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RECENT EC COMMISSION
STATISTICS ON TRENDS
IN POVERTY

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1. Introduction

In the *Final Report on the Second European Poverty Programme 1985-1989* recently published by the EC Commission (1991), estimates are given of the extent of poverty in Community countries and of trends from the mid-1970s to the mid-1980s. Here the basis on which these estimates are constructed is described, and both the methodology and the results for Ireland are compared with recent ESRI research. A key result presented in the EC Report is that the number of households below relative poverty lines fell sharply in Ireland from the mid-1970s to the mid-1980s: this is shown to be incorrect.

We begin by describing in Section 2 the main results presented in the EC Report, and the methods on which they are based. Section 3 then compares these in detail with the results and methods of the ESRI research, and the implications for the trends in relative poverty are clarified. Section 4 discusses some interesting features of the EC estimates for the 1980s, drawing on the background study by Eurostat from which these estimates are taken. Section 5 brings together the main points.

2. Main Results and Methodology of the EC Poverty Estimates

The *Final Report on the Second European Poverty Programme* presents estimates of the numbers falling below

relative poverty lines in each Community country in 1980 and 1985. It also compares these with figures drawn from the Final Report on the First European Poverty Programme, relating to the mid-1970s. The methodologies adopted differ in a number of important respects, though, so that the two cannot be meaningfully compared.

The estimates for 1980 and 1985 are taken from the detailed study carried out for Eurostat by the Institute of Social Studies in The Hague (Eurostat 1990). The percentage of households and persons falling below a 50 per cent relative poverty line in each Community country in 1980 and 1985 are presented, and the estimates for Ireland are shown in Table 1. While the percentage of households below the line is seen to have fallen from 18.5 to 17.4 per cent between 1980 and 1985, the percentage of persons in these households rose from 18.4 to 19.5 per cent. From the background Eurostat

Table 1: *Eurostat Estimates of Households/Persons Below Relative Poverty Lines, Ireland, 1980 and 1985*

Year	Number of household	Percentage of household	Number of persons	Percentage of persons
<i>(a) Poverty line = 50 per cent of mean equivalent expenditure</i>				
1980	167,000	18.5	625,000	18.4
1985	162,000	17.4	684,000	19.45
<i>(b) Poverty line = 40 per cent of mean equivalent expenditure</i>				
1980	92,000	10.2	344,000	10.1
1985	84,000	9.0	367,000	10.5

Source: EC Commission (1991), Table A.1, p. 12, Table A.2, p. 13, and Eurostat (1990) Tables 4.1, p. 31, Table 4.4, p. 34, Annex B, Table B.7, p. 80.

study it can be seen that there is a similar though less pronounced difference between the pattern for households and persons when a 40 per cent relative line is used, as Table 1 also shows.

The Eurostat study did not deal with the 1970s. The Final Report of the Second European Poverty Programme wished however to make comparisons with the 1970s, and for that purpose drew on figures presented in the corresponding Final Report on the First Poverty Programme (1981). There, estimates of the percentage of households falling below a 50 per cent relative poverty line in the mid-1970s were presented, and the Irish figure was 23.1 per cent.¹ In the Report on the Second Programme, this figure is reproduced in a table with the estimates for 1980 and 1985 described above. For the 1975-1980 and 1975-1985 periods, then, a sharp decline in the percentage of households below the 50 per cent line, of 4.6 and 5.7 percentage points respectively, is shown.²

In order to understand why the figure from the earlier Commission report is not in fact comparable with those for the 1980s, and further to understand the relationship between these figures and estimates of the extent of relative poverty in Ireland presented elsewhere, it is necessary to examine in some detail the methodologies employed. We begin with the figures for 1980 and 1985, the methodology being described in detail in the Eurostat study from which they are drawn, and then deal with the basis for the mid-1970s figure.

