

Social Transfers and Poverty Alleviation in Ireland 2004-2011

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Introduction



- Role of Welfare State and social transfers
 - Social transfers => reduce poverty & income inequality (together with taxation)
 - Adjust income to economic needs & life cycle circumstances (child benefit, pensions)
 - Buffer to consequences of economic shocks (unemployment)
- Ireland: economic growth (2004-2007) and recession (2008-?)
 - GDP growth 5.4% (2007), -5.5% (2009), -0.9% (2012).
Unemployment rates: from 4.7% (2007) to 14.6% (2011)
 - Impact of the recession on social protection system:
expenditure € 11.3 billion (2004) to € 20.9 billion (2011).
- Poverty reduction effectiveness & efficiency of social transfers
 - Analysis of SILC data, 2004 to 2011

Definitions and Measurement (1)



Item	Wording or components
Social transfers	Include means-tested (e.g. jobseeker allowance) & non-means tested (e.g. child benefit, state pension, contributory) payments, occupational and foreign pensions (public or private sector)
Market income	Income from employment, self-employment, interest & dividends from savings & investments, property income
Poverty threshold	60% of median income from all sources (adjusted for household size and composition)
Market income poverty gap	Gap between the (household) market income and the poverty threshold (expressed as weekly € at household level in 2011 prices)

Definitions and Measurement (2)



Item	Wording or components
Poverty reduction effectiveness (%)	Extent to which social transfers reduce poverty (compared to market income alone). Two indicators: <ol style="list-style-type: none">1. Reduction in the poverty <u>rate</u> (% of people below poverty threshold)2. Reduction in the market income poverty <u>gap</u> (average distance below poverty threshold)
Poverty reduction efficiency (%)	Proportion of social transfers that reduce the market income poverty gap.
Indicators focus on income poverty reduction only (not other policy goals). 100% efficiency may not be desirable as it would create problems in achieving other goals (e.g. Encouraging labour market participation, avoiding basic deprivation)	

