

Poverty in Ireland

INTRODUCTION

The poverty debate.

In the weeks prior to the 1989 budget the issue of poverty in Ireland became the subject of considerable public debate. This was prompted by the publication of a report by the E.S.R.I. and the Combat Poverty Agency (C.P.A.). The report was based on the results of a survey of a sample of households, conducted by the E.S.R.I. and partially sponsored by the C.P.A. It was on the basis of this report that the somewhat alarming statistic that one third of the Irish population were living "below the poverty-line" gained common usage in public debate, and became the principle argument of those demanding a sizeable rise in social welfare payments.

The E.S.R.I. results were, however, severely criticised by some economists on methodological grounds and, unfortunately, the policy discussion became bogged down in theoretical wrangling. A suitable definition of poverty (and a method of measuring it) are prerequisites for informed policy decisions in this area, yet a year later these issues have not yet been resolved.

The purpose of this paper is to examine various definitions of poverty in Ireland. In doing so I do not intend to merely reiterate the C.P.A./E.S.R.I. Vs Barrett et al debate of 1989, though much of the material covered here was subject matter in that discussion. I intend rather to return to first principles to establish if possible a definition of poverty. The discussion is primarily of a theoretical and conceptual nature. As the title suggests, it focuses primarily on the Irish situation, though any conclusions are most likely to be applicable to any O.E.C.D. country.

WHAT IS POVERTY ?

The problems of definition

Most of the literature on poverty accepts that there are two ways of conceptualising it. We think of poverty in either absolute or relative terms. Since the measurement that is eventually chosen depends on our definition, which in turn depends on our conceptualisation, then it follows that understanding the differences between absolute and relative poverty is of the utmost importance.

The absolute concept of poverty is the more traditional of the two, and tends to dominate in the popular mind. Poverty is seen as having less than a certain absolute level of income. In terms of a "poverty-line", those whose command over resources does not permit them to consume a basic amount of goods and services are below the poverty-line. The U.S. government defines poverty in absolute terms. The amount of income necessary to provide a nutritionally adequate diet, multiplied by three to allow for other expenditures, is the income level below which a person or household is deemed to be in poverty.

Absolute definitions of poverty may be suitable in L.D.C.s, where starvation and malnutrition are serious threats. Their applicability to the western world has, however, been severely questioned. The reason for this is quite simple. As Galbraith puts it, since the second world war the western world has enjoyed "a time of great and unprecedented affluence"....exceptional...."in the whole span of human existence". This increase in the general level of material wealth has led to demands for a more equitable division of the spoils. With such unprecedented wealth it was no longer acceptable to say that a person who wasn't starving wasn't, of necessity, in poverty. This led to a relative concept of poverty.

Townsend, one of the pioneers in this movement, defined poverty as follows: "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary or at least widely approved in the societies to which they belong."

Such a definition appears to add considerably to formalising our intuitive ideas of poverty. It means that every society has a different definition of poverty, depending on its circumstances. One example of a measure of poverty using relative criterion is that used in the C.P.A.\E.S.R.I. report. It calculated the number of households with incomes of less than 60% of average (mean) household income.

We are thus faced with two contrasting conceptions of poverty. Both are however, open to considerable criticism. As we have seen, the absolute measure of poverty has little regard for the particular circumstances of each society. It makes inter-societal comparisons very difficult. For instance, a house might be regarded as a necessity of life in Ireland, and anyone lacking a house or the use of a house would then be considered poor. In other societies, a tent is deemed to be perfectly adequate as a permanent residence (e.g. Colonel Gadaffi of Libya resides in a tent on a regular basis).

The relative definition is certainly not flawless either. As Barrett points out, a person living in Switzerland, with an income less than 60% of the average would (by the C.P.A.'s criterion) be considered poor, while a subsistence farmer in an egalitarian tribal community in Upper Volta would not, even though the standard of living of the former is immeasurably higher.

These issues have been addressed by A.K. Sen. While acknowledging the advances made by Townsend et al, Sen is concerned that by adopting a relative definition of poverty we risk confusing poverty with inequality. Inequality is an important issue and, without doubt, inequality causes poverty, but poverty and inequality are not the same concept. Moreover, Sen is convinced that there is "an irreducible absolutist core in the idea of poverty".

