



# Ireland and the Europe 2020 Strategy

*A review of the social inclusion aspects of Ireland's National Reform Programme in the context of the Europe 2020 Strategy*

March 2017



## Overview

This report was compiled by *Social Justice Ireland* in light of the Europe 2020 Strategy and its high-level targets, and of Ireland's National Reform Programme, which sets out Ireland's response to achieving those targets.

The report covers three of the five headline targets established in the Europe 2020 Strategy and addressed in the Irish National Reform Programme, namely, employment, education and 'poverty and social exclusion'. In each of these areas the report identifies the Europe 2020 target and Ireland's corresponding headline target, and then:

- Analyses the current context;
- Assesses progress (or otherwise) in achieving the Irish headline target;
- Reviews recent policy decisions and assesses their contribution (or otherwise) to Ireland achieving its targets;
- Identifies a number of issues relevant to the achievement of the targets; and
- Makes recommendations on adjusting the targets that Government has set in particular areas.

A partnership approach to the development of National Reform Programmes is envisaged in the Europe 2020 Strategy, involving a range of stakeholders, including those from civil society. The report, therefore, also addresses the issue of governance relating to the consultation process on the framing and development of the Irish National Reform Programme. Suggestions are made on how that process may be improved.

This report has been prepared by *Social Justice Ireland* drawing on data available from the EU and from Ireland's Central Statistics Office (CSO) as well as on on-going work Social Justice Ireland is doing on European and global issues. It also builds on our previous series of reports (from 2011 on) on this same topic. Our findings include that the policies pursued over many years are resulting in the ongoing exclusion of people who already find themselves on the margins of society and in many cases pushing Ireland further away from reaching many of its national targets under the Europe 2020 Strategy. This is of major concern to *Social Justice Ireland*. It also runs counter to the aim of inclusive growth which is central to the Europe 2020 Strategy.

Implicit in the approach taken in the Europe 2020 Strategy is that economic development, social development and environmental protection are complementary and interdependent – three sides of the same reality. Overall, current trends in Irish public policy are running counter to the promotion of 'inclusive growth,' which is one of the three key priorities which underlie the Europe 2020 Strategy. Inclusive growth is not just about fostering a high-employment economy, it also aims to deliver social cohesion – it is integral to the Europe 2020 strategy and needs to be integral to the response of the Irish Government.

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# 1. Introduction and Context

The Europe 2020 Strategy was designed to develop a more balanced and sustainable approach for the future. It was adopted in 2010. While not without its critics, the Strategy is seen as a significant development in social policy within the EU. In particular, its inclusion of targets aimed at increasing employment, improving education and reducing poverty and social exclusion are considered potentially significant because they highlight the importance of social policy goals to a vision for Europe's future well-being. In this report we look at key aspects of Ireland's performance in response to the Europe 2020 Strategy in the areas of employment, education and poverty.

## The Europe 2020 Strategy

The Europe 2020 strategy aims to turn the EU into a 'smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion' (European Commission, 2010, p. 5). It increased the potential visibility and importance of social issues and made the possibility of 'a much more integrated and coordinated approach to economic, social, employment and also environmental governance' a possibility (Frazer et al, 2010, p.3). As Frazer and colleagues put it:

*'The Lisbon Treaty and the Europe 2020 Strategy provide a significant, if far from perfect, opportunity to move towards a better and more mutually reinforcing balance between economic, employment and social objectives – and thus towards a stronger Social EU' (Frazer et al, 2010, p 34).*

While there has been criticism of aspects of the Europe 2020 strategy<sup>1</sup>, the existence of targets aimed at reducing poverty and social exclusion will, it has been argued, create a new dynamic and impose pressure on politicians and policy-makers to deliver against those targets (Walker, 2011, p.1).

Following on from State of the Union address by President Juncker in September 2015, the European Commission has launched a public consultation of a European Pillar of Social Rights intended to identify a number of essential principles common to euro area Member States, focusing on their needs and challenges in the field of employment and social policies. In March 2016 a first, preliminary outline was published by the Commission. Like the Europe 2020 strategy, this initiative is founded in a recognition that in advanced economies, which base their prosperity on productivity growth and their capacity to innovate 'social and economic performances are two sides of the same coin' (European Commission 2016a, p.4).

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<sup>1</sup> There has, for example, been criticism of the way indicators were combined to determine the target for 'poverty and social exclusion' (see Nolan & Whelan, 2011). That has also been criticised by *Social Justice Ireland*. Another area sometimes considered problematic is the fit between the governance architecture of the Europe 2020 Strategy and EU social policy coordination as it had developed over a decade through the Social Open Method of Coordination (OMC) (Zeitlin, 2010).

## Priorities, Targets & 'Flagship Initiatives'

The Strategy articulates three priorities, five headline targets for 2020 intended to be representative of the three priorities, as well as a number of actions at national, EU and international levels to underpin them (European Commission, 2010).

The three **priorities** are:

- Smart growth: developing an economy based on knowledge and innovation,
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy,
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

The **headline targets** for 2020 are intended to steer progress toward achieving the priorities. They are:

- Employment – 75% of the 20-64 year-olds to be employed,
- R&D – 3% of the EU's GDP to be invested in R&D (includes public and private investment),
- Climate change/energy –
  - greenhouse gas emissions 20% lower than 1990 (or 30% if the conditions are right)
  - 20% of energy from renewables
  - 20% increase in energy efficiency
- Education –
  - Reducing school drop-out rates below 10%
  - at least 40% of 30-34 year-olds completing third level education
- Poverty /social exclusion –
  - The number of Europeans living in or at risk of poverty and social exclusion should be reduced by 20 million (this target is based on a combination of three indicators<sup>2</sup> - people are counted if they come under any of the three)

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<sup>2</sup> This indicator corresponds to the sum of persons who are: at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Material deprivation covers indicators relating to economic strain and durables. Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. People living in households with very low work intensity are those



It is recognised that the targets are interrelated – for example, that better educational levels help employability, which in turn will help to reduce poverty. Targets were to be translated into national targets to reflect the current situation of each Member State (European Commission, 2010).

Seven **flagship initiatives** were proposed to underpin the priorities with actions at European and national levels. These are ‘Innovation Union’, ‘Youth on the Move,’ ‘A Digital Agenda for Europe’, ‘Resource Efficient Europe,’ ‘An Industrial Policy for the Globalisation era,’ ‘An Agenda for New Skills and Jobs,’ and ‘European Platform against Poverty’.

Amongst the flagship initiatives, the European Platform against Poverty (EPAP) is of particular importance in the context of this report, with its recognition that the vulnerable in our societies have borne much of the impact of the economic crisis, and

- that fighting poverty requires a response that cuts across all policy domains and that is mainstreamed into all policy development
- of the need for greater and more effective use of the EU Funds to support social inclusion (European Commission, 2010a, p. 5,6).

## Integrated Guidelines

Ten integrated Guidelines for implementing the Europe 2020 Strategy were adopted by the Council in October 2010. See **Table 1**. The Guidelines aim to provide guidance to Member States in defining their National Reform Programmes (see below) and in implementing reforms. Guideline 10 underlines the importance of labour market participation for those furthest away from the labour market and of preventing in-work poverty, as well as the role of pensions, healthcare, and public services in maintaining social cohesion.

**TABLE 1 INTEGRATED GUIDELINES: EMPLOYMENT (INCLUDING SOCIAL INCLUSION AND COMBATING POVERTY)**

Extract from Integrated Guidelines for Europe 2020	
Guideline 7	Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality
Guideline 8	Developing a skilled workforce responding to labour market needs and promoting lifelong learning
Guideline 9	Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education
Guideline 10	Promoting social inclusion and combating poverty

**SOURCE:** EU COUNCIL OF MINISTERS, 2010

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aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year. (Eurostat online database: t2020\_50)

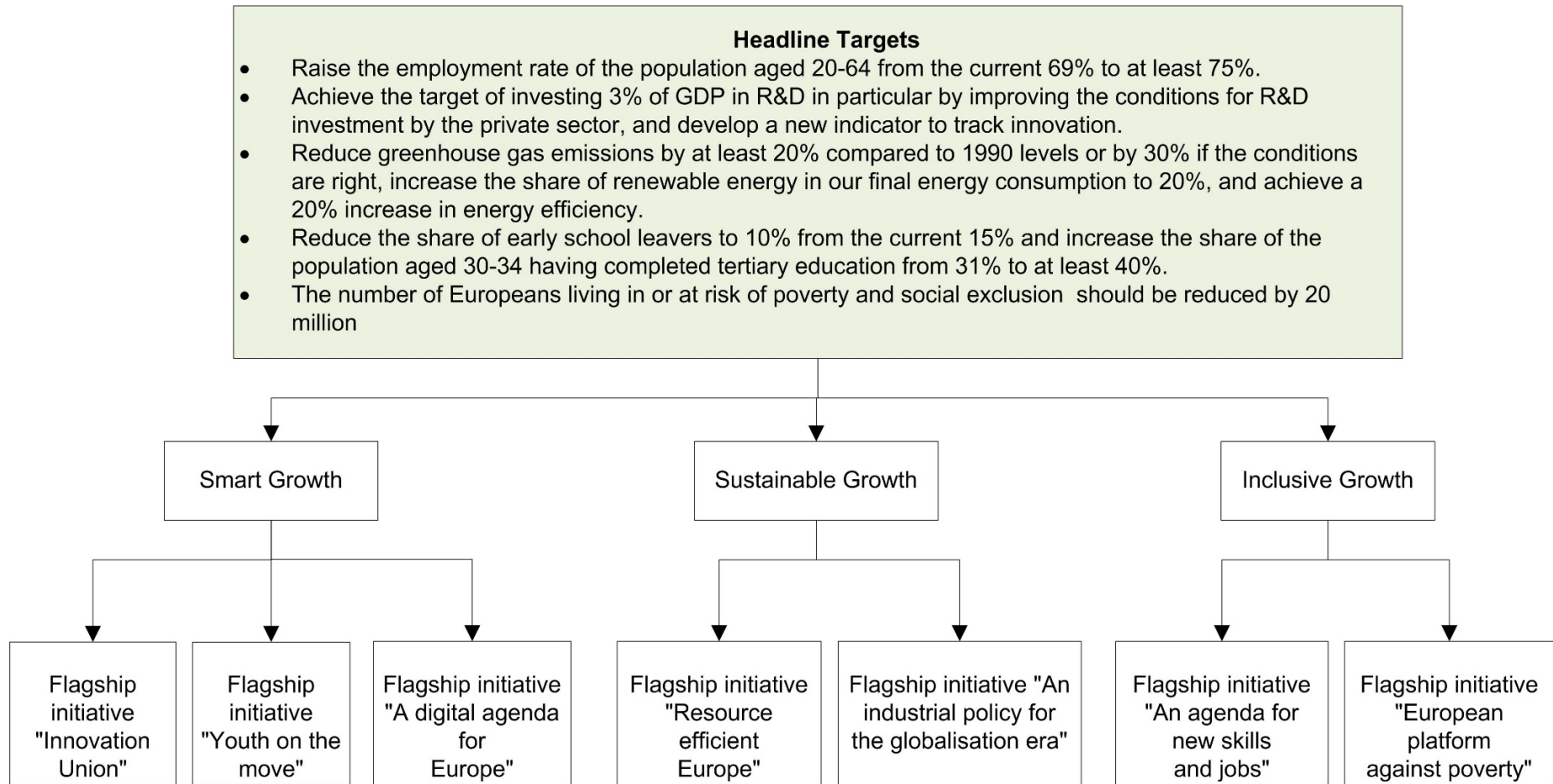


FIGURE 1 EUROPE 2020 STRATEGY FRAMEWORK

## Monitoring and the European Semester

In order to monitor progress towards the achievement of its targets, the Europe 2020 Strategy envisaged country reporting in the form of National Reform Programmes. These are intended to help Member States to develop strategies for sustainable growth and sustainable public finances and to track progress toward targets. The Europe 2020 Strategy envisages a partnership approach to the elaboration of National Reform Programmes and to the implementation of the Strategy – one that includes EU Committees, national parliaments, regional and local authorities as well as social partners and stakeholders in civil society (European Commission, 2010).

In light of the Europe 2020 Strategy, the Social Protection Committee examined the pre-existing Social Open Method of Coordination (OMC)<sup>3</sup>, concluding that OMC (across its three strands of social inclusion, pensions, health care and long-term care) would be essential to assessing the social dimension of the 2020 Strategy.

It was recommended that, at the same time as reporting under their National Reform Programmes, Member States would annually be invited to report on progress in National Social Reports from 2012.

A key feature of governance relative to the Europe 2020 strategy was the introduction of a new annual reporting cycle, the ‘European semester,’ which commenced in January 2011. One of the aims of the new framework is to align the way the EU’s Stability and Growth Pact is implemented with coordination of the 2020 Strategy. Each year, the Commission undertakes a detailed analysis of EU Member States’ plans of budgetary, macroeconomic and structural reforms and provides them with recommendations for the next 12-18 months. A Communication from the Commission in October 2015 notes that implementation has so far been uneven and often limited and that Member States need to make more progress on implementing country-specific recommendations (European Commission 2015b).

During 2014, a consultation process took place on the Europe 2020 Strategy toward development of the strategy for the 2015-2020 period. The results of the review are intended to feed into discussions on the Strategy’s future direction by the new Commission appointed in the wake of the June 2014 European Parliament elections (European Commission 2015). One of the findings from the consultation that took place during 2014 is that there is a need to improve the delivery of the strategy through enhanced ownership and involvement on the ground (European Commission 2015c). As mentioned above, in 2016 the European Commission launched a public consultation of a European Pillar of Social Rights

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<sup>3</sup> The ‘OMC’ or Open Method of Coordination was initiated by the 2000 Lisbon Strategy, and was succeeded by the development of social indicators agreed in Laeken in 2001 (and consequently often called the Laeken process) and subsequently developed and refined on an ongoing basis. It involves a peer review process developed to assist policy learning. The OMC process includes agreement on common objectives, commonly defined social indicators, development and peer reviewing of national strategic reports along with recommendations for policy change (Walker, 2011).

### The European Semester

The European Commission operates a yearly cycle of economic policy coordination called the European Semester. Each year the European Commission recommends for the next 12-18 months to member states. The European semester starts when the Commission adopts its Annual Growth Survey, usually towards the end of the year, stating priorities for the coming year

**November:** Annual Growth Survey and Alert Mechanism Report. Assessment also issued by the Commission of draft budgetary plans (Euro area)

**February:** Commission issues a single analytical economic assessment per Member State

**March:** EU Heads of State and Government issue guidance for national policies on the basis of the Annual Growth Survey.

**April:** Member States submit their plans for public finances (Stability or Convergence Programmes) and their National Reform Programmes with reforms and measures to make progress towards smart, sustainable and inclusive growth, in areas such as employment, research, innovation, energy or social inclusion.

**May/June:** the Commission assesses these programmes and proposes country-specific recommendations. The Council discusses and the European Council endorses the recommendations. There are no separate country-specific recommendations for countries implementing an Economic Adjustment Programme as Ireland was (until end 2013) beyond implementation of the Programmes.

**June/July:** the Council formally adopts the country-specific recommendations.

**October** (Euro Area): Submission of Draft Annual Budgets to the Commission for its opinion.

Where recommendations are not acted on within the given time-frame, policy warnings can be issued. There is also an option for enforcement through incentives and sanctions in the case of excessive macroeconomic and budgetary imbalances.

### Irish National Reform Programme - Targets

The Irish Government submitted a National Reform Programme in 2011 and shorter Up-dates in 2012 and 2013. Since exiting the financial assistance programme in 2013, National Reform Programmes have been submitted again in 2014, 2015 and 2016. Below are the Europe 2020 Strategy targets for employment, education and poverty reduction as well as the Irish targets set out in the 2014 Irish National Reform Programme and the following sections of this report will consider each in more detail.

## Employment

**EU Headline Target:** To raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants.

**Irish Target:** To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.

## Education

**EU Headline Target:** Improving education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%.

**Irish Target:** To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%

## Poverty

**EU Headline Target:** To promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion

**Irish Target:** To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% less by 2020, from the 2010 baseline rate of 6.3%<sup>4</sup>. The Irish contribution to the Europe 2010 poverty target is to reduce by a minimum of 200,000 the population in combined poverty (either consistent poverty, at risk-of-poverty or basic deprivation) (Revised target<sup>5</sup>).

**Sub-target, Children:** A sub-target for child poverty has been set in the National Policy Framework for Children and Young People (2014-2020):

- To lift over 70,000 children out of consistent poverty by 2020 (a reduction of at least two-thirds on the 2011 level)
- This target will include reducing the higher consistent poverty rate for households with children as compared to non-child households (8.8% compared with 4.2%) and for children as compared to adults (9.3% compared with 6%).

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<sup>4</sup> This is based on a slightly revised figure released by the CSO in 2011

<sup>5</sup> In 2012, the target in respect of poverty contained in Ireland's National Reform Programme Update was revised. Previously it targeted a consistent poverty rate of between 2-4% by 2012, the elimination of consistent poverty by 2016, and at least 186,000 people lifted out of the risk of poverty and exclusion.

While recognising the interdependence of economic, environmental and social sustainability, it is not within the intended scope of this report to address all components of the Europe 2020 Strategy targets or the Irish National Reform Programme. Each of the above targets will be considered in the next three Chapters of this Report, which will focus on employment, education and poverty, respectively. The issue of governance will be considered in the fifth Chapter.

## 2. Employment

**EU Headline Target:** *The employment rate of the population aged 20-64 should increase from the current 69% to at least 75%, including through the greater involvement of women, older workers and the better integration of migrants in the work force (European Commission, 2010).*

**Ireland Headline Target:** *To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy (Government of Ireland, 2015).*

### European Context

The Europe 2020 Strategy envisages a high-employment economy delivering economic, social and territorial cohesion. Challenges identified in this context include high unemployment, low skills, those working who do not earn enough to get out of poverty (that is, the ‘working poor’). The Strategy referenced the following facts about Europe (based on the data available when the Strategy was adopted in 2010):

- Only two-thirds of the working-age population was employed
- About 80 million people had low or basic skills
- 8% of those at work did not earn enough to reach the poverty threshold
- At 21%, the unemployment rate for young people was particularly high
- There was a strong risk that those away from the labour market or those poorly connected with it would lose ground (European Commission 2010, p.17-18)

The need to integrate social and employment policy solutions is recognised especially in light of the fact that so many people with jobs are at risk of poverty. As well as including a major focus on employment, the 2020 Strategy emphasises education, training and lifelong learning (European Commission, 2010).

In its review of employment and the social situation in Europe for 2015, the European Commission’s overview is that the employment and social situation is slowly improving but that discrepancies between countries remain large (European Commission 2016). The Commission points to the need to translate the more favourable macro-economic environment into more opportunities for people, particularly for the 11 million long-term unemployed and the 4.6 million unemployed young people in the EU. They also point to the need to invest more in the skills of people, facilitate mobility, modernise labour law and social protection systems, as well as foster entrepreneurship and innovation. They describe this as a broad reform agenda, to which a proposed new pillar of social rights will contribute.

The economic crisis led to the EU unemployment rate increasing from under 7 per cent in spring 2008 to 10.8 per cent in spring 2013, representing an increase of 9 million in the number of people who were out of work (European Commission 2016). The economic recovery has led to a gradual reduction in unemployment rates since April 2013. In September 2015 it had reduced to 9.3 per cent (in the EU) representing 2 million fewer unemployed people. However, despite these decreases since 2013, unemployment levels remain well above the 2008 levels and in September 2015 some 6.5 million more people were unemployed than in March 2008 (European Commission 2016). About 11 million people had been unemployed for more than a year (2<sup>nd</sup> quarter of 2015), and two thirds of these (about 7 million) had been unemployed for more than 2 years (European Commission 2016). In total, the long-term unemployed accounted for 4.7 per cent of the EU's total labour force in the second quarter of 2015 and nearly 50 per cent of total unemployment. The economic crisis has hit low-skilled workers hardest, with their long-term unemployment rate doubling between 2008 and 2013. In the view of the Commission, the high rates of very long-term unemployment pose significant challenges to both the EU's labour markets and its economy (2016).

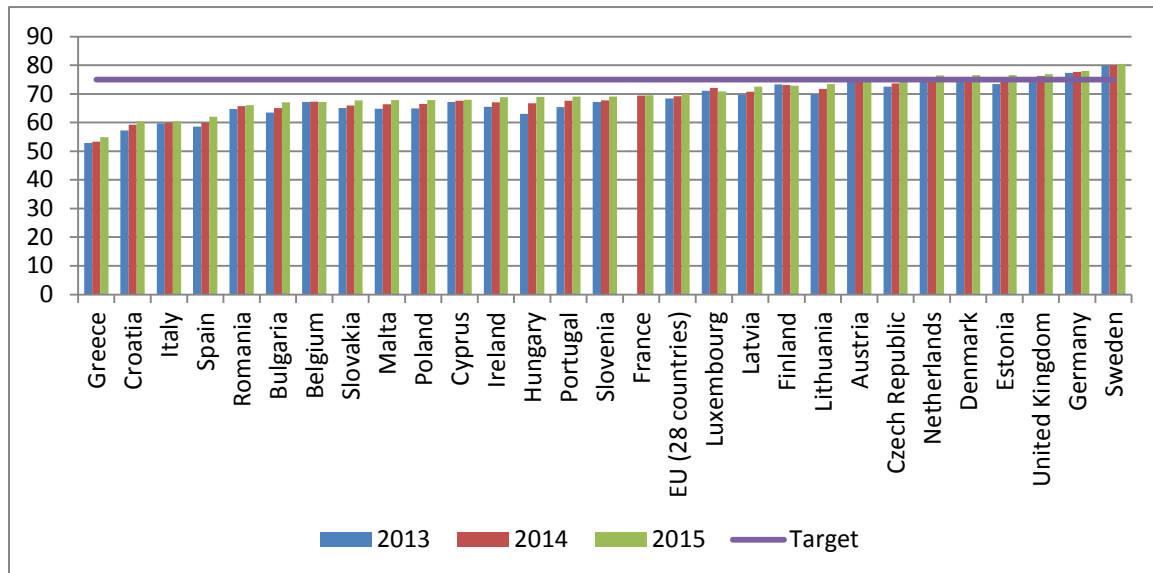
**Figure 2** below shows the position of EU States relative to the high-level employment target (75%) set out in the Europe 2020 Strategy for 2013 to 2015 for people aged 20-64<sup>6</sup>. The European average rate of employment stood at 70.1 per cent in 2015, up from 69.2 per cent in 2014 but still slightly below than the rate in 2008 which was 70.3% (EU28) (Eurostat t2020\_10). The rate in the Euro Area was 69 per cent in 2015. Across the EU, there is great variation in the rate – with the highest levels of employment in Sweden, Germany, the U.K, Estonia, Denmark and the Netherlands, and the lowest in Greece, Croatia, Italy, Spain, Italy and Romania in 2015. There is a gap of over 25 percentage points between Sweden (80.5 per cent) and Greece (54.9 per cent).