Research Questions

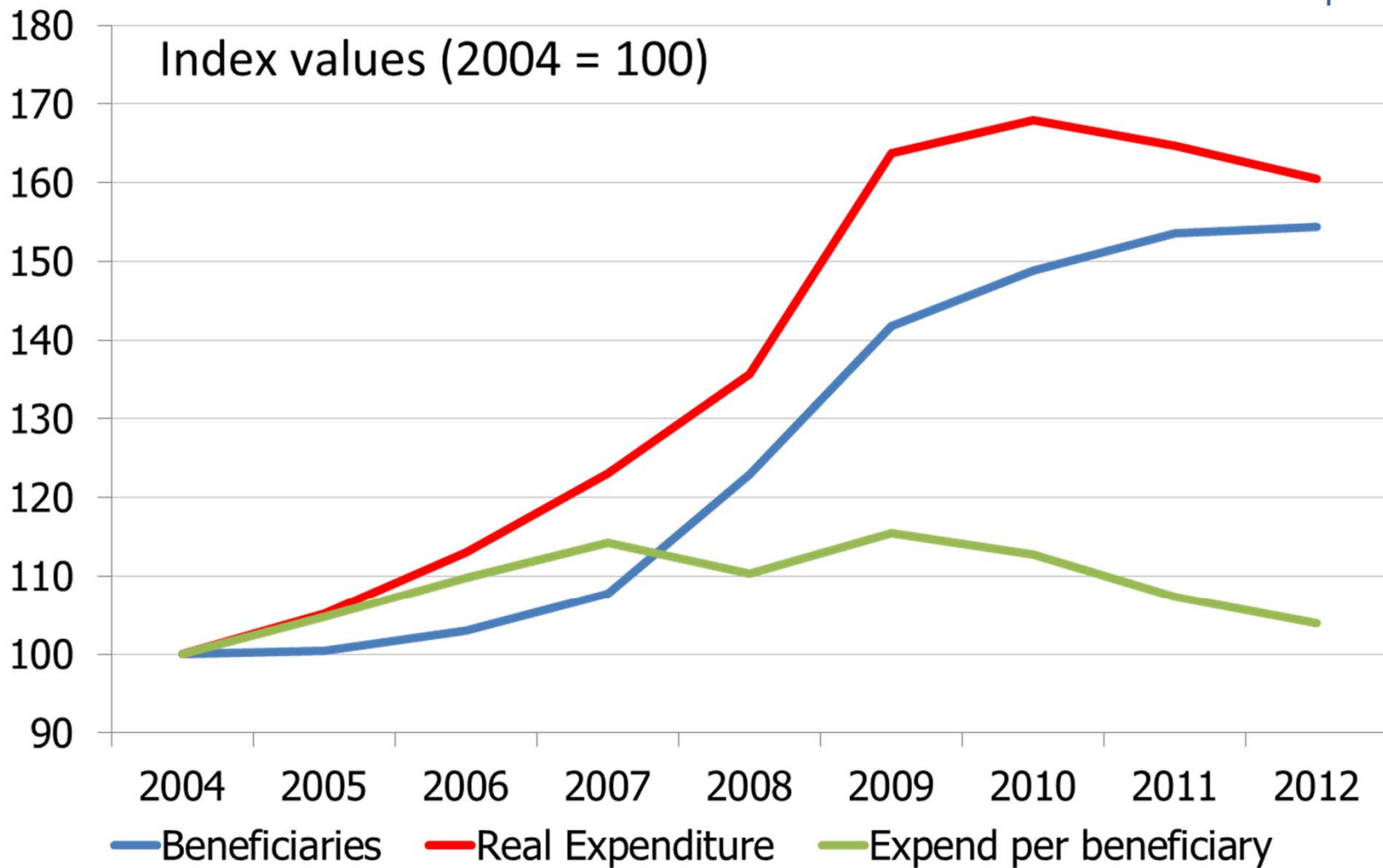


1. How did Irish social transfers and market income change from 2004 to 2011?
2. By how much did the poverty reduction effectiveness of social transfers improve?
3. Why did the poverty reduction effectiveness of social transfers increase?
4. Did the impact of social transfers on poverty vary by life-cycle group?
5. How do social transfers in Ireland compare to those in the EU15?
6. What are the implications for policy?

1. Social transfers and market income change 2004-2011