The Eurostat study used data from the Household Budget Surveys (HBS) carried out by the Irish Central Statistics Office in 1980 and 1987. The data for individual households was not made available: rather, detailed tabulations on the number and characteristics of households in income/expenditure ranges were obtained and a statistical distribution fitted. The objective was to derive estimates for 1980 and 1985, so while the 1980 HBS could be used directly, estimates for 1985 were interpolated using the 1987 data.³

On the basis of this data, relative poverty lines were constructed and the number below these lines estimated using the fitted distributions. The measure of household welfare was not income, however, but household *expenditure*. The Eurostat study argued that income tended to be underrecorded in the Family Budget Surveys, particularly for low-income groups, and that expenditure was a more satisfactory indicator of permanent income. On this basis, it was decided to use recorded household expenditure for poverty measurement, though the significant difficulties involved were noted.

To take differences in household size and composition into account, equivalence scales were employed. In order to ensure comparability with earlier EC studies, the scales adopted were 1 for the first adult in the household, 0.7 for each other adult, and 0.5 for each child. *Household equivalent expenditure* was then taken as the measure of

welfare, and relative poverty lines derived as 50 per cent and 40 per cent of mean equivalent expenditure. (The Eurostat study supplemented the estimates based on these country-specific poverty lines by also looking at lines derived from mean equivalent income over the Community as a whole: these will be discussed in Section 4.)

The estimates for the mid-1970s contained in the Report on the First Poverty Programme were based on a methodology which differed in the following important respects from that employed in the Eurostat study:

1. While a 50 per cent relative poverty line was used, household welfare and the poverty line were based on *income* rather than expenditure;
2. The equivalence scale used was 1 for the first adult and 0.7 for all other household members, whether adults or children.

No data source is stated and very little information on methods is given in the Report on the First Programme. The estimates for the different Community countries are not based on a consistent and coherent methodology applied across all the countries: rather, data was drawn from the National Reports completed for each country and from national experts, and "co-ordinated estimates of the national experts" were produced.⁴ In the Irish case, no relative poverty lines were included in the National Report (Joyce and McCashin, 1982),⁵ and it has not been possible to trace any source for the estimate included in the Report on the First Programme. It is not even clear whether the 1973 HBS was the data-base employed.

Each of the differences in methodology between the EC estimates for the 1970s and those for the 1980s could make a significant difference to the number of households seen to be located below the relative poverty lines. This will become clearer in the next section, when the EC figures are compared with those produced in the course of the ESRI's programme of research on income distribution, poverty and usage of state services. It will be seen that when a consistent methodology is used for 1973, 1980 and 1987, the sharp decline in relative poverty suggested by the Final Report on the Second Poverty Programme is *not* found. Further, the validity of the 1973 estimate presented in the Report in terms of *its own* methodology is brought into question by these comparisons.

3. Comparison with ESRI Estimates

We now compare the EC estimates with those produced as part of the ESRI's programme of research on Income Distribution, Poverty and Usage of State Services. Estimates of the percentage of households and persons falling below relative poverty lines in 1973, 1980 and 1987 have been presented in Callan *et al.*, (1988), Nolan and Callan (1989) and Callan, Nolan *et al.*, (1989). Benchmarks set at 40 per cent, 50 per cent and 60 per cent of mean income, and a range of equivalence scales, have been used. Here we focus on the 40 per cent and 50 per cent lines, and on the equivalence scale $1/0.7/0.5$, to facilitate comparison with the EC estimates.

The ESRI estimates for 1973 and 1980 are drawn from the Household Budget Surveys - the same source as the EC used for 1980 and, possibly, for 1973. For 1987, the source is the specially designed survey carried out in 1987 by the ESRI, rather than the Household Budget Survey. Income rather than expenditure is taken as the measure of household welfare, and the poverty lines calculated as 40 per cent and 50 per cent of average household equivalent income.

Table 2 shows the ESRI estimates of the percentage of households and persons falling below 40 per cent and 50 per cent relative poverty lines in each of the three years, using the equivalence scale $1/0.7/0.5$.⁶ Between 1973 and 1980 the figures for households show no change (with the 40 per cent line) or a decline (with the 50 per cent line), whereas the

Table 2: *ESRI Estimates of Households/Persons below Relative Poverty Lines, Ireland, 1973, 1980, 1987*

<i>Year</i>	<i>Percentage of households</i>	<i>Percentage of persons</i>
<i>(a) Poverty line - 40 per cent of mean equivalent income</i>		
1973	8.5	9.0
1980	8.5	10.4
1987	10.0	12.8
<i>(b) Poverty line - 50 per cent of mean equivalent income</i>		
1973	18.9	18.6
1980	17.2	19.2
1987	18.9	22.9

Source: Callan, Nolan *et al.*, (1989) Tables 5.4 and 5.5, for 1980 and 1987. For 1973 see footnote 6.

figures for persons show an increase with both lines. Between 1980 and 1987 both the percentage of households and the percentage of persons below each of the lines is seen to increase.

