



Society of St Vincent de Paul



The Hidden Cost of Poverty

Estimating the Public Service
Cost of Poverty in Ireland



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Executive Summary

Living life on a poverty income is common in Irish society. It is the reality for around 700,000 people living in 270,000 households across the state. By necessity living life on such a low income imposes costs on these individuals and families. Making ends meet involves personal sacrifices, restricts options and limits opportunities; for many it is not always possible to find ways to make ends meet. These individual costs of poverty are large scale and leave effects that last years and at times generations.

Alongside these individual costs, poverty is responsible for other costs. In particular, the presence of poverty in a society triggers demands on the public purse. These costs derive from the identification of poverty as a determining factor in the need for, and demand for, a wide range of public services and policies ranging across almost all areas of public policy. Poverty triggers needs and responses by the state, not always at the ideal level of adequacy, but nonetheless involving resources that are allocated to addressing the fallout from current and past experiences of poverty.

Redistribution and Poverty

The redistribution system, working through taxation and social welfare transfers, plays a key role in reshaping income in Ireland. It transforms the distribution of income from a highly inequitable earnings (or market income) distribution to a fairer distribution of post-tax and transfer income. The latest OECD data shows Ireland possessing the most unequal market income of all its member states, but that following redistribution this falls to below average levels of inequality.¹ In and of itself, this is a key role that the state plays in preventing or minimising income inequality and poverty.

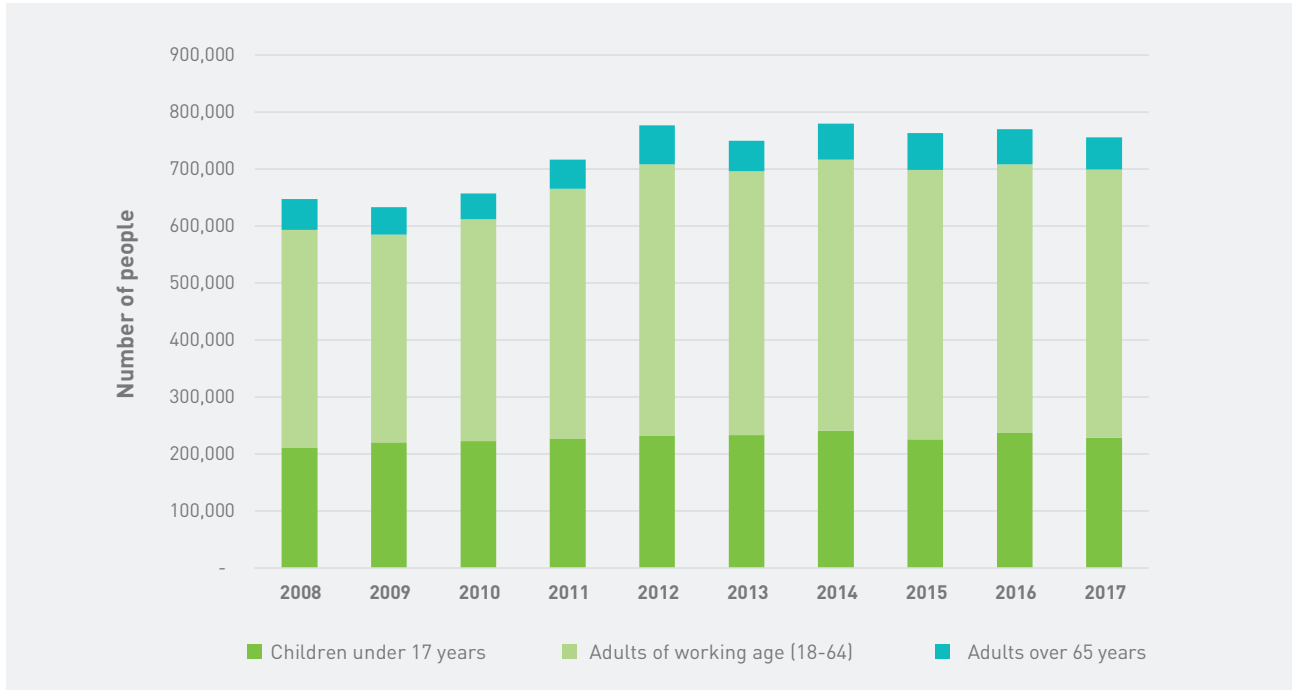
However, despite this role, one in every seven people in Ireland lives on an income below the poverty line.

Using the standard definition of poverty, those living below a 'poverty line' set at 60% of median equivalised disposable income, shows that over the last decade between 14% and 17% of the population each year has been living on an income below that line.² While most of those living in poverty are of working age there are a large numbers of children living with these adults in poverty (See Figure 1). About 30% of all those in poverty are aged 17 years and under, averaging about 225,000 children each year. This illustrates the phenomenon of low-income families living below the poverty line and points towards some of the current and intergenerational personal and public policy challenges that poverty represents. At the other end of the age distribution poverty is less common among those aged over 65 years. About 55,000 pensioners live on an income below the poverty line and represent approximately 8% of the poverty population.

¹ The OECD statistical database records Ireland as having a direct income Gini coefficient of 0.535 in 2018; this decreases to 0.295 for disposable income (accessed June 2020).

² Disposable Income is income after receipt of all earnings, social transfers and the payment of income taxes. Poverty lines are calculated on the basis of household income and adjust for household size and composition to ensure comparability.

Figure 1 Composition of those living below the poverty line, 2008-2017

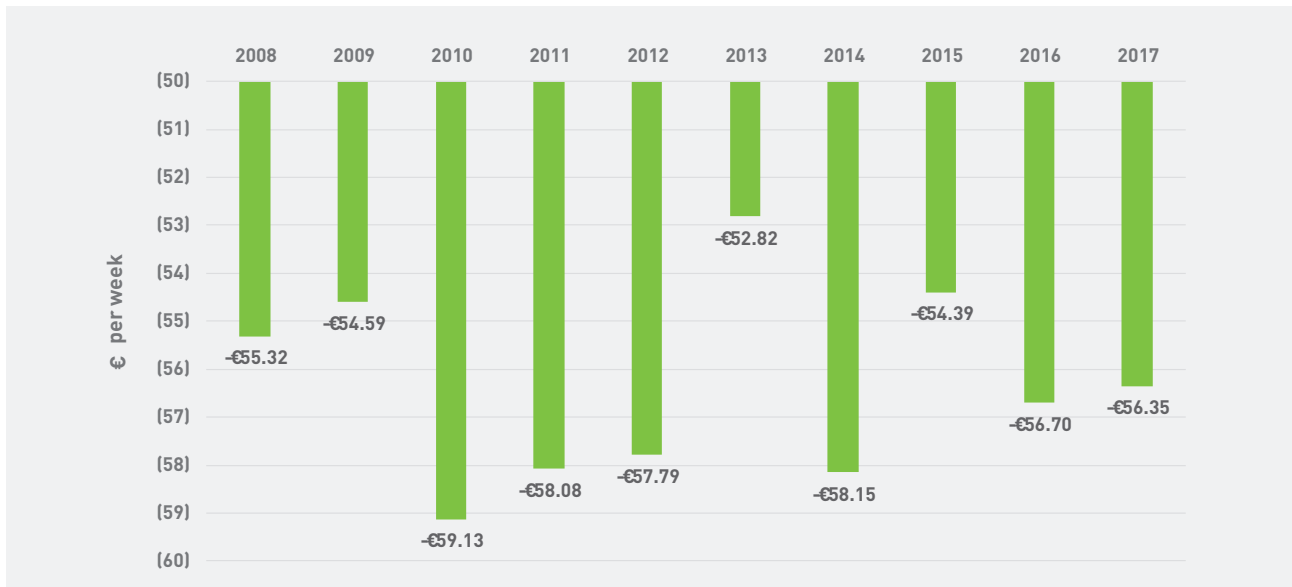


Source: Calculated by author from CSO SILC data

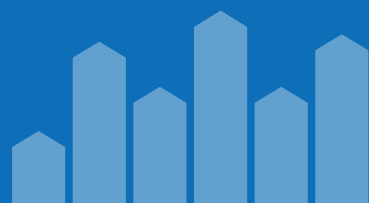
While the poverty threshold is in itself interesting, many live on an income well below that level. Figure 2 shows the average distance below the poverty line threshold (the depth of poverty) since 2008.

On average those in poverty have an income around €55 per week (€2,900 per year) below the poverty line; in other words, they are some distance below the poverty threshold.

Figure 2 Average Depth of Poverty per week, 2008-2017



Source: Calculated by author from CSO SILC data



Overall, poverty is a common occurrence in Irish society. Life on a low income is the norm for large numbers of adults and children. The experience of poverty triggers individual and societal responses necessitating choices to be made so that households can attempt to make ends meet. These choices, and their immediate and longer-term consequences, trigger both individual and societal costs that are reflected in much of the research literature estimating the cost of poverty.

Estimating the Public Service Cost of Poverty

The purpose of this report is to highlight the additional public service costs that Irish society carries as a result of current and past experiences of poverty. It does so to establish a heretofore absent benchmark for the recurring annual costs to the state of poverty, and to highlight for all members of society, whether they are above or below the poverty line, the costs incurred by society as a result of poverty.

The costings presented throughout this report are driven by available statistical and administrative data from the Central Statistics Office, various Government departments and agencies, answers to parliamentary questions and the published results of related studies both nationally and internationally. Data on the outcomes and incomes of the population has also been analysed using microdata from the CSO's Survey on Income and Living Conditions.

The report uses this data to establish a main, low and high cost of poverty estimate for each category of public expenditure. As the analysis demonstrates, uncertainty coupled with data limitations means that the determination of an accurate point estimate for the public service cost of poverty would be difficult, and most likely misleading. Thus, the report has determined an indicative main estimate, built around the evidence, data and international literature. The main estimate is determined simultaneously with a low-estimate, which reflects a more conservative approach

to determining the cost of poverty, and a high-estimate reflecting the likely upper-limit of these costs. Collectively, the estimates give a range for the overall public service cost of poverty.

Importantly the figures produced by the analysis are estimates. They are not intended to be measures of precision and are somewhat tied to the adequacy of current public expenditure commitments to address poverty and disadvantage. Where these are deficient, current expenditure by the state is lower than ideal, giving a mirage of poverty costs that are lower than what should be their true level. However, as the objective of this study is to determine an indicative cost of poverty, the general scale of the overall poverty cost estimate is unlikely to be very different to that determined.

This report examines the cost of poverty categorised into six broad areas of public policy and expenditure:

- Health Care
- Children and Families
- Education and Training
- Housing
- Gardaí, Criminal Justice and Emergency Services
- Certain Welfare Supports

Within these broad areas the report examines a total of twenty-five individual areas or expenditure programmes, accounting for a total of €27.9bn in annual state spending.

The Public Service Cost of Poverty

Table 1 summarises the overall findings of the report. The main estimate approach finds that the annual public service cost of poverty to Ireland is almost €4.5bn. Using a more conservative set of costing assumptions the low estimate determines a cost of €3bn per annum. As an attempt to determine the likely upper limit of these costs the high estimate provides a value of just over €7.2bn per annum.

Table 1 Summary of the Public Service Cost of Poverty in Ireland – three estimates

| | Main Estimate | Low Estimate | High Estimate |
|---------------------------------------|---------------|--------------|---------------|
| Public Service Cost of Poverty | €4,491m | €3,077m | €7,245m |

Note: See more comprehensive details in Tables 5.2-5.4 of the main report.

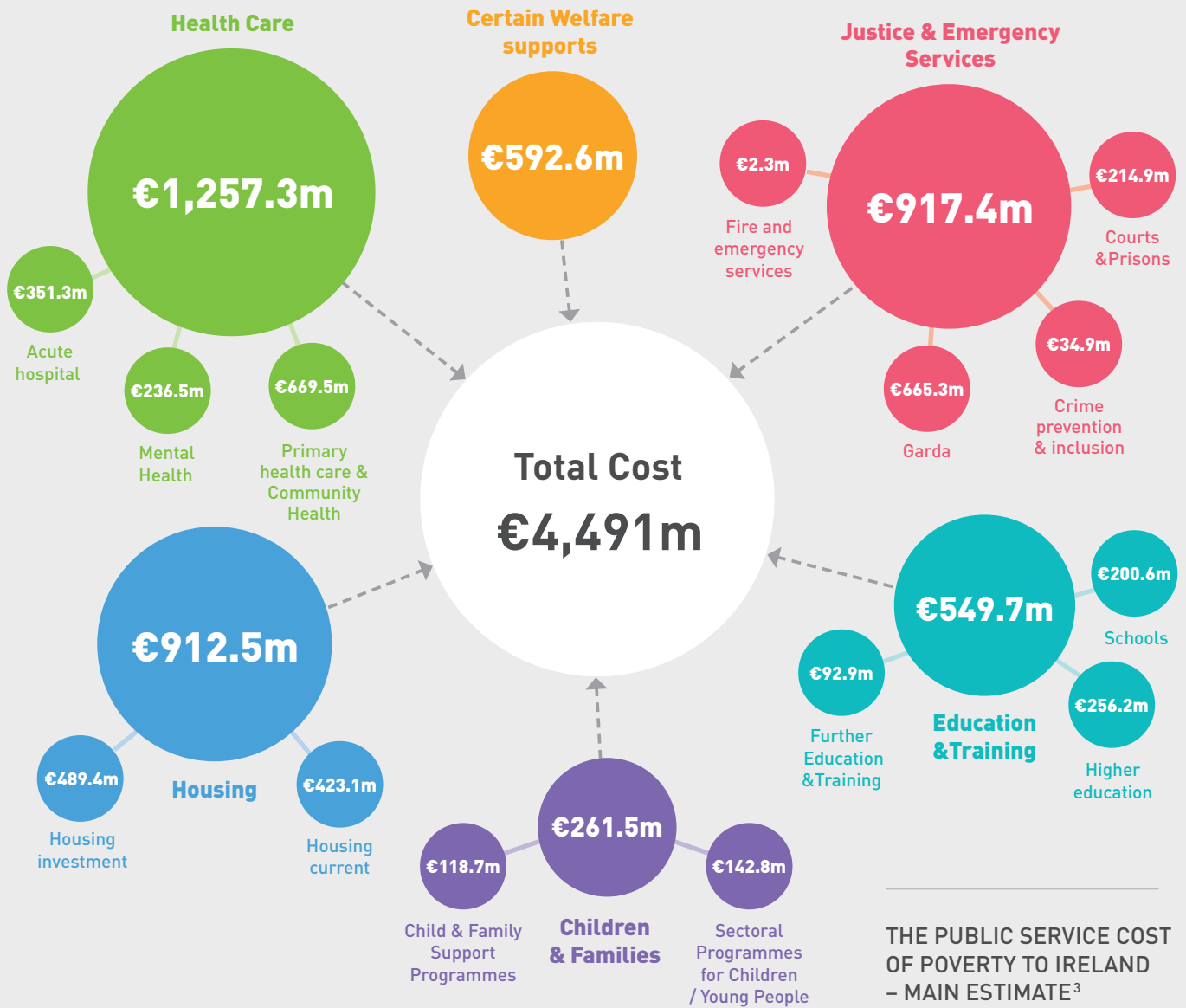
Focusing on the main estimate, the infographic and Table 2 provides a decomposition of the estimates established for each of the areas of public expenditure examined by the report.

Figure 3 also summarises these results by each of the six broad areas of public policy examined in the costing analysis.

Table 2 The Public Service Cost of Poverty to Ireland – main estimate

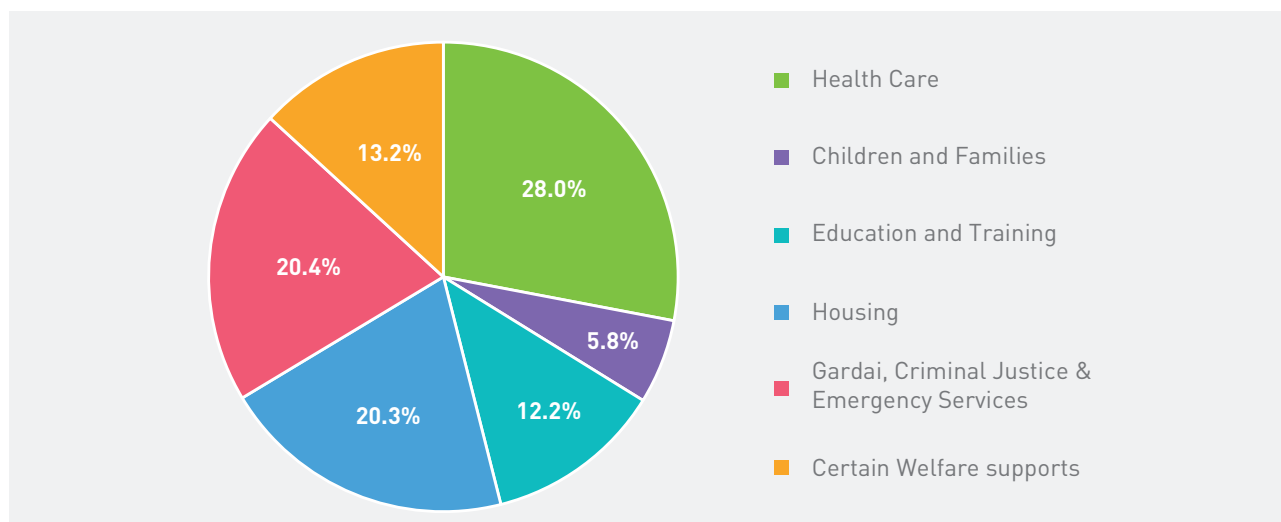
| Expenditure heading | Annual Expenditure €m | % associated with poverty | Estimated Poverty Cost €m |
|--|-----------------------|---------------------------|---------------------------|
| Health Care | | | |
| Acute hospital | 5,243 | 6.7% | 351.3 |
| Primary health care & Community Health | 4,009 | 16.7% | 669.5 |
| Mental Health | 860 | 27.5% | 236.5 |
| Children and Families | | | |
| Child and Family Support Programmes | 786 | 15.1% | 118.7 |
| Sectoral Programmes for Children / Young People | 649 | 22.0% | 142.8 |
| Education and Training | | | |
| Schools | 7,312 | 2.7% | 200.6 |
| Further Education and Training | 610 | 15.2% | 92.9 |
| Higher education | 1,572 | 16.3% | 256.2 |
| Housing | | | |
| Housing investment | 1,288 | 38.0% | 489.4 |
| Housing current | 1,113 | 38.0% | 423.1 |
| Gardaí, Criminal Justice & Emergency Services | | | |
| Garda | 1,760 | 37.8% | 665.3 |
| Courts and Prisons | 497 | 43.2% | 214.9 |
| Crime prevention and inclusion | 185 | 18.9% | 34.9 |
| Fire and emergency services | 12 | 18.9% | 2.3 |
| Certain Welfare supports | 2,022 | 29.3% | 592.6 |
| Total Public Service Costs | | | 4,491.0 |

Notes: Figures have been rounded for the purpose of presentation. The main report presents a more detailed decomposition of this costing alongside those for the low and high estimate. Certain welfare supports includes an analysis of eleven individual welfare programmes.



³ The report establishes a main, low and high cost of poverty estimate for each category of public expenditure. Uncertainty coupled with data limitations means that the determination of an accurate point estimate for the public service cost of poverty would be difficult. Using a more conservative set of costing assumptions the low estimate determines a cost of €3bn per annum. As an attempt to determine the likely upper limit of these costs the high estimate provides a value of just over €7.2bn per annum. Figures have been rounded for the purpose of presentation.

Figure 3 Composition of the Main Estimate of the Public Service Cost of Poverty to Ireland (€4,491m per annum) – by expenditure areas



Source: Calculated by author from CSO SILC data

The Public Service Cost of Poverty in Context

One purpose of this report is to highlight the hidden nature of these public service costs, which while often visible individually are infrequently considered cumulatively and compared to other demands and priorities that the state must meet. Therefore, it is worth putting the findings in some context.

Table 3 considers the findings of the report in a number of different ways. Expressed in per capita terms the main finding of almost €4.5bn implies that poverty imposes a public service cost equivalent

to a sum of €913 per person in the state each year. Relative to the number of households in the state, the annual public service cost of poverty is just over €2,600 per household. Compared to the overall income and expenditure of Government, the main public service cost of poverty estimate is equivalent to 5.1% of total General Government Revenue and 5% of total General Government Expenditure. Put another way, €1 in every €20 collected by the state from taxes, social insurance and charges ends up being allocated by the state to make up for the way that poverty damages people’s lives.

Table 3 The Public Service Cost of Poverty in Context

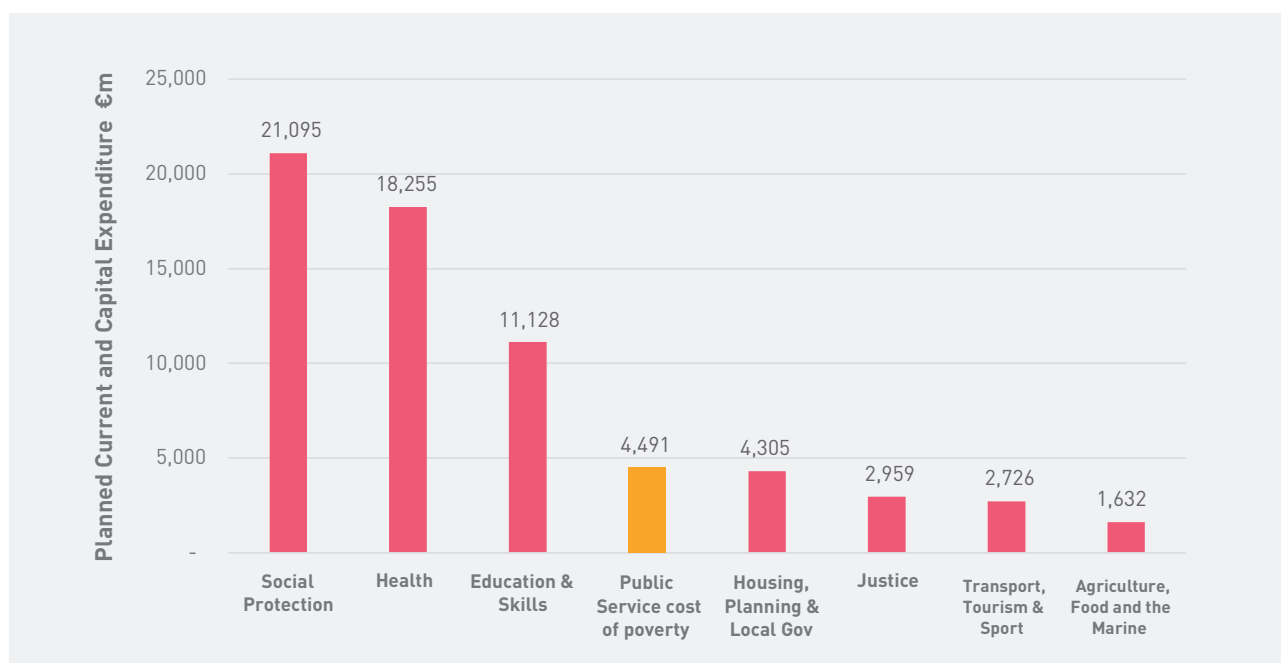
| | Main Estimate | Low Estimate | High Estimate |
|---------------------------------------|---------------|--------------|---------------|
| Public Service Cost of Poverty | €4,491m | €3,077m | €7,245m |
| per capita cost | €913 | €625 | €1,472 |
| per household cost | €2,638 | €1,808 | €4,256 |
| as a % Total Gov Revenue | 5.1% | 3.5% | 8.2% |
| as % Total Gov Expenditure | 5.0% | 3.4% | 8.0% |

Notes: Calculated using CSO population projections for April 2019, CSO household count from Census 2016 and Budget 2020 projections for (pre Covid-19) general government revenue and expenditure (Department of Finance, 2019: 58).

Figure 4 compares the main public service cost of poverty in another way. It places the annual figure of almost €4.5bn next to the total allocated current and capital expenditure of the seven highest spending Government departments following Budget 2020. The total annual public service cost of poverty comes fourth, standing at less than total spending at the Department of Employment Affairs

and Social Protection, the Department of Health and the Department of Education and Skills but larger than annual spending in the Department of Housing, Planning and Local Government, the Department of Justice and Equality, the Department of Transport, Tourism and Sport, the Department of Agriculture, Food and Marine and all other Government Departments.

Figure 4 The Public Service Cost of Poverty in the Context of Departmental Expenditure (current and capital)




Notes: Calculated from DPER Budget 2020 Expenditure Report (2019: 9-10) based on pre Covid-19 expenditure allocations. Comparison is with the main estimate of the public service cost of poverty.

Some Policy Implications

This report has not set out to provide a precise measure of the impact of current and previous experiences of poverty on the demand and need for public services in Ireland. As alluded to earlier, such precision is impossible and it is for that reason that the costing approach has been set out as a range from a conservative low estimate to an upper-limit high estimate. Between these, the main estimate is intended to be a reasonable indication of the poverty related costs currently experienced by the state.

