



POVERTY IN NORTHERN IRELAND
A BRIEFING PAPER
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POVERTY, EQUALITY AND SOCIAL INCLUSION

In this briefing paper, poverty is seen in a broad context encompassing aspects of social inclusion, equality, compliance with human rights and quality of life. Poverty, therefore, is not just about income but about education, well-being, employment, good housing and a safe and healthy environment.

This broad context is recognised in the definition of poverty in Northern Ireland. There are a number of definitions of income poverty but the official measures of social disadvantage (known as the Noble indicators) consider broad 'domains' covering issues such as employment, education, health, crime and access to services.

Poverty is closely related to inequality and the inability of people to enjoy basic human rights. Definitions of income poverty often refer to a certain percentage of average earnings eg people are considered to be at risk of poverty if their income is below 60% or 70% of average earnings. Therefore, the relationship between those at the top and those at the bottom provides a statistical definition of poverty. Evidence suggests that societies that are more equal tend to have lower levels of poverty than countries that are very unequal. And it is well recognised that people need to feel they have a stake in society if they are to take advantage of a growing economy. High levels of inequality create a dysfunctional society in which alienation and crime become serious problems.

In a globalised economy, there is a tendency for income inequality to become greater since there are fewer restraints on the capacity of well-skilled and well-educated people to earn high incomes; they can command higher earnings in their home countries and can increasingly migrate to other countries where pay rates are higher. In contrast, people with low levels of skills and qualifications are increasingly competing with low-paid workers elsewhere in the world.

New service industries have replaced declining manufacturing industries in Northern Ireland and elsewhere in the United Kingdom. As a result the number of people in employment is at a record level. Against this we have a growing population, with the result that the number of economically inactive people of working age has increased rather than fallen since the early 1990s.

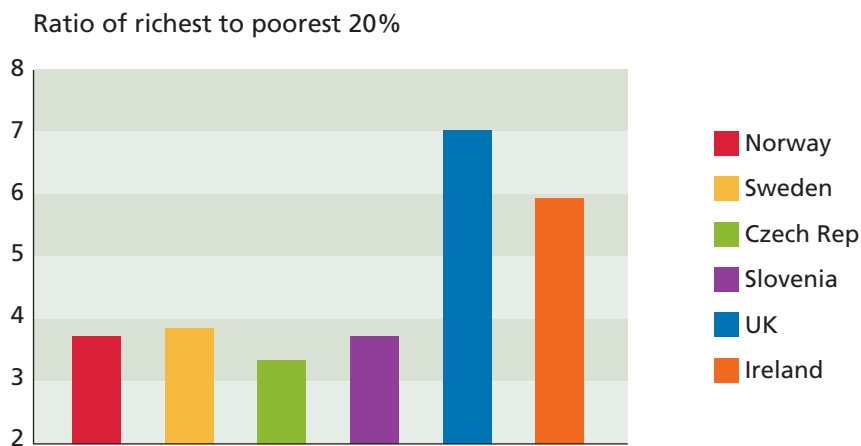
Countries respond differently to wage inequalities. Some seek to regulate the economy to minimise wage differentials eg the UK and Ireland have national minimum wages but do not do enough to avoid relatively high poverty levels; others compensate through substantial social transfers (such as France). Some countries do both eg the Scandinavian countries which have low rates of poverty; and some do very little, examples being the USA and Mexico, where poverty levels are very high.

In developed countries poverty continues to exist because of political decisions as distinct from the lack of resources to tackle the problem. It has been estimated, for example, that the re-allocation of half of one per cent (0.5%) of gross domestic product would be enough to lift all families with children above the poverty line in the UK and Ireland. Even in the USA, only 0.66% of GDP would be sufficient to do the job (Townsend Centre for International Poverty Research).

