poverty in Ireland, 1994-2005

	% of persons in poverty	Population of Ireland	Numbers living in poverty
1994	15.6	3,585,900	559,400
1998	19.8	3,703,000	733,194
2001	21.9	3,847,200	842,537
2003	19.7	3,978,900	783,843
2004	19.4	4,043,800	784,497
2005	18.5	4,130,700	764,179

Table 3: The role of Social Welfare (SW) payments in addressing poverty

	2001	2003	2004	2005
Poverty levels before SW	35.6	37.2	39.8	40.1
Poverty levels after SW	21.9	19.7	19.4	18.5
The role of SW	-13.7	-15.7	-20.4	-21.6

Table 4: Composition of adults in poverty, by principle economic status, 2003-05

	2003	2004	2005
At work	21.4	19.8	21.4
Unemployed	10.2	8.5	10.2
Students and school attendees	11.5	13.1	18.3
On home duties	30.1	31.0	26.9
Retired	12.0	12.3	10.2
Ill/disabled	12.2	11.7	10.8
Other	2.5	3.6	2.2
Total	100.0	100.0	100.0

What *NAPinclusion* proposes 2007-2016

Government published its *National Action Plan for Social Inclusion 2007-2016* (*NAPinclusion*) on February 21, 2007. It sets out Government proposals to address social exclusion.

The Government has identified a number of high level strategic goals in certain key priority areas. They focus on:

- ensuring children reach their true potential;
- supporting working age people and people with disabilities, through activation measures and the provision of services to increase employment and participation;
- providing the type of supports that enable older people to maintain a comfortable and high-quality standard of living;
- building viable and sustainable communities, improving the lives of people living in disadvantaged areas and building social capital.

The overall poverty goal 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 high level goals are aimed at:

- The provision of targeted pre-school education;

- Reducing literacy difficulties and tackling early school leaving;

- Maintaining the combined value of child income support measures at 33%-35% of the minimum adult social welfare payment rate;

- Introducing an active case management approach to support those on long-term social welfare into education, training and employment, with an overall aim of reducing by 20% the number of those whose total income is derived from long-term social welfare;

- Maintaining the relative value of the lowest social welfare rate;

- Continuing to increase investment in community care services for older people;

- Maintaining, and if possible enhancing, the value of the State Pension;

- Increasing the employment and participation of people with disabilities;

- Delivering increased housing output to meet the accommodation needs of some 60,000 new households, the homeless, Travellers, older people and people with disabilities;

- Developing 500 primary care teams to improve access to services in the community, with particular emphasis on meeting the needs of holders of medical cards;

- Developing a strategy aimed at achieving the integration of newcomers in our society.

In addition to the high level goals, there are some 154 targeted actions and interventions set out in the Plan designed to ensure that a decisive impact is made on poverty.

Response

This Action Plan contains a number of positive initiatives that are welcome such as the benchmarking of the lowest social welfare rates, the tackling of social housing problems and the provision of 500 primary care teams.

However the Plan completely fails to address the 'working poor' which is one of the major challenges facing Ireland if social exclusion is to be addressed effectively.

Overall the Plan is very unambitious. Given the extraordinary economic growth of the past decade and given the numbers at risk of poverty and the deficits in social services and social infrastructure that are causing social exclusion for so many people across the country, more ambitious targets and goals would have been expected.

If we cannot tackle poverty and social exclusion in the present economic circumstances we will never do so.

We are disappointed that more challenging targets and timeframes were not included in this Plan.

The 'working poor' are ignored in new Action Plan

The failure of the new *NAPinclusion* to address the issue of the working poor in an effective way is unacceptable. 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. 7% of those at work are living at risk of poverty. This means that just over 138,000 people in employment are at risk of poverty according to the latest

CSO statistics. A closer analysis of these statistics shows that close to a quarter of all those at risk of poverty live in households headed by a person who has a job or is self-employed.

These are remarkable statistics. Action is urgently required to address this problem.

The sustained commitment in recent budgets to keep those in the minimum wage out of the tax net marks a welcome move in this direction. Similarly, attempts to increase awareness among low income employed families of their

entitlement to the Family Income Supplement (FIS) are helpful.

However, the most effective mechanism available in the present system to address the problem of the 'working poor' would be to make tax credits refundable.

The failure to address this crucial issue means that the risk of poverty being experienced by a very substantial group of people is ignored in the *NAPinclusion*. Their plight must be addressed if Ireland's poverty and social exclusion is to be addressed effectively.