Changes over time in beneficiaries of weekly social welfare payments, and expenditure on social welfare and poverty threshold, 2004-2012



Trends in market income and social transfers, 2004-2012



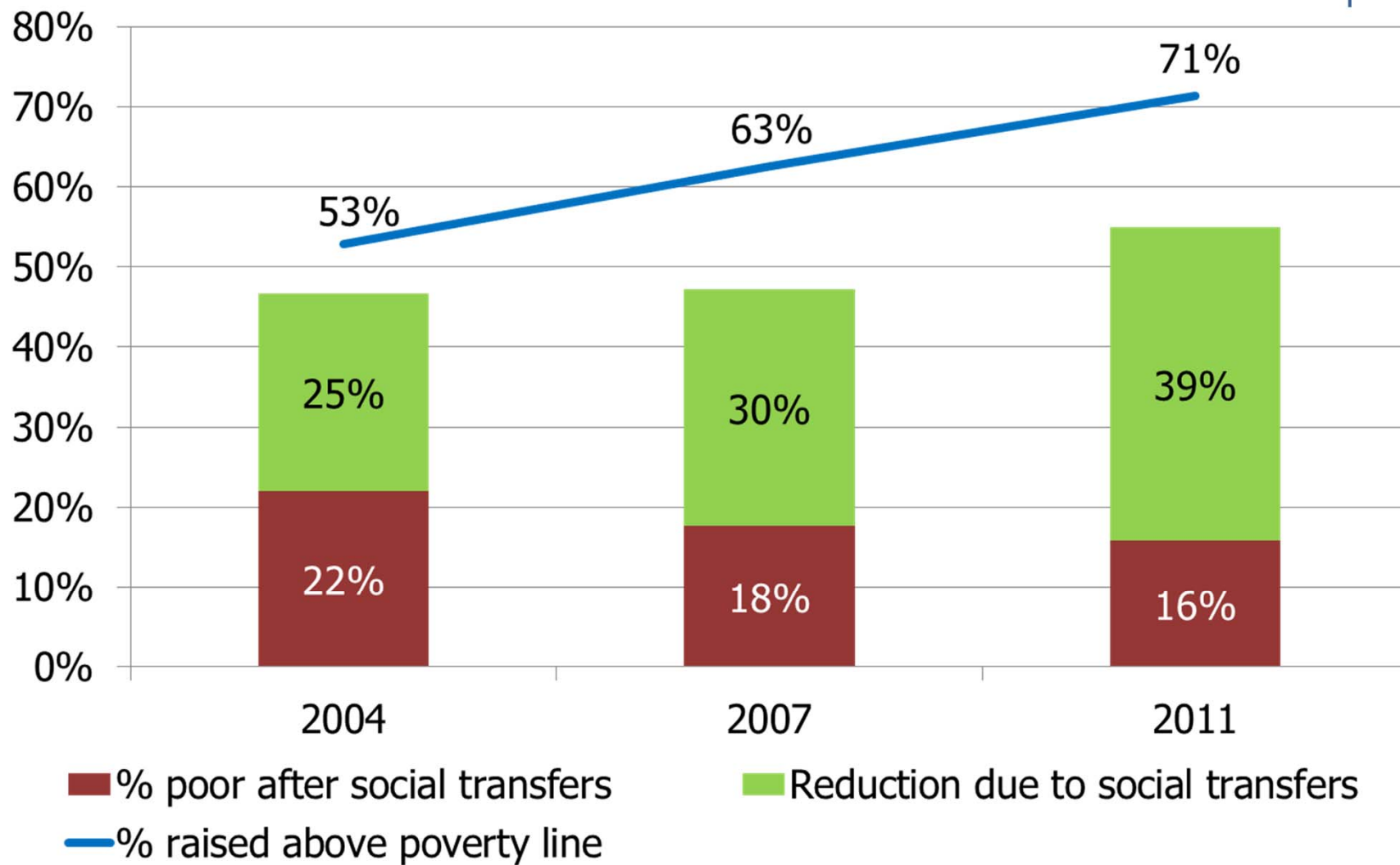
	2004	2007	2011
As share of total gross income			
Market income	80%	78%	70%
Social transfer income	20%	22%	30%
Percentage receiving any			
Market income	76%	80%	71%
Total Social transfer income	85%	85%	87%
Child Benefit	43%	46%	42%
Average weekly amount in 2011 prices, where receive any (household level, gross)			
Market income	€1,044	€1,061	€939
Social transfer income	€233	€277	€327