One example of the relationship between equality and infant mortality (which is closely related to poverty) can be seen in Figures 1 and 2. The two Scandinavian countries shown are often cited (rightly) as examples of social democratic systems which have quite low inequality and correspondingly low levels of poverty; they are also quite wealthy countries. However the

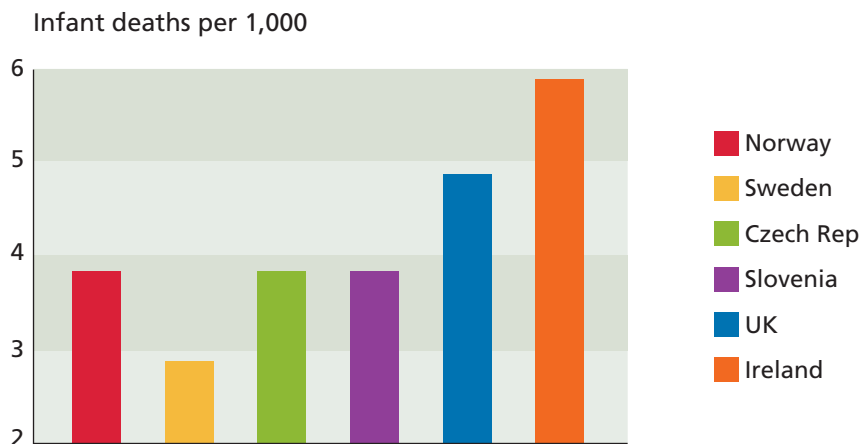
same is true of much poorer countries such as the Czech Republic and Slovenia; their infant mortality rate is much the same as in Norway and quite a bit lower than in Britain or Ireland, where incomes per head are much higher than in the two Eastern European countries.

Figure 1



Source: United Nations Human Development Reports 2004

Figure 2



Source: United Nations Human Development Reports 2004

It is sometimes argued that countries must produce wealth before they can tackle poverty and inequality or, in the case of developing countries, depend on aid from developed countries. Certainly, improved foreign aid is vitally important, as are the creation of a fairer trade system and the cancellation of debt. However, it is important to recognise the dynamic links between wealth and poverty, both globally and within countries.

For example, poverty is an important cause of educational under-achievement and poor health but investment in education is a crucial factor in creating a healthy economy. Likewise, as Gro Harlem Brundtland, head of the World Health Organisation, recently reminded us,

expenditure on health is not just the consumption of resources but also an investment in wealth creation – healthy people are more productive.

NORTHERN IRELAND

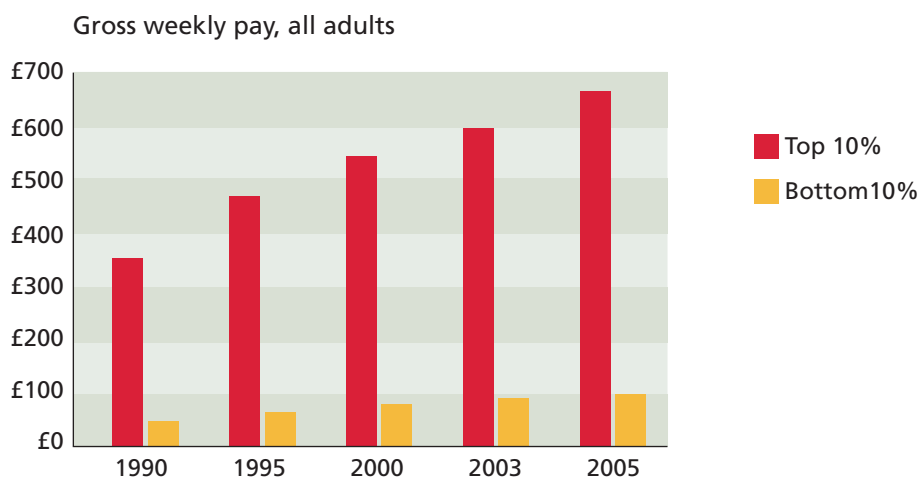
In this commentary on Northern Ireland it is important to consider the broader context of equality and to see income poverty as just one factor among many that affect the quality of life of individuals, groups and communities.

