

Poverty & Income Distribution

Inside this issue:

Poverty - how is it measured?	2
Where is the poverty line?	2
How many people in poverty	
How many people in poverty?	3
Who are the poor?	3
Social welfare and poverty	4
Rapid increase in deprivation	4
Poverty up as poverty line down	4
Poor hardest hit in recession	5
Poorest - highest financial stress	5
Ireland's income distribution	6
Key priorities: Poverty and Income Distribution	7
Welfare increase of €5 needed in Budget 2015	Budg- 7
Long-term unemployment crisis	8
Long-term poverty indicators	8

Since the onset of the recession the number of people in poverty in Ireland has increased by almost 120,000. Today there are more than 750,000 people living in poverty. This is a major concern.

The most recent data on poverty also shows that:

- 16 per cent of Ireland's adults who have an income below the poverty line are employed—these are the working poor.
- 58 per cent of those in poverty are not connected to the labour market (i.e. retired, students, caring roles or ill/disabled). Consequently, jobs are not the key means of reducing poverty for this group.
- Almost one in five children live in households with incomes below the poverty line (18.8%). Overall children represent one-quarter of Ireland's poor.

It is important to note that social welfare is of critical importance in addressing poverty. The latest figures from the CSO (2012, published in 2014) show that without social welfare payments more than half of Ireland's population would be living in poverty. Social welfare payments reduced this to 16.5%.

Income alone does not tell the whole story concerning living standards and command over resources.

Since 2007 the deprivation rate, which measures the number of people forced to go without at least 2 of the 11 basic necessities examined, has more than doubled. There are now more than 1.2 million people (26.9 per cent of the population) experiencing deprivation at this level.

This is all happening as the poverty line has been falling (down more than 10% since 2007).

The poorest 10% of the population took the largest hit (when earnings, welfare and tax changes are all included) losing 18.4% of their income compared to the next hardest hit group (the richest 10%) who lost 11.4%.

Although all groups experienced added financial stress, only those on the lowest incomes recorded levels well above the average for both the 2004-8 period and the 2009-2011 period.

The inequality in Ireland's income distribution also needs to be addressed. The top 10 per cent of households received 24 per cent of the total disposable income while the bottom decile received 3 per cent. Collectively, the poorest 60 per cent of households received a smaller share (37.9%) than the top 20 per cent (39.1%). Overall the share of the top 10 per cent is more than 8 times the share of the bottom 10 per cent.

If poverty rates are to fall in the years ahead, *Social Justice Ireland* believes that the following are required:

1. benchmarking of social welfare payments;
2. equity of social welfare rates;
3. adequate payments for children;
4. refundable tax credits;
5. a universal state pension; and
6. a cost of disability payment.

An increase in core welfare rates by €5 a week in Budget 2015 would go some way towards reducing the unfair financial distress imposed on Ireland's poorest households since the crash.

Government should also commit to funding targeted retraining and activation measures focused exclusively on the long-term unemployed

Social Justice Ireland
Arena House
Arena Road
Sandyford
Dublin 18

ISSN: 1649-4954

Phone: 01 213 0724
www.socialjustice.ie

Poverty and how it is measured

The National Anti-Poverty Strategy (NAPS) published by government in 1997 adopted the following definition of poverty:

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.

This definition was reiterated in the 2007 *National Action Plan for Social Inclusion 2007-2016 (NAPinclusion)*.

In trying to measure the extent of poverty, the most common approach has been to identify a poverty line (or lines) based on people’s disposable income (earned income after taxes and including all benefits).

Where that line should be drawn is sometimes a contentious matter, but many European studies [including those carried out by the Central Statistics Office (CSO) in Ireland] now suggest a line, which is at 60% of median income, adjusted to take account of family size and composition.

The median income is the income of the middle person in society’s income distribution, in other words it is the middle income in society.

