

## 2 Conceptual Background

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### 2.1 The concepts of poverty, inequality, and social exclusion

40. Poverty and social exclusion are interlinked with inequality but cannot be reduced to inequalities of income alone (Sen, 1997). Poverty is a situation in which inequalities leave some people so far away from the social mainstream that the deprivations they experience push them below what are viewed as basic standards.

41. In practice, poverty is often operationalized and measured in terms of income or consumption poverty. Poverty lines can be defined on the basis of absolute needs (e.g., the cost of a minimum food basket plus an allowance for basic non-food basic needs), or on relative social standards that prevail in a given society at a given time.

42. One of the main sources of dissatisfaction with absolute poverty measures is that they ignore concerns about relative deprivation, shame, and social exclusion (Ravallion, 2015). Sen (1983) argued that a person's capabilities should be seen as the absolute standard but that "... an absolute approach in the space of capabilities translates into a relative approach in the space of commodities". Often people face interlinked deprivations (lack of education, meagre employment opportunities, etc.), which in turn reduce their income. ("When you work, you have friends. As soon as you lose your job, you have no friends at all"—UNDP Regional Bureau for Europe and the Commonwealth of Independent States, 2011, p. 8).

43. While poverty is a relatively static definition of disadvantage, social exclusion can be seen both as a process and as an outcome. As a process it pushes certain individuals to the margins of their society. It prevents their full participation in relevant social, economic, cultural, and political activities. As an outcome, social exclusion denotes the status and characteristics of the excluded individual. Examples of the many dimensions of social exclusion are: poverty, a lack of basic competencies, limited employment and educational opportunities, inadequate access to social and community networks and activities. Khan, Combaz, and Fraser (2015) provide a comprehensive overview of the topic and the related literature.

44. The social exclusion perspective evolved in European welfare states to emphasise the denial of "social rights" (UNDP 2011). For example, Lenoir (1974) defined "the excluded" in contradiction to the ideal of citizenship and social justice. If poverty is defined in relation to income or material deprivation, social exclusion is defined in relation to such social rights as the right to work, the right to housing, the right to health services, or the right to education (Lister, 2004).

45. For Sen (2000), social exclusion means denial of freedoms. People may be unable to take advantage of an opportunity because of deliberate policies or social practices (active exclusion), or as a result of complex webs of social processes without intentions from anyone (passive exclusion). Social exclusion assigns a central role to social relational and unequal power relationships (Stewart et al., 2006). According to Silver (1995), social exclusion breaks the bond between society and the individual.

46. Its potential political implications make the measurement of poverty a necessarily delicate exercise. The vital relevance of exclusion (and its measurement) for the social fabric

can be illustrated in the process of European political and economic integration. After Ireland joined the European Community as one of its poorest members in 1973, three poverty programmes were launched (Room 1995, Daly 2010). Among other things this led to the adoption of a clear-cut definition of poverty: “The poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member States in which they live.” (European Council 1984)<sup>7</sup>

47. Until today, the practical measurement of poverty in Europe follows the relative definition of poverty that was originally advocated by Townsend (1979). It points clearly beyond the merely monetary realm and puts emphasis on the social exclusion process. These two aspects were particularly emphasised by Berghmann (1995: 21) in the table below.

Table 2.1

**Comparing the definitions of social exclusion and poverty**

	<b>static</b>	<b>dynamic</b>
<b>monetary</b>	poverty	impoverishment
<b>multidimensional</b>	deprivation	social exclusion

## 2.2 The evolution of poverty measurement<sup>8</sup>

48. Since the 19<sup>th</sup> century different approaches to the measurement of poverty have evolved as a basis for international and comparative work. They can be broadly distinguished by their focus on physical subsistence, basic needs, and relative deprivation. More recent developments try to extend dimensions of welfare (including wealth or time) or combine multiple aspects of poverty into one single measure.

### 2.2.1 Physical subsistence

49. The notion of merely physical subsistence has influenced scientific practice and international and national policies for over 100 years.<sup>9</sup> Examples are the statistical measures adopted to describe social conditions, at first within individual countries but later with wide application by international agencies such as the UNDP, the World Bank and others.

<sup>7</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:31985D0008&from=EN>

<sup>8</sup> Most of this section is based on the findings of the Rio Group, summarized and published in the Compendium of best practices in poverty measurement (2006).