EARNINGS

Well-paid work is an important route out of poverty for many people and their families. In Northern Ireland the earnings of the rich are growing faster than those of the poor, with the result that the gap is increasing (see Figure 3). In 1990 the difference between the highest and lowest employees was £300 per week. In 15 years inequality has widened substantially – the gap is now £566 per week; in 2005 top earners received £679.20 per week but those on low pay earned only £112.80.

Even in percentages terms, the rich are doing better than the poor in pay rates, especially in the latest two years. Between 2003 and 2005, the pay of the highest 10% went up by 11.6%, well ahead of the 6.8% rise for the poorest employees. In assessing initiatives by government and other public bodies to tackle poverty, it is important to keep in mind that the 'real economy' reveals such substantial inequalities in incomes between the highest and lowest paid. It is clear that many employees depend on the small annual increases in the national minimum wage to boost their incomes.

Figure 3



Source: Annual Survey of Hours and Earnings

Low incomes, whether from employment or from benefits, are the main reason for child poverty. Government has estimated that 110,500 children are living in poverty (after housing costs), one quarter of all children in Northern Ireland, though this rate ranges from 13% to 44% when broken down into the 26 local authority districts (Source: Parliamentary answer, February 2006).

Low incomes also explain why there are growing numbers of people in work who are at risk of poverty. Very low pay rates also create what is known as a 'poverty trap' for people on benefits. Sometimes the small amount they can earn if they take up a job can mean a loss of income on balance. This is particularly true of women. The 2005 figures show that mean weekly incomes for women (£307) are substantially below the average male rate of £455.

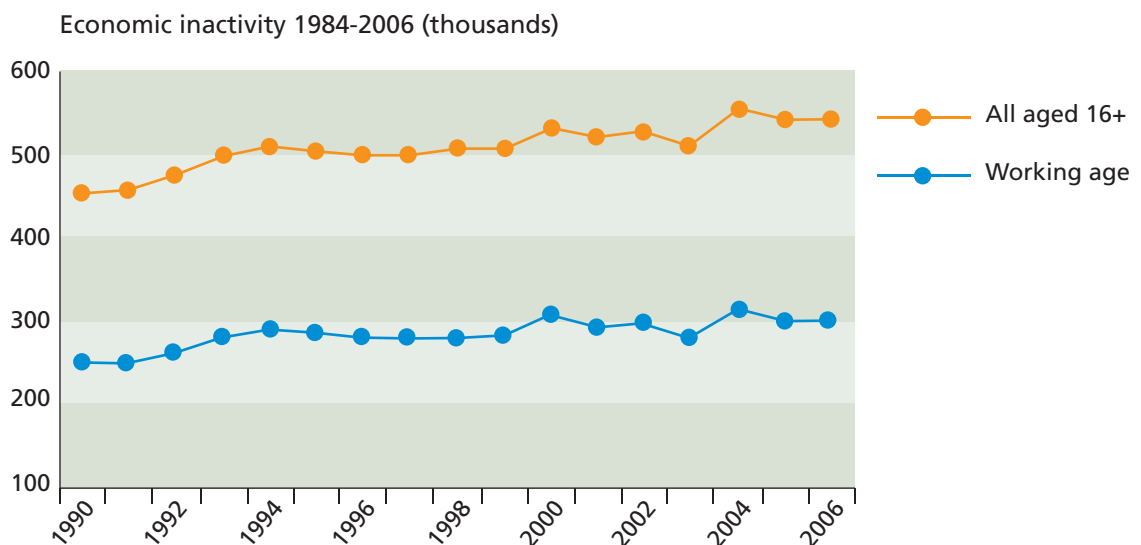
Employment is not, therefore, a way out of poverty for people with low skills and qualifications who are likely to earn the national minimum wage. In addition taking up a job is not an option for many people, especially those who have long since retired and now depend on the pension as their sole income.

Northern Ireland needs to develop a high value-added economy depending on highly skilled, well-educated and well-paid workers. The transition to such an economy is, unfortunately, highly problematic.