Irish data on poverty looks at those living below this 60% line and is published for each year by the CSO using results from a comprehensive national survey called *SILC (Survey on Income and Living Conditions)*. The latest data was published in April of this year for the year 2012 and is used throughout this *Policy Briefing*.

Where is the poverty line?

The most up-to-date data available on poverty in Ireland comes from the 2012 *SILC* survey, conducted by the CSO. In that year the CSO gathered data from a statistically representative sample of 4,592 households and 11,891 individuals.

The data gathered by the CSO is very detailed. It incorporates income from work, welfare, pensions, rental income, dividends, capital gains and other regular transfers. This data was subsequently verified anonymously using PPS numbers.

According to the CSO the median disposable income per adult in Ireland during 2012 was €17,702 per annum or €339.50 per week. Consequently, the 60% of median income poverty line for a single adult derived from this value was €203.70 a week.

Updating this figure to 2014 levels, using published CSO data on the change in average earnings in 2013 (-0.73 per cent) and ESRI projections for 2013 and 2014 (+0.00 per cent in both years) produces a relative income poverty line of €202.21 for a single person. In 2014, any adult below this weekly income level will be counted as being at risk of poverty.

“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”

- National Anti-Poverty Strategy (NAPS) definition of poverty

Table 1: Minimum Disposable Income Required to Avoid Poverty in 2014

Household containing:	Weekly line	Annual line
1 adult	€202.21	€10,544
1 adult + 1 child	€268.95	€14,024
1 adult + 2 children	€335.68	€17,503
1 adult + 3 children	€402.41	€20,983
2 adults	€335.68	€17,503
2 adults + 1 child	€402.41	€20,983
2 adults + 2 children	€469.14	€24,462
2 adults + 3 children	€535.87	€27,942
3 adults	€469.14	€24,462

Table 1 applies this poverty line to a number of household types to show what income corresponds to each household’s poverty line. The figure of €202.21 is an income per adult equivalent figure. This means that it is the minimum weekly disposable income (after taxes and including all benefits) that one adult needs to receive to be outside of poverty.

For each additional adult in the household this minimum income figure is increased by €133.46 (66 per cent of the poverty line figure) and for each child in the household the minimum income figure is increased by €66.73 (33 per cent of the poverty line). These adjustments reflect the fact that as households increase in size they require more income to meet the basic standard of living implied by the poverty line. In all cases a household below the corresponding weekly disposable income figure is classified as living at risk of poverty. For clarity, corresponding annual figures are also included.

One immediate implication of this analysis is that most weekly social assistance rates paid to single people are €14.21 below the poverty line.

How many are below the poverty line?

We bring together the findings of various poverty studies since 1994 in table 2. Using the EU poverty line set at 60 per cent of median income, the findings reveal that more than 16 out of every 100 people in Ireland were living in poverty in 2012.

The table shows that the rates of poverty decreased significantly after 2001, reaching a record low in 2009. These decreases in poverty levels were welcome. They were directly related to the increases in social welfare payments delivered over the Budgets spanning these years. However poverty increased again in 2010, 2011 and 2012 as the effect of budgetary changes to welfare and taxes, as well as wage reductions and unemployment, drove more low income households into poverty.

Because it is sometimes easy to overlook the scale of Ireland's poverty problem, table 2 translates the poverty percentages into numbers of people. The results give a better picture of just how significant this problem really is in Ireland today.

The table's figures are telling. Compared to 10 years ago, 2004, there are over 28,000 less people in poverty; even accounting for the recent

more than 16 out of every 100 people in Ireland were living in poverty in 2012...

...since the onset of the recession the number in poverty has increased by almost 120,000.

increases. Notably, over the period from 2004-2008, the period corresponding with consistent Budget increases in social welfare payments, almost 140,000 people left poverty. Despite this, since the onset of the recession and its associated implications for incomes (earnings and welfare), the number in poverty has increased once again, rising by almost 120,000 since 2009.

However, the fact that there are more than 756,000 people in Ireland living life on a level of income that is this low remains a major concern. As shown in table 1 these levels of income are low and those below them clearly face difficulties in achieving what the NAPS described as "a standard of living that is regarded as acceptable by Irish society generally".

