

### Definition and measurement

Poverty persistence can be measured by looking at those individuals whose income is below a fixed threshold (usually a proportion of median disposable income) over a three-year period. This measure is computed on the basis of special tabulations from surveys that follow individuals over time. A number of different definitions of persistent poverty are possible. One is to measure the share of individuals who are always poor over the three years (i.e. “the persistent poor”). Others include how many people are poor in two out of the three years (“recurrent poor”) and how many are poor only once over this period (“poor only once”). The income concept used is that of yearly disposable income (i.e. after transfers and payments of income taxes and social security contributions) of households, where each person is attributed the “equivalised” income of the household where he or she lives, based on a commonly used factor to adjust for differences in household size (the squared root elasticity).

Data refer to 1999-2001 for European countries, based on the *European Community Household Panel (ECHP)*; to 2001-2003 for the United States, based on data from the *Survey of Income and Program Participation (SIPP)*; to 2001-2003 for Canada, based on data from the *Cross National Equivalent File of the Survey of Labor and Income Dynamics (SLID)*; and to 2002-2004 for Australia, based on the survey *Household Income and Labour Dynamic in Australia (HILDA)*.

The most commonly used measure of relative-income poverty (the “headcount ratio”, which is most often computed from data that provide only a snapshot of the situation at a given time) does not measure whether low income is experienced over a long or short spell. Most people can cope with a short period of low income, while longer periods can lead to material hardship and exclusion. Table EQ7.1 – which is based on surveys that follow the same individual or household over time – shows the relation between different measures of poverty.

For a threshold set at half of median income, the “average” poverty headcount ratio prevailing over a three-year period was around 10% among the 17 OECD countries considered in Table EQ7.1, ranging between 6% or less in the Netherlands, Denmark and Germany and 14% or more in Australia, Ireland, the United States and Greece. For a threshold set at 40% of the median, the OECD-average poverty rate falls to 5%, while it exceeds 16% when using a threshold of 60% of the median. On this measure, country rankings are little affected by the specific threshold used, i.e. those countries that top the poverty league based on one threshold also record high values based on the others.

This “headcount ratio” provides, however, only a partial view of poverty as many individuals may experience temporary spells of poverty while some may be in that condition over prolonged periods of time or repeatedly for many years (Burkhauser, 2001; OECD, 2006). Based on an income threshold set at half of the median – the one most commonly used in OECD analysis – on average around 83% of all

respondents was never poor in any of the three years, i.e. 17% was poor at least once over that period. Among the latter, those who had been poor in only one of the three years represent the largest category (7.7% of all individuals) while around 5% of the population had been continuously poor over this period. A marginally smaller share of people (4%, on average) was poor in two of the three years considered. Differences across countries in the prevalence of persistent poverty are as large as in the case of the average poverty rates. Indeed, as suggested by Figure EQ7.2, OECD countries where the simple “headcount ratio” poverty is higher also record a greater prevalence of both persistent and recurrent poverty.

Children and older people appear to face not only a higher risk of being poor in any given year relative to people of working age based on the “headcount ratio” but also a higher probability that that poverty will last over time. Based on a half-of-median income threshold, the “persistent poor” represent, on average, around 40% of those who have low income at any moment in time among people aged 25 to 64, but close to 50% for children and more than 60% among the elderly. Women living alone also face a higher probability of persistent poverty compared to men with an “always poor” rate above 10% in around half of all countries.

**Status indicators:** Material deprivation (EQ1).

**Response indicators:** Public social spending (EQ5), Out-of-work benefits (SS6).

## EQ7.1. Close to 5% of individuals are persistently poor over a three-year period

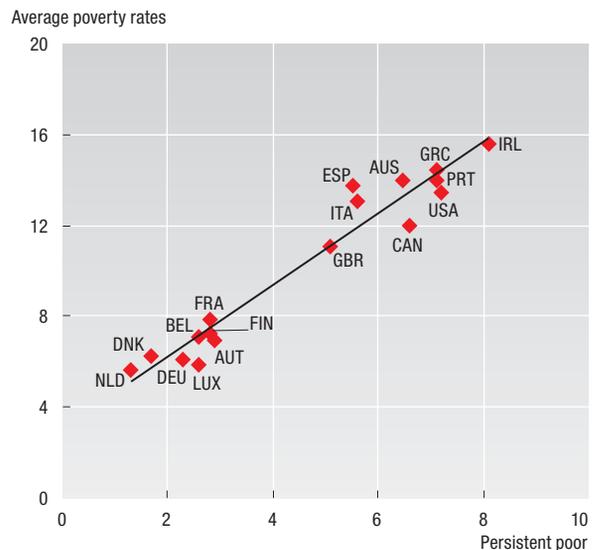
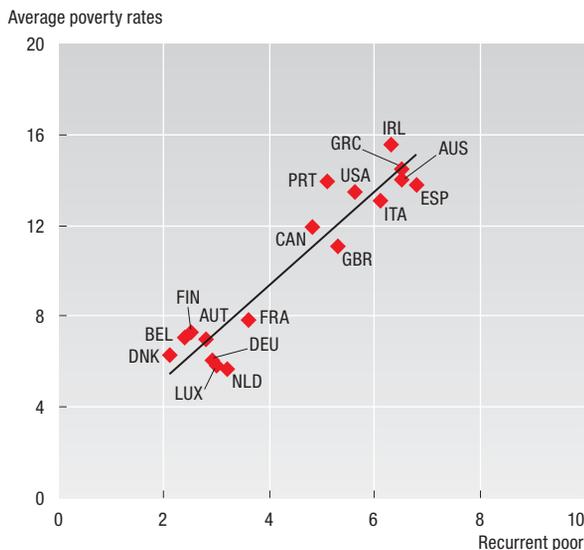
Duration of the poverty spell over three years in selected OECD countries

