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Poverty

SOCIAL JUSTICE IRELAND

Policy Briefing

After several years of taking effective initiatives to reduce poverty Government has reversed its approach in Budget 2010.

Increasing the lowest social welfare rates was the key to reducing poverty from 19.7% in 2003 to a record low of 13.9% in 2008. This approach was supplemented by a wide range of initiatives aimed at mobilising local communities to tackle poverty effectively in their local areas. (cf. p.5)

Budget 2010 reversed both of these approaches. Social welfare rates were reduced resulting in Ireland's most vulnerable people being worse off in 2010 than in 2009.

Likewise, the funding for addressing poverty and social exclusion at local level was also reduced. This can be seen in two areas.

Firstly, organisations in the community and voluntary sector saw their financing being reduced at the same time as the pressure on the services they provide were growing dramatically as unemployment increased.

Secondly, programmes

such as the community development programme (CDP) were also reduced and the voluntary involvement of large numbers of local people in these initiatives was jeopardised.

Budget 2010 suggests that Government has forgotten the lessons that have been learned in recent years. The strategies that had been reducing poverty have been reversed. As a result poverty is likely to increase in 2010 and beyond.

This is even more regrettable given that 2010 is the EU Year Against Poverty and Social Exclusion. It is now likely that Ireland will mark this 'year' by increasing poverty and social exclusion. (cf. p.8)

Government has claimed it had no choice in making the decisions it made. But this is not true. *Social Justice Ireland* produced a detailed set of fully-costed proposals that showed how Government could have achieved the adjustments of €1bn it sought in Budget 2010 without reducing social welfare rates and without cutting the funding for organisa-

tions and programmes addressing poverty and social exclusion.

There are almost 615,000 people at risk of poverty in Ireland. Almost 200,000 of these are children; 116,000 are employed (these are the 'working poor'). All of these numbers are extremely disturbing.

Child poverty is likely to rise after Budget 2010. Ireland's support for children is most inadequate and they were one of the big 'losers' in the recent Budget. (cf. p.4)

The number of the 'working poor' is also set to rise as Government has failed to address this issue in recent years. (cf. p.4)

There are large regional differences in the levels of poverty with 9.3% of people in Dublin at risk of poverty compared to 22.7% in the Midlands. (cf. p.6)

Government needs to change direction in its approach to reducing poverty. A good starting point would be for Ireland and the EU to adopt a target of 'zero poverty' to be reached by 2020. (cf. pp.7-8).

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Policy Briefing is a regular publication issued by Social Justice Ireland. 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 2008 EU-SILC survey, conducted by the CSO (published in late November 2009). 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 2008 almost 14 out of every 100 people in Ireland was living in poverty.

The table also indicates that in recent years the rates of poverty have decreased significantly to reach record levels. These recent decreases in poverty levels must be welcomed. They are directly related to the increases in social welfare payments delivered over the Budgets spanning these years (see p4).

As it is sometimes easy to overlook the scale of poverty in Ireland, table 2 translates the poverty percentages into numbers of people. The results give a better insight into how large the phenomenon of poverty is and show that in 2008 almost 615,000 people lived with incomes below the poverty line.

The table's figures are telling. Over the past decade more than 225,000 people have been lifted out of poverty. Furthermore, over the period from 2004-2008, the period corresponding with consistent Budget increases in social welfare payments, over 170,000 people have left poverty. However, the fact that there are now almost 615,000 people in Ireland living life on a level of income that is this low must be a major concern.

Table 3 presents the results of a CSO analysis that shows without the social welfare system Ireland's poverty rate in 2008 would have been 43 per cent. The actual poverty figure reflects the fact that social welfare payments reduced poverty by 28.6 per cent.

Looking at the impact of these payments on poverty over time it is clear that the 2004-08 increases in social welfare 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 poverty levels before social welfare have increased.

Over the past decade more than 225,000 people have been lifted out of poverty

Finally, table 4 examines the number of adults in poverty in Ireland classified by their principle economic status - the main thing that they do (we discuss children on p4).

The calculations show that over one-

quarter of Ireland's adults who have an income below the poverty line are employed. Overall, 37 per cent of adults who are at risk of poverty in Ireland are associated with the labour market (classified as in work or unemployed). The remaining adults who are poor are classified as being outside the labour market.

