

Jean Monnet Chair  
**Small Area Methods for Monitoring  
of Poverty and Living conditions in  
EU (SAMPL-EU)**

Lecture 1: definition of poverty and  
of the goals of its measurement

<http://sampleu.ec.unipi.it>



# Definition of Poverty



...and Living Conditions

# Poverty (wikipedia)

- Poverty is the state of one who lacks a certain amount of material possessions or money.<sup>[1]</sup>
- It is a multifaceted concept, which includes social, economic, and political elements <sup>[2]</sup>

[1] <http://www.merriam-webster.com/dictionary/poverty>

[2] Betti G, Lemmi A (2014) Introduction. In: Betti G, Lemmi A (eds) Poverty and Social Exclusion: New Methods of Analysis, London: Routledge., pp 1–6

# Absolute poverty

- It refers to the deprivation of basic human needs, which commonly include food, water, sanitation, clothing, shelter and health care

ISTAT (2009) La misura della povertà assoluta. Tech. Rep. Metodi e Norme n.39, ISTAT

Between 1990 and 2010, about 663 million people moved above the absolute poverty level. Nevertheless, given the current economic model, built on GDP, it would take 100 years to bring the world poorest u to the standard poverty line of \$1.25 a day.

Jason Hickel (30 March 2015).

*The Guardian*

# Relative poverty

- It is defined contextually as economic inequality in the location or society in which people live

European Commission (2005), Regional Indicators to reflect social exclusion and poverty. Report prepared for Employment and Social Affairs DG

# Well-being and poverty

- The broadest approach to well-being (and poverty) focuses on the **capability** of the individual to function in society.
- Poor people often lack **key capabilities**; they may have inadequate income or education, or be in poor health, or feel powerless, or lack political freedoms.

# Poverty reduction

The central target of the Millennium Development Goals (MDGs) is to halve, between 1990 and 2015, the proportion of people in developing countries whose income is less than \$1/day.

To measure progress toward this goal it is necessary to compare poverty rates across countries and across sub-regions.

United Nations, World Bank, European Commission



# Poverty

“poverty is pronounced deprivation in wellbeing.” World Bank (2000)

- what is meant by well-being?
- What is the reference point against which to measure deprivation?

# “well-being” approach

- One approach is to think of well-being as the command over commodities in general, so people are better off if they have a greater command over resources.
- Typically, poverty is then measured by comparing individuals' income or consumption with some defined threshold below which they are considered to be poor.

# “do you have enough?” approach

- A second approach to well-being (and hence poverty) is to ask whether people are able to obtain a specific type of consumption good:
- Do they have enough food? Or shelter? Or health care? Or education?

In this view the analyst goes beyond the more traditional monetary measures of poverty

# “capabilities” approach

- well-being comes from a capability to function in society (Sen, 1987)
- Viewed in this way, poverty is a multidimensional phenomenon and less amenable to simple solutions.
- while higher average incomes will certainly help reduce poverty, these may need to be accompanied by measures to empower the poor, or insure them against risks, or to address specific weaknesses such as inadequate availability of schools or a corrupt health service.

# Inequality

- focuses on the distribution of attributes, such as income or consumption, across the whole population
- In the context of poverty analysis, inequality requires examination if one believes that the welfare of individuals depends on their economic position relative to others in society.

# Vulnerability

- the risk of falling into poverty in the future, even if the person is not necessarily poor now
- Vulnerability is a key dimension of well-being since it affects individuals' behavior in terms of investment, production patterns, and coping strategies, and in terms of the perceptions of their own situations

# Measuring Poverty in EU Countries, Regions and local areas...



...integrating good quality data (from surveys and other sources) for evidence-based policy making

Measuring takes time, energy, and money to measure poverty, since it can only be done properly by gathering survey data directly from households.

- Why, then, do we need to go to the trouble of measuring poverty?
- Why at country and at local level?



# Why measuring? (WB replies)

- 1- To keep poor people on the agenda
- 2 - To be able to identify poor people and so to be able to target appropriate interventions
- 3 - To monitor and evaluate projects and policy interventions geared to poor people
- 4- To evaluate the effectiveness of institutions whose goal is to help poor people.

# 1 - To keep poor people in agenda

- It is easy to ignore the poor if they are statistically invisible.

Country level: importance of consistency of the indicators with National Accounts (Luigi Biggeri lectures)

Local level: heterogeneity across regions and subgroups

## 2 – Targeting interventions

- one cannot help poor people without knowing who they are
- This is the purpose of a **poverty profile**, which sets out the major facts on poverty (and, typically, inequality)

Country level: national vs local poverty profiles

Local level: who they are and “where” they are

# 3 - To monitor and evaluate projects

- The goal is to be able to predict the effects of, and then evaluate, policies and programs designed to help poor people..
- Information on poverty is also helpful in understanding the politics of many government policies.

Country level: country targets, bottom-up evaluation procedures?

Local level: local targets vs country targets!

## 4 - To evaluate the effectiveness of institutions

- One cannot tell if a government (and/or other institutions) is doing a good job of combating poverty unless there is solid information on poverty

Country level: national borders!

Local level: administrative borders?

In this context, we typically want to know whether poverty has fallen (a qualitative measure) and by how much (a quantitative measure).

When evaluating projects, policies, and instruments, our concern is with poverty comparisons,

Such comparisons are surprisingly difficult to do well—often they are not robust—and require close attention to issues of [measurement](#), which is one of the major themes of this course

- The process begins with the measurement of poverty, followed by an analysis of its dimensions and causes.
- Thus, once poverty is **measured** and the poor are identified, the next steps in the process are to choose **public actions and programs** that have the greatest impact on poverty, identify **indicators of progress**, and **monitor** change in a systematic manner. Poverty measurement and diagnostics are therefore central to informing policy making for poverty reduction in many countries.

# References

- European Commission (2005), Regional Indicators to reflect social exclusion and poverty. Report prepared for Employment and Social Affairs DG
- Eurostat (2010) Combating poverty and social exclusion 2010 edition, A statistical portrait of the European Union 2010
- Betti G., Lemmi A. (2013, eds.), Poverty and Social Exclusion: New Methods of Analysis. London and NewYork: Routledge.
- World Bank. 2000. World Development Report 2000/2001: Attacking Poverty. Washington, DC:
- Sen, Amartya. 1987. Commodities and Capabilities. Amsterdam: North-Holland.
- Houghton J and Khandker S R (2009) Handbook on poverty and Inequalities, The World Bank, Washington DC
- Pratesi M (2015, ed) Analysis of poverty data by small area estimatio, Wiley New York