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MONITORING POVERTY TRENDS IN IRELAND 2004-2007:

Key Issues for Children, People of
Working Age and Older People

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EXECUTIVE SUMMARY

Introduction

This report monitors the evolution of poverty in Ireland from 2004 to 2007. This period marks the end of the first ten year National Anti-Poverty Strategy (NAPS) in Ireland which ran from 1997 to 2007, and marks the beginning of the National Action Plan for Social Inclusion 2007 to 2016. The results therefore provide an important benchmark for the new programme as well as providing an insight into the changes in the level and distribution of poverty that occurred during the final stages of the NAPS.

We know now that this period was the final stage of the economic boom in Ireland, which saw dramatic growth in employment levels and in national income. Signs of an economic downturn began to emerge in early 2008 and Ireland entered recession in mid-2008. The return of high unemployment rates, falling income levels and cuts in public expenditure all bring renewed challenges to eliminating poverty, however it is clear from the results outlined in this report that poverty was a very real issue for many Irish households even at the height of the economic boom. The study identifies the groups who were vulnerable at the onset of the economic crisis. The analyses highlight the longer-term social processes that underlie poverty risks, such as low educational attainment, social background, ill health and disability, household composition (e.g. lone parenthood) and exclusion from the labour market. These processes and risk factors are likely to be affected by the recession, but are not determined by the economic cycle.

The dramatic rise and fall in the economy also has implications for the measurement of poverty, pointing to the need for measures adopted to be able to provide a valid and reliable estimate of poverty within a changing context. It has been consistently argued in an extensive body of ESRI research on poverty that a multidimensional approach to measuring poverty, which does not rely solely on income, is essential.

The structure of the report reflects the life-cycle approach as framed by the *Developmental Welfare State* report published by the National Economic and Social Council (NESC) in 2005. It focuses on three life-cycle groups: children, adults of working age and older people. Poverty is measured in a multi-dimensional way by taking into account both relative income poverty and non-monetary indicators of deprivation. This combination of measures taps into the extent to which individuals are excluded from the normal way of life and standard of living in society.

The research builds on early studies of monitoring poverty in Ireland during the late 1990s and early 2000s (Whelan et al., 2003; Layte et al., 2001; Callan et al., 1996) which used the Living in Ireland Surveys to track poverty in Ireland between 1994 and 2001. Since then, the Living in Ireland Surveys have been replaced by the European Union Survey on Income and Living Conditions (EU, SILC). The current report analyses four waves of EU SILC which collects comparable cross-sectional data on income, and standard of living across the EU. The 2004 survey consisted of 5,500 households which represent just under 14,300 individuals. The final data set for the year 2007 is composed of just over 5,600 households and almost 13,700 individuals.

TRENDS IN POVERTY

The measure of income poverty used in the study applies the threshold of 60 per cent of median income. This is also the measure adopted in the current National Action Plan for Social Inclusion and is one of the poverty indicators agreed at the EU level. Within the policy documents this is defined as the “at risk of poverty” rate.

Before examining the findings in relation to the three life-cycle groups we look first at the evolution of poverty over the period 2004 to 2007 for the total population.

There was a decline in the “at risk of poverty” rate from 19 per cent in 2004 to 16 per cent in 2007, with most of the decline taking place between 2005 and 2006. There was also a decline in the depth of poverty, which is measured by how far those in income poverty fall below the 60 per cent threshold. The important role of the social welfare system in reducing income poverty can be observed by comparing the “at risk of poverty” rates before social transfers with those observed when social transfers are included in income. In 2004 social transfers reduced the “at risk of poverty rate” by half. In 2007 the effect was even greater, as the post-transfer income poverty rate was two and a half times lower than the pre-transfer rate. Nevertheless, households that are heavily reliant on social transfers for their income are still highly vulnerable to poverty.

A detailed examination of some of the socio-demographic characteristics of income poor households showed that, over time, fewer poor households were headed by an older person or someone who was retired, while the proportion of poor households headed by an unemployed person rose. The share of poor households headed by an employed person also increased; this apparently paradoxical finding reflects the general increase of the number of people at work over the period. The importance of education as a buffer against poverty is clearly evident. Despite a strong decline in the proportion of all households headed by someone without formal educational qualifications, this group still accounted for half of income-poor households in 2007.

The consistent poverty rate, which combines income poverty and the enforced absence of at least two items from an eleven item deprivation scale, fell from 6.6 per cent in 2004 to 5.1 per cent in 2007. An examination of the socio-demographic characteristics of households in consistent poverty by and large reveals the same set of risk factors as found for the income-based measure. However, one of the main differences was the much higher rate of poverty among those unable to work due to illness/disability: there were almost as twice many households headed by an ill/disabled person among consistently poor households than among income poor households.

TRENDS IN POVERTY RATES AMONG THE LIFE-CYCLE GROUPS

Distinguishing among the three groups of interest, the following changes in income poverty rates are observed over the period 2004 to 2007:

- For children a decline from 23 per cent to 20 per cent, which represents a decrease of 12 per cent
- For the working age population a decline from 17 per cent to 15 per cent, a decrease of almost 10 per cent
- For older people a decline from 27 per cent to 16 per cent, a fall of 39 per cent.

For the consistent poverty measure, the following falls were observed:

- For children a decline from 9 per cent to 7 per cent
- For the working population a decline from 6 per cent to 5 per cent
- For older people a fall from 4 per cent to 2 per cent.

Trends in Poverty Rates 2004 to 2007

	At Risk of Poverty		Consistent Poverty	
	2004	2007	2004	2007
Children	22.7	19.9	9.3	7.4
Working Age	16.6	15.0	5.9	4.7
Older People	27.1	16.5	4.2	2.0
All	19.4	16.5	6.6	5.1

POVERTY TRENDS AMONG CHILDREN

Following the life-cycle approach the report looks first at the situation of children. Despite the decline in child poverty over the time period examined, in 2007, children were the age group with the highest “at risk of poverty” rate and consistent poverty rate. The improvement on both poverty measures was particularly pronounced for young children aged less than five years of age, children in large families with three or more children, and those in lone parent families. In the case of children in lone parent families the level of consistent

poverty declined over the period from 24 per cent and 16 per cent, while the “at risk of poverty rate” fell from 48 per cent in 2004 to 40 per cent in 2007. The association between lone parenthood and poverty is found to be stronger in Ireland than in other similarly sized EU countries (Whelan and Maitre, 2009). On the basis of figures for 2005, Ireland was ranked as having one of the highest “at risk of poverty” rates for children in lone parent households in the EU-25 (Frazer and Marlier, 2007). Moreover, child poverty has become increasingly concentrated among lone parent families over the period: in 2004, children in lone parent families accounted for 51 per cent of children in consistent poverty, while in 2007, 65 per cent of children in consistent poverty were in such families. The demographic increase in the number of lone parent families in the population has been a countervailing influence on declining child poverty rates.

Another important contributing factor to child poverty is the labour market participation of the adults with whom children are living. Indeed, in 2007 almost half of children in households headed by an unemployed person, a person on home duties or unable to work due to illness/disability were “at risk of poverty”. In addition, one-fifth of children in households headed by a person who is ill/disabled or on home duties were consistently poor. The number of adults working in the households is also significant. In 2007, children living in a household where all adults of working age are at work experienced an “at risk of poverty” rate of 9 per cent compared to 63 per cent when no adults were employed. The connection between household joblessness and dependence on social transfers is clearly very high. The link between welfare dependency and poverty is found to be higher for children than the other two life-cycle groups and the impact of social transfers in the reduction in income poverty is the lowest among all three life-cycle groups.

WORKING AGE

The second and largest life-cycle group examined is those of working age. As noted above, there was a decline in the “at risk of poverty” rate of the working age population over the period and a drop of 1 percentage point in the consistent poverty rate. However, the improvement in poverty rates was not equally shared among all working age adults. Persons living alone and lone parents experienced much higher poverty rates on both measures than other working age adults. Those living alone were predominantly male, were older than the average and more likely to be unemployed or inactive and to have health problems. Over time, the poverty situation of this group remained quite stable, while it improved for the lone parents.

Family formation and raising children occurs during the working age period and the presence and number of children impacts on poverty outcomes. Although the situation improved since 2004, it was still the case in

2007 that working age adults living with three or more children had a higher “at risk of poverty” rate (20 per cent) than those living without children (14 per cent) or those with one or two children (12 per cent).

Participation in employment was a significant protection against the experience of poverty. In 2007 only 6 per cent of those at work were “at risk of poverty” compared to 37 per cent of the unemployed and 38 per cent among those ill or disabled. Rates of poverty were even higher among the long-term unemployed. The participation of the other household members in the labour market also has a strong impact on poverty risks. The multivariate analyses show that those of working age in “jobless households” were 11 times more likely to be income poor than those in “work-rich households” where all those of working age were in work. The strong link between unemployment and poverty mean that the current rise in unemployment levels, from 4.7 per cent in 2007 to 12.4 per cent in the last quarter of 2009 (CSO, 2010), is likely to impact on both income poverty and consistent poverty levels. The magnitude of this effect will however depend in part upon how many of those who lose jobs become trapped in long-term unemployment and the extent to which unemployment is concentrated within households.

While employment offers substantial protection against poverty, we noted above that the proportion of income poor households headed by someone in work increased over the period 2004 to 2007. The working poor is an issue of growing concern not only in Ireland but also to the wider EU, particularly in the context of economic crisis, rising unemployment and employment insecurity. The working poor are defined as those in employment who are in a household that falls below the 60 per cent of median income poverty threshold. The analysis shows that certain groups are over-represented among the working poor: the self-employed, those working part-time, older workers, and those with lower than average levels of educational attainment. Men and women are found to be equally at risk of in-work poverty. In-work poverty is strongly related to household composition and the employment status of other household members.

POVERTY AMONGST OLDER PEOPLE

The final group analysed in this report is composed of older people, who represent 11 per cent of the total population (CSO, 2007a). This is the life-cycle group that has experienced the greatest reduction in the “at risk of poverty” rate between 2004 and 2007. In 2007, many Special Saving Incentive Accounts (SSIA) schemes matured which resulted in an increase in the overall income of the population in that year. However the older population did not draw the same level of benefit from the SSIA scheme as the other life-cycle groups. As a consequence, we observed that for older people the “at risk of poverty” rate increased in the last year of the period in question from 14 per cent in 2006 to

16 per cent in 2007. Excluding the revenue from SSIA income in the calculation of the poverty threshold in 2007 would have brought the “at risk of poverty” for older people to 13 per cent.

In common with previous research conducted by the ESRI, we found that older people experience a much lower level of deprivation than other groups. In 2007 only 8 per cent are deprived on the 11 item indicator, while the figure is of 16 per cent for children and 11 per cent for the working age population. Therefore, combined with a low “at risk of poverty” rate only 2 per cent of older people experienced consistent poverty in 2007.

Older people are highly reliant on the state pension scheme for current income: 73 per cent of this group receive three-quarters or more of their income from social transfers. Such a high level of dependence makes social welfare policy extremely influential for poverty outcomes among older people. This is illustrated by the significant reduction in the “at risk of poverty” rate over the period that has followed the improvement in the levels of contributory and non-contributory pensions. The overall improvement of the situation of older people should not hide the fact that there are still some groups that face higher than average poverty risks. These include older people living alone, who in 2007 were twice as likely to experience income poverty (24 per cent) as those living with a partner (13 per cent).

During the mid-1990s to early 2000s the experience of poverty among older women was much greater than for men, however since then the gap between genders has narrowed. This change is partly explained by the reduction in the gap between the values of contributory and non-contributory pensions, as well as the narrowing difference between the value of the state pension and the income poverty threshold.

**Conclusions
and Policy
Implications**

During the period in question the NAPS provided the overall policy framework for policy developments in this area. It is difficult to conclusively evaluate the extent to which earlier poverty targets set by government in NAPS were met due to shifts in the measures of poverty and the data used (see Methodology Appendix for details). A comparison of the rate of change envisaged under the targets to those achieved can however provide some insight into progress towards meeting the targets in the 2004–2007 period. When the revised targets were set in *Building an Inclusive Society 2002*, the goal was to reduce consistent poverty from the rate of 6.2 per cent for 2000 (the most up-to-date figure at that point) to 2 per cent in 2007. This would have involved a fall of 68 per cent over a seven-year period, which represents an average fall of 9.8 per cent per year. The decline measured over the three years 2004 to 2007 applying the revised measures and using a new data source was 22.7 per cent, representing an average decrease of 7.6 per cent

per year.¹ Therefore, despite significant progress, the rate of decline over the period investigated in this study is lower than that implied by the targets.

The target set by government within National Action Plan for Social Inclusion for the period 2007 to 2012 is 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. Unlike the previous NAPS, no separate targets have been set for specific groups, however our analyses show that the scale of the challenge to reducing poverty to this level is rather different for the three groups examined. Consistent poverty rates among the older population were already at the target level at the start of the Programme in 2007, while the rate was 7 per cent for children and 5 per cent among working age individuals.

However, Ireland is now facing a very challenging situation. The onset of economic recession in the second half of 2008, contracting GDP, fiscal crisis and rising unemployment figures are likely to have serious implications for the income and living conditions of many in the population which are not picked up in the 2007 data or indeed in the 2008 figures.² Some of the specific groups analysed in this report are likely to face a greater risk of consistent poverty and social exclusion, making it more difficult to reach the NAPS Inclusion target. The impact of the recession on the level and distribution of poverty is partly dependent on the policy choices made by the government and it is important that poverty proofing remains part of decision making. The very strong link between household joblessness, long-term unemployment and inability to work due to illness/disability means that policy efforts to prevent joblessness becoming concentrated in households, and interventions aimed at preventing longer-term unemployment or economic inactivity, are very important for preventing poverty. The growing concentration of child poverty amongst those in lone parent households underlines the importance of developing appropriate policy responses for this group. Increases in child benefit and lone parents allowances made a significant impact on poverty among this group between 2004 and 2007 as did increasing employment. However, benefit levels have already been cut in response to the economic crisis and the 2010 Social Welfare Bill has proposed significant changes to the supports for lone parents. Under the terms of the Bill, the One Parent Family Payment (OPFP) is to be gradually phased out for those with children over 13 years of age. However, the strong contraction in employment and rising

¹ Consistent poverty declined from 6.6 per cent to 5.1 per cent between 2004 and 2007.

² The recently published CSO figures show that the "at risk of poverty" declined to 14.4 in 2008, a decrease of 2.1 percentage points from 2007. The consistent poverty rate decreased from 5.1 per cent in 2007 to 4.2 per cent in 2008 (CSO, Nov. 2009). The income data relate to the 12 months prior to interview.

demand for training places mean that moving lone parents into education and training, or to secure employment that could lift their households out of poverty, is increasingly difficult.

The recession also has implications for the measurement of poverty. National figures already show a drop in disposable income levels within society, consequently the income poverty threshold may also decline (the calculation of the median depends on how the decline in income is distributed across the income distribution). Therefore, there is a probability that the income-based “at risk of poverty” measure may decline during the recession despite a general fall in living standards. This underlines the importance of continuing to measure poverty in a multidimensional way.

The changing economic and labour market context raises important issues for future research, some of which is already underway at the ESRI and the Social Inclusion Division at the Department of Community, Equality and Gaeltacht Affairs and in collaboration with international partners. These important research questions are outlined in the concluding chapter.

1: Monitoring Poverty in Ireland – Context and Measurement

1.1 Introduction

The recent onset of the economic recession in late 2008 has brought the issue of poverty back into public focus. Unemployment levels have increased rapidly with direct financial consequences for the individuals involved and the households in which they live. The ESRI Quarterly Economic Commentary for Spring 2010 estimated that at the aggregate level personal disposable income fell by 7.6 per cent between 2008 and 2009 and by a further 2.5 per cent between 2009 and 2010 (Barrett et al., 2010). Budget 2010 also introduced cuts to social welfare payments indicating a drop in income from state transfers.

This study focuses on the period immediately before this downturn, 2004-2007, which was one of strong economic growth and growing employment. The effect of these dramatic peaks and troughs in the economy on income inequality is not entirely predictable (Nolan, 2009; Nolan, Callan et al., 2010). In both circumstances, policy responses in terms of tax, welfare and public expenditure will have a crucial influence on the consequences for poverty and inequality.

The period under review is important for a number of reasons. Firstly, it covers a period of extensive policy development. In line with commitments under the national Anti-Poverty Strategy significant investments were made in cash transfers, most particularly the state pension. This study therefore provides an opportunity to assess at a broad level whether such policy intervention made a difference in the level and distribution of poverty in Ireland. Secondly, the period marks the beginning of the National Action Plan for Social Inclusion 2007 to 2016, and consequently the findings provide a benchmark for monitoring this new programme.

The analyses in the report highlight the longer-term social processes that underlie poverty risks, such as low educational attainment, social background, ill health and disability, household composition (e.g. lone parenthood), exclusion from the labour market and risk factors associated with different points in life-course. These processes and risk factors are likely to be aggravated by the economic recession, but they are not determined by the economic cycle.

1.2 Aims of Study

This study sets out to provide an account of levels and socio-demographic distribution of income poverty and consistent poverty for 2007 on the basis of EU-SILC data. It will also provide analysis of trends over the period

2004 to 2007 in relation to both indicators. Tracking changes over time is essential in order to assess progress towards meeting policy objectives of reducing poverty and addressing the needs of vulnerable groups. This report follows on from a series of studies undertaken between 1999 and 2002 that monitored the evolution of poverty in Ireland using the Living in Ireland Surveys. The current study shares with the earlier studies a multidimensional approach to poverty and social exclusion which considers outcomes in terms of non-monetary deprivation indicators as well as income-based measures. The study also considers measures of the depth of poverty.

1.3 Defining and Measuring Poverty

In his seminal study, Townsend (1979, p. 31) argued that people are in poverty when “their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary patterns, customs and activities” (Townsend, 1979). This definition has been at the core of the very considerable body of poverty research developed by researchers at the ESRI over the last two decades, and incorporates two central elements, namely, lack of resources and inability to participate, which broadens the focus to outcomes. This relative definition of poverty, which frames poverty in terms of exclusion from the normal way of life and standard of living in society, is also adopted in the Irish National Anti Poverty Strategy (NAPS) and now the National Action Plan on Social Inclusion (see section 1.3 below):

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 generally. As a result of inadequate income and other resources people may be excluded from participating in activities, which are considered the norm for other people in society (Department of Social and Family Affairs, 1997, p. 3).

Many studies operationalise relative poverty using income thresholds alone and identifying as poor those who have less than a certain percentage of the average income within a society (O’Higgins and Jenkins, 1990; ISSAS, 1990; Hagenaars et al., 1994). The rationale for such poverty lines is that those falling a certain distance below the average income levels in society are unlikely to be able to participate fully in the life of the community. Previous Irish and international literature has made a convincing case that income, while being a very important measure of resources and useful measure of inequality, is inadequate to capture the multidimensional nature of poverty (Whelan and Maitre, 2008; Ringen, 1987, 1988) and can provide a misleading picture about the households most seriously affected by poverty and about trends over time (see discussion in Chapter 1, Whelan et al., 2003; Layte et al., 2006).

The limitations of income as a single identifier of poverty include its inability to capture the impact of debt, accumulated savings or non-cash benefits and services provided by the State on the resources of the households. Even cash income is difficult to accurately measure for some groups, such as the self-employed. Income may also inadequately measure households' *needs*, and adjustments to income levels to take account of household size and composition can only capture need at a very general level.

We therefore emphasise in this study, as in the previous body of research on poverty from the ESRI, that the picture derived from the income poverty figures must be complemented with information on non-monetary indicators of deprivation. In response to shortcomings in income-based measures, researchers in Ireland and elsewhere have developed non-monetary indicators of poverty and these have been used alongside income to accurately identify those who are excluded from society through lack of resources.³ Particular attention has been paid to those falling below relative income thresholds and reporting what has been termed "basic deprivation", as captured by a specific set of non-monetary indicators. Those fulfilling both conditions were identified as experiencing generalised deprivation due to lack of resources (Callan et al., 1993; Nolan and Whelan, 1996). This measure of "consistent" poverty has been extensively used in research aimed at measuring the extent and nature of poverty in Ireland.

The consistent poverty measure has been adopted in the Irish NAPS, which defines people who fall below an income threshold and experience deprivation on non-monetary indicators as being in consistent poverty. Non-monetary indicators have also recently been incorporated into EU poverty monitoring exercises and are fully part of the primary indicators of the social inclusion strand. Eurostat currently defines deprivation as the inability to afford at least three of a list of nine items (CSO, 2008, p. 84).⁴ Significant progress has been made towards adopting a European-wide poverty reduction target which will incorporate non-monetary indicators of poverty based on the inability to afford four of the nine items.⁵ This European

³ These include Townsend (1979), Mack and Lansley (1985), Gordon et al. (1995), Gordon et al. (2000) and Bradshaw and Finch (2001) with British data, Mayer and Jencks (1989) for the USA, Callan, Nolan and Whelan (1993) and Nolan and Whelan (1996) with Irish data, Muffels (1993) and Muffels and Dirven (1998) with Dutch data, Hallerod (1995) for Sweden, Kangas and Ritakallio (1998) for Finland, Bohnke and Delhey (1999) for Germany, Bray (2001) for Australia, and Jensen et al. (2002) and Krishnan et al. (2002) for New Zealand.

⁴ The nine items cover inability to afford one week's annual holiday away from home; to pay for arrears (mortgage or rent, utility bills); a meal with meat, chicken or fish every second day; to keep home adequately warm; a washing machine; a colour TV; a telephone; a car; inability to face unexpected expenses.

⁵ Social Protection Committee note 9964/10 of 21 May 2010. The proposal was supported by EPSCO Council (Council of Employment and Social Affairs Ministers) in June 2010.

development has been informed by Irish research and the Irish NAPS process (Callan et al., 1993; Nolan and Whelan, 1996; Maître et al., 2006).

Details on how the measure of household income is constructed are outlined in the Methodological Appendix (Appendix A). The central feature of the measure is that adds together the net disposable income of all household members over the 12 months prior to the interview. Total household income is then adjusted for household size, which takes into account the number of adults and children resident in the household.

In the majority of the analysis presented in the study the income poverty line is drawn at 60 per cent of median income. This is the measure used in defining the targets in Ireland’s revised National Anti Poverty Strategy and it is also one of the key “Laeken indicators” devised to study poverty across Europe. Nevertheless, some of the results using measures set at the 50 per cent and 70 per cent of median will also be reported in Chapter 2.

The non-monetary indicators of deprivation adopted in this study are the revised 11 item index of basic deprivation developed by Whelan (2007) and others (Whelan and Maitre, 2007a; Whelan et al., 2007) and which has been incorporated into the National Anti Poverty strategy. The eleven items are outlined in Table 1.1. The development of these indicators is discussed further in the Methodology Appendix and the overlap between the original and revised items is outlined in Table A.1. Only respondents who indicate that they lack an item because they cannot afford it are counted as deprived. The revised consistent poverty measures combines a threshold of two or more items on the 11 item EU-SILC index with income poverty of less than 60 per cent of median household income.

Table 1.1: Revised 11-Item Basic Deprivation Scale

Two pairs of strong shoes
A warm waterproof overcoat
Buy new rather than second hand clothes
Eat meals with meat, chicken, fish (or vegetarian equivalent) every second day
Have a roast joint (or equivalent) once a week
Gone without heating during the last 12 months
Able to keep the home adequately warm
Replace any worn out furniture
Buy presents for friends or family once a year
Have family or friends for a drink or meal once a month
Have a morning, afternoon or evening out in the past fortnight for entertainment

1.4 Policy Context, 2004–2007

The period covered by the study marks the end of the first National Anti-Poverty Strategy 1997-2007. The strategy was published in 1997⁶ and was reviewed in 2002 (*Building an Inclusive Society*) when new targets were set. The strategy outlined a range of objectives and set down targets so that progress towards achieving these objectives could be monitored. The overall target set was the reduction of the numbers of those who were defined as consistently poor below 2 per cent by 2007 and if possible to eliminate consistent poverty. Poverty reduction targets were also set for specific groups including, children, women and older people. The strategy aimed to reduce consistent poverty to under 2 per cent for each of these groups. Within the revised NAPS consistent poverty was defined as being below 60 per cent of median disposable income and experiencing enforced basic deprivation of two or more items from a list of eight indicators. The NAPS also included a commitment to raising the level of minimum welfare payments. The aim was to achieve a rate of 150 per week in 2002 terms for the lowest rates of social welfare by 2007, and to raise the level of child income support (made up of Child Benefit and Child Dependent Allowances) to between 33 per cent and 35 per cent of the minimum adult social welfare payment rate. The data used for this report for the period 2004 to 2007 provide the opportunity to take stock of the evolution of poverty at the end of the NAPS programme.⁷

The year 2007 also marks the introduction of the new *National Action Plan for Social Inclusion 2007 and 2016*. The results presented in this study therefore provide a benchmark for this plan. The definition of consistent poverty was amended with the development of the EU-SILC, and following extensive analysis of the properties of the new and old measures (Maitre, Nolan and Whelan, 2006). This new consistent poverty measure was adopted in NAPS Inclusion and is the one applied in the current analysis. The objectives of the new plan are set out in *Towards 2016* and it has adopted the life-cycle approach as developed by NESC in the *Development Welfare State* document and as detailed in section 1.3.

CHANGES IN SOCIAL WELFARE PAYMENTS, 2004-2007

In line with the commitments under NAPS there have been significant modifications of some of the welfare payments that are central to the living standard and incomes of the life-cycle groups examined in this report. For families with children, child benefit increased from €131.60 per week for the

⁶ *National Anti-Poverty Strategy – Sharing in Progress*, 1997.

⁷ Since we adopt the revised EU SILC based measure of deprivation and consistent poverty, we do not set out to explicitly examine the extent to which specific targets under NAPS were met under the old measures Table A1 in Appendix contains poverty rates for the three life-cycle groups using the old and new consistent poverty measures.

first child in 2004 to €160.00 in 2007 that is an increase of almost 21 per cent. The One Parent Family Payment increased by almost 38 per cent over the same period (see Appendix Tables B2 to B5).

In 2007, the Early Childcare Supplement was introduced, which provided all families with young children with a tax-free payment of €1,100 per year for each child under the age of six.⁸ This policy will have raised the income of households with young children vis-à-vis other household types. The payment was not means-tested or taxed, and consequently was not targeted at low-income households. However, we would expect it to have led to some reduction in poverty rates (especially income poverty) among households with young children.

For those of working age, measures were taken to implement the NAPS, which increased the minimum levels of adult social welfare payments in real terms. Significant increases were also made to the earnings thresholds for receipt of Family Income Supplement between 2004 and 2007. Incomes among those of working age were also influenced by changes in the taxation system during this period, which increased the threshold for income tax payments.

The National Action Poverty Strategy made a commitment to increase the basic state pension to €200 per week by 2007, and this target was met in the 2007 Budget. Changes in the level of the state pension are outlined in Appendix Table B6 and are discussed in more detail in Chapter 5.

SPECIAL SAVING INCENTIVE ACCOUNTS SCHEME (SSIA)

One policy intervention that had a significant impact on current income in 2007 was the Special Savings Incentive Accounts (SSIA) scheme. This was much more regressive in its impact than the changes to social welfare outlined above (Combat Poverty Agency, 2007). The scheme was set up by the Government in 2001 and entry to the scheme closed on 30 April 2002. The SSIA was a five-year savings scheme in which the Exchequer topped-up the savings by 25 per cent. The maximum amount that an individual could lodge to an account in any one month was €254. A total of 1.17 million accounts were opened over the period and the accounts matured between May 2006 and April 2007. The bulk of the accounts matured towards the end of the period.⁹

While only the interest from the SSIA is included in calculating household income (and not the principal), the scheme has nevertheless a number of consequences for the calculation of poverty rates. Firstly, interest from the

⁸ The payment was halved in May 2009 and was abolished at the end of 2009.

⁹ The Department of Finance analysis in 2004 found that 59 per cent of SSIA accounts were opened in the last two months of the scheme and were therefore due to mature in March and April of 2007.

SSIAs raised the median income level in 2006 and 2007 across all households. The impact on the distribution of poverty is influenced by the composition of SSIA holders. Department of Finance estimates for the first three years of the scheme showed that approximately 28 per cent of holders were in the lower income group (<€20,000), 49 per cent in the middle income category (20-50,000) and 22-3 per cent in the top income range (>€50,000).¹⁰ The average age of account holders was 42 years in 2004: 18 per cent were in the 20 to 29 age group, 25 per cent were in the 30 to 39 age group, 23 per cent in the 40 to 49 age category, 18 per cent in the 50 to 59 age category and 16 per cent were aged over 60 years.

The effect of the SSIA on non-monetary indicators of deprivation is uncertain. Income from the SSIAs is believed to have increased consumption during 2006 and 2007 (Barrett et al., 2007) although isolating the precise effect of the scheme from the consumption growth related to the boom is difficult. The purchase of bigger ticket items such as consumer durables, holidays and home improvements were seen as likely types of spending. These items are specifically excluded from the indicators of material deprivation used to measure consistent poverty in this study, and therefore it is not anticipated that the maturation of these accounts led to decline in the proportion falling below the deprivation threshold.¹¹

The figures analysed in this study routinely include SSIA income (interest plus government bonus). The rationale for including this income is that although it is a result of a once-off time delimited scheme, it nevertheless represents real income for the considerable number of households involved. The scheme also involved a significant cost to the exchequer, amounting to €2,171 million for the period 2001 to 2005,¹² and therefore its distributional impact is of policy interest. Other once-off windfalls such as profits from the sale of property are also included in the calculation of income. However, it is important to acknowledge the effect of the SSIA on the trends in poverty levels, particularly the income-based “at risk of poverty” measure. In particular, the effect of the SSIA scheme should be separated from underlying trends, otherwise the analysis may give a misleading indication of the future direction of poverty levels for different groups. Therefore, key trend figures are calculated both with and without SSIA income. Initial analyses showed that the SSIA effect was greatest for the older population and therefore this

¹⁰ Department of Finance, Tax Strategy Group (<http://www.finance.gov.ie/viewdoc.asp?DocID=1andCatID=18andm=>).

¹¹ Consumer durables such as car, video, dishwasher, PC, and items such as holidays were found to cluster on a separate dimension of deprivation, which has been categorised as “Consumption Deprivation”.

¹² The cost in 2005 (€587 million) was an estimate. It is likely that the exchequer costs in 2006 were of a similar order to those in 2005.

exercise is performed for all the trend figures for this age group (see Chapter 5). Given that household income figures in SILC are calculated on the basis of the preceding 12 months the effects of the SSIA income will also be present in the 2008 figures when they are released.

1.5 Life-Cycle/ Life-Course Perspective

The NESC report on the Developmental Welfare State argued for a life-cycle approach in responding to the different needs of the population. The report argues that the life-cycle approach:

... provides a simple but comprehensive framework to ensure no population group is overlooked, and facilitates a more reasoned adjudication between competing priorities. The members of Irish society are children, adults of working age or aged 65 and over. At each stage, the hazards and risks which confront the individual person have specific features and the individual has characteristic capabilities and constraints in facing them.

This perspective has also been increasingly adopted within the National Anti Poverty strategy. Whelan and Maitre (2008, p. 2) applied a life-cycle analysis to social inclusion in Ireland. Reviewing the literature they noted the welfare state always has a strong life-course focus and that welfare state distribution has been predominantly across the life-cycle rather than between socio-economic groups. They also argued that the state plays a considerable role in defining the life course:

The shaping of the life course through social policy contributes to the construction of the social meaning of age by helping to define family relationships including child care; the nature of educational participation levels; the time of labour market entry; stability of work experience; paths to retirement and experience of old age.

Whelan and Maitre (2008), while arguing that there are advantages and insights to be gained from the life-cycle approach, also stress that there are a number of limitations. Firstly, there has been considerable debate on whether individuals are now following more diverse life courses, and whether such de-standardisation means that simple age boundaries will not capture this heterogeneity. Secondly, ideally the life course approach should be operationalised through longitudinal data. The life-course/cycle is a dynamic concept and following individuals over time allows greater opportunity to analyse life-stage transitions and trajectories. However, the available Irish data on poverty and incomes is cross-sectional.¹³ Thirdly, they note that the focus

¹³ A small sub-sample of SILC respondents are re-interviewed over time, however the numbers are small and the CSO has not yet released longitudinal weights for this element of the data.

on individuals is central to the life-cycle approach which means that members of the same households are allocated to different categories, and processes that operate at the household level are more difficult to disentangle.