Ireland's employment rate for this age group rate dropped from 2007 (when it had been 73.8 per cent), stood at 63.7 per cent in 2012 and has increased since then to 68.8 per cent in 2015. It is still below the European average and is approximately 6 percentage points lower than the Europe 2020 Strategy target. It is also below the target that Ireland set for itself which, as indicated above, was 69-71 per cent.

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<sup>6</sup> The employment rate is calculated by dividing the number of persons aged 20 to 64 in employment by the total population of the same age group. The indicator is based on the EU Labour Force Survey. The survey covers the entire population living in private households and excludes those in collective households such as boarding houses, halls of residence and hospitals. Employed population consists of those persons who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent (Eurostat, t2020\_10).



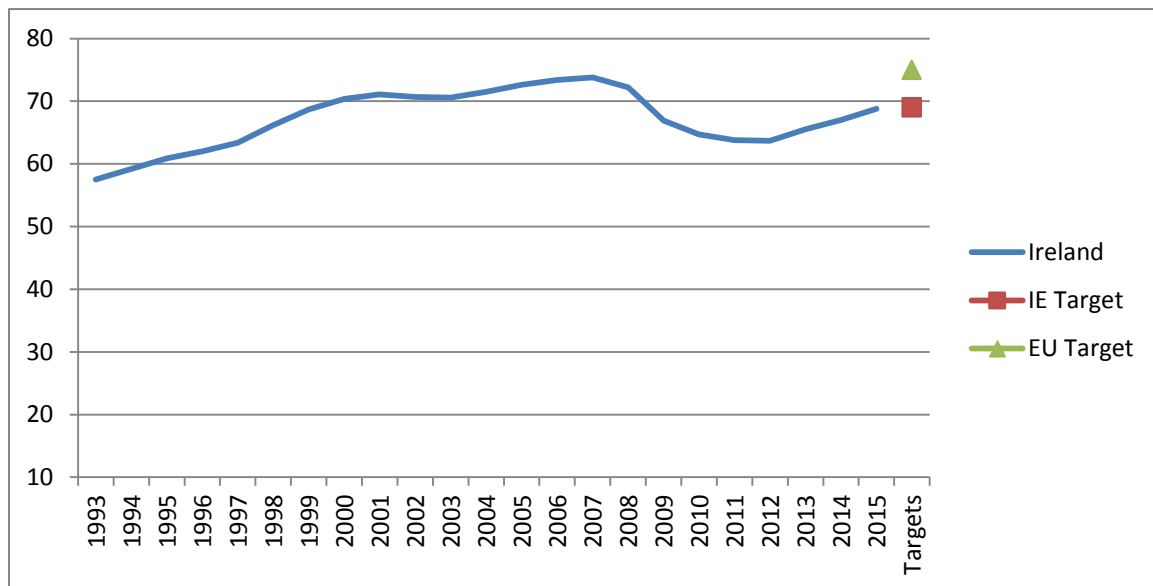
**Figure 2, 2013-2015 EU-28 Employment Rate, Age Group 20-64**

**Source:** Eurostat, t2020\_10. Shows EU 2020 Strategy target of 75%. Note: French rate not given for 2013

## Ireland: Employment and Unemployment

The scale and severity of the economic collapse from 2008 means that in Ireland there was a return to widespread unemployment, something that has long-term implications for individuals, families and social cohesion as well as for Government finances. Significant improvement has been achieved over the past four years, but there is little doubt that this is still a challenging period in which a high level of long-term unemployment has again become a characteristic of Irish society.

**Figure 3** below shows Ireland's employment rate for those aged 20-64 from 1993 to 2015 as well as the national and EU level targets. It illustrates that, after increasing for many years, there was a steady drop in the employment rate from 2007 to 2012. Recent years have seen a welcome improvement in the rate, which stood at 68.8 per cent in 2015.

**FIGURE 3 IRELAND: EMPLOYMENT, 1993-2015, AGE 20-60 WITH TARGETS**

Source: Eurostat, t2020\_10

A consequence of job losses in recent years has been a sharp increase in unemployment and emigration. As regards unemployment, the monthly average figure for Ireland for April 2016 was 8.4 per cent as published by Eurostat. The rate is down from a rate of 9 per cent in December 2015 (Eurostat, **une\_rt\_m**) (based on the monthly average rate – seasonally adjusted rate). Ireland's rate was similar to the EU-20 average (8.8 in March 2016) (Eurostat, **une\_rt\_m**). This is a major improvement on the situation at the height of the crisis when unemployment exceeded 14 per cent. However, it is a lot worse than the situation before the recession when it stood at 4.7 per cent in 2007 (Healy *et al* 2015).

In **Table 2** we set out labour force data 2007, 2011 and 2015 to show the nature and scale of the recent transformation in Ireland's labour market. Over the nine years from 2007-2015 the labour force decreased by just over 4 per cent, participation rates dropped, full-time employment fell by 13 per cent, representing almost 234,000 jobs, while part-time employment increased by 15.6 per cent. Over this period unemployment increased by almost 82,900 people, bringing the unemployment rate up from 4.6 per cent to 8.7 per cent. However, the 2015 figure represents a dramatic improvement on the levels experienced during the height of the economic crisis in 2010/2011.

**TABLE 2 IRELAND LABOUR FORCE DATA, 2007-2015**

	2007	2011	2015	Change 07-15
	(Q4)	(Q4)	(Q4)	
<b>Employment</b>				
Labour Force	2,260,600	2,161,500	2,170,500	-90,100
LFPR %	63.8	60.1	60	-3.80%
Employment %	68.8	59.0	6.9	-4.9%
Employment (people)	2,156,000	1,847,700	1,983,000	-173,000
Full-time	1,765,300	1,411,400	1,531,500	-233,800
Part-time	390,700	436,200	451,600	+55,700
Underemployed	n/a	145,600	104,000	-
<b>Unemployment</b>				
Unemployed %	4.6%	14.6%	8.7%	+4.1%
Unemployed (people)	104,600	313,900	187,500	+82,900
LT Unemployed %	1.4%	9.1%	4.7%	+3.3%
LT Unemployed (people)	31,700	196,100	102,100	+91,700

**Source:** Healy *et al*, 2016, using QNHS on-line database.

**Notes:**

Data 2007-2013 is for quarter 4 of the reference year.

LFPR = Labour force participation rate and measures the percentage of the adult population who are in the labour market.

Underemployment measures part-time workers who indicate that they wish to work additional hours but these are not currently available.

Comparable underemployment data is not available for 2007.

LT = Long Term (12 months or more).

The figures in Table 2 also point towards the growth of various forms of precarious employment over recent years. Since 2007 employment has fallen by 7 per cent; but this figure masks a bigger decline in full-time employment (13 per cent) and a growth in part-time employment (+15.6 per cent). Within those part-time employed there has also been an increase in the numbers of people who are underemployed, that is, working part-time but at fewer hours than individuals are willing to work. By the end of 2015 the number of underemployed people, defined as those employed part-time but wishing to work additional hours, stood at 104,000 people – almost 5 per cent of the labour force and almost one-quarter of all part-time employees.

While an element of these figures can be explained by the recession, and the suppressed levels of activity in some sectors, they also suggest the emergence of a greater number of workers in precarious employment situations. The growth in the number of individuals with fewer work

hours than ideal, as well as those with persistent uncertainties concerning the number and times of hours required for work, is a major labour market challenge. Aside from the impact this has on the wellbeing of individuals and their families, it also impacts on their financial situation and adds to the challenges for people who work and are still poor. There are also impacts on the state given that Family Income Supplement (FIS) and the structure of jobseeker payments tend to lead to Government subsidising these families' incomes; and indirectly subsidising some employers who create persistent precarious employment patterns for their workers.

The consequence of all these job losses has been the sharp increase in unemployment and emigration. Dealing with unemployment, **Table 3** shows how it has changed between 2007 and 2015, a period when the numbers unemployed increased by almost 80 per cent. Most of the unemployed, who had been employed in 2007 and before it, are seeking to return to a full-time job with just over 6 per cent of those unemployed in 2015 indicating that they were seeking part-time employment. The impact of the unemployment crisis was felt right across the age groups with younger age groups seeing their numbers unemployed consistently fall since 2011 – a phenomenon not unrelated to the return of high emigration figures over recent years.

Between April 2009 and April 2015 the CSO estimates that there was net outward migration of approximately 170,000 for the 15+ age group. Net outward migration for Irish nationals was approximately 145,000 for this period (Government of Ireland 2016). Some 215,000 Irish people have left the country since 2011, of whom 48 per cent were in employment and 30 per cent were students; they were also a skilled cohort and this suggests that young Irish people are dissatisfied with the quality of jobs available to them in Ireland (Healy *et al* 2016, using CSO Population and Migration Estimates).

**TABLE 3 LABOUR FORCE DATA: UNEMPLOYMENT - HEADLINE STATISTICS 2007, 2011, 2015**

	2007	2011	2015	Change 2007-2015
Unemployment	4.6%	14.6%	8.7%	
(people aged 15 or over)	104,600 people	313,900 people	187,500 people	+82,900 people
Long-term Unemployment rate	1.4%	9.1%	4.7%	
(persons unemployed for 1 year or more)	31,700 people	196,100 people	102,100 people	+70,400 people

**Source:** Healy *et al*, 2016, using QNHS on-line database.

When we look at people with disabilities, data from Census 2011 revealed that there were 162,681 persons with a disability in the labour force representing a participation rate of 30 per cent, less than half that for the population in general. These findings reflect earlier results from

the 2006 National Disability Survey (CSO, 2008 and 2010) and a 2004 QNHS special module on disability (CSO, 2004). This low rate of employment among people with a disability is of concern and in that regard the publication of the *Comprehensive Employment Strategy* for people with disabilities is welcome. Apart from restricting their participation in society, lack of employment opportunities ties disabled people into state dependent low-income situations. Therefore, it is not surprising that Ireland's poverty figures reveal that people who are ill or have a disability are part of a group at high risk of poverty.

Another issue that is relevant is the right to work of asylum seekers where the processing of their cases is delayed, something that would assist in alleviating poverty and social exclusion amongst a very vulnerable group.

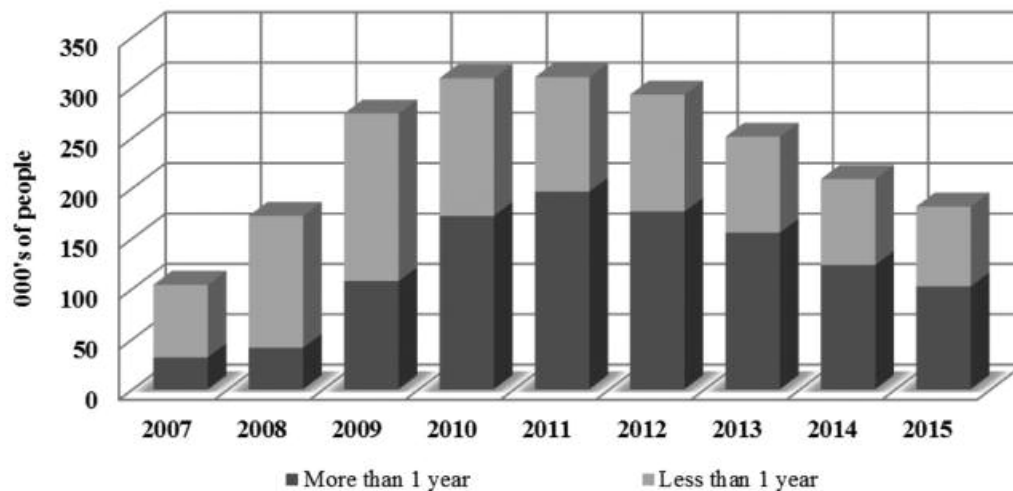
As the labour market improves, *Social Justice Ireland* believes that now is the time to adopt measures to address and eliminate these problems.

### **Long-Term Unemployment**

The rapid growth in the number and rates of long-term unemployment are also highlighted in **Table 2** and **Table 3**. The number of long-term unemployed was less than 32,000 in 2007 and has increased since, reaching 196,100 in 2011 before falling again to 102,100 at the end of 2015. For the first time on record, the QNHS data for late 2010 indicated that long-term unemployment accounted for more than 50 per cent of the unemployed and by the end of 2015 the long-term unemployed represented 54.5 per cent of the unemployed. The transition to these high levels since 2007 has been rapid. See **Figure 4**.

The experience of the 1980s showed the dangers and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates. It remains a major policy failure that Ireland's level of long-term unemployment has been allowed to increase so rapidly in recent years. Furthermore, it is of serious concern that to date Government policy has given limited attention to the issue. Addressing a crisis such as this is a major challenge.

However, it is clear that reskilling many of the unemployed, in particular those with low education levels, needs to be a key component of the response. Using the latest data, for the final quarter of 2015, 56 per cent of the unemployed had no more than second level education with 26 per cent not having completed more than lower secondary (equivalent to the junior certificate). At the other extreme, the scale and severity of the recession has resulted in high levels of third-level graduates becoming unemployed. While Government should not ignore any group in its overdue attempts to address the unemployment crisis, major emphasis should be placed on those who are most likely to become trapped in long term unemployment – in particular those with the lowest education levels.

**FIGURE 4 UNEMPLOYMENT BY DURATION 2007-2015**

**Source:** Healy *et al* 2016 based on CSO, QNHS on-line database. **Note:** Data is for Q4 of each year.

*Social Justice Ireland* believes that this issue requires immediate and appropriate action. A specific sub-target on reducing long-term unemployment should be included in the National Reform Programme to ensure this issue receives the priority it demands.

### The Working Poor

The Europe 2020 Strategy recognises that large numbers of people who work nonetheless do not earn enough to get out of poverty. They represented 9.6 per cent of Europeans (EU28) (aged 18-64) who worked in 2014 (the latest year for which data are currently available, Eurostat online database **ilc\_iw01**). For the EU as a whole the increasing trend for people to be working and still in poverty has recently been identified again by the Social Protection Committee (2016) as amongst its “trends to watch” (that is, where around a third or more of all Member States show a significant deterioration in the given indicator). Very recently, the European Commission noted that only half of the poor who find a job actually escape poverty – the impact depends on whether the new jobs offer a living wage and on whether they go to job-rich or job-poor households (2016).

Eurostat data for 2014 relative to Ireland (the latest available) reports an in-work risk of poverty of 5.5 per cent (Eurostat online database **ilc\_iw01** – and note this is a statistic generated by Eurostat so as to be comparable across Europe) and this had increased by one percentage point from 2013.

In 2014, OECD published data suggesting that amongst the 34 countries that are members of the OECD, Ireland has a very high incidence of low pay<sup>7</sup> (relating to 2012) (OECD 2014a). In fact, Ireland had the highest incidence of low pay amongst those European countries that are members of the OECD. Amongst the wider group of OECD member countries, Ireland's rate was exceeded only by the United States, Korea and Israel (OECD 2014a, Table N).

It is important that policy begin to address this problem, particularly given the large numbers of people affected. The Government has set up a Low Pay Commission to look at the National Minimum Wage and other issues relating to low pay and this has been welcomed by *Social Justice Ireland*. Policies which protect the value of the minimum wage and attempt to keep those on that wage out of the tax net are relevant policy initiatives in this area. Similarly, the concept of a 'living wage' and attempts to increase awareness among low income working families of their entitlement to the Family Income Supplement (FIS) are also welcome. One of the most effective mechanisms available within the present system to address the problem of the working poor would be to make tax credits refundable, something on which *Social Justice Ireland* has published research. Its 2010 study, entitled *Building a Fairer Taxation System: the Working Poor and the Cost of Refundable Tax Credits*, showed that making tax credits refundable is feasible at relatively small cost. Such a move would have a very positive impact on those who are the working poor. We include a brief outline of the proposal in **Chapter 4**.

We strongly urge that a specific sub-target should be developed to address the issue of the working poor and incorporated in Ireland's National Reform Programme.

## Youth Unemployment

While the increase in unemployment has been spread across all ages and sectors, **Figure 5** highlights the very rapid increase in the numbers unemployed under 25 years-of-age. The numbers in this group more than doubled between 2007 and 2009 peaking at 83,100 in quarter 2, 2009. Since then decreases have occurred, reaching 34,400 in late 2015. Although we have limited empirical knowledge of the reasons for these decreases, a large part of the decrease is probably due to emigration. For example, the European Commission's 2015 EU Youth Report found that Ireland recorded the highest fall in percentage points in its youth population since 2010 (-4 pp.) (European Commission 2015a).

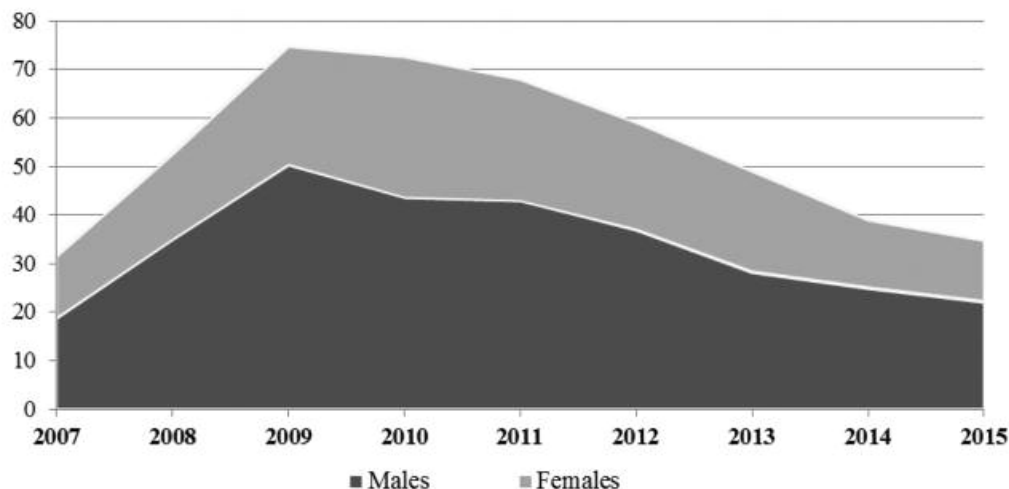
Although youth unemployment represents about 18 per cent of the total population that are unemployed, there is merit in giving it particular attention. Experiences of unemployment, and in particular long-term unemployment, alongside an inability to access any work, training or education, tend to leave a 'scarring effect' on young people. It increases the challenges associated with getting them active in the labour market at any stage in the future. The latest rate for the number of young people aged 18-24 years in Ireland who are not in education, employment or training (NEETs) is 18.5 per cent in 2015, while the EU-28 average was considerably lower at 15.8 per cent (Eurostat online database **edat\_ifse-20**). Both the Irish rate

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<sup>7</sup> The incidence of low pay refers to the share of workers earning less than two-thirds of median earnings (OECD 2014a)

and the EU average rates had declined between 2014 and 2015. Thus Ireland's rate is relatively high notwithstanding decreases in recent years and the extent of outward migration that has particularly affected this age group.

**FIGURE 5 YOUTH UNEMPLOYMENT IN IRELAND BY GENDER, 2007-2014**



**Source:** Healy *et al*, 2016. CSO QNHS on-line database.

At a European level, this issue has been receiving welcome attention over the past two years; driven by high levels of youth unemployment in other crisis countries. As seen above, the Irish Government's National Reform Programme 2020 target for employment is projected to be achieved through the greater participation in the labour market of young people (and some other groups). The large numbers affected by youth unemployment deserves specific action. In the short-term it makes sense for Government to invest in the 'youth unemployed' and *Social Justice Ireland* considers this to be a central priority of any programme to seriously address the unemployment crisis.

## Irish Government Initiatives

Government action to address this issue focused on two main strategies – *Action Plan for Jobs* designed to increase the number of jobs available (with annual iterations) and *Pathways to Work* focusing on activation strategies intended to ensure that jobs are available to the unemployed. The latest iteration of the Action Plan for Jobs (2016) aims to create 50,000 extra jobs in 2016. New regional actions plans have also been developed.

Launched in 2012, *Pathways to Work* introduced new integrated employment and support services involving new 'one-stop-shops' (Intreo) intended to deal both with accessing benefits and obtaining support to return to work. The JobPath initiative is an activation service aimed specifically at the long-term unemployed and those most at risk of becoming long-term unemployed. Commenced in late 2015, JobPath is delivered by private/third party providers of



employment services under contract to the Department of Social Protection. Budget 2015 provided for 6,000 places on this scheme and that is still the target referenced in the 2016 National Reform Programme (Government of Ireland 2016). But the introduction of this scheme is a complex process and its introduction involves risks, including of service fragmentation and that activity will focus on those easiest to place ('creaming') (Department of Education and Skills 2014).

In 2014 the Labour Market Council called for the same priority to be given to the exceptionally high scale of unemployment as was given to the adjustment in the public finances (Department of Education and Skills 2014). The 2016 target in relation to long-term unemployed people moving into employment is 20,000 and the target for the end of 2020 is 50,000 (Government of Ireland 2016a).

There were 67,422 people availing of activation programmes in Feb 2016 and this was down by almost 7,500 since the previous year (Minister for Social Protection, 2016). 'Penalty' rates of payment are applied when someone in receipt of a welfare payment does not cooperate with employment services (*Pathways to Work* 2015 and 2016). The Labour Market Council has noted that *Pathways to Work* has resulted in improvements in services to jobseekers in a relatively short period of time, but also noted shortcomings (such as the high caseworker/client ratio, fragmented support/training services, and a lack of robust evaluation of the effectiveness of initiatives and programmes (Department of Education and Skills, 2014).

