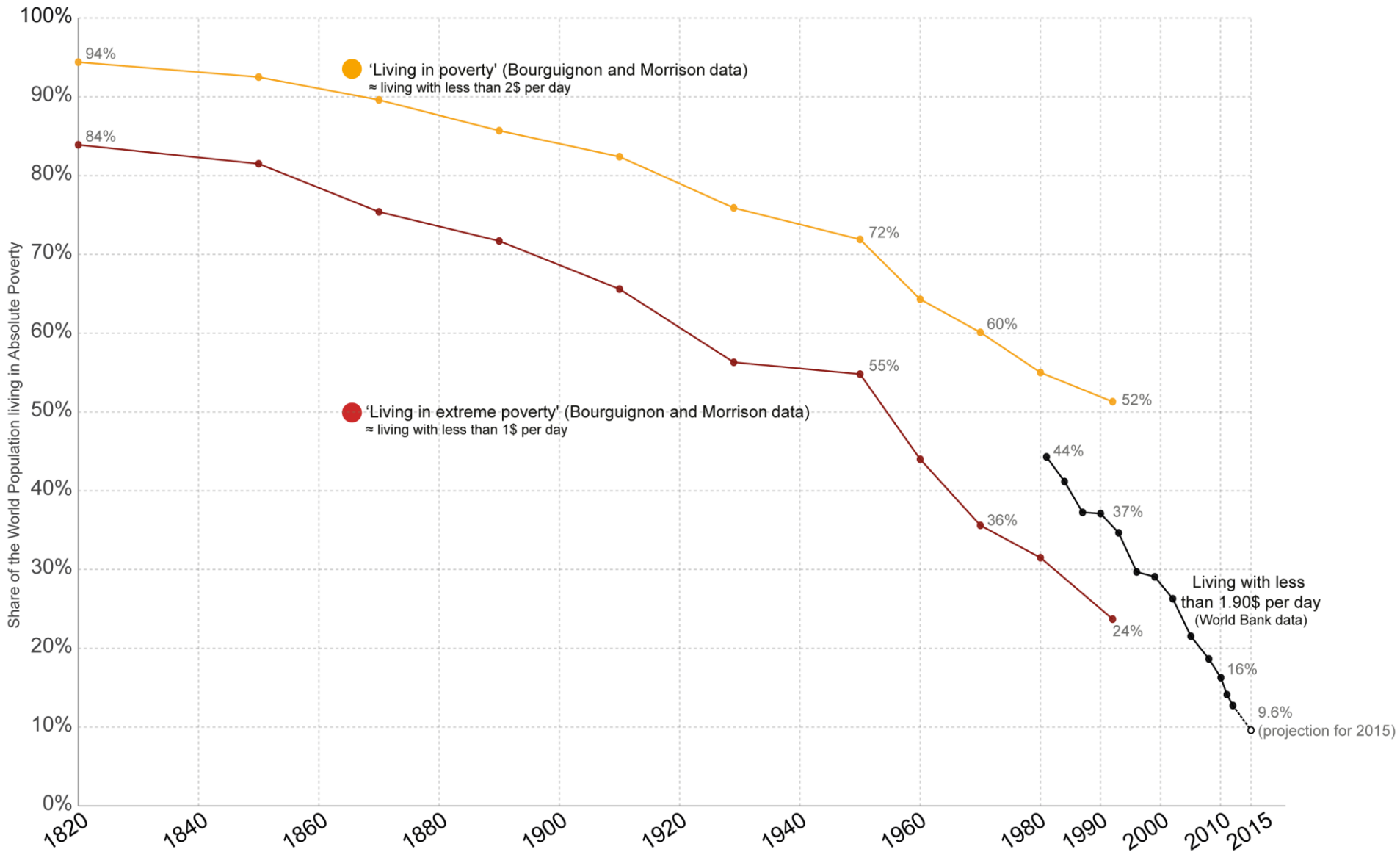# The many dimensions of poverty

Martin Guzi

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Share of the World Population living in Absolute Poverty, 1820-2015

All data are adjusted for inflation over time and for price differences between countries (PPP adjustment).

Our World in Data

Share of the World Population living in Absolute Poverty

● 'Living in poverty' (Bourguignon and Morrison data)
≈ living with less than 2$ per day

● 'Living in extreme poverty' (Bourguignon and Morrison data)
≈ living with less than 1$ per day

94%
84%
72%
60%
55%
52%
44%
37%
36%
24%
16%
9.6% (projection for 2015)

Living with less than 1.90$ per day (World Bank data)

World population living in extreme poverty, 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international $" per day. International $ are adjusted for price differences between countries and for price changes over time (inflation).

Number of people living in extreme poverty **Number of people not in extreme poverty**

● Absolute ○ Relative

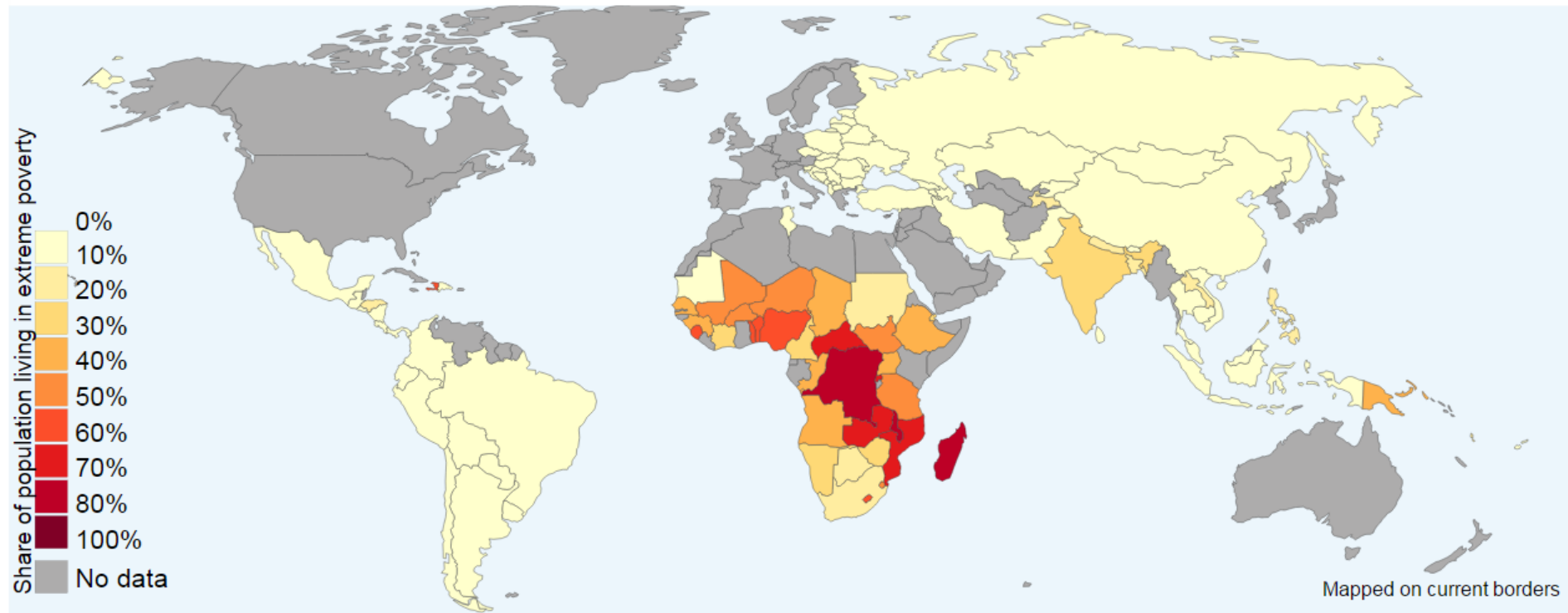# The reduction of extreme poverty in countries that are rich today, 1820–2000

The absolute poverty is defined as living with less than $1.25/day. This is measured by adjusting for price changes over time and for price differences between countries (purchasing power parity (PPP) adjustment).

Share of Population living in Extreme Poverty

USA

Australia, New Zealand, & Canada

Italy

Japan

World
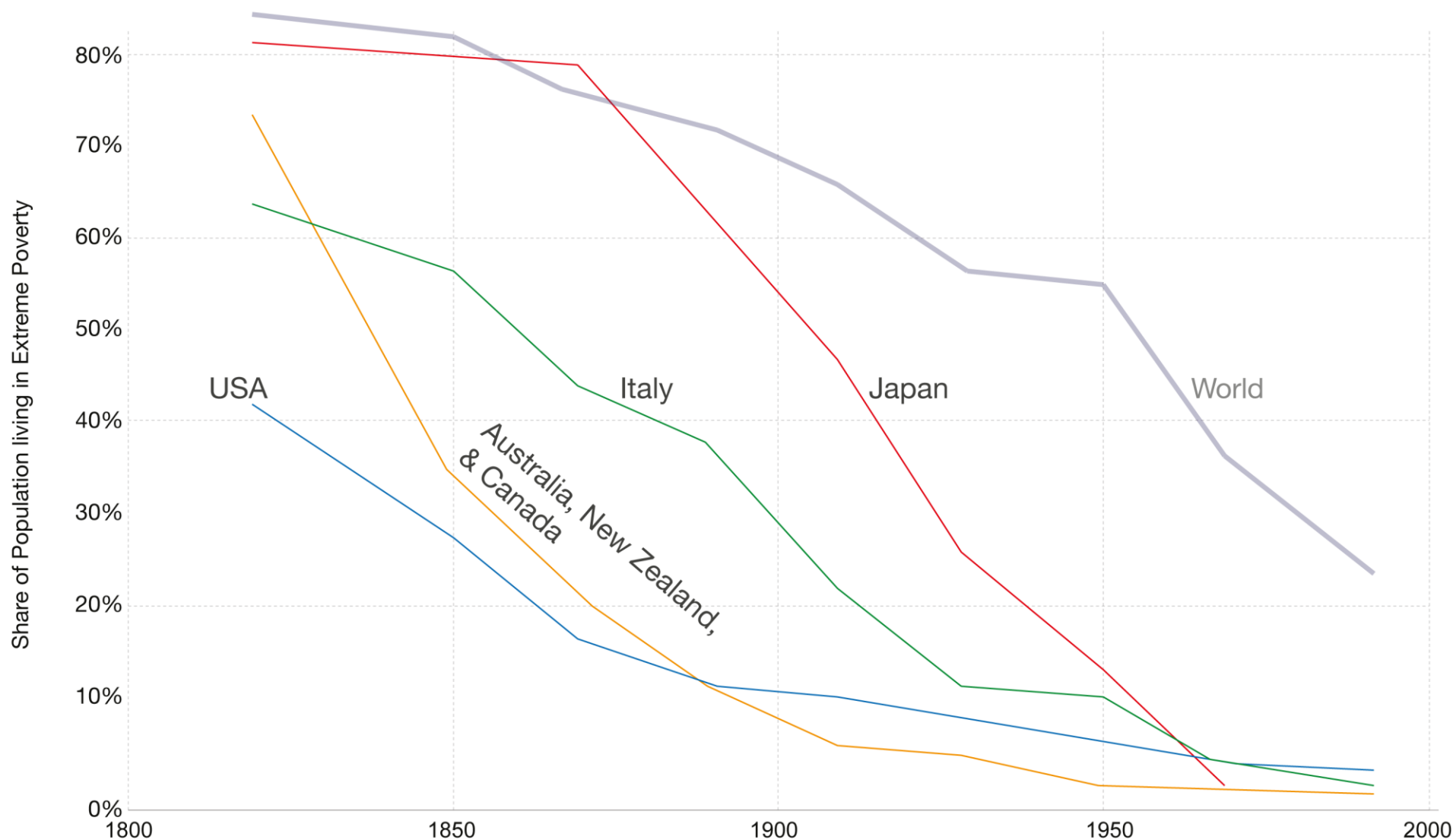
Share of the population living in extreme poverty, 2014

Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries. Since some observations for 2014 are not available the map displays the closest available data (2008 to 2014).

Share of population living in extreme poverty

- 0%
- 10%
- 20%
- 30%
- 40%
- 50%
- 60%
- 70%
- 80%
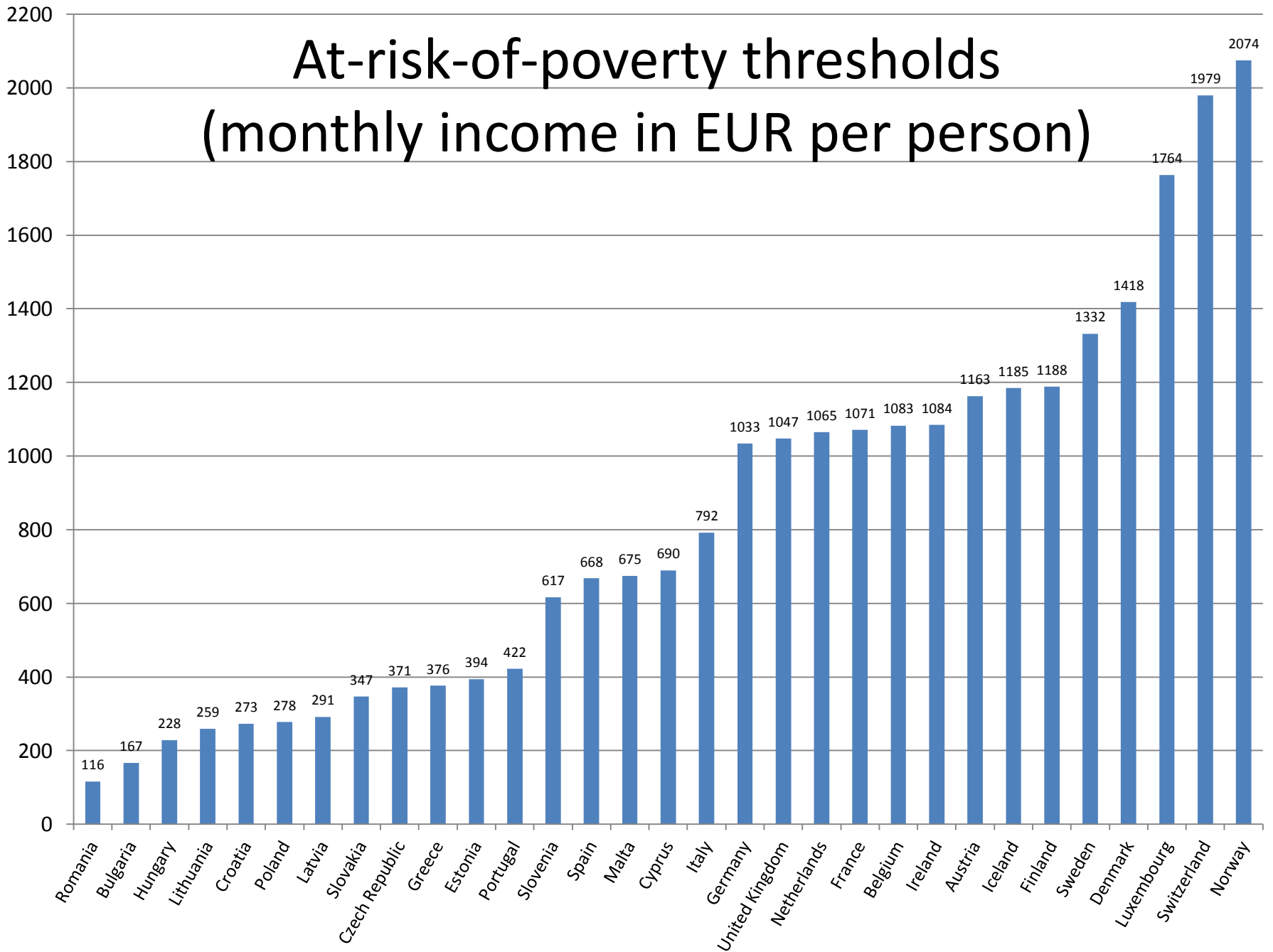- 100%
- No data

Mapped on current borders

1981 — 2014

Data source: Poverty - WORLD BANK (WDI - 2017/02)

OurWorldInData.org/extreme-poverty/ • CC BY-SA

Note: Consumption in each country is adjusted for inflation over time and for price differences between countries and expressed in 2011 PPP international dollars.

At-risk-of-poverty thresholds (monthly income in EUR per person)

| Country	Value
Romania	116
Bulgaria	167
Hungary	228
Lithuania	259
Croatia	273
Poland	278
Latvia	291
Slovakia	347
Czech Republic	371
Greece	376
Estonia	394
Portugal	422
Slovenia	617
Spain	668
Malta	675
Cyprus	690
Italy	792
Germany	1033
United Kingdom	1047
Netherlands	1065
France	1071
Belgium	1083
Ireland	1084
Austria	1163
Iceland	1185
Finland	1188
Sweden	1332
Denmark	1418
Luxembourg	1764
Switzerland	1979
Norway	2074

Poverty indicators in the EU

- (Severe) Material deprivation (9% of EU in 2014)

- At-risk-of-income poverty (17% of EU)

- Social exclusion - low work intensity (11% of EU)

- At-risk-of-poverty or social exclusion (24% of EU)

Poverty indicators in the EU

- (Severe) Material deprivation (9% of EU in 2014)

  Living conditions are severely constrained by a lack of resources. People cannot afford at least 3 (4) out of the 9 following items: 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 color TV, or ix. a telephone.

- At-risk-of-income poverty (17% of EU)

  People who have an equalized disposable income below the risk-of-poverty threshold, set at 60 % of the national median equalized disposable income (after social transfers).

- Social exclusion – low work intensity (11% of EU)

  People 0-59 who live in households where on average the adults (aged 18-59) worked less than 20% of their total work potential during the past year

- At-risk-of-poverty or social exclusion (24%=122mil)