2. Change in poverty reduction effectiveness 2004-2011

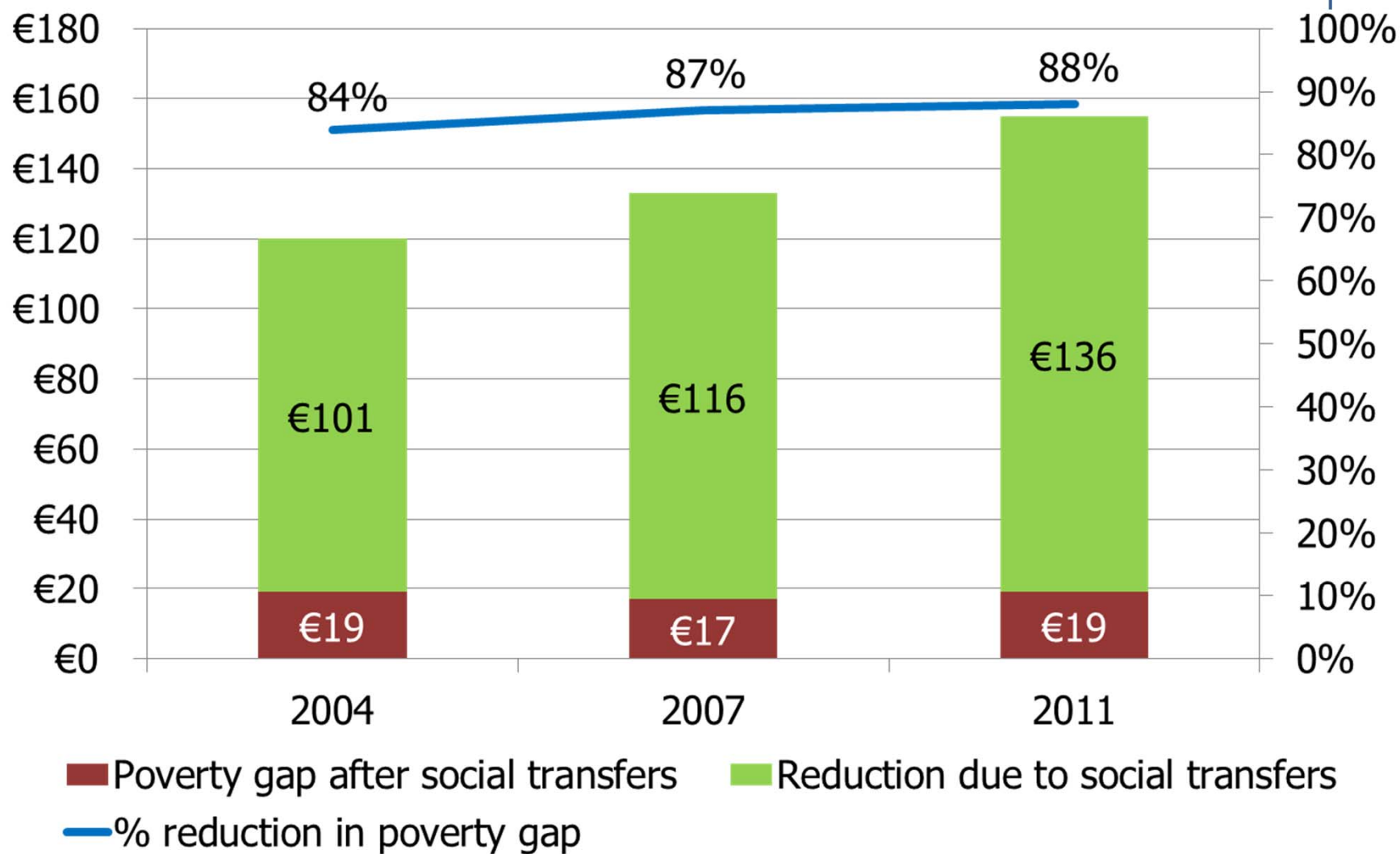




Poverty reduction effectiveness of social transfers: percentage reduction in poverty rate, 2004-2011



Poverty reduction effectiveness of social transfers: percentage reduction in poverty gap, 2004-2011



