

Chapter 1

Definitions of Concepts for the Perceptions of Poverty and Social Exclusion

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What is Poverty?

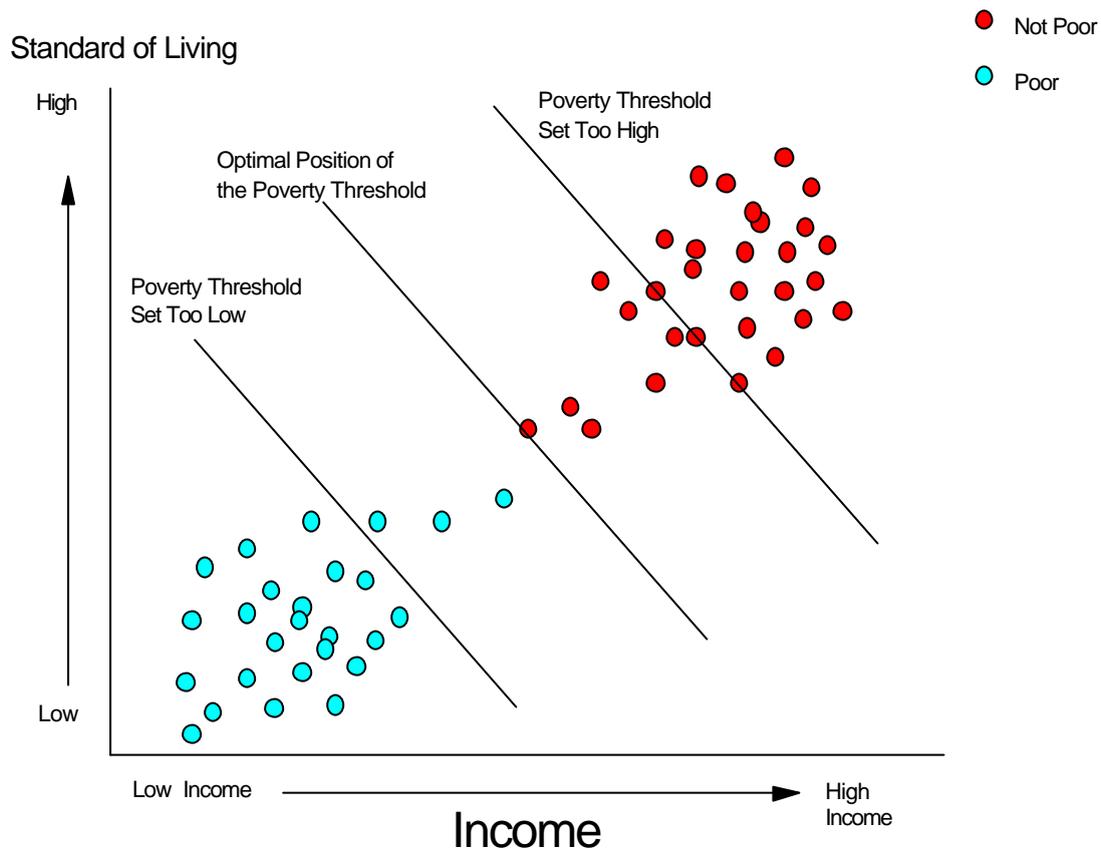
Poverty is a widely used and understood concept but its definition is highly contested. The term 'poverty' can be considered to have a cluster of different overlapping meanings depending on what subject area or discourse is being examined (Gordon and Spicker, 1998). For example, poverty, like evolution or health, is both a scientific and a moral concept. Many of the problems of measuring poverty arise because the moral and scientific concepts are often confused. In scientific terms, a person or household in Britain is 'poor' when they have both a low standard of living and a low income. They are not poor if they have a low income and a reasonable standard of living or if they have a low standard of living but a high income. Both low income and low standard of living can only be accurately measured relative to the norms of the person's or household's society.

