



Poverty and Social Exclusion in the UK

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Europe 2020 Poverty Measurement

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Poverty and Social Exclusion in the UK

Overview

The Poverty and Social Exclusion in the UK Project is funded by the Economic, Science and Research Council (ESRC). The project is a collaboration between the University of Bristol, University of Glasgow, Heriot Watt University, Open University, Queen's University (Belfast), University of York, the National Centre for Social Research and the Northern Ireland Statistics and Research Agency. The project commenced in April 2010 and will run for three-and-a-half years.

The primary purpose is to advance the 'state of the art' of the theory and practice of poverty and social exclusion measurement. In order to improve current measurement methodologies, the research will develop and repeat the 1999 Poverty and Social Exclusion Survey. This research will produce information of immediate and direct interest to policy makers, academics and the general public. It will provide a rigorous and detailed independent assessment on progress towards the UK Government's target of eradicating child poverty.

Objectives

This research has three main objectives:

- To improve the measurement of poverty, deprivation, social exclusion and standard of living
- To assess changes in poverty and social exclusion in the UK
- To conduct policy-relevant analyses of poverty and social exclusion

For more information and other papers in this series, visit www.poverty.ac.uk

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Introduction

In June 2010 the European Union adopted its first anti-poverty target and radically changed its poverty measurement methodology. These changes have significant implications for the *Poverty and Social Exclusion in the United Kingdom* project.

The EU Poverty Target

At the special European Council meeting in Lisbon on 23rd-24th March 2000 it was concluded that;

“The number of people living below the poverty line and in social exclusion in the Union is unacceptable. Steps must be taken to make a decisive impact on the eradication of poverty by setting adequate targets to be agreed by Council by the end of the year.”

No target was set ‘by the end of the year’ and nothing happened about this issue for ten years, until spring 2010 when the EU civil service was given just three months to develop a poverty target before the end of the Spanish European Council Presidency in June 2010. The suggestion to use the current headline ‘at-risk-of-poverty’ <60% median equivalised income measure was rejected by EU member states governments, so a new more ‘acceptable’ poverty measure had to also be developed in just three months.

The European Council meeting on the 17th June 2010 agreed five Europe 2020 headline targets including;

“Promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion”

The footnote to this target stated that;

“The population is defined as the number of persons who are at risk-of-poverty and exclusion according to three indicators (at-risk-of poverty; material deprivation; jobless household), leaving Member States free to set their national targets on the basis of the most appropriate indicators, taking into account their national circumstances and priorities.”

(See <http://register.consilium.europa.eu/pdf/en/10/st00/st00013.en10.pdf>)

This footnote means that the UK government can use its national child poverty

targets, the Irish government can use its consistent poverty targets¹ and the French government can use its ‘anchored-in-time’ and poverty indicator scoreboard targets². EU member states governments have been asked to submit national targets for poverty reduction and a national reform plan by November 2010.

The EU Poverty Measure

Given the sort of timescale in which a new poverty measure had to be developed, it was decided to build upon existing work. The new measure is a combination of;

- 1) The ‘At risk of poverty’ <60% national median equivalised income.
- 2) A modified version of the ‘Material Deprivation’ measure adopted in February 2009 by the EU Social Protection Committee.
- 3) A new measure of Jobless households.

Households/people in the EU are now defined as poor if they are either;

Low Income (<60% median) **OR** Materially Deprived **OR** in a Jobless Household.

The 2008 EU-SILC survey indicates that **120 million people** in EU27 countries are poor using this new definition (about 25% of the EU27 population).

¹ A revised ‘consistent’ poverty measure was adopted by the Irish Government in 2007, which defines the poor as those with incomes below 60% median equivalised income and suffering from 2 or more of the following deprivations (1. Two pairs of strong shoes, 2. A warm waterproof overcoat, 3. Buy new not second-hand clothes, 4. Eat meals with meat, chicken, fish (or vegetarian equivalent) every second day, 5. Have a roast joint or its equivalent once a week, 6. Had to go without heating during the last year through lack of money, 7. Keep the home adequately warm, 8. Buy presents for family or friends at least once a year, 9. Replace any worn out furniture, 10. Have family or friends for a drink or meal once a month, 11. Have a morning, afternoon or evening out in the last fortnight, for entertainment). The Irish Governments poverty target is to reduce the number of those experiencing consistent poverty to between 2% and 4% by 2012, with the aim of eliminating consistent poverty by 2016, under the revised definition.