The forthcoming SJI Socio-Economic Review 2010 will provide additional analysis on poverty in Ireland

Table 2: The numbers of people in poverty in Ireland, 1994-2008

	% 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	4,045,200	784,769
2005	18.5	4,133,800	764,753
2006	17.0	4,239,800	720,766
2007	15.8	4,339,000	685,562
2008	13.9	4,422,100	614,672

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

	2001	2004	2006	2008*
Poverty levels before SW	35.6	39.8	40.3	43.0
Poverty levels after SW	21.9	19.4	17.0	14.4
The role of SW	-13.7	-20.4	-23.3	-28.6

Table 4: Composition of adults in poverty, by principle economic status, 2003-08

	2003	2006	2008*
At work	21.4	21.9	26.2
Unemployed	10.2	11.3	11.2
Students and school attendees	11.5	20.4	18.0
On home duties	30.1	25.1	26.0
Retired	12.0	7.9	6.7
Ill/disabled	12.2	10.9	9.0
Other	2.5	2.5	2.9
Total	100.0	100.0	100.0

* Data for 2008 not excluding SSIA effect as not published by CSO

'Working Poor': the 2nd largest group in poverty

Of the almost 615,000 people in poverty in Ireland, the largest group are children (see below) while the 'working poor' are the second largest group comprising approximately 116,000 individuals.

The growth in jobs over the years leading up to the collection of this data in 2008 was dramatic; the subsequent increase in unemployment will only begin to impact on the 2009 poverty figures due for release in late 2010 (see p8). 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 4 (page 3) indicated 26.2 per cent of all adults classified as being at risk of poverty in Ireland are at work. Among all those at work this represents 6.6 per cent of all workers.

This is a remarkable statistic and it is

important that policy begin to address this problem. Policies which protect the value of the minimum wage and attempt to keep those on that wage out of the tax net are relevant policy initiatives in this area. Similarly, attempts to increase awareness among low income working families of their entitlement to the Family Income Supplement (FIS) are also welcome; although evidence suggests that FIS is experiencing dramatically low take-up and as such has questionable long-term potential.

However, the most effective mechanism available within the present system to address the problem of the working poor would be to make tax credits refundable. This would mean that the part of the tax credit that an employee did not benefit from would be "refunded" to him/her by the state. The major advantages of making tax credits

refundable would lie in both increasing the fairness of the taxation system and in addressing the disincentives currently associated with low-paid employment. The main beneficiaries of refundable tax credits would be low-paid employees; those who comprise the 'working poor'.

As a means of progressing this issue *Social Justice Ireland* is completing a major empirical study of refundable tax credits. The study uses major national datasets to simulate and accurately cost the introduction of a refundable tax credit system. It is intended to produce a detailed report based on the findings over the next few months.

We look forward to publishing the results of this study which we believe will stimulate and inform the debate on this issue in the years to come.

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 17 years or younger who live in households that have an income below the 60 per cent of median income poverty line. Table 5 summarises the key figures on child poverty. Over the period 2006-08 the level of child poverty marginally declined. However, almost 1 in 5 children remain poor - representing almost 200,000 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. The long-term cost of child poverty, for children and for society, necessitates that this issue be given greater attention.

Child benefit remains a key route to tackling child poverty and is of particular benefit to families on the lowest incomes. Similarly, it is a very effective element in any strategy to improve equality and childcare. Consequently, it is of some concern that Government has cut child payments in recent Budgets. On foot of these policies, it is likely that over the next few years child poverty will increase once again - a major step backwards for Ireland's children.

Table 5: Child Poverty in Numbers

% Children in poverty, 2008	17.4
2008: No. of children in poverty (under 16yrs)	168,420
2008: No. of children in poverty (under 18yrs)	200,998

Households and poverty

Given that households are taken to be the 'income receiving units' (income flows into households who then collectively live off that income) there is an attraction in assessing poverty by household type. Table 6 examines the composition of poverty by household type.

