

# Poverty & Living standards across the island of Ireland

## Data issues & Lessons for policy proposals

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# Introduction

- Poverty & deprivation across the island of Ireland.
  - Conceptual, data & measurement of poverty across the island.
  - Poverty & deprivation rates in NI & ROI.
  - Who is poorer?
- Key policy lever proposed being the introduction of a living wage.
  - Policy purpose of proposed introduction of living wage.
  - Conceptual & data issues.
  - Lessons from Northern Ireland for the introduction of a living wage.

# Income Poverty across the island of Ireland: Concept

## Northern Ireland

**Relative poverty** - An individual is considered to be in relative poverty if they are living in a household with an equivalised income below 60% of UK median income in the year in question.

**Absolute poverty** - An individual is considered to be in absolute poverty if they are living in a household with an equivalised income below 60% of the (inflation adjusted) UK median income in 2010/11.

Both are estimated on both a **before and after** housing costs basis.

## Republic of Ireland

- **At risk of poverty rate.** Share of persons with an equivalised income 60% of the national median income. Anyone with an equivalised income of less than 60% of the median is considered at risk of poverty at a 60% level.

It is also calculated at 40%, 50% and 70% for comparison.

- **At Risk of Poverty Rate before Social Transfers.** This indicator is calculated based on an alternative measure of equivalised income, excluding all social transfers. Any person with an equivalised income before social transfers of less than 60% of the median after social transfers is considered at risk of poverty before social transfers.
- **At-Risk-of-Poverty after Rent and Mortgage Interest.** Any person with an equivalised income after rent and mortgage interest of less than 60% of the median before rent and mortgage interest is considered at risk of poverty after rent and mortgage interest.
- **At risk of poverty rate anchored at a moment of time.** For a given year, the “at risk of poverty rate anchored at a moment in time” is the share of the population whose income is below the at risk of poverty threshold calculated in the standard way for a previous base year then adjusted for inflation. 2021 estimates use 2020 as base year.
- The **persistent at-risk-of-poverty rate** shows the percentage of the population living in households where the equivalised disposable income was below the at-risk-of-poverty threshold for the current year and at least two out of the preceding three years. (EUROSTAT)

# Income Poverty across the island of Ireland: Data

- Northern Ireland - NISRA, Northern Ireland Statistics Research Agency is official source for poverty statistics in NI – based on data collected in Family Resources Survey & published annually in Households Below Average Incomes report. Modified OECD equivalence scale, but rescaled so that reference household = couple.
- Republic of Ireland - CSO - Data collected in EU-SILC. The primary focus of the Survey on Income and Living Conditions (SILC) is the collection of information on the income and living conditions of different types of households in Ireland, in order to derive indicators on poverty, deprivation and social exclusion.
- Eurostat – Income poverty Data available for ROI which is comparative to NI NISRA data. Based on EU-SILC data. OECD modified equivalence scale.
- OECD Regional Economy Database – Allows comparison of income poverty rate at different thresholds, before & after taxes & transfers. Most recent data for NI 2011, ROI 2013.

# Income Poverty across the island of Ireland: Measurement

- Given that NI and ROI poverty statistics are derived from different survey sources, there are a number of differences to consider when making any comparisons.
- Some of the main differences include:
  - **Time period:** The figures are presented on different timescales. The FRS figures are presented for the financial year, while the EU-SILC are presented for the calendar year.
  - **Population groups:** The EU-SILC statistics are presented in different age groups than the FRS figures.
  - **Elements of the derivation of equivalised disposable income in the analysis of EU-SILC for ROI (Eurostat/CSO) differ** from that done for NI from FRS.
  - Some think it's noteworthy that NI relative poverty rate is based on 60% of UK median income. Should we use Donegal median household income to work out poverty rate in Donegal?

# Income Poverty & household income across the island of Ireland: Can we compare?

- NI measure of relative poverty using NISRA published data & ROI measure of at risk of poverty using Eurostat published data are comparable.
- Cannot compare equivalised disposable income between NI & ROI based on existing published data from NISRA, Eurostat or CSO. This is important.
- This is due to differences in **reference household** used in the equivalence scale for NI (and UK ONS data), compared to ROI.
- Means comparisons of UK & ROI equivalised household disposable income has also become less easy, as since 2018 UK data no longer available on Eurostat database. Hope that this will be resolved.

