

Definition and measurement

Avoiding material hardship is a primary objective of social policy, sometimes made explicit though a constitutional right to a decent standard of living. However, perceptions of “a decent standard of living” vary across countries and over time. Hence no commonly agreed measure of poverty across OECD countries exists. As with income inequality, the starting point for poverty measurement is equalised household disposable income provided by national consultants (see “Definition and measurement” under EQ1. Income inequality). People are classified as poor when their equalised household income is less than half 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” in any given country.

Poverty is considered in terms of the poverty rate and poverty gap. The poverty rate is a headcount of how many people fall below the poverty line. The poverty gap measures the extent to which the income of the poor falls below the poverty line. The poverty gap is the mean aggregate income shortfall relative to the poverty line.

The average OECD country poverty rate was 11% in the mid-2000s (EQ2.1). There is considerable diversity in country experiences. Poverty rates are around 15% in Poland, Korea, Ireland and Japan, and 17-18% in Mexico, Turkey, and the United States, while they are below 6% in Denmark, Sweden and the Czech Republic. Different thresholds change poverty rates considerably. Based on a threshold set at 40% of median income, the average OECD poverty rate falls to around 6%. The average poverty rate rises to around 17% for a threshold of 60% of median income.

The OECD average poverty gap was 29% in the mid-2000s (EQ2.1). The poverty gap is largest in Mexico, the United States and Switzerland, with a shortfall around 38%. At the lower end, in Finland, Luxembourg, the Netherlands and Belgium, it hovers around 20%.

Countries with higher poverty rates tend to have higher poverty gaps. The two measurements have a solid positive correlation of 0.60. Within this broad tendency, there are some notable outliers. Poverty gaps are well above OECD average, at 30% or more, in some of the countries characterised by relatively low poverty rates, such as Iceland and Switzerland in particular. Equally, poverty gaps are below average for some countries like Australia, Canada, Greece and Ireland which have higher than OECD average poverty rates.

Poverty rates generally increased over the period from mid-1980 to mid-2000s (EQ2.2). Rates fell for eight countries and rose for 16 countries. The biggest falls were registered in Belgium and Mexico, whereas the other countries had small poverty declines of around one percentage point or less. The largest rises, between 4 and 5 percentage points, were experienced by Germany, Ireland, the Netherlands and New Zealand. There is no clear pattern of difference of poverty rises between the mid-1980s and mid-1990s and the mid-1990s to the mid-2000s. The increase was about 0.6 points in each sub-period.

Further reading

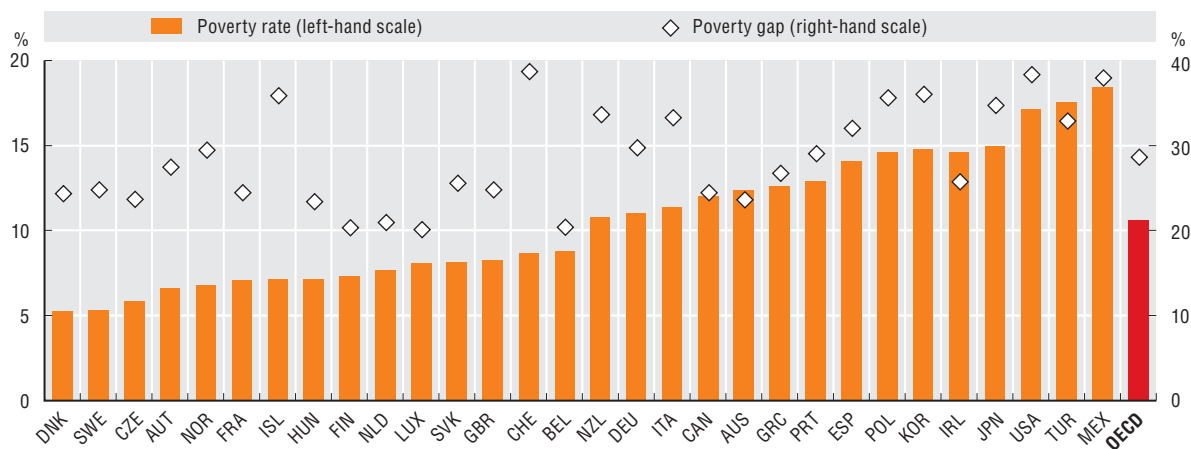
OECD (2008), *Growing Unequal – Income Distribution and Poverty in OECD Countries*, OECD, Paris (www.oecd.org/els/social/inequality).

