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Social Justice Matters 2022 Annex
Income and Income Distribution



Annex 3 – Income and Income Distribution

To accompany Chapter 3 of our Socio-Economic Review 2022, this annex outlines details of the composition of poverty in Ireland over recent years alongside offering an overview of Ireland’s income distribution over the past three decades. It also reviews the process by which the basic social welfare payment became benchmarked to 30 per cent of Gross Average Industrial Earnings. The material underpins the development of many of the key policy priorities we have outlined in Chapter 3.

Poverty - Who are the poor?

Two interchangeable phrases have been used to describe those living on incomes below the poverty line: *‘living in poverty’* and *‘at risk of poverty’*. The latter term is the most recent, introduced following a European Council meeting in Laeken in 2001 where it was agreed that those with incomes below the poverty line should be termed as being ‘at risk of poverty’. The results of the *SILC* survey provided a breakdown of those below the poverty line. This section reviews those findings and provides a detailed assessment of the depth of poverty (the poverty gap) and the different groups living on an income below the poverty line.

Table A3.1 presents figures for the risk of poverty facing people when they are classified by their principal economic status (the main thing that they do). These risk figures represent the proportion of each group that are found to be in receipt of a disposable income below the 60 per cent median income poverty line. In 2020 the groups within the Irish population that were at highest risk of poverty included those permanently unable to work due to a long-term illness or a disability and the unemployed. One in five of those classified as “fulfilling domestic tasks” (formerly “on home duties”), mainly women, have an income below the poverty line. The “student, pupil” category represents a combination of individuals living in poor families while completing their secondary education and those attending post-secondary education but with low incomes. The latter element of this group is not a core policy concern, given that they are likely to only experience poverty while they gain education and skills which should ensure they live with sufficient income subsequently. Those still in school and experiencing poverty are more aligned to the issue of child poverty, which is examined later in this annex.

Table A3.1: Risk of Poverty Among all Persons Aged 16yrs+ by Principal Economic Status, 2005-2020

	2005	2010	2015	2020
Employed	6.9	5.7	5.7	6.7
Unemployed	40.2	27.3	41.0	32.6
Retired	20.0	8.8	12.7	9.2
Ill/Disabled	40.4	19.8	33.5	34.0
Student, pupil	29.3	22.7	32.6	16.2
Fulfilling domestic tasks	27.0	19.5	24.1	20.3
Total Population	18.3	14.7	16.3	13.2

Source: CSO online database.

Despite the increase in poverty between 2010 and 2015 (see Chapter 3), the table also reveals the groups which have driven the overall reduction in poverty over the period (falling from 18.3 per cent in 2005 to a record low of 13.2 per cent in 2020). Comparing 2005 and 2020, the poverty rate has fallen for all groups although the big changes have been for students/pupils, the retired and the unemployed.

The poverty gap

As part of the 2001 Laeken indicators, the EU asked all member countries to begin measuring their 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, 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 insight is significant.

Table A3.2: The Poverty Gap, 2005-2020

	2005	2010	2015	2020
Poverty gap size	20.5	17.7	16.5	14.3

Source: CSO SILC Reports (various years).

The *SILC* results for 2020 show that the poverty gap was 14.3 per cent, compared to 16.5 per cent in 2015 and 17.7 per cent in 2010. Over time, the gap had decreased from a figure of 20.5 per cent in 2005 and 21.5 per cent in 2003 when the *SILC* survey commenced.

The 2020 poverty gap figure implies that 50 per cent of those in poverty had an equivalised income below 85.7 per cent of the poverty line. An examination by Collins, covering the period 2008-17, highlighted that most people in poverty live on an income some distance below the poverty thresholds outlined in Table 3.1. He found that on average those below the poverty line had an income of around €55 per week (€2,900 per year) below that line (2020: 15-19).

As the depth of poverty is an important issue, we will monitor closely the movement of this indicator in future editions of the *SILC*. It is crucial that, as part of Ireland’s approach to addressing poverty, this figure further declines in the future.

The working poor

Having a job is not, of itself, a guarantee that one lives in a poverty-free household. As table A3.1 indicates, almost 7 per cent of those who are at work are living at risk of poverty. Over time poverty figures for the working poor have remained more-or-less static, reflecting a persistent problem with low earnings. In 2020, almost 130,000 people in employment were still at risk of poverty¹. This is a remarkable statistic, and it is important that policy better recognises and addresses this problem.

Many working families on low earnings struggle to achieve a basic standard of living. Policies which protect the value of the minimum wage and attempt to keep those on that wage out of the income tax net are relevant policy initiatives in this area. Similarly, attempts to highlight the concept of a ‘living wage’ (see section 3.2) and to increase awareness among low income working families of their entitlement to the Working Family Payment (formerly known as Family Income Supplement (FIS)) are also welcome; although evidence suggests that FIS had a very low take-up and as such this approach has questionable long-term potential. However, one of the most effective mechanisms available within the present system to address the problem of the working poor would be to make tax credits refundable.

¹See table 3.6.

We have addressed this proposal in Chapter 4 of this review.