<sup>9</sup> Welfare reform in Victorian England struggled to separate what was seen as the morally “deserving” from the “undeserving” poor. Therefore secondary poverty, which could result from suboptimal or even immoral consumption, was distinguished from unavoidable primary poverty which was defined strictly as a situation where incomes were not “sufficient to obtain the minimum necessities for the maintenance of merely physical efficiency” (Rowntree, 1901, p.86). It ought to be acknowledged that, even in Victorian England the common understanding of poverty included a much broader population, even if their condition was perhaps considered morally justified at that time (Veit-Wilson 1986).

50. The use of “subsistence” to define poverty has been criticized because it implies that human needs are mainly physical rather than social. People are not simply organisms requiring physical energy; they are social beings expected to perform socially demanding roles as workers, citizens, parents, partners, neighbours, and friends (Lister, 1990). Moreover, they are not simply consumers of physical goods but producers of those goods and also expected to act out different roles in their various social associations. They are dependent on collectively provided utilities and facilities. These needs apply universally and not merely in the rich industrial societies.

51. Physical needs have been included in the categorisation of “absolute” poverty, which is sometimes further qualified as “extreme” or “severe.”<sup>10</sup> These needs, however, are subject to change because of shifts in social activity and demand patterns. The need for material goods, their relevance to the society of the day, and even the goods themselves, are not, after all, fixed or unvarying. The amount, quality and cost of food depend on work, climate, and social customs. Therefore, material needs turn out to be socially determined in different ways.

### 2.2.2 Basic needs

52. By the 1970s, a second formulation—that of “basic needs”—began to exert wide influence, and was supported strongly by ILO. Two elements were included: the minimum consumption needs of a family (i.e., adequate food, shelter and clothing, as well as certain household furniture and equipment); and essential services provided by and for the community at large, such as safe water, sanitation, public transport and health care, education, and cultural facilities. Furthermore, in rural areas, basic needs also include land, agricultural tools, and access to farming. The “basic needs” concept is an extension of the subsistence concept. In addition to material needs for physical survival, it also includes access to those facilities and services, such as health care, sanitation, and education that are required by local communities and populations. In the past as well as nowadays, restricting the meaning of poverty to material and physical needs seems easier than to include the non-fulfilment of social roles specific to each individual.

### 2.2.3 Relative deprivation

53. Townsend (1979) proposed a third formulation of the meaning of poverty: relative deprivation. The term “deprivation” includes material and social conditions which are relevant to subjective poverty and perceptions about poverty in a society. The term “relative” implies that poverty standards need to be gauged against their specific social context which varies over time.

54. With rapid social change it may be difficult to justify a poverty standard devised in the past. People living in the present are not subject to the laws, obligations, and customs that

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<sup>10</sup> An “absolute” poverty line refers to the approach of establishing a poverty line, while “extreme” and “severe” refer to how low the threshold is set. Therefore, not all absolute poverty lines necessarily refer to “extreme” poverty. In practice, many countries use multiple absolute poverty lines, to identify the poor and the poorest (extreme poverty line).

applied to the previous century. Globalisation is connecting peoples and making them more aware of differences in standards of living, while inequalities within and between countries are growing. There are, therefore, major objections to merely updating any historical benchmark of poverty on the basis, for example, of the price index.

55. Poor people are not just victims of a misallocation of resources. They rather lack, or are denied, the resources needed to fulfil social demands and observe the customs and laws of society. This realisation led to the development of “relative deprivation” approach, under which a threshold in each dimension of poverty is envisaged, according to prevailing social norms, below which withdrawal or exclusion from active membership of society is common.

56. Relative measures are most frequently used in wealthier societies. For example, the current EU definition of poverty and social exclusion combines income poverty that is defined on an annually determined relative threshold with non-monetary deprivations that are not changed over time.<sup>11</sup> One of the five headline targets of the Europe 2020 strategy is to reduce poverty by lifting at least 20 million people out of the risk of poverty or social exclusion by 2020. The headline indicator to monitor this poverty target is the AROPE indicator “at risk of poverty or social exclusion”, showing people who face at least one of the following conditions:

- They are at risk of living in income poverty after social transfers (their equivalised disposable income is below their national at-risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income);
- They are severely materially deprived—they cannot afford at least four of nine items deemed to be essentials<sup>12</sup> (a detailed list of EU deprivation indicators is available in chapter 4); or
- They live in households with very low work intensity (defined as people from 0–59 years of age living in households where adults [those aged 18–59, but excluding students aged 18–24] worked less than 20% of their total potential during the previous 12 months).