## Measurement: Equivalence scales

	<b>NI NISRA poverty – Adapted/Rescaled Modified OECD (reference household = couple household)</b>	<b>CSO ROI poverty- OECD scale</b>	<b>Eurostat poverty – Modified OECD (reference household = single adult household)</b>
One adult	0.67	1	1
Subsequent adults	0.33	0.66	0.5
Child over 14	0.33	0.33	0.5
Child under 14	0.2	0.33	0.3

# Example

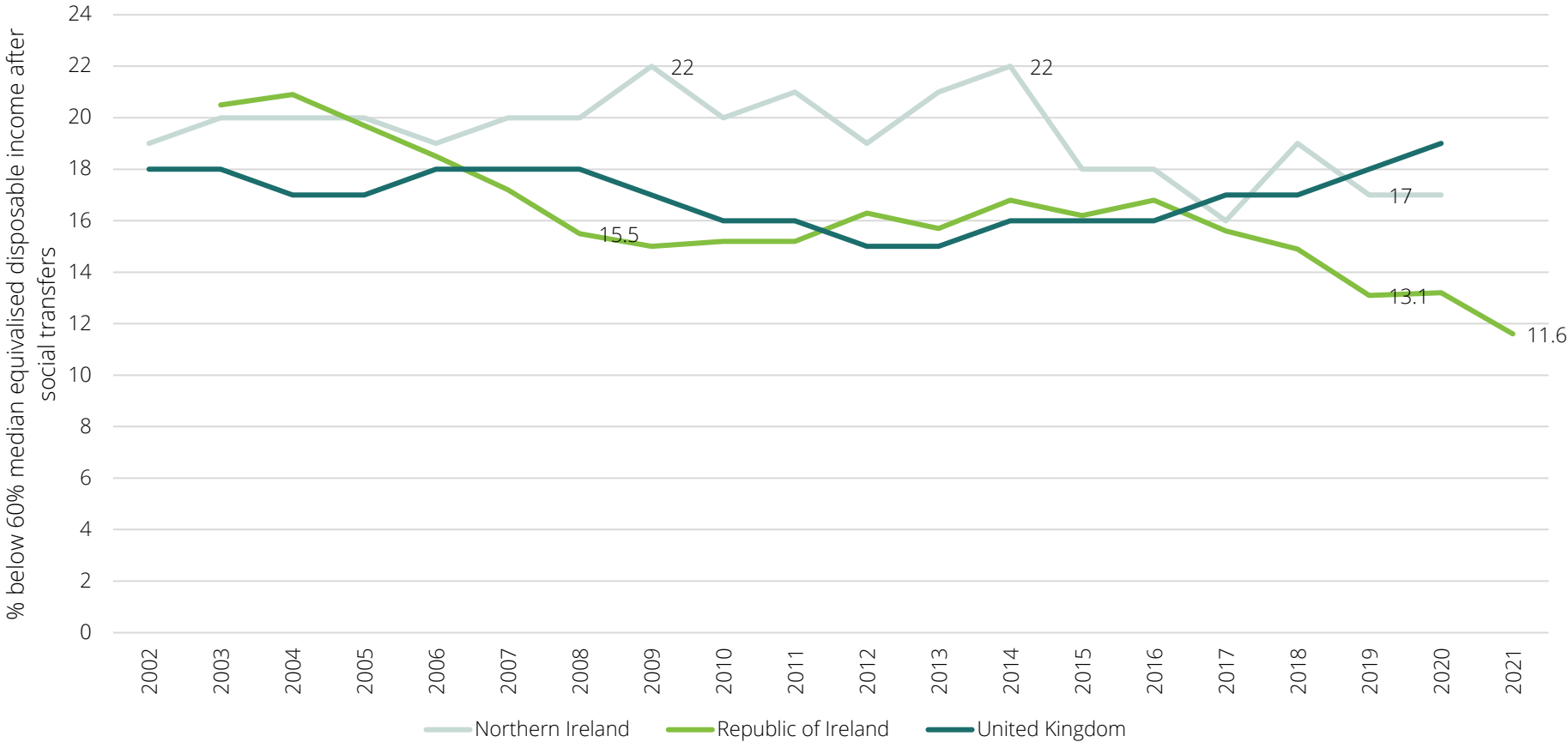
Household type/composition	NI Modified OECD equivalence scale weight	ROI - Modified OECD equivalence scale weight	Household income	NI Equivalised household income	ROI Equivalised household income
1 adult	0.67	1	20,000	29850	20000
Couple	1	1.5	21,000	21000	14000
Lone parent	0.87	1.3	18,000	20689	13846
Couple & 2 children	1.4	2.1	25,000	17857	11904
Couple	1	1.5	24000	24000	16000
60% median equivalised disposable household income				14400	9600