EMPLOYMENT

As mentioned earlier, Northern Ireland has enjoyed a net increase in jobs over the last decade or two, with the result that the official unemployment figures have dropped to their lowest levels ever. However, the population has continued to grow and the proportion of the workforce in employment has barely changed in 20 years. This can be explained by the very high number of people who are 'economically inactive' ie neither employed nor unemployed but 'out of the labour market'. Because of these changes, the total number of people who are considered economically inactive has risen, as shown in Figure 4.

Figure 4



Source: Labour Market Report series, DETI

There are four main groups of people affected:

- Students at college and university, the total of which has expanded sharply.
- Retired people, a steadily increasing sector of the population.
- People with an illness or disability, which has also grown in recent years.
- Carers, especially women with domestic responsibilities.

It is generally accepted that a larger number of students and trainees is a positive sign since they are investing in skills and qualifications that will enable them to acquire better jobs and boost their incomes. The ageing of the population is a natural phenomenon but we may expect the number of this group that is in employment to increase. This is partly because many want to continue working but also, more negatively, because the changing pension and retirement regimes mean that some will be legally required to work longer or will have to do so to earn adequate incomes.

The two most problematic groups are people with an illness or disability and carers. Northern Ireland has much higher rates of people with illnesses or disabilities than Britain or the Republic of Ireland. This may reflect greater actual levels of physical and mental ill health arising from worse public services; or it may be a result of lower pay rates (see above) which make it economically more rational for people to remain on benefits, or a mixture of these and other factors.

In the case of carers it must be noted that childcare provision in Northern Ireland is worse than elsewhere in the United Kingdom. In addition it is more rural than most parts of the UK with corresponding difficulty in accessing employment even if reasonably-paid jobs exist.

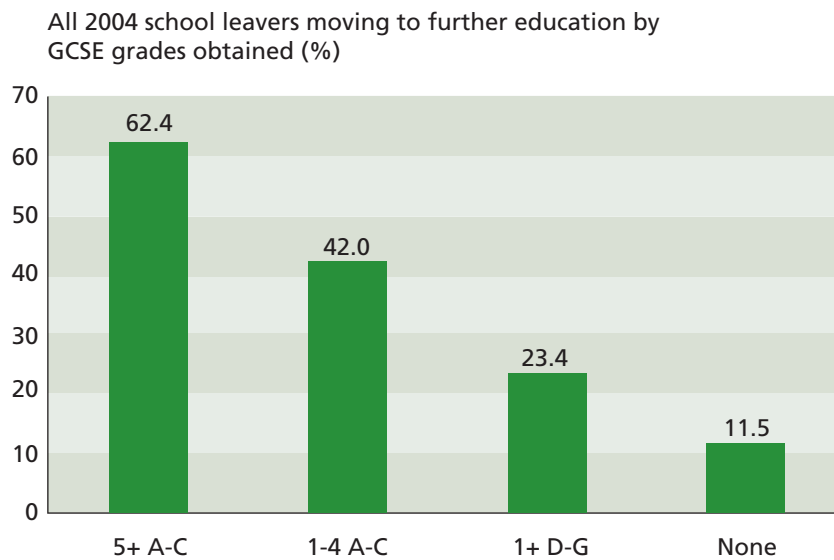
EDUCATION

As mentioned earlier high standards of education and training are required to ensure that people can take up the highly skilled positions required if Northern Ireland is to become a high value-added economy. Northern Ireland has an extremely unequal education system and the fault-line lies along social class. In addition to the normal factors that favour middle-class progress in the education system, Northern Ireland has a selection system at the age of 10-11. Children who pass selection tests are entitled to attend grammar schools, most of whose students progress to higher education at the age of 18. Children who fail the tests largely attend secondary schools and while some progress to higher education, most do not. The following facts give an indication of the social class bias of selection and socially-divided schooling:

- In Northern Ireland as a whole secondary schools have four times more disadvantaged pupils than grammar schools (as measured by eligibility for free school meals).
- A study in 2000 showed that 84.4% of the children of professional families went to grammar school but only 23.5% of factory workers'.
- In 2005, 42.6% of entrants to higher education were from the two highest social groups but only 20.3% were from the two lowest groups.

