



# THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE

RESEARCH ON THE EXTENT OF  
POVERTY IN THE REPUBLIC OF  
IRELAND: A SURVEY

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*Research on the Extent of Poverty in the Republic of Ireland: A Survey*

*1. Introduction*

This paper provides a survey of available research on the extent of poverty in Ireland. This forms a background and starting point for the analysis of poverty to be based on the results of the major sample survey of income distribution, poverty and usage of State services now being carried out by the Institute.

The paper focuses on those studies which have attempted to assess the overall extent of poverty, comparing their analytical approaches and results. Section 2 provides an overview of the studies. Section 3 deals with the concept of poverty and the poverty lines adopted, and Section 4 discusses some other methodological issues. Section 5 highlights some of the major implications for further research.

*2. The Extent of Poverty in Ireland: Overview of Previous Research*

We begin by briefly describing the available studies on the extent of poverty in Ireland, before discussing in more detail the conceptual and methodological issues to which these give rise. The "rediscovery" of poverty as a major research and policy problem in Ireland dates only from the early 1970s. This lagged considerably behind the upsurge of interest in the problem in Britain and the US in the early 1960s. In each case, economic growth and relatively low unemployment had for a time engendered widespread complacency that poverty had been dispelled. This comfortable assumption came to be increasingly questioned, however, with research playing a crucial role in re-focusing

attention. Key studies in the UK and the US were Abel-Smith and Townsend's "The Poor and the Poorest" (1965) and Michael Harrington's "The Other America" (1962). The Irish counterpart was the set of papers presented to the 1971 Kilkenny Conference on Poverty, in particular that by Seamus O'Connell (published in Social Studies 1972).

O'Connell's paper set out to quantify the overall extent of national poverty, and was a path-breaking attempt to do so despite the deficiencies of the data available. He had, of necessity, to piece together information from a variety of sources, and did not base his estimates on data for individual households showing income from different sources. Administrative statistics on the numbers in receipt of various social welfare payments, together with data on earnings in different sectors from such sources as the Farm Management Surveys, the Census of Retail Distribution and the Census of Industrial Production were used. These were related to the total numbers in the country in categories such as the old, widows, farmers, the self-employed and employees, as revealed by the 1966 Census of Population. The lack of individual/household data severely limited the analysis, since there was no firm basis on which to examine the distribution of total income of individuals from different sources or the way individuals are combined in families/households.

In deciding on the poverty line, the level of income below which people are deemed poor, he derived an ad hoc set of scales for different family types from a comparison of Unemployment Assistance (UA) and Unemployment Benefit (UB) rates in force in the Republic and Supplementary Benefit (SB) rates in Northern Ireland. The poverty line chosen was close to the SB scale,

considerably above the UB rates for most family types. On the basis of the piecemeal data available, together with various assumptions, O'Connell concluded that at least 24% of the population in 1971 had income below this poverty line.

Apart from a number of studies reporting the results of small sample surveys such as Sheehan (1974) and MacAirt (1979), the next major analysis of the extent of poverty was also by O'Connell (1980), which attempted to update his work to 1975. Information from a similar variety of data sources for different groups, related this time to the overall composition of the population revealed by the 1975 Labour Force Survey, was again used. The poverty line used on this occasion was basically the 1971 line adjusted for price increases between then and 1975, and further increased by 50% to take into account the results of an EEC attitude survey on the minimum income required "to enjoy a non-poor way of life". The conclusion is drawn that about 27% of the population are below this poverty line.

O'Connell did not use the results of the 1973 CSO Household Budget Survey (HBS), the first to cover rural as well as urban areas, because the published data did not allow incomes to be adjusted to take differences in size and composition of households into account. Four other studies have analysed the extent of poverty using the HBS, based on detailed data on the computer tapes rather than merely the published results, by special arrangement with the CSO. Three of these - Joyce and McCashin (1982), Fitzgerald (1981) and Rottman, Hannan *et al* (1981) - are based on the 1973 HBS, while Roche's (1984) study uses the results of the only other nation-wide HBS, that for 1980.

