



## Ireland 2011

# The setting of national poverty targets

### Short Report



On behalf of the

**European Commission**  
DG Employment, Social Affairs and Inclusion



The Peer Review took place in Dublin, on 16-17 June 2011. It was hosted by Ireland's Department of Social Protection.

In addition to representatives from the host country (Ireland), Belgium, Bulgaria, Croatia, Finland, Latvia, Malta, Norway, Romania, Slovakia and the United Kingdom participated in this Peer Review as well as the two stakeholder organisations EAPN and the European Social Network, and representatives from the European Commission from the Directorate-General Employment, Social Affairs and Inclusion.

## **1. The policy under review**

The development of Ireland's national poverty indicators is based on the definition of poverty adopted in the country's first national strategy. This states: *"People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society. As a result of inadequate income and resources, people may be excluded and marginalised from participating in activities which are considered the norm for other people in society."*

It emphasises that poverty is a multidimensional phenomenon encompassing both income and resources and linked to the prevailing living standards. The definition has been applied since 1997. Three indicators have been identified: at-risk-of-poverty, material deprivation and an overlap of the two known as consistent poverty. The latter is used as a third separate indicator. This is one of the distinctive features of the Irish approach in setting poverty targets. There are differences in the way Ireland defines at-risk-of-poverty and material deprivation compared to the European definitions. The latter is based on the lack of two or more items from an 11-item list of basic necessities, compared to the EU one of three or four out of nine. The items on the two lists vary considerably.

At-risk-of-poverty and material deprivation capture similar proportions of the population of between 14-20%. Consistent poverty revolves between 4-8%. Trends show a general decline in poverty, although material deprivation in the last few years has increased by 12% compared to the 2003 baseline.

Under the EU's 2020 strategy, Member States can choose their own national indicators and adapt them to the EU methodology. The result of combining the three Irish indicators is that 24% of the population is considered at-risk-of-poverty and exclusion. That provides the same result as use of the three European indicators. However, the composition of the population in each category is quite different. For instance, at-risk-of-poverty under the EU methodology accounts for 15.5% - almost two-thirds of the overall total - while in the Irish system it is 10.2%. However, taking the three EU indicators and emphasising their overlap in a way Ireland does, would indicate that 7% of the Irish population is in consistent poverty, compared to the 4.2% Ireland has identified through its system. As a result how indicators are chosen and presented will give very different policy messages.

Since 1997, there have been four different governments involving six different political parties. All have supported the strategy of using the consistent poverty indicator, providing important continuity. Social transfers are one of the key factors in meeting the poverty targets. Between 2001 and 2007, minimum welfare rates increased by 74% and child benefit by 88%. The poverty

reduction effect of these transfers was 26% in 2001 and by 2007 the social transfers were reducing the at-risk-of-poverty rate by 50%. This pattern continued between 2007 and 2009.

The current poverty target covers the period 2007 to 2016. The interim target is to reduce consistent poverty to 4% by 2012 and eliminate it by 2016. Significant progress is being made with the rate at 5.5%. But different social groups register different levels of progress. The elderly have surpassed the target, but children are a long way from achieving it.

To contribute to meeting the overall EU target, Ireland adapted its national target from a percentage into a numerical goal. Using 2008 as the baseline year when the rate was 4.2%, means 186,000 people will have to be lifted out of poverty by 2016 to meet the European goal. However, Ireland found in 2009 that the figure to achieve the national objective of eliminating poverty is 250,000. As a result, to meet the relevant EU figure of 186,000, Ireland would in effect have to lift 250,000 people out of consistent poverty by 2016.

In developing a national poverty target in relation to the Europe 2020 strategy, several issues were identified and the government is conducting a formal review of the national poverty targets. The main driver is the impact of the economic and fiscal crisis on the target and how this might need to be revised to reflect the current situation. Thought is also being given to the possible broadening of the set of targets based on other indicators.

The review is due to be completed in November 2011 in time for the next national reform programme cycle. It comes at a time when a long period of clear focus and progress on national poverty targets is perhaps coming to an end in Ireland. Ironically, this coincides with the EU agreeing for the first time to set a European poverty target.