One of the harmful knock-on effects is that many people in Northern Ireland retain a sense of failure into adulthood and are reluctant to continue in education. This runs counter to the vision of a high value-added economy. The straight-line relationship between educational failure and drop-out from education is graphically illustrated in Figure 4.

Figure 5

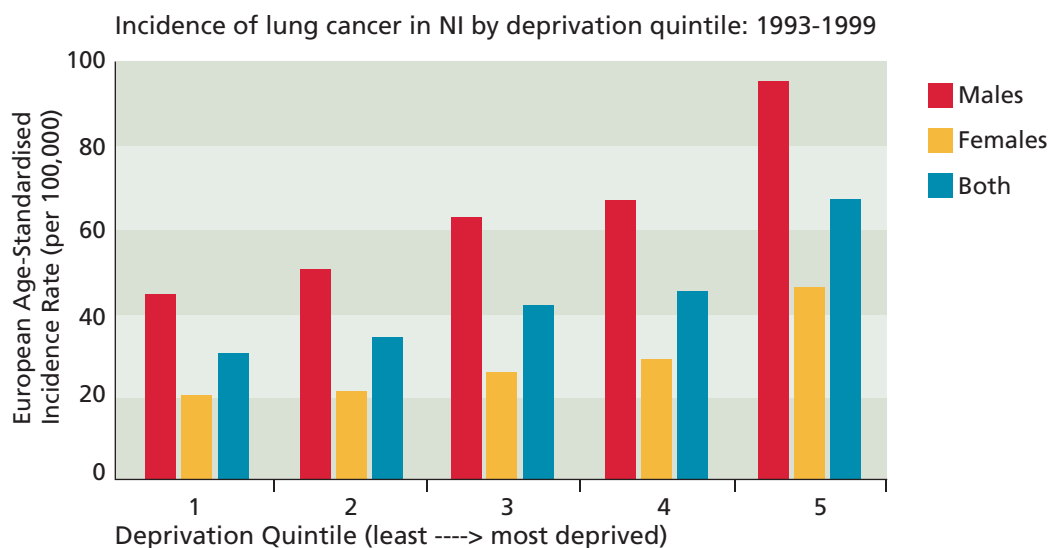


Source: Department of Education school-leavers survey.

HEALTH

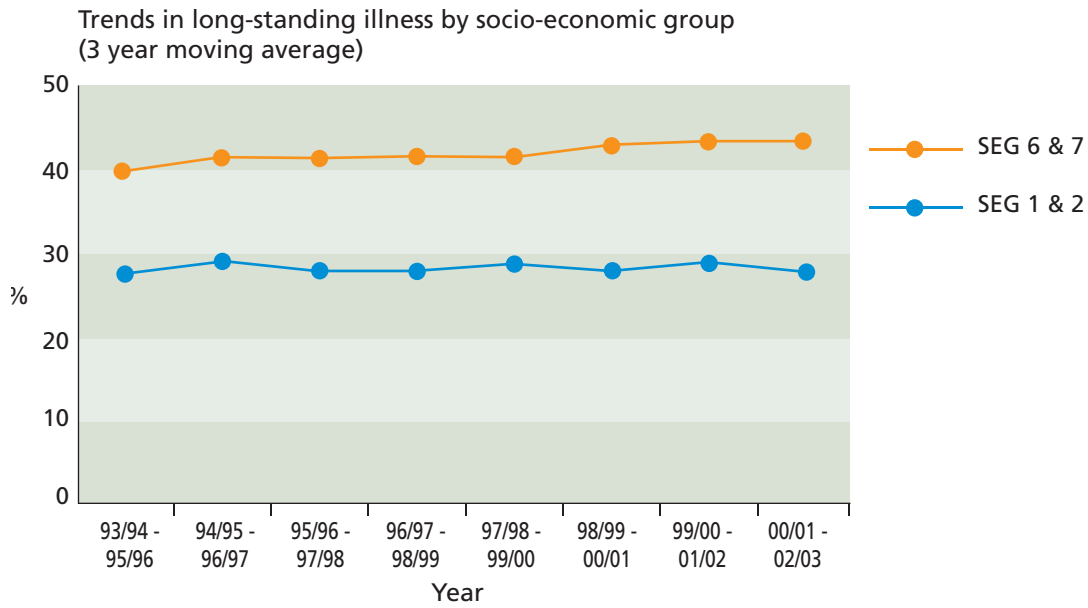
It has been argued earlier that spending on health is not just consumption but also represents an investment in economic growth. The relationship between health and poverty is complex and solutions must inevitably be long-term. Northern Ireland has a good strategy for action to reduce health inequalities (Investing for Health) but any such strategy will fail unless it is actively and effectively implemented and is accompanied by changes in society generally. Moreover, even within the health service, there are strong pressures to spend money on acute services rather on the prevention work needed to reduce inequalities. Whatever the reasons, there are severe social class inequalities of health and no obvious dent has been made in recent years, as the following three graphs demonstrate.

