

Income poverty rates measure the share of people at the bottom end of the income distribution. Society's equity concerns are typically greater for the relatively disadvantaged. As a result, poverty measures often receive more attention than income inequality measures, with greater concerns for certain groups like older people and children, who have no or limited options for working their way out of poverty.

The average OECD relative poverty rate (i.e. the share of people living with less than half the median disposable income in their country) was 11.7% in 2016 for the OECD (Figure 6.4). Poverty rates were highest in Israel and the United States at almost 18%, while poverty in Denmark and Finland affected only 5-6% of the population. Mediterranean countries, South American countries and Baltic countries have relatively high poverty rates. Emerging economies also have higher levels of poverty than most OECD countries, particularly China and South Africa.

Relative poverty rates vary by gender. The average poverty rate for women equals 12.3% and 10.9% for men. Women face a higher risk of poverty than men in all OECD countries and key partners, except in Denmark, Finland and Greece. The largest gender poverty gaps are observed in Estonia, Latvia and Korea, where the poverty rates among women are 4 to 6 percentage points higher than men.

Changes in relative income poverty have been limited over the last decade. Between 2007 and 2016, only in Hungary and Lithuania poverty rose by more than 3 percentage points (Bars in Figure 6.5). Over the same period, it fell in Australia and Finland, while changes were below 2 percentage points 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 variation is particularly pertinent in Greece and Spain (“symbols” in Figure 6.5). While relative poverty did not increase much or even fell in these countries, “anchored” poverty increased by 5 percentage points or more between 2007 and 2016, reflecting disposable income losses of poorer households in those countries. Only in Chile “anchored” poverty fell by more than 7 percentage points reflecting significant income gains of poorer households.

Relative poverty rates also vary by age group. On average across OECD countries, poverty is lower among adults at 10%, while it is higher at 13% for children and almost 14% for youth and elderly. Child poverty is low in Nordic countries but highest in Chile, Israel, Spain, Turkey and the United States, where more than one in five children is income-poor. Poverty rates amongst youth were particularly high in Denmark and Norway, countries where youth leave parent's home early and become economically independent. But rates were also high in Spain where youth unemployment rates ballooned during the crisis years. Very high poverty rates among elderly are observed in a few countries, often related to maturation of pension systems. For instance, old-age poverty rates were highest in Korea, where the recent pension system has not fully matured. In Australia and Switzerland, old-age poverty rates are partly related to the fact

that many pensioners have taken their accumulated pensions as lump sums (which are not counted as current income) rather than annuitising them to provide income streams. In Estonia, Latvia and Mexico, the level of safety net benefits for elderly is very low.

Definition and measurement

As with income inequality, the starting point for poverty measurement is the concept of equivalised household disposable income (see “Definition and measurement” of the “Household income” or “Income inequality” indicators).

The poverty rate is a headcount of how many people fall below the poverty line. People are classified as poor when their equivalised disposable 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. Poverty rates by age group are computed based on the median income for the entire population.

Changes in relative poverty referring to the current median income can be difficult to interpret around 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 6.5 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*, <http://oe.cd/idd>.

Further reading

OECD (2018), *A Broken Social Elevator? How to Promote Social Mobility*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264301085-en>.

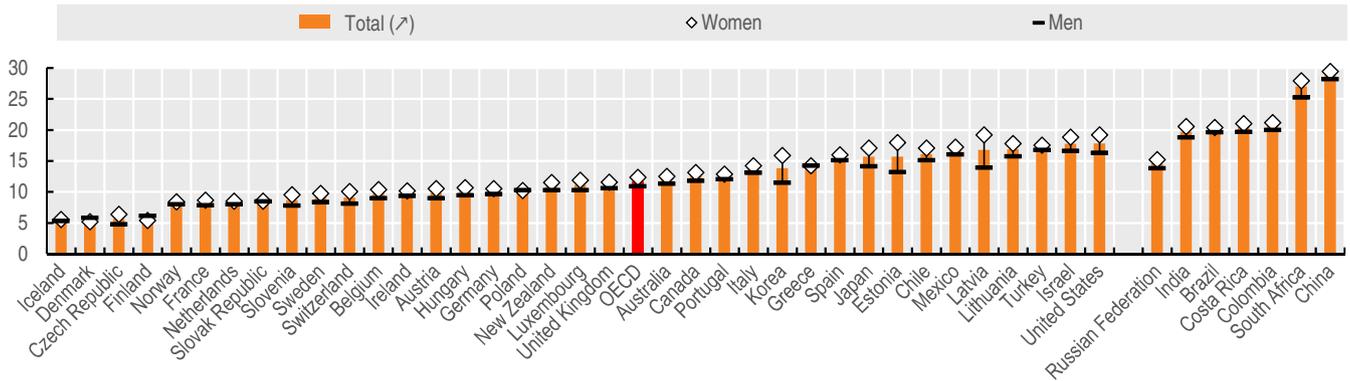
Figure notes

Figure 6.4 and Figure 6.6: instead of 2016: 2017 for Costa Rica, 2015 for Chile, Denmark, Germany, Iceland, Ireland, Japan, Korea, Switzerland, Turkey and South Africa; 2014 for Hungary, Mexico and New Zealand; 2013 for Brazil; 2011 for China and India.

