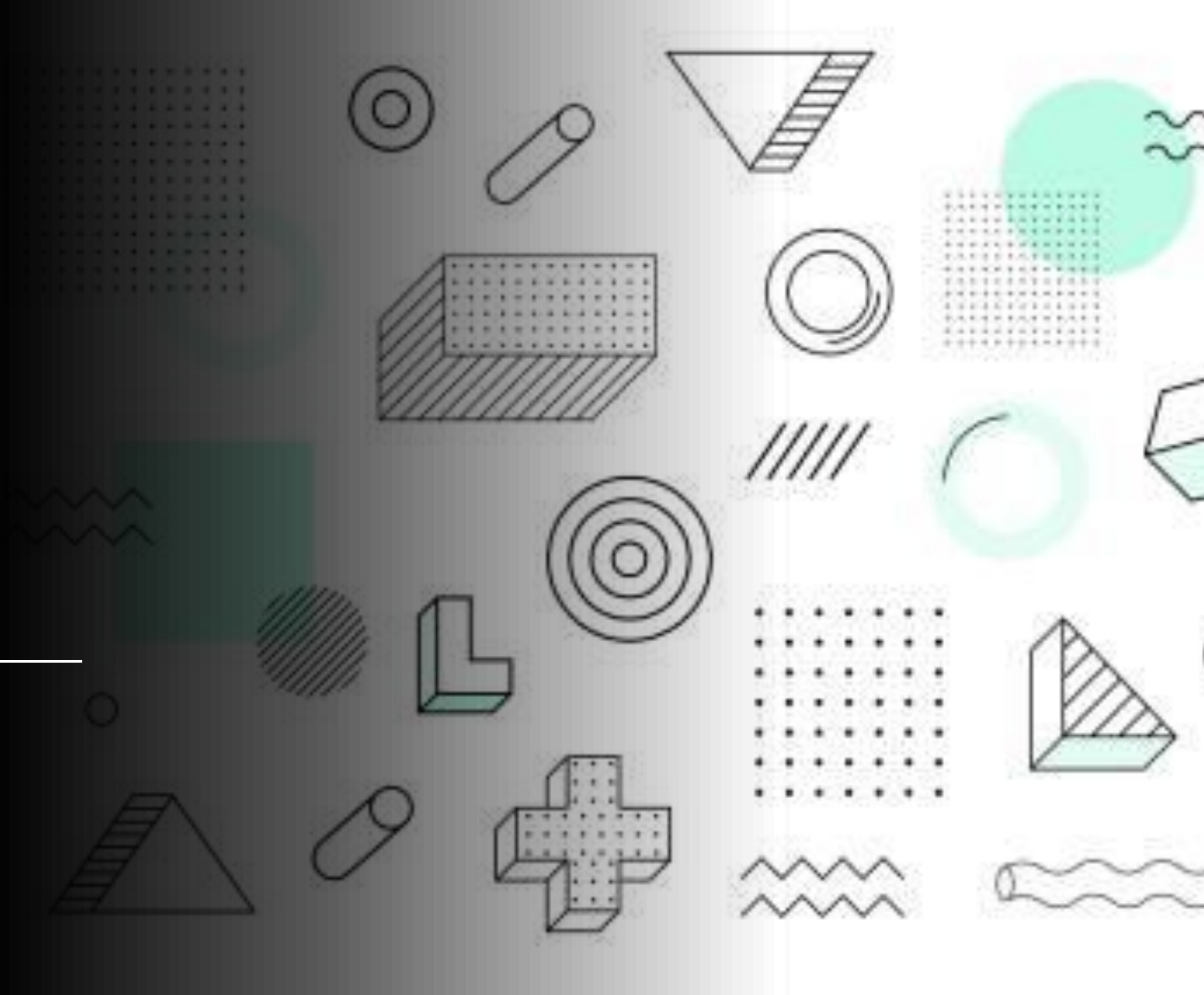




# Measuring Poverty



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# Understanding poverty

## Relative poverty

- *"Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and the amenities which are customary, or at least widely encouraged or approved in the societies to which they belong. Their resources are so seriously below those commanded by the average family that they are in effect excluded from the ordinary living patterns, customs, and activities."*
- Determine a threshold, and examine the resources (income and other in-kind support)

## "Absolute" poverty in developed economies

- *The income level that allow individuals or families to live an minimally acceptable standard of living, or the standard of living at a fixed year, to avoid fluctuation of poverty thresholds due to constant changes in household income.*

# Approaches to measure poverty

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Income Level (household)

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Expenditure level (household)

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Budget standard approach (household)

