

Social Inclusion
Technical Paper

Persistent at-risk-of-poverty in Ireland: an analysis of the Survey on Income and Living Conditions 2005-2008

Bertrand Maître
Helen Russell
Dorothy Watson



An Roinn Coimirce Sóisialaí

Department of Social Protection

www.welfare.ie

Social Inclusion
Technical Paper No. 1

Persistent at-risk-of-poverty in Ireland: an analysis of the Survey on Income and Living Conditions 2005-2008

Bertrand Maître
Helen Russell
Dorothy Watson

Published by
Department of Social Protection
Gandon House, Amiens Street
Dublin 1, Ireland.

ISBN: 978-1-908109-08-8
Department of Social Protection 2011

Dublin , Ireland, November 2011

Authors:

Bertrand Maître

Bertrand Maître is a Research Officer at the ESRI.

More information on the author is available online at:

http://esri.ie/staff/view_all_staff/view/index.xml?id=78

Helen Russell

Helen Russell is an Associate Research Professor at the ESRI.

More information on the author is available online at:

http://www.esri.ie/staff/view_staff_by_department/view/index.xml?id=115

Dorothy Watson

Dorothy Watson is Associate Research Professor at the ESRI and the Department of Sociology, Trinity College Dublin. Dorothy is the ESRI Programme Co-ordinator for Research on Social Inclusion.

More information on the author is available online at:

http://www.esri.ie/staff/view_staff_by_alphabetica/view/index.xml?id=71

This technical paper is available online at:

<http://www.socialinclusion.ie/publications.html>

Disclaimer

This technical paper is an output of the research programme funded by the Department of Social Protection to monitor poverty trends under the National Action Plan for Social Inclusion 2007-2016. Technical papers provide information about aspects of poverty measurement for policy makers and academics. The author(s) are solely responsible for the views, opinions, findings, conclusions and/or recommendations expressed, which are not attributable to the Department of Social Protection. Technical papers are peer reviewed.

Abstract

While cross-sectional analysis of poverty is extremely important, it still constitutes a snapshot of a situation at a precise point of time. By excluding the time dimension, this approach limits our understanding of poverty since it cannot assess the duration of poverty, transitions into and out of poverty, nor the effect of people's previous experience of poverty and the influential role it plays on current (and future) poverty outcomes. In this paper we focus our analysis on persistent at-risk-of-poverty in Ireland as measured by one of the European Laeken indicators and using data from the European Union Statistics on Income and Living Conditions (EU-SILC). Our results show that in 2008 almost 10 per cent of the Irish population was persistently income poor at the 60 per cent median income line during the four-year period 2005 to 2008, while two-thirds of individuals did not have any experience of poverty during that time. Overall, children, persons living in a household headed by a female, or those who are unemployed, ill or disabled, or have a low level of education, are particularly exposed to persistent poverty. Even though the level of cross-sectional income poverty has declined recently in Ireland, the country has a very high level of persistent at-risk-of-poverty by European standards.

Key words: at-risk-of-poverty; persistent; EU-SILC; poverty dynamics

Table of Contents

Abstract	i
Table of Contents	ii
List of Tables and Figures	iii
Chapter 1 Introduction	1
Chapter 2 Data and Measurement	4
2.1 Measurement	4
2.2 Data	6
Chapter 3 Socio-Economic Characteristics and Rate of Persistent Poverty	10
3.1 Age	10
3.2 Gender	11
3.3 Principal Economic Status	12
3.4 Education level	13
3.5 Marital status	14
3.6 Social Welfare Dependence and Persistent Poverty	16
Chapter 4 Socio-Economic Profiles of the Persistently Poor	17
4.1 Age	17
4.2 Principal Economic Status	18
4.3 Education level	18
4.4 Marital status	19
4.5 Household type	20
4.6 Social Welfare Dependence and Persistent Poverty	20
Chapter 5 Persistent Poverty and Living conditions	21
Chapter 6 Alternative Persistent Poverty Measure and International Comparison	23
Chapter 7 Conclusion	25
References	28

List of Tables and Figures

Table 1: Attrition rate of individuals by poverty status (% of the 2005 sample remaining in the sample)	6
Table 2: Number of years ‘at-risk-of-poverty’ over a four-year period, with alternative poverty lines, SILC 2005–2008	7
Table 3: Cross-sectional and persistent at-risk-of-poverty rates, SILC 2005–2008	9
Table 4: Persistent at-risk-of-poverty rates by age in 2008, SILC 2005–2008	10
Table 5: Persistent at-risk-of-poverty rates by gender of the household reference person (HRP), SILC 2005–2008	11
Table 6: Persistent at-risk-of-poverty rates by principal economic status of the household reference person in 2008, SILC 2005–2008	12
Table 7: Persistent at-risk-of-poverty rates by education level attained of the household reference person in 2008, SILC 2005–2008	13
Table 8: Persistent at-risk-of-poverty rates by marital status of the household reference person in 2008, SILC 2005–2008	14
Table 9: Persistent at-risk-of-poverty rates by household type in 2008, SILC 2005–2008	15
Table 10: Persistent at-risk-of-poverty rates by welfare dependence in 2008, SILC 2005–2008	16
Table 11: Composition of population of individuals persistently at-risk-of-poverty by age in 2008, SILC 2005–2008	17
Table 12: Composition of population of individuals persistently at-risk-of-poverty by principal economic status of the HRP in 2008, SILC 2005–2008	18
Table 13: Composition of population of individuals persistently at-risk-of-poverty by education level attained of the HRP in 2008, SILC 2005–2008	18
Table 14: Composition of population of individuals persistently at-risk-of-poverty by marital status of the household reference person in 2008, SILC 2005–2008	19
Table 15: Composition of population of individuals persistently at-risk-of-poverty by household type in 2008, SILC 2005–2008	20
Table 16: Composition of population of individuals persistently at-risk-of-poverty by welfare dependence in 2008, SILC 2005–2008	20
Table 17: Living circumstances by persistent poverty, SILC 2005–2008	22
Table 18: Persistent, transient and recurrent poverty over a four-year period, with alternative poverty lines, SILC 2005–2008	23
Figure 1: Persistent at-risk-of-poverty across Europe, SILC 2004-2008	24

Chapter 1

Introduction

Poverty is a multi-faceted phenomenon, influenced by a wide range of socio-economic processes, and the characteristics of a population identified as poor can be quite heterogeneous. Poverty is also an ongoing process rather than a static position. These features of poverty represent a real challenge to policy makers in any attempt to identify the most appropriate and efficient policy responses. Individual and household poverty is very often measured at one point in time. This is the approach which is taken with cross-sectional analysis of poverty. While cross-sectional analysis of poverty is extremely important, it still constitutes a snapshot of a situation at a precise point of time. By excluding the time dimension, this approach limits our understanding of poverty since it cannot assess the duration of poverty, transitions into and out of poverty, nor the effect of people's previous experience of poverty and the influential role it plays on current (and future) poverty outcomes. Also, a cross-sectional approach to poverty does not distinguish those who are poor on a once-off basis, due to specific circumstances, from those who are in poverty for a longer period of time for more profound and entrenched reasons. Each of these would clearly require different policy responses.

The poverty literature has shown that this is an important distinction to make as both experiences have a different effect on people's life chances and opportunities, particularly in the case of children (Duncan and Rodgers, 1991; Duncan et al, 1998; Whelan et al, 2002; Bane and Ellwood, 1986; Duncan, 1984). There is a wide body of research about the negative impact of persistent poverty on many outcomes for children, such as physical and mental health, educational achievement, emotional and behavioural outcomes, to name just a few. For example, studies have found that persistent poverty was associated with behavioural problems at school, low self-esteem and problems in peer relations (Bolger et al, 1995), and depression and antisocial behaviour (McLeod and Shanahan, 1996; Jarjoura et al, 2002). The development of panel surveys collecting repeated information, across time, about individuals' income and economic circumstances, has allowed researchers to explore and better understand the dynamics of poverty.¹

¹ For example, the PSID in the US, the British Household Panel Survey (BHPS) in Britain, the German Socio-Economic Panel (GSOEP) in Germany. At a European level, the European Community Household Panel (ECHP), which was fielded in Ireland as the Living in Ireland Surveys, ran from 1994 to 2001.