Who are the Poor?

It is possible to breakdown the number of adults in poverty by their principle economic

status - the main thing that they do (Table 3). The calculations show that 16 per cent of Ireland's adults who have an income below the poverty line are employed. Overall, 41 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.

It is important as we form policy to address these poverty figures, that we remember that solutions must be designed to address the wide variety of households and adults in poverty.

Alongside adults, the recent CSO report found that almost one in every five children (18.8% of all those aged 0-17 years) live in households with incomes below the poverty line. Overall, children represent one-quarter of Ireland's poor.

Table 2: The numbers of people in poverty in Ireland, 1994-2012

	% of persons in poverty	Population of Ireland	Numbers living in poverty
1994	15.6	3,585,900	559,400
1998	19.8	3,703,100	733,214
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	4,232,900	719,593
2007	16.5	4,375,800	722,007
2008	14.4	4,485,100	645,854
2009	14.1	4,533,400	639,209
2010	14.7	4,554,800	669,556
2011	16.0	4,574,900	731,984
2012	16.5	4,585,400	756,591

Table 3: Composition of adults in poverty, 2003-2012

Principle Economic Status	2003	2007	2012
At work	21.4	22.7	16.6
Unemployed	10.2	12.4	25.0
Students and school attendees	11.5	19.0	18.7
On home duties	30.1	25.2	20.3
Retired	12.0	9.6	7.9
Unable to work as ill/disabled	12.2	10.0	9.1
Other	2.5	1.1	2.4
Total	100.0	100.0	100.0

Table 4: The role of Social Welfare (SW) payments in addressing poverty, 2001-2012

	2001	2007	2010	2012
Poverty levels before SW	35.6	41.0	50.2	50.3
Poverty levels after SW	21.9	16.5	14.7	16.5
The role of SW	-13.7	-24.5	-35.5	-33.8

Social Welfare: central to poverty reduction

Social Justice Ireland believes in the very important role that social welfare plays in addressing poverty. As part of the *SILC* results the CSO has provided an interesting insight into the role that social welfare payments play in tackling Ireland's poverty levels. It has calculated the levels of poverty before and after the payment of social welfare benefits.

Table 4 shows that without the social welfare system more than half of the Irish population would have been living in poverty in 2012. Such an underlying poverty rate suggests a deeply unequal distribution of direct income – an issue we address further later in this Policy Briefing (p6). In 2012, the actual poverty figure of 16.5 per cent reflects the fact that social welfare payments reduced poverty by almost 34 percentage points.

Looking at the impact of these payments on poverty over time, it is clear that the increases in social welfare over the period 2005-2007 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, and therefore higher levels of social welfare payments, in subsequent years delivered greater reductions. This has occurred even as poverty levels before social welfare increased.

Rapid increase in deprivation highlights reality of recession for many

Income alone does not tell the whole story concerning living standards and command over resources. As we have seen in the NAPS definition of poverty, it is necessary to look more broadly at exclusion from society because of a lack of resources.

This requires looking at other areas where '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' (NAPS, 1997). Although income is the principal indicator used to assess wellbeing and ability to participate in society, there are other measures such as deprivation.

While *Social Justice Ireland* among others have expressed reservations about the measures of deprivation being used; the trends are informative and offer some insight into the impact of the recent recession on households and living standards across the state.

Since 2007 the deprivation rate, which measures the number of people forced to go without at least 2 of the 11 basic necessities examined, has more than doubled. There are now more than 1.2 million people (26.9 per cent of the population) experiencing deprivation at this level.