Joyce and McCashin summarise the results of a background paper by Roche (1979), which analyses in some detail the numbers and composition of the poor. A number of poverty lines are examined, based on the UA rates payable from mid-1973, that level plus 20%, and plus 40%. The 1973 HBS sample showed the percentage of households under these three lines to be 10%, 15% and 23% respectively, and these households contained 8%, 10% and 21% of the total number of individuals respectively.

Fitzgerald (1981) also used the 1973 HBS results to analyse the income going to households towards the bottom of the income distribution. She focuses on the bottom 20% and bottom 30%, with incomes adjusted for differences in household size and composition. Looking at the bottom 30% and up-rating the incomes to 1980 prices, she notes that they received less than the old-age pension payable to a couple at that date. "The standard of living obtainable on social welfare pensions today corresponds roughly to our current perception of what it means to be poor. By that definition about 30% of households in 1973 could be regarded as poor" (p.18). The bottom 20% in the HBS had incomes of three-quarters of this level or below. Fitzgerald also examined data on the numbers in receipt of various types of social welfare payments, attempting to identify those who were dependent on these payments long-term with little or no other income. This led her to conclude that "about one in five" of the population in 1980 depended on social welfare for their principal long-term source of

income, representing about 700,000 people.<sup>1</sup>

Rottman, Hannan *et al* (1981) concentrated more on analysing the composition of the poor, particularly in terms of class and family cycle factors, rather than on arriving at a precise estimate of the numbers in poverty. A range of poverty lines was adopted, based on the prevailing UB rates, with results for the number of households in the 1973 HBS at or below the UB level, between 100 and 120%, 120-140%, etc. The results showed 7% of households at or below the UB level, and 20% at or below UB + 40%, the latter being the poverty line to which primary attention is given in the study.

Roche (1984), the only detailed study of poverty using the results of the 1980 HBS, also adopts a range of poverty lines. To ensure comparability with the results of his earlier study of the 1973 HBS reported in Joyce and McCashin, the three poverty lines used there (the UA rates, plus 20% and plus 40%) were adjusted upwards to take into account the increases in prices and in real national income (GNP per head) between then and 1980. The 1980 HBS then showed 4% of households below the lowest of these poverty lines, 7%, below the second, and 12% below the third - a substantial fall compared with 1973.

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1. It is not clear where the 'one million poor' referred to in the title of the book (albeit with a question-mark) in which this paper appears, is derived. In her introduction, Kennedy (1981) refers to the 700,000 figure presented by Fitzgerald, and the 30% of all households in poverty also presented by Fitzgerald. The number of people in these households is not calculated, however. Both refer to the fact that nearly one million people were in receipt of a social welfare payment each week.

Having described the various estimates of the extent of poverty in Ireland, we now go on to discuss the conceptual and methodological issues which arise in such an exercise, focusing on the way these have been dealt with in Irish studies so far. As background to this discussion, the main features of the various studies are summarised in Table 1 for easy reference. We begin by discussing the concept of poverty and the derivation of the poverty line.

Table 1: Main Features of Studies Quantifying the Extent of Poverty in Ireland

Study	Year to which Results Refer	Main Data Source	Income Concept	Income Recipient Unit	Equivalence Scales	Poverty Line	Estimated Percentage Poor
O'Connell (1972)	1971	Administrative data	Gross income	Individual/family	ad hoc	ad hoc (based partly on UK Supp. Ben. rates)	24% of population
O'Connell (1980)	1975	Administrative data	Gross income	Individual/Family	Derived from EEC attitude survey	1971 line updated, + 50%	27% of population
Roche, in Joyce & McCashin (1982)	1973	HBS	Disposable income (net of some rent)	Household	UA implicit scales	(A) UA (B) UA + 20% (C) UA + 40%	(A) 10 % of 8 % (B) 15 hse/ 10 of (C) 23 holds 21 persons
Fitzgerald (1981)	1973	HBS, administrative statistics	Disposable	Household	Based on UK Studies	Equivalent to contr. old age pension rate for couple	30% of households; [20% below 3/4 of this income]
Rottman, Hannan, et al., (1981)	1973	HBS	Disposable	Household	UB implicit scales	Principally UB UB + 20% UB + 40%	7% at or below UB 20% at or below UB+40%
Roche (1984)	1980	HBS	Disposable (net of some rent)	Household	UA implicit scales	(A) 1973 UA, adjusted for increase in CPI and GNP to 1980, (B) this plus 20% and (C) plus 40%	(A) 4% (B) 7% of households (C) 12%