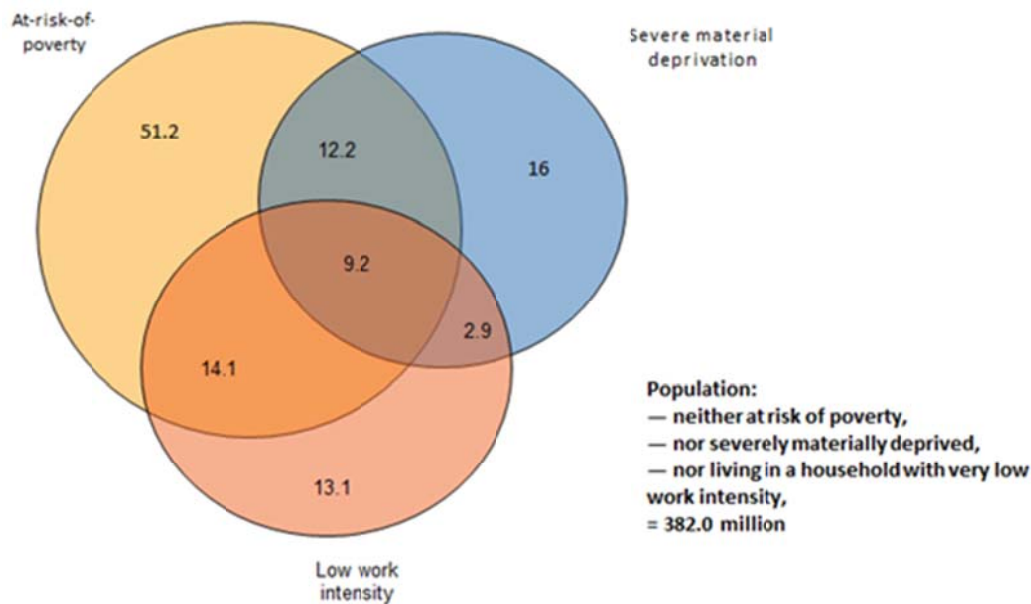
57. In the European Union, people are considered to be at-risk-of-poverty or social exclusion if they face at least one of these risks. Nearly 120 million people (representing about a quarter of the EU population of about 500 million) fell into this category in 2015. Around 32% of those people who were at risk of poverty or social exclusion within the EU-28 in 2015 faced a combination of two or even all three of these risks. Figure 2.1 illustrates the combination of those risks for the EU population in 2015.

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<sup>11</sup> For further details see [http://ec.europa.eu/eurostat/statistics-explained/index.php/People\\_at\\_risk\\_of\\_poverty\\_or\\_social\\_exclusion](http://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion).

<sup>12</sup> The concept of “enforced lack” (wanting the item but not being able to afford it) is used. The list of deprivation items is currently under revision and a new definition is expected to consist of 12 items.

Figure 2.1  
**Numbers of persons at risk of poverty or social exclusion by type of risks, EU-28, 2015**  
 (Millions)



Source: Eurostat (online data code: ilc\_pees01).

Note: The sum of the data for the seven groups at risk of poverty or social exclusion differs slightly from the total (published elsewhere) due to rounding estimates.

## 2.2.4 Wealth

58. In more prosperous economies even relative standards of deprivation or income may fail to capture inequalities which determine personal freedom and participation in society. The possession of wealth is a particularly relevant metric that potentially determines poverty conditions and how to cope with them.

59. Compared with income, wealth (a stock measure) is more stable over time, reflecting accumulated saving and investments (although it can decline dramatically in the case of crashes in investment or housing markets). Wealth allows individuals to smooth consumption over time and offers protection against unexpected changes to income. Households that are “asset rich and income poor” can be expected to have a higher material standard of living than would be indicated by their income alone. While some wealth is held in assets that are not easily converted into money, its existence may allow its owners to borrow to finance expenditures, e.g., for house extensions, motor vehicle purchases, and so on. Chapter 3 discusses the issue of wealth and poverty in further detail.

## 2.2.5 Time poverty

60. The notion of “time poverty” is being increasingly used to describe groups of people whose disposable incomes may be high enough to keep them out of poverty, but only because they work long hours and therefore have relatively little time for personal

maintenance, social care, or leisure as a result.<sup>13</sup> Joint analysis of income and time allows for the in-depth exploration of such issues as the gender and poverty interface. It allows for a focus on vulnerable people who may be missed by traditional income poverty measures—for example, those who have to work long hours to attain incomes that are above the poverty line, or those who cannot take a job because of family care obligations, or those “time poor” individuals who could reduce their work hours without risking income poverty but keep on pushing because of stereotypes. Long hours on the job are the main cause of time poverty for both men and women—but the effects on women are more drastic. Country examples in time poverty are illustrated in Box 2.1.

