

National Social Target for Poverty Reduction



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The Policy Briefing is available online in English and Irish at www.socialinclusion.ie and www.welfare.ie.

This Policy Briefing sets out the Government decision to revise and enhance the national social target for poverty reduction, arising from the review of the national poverty target.

The Policy Briefing is divided into two sections. Section 1 describes the revised national social target for poverty reduction. Section 2 presents the main findings from the report of the review of the national poverty target.

Supporting documentation to this Policy Briefing are:

Report of the Review of the National Poverty Target

[Appendix A](#) - Consultation on Review of National Poverty Target

[Appendix B](#) - Report on Public Consultation for Review of the National Poverty Target

[Appendix C](#) - Technical Paper on Poverty Indicators

[Appendix D](#) - Synthesis Report on the EU Peer Review on the Setting of National Poverty Targets

The supporting documentation is published online at www.socialinclusion.ie and www.welfare.ie.

Summary

Reducing and ultimately eliminating poverty is a fundamental aspiration of Irish society and is a commitment of this Government. As part of a comprehensive review¹ of the poverty target in the National Action Plan for Social Inclusion 2007-2016, the Government has decided to revise and enhance the target. This briefing sets out the features of the revised target, how it aligns with the EU poverty target, the new sub-targets for vulnerable groups, and the strengthened procedures for monitoring and assessment. The changes are:

- The national poverty target is re-named as the ‘national social target for poverty reduction’.
- The national social target for poverty reduction is to reduce consistent poverty to 4 per cent by 2016 (interim target) and to 2 per cent or less by 2020, from the 2010 baseline rate of 6.2 per cent.
- Ireland’s contribution to the EU poverty target is to lift a minimum of 200,000 people out of the risk of poverty or exclusion by 2020 from the 2010 baseline.
- There will be a new national sub-target for the reduction of child poverty, to reduce the differential in the rate of consistent poverty between children and adults.
- There will be a new national sub-target for the reduction of poverty in jobless households, to reduce the concentration of the population in consistent poverty in these households.
- There will be two additional indicators to monitor progress towards the target:
 - ‘vulnerable to consistent poverty’ (the population experiencing basic deprivation and having an income between 60 and 70 per cent of the median)
 - ‘absolute poverty’ (individuals falling below the 60 per cent median at-risk-of-poverty threshold anchored at 2010 values).
- The implementation of the target will be strengthened by:
 - incorporating poverty impact assessment as part of an integrated social impact assessment
 - producing an annual monitoring report on progress towards the target with input from stakeholders.



Statement from the Minister

Reducing and ultimately eliminating poverty is a fundamental aspiration of Irish society. The national social target for poverty reduction provides a key reference point for government policies and offers a tangible benchmark to measure social and economic progress. This aspiration was recently shared by the 27 member states of the EU following the adoption of a headline poverty target to lift 20 million people out of the risk of poverty or exclusion as part of the *Europe 2020 Strategy*.

Ireland has an enviable 15-year record of setting and achieving national poverty targets through policy frameworks such as the *National Action Plan for Social Inclusion 2007-2016*. It is disappointing that progress on the national poverty target was partially reversed in 2009 and 2010. The rise in unemployment has clearly had a negative impact, though it is positive that our social welfare system is cushioning the worst effects of the economic crisis. It is of concern that despite an overall improvement, some groups continue to carry a disproportionate burden of poverty.

Following a review of progress on the national poverty target the Government has agreed a number of revisions and enhancements to the target, now renamed the national social target for poverty reduction. The Government has retained the ambition of the target, despite the challenging economic conditions. The target will now be achieved over an extended timeframe of 2020 in line with the EU poverty target. For the first time, the Government will set sub-targets for reducing poverty among children and jobless households. The Government is also strengthening the implementation of the target across departments.

The Government, and I as Minister for Social Protection, are committed to reducing and eliminating poverty, as set out in the *Programme for Government*. We are determined to ensure that the least well off in society are protected from the economic crisis and are enabled to benefit from economic recovery and new employment opportunities. I look forward to working with all stakeholders to implement the revised and enhanced national social target for poverty reduction.

A handwritten signature in black ink that reads "Joan Burton". The signature is written in a cursive, flowing style.

Joan Burton TD
Minister for Social Protection

Section 1: National social target for poverty reduction

The Government has revised and enhanced the national poverty target, originally set out in the *National Action Plan for Social Inclusion 2007-2016*. The target is renamed ‘the national social target for poverty reduction’, to emphasise the whole-of-government nature of the target and its linkages with other national targets such as employment and education. The target continues to be expressed using the consistent poverty indicator (see [Box 1](#)).

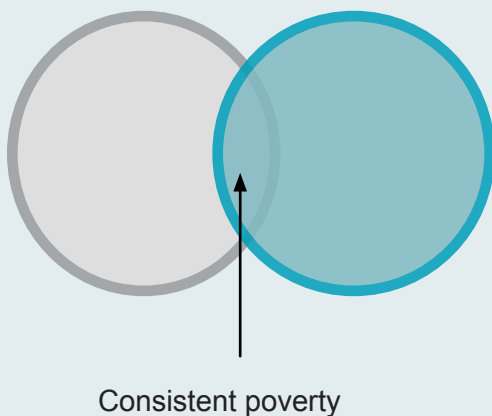
The national social target for poverty reduction is to reduce consistent poverty to 4 per cent by 2016 and to 2 per cent or less by 2020, from a baseline rate of 6.2 per cent in 2010.² The target retains the ambition of the previous target (to reduce the rate of consistent poverty to between 2 and 4 per cent by 2012 and to eliminate it by 2016, from a baseline rate of 7 per cent in 2005). To reflect recent economic conditions, the target adopts 2010 as the baseline year and extends the timeframe for achieving the target to 2020. The timescale for the national target and the new EU poverty target (see below) are now aligned.

Box 1: Consistent poverty indicator and its component indicators

The consistent poverty indicator is the overlap of two component indicators: at-risk-of-poverty - which measures individuals whose household income is below 60 per cent of the median - and basic deprivation - which captures individuals lacking 2 or more of 11 basic necessities. Consistent poverty reflects a multi-dimensional understanding of poverty, in line with the official definition:

At-risk-of-poverty (60% threshold)

Basic deprivation (2/11 items)