A low standard of living is often measured by using a deprivation index (high deprivation equals a low standard of living) or by consumption expenditure (low consumption expenditure equals a low standard of living). Of these two methods, deprivation indices are more accurate since consumption expenditure is often only measured over a brief period and is obviously not independent of available income. Deprivation indices are broader measures because they reflect different aspects of living standards, including personal, physical and mental conditions, local and environmental facilities, social activities and customs. (See also Chapter 7 of this volume relating to definitions of social exclusion).

Figure 1.1 (overleaf) illustrates the relationship between low income, low standard of living and poverty through the use of an 'objective' poverty line/threshold. This can be defined as the point that maximises the differences **between** the two groups ('poor' and 'not poor') and minimises the differences **within** the two groups ('poor' and 'not poor'). Unfortunately, this can best be done using multivariate statistics¹ (which makes it hard to explain) since there are no accurate equivalisation scales (Whiteford, 1985; Buhman *et al*, 1988; De Vos & Zaidi, 1997). For scientific purposes broad measures of both income and standard of living are desirable. Standard of living includes both the material and social conditions in which people live and their participation in the economic, social, cultural and political life of the country

¹ Usually some variant of the General Linear Model is used such as Discriminant analysis, MANOVA or Logistic Regression depending on the nature of the data.

Figure 1.1: Definition of poverty



This 'scientific' concept of poverty can be made universally applicable by using the broader concept of resources instead of just monetary income. It can then be applied in developing countries where barter and 'income in kind' can be as important as cash income. Poverty can then be defined as the point at which resources are so seriously below those commanded by the average individual or family that the poor are, in effect, excluded from ordinary living patterns, customs and activities. As resources for any individual or family are diminished, there is a point at which there occurs a sudden withdrawal from participation in the customs and activities sanctioned by the culture. The point at which withdrawal escalates disproportionately to falling resources can be defined as the poverty line or threshold (Townsend, 1979; Townsend and Gordon, 1989).

Dynamics of Poverty

From the previous definition, it is clear that people/households with a high income and a high standard of living are not poor whereas those with a low income and a low standard of living are poor. However, two other groups of people/households that are 'not poor' can also be identified in a cross-sectional (one point in time) survey, such as *Breadline Britain*:

People/households with a low income but a high standard of living. This group is not currently poor but if their income remains low they will become poor - they are

currently sinking into poverty. This situation often arises when income falls rapidly (e.g. due to job loss) but people manage to maintain their lifestyle, for at least a few months, by drawing on their savings and using the assets accumulated when income was higher.

