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CORI JUSTICE

Policy Briefing

CORI Justice
Bloomfield Avenue
Dublin 4

Phone: 01 6677363
Fax: 01 6689460
www.corie.ie/justice

Poverty

The good news is that poverty fell by 100,000 over the most recent three-year period for which statistics are available. The bad news is that the current economic crisis and its attendant rising unemployment does not augur well for poverty in Ireland.

CORI Justice welcomes the reduction in poverty from 19.4% to 15.8% over the three year period to end-2007. This reduction is due principally to the increases in social welfare (totalling €51 a week) that were contained in the budgets of 2005/6/7.

This in turn vindicates the CORI Justice approach which has emphasised the importance of raising the lowest social welfare rates for a single person to 30% of gross average industrial earnings (GAIE).

These figures cover the period to end-2007. We highlight Government's failure to maintain this anti-poverty momentum in Budgets 2008 and 2009

Almost a third of all households at risk of poverty are headed by a

person WITH a job (31.3% in 2007, up from 29.5% in 2006). These are the 'working poor'. Government has failed to take the necessary initiatives to tackle this working poor issue.

CORI Justice notes that Government has said it is committed to protecting the most vulnerable in these difficult economic times. If it is to do this credibly then CORI Justice now urges Government to:

- ⇒ Continue benchmarking the lowest social welfare rates at 30% of gross average industrial earnings.
- ⇒ Make additional resources available to support households at risk of poverty by targeting further welfare increases at the second adult and the children in these households.
- ⇒ Take initiatives to tackle the working poor issue, the rising level of unemployment and issues such as food poverty that were not addressed in Budget 2009.

CORI Justice recognises that poverty is about

much more than income adequacy although income is of critical importance. Consequently it is important that the deficit in social services be addressed in the period ahead.

These include services in the areas of: education, health, childcare, elder-care, housing, transport and training.

Likewise it is critically important that activation programmes for people who are unemployed or at risk of becoming unemployed be supported adequately. It is important also to ensure that activation programmes for people with disabilities, for children and others should also be supported adequately.

If the working poor issue is to be tackled effectively then it is crucial that all those with a job who are at risk of poverty should be able to benefit from the full value of the tax credits to which they are entitled. It is very simple to do this and it would not be very costly.

CORI Justice has commissioned a study on this issue which will be published in mid-2009.

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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 2007 *EU-SILC* survey, conducted by the CSO (published in early December 2008). 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 2007 almost 16 out of every 100 people in Ireland was living in poverty.

The table also indicates that in recent years rates of poverty have begun to decrease towards the levels recorded in the mid-1990s (when detailed poverty studies commenced). Data for 1994-2007 show that the proportion of the population in poverty increased from 15.6 per cent in 1994 to peak at 21.9 per cent in 2001 before gradually falling to 15.8 per cent in 2006.

As 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 insight into how large the phenomenon of poverty is and show that in 2007 over 685,000 people lived with incomes below the poverty line.

The most recent data indicate that the poverty levels have fallen at a notable pace 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 the Budgets from 2004-2007.

Table 3 presents the results of a CSO analysis that shows without the social welfare system Ireland's poverty rate in 2007 would have been 41 per cent. The actual poverty figure reflects the fact that social welfare payments reduced poverty by 24.5 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 poverty levels before

social welfare have increased. CORI Justice has warmly welcomed these social welfare increases and if the government continues to maintain a benchmarked social welfare payment, as

*poverty levels have fallen
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agreed under the *NAPinclusion*, these figures measuring the role of social welfare in reducing poverty will increase.

Finally, table 3 examined the number of adults in poverty in Ireland classified by their principle economic status - the main thing that they do (we discuss children on p6). The calculations show that over one-fifth of Ireland's adults who have an income below the poverty line are employed. Overall, 45 per cent of adults who are at risk of poverty in Ireland are associated with the labour market (classified as in work, unemployed or ill/disabled). The remaining 55 per cent of adults who are poor are classified as being outside the labour market.

Table 2: The numbers of people in poverty in Ireland, 1994-2007

	% 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

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

	2001	2004	2006	2007*
Poverty levels before SW	35.6	39.8	40.3	41.0
Poverty levels after SW	21.9	19.4	17.0	16.5
The role of SW	-13.7	-20.4	-23.3	-24.5

Table 4: Composition of adults in poverty, by principle economic status, 2003-07

	2003	2006	2007*
At work	21.4	21.9	22.7
Unemployed	10.2	11.3	12.4
Students and school attendees	11.5	20.4	19.0
On home duties	30.1	25.1	25.2
Retired	12.0	7.9	9.6
Ill/disabled	12.2	10.9	10.0
Other	2.5	2.5	1.1
Total	100.0	100.0	100.0

* Data for 2007 not excluding SSIA effect as not published by CSO

Household data offers better insight for tackling 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 5 examines the composition of poverty by household type.