² France has a legal target to reduce poverty by a third by 2012 (Decree No. 2009-554 on 20 May 2009). Poverty is measured by a ‘scoreboard’ of indicators. Including an ‘anchored-it-time’ 60% median equivalised income measure set in 2007 and inflation adjusted up to 2012. The 32 poverty indicators include material deprivation, poverty persistence rate, employment, housing, health and education indicators. For a full list of the French poverty scoreboard indicators see Appendix in <http://www.peer-review-social-inclusion.eu/peer-reviews/2009/measuring-the-impact-of-active-inclusion/discussion-paper-fr-2-09/download>

- Low income approximately **80 million** in 2008
- Material Deprivation approximately **40 million** in 2008
- Jobless Household approximately **40 million** in 2008

The Material Deprivation indicator adopted by the Social Protection Committee in February 2009 identified people as deprived where there was an enforced lack of 3 or more, out of 9 deprivation items. The nine deprivation indicators are - cannot afford to;

- 1) Pay rent or utility bills,
- 2) Keep home adequately warm,
- 3) Pay unexpected expenses,
- 4) Eat meat, fish or equivalent every second day,
- 5) A weeks holiday away from home once a year,
- 6) A car,
- 7) A washing machine,
- 8) A colour TV,
- 9) Telephone.

Using the agreed February 2009 definition of material deprivation approximately **80 million** people were estimated to be materially deprived, in the 2008 EU-SILC data³. This was considered to be too many deprived people so the Material Deprivation measure has now been changed to an **enforced lack of 4 or more deprivation items**, out of the 9 listed above. This change reduced the number of people defined as materially deprived from 80 million to 40 million. The material deprivation items will be reviewed in 2015 based on the 2009 EU-SILC deprivation module results (see Appendix 1).

The brand new Jobless household measure is complex and defined as;

People living in households (aged 0-59 but excluding students) where either;

- 1) No one is working over the whole year, or;
- 2) The work intensity is below 0.2 over the whole year (e.g. A two adult household with only one person working less than 40% of the time)

This new measure of jobless households builds on previous measures⁴ and takes account of part time work by estimating the number of hours worked part time, it also has a more refined household type breakdown (which includes lone parent households).

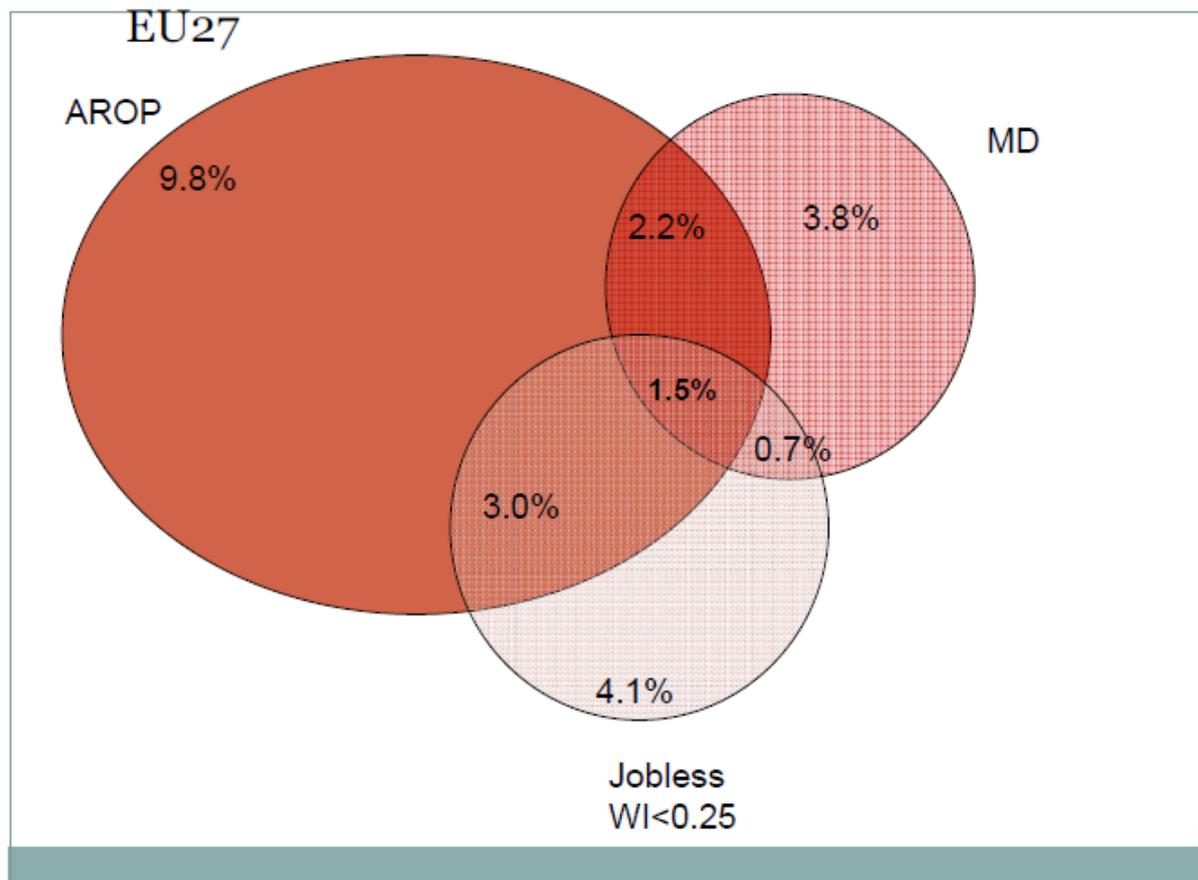
³ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-09-007/EN/KS-RA-09-007-EN.PDF

