

Measuring the impact of active inclusion and other policies to combat poverty and social exclusion

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Ireland has had a long history of poverty monitoring in the context of the National Anti Poverty Strategy (1997, updated in 2002) and the National Action Plan for Social Inclusion 2007-2016. These strategic approaches are backed up by institutional frameworks which take account of the views of Non-Governmental Organisations and people experiencing poverty; there is also a high level governmental committee that feeds into the strategy. The indicators used for target setting and ongoing monitoring are developed in consultation with the Government Departments who are responsible for services delivery in the relevant areas. A Technical Advisory Group including external experts, Departmental representatives and the Central Statistics Office is also involved in the development of indicators. To date, the indicators used in the National strategies have always had associated targets, which may have influenced the choice of indicators to some extent. A combination of outcome and programme indicators has been used, with 'consistent poverty' being the main outcome measure in the income and living standards domain. The Open Method of Co-ordination has been very useful in the Irish context, as a much broader set of indicators are now used in the monitoring process, without having the political imperative of associated targets.

Poverty reduction targets in Ireland

The discussion paper describes the Irish approach to target setting based on the 'consistent poverty' measure. This measure was developed by the Economic and Social Research Institute (ESRI) based on analysis of 1987 and 1994¹ household incomes, and is two dimensional (detailed description below). However, the poverty strategies have also had key programme targets for income support that supported the achievement of the outcomes target. The target for adult minimum weekly rates of social welfare is set in real terms at a point in time – for the 2002 NAPS update, it was to achieve a rate of €150 in 2002 terms by 2007, while for the NAPinclusion it was maintenance of a €185.80 rate in 2007 terms. There is a long standing child income support target across both strategies that requires a combined universal and targeted child income support level of 33-35%² of the minimum adult rate. While these programme targets delivered substantial reductions in consistent and anchored poverty over the period of the strategies (as real social welfare incomes were guaranteed to rise), the impact on relative poverty depended on general economic conditions. Social partnership also feeds into the setting of social welfare rates and the 2008 social partnership agreement³ went a step further than the poverty strategies in benchmarking minimum social welfare rates at 30% of average industrial earnings, which could be expected to track relative poverty levels under normal economic and social conditions.

¹ Data from the 'Living in Ireland Survey' – the Irish version of the ECHP

² The balance shifted strongly towards universal child benefit over the period 1997-2007

³ 'Towards 2016'

Ongoing development of the 'consistent poverty' indicator

The measure was originally conceived by ESRI as part of the first NAPS process, based on a combination of relative poverty and lacking one out of eight of a list of essential deprivation items. However, by 2001 the deprivation part of the measure was heavily dependent on a single item (indebtedness) and there were increasing concerns that the 'old' items were absolutist in nature and not reflective of up-to-date living standards. On technical and conceptual grounds, the ESRI decided to update the measure based on the wider range of items available in SILC and with a '2 out of 11' condition to ensure that no single item would dominate the measure in future. Since the revision of the measure, the Commission and the Social Protection Committee indicators sub-group has been heavily involved in developing deprivation indicators, and the 2009 SILC will include a further range of items that will feed into national and EU measures. Ongoing development of the list of deprivation indicators is essential to ensure that relative living standards are measured, and differences in national consumption patterns will probably require that countries do this at national level, though EU measures are also extremely useful.

Weaknesses in the current Irish framework of indicators and targets

The main weakness in the Irish indicators model at present is the implicit assumption that there is a link between programme targets and outcomes. There is a wide range of literature on the reasons why programme targets may not eventually lead to better outcomes; incomplete take-up of benefits may not deliver on outcomes, improved welfare rates may feed into increases in median incomes, externalities affecting people outside the target group may 'move the goalposts', etc.. In Ireland, there has been a close link between welfare dependency and risk of/consistent poverty, with work poor households having three times the poverty risk of work rich households.

Poverty outcomes by level of attachment to the labour market

	2004	2005	2006	2007
At risk of Poverty				
People of working age	16.6	16.2	15.4	15.0
Work poor households no work	50.8	45.9	43.2	42.0
Work poor households mixed work	15.5	14.7	11.9	11.1
Work poor households all work	3.9	5.0	6.2	6.5
Consistent Poverty				
People of working age	5.9	6.0	5.6	4.7
Work poor households no work	21.7	20.8	20.2	15.4
Work poor households mixed work	3.3	4.1	3.1	2.6
Work poor households all work	0.8	1.3	1.7	1.5

Source; Analysis of SILC 2004-2007 by ESRI

It is possible that e.g., in work poverty may increase for groups who are not covered by social welfare, or that groups with limited social insurance coverage such as the (previously) self-employed may emerge as risks. However, social welfare appears to have acted as a stabiliser in the economic crisis, so in general social welfare inputs and poverty outcomes should still be expected to be strongly linked in future. It is expected that median incomes will fall in Ireland from late 2008 onwards due to increased taxes, decreased earnings levels and lower employment

participation in households through unemployment and increased short-time work. In this context, a nuanced approach to analysis of indicators should be adopted, which was foreseen by the ESRI in their regular poverty reports⁴ to the Office for Social Inclusion. Their argument is that Ireland should adopt a 'tiered approach' to poverty monitoring, based on the following objectives and associated indicators by order of priority:

1. Real incomes should be rising and deprivation levels should be falling for people on low incomes (anchored poverty, deprivation for low income groups)
2. Consistent poverty should be falling (CP with fixed and slowly changing sets of items)
3. Relative income poverty should be falling (relative, persistent poverty and poverty gap)

The basis for all subsequent achievements is that real incomes for people at risk of poverty should rise, and this also appears to be central to the French monitoring approach.