As chart 1 shows, there has been a steady increase across the recession. Most notable have been increases in the numbers: unable to afford new (not second hand) clothes; going without heating at some stage in the year; unable to afford a

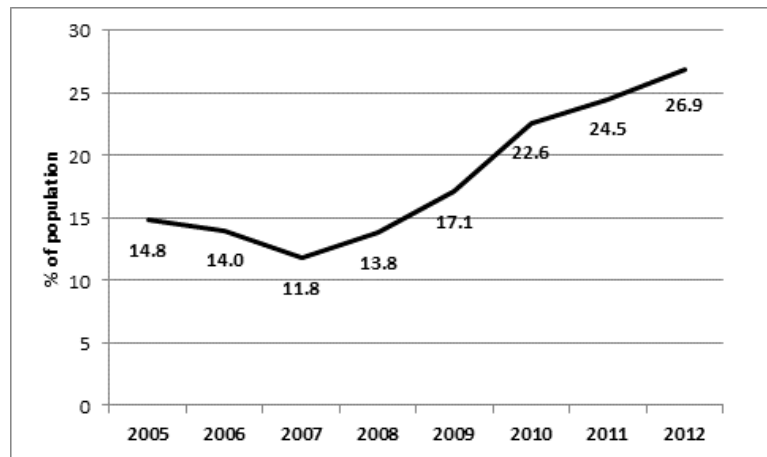
There are now more than 1.2 million people (26.9% of the population) experiencing deprivation

morning, afternoon or evening out in the last fortnight; and unable to replace any worn out furniture.

Among those living on an income below the poverty line, almost half (46.8 per cent) experience deprivation of 2 or more items. Similarly, the consistent poverty measure, which measures those simultaneously experiencing poverty and registering as deprived of two or more basic items, has continued to increase. It reached 7.7 per cent of the population (approximately 350,000 people) in 2012 and remains well above the Government's *National Reform Programme 2012 Update for Ireland* target which is to reduce the numbers experiencing consistent poverty to 4 per cent by 2016 and to 2 per cent or less by 2020.

Over time, the reality of the recent recession and its austerity measures are pushing Ireland further away from these targets.

Chart 1: Deprivation Rate, 2005-2012



Source: CSO SILC Report for 2012 (2014:19)

Poverty climbs even as poverty line drops

A further context to the earlier increases in poverty rates and numbers is the changing value of the poverty line. The line is calculated as a percentage of median income and over the course of recent years this has declined.

In 2007 the CSO reported the median income in Ireland (the income of the middle person in the income distribution) to be €19,794 and found that this decreased by more than 10.5 per cent, to €17,702, by 2012. As the poverty line is calculated as a proportion of this income it also declined, dropping by €24 per week (€1,255 per annum).

Recent increase in the rate of poverty should be seen in the context of these changes. Even with a lower poverty line, poverty has notably increased.

Poor hit hardest in recession

Since the current economic crisis began in 2008 there have been nine ‘fiscal adjustments’ by Government - Budget 2015 will be the 10th such adjustment. In total almost €31 billion has been directly removed by Government from the economy through either tax increases or spending cuts.

The size of this adjustment reflects the depth and duration of the current crisis and its enormous impact across society. While the scale of adjustments over the past six years has been substantial it has impacted, in different and similar ways, on all households across the state.

An ESRI study published in late 2013 estimated the income impact over the period from 2008-2011 (the period for which the most up-to-date data was available). Looking at average disposable incomes across the income deciles, the study identified the distribution of these changes (see chart 2). Disposable income measures income after taxes and social welfare income and represents the money individuals have to live on. The data has been equivalised; adjusted for household size and composition issues, and adjusted for price changes.

The income results capture changes to earnings, welfare and taxes over the period and show that it was the bottom decile that took the greatest hit. On average disposable incomes fell by 18.4 per cent. The top decile took the second biggest decrease followed by the 2nd decile. The result highlights the inequitable impact of policy during recent years. As the analysis looks only at income, it does not include decreases in public services which will have a further regressive impact on those on the lowest incomes.