## **2. Key issues, comments and recommendations**

Five key issues were addressed:

### **1. Setting national targets**

*How is (are) the national poverty target(s) defined (including choice of target groups) and monitored?*

Targets send a signal of dissatisfaction with the status quo. They are used to shake things up, make policy proactive and set clear objectives. They should be statistically robust, capture the essence of the problem, responsive to intervention and not amenable to manipulation.

Some weaknesses in EU targets have been identified. The at-risk-of poverty measure is unstable when incomes are clustered around the poverty line, is affected by sensitivity of median incomes to growth-associated inequality and takes little account of severity and duration. Material deprivation is more stable, but is sensitive to the measures chosen and can elicit different answers.

Member States face various challenges when setting targets. These include time constraints, dialogue with stakeholders, developing appropriate policy combinations and the need to take

account of wider EU targets. Many have decided not to adopt the three EU indicators since they have criteria and strategies in place that better reflect their national circumstances.

The discussion highlighted the many different approaches towards tackling poverty. In the UK, the emphasis is on child poverty. This was decided by the previous Labour government and is being continued by the current Conservative/Liberal Democrat coalition. Bulgaria has one common target: to reduce the overall number of people living in poverty by 260,000 and certain sub targets for children, the elderly and unemployed. In Norway, the government takes a work approach to fighting poverty with incentives to participate in the labour force, prevent people from dropping out of school and training programmes for young unemployed and immigrants who lack professional and linguistic skills.

Malta has a similar approach to Ireland looking at the most vulnerable and at risk. Neither Finland, nor Belgium has a tradition of working with targets. The latter has adopted the three EU indicators since they give the different levels of government the possibility to emphasise their own priorities. The consequence of not reaching the targets was raised. The Commission pointed out this is a national responsibility. It only coordinates, but can encourage Member States to meet their commitments. It was also emphasised that civil society can help hold governments to account.

## **2. Multidimensionality**

*Is the multidimensionality of poverty adequately represented by multiple indicators, or is it better to view the various dimensions of poverty as intersecting to create different degrees and types of poverty to be addressed by tailored interventions?*

The question of the extent to which national measures link with European ones has been raised. The breakdown of the Irish poverty targets using its domestic definitions with the result which emerges when the three EU criteria are used has been compared. Both measurements deliver the same poverty figure of 1.1 million. But whereas Ireland is focusing on the 4.2% in consistent poverty, the percentage covered by the three EU indicators is just 1.6%. Ireland and the EU also use different yardsticks to measure material deprivation.

Both, Ireland and the European Commission, consider poverty to be multidimensional. The Irish government, however, focuses on the intersection of indicators, rather than adding them together. In Ireland, poverty is determined by low income and suffering material deprivation. That is worse than experiencing either on its own. This is very different from the EU definition which treats income poverty, material deprivation and living in a low work household as equivalent and adds together people who experience one, two or three of these conditions. The EU definition is a very different conceptualisation of the problem and has different implications.

In the discussion it was pointed out that the Irish indicators are not intended to capture all aspects of poverty, but to identify the most needy. If other indicators were added, that group would become unnecessarily large and include people who did not have features in common. It has been mentioned that the Irish indicators are very much driven by a research institute which provided a technical, scientific concept which the government has accepted. The EU approach is different. It is a political compromise designed to be acceptable to all 27 Member

States. It was also stressed that the EU decision allows countries to set their own targets – an important flexibility for those like Ireland which already had their own goals.

The importance of the EU target, it was suggested, is that it has triggered national debates on poverty, while the three criteria make it possible to respond to specific situations in different Member States. The possible danger of losing sight of the main goal and of targets becoming an end in themselves has been discussed, when the aim is to try to improve people's lives. Targets, it was suggested, should not become static, but be dynamic and sensitive to the issues around them.