In comparing these estimates with those published in the Report on the Second Poverty Programme, it is helpful to begin with the point of greatest similarity in terms of data source and methodology, which is 1980. Both the ESRI and EC estimates are based on analysis of the 1980 Household Budget Survey, and both use the 1/0.7/0.5 equivalence scale. Since the ESRI estimates are based on household income and the EC ones are based on expenditure, this is particularly interesting in that it gives some indication of the difference made by the choice of expenditure rather than income as welfare measure. However, since the Eurostat study involved analysis of tabulations and fitted distributions rather than direct analysis of the HBS micro-data, we cannot be sure that the difference between the two estimates arises entirely from the difference between income and expenditure.

For ease of comparison, Table 3 brings together the EC and ESRI estimates for 1980, showing the percentage of households and persons falling below 40 per cent and 50 per cent relative poverty lines. The EC figures show a higher percentage of households but a slightly lower percentage of persons falling below both the 40 per cent and 50 per cent lines. Thus the composition of the households below the lines differs somewhat between the two sources: the households

below the expenditure-based lines are smaller on average than those below the income lines.

Table 3: *EC and ESRI Estimates of Percentage of Households and Persons Below Relative Poverty Lines, 1980*

	<i>40 per cent line</i>		<i>50 per cent line</i>	
	<i>households</i>	<i>persons</i>	<i>households</i>	<i>persons</i>
	<i>Per cent</i>			
EC (expenditure-based) ^a	10.2	10.1	18.5	18.4
ESRI (income-based) ^a	8.5	10.4	17.2	19.2

Date Source: 1980 Household Budget Survey.

The comparison between EC and ESRI estimates for 1985/1987 is less direct. The methodologies employed differ in the same way as just described for 1980, but in addition the data sources differ, the EC estimates being based on interpolation using the 1980 and 1987 HBS, whereas the ESRI estimates are based on the ESRI survey carried out in 1987. Table 4 brings the estimates for 1985/1987 together, and shows that the ESRI estimates consistently show a higher percentage of households and persons below both the 40 per cent and 50 per cent poverty lines. The gap is however wider for persons than households, so the households below the income-based lines are once again larger on average than those below the expenditure lines.

In order to clarify the impact of the differences in methodology versus data source for 1987, it was necessary

Table 4: *EC and ESRI Estimates of Percentage of Households and Persons Below Relative Poverty Lines, 1985/87*

	<i>40 per cent line</i>		<i>50 per cent line</i>	
	<i>households</i>	<i>persons</i>	<i>households</i>	<i>persons</i>
	<i>Per cent</i>			
1985 EC (expenditure-based) ^a	9.0	10.5	17.4	19.5
1987 ESRI (income-based) ^b	10.0	12.8	18.9	22.9
1987 HBS (income-based) ^a	7.3	10.3	16.2	20.9

Data Sources: (a) 1987 Household Budget Survey;
(b) ESRI Survey, 1988.

to carry out some analyses of the 1987 HBS micro-data, facilitated by the CSO. Using this data, we constructed *income* poverty lines with exactly the same methodology as in the ESRI estimates, including the 1/0.7/0.5 equivalence scale. The percentage of households and persons below 40 per cent and 50 per cent income lines was derived and these are also shown in Table 4. We can see that the percentage of households under the 40 per cent and 50 per cent lines is lower than *either* the EC expenditure-based figure or the ESRI income-based one. The percentage of persons in households below the 40 per cent line is about the same as the EC figure, less than the ESRI one, while the percentage below the 50 per cent line is between the EC and ESRI estimates.

