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# The truth about poverty in Northern Ireland

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# FOREWORD

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Age Concern Northern Ireland and Help the Aged in Northern Ireland joined together to create a new, independent charity for older people in April 2009. Older people continue to be underrepresented in society, experience neglect, discrimination and live in poverty. At Age Concern Help the Aged NI we are determined to fight to redress these issues to create a world where older people flourish. Ensuring that we have access to the most relevant and up-to-date research greatly assists this work, and enables us to achieve our commitment to lobby government and campaign to improve the lives of older people now and in the future.

The following report was commissioned by the charity to assess the consequences of the methodology conventionally used to measure the extent of poverty in the UK for older people. The results visibly demonstrate that current government figures underestimate the number of people living in poverty in Northern Ireland. The research reveals not just the fact that there are greater numbers of people at risk of poverty here than first thought but equally, the importance of fully understanding official statistics.

Consequently, government must urgently review its methodology for calculating poverty to ensure that core groups are not excluded from the essential support needed to lift them out of poverty.

**Duane Farrell**

Director of Policy, Age Concern Help the Aged NI

# INTRODUCTION

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This report presents the results of research relating to the consequences of the methodology conventionally used to measure the extent of poverty in the UK for older people. Put briefly, there has been concern (Evason et al, 2004/5) that this methodology disadvantages persons with disability who are likely to be older people. The methodology used can be broadly summarised as follows. The first stage is to identify and aggregate household income which will include earnings and all benefits. The second stage is to adjust/equalise income and compare this with whatever poverty line is being used. The purpose of equalisation is to reflect the fact that a couple with a weekly income of £400 with no dependent children will have a higher standard of living than a couple with the same income with, for example, two dependent children. The process is, therefore, balanced so that benefits payable in respect of dependent children are taken into account in stage one and the costs of dependent children are reflected in the stage two adjustment. There is no such balance, however, with regard to the costs of disability. Disability Living Allowance (DLA) and Attendance Allowance (AA) are counted in full in the calculation of income in stage one but there is no adjustment to reflect the costs of disability in stage two. The result of this imbalance is that the living standards of persons with disability will be overstated and the volume of poverty understated.

It can be noted that this issue has long been recognised by the social security system where it is accepted that DLA and AA are intended to assist with the additional costs persons with disability incur rather than a contribution to general expenses. As a result, in the assessment of entitlement to means-tested benefits DLA and AA are totally disregarded in the calculation of income. It may of course be argued that it is difficult to amend the current methodology by virtue of the difficulty of calculating the actual costs of disability in each case. Conversely, however, it can be argued that, in a rough and ready way, this task has already been done by the Social Security Agency. DLA is not one benefit but five and the award will reflect the severity of disability which can be taken as a proxy for the additional costs incurred.

Clearly, there are complex issues here and Appendix 1, which sets out the statistical and computing work, shows how difficult the project has been. There is, moreover, much more work to be done. We are not pretending that we have completely resolved all of the methodological issues relating to this matter. Nevertheless we have made a start and the data do suggest a need to challenge conventional approaches which are not serving disabled and older people in the manner they should.

## Analysis

Using the Family Resources Survey dataset, households where the head of household/oldest person was of pensionable age were selected. Table 1 indicates that one quarter of households in Northern Ireland are pensioner households. Of the 1,906 households in the sample 550 had a male Head of Household who was aged 65 years or over or a female HOH who was aged 60 years or over.\* All the figures produced in this report are based on 1,906 households that have been weighted and grossed to the NI population of households (approximately 665,000 households).

**Table 1: % younger/older households in Northern Ireland**

	%
HOH under 60/65	75
HOH over 60/65	25
All	100

Table 2 shows the median income before housing costs (BHC) for **all** NI households based on the OECD equivalised household income. Households were deemed to be in poverty if they had weekly incomes which were equal to, or below, 60% of the median for all households (£203.4).

**Table 2: Median weekly equivalised household income BHC**

	All NI Households
Median	£339

For comparison purposes, Table 3 presents the median income for households with a HOH aged 60/65 years or over compared with households with a HOH under the age of 60/65 years.