### 3. Poverty and Poverty Lines

#### 3.1 The Concept of Poverty

All of the Irish studies examined share what is generally termed a 'relative' rather than an 'absolute' concept of poverty. They reject any attempt to determine an absolute subsistence level of living, based for example on minimum requirements for nourishment or shelter, and focus instead on income inadequacy relative to need, with need linked to societal standards (as Rottman, Hannan *et al* put it). This approach may be exemplified by the following quote from Fitzgerald:

"We recognise as poor not only those who can barely feed and clothe themselves, but also the many whose incomes and living conditions fall below the accepted minimum norms of our society" (p.13).

While the general approach is now widely accepted, it may be noted that the idea of an 'absolute' element to poverty has not been universally abandoned. The official US poverty line is constructed on the basis of subsistence food budgets for different types of families, though a multiple is applied to this expenditure in arriving at the poverty line, allowing for some element of relativity. At a theoretical level, Sen (1979) for example argues that there is "an irreducible core of absolute deprivation" in the notion of poverty, and feels that the approach of relative deprivation supplements rather than supplants the analysis of poverty in terms of absolute depossession (p.289).

The Irish studies do not follow a relative approach to the extent of viewing poverty as indistinguishable from inequality. All identify poverty lines which, implicitly or explicitly, are linked with societal standards but not framed purely in terms of a



relativity with, for example, average earnings or of a particular quantile of the income distribution. The way in which poverty lines are actually derived in the various studies is the next issue for discussion.

### 3.2 *Poverty Lines Used*

Most of the Irish studies follow the route adopted by many international studies, of deriving poverty lines from the rates payable in State income maintenance programmes. In doing so, the assumption is made that these rates form an explicit or implicit "official" poverty line, and for lack of a more satisfactory alternative, this is taken as being the product of some measure of consensus on the minimum level of income required.

This approach has largely been dictated by the data available: its shortcomings must however be emphasized. At a conceptual level, it is not at all clear that the level at which support rates are set at a point in time, or their evolution over time, can in fact be reasonably interpreted as reflecting a consensus on minimum adequate income levels. Cost constraints obviously also play a part, and the actual rates paid at any particular date are the product of a complex set of interactions within the political process. As pointed out by Sen (1982), the fact that in particular circumstances the elimination of deprivation is not seen as feasible does not change the fact of that deprivation. The use of these rates as the basis for poverty lines also leads to obvious difficulties and paradoxes in implementation. An increase in the level of income support provided serves to raise the poverty line rather than reduce the extent of poverty. Comparisons over time or across countries are thus fraught with difficulty.

These issues, and alternative conceptual approaches to the measurement of poverty developed in the recent literature, are discussed in detail in the second Working Paper in our series. There, the range of possibilities which will be opened up by the data currently being gathered in the EBRI's survey is also outlined. As discussed in that paper, rather than providing a suitable basis for the measurement of the numbers in poverty, the official rates of income support may primarily be of use in assessing the efficiency of the social security system itself, the extent to which people fall below the safety net. For the present, though, in surveying previous research on the measurement of poverty in Ireland, we will continue to focus on the "official poverty line" approach adopted there, and to use that terminology.