The scale of annual state expenditure identified as being associated with the current and past effect of poverty is substantial and carries a number of policy implications. First, the results of the report highlight that the existence of poverty is impacting everyone in Irish society and not just those on incomes below the poverty line. In particular, a large amount of the money raised and spent by the state every year is associated with the ways that poverty damages peoples' lives. Second, the results point towards the potential for a new suite of public policies focused on addressing and reducing



the current experiences of poverty and their past consequences. These have the potential to create a virtuous circle for society, where the lives of the least well off are improved while simultaneously freeing up government resources to focus on other public policy priorities. Some of these savings have the potential to arise in the short-term while others, in particular those associated with legacy impacts of poverty and disadvantage, will take time to appear. In some areas the state will need to ‘invest to save’; by increasing commitments and spending so that the substantial medium to longer-term savings can be realised.

Year after year poverty imposes substantial costs on all of Irish society. While these fall heaviest on those

living on the lowest incomes within our society, this report highlights that there are substantial costs borne by all. Consequently, there are benefits for all associated with a coherent national strategy to address and successfully reduce poverty and its consequences. For many years Ireland was an international leader in the adoption of National Anti-Poverty Strategies which were targeted at addressing the challenges highlighted throughout this report. Regrettably, in recent years this focus has slipped but as this report demonstrates there are substantial benefits for all to be gain from a renewed national policy focus on addressing and reducing the number of people in our society living life below the poverty line.

1 Introduction

Living life on a poverty income is common in Irish society. It is the reality for around 700,000 people living in 270,000 households across the state. By necessity living life on such a low income imposes costs on these individuals and families. Making ends meet involves personal sacrifices, restricts options and limits opportunities; for many it is not always possible to find ways to make ends meet.¹ These individual costs of poverty are large scale and leave effects that last years and at times generations.

Alongside these individual costs, poverty is responsible for other costs. In particular, the presence of poverty in a society triggers demands on the public purse. These costs derive from the identification of poverty as a determining factor in the need for, and demand for, a wide range of public services and policies ranging across almost all areas of public policy.

This report draws on a wide range of data, and the experiences of asking similar questions in other countries, to determine estimates of the annual public service cost of poverty for Ireland. In doing so the analysis reviews public spending across six broad areas of public policy, and within them twenty-five individual areas or expenditure programmes, accounting for a total of €27.9bn in annual state spending.

Within this expenditure, the report attempts to isolate the proportion of public service provision that is driven by current and past experiences of poverty.

One purpose of this report is to highlight the hidden nature of these public service costs, which while often visible individually are infrequently considered cumulatively and compared to other demands and priorities that the state must meet. The scale of these costs highlights the need for all in society to recognise the large and recurring annual costs to the state of poverty.

The report is structured as follows. Chapter 2 opens by presenting a brief profile of poverty in Ireland to determine the scale of the issue, the composition of the poverty population, and the trends in poverty over the last decade. The costing approach that the report takes is outlined in Chapter 3. Given this, Chapter 4 presents the estimates of the public sector costs of poverty across six broadly defined areas of public expenditure. These individual estimates are brought together, to calculate an overall cost in Chapter 5. Finally, Chapter 6 considers the context of the results and the policy implications they imply.

¹ See VPSJ (2018) who explored the choices families make with income below adequacy levels.

2 Poverty in Ireland: a profile

At the outset of this report, this chapter provides a brief overview of the scale and composition of poverty in Ireland. Annual data on the risk and composition of poverty is provided by the Central Statistics Office (CSO) as part of their Survey on Income and Living Conditions (SILC) report. Using the standard definition of poverty, those living below a 'poverty line' set at 60% of median equivalised disposable income, shows that over the last decade between 14% and 17% of the

population each year has been living on an income below that line.²

As Table 2.1 shows, the proportion of the population 'at risk of poverty' peaked at 16.9% in 2012 and was at its lowest rates in 2009 (14.1%) and 2018 (14%).

In summary, one in every seven people living in Ireland lives on a poverty income.

Table 2.1 Poverty and Deprivation in Numbers, 2008-2018

| | % of population below the poverty line | Numbers below the poverty line | % of population experiencing deprivation | % of population in consistent poverty |
|-------|--|--------------------------------|--|---------------------------------------|
| 2008 | 14.4 | 647,526 | 13.7 | 4.2 |
| 2009 | 14.1 | 632,535 | 17.1 | 5.5 |
| 2010 | 14.7 | 656,978 | 22.6 | 6.3 |
| 2011 | 16.0 | 716,335 | 24.5 | 6.9 |
| 2012 | 16.9 | 776,646 | 27.0 | 8.2 |
| 2013 | 16.2 | 749,939 | 30.5 | 9.0 |
| 2014 | 16.7 | 778,644 | 28.9 | 8.3 |
| 2015 | 16.3 | 762,970 | 25.4 | 8.5 |
| 2016 | 16.2 | 770,328 | 21.0 | 8.2 |
| 2017 | 15.7 | 755,593 | 18.8 | 6.7 |
| 2018* | 14.0 | 673,777 | 15.1 | 5.6 |

Source: Calculated by author from CSO SILC data

Notes: The poverty line is set at 60% of median income adjusted for household size and composition. Deprivation is counted as those unable to afford two or more of eleven basic items. Consistent poverty includes those below the 60% poverty line who simultaneously experience deprivation of two or more of eleven basic items. *2018 microdata was not available at the time of the analysis and the number below the poverty line is calculated based on the 2017 population figure. The data in this chart is illustrated in Figure A1 in the appendix.

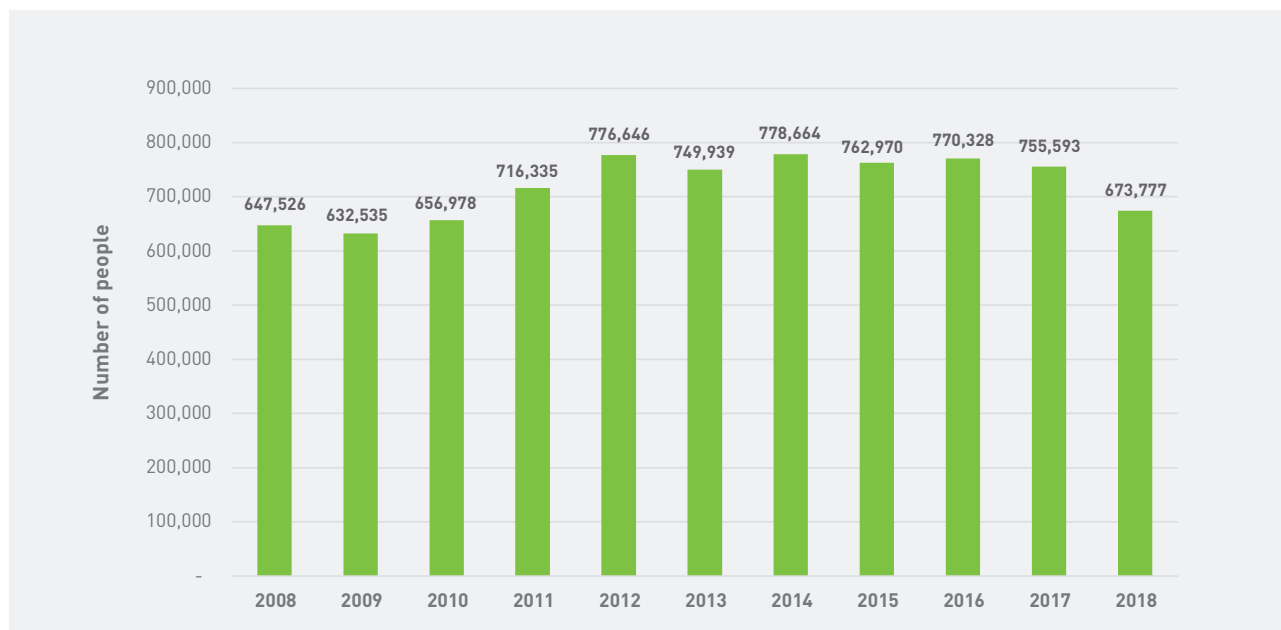
² Disposable Income is income after receipt of all earnings, social transfers and the payment of income taxes. Poverty lines are calculated on the basis of household income and adjust for household size and composition to ensure comparability. See here for further details: <https://www.cso.ie/en/statistics/socialconditions/surveyonincomeandlivingconditionssilc/>

While the headcount of the total number of people living below the poverty line changes from year to year, the average over the past decade has been approximately 720,000 each year (see Figure 2.1). This report predominately focuses on these individuals and the public service responses to their current and past experiences of poverty. Complementing the at risk of poverty indicator, other measures of disadvantage are also used when describing the population living on a low income in Ireland. These can define that population in a broader or narrower manner.

meaning that they are going without two or more basic possessions or social participation experiences because they are unable to afford them.³ In general, this measure captures a wider group of individuals and has ranged from 14%-30% of the population over the last decade. A subset of this group are those who simultaneously experience deprivation and live on an income below the poverty line; known as consistent poverty. This rate has ranged from 4%-9% of the population between 2008-2018.

Table 2.1 also reports the proportion of the population experiencing enforced deprivation,

Figure 2.1 Poverty Count, 2008-2018



Source: Calculated by author from CSO SILC data
Note: See notes to Table 2.1

³ In Ireland, 11 basic items are used to construct the deprivation index: Unable to afford two pairs of strong shoes; Unable to afford a warm waterproof overcoat; Unable to afford new clothes; Unable to afford a meal with meat, chicken or fish every second day; Unable to afford a roast joint or its equivalent once a week; Without heating at some stage in the last year through lack of money; Unable to afford to keep the home adequately warm; Unable to afford to buy presents for family or friends at least once a year; Unable to afford to replace any worn out furniture Unable to afford to have family or friends for a drink or meal once a month; Unable to afford a morning, afternoon or evening out in the last fortnight for entertainment.

Table 2.2 Weekly and Annual Value of the Poverty Line, Disposable Income in 2018

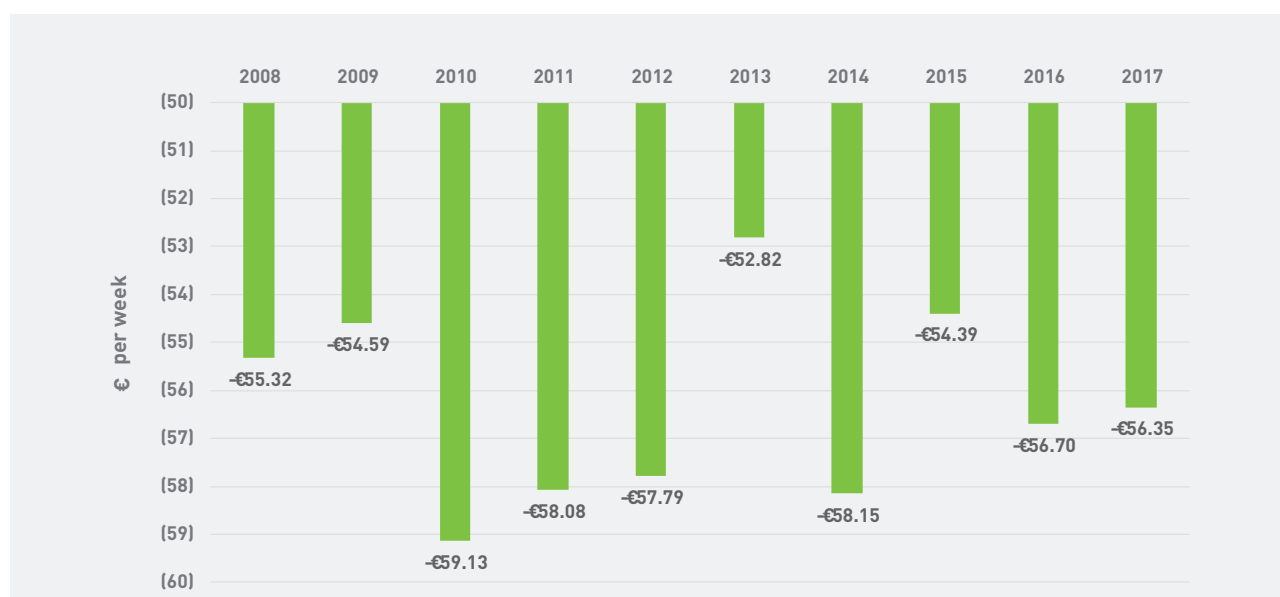
| Household Type | No children | 1 child | 2 children | 3 children | 4 children | 5 children |
|---------------------------|-------------|---------|------------|------------|------------|------------|
| Weekly poverty line value | | | | | | |
| Single Adult | 263.18 | | | | | |
| Couple | 436.88 | 523.73 | 610.58 | 697.43 | 784.28 | 871.13 |
| Lone Parent | | 350.03 | 436.88 | 523.73 | 610.58 | 697.43 |
| Annual poverty line value | | | | | | |
| Single Adult | 13,723 | | | | | |
| Couple | 22,780 | 27,309 | 31,837 | 36,366 | 40,895 | 45,423 |
| Lone Parent | | 18,252 | 22,780 | 27,309 | 31,837 | 36,366 |

Source: Calculated by author from CSO SILC data **Note:** Social Justice Ireland provide an annual update of these lines each year (see SJI, 2020: 45).

Using results for the latest SILC publication, the nominal values of the poverty line in weekly and annual terms for 2018 are presented in Table 2.2. The value of the line varies by household type and is calculated as multiples of the baseline rate for a single adult. The values highlight the

disposable income thresholds below which people are classified as being at risk of poverty. The modest incomes reported illustrate that for the large numbers of people living on an income below these weekly thresholds meeting day-to-day commitments is a recurring challenge.

Figure 2.2 Average Depth of Poverty per week, 2008-2017



Source: Calculated by author from CSO SILC data

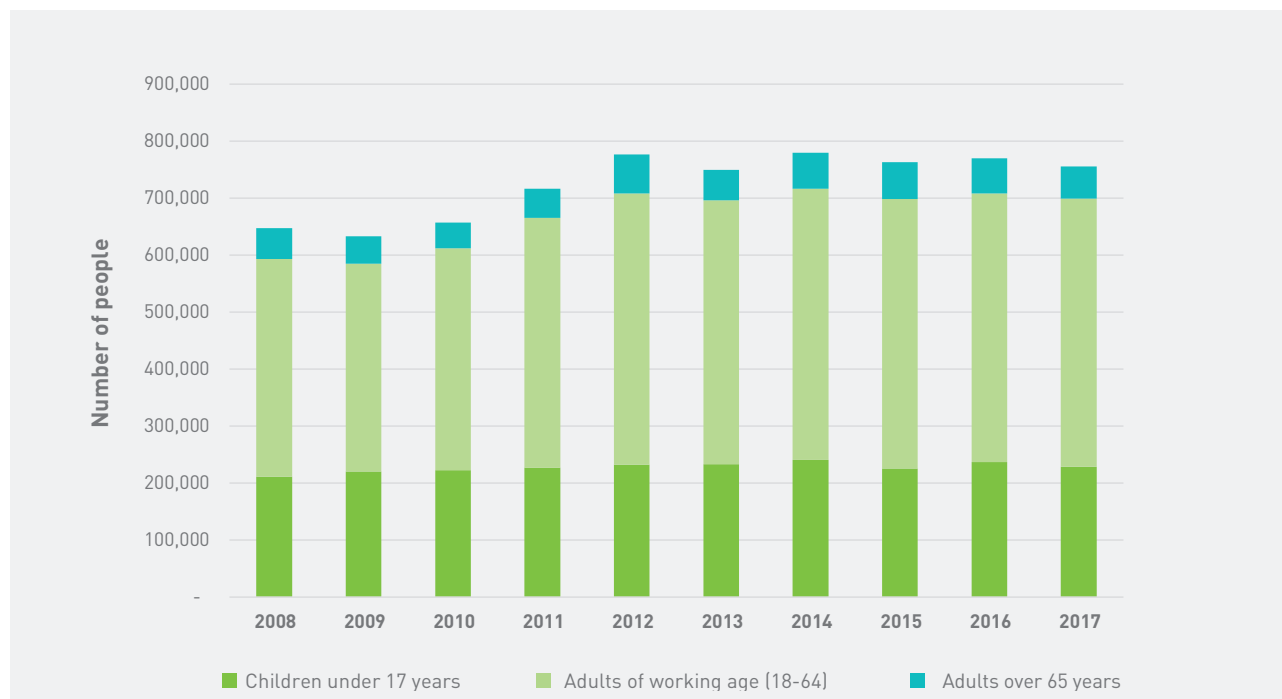
The availability of detailed microdata for the year 2017 and before drives the remainder of the analysis in this chapter.⁴ While the poverty threshold is in itself interesting, many live on an income well below that level. Figure 2.2 shows the average distance below the poverty line threshold (the depth of poverty) since 2008. On average those in poverty have an income around €55 per week (€2,900 per year) below the poverty line; in other words, they are some distance below the poverty threshold.

The age distribution of those below the poverty line is also informative – see Figure 2.3. While most of those living in poverty are of working age there are a large number of children living with these adults in poverty. About 30% of all those in poverty are aged 17 years and under, averaging about 225,000 children each year. This illustrates the phenomenon of low-income families living below

the poverty line and points towards some of the current and intergenerational personal and public policy challenges that poverty represents.

At the other end of the age distribution poverty is less common among those aged over 65 years. About 55,000 pensioners live on an income below the poverty line and represent approximately 8% of the poverty population. In recent years the adequacy of income transfers, plus attempts to keep old age pension payments increasing in line with earnings levels, has buttressed this group from relative declines in income and increases in the income poverty rate. However, if earnings increases were to move faster than increases to the old age pension, one could expect the poverty experiences of this group to increase once again – something that happened in a pronounced way in the late 1990s.⁵

Figure 2.3 Composition of those living below the poverty line, 2008-2017



Source: Calculated by author from CSO SILC data

⁴ At the time of writing this report the microdata for SILC 2018 had not been made available.

⁵ See Whelan et al (2003: 31) and Social Justice Ireland (2020: 51-52).

A final overview, presented in Table 2.3 and Figure 2.4, identifies the socio-economic characteristics of the 755,593 people living below the poverty line in 2017. It highlights that six in every ten individuals living in poverty are in households with working age adults and children; underscoring the issue of family poverty outlined earlier.

One-quarter of those in poverty rent their homes from local authorities while another fifth are in the private rented sector (whether in receipt of state support for their rents or not). Unsurprisingly, given the scale of poverty, people living below the poverty line are spread throughout almost all parts the country. Overall, about half a million of people in poverty live in urban areas while one-third are in rural Ireland; with the urban/rural distribution of poverty being similar to the distribution of the population across these areas⁶.

Poverty is also present across most of the principal economic status groups. 110,000 of people in poverty are at work (the working poor), 100,000 are unemployed and 100,000 work in the

home predominantly in caring roles. 45,000 of those experiencing poverty are retired while almost 70,000 are long-term ill or disabled.

Most of those who are in poverty record a depth of poverty in and around the overall average of €56 per week. However, a few groups stand out as they possess incomes that lie even deeper in poverty. In particular, the poverty experiences of pensioners and pensioner households are of interest. Those relatively few pensioners who are in poverty are more likely to be deeper in poverty; by €20 a week (€1,000 a year) more than is the case for the rest of those living below the poverty line.

Unsurprisingly, the financial wellbeing of most people living below the poverty line is weak (Figure 2.4). 85 per cent live in households that report difficulty in making ends meet while three-quarters are in households that could not afford to pay an expected required expense, of about €1,000, without having to engage in borrowing or seeking assistance from family, friends or charity.

⁶ The population splits 68.6% in urban areas and 31.4% in rural areas (CSO, 2019 Table 3.6).

Table 2.3 Poverty in Profile, 2017

| | Poverty Headcount | Poverty Headcount % | Average Weekly Depth |
|---------------------------|-------------------|---------------------|----------------------|
| Overall | 755,593 | 100% | €56 |
| Age Groups | | | |
| 0-17 | 228,945 | 30.3% | €53 |
| 18-64 | 469,979 | 62.2% | €57 |
| 65+ | 56,669 | 7.5% | €62 |
| Gender | | | |
| Male | 357,456 | 47.3% | €54 |
| Female | 398,137 | 52.7% | €58 |
| Household Type | | | |
| Pensioner household | 21,209 | 2.8% | €77 |
| Working age with children | 458,335 | 60.7% | €55 |
| Working age no children | 276,048 | 36.5% | €58 |
| Tenure | | | |
| Owned outright | 235,526 | 31.2% | €61 |
| Owned with mortgage | 93,943 | 12.4% | €48 |
| Rented market price | 152,426 | 20.2% | €51 |
| Rented LA | 206,836 | 27.4% | €48 |
| Rented below market price | 66,862 | 8.8% | €88 |
| Location | | | |
| Urban | 496,492 | 65.7% | €58 |
| Rural | 259,100 | 34.3% | €53 |
| PES | | | |
| At work | 108,080 | 14.3% | €53 |
| Unemployed | 101,688 | 13.5% | €52 |
| Student | 138,145 | 18.3% | €70 |
| On home duties | 98,575 | 13.0% | €60 |
| Retired | 44,565 | 5.9% | €65 |
| Ill/disabled | 68,449 | 9.1% | €36 |
| Other inactive person | 15,210 | 2.0% | €93 |
| Aged < 16 yrs | 180,881 | 23.9% | €50 |
| Deprivation Status | | | |
| Not deprived | 432,003 | 57.2% | €58 |
| In enforced deprivation | 323,590 | 42.8% | €54 |

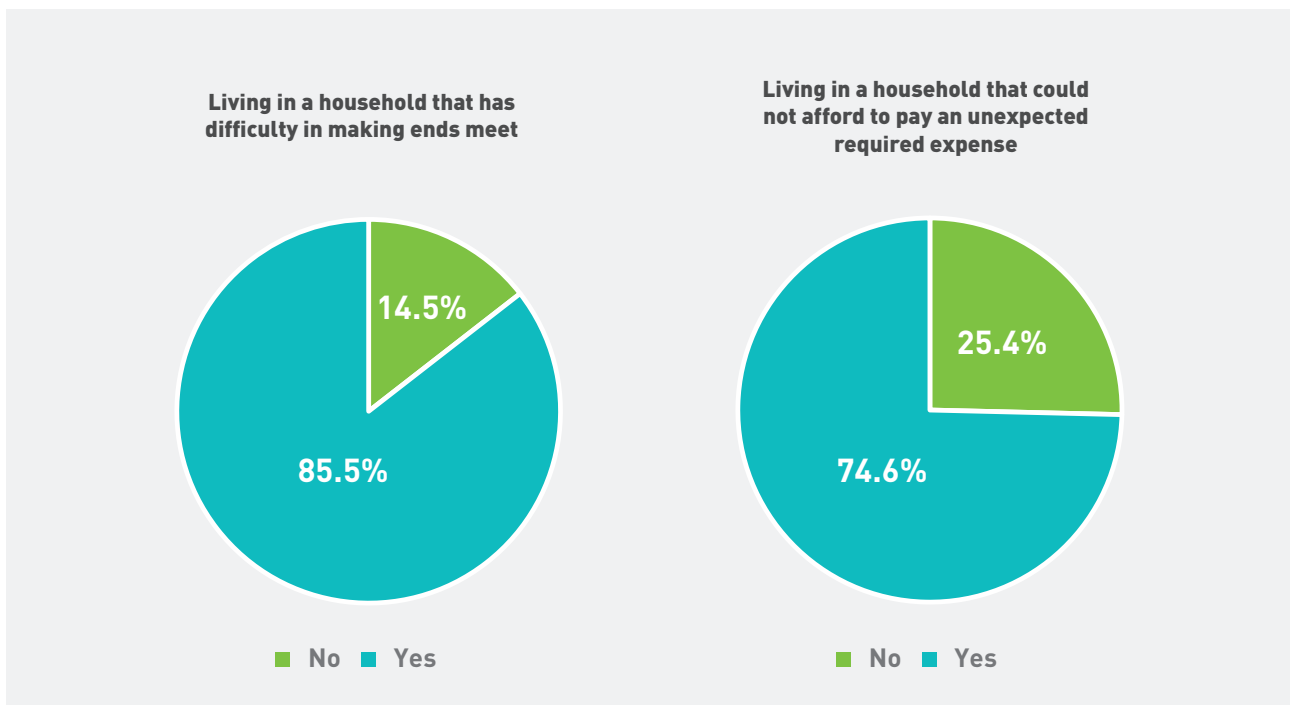
Source: Calculated by author from CSO SILC data

Note: See CSO SILC background notes for further details on the socio-economic classifications used. 'Average weekly depth' reports how average distance below the poverty line for each group. Deprivation is counted as those unable to afford two or more of eleven basic items.