	Duration of the poverty spell over a three-year period, for different income thresholds											
	40% of median income				50% of median income				60% of median income			
	Average of poverty rates over the three years	Poor only once	Recurrent poor	Persistent poor	Average of poverty rates over the three years	Poor only once	Recurrent poor	Persistent poor	Average of poverty rates over the three years	Poor only once	Recurrent poor	Persistent poor
Australia	6.2	9.0	2.5	1.6	14.0	10.5	6.5	6.5	20.8	11.5	8.1	11.8
Austria	3.6	4.7	1.3	1.2	7.1	6.7	2.8	2.9	13.0	9.1	4.8	6.6
Belgium	3.0	4.5	1.2	0.7	6.7	7.2	2.4	2.6	13.7	10.3	5.4	6.5
Canada	6.9	5.9	3.4	3.0	11.8	7.4	4.8	6.6	18.7	8.3	6.9	11.8
Denmark	2.4	4.4	0.9	0.2	5.7	7.3	2.1	1.7	11.0	9.4	4.2	4.8
Finland	2.9	3.2	1.1	0.9	6.8	5.9	2.5	2.8	12.9	5.9	5.9	6.5
France	3.6	4.7	1.9	0.7	7.9	7.6	3.6	2.8	14.9	9.4	6.4	7.2
Germany	3.3	3.8	1.5	0.9	6.1	5.6	2.9	2.3	11.0	7.2	4.3	5.7
Greece	9.1	7.8	4.5	3.5	14.6	9.7	6.5	7.1	21.4	11.6	8.2	12.1
Ireland	6.9	7.3	3.6	1.9	15.0	7.9	6.3	8.1	22.2	9.6	9.4	12.6
Italy	7.9	7.2	4.3	2.6	12.6	8.3	6.1	5.6	19.6	10.1	8.5	10.3
Luxembourg	1.7	3.2	0.8	0.2	5.9	4.4	3.0	2.6	13.0	6.0	5.0	7.9
Netherlands	2.9	4.8	1.5	0.4	5.2	5.7	3.2	1.3	9.6	8.4	5.1	3.7
Portugal	7.6	6.9	2.6	3.5	13.5	8.4	5.1	7.1	20.4	10.8	6.5	12.3
Spain	7.3	9.8	3.1	1.9	13.9	11.1	6.8	5.5	20.9	12.6	8.8	10.4
United Kingdom	6.5	8.4	3.0	1.6	11.9	9.4	5.3	5.1	19.2	10.9	7.9	10.1
United States	8.7	6.5	3.5	3.6	13.9	8.6	5.6	7.2	20.9	10.6	7.3	12.4
OECD-17	5.3	6.0	2.4	1.7	10.0	7.7	4.4	4.6	16.8	9.5	6.6	9.0

Note: Data refer to three years in the early 2000s. Relative income poverty is based on equivalised household disposable income. All measures are based on the set of individuals present in each of the three-year period.

## EQ7.2. Persistent and recurrent poverty are higher in countries with a higher poverty rate

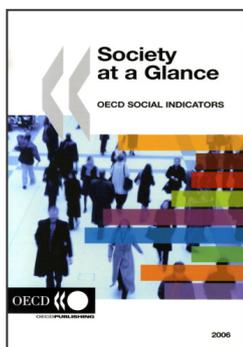
Poverty threshold set at 50% of median income



Source: Computations are based on the ECHP for European countries and on SLID for Canada (CNEF remote access). Estimates for the United States and Australia, based on SIPP and HILDA respectively, are provided courtesy of John Iceland (University of Maryland) and Bruce Headey (University of Melbourne).

StatLink: <http://dx.doi.org/10.1787/317368241530>

**Further reading** ■ Burkhauser, R. (2001), "What Policymakers Need to Know about Poverty Dynamics", *Journal of Policy Analysis and Management*. ■ OECD (2006), "Social Implications of Policies Aimed at Raising Employment", Chapter 5 in *OECD Employment Outlook*, Paris.



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