

Report of the Review of the National Poverty Target

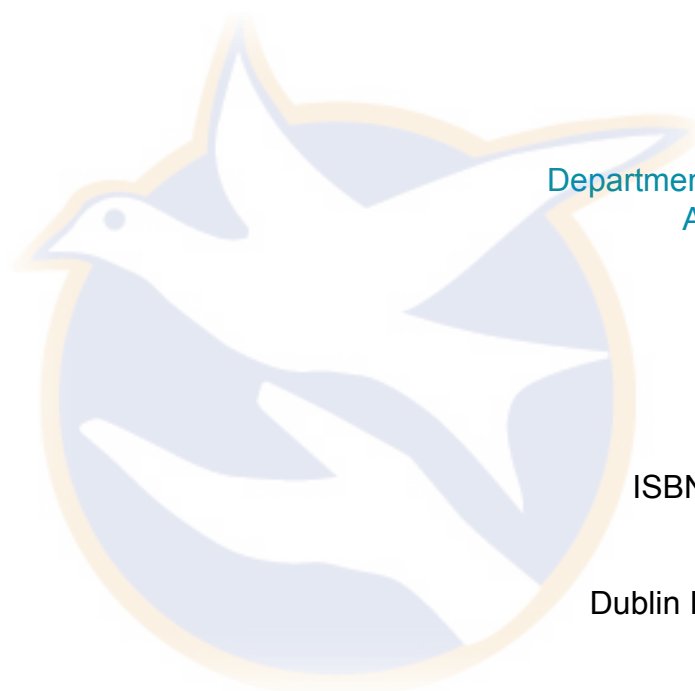


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Report of the Review of the National Poverty Target



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Policy Briefing: Irish [and](#) English

Report of the Review of the National Poverty Target

[Appendix A](#) - Consultation on Review of National Poverty Target

[Appendix B](#) - Report on Public Consultation for Review of the National Poverty Target

[Appendix C](#) - Technical Paper on Poverty Indicators

[Appendix D](#) - Synthesis Report on the EU Peer Review on the Setting of National Poverty Targets

Abstract

This report presents the findings of the Government-initiated review of the national poverty target, first set out in the *National Action Plan for Social Inclusion 2007-2016*. The review finds that the significant progress towards the interim target between 2005 and 2008 (a reduction of 40 per cent in consistent poverty) has been set back by the economic recession, despite the strong performance of welfare payments in cushioning the social impact of the crisis. Nonetheless, for one lifecycle group, older people, the target has been met, though most others, notably children and the unemployed, remain far from the target. The review examines the indicators used to define the target population and concludes that consistent poverty should continue to be the policy priority. It proposes that additional indicators, which capture emerging poverty risks, should be used to monitor progress towards the target. The review considers the interaction between the national and EU poverty targets and suggests ways by which they could be better aligned. Finally, the review considers the changed economic and policy context for implementing the national poverty target and argues for better linkages between social and economic policies, more emphasis on activation and service delivery, and a stronger focus on children and jobless households. The review concludes by setting out the Government-approved recommendations for revising the national poverty target.

Key words: national poverty target, poverty indicators, EU poverty target, SILC

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Foreword from the Minister

Reducing and ultimately eliminating poverty is a fundamental aspiration of Irish society. The national poverty target provides a key reference point for government policies and offers a tangible benchmark to measure social and economic progress.

This aspiration was recently shared by the 27 member states of the EU following the adoption of a headline poverty target to lift 20 million people out of the risk of poverty or exclusion as part of the *Europe 2020 Strategy*. For the first time, there is joined-up ambition and policy at national and EU levels to tackle poverty. Having an EU poverty target reinforces our national poverty targets, and provides an opportunity to coordinate policy approaches with EU member states and the European Commission.

Ireland has an enviable 15-year record of setting and achieving national poverty targets through policy frameworks such as the *National Anti-Poverty Strategy* and the *National Action Plan for Social Inclusion*. In 2011, the new Government initiated a review of the existing target, to enable the Government to adopt appropriate and achievable targets to meet Ireland's contribution to the EU poverty target and the commitment to reduce poverty in the Programme for Government.

As Minister for Social Protection, I was given the task to oversee the review and to bring recommendations to Government for revising the target. The Social Inclusion Division in my department undertook the review, involving public consultation and stakeholder engagement, technical analysis assisted by a technical advisory committee, and a peer review involving EU member states and other stakeholders.

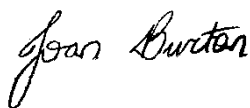
It is disappointing that progress on the national poverty target was partially reversed in 2009 and 2010. The rise in unemployment has clearly had a negative impact, though it is positive that our social welfare system is cushioning the worst effects of the economic crisis. It is of concern that despite an overall improvement, some groups continue to carry a disproportionate burden of poverty.

Arising from the review, the Government has agreed a number of revisions and enhancements to the national poverty target. The Government has retained the ambition of the national poverty target, despite the challenging economic outlook, though the target will now be achieved over a revised timeframe: 4 per cent by 2016 and 2 per cent or less by 2020 (instead of 2012 and 2016). The new timescale aligns the national and EU poverty targets. Furthermore, as Ireland's contribution to the EU poverty target, the Government will reduce by a minimum of 200,000 the number of people at risk of poverty or exclusion between 2012 and 2020.

For the first time, the Government will set sub-targets for reducing poverty among children and jobless households. The new sub-targets, based on the consistent poverty measure, will be agreed in conjunction with relevant stakeholders. In addition, the Government has adopted two additional poverty indicators to monitor progress towards the national poverty target: 'absolute poverty' and 'vulnerable to consistent poverty'. These additional indicators will complement the national poverty target by ensuring that progress in relation to all dimensions of poverty is monitored.

The Government is also strengthening the implementation of the national poverty targets in government decision-making and monitoring of social and economic progress. This includes re-naming the national poverty target as a 'national social target' to emphasise its status as a whole-of-government target, with linkages to other high-level targets.

The Government and I as Minister for Social Protection are committed to reducing and eliminating poverty, as set out in the *Programme for Government*. We are determined to ensure that the least well off in society are protected from the economic crisis and are enabled to benefit from economic recovery and new employment opportunities. I look forward to working with all stakeholders to implement the revised and enhanced national social target for poverty reduction.

A handwritten signature in black ink, reading "Joan Burton". The signature is fluid and cursive, with the first name "Joan" and the last name "Burton" clearly distinguishable.

Joan Burton TD
Minister for Social Protection

Chapter 1. Background

In April 2011, the Government stated its intention to undertake a comprehensive review of the national poverty target (2007-2016) in the National Reform Programme under the Europe 2020 Strategy. The purpose of the review was to enable the Government to adopt appropriate and achievable national poverty targets to meet Ireland's contribution to the Europe 2020 Strategy and the commitments in the Programme for Government. The terms of reference were as follows:

- Take account of progress made towards the interim target in the *National Action Plan for Social Inclusion* to reduce consistent poverty to between 2 to 4 per cent by 2012, including the situation for lifecycle and vulnerable groups, and new data for 2010 which will give a clearer indication of poverty trends since the economic downturn.
- Examine expert opinion about the statistical feasibility of eliminating consistent poverty and the arguments for adopting multiple or tiered poverty targets to address the complexity of poverty.
- Review issues and challenges for the national poverty target in the context of the EU poverty target in the *Europe 2020 Strategy*, and of good practice in national poverty targets in EU member states.
- Consider how Government can set out different levels of ambition for poverty reduction having regard to the economic circumstances, the likely economic and fiscal scenario for the immediate years ahead and EU/ECB/IMF Troika agreement.

The Minister for Social Protection oversaw the review and brought the recommendations arising from the review to Government for approval.

The Social Inclusion Division in the Department of Social Protection undertook the review. A public consultation and stakeholder engagement was initiated based on a consultation paper (see Appendix A of this report). The public consultation involved an online survey (76 respondents). The stakeholder engagement consisted of four local workshops with people experiencing poverty (c 60 participants), a workshop at the 2011 Social Inclusion Forum and meetings with community and voluntary organisations and trade unions (see Appendix B of the report.). The division also consulted with a technical advisory group on poverty data and research.

The Senior Officials Group on Social Policy contributed to and advised on the review, including the terms of reference and the draft recommendations. Relevant government departments and statutory service providers were consulted on an individual basis. A bilateral meeting was held with the European Commission.

In addition, the review was informed by a technical report on poverty measurement prepared by the Economic and Social Research Institute (ESRI), with input from the technical advisory group (Appendix C). The findings from an EU peer review on the setting of national poverty targets, hosted by the department in June 2010 and attended by 10 countries, the European Commission and European stakeholders, also contributed to the review (Appendix D).

The report is structured in line with the terms of reference (one chapter on each term of reference). The final chapter contains the conclusions and recommendations of the review. Additional information on exploratory statistical scenarios for achieving the national poverty target and EU policy and practice in setting poverty targets, are contained in annexes.

There are four separate appendices to the main report which contain supporting documents for the review:

- **Appendix A:** Consultation Paper on the Review of the National Poverty Target
- **Appendix B:** Report on the Public Consultation for the Review of the National Poverty Target
- **Appendix C:** Technical Paper on Poverty Indicators
- **Appendix D:** Synthesis Report on the EU Peer Review on the Setting of National Poverty Targets.

The appendices are available at www.welfare.ie and www.socialinclusion.ie .

Chapter 2. Review of progress towards the national poverty target

2.1 Introduction

The first term of reference states that the review of the national poverty target will:

take account of progress made towards the interim target in the *National Action Plan for Social Inclusion* (reduce consistent poverty to between 2-4 per cent by 2012), including the situation for lifecycle and vulnerable groups, and new data for 2010 which will give a clearer indication of poverty trends since the economic downturn.

2.2 Economic context

The review of progress towards the national poverty target over the period 2008 to 2010 coincides with a period of major economic and fiscal crisis in Ireland, leading to a programme of financial support with the EU, ECB and IMF. Some of the main features of this period are:

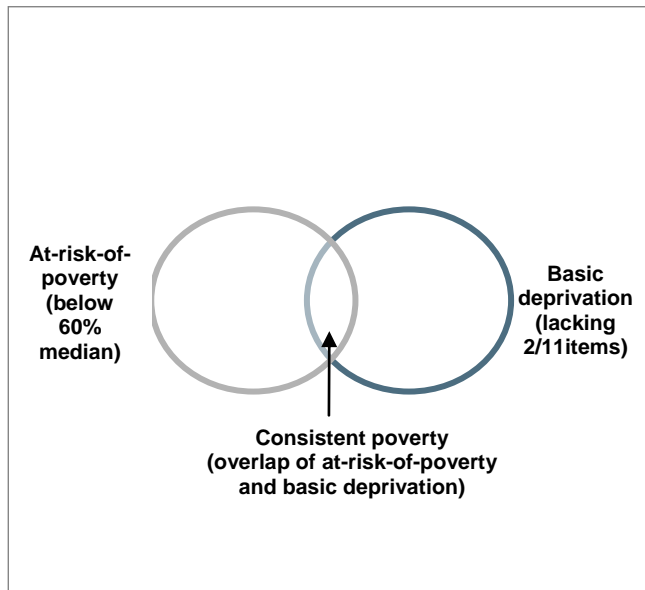
- A decline in economic output: GDP in 2008 was €180 billion. In 2009, GDP fell to €161 billion and decreased further in 2010 to €156 billion.
- An increase in unemployment from under 4 per cent to 14 per cent
- A fall in household incomes: average annual equivalised disposable income in 2008 was €24,380; the figure was €22,168 in 2010 (- 9 per cent).
- A total fiscal adjustment (higher taxes and reduced expenditure) of €24 billion or 14.8 per cent of GDP.
- An adjustment in welfare expenditure of up to €2.7 billion.

2.3 Review of trends in the national poverty target and component indicators

The national poverty target is set out in the *National Action Plan for Social Inclusion 2007-2016*. The target is to reduce the rate of consistent poverty to between 2 to 4 per cent by 2012 and to eliminate it by 2016, from a baseline rate of 7 per cent in 2005. It is the third national poverty target and follows two earlier targets set in 1997 and 2002, also using the consistent poverty indicator.

Three national indicators are used to define the target population: consistent poverty and its two component indicators: at-risk-of-poverty, using a threshold of below 60 per cent of median income, and basic deprivation, based on the enforced lack of two or more items from an 11 item index of basic necessities (see Figure 1).¹ Data on the three indicators are reported in the annual *Survey on Income and Living Conditions* (SILC), a representative household survey carried out by the Central Statistics Office as part of the *EU Statistics on Income and Living Conditions*. A technical analysis of the three indicators is contained in Appendix C to this report.

¹ The definition of the indicators is outlined in detail in the glossary at the end of the report.

Figure 1: Consistent poverty indicator and component indicators

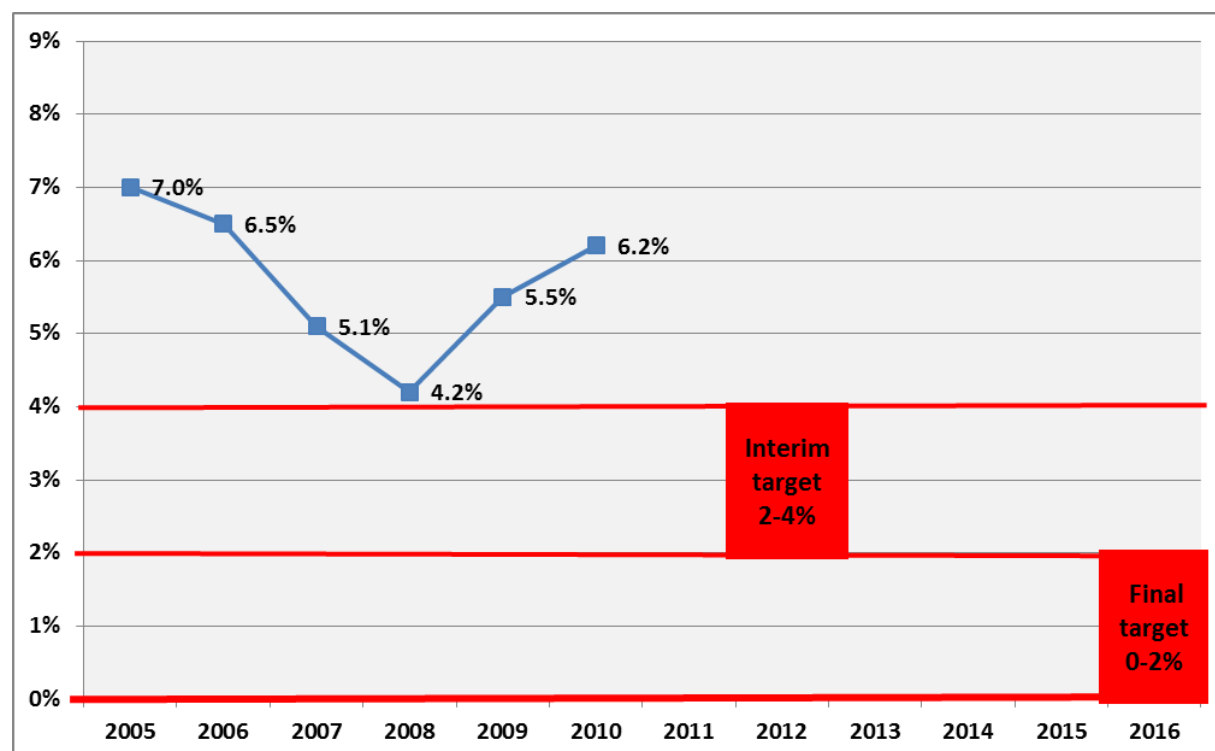
2.3.1 Progress towards the national poverty target 2005-2010

Progress towards the national poverty target is set out in Figure 2. This analysis covers the initial five years of the 11-year timeframe for achieving the target (from the baseline year of 2005 to 2010, the latest year for which data are available. The target reference years of 2012 and 2016 are taken to refer to the data year, and not the reporting year, which is usually N+1.² As no figure is attached to the target of ‘eliminating’ consistent poverty, it is interpreted as 2 per cent or less in the analysis.

Figure 2 overleaf shows that the consistent poverty rate fell continuously from the baseline rate of 7 per cent in 2005 to reach a low point of 4.2 per cent in 2008 (a reduction of 40 per cent). This figure was just outside the interim poverty target range of 2 to 4 per cent. From 2008 to 2010, the poverty rate rose to 6.2 per cent, reversing much of the progress towards the target since the baseline year.