Overall, poverty is a common occurrence in Irish society. Life on a low income is the norm for large numbers of adults and children. The experience of poverty triggers individual and societal responses necessitating choices to be made so that households can attempt to make ends meet. These choices, and their immediate and longer-term consequences, trigger both individual and societal costs that are reflected in much of the research literature estimating the cost of poverty.

The remainder of this report focuses on the societal aspects of these costs by attempting to estimate the impact that these choices have on the provision of public services. Poverty triggers needs and responses by the state, not always at the ideal level of adequacy, but nonetheless involving resources that are allocated to addressing the outfall from current and past experiences of poverty.

Figure 2.4 Financial Wellbeing of those living below the Poverty Line, 2017



Source: Calculated by author from CSO SILC data

3 Placing a Cost on Poverty

Starting from a theoretical perspective, poverty is seen as imposing three costs on a society. First, it impacts hardest on those individuals experiencing poverty, causing them financial hardship, mental distress and persistent personal and social anxiety. Such experiences are not purely tied to current incidents of poverty, as the personal and developmental consequences of poverty can have scarring effects that persist for years, decades or across whole lifetimes. Second, poverty impacts on the choices that societies can make regarding the allocation of scarce public resources. State expenditure to address current and past experiences of poverty, and counter their consequences, is an unavoidable current cost that Governments are forced to address; although the adequacy with which they do so is a matter of political choice. Third, poverty imposes a moral cost on a society. For a developed world country like Ireland, it highlights the inability of a state to adequately provide for its most disadvantaged residents, an outcome that sits in contrast to simultaneous achievements of economic growth, enhanced prosperity and various other measures of national progress.

Of these three costs, this report is solely focused on establishing an indicative estimate for the second one. That is not to overlook the other two, both are core aspects of national experiences of poverty and reflect key individual and societal outcomes. However, the purpose of this report is to highlight the additional public service costs that Irish society carries as a result of current and past experiences of poverty. It does so to establish a heretofore absent benchmark for the recurring annual costs to the state of poverty, and to highlight for all members of society, whether they are above or below the poverty line, the costs incurred by society as a result of poverty.

While there is an extensive literature on the experiences and consequences of poverty, and a growing field within this focused on social

gradients in health and child wellbeing, the research literature on establishing the monetary costs on poverty is less extensive. It includes a number of different approaches, some exclusively focused on one population group in poverty such as children, and each with their own advantages and disadvantages. Some use measures of national income, decreased productivity and reduced earnings to determine the cumulative lost income and economic growth associated with the negative education, employment and social outcome effects of poverty – for example McLaughlin and Rank (2018) for the United States, Blanden et al (2008) for the UK and Laurie (2008) for Ontario in Canada. Others select key areas where costs arise and cost-up the cumulative poverty induced lifetime losses; for example those associated with lost earnings, additional crime and poorer health among children in the United States (Holzer et al, 2007 and 2008). A similar approach but focused on establishing an annual cost of child poverty to individuals and the state was concluded in 2011 by Pearce for Analytica in New Zealand. It determined a counterfactual, a scenario where child poverty had been eliminated, and estimated the annual lost gains (or costs) across higher earnings, lower crime, reduced health care costs and reduced welfare (Pearce, 2011). A report focused on the cost of poverty to the city of Toronto, also counted savings from lower crime and improved health but broadened the analysis to simulate the additional taxes that would arise for the state from higher earnings and incomes (Briggs et al, 2016).

This report takes a bottom-up approach to constructing a cost of poverty and exclusively focuses on the costs experienced by the state (the national Government and its funded agencies). In doing so it builds up a picture of costs across a wide range of key public spending areas, following an approach similar to UK studies by Hirsch (2008, 2013) on child poverty, Bramley and Watkins (2008) on public services costs and Bramley et al (2016) on the overall cost of poverty including estimates of the knock-on consequences of poverty for taxation revenues and measures of national income.

Based on Bramley et al (2016: 5-6), it is possible to provide a categorisation of the types of public service costs of poverty. These highlight additional state expenditure that partially or totally arises as a result of:

- **Damage** caused by current experiences of poverty (e.g. such as poor health outcomes);
- **Giving help** to relieve the difficulties of living on a poverty income (e.g. providing social housing)
- **Preventing** the passing on of the effects of poverty (e.g. providing additional resources for schools in disadvantaged communities); and
- **Dealing** with the legacy effects of past poverty (e.g. providing adult literacy programmes)

The costings presented throughout this report are driven by available statistical and administrative data from the Central Statistics Office (CSO), various Government departments and agencies, answers to parliamentary questions and the published results of related studies both nationally and internationally. Public expenditure data has been principally sourced from the Department of Public Expenditure and Reform's (DPER) Expenditure Report and Revised Estimates for 2019 (DPER, 2018a, 2018b). Data on the outcomes and incomes of the population has also been analysed using microdata from the CSO's SILC. This is particularly useful for comparing the situation of those above and below the poverty line or determining differences between those on the lowest incomes and the rest of the population.

The report uses this data to establish a main, low and high cost of poverty estimate for each category of public expenditure; in all there are twenty-five categories examined. As the analysis indicates, uncertainty coupled with data limitations means that the determination of an accurate point estimate for the public service cost of poverty would be difficult, and most likely misleading. Thus, the report sets out to determine an indicative main estimate, built around the evidence, data

and international literature. Often this estimate is established using a proxy indicator that is available within the data and literature. The main estimate is determined simultaneously with a low-estimate, which reflects a more conservative approach to determining the cost of poverty, and a high-estimate reflecting the likely upper-limit of these costs. Collectively, the estimates give a range for the overall public service cost of poverty. The low and high estimates also allow readers, who may disagree with the calls that in places the researcher has had to make, to ascertain the impact of alternative assumptions and interpretations on the costing approach.

For some categories of expenditure there are data limitations which restrict the study. These arise either as a result of the unavailability of data, which would allow us to understand experiences of poverty or allocations of public spending better, or because of limitations in the time and resources available to complete this study; in particular the adoption of more advanced empirical techniques would allow a further refinement of some of the cost estimates. Where the evidence is weakest, the analysis adopts a conservative approach and provides a cautious set of costing estimates.

Importantly the figures produced by the analysis in this report are estimates. They are not intended to be measures of precision and are somewhat tied to the adequacy of current public expenditure commitments to address poverty and disadvantage. Where these are deficient, current expenditure by the state is lower than ideal, giving a mirage of poverty costs that are lower than what should be their true level. However, as the objective of this study is to determine an indicative cost of poverty, the general scale of the overall poverty cost estimate is unlikely to be very different to that determined across the six broad areas of public policy and expenditure in the next chapter.

4 Determining the Public Service Cost of Poverty in Ireland

This report examines the cost of poverty categorised into six broad areas of public policy and expenditure. In each case the costings follow the approach and assumptions outlined in the previous chapter, and provide a principal, or main, estimate for the public service cost of poverty within that sector. This estimate is accompanied by two further costings, a low-estimate which reflects a more conservative approach to determining the cost of poverty, and a high-estimate reflecting the likely upper-limit of these costs. The costs are collated, to provide an overall public service cost of poverty, in the next section.

The six broad areas of public policy that are examined in this chapter are:

1. Health Care
2. Children and Families
3. Education and Training
4. Housing
5. Gardaí, Criminal Justice and Emergency Services
6. Certain Welfare Supports

Within these broad areas the chapter examines a total of twenty-five individual areas or expenditure programmes, accounting for a total of €27.9bn in annual state spending.

4.1 Health care

Health expenditure accounts for one quarter of all public spending in Ireland. In 2019 it exceeded €17 billion, equivalent to an average of just over €3,500 per person and represented the largest area of public service provision by the state (DPER, 2018a: 5-7).

This section focuses on three large categories of health care expenditure: acute hospital care, primary and community health care, and mental health. It focuses on establishing estimates of

the additional resources required to be spent on these areas of health care and health care services that are associated with the presence of poverty in Irish society. Beyond these three areas, it is acknowledged that there are other areas of health care expenditure (including elderly care, maternity care and long-term illness and disability) which are likely to include some additional poverty related expenditure. As such, the overall health care costs presented here are conservative.

The association between poverty and poor health outcomes is well established in international and national research examining a social gradient in health (see Marmot, 2004; WHO, 2008; Devaux, 2015; Layte et al, 2007; Layte and Nolan, 2016; Goldrick-Kelly and Healy, 2018; Social Justice Ireland, 2019). Using data for Ireland from 2017, Figure 4.1 shows that a greater proportion of those in the bottom-third of the income distribution report poorer health status when compared to those in the top-third. People on a low income are more likely to live in poor health, suffer chronic illness and experience limitations to their daily activities because of health issues.

Figure 4.1 Health Status by Income Decile, 2017

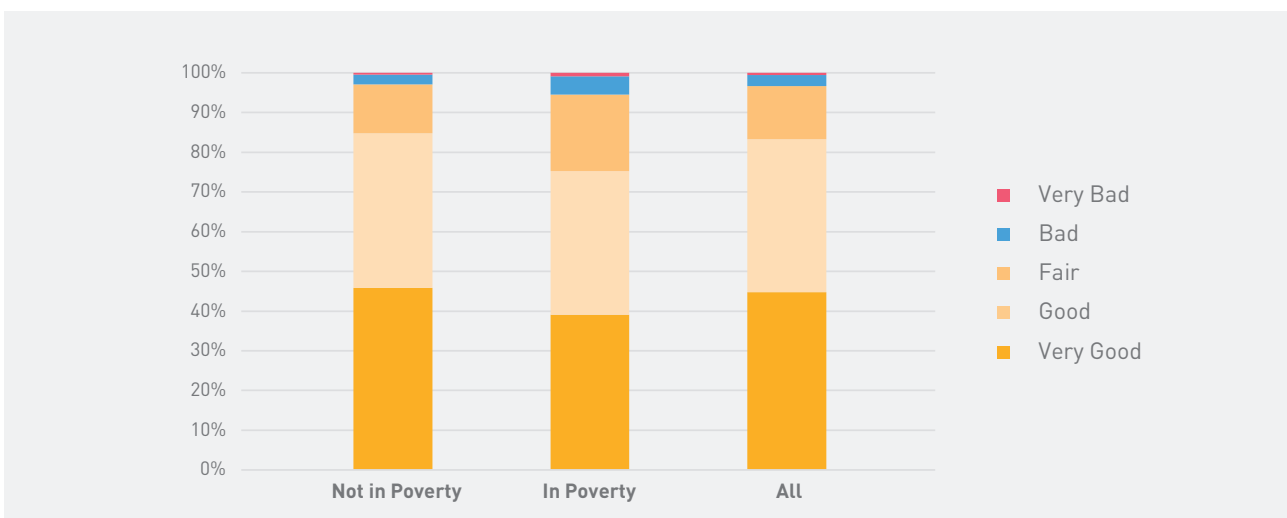


Source: Calculated by author from CSO SILC data

Figures 4.2, 4.3 and 4.4 explore this association further and compare the health status of the general population against those living on an income below the 60% of median income poverty line. While the vast majority of Irish people define

themselves as being in good or very good health (83%) this is lower for those in poverty (75%) who are more likely to indicate a fair or bad general health status) 24% compared to 15% for those not in poverty. ⁷

Figure 4.2 Self-Reported General Health Status, by poverty status in 2017



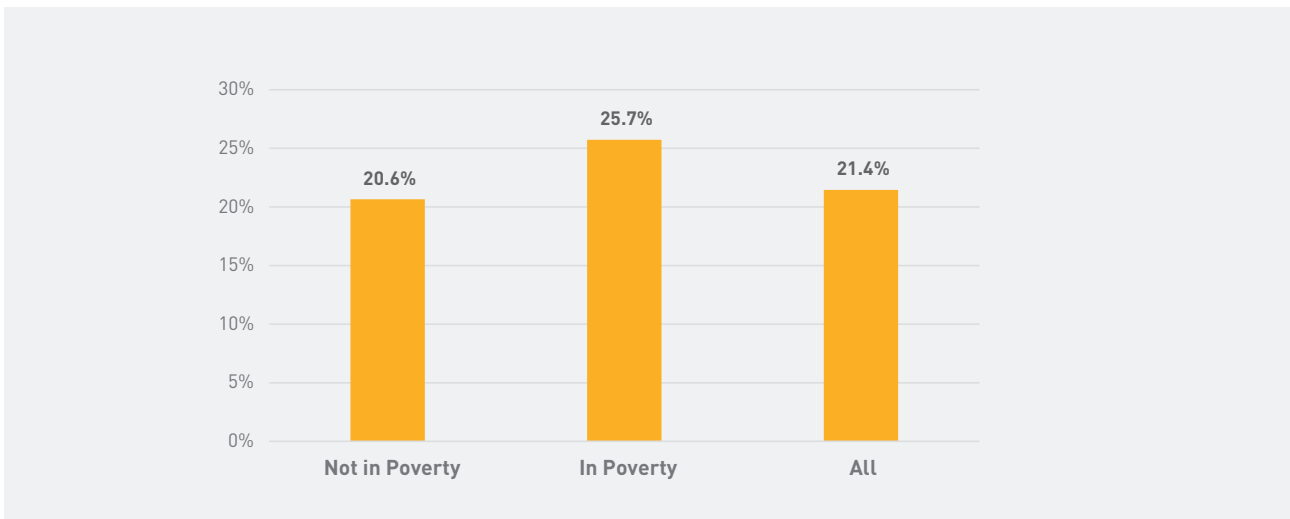
Source: Calculated by author from CSO SILC data

⁷ These differences are similar if you exclude those aged 65 years and above from the analysis.

This pattern is replicated in other measures of health status. Those below the poverty line are more likely to be experiencing a chronic illness (Figure 4.3) and a greater proportion (25% compared to 15%

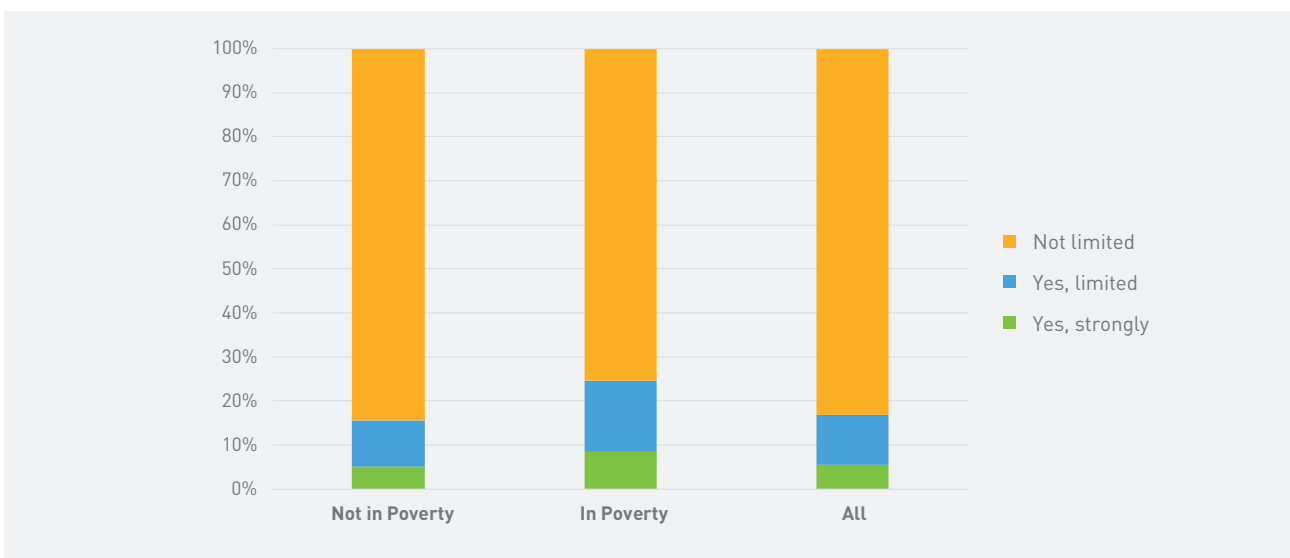
for those not in poverty) experience limitations to their day-to-day activities due to a health problem (Figure 4.4).

Figure 4.3 Experiencing a Chronic Illness, by poverty status in 2017



Source: Calculated by author from CSO SILC data

Figure 4.4 Limiting Health Problems, by poverty status in 2017



Source: Calculated by author from CSO SILC data

Overall, the evidence suggests that those experiencing poverty have worse health. However, despite widespread recognition of poverty as a key determining factor of poor health outcomes, the relationship does not guarantee causality as there may be other determining factors (e.g. genetic background, environmental quality, lifestyle choices and adverse behaviour) which simultaneously influence health outcomes. Indeed, causality may also run in the opposite direction, with those in poor health unable to work and earn sufficient income to live above the poverty line. Thus, while reducing poverty is likely to contribute to the improvement of health levels across the population as a whole, it serves as just one influencing factor; albeit an important one.

This carries some implications for the cost estimates below. The uncertainty of causality underscores the relevance of providing a range of cost estimates rather than a single point estimate. Furthermore, the estimates are based on proportions of current expenditure levels and there is no guarantee that additional need translates into higher rates of utilisation and expenditure; most likely expenditure is limited by other factors which explains the frequency of health waiting lists and other persistent indicators of limitations in health care provision. As such current expenditure may understate need and our results undervalue the true cost of poverty society experiences.

Acute Health Care Expenditure

Acute health care services are provided in state owned and supported hospitals nationwide and include inpatient scheduled care, unscheduled or emergency care, maternity care, and outpatient and diagnostic services. In 2017 this represented the largest area of Health Service Executive (HSE) current expenditure totalling €5,243m (Department of Health, 2018: 70).

The cost of poverty associated with this expenditure is the proportion that occurs as a result of the presence of relative income poverty in Irish society;

put another way, it is the amount that would not need to be spent if current and legacy effects of poverty were absent and were not placing spending pressure on current levels of acute health care provision.

Data on the occurrence and duration of overnight hospital stays, sourced from the SILC survey, is used as the basis for establishing a proxy measure of the cost of poverty. Although this data reflects only part of acute health care, it offers useful insights given its availability from a representative population sample and its ability to be associated with income levels. In the absence of more comprehensive data on acute health care utilisation, the analysis assumes that utilisation rates by income cohort are likely to be similar across all aspects of acute health care and that the cost of poverty estimates established for this area can be generalised to all acute health care expenditure. A drawback is that the data do not indicate the severity of the health problem being addressed and the procedures undertaken; these may not be evenly distributed across the income distribution. Similarly, it does not capture the utilisation of outpatient and emergency services.

Data on the duration of hospital stays shows that on average those whose income is below the poverty line spend longer in hospital than those living above that line (see Table 4.1). Among all those who are poor the average number of nights spent in a state-funded hospital in 2017 was 1.02 days compared to 0.7 days among those living on an income above the poverty line. This difference suggests that over 240,000 excess bed nights in state-funded hospitals are associated with people in poverty, equivalent to 1 in every 15 bed nights (6.7%). Although the aforementioned issues of causality and under-utilisation remain, this estimate of excess acute health care usage associated with poverty is taken as the basis for the main estimate in the cost of poverty calculations.

Separate data on the occurrence of any inpatient overnight hospital stay during the last year provides a further insight into the association between poverty status and utilisation rates (see Table 4.2).

Overall, the SILC analysis finds that while there is a difference in hospital stay duration, there is no statistically significant difference between the incidence of hospitalisation among those in poverty and those living above the poverty line.

A decomposition by age group finds some evidence for slightly higher usage among working age adults living below the poverty line – they account for 20 per cent of all hospitalisations but represent 16 per cent of the population of working adults. However, this lack of strong evidence for poverty

related additional hospital demand echoes the findings of Layte and Nolan (2004) who modelled data from the 2000 Living in Ireland survey to determine that hospital services were distributed equitably across the income distribution; i.e. those in poverty did not use hospital services more than others. Taken together, these results provide the basis for a conservative low cost of poverty estimate of 0% (i.e. no additional demand arises as a result of poverty).

Table 4.1 Number of Nights in a State-funded Hospital, by poverty status in 2017

| | Not in poverty | In Poverty | Difference |
|--|----------------|------------|-------------|
| Population count | 4,046,684 | 755,593 | |
| % of population | 84.3% | 15.7% | |
| Average bed nights* | 0.701 | 1.022 | +0.321 |
| Total bed nights** | | | 3,611,179 |
| Excess bed nights for those in poverty*** | | | 242,501 |
| Excess as a % of total bed nights | | | 6.7% |

Source: Calculated by author from CSO SILC data

Notes: * $p < 0.05$ **Estimated total bed nights using SILC data compares well to HSE total of 3,537,719 for 2017 (2% variation). ***Total excess bed nights calculated as average excess multiplied by the number of people in poverty.

Table 4.2 Distribution of Overnight Hospital Stays, by poverty status in 2017

| | Not in poverty | In Poverty |
|--|----------------|------------|
| Population poverty profile | 84.3% | 15.7% |
| Total overnights | 82.7% | 17.3% |
| Among: | | |
| Children 0-17 years | 76.4% | 23.6% |
| Working age adults 18-64 years* | 79.6% | 20.4% |
| Adults 65 years plus | 89.2% | 10.8% |

Source: Calculated by author from CSO SILC data
Notes: * $p < 0.05$. Each hospital stay is counted as one hospitalisation irrespective of its duration. Only the hospitalisation rate for working age adults is statistically different when decomposed by poverty status.



Both these results look small relative to studies elsewhere. Using administrative data from the Scottish health system for 2014-15, Bramley et al modelled the level of additional acute health care expenditure associated with poverty among children (0-15 years), working age adults (16-59 years) and older people (60 years plus). Their regression models included variables to capture potentially confounding factors, aside from poverty, impacting on demand. They found additional in-patient demand of 25.7%, out-patient demand of 7.8% and day case demand of 21%; overall additional demand associated with poverty was found to be associated with 24.8% of acute health care expenditure a figure they describe as ‘conservative’ (2016: 16-17). They also found a similar result (25.3%) for poverty related demand in the English health care system.

These Scottish and English estimates point towards the possibility of a much greater proportion of acute health care expenditure being associated with the presence of poverty in Irish society.

While there are some differences between the Irish and British acute health care health systems, which may explain some variation between the results although not necessarily the direction of the difference, the proportion of people in relative income poverty in both countries does not differ significantly (at between 15-17% of the population).⁸ As such, the Scottish and English study results provide the basis for a high estimate of 25% in the cost of poverty calculations.

Acute Health Care Expenditure

▶ Annual expenditure = **€5,243m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **6.7%** of annual expenditure = **€351.3m**
- ▶ Low estimate at **0%** of annual expenditure = **€0m**
- ▶ High estimate at **25%** of annual expenditure = **€1,310.8m**



⁸ See Eurostat indicator ilc_li02

Primary Care and Community Health Care

Primary care and community health care cover a wide variety of services provided or subsidised by the state. These include the medical card, the GP visit card, free GP care, reimbursements for drug payments, long-term illness schemes and dental and ophthalmic care schemes. In 2017 current expenditure in this area totalled €4,009m (Department of Health, 2018: 70).

Expenditure on General Medical Services (GMS), which provides health care services to medical card and GP visitation cardholders, represents almost half of this expenditure. According to a Department of Public Expenditure and Reform report this was budgeted at €1.86bn in 2018 (Prior, 2018: 3). Data from the SILC survey makes it possible to associate this expenditure with income levels and provides a starting point for estimating the proportion of expenditure in this category associated with poverty.

Table 4.3 examines the possession of medical cards among those who are in relative income poverty. Just over three-quarters of the poor have either a full medical card (73%) or a GP only card (2.1%)

and they represent 36% of all people in possession of a card.⁹ Using the average cost of the medical card (total cost divided by total number) the table determines that €668m of total GMS expenditure is associated with those living below the poverty line. However, this figure is likely to be conservative given that the aforementioned association between poor health outcomes and low income suggests that there are likely to be higher usage and costs for those in poverty relative to the rest of the population. Conversely, even in the context of a society where no family lived on an income below the poverty line, a proportion of this expenditure would still arise as individuals would qualify for medical cards on a non means-tested basis such as age, illness or disability. The expenditure of €668m is equivalent to 16.7% of total current expenditure on primary care and community health care.

In the absence of comparable data on the usage of all other areas of primary care and community health care by income level, the report uses this figure (16.7%) as a proxy to determine the main estimate in the cost of poverty calculations for all primary care and community health care expenditure.

Table 4.3 Medical Card Possession among those in Poverty, 2017

| | % | Number |
|---|----------------|----------------|
| Medical card | 73.00% | 551,583 |
| GP Visit card | 2.14% | 16,170 |
| No card | 24.86% | 187,840 |
| Total | 100.00% | 755,593 |
| Total medical cards in 2017* | | 1,581,526 |
| % of total held by people in poverty | | 35.9% |
| Total cost of GMS** | | €1,860m |
| Expenditure associated with those in poverty | | €667.7m |

Source: Calculated by author from CSO SILC data
Notes: * $p < 0.05$. Each hospital stay is counted as one hospitalisation irrespective of its duration. Only the hospitalisation rate for working age adults is statistically different when decomposed by poverty status.