3. Why an improvement in the poverty reduction effectiveness?

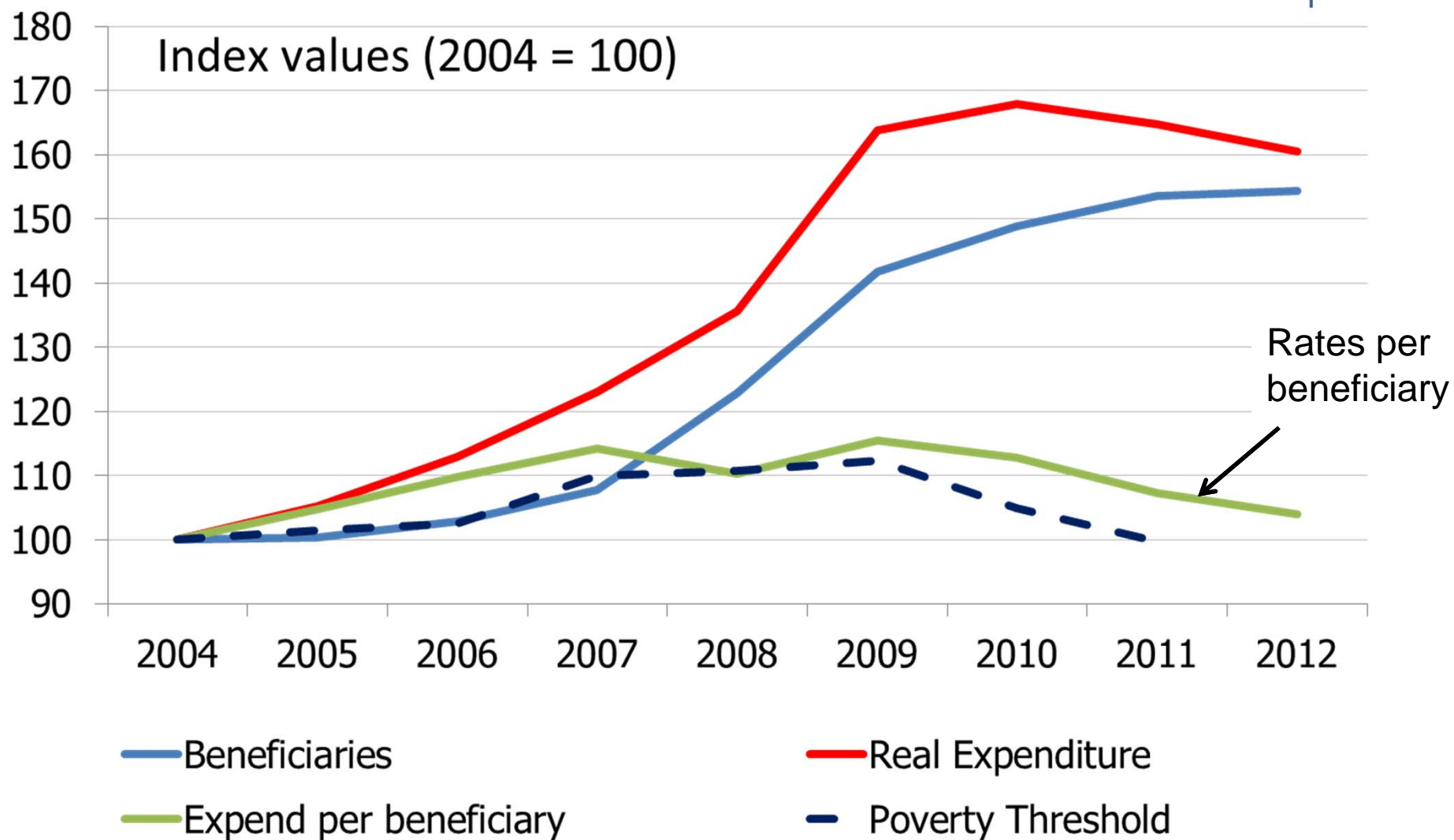


Reasons for improvement in poverty reduction effectiveness



1. Substantial increase in the amount spent relative to the poverty gap
 - Average social transfers amount was 1.66 times poverty gap in 2004 and 1.84 times in 2011.
2. Increase in the rates of social benefits until 2009
3. During the recession
 - a. Increase unemployment & in receipt of unemployment-related payments
 - b. Reduction of market income=> fall of poverty threshold=> poverty gap increased more slowly than it would have otherwise
 - c. Social welfare rates fell less than the poverty threshold
 - Rates for older adults mostly held constant

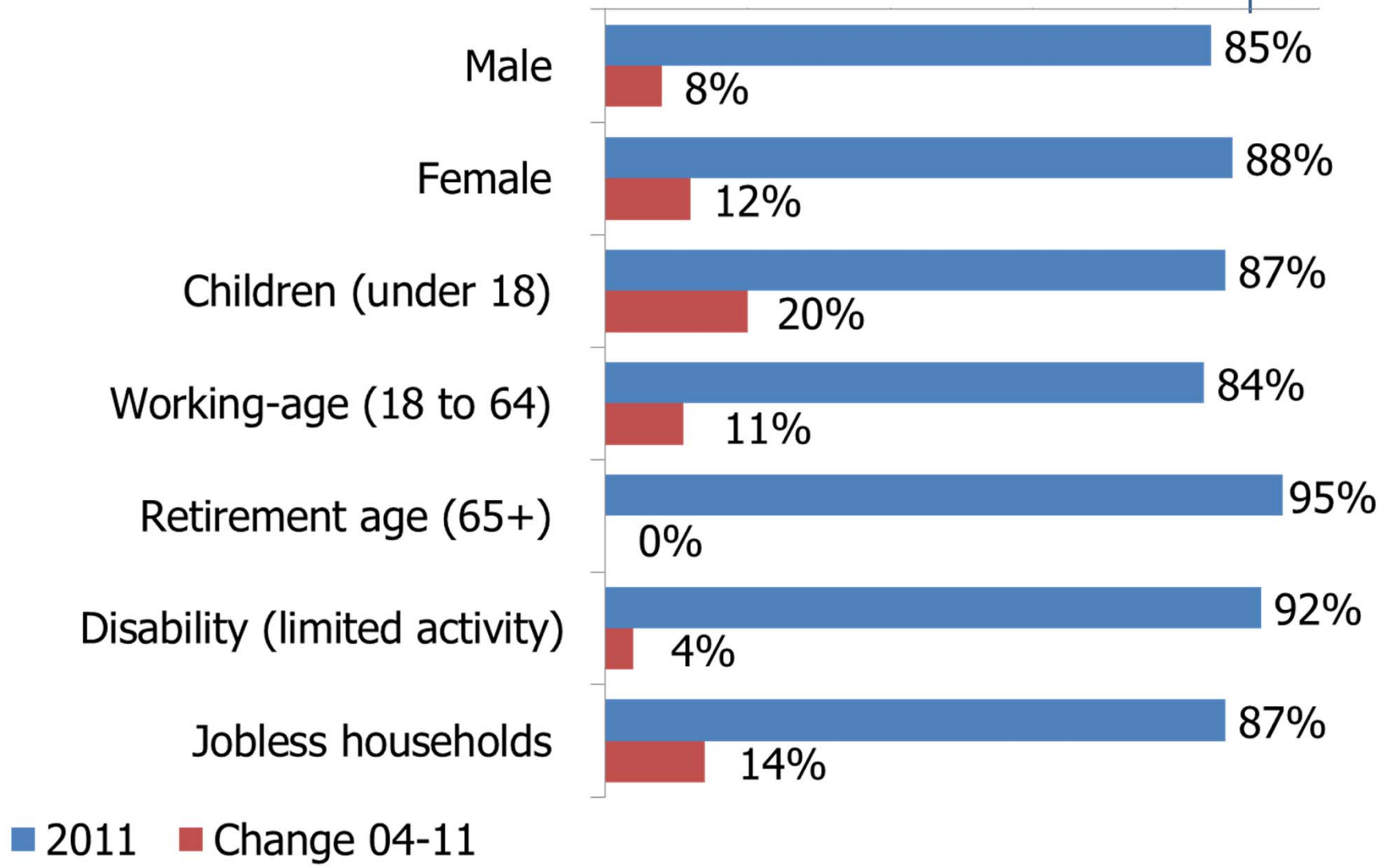
Changes over time in beneficiaries of weekly social welfare payments, and expenditure on social welfare and poverty threshold, 2004-2012



