

Poverty and Inequality

Three concepts with overlapping content

- The poor (either in absolute or relative terms)
- Socially excluded
 - consumption
 - production
 - political engagement
 - social interaction
- Underclass
 - long term dependents on state benefits
 - no regular relationship with the labour market
 - young unemployed men
 - single parents
 - disabled
 - Those with different attitudes/values

Charles Booth: Life and labour of the people in London



(1840-1916)

- Start 1886 with survey of East-End
- 17 volumes published continually 1889-1897
- Attempted more precision in concept of poverty line
- Covered 80% of London's population
- “Wholesale interviewing”

<http://booth.lse.ac.uk/>

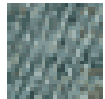
Poverty Maps of London: Classification of poverty



BLACK: Lowest class. Vicious, semi-criminal.



DARK BLUE: Very poor, casual. Chronic want.



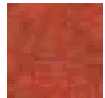
LIGHT BLUE: Poor. 18s. to 21s. a week for a moderate family



PURPLE: Mixed. Some comfortable others poor



PINK: Fairly comfortable. Good ordinary earnings.



RED: Middle class. Well-to-do.



YELLOW: Upper-middle and Upper classes. Wealthy.

1898-99 Booth Poverty Map (part)



[Booth Poverty Map & Modern map](#)
[\(Charles Booth Online Archive\)](#)

(Benjamin) Seebohm Rowntree: Poverty, a study in town life (1901)

