

The setting of national poverty targets: Ireland's consistent poverty measure

Discussion Paper

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At their meeting on 17th June 2010, the European Union (EU) Heads of State and Government adopted five EU headline targets to be achieved by 2020; one was to reduce the number at risk of poverty and social exclusion by 20 million. It has been argued that this decision marked an entirely new phase in the development of EU policymaking, moving from aspirational declarations to clear statements of intent underpinned by repeated measurement of achievements (Frazer et al., 2010). The expectation is that the explicit targets will increase accountability and stimulate public debate and engagement. Their existence will add a new dynamic to the effectiveness of policy-making processes by imposing pressure on politicians and policymakers to deliver against the targets. Moreover, by including quantifiable targets for poverty reduction, the EU Heads of State and Government have both underlined the importance of social policy goals to the future well-being of Europe and given new momentum to the fight against poverty.

The EU poverty target reflects a multi-dimensional conception of poverty; the target is defined as the number of persons who are at risk-of-poverty and social exclusion according to three indicators (at-risk-of income poverty; material deprivation; and belonging to a 'jobless'¹ household). The measure is additive in that a person is counted as being poor if s/he falls beneath the threshold on any of the three dimensions. Individual Member States have been accorded the freedom "to set their national targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities" (CEU, 2010, p.12) raising obvious issues about the relationship between national and EU targets.

The introduction of a European poverty reduction target builds on past experience at both the European and Member State level but equally demands changes in the tools and process of policy development. At European level, the experience derives from operation of the Open Method of Coordination (OMC) initiated by the 2000 Lisbon Strategy, and the associated development of indicators through what is sometimes called the Laeken process, while at Member State level, certain governments have already experimented with targets. The OMC has developed as a mechanism that seeks to aid policy learning between Member States while strengthening the facilitation and coordination functions of European institutions (Ania and Wagener, 2009; Trubek and Trubek, 2005). The iterative process that is the OMC has entailed:

- Reaching initial agreement on a common set of objectives;
- Connecting the objectives to commonly defined social indicators;
- Developing of 'National Action Plans' to achieve the objectives;
- Peer reviewing the plans;

¹ Defined as households where no members aged 18-59 is working or where members aged 18-59 have, on average, very limited work attachment.

- The European Commission preparing joint evaluation reports leading to the identification of 'good practice';
- The specification of possible policy adjustments.

The first generation of indicators, employed to measure progress of individual Member States and to encourage cross European comparisons, were agreed by the European Council in Laeken in December 2001 and have been subject to a continuing process of development and refinement. The OMC has established a policy culture that embraces peer review and mutual comparison while the current generation of Laeken indicators (EC 2009) provided the suite of measures from which the European poverty target was constructed.

It was Ireland that led the way in establishing a quantitative poverty reduction target in 1997 (SOI, 1997, Walker, 2010, Walsh, 2011). Initial success encouraged the Irish government to make the target more ambitious and, with adoption of EU-SILC as the mechanism for monitoring performance, to target the elimination of "consistent" poverty (defined as the combination of income poverty and material deprivation) by 2016. Various countries, including Belgium, France, Greece, Portugal and Spain, subsequently established quantitative targets to reduce general poverty under the Social OMC while the United Kingdom introduced a child poverty target in 1999 and gave it legislative authority by including it in the Child Poverty Act 2010². As of February 2011, Ireland, France and the United Kingdom were intending to continue with their national poverty targets in lieu of adopting that of the European Union (CEU, 2011).

It is widely accepted that, for poverty targets to prove successful in terms of stimulating policy development, they need to be accompanied by appropriate reform of policies and policymaking structures (CEU, 2011, Walker, 2010). The reform of structures typically needs to entail broad inter-ministerial involvement, perhaps with the use of champions and policy mainstreaming, widespread consultation of stakeholders and experts, and ongoing involvement of people with direct experience of poverty in the design and monitoring of policy change. However, of particular relevance here, attention needs also to be paid to: (1) the choice of indicators at national level and their relationship to EU ones; (2) the population groups identified by Member States as the foci of national targets; (3) the procedures in place to monitor and review progress on the national targets; and (4) the implications of current economic uncertainty. In these regards the experience of Ireland appears to be especially pertinent. As already noted, the Irish government has pursued a policy of poverty reduction targets since 1997. Moreover, it has sought to connect these targets to a strategic approach for tackling poverty while recognising an on-going requirement to monitor and review the appropriateness of the targets in the light of economic, social and political change.

This discussion paper is therefore divided into three sections. The first provides a brief review of the EU policy of establishing poverty reduction targets, notes the opportunities and challenges that this presents and records the progress made by Member States to date. The second describes the Irish approach to setting poverty reduction targets and explains its underlying rationale. In the final section issues raised by the Irish approach are used as a basis for generating topics that might warrant discussion in the Peer Review.

² Child poverty has emerged as a key priority for Member States in the EU Social Inclusion Process and, by 2009, 20 had set quantified targets (EC, 2009a).

A European poverty targets, objectives, progress and challenges

A.1 Conceptions of poverty and social exclusion

The adoption of anti-poverty targets by the European Union may reasonably be seen as a development of, or extension to, the OMC with the development of common objectives, standardised indicators and peer review. However, the European understanding of poverty began to emerge much earlier with the first European Action Programme to combat poverty in 1975 which was followed by Poverty 2 in 1985 and Poverty 3 in 1989 (EC, 1989). These programmes, which included a mix of analysis and the implementation of typically small scale policy interventions, considerably advanced understanding at European level about the nature and measurement of poverty. In particular, they revealed the multi-dimensional nature of poverty. Poverty is not simply a shortage of income but may manifest itself as material deprivation and/or as the failure to be able fully to participate in society, with people in poverty being denied a social life and being unable to fulfil social obligations.