For these reasons, while we monitor poverty levels amongst the three key life-cycle groups identified in NESI (2005), and subsequently in the National Action Plan for Social Inclusion, we also present in Chapter 2 an overview of trends relating to all households.

The analyses focus on a range of key social processes: household composition (reflecting processes of family formation and exit), attachment to the labour market, social background, individual level characteristics “new risks” (gender, nationality) and geographic location (urban/rural); and interaction with the benefit system. While describing the relationship between poverty and these five groups of explanatory factors for each of the three life-cycle categories we will highlight the position of vulnerable groups that have already been identified in the poverty literature: lone parents and their children, the unemployed, those living alone, elderly living alone and those unable to work due to disability or illness, etc. A key element of the research is to track how these groups have fared over the period 2004 to 2007.

1.6 Labour Market Context

The period covered by this report, 2004 to 2007, was one of continued economic growth in Ireland. The growth in the labour market was also exceptionally strong, with the numbers in employment peaking in 2007 at 2.1 million (see Table 1.1). By 2007, 78 per cent of men aged 15–64 years were in employment as were 61 per cent of women. The level of unemployment was also at a very low level over the period. In 2007, the unemployment rate stood at 4.5 per cent and the long-term unemployed represented only 1.3 per cent of the labour force.

A further change affecting the labour market was the shift in migration patterns. From 1996 onwards Ireland switched from being a country of net out migration to net inward migration. Net migration increased from 8,000 per annum in 1996 to a peak of almost 72,000 per annum in 2006. Since then, net migration has fallen, particularly between 2007 and 2008, to just under 40,000 per annum in 2008 (Smyth et al., 2009). The largest growth in migration during the period of interest came from the ten new EU member states that joined the EU in 2004.¹⁴ The 2006 Census showed that nationals from the EU-10 accounted for 29 per cent of non-Irish nationals and constituted 2.9 per cent of the population, which compares to 3.7 per cent of the population who were from other EU countries, including UK nationals who accounted for 2.2 per cent of the population (Smyth et al., 2009).

¹⁴ The 10 countries that acceded to the EU in 2004 were Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Table 1.2: Principal Labour Market Characteristics, 2007

	2004	2007
Total Employment (000)	1,804.9	2,217.0
Employment Rate (% population 15-64)	65.9	69.2
Male Employment Rate 15-64 years (%)	75.7	77.6
Female Employment Rate 15-64 years (%)	56.1	60.7
Unemployment (000)	87.8	103.1
Unemployment Rate (% Labour Force)	4.5	4.7
Long-term Unemployment (000)	26.7	28.4
Long-term Unemployment Rate (% Labour Force)	1.4	1.3

Sources: CSO: QNHS Q2 Apr-Jun 07 for both years

<http://www.cso.ie/qnhs/documents/calendar/table12calq3.xls>

<http://www.cso.ie/qnhs/documents/calendar/table13calq3.xls>

<http://www.cso.ie/qnhs/documents/calendar/table16calq3.xls>

<http://www.cso.ie/qnhs/documents/calendar/table1calq4.xls>

Using ILO definitions of employment and unemployment.

This picture of the Irish labour market has changed significantly as the Irish economy entered into a recession during 2008. The unemployment rate rose to 12.2 per cent in the second quarter of 2009 (CSO, 2009b, using the International Labour Organisation (ILO) definition). The employment rate fell to 68.1 per cent in the second quarter of 2008 and to 62.5 per cent in the second quarter of 2009. This period of recession is not picked up in the 2007 EU-SILC poverty figures, and as income is calculated over a period of 12 months the impact of the economic downturn on poverty will not be captured until the 2009 survey.

While the data in the study pre-date the current recession, the findings are nevertheless relevant to our understanding of the poverty in these more difficult economic circumstances. Firstly, the study highlights the underlying processes that create greater risks of poverty, which include household composition, social background (including intergenerational disadvantage), connection to the labour market, health status, etc. While recession increases the labour market risk, the other longer-term processes that influence the distribution of poverty should not be overlooked and are likely to influence how the costs of recession are spread in society. Secondly, the study identifies the groups that were already vulnerable to poverty before the economic downturn and which places them at a particular disadvantage in facing the additional challenges, including the effects of cuts in public expenditure.

1.7 Outline of Report

In Chapter 2 of the report we provide an overview of income poverty and consistent poverty across all individuals and all households. As the life-cycle approach necessitates a focus on individuals, we use Chapter 2 to provide a profile of the households that are defined as poor under income measures and consistent poverty measures. Chapter 3 focuses on the situation of children. It examines trends in child poverty and the factors that increase the rate of income poverty and consistent poverty for this group. In Chapter 4 attention turns to those of working age; again uni-dimensional and multi-dimensional measures of poverty are examined and changes over time are examined. There is an additional focus on the working poor. Chapter 5 considers the situation of older people over the period 2004 to 2007 and monitors trends for this group. Chapter 6 summarises the findings and draws conclusions. Further details of the methodology used and descriptions of key measures are included in the Methodological Appendix.

All chapters of the report provide a detailed descriptive account of levels and trends in poverty and of the pattern of socio-economic characteristics associated with poverty outcomes. Beyond this descriptive analysis, one of the main features of the report is the inclusion of statistical analysis and interpretation of the contributing factors to poverty and social exclusion. While these analyses are complex, they are essential to understanding the socio-economic factors that contribute to poverty. The complex analyses are required because the factors are inter-related and multidimensional.

2: POVERTY 2004 TO 2007: THE OVERALL PICTURE

2.1 Introduction

In this chapter we draw on data from the EU-SILC 2007 survey to analyse patterns of low income in Ireland toward the end of the economic boom period. We also analyse results of the EU-SILC surveys from 2004 in order to explore trends over time. The chapter is divided into two parts. The first part presents results in terms of the “at risk of poverty” income measure, while the second part focuses on the consistent poverty measure which combines income and non-monetary indicators of deprivation.

The purpose of this chapter is to provide an overview of poverty in Ireland between 2004 and 2007. It begins by presenting the overall “at risk of poverty” rates for individuals and households. The only breakdown in terms of risk presented in the current chapter relates to the three broad life-cycle groups that are the focus of the subsequent chapters. Those chapters contain a detailed analysis of the rates of poverty associated with a wide range of risk factors relating to labour market position, household composition, social background (education, class), personal characteristics (gender, age nationality) and dependence on social welfare. To avoid repetition, the main focus of the current chapter is on the composition of poor households over the period 2004 to 2007. Analysis using life-cycle categories necessitates a focus on individuals, however the members of the different age groups (children, adults and older people) often live together in the same households. Therefore the description of the characteristics of households who are “at risk of poverty” and those who are consistently poor provides an important context for the following chapters which analyse poverty at an individual level (albeit including household level characteristics as explanatory variables).

2.2 “At Risk of Poverty” Rates

There is no overall consensus on which is the best threshold to adopt in measuring income poverty, and the usual practice is to construct a range of thresholds in order to see how robust the findings are to shifts in the placement of the poverty line. In most of the analysis presented here we use a poverty line drawn at 60 per cent of median income. This is the measure used in defining the targets in Ireland’s revised National Anti Poverty Strategy and is also one of the common indicators used as part of the EU Social Protection and Social Inclusion Process devised to study poverty across Europe.

However in order to see how robust the findings are to shifts in the placement of the poverty line, we present also results when the income poverty line is set at the 50 per cent and 70 per cent of median income.

In 2007, 16.5 per cent of individuals are found to have incomes below the 60 per cent of median income threshold. If a lower threshold of 50 per cent of median income is adopted, just under 9 per cent of the population is defined as income poor. Conversely, over a quarter of the population fall under the higher threshold set at 70 per cent of median income. These figures suggest that there is a significant cluster of individuals whose income falls between the 50 and 70 per cent of median income. Measures of the poverty gap examine how far below a particular poverty line individuals actual fall, and this provides further nuance to the benchmark poverty line results (these are discussed in section 2.3).

The proportion of individuals “at risk of poverty” using the 60 per cent benchmark declined between 2004 and 2007, with the most marked decline occurring between 2005 and 2006. A downward trend is also observed using the 50 per cent measure; there was no decline in income poverty levels between 2006 and 2007 at the 70 per cent threshold.

Table 2.1: Percentage of Individuals “At Risk of Poverty” Using Alternative Thresholds, SILC 2004 to 2007

	2004	2005	2006	2007
50% median	11.1	10.8	8.9	8.6
60% median	19.4	18.5	17.0	16.5
70% median	28.7	28.2	26.7	26.8

In Table 2.2 we present the “at risk of poverty” rates of the three broad life-cycle groups examined. Children are most “at risk of poverty” using the 60 per cent of median income threshold: 20 per cent of children are at risk compared to 15 per cent for those of working age and 17 per cent for persons aged over 65 years. This pattern of results by life-cycle has also been found in previous research for the period up to 2001 (Layte et al., 2006)

Table 2.2: “At Risk of Poverty” by Life Cycle Stage 2004-2007: Individuals

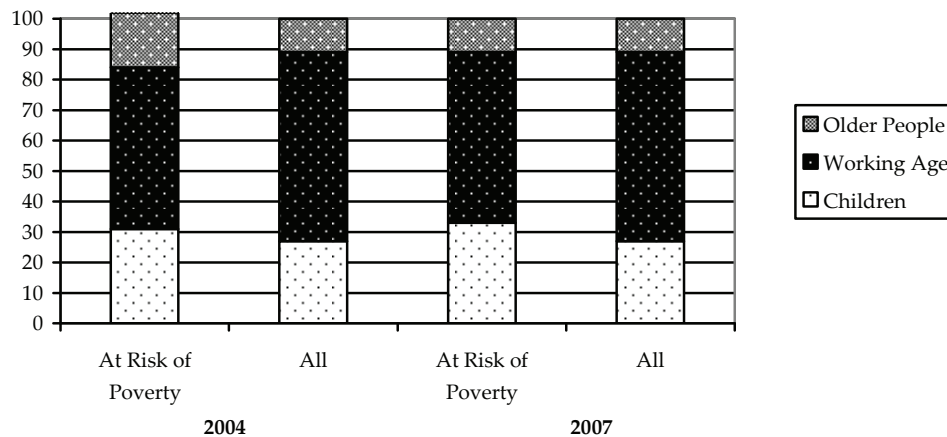
	2004	2005	2006	2007	Decline 04-07 as % of 2004 figure
Children (under 18 years)	22.7	23.1	22.3	19.9	-12.3
Working age (18-65)	16.6	16.2	15.4	15.0	-9.6
Older people (over 65 years)	27.1	20.1	13.6	16.5	-39.1
All	19.4	18.5	17.0	16.5	-14.9

1 Children are defined as those under 18. Income includes SSIA (interest & govt bonus).

The figures show that there has been a decline in the “at risk of poverty” rates for all three groups. Overall there was a 15 per cent drop in the “at risk of poverty” rate between 2004 and 2007. The rate among older people showed the biggest decline both in absolute terms and as a proportion of the 2004 figure. The “at risk of poverty” rate among children fell by 12 per cent over the period, while those of working age saw a decline of just under 10 per cent. The 2007 figures suggest that, in contrast to the previous trend, there was an increase in income poverty among older people between 2006 and 2007. This increase is largely due to the impact of the SSIA income. This group did not benefit to the same extent as those in the other life-stage categories. If SSIA income is excluded, the proportion of older people at risk of poverty falls to 13.0 per cent, marginally lower than the figure for 2006. A more thorough examination of the SSIA income in respect of older households is provided in Chapter 5.

It is also informative to consider the composition of the population at risk of poverty, since this can highlight the groups where targeted intervention is likely to reach a greater proportion of those at risk. Some groups may have a very high rate of “at risk of poverty” but represent a very small percentage of the population, and it is important from a policy perspective to recognise both of these dimensions. Figure 2.1 shows that children are significantly over-represented in the “at risk of poverty” group both in 2004 and 2007; they constitute a third of this group yet only 27 per cent of the population as a whole. In contrast, the working age group have the lowest “at risk of poverty” rate, but nevertheless constitute the majority of income poor as they are the biggest of the three groups within the population at large. In 2007 the proportion of older people in the “at risk of poverty” group matched the overall population distribution. Over time we observe a reduction of older people in the composition compensated by an almost equally shared slight increase of the two other groups.

Figure 2.1: Composition of Individuals “At Risk of Poverty” Compared to Population, 2004 and 2007



2.3 Income Poverty Rates Held Constant in Real Terms

We have argued in previous work (Callan et al., 1996; Whelan et al., 2003) that it is important to know what has been happening to income in real terms, i.e. incomes adjusted for inflation. By choosing a particular poverty line threshold and adjusting it only by the change in prices using the Consumer Price Index (CPI) it is possible to see how “absolute” poverty has evolved since a particular point in time. This gives a sense of how the incomes of the poor have changed in real terms over the period, setting aside changes in the living standards that have occurred on average over the period. Here we use the year 2005 as our reference point and we report in Table 2.3 the “at risk of poverty” rates for the years 2004 to 2007 using the 2005 poverty threshold. We see that there is a fall of the “at risk of poverty” between 2005 and 2007 from 18 per cent to 12 per cent and that most of that fall occurred between 2006 and 2007, indicating a significant increase in household income during that period of time.

Table 2.3: Percentage of Individuals “At Risk of Poverty” Using Poverty Threshold Held Constant in 2005, SILC 2004 to 2007

	2004	2005	2006	2007
60% median (2005 line)	20.4	18.5	16.3	11.9
60% median	19.4	18.5	17.0	16.5

Source: 2004 own calculations, 2005-2007 CSO (2009a, figure 2f).

2.4 The Poverty Gap

In this section we explore the depth of poverty as measured by the “at risk of poverty” gap (see Chapter 7 on methodology for further detail) which informs us how far below the poverty threshold the median income of people “at risk of poverty” is. The closer the median income is to the threshold the smaller the percentage will be.¹⁵

In Table 2.4 we see that the poverty gap decreased from 20 per cent in 2004 to 17 per cent in 2007. In other words, the median income of those “at risk of poverty” has increased from 80 per cent of the threshold to 82.6 per cent in the year. The main decline in the poverty gap occurred between 2005 and 2006.

Table 2.4: Relative “At Risk of Poverty” Gap, SILC 2004 to 2007

	2004	2005	2006	2007
All individuals	19.8	20.8	17.5	17.4
Children	23.9	23.6	18.7	17.7
People of working age	21.1	21.0	17.8	18.4
Older people	7.7	9.8	10.1	9.3

¹⁵ Note in previous ESRI publications using the Living in Ireland survey the “at risk of poverty” gap was based on the mean rather than median income.

Of the three life-cycle groups that we will focus on in the following chapters, it is the working age group for whom the poverty gap is widest. The median income of those of working age “at risk of poverty” is 18.4 per cent below the poverty line (placed at 60 per cent of median income). The gap for children “at risk of poverty” is marginally lower at 17.7 per cent, while the gap is distinctively narrower among older people, whose median income is 9 per cent below the threshold.

2.5 Pre- and Post-Transfer Poverty Rates

So far, all poverty results have been expressed where the poverty threshold based on the median household equivalised disposable income included all social transfers.¹⁶ In order to measure the impact of the social transfers to lift people from poverty we present in Table 2.5 the “at risk of poverty” before and after social transfers.

Table 2.5: Percentage of Individuals “At Risk of Poverty” Before and After Social Transfers, SILC 2004 to 2007

	2004	2005	2006	2007
Before social transfers	39.8	40.1	40.3	41.0
After social transfers	19.4	18.5	17.0	16.5

Source: CSO (2008, Table 14), CSO (2007, Table 1).

In 2007 the “at risk of poverty” rate before social transfers of 41 per cent was two and half time greater than after the inclusion of social transfers (16.5 per cent). It shows the major role played by social transfers in preventing poverty. Looking back at the results for the previous years we note that over time the “at risk of poverty” rate before social transfers stayed quite constant at about 40 per cent, while the rate after social transfers declined over the period indicating the increasing impact of social transfers in reducing poverty.

The income of those below the poverty threshold is largely derived from state transfers (Maître et al., 2006, p. 42). For example, the CSO report (CSO, 2009a) that for those in the bottom income decile, over 90 per cent of gross household income and 67 per cent of net income is sourced from state benefits. This means that the level at which benefit income is set relative to average earnings or market income is decisive in determining the poverty gap.

2.6 Income Poverty Rates for Households

So far, we have presented a descriptive account of the “at risk of poverty” rates at the individual level, the unit of analysis required when the life cycle approach is adopted (see discussion in the methodology chapter). In this

¹⁶ This includes unemployment benefits, old age benefits, family and children related transfers, housing allowances and other social transfers.

section we adopt the household as the unit of analysis, that is, we consider the percentage of households “at risk of poverty” and the composition of those households. The poverty threshold for households can be calculated by determining the median household income either over households or over individuals and applying the corresponding 50 per cent, 60 per cent or 70 per cent thresholds to all households. In Table 2.6 we report those “at risk of poverty” using the same poverty threshold as presented in the previous tables (Table 2.1, for example) when the median income is calculated over individuals (this is the calculation adopted by the CSO in their publications on the EU-SILC).¹⁷ At the lower income threshold and across all years the “at risk of poverty” rates are almost the same as those the individuals reported in Table 2.1 above. In 2007, the proportion of households “at risk of poverty” was 9 per cent at the lowest threshold, 18 per cent at the 60 per cent line and 30 per cent at the highest threshold. However, the gap between the household and individual “at risk of poverty” rates increases as one moves from the lower threshold to the higher threshold. The higher rates of income poverty for households compared to individuals means that on average non-poor households contain more members than poor households. This might arise from single person households and lone parent households that have a much higher “at risk of poverty”. The trends in household poverty are also similar to those noted for individuals (Table 2.1 above). On all three thresholds the greatest fall in the proportion of households in poverty occurred between 2005 and 2006. Between 2006 and 2007 the “at risk of poverty” rates for households was static. The final row of Table 2.6 reproduces the consistent poverty rates for households during the same period. From 2004 to 2006 the consistent poverty decreased slowly from 7.1 per cent to 6.4 per cent before decreasing more rapidly in 2007 at 5 per cent.

Table 2.6: Percentage of Households “At Risk of Poverty” Using Alternative Threshold (median over individuals), SILC 2004 to 2007

	2004	2005	2006	2007
50% median	11.6	10.4	8.5	8.6
60% median	22.1	19.6	17.6	17.8
70% median	33.4	31.5	29.8	30.0
Consistent poverty 60% median	7.1	6.7	6.4	5.0

¹⁷ The income poverty threshold used here is the one when the median household equivalised income is calculated over individuals. One can also construct an income poverty threshold where the median household equivalised income is calculated over households. The latter method has been used by the ESRI in previous publications.

In Table 2.7 the results using this alternative method of calculation are presented. The poverty threshold is derived when the median is calculated over all households rather than over all individuals as done just earlier on in Table 2.6. This is a measure that has been utilised by the ESRI in previous reports (Callan et al., 1996). The results show that this method has the effect of reducing the “at risk of poverty” rates by one to two percentage points compared to when the median household income was calculated over individuals.¹⁸ The difference between the two measures arises mainly from the treatment of larger households: these household are given a greater weighting in the across individual calculation of the median than in the across household calculation. The trends over time in household income poverty are very similar for both measures, with the exception of the 60 per cent threshold which shows a small decline between 2006 and 2007 compared to a marginal increase on the “across individual” figures. Finally, the last row gives the consistent poverty rates, which was quite stable from 2004 to 2006 at about 6 per cent before falling more sharply to 4.8 per cent in 2007.

Table 2.7: Percentage of Households “At Risk of Poverty” Using Alternative Threshold (median over households), SILC 2004 to 2007

	2004	2005	2006	2007
50% median	9.5	9.4	7.6	7.5
60% median	18.2	18.0	16.2	15.8
70% median	31.0	30.1	28.1	28.1
Consistent poverty 60% median	6.3	6.5	6.2	4.8

2.7 Composition of Households “At Risk of Poverty”

In the previous section we looked at the “at risk of poverty” rates for households over time. In this section we move from an analysis in terms of risk to an analysis in terms of composition. Here we focus on a set of key socio-demographic characteristics either of the household reference person¹⁹ (HRP) or attached to the household.

First, in Table 2.8 we look at the composition of households “at risk of poverty” by the age of the household reference person. The largest proportions of households “at risk of poverty” are those where the household reference person is aged between 45 to 55 or 56 to 65. These two groups make up almost 50 per cent of all “at risk of poverty” households in 2007. The next largest groups in 2007 are those aged 35 to 45 years at 16 per cent and those

¹⁸ To be consistent with the published results by CSO in the next section when looking at the composition of “at risk of poverty” and consistently poor households we will focus on poverty measures using the median calculated over individuals.

¹⁹ The household reference person is the person responsible for the accommodation. If the responsibility is equally shared, the household reference person is the oldest person.

aged 66 to 75 years at 11 per cent. The two youngest age groups constitute a smaller set of households “at risk of poverty”. Over time, a slight increase in the significance of the 45 to 65 age group is noted, as it grows from 43 per cent to 48 per cent. More importantly, we observe a reduction in the size of the elderly group amongst households “at risk of poverty” between 2004 and 2007. This can be explained by the fact that the proportion of elderly households stayed almost the same between 2004 and 2007 but that the income poverty rate for older people fell quite significantly during the same period (see Chapter 5).

Table 2.8: Composition of Households “At Risk of Poverty” by the Age of the Household Reference Person, SILC 2004-2007

Age of the HRP	2004	2005	2006	2007
18 to 25	3.0	4.8	7.0	3.7
26 to 35	7.9	10.9	10.5	11.4
36 to 45	16.1	18.0	19.4	16.1
46 to 55	19.0	21.1	22.5	21.8
56 to 65	24.1	21.3	23.8	26.4
66 to 75	17.5	13.6	7.9	11.3
76+	12.4	10.2	8.7	9.3
Total	100.0	100.0	100.0	100.0

Next we consider the gender of the HRP in households “at risk of poverty”. We see in Table 2.9 that in 2007 just over 50 per cent of poor households were headed by a man and that this feature has been quite constant over time since 2004. It is worth noting that only 42 per cent of all households are headed by women, suggesting an elevated risk of income poverty for this group (the incidence of poverty by the sex of the HRP is discussed within the three age-specific groups in the following chapters).

Table 2.9: Composition of Households “At Risk of Poverty” by Gender of the Household Reference Person, SILC 2004-2007

Age of the HRP	2004	2005	2006	2007
Male	53.7	55.6	51.1	51.6
Female	46.3	44.4	48.9	48.4
Total	100.0	100.0	100.0	100.0

Moving to the principal economic status of the household reference person we observe that in 2007 the largest group of households “at risk of poverty” are headed by a person who is on home duties: this group represents 30 per cent

of poor households, followed by those where the HRP is at work who comprise 23 per cent. The retired are found to account for a further 16 per cent of households below the income poverty threshold, households headed by someone who is ill/disabled comprise 14 per cent and the unemployed 13 per cent. Looking at trends over time we find that the main change relates to the proportion of poor households in which the HRP was unemployed, which increased from 9 per cent in 2004 to 13 per cent in 2007. The proportion of income poor households where the HRP is retired experience also fell from 20 per cent to 16 per cent. For the other categories of HRP principal economic status, proportions stayed at a similar level across the time period.

Table 2.10: Composition of Households “At Risk of Poverty” by Economic Status of the Household Reference Person, SILC 2004-2007

HRP Principal Economic Status	2004	2005	2006	2007
At work	21.0	24.2	22.6	23.3
Unemployed	9.3	10.4	12.2	13.1
Student	2.3	4.0	4.9	3.5
On home duties	31.2	27.3	30.0	29.8
Retired	19.9	17.3	13.7	15.7
Ill/disabled	14.7	15.4	15.6	13.9
Other	1.5	1.4	1.0	0.8
Total	100.0	100.0	100.0	100.0

As we will show in the following chapters, educational attainment is a key factor in relation to income poverty. Here in Table 2.11 we look at the education level attained by the household reference person among households below the 60 per cent median poverty line for the years 2004 to 2007. First, focusing on 2007, we see that half of these households are headed by a person without qualifications and a further quarter have only junior/intermediate certificate levels of qualifications, and only one-tenth have achieved a tertiary level.

Over time an important shift has occurred, with a reduction of ten percentage points between 2004 and 2007 in the proportion of poor households headed by an HRP with no qualifications, while the proportion has increased for all other categories at the exception of the high tertiary level where it stayed almost the same. Low qualifications are strongly correlated with age, and therefore this trend is consistent with the decline in the proportion of elderly households among households that are income poor.

Table 2.11: Composition of Households “At Risk of Poverty” by Education Level of the Household Reference Person, SILC 2004-2007

HRP Education Level	2004	2005	2006	2007
No quals.	59.4	52.5	50.0	49.9
Junior/Inter Cert level	18.9	22.2	21.9	23.7
Leaving Cert level	15.6	17.6	19.3	16.7
Low tertiary level	4.8	6.8	7.4	8.4
High tertiary level	1.2	0.9	1.4	1.3
Total	100.0	100.0	100.0	100.0

The composition of income poor households in relation to marital situation is explored in Table 2.12. In 2007 the largest group consisted of households headed by a HRP who was married which represented 38 per cent of the total, followed by single at 29 per cent. The last three categories – widowed, other separated and divorced – represent 33 per cent of the total. The widowed/divorced/separated group comprise only 24 per cent of the whole population, indicating a high vulnerability to poverty. Over time between 2004 and 2007 we note that the proportion of income poor households where the HRP is married has been reduced slightly and the proportion of households where the HRP is divorced has increased. The latter trend is partly explained by the overall increase of divorce rates (divorce rates increased by 70 per cent between 2002 and 2006 (CSO, 2002, 2006)) and by the vulnerable position of divorcees in relation to poverty.

Table 2.12: Composition of Households “At Risk of Poverty” by Marital Status of the Household Reference Person, SILC 2004-2007

HRP Marital Status	2004	2005	2006	2007
Single	27.8	30.8	33.2	28.7
Married	40.4	39.9	35.8	37.9
Widowed	18.5	13.5	13.5	17.1
Divorced	3.0	3.1	3.7	5.2
Other separated	10.4	12.7	13.7	11.1
Total	100.0	100.0	100.0	100.0

Finally, in Table 2.13 we present the composition of households below the 60 per cent threshold, based on presence of adults (aged 18 years and over) and children (aged less than 18). In 2007 the largest group (33 per cent) consists of single adult households, followed by a two adult household structure (19 per cent). In 2007, households with one adult with children represented 7 per cent of total households but they accounted for 13 per cent of the “at risk of

poverty” households. All the other groups constitute less than 10 per cent of the households “at risk of poverty”. Over time since 2004, the percentage of one adult households among income poor households has remained stable, while there has been a four percentage point reduction in the percentage of two adult households. The proportion of “at risk of poverty” households with one, two and three children increased slightly as did the proportion of single adult with children households.

Table 2.13: Composition of Households “At Risk of Poverty” by Household Type, SILC 2004-2007

Household Type	2004	2005	2006	2007
1 adult 18	34.6	32.0	31.8	32.6
2 adults 18	23.5	19.0	18.6	19.3
3+ adults 18	5.2	7.3	7.3	6.3
2 adults, 1 child	4.9	5.2	4.8	7.1
2 adults, 2 children	4.4	5.8	6.8	5.8
2 adults, 3 children	3.8	4.5	3.1	4.6
2 adults, 4+ children	2.8	3.0	3.4	1.9
1 adults, children	11.7	13.1	14.3	13.2
3+ children	9.1	10.3	10.1	9.2
Total	100.0	100.0	100.0	100.0

2.8 Consistent Poverty Rates Using Alternative Thresholds

In Table 2.14 we present the percentage of individuals that are in consistent poverty that is individuals falling below 60 per cent of the income line and lacking at least two or more of 11 deprivation items (see methodological chapter) for the years 2004 to 2007. Focusing first on the 60 per cent median income line the percentage of consistently poor individuals (5 per cent) is one-third of the overall “at risk of poverty” rate (16 per cent). In contrast to the “at risk of poverty” rates using alternative thresholds, the range of variation in consistent poverty is quite narrow as it goes from 3 per cent at the 50 per cent threshold to 7 per cent at the 70 per cent threshold.

Between 2004 and 2006 we did not observe very much variation in the consistent poverty rate based on the 60 per cent threshold. However, between 2006 and 2007 the consistent poverty rate has fallen quite sharply by almost 1.5 percentage point. Similar patterns are observed in relation to the other thresholds.

Table 2.14: Percentage of Individuals in Consistent Poverty using Alternative Thresholds, SILC 2004 to 2007

	2004	2005	2006	2007
50% Median	4.0	4.6	3.7	2.9
60% Median	6.6	7.0	6.5	5.1
70% Median	9.3	9.8	8.4	7.3

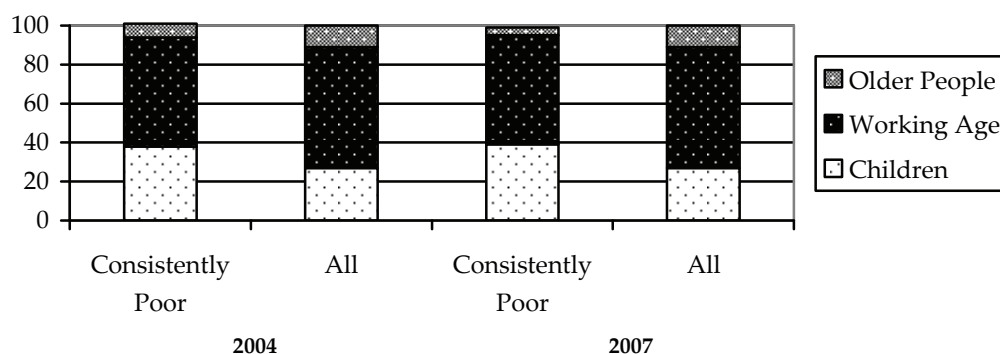
Focusing now on the three life-cycle groups, Table 2.15 shows that in 2007 children have the highest consistent poverty rate at 7.4 per cent. This falls to almost 5 per cent for the working age to reach a very low 2 per cent for older people. However, this higher consistent poverty rate for children must be contrasted with the fact that since 2005 children have enjoyed a significant decline in their consistent poverty rate. The greatest proportionate decline in consistent poverty is observed for the older age group, for whom the consistent poverty rate halved between 2004 and 2007. The decline for the working age group was similar to that found for children.

Table 2.15: Consistent Poverty by Life-Cycle Stage: Individuals, SILC 2004 to 2005

	2004	2005	2006	2007	Decline 04-07 as % of 2004 Figure
Children	9.3	10.8	10.3	7.4	– 20.4
Working age	5.9	6.0	5.6	4.7	– 20.3
Older people	4.2	3.2	2.3	2.0	–52.4

Looking now at the composition figures for the three life-cycle groups as shown in Figure 2.2, we note that in 2007 children are over-represented as they compose almost two-fifths of the consistently poor while they constitute only one-quarter of the overall population. The working age population and, more particularly, the older people group are under-represented among the consistently poor with rates of 56 per cent and 4 per cent respectively. Over time we observe that the proportion of older people among the consistently poor has declined.

Figure 2.2: Composition of Individuals in Consistent Poverty Compared to Population, SILC 2004 and 2007



2.9 Composition of Consistently Poor Households

In a similar manner to the previous section for households “at risk of poverty”, we now turn our attention to the composition of households that were consistently poor in 2007 as well as the trend observed since 2004. When relevant, we compare the different composition results between the “at risk of poverty” and the consistent poverty measure in order to highlight the impact of poverty measurement on those identified as poor.

Starting with the age of the HRP we note that the three age groups running from the age of 26 to the age of 55 each account for between 20 per cent and 26 per cent of consistently poor households in 2007. As was found for with the “at risk of poverty” measure, the smallest percentage is accounted for by the youngest and the oldest age groups, which each represent less than 5 per cent of consistently poor households.