4. Did the impact of social transfers on poverty vary by life-cycle group?



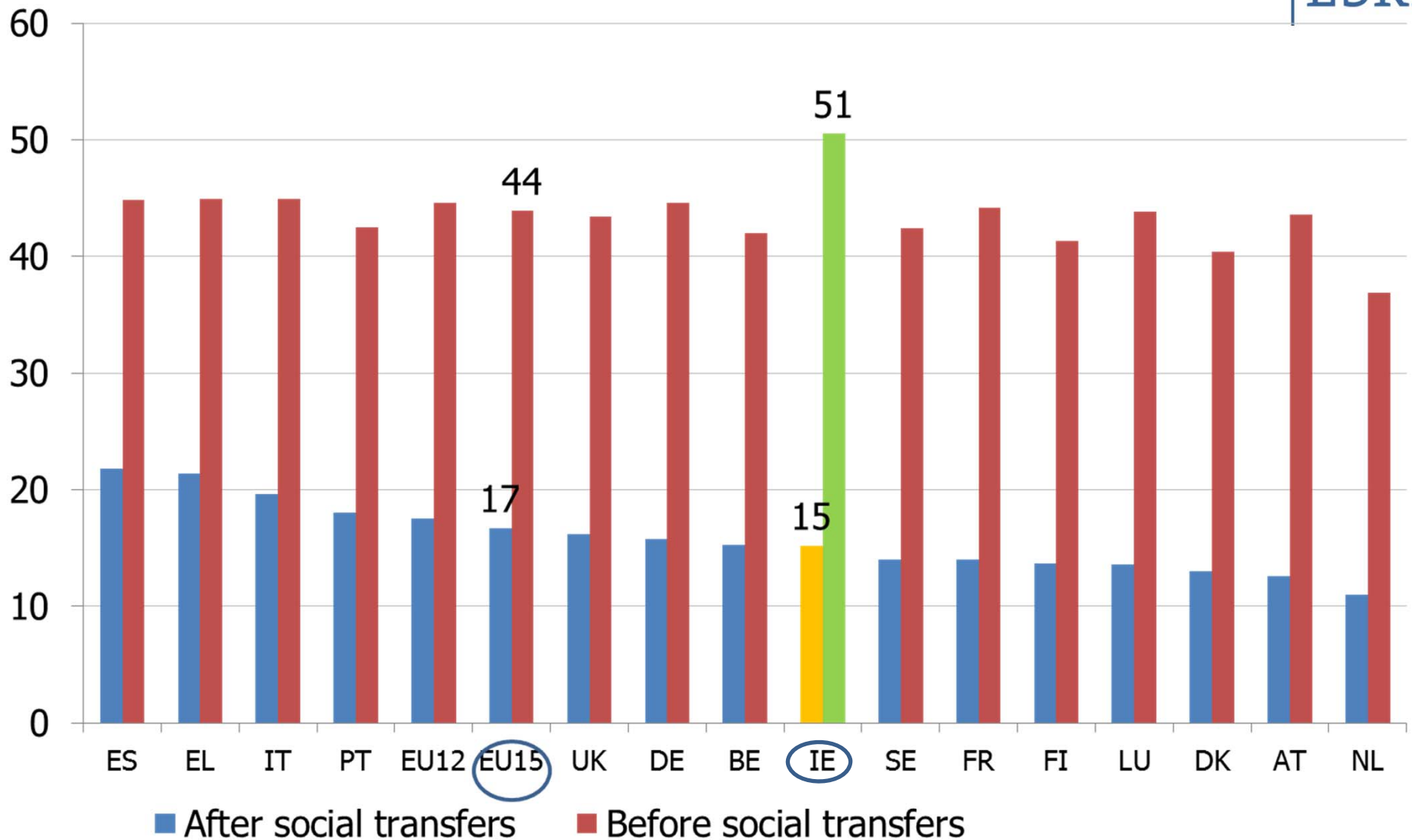
Poverty reduction effectiveness with respect to poverty gap by life cycle, 2004, 2011