Bane and Ellwood (1986), using the Panel Study of Income Dynamics (PSID), pioneered research on the dynamics and duration of poverty in the USA for the period 1970 to 1982. Income poverty dynamics research has focused mainly on two fields of research: first, the analysis of the probabilities associated with entries into, exits from, and re-entries into poverty and secondly, the events associated with entries into and exits from poverty. Poverty literature finds that the majority of people entering into poverty will exit poverty after a short period of time but that many of them will experience recurrent episodes of poverty and that only a small proportion of individuals will experience persistent poverty (Devicienti, 2001; Fouarge and Layte, 2005). Empirical results have then shown that the longer an individual experiences poverty, the less likely is the possibility that the person will escape poverty (Bane and Ellwood, 1986; Stevens, 1994, 1999).

Overall, literature on poverty dynamics and persistent poverty finds that the groups who are the most exposed to persistent risk of poverty are individuals excluded from the labour market (unemployed, ill or disabled), lone parents, children and older people (Jenkins et al, 2001a, Devicienti, 2001; Bradshaw and Holmes, 2010). While many of these vulnerable groups are also found to be highly exposed to cross-sectional poverty, it appears that the same contributing factors influence persistent poverty but are operating in a cumulative manner and with a greater magnitude (Muffels et al, 2000).

In this context it is very important to be able to distinguish between once-off spells of poverty and persistent poverty as they might require different types of social policy responses. At a European level, the inclusion of a 'Persistent at-risk-of-poverty rate' among the Laeken indicators is an acknowledgment of the importance attached to understanding this phenomenon.

While the poverty literature covers quite extensively the topic of income poverty dynamics and poverty persistence, few studies to date have examined the latter issue under the recent EU definition. In Ireland it is only from the mid 1990s with the release of the Living in Ireland Survey (LIIS) at a national level and the European Community Household Panel that this was made possible (Whelan et al, 2003a; Denis and Guio, 2004). This is the first paper to consider persistent poverty in Ireland using the EU-SILC data. As explained later on in the paper, due to technical limitations we focus on describing the extent of persistent poverty rather than providing a detailed analysis of entry–exit patterns. Nevertheless, information on the extent of persistent poverty is particularly relevant in the current circumstances of economic recession and rising unemployment.

Due to a lack of panel data the level of persistent poverty in Ireland has not been analysed for some time, yet a number of previous studies have addressed this issue across the general population (Whelan et al, 2003a) and amongst households with children (Layte and Whelan, 2003). These studies found that Irish results were consistent with other international studies in highlighting the greater risk of persistent poverty associated with particular vulnerable groups (children, elderly, ill or disabled, home duties).

Chapter 2 of this paper describes the dataset and the measure of persistent poverty used in the analysis. In Chapter 3 we explore the level of persistent poverty and the socio-economic factors that are most likely to be associated with persistent poverty, while in Chapter 4 we examine the socio-economic profile of the persistently poor. Chapter 5 describes briefly the high levels of deprivation and economic stress experienced by those in persistent poverty. Chapter 6 presents an alternative persistent poverty measure and draws on international comparisons, and finally, Chapter 7 provides some pointers for future anti-poverty policy strategies.

Chapter 2

Data and Measurement

2.1 Measurement

Income mobility and poverty persistence can be regarded as two sides of the same coin. As described by Duncan and Rodgers (1991) the literature distinguishes four types of approaches to the measurement of persistent poverty.

The first approach, the *n-year* income-to-needs ratio, makes reference to the notion of permanent income developed by Friedman (1957). Friedman argued that consumption is a function of permanent income. People's consumption is based on what they consider their 'real income' to be (i.e. average income over time for the past period as well as income expectations), so that consumption is not necessarily affected by short-term fluctuations of income. The permanent income approach takes the average income over the *n-years*. This has the advantage of reducing the large fluctuations in income that may be associated with specific types of employment (such as self-employment), temporary changes in economic circumstances (employment to unemployment and vice versa), or changes in household structure. These, it is argued, do not necessarily have an immediate impact in terms of standard of living. Persistent income poverty is then measured as the ratio of the aggregate income over the *n-years* of observation to the aggregate minimum income needed to reach a minimum standard of living over the same period. The minimum income is defined by a poverty threshold.

The second type of measurement is the spell approach developed by Bane and Ellwood (1986). Here income mobility is defined in terms of the exit rate out of poverty conditional on previous poverty experience. The calculation of the likelihood of poverty exit can then provide estimates for poverty persistence over time.² One of the criticisms of the Bane and Ellwood (1986) approach is that their analysis was based on a single poverty spell, ignoring the possibility of re-entry into poverty, thereby underestimating poverty duration and the increased risk of re-entry into poverty at a later stage. The issue of multiple spells was later taken into account by Stevens (1994) in an update of the work done by Bane and Ellwood. The superiority of the multiple spell approach in providing more accurate estimates of poverty duration was shown by Hussain (2002), who compared single spell and multiple spell approaches for a selected set of countries.

² As there is no information about the poverty status of individuals before their entry and exit from panel data, several methodologies exist for the calculation of poverty spells, from left censorship to right censorship.

The third approach involves model-based estimates of persistent poverty. This approach consists of decomposing income into a permanent income component (average income over time) and a transitory income component that deviates from the average income. Transitory income – negative or positive – might come for example from a change in the labour market position of the individuals (losing a job) or from additional income received at a point in time. Persistent poverty is then defined when the permanent income component is below a given poverty line (Duncan and Rodgers, 1991).

The fourth and final approach is the fraction of *n-years* in poverty. This approach counts the number of years in poverty over a defined period of observation and chooses an arbitrary cut-off that defines poverty persistence or creates a poverty profile that takes account of the time and the number of years spent in poverty. The EU persistent at-risk-of-poverty measure takes this last approach.

At the European Council of December 2001, the European Union adopted a common set of statistical indicators on poverty and social exclusion referred to as ‘the Laeken indicators’. The ‘persistent at-risk-of-poverty’ rate is one of these statistical indicators on poverty and social exclusion. The persistent at-risk-of-poverty rate is measured as the share of persons with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years.³ The threshold is set at 60% of the national median equivalised disposable income. In this paper we opted for this approach as it reflects the EU official measure of persistent poverty. This also allows us to examine trends in persistent poverty over time, as we used the same methodology for the late 1990s period.

The study of persistent poverty can be quite sensitive to measurement error in incomes estimates. This generally has the effect of underestimating poverty persistence since random measurement error in one or more years can create the appearance of a transition into or out of poverty, when no such transition occurred (Breen and Moisiu, 2004; Rendtel et al, 1998; Whelan and Maître, 2006b).

While these researchers have used advanced statistical techniques, such as structural equation modelling, to control for the effects of such measurement error, this approach is more important in modelling transitions into and out of poverty than for the purpose of examining patterns of poverty persistence as it is measured here. It should be noted, however, that the estimate of persistent poverty reported here is likely to be an underestimate.

³ The equivalised income is the household income adjusted to take account of differences in household size and composition using a specific scale. In Ireland the scale assigns a weight of 1 to the first adult in a household, a weight of 0.66 to each additional adult and of 0.33 to children. The household equivalised income is thus calculated as the total household income divided by the number of equivalent adults in the household.

2.2 Data

The paper draws on the analysis of the EU-SILC data for Ireland for the years 2005 to 2008.⁴ In Ireland the survey is conducted by the Central Statistics Office (CSO) each year and is commonly referred to as the ‘SILC survey’. The SILC survey is a voluntary survey of private households. It was initiated in 2003, with interviews carried out only on a six-month period from June to December 2003 and with a reduced sample size (3,090 households and 8,101 individuals). From 2004 the survey was carried out on a year-round basis, with a sample size of at least 5,000 households. The SILC survey collects information on the income and living conditions of households as well as a large range of socio-demographic information about household members, including personal characteristics, personal income, living conditions, labour market position, education and health status. The SILC survey is designed so that 25 per cent of the sample is dropped in each wave and replaced with new households. This means a maximum of 25 per cent of the sample remains in the survey for four years. In reality only 8.9 per cent of households (542) and 7.6 per cent of individuals (1,174) remained in the sample for four waves between 2005 and 2008 (see Table 1).