The programmes to combat poverty further reinforced understanding that poverty is best conceived in relative terms. The definition of poverty adopted by the European Council in 1975 defined poverty as comprising 'those individuals or households whose resources are so low as to exclude them from the minimum acceptable way of life in the country where they live' (cited in CEU, 2011, p. 10). This definition distinguishes the European model from that applied in the United States where the poverty line is derived indirectly from the cost of a minimal basket of goods that remains largely unchanged and therefore falls in value relative to median incomes. It also differs markedly from the \$1 (or \$1.25) per day definition of extreme poverty used for the Millennium Development Goals by the UNDP, and the World Bank and other global development organisations. The definition adopted in 1975 also serves to preclude the adoption of a single European measure of poverty since the reference point is *country* of residence.

The relative definition of poverty is not without its detractors. Anchored in time measures, which accurately reflect living standards at the start of a monitoring period but are not adjusted to take account of rises (or falls) in general living standards, are now included in the Laeken indicators. France's poverty reduction target for example, launched in June 1999, is fixed with reference to an anchored in time measure (Walker, 2009). Certainly relative measures are subject to the vagaries of movements in median incomes such that during a recession, when average income falls, income inequality decreases and the poverty threshold is consequently lowered, poverty may thus appear to decrease when intuitively it should rise. It is also possible that in comparatively prosperous countries, relative poverty thresholds may move ahead of popular conceptions of poverty often framed by notions of subsistence. Moreover, relative poverty cannot be eradicated solely through economic growth but requires a measure of redistribution. These last two considerations partly explain the reluctance of some Member States, notably Germany and the United Kingdom, to countenance the Poverty 4 programme that was originally planned but rejected in 1993. They also help to account for the increased use of the term 'social exclusion' in European anti-poverty discourse.

The concept of social exclusion has its origins in ideas of Social Catholicism and originally meant exclusion from the moral fabric of society (Room, 1985). In European Union usage, the antonym – social inclusion – reflects the long-standing objective that all citizens should benefit from economic growth and integration. Social exclusion is viewed as more encompassing than poverty, relating both to the mechanisms that exclude individuals and groups 'from taking part in social exchanges, from the component practices and rights of social integration' and to the

outcome (EC, 1992, p.8). Therefore, while poverty discourses tend to focus on the individual and, indeed, often on individual responsibility, debates about social exclusion more readily encompass structural factors, not least public policies, as possible causes. In like manner, it is sometimes argued that social exclusion is a more dynamic concept than poverty, focussing on process and change rather than on outcomes and states (Room and Britton, 2006; Walker 1995). However, in the last 20 years, as panel data have revealed the fluid nature of society and the instability that defines many people's lives, both discourses have had to grapple with the differences between transient, recurrent and permanent states of poverty and social exclusion (Callens and Croux, 2009; Apospori and Millar, 2003; Leisering and Walker, 1998).

In sum, the European conception of poverty is inherently relative and multi-dimensional in that it embraces material deprivation and to, some degree, social exclusion as well as shortage of income.

A.2 Defining the European headline poverty target

The above conception of poverty is reflected in the large suite of Laeken indicators from which the measures of poverty to target were drawn. However, the June 2010 commitment to lift at least 20 million people from the 'risk of poverty and social exclusion' by 2020 is based on just three combined indicators. These are intended to reflect both 'the multiple facets of poverty and exclusion across Europe' and 'the aim of the Europe 2020 strategy to ensure that the "benefits of growth are widely shared and the [poor] ... are enabled to take an active part in society"' (CEU, 2011, pp. 9-10).

The three indicators comprise relative income poverty, material deprivation and exclusion from the labour market. Income poverty is defined as the percentage of people with an equivalised disposable income below 60% of the national median and is a direct descendent of the measure adopted by the European Council in 1975, although it has been renamed the 'at-risk-of poverty rate' rather than simply the poverty rate (Eurostat, 1990). Equivalised income comprises total household income (including all sources of current income available to a particular household after social transfers and direct taxes) divided by its "equivalent size" so as to adjust for variations in the size and composition of different households.

The measure of 'severe' material deprivation records the proportion of people who cannot afford four or more of the nine items listed in Table 1³. Whereas income poverty is measured relative only to incomes in the country in which a person is resident, severe material deprivation reflects national living standards and the differences in living standards across Europe. Since material deprivation is, in effect, an 'anchored in time' measure, it is also more readily amenable to improvements brought about by economic growth than the relative income indicator.

The final measure, the share of people living in households with very low work, is not a measure of poverty or, arguably, of social exclusion; rather it is an index of economic exclusion or failure to engage successfully in the labour market. It is defined as the proportion of people aged 0-59 who live in households characterised by 'very low work intensity', that is in households where the adults worked less than 20% of their total work-time potential during the previous 12 months. Whereas relative poverty and severe material deprivation are indices of the scale of the social problem to be addressed, this measure of joblessness is arguably a measure of the effectiveness

³ The usual Laeken indicator counts the lack of three or more items as deprivation, a less severe standard.

of policies that prioritise paid work as the principal route out of poverty⁴. About half of Europeans living in jobless households are neither poor nor deprived – a figure that rises to 70 per cent in Ireland – while eight per cent of employed persons are income poor (Nolan, 2010).

As already noted, the European headline poverty measure is additive; this is because it is reliant on the Boolean operator ‘OR’: a person counts as poor if their income is low or they are deprived or they live in a low work-intensity household⁵. It results in a higher level of poverty than would a definition reliant on the Boolean operator ‘AND’ which would only count as poor persons who simultaneously had low income, were materially deprived and lived in a low work-intensity household. This can be seen from Figure 1 which shows that there were 111.6 million Europeans ‘at risk of poverty and exclusion’ in 2008/9 according to the European definition but just 6.7 million when the Boolean operator ‘AND’ is used rather than ‘OR’. As a technical aside, the figures in Figure 1, as used by the Council of the European Community (CEU, 2011), are derived from the 2009 EU-SILC survey which measures income in 2008 but material deprivation and work intensity in 2009. This means the composite measure may be less sensitive and slower to respond to the impact of policy changes than one in which all measures related to the same time period.

