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NOTES and COMMENTS

Measuring Poverty in Ireland: A Comment

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I

In Callan, Hannan, Nolan and Whelan (1989), the ESRI team attempt to defend the use of "relative income thresholds" as measures of poverty. The argument here will be that there is a lack of correspondence between the definition of poverty the ESRI team propose (Callan *et al.*, 1989, p. 362) and the measures they advocate; that disposable income is not sufficient as an indicator of poverty; and that, as Sean Barrett (1989) has suggested, "relative income thresholds" are measures of inequality, not of poverty.

II

Stein Ringen (1988a, 1988b) distinguishes between "indirect" and "direct" definitions of poverty. The distinction is analogous to that between "equality of opportunity" and "equality of outcome": "Indirect" definitions focus on the *determinants* of how people live – to be "poor" is to have less than some specified level of resources. "Direct" definitions, on the other hand, focus on how people *actually* live, on consumption or quality of life – to be "poor" is to be deprived in one's way of life.

In their "Reply" to Sean Barrett, Callan *et al.* (1989, p. 362) propose a "direct" definition of poverty:

> A person may be considered to be in poverty when, due to lack of resources, he or she is unable to participate with dignity in the life of the community.

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When it comes to measurement, however, the ESRI team suggest an "indirect" approach – establishing what resources individuals command – rather than a "direct" approach – establishing individuals' standard of consumption or quality of life. Thus, there is no clear line of deduction between the definition they propose and the measures they adopt; and the ESRI team's estimates cannot be taken as expressing what they are said to express.

III

The "relative income thresholds" used by the ESRI team (Callan, Hannan, Whelan and Creighton, 1988) are linked to average disposable income. Now, no one would say that poverty has nothing to do with income. But knowing someone's income is insufficient to determine whether he or she is poor:

> The same income does not buy everyone the same consumption. Income is useful only in markets, but what we get out of markets depends not only on our income but also on other resources which influence how we are able to use our income, for example, education, knowledge and information. The market is not the same for all. Consumption can be acquired outside of the market, for example by home production, or through "connections". (Ringen, 1988a, p. 160)

IV

Sean Barrett (1989, p. 354) argues that the "relative income thresholds" used by the ESRI team (Callan, Hannan, Nolan, Whelan and Creighton, 1988) are measures of inequality rather than of poverty. In their "Reply", Callan *et al.* (1989, p. 362) argue that Barrett's view is "simply incorrect" and that it is "based on a failure to recognise the implications of the relative nature of the phenomenon [of poverty]". Surely it is the ESRI team who are incorrect.

It is certainly true that the approach adopted by the ESRI team – looking at the numbers falling below 40 per cent, 50 per cent and 60 per cent of mean disposable income – avoids some of the difficulties associated with the cruder "inequality" measures – ascribing "poverty" to those in the bottom 10 per cent or 20 per cent of the income distribution, for example. The numbers in "poverty" can rise and fall and, indeed, "poverty" is eradicable. None the less, the use of "relative income thresholds" can lead to some perverse results: An across-the-board rise in income will not show up as a decrease in "poverty"; similarly, a general decline in incomes will not show up as an increase in "poverty". The trouble is, in other words, that gains or losses shared by all tend to be discounted:

> . . . the measured incidence of poverty will, by definition remain unchanged as long as there is no change in the distribution of income, irrespective of how much the level of income of both the poor and the non-poor rises or falls. (Ringen, 1988a, p. 153)

So, if everyone in the country miraculously quadruples their income in the morning, the ESRI team will still find as much "poverty"; and they will not find any more "poverty" even if everyone in the country wakes up to discover that they've lost three-quarters of their income. As Sen (1983, p. 6) puts it:

> . . . we have been made to abandon here an essential characteristic of poverty, replacing it with some imperfect representation of *inequality*.

V

The argument has been, firstly, that there is no clear line of deduction between the definition of poverty proposed by the ESRI team and the measures they adopt; secondly, that income is insufficient as an indicator of poverty; and, thirdly, that Sean Barrett is correct in his contention that the "relative income thresholds" used by the ESRI team are measures of inequality.

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