Table 1: Attrition rate of individuals by poverty status (% of the 2005 sample remaining in the sample)

	2006	2007	2008
Not at-risk-of-poverty	48.3	22.0	7.5
At-risk-of-poverty	52.7	24.8	7.9
Total	49.1	22.6	7.6

Results based on the 60% median income line

One significant concern about panel data is the representativeness of the data, particularly of vulnerable groups where one might fear that the attrition rate may be higher. In order to test this, in Table 1 we present the attrition rate since 2005, distinguishing the poor individuals from the non-poor. We can see that the attrition rate is almost the same across both groups, giving us confidence in the results presented in the paper, although this must be tempered by the small size of the longitudinal sample for both groups. The CSO has calculated longitudinal weights to correct for non-response and these weights have been applied in the analysis. Nevertheless, because of the small numbers the results in this paper must be seen as provisional.⁵

⁴ The Irish SILC survey forms part of a harmonised EU-wide survey called EU-SILC. The questionnaire and sampling procedure are set by Eurostat, though additional questions may be added in the national surveys.

⁵ We are very grateful to the CSO and particularly to Pamela Lafferty and Marion McCann to have supplied us with longitudinal weights without which such analysis would not have been possible.

For the purpose of this analysis we use four consecutive waves of the SILC data with individuals present in all four waves from 2005 to 2008. After selection of all individuals present in all four waves, the data set used for the analysis consists in a sample of 1,174 individuals in 542 households. The unit of analysis is the individual and we attribute to each of them some of the Household Reference Person's characteristics (HRP).⁶

By international standards the panel obtained is quite small. Therefore, to produce robust statistical results and to conform to CSO statistical reporting requirements,⁷ we cannot produce results for subgroups and we analyse the sample in a descriptive manner. All results presented in the tables will also include the associated confidence intervals at 95 per cent level, which indicate the potential errors attached to the estimates given the sample size. We will also present most of the results at the 60% income poverty line as well as at the 70% line in order to test the sensitivity of the results to the threshold chosen

In Table 2 we present the number of years that people experience income poverty over a four-year window.

Table 2: Number of years 'at-risk-of-poverty' over a four-year period, with alternative poverty lines, SILC 2005–2008

Number of years	50% income line	60% income line	70% income line
0	79.7	66.0	54.0
1	11.9	11.5	10.8
2	1.8	9.5	12.2
3	6.1	8.2	9.3
4	0.5	4.8	13.7
Total	100.0	100.0	100.0
Unweighted N	1174	1174	1174

Focusing first on the 60% poverty line, two thirds of individuals have no experience of poverty. The percentage of individuals experiencing one, two, or three years of income poverty is in a narrow range, running from 11 per cent for one year in poverty, to 8 per cent for three years in poverty, before falling to 5 per cent for four years. As can be seen in Table 2, the results are very sensitive to the choice of the poverty line: at the 50% line, we observe that almost 80 per cent of individuals have no experience of poverty, while at the 70% line it falls to just over half of all individuals. With the exception of the proportion spending two years in poverty at the 50% line, the results are very similar across the three poverty lines.

⁶ The Household Reference Person is the person responsible for the accommodation. When the responsibility is equally shared it is the oldest person, and the male when the ages are identical.

⁷ We do not report statistics where the cell size is less than 30 or if the denominator is less than 100 in a percentage.

The main difference is for those spending the whole period in poverty, as almost no one has such experience at the 50% line, while the proportion reaches almost 14 per cent at the 70% line. This shows that there is a significant proportion of individuals who are permanently living with a household income just above the 60% official poverty line and that a shift to the 70% line would significantly increase the proportion experiencing the entire four-year period in poverty.

Layte and Whelan (2003), in their analysis of the European Community Household Panel for the years 1994 to 1997, presented similar findings for a set of European countries, including Ireland, on the number of years spent in poverty. Overall, at the 60% income line, the result for Ireland in the 1990s was similar to the one presented in Table 2, except that slightly fewer people avoided poverty (64 per cent) and more people (8 per cent) spent four years in poverty than was the case in 2008 (5 per cent). A comparison with other European countries showed that Ireland had similar results to the UK, Italy or Spain with about 60 to 65 per cent of the population avoiding income poverty, while in Denmark and the Netherlands it reached almost 80 per cent. Also, 6 to 7 per cent of the population in the former set of countries spent four years in poverty compared to only about 2 per cent in the latter countries.

In order to get a better understanding of the scale of persistent at-risk-of-poverty levels, we present in Table 3 cross-sectional and persistent at-risk-of-poverty rates for the period 2005 to 2008. For most of this period there was a significant growth in the Irish economy. Real household income rose between 2005 and 2007 (see CSO, 2009 for poverty threshold anchored at a moment in time in 2005), while there was a strong growth in employment and low levels of unemployment. The economic downturn began in mid to late 2008. As the persistent poverty measure considers exposure to poverty across the whole period, the estimates represent levels during a boom period characterised by decreasing cross-sectional at-risk-of-poverty rates.

As explained in the data section, the persistent at-risk-of-poverty results are presented with confidence intervals. While we only report here the cross-sectional results for the years 2005 and 2008, there has been a significant reduction in the overall at-risk-of-poverty rate in Ireland from the earlier 2000s until the recent period (Whelan et al, 2003a; CSO, 2010).

As mentioned in the measurement section the results presented in this paper are based on the EU definition of persistent at-risk-of-poverty rate. The persistent at-risk-of-poverty rate is the share of persons with an equivalised disposable income below the risk-of-poverty threshold in the current year and in at least two of the preceding three years.

As Table 3 shows, between 2005 and 2008, at the 60% line, the at-risk-of-poverty rate fell from 18 per cent to 14 per cent. At the corresponding line, the persistent at-risk-of-poverty rate is 9.5 per cent with a margin of error of +/- 1.7%. Using both pieces of information this means that in 2008, 66 per cent of individuals at-risk-of-poverty are persistently at-risk-of-poverty. Previous findings by Whelan et al (2003a) showed that over time the persistent at-risk-of-poverty level went from 10 per cent in 1997 to almost 16 per cent in 2001. Unfortunately there are no data available between 2001 and 2008 to inform us of the evolution of persistent at-risk-of-poverty levels during the intervening years.

Table 3: Cross-sectional and persistent at-risk-of-poverty rates, SILC 2005–2008

	At-risk-of-poverty		Persistent at-risk-of-poverty		
	2005	2008	2005-2008	Confidence Interval	
				Min	Max
50% line	10.8	7.9	4.3	3.1	5.4
60% line	18.5	14.4	9.5	7.8	11.2
70% line	28.2	25.7	20.3	18.0	22.6

Both the cross-sectional poverty rates and the persistent poverty rates are sensitive to the choice of poverty line, with the rate halving as we move from the 60% to the 50% threshold and doubling as we move from the 60% to the 70% threshold.

Former studies (Whelan et al, 2003b; Duncan et al, 1993) have found an association between the level of cross-sectional poverty and poverty persistence across countries. Using the ECHP, Whelan et al (2003b) found that this association was particularly true for countries located at both extremes of the distribution of poverty rates across countries but less true for countries in between.