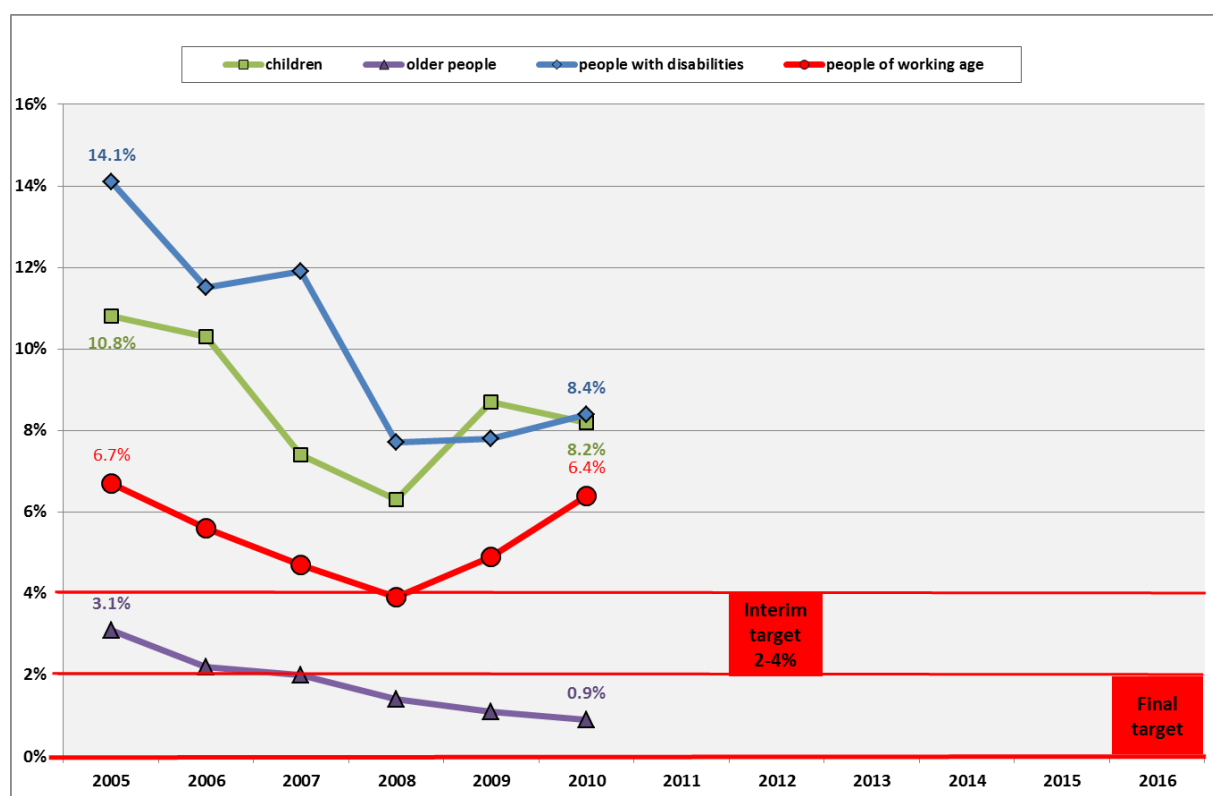
Overall, there has been a modest reduction in consistent poverty of less than one percentage point (11 per cent in relative terms) over the five-year period to 2010. In relation to the interim target, the 2010 out-turn indicates a gap of over 2 percentage points to be bridged by 2012 if the higher point in the range for the interim target is to be achieved. However, as the trend is upwards between 2008 and 2010, and as the economic conditions have not improved from 2010 to 2012, the review concludes that it is unlikely that the interim target will be met by 2012.

² A further complication in analysing annual SILC data is that the income reference period for the at-risk-of-poverty indicator is the preceding 12 months at date of interview. As SILC is a rolling survey, the income reference period can cover 24 months, from January of year N-1 to December of year N.

Figure 2: Progress towards the national poverty target 2005-2010

Source: CSO SILC 2005-2010, analysis by author

The national poverty target is expressed for the whole population and does not contain targets for specific groups. However, as the *National Action Plan for Social Inclusion* is based on a lifecycle approach, progress towards the national poverty target should be monitored in this regard. Figure 3 on the next page, shows trends in consistent poverty for the four main lifecycle groups of children, working age, older people and people with disabilities from 2005 to 2010. There has been sustained progress toward the target for older people, albeit from a lower baseline rate in 2005 (3 per cent), which was already within the interim target range. Since then, the rate has fallen continuously and is now under 1 per cent, suggesting that the elimination of consistent poverty target has been de facto achieved for older people.

Figure 3: Progress towards the national poverty target for lifecycle groups

Source: CSO SILC 2005-2010, analysis by author

For children, considerable progress towards the target was made up to 2008, with a fall from the baseline rate of 11 per cent to 6 per cent. This progress was slightly reversed between 2008 and 2010, as the poverty rate increased to 8 per cent, leaving children well outside the interim target. The review considers that it is very unlikely that the interim target will be reached for children by 2012 given the overall trend in consistent poverty, the historically higher rate for children, and the continuing difficult economic conditions in the period 2010 to 2012.

People with disabilities show the greatest improvement in poverty rate, given their starting point of 14 per cent in 2005.³ The rate of consistent poverty fell for this group by 6 percentage points to 8 per cent in 2008, with only a slight dis-improvement with the onset of the economic recession. Despite this substantial progress, it is highly unlikely that the gap between the 2010 rate and the interim target will be bridged for people with disabilities by 2012. Finally, the poverty trend for people of working age tracks that for the total population. They show the smallest improvement in consistent poverty and their rate is well removed from the interim target.

³ The definition of people with disabilities is the population aged 16 years and over whose activity is strongly limited. The percentage of the total population aged 16 years and over in this category is 5.1 per cent. A slightly lower rate of consistent poverty is reported for those whose activity is limited (7.4 per cent in 2010).

2.3.2 Progress in relation to select vulnerable groups

The *National Action Plan for Social Inclusion* recognises that certain groups are more vulnerable to poverty. It is relevant therefore to monitor progress towards the national poverty target for vulnerable groups. Furthermore, improving the position of vulnerable groups can be critical to the achievement of the target where they account for significant shares of the target population. Table 1 shows the rate of consistent poverty and the share of the total population in consistent poverty for selected individuals and households considered to be vulnerable to poverty in 2006 and 2010.

Individual characteristics based on age dependency and employment status are highlighted first. Children's poverty rate decreased from 10 per cent in 2006 to 8.2 per cent in 2010. In line with this fall, children's share of the poverty population also declined (42 per cent to 36 per cent). The consistent poverty rate for the unemployed fell significantly from 22 per cent to 15.2 per cent. Similarly, people not at work due to illness or disability have experienced a decline in their poverty rate from 18 per cent to 13 per cent. Despite these improvements, the poverty rate for both groups is over two times the general rate. Because of the increasing numbers in unemployment, the unemployed account for a larger proportion of the poverty cohort: at 20 per cent, almost double their 2006 share. The share represented by disabled unemployed is largely unchanged at over 8 per cent.

Table 1: Poverty rates and shares for select vulnerable groups, 2006 and 2010

	Consistent poverty rate 2006	Consistent poverty rate 2010	Share of poverty population 2006	Share of poverty population 2010
National	6.5%	6.2%	100%	100%
Children	10.3%	8.2%	42.1%	35.6%
Unemployed	22%	15.2%	10.9%	19.8%
Not at work due to illness or disability	17.9%	13%	9.3%	8.4%
Lone parent families	33.9%	9.3%	32.8%	11.1%
Jobless households	21.3%	14.5%	68.2%	69.1%
Households in social rented housing	28%	16%	57.9%	37.9%

Source: CSO SILC 2006 and 2010, analysis by author

Table 1 also presents the consistent poverty rate and composition for the population based on vulnerable household status. The consistent poverty rate for people in lone parent households in 2010 is 9 per cent, a considerable improvement on the rate of 34 per cent in 2006, but still well in excess of the national rate. Reflecting their reduced poverty risk, the share of the target population represented by lone parent households has fallen by two thirds to 11 per cent. People in jobless households also show an improvement in their poverty rate, reducing from 21 per cent to 14.5 per cent, but still twice the national rate. Jobless households continue to account for a majority share of the target population at 69 per cent. This shows little change on the 2006 figure, as the numbers of such individuals have increased in the general population with the economic recession. People living in social rented housing have a poverty rate of 16 per cent, again an improvement on the 28 per cent recorded in 2006, but still three times the national rate. Such households account for 38 per cent of the target population, which is down from 60 per cent in 2006.

The above analysis indicates significant improvement in the position of vulnerable groups since 2006. Equally, it shows the continuing challenge in achieving the national poverty target for these groups in the years ahead, especially in households combining children and unemployed adults. Furthermore, given the large share of the target population accounted for by these groups, reducing the poverty rate for these groups is critical if the national poverty target is to be met.

There are other vulnerable groups which experience more extreme forms of poverty: the homeless, the Travelling community and other minorities. However, data on the poverty rate for these groups are not reported as they are not present, or not present in sufficient numbers, in SILC to provide reliable estimates.

2.3.3 Progress on component and composite indicators

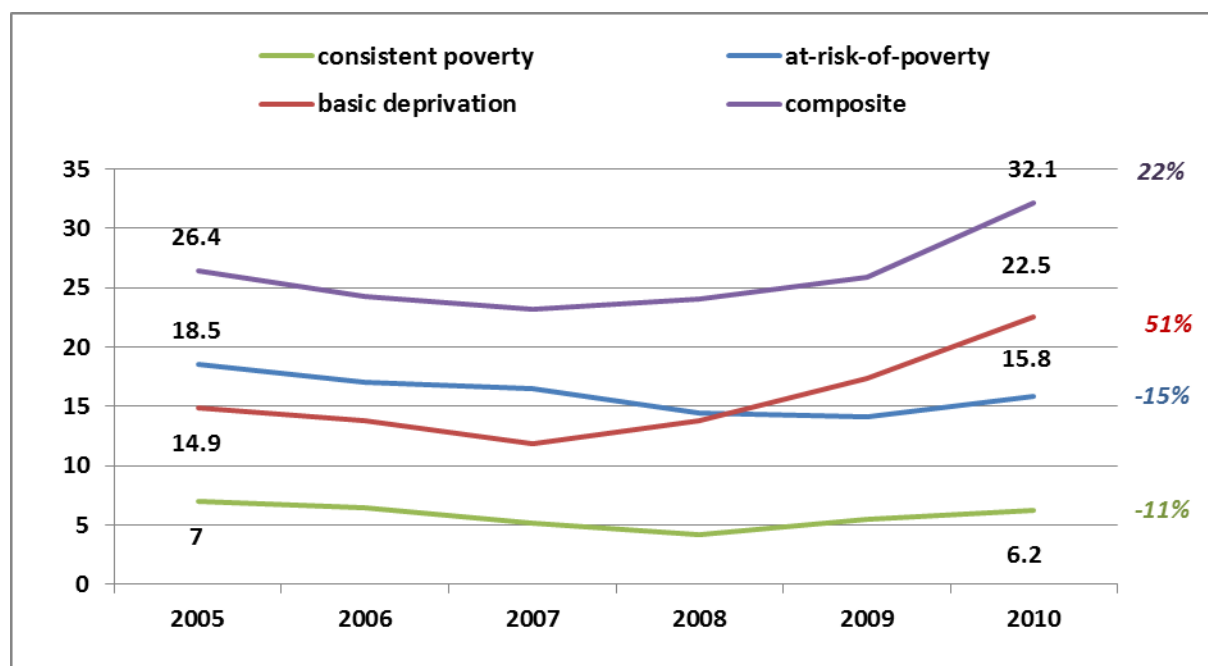
The review also considered progress in relation to the two component indicators of consistent poverty: at-risk-of-poverty and basic deprivation, and the composition of the two. Progress on the target is directly linked to trends in the two indicators, their degree of overlap and their total composition.

Figure 4 below reveals contrasting trends in relation to the three indicators:

- At-risk-of-poverty has fallen over the five-year period from 18.5 per cent to 15.8 per cent. This represents a 15 per cent reduction, which is slightly more than the decline in consistent poverty.
- Having initially fallen, the basic deprivation indicator increased significantly between 2007 and 2010 (from 14.9 per cent to 22.5 per cent), and is now 50 per cent greater than in 2005.
- The composite figure for at-risk-of-poverty and basic deprivation rose from 26.4 per cent to 32.1 per cent. This equates to an increase of one fifth over the six years. The overall pattern hides a small decline in the earlier years, followed by a sharp increase from 2009 to 2010.

These trends suggest that the relationship between the poverty indicators and the economic cycle is complex and may not always move in the same direction. This may reflect the volatility of the at-risk-of-poverty threshold over these years⁴ and the reference period for the reporting of income (the 12 months preceding the date of interview). By contrast, the rapid rise in basic deprivation may arise from its reporting on a real time basis and its ability to capture immediate changes in living conditions.

Figure 4: Progress on component and composite indicators 2005-2010



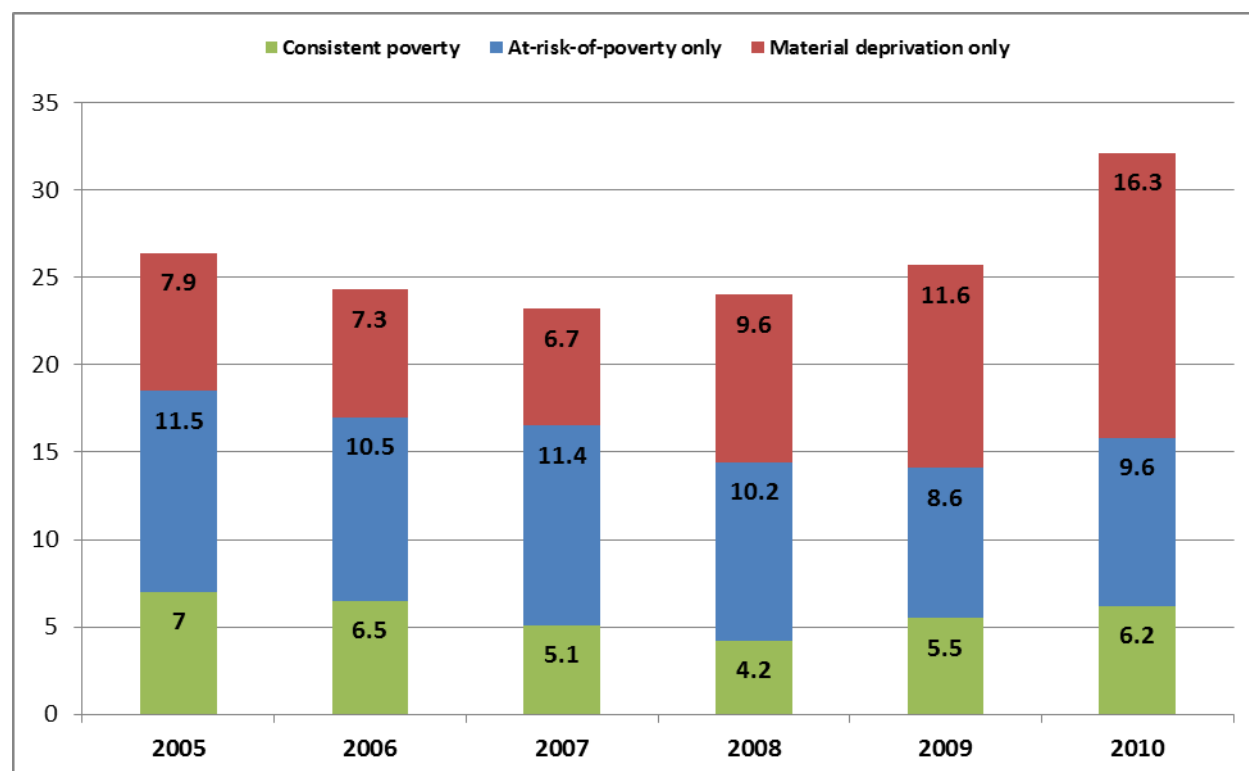
Source: CSO SILC 2005-2010 analysis by author

⁴ The annual threshold at 60 per cent of median income for a single adults beginning in 2005 were €10,057, €10,566, €11,890, €12,455, €12,064 and €10,831 (2010).

These trends indicate that the modest improvement in consistent poverty over the period is not matched by an overall improvement in the trend in basic deprivation. This is further confirmed in the data showing that the rise in deprivation was experienced in the income groups above the at-risk-of-poverty line and not in those below. This may represent a change in the relationship between the two indicators which can have implications for how the target is defined. This issue is further examined in Chapter 3.

Further analysis of the composition of the poverty population in the period under review distinguishes between consistent poverty, at-risk-of-poverty only and basic deprivation only (Figure 5). This shows that the trend in the at-risk-of-poverty only rate has fallen by two percentage points, from 11.5 per cent to 9.6 per cent (a relative decline of 17 per cent). The trend in basic deprivation shows a doubling of the rate between 2005 and 2010, from 8 per cent to 16 per cent.

Figure 5: Profile of composite poverty population, 2005-2010



Source: CSO SILC 2005-2010; analysis by author

Another perspective on the composition of the poverty population is to examine the change in the overlap between indicators from 2005 to 2010. This shows that:

- consistent poverty as a proportion of the combined indicators was 19 per cent in 2010; a considerable fall from 27 per cent in 2005
- consistent poverty as a proportion of at-risk-of-poverty was 39 per cent in 2010; this is largely unchanged from the 38 per cent figure in 2005)
- consistent poverty as a share of basic deprivation was 28 per cent in 2010; this represents a very large fall on the 2005 figure of 47 per cent.

It would appear that the at-risk-of-poverty rate was the dominant factor when consistent poverty fell in the mid-2000s. Similarly, the benign influence of the at-risk-of-poverty rate is the reason why the consistent poverty rate is not reflecting the rise in basic deprivation in the latter part of the 2000s.

2.3.4 Influence of social protection system in making progress towards the target

The review now considers the impact of the social protection system in making progress towards the national poverty target. Higher welfare rates were at the core of government measures to tackle poverty in the 2000s, with cumulative increases of almost 100 per cent up to 2008 (since partially offset by reductions in the minimum welfare rate in 2010 and 2011).⁵ Figure 6 overleaf summarises the impact of social transfers on the at-risk-of-poverty rate since 2005, a component of consistent poverty.⁶ The left-hand axis shows the at-risk-of-poverty rate before and after social transfers (excluding pensions).⁷ Social transfers had an incrementally bigger impact on the at-risk-of-poverty rate from 2005 to 2008 (18 per cent down to 14.5 per cent), against a backdrop of a slight rise in the pre-social transfer rate (32 to 34.5 per cent).⁸ Between 2008 and 2010, when the pre-transfer rate increased from 34.5 per cent to almost 40 per cent, the at-risk-of-poverty rate increased by far less than this, c 1.5 percentage points, to 15.8 per cent, due to the effect of social transfers.