People at risk of poverty or social exclusion

EU-28   EU-27 (¹)
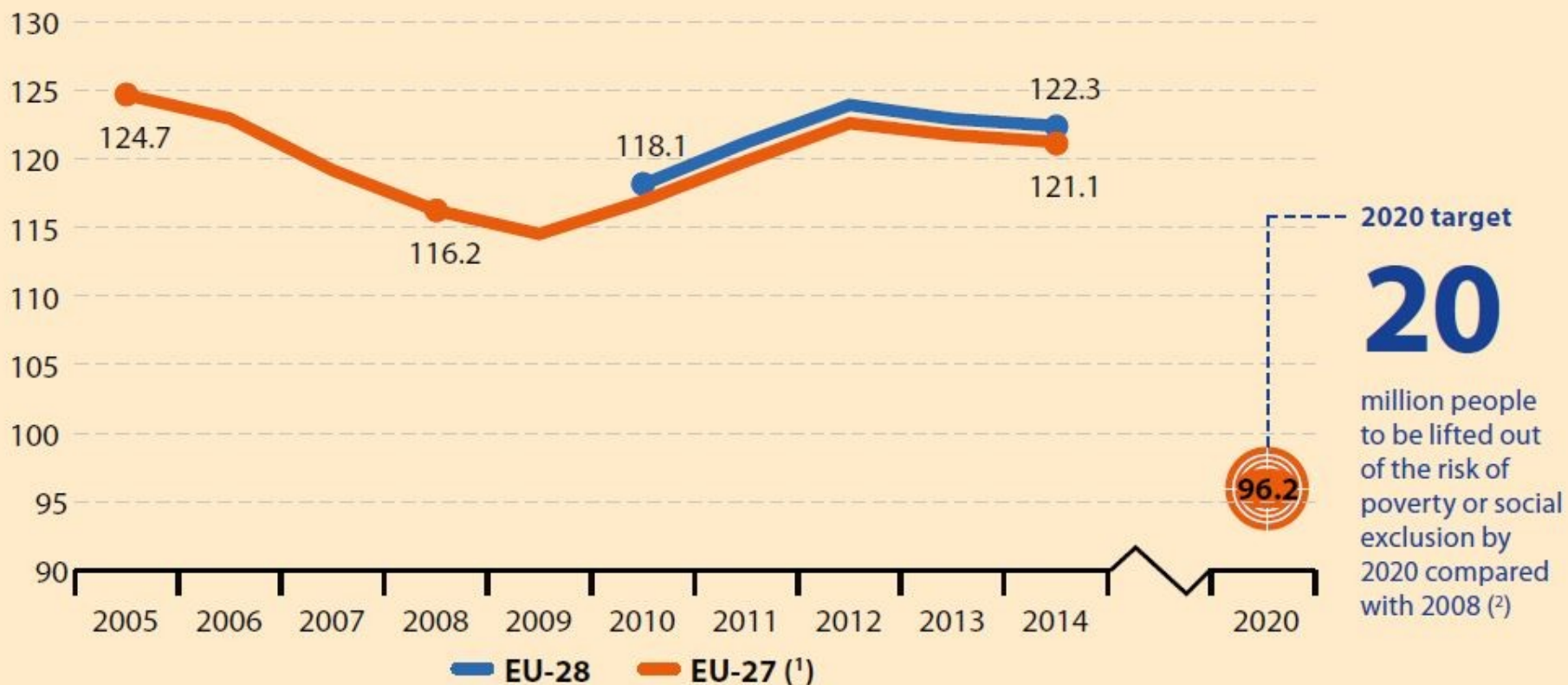
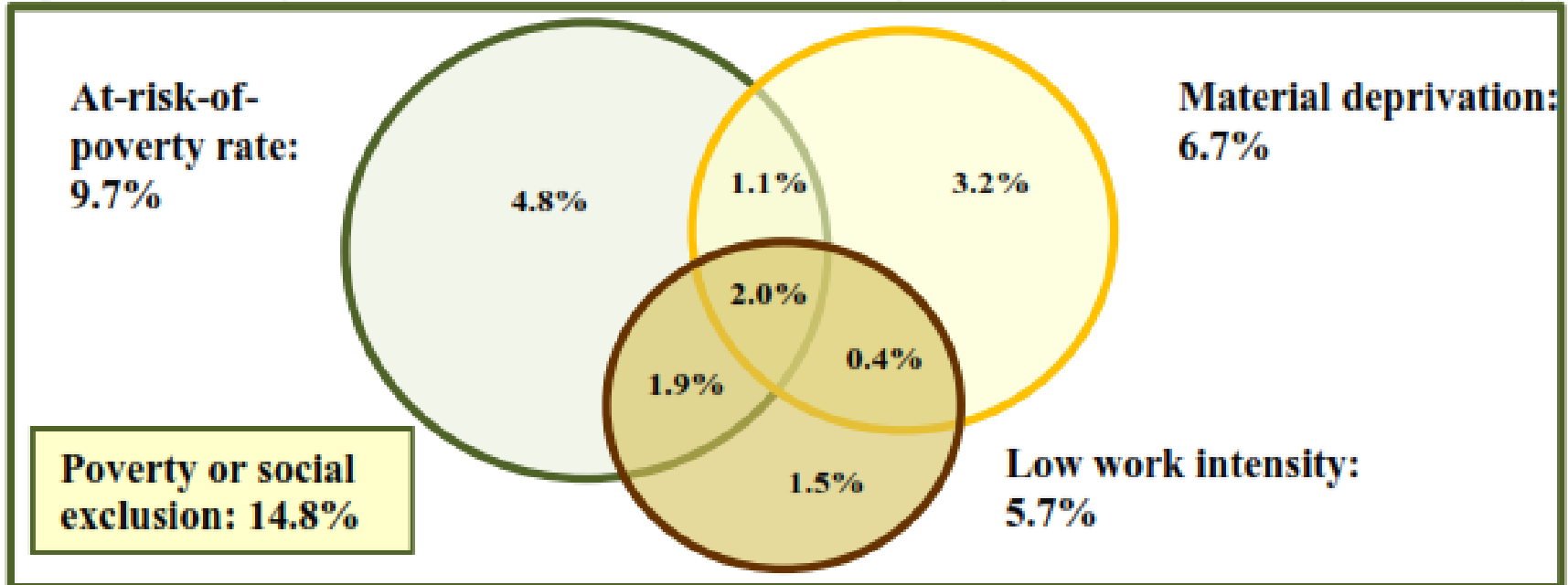(¹) Data for 2005 and 2006 are estimates.
(²) The Europe 2020 strategy has set the target of lifting at least 20 million people out of the risk of poverty or social exclusion by 2020.
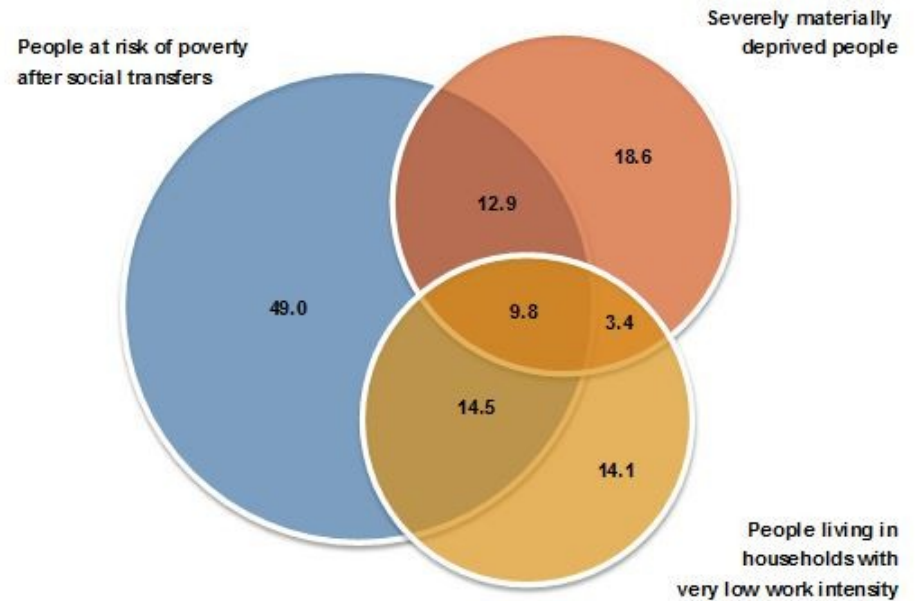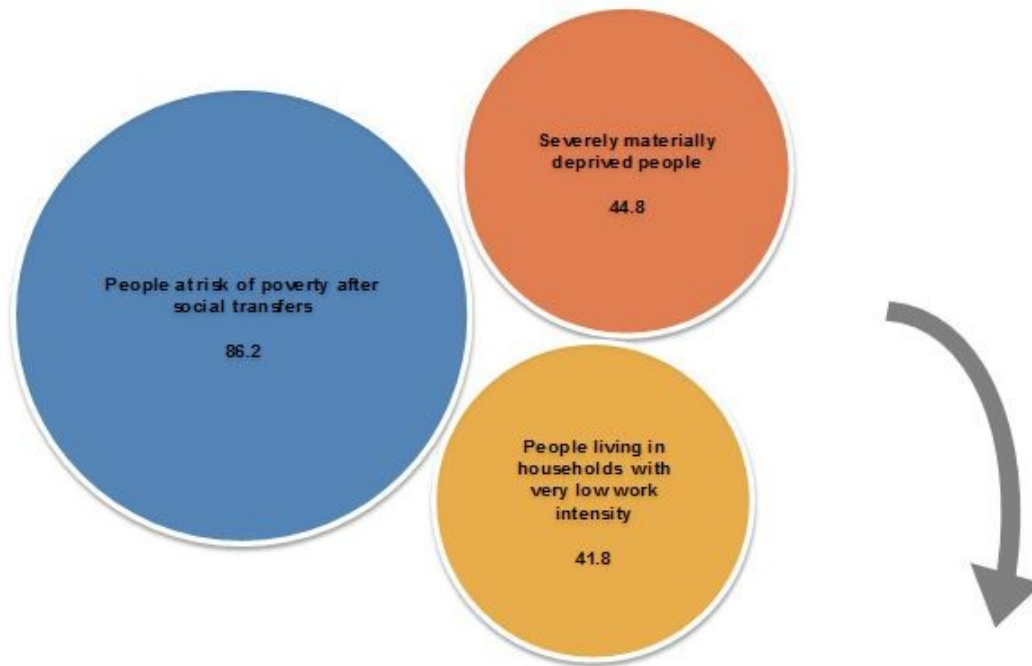
People at risk of poverty or social exclusion', EU-28, 2014 (122 mil)

The case of Czech Republic

Figure 1.1: Composition of the indicator At risk of poverty or social exclusion in 2014 (%)

At-risk-of-poverty rate: 9.7%

Material deprivation: 6.7%

4.8%   1.1%   3.2%

2.0%

1.9%   0.4%

Low work intensity: 5.7%

1.5%

Poverty or social exclusion: 14.8%

Source: EU-SILC 2014, authors' computations.

- Any member of a household that falls below the defined threshold in at least one of these indicators is identified as at risk of poverty or social exclusion.