The poverty lines chosen in the six Irish studies are widely varied, even given this common approach. A major factor in producing this diversity is the absence in Ireland of a scheme corresponding closely to the UK Supplementary Benefits Scheme, which is means-tested and is explicitly designed to provide in itself a subsistence level of income. S.B. rates thus form a readily-justified base for an official poverty line for the UK. In Ireland, however, there has not been a similar consensus on the programme representing an official minimum.

From 1975 the Supplementary Welfare Allowance (SWA) scheme was introduced as a means-tested benefit of last resort, replacing with a uniform system the Home Assistance scheme, which had allowed considerable local differences in treatment. The SWA rates were set equal to those payable to UA (rural) recipients. Roche's study of the 1973 HBS used rural UA rates as the basis for his official poverty line; arguing that the SWA rates were an

implicit official poverty line and that the UA rates for 1973 formed a proxy for what would have been payable under the scheme had it existed then.

O'Connell, however, argued that the UA rates were not, and were not intended to be, adequate in themselves. He therefore, in his earlier paper, derives a poverty line broadly based on the SB rates payable in the UK, considerably above not only the UA rates payable in the Republic but also above the insurance-based UB rates for most categories. In his 1980 study he up-rates this poverty line to 1975 prices, but notes that this still leaves it well below the levels revealed by an EEC opinion survey of the population as representing people's views of the minimum income required "to enjoy a non-poor way of life". On this basis he increases the poverty line by a further 50% to bring it nearer - though not all the way to - the levels revealed by the survey. His 1975 poverty line, then, is different in nature to those purely based on official scales, in taking explicitly into account attitudes towards adequacy in the general population. (This distinct line of approach to setting a poverty line has been significantly developed in a number of EEC countries since then, and will be explored in the course of the Institute's current project).

Hannan, Rottman *et al.*, also argue that Home Assistance or UA rates are not appropriate as an official poverty line. On Home Assistance, they state that the means test was not standardised, and that it was not necessarily assumed that Home Assistance would be the sole source of income, intended to provide full support for claimants. On UA, they reiterate the point made by O'Connell that the scheme on its introduction in 1933 was not presented as

providing an adequate income, reference being made to a cost constraint. They therefore use the higher UB rates as the basis for their poverty lines, arguing that the original levels at the time of introduction were set by a more rational decision-making process.

Fitzgerald (1981) looks at the income of the bottom 30% of households in the 1973 HBS, concluding that, adjusted to 1981 prices, they were below the level received by a pensioner couple in 1981. This is in effect the poverty line used, on the basis that "the standard of living obtainable on social welfare pensions today corresponds roughly to our current perception of what it means to be poor" (p.18). It must be emphasized, however, that the poverty line used was 31-35% above the level of UA or SWA payable to a couple at the time, and 14% above the level of UB (flat-rate).<sup>2</sup> Further, 1981 levels of payment are being applied to the 1973 population with incomes adjusted for the increase in prices between the two dates: with the real value of income maintenance payments increasing significantly over the period, a higher real standard than prevailed in 1973 is being applied.

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2. The poverty line used is £46 per week for a couple. This is said to be the social welfare pension going to a pensioner couple in 1981, but it is not clear how the figure is derived. A couple consisting of two people each in receipt of the noncontributory old-age pension, with no means, aged under 80, would in fact have received a higher figure, of £52.50 from April 1981 (£55.10 from October 1981). A couple consisting of one person in receipt of the pension and one dependant aged under 66 would have received £39.45 from April 1981 (£41.40 from October). Since means of up to £6 were disregarded, the figure of £46 could possibly be based on the £39.45 plus £6 allowed means, though of course not all recipients would have such means.

Roche (1984), in comparing 1973 and 1980, adopts an alternative strategy, of applying the 1973 UA-based poverty line, up-rated for price increases and for the increase in real national income, to 1980. This involves using a basic poverty line for 1980 considerably below the actual level of UA then payable - about 85% of 1980 UA (rural) for a single adult, for example - because the level of payment grew in real terms significantly faster than national income.