The reduction in the at-risk-of-poverty rate after transfers can be expressed as a proportion of the at-risk-of-poverty rate before social transfers (called 'the poverty reduction effect' of social transfers).⁹ The trend in the poverty reduction effect is

⁵ A key target in *Building an Inclusive Society. Review of the National Anti-Poverty Strategy under the Programme for Prosperity and Fairness* was to achieve a minimum personal welfare rate of €150 per week (2002 terms) by 2007, and a rate of child income support based on 33 to 35 per cent of the minimum personal rate.

⁶ Because of the time lag in reporting on household income in SILC, the impact of welfare increases or reductions takes up to two years to manifest in the at-risk-of-poverty rate and hence consistent poverty rate.

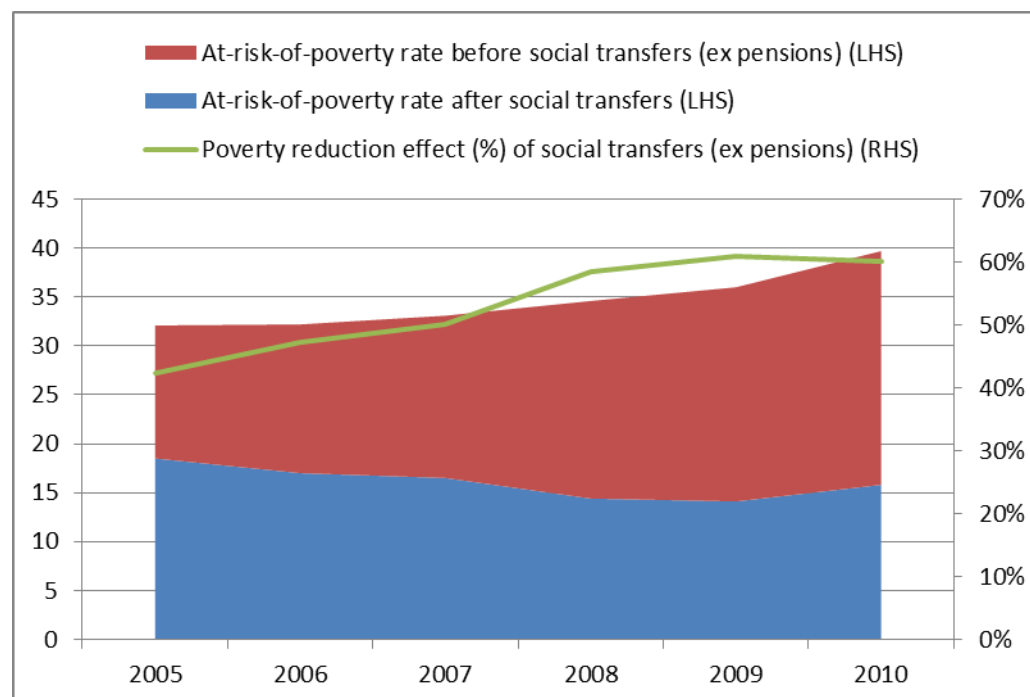
⁷ It is normal to exclude pensions from this redistributive analysis as pensions have multiple policy objectives, including intergenerational solidarity and compensation for loss of earnings.

⁸ This suggests that economic growth during this period was having no impact on the at-risk-of-poverty rate.

⁹ 'Poverty reduction effect' is the percentage of the population lifted out of at-risk-of-poverty due to social transfers, as a proportion of the total population at-risk-of-poverty before social transfers. Social transfers include all welfare payments, including child benefit, but excluding old age pensions.

shown on the right-hand axis in Figure 6. In 2005, the poverty reduction effect of social transfers was 42 per cent. This increased to 58 per cent by 2008, a very significant rise of 16 percentage points in three years. Since 2008, the poverty reduction effect has stabilised at 60 per cent. This illustrates the robust role of social transfers in cushioning the effects of the economic crisis.

Figure 6: Impact of social transfers on at-risk-of-poverty rate

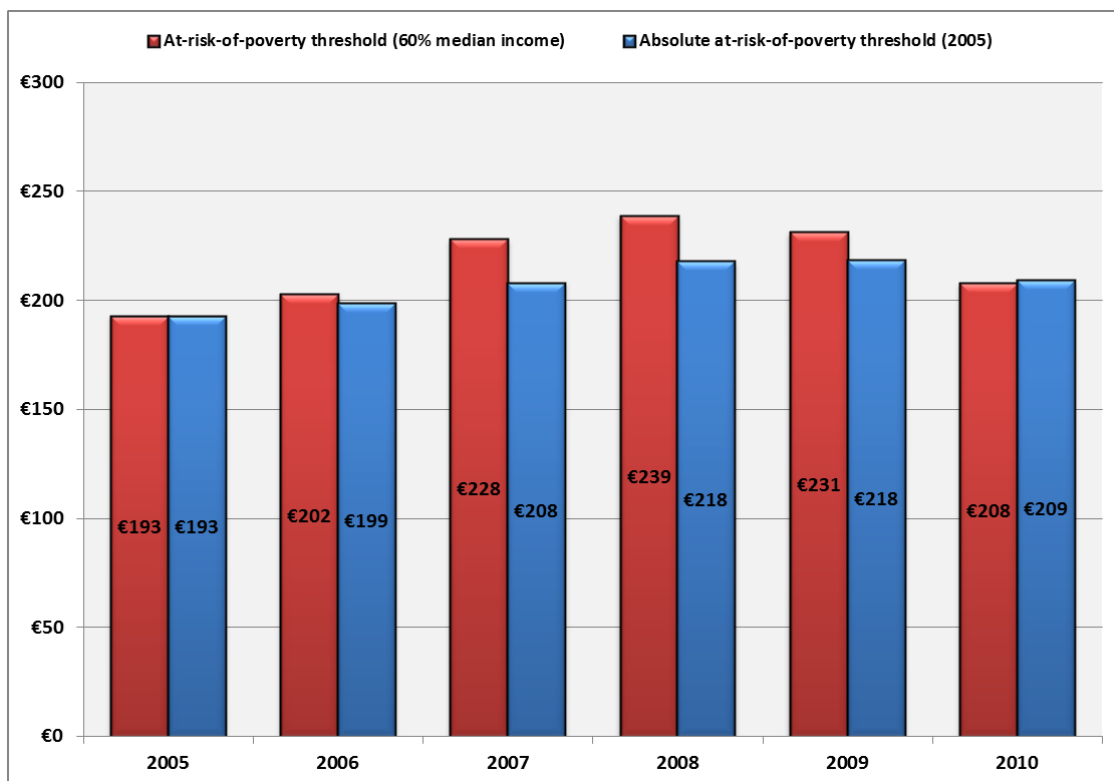


Source: CSO SILC 2005-2010; analysis by author

2.3.5 Impact of changes in median income

Figure 7 overleaf isolates the impact of changes in the value of median income on the at-risk-of-poverty threshold over the period 2005 to 2010. This is done by comparing at-risk-of-poverty using a relative threshold and an 'absolute' threshold anchored in 2005 values (i.e. only adjusted for inflation). The at-risk-of-poverty threshold under both measures was €193 per person per week in 2005, with a rate of 18.5 per cent. By 2008, the at-risk-of-poverty threshold had risen to €239 per person per week, as compared to €218 for the anchored threshold (14 per cent Vs 11 per cent). Over the next two years, the relative threshold fell dramatically to €208 per person per week. The anchored threshold also fell, due to deflation, but not to the same degree and both values are now equivalent (and have same rate at c 16 per cent). This analysis highlights the difficulties associated with monitoring at-risk-of-poverty rates during periods of volatility in household income.

Figure 7: At-risk-of-poverty and absolute at-risk-of-poverty thresholds, 2005-10



Source: CSO SILC 2005-2010; analysis by author.

As noted earlier, there has been a significant increase in basic deprivation rates across the whole population since 2007 but especially on those above the at-risk-of-poverty line. The impact of social transfers on the basic deprivation rate is not directly measurable. Instead, the impact of the economic situation (as measured by

employment status) on the substantial increase in basic deprivation can be examined. Table 2 overleafe sets out the changes in the basic deprivation rate by principal economic status, and in the share of the population in basic deprivation, between 2007 and 2010. For those in work, their deprivation rate increased by 7 percentage points, what is 2.5 times the 2007 rate. Most other groups show an increase in the rate of basic deprivation, not of the same proportion: the unemployed (+ 5 percentage points), those not at work due to illness or disability (+ 13 percentage points), students (+13 percentage points) and home duties (+ 10 percentage points).

Looking at the profile of the population in basic deprivation, the employed and the unemployed have each increased their share over this period, up 3 percentage points to almost 20 per cent and 14 per cent respectively in 2010. Other groups have not materially changed their share of the population in basic deprivation.

Table 2: Basic deprivation rate and share of deprived population by principal economic status, 2007-2010

Principal Economic Status	Rate %				Share %			
	2007	2008	2009	2010	2007	2008	2009	2010
At work	4.9	6.6	7.9	12.5	17.3	19.5	16.8	19.5
Unemployed	32.8	37.0	34.3	38.0	11	13.6	14.5	13.7
Student	11.3	10.4	19.4	24.4	8.9	6.1	8.9	8.7
Home duties	15.1	17.5	20.3	25.3	15.6	16	15.6	14.6
Retired	7.9	7.3	8	7.2	4.5	3.4	3.2	2.4
Not at work due to illness or disability	29.9	36.4	35.7	42.8	8.4	9.7	8.6	7.6

Source: CSO SILC 2007-2010

2.4 Public consultation and stakeholder engagement

Discussion at the local workshops highlighted the on-going importance of the national poverty target. However, participants noted a disconnect between the target and what people are experiencing on the ground (i.e. welfare reductions, unemployment, reduction in services, and over-indebtedness). Almost all survey respondents thought it was important to have a national poverty target, though not all were familiar with the specifics of the target. Social partners felt that having the target encourages more positive decisions relating to social policy, particularly in relation to anti-poverty policy. They also felt there should be a target for vulnerable groups.

Local workshop participants, social partners and government departments noted the economic climate and high rate of unemployment as key barriers to meeting the poverty target. Workshop participants noted the impact on poverty from cuts in services. They questioned the ability of existing poverty indicators to capture difficulties in accessing services. The European Commission acknowledged the difficult economic situation facing Ireland and Europe and hence, the shortfall in meeting the EU poverty target. It noted that the key areas for Ireland appear to be long-term unemployment, youth unemployment and the inter-generational transmission of poverty.

2.5 Conclusions

The review noted that the rate of consistent poverty in 2010 was 6.2 per cent, with initial progress being undermined by recent dis-improvements in the rate. As the trend since 2008 is upwards, with the 2010 figure two percentage points more than the lowest point in 2008, and given continuing economic difficulties, the review concludes that it is unlikely that the interim target of 2 to 4 per cent will be met by 2012.

The fall in the consistent poverty rate between 2005 and 2008 was primarily associated with a decline in at-risk-of-poverty. This was the result of the enhanced impact of social transfers, with an increase in the poverty reduction effect of social transfers (excluding pensions), from 42 to 60 per cent. Ireland now has one of most effective social protection systems in the EU for reducing income poverty.

Since 2008, basic deprivation has grown quite dramatically, from 13.8 per cent to 22.5 per cent, and is now 1.5 times the 2005 baseline rate. Minimising the impact of this increase on consistent poverty is the increasing proportion of the population in basic deprivation who are not at-risk-of-poverty. The review noted that the recent increase in the at-risk-of-poverty rate is much smaller, from 14.4 per cent to 15.8 per cent. This reflects the continued positive impact of social transfers during the economic recession. Other factors include a fall in the real value of the income threshold and a lag in reference year for the income data (N-1). Thus, the at-risk-of-poverty rate in 2010 remains well below the 2005 baseline of 18.5 per cent.

The review found that there remain significant differentials in the consistent poverty rates for certain groups, notably children and the unemployed. Among households, the highest concentrations of poverty are found in one parent, social rented and jobless households. Jobless households account for 70 per cent of all those in consistent poverty (though only 30 per cent of the total population). This concentration is closely connected with the presence of children and other dependents. Improving the situation of households with no one working and with dependants is central to meeting the national poverty target.

Chapter 3. Choice of indicators for the national poverty target

3.1 Introduction

The second term of reference for the review of the national poverty target is to:

examine expert opinion about the statistical feasibility of eliminating consistent poverty and the arguments for adopting multiple or tiered poverty targets to address the complexity of poverty.

This chapter of the review examines the consistent poverty indicator and its component indicators used to set the national poverty target. Specifically, it considers the 'very low-work intensity' indicator (also known as 'jobless households') used in the construction of the EU poverty target and asks if this could be of benefit as a national poverty indicator. It then considers the case for adopting a wider range of indicators to monitor progress towards a single target or to set additional targets. Finally, the chapter examines the statistical feasibility of eliminating consistent poverty. The section draws extensively on the *Technical Paper on Poverty Indicators* prepared by the Economic and Social Research Institute, with input from a technical advisory group (Appendix C).

3.2 National and EU indicators of poverty

The rationale for a multi-dimensional measure of poverty is set out in the definition of poverty used in the key national policy statements:

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. 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. (*National Action Plan for Social Inclusion 2007-2016*)

In line with this definition, the consistent poverty indicator is designed to identify the population which has the greatest needs in terms of low income and lack of resources. It was originally developed following extensive research which showed that consistent poverty is a powerful indicator of the likelihood of a range of economic pressures such as coping with unanticipated expenses, debt problems and arrears, housing costs, and general difficulty in making ends meet. In addition, those in consistent poverty differ sharply from the rest of the population in terms of a range of life-style items.¹⁰

¹⁰ The consistent poverty indicator was developed by researchers at the Economic and Social Research Institute. The theoretical and methodological basis for the indicator is outlined in Nolan and Whelan (1996), *Resources, deprivation and poverty*, Oxford: Clarendon Press and in journal articles.

The measurement of the deprivation component of consistent poverty is subject to periodic review to ensure that the indicator reflects changes in societal living standards. The latest reconfiguration occurred in 2006, and this version was subsequently adopted as the basis for the national poverty target contained in the *National Action Plan for Social Inclusion*.¹¹

With the onset of the economic recession in 2008, both component indicators of consistent poverty reflected the impact of the economic recession, though with the basic deprivation measure appearing to be more responsive to economic conditions (as shown in Chapter 2). In part, this reflects timing issues, with basic deprivation reported as at the time of interview, while the income basis for at-risk-of-poverty covers the preceding 12 months. It also reflects design issues, with at-risk-of-poverty influenced by a fall in the relative financial threshold used in the indicator. Within the basic deprivation measure, the percentage experiencing individual items of deprivation has evolved in an uneven manner, with the three items affecting a larger percentage of the population in 2005 showing the largest increase in 2010.¹²

3.3 Analysis of poverty measures

Three main issues are considered in this section:

1. Are the consistent poverty indicator and its component indicators used for the national poverty target still appropriate given the changed economic circumstances?
2. Is there added-value in using EU poverty indicators, in particular the new indicator of very low work intensity, to develop a composite indicator similar to consistent poverty?
3. Are there alternative indicators that might inform the setting of the national poverty target?

In relation to the first question, the technical analysis found that:

- There is a strong relationship between consistent poverty and subjective economic stress, unemployment status, experience of disability and lower social class.
- The basic deprivation indicator performs better than the at-risk-of-poverty indicator in relation to these items.
- The set of items that make up the basic deprivation measure remains reliable and valid.

¹¹ This involved a change in the definition of basic definition from a lack of one item from an eight item list to a lack of two items from an 11 item list. See Maître et al (2006), *Reconfiguring the measurement of deprivation and consistent poverty in Ireland*, Dublin: ESRI.

¹² Unable to afford an outing (10.3 per cent to 19.3 per cent); unable to afford to have family or friends for meal or drink (11.6 per cent to 14.4 per cent) and unable to afford replacement furniture (13.8 per cent to 20.3 per cent).

Overall, the researchers concluded that the national consistent poverty indicator should remain the basis for the national poverty target.

In relation to the second question, the technical paper reviewed the EU variants of material deprivation, which are similar concepts to basic deprivation, and the new EU indicator of very low work intensity, which does not have a parallel in national poverty measurement. There are small differences in how the income component of at-risk-of-poverty is measured between Ireland and the EU, but these are not materially significant. A summary of the findings is reported below.

3.3.1 Basic deprivation

The technical paper compares the national basic deprivation measure with the variants of the EU material deprivation measure (standard and severe) on three levels:

- the absolute numbers reported
- the profile of the population captured
- the relationship between the indicators and other factors (both predictive factors and consequences of deprivation).

The EU material deprivation indicator is based on a nine item index, with two thresholds: lacking three items (the standard measure) and lacking four items (the severe measure). Severe material deprivation is used to define the population for the EU poverty target, while the standard measure is used for comparative purposes.

The technical paper finds that the national basic deprivation indicator reports a higher proportion of the population affected, especially when compared with EU measure of severe material deprivation. The latest 2010 data show 22.5 per cent of the population are in basic deprivation compared to 7.5 per cent in severe material deprivation (19.6 per cent are in EU standard material deprivation). Since the national measure captures three times the population, it is given much greater weight than the EU measure in identifying those in poverty. Almost all of those in severe material deprivation are captured by the Irish measure, while most of those identified by the national measure would be left out by the EU measure. The technical analysis found that the national basic deprivation measure is more reliable, is not dominated by any one deprivation item and it has a stronger relationship to economic stress.