Figure 5.5



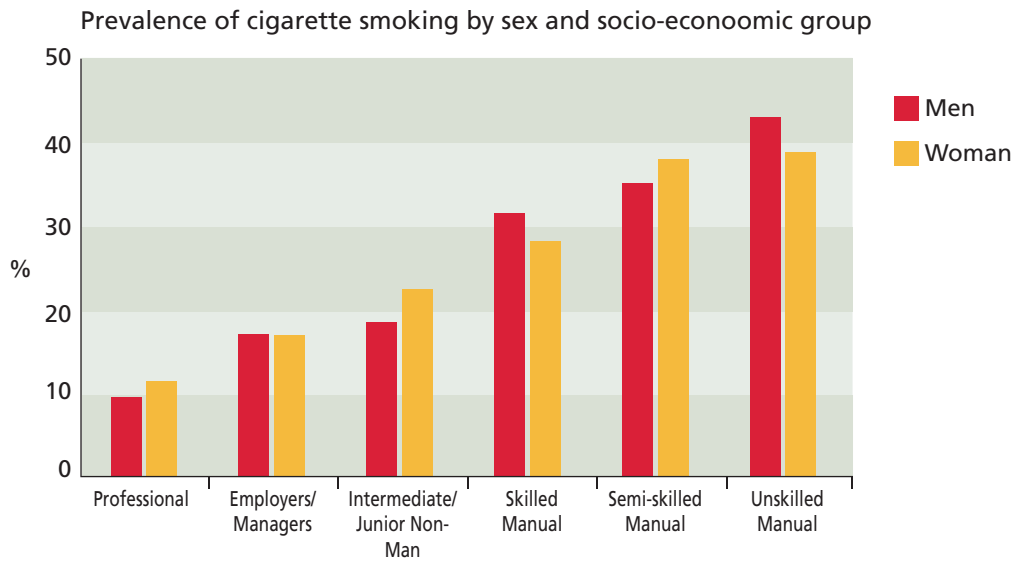
Source: Northern Ireland Cancer Registry.

Figure 5.68



Source: Continuous Household Survey

Figure 6.6



Source: Continuous Household Survey, 2000 (Evandrou and Falkingham, 2004)