### *3.3 Problems in the Identification of an "Official" Poverty Line*

Among the issues which this survey of the Irish studies highlights, then, the appropriate basis for an "official" poverty line and the way in which changes over time should be analysed are critical. On the first, prior to the introduction of SWA there clearly was a difficulty in that there was no clear-cut national safety-net scheme, Home Assistance being subject to considerable discretion and local differences in administration. Since the SWA scheme was introduced (with effect from 1977, though the enabling legislation was passed in 1975), however, it now appears the obvious choice. It has a uniform set of (maximum) rates for the country as a whole<sup>3</sup>, and is intended to cater for all those with inadequate incomes from other sources. Implicitly, if not explicitly, its aim is to provide what, in the State's view, is a

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3. Though there are certain supplements for special needs, as well as scope for discretionary extra payments.

subsistence level of income.<sup>4</sup> It must also be noted that the real value of benefits has increased much more rapidly in Ireland than in the UK since the early 1970s, so that the gap between assistance rates here and SB rates in the UK, emphasised for example by O'Connell, is no longer pronounced.<sup>5</sup> The argument for rejecting the SWA as not comparable with SB on this basis has therefore lost force.

The use of a number of different poverty lines, usually 100%/120%/140% of the basic "official" line, is common both in Irish and international studies. It is justified in, for example, Joyce and McCashin by reference to the fact that the basic line "is very low" (p.10). Rottman, Hannan *et al.*, state that they are following the precedent set in Layard *et al.*'s, (1978) study for the UK Commission on the Distribution of Income and Wealth, and that it enables the researcher and the reader to see the consequences of adopting a particular line. No reference is made

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4. Where 'needs' exceed 'means', SWA is payable to all those who qualify to cover those 'needs'. When questioned as to the meaning of 'needs' as he introduced the Bill in the Dail in 1975, the Parliamentary Secretary to the Minister for Social Welfare, Mr. Cluskey, said that the levels of payment were intended to "meet legitimate needs", and that these "will not be confined to the bare necessities of life" [Official Report Vol.285, No.12, 19 November 1975, pp.1468-1470]. He also pointed out that the rates of payment under the new scheme would be considerably higher than the amounts actually paid out on average under Home Assistance (p.1562-1563).

5. By 1986, the (maximum) SWA rate for a married couple was IR£57, compared with the ordinary SB rate of £48.40 Stg. While a complete assessment of relative levels would have to look at the real value of the benefits in terms of the cost of living in each country, it is clear that, at a minimum, the SWA rates are at a level much more comparable with SB than in 1971, when SB exceeded UA for a married couple by a third.

in the Irish studies, however, to the key justification advanced in the UK for using, not the basic rate of assistance, but that rate plus, most usually, 40%. This goes back to Abel-Smith and Townsend's 1965 study which pointed out that in certain circumstances additions are made to the basic scale to cover exceptional expenses, and that there are provisions for disregarding certain amounts of other income in the means test.

Given the complexity of the benefit system, there is clearly a genuine problem in defining precisely the exact entitlement to income maintenance of different recipients, and thus the "official" poverty line for each. However, to add on a supplement - and a very significant proportionate one at that - to the basic scales and apply this to *all* recipients seems to move too far from the basis on which the poverty line is being constructed (and has not in fact been followed by some UK studies such as Atkinson (1969)). It will ensure that most of those in receipt of assistance fall below the supposedly official poverty line, which is a somewhat paradoxical result.

It would appear preferable to first model as precisely as possible the poverty line actually implied by the benefit system, and see how many are falling below that. Given the frequency with which discretionary additions are paid and the difficulty of incorporating these, the result may of necessity represent a lower bound to the actual benefit paid out. This would, however, provide information with a clearly-defined status, allowing a detailed analysis of those who are actually falling through the safety net - a primary objective of poverty/income maintenance policy analysis. Judgements may then be put forward as to whether that safety net is in fact set at a level which is "adequate",

judged for example on the basis of the lifestyle it permits or relative to the views of the population as a whole or the lower income groups as to what constitutes an adequate income. Alternative poverty lines with an independent status can then be derived and the numbers falling below these lines examined.