In terms of the possible development of a hybrid deprivation measure, while some of the measurement properties of the national indicator might be technically improved through the addition of some EU items, other features would be worsened and the overall validity and clarity of meaning would be reduced.

The report also considers whether additional items from the EU-SILC module on material deprivation in 2009 would contribute to the basic deprivation measure. It found that only two items (internet access and leisure activities) increase the reliability level and slightly increase the number of people experiencing basic deprivation (approximately two percentage points). Adding these items to the basic deprivation index increases consistent poverty by half a percentage point. A dimensional analysis shows that these items fail to associate clearly with basic deprivation. Therefore, the ESRI researchers advise against including these deprivation items in the national measure. Similarly, the inclusion of debt items does not add value to the basic deprivation indicator.

3.3.2 Very low work intensity

Very low work intensity is the third indicator used to define the EU poverty target population (along with at-risk-of-poverty and severe material deprivation). Work intensity measures the amount of time that working age adults (18 to 59 years) devote to paid employment over a 12-month period. The threshold used to define the very low work intensity indicator is 20 per cent, i.e. the total amount of time spent in paid work is less than a fifth of the time available.

The potential significance of very low work intensity as an indicator of poverty in Ireland is high, given that Ireland reports the highest rate of individuals in 'very low work intensity' households in the EU: 23 per cent in 2010, twice the EU average; rising to a quarter of Irish children, almost three times the EU norm.

The technical paper argues that there are conceptual and methodological issues with using an employment indicator to measure poverty. While it notes the important role employment has as a mitigating factor against poverty, the central concerns are that very low work intensity is not a universal indicator (it excludes those aged 60 and over), and it uses a structural factor that determines poverty risk as a poverty measure in itself, thereby making it impossible to analyse the impact of employment on poverty rates. Also, it does not have a rigorous statistical assessment or validation as a poverty indicator.

Notwithstanding these reservations, the technical paper assesses the possible added value of the very low work intensity to the consistent poverty measure, i.e. over and above the existing two indicators. The analysis estimated that a small percentage of the population (between 2 to 5 per cent¹³) experienced very low work intensity only (and no other poverty indicator). Therefore, the likelihood for most people experiencing very low work intensity is that they are also affected by at-risk-of-poverty and/or basic deprivation.

Further analysis found that individuals in very low work intensity households who are not at-risk-of-poverty or deprived, experienced relatively low levels of economic stress, especially when compared to deprived households. Meanwhile, over one-fifth people living in households with very low work intensity, but who are not at-risk-of-poverty or deprived, are in higher social class households. The technical paper concludes that the very low work intensity indicator brings very little added value to poverty measurement in Ireland. An in-depth study of the reasons for the high Irish rate of very low work intensity in a comparative context is currently underway by the Department of Social Protection and the ESRI.

3.3.3 Alternative poverty indicators

A third issue addressed in the technical paper is whether there might be alternative indicators that can identify additional aspects of poverty that are not captured by the consistent poverty indicator. Three possible indicators were considered: at-risk-of-poverty 'anchored in time', persistent at-risk-of-poverty and economic vulnerability.

At-risk-of-poverty 'anchored in time'

At-risk-of-poverty 'anchored in time', also known as absolute poverty, is defined as the proportion of people with an equivalised disposable income below the at-risk-of-poverty threshold calculated in survey year N, uprated by inflation over subsequent years. It differs from the standard (and purely relative) at-risk-of-poverty indicator in that it is not recalibrated based on median income every year. Therefore, it is often referred to as an absolute measure of poverty which reflects changes in fixed living circumstances due to inflation, as distinct from changes in relative living standards.

¹³ Equivalent to between a fifth and a third of those in very low work intensity in relative terms

The technical paper found that at-risk-of-poverty anchored in time is a good indicator of the change that people in poverty are experiencing in their real incomes (i.e. net of inflation) over time and that it should be used as a supporting indicator. The reluctance to use it as a primary measure is due to its fluctuating behaviour depending on whether median incomes are rising or falling. For instance, in 2009 the at-risk-of-poverty rate fell to 14 per cent, while the at-risk-of-poverty anchored in time (2004 values) fell to nine per cent. This suggests that one-third of people at-risk-of-poverty in 2009 had higher real incomes than those in 2004. However, if 2008 was chosen as the anchor year a different pattern would emerge; the anchored at-risk-of-poverty rate would be higher in 2009 and 2010 than the at-risk-of-poverty rates.

Persistent at-risk-of-poverty

Persistent-at-risk-of-poverty is defined as the share of the population with an equivalised disposable income below the at-risk-of-poverty threshold (set at 60 per cent) in the current year and in at least two of the previous three years. This is a measure of poverty dynamics and is made possible through the longitudinal aspect of SILC. Previous research using this measure found that there is a great deal of movement into and out of poverty over time. While most people at-risk-of-poverty exit after a short spell, a small proportion experience persistent poverty while a larger percentage have recurrent periods in poverty. Longer poverty durations are associated with worse outcomes, especially for children.

Persistent at-risk-of-poverty data are not regularly reported as part of SILC because of statistical concerns relating to the sample size. Both the CSO (2009) and the ESRI (Maitre et al, 2011) have estimated a persistent-at-risk-of-poverty rate of 9.5 per cent in 2008, a third less than the at-risk-of-poverty rate of 14.4 per cent for the same year. Maitre et al show that the rate is very sensitive to the choice of poverty line, as is the profile of the groups at risk. Further analysis of the population in persistent-at-risk-of-poverty is constrained by data limitations. The technical paper argues that while persistent-at-risk-of-poverty is a valuable indicator in terms of poverty monitoring, the full benefit of the indicator would require improvements in the longitudinal sample in SILC, to enable detailed analysis of the population affected.

Economic vulnerability

The concept of economic vulnerability refers to a heightened risk of multi-dimensional deprivation. The economically vulnerable have two main features: they experience a range of deprivations and they belong to social groups at long-term risk of social exclusion. Applying this concept to the existing Irish indicators, the technical paper highlights the risk of basic deprivation as being a key criterion. This suggests a stronger role for the basic deprivation indicator in identifying the poverty target population. This could be achieved through expanding the consistent poverty indicator to capture a higher proportion of the population in basic deprivation. This is captured by the proposal for a new indicator of ‘vulnerable to consistent poverty’, to include those with a similar level of basic deprivation as those in consistent poverty, but with slightly higher incomes (between 60 and 70 per cent of the median).

This indicator would capture a relatively small but slightly increasing cohort of the population (between 3 and 4 per cent).¹⁴ The analysis shows that this group experiences similar levels of economic stress and has a similar concentration of lower working class households as with consistent poverty. Including this indicator has a further attraction in that it would redress the declining proportion of those in basic deprivation who are represented in the consistent poverty category (from 47 per cent in 2005 to 28 per cent in 2010).

3.4 The use of a number of indicators to define the national poverty target

Having reviewed expert analysis on the evidence around the national poverty indicators and having identified potential new indicators, consideration is now given to the arguments for broadening the range of indicators to define the population for the national poverty target.

The reliance on a single indicator has been a longstanding feature of the Irish approach to setting a national poverty target. This has given rise to the criticism that the national approach only gives attention to a narrow group of the population affected by consistent poverty, while other forms of poverty are ignored. Equally, consistent poverty is itself the outcome of two discrete indicators, though the component elements of consistent poverty are sometimes overlooked in the monitoring of progress towards the national poverty target.

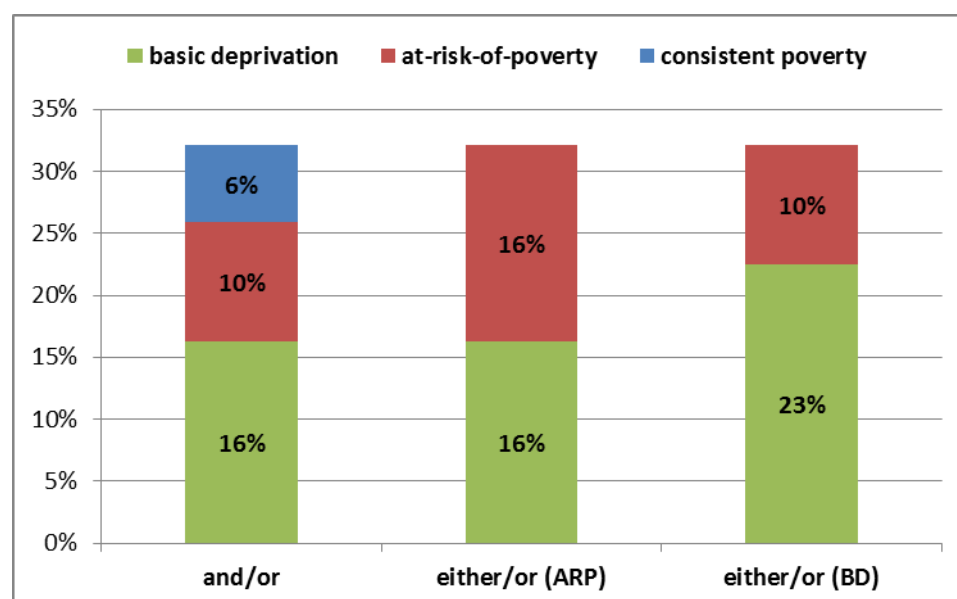
¹⁴ In 2010 the figure is 4 per cent. When combined with those in consistent poverty, the total figure is 10.2 per cent. The comparable figures for 2009 are 4.1 per cent and 9.6 per cent.

Combining multiple indicators of poverty to create a composite category is premised on applying a multi-dimensional approach, as with the consistent poverty concept, but in this case by adding all the indicators rather than focusing on the overlap. Two such approaches are considered: combining a range of indicators into a composite measure of poverty and using a tiered approach to reflect different dimensions of poverty.

3.4.1 Combined approach to poverty indicators

An example of a combined approach is that adopted by the EU as the basis for the headline poverty target in the *Europe 2020 Strategy* (also known as the and/or approach). This approach can be replicated nationally using the national poverty indicators, as is illustrated in Figure 8 with 2010 data. Various combinations of the national indicators can be presented, all totalling 32 per cent of the population in 2010. Option one is to use combine basic deprivation only (16 per cent), at-risk-of-poverty only (10 per cent) and consistent poverty (6 per cent) (column 1). A variation is to use an either/or approach, thereby disregarding the overlap, as shown in columns 2 and 3. Column 2 has at-risk-of-poverty as the 'core' indicator (16 per cent) and basic deprivation as the top-up indicator (16 per cent). Column 3 reverses this sequence, with basic deprivation as the 'core' indicator (23 per cent) and at-risk-of-poverty as the top-up indicator (10 per cent). These various permutations highlight the different policy messages than can emerge from a combined approach.

Figure 8: Configurations of target population using combined indicators, 2010



Source: CSO SILC 2010; analysis by author. Figures rounded to nearest percentage

The combined approach would create a potentially large target group for policy attention. A danger with this approach is the absence of any differentiation between the target population in terms of the number of indicators, especially the either/or variation. Yet, there may be a huge diversity of experiences of poverty within the target group requiring different policy responses. Also, this approach could encourage a policy focus on those easiest to lift out of poverty, while ignoring those with multiple needs.

3.4.2 Tiered approach to poverty indicators

An alternative approach is to develop a tiered approach to poverty indicators, which maintains the primary focus on a single indicator as the basis for the target, while recognising the importance of addressing the different dimensions of poverty which feed into the headline target. The argument for a tiered approach to poverty indicators/targets is set out in the technical paper prepared for this report, as well as in previous ESRI research reports.¹⁵ The premise for this argument is that using a single indicator to express the poverty target, no matter how well constructed, cannot adequately identify all those in poverty or capture the range of structural factors that contribute to poverty risk and that may evolve over time. There is also the danger that a single indicator/target, can narrow the policy response to poverty, for example, by focusing only on income support measures.

The technical paper outlines a three-tiered approach to poverty indicators that is concerned primarily with the situation of those in consistent poverty, while giving cognisance to other dimensions of poverty of increasing relevance in a rapidly changing economic context. The technical paper has validated the continued relevance of the consistent poverty indicator in identifying people most at risk of poverty and social exclusion during a period of economic upheaval. Consistent poverty would thus constitute the tier one indicator. Prioritising the population in consistent poverty is in keeping with the policy concern to protect the most vulnerable while meeting the EU/ECB/IMF requirements for fiscal consolidation.

Tier two includes two indicators that are new in the Irish context: (i) 'vulnerable to consistent poverty' and (ii) persistent-at-risk-of-poverty. The 'vulnerable to consistent poverty' category is an extension of the consistent poverty measure using a slightly higher income range (60 to 70 per cent at-risk of poverty threshold), but otherwise having a common experience of deprivation. Having this as a supporting indicator

¹⁵ See Maitre et al (2006)

would be important where reductions in consistent poverty involved a slight improvement in income, but without a significant reduction in basic deprivation. Conversely, a reduction in the group vulnerable to consistent poverty would minimise the potential flow into consistent poverty and together with a fall in consistent poverty, would represent real progress in achieving a sustainable and lasting reduction in poverty.

The persistent-at-risk-of-poverty indicator is a novel departure in the evolution of national poverty indicators. While sharing a common conceptual basis with the standard at-risk-of-poverty measure, it marks a fundamental shift in seeking to capture the duration of poverty spell, which is widely shown to be a key predictor of life outcomes, especially for children. In this regard, there is a connecting thread between it and consistent poverty through an emphasis on multiple rather than single (one-off) experiences of poverty. Conceptually and empirically, consistent poverty and persistent-at-risk-of-poverty are strongly linked. Both affect similar population cohorts. The full adoption of persistent-at-risk-of-poverty as a supporting indicator is currently limited by data constraints. These would need to be addressed before the benefits of having this additional indicator within the framework of a national poverty target could be realised.

Tier three consists of a further suite of indicators: basic deprivation, at-risk-of-poverty and at-risk-of-poverty anchored in time. Both basic deprivation and at-risk-of-poverty are component indicators of consistent poverty but not policy targets in their own right. Yet, reductions in these two indicators are contributory factors to a fall in consistent poverty (see section 3.5 below). Already, as part of tier two, it is proposed to incorporate a component of the basic deprivation population whose incomes are between 60 and 70 per cent of the median. What remains then are the groups who experience only one of these two expressions of poverty. The case for putting a greater focus on basic deprivation would appear stronger than for at-risk-of-poverty. Basic deprivation demonstrates a strong link with economic distress, as well as providing an ‘early warning’ of changes in living standards for the most vulnerable. There are however other benefits to the at-risk-of-poverty indicator from a policy perspective.¹⁶

¹⁶ For example, to act as a proxy for income inequality, to capture the levels at which the lowest incomes fall below the median income, to inform to debates on income adequacy and to measure the effectiveness of social transfers in preventing poverty.

The final proposed indicator in the third tier is at-risk-of-poverty anchored in time. This is considered a useful indicator of short-term trends in the real incomes of those in the bottom deciles, especially at a time of economic turbulence, but is of limited value in measuring changes in relative living standards over the longer-term. The choice of the anchored year has a huge bearing on the results reported over time. Given the current severe economic recession can be clearly dated from 2008 and the policy priority on protecting the vulnerable from the effects of the recession, applying this indicator anchored in 2008 values has considerable merit for monitoring short-term trends in low incomes.

What would be the practical implications of adopting these additional indicators to define the target population? The tier two indicators would not greatly expand the target population, increasing it to c 10 per cent of the population. The indicators in the third tier would have a dramatic effect, multiplying the target population to represent between a quarter and a third of the total population. Careful consideration would thus be required as to how the tiered indicators are presented from a policy perspective.

3.5 Exploratory statistical scenarios for achieving the national poverty target

This section considers statistical scenarios for achieving the national poverty target based on the consistent poverty indicator. There are two ways in which a reduction in consistent poverty can be modelled: a reduction in the sum of the two indicators combined (at-risk-of-poverty and basic deprivation); and a reduction in the individual indicators. An analysis of the scenarios is presented in Annex A. Here the main conclusions are summarised.

In regard to the sum of the two indicators, the main conclusions are:

- large reductions of up to 50 per cent in the combined total will generate limited progress on the national poverty target, slowly reaching the interim target, but not coming close to 'eliminating' consistent poverty (defined as less than 2 per cent);
- a focus on minimising the overlap between the two indicators is more likely to deliver progress than reducing the sum of the component parts.¹⁷

Looking at changes in the individual indicators, a reduction in at-risk-of-poverty to 10 per cent (4 percentage points less than the previous lowest rate) would reduce consistent poverty only 3 to 4 per cent. Given the reduction in at-risk-of-poverty

¹⁷ Minimising the overlap between the two component indicators of consistent poverty should not be considered a technical exercise but a measure of real progress in improving in the living circumstances of those affected. The adoption of 'vulnerable to consistent poverty' as a supporting indicator addresses this point.

between 2003 and 2008, further significant falls may be difficult to achieve.

Furthermore, as social transfers already reduce the at-risk-of-poverty rate by 60 per cent, the highest in the EU, the theoretical capacity for government welfare policy to directly engineer further reductions is limited, even ignoring prevailing resource constraints. Therefore, the most benign set of circumstances relating to at-risk-of-poverty is likely to result in a consistent poverty rate of c 3 per cent.

An analysis of the impact of a fall in basic deprivation provides more optimistic results. Higher rates of basic deprivation are the key driver in the recent rise in consistent poverty. Returning to a rate of basic deprivation previously reported would appear to be the most realistic way to achieve progress on the national poverty target. Even then, it is clear that reducing consistent poverty below 2 per cent is very challenging.¹⁸

The simulated effect of lower rates of at-risk-of-poverty and/or basic deprivation shown in Annex A are based on small percentages of the population (from 6 per cent to 1 per cent). However, as in all sample surveys such as SILC, margins for statistical error exist. Thus, where there are nominal changes in the rate of consistent poverty under the different permutations considered, in reality, it may not be possible to record such changes through SILC or the nominal changes may not be considered statistically significant.