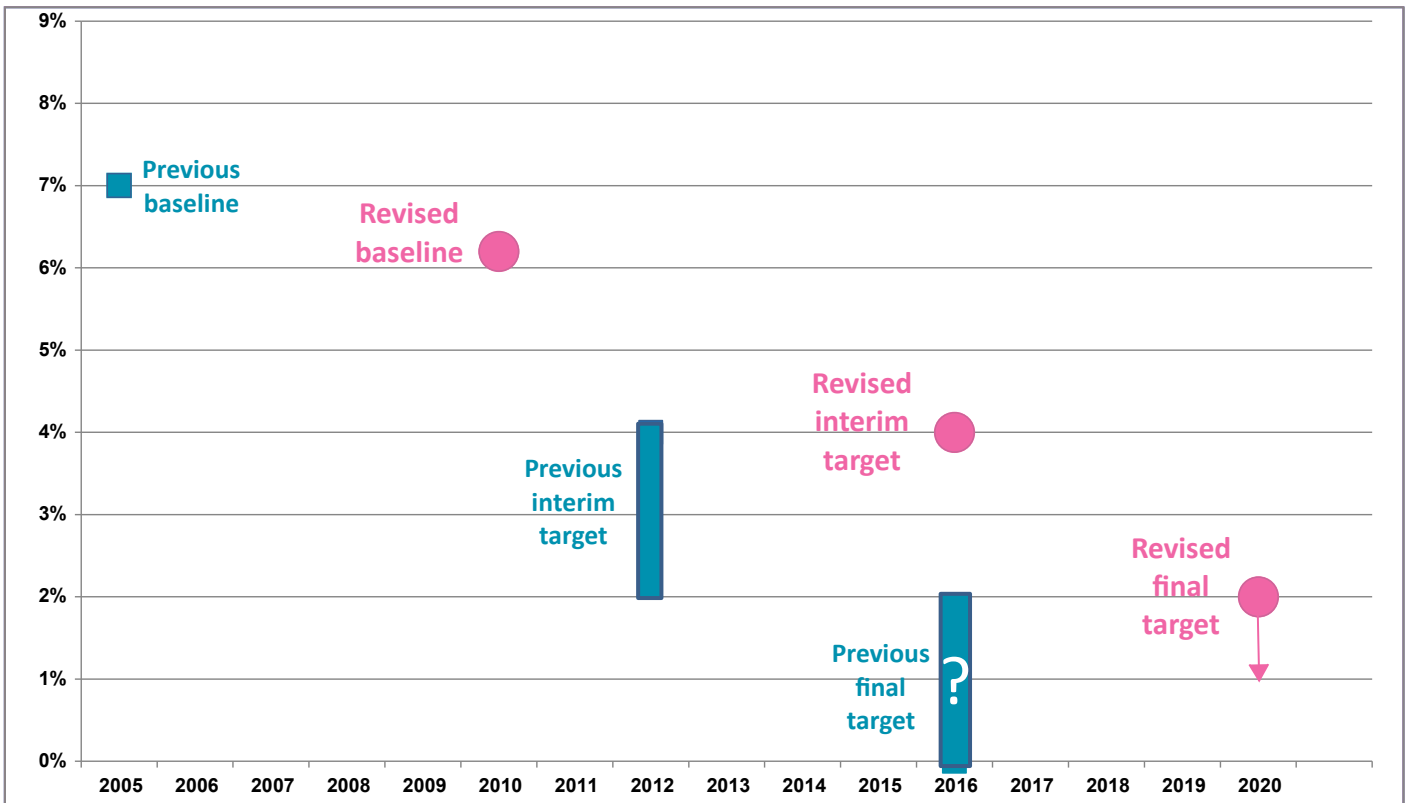
People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society.

The measure is designed to identify the population which has the greatest needs in terms of both low income and lack of resources. The indicators are measured using data from the annual Central Statistics Office *Survey on Income and Living Conditions*.

Figure 1 illustrates the key milestones and timeframe for the national social target for poverty reduction (pink circles/text), as compared with the previous target (turquoise boxes/text).³ There is also a technical change in that the final target is now expressed as 2 per cent or less. The original target referred to

‘elimination’ but without a specific numerical expression, which was problematic for measurement purposes. The expression ‘2 per cent or less’ provides a robust and realistic statistical basis for measuring progress towards the target.

Figure 1 : National social target for poverty reduction



Ireland’s contribution to the EU poverty target

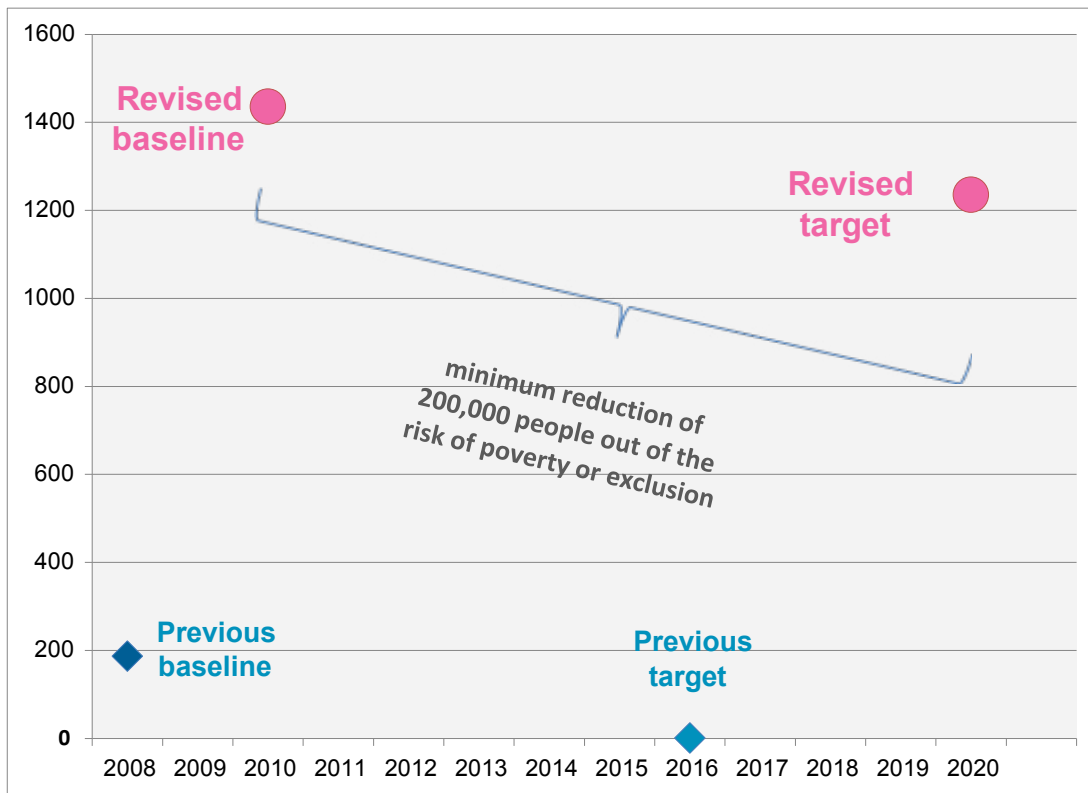
Under the *Europe 2020 Strategy*, EU members states are required to set a national poverty target which will contribute to meeting the EU poverty target (see **Box 2**).

Ireland’s contribution to the EU target is to lift a minimum of 200,000 people out of the risk of poverty or exclusion between 2010 and 2020. This contribution is based on a reduction in consistent poverty to 4 per cent by 2016 and 2 per cent of less by 2020, as per the national social target for poverty reduction. It is envisaged that this

target will lead to an overall reduction in the population at risk of poverty or exclusion of 200,000. This reduction will be spread across the three indicators of consistent poverty, at-risk-of-poverty and basic deprivation. The Irish target contributes 1 per cent to the overall EU poverty target.

