

IDENTIFYING THE POOR

SENSITIVITY AND CHARACTERISTICS OF HOUSEHOLD SELECTION BASED ON INCOME AND CONSUMPTION DATA

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INTRODUCTION TO POVERTY

- No “true” value of poverty
- Values of poverty conditional on approach and concept
- Rankings differ with regard to indicator
- Direct vs. indirect measures of poverty

WIDELY-USED POVERTY CONCEPTS

- Relative income poverty (EU/OECD):
At-risk-of poverty
 - EU: 86 m people \Rightarrow 17.2% (2014)
(26.1% before social transfers)

- Multidimensional poverty measure (EU):
AROPE = At-risk-of poverty or social exclusion
 - 1 at-risk-of poverty
 - 2 severe material deprivation
 - 3 very low work intensity
 - EU: 122.3 m people \Rightarrow 24.4% (2014)

- Consumption-based approach (USA)
 - USA: 43.1 m people \Rightarrow 13.5% (2015)

RESEARCH OBJECTIVES

- 1** Differences in relative poverty based on direct and indirect measures
- 2** Identification and comparison of poor households
- 3** Comparison of socio-demographic characteristics

INCOME VS CONSUMPTION

	Income	Consumption
Advantages	<ul style="list-style-type: none"> ■ data availability ■ reliable 	<ul style="list-style-type: none"> ■ direct measure (real purchasing power) ■ captures dissavings ■ (intra-family distribution)
Disadvantage	<ul style="list-style-type: none"> ■ indirect measure (potential purchasing power) ■ information on wealth ■ intra-family distribution 	<ul style="list-style-type: none"> ■ different concepts ■ handling of durables ■ data

DATA: GERMAN SAMPLE SURVEY OF INCOME AND EXPENDITURE (EVS)

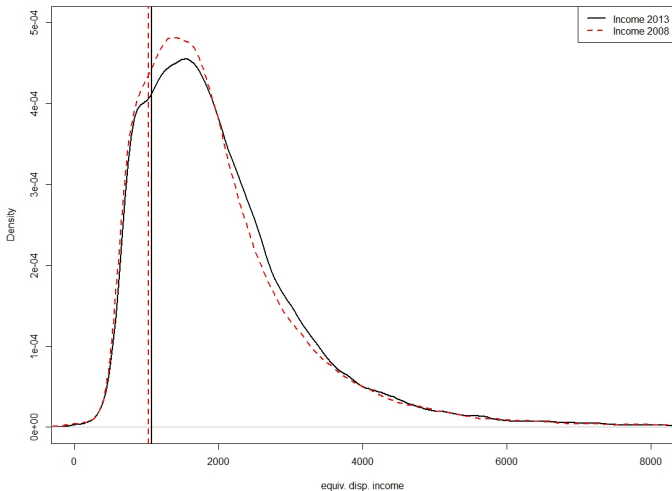
- Official and representative data set of private households in Germany
- Data for calculating welfare payments
- Cross-sectional sample containing information on household income and expenditures

- Participants are asked to keep an account of all expenditures and types of income over a period of three months

- Scientific use-file of the EVS (80% of total sample)
⇒ ≈ 44,000 households
- Waves (every 5 years): (2003)/2008/2013

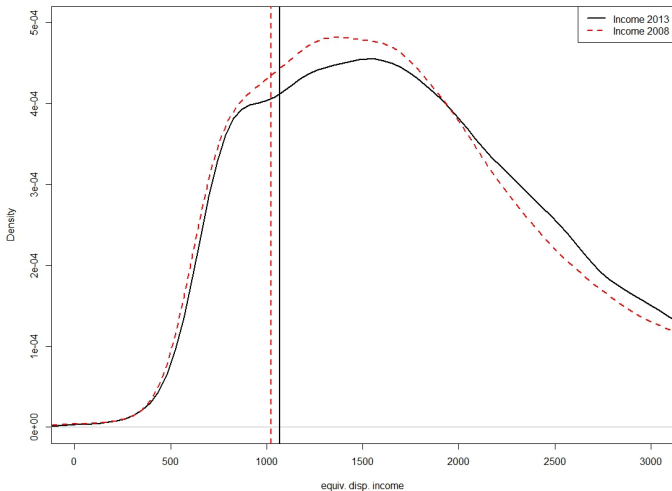
COMPARISON OF INCOME 2008/2013 (I)