Over the period of time considered we observe an increasing presence of the three core age groups, between the ages of 26 to the age of 55, among consistently poor households as their joint contributions rose from 57.7 per cent in 2004 to 70.1 per cent in 2007. On the other hand, the percentage of consistently poor households where the HRP was aged between 56 to 75 years fell quite significantly, reflecting the strong decline of the consistent poverty rate of the elderly population (see Table 2.16).

Moving on to the gender of the HRP as being “at risk of poverty”, just over 50 per cent of the consistently poor households are headed by a male and since 2004 their percentage composition has slightly increased from 50 per cent to 53 per cent as shown in Table 2.17.

Table 2.16: Composition of Consistently Poor Households by the Age of the Household Reference Person, SILC 2004-2007

Age of the HRP	2004	2005	2006	2007
18 to 25	3.6	5.5	4.6	2.1
26 to 35	15.3	13.8	16.8	20.3
36 to 45	20.3	23.4	25.2	24.2
46 to 55	22.1	26.6	24.6	25.6
56 to 65	23.8	19.1	21.3	18.5
66 to 75	10.9	8.2	4.6	5.3
76+	3.9	3.4	3.1	3.9
Total	100.0	100.0	100.0	100.0

Table 2.17: Composition of Consistently Poor Households by Gender of the Household Reference Person, SILC 2004-2007

Gender of the HRP	2004	2005	2006	2007
Male	50.2	46.8	42.1	53.2
Female	49.8	53.2	57.9	46.8
Total	100.0	100.0	100.0	100.0

We now look at to the composition of the consistently poor households in terms of the economic status of the HRP. In 2007, we observe that the biggest group consists of households where the HRP is on home duties, which constitute 30 per cent of the consistently poor. This result is similar to that found for the “at risk of poverty” measure. The second largest group is composed of households where the HRP is ill/disabled at 21 per cent. This is much higher than their representation amongst the income poor (14 per cent). Also in 2007, households headed by an unemployed person and those headed by a person in work both account for the same proportion of consistently poor households: comprising 18 per cent and 17 per cent respectively.

For the unemployed group, this figure is significantly higher than that found for “at risk of poverty” households, while for the employed group there was an important reduction in comparison with the “at risk of poverty” composition. The retired HRP households constitute only 7 per cent of the total compared to 16 per cent of households “at risk of poverty”. Over time the composition of the HRP principal economic status is quite stable with the main changes being the reduction of the proportion of consistently poor retired HRP households and those in home duties.

Table 2.18: Composition of Consistently Poor Households by Economic Status of the Household Reference Person, SILC 2004-2007

HRP Principal Economic Status	2004	2005	2006	2007
At work	15.1	19.2	16.6	16.7
Unemployed	16.1	16.1	17.8	17.9
Student	3.6	4.2	43.0	4.7
On home duties	32.7	32.6	33.7	30.7
Retired	9.0	7.2	7.5	6.8
Ill/disabled	21.9	19.0	19.4	21.4
Other	1.6	1.6	2.1	1.7
Total	100.0	100.0	100.0	100.0

In Table 2.19 we look at the educational level of the HRP in 2007 as well as over time. Focusing first on the 2007 situation the distribution is very similar to the one for income poverty. Households with an HRP with no qualifications represent almost 54 per cent of all consistently poor households, while those with third level education make up less than 6 per cent of consistently poor households. Looking at the development since 2004 we observe that the percentage of households with a HRP with no qualification decreased quite significantly while the percentage of HRP with a leaving level increased generously from 10 per cent in 2004 to 16 per cent in 2007.

Table 2.19: Composition of Consistently Poor Households by Education Level of the Household Reference Person, SILC 2004-2007

HRP Education Level	2004	2005	2006	2007
No qualifications	60.9	51.2	52.4	53.6
Junior/Inter. Cert level	22.7	26.5	23.8	24.9
Leaving Cert. level	10.0	13.3	16.7	16.0
Low tertiary level	5.1	8.0	6.0	3.6
High tertiary level	1.4	1.0	1.1	1.9
Total	100.0	100.0	100.0	100.0

The situation by HRP marital status in 2007 for consistent poverty is very different from the “at risk of poverty” one. Looking at Table 2.20 we see that the situation for single and married HRP has reversed, where now the largest group is composed of single at 35 per cent and the married one at 28 per cent. We note also between the two poverty measures a large increase in the proportion of separated HRP from 11 per cent to 22 per cent, while there are much less HRP widowed into households consistently poor at 9 per cent than “at risk of poverty” at 17 per cent.

Since 2004 the separated category has become a larger group among the consistently poor households rising from 16 per cent in 2004 to 22 per cent in 2007. The proportions in the other marital status categories stayed pretty much constant over time.

Table 2.20: Composition of Consistently Poor Households by Marital Status of the Household Reference Person, SILC 2004-2007

HRP Marital Status	2004	2005	2006	2007
Single	36.2	34.9	37.6	35.3
Married	31.6	31.5	27.3	27.8
Widowed	10.1	7.2	8.6	9.3
Divorced	5.7	5.8	5.4	5.8
Other separated	16.4	20.7	21.0	21.7
Total	100.0	100.0	100.0	100.0

The final characteristic of the consistently poor households that we are interested in is household structure. From Table 2.21, we see that in 2007 single adults households compose 35 per cent of the consistently poor households, a similar percentage to the one for poor households. The notable change between the two poverty measures is the larger proportion of “one adult with children” households among the consistently poor households. Their respective composition goes from 13 per cent for the “at risk of poverty” measure to 22 per cent for the consistent poverty measure. In terms of trends over time we note a significant reduction in the composition of the two adult households as well to a lesser extent for households with children. The contribution of the one adult household and the one adult with children households stayed at roughly a similar level over the period considered.

Table 2.21: Composition of Consistently Poor Households by Household Type, SILC 2004-2007

Household Type	2004	2005	2006	2007
1 adult 18	30.9	15.8	28.1	35.1
2 adults 18	17.0	14.2	12.7	11.2
3+ adults 18	3.4	4.6	8.5	6.7
2 adults, 1 child	6.9	8.0	5.3	5.9
2 adults, 2 children	4.2	4.8	3.8	3.7
2 adults, 3 children	5.0	5.2	3.6	2.1
2 adults, 4+ children	2.4	3.1	4.3	3.2
1 adults, children	21.2	23.6	27.7	22.4
3+ children	9.0	10.6	6.0	9.6
Total	100.0	100.0	100.0	100.0

2.10 Conclusion

In this chapter we set out the overall trends in income poverty and consistent poverty between 2004 and 2007, measured at both the individual and household level using different income thresholds to define poverty. The results show that there was a decline in both relative income poverty and in consistent poverty during the period. All three poverty thresholds developed in a similar fashion over time indicating that there has not been a redistribution of the poor below the different poverty levels, in contrast to trends observed between 1998 and 2001 (Whelan et al., 2003). The decline in poverty on both measures was most marked for older people, followed by children for income poverty. Detailed analysis of the reasons of the reduction in the “at risk of poverty” rate will be explored in the chapters dedicated to each of these groups. The fall in consistent poverty was the same for children and working age people; in both cases the 2004 rate was reduced by 20 per cent.

Results from Chapter 2 (and following chapters), based on the “at risk of poverty” and the consistent poverty measures, showed the complementary added value of both measures. While the “at risk of poverty” measure offers a uni-dimensional approach to poverty identifying specific groups of individuals, the multidimensional aspect of the consistent poverty measure complement the former measure in highlighting a distinctive population in terms of risk, composition and experience of social exclusion.

We also saw that the gap between the incomes of those defined as “at risk of poverty” and the median income also decreased somewhat over the period. The median income of those “at risk of poverty” increased from 80 per cent of the poverty threshold in 2004 to 82.6 per cent in 2007. The poverty gap was widest for the working age group: in 2007 the median income for those “at-risk of poverty” was 18 per cent below the poverty line. The gap for children “at risk of poverty” was 18 per cent, while the gap was much narrower among older people, whose median income was 9 per cent below the threshold.

It was also shown that if the poverty line was fixed at the 2005 level (adjusted only by price inflation), the proportion of individuals in poverty would have fallen further from 19 per cent in 2005 to 12 per cent in 2007. However, as the main trend figures show, the median income in Ireland increased more rapidly than price inflation, which is unsurprising given that the country was still in the midst of an economic boom. The maturation of the SSIA accounts also added to the rise in median income in 2007. The effect of the SSIA is returned to in more detail in Chapter 5.

Trends in the profile of households falling below the income poverty line and those in consistent poverty show that older people account for a shrinking proportion of poor households over the time observed. This is due to a reduction in their exposure to income poverty and consistent poverty rather

than to any decline in their demographic significance. The decline in the proportion of poor households headed by a retired person and widowed persons up to 2006 also reflect this drop in the proportion of older households amongst those defined as “at risk of poverty” and consistently poor.

Despite the continuing decline in unemployment over the period 2004 to 2007 the unemployed nevertheless increased their presence amongst income poor household over the period. The proportion of income poor households headed by a person in employment increased somewhat over the period from 2004-2007, which may reflect the significant increase in employment levels during the time period. Chapter 4 on the working age population discusses in greater detail the evolution of the poverty risk associated with unemployment and the factors behind the in-work poverty figures. Another group which has become more prominent amongst poor households are those where the HRP is separated and households with one adult plus children; this is likely to reflect an increase in the proportion of households with such characteristics

3: POVERTY AMONGST CHILDREN

3.1 Introduction

Exposure to poverty in childhood not only involves immediate hardship for those who experience it but can also have serious consequences for children's health, development and long-term life chances (Erikson and Goldthorpe, 2002; Bowles and Gintis, 2003; Layte et al., 2006; Bradshaw, 2001; Kiernan et al., 2008). In this chapter we investigate both income poverty and consistent poverty among children under the age of 18 years, and track how these rates have evolved between 2003 and 2007. The chapter also seeks to identify children most vulnerable to poverty. While some groups of children may be at a high risk of poverty they may represent a large or small group within the population. It is therefore useful from a policy perspective to consider the composition of the population of children who fall below the different poverty thresholds. The chapter will examine the five key social processes found to influence poverty in previous research: household composition, connection to the labour market (both currently and longer term for self and other household members), social background (education, social class), individual characteristics (e.g. health status/disability, sex, age, nationality) and dependence on the social welfare system.

Previous Irish research found that rates of poverty amongst children (as measured by income poverty lines) increased sharply during the 1970s and 1980s and remained high in 1994. There was a subsequent decline between 1994 and 2001 of just over one percentage point using the 60 per cent of median income measure (Layte et al., 2006). Comparative figures also show that Ireland has a relatively high rate of income poverty amongst children by international standards (Callan et al., 2004; Callan et al., 2008).

Children and child poverty have been the subject of significant policy attention over the recent years (Daly, 2007). During the period under review, 2004 to 2007, the National Anti-Poverty Strategy included a specific target to reduce child poverty. The 2002 review of the NAP *Building an Inclusive Society*, set a target to reduce the numbers of children who are "consistently poor" (of which income poverty is one dimension) below 2 per cent by 2007 and, if possible, to eliminate consistent poverty.²⁰ There was also a commitment to

²⁰ Notably the most recent National Action Plan for Social Inclusion, 2007-2016 does not contain a target for income poverty or consistent poverty relating to children. The overall target is to reduce the number of those experiencing consistent poverty to between 2 per cent and 4 per

bring basic child income support (i.e. Child Benefit and Child Dependent Allowances combined) to a level of between 33 and 35 per cent of the minimum adult social welfare payment, which was to reach €150 per week in 2002 terms by 2007. The evolution of Child Benefit Payments over the period reflects this commitment. In 2007, child benefit levels were between 19 and 20 per cent higher than in 2004 (see Appendix Table B3). Increases in the Child Benefit element of the income package were favoured over increases to the Child Dependent Rates (paid to those in receipt of social welfare payments) on the basis that such changes this would not affect incentives to participate in employment or increase poverty traps for those dependent on social welfare. The increase in the value of CD in 2007 was the first since 1994. Payments to lone parent families were also increased significantly over the period (see Appendix Table B5) and the introduction of the Early Childcare Supplement provided additional income support for families with young children at the end of the period.

While specific income supports for children are important in the Irish context, Callan et al. (2008) have emphasised the role of the wider welfare system, including non-cash services, and broader employment supports for parents as part of the strategy for reducing children poverty. Reviewing international “best practice” in reducing child poverty they found that the best performing countries did not have particularly high levels of child income support payments. They conclude that:

Tackling child poverty, therefore, requires a strategy that takes a broad view of welfare income supports, and “activist” measures to increase participation in employment. Solutions lie not with welfare alone, or employment alone, but a combination of both (Callan et al., 2008, p. 71).

Parental employment was also promoted as a means of exiting poverty during this period. For example, the 2006-2008 *National Report for Strategies for Social Protection and Social Inclusion* (NRSSPSI) focuses strongly on measures to move poor parents into employment and education, it states:

At present, a multi-dimensional approach [to tackling child poverty] is being adopted, focusing on supporting employment participation for the parents of children combined with appropriate income supports and access to services including childcare, education, health and housing.

Policy messages on maternal employment have been somewhat mixed (Murphy, 2008). Since 2000 there has been a significant investment in creating

additional childcare places through the National Development Plans, although the costs of childcare for parents in Ireland remains amongst the highest in Europe (OECD, 2006). Tax individualisation was introduced gradually from 2000 to increase the employment incentives for married women, but the system is not fully individualised as the married one-earner tax band is about 20 per cent higher than a single earner tax band.²¹ The government discussion paper on lone parent supports published during this period proposed the introduction of work requirements for lone parents with children over the age of seven.²² In contrast, childcare support in the form of the Early Childcare Supplement was not linked to labour market participation.

Employment among women with children increased substantially over the period, mirroring a general rise in employment in the economy. The employment rate among women with children under 15 year rose from 57 per cent to 60 per cent in the space of just three years between 2004 and 2007. Employment among lone mothers remained relatively stable over the period, rising from 51 per cent in 2004 to 52 per cent in 2007 (analysis of CSO figures). More detailed analysis of trends over the period 1998 to 2007 show that lone mothers with pre-school children were one of the few exceptions to general rising tide of labour market participation in that period (Russell et al., 2009).

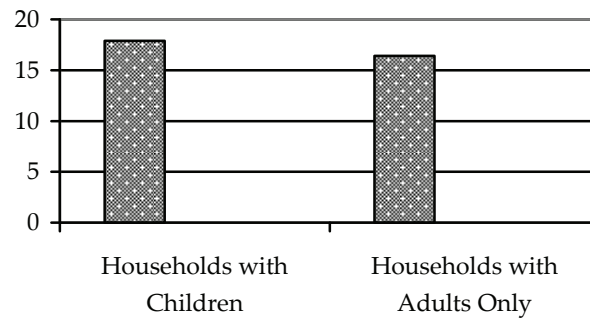
3.2 Income Levels in Households with Children

The living conditions of children are of course determined by the economic circumstances of the adults with whom they live. Children influence the household's risk of poverty both directly and indirectly. There is a direct cost of providing for children which means that the greater means that greater household resources are needed to achieve a given standard of living. Children also have an indirect effect on resources via the impact on parent's labour market behaviour. These factors mean that households with children are generally slightly less well off than households without children. We find that 17.6 per cent of households with children are "at risk of poverty" compared 14.8 per cent for households with adults only (see Figure 3.1).

²¹ Figures refer to 2010. This is down from 25 per cent in 2008.

²² The most recent statement from government on this issue suggests introducing activation for lone parents when the youngest child is aged 13 years (*The Irish Times* – 24/2/2010).

Figure 3.1: “At Risk of Poverty” Rates in Households with and without Children



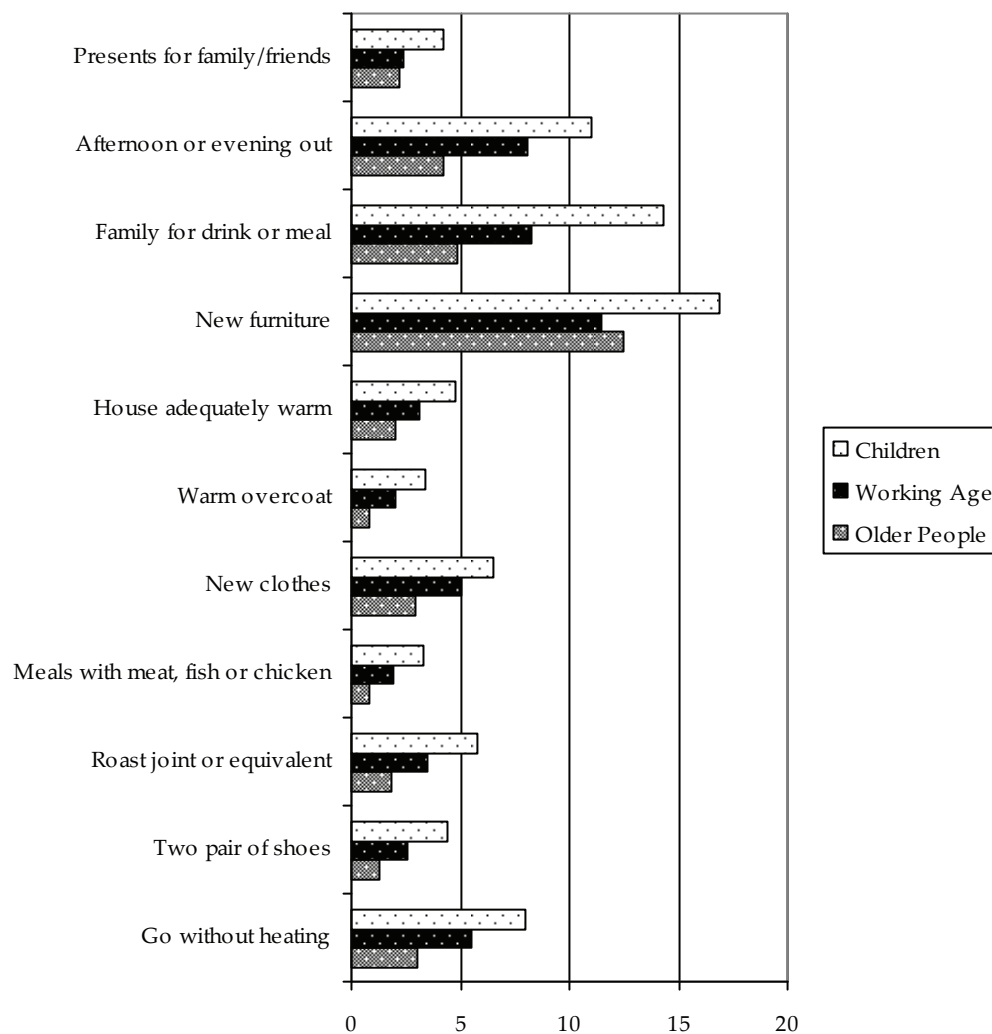
Note: Per cent of households below 60 per cent median income threshold.

3.3 Deprivation Levels and Consistent Poverty among Children

Figure 3.2 presents deprivation among children across the 11 items of the revised consistent poverty measure outlined in Chapter 1. Access to these items is measured at the household level; the figures presented reflect the proportion of children under 18 who are in households that do not have the item because they cannot afford it.²³ Children are more likely to experience deprivation on each of the 11 items than older people and those of working age. The most common items of enforced deprivation for all three life-cycle groups are inability to replace worn out furniture, going out for a meal or drink with family/friends at least once a month, or having a morning, afternoon or evening out in the past fortnight for entertainment.

As discussed in Chapter 1, to be defined as consistently poor the household must lack at least two of the 11 items and have an income below 60 per cent of the median income. Children are significantly more likely to be in households lacking at least two of the deprivation items than individuals of working age and older people. The proportion of children lacking at least two items declined from 18 per cent in 2004 to 16 per cent in 2007. Similar declines are also evident for the other two life-cycle groups.

²³ If we calculate the proportion of *households* with children under 18 that lack the item we get a slightly different figures..

Figure 3.2: Deprivation Items by Life Cycle Group, 2007

Combining this information with the measure of income poverty, it was found that in 2007 children had a consistent poverty rate of 7.4 per cent compared to 4.3 per cent among adults: 4.7 for those of working age, 2 per cent among older people (see Table 2.5 in the previous chapter).

Looking at this issue at the household level reveals that 6 per cent of households with children were in consistent poverty compared to 4 per cent of households with adults only (see Figure 3.4).

Figure 3.3: Proportions Lacking at Least Two Items of Eleven by Life Cycle Group, 2004 and 2007

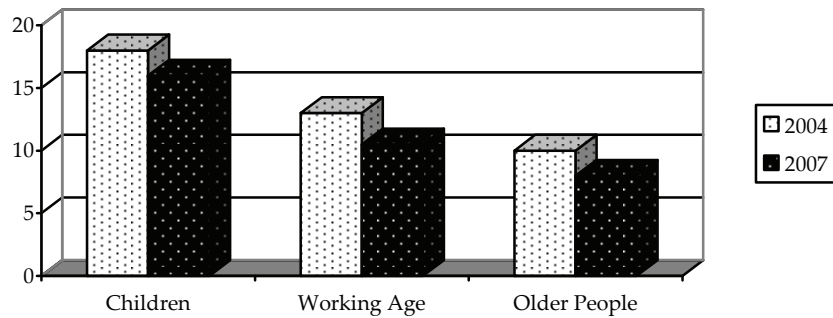
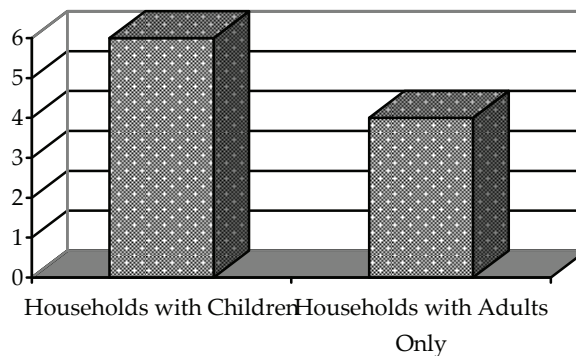


Figure 3.4: Consistent Poverty Rates in Households with and without Children 2007



3.4 Trends in Child Poverty, 2004–2007

Turning from the household to the individual as the unit of analysis we see that in 2007 20 per cent of children aged under 18 were in households falling below the income poverty threshold, compared to 15 per cent of adults. Focusing on trends over time reveals that child poverty has fluctuated over the period in question. Between 2004 and 2005 there was a small increase in child poverty using the 60 per cent of median income measure, but between 2005 and 2007 the “at risk of poverty” rate among children declined, with the biggest drop occurring between 2006 and 2007. Taking the period as a whole, the “at risk of poverty” rate for children declined by 12 per cent compared to a drop of 16.5 per cent for adults. A greater decline in income poverty is apparent for younger children (28 per cent) than children aged five years and over. This drop was most marked between 2006 and 2007, which coincides with the introduction of the Early Childcare Supplement, which was targeted to families with children under 6 years of age. The figures show that in each of the years studied children aged five years and over had a substantially higher “at risk of poverty” rate than children aged under 5 years. This may be an

artefact of the equivalence scale used since children aged over fourteen are given the same weighting as an adult, thus lowering the equivalised income in these households. Alternatively, the results may reflect greater unmet need for school-age children.

Turning to the consistent poverty measure, 7 per cent of children were in consistent poverty in 2007 compared to 4 per cent of adults. The trend over the period is similar to that for income poverty: an increase in child poverty is observed between 2004 and 2005 followed by a decline thereafter, but the overall decrease is more pronounced than for the income poverty measure. Over the four-year period, consistent poverty among children dropped by one-fifth (20 per cent), marginally less than the decline for adults (23 per cent). The decline in consistent poverty was greater among children aged under 5 years than those aged 5 to 17 years. As noted above, these declines in child poverty have occurred during a period when there was a substantial increase in the levels of income supports to families with children.

Table 3.1: “At Risk of Poverty” among Children (<60% median income)

	2004	2005	2006	2007	% Decline 04-07
Adults	18.2	16.8	15.1	15.2	16.5
All Children	22.7	23.1	22.3	19.9	12.3
Children < 5	18.7	16.1	16.1	13.5	27.8
Children 5 +	24.0	25.7	24.5	21.9	8.8

Table 3.2: Consistent Poverty Rates among Children Under 18 Years 2004-2007

	2004	2005	2006	2007	% Decline 04-07
Adults	5.6	5.6	5.1	4.3	23.2
All Children	9.3	10.8	10.3	7.4	20.4
Children Aged Under 5 years	9.2	7.8	7.9	5.8	37.0
Children Aged 5 Years and over	9.3	12.0	11.1	7.9	15.1

3.5 Child Poverty and Household Composition

Children in lone parent households and those in large families have been identified both in Ireland (Layte et al., 2006) and the EU (Frazer and Marlier, 2007) as being more vulnerable to poverty. Not only have these two groups been found to have higher rates of poverty, but they have also been found to have a much lower chance of exiting poverty than other households (Layte et al., 2006).

Demographic trends are moving in opposite directions for these two groups: an increasing proportion of children are living in lone parent

households, while the proportion of children in large families has declined dramatically over the last three decades. In 1981, 64 per cent of children lived in families with three or more children, but by 2006 only 38 per cent of children lived in such families (Callan et al., 2008). Despite this decline, international comparisons show Ireland still has the highest proportion of large households in the EU-25 (ibid, p. 31).

In contrast, the number of one parent families with a child aged under 15 years rose from about 30,000 in 1981 to about 100,000 in 2006. The proportion of all families with dependent children accounted for by lone parent families has also risen from 7 per cent in 1981 to 21 per cent in 2006 according to Census figures (Callan et al., 2008). The Census results also show that 18 per cent of children under 15 live with a lone parent (CSO, 2007b, Table 35).

In 2007, 20 per cent of all children under 18 years of age were in households with less than 60 per cent of median income. This figure rose to two in every five children in lone parent households. We adopt a more inclusive measure of lone parent families than that used in the CSO analysis of EU-SILC (CSO, 2008). The CSO reports on households where there is only one adult plus children under 18 years. Our measure includes all parents without a partner and living with a child under 18 years; other adults may also be resident in the households including respondents' children over 18 years of age or the child's grandparents.²⁴

Table 3.3: "At Risk of Poverty" among Children by Household Composition

	2004	2005	2006	2007	% Decline 04-07
All Children	22.7	23.1	22.3	19.9	12.3
Children in households with 3+ children	26.7	25.8	22.7	20.4	23.6
Children in lone parent families ²	47.6	41.8	43.7	39.9	16.2

1 Decline between 2004 and 2007 calculated as a proportion on the 2004 figure.

2 Lone parent families include are those not living with a partner with at least one child under 18 years. Other adults, including children over 18 can be present in the household.

The "at risk of poverty" rate for children in households with three or more children was not significantly higher than the rate for all children in 2007, which contrasts with the situation in the earlier part of the period. Considerable declines in income poverty rates among children in lone parent

²⁴ Results using the more restricted definition of lone parent households are reported in the appendix.

families and in large families were also observed over the period. Rates fell by 16 per cent for lone parent families and 24 per cent for large families.

Membership of a lone parent household also very substantially increases the chance of being in consistent poverty: 22 per cent of children in such households are in consistent poverty. Children in large families of three or more children have a slightly lower rate of consistent poverty than for all children. There has been a much steeper drop in consistent poverty among these two vulnerable groups of children than for children in general. Consistent poverty rates fell by 22 per cent for children in lone parent households, with all of the decrease occurring between 2006 and 2007.

Table 3.4: Consistent Poverty Rates among Children by Household Composition

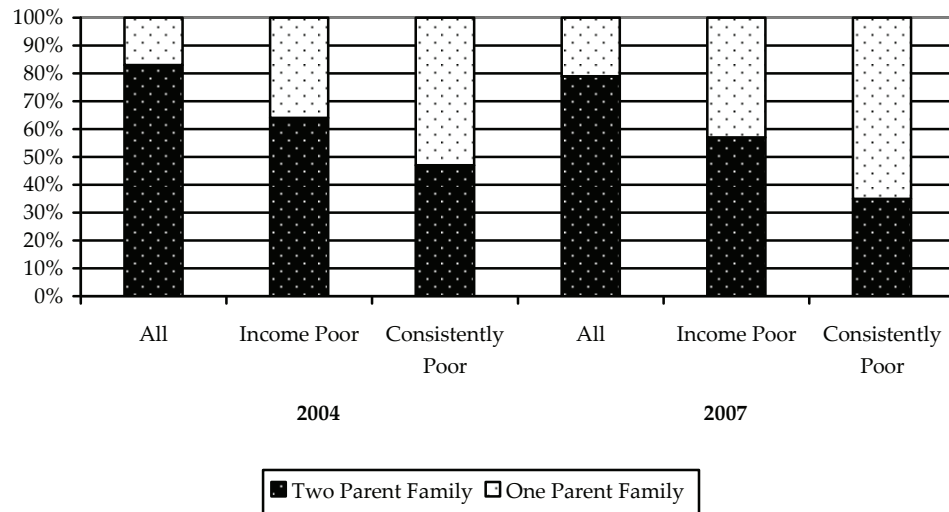
	2004	2005	2006	2007	% Decline 04-07 ¹
All Children	9.3	10.8	10.3	7.4	20.4
Children in households with 3+ children	9.1	9.7	10.2	6.2	31.9
Children in lone parent families ²	28.6	28.2	31.7	22.4	21.7

1 Decline between 2006 and 2007 calculated as a proportion on the 2006 figure.

2 Lone parent families include are those not living with a partner with at least one child under 18 years. Other adults, including children over 18 can be present in the household.

International comparisons suggest that income poverty rates of children in lone parent families in Ireland are among the highest in the EU. Moreover, the concentration of child poverty among lone parent households is also particularly high in Ireland (Frazer and Marlier, 2007). This concentration is evident when the composition of poor children is examined. At the start of the period in 2004, 17 per cent of all children were in lone parent families, however that accounted for 36 per cent of children in income poverty and just over half of children in consistent poverty. In 2007, the proportion of all children living in lone parent families in the EU-SILC sample had risen to 21 per cent, but they comprised 43 per cent of children in income poverty and fully 65 per cent of children in consistent poverty. Child poverty has therefore become increasingly concentrated among lone parent families over the period, and the rise in the numbers of lone parent families has been a countervailing influence on declining child poverty rates.

Figure 3.5: Composition of Children in Poverty by Lone Parenthood



3.6 Labour Market Status of Parents and Other Household Members

The risk of income poverty among children is strongly related to the employment status of the adults in the household in which they live. Taking first the employment status of the household reference person,²⁵ we find high levels of income poverty among children in households headed by someone who is not at work. The “at risk of poverty” rate for children is highest where the reference person is unemployed (51 per cent), followed by cases where the HRP is on home duties or is unable to work due to illness or disability (46 per cent in both cases). Where the head of household is in employment the “at risk of poverty” rate for children falls to 11 per cent. A somewhat different picture emerges when non-material measures of deprivation are added to the poverty measure. On the consistent poverty measure, children living with a HRP unable to work due to illness or disability are the most disadvantaged: 27 per cent are consistently poor compared to 12 per cent of children in households headed by an unemployed person and 3.5 per cent in households headed by someone in employment. These results suggest that households headed by a person unable to work due to illness/disability experience longer-term exclusion from the labour market and a longer exposure to poverty. Research by Whelan et al. (2003, Table 6.6) for the period 1997 to 2001 found that the risk of persistent income poverty (defined as being below the income poverty threshold in the current year and in two of the three preceding years) was considerably higher for those unable to work due to illness/disability than for any other economic status.²⁶ During

²⁵ The household reference person is defined as the person responsible for the accommodation, or if this involves more than one person, the oldest person with responsibility.

²⁶ Whelan et al. (2003) found that in 2001 62 per cent of the ill/disabled category were in persistent poverty measured at the 70 per cent of median income threshold, compared to 22 per

2007 the rate of long-term unemployment was exceptionally low, therefore the majority of the unemployed experienced short spells out of work, which was less likely to result in basic deprivation. The connection between unemployment duration and poverty is explored further in Chapter 3 which focuses on the working age population.

Table 3.5: Children “At Risk of Poverty” and Consistent Poverty by Employment Status of HRP, 2007

	At Risk of Poverty	Consistent Poverty
HRP At work	11.2	3.5
HRP Unemployed	50.7	11.6
HRP Student	33.9	18.3
HRP On home duties	46.3	21.6
HRP Ill/disabled	45.9	26.8
All	19.8	7.4

Notes: Threshold < 60 per cent median.