The difference between the ESRI and HBS income-based estimates for 1987 reflect the data sources used. One major

difference between the two is that in the ESRI survey, most of the fieldwork took place in the first half of 1987. As a result, farm incomes in the ESRI survey relate to the calendar year 1986, which was a particularly poor year for farm incomes. This means that farm incomes in the ESRI survey are lower than those in the HBS, on average, and in particular that there are more farm households at very low income levels in the ESRI sample. In addition to timing, other differences between the two surveys may arise due to differences in sample selection and reweighting procedures and a variety of other factors including the treatment of incomplete information. In terms of sample size, the HBS sample is about twice as large as the ESRI one.

The difference between the HBS income-based estimates for 1987 and the EC expenditure-based figures for 1985, on the other hand, reflect both difference in methodology and the fact that the EC figures are not based directly on the 1987 HBS itself. Rather they are based on analysis of tabulations from the HBS, with interpolation to arrive at figures for 1987. It is not, therefore, possible to see the difference made simply by using expenditure rather than income, even less so than for 1980.

How does all this affect our assessment of the trend in relative poverty in the 1980-87 period? We have seen that the EC expenditure-based figures for 1980 and 1985 show a decline in the percentage of households but an increase in the percentage of persons below the 50 per cent and 40 per

cent relative lines. With income as the measure of welfare, a comparison of the 1980 HBS income-based estimates in Table 3 with the 1987 figures in Table 4 shows that the same result is found with the 50 per cent line, while the percentage of persons below the 40 per cent line is almost identical in the two years. The ESRI estimates had shown a consistent rise in the percentage of households and persons below the line between 1980 and 1987, with a greater increase for persons. The difference in data source is thus of particular significance for the lowest, 40 per cent line. For the 50 per cent line, the estimates based on the two HBSs show an increase of about 2 in the percentage of persons below the line compared with an increase of almost 4 per cent using the 1980 HBS and the 1987 ESRI survey. These compare with the increase of about 1 per cent in the percentage of persons below the EC expenditure-based 50 per cent line. To summarise, then, an increase between 1980 and 1985/1987 in the percentage of persons below a poverty line set at half the mean is indicated by all three sets of estimates, but the size of that increase varies with the welfare measure and data source employed.

Turning to 1973, the only figure produced by the EC is the estimate of 23.1 per cent of households below the 50 per cent relative poverty line. This, it should be recalled, is based on income rather than expenditure, but the data source is not known. The ESRI estimate for the percentage of households below the 50 per cent line in 1973, also using

income, is 18.9 per cent, as shown in Table 2. Part of the difference is attributable to the fact that different equivalence scales were employed - the ESRI figure is based on 1 for the head, 0.7 for other adults and 0.5 for each child, whereas the 1973 EC figure allows 0.7 for both other adults *and* children. This would make a substantial difference, but only enough to explain perhaps half the gap between the EC and ESRI estimates. Given that so little is known about how the EC figure was produced in the first place, including even the data source, no weight can be placed on it.

What implications are to be drawn from the comparison of the EC and ESRI estimates as regards trends in relative poverty in Ireland, then? As far as the 1973-1980 period is concerned, the EC figures for the two years are themselves based on quite different methodologies and are not comparable. They would support *no* conclusions about trends in the 1970s even if the EC figure for 1973 appeared reliable, which it does not. The trend shown by the ESRI estimates, based on the Household Budget Surveys for 1973 and 1980, is an increase in the percentage of persons in households below relative poverty lines over that period. The percentage of households below the lines does not show such an increase, but the households below the lines are larger on average in the latter year. The EC report has no implications for this result.

For the 1980s the EC estimates do add to our knowledge.

They show an increase in the percentage of persons, but not the percentage of households, falling below relative poverty lines between 1980 and 1985. The ESRI estimates shows a more pronounced increase between 1980 and 1987, with both the percentage of persons *and* the percentage of households below the relative lines increasing. Analysis of the 1987 HBS suggested that this difference arose more because of the difference in data source for the mid/late 1980s than because of the difference in welfare measure employed, i.e., expenditure versus income. The fact that the ESRI survey gathered information on farm incomes in 1986, a particularly bad year, appears to be a major contributor to the more pronounced deterioration shown. Income-based relative poverty lines for the 1980 and 1987 HBS show a similar trend to expenditure-based lines - namely, an increase in the percentage of persons but not households below the 50 per cent line.