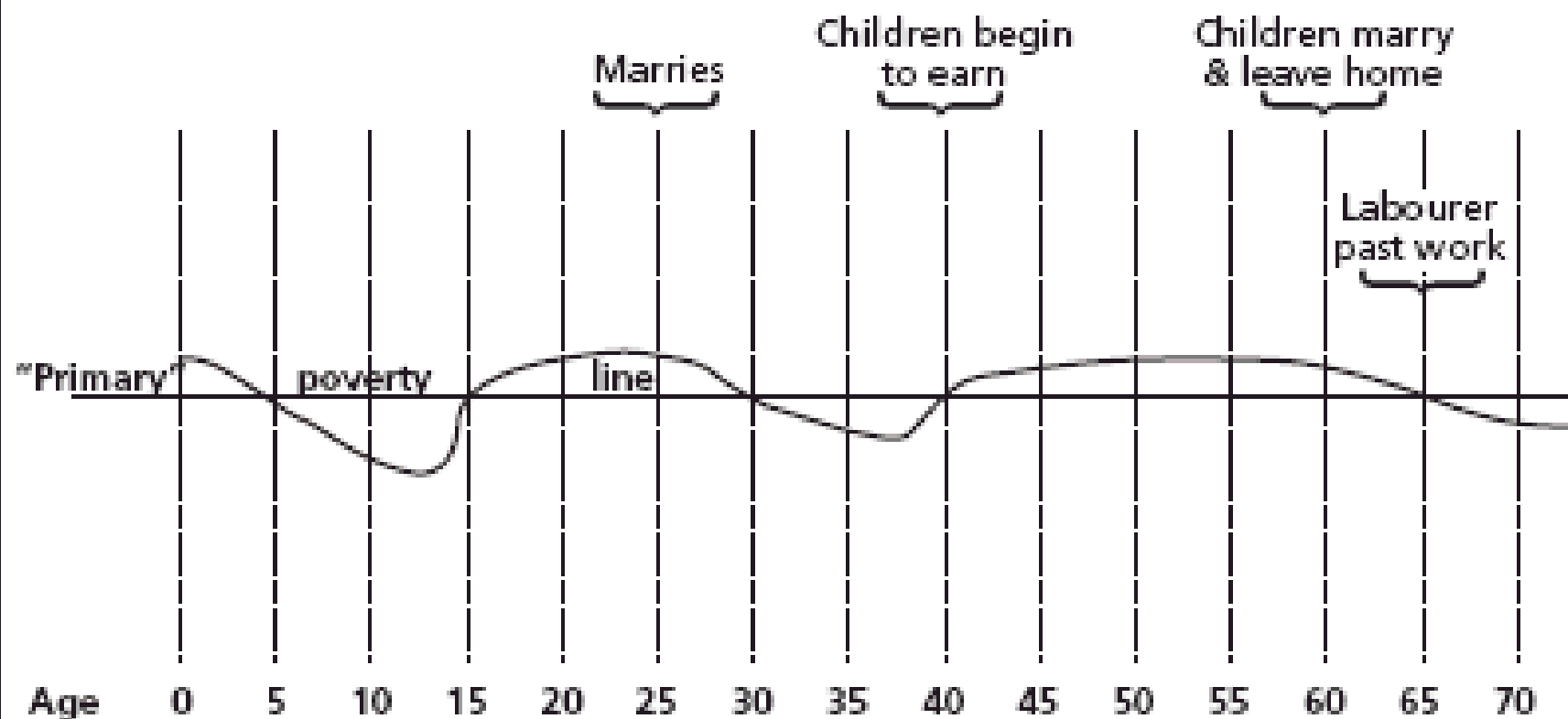


1871-1957

- York
- Progress on data collection
 - Covered all wage-earning families
 - Direct interviews
- Refined definition of poverty
 - Primary poverty
 - Secondary poverty
 - Based on estimate of household income

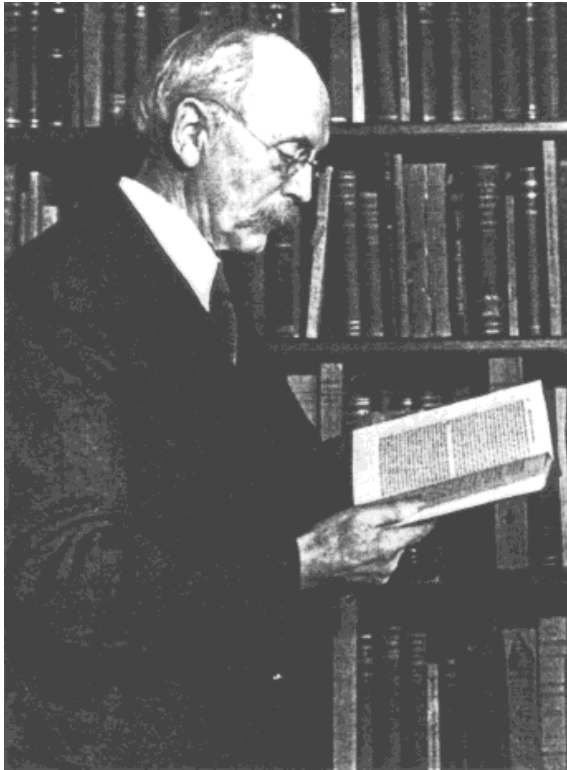
(Box 1 continued)

Rowntree's picture of poverty over the life cycle



Source: Rowntree (1901), p.137.

Sir Arthur Bowley: Livelihood and Poverty (1915)



- Random sampling
- Statistical evaluation of data
- New Survey of London Life and Labour (1930-35)

(1869-1957)

Relative Poverty

When someone's "*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*".

Peter Townsend

“People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantage through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted.”

European Commission 2004 Joint Report on Social Inclusion

Relative income poverty

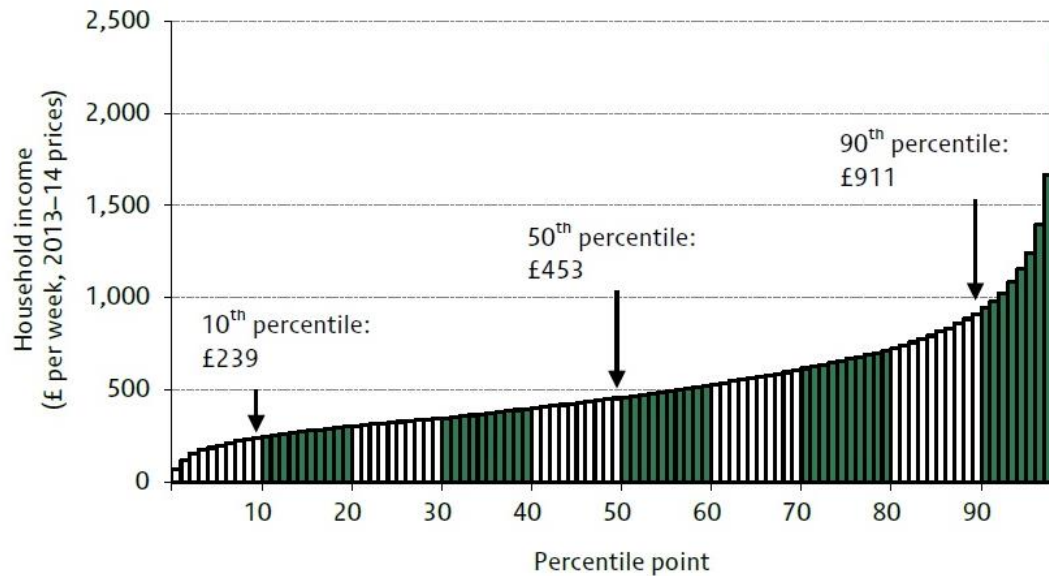
Poverty can be defined and measured in various ways. The most commonly used approach is **relative income poverty**.