Welcome commitments in *NAPinclusion* 2007-2016

The definition of poverty and social exclusion Government first adopted in 1997 is repeated in the new *NAPinclusion*. This states that *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 that 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 that are considered the norm for other people in society.* CORI Justice welcomes the retention of this definition.

We also welcome:

- The commitment to benchmark the lowest social welfare rate for a single person at 30% of gross average industrial earnings. [This target was reached in Budget 2007 and will now be maintained until 2016.]
- The commitments on social housing which should see the provision of sufficient accommodation for all those in need by 2013. While much greater progress towards achieving this target could and should have been achieved over the past decade, the acceptance of this target now is a big step in the right direction.
- The commitment to provide 500 primary care teams by 2011.
- The expansion of the Technical Advisory Group on poverty measurement to include technical experts from the Social Partners. [Measuring poverty must move away from focusing on 'consistent' poverty and adopt a more credible index e.g. persistent poverty.]
- The commitment to develop and strengthen the County/City Development Board structure and to prioritise the work of the Social Inclusion Monitoring (SIM) groups as part of these Boards.

Lack of ambition in *NAPinclusion* targets and goals

The National Action Plan for Social Inclusion 2007-2016 (*NAPinclusion*) is very unambitious. Despite the fact that more than 18% of the population are at risk of poverty the *global poverty target* fails to address this issue.

Despite the fact that Ireland's social services in areas such as healthcare and education are below the EU average and despite the fact that infrastructure such as public transport is also below the norm expected in EU countries with a comparable level of income, none of these problems is addressed adequately in the new Action Plan.

For example:

- The target for literacy among people 16-64 will, at best, see 10% of this age group still being illiterate in 2016.
- The target for completion of upper second-level education or equivalent for people in the 20-24 age group is 90% by 2013.
- The target for pupils with serious literacy difficulties in primary schools in disadvantaged communities is to reduce this level to less than 15% by 2016.

The levels of ongoing illiteracy accepted by these targets is remarkable. How can people with literacy problems function effectively in the economy and society that is emerging in Ireland? How can they get meaningful jobs?

Other examples of lack of ambition include:

- The failure to commit to the introduction of a cost of disability allowance despite the fact that it is clear such a payment is required, and
- The emphasis on 'consistent' poverty which is a measurement no other developed country uses.

€200m not delivered

The failure of the new *NAPinclusion* to deliver new funding for the Community and Voluntary sector raises serious questions concerning Government's commitment to honour the terms of the national agreement *Towards 2016* which sees this sector playing a major role in delivering that agreement's social policy commitments.

An additional €200m had been sought by the C&V Pillar of social partners as part replacement for the money taken out of the sector with the reduction in the number of places on the Community Employment scheme (which followed the fall in unemployment) in recent years. A commitment to additional funding on this scale is essential to legitimate Government bona fides in this areas.

Qualifying adult SW rates

At present the welfare system provides a basic payment for a claimant whether a pension, a disability or a job-seeker's payment etc. It then adds an additional payment of about two-thirds of the basic payment for the second adult in the household (QAA).

Almost six out of every ten people at risk of poverty live in households *outside* the labour force (they are elderly, ill, have a disability or are in caring roles). As a means of targeting these groups CORI Justice believes that where a couple are in receipt of welfare payments, the payment for the second adult should be increased to equal that for the first person. We regret Government's failure to make a commitment along these lines which would dramatically lower the risk of poverty in this Year of Equal Opportunity for All.

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 society generally.

- Acknowledge that Ireland has an ongoing poverty problem.
- Honour the *NAPinclusion* and *Towards 2016* commitment that the lowest social welfare payment for a single person will be benchmarked to 30 per cent of GAIE from 2007-2016.
- Address the problems of child poverty through the introduction of a refundable tax credit for all children irrespective of the labour force status of their parents. This would address child poverty and childcare costs.

- Raise the 'qualifying adult' social welfare payments until they reach the single-adult payment rate.
- Introduce a cost of disability allowance as a means of addressing the poverty and social exclusion experienced by people with a disability.
- Recognise the problem of the 'working poor' and adopt policies to improve the situation of the 138,000 workers and their families who are living in this situation.
- CORI Justice believes that a Government commitment to:
 - ⇒ benchmarked social welfare payments,
 - ⇒ equity of social welfare rates,
 - ⇒ early childhood supplements,
 - ⇒ higher state pensions and cost of disability paymentswould lead to Ireland's poverty risk levels falling to at least the EU level over the next few years. Government should adopt these policy reforms so that this goal is achieved.
- Pursue budgetary policies that will

continue to address the imbalances of previous years where the major beneficiaries were the better off.