**Table 3: Median income BHC**

	HOH under 60/65	HOH 60/65 and over
Median	£355	£285

\* Base numbers before the data have been weighted and grossed to the population

Table 4 shows the percentage of households in poverty/not in poverty calculated using the conventional method of measuring poverty outlined above. It can be seen that one quarter of pensioner households are poor compared to 15% of non-pensioner households.

**Table 4: Conventional method by older and younger HOH**

	HOH under 60/65 %	HOH over 60/65 %	All households %
Household not in poverty	85	76	83
Household in poverty	15	24	17
Total	100	100	100

Table 5 demonstrates the impact of our alternative approach which deducts the equivalised amounts of DLA and AA in payment from household income. Using the 60% (BHC) threshold, the proportion of non-pensioner households in poverty increases slightly to 17%. The proportion of pensioner households in poverty jumps to 30%, an increase of one quarter. The disadvantage to older people of the conventional methodology is of a significant order.

**Table 5: New method poverty (BHC) groups by older and younger HOH**

	HOH under 60/65 %	HOH over 60/65 %	All households %
Household not in poverty	83	70	80
Household in poverty	17	30	20
Total	100	100	100

Table 6 is of particular interest. Here the focus is on pensioner households only and it is evident that the impact of the conventional methodology is not evenly spread. Women are more disadvantaged by it than single males and married couples. Thus 8% of women move into poverty using our methodology compared with 2% of single males. Given the greater longevity of women – and greater risk, therefore, of disability – this is not surprising but it is worrying that the conventional methodology has this gender effect.

**Table 6: Older HOH divided into groups (BHC)**

Poverty status	HOH Type				Total %
	Single male %	Single female %	Couple %	Other %	
Stay out of poverty	73	59	75	80	70
Move into poverty	2	8	6	5	6
Stay in poverty	25	33	19	15	24
Total	100	100	100	100	100

Table 7 looks more closely at the issue of gender comparing younger – non-pensionable – households with the different groupings within older households. It can be seen that under the conventional method of measuring poverty the group most at risk of being poor is single females. At 33% the figure is bad enough but this rises to 41% using the new methodology.

**Table 7: Groups in poverty/not in poverty using the conventional method (before deducting AA/DLA) and new method (after deducting AA/DLA) of calculating poverty by young and old HOH (row %)**

HOH type	Not in poverty (conventional method)	In poverty (conventional method)	Total (conventional method)	Not in poverty (new method)	In poverty (new method)	Total (new method)
Young HOH	85%	15%	100%	83%	17%	100%
Single male pensioner	75%	25%	100%	73%	27%	100%
Single female pensioner	67%	33%	100%	59%	41%	100%
Couple pensioner	81%	19%	100%	75%	25%	100%
Other with pensioner	85%	15%	100%	80%	20%	100%
Total	83%	17%	100%	80%	20%	100%

It can, of course, be argued that younger households consist of people in very diverse circumstances some of which carry a high risk of poverty. Though it has been difficult, Table 8 seeks to address this point by comparing pensioner households of different types with younger households of varying composition. Looking first at the volume of poverty under the conventional method two groups stand out. Female pensioners, who are the group most likely to be in poverty, and lone parents who are more than twice as likely to be poor as two parent families. The position of younger single person households is also

of interest though the numbers are small. From a benefits perspective, the focus of this government has been on families and it is the single unemployed /unable to work who have gained least from the improvements made. Turning to the other half of the table, our methodology moves some lone parents and single persons into poverty but female single pensioners are still clearly the group most at risk.