Table A.4: Poverty or social exclusion (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
AT	17.4	17.8	16.7	20.6[a]	19.1	18.9	19.2	18.5	18.8	19.2
BE	22.6	21.5	21.6	20.8	20.2	20.8	21.0	21.6	20.8	21.2
BG		61.3	60.7	44.8[a]	46.2	49.2	49.1	49.3	48.0	40.1[a]
CY	25.3	25.4	25.2	23.3[a]	23.5	24.6	24.6	27.1	27.8	27.4
CZ	**19.6**	**18.0**	**15.8**	**15.3**	**14.0**	**14.4**	**15.3**	**15.4**	**14.6**	**14.8**
DE	18.4	20.2	20.6	20.1	20.0	19.7	19.9	19.6	20.3	20.6
DK	17.2	16.7	16.8	16.3	17.6	18.3	18.9	19.0	18.9	17.8[a]
EE	25.9	22.0	22.0	21.8	23.4	21.7	23.1	23.4	23.5	
ES	24.3	24.0	23.3	24.5	24.7[a]	26.1	26.7	27.2	27.3	29.2
FI	17.2	17.1	17.4	17.4	16.9	16.9	17.9	17.2	16.0	17.3
FR	18.9	18.8	19.0	18.5[a]	18.5	19.2	19.3	19.1	18.1	18.6
GR	29.4	29.3	28.3	28.1	27.6	27.7	31.0	34.6	35.7	36.0
HR						31.1	32.6	32.6	29.9	29.3
HU	32.1	31.4	29.4	28.2	29.6	29.9	31.0	32.4	33.5	31.1
IE	25.0	23.3	23.1	23.7	25.7	27.3	29.4	30.0	29.5	
IS	13.3	12.5	13.0	11.8	11.6	13.7	13.7	12.7	13.0	
IT	25.0	25.9	26.0	25.3	24.7	24.5	28.2	29.9	28.4	28.1[b]
LT	41.0	35.9	28.7	28.3	29.6	34.0	33.1	32.5	30.8	27.3
LU	17.3	16.5	15.9	15.5	17.8	17.1	16.8	18.4	19.0	19.0
LV	46.3	42.2	35.1	34.2[a]	37.9	38.2	40.1	36.2	35.1	32.7
MT	20.5	19.5	19.7	20.1	20.3	21.2	22.1	23.1	24.0	23.8
NL	16.7	16.0	15.7	14.9	15.1	15.1	15.7	15.0	15.9	16.5
NO	16.2	16.9	16.5	15.0	15.2	14.9	14.5	13.7	14.1	13.5
PL	45.3	39.5	34.4	30.5[a]	27.8	27.8	27.2	26.7	25.8	24.7
PT	26.1	25.0	25.0	26.0	24.9	25.3	24.4	25.3	27.5	27.5
RO			45.9	44.2	43.1	41.4	40.3	41.7	40.4	40.2
SE	14.4	16.3	13.9	14.9	15.9	15.0	16.1	15.6	16.4	16.9
SI	18.5	17.1	17.1	18.5	17.1	18.3	19.3	19.6	20.4	20.4
SK	32.0	26.7	21.3	20.6	19.6	20.6	20.6	20.5	19.8	18.4
UK	24.8	23.7	22.6	23.2	22.0	23.2	22.7	24.1[a]	24.8	
EU28						23.7	24.3	24.7	24.5	24.4[c]
EU27	25.7[c]	25.3[c]	24.4	23.8	23.3	23.6	24.2	24.7	24.5	24.4[c]
EU15	21.6	21.9	21.6	21.7	21.4	21.8	22.6	23.1	23.1	23.3[c]
NMS12	41.0	38.0	35.0	31.7	30.6	30.8	30.6	30.7	30.0	28.6[c]

Source: EU-SILC - Eurostat tab ilc_peps01.
Notes: [a] break in time series; [b] provisional; [c] estimated.

Almost every fourth person in the EU27 is at risk of poverty or social exclusion, 2014
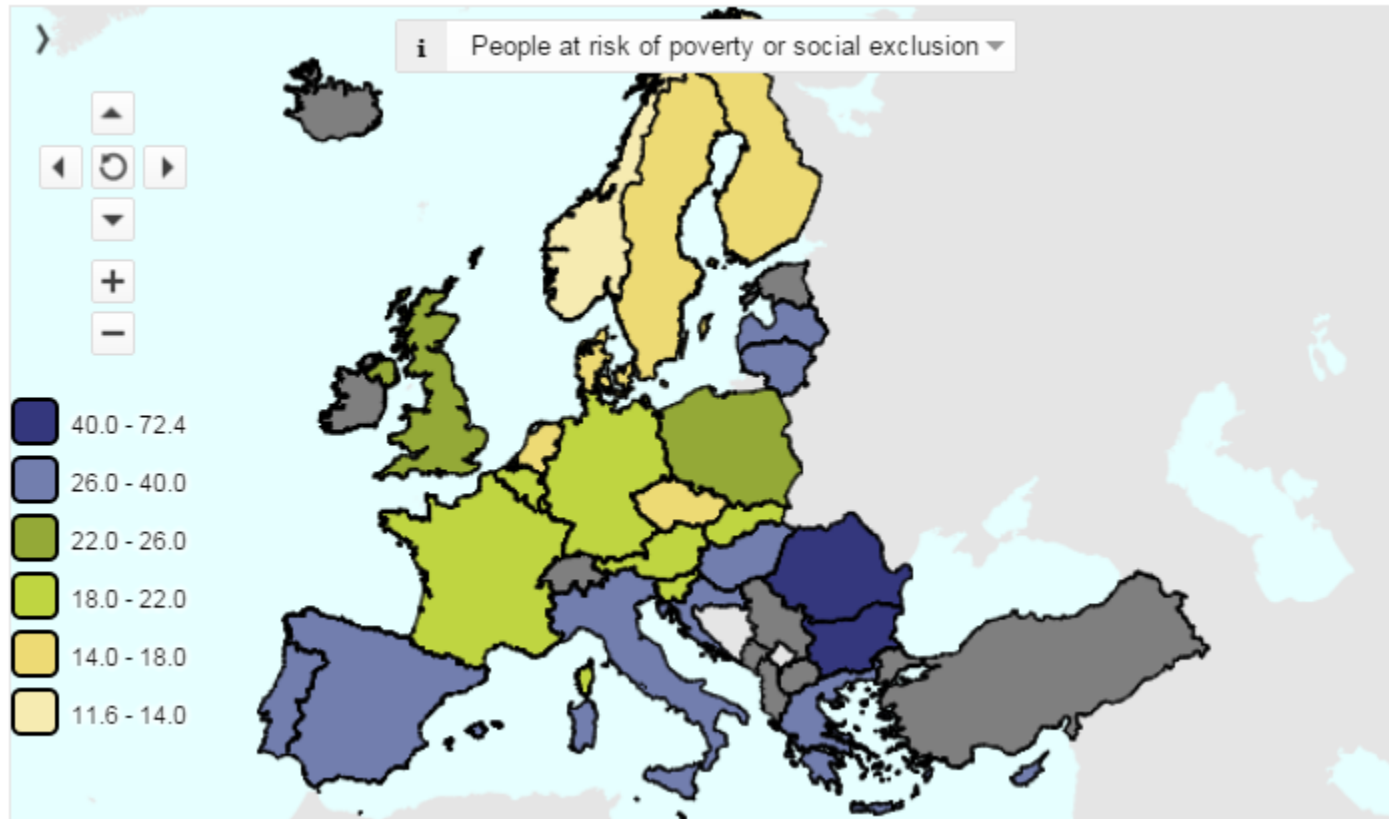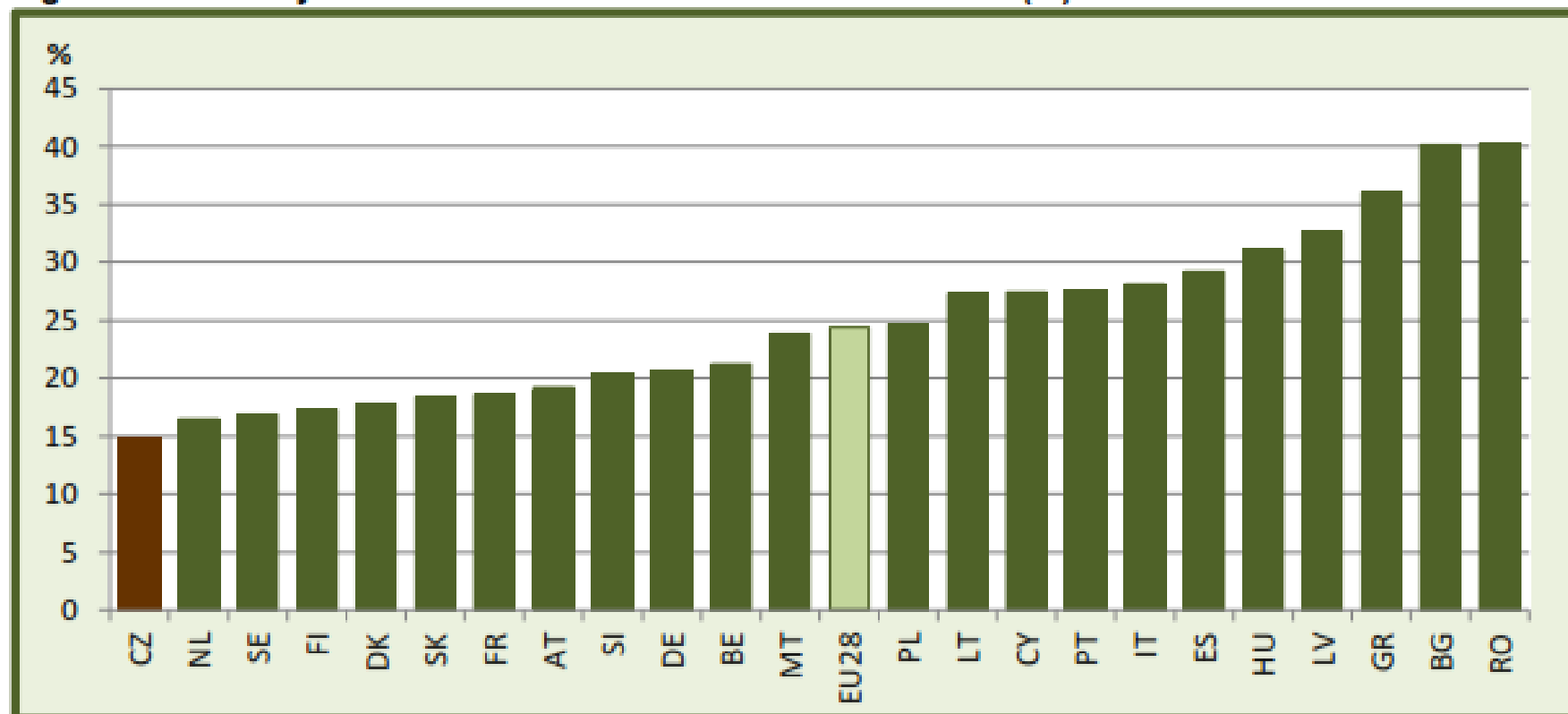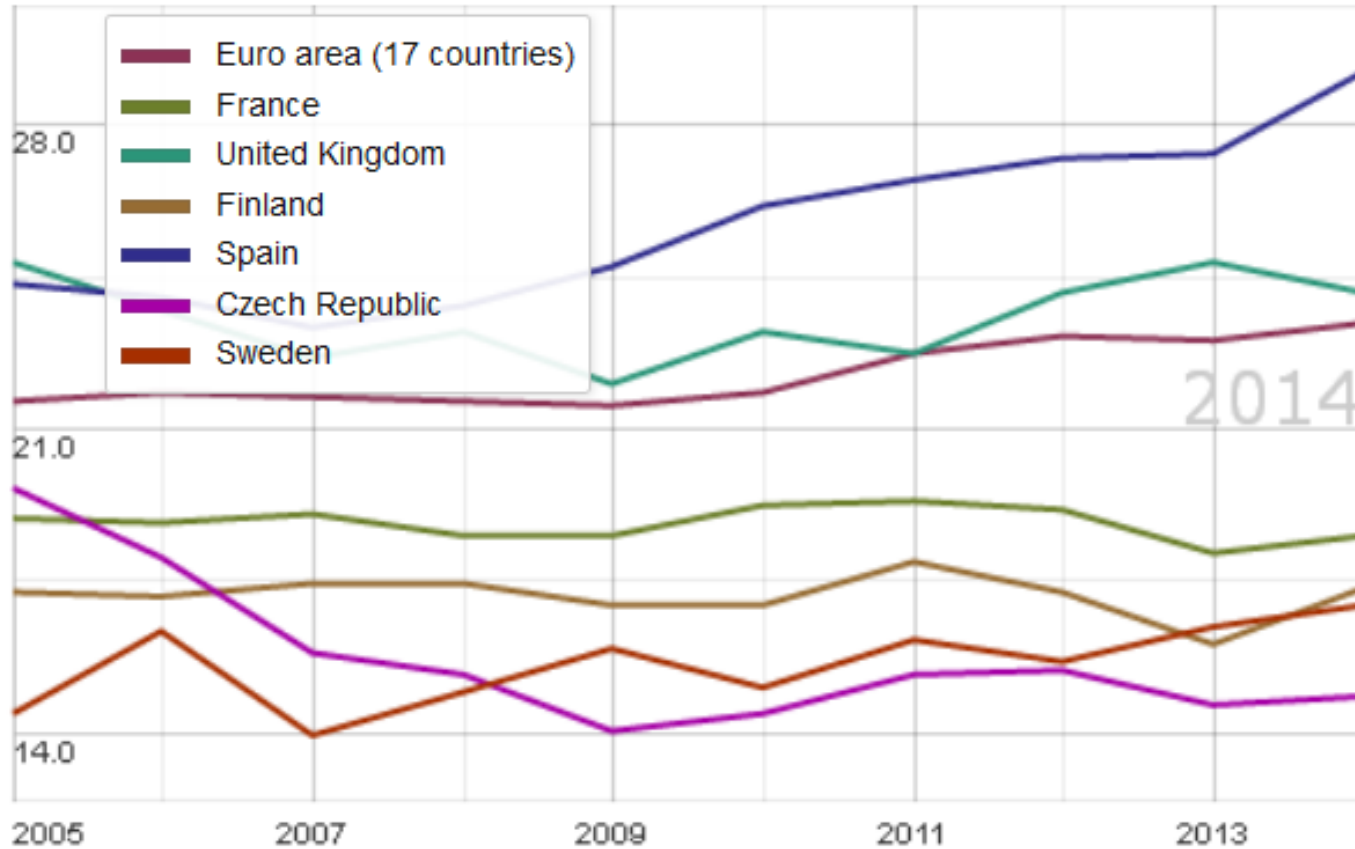
Figure 4.4: Poverty or social exclusion in EU countries in 2014 (%)