CORI Justice welcomed the fact that the CSO have, at our suggestion, begun to publish the *EU-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).

The data in table 5 shows that in 2007 31.3 per cent of households who were at risk of poverty were headed by somebody who was at work. Almost 50 per

cent of households at risk of poverty were found to be outside the labour market - on home duties, students /school attendees, retired plus a proportion of those who are ill and disabled.

Table 5: Households below 60% of median income classified by principal economic status of head of household, 2004-2007

	2004	2005	2006	2007*
At work	29.8	31.1	29.5	31.3
Unemployed	12.0	13.1	14.7	12.3
Students/school attendees	2.8	4.8	4.6	5.1
On home duties	28.0	25.4	30.7	28.7
Retired	13.5	11.4	8.5	10.9
Ill/disabled	12.0	12.6	11.5	11.2
Other	1.9	1.7	0.7	0.4
Total	100.0	100.0	100.0	100.0

* Data for 2007 not excluding SSIA effect as not published by CSO

Persistent poverty delay

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.

One of the new indicators of poverty, ratified at the 2001 EU intergovernmental conference in Laeken, measures the proportion of those living below the 60 per cent of median income poverty line in the current year and for two of the three previous years. This indicator is known as 'persistent poverty' and it 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.

To date the *EU-SILC* survey has not produced any detailed results and breakdowns for this measure (although the survey has run for 4 full years). The CSO have indicated that they intend to publish such a breakdown during 2009 and we encourage them to do so. Once this data becomes available CORI Justice believe that it should be used as the primary basis for setting poverty targets. Existing measures (relative and consistent poverty) should be maintained as secondary indicators.

However, the available *EU-SILC* data has given some insight into the likely persistent poverty numbers. The CSO report that in 2007 the persistent poverty rate was 15.4 per cent. This figure, while preliminary, is worryingly high. It implies that the vast majority of those living below the poverty line in 2007 have been in poverty for a number of years. Simply, the figure implies that most of Ireland's poor are long-term poor and that poverty in Ireland is a structural problem which requires focused policies to address and reduce it.

Poverty gap - some progress

As part of the 2001 Laeken indicators the European Union requested that all member countries begin to measure the relative at-risk-of poverty gap. This indicator assesses how far below the poverty line the income of the median (middle) person in poverty is. The size of that difference is calculated as a percentage of the poverty line and therefore represents the gap between the income of the middle person in poverty and the poverty line. The higher the percentage figure gets the greater the poverty gap and the further people are falling beneath the poverty line. As there is a considerable difference between being 2 per cent and 20 per cent below the poverty line this approach is significant.

The *EU-SILC* results for 2007 calculated that the poverty gap was 17.4 per cent a minor decrease from 2006. Over time the gap had decreased from a figure of 21.5 per cent in 2003. In 2007 the poverty gap figure implies that 50 per cent of those in poverty had an equivalised income below 82.6 per cent of the poverty line.

As table 6 shows, the 2006 and 2007 levels marks the lowest recordings for this measure since the *EU-SILC* began in 2003. CORI Justice welcomes the fact that this gap is reducing. Given the profile of those who are poor, we expected the recent budgetary increases in welfare payments will continue to cause this gap to reduce. As the depth of poverty is an important issue, we look forward to monitoring the movement of this indicator throughout future editions of the *EU-SILC*. It is crucial that as part of Ireland's approach to addressing poverty that we see this figure continue to decline.

Table 6: Poverty Gap, 2003-2007

2003	21.5
2004	19.8
2005	20.8
2006	17.5
2007	17.4

Unemployment increase - long-term implications

The rapid turnaround of the Irish economy in recent months has led to a sudden return to the phenomenon of wide-spread unemployment. Using data from the Live Register, Chart 1 shows how unemployment began to climb throughout 2008 and is projected to increase to a figure of 450,000 people by mid to late 2009. While the increase has, and will be,

spread across people of all ages and sectors, table 7 highlights the very rapid increase on the Live Register of those aged less than 25 years.