VALUES OF 2013 ARE CORRECTED BY INFLATION

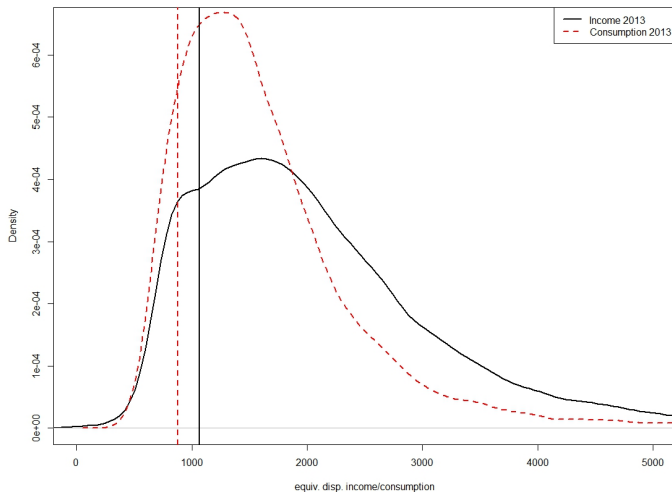


COMPARISON OF INCOME 2008/2013 (II)

VALUES OF 2013 ARE CORRECTED BY INFLATION



COMPARISON OF INCOME AND CONSUMPTION IN 2013



POVERTY VALUES (2013)

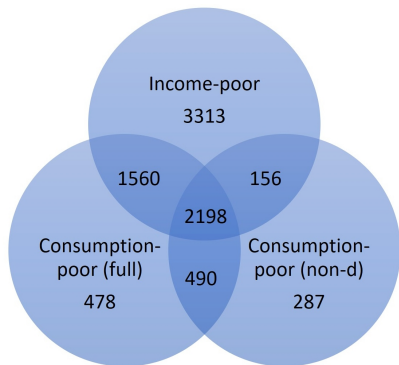
(COMPARED TO THE VALUES OF 2008)

	poverty based on		
	income	consumption (full)	consumption (non-d*)
poverty line	1,121 (+ 109)	876 (+ 83)	699 (+ 66)
percentage	18.38 (+ 0.71)	12.02 (+ 0.68)	7.96 (+ 0.19)
poverty gap	4.19 (+ 0.3)	1.89 (+ 0.13)	1.03 (+0.04)

* non-d = non-durable goods

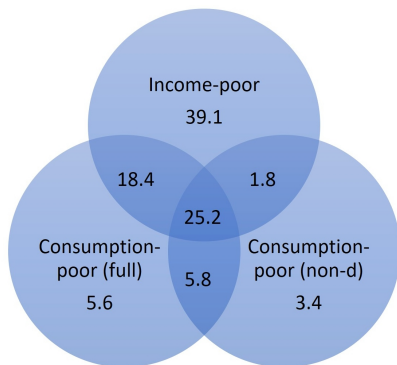
COMPARISON OF IDENTIFIED HOUSEHOLDS

absolute (in 1,000)



Total: 8,482

relative



Total: 100%

AVERAGE VALUES OF POOR SUBGROUPS

	poverty categories			
	all	income	cons. (full)	cons. (non-d)
Income	767	840	956	989
Consumption	667	907	738	749
no. of households (in 1,000)	2,198	7,227	4,726	3,131

SOCIO-DEMOGRAPHIC CHARACTERISTICS OF POOR HOUSEHOLDS

	poverty categories						
	inc.	cons. (full)	cons. (non-d)	all	inc only	cons. (full) only	cons. (non-d) only
children 0-5	0.07	0.09	0.13	0.08	0.08	0.10	0.30
children 5-13	0.09	0.11	0.12	0.09	0.10	0.18	0.19
children 14-18	1.39	1.47	1.58	1.42	1.41	1.60	1.93
no. of persons	1.55	1.66	1.84	1.59	1.59	1.88	2.41
age (head of hh)	51.44	50.34	48.12	48.78	52.61	50.20	44.18

CONCLUSION & CHALLENGES

- Relative poverty is a normative concept
- Values are very sensitive to small changes in the approach or the underlying variable
- Direct and indirect measures with both advantages and disadvantages
- Necessity of combining both indicators beyond material deprivation approach

- Handling of savings
- Common concept of consumption
- Indication of the need to adjust equivalence scales

LITERATURE

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