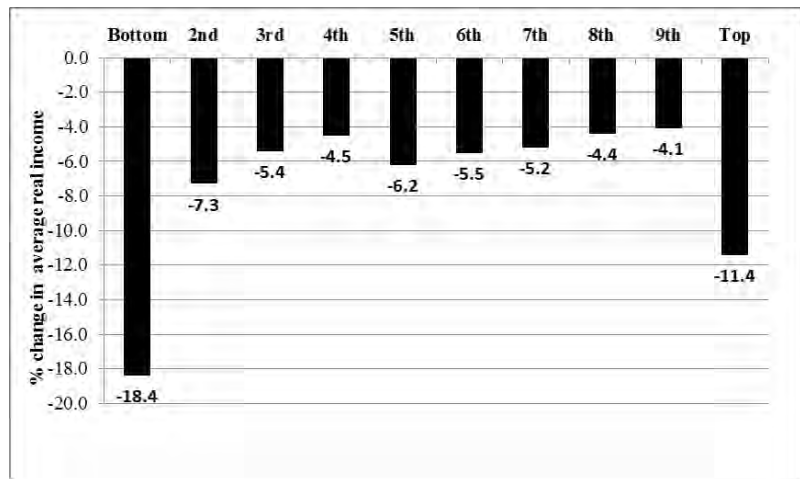
ESRI study finds highest financial stress among poorest households

A further insight into the impact of the recession on individuals in Ireland was provided by an ESRI study published earlier this year. It examined the levels of financial stress using a measure derived from SILC data over the period from 2004 to 2011.

The study measured financial stress on an index ranging from 0 (no stress) to 1 (stress on all five items measured over time). Scores in between these extremes reflected individuals with some experience of financial stress, with the precise score dependent on the type of financial stress they encountered and its prevalence in society generally.

Chart 3 summarises the results from this index and compares the levels of stress found by 5 sub-groups of the population and the population as a whole. In both periods the study found that those on the lowest incomes, including those

Chart 2: Percentage change in average real disposable income by decile, 2008-2011.



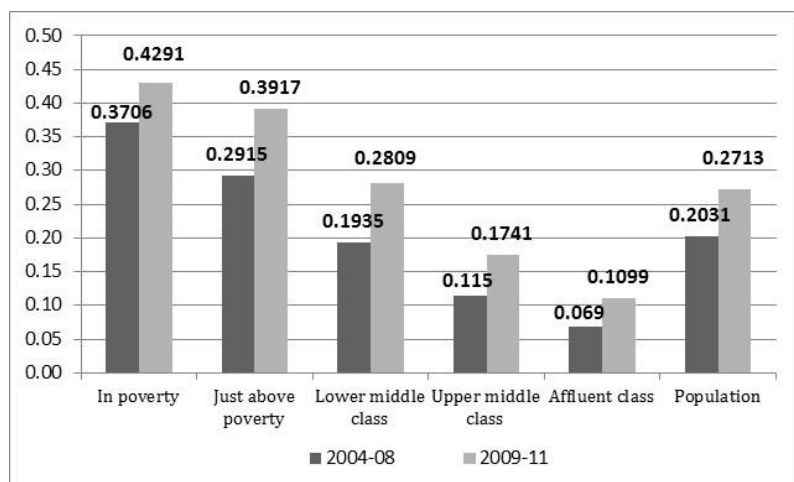
Source: Callan et al (2013:9) using equivalised income.

living below the poverty line and those just above it, experienced the highest levels of financial stress. Like all other groups in the population, the recession caused their levels of financial stress to increase further. However, although all groups experienced added financial stress, only those on the lowest incomes recorded levels well above the average for both periods examined.

The findings further highlight the need for Government, as part of any economic recovery, to prioritise measures to assist those on the lowest incomes.

The study found that those on the lowest incomes, including those living below the poverty line and those just above it, experienced the highest levels of financial stress...a situation unchanged by the recession

Chart 3: Levels of Financial Stress across the income distribution in Ireland



Source: Maitre, Russell and Whelan (2014).