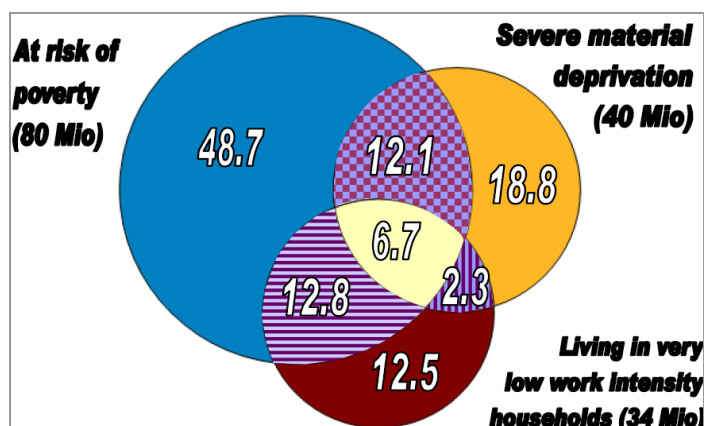
Table 1 The EU definition of severe material deprivation

<p>Material deprivation is severe if people cannot afford at least four of the following:</p>
<ul style="list-style-type: none"> i) to pay their rent or utility bills ii) to keep their home adequately warm iii) to face unexpected expenses iv) to eat meat, fish, or a protein equivalent every second day v) to enjoy a week of holiday away from home once a year vi) to have a car vii) to have a washing machine viii) to have a colour television or ix) to have a telephone

⁴ The joblessness measure might alternatively be justified on the grounds that it has undesirable consequences in and of itself (Nolan, 2009).

⁵ Expressed in terms of set theory, the EU poverty measure represents the union of three sets: income poverty: I; material deprivation: D; and jobless households: J; $I \cup D \cup J$.

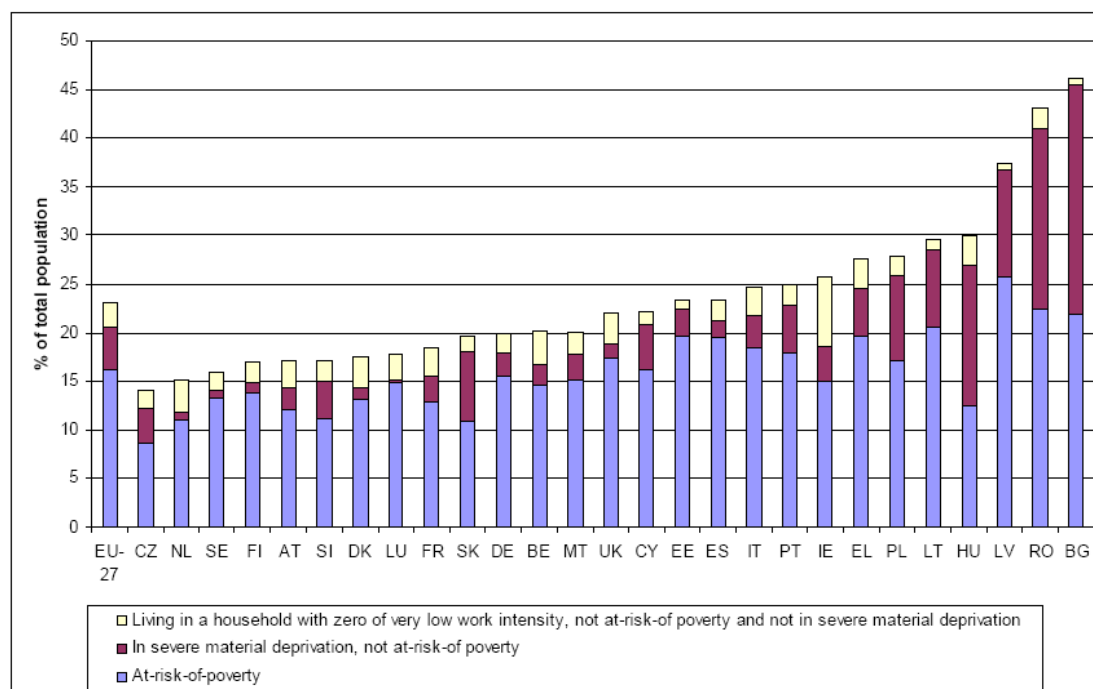
Figure 1 Poverty in Europe 2009



Source: CEU (2011)

Not only does the chosen definition maximise the level of poverty recorded, it also means that the nature of the poverty experienced is maximally heterogeneous with some people being poor on all criteria and others on the basis of just one. A person who happens to live in a 'household where nobody works' – a child of parents living off investments to take an extreme example – but who neither lacks income or material assets is likely to have a very different life experience from the child living with unemployed parents and who is both income poor and materially deprived. In policy terms, this leaves great scope for Member States to choose on which groups to focus policy attention in line with national priorities and public expectations, thereby supporting the subsidiarity principle.

A further characteristic of the EU headline poverty definition is that it maximises differences in the characteristics of poverty that are recorded in Member States. This is illustrated by Figure 2 which shows the population shares captured by each component of the EU definition. It can be seen that in many of the newer Member States, including Hungary, Bulgaria, Romania and Slovakia, the population designated to be at risk of poverty or exclusion is comprised of very high proportions of persons who are materially deprived but not income poor, whereas in the Nordic countries, Sweden and Finland, and the Benelux countries the vast majority of the targeted population are income poor but not materially deprived. Italy, Spain, Portugal, Greece and the UK exhibit above European average rates of income poverty but below average levels of material deprivation, whereas Hungary and Slovakia display low rates of income poverty – reflecting comparatively low income inequality - but levels of material deprivation partly as a reflection of relatively low per capita GDP. In Ireland, and to a much lesser extent in Belgium, Denmark, the UK, Italy and Spain, there are noticeable proportions of people who live in 'jobless' households but who are neither income poor nor materially deprived.