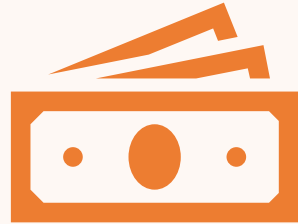
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Deprivation approach (individual)

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Consensual approach (household)

# Income level approach (household)



## **Poverty Threshold (Usually 50% of median household income)**

Market Income approach (Employment + investment return)

Disposable Income approach (market income + transfer - debt)



## **Household Size Consideration**

Based on different household sizes (HK: six thresholds)

Based on per Capita Income  
Income divided by Equalized Household Size (adjusted for number of adults and children)

# Equivalised household size

1

## Assign weights for calculating equivalised household size

Equivalisation is a method of attributing household income to individual household members

First adult =

1



Second and subsequent adults =

0.66



Child and subsequent children =

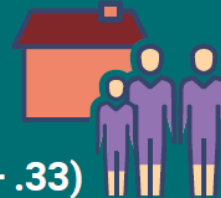
0.33



Example: Household D =

1.99

(1 + .66 + .33)



2

## Calculate equivalised disposable income for each household

Divide household disposable income by household weight



1



1.33



1.66



1.99



2.65

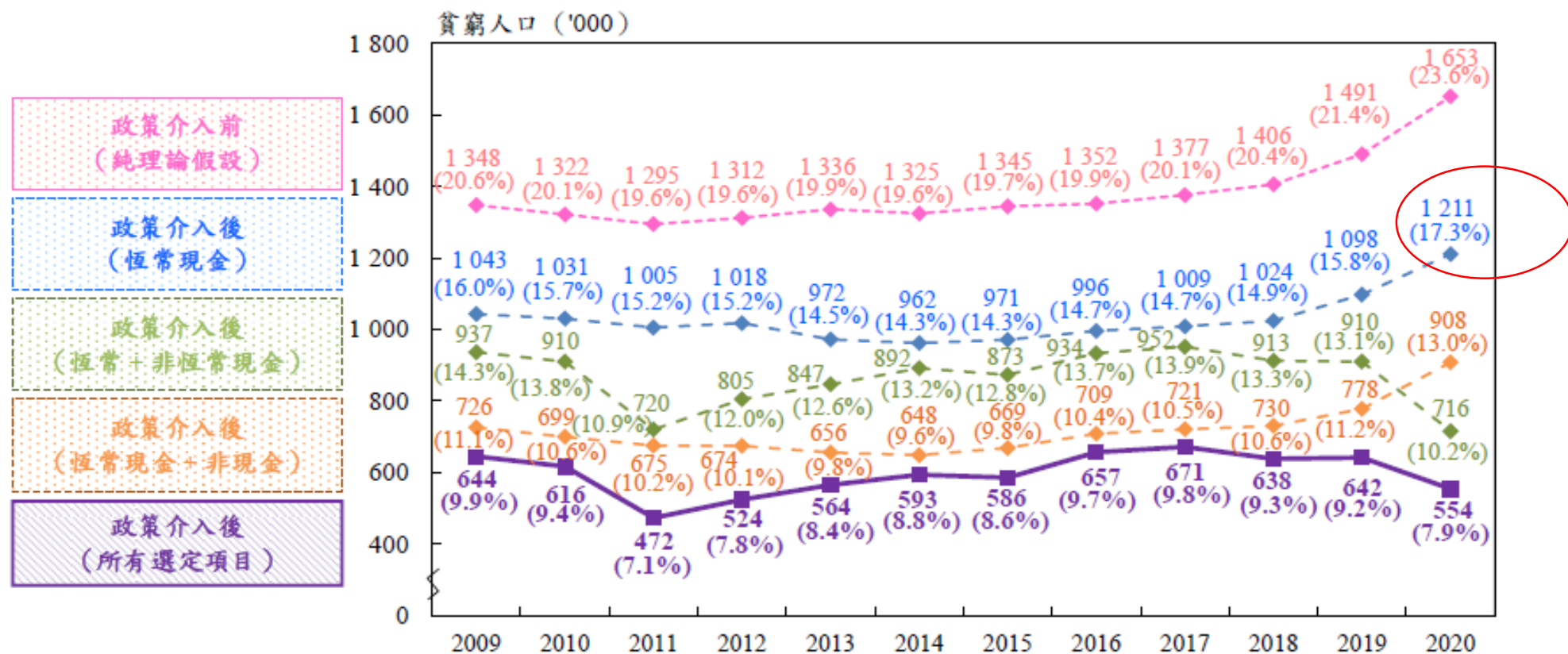
Equivalised household size (weight)

## Poverty rate

- **Household in Poverty :**
- Disposable Income  $\leq$  Threshold
  - Which threshold is more reasonable (based on market income or disposable income)
  - Per Capital income (based on equalized household size) compares each household with all other households
  - HK's six-thresholds approach compares households living standard with those of the same household size.