Too few cases in the retired and “other” categories.

Table 3.6: Composition of Children “At Risk of Poverty” and Consistent Poverty by Employment Status of HRP, 2007

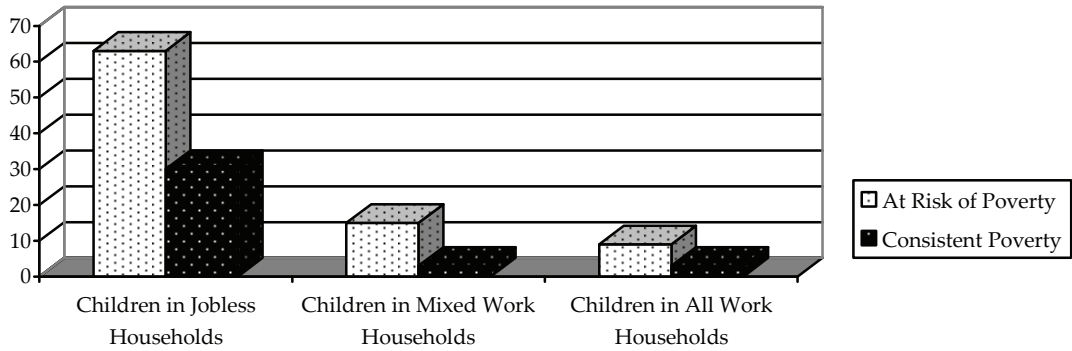
	At Risk of Poverty	Consistent Poverty
HRP At work	42.2	35.2
HRP Unemployed	10.0	6.3
HRP Student	2.7	3.8
HRP On home duties	35.9	45.1
HRP Ill/disabled	6.1	9.5
Other	3.0	0.1
Total	100.0	100.0

Poverty risks among children are amplified when no adult member of the household is in employment. Almost two-thirds (63 per cent) of children living in jobless households have incomes below the 60 per cent median threshold, compared to only 9 per cent of children in households in which all the working age adults are employed. Children in households with at least one working age adult employed have an “at risk of poverty” rate of 15 per cent. Consistent poverty among children in jobless households stands at 30 per cent

cent overall, and 34 per cent among the unemployed. The figures refer to the employment status of the household reference person.

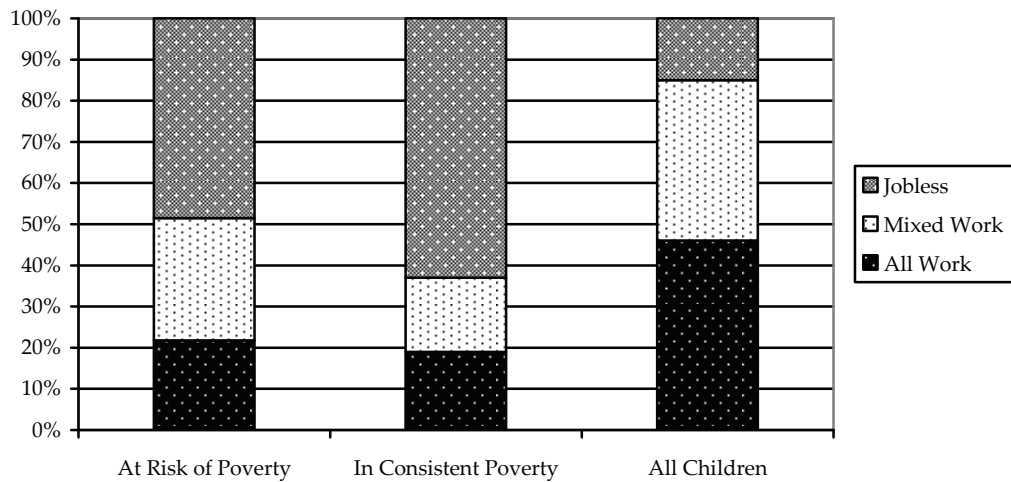
compared to 3 per cent of children in households where at least one of the adult members is in employment.

Figure 3.6: Poverty Risk among Children by Employment Status of Those of Working Age in the Household



Note: Jobless means none of the adults of working age are employed. All work are households in which all adults are in employment

Figure 3.7: Composition of Children in Poverty, 2007



Although the association between poverty and household joblessness is strong, the effect weakened somewhat 2004 and 2007. In 2004, 72 per cent of children in jobless households were income poor compared to 63 per cent in 2007. Similarly, the proportion of children in jobless households in consistent poverty fell from 43 per cent to 30 per cent, even though the proportion of all children in jobless households stayed the same between 2004 and 2007 (15 per cent). In both 2004 and in 2007 children in jobless households accounted for almost half of children “at risk of poverty”, while for consistent poverty the number went down from five out of seven in 2004 to three out of five in 2007.

3.7 Child Poverty and Reliance on State Transfers

Clearly there is a strong overlap between household joblessness and reliance on social transfers. As Table 3.7 below illustrates, children in households that are heavily reliant on social transfers have a very high rate of income poverty: two-thirds of children in households in which over 75 per cent of income comes from social transfers are “at risk of poverty”. It is noteworthy that the association between reliance on social transfers and income poverty is stronger for children than for individuals of working age and older people (see Chapter 5, Table 5.7). This is likely to reflect both the types of benefits households with children are reliant upon and may also indicate an inadequacy in the welfare provision for children.

Comparison of income pre- and post-social transfers shows that these payments cut the proportion of children under the income poverty threshold by half, from 41 per cent to 20 per cent (Table 3.8). This reduction is of a similar order to that for individuals of working age. However, the welfare system appears most effective at lifting the older population above the poverty line.

Table 3.7: Individuals “At Risk of Poverty” and Consistent Poverty by Reliance on Social Transfers, 2007

	At Risk of Poverty		Consistent Poverty	
	<i>All</i>	<i>Children</i>	<i>All</i>	<i>Children</i>
Social transfers <25% hh income	4.7	5.1	0.6	0.5
Social transfers 25% to <50% hh income	13.8	21.9	2.9	5.5
Social transfers 50% to <75%	24.3	30.5	10.0	15.2
Social transfers 75% or more hh income	46.2	66.1	16.6	30.2
Total	16.4	19.9	5.1	7.4

Table 3.8: “At Risk of Poverty” Rates Before and After Social Transfers, by Life-Cycle Group

	Children	Working Age population	Older People
At risk of poverty including social transfers	19.9	15.0	16.5
At risk of poverty excluding social transfers	40.7	33.1	41.0

3.8 Social Background Characteristics

Next we consider the influence of social background characteristics on the distribution of child poverty. The educational qualifications of the household reference person have a significant impact on poverty rates among children. Over one-third of children (35 per cent) living in a household headed by an adult with no qualifications are “at risk of poverty” and 16 per cent are

found to be in consistent poverty. There is a progressive decline in both measures of poverty for each additional level of qualification. Less than 3 per cent in households where the HRP as higher third level qualifications are at “risk of poverty” and none are in consistent poverty.

Table 3.9: “At Risk of Poverty” and Consistent Poverty Rates among Children by Education of Household Reference Person, 2007

	% At Risk of Poverty	% in Consistent Poverty
No qualifications	35.2	16.2
Intermediate/Junior Cert.	30.4	9.5
Leaving level	14.4	6.4
Low tertiary level	8.2	1.5
High tertiary level	2.6	0.0
Total	19.9	7.4

Childhood poverty is also strongly influenced by the social class of the household reference person. Using the relative income poverty threshold shows that children residing with a head of household in the higher or lower managerial class have a negligible risk of poverty (Table 3.10). At the other extreme, where the HRP is in the routine occupation class one in three children fall below the 60 per cent income poverty threshold.

There are a number of noticeable differences when we switch to the consistent poverty measure that incorporates non-monetary deprivation indicators. Children in households where the HRP is in the routine occupations’ class, the lower services or in the intermediate occupational class have higher rates of poverty on both measures. However levels of poverty are much lower for the self-employed (non-agricultural) group and for farmers (self-employed agricultural) using the consistent poverty measure. This is a common finding in poverty research and arises from the fact that it is much more difficult to assess income from self-employment, and income from self-employment is subject to greater fluctuation (see Chapter 1). There is therefore a weaker link between income and deprivation levels for these groups.

Table 3.10: “At Risk of Poverty” and Consistent Poverty Rates among Children by Social Class of Household Reference Person, 2007

	At Risk of Poverty	Consistent Poverty
Professional/ managerial	4.2	0.8
Self-employed (agric)	14.2	1.3
Self-employed (exc. agric)	24.7	4.6
Intermediate	15.1	6.7
Lower services/technical	24.5	10.7
Routine occupation	33.0	13.0
Total	19.9	7.4

Two final characteristics of the household reference person also exert an influence on children’s likelihood of experiencing poverty: health/disability status and nationality (see Methodological Appendix for a discussion of how these characteristics are measured). Overall, one-quarter of respondents aged 16 and over reported a long-standing/chronic condition, 13 per cent reported that their activities were limited by a health problem and 6 per cent reported that their activities were strongly limited (see Chapters 4 and 5 for discussion of health of the working age and older population). The incidence of chronic illness and activity-limiting conditions is lower among persons heading households containing children: 21 per cent report a chronic condition and 16 per cent that they are limited in their activities. Chronic health problems of the household reference person have significant consequences for children, leading to an “at risk of poverty rate” of 31 per cent compared to a rate of 17 per cent among those without a chronic condition. Consistent poverty rates for children are over three times higher times when the HRP has a chronic illness compared to those without. Having a condition that strongly limits daily activities has an even greater impact on child poverty rates (see Table 3.11).

Table 3.11: Poverty among Children by Health Status of Household Reference Person, 2007

Health Status	At Risk of Poverty	Consistent Poverty
No Chronic Illness	16.8	4.6
Chronic Illness	31.4	18.3
Activity strongly limited by health problem	57.7	46.1
Activity limited	29.6	12.8
Activity Not limited	16.7	4.7

3.9 Child Poverty and Nationality of the Household Reference Person

As discussed briefly in Chapter 1, over the past ten years net inward migration has led to Ireland becoming a more diverse society in terms of nationality and ethnicity. According to the 2006 Census, just over 10 per cent of the population were non-Irish national, up from 5.8 per cent in 2002. Two-thirds of non-nationals were from other EU countries (including the UK).

Previous research has highlighted a number of features of the non-national population that are likely to influence the risks of poverty for this group. Firstly, compared to the total population, the non-Irish national population is highly skewed towards the working age population (25-44 years), with fewer persons under 20 years and in the over 45 age categories (Smyth et al., 2009). Figures from the 2007 QNHS showed that foreign national women and men had marginally higher economic activity rates than their Irish counterparts (Russell et al., 2009, Table 2.6). However, within the economically active group, non-Irish nationals experience a higher rate of unemployment (O'Connell and McGinnity, 2008) and earn less than equally qualified Irish nationals. Barrett and McCarthy (2007) found that, controlling for education and length of work experience, non-Irish immigrants earn 19 per cent less than Irish workers.

Information on the nationality of respondents is collected in SILC but not on ethnicity. These figures show that 6.8 per cent of the sample in 2007 were non-Irish nationals, which compares to 4.5 per cent in the 2004 SILC survey. In 2007, 23 per cent of non-Irish individuals were living in households with less than 60 per cent of median household income, compared to 16 per cent of Irish nationals. However, amongst children, non-Irish nationals had the same "at risk of poverty rate" as Irish nationals. It appears that there was a particularly sharp decline in relative income poverty for children of non-Irish nationals between 2004 and 2007, but that the differences between all nationals and all non-nationals remained similar. The cause of this trend among non-Irish national children is not immediately apparent and may be due to compositional changes between 2004 and 2007. The consistent poverty rates among non-Irish nationals are somewhat puzzling. In 2004, the consistent poverty rate among non-Irish nationals was double that for Irish nationals, but by 2007 the poverty rate for non-nationals was lower than for Irish nationals. The same pattern is observable for children.

Further analyses of the 2007 data show that there are significant differences in the household composition of national and non-national respondents, which is likely to affect poverty risks. Non-Irish nationals are more likely to live in households without any children, and a lower proportion are located in lone parent households or households with three or more children. It is also worth noting that there is significant variation among the non-national group. In 2007, 30 per cent of non-nationals were from the

UK or Northern Ireland, one-quarter were from the new EU states (with the largest groups from Poland and Lithuania), a further 8 per cent from Africa and so on. These groups are likely to have different exposure to poverty. The nationality of the immigrant population has also changed significantly since 2004.

Table 3.12: “At Risk of Poverty” for Individuals by Nationality of HRP, 2004 and 2007

	All		Children	
	2004	2007	2004	2007
Irish national	18.9	16.0	21.9	19.9
Non Irish national	27.8	22.8	33.9	19.8

Table 3.13: Consistent Poverty for Individuals by Nationality of HRP, 2004 and 2007

	All		Children	
	2004	2007	2004	2007
Irish national	6.3	5.3	9.0	7.7
Non Irish national	12.0	3.4	14.2	3.1

3.10 Regression Analysis: Which Factors Have the Strongest Influence on Child Poverty?

Many of the characteristics examined here are inter-related; therefore it is informative to consider the independent influence of factors such as family size, lone parenthood and parental employment status on the likelihood of children falling below the 60 median poverty line (models 1 and 2), and the likelihood of being in consistent poverty (models 3 and 4). The table here summarises which groups have a significantly higher or lower chance of being in income poverty or consistent poverty compared to the reference category. The full model results are presented in the appendix (Table B6).

Table 3.14: Logistic Regressions Income Poverty and Consistent Poverty for Children, 2007

	At Risk of Poverty		Consistent Poverty	
	Odds ratios		Odds ratios	
	Model 1	Model 2	Model 3	Model 4
Age	No effect	No effect	+	+
Age squared	No effect	No effect	—	—
HRP activity not limited	ref	ref	ref	ref
HRP activity limited by health	+	+	++	++
HRP Irish	ref	ref	ref	ref
HRP non Irish	++	++	No effect	No effect
HRP at work	ref	ref	ref	ref
HRP unemployed	+++	++	++	No effect
HRP home duties	+++	+	++	No effect
HRP retired	++	No effect	No effect	No effect
HRP ill/disabled	+++	+	+++	No effect
HRP Tertiary level	ref	ref	ref	ref
HRP No qualification	++	++	+++	+++
HRP Inter leaving certificate	++	++	++	++
HRP Leaving certificate	+	+	++	++
Middle Class	ref	ref	ref	ref
Self employed	+++	+++	++	++
Working class	++	++	++	++
2 adults with 1-2 children	ref	ref	ref	ref
2 Adults and 3children	++	++	++	++
2 Adults and 4+ children	++	++	+++	+++
3 Adults and children	—	—	No effect	No effect
Lone parent ¹	++	++	+++	+++
Urban	ref	ref	ref	ref
Rural	No effect	+	—	—
All at work		ref		ref
Jobless Household		+++		+++
Mixed work		+		+
N	3143	3143	3143	3143

1 Includes lone parent families with other adults except partner. The categories are mutually exclusive.

“No effect” difference from reference not statistically sig at 5 per cent level

- + group more likely to experience poverty than reference group
- ++ group more than twice as likely to experience poverty as reference group
- +++ group more than five times as likely to experience poverty as reference group
- group less likely to experience poverty than reference group.
- — group less than half the chance of experiencing poverty as reference group

Model 1 shows that controlling for a range of other factors the age of the child does not have a significant impact on income. The nationality of the household reference person has a significant negative impact on the “at risk of poverty” rate for children, holding constant factors such as employment status and household composition.

The labour market attachment of the household reference person is the strongest predictor of poverty among children. In model 1, we find that a child residing with a HRP who is unemployed is over twelve times more likely to be “at risk of poverty” than a child living with an employed HRP. Where the HRP is ill/disabled, the child is five times more likely to be income poor and the same risk applies when the reference person is in home duties. Household level joblessness also has a strong association with income poverty. This measure is likely to override and hide the more detailed HRP principle economic status results, therefore we present the results with and without this variable. Model 2 shows that children living in jobless households were nine times more likely to be “at risk of poverty” than children in work-rich households. Children in households where only some of the working age adults are employed also had a higher rate of income poverty.

Social background as measured by HRP’s education level and social class were significant predictors of income poverty. Where the HRP had only intermediate/junior cert level qualifications or less, the children were nearly four times more likely to be living on less than 60 per cent of median income (see model 1). The self-employed and the working class group also experienced higher child poverty as measured by income alone, with the children of the self employed recording a five-fold higher risk than children of employees.

The effects of household composition are clearer in the model than in the earlier bivariate analysis. Children living in households with two adults and under three children are the reference group. Compared to these, children in households with three or four children have a significantly higher risk of income poverty. Children in households where there are three or more adults (aged 18 plus) are less likely to be income poor than the reference group. Children in lone parent families are more than six times more likely to be income poor than the reference group.

The final control variable is geographical location. In model one there is no effect of region on the “at risk of poverty” rate of children when the labour market status and characteristics of household heads are held constant. When household joblessness is held constant (in model 2) there is small increase in risk among rural households (suggesting that work-poor households are more prevalent in urban areas).

MODELLING CONSISTENT POVERTY

The predictors of consistent poverty among children vary somewhat to the results of the income poverty model. The age of the child has a stronger association with consistent poverty: each year of age increases the risk of consistent poverty by 18 per cent, but the squared term suggests that this effect levels off as the age approaches 18. The age effect may arise because older children place a higher demand on resources than younger children. The greater income support for families with younger children through the Early Childcare Supplement may also have strengthened the age effect, but this has not been formally tested. Nationality has the opposite effect in the consistent poverty model than for income poverty. There is no significant difference in the rates of consistent poverty between the children of non-Irish nationals when other characteristics are held constant.

The principle economic status of the household reference person operates somewhat differently in predicting consistent poverty than income poverty among children. Children in households where the HRP is ill or disabled are by far the most vulnerable to consistent poverty, and the effect is stronger than in the income models. Moreover, there is an additional vulnerability attached to having a HRP whose activity is limited by a health problem. The effect of the other labour market statuses have a weaker effect than in the income model, but in the case of home duties and unemployment they still significantly increase the chances of children experiencing consistent poverty. Household joblessness increases the chances of consistent poverty eight-fold compared to children in work-rich households (model 4). Those in households where some but not all working aged adults are employed are 1.8 times more likely to be in consistent poverty.

Social background, as captured by education, has a stronger impact on consistent poverty than income. This is likely to reflect the nature of the consistent poverty measure which aims to pick up on longer term resources, of which education is a good indicator. A similar result is also found for those of working age and older people (see Chapters 4 and 5 below). Children of the self-employed are at greater risk of consistent poverty than middle class children, but the effect is much weaker than for income poverty. As noted above, this is due to the lower association between measures of income and standard of living among the self-employed.

Household composition is also a strong predictor of consistent poverty. Risks of consistent poverty among children in lone parent families are even more pronounced than those in the income poverty models. These children are 15 times more likely to be in consistent poverty than children living in two adults plus one or two children households. Controlling for other factors, including parental employment, children in large families have a significantly

higher chance of being consistently poor. This applies to households with three children and is particularly pronounced when there are four or more children.

Finally, it is found that holding constant the characteristics of the HRP and of the household rural children are less likely to be in consistent poverty than urban children. This varying pattern of results for urban/rural location on the two different poverty measures is also apparent amongst the working age population

3.11 Conclusion

Over the period in question, 2004 to 2007, there has been a decline in both income poverty and consistent poverty amongst children. The proportion of children who are living below the 60 per cent threshold fell from 23 to 20 per cent, and the consistent poverty rate dropped from 9 to 7 per cent. However more substantial declines were observed for some groups of children, namely those under 5 years, children in lone parent households and in large families. In the latter two cases the “at risk of poverty” rates fell by about one-quarter and consistent poverty rates fell by approximately 30 per cent. Figures presented in Chapter 2 also showed that the poverty gap also declined amongst children from 24 per cent in 2004 to 18 per cent in 2007.

Given the sustained economic growth over the period in question, combined with rising rates of employment and declining unemployment, it would be remarkable if there was not a downward trend in child poverty. Employment among mothers increased in the period under observation, continuing on a steep rise in maternal employment from the mid-1990s. During the period a number of additional state supports for families with children were introduced. The value of child benefits was increased in line with increases in the average industrial wage (although the rate of increase was not as high as the increase in median household income). Significant increases were also made to the One Parent Family Allowance and at the end of the period the Early Childcare Supplement was introduced for families with children under six years of age. The pattern of the decline in poverty across different categories of children suggests that these policies were influential.

Despite the reduction in both measures, children in lone parent families in particular still had a very high likelihood of being in poor households compared to other children. Moreover, demographic trends mean that the number of lone parent families increased over the period, as did the concentration of child poverty among lone parent families. By 2007, children in lone parent families accounted for 65 per cent of children in consistent poverty. These results suggest that reducing the disadvantages experienced by lone parent families will be crucial for tackling child poverty.

The results showed that in 2007 other high risk groups include children in households where the HRP was unemployed or economically inactive, with children in households headed by someone who is ill or disabled being particularly vulnerable to consistent poverty. Those in jobless household were also extremely vulnerable on both measures. Low qualifications of the head of household are also a powerful predictor of consistent and income poverty among children, suggesting that low education is one of the processes through which disadvantage is reproduced.

As the decline in child poverty was not as rapid as that observed for working age and older households, children under 18 made up a slightly greater proportion of those in both income poverty and in consistent poverty in 2007 compared to 2004 (Chapter 2). Moreover, children are over-represented amongst poor individuals compared to the working age and older groups. These results underline the continued need to invest in policies that reduce poverty among children.

4: POVERTY AMONG THOSE OF WORKING AGE

The working age population consists of those aged 18 to 64 years. This covers a wide span of individuals' lives, from early adulthood, through the period of family formation, and right through to the cusp of retirement. The NES (2005) distinguishes between young adults aged 18-29 "who must make several key transitions (into the labour market, independent living, parenthood)" and anchor adults aged 30 to 64 years "who typically bear a core set of responsibilities (mortgage, child rearing, eldercare, saving for retirement)". It is unlikely, however, that age per se will be the decisive factor in current exposure to poverty among those of working age; rather we expect income levels and deprivation levels to be linked to a number of key social processes relating to household composition, connection to the labour market (both currently and longer term for self and other household members), social background (education, social class, urban/rural location), individual characteristics such as health status/disability, sex, age, and nationality, and dependence on the social welfare system. These five sets of factors will be examined in turn. In the final section of the chapter we focus on those of working age who are defined as "working poor".

4.1 Profile of the Working Age Population

The working age group is the largest of the life-cycle categories studied in this report, accounting for approximately 65 per cent of the population. Since it is a large and diverse group it is worth summarising some of the key characteristics of this population. The 2006 Census shows that those aged 25-34 years make up the largest cohort (26 per cent), followed by those aged 35-44 (23 per cent), while the smallest group are those aged 55 to 64 years (15 per cent).

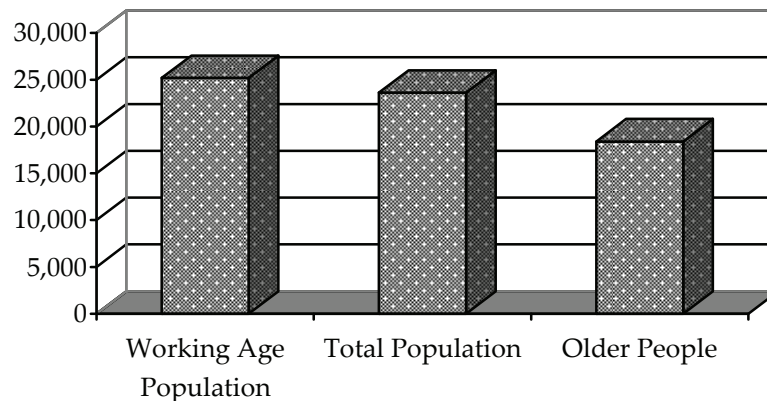
Results from the 2007 SILC survey show that the majority of the group were in employment – 65 per cent overall, 71 per cent of men and 58 per cent of women. A further 6 per cent were unemployed and the remaining 29 per cent were economically inactive – 20 per cent of men and 38 per cent of women. The level of labour market participation has increased considerably among women of working age over the last 15 years. Employment rates increased for both men and women up to 2008, but have declined since late 2008 with the onset of recession. Over half (56 per cent) of those of working

age live with a partner and 41 per cent live in households with children. The average age for first births in Ireland is currently 29 years for women, while average age at marriage is 33 years for men 31 years for women. While these averages may identify the typical transition points, they do not capture the diversity of individual trajectories. A growing literature highlights increased variation in transitions due to individual choice, e.g. leaving home, exiting education, having a child exiting the labour force etc. (Furstenberg et al., 2005). This echoes issues raised in the theoretical literature which see greater plurality of life courses as part of a broader individualisation of social life due to greater personal autonomy and democratisation of relationships (Beck-Gernsheim, 1998). The increased individualisation of the life course has led some to suggest that the impact of factors such as social class and education on poverty and inequality are declining (Beck, 1992).

4.2 Income, Poverty and Deprivation among Those of Working Age

Those of working age have higher levels of income than for the population as a whole and for older people (see Figure 4.1), due to the fact that this group is more likely to have income drawn from the labour market. As described earlier, income-based measures of poverty are usually based on median household income rather than the mean income. The median equivalised income for working age households is €21,447, which is also higher than the median for the population as a whole. The summary figures presented in Chapter 2 (Table 2.2) showed that in 2007 15 per cent of working age individuals had incomes below the 60 per cent of median threshold. This compared to a figure of 16.5 per cent for all individuals. Over the period, “at risk of poverty” rates for those of working age declined somewhat from a figure of 16.6 per cent in 2004, although the strength of the decline was weaker than for the other two life-cycle groups.

Figure 4.1: Average (mean) Household Levels of Equivalised Income for those of Working Age versus Total Population and Older People, 2007

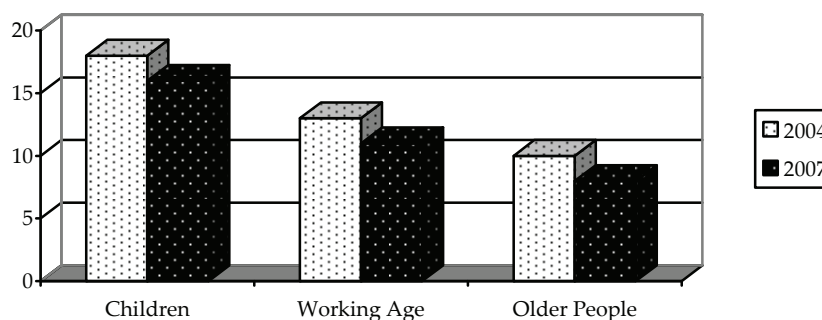


DEPRIVATION LEVELS AMONG THOSE OF WORKING AGE

In Chapter 3 (Figure 3.2) we described the extent to which those of working age experience enforced deprivation on each item in 2007. Most commonly, 12 per cent were unable to replace worn-out furniture. The next two most frequently experienced items of deprivation both relate to social activity: 8 per cent were unable to have family or friend over for a drink or a meal at least once in the last month, and 8 per cent were unable to afford a morning, afternoon or evening out in the past fortnight for entertainment. Six per cent of the working age population had to go without heating and 5 per cent could not afford to buy new clothes. Less than 5 per cent were deprived on each of the remaining six items.

In 2007, 11 per cent of the working age population lacked at least two of the 11 prescribed items (see Figure 4.2). This represents a decrease since 2004 when 13 per cent lack two or more items. In comparison, 16 per cent of children and 8 per cent of older people lacked two or more the items.

Figure 4.2: Proportion Lacking at Least Two Items by Life-Cycle Stage, 2004 and 2007



4.3 Household Composition

The figures in Table 4.1 show that working age adults living with a partner (with or without children) have the lowest “at risk of poverty” rate. The income poverty rate is highest among lone parents (34 per cent) followed by those living alone (31 per cent). The definition of lone parent adopted in the analysis consists of those who live without a partner and have at least one child under 18; it includes those who also have other children aged 18 and over or live with other adults (excluding a partner).²⁷ High rates of poverty among lone parents persist when non-monetary indicators of deprivation are also measured: 18 per cent of lone parents are found to be consistently poor.

²⁷ This differs from the CSO household category “one adult plus children” which excludes households made up of lone parents households where any of the children is over 18 or where there are other adults.

Similarly, those living alone have the second highest consistent poverty rate among working age adults.

Trends since 2004 suggest that the decline in the “at risk of poverty” rate has been greatest amongst lone parents. The trend figures show that there was a sharp drop in both relative income poverty and consistent poverty for lone parents between 2006 and 2007, which mirrors the trends observed for children living in lone parent households shown in the previous chapter. This coincides with an increase in the child dependent allowance for those families in receipt of welfare benefits (Appendix Table B5) and the introduction of the Early Childcare Supplement. Two-parent families with children also experienced a decline in relative income poverty and consistent poverty over the period observed, so that in 2007 this group had a consistent poverty rate that was even lower than for those with a partner and no children. These trends for lone and couple parents are linked to the decline in poverty rates in children observed in the previous chapter, and are likely to be associated with the significant improvements in social welfare benefits for families during the period which are described in detail in section 1.2 above (and Appendix Tables B2 to B5).

Table 4.1: Working Age Individuals “At Risk of Poverty” by Household Composition

	2004	2005	2006	2007
<i>Working age (18-65)</i>	16.6	16.2	15.4	15.0
Living with partner, no children	13.5	11.0	9.4	11.5
Living with partner and children	14.4	15.1	13.1	12.6
Lone parents – living without partner with children ¹	44.8	36.6	37.2	33.8
Living with others	14.8	15.1	15.3	14.0
Living alone	34.1	31.7	31.4	30.9

¹ Lone parents must have at least one child under 18 years, it will include individuals who have other children over 18 years and lone-parents in multi-generation households.

In Table 4.3 we look in detail at the poverty outcomes of lone parents according to their marital status, distinguishing between those that never married and those who are widowed, separated or divorced. For the “at risk of poverty” measure the two marital categories have similar outcomes at both points in time and both groups experienced a significant reduction in income poverty over time. Moving to the consistent poverty measure, in 2004, the two categories had a consistent poverty rate of 26 per cent, but by 2007 the rate for the never married category was 20 per cent, while the rate had fallen to 15 per cent for the widowed/separated/divorced. The better outcome for the latter

category appears to be linked to the increase in the number of divorced within the group as these had a lower incidence of consistent poverty.

Table 4.2: Working Age Individuals in Consistent Poverty by Household Composition

	2004	2005	2006	2007
<i>Working age (18-65)</i>	5.9	6.0	5.6	4.7
Living with partner, no children	3.9	3.0	3.2	3.6
Living with partner and children	4.5	5.2	3.3	2.6
Lone parents – living without partner with children ¹	26.6	23.8	24.5	18.1
Living with others	4.6	5.4	5.4	4.0
Living alone	15.3	12.3	13.2	14.3

¹ Lone parents must have at least one child under 18 years, it will include individuals who have other children over 18 years and lone-parents in multi-generation households.