Ireland's Income Distribution

The most recent data on income distribution, from the 2012 SILC survey, is summarised in chart 4. It examines the income distribution by household deciles starting with the 10 per cent of households with the lowest income (the bottom decile) up to the 10 per cent of households with the highest income (the top decile).

The data presented is equivalised meaning that it has been adjusted to reflect the number of adults and children in a household and to make it possible to compare across different household sizes and compositions. It measures disposable income which captures the amount of money available to spend after receipt of any employment/pension income, payment of all income taxes and receipt of any welfare entitlements.

In 2012, the top 10 per cent of Irish households received 24 per cent of the total income while the bottom decile received 3 per cent. Collectively, the poorest 60 per cent of households received a very similar share (37.9%) to the top 20 per cent (39.1%). Overall the share of the top 10 per cent is more than 8 times the share of the bottom 10 per cent.

Income distribution data for the last few decades suggested that the overall structure of that distribution has been largely unchanged. One overall inequality measure, the Gini coefficient, ranges from 0 (no inequality) to 100 (maximum inequality) and has stood at approximately 30-32 for Ireland for some time. In 2012 it stood at 31.2.

Chart 5 compares the change in income between 2008 and 2012. 2008 represented the year when average incomes in Ireland peaked. Since then incomes have fallen for all, but the impact of the recession (see pages 4 and 5) has been felt in different ways by different people / households.

Over that period, the changes to the income shares received by deciles has been small; between + and -0.5 per cent. It has also been concentrated at both ends of the income distribution; with in particular the bottom and top decile experiencing declines in their shares of total income.

If we wish to address and close these income divides, future Government policy must prioritise those at the bottom of the income distribution. Otherwise,

these divides will persist for further generations and perhaps widen. We outline a series of policy proposals which address this challenge on page 7.

If we wish to address and close these income divides, future Government policy must prioritise those at the bottom of the income distribution

Chart 4: Ireland's Equivalised Disposable Income Distribution, 2012

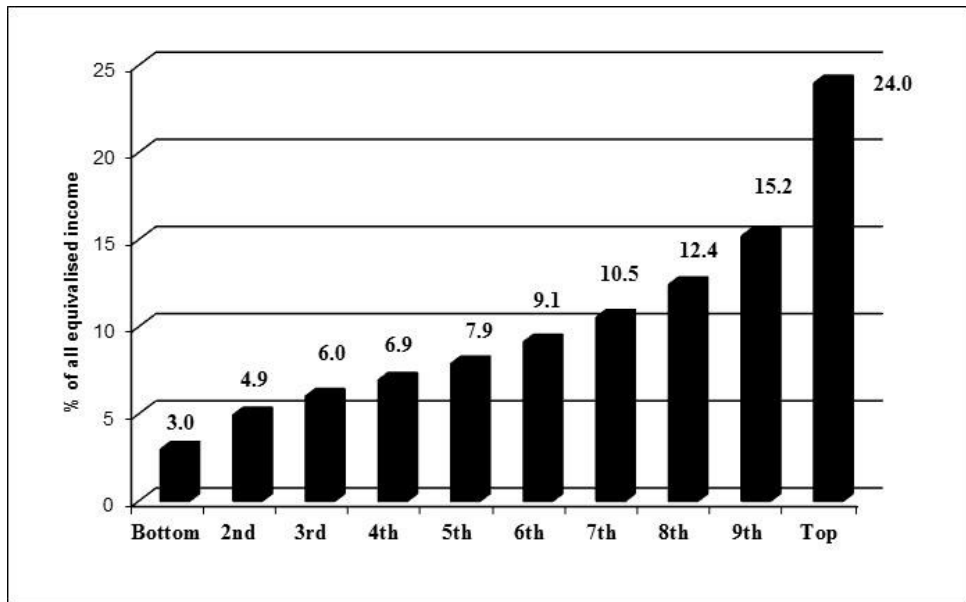
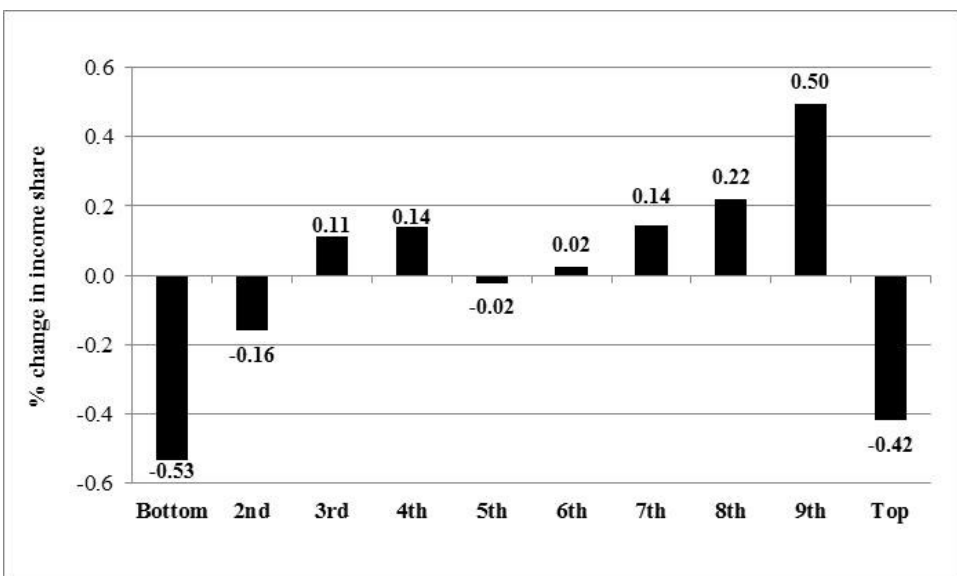


