

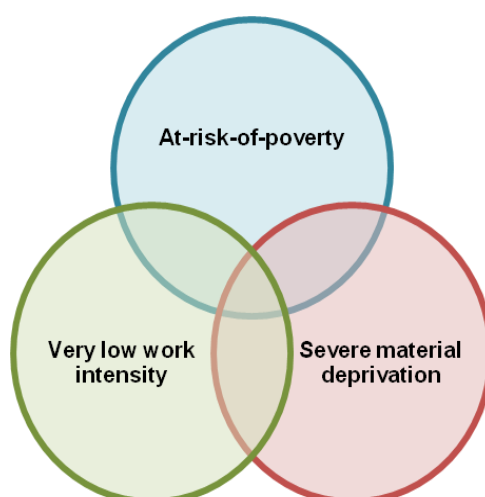
Glossary

At-risk-of-poverty only: it shows the percentage of the population at-risk-of-income-poverty only. They do not experience deprivation; just the one dimension of poverty (income).

At-risk-of-poverty thresholds: income thresholds derived as proportions of median income. These are based on the household income adjusted for household size and composition (referred to as equivalised income). A household at-risk-of-poverty has an adjusted (or equivalised) income below 60% of the median adjusted household income. The at-risk-of-poverty rate takes account of household income from all sources and the number of adults and children in the household. There are some minor differences in the income concept and the equivalence scale between the Irish and EU measures of at-risk-of-poverty.

At-risk-of-poverty: Persons are regarded as being at-risk-of-poverty if their equivalised income is below 60% of the median income. In 2014, the at-risk-of poverty threshold was €10,926 per annum or €209.39 per week for a single person. It was €25,348 or €485.79 a week for a family of 2 adults and 2 children.

At risk of poverty or exclusion: This EU measure combines the number of people who experience at-risk-of-poverty, severe material deprivation, or very low work intensity. This measure is the basis for the Europe 2020 poverty target. In cases where people experience more than one of these indicators, they are counted only once. The Irish version of this measure is 'combined poverty'.



At-risk-of-poverty anchored in time: the proportion of people with an equivalised disposable income below the at-risk-of-poverty threshold calculated in survey year N, adjusted by inflation over subsequent years. It essentially measures the percentage of the population falling below an at-risk-of-poverty threshold of an earlier year, after accounting for the effects of inflation. This indicator is also referred to as an **absolute measure of poverty** which reflects changes in fixed living circumstances, as distinct from changes in relative living standards.

At-risk-of-poverty rate after social transfers: is the percentage of the population with an equivalised income of less than 60% of the median income once all social transfers have been included.

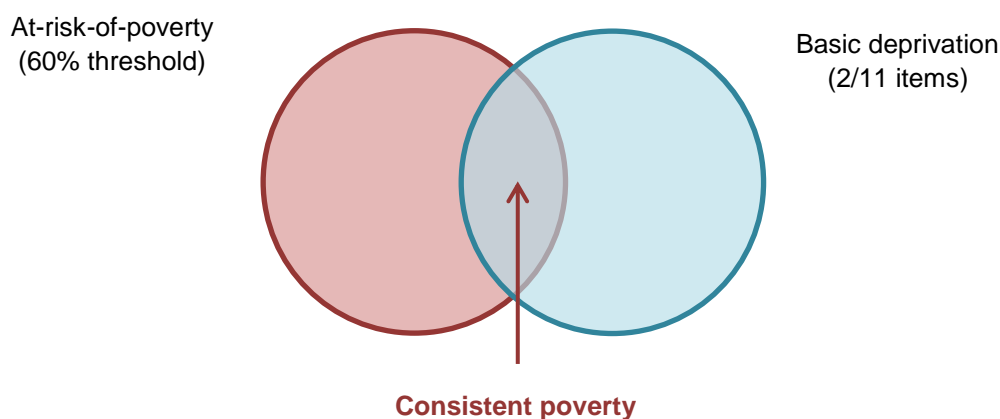
Basic deprivation: people who are denied - through lack of income – at least 2 items on the list of 11 below are regarded as experiencing basic deprivation. This is enforced deprivation as distinct from the personal choice not to have the items. The 11 basic items used to construct the deprivation index are:

- Unable to afford two pairs of strong shoes;
- Unable to afford a warm waterproof overcoat;
- Unable to afford new (not second-hand) clothes;
- Unable to afford a meal with meat, chicken or fish (vegetarian equivalent) every second day;
- Unable to afford a roast joint or its equivalent once a week;
- Without heating at some stage in the last year through lack of money;
- Unable to afford to keep the home adequately warm;
- Unable to afford to buy presents for family or friends at least once a year;
- Unable to afford to replace any worn out furniture;
- Unable to afford to have family or friends for a drink or meal once a month; and
- Unable to afford a morning, afternoon or evening out in the last fortnight for entertainment.

The indicator of basic deprivation was developed by the Economic and Social Research Institute using data from the *Survey on Income and Living Conditions*. See Maître B., Nolan B. and Whelan C. (2006) *Reconfiguring the Measurement of Deprivation and Consistent Poverty in Ireland*, Dublin: ESRI, for further information.

Combined poverty: Ireland's contribution to the Europe 2020 poverty target is based on reducing the population in 'combined poverty'. This is the combination of three indicators – consistent poverty or at-risk-of-poverty or basic deprivation. It is similar to the EU composite measure, 'at risk of poverty or exclusion'.

Consistent poverty: this is a measure of poverty used in the *Updated National Action Plan for Social Inclusion 2015-2017* (NAPinclusion) that takes account of the household's living standards as well as the household size, composition and total income. A household is consistently poor if the household income is below the 60% at-risk-of-poverty threshold and the household members are deprived of at least 2 out of the 11 items on the basic deprivation list.



Difference between Irish and EU 'combined poverty' measures: Both Ireland and the EU use a 'combined poverty' measure for the Europe 2020 poverty target. The Irish measure is based on a combination of 2 indicators – at-risk-of-poverty and basic deprivation – while the EU measure is based on a combination of 3 indicators - at-risk-of-poverty, severe material deprivation and very low work intensity (VLWI).

The exclusion of VLWI from the Irish measure is not the only difference. The at-risk-of-poverty measure is different at EU and national levels as a result of differences in the definition of gross income. The EU definition does not include income from private pensions or the value of goods produced for own consumption. Also employers' social insurance contributions are included in the national definition of gross income but are excluded from the EU definition. The EU also uses an alternative equivalence scale (the OECD scale) to that used for national indicators in Ireland (see below). The effect of these

differences has generally been that a higher at-risk-of-poverty rate is recorded using EU definitions rather than national definitions.

In relation to deprivation, the Irish approach identifies those who are experiencing 'basic deprivation' (lacking 2 out of 11 items). The EU approach involves identifying those who are experiencing 'severe material deprivation' (lacking 4 or more of 9 items), which is a much stricter criterion than the Irish one. The Irish measure identifies a slightly higher proportion of the population as deprived and has been found to have a higher reliability in the Irish context.

Economic stress: This is a measure that captures the change in economic fortunes of Irish households by going beyond income to include items such as debt, housing costs, and the difficulties and stresses of managing on reduced household incomes. Specifically, it combines five identified economic stress items:

- Difficulty making ends meet;
- Arrears;
- Housing costs that are a heavy burden;
- Inability to save; and
- Going into debt to meet ordinary living expenses.

A mean level of economic stress of 0 means that there is no economic stress on any of the items while a score of 1 means there is difficulty on all the items.

Economic vulnerability: a measure of the economic situation of a household based on whether it is at-risk-of-poverty, experiences basic deprivation and has difficulty making ends meet.

Employment rate: the employment rate is the proportion of the working-age population that is employed. The International Labour Organisation (ILO) definition of employed persons are those aged 15 years and over who have worked for payment or profit in the reference week (usually the week preceding the survey) or who had a job from which they were temporarily absent for reasons such as holidays, maternity leave or sick leave.