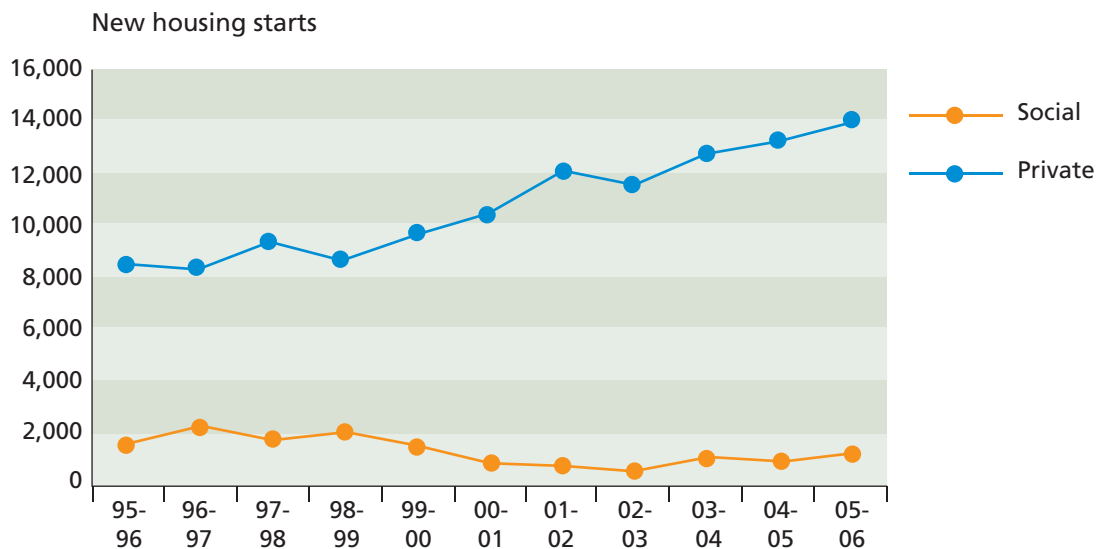
HOUSING

Access to good quality, affordable housing is another indicator of social well-being. Northern Ireland has experienced rapid price inflation in housing in recent years, 37% in the last year alone. That has benefited people who already own a home and the many who have two homes or own multiple properties as investments. However, the number of people who are homeless has increased sharply in recent year eg there has been a rise of 22.5% in the last three years.

Partly this is because of the difficulty in buying a house, partly because rents have increased as landlords recoup their investments. Fundamentally it appears to be a problem of a mismatch of supply and demand, particularly demand from low-income families.

On the supply side, there has been a buoyant market in the private sector but a big drop in the number of social housing starts; these represented about 17% of all housing starts in the last five years of the 1990s but the proportion has fallen to only 7% in the latest five years, as Figure 6 shows.

Figure 6



On the one hand the population continues to rise, boosted by immigration from Eastern Europe as a result of European Union expansion. Combined with a larger number of single-person households and issues of family breakdown, this has created additional demand for housing.

In summary, the Northern Ireland population has risen by 41,468 over the last six years (2000-2006) but the total number of new starts in the social housing market has been only 5,669. More than 3,000 of the new social homes were started in Belfast, meaning that the mismatch elsewhere in Northern Ireland has been particularly severe. In Dungannon, for example, where there has been a big increase in migrant workers, the population rise of 3,338 has been compensated with only 53 new social housing starts. Newry and Mourne has seen an even greater growth in population over the last six years (5,630) but only 183 new social houses have been started.

POLICY RESPONSES

Recent government initiatives in tackling poverty date back to the launch of targeting social need (TSN) in 1991, aiming to reduce inequalities among individuals, groups and areas. This was replaced by New TSN in 1998, a year after the election of a Labour government, which included a new theme that had been adopted in Britain, promoting social inclusion. However, TSN has been criticised on a variety of grounds since its inception, largely because it was a bureaucratic exercise rather than a focussed initiative with clear outcomes and targets. Five years ago government embarked on a review of TSN, leading to inadequate proposals which were strongly criticised by the voluntary and community sector and others. After considerable delay, The Secretary of State published *Lifetime Opportunities: Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland* in November 2006.

The strategy offered important high level goals including, for the first time, a commitment to eradicate poverty and social exclusion in both urban and rural areas. In addition it included 'quality of life' issues such as safety and happiness, as well as the importance of *A Shared Society*, a separate strategy to promote good relations in Northern Ireland. It adopted a life-cycle approach, offering goals for four age-groups, children, young people, working-age adults and older people, as follows:

- to ensure that every child should have a chance to develop their full potential in infancy regardless of social background.
- to allow all children and young people to experience a happy and fulfilling childhood, while equipping them with the education, skills and experience to achieve their potential to be citizens of tomorrow.
- to ensure that everyone has the opportunity to fully participate in economic, social and cultural life.
- to ensure older people are valued and respected, remain independent, participate as active citizens and enjoy a good quality of life in a safe and shared community.