Chapter 3

Socio-Economic Characteristics and Rate of Persistent Poverty

In this section we explore the relationship between individual's or head of household's socio-economic characteristics and persistent poverty. It is possible to take two different approaches to this. One is to examine the persistent poverty risk associated with characteristics at the beginning of the period of observation (2005), and the second approach would consider the characteristics at the end of the period (2008). Both approaches offer advantages as some of these characteristics may also have changed over the period (e.g. employment status, marital status). However, because of the small number of cases we cannot analyse changes in these characteristics over time. In this paper we focus on the relationship between persistent poverty and the 2008 socio-economic characteristics of the individual/household.⁸

3.1 Age

In terms of age breakdown, the literature shows that children and older people are particularly vulnerable to persistent poverty (Jenkins et al, 2001a; Taylor et al, 2004). Focusing first on the 60% line in Table 4, we see that children experience the highest persistent at-risk-of-poverty rate, at 11 per cent, but that this rate is only one percentage point higher than for the working age population. In contrast, older people have a very low rate of persistent poverty, at 4 per cent, which is less than half the rate of the total population. These results are consistent with the sharp fall in the cross-sectional at-risk-of-poverty rates of older people over the period 2005 to 2008, which fell from 20 per cent to 11 per cent.

Table 4: Persistent at-risk-of-poverty rates by age in 2008, SILC 2005–2008

	60% line		70% line			
	Min	Max	Min	Max		
Aged less than 18	7.1	11.3	15.4	16.3	21.7	27.1
Aged 18 to 65	7.6	9.9	12.3	15.4	18.4	21.4
Aged 65+	1.6	3.8	5.9	23.1	28.2	33.3
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

⁸ During our analysis and using multivariate techniques we explored the relationship of a set of independent variables with persistent poverty but we did not get satisfactory results due to the small number of cases.

However, as observed by Hill and Jenkins (2001), this group is particularly sensitive to the choice of the poverty line (see also Russell et al, 2009; Whelan et al, 2003a, in relation to poverty measured cross-sectionally). At the 70% poverty line, the persistent poverty rate of older people increases seven-fold to 28 per cent, while it doubles for children and the working age population to 22 per cent and 18 per cent respectively. The striking result for the older population group arises from the fact that a significant proportion has an income between the two poverty lines. For older people there is little income mobility as the majority of income comes from pensions (public and private) with no scope for large fluctuations.

Focusing on the 70% income poverty line and based on the LIIS, Whelan et al. (2003a) found that in 1997, as in 2001, the persistent at-risk-of-poverty rates for children, as well as for people of working age, remained almost the same, at 24 per cent and 16 to 17 per cent respectively. As those results are quite similar to the levels found in 2008, this suggests that the risk levels are identical at the beginning and the end of the economic boom. However, older people have seen their persistent at-risk-of-poverty rate reduced considerably over this period. It rose from 33 per cent in 1997 to a high of 47 per cent in 2001, before falling to 28 per cent in 2008. The results for this particular group follow the same pattern as that observed for the cross-sectional at-risk-of-poverty results.

3.2 Gender

From this section onwards, we explore individual persistent poverty risks associated with the characteristics of the household reference person. Poverty research shows that at a cross-sectional level, female heads of household face a greater risk of income poverty (CSO, 2010; Whelan et al, 2003a; Nolan and Watson, 1999) than their male counterparts and that this is also true of persistent poverty (Ruspini, 1998). In Table 5, at the 60% line the risk of persistent poverty for individuals living in a household headed by a female, at 16 per cent, is over 2.5 times higher than for those in households headed by a male, which is 6 per cent.

Table 5: Persistent at-risk-of-poverty rates by gender of the household reference person (HRP), SILC 2005–2008

	60% line			70% line		
	Min	Max		Min	Max	
Male	4.3	5.9	7.6	12.0	14.5	17.0
Female	12.2	15.7	19.2	25.9	30.4	34.8
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

This gap is slightly narrower at the 70% line. On this measure the risk is two times greater when the head of household is a female. This striking gender inequality in persistent poverty is much greater than for cross-sectional income poverty. In 2008 the at-risk-of-poverty rate (i.e. at the 60% poverty line) for individuals in male headed households was 13.1 per cent and was 16.7 per cent in female headed households (CSO, 2009).

While Whelan et al (2003a) have presented results on the persistent at-risk-of-poverty rates by gender of all adults for the 1990s and early 2000s, it is still informative to compare these results with those in Table 5 based on the gender of the household reference person. Indeed Whelan et al (2003a) found that the persistent at-risk-of-poverty rate of women was higher than for men throughout the period from 1997 to 2001. The persistent at-risk-of-poverty rate for men ranged between 15 per cent and 19 per cent, while for women it ranged between 21 per cent and 24 per cent.

3.3 Principal Economic Status

As described in Chapter 2, the small number of individuals present in all four waves does not allow us to explore in detail some specific categories of individuals. Therefore we have to aggregate some categories together in order to get robust statistical results. This is the case for some labour market status categories. For example, in Table 6, the unemployed are grouped together with those unable to work due to illness or disability. Findings from poverty dynamics research provide evidence that changes in labour market status are a major contributing factor for entry into and exit from poverty (e.g. Russell et al, 2004).

Table 6: Persistent at-risk-of-poverty rates by principal economic status of the household reference person in 2008, SILC 2005–2008

	60% line		70% line			
	Min	Max	Min	Max		
At work	2.1	3.6	5.0	5.9	8.0	10.2
Unemployed/ill/disabled	23.3	31.6	40.0	55.5	64.1	72.7
On home duties	19.9	25.9	31.9	39.5	46.4	53.2
Retired	0.0	1.0	2.2	12.7	17.6	22.5
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

At the 60% income line, the persistent at-risk-of-poverty rate, for those living in households where the HRP was at work in 2008, is very low at 4 per cent. This is significantly lower than the cross-sectional at-risk-of-poverty rate for this group observed in 2008 (9 per cent). The lowest level of persistent poverty (1 per cent) is found for

those in households where the HRP is retired, which is twelve times less than the cross-sectional result in 2008 (12 per cent). Similar to the pattern observed in cross-sectional data, the highest persistent at-risk-of-poverty rate is found when the HRP is not active in the labour market (apart from retirement): 32 per cent where the HRP is unemployed/ill/disabled and 26 per cent where the HRP is engaged in home duties. For these two categories, the 2008 cross-sectional poverty rates were also the highest and almost at the same level, at 28 per cent and 26 per cent respectively (CSO, 2009). Unemployment and disability have been identified in the literature as high risk factors for persistent poverty (Jenkins et al, 2001a).

A shift of the poverty line to 70% of the median income approximately doubled the persistent at-risk-of-poverty rate for all categories with the exception of the retired. For the retired the risk is eighteen times greater and this sensitivity to the choice of poverty line was illustrated earlier in Table 4, highlighting both the stability of income over time for this group as well as the proportion of this group located just above the 60% income line.⁹

3.4 Education level

Table 7 shows that there is a strong gradient relationship between the HRP's level of education and the persistent poverty risk. At the 60% income line the risk is nil when the HRP has achieved third level qualifications. It reaches a high of 17 per cent when the HRP has no qualifications.

Table 7: Persistent at-risk-of-poverty rates by education level attained of the household reference person in 2008, SILC 2005–2008

	60% line		70% line			
	Min	Max	Min	Max		
No qualifications	13.9	17.4	20.9	36.3	40.8	45.4
Junior Cert level	6.6	10.3	14.1	16.6	21.7	26.8
Leaving Cert level	3.5	6.8	10.1	6.1	10.0	13.9
Tertiary level	0.0	0.0	0.0	0.0	0.7	1.8
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

While at the 60% line the risk is in a narrow range of 7 per cent to 10 per cent when the HRP has a higher or lower second level qualification, i.e. Leaving Cert or Junior Cert respectively, the gap increases in a dramatic manner at the 70% line. The persistent at-risk-of-poverty rate increases by only 3 percentage points for Leaving Cert level while

⁹ While the level of income for those reliant on pensions is relatively stable, the location of the statutory pension level at close to 60% of median household income can mean that a small shift in the value of the pension can result in a significant proportion of older people moving above or below the poverty line (and hence in and out of poverty at the 60% line). The 70% persistent poverty line therefore better illustrates the stability of income for older people.

it increases by over 10 percentage points at Junior Cert level. It also shows a two-fold increase when the HRP has no qualifications. A comparison with cross-sectional figures shows that in 2008 for all these educational categories the at-risk-of-poverty rates are much higher, ranging from 6 per cent for tertiary level to 23 per cent where the HRP has no qualifications.