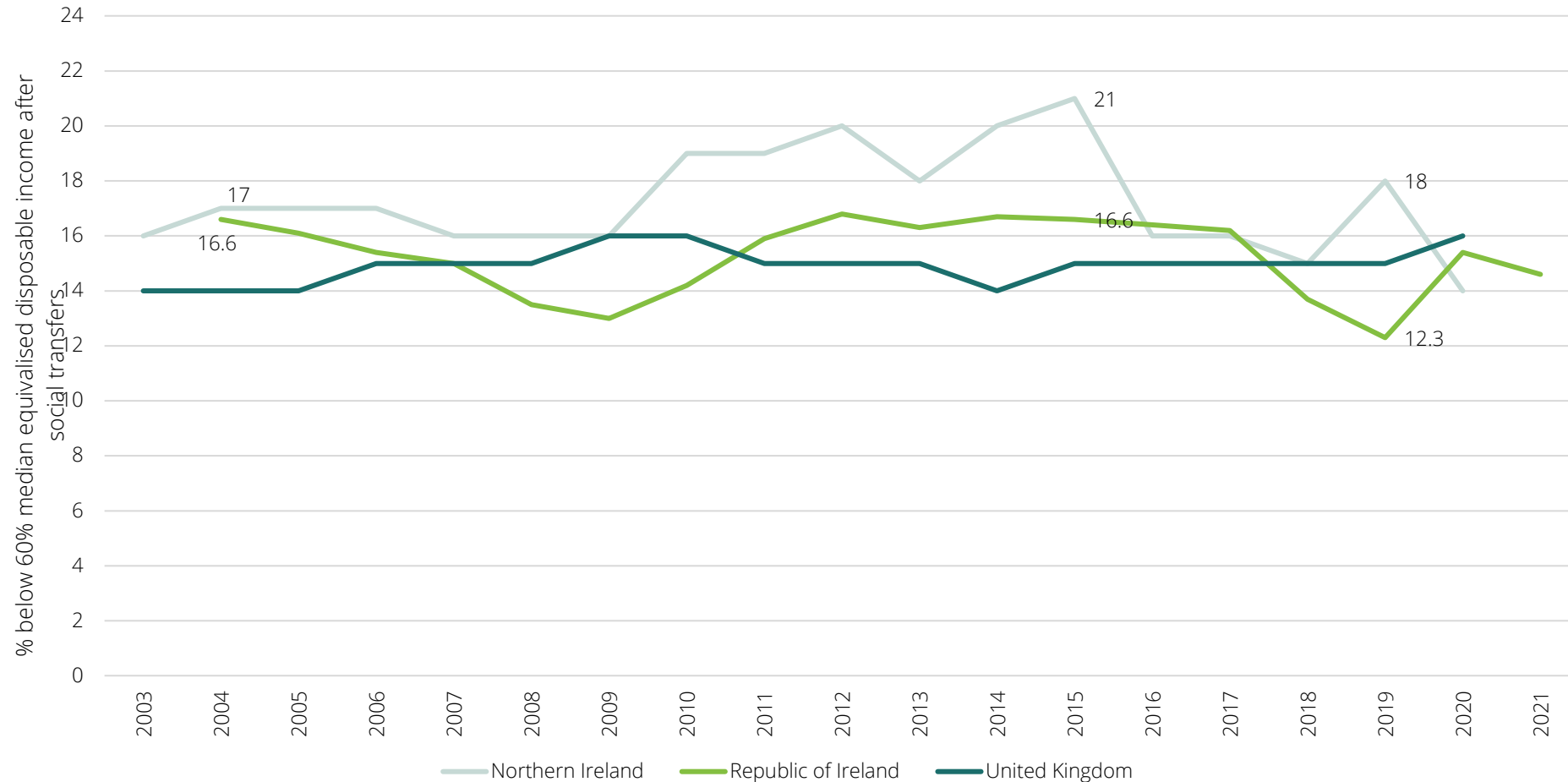
**Who is poorer?**



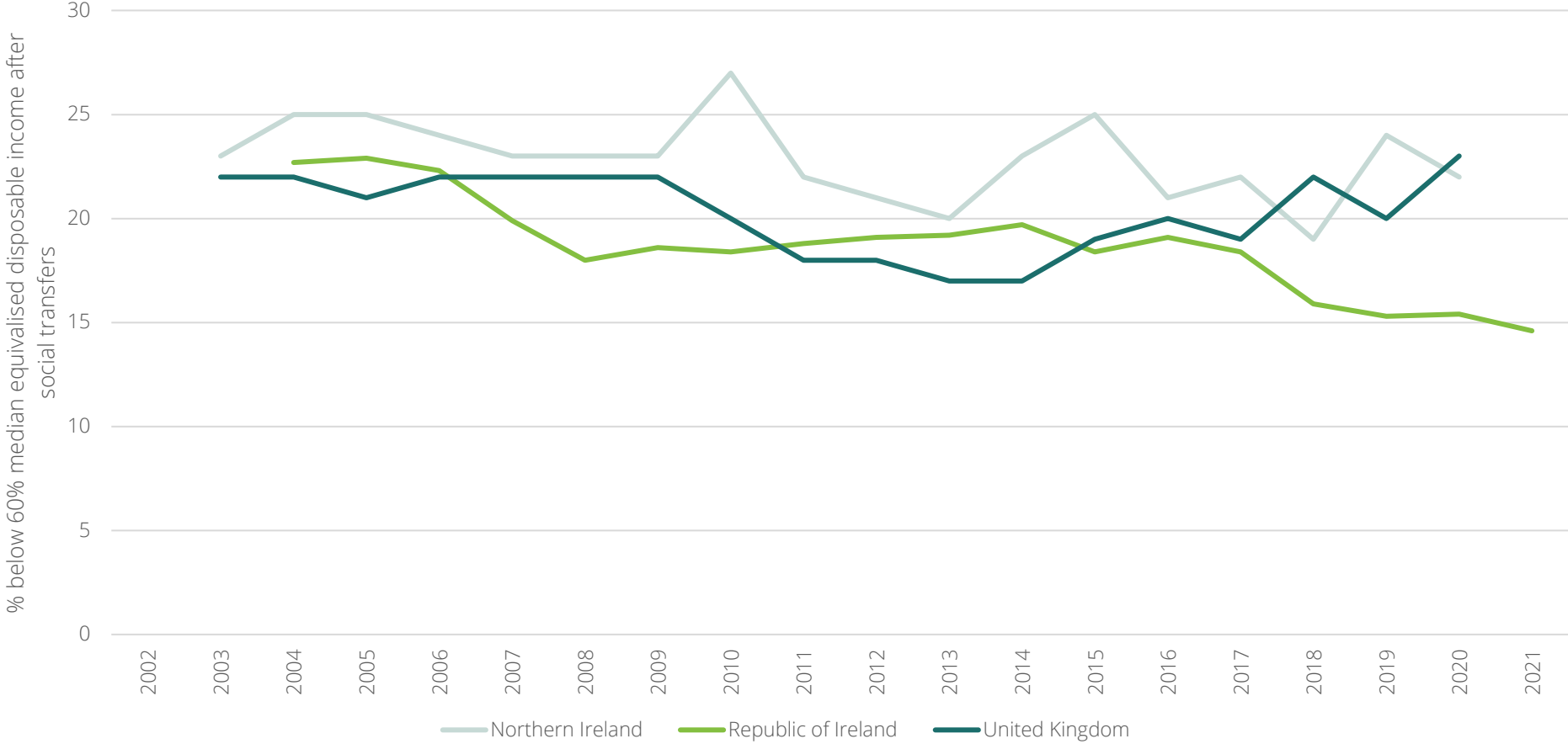
# Population: Before housing costs



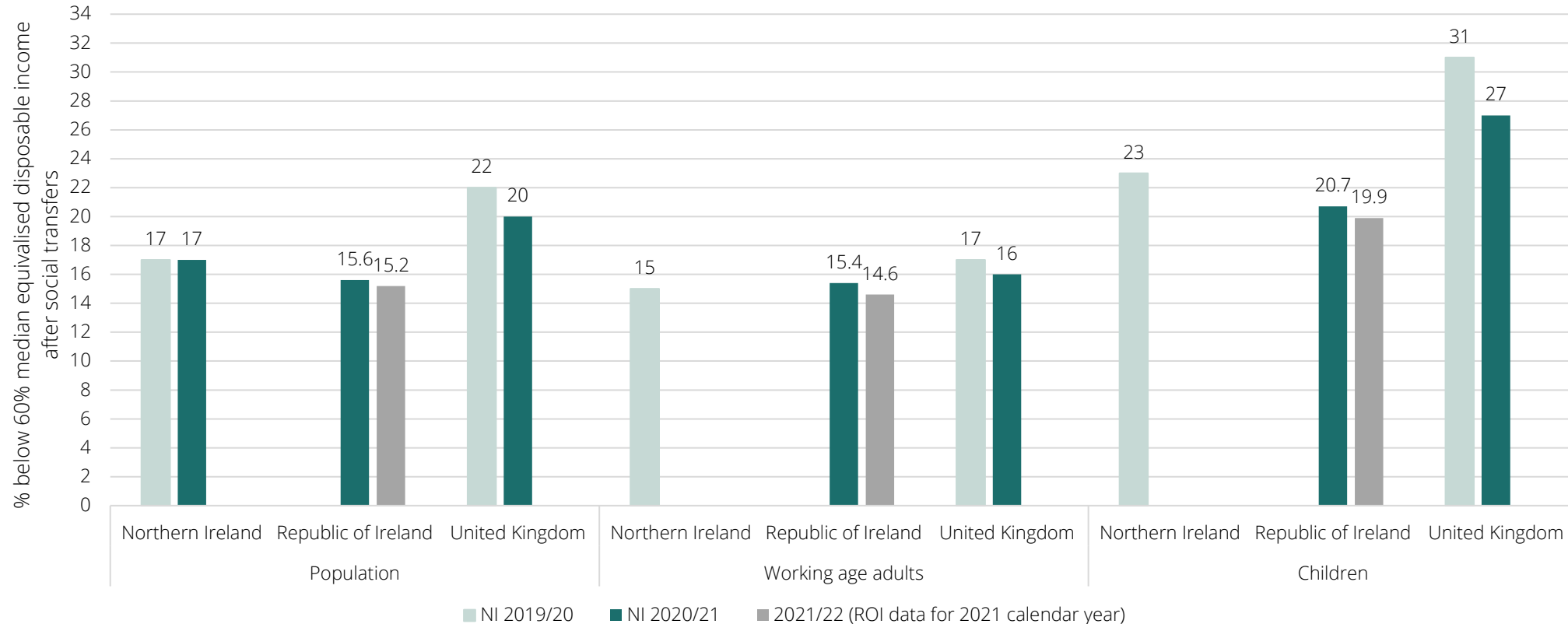
# Working age adults: Before housing costs



# Child poverty: Before housing costs