Figure 2 Shares of people at risk of poverty and exclusion, 2009

Source: CEU (2011)

The marked differences between Member States in the composition of poverty of course reflect local conditions. However, they also suggest different policy strategies. Where material deprivation contributes greatly to the overall poverty level, typically in Member States with comparatively low per capita GDP, considerable progress towards meeting the poverty target would be achieved as a direct consequence of securing the economic growth anticipated through the overall 2020 strategy. In these Member States, substantial falls in poverty could therefore be achieved, theoretically at least, without implementing specific anti-poverty policies (although measures might be required to prevent new wealth being too highly concentrated leading to little or no improvement in the real value of below average incomes). On the other hand, where material deprivation is low, often in the more prosperous Member States, substantial reductions in the risk of poverty and exclusion would need to come through redistribution or from reducing the proportion of jobless families.

Figure 2 also demonstrates the striking differences that exist in the proportion of people at risk of poverty and exclusion across Member States. The lowest values - 15 per cent or less - are recorded in the Czech Republic and The Netherlands and the highest - above 35 per cent - in Latvia, Romania and Bulgaria. Moreover, the nature of the poverty found at these extremes is also very different. Low per capita GDP in Latvia, Romania and Bulgaria means that the at-risk-of-income poverty line is very low, less than €3k, €4k and €5k per year in Romania, Bulgaria and Latvia respectively, compared with a European average of about €10k per year (using purchasing power parities to control for different prices). As a consequence, much of the recorded poverty is attributable to material deprivation and, as noted above, could be eliminated simply through economic growth although the very high initial levels of poverty nevertheless present a daunting challenge to policy makers. In the case of the Czech Republic, on the other hand, where the at-risk-of-income poverty line is a little higher than in Romania, Bulgaria or Latvia (about €6k per year), the proportion of poverty attributable to material deprivation is noticeably lower. In The

Netherlands where at-risk-of-income poverty line is almost €12k per year, material deprivation is virtually non-existent.

To summarise, the EU headline poverty target employs a definition that is multi-dimensional with combinations of relative and absolute elements. It is also additive, resulting in a larger and more heterogeneous target group than might otherwise be the case but this arguably maximises the freedom of Member States to choose priorities and strategies.

B Defining national targets: ‘consistent poverty’ in Ireland

B.1 The poverty targets of Member States

While the European Union (EU) Heads of State and Government set a collective European goal of reducing the number at risk of poverty and social exclusion by 20 million by 2020, Member States were allowed to set ‘their national targets, taking account of their relative starting positions and national circumstances’ (CEU, 2010, p.3). The Heads of State did not specify the aggregation logic needed to ensure that collectively the intentions, and ultimately, the achievements of Member States guarantee that the global reduction of 20 million is attained.

Member States were required to set their targets with considerable haste but, as of February 2011, the Council of the European Union (CEU, 2011, p.3) was able to conclude that:

‘...a majority of countries have set realistic targets, close to the EU level of ambition. Most Member States have used the same definition as the EU headline target, based on the three agreed indicators, thereby acknowledging that broad strategies are needed to tackle poverty in all its dimensions.’

This achievement was tempered by two further observations: first, that ‘several’ countries had still not set their targets; and secondly, that ‘more effort would be needed to meet the level of ambition collectively agreed by the European Council in June [2010]’. The Council did not make clear whether the ‘lack of effort’ related to the ambition of targets set by Member States or the policy programmes proposed to achieve them as set out in the draft National Reform Programmes.

In setting national targets, Member States were given licence to depart from the EU headline definition, being permitted ‘to set their national targets on the basis of *the most appropriate indicators*, taking into account their national circumstances and priorities’ (CEO, 2010, p.12; emphasis added). By February 2011 eight Member States had announced their intention to do so while four others had either not specified a quantifiable target or not detailed the indicator to be used (Table 2). Bulgaria, Latvia, Romania and Estonia have decided to focus solely on the at-risk-of-income-poverty rate; given the high level of material deprivation associated with low GDP that characterises the first three of these countries, this might seem to be a pragmatic choice. Three Member States, Ireland, France and the UK, which had already established national poverty targets before the European 2020 targets were announced, have chosen to retain their national targets and indicators. The UK will continue to prioritise the reduction of child poverty, France will employ an anchored in time, at-risk-of-income-poverty measure and Ireland, which is the focus of this Peer Review, proposes to continue with its measure of ‘consistent’ poverty.

Table 2 Member States intending not to use the EU target indicators

	Reduction of poverty in number of persons (estimated contribution to EU target)	Indicator(s) used	Total number of people at-risk-of poverty or exclusion(2008)
Bulgaria	260,000 (500,000)	At-risk-of poverty rate	3,420,000
Germany	330,000 (660,000)	Long-term unemployment	16,350,000
Estonia	49,500	At-risk-of-poverty rate	290,000
France	1,600,000	Anchored at-risk-of poverty	11,240,000
Ireland	186,000	Overlap between the risk-of-poverty and material deprivation	1,050,000
Latvia	121,000	At-risk-of poverty rate	760,000
Romania	580,000	At-risk-of poverty rate	9,420,000
United Kingdom	Existing child poverty target	Risk-of-poverty of children + children in jobless households	14,060,000
Spain, The Netherlands and Sweden had not set targets and Denmark had not specified an indicator by February 2011			Adapted from CEU (2011)

B 2. 'Consistent poverty' in Ireland

As already noted, Ireland pioneered the use of poverty targets in Europe as long ago as 1997 when, even then, it had moved away from an exclusively income-based definition of poverty to one that also takes account of material deprivation (Walsh, 2011). The definition of poverty adopted by Ireland in 1997 still has resonance in European debates today:

People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. 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' (SOI, 1997, p. 3⁶)

The adoption of this definition by the Irish government was a key element in the National Anti-poverty Strategy adopted in 1997 and described as 'a major cross-departmental policy initiative designed to place the needs of the poor and the socially excluded among the issues at the top of the national agenda' (SOI, 1997, p.2). The strategy was drawn up 'on the basis of widespread consultations, particularly with those who are affected by poverty' (SOI, 1997, p.1) and has been continuously pursued, aided, until 2008, by the Combat Poverty Agency (CPA), a quasi independent agency appointed effectively to be the government's conscience by offering policy advice, project support and innovation, research and public education on reducing poverty.