⁹ Among those aged 65 years plus 89% possess either a full medical card (85%) or a GP only card (4.2%).

The analysis takes this as the main estimate given the conservatism of the proxy measure and given that it is based on the experience of three-quarters of those in poverty rather than all those living below the poverty line.

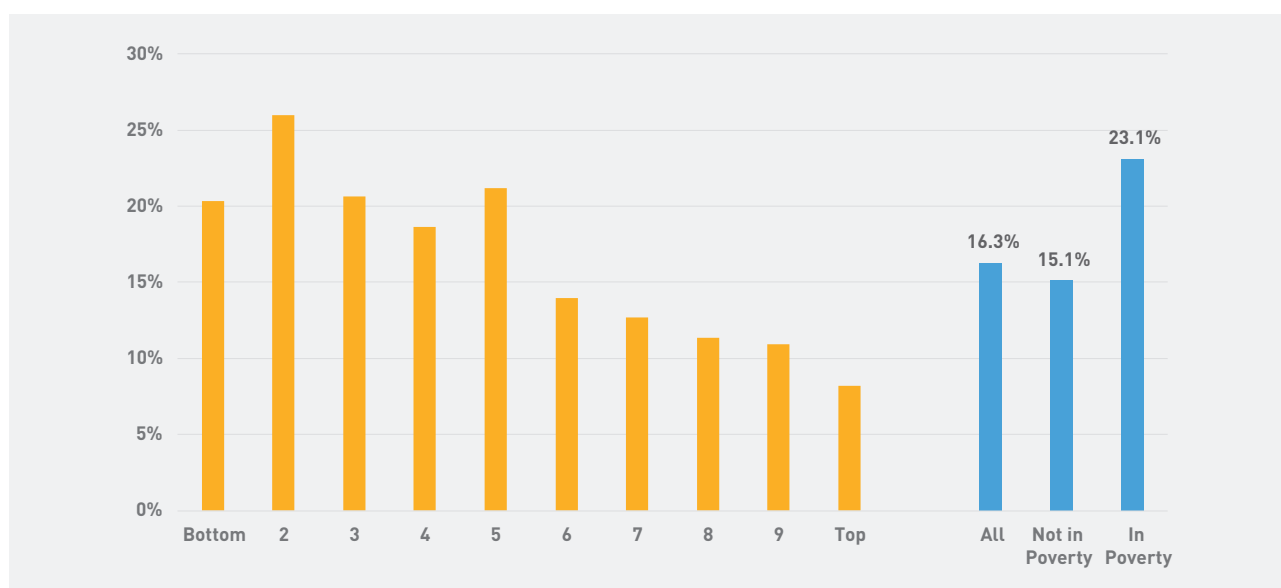
Reflecting the possibility that a proportion of this expenditure will persist in the absence of poverty a low estimate of 8.4%, half of the main estimate, is used to provide a lower valuation for the poverty related costs of primary care and community health care provision.

Data identifying the prevalence of people in poverty in recognised 'risky' health groups offers another means of associating the demand for primary and community health services with income groups and poverty. A common measure, the prevalence of smoking, is reported for Ireland by income decile and by poverty status in Figure 4.5. It shows a concentration of smoking in the bottom half of the income distribution where around one-fifth of people smoke. The prevalence of smoking is lower than the national average (16.3%) among those in the top half of the income distribution. The rate of smoking is 50% higher among those in poverty compared to those living on an income above the poverty line; 23% of people living in poverty smoke

compared to 15% of those with incomes above the poverty line.

It is difficult to precisely associate higher demand for primary and community health services with risk profiles, as poverty is likely to be just one of a number of socio-demographic and background factors that drive additional service use among people living in poverty. However, the pronounced concentration of risky behaviour, such as smoking, among those living below the poverty line further strengthens the view that needs are likely to be higher among those in poverty and that the main estimate of 16.7% of all expenditure in this area is conservative. Furthermore, results from the *Healthy Ireland Survey 2018* show that people living in deprived areas are more likely to visit a GP when compared to those living in affluent areas (75% versus 71% in the last year) and they visit more frequently (an average of 4.5 visits versus 2.9). That survey also shows that adverse health outcomes are more common among residents across all age groups in deprived areas compared to similar people in affluent areas (IPSOS MRBI, 2018: 20, 22-25). Reflecting this, a high estimate is established at one and a half times the main estimate, 25.1%, to cautiously reflect the higher likelihood and public sector costs of these additional needs.

Figure 4.5 Prevalence of Smoking, by income decile and poverty status in 2017



Source: Calculated by author from CSO SILC data Note: $p < 0.05$ for all decompositions



Using more detailed data on health expenditure for England, a study by Bramley et al found that approximately 50% of expenditure on public health care initiatives that are targeted at disadvantaged groups and areas was accounted for by the additional rates of poor health behaviour among people living in poverty. Within the context of all public health expenditure in England, which includes both targeted and population focused

initiatives, they found this represented 36% of total expenditure in this area (2016: 24-27). Their finding suggests that even taking account of the differences in the primary health care systems between England and Ireland, and some differences in the composition of the primary and community health care expenditure categories used in that study and this, the high cost of poverty estimate for this study is still likely to be conservative.

Primary Care and Community Health Care Expenditure

▶ Annual expenditure = **€4,009m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

▶ Main estimate at **16.7%** of annual expenditure = **€669.5m**

▶ Low estimate at **8.4%** of annual expenditure = **€334.8m**

▶ High estimate at **25.1%** of annual expenditure = **€1,004.3m**



Mental Health Care Expenditure

The annual health care budget includes many other areas where a case could be made that current or past experiences of poverty is a driver of expenditure; for example with spending on the care of older people (€1,693m in 2017) and care for people with disabilities (€1,858m in 2017). However, in general state spending in these areas is driven by public policy objectives that span beyond issues of minimum income adequacy and they are unlikely to alter significantly in the absence of poverty.

An exception is spending on mental health care, given a growing international research literature that highlights the strong association between experiences of mental health and poverty. The World Health Organisation summarised the two-way nature of this relationship describing it as a “vicious cycle” where “poverty increases the risk of mental disorders and having a mental disorder increases the likelihood of descending into poverty” (WHO, 2007). Research in Ireland, reflecting the international literature, has demonstrated strong associations between unemployment, poverty and mental illness and has highlighted a concentration of the economic costs of mental illness on individual’s labour market participation, productivity, working years and income (Whelan et al, 1991; O’Shea and Kennelly, 2008; Mental Health Commission, 2011). A report from the National Women’s Council also highlights the strong gendered aspect of simultaneous experiences of poverty and poor mental health (2018).

Regarding the usage of public services supported by expenditure on mental health care, the 2007 Report of the Expert Group on Mental Health Policy, *A Vision for Change*, noted how poverty is “closely associated with greater use of mental health services” (2007: 38) while an earlier report from Whelan et al (1991: 6) highlighted the potential to ameliorate demand for these services following income increases which removed people from poverty.

In 2017 current expenditure in this area totalled €860m (Department of Health, 2018: 70). Using this expenditure, as the basis for estimating the poverty related state expenditure associated with mental health, comes with some considerations. First, based on the aforementioned bidirectional relationship, the estimates assumes that mental health issues would not disappear in absence of poverty, but rather that one of the major triggers for mental health issues would be less prevalent and consequently there would be a reduced demand for mental health services and supports. Second, the estimates of such a reduction implicitly assumes that the current supply of publicly funded mental health services is adequate and that reducing need would lead to reduced expenditure. In truth, given the findings of multiple reports from the Inspector of Mental Health Services on waiting lists and the adequacy of service provision, it may take some time for these savings to be realised as backlogs are eroded and the flow of new needs is reduced.¹⁰ Third, there would be wider savings for the health system from reductions in mental health needs which would arise outside of this expenditure category. Most notably there would be a reduction in state expenditure on the GMS scheme to provide prescription medication (Benzodiazepine, anti-depressants, anti-psychotic drugs and mood stabilisers) associated with mental health. The 2011 report of the Mental Health Commission reported that one in seven of the top 100 most commonly prescribed products on the GMS fell into this category (2011: 16-16).

Disaggregating expenditure associated with poverty from total state expenditure on mental health is challenging. However, there is useful guidance from a UK study which used data from the Poverty and Social Exclusion survey of 2012 to create an individual index of mental health and used this as a dependent variable in a model that isolated the effects on mental health of current poverty

¹⁰ See <https://www.mhcirl.ie/>



status, current experiences of socio-economic disadvantage, and past poverty experiences. The model incorporated a range of explanatory socio-demographic variables to control for other influencing factors (Bramley et al, 2016: 20-22). Its results found that 14% of mental ill-health is directly associated with current poverty status and a further 13.5% is attributable to current experiences of socio-economic disadvantage. The scarring effects of past experiences of poverty were found to explain a further 7.9% of mental ill-health.

On the basis of two assumptions, these results are used to determine the poverty related expenditure on mental health care in Ireland. First, the UK study models mental health experiences rather than service usage and in using its results we assume that mental ill-health and mental health care usage

are strongly correlated. Second, we assume the UK results provide a reasonable proxy for experiences in Ireland; while there are differences in mental health care provision and poverty experiences between both countries we assume that these are unlikely to be so large that they would significantly alter the general pattern determined below.

A low estimate of 14% of mental health care expenditure associated with poverty is use given the UK results. The combined effect of current experiences of poverty and socio-economic disadvantage provide a proxy measure for the main estimate of 27.5% (14%+13.5%). A high estimate adds the result for past experience of poverty to provide a proxy measure of 35.4% of total state mental health care expenditure that is related to poverty.

Mental Health Expenditure

▶ Annual expenditure = **€860m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **27.5%** of annual expenditure = **€236.5m**
- ▶ Low estimate at **14%** of annual expenditure = **€120.4m**
- ▶ High estimate at **35.4%** of annual expenditure = **€304.4m**



4.2 Children and Families

Publicly funded services directed towards children and families frequently incorporate specific objectives around responding to, and addressing, issues of poverty and low income. The principal Government department focused on these issues, the Department of Children and Youth Affairs (DCYA), has an annual current expenditure budget of almost €1.5 billion and oversees a National Child and Family Agency (TUSLA) as well as delivering a series of universal and targeted programmes for children and young people (DPER, 2018a: 59-60).

This section focuses on two categories of expenditure in this area: child and family support programmes and sector programmes targeted at children and families. It focuses on establishing estimates of the resources required to be spent on these two areas that are associated with the presence of poverty in Irish society; demands that would dissipate over time were poverty no longer a factor driving such needs.

Child and Family Support Programmes

TUSLA, the National Child and Family Agency, was established in 2014 as part of a reform of child protection, early intervention and family support services. This state funded agency is the core deliverer of support programmes for families, including children, and evolved from the merger of a number of entities including the Children and Family Services of the HSE, the Family Support Agency and the National Educational Welfare Boards. In addition, it was also given responsibility for a range of domestic, sexual and gender-based violence services. In resource terms, TUSLA employs more than 4,100 staff (3,700 full-time equivalents) and it had a total expenditure budget of €786m in 2019 (TUSLA, 2018a: 8-9; DPER, 2018a: 60).

Issues of poverty and economic disadvantage are a key context for TUSLA's operation. The agencies *Corporate Plan 2018-2020* highlights a number of "socio-economic factors" driving the "constantly growing" demand for its services including increasing rates of homelessness and Ireland's relatively high rate of children, and families with children, at risk of poverty and social exclusion (TUSLA, 2018a: 8-9).¹¹ This reflects the experience elsewhere, with the research literature showing that a sizeable proportion of the activity in similar agencies and services internationally is related to experiences and consequences of poverty and disadvantage (Hirsch, 2008; Griggs and Walker, 2008: 22; Barth et al, 2006; Bradshaw, 2002; Moraes et al, 2006; Russell et al, 2008). However, it is important to note that these factors are only one component of the overall demand for these services; and that these demands arise for only a small proportion of all children and families and do so right across the income distribution. Bywaters et al's review of the literature on the relationship between poverty, child abuse and neglect found that "poverty is neither a necessary nor sufficient factor in the occurrence of child abuse and neglect" and that while it is caused by "many interlocking factors", "poverty is only one factor, but perhaps the most pervasive" (2016: 28, 4). Similarly, Nixon et al's (2019) consideration of income changes and the family stress model, using Growing up in Ireland data either side of the 2010 economic recession, found broadly negative but diverse effects on individuals and families, underscoring that the link between economic stress and the quality of parenting and child behaviour is far from straightforward.

While it is clear that poverty is one of a number of key influencing factors, determining the proportion of TUSLA's expenditure that is solely associated with poverty is challenging with previous research giving a range of results.

¹¹ TUSLA (2018a: 9) draw on Eurostat figures and note that children in Ireland have a 27.3% risk of poverty and social exclusion versus an EU average of 26.4%. The analysis in Chapter 2 of this report also highlights this issue.

A study by Hirsch (2008) using data from the 2005 Children in Need Census for England determined that 70% of expenditure on personal social services for children and families was attributable to poverty. A later report, which compared per capita expenditure on these services between English local authority areas in the bottom and top deprivation quintiles, concluded that 48% of spending was poverty related (Bramley et al, 2016: 28-30).

The figures used for the estimates in this report derive from an examination of the composition of TUSLA’s referral and social work intervention data. The data were published as part of the TUSLA Business Plan 2018 and report a total of 47,399 referrals to child protection welfare services during the year 2016; approximately 40 referrals for every 1,000 children living in Ireland (TUSLA, 2018b). Table 4.4 outlines the composition of these referrals.

Table 4.4 Composition of Referrals to Child Protection Welfare Services, 2016

| | Number | % |
|---|---------------|---------------|
| Welfare concerns | 28,312 | 59.7% |
| Child Protection concerns | 19,087 | 40.3% |
| Emotional Abuse | 6,871 | 14.5% |
| Neglect | 4,724 | 10.0% |
| Physical Abuse | 4,450 | 9.4% |
| Sexual Abuse | 3,042 | 6.4% |
| Total Referrals | 47,399 | 100.0% |
| Welfare & neglect concerns | 33,036 | 69.7% |
| Referrals needing social work intervention | 20,117 | 42.4% |

Source: TUSLA (2018b: 17-19)
Note: *Data are available for 2017 (total 53,755 referrals) but a detailed decomposition is not provided (TUSLA, 2018b: 24).

This referral data is used here as a proxy of the demand on resources in this sector and as an indicator of their origin. Clearly, not all referrals are of the same severity, and TUSLA’s work stretches beyond responding to referrals. However, the nature of referrals signals the types of issues arising and gives some insight into the possible circumstances of their emergence. Furthermore, all of the referrals involve some form of agency engagement, with

some being subsequently closed or diverted to other support services appropriate for the need identified. Setting aside those referrals arising from physical, sexual and emotional abuse, a total of 69.7% involved child welfare and neglect issues. Clearly, given the aforementioned research literature findings, a large proportion of these demands would arise irrespective of experiences of income poverty. The analysis assumes that two-thirds of referrals



arise for these reasons while the remaining one-third (23.2% of all referrals) are indicative of the demand arising because of issues of poverty and disadvantage, this provides a high estimate for the resources expended in this area that are associated with poverty or the consequences of poverty. The figure is conservative when compared to previous studies, but framed in the context of the diverse risk factors that families across the income distribution experience which trigger demands on state supports and intervention.

Assuming that just one in ten of the referrals for child welfare and neglect issues arise as a

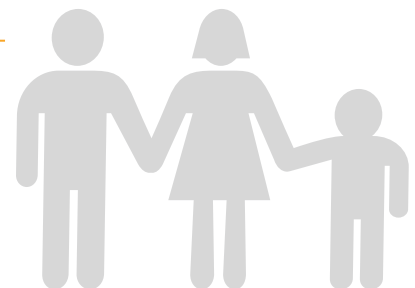
consequence of poverty provides the basis for a low cost of poverty estimate (7.0%). This represents an even more conservative interpretation of the referral data, contrasting with the importance given to the drivers of service demand highlighted in the aforementioned TUSLA corporate plan. Given these two values, the main cost of poverty estimate is taken as the mid-point between these two extremes (15.1%) and, reflecting the aforementioned research literature, implies that experiences and consequences of poverty and disadvantage drive a notable but not dominant proportion of activity and expenditure in this area.

Child and Family Support Programme Expenditure

▶ Annual expenditure = **€786m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **15.1%** of annual expenditure = **€118.7m**
- ▶ Low estimate at **7.0%** of annual expenditure = **€54.8m**
- ▶ High estimate at **23.2%** of annual expenditure = **€182.6m**



Sectoral Programmes for Children and Young People

The 2019 budget of the DCYA includes an allocation of €649m for sectoral programmes for children and young people (DPER, 2018a: 219). These programmes support the provision of services for the care, development and wellbeing of children and young people. They include universal programmes, such as the Early Childhood Care and Education (ECCE) and the National Childcare Schemes (NCS), and targeted programmes including the child poverty focused Area Based Childcare (ABC) programme. This area also includes expenditure on youth organisations and services.

Most expenditure on programmes in this area, even universal schemes, is skewed towards low income households and disadvantaged communities.

For example, the NCS subsidises the provision of childcare to all children and includes the reduction of poverty as one of its core objectives. It provides a universal subsidy for all children under three years of age and a means tested targeted subsidy for children up to 15 years of age. The latter decreases as income increases, such that in 2020 a single-child (2 year old) family with an income of less than €26,000 will receive a subsidy of €4.35 per hour, at an income of €37,500 this falls to €3.05 per hour and reduces to €0.78 per hour when family income is at €60,000.¹² During 2020 the NCS replaces a range of targeted community childcare subvention programmes focused on low income areas, low income families and disadvantaged communities.

Given that almost one in five children live below the poverty line (18.4% in 2017) and children account for almost one-third of all those in poverty (30.3% in 2017) it could be expected that the proportion of expenditure in this area associated with poverty will be high, particularly when expenditure is explicitly orientated towards low income households and children. However, determining the appropriate proportion of such expenditure is challenging. Bramley et al, based on a comparison of local authority expenditure on nursery education and early years services in the most and least deprived areas of England, found that some 44% of such spending was attributable to deprivation and poverty (2016: 30). This figure provides the basis for a high estimate.

As services are provided both universally and as targeted initiatives, it could be argued that the additional proportion related to poverty, and therefore that which would eventually disappear following the elimination of income poverty, will be lower. A low estimate of 22%, half of that found for many of the equivalent services England, serves as a conservative estimate and reflects the probability that the dominant costs of these programmes lies in their universal provision. This figure, while conservative, also serves as the main estimate given the difficulties associated with determining where, between these two estimates, the total expenditure associated with poverty might lie.

¹² The NCS calculation of reckonable income includes adjustments for family size, pension contributions, maintenance payments and certain social protection payments.
 See: https://www.citizensinformation.ie/en/education/pre_school_education_and_childcare/national_childcare_scheme.html

Sectoral Programmes for Children and Young People Expenditure

- ▶ Annual expenditure = **€649m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **22%** of annual expenditure = **€142.8m**
- ▶ Low estimate at **22%** of annual expenditure = **€142.8m**
- ▶ High estimate at **44%** of annual expenditure = **€285.6m**



4.3 Education and Training

Fifteen percent of all public expenditure in Ireland is on education. In 2019 allocated current expenditure was €9.8 billion, equivalent to an average of over €2,000 per person, and it represented the second largest area of public service provision by the state (DPER, 2018a: 5-7).

This section focuses on three large categories of expenditure in the education sector: schools, further education and training, and higher education. It focuses on establishing estimates of the additional resources required to be spent on these areas that are associated with the presence of poverty in Irish society.

Schools

Expenditure on schools (first, second and early years education) totalled €7.3 billion in 2019; by far the largest area of education expenditure. Research on education, education disadvantage and education outcomes has consistently provided evidence that experiences of poverty

and disadvantage scar education outcomes and achievements (Smyth, 2016; Social Justice Ireland, 2019). While some families and individuals successfully confront these challenges, many are unable to overcome them without the benefit of additional help and resources. Consequently, unlike many other areas of public expenditure examined in this report, policy has explicitly targeted resources at addressing education disadvantage and counteracting 'the costs of poverty' that arise for pupils throughout the education system. The estimates throughout this section attempt to use these experiences as the basis for the calculation of the cost of poverty estimates.

The DEIS (Delivering Equality of Opportunity in Schools) programme represents the central policy focused on addressing disadvantage in Irish primary and secondary schools. In 2017 170,000 pupils in 640 primary schools and 185 post-primary schools participated in the programme. The Department of Education and Skills (DES) allocated €112m to this scheme in 2018 (up from €97.62m in 2017) and these resources combine with those from the Department of Employment Affairs and Social Protection and the DCYA to provide an overall total

of approximately €175m of additional supports to schools to address educational disadvantage (DES, 2017: 20).

These public resources, directly targeted at preventing or reversing disadvantage, serve as a useful starting point for estimating the public service cost of poverty. As not all pupils in DEIS schools are in poverty, there is an unavoidable proportion of expenditure that is described in the economics literature as ‘deadweight’; i.e. resources that are being spent assisting pupils who do not necessarily require such assistance but who receive it as it is not possible to easily separate them from those within the same school who require support.

Research from Weir and Kavanagh (2018), evaluating the performance of DEIS at post-primary level, assists in establishing an estimate of this deadweight effect. They found that 61.6% of pupils in DEIS schools were from medical card holding families compared to 33.9% in non-DEIS schools and 41.3% for all schools (2018: 19). Using medical card possession as a proxy for disadvantage, this suggests that 38.4% of pupils in DEIS schools (100% - 61.6%) are not disadvantaged and in need of targeted support. Put another way, the resources allocated to these schools are intended to assist the 61.6% of students and counter the various education and other disadvantages they face.¹³

Using this figure, of the 170,000 pupils in DEIS schools, 104,720 (61.6%) are the intended targets of the DEIS resources. Dividing the total resources targeted at education disadvantage programmes (€175m) by 104,720 gives a value for the average amount of resources targeted at each disadvantaged student of €1,671.

As there are approximately 230,000 children living in poverty, of whom 166,000 are of school going age,

DEIS schools are at best targeting between 60-65% of school going children experiencing poverty.¹⁴ Consequently, there are approximately 61,000 (166,000 – 104,720) school children outside the DEIS system but living in a household that is below the poverty line.¹⁵ It is fair to assume that elsewhere in the education system further resources are provided, both directly and indirectly, to assist these children experiencing poverty; and reports from Government, teacher unions, principals’ groups, school management associations and parents’ representatives frequently reflect these needs and resource uses. Within this the direct costs include additional resources, teachers, community liaison and psychological services, and special needs assistants focused on addressing the poverty generated disadvantages that primary and secondary school pupils are experiencing.

Even within DEIS schools, there is limited evidence to suggest that the resources allocated are sufficient to address the disadvantage students face, a point reflected in the increasing demands for resources for that programme. Furthermore, the policy targets for DEIS schools, while described as “ambitious” in the DEIS Plan 2017, still suggest that significant disadvantage will remain even if they are successfully achieved using the current allocation of resources. For example, successful achievement of the DEIS literacy rates targets 2017-2020 would still leave 40% of pupils in second and sixth class DEIS band 1 schools performing at or below level 1 in reading literacy as well as 12% of 15 year olds in DEIS schools being below that threshold (Department of Education and Skills, 2017: 6). Thus, while current levels of expenditure on the DEIS programme is included as part of the cost of poverty calculation, the inadequacy of the current

¹³ Medical card possession is not an ideal measure of disadvantage, but it serves as a useful proxy measure for the calculations in this report. Overall, using family medical card possession as a means of identifying children experiencing poverty will overestimate the number of such children as 41.3% of children are in families who possess a medical card and 30.3% of children live on an income below the poverty line. Given the calculation approach, this reduces the amount of resources assumed to be associated with addressing disadvantage in DEIS schools and thereby underestimates the overall estimate.

¹⁴ Of the 230,000 children in poverty, approximately 13/18ths are aged between 5 and 18 years. This is equivalent to just under 166,000 school going age children.

¹⁵ Complementing these observations, a survey of the 307 homeless families who were allocated to the Focus Ireland Family Homeless Action Team between January and November 2014 found that 45% of school-going age homeless children were attending schools that were not DEIS designated (Connolly, 2016).



resources allocated to this programme means that the estimates will understate the true costs that poverty is imposing.

The cost of poverty estimates in this section are based on the existing allocation of DEIS resources alongside an estimate of the additional resources currently used within the education system for the 61,000 non-DEIS students who live in households below the poverty line. The main estimate assumes that this equates to one-quarter of the per capita poverty focused DEIS resources (25% of €1,671 = €417.78). The low estimate assumes a lower proportion (20%) and the high estimate assumes a higher amount (33%). These give an annual cost of poverty estimate of €200.6m, €195.5m and €209.1m; equivalent to 2.74%, 2.67% and 2.86% of annual expenditure on schools respectively.