3.5 Marital status

Across the different marital status categories presented in Table 8, the persistent at-risk-of-poverty rate at the 60% line is lowest when the HRP is married (5 per cent). The rate increases to 13 per cent for a widowed/divorced/separated HRP and this rate doubles again when the HRP is single, at 26 per cent.

Table 8: Persistent at-risk-of-poverty rates by marital status of the household reference person in 2008, SILC 2005–2008

	60% line		70% line			
	Min	Max	Min	Max		
Single	18.6	25.5	32.4	36.0	43.9	51.7
Married	3.5	5.0	6.6	10.6	12.9	15.3
Widowed/divorced/separated	8.7	13.0	17.3	21.4	27.2	32.9
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

The magnitude of the difference between the last two groups comes as a surprise, as the cross-sectional figures for 2008 show that the widowed/divorced/separated group faced a high at-risk-of-poverty rate of 19 per cent, a rate similar to that for single HRPs at 22 per cent. However, as we are focusing on marital status at the end of the period in the analysis of persistent poverty, some of those who are widowed/divorced/separated in 2008 may have had higher incomes in 2005, if the change in marital status occurred during the 2005 to 2008 period.

As household structure and composition affects the level of resources available to the household, as well as level of need, it is therefore likely to affect poverty status in the short and longer term.

In Table 9 we look at the persistent at-risk-of-poverty rate by household type. Unfortunately, restrictions due to the sample size do not permit an exploration of the position of some groups of interest such as lone parent households. Previous research in the UK (Jenkins et al, 2001b) and in Ireland (Whelan et al, 2003a; Nolan et al, 2006) show that lone parents are particularly exposed to a high risk of persistent poverty.

Table 9: Persistent at-risk-of-poverty rates by household type in 2008, SILC 2005–2008

	60% line		70% line			
	Min	Max	Min	Max	Max	
1 adult	11.4	16.5	21.7	32.3	39.1	45.9
2 adults	0.7	2.3	4.0	12.7	16.8	20.9
3+ adults	7.3	12.6	18.0	7.8	13.2	18.7
2 adults, 1-2 child	0.0	0.8	2.1	3.8	7.3	10.9
2 adults, 3+ children	1.1	4.8	8.5	8.5	14.7	20.9
3+ adults, children*	14.7	21.3	28.0	21.1	28.4	35.8
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

*This category includes mostly households of parents with children where at least one child is aged 18 or over

In Table 9 we see that at the 60% line, the persistent at-risk-of-poverty rate is almost nil for those in households with two adults with one or two children but that it increases to 7 per cent at the 70% line. At the 60% line, households composed of two adults only, as well as those with at least 3 children, still face a low risk, at 2 per cent and 5 per cent respectively, but the rate increases to a high of 17 per cent and 15 per cent, respectively, at the 70% line. At the 60% line, the household structures with the highest persistent poverty rates are those with one adult (17 per cent) and those with three or more adults plus children (21 per cent). At the 70% line, the risk increases only by a small proportion for the latter category, to 28 per cent, while it rises to 39 per cent for the single households.

For some of these groups these results differ quite significantly to the cross-sectional at-risk-of-poverty rates. Looking at the 2008 cross-sectional figures at the 60% line (CSO, 2009), we note that single adults face a high risk (20 per cent), followed by the three adults plus children (18 per cent) and two adults with three plus children (17 per cent). While these results are in line with the persistent poverty results for the former two categories (single adults, three adults plus children) it is not the case with results for the latter category (two adults with three plus children), suggesting that there is much more

income mobility for this group. Similarly, households comprising two adults with one to two children (10 per cent), and two adults only (12 per cent), faced much higher cross-sectional at-risk-of-poverty rates in 2008 than persistent poverty during the period.

3.6 Social Welfare Dependence and Persistent Poverty

The composition of household income – whether the income comes from the market or from social welfare transfers – will potentially affect the dynamics of income over time.¹⁰ Indeed, market income is likely to fluctuate more rapidly and to a greater extent over time for a number of reasons (e.g. changes in the number of earners in the household, earnings level, the number of hours worked, or investment returns etc.), than social welfare transfers, which are more stable over time. For this reason we would expect to observe less income change among households that are highly dependent on social transfers, and depending on the payment level of the social transfers relative to the poverty threshold, more or less persistent poverty among welfare dependent households.

In Table 10 we present the persistent at-risk-of-poverty rate by level of welfare dependence.

Table 10: Persistent at-risk-of-poverty rates by welfare dependence in 2008, SILC 2005–2008

	60% line		70% line			
	Min	Max	Min	Max		
Social transfers represents less than 25% of household disposable income	0.0	0.8	1.5	1.5	2.9	4.4
Social transfers represents between 25% and less than 50% of household disposable income	5.0	9.6	14.1	12.2	18.1	24.0
Social transfers represents more than 50% of household disposable income	22.3	26.2	30.1	50.8	55.2	59.7
Total	7.8	9.5	11.2	18.0	20.3	22.6

Note: The figure in bold is the estimated proportion, while the minimum and maximum figures show the 95% confidence intervals (i.e. plus or minus twice the standard error)

When social transfers represent between 25 per cent and less than 50 per cent of household income, the persistent at-risk-of-poverty rate is identical to the rate for the total population, but the risk doubles at the 70% line. Finally, for those living in households highly dependent on social transfers the risk is much higher. More than a quarter are in persistent poverty measured at the 60% line and more than half are persistently at-risk-of-poverty at the 70% line.

¹⁰ Market income includes mainly employment, self-employment income, investment income, private retirement income and other income.

Chapter 4

Socio-Economic Profiles of the Persistently Poor

In Chapter 3 we examined the persistent poverty risk associated with characteristics of the individual or household. Examination of poverty risk is very important as it allows poverty comparison between various groups within a society, but since it does not take account of the relative sizes of the groups, it does not tell us who the poor are. For example, a small group of the population might have a very high risk of poverty but still represent only a small proportion of the poor. Therefore it is very important from a social policy perspective to provide a socio-demographic profile of the poor.

We now ask who the poor are, using the same socio-economic characteristics as in Chapter 3. However, while in Chapter 3 we were able to produce results at the 60% and the 70% income line, we restrict our analysis to the 70% line in this chapter, in order to have enough cases to produce stable results.

4.1 Age

Looking first to the composition of persistently poor individuals in terms of age, we see in Table 11 that, at the 70% line, the distribution of persistently poor individuals is very similar to the overall distribution of the population, with a slight under-representation of the working age population and an over-representation of older people. We saw in Chapter 3, Table 4, that risk positions for older people were very sensitive to the choice of poverty line and we can presume that at the 60% line there would be fewer older people among the persistently poor than the figures presented in Table 11.

Table 11: Composition of population of individuals persistently at-risk-of-poverty by age in 2008, SILC 2005–2008

	70% line	Total
Aged less than 18	24.1	22.5
Aged 18 to 65	59.3	65.5
Aged 65+	16.7	12.0
Total	100.0	100.0

4.2 Principal Economic Status

We now move on to the composition in terms of the principal economic status of the HRP as presented in Table 12. Not surprisingly, excluding retired individuals, there is an over-representation of those not active in the labour market, who represent over two-thirds of the persistently poor. Those in households where the HRP is unemployed/ill/disabled are three times as likely to be found among the persistently poor as to be found in the general population. The corresponding figure for those in households where the HRP is engaged in home duties is over two times as likely. While the persistent at-risk-of-poverty rate is the lowest when the HRP is at work, this group still constitutes a quarter of the persistently poor individuals as this is the largest group of the total population (two-thirds of the general population are in a household where the HRP is at work).