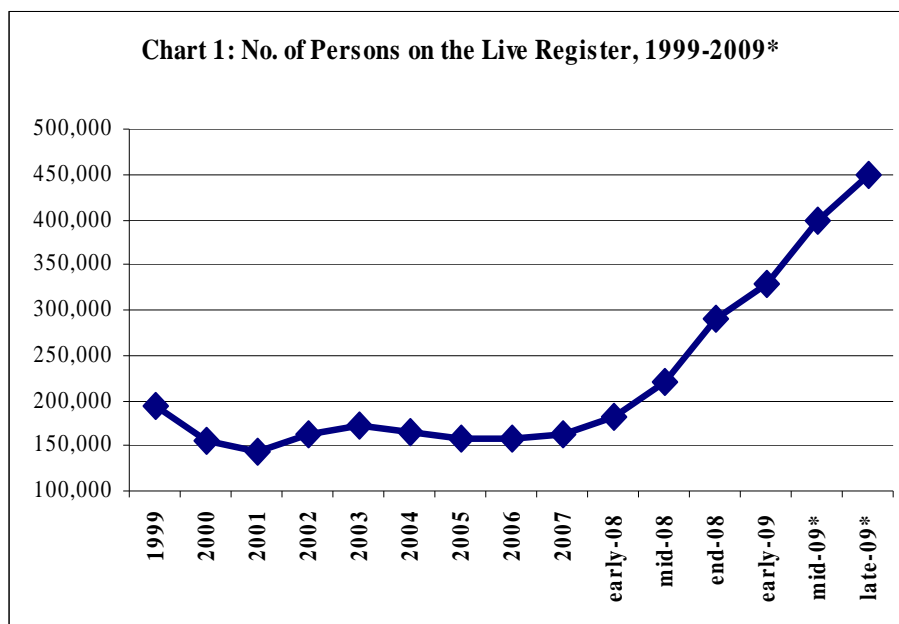
Previous experience, in Ireland and elsewhere, has found that many of those under 25 and over 55 find it challenging to return to employment after a period of unemployment. This highlights the danger of major increases in long-term

unemployment in the coming years and suggests a major commitment to re-training and re-skilling will be required.

In the long-run Irish society can ill afford a return to the long-term unemployment problems of the 1980s. In the short-run the new-unemployed will add to the numbers living on low-income in Ireland and will impact on future poverty figures.

Table 7: Persons under 25 yrs on Live Register, Jan 2008 - Jan 2009

2008	January	36,900
	February	39,500
	March	40,800
	April	41,000
	May	42,700
	June	48,200
	July	52,300
	August	55,000
	September	53,700
	October	54,500
	November	57,900
	December	62,300
2009	January	70,600



* Data for mid and late 2009 are projections

New policies needed to address 'working poor' issue

The growth in jobs over the years leading up to the collection of this data in 2007 was dramatic. 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 22.7 per cent of those classified as being at risk of poverty in Ireland have a job. Translating this into numbers of people suggests that among Ireland's employed in 2007 at least 115,000 were at risk of poverty.

This is a remarkable statistic and it is important that policy begin to address this problem. The sustained commitment in recent Budgets to keep those on the minimum wage out of the tax net marks

a welcome move in this direction.

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

it is important to realise that having a job is not, of itself, a guarantee that one lives in a poverty-free household

FIS is experiencing dramatically low take-up and as such has questionable long-term potential.

in 2007 at least 115,000 workers were recorded as living with an income below the poverty line

However, the most effective mechanism available within the present sys-

tem to address the problem of the working poor would be to make tax credits refundable (see story on page 8). 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 advantage of making tax credits refundable would lie in addressing the disincentives currently associated with low-paid employment. The main beneficiaries of refundable tax credits would be low-paid employees i.e. those who comprise the 'working poor'.

For many years the 'working poor' issue has received limited attention. CORI Justice believes that this issue needs to be addressed and that new policies, along the lines we outline above, are required.

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.

The 2008 edition of the CSO's *Statistical Yearbook* indicates that there are approximately 1,050,000 children in Ireland aged less than 18 years. Of these some 19 per cent are classified as being at risk of poverty. This amounts to approximately 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, necessitate that this issue be given greater prominence and attention.

Despite the Budgetary pressure facing Government in the run-up to Budget 2010, CORI Justice believes that policy decisions should not be taken which in any way worsen the situation of Ireland's children who live in poverty.

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

Illness and Disability

Over one-third (34.5 per cent) of those who are long-term ill or have a disability are at risk of poverty. Over time the situation of this group has visibly deteriorated. Previous poverty studies by the ESRI have shown that this group's risk of poverty has increased over the last 15 years; climbing from 29.5 per cent in 1994. Consequently, although people who are ill or have a disability only account for a small proportion of those in poverty, among themselves their experience of poverty is worryingly high.