Overall, these estimates are small when compared with the findings of various studies in England, Scotland and Wales which estimated the cost of poverty based on differences in the average funding

of pupils in disadvantaged schools versus those located in non-disadvantaged areas. Bramley et al (2016: 36-38) calculated that 18.5% of England’s school expenditure in 2014/15 was associated with poverty while Hirsch (2008) determined a lower figure for Wales in 2005/06 of 6%; although the latter finding was followed by various policy initiatives which increased targeted funding on schools in deprived areas. Bramley et al also cite older data for English and Scottish authorities which suggested shares of expenditure associated with poverty of between 6.7%-12.5% for primary schools and between 7%-21.3% for secondary schools (2016: 38). The 2016 UK cost of poverty study selected a mid-point value of 12% as an estimate of the proportion of school expenditure being allocated to address poverty in Scotland and Wales; midway between “historic low proportions” of 6-7% and the more recent estimate for England of 18.5% (Bramley et al, 2016: 38).

Schools

▶ Annual expenditure = **€7,312m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

▶ Main estimate at **2.74%** of annual expenditure = **€200.67m**

▶ Low estimate at **2.67%** of annual expenditure = **€195.5m**

▶ High estimate at **2.86%** of annual expenditure = **€209.1m**



Further Education and Training

Two agencies, SOLAS (An tSeirbhís Oideachais Leanúnaigh agus Scileanne) and NALA (The National Adult Literacy Agency) represent the main state involvement in the area of further education and training. The Further Education and Training (FET) Act 2013 highlights the broad labour market and social inclusion benefits of promoting, developing and encouraging literacy and numeracy levels (NESC, 2013, NALA, 2019). Such a focus is justified in the context of OECD survey results which have found that 25% of Irish adults are at below level one for numeracy and 18% are at or

below level one for literacy (DPER, 2017: 8; NALA, 2019: 4).

In 2019 the allocated current expenditure for SOLAS was €609.6m (DPER, 2018b: 216). The 2017 DPER FET Spending Review summarised SOLAS funding as being allocated across three categories of spending, each focused on different aspects of FET. It also determined the distribution of resources across these categories; the analysis was based on 2016 expenditure where the SOLAS FET budget was €575.7m. These findings are summarised in Table 4.5.

Table 4.5 DPER Classification of SOLAS Expenditure, 2016

| Category and Description | % of FET spend |
|--|----------------|
| 1 – Predominantly Labour Market Focused | 62% |
| Programmes that have a direct progression path to employment and/or higher education and training opportunities | |
| 2 – Predominantly Progression Focused | 28% |
| Programmes that support those who could potentially experience barriers to progression (early school leavers, young offenders etc) and those seeking to enhance their literacy, numeracy and basic skills needed for the workplace | |
| 3 – Predominantly Individual Transversal Skills / Social Mobility Focused | 10% |
| Programmes that support very specific individual need e.g. literacy, numeracy, IT skills, English language, Sign language, counteracting social isolation and enhancing community integration | |

Source: Based on DPER, 2017: 15-16

For the purposes of the estimates in this section, the analysis focuses on the resources allocated to categories 2 and 3 of SOLAS' activities. The FET activities within these areas include policy interventions necessitated by current and past experiences and consequences of poverty and disadvantage; the precise proportion is considered as part of the estimates below. SOLAS expenditure within category 2 and 3 also includes its allocation of resources to fund NALA and almost all of this expenditure (90%) is assumed to be a direct cost of poverty.¹⁶ Therefore, the FET cost of poverty estimates include a proportion of the resources allocated to categories 2 and 3 (calculated having removed the NALA budget) plus 90% of NALA expenditure.

38% of the €609.6m allocated SOLAS expenditure in 2019 equals €231.6m. The 2019 NALA allocation from SOLAS was €31m and this provided literacy tuition provision (2 to 6 hours per week) for 60,000 (NALA, 2019:9). Therefore, the non-NALA SOLAS category 2 and 3 expenditure used in the cost of poverty calculations below is €200.6m.

The low cost of poverty estimate is calculated as a nominal amount and includes 90% of the NALA budget (€27.9m) and 16.2% of the non-NALA SOLAS category 2 and 3 expenditure. This proportion corresponds to the percentage of adults of working age who are reported in the SILC data as living below the 2017 poverty line. It assumes that those participating in FET programmes, outside of services provided by NALA, are a broad group with multiple drivers of this need aside from current and previous experiences of poverty. This give a cost estimate of €27.9m + €32.5m = €60.4m; equivalent to 9.9% of total SOLAS expenditure.

This low estimate is deliberately conservative, so as to establish a minimum point for possible poverty

related expenditure. However, it can be argued that FET services are likely to experience a client base with much greater exposure to poverty than that which arises for the adult population as a whole. Altering this assumption provides the basis for the main and high cost of poverty estimate. The main estimate assumes that 32.4% of non-NALA SOLAS category 2 and 3 expenditure is associated with poverty while the high estimate assumes it is 50% of this expenditure. The proportion for the main estimate is twice the rate of poverty in the adult working age population while the high estimate assumes that poverty drives half of this expenditure with the remainder arising for other reasons (e.g. migration, basic skills deficits not associated with poverty, disability driven needs etc). These assumptions give a main estimate of of €27.9m + €65m = €92.9m and a high estimate of €27.9m + €100.3m = €128.2m; equivalent to 15.2% and 21.0% of total SOLAS expenditure respectively.

The aforementioned expenditure on NALA serves as a useful example of the challenges associated with determining a public service cost of poverty. Technically, without the experience and consequences of poverty, most of these resources would not need to be spent by the state and they would represent a saving, or return, from investing in poverty reduction and elimination. However, the scale of benefit to society from such a policy initiative is under-represented by the nominal value of these resources. NALA note that their 2019 funding of €31m provided literacy tuition to 60,000 adults which represents 11% of the total number of adults with literacy needs. Clearly, a more adequately funded adult literacy service would be preferable and imply that a greater amount of state resources should be saved from addressing poverty.

¹⁶ Some aspects of NALA's spending is targeted on issues of dyslexia and migrants experiencing difficulty reading English; the 90% estimate is an attempt to exclude this expenditure as there is no guarantee that it is poverty related.

Further Education and Training

- ▶ Annual expenditure = **€609.6m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **15.2%** of annual expenditure = **€92.9m**
- ▶ Low estimate at **9.9%** of annual expenditure = **€60.4m**
- ▶ High estimate at **21.0%** of annual expenditure = **€128.2m**



Higher Education

Promoting and facilitating increased participation in higher education of students from disadvantaged backgrounds sits at the core of multiple policies and initiatives which are aligned with the current *National Plan for Equity of Access to Higher Education 2015-2019* (HEA, 2015). The Department of Education and Skills supports include the Student Universal Support Ireland (SUSI) grant scheme, the Student Assistance Fund, various scholarships and bursaries targeted at students from disadvantaged backgrounds, and the Programme for Access to Third Level (PATH) fund for third-level providers. A Ministerial parliamentary reply reported that the Department will invest approximately €450m in higher education access during 2017.¹⁷ During that year allocated state current funding for Higher Education was €1,549m implying that the equivalent of 29% was allocated to higher education access.¹⁸

The flagship higher education access schemes are the Higher Education Access Route (HEAR) and the Disability Access Route to Education (DARE). The former scheme, administered by the CAO on behalf of the participating higher education institutions, offers college places and supports to school leavers (under 23 years) from socio-economically disadvantaged backgrounds. Successful applications must meet a low income means test and qualify under at least two other indicators of financial, social, cultural or spatial disadvantage. Collectively, the criteria are designed to identify college applicants from low income disadvantaged groups whose current and recent experiences of poverty and disadvantage has impeded their ability to achieve the entry points for third level courses and/or afford to take up a college offer. Data from the 2017 HEAR application process indicates that 22% of applicants who accepted an

¹⁷ PQ 10158/17 28th February 2017.

¹⁸ Based on DPER Revised Estimates, 2019 vote 26 (DPER, 2018b: 100).



offer reported three qualifying indicators while 78% qualified under four or more criteria (Nic Fhlannchadha, 2018: 8). As a means of determining a main estimate of the public sector resources allocated to addressing the consequences of poverty and disadvantage in this subsector, the estimates use the latest published higher education access schemes acceptance figures. In 2017 the total HEAR and DARE accepted applicants was 5,466 with 56% of these on the HEAR programme (3,043) and the remainder on the DARE scheme (2,432) (Nic Fhlannchadha, 2018: 4; PQ 3565/19). This proportion is used as a proxy indicator of the resources spent on higher education access that are targeted at addressing poverty and disadvantage.

Therefore, of the €450m spent by the Department of Education and Skills on higher education access

in 2017 the main estimate assumes that 56% of this is related to poverty; some €252m. This amount is equivalent to 16.3% of the allocated state current funding for Higher Education in that year (€1,549m). The low estimate conservatively assumes that it is at half of this level (8.15%) while the high estimate assumes that all of the higher education access spending is related to poverty and disadvantage – equivalent to 29% of allocated state current funding for Higher Education.

The estimates while determined from 2017 participation and spending data are included in the overall cost of poverty calculation using the established proportions and an update figure for allocated state current funding for Higher Education in 2019 of €1,572m (DPER, 2018a: 200).

Higher Education

▶ Annual expenditure = **€1,572m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **16.3%** of annual expenditure = **€256.2m**
- ▶ Low estimate at **8.2%** of annual expenditure = **€128.1m**
- ▶ High estimate at **29.0%** of annual expenditure = **€455.9m**



4.4 Housing

Expenditure on Housing, Planning and Local Government accounts for 6% of all public spending in Ireland and represents the third largest area of public service provision by the state (DPER, 2018a: 5-7). In 2019 spending exceeded €4 billion, equivalent to an average of just over €820 per person.

This section considers housing expenditure which accounted for just over €2.5bn of planned expenditure in this area in 2019.¹⁹ It is examined under two headings – capital investment and current expenditure – and focuses on establishing estimates of the resources required to be spent on these areas that are associated with the presence of poverty in Irish society.

Housing - Capital Investment

Capital investment on housing comprises expenditure on new social housing units and expenditure on the retrofitting of existing stock. Allocated spending totalled €1.4bn in 2019 with most of this (approximately 92% or €1.29bn) targeted on additional social housing provision (DPER, 2018a:114-115).²⁰ It can be argued that the proportion of this expenditure allocated to provide new housing to those living on incomes below the poverty line represents a cost of poverty. In particular, this reflects one objective of social housing provision as aiming to provide subsidised housing of a decent standard to those who would not be able to afford it in the market.

The composition of current social housing tenants by poverty status provides a starting point for determining this proportion. Table 4.6 reports that in 2017 39.5% of local authority tenants lived below the poverty line (approximately 205,000 people). Over time this proportion has remained relatively stable and averages 38% across the SILC surveys in 2017, 2013, 2011 and 2008.²¹ The limited change in this composition suggest that the profile of new social housing tenants (the flow) may be similar to the stock of current tenants and therefore we use the 38% figure as the main estimate of the proportion of new capital investment allocated to address poverty.

A lower estimate of 34.2% is used based on the proportion of individuals living below the poverty line who are either local authority tenants or 'renting below market price or rent free'. As the latter may capture some local authority tenants, the combined rate of poverty for those in either category offers another basis for determining the allocation of capital resources to addressing poverty. However, it is likely that this approach gives a conservative estimate as the renting below market price or rent free category is likely to encompass a range of rental structures that are provided by the state, charities, the private sector and other housing bodies. Table 4.6 reports that in 2017 39.5% of local authority tenants lived below the poverty line as did 19.6% of those classified as renting below market price or rent free. Taken together the combined poverty rate for this group was 31.6%. The average combined poverty rate for this group across the SILC surveys in 2017, 2013, 2011 and 2008 was 34.2%.²² Again, assuming that the flow is similar to the existing stock we use this figure as the basis for the lower estimate.

¹⁹ Total expenditure includes that of the Department of Housing, Planning and Local Government, Local Authority expenditure from Local Property Tax receipts and DEASP expenditure on housing rent supports.

²⁰ Investment on retrofitting social housing units (€25m for 9,000 units in 2019), housing adaption grants (€57m) and remediation work on some housing stock (€32m in 2019) represent approximately 8% of overall capital expenditure (DPER, 2018a: 115). While some of this might be associated with poverty, for simplicity it is fully removed.

²¹ The SILC decomposition results for local authority tenants in poverty are: 2017 = 39.5%; 2013 = 42.1%; 2011 = 39.2%; and 2008 = 31.1%.

²² The SILC decomposition results for these combined groups are: 2017 = 31.6%; 2013 = 38.5%; 2011 = 36.4%; and 2008 = 30.2%.

Table 4.6 Distribution of Ireland’s Population by Tenure and Poverty Status, 2017

| Tenure Status | Not in Poverty | In Poverty | Total |
|--|----------------|--------------|-------------|
| Owned outright | 87.0% | 13.0% | 100% |
| Owned with a mortgage* | 93.9% | 6.2% | 100% |
| Rented at market price | 74.5% | 25.5% | 100% |
| Rented from a local authority | 60.5% | 39.5% | 100% |
| Rented below market price or rent-free | 80.4% | 19.6% | 100% |
| Overall | 84.3% | 15.7% | 100% |

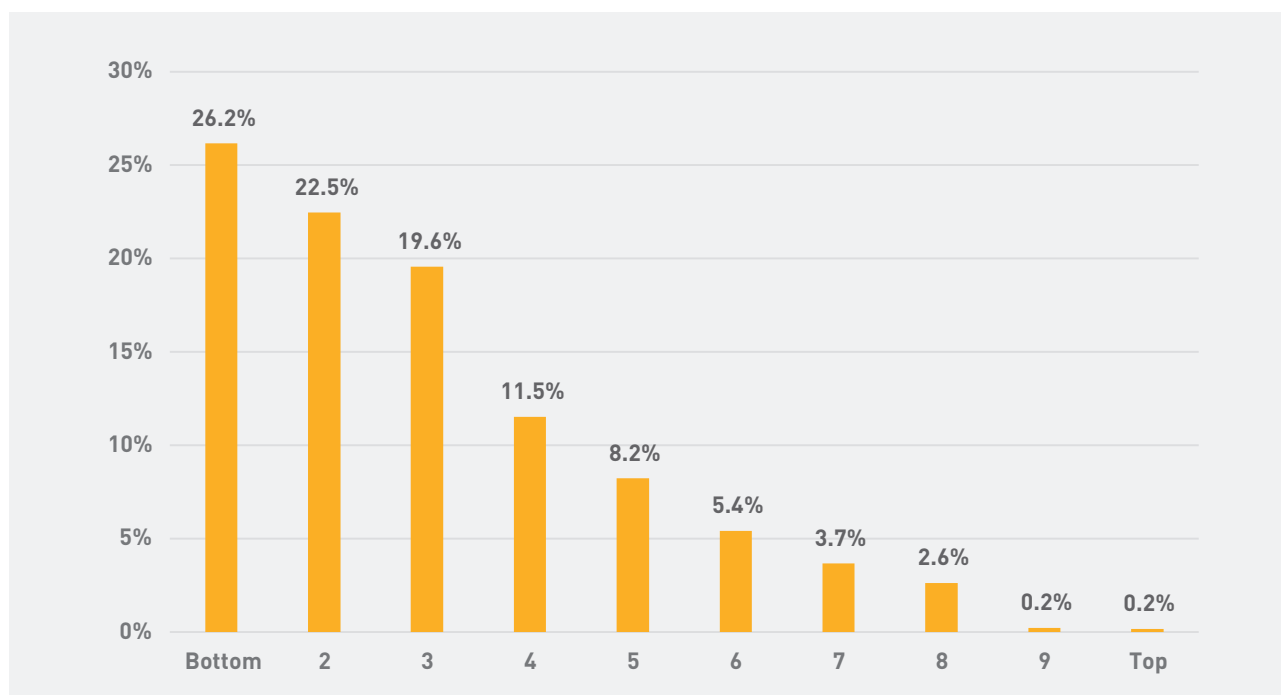
Source: Calculated by author from CSO SILC data **Notes:** p= < 0.05 *Includes owned as part of a tenant purchase scheme.

The higher estimate derives from a belief that new expenditure on social housing is likely to be much more orientated towards those on the lowest incomes. The assessment of household income, and the consequent identification of households with low income, is central to the allocation model for social housing used by all local authorities. In general, possessing an income below certain income limits is the first criteria listed by local authorities when assessing social housing need and entitlement. In practice, this is likely to result in a large proportion of new social housing stock being allocated to individuals living in households below the poverty line, with the balance going to households who are not in poverty but still possess limited resources to pay for private rented accommodation and/or have other needs that make social housing an appropriate solution for their accommodation needs. Reflecting this, Figure 4.6 shows how current social housing tenants are located across the income distribution. Almost half (48.6% in 2017) are in the bottom two

income deciles and more than two-thirds are in the bottom three deciles. However, low income is not the only criteria for social housing allocation, and incomes (and income related rents) can also change over time for social housing tenants. In the absence of evidence on the poverty profile of new social housing tenants, the higher estimate is calculated as a proxy measure based on the average proportion of local authority tenants in the bottom two deciles over the SILC surveys in 2017, 2013, 2011 and 2008; this was 48.5%.²³ This may be a conservative estimate, given the results of a recent Irish Government Economic and Evaluation Service (IGEES) report which found that 62% of those who applied for social housing and received the housing assistance payment (HAP) were unemployed and solely dependent on DEASP welfare payments for their income (Kilkenny, 2019: 19). As most of these payments sit below the poverty line, the proportion of new social housing targeted on addressing poverty may be higher than the high estimate of 48.5%.

²³ The SILC decomposition results for the proportion of this group in the bottom two deciles are: 2017 = 48.6%; 2013 = 49.5%; 2011 = 46.5%; and 2008 = 49.2%. An analysis by O’Callaghan et al, using SILC data from 2012-2016, also found that the distribution of these household is relatively static over time (2018:19).

Figure 4.6 Distribution of Local Authority Tenants by income decile, 2017



Source: Calculated by author from CSO SILC data Note: $p < 0.05$

Housing – Capital Investment

▶ Annual expenditure = **€1,288m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **38.0%** of annual expenditure = **€489.4m**
- ▶ Low estimate at **34.2%** of annual expenditure = **€440.5m**
- ▶ High estimate at **48.5%** of annual expenditure = **€624.7m**



Housing – Current Expenditure

The allocated current expenditure on housing within the Department of Housing, Planning and Local Government totalled €981m in 2019 (DPER, 2018a:114). This expenditure funds a series of measures including: long-term leasing by local authorities and approved housing bodies, the housing assistance payment (HAP), the Rental Accommodation Scheme (RAS), and various supports for homelessness. Complementing this expenditure is a further €132.4m allocated by the Department of Employment Affairs and Social

Protection (DEASP) to fund the means-tested rent supplement scheme (DPER, 2018b: 175).²⁴ Overall, allocated current expenditure on housing in 2019 totalled €1.1bn.

As it seems likely that the arguments outlined in the previous subsection on capital expenditure also apply to the allocation of current expenditure, the main, low and high estimates used here assume that the same proportions of current expenditure are associated with poverty.²⁵

Housing – Current Expenditure

▶ Annual expenditure = **€1,113.4m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

▶ Main estimate at **38.0%** of annual expenditure = **€423.1m**

▶ Low estimate at **34.2%** of annual expenditure = **€380.8m**

▶ High estimate at **48.5%** of annual expenditure = **€540.0m**



²⁴ Long-term recipients of rent supplement are being gradually transferred to HAP. Following this, rent supplement will remain as a short-term social protection measure.

²⁵ Again, the aforementioned findings of Kilkenny (2019) suggest that these estimates are conservative and that a larger proportion of current expenditure may be targeted on addressing people and households living below the poverty line.

4.5 Gardai, Criminal Justice and Emergency Services

Allocated expenditure to the Department of Justice and Equality represents the fifth largest area of public service provision by the state. Broadly defined, it includes the budgets of An Garda Síochána, the Prison Service, the Courts Service, the Irish Human Rights and Equality Commission (IHREC) and the Policing Authority. In 2019 allocated current expenditure was €2.6 billion, equivalent to an average of over €520 per person (DPER, 2018a: 5-7).

This section focuses on three large categories of expenditure in this sector and considers the proportion of this expenditure associated with poverty. These are: An Garda Síochána, the courts and prisons system, and spending on crime prevention and inclusion. In addition, expenditure by the fire and emergency services is also included. The analysis draws on the established relationship between crime and poverty/disadvantage. The cost of poverty estimates reflect the demand for these services that arises as a result of poverty and which would, over time, be expected to dissipate in the absence of current experiences of poverty and the reduction and resolution of the scarring effects of past poverty experiences.

Gardai

The allocated budget of An Garda Síochána for 2019 totalled €1.76bn with 95% of this allocated to current expenditure and the remainder to capital expenditure including the maintenance of Garda stations and the replacement of vehicles and communications equipment (DPER, 2018b: 78-79). The latest *Policing Plan* (July 2019) outlines the broad range of activities that are carried out by

the Gardai including the maintenance of national security, the detection and prevention of crime, compliance with legislation, road safety, community engagement, public safety, victim engagement, internal training, recruitment and professional development, and general administration of a force comprising over 14,000 officers and more than 3,000 civilian staff (An Garda Síochána, 2019 and 2020).

Consequently, crime related issues represent a significant proportion of the activity of the Gardai but there are clearly other separate public service roles undertaken by the force. Isolating the proportion of the overall Garda budget associated with crime and disorder serves as the starting point for the estimates in this section. A UK study from Bramley et al (2005) examined police expenditure by activity category and found the majority of expenditure is attributable to activities related to crime and disorder. Based on these results, Bramley and Watkins (2008: 32-35) and Hirsch identified that this proportion ranged between 60% and 80% of total expenditure and for the purposes of cost of poverty calculations a mid-point of 70% was used (2008: 44). Applying this proportion to the aforementioned Garda budget gives a crime and disorder related expenditure figure of €1.23bn. As crime and disorder has many facets, including white-collar crime, tax evasion, violations of competition law etc, the next steps are to identify the proportion of the estimated total expenditure on crime and disorder that is attributable to current and past experiences of poverty.

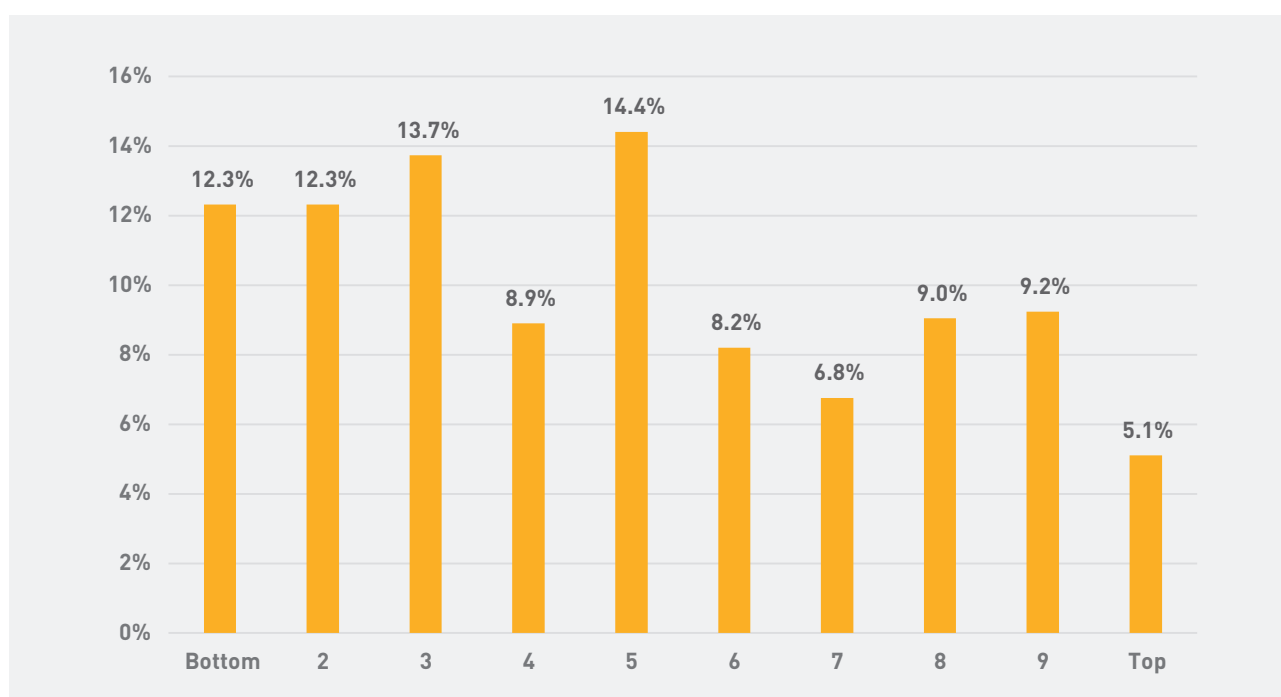
The relationship between poverty and experiences of crime is frequently highlighted although research on causality is more contentious and generally points to a complex causal process involving disadvantage, the criminal justice system, societal inequalities and the macroeconomy.²⁶

²⁶ Irish research offers varying views on the relationship between disadvantage and crime, although none of the research examined poverty per se, but rather associated experiences such as unemployment and wage levels (see Brosnan, 2018; Hargaden, 2016; Denny et al, 2004, Rotmann, 1980; Bacon and O'Donoghue, 1977).