While a range of activation measures were introduced under *Pathways to Work*, it is not easy to assess their effectiveness. The need for greater evaluation of activation measure was highlighted by the results published by the ESRI of an evaluation of the Back to Education scheme (which, after the Community Employment scheme represents the second largest activation measure in Ireland in terms of both expenditure and scheme participants) (Kelly, McGuinness and Walsh 2015). That evaluation found no evidence that people who commenced an education programme in 2008 under the BTEA scheme benefitted from improved employment outcomes in the period up to 2014. The report does not deal with *why* this is the case nor with any other outcomes of participation.

The European Commission, in its post-surveillance report on Ireland for 2015, underlines the need for a review of the *Intreo* system (2015d). This is awaited. Comprehensive and contextualised evaluation of the effectiveness of the activation measures that are in place is essential.

In its economic review of Ireland in Spring 2014, the European Commission noted how critical Ireland's reform of its further education and training programmes are for a sustained reduction in unemployment, especially long-term unemployment and yet that the changes in this sector are lagging behind those in the area of labour market policies (European Commission 2014a).

The EU-wide 'Youth Guarantee' scheme aims to address the issue of youth unemployment by aiming to provide young people (under 25) with a good quality offer of employment, continued education, an apprenticeship /traineeship within a short time of becoming unemployed. The Youth Guarantee scheme was launched in Ireland in January 2014. In April 2014, the Labour

Market Council recommended that its implementation focus on those who are long-term unemployed (Department of Education and Skills 2014). *Social Justice Ireland* similarly called for implementation with such a focus. Some of the initiatives announced as part of the implementation of the Youth Guarantee scheme have had a focus on long-term unemployment and the recent iterations of *Pathways to Work* recognise the need for measures to help long-term and young unemployed people find a route back into employment.

### *Social Justice Ireland* – Response

Despite recent improvements, the scale of the increases in unemployment since the outset of the economic crisis in 2007 is enormous and it is crucial that Government, commentators and society in general remember that each of these numbers represent people who are experiencing dramatic and, in many cases, unexpected turmoil in their lives and the lives of their families. As Irish society comes to terms with the enormity of this issue, we believe that this perspective should remain central.

As just described, Government has introduced a number of measures to address the issue of unemployment and an increased focus on long-term unemployment in some of these recent measures is to be welcomed. However, to date, the policy response to this crisis has been limited, comprising announcements of apprenticeship schemes, ‘Job Initiative’ reforms, annual Action Plans, the Pathways to Work programme, Regional plans and a few other small policy initiatives. Each of these has targeted minor reforms and have had mixed success given the scale of the unemployment crisis – for the most part the long-term unemployment, skill deficits, under-employment and precarious work issues have been given limited attention. Changes made in recent years in the One-Parent Family payment involve greater conditionality linked to activation measures aimed at the long-term unemployed. But conditionality and activation measures alone do not address mismatches between skills sets and available jobs nor indeed do they address gaps in basic educational and literacy levels amongst long-term unemployed people that prevent them entering today’s jobs market. The issue of child-care is also a significant barrier to employment for many lone parents.

In responding to this situation *Social Justice Ireland* believes that Government needs to formulate a clear and integrated set of policy priorities, and these have been set out elsewhere (see Healy *et al* 2016). These include

- Launching a major investment programme focused on creating employment and prioritising initiatives that strengthen social infrastructure, including a comprehensive school building programme and a much larger social housing programme.
- Resourcing the up-skilling of those who are unemployed and at risk of becoming unemployed through integrating training and labour market programmes.
- Maintaining a sufficient number of active labour market programme places available to those who are unemployed.

- Adopting policies to address the worrying trend of youth unemployment. In particular, these should include education and literacy initiatives as well as retraining schemes (for more see Healy *et al* 2016).

Even the most optimistic economic and labour market projections for the years to come suggest that unemployment will remain a major factor. The Department of Finance's estimates in Budget 2016 point towards a rate 8.3 per cent in 2016; we anticipate this figure will be revised downward during 2016 towards 8 per cent. As recovery emerges, it is important that policy focuses on those furthest from being able to rejoin the numbers employed and assist those within employment but struggling as the working poor.

## **Social Justice Ireland Recommendations for the National Reform Programme**

The National Reform Programme target is to raise the employment rate to 69-71 per cent by 2020. In the opinion of *Social Justice Ireland*, greater efforts are necessary to achieve the national target, and the resources allocated are not sufficient to address the current unemployment problem in Ireland. This risks, in particular, leaving large numbers of long-term unemployed people, and people with low levels of skills and literacy, behind as the economy recovers.

*Social Justice Ireland* has argued in this Chapter and elsewhere for a number of actions by Government to address the issue of unemployment. These include a recommendation that Government make substantial investments aimed at creating jobs and improving social infrastructure. This should be accompanied by quantified measures of sufficient scale to deal with unemployment, long-term unemployment and youth unemployment. These initiatives should be incorporated into the National Reform Programme with measurable targets for the short-term, medium-term and long-term. These measures should include investment measures and programmes to reduce long-term unemployment, in particular.

In addition, we make the following recommendations for changes to the targets set in Ireland's National Reform Programme:

- **We recommend a more ambitious national target relative to employment as well as a range of more ambitious measures aimed at reaching that target.**
- **Long-term unemployment: We recommend that a sub-target be added to the current National Reform Programme headline target:**
  - **To reduce the level of long-term unemployment to 1.3% of the labour force.**
- **Working poor: We strongly urge that a specific sub-target should be developed to address the issue of the working poor. We propose the following sub-target be added to the current headline target:**
  - **To reduce in-work poverty by making tax credits refundable. (For more details, see Chapter 4).**

### 3. Education

**EU Headline Target: A target on educational attainment which tackles the problem of early school leavers by reducing the dropout rate to 10% from the current 15%, whilst increasing the share of the population aged 30-34 having completed tertiary education from 31% to at least 40% in 2020.**

**Ireland Headline Target: To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%.**

#### European Context

The headline target in the Europe 2020 Strategy, stated above, focuses both on early leavers from education and training<sup>8</sup> and on tertiary (or third level) education<sup>9</sup>.

The following issues concerning education in Europe were referenced in the Strategy:

- One in seven young people left education and training too early
- Less than one person in three aged 25-34 had a university degree
- Eighty Million People had low or basic skills, but lifelong learning benefitted mostly the more educated
- By 2020, the demand for low skills will drop by 12 million jobs (European Commission, 2010)

The Europe 2020 Strategy recognises how all its targets are linked and improved educational achievement of young people is seen as a cross-cutting measure that addresses two priority areas of the Europe 2020 Strategy - that for 'smart growth' by improving skills levels, and 'inclusive growth' by tackling one of the major risk factors for unemployment and poverty. It sees reducing early school-leaving as a gateway to achieving other Europe 2020 Strategy targets.

The EU also has a strategic framework for cooperation in education and training under which targets have also been set for 2020 - The Strategic Framework for European Union cooperation in Education and Training (known as 'ET 2020'). In it four strategic objectives are identified:

1. Making lifelong learning and mobility a reality;
2. Improving the quality and efficiency of education and training;
3. Promoting equity, social cohesion and active citizenship;

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<sup>8</sup> The indicator is defined as the percentage of the population aged 18-24 with at most lower secondary education and who were not in further education or training during the last four weeks preceding the survey. Lower secondary education refers to ISCED (International Standard Classification of Education) 2011 level 0-2 for data from 2014 onwards and to ISCED 1997 level 0-3C short for data up to 2013. (Eurostat, t2020\_40)

<sup>9</sup> The share of the population aged 30-34 years who have successfully completed university or university-like (tertiary-level) education with an education level ISCED 1997 (International Standard Classification of Education) of 5- (Eurostat, t2020\_41).

4. Enhancing creativity and innovation, including entrepreneurship, at all levels of education and training (Council of the European Union, 2009).

The 'ET 2020' framework is considered to be consistent with the 2020 Strategy, capable of making a significant contribution towards achieving its objectives. The four objectives (above) are considered applicable for adult education. Amongst the targets which the ET 2020 framework has set for 2020 are:

- at least 95% of children between the age of four and the age for starting compulsory primary education should participate in early childhood education;
- the share of 15-years olds with insufficient abilities in reading, mathematics and science should be less than 15%;
- an average of at least 15 % of adults (age group 25-64) should participate in lifelong learning.

According to the OECD, the highest performing education systems internationally are those that combine quality with equity – by equity they meant that personal or social circumstances like gender, family or ethnic origin are not obstacles to achieving educational potential and that all individuals reach at least a basic minimum (OECD, 2012).

## **Ireland: Education and Europe 2020 Strategy Targets**

Overall, Ireland compares well relative to many European countries in terms of the two targets relating to education established under the Europe 2020 Strategy.

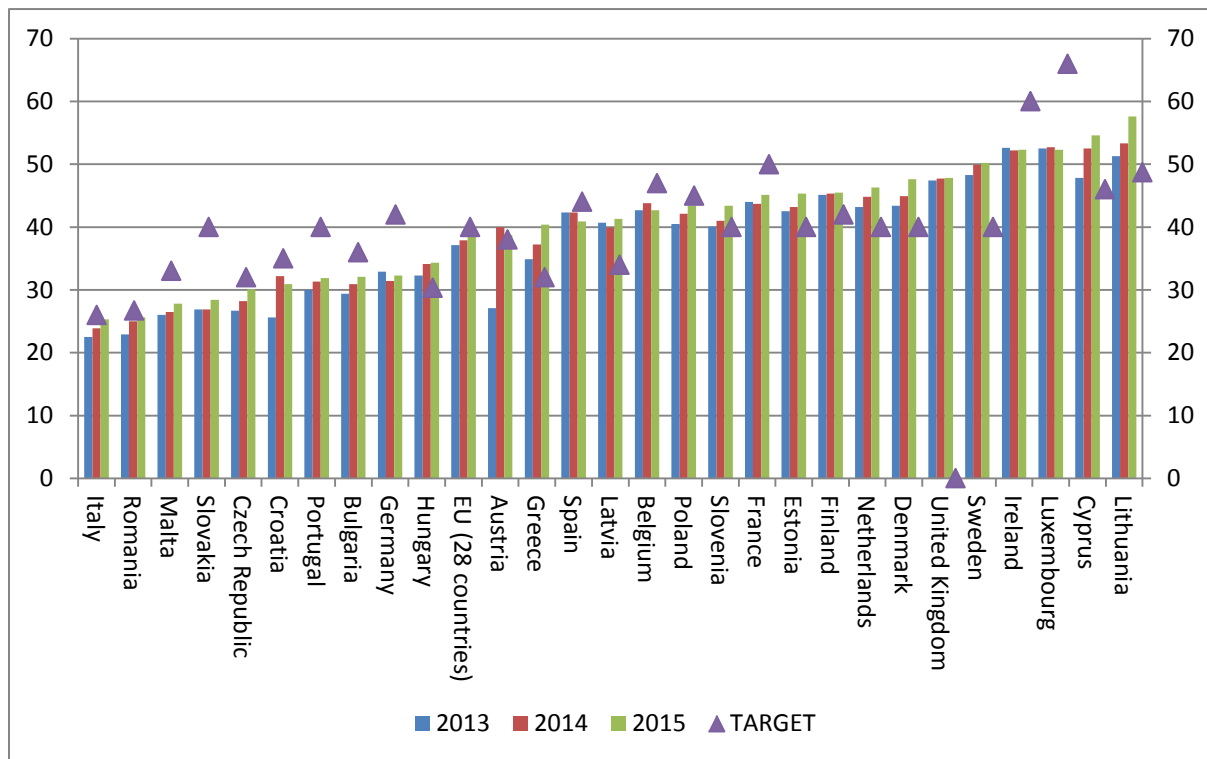
In particular, at 52.3 per cent in 2015, Ireland's share of 30-34 year olds who have completed tertiary or equivalent education is amongst the highest in Europe (Eurostat **t2020\_41**). The EU average for 2013 was 38.7 per cent (EU-28). The Irish Government established an ambitious target of 60 per cent in regard to this in the National Reform Programme (Government of Ireland, 2011; 2016). See **Figure 6**.

But Ireland also faces challenges in relation to how higher education is to be funded and funding for higher education has been decreasing since 2009 despite steadily increasing enrolments both full and part time. At third level there was a decrease of 27.5% in real expenditure per student over the period 2005 to 2014 (Central Statistics Office 2015). It is a pressing question given that significant growth is projected in those accessing education at all levels (Central Statistics Office 2012). One disappointing aspect of third level education in Ireland is that OECD survey findings suggest that mean literacy and numeracy levels of Irish people with tertiary education are relatively low by comparison with other participating countries (OECD PIAAC survey online database). A Government appointed expert group has concluded that the sector will require a significant and sustained increase in the funding arising from positive demographics and a period of underinvestment and the group noted the need to benchmark requirements against funding in those countries we aspire to emulate and compete with (Expert Group on Future Funding for Higher Education 2015).

Another issue for higher education is that access and equity are problematic for disadvantaged socioeconomic groups. Young people with a more disadvantaged socioeconomic background are less likely to attend university given their insufficient educational achievement at upper secondary school and financial constraints (European Commission 2016c; McCoy and Smyth 2011; Cullinan *et al* 2013).

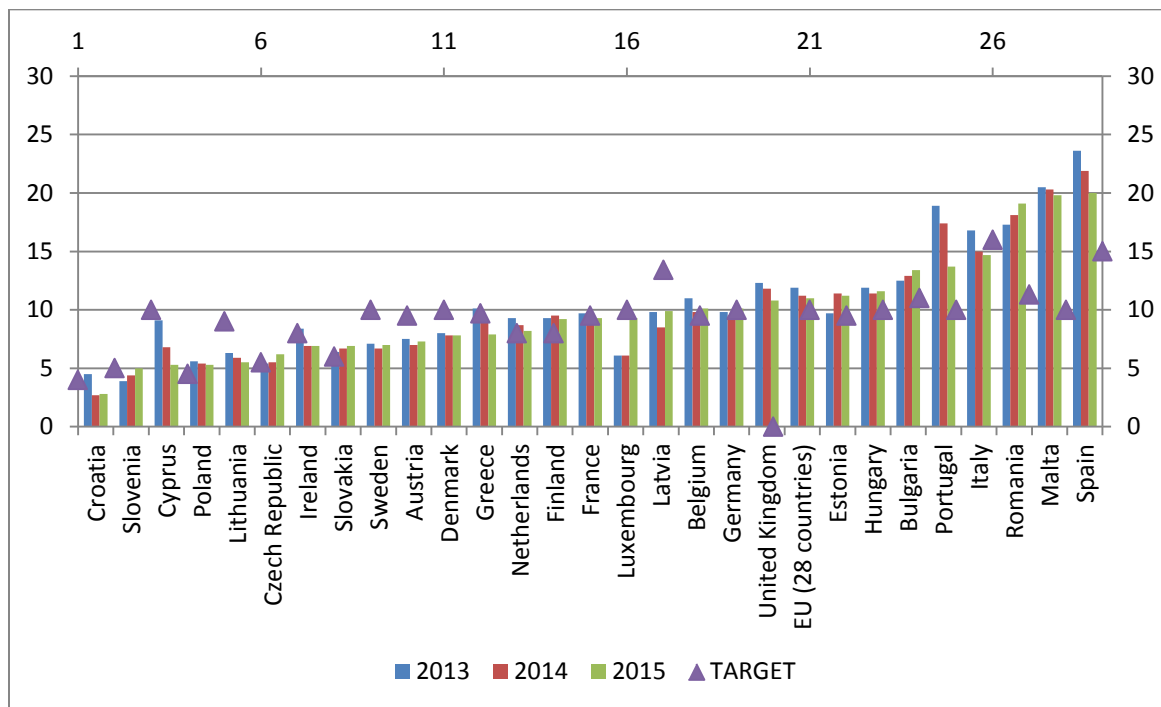
Currently third-level students do not pay fees but incur a student contribution charge at the beginning of each academic year. There are supports available by way of means-tested maintenance grants, but postgraduate students are no longer eligible for maintenance grant support – a decision made in Budget 2012 that is may have a significant impact on entry into postgraduate courses over coming years operating as a barrier for people wishing to up-skill or re-skill throughout their lifecourse. In the *National Strategy for Higher Education to 2030*, the Higher Education Authority discusses broadening the base of funding for Higher Education Institutions and makes 26 recommendations for the future of higher education in Ireland one of which is to establish some form of student loan system to make the financing of higher education sustainable. There are arguments for and against this proposal, but there is research concluding that an income contingent student loan would be the most equitable funding option for Ireland (Flannery and O'Donoghue 2011).

These issues pose significant policy challenges and it is difficult to see how public spending on higher education can be curtailed given the projected growth in the relevant population and it is also difficult to see how the sector can be funded on student loans alone. The sector requires long-term sustainable Government funding to ensure that it can deliver what is required of it in terms of human capital and inclusion.

**FIGURE 6 TERTIARY EDUCATION ATTAINMENT, 2013-2015, AGES 30-34, WITH NATIONAL TARGET**

**Source:** Eurostat, t2020\_41. Note: No target supplied for United Kingdom

The European average for 18-24 year olds classified as early school-leavers was 11 per cent in 2015 (EU28) (Eurostat, 2014, **t2020\_40**). The corresponding figure for Ireland was 6.9 per cent (similar to the Irish 2014 rate, which has been steadily falling in recent years), meaning that, based on the latest available figures across Europe, our ranking is 7<sup>th</sup> lowest (EU28) (Eurostat, 2014, t2020\_40). Ireland has reached and exceeded the target set in the National Reform Programme (of 8 per cent). See **FIGURE 7** for European rankings and national targets.

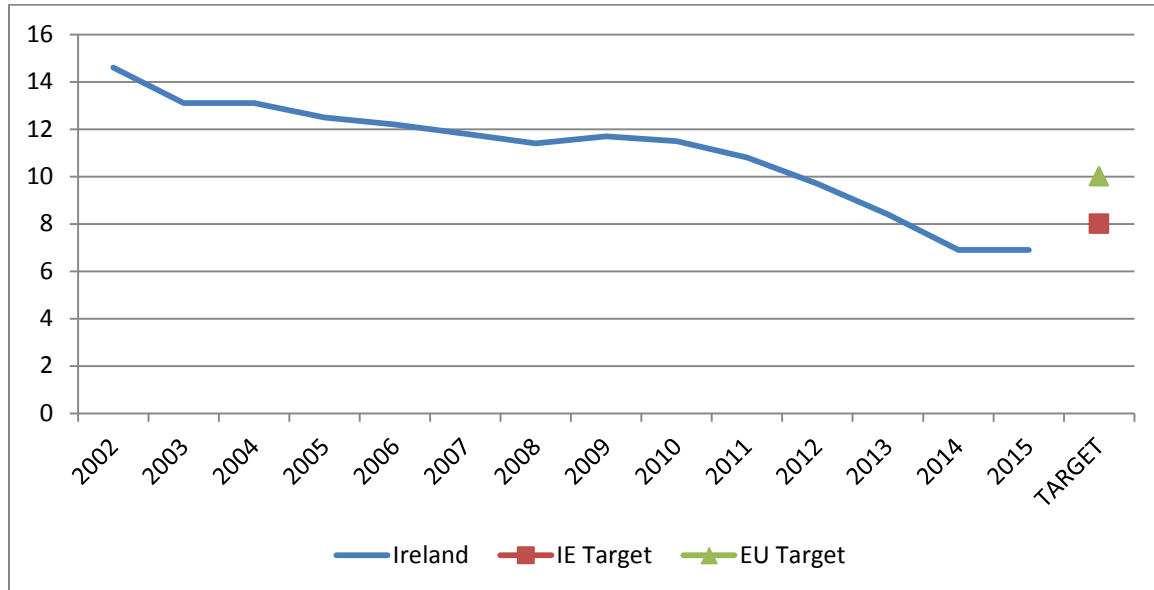
**FIGURE 7 EARLY SCHOOL LEAVING: EU-28 WITH EUROPE 2020 STRATEGY TARGETS**

**Source:** Eurostat, **t2020\_40**. Relates to the percentage of the population aged 18-24 with at most lower secondary education and not in further education or training. **Note:** No target stipulated for United Kingdom.

As **Figure 8** shows, the decrease in this rate that has been evident for many years, which is a very positive trend. However, given that Ireland's percentage of early school-leavers was 11.5 per cent in 2010, when the European 2020 Strategy was adopted, the 8 per cent target adopted by the Irish Government was not at all ambitious, something that *Social Justice Ireland* has argued for years. Unfortunately the same target (8 per cent) has recently been repeated in the *Updated National Action Plan for Social Inclusion* (Department of Social Protection 2016).

Students from low economic backgrounds are twice as likely to be low performers in the education system which is associated with a lack of inclusion and fairness that they experience (OECD 2012). In fact in disadvantaged Irish schools (DEIS), the rate can be as high as 18 per cent (Department of Education 2015).



**FIGURE 8 EARLY SCHOOL LEAVING RATE AMONGST 18-24 YEAR OLDS**

**Source:** Eurostat, t2020\_40

Early school leaving not only presents problems for the people involved, but it also has economic and social consequences for society. Education is the most efficient means by which to safeguard against unemployment. The risk of unemployment increases considerably the lower the level of education. Participation in high quality education has benefits not only for young people themselves but also for taxpayers and society. These benefits typically last over the course of individual's lifetime. A review of the economic costs of early school leaving across Europe confirms that there are major costs to individuals, families, states and societies (European Commission, n.d). That study showed that inadequate education can lead to:

- large public and social costs in the form of lower income and economic growth,
- reduced tax revenues, and
- higher costs of public services related, for example, to healthcare, criminal justice and social benefit payments.

Furthermore, there is a recognised cyclical effect associated with early school leaving, resulting in the children of early school leavers experiencing reduced success in education (European Commission, 2011). A recent study by the ESRI on the vulnerability of children in Ireland found a strong association between persistent poverty and lone parenthood as well as lower levels of parental education (Watson *et al* 2015). This they argue points to the importance of education and skills acquisition, particularly for those at risk of early school leaving.

Educational qualifications are still considered the best insurance against unemployment, which clearly increases the lower the level of education attained. Ireland's figures (for Q2, 2011) show that a very high proportion (78%) of early school leavers aged 18-24 were unemployed or not economically active (Central Statistics Office, 2011).

Ireland's early school leaving rate must also be viewed in light of a very high NEET rate (young people neither in education, employment nor training). Ireland has a NEET rate of 14.3 per cent

(2015), which is higher than the EU-28 average of 12 per cent for the age group 15-24 (Eurostat online database **edat\_ifse-20**). When we look at the age group 18-24 years who are not in education, employment or training (NEETs), the rate was higher at just under 18.5 per cent in 2015, while the EU-28 average was 15.8 per cent (Eurostat online database **edat\_ifse-2015**).