CORI Justice believes there is an ongoing need for targeted policies to assist this group. These include job creation, retraining and further 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. This proposal, which has been researched and costed in detail by the National Disability Authority and advocated by Disability Federation Ireland, would provide an extra weekly payment of between €10 and €40 to somebody living with a disability (calculated on the basis of the severity of their disability). In their *2008 Pre-Budget Submission* (for Budget 2008) DFI anticipate such a scheme would cost €183m per annum (DFI, 2007).

CORI Justice believes that if people with a disability are to be equal participants in society then the extra costs generated by their disability should not be borne by them alone, but rather society at large should act to level the playing field by covering those extra but ordinary costs.

Poverty and Education

The 2007 *EU-SILC* results provide an interesting insight into the relationship between poverty and completed education levels. Table 8 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 8: Risk of poverty among adults, by completed education level, 2007

Primary or below	24.0
Lower secondary	20.7
Higher secondary	13.8
Post leaving certificate	10.9
3rd level non-degree	8.4
3rd level degree or above	4.2
Overall Population	15.8

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.

- CORI Justice believes that a Government commitment to:
 - ⇒ benchmarked social welfare payments,
 - ⇒ equity of social welfare rates,
 - ⇒ early childhood supplement,
 - ⇒ higher state pensions and cost of disability paymentswould lead to Ireland's poverty risk levels falling to at least the EU-average level 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.
- 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 until 2016.
- Raise the 'qualifying adult' social welfare payments until they reach the single-adult payment rate.
- Establish measures to address the threat of long-term unemployment among those recently unemployed.
- These 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 improve the situation of the 115,000 workers and their families who are living in this situation.
- Introduce a cost of disability allowance as a means of addressing the poverty and social exclusion experienced by 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.
- 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.
- 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.
- 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'

CORI Justice, among others, has continued to express its discomfort with the range of deprivation measures provided by the CSO in the *EU-SILC* survey; although the 2007 data presents 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 2007 study found that rates of deprivation recorded across a set of eleven items varied between 2.2 and 13.1 per cent of the Irish population. Overall in 2007, 75.6 per cent of the population were not deprived of any item while 12.6 per cent were deprived of one item, 4 per cent were without

two items and 7.8 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 away from home)

'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 marks 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 2007 *EU-SILC* data indicates that 5.1 per cent of the population experience consistent poverty. Interpreting this in terms of the population the 2007 figures indicate that 221,289 people, of whom 86,524 are children, live in consistent poverty.

Refundable tax credits study underway

The move from tax allowances to tax credits was completed in Budget 2001. This was a very welcome change because it put in place a system that had been advocated for a long time by a range of groups including CORI Justice.

One problem persists however, a problem that the old system of tax allowances also had. If a person does not earn enough to use up his or her full tax credit then he or she will not benefit from any tax reductions introduced by government in its annual budget. In effect this means that, under the present system, those with the lowest pay will not benefit in any way at budget time.

A simple solution exists to rectify this problem: 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 advantage of making tax credits refundable would lie in addressing the disincentives currently associ-

ated with low-paid employment. The main beneficiaries of refundable tax credits would be low-paid employees (full-time and part-time); those often referred to as 'the working poor' (for more details see page 5 of this *Policy Briefing*). Outside Ireland, the refundable tax credits approach has gathered more and more attention over recent years including a detailed Brookings Policy Briefing on the issue published in the United States in late 2006.

As a means of progressing this issue CORI Justice recently commenced 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 of this study in mid-to-late 2009.

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.

2010 to be European Year Against Poverty

The European Union has designated 2010 as the European Year Against Poverty and Social Exclusion. This year will provide a timely reminder that poverty remains a major issue in the EU.

CORI Justice is involved in an EU-wide series of initiatives being planned and co-ordinated by Caritas Europa.

CORI Justice will also mark the European Year by addressing the issue of the future of the Welfare State.

The current economic crisis is bringing the Welfare State under pressure in many places. Economic institutions are having a growing transnational reach. This and related developments have implications for the nation state. Can the welfare state survive in the context of a rapidly changing nation state? The CORI Justice Social Policy Conference in 2010 will address this issue.

Other CORI Justice Publications

The following publications (and many more) may be downloaded for free from our website and are available for purchase from the CORI Justice Office:

- *Policy Briefing on Taxation* (November 2008)
- *Analysis and Critique of Budget 2009* (October 2008)
- *Planning For Progress and Fairness* (2008)
- *Making Choices - Choosing Future: Ireland at a Crossroads* (2008)
- *Values, Catholic Social Thought and Public Policy* (2007)
- *Policy Briefing on Monitoring Social Partnership* (2007)

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CORI Justice has been a recognised social partner within the Community and Voluntary Pillar of social partnership since 1996.

CORI Justice
Bloomfield Avenue
Dublin 4
Phone: 01 6677363
Fax: 01 6689460