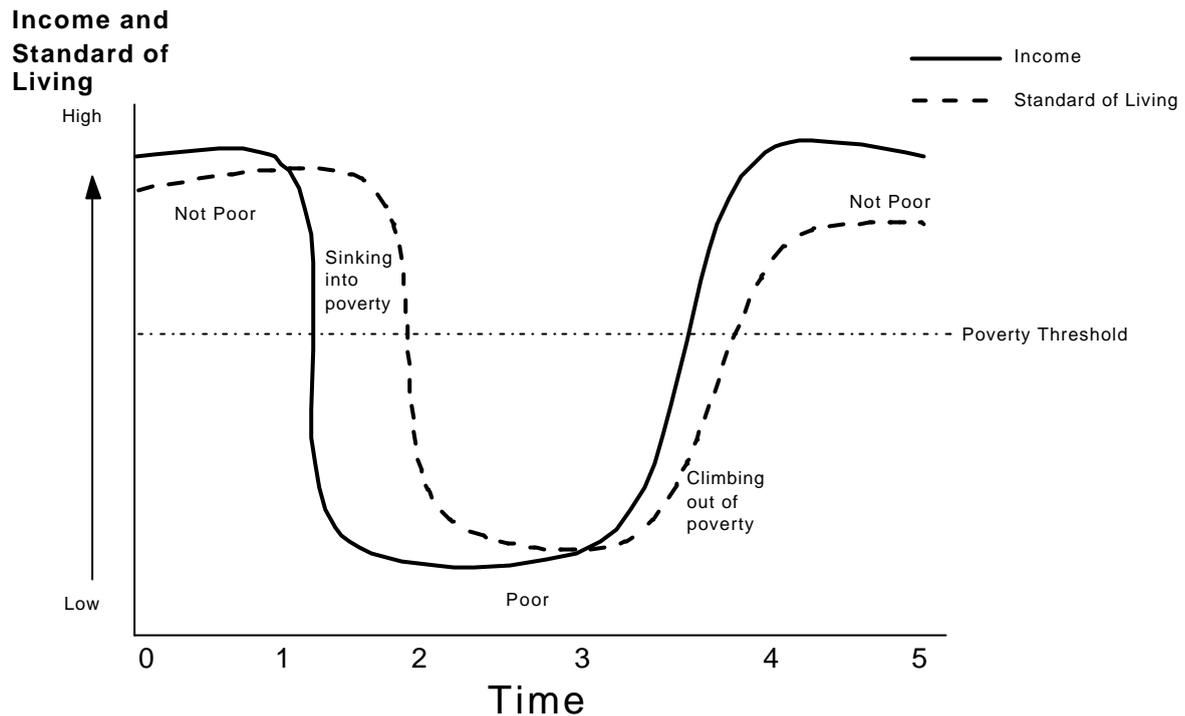
People/households with a high income but a low standard of living. This group is currently 'not poor' and if their income remains high their standard of living will rise – they have risen out of poverty. This group is in the opposite situation to the previous group. This situation can arise when the income of someone who is poor suddenly increases (e.g. due to getting a job), however, it takes time before they are able to buy the things that they need to increase their standard of living. Income can both rise and fall faster than standard of living.

A cross-sectional 'poverty' survey can provide some limited but useful information on the dynamics of poverty since it is possible not only to identify the 'poor' and the 'not poor' but also those sinking into poverty (i.e. people/households with a low income but a high standard of living) and those escaping from poverty (i.e. people/households with a high income but a low standard of living)

Poverty is, by definition, an extremely unpleasant situation to live in so it is not surprising that people go to considerable lengths to avoid it and try very hard to escape from poverty once they have sunk into it. Therefore, a cross-sectional poverty survey ought to find that the group of households sinking into poverty was larger than the group escaping from poverty since, when income falls people will try to delay the descent into poverty but, if the income of a poor person increases, she will quickly try to improve her standard of living.

Figure 1.2 illustrates this concept:

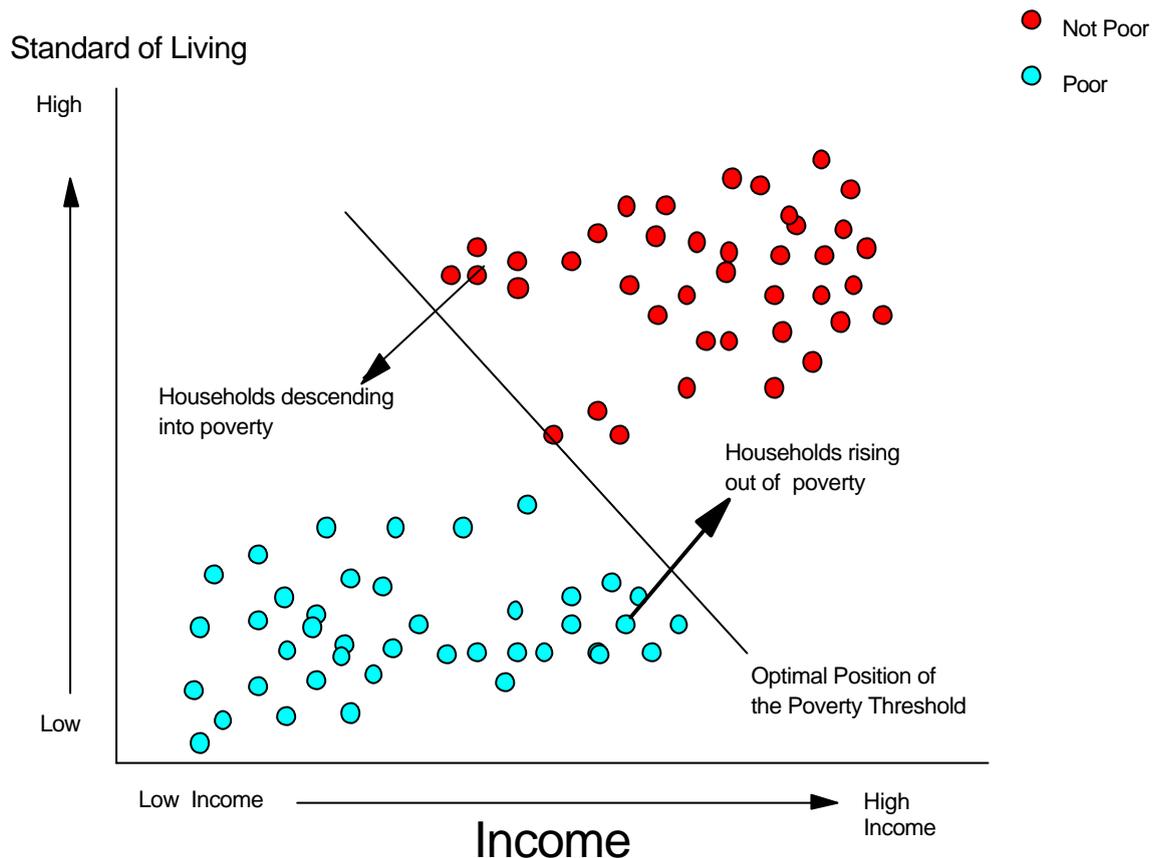
Figure 1.2: Dynamics of poverty



Between time 0 and 1 the household has both a high standard of living (dotted line) and a high income (solid line): it is 'not poor'. At time 1, there is a rapid reduction in income (e.g. due to job loss, the end of seasonal contract income, divorce or separation, etc), however, the household's standard of living does not fall immediately. It is not until time 2 that the household's standard of living has also fallen below the 'poverty' threshold. Therefore, between time 1 and time 2, the household is 'not poor' but is sinking into poverty (i.e. it has a low income but a relatively high standard of living). At time 3, income begins to rise rapidly, although not as fast as it previously fell. This is because rapid income increases usually result from gaining employment but there is often a lag between starting work and getting paid. Standard of living also begins to rise after a brief period as the household spends its way out of poverty. However, this lag means that there is a short period when the household has a high income but a relatively low standard of living. By time 5, the household again has a high income and a high standard of living.

On the basis of this discussion, it is possible to update Figure 1.1 to give a more realistic picture of movements into and out of poverty. Figure 1.3 illustrates this.

Figure 1.3: Movements into and out of poverty



In Figure 1.3, the sizes of the groups moving into and out of poverty have been exaggerated for clarity. However, it is clear that movements into and out of poverty tend to occur close to the X and Y-axes and there is little movement across the poverty threshold at the centre of the graph. Households in Britain typically become poor when their income falls precipitously followed by a gradual decline in their standard of living. Households rarely slide into poverty because their income and standard of living declines gradually together. Similarly, moves out of poverty tend to follow a rise in income followed by a rise in standard of living. It would be rarer for both income and standard of living to rise gradually together.

Dynamic Definitions of Poverty

The division of the population into two groups, the 'poor' and 'not poor', is obviously an over-simplification which takes no account of the length of time spent living in poverty. Research in Europe and America, using crude income-based poverty lines, has shown that, although at any one time a large number of households may experience low incomes, for many this experience might be for only a relatively brief period. The *Breadline Britain in the 1990's* survey found that, although 20% of households were poor, only 4% of respondents had been poor in the past 'most of the time'. Although poverty in Britain is widespread, virtually nobody in Britain lives continuously in poverty for very long periods of time. The welfare state may not prevent households from slipping into poverty but often it does appear to be

successful at preventing them falling so far that they cannot escape from poverty at a later date.