Thus the very significant disadvantages that flow from early school leaving, its prevalence, especially in schools in disadvantaged areas, and Ireland's relatively high NEETs rate suggests that early school leaving is an issue that requires attention from public policy. It may be time to try alternative approaches aimed at ensuring that people affected attain the skills required to progress in the future and can participate in society. Ireland's National Reform Programmes (2011, 2014, 2015 and 2016) refer to the DEIS<sup>10</sup> scheme (Delivering Equality of Opportunities in Schools) as a key measure in supporting the achievement of the national target in regard to early school leaving. Evaluation suggests that the DEIS programme is having a positive effect on educational disadvantage – including on retention rates (to Leaving Certificate) (Government of Ireland, 2015). However, unfortunately the DEIS scheme suffered cut-backs in Budget 2012, which were subsequently only partially rolled-back. More generally, capitation grants for schools have been cut by 10 per cent following the economic crisis in 2008 and were cut again in Budget 2015 and not restored in Budget 2016 (Social Justice Ireland 2014; 2015). This was done at a time of demographic change which means that there are increasing pressures on this budget.

*Social Justice Ireland* welcomed certain measures included in Budgets 2015 and 2016 (such as the increase in teaching posts); these are necessary to keep pace with demand due to demographic changes. *Social Justice Ireland* welcomed the Budget 2016 announcement of resources aimed at reducing pupil-teacher ratios at primary and secondary levels (2015).

Overall, we believe that the situation calls for a long-term policy response, which would encompass alternative approaches aimed at ensuring that people who leave school early have alternative means to acquire the skills required to progress in employment and to participate in society. Approaches in the area of adult literacy and lifelong learning are important in this context, something that we will come to below.

## Ireland: Education More Generally

Ireland is facing significant demographic pressures at all levels of the education system. This will require sustainable capital and current expenditure on education at all levels in the medium and long term. Ireland's expenditure on education was seen to increase between 2008 and 2010, something which is attributed mainly to the decrease in the country's GDP over this period (Central Statistics Office, 2013). The rate available from the Central Statistics Office is for 2012, when it was 6.1 per cent of GDP, compared to an EU-27 average of 5.3 per cent of GDP (in 2011)(Central Statistics Office, 2015). However, given Ireland's relatively young population by European standards<sup>11</sup>, a higher than average spend might be expected. According to the OECD,

<sup>10</sup> DEIS focuses on the needs of 3 -18 year olds from disadvantaged communities.

<sup>11</sup> Ireland had the highest young age dependency ratio in the EU in 2014, when the number of people aged under 15 as a percentage of those aged 15-64 was 33.6%; Ireland had the second lowest old age dependency ratio in the EU in 2014, when the number of people aged 65 and over as a percentage of those aged 15-64 was 19.3% (CSO 2015) *Age dependency ratio* is the *ratio* of dependents-people younger

the highest performing education systems across countries are those that combine high quality and equity (2012). Recent policies pursued by government have been more focussed on reducing expenditure rather than increasing it. Capital grants at primary, post primary and further education level were cut in successive budgets from 2011 to 2015 as was the core pay and non core pay funding for Higher Education Institutions. The policy of expenditure cuts pursued during this period is at odds with a strategy of increasing investment in human capital. Investment is required at all levels of our education system. In reality this will mean increased expenditure, both current and capital at all levels and over a period of time.

As outlined above, the Europe 2020 strategy only sets targets in two areas of education. There are also a number of areas of education where Ireland does not do well in international comparisons. These include:

- Ireland traditionally did not invest public funds in **early childhood education** on any wide-scale basis although a scheme now operates (the ECCE Early Childhood Care and Education Scheme, ECCE);
- Ireland has a significant problem with **literacy**, both for adults and for younger people. The OECD PIAAC study 2013 (the most up to date data on adult literacy in Ireland) shows that a very significant proportion of the adult population still does not possess the most basic literacy, numeracy and information processing skills considered necessary to participate in today's world (OECD 2013). Results from the OECD's PISA studies suggest that while reading levels among the school-going population are better than the population generally, this difference is much smaller than might be expected;
- Ireland's participation rates in **lifelong-learning** do not compare well with other European countries, being well below the average, something that the Expert Group on Future Skills Needs has identified as a concern (2007: 6). Those with the highest levels of formal education are more likely to participate (Forfás & National Competitiveness Council, 2012).

In the remainder of this Chapter, we will consider the position of Ireland in the areas covered by three of the targets set by the ET 2020 strategy – namely, that for early childhood or pre-school education, people with literacy difficulties, and lifelong learning.

### Early-Childhood Education

It is recognised that early childhood education and care has a profound and long-lasting impact on individual lives and on societies, which measures taken at a later stage cannot achieve – as it means that later learning is more effective and more likely to continue throughout life, lessening the risk of early school-leaving, increasing the equity of educational outcomes and reducing costs for society in terms of lost talent and of public spending on social, health and even justice systems (European Commission 2011a). Early childhood education is associated with better performance later on in school. A recent OECD study found that 15 year old pupils who attended pre-primary education perform better on PISA testing (Programme for International Student

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than 15 or older than 64 to the working-age population--those ages 15-64. Data are shown as the proportion of dependents per 100 working-age population.

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Assessment) than those who did not, even allowing for differences in their socio-economic backgrounds (OECD, 2012: 338). This is mirrored in the PISA 2012 results for Ireland which show that Irish students who attended pre-school scored significantly better than those who did not (Department of Education and Skills, 2013). It is also well recognized that that the highest return from investment in education is between the ages of 0 to 5 (Carneiro and Heckman, 2003). In short, early childhood is the stage where education can most effectively influence the development of children and help reverse disadvantage (European Commission, 2011). Thus early-childhood education can be seen as contributing to the objectives of the Europe 2020 strategy (European Commission, 2011a).

It is also necessary to distinguish between provision of early childhood education (which is only available during the school year and for a small number of hours) and quality and affordable childcare. The issue has featured in the European Council's Country-Specific Recommendations for Ireland, most recently for 2016: 'Improve the provision of quality, affordable full-time childcare' (European Commission 2016b).

The most striking feature of investment in education in Ireland relative to other OECD countries is its under-investment in early childhood education. That Ireland is starting from a very low base in this area was highlighted by an international study (World Health Organization, 2013). In relation to the provision of pre-schooling for *more than a year* Ireland ranked 33rd amongst 38 European countries. Unfortunately this area has not been immune from austerity measures in recent years (such as a cut in the capitation rate and in increase in the staff-to-child ratio in Budget 2012). Ireland spends 0.1 per cent of GDP on pre-primary education compared to an OECD average of 0.5 per cent (OECD 2012: 339). The introduction of the Early Childhood Care and Education Scheme in 2010 and its recent extension represent positive first steps in addressing this. Similarly, the focus on this issue in the *Updated National Action Plan for Social Inclusion* (Department of Social Protection 2016) is welcome. The present ECCE scheme provides every child (between ages 3 years and 5 years and 6 months) with free pre-school education (that is, three hours of pre-school care for thirty-eight weeks in each year free of charge) for up to two years. However:

- In Ireland 46 per cent of 3 year olds are in ECCE compared with the OECD average of 74 per cent (OECD 2015), and
- Ireland has the highest rate of all OECD countries of children attending pre-primary education in private, non-government dependent institutions (European Commission/EACEA/Eurydice/Eurostat 2014).

The Inter-Departmental Working Group on Future Investment in Early Years and school aged care has recommended that Government policy in this area should be developed over a number of years focussing on three areas (i) incremental investment in fee subsidisation through existing and new programmes (ii) ensuring adequate supply to meet future demand and (iii) embedding quality in the sector. The working group estimates that based on current GDP, every 0.1 per cent increase in public expenditure on childcare and early education would require an additional expenditure of about €180m. Over a 5 year period, to reach the OECD average of 0.5 per cent GDP this would cost €720m.

The importance of investment in education is widely acknowledged and the rewards for both individuals and the State are clear. The Oireachtas Spotlight on Early Childhood Education and

Care details that the return on investment can be as much as €7 for every €1 invested in a child. Longitudinal studies internationally also show returns of between three and ten times the original investment in children. Investment in the provision of quality and accessible universal early childhood education services for children will provide an economic and social return for many years to come. In order to provide such services, investment is also needed in the area of staffing and staff qualifications. Consideration must also be given to the remuneration of this sector and how to attract and retain qualified and committed staff. Our success in educating future generations of pre-school children will be a major determinant of our future sustainability.

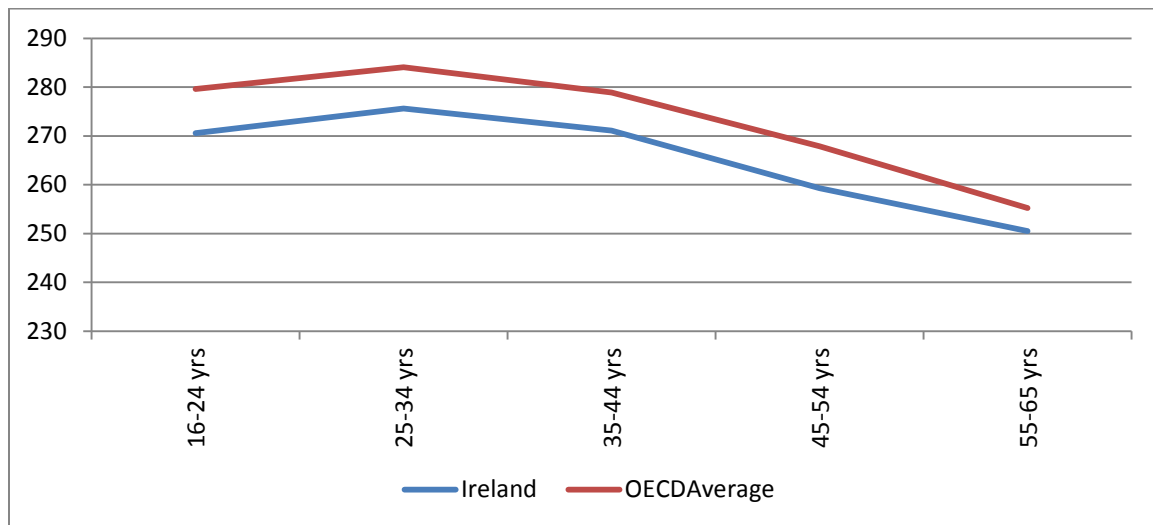
### **Literacy –Adults and Children**

In its 2015 iteration the Irish Government’s National Reform Programme referred to the issue of **adult literacy** for the first time, reflecting issues that had been raised at a consultative forum by voluntary organisations and others (in March 2015). *Social Justice Ireland* welcomed this. Unfortunately, adult literacy does not feature in the 2016 iteration of the National Reform Programme (Government of Ireland 2016). Poor adult literacy standards is a significant barrier to achieving the aims of the 2020 Strategy for inclusive growth given that those with low literacy skills are almost twice as likely to be unemployed than others (OECD, 2013) and are more likely to report poor health outcomes and are less likely to participate in social and civic life.

The issue of **adult literacy** has been controversial in Ireland following publication of an OECD survey (the IALS) in 1997 that found that a quarter of Ireland’s adult population (aged 15-64) performed at the very lowest level of literacy. The OECD PIAAC study in 2013, which provides the most up to date data on adult literacy in Ireland, shows that a very significant proportion of the adult population still does not possess the most basic literacy, numeracy and information processing skills considered necessary to participate in today’s world. On literacy, Ireland is placed 17<sup>th</sup> out of 24 countries with 18 per cent of Irish adults having a literacy level at or below level 1. People at this level of literacy can understand and follow only basic written instructions and read only very short texts (CSO 2013a; OECD, 2013). On numeracy Ireland is placed 19<sup>th</sup> out of 24 countries with 26 per cent of Irish adults scoring at or below level 1 (compared with an average of 20 per cent across participating countries). In the final category, problem solving in technology rich environments, 42 per cent of Irish adults scored at or below level 1. All of this means that a very significant proportion of the adult population does not have the most basic literacy, numeracy and information-processing skills that are necessary to successfully negotiate today’s world.

The report also found that there is no statistical difference between average literacy scores of adults in Ireland from IALS (data gathered in 1994) and PIAAC in 2012. In other words, the adult literacy strategy implemented by successive governments in the intervening years has not succeeded in addressing Ireland’s adult literacy problem.

In terms of literacy mean scores, Ireland is consistently below the OECD average in every age cohort. See **Figure 9**. While significant progress has been made between the younger cohorts (15-35) compared to the older cohort (55-65), the gap between Ireland and the OECD average has increased. There is a larger difference between Ireland and the OECD average for younger people than for older people. This poor result undermines Ireland’s long-term capacity to compete with other countries in an increasingly knowledge-based global economy.

**FIGURE 9 AVERAGE LITERACY SCORES OECD AND IRELAND, 2012**

Source: OECD online database, PIAAC

New targets have been set to address some of these issues in the National Skills Strategy 2025 (Department of Education and Skills 2015: 117). These are to reduce the percentage of adults scoring at Level 1 or below in literacy to 12 per cent (from 18 per cent) and in numeracy to 17 percent (from 26 per cent) by 2025. While the setting of targets is welcome, these are relatively modest targets that still envisage a relatively high proportion of people with very low literacy and numeracy levels by 2025.

Society is ever more dependent on literacy skills as a result of several issues such as ‘low-skilled’ work now requiring higher performance due to automation, information on state services being most readily available online, schooling requiring parental involvement, goods/services being available for purchase online (Dorgan, 2009). *Social Justice Ireland* believes that the serious issue of adult literacy deserves a detailed high-level strategy.

We also urge that a specific target on adult literacy be included as a sub-target in the National Reform Programme to ensure this issue receives the priority it urgently requires.

While the Europe 2020 Strategy does not set a headline target for literacy levels, the ET 2020 framework does in the case of **younger people**. The target is for less than 15% of 15-years olds with ‘insufficient abilities in reading, mathematics and science’.

There are 555,134 students enrolled at primary level. Ireland has a pupil teacher ratio of 16.2 at primary level and 15.0 at second level (CSO, 2016 online database), the eight highest and the fifth highest in the EU respectively. The average class size in Ireland at primary level is 24.4, the second highest in the EU. This issue needs to be addressed.

Research from the Educational Research Centre examined English Reading and Mathematics at 2nd and 6th class in primary schools (Shiel, Kavanagh and Millar 2014). Students’ performance has improved significantly, for the first time at primary level since the early 1980s. These very welcome improvements were evident in both DEIS and non DEIS schools. These results show

that the targets set out in the national strategy, *Better Literacy and Numeracy for Children and Young People (2011-2020)* for children at primary level have already been achieved. This strong performance gives the Minister for Education scope to set ambitious new targets in the interim review of the strategy. Indeed, the *Updated National Action Plan for Social Inclusion* sets a target to 'reduce the percentage of children performing at or below the minimum level in the National Assessment of Mathematics and English reading by at least 5 percentage points at both second class and sixth class by 2020' (Department of Social Protection 2016). That there is room for improvement is illustrated by the study from the Educational Research Centre already referred to. The large proportion of very low achievers in reading in DEIS band 1 schools is worrying (44 per cent of pupils in 2nd class in DEIS band 1 schools performed at or below the lowest proficiency level on overall reading) and there is room for improvement on mathematics and problem solving across all schools.

One of the most alarming statistics from the OECD PIAAC study is that the children of parents with low levels of education have significantly lower proficiency than those whose parents have higher levels of education, thus continuing the cycle of disadvantage. This complements research by the Education Research Centre that finds that around 30 per cent of children in socially disadvantaged areas have serious reading difficulties. The inter-generational transmission of low levels of skills and educational qualification underscores the need for high-quality initial education, second chance educational pathways and to improve the access and relevance of lifelong learning opportunities (with both academic and vocational tracks). Ongoing work with parents of children who have reading difficulties will be key in addressing this issue.

Irish second level students performed relatively well in the 2012 PISA tests in reading, literacy, mathematics and science. The performance of Ireland's fifteen year-olds shows a significant improvement on the 2009 performance. However, when compared with 2003 PISA results, the overall performance showed very little progress. Students from fee paying schools significantly out-performed those from non-fee paying schools, and students who never attended pre-school performed less well than those who attended pre-school (Perkins et al, 2013). The PISA findings suggest that while reading levels among the school-going population are better than the population generally, this difference is much smaller than might be expected. The fact that the proportion of male students unable to read at the most basic level (Level 2 PISA) is almost unchanged since 2000 (Perkins *et al.*, 2013:143) must be a cause of considerable concern for policymakers. It is clear that fundamental reforms are needed to Ireland's education system to address this problem.

Progress on meeting the targets for second level set out in the national literacy and numeracy strategy at second level is slower than that at primary level. The impact of the measures to improve literacy and numeracy at second level (including Project maths) should be seen in the next round of PISA 2015.

Some targets have now been set by the National Skills Strategy 2025 but they are not very ambitious (Department of Education and Skills 2015: 116). They propose only to 'maintain' the proportion of students performing below Level 2 at 10 per cent by 2025 in reading, and to decrease the proportion performing below Level 2 to 10 per cent (from 17 per cent) in maths.

*Social Justice Ireland* also recommends the setting of ambitious new targets in this area.

### **Lifelong Learning**

Life-long learning is recognised at European level as potentially making a significant contribution to meeting the Europe 2020 goals (Council of the European Union, 2011). The Council calls for particular attention to improving provision for low-skilled Europeans targeted in Europe 2020, starting with literacy, numeracy and second-chance measures as a precursor to up-skilling for work and life in general (Council of the European Union, 2011). The European Commission recognises the importance of lifelong learning for the attainment of the Europe 2020 strategy objectives, noting that Europe will not be able to realise the vision of smart growth, set out in the Europe 2020 Strategy, if its workers lose employability as they grow older (2013).

Lifelong learning and community education also brings major social and health benefits to participants outside the labour force and this non-vocational element must also be resourced (see, for example, Aontas 2011).

As already mentioned, ET 2020, the strategic framework for European cooperation in education and training, sets a benchmark to be achieved by 2020 for lifelong learning, namely that an average of at least 15 per cent of adults aged 25 to 64 should participate in lifelong learning (Council of the European Union, 2009). Recently the Irish National Skills Strategy 2025 (Department of Education and Skills 2015) has adopted the same target of 15 per cent (to be achieved by 2025).

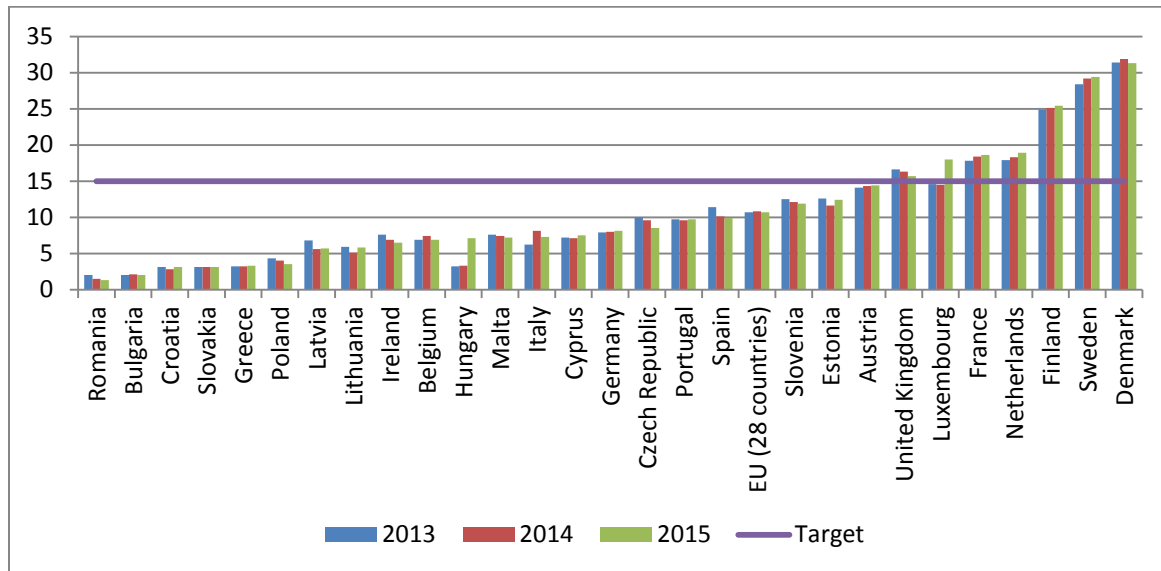
**Figure 10**, below, shows European participation rates in lifelong learning<sup>12</sup> for 2013 to 2015 relative to the target of 15 per cent (EU 28). It can be seen how, with a participation rate of 6.5 per cent, Ireland is below the European average of 10.7 per cent and far below the target of 15 per cent set in ET 2020 and in the National Skills Strategy. Furthermore, the increase in Ireland's rate since 2003 (when it was 5.9 per cent) has been slight. There has also been a slight decline in the rate since 2013 (Eurostat **tsdsc440**). See **Figure 11**.

Ireland lags very far indeed behind the rates reported in the highest performing countries such as Denmark, Sweden and Finland, all of whom have participation rates above 25% (2014) (Eurostat **tsdsc440**).