Table 6: Households below the poverty line classified by principal economic status of head of household, 2008

At work	39.6
Unemployed	11.5
Students/school attendees	4.1
On home duties	25.7
Retired	7.9
Ill/disabled	10.1
Other	1.1
Total	100.0

Social Justice Ireland welcome the fact that the CSO have, at our suggestion, begun to publish the *SILC* poverty data broken down by household category. From a policy formation perspective, having this information is crucial as anti-poverty policy is generally focused on households (households with children, pensioner households, single person households etc). This data shows that in 2008 39.6 per cent of households who were at risk of poverty were headed by somebody who was employed. Almost 45 per cent of households at risk of poverty were found to be headed by a person outside the labour force.

Welfare increases drive major reduction in poverty

As the Irish Economy boomed from the mid-1990s into the start of this century policy makers tended to focus on those with a job, through tax cut and wage increases, and ignore those dependent on the state through welfare payments.

Consequently, accompanying this period of boom was a boom in poverty levels and numbers. A few of the key indicators of this include:

- Poverty increased from 15.6% of the population in 1994 to reach a peak of 21.9% in 2001.
- There was in excess of 250,000 more people in poverty in Ireland in 2001 than there was in 1994.
- Ireland's level of poverty became one of the highest in Europe.
- The rate of poverty among the elderly (aged 65yrs+) climbed from 5.9% in 1994 to reach 44.1% in 2001.
- The rate of poverty among people who were unable to work due to illness or disabled climbed from 29.5% in 1994 to 66.5% in 2001.

Elsewhere, poverty rates either increased or stabilised (at high levels) for groups such as the unemployed, single parents, children and workers with low skills.

The campaign to address these forgotten groups in society was the focus of the work of *Social Justice Ireland's* predecessor (CORI Justice) for much of the last decade. We argued that ignoring the living standards and well-being of such a large proportion of society was unacceptable. Furthermore, as the income of these groups slipped further and further behind the rest of society they were likely to be unable to experience what the NAPS definition of poverty (see p2) described as 'a standard of living that is regarded as acceptable by Irish society generally' and as a consequence would be 'excluded and mar-



ginalised from participating in activities that are considered the norm for other people in society'.

The most recent data from the CSO demonstrate that the welfare increases we successfully lobbied for in Budgets from 2005 onwards have translated into having major impacts on poverty. The impact of these increases in welfare payments are outlined in table 7.

A few additional indicators of this transformation include:

- The rate of poverty declined to reach a record low of 13.9%.
- Ireland's poverty rate dropped to below the EU average for the first time and has moved to become one of the lowest poverty countries in the EU.
- Between 2004-2008 the number of people experiencing poverty declined by over 170,000 people.
- Poverty rates dropped among all groups in society with the biggest decreases being experienced by the elderly, the ill and disabled, the unemployed and children.

A CSO analysis of the SILC income data over the period from 2003 to 2008 has identified that the role of welfare payments in reducing the experience of people living in poverty in Ireland doubled between 2001 and 2008 (see table 3 on p3). In 2001 the collective impact of welfare payments on poverty was to reduce it by 13.7%. By 2008 this had increased to 28.6%.

Many policy mistakes have been made by Irish Government over the last decade. As the impacts of these mistakes have unfolded over the past 18 months Ireland's economy and its people have suffered - an experience that is likely to continue for a number of years. However, it is crucial that the policy successes of recent years are not disregarded or dismissed alongside these policy failures.

The success of Government in addressing the situation of those worst-off in Irish society was very significant. Government needs to return to the strategies that produced such good results and build on them. (cf. p1)

Table 7: Annual welfare increases and annual poverty figures, 2003-2008.

	2003	2004	2005	2006	2007	2008
↑ Minimum Welfare Payment	+ €6	+ €10	+ €14	+ €17	+ €20	+ €12
Poverty rate (%)	19.7	19.4	18.5	17.0	15.8	13.9

Large regional differences in levels of poverty

The 2008 *EU-SILC* results have provided for the first time a detailed regional breakdown of poverty levels. The data, presented in table 8, suggests a very uneven national distribution of poverty.

In Dublin and the Mid-East approximately one in ten people live in poverty while the figures are twice this in the Mid-West and the Midlands. As this is the first year these figures have been produced the explanations to accompany them, other than that there are a higher percentage of people with lower incomes in these areas, is not yet clear. However, the analysis does underscore the need to think about poverty in both national and regional terms - a perspective absent from analysis in this area heretofore.