Similarly, the relationship between levels of anti-social behaviour and disadvantage is often visible both in empirical research and in on-the-ground experiences in low income and disadvantaged neighbourhoods.²⁷ Data from the 2017 SILC show that living in an area that experiences crime, violence and vandalism is more associated with people who live on a low income (see Figure 4.7).

Similarly, those who are in poverty are about 40% more likely to live in these areas when compared to those whose income is above the poverty line (13.1% versus 9.1%; see Table 4.7). This reflects a not unsurprising correlation between experiences of disadvantage and experiences of crime and disorder.

Figure 4.7 Distribution of those living in an area with crime, violence or vandalism, by income decile in 2017



Source: Calculated by author from CSO SILC data Note: $p < 0.05$

Table 4.7 Risk of Living in an area with crime, violence or vandalism, by poverty status in 2017

| | In Poverty | Not in Poverty | All |
|-------|------------|----------------|--------|
| Yes | 13.1% | 9.1% | 9.7% |
| No | 86.9% | 90.9% | 90.3% |
| Total | 100.0% | 100.0% | 100.0% |

Source: Calculated by author from CSO SILC data Note: $p < 0.05$

²⁷ See for example studies profiling the socio-economic background of those appearing before Dublin District Court (Bacik et al, 1998) or those serving custodial sentences in Mountjoy prison (O'Mahoney, 1997) – both cited in Denny et al (2004).

Table 4.8 offers a further illustration of this association and compares two suburbs of Dublin city that possess the same number of Gardaí but notably different levels of income, deprivation and reported crime.²⁸ Area 1, comprising seven electoral divisions in the Finglas suburb of the city, is classified on the Pobal HP Deprivation measure as 'disadvantaged' relative to socio-economic conditions in the rest of Ireland. Area 2, comprising ten electoral divisions in the Blackrock suburb of the city, is classified on the Pobal HP Deprivation

measure as 'affluent' and possess a median household income at approximately twice that of Area 1. Adjusting for population size, the level of reported crime recorded by the Garda station associated with Area 1 is approximately three times that in the affluent suburb. The results underscore the clear association between disadvantage and reported experiences of crime although it is hard to determine from these numbers, and the earlier SILC results, a proportion of public expenditure on crime that is associated with poverty.

Table 4.8 Comparison of Population, Household Income, Deprivation status and Reported Crime Offences in two suburbs of Dublin

| Area 1: Finglas, Dublin | |
|--|------------------------|
| Population | 21,839 |
| Median Gross Household Income | 37,954 |
| Number of Gardaí | 94 |
| Pobal HP Deprivation Index (area average) | -13.52 (disadvantaged) |
| Reported Offences | |
| annual average 2014-2018 | 2,665 |
| annual average 2003-2018 | 2,974 |
| annual average per 1,000 of population (2014-18) | 122 |
| annual average per 1,000 of population (2003-18) | 136 |
| Area 2: Blackrock, Dublin | |
| Population | 30,677 |
| Median Gross Household Income | 74,749 |
| Number of Gardaí | 94 |
| Pobal HP Deprivation Index (area average) | 13.32 (affluent) |
| Reported Offences | |
| annual average 2014-2018 | 1,309 |
| annual average 2003-2018 | 1,480 |
| annual average per 1,000 of population (2014-18) | 43 |
| annual average per 1,000 of population (2003-18) | 48 |

Source and Notes: Population data from CSO Census 2016 for all electoral division areas labelled either Finglas (7 EDs) or Blackrock (10 EDs). Median gross household income is the average value of the median income for the same electoral division areas from CSO Geographical Profile of Income in Ireland, 2016. Pobal HP Deprivation score for 2016. Number of Gardaí from 'Garda Number by Division, District and Station' for month ending January 31st 2019 for Garda stations in Finglas and Blackrock; note due to definitional issues Garda areas and Electoral Division areas may not align. Reported Offences are for those recorded for these two Garda stations from the CSO Recorded Crime Offences series (under reservation).

²⁸ As not all criminal activity is formally reported, reported crime rates are likely to be less than the 'true' level of criminal behaviour. However, it can be argued that they are aligned to the scale of public resources that are directly allocated to responding to criminal activity.

Analysis for a UK report on the cost of poverty offers some guidance on the possible scale of these expenditure proportions. Bramley et al ran a series of regression models on data from England and Scotland to isolate the share of the police expenditure on crime and disorder that is associated with poverty. Using expenditure and crime level data for England in 2014, while controlling for a series of socio-demographic variables (such as age, ethnicity, housing and neighbourhood effects) they determined that 54% of expenditure was attributable to poverty (2016: 46-48, 82). A similar analysis for Scotland, using earlier data from 2007 and a less comprehensive measure of crime, found that 48% of expenditure in that region was attributable to poverty (2016: 46-47).²⁹

The main estimate used in the cost of poverty calculations uses Bramley et al’s benchmark result, 54%, as the basis for determining the proportion of relevant expenditure from the Garda budget that is associated with poverty. Reflecting the conservative approach to costing adopted throughout this report, and in the absence of evidence pointing towards a higher figure, this proportion is also taken as the high estimate. A low estimate uses the Scotland result of 48%. Table 4.9 set out the nominal amounts associated with these results and also compared them to the overall Garda budget. The low estimate implies one-third of the overall Garda budget is associated with the current and legacy effects of poverty while the main and high estimate suggest this figure is 38%.

Table 4.9 Cost of Poverty Estimates compared to the overall Garda Budget in 2019

| | % of relevant expenditure | Nominal amount | % of overall Garda Budget |
|----------------------|---------------------------|----------------|---------------------------|
| Main estimate | 54% | €665.3m | 37.8% |
| Low estimate | 48% | €591.4m | 33.6% |
| High estimate | 54% | €665.3m | 37.8% |

Given the complex association between poverty and the levels of crime and disorder, and given that some of the drivers of anti-social behaviour and criminal activities are likely to arise as a result of past, rather than current, experiences of poverty and disadvantage, the immediate returns from a reduction in headline poverty numbers are

likely to be slow to arise. Reversing such effects would require more than the allocation of, for example, new income transfers to address income poverty and entail simultaneous investments in other support programmes in disadvantages neighbourhoods and groups.

²⁹ The same proportion (48%) was also found with a model run using small neighbourhood data for England (2016: 45-46).



Gardaí

- ▶ Annual expenditure = **€1,760.1m**
70% associated with crime and disorder

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **37.8%** of annual expenditure = **€665.3m**
- ▶ Low estimate at **33.6%** of annual expenditure = **€591.4m**
- ▶ High estimate at **37.8%** of annual expenditure = **€665.3m**



Courts and Prisons

The Courts Service is responsible for the management and administration of the courts system in Ireland comprising the Supreme Court, the Court of Appeal, the High Court, the Special Criminal Court, the Circuit Court and the District Court. In 2017 the system handled 228,122 new cases concerning a total of 427,090 offences. The allocated budget of The Courts Service in 2019 totalled €138.4m (DPER, 2018b: 84-85).

The Irish Prisons Service is responsible for running twelve institutions, consisting of ten traditional 'closed' prisons and two open centres (which operate with minimal internal and perimeter security). The service aims both to administer this system and to provide a safe, secure, humane and rehabilitative custody for people who are sent to prison. In 2017 the system provided accommodation and services for an average of 3,680 prisoners on a daily basis and managed a total of 9,287 committals to custody.

The allocated budget for prisons in 2019 totalled €359m (DPER, 2018b: 81-82).

Combining both of these figures, the total planned expenditure on the court and prison systems in 2019 totalled €497.4m. Similar to the assumption made for expenditure on the Garda, not all of this expenditure should be regarded as associated with crime and disorder. The analysis assumes that the proportion will be slightly higher than that used in the previous subsection and consequently uses the upper limit of the aforementioned 60%-80% range identified by Bramley and Watkins (2008: 32-35) and Hirsch (2008: 44). Applying this proportion to the total courts and prison system budget gives a crime and disorder related expenditure figure of €397m.

Given the close relationship between the policing system and the courts and prison systems, it seems reasonable to assume that the proportion of relevant expenditure identified for the main, high

and low estimates of the cost of poverty would be the same. Table 4.10 sets out these estimates, the nominal amounts associated with them, and also compares these figures to the overall budget of the

courts and prison systems. All estimates suggest that around 40% of the overall courts and prison budget is associated with the current and legacy effects of poverty.

Table 4.10 Cost of Poverty Estimates compared to the overall Courts and Prison System Budget

| | % of relevant expenditure | Nominal amount | % of overall Courts & Prison Budget |
|----------------------|---------------------------|----------------|-------------------------------------|
| Main estimate | 54% | €214.9m | 43.2% |
| Low estimate | 48% | €191.0m | 38.4% |
| High estimate | 54% | €214.9m | 43.2% |

Courts and Prison System

- ▶ Annual expenditure = **€497.4m**
80% associated with crime and disorder

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **43.2%** of annual expenditure = **€214.9m**
- ▶ Low estimate at **38.4%** of annual expenditure = **€191.0m**
- ▶ High estimate at **43.2%** of annual expenditure = **€214.9m**



Crime Prevention and Inclusion

There are a range of other areas of public expenditure, within the remit of the Department of Justice and Equality, that are associated with initiatives to prevent crime and address disadvantaged communities. This subsection brings together three prominent programmes.

In 2019 a total of €212.9m was allocated to an expenditure programme entitled 'A Safe and Secure Ireland'. The programme aims to "prevent crime, tackle reoffending and develop more secure communities" (DPER, 2018a: 124). Relevant initiatives within this area include the probation service, the Irish Youth Justice Service, services to victims of crime, and some aspects of legal aid. These totalled €128.2m for 2019 (DPER, 2018b: 91). The remainder of the legal aid budget (covering the Legal Aid Board and the Free Legal Advice Centres) totals a further €40.9m and is included in an expenditure programme entitled 'Access to Justice for All' (DPER, 2018b: 93).

A third programme, entitled 'An Equal and Inclusive Ireland', includes relevant initiatives related

to addressing social disadvantage, enhancing integration and assisting two particularly disadvantaged communities: members of the Travelling Community and members of the Roma Community. These initiatives totalled €15.5m for 2019 (DPER, 2018b: 94).

Collectively, these expenditures total €185m. As these initiatives have multiple aims, they are unlikely to be as closely associated with the implications of current and past experiences of poverty as is the case for expenditure on the Garda (see Table 4.9). In the absence of further evidence, which would facilitate a more detailed decomposition of all crime prevention and inclusion expenditure, and the identification of its association with poverty, the analysis make a conservative assumption that the cost of poverty estimates for this area of spending are equal to rates set at half of the proportions identified in the earlier analysis of expenditure on the Gardaí. Consequently, the main and high estimates are set at 18.9% of total expenditure while the low estimate equals 16.8%.

Crime Prevention and Inclusion

▶ Annual expenditure = **€184.6m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **18.9%** of annual expenditure = **€34.9m**
- ▶ Low estimate at **16.8%** of annual expenditure = **€31.0m**
- ▶ High estimate at **18.9%** of annual expenditure = **€34.9m**





Fire and Emergency Services

A total of €12.4m of expenditure was allocated as part of the 2019 revised estimates process for the Fire and Emergency Service; this expenditure sits within state expenditure on local government (DPER, 2019b: 163). There are both similarities and differences between the demand for these services and that of the Garda. Poverty, disadvantage and its associated implications is likely to drive some demand for these services, however so too are other risks and experiences across business and households.

Bramley et al modelled the demand for fire services in England using data for 2006 and found that 34.4%

of expenditure could be attributed to poverty (2016: 48-49). Combining expenditure on fire services with that on other emergency services is likely to further reduce this proportion. Given this, the cost of poverty estimates for the expenditure in this subsection have been set at half of the proportion of total Garda expenditure that is associated with poverty (see Table 4.9). These are the same proportions that have been used in the crime prevention and inclusion estimates.

Fire and Emergency Services

▶ Annual expenditure = **€12.4m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **18.9%** of annual expenditure = **€2.35m**
- ▶ Low estimate at **16.8%** of annual expenditure = **€2.09m**
- ▶ High estimate at **18.9%** of annual expenditure = **€2.35m**



4.6 Certain Welfare Supports

Thirty one percent of all public expenditure in Ireland is on social protection. In 2019 allocated expenditure was €20.5 billion, equivalent to an average of over €4,150 per person (DPER, 2018a: 5-7). Broadly defined, it includes expenditure on pensions (€8bn), supports for those who are ill, disabled or carers (€4.4bn), income supports for working age adults (€3.2bn), supports and transfers for children (€2.6bn), supplementary welfare payments for households and welfare services (€800m), and employment supports for working age adults (€725m). Public expenditure is funded through contributions from the current resources of the exchequer and from the income and resources of the social insurance fund. In 2019 these were budgeted to contribute 52% and 48% of allocated expenditure respectively (DPER, 2018b: 174).

The funding structure of the budget of the Department of Employment Affairs and Social Protection (DEASP) reflects the fact that welfare spending includes entitlements, derived from contributions to the social insurance fund, and income support transfers to assist with particular circumstances and individual needs. Consequently, in the absence of occurrences of income poverty, the majority of social protection expenditure would continue to occur. Reflecting this the total cost of poverty estimates established throughout this section range from 2.0% of total social protection expenditure (total of low estimates) to 2.9% (total of main estimates) to 6.3% (total of high estimates).

These estimates focus on areas of social protection expenditure that would experience a reduction in demand in the absence of income poverty i.e. this expenditure is occurring because of the presence of income poverty and these demands would not be present were income poverty absent.

These areas of expenditure arise within those

schemes funded from current exchequer resources as social insurance entitlements would continue to arise irrespective of income status. They have been derived following a review of the suite of DEASP funded welfare schemes and are presented as these supports arise across the lifecycle with the final two categories representing general welfare schemes. The section concludes with a review of other social protection schemes which have not been included as part of this costing exercise.

Increases for Qualified Children

Recipients of social welfare payments including Jobseekers benefit, disability allowance, farm assist and pre-retirement allowance, who have dependent children can apply to receive an additional welfare payment, or increase, known as an Increase for a Qualified Child (IQC). The payment is means tested and paid to those with entitlements at a full or half rate.

The rates of payment in 2020 differ between children above and below 12 years. For children under 12 the IQC is €36 a week (full-rate) and €18 a week (half-rate); for children aged 12 years and above the rates recognise the additional costs associated with this age group and the IQC is €40 a week (full-rate) and €20 a week (half-rate).³⁰ Based on the costings provided with Budget 2020, the full year cost of IQCs is €605.5m (DPER, 2019: 88).

The main cost of poverty estimate assumes that this payment is a structural part of the welfare system and would remain to assist families dependent on welfare irrespective of the presence of poverty. Thus, the savings that would arise in the absence of poverty are assumed to equal 0% of IQC expenditure. The low estimate also assumes that this expenditure is not a cost of poverty.

³⁰ See Collins et al (2012) and Mac Mahon et al (2012) for an insight into the variations in expenditure needs of children across childhood.



At the other extreme, the high estimate assumes that a sizeable proportion of IQC expenditure is directly related to addressing experiences of child poverty. It assumes that this payment is intended to serve as a welfare measure to address child poverty experiences in welfare dependent households; indeed the payment is described as such in the DPER Expenditure report to accompany Budget 2020 (2019: 84). Given the structure of the IQC means test, most recipients are living on welfare payments that are below the poverty line.

Therefore, many of these costs would dissipate in the absence of income poverty. While it is difficult to determine the precise proportion, the estimate assumes that some of these transfers would continue to arise in a short-term context even where experiences of income poverty, assessed over annual income, were no longer present. This amount is estimated as equal to one-third of total IQC expenditure; thus the savings that would arise in the absence of poverty are assumed to equal two-thirds of the cost of this welfare measure.

Increases for Qualified Children

▶ Annual expenditure = **€605.5m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **0%** of annual expenditure = **€0m**
- ▶ Low estimate at **0%** of annual expenditure = **€0m**
- ▶ High estimate at **66%** of annual expenditure = **€399.6m**



Back to School Clothing and Footwear Allowance

The Back to School Clothing and Footwear Allowance (BSCFA) is paid to eligible parents in early July of each year to assist with the costs of uniforms and footwear for children returning to school. It is paid automatically to some parents already in receipt of welfare entitlements while others must apply. In general families receiving IQC also receive this payment alongside others who are in receipt of welfare payments and below specified eligibility income thresholds. There were approximately 150,000 payments made in 2019 and the allocated budget for this scheme in 2019 totalled €56.27m (DPER, 2018b: 175).

The main estimate assumes most of this need would not arise if income poverty were absent.

However, the lumpy nature of these costs, particularly for families with multiple children, suggests that targeted welfare supports are likely to be needed for some low-income families, even where their annual income is above the poverty line. Consequently, the main estimate assumed that 75% of this expenditure is a cost of poverty but that one quarter would remain irrespective. The low estimate is more conservative and assumes that two-thirds of this expenditure is a cost of poverty and that 33% would remain. The high estimate assumes that all of this expenditure is a cost of poverty and that there would be no requirement for the BSCFA in the absence of poverty.

Back to School Clothing and Footwear Allowance

▶ Annual expenditure = **€56.3m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **75%** of annual expenditure = **€42.2m**
- ▶ Low estimate at **66%** of annual expenditure = **€37.1m**
- ▶ High estimate at **100%** of annual expenditure = **€56.3m**



School Meals Programme

The DEASP funds a school meals programme whose objective is to provide regular nutritious food to children who are unable, due to lack of good quality food, to take full advantage of the education provided to them. According to a parliamentary question reply from the Minister for Employment Affairs and Social Protection, 1,580 schools and organisations received funding from this scheme in 2019 and provided food for 250,000 children (PQ, 8103/19). Meals are provided as breakfasts and lunch with the Department currently running a pilot hot meal scheme and exploring the possibility of further expanding this scheme. The allocated expenditure for the school meals programme totalled €57.6m in 2019 (DPER, 2018b: 175).

The main cost of poverty estimate used for this programme draws on the aforementioned research from Weir and Kavanagh on the proportion of medical card holders in DEIS schools (2018: 19). While the school meals programme is larger than the DEIS programme (250,000 children versus 170,000 children) the information on

the proportion of deadweight associated with a school-child targeted policy measure such as DEIS is informative. Consequently, the analysis assumes that 61.6% of school meal expenditure is targeted at children in families living below the poverty line while the remainder benefits other children – probably many who also live in low income households. The low estimate assumes that the scheme would remain irrespective of the level of poverty as such needs are likely to persist for many children in disadvantaged families and communities. Furthermore, it assumes that it would be prudent to retain this programme as it can be considered a targeted investment in child education and well-being which provides significant returns, many multiples of this costs, over the longer term. Conversely, the high estimate assumed that all of the costs of this scheme are associated with the existence of poverty and that in its absence the school meals programme would no longer be needed.

School Meals Programme

▶ Annual expenditure = **€57.6m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **61.6%** of annual expenditure = **€35.5m**
- ▶ Low estimate at **0%** of annual expenditure = **€0m**
- ▶ High estimate at **100%** of annual expenditure = **€57.6m**



Working Family Payment

The Working Family Payment (WFP) is a weekly tax-free payment paid to low income employees with dependent children. The scheme was previously known as Family Income Supplement (FIS). To qualify for the WFP an employees' average weekly family income has to be below a certain threshold amount for each given family size. The WFP received is 60% of the difference between the average weekly family income and the relevant family-size related income limit. In 2020 approximately 55,000 families are expected to benefit from the scheme and it had an allocated budget of €416.4m in 2019 (DEASP, 2019: 2; DPER, 2018b: 175).

A more detailed picture of the WFP scheme and its costs and recipients is available from the DEASP Statistical Report for 2017 (DEASP, 2019). It shows an annual cost of €414.6m and a total of 57,745 recipient families containing a total of 129,274 children. On average families received tax-free payments of €7,180 or the equivalent of €3,207 per child (the average weekly figures are €138 per family and €62 per child).

In effect the WFP is designed to address the consequence of various labour market issues including low pay, low hours and the challenges that many low-income parents face in managing

childcare and school related commitments. Detailed information on its success in lifting families above the poverty line is absent. Certainly, the scale of transfers involved are likely to considerably impact the living standards of many families although, as section 2 of this report demonstrated, there remains large number of individuals who work yet live on a post tax and transfer income that is below the poverty line.

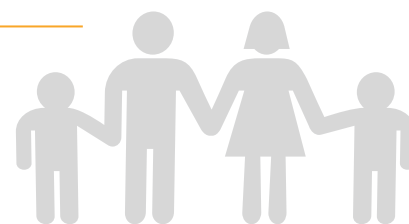
For the purposes of the cost of poverty calculations, the main estimate assumes that half of the cost of the WFP is associated with poverty; thus half would still need to remain as a support for low income families even if income poverty was no longer an issue. This is intentionally a conservative assumption but recognises that issues such as low pay and family size are important contributory factors to the dynamics of family incomes and labour market participation. The absence of income poverty alone may not remove all of these issues. The low estimate assumes these factors are even greater determinants of spending on this scheme and is set at 33% of the expenditure. The high estimate assumes that all of the schemes costs are consequences of income poverty and would not arise in the context of an elimination of that phenomenon.

Working Family Payment

▶ Annual expenditure = **€416.4m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **50%** of annual expenditure = **€208.2m**
- ▶ Low estimate at **33%** of annual expenditure = **€137.4m**
- ▶ High estimate at **100%** of annual expenditure = **€416.4m**



Back to Education Allowance

The Back to Education Allowance (BTEA) is a weekly payment intended to support welfare recipients returning to complete second or third level education. The weekly payment is linked to a persons' underlying social welfare payment and recipients receive income support for the duration of their course of study, subject to meeting certain participation and progression conditions.³¹ As part of a parliamentary question response, in October 2019, the Minister for Employment Affairs and Social Protection noted the structural similarities between the BTEA and SUSI grant scheme for third level participants (PQ, 42481/19).³²

The number of recipients of the BTEA has declined over recent years, as general employment levels recovered. According to the CSO Live Register reports the numbers have fallen from 10,840 in

October 2017, to 8,892 in October 2018 and to 7,065 in October 2019. Based on CSO and PQ data for registrations in March of 2017, 2018 and 2019 63% of recipients were in the third level education sector (PQ 39199/19). Budget 2020 reduced funding to this scheme indicating an expectation of a further reduction in the numbers applying for the BTEA (PQ 50737/19 December 2019). The allocated expenditure to the scheme in 2019 was €61.67m (DPER, 2018b: 175).

Given the similarities between this scheme and those considered earlier as part of public expenditure on promoting and facilitating increased participation in higher education (see section 4.3), the analysis uses the same proportions for the cost of poverty estimates.

Back to Education Allowance

▶ Annual expenditure = **€61.7m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **16.3%** of annual expenditure = **€10.1m**
- ▶ Low estimate at **8.15%** of annual expenditure = **€5.0m**
- ▶ High estimate at **29.0%** of annual expenditure = **€17.9m**



³¹ A similar programme, targeted at vocational education entitled VTOS (Vocational Training Opportunities Scheme) is funded as part of SOLAS – see section 4.3 earlier.

³² However, BTEA is not as comprehensive as SUSI and does not currently cover postgraduate education opportunities beyond Higher Diploma with the exception of the Professional Masters in Education.

Fuel Allowance

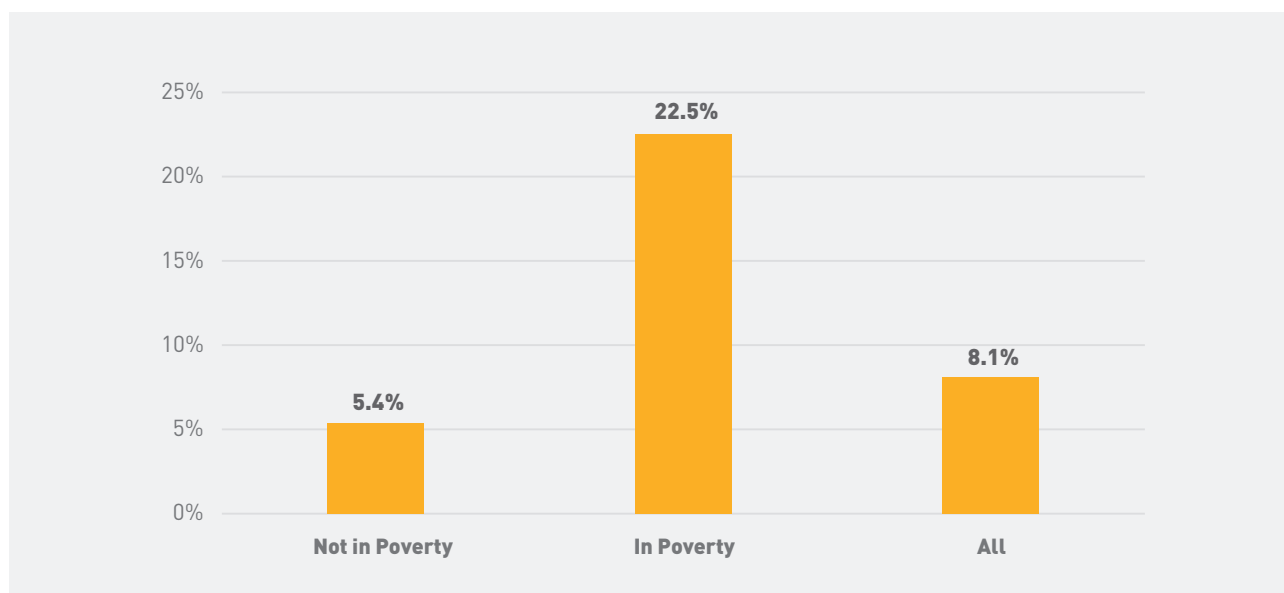
The fuel allowance is an additional social protection payment paid to people who are dependent on long-term social welfare payments. It is paid over a 28-week period from October to April and is intended to assist welfare dependent households with their energy costs. Only one payment can be made to each household. The scheme is presented by the DEASP as making ‘a contribution’ to these costs rather than covering them. Implicitly it therefore recognises that many welfare dependent households are unable to afford heating costs and even with the receipt of the fuel allowance may have difficulty adequately meeting their needs.

