# "Ireland, 8th In The World On Human Development" - Un Report

## New assessment procedure highlights a substantial drop in income poverty levels in Ireland

Ireland has been ranked 8th in the world on human development, according to the UN Human Development Report for 2005. The report, which was launched today, places Ireland as 8th in the world for 2003, up from 10th position in 2002 and from 17th in 2000.

Commenting on the report, Minister for Social Affairs, Séamus Brennan TD, said that as a country we should be justly proud of our achievement in such a competitive world. Ireland's high placing can be mainly attributed to our economic success, which puts us second in the world, after Luxembourg, in terms of the wealth we produce per capita.

Minister Brennan said: "As the report also shows, Ireland has achieved significant progress in the whole area of social development. However, it must be acknowledged that we still have ground to make up in improving life expectancy, educational attainment and adult literacy which are in part legacies of low social investment in the past, when Ireland was a much poorer country than it is today"

Minister Brennan particularly welcomed the inclusion, for the first time, in the 2005 Report of a section entitled "Two Tales of Irish Poverty" which clears up much of the confusion on the progress being made in this country in reducing income poverty. This assessment concludes that if the 1994 poverty line at 60% of annual median income is adjusted by the change in consumer prices up to 2000, - the anchored poverty line approach - poverty in Ireland reduced by 55.9% over the period. This shows in particular the effect of the substantial increases in social transfers, such as benefits and pensions, in improving living standards for beneficiaries and pensioners.

When the poverty line of 60% of annual median income is adjusted in line with overall income increases, the preferred measure of the EU, poverty is found to have risen in Ireland by 11.3% over the same period. This type of outcome occurs during a period of rapid economic growth. The indicator therefore shows that during a period of rapid economic growth not all incomes in Ireland grew at the same rate and that low incomes grew at a slower rate. So, while social welfare beneficiaries gained significant improvements in their standards of living, they still lagged behind the rapidly growing incomes from employment and profits.

"As the report points out, when economic conditions change rapidly, as has happened in Ireland in recent years, relative poverty trends can be misleading and do not always present a complete picture of the ways that economic change affects people's lives. The outcomes detailed in this report underline the validity of the Government's approach to social development. The priority now is to maintain and, where resources permit, increase social welfare payments in real terms, while facilitating increased employment participation - the main route out of poverty and social exclusion. This means removing obstacles to employment, such as the absence of affordable child care, and promoting access to more and better jobs through sound economic management and policies and through education and training to enhance employability and skills."

**ENDS**

**Note for Editors**

Every year since 1990, the UNDP has commissioned the Human Development Report from an independent team of experts to explore major issues of global concern. A worldwide advisory network of leaders in academia, government and civil society contribute data, ideas, and best practices to support the analysis and proposals published in the report.

This, the 15th Human Development Report, is being delivered to world leaders one week in advance of their gathering in New York to assess progress and recommend steps towards the achievement of the Millennium Development Goals endorsed at the last world summit at the UN in 2000, including the pledge to halve extreme poverty globally by 2015.

The report includes an overview of the progress being made on human development by each individual country for its citizens and other residents.

**Extract from Report**

**Box 3 - Two tales of Irish poverty**

To ensure comparability across high-income countries, most comparative databases, such as the Luxembourg Income Study (www.lisproject.org), measure poverty on a relative basis. Instead of an absolute poverty line (for example, the $1 a day international poverty line for developing countries), relative poverty measures define the poverty rate as the proportion of people with disposal income less than 50% or 60% of adjusted average national disposable income. For point in time comparisons across countries, this is the most informative approach. But when countries experience rapid economic growth – as in the case of Ireland in the late 1990s – relative poverty measures on their own can sometimes be misleading.

Based on the 50% and 60% of median income measures, the table presents two different time series of poverty estimates for Ireland – relative and anchored – for 1994-2000. A relative poverty line shifts yearly according to the annual median income of a country. An anchored poverty line maintains the initial year poverty line, adjusting it to each subsequent year only according to changes in consumer prices.

According to the relative poverty line of 60% of annual median income, the preferred measure of the European Union, poverty rose 11.3% between 1994 and 2000 in Ireland (see table). But if we set the poverty line at 60% of the 1994 median income and adjust the poverty line only by the change in the consumer prices for subsequent years – the anchored poverty line approach – Irish poverty falls by 55.9% during the same period. Similar patterns are evident for the 50% of median income line – a measure favoured by most international analysts of poverty and used in the human poverty index in this Report. According to the table, a poverty rate of 11.9% in 1994 increases to 16.5% in 2000 on a relative basis, while falling by more than over three-quarters to only 3.5% using the anchored approach. The two different sets of poverty lines – relative and anchored – tell two different stories of Irish poverty trends.

It is clear that when economic conditions change rapidly, relative poverty trends do not always present a complete picture of the ways that economic change affects people's lives. The relative poverty trends suggest that not all incomes in Ireland grew at the same rate and that low incomes grew at a slower rate than higher incomes (or relative poverty would also have fallen). But even so, lower incomes grew enough to reduce the anchored poverty by almost half. In particular, social transfers rose substantially in real terms, so pensioners, for example, saw their living standards improve markedly though they still lagged behind rapidly rising incomes resulting from employment and profits. Whether this represents "pro-poor economic growth" remains debateable. But both sides of the poverty story must be recognized.

Differences between relative and anchored poverty lines for Ireland.

| | 50% of median income | | 60% of median income | |
|---|---|---|---|---|
| Year | Relative poverty line | Anchhored poverty line | Relative poverty line | Anchored poverty line |
| 1994 | 11.9 | 11.9 | 20.4 | 20.4 |
| 1995 | 12.9 | 11.1 | 20.8 | 19.2 |
| 1996 | 12.3 | 8.5 | 21.8 | 16.6 |
| 2000 | 16.5 | 3.5 | 22.7 | 9.0 |
| Percentage change, 1994 – 2000 | 38.7 | -70.6 | 11.3 | -55.9 |

Source: Nolan, Munzi and Smeeding 2005.

The full report can be viewed, and downloaded, using the following link:
http://hdr.undp.org/reports/global/2005/