Chart 5: Change in Decile Shares of Equivalised Disposable Income, 2008-2012



Source: Calculated from CSO SILC report for 2012 (2014)

Key Priorities: Poverty & Income Distribution

CORE POLICY OBJECTIVE

To provide all with sufficient income to live life with dignity. This would require 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.

In our 2014 Socio-Economic Review, *Steps Towards a Fairer Future*, we have examined issues related to poverty and income distribution in more detail. In that document, we have outlined the above core policy objective for our work in this area. In pursuing this objective the following are our policy priorities:

If poverty rates are to fall in the years ahead, *Social Justice Ireland* believes that the following are required:

1. benchmarking of social welfare payments;
2. equity of social welfare rates;
3. adequate payments for children;
4. refundable tax credits;
5. a universal state pension; and
6. a cost of disability payment.

Social Justice Ireland believes that in the period ahead Government and policy-makers generally should:

- Acknowledge that Ireland has an on-going poverty problem.
- Adopt targets aimed at reducing poverty among particular vulnerable groups such as children, lone parents, jobless households, people with a disability and those in social rented housing.
- Examine and support viable, alternative policy options aimed at giving priority to protecting vulnerable sectors of society.
- Carry out in-depth social impact assessments prior to implementing proposed policy initiatives that impact on the income and public services that many low income households depend on. This should include the poverty-proofing of all public policy initiatives.
- Provide substantial new measures to address long-term unemployment. This should include programmes aimed at re-training and re-skilling those at highest risk.
- Recognise the problem of the 'working poor'. Make tax credits refundable to address the situation of households in poverty which are headed by a person with a job.
- Introduce a cost of disability allowance to address the poverty and social exclusion of people with a disability.
- Recognise the reality 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.
- Accept that persistent poverty should be used as the primary indicator of poverty measurement and assist the CSO in allocating sufficient resources to collect this data.
- Move towards introducing a basic income system. This approach has the capacity to ensure all members of society have sufficient income to live life with dignity.

Welfare Increase of €5 for core payments needed in Budget 2015

Since 2010 the minimum social welfare payment has remained at €188. However, as chart 6 illustrates, since then consumer prices have not stood still and inflation increases have eroded the value of the basic jobseekers payment.