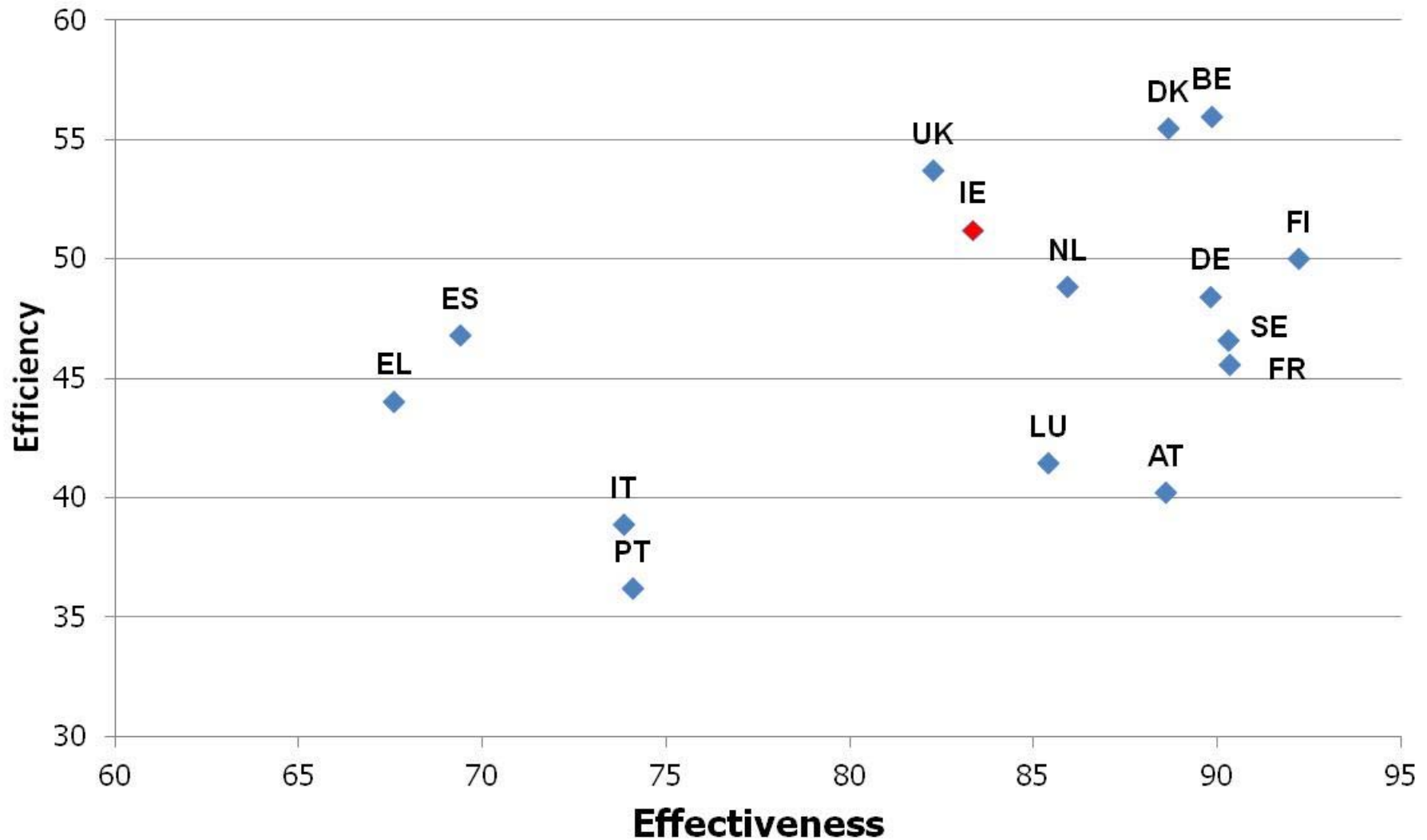
5. Social transfers in Ireland and the EU 15