Similarly, in considering future targets in relation to consistent poverty, consideration must be given to the statistical significance of the data and the margins of statistical error. Thus, while there may be a nominal change in the value of an item from one year to the next, the change may not be considered statistically significant.¹⁹ This is especially the case with regard to small subgroups of the population, such as those in consistent poverty. Thus, measuring a precise poverty target is difficult and a better approach is to set a target based on a numerical range. This is especially the case when seeking to 'eliminate' consistent poverty, which can involve minute percentage changes. The question of statistical significance highlights a further limitation of using a single indicator to measure progress on poverty as compared to a range of indicators with a larger and more reliable statistical basis.

¹⁸ An analysis of poverty trends and the national poverty target by the CSO has also raised similar concerns about the feasibility of 'eliminating' consistent poverty.

¹⁹ The CSO considers a rate change to be statistically significant using a 95 per cent confidence level. See CSO (2011).

3.6 Public consultation and stakeholder engagement

Almost half of survey respondents believed that indicators should be combined; 36 per cent said the focus should be on the overlap, while 13 per cent favoured stand-alone indicators. Around 90 per cent of respondents felt that income and deprivation indicators should be used to set the poverty target. Eighty per cent of respondents wanted 'access to services' indicators and 70 per cent said unemployment and social participation indicators should be used for the poverty target. Fifty-four per cent wanted an overall target with sub-targets; 41 per cent favoured multiple targets of equal status; while 5 per cent preferred a single target.

There was a desire amongst participants at the local workshops to broaden the national poverty target in terms of the indicators used. The issue of capturing poverty at a spatial scale was also highlighted. Social partners recognised the usefulness of the consistent poverty measure but were concerned that by focusing on a cohort in extreme difficulty, it did not help address broader social issues which impact on poverty. They argued for the use of multiple targets.

The technical advisory group commended the performance of the consistent poverty indicator during periods of economic boom and recession. They also argued for the use of multiple/tiered and sub-targets. The risk profile of vulnerable groups should be determined in order to set sub-targets. The group also highlighted the need to review the statistical feasibility of eliminating poverty.

3.7 Conclusions

The review concluded that the indicator of consistent poverty continues to perform well as a measure of poverty during a period of economic recession, especially the basic deprivation component. However, the experience of the recession highlighted some of the limitations of the at-risk-of-poverty indicator. These limitations are compounded by the fall in the real value of the poverty threshold because of the economic recession.

The review found that the EU version of the deprivation indicator does not work well in the Irish context and excludes a high proportion of those experiencing basic deprivation. The EU indicator of very low work intensity identifies a significant group that is not included in the national poverty indicators but their profile does not warrant the use of this indicator in the Irish context.

The review found that just above cut-off point for the at-risk-of-poverty component of consistent poverty (between 60 and 70 per cent of median income) there is a small segment of the population in basic deprivation whose characteristics are similar to those below the threshold. This group should be recognised by a poverty indicator.

The consultation exercise undertaken by the review found that the measure of consistent poverty used in the national poverty target is often not well understood. The analysis undertaken for the review suggested that there are strong arguments for adopting a tiered approach to national poverty indicators given the multiple dimensions of poverty and the difficult economic situation.

The review concluded that it is not feasible to completely 'eliminate' consistent poverty for two reasons: the required reductions in the rates of at-risk-of-poverty and/or basic deprivation are very challenging and the level of change in consistent poverty required for statistical significance.

4. EU policy and practice in setting national poverty targets

4.1 Introduction

The third term of reference for the review of the national poverty target is to:

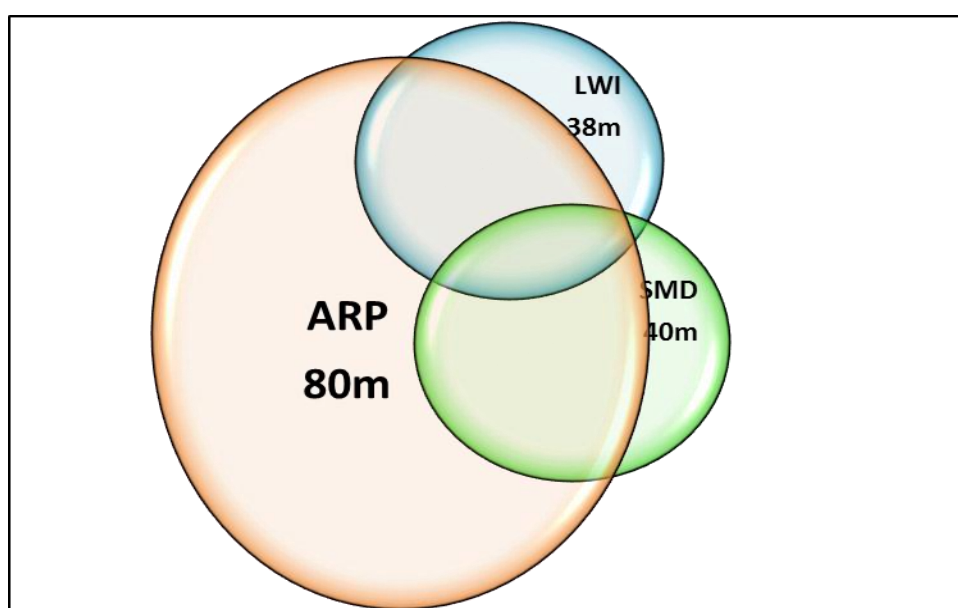
review issues and challenges for the national poverty target in the context of the EU poverty target in the *Europe 2020 Strategy*, and of good practice in national poverty targets in EU member states.

This chapter outlines the EU poverty target and the parallel national target. It considers the correspondence between the two targets in terms of indicators and priorities. Progress towards the EU target is then assessed. The chapter concludes by highlighting the main messages from an EU peer review on national poverty targets and recent practice on national poverty targets in the EU member states.

4.2 The EU poverty target and the parallel national target

In June 2010 the European Council adopted five headline targets under the *Europe 2020 Strategy*. One of the headline targets was to promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of a target population ‘at risk of poverty and exclusion’ of 116 million, using 2008 as the baseline year.²⁰ As shown in Figure 9, the target population is made up of 80 million people at-risk-of-poverty (ARP), 40 million in severe material deprivation (SMD) and 38 million in households with very low work intensity (VLWI). As 42 million people are in multiple categories, the net figure for the EU 27 is 116 million.

Figure 9: EU target population ‘at risk of poverty or exclusion’, 2008



Source: Eurostat EU-SILC 2010. Analysis by author. Figures rounded to nearest percentage.

²⁰ The population is defined as the number of persons rather than the percentage, as it is a composite measure with different population bases (very low work intensity only applies to the population aged 0 to 59 years)

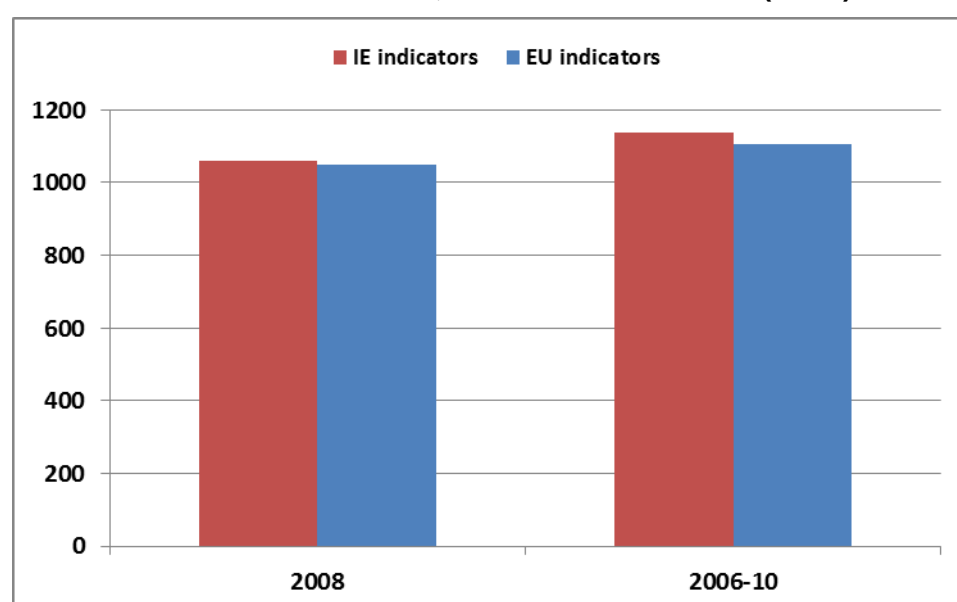
To achieve the EU poverty target, the 27 Member States are required to set national poverty targets in an annual *National Reform Programme*. Countries are required to set these targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities.

Ireland's target in relation to the EU poverty target was set out by the Department of the Taoiseach in the *National Reform Programme 2011* in the following terms: to lift a minimum of 186,000 people out of the risk of poverty or exclusion between 2008 and 2016. This target was derived from the existing national poverty target to eliminating consistent poverty by 2016. The figure of 186,000 is calculated on the basis of reducing consistent poverty from 4.2 per cent in 2008 to 0 per cent by 2016.

4.2.1 Correspondence between Irish and EU target populations

Before considering the extent to which the EU target was met we must first consider the correspondence between the national and the EU poverty targets in terms of the indicators used. First, to correspond with the EU approach to defining the population at risk of poverty or social exclusion, Ireland's existing three national indicators (at-risk-of-poverty, basic deprivation and the overlap of the two, consistent poverty) can be combined to define a parallel national population at risk of poverty or exclusion. The national population captured by the national (IE) and EU indicators is illustrated in Figure 10 for 2008 and the average over the period 2006-2010.

Figure 10: Target population 'at risk of poverty or exclusion' using national (IE) and EU indicators, 2008 and 2006-2010 (000s)



Source: CSO and EU SILC 2006-2010; analysis by author

This shows a strong numerical correspondence between the two sets of indicators. In 2008, there was slightly over 1 million people in both indicator sets (26 per cent of the total population), with slightly more - 10,000 people - in the IE set. When averaged over the period 2006 to 2010, the figures are slightly higher but again very similar, with an average difference of 30,000 between the IE and EU figures.

The national poverty target of 186,000 represents 17.5 per cent of the Irish population at risk of poverty or exclusion. This is similar in proportion to the EU target of 20 million, which equates to 17.4 per cent of the EU population at risk of poverty or exclusion. An important consideration for the achievement of the EU poverty target is the extent to which the two populations are similar, so that a reduction in the Irish target population will translate into a reduction in the EU population, and thus contribute to the 20 million *Europe 2020 Strategy* target. The technical paper examines the overlap between the populations identified by the two sets of indicators. Looking at data averaged over a five-year period (2004-2009), it finds that four-fifths of the Irish target population would be included in the EU population (and vice-versa).²¹ The report notes that this is quite a large overlap given the differences in the methodology. It is likely the reason for the separate 20 per cent is the inclusion of the very low work intensity indicator in the EU indicator set, given that it has a weak correspondence with the Irish indicators of poverty (noted in chapter 2).

It is clear that there is a strong correspondence between the combined national and EU target population, despite the use of different indicators. Both identify similar proportions of the population and the majority of the target populations overlap. While the national approach is to prioritise the population with multiple forms of poverty, the national target should contribute to the EU target in terms of numerical ambition and intended beneficiaries.

We can also consider the overlap between consistent poverty, a sub-group in the national combination, and the EU combination. (There is no parallel category recognised within the EU population, although a third of the target population has multiple forms of poverty). Around a quarter of the national population falls into this category. As this group is the basis for the national poverty target, a key question is what proportion of this group is also in the EU target population? The technical paper

²¹ The overlap between the target populations has increased over time, with 25 per cent of each group not overlapping with the other in 2009. This may reflect a) a bigger difference between the size of the population in each group and b) a greater influence of very low work intensity in the EU RPE cohort.

finds that almost all this group is represented in the EU population, which is a strong endorsement of their poverty status at EU level.

The EU poverty target differs from the Irish approach in that it is expressed in absolute numbers, rather than as a percentage of the total population. In countries where the population is expanding or contracting, this factor can influence the evolution of the target population independently of socio-economic changes. This is very apparent in the situation of Ireland, where the population grew by 8.2 per cent between 2006 and 2011. If this increase is applied on a pro-rata basis to the period 2008 to 2018, the Irish population at risk of poverty or exclusion would increase by 30,000 from 186,000 to 216,000, without any change in the underlying poverty risk.

4.3 The Irish contribution to the EU poverty target

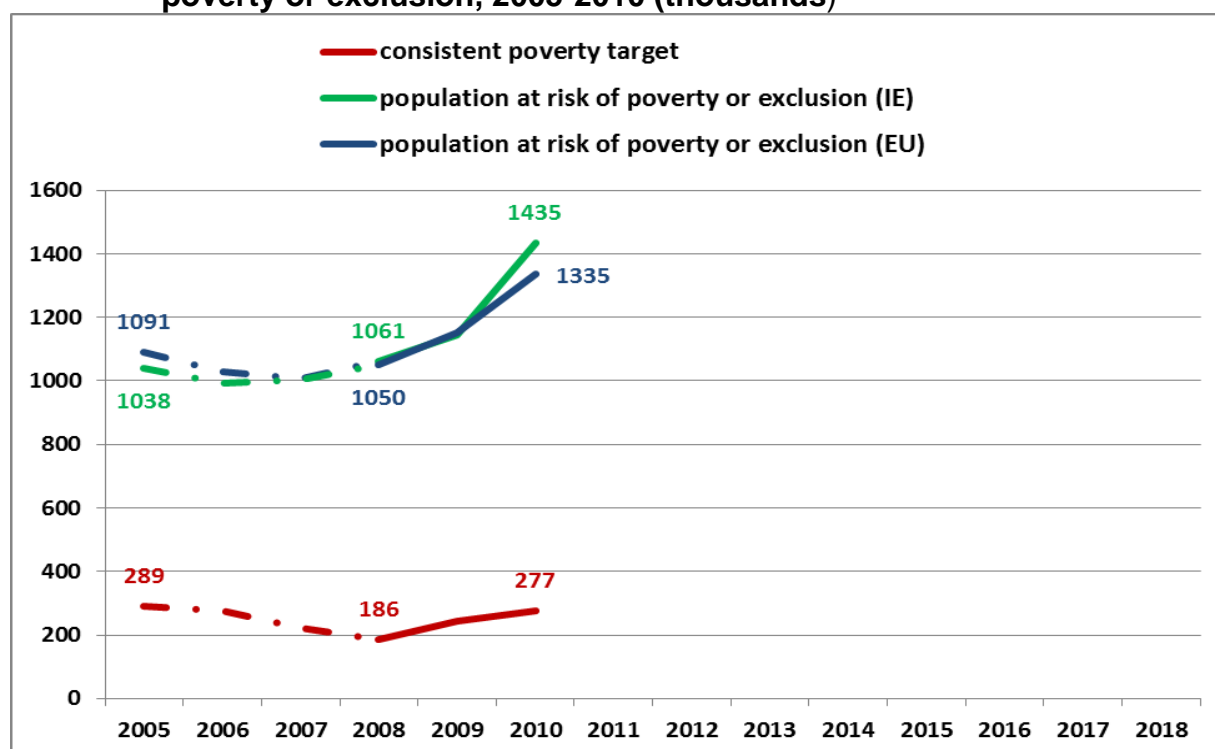
Based on the national poverty target, it was envisaged that the Irish contribution to the EU poverty target would be to lift 186,000 people out of the risk of poverty and exclusion based on the consistent poverty indicator. Figure 11 on the next page charts progress in this regard. From 2008 to 2010, the target population grew from 186,000 to 277,000 (red solid line).²² This represents an increase of almost 50 per cent on the 2008 baseline. This rise reflects the impact of the economic crisis in Ireland, and in particular almost a trebling of the unemployment rate from 4.5 per cent in 2007 to 13.7 per cent in 2010. Such an increase in poverty was foreseen in the *National Reform Programme 2011*, where it envisaged that ‘in the early years fewer people may be lifted out of poverty or indeed the numbers may increase’.

Figure 11 also presents information on the trend in consistent poverty for the preceding period 2005 to 2008 (part of the timeframe for the national poverty target). In that period, the target population fell from 289,000 to 186,000, a decline of over 100,000. It is apparent that 2008 represents the low point in the recent national poverty cycle and highlights the particular challenges arising from selecting 2008 as the baseline year for the national contribution to the EU poverty target. Looking at the period as a whole, the population in consistent poverty has reduced from 289,000 to 277,000, a fall of 4 per cent.²³

²² The CSO has noted that some of the changes over the period 2009 to 2010 were not statistically significant. This includes the change in the consistent poverty rate.

²³ This is against a backdrop of an estimated rise of 8.1 per cent in the population in the same period.

Figure 11: Progress on the national poverty target and population at risk of poverty or exclusion, 2005-2010 (thousands)²⁴



Source: CSO SILC and EU SILC 2005-2010; analysis by author

Trends in the population 'at risk of poverty or exclusion', using EU (blue line) and national (green line) methodologies and data sources, are also shown in Figure 11.²⁵ Both the EU and national measures show an increase in the numbers of between 300,000 to 400,000 between 2008 and 2010. Comparing these trends with that for consistent poverty, the proportionate increase in the consistent poverty figure is much less than in the population at risk of poverty or exclusion. A final point is the relative numbers captured by the two measures. Up to 2009 the numbers were broadly similar, but in 2010, the Irish measure increased by 100,000 more than the EU measure. This is because the deprivation component of the national measure increased at a higher rate than the EU measure of material deprivation.²⁶ In the period preceeding this (2005-08), there was little variation in the two populations at risk of poverty or exclusion.