One of the features of TSN which attracted criticism was the absence of a budget; the underlying concept was that existing resources would increasingly be skewed towards disadvantaged individuals, groups and areas. This 'bend the spend' approach might have been successful if it had been vigorously implemented, which it was not, but the failure to identify a budget to meet established needs was a considerable weakness. In its earlier proposals to replace TSN, government had insisted on a 'skewing' approach, meaning no new budget for anti-poverty initiatives. Under *Lifetime Opportunities* it has officially maintained this position but has taken the helpful step of making the anti-poverty strategy one of the priorities of the Comprehensive Spending Review. This provides opportunities for supporters of new policies, in both the statutory and voluntary sectors, to lobby for more resources for their work. Departmental spending plans and resources will be expected to take into account the delivery of commitments in the Anti-Poverty and Social Inclusion Strategy.



IMPLEMENTATION

The development of National Action Plans (NAPs) in the European Union is designed to facilitate practical co-operation between the Member States. This approach provides scope for shared learning, exchanges of best practice and joint working across national boundaries. Their adoption in Northern Ireland will help to promote joint working with the Republic of Ireland through the North-South institutions and with other UK administrations through the East-West mechanisms.

There will be a Ministerial led Poverty Forum to oversee the anti-poverty programme and to monitor progress. It will bring together stakeholder groups such as local politicians, employers, trade union representatives, the statutory, voluntary and community sectors, social economy and individuals experiencing poverty and social exclusion.

A central anti-poverty unit will be responsible for monitoring and evaluating the overall impact of the strategy and provide the secretariat to the Ministerial Poverty Forum. An Inter-departmental Equality and Social Need Steering Group, chaired by a senior official in the Office of the First Minister and Deputy First Minister, will be the main mechanism for co-ordinating, monitoring and evaluating across departments and agencies. Members of this group will also represent their department on the Ministerial led Poverty Forum.

Government departments will be asked to ensure that the principles of the strategy are firmly embedded in the business plans of the new organisations arising out of the Review of Public Administration. These new district councils, health trusts, education authorities and others will need to make their contribution to the government's anti-poverty and social inclusion targets. One immediate result of this principle is that Neighbourhood Renewal targets, where appropriate, are to be made explicit.

NEXT STEPS

Lifetime Opportunities offers a useful framework for an anti-poverty strategy and appears to have the political backing needed to make it work. However, the task remains of developing the policies and actions to make it happen. Much of the strategy document is a list of existing policies and initiatives which have failed to eliminate poverty or reduce inequality up to now. Implicitly it accepts that much more needs to be done if the four goals are to be achieved; consequently the action plans will need to be ambitious, speedy and properly resourced. In addition, improved targets will be needed for all four life stages and for both urban and rural areas in order to ensure that Northern Ireland is progressing towards the ultimate target of ending poverty and social exclusion. The policies that arise must take account of the very different needs of varying groups such as lone parents, people with long-term illnesses or disabilities, people with low or no educational qualifications, Travellers and other ethnic minorities, low-income elderly people and the children of vulnerable groups.

CONCLUSION

It is clear that the expansion of the local and UK economies mean that the resources exist to solve the problem of poverty. Initiatives such as a substantial increase in child benefit, retirement pensions and the national minimum wage would help a great deal. However, a full range of policy responses is required to meet the challenge of poverty since it is important to deal with the causes of poverty rather than merely providing money to bring incomes up above the poverty line.

Lifetime Opportunities is a welcome publication but policy initiatives must be carefully co-ordinated (in the elusive joined-up government that all commentators seem to feel is needed) and must be built from the ground up. The proposal to include people experiencing poverty in the implementation phase is welcome but such commitments tend to disappear under the weight of practicalities. Disadvantaged communities must be given the capacity to identify their own needs, to devise solutions and to be involved in planning and running programmes.



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