The legacy of the Irish experience in helping to shape thinking about poverty and anti-poverty strategies in the European Commission, within national governments and among NGOs is undisputed. Yet the definition of the poverty target adopted by the Irish Government could scarcely be more different than that proposed by the European Commission. The Irish definition

⁶ This definition is reproduced on page 235 of the *National Development Plan 2007-2013*.

takes no note of jobless families and although, like the EU headline poverty measure it includes both income poverty and material deprivation, these are combined through the use of the Boolean operator 'AND' rather than 'OR'.⁷ This results in a much smaller proportion of the population being counted as poor than with the EU headline definition and means that the focus group is more homogeneous in nature, both characteristics that arguably facilitate better targeting and allow for more tailored policy initiatives.

The poverty measure currently used by the Irish government, 'consistent poverty', was developed by the Economic and Social Research Institute in 2006 (Maitre et al., 2006). The initiative was triggered by the introduction of the EU-SILC survey, which differed in content from the earlier data source, the Living in Ireland Survey, and by a growing realisation that economic growth had made the previous measure anachronistic. The current measure combines an indicator of income poverty with an index of material deprivation. The income measure is close to that used in the EU headline target, namely household income below 60 per cent of the national median, but the index of material deprivation is very different. The Irish and EU income measures differ in just two respects. First, the Irish definition of gross income includes income from private pensions, the value of goods produced for own consumption, and employers' social security contributions which the EU definition does not. Secondly, the equivalence scale which is used by the Irish government accords higher values to second and subsequent adults and to each child in a family than the OECD scale that is employed by Eurostat. The combined effect of these differences is to make the at-risk-risk-of poverty threshold used by the Irish government lower than using the EU methodology (€12,455 compared to €13,797 in 2008) resulting in a lower poverty rate (14.4 per cent rather than 15.5 per cent) (CSO, 2010).

The Irish measure of material deprivation requires persons to experience two or more of the 11 deprivations listed in Table 3, while the EU headline definition requires four or more from a set of nine deprivations only two of which are shared with Ireland. Compared to the EU measure, the Irish measure of deprivation would seem to prioritise indices of social participation or exclusion above lack of household durables and financial stress. The lower threshold – lacking two items instead of four – means that the Irish measure records higher levels of material deprivation (13.8 per cent compared to just 5.5 per cent using the EU index).

⁷ Whereas the EU poverty measure represents the union of the three sets: income poverty: I; material deprivation: D; and jobless households: J; $(I \cup D \cup J)$, the Irish measure constitutes the intersection of two of these sets: $I \cap D$.

Table 3 Irish definition of material deprivation style

Deprivation is the lack of two or more of the following 11 items (Items included in the EU measure are in italics)	Comparison with EU
1 Two pairs of strong shoes 2 A warm waterproof coat 3 Buy new rather than second-hand clothes 4 <i>Eat meals with meat, chicken, fish (or vegetarian equivalent) every second day</i> 5 Have a roast joint (or its equivalent) once a week 6 Go without heating during the last 12 months through lack of money	Items retained from before introduction of EU-SILC
7 <i>Keep the home adequately warm</i> 8 Buy presents for family or friends at least once a year 9 Replace any worn out furniture 10 Have family or friends for a drink or meal once a month 11 Have a morning, afternoon or evening out in the last fortnight, for entertainment	Items added after EU-SILC
Going without a substantial meal due to lack of money Going into debt to meet ordinary living expenses	Items dropped after EU-SILC
<i>To pay rent or utility bills</i> <i>Face unexpected expenses</i> <i>A week holiday away from home</i> <i>A car</i> <i>A washing machine</i> <i>A colour TV</i> <i>A telephone</i>	Not included from EU headline measure

Figures 3a and 3b compare the differences in the composition of poverty in Ireland resulting from the application of the EU and Irish measures applied to data for 2008. Both measures yield virtually the same overall poverty rate although there is no reason to expect that this would be the case for other Member States. In terms of the composition of poverty assessed in terms of the number of people counted as poor, the Irish measure appears to give approximately equal weight to the at-risk-of-income-poverty and deprivation components, whereas the former dominates in the EU measure. The EU measure also, of course, includes persons in 'jobless' households which account for almost half the total; two-fifths of these are neither at risk of income poverty nor materially deprived. However, the key distinction is that the Irish measure, 'consistent poverty', focuses only on the 4.2 per cent of people who are both at risk of income poverty and suffering from material deprivation, not the 24 per cent of population that would be included in the EU target measure. It is this smaller group that the Irish government has committed itself to abolishing by 2016 and to reducing from above four per cent in 2008 to two per cent by 2012.

While consistent poverty is the lead indicator used by the Irish government, its Statistical Office presents annual analyses of the distribution and composition of income poverty and material

deprivation as well as consistent poverty. The original architects of the methodology describe the strategy as 'a multi-tiered and multi-dimensional approach to poverty targeting' (Maitre et al., 2006). They articulate three tiers or priorities encapsulating 'a necessary but not sufficient condition for a sustainable reduction in poverty' (ibid, p.47). The first tier – consistent poverty – gives priority to ensuring that those on low incomes see their real incomes rise, and their deprivation decline when assessed against a fixed set of indicators. The justification is that most people would consider poverty to be falling in these circumstances even if increased inequality lowered the relative position of people in poverty. The second tier priority is to reduce poverty measured using the combined income and material deprivation but with material deprivation adjusted according to social expectations; this is because most people would want the extent of social exclusion to fall. The third priority is to reduce the extent of relative income poverty since 'in the long term, people will not be able to participate in what comes to be regarded as ordinary living standards if their incomes fall too far below the average' (ibid. p. 48).