Figure 2 illustrates Ireland’s contribution to the EU poverty target, using the population at risk of poverty or exclusion in 2010 (c 1.4 million people) as the baseline. Previously, the Irish contribution was expressed in terms of the population in consistent poverty only.

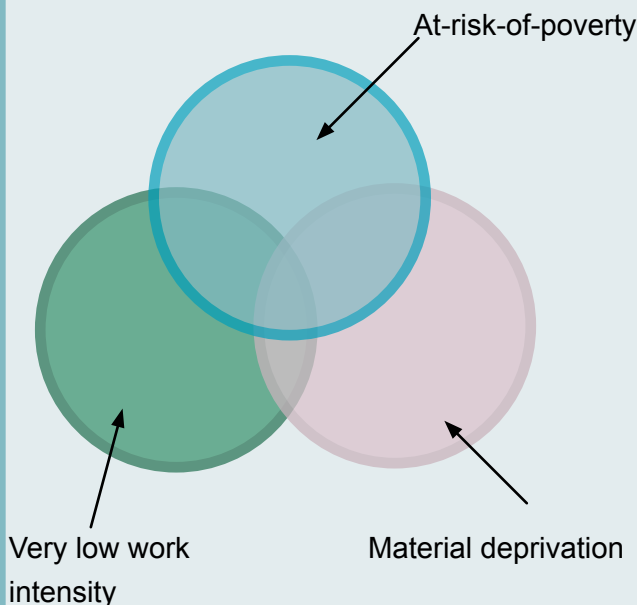
Figure 2: Ireland’s contribution to the EU poverty target (thousands)



Box 2: EU poverty target and indicators

The EU poverty target is to lift at least 20 million people out of the risk of poverty or exclusion by 2020 (using 2008 as baseline year). It was adopted by the EU as one of five headline targets in the *Europe 2020 Strategy*. Member states are required to set out parallel national targets as a means of meeting the EU target, using appropriate indicators. National targets based on the preferred indicators are to be defined in numerical terms to facilitate their aggregation at EU level.

The EU target defines its target population using a combination of three indicators: at-risk-of-poverty, material deprivation and very low work intensity (see Box 3), a group which is described as being ‘at risk of poverty or exclusion’.



A comparable composite Irish measure of the population ‘at risk of poverty or exclusion’ can be got by combining the national indicators of at-risk-of-poverty, basic deprivation and consistent poverty. Both composite measures capture similar population figures (between 30 and 32 per cent in 2010) and it is estimated that there is an overlap of 80 per cent between the two populations, rising to 100 per cent for the population in consistent poverty.

Sub-targets for poverty reduction for children and jobless households

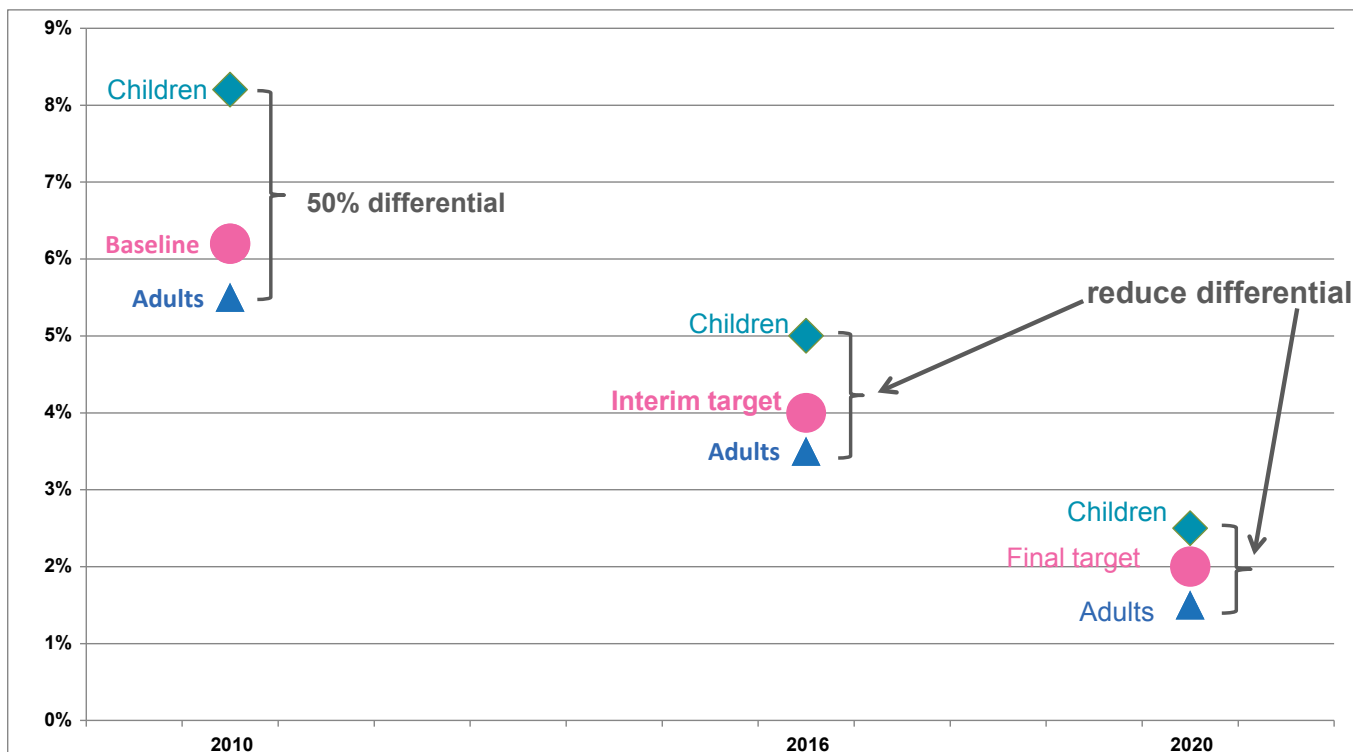
The Government has agreed new national sub-targets for reducing poverty among children and jobless households. These two groups were identified as meriting specific policy attention given their higher risk of consistent poverty and their importance in terms of overall social and economic policy. The new sub-targets will be linked to the overall target, with the specifics to be agreed in conjunction with relevant stakeholders.

The sub-target for the reduction of child poverty is to narrow the differential in

consistent poverty between children and adults. Figure 3 shows the consistent poverty rate for children (8.2 per cent, turquoise diamond) as compared to that for adults (5.5 per cent, purple triangle) in 2010. This equates to a differential of 50 per cent in the poverty risk for children as compared to adults.

The sub-target to reduce the differential between children and adults will be achieved in conjunction with the national social target for poverty reduction.