Transferability of the French indicators model

The choice of the 'anchored poverty' measure as the lead indicator in the scoreboard is astute in that it should reward policy effort - as long as real welfare rates are increased - while remaining an outcomes measure, and thus overcoming the weaknesses associated with programme indicators mentioned earlier. The approach appears to be 'state of the art' and is fully consistent with recommendations from the ESRI for Ireland. The choice of EU indicators to complement the lead indicator also looks ideal, and relative poverty, poverty gap, persistent poverty, 'Jobless households' (these two outcomes are closely related in Ireland, and appear to be driven by long term welfare dependency), employment rates and early school leaving rates should be key indicators in any multi-dimensional social inclusion model. Equally, it was correct to leave out the EU inequality measures as they are not purely social protection measures and are equally affected by tax and economic developments at higher levels. The national measures added by France to the model appear to be of two types:

1. Where EU indicators exist or could be developed but national measures are appropriate; e.g., deprivation levels and rate of non-negotiable expenditures at low incomes
2. Where national (including administrative) indicators are used - some very innovative measures are used, e.g. tooth decay for young people and success rates for social housing applications. Long term dependency on social welfare for working age would be a useful addition linking the incomes and employment themes

In relation to the issues raised in the discussion paper, most of the comments above are in relation to the 'distortion and priorities' heading. For the discussion on 'multiple indicators and presentation' and 'multi-dimensionality and multiple indicators', while focussing on well understood indicators might not be the best scientific practice, it is important to emphasise that composite indicators are an extremely difficult 'sell' in a political environment and it would be difficult to enforce accountability for delivery on targets with composite indicators.

⁴ Initially in 'Monitoring Poverty Trends in Ireland; Results from the 2001 Living in Ireland Survey', C.T. Whelan, R. Layte, B Maitre, B. Gannon, B. Nolan, D. Watson, J. Williams, ESRI December 2003.

Economic growth and social indicators in Ireland, 1987-2007

The economy gradually recovered from a deep and prolonged recession in the mid-80's; real incomes declined during this decade for a variety of reasons. The unemployment rate increased from 7% in 1980 to 17% in 1987. Labour taxes also significantly increased over the period mainly due to high foreign debt repayments, while consumer prices were consistently rising at double digit levels at the same time. The experience of this period informed the development of 'consistent poverty' in Ireland, since the poverty experience of the 80's would not have been captured using purely income based measures. Budgetary and price stability were achieved during the period from 1987, while tax reforms were initiated at higher incomes where rates were especially punitive. The result was a strong period of economic growth, but with relatively subdued growth in employment as emigration was at a high level for most of the period and tax reforms were limited. Household incomes increased more quickly than welfare rates, which resulted in a slight increase in numbers falling below the risk of poverty line from 1987-1994 (c. 2% at the 50% mean income line). Consistent poverty, as set out in the first NAPS in 1997, fell by 1% (from 10% in 1987 to 9% in 1994 at the 50% mean income line). Over the same period, anchored poverty fell by c. 12 percentage points (from 20% in 1987 to 8% in 1994), which reflected the real rise in social welfare rates.

Table; Comparison of employment, taxes, earnings and social welfare, 1987-2007

	1987	1994	2001	2007
Employment growth*		13.2%	42.9%	20.5%
Employment rate	52.0%	57.5%	65.2%	69.0%
Female employment rate	34.0%	40.0%	54.0%	60.3%
Tax on average earnings	31.5%	32.0%	16.9%	13.9%
Rise in ROP line*		39.8%	95.9%	42.7%
Rise in CPI*		21.3%	21.8%	19.0%
Rise in reference welfare rate*		28.9%	53.8%	55.5%
Rise in average earnings*		37.6%	36.9%	33.1%

* Base 1987, ROP line increase from 2001-2007 adjusted for EU-SILC transition

During the period from 1994 to 2001, tax reforms were concentrated at lower and middle income levels, which reduced labour costs to companies and increased net household incomes. Female participation increased at all ages, with a particularly sharp increase in part-time employment in middle age groups. Household incomes increased at a much higher rate than earnings, which was driven by tax reforms affecting median earners and increased participation in households generally. Given that most of these changes impacted on households above the risk of poverty line, the risk of poverty increased from 15.6% to 21.9% despite strong social welfare increases. Consistent and anchored poverty measures decreased over the period⁵, reflecting real income increases for people at risk of poverty.

The scope for further tax reform was fairly limited by 2001, and employment rates also levelled out. The rate of growth in household incomes fell closer to the rate of earnings growth, and the relative levels of employment, taxes, earnings and household incomes were very similar to the 1987-1994 period (household income increases were ahead of earnings, tax rates were unchanged, female employment increased by 6%, etc.). Social welfare rates increased at roughly the same level as 1994-2001, but reduced the risk of poverty from 19.4% in 2004 to 16.5% in

⁵ From 1994-2001, consistent poverty fell from 9% to 4.1%, anchored poverty fell from 17.4% to 2.4%

2007⁶, with particularly strong decreases for 65+ year olds who tend to be welfare dependent with incomes close to the risk of poverty line. Consistent poverty has also fallen since 2004 from 6.6% to 5.1% (new measure, 60% median line) and anchored poverty fell from 20.4% to 11.9%.

⁶ Just using SILC data, as there appears to have been a discontinuity between LIIS/ECHP and SILC