A report from Collins (2017) provided new insights into the scale and composition of low pay in Ireland. It established that 25 per cent of employees (almost 345,000) earned less than the (then) Living Wage of €11.45 per hour. The paper found that low pay was most common among: female workers; young workers; those in retail, hotels and security sectors; single parents; and those on temporary contracts. Looking at the household level, the paper also found that a higher proportion of low paid employees are living in households that struggle financially, borrow for day to day living costs, and experience deprivation.

Child poverty

Children are one of the most vulnerable groups in any society. Consequently, the issue of child poverty deserves particular attention. Child poverty is measured as the proportion of all children aged 17 years or younger that live in households with an income below the 60 per cent of median income poverty line. The 2020 *SILC* survey indicates that 15.9 per cent of this group were at risk of poverty.

Table A3.3: Child Poverty – % Risk of Poverty Among Children in Ireland

	2005	2010	2015	2020
Children, 0-17 yrs	22.9	18.4	18.4	15.9

Source: CSO online database.

Translating the data in table A3.3 into numbers of children implies that in 2020 around 205,000 children lived in households that were experiencing poverty². The scale of this statistic is alarming, and this situation 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, for the success of these children within it, for their employment prospects in the future, and for Ireland's social and economic performance in the long-term.

Child benefit remains a key route to tackling child poverty and is of particular value to those families on the lowest incomes. Similarly, it is a very effective component in any strategy to improve equality and childcare.

Older people

According to the CSO's 2016 *Census Results* there were 637,567 people aged over 65 years in Ireland in 2016. The CSO noted that this age group experienced the largest increase in the population since the previous Census in 2011. Of those in this age group, more than a quarter live alone, comprising almost 98,000 women and 59,000 men (CSO, 2017). When poverty is analysed by age group the 2020 figures show that 8.6 per cent of those aged above 65 years live in relative income poverty.

Among all those in poverty, the retired have experienced the greatest volatility in their poverty risk rates. As table A3.4 shows, in 1994 some 5.9 per cent of this group were classified as poor; by 1998 the figure had risen to 32.9 per cent and in 2001 it peaked at 44.1 per cent. The most recent data record relatively stable poverty rate, of almost one in ten pensioners, with the reduction over the last decade driven by increases in old age pension payments. While these decreases are welcome, it remains a concern that so many of this country's senior citizens are living on so little.

²See table 3.6.

Table A3.4: Percentage of Older People (65yrs+) Below the 60 Per Cent Median Income Poverty Line, 1994-2020

	1994	1998	2001	2005	2010	2015	2020
Aged 65 +	5.9	32.9	44.1	19.4	8.7	10.6	8.6

Source: Whelan et al (2003: 28) and CSO online database.

The Ill /People with a Disability

As table A3.1 shows, those not employed due to a long-term illness or a disability are one of the groups at highest risk of poverty with almost three in every ten of this group (34 per cent) classified in this category. Much like the experience of Ireland’s older people, the situation of this group has varied significantly over the last two decades. The group’s risk of poverty climbed from approximately three out of every ten persons in 1994 (29.5 per cent) to over six out of every ten in 2001 (66.5 per cent) before decreasing to approximately two out of every ten in the period 2008-2014. The most recent figures, for 2015-2020, mark another notable increase.

As with other welfare dependent groups, these fluctuations parallel a period where policy first let the value of payments fall behind wage growth, before ultimately increasing them to catch-up.

Overall, although those not at work due to illness or a disability only account for a small proportion of those in poverty, their experience of poverty is high. Furthermore, given the nature of this group *Social Justice Ireland* believes there is an on-going need for targeted policies to assist them. These include job creation, retraining (see Chapter 5 on work) 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 and we welcome recent moves to give greater policy consideration to this issue. A recent report by Indecon (2021), commissioned by the Department of Social Protection, entitled *The Cost of Disability in Ireland* provides an estimate of the overall average annual cost of disability for Ireland. The report estimated that this ranges from €9,482 to €11,734 per annum (€180-€225 per week) with the cost estimated related to the severity of limitation and the type of disability. These estimates are outlined in Table A3.5. The report stresses how these estimates are averages across populations of individuals with potentially different needs, different circumstances and different costs. In the context of how policy should respond to these costs, the Indecon report notes that “there is a need for the state to provide supports to individuals with disabilities via a range of supports including income supplements, needs assessed grants and direct service provision” (Indecon, 2021: 115).

Social Justice Ireland believes that these new cost of disability estimates highlight the need for a comprehensive policy response. Further investment in disability services and grants are essential, and so too is the provision of a weekly cost of disability payment. The latter proposal, which has been advocated by the Disability Federation of Ireland (DFI), would provide an extra weekly payment to somebody living with a disability (calculated on the basis of the severity of their disability). It seems only logical that if people with a disability are to be equal participants in society, the extra costs generated by their disability should not be borne by them alone. Society at large should act to level the playing field by covering those extra but ordinary costs.