#### Box 2.1

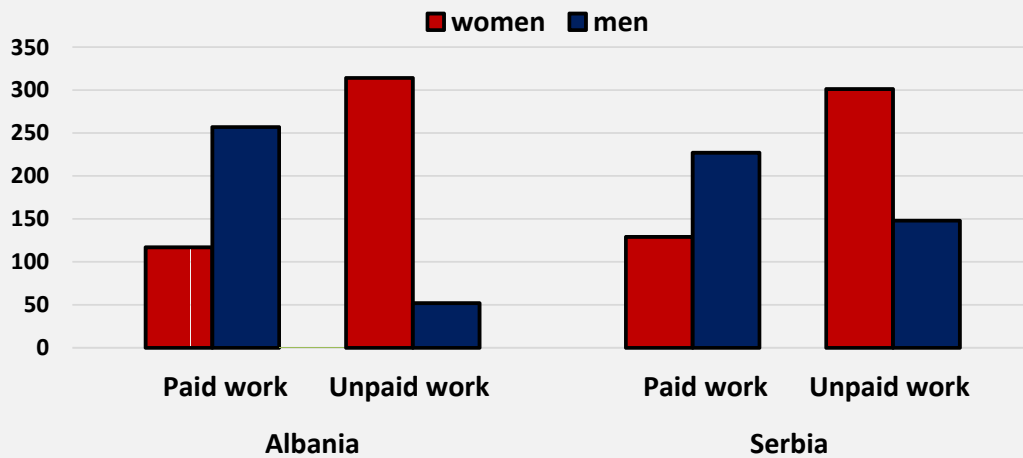
#### **Time poverty—country examples**

In Turkey, among full-time workers, the time poverty rate of women was found to be nearly twice that of men (70% versus 37%), and among part-time workers it was more than nine times as high (37% versus 4%—Zacharias et al., 2014). This suggests that gender differentials in time poverty do not result mainly from differences in hours of paid employment, but rather from women’s greater engagement in unpaid household production activities—leaving less time for remunerated work. Some one million non-employed women in Turkey were estimated to be time poor because of their extensive household production engagements. The study also found a higher incidence of time poverty among the consumption-poor as compared to non-poor persons (65% versus 37%). This ratio is even more pronounced with regard to women: for employed men, 42% of the consumption-poor were found to be living in time poverty, versus 29% of the consumption non-poor. For employed women, these rates were 68% and 48%, respectively. Consumption-poor urban and rural women had the highest rates of time poverty. Since the majority of the rural, time-poor employed women work without pay on the family farm or enterprise, the impoverishing effects of time deficits may be harder on them than on wage workers.

Research measuring the value of unpaid care work in Albania and Serbia indicates that women perform more than twice as much unpaid labour as men (Table 1). In Albania, women spent over 5 hours per day on unpaid labour versus just less than an hour for men. In Serbia this disproportion was lower but still large, with women spending on average some 5 hours of unpaid work per day, compared to over 2 hours by men.

<sup>13</sup> In 2013 UNECE has published the “Guidelines for Harmonizing Time-use Surveys” to help statisticians and policymakers understand the importance of these surveys, provide guidance in their design and use, and improve the international comparability of their results.

Figure 1  
**Time use in Albania and Serbia, 2010-2011**  
 (Minutes per day)



Source: Human Development Report (2015).

### 2.2.6 Multidimensional poverty<sup>14</sup>

61. All monetary approaches lead at best to indirect representations of welfare and have been theoretically challenged (Ringen 1988). Measures of poverty that go beyond monetary indicators appear in various conceptual frameworks such as social exclusion and inclusion,<sup>15</sup> basic needs,<sup>16</sup> social cohesion,<sup>17</sup> capability poverty,<sup>18</sup> multidimensional poverty,<sup>19</sup> and clustered disadvantage,<sup>20</sup> among others. Each concept is distinct, yet each talks about different aspects of human well-being or disadvantage directly, and suggests that these non-monetary aspects should be measured.

62. For example, in the 1960s Europe moved towards the development of social indicators to complement income measures (Atkinson et al., 2002). Key innovations included the 1968 Swedish Level of Living Study (Johansson, 1973; Allardt and Uusitalo, 1972), Jacques Delors' 1971 *"Les indicateurs sociaux"*, and Peter Christian Ludz's *"Materialien zum Bericht zur Lage der Nation"* (1971). The above mentioned multidimensional concept of "social exclusion" (Lenoir, 1974) also motivated the development of social indicators. Naturally, other concepts are also in use; for example, the Council of Europe has published a methodological guide to indicators of "social cohesion", defined as "society's ability to secure the long-term well-being of all its members, including equitable access to available resources, respect for

<sup>14</sup> This section draws on Chapter 4 of Alkire, Foster, Seth, Santos, Roche and Ballon (2015).

