

Poverty

Poverty rates measure the share of people at the bottom end of the income distribution. Often a society's equity concerns are greater for the relatively disadvantaged. Thus poverty measures generally receive more attention than income inequality measures, with greater concerns for certain groups like older people and children, since they have no or limited options for working their way out of poverty.

The average OECD relative poverty rate in 2010 was 11% for the OECD (Figure 5.3, Panel A). Poverty rates were highest at above 20% in Israel and Mexico, while poverty in the Czech Republic and Denmark affected only about one in 20 people. Anglophone and Mediterranean countries and Chile, Japan and Korea have relatively high poverty rates.

The initial phase of the crisis had a limited impact on relative income poverty (i.e. the share of people living with less than half the median income in their country annually). Between 2007 and 2010, poverty increased by more than 1 percentage point only in Italy, the Slovak Republic, Spain and Turkey (bars in Figure 5.3, Panel B). Over the same period, it fell in Chile, Estonia, Portugal and the United Kingdom, while changes were below 1 percentage point in the other OECD countries.

By using an indicator which measures poverty against a benchmark “anchored” to half the median real incomes observed in 2005 (i.e. keeping constant the value of the 2005 poverty line), recent increases in income poverty are much higher than suggested by “relative” income poverty. This is particularly the case in Estonia, Greece, Iceland, Ireland, Italy, Mexico and Spain (“diamond” symbols in Figure 5.3, Panel B). While relative poverty did not increase much or even fell in these countries, **“anchored” poverty increased by 2 percentage points or more between 2007 and 2010, reflecting disposable income losses of poorer households in those countries.** Only in Belgium, Germany, Israel and Poland did “anchored” poverty fall at the same time as relative poverty stagnated or increased.

Households with children and youth were hit particularly hard during the crisis. Between 2007 and 2010, average re-lative income poverty in OECD countries rose from 12.8 to 13.4% among children (0-18) and from 12.2 to 13.8% among youth (18-25). Meanwhile, relative income poverty fell from 15.1 to 12.5% among the elderly. This pattern confirms the trends described in previous OECD studies, with **youth and children replacing the elderly as the group at greater risk of income poverty across the OECD countries.**

Since 2007, child poverty increased considerably in 16 OECD countries, with increases exceeding 2 percentage points in Belgium, Hungary, Italy Slovenia, Spain and Turkey (Figure 5.4). On the other hand, child poverty fell by more than 2 percentage points in Portugal and the United Kingdom. At the same time, youth poverty increased considerably in 19 OECD countries.

In contrast to other age groups, the elderly have been relatively immune to rises in relative income poverty during the crisis. **In the three years prior to 2010, poverty among the elderly fell in 20 out of 32 countries, and increased by 2 percentage points or more only in Canada, Korea, Poland and Turkey.** This partly reflects the fact that old age pensions were less affected by the recession. In many

countries (at least until 2010), pensions were largely exempted from the cuts implemented as part of fiscal consolidation.

Definition and measurement

Perceptions of a decent standard of living vary across countries and over time. Thus no commonly agreed measure of poverty across OECD countries exists. As with income inequality, the starting point for poverty measurement is the concept of equivalised household disposable income. Estimates are provided by national consultants (see “Definition and measurement” of the “Income inequality” indicator above).

People are classified as poor when their equivalised household income is less than 50% of the median prevailing in each country. The use of a relative income-threshold means that richer countries have the higher poverty thresholds. Higher poverty thresholds in richer countries capture the notion that avoiding poverty means an ability to access to the goods and services that are regarded as customary or the norm in any given country. The poverty rate is a headcount of how many people fall below the poverty line.

Changes in relative poverty referring to the current median income can be difficult to interpret during recessions. In a situation where the incomes of all households fall, but they fall by less at the bottom than at the middle, relative poverty will decline. Therefore, more “absolute” poverty indices, linked to past living standards, are needed to complement the picture provided by relative income poverty. Therefore changes in poverty are also presented in Figure 5.3, Panel B using an indicator which measures poverty against a benchmark “anchored” to half the median real incomes observed in 2005.

Data are from the *OECD Income Distribution Database* available at www.oecd.org/social/income-distribution-database.htm.

Further reading

OECD (2013), “Crisis Squeezes Income and Puts Pressure on Inequality and Poverty – New results from the OECD Income Distribution Database”, www.oecd.org/social/inequality.htm.

OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264119536-en>.