### **3. Avoidance of 'creaming'**

*How can policy distortion (e.g. targeting the least poor – 'creaming') best be prevented and good practice encouraged?*

Creaming is the process of targeting individuals and resources explicitly to maximise measured outcomes. Given the EU target, creaming could be easy by focusing on the lowest fruit since there is no measure of duration or severity. Equal weight is given to each component. Nor is account taken of cumulative poverty or of trade offs.

In the Irish situation, it was suggested, the easiest way to meet the EU target would be to address the largest group – at-risk-of-poverty. However, the government had chosen the most difficult route by concentrating on consistent poverty. It would also be possible to distort the European goal of lifting at least 20 million people out of poverty by focusing on Member States with the highest poverty rates, largest populations, smallest poverty gaps or lowest per capita GDP.

It was discussed that creaming was easier to do when there are no specific targets. Also the importance of not looking at poverty reduction targets in isolation but as part of broader policies and strategies was emphasised since this would discourage the practice of creaming. There was a strong feeling that creaming was not necessarily bad in itself – it could for instance be an important element of employment strategy – but was if used to achieve the easiest results.

The use of consistent poverty could be one way of avoiding creaming, while an understanding of the dynamics of poverty, as people move in and out of different poverty groups, also makes it very difficult to cream.

### **4. Poverty targets in the aftermath of the economic crisis**

*What impact is the economic crisis likely to have on the effective delivery of national poverty reduction target? How to define the key targets in combating poverty in times of economic downturn and how to deliver them?*

The aspirations for a common EU poverty target were forged when there was sustained economic growth. Given the crisis, it is more important than ever to support the most disadvantaged and ensure they do not suffer. There is a danger that the headline target could be abandoned. That should be resisted, but if it is not met it could fall into disrepute. It is too

early to determine what impact the crisis has had on poverty levels and real time poverty indicators are needed.

Looking at the impact on policies, there will be changes in the level, distribution and prevalence of various types of poverty and it will be necessary to recognise links and trade offs between social, economic, employment and environmental policies. It would be useful to develop specific national and European ways to monitor the interaction between different policies.

It was pointed out in discussion that the crisis had not necessarily led to a rise in the at-risk-of-poverty category in Ireland, but material deprivation had increased dramatically. So too has personal debt. Social impact assessments of European and national decisions are necessary since the consequences of incorrect choices could last decades. While these are legally required by the Lisbon Treaty, they are not being carried out.

It has also been pointed out that the crisis has increased attention on the way public money is spent. It was also noted that while European funding could be useful, this was not always a solution since it requires matching national finance which may not be available.

## **5. The context of Europe 2020**

*How can the linkages between the national poverty targets and other targets (in particular employment and education) be strengthened? How can the EU support the achievement of the national poverty targets?*

The need to balance social and other Europe 2020 targets has been emphasised. Tackling poverty should be a strong priority in the post 2013 multiannual EU spending programme. The links between the various objectives and the structural funds should be strengthened. It is important to enhance overall statistical capacity, especially in the smaller and newer EU Member States. Continued exchange of good practice and experience through the Open Method of Coordination is very important.

There was general agreement on the need to improve monitoring capacity and to ensure the timely nature of indicators. It was pointed out that there is a regular supply of comprehensive and easily understandable economic data. In contrast, reports on social policy issues tend to be long, difficult to digest and draw few conclusions. What is required, it was suggested, is a small group of timely and clear social policy data and the development of poverty measurements alongside existing economic statistics.

Some felt that the 2020 process could be quite narrow, involving only governments and EU institutions. It needed to be broadened so that a wider dialogue can take place. The Open Method of Coordination could be useful here. It was also noted that different Commission directorates-general use different indicators when monitoring national programmes. Perhaps, these should be made more compatible.

### **3. Conclusions**

Distilling the many comments which had been made during the Peer Review, the following main conclusions have been drawn:

1. Appropriate priority should be given to the poverty target in the 2020 strategy;
2. Structural funds should be mutually supportive and linked to the targets;
3. Analytical capacities of some Member States need to be boosted; and
4. Civil society and non-governmental organisations have an important supporting role in the ongoing debate.