Figure 3: Differential between risk of consistent poverty for children and adults in 2010 and national target



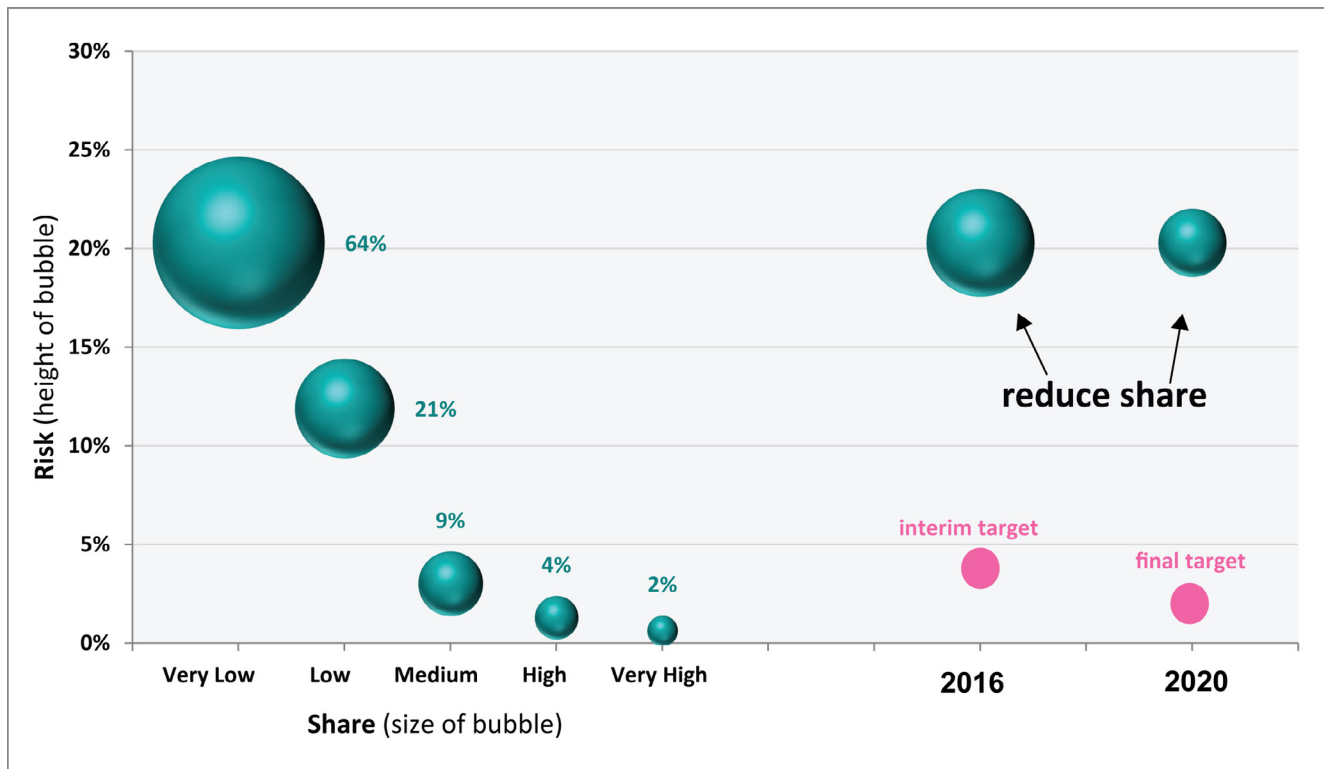
The sub-target for the reduction of poverty in jobless households is to reduce the concentration of the population in consistent poverty in these households. Jobless households are measured using household work intensity (see Box 3).

Figure 4 illustrates the share of the population in consistent poverty by household work intensity in 2010. Very low work intensity households comprise two-thirds of all those in consistent poverty, which is linked to their high poverty risk (20 per cent), also shown in Figure 4.

There is a further 21 per cent of the poverty population in low work intensity households (also with a higher than average poverty risk at 13 per cent). By contrast, high work intensity households comprise only 6 per cent of the population in consistent poverty,

reflecting their very low poverty risk. The sub-target to reduce the share of the poverty population in jobless households will be achieved in conjunction with the national social target for poverty reduction.

Figure 4: Share of population in consistent poverty by household work intensity in 2010 and national target



Box 3: Measuring the work intensity of households

The work intensity of the household refers to the ratio between the number of months that all working age household members worked during the previous year and the total number of months that could theoretically have been worked by the household members. A working age person is defined as a person aged 18 to 59, excluding students aged between 18 and 24. The work intensity of the working age members is applied to all children and students living in the household, excluding those aged 60+ years.

Work intensity is broken into five categories: very low work intensity (< 20 per cent of total time is worked), low work intensity (20 to 45 per cent), medium work intensity (45 to 55 per cent), high work intensity (55 to 85 per cent) and very high work intensity (> 85 per cent).

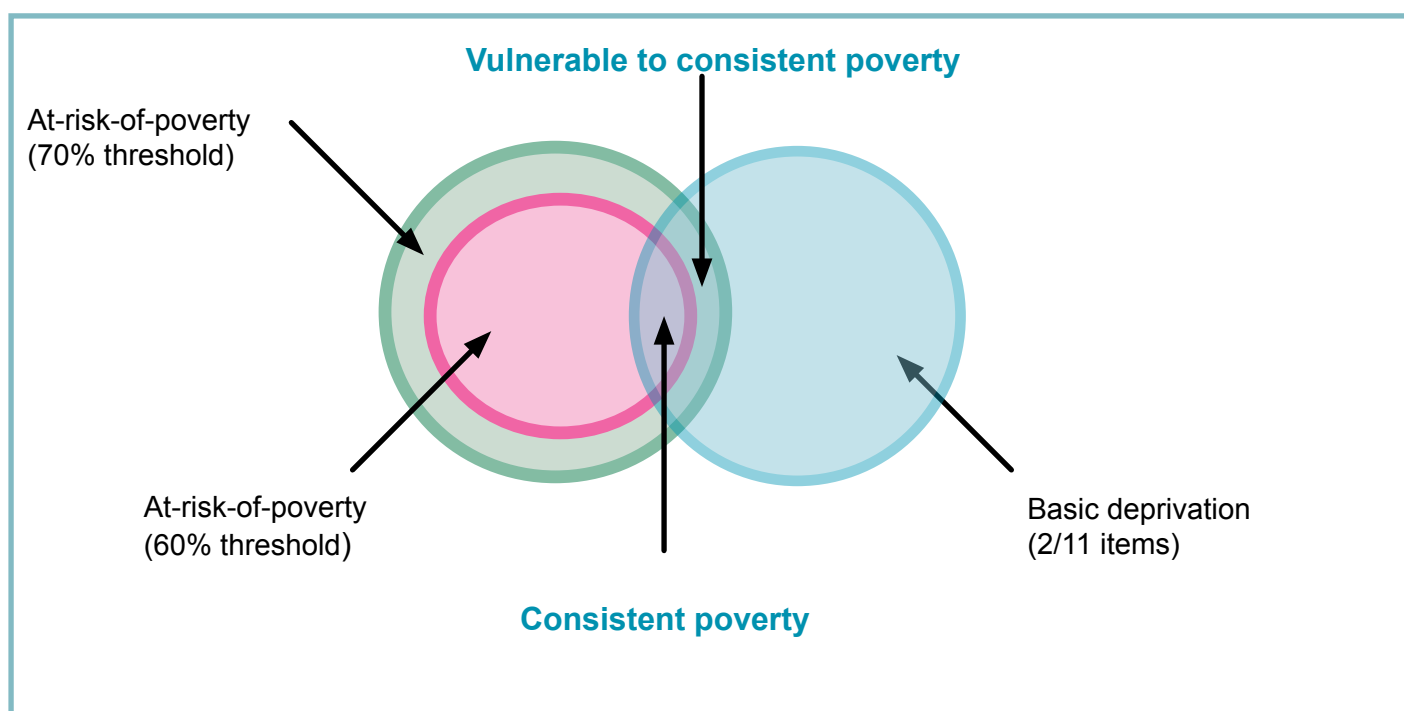
The EU has used the indicator of households with very low work intensity, as part of its definition of the population 'at risk of poverty or exclusion' for the EU poverty target.