Equivalence scales: a set of relativities between the needs of households of differing size and composition, used to adjust household income to take into account the greater needs of larger households. In Ireland the national scale attributes a weight of 1 to the first adult (aged 14+) and 0.66 to each subsequent adult and a weight of 0.33 to each child.

International comparisons such as Eurostat use of the Modified OECD scale which attributes a weight of 1 to the first adult (aged 14+) and 0.5 to each subsequent adult and a weight of 0.3 to each child.

Equivalised income: this refers to household income from all sources adjusted for differences in household size and composition (number of adults and children). It is calculated by dividing total disposable (i.e. after tax) household income by the equivalence scale value. It can be interpreted as income per adult-equivalent.

EU-LFS: *European Union Labour Force Survey* is based on harmonised national surveys carried out across the EU and designed to provide data on labour force status of people aged 15 and over. In Ireland the *Quarterly National Household Survey (QNHS)* produces the labour force data for the EU-LFS.

EU-SILC: *European Union Statistics on Income and Living Conditions*; this is a voluntary household survey carried out annually in a number of EU member states allowing comparable statistics on income and living conditions to be compiled. In Ireland, the Central Statistics Office (CSO) have conducted the survey since 2003. The results are reported in the *Survey on Income and Living Conditions (SILC)*.

Europe 2020 poverty target: defines its target population using a combination of three indicators (at-risk-of-poverty, severe material deprivation and low work intensity), a group which is described as being at risk of poverty or exclusion.

Financial exclusion: refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong. It is measured by the percentage of individuals/households with no current account.

Food poverty: is the inability to have an adequate and nutritious diet due to issues of affordability or accessibility. It is measured by the percentage of individuals experiencing one or more of the following:

- Unable to afford a meal with meat, or vegetarian equivalent, every second day;
- Unable to afford a weekly roast dinner (or vegetarian equivalent); and

- Missing one substantial meal in the last fortnight due to lack of money.

Fuel poverty: is the inability to afford adequate warmth in a home, or the inability to achieve adequate warmth because of the energy efficiency of the home.

Gini coefficient: is the relationship between cumulative shares of the population arranged according to the level of income and the cumulative share of total income received by them. If there was perfect equality (i.e. each person receives the same income) the Gini coefficient would be 0%. A Gini coefficient of 100% would indicate there was total inequality and the entire national income was in the hands of one person.

Household: a household is usually defined for statistical purposes as either a person living alone or a group of people (not necessarily related) living at the same address with common housekeeping arrangements – that is, sharing at least one meal a day or sharing a living room or sitting room.

Household equivalent (or equivalised) income: household income adjusted to take account of differences in household size and composition by means of equivalence scales.

Inflation: is measured using the Consumer Price Index which is designed to measure the change in the average level of prices (inclusive of all indirect taxes) paid for consumer goods and services by all private and institutional households in the country and by foreign tourists holidaying in Ireland.

In-work poverty: is a measure that captures being at work and, at the same time, being in a household 'at-risk-of-poverty'.

Jobless households: capture the share of persons under the age of 60 in households where no working-age adult is in employment (according to the International Labour Organisation – see 'employment rate' definition above).

Material deprivation (EU): this indicator is one of the European Commission's common indicators on social protection and social inclusion. It measures the proportion of the population lacking at least 3 out of the following 9 items:

- Arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments;
- Capacity to afford paying for one week's annual holiday away from home;
- Capacity to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day;
- Capacity to face unexpected financial expenses [set amount corresponding to the monthly national at-risk-of-poverty threshold of the previous year];
- Household cannot afford a telephone (including mobile phone);
- Household cannot afford a colour TV;
- Household cannot afford a washing machine;
- Household cannot afford a car; and
- Ability of the household to pay for keeping its home adequately warm.

Median income: is calculated by ranking the population by equivalised income from smallest to largest and the median or middle value is extracted. This is considered a more appropriate measure than mean income which can be skewed by extreme values.

Persistent-at-risk-of-poverty: is defined by the EU as the share of people with an equivalised disposable income below the at-risk-of-poverty threshold (set at 60%) in the current year and in at least two of the previous three years.