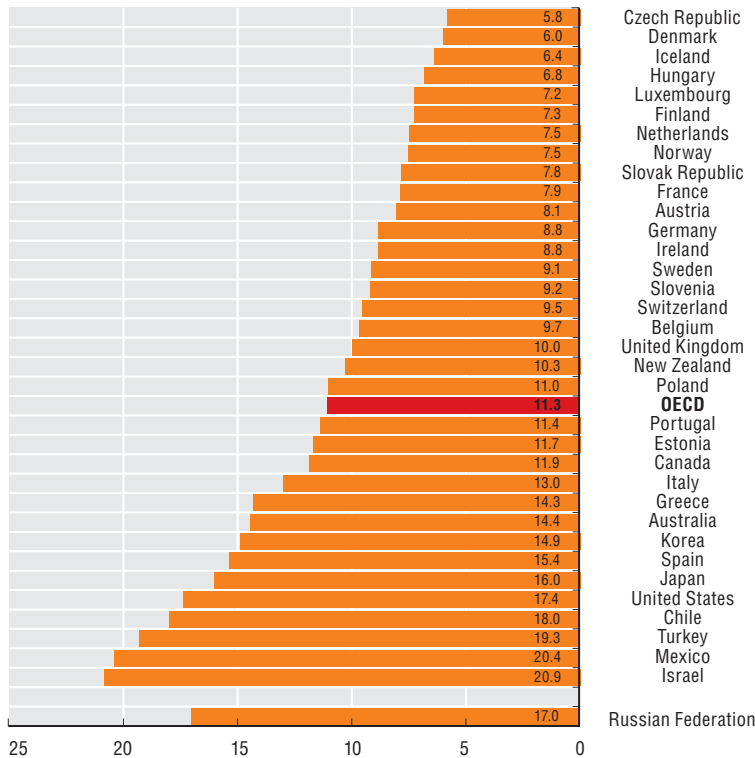
Figure notes

Figures 5.3 and 5.4: Data refer to 2009 for Hungary, Japan, New Zealand and Turkey, and 2011 for Chile instead of 2010, and to 2006 for Chile and Japan, 2008 for Australia, Finland, France, Germany, Israel, Mexico, New Zealand, Norway, Sweden and the United States instead of 2007. Data for Switzerland are not available for 2007. Latest data for key partners are for 2008/09, changes are not available.

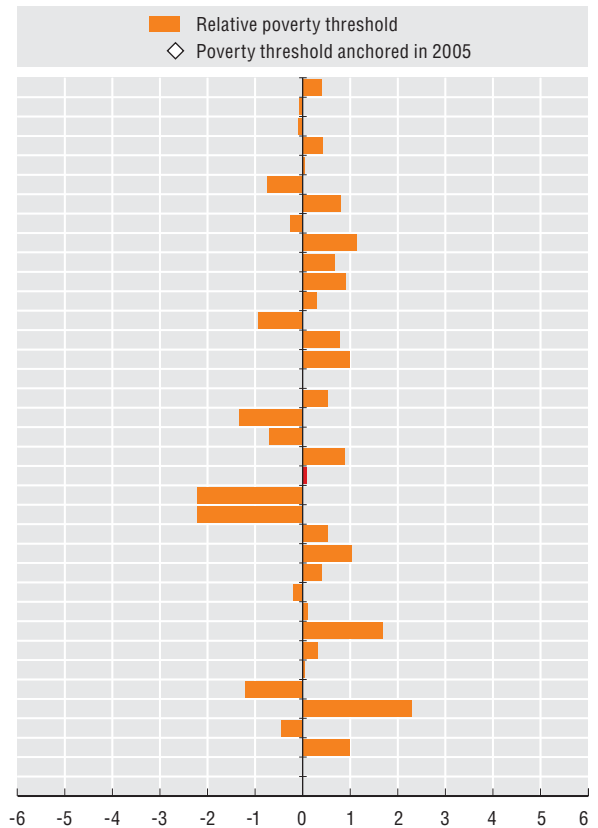
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

5.3. Large differences in levels of relative poverty and the evolution of poverty differs if the threshold is “anchored” at the time of the crisis

Panel A. Percentage of persons living with less than 50% of median equivalised household income, in 2010

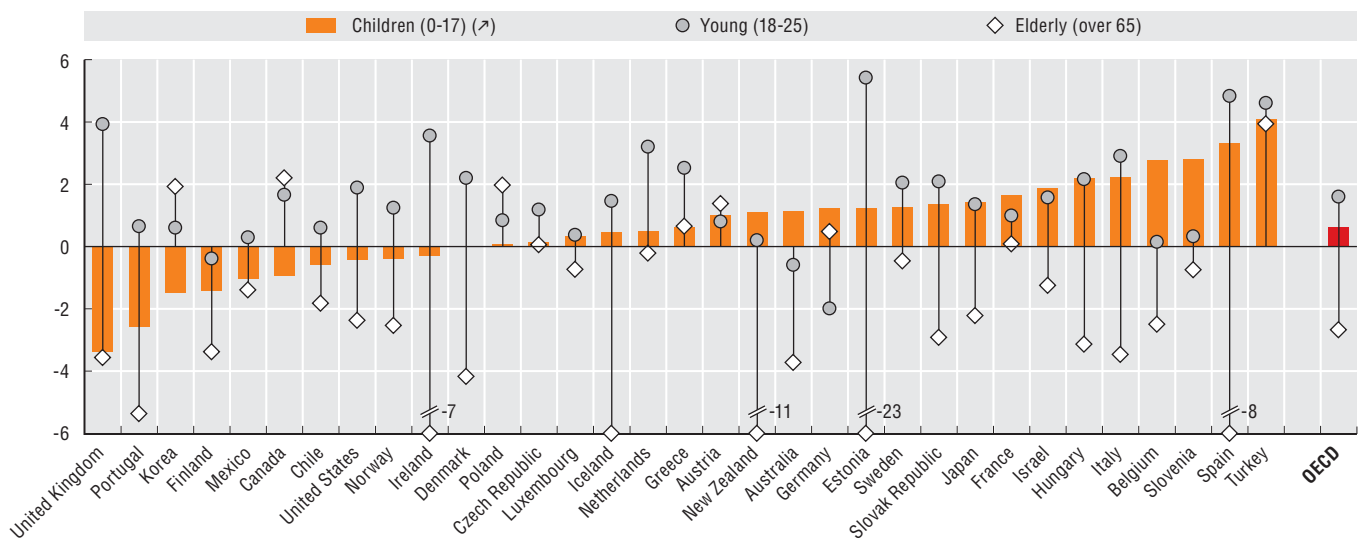


Panel B. Percentage point changes in relative and “anchored” poverty rates between 2007 and 2010



5.4. Poverty rose among children and youth and fell among the elderly

Percentage point changes in relative poverty rates between 2007 and 2010 by age group



Source: OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm).

StatLink <http://dx.doi.org/10.1787/888932966485>



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