Table A3.5: Average Additional Costs of Disability, € per year

	<i>Lower-Bound</i>	<i>Upper-Bound</i>
Average Cost of Disability - all types, all severities	9,482	11,734
Average Cost of Disability - by limitation		
Severely Limited	13,159	16,284
Limited	8,525	11,579
By Disability Type		
Blindness or a serious vision impairment	10,997	13,609
Deafness or serious hearing loss	10,119	12,523
Difficulty with basic activities like walking, stairs, reaching, lifting or carrying	10,756	13,311
An intellectual disability	10,592	13,107
A developmental disability like autism or ADHD	11,659	14,428
A difficulty with learning, remembering or concentrating	11,045	13,669
A mental health, psychological or emotional condition or issue	10,708	13,251
Digestive disorder (e.g.Crohn's disease or bowel problems)	11,966	14,809
A difficulty with pain breathing or other chronic illness/condition	11,179	13,835
Any other chronic illness or condition	11,187	13,844

Source: Indecon (2021: 116)

Poverty and education

The *SILC* results provide an interesting insight into the relationship between poverty and completed education levels. Table A3.6 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 completed education levels. These figures underscore the relevance of continuing to address the issues of education disadvantage and early-school leaving (see Chapter 8). 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 literacy³.

³We address the issues of unemployment and completed education levels in Chapter 5 and adult literacy in Chapter 8.

Table A3.6: Risk of Poverty Among all Persons Aged 16yrs+ by Completed Education Level, 2005-2020

	2005	2010	2015	2020
Primary or below	29.0	16.3	22.7	16.8
Lower secondary	22.5	18.2	22.6	19.0
Upper secondary	15.8	14.4	19.4	14.5
Post leaving certificate	10.2	12.2	15.8	14.8
Third level non-degree	8.0	7.3	9.1	11.3
Third level degree or higher	5.0	6.7	5.1	6.3
Total Population	18.3	14.7	16.3	13.2

Source: CSO online database.

Poverty by region and area

The availability of poverty estimates by region has been inconsistent over recent years. The most recent SILC results provide a breakdown using three regional classifications but discontinued the provision of data for the eight regional classifications used in recent years (Dublin, Mid-West, South-East etc). Given the relevance of spatial issues to the assessment of progress and societal fairness, we regret this dilution of the evidence available for policy making. The available data, presented in table A3.7, suggests an uneven national distribution of poverty. Using the latest results, the *SILC* survey found that poverty levels are below the national average in the Eastern and Midlands region and above average in the other two regions. The highest rates are in the Northern and Western region, and area corresponding to counties along the border (Donegal, Sligo, Leitrim, Cavan and Monaghan) plus Galway, Mayo and Roscommon. The table also reports that the risk of poverty is higher in urban areas compared to rural areas. In 2020 the risk of poverty in rural Ireland was 0.8 percentage points lower than in urban Ireland with at risk rates of 12.8 per cent and 13.4 per cent respectively.

Table A3.7: Risk of Poverty by Region and Area, 2005-2020

	2005	2010	2015	2020
Northern and Western	n/a	n/a	n/a	19.9
Southern	n/a	n/a	n/a	15.0
Eastern and Midland	n/a	n/a	n/a	9.8
Urban areas	15.9	12.5	15.3	13.4
Rural areas	22.2	18.1	18.3	12.8
Total Population	18.3	14.7	16.3	13.2

Source: CSO online database.

The incidence of poverty

Figures detailing the incidence of poverty reveal the proportion of all those in poverty that belong to particular groups in Irish society. Tables A3.8 and A3.9 report all those below the 60 per cent of median income poverty line, classifying them by their principal economic status (i.e. the main thing people do). The first table examines the population as a whole, including children, while the second table focuses exclusively on adults.

Table A3.8: Incidence of Persons Below 60% of Median Income by Principal Economic Status, 2012-2020

	2012	2015	2018	2020
Employed	12.2	13.7	16.1	20.2
Unemployed	19.2	14.2	12.7	9.9
Retired	5.9	7.3	9.5	7.8
Ill/Disabled	7.3	8.4	12.3	13.3
Student/pupil	14.2	15.4	12.0	10.7
Fulfilling domestic tasks	15.5	14.8	12.2	8.4
Children (under 16 yrs)	23.8	24.3	23.7	27.3
Other	1.9	1.9	1.5	2.4
Total	100.0	100.0	100.0	100.0

Source: CSO SILC Reports (various years).

Table A3.8 shows that in 2020, the largest group of the population who are poor, accounting for 27 per cent of the total, were children. The second largest group are those at work (20.2 per cent) while the third largest group are those who are unable to work due to long standing health problems and disabilities (13.3 per cent). Of all those who are poor, 30 per cent were in the labour force and the remainder were outside the labour market.

Table A3.9 looks at adults only and provides a more informed assessment of the nature of poverty. This is an important perspective as in general children depend on adults for their upbringing and support. Irrespective of how policy interventions are structured, it is through adults that any attempts to reduce the number of children in poverty must be directed. The table shows that in 2020 three in ten of Ireland's adults with an income below the poverty line were employed. Overall, 44 per cent of adults at risk of poverty in Ireland were associated with the labour market.

The incidence of being at risk of poverty amongst those in employment is particularly alarming. Many people in this group do not benefit from Budget changes in welfare or income tax. They would be the main beneficiaries of any move to make the two main income tax credits refundable, a topic addressed in Chapter 4.