Sen's argument is as follows. He takes the example of a bicycle. The commodity that is a bicycle has the characteristic of transportation which gives the capability to move about, hence yielding utility. Of these concepts; commodity, characteristic, capability and utility, it is capability that "comes closest to the notion of standard of living". Using this analysis we can conceptualise poverty in a way which accommodates both absolute and relative definitions.

Think for a moment purely in terms of capabilities, and recall Townsend's definition of poverty as an inability to "participate in the activities of the community.....due to a lack of resources". What are these activities? Eating, drinking and sleeping are among them, but so also are educating one's children, socialising with one's peers, engaging in the discourse of daily life and contributing to the general good of society. There is a set of such activities common to all societies, provided that they are defined in sufficiently broad terms. Not having sufficient resource capability to participate in these activities means being in poverty. This is the "absolutist core in the idea of poverty".

Lack of capabilities is caused by a lack of commodities. As Sen puts it:

"At the risk of over simplification, I would like to say that poverty is an absolute notion in capability space but very often it will take a relative form in the space of commodities."

And again:

"Relative deprivation is nothing other than a relative failure in the commodity space, having the effect of an absolute failure in the capability space".

Let us look at Sen's own example which is taken from Adam Smith's The Wealth of Nations. Smith says:

"By necessities I understand not only the commodities necessary for the support of life, but whatever the custom of the country has rendered it indecent for creditable people to be without.....customhas rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them".

In this case the commodity in question is "leather shoes" and the capability is "avoiding shame". Avoiding shame is, according to Sen, an absolute concept.

Either one avoids shame or one doesn't. Not having a pair of shoes is a relative disadvantage in commodity space.

This reasoning is obviously of considerable use in intersocietal comparisons. If we think in terms of capabilities, rather than commodities, we avoid errors caused by assuming that the commodity requirements for capabilities are the same in all societies. Returning to our tent example, this can be clearly seen.

Sen has undoubtedly added greatly to the debate in broadening the focus of the discussion from commodities to capabilities. It helps us place many aspects of poverty in an analytical framework. Take for example the psychological effects of unemployment. If we take structural unemployment, then the commodity in question is a (demanded) skill. A lack of the commodity means a lack of several capabilities. These capabilities include finding a job, providing an income, socialising with ones peers, making a contribution to society. Hence, a relative commodity deprivation leads to several absolute deprivations in capability space.

But has Sen really solved the absolute versus relative conundrum? It seems that there are two immediate problems with his analysis.

Firstly, there is the question of measurement. How do we measure capabilities? and moreover, is measuring capabilities really in our brief as economists? It is my view that we can measure commodities as a proxy for capabilities using "style-of-living" indicators. It follows from Sen's argument that we should be able to identify certain commodities which are of primary importance in yielding capabilities to the household. So returning to Smith's example, we could survey households to find out how many people had the capability of "avoiding shame" by possessing the commodity of shoes. Similarly, we could gather evidence on a range of commodities relating them to specific capabilities. In separate studies, Townsend and Mack and Lansley have attempted to produce indices of deprivation based on the presence or non-presence of certain goods in the households they surveyed. There are several difficulties with such a method, but the basic approach is in keeping with our foregoing discussion of Sen's analysis. [Note: The E.S.R.I./C.P.A. report did include an attempt at measuring poverty using style-of-living indicators. In my view these indicators were extremely limited in their range, in the detail in which they were categorised and in the format in which they were presented.]

Secondly, we know that income distribution is a continuum from the very rich to the very poor. Why then should capabilities be such that one either possesses them or one doesn't? Surely there are degrees of capability. Reverting to Smith's example of shoes, having a pair of shoes with holes in them is better than having no shoes at all, but not as good as having a new pair in perfect repair. In the case of the shoes with the holes, one is partially "avoiding shame" and so better off than a person with no shoes, but yet still more "more ashamed" than someone with a new pair of shoes. Are there not greater and lesser degrees of capability?

CONCLUSION

The above discussion has been very general and space has not permitted a detailed discussion of methods of measuring poverty. I feel, however, that a clear conception of what poverty is, is a prerequisite for an informed discussion both of measurement of poverty and of policies to eliminate it.

Colm O'Riordan

References

- The Economic & Social Review: July 1989, Article by Barrett, et al.
 J. K. Galbraith: The Affluent Society, Penguin 1973.
 A. K. Sen: Poor, Relatively Speaking, Geary Lecture Series 1982
 CPA/ESRI Poverty and the Social Welfare System in Ireland 1988