Each household's income, adjusted for family size, is compared to median income. (The median is the "middle" income: half of people have more than the median and half have less.)

Those with less than 60 per cent of median income are classified as poor. This 'poverty line' is the agreed international measure used throughout the European Union.

Income Inequality in UK: 2013-2014.

Figure 3.1. Weekly net household income at each percentile point in 2013–14 (UK)



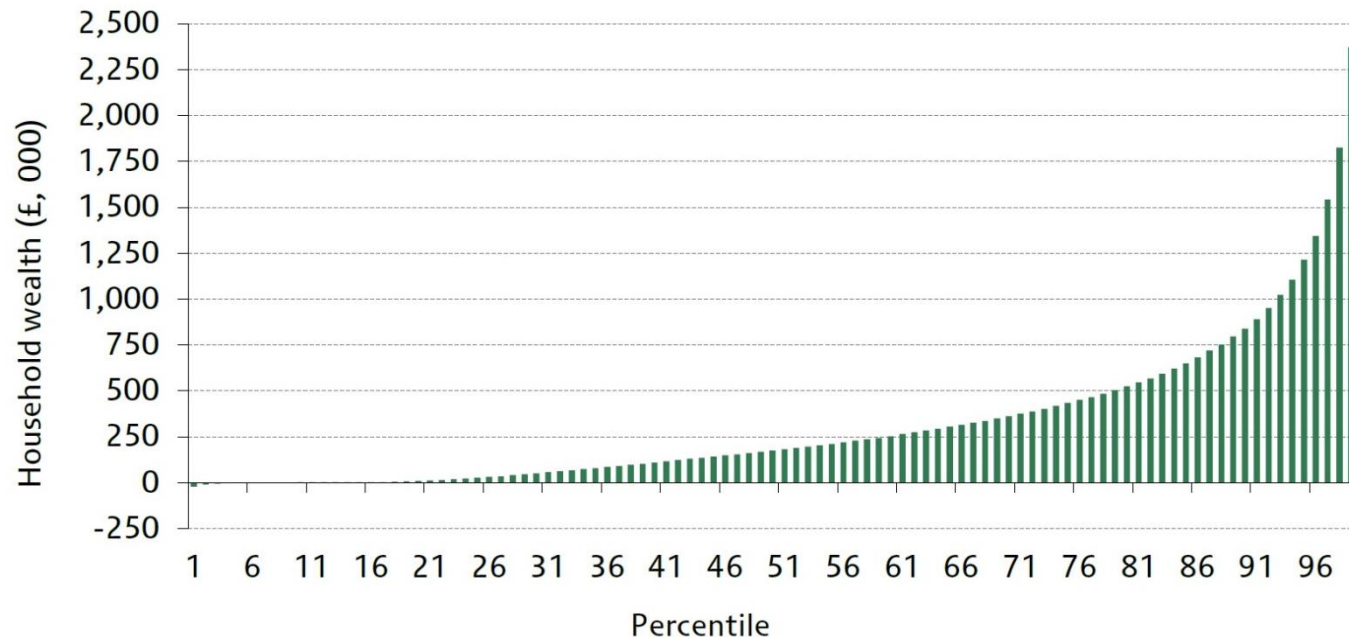
Note: Incomes have been measured net of taxes and benefits but before housing costs have been deducted.

Source: Authors' calculations using the Family Resources Survey, 2013–14.

Source: Belfield, C., J. Cribb, A. Hood and R. Joyce (2015) *Living Standards, Poverty and Inequality in the UK: 2015*. IFS.

Total Household Wealth (Housing, Savings, Pensions) Great Britain 2010-12

Figure 2.1. Percentile plot of total household wealth



Note: Weighted sample of all households interviewed in 2010–12.

Source: Crawford, R. D. Innes and C. O’Dea (2015) *The Evolution of Wealth in Great Britain: 2006-08 to 2010-12*, IFS Report R109.