Table A3.9: Incidence of Adults (18yrs+) Below 60% of Median Income by Principal Economic Status, 2012-2020

	2012	2015	2018	2020
Employed	17.4	19.5	22.8	29.6
Unemployed	27.4	20.2	18.0	14.5
Retired	8.4	10.4	13.4	11.4
Ill/Disabled	10.4	11.9	17.4	19.5
Student (18 yrs +)	11.6	14.3	9.1	9.1
Fulfilling domestic tasks	22.1	21.0	17.3	12.3
Other	2.7	2.7	2.1	3.5
Total	100.0	100.0	100.0	100.0

Source: CSO SILC Reports (various years).

Deprivation: food and fuel poverty

Chapter 3 outlines recent data from the *SILC* survey on deprivation. To accompany this, we examine two further areas of deprivation associated with food poverty and fuel poverty.

Food poverty

While there is no national definition or measure of food poverty, a number of reports have examined it and its impact. A 2004 report entitled *Food Poverty and Policy* considered food poverty as “the inability to access a nutritionally adequate diet and the related impacts on health, culture and social participation” (Society of St. Vincent de Paul et al, 2004). That report, and a later study entitled *Food on a Low Income* (Safefood 2011), reached similar conclusions and found that the experience of food poverty among poor people was that they: eat less well compared to better off groups; have difficulties accessing a variety of nutritionally balanced good quality and affordable foodstuffs; spend a greater proportion of their weekly income on food; and may know what is healthy but are restricted by a lack of financial resources to purchase and consume it.

Carney and Maitre (2012) returned to this issue and used the 2010 *SILC* data to construct a measure of food poverty based on the collected deprivation data. They measured food poverty and profiled those at risk of food poverty using three deprivation measures: (i) inability to afford a meal with meat or vegetarian equivalent every second day; (ii) inability to afford a roast or vegetarian equivalent once a week; (iii) whether during the last fortnight there was at least one day when the respondent did not have a substantial meal due to lack of money. An individual who experienced one of these deprivation measures was counted as being in food poverty (2012: 11-12, 19). The CSO now update this indicator as part of their publications on Ireland’s performance on the Sustainable Development Goals (SDGs). Indicator 2.1.2 measures the *Prevalence of Moderate or Severe Food Insecurity in the Population* using this deprivation-based indicator. Table A3.10 presents the latest published results and show that 8 per cent of the population experience food poverty, or food insecurity (to use the UN SDG phrasing). This represents approximately 380,000 people. The rate has fallen over time from a peak of 13.2 per cent in 2014.

Table A3.10: Percentage of the Population experiencing Food Insecurity

	2012	2013	2014	2015	2016	2017	2018
Eastern and Midland	14.5	14.5	13.9	12.6	10.1	9.0	8.8
Northern and Western	8.8	10.5	11.6	10.5	9.3	7.5	5.3
Southern	12.3	13.2	13.2	14.2	10.2	10.2	8.4
State	12.7	13.3	13.2	12.8	10.0	9.1	8.0

Source: CSO SDG report, 2019.

Carney and Maitre’s examination for 2010 found that one in ten of the population experienced at least one of the food poverty/deprivation indicators; approximately 450,000 people. They found that those most at risk of food poverty are households in the bottom 20 per cent of the income distribution, households where the head of household is unemployed or ill/disabled, households who rent at less than the market rent (often social housing), lone parents, and households with three adults and children (2012: 29, 38-39).

Results from the 2014 *Irish Health Behaviour in School-aged Children (HBSC) survey* found that one in five children (22 per cent) go to school or bed hungry because there is no food at home (Gavin et al, 2015).

The results of these studies point towards the reality that many households face making ends meet, given their limited income and challenging living conditions in Ireland today. They also underscore the need for added attention to the issue of food poverty.

Fuel poverty

Deprivation of heat in the home, often also referred to as fuel poverty, is another area of deprivation that has received attention in recent times. A 2007 policy paper from the Institute for Public Health (IPH) entitled *Fuel Poverty and Health* highlighted the sizeable direct and indirect effects on health of fuel poverty. Overall the IPH found that the levels of fuel poverty in Ireland remain “unacceptably high” and that they are responsible for “among the highest levels of excess winter mortality in Europe, with an estimated 2,800 excess deaths on the island over the winter months” (2007:7). They also highlighted the strong links between low income, unemployment and fuel poverty with single person households and households headed by lone parents and pensioners found to be at highest risk. Similarly, the policy paper shows that older people are more likely to experience fuel poverty due to lower standards of housing coupled with lower incomes.

Subsequently, the Society of St Vincent de Paul’s (SVP) has defined energy poverty as the inability to attain an acceptable level of heating and other energy services in the home due to a combination of three factors: income, energy price, and energy efficiency of the dwelling. The 2020 *SILC* study found that 9.3 per cent of individuals were without heating at some stage in that year; a figure which is 21.4 per cent for those in poverty (see table 3.11). The *SILC* data also indicate that these fuel poverty experiences are increasing over time. Given the recent dramatic increases in energy prices, and the expectation that these increases will remain for some time, there is a worrying potential for a significant increase in fuel poverty in 2022/23.