Source: EU-SILC - Eurostat tab ilc_peps01.

At risk of poverty or social exclusion, selected countries [% population]

Source: http://ec.europa.eu/eurostat/web/europe-2020-indicators

Poverty rates differ between groups

Table 3.3 People under at-risk-of-poverty threshold, Czech Republic

	2006	2007	2008	2009	2010	2011
Total	9.9	9.6	9.0	8.6	9.0	9.8
By age						
0-17	16.5	16.6	13.2	13.3	14.3	15.2
18-64	8.8	8.6	8.3	7.6	8.1	9.1
65 and over	5.9	5.5	7.4	7.2	6.8	6.7
By household economic status						
working-employed	3.5	3.3	3.6	3.2	3.7	4.6
Non-working -unemployed	43.6	49.4	48.5	47.3	41.2	46.4
By household composition						
households without chiildren	6.2	5.7	6.9	6.4	6.5	6.8
lone parent with children	40.8	37.7	40.0	40.3	37.7	36.3
2 adults, one dependent child	7.6	6.9	6.4	4.6	7.9	6.8
2 adults, two dependent children	9.8	8.1	6.8	7.2	8.7	9.8
2 adults, three or more children	29.5	29.9	19.0	23.1	20.9	24.5

Source: Czech Statistical Office.

Notes: The threshold of at-risk of poverty is set at 60 per cent of median of national equivalized disposable income.

Limitations of poverty measures

- Cut-off point is a rather arbitrary process
- Poverty gap (or Depth of poverty) measures the intensity of poverty. It gives the total resources needed to bring all the poor to the level of the poverty line (under perfect targeting).
- The length of time people have been poor i.e. the duration and persistence of poverty.
- Multi-dimensional nature of poverty: indebtedness, joblessness, poor health, inadequate housing or access to public services.
- Social benefits can drastically reduce poverty.
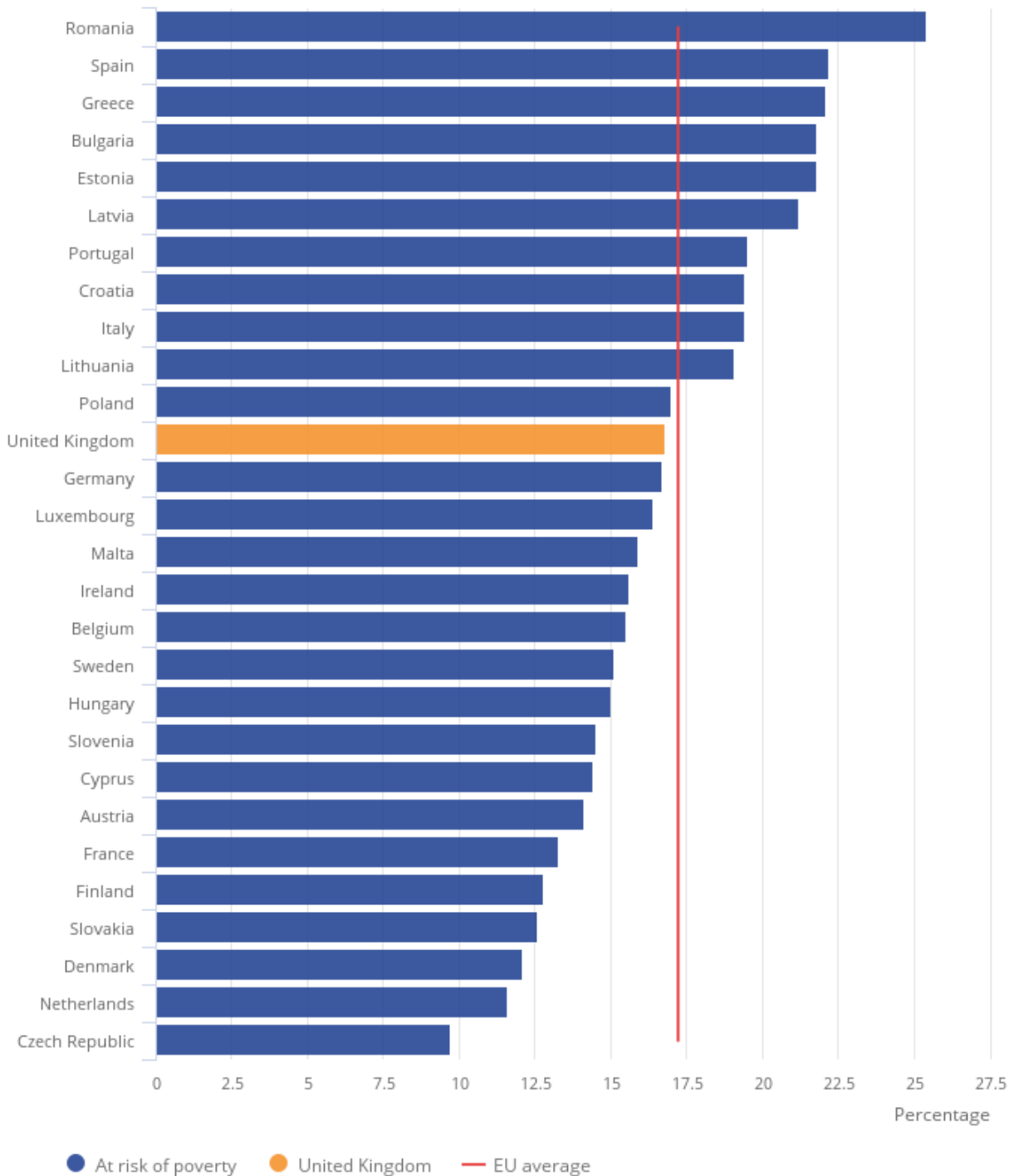
Income threshold matters

- Table shows how at-the-risk of poverty rate increases when the income poverty threshold increase from 60% to 65%.