- Poverty-proof all public policy initiatives and provision.
- Recognise the new problems of poverty among migrants and adopt policies to assist this group.
- Adopt a new approach to measuring deprivation - one that uses regularly updated indicators reflective of society as it currently is.
- Continue to 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.
- Accept that persistent poverty should be used as the primary indicator of poverty measurement once this data becomes available (late 2008).
- Move towards introducing a basic income system. All initiatives in the areas of income and work should constitute positive moves towards the introduction of a full basic income guarantee system.

Child Poverty

One of the most vulnerable groups in any society are children and consequently the issue of child poverty is one that deserves particular attention.

Child poverty is measured as the proportion of all children aged less than 16 years who live in households that have an income below the 60 per cent of median income poverty line.

In 2005 there were approximately 913,000 children aged between 0 and 15 years living in Ireland. Of these the CSO found that 22.0 per cent were at risk of poverty. This amounts to 200,860 children.

The scale of this statistic is shocking. Given that our children are our future, this finding is not acceptable. Furthermore, the fact that such a large proportion of our children are living below the poverty line has obvious implications for the education system and the success of these children within it.

CORI Justice anticipates that these figures are likely to decrease when the 2006 poverty data becomes available (in late 2007). This should occur as a result of the introduction of the early childhood supplement of €1,000 per child under 6 years in Budget 2006.

The Experience of Poverty

What is the minimum essential amount of money a person or household needs to enable them to have an acceptable standard of living? A report published during the last year by the Vincentian Partnership for Social Justice addressed this question. Entitled *Minimum Essential Budgets for Six Households*, the research identified for the first time the income needed for a household to have a minimum essential lifestyle in modern Ireland.

The report provides detailed information on the actual cost of a minimum essential standard of living for six household types. The study looked in detail at the following households: 2 parents and 2 children (aged 3 and 10); 2 parents and 2 children (aged 10 and 15); lone parent and 2 children (aged 3 and 10); pensioner couple, single female pensioner and single adult male. It found that most households on social welfare or the minimum wage do not have enough income to sustain a basic standard of living. The weekly incomes for five out of six household types surveyed fell well short of a basic standard of living. The gap varied by between €10 and €150.

A summary of the report is available at www.vpsj.ie

Moving to Persistent Poverty: Poverty targets post 2008

CORI Justice is committed to using the best and most up-to-date data in its ongoing socio-economic analysis of Ireland. We believe that to do so is crucial to the emergence of accurate evidence based policy formation. It also assists in establishing appropriate and justifiable targeting of state resources.

At the intergovernmental conference in Laeken during 2001, the EU adopted a set of 18 commonly measures indicators to monitor socio-economic progress across all of the member states. Data for these measures is to be collected annually in the EU-SILC survey.

The availability of annual data on poverty, incomes and living conditions is an important move. It facilitates a more informed and timely assessment of these issues than was achievable

in the past. It will also allow us to more closely track changes over time and to make accurate comparisons across all 27 EU member states.

Among the Laeken indicators is an indicator of persistent poverty. This

Persistent poverty identifies those who have experienced sustained exposure to poverty

indicator measures the proportion of those 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 who have experienced sustained exposure to poverty which is seen to seriously harm their quality of life and increase their levels of deprivation.

To date the *EU-SILC* survey has not produce any results for this measure – the survey needs to run for four full years before it is possible to provide this insight. While some initial indications will be available in late 2007, the first set of results will be available in late 2008 (covering full *EU-SILC* samples from the years 2004-2007).

Once this data becomes available CORI Justice believe that it should be used as the primary basis for setting poverty targets and monitoring changes in poverty status. Existing measures (relative and consistent poverty) should be maintained as secondary indicators.

We believe that the CSO should produce comprehensive breakdowns of those in persistent poverty, similar to the approach they currently take with relative income poverty.

Other CORI Justice Publications

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

- **Analysis and Critique of Budget 2007**
- **Developing a Fairer Ireland** (CORI Justice annual socio-economic review - 2006)
- **Policy Briefing on Environment**
- **Policy Briefing on Rural Development**
- **Analysis and critique of social aspects of the national agreement *Towards 2016***

You may also download these documents, and many more, for free on our website.

Social Policy in Ireland - Principles, Practice and Problems published by Liffey Press in conjunction with CORI Justice, is also available at €27.95.

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www.cori.ie/justice

CORI Justice publishes regular briefings on a wide range of public policy issues. CORI Justice's core areas of work are: public policy; spirituality; enabling and empowering; and communication.

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