# Poverty: After housing costs

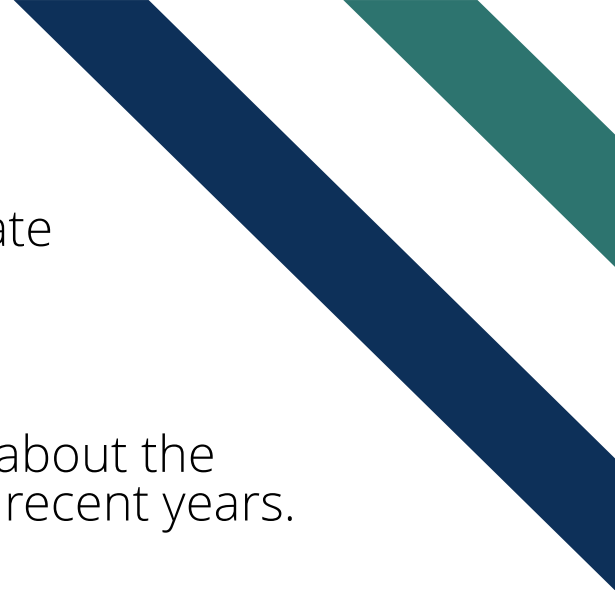


Note: For ROI any person with an equivalised income after rent and mortgage interest of less than 60% of the median AFTER rent and mortgage interest is considered at risk of poverty after rent and mortgage (Variable: eq\_inc\_ex\_rent\_mort\_int (2020 onwards only)).  
 For NI housing costs include the following: • Rent (including housing benefit); • Mortgage interest payments; • Structural insurance premiums (for owner occupiers); and • Ground rent and service charges.