### *3.4: Other Problems in Specifying an 'Official' Poverty Line*

In defining an 'official' poverty line, a number of other more detailed problems may be noted. The first relates to the treatment of housing costs. For those in rented accommodation, a rent supplement is payable under the SWA. This was taken into account in Roche's studies by subtracting rent (within the allowed range) from income, since this was felt to be more convenient than the alternative of adding that amount to the poverty line for that household. The treatment of Children's Allowance/Child Benefit is also important. These are not reckonable as means in assessing SWA, and should therefore be taken into account in deriving the implicit poverty line for families with children - that is, the amount payable should be added to the SWA rate.<sup>6</sup>

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6. Roche (1979) found that "it was technically more efficient to include them [children's allowances] in the equivalent scales rather than to add them to the poverty line", since he was using a poverty line for a single adult and converting each household's income to an adult equivalent basis.



In examining the numbers falling below an official poverty line using survey results such as the HBS, major problems in implementation can be caused by the fact that the survey generally runs through a period when official rates of benefit were changed. In 1973, for example, rates of payment were increased in July, while in 1980 rates were increased in April. Which level should then be adopted as the poverty line? Roche, in his study of the 1973 HBS, used the higher set of rates from July 1973 for the entire sample, including those sampled before that date, arguing that a uniform poverty line is most satisfactory. Rottman, Hannan *et al.*, agreed with maintaining a consistent standard, but used the 1972 scales.

Again, this issue may be resolved differently if the initial objective is to apply the actual official standards in force and see how many and who are slipping through the net. Such an approach would involve changing the poverty line when payments are up-rated, and distinguishing between households on the basis of date sampled. While this does not have the appeal of a uniform standard, the artificial differences between households because of the timing of the interview are a more serious problem.

### 3.5: Comparisons Over Time

Comparison of results over time give rise to the more intractable problem of assessing changes in the extent of poverty using official poverty lines. As benefit levels increase; improvements in the living standards of those in receipt will not be reflected in poverty lines which are themselves based on the level of benefits. On the other hand, application of present standards to past periods, or vice versa, is fraught with

problems. Roche (1984) applies 1973 standards, adjusted for the increase in prices and in real national income, to 1980, and shows a significant decline in the numbers under this poverty line. The appropriateness of real GNP as an indicator of changes in personal living standards may be questioned. It might be more useful in any case to make adjustments in the first instance only for the increase in prices between the two years, in which case the numbers achieving an approximately constant standard of living in the two years would be revealed. This could then be contrasted with the change in the numbers under the 'official' poverty line, using the benefit levels actually in force in each year, which could be decomposed into the effects of the change in real standards of living and of the increase in the real poverty line being applied. Fitzgerald (1981) in effect applies the standard of 1981 benefit levels to 1973 incomes, with adjustment to take into account the increase in prices over the period. Taken alone, this may also be misleading. In a period when the real value - and the coverage - of benefits increased, (a) the numbers under the same real line in 1981 are likely to have been considerably lower than in 1973, and (b) the numbers in 1973 under a poverty line constructed from 1973 benefit levels would also have been much lower. As far as (b) is concerned, it may legitimately be argued that by our present standards the 1973 official poverty line was too low: however, at some stage this approach becomes unacceptable - could the 1981 line be meaningfully applied to 1953? The need for care in the presentation of such results, and for the exploration of different approaches in order to highlight what the results mean, is clear.

#### 4. Other Methodological Issues

##### 4.1 Equivalence Scales

In comparing income levels across households, some adjustment is required to take differences in needs arising from variations in household size and composition into account. This is done by the application of adult equivalence scales, designed to convert each household to a common basis, usually by convention to the equivalent of a married couple or a single adult. In estimating the numbers in poverty a separate poverty line may be specified for each household type, involving an implicit set of equivalence scales, or the poverty line may be expressed in terms of a married couple and other household types converted to that basis by the division of their adult equivalence unit into their income.