<sup>15</sup> Lenoir (1974), and the history in Atkinson and Marlier (2010).

<sup>16</sup> Streeten et al. (1981), Stewart (1985).

<sup>17</sup> Council of Europe (2005, 2008).

<sup>18</sup> Anand and Sen (1997).

<sup>19</sup> Alkire et al. (2015).

<sup>20</sup> Wolff and De-Shalit (2007).



human dignity with due regard for diversity, personal and collective autonomy and responsible participation” (2005, cf 2008).

63. The need to better measure non-monetary aspects of development was reflected internationally by the *Cocoyoc Declaration* (1974) of UNEP/UNCTAD. The advent of the basic needs concept led to efforts to measure them using census data across Latin America beginning with Chile in 1975 (Feres and Mancero, 2001). Social indicators were also developed by the World Bank (Streeten et al., 1981). Conceptually, these efforts drew on Sen’s capability approach. Sen proposes that social arrangements should be evaluated with respect to people’s capabilities—their freedom to enjoy valuable “doings and beings”. In the 2000s, the *Voices of the Poor* studies (Narayan et al., 2000) provided renewed interest in wider approaches to poverty, because that is how poor people talk about it. *Voices of the Poor* drew on Amartya Sen’s capability approach work, and used the term “multidimensional poverty”. The MDGs (launched in 2000) also drew together existing standards in different indicators to propose a harmonised set of indicators of which monetary poverty was just one element.

64. In the 2030 Agenda for Sustainable Development, the worldwide consensus has shifted to view poverty as multidimensional. Precursors to this conceptual shift include (1) academic writings such as by Amartya Sen (1990, 1991); (2) inputs from poor persons and non-governmental organisations, consultations leading up to the Sustainable Development Goals; (3) an increasingly visible academic literature on multidimensional poverty measurement; and (4) the pioneering leadership of countries such as Colombia, Mexico, China, South Africa, Bhutan, Pakistan, and others in using multidimensional poverty statistics to complement monetary measures and guide policy.

65. Informed by this emerging consensus, the pivotal SDG document *Transforming Our World: The 2030 Agenda for Sustainable Development* identifies, in its second sentence the global challenge of reducing poverty in “all its forms and dimensions,” as the foremost challenge of our time. The SDGs transparently consider poverty to be multidimensional, repeating this multiple times throughout the document. Specifically, SDG target 1.2 is, “By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions”.

66. The SDG view of poverty as multidimensional is also shared by other organisations. For example, the World Bank’s Atkinson Commission Report “*Monitoring Global Poverty*” (World Bank, 2017), advised to use a six-dimensional measure of overlapping deprivations based on the methodology of Alkire & Foster as a complementary measure of global poverty. The report advised that this measure should cover health, nutrition, education, work, living standards, and violence. Hence there is an emerging consensus that multidimensional measures of poverty should complement monetary ones, and that the methodology described in this handbook is at the forefront of this change. And since 2010, the UNDP was a pioneer in launching and reporting the global MPI and in supporting national and regional MPIs.

67. Many countries are using the MPI to measure progress towards SDG 1, and as a governance tool. An MPI supports the SDG agenda as follows:

- **Leave no one behind:** MPI analysis tracks progress on poverty for different groups, showing who is poorest, how they are poor, and whose poverty reduces fastest.



Many MPIs are disaggregated by sub-national regions, by rural and urban areas, and by groups such as age cohort or ethnic groups. Disaggregated analysis helps to achieve a crucial SDG aspiration: ensuring no one is left behind.

- **Monitor progress:** the MPI is used to track and compare multidimensional poverty over time. National MPIs are used to compare regions and groups within a country;
- **Integrated, coordinated policy:** In many countries, the MPI is used by senior policymakers to coordinate policy and to understand and track the impact of their policies on the poor, helping to break down silos and intensify policy impact.
- **Universal relevance:** National and regional MPI measures are tailor made to context. They address poverty while reflecting policy priorities and relevant indicator definitions.

68. The theme of the 2017 United Nations High Level Political Forum for Sustainable Development was “Eradicating poverty in all its forms and dimensions”. In 2016 and 2017 many countries have been reporting progress on multidimensional poverty reduction in their Voluntary National Reviews.