Studies on income dynamics led Duncan *et al* (1993) to suggest that:

“the static dichotomy of poor Vs not poor is very misleading and needs to be replaced by at least four dynamic categories of economic position - persistent poverty, transition poverty, the economically vulnerable and the financially secure.”

We intend to attempt to try to estimate the size of these groups in the new study, as accurately as possible given the cross-sectional survey design. This may be possible if a cross-sectional analysis like the one described above is combined with the answers to a question on the history of poverty, such as the modified Question 17 asked in the 1990 survey.

Q17 Looking back over your life, how often have there been times in your life when you think you have lived in poverty by the standards of that time?

Never	53
Rarely	15
Occasionally	19
Often	8
Most of the time	4
Don't know	1

In addition, a new question will be asked:

Is there anything that has happened recently in your life or is likely to happen in the near future which will affect your standard of living or income?

Yes, reduce my standard of living
Yes, increase my standard of living
Yes, increase my income
Yes, reduce my income
No
Don't know

These 'history of poverty' questions will help to identify Duncan *et al*'s four 'dynamic' poverty groups:

The persistent poor. Those households currently poor and that have been poor in the past 'most of the time' and/or 'often'.

Transition poverty. Those currently poor but who have only been poor in the past 'rarely' or 'occasionally'.

The economically vulnerable. Those currently not poor but who have been poor in the past 'occasionally', 'often' or 'most of the time'. We could also include those

with a low income and a high standard of living and those with a low standard of living but a high income (see previous discussion) in this group.

The financially secure. Those households not currently poor and that have never been poor in the past.

The 'Subjective' Poverty Line/Threshold

This can be derived from the answers to the Minimum Income Questions (MIQ). It can be either the average amount given in answer to this question or the amount of income of those in 'budgetary balance', using either the SPL or CSP methods (see Townsend *et al*, 1997 for discussion).

'Absolute' and 'Overall' Poverty

We began from the basis of the MORI questions asked by Townsend *et al* (1997) which have subsequently been modified based on the results from the focus group research (see Chapter 8).

After the World Summit on Social Development in Copenhagen in 1995, 117 countries adopted a declaration and programme of action which included commitments to eradicate "absolute" and reduce "overall" poverty, drawing up national poverty-alleviation plans as a priority (UN, 1995).

Absolute poverty was defined by the UN as *"a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services."* (UN, 1995, p. 57)

Overall poverty was considered to takes various forms, including *"lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision-making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter destitution of people who fall outside family support systems, social institutions and safety nets."* (UN, *ibid*, p.57)

Too little attention seems to have been given in 1995 and 1996 to the agreement reached at the Copenhagen Summit on Social Development (UN, 1995; UN, 1996 and see the commentary in Townsend, 1996). The summit was called because many governments were becoming restive with the lack of progress in reducing the gap in living standards between rich and poor countries and, despite the work of the international financial agencies, the growth of rock-bottom forms of poverty. At the

same time, there were other, associated, problems of unemployment and social disintegration that were clamouring for equally urgent attention by governments.

Absolute poverty means being so poor that you are deprived of basic human needs. In order to avoid absolute poverty, you need enough money to cover all these things:

- adequate diet;
- housing costs/rent;
- heating costs;
- clothing;
- adequate sanitation facilities (sewage rates and water rates);
- access to basic health care;
- access to education/schooling.

In order to avoid overall poverty, you need to have enough money not only to cover all things mentioned in the absolute poverty list above, but enough money to ensure that you are able to:

- live in a safe environment/area;
- have a social life in your local area;
- feel part of the local community;
- carry out your duties/activities in the family and neighbourhood and at work;
- meet essential costs of transport.