The SVP points out that households in receipt of energy-related welfare supports account for less than half of the estimated energy poor households and over time these payments have been cut while fuel prices and carbon taxes have increased. Clearly, welfare payments need to address energy poverty. Other proposals made by the SVP include detailed initiatives on issues such as: the prevention of disconnections; investing in efficiency measures in housing; education and public awareness to promote energy saving; and the compensation of Ireland's poorest households for the existing carbon tax⁴.

Social Justice Ireland welcomed the publication of an Energy Poverty Strategy by Government in 2016. The strategy was accompanied by a study, from Element Energy, which estimated that 30 per cent of Irish households lived in fuel poverty. While Government have made some inroads in addressing low-income household energy issues through funding a local authority retrofitting campaign, progress to date has been limited given the scale of the problem and its implication for the health and wellbeing of many low-income families. Clearly, addressing this issue, like all issues associated with poverty and deprivation, requires a multi-faceted approach. The proposals presented by the SVP should form the core of achieving success with any current or future fuel poverty strategy.

The experience of poverty: Minimum Income Standards

A 2012 research report from the Vincentian Partnership for Social Justice (VPSJ) and Trinity College Dublin cast new light on the challenges faced by people living on low incomes in Ireland (Collins et al, 2012). Entitled *A Minimum Income Standard for Ireland*, the research established the cost of a minimum essential standard of living for individuals and households across the entire lifecycle, from children to pensioners. Subsequently the study calculated the minimum income households required to be able to afford this standard of living. The data in this report has been updated annually by the VPSJ and published on their website⁵.

A minimum essential standard of living is defined as one which meets a person's physical, psychological and social needs. To establish this figure, the research adopted a consensual budget standards approach whereby representative focus groups established budgets on the basis of a household's minimum needs, rather than wants. These budgets, spanning over 2,000 goods, were developed for 16 areas of expenditure including: food, clothing, personal care, health-related costs, household goods, household services, communication, social inclusion and participation, education, transport, household fuel, personal costs, childcare, insurance, housing, savings, and contingencies. These budgets were then benchmarked for their nutritional and energy content, to ensure they were sufficient to provide appropriate nutrition and heat for families, and priced.

The study establishes the weekly cost of a minimum essential standard of living for five household types. These included: a single person of working age living alone; a two-parent household with two children; a single parent household with two children; a pensioner couple; and a female pensioner living alone. Within these household categories, the analysis distinguishes between the expenditure for urban and rural households and between those whose members are unemployed or working, either part-time or full-time. The study also established the expenditure needs of a child and how these change across childhood.

Table A3.11 summarises the most recent update of these numbers following Budget 2022 (October 2021). Looking at a set of welfare dependent households, the study found that when the weekly income of these households is compared to the weekly expenditure required to experience a basic standard of living, three of the six household types received an inadequate income. As a result of this shortfall these households have to cut back on the basics to make ends meet (Collins et al, 2012:105-107). The comparison between 2021 and 2022 highlights the impact of price increases and budgetary policy over

⁴We address these issues further in the context of a carbon tax in Chapter 4.

⁵ See www.budgeting.ie

that period. For most households the challenges they faced marginally increased as the gap between income and expenditure further widened.

Table A3.11: Comparisons of Minimum Expenditure Levels with Net Income Levels for Selected Welfare Dependent Households (€ per week)

	2A 2C	2A 2C	1A 2C 3 & 10 yrs	1A 2C 10 & 15 yrs	Single Adult	Single Pensioner
2021						
Expenditure	485.16	572.90	368.37	456.21	251.82	256.67
Income	481.20	493.49	361.58	373.87	203.00	273.58
<i>Difference</i>	-3.96	-79.41	-6.79	-82.34	-48.82	+16.91
2022						
Expenditure	499.65	589.24	380.73	470.33	259.13	266.84
Income	493.69	507.17	373.46	386.94	208.00	284.27
<i>Difference</i>	-5.96	-82.07	-7.27	-83.39	-51.13	+17.43

Source: VPSJ (2021:1).

Notes: A = adults, C = children. Figures for the current year are projections.

These results, which complement earlier research by the VPSJ (2006, 2010), contain important implications for government policy if poverty is to be eliminated. These include the need to address child poverty, the income levels of adults on social welfare, the 'working poor' issue, and access to services ranging from social housing to fuel for older people and the distribution of resources between urban and rural Ireland⁶.

Europe 2020 Strategy – Risk of Poverty or Social Exclusion

As part of the *Europe 2020 Strategy*, European governments adopted policies to target these poverty levels and are using as their main benchmark the proportion of the population at risk of poverty or social exclusion. One of the five headline targets for this strategy aimed to lift at least 20 million people out of the risk of poverty or exclusion categories by 2020 (using 2008 as the baseline year).

The indicator has been defined by the European Council on the basis of three indicators: the aforementioned 'at risk of poverty' rate after social transfers; an index of material deprivation⁷; and the percentage of people living in households with very low work intensity⁸. It is calculated as the sum of

⁶ Data from these studies are available at www.budgeting.ie

⁷ Material deprivation covers indicators relating to economic strain and durables. Severely materially deprived persons have living conditions severely constrained by a lack of resources. They experience at least 4 out of 9 listed deprivations items (Eurostat 2012).