## 2.3 Methodological choices

69. The spectrum of poverty measurement approaches varies from purely monetary to non-monetary aspects, with much variation (see Table 2.1). Measurement choices are often implicit, and can have a profound impact on results and related policies.

70. The first choice is what to measure: income, consumption, or broader capabilities? The most common approach is to measure monetary poverty, based on indicators of income or consumption as proxies for material living standards. These are the conventional poverty measures that use information on household income or consumption estimates (see chapter 3).

71. Monetary and multidimensional poverty measures are complementary. Both are valuable for identifying poor people and shaping policy. They provide different insights. For instance, the Multidimensional Poverty Index (MPI) developed at Oxford University with the UNDP’s Human Development Report Office uses ten indicators to measure three critical dimensions of poverty at the individual level: education, health, and material living standards (For more on this see Chapter 5.) These indicators measure deprivations in health and educational outcomes as well as in access to key services such as water, sanitation and electricity. In the mid-2000s, the number of people living in extreme poverty in Europe and Central Asia was 12 million according to the MPI, while 23 million lived on less than PPP\$1.25/day. Nonetheless, multidimensional poverty was relatively low in most of these countries.

72. What can be surprising is the common finding that people who are multidimensionally poor, or deprived in non-monetary indicators, are not necessarily income poor. Divergences between monetary poverty and multidimensional poverty indicators mean that neither is a sufficient proxy for the other; both need to be measured (see Box 3.5). Moreover, reducing non-monetary deprivations often requires different policies than reducing income poverty.

73. A helpful survey of empirical research on commonly observed mismatches between different poverty indicators is found in Nolan and Whelan's 2011 book *Poverty and Deprivation in Europe*. Nolan and Whelan offer a systematic review of "why and how non-monetary indicators of deprivation can play a significant role in complementing (not replacing) income in order to capture the reality of poverty in Europe" (p. 1). Another literature survey is found in Chapter 4 of Alkire et al. (2015).

Table 2.2  
**Different approaches to poverty measurement**

Unidimensional	Monetary	Income based	Absolute poverty lines	National thresholds specific for individual countries, in the national currency	1. Cost of basic needs
					2. Subsistence minimum
			Internationally comparable thresholds	3. Severely poor with income below 1.9 PPP\$	
		Relative poverty lines	Share of the median (or mean) income	4. "Just poor" with income below 3.1 PPP\$	
				5. Relative low income (example: below 50% or 60% of the contemporary median equivalised income in each country)	
				6. Relative low income anchored at a fixed point in time	
	7. Weakly relative poverty line				
	Expenditure based	Absolute poverty lines	National thresholds specific for individual countries, in national currency	8. Cost of basic needs	
				9. Subsistence minimum	
		Internationally comparable thresholds	10. Severely poor with expenditures below PPP\$1.90/day		
		11. "Just poor" with expenditures below PPP\$3.10/day			
Relative poverty lines	Share of the median (or mean) expenditure	12. Relative low expenditure (example: below 50% or 60% of the current median equivalised expenditure in each country)			
		13. Relative low expenditure anchored at a fixed point in time			
14. Weakly relative poverty line					
	Food energy intake (FEI)		15. Nationally specific FEI-based poverty rates (varies by climate conditions, rural/urban distribution, type of occupation, etc.)		
Multidimensional	Deprivations		16. Indicator dashboards		
			17. Indices of multiple deprivation, including material deprivation		
	Multidimensional poverty estimates – internationally comparable (following the methodology developed by OPHI and used for international comparisons and in the Global HDRs published by UNDP)		18. Multidimensional poverty index (thresholds for the various dimensions)		
	Official national multidimensional poverty indices, following the methodology developed by OPHI		19. Severely poor		
			20. Moderately poor		

Source: Modified from Ivanov and Kagin (2014).

74. The second fundamental question is who should identify inadequacy: the analyst (as in most monetary and non-monetary approaches), or people themselves (subjective poverty)? While there are no internationally agreed measures on subjective poverty, national examples of its measurement and determinants exist. This Guide proposes future work that would lead to a few robust internationally comparable indicators on subjective poverty (see Section 6.8).