**So, what can be said about who is poorer.....?**

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- Income poverty before housing costs significantly higher in Northern Ireland than what it is in the Republic of Ireland (circa 4pp gap 2019/20).
  - Gap is much narrowed when we compare poverty after housing costs in Northern Ireland & Republic of Ireland (circa 2pp gap 2019/20).
  - Narrowing of this gap is much more pronounced for working age adults & children.
  - For working age adults & children the risk of poverty after social transfers before housing costs is considerably higher in Northern Ireland than the Republic of Ireland.
  - For working age adults & children the risk of poverty after social transfers after housing costs is really quite similar in Northern Ireland as it is in the Republic of Ireland.

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- Broader debate about whether or not income measures provide an adequate proxy for living standards/low living standards.
  - Accept that the debate & discussion amongst researchers & policy makers about the adequacy/superiority of other proxy measures has become more muted in recent years.
    - Deprivation measures.
    - Expenditure measures.
    - Consumption measures.
  - Overlap between different proxies are often smaller than what some might assume.
  - Any further measures need to be used to supplant, rather than seek to replace.
  - How do living standards compare in NI & ROI when assessed via deprivation measures?  
Analysis forthcoming in paper.



# Deprivation across the island of Ireland: Data

## Northern Ireland: Family Resources Survey

- No population estimates of deprivation produced.
- Children in combined low income & material deprivation – Published by NISRA.
- Pensioners in material deprivation – Published by NISRA.
- Family Resources survey has some deprivation items, but not same to enable comparison of same deprivation items in NI on same basis as ROI.
- Family Resources survey – Has 21 items in the suite of questions used to measure material deprivation which are designed to reflect the items and activities people in the UK believe to be necessary. These items are reviewed periodically to ensure the measure remains a relative measure of poverty. Only 8 of these are asked of adults.
- Last periodic review 2010. McKay, Review of the child & pensioner material deprivation items in the family resources survey.

## Republic of Ireland: EU-SILC

**Enforced deprivation** – Published by CSO.

The identification of persons living in deprived households is based on a set of 11 basic deprivation indicators.

Enforced deprivation is defined as not being able to afford to buy two or more of these 11 basic deprivation indicators.

**Material deprivation** - Published by Eurostat.

An EU-SILC indicator that means the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life.

Material deprivation is defined as not being able to afford to buy three out of 9 items.

**Consistent poverty** - combination of low income & deprivation. (gets at depth).

Republic of Ireland Eurostat material deprivation items (3 out of 9)	Northern Ireland NI/UK Family Resources survey items (closest match)	Republic of Ireland CSO enforced deprivation items (2 out of 11)	Northern Ireland NI/UK Family Resources survey items (closest match)	Northern Ireland NI/UK Family Resources survey items
mortgage or rent payments, utility bills, hire purchase instalments or other loan payments	Behind with mortgage payments/Beyond with mortgage payments in the last 12 months	Unable to afford to keep the home adequately warm	In winter, are you able to keep this accommodation warm enough? (Response options: Yes/No)	a holiday away from home for at least one week a year, whilst not staying with relatives at their home
one week's holiday away from home	a holiday away from home for at least one week a year, whilst not staying with relatives at their home	Unable to afford a morning, afternoon or evening out in last fortnight		enough money to keep your home in a decent state of decoration
a meal with meat, chicken, fish or a vegetarian equivalent every second day	Often/sometimes didn't have the money to buy more food in the last 30 days	Unable to afford a meal with meat chicken or fish every second day	Often/sometimes didn't have the money to buy more food in the last 30 days	household contents insurance
unexpected financial expenses	Unable to make regular savings of £10 a month or more for rainy days or retirement	Unable to afford new (not second-hand) clothes		make regular savings of £10 a month or more for rainy days or retirement
a telephone (including mobile telephone)		Unable to afford a roast once a week	Often/sometimes didn't have the money to buy more food in the last 30 days	replace any worn out furniture
a colour television (TV)		Unable to afford a warm waterproof coat		replace or repair major electrical goods such as a refrigerator or a washing machine, when broken
a washing machine		Unable to afford to replace any worn out furniture	replace any worn out furniture	In winter, are you able to keep this accommodation warm enough? (Response options: Yes/No)
a car		Unable to afford two pairs of strong shoes		do you have a small amount of money to spend each week on yourself (not on your family)?
heating to keep the home adequately warm	In winter, are you able to keep this accommodation warm enough? (Response options: Yes/No)	Without heating at some stage in the last year	In winter, are you able to keep this accommodation warm enough? (Response options: Yes/No)	Do you (and your partner) keep up with bills and any regular debt repayments? (Response options: Yes/No)
		Unable to afford to have family or friends for a drink or a meal once a month		
		Unable to afford to buy presents for family or friends at least once a year		