Table 12: Composition of population of individuals persistently at-risk-of-poverty by principal economic status of the HRP in 2008, SILC 2005–2008

	70% line	Total
At work	25.4	64.7
Unemployed/ill/disabled	29.8	9.5
On home duties	36.3	16.0
Retired	8.4	9.8
Total	100.0	100.0

4.3 Education level

In Table 13 we see that the persistently poor are likely to have low levels of education. Those in households where the HRP has no qualifications account for 63 per cent of the persistently poor, twice as high as their representation in the general population (31 per cent). Almost nine in ten persistently poor households are headed by a person with less than higher second level education, i.e. Junior Cert or lower.

Table 13: Composition of population of individuals persistently at-risk-of-poverty by education level attained of the HRP in 2008, SILC 2005–2008

	70% line	Total
No qualification	63.0	31.3
Junior Cert level	23.2	21.7
Leaving Cert level	13.1	26.6
Tertiary level	0.7	20.3
Total	100.0	100.0

The very strong impact of the education variable on poverty outcomes provides evidence of the high level of precariousness for those living in a household where the HRP has a low level of education.

4.4 Marital status

As can be seen in Table 14, while the majority (60 per cent) of the general population live in a household where the HRP is married, individuals in this household type represent only two-fifths of the persistently poor. This is a similar proportion to the widowed/divorced/separated category who are slightly over-represented among the persistently poor. While those in households headed by a single person represent only 11 per cent of the population, they account for twice that proportion of the persistently poor, due to the fact that this group face a very high risk of persistent poverty at the 70% line (see Table 8).

Table 14: Composition of population of individuals persistently at-risk-of-poverty by marital status of the household reference person in 2008, SILC 2005–2008

	70% line	Total
Single	22.9	10.6
Married	38.4	60.5
Widowed/divorced/separated	38.7	29.0
Total	100.0	100.0

4.5 Household type

In terms of household structure, we note from the last column of Table 15 that the largest group in the general population is composed of two adults with one to two children (30 per cent), followed by two adults with no children, then three or more adults with children (each about 20 per cent). Among the persistently poor, on the other hand, the largest group is three or more adults with children (30 per cent), followed by one adult and two adult households (each about 20 per cent). One adult households are overrepresented among the persistently poor by a factor of two, while three or more adults with children are overrepresented by a factor of about 1.5.

Table 15: Composition of population of individuals persistently at-risk-of-poverty by household type in 2008, SILC 2005–2008

	70% line	Total
1 adult	20.4	9.1
2 adults	20.3	21.2
3+ adults	11.0	14.7
2 adults, 1-2 child	12.6	30.1
2 adults, 3+ children	4.9	5.8
3+ adults, children*	30.8	19.0
Total	100.0	100.0

*This category includes mostly households of parents with children where at least one child is aged 18 or over

4.6 Social Welfare Dependence and Persistent Poverty

In Table 16, we see that while just over half of all individuals live in a household where social transfers represent less than one quarter of their household income, they represent only 8 per cent of the persistently poor individuals. At the other extreme we note that just over three-quarters of persistently poor individuals are heavily dependent on social transfers, as over half of their total household income comes from this source. Again, as observed earlier on, we have to reiterate that this latter group is particularly sensitive to the choice of the poverty line, and that this group would be smaller at the 60% line. Nevertheless, the results presented in Table 16 show the potential impact of the payment level of the social transfer on the composition of the persistently poor.

Table 16: Composition of population of individuals persistently at-risk-of-poverty by welfare dependence in 2008, SILC 2005–2008

	70% line	Total
Social transfers represents less than 25% of household disposable income	7.9	54.3
Social transfers represents between 25% and less than 50% of household disposable income	15.7	17.6
Social transfers represents more than 50% of household disposable income	76.4	28.1
Total	100.0	100.0

Chapter 5

Persistent Poverty and Living Conditions

As noted in the introduction, international studies showed that the longer individuals (particularly children) are exposed to poverty the more severe the consequences are in terms of living conditions, well-being and psychological stress. We propose here to explore such relationships by looking at a selected set of outcomes.

We know that income poverty is not necessarily a good indicator of people's economic circumstances and living conditions. Such recognition has encouraged the development and use of non-monetary indicators of poverty as an adjunct to income measures. The SILC survey collects a wide range of information about households' enforced lack of basic necessities which are regarded as normative in today's societies. Among those items are adequate food, clothing, home heating and socialising with family and friends.

Based on the items available in the SILC survey, Whelan and Maître (2006a) and Maître et al (2006) have identified several dimensions of deprivation (basic, secondary, housing facilities and housing/neighbourhood amenities) that characterise households who are exposed to poverty and social exclusion. Here, we explore the relationship between persistent at-risk-of-poverty and the dimension of deprivation that is used in the construction of the consistent poverty measure (see Maître et al, 2006). The basic dimension includes a set of 11 items and we report in Table 17 the mean level of basic deprivation by persistent poverty status.¹¹

The second measure presented in Table 17 is the level of subjective economic stress. It is measured by the answer to the following question asked to the household reference person: 'Thinking now of your household's total income, from all sources and from all household members, would you say that your household is able to make ends meet?'

Respondents were offered six response categories ranging from 'with great difficulty' to 'very easily' and we consider those answering 'with great difficulty' and 'great difficulty' as reporting a high level of subjective economic stress.

¹¹ See CSO (2010) for a detailed list of the deprivation items

Turning first to the deprivation measure at both poverty lines, clearly the persistently poor experience a much higher level of deprivation than those who are not persistently poor. The mean level of deprivation for the persistently poor is over twice that for the non-persistently poor at the 60% line and almost four times at the 70% line. We report also, in the final column, results for the cross-sectional 2008 measures. As we can see, the levels of material deprivation and economic strain associated with the cross-sectional poverty measure are much lower than for the persistent poverty measure. This parallels evidence in previous studies such as Whelan et al (2003b), showing the tighter relationship between persistent poverty and deprivation than between cross-sectional poverty and deprivation. This highlights the importance of persistent income poverty in understanding deprivation.

Table 17: Living circumstances by persistent poverty, SILC 2005–2008

	Persistent Poverty, 2005-2008		Cross-sectional Poverty, 2008
	60% income line	70% income line	60% income line
Mean Deprivation Basic Dimension			
Not poor	0.6	0.4	0.5
Poor	1.5	1.5	1.3
Economic stress (%)			
Not poor	20.0	17.2	20.6
Poor	48.1	44.3	41.5

Chapter 6

Alternative Persistent Poverty Measure and International Comparison

So far, in this paper, as described in Chapter 2, we have used the EU official persistent poverty measure. In this chapter we explore an alternative measure as developed by Muffels et al (2000) which has been used also in many studies (Fouarge and Layte, 2005; Whelan and Maître, 2006b). Using a proportion of the median income (60% in this paper) as a poverty threshold, this measure takes account of the recurrence of poverty as well as the persistence of poverty in order to identify a poverty profile as described below:

- the persistent non-poor: those who are never poor during the period of observation
- the transient poor: those who are poor only once during the period
- the recurrent poor: those who are poor more than once but never for more than two consecutive years
- the persistent poor: those who are poor for at least three consecutive years.

As we did for the EU persistent at-risk-of-poverty rate, we present in Table 18 overall levels of types of poverty, for three alternative poverty lines, over the four-year period. Focusing first on the 60% income line, we note that the overall level of persistent poverty, 8.6 per cent, is very similar to the EU measure at 9.5 per cent. Using the 60% poverty line, 12 per cent of individuals are transiently poor and 14 per cent are recurrently poor.