⁸ People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) worked less than 20 per cent of their total work potential during the past year.

persons relative to the national population who are at risk of poverty or severely materially deprived or living in households with very low work intensity, where a person is only counted once even if recorded in more than one indicator⁹.

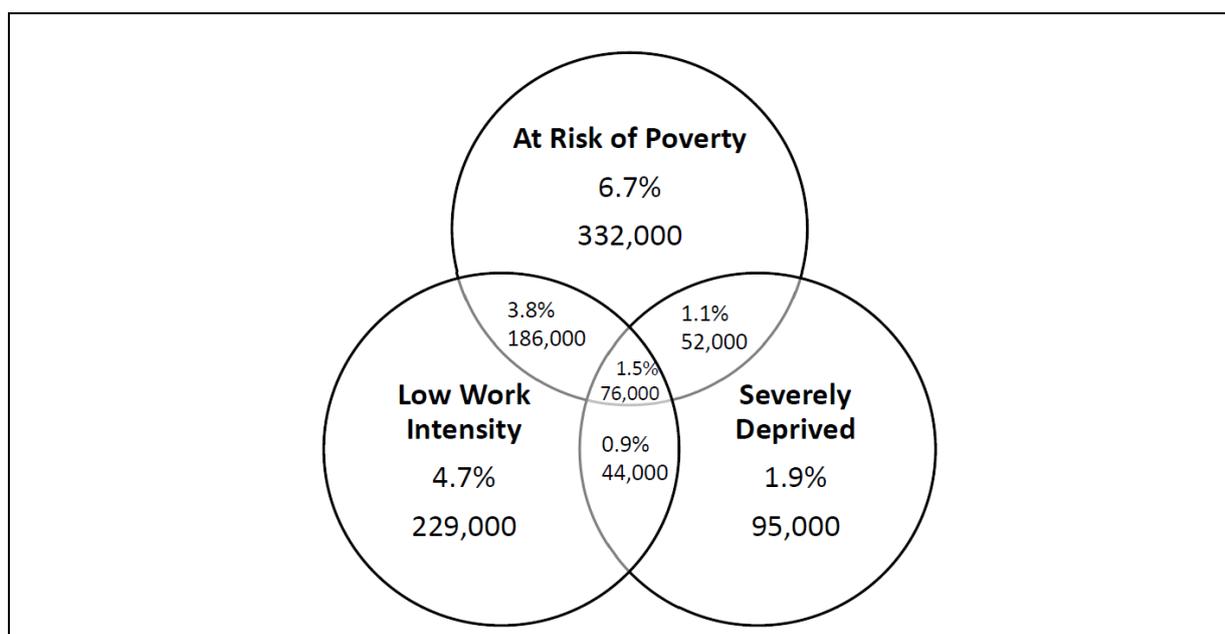
Table A3.12: People at Risk of Poverty or Social Exclusion in Ireland and the EU, 2008-2019

	2008	2012	2016	2019
Ireland % Population	23.7	30.1	24.4	20.6
Ireland 000s people	1,050	1,382	1,160	1,014
EU % Population*	23.7	24.8	23.5	21.4
EU 000s people*	116,070	123,774	118,060	107,535

Source: Eurostat online database.

Notes: *EU data for 2008 is for the EU-27 (2007-13) and it is against this figure that the *Europe 2020* target is set; all other EU data is for the EU-28 (including Croatia). Data is not updated to 2020 to avoid the effect of the Covid-19 pandemic.

Chart A3.1: Population at Risk of Poverty or Social Exclusion, Ireland 2019



Source: Compiled from Eurostat online database (ilc_pees01).

Note: Data is not updated to 2020 to avoid the effect of the Covid-19 pandemic.

Table A3.12 summarises the data on this indicator for Europe and chart A3.1 summarises the Irish data, which is for 2019 – we have excluded the 2020 data as it was skewed by the pandemic. While *Social Justice Ireland* regrets that the *Europe 2020* process shifted its indicator focus away from an exclusive

⁹ See European Commission (2011) for a more detailed explanation of this indicator.

concentration on the ‘at risk of poverty’ rate, we welcome the added attention at a European level to issues regarding poverty, deprivation and joblessness.

Since 2011 *Social Justice Ireland* has published frequent reports analysing how Ireland is performing as regards the *Europe 2020* goals¹⁰. What is clear is that the austerity measures and broader policy initiatives which have been pursued in many EU countries have resulted in the erosion of social services and lead to the further exclusion of people who already find themselves on the margins of society. This is in direct contradiction to the inclusive growth focus of the *Europe 2020 Strategy*. This is reflected in the figures in table 3.12 which show that there was limited progress towards this 2020 target.

Moving to Persistent Poverty

Social Justice Ireland 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.

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 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 society’s knowledge of households and individuals on low income.

Ireland’s income distribution: trends from 1987-2020

The results of studies by Collins and Kavanagh (1998, 2006), Collins (2013) and CSO income figures provide a useful insight into the pattern of Ireland’s income distribution over almost three decades. Table A3.13 combines the results from these studies and reflects the distribution of household income in Ireland as tracked by five surveys. Overall, across the period 1987-2020 the income distribution is very static.