4. Other Aspects of the EC Estimates

So far we have concentrated on trends in relative poverty and what the EC estimates reveal about these trends. However, the figures for the 1980s presented in the EC Report - and in particular the detailed information in the background Eurostat study - have interesting implications with respect to a number of other issues which arise in the measurement of relative poverty, notably in an EC context. The two we consider here are the difference made by (i) the use of expenditure rather than income, and (ii) the adoption

of a Community-wide relative poverty line rather than country-specific ones, in measuring relative poverty.

As far as the use of expenditure rather than income is concerned, we have already noted in Section 3 that in the Irish case similar trends in relative poverty in the 1980s were shown by both, based on the 1980 and 1987 HBSs. It is worth recalling that the overall levels of relative poverty - the percentage of households and persons falling below a particular percentage of mean income or expenditure - were also broadly similar. Thus in 1980 about 17-18 per cent of Irish households were below half mean income or expenditure. (Of course, the absolute money amount represented by the two lines will differ - where average expenditure exceeds average income, as in the Irish case, the expenditure based lines represent higher money amounts.)

This finding may not be applicable more generally, though, even for the Irish case. A recent comparison between income- and expenditure-based lines for Britain (Johnson and Webb, 1991) shows that the difference between the two may vary substantially from year to year, for a particular country. Looking at the percentage of households below half average income and expenditure, they found that for 1988 almost identical figures were produced, whereas for 1985 the expenditure approach gave a much higher figure. They also showed that the difference between income and expenditure-based results may be very sensitive to the poverty threshold chosen: for 1985, there was much less

difference at 75 per cent of average income/expenditure than at 50 per cent.

Clearly, then, no general conclusions can be reached applying over time or across countries about the difference made by using expenditure rather than income in measuring relative poverty. The composition of the households identified as poor may also differ between the two. Comparing the results for Ireland shown by the Eurostat study with those from the ESRI research, it appears that the elderly are a more substantial proportion of those at low expenditure than low income levels. Again in a study for Britain, Blundell and Preston (1991) found a similar pattern and suggested that this apparently higher level of saving among the elderly could arise from precautionary saving (e.g., to cover costs of illness) or attempts to compensate for the erosion of interest income by inflation.

This brings us to the thorny issue of which measure might be *preferred* - income or expenditure - in measuring poverty. Here a mixture of statistical and conceptual considerations must be taken into account. The Eurostat study argues in favour of expenditure first on what might be termed statistical grounds. A comparison of income and expenditure showed that income is severely under-estimated for Greece and Spain, and slightly under-recorded for lower deciles for most other countries. Thus income-based figures would not be comparable across countries, and income under-estimation for the low-income groups would result in an over-estimation of

poverty. The study also argued however, that (i) expenditure was a better measure of "permanent income", and (ii) it "measures the actual satisfaction of needs rather than the potential to satisfy them".⁷

The statistical issues raised with respect to income deserve serious consideration. However, major problems also arise with the expenditure measures available in Budget Surveys, both in terms of cross-country comparisons and as measures of living standards. Significant differences across EC countries in the way in which household expenditure is measured in these surveys are noted though not detailed in the Eurostat study.⁸ The use of actual expenditure over the 14-day recording period used in the Irish survey to reflect the household's standard of living is open to serious question, given the impact which occasional "lumpy" purchases and general variability in expenditure may have.

The additional arguments put forward in the Eurostat study for the use of expenditure relate to how poverty is to be conceptualised and defined in the first place. Is it in terms of resources available over the longer term or current situation - is current or "permanent" income most relevant? Is it in terms of standard of living or command over resources - actual or potential satisfaction of needs? The literature on poverty measurement has failed to clarify these issues or arrive at anything approaching a consensus. In terms of both statistical and conceptual arguments, then, the choice between household expenditure and income in measuring

poverty is far from clearcut. What may be said is that most studies of this general type in developed economies have adopted income rather than expenditure. Clearly this is an issue where empirical work is needed to explore in depth the implications of choosing one rather than the other, and the EC is now sponsoring further research of this kind.⁹