⁴ See Annex 1.2 and 1.3 in the recent Tarki/Applica report on 'Child Poverty and Child Well-Being in the EU'
http://www.tarki.hu/en/research/childpoverty/report/child_poverty_final_annexes_jan2010.pdf

Figure 1 (from a slide produced by Anne-Catherine Guio) shows the overlaps between the three components of the new EU 2020 poverty measure in the 2008 EU-SILC data for the 27 member states.

In Figure 1, AROP is 'At Risk of Poverty' (i.e. <60% of the equivalised national median income), MD is Material Deprivation (i.e. the enforced lack of 4 or more deprivation items, out of 9) and Jobless is people in jobless households (see definition above).

Figure 1: Overlaps between the three poverty measures in 2008



(Source: Anne-Catherine Guio)

One major concern is that 4.1% of people (approximately 20 million) were living in 'Jobless' households in 2008, but were neither income poor (AROP) or materially deprived (MD). Some of these households may consist of relatively wealthy people who 'early retired' at 55 on a good pension. Others may be 'disabled households' who are not able to work but who are not 'poor' in the usual sense of the term (see Figure 2).

Figure 2: Relationship between new EU 2020 poverty measures and other poverty indicators in 2007 EU-SILC



(Source: Anne-Catherine Guio)

Figure 2 shows that people in the EU who are materially deprived (not AROP, MD) or materially deprived and also income poor (AROP & MD) are also likely to suffer from other poverty related problems (financial strain, debt, poor health, etc.). By contrast those who live in Jobless households but who are not income poor or materially deprived (i.e. the right hand set of bars in Figure 2) tend to suffer from similar levels of poverty related problems to those not defined as 'poor' using the new EU 2020 measure. Many (most) of these 'only' jobless households will be in income quintiles 2 to 5 (i.e. not in the lowest income quintile). Therefore, it might be possible for some of the 'richer' EU countries to get a long way to meeting the new EU poverty reduction targets making people work longer (e.g. abolishing retirement before the age of 59).

Conclusion

In our ESRC bid 'case for support' we argued that the new PSE survey would;

- Provide policy makers with a comparison of how the 'current' measures of poverty and deprivation compare with a range of other measures of poverty and social exclusion.
- Provide a unique opportunity to show directly how the two deprivation indices (FRS and EU-SILC) compare with each other and with a broader set of deprivation measures.

We will therefore need to be able to replicate both the FRS and EU 2020 poverty measures and also ideally be able to replicate any revision to the EU 2020 material deprivation measure made in 2015, based on the 2009 EU-SILC deprivation module (see Appendix 1 below).

Appendix 1

EU-SILC Deprivation Questions used in the UK (GLF) 2009 Paper Questionnaire

HOUSEHOLD QUESTIONS

Question:

Does your accommodation have hot running water?

Answer Options:

Yes

No

Question:

Do you think that your household may move from your present accommodation in the next 6 months?

Answer Options:

Yes

No

Question:

(If yes) What is the main reason that your household may move from your present accommodation in the next 6 months?

Answer Options:

- a) landlord has given/will give notice to end the contract
- b) there is no formal contract and landlord has given/will give notice
- c) eviction (or other legal reasons)
- d) financial difficulties
- e) family related reason
- f) employment related reason
- g) other reason

Question:

Do you have a shortage of space in your accommodation?

