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# FROM INCOME POVERTY TO QUALITY OF LIFE MEASUREMENT IN IRELAND, AN OVERVIEW

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# From Income Poverty to Quality of Life Measurement in Ireland, an Overview <sup>1</sup>

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## INTRODUCTION

There is an increasing consensus that the identification and measurement of poverty using a single income measure fails to capture the complexity of poverty. This was particularly true in Ireland in periods of bust and boom, when relative income poverty measures were unable to reflect the changes in standard of living. Such limits highlight the need to develop a multidimensional approach. This requires developing criteria relating to choice of dimensions and the manner in which they should be combined.

## POVERTY MEASUREMENT DEVELOPMENT

We distinguish two possible approaches to combining deprivation dimensions: the union and the intersection approach. The former identifies people as deprived if they are below a certain threshold on *any* of the dimensions, while the latter captures those who experience multiple deprivation on a certain number (or all) of the dimensions. For instance, in Ireland, the ESRI has previously developed a consistent poverty measure using the intersection approach, based on a combination of being both income poor and materially deprived (unable to afford at least two items out of a list of eleven basic goods and activities). The two approaches generate different outcomes. As the number of dimensions increases, the union approach tends to identify a large proportion of the population as deprived, while the intersection approach does the opposite. Focusing on five dimensions of deprivation, for instance, the union approach identifies almost half of the Irish population as deprived, while the intersection approach identifies less than one per cent as deprived on all five. The choice between these approaches is therefore crucial for understanding the level and nature of deprivation.

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<sup>1</sup> This Bulletin summarizes the findings from: Whelan, C.T., Watson, D., and Maître, B., "From Income Poverty to Multidimensional Quality of Life", *The Economic and Social Review*, Vol. 50, No. 4, Winter 2019, pp. 683-705.

## **THE ADJUSTED HEAD COUNT RATIO APPROACH FOR A MEASURE OF QUALITY OF LIFE**

A promising approach is the Adjusted Head Count Ratio (AHCR). This is a combined measure that takes account of both the proportion of the population that is multidimensionally poor (being poor on more than a specified number of dimensions) and the intensity of their deprivation (the total number of dimensions on which they count as poor). The AHCR produces a score ranging from 0 to 100 where a score of zero would mean that no one experiences multiple deprivation while a score of 100 means that the whole population experiences multiple deprivation across all dimensions. One of the attractive features of the AHCR is that it can be decomposed to show the contribution of each dimension to the AHCR for the entire population and for population subgroups.

### **QUALITY OF LIFE**

We illustrate the application of the AHCR approach to the concept of quality of life (QoL), drawing on eleven dimensions (including income poverty, housing problems and health problems) from the 2013 Central Statistics Office SILC data designed to monitor income and living conditions in Ireland. We find that over 25 per cent of the population (the headcount) experiences QoL problems on at least three dimensions (the threshold). The product of the headcount and intensity yields an AHCR score of 9.46 out of a potential 100. Younger adults (18–30 years) experience the highest AHCR score and it declines systematically with age. Decomposing the indicator by life-cycle stage provides the further insight into how the dimensions vary by age group. Problems such as financial stress and overcrowding contribute disproportionately to QoL problems for the younger population while health problems, neighbourhood environment and lack of safety are more relevant for the older age group.

### **CONCLUSIONS**

The paper describes changing the way that deprivation is measured, from a single income poverty measure to a multidimensional approach. This raises some difficult methodological and conceptual issues. The union approach identifies those deprived on any dimension while the intersection approach identifies those deprived on all or a given number of dimensions. The Irish measure of consistent poverty relies on two dimensions: being both income poor and materially deprived. We illustrate a promising approach to managing a larger number of dimensions, using the example of quality of life: the Adjusted Headcount Ratio. While selecting a deprivation threshold remains somewhat arbitrary, the AHCR allows different dimensions and population groups to be analysed in a clear and transparent manner. This provides important insights for policy-makers into the challenges faced by different groups or in different time periods.

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