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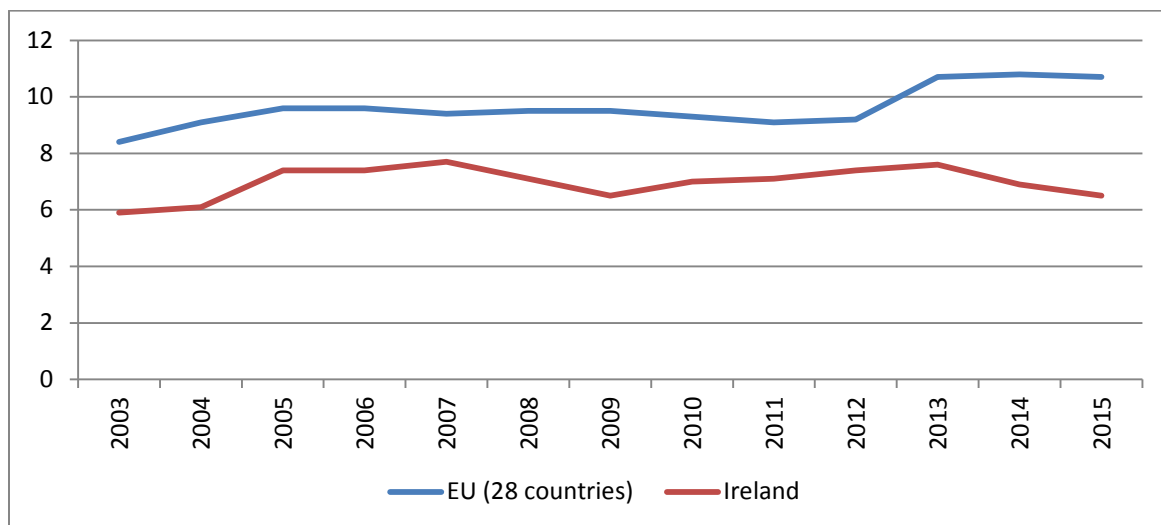
<sup>12</sup> Lifelong learning refers to persons aged 25 to 64 who stated that they received education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding those who did not answer to the question 'participation in education and training'. Both the numerator and the denominator come from the EU Labour Force Survey. The information collected relates to all education or training whether or not relevant to the respondent's current or possible future job (Eurostat, 2014 **tsdsc440**).



**FIGURE 10 LIFELONG LEARNING EU28: 2013-2015**

**Source:** Eurostat, Online database tsdsc440. Shows 15 per cent target set in the ET2020 Strategy.

Furthermore, in Ireland, the higher the education attainment level, the more likely an adult is to participate in lifelong learning (SOLAS 2015). In fact in Quarter 4, 2014, 60 per cent of participants in lifelong learning (aged 25-64) were third level graduates; 57 per cent were in employment, mostly full-time, and a high percentage of them worked in high skilled occupations (SOLAS 2015).

**FIGURE 11 PARTICIPATION RATES (AGES 16-64) IN LIFELONG LEARNING; EU-28 AND IRELAND, 2003-2015**

**Source:** Eurostat, Online database tsdsc440.

One of the six core objectives of the National Skills Strategy 2025 is increasing the number of people engaged in lifelong learning. The strategy commits to promoting and supporting lifelong learning, particularly in the workplace. As mentioned already, the Strategy has set a national target of 15 per cent of adults engaged in lifelong learning by 2025 from a baseline of 6.7 per cent (National Skills Strategy, 2015:117). *Social Justice Ireland* has welcomed the setting of this target. However, without the necessary investment, it will be difficult to meet the target of 15 per cent even by 2025. It is important that sufficient resources are allocated to this strategy on a multiannual basis.

The Strategy commits to improving adult and community education across Ireland, promoting the benefits of lifelong learning, increasing opportunities for those in employment to engage in lifelong learning and giving greater recognition to workplace learning.

The establishment of SOLUS in recent years and the introduction of a further education strategy (*Further Education Strategy 2014-2019*) also offers the potential for more concerted approaches in this area. However, the implementation of the strategy will be challenging and more needs to be done at government level to ensure that the further adult and community education sector achieves parity of esteem with other sectors within the formal system. This is particularly important when one considers that it is expected to respond to the needs of large sections of the population who have either been failed by the formal system or for whom it is unsuitable as a way of learning. Evidence of the challenges faced by Government in trying to help those with low levels of educational attainment to up-skill in such a way as to obtain employment may be gleaned from the CSO Qnhs thematic review on education from 2011 (CSO 2011). Those aged 25-64 with only primary level qualifications are three times more likely to be unemployed than those with a third level qualification (24% as opposed to 7%). This gap has increased between 2009 and 2011 (the year to which latest available data relate) (CSO, 2011). See **Table 4**.

There are an increasing range of generic skills that people require to operate within society and the economy. These include basic skills such as literacy, numeracy, use of technology, language skills, people-related skills, and conceptual skills (Forfás 2009). The report of the Expert Group on Future Skills Needs (2007) indicates that there is substantial evidence that employers regard generic skills as equal to, if not more important than, technical or job specific skills. Eight key competencies for lifelong learning have also been identified by the Council of Europe and the European Parliament (Council of Europe 2006): communication in the mother tongue, communication in foreign languages, mathematical and basic competencies in science and technology, digital competence, learning to learn, social and civic competences, sense of initiative and entrepreneurship, and cultural awareness and expression.

These key competences are all interdependent, with an emphasis in each on critical thinking, creativity, initiative, problem solving, risk assessment and decision making. They also provide the framework for community education and training programmes within the European Education and Training 2010 work programme and the Strategic Framework for European Cooperation in Education and Training (ET 2020).

These key competences should be included as part of the reform of apprenticeship programmes. Many of these key competences are already included in one of the recommendations of the report of the review group of apprenticeship training, which

recommends that apprenticeship programmes should provide for the appropriate integration of transversal skills, particularly literacy, numeracy, maths, science and ICT. These competences could also form the basis of a system to recognise the enhanced skills of the flow of returning migrants. These migrants have gained significant and diverse skills whilst in employment abroad and a system to formally recognise this non-formal skill development will be needed.

**TABLE 4 SUMMARY, EDUCATIONAL ATTAINMENT AND LABOUR FORCE PARTICIPATION, AGES 25-64, APRIL-JUNE 2011**

Highest education level attained	%	Labour Force Participation rate	Employment rate	Unemployment rate
Primary or below	10	46	35	24
Lower Secondary	15	67	54	21
Higher Secondary	24	76	65	14
Post Leaving-Cert	13	78	64	18
Third Level	38	87	81	7
Total persons aged 25-64	100	76	66	13

Source: CSO, 2011, Table A

In Ireland it is clear that the lifelong opportunities of those who are socially excluded and educationally disadvantaged contrast sharply with the opportunities of those who have completed second level and third level education. For example, third-level graduates in employment in Ireland earn on average 64 per cent more than those with a Leaving Certificate only (OECD 2011a). Therefore, lifelong education is a basic need, and second chance education and continuing education are vital, particularly for those who experienced educational disadvantage at an early stage in an education system that failed them.

For *Social Justice Ireland*, this is an issue of rights, of equality, of social inclusion and of citizenship. It is also a necessary response of the Irish Government to be consistent with the headline target they adopted in the National Reform Programme on employment – where the target is to be reached through ‘greater participation of young people, older workers and low-skilled workers and the better integration of migrants’ (Government of Ireland, 2011; 2015; 2016). Recent National Reform Programmes have referred to the issue of reform of the Further Education and Training Sector and to the new strategy for further education, but this is in the context of the employment target and labour market activation measures. This means that it is not embedded as an important programme in its own right within the context of the National Reform Programme targets on education.

*Social Justice Ireland* believes that the National Reform Programme should address the issue of lifelong learning, treating it as a cornerstone of education policy under the Education Target, rather than as a component of activation measures in the context of employment. Labour market activation cannot be the sole factor defining the education and training agenda for adults.

### ***Social Justice Ireland* Recommendations**

Education is widely recognised as crucial to the achievement of both national objectives and those of the Europe 2020 strategy such as ‘smart growth’ and ‘inclusive growth.’ However, the overall levels of public funding for education in Ireland are out of step with these aspirations, particularly as regards under-funding of early childhood education and care, and in the areas of lifelong learning and second-chance education – the very areas that are most vital in promoting greater equity and fairness. Amongst the recommendations already made by *Social Justice Ireland* in the field of education are:

- Develop a long-term, sustainable funding strategy for all levels of education (primary, post-primary and higher education),
- Invest in universal, quality early childhood education by committing to increasing investment by 0.1 per cent of GDP annually to meet the OECD average by 2021,
- Commit to reaching the lifelong learning target set out in the National Skills Strategy and ensure sufficient resources are made available.

The National Reform Programme should set targets in the following areas:

- **Early School Leaving:** Set a more ambitious national target of 5% for reduction of early school leaving.
- **Adult Literacy:** Adopt a more ambitious adult literacy target to reduce the proportion of the population aged 16-64 with restricted literacy to 5% per cent by 2020; and to 3% by 2025.
- **Lifelong Learning:** Adopt a 15 per cent target for participation in lifelong learning (for consistency with Irish National Skills Strategy 2025).

## 4. Poverty

**EU Headline Target:** *To promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion<sup>13</sup>*

**Ireland, Headline Target, 2011:** *To reduce the number experiencing consistent poverty to between 2-4% by 2012, with the aim of eliminating consistent poverty by 2016, which will lift at least 186,000 people out of the risk of poverty and exclusion (Government of Ireland, 2011).*

**Ireland, Revised Headline Target:** *To reduce consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3<sup>14</sup>%.*

**The Irish contribution to the Europe 2020 poverty target is to reduce by a minimum of 200,000 the population in combined poverty (either consistent poverty, at-risk-of-poverty or basic deprivation) (Government of Ireland, 2013-2016).**

New Sub-target (from 2014):

***To lift over 70,000 children out of consistent poverty by 2020, a reduction of at least two-thirds on the 2011 level. This target will include reducing the higher consistent poverty risk for households with children as compared to non-child households (8.8% vs 4.2%), and for children as compared to adults (9.3% vs. 6%) (Government of Ireland 2014)***

The setting of the above new sub-target for poverty reduction amongst children was referred to in the National Reform Programme for 2014 by reference to the National Policy Framework for Children and Young People 2014-2020 (*Better Outcomes: Brighter Futures*): 2014.

### Measures and Metrics

Before considering the position of Europe and Ireland relative to the Europe 2020 Strategy targets, we need to address briefly the choice of measures and metrics - something of critical importance in setting targets and in measuring performance. In trying to measure the extent of poverty, the most common approach across Europe in recent years is the 'at risk of poverty' indicator. This is a measure of income poverty, which involves identifying a poverty line (or lines) based on people's disposable income (after taxes but including all benefits). The European Commission and the UN in recent years adopted a poverty line located at 60% of median income<sup>15</sup> and this is reflected in one of the indicators (described below) used in the EU 2020

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<sup>13</sup> This target has been revised and was originally framed as follows: The number of Europeans living below the national poverty lines should be reduced by 25%, lifting over 20 million people out of poverty (European Commission, 2010, p.11).

<sup>14</sup> This reflects a revised figure released by the CSO in 2011

<sup>15</sup> 'People at risk of poverty' are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers)

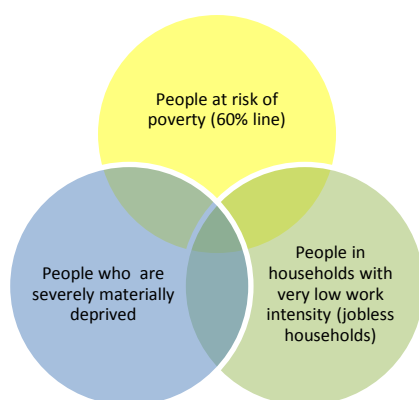
Strategy. The 'at risk of poverty' indicator has also been used for some time by the Irish Central Statistics Office (CSO) in its SILC surveys.

The EU 2020 Strategy uses a target based on being 'at risk of poverty or exclusion'. This is a combined indicator to which there are three aspects as included in the EU headline target. It includes people either

- below a country-specific relative income poverty threshold (the at-risk-of-poverty rate),
- above a material deprivation measure, or
- in a 'jobless' household.

The Europe 2020 Strategy for the first time combined the three to identify an overall target group 'at risk of poverty and exclusion'<sup>16</sup>. Meeting *any* of the criteria will suffice to be counted within the target population.

**FIGURE 12 DIAGRAM: EUROPE 2020 STRATEGY: AT RISK OF POVERTY OR SOCIAL EXCLUSION INDICATOR**



Member States can set national targets based on what they consider to be the most appropriate indicator or combination of indicators.

The Irish target relates to 'consistent poverty,' which was the poverty target used in the *National Action Plan for Social Inclusion, 2007-2016*, and reflected Ireland's use of two indicators

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<sup>16</sup> This indicator corresponds to the sum of persons who are: at risk of poverty or severely materially deprived or living in households with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. At risk-of-poverty are persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers). Material deprivation covers indicators relating to economic strain and durables. Severely materially deprived persons have living conditions severely constrained by a lack of resources, they experience at least 4 out of 9 following deprivations items: cannot afford i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone. People living in households with very low work intensity are those aged 0-59 living in households where the adults (aged 18-59) work less than 20% of their total work potential during the past year. (Eurostat, t2020\_50)

to measure poverty and exclusion: at risk of poverty (below the 60% median income threshold) *and* material deprivation (lacking two or more basic necessities). These are similar to the first two of the EU indicators that make up the EU target of ‘poverty and social exclusion’<sup>17</sup>. The ‘consistent poverty’ indicator combines deprivation and poverty into a single indicator by calculating the overlap between the two – that is, people simultaneously experiencing poverty and registering as deprived. As such it captures a sub-group of poor people. We will look at it specifically below and it is indicated figuratively in **Figure 19** below.

The revised target contained in the Government’s National Reform Programme Update, 2012, and in subsequent National Reform Programmes, represented a change in both the baseline rate (from a 2008 rate of 4.2% in consistent poverty, to a 2010 baseline rate of 6.3%) and in the timetable for achieving it.

The terminology was changed as regards how the numbers who are to be lifted out of poverty are defined: ‘*poverty target is to reduce by a minimum of 200,000 the population in combined poverty (either consistent poverty, at-risk-of-poverty or basic deprivation)*’. The effect of this is to exclude the third EU indicator - people in households with very low work intensity – and this is consistent with the ongoing approach of the Irish authorities to the measurement of poverty, as the added value of using the third - low work intensity or ‘joblessness’ - as a poverty measurement in an Irish context is not accepted by the Irish Government (Government of Ireland 2011), and, indeed is also questionable in the opinion of commentators.<sup>18</sup>

However, another sub-target – for jobless households – was announced but not defined<sup>19</sup>.

## European Context

The Europe 2020 Strategy envisaged that a major effort would be needed to combat poverty and social exclusion, to reduce health inequalities and to ensure that everyone could benefit from growth. Headline facts on poverty in Europe were described in the Strategy, which (based on figures available at that time) included:

- 80 million people at risk of poverty, which is more than the population of the largest Member State, or 16.5% of the total population (figures from prior to the crisis),
- 19 million children at risk of poverty,
- 8% of people who worked were still below the poverty line

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<sup>17</sup> The definitions also differ somewhat: The Irish deprivation indicator is defined as enforced lack of two items from a set of 11 basic necessities; the EU deprivation indicator is defined as enforced lack of four items from a set of nine. There is also a difference in how the income concept is defined for the at risk of poverty indicator (Government of Ireland, 2011, p. 23).

<sup>18</sup> For example, Walker argues that ‘Joblessness’ arguably reduces the conceptual and policy coherence of the EU Target measure; it is more a cause of poverty than a characteristic, it is restricted to the working age population and, has even less overlap with low income and material deprivation than elsewhere. (Walker, 2011, p.16).

<sup>19</sup> The 2014 National Reform Programme indicates that this is pending further analysis.

- With the economic crisis, the situation had worsened
- Young people, migrants and the low skilled have experienced the greatest increases in unemployment.

(European Commission, 2010, p.18; 2010a, p. 3-5)

One of the aims of the flagship initiative 'European Platform against Poverty' is to raise awareness of the fundamental rights of people experiencing poverty and social exclusion, enabling them to 'live in dignity and take an active part in society' (European Commission, 2010, p. 19). Action is envisaged from Member States to

- implement measures for people at particular risk such as one-parent families, older women, minorities, disabled people and homeless people,
- deploy social security and pension systems to ensure adequate income support and access to healthcare.

Latest available figures (which are for 2014 for most countries) suggest a large increase in the population experiencing poverty or social exclusion since the Europe 2020 Strategy was adopted. The rate for poverty or social exclusion, the combined indicator used in the Europe 2020 Strategy, was 24.4 percent in 2014 or over 122million people (EU-28). The numbers affected have decreased somewhat since 2012 and there has been a marginal reduction in the rate since then (rate for 2012 was 24.7 per cent, EU-28). But amongst EU28 countries, the increase in those affected between 2010, when the Europe 2020 Strategy was adopted, and 2014 was over 4 million people (Eurostat 2014 **t2020\_50**).

In its 2014 stocktaking communication relative to the Europe 2020 Strategy, the European Commission concludes that as a consequence of the crisis, progress on reducing poverty and social exclusion has been very limited. Indeed, compared to the European target of lifting 20 million people out of poverty and social exclusion, even the aggregated national targets are less ambitious and correspond to reducing the number of people at risk of poverty or social exclusion only by around 12 million (European Commission 2014b, Annexe 2). Despite some recent improvements and in particular gradual increases in disposable income, the European Commission notes that poverty and exclusion remain high - fuelled by unequal opportunities and rising market inequality (2016). The EU's Social Protection Committee has recently noted that the share of the population at risk of poverty or social exclusion has risen substantially over recent years in most Member States, affecting particularly the working age population, and that long term unemployment and relatively low employment opportunities for youth remain major challenges. Looking at the most recent years (2013-2014), the Committee notes that amongst the main negative trends are rises in the poverty risk for the population as a whole in many Member States (The Social Protection Committee 2016). They note that while some of these challenges may have recently eased slightly, they remain substantial and need to be tackled urgently.

## **Ireland: Poverty**

During the first decade of this century Ireland saw progress on the issue of poverty driven by increases in social welfare payments, particularly payments to unemployed people, older people and people with disabilities.



In this section, we will first look at how Ireland is performing when analysed under the ‘poverty and social exclusion’ indicator, and under the three constituent parts of this measure that make-up the poverty reduction target set under the Europe 2020 Strategy. We will then consider poverty in Ireland looking in more detail at some indicators commonly used in this country, including ‘consistent poverty’, the indicator used to frame Ireland’s national target under the Europe 2020 Strategy, before considering the situation of some groups (children and the working poor) whose positions are highlighted in the Europe 2020 Strategy. Linked to the issue of poverty is Ireland’s approach to income distribution, which we will look at next before finishing the Chapter with some recommendations.

### Ireland and the EU Poverty Indicators

As we prepare this report the statistics given for Ireland relate to 2014, and the data would have been collected prior to that. Thus, a considerable a time lag relative to the statistics quoted must be acknowledged.

When we look at Ireland’s figures for those at risk of poverty or social exclusion (that is, the combined indicator used in the Europe 2020 Strategy), it went from 23.1 per cent in 2007 to 30 per cent at its peak in 2012 (when it represented almost 1.4 million people). Since then it has reduced to 27.6 per cent or almost 1.3 million people – and still represents a very sizeable proportion of the Irish population (in 2014). This represents an increase of some 270,000 people between 2007 and 2014. See **Table 5**.

**TABLE 5 IRELAND: POPULATION AT RISK OF POVERTY OR SOCIAL EXCLUSION, 2005-2013**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
%	25	23.3	23.1	23.7	25.7	27.3	29.4	30	29.5	<b>27.6</b>
<b>Number of People (000s)</b>	1,038	991	1,005	1,050	1,150	1,220	1,319	1,378	1,358	1,274

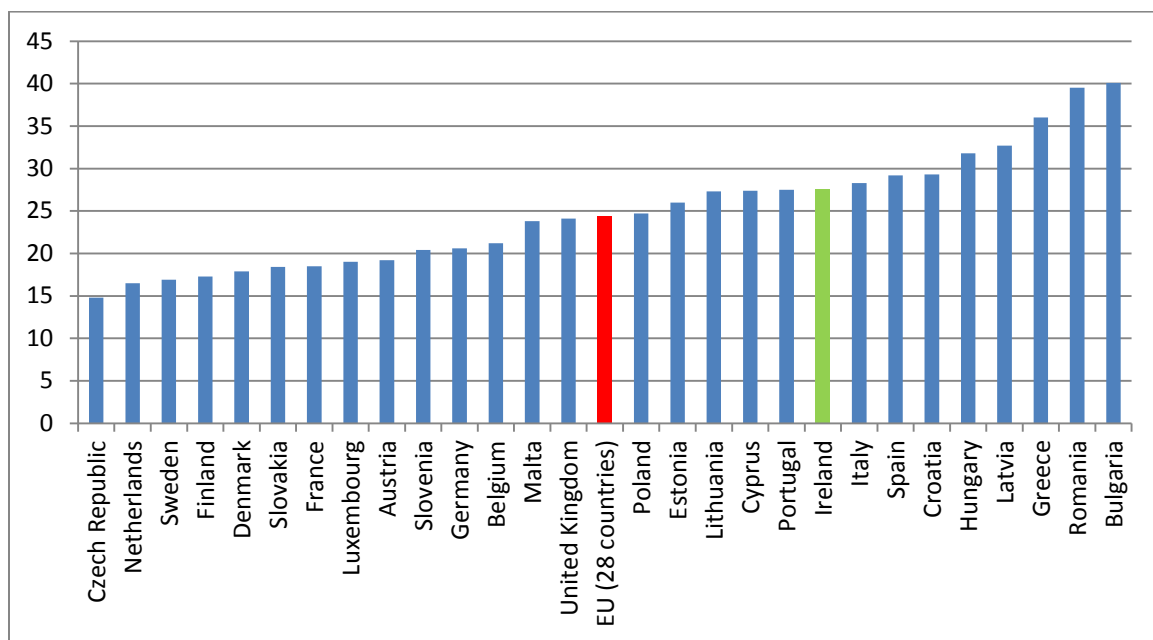
**SOURCE:** EUROSTAT, T2020\_50.

**Figure 13** shows that, despite improvements in the recent past, Ireland still has a rate of poverty or social exclusion (27.6 per cent) that is considerably higher than the European average (of 24.4 per cent) and is similar to the rates in Lithuania, Cyprus and Portugal. Adding the populations affected by the three indicators puts Ireland’s rate at this very high level, particularly due to the high numbers captured by the low work intensity indicator compared to the European average (Department of Social Protection, 2011)<sup>20</sup>. The National Economic and Social Council has

<sup>20</sup> The set of three indicators used for the EU 2020 Strategy correspond, with some compositional differences, with indicators used within Ireland (a relative income poverty line: ‘at risk of poverty’; material deprivation indicator based on inability to afford items from a list; and the consistent poverty measure, based on the overlap between the two), but the EU 2020 Strategy includes ‘low work intensity households’ as its third indicator. However, the Department of Social Protection has shown that

highlighted a distinguishing feature of Ireland's jobless households – or households with very low work intensity, to use the EU term - that is, the likelihood that they contain children, something that is associated with the inter-generational transmission of poverty. While fewer than 30 per cent of adults in jobless households live with children in other EU-15 countries, more than half do in Ireland at 56 per cent (NESC 2014).