Table 8 also reports that poverty is more likely to occur in rural areas than urban areas. In 2008 the risk of poverty in rural Ireland was 6.9 per cent higher than in urban Ireland with at risk rates of 18.2 per cent and 11.3 per cent respectively.

Table 8: Risk of poverty by region and area, 2007/08

	2007	2008
Border	17.8	16.6
Midlands	29.7	22.7
West	19.4	16.1
Dublin	11.5	9.3
Mid-East	8.1	10.2
Mid-West	19.0	21.3
South-East	18.0	15.4
South-West	17.1	13.0
Urban Areas	14.3	11.3
Rural Areas	18.4	18.2
Overall Population	15.8	13.9

For more information on poverty see our website:

www.socialjustice.ie

Minimum Income Study

For some years there existed a lack of information on the life experiences of those families living on a low income. Fortunately a recent report published by the Vincentian Partnership for Social Justice casts new light on the challenges faced by people living on low incomes.

Current debates about the extent of poverty and whether or not it can be reduced or eliminated suffer from the absence of agreed empirically based income standards. What is the minimum essential amount of money a person or household needs to enable them to have an acceptable standard of living? The Vincentian report addressed this question in their study entitled *Minimum Essential Budgets for Six Households*. The results of this research project show for the first time the income needed for a household to have a minimum essential lifestyle in modern Ireland. The households studied included: 2 parents and 2 children (aged 3 and 10); 2 parents and 2 children (aged 10 and 15); a lone parent and 2 children (aged 3 and 10); a pensioner couple, a single female pensioner and a 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 gap between the basic standard of living and the actual incomes of these households varied by between €10 and €150 a week.

This study has major implications for government policy if poverty is to be eliminated. It can be downloaded from www.budgeting.ie

Poverty and Education

The 2008 *SILC* results provide an interesting insight into the relationship between poverty and completed education levels. Table 9 reports the risk of poverty by completed education level and shows, as might be expected, that the risk of living on a low income is strongly related to low education levels.

Table 9: Risk of poverty among adults, by com-

Primary or below	20.4
Lower secondary	16.4
Higher secondary	12.4
Post leaving certificate	10.9
3rd level non-degree	5.4
3rd level degree or above	5.5
Overall Population	13.9

These figures underscore the relevance of continuing to address the issues of education disadvantage and early-school leaving. Government education policy should ensure that these high risk groups are reduced. The table also suggests that when targeting anti-poverty initiatives, a large proportion should be aimed at those with low education levels, including those with low levels of literacy.

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.

- *Social Justice Ireland* believes that a Government commitment to:
 - ⇒ benchmark social welfare payments,
 - ⇒ equity of social welfare rates,
 - ⇒ adequate payments for children,
 - ⇒ refundable tax credits,
 - ⇒ higher state pensions and cost of disability paymentswould lead to Ireland's poverty risk levels falling over the next few years. Government should adopt these policy reforms so that this goal is achieved.

- Acknowledge that Ireland has an ongoing poverty problem.
- Set a target of 'zero poverty' to be achieved by 2020. Advocate that this target be adopted by the European Union as part of its actions to mark the European Year Against Poverty and Social Exclusion (2010).
- Continue to 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.
- Commit to raise the 'qualifying adult' social welfare payments until they reach the single-adult payment rate. This is essential to address inequality and family poverty.
- Provide substantial new measures to address the threat of long-term unemployment among those recently unemployed. This should include programmes aimed at re-training and re-skilling those at highest risk.
- Recognise the problem of the 'working poor' and adopt policies to address the situation of the 39.6% of

all households in poverty which are headed by a person with a job.

- Introduce a cost of disability allowance to address poverty and social exclusion of people with a disability.
- Poverty-proof all public policy initiatives and provision.
- Recognise the new problems of poverty among migrants and adopt policies to assist this group. In addressing this issue also reform and increase the 'direct provision' allowances paid to asylum seekers.
- Adopt a new approach to measuring deprivation - one that uses regularly updated indicators reflective of society as it currently is.
- Accept that persistent poverty should be used as the primary indicator of poverty measurement once this data becomes available.
- 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.

Deprivation and 'consistent poverty'

Social Justice Ireland, among others, has continued to express its discomfort with the range of deprivation measures provided by the CSO in the *SILC* survey, although the 2007 and 2008 data present a larger set of deprivation items than in previous years (eleven rather than eight).

