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Measuring Poverty in Ireland: Reply

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I INTRODUCTION

MacCárthaigh makes three points with respect to the measurement of poverty, drawing on the work of Stein Ringen. We deal with these in turn, and attempt to match his comment for succinctness – the issues are discussed in some detail in our recent ESRI study (Callan, Nolan, Whelan, Hannan and Creighton, 1989).

II DIRECT AND INDIRECT MEASURES

MacCártaigh argues that there is no clear line of deduction between the definition of poverty in terms of inability to participate with dignity in the life of the community and the measures used, which focus on command over resources. It is however inability to participate *due to lack of resources* which is of concern here, not exclusion from ordinary living patterns due to illness or handicap, or indeed by choice. The resource constraint is central to the everyday understanding of the term poverty. The relationship between a household's resources and its consumption levels, living patterns and experience of deprivation is therefore of critical importance. This relationship has not been well researched internationally, and we are currently making use of the data gathered in our survey to analyse it in depth. Without prejudging the results, it is clear that the relationship is a complex one: factors influencing the impact of current household income on current living patterns include not only how long that income has persisted and the level of debt/savings, but also for example access to networks of social support. As we have made clear, it follows that in measuring poverty *both* "direct" and "indirect" approaches are required. This is in fact the conclusion reached by Ringen (1988), though his suggestions for how such an approach might be implemented are not particularly convincing (cf Donnison, 1988, whose proposed "research agenda" has much in common with our own).

III INCOME AND POVERTY

The second, related point is that income is in itself insufficient as an indicator of poverty. It will be clear from the above, as it is from our publications, that we agree – though the list of factors complicating the relationship between income and poverty is a good deal longer than those mentioned by MacCártaigh. "The same income does not buy everyone the same consumption" not only because of home production or "connections", but also because current income is not a complete measure of resources available (savings and other assets/access to borrowing), and because of differences across households in access to free or subsidised services provided by the state or by employers (which by no means exclusively benefit low-income groups, it should be noted). Once again, looking at current disposable income is not enough – but it is, we would strongly argue, an indispensable benchmark in measuring poverty, as evidenced by its widespread use in international studies on the subject.

IV POVERTY AND INEQUALITY

MacCártaigh finally argues, with Barrett, that relative income thresholds are measures of inequality rather than poverty. Here we must part company entirely. He points out that such thresholds can give perverse results, and indeed they can if applied in a mechanistic fashion, without reference to underlying developments in the economy under examination. Examples such as a quadrupling or halving of everyone's after-tax incomes are simply not relevant to the real-world context in which such measures are applied. The real crux of the matter is in the fact that an across-the-board (proportionate) rise in income does not show up as a decrease in "poverty".

Some of those who reject purely relative thresholds argue that poverty should be measured against an "absolute" standard. There are enormous difficulties in deriving any standard which could be taken to represent "absolute" needs, as discussed in detail in Callan, Nolan *et al.* (1989, Ch. 2). What often appears to be meant though is simply a poverty line which is held constant in real terms rather than rising as incomes rise. The implications of applying such a line are worth highlighting: given growth in real incomes over time, poverty must disappear, with the date at which this takes place determined by the base year chosen for comparison. Poverty as measured in 1900 will have disappeared by 1930, say, and using a 1960 line there may well be no poverty now. What this misses is that the *meaning* of poverty changes over time: poverty in 1990 is simply not the same as poverty in 1960, but it does violence to the common understanding of the concept to therefore conclude that there is no poverty in 1990.

Many – perhaps most – of those who are unhappy with the explicit relativity of relative income thresholds do not advocate an "absolute" measure of poverty: they appear to accept that poverty has to be seen in the context of the standard of living of the society in question at a particular point in time. *However measured*, such a notion of poverty inevitably attributes a central role to the "distance" between those towards the bottom of the income distribution and the rest of society. Purely relative thresholds serve to make this obvious and explicit, but it is *not* peculiar to them: *any* measure of poverty based on a concept which is relative in nature will exhibit similar general properties.

In measuring inequality, one's frame of reference is quite different to that employed in analysing poverty, as Vaughan (1987) emphasises: the former measures the difference between the actual distribution and a perfectly equal one, whereas the latter compares the actual society with one in which everyone has access to "ordinary" living standards. The two are obviously not unrelated, but poverty can clearly go up or remain unchanged while inequality goes down, and vice versa.

V CONCLUSIONS

While current income is not in itself sufficient as an indication of poverty status, it is the indispensable starting-point. A key element in our programme of research is to explore the relationships between income and wider access to resources, subjective responses and attitudes, and experience of deprivation, all of which have to be taken into account to obtain a rounded picture of what poverty means.[1] Relative income thresholds, one of the measurement methods we have applied, are a crude but essential element in measuring poverty. They do not simply measure inequality, nor does their use imply that we believe that "growth doesn't matter" (see Callan, Nolan *et al.*, 1989, Ch. 12). Much of the resistance to them appears to reflect a failure to recognise the implicit relativity in most other methods of measuring poverty.

1. This research agenda is described in detail in the concluding chapter of Callan, Nolan *et al.*

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