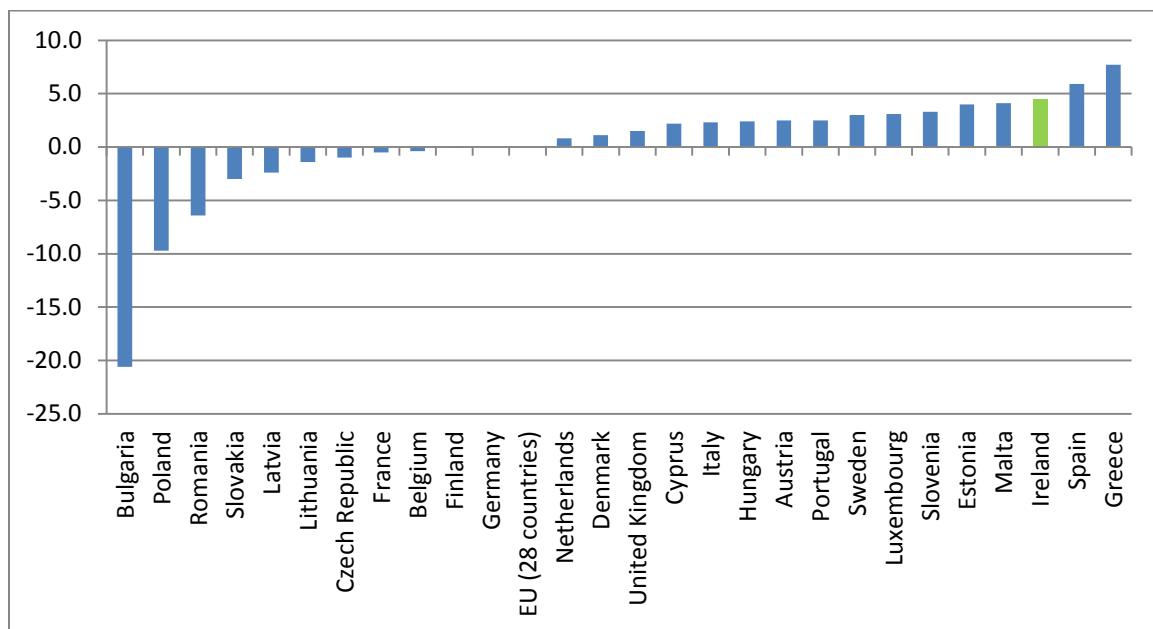
**FIGURE 13 EUROPE: PEOPLE AT RISK OF POVERTY OR SOCIAL EXCLUSION EU-28, 2014 (%)**



**Source:** Eurostat, t2020\_50

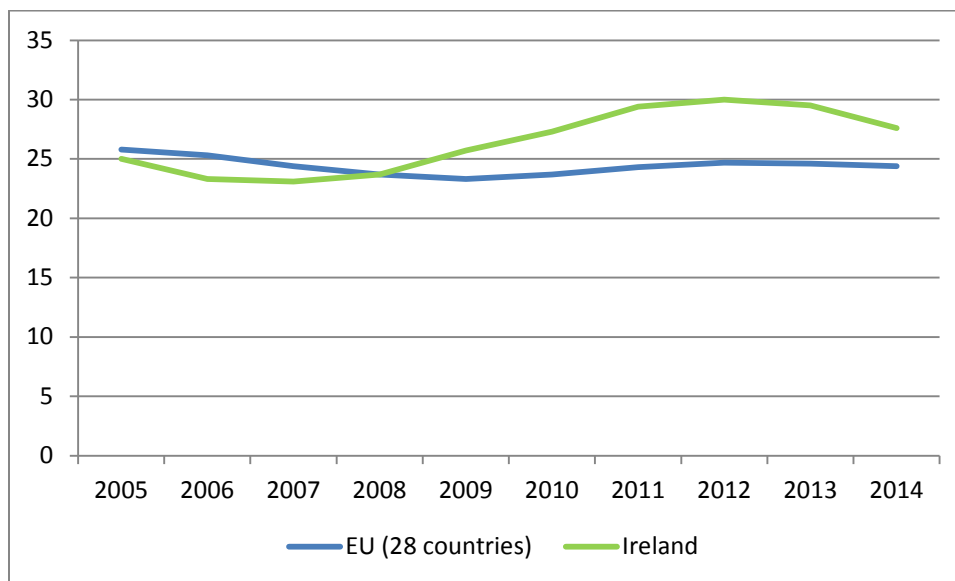
As **Figure 14** shows, at 4.5 percentage points, Ireland had one of the biggest increases in the risk of poverty or social exclusion rate between 2007 and 2014 – notwithstanding the fact that the rate has improved in Ireland since 2012 (Eurostat, t2020\_50).

essentially the same proportion of the population is covered – 26% in 2009 (Department of Social Protection, 2011, p. 263). It is not the practice in Ireland to combine the indicators to arrive at an overall figure for 'poverty and exclusion' a practice that has questionable outcomes (Walker, 2011) as already referenced.

**FIGURE 14 EU 27: CHANGE IN RISK OF POVERTY OR SOCIAL EXCLUSION RATE, 2007-2014**

Source: Eurostat, 2014, t2020\_50

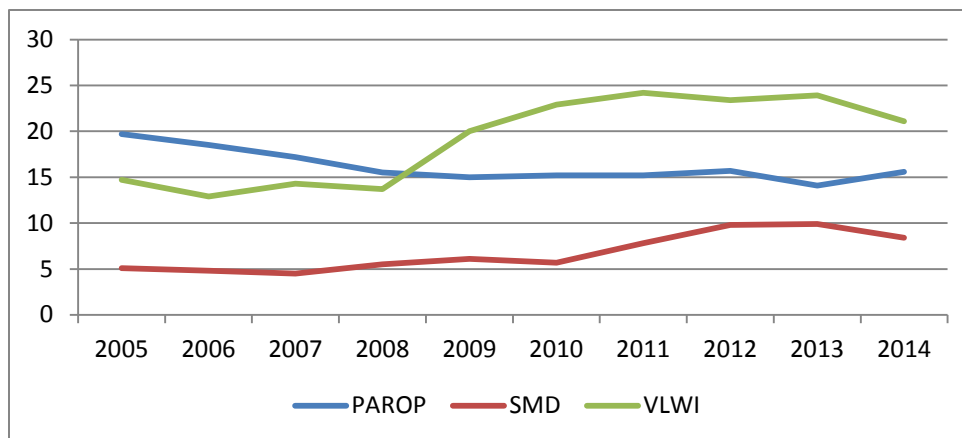
**Figure 15** shows how the risk of poverty or social exclusion rate in Ireland compares to the EU-28 average - increasing after 2008 relative to the EU average and remaining (in 2014) higher than the average rate despite recent improvements.

**FIGURE 15 IRELAND AND EUROPE: PEOPLE AT RISK OF POVERTY OR SOCIAL EXCLUSION, 2005-2014 (%)**

**Source:** Eurostat t2020\_50. Note: EU rate until 2010 is for EU-27, not EU28.

It is also possible to examine Ireland's performance in a European context under each of the separate indicators that make up the 'at risk of poverty and exclusion' indicator for the purpose of the Europe 2020 Strategy.

**Figure 16** shows the Irish trajectory of the three poverty indicators used in the Europe 2020 Strategy. The indicators showing the greatest increase since the onset of the crisis are people in households with very low work intensity and people experiencing severe material deprivation.

**FIGURE 16: THREE EU POVERTY INDICATORS IN IRELAND, 2005-2014 (%)**

**Source:** Eurostat, t2020\_51, t2020\_52, t2020\_53

PAROP: People at Risk of Poverty after Social Transfers (60% poverty line)

VLWI: People living in households with Very Low Work Intensity

SMD: People who are severely materially deprived

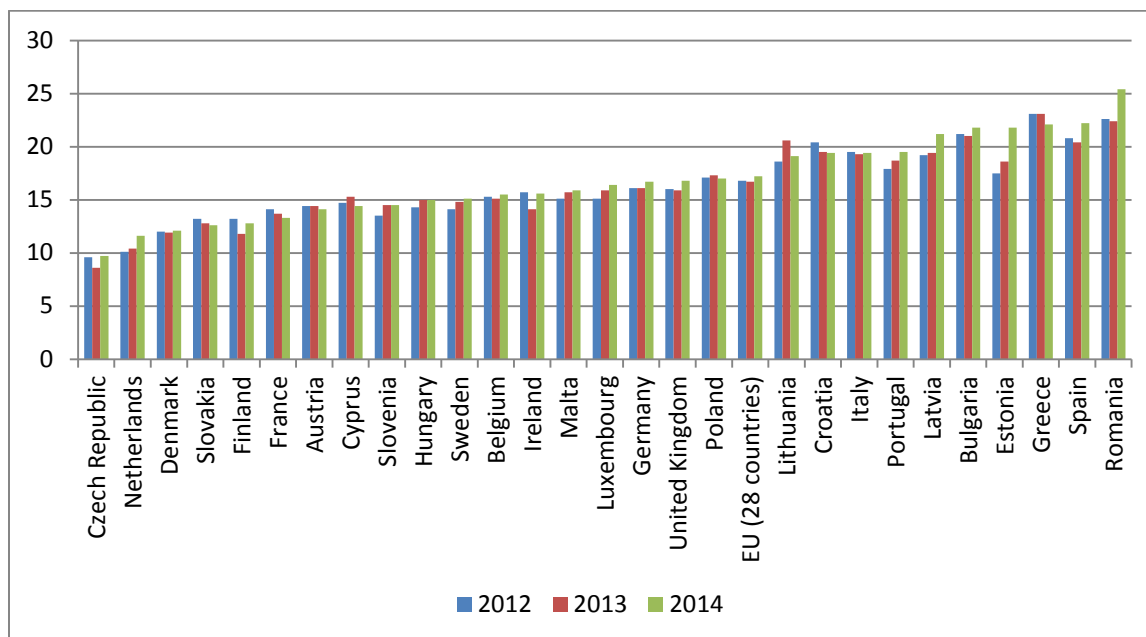
From the early 2000s to 2009 there was a steady decrease in the rate of income poverty defined as people 'at risk of poverty' as measured by Eurostat, with rates reaching a record low in 2009. See **Table 6**. The year 2008 marked the first time that Ireland's at risk of poverty levels fell below average EU levels. It is clear that this was driven by sustained increases in welfare payments in the years prior to 2008.

**TABLE 6: IRELAND AND EU (28) AVERAGE - PEOPLE AT RISK OF POVERTY, 2004-2013**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>EU - 28</b>		16.5	16.5	16.5	16.5	16.4	16.5	16.8	16.8	16.7	<b>17.2</b>
<b>Ireland</b>	20.9	19.7	18.5	17.2	15.5	15	15.2	15.2	15.7	14.1	<b>15.6</b>

**Source:** Eurostat, 2014. **t2020\_52**. People at risk of poverty (60% line) after social transfers: percentage of the total population. **Note:** rates are for EU-27 up to 2009.

Again using statistics that are comparable across Europe, **Figure 17** shows the proportion of the population at risk of poverty, and how Ireland compares with other European countries. At 16.6 per cent (2014), Ireland's rate is below the EU 27 average. However, there is a great deal of divergence between EU countries: the country with the lowest rate (Czech Republic) has a rate of 9.7 per cent and that with the highest rate (Romania) has a rate of 25.4 per cent. Ireland's rate is many percentage points greater than the countries with the lowest rates, being nearly 6 percentage points higher than that of the Czech Republic and 4 percentage points higher than that of the Netherlands (Eurostat t2020-52). Ireland still has a serious problem with poverty – and we will look at this in more detail in the next section of this Report.

**FIGURE 17: EU 28 PEOPLE AT RISK OF POVERTY, 2011-2014**

**Source:** Eurostat **t2020\_52**. Shows people at risk of poverty after social transfers (60% poverty line).

### Ireland: A Closer Look at Poverty

When we turn to examine the poverty rates available from the Irish Central Statistics Office, the first thing to acknowledge are slight differences from the figures given above from Eurostat. In particular, the at-risk-of-poverty measure generates different results at EU and national levels as a result of differences in the definition of gross income. The EU definition does not include income from private pensions or the value of goods produced for own consumption. Also employers' social insurance contributions are included in the national definition of gross income but are excluded from the EU definition (Department of Social Protection, 2015).

#### Risk of Poverty

Using the CSO statistics, it is possible to see that 16 out of every 100 people in Ireland were living in poverty in 2014 (that is, using a poverty line set at 60 per cent of median income). See **Table 7** below. The table shows that the rates of poverty decreased significantly after 2001, reaching a record low in 2009. These decreases in poverty levels were welcome. They were directly related to the increases in social welfare payments delivered over the Budgets spanning these years. However, poverty increased again in the period 2010-2012 as the effect of budgetary changes to welfare and taxes, as well as wage reductions and unemployment, drove more low income households into poverty. The rate also increased between 2013 and 2014 though the change is not statistically significant according to the CSO.

**Table 7** also shows the significant numbers of people affected amounting to over 750,000 people in 2014.

**TABLE 7 IRELAND: POPULATION BELOW THE 60% POVERTY LINE, 1994-2014**

	1994	2001	2005	2007	2009	2010	2011	2012	2013	2014
<b>60% line</b>	<b>15.6</b>	<b>21.9</b>	<b>18.5</b>	<b>16.5</b>	<b>14.1</b>	<b>14.7</b>	<b>16.0</b>	<b>16.5</b>	<b>15.2</b>	<b>16.3</b>
<b>No's of People</b>	559,400	842,537	764,753	722,007	639,209	669,556	731,984	756,591	698,151	751,365

**Source:** Healy *et al* 2016 based on CSO online database population estimates and Whelan *et al* (2003)

**Note:** Population estimates are as of April in each year

The table's figures are telling. Looking over the past decade, there are over 33,000 fewer people in poverty; even accounting for the recent increases. Notably, over the period from 2004-2008, the period corresponding with consistent Budget increases in social welfare payments, almost 140,000 people exited poverty. Despite this, since the onset of the recession and its associated implications for incomes (earnings and welfare), the number in poverty has increased once again, rising by 112,000 since 2009. The fact that there are over 750,000 people in Ireland living life on a level of income that is this low remains a major concern.

A further context to these poverty rates and numbers is the changing value of the poverty line. The poverty line is calculated as a percentage of median income and over the course of recent years this has notably declined. In 2007 the CSO reported the median income in Ireland (the income of the middle person in the income distribution) to be €19,794 and found that this decreased by more than 8 per cent, to €18,210, by 2014. As the poverty line is calculated as a proportion of this income, it also declined dropping by €18 per week (€950 per annum). Recent changes in the rate of poverty should be seen in the context of these changes. Even with a lower poverty line, poverty has notably increased.

When we look at the income level at which someone lives in poverty (60 per cent line), the income poverty line for a single adult would have been €209.39 per week in 2014. Updating the 60 per cent median income poverty line to 2016 levels, using published CSO data on the growth in average hourly earnings in 2015 (+2.1 per cent) and ESRI projections for 2016 (+2.0 per cent) produces a relative income poverty line of €218.06 for a single person. In 2016, any adult below this weekly income level will be counted as being at risk of poverty (CSO, 2015a; Duffy, McQuinn, Morley and Foley, 2015: 1).

These levels of income are low and those below them clearly face difficulties in achieving what the National Anti-Poverty Strategy (or NAPS) described as "*a standard of living that is regarded as acceptable by Irish society generally*".

One immediate implication of this analysis is that most weekly social assistance rates paid to single people are almost €30 below the poverty line.

When we look at the population in poverty, the largest group, accounting for 25.6 per cent of the total, were children. The second largest groups were unemployed people and people on home duties (both 15.9 per cent). Of all those who are poor, 29.9 per cent were in the labour force and the remainder (70.1 per cent) were outside the labour market (Healy *et al* 2016 based on CSO SILC reports). (This does not include people who are ill and people with a disability, some of whom will be active in the labour force. The SILC data does not distinguish between those temporally unable to work due to illness and those permanently outside the labour market due to illness or disability). When we look at adults only in 2014 almost one-fifth of Ireland's adults with an income below the poverty line were employed. Overall, 40.2 per cent of adults at risk of poverty in Ireland were associated with the labour market.

The incidence of being at risk of poverty amongst those in employment is particularly alarming. Many people in this group do not benefit from Budget changes in welfare or tax. They would be the main beneficiaries of any move to make tax credits refundable, a topic addressed later in this Chapter.

*Social Justice Ireland* believes in the very important role that social welfare plays in addressing poverty. Without the social welfare system almost half the Irish population would have been living in poverty in 2014. Such an underlying poverty rate suggests a deeply unequal distribution of direct income – an issue we address below. In 2014, the actual poverty figure of 16.3 per cent reflects the fact that social welfare payments reduced poverty by 33 percentage points. As social welfare payments do not flow to everybody in the population, it is interesting to examine the impact they have on alleviating poverty among certain groups, such as older people, for example. Using data from SILC 2009, the CSO found that without any social welfare payments 88 per cent of all those aged over 65 years would have been living in poverty. Benefit entitlements reduced the poverty level among this group to 9.6 per cent in 2009. Similarly, social welfare payments (including child benefit) reduced poverty among those under 18 years of age from 47.3 per cent to 18.6 per cent – a 60 per cent reduction in poverty risk (CSO, 2010:47)<sup>21</sup>. These findings underscore the importance of social transfer payments in addressing poverty; a point that needs to be borne in mind as Government forms policy and priorities in the years to come.

### Deprivation

We can also look at other measures of poverty such as the deprivation rate – defined by the CSO as enforced lack of two or more out of 11 basic necessities<sup>22</sup>. While *Social Justice Ireland* and

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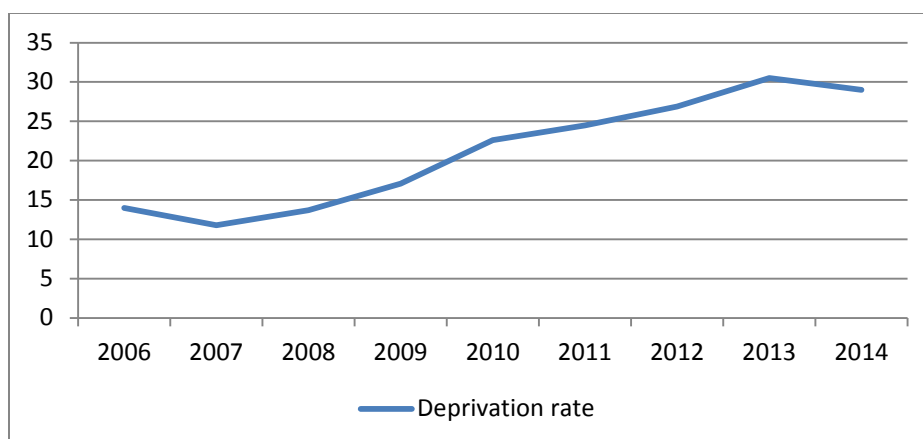
<sup>21</sup> This data has not been updated in subsequent SILC publications

<sup>22</sup> Households that are excluded and marginalised from consuming goods and services which are considered the norm for other people in society, due to an inability to afford them, are considered to be deprived. The identification of the marginalised or deprived is currently achieved on the basis of a set of eleven basic deprivation indicators: Two pairs of strong shoes, A warm waterproof overcoat, Buy new (not second-hand) clothes, Eat meat with meat, chicken, fish (or vegetarian equivalent) every second day, Have a roast joint or its equivalent once a week, Had to go without heating during the last year through lack of money, Keep the home adequately warm, Buy presents for family or friends at least once



others have expressed reservations about the measures of deprivation being used, the trends are informative as **Figure 18** shows. Since 2007 (when it was 11.8 per cent) the deprivation rate has increased hugely and is 29 per cent in 2013; it affects more than 1.3 million people (in 2014) (Department of Social Protection 2015). Most notable have been increases in the numbers going without heating at some stage in the year; unable to afford a morning, afternoon or evening out in the last fortnight; unable to buy presents for family and friends once a year; and unable to afford to replace any worn out furniture. Among those living on an income below the poverty line, approximately half (49.3 per cent) experienced deprivation of 2 or more items (CSO 2015a).

**FIGURE 18 DEPRIVATION RATE, 2006-2014**



**Source:** CSO SILC reports, various years

The depth of poverty may be measured from the 'at risk of poverty gap', which assesses how far below the poverty line the income of the median (middle) person in poverty is. The size of that difference is calculated as a percentage of the poverty line and therefore represents the gap between the income of the middle person in poverty and the poverty line. The higher the percentage figure, the greater the poverty gap and the further people are falling beneath the poverty line. The *SILC* results for 2014 show that the poverty gap was 18.6 per cent, compared to 20.3 per cent in 2012 and 16.2 per cent in 2009. Over time, the gap had decreased from a figure of 21.5 per cent in 2003. The 2014 poverty gap figure implies that 50 per cent of those in poverty had an equivalised income below 81.4 per cent of the poverty line. Watson and Maitre (2013:39) compared the size of the market income poverty gap over the years 2004, 2007 and 2011. Adjusting for changes in prices, they found that in 2011 terms the gap was €261 for households below the poverty line, an increase from a figure of €214 in 2004. They also found that after social transfers, those remaining below the poverty line were further from that threshold in 2011 than in 2004.

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a year, Replace any worn out furniture, Have family or friends for a drink or meal once a month, Have a morning, afternoon or evening out in the last fortnight for entertainment.

## Food Poverty and Financial Exclusion

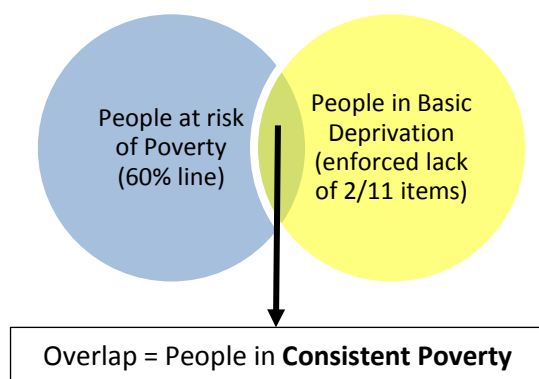
Food poverty<sup>23</sup> was experienced by 11.8 per cent of the population in 2012; the rate had increased to 13.1 per cent in 2014 (Department of Social Protection 2014; 2015; 2016). Financial exclusion is also emerging as a notable issue in recent years and in 2014, 10.7 per cent of households experienced this (that is, not having access to a bank current account) (Department of Social Protection 2016).