Poverty impact assessment: is the process by which government departments, local authorities and state agencies assess policies and programmes at design, implementation and review stages in relation to the likely impact that they will have or have had on poverty and inequalities which are likely to lead to poverty with a view to poverty reduction. The responsibility to undertake a poverty impact assessment falls to the relevant government department that is developing/reviewing the policy. Guidelines for poverty impact assessment are available on http://www.welfare.ie/en/Pages/Impact-Assessment_holder.aspx.

Poverty and social exclusion: these terms are defined in the *Updated National Action Plan for Social Inclusion 2015-2017* (NAPinclusion) as:

‘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 resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society.’

Poverty reduction effect of social transfers: measures the effectiveness of social protection spending in reducing poverty. This is done by measuring the at-risk-of-poverty rate before and after social transfers.

QNHS: *Quarterly National Household Survey*; this is a large-scale nationally representative survey of private households. It was introduced in September 1997 to replace the annual Labour Force Survey. It is designed to provide reliable quarterly labour force statistics and is carried out by the Central Statistics Office.

Quintile: one-fifth of a sample divided into five equal parts to show how income, for example, is spread throughout the population; each quintile represents where a person's or household's income is located, ranging from the bottom quintile (lowest fifth or 20 per cent) to the top quintile (highest fifth or 20 per cent).

Relative at-risk-of-poverty gap: is the difference between the median equivalised income of persons below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold expressed as a percentage of the at-risk-of-poverty threshold (60% of median equivalised income). This indicator is used to estimate the **depth of poverty**. In policy terms, it indicates the scale of transfers which would be necessary to bring the incomes of those concerned up to the poverty threshold.

S80/S20 quintile share ratio: This measures inequality in the income distribution. It is the ratio of total equivalised income received by the 20 per cent of persons with the highest income (top quintile) to that received by the 20 per cent of persons with the lowest income (lowest quintile).

Severe material deprivation: This indicator is defined as the share of the population with an enforced lack of at least 4 out of 9 material deprivation items. The 9 items are:

- Arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments;
- Capacity to afford paying for one week's annual holiday away from home;
- Capacity to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day;
- Capacity to face unexpected financial expenses [set amount corresponding to the monthly national at-risk-of-poverty threshold of the previous year];

- Household cannot afford a telephone (including mobile phone);
- Household cannot afford a colour TV;
- Household cannot afford a washing machine;
- Household cannot afford a car; and
- Ability of the household to pay for keeping its home adequately warm.

SILC: in Ireland, the Central Statistics Office (CSO) are responsible for carrying out the EU-SILC survey. They produce data and analysis in accordance with Irish national poverty targets, indicators and related issues. These results are reported in the *Survey on Income and Living Conditions* (SILC).

Social impact assessment (SIA): is an evidence-based methodology to estimate the likely distributive effects of policy proposals on income and social inequality. It is a widely used tool at the European level. Though relatively new in the Irish context, it builds on poverty impact assessment and is similar in concept to 'equality budgeting'. The assessment uses a tax-welfare simulation model developed by the Economic and Social Research Institute (ESRI) known as SWITCH.

Social transfers: Social transfers are income from non-market sources. This includes state means-tested allowances, state non-means-tested benefits (such as child benefit and payments based on prior social insurance benefits), occupational pensions, foreign pensions and other non-market transfers (such as from other households or from charities). They are generally categorised in SILC as unemployment benefits, old-age benefits, occupational pensions, children/family related allowances, housing allowances and other social transfers such as survivors, sickness or disability benefits.

Very low work intensity (VLWI): refers to the share of the population aged 0-59 years living in households where the working-age adults worked less than 20 per cent of their total work potential during the previous 12 months. A working-age person is defined as a person aged 18 to 59, not being a student aged between 18 and 24. This measure of poverty is used in defining the 'at risk of poverty or exclusion' indicator for the EU poverty target. The work intensity of working-age adults is applied to all children in the household.

Vulnerable to consistent poverty: identifies the population experiencing basic deprivation and whose income is between 60% and 70% of the median.

Working poor: the population below the at-risk-of-poverty threshold (typically 60% of median equivalised income) containing some household members who are in paid work