Looking forward we believe that a whole new approach to measuring deprivation needs to be taken. Continuing to collect information on a limited number of static indicators is problematic and not a true representation of the dynamic nature of Irish society and the ever changing set of items needed to participate in Irish society.

The 2008 study found that rates of deprivation recorded across a set of eleven items varied between 2.3 and 13.3 per cent of the Irish population. Overall in 2008, 75.1 per cent of the population were not deprived of any item while 11.1 per cent were deprived

of one item, 4.9 per cent were without two items and 8.9 per cent were without three or more items. The major deprivation items included an inability to replace worn-out furniture, a lack of heating and two measures capturing financial difficulties associated with socialising (meal with family/friends and a brief trip-out).

'Consistent poverty' combines deprivation and poverty into one indicator. It does so by calculating the percentage of the population who are simultaneously experiencing poverty and are also registering as being deprived of two or more of the items. As such it captures a sub-group of the poor.

The 2007 data marked an important change for this indicator. Coupled with the expanded list of deprivation items the definition of consistent poverty has been changed such that individuals must now be below the poverty line and experiencing deprivation of at least two items to be counted as

experiencing consistent poverty. Prior to the 2007 survey the indicator measured those below the poverty line and experiencing deprivation of at least one item.

The *National Action Plan for Social Inclusion 2007-2016 (NAPinclusion)* published in early 2007 set its overall poverty goal using this consistent poverty measure. It set an aim to reduce the number of those experiencing consistent poverty to between 2 per cent and 4 per cent by 2012, with the aim of eliminating consistent poverty by 2016.

Using these new indicators and definition, the 2008 *SILC* data indicates that 4.2 per cent of the population experience consistent poverty, a decline from 5.1% in 2007. Interpreting this in terms of the population the 2008 figures indicate that 185,000 people, of whom 72,000 are children, live in consistent poverty.

EU Year Against Poverty & Exclusion

The EU has declared 2010 as the Year Against Poverty and Social Exclusion. This 'year' was launched in Madrid on January 21. The indications are that neither EU countries nor the European Commission are taking this 'year' seriously.

It is a scandal that more than 40 years after men first walked on the moon, there are still human beings without the resources to live life with dignity.

Societies are measured by how they treat their most vulnerable. On this basis both Ireland and the EU are failing badly. Across the EU 17% of adults are at risk of poverty and 18% of children (almost 80 million people). In Ireland the comparable numbers are 13.9% and 17.4%. Poverty is never acceptable but this scale of poverty is a scandal and should be addressed immediately.

If they are to do more than make statement on these issues, both Ireland and the EU need to adopt a target of 'zero poverty' to be achieved by 2020. This would show that they were serious

about building a different world in the 21st century - one characterised by all people having the resources to live with dignity.

They also need to face up to the fact that more than half a century after the EU was established it has never come remotely close to full employment or zero poverty. Consequently, placing all its emphasis on job-creation as the solution to poverty is doomed to failure. While jobs are very important in tackling poverty, employment alone is insufficient to guarantee the end of poverty and social exclusion. This fact has been acknowledged by the EU previously. Emphasis must also be placed on social development.

Good services (such as education and public transport) are also essential if economic development is to be achieved. An integrated approach to achieving sustainable development requires economic and social development and environmental protection be addressed simultaneously.

Delay to long-term poverty indicator

As part of the Laeken suite of social indicators, Ireland has agreed to produce an indicator of persistent poverty. This indicator measures the proportion of those living below the poverty line in the current year and for 2 of the previous 3 years. As such the indicator identifies those who have experienced sustained exposure to poverty which is seen to harm their quality of life seriously and increase their levels of deprivation.

The CSO had indicated that it would publish such a breakdown during 2009 however this did not occur. We regret this delay and hope that the technical impediments to its publication are overcome. Once this data becomes available *Social Justice Ireland* believes that it should be used as the primary basis for setting poverty targets and monitoring changes in poverty status.

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Social Justice Ireland is a research and advocacy organisation of individuals and groups, lay and religious, throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected. It has taken over the programmes and projects previously run by *CORI Justice* including its social partnership role.

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