Additional indicators to monitor progress towards the social target

The Government has selected two additional indicators to monitor progress towards the national social target for poverty reduction. These indicators complement the existing indicators of consistent poverty, at-risk-of-poverty and basic deprivation and constitute a tiered approach for monitoring progress towards the target. The additional indicators capture aspects of poverty which are relevant to the achievement of the poverty target, though not the subject of a target in their own right.

The first additional indicator is ‘vulnerable to consistent poverty’ (Figure 5). This indicator identifies the population experiencing basic deprivation and whose income is between 60 and 70 per cent of the median. The profile of this group is similar to those in consistent poverty using the 60 per cent at-risk-of-poverty threshold. This indicator will facilitate monitoring of flows into and out of consistent poverty. In 2010, 4 per cent of the population were vulnerable to consistent poverty.

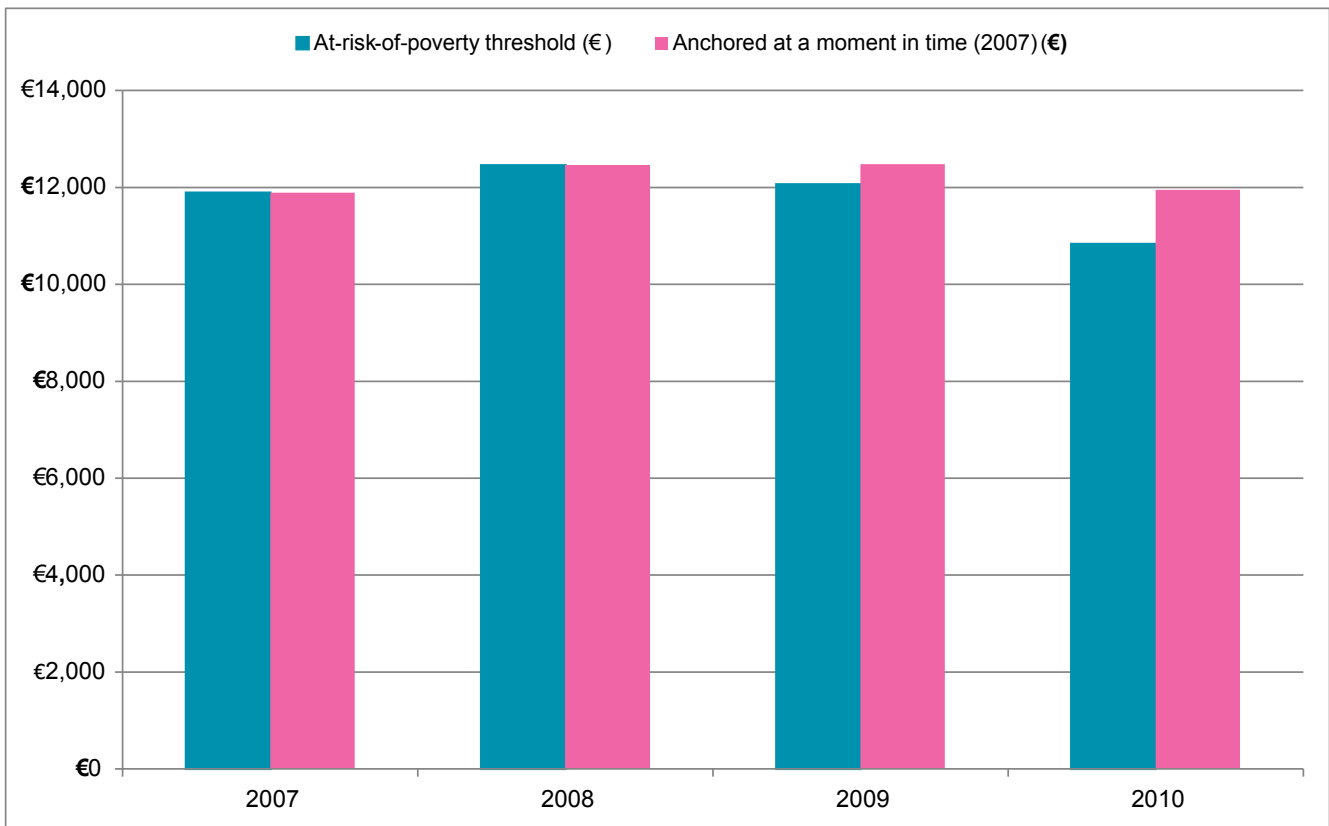
Figure 5: Indicator of vulnerable to consistent poverty



The second indicator is ‘absolute poverty’. This captures the population below a poverty threshold whose value is anchored in a specific baseline year (in this case 2010) and only adjusted for inflation for subsequent years. It contrasts with a relative threshold which is adjusted from year to year.

Absolute poverty is a useful measure of short-term trends in the real incomes of low income households, especially at a time of economic uncertainty.

Figure 6 illustrates the value of the at-risk-of-poverty threshold anchored in 2007 values as compared with a changing relative threshold. This shows that the anchored threshold was higher than the relative one in 2009 and especially 2010. As a result of the higher threshold, the absolute poverty rate was 22 per cent in 2010, compared to 15.8 per cent for the at-risk-of-poverty rate.

Figure 6: Value of anchored and relative at-risk-of-poverty thresholds 2007-2010

Stronger monitoring and implementation across government

Besides renaming the poverty target as a national social target, the Government has strengthened the implementation of the target in two other ways.

The first involves strengthening poverty impact assessment⁴ as a mechanism for mainstreaming the target across all aspects of government. In particular, it is proposed to incorporate poverty impact assessment in an

integrated social impact assessment. This should lead to greater policy coordination in the social sphere and ensure that government policies are mutually reinforcing.

The second action is to have regular, timely and systematic arrangements for monitoring progress on the national poverty target, informed by the results of the annual CSO *Survey on Income and Living Conditions* and with input from relevant stakeholders.

Section 2: Findings from the review of the national poverty target

The review of the national poverty target examined progress towards the previous target (2 to 4 per cent by 2012 and elimination by 2016), including the situation for lifecycle and vulnerable groups. The background to the review is set out in [Box 4](#).