In answering a parliamentary question in December 2019, the Minister for Employment Affairs and Social Protection stated:

“The fuel allowance is an important measure that assists pensioners and other welfare dependent householders to address income deficiency, especially during the winter when a household faces increased heating needs. Heating costs represent a relatively higher proportion of the resources available to low income households and, therefore, the objectives of the scheme remain valid and there are no plans to abolish the fuel allowance payment”. (PQ, 50282/19)

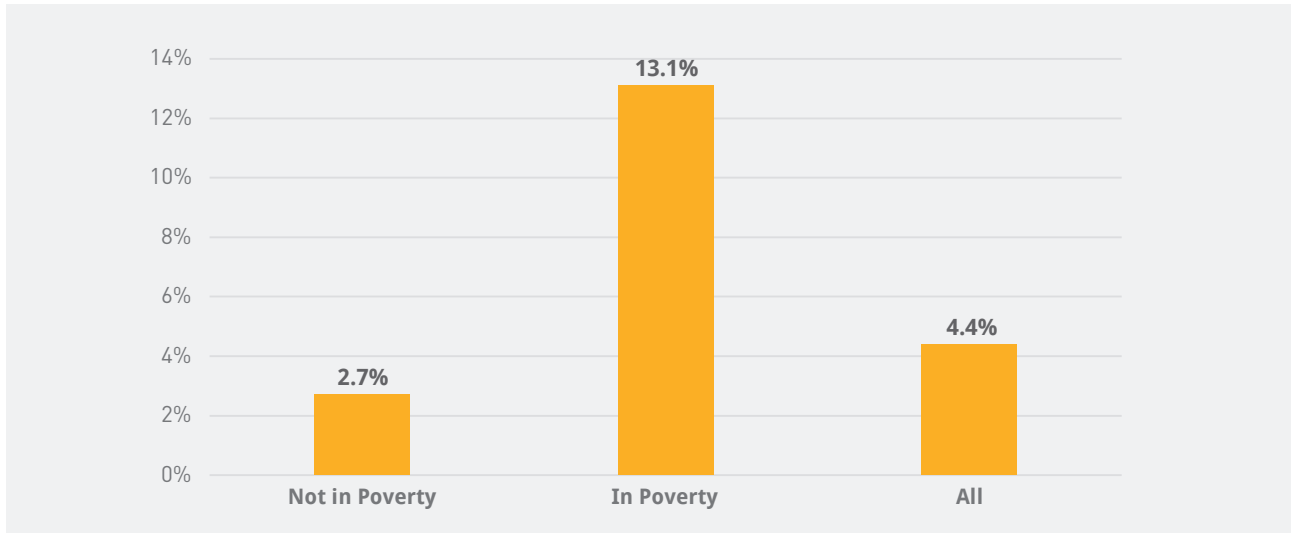
In 2019 the fuel allowance was paid to over 368,000 households and had an allocated expenditure of €240m.

Figure 4.8 Without Heating at Some Stage in the Last Year, by poverty status in 2017



Source: Calculated by author from CSO SILC data **Note:** $p < 0.05$

Figure 4.9 Unable to Keep the Home Adequately Warm, by poverty status in 2017



Source: Calculated by author from CSO SILC data **Note:** $p < 0.05$

The inability of welfare dependent households, most of whom are living below the poverty line, to meet these needs highlights how the payment reflects a cost of the current experiences of poverty. As Figures 4.8 and 4.9 report, there is a strong association between poverty and experiences of being unable to heat the home. People living on an income below the poverty line are four times more likely to go without heat, or to be unable to keep their homes warm, when compared to those living on incomes above the poverty line. However, it is not clear that the need for such a payment would

disappear were income poverty eliminated. With higher income, welfare dependent households would need less assistance to afford their fuel needs, but it is likely that there would still be a gap between what was affordable and what was desirable when measured against a fuel adequacy benchmark. Consequently, the main cost of poverty estimate in this subsection assume that 50% of the current payment is a cost of poverty; but that even following the elimination of income poverty large needs would remain. The same proportion is also used for the low and high estimates.

Fuel Allowance

▶ Annual expenditure = **€240m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

▶ Main estimate at **50%** of annual expenditure = **€120m**

▶ Low estimate at **50%** of annual expenditure = **€120m**

▶ High estimate at **50%** of annual expenditure = **€120m**



Household Benefits Package

The Household Benefits Package has strong similarities to the fuel allowance scheme. It is a package of two allowances that are paid to all households where the primary/named recipient is over 70 years and to those who meet certain eligibility criteria under the age of 70. In 2019 the Household Benefits Package was paid to 452,000 households at a total cost of €248m. The first package of allowances covering contributions to electricity and gas expenses cost €188m while the second package covering the free television licence cost €60m (PQ, 50628/19, December 2019).

The estimates in this subsection focus on the costs associated with the package contributing to electricity and gas expenses (€188m). As the eligibility criteria are less stringent than

the fuel allowance scheme, and there is universal provision for all those over 70 years of age, there are unsurprisingly more recipients. The main estimate is calculated on the basis of an average cost per household and scales up to an amount equivalent to the delivery of this transfer to 184,000 households – a number equivalent to 50% of the households in receipt of the fuel allowance. This aligns the estimate with the fuel poverty experiences and needs considered in the last subsection.

The main cost of poverty estimate equals €76.5m or 40.7% of the total household benefits package expenditure on contributions to electricity and gas expenses. The same proportion is also used for the low and high estimates.

Household Benefits Package

▶ Annual expenditure = **€188m** (electricity and gas only)

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **40.7%** of annual expenditure = **€76.5m**
- ▶ Low estimate at **40.7%** of annual expenditure = **€76.5m**
- ▶ High estimate at **40.7%** of annual expenditure = **€76.5m**



Free Travel Scheme

The Free Travel Scheme is available to all persons aged 66 years and over who are legally resident and living permanently in the state. It is also available to some people under 66 years such as carers in receipt of Carer’s Allowance, and certain other people in receipt of a Disability Allowance or Invalidity Pension. The free travel pass covers all state funded public transport (Dublin Bus, Bus Eireann, Irish Rail, Luas and Local Link) and private services operating National Transport Authority (NTA) award routes. The allocated expenditure to the scheme in 2019 was €95m (DPER, 2018b: 175).

Using data from the DEASP Statistical Report for 2017 and the published Bus and Rail Statistics of the NTA it is possible to determine an approximate cost per free travel pass holder. According to the DEASP there were 902,513 holders in 2017 and the total cost was €77.456m. The NTA report a total of 47.55m free travel passenger journeys in that year giving a cost per holder of €85.82 (DEASP, 2019: 17 and 24; NTA, 2018: 23).

There are no detailed data on frequency and intensity of use. Using CSO population data the

total number of holders can be decomposed into those aged 66 years and older (673,500) and those who are not in that age group (229,013 or 25% of holders).

The cost of poverty estimates assume that the free travel pass is in general not a contribution to living costs of older residents in the state, in the same way that the household benefits package and fuel allowance is. Rather, it is a contribution to encourage mobility, activity and participation. However, some of the provision of free travel for the non-OAP population is likely to represent an assistance to these individuals who are living on a low income in welfare dependent households. Given that there are many reasons for the provision of free travel to the under 66s, the main estimate conservatively assumes that 10% of the non-OAP costs are related to poverty. This is equivalent to 2.5% of the total cost of the scheme. The same proportion is also used for the low and high estimates.

Free Travel Scheme

▶ Annual expenditure = **€95m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **2.5%** of annual expenditure = **€2.4m**
- ▶ Low estimate at **2.5%** of annual expenditure = **€2.4m**
- ▶ High estimate at **2.5%** of annual expenditure = **€2.4m**



Living Alone Allowance

The Living Alone Allowance (LAA) is an additional social protection payment paid to people aged 66 years and above who are in receipt of a social welfare pension and are living alone. It is also paid to a further group of individuals who are under 66 years, live alone, and are in receipt of the Invalidity Pension, the Blind Pension, Disability Allowance or Incapacity Supplement. Approximately 80% of recipients are old age pensioners.³³ The payment has increased considerably in recent years rising from €7.70 per week in 2014 to €9 per week from 2015 and to €14 per week from 2020. The DEASP expect approximately 216,000 recipients of the payment in 2020 and the scheme has a full year cost of €156.6m (PQ 44074/19, October 2019).

As highlighted in Chapter 2, pensioners carry a relatively low risk of poverty (7.5%) although among this group the risk is higher for those who live alone. Table 4.11 reports the results of an analysis of the 2017 SILC data which isolated the poverty risk of single adults aged over 65 years. They carry a 10% risk of poverty based on their post-tax and transfers disposable income. Simulating their income without the LAA shows that the single pensioner poverty rate would be fifty percent higher, at 15.8% of that group, in the absence of the LAA payment. Consequently, while there are a large number of pensioners receiving the payment for whom it has no impact on their poverty status, as their income is already above the poverty line, for approximately 16% of single pensioners this is a payment that lifts them above, or nearer to, the poverty threshold.

Table 4.11 Risk of Poverty for single pensioners, with and without the Living Alone Allowance (LAA), 2017

| | Disposable Income (Baseline) | Simulation without the LAA |
|--|------------------------------|----------------------------|
| Poverty count total population | 755,593 | 767,795 |
| Poverty count single adult aged 65+ | 21,209 | 33,407 |
| Risk of Poverty single adult aged 65+ | 10.0% | 15.8% |

Source: Calculated by author from CSO SILC data

Consequently, the estimates for this payment assume that 16% of the expenditure associated with the LAA is a cost of poverty.

The same proportion is also used for the low and high estimates.

³³ See DEASP Budget 2020 Press Release available at: <https://www.gov.ie/en/press-release/ee9f2f-212-billion-to-be-spent-on-social-welfare-in-2020/>

Living Alone Allowance

▶ Annual expenditure = **€156.6m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **16%** of annual expenditure = **€25.1m**
- ▶ Low estimate at **16%** of annual expenditure = **€25.1m**
- ▶ High estimate at **16%** of annual expenditure = **€25.1m**



Supplementary Welfare Allowance

The Basic Supplementary Welfare Allowance payment is a means tested payment to people in need of immediate assistance as they are unable to meet their needs and those of their dependents. In general this includes those who do not qualify for payment under other social protection schemes. The scheme is administered by DEASP staff, formerly known as Community Welfare Officers, based in local Intreo centres. The allocated expenditure to the scheme in 2019 was €106.54m (DPER, 2018b: 175).

Demands on this scheme increased significantly during the period associated with the 2008-2013 economic crash but, as illustrated in Table 4.12, they have declined and stabilised since. The latest detailed DEASP recipient data for 2017 indicate that there were 17,933 recipients in that year when the allocated budget for the scheme was €97.218m (DEASP, 2019: 14 and 33). Using this data, we can calculate an average cost per recipient of €5,421 and an average cost per beneficiary of €3,344.

Table 4.12 Profile of Beneficiaries of Basic Supplementary Welfare Allowance, 2012-2017

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------|--------|--------|--------|--------|--------|--------|
| Qualified Adult | 7,492 | 4,573 | 3,191 | 2,656 | 2,693 | 2,620 |
| Qualified Children | 20,190 | 13,955 | 9,819 | 8,774 | 8,636 | 8,520 |
| Recipients | 32,358 | 23,127 | 18,187 | 17,343 | 17,601 | 17,933 |
| Beneficiaries | 60,040 | 41,655 | 31,197 | 28,773 | 28,930 | 29,073 |

Source: DEASP (2019: 33)



The cost of poverty estimates associated with this payment derive from an assumption relating to the expectation of needs under this scheme continuing to arise in a context where income poverty is absent. The low estimate assumes that as this is exceptional expenditure all of it would remain and is set at 0%. The main estimate assumes that a sustained period where all have an income at or above the poverty line would see some of these emergency demands dissipate.

However, as emergencies are still likely to arise the payment would still be needed. It assumes that half of the cost of this scheme is associated with current and past experiences of poverty while the other half relates to short-term and unavoidable emergencies that would remain. The high estimate assumes that even more of the scheme is associated with poverty with the proportion set at 80%.

Supplementary Welfare Allowance

▶ Annual expenditure = **€106.5m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **50%** of annual expenditure = **€53.3m**
- ▶ Low estimate at **0%** of annual expenditure = **€0m**
- ▶ High estimate at **80%** of annual expenditure = **€85.2m**



Exceptional and Urgent Needs Payment

Exceptional and urgent needs payments are administered under the broader DEASP Supplementary Welfare Allowance (SWA) scheme. These are means tested payments intended to meet once-off exceptional expenditure needs where a person could not reasonably be expected to meet these out of their weekly income. Exceptional needs cover expenditure such as bedding or cooking utensils for someone setting up a home for the first time, visiting relatives in hospital or prison, funeral costs or for clothing in exceptional

circumstances. Urgent needs include payments to people in emergency situations such as following a fire, flood or other disaster. Urgent needs payments subsequently met from an insurance claim may result in some or all of the payment being paid back to the DEASP. The schemes are administered by DEASP staff, formerly known as Community Welfare Officers, based in local Intreo centres. The allocated expenditure to the scheme in 2019 was €38.8m (DPER, 2018b: 175).

Demands on this scheme have followed a similar pattern to the basic supplementary welfare allowance with the total number of claims having declined and stabilised in recent years.

As Table 4.13 shows the average payment is in the range of €300-€400.

Table 4.13 Exceptional and Urgent Needs Payments, 2012-2017

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------|---------|---------|---------|---------|---------|---------|
| No. of payments | 197,500 | 133,000 | 107,100 | 101,600 | 100,100 | 103,500 |
| Annual expenditure | €52.7m | €35.7m | €30.1m | €31.0m | €32.2m | €38.1m |
| Average payment | €266.86 | €268.23 | €280.95 | €304.99 | €321.54 | €367.95 |

Source: DEASP (2019: 32) and PQ (52943/19 from December 2019).

The cost of poverty estimates associated with these payments follow a similar set of assumptions to those for the supplementary welfare allowance. The low estimate assumes that as this is exceptional expenditure all of it would remain and is set at 0%. The main estimate assumes that a sustained period where all have an income at or above the poverty line would see some of these emergency demands dissipate. However, as

emergencies are still likely to arise the payment would still be needed.

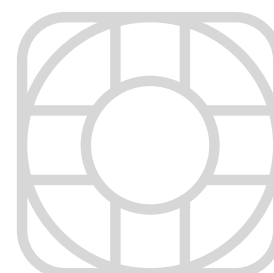
It assumes that half of the cost of these schemes are associated with current and past experiences of poverty while the other half relates to short-term and unavoidable emergencies that would remain. The high estimate assumes that even more of these schemes are associated with poverty with the proportion set at 80%.

Exceptional and Urgent Needs Payments

▶ Annual expenditure = **€38.77m**

PUBLIC SERVICE COST OF POVERTY ESTIMATE

- ▶ Main estimate at **50%** of annual expenditure = **€19.4m**
- ▶ Low estimate at **0%** of annual expenditure = **€0m**
- ▶ High estimate at **80%** of annual expenditure = **€31.0m**



Other Social Protection Schemes not included in the estimates

There are a number of other schemes provided by the Department of Employment Affairs and Social Protection which have similarities to those outlined above and may have some relationship with current and previous experiences of poverty. However, the lack of sufficient information on the performance of these schemes, and/or the circumstances of their recipients, and/or the lack of certainty as to whether these schemes were designed to address the implications of current and past experiences of disadvantage or are transitional schemes following a period of high unemployment, means it is not possible to include them in the estimates outlined in this section. These schemes include: the Back to Work Family Dividend (allocated expenditure of €21.3m in 2019), the Back to Work Enterprise Allowance (allocated expenditure of €70.4m in 2019 and €37.3m in 2020), the Short Term Enterprise Allowance (no available budget data but scheme had an average of 318 participants in 2019), and Farm Assist allowance (allocated expenditure of €72.1m in 2019).

Other schemes are more general in nature and focus on the well-being and living standards of certain groups rather than having a specific anti-poverty approach and these include: the free TV licence (allocated expenditure of €60m in 2019) and the telephone support allowance (allocated expenditure of €7.5m in 2019). The DEASP also fund certain agencies that provide services which are in many cases targeted on those living on a low income, however it is challenging to disaggregate the proportion of this funding that is purely poverty related. In particular funding to the Money Advice and Budgeting Service (MABS), which sits within the budget of the Citizens Information Board (allocated expenditure of €59.3m in 2019), is an example.

5 Estimates of the Public Service Cost of Poverty in Ireland

This chapter brings together the results of the costings outlined in Chapter 4 to determine the overall public service cost of poverty in Ireland.

As already outline, this report establishes a main, low and high cost of poverty estimate for each category of public expenditure; in all there are twenty-five categories examined. As the analysis has demonstrated, uncertainty coupled with data limitations means that the determination of an accurate point estimate for the public service cost of poverty would be difficult, and most likely misleading. Thus, the report has determined an indicative main estimate, built around the evidence, data and international literature. The main estimate is determined simultaneously with a low-estimate, which reflects a more conservative approach to determining the cost of poverty, and a high-estimate reflecting the likely upper-limit of these costs. Collectively, the estimates give a range for the overall public service cost of poverty.

In total annual public service expenditure of €27.9bn was reviewed and the results of the analysis are presented across three tables and charts which outline the results of the main, low and high estimates in that order tables (Tables 5.2-5.4, Figures 5.1-5.3).

Table 5.1 summarises the overall findings of these tables. The main estimate approach finds that the annual public service cost of poverty to Ireland is almost €4.5bn. Using a more conservative set of costing assumptions the low estimate determines a cost of €3bn per annum. As an attempt to determine the likely upper limit of these costs the high estimate provides a value of just over €7.2bn per annum. The context of these costing, and their implications, are considered in the next chapter.

Table 5.1 Summary of the Public Service Cost of Poverty in Ireland – three estimates

| | Main Estimate | Low Estimate | High Estimate |
|--------------------------------|---------------|--------------|---------------|
| Public Service Cost of Poverty | €4,491m | €3,077m | €7,245m |

Note: See more comprehensive details in Tables 5.2-5.4 of the main report.

Table 5.2 The Public Service Cost of Poverty to Ireland – main estimate

| Expenditure heading | Annual Expenditure €m | % associated with poverty | Estimated Poverty Cost €m | % of total estimated cost |
|--|-----------------------|---------------------------|---------------------------|---------------------------|
| Health Care | | | | |
| Acute hospital | 5,243 | 6.7% | 351.3 | 7.8% |
| Primary health care & Community Health | 4,009 | 16.7% | 669.5 | 14.9% |
| Mental Health | 860 | 27.5% | 236.5 | 5.3% |
| Children and Families | | | | |
| Child and Family Support Programmes | 786 | 15.1% | 118.7 | 2.6% |
| Sectoral Programmes for Children/ Young People | 649 | 22.0% | 142.8 | 3.2% |
| Education and Training | | | | |
| Schools | 7,312 | 2.7% | 200.6 | 4.5% |
| Further Education and Training* | 610 | 15.2% | 92.9 | 2.1% |
| Higher education | 1,572 | 16.3% | 256.2 | 5.7% |
| Housing | | | | |
| Housing investment | 1,288 | 38.0% | 489.4 | 10.9% |
| Housing current | 1,113 | 38.0% | 423.1 | 9.4% |
| Gardai, Criminal Justice & Emergency Services | | | | |
| Garda | 1,760 | 37.8% | 665.3 | 14.8% |
| Courts and Prisons | 497 | 43.2% | 214.9 | 4.8% |
| Crime prevention and inclusion | 185 | 18.9% | 34.9 | 0.8% |
| Fire and emergency services | 12 | 18.9% | 2.3 | 0.1% |
| Certain Welfare supports | | | | |
| Increases for Qualified Children | 606 | 0.0% | 0.0 | 0.0% |
| BTS Clothing and Footwear allowance | 56 | 75.0% | 42.2 | 0.9% |
| School Meals Programme | 58 | 61.6% | 35.5 | 0.8% |
| Working Family Payment | 416 | 50.0% | 208.2 | 4.6% |
| Back to Education allowance | 62 | 16.3% | 10.1 | 0.2% |
| Fuel allowance | 240 | 50.0% | 120.0 | 2.7% |
| Household Benefits Package | 188 | 40.7% | 76.5 | 1.7% |
| Free Travel Scheme | 95 | 2.5% | 2.4 | 0.1% |
| Living alone allowance | 157 | 16.0% | 25.1 | 0.6% |
| Supplementary welfare allowance (basic) | 107 | 50.0% | 53.3 | 1.2% |
| Exceptional and urgent needs payments | 39 | 50.0% | 19.4 | 0.4% |
| Total Public Service Costs | | | 4,491.0 | 100.0% |

Notes: Figures have been rounded for the purpose of presentation.

*Established as nominal estimates first then converted to a proportion of spending – see section 4.3.