**Table 8: Groups in poverty/not in poverty using the old (before deducting AA/DLA) and new (after deducting AA/DLA) methods of calculating poverty (row %).**

Household Type	Not in poverty (conventional method)	In poverty (conventional method)	Total (conventional method)	Not in poverty (new method)	In poverty (new method)	Total (new method)
Male pensioner	75%	25%	100%	73%	27%	100%
Female pensioner	67%	33%	100%	59%	41%	100%
Couple pensioner	81%	19%	100%	75%	25%	100%
Lone parent and kids	75%	25%	100%	72%	28%	100%
2 parents and kids	89%	11%	100%	88%	12%	100%
Single person	74%	26%	100%	71%	29%	100%
Couple no kids	86%	14%	100%	83%	17%	100%
3 adults no kids	92%	8%	100%	91%	9%	100%
3 adults and kids	89%	11%	100%	89	11%	100%
Total	83%	17%	100%	80%	20%	100%

## Conclusion

This report presents an attempt to measure poverty in a different and fairer way. We would argue that the current methodology does not fully capture the true volume of poverty amongst all groups in Northern Ireland, and in particular poverty amongst pensioners. The current methodology has negative implications for persons with disability who are likely to be older people, and clearly this is a matter for urgent discussion within government and all agencies representing the interests of these groups of people.

Moving forward, we call on the Minister for Social Development to review the current Family Resources Survey methodology in light of the findings of this report and the Anti Poverty Forum, due to be convened by OFMdfM, to take account of the report findings and assess any implications for *Lifetime Opportunities*.

## References

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## Appendix I – Methodology

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The data used to carry out the analysis for this report came from the Family Resources Survey (FRS). The FRS was deemed to be the best source of information as it provides detailed income and benefits data for everyone living in the sampled households. The FRS is carried out annually across the United Kingdom (UK) and there is a large enough sample of households selected in Northern Ireland to enable detailed analysis of poverty in the region. The latest FRS data available for analysis are from the 2006/07 survey and these data were downloaded from the UK Data Archive (Department for Work and Pensions (DWP), 2008). A preliminary analysis of the data indicated that the variables required for this report were in a number of separate files relating to households, individual respondents and benefits claimed by individuals within the households. The required variables were extracted from the files and combined to produce one file which contained information on the following:

- Gender and age of Heads of Households;
- Household type;
- Household income;
- Amount of AA and DLA received by the household;
- Whether there were children living in the household;
- Region.

Within the household file there was one variable relating to income and, following email contact with the DWP, it was established that this variable related to gross income. Subsequent discussions with the Department for Social Development (DSD) in Northern Ireland led us to download an FRS-related dataset from the Data Archive called Households Below Average Income (HBAI) (DWP, 2008a). According to DWP, the HBAI statistics rank individuals by income, by taking the income of their household and adjusting this for household size and composition which is consistent with international conventions (DWP, 2005). DWP reported that, as a result of consultations it carried out in 2005, it was producing figures for poverty that were based on the modified OECD scale before housing costs (BHC) income (DWP, 2005) and this is the convention that will be used in this report.

Taking advice from DSD, we used an income variable for the household from the HBAI file which had been deflated and equivalised using the OECD scale BHC. We weighted the data using a variable that controls for response bias in the sample and grosses the data to the household level within Northern Ireland. These variables were merged with the ones

we had extracted from the FRS main file to create one dataset with the information required to carry out the analysis.

The analysis was carried out only on households in Northern Ireland which were extracted from the UK dataset (total sample 1908 households). The median weekly household income for Northern Ireland was calculated using the OECD equivalised income variable (BHC) after the data had been weighted. Households were assigned to two groups – those with incomes less than 60% of the median household income (in poverty) and those with incomes above 60% of the median household income (not in poverty). This is the conventional method of calculating poverty.

The FRS contains a file which provides information on the type and amount of all benefits received by everyone living in the sampled households. DLA and AA benefits were selected from the benefits file and, where necessary, re-calculated to weekly amounts. The total weekly amount received by the household in DLA and AA benefits was calculated and saved as a new variable. The amount of DLA and AA that the household received per week was equivalised by the OECD scale (to ensure parity with the equivalised household income used to calculate the median) and this amount was deducted from the household income. Following this deduction, and using the same median as used in the conventional method outlined earlier, the households were again assigned to poverty/not in poverty on the basis of having a household income below or above 60% of the median. This is the new method of calculating poverty devised for this project.