Finally, the EC reports are valuable in that they have interesting new results of a comparative nature, on the extent of relative poverty in different EC member states. Table 5 shows the percentage of households and persons in each country estimated to be falling below half mean equivalent expenditure in the country in question. The extent of relative poverty, defined in this way, is much higher in Portugal than any other member state, at 31 per cent. Four countries - Ireland, Spain, Greece and France - have about

Table 5: *Households and Persons in EC Countries Below Half Average Equivalent Expenditure in that Country, 1980*

<i>Country</i>	<i>Percentage of households</i>	<i>Percentage of persons</i>
<i>Per cent</i>		
Belgium	6.3	7.1
Denmark	8.0	7.9
Germany	10.3	10.5
Greece	20.5	21.5
Spain	20.3	20.9
France	18.0	19.1
Ireland	18.5	18.4
Italy	12.0	14.1
Netherlands	6.9	9.6
Portugal	31.4	32.4
United Kingdom	14.1	14.6

Source: Eurostat (1990) Table 4.1, P. 31.

18-20 per cent of households or persons below these lines. The countries with the least relative poverty measured in this way are Belgium, Denmark and the Netherlands, with only 6-8 per cent of households below the 50 per cent line.

These estimates convey a similar general pattern to those produced in the earlier study by O'Higgins and Jenkins (1990), also for the EC Commission, which employed relative *income* lines. The poorer member countries (in terms of GNP per capita or mean household income/expenditure) have the highest levels of relative poverty, Ireland is seen to have about the same level as Spain with Portugal significantly higher, and Belgium and the Netherlands are among the lowest estimates. There are some significant unexplained differences between the two studies - France and the UK have considerably lower estimates in O'Higgins and Jenkins, for example - but the level of relative poverty in Ireland compared with other member states is reasonably consistent.¹⁰

The Eurostat study is particularly interesting in that it looks not just at relative poverty lines for each country - country-specific lines based on mean income in each - but also at Community-wide lines. On the basis of mean equivalent household expenditure in the Community as a whole, poverty lines set at 40 per cent and 50 per cent of this Community average are constructed.¹¹ Table 6 shows the percentage of households and persons in each country below this common 50 per cent Community line, and comparison with Table 5 allows the implications of adopting such a common line to be

Table 6: *Households and Persons in EC Countries Below Half Average Equivalent Expenditure of the EC, 1980*

<i>Country</i>	<i>Percentage of households</i>	<i>Percentage of persons</i>
<i>Per cent</i>		
Belgium	2.4	2.7
Denmark	3.9	3.9
Germany	6.9	7.2
Greece	27.6	28.9
Spain	29.8	30.8
France	15.8	16.7
Ireland	21.4	21.4
Italy	12.8	15.0
Netherlands	2.6	3.7
Portugal	67.5	68.6
United Kingdom	14.3	14.9
Total	14.8	16.7

Source: Eurostat (1990) Table 3.1, p. 23, Table 3.2, p. 24.

seen. For Portugal, Greece and Spain the percentages below the common line are considerably higher than those below the country-specific ones - most dramatically in the Portuguese case where the household figure rises from 31 per cent to over two-thirds of all households. In the Irish case, there is also an increase when the common line is adopted, but this is quite modest - from 18.5 per cent to 21.5 per cent. For the UK and Italy the choice between country-specific or Community-wide line makes little difference, while for the richest member states the percentage below the Community-wide line is as low as 3-4 per cent. When a Community-wide line is used, then, the level of relative poverty in Ireland is not much affected, but there is much wider variation in poverty rates across the member states. As a result, Ireland's

position *vis-a-vis* Portugal, Greece and Spain is more favourable, and *vis-a-vis* the richest countries less favourable, with a common EC line.

5. *Conclusions*

The conclusions from this analysis of the estimates of relative poverty recently produced by the EC Poverty Programme are briefly summarised in this concluding section. The Report on the Second European Poverty Programme presents estimates of the percentage below relative poverty lines in 1973, 1980 and 1985. The figures for Ireland show a sharp fall in the percentage of households below a 50 per cent line from the mid-1970s to the mid-1980s. This is not valid because the methods used to produce the figures for 1980 and 1985 were not used for the 1970s, and the basis for the Irish figure for 1973 is in fact quite unclear.