## Consistent Poverty

As already mentioned, the Irish target under the National Reform Programme is stated in terms of 'consistent poverty', an indicator that combines the 'at risk of poverty' and 'deprivation' indicators, calculating the proportion simultaneously experiencing both. Thus, it identifies a sub-group of the people experiencing poverty. See **Figure 19**. As set out at the start of this Chapter, the current national target is

*'reduce consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3% and..... to reduce by a minimum of 200,000 the population in combined poverty (either consistent poverty, at-risk-of-poverty or basic deprivation).'*

**FIGURE 19 DIAGRAM: CONSISTENT POVERTY**



<sup>23</sup> Inability to have an adequate/nutritious diet due to affordability/accessibility as measured by an enforced lack of one of three food deprivation items

**TABLE 8 IRELAND: RATES OF CONSISTENT POVERTY, 2006-2014**

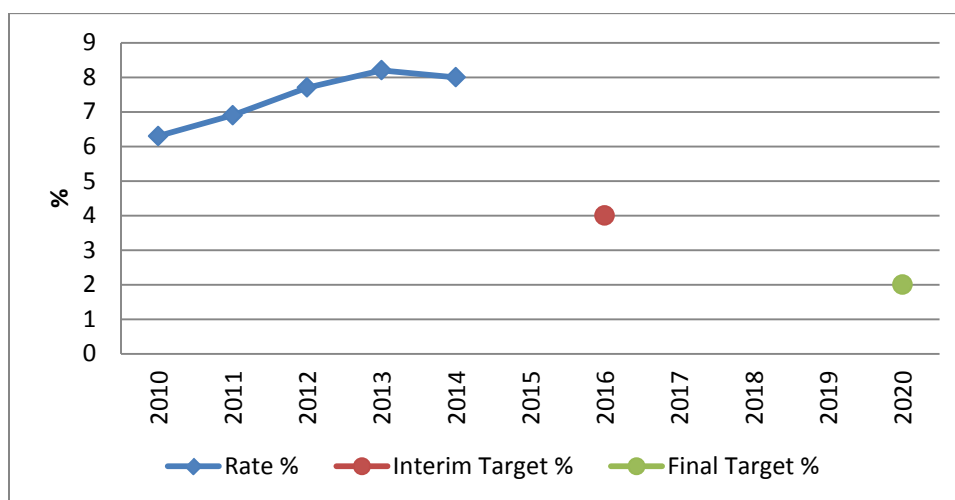
	2006	2007	2008	2009	2010	2011	2012	2013	2014
%	6.6	5.1	4.2	5.5	6.3	6.9	7.7	8.2	8
Numbers of people			186,000	245,000	287,000	317,000	353,000	377,000	369,000

**Source:** Rates in %: CSO, 2014 and CSO 2015a. Numbers of People: 2008: Government of Ireland, 2012, p15; 2009: Department of Social Protection, 2011, p. 24; 2014; 2010-2014: Department of Social Protection 2015; 2016

When we look at the rates of consistent poverty, we find that in 2014, 8 per cent of the population was affected by it (369,000 people) and that this rate had increased from 4.2 per cent in 2008 (186,000 people). Thus there was a disimprovement in this measure following the 2008 crisis, and the 2014 rate is almost double the 2008 rate. See **Table 8**. According to the CSO the slight improvement in the rate between 2013 (8.2 per cent) and 2014 (8 per cent) is not statistically significant (CSO 2015a).

Overall, those in consistent poverty represent very high numbers of people. In 2014, in terms of economic status, groups with the highest rates of consistent poverty were individuals who were unemployed and those not at work due to illness or disability (CSO 2015a).

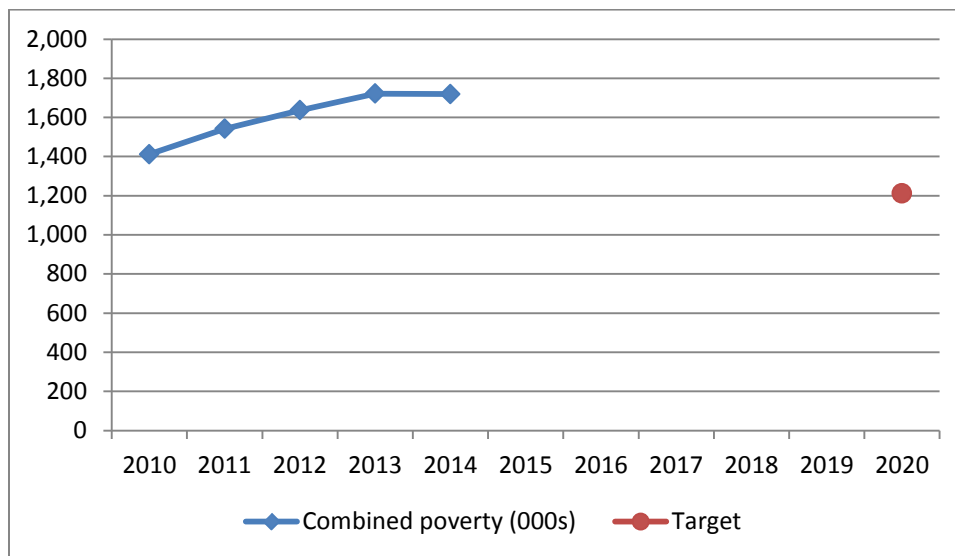
There is, therefore, a gap of four percentage points (or about 50 per cent) to be bridged to meet the National Reform Programme interim poverty target that was set for the current year, 2016. See **Figure 20**. The reality is that the recent recession and its associated austerity measures have pushed Ireland away from reaching its targets.

**FIGURE 20 CONSISTENT POVERTY AND GOVERNMENT TARGETS, 2010-2020**

**Source:** Social Inclusion Monitor (Department of Social Protection 2016)

When we look at the population affected by ‘combined poverty,’ the term used in recent National Reform Programmes in relation to the numbers that are to be lifted out of poverty (see above), it was 37.3 per cent in 2014 compared to 37.5 per cent in 2013, and 35.7 per cent in 2012 (Department of Social protection 2016). This figure reflects an underlying decrease in basic deprivation (down 1.5 percentage points to 29 per cent), and an increase in the at-risk-of-poverty rate (which increased by 1.1 percentage points to 16.3 per cent).

**FIGURE 21 COMBINED POVERTY AND GOVERNMENT TARGETS**



**Source:** Social Inclusion Monitor (Department of Social Protection 2016)

This equated to 1.7 million people and is 307,000 people over the 2010 baseline figure (Department of Social Protection 2016). See **Figure 21**.

### Child Poverty

Childhood poverty is recognised within the Europe 2020 strategy as constituting a significant proportion of those in Europe in poverty (European Commission, 2010). Child poverty can have long-term detrimental impacts on educational achievement and future life chances and in some countries fiscal consolidation measures have affected benefits that are important for families (The Social Protection Committee, 2011a). The EU Commission issued a recommendation on child poverty and well-being in 2013 called *Investing in Children: Breaking the Cycle of Disadvantage*, which recognised that children are more susceptible to poverty than the overall population. Amongst the most negative trends since 2008 identified by the EU’s Social Protection Committee are increases in the share of children at risk of poverty or social exclusion (with 8 Member States registering increases with reference to 2008) (The Social Protection Committee 2016).

The two most recent Country Specific Recommendations issued to Ireland by the Council as part of the European Semester have referred to addressing the poverty risk of children (Council of the European Union, 2015; European Commission 2016b).

Children are one of the most vulnerable groups in society. Approximately 230,000 children in Ireland are at risk of poverty (18.6%), over 414,000 of all children in Ireland are experiencing

deprivation (36.1%) and approximately 134,000 children are living in consistent poverty (11.2%). See **Table 9**. The rates for consistent poverty and for deprivation amongst children have tended to increase in recent years as **Table 9** shows. There has been a 5 percentage point increase in consistent poverty since 2008 and a 18.2 percentage point increase in the deprivation rate between 2008 and 2014. The deprivation rate for children is particularly high – 36.1 per cent in 2014.

The 18.6 per cent at risk of poverty rate for children would have been very much higher in 2014 in the absence of social transfers (which reduced it from 44.6 per cent) (Department of Social Protection 2016).

**TABLE 9 CHILDREN - RATES FOR CHILDHOOD RISK OF POVERTY, CONSISTENT POVERTY AND DEPRIVATION (2006-2014) (AGE 0-17)**

Risk of Poverty Rate among Children									
Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Rate (%)	22.3	19.9	18.0	18.6	18.4	18.8	18.8	17.9	18.6 (229,918 children)
Consistent Poverty Rate amongst Children									
Rate (%)	10.5	7.4	6.2	8.7	8.8	9.3	9.9	11.7	11.2 (134,000 children)
Deprivation Rate*									
Rate (%)	19.4	15.9	17.9	23.2	30.5	32.1	32.3	37.3	36.1 (414,000 children)

**Source:**

Rates: CSO Online Database SIA13.

Numbers at risk of poverty: Healy *et al* 2016, Table 3.6 (based on CSO SILC). Numbers in deprivation: Social Justice Ireland 2016 (based on CSO SILC rates for 2014 and Census 2011). Number of children in consistent poverty, 2014: Department of Social Protection 2016.

\* An individual is defined as being deprived if they experience two or more forms of enforced deprivation.

As already stated, the new child poverty sub-target is expressed in terms of consistent poverty:

*to lift over 70,000 children (0-17 years) out of consistent poverty by 2020, a reduction of at least two-thirds on the 2011 level.*

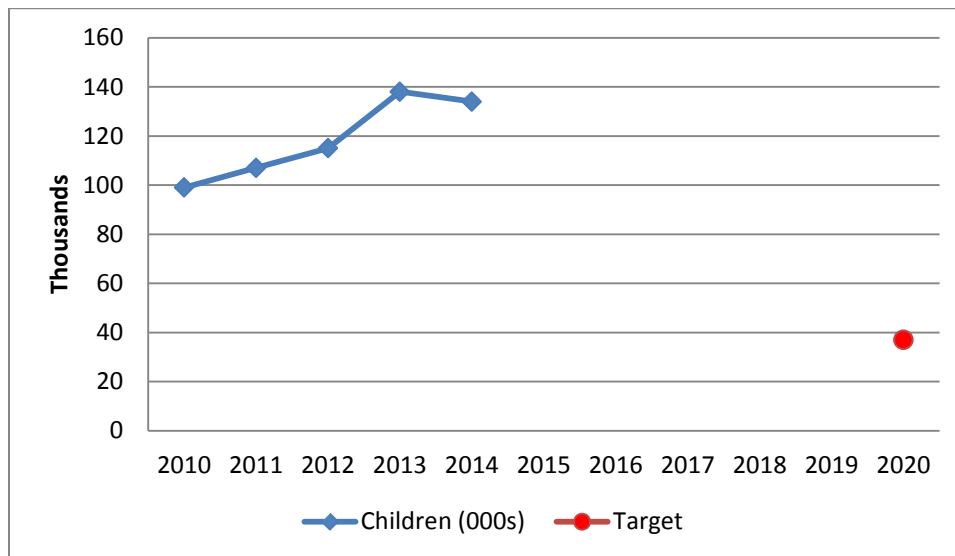
As indicated by Table 9, the consistent poverty rate for children was 11.2 per cent in 2014 (a very slight decrease on the 2013 rate, 11.7 per cent). It represents 134,000 children. It means

that 97,000 children have to be lifted out of consistent poverty to meet the target by 2020 (Department of Social Protection 2016).

The consistent poverty rate for children of 11.2 per cent in 2014, compared to 6.8 per cent for adults (aged 18 years and over). Children were 1.6 times more likely to experience consistent poverty than adults, an increase on the 2012 figure of 1.4, though a decrease on the 2013 figure of 1.7. In 2014, people in households with children had consistent poverty rates of 10.4 per cent, compared to 4.7 per cent for those in non-child households.

As can be seen from **Figure 22**, Ireland has a long way to go to meet its sub-target for reducing child poverty. Moreover the target set envisages that as many as 37,000 children could be left living in consistent poverty by 2020 – something that the Children’s Ombudsman has highlighted as unacceptably high and that represents an acceptance of a higher rate of consistent poverty among children than the general population (Ombudsman for Children’s Office 2015).

**FIGURE 22 CHILDHOOD CONSISTENT POVERTY AND GOVERNMENT TARGETS**



**Source:** Social Inclusion Monitor (Department of Social Protection 2016). **Note:** 2011 is set as the baseline year – thus the target is to reduce the numbers of those in poverty to 37,000 (70,000 deducted from 107,000); this means that a new figure of figure of 97,000 children would have to be lifted out of consistent poverty to meet the target by 2020.

A very concerning trend that has emerged in Ireland since 2008 is the significant increase in the number of young people aged 18-24 who are at risk of poverty. Since 2008 this figure has increased by 13 percentage points (Social Justice Ireland 2016 based on CSO SILC).

In the opinion of *Social Justice Ireland*, this situation is not acceptable in human terms. Furthermore, the fact that such a large proportion of our children are living below the poverty line, in deprivation and in consistent poverty has obvious implications for the education system, for the success of these children within it, for their future job prospects and for Ireland’s economic potential in the long-term.

It is acknowledged that Government has taken some positive measures such as the introduction of a national policy framework for children (*Better Outcomes: Brighter Futures – The National Policy Framework for Children and Young People, 2014-2020*), which includes a recognition that access to quality services are especially important during childhood and envisages a whole of government approach which is potentially significant. Recent increases in Child Benefit in Budget 2016 were also welcomed by *Social Justice Ireland* (2015). But these are inadequate to address the costs of childcare for families. The reality remains that a series of cuts and austerity measures have eroded the social infrastructure and are impacting upon community based programmes. Child benefit remains a key route to tackling child poverty, and is of particular value to families on the lowest incomes.

### **Working Poor**

We have already referred to the issue of the working poor in the context of employment in **Chapter 2**. Having a job is not, of itself, a guarantee that one lives in a poverty-free household. An analysis of CSO SILC data suggests that some groups who have a high risk of poverty (such as people who are ill/disabled) involve much smaller numbers of people than groups such as adults who are employed (the working poor), or people on home duties (Healy *et al*, 2016).

In fact nearly 19 per cent or almost one-fifth of Ireland's adults with an income below the poverty line were at work in 2014 representing over 105,000 people (Healy *et al* 2016).

This is a remarkable statistic and it is important that policy makers begin to recognise and address this problem. As mentioned in **Chapter 2**, recent findings from the OECD suggest that Ireland has one of the worst incidence of low pay amongst OECD member countries (OECD 2014).

Concepts such as the Living Wage have an important role to play and policies that attempt to keep those on minimum wages out of the tax net are important. Similarly attempts to increase awareness amongst low income working families of their entitlement to the Family Income Supplement (FIS) are welcome; although evidence suggests that FIS is experiencing low take-up, and as such has questionable long-term potential.

However, one of the most effective mechanisms available within the present system to address this problem would be to make tax credits refundable, a proposal that we will outline at the end of this Chapter.

### **Incomes in Ireland**

We noted above that Ireland's structural problem with poverty suggests a deeply unequal distribution of direct income and for that reason we wish to look briefly at the issue of income distribution in this report.

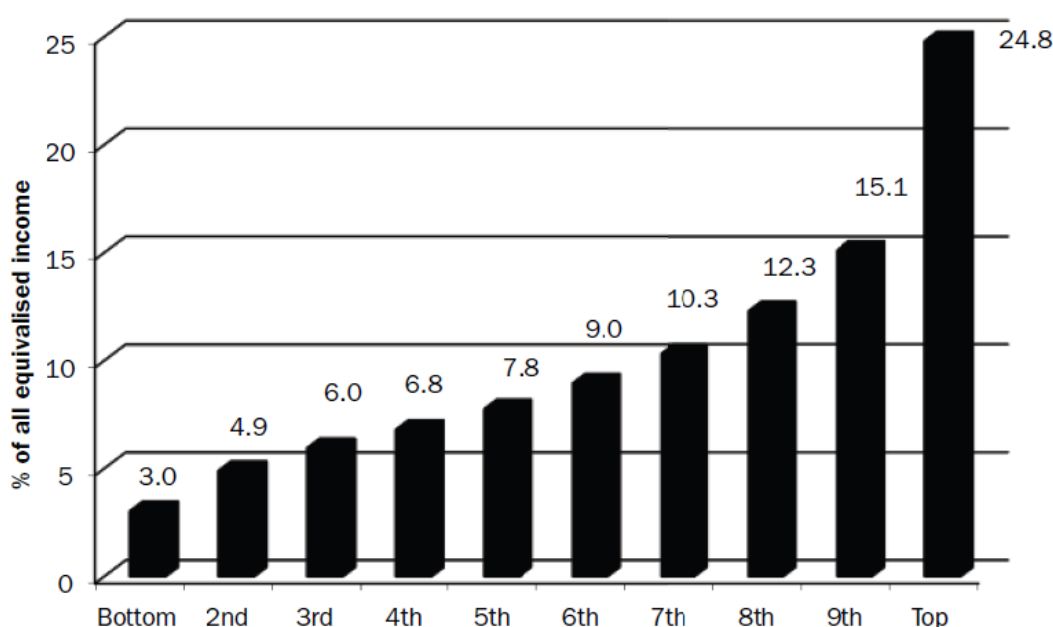
The most recent data on Ireland's income distribution, from the 2014 SILC survey, is summarised in **Figure 23**. It examines the income distribution by household deciles starting with the 10 per cent of households with the lowest income (the bottom decile) up to the 10 per cent of households with the highest income (the top decile).

The data presented is equivalised meaning that it has been adjusted to reflect the number of adults and children in a household and to make it possible to compare across different household sizes and compositions. It measures disposable income which captures the amount of

money available to spend after receipt of any employment/pension income, payment of all income taxes and receipt of any welfare entitlements.

In 2014, the top 10 per cent of the population received almost one quarter of the total income while the bottom decile received 3 per cent. Collectively, the poorest 60 per cent of households received a very similar share (37.4 per cent) to the top 20 per cent (39.9 per cent). Overall the share of the top 10 per cent is more than 8 times the share of the bottom 10 per cent.

**FIGURE 23 IRELAND'S INCOME DISTRIBUTION BY 10% 9DECILE) GROUP, 2014**



**Source:** Healy et al 2016 based on CSO SILC for 2014

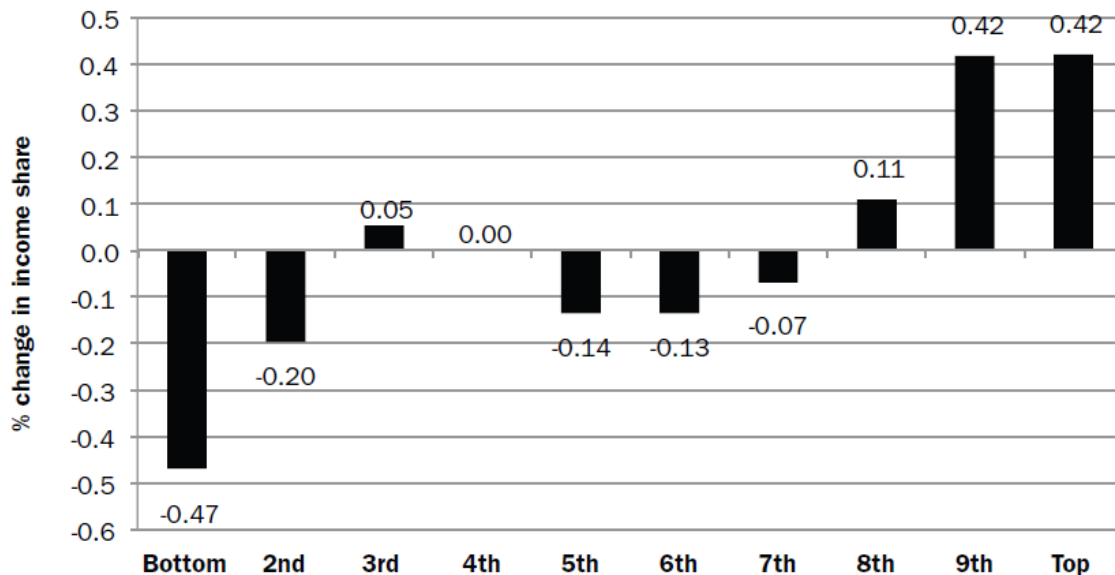
A recent study from NERI showed that the distribution of market income is concentrated on incomes of less than €50,000 per annum – representing 80 per cent of all earners. Some 15 per cent of all those with a market income (about 290,000 people) receive less than €5,000 (the average direct income for this group is €2,000 and most receive less than €1,000) (Collins 2015). A conclusion of the study is that “the shape of that [earnings] distribution, and the prevalence of low income earners within it, points towards a need for greater consideration to be given to the underlying nature and distribution of market earnings” (Collins, 2015: 4).

Income distribution data for the last few decades suggested that the overall structure of that distribution has been largely unchanged. One overall inequality measure, the Gini coefficient, ranges from 0 (no inequality) to 100 (maximum inequality) and has stood at approximately 30-32 for Ireland for some time. In 2014 it stood at 31.8. **Figure 24** compares the change in income between 2008 and 2014. 2008 represented the year when average incomes in Ireland peaked. Since then incomes have fallen for all, but the impact of the recession has been felt in different ways by different people/households. Over that period, the changes to the income shares received by deciles has been small; between + and -0.5 per cent, with the most notable changes



at either end of the income distribution. The decline in the share of the bottom two deciles highlights the reality that if we wish to address and close these income divides, future Government policy must prioritise those at the bottom of the income distribution.