The Irish poverty studies have adopted a variety of equivalence scales. O'Connell's earlier study used a set of scales derived loosely from the UK Supplementary Benefit rates. His 1980 study based scales on the results of an attitude survey. Roche's two studies used the weights implicit in the UA rates, while Rottman, Hannan *et al* used those implicit in UB rates. Fitzgerald derived a set of scales broadly from the UK studies of the spending patterns of different households.

Table 2 illustrates the differences in equivalence scales between the various Irish studies. These can affect the results significantly. Roche (1984) examined the sensitivity of his results for 1980 when children of different ages are given different weights, and found that this had little effect on the overall estimate of the poor population, but some on its composition (Appendix 4c). Roche (1979) also examined the sensitivity of his 1973 results when the weight for children under

6 was reduced (to 0.14) which reduced the number of poor households by about 7% and the numbers of poor households with children by about 16%.

Table 2: *Equivalence Scales Used in Irish Poverty Studies*

	Single Adult	Married Couple	Child	Additional Adult
D'Kinneide (1972)	0.6	1.0	0.2	
D'Kinneide (1980)	0.68	1.0	0.2	
Joyce & McCashin (1982) <sup>a</sup>	0.57	1.0	0.26 <sup>b</sup>	0.43
Roche (1984) <sup>a</sup>				
Rottman, Hannan et al (1981) <sup>a</sup>	0.6	1.0	0.14 <sup>c</sup> /0.11	0.40
Fitzgerald (1981)	0.6	1.0	0.25	0.5

- a: These studies expressed their scales in terms of single adult = 1, and have been converted to married couple = 1 to ease comparison [see Roche (1984) p.73, Rottman, Hannan et al (1981) p.138 ft.1]
- b: Children are all under 18; children's allowances have been added to benefit rates, and weights for first/second/further children rounded to one figure.
- c: The higher weight is for the first 2 children; children are under 15.

Again, if the starting-point of analysis is taken as the 'official' scheme of last resort, the most appropriate equivalence scales would appear to be those implicit in the SWA scales, plus Children's Allowances/Child Benefit. Having examined the numbers falling below a poverty line based on these weightings, judgements may then usefully be advanced as to whether they adequately reflect differences in need across household types, and the implications for the numbers and composition of the poor of

alternative scales explored. In formulating alternative scales, research based on Irish expenditure patterns using HBS data paralleling developments in the UK using FES data would be extremely useful, and such research is currently underway at the Institute.

#### *4.2: Income Recipient Unit*

In the Irish studies based on the HBS, the household has been taken as the income recipient unit for analysis. This reflected the basis on which information is gathered by the survey. This has a number of disadvantages, primarily that state income maintenance is in general aimed at the narrower family unit. Use of the household unit implicitly assumes income sharing within the household so that all household members are attributed the same standard of living. To the extent that perfect sharing does not take place, some individuals not in poverty may be counted as below the poverty line, while others actually below the line may be missed.<sup>7</sup>

Roche (1984) notes that in the 1980 HBS, 84% of sample households comprised single families, and that on this basis the problem should not be exaggerated.<sup>8</sup> O'Connell points to the

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7. The net effect on the head-count measure of poverty may be in either direction, since this measure does not satisfy the 'transfer axiom', whereby any transfer from a less poor to a more poor person must reduce measured poverty.

8. Defining a family as a person living alone, a married couple, a couple and children or a lone parent with children.

other side of the coin, in that he used the narrow family unit (in fact, in many cases he relied on data on individuals), which may over-estimate the extent of poverty where there is income-sharing between families in a larger household. The HBS does in fact allow respondents to be reclassified on a family unit basis, and it would undoubtedly be preferable to analyse the extent of poverty on a family, tax unit and household unit basis. Some judgement could then be made on the scope for income-sharing and its effects on the poverty estimates. (This is in effect the approach adopted by Layard et al (1978) and Townsend (1979) in their UK analyses).