The EC estimates for 1980 and 1985 are produced by a methodology similar to the ESRI's application of the purely relative line approach, except that household expenditure rather than income is used as the measure of welfare. For 1980, where both the EC and ESRI estimates are based on the Household Budget Survey, the two sets of estimates are quite close despite this difference. The EC estimates for 1985 are based on interpolation from the 1987 Household Budget Survey, whereas ESRI estimates for 1987 are based on the survey carried out by the Institute. Partly because farm incomes in the ESRI survey relate to 1986, a particularly bad year, the percentage of households at low income levels is higher in

the ESRI survey. The EC estimates show an increase in the percentage of persons falling below a 50 per cent relative poverty line (though not a 40 % one) between 1980 and 1985, but this is less than the increase shown by the ESRI estimates between 1980 and 1987. This is principally because of the different data source used, though the EC's use of expenditure rather than income, and EC reliance on interpolation and fitted distributors, also contribute to the difference. Applying a consistent relative income poverty line methodology to the 1973, 1980 and 1987 Household Budget Survey microdata, an increase in the percentage of persons below the 50 per cent line of over 2 per cent between 1973 and 1987 is seen, most of which occurs between 1980 and 1987.

The EC estimates show that the extent of relative poverty in Ireland is much less than in Portugal and slightly less than Greece or Spain, but considerably higher than in the more prosperous member countries such as Belgium, Germany and The Netherlands. Using a Community-wide poverty line based on average household expenditure across all member states, rather than country-specific ones, the level of relative poverty in Ireland would not be very different, nor would Ireland's ranking. The gap between Ireland and both the most and least prosperous Community countries would be much wider however.

Footnotes

- 1 EC (1981) Table I, p. 83. The Irish figure relates to 1973, though in the Report on the Second Programme (EC 1991) it is labelled 1975.
- 2 See EC (1991) Table A.3, p. 14.
- 3 The procedure employed is not entirely clear - see Eurostat (1990) p. 18-19.
- 4 See EC (1981) P. 80-83.
- 5 Joyce and McCashin (1982) employed poverty lines based on social welfare support rates, as did the detailed study by Roche (1984) analysing the 1973 Household Budget Survey.
- 6 The 1973 estimates shown here differ slightly from those presented in the previous ESRI studies mentioned. This reflects an error in the previous studies, produced by a computer tape problem in analysis the 1973 HBS, which has now been corrected. The trends in the percentage of households or persons below the relative lines are not affected by this change.
- 7 Eurostat (1990) p. 64.
- 8 As noted in the Eurostat study, some countries use the *expenditure* concept for the recording of household consumption in their Budget Surveys, while others use the *consumption* concept which takes account not only of consumption for which the household pays but also goods and services which are available to it free of charge. Further, the "field of observation" for goods and services is far from homogenous across countries in other respects - particularly in the treatment of insurance, interest and consumer taxes (see Eurostat 1990, p. 13).
- 9 Some clarification of the conceptual issues involved is also clearly required. Callan, Nolan and Whelan (1991) discusses how *both* standard of living and resources are central to the widely adopted Townsend definition of poverty, and illustrates with Irish data how income and indicators of deprivation might be brought together to reflect those two elements.
- 10 The estimates for Ireland in the O'Higgins and Jenkins study for 1980 and 1987 are based on the same data sources - the 1980 HBS and the 1987 ESRI survey - and methodology as those produced in recent ESRI research. They differ slightly from the latter due to the data available when the O'Higgins, Jenkins figures were being compiled - for 1980, interpolation of tabulations from the CSO were used rather than the micro-data, and for 1987, complete results from the ESRI survey were not yet available. The O'Higgins, Jenkins figures for Ireland are therefore less reliable than those given in Callan, Nolan, *et al.*, (1989) and elsewhere.
- 11 The way in which this average was constructed, including adjustment for differences in purchasing power, is described in Eurostat (1990) Ch. 3, pp. 16-22.

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