²⁴ The population estimates are extracted from the CSO's Statistics Bank at: <http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=PEA11&PLanguage=0>. The population estimates for 2007-2011 will be revised to take account of the figures published in Census 2011.

²⁵ See footnote 1 above for definitions.

²⁶ See Watson, D and Maître, B (2012), *op cit*

There is a dynamic connection between progress towards the national poverty target and the target population at risk of poverty and exclusion arising from the connections between the two sets of indicators. A decline in consistent poverty can come about for two reasons: a fall in the composite indicators and a reduction in the overlap between the indicators. If the former, this will present a 'bonus' reduction in the composite measure, which is over and above the fall in consistent poverty. If the latter, this will not impact on the total population. In the period 2003 to 2008, the composite target population decreased by 2.8 per cent while consistent poverty fell by 4 per cent. An analysis of the consistent poverty reduction indicates that one quarter of the reduction was due to a fall in the composite figure and three-quarters due to a contraction in the overlap between the component indicators. In numerical terms, using a fixed population base, consistent poverty fell by 160,000, while the reduction in the total target population was less at 111,000.²⁷ In an alternative scenario, where all the reduction in consistent poverty arose from a contraction in the population at risk of poverty or exclusion, this would have seen a halving in the composite target population from 27 to 14 per cent, equal to 500,000 people.

4.4 EU peer review on national poverty targets

In June 2011, the Department of Social Protection hosted a peer review on the setting of national poverty targets, as part of the EU 'open method of coordination on social protection and social inclusion'.²⁸ The purpose of the peer review was twofold: to draw lessons from the Irish experience of national poverty targets dating over 15 years; and to review the approaches of EU member states to setting national poverty targets as part of the *Europe 2020 Strategy*. The peer review was attended by eight EU member states (Belgium, Bulgaria, Finland, Latvia, Malta, Romania, Slovakia and the UK) and two affiliated countries (Croatia and Norway). Also present were the European Commission, European stakeholders and national stakeholders.

²⁷ A further complication is that the period 2003 to 2008 was one of population growth (+11 per cent), which automatically increases the target population when measured in absolute numbers. As a result, the net reduction in the Irish population at risk of poverty or exclusion was only 5,000.

²⁸ The open method of coordination on social protection and social inclusion, the EU provides a framework for national strategy development, as well as for coordinating policies between EU member states on issues relating to poverty and social exclusion, health care and long-term care as well as pensions. For more information, see <http://ec.europa.eu/social/main.jsp?catId=753&langId=en>

Papers were presented by Ireland as the host country and by an EU expert, and all countries completed a survey on the setting of national poverty targets in the context of the EU poverty targets.²⁹ The synthesis report of the peer review, prepared by an independent EU expert, is included as Appendix D of this report.

The peer review highlighted the contrasting conceptualisation of poverty in the Irish and EU poverty targets. Ireland has chosen to target the most disadvantaged group based on two overlapping dimensions of poverty. While this reduces the target population in quantitative terms, it makes it more challenging qualitatively, as greater resources are required to lift the most disadvantaged out of poverty. The EU approach provides more options in meeting the target, with scope to choose a single dimension of poverty and to achieve quick gains from those closest to the threshold.

The peer review noted a common challenge in setting national and EU poverty targets is to ensure clarity and transparency. Using multiple indicators, either in combination or all together, makes it less easy to engage with civil society. Equally, how targets translate into policy measures – and vice versa - can be hard to follow. There is no exact science about poverty measurement, with many seemingly arbitrary and non-transparent decisions made about thresholds and components of composite indices. Tracking the positive impact of specific policy interventions on national poverty targets, as compared to the general uplift from economic growth, can be hard to do. This is not helped by the time delay between poverty statistics and live economic trends. The use of forecasting tools, such as micro-simulation models, can help to improve the links between policy making and poverty outcomes.

Connecting national poverty targets with mainstream policy making is another challenge noted in the peer review. This is especially apparent with the economic and fiscal crisis currently dominating the EU at a collective level, as well as for many member states. There is a sense that poverty targets are more suited to periods of economic growth. But can targets also be used to prevent the social situation from getting worse and to keep policy focus on the most vulnerable in the face of multiple demands? There is a shortage of experience as to how the various poverty measures perform in periods of economic decline. For instance, the at-risk-of-poverty indicator can give a misleading impression where median incomes are falling.

²⁹ Documentation on the peer review is available at: [The setting of national poverty targets — Peer Review in Social Protection and Social Inclusion and Assessment in Social Inclusion](#).

The peer review noted that the economic crisis may encourage governments to manipulate statistics, either through creaming (targeting resources to maximise measured outcomes) and gaming (adopting practices that deliberately overstate success).

The peer review highlighted the importance of linking national poverty targets with other headline targets. This is one of the themes in the *Europe 2020 Strategy*: the various targets are connected and reinforcing. There is little evidence yet to show how this has been achieved in practice.

4.5 National poverty targets in EU member states

An analysis was carried out of the national poverty targets in EU member states, as are required under the *Europe 2020 Strategy*. The details are presented in Annex B based on the 2011 National Reform Programmes prepared by the member states.³⁰

In summary, 16 member states have framed their national poverty target based on the EU target population: Austria, Belgium, Cyprus, Czech Republic, Finland, Greece, Hungary, Italy, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain. Five of these have adopted a multiple target approach with varying qualifications: Finland, Greece, Hungary, Malta and Spain. Ten countries have set alternative poverty targets:

- Bulgaria, Estonia and Latvia based their targets on the at-risk-of-poverty indicator.
- Germany, the Netherlands, Denmark and Sweden chose targets related to labour market status i.e. jobless households, the long-term unemployed, low work intensity, those on long-term sick leave.
- The United Kingdom and France set multiple targets.
- Luxembourg has not set a national poverty target.

4.6 Public consultation and stakeholder engagement

Participants at the local workshops argued that the national poverty target should be used to benchmark Ireland against our European counterparts. They felt the Government should face repercussions should there be a failure to meet the poverty target.

³⁰ Practice in setting national poverty targets is still evolving, as is shown by the changes contained in the 2012 National Reform Programmes.

Local workshop participants, social partners and government departments suggested there may be value in using the EU low work intensity indicator and/or other work related indicators in a national context. Government departments felt the low work intensity indicator may identify a cohort of people which are not included in the national indicators. The technical advisory group acknowledged the value of a work related indicator but questioned the use of the low work intensity indicator as a poverty measure until further analysis has been conducted.

Some survey respondents questioned the ambition of the European target and argued for the consistent poverty measure to act as a model for the EU approach. Other respondents, along with participants at the Social Inclusion Forum, welcomed the European target and suggested a stronger alignment between the EU and national indicators.

Social partners argued that the national poverty target should not be diminished in order to meet the less ambitious European poverty target. There was a particular concern that the EU poverty target could be met with relative ease if economic growth resumes while the underlying causes of poverty and social exclusion would not be addressed. Social partners and the technical advisory group highlighted the value of the national basic deprivation measure against its EU counterpart.

The European Commission recognised Ireland's expertise in poverty measurement and encouraged further consideration of the EU approach, particularly the low work intensity indicator. The Commission welcomed the work being undertaken on the alignment of the national and EU poverty targets, noting it could inform the monitoring tools it is developing.

4.7 Conclusion

The review concluded that there has been no progress towards the envisaged Irish contribution to the EU poverty target set out in the *National Reform Programme 2011* and that it is highly unlikely that Ireland will meet its proposed contribution to the EU poverty target. This is because the baseline year of 2008 represents a turning point in the recent evolution of poverty rates in Ireland, in line with the major decline in the economy and the introduction of austerity measures.

The review concludes that there is a strong correspondence (80 per cent) between the Irish population captured by the combination of the two national indicators and the EU composite measure of at risk of poverty or exclusion. However, the review was not in a position to make a definitive conclusion about how progress on the national poverty target will impact on the EU poverty target because the absence of a focus on the overlap of indicators at the EU level. It would be helpful in this context if the EU conferred recognition for improvements by member states in the target population with overlapping indicators.³¹

The review concluded that in order to align with the EU approach, reductions in the national population either at-risk-of-poverty only and in basic deprivation only should be taken into account for the purposes of measuring progress towards the EU poverty target.

The review noted that a minority of EU member states have continued to set national poverty targets which do not conform to the EU approach

³¹ This is a potential issue for all member states who do not replicate exactly the EU methodology for setting poverty targets. Thus, member states who prioritise a reduction in one indicator only, might find their contribution to the overall target diminished if this reduction came about in the population also affected by other indicators. For example, 40 per cent of the EU population at-risk-of-poverty are also affected by a second indicator.

5. Future ambitions for the national poverty target

5.1 Introduction

The final term of reference for the review of the national poverty target is to:

Consider how Government can set out different levels of ambition for poverty reduction having regard to the economic circumstances, the likely economic and fiscal scenario for the immediate years ahead and EU/ECB/IMF Troika agreement.

This chapter begins with an overview of the economic and fiscal outlook. It then reviews the evolving policy approach to meeting the national poverty target.

Weaknesses in the current implementation of the target are then considered.

5.2 Economic and fiscal outlook

This section summarises the economic and fiscal outlook, as outlined in the department of Finance *Stability Programme Update April 2012* and other government reports:

- The short-term outlook is for modest economic growth (less than 1 per cent per annum). In the medium term, a return to robust and sustainable growth is foreseen.
- Labour market conditions remain weak, though a degree of stabilisation was evident towards the end of 2011. Employment is expected to increase in 2013 supported by the Action Plan for Jobs 2012, with a net job creation of c. 60,000 in the period 2012-2015. The Government's policy aim is to increase the numbers at work by 100,000 by 2016.
- The unemployment rate is projected to fall slightly, though remaining in excess of 10 per cent until 2015. Further improvements in unemployment are expected to arise from the Government's labour market policy Pathways to Work, notably 75,000 long-term unemployed moving into employment by 2015.
- The general government deficit is expected to be 8 per cent in 2012, with the goal to reduce this to 3 per cent by 2015. Further budgetary adjustments in relation to revenue and expenditure of €8.6 billion will be required to meet this objective, including savings of €1.3 billion in welfare expenditure for 2013 and 2014.
- There are challenges in the long-term sustainability of the public finances arising from an ageing population.

5.3 The policy approach to meeting the national poverty target

The policy approach to meeting the national poverty target is set out in the *National Action Plan for Social Inclusion*. The plan sets out a comprehensive programme of actions to tackle poverty and social exclusion across Government. It contains 12 high levels goals based on three inter-connecting themes of income support,

activation and access to services³² and tailored to the lifecycle groups of children, people of working age, older people and people with disabilities, along with communities. Reports on the implementation of the action plan for 2007/8 and 2009/10 are available on www.socialinclusion.ie.

The current Programme for Government states that the elimination of poverty will be an objective of the Government and that it is committed to achieving the targets in the *National Action Plan for Social Inclusion* to reduce the number of people experiencing poverty. With the onset of the economic crisis, the national poverty targets will be achieved through improved economic circumstances, better linkages with economic and social policies and a greater focus on service delivery and activation as a means of tackling social exclusion, as set out in the *National Action Plan for Social Inclusion* and the *National Reform Programme* under the *Europe 2020 Strategy*. In particular, the Government has prioritised the following:

- to protect the most vulnerable from the worst impact of the crisis
- to strengthen activation policy to support people back into work
- to reform income supports for children and people of working age.

5.3.1 Protect the most vulnerable

The Government continues to seek to minimise the impact of fiscal consolidation under the EU/ECB/IMF programme on vulnerable groups. In Budget 2012, the nominal value of welfare rates was maintained. The latest poverty figures (2010) indicate that minimum welfare payments (including fuel allowance) are equivalent to the at-risk-of-poverty threshold (60 per cent of median income) and that the 'poverty reduction effect' of social transfers remains at 60 per cent, one of the highest in the EU. This reflects the increases in welfare payments and child benefit during the economic expansion of the early to mid-2000s.³³ Welfare payments, despite reductions in overall expenditure, continue to provide a robust protection for households affected by unemployment and other social consequences of the crisis.

5.3.2 Strengthen activation policy

Labour activation measures are critical in providing developmental opportunities for those who are unemployed, in particular the long-term unemployed and jobless households who are most vulnerable to poverty. The Government published a new comprehensive policy on labour market activation called *Pathways to Work* in March

³² This approach is based on the report by the National Economic and Social Council (2005), *The Developmental Welfare State*. The approach is similar to the three principles of active inclusion.

³³ Basic welfare payments doubled, child income support increased by 115 per cent, while prices grew by 30 per cent and earnings by 40 per cent.

2012. Its aim is to ensure that the creation of new jobs results in a reduction in unemployment, so that people do not become permanently disenfranchised within society and that the first day out of work is also the first step on the pathway to work.

Pathways to Work has five strands, including greater engagement with people who are unemployed; greater targeting of activation programmes (including an additional 20,000 places created in 2011); incentives to take up employment opportunities (see welfare reforms below); providing more jobs for the unemployed (including the creation of additional 100,000 jobs); and improving delivery of services through the establishment of new integrated employment and support service by the Department of Social Protection.³⁴ The policy has a particular focus on the long-term unemployed, with a view to ensuring that at least 75,000 long-term unemployed will move into employment by 2015.

The purpose of the integrated employment and support service is to strengthen activation for people of working age in receipt of welfare payments. The new service integrates three previously separate services: income support, employment supports and community welfare, in a one-stop-shop delivery model. The service adopts a case management approach and uses a statistical profiling model to target appropriate supports to unemployed people. The Department of Social Protection has also developed or expanded a number of targeted policies for welfare recipients. These include JobBridge, a national internship scheme for unemployed people, the Disability Activation Project, an initiative to increase the capacity of people on disability/illness payments to participate in the labour market and the Partial Capacity Scheme, which allows people in receipt of disability/illness payments to work on a limited basis and receive welfare payments. The Department is also currently completing a review of the labour market measures it provides, with a view to improving their effectiveness and targeting.

5.3.3 Reform income supports for children and people of working age

To address the fiscal constraints, the Government is undertaking two major welfare reviews, one focusing on child income support and the other on welfare supports for people of working age. The former proposes the introduction of an integrated child income support payment with universal and selective components. The purpose of the integrated payment is to better target resources at low income families and to support parents to take up employment.

³⁴ *Intreo*, the new integrated employment and support service provided by the Department of Social Protection, was officially launched on 15th October, 2012.

The latter proposes the introduction of a single working age social assistance payment. This payment would represent a fundamental reform of the social welfare system. It seeks to provide people with supports and/or services to enable and to reward them to take up employment or education and training services. The single working age payment is one element of a wider activation strategy. The Department of Social Protection is developing implementation plans for both these reforms and supporting measures were implemented in Budget 2012.

5.3.4 Other initiatives

The Government published its strategy for affordable energy in 2011 (Department of Communications, Energy and Natural Resources, 2011). The key features of the strategy are an area-based approach to the mitigation of energy poverty, greater access to energy efficiency measures, a better alignment of income supports and domestic energy efficiency and improved monitoring of energy poverty. The Government published its strategy for financial inclusion in 2011 (Department of Finance, 2011). A pilot programme to promote access to basic bank accounts is currently underway in conjunction with the Irish banking sector.

5.4 Strengthening the implementation of the national poverty target

There are a number of weaknesses in the implementation of the national poverty target. Firstly, the national poverty target is primarily perceived as a welfare target, to be addressed by income support measures, contrary to the understanding of poverty as a multi-dimensional phenomenon. Also, the target is not well connected with the other social targets (employment and education) in the *Europe 2020 Strategy* or other relevant policy targets in government departments. A practical way to highlight the cross-departmental nature of the national poverty target and its linkages to other social targets is to refer to it as a 'national social target'.

There is a requirement for greater transparency in the linkages between the national poverty target and the different dimensions of poverty that policy should address.

The recent policy approach to poverty illustrates the challenge in this regard.

Improving income supports for those on welfare was prioritised as the main instrument to improve the situation of those in consistent poverty. As a result, the national poverty target was interpreted as a primarily income target, with less attention given to other aspects of poverty. This was reinforced by the association of responsibility for the national poverty target with the department responsible for welfare payments. Ironically, one of the criticisms of the national poverty target was

that it did not include a target based on at-risk-of-poverty. Yet, in practice, the target was primarily addressed in terms of income adequacy.

Secondly, a key mechanism in mainstreaming the national poverty target across all aspects of government policy is poverty impact assessment, the process by which the poverty impact of policy is considered at design and review stages. At the moment, poverty impact assessment is applied in a limited manner. One way to improve its implementation is to incorporate poverty impact assessment as part of an integrated 'social impact assessment', which combines poverty with other social policy concerns. Social impact assessment could lead to greater policy coordination in the social sphere and ensure that social and employment policies are mutually reinforcing.

Thirdly, it is important to have regular, timely and systematic arrangements for monitoring progress on the national poverty target, informed by the results of the annual CSO *Survey on Income and Living Conditions* and with input from relevant stakeholders. Regular monitoring will help to inform the policy making system by highlighting progress and identifying areas for further improvement.

5.5 Public consultation and stakeholder engagement

The response and commitment of Government was recognised in the local workshops as being the crucial factor in ensuring the national poverty target is met. Participants argued that policy responses should be responsive to the situation on the ground while being innovative in their use of resources. In order for policy responses to be effective, a coherent inter-departmental approach is required. In this regard, government departments emphasised the alignment of the poverty target with other policy areas (e.g. employment, local development, education).