Using data from the two ends of this period, 1987 and 2020, chart A3.2 examines the change in the income distribution over the intervening years. While a lot changed in Ireland over that period, income distribution did not change significantly; the decile variations are all small. Compared with 1987, only one decile, the top decile, saw its share of the total household income distribution increase. That increase in income share, of +2.5 per cent, came at the expense of small decreases in the income share received by almost all other deciles.

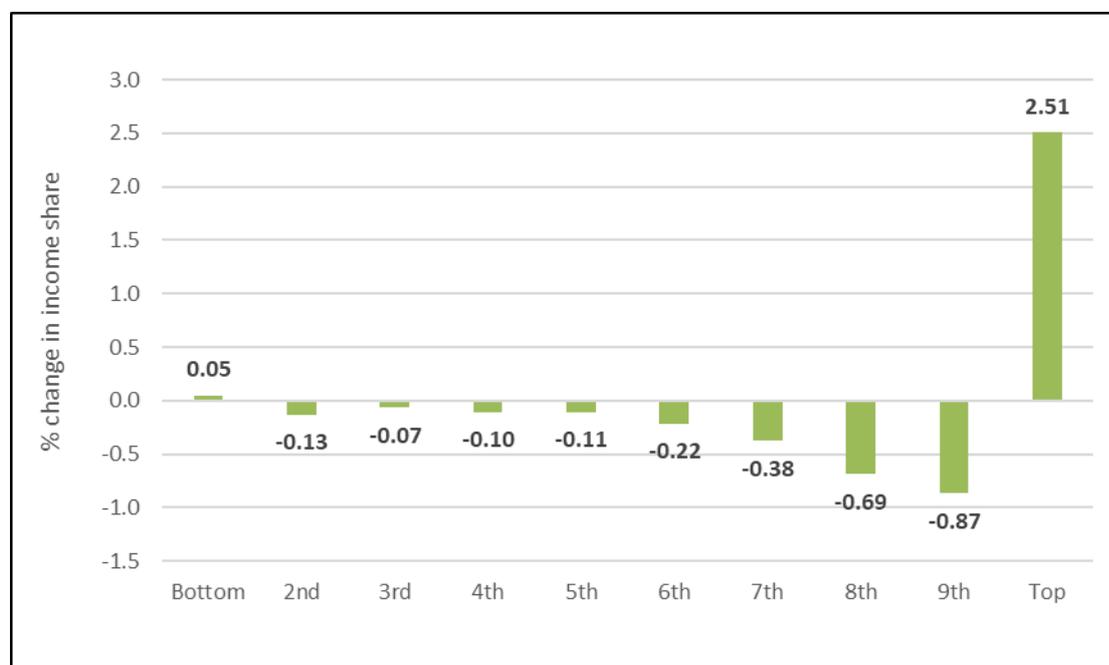
¹⁰ See *Social Justice Ireland* (2021).

Table A3.13: The Distribution of Household Disposable Income, 1987-2020 (%)

Decile	1987	1994/95	2005	2015	2020
Bottom	2.28	2.23	2.21	2.12	2.33
2nd	3.74	3.49	3.24	3.50	3.61
3rd	5.11	4.75	4.46	5.05	5.04
4th	6.41	6.16	5.70	6.39	6.30
5th	7.71	7.63	7.31	7.68	7.60
6th	9.24	9.37	9.12	9.22	9.02
7th	11.16	11.41	10.97	10.98	10.78
8th	13.39	13.64	13.23	13.31	12.70
9th	16.48	16.67	16.35	16.41	15.62
Top	24.48	24.67	27.42	25.34	26.99
Total	100.00	100.00	100.00	100.00	100.00

Source: Collins and Kavanagh (2006:156) and CSO SILC various editions.

Note: Data for 1987, 1994/95 and from the Household Budget Surveys. 2005 onwards from SILC.

Chart A3.2: Change in Ireland's Household Income Distribution, 1987-2020

Source: Calculated using data from Collins and Kavanagh (2006:156) and CSO (2021).

Benchmarking Social Welfare Payments, 2001-2011

While Chapter 3 considers the current challenges associated with maintaining an adequate level of social welfare, here we examine the transition to benchmarked social welfare payments. That process centred on three elements: the 2001 *Social Welfare Benchmarking and Indexation Working Group* (SWBIG), the 2002 *National Anti-Poverty Strategy (NAPS) Review* and the *Budgets 2005-2007*.

Social welfare benchmarking and indexation working group

In its final report the SWBIG agreed that the lowest social welfare rates should be benchmarked. A majority of the working group, which included a director of *Social Justice Ireland*, also agreed that this benchmark should be index-linked to society's standard of living as it grows and that the benchmark should be reached by a definite date. The working group chose Gross Average Industrial Earnings (GAIE) to be the index to which payments should be linked¹¹. The group further urged that provision be made for regular and formal review and monitoring of the range of issues covered in its report. The group expressed the opinion that this could best be accommodated within the structures in place under the NAPS and the *National Action Plan for Social Inclusion* (now combined as *NAPinclusion*). The SWBIG report envisaged that such a mechanism could involve:

- the review of any benchmarks/targets and indexation methodologies adopted by government to ensure that the underlying objectives remain valid and were being met;
- the assessment of such benchmarks/targets and indexation methodologies against the various criteria set out in the group's terms of reference to ensure their continued relevance;
- the assessment of emerging trends in the key areas of concern, e.g. poverty levels, labour market performance, demographic changes, economic performance and competitiveness, and
- identification of gaps in the area of research and assessment of any additional research undertaken in the interim.