**Now, let's turn to the living wage....**

# Introduction of a living wage

- The 2020 Programme for Government includes a commitment to “progress to a living wage over the lifetime of the Government.”
- Early 2021 the Tánaiste requested that the Low Pay Commission (LPC) examine and make recommendations on how best to achieve this commitment.
- LPC commissioned research, which was conducted by Dr Aedín Doris, Prof. Donal O’Neill, and Dr Olive Sweetman of Maynooth University, to consider the policy, social, and economic implications of moving to a living wage as well as the process by which Ireland could progress towards implementing a living wage.
- Doris, O’Neill & Sweetman (2022) definition of living wage:

‘A living wage (LW), on the other hand, explicitly sets out to establish an hourly wage rate that provides employees with sufficient income to achieve an agreed acceptable minimum standard of living. In that sense, the LW is an income floor like the minimum wage, but one that allows employees to afford the essentials of life. Earnings below a LW suggest employees are forced to do without certain essentials so they cannot make ends meet.’
- This research report aided the LPC in making its recommendations on the Programme for Government commitment to “progress to a living wage over the lifetime of the Government.


# Introduction of a living wage

Government proposal for introducing a living wage for all workers:

- the living wage aims to be set at 60% of the median wage in any given year, which in 2022 would be €12.17 per hour. The national minimum wage is currently €10.50 per hour. Recent approval to increase to €11.30.
- the national minimum wage will remain in place until the 60% living wage is fully phased in, in 2026, but will increase over the years as usual, closing the gap between it and the living wage.
- from 2026, plan is that there will no longer be a national minimum wage, the living wage will be the floor and will be mandatory for all employers.
- depending on prevailing economic circumstances, it is proposed to give the Low Pay Commission discretion to introduce the full living wage faster or slower than the 4 years proposed.

# What alternatives?

- UK 'National Living wage' – Introduced in 2016 at 60% of median earnings, with a target to reach 66% of median earnings by 2024 for those over age 23.
- Living wage based on cost of living/basket of goods.
- Living wage technical group 2021/22 €12.90. Due to announce new rate for 2022/23 soon.



	Minimum wage 2022/ National living wage UK 2022	Living Wage 2021/22	National minimum as proportion of living wage based on basket of goods
Republic of Ireland	10.50	12.90	81.4%
Northern Ireland	9.50	9.90	95.9%

# Can the proposed living wage achieve its aim?

'allow employees to afford the essentials of life.'

60% threshold – or indeed any threshold inevitably provides only a proxy of how far below the middle income people's income has to be to be poor.

Advantage of making it easy to track how those are doing in relation to the middle over time, across different groups etc.

Disadvantage of not being needs based.



# Can a 'real' living wage achieve its aim?

Pay is about much more than the hourly wage rate.

Example, you can have a very high hourly wage rate but still be low paid, if you only work a small number of hours.

Living standards are based on access to resources. So household size, composition and needs are also key as to whether employees can afford essentials.

In the Republic of Ireland, the living wage is calculated on the basis of just one household type (single full-time worker without dependants).

# Lessons from NI for introduction of living wage

- When UK national living wage was introduced it definitionally wiped out low pay in Northern Ireland.
- For the year 2016, the median hourly wage rate was £10.80 which implies a  $\frac{2}{3}$  rate of £7.20. This rate is the same as the 2016 'National Living Wage' which was introduced in April 2016 for workers aged 25+, with a starting rate of £7.20.
- Succeeded in eliminating one measure of low pay, but did not eliminate low pay.
- It certainly did not eliminate poverty.
- To achieve that goal you need a package of measures targeting both employment and social transfers as per Doorley et al 2022.

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