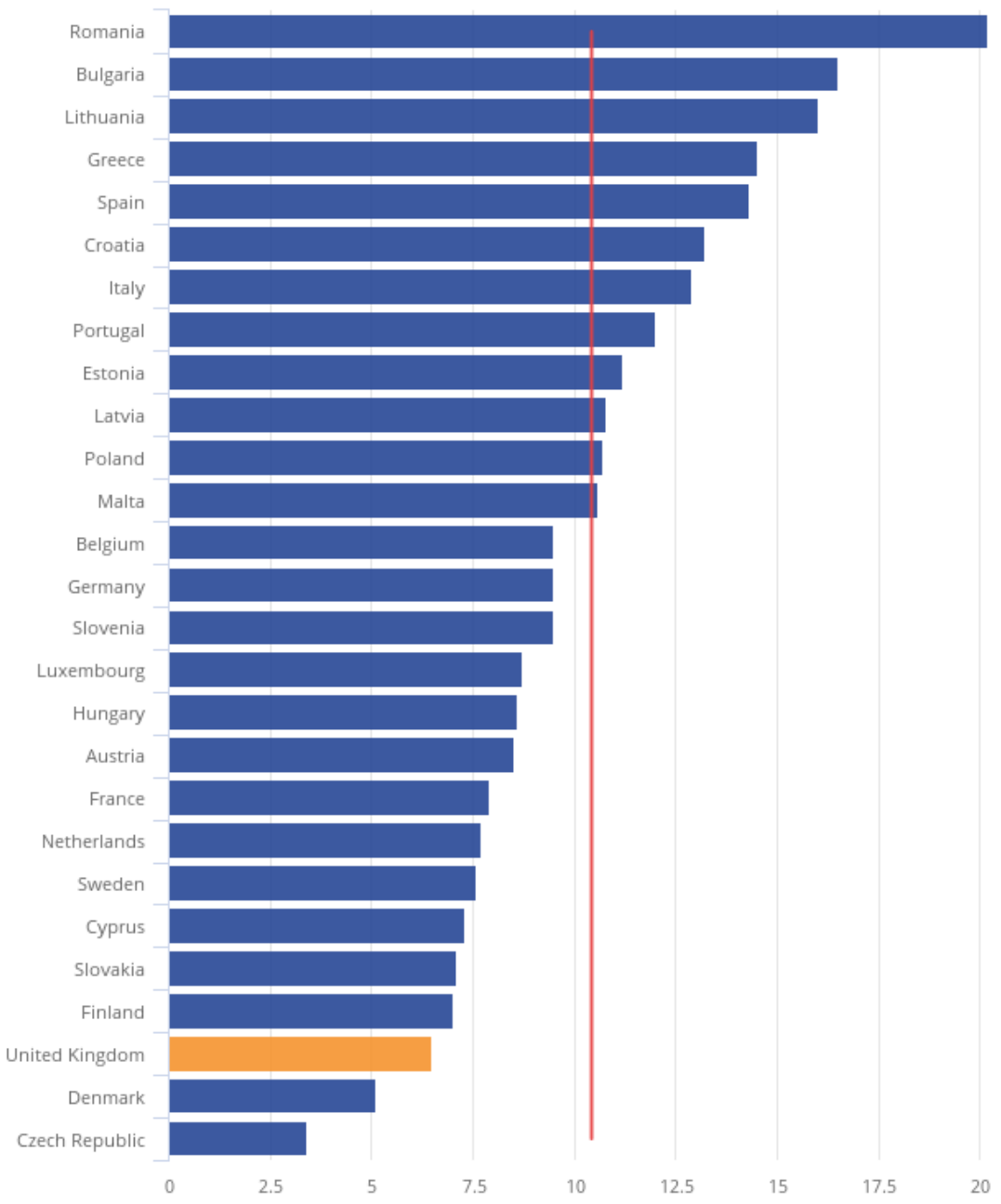| Income threshold	60%	61%	62%	63%	64%	65%
Monthly income (CZK)	9901	10066	10231	10396	10562	10727
Net monhtly income necessary to escape poverty	x	165	330	495	660	825
At-the-risk of poverty rate	9.7	10.4	10.9	12	12.8	12.8

Persistent poverty

- Persistent poverty rates measure the percentage of the population that are at-risk-of-poverty in the current year and at least 2 out of the 3 preceding years. This is the definition used by the European Commission as part of their indicators to monitor poverty and social exclusion across the EU.

Poverty rates across EU, 2014 % of population

Persistent poverty rates across EU, 2014 % of population

Chart data (horizontal bar chart), countries from highest to lowest:

Country	At risk of persistent poverty (%)
Romania	~20.2
Bulgaria	~16.5
Lithuania	~16.0
Greece	~14.5
Spain	~14.2
Croatia	~13.1
Italy	~12.8
Portugal	~11.9
Estonia	~11.2
Latvia	~10.8
Poland	~10.7
Malta	~10.5
Belgium	~9.4
Germany	~9.4
Slovenia	~9.4
Luxembourg	~8.6
Hungary	~8.5
Austria	~8.4
France	~7.8
Netherlands	~7.6
Sweden	~7.5
Cyprus	~7.2
Slovakia	~7.0
Finland	~6.9
United Kingdom	~6.5
Denmark	~5.1
Czech Republic	~3.4

Legend: ● At risk of persistent poverty ● United Kingdom — EU average
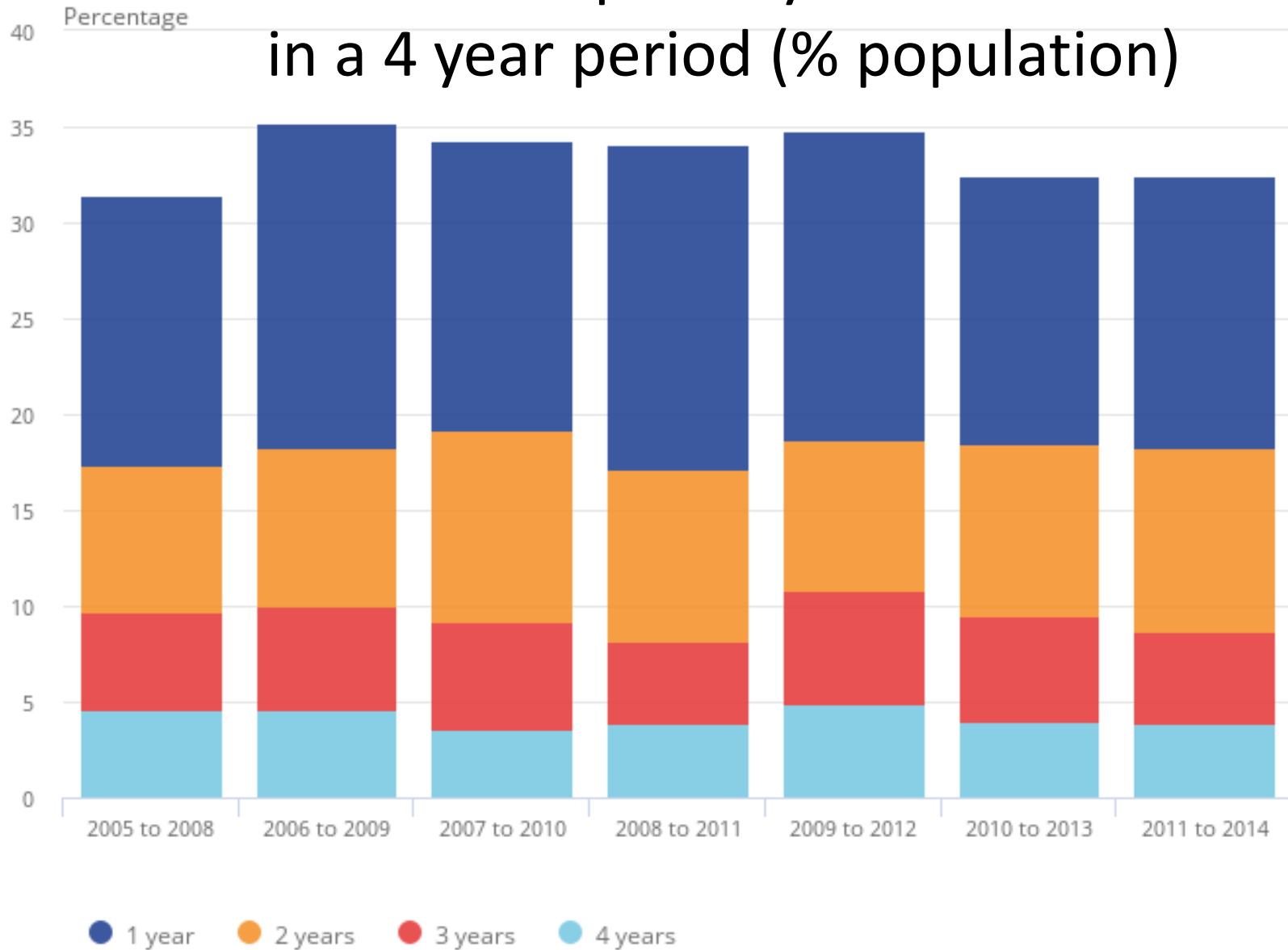
How long do people stay in poverty?

