



## Department of Social and Family Affairs

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### **Mary Coughlan Welcomes ESRI Report On Relative Income Poverty**

Minister Coughlan, commenting on the report today, said: "This ESRI report, commissioned by my Department, will do much to clarify and explain the nature and extent of poverty in Ireland and to indicate the type of policies needed to achieve ongoing success in reducing poverty".

"I welcome the emphasis given in the report to the fact that not all those below relative income thresholds are poor, but instead, as defined by the EU, are "at risk of poverty", the Minister stated.

"In calculating these income thresholds account is not taken of the other resources people may have, particularly in the case of Ireland, the high level of home ownership, especially among the elderly. Account is not taken either of the value of benefits-in-kind under schemes such as free electricity, free fuel, free TV licence, telephone allowance, which are of particular importance in Ireland." she said.

"Ireland's recent economic success has paradoxically resulted in increases in relative income poverty," the Minister pointed out. "This is mainly due to the substantial increases in average incomes overall, especially from the major increase in employment, including a growing proportion of higher paid jobs and two income households as a result of the growth in female employment".

"While there have been substantial increases in real terms in social welfare rates, they have not kept pace with the unprecedented increases in average incomes over recent years," Minister Coughlan stated. "They have, however, met our main priority, which is to significantly reduce the proportion experiencing consistent poverty. This fell from 15.1% in 1994 to 5.2% in 2001 and has continued to fall".

"Recent experience has clearly demonstrated that employment for those who can work is the key route out of poverty" she said. "We must continue to increase our efforts to provide those not in employment, for whatever reason, with the necessary supports to get work while removing any obstacles that prevent them doing so. At the same time we need to maintain and enhance economic competitiveness to ensure a continued supply of more and better jobs."

"For those who cannot work, especially the elderly, the answer lies in our ongoing commitment to increasing benefits and pensions in real terms and improving services."

"This includes a commitment to increase old age pensions to EUR200 per week by 2007, while continuing to invest in improved services, such as health, which are also vital to improving quality of life"

Minister Coughlan, in a concluding comment, referred to the finding in the study that it would cost EUR2.4 billion or almost a further 25% increase in the current social welfare budget to bring the Irish rates of benefit up to Danish levels.

"Financing such an increase in expenditure would require increases in the standard and top rates of income tax of 11 percentage points," the Minister said.



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“My main concern with an increase in expenditure of such magnitude on social welfare alone, and the tax increases required to fund it, is that it could seriously weaken our economic competitiveness, crowd out needed extra expenditure, in other areas such as health, education and housing, and thus be ultimately self defeating.”

“We must maintain the careful balance we have developed between achieving the key economic and all the key social objectives, having regard to our current stage of economic development, if we are to reach in time a level of social provision secured by countries, such as Denmark, that will be sustainable”, the Minister concluded.

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