National Anti-Poverty Strategy (NAPS) review 2002

In 2002, the NAPS review set the following as key targets:

To achieve a rate of €150 per week in 2002 terms for the lowest rates of social welfare to be met by 2007 and the appropriate equivalence level of basic child income support (i.e. Child Benefit and Child Dependent Allowances combined) to be set at 33 per cent to 35 per cent of the minimum adult social welfare payment rate.

Social Justice Ireland and others welcomed this target. It was a major breakthrough in social, economic and philosophical terms. We also welcomed the reaffirmation of this target in *Towards 2016*. That agreement contained a commitment to 'achieving the NAPS target of €150 per week in 2002 terms for lowest social welfare rates by 2007' (2006:52). The target of €150 a week was equivalent to 30 per cent of Gross Average Industrial Earnings (GAIE) in 2002¹².

¹¹The group recommended a benchmark of 27 per cent although *Social Justice Ireland* argued for 30 per cent.

¹²GAIE is calculated by the CSO on the earnings of all individuals (male and female) working in all industries. The GAIE figure in 2002 was €501.51 and 30 per cent of this figure equals €150.45 (CSO, 2006: 2).

Table A3.14 outlines the expected growth rates in the value of €150 based on this commitment and indicates that the lowest social welfare rates for single people should have reached €185.80 by 2007.

Table A3.14: Estimating Growth in €150 a Week (30% GAIE) for 2002-2007

	2002	2003	2004	2005	2006	2007
% Growth of GAIE	-	+6.00	+3.00	+4.50	+3.60	+4.80
30% GAIE	150.00	159.00	163.77	171.14	177.30	185.80

Source: GAIE growth rates from CSO Industrial Earnings and Hours Worked (September 2004:2) and ESRI Medium Term Review (Bergin et al, 2003:49).

Budgets 2005-2007

The NAPS commitment was very welcome and was one of the few areas of the anti-poverty strategy that was adequate to tackle the scale of the poverty, inequality and social exclusion being experienced by so many people in Ireland today.

In 2002 *Social Justice Ireland* set out a pathway to reaching this target by calculating the projected growth of €150 between 2002 and 2007 when it is indexed to the estimated growth in GAIE. Progress towards achieving this target had been slow until Budget 2005. At its first opportunity to live up to the NAPS commitment the government granted a mere €6 a week increase in social welfare rates in Budget 2003. This increase was below that which we proposed and also below that recommended by the government's own tax strategy group. In Budget 2004 the increase in the minimum social welfare payment was €10. This increase was again below the €12 a week we sought and at this point we set out a three-year pathway (see table A3.14).

Table A3.15: Proposed Approach to Addressing the Gap, 2005-2007

	2005	2006	2007
Min. SW payment in €'s	148.80	165.80	185.80
€ amount increase each year	14.00	17.00	20.00
Delivered	✓	✓	✓

Following Budget 2004 we argued for an increase of €14 in Budget 2005. The Government's decision to deliver an increase equal to that amount in that Budget marked a significant step towards honouring this commitment. Budget 2006 followed suit, delivering an increase of €17 per week to those in receipt of the minimum social welfare rate. Finally, Budget 2007's decision to deliver an increase of €20 per week to the minimum social welfare rates brought the minimum social welfare payment up to the 30 per cent of the GAIE benchmark.

Social Justice Ireland believes that these increases, and the achievement of the benchmark in Budget 2007, marked a fundamental turning point in Irish public policy. Budget 2007 was the third budget in a row in which the government delivered on its NAPS commitment. In doing so, the government moved to meet the target so that in 2007 the minimum social welfare rate increased to €185.80 per week; a figure equivalent to the 30 per cent of GAIE.

Social Justice Ireland warmly welcomed this achievement. It marked major progress and underscored the delivery of a long overdue commitment to sharing the fruits of this country's economic growth since the mid-1990s. An important element of the NAPS commitment to increasing social welfare rates was the acknowledgement that the years from 2002-2007 marked a period of 'catch up' for those in receipt of welfare payments. Once this income gap had been bridged, the increases necessary to keep social welfare payments at a level equivalent to 30 per cent of GAIE became much smaller. In that context we welcomed the commitment by Government in *NAPinclusion* to 'maintain the relative value of the lowest social welfare rate at least at €185.80, in 2007 terms, over the course of this Plan (2007-2016), subject to available resources' (2007:42). Whether or not 30 per cent of GAIE (or equivalent values) is adequate to eliminate the risk of poverty will need to be monitored through the *SILC* studies and addressed when data on persistent poverty emerges.

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Online databases

CSO online database, web address: <http://www.cso.ie/en/databases/>

Eurostat online database, web address: <http://ec.europa.eu/eurostat>