

## What is meant by 'poverty'?

This looks at what poverty means and how it is defined.

### Introduction

Poverty and its effects are relevant to a significant proportion of the stories that dominate the daily news agenda. It is not the job of the media generally to solve the problem of poverty or to take sides in the political tussle over it.

By explaining it, we may make the public more understanding and aware. Yet almost no effort is made to explain poverty, its causes, effects and consequences.

Clearly, the starting point must be an understanding of what poverty means – what is its definition, and how do people see it?

### Definitions

#### Relative poverty

When we talk about poverty in the UK today we rarely mean malnutrition or the levels of squalor of previous centuries or even the hardships of the 1930s before the advent of the welfare state. It is a relative concept. 'Poor' people are those who are considerably worse off than the majority of the population – a level of deprivation heavily out of line with the general living standards enjoyed by the majority of the population in one of the most affluent countries in the world.

Professor Peter Townsend, a leading authority on UK poverty, defines relative poverty as 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"*. ([Reporting poverty in the UK](#) p 15)

#### European Commission definition

In its Joint Report on Social Inclusion 2004 the EC came up with the following:

*"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."*

#### 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.

### **Absolute poverty**

This is a term used in various different ways to denote a poverty level that does not change over time, in terms of the living standard that it refers to. It stays the same even if society is becoming more prosperous. An absolute poverty line thus represents a certain basic level of goods and services, and only rises with inflation to show how much it would cost to buy that package.

### **Joseph Rowntree Foundation research**

The 60% median income measure on which these figures are based, though an international standard, is arbitrary in the sense that there is no exact calculation that this is a threshold of minimum income acceptable to society.

However, to help interpret this poverty line, the Joseph Rowntree Foundation has been calculating what income would be enough to allow families to enjoy a minimum socially acceptable standard of living. The approach taken was to ask ordinary people to discuss in detail what would need to go into a family budget. This found that, with few exceptions, the amount was actually a little above the conventional 60% threshold. To find out more, go to <http://www.jrf.org.uk/publications/minimum-income-2009>

### **Wider issues**

Low income is just one indicator of poverty. A fuller picture looks at all resources, not simply income. This can include access to decent housing, community amenities and social networks, and assets, i.e. what people own. Somebody who lacks these resources can be said to be in poverty in a wider sense.

### **Assets**

Another factor relates mainly to older people and is described as “asset rich-income poor”. Many people in this position own their homes. These may well now be bigger than they need and have a capital value. But many people in this situation have very small incomes and cannot afford the upkeep, resulting in deteriorating homes, which may well be losing value. It is not just older people, though. Increasingly in an economic downturn it is likely to be affecting other people who have lost their jobs and have mortgages on their homes. Despite the fall in house prices some may have significant equity in their homes, though raising that equity becomes increasingly difficult in a very slow market.

### **Child poverty**

The current government definition is “children living in households with needs adjusted (‘equivalised’) incomes below 60 per cent of the median income....

Income is adjusted for different need (so called 'equivalisation') on the principle that the same income will stretch further in a smaller family than a larger one".

### **Fuel poverty**

People who spend more than 10 per cent of their net income on fuel are defined as living in fuel poverty. The Government has a target of eliminating fuel poverty in all vulnerable households by 2010, as required under the Warm Homes & Energy Conservation Act 2000.

### **Further information**

#### **Poverty and equality in the EU**

This document provides the EC definition of poverty included above. It also provides more information on poverty throughout Europe.

[http://www.eapn.eu/images/docs/povertyexplainer\\_en.pdf](http://www.eapn.eu/images/docs/povertyexplainer_en.pdf)

*A Minimum Income Standard for Britain* Bradshaw, J., Middleton, S., Davis, A., Oldfield, N., Smith, N., Cusworth, L., Williams, J (2008), Joseph Rowntree Foundation, [www.minimumincomestandard.org/](http://www.minimumincomestandard.org/)

Much of the content of this section has been adapted from [\*Reporting poverty in the UK\*](#) – Appendix A. The most relevant sections are pp 13-19 and pp 73-4.