#### 4.3: *Income Concept*

In assessing the extent of poverty, disposable income - income including state benefits and after income tax and social security contributions are deducted - is generally compared with the poverty line. This is the approach implemented by the Irish HBS-based studies, though O'Connell's data forced him to rely on what generally was closer to gross income. In a number of UK studies imputed rent is included for owner-occupiers, but this has not been done in Irish studies because the HBS does not follow the FES in estimating imputed rent and including it in income.

As already noted, Roche in his analyses deducted some rent paid from disposable income where relevant to arrive at "net disposable income", the amount involved being that which would have been covered by SWA. This approach has also been adopted by a number of UK studies, such as Layard et al., where rates and mortgage interest were also deducted since these would be covered under the Supplementary Benefit scheme. An alternative approach

is to include these costs in the poverty line, which is what Townsend, for example, did (so that his poverty lines were 'SB plus housing costs' and 140% of this level). The period covered by the income data is also a key element. Reliance on survey data such as the HBS or the FES has imposed a short-term approach on many studies, since the information on most income sources gathered in these surveys refers to a week's receipts. While it is important to be able to identify those who are currently in poverty when sampled, it would also be very valuable to assess which households were in poverty by, for example, annual income, and explore the persistence of poverty. For this reason the ESRI's current survey is gathering information which will allow income over the past year to be estimated, though not with quite the same degree of precision as weekly income, for respondents.

##### *5. Conclusions*

This survey makes clear the relatively narrow approach which has been taken in attempting to measure the extent of poverty in Ireland. In most cases a poverty line based on social security payment rates has been adopted, though there has been considerable differences in the way in which such an 'official' line has been chosen. Attention has been given primarily to the simple head-count measure of the number of households/families falling below the 'official' line chosen.

Within the narrow focus of the 'official' poverty line approach, there is clearly a need for clarification of the basis on which the line is to be chosen. The paper has discussed the various alternatives, including the appropriate scheme and the use of 20% or 40% additions to the level of payment. It was concluded

that the Supplementary Welfare Allowance scheme now comes close to an overall safety-net scheme representing in some sense an official view of the absolute subsistence level of income. An examination of the numbers falling below the level of income provided by the basic rates under this scheme is a priority for future research, allowing a detailed analysis of those who are actually falling through the safety net. This is intended to measure the performance of the income support schemes, rather than provide in itself a satisfactory measure of the numbers in poverty. Alternatives such as using 140% of the basic rate of payment, to take into account discretionary additional payments, lead to the anomalous situation where many of those actually in receipt are shown as falling below the official poverty line.

This is not to say, however, that the numbers falling below the SWA level constitute a satisfactory measure of the numbers in poverty. It rather highlights the problems which arise in using social security rates as the basis for poverty measurement, and the need for alternative, broader approaches. Various methodologies for the estimation of the numbers in poverty have been developed in the recent literature, with a variety of conceptual approaches and techniques. Some, for example, have followed on Townsend's work in the UK focusing on 'style of living' indicators and ability to participate fully in the life of the community. Others have used survey information on views in the population to construct poverty lines reflecting some sort of consensus on the minimum adequate income required by households of different types. These various approaches, the conceptual bases underlying them and the relationship between them are surveyed in our second working paper.



The data currently being gathered in the ESRI's large-scale household survey will provide a wide range of information allowing such approaches to be implemented. Considerable care has been devoted to the measurement of current income from different sources, but in addition, information on a range of possessions and activities, on financial assets/debts and 'stress', on psychological 'stress', and on attitudes and opinions about the adequacy of particular income levels etc., has all been included. A detailed description of the content and coverage of the survey will be contained in future working papers. The scope such data will provide for assessing the extent of poverty from a number of different perspectives - and for analysing the nature of poverty in Ireland - is great.

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