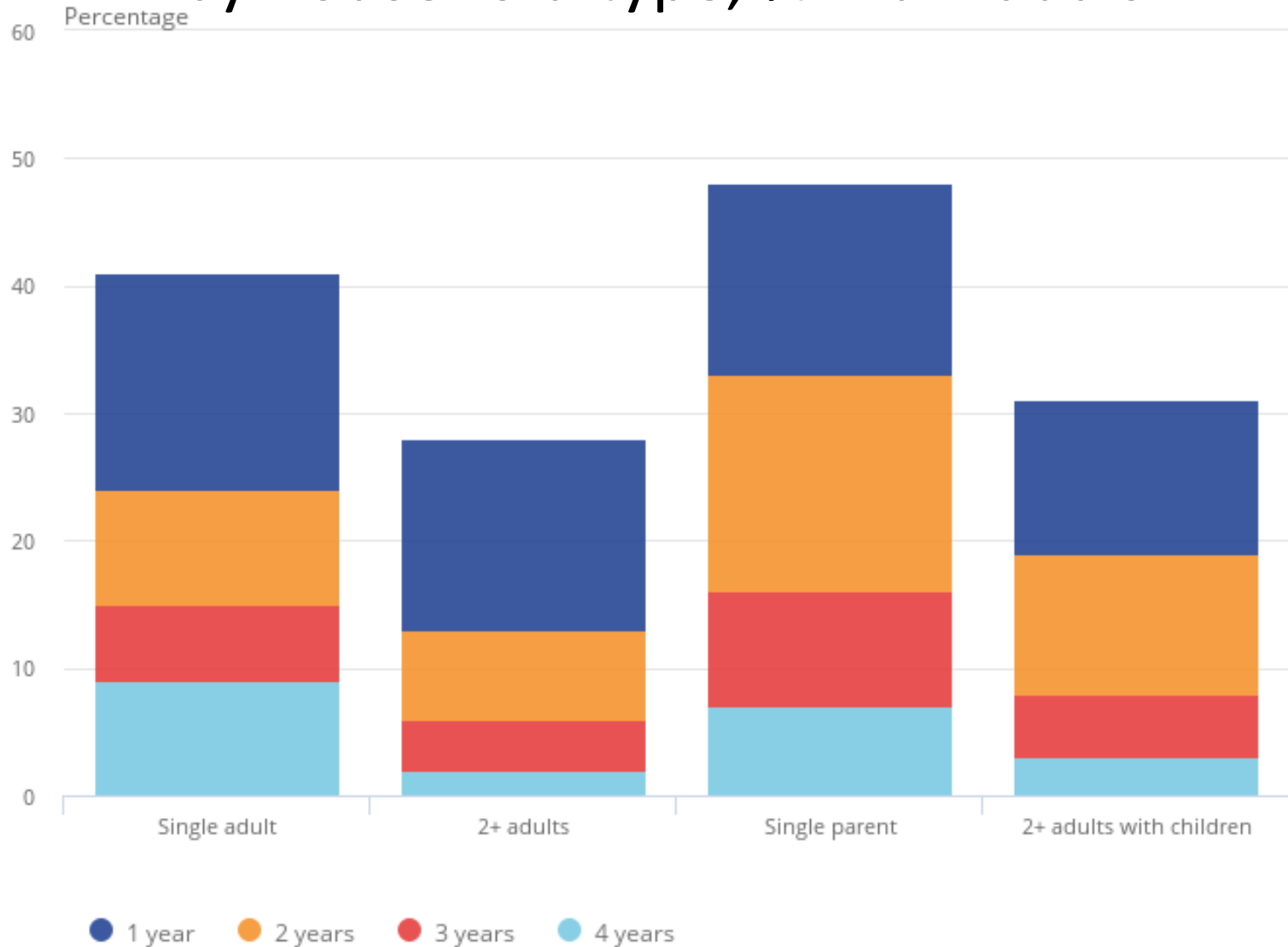Figure 3.1: Incidence of income poverty in two 4-year periods (%)
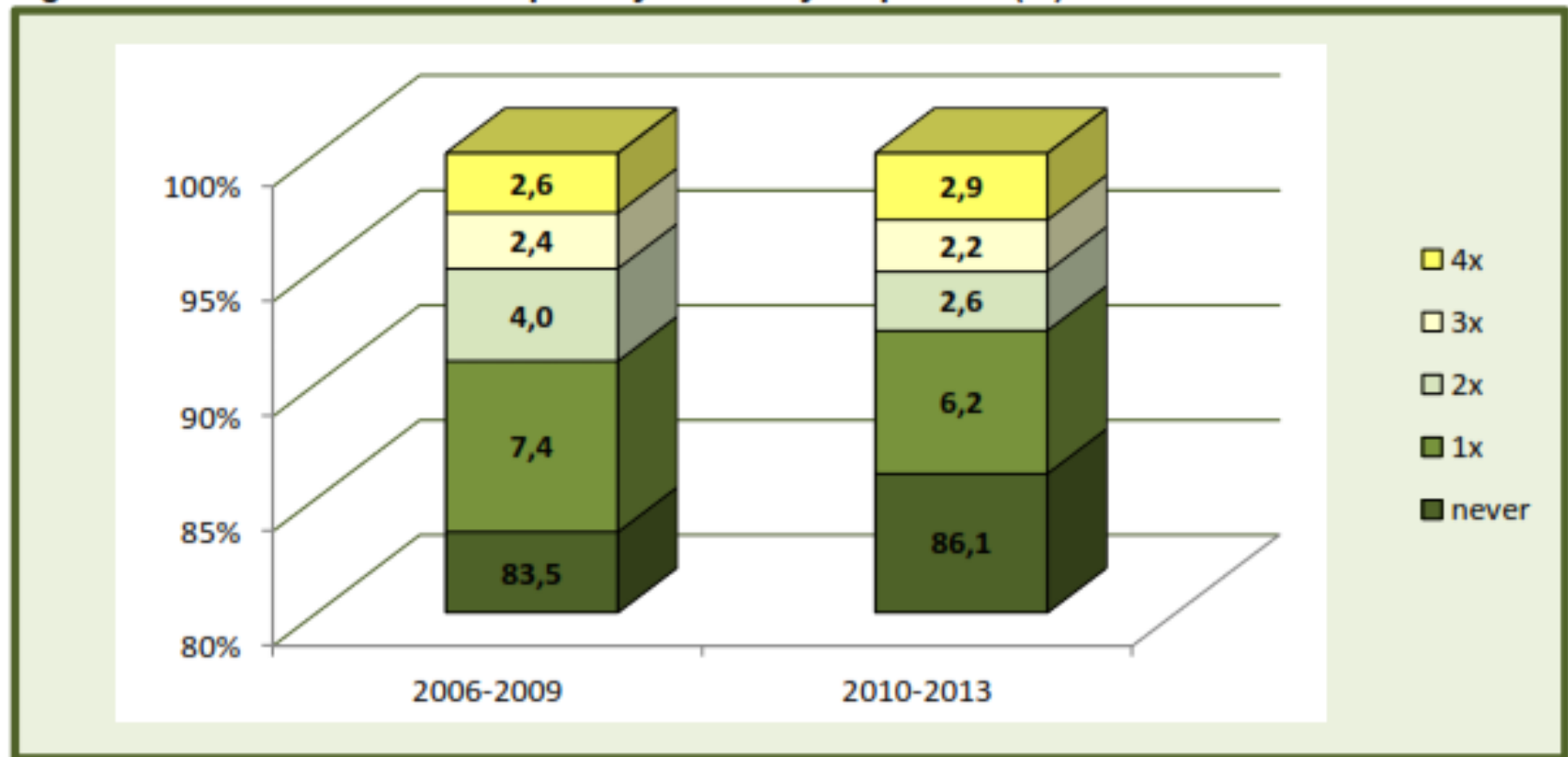
Source: longitudinal EU-SILC 2009 and 2013, authors' computations.

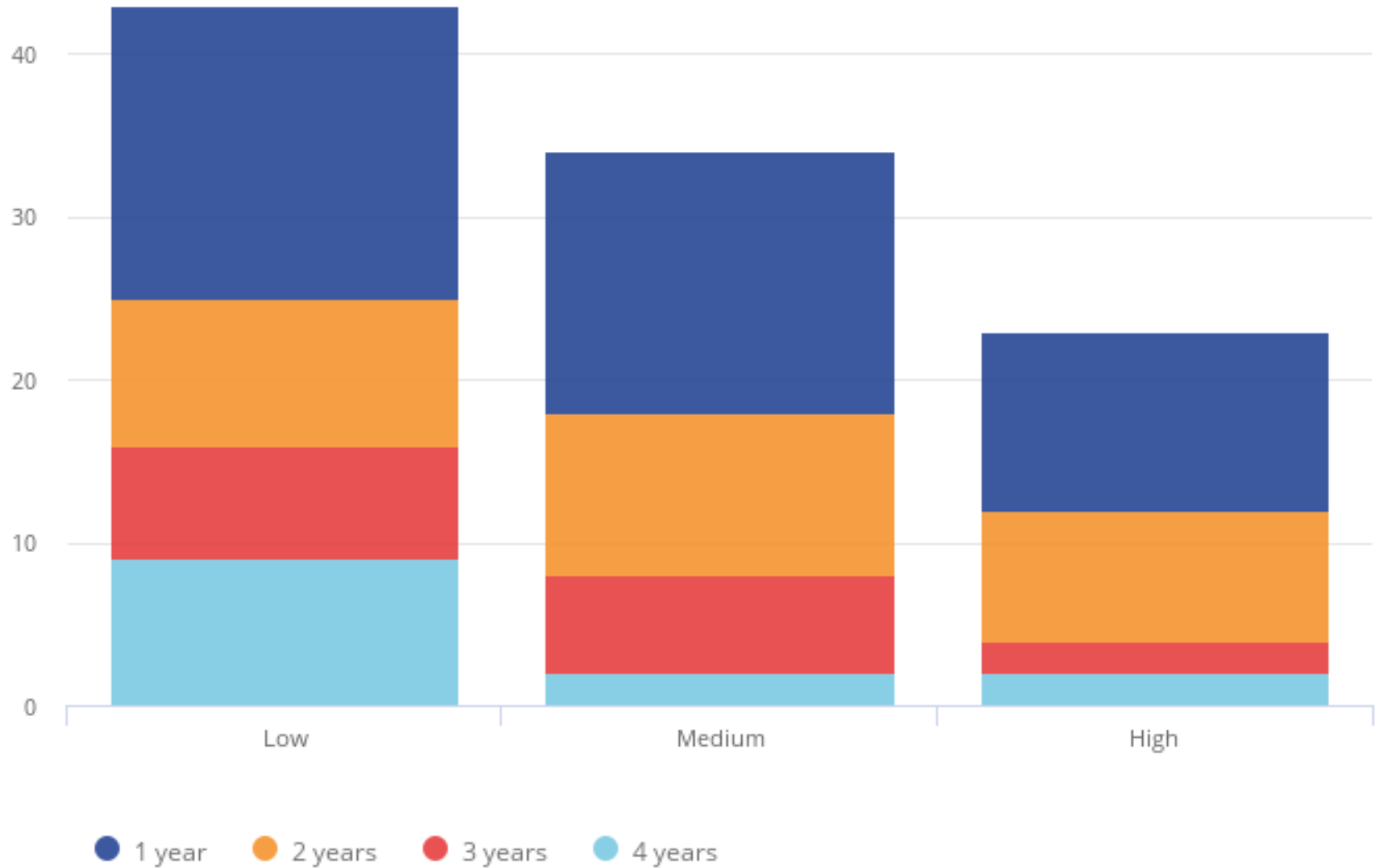# Years in poverty in the UK in a 4 year period (% population)

Percentage

Legend: 1 year, 2 years, 3 years, 4 years

Source: Office for National Statistics, Eurostat

Years in poverty in the UK
by education level, % individuals

Source: Office for National Statistics, Eurostat

Other poverty indicators: Minimal acceptable living standards

- Real value of the (relative) poverty threshold,
3EUR/day in RO, 7-8EUR in CEE but 50EUR in LU.