Figure 5.1 Composition of the Main Estimate of the Public Service Cost of Poverty to Ireland (€4,491m per annum) – by expenditure areas

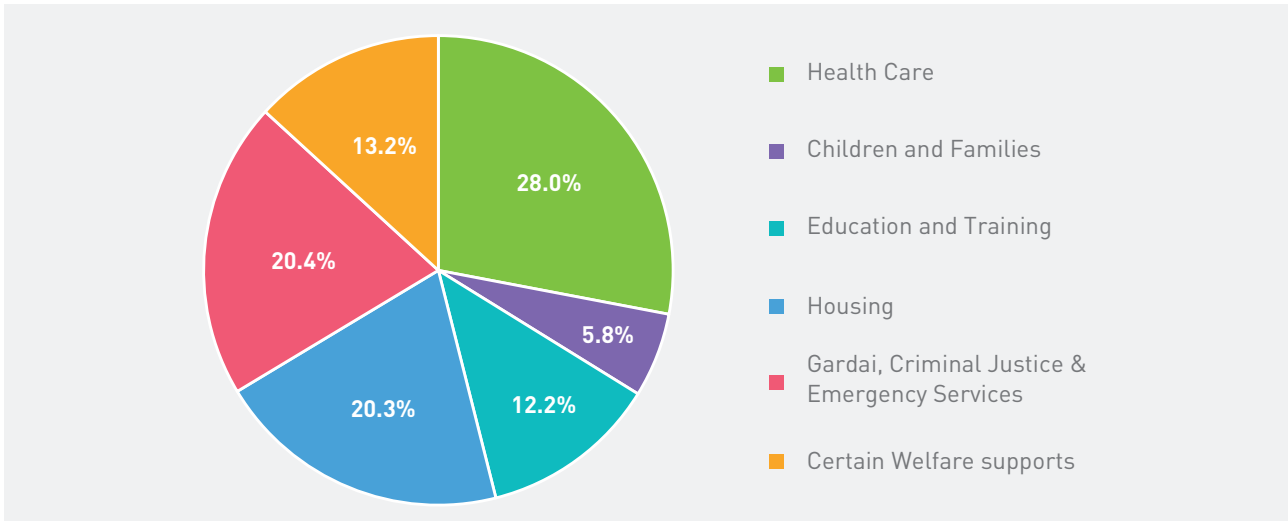
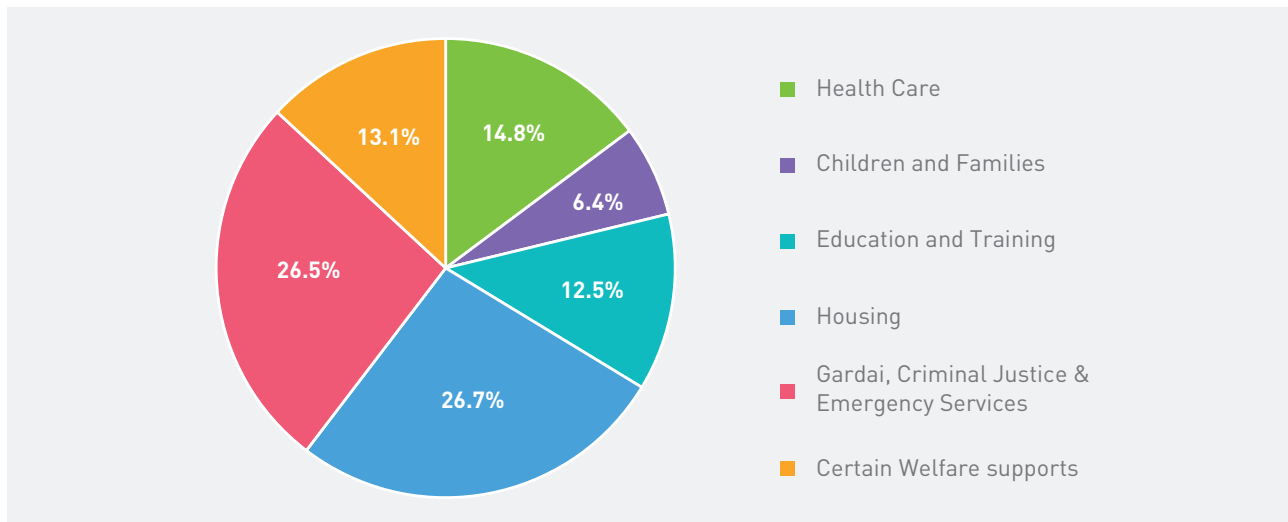


Figure 5.2 Composition of the Low Estimate of the Public Service Cost of Poverty to Ireland (€3,077m per annum) – by expenditure areas



Notes: See details included in Table 5.3

Table 5.3 The Public Service Cost of Poverty to Ireland – low estimate

| Expenditure heading | Annual Expenditure €m | % associated with poverty | Estimated Poverty Cost €m | % of total estimated cost |
|--|-----------------------|---------------------------|---------------------------|---------------------------|
| Health Care | | | | |
| Acute hospital | 5,243 | 0.0% | 0.0 | 0.0% |
| Primary health care & Community Health | 4,009 | 8.4% | 334.8 | 10.9% |
| Mental Health | 860 | 14.0% | 120.4 | 3.9% |
| Children and Families | | | | |
| Child and Family Support Programmes | 786 | 7.0% | 54.8 | 1.8% |
| Sectoral Programmes for Children / Young People | 649 | 22.0% | 142.8 | 4.6% |
| Education and Training | | | | |
| Schools | 7,312 | 2.7% | 195.5 | 6.4% |
| Further Education and Training* | 610 | 9.9% | 60.4 | 2.0% |
| Higher education | 1,572 | 8.2% | 128.1 | 4.2% |
| Housing | | | | |
| Housing investment | 1,288 | 34.2% | 440.5 | 14.3% |
| Housing current | 1,113 | 34.2% | 380.8 | 12.4% |
| Gardai, Criminal Justice & Emergency Services | | | | |
| Garda | 1,760 | 33.6% | 591.4 | 19.2% |
| Courts and Prisons | 497 | 38.4% | 191.0 | 6.2% |
| Crime prevention and inclusion | 185 | 16.8% | 31.0 | 1.0% |
| Fire and emergency services | 12 | 16.8% | 2.1 | 0.1% |
| Certain Welfare supports | | | | |
| Increases for Qualified Children | 606 | 0.0% | 0.0 | 0.0% |
| BTS Clothing and Footwear allowance | 56 | 66.0% | 37.1 | 1.2% |
| School Meals Programme | 58 | 0.0% | 0.0 | 0.0% |
| Working Family Payment | 416 | 33.0% | 137.4 | 4.5% |
| Back to Education allowance | 62 | 8.2% | 5.0 | 0.2% |
| Fuel allowance | 240 | 50.0% | 120.0 | 3.9% |
| Household Benefits Package | 188 | 40.7% | 76.5 | 2.5% |
| Free Travel Scheme | 95 | 2.5% | 2.4 | 0.1% |
| Living alone allowance | 157 | 16.0% | 25.1 | 0.8% |
| Supplementary welfare allowance (basic) | 107 | 0.0% | 0.0 | 0.0% |
| Exceptional and urgent needs payments | 39 | 0.0% | 0.0 | 0.0% |
| Total Public Service Costs | | | 3,077.0 | 100.0% |

Notes: Figures have been rounded for the purpose of presentation.

*Established as nominal estimates first then converted to a proportion of spending – see section 4.3.

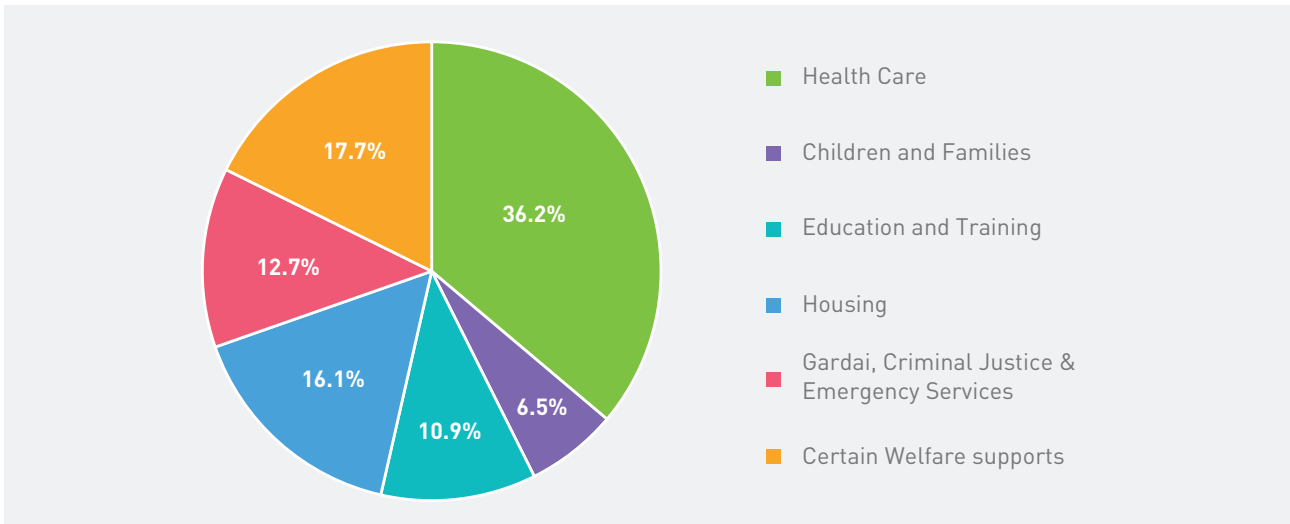
Table 5.4 The Public Service Cost of Poverty to Ireland – high estimate

| Expenditure heading | Annual Expenditure €m | % associated with poverty | Estimated Poverty Cost €m | % of total estimated cost |
|--|-----------------------|---------------------------|---------------------------|---------------------------|
| Health Care | | | | |
| Acute hospital | 5,243 | 25.0% | 1,310.8 | 18.1% |
| Primary health care & Community Health | 4,009 | 25.1% | 1,004.3 | 13.9% |
| Mental Health | 860 | 35.4% | 304.4 | 4.2% |
| Children and Families | | | | |
| Child and Family Support Programmes | 786 | 23.2% | 182.6 | 2.5% |
| Sectoral Programmes for Children/ Young People | 649 | 44.0% | 285.6 | 3.9% |
| Education and Training | | | | |
| Schools | 7,312 | 2.9% | 209.1 | 2.9% |
| Further Education and Training* | 610 | 21.0% | 128.2 | 1.8% |
| Higher education | 1,572 | 29.0% | 455.9 | 6.3% |
| Housing | | | | |
| Housing investment | 1,288 | 48.5% | 624.7 | 8.6% |
| Housing current | 1,113 | 48.5% | 540.0 | 7.5% |
| Gardaí, Criminal Justice & Emergency Services | | | | |
| Garda | 1,760 | 37.8% | 665.3 | 9.2% |
| Courts and Prisons | 497 | 43.2% | 214.9 | 3.0% |
| Crime prevention and inclusion | 185 | 18.9% | 34.9 | 0.5% |
| Fire and emergency services | 12 | 18.9% | 2.3 | 0.0% |
| Certain Welfare supports | | | | |
| Increases for Qualified Children | 606 | 66.0% | 399.6 | 5.5% |
| BTS Clothing and Footwear allowance | 56 | 90.0% | 50.6 | 0.7% |
| School Meals Programme | 58 | 100.0% | 57.6 | 0.8% |
| Working Family Payment | 416 | 100.0% | 416.4 | 5.7% |
| Back to Education allowance | 62 | 29.0% | 17.9 | 0.2% |
| Fuel allowance | 240 | 50.0% | 120.0 | 1.7% |
| Household Benefits Package | 188 | 40.7% | 76.5 | 1.1% |
| Free Travel Scheme | 95 | 2.5% | 2.4 | 0.0% |
| Living alone allowance | 157 | 16.0% | 25.1 | 0.3% |
| Supplementary welfare allowance (basic) | 107 | 80.0% | 85.2 | 1.2% |
| Exceptional and urgent needs payments | 39 | 80.0% | 31.0 | 0.4% |
| Total Public Service Costs | | | 7,245.3 | 100.0% |

Notes: Figures have been rounded for the purpose of presentation.

*Established as nominal estimates first then converted to a proportion of spending – see section 4.3.

Figure 5.3 Composition of the High Estimate of the Public Service Cost of Poverty to Ireland (€7,245m per annum) – by expenditure areas



Notes: See details included in Table 5.4

6 Implications and Conclusion

The public service cost of poverty estimates determined in this report derive from a review of public spending across six broad areas of public policy, and within them twenty-five individual areas or expenditure programmes, accounting for a total of €27.9bn in annual state spending. It establishes a main estimate of almost €4.5bn per annum as the cost that the Irish public sector carries as a result of current and past experience of poverty in Irish society. As the report has shown, these costs derive from the identification of poverty as a determining factor in the need for, and demand for, a wide range of public services and policies ranging from health to housing, justice and welfare among others.

One purpose of this report is to highlight the hidden nature of these costs, which while often visible individually are infrequently considered cumulatively and compared to other demands and priorities that the state must meet. Therefore, it is worth putting the findings in some context.

To do so, Table 6.1 considers the findings of the report in a number of different ways. Expressed in per capita terms the main finding of almost €4.5bn implies that poverty imposes a public service cost equivalent to a sum of €913 per person in the state each year. Relative to the number of households in the state, the annual public service cost of poverty is just over €2,600 per household.

Table 6.1 The Public Service Cost of Poverty in Context

| | Main Estimate | Low Estimate | HighEstimate |
|---------------------------------------|----------------|----------------|----------------|
| Public Service Cost of Poverty | €4,491m | €3,077m | €7,245m |
| per capita cost | €913 | €625 | €1,472 |
| per household cost | €2,638 | €1,808 | €4,256 |
| as a % Total Gov Revenue | 5.1% | 3.5% | 8.2% |
| as % Total Gov Expenditure | 5.0% | 3.4% | 8.0% |

Notes: Calculated using CSO population projections for April 2019, CSO household count from Census 2016 and Budget 2020 projections for (pre Covid 19) general government revenue and expenditure [Department of Finance, 2019: 58].

We can also compare the public service cost of poverty to the overall income and expenditure of Government. Using data from Budget 2020, which projected total Government revenue and expenditure in 2020 (pre Covid-19), Table 6.1 finds that the main public service cost of poverty estimate (almost €4.5bn) is equivalent to 5.1% of total General Government Revenue and 5% of total General Government Expenditure. Put another way, €1 in every €20 collected by the state from taxes, social insurance and charges ends up being

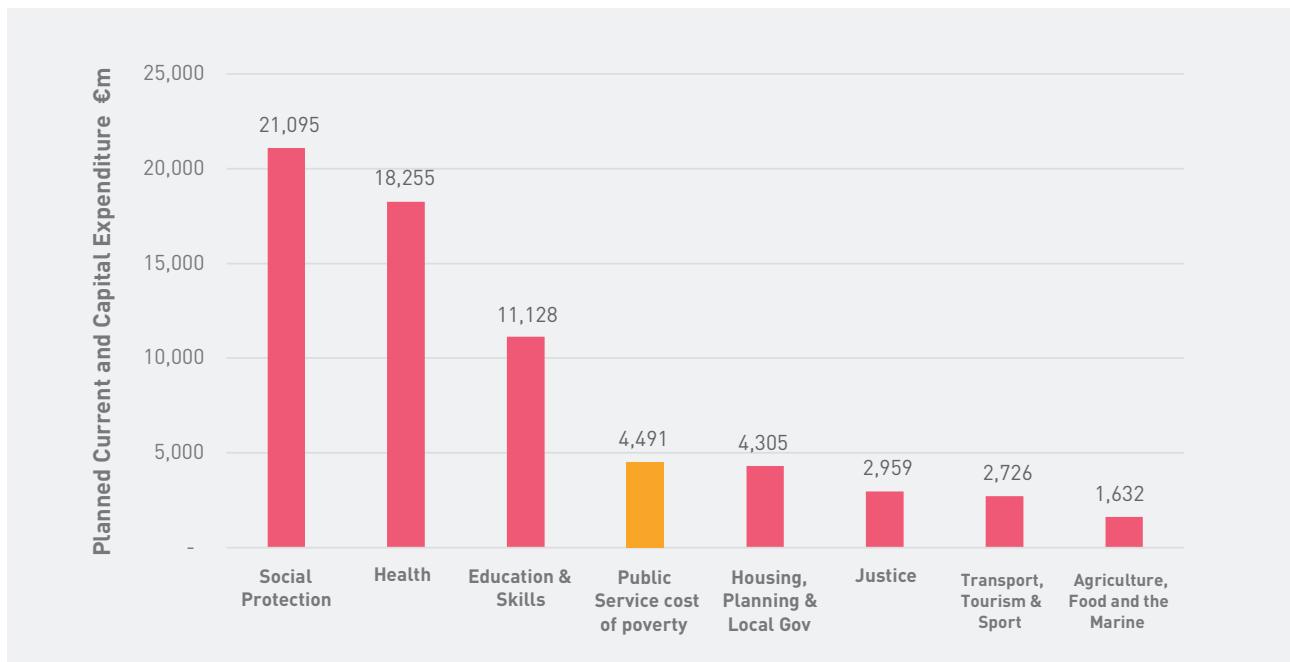
allocated by the state to make up for the way that poverty damages people’s lives.

Figure 6.1 compares the main public service cost of poverty in another way. It places the annual figure of almost €4.5bn next to the total allocated current and capital expenditure of the seven highest spending Government departments following Budget 2020. The total annual public service cost of poverty comes fourth, standing at less than total spending at the Department of Employment Affairs

and Social Protection, the Department of Health and the Department of Education and Skills but larger than annual spending in the Department of Housing, Planning and Local Government, the

Department of Justice and Equality, the Department of Transport, Tourism and Sport, the Department of Agriculture, Food and Marine and all other Government Departments.³⁴

Figure 6.1 The Public Service Cost of Poverty in the Context of Departmental Expenditure (current and capital)



Notes: Calculated from DPER Budget 2020 Expenditure Report (2019: 9-10) based on pre Covid-19 expenditure allocations. Comparison is with the main estimate of the public service cost of poverty.

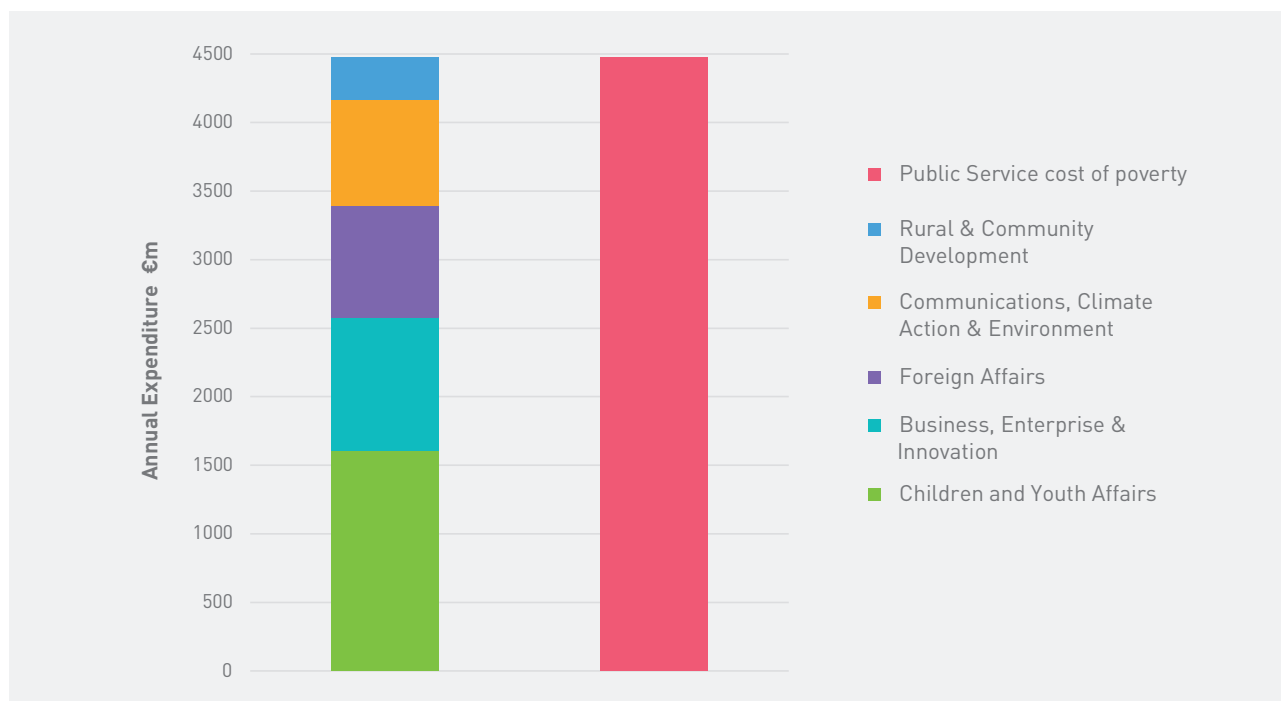
Similarly, Figure 6.3 presents an analysis of the DPER total expenditure data accompanying Budget 2020 to show that the main estimated annual public service spending on poverty (almost €4.5bn) is more than the combined annual budgets of five other Government departments namely: the Department of Children and Youth Affairs plus the Department of Business, Enterprise and Innovation

plus the Department of Foreign Affairs plus the Department of Communications, Climate Action and Environment plus the Department of Rural and Community Development (DPER, 2019: 9-10).³⁵ Simply, expenditure by the state as a consequence of current and past experiences of poverty is one of the largest things that Government does each year.

³⁴ Note, these are estimates from Budget 2020, published in October 2019, and do not include the unanticipated impact of the Covid-19 pandemic. The analysis is intended to benchmark the costing against expenditure in a relatively normal year of exchequer expenditure.

³⁵ Total allocated current and capital expenditure for these Departments in 2020 (pre Covid-19) equalled €4,475m (DPER, 2019: 9-10).

Figure 6.2 Comparing the Public Service Cost of Poverty to Total Expenditure (current and capital) of five Government Departments



Notes: Calculated from DPER Budget 2020 Expenditure Report based on pre Covid-19 expenditure allocations which totalled €4,475m (DPER, 2019: 9-10). Comparison is with the main estimate of the public service cost of poverty.

The analysis in Chapter 4 also highlights that many public services were insufficient in meeting, in a timely way, the needs within society that they were attempting to address. Therefore, the public service costs of poverty should be even higher than those estimated in this report which are based on proportions of current expenditure rather than on proportions of the ideal amount of public expenditure needed to address particular issues or provide specified services.

This report has not set out to provide a precise measure of the impact of current and previous experiences of poverty on the demand and need for public services in Ireland. As alluded to throughout Chapter 4, such precision is impossible and it is for that reason that the costing approach is set out as a range from a conservative low estimate to an upper-limit high estimate. Between these, the main estimate is intended to be a reasonable indication

of the poverty related costs currently experienced by the state.

The scale of these costs implies a number of things. First, they highlight that the existence of poverty is impacting everyone in Irish society and not just those on incomes below the poverty line. In particular, a large amount of the money raised and spent by the state every year is associated with the ways that poverty damages peoples' lives. Second, they point towards the potential for a new suite of public policies focused on addressing and reducing the current experiences of poverty and their past consequences. These can create a virtuous circle for society, where the lives of the least well off are improved while simultaneously freeing up government resources to focus on other public policy priorities. Some of these savings have the potential to arise in the short-term while others, in particular those associated with legacy impacts of

poverty and disadvantage, will take time to appear. In some areas the state will need to 'invest to save'; by increasing commitments and spending so that the substantial medium to longer-term savings can be realised.

Year after year poverty imposes substantial costs on all of Irish society. While these fall heaviest on those living on the lowest incomes in our society, this report highlights that there are substantial costs borne by all. Consequently, there are benefits for all associated with a coherent national strategy to address and successfully reduce poverty and its consequences.

For many years Ireland was an international leader in the adoption of National Anti-Poverty Strategies which were targeted at addressing the challenges highlighted throughout this report. Regrettably, in recent years this focus has slipped but as this report demonstrates there are substantial benefits for all to be gained from a renewed national policy focus on addressing and reducing the number of people in our society living life below the poverty line.

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Online databases and resources

CSO online database, web address:

<http://www.cso.ie/en/databases/>

CSO online statistical reports:

<https://www.cso.ie/en/index.html>

Eurostat online database, web address:

<http://ec.europa.eu/eurostat>

OECD online statistics database:

<https://stats.oecd.org/>

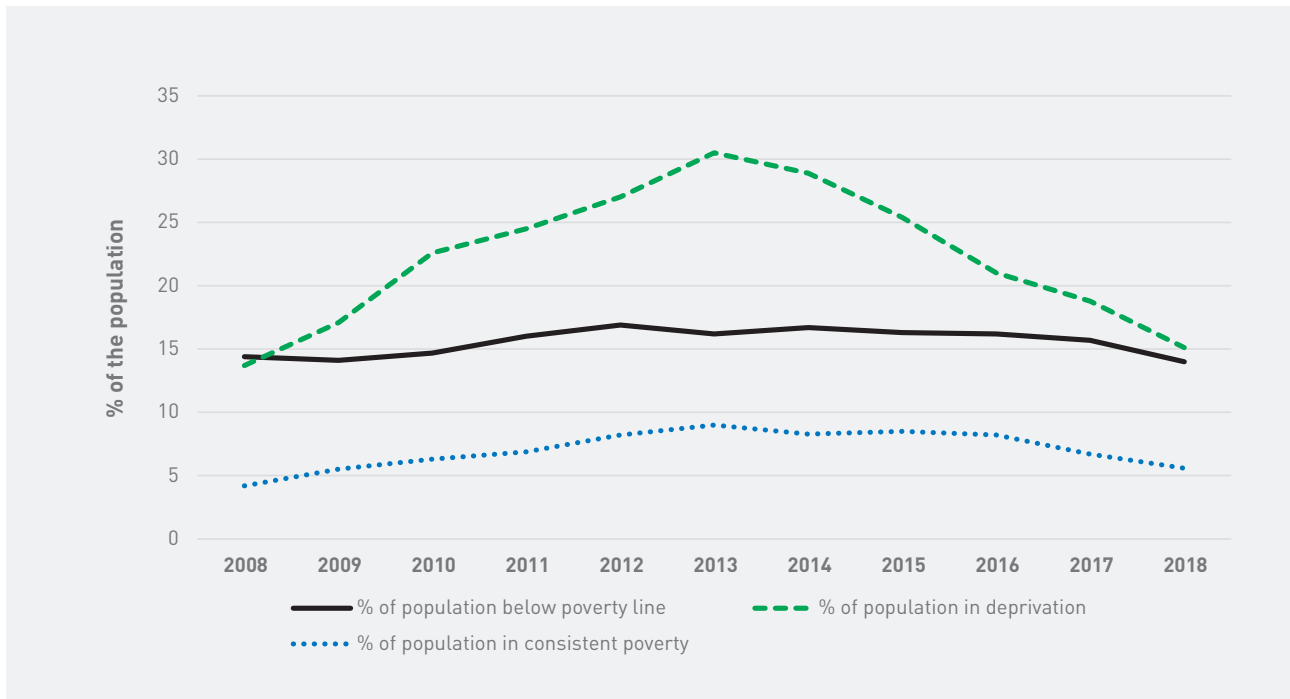
Pobal HP Deprivation Index:

<https://maps.pobal.ie/>

Houses of the Oireachtas,
Replies to Parliamentary Questions:

<https://www.oireachtas.ie/en/debates/questions/>

Figure A1 Poverty in Ireland, 2008-2018



Source: CSO SILC data

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