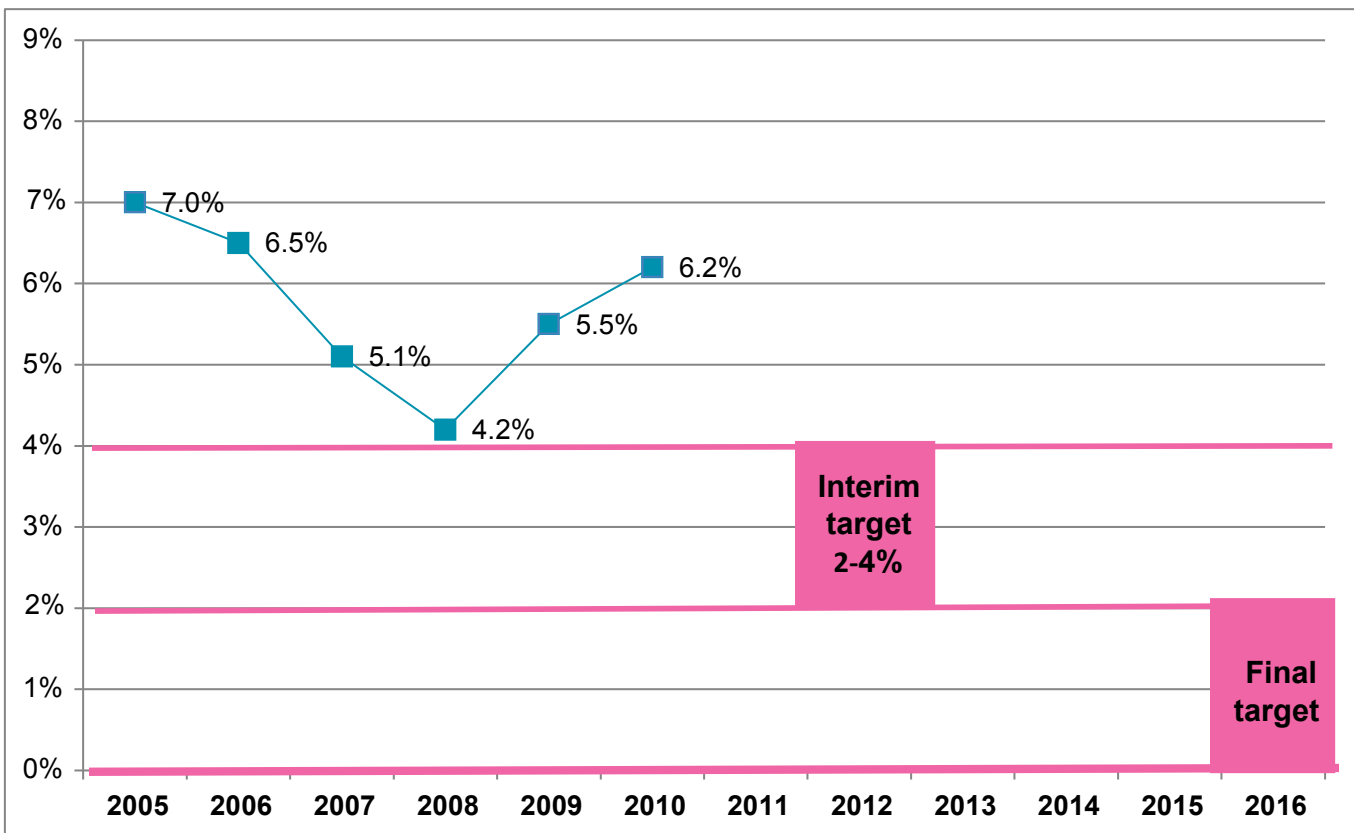
Progress towards the target

There was uneven progress towards the previous national poverty target between 2005 and 2010. [Figure 7](#) shows that the consistent poverty rate fell continuously from the baseline rate of 7 per cent in 2005 to reach a low point of 4.2 per cent by 2008. This figure was just outside the interim target range of 2 to 4 per cent. However,

from 2008 to 2010 (latest data), the poverty rate rose to 6.2 per cent, thereby reversing much of the progress towards the target since the baseline year of 2005.

Overall, there has been a modest reduction of less than one percentage point (11 per cent in relative terms) over the initial five-year period for achieving the previous target. Looking forward, the 2010 out-turn indicates a gap of over two percentage points to be bridged by 2012, if the higher point in the interim target range is to be achieved. However, as the trend is upwards between 2008 and 2010, and as the economic conditions have not improved from 2010 to 2012, it was concluded that it is unlikely that the previous interim target will be met by 2012.

Figure 7: Progress towards the previous national poverty target 2005-2010



Progress for lifecycle groups

Progress towards the previous poverty target for the four lifecycle groups identified in the National Action Plan for Social Inclusion is illustrated in Figure 8, as compared to the total population.

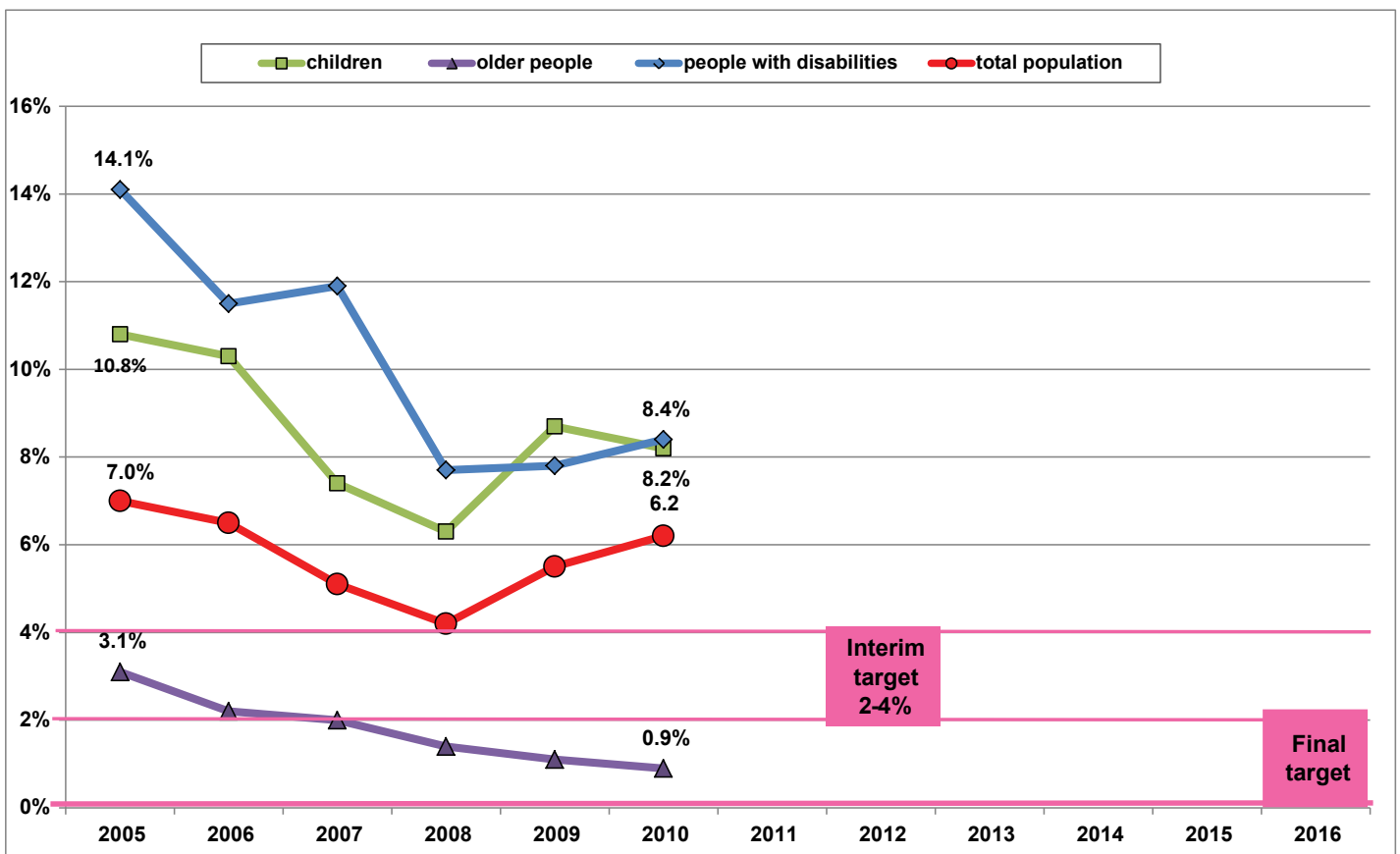
There has been sustained progress toward the target for older people, albeit from a 2005 baseline rate of 3 per cent, which was within the interim target range. The rate has fallen continuously since 2005 and is now under 1 per cent, suggesting that the poverty target has been achieved for older people.