Figure 3a Poverty in Ireland in 2008 using EU criteria

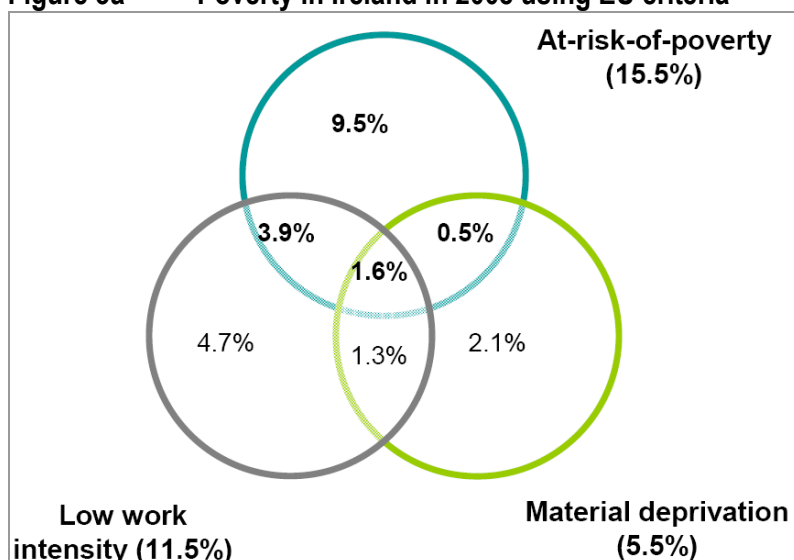
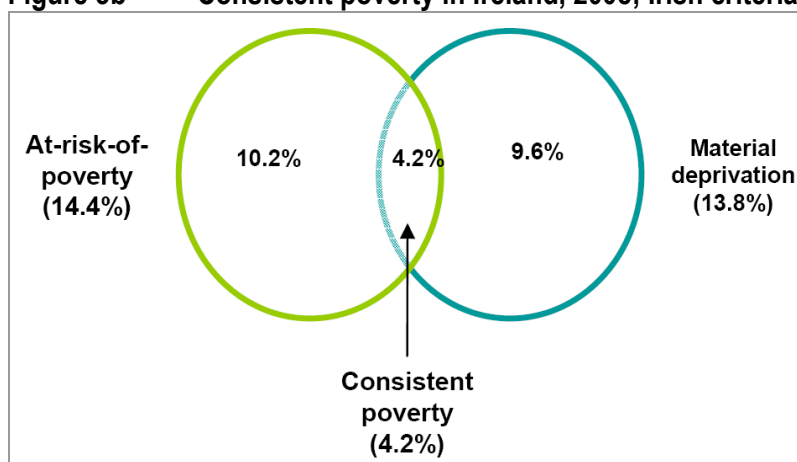


Figure 3b Consistent poverty in Ireland, 2008; Irish criteria



Source: Adapted from Walsh (2010)

C Issues for debate

C.1 Setting national targets

Setting targets is a difficult challenge for both political and scientific reasons and Member States have needed to move quickly. To be effective, policy targets have to create a new dynamic that is underpinned by ownership - a clear understanding of who is to be responsible for attaining the targets – and accountability – information and mechanisms in place to hold people responsible for their actions. Experience suggests that engaging stakeholders in setting targets and in the design of measures is vital to build support for the process and to help establish motors of public accountability (Walker, 2009, 2010). While the policy logic requires some external critique to maintain a pressure on governments to deliver as promised, early engagement with civil society organisations helpfully creates a shared understanding of the scale and nature of the challenge of reducing poverty and increasing social inclusion. This, in turn, builds the basis for reasoned analysis and dialogue if progress is less than anticipated. It is also important that stakeholders have faith that the targets support agreed policy goals and that the metrics used to measure progress accurately record policy performance. Targets need to be evidence based, statistically robust, accurately to reflect the mechanisms causing poverty and social exclusion, and to be responsive to policy intervention while not being amenable to manipulation (EC, 2009; Frazer et al., 2010).

While targets should stretch organisations, causing them to change what they do or to do it better, they also need to be realistic because success is a powerful motivator and seems to be especially important in keeping the continued involvement of stakeholders (Walker, 2009). Targets should also be few in number in order to concentrate minds and energies. However, what is appropriate, both in terms of number and ambition, depends on the policy goals and the nature of the implementation logic. Targets need to be informed, but not entirely constrained, by prior experience including knowledge of local institutions, analysis of the policy problem and studies of recent trends and policy outcomes. They should take account of the implementation logic by means of which it is anticipated policies will have purchase on the targets. Meaningful assessments of the likely effectiveness of new policies are required. Step changes of enormous proportions are unlikely to be attainable and certain policies cannot achieve particular results. However, a part of the rationale for setting targets is to encourage changes that make it more likely that policy objectives will be reached. This may entail a change of policy, the reorganisation of institutions and/or working practices and/or an alteration in the nature and level of funding. Above all, of course, what is attainable is determined by the available volume, quality and use made of resources – financial, institutional, managerial and staffing. This, in turn, depends on the political will to provide the necessary resources and/or to increase them.

Member States were constrained in the time that they had in which to engage in dialogue with stakeholders about targets, to undertake the necessary research and to develop appropriate policy logic. They were also constrained in that national targets had to interlock with EU ones. The latter were necessarily expressed in terms of metrics that reflected the collective needs of the EU – the requirement to create a target that reflected the diversity of the EU including in terms of economic wealth - rather than being a response to the unique circumstances of individual Member States. Ireland already had policy reduction targets in place and policy systems available to support them. Rather than to disassemble a system that has demonstrably worked, one that had focussed policy attention on poverty and social exclusion and reduced 'consistent poverty' virtually every year since 1997, the Irish government is now faced with the challenge of reconciling its national system with European expectations appertaining both to reporting and to

the aggregation logic necessary to achieve the 2020 goal of reducing poverty in Europe by at least 20 million. As it so happens, eradicating 'consistent poverty' would reduce poverty by the 17 per cent required for Ireland to make its proportional share to hitting the European target.⁸

Issue: What are the costs and benefits of promoting variability in national targets and indicators given the diversity in the socio- economic circumstances of Member States, including marked difference in national wealth, and the need for a collective EU response to the challenge of poverty and social exclusion?