**Figure 24 Change in Decile Shares of Equivalised Disposable Income, 2008-2014**



**Source:** Healy et al 2016, calculated from CSO SILC reports, various years.

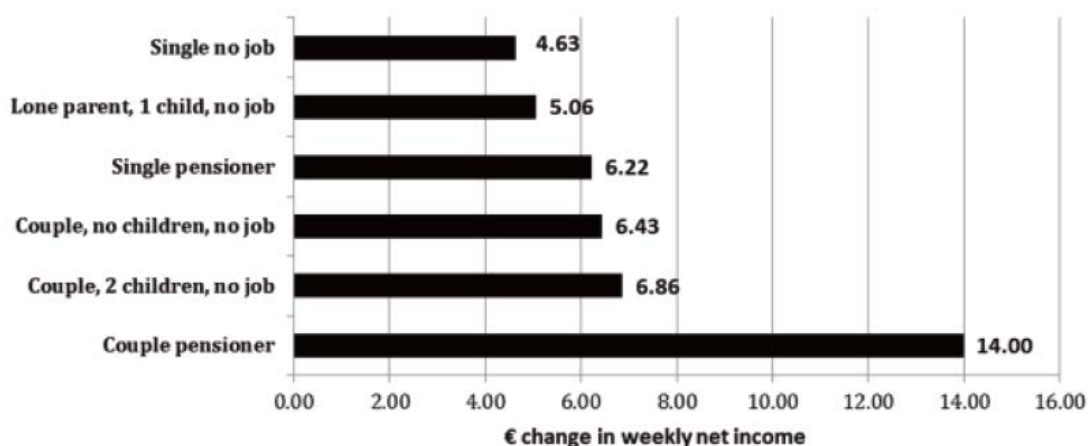
Budget 2016, delivered in October 2015, was the fifth regressive Budget in a row. Although that Budget attempted to give something to every household in the country, its measures disproportionately favoured those on higher incomes. The regressive nature of Budget 2016 follows that of Budget 2015 (e.g. income tax cuts which favoured the well-off and flat rate water charges), Budget 2014 (e.g. doubling of property tax, cuts to household benefits package, cuts to youth welfare payments and increases in prescription charges for medical card holders), Budget 2013 (e.g. abolition of PRSI allowance, cuts to child benefit and increases in prescription charges for medical card holders) and Budget 2012 (e.g. increase in standard VAT rate from 21 per cent to 23 per cent, cuts to 3rd and 4th child benefit payments, cuts to fuel allowance). Budgets 2012, 2013 and 2014 also orientated their adjustments towards cuts in public services, further increasing their regressive impact.

Over the past few years *Social Justice Ireland* has developed its ability to track the distributive impact of annual Budget's on households across Irish society. Our analysis tracks changes from year to year (pre and post a Budget) and across a number of recent years. Following Budget 2016, we assessed the cumulative impact of changes to income taxation and welfare over the five Budgets since 2011 (Budget 2012). It is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT), other charges (such as prescription and water charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services – changes which, as we have pointed out elsewhere, have been severe given the scale of the expenditure reductions introduced. As the

impact of these measures differs between households it is impossible to quantify precise household impacts and include them here. However, as we have demonstrated in previous publications, these changes have been predominantly regressive – impacting hardest on households with the lowest incomes.

The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households. Within those households that have income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000. In the case of working households, the analysis is focused on PAYE earners only and, therefore, does not capture the changes in Budget 2016 targeted at the self-employed.

**FIGURE 25 CUMULATIVE IMPACT ON WELFARE DEPENDENT HOUSEHOLDS, 2011-2016**

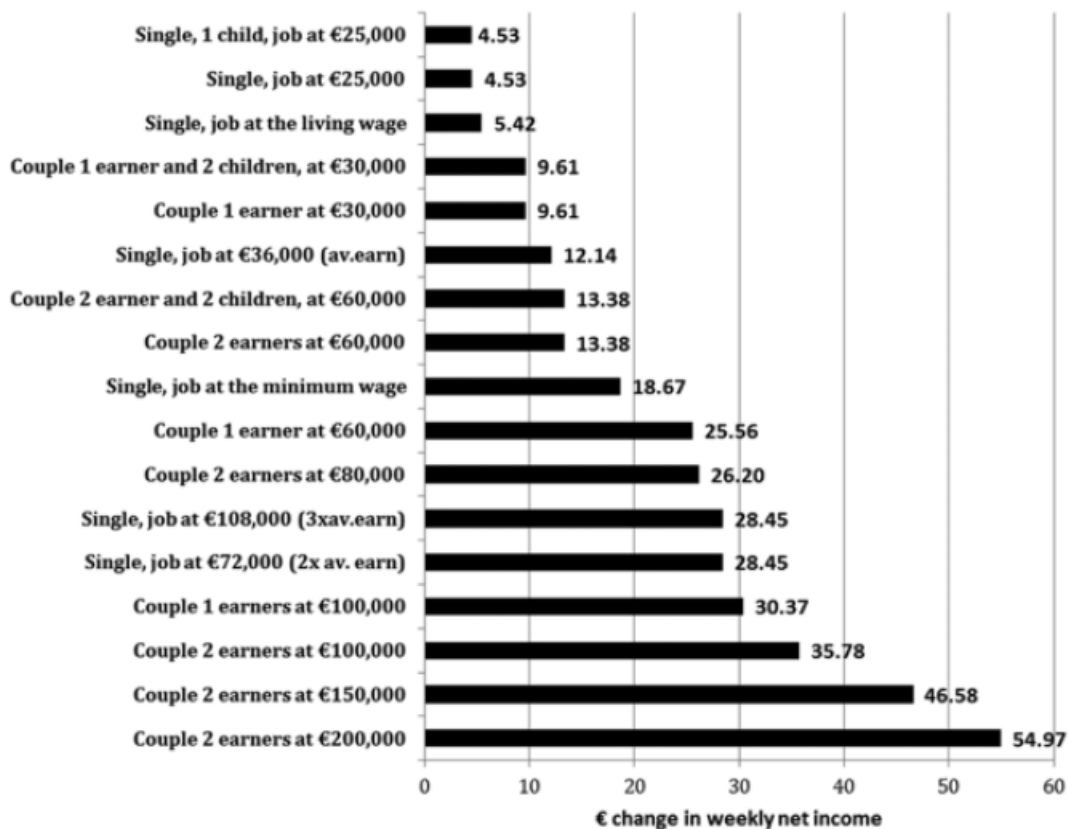


Over the years examined (2011-2016) all household types recorded increases in their disposable income (after taxes and welfare payments). However, the gains have been skewed towards those with the highest incomes.

Among households dependent on welfare, the gains have ranged from €4.63 per week (to single unemployed individuals) to €14 per week to pensioner couples. See **Figure 25**. Among households with jobs the gains experienced over the past five years range from €4.53 per week (for single parent households on €25,000 and single earners on €25,000) to twelve times as much, €54.97 per week, for couples with 2 earners and an income of €200,000. See **Figure 26**.

Overall, across these households the main gains have flowed to those on the highest incomes. Our analysis points towards the choices and priorities the Government has made. Budget by Budget these choices, whether cuts or increases, have favoured the better-off in our society. Governments face a challenge to redress these trends in future policy choices.

FIGURE 26 CUMULATIVE IMPACT ON HOUSEHOLDS WITH JOBS 2011-2016



If these income divides are to be addressed, Government policy must prioritise those at the bottom of the income distribution. Otherwise, these divides will persist for future generations and perhaps widen.

### Poverty in Ireland: *Social Justice Ireland* Response

*Social Justice Ireland* welcomed the increased attention given to the issue of poverty and exclusion by inclusion of a target in the Europe 2020 Strategy. High rates of poverty and income inequality require greater attention than they currently receive. Tackling these problems requires a multifaceted approach with action on many fronts including healthcare and education, accommodation and employment. However, the most important requirement in tackling poverty is the provision of sufficient income to enable people to live life with dignity.

Ireland is a very long way away from its Europe 2020 poverty target, and indeed from its new sub-target relative to childhood poverty, and the trends have tended to worsen in recent years. Some headline statistics (from 2014, the latest available) already highlighted above include:

- Three quarters of a million people are living in poverty,
- 1.3 million people are experiencing enforced deprivation,
- 230,000 children are living in poverty,

- Over 410,000 children are living in enforced deprivation,
- Poverty is rising among children and pensioners as well as among people with disability and carers,
- Poverty in rural Ireland is 4.5 percentage points higher than in urban Ireland,
- There are approximately 100,000 people with jobs who are living in poverty.

On several occasions, *Social Justice Ireland* has expressed regret that in 2012 the Irish Government revised down the headline target for poverty reduction that had been contained in the 2011 National Reform Programme. This highlighted the Government's lessening commitment to reducing poverty as well as its failure to protect those that are vulnerable in Irish society in difficult times. We have indicated before that it is imperative that the Government address the issue of establishing new subsidiary targets for vulnerable groups. The adoption of a new target for childhood poverty is welcome.

The reference to an announcement of a sub-target relative to jobless households in the National Reform Programme for 2014 was welcome, but the delay in introducing it is regrettable and has not been explained. Actions intended to reduce the numbers of jobless households must take account of the issues highlighted by the National Economic and Social Council (2014). These include the need for participation and activation measures to include responses such as adult literacy, child development, family supports, addiction services, disability services, housing, education and training, public employment, community employment, and so on, as well as engagement with employers.

When it comes to poverty indicators, a measure of persistent poverty is long overdue and a crucial missing piece in knowledge of households and individuals on low incomes. 'Persistent poverty' is another measure of poverty developed at EU level (as part of the Laeken process) which measures those below the 60% median income line in the current year and for two of the previous three years (thus measuring those who experienced a sustained exposure to poverty). To date the detail of this is not included in the CSO SILC surveys for Ireland. *Social Justice Ireland* believes that this data should be used as the primary basis for setting poverty targets and monitoring changes in poverty status. Existing measures of relative and consistent poverty should be maintained as secondary indicators. As the persistent poverty indicator will identify the long-term poor, we believe that the CSO should produce comprehensive breakdowns of those in persistent poverty, similar to the approach it currently takes with relative income poverty.

In relation to social welfare it is essential that adequate levels must be maintained. Since 2011 the minimum social welfare payment has remained at €188. However, since then consumer prices have not stood still and inflation increases have eroded the value of the basic jobseekers payment. Between January 2011 and January 2016 inflation was 3.04 per cent - implying that a buying power of €188 in 2011 was equivalent to €193.70 by January 2016. This suggests that a jobseekers payment at this level is required in 2016 to protect the basic living standards of welfare recipients. *Social Justice Ireland* believes that Budget 2017 should address this unacceptable decrease in the living standards of those on the lowest incomes in society

The issue of individualising payments so that all recipients receive their own social welfare payments has been on the policy agenda in Ireland and across the EU for several years. At present the welfare system provides a basic payment for a claimant, whether that be, for

example, for a pension, a disability payment or a job-seeker's payment. It then adds an additional payment of about two-thirds of the basic payment for the second person. *Social Justice Ireland* believes that this system is unfair and inequitable. People, more often than not, women, are disadvantaged by living as part of a household unit because they receive a lower income. We believe that where a couple is in receipt of welfare payments, the payment to the second person should be increased to equal that of the first. Such a change would remove the current inequity and bring the current social welfare system in line with the terms of the Equal Status Acts (2000-2004). An effective way of doing this would be to introduce a basic income system which is far more appropriate for the world of the 21st century.

*Social Justice Ireland* has consistently argued that the present tax and social welfare systems should be integrated and reformed to make them more appropriate to the changing world of the 21st century. To this end we have sought the introduction of a basic income system. For more on this see Healy *et al* 2016 and also a costed proposal for a basic income Healy *et al* 2012

If poverty rates are to fall in the years ahead, *Social Justice Ireland* believes that the following are required:

- increase in social welfare payments.
- equity of social welfare rates.
- adequate payments for children.
- refundable tax credits (see summary below of proposal for this).
- a universal state pension.
- a cost of disability payment.

*Social Justice Ireland* believes that in the period ahead Government and policy-makers generally should:

- Acknowledge that Ireland has an on-going poverty problem.
- Adopt targets aimed at reducing poverty among particular vulnerable groups such as children, lone parents, jobless households and those in social rented housing.
- Examine and support viable, alternative policy options aimed at giving priority to protecting vulnerable sectors of society.
- Carry out in-depth social impact assessments prior to implementing proposed policy initiatives that impact on the income and public services that many low-income households depend on. This should include the poverty-proofing of all public policy initiatives.
- Provide substantial new measures to address long-term unemployment. This should include programmes aimed at re-training and re-skilling those at highest risk.
- Recognise the problem of the 'working poor'. Make tax credits refundable to address the situation of households in poverty which are headed by a person with a job (see below).

- Support the widespread adoption of the Living Wage so that low paid workers receive an adequate income and can afford a minimum, but decent, standard of living.
- Introduce a cost of disability allowance to address poverty and social exclusion of people with a disability.
- Recognise the reality of poverty among migrants and adopt policies • to assist this group. In addressing this issue also replace direct provision with a fairer system that ensures adequate allowances are paid to asylum seekers.
- Accept that persistent poverty should be used as the primary indicator of poverty measurement and assist the CSO in allocating sufficient resources to collect this data.
- Move towards introducing a basic income system. No other approach has the capacity to ensure all members of society have sufficient income to live life with dignity.

Implicit in the approach taken in the Europe 2020 Strategy is that economic development, social development and environmental protection are complementary and interdependent – three sides of the same reality. Overall, current trends in Irish public policy are in direct contradiction to the promotion of ‘inclusive growth,’ which is one of the three key priorities which underlie the Europe 2020 Strategy. Inclusive growth is not just about fostering a high-employment economy, it also aims to deliver social cohesion – it is integral to the Europe 2020 strategy and needs to be integral to the response of the Irish Government.

### ***Social Justice Ireland Recommendations***

The Irish Government should carry out in-depth social impact assessments prior to introducing budgets or implementing policies in order to ensure that the position of people experiencing poverty and social exclusion is not worsened by the austerity measures being pursued.

Furthermore, Social Justice Ireland proposes that the following should be adopted as Ireland’s headline target on poverty:

- Ireland Headline Target: To reduce by 2020 the consistent poverty rate to 2%; the at-risk-of-poverty rate anchored in time to 8%; and the at-risk-of-poverty (only) rate to 7%.
- These headline targets should be accompanied by subsidiary poverty targets for vulnerable groups as set out in the following Table.

**TABLE 10 SOCIAL JUSTICE IRELAND RECOMMENDED POVERTY TARGETS**

<b>Subsidiary Poverty Targets</b>					
	<b>Overall target</b>	<b>Children</b>	<b>Lone parents</b>	<b>Jobless households</b>	<b>Social rented housing</b>
<b>Consistent poverty</b>	2%	3-4%	4-6%	4-6%	4-6%
<b>At-risk-of-poverty (only)</b>	7%	8-10%	10-12%	10-12%	10-12%

## ***Social Justice Ireland – Proposal for Refundable Tax Credits***

### **Background**

In Ireland in 2014 large numbers of people (approximately 100,000) who were employed were living at risk of poverty. It is important that policy-makers recognise and address this problem. One of the most effective mechanisms available within the present system to address the problem of the working poor would be to make tax credits refundable. *Social Justice Ireland* has published research on this in its study 'Building a Fairer Taxation System: The Working Poor and the Cost of Refundable Tax Credits' (2010). The study showed that making tax credits refundable is financially possible at a relatively small cost. Such a move would have a very positive impact on those who are in poverty though working – the working poor.

### **The Proposal**

The study identified that the proposed system would benefit 113,000 low-income individuals in an efficient and cost-effective manner. These individuals would receive a refund of their unused tax credits, the majority of which are valued at under €2,400 per annum or €46 per week.

When children and other adults in the household are taken into account, the total number of beneficiaries would be 240,000.

Many working families on low earnings struggle to achieve a basic standard of living. By making tax credits refundable, the Government would begin to address the problem of the working poor and would improve the living standards of a substantial number of people. The cost of making the change would be €140million.

### **Outcomes**

This proposal would make Ireland's tax system fairer, ensure that in the future all changes in tax credits are experienced equally by all employees, address part of the problem of the working poor and improve the living standards of a substantial number of people. It would mark a significant step in building a fairer way for Irish society to allocate its resources.

## 5. Governance

The Europe 2020 Strategy was envisaged to have a partnership approach at its heart. This was to extend to national parliaments, to local/regional authorities to social partners and civil society as well as encompassing the European Council, the Commission, the European Parliament and EU Committees. Both the elaboration of national reform programmes and their implementation were envisaged as being done in a partnership that included representatives of civil society so as to strengthen ‘ownership’ of the process (European Commission, 2010, p.6, 29):

*By establishing a permanent dialogue between various levels of government, the priorities of the Union are brought closer to citizens, strengthening the ownership needed to deliver the European 2020 strategy (European Commission, 2010, p, 29).*

An October 2015 communication from the Commission suggests that Member States need to pay greater attention to the contribution of national social partners, in particular to strengthen ownership of measures undertaken, and encourages stronger involvement of social partners in the elaboration of National Reform Programmes (2015b). The need to improve the delivery of the strategy through enhanced ownership and involvement on the ground was a finding from the consultation that took place during 2014 on the future of the Europe 2020 Strategy (European Commission 2015c). In 2016 a broad public consultation was launched by the Commission on a proposed European Pillar of Social Rights. This arises from a recognition that:

‘For Europe to be successful in the future and – equally important – to remain credible for European citizens, we need to further strengthen the social dimension of the European Union, and particularly for the euro area’ (from speech by Commissioner Thyssen, 8 March 2016).

### Partnership in Practice

However, a pattern of less than adequate participation in the National Reform Programme process seems to have emerged in countries across Europe, with European civil society networks reporting a varied experience, often involving limited consultation on social inclusion issues and a failure to reflect stakeholder views in final programmes (Caritas Europa, 2013).

In Ireland, an annual Social Inclusion Forum is organised to allow for wider public consultation and discussion on social inclusion issues, taking place at the start of the year so as to align with the European Semester cycle. However, over several years, the experience of *Social Justice Ireland* relative to the consultation processes on the preparation of the National Reform Programme has not been a positive one.

### Social Justice Ireland Response

The approach to partnership with an aim of fostering joint ownership enshrined in the Europe 2020 Strategy is a sensible and desirable approach. But findings from an in-depth study carried out by the CSO into Irish voter participation suggests that many people, especially young people and those who have lower educational attainment levels, have little confidence in the political process (CSO 2011a). They have become disillusioned because the political process fails to



involve them in any real way, while also failing to address many of their core concerns. Many of the developments of recent years will simply have added to the disillusionment of many people. Some of this is manifest as anger seen in the 'Right to Water' and similar protests in 2015.

A new approach is clearly needed to address this issue. Although Government has engaged with members of civil society on eight specific issues as part of the Constitutional Convention, this was extremely limited and it can ill afford to ignore the lack of trust and engagement of civil society in the democratic processes of the state. This is particularly relevant in Ireland today, where people are living with the consequences of the bailout programme and repaying the debts of European banks through a programme of austerity and upward redistribution of resources. Many feel disenfranchised by a process that produced this outcome without any meaningful consultation with citizens. It is crucially important as politicians and policy makers begin to talk of recovery that people feel engaged in this process. In order to ensure that the recovery reaches all sections of society then we must ensure that all voices are heard. The failure to discuss openly a range of civil society issues that are of major concern to large numbers of people is contributing to disillusionment with the political process. When discussion or debate does take place, furthermore, many people feel that they are not allowed to participate in any real way.

The development of a new forum within which a civil society debate could be conducted on an on-going basis would be a welcome addition to Ireland's political landscape. Such a forum could make a major contribution to improving participation by a wide range of groups in Irish society.

Having regard to the overall challenge of engaging citizens in decision-making processes, one positive development is the establishment of a structure for participatory engagement in decision-making on an on-going basis at local level called 'The Public Participation Network' (PPN). The PPN facilitates input by the public into local government through a structure that ensures public participation and representation and decision-making committees within local government. PPNs have now been established in every Local Authority area in Ireland, bringing together community, voluntary, social inclusion and environmental organisations in each City / County. It is estimated that over 12,000 volunteer led organisations have already joined their local PPN.

*Social Justice Ireland* proposes that Government authorises and resources an initiative to identify how a civil society debate could be developed and maintained and to examine how it might connect to the growing debate at European level around civil society issues.

Much work has been done in recent years by the Council of Europe on how such an approach might be formalised for the benefit of all concerned. From this has come the *Charter on Shared Social Responsibilities*. The Charter argues that having a well-defined deliberative process can ensure, among other things, that individual preferences are reconciled with widespread priorities in the field of social, environmental and intergenerational justice. It envisages participatory processes, 'making it possible to define the needs of the stakeholders and establish priorities through the exchange of views, and through the unbiased arbitration of different interests' (5). It aims at implementation through participatory processes that aim to 'define the needs of the stakeholders and establish priorities through the exchange of views, and through the unbiased arbitration of different interests' (Council of Europe, 2014, 5(b)):

The views of weaker stakeholders should also be heard, heeded and capable of influencing decisions and results. This means avoiding situations where stronger stakeholders, in possession of more information and organisational power, relinquish their specific responsibilities or impose priorities based on their interests alone (Council of Europe, 2014, *Principle of Recognition*, 7).

*Social Justice Ireland* recommends that, in the on-going framing, development and implementation of the National Reform Programme, Government move towards a deliberative approach. A deliberative process would see all stakeholders addressing the evidence together while the power-differentials between the stakeholders are not in play. The evidence would be presented and discussed with a view to providing the most accurate 'reading' of the issues being addressed. Stakeholders would collaboratively identify;

- a) The current issues and how they arose;
- b) The most desirable future that could be achieved;
- c) The means by which to move forward.

As stated, this process would be based on evidence and thus would ensure that the most appropriate manner in which to address issues would be identified and agreed upon. This approach ensures a high level of accountability among stakeholders ensuring that responsibility is taken for decisions and the implementation of actions required.

### ***Social Justice Ireland Recommendations***

- **Establish and resource a forum for dialogue on civil society issues. This initiative should identify how a civil society debate could be developed and maintained in Ireland and should examine how it might connect to the growing debate at European level around civil society issues.**
- **Implement the PPN framework recommendations for citizen engagement at local level and ensure adequate resources are made available for capacity building.**
- **Ensure that there is real and effective monitoring and impact assessment of policy implementation using an evidence-based approach. Involve a wide range of perspectives in this process, thus ensuring inclusion of the experience of those currently excluded.**

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**Social Justice Ireland** is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.



*Social Justice Ireland,*  
Arena House,  
Arena Road,  
Sandyford,  
Dublin 18  
Phone: 01 213 0724  
Email: [secretary@socialjustice.ie](mailto:secretary@socialjustice.ie)  
Charity Number: CHY 19486  
Registered Charity Number:  
20076481  
**[www.socialjustice.ie](http://www.socialjustice.ie)**