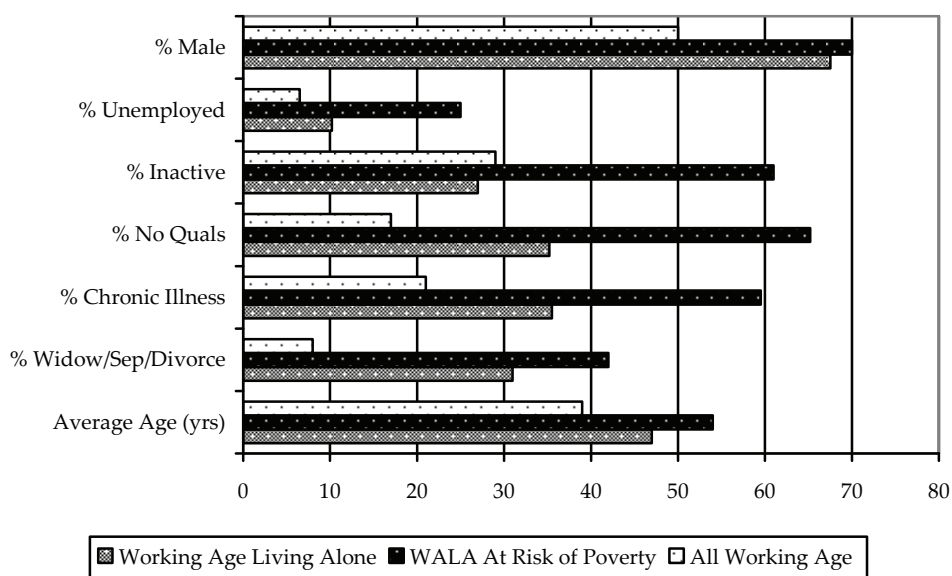
Table 4.3: “At Risk of Poverty” and Consistent Poverty for Lone Parents by Marital Status, SILC 2004 and 2007

	At Risk of Poverty		Consistent Poverty	
	2004	2007	2004	2007
Never married	43.0	35.1	26.7	22.4
Widowed, separated or divorced	46.2	32.9	26.5	15.2

Working Age Living Alone

While the elevated poverty risks faced by lone parents are well known (see Chapter 2 and below), the reasons for the higher rate of poverty among those of working age living alone are less obvious. Further analysis shows that members of this group are older than the average for the working age population, are predominantly male, and are more likely to be unemployed or inactive than others of working age. There is a particularly high percentage of persons unable to work due to illness or disability among single people living alone who are “at risk of poverty”. The group is also distinctive in terms of educational profile: 36 per cent of those living alone have no qualifications compared to only 17 per cent for all working age respondents, and this figure rises to 65 per cent for those who are “at risk of poverty”. This group also includes a high proportion of individuals who are widowed/separated or divorced (over 40 per cent of those living alone and “at risk of poverty”, compared to 9 per cent of all working-age respondents).

Figure 4.3: Composition of Working Age Living Alone



Note: At risk of Poverty = less than 60 per cent of median household income

WALA = Working Age Living Alone

A more comprehensive analysis of the influence of household composition must also take into account the number of children. Working age adults living in larger families with three or more children have a higher at risk poverty rate (20 per cent) than those in families with one or two children (12 per cent) and those with no children (14 per cent). The same pattern is observed for consistent poverty. There has been a significant decline in income poverty and consistent poverty among those of working age in larger families over the period 2004 to 2007. The consistent poverty rates for this group were on a slight upward trend between 2004 and 2006 and then declined sharply between 2006 and 2007. Income poverty rates in among working age individuals with one or two children remained more stable over the period with a downward trend in consistent poverty since 2005.

Table 4.4: “At Risk of Poverty” Rates for Working Age Adults by Family Size

	2004	2005	2006	2007
No children	15.4	14.2	17.0	14.3
2 adults, 1-2 children	11.0	11.9	11.7	12.4
2 adults, 3+ children	25.8	25.2	21.6	19.9

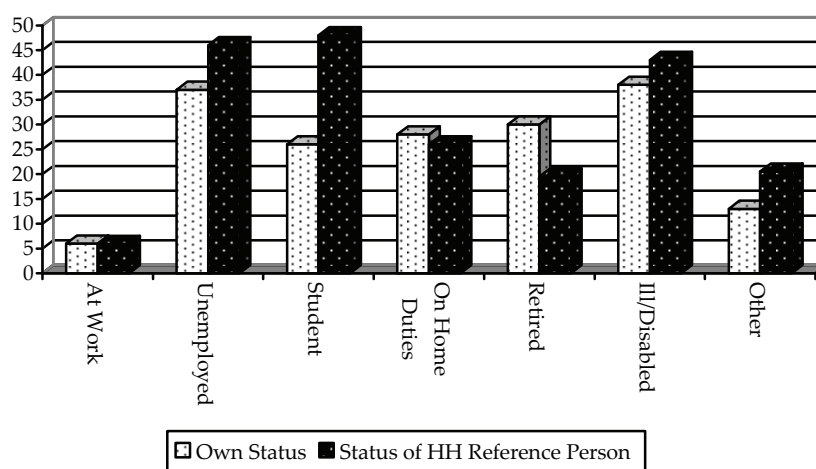
Note: At risk of poverty= Less than 60 per cent of median household income

Table 4.5: Consistent Poverty Rates for Working Age Adults by Family Size

	2004	2005	2006	2007
No children	4.9	4.4	6.5	4.6
2 adults, 1-2 children	4.1	4.6	3.2	2.7
2 adults, 3+ children	9.0	9.5	9.7	5.6

4.4 Labour Market Status

The income poverty rate for those of working age is influenced not only by their own employment status but also by the degree of connection to the labour market of others within their household. The proportion of individuals falling below the 60 per cent median poverty line ranges from 6.4 per cent for those in employment to 37 per cent among those currently unemployed, and 38 per cent among those whose principal economic status is “unable to work due to illness/disability”. Unemployment of the household reference person has an even stronger association with the risk of income poverty than the individual’s own unemployment, since the household reference person is likely to be responsible for a higher proportion of the household income on average than other adults of working age within the household.

Figure 4.4: “At Risk of Poverty” among Those of Working Age, 2007

Principle economic status does not fully capture an individual’s position in the labour market or the security of that status. While current employment status is clearly important for income levels, those with previous unemployment experience are also found to have lower income levels (see Table 4.6). For example, in 2007 those who were employed but had experienced a spell of unemployment of six months or more in the preceding 12 months (i.e. the insecurely employed) had an “at risk of poverty” rate of 19 per cent compared to just under 5 per cent for the employed with no recent history of

unemployment. Amongst the unemployed, those unemployed for one year or less had an “at risk of poverty” rate of 14 per cent, while the rate for the long-term unemployed stood at 54 per cent. The rate of income poverty for the economically inactive fell between the unemployed and the insecure employed group at 29 per cent.

Focusing on trends over time, there has been a significant decline in the “at risk of poverty” rate for the short-term unemployed, which was particularly marked between 2006 and 2007. This may be partially due to the low numbers of unemployed during the period in question. In 2007, less than 5 per cent of the sample were unemployed, which leads to relatively small numbers in these categories.²⁸ The “at risk of poverty” rate among the long-term unemployed was more stable over the period.

Labour market insecurity also impacts on individuals’ longer-term economic well-being and is therefore likely to be picked up in non-monetary measures of deprivation and the consistent poverty measure. Recent unemployment experience is associated with higher levels of consistent poverty among those currently employed: in 2007 those with no recent unemployment experience have a consistent poverty rate of 1 per cent compared to 4 per cent among those with six months or more of unemployment in the previous year. Those who were short-term unemployed had a consistent poverty rate of 6 per cent in 2007, while the long-term unemployed (i.e. those unemployed for more than one year) had a consistent poverty rate of 23 per cent. The trends over time suggest that there was a rise in consistent poverty for the long-term unemployed in 2005 and 2006, but that in 2007 poverty levels declined to levels below those in 2004. Consistent poverty rates among the short-term unemployed were higher in 2007 than in 2004.

These figures on the relationship between unemployment and poverty should be interpreted in the light of the macroeconomic context prevailing at the time of the surveys. The figures presented here reflect the picture before the economic downturn. Unemployment rates during the period 2004 and 2007 were at a historically low level, and the long-term unemployment rates were also exceptionally low. Within a very tight labour market the long-term unemployed are likely to be particularly disadvantaged, and this may widen the poverty gap between the long and short-term unemployed. Irish unemployment rates began to rise dramatically in the last quarter of 2008 and through 2009. This steep rise in unemployment is not captured in the surveys presented in this study.

²⁸ In 2007, 128 respondents were short-term unemployed and 160 were long-term unemployed.

Table 4.6: “At Risk of Poverty” Rates and Employment Precarity

	2004	2005	2006	2007
Working Age				
At work and no experience of unemp in last 12 months	6.0	5.7	5.4	4.9
At work and <6 months unemp experience in the last 12 months	9.4	12.4	7.7	7.8
At work and 6 months or more unemp experience in the last 12 months	17.4	19.5	29.8	18.9
Unemployed less than 1 Year	11.9	14.3	24.5	13.6
Unemployed more than 1 year (long term unemployed)	53.7	54.9	57.9	54.4
Inactive	33.5	32.0	29.7	28.9
All	16.1	15.7	14.9	14.5

Table 4.7: Consistent Poverty Rates by Employment Precarity

	2004	2005	2006	2007
Working Age				
At work and no experience of unemp in last 12 months	1.1	1.1	1.1	1.0
At work and <6 months unemp experience in last 12 months	2.1	4.7	2.8	2.3
At work and 6 months or more unemp experience in last 12 months	6.0	8.5	8.1	4.1
Unemployed and unemp <=1 year	2.8	8.7	8.1	6.4
Unemployed more than 1 year (long term unemp)	25.2	28.2	29.6	23.4
Inactive	12.9	12.3	11.8	9.5
All	5.5	5.6	5.4	4.5

Those in households where no member is employed are most vulnerable to income poverty, since there is no earned income to pool across the non-employed members (Table 4.8). In 2007, 55 per cent of this group fell below the 60 per cent median income threshold, down from 61 per cent in 2004. Individuals in households in which some but not all those of working age are employed are termed “mixed work” households. These had an “at risk of poverty” rate of 10 per cent in 2007, which is lower than the average for the working age group as a whole. Those in work-rich households, where all working age adults are employed, have an “at risk of poverty” rate of 5.2 per cent, a figure which has increased marginally since 2004.

When non-monetary indicators of poverty are also considered, 21 per cent or working age adults in jobless households were defined as consistently poor in 2007, compared to less than 1 per cent of those in work-rich households. Consistent poverty among jobless households has also declined but in this case the biggest fall was between 2006 and 2007. This downward trend for both “at risk of poverty” and consistent poverty was achieved while the proportion of work poor households stayed almost constant at about 23 per cent in 2004 and 2007, and that the percentage of work-rich households increased from 35 per cent in 2004 to 39 per cent in 2007.

Table 4.8: People of Working Age “At risk of Poverty” by Household Work Situation

	2004	2005	2006	2007
People of Working Age				
Work poor/Jobless households	60.9	59.0	59.0	54.8
Mixed work households	12.9	12.8	10.4	9.6
Work rich/all work households	3.4	3.8	4.8	5.2

Work poor = no adult of working age in employment, work rich= all adults of working age in employment.

Table 4.9: People of Working Age Consistent Poverty Rates by Household Work Situation

	2004	2005	2006	2007
Work poor/jobless households	29.2	28.0	27.4	21.4
Mixed work households	2.8	3.5	2.8	2.3
Work rich/all work households	0.5	0.7	0.8	0.7

4.5 Individual Characteristics

The proportion “at risk of poverty” does not differ widely between those of working age below or above 30 years (the age distinction applied by NESC 2005); while there is a difference of 1.4 percentage points in income poverty there is no difference in consistent poverty in 2007. A marginally higher proportion of women than men fall below the 60 per cent of median income threshold, but on the consistent poverty measure the difference is negligible. Gender differences become more pronounced when we consider the sex of the household reference person: 17 per cent of individuals in female-headed households are “at risk of poverty” compared to 14 per cent of those in male-headed households. The higher rate for female-headed households is related to the fact that one-third of them are on home duties. However the gap between male- and female-headed households appears to have narrowed since 2004 for both relative income poverty and consistent poverty measures.

In 2007, 9 per cent of the working age population were non-Irish nationals. Looking at income levels alone, non-nationals had a significantly higher risk of falling below the 60 per cent of median income threshold than Irish nationals. On the consistent poverty measure, which also incorporates enforced absence of at least two basic deprivation items, the difference between the two groups was considerably smaller and not statistically significant. As was noted in the previous chapter, there are a number of other differences between the two groups, such as their age composition and household composition; therefore in the models below we test below the effect of nationality net of these other characteristics.

Table 4.10: “At Risk of Poverty” Rate by Individual Characteristics

	2004	2005	2006	2007
Working Age Adults				
18-29 years	14.0	16.4	15.4	14.0
30-64 years	17.6	16.2	15.3	15.4
Male	15.4	15.6	14.4	14.6
Female	17.8	16.9	16.3	15.4
Male-headed household	15.9	15.9	13.1	13.7
Female-headed household	17.9	16.9	19.3	17.1
Irish national	16.1	15.8	14.8	14.2
Non-Irish national	25.0	21.7	22.2	23.0

Table 4.11: Working Age Adults – Consistent Poverty Rates by Individual Characteristics

	2004	2005	2006	2007
Working Age Adults				
18-29 years	5.3	6.1	5.4	4.8
30-64 years	6.1	6.0	5.7	4.6
Male	5.4	5.6	5.1	4.8
Female	6.5	6.5	6.2	4.5
Male-headed household	5.2	4.9	4.0	4.5
Female-headed household	7.2	8.2	8.5	5.0
Irish national	5.6	5.9	5.6	4.7
Non-Irish national	11.3	8.2	6.5	4.0

4.6 Health Status

Adults of working age unable to work due to illness or disability were found to have significantly higher rates for poverty (see Figure 4.4 above). Alternative measures of health status also show a strong link between health and vulnerability to poverty. First we use a subjective measure of health status. Overall, relatively few respondents of working age rate their health as bad or very bad (2 per cent), while half declare their health to be very good. Those who rate their own health as bad or very bad have an “at risk of poverty” rate of 40 per cent and 19 per cent are in consistent poverty. This compares to rates of 11 per cent and 2 per cent respectively for those who rate their health as very good.

One-fifth of working age respondents say that they have a chronic illness or health problem²⁹ and of these 24 per cent are “at risk of poverty” compared to 13 per cent of those without a chronic illness. The disparity between the two groups is even more pronounced on the consistent poverty measure. In 2007, those with a chronic illness were three times more likely to be consistently poor than those without a chronic illness. Finally, those who were strongly limited in daily activities by a health condition had an “at risk of poverty” rate of 24 per cent in 2007, while 15 per cent were found to be consistently poor. Those whose activities were limited to some extent also had higher poverty rates on both the income and the consistent poverty measure.

Table 4.12: Working Age Adults: “At Risk of Poverty” by Health Status

	2004	2005	2006	2007
Health Status – Self-defined				
Very Good	10.5	11.2	12.0	10.7
Good	17.8	18.6	14.6	15.0
Fair	34.9	28.4	27.6	29.9
Bad and very bad	42.1	31.4	40.6	39.0
Suffer from Chronic Illness				
No	13.5	13.8	13.0	12.6
Yes	31.0	26.2	24.2	23.9
Limited in Daily Activities				
Yes, strongly limited	37.6	37.6	33.3	32.8
Yes, limited	29.5	24.5	25.9	26.9
Not limited	13.7	13.9	12.9	12.5

²⁹ See page Methodology Appendix for a full description of the question wording.

Table 4.13: Working Age Adults: Consistent Poverty by Health Status

	2004	2005	2006	2007
Health Status – Self-defined				
Very Good	2.7	2.8	3.2	2.2
Good	5.4	7.0	5.6	4.9
Fair	17.3	14.9	13.4	12.5
Bad and very bad	26.4	17.8	20.8	18.9
Suffer from Chronic Illness				
No	3.8	4.5	4.3	3.2
Yes	15.4	12.3	10.8	10.2
Limited in Daily Activities				
Yes, strongly limited	19.2	20.2	15.6	15.3
Yes, limited	12.8	11.7	13.3	11.0
Not limited	4.2	4.5	4.1	3.3

4.7 Reliance on Social Transfers

Poverty amongst the working age population, as among children, is strongly linked to the extent to which the household relies on the state for income. In 2007, the “at risk of poverty” rates ranged from 4 per cent in households where less than a quarter of household income comes from social transfers to 59 per cent among those for whom social transfers are the source of 75 per cent or more of household income. The same pattern emerges for consistent poverty rates. Less than 1 per cent of those in households that rely on social transfers for less than a quarter of household income are consistently poor, compared to 21 per cent of those who are most heavily reliant on social transfers.

Table 4.14: Working Age Individuals “At Risk of Poverty” Rate by Reliance on Social Transfers

	2004	2005	2006	2007
Social transfers <25% hh income	5.7	5.9	5.9	4.4
Social transfers 25% to <50% hh income	15.8	14.6	13.2	11.7
Social transfers 50% to <75%t	28.9	34.2	24.7	25.8
Social transfers 75% or more hh income	68.7	60.8	60.4	59.0

Table 4.15: Working Age Individuals: Consistent Poverty by Reliance on Social Transfers

	2004	2005	2006	2007
Social transfers <25% hh income	1.0	.9	1.1	.7
Social transfers 25% to <50% hh income	4.3	3.6	2.1	2.1
Social transfers 50% to <75%	9.7	12.0	6.8	10.2
Social transfers 75% or more hh income	31.5	32.2	31.5	21.8

Our analysis of income pre- and post-social transfers in the preceding chapter shows that social transfers reduce the “at risk of poverty” rate for the working age population by half, from 33 per cent before all social transfers to 15 per cent including all social transfers (see Table 3.8). Since 2004 the effect of social transfers on lifting working-age people out of poverty has increased slightly; in 2004 the ratio of the pre- and post-social transfer poverty rates was 1.9, while in 2007 it was 2.2.

4.8 Regression Analysis: Which Factors Have the Strongest Influence on Working Age Poverty?

In the preceding tables we have outlined the association between poverty levels and a range of different factors relating to the individual and to other members of the household in which they reside. Comparing groups one at a time in this way makes it difficult to assess which characteristic has a stronger influence on poverty levels. Moreover, as many of the factors are inter-related simple associations between two variables may lead to “confounding factors”. For example, we may attribute increased poverty risk to age when in fact the result is really due to the fact that younger people are more likely to be employed. By estimating logistic regression models we can test the *independent* effects of the different characteristics described above when the other characteristics are held constant.

We grouped the factors into five main categories: individual characteristics, labour market attachment, household composition, social background and geographic location. Level of reliance on social transfers for household income is not included in the models because it overwhelms the other effects and says less about the underlying processes involved in the distribution of poverty than those other factors such as labour market status, health etc.

We examine the factors that influence whether or not an individual falls below the 60 per cent of median income threshold (models 1 and 2) as well as the likelihood of being in consistent poverty (models 3 and 4). Models 2 and 4 are identical to models 1 and 3 but with the addition of household work composition characteristics.

As in Chapter 3 we illustrate in a simple manner in Table 4.16 which groups have a significantly higher or lower chance of being in income poverty

or consistent poverty compared to the reference category. The full model results are presented in the appendix (see Table B7).

Taking first the individual level characteristics, we see from model 1 that those who have a health problem are more likely to be income poor even when labour market status and other factors are controlled. Non-Irish nationals of working age are two and a half times more likely to be income poor than Irish nationals with the same characteristics. Sex was found to be insignificant. Age has relatively little effect for the working age adults; the results suggest that risk of income poverty declines marginally with increasing age and that there is a very small increase in risk just before the age of 64.

The labour market status of the respondent has a strong association with the chances of being income poor. The unemployed are 10 times more likely to be “at risk of poverty” than the employed, the ill/disabled group are 5.9 times more likely and the early retired are five times more likely. In model 2 we control for the level of employment within the household as a whole. When this is included, unsurprisingly, the effect of individual labour market status declines, however the unemployed still have a higher risk even when household joblessness is controlled. Jobless households are 11 times more likely to be income poor than households in which all working age respondents are employed.

Social background characteristics are strongly related to the risk of income poverty among those of working age. Those with Junior/Intermediate Certificate level education or less are over three times more likely to be income poor than those with third level education. Working age individuals who are self-employed are almost three times more likely to be income poor than those in the middle classes (although we will see that this effect disappears in the consistent poverty models). The working class are almost two times more likely to be income poor than those in the middle class, holding other factors constant.

Household composition continues to influence the “at risk of poverty” rates for the working age even when a range of other factors is held constant. Lone parents have a particularly high chance of being income poor (five times greater than the reference group). The odds ratio falls somewhat when household joblessness is controlled, which shows that income poverty among lone parents is partly due to the fact that there is often no one else of working age in employment in the household. Working age adults living alone are four times more likely to be income poor, when other characteristics are held constant, suggesting that their vulnerability to poverty is not just due to compositional factors (such as their older average age, etc.). The model also shows that adults in couple households with three or more children have a higher risk of income poverty than those with smaller families, confirming the pattern shown in Table 4.3 above.

Table 4.16: Logistic Regression of “At-Risk of Poverty” and Consistent Poverty – Working Age (Respondent’s Characteristics) 2007

	At Risk of Poverty		Consistent Poverty	
	<i>Odds Ratios</i>		<i>Odds Ratios</i>	
	Model 1	Model 2	Model 3	Model 4
Female	No effect	No effect	No effect	No effect
Age	No effect	No effect	No effect	No effect
Age ²	No effect	No effect	No effect	No effect
Limited activity (health)	+	No effect	++	++
Irish	Ref	Ref	Ref	Ref
Non-Irish	++	++	No effect	No effect
At work	Ref	Ref	Ref	Ref
Unemployed	+++	++	+++	++
Home duties	++	No effect	++	No effect
Retired	+++	No effect	++	No effect
Ill/disabled	+++	No effect	+++	No effect
Tertiary level	Ref	Ref	Ref	Ref
No qualification	++	++	+++	+++
Junior/Inter cert.	++	++	+++	++
Leaving certificate	+	+	++	++
Middle class	Ref	Ref	Ref	Ref
Self employed	++	++	-	No effect
Working class	+	++	No effect	No effect
2 adults with 1-2 children	Ref	Ref	Ref	Ref
1 adult	++	++	++	++
2 + adults	--	--	No effect	No effect
2 Adults & 3children	++	++	No effect	No effect
2 Adults & 4+ children	++	++	+++	+++
3 Adults & children	No effect	No effect	No effect	No effect
Lone parent	+++	++	11.528	+++
Urban	Ref	Ref	Ref	Ref
Rural	+	+	-	No effect
All at work		Ref		Ref
Jobless		+++		+++
Mixed work		+		++
N	6890	6890	6890	6890

“No effect” difference from reference not statistically sig at 5 per cent level

- + group more likely to experience poverty than reference group
- ++ group more than twice as likely to experience poverty as reference group
- +++ group more than five times as likely to experience poverty as reference group
- group less likely to experience poverty than reference group.
- group less than half the chance of experiencing poverty as reference group

Among the working age group, there are some notable differences in the risks of consistent poverty as compared to poverty measured by income alone (see models 3 and 4). Health status is more strongly associated with consistent poverty, which, it was argued above, could be due to the fact that the non-monetary indicators are more sensitive to differences in needs that arise from poor health. Unemployment and household joblessness are also found to have a stronger impact on consistent poverty than on income poverty. Working age adults in jobless households are 18 times more likely to be classified as consistently poor than those in work-rich households. The effects of education are also stronger in the models of consistent poverty, which suggests that education may be an even stronger predictor of individual's longer-term economic position than of their current household income.

There are also a number of characteristics that have a weaker association with consistent poverty than income poverty. As mentioned above, the self-employed had a much higher likelihood of income poverty than the reference group (middle class employees) but are less exposed to consistent poverty. This is connected to the long-standing problem of accurately measuring the income of the self-employed as outlined in Chapter 1. Finally, although non-Irish nationals had lower incomes than Irish nationals, this did not translate into higher levels of consistent poverty once other factors were controlled.

In the appendix (see Table B8) we run the same models but use the household reference person characteristics rather than the respondent's characteristics (for all characteristics except age). In general, the characteristics of the HRP have a stronger effect on household income, as we would expect, because income is measured at the household level. The pattern of effects however is the very similar to that observed in models 1 to 4.

4.9 The "Working Poor"

An important group of policy concern among people of working age is the "working poor". In Ireland, as in the EU more broadly, there has been an increasing focus on in-work poverty, and this will in all likelihood continue to be the case even as dealing with the dramatic increases in unemployment associated with the economic crisis becomes the most pressing problem. An individual may be in work – as an employee or self-employed person – but still live in a household "at risk of poverty" or deprivation, and it is important to track how this is evolving even as "non-work" becomes more prevalent. It should also be emphasised that there is clearly an important interaction between the two, since it is often the labour force status of other adults in the household that determines whether a worker is in a household above or below a given income threshold – so someone losing their job may cause another household member to become "working poor".

If we define “working poor” as someone who is currently at work but in a household whose total (equivalised) income falls below 60 per cent of median income, then the results from the EU-SILC survey in 2007 show that 6.7 per cent of those at work in Ireland were in that position then. (When income from SSIA is excluded, this becomes 6.6 per cent.³⁰) The 2006 survey found that figure to be 6.5 per cent, while the 2005 survey reported a figure of 7 per cent. So the extent of in-work poverty has been stable over this short period, having risen from 5 per cent to 7 per cent over the previous decade. (That reflected the fact that households where the numbers at work rose saw particularly marked income increases – with the proportion of married women in work rising very rapidly over the period – so households with only one earner failed to keep pace with the poverty threshold.) Those at work accounted for 16.8 per cent of the whole population in households “at risk of poverty” (i.e. below the 60 per cent of median threshold) in 2007, compared with 16.1 per cent in 2006 and 15.7 per cent in 2005 – whereas they make up about 42 per cent of the population. So while facing low relative income poverty rates compared with others, their importance in the population mean that those in work still comprise a significant segment of those “at risk of poverty”. We saw in Chapter 2 (Table 2.4) that of all the three life-cycle groups the working age population had the largest poverty gap of 18.4 per cent in 2007 while the whole population had a gap of 17.4 per cent. However the gap has narrowed over time as it went from 21.1 per cent in 2004 to 18.4 per cent in 2007.

Turning to consistent poverty, the extent of in-work poverty is much lower than when the relative income threshold alone is used. In 2007, only 1.3 per cent of persons at work were in consistently poor households. This compares with 1.5 per cent in 2006 and 1.6 per cent in 2005. Despite this low rate, in each of these years those at work accounted for 10 per cent of all persons in consistent poverty, once again reflecting the large proportion they make up of the overall population.

These headline figures are published in the statistical reports produced by the CSO on each of the EU-SILC surveys, but analysis of the microdata allows for some important disaggregations to be made. We can compare the results of such analysis of the 2007 data with the detailed description of in-work poverty included in the *Social Portrait of People of Working Age*, which was based on 2005 data.

In 2007, as in 2005, one-third of the “working poor” measured vis-à-vis the relative income poverty threshold are self-employed, and about half of those are in agriculture. Concentrating on employees only, 5.1 per cent of employees

³⁰ Excluding this exceptional income in 2007 has more impact on relative income poverty rates for older people, but since it makes little difference to in-work poverty measures the figures presented will include it.

in the 2007 survey (compared with 5.4 per cent in 2005) were in households below the 60 per cent of median income threshold. Employees account for over 80 per cent of those at work but only 62 per cent of the “working poor”.

Figure 4.5: Principal Economic Status of “Working Poor” versus All at Work, 2007

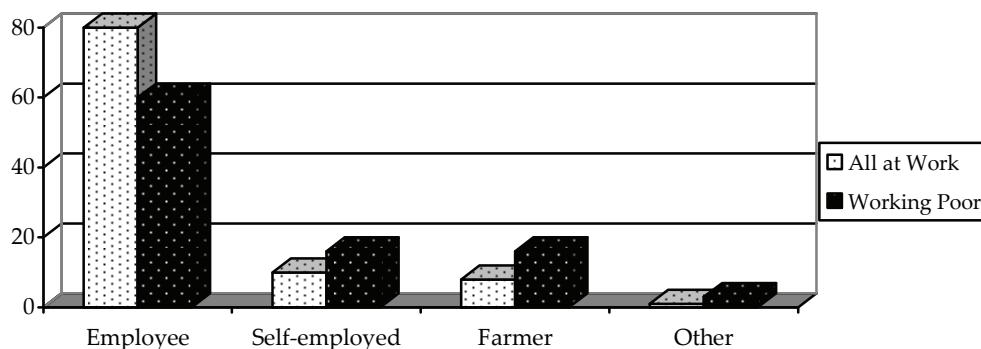
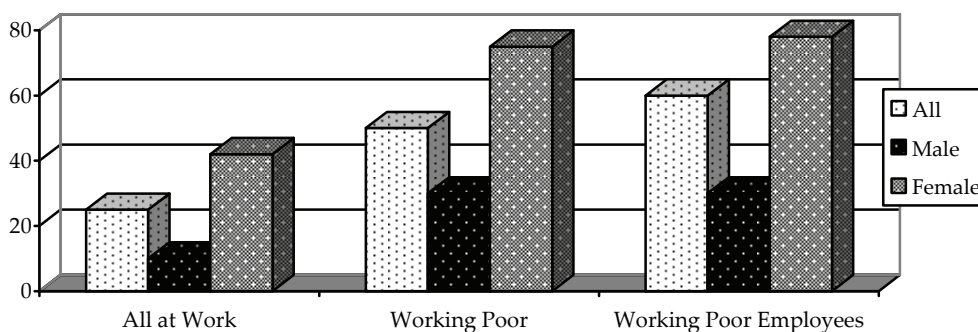


Figure 4.6 shows that the working poor are significantly more likely to be employed part-time compared to all at work. Just under a quarter of all those at work are employed part-time (by their own definition), however this is true of almost half of the working poor and 57 per cent of working poor employees. The concentration of the working poor amongst part-time workers is particularly pronounced among women: 43 per cent of all women at work in the sample were employed part-time compared to 75 per cent of those we have defined as “working poor”. The same pattern of results is evident for men; although only 10 per cent of all employed men worked part-time, 30 per cent of “working poor” men were part-timers.

Figure 4.6: Part-time Employment among the Working Poor by Gender, 2007



Overall the risk of being “working poor” is quite similar for men (7 per cent) and women (6.2 per cent), therefore the gender composition of the working poor reflects the composition of the overall workforce: in 2007, 58 per cent of the working poor were male and 42 per cent were female.

The profile of those who are measured as “working poor” vis-à-vis relative income poverty thresholds shows in Figure 4.7 that they are more concentrated in the older age ranges than the workforce as a whole – with 60 per cent aged 40 or over (up from 56 per cent in 2005). This reflects the older age profile of the self-employed (including farmers), with “working poor” employees not being distinctive in age terms.

Figure 4.7: Age Profile of “Working Poor” versus All at Work, 2007

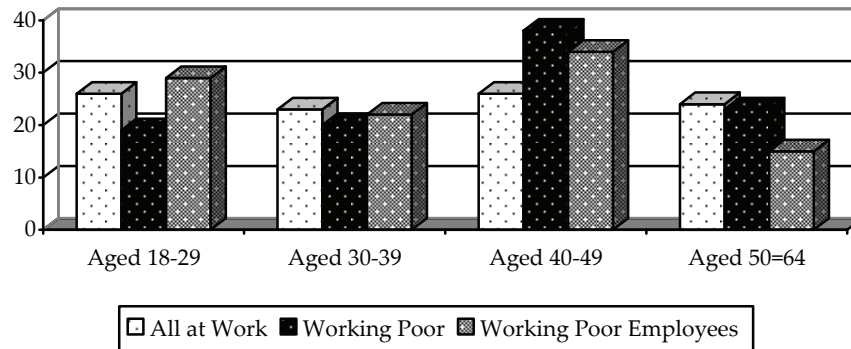
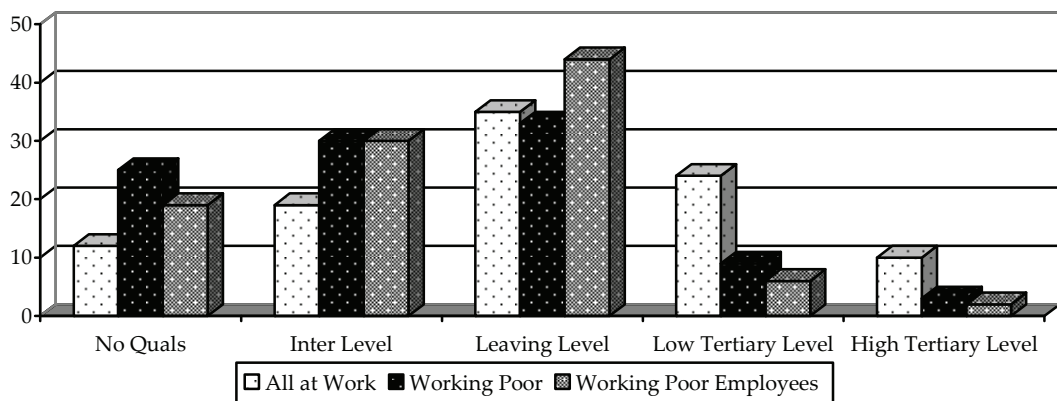


Figure 4.8 shows that the “working poor” have substantially lower levels of educational attainment than all those at work. One in four have no education beyond primary level, compared with 13 per cent of all those at work, and only half have attained Leaving Certificate or higher, compared with over two-thirds of all those at work. “Working poor” employees have slightly higher levels of attainment than self-employed working poor, but still lower than others at work. (These figures are little changed since 2005.)