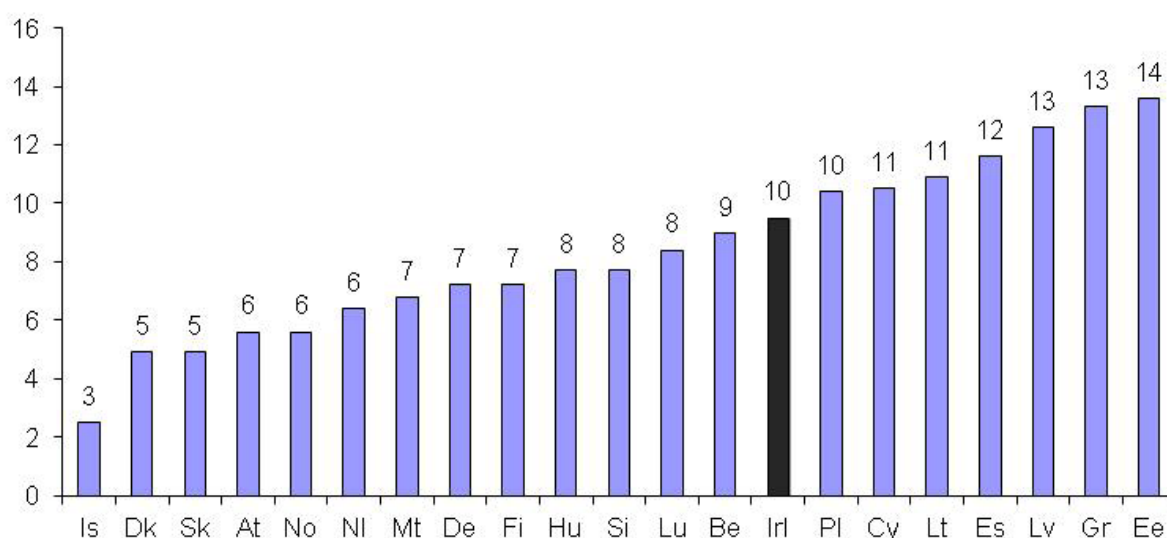
At the 70% income line, the rate of persistent poverty doubles, to 18 per cent, slightly lower than the EU persistent poverty measure which was 20 per cent. Interestingly, while the proportion of individuals who had a transient experience of poverty is almost identical to the rate at the 60% line (11 per cent), there is now a higher proportion of individuals who are in recurrent poverty (18 per cent), suggesting a greater income mobility with the 70% income poverty line.

Table 18: Persistent, transient and recurrent poverty over a four-year period, with alternative poverty lines, SILC 2005–2008

Poverty Profiles	50% income line	60% income line	70% income line
Persistent non-poor	79.7	66.0	54.0
Transient poor	11.9	11.5	10.8
Recurrent poor	5.3	13.9	17.6
Persistent poor	3.0	8.6	17.7
Total	100.0	100.0	100.0

In Figure 1 we compare the persistent at-risk-of-poverty rates across several European countries. With the exception of Ireland all the figures for the countries presented in Figure 1 are drawn from the Eurostat database, while the figure for Ireland is drawn from our own calculations. This is an important distinction to make as the methodology used by Eurostat to measure equivalised household income is different from the one used by the Central Statistics Office. Therefore the results presented in Figure 1 serve only an illustrative purpose to give a sense of where Ireland might be located in the overall distribution of the persistent at-risk-of-poverty.¹²

Figure 1: Persistent at-risk-of-poverty across Europe, SILC 2004-2008 (percentages)



The percentage rates presented in Figure 1 are rounded to the nearest full integer

As we can see, the vast majority of countries have levels of persistent poverty that are in the narrow range of 5 per cent to 10 per cent. At the lower end of the spectrum we find many Scandinavian countries (Iceland, Denmark and Norway) that are also characterised by low cross-sectional poverty rates. Ireland at 10 per cent is located towards the high end of the distribution, below a number of Mediterranean countries (Cyprus, Spain and Greece) and the Baltic countries (Latvia and Estonia). This pattern mirrors to some extent the distribution of cross-sectional poverty rates across the EU during the period of observation.

Results for the years 1997 to 2001, based on the ECHP, showed that Ireland, Greece and Portugal had the highest persistent at-risk-of-poverty rate, at about 12 to 15 per cent, and many countries (Belgium, Germany, France, The Netherlands, Austria) had rates between 6 and 10 per cent (Eurostat).

¹² Using the same methodology for the construction of income and equivalence scale, Eurostat publishes cross-sectional at-risk-of-poverty rates that are slightly higher than those published by the CSO (see CSO, 2010). Therefore we can assume that Eurostat figure for the persistent at-risk-of-poverty would have been slightly higher than the one presented here for Ireland.

Chapter 7

Conclusion

Since the release of the SILC survey in 2003, the CSO publishes, on a yearly basis, cross-sectional poverty rates for the general population as well as for specific vulnerable groups (such as the unemployed, ill/disabled, children, older people, lone parents). While these headline figures are extremely important and useful for policy makers and social researchers, they can only express the situation at one point in time without taking account of any history in terms of experience of poverty for the individuals and households concerned, therefore limiting our understanding in terms of processes and poverty outcomes. With the development of panel data, many researchers have started to focus on persistent poverty to enhance their understanding of poverty. At the EU level, the addition of a persistent poverty measure among several poverty indicators is an acknowledgment of the importance of a concern with poverty dynamics. In this paper we have looked at the extent of persistent at-risk-of-poverty in Ireland during the period 2005 to 2008 using the panel data of the SILC survey. During that period, Ireland experienced rapid economic growth with rising income and falling at-risk-of-poverty rates, from 18.5 per cent in 2005, to 14.4 per cent in 2008 at the 60% income poverty line.

At the 60% income poverty line, the analysis of the panel data showed that two-thirds of all individuals had no experience of poverty during these four years and that 9.5 per cent of individuals were found to be persistently at-risk-of-poverty. As the cross-sectional poverty rate in 2008 was 14.4 per cent, this figure tells us that the majority (66 per cent) of those who were at-risk-of-poverty in 2008 were also persistently at-risk-of-poverty.

The results were very sensitive to the choice of the poverty line. Using the 70% income line, the persistent at-risk-of-poverty level doubled to 20 per cent. International studies found that specific groups of the population (children, older people, ill/disabled) are particularly exposed to persistent poverty. In most cases the results for Ireland confirmed those findings, with the exception of older people who were found to be the most insulated from persistent at-risk-of-poverty (at the 60% threshold) during this specific period. This is mainly driven by the fall in the cross-sectional at-risk-of-poverty rate that took place between 2007 and 2008 for older people.¹³ A shift to the 70% income poverty line in the persistent poverty measure completely reversed their relative position as their rate increased from 3.8 per cent (60% line) to 28.2 per cent (70% line).

13 Since the definition requires that the household must be in poverty in the 'current/base' year (and in two of the three preceding years) the proportion in poverty in the base year is important.

It shows that many older people are located just above the 60% income line, highlighting their precarious position.

Overall, focusing on the 60% income poverty line, the results found that the following groups of individuals were particularly exposed to persistent poverty:

- Children
- Individuals in households headed by a female
- Individuals in households headed by an unemployed/ill/disabled person or someone engaged in home duties
- Individuals in households headed by a person with a low level of education
- Individuals in households where the head of household is single
- Adults living alone as well as households with three or more adults plus children
- Individuals in households highly dependent on social transfers.

This is not a comprehensive list of the risk factors associated with persistent poverty as the sample did not allow analyses of smaller groups in the population (such as migrants and lone parents).

While the risk of persistent at-risk-of-poverty associated with some of the groups described above can be quite high, the composition of the persistently poor will depend on the respective size of these groups. Therefore a composition perspective showed that the persistently poor were mainly drawn from the following categories:

- People of working age
- Individuals in households headed by someone on home duties
- Individuals in households headed by a person with a low level of education
- Individuals in households with a married or formerly-married head of household
- Individuals in households with at least three adults plus children
- Individuals in households highly dependent on social transfers.

A short description of the living conditions and psychological stress experienced by those living in persistent at-risk-of-poverty showed that they report much higher levels of deprivation and economic stress than those not in persistent poverty. Finally, in spite of the fact that Ireland experienced a reduction in the at-risk-of-poverty rate over the period considered, an international comparison showed that Ireland was quite distinctive in reporting a higher level of persistent at-risk-of-poverty than most European countries.