Figure 6.5: Poverty rates are « anchored » in 2006 for Chile, Japan, Korea and Turkey, and 2007 for Austria and Spain, instead of 2005.

6.4. There are large differences in levels of relative poverty across the OECD

Percentage of persons living with less than 50% of median equivalised disposable income, by gender, in 2016 (or nearest year)

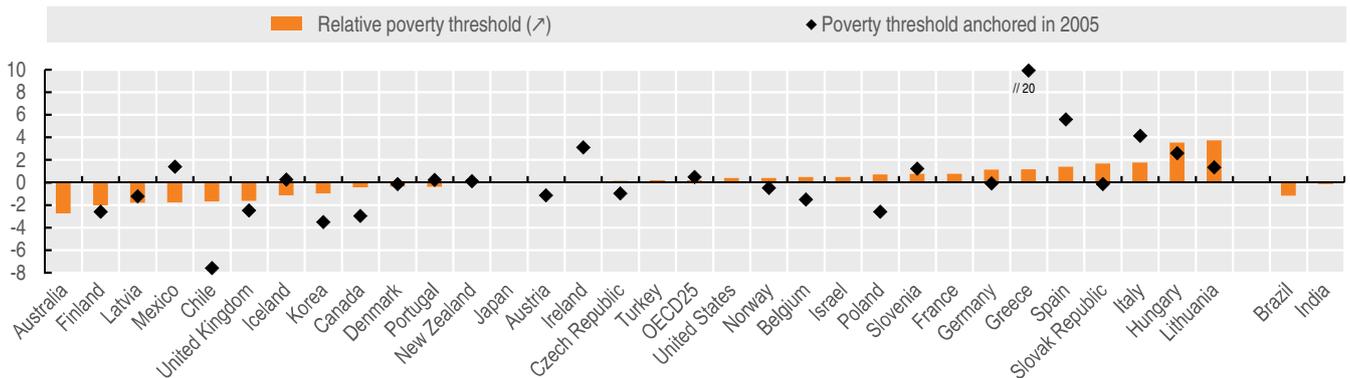


Source: OECD Income Distribution Database, <http://oe.cd/idd>.

StatLink <http://dx.doi.org/10.1787/888933939066>

6.5. The evolution of poverty differs if the threshold is “anchored”

Percentage point changes in relative and “anchored” poverty rates between 2007 and 2016 (or nearest year)

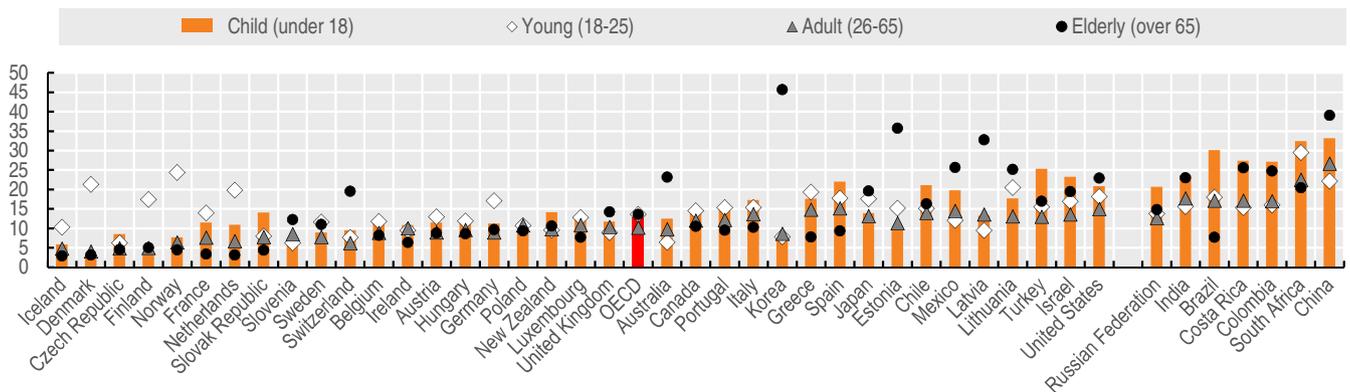


Source: OECD Income Distribution Database, <http://oe.cd/idd>.

StatLink <http://dx.doi.org/10.1787/888933939085>

6.6. Poverty is highest among children, youth and elderly, and lowest among adults

Percentage of persons living with less than 50% of median equivalised disposable income, by age group, in 2016 (or nearest year)



Source: OECD Income Distribution Database, <http://oe.cd/idd>.

StatLink <http://dx.doi.org/10.1787/888933939104>



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