Figure 4.8: Educational Attainment of Working Poor versus All at Work, 2007



Rather than their individual characteristics *per se*, it is how these combine with features of their households that contribute most to explaining why some of those in work are below the “at risk of poverty” threshold. Figures 4.9 and 4.10 show the composition of the households of the “working poor” and of working poor employees respectively. Fully three-quarters of the “working poor” are in households with children, up markedly from 63 per cent in 2005. While 63 per cent of working age single adults with children are at work, they constitute only 9 per cent of the whole working poor, the remainder being in households with children and two or more adults. “Working poor” employees are even more likely to be in households with children, with 13 per cent in households comprising just one adult with a child or children, and two-thirds in households with two or more adults (including “adult children”) and children. Strikingly, only 3 per cent are living alone (even fewer than in 2005 when the corresponding figure was 6 per cent). So in-work poverty is intimately related to child children and child poverty.

Figure 4.9: Household Type for “Working Poor”, 2007

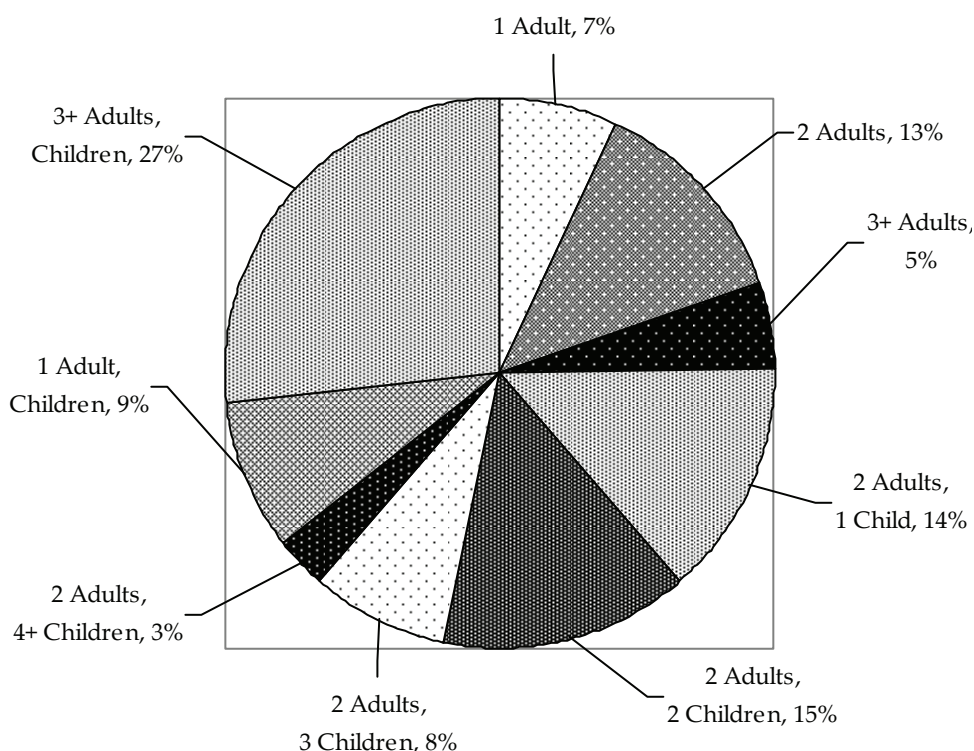
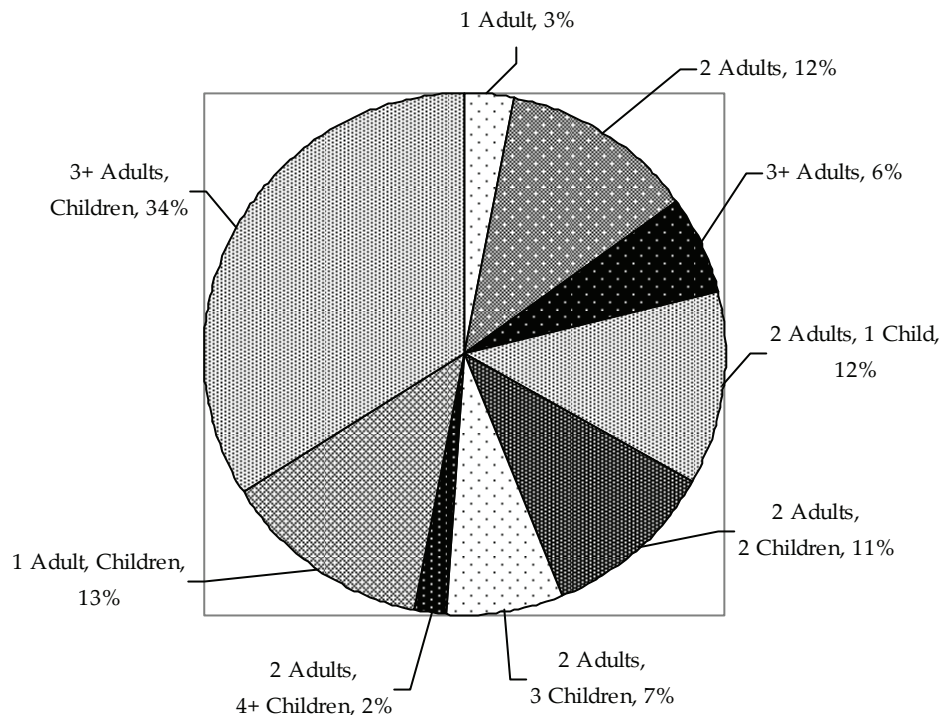


Figure 4.10: Household Type for “Working Poor” Employees, 2007

The other key element in the situation of the household is the number of people in it with an income. Most of the “working poor” are on relatively low earnings individually, but on the other hand most low-earning individuals are not in poor households.³¹ The “working poor” are distinctive in having relatively few of their working age adult members in work, as shown in Figure 4.11. For all those at work the average number of working age adults in the household is 2.6, the average number actually at work is 2, and the number in full-time work is 1.5. For the “working poor”, the corresponding figures are 2.2, 1.2 and 0.8 (very similar to 2005). Very much the same picture can be seen for working poor employees. So the working poor are in slightly smaller households, but the real difference lies in the proportion of these in full-time work. With unemployment now soaring to levels last seen two decades ago, this key driver of in-work poverty will inevitably be exacerbated.

The level of income from work accruing to the individual clearly matters in determining who will experience in-work poverty, but low pay in and of itself is not enough to put someone at risk. About 83 per cent of working poor employees have gross pay that is below the low pay threshold most widely used in comparative research, namely two-thirds of the median (CERC, 1991; OECD, 1996). However, only a relatively small minority of all employees with

³¹ Only about 12 per cent of individuals in work all year and below conventional “low pay” thresholds are in households below the 60 per cent of median threshold.

pay below that threshold are in households “at risk of poverty”. What distinguishes them, as already shown, is that income from work coming into the household is also limited by the relatively few adults in full-time work. As a result, social welfare transfers are important for many of the working poor. Among social welfare transfers available, there is a specific scheme for low pay individuals, the Family Income Supplement (FIS) which is a mean tested social welfare payment targeted to low income employees with children. Figure 4.12 shows that income from social welfare made up at least half of all the income coming into the household for one-third of the working poor (compared with only 9 per cent for all those at work, and remained virtually unchanged from 2005).

Figure 4.11: Numbers in the Household in Work for the “Working Poor” versus All at Work, 2007

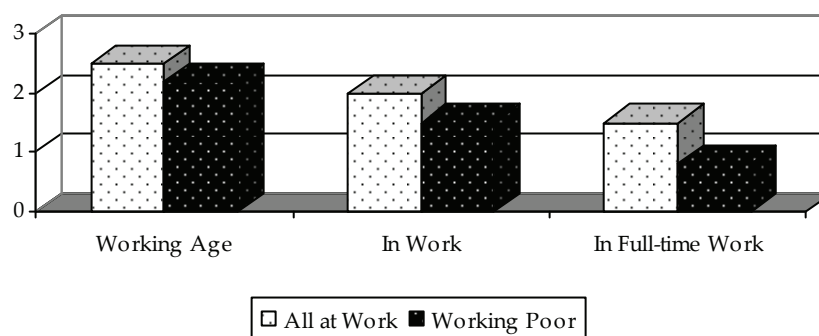
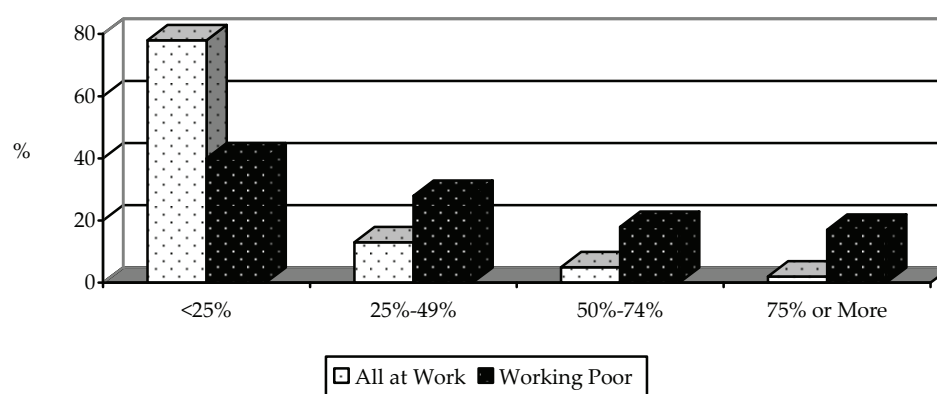


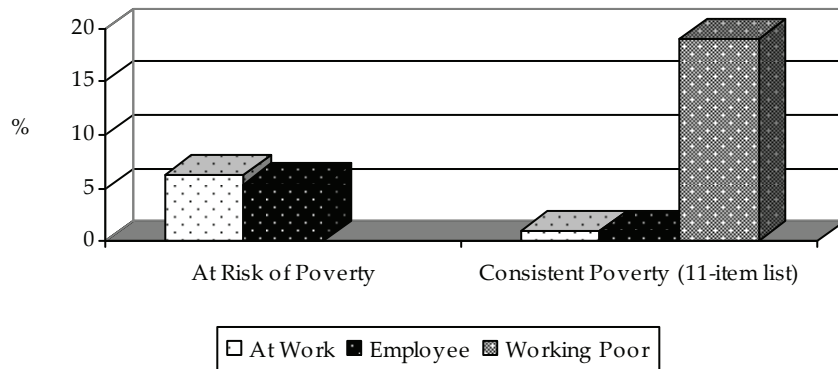
Figure 4.12: Social Welfare Transfers as a Percentage of Total Household Income, “Working Poor” versus All at Work, 2007



The definition/measure of “working poor” or “in-work poverty risk” assessed vis-à-vis relative income poverty thresholds is valuable, and since it is in use at EU level readily facilitates comparisons with other EU member states.

However, as noted at the outset, only a minority of the “working poor” are also in consistent poverty. Using the revised 11-item basic deprivation index, only one in five of the “working poor” are in consistent poverty (see Figure 4.13).

Figure 4.13: “At Risk of Poverty” and Consistent Poverty (with 11-item index) for All those at Work and for All Employees, 2007



The most commonly reported basic deprivation items among the working poor, as in 2005, were being unable to afford new furniture, an afternoon or evening out, and having family or friends for a meal or drink (Figure 4.14). On most of the 11 items in this set, levels of deprivation among the working poor were lower than in 2005. For example, the percentage saying they could not afford an afternoon or evening out was down from 19 per cent to 16 per cent, and the percentage not able to afford having family or friends for a meal or drink was down from 23 per cent to 13 per cent.

Focusing on consumer durables, Figure 4.15 shows that a substantial proportion of the “working poor” reported being unable to afford a car, a telephone and a clothes dryer. Levels of deprivation on these durable items were once again generally lower in 2007 than in 2005, with the exception of a car which was stable at about 20 per cent.

Figure 4.14: Basic Deprivation items for All of those at Work and for “Working Poor”, 2007

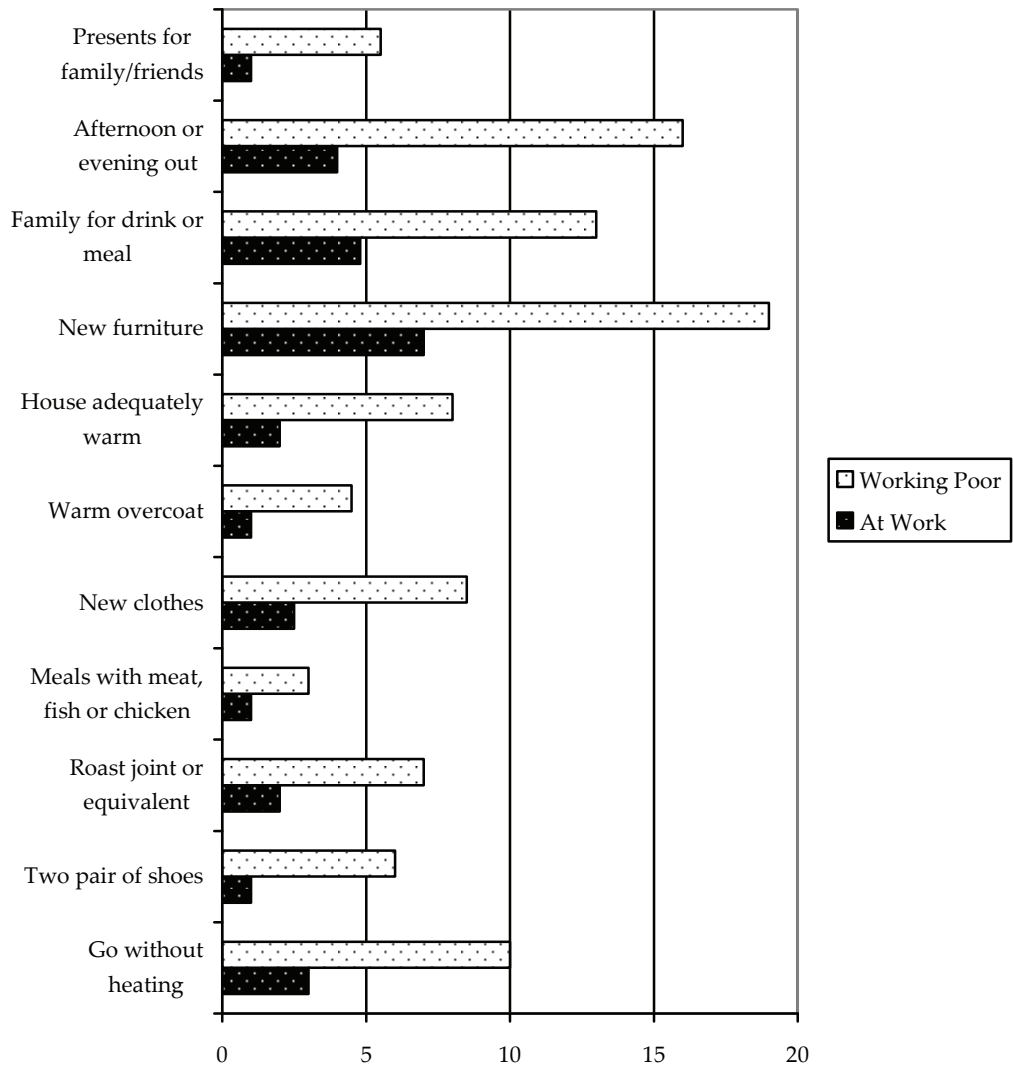
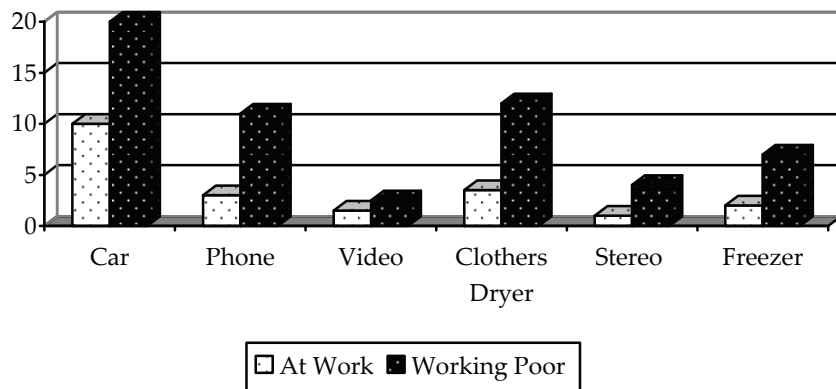
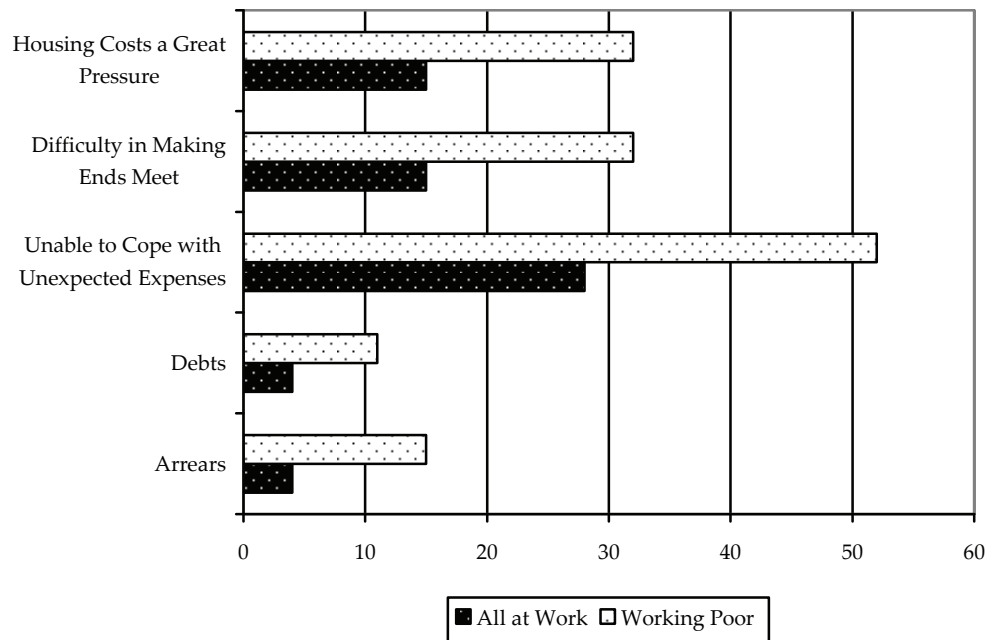


Figure 4.15: Deprivation in Terms of Selected Consumer Durables, 2007



Finally, Figure 4.16 shows that the “working poor” report significantly higher levels of subjectively-assessed economic pressures than others at work. About one-third reported experiencing housing costs as a great pressure, the same number had difficulty making ends meet, and more than half said they would not be able to cope with unexpected expenses. (This is broadly similar to 2005.)

Figure 4.16: Subjective Economic Pressure for All at Work versus “Working Poor”, 2007



4.10 Conclusion

In this chapter we explored first the poverty and social exclusion situation of the working age population as a whole and in a second part we focused more particularly on a subset of concern that is the working poor. As shown in Chapter 2, of the three life-cycle groups, the working age population had the lowest “at risk of poverty” rate in 2007 at 15 per cent, and this had been quite stable since 2004 when it was of 17 per cent. This relatively good performance on the “at risk of poverty” measure was also mirrored by having the second lowest level of material deprivation on the basic deprivation dimension. Indeed, in 2007 only 11 per cent of the working age population was experiencing such deprivation and only 5 per cent were consistently poor.

However, these low “at risk of poverty” and consistent poverty rates must be contrasted with the situation of those living alone and the lone parents. In 2007, close to one-third of both groups were income poor, while the consistent poverty rates for the two groups were 14 per cent and 18 per cent respectively. On these two measures, only the position of the lone parents had improved over time, while the situation remained quite stable for those living alone.

For the working age population, participation in employment constitutes the best insulation against poverty and social exclusion. Results showed that this was true not only at the individual level when we looked at people's principal economic status, but also at the household level when we consider the influence of the number of people at work in the household on poverty outcomes. In 2007, only 6 per cent of those at work were "at risk of poverty" versus 37 per cent for the unemployed. The "at risk of poverty" rate of individuals in a household where nobody worked was 42 per cent while it was only of 6 per cent when all individuals worked. Moreover, the working age unemployed were one of the few groups in the entire study where the level of poverty did not improve between 2004 and 2007; while rates fluctuated in the intervening years income poverty and consistent poverty were higher in 2007 than in 2004 for the unemployed groups (with the exception of consistent poverty for the long-term unemployed). Although these results predate the recession, they highlight the high level of exposure to poverty and social exclusion for a growing proportion of the working age population experiencing unemployment if the current economic climate of high unemployment persists.

Finally, the chapter concludes with a specific focus on the working poor who are individuals at work but living in a household experiencing "at risk of poverty".

In 2007, 7 per cent of persons at work were "at risk of poverty" but only 1 per cent of persons at work were consistently poor. However the working poor still experience higher levels of deprivation on many items in comparison with all persons at work. In terms of socio-demographic characteristics, the majority of the working poor are made of employees (60 per cent), while the remaining are self-employed (20 per cent) and farmers (20 per cent). In 2007, almost 60 per cent of the working poor were male, they were comparatively older (60 per cent of them were aged 40 or over) and had a lower level of educational attainment than the rest of the work force, and almost half of the working poor worked part-time. Finally, over 75 per cent of the working poor were living in households with children and they tended to live in households with fewer adults at work. Policy responses to in-work poverty and for working age poverty more generally are discussed in Chapter 6.

5: OLDER PEOPLE

The final life-cycle group examined consists of those aged over age 65. According to the latest Census in 2006 this group represents 11 per cent of the total population, the same proportion as in the 2002 Census. Due to the longer life expectancy of women, those over 65 account for a higher proportion of the female population (12 per cent) than the male population (9 per cent). For the same reason, there is a gender imbalance in the composition of the older age group, with female over-representation rising as age increases. Women account for 56 per cent of those aged 65 years or older, and 62 per cent of those aged 75 years and over.

In this chapter we examine the trends in the “at risk of poverty” rate and consistent poverty rates among the older age group and consider how these risk are distributed across the older population. It should be reiterated here that the sample of older people contained in the EU-SILC survey consists only of those resident in private households and excludes older people resident in long-term care homes or hospitals.

5.1 “At Risk of Poverty” Rates among Older People

The “at risk of poverty” among older people in Ireland has fluctuated considerably over the last 15 years. In 1994, the “at risk of poverty” rate stood at 6 per cent and was significantly lower than the risk for the population; by 2001 the “at risk of poverty” rate had risen to 44 per cent and far exceeded the average risk for the population (Callan et al., 2008). Since then, as the figures in Table 5.1 show, income poverty among older people declined steadily from 27 per cent in 2004 to 13.5 per cent in 2006, and then rose to 16.5 per cent in 2007.³² The situation of older people vis-à-vis the general population has also changed over the period. In 2004, older people had significantly higher income poverty rates than the overall figure, but by 2006 their “at risk of poverty” rate was considerably lower than average and in 2007 it was at parity.

³² The rate in the first EU-SILC survey 2003 was 30 per cent. It is not clear how much of the difference between the 2001 and 2003 figures is genuine change in circumstances and how much is due to changes measures of income compared to those used in the Living in Ireland Surveys for the period 1994 to 2001.

Income levels among older people appear to be most affected by the inclusion of the SSIA income³³ (see Chapter 1 above and CSO, 2008, p. 15); therefore to analyse trends over time for this group the figures for 2007 are reported both with and without the SSIA income. As outlined in Chapter 1, SSIA income (interest plus government bonuses are added to income) adds an additional €743 to the equivalised disposable income in 2007 (3.2 per cent) and raises the 60 per cent of median income threshold from €11,505 to €11,890. This rise in the threshold results in a greater proportion of individuals and households falling below the poverty line. With the SSIA 16.5 per cent of individuals were defined as “at risk of poverty”, while without the SSIA income this figure falls to 15.8 per cent (see Table 5.1). Among the over 65s the effect of the SSIA is to increase the “at risk of poverty” rate by 2.4 per cent from 14.1 per cent to 16.5 per cent. The impact of the SSIA is greatest for older people living alone whose “at risk of poverty” increases from 19 per cent to 24 per cent.

Comparing the pre- and post-SSIA figures for 2007 shows that the reversal of the downward trend in income poverty rates between 2006 and 2007 is due in large part to the SSIA scheme. Without the SSIA income “at risk of poverty” rates for the over 65s increased more marginally between 2006 and 2007, from 13.6 per cent to 14.1 per cent. The same is true within sub-groups: without the SSIA scheme the proportion of those living alone falling below the 60 per cent poverty line would have dropped between 2006 and 2007, continuing the underlying downward trend observed since 2004. However, older couple households experienced an *increase* in income poverty between 2006 and 2007, even when SSIA income is not included in the calculation.

Table 5.1: “At Risk of Poverty Rates”: Older People, 2004 to 2007

	2004	2005	2006	2007	2007 Ex. SSIA
All	19.4	18.5	17.0	16.5	15.8
Older people	27.1	20.1	13.6	16.5	14.1
Living alone	37.1	27.4	19.2	23.9	17.6
Living with partner	24.2	17.9	10.2	12.5	11.9
Living with others	22.4	13.6	10.7	10.1	7.8

< 60 per cent median household income.

Leaving aside the SSIA issue, the trend figures show that the “at risk of poverty” for older people are quite volatile. This volatility arises in part

³³ It is not the case that older people were less likely to open SSIA accounts, the figures reported in Chapter 1 show that 15 per cent of account holders were aged 60 or over, which roughly corresponds to their proportion in the population (16 per cent). In general, older age groups have a higher propensity to save.

because a high proportion of older people are dependent on state pensions as their only or predominant source of income. This is clearly evident from Table 5.2. In 2007, 73 per cent of older people were dependent on social transfers for three-quarters or more of their household income, which compares to 15 per cent of working age adults and 16 per cent of children. Therefore, if state pension levels are close to the income poverty threshold, small changes can lead to a movement of many people above or below the thresholds. In 2007 the state pension non-contributory was at 87 per cent of the income poverty threshold (see Appendix Table B6).

Further analyses by Callan et al. (2008) investigate the impact of changes in pension rates over the period 2000 to 2006. They show that additional spending on state pensions over the period strongly benefited those in the bottom four deciles of the income distribution. They found that although the headline “at risk of poverty” rate fell by only 5 percentage points, there was a substantial fall in the poverty gap for this group. In other words, the incomes of those below the poverty line drew closer to the threshold even though they did not cross the line. The figures on the poverty gap among older people presented in Chapter 2 (Table 2.4) show that this figure has fluctuated over the period. In 2004, the gap stood at 8 per cent, it rose to 10 per cent in 2006 and declined again in 2007 to 9 per cent.

Table 5.2: Reliance on State Transfers among Life-Cycle Groups, 2007

	Children	Working Age	Older People	All
Social transfers <25% hh income	60.5	63.9	5.9	56.7
Social transfers 25% to <50% hh income	14.8	14.5	9.8	14.1
Social transfers 50% to <75%	7.9	7.1	11.4	7.8
Social transfers 75% or more hh income	16.9	14.5	72.9	21.5
	100.0	100.0	100.0	100.0

5.2 Consistent Poverty

The consistent poverty measure aims to take into account a broader range of factors that contribute to command over resources. Previous research conducted by the ESRI has routinely found that older people have below average rates of consistent poverty compared to other population groups (Whelan et al., 2003). This pattern is repeated with the EU-SILC data. Taking the most recent year – 2007 – only 2 per cent of older people are found to be in consistent poverty, compared to an “at risk of poverty” rate of 16.5 per cent. One major factor accounting for the difference in these two measures is the

fact that the majority of older people own their own homes outright. Therefore a much lower portion of their income goes towards housing costs and can be spent on other areas of expenditure. This is reflected in lower deprivation on the 11 items used in the consistent poverty scale. In 2007, only 8 per cent of older people lacked at least two of the 11 items, while it was of 16 per cent for children and 11 per cent for the working age population. Similarly, other assets and wealth accumulated over the life cycle may not be reflected in older people's income (Zaidi et al., 2006) but affects their level of deprivation. Callan et al. (2008) also note that family support may enable an older person to maintain a standard of living higher than income alone would allow.

The figures in Table 5.3 also show that consistent poverty rates among the elderly are much less affected by the inclusion or exclusion of SSIA income, since the measure incorporates non-monetary indicators that are designed to assess longer-term resources rather than relying on current income alone. The large majority (84 per cent) of those who are defined as income poor when SSIA is included, but who are not income poor when the SSIA is excluded, do not lack at least two of the deprivation items. Consistent poverty rates among older people fall by only 0.3 per cent when SSIA income is removed.

Table 5.3: Consistent Poverty Rates: Older People, 2004 to 2007

	2004	2005	2006	2007	2007 Ex. SSIA
Older people	3.9	3.1	2.2	2.0	1.7
Older people living alone	5.8	5.0	3.4	4.0	2.6
Living with partner	2.3	2.2	1.8	0.6	0.6
Living with others	4.8	2.8	1.2	1.2	0.7

Note: Living with partner = couple only households (includes couples where partner is under 65 years). Living with others = living with or without partner plus any other adults or children.

The trends in consistent poverty rates for older people are downward regardless of whether SSIA income is included. The “Ex-SSIA” figures for 2007 show that consistent poverty rates more than halved between 2004 and 2007 for all household forms. This can be explained by the decrease of the “at risk of poverty” rate (from 27 per cent to 16 per cent) and the reduction of the proportion (from 10 per cent to 8 per cent) of older people being deprived on the basic deprivation measure between 2004 and 2007.

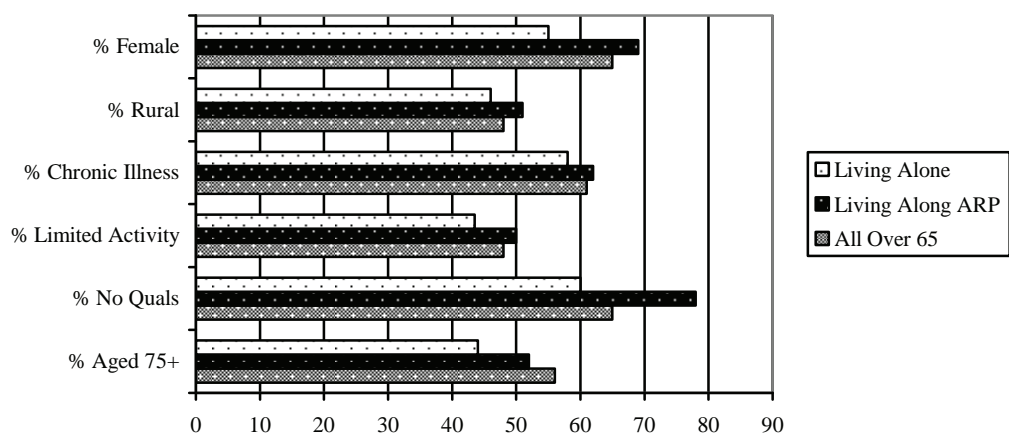
5.3 Poverty and Household Composition

As was the case among the young and the working age population, household composition has an important influence on the chances of being in poverty for those aged 65 or over. Elderly persons living alone are almost twice as likely as those living with a partner to be defined as income poor (24 per cent) as older people living in couples (13 per cent). Those living

with others had the lowest “at risk of poverty” rates. This group will include older people living with sons or daughters (or sons/daughters-in-law) who are in the working age category and therefore there is more likely to be earned income in the household. A similar pattern emerges for the consistent poverty measure. In 2007, older people living alone had double the risk of being consistently poor (4 per cent) compared to the figure for all older people (2 per cent).