## 2.4 Measurement issues

### 2.4.1 Non-coverage

75. Poverty statistics should in theory cover all of the population of interest. However, when measuring poverty through poverty surveys it should be recognised that certain categories of people who may be likely to be poor are frequently omitted from the sampling frame since they do not live in households. This is of particular concern for the hard-to-reach groups, such as homeless people (including street children), drug users, sex workers, people who are in institutions, including elderly care homes, children’s homes, and mental health institutions; Roma; people in temporary accommodation or hostels; prisoners; and refugees in camps or illegal immigrants are notoriously difficult to access in a systematic way. These groups usually require special approaches—either because of unrepresentative sampling concerns, or because they may face special forms of deprivation or exclusion. For instance, while children in institutions may have their basic needs (food, clothes, shelter, etc.) covered, they may lack the social skills needed for inclusion—which is not captured by standard surveys.

### 2.4.2 Disaggregation

76. Disaggregation is necessary to provide a detailed picture of certain population groups. This is a key aspect of Agenda 2030’s aspirations “to leave no one behind”. Most often, disaggregation entails survey design to allow for the collection and analysis of data concerning age, sex, education level, occupation, and place of residence. Disaggregation by employment and health status, and ethnicity, can also be of key importance.

77. The collection of data that are disaggregated by ethnicity can be challenging. On the one hand, respondents may view this as sensitive information that can potentially be misused. On the other hand, policymakers need statistical information to rectify any discrimination and unequal treatment by ethnicity.

### 2.4.3 Equivalence scales

78. When monetary measures are used, the choice of equivalence scale can be decisive. Such a scale is commonly used to adjust household resources in order to take into account shared consumption, housing and specific needs (Lanjouw, Milanovic and Stefano, 1998; World Bank, 2000). Economies of scale arise, for example, by sharing expenditures on

housing, utilities, car or newspapers. Apart from household size, the age or gender of household members may also influence the amount of income or consumption needed to attain a certain level of well-being. Measures of the incidence of poverty among children and the elderly are particularly affected by the choice of equivalence scale.

#### **2.4.4 Poverty dynamics**

79. When analysing poverty trends, it is important to ask: Are the poor the same this year as last year? Have they just fallen in poverty, or is their poverty recurrent? In other words, it is important to measure poverty from a longitudinal perspective. For example, in the Netherlands in the 1980s and 1990s, high levels of economic growth and significant increases in labour market participation did not reduce poverty. However, data from the lower end of the income distribution showed that poverty spells were generally of short in duration. In addition to the magnitude and duration of low income status, attention should be paid to the extent to which poverty is recurrent (Fourage and Layte, 2005). The higher income mobility or volatility and the shorter the duration of poverty, the higher the proportion of people experiencing poverty at least once during the reported period, thus the higher the reported poverty rate will be.

80. In the Republic of Moldova during 1997-2002, a decomposition of poverty into chronic and transient components revealed that poverty was mainly chronic, accounting for as much of 90% of the people classified as poor (Beegle, 2004). That is, despite transitions among households in terms of rank, a very large fraction of the poor in any year are likely to remain poor in the next period. Using the set of panel households interviewed in four consecutive years, the analysis showed that around 25% of households were poor in every period. Only 14% of households were not poor in any of the four survey rounds. While the vast majority of the population was exposed to poverty during 1997-2002, a sizeable core group of households remained poor throughout the entire period.

81. Knowing the length of time that a household has been poor is crucial for understanding the short- and long-term impact of poverty. Although short spells of poverty are always unwelcome, they may not threaten subsistence or significantly damage life prospects if individuals and households can reduce expenditure, run down savings or borrow. However, these tactics are unlikely to be sufficient in the long run. Only by using longitudinal data one can understand the processes behind cross-sectional statistics: the events leading individuals into and out of poverty, and the associated impact on their living standards. Longitudinal poverty analysis can also identify ways in and out of poverty, which can help policymakers adopt better safety nets or other inclusion policies.

#### **2.4.5 Reporting on poverty and inequality**

82. Discrepancies between international and national databases often result from differences in the ways in which the associated indicators are defined and reported. In the MDG reporting context, for example, despite the existence of the official global list of goals,

targets, and indicators issued by the United Nations,<sup>21</sup> most countries provided data on only some of these (see Table 2.2).