Figure note

Figure EQ2.2: Data in the left figure refer to changes in the poverty headcount from around 1990 to mid-1990s for Czech Republic, Hungary and Portugal; no data are available for Australia and Switzerland. Data in the middle figure refer to changes from the mid-1990s to around 2000 for Austria, Belgium, Czech Republic, Ireland, Portugal and Spain (where 2005 data, based on EU-SILC, are not comparable with those for earlier years); and to changes from 2000 to 2005 for Switzerland. OECD24 refers to the simple average of OECD countries with data spanning the entire period (all countries shown above except Australia and Switzerland).

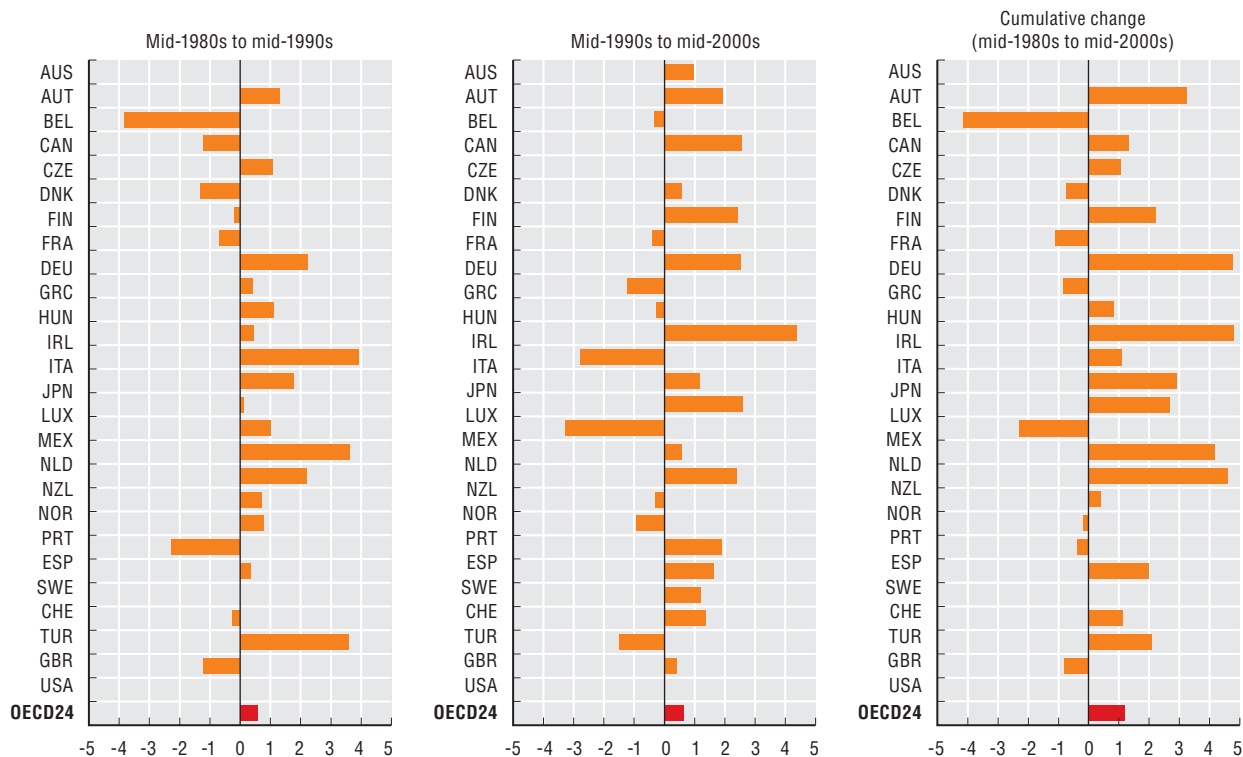
EQ2.1. OECD countries with high poverty rates tend to have high poverty gaps

Poverty rate and poverty gap, mid-2000s, 50% poverty threshold



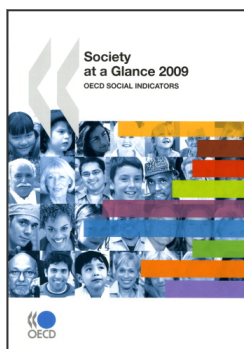
EQ2.2. Poverty rates generally increased over the period from mid-1980s to mid-2000s

Percentage point changes in income poverty rate at 50% median level over different time periods



Source: OECD (2008), *Growing Unequal: Income Distribution and Poverty in OECD Countries*, OECD, Paris (www.oecd.org/els/social/inequality).

StatLink <http://dx.doi.org/10.1787/550406285615>



From:
Society at a Glance 2009
OECD Social Indicators

Access the complete publication at:
https://doi.org/10.1787/soc_glance-2008-en

Please cite this chapter as:

OECD (2009), "Poverty", in *Society at a Glance 2009: OECD Social Indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/soc_glance-2008-17-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.