Income and Resources

The term 'resources' is often used in poverty studies but it is seldom discussed in detail. It is often assumed to be synonymous with 'usual' income in industrialised nations like Britain. However, the concept of resources is broader than just 'current' or 'usual' cash income. Income in many poverty studies is often used to refer only to the main component of monetary income for most households - i.e. wages and salaries or business income. Others use the term widely to include all receipts including lump sum receipts and receipts that draw on the household's capital.

The definition and measurement of income is such an important concept that it is dealt with in detail in a separate section.

Social Exclusion²

This concept is dealt with in detail in Chapter 7. Social exclusion as a discourse emerged in France during the 1970s and has since spread across the rest of Europe. The Commission of the European Community (now Union) started to use the concept in the 1980s and it is now widely applied by both social scientists and politicians. How to interpret the concept is nevertheless unclear and the definition of the concept varies among countries, different school of thoughts and different experts and researchers (Silver, 1994).

² This section is largely based on the edited submissions by Ruth Levitas, Björn Halleröd and others in Gordon and Spicker, 1998.

The key text in the genesis of social exclusion does not actually use the term but seeks to redefine poverty as an objective condition of relative deprivation where individuals, families or groups lack the resources for participation in the customary activities of the society to which they belong:

“Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities” (Townsend, 1979, p.31).

In this initial formulation, poverty is a lack of resources (income, wealth, housing) and social exclusion a common consequence of poverty. This definition is accepted by, for example, the British Child Poverty Action Group:

“people live in poverty when they are excluded from participating in the accepted way of life in the society in which they live because of the low level of their resource” (Oppenheim, 1993, p.vii).

What constitutes social exclusion is therefore dependent upon judgements both *within and about* society in assessing the accepted necessarily way of life and adequate participation. Notably, the question of participation goes beyond the levels of consumption afforded to those with restricted resources. Golding (1986) addresses exclusion from leisure pursuits, political life, financial institutions and the new entertainment and communication technologies, while Lister (1990) writes about exclusion from citizenship. This broad approach is also reflected in the United Nations Agenda 21. In less precise usage, social exclusion is sometimes used as synonymous with poverty. This has a double drawback. Firstly, it obscures the possibility, noted by Townsend, that there may be circumstances in which restricted resources do not produce social withdrawal and isolation. Secondly, there may be other causes of exclusion and marginalisation - such as disability - which are not solely related to lack of resources.

Although social exclusion is sometimes used only as a substitute for poverty, many researchers have tried to establish a distinction between poverty and social exclusion. Sometimes it is argued that poverty is a narrow concept dealing with problems that are directly related to economic resources, while social exclusion deals with a broad range of questions dealing with individuals integration in the society. This means that *“exclusion includes poverty, poverty does not include exclusion”* (Delors cited in Abrahamson, 1996). It is also argued that poverty is a static phenomenon, dealing solely with people’s economic situation at one point of time, while social exclusion represents a dynamic perspective focusing on the processes that leads to a situation of exclusion and, for that matter, poverty (Room, 1995). A third distinction turns the argument the other way around, arguing that social exclusion represents an extreme form of poverty. The socially excluded are the worst off, the poorest among the poor (Abrahamson, 1996). Thus, the distinctions between poverty and social exclusion are not always easy to interpret and they do not give a uniform picture of the differences. It can also be argued that they to a significant degree are based on a caricature of the concept of poverty (Nolan and Whelan, 1996).

However, in European Union documents in the 1990s, social exclusion has a much narrower meaning than that outlined above, being focused on unemployment, or exclusion from paid work. It is considered a problem less because of the consequences for individuals than because it threatens social cohesion. Its opposite is not participation but integration and integration through paid work. Social exclusion is thus increasingly being used as virtually synonymous with unemployment. Although unemployment is a major cause of poverty, and thus of social exclusion, this usage is far more restrictive. It also has political implications, since it suggests that social exclusion can be addressed only through employment policy and not through improved welfare provision or through initiatives aimed directly at increasing a range of forms of social participation.

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