The timeframe and baseline year for the target were discussed by government departments, the technical advisory group and social partners. The former argued for an extended timeframe in line with the EU poverty target along with a more realistic baseline year. Social partners felt that the choice of any new baseline year should be clearly articulated to avoid any suggestion of manipulation of the poverty figures. The technical advisory group stressed the link between indicators used in the poverty target, the definition of poverty, and the policy approach being taken (e.g. if unemployment is a concern then a labour market related poverty target should be

considered). The group noted the need for the national poverty target to be accompanied by a coherent national poverty strategy.

Survey respondents listed the provision of services and supports for children and families as the highest policy priority. Welfare benefits and in-work supports were also seen as important. Respondents also cited jobs, training and education as key policy issues. The views of respondents to the online survey were as follows:

- 46 per cent believed that a new poverty target should be developed to take account of the economic downturn and the new fiscal reality
- 22 per cent argued against any changes to the target
- 17 per cent wanted a less ambitious target
- 12 per cent said the timeframe should be lengthened.

Local workshop participants commented on the barriers to employment and the need for activation to be appropriate, effective and fair. The importance of poverty impact assessment for policy was highlighted. Social partners recognised the ambitious nature of the national poverty target in the current economic climate. Local workshop participants, social partners and government departments noted the difficulty in meeting the poverty target given the economic situation, budgetary cuts and high levels of unemployment.

Participants at the Social Inclusion Forum workshop argued that the level of ambition in the current target should be retained, as it represents a statement of intent from the Government. They were also of the view that if the target was diluted it would be difficult to strengthen it later.

There was general support for the use of multiple indicators and for sub-targets for vulnerable groups. Local workshop participants favoured child and work-related poverty targets. Four-in-five survey respondents prioritised a poverty target for children; while half favoured a target for the 'working poor'. Other priority groups included the unemployed, homeless and people with disabilities.

Participants at the Social Inclusion Forum, social partners and government departments supported the use of phased targets (i.e. short, medium and long-term targets). They noted the opportunity for the regular assessment of progress on the target. Workshop participants felt phased targets would encourage poverty impact assessment to be conducted when formulating policy responses.

Emphasis was placed at the local workshops on the need for a robust monitoring system, which would involve people experiencing poverty. Participants argued for greater government accountability in meeting the target. An example cited was the enshrinement of the UK child poverty target in legislation. Thirty per cent of survey respondents believed the national poverty target should be made legally binding. A further 30 per cent argued that targets should be taken into account in policy-making. Eighteen per cent wanted the national and European poverty targets to be aligned. Participants at the Social Inclusion Forum thought that progress on sub-targets could be measured by reference to the national poverty target. Any groups not progressing in line with the national target would trigger a targeted policy response.

The European Commission stressed the importance of realistic targets that take account of the two economic cycles that Europe should experience between now and 2020. It also reiterated its commitment to review the EU poverty target in 2014-15. It is the prerogative of member states to set their own target(s) having regard to their national situation. The Commission is not in a position to impose demands for specific targets especially given the challenging economic climate. While austerity measures were required by the EU/ECB/IMF agreement, social impact assessment was a key tool that should be used in advance of decisions being taken.

5.6 Conclusions

The review concluded that the key policy tools to achieve the national poverty target are increasing employment and improvement in public services. This is the case given the linkages between poverty, employment and services but also because there is limited scope to enhance social transfers for fiscal reasons, and given their current performance in terms of poverty reduction is amongst the best in the EU. Maintaining the effectiveness of social transfers in reducing the at-risk-of-poverty rate is critical to ensuring that the potential rise in consistent poverty is minimised.

The review found that the national poverty target was interpreted as a welfare target with little connection with other policy areas. There is a weak connection between the national poverty target and other government targets, in particular education and employment.

The review found that there remains strong support for having a national poverty target despite the economic difficulties facing the country and the recent upward trends in poverty. There was strong support for setting poverty targets for lifecycle and vulnerable groups, especially children. Higher poverty rates for children is of particular concern because of the effects can be life-lasting through the inter-generational transmission of poverty.

The link between unemployment and poverty is a strong policy concern, especially as reflected in the concentration of poverty in jobless households. This demonstrates the significance of connecting between the poverty and the employment targets in the *Europe 2020 Strategy* and also linking the national poverty indicators and the EU poverty indicator of very low work intensity.

The review finds that the implementation of the national poverty target could be strengthened in regard to the status of the target, the application of poverty impact assessment and the monitoring of poverty trends and progress towards the target.

6. Review conclusions and recommendations

6.1 Review conclusions

There has been limited progress in meeting the national poverty target in the period 2005 to 2010. Consistent poverty fell from 7 per cent to a low of 4.2 per cent in 2008, before increasing in 2010 to 6.2 per cent. The recent increase reflects the social impact of the recession, notably the rise in unemployment. There is the possibility of further dis-improvement in the 2011 data. Achieving the interim national poverty target is therefore unlikely.

The rise in the consistent poverty measure reflects an increase in the population experiencing economic stress, in particular basic deprivation due to the impact of the economic crisis, and is now 50 per cent more than the 2005 baseline rate. By contrast, the at-risk-of-poverty rate remains below the 2005 rate, though this needs to take into account the fall in the threshold in real terms in 2009 and 2010 and the income reference period relating to the preceding 12 months. Maintaining the policy focus on those in consistent poverty is justified, even more so given scarce public resources.

In terms of the Irish contribution to the *Europe 2020* poverty target, this is considerably off track with an increase in the numbers in consistent poverty to 277,000 in 2010, as compared to the 2008 baseline figure of 186,000 (+91,000).

Within the overall poverty target, there are two groups – children and jobless households which merit specific policy attention given (a) their higher risk of consistent poverty and their share of the total population in poverty, and (b) their importance from a social policy perspective.

The poverty rate for children is up to 50 per cent higher than for working age and older people and children account for a third of all those in consistent poverty. Furthermore, child poverty is of particular concern as the effects can be life-lasting due to the inter-generational transmission of poverty. People in jobless households are three times more likely to be in poverty than are those with one person at work and account for 70 per cent of all those in consistent poverty. This group is closely connected with lone parenthood, welfare dependency and social rented housing.

While consistent poverty remains the key poverty indicator, there are other indicators which warrant policy attention, notably ‘vulnerable to consistent poverty’, defined as the overlap of basic deprivation and an income of between 60 per cent and 70 per cent of the median (4 per cent of population in 2010) and ‘absolute poverty’, defined as at-risk-of-poverty anchored in 2010 values (15.8 per cent of population in 2010). Progress in reducing these two indicators would be important to support the achievement of the national poverty target.

The key policy tools to reach the national poverty target are employment and services, rather than income support. In employment, the focus should be on increasing access to employment in jobless households. For services, the priority should be to prioritise children in poverty, including the educational system. There is limited scope to further enhance the already high effectiveness of social transfers in tackling poverty given fiscal constraints.

The implementation of the national poverty target could be strengthened in regard to the status of the target, the application of poverty impact assessment and the monitoring of poverty trends and progress towards the target.

6.2 Review recommendations

The review recommends the following changes in the national poverty target:

- as the headline target, to reduce consistent poverty to 4 per cent by 2016 (interim target) and to 2 per cent or less by 2020, from the 2010 baseline rate of 6.2 per cent;
- as Ireland’s contribution to the EU poverty target, to lift up a minimum of 200,000 people out of the risk of poverty or exclusion between 2012 and 2020;
- to reduce the differential in the rate of consistent poverty between children and the rest of population, as part of the headline target;
(the specific sub-target to be discussed with the Department of Children and Youth Affairs in the context of its role in leading the development, strengthening and alignment of policies, legislation and resources to secure better outcomes for children and young people).
- to reduce the concentration of the population in consistent poverty who are in jobless households, as part of the headline target;
(the specific sub-target to be discussed with relevant departments, including the Department of Education and Skills and the Department of Jobs, Enterprise and Innovation).

- to adopt two new indicators to monitor progress towards the headline target:
 - ‘vulnerable to consistent poverty’, i.e. the population experiencing basic deprivation and having an income between 60 per cent and 70 per cent of the media (2010 rate is 4 per cent); and
 - ‘absolute poverty’, i.e. the population below the 60 per cent at-risk-of-poverty threshold anchored in 2010 values (2010 rate is 15.8 per cent, based on threshold of €208 per adult equivalent per week)

(the data for these indicators will be based on the CSO *Survey on Income and Living Conditions*, some of which are already published in the annual CSO statistical report).
- to strengthen the implementation of the national poverty target across Government by:
 - re-naming the target as a ‘national social target’ as a way of emphasising its cross-departmental policy dimension
 - incorporating poverty impact assessment in an integrated and strengthened social impact assessment; and
 - producing an annual monitoring report on progress towards the national poverty targets with input from stakeholders.

These changes were approved by Government in April 2012. The Department of Social Protection is preparing a plan for the effective implementation of the revised national social target for poverty reduction in consultation with relevant departments and relevant stakeholders.

Annexes to report

Annex A: Exploratory statistical scenarios for achieving the national poverty target

Table A3 explores three scenarios by which the national poverty target could be achieved. The first scenario is through a reduction in the composite rate of at-risk-of-poverty and basic deprivation, of which consistent poverty is a subset. Compared to the 2010 composite rate of 32 per cent, the impact of four lower composite rates is considered: 28 per cent, 24 per cent, 20 per cent and 15 per cent. To put these rates into context, the previous lowest composite rate was 24 per cent (2007/8), so both the 20 per cent and the 15 per cent rates would represent a considerable improvement on previous trends. In order to model the effect of lower rates, an assumption is made as to the proportion of those in consistent poverty within the composite figure. We start with the 2010 proportion of 0.19, one in five. Two lower proportions are also considered of 0.15 and 0.10 (scenario 1 and 2). Historically, the lowest overlap was 18 per cent, so the two scenarios are optimistic in assuming smaller overlaps.

A reduction in the composite rate to 28 per cent would give a consistent poverty rate of 5.4 per cent, based on the existing overlap of the component indicators. Returning to a composite rate of 24 per cent, as in 2007/8, would result in a 4.6 per cent rate of consistent poverty. A composite rate of 20 per cent would be required to bring consistent poverty below 4 per cent, the interim target range. A 15 per cent composite rate, half the existing rate of poverty and/or exclusion, would see consistent poverty fall to 3 per cent.

The effect of a smaller overlap between at-risk-of-poverty and basic deprivation is also outlined in Table A3 on the next page. With an overlap of 0.15, the 4 per cent threshold is reached with a composite rate of 24 per cent. An overlap of 0.10, along with the existing combined rate, would give a consistent poverty rate of less than 4 per cent. Even if the composite rate was at the same time reduced to 15 per cent, the lowest forecast rate of consistent poverty would be 1.5 per cent.

Table A3: Scenarios for achieving the national poverty target³⁵

1. Composite scenarios					
Composite rate	32.1%	28%	24%	20%	15%
Share in consistent poverty	<i>Derived consistent poverty rate</i>				
0.19	6.2%	5.4%	4.6%	3.9%	2.9%
0.15	4.8%	4.2%	3.6%	3.0%	2.3%
0.10	3.2%	2.8%	2.4%	2.0%	1.5%

2. At-risk-of-poverty scenarios					
At-risk-of-poverty rate	15.8%	14%	12%	10%	5%
Share with basic deprivation	<i>Derived consistent poverty rate</i>				
0.39	6.2%	5.5%	4.7%	3.9%	2.0%
0.30	4.7%	4.2%	3.6%	3.0%	1.5%
0.25	4.0%	3.5%	3.0%	2.5%	1.3%

3. Basic deprivation scenarios					
Basic deprivation rate	22.5%	18%	14%	10%	5%
Share at-risk-of-poverty	<i>Derived consistent poverty rate</i>				
0.28	6.2%	5.0%	3.9%	2.8%	1.4%
0.25	5.6%	4.5%	3.5%	2.5%	1.3%
0.20	4.5%	3.6%	2.8%	2.0%	1.0%

The next stage in this exploratory analysis is to focus on possible changes in the separate components of consistent poverty, at-risk-of-poverty and basic deprivation. This provides an insight into the relative impact of reductions in either of the component parts of consistent poverty. Relative to the 2010 at-risk-of-poverty rate (15.8 per cent), four lower rates are illustrated: 14 per cent, 12 per cent, 10 per cent and 5 per cent. The lowest at-risk-of-poverty rate recorded was 14 per cent in 2008 and 2009, therefore, achieving 12 per cent or less would be a major departure on previous trends. In order to model the effect of these lower rates, the proportion of those at-risk-of-poverty who also experience basic deprivation is held constant at the 2010 figure of 0.39 (two in five).

³⁵ The 2010 figures are indicated in bold.

A reduction in at-risk-of-poverty to the previous lowest rate of 14 per cent would lead to a consistent poverty rate of 5.5 per cent (as prevailed in 2009). A fall in at-risk-of-poverty to 12 per cent would give a consistent poverty rate of just under 5 per cent, a 10 per cent at-risk-of-poverty rate would give a consistent poverty rate of 4 per cent, and a 5 per cent rate would result in a 2 per cent consistent poverty rate. This would mean that the interim target (2 to 4 per cent) is achieved, but not the target of eliminating consistent poverty (less than 2 per cent).

These outcomes are premised on a stable ratio of the at-risk-of-poverty population with basic deprivation of 0.39. Two scenarios with lower ratios are presented: 0.30 and 0.25. These scenarios lead to modest improvements in the impact on consistent poverty for lower rates of at-risk-of-poverty, with the lowest outcome being a 1.3 per cent rate of consistent poverty, still well short of the full 'elimination' of consistent poverty. There is previous experience of the 0.30 ratio in 2007 and 2008; but never a ratio of 0.25.³⁶

Given the limited fluctuation in at-risk-of-poverty between 2003 and 2010, further significant falls can be considered unlikely. Furthermore, as social transfers in Ireland already reduce the at-risk-of-poverty rate by 60 per cent, the highest in the EU, the theoretical capacity for government policy to directly engineer further reductions is limited, even ignoring prevailing resource constraints. Therefore, the most benign set of circumstances relating to at-risk-of-poverty is likely to result in a consistent poverty rate of c. 3 per cent.

The impact of reducing basic deprivation for the achievement of the national poverty target is also considered. Again, four lower rates are illustrated in Table A3 compared to the 2010 figure of 22.5 per cent: 18 per cent, 14 per cent, 10 per cent and 5 per cent. The lowest rate of basic deprivation previously recorded was 12 per cent (2007), so these simulated rates could be considered realistic, though the 5 per cent rate would be very ambitious. Again, to model the impact of these lower rates of basic deprivation, the current proportion of the population in basic deprivation who also experience at-risk-of-poverty is unchanged at 0.28 (three in ten).

³⁶ By way of illustrating the ambition of achieving a deprivation ratio of 0.25 for those at risk of poverty, the rate of basic deprivation in the 5th income decile is 26 per cent.

A basic deprivation rate of 18 per cent would result in a consistent poverty rate of 5 per cent. Even lower rates of 14 and 10 per cent would each lead to a further reduction of one percentage point, while a 5 per cent rate would reduce consistent poverty from the existing rate by a cumulative 5 percentage points to 1.4 per cent. So, to reach the lower point in the interim target of 2 to 4 per cent, basic deprivation would have to fall to less than 10 per cent.

Table A3 also envisages scenarios with lower overlaps with at-risk-of-poverty among the population in basic deprivation: 0.25 and 0.20. Again, smaller overlaps lead to a greater reduction in consistent poverty for lower rates of basic deprivation. The lowest rate of consistent poverty that could be achieved would be 1 per cent. However, neither of these ratios has been previously experienced, with the previous range being 0.28 to 0.54.

Returning to a rate of basic deprivation previously reported would appear to be the most realistic way to achieve progress on the national poverty target. Even then, it is clear that reducing the rate below 2 per cent would be very difficult.³⁷

³⁷ An in-house analysis of poverty trends and the national poverty target by the CSO has also raised similar concerns about the feasibility of the national poverty target.

Annex B: EU policy and practice in setting national poverty targets

EU poverty reduction target

In June 2010, the European Council adopted five headline targets under the *Europe 2020 Strategy*. One of the headline targets was to promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion. The European Commission subsequently required the 27 member states to set national poverty targets in their annual *National Reform Programme*. Countries were free to set these targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities. A comparison of the national poverty targets was undertaken to inform the review and the main points are summarised below.

- Choice of indicators

The majority³⁸ of member states have opted to frame their national poverty target in terms of the EU risk of poverty or exclusion indicator (RPE). Ten countries opted for alternate poverty targets. Bulgaria, Estonia and Latvia based their targets on the at-risk-of-poverty indicator only. Germany, the Netherlands, Denmark and Sweden chose targets related to labour market status (e.g. the long-term unemployed, low work intensity). The UK, France and Ireland decided to use the targets they already had adopted.

- Existing and new targets

Three member states³⁹ had existing national poverty targets in place before the European Council adopted the *Europe 2020 Strategy* headline target. The UK's multiple target approach tries to capture the complex and multi-faceted phenomenon of child poverty. The indicators used are relative low income; absolute low income; low income and material deprivation; and persistent poverty. This approach sets the poverty targets within a legislative framework. Targets also exist or are being developed in the devolved administrations of Northern Ireland, Scotland and Wales. France also uses a multiple target approach. The primary target is based on at-risk-of-poverty anchored in time. The secondary targets involve proportionate reductions in relative income poverty, living conditions, and jobless households. Ireland's poverty target is based on the consistent poverty (i.e. the overlap between at-risk-of-poverty and material deprivation).