Today a lot of attention has been given to the analysis of cross-sectional poverty, and many policy decisions to tackle poverty are based on such analyses. Research on poverty dynamics has shown the additional importance of focusing on poverty persistence

in identifying groups of individuals who are particularly exposed to long-term and profound disadvantages which not only affect their current living conditions but also their mental and psychological well-being. This is particularly relevant in the context of households with children where international studies provide evidence of the damaging effect on life chances for children experiencing persistent poverty. This means that, as well as focusing on poverty at one point in time, anti-poverty policy strategies also need to consider persistent income poverty.

However, the persistent income poverty approach itself has some limitations, as described by Whelan et al (2003b). In particular, persistent income poverty identifies a very small group, particularly exposed to a high level of exclusion, which might require different policy interventions to the larger group identified by cross-sectional measures of poverty.¹⁴ Also, while persistent poverty improves our understanding of deprivation, it does not obviate the need to complement income-based measures with indicators of deprivation in order to identify those vulnerable to social exclusion.

¹⁴ While a small proportion of persistently poor is not particularly relevant to Ireland it can be an issue in some European countries such as in Scandinavia which is characterised by very low persistent at-risk-of-poverty rates.

References

- Bane, M.J. and Ellwood, D.T. (1986) 'Slipping into and out of poverty: the dynamics of spells', *The Journal of Human Resources*, XXI (1):2-23.
- Bolger, K.E., Patterson, C.J., Thompson, W.W. and Kupersmidt, J.B. (1995) 'Psychosocial adjustment among children experiencing persistent and intermittent family economic hardship', *Child Development*, 66:1107-1129.
- Bradshaw, J. and Holmes, J. (2010) 'Child poverty in the first five years of life', in Hansen, K., Joshi, H. and Dex, S., *Children of the 21st Century*, Bristol: The Policy Press.
- Breen, R. and Moiso, P. (2004) 'Poverty dynamics corrected for measurement error', *Journal of Economic Inequality*, 2:171-179.
- CSO (2009) *Survey on Income and Living Conditions (SILC) 2008*.
- CSO (2010) *Survey on Income and Living Conditions (SILC) 2009*.
- Dennis, I. and Guio, C. (2004) 'Poverty and social exclusion in the EU', *Statistics in Focus* 16/2004, Luxembourg: European Communities.
- Devicienti, F. (2001) 'Estimating poverty persistence in Britain', Working Paper 1, Torino, Italy: LABORatorio R. Revelli.
- Duncan, G.J. (1984) *Years of Poverty, Years of Plenty*, Ann Arbor: Institute for Social Research, University of Michigan.
- Duncan, G.J. and Rodgers, W. (1991) 'Has children's poverty become more persistent?', *American Sociological Review*, 56:538-550.
- Duncan, G.J., Yeung, W.J., Brooks-Gunn, J. and Smirth, J.R. (1998) 'How much does childhood poverty affect the life chances of children?', *American Sociological Review*, 63(4-6):423.
- Fouarge, D. and Layte, R. (2005) 'Welfare regimes and poverty dynamics: The duration and recurrence of poverty spells in Europe', *Journal of Social Policy*, 34(3): 407-426.
- Friedman, M. (1957) *A Theory of the Consumption Function*, Princeton: Princeton University Press.
- Hill, M.S. and Jenkins, S.P. (2001) 'Poverty among British children: Chronic or transitory?' in Bradbury, B., Jenkins, S. and Micklewright, J. (eds.) *The Dynamics of Child Poverty in Industrialized Countries*, Florence: UNICEF.
- Hussain, M.A. (2002) 'Poverty duration in Denmark', Working Paper 28, Copenhagen: The Danish National Centre for Social Research.
- Jarjoura, G.R., Triplett, R.A. and Brinker, G.P. (2002) 'Growing up poor: Examining the link between persistent childhood poverty and delinquency', *Journal of Quantitative Criminology*, 18:159-187.
- Jenkins, S.P., Rigg, J.A. and Devicienti, F. (2001a) 'The dynamics of poverty in Britain', DWP Research Report 157, London: Department of Work and Pensions.
- Jenkins, S.P., Schluter, C. and Wagner, G. (2001b) *Child poverty in Britain and Germany*, London: Anglo-German Foundation.
- Layte, R. and Whelan, C.T. (2003) 'Moving in and out of poverty: The impact of welfare regimes on poverty dynamics in the EU', *European Societies*, 5(2):75-99.

Layte, R. and Fouarge, D. (2005) 'Welfare regimes and poverty dynamics: The duration and recurrence of poverty spells in Europe', *Journal of Social Policy*, 34(3): 407-426.

Maître, B., Nolan, B. and Whelan, C.T. (2006) *Reconfiguring the Measurement of Deprivation and Poverty in Ireland*, Policy Research Series 58, Dublin: Economic and Social Research Institute.

McLeod, J.D. and Shanahan, M.J. (1996) 'Trajectories of poverty and children's mental health', *Journal of Health and Social Behavior*, 37:207-22.

Muffels, R., Fouarge, D. and Dekker, R. (2000) 'Longitudinal poverty and income inequality: a comparative panel study for the Netherlands, Germany and the UK', OSA Working Paper WP 2000-6, Tilburg: OSA.

Nolan, B. and Watson, D. (1999) *Women and Poverty in Ireland*, Dublin: Oak Tree Press.

Nolan, B., Layte, R., Whelan, C.T. and Maître, B. (2006) *Day In, Day Out, Understanding the Dynamics of Child Poverty*, Dublin: Institute of Public Administration/Combat Poverty Agency.

Rendtel, U., Langeheine, R. and Berntsen, R. (1998) 'The estimation of poverty dynamics using different measurements of household income', *Review of Income and Wealth*, 44:81-98.

Ruspini, E. (1998) 'Women and poverty dynamics: the case of Germany and Britain', *Journal of European Social Policy*, 8(4):291-31.

Russell, H., Layte, R., Maître, B., O'Connell, P.J., and Whelan, C.T. (2004) *Work-poor Households: The Welfare Implications of Changing Household Labour Market Participation*, Policy Research Series 52, Dublin: Economic and Social Research Institute.

Russell, H., Maître, B. and Nolan, B. (2009) *Monitoring poverty trends in Ireland 2004-2007: Key issues for children, people of working age and older people*, Policy Research Series 17, Dublin: The Economic and Social Research Institute.

Stevens, A.H. (1994) 'Persistence of poverty and welfare: the dynamics of poverty spells: updating Bane and Ellwood', *American Economic Review, Papers and Proceedings*, 84:34-37.

Stevens, A.H. (1999) 'Climbing out of poverty, falling back in: Measuring the persistence of poverty over multiple spells', *Journal of Human Resources*, 34:557-588.

Taylor, M., Berthoud, R. and Jenkins, S. (2004) 'Low Income and multiple disadvantage 1991-2001: Analysis of the British Household Panel Survey', a report for the Social Exclusion Unit in the *Breaking the Cycle* series, London: Office of the Deputy Prime Minister.

Whelan, C.T., Layte, R. and Maître, B. (2002) 'Multiple deprivation and persistent poverty in the European Union', *Journal of European Social Policy*, 12(2):91-105.

Whelan, C.T., Layte, R., Maître, B., Gannon, B., Nolan, B., Watson, D. and Williams, J. (2003a) *Monitoring Poverty Trends in Ireland: Results from the 2001 Living in Ireland Survey*, Policy Research Series 51, Dublin: Economic and Social Research Institute.

Whelan, C.T. Layte, R. and Maître, B. (2003b) 'Persistent income poverty and deprivation in the European Union: An analysis of the first three waves of the European Community Household Panel', *Journal of Social Policy*, 32(1):1-18.

Whelan, C.T. and Maître, B. (2006a) 'Measuring material deprivation with EU-SILC: Lessons from the Irish survey', Working Paper No. 172, Dublin: Economic and Social Research Institute.

Whelan, C.T. and Maître, B. (2006b) 'Comparing poverty and deprivation dynamics: Issues of reliability and validity', *Journal of Economic Inequality*, 4:303-323.