Median = £172,000; 95th percentile = £1.2m; 99th percentile = £2.4m; Gini = 0.65

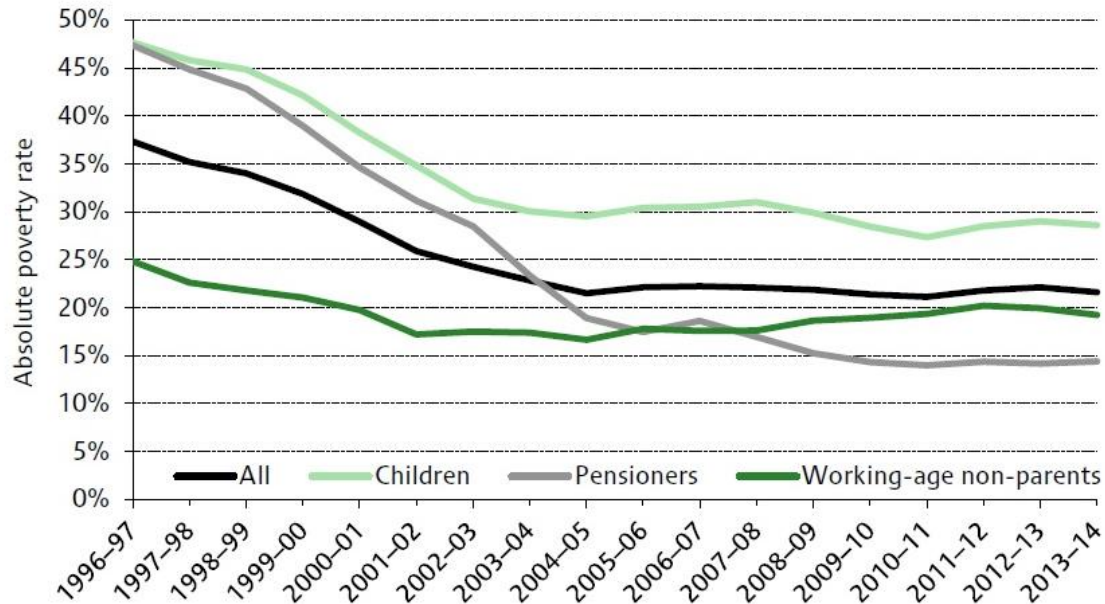
Absolute and Relative Poverty.

Absolute and relative measures of poverty measure very different concepts. A fall in the absolute poverty rate implies that the incomes of low-income households have risen in real terms, whereas a fall in the relative poverty rate means that the incomes of low-income households have risen *relative* to those of middle-income households. The difference in practice is particularly stark when real median income is changing quickly, as changes in the relative and absolute poverty lines are then very different. This was the case between 2009–10 and 2011–12, when real median income fell rapidly while the incomes of poorer households were more stable, causing substantial falls in relative poverty but not absolute poverty. The measures provide complementary information and are both relevant. Our judgement is that absolute poverty is often of primary interest when looking at movements over short periods, while relative poverty is more often relevant when looking over longer periods. This is because society's views about what constitutes a minimum acceptable living standard might not be sensitive in real time to year-to-year volatility in median income, but they undoubtedly evolve over long periods of time as the resources available to society as a whole change.

Source: Belfield, C., J. Cribb, A. Hood and R. Joyce (2015) *Living Standards, Poverty and Inequality in the UK: 2015*. IFS. Pp 45.

Absolute Poverty in Great Britain: 1996-2014.

Figure 4.1. Absolute poverty rates (AHC), by family type



Note: Figures are presented for GB up until 2001-02 and for the whole of the UK from 2002-03 onwards. The absolute poverty line is defined as 60% of median income in 2010-11.

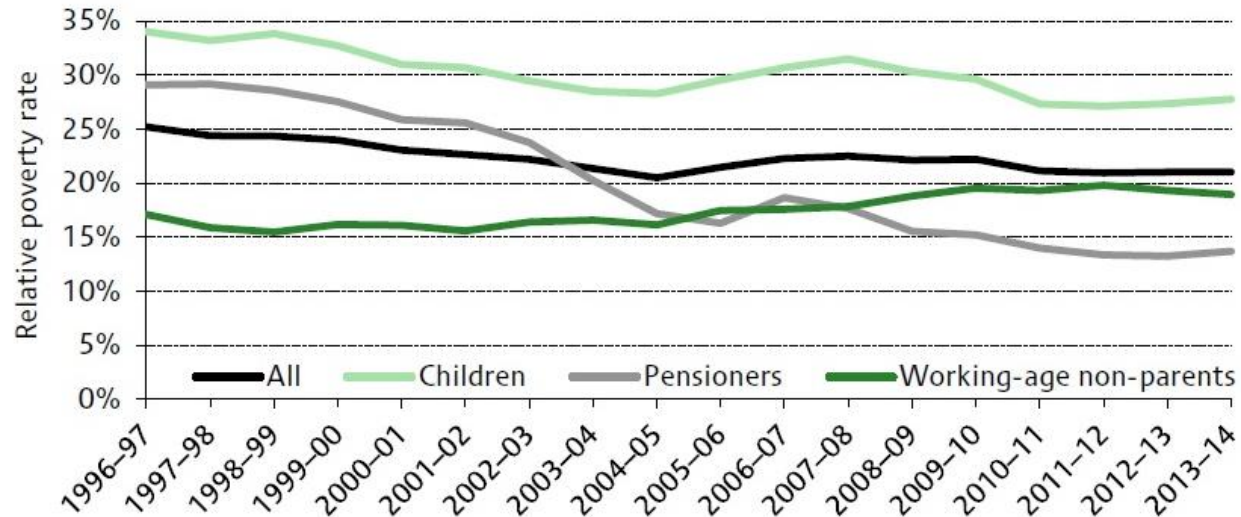
Source: Authors' calculations using the Family Resources Survey, various years.