- Budget Standard Approach, basic standard of living is calculated based on the cost of a specific basket of goods and services – necessities largely differ between regions.
i.e. covering things like food, clothing, personal care, health related costs, household goods and services, educational costs, housing , transport, fuel. Used in UK, IE and developed in the EU www.referencebudgets.eu/

- Poverty measurement by the consumption approach, the poor are distinguished from the non-poor by how much of their income they spend on basic necessities .
e.g. Housing Cost Overburden (11% in the EU in 2013)

Subjective indicators of poverty

Figure 4.5: Great difficulty to make ends meet in EU countries in 2014 (%)
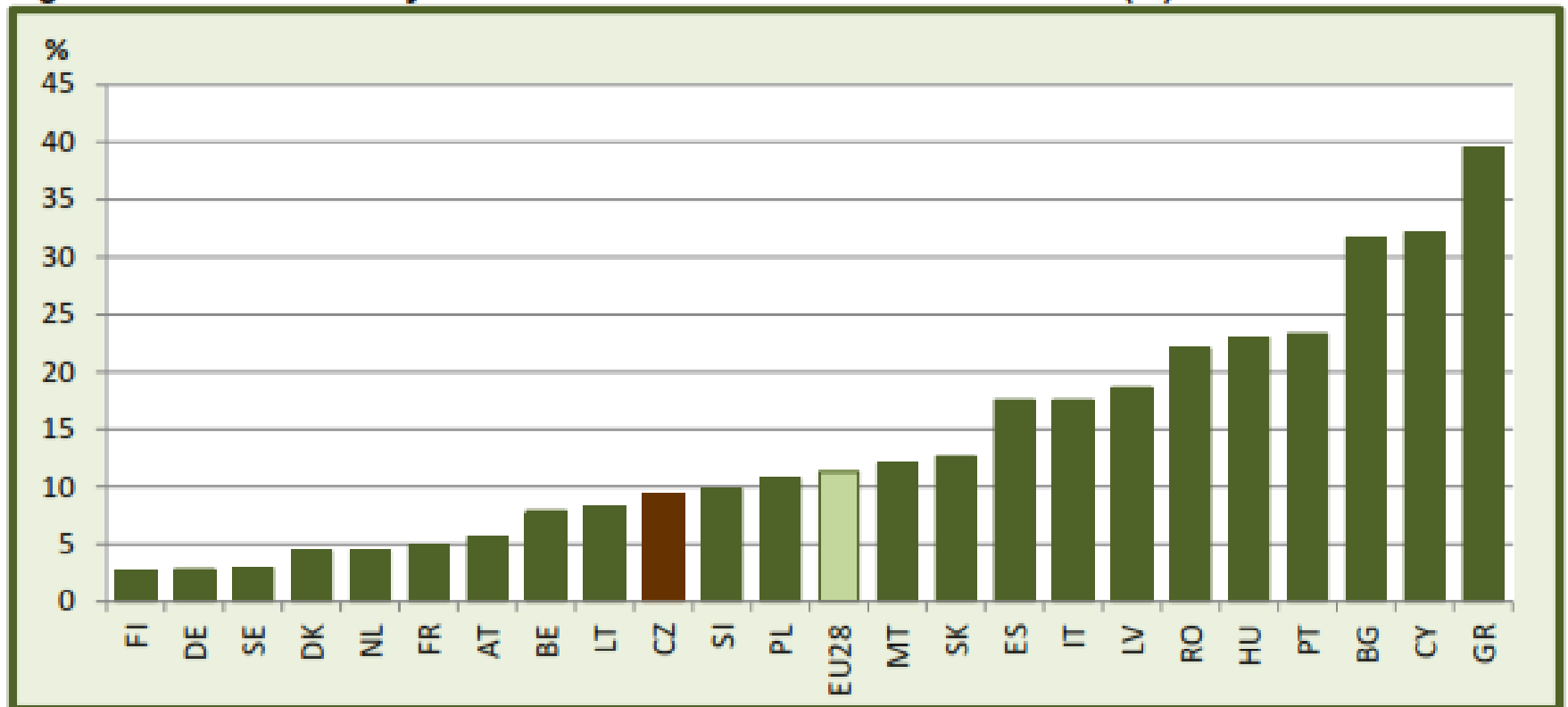
Source: EU-SILC - Eurostat tab ilc_mdes09.

Story of alternative poverty indicators

Table 4.1: Poverty indicators in central European countries in 2014 (% of persons)

	CR	Hungary	Poland	Slovakia	Austria	Germany	EU-28
Income poverty	9.7	14.6	17.0	12.6	14.1	16.7	17.2
Material deprivation	6.7	23.9	10.4	9.9	4.0	5.0	18.9
Low work intensity[a]	7.0	11.4	8.1	6.9	9.2	11.1	11.6
Poverty or social exclusion	*14.8*	*31.1*	*24.7*	*18.4*	*19.2*	*20.6*	*24.4*
Low income[b]	10.6	9.6	11.9	24.5	4.7	8.2	15.2
Great difficulty to make ends meet	9.3	23.0	10.7	12.6	5.6	2.8	11.3

Source: EU-SILC - Eurostat tab ilc_li02. ilc_sip8. ilc_lvhl14. ilc_peps01. ilc_mdes09;
EU-SILC 2013 for Low income (authors' computations).
Notes: [a] Low work intensity concerns population 18-59; [b] Low income refers to 2013.

Other difficulties

- Is income equally distributed within the household? Women have lower income but responsibility for the expenditure on children.
- Difficult-to-reach groups are also at very high risk

  e.g. Roma and immigrants are not captured in data.

What people in poverty experience?

- Lack of basic necessities
- Isolation from family and friends
- Lack information about the supports and services available to them due to bureaucracy
- Lack of decent work
- Fear for one's children
- Being unable to afford to buy medicines
- Unable to participate in normal social

Being poor = being unhappy

Figure 2.9: Average score of life satisfaction (0-10) of persons at risk of poverty and others, by various indicators in 2013
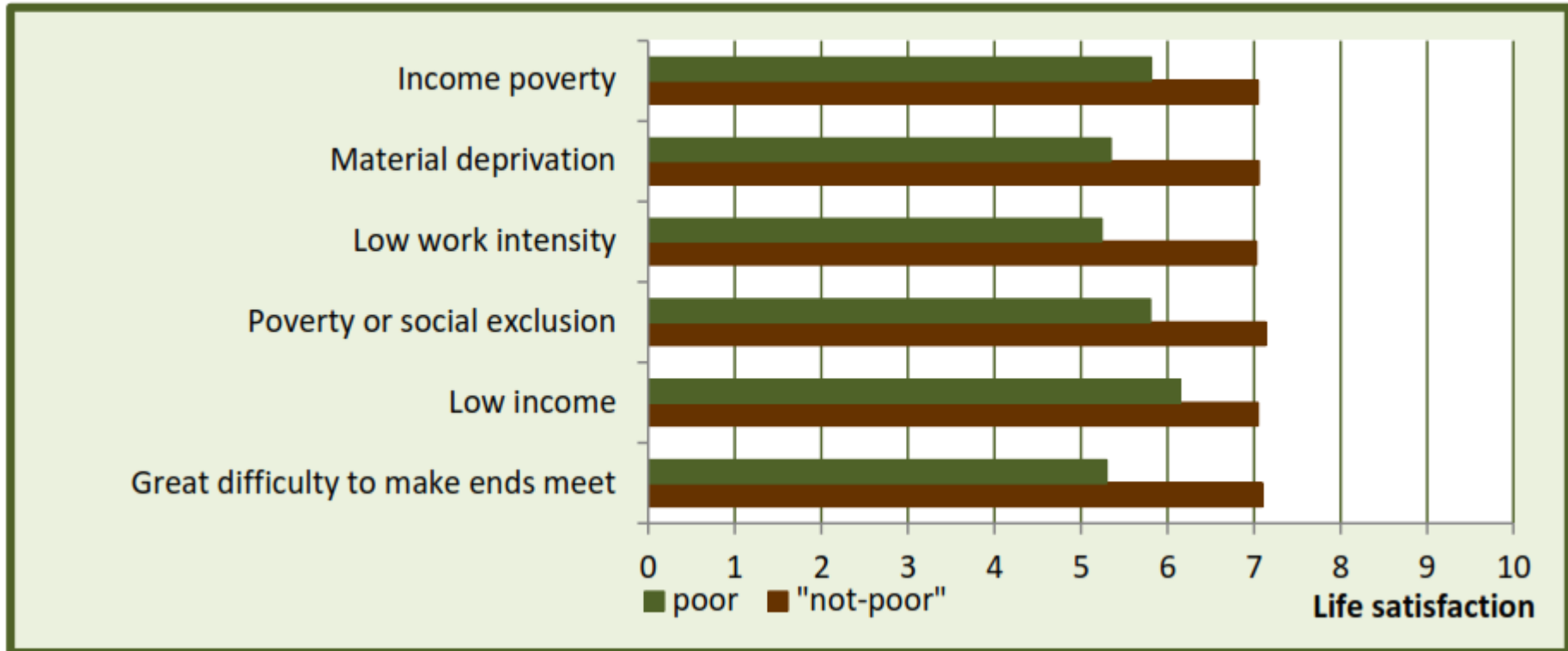
Source: EU-SILC 2013, authors' computations.

Figures illustrate the situation in the Czech Republic.

Conclusions

- Instant indicators of poverty are essential for identifying social risks in the society and for preparing public policy.

- The very equal societies in Europe tend to have the lowest levels of poverty.

- Adequate minimum income levels and good access to services are essential.