Answer Options:

1 Yes

2 No

Question:

How often is there litter lying around in your neighbourhood?

Answer Options:

- 1 Very frequently
- 2 Frequently
- 3 Sometimes
- 4 Rarely or never

Question:

How often is there damage to the public amenities (bus stops, lamp posts, pavements, etc.) in your neighbourhood?

Answer Options:

- 1 Very frequently
- 2 Frequently
- 3 Sometimes
- 4 Rarely or never

Question:

Does any member of your household use public transport?

Answer Options:

- 1 Yes
- 2 No

Question: (If Yes)

How easy is it for members of your household to access the public transport that they use?

Answer Options:

- 1 very difficult
- 2 difficult
- 3 easy
- 4 very easy

Question:

Does any member of your household use postal services such as sending and receiving parcels and letters?

Answer Options:

- Yes
- No

Question: (If Yes)

How easy is it for members of your household to access postal services?

Answer Options:

- 1 very difficult
- 2 difficult
- 3 easy
- 4 very easy

Question:

Does any member of your household use banking services such as withdrawing and transferring money and paying bills?

Information:

Include telephone or internet banking if used

Answer Options:

Yes
No

Question: (If Yes)

How easy is it for members of your household to access these banking services?

Answer Options:

- 1 very difficult
- 2 difficult
- 3 easy
- 4 very easy

Question:

Does your household replace worn-out furniture?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Does your household have an internet connection?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

CHILDRENS QUESTIONS (asked at household level)

IntroCh

The next set of questions asks about children between the ages of 1 and 15. The questions ask about ALL the children in the household as a group.

Information:

If at least one child does not have the item in question, the whole group of children in the household is assumed not to have the item

Question:

Do ALL the children in your household have some new (not second-hand) clothes?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do ALL the children in your household have at least two pairs of properly fitting shoes?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do ALL the children in your household eat fresh fruit or vegetables at least once a day?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do ALL the children in your household eat three meals a day?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL eat one meal with meat, chicken or fish (or vegetarian equivalent) at least once a day?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL have books at home suitable for their ages?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL have outdoor leisure equipment suitable for their ages (bicycle, roller skates, etc.)?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL have indoor games suitable for their ages (building blocks, board games, computer games, etc.)?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL have regular leisure activities (swimming, playing an instrument, youth organisations, sports etc.)?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL have celebrations on special occasions (birthdays, religious events, etc.)?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL invite friends round to play and eat from time to time?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do they ALL go on holiday at least 1 week per year?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do ALL the children who attend school participate in school trips and school events that cost money?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason
- 4 Not applicable - no children who attend school

Question:

Do ALL the children in your household who attend school have a suitable place to study or do homework?

Answer Options:

- 1 Yes
- 2 No
- 3 Not applicable

Question:

Do ALL the children in your household have an outdoor space in the neighbourhood where they can play safely?

Answer Options:

- 1 Yes
- 2 No
- 3 Not applicable

Question:

Was there any time in the last 12 months when at least one of the children in your household needed to consult a GP or specialist but did not?

Answer Options:

- 1 Yes

2 No

Question:

What was the main reason for not consulting a GP or specialist on this (these) occasion(s)?

Answer Options:

- 1 Could not afford to
- 2 Waiting list
- 3 Could not take the time because of work, care of other children or care of other persons
- 4 Too far to travel/no means of transport
- 5 Other reason

Question:

Was there any time in the last 12 months when at least one of the children in your household needed a dental examination or treatment but did not receive it?

Answer Options:

- 1 Yes
- 2 No

Question:

What was the main reason for not consulting a dentist on this (these) occasion(s)?

Answer Options:

- 1 Could not afford to
- 2 Waiting list
- 3 Could not take the time because of work, care of other children or care of other persons
- 4 Too far to travel/no means of transport
- 5 Other reason

INDIVIDUAL QUESTIONS

Question:

Do you have a mobile phone?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do you have at least two pairs of properly fitting shoes?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do you replace worn-out clothes with new (not second-hand) ones?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do you get together with friends or family for a drink or meal at least once a month?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do you regularly participate in a leisure activity such as sport, cinema, concerts etc?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

Do you spend some money on yourself each week?

Answer Options:

- 1 Yes
- 2 No - because can't afford it
- 3 No for some other reason

Question:

How many times in the last 12 months have you needed a medical examination or treatment for a health problem, from a GP or specialist but not received it?

Answer Options:

- 1 not at all
- 2 1-2 times
- 3 3-5 times
- 4 6-9 times
- 5 10 times or more