C.2 Sensitivity to choice of measures

The comparison between the Irish and European indicators demonstrates that the choice of measures and metrics matters enormously in setting policy targets and measuring performance. Material deprivation looms much larger as a manifestation of poverty within the Irish metric than within the EU one, while even seemingly small differences in the definition of constituents of income markedly affect the level of poverty recorded and hence the apparent size of the problem to be tackled.

Table 4 The risk and composition of poverty in Ireland

Principal Economic Status	Risk of income poverty			Material deprivation		Consistent poverty		
	Rate		Profile	Rate, Lacking of 2 or more items		Rate		Profile
	%	Relative ¹ , (p/P)*100		%	Relative ¹ , p/P)*100	%	Relative ¹ , (p/P)*100	
Work	5.5	39	14.3	7.9	46	1.1	20	7.6
Unemployed	24.8	176	12.9	34.3	200	11.5	209	15.5
Student	25.9	183	14.6	19.4	96	11.4	207	16.5
Home duties	19.1	135	18.0	20.3	119	6.8	124	16.5
Retired	9.6	68	4.7	8.0	47	1.4	25	1.8
Not in work due to illness or disability	21.7	154	6.4	35.7	209	8.8	160	6.7
Children under 16 years of age			27.6					33.9
All persons	14.1	100		17.1	100	5.5	100	
Total			100.0 (98.5) ²					100.0 (98.5) ²

1 Provides a measure of the group's risk of experiencing poverty (p) relative to the average risk (P) which is arbitrarily set at 100.

2 Does not add to 100 due to the omission of cells containing very small numbers of households in the unweighted sample.

Source: Compiled from CSO (2010)

⁸ Whether 'consistent' or any other notion of poverty can ever be eradicated is a moot point. Certainly the marginal cost of further reduction typically rises as the poverty rate falls.

No metric is comprehensive or perfect. Derivation of the Irish material deprivation scale was itself restricted to an initial analysis of 39 indicators captured by EU-SILC; this set of indicators was obviously neither infinite nor even the set best attuned to Irish circumstances. The 11 indicators used were selected from ones loading on the first factor in a factor analysis which analysts labelled 'basic deprivation'⁹. While analysis indicated that these 11 indicators comprised a coherent scale, the initial factor analysis generated three other dimensions, termed respectively 'secondary' deprivation (relating largely to consumer durables); 'housing facilities' and 'neighbourhood environment' suggesting that the concept of deprivation may itself be multidimensional. These additional dimensions are omitted from the Irish metric (as, of course, is joblessness).

Different measures and metrics shape perceptions of the nature of the poverty problem. This is conveniently illustrated by considering the risk and composition of poverty in Ireland viewed through the three lenses of income poverty, material deprivation and 'consistent' poverty. Table 4 shows, for example, that a person in Ireland who is disabled is relatively more likely to be materially deprived than to be either income poor or 'consistently poor' (see '(p/P)*100' columns in Table 4). An employed person, on the other hand, is just as likely to be income poor as to be materially deprived but is much less likely to be 'consistently poor'. A student, in contrast to both, is relatively more likely to be either income or 'consistently' poor than to be materially deprived. Inevitably such variation in the risk of experiencing different kinds of poverty translates into different profiles for the groups of people who experience the various types of poverty. In Ireland, people who are unemployed constitute 14 per cent of the income poor but less than eight per cent of the group that is 'consistently poor'. In contrast, unemployed persons are more in evidence in the group that is 'consistently poor' than they are among the income poor (15.5 per cent compared to 12.9 per cent).

Issue: *How well do the EU measures capture the reality of poverty and deprivation in individual Member States, what is the risk that they distort the targeting of policies and how can this risk be minimised?*

C.3 Multidimensionality

The European Commission and the Irish Government are at one in believing poverty to be multidimensional but seem to have different interpretations of the meaning of multidimensionality. The Irish approach, through the 'consistent poverty' measure, captures some at least of the synchronistic nature and simultaneity of poverty that people with direct experience convey when they talk of personal failure, worthlessness, alienation, powerlessness, lack of choice and 'lives which are mundane, limited, constrained, full of drudgery or struggle' (Castell and Thompson, 2007, p.11; Tomlinson and Walker, 2010). To be 'consistently poor' a person needs both to have low income and to suffer material deprivation; this is construed as being worse than, and possibly different from, experiencing low income or material deprivation alone. The EU approach implicitly treats income poverty, material deprivation and living in a low work household as equivalent, simply adding people who experience one, two or three of the conditions together.

⁹ Lack of a summer holiday loaded on both the first and second dimension and was omitted because a high proportion of people experiencing this form of deprivation – twice any other - and because analysts did not want one item to unduly influence the calculation of consistent poverty levels (Maitre et al., 2006).

The difference in interpretation translates into vastly different numbers of people being counted as poor as is discussed above. It also affects targeting strategies and the kinds of support and services most appropriately offered to address people's needs; and it shapes – or should shape – the implementation logic that explains why a chosen intervention is considered likely to bring about an improvement in a recipient's circumstances. Moreover, in practical terms, the difference in the scale of the problem affects the level and type of resources mobilised: personalised intervention, for example, as opposed to standardised processing. At a political level, it is interesting to note that Irish politicians accept that 'consistent poverty' actually exists; the people affected are not presented as merely being at risk of poverty.