In order to shed some additional light on the reasons for the higher level of poverty among the “living alone” group, their characteristics are compared to those for older population in general (Figure 5.1). Those living alone are more likely to be female and to be in the very old category: 65 per cent are women compared to 56 per cent of all older people, while 56 per cent are aged 75 or over compared to 44 per cent for all household types. The living alone group is also somewhat more likely to report a chronic illness or limited activity, which is linked to their older age profile. The proportion of those living alone located in rural areas is similar to other household containing older people (48 per cent versus 46 per cent); however, for those “at risk of poverty” the proportion of rural dwellers is higher (52 per cent). Those living alone are somewhat more likely to have no qualifications than the average for all older people and this also increases their poverty risk. The regression analysis described in section 5.6 below finds that even when age, sex, chronic illness, educational level and urban/rural location are held constant, older people living alone are still have a higher “at risk of poverty” rate than older people living in other household forms.

Figure 5.1 Older People Living Alone, SILC 2007



Note: ARP = “At Risk of Poverty”, income less than 60 per cent of median income.

5.4 Poverty and Individual Characteristics

Trends in the gender distribution of income poverty over the mid-1990s to early 2000s led researchers to conclude that “income poverty among older people has been feminised to a significant degree” (Whelan et al., 2003, p. 31). In 2001, half of women aged 65 and over had incomes below the 60 per cent of median threshold compared to 36 per cent of older men. This was attributed to the low participation of women in insurable employment and the tendency for women to live longer. The relationship between low income and gender among older people is much weaker over the period 2004 to 2007. The figures for 2007 show that the “at risk of poverty” rate for older women is just two percentage points higher than for older men. While the labour market participation rates of older women has increased over recent years (Russell et al., forthcoming), this change is not sufficient to have led to such a change in the pattern of poverty rates and there has been no change in the longer life expectancy of women vis-à-vis men. Therefore it is most likely that this shift is due to changes in the benefit system, which led to both a decline in the gap between the values of contributory and non-contributory pensions,³⁴ and a narrowing of difference between the value of state pensions and the 60 per cent of median income line (see Table 5.8 below). The effect of the SSIA income is greater for older women than older men,³⁵ adding three percentage points to the income poverty rate among women compared to one per cent for men. Excluding SSIA income the poverty rates at the 60 per cent median threshold are the same for women and men.

Table 5.4: Older People “At Risk of Poverty” Rates by Gender and Age, SILC 2004 to 2007

	2004	2005	2006	2007	2007 Ex. SSIA
Older people, men	25.8	20.3	13.6	15.3	14.3
Older people, women	28.2	19.9	13.7	17.4	14.0
Older people, 65-74 years	27.9	20.7	13.6	16.7	15.5
Older people, 75+ years	26.1	19.2	13.7	16.2	12.4

The absence of a gender difference in poverty among older people is repeated using the consistent poverty measure (Table 5.5). Over the period 2004 and 2007 consistent poverty rates among older men and women differed by 0.2 of a percent or less.

³⁴ In 2000/2001 the ratio of the maximum value of the non-contributory pension and the contributory pension was .89 while in 2007 the ratio had risen to .96 (Department of Social, Community and Family Affairs Rates of Payment 2000/2001, Dept of Social and Family Affairs, *Rates of Payment 2007*, www.welfare.ie/EN/Publications/SW19_07/Pages/introduction.aspx)

³⁵ CSO figures (CSO, 2006) shows that during the subscription period, women’s average subscription rate was 87 per cent of men’s.

The figures in Table 5.4 also show that the income poverty rates among older people do not differ substantially by age. At the beginning of the period, in 2004, there was a gap of approximately 2 percentage points between those aged 65 to 74 years and those aged over 75 years, but this gap had disappeared by 2006. However, removing the SSIA effect suggests that these two groups may be on different trajectories, with income poverty increasing for the 65-74 group and declining for the 75 plus group between 2006 and 2007. The consistent poverty rates also show a narrowing of the gap between the elderly and very elderly groups and the downward trajectory in consistent poverty is observed with and without the SSIA income (Table 5.5).

Table 5.5: Older People Consistent Poverty Rates by Gender and Age

	2004	2005	2006	2007	2007 Ex. SSIA
Older people men	4.0	3.1	2.3	2.1	1.8
Older people women	3.8	3.1	2.0	1.9	1.7
Older people 65-74	5.0	3.8	2.6	2.1	2.0
Older people 75+	2.3	2.3	1.7	1.9	1.5

HEALTH STATUS AND POVERTY RISK

Older people are significantly more likely to experience health problems than the other two life-cycle groups examined. Just under 40 per cent of older people report that their health is fair/bad or very bad compared to only one per cent among people of working age. A similar pattern is observed for the other EU-SILC health measures: 57 per cent of older people report that they have a chronic illness and 44 per cent report that their daily activity is limited (to some extent or to a great extent) by a health problem, compared to 7 per cent and 5 per cent of the population respectively.

Figure 5.2: Self-defined Health Status: Older People and Those of Working Age, SILC 2007

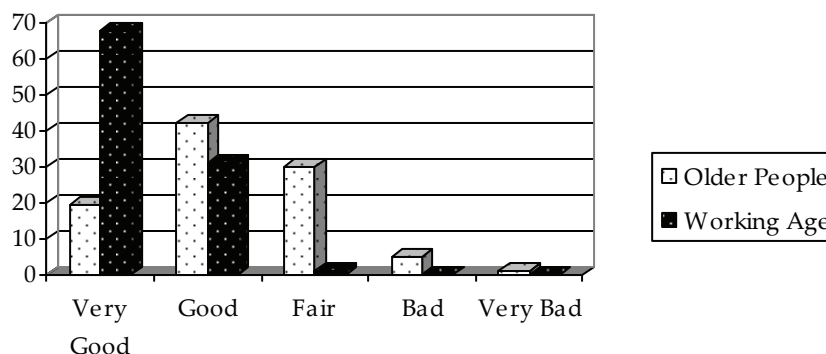
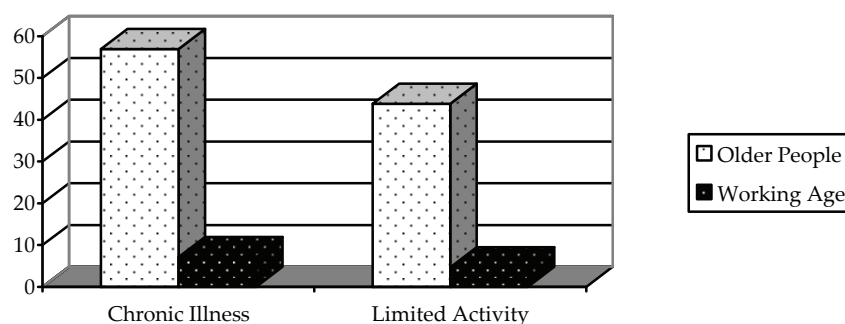


Figure 5.3: Proportion Reporting Chronic Illness or Daily Activities Limited by Health Problem, SILC 2007

While poor health is much more prevalent among the older population, the link between health and income poverty is much weaker for this group than for the working age population. This is because poor health is not a strong determinant of economic status, since the great majority of older people are inactive in the labour market. The income poverty rates of older people with a chronic illness or an activity limiting health problem are only slightly higher than the rates for those with no such problems. However, health status has a stronger impact on consistent poverty among older people, which is confirmed by the regression model in section 5.6 below. Those with a health

Table 5.6: Older People “At Risk of Poverty” and in Consistent Poverty by Health Status, % 2007

	At Risk of Poverty	Consistent Poverty
Health Status – Self-defined		
Very good	14.2	0.5
Good	15.4	1.1
Fair	18.8	2.9
Bad	17.5	7.2
Very bad	22.8	9.2
Suffer from Chronic Illness		
No	16.0	0.8
Yes	16.8	2.9
Limited in Daily Activities		
Yes, strongly limited	18.4	5.3
Yes, limited	18.1	2.4
Not limited	15.1	0.9

problem that limits their activity are three times more likely to be in consistent poverty than those without such a problem. These results again underline the ability of the consistent poverty measure to tap into longer term resources and into differences in household needs. High levels of medical expenses will not show up in current income but will be a drain on household resources, which is reflected in access to other items that make up the basic deprivation scale.

5.5 Poverty and Social Transfers¹ among the Elderly

As discussed above, the older population are heavily reliant on state transfers, namely the contributory and non-contributory pensions as their main source of current income, although this is not necessarily the best measure of their command over resources. It is of interest to note that the connection between dependency on social welfare and income poverty is weaker for older people than for the other two life-cycle groups. This weaker link between welfare dependency and income poverty, and also the decline in “at risk of poverty” rates for the older age group between 2004 and 2006, are both related to the policy strategy of increasing pensions levels over recent years.

Table 5.7: “At Risk of Poverty” Rates by Life-Cycle Stage and Reliance on Social Transfers, SILC 2007

	All	Children	Working Age	Older People
Social transfers <25% hh income	4.7	5.1	4.4	13.7
Social transfers 25% to <50% hh income	13.8	21.9	11.7	1.3
Social transfers 50% to <75%	24.3	30.5	25.8	8.2
Social transfers 75% or more hh income	46.2	66.1	59.0	20.0
Total	16.4	19.9	14.9	16.5

The previous National Action Plan Against Poverty and Social Inclusion made a commitment to increase the basic state pension to €200 per week by 2007, and this target was met in the 2007 Budget. The changes in the level of state pension and how this relates to the income poverty line threshold set at 60 per cent of median income is set out in Table 5.8 below. It is clear from the figures that the level of the contributory and non-contributory pensions drew much closer to this line over the period 2003 to 2006. The gap narrowed from 10.5 per cent in 2003 to 4.5 per cent in 2007, however the gap widened again in 2007 to 8.5 per cent as median income grew faster than the pension rates.³⁶ The

³⁶ If the SSIA income is excluded from the median income figure the gap in 2007 is 5.4 per cent.

same pattern is evident for non-contributory pensions. In 2003 the gap between the maximum non-contributory pension and the 60 per cent median income threshold was 18.1 per cent by 2006 this had narrowed to 10.1 per cent as rates of increase in the pension exceeded the rate of increase in median household income. Between 2006 and 2007 the gap widened again to 12.5 per cent.

Table 5.8: Trends in Pension Rates, Median Income Threshold, Industrial Earnings and Consumer Price

	2003	2004	2005	2006	2007	% Rise 2003-2007
60% median income	175.77	185.51	192.74	202.49	228.65 ¹	30.1%
Average Industrial Earnings	535.74	560.77	580.88	601.21	627.24	17.0%
CPI ⁴	106.3	108.6	111.3	115.7	121.3	14.1%
State Pension Contributory	157.3	167.3	179.3	193.3	209.3	33.0%
State Pension Non-contributory	144.0 ²	154.0 ²	166.0 ²	182.0 ²	200.0 ³	38.9%

Source: National Report for Ireland on Strategies for Social Protection and Social Inclusion, updated and figures on non-contributory state pension added.

1 The threshold excluding the SSIA income is 221.25

2 this is the maximum amount payable for those whose means are less than €7.60 per week

3 this is the maximum amount payable for those whose means are less than €30 per week.

4 The original source does not say what is the reference year for the CPI calculations

5.6 Regression Analysis of Poverty amongst Older People in 2007

While the tables above outline the association between poverty rates and different risk factors, it is not possible to establish the relative influence of these factors without conducting a multi-variate analysis, in this case logistic regression. Regression analysis allows us to identify any confounding factors.

As done in Chapter 3 and Chapter 4, we illustrate in a simple manner in Table 5.9 which groups have a significantly higher or lower chance of being in income poverty or consistent poverty compared to the reference category. The full model results are presented in the appendix (see Table B9).

Each of the variables outlined above are included in the analysis (household composition, principle economic status, gender, age, health status) and we also include social class, nationality and geographical location. As explained in previous chapters, reliance on social transfers is not included in the models as its effects on income levels tend to swamp all other variables without providing enlightenment as to the causal processes involved.

The results for the “at risk of poverty” are presented in the first column of Table 5.9. The results can be interpreted as the effect each factor has on the odds

of being falling below the income threshold. In terms of personal characteristics, age, sex and health status had no significant effect, confirming the bivariate results. However nationality did have a significant influence: non-Irish nationals were 3.7 times more likely to be income poor than Irish nationals.

Taking the retired as the reference group, we find that older people who define their PES as ill/disabled are not different in their risks of income poverty. Those who are in home duties, which is a predominantly female group, have a higher risk of income poverty, since they are less likely to qualify for private pensions or contributory pensions than the retired group. These results suggest there are some lingering gender differences among the older age group that trend data alone did not pick up. Older people who are still in employment have less than half the risk of income poverty as those who are retired.³⁷ Where the person is unable to work due to illness/disability, the odds of being income poor are twice that for individuals that are retired but this effect is only significant at the 10 per cent level.

Table 5.9: Logistic Regressions on “At Risk of Poverty” and Consistent Poverty for Older People, Individual Characteristics, SILC 2007

	At Risk of Poverty	Consistent Poverty
	<i>Odds Ratios</i>	<i>Odds Ratios</i>
Female	No effect	No effect
Age	No effect	No effect
Age ²	No effect	No effect
Limited activity (health)	No effect	+
Irish	ref	ref
Non-Irish	+++	No effect
Retired	ref	ref
At work	— —	No effect
Home duties	++	No effect
Ill/disabled	No effect	++
Tertiary level	ref	ref
No qualification	+++	No effect
Junior/Inter cert.	++	No effect
Leaving certificate	++	No effect

³⁷ In the results presented here we include the principle economic status, educational status, and social class of respondent him or herself, however the same pattern of results is obtained using the characteristics of HRP (see Appendix table 10A) although there are is more missing information.

Middle class	ref	ref
Self employed	No effect	No effect
Working class	No effect	No effect
Couple Only	ref	ref
Living with others	No effect	No effect
Living alone	++	+++
Urban	ref	ref
Rural	+	No effect
Nagelkerke R Square	.131	.196
N	2843	2843

“No effect means difference from reference not statistically sig at 5 per cent level

- + group more likely to experience poverty than reference group
- ++ group more than twice as likely to experience poverty as reference group
- +++ group more than five times as likely to experience poverty as reference group
- group less likely to experience poverty than reference group.
- – group less than half the chance of experiencing poverty as reference group

Perhaps partly because current employment is less discriminating among older people where the majority are not employed, social background as measured by education has a much stronger impact on the odds of being income poor. For example, those with no qualifications are eight times more likely to fall below the 60 per cent median poverty line than those with tertiary education. Social class has little additional effect once education is controlled.

Living alone continues to increase the likelihood of income poverty even when other characteristics are held constant. As explained above, this means that it is not the characteristics of those living alone that raises the poverty level; rather there is some additional disadvantage associated with this household form. The disadvantage may arise from the additional costs of living alone that are not fully captured by the equivalence scale. Alternatively, there may be another unmeasured characteristic which makes an individual less likely to marry and more vulnerable to poverty, although this explanation is less plausible in the case of older people, many of whom are living alone due to widowhood rather than because they have never married.

Older people living in rural areas have greater odds of being “at risk of poverty” than urban dwellers. This may reflect low income amongst farmers who are less likely to have made sufficient insurance contributions for a full contributory pension.

CONSISTENT POVERTY REGRESSION RESULTS

The model results for consistent poverty are similar in some respects to the income poverty model. Personal characteristics again have relatively little explanatory power. In this case it is only activity-limiting health problems that increase the risk of consistent poverty, possibly highlighting additional needs among this group which are not measured by income levels alone.

Health also influences consistent poverty risks via the effect of having a principle economic status of “ill or disabled”. This group is 4.7 times more likely to be in consistent poverty than those who are retired. It is possible that individuals who define their economic status in this way are those who have a long-standing disability or health problem, which is reflected in the household’s long-term resources. The social background characteristics (education and class) are not significant in the consistent poverty model due to large standard errors around the estimates.

Those who live alone are six times more likely to be classified as consistently poor than older people in couple households. However residence in a rural area does not influence consistent poverty in the way that occurred for income poverty.

5.7 Conclusion

The analyses presented in this chapter indicate that there was a significant decline in the levels of income poverty among older people over the period 2004 to 2006. Consistent poverty rates have also fallen, although they were already at a low level for older people in 2004. These changes were also reflected in the reduced presence of older households amongst households defined as poor on both income-based and consistent poverty measures as shown in Chapter 2. There was an upward swing in income poverty rates at the end of the period observed, between 2006 and 2007. This was largely but not wholly accounted for by the SSIA scheme, which raised the median poverty line but did not increase the incomes of older people to the same degree.

Significant improvements in the levels of contributory and non-contributory pensions were made over the period under consideration. Contributory pensions were raised to €200 per week on foot of commitments made within the NAPS framework. These policy changes clearly impacted on poverty levels as the gap between pensions and median income was reduced up to 2006, with a slight increase occurring in 2007. This suggests that policy developments were also linked to the halt in the downward trend in income poverty for older people.

Despite the improved circumstances for older people as a whole, certain sub-groups were still more vulnerable to poverty. This vulnerable group includes, those living alone, the lower qualified, those with health

problems/disabilities and non-nationals (for the income measure). In contrast to the situation in the late 1990s and early 2000s, older women no longer have an elevated risk of poverty than older men.

6: CONCLUSIONS AND POLICY IMPLICATIONS

This report builds on early studies monitoring poverty in Ireland during the late 1990s and early 2000s (Whelan et al., 2003, Layte et al., 2001, Callan et al., 1999). These ESRI publications were based on analysis of the Living in Ireland Surveys that covered the period 1994 to 2001. With the end of the Living in Ireland surveys in 2001 there was no similar collection of data on income and the living conditions of the population in Ireland until the launch of the EU-SILC in 2003. The current report is based on the analysis of the EU-SILC surveys and monitors the evolution of poverty and social exclusion from the years 2004 to 2007. This period marks the end of the 1997 to 2007 National Anti-Poverty Strategy and the beginning of the National Action Plan for Social Inclusion (2007-2016). Consequently, the results provide both an overview of the situation at the end of this period and a benchmark for the new programme. The structure of this report is based on the life-cycle approach as framed by the National Action Plan for Social Inclusion and by the Development Welfare State report by NESC. It examines poverty and social exclusion among children, adults of working age and older people.

Before examining trends within the three age groups Chapter 2 provided an overall description of poverty for the total population from 2004 to 2007. This chapter looked at trends in “at risk of poverty” and consistent poverty and noted that for the total population there was a decline in both poverty measures over the period regardless of the income threshold chosen. Over the period of time analysed significant progress was made in reducing the “at risk of poverty” gap, which measures the distance of the income of those “at risk of poverty” from the poverty threshold.

Moving the perspective from individuals to households did not affect the findings about the trends observed. The proportion of households below the 60 per cent median threshold fell from 18 per cent to 16 per cent representing a decline of 13 per cent.³⁸ Looking at some of the composition characteristics of households “at risk of poverty” and consistently poor households, it was noted that over time little has changed. On both poverty measures, single

³⁸ These results are obtained by calculating the threshold on the basis of the median of households.

households, and those headed by a household reference person who is inactive in the labour market, are over-represented, as are those households where no member of working age is employed (termed jobless households).

The report presents a picture of the poverty situation at the end of the initial National Anti-Poverty Strategy, 1997–2007. The revised targets to be reached in 2007 were documented in *Building an Inclusive Society, 2002*. The poverty targets were set for the total population as well as for particular vulnerable groups of the population (children, women and older people). As described in detail in the Appendix, section A.5, the consistent poverty measure used in this report differs from the “original” definition on which the poverty targets were based. Moreover, there was a shift in the data source for the poverty figures which led to substantial differences in the estimates of poverty. These changes make it very difficult to evaluate of the extent to which targets were achieved.

In order to provide some indication of progress towards these targets we compare the rate of decline in poverty envisaged under the target to the rates of change achieved as measured by the new data and revised consistent poverty measure (Table 6.1). When the revised targets were set in *Building an Inclusive Society, 2002* the goal was to reduce poverty from the rate of 6.2 per cent in 2000 (the most up-do-date figure at that point) to 2 per cent in 2007. This target would involve a fall of 68 per cent over a seven-year period, which represents an average fall of 9.8 per cent per year. The figures presented in this report show that the decline over the three years 2004 to 2007 was 22.7 per cent, representing an average decrease of 7.6 per cent per year.³⁹ Therefore, the rate of decline over the period investigated in this study is lower than that envisaged by the targets. A similar calculation can be made for children. The percentage reduction based on the figures in *Building an Inclusive Society* was 10.7 per cent per year, while a reduction of 6.8 per cent was found in our analysis for the years 2004 to 2007. This suggests that the rate of decline in child poverty for this subset of years was below the target, although the result must be seen as indicative rather than conclusive because of the extensive changes in the measures and data as outlined in the Appendix.

It should be noted that these trends occurred in a period of very significant economic growth in Ireland. Between 2004 and 2007 the number of people in employment increased by 412,000 (see Chapter 1), GDP increased by 18.6 per cent⁴⁰ and unemployment rates remained below 5 per cent throughout the period. Economic growth does not, however, guarantee a reduction in poverty, especially relative income poverty measures such as the “at risk of

³⁹ Consistent poverty declined from 6.6 per cent to 5.1 per cent between 2004 and 2007.

⁴⁰ Own calculations based on figures in CSO (2009) Quarterly National Accounts.

poverty” rate. The impact depends on the way in which the fruits of the growth are shared. Previous research showed that between 1994 and 2001, despite strong economic growth, there was an *increase* in poverty rates using the median income thresholds and a rise in the depth of poverty as measured by the poverty gap, although there was a decline in consistent poverty.

Table 6.1: Consistent Poverty Targets Set in Revised National Anti-Poverty Strategy: Rates of Change Using “Original” and “New” Measures

	Original Measure				New Measure
	Consistent Poverty 2000 ¹	Target 2007	Target % Reduction	Target % Reduction per year ²	Actual % Reduction per year ³
All	6.2%	2%	67.7	9.8	7.6
Children	8%	2%	75.0	10.7	6.8

1 Figures for 2000 cited in *Building an inclusive society 2002*, based on original poverty definition and Living in Ireland data. Although a target was also set for older people no “current” figure was cited in the document for this age group. There was no separate target for those of working age.

2 Calculated over seven years i.e. 2000-2007.

3 Using revised poverty measure and EU SILC data. Calculated over three years i.e. 2004-2007. The year 2004 was chosen rather than the year 2003 as the period analysed in the report starts in 2004. Also, the EU SILC 2004 survey is a larger sample which increases the precision of the estimates.

The onset of economic recession in 2008, just after the period of this study, is likely to have significant consequences for the future evolution of poverty rates in Ireland. These prospects are discussed within the sections on the three life-cycle groups below and in the final section.

6.1 Children

Chapter 3 looks in detail at the situation of children. Overall, between 2004 and 2007 there was a decline in the “at risk of poverty” rate from 23 per cent to 20 per cent, and consistent poverty rate from 9 per cent to 7.4 per cent. However, some groups of children have enjoyed a more pronounced improvement in their situation, mainly young children aged less than five years old, children in large households and children in lone parent households. Each of these groups of children has seen a reduction of their “at risk of poverty” rate of between 5 and 8 percentage points⁴¹ and a decline in consistent poverty rates of between 3.5 and 6 percentage points.

⁴¹ Which represents a fall in the poverty rate of between 16 per cent

Despite experiencing a significant reduction in income poverty and consistent poverty, children in lone parent families remain extremely vulnerable to poverty. In 2007, two in every five of these children were still living in income poverty and one in five were living in consistent poverty. Moreover, children from lone parent families accounted for a higher proportion of poor children at the end of the period in 2007 than in 2004. In 2007, 43 per cent of children in income poverty and 65 per cent of children in consistent poverty were living in lone parent families. This was partly due to demographic trends which meant that the number of children living in lone parent families continued to grow over the period in question. These figures mean that tackling child poverty in Ireland is crucially dependent on improving the circumstances of children in lone parent families.

In contrast, the proportion of children living in households with three or more children has been declining, although they retain a higher risk of falling into income poverty and consistent poverty than children in smaller families.

In relation to both measures of poverty, a strong risk factor for children is the non-employment of the household reference person from the labour market due to illness/disability, home duties or unemployment. For each of these characteristics children are exposed to an “at risk of poverty” rate of between 46 per cent and 51 per cent. The number of adults at work in the household also plays a significant role. More than two-thirds of children in jobless households are “at risk of poverty”, and one-third are consistently poor. A formal statistical model of the effects of a range of socio-economic household characteristics on the two measures of childhood poverty highlighted that the main contributing factors are labour market inactivity, jobless households, low education level and high number of children in the household, as well as being in a lone parent household.

6.2 Child Poverty Policy Issues

Although the proportionate reduction in child poverty over the period investigated was lower than implied by the NAPS targets, the downward trends in child poverty over the period suggest that the commitment to address child poverty and to enhance minimum income benefits for children (through Child Benefit increases and through increased benefits for adult social welfare recipients) did have an impact in reducing income poverty and consistent poverty among children. The introduction of the Early Childcare Supplement (ECS) in Budget 2006, which provided additional income support to all families, is also likely to have contributed to the steeper reduction in poverty among children under the age of five years compared to older children. Analysis by Callan et al. (2006) using SWITCH, the ESRI tax benefit model, suggests that changes in child income supports, including the sharp increase in Child Benefit in 2001/2 and the Early Childcare

Supplement in 2006, led to a reduction of 4.2 percentage points in the “at risk of poverty” rate for children. This represents a fall of one-fifth in the “at risk of poverty” rate over the period. The subsequent withdrawal of the ECS scheme in 2010 (and replacement with a Free Preschool Year) is unlikely to have the same impact on poverty per se. Good quality early childcare and education have clear benefits in terms of child development (Starting Strong, 2009) but will not have the same direct effect on income as the cash-based ECS. Moreover, the Free Preschool goes to a smaller number of families each year than the ECS.⁴² This is not to say that the objectives of reducing child poverty cannot be achieved through investment in non-cash services; indeed the opposite case is made by Callan (2008) and NESF (2007) based on international comparisons. The Combat Poverty Agency (CPA, 2005) also recommended increasing investment in the provision of services for children such as childcare and early education, particularly targeted towards low income families as a means of addressing child poverty. The issue is rather that the scale of investment needed is much greater than that currently devoted to the Free Preschool Year.

Under *Sustaining Progress* there was an agreement to examine the possibility of combining Child Dependent Additions and the FIS into one payment that would be paid to low income families regardless of their employment status, and the impact of such a scheme in reducing child poverty was examined in Callan et al. (2006, 2008). However, due to the current economic crisis and high fiscal deficit, Government policies have focused on cuts rather than enhancements to benefits, against a background of falling revenues. Budget 2010 (December, 2009) cut Child Benefit by €16 per month but made a compensating increase in the Qualified Child Additions (formerly Child Dependent Additions) for those in receipt of social welfare payments of €3.80 per week. Family Income Supplement (FIS) earnings thresholds were also increased by €6.00 per week per child. The precise impact of these changes on child poverty have not been calculated, but the overall budget was found to be regressive, as households in the lowest income quintile experienced a bigger decline in income (-1.5 per cent) than other income groups (Callan et al., 2009).

Given the strong connection between unemployment, household joblessness and child poverty it is likely that the distribution and duration of unemployment caused by the current recession will be a very significant factor in future trends in Irish child poverty rates. The results also clearly indicate that improving the living standards of children in lone parent families

⁴² Figures from the Office of the Minister for Children estimate that the ECS scheme was worth €6,000 in the first six years of a children life whereas the ECCE scheme is worth €2,500 for a single year.

will be crucial to reducing child poverty. Policy developments in relation to lone parents are discussed in the following section.

6.3 Working Age Population

Chapter 4 examined the situation of the working age population. Over the period considered, from 2004 to 2007, we observed a modest decline in the “at risk of poverty” rate and in the consistent poverty rates for this group, from 17 per cent to 15 per cent and from 6 per cent to 5 per cent respectively. This decline was uneven across various household arrangements but mainly to the benefit of the lone parent households, who nevertheless still experienced the highest “at risk of poverty” and consistent poverty rates alongside those living alone. Unemployment, as well as the length of unemployment, labour market inactivity and household work composition, were all high factor risks in relation to both poverty measures. These findings were also confirmed by a statistical model.

Poverty rates among lone parents decreased over the period as was reflected in the decline in poverty rates among children living in lone parent families. This decline was likely to be associated with both the increases in the One Parent Family Payment (see Appendix Table B4) and the increased rate of employment among the lone parents in the EU-SILC sample.⁴³ The government discussion paper on lone parents proposed the replacement of the One Parent Family Payment (OPFP) with a means-tested “parental allowance”, and the introduction of activation measures when the youngest child reached eight years of age (Government Discussion Paper, 2006). The Social Welfare Bill 2010 proposes to reduce the qualifying age for the receipt of OPFP to when the youngest child reaches age 13, since no alternative scheme is proposed, claimants must then apply for another benefit such as Job Seekers Allowance (JSA) or Supplementary Welfare Allowance (SWA). The Welfare Bill 2010 proposes new penalties for claimants of JSA or SWA who refuse to take up training offers or who refuse to participate in the National Employment Action Plan.

Successful activation measures for lone parents in other countries are accompanied by comprehensive childcare systems as well as a high level of education and training supports. Indeed, the government proposals note that “introduction of an activation requirement is predicated on childcare supports being available” (Government Discussion Paper, 2006). While childcare time decreases with the age of child and the type of care changes, it does not cease

⁴³ These results differ from results based on the QNHS which suggest that between 2004 and 2007 employment among lone *mothers* remained stable. Part of the difference between the two sources may arise because of the use of ILO definitions in one and PES in the other.

at age 13 (McGinnity and Russell, 2009)⁴⁴ and this need to provide care and supervision will restrict lone parents' access to jobs and training, especially full-time options. The provision of care for school age children out of school hours is limited. The Report of the Working Group of the National Childcare Co-ordinating Committee (2005, p. xiii) noted that "the majority of Irish parents have limited options from which to meet the childcare needs of their school going children outside of school hours".⁴⁵ The proposal to reduce the "actively seeking work requirement" to 19 hours per week for lone parents job seekers outlined in the Government Discussion Paper (2006) does not appear in the Social Welfare Bill 2010. The onset of recession has also made integration of lone parents into education, training or sustainable employment more difficult, as the number of job vacancies has declined sharply and demand for education and training courses has increased.

The analysis showed that the relationship between unemployment and poverty is much stronger for those who remain long-term unemployed: 23 per cent of those unemployed more than 12 months were in consistent poverty compared to 6 per cent of the short-term unemployed, reflection the erosion of resources over time. Preventing the unemployed becoming long-term unemployed should therefore be a key policy objective. Research by O'Connell et al. (2009) highlight that the characteristics of those at risk of becoming long-term unemployed can be identified when claimants first sign on to the live register, and therefore active labour market policies can be effectively targeted towards those in greatest need of support.

At the end of Chapter 4 we present an overview of the specific characteristics of the group termed the "working poor". While employment reduces the likelihood of poverty, it does not completely insulate people from the risk. For example, in 2007, 7 per cent of individuals that were in work were "at risk of poverty".

Even though only a minority of the working poor are in consistent poverty, the working poor still experience higher levels of deprivation and subjective economic stress than others at work. Looking at the socioeconomic profile of the working poor, we see that in 2007 80 per cent of the working poor were employees while the remaining 20 per cent were self-employed, 60 per cent were aged 40 or over and 75 per cent were living in households with children. The working poor also live in households with fewer adults at work. The fact that some people in work still fall below relative income poverty thresholds (even if only a minority of these are in consistent poverty) clearly

⁴⁴ McGinnity and Russell examine childcare time amongst those with children under 5 years, 5 to 11 years and 12 to 18 years.