Between 2010 and 2013 inflation was 4.84 per cent - implying that the buying power of €188 in 2010 was equivalent to €197 by the end of 2013. CPI data for April 2014 suggests that since 2010 average price increases have been 5.43 per cent requiring a jobseekers payment of €198 to protect the basic living standards of welfare recipients.

Social Justice Ireland outlined our set of costed proposals for Budget 2015 in a Policy Briefing issued in June—the document is available on our website. Included in our proposals is a policy to address this unacceptable decrease in the living standards of those on the lowest income in society.

While an immediate increase of €10 per week to the basic payment would address the gap, we recognise that that amount is unlikely to be feasible given the ongoing budgetary challenges. However, an increase of €5 would go some way towards addressing this deficit and we propose that a similar increase should be delivered in Budget 2016.

...inflation increases since 2010 have eroded the value of the basic jobseekers payment...in Budget 2015 an increase of €5 would go some way towards addressing this deficit

Chart 6: CPI Price Changes January 2010 to April 2014 (index = 100 for 2010)



Source: CSO CPI online database. Note: Average price levels in 2010 = 100

Long-Term Unemployment Crisis and Poverty

Ireland has a long-term unemployment crisis. Over recent years the proportion of long-term unemployed (unemployed for more than 1 year) has doubled - from 30 per cent in 2007 to over 60 per cent in 2014. The latest data, for Quarter 1, 2014, shows that there are 156,200 long-term unemployed in Ireland. Of these, most are males (107,600) with females accounting for 48,500 of the total.

The experience of the 1980s showed the dangers and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates. From the perspective of future poverty prevention we cannot as a society afford to repeat that experience.

It remains a major policy failure that Ireland's current level of long-term unemployment has been allowed to increase so rapidly in recent years. Furthermore, it is of serious concern that to date Government policy has given limited attention to the issue.

While there is welcome job creation and unemployment reductions occurring in the economy, Government should not continue to ignore this issue. In particular we believe that Government should commit to funding targeted retraining and activation measures focused exclusively on the long-term unemployed

Delay to Long-Term Poverty Indicator

As part of the EU structure 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 two of the three preceding years. It therefore identifies those who have experienced sustained exposure to poverty which is seen to harm their quality of life seriously and to increase their levels of deprivation.

To date the Irish *SILC* survey has not produced any detailed results and breakdowns for this measure. We regret the unavailability of this data and note that there remain some sampling and technical issues impeding its annual publication.

Social Justice Ireland believes that this data should be used as the primary basis for setting poverty targets and monitoring changes in poverty status. Existing measures of relative and consistent poverty should be maintained as secondary indicators. If there are impediments to the annual production of this indicator, they should be addressed and the *SILC* sample augmented if required.

A measure of persistent poverty is long overdue and a crucial missing piece in societies knowledge of households and individuals on low income.

Recent Publications from Social Justice Ireland

Budget Choices 2015—Policy Briefing (June 2014)

Ireland and the Europe 2020 Strategy - Shadow Report (published May, 2014)

Steps Towards a Fairer Future - Socio Economic Review 2014 (published April 2014)

The European Crisis and Its Human Cost - A Call for Fair Alternatives and Solutions. (Research by *Social Justice Ireland* for Caritas Europa; published March 2014)

A Future Worth Living For - Sustainable Foundations and Frameworks. (published November 2013)

*All of these and many more of our publications are available on our website at www.socialjustice.ie
Printed copies can be purchased from the Social Justice Ireland offices.*

Support Social Justice Ireland

If you wish to become a member of social justice Ireland or make a donation to support our work you may do so through our website www.socialjustice.ie or by contacting our offices directly.



Social Justice Ireland is an independent think tank and justice advocacy organisation that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

Social Justice Ireland, Arena House,
Arena Road, Sandyford, Dublin 18
Phone: 01 213 0724
Email: secretary@socialjustice.ie
Charity Number: CHY 19486
www.socialjustice.ie