For children, considerable progress towards the target was made up to 2008, with a

fall from the baseline rate of 11 percentage points to 6 per cent. This progress was reversed between 2008 and 2010, as the rate increased to 8 per cent, in line with the overall trend. This, leaves the rate of child poverty well ahead of the 2005 baseline though considerably outside the interim target.⁵ There is also significant progress in the poverty risk for people with disabilities,⁶ with a substantial fall from 14 to less than 8 per cent between 2005 and 2008, though with a slight disimprovement since then.

Progress for people of working age (not shown in Figure 8) is closely aligned with that of the total population.

Figure 8: Progress towards the previous national poverty target for lifecycle groups 2005-2010



Situation for vulnerable groups

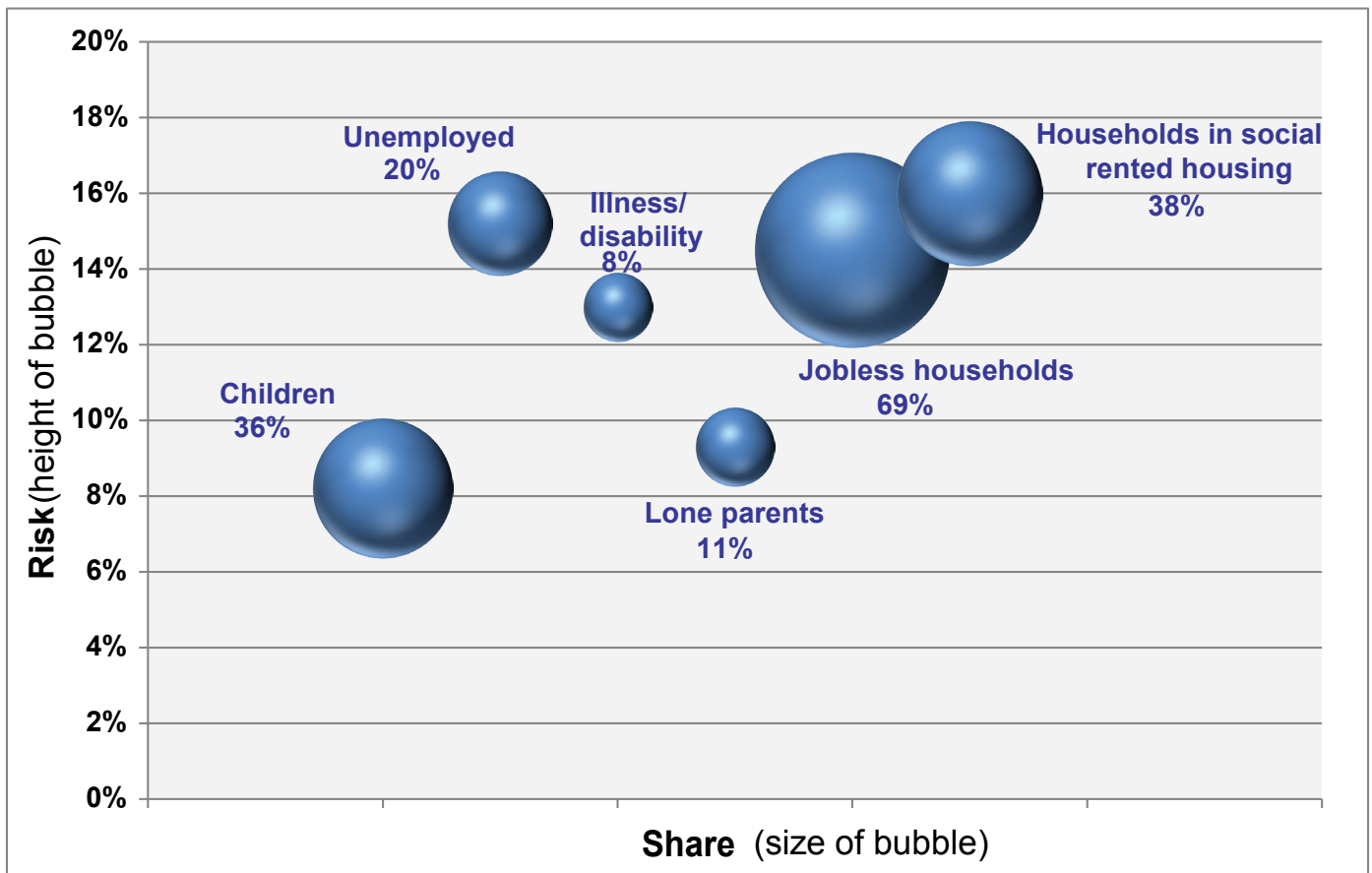
Certain population groups are more vulnerable to poverty. It is important therefore to monitor the situation for these vulnerable individuals and households. Figure 9 shows both the risk of poverty and the share of the poverty population for certain vulnerable groups in 2010⁷.

Looking first at individual characteristics, children’s rate of consistent poverty was 8.2 per cent and their share of the poverty population was 36 per cent. The consistent poverty rate for the unemployed was 15.2 per cent and for the ill/disabled unemployed was 13 per cent. Combined, the groups accounted for 28 per cent of the poverty population.

Turning to household characteristics, the poverty rate for individuals in lone parent households was above average at 9.3 per cent and their share of the poverty population was 11.1 per cent. Individuals in jobless households faced a consistent poverty rate of 14.5 per cent (over twice the average) and accounted for 69 per cent of the poverty population. Similarly, people living in social rented housing had a high poverty rate of 16 per cent and represented 37.9 per cent of the poverty population.

The review highlighted the critical importance of reducing the concentration of poverty in these groups as part of the national poverty target.