³⁸ Sixteen countries: Austria; Belgium; Cyprus; Czech Republic; Finland; Greece; Hungary; Italy; Lithuania; Malta; Poland; Portugal; Romania; Slovakia; Slovenia; Spain.

³⁹ France, Ireland and the UK

- Interim and final targets

The majority of member states have set final targets with a small number (i.e. Estonia, France, Ireland, Latvia and Poland) opting for interim poverty targets. Luxembourg was the only member state to not set a national poverty target until further consideration can be given to the matter.

- Single or multiple targets

Most member states have chosen a single poverty target. A minority of countries, such as Bulgaria and Greece, have set multiple targets.

- Shortfall in meeting the EU poverty reduction target

The variety of indicators used and approaches taken by member states when setting their national poverty target has meant that the calculation of the total number of people being removed from the risk of poverty or exclusion at European level is not yet possible. However, the European Commission has acknowledged that there will be a shortfall between the overall target (20 million people) and that identified by member states.

- Progress in 2012

In 2012 each member state reviewed their national poverty targets in their *National Reform Programme*. The EU has been developing monitoring tools to aid the ongoing assessment of progress on member states targets and their contribution to the overall EU poverty reduction target.

Table B4 on the next page details the approaches taken by each member state when setting their national poverty target in 2011.

Table B4: National poverty targets in EU member states

Member State	Target population	Numerical target	Additional comments
Austria	EU RPE	235,000	
Belgium	EU RPE	380,000	
Bulgaria	At-risk-of-poverty	260,000	Composed of: (i) reducing the number of children, by 78,000; (ii) reducing the number of people aged 65 and more by 52,000; (iii) reducing the number of unemployed people aged 18–64 by 78,000; (iv) reducing the number of employed people aged 18–64 by 52,000.
Cyprus	EU RPE	27,000 (22.2% to 19.3%)	Aim to reach target by reducing the at-risk-of-poverty rate after social transfers; the number of people living in households with very low work intensity; severe material deprivation; poverty intensity and thus the depth of poverty as measured by the poverty gap.
Czech Republic	EU RPE	30,000 (15.3% to 14.7%)	Maintaining the same number of people at risk of poverty and social exclusion in 2020 at 1,566,000 (the 2008 figure), bearing in mind, the projected population growth, implies a reduction in the share of these people compared to the total population from 15.3% to 14.7%.
Denmark	Low work intensity	22,000	
Estonia	At-risk-of-poverty	16.5% by 2015; 15% by 2020	
Finland	EU RPE	150,000	Includes 50,000 whose labour market position will be improved.
France	at-risk-of-poverty anchored in time	1.6 million (33% reduction 2007-2012)	<u>Primary target:</u> Target to be reviewed in 2012 and a new target set for 2012-'17. <u>Secondary targets:</u> (i) 15% reduction in the number of people in terms of relative income poverty; (ii) 15% reduction in the number of people in terms of living conditions; (iii) 10% reduction in the proportion of people living in jobless household.
Germany	Number of long-term unemployed people	330,000	20 per cent by 2020 (relative to the annual average for 2008). According to Eurostat, the 2008 annual average number of long-term unemployed was 1.63 million. A 20 per cent reduction would therefore mean a decrease of roughly 330,000 long-term unemployed. When applied to the indicator of jobless households - and with a conservative estimate of two individuals per jobless household - this would translate to 660,000 fewer individuals living in such households.

Member State	Target population	Numerical target	Additional comments
Greece	EU RPE	450,000 (28% to 24%)	Additional child poverty target: 100,000 based on the at-risk-of-poverty indicator. An additional target is to reduce drastically the number of citizens who lack access to primary medical care, education services and housing.
Hungary	EU RPE	450,000 (28.5% to 23.5%)	<u>Based on 20% reduction in the following indicators:</u> (i) level of poverty among families with children (i.e. relative poverty); (ii) number of people living in severe material deprivation; (iii) number of people living in households with low work intensity.
Ireland	Consistent poverty	186,000 by 2016 (2-4% reduction by 2012; eliminate by 2016)	Consistent poverty (i.e. overlap between the risk-of-poverty and material deprivation). Ireland is reviewing its' national poverty target in 2011 to enable it to adopt appropriate and achievable targets.
Italy	EU RPE	2.2 million	
Latvia	At-risk-of-poverty	121,000 (21% in 2009 and 2010; 25% by 2015; 21% by 2020)	Reduce from 2008 rate of 26% to 21% in 2020 or by lifting 121,000 people out of the risk of poverty. Interim target of 21% in 2009 and 2010 and 25% in 2015.
Lithuania	EU RPE	170,000	Reduce from 984,000 to 814,000 by 2020
Luxembourg		None	
Malta	EU RPE	6,560	Malta will be primarily focusing on those people who are materially deprived, amongst whom are those who are both materially deprived and at risk of poverty. Three particular targeted groups have been identified, these being children, elderly and jobless households.
Netherlands	Low work intensity	100,000	Number of people (aged 0 to 64) in a jobless household (i.e. low work intensity)
Poland	EU RPE	1.5 million	
Portugal	EU RPE	200,000	Composed of: (i) 50,000 reduction between 2010-'13; (ii) 75,000 reduction between 2014-'16; and (iii) 75,000 reduction between 2017-'20.
Romania	EU RPE	580,000 (approx. 15%)	
Slovakia	EU RPE	170,000	
Slovenia	EU RPE	40,000	
Spain	EU RPE	1.4-1.5 million 2009-2019	Child poverty will be reduced by a similar proportion to that of the general population.
Sweden	Unemployment	Under 14% reduction by	Percentage of women and men aged 20-64 who are not in the labour force (except full-time students), the long-

Member State	Target population	Numerical target	Additional comments
		2020	term unemployed or those on long-term sick leave
United Kingdom	Relative low income	Less than 10 per cent by 2020-21	Proportion of children living in households where income is less than 60 per cent of median household income before housing costs for the financial year.
	Absolute low income	Less than 5 per cent by 2020-21	Proportion of children living in households where income is less than 60 per cent of median household income before housing costs in 2010-11 adjusted for prices.
	Low income and material deprivation	Less than 5 per cent by 2020-21	Proportion of children who experience material deprivation and live in households where income is less than 70 per cent of median household income before housing costs for the financial year.
	Persistent poverty	To be defined in regulations by 2015.	Proportion of children living in households where income is less than 60 per cent of median household income before housing costs for the financial year in at least 3 out of the previous 4 years.
	Various	Various	Targets also exist or are being developed in the devolved administrations of Northern Ireland, Scotland and Wales.

Case studies

France

In 2007, the French President and Government made an explicit commitment to reduce poverty. The main target is to reduce by one-third the anchored in time poverty rate between 2007 and 2012. This is based on a monetary poverty rate at the 60 per cent median threshold and a threshold anchored in 2006 values.⁴⁰ This target is accompanied by a scoreboard (see Table B5 over) and secondary targets. The scoreboard is used as a template to monitor progress on poverty rates.

⁴⁰ The main target is to reduce the time-related level of financial poverty by a third, with an initial threshold of 60% of average income in 2006, i.e. net monthly income of €876 in 2006 for a person living alone or €1,840 for a family with two children aged under 14 years of age. The target will be reached if the poverty level, calculated with the poverty threshold for 2006, which is revised annually, changes from 13.1% in 2006 to 8.7% in 2012. In other words, whereas 7.8 million people have a standard of living of less than €876 in 2006, the aim is for this number to be reduced to 5.2 million people in 2012, taking account of inflation to revise the threshold of €876.

Table B5: French poverty target scoreboard

Objective	Indicator name	Latest known value	Latest known trend	Target to be reached 2007-2011
Fight against financial poverty and inequality	<ul style="list-style-type: none"> - financial poverty rate anchored at a point in time with an initial threshold of 60% median equivalised income set in 2006 (1) - financial poverty rate with a threshold of 60% median equivalised income (2) <ul style="list-style-type: none"> - with a threshold of 50% (2) - with a threshold of 40% (2) - financial poverty intensity (3) - financial poverty persistence rate (4) - proportion of pre-committed expenditure in the income of 1st quintile income-level households (5) 	<ul style="list-style-type: none"> - 2007: 12.5% - 2007: 13.4% - 2007: 7.2% - 2007: 3.1% - 2007: 18.2% - 2000: 9% - 2005: 53% 	<ul style="list-style-type: none"> - 2002-2005: -4% - 2006-2007: -5% - 2002-2005: stable - 2006-2007: +2% - 2002-2005: +7% - 2006-2007: +3% - 2002-2005: +14% - 2006-2007: stable - 2002-2005: +12% - 2006-2007: +1% - 1997-2000: stable - 2001-2005: +18% 	<ul style="list-style-type: none"> One-third reduction over five years 15% fall 5% fall stability
Fight against the accumulation of hardships	- rate of hardship in living conditions (6)	- 2007: 12.2%	- 2004-2007: -17%	15% fall
Fight against child poverty	<ul style="list-style-type: none"> - financial poverty rate anchored at a point in time (2006 threshold) among under-18s (7) - relative financial poverty rate among under 18s with a threshold of 60% median equivalised income - difference between the proportion of teenagers with at least two untreated decayed teeth according to social categories (8) 	<ul style="list-style-type: none"> - 2007: 16.7% - 2007: 17.9% - 2004: + 4.1 pts 	<ul style="list-style-type: none"> - 2002-2005: -2% - 2006-2007: -6% - 2002-2005: +3% - 2006-2007: +1% - (new indicator) 	<ul style="list-style-type: none"> A one-third reduction 15% fall
Fight against youth poverty	<ul style="list-style-type: none"> - financial poverty rate anchored at a point in time (2006 threshold) among 18-24 year olds (-24) - financial poverty rate among 18-24 year olds with a threshold of 60% median equivalised income 	<ul style="list-style-type: none"> - 2007: 20.8% - 2007: 22.1% 	<ul style="list-style-type: none"> - 2002-2005: +4% - 2006-2007: stable - 2002-2005: +9% - 2006-2007: +6% 	<ul style="list-style-type: none"> A one-third reduction 15% fall

Source: Bontout, O. (2010)

The French *National Reform Programme* reiterated its main poverty target of a one-third reduction in the long-term poverty rate (i.e. at-risk-of-poverty anchored at a moment in time) over the period 2007 to 2012. It also committed to review the target in 2012 and set a new target for 2012 to 2017, in light of the progress achieved. The NRP restated the three subsidiary targets of (i) a 15% reduction in the number of poor people in terms of relative income poverty; (ii) a 15% reduction in the number of poor people in terms of living conditions; and (iii) a 10% reduction in the proportion of people living in a household with no working-age person in work. Finally, the NRP commits to contributing a 1.6 million reduction over the period 2007 to 2012 to the European poverty target by combining the main target with the three subsidiary targets.

United Kingdom

The UK Government developed the *Child Poverty Act 2010* to reflect, in law, their commitment to eradicate child poverty, and create a strategy and framework to monitor progress at national and local levels. The child poverty targets were enshrined in legislation so as to bind current and future governments to achieve them. The Act obliges the UK Government to meet four targets to eradicate child poverty by 2020, as follows (see Table B6):

Table B6: UK child poverty targets, 2010

Indicator	Target	Current Level	Reference Period
Relative low income - proportion of children living in households where income is less than 60 per cent of median household income before housing costs for the financial year.	Less than 10 per cent by 2020-21	22 per cent	2008-09
Absolute low income - proportion of children living in households where income is less than 60 per cent of median household income before housing costs in 2010-11 adjusted for prices.	Less than 5 per cent by 2020-21	Not defined until baseline year. Current measure uses 60 per cent of 1998-99 income adjusted for prices. 12 per cent	2008-09
Low income and material deprivation – proportion of children who experience material deprivation and live in households where income is less than 70 per cent of median household income before housing costs for the financial year.	Less than 5 per cent by 2020-21	17 per cent	2008-09
Persistent poverty - proportion of children living in households where income is less than 60 per cent of median household income before housing costs for the financial year in at least 3 out of the previous 4 years.	To be defined in regulations by 2015.	12 per cent	2005-08

The devolved administrations, including Northern Ireland, have adopted regional child poverty targets and strategies. There is also a commitment to establish a Child Poverty Commission to provide advice on strategies. The Act also requires local authorities and other stakeholders to work together to tackle child poverty; to conduct a local needs assessment; to produce a child poverty strategy; and to take child poverty into account in the production and revision of their *Sustainable Communities Strategies*. In 2011, the United Kingdom reiterated its child poverty targets in its *National Reform Programme*. Progress on these targets will be used to contribute to the EU headline poverty reduction target.

Other EU Taskforces/reviews

Luxembourg did not set a target. Following a consultation with the general public and social partners in February 2011, the Government decided to consider what additional measures would be required to fight poverty and social exclusion post-2011, and to set-up working groups depending on the measures identified.

Prior to parliamentary elections in September 2011, Denmark was in the process of establishing a Taskforce to develop a set of multi-dimensional poverty and social exclusion targets, to include areas such as education and health. This was put on hold until the new government has time to consider the matter.

France is due to undertake its interim review in 2012. Revised targets will be set for 2012 to 2017 in light of this.

Ireland is undertaking a review of its national poverty target to enable it to adopt appropriate and achievable national poverty targets to meet its contribution to the *Europe 2020 Strategy* and the commitments in the Programme for Government (*Government for National Recovery 2011-2016*).

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Glossary

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).

At-risk-of-poverty: an indicator used to denote whether a household's income falls below a certain threshold of median income, usually 60 per cent.

At-risk-of-poverty only: the percentage of the population at-risk-of-income-poverty only and not experiencing basic deprivation.

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 or exclusion: this EU measure combines the number of people who experience at-risk-of-poverty or 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 expression of this measure is the combination of at-risk-of-poverty and basic deprivation.

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

- 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
- 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 CSO *Survey on Income and Living Conditions*. See Maitre B, Nolan B and Whelan C (2006) *Reconfiguring the measurement of deprivation and consistent poverty in Ireland*, Dublin: ESRI, for further information on the indicator.

Confidence interval: whenever we use data from a probability sample to draw conclusions about the population, there is a degree of uncertainty around our estimates. This is often reported as a confidence interval. This is the range within which we can be 95% confident that the population figures lies. For instance, recent calculations of the persistent-at-risk-of-poverty rate show a rate of 9.5 per cent (Confidence Interval ± 1.7 per cent). This means that we can be 95% confident that the 'true' rate in the population lies between 7.8 per cent and 11.2 per cent (i.e. between 9.5-1.7 per cent and 9.5+ 1.7 per cent). In general, for a smaller sample size the confidence interval will be wider.

Consistent poverty: this is a measure of poverty used to set the national poverty target in the *National Action Plan for Social Inclusion 2007-2016*. A person is in consistent poverty if their household income is below the at-risk-of-poverty threshold (see above) and the household experience basic deprivation (see above).

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

Equivalised income: the household income from all sources, adjusted by the number of adults and number of children in the household. There are differences in the equivalence scale used in the national and EU measures of at-risk-of-poverty (see below).

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 the one done by Eurostat uses 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.

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 been conducting the survey since 2003. The results are reported in the Survey on Income and Living Conditions (SILC). Any data as compiled by Eurostat and any reference to the questions or questionnaire in the household survey is here referred to as 'EU-SILC'.

EU 15: Member States of the European Union prior to the accession of 10 new member states on 1 May 2004, i.e. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, United Kingdom.

EU 25: Member States of the European Union after the accession of 10 new member states on 1 May 2004, i.e. EU 15 plus Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia.

EU 27: Member States of the European Union since 1 January 2007, namely EU25 plus Bulgaria and Romania.

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.

Jobless households: is a general term used to describe households characterised by 'very low work intensity'. See definition of very low work intensity.

Very low work intensity: this measure of poverty is used in defining the at risk of poverty or exclusion indicator for the EU poverty target. It is the proportion of people aged 0 to 59 living in households in which working-age adults (aged 18 to 59) have worked less than 20 per cent of their total work-time potential during the previous 12 months. The work intensity of the household refers to the ratio between the number of months that all working age household members worked during the income reference year and the total number of months that could theoretically have been worked by the same household members. A working age person is defined as a person aged 18 to 59, not being a student aged between 18 and 24.

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
- ability of the household to pay for keeping its home adequately warm.

Mean: the average value (for example, the average income in a sample obtained via household survey).

Median: the value that divides a sample in half (e.g. the income level above and below which half the people in a sample fall).

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 per cent) in the current year and in at least two of the previous three years.

Poverty gap: the shortfall in incomes for those who fall below the at-risk-of-poverty threshold.

Poverty is defined broadly in the *National Action Plan for Social Inclusion 2007-2016* (NAPinclusion) as follows: '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.'

Risk-of-poverty: a term used at EU level to denote whether a household falls below the 60 per cent of median income threshold.

Severe material deprivation: this EU indicator measures the proportion of the population lacking at least 4 out of the 9 items listed in the EU index of material deprivation (see definition above).

SILC: in Ireland, the Central Statistics Office (CSO) are responsible for carrying out the EU-SILC survey. They often 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). Any data or analysis that is sourced specifically from the CSO is here referred to as 'SILC'.

Social exclusion: '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.'

Social transfers: cash receipts paid from various social welfare schemes received by the individual or household.

Vulnerable to consistent poverty: this is indicator of poverty used to measure the proportion of the population which experiences basic deprivation (lacks 2 or more of 11 deprivation items) and has an income between 60 per cent and 70 per cent of the median. This indicator is intended to identify the proportion of the population who are on the verge of becoming consistently poor.

Working poor: the population below the at-risk-of-poverty threshold (typically 60 per cent of median equivalised income) who live in households where members are in paid work.