⁴⁵ The working group covered care for children up to the age of 15 years.

poses a challenge to policy, in Ireland as elsewhere. As discussed in some detail in the study on Developing Effective Policies (Callan et al., 2008) the fact that Ireland now has a National Minimum Wage – at a relatively high level in absolute and relative terms compared with other EU countries – does not suffice as a policy response. The limited overlap between low pay and household poverty means that policies aimed at improving the earnings of the low paid (directly) benefit only a minority of working poor households. Even so, simulation of a 10 per cent increase in the National Minimum Wage using the SWITCH model showed that this would have some impact on in-work poverty and on poverty among employees. This is worth reiterating in the context of the current recession, when arguments for a reduction in the level of the minimum wage to improve competitiveness have been put forward – though the balance of advantage depends on the likely responsiveness of employment levels to such a reduction. As far as the tax system is concerned, those on the Minimum Wage have been lifted out of the income tax net and their social security contributions have been reduced by a variety of changes in the PRSI structure, and this has not been fundamentally altered by the taxation measures brought in over the two recent budgets in response to the fiscal crisis.

The other element of strategy in relation to the working poor is direct cash transfers. The Family Income Supplement for those in work with children but on low household income has served as the principal policy instrument in this respect for many years. In addition, as we have seen, many working poor households receive income from other social welfare schemes because they include someone who is, for example, unemployed or sick, as well as universal Child Benefit. The impact of a general increase in welfare support rates on various vulnerable groups, including the working poor, was examined in some detail in Callan et al. (2008). The results suggested that even a substantial general increase would have only a relatively modest effect in reducing the level of in-work poverty risk. However, when combined with a Child Benefit Supplement the impact was considerably greater. In the current macroeconomic context, it is reductions rather than increases in the nominal level of social welfare support rates that are being debated. However, in focusing on “in work poverty risk”, using a relative income poverty threshold, it is the relativities between social welfare support rates and other incomes that matter. Child Benefit also plays an important role in supporting low-income households which contain children, which is the case for most of the working poor as we have seen. Consequently, changes currently being considered in relation to that scheme that move away from the current fixed payment irrespective of income level will have to be framed with that in mind.

6.4 Older People

The final group examined in the study consists of those aged 65 years and over. This group constitutes the smallest of the three life-cycle groups analysed as it represents only 11 per cent of the population. Older people have experienced the sharpest reduction in the “at risk of poverty” rate, which decreased from 27 per cent in 2004 to 16 per cent in 2007. Their rate of consistent poverty fell from 4 per cent to 2 per cent. The exclusion of the SSIA income in the calculation of the 2007 “at risk of poverty” rate for older people produces an even larger reduction to a rate of 14 per cent. Older people are highly dependent on income from social transfers, predominantly state pensions, as 73 per cent of this group receive three-quarters or more of their income from this source.

The level of state pensions therefore plays a crucial role in determining the “at risk of poverty” rate for older people, as well as the level of coverage for private or occupational pensions. Callan et al. (2008) showed that over the period 2000 to 2006 the increase on state pensions spending strongly benefited those in the bottom deciles of the income distribution, closing the gap with the income poverty threshold. However there are some counterpoints to this general improvement among the older population. Indeed, some groups including people living alone and those with health problems or disabilities still have a much higher “at risk of poverty” than other older people, with rates of 24 per cent and 23 per cent respectively.

Callan et al. (2008) discussed the policy options for addressing the increased risks of poverty associated with living alone. Using the SWITCH micro-simulation model they investigated the impact of replacing the Living Alone Allowance (LAA) (which currently stands at €7.70 per week) with the non-means-tested Living Alone Supplement (LAS). They estimated that introducing such an allowance at the level of €46.50 per week would reduce income poverty among older people measured at the 60 per cent of median level (and using the equivalence scale adopted in this study and NAPS) from 39 to 32 per cent (Callan et al., 2008, p. 82). The benefits of the scheme in reducing poverty must be balanced against the cost of replacing the LAA with a non-means tested scheme. LAS is calculated at €211 million, although the costs of a means-tested allowance is likely to be considerably lower.

Other factors that increase risk of poverty among the older population are also amenable to policy intervention. Further analyses on the role of medical card provision to different groups in ameliorating the link between poor health and consistent poverty would provide greater information on policy changes in this area.

6.5 Post-2007: The Recession and Beyond

The greatest concern for the future evolution of poverty rates in Ireland is the onset of economic recession in the second half of 2008. This has led to a significant contraction in employment and a sharp increase in unemployment. The unemployment rate rose from 4.9 per cent at the beginning of 2008 to over 12 per cent in the second quarter of 2009 (CSO, 2009b). The most recent forecasts suggest that unemployment will peak at 15 per cent in 2010 (Barrett et al., QEC Autumn, 2009). It is still unclear how deep the recession will go and how long it will last. Initial analysis suggests that many familiar groups have a higher risk of unemployment during the current recession, such as those with low qualifications, young people and non-Irish nationals. Figures are not yet available on whether recent unemployment has been concentrated amongst households, which, as the analyses in this report show, is a very strong trigger for poverty. The extent to which people who have recently become unemployed will remain trapped in long-term unemployment is also an unanswered question, and this too has implications for the level of economic deprivation and consistent poverty in society. The fact that the level of indebtedness⁴⁶ which households had taken on had reached unprecedented levels by the time the recession began increases their vulnerability and is a particularly worrying feature of this compared with previous downturns.

In addition to these labour market problems, substantial cuts in public spending have been made in response to the fiscal deficit, including cuts in spending on welfare. A further round of public spending cuts has also been signalled for the 2011 Budget. These cuts are likely to have significant consequences for poverty risks. It is very important that proposals are put through a poverty impact assessment so that the implications of alternative strategies in terms of poverty are made explicit. For example, Callan et al. (2009) show that cuts in the level of child benefit will have a more severe impact on “at risk of poverty” rates among children than strategies based on the taxation of these benefits. The policy choices made in the coming months will have important and potentially long-term implications for the levels of poverty and inequality in Ireland in the future and the way in which the costs of the recession are distributed.

The current recession also has implications for the monitoring of poverty and the development of targets in relation to poverty. Over the last series of studies monitoring poverty in Ireland (Whelan et al., 2003; Layte et al., 2001), we have argued for the development of a tiered approach in relation to poverty targets as well as for the development of a multidimensional approach to monitoring poverty in order to capture the full complexity of

⁴⁶ The ESRI are currently preparing a report on financial exclusion and over-indebtedness in Ireland for the Social Inclusion Division, which is due to be published in 2010.

social exclusion.⁴⁷ The shift from an income-only measure of poverty to one incorporating material deprivation (via the consistent poverty measure) constituted real progress in reflecting social change during the economic boom. The current economic environment and the social consequences of the crisis highlight the need to give more importance to the multidimensionality aspects of social exclusion and to the need to capture them via a wide range of indicators.

These concerns have already been recognised by the adoption of the battery of commonly agreed social indicators by the European Commission to address social inclusion (Marlier et al., forthcoming). The indicators used within the social inclusion strand include not only income poverty measures but also indicators that reflect other forms of exclusion in relation to work, education, healthcare, and material deprivation to cite only a few. Incorporation of such an explicitly multidimensional approach into the monitoring of change in Ireland over the next period would be consistent with the thrust of the NESC's recent report on well-being,⁴⁸ and would provide a basis for better understanding of the complexities of the impact of the economic and fiscal crises on the vulnerable. The EU are now close to adopting European-wide poverty reduction targets which will incorporate non-monetary indicators of poverty, the adoption of such target would be a significant political development and would be a visible signal of Europe's commitment to tackling poverty.

6.6 Future Research Questions

The changing economic and labour market context raises important issues for future research. A key issue in the future evolution of poverty will be the extent to which unemployment becomes long term and concentrated within households. Research on the spread and impact of rising unemployment levels will be crucial to understanding the impact of the current recession. The impact of the recession on income inequality (and consequently income-based poverty measures) cannot be assumed, as housing and stock market crashes are likely to have impacted on incomes on the top of the distribution, and cuts in public sector pay have reduced the earnings of those in higher income deciles (Nolan, 2010). Careful analyses of these competing effects on household incomes in future waves of the EU-SILC data will shed light on how the costs of the recession have been distributed. New features of the current recession compared to the 1980s and early 1990s is the high level of personal debt among households and the increased risk of

⁴⁷ An illustration of such tiered approach has been suggested by Nolan et al. (2002) where one would observe in the following order: real incomes rising and deprivation levels falling for those on low incomes, consistent poverty falling, relative income poverty falling.

⁴⁸ NESC (2009) *Wellbeing matters: A social report for Ireland*, Vol. 1. Dublin: NESC report 119.

unemployment among non-Irish nationals, who were a very small part of the population in the earlier period. Both these issues are worthy of further investigation. A research project on over-indebtedness and poverty is currently underway at ESRI in conjunction with the Social Inclusion Division of the Department of Community, Equality and Gaeltacht Affairs. An international study on integration of immigrants into society is also being undertaken by researchers at the ESRI in partnership with IZA (Institute for the Study of Labor, Bonn). The continuing high rates of poverty among children in Ireland, and the strong connection between lone parenthood and child poverty, underlines the need for further research on this topic. The *Growing Up in Ireland* national longitudinal survey of children will be a major resource in this area in the future. The changes to the benefits for lone parents outlined in the Social Welfare Bill 2010, if implemented, will need to be monitored and reviewed in the light of their impact on child poverty and poverty levels more generally.

APPENDIX

A: METHODOLOGY AND MEASURES

A.1 DATA

The current report draws on the analysis of the European Union Statistics on Income and Living Conditions (EU-SILC). In Ireland, the information required under the EU-SILC framework is being obtained via a survey conducted by the Central Statistics Office (CSO) each year. The EU-SILC survey is a voluntary survey of private households. The EU-SILC survey was initiated in 2003, with interviews carried out only on a six months period from June to December 2003 that resulted in a sample of 3,090 households and 8,101 individuals; the survey was then carried out every year onward. The EU-SILC survey collects information on the income and living conditions of households as well a large range of socio-demographic information about the household members, ranging from personal characteristics to personal income, living conditions, labour market position, education, health etc.

For this analysis we are using EU-SILC 2007. In 2007, the total completed sample size is 5,608 households and 13,691 individuals. A two-stage sample design with eight population density stratum groups with random selection of sample and substitute households within blocks and the application of appropriate weight was employed (CSO, 2008).

A.2 UNIT OF ANALYSIS AND INCOME MEASURE

We follow the conventional practice in adopting the household as the income-sharing unit throughout this study, which means that we treat all members of the same household as having the same standard of living. A household is defined as a person living alone or a group of people who live together in the same dwelling and share expenditures, including the joint provision of the essentials of living.⁴⁹ Changing the assumption about the extent to which resources are shared within the household could lead to quite different estimates of the distribution of poverty (Findlay and Wright, 1996). Nolan and Watson (1999) investigated differences in access to non-monetary resources between partners using a subset of the deprivation items that could be

⁴⁹ This definition is harmonised definition that is applied across all countries participating in EU-SILC.

interpreted as personal rather than household items (e.g. items relating to the possession of clothes, shoes, ability to pursue a hobby/leisure activity). In the majority of couples there was no gap in the scores of husbands and wives. Where gaps exist they were somewhat more likely to favour the husband (56 per cent of cases wife had a higher deprivation score and in 44 per cent of cases the husband had a higher score). They argue that the “quite limited imbalance in favour of husbands ... does not suggest that conventional poverty measurement ‘misses’ substantial numbers of poor women living in non-poor households” (p. 118). However they note that further research using specifically designed measures of individual living standards is needed to further test this issue.

Differences in household size and composition, in terms of numbers of adults and children, affect the living standards a particular level of income will support, so household income is routinely adjusted to take account of this variation in household needs. This adjustment is called an “equivalence scale”. One option would be to simply divide the household income by the total number of members, however this ignores the economies of scale that exist within households, for example in the case of housing costs. In this study we adopt an equivalence scale which assigns a value of 1 for the first adult, .66 for any additional member aged 14 or over and .33 for any children under the age of 14 years. This is the equivalence scale that has been adopted for monitoring poverty trends in Ireland and that has been adopted in the NAPS poverty measure, and has been termed the “Alternate National” equivalence scale by the CSO. The effects of adopting alternate equivalence scales have been investigated in a number of previous studies (e.g. Whelan et al., 2003; Callan et al., 1996). Moreover, some key poverty results calculated using the modified OECD scale are reported in the CSO report on SILC 2007 (CSO, 2008).

The total net disposable income is calculated for each household including all earned income (after-tax), income from social transfers and other sources of income such as interest on savings. The reference period for the income is the 12 month period prior to the day of the interview. The total household equivalised income is then calculated by dividing the total net disposable income by the number of adults equivalent. The equivalised household income is then attached to each household member. The poverty line for individuals is established on the basis of the distribution of household equivalised incomes over individuals; the median is the income level at which 50 per cent of individuals lie above the benchmark and 50 per cent below. The CSO household poverty rates are calculated by using the same threshold, i.e. it is the percentage of households containing poor individuals. The median is not recalculated at the household level.

In the majority of the analysis presented in the study the income poverty line is drawn at 60 per cent of median income. This is the measure used in defining the targets in Ireland's revised National Anti Poverty Strategy and is also one of the key "Laeken indicators" devised to study poverty across Europe. Nevertheless, some of the results using measures set at the 50 per cent and 70 per cent of median are also reported in Chapter 2.

A.3 THE POVERTY GAP

In Chapter 2 we looked at the evolution of the poverty gap for the three life-cycle groups. The head-count of households or individuals falling below a particular poverty line can be usefully supplemented by measures which also take into account the depth of income poverty. Thus we take into account not only how many individuals fall below a poverty but also by how much they do so. It therefore provides additional information on the disparity between the incomes of the poor and the non-poor. In previous monitoring poverty publications a gap measure based on Foster, Greer and Thorbecke (1984) was utilised (see Whelan et al., 2003). In the current study we adopt the measure specified in the Laeken indicators for measuring poverty across Europe. The "at risk of poverty" gap indicates the gap between the median equivalised income of persons "at risk of poverty" and the "at risk of poverty" threshold.

A.4 NON-MONETARY INDICATORS OF DEPRIVATION

It has been consistently argued by researchers from the ESRI and elsewhere that while income is a very important measure of resources and of inequality, income alone is not an adequate measure of poverty and can provide a misleading picture about the households most seriously affected by poverty and about trends over time (see discussion in Chapter 1, Whelan et al., 2003). The limit of income thresholds alone as a measure of poverty is captured in the EU categorisation of those below such thresholds as being "at risk of poverty" rather than in poverty. We therefore emphasise in this study that the picture derived from the income poverty figures must be complemented with information on non-monetary indicators of deprivation, which are then combined with income to form the consistent poverty measure. We define individuals in consistent poverty as the individuals that are "at risk of poverty", conventionally using the 60 per cent national median income and are living in a household that is lacking at least two of the 11 items as described.

Therefore we adopt the revised 11-item index of basic deprivation developed by Whelan (2007) and others (Whelan and Maitre, 2007a; Whelan et al., 2007) and which has been incorporated into the National Anti Poverty Strategy. For each of the 11 items respondents must indicate whether they lack

the item because they cannot afford it or for another reason. An extensive review of the deprivation items was carried out by Maître et al. (2006) and the decisions on inclusion and exclusion of items have been based on the evidence from comparison of the groups who are respectively included and excluded. Out of the 11 items used in the current measure of basic deprivation, six come from the original basic set, which relate to deprivation in relation to food, clothing and heat. Five further items focus on adequate participation in family and social life. We present in Table 7.1 below the list of items used in the original measure and the current one.

Table A1: Basic Deprivation Items Used in the Original and Current Basic Deprivation Dimension

Items Retained from Original Basic Set

Two pairs of strong shoes

A warm waterproof coat

Buy new rather than second-hand clothes

Eat meals with meat, chicken, fish (or vegetarian equivalent) every second day

Have a roast joint (or its equivalent) once a week

Go without heating during the last 12 months through lack of money

Items Added to Basic Set

Keep the home adequately warm

Buy presents for family or friends at least once a year

Replace any worn out furniture

Have family or friends for a drink or meal once a month

Have a morning, afternoon or evening out in the last fortnight, for entertainment

Items Dropped from Original Basic Set

Going without a substantial meal due to lack of money

Going into debt to meet ordinary living expenses

Tests show that consistent poverty measures combining income poverty with a threshold of two or more items on the 11-item index provides similar estimates of consistent poverty as the original measure and correlates more strongly with current income, permanent income and subjective economic pressures (Whelan, 2007).

The accumulated evidence supports the view that the revised consistent poverty measures that combine a threshold of two or more items on the 11-item EU-SILC index with income poverty identifies those exposed to generalised deprivation arising from lack of resources in a manner consistent with their use as targets in the National Anti-Poverty Strategy. A comparative exploratory analysis of the relationship between the original consistent

poverty measure and the current measure with other dimension of deprivations (secondary dimension, housing facilities and neighbourhood environment) clearly showed the superiority of the latter measure in identifying individuals with higher level of deprivation on each of these dimensions (Maître et al., 2006). The same conclusion arose in regards to the experience of subjective economic stress where individuals consistently poor on the current measure report higher level of economic stress (Maître et al., 2006). The measure of subjective economic stress we employed here is based on the following question asked to the household reference person: "Concerning your household's total monthly or weekly income, with which degree of ease or difficulty is the household able to make ends meet?" Respondents were offered six response categories ranging from "with great difficulty" to "very easily". The economic stress variable is constructed as being those reporting either "great difficulty" or "difficulty".

A.5 CONSISTENT POVERTY AND POVERTY TARGETS

In the revised NAPS (*Building an Inclusive Society, 2002*) poverty targets were set to be reached in 2007. The poverty targets as defined by the consistent poverty measure were set up for the total population as well as for particular vulnerable groups of the population (children, women and older people). However, as described below, changes in the design and the construction of the consistent poverty measure make the evaluation of the progress achieved on the poverty targets difficult to complete. The original targets were designed on a consistent poverty measure that used a combination of an eight-item deprivation indicator as well as an income poverty threshold based on 60 per cent of the *mean* income and based on the year 2000 survey of the Living in Ireland data base. In 2000 the consistent poverty rate among households was of 6.2 per cent and the following year, which marked the final year of the Living in Ireland survey, it fell to 5.2 per cent. The discontinuity of the surveys used to gather information on income and deprivation with the switch from the Living in Ireland survey to the EU-SILC in 2003 meant that it was difficult to compare the trends of consistent poverty between the two surveys. Further difficulty arose with the addition of the move from a consistent poverty measure relying on a mean income to a median income base. Finally, in 2007 the government adopted a revised consistent poverty measure as suggested by the work done at the ESRI (Maître et al., 2006). These technical changes make it invalid to compare the poverty rates published in the current study with the original targets.

As a way around this problem we compare the percentage reduction that should have occurred each year if the targets were met with the "original" consistent poverty measure and the one achieved with the "revised" consistent

poverty measure using the new data source (see Chapter 6). This assumes that the rate of decline would be the same each year. The results do not mean that the target would not have been met (had the same data source been available) since the decline over the period 2002 to 2003 could have been higher.

A.6 MEASURING HEALTH STATUS

The EU-SILC does not contain sufficient disability measures, however within each group we consider the effects of health status (either of the respondent or of the household reference person in the case of children). The Irish SILC survey does not ask directly about disability status, however it nevertheless collects some useful information about the health status of individuals. Respondents are first asked, “Do you suffer from a long-standing (chronic) illness or condition (health problem)?” Respondents were told to take “long-standing” to mean lasting over the past six months or likely to affect them for at least six months. All respondents were also asked, “For at least the last six months have you been limited in activities people usually do because of a health problem? (If limited, specify whether strongly limited or limited).”

A.7 MEASURING NATIONALITY

As discussed briefly in Chapter 1, over the past ten years net inward migration has led to Ireland becoming a more diverse society in terms of nationality and ethnicity. According to the 2006 Census just over 10 per cent of the population were non-Irish national, up from 5.8 per cent in 2002. Two-thirds of non-nationals were from other EU countries (including the UK).

Previous research has highlighted a number of features of the non-national population that are likely to influence the risks of poverty for this group. Firstly, compared to the total population the non-Irish national population is highly skewed towards the working age population (25–44 years), with fewer persons under 20 years and in the over 45 age categories (Smyth et al., 2009). Figures from the 2007 QNHS showed that foreign national women and men had marginally higher economic activity rates than their Irish counterparts (Russell et al., 2009, Table 2.6). However, within the economically active group, non-Irish nationals experience a higher rate of unemployment (O’Connell and McGinnity, 2008) and earn less than equally qualified Irish nationals. Barrett and McCarthy (2007) found that, controlling for education and length of work experience, non-Irish immigrants earn 19 per cent less than Irish workers.

Information on the nationality of respondents is collected in SILC but not on ethnicity. These figures show that 6.8 per cent of the sample in 2007 were non-Irish nationals, which compares to 4.6 per cent in the 2004 SILC survey. In 2007, 23 per cent of non-Irish individuals were living in households with less

than 60 per cent of median household income, compared to 16 per cent of Irish nationals.

B: TABLES

Table B1: Old and New Consistent Poverty Measures 2007

	Old	New
All	5.9	5.1
Children <18 Years	8.5	7.4
Working age 18-64 years	5.4	4.7
Older People	2.4	2.0

Source: CSO (2008) Table 12 and Table B5

Table B2: Child Benefit Rates, 2004 to 2007

<i>Child Benefit</i>	Monthly Rate Euros (€)			
	2004	2005	2006	2007
One child	131.6	141.6	150	160
Two children	263.2	283.2	300	320
Three children	428.5	460.5	485	515
Four children	593.8	637.8	670	710
Five children	759.1	815.1	855	905
Six children	924.4	992.4	1,040.0	1100
Seven children	1089.7	1,169.7	1,225.0	1295
Eight children	1255	1,347.0	1,410.0	1490

Table B3: % Change in Child Benefit Rates

Child Benefit	2004	2005	2006	2007	Increase 2004-2007
One child	6.0	7.6	5.9	6.7	21.6
Two children	6.0	7.6	5.9	6.7	21.6
Three children	4.9	7.5	5.3	6.2	20.2
Four children	4.9	7.4	5.0	6.0	19.6
Five children	5.0	7.4	4.9	5.8	19.2
Six children	5.0	7.4	4.8	5.8	19.0
Seven children	5.0	7.3	4.7	5.7	18.8
Eight children	5.0	7.3	4.7	5.7	18.7

Table B4: One Parent Family Payment Rates, 2004 to 2007

	Weekly Rate €			
	2004	2005	2006	2007
Personal rate (under 66)	134.8	148.8	165.8	185.5
Child dependent	19.3	19.3	19.3	22.0

Table B5: Change in One Parent Family Payment, 2004 to 2007

	% Change since Previous Year				Increase 2004-2007
	2004	2005	2006	2007	
Personal rate (under 66)	8.0	10.4	11.4	11.9	27.3%
Child dependent	0.0	0.0	0.0	14.0	12.3%

Table B6: Trends in Pension Rates, Median Income Threshold, Industrial Earnings and Consumer Price

	2003	2004	2005	2006	2007	% Rise 2003-2007
60% median income	175.77	185.51	192.74	202.49	228.65 ¹	30.1%
Average Industrial Earnings	535.74	560.77	580.88	601.21	627.24	17.0%
CPI ⁴	106.3	108.6	111.3	115.7	121.3	14.1%
State Pension Contributory	157.3	167.3	179.3	193.3	209.3	33.0%
State Pension Non-contributory	144.0 ²	154.0 ²	166.0 ²	182.0 ²	200.0 ³	38.9%

Source: National Report for Ireland on Strategies for Social Protection and Social Inclusion, updated and figures on non-contributory state pension added.

1 The threshold excluding the SSIA income is 221.25.

2 This is the maximum amount payable for those whose means are less than €7.60 per week.

3 This is the maximum amount payable for those whose means are less than €30 per week.

4 The original source does not say what is the reference year for the CPI calculations.

Table B7: Logistic Regressions on “At Risk of Poverty” and Consistent Poverty for Children

	At Risk of Poverty		Consistent Poverty	
	<i>Odds Ratios</i>		<i>Odds Ratios</i>	
	Model 1	Model 2	Model 3	Model 4
Age	1.039	1.067	1.162*	1.182*
Age ²	1.002	1.001	0.992*	0.991*
HRP Limited activity	1.587**	1.632**	4.341**	4.872**
HRP Irish	ref	ref	Ref	Ref
HRP non Irish	2.296**	2.098**	0.452	0.377
HRP at work	ref	ref	Ref	Ref
HRP unemployed	12.089**	2.910**	3.461**	0.583
HRP home duties	5.421**	1.743**	3.123**	0.706
HRP retired	4.451**	1.767	0.000	.000
HRP ill/disabled	5.325**	1.534	5.449**	1.187
HRP Tertiary level	Ref	ref	Ref	Ref
HRP No qualification	3.893**	2.653**	7.508**	5.869**
HRP Inter leaving certificate	3.909**	2.904**	3.341**	2.586*
HRP Leaving certificate	1.783*	1.624*	3.086**	3.096**
Middle Class	Ref	Ref	Ref	Ref
Self employed	5.018**	5.178**	2.055*	2.027*
Working class	2.403**	2.767**	2.052*	2.451**
2 adults with 1-2 children	Ref	Ref	Ref	Ref
2 Adults and 3children	2.974**	2.471**	2.342*	2.029
2 Adults and 4+ children	2.737**	2.494**	9.909**	9.371**
3 Adults and children	0.689*	0.646*	0.806	0.864
Lone parent	6.534**	4.383**	15.450**	10.411**
Urban	Ref	Ref	Ref	Ref
Rural	1.007	1.044	0.625*	0.656*
All at work		ref		Ref
Jobless Household		8.657**		8.456**
Mixed work		1.738**		1.569
Nagelkerke R Square	0.397	0.433	0.428	0.453
N	2959	2959	2959	2959

**P<0.01, *P<0.05

Table B8: Logistic Regressions on “At-Risk of Poverty” and Consistent Poverty – Working Age (Respondents’ Characteristics)

	At Risk of Poverty		Consistent Poverty				
	Odds Ratios		Odds Ratios				
	Model 1	Model 2	Model 3	Model 4			
Female	1.049	1.155	0.933	1.062			
Age	0.941	**	0.976	1.072	1.101	*	
Age ²	1.001	**	1.000	0.999	0.999	**	
Limited activity	1.203		1.105	2.310	***	2.263	**
Irish	Ref		Ref	Ref	Ref		
Non-Irish	2.551	**	2.365	1.052	0.946		
At work	Ref		Ref	Ref	Ref		
Unemployed	10.078	**	2.479	13.637	***	2.559	**
Home duties	3.439	**	1.128	4.916	***	1.066	
Retired	5.064	**	1.422	3.971	***	0.818	
Ill/disabled	5.903	**	1.448	5.874	***	1.062	
Tertiary level	Ref		Ref	Ref	Ref		
No qualification	3.704	**	3.237	9.475	***	7.657	**
Junior/Inter cert.	3.538	**	3.068	5.315	***	4.235	**
Leaving certificate	1.682	**	1.668	3.306	***	3.234	**
Middle class	Ref		Ref	Ref	Ref		
Self employed	2.873	**	3.708	0.723	*	0.885	
Working class	1.962	**	2.111	1.048	1.070		
2 adults + 1-2 children	Ref		Ref	Ref	Ref		
1 adult	3.938	**	2.879	3.356	***	2.248	**
2 + adults	0.493	**	0.458	1.613	1.593		
2 Adults + 3 children	2.351	**	2.192	1.500	1.372		
2 Adults + 4+ children	2.661	**	2.375	8.356	***	7.544	**
3 Adults + children	.859		0.859	1.135	1.143		
Lone parent	5.021	**	2.885	11.528	****	6.403	**
Urban	Ref		Ref	Ref	Ref		
Rural	1.278	**	1.271	0.853	*	0.801	
All at work			Ref		Ref		
Jobless			10.732		18.484		**
Mixed work			1.676		2.422		**
Nagelkerke R Square	0.324		0.382	0.333	0.373		
N	6890		6890	6890	6890		

**P<0.01, *P<0.05

Table B9: Logistic Regressions on “At-Risk of Poverty” and Consistent Poverty – Working Age (Household Reference Person’s Characteristics)

	At Risk of Poverty				Consistent Poverty			
	Odds Ratios				Odds Ratios			
	Model 1		Model 2		Model 3		Model 4	
Female	0.869		0.854		0.476	**	0.473	**
Age	1.112	**	1.161	**	1.210	**	1.275	**
Age ²	0.999	**	0.999	***	0.998	**	0.997	**
Limited activity	1.358	**	1.228	*	2.487	**	2.431	**
Irish	Ref		Ref		Ref		Ref	
Non-Irish	3.926	**	3.400	**	1.436		1.030	
At work	Ref		Ref		Ref		Ref	
Unemployed	14.514	**	3.473	**	12.069	**	2.393	**
Home duties	6.041	**	2.632	**	8.188	**	2.265	**
Retired	6.220	**	2.514	**	3.238	**	0.819	
Ill/disabled	9.141	**	2.479	**	10.109	**	1.960	*
Tertiary level	Ref		Ref		Ref		Ref	
No qualification	2.838	**	2.473	**	6.702	**	5.270	**
Junior/Inter cert.	2.630	**	2.298	**	4.185	**	3.346	**
Leaving certificate	1.206		1.113		2.087	*	1.916	*
Middle class	Ref		Ref		Ref		Ref	
Self employed	3.561	**	4.119	**	0.796		0.926	
Working class	1.865	**	2.008	**	0.881		0.923	
2 adults + 1-2 children	Ref		Ref		Ref		Ref	
1 adult	4.363	**	2.517	**	2.746	**	1.505	
2 + adults	0.548	**	0.538	**	1.952	**	2.233	**
2 Adults + 3 children	3.200	**	2.736	**	2.787	**	2.117	
2 Adults + 4+ children	2.580	**	2.310	**	8.979	**	7.292	**
3 Adults + children	0.720	*	0.788		0.710		0.792	
Lone parent	6.526	**	3.495	**	19.124	**	10.746	**
Urban	Ref		Ref		Ref		Ref	
Rural	1.163		1.150		0.697	*	0.635	**
All at work	Ref		Ref		Ref		Ref	
Jobless			9.764	**			11.952	**
Mixed work			1.279	*			1.914	*
Nagelkerke R Square	0.342		0.410		0.363		0.405	
N	7230		7230		7230		7230	

** P< .01, * P<.05

Table B10: Logistic Regressions on “At Risk of Poverty” and Consistent Poverty for Older People (Respondents’ Characteristics), SILC 2007

	At Risk of Poverty	Consistent Poverty
	<i>Odds Ratios</i>	<i>Odds Ratios</i>
Female	.668	.405
Age	.695	1.083
Age ²	1.002	.999
Limited activity (health)	1.221	3.010**
Irish	ref	ref
Non-Irish	3.787**	2.602
Retired	Ref	ref
At work	.407**	.275
Home duties	1.750**	2.859
Ill/disabled	1.485	4.694**
Tertiary level	Ref	ref
No qualification	7.854**	10.028
Junior/Inter cert.	3.444**	1.424
Leaving certificate	4.218**	5.937
Middle class	ref	ref
Self employed	.703	1.625
Working class	.789	1.410
Couple Only	ref	ref
Living with others	.823	1.969
Living alone	2.216**	6.224**
Urban	ref	ref
Rural	1.446**	.827
Nagelkerke R Square	.131	.196
N	2843	2843

** P < .01, * P < .05

Table B11: Logistic Regressions on “At Risk of Poverty” and Consistent Poverty for Older People (Household Reference Person’s Characteristics), SILC 2007

	At Risk of Poverty	Consistent Poverty
	<i>Odds Ratios</i>	<i>Odds Ratios</i>
Female	1.004	.703
Age	.721	1.085
Age ²	1.002	.999
Limited activity (health)	1.221	2.977**
Irish	ref	ref
Non-Irish	3.623**	2.070
Retired	ref	ref
HRP at work	.490**	.218
HRP home duties	1.188	1.616
HRP ill/disabled	1.837	4.570**
Tertiary level	ref	ref
HRP No qualification	9.250**	11.507
HRP Junior/Inter cert.	3.996**	2.472
HRP Leaving certificate	5.967**	6.397
Middle class	Ref	ref
Self employed	.737	1.808
Working class	.814	1.443
Couple Only	ref	ref
Living with others	.857	2.069
Living alone	2.093	5.858**
Urban	ref	ref
Rural	1.491**	.877
Nagelkerke R Square	.124	.192
N	2846	2846

** P < .01, * P < .05

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