Figure 9: Poverty situation for vulnerable groups in 2010



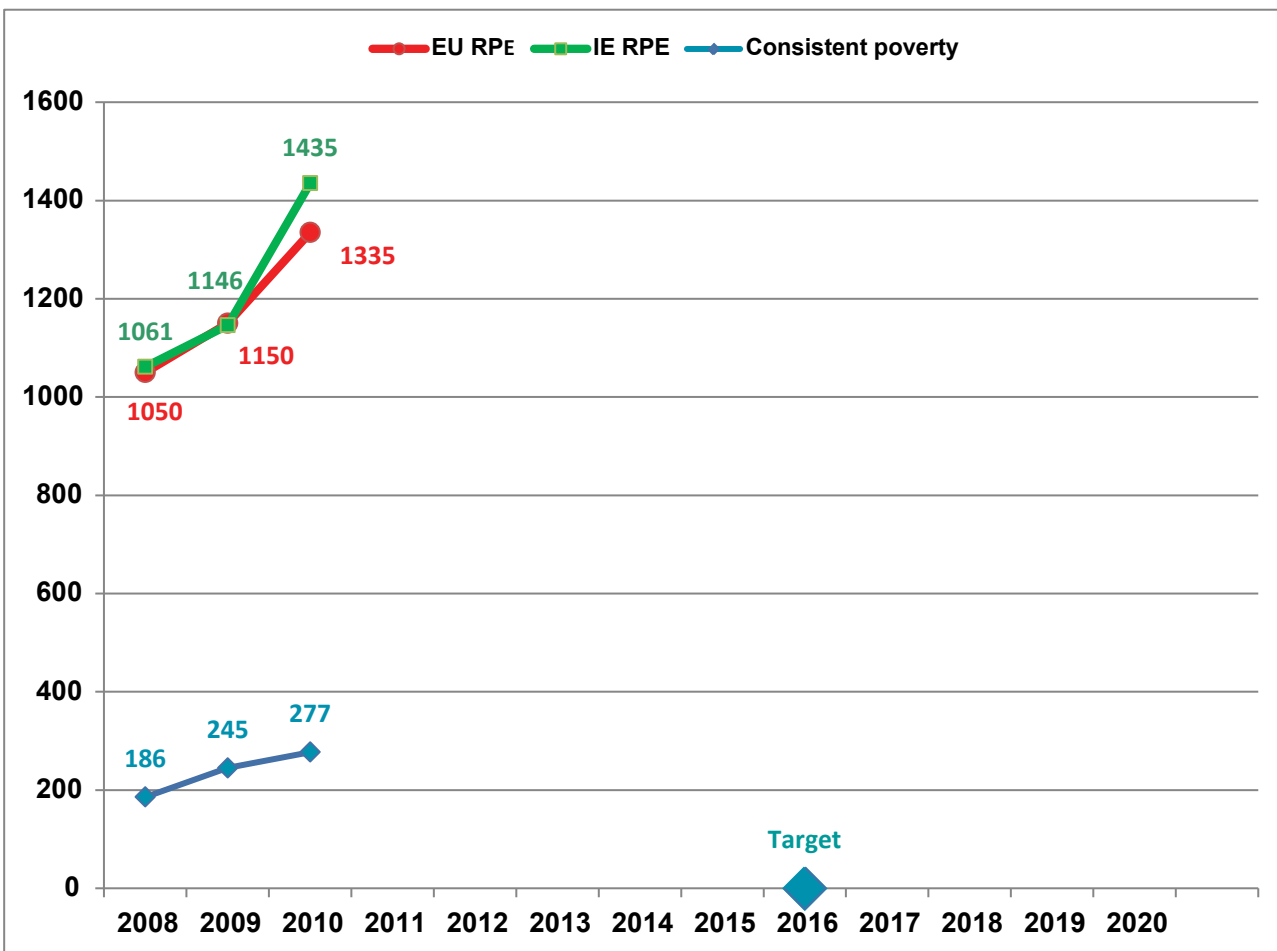
Progress on the Irish contribution to the EU target

Based on the previous national poverty target, it was envisaged that the Irish contribution to the EU poverty target would be to lift 186,000 people out of the risk of poverty or exclusion using the consistent poverty indicator. Figure 10 charts progress in this regard from 2008 (EU baseline year) to 2010. The consistent poverty population grew from 186,000 to 277,000 (blue solid line), an increase of almost 50 per cent on 2008 baseline. Such an increase in poverty was foreseen in the *National Reform Programme 2011*, as ‘in the early years fewer people may be lifted out of poverty or

indeed the numbers may increase’. This trend highlights the unique nature of 2008 as the baseline year.

Trends in the EU target population at risk of poverty or exclusion are also shown in Figure 10, using both EU indicators (red line) and Irish indicators (green line). Both measures show an increase in numbers of between 300,000 to 400,000 between 2008 and 2010. Comparing these trends with that for consistent poverty, the increase in the consistent poverty figure is much less than in the population at risk of poverty or exclusion.

Figure 10: Progress on the Irish contribution to the EU poverty target 2008-10 (thousands)⁸



Box 4: Review of the national poverty target

The Government initiated a review of the national poverty target in 2011. The purpose of the review was to enable the Government to adopt appropriate and achievable poverty targets to meet Ireland's contribution to the EU poverty target and the commitments in the *Programme for Government*.

The Minister for Social Protection was responsible for the review. The review was carried out by the Social Inclusion Division in the Department of Social Protection.

The terms of reference of the review included a review of progress towards the target, an examination of poverty indicators, a review of EU practice and policy, and an assessment of future targets in light of economic circumstances.

The review involved extensive public consultation and stakeholder engagement. To support the review, a technical paper on poverty indicators was prepared by the ESRI and an EU peer review on national poverty targets was hosted in conjunction with member states and European stakeholders. The report of the review and its four appendices are available at www.welfare.ie and www.socialinclusion.ie.

Arising from the recommendations in the review, the Government revised and enhanced the national social target for poverty reduction, as outlined in Section 1 of the briefing.

Endnotes

1. Department of Social Protection (2012), Report of the Review of the National Poverty Target, available at www.welfare.ie and www.socialinclusion.ie.
2. The data used in the briefing and the figures are based on the CSO *Survey on Income and Living Conditions* and its EU variant prepared by Eurostat.
3. For measurement purposes, the target of eliminating consistent poverty is expressed as 0 to 2 per cent..
4. This is the process by which the poverty impact of policy is considered at design and review stages.
5. The CSO has noted that some of the changes in the consistent poverty over the period 2009 to 2010 were not statistically significant.
6. The definition of people with disabilities is the population aged 16 years and over whose activity is strongly limited. A slightly lower rate of consistent poverty is reported for those whose activity is limited (7.4 per cent in 2010).
7. There are other vulnerable groups who experience extreme forms of poverty, e.g. the homeless and the Travelling community. However, comparative data on their poverty situation are not available.
8. The population estimates are extracted from the CSO's Statistics Bank at: <http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=PEA11&PLanguage=0>. The population estimates for 2007-2011 will be revised to take account of the figures published in Census 2011.