Table 2.2  
**Reporting on MDG indicators in international and national databases**

Country	1.1 Proportion of population below PPP\$1/day	1.1a Proportion of population below the national poverty line	1.2 Poverty gap ratio	1.6 Proportion of employed people living below PPP\$1/day
Albania	I	B2	B*	
Armenia	B2	B2	B*	B*
Azerbaijan	I	B2	B*	N*
Belarus	I	B2	I	
Bosnia and Herzegovina	I	B2	I	
Bulgaria	I	B	B*	
Croatia	I	B	I	
Czechia	I	N2	I	
Georgia	B2	B	B2*	
Hungary	I	B2	I	
Kazakhstan	I	B2	B*	I
Kyrgyzstan	B2 <sup>3</sup>	B2	I	
Latvia	I	B2	I	
Montenegro	I	B	B*	
Republic of Moldova	I	B2	B*	
Romania	I	B2	B*	
Serbia	I	B2	I	N*
Slovakia	I	N2	I	
Slovenia	I	N	I	
Tajikistan	B <sup>2,3</sup>	B2	I	I
TFYR Macedonia	I	B	B*	
Turkey	B	B2	B*	I
Turkmenistan	I	N2	I	
Ukraine	I	B2	I	N*
Uzbekistan	I	N	I	

Source: United Nations Economic Commission for Europe, *Report on the differences between national and international reporting about MDG 1 prepared for the Regional Workshop on poverty and employment indicators of the Millennium Development Goal 1, Almaty, 27-28 September 2011*.

Note: **I** – International database, **N** – National database; **B** – Both databases; **B2**, **N2** – At least two definitions are used for this indicator in the national database; \* - In the national data series, the index is computed on the basis of the national poverty line; \*\* - In the national data series, the index is computed for children under three years of age; <sup>1</sup> - The international series also presents data disaggregated by gender; <sup>2</sup> - The international series also presents data disaggregated by gender; <sup>3</sup> - The national series also presents data disaggregated between rural and urban areas. Empty cells indicate that the corresponding figures do not appear in either database, for any of the years taken into consideration (from 1990 to 2009).

83. Some poverty indicators may appear only in international data series, whereas others may only appear in national series. Moreover, for indicators that are included in both sets of

<sup>21</sup> See <http://unstats.un.org/unsd/mdg/Host.aspx?Content=Indicators/OfficialList.htm>

databases, definitional variations can produce significant differences in the values reported for national and international purposes (see Table 2.3).

Table 2.3

**Shares of population living below income poverty lines, for selected countries, 2009-2012**

Country	Population below national poverty line, per cent	Population below PPP\$1.25/day, per cent	Year
Albania	14.3	0.5	2012
Armenia	32.4	1.8	2012
Belarus	7.3	0.0	2011
Bulgaria	21.3	1.9	2011
Czechia	9.7	0.0	2011
Estonia	18.7	1.0	2011
Georgia	14.8	14.1	2012
Hungary	14.1	0.1	2011
Kazakhstan	6.5	0.1	2010
Kyrgyzstan	36.8	5.1	2011
Latvia	19.3	1.1	2011
Lithuania	18.6	0.8	2011
Montenegro	9.4	0.2	2011
Poland	17.1	0.0	2011
Republic of Moldova	17.5	0.2	2011
Romania	22.7	0.0	2011
Russian Federation	13.0	0.0	2009
Serbia	24.7	0.1	2010
Slovakia	13.3	0.3	2011
Tajikistan	47.2	6.5	2009
Ukraine	8.9	0.0	2010

*Source:* The official United Nations site for the Millennium Development Goals Indicators, maintained by the United Nations Statistics Division. Available from <http://mdgs.un.org/unsd/mdg>. Last accessed 20.12.2016.

*Note:* 0.0 refer to the percentage smaller than 0.05. “Population below national poverty line” refers to the percentage of the population living below the national poverty line, which is the level deemed most appropriate for the country by its authorities. Population below PPP\$1.25/day refer to the percentage of the population living below the international poverty line of PPP\$1.25/day.

84. Complications in measuring inequality result from the fact that the most common international databases that show income distribution data for the countries of the region—such as POVCALNET or SWIID—often present data that differ from what can be found on the public websites of the national statistical offices in the region.

### **2.4.6 Measuring non-monetary poverty**

85. Multiple approaches have emerged in response to the need to measure non-monetary poverty. Broadly speaking, these can be divided into two groups. The first consists of dashboards of carefully defined and validated social indicators, which present each indicator separately and unidimensionally. Taken together, these measures can offer empirical insights into the different aspects of poverty considered one by one; they can also draw on different datasets.

86. The second group consists of Multidimensional Poverty Indices (MPIs), which combine individual deprivation indicators that contain deprivation thresholds into aggregated, composite measures (Alkire and Foster, 2011; see also Chapter 5). In the case of multidimensional poverty, the identification of who is poor (according to one or several poverty thresholds) is usually based on the joint distribution of individual or household deprivations, and often uses a counting approach (Atkinson, 2003). These may or may not include income or expenditure poverty among the dimensions.