Finally, the omission of living in a low work intensity household, 'joblessness', by the Irish government has substantive significance. 'Joblessness' arguably reduces the conceptual and policy coherence of the EU target measure; it is more a cause of poverty than a characteristic, it is restricted to the working age population and, as noted above, has even less overlap with low income and material deprivation in Ireland than elsewhere. Indeed, some argue that adding 'joblessness' to the EU measure, and thereby increasing the poverty population, serves largely to lessen the ambition of the original policy aspiration which was to reduce by 20 million the smaller number at-risk-of-income poverty – a reduction of 25 per cent rather than the 17 per cent to be achieved under the current measure (Frazer and Marlier, 2010).

***Issue:** Is the multidimensionality of poverty appropriately and 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?*

C.4 Avoiding reliance on the principle of least effort

Policy targets need accurately to reflect policy objectives and priorities among them so as to limit the scope for creaming and gaming and to prevent that policy distortion that can result from both (Walker, 2010). Creaming refers to the process of targeting individuals and resources explicitly to maximise measured outcomes, while gaming describes the adoption of practices that deliberately serve to overstate actual success. A particular challenge is that the EU poverty targets necessarily have two sets of policy objectives; the European Commission aspires to cutting poverty across Europe by at least 20 million while Member States have their own national priorities.

There is considerable scope for Member States (and the European Commission) to cream and game. For example, it is possible to focus assistance on people just beneath the income poverty threshold who can be lifted out of poverty with minimal expenditure – creaming - although such persons are arguably less needy than those in severe poverty who may also have been in poverty for longer and be experiencing other deprivations. The material deprivation component of the EU measure resembles an anchored in time poverty measure which means that governments might choose to 'float' persons out of poverty on the back of economic growth, thereby avoiding the need for active engagement or politically contentious redistribution of resources. Likewise, the intensity of work measure will also respond automatically to economic growth.

The use of additive multiple indicators that are each implicitly assigned equal weight makes gaming easier. Taking Figure 3a as a guide, if the Irish government wanted to reduce poverty with the minimum of effort, it would focus on the largest subgroups of people who are poor on

only one criteria (persons who are solely income poor and those in jobless households) since marginal reductions are likely to be cheap to achieve, certainly in comparison to targeting smaller groups especially if they are multiply deprived. Likewise, value for money considerations might tempt the European Commission not to insist on uniform proportional decreases across all Member States. It might be more economical to focus attention on countries with the highest poverty rates or the largest populations, or on those countries with the smallest poverty gaps (creaming) or, most economical of all, on countries with the lowest per capital GDP and, hence, the lowest poverty thresholds (Walker, 2010).

The fact that focusing efforts on countries with the lowest per capita GDP could possibly be justified on grounds of social justice (since it would most benefit those Europeans with the lowest absolute living standards) illustrates that creaming is no more than a form of prioritisation and policy targeting. Furthermore, there are gains to be made from exploiting the overlap between the various dimensions of poverty. Figure 3a indicates that, in Ireland, addressing joblessness could have a significant, simultaneous effect on income poverty and possibly vice-versa¹⁰. What needs to be avoided, however, are strategies that are unjust and/or counterproductive. There therefore has to be careful monitoring of other EU-SILC indicators such as the poverty gap that takes direct account of the severity of income poverty, poverty duration which recognises that long spells of poverty may be more detrimental than brief ones, and the Gini coefficient to assess that poverty reduced by economic growth is not achieved at the cost of increased inequality. The Irish government, in choosing to focus on eliminating 'consistent poverty' has set itself a considerable challenge in that it is tackling the severest form of deprivation. It is also addressing what the Irish public apparently considers to be real poverty.

Issue: How can policy distortion best be prevented and best practice encouraged?

C.5 Poverty targets in the aftermath of the economic crisis

The EU poverty targets were agreed in 2010 in the immediate aftermath of the recession but the aspirations to move to a common target had been forged during a time of sustained economic growth. It is now more important than ever to seek to support Europe's most disadvantaged residents and to ensure that they do not suffer disproportionately through policies designed as a response to the economic crisis. A celebrated British politician once opined that a week is a long-term in politics; a decade is a long time in economics and there is no need to abandon the headline target.

It is too early to tell what effect the economic crisis has had on poverty levels. EU-SILC data show that the at-risk-of-income poverty rate was largely stable between 2008 and 2009, the major exceptions being Luxembourg (a sharp increase of 1.5 percentage points) and the United Kingdom (a reduction of 1.4 percentage points from 18.7% in 2008 to 17.3% in 2009) (Eurostat, 2011). Clearly there have been major and ongoing developments since 2009 that may impact on poverty rates, not least the so-called 'austerity measures' introduced by a number of Member States. There is, therefore a need to develop real time and more sensitive poverty indicators (such as France is experimenting with, [Walker, 2009]). To the extent that there are slowdowns in economic growth which curb growing income inequalities, the at-risk-of-income-poverty indicator may record falling poverty in some Member States while the deprivation and low work intensity

¹⁰ The size of any simultaneous impact depends on the pattern and direction of causality, evidence of which would need to underpin the policy implementation logic. Ireland is not targeting joblessness in the context of the poverty target.

measures record increases. This calls for vigilance in the interpretation of the poverty statistics and parallel analyses of movements in the other EU social protection and social inclusion indicators (Frazer et al., 2010).

To the extent that the legacy of the economic crisis is long-lived and the provision of public services is reduced or substituted by voluntary or private provision without paying adequate regard to the mainstreaming of social inclusion, there will be changes in the level, distribution and prevalence of the various kinds of poverty. These will obviously have to be addressed if the poverty target is to be met. There needs to be recognition, too, of the potential links and trade-offs between social, economic, employment, and environmental policies. Such links need to be taken into account when designing and implementing policy and subsequently when monitoring policy impacts. In pursuing the social dimension of the Europe 2020 Strategy and the poverty target in particular, there is a strong case for developing specific indicators and methods to monitor interactions between the various policy domains at both European and national levels.

Issue: *What impact is the economic crisis likely to have on the nature and extent of poverty and social exclusion, on the effectiveness of poverty indicators and policy monitoring, and on the effective pursuit of the EU and national poverty reduction targets?*

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