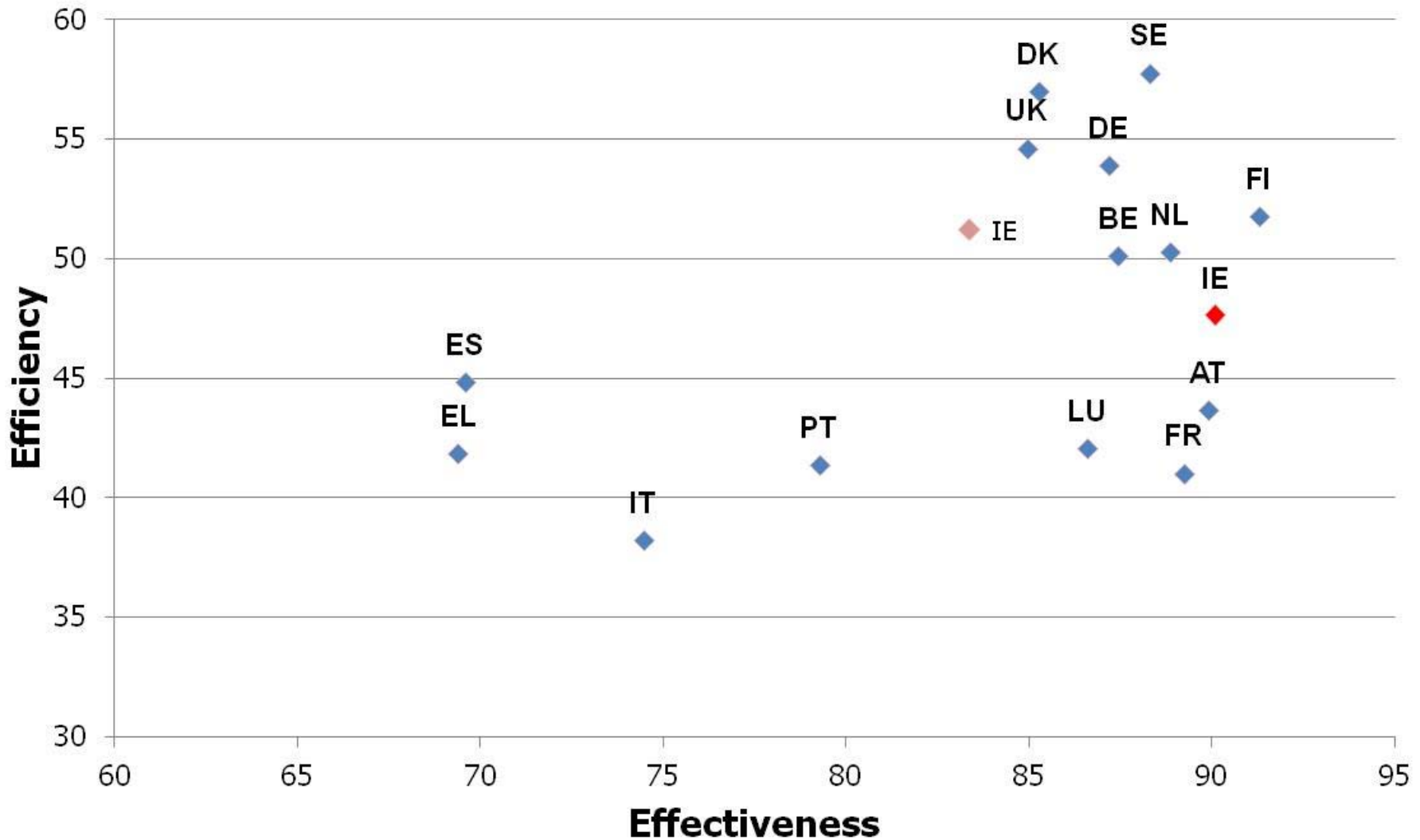
At risk of poverty (%) before and after social transfers, EU 15 in 2011



Effectiveness and efficiency of social transfers in alleviating poverty in EU15, 2005



Effectiveness and efficiency of social transfers in alleviating poverty in EU15, 2010



Policy implications (1)

- **Poverty reduction effectiveness and efficiency:**
 - Poverty reduction effectiveness is high by EU standards & has improved over time --> little scope for improvement overall.
 - Poverty reduction efficiency needs to be weighed against other policy goals (e.g. support labour market participation)
- **Child poverty:**
 - Average poverty reduction effectiveness (lower than over 65s).
 - Given negative consequences of child poverty, emphasis in the *National Social Target for Poverty Reduction* is appropriate.
 - Child poverty must be understood in broader context of working-age household circumstances (unemployment etc).
 - 2/3 of social transfers going to households with children are not specifically child related.

Policy implications (2 rev)

- **Jobless households:**
 - Ireland has highest level of joblessness in EU, 24% (2011)
 - Need for labour market activation, tailored training and support services (unemployed, lone parents, people with disability) as we exit the recession.
 - Need household perspective in designing social welfare system that considers impact on entitlements of other people in household moving into work (means testing)
 - Preserve focus on income protection: half of individuals in jobless households are people with disability or children =>can't rely solely on activation.
 - Social transfers to jobless households are not 'too generous': average level of effectiveness and very high efficiency (little 'waste').



Thank you!