Source: Belfield, C., J. Cribb, A. Hood and R. Joyce (2015) *Living Standards, Poverty and Inequality in the UK: 2015*. IFS.

Absolute poverty = 60% of 2010-11 median income adjusted for inflation by CPI.
AHC= after housing costs.

Relative Poverty in Great Britain: 1996-2014.

Figure 4.2. Relative poverty rates (AHC), by family type



Note: Figures are presented for GB up until 2001-02 and for the whole of the UK from 2002-03 onwards.

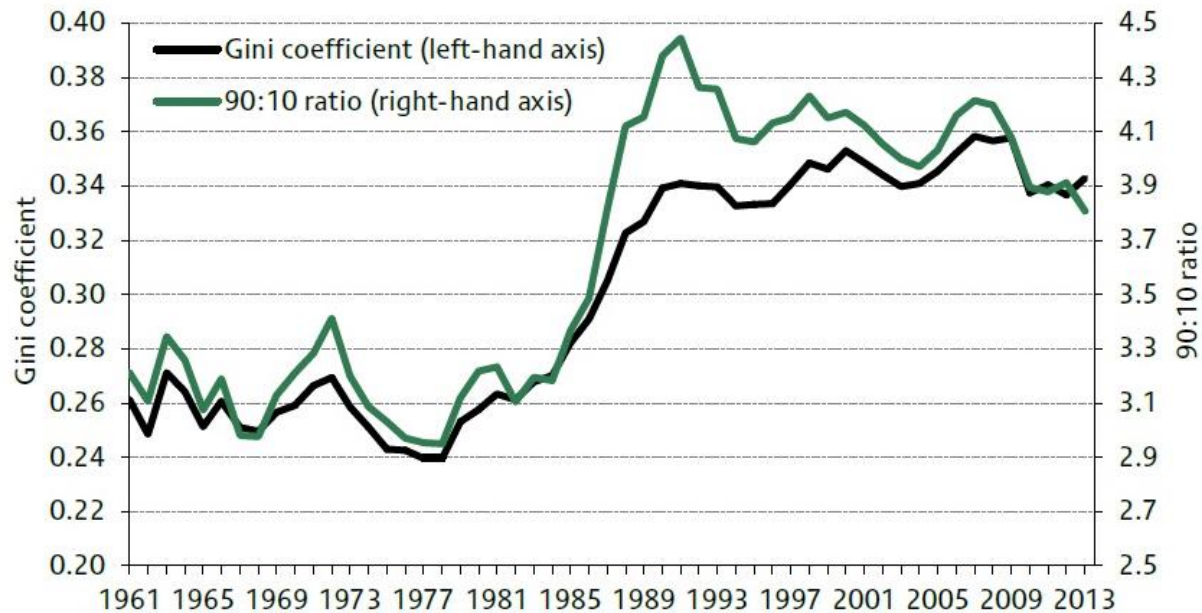
Source: Authors' calculations using the Family Resources Survey, various years.

Source: Belfield, C., J. Cribb, A. Hood and R. Joyce (2015) *Living Standards, Poverty and Inequality in the UK: 2015*. IFS.

Relative poverty = 60% of median income in the current year.
AHC= after housing costs.

Income Inequality in Great Britain: 1961-2013.

Figure 3.4. The Gini coefficient and 90:10 ratio (GB, BHC)



Note: Incomes have been measured net of taxes and benefits but before housing costs have been deducted. Years refer to calendar years up to and including 1992 and to financial years from 1993–94 onwards.

Source: Authors' calculations using the Family Expenditure Survey and Family Resources Survey, various years.

Source: Belfield, C., J. Cribb, A. Hood and R. Joyce (2015) *Living Standards, Poverty and Inequality in the UK: 2015*. IFS.