圖 A.5：2009-2020 年不同住戶收入類別下的貧窮人口及貧窮率

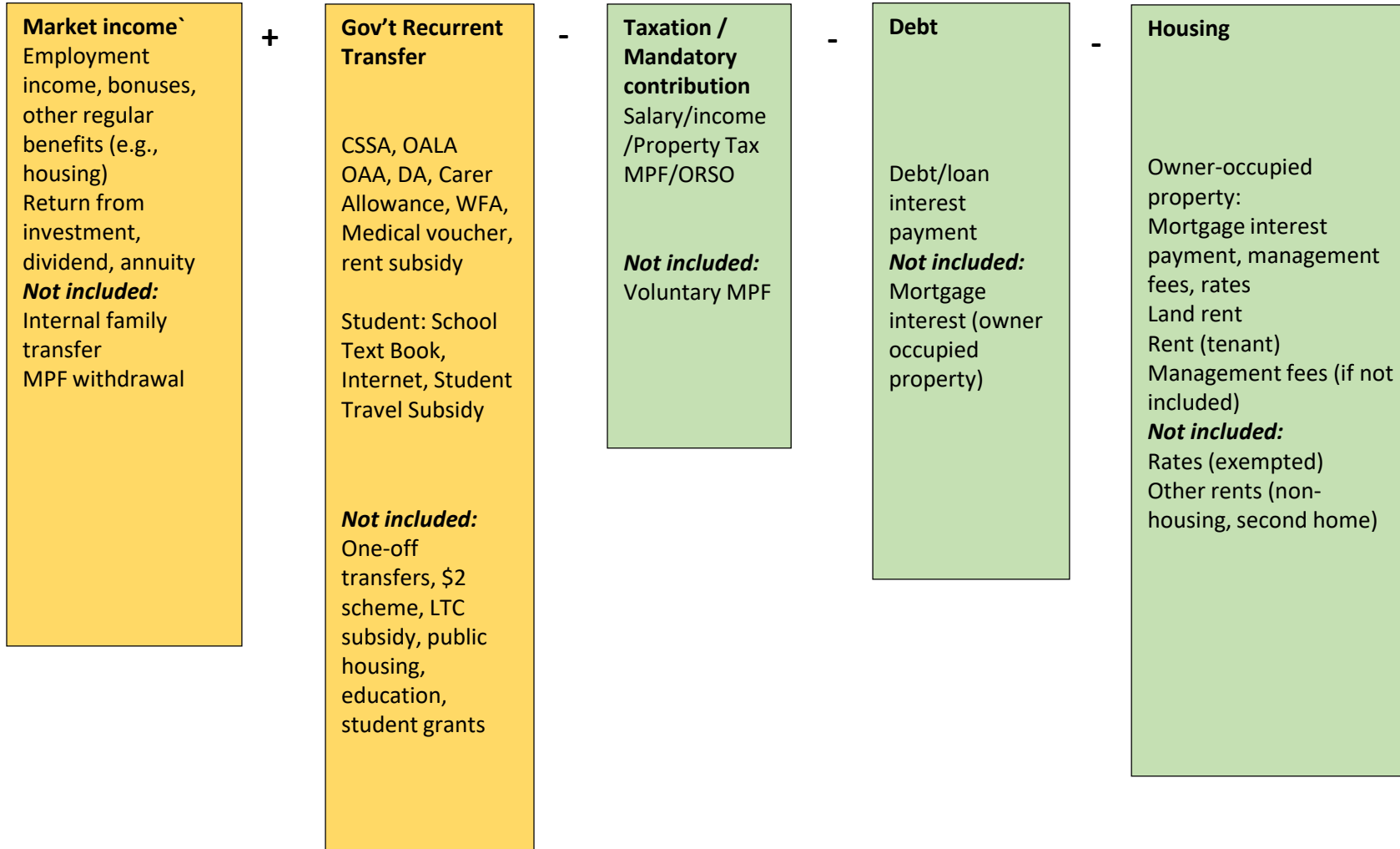


貧窮住戶 ('000)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
政策介入前 (純理論假設)	541	536	530	541	555	555	570	582	594	613	649	703
政策介入後 (恆常現金)	406	405	399	403	385	383	392	412	420	435	474	515
政策介入後 (恆常+非恆常現金)	361	354	281	312	333	355	354	387	397	385	399	300
政策介入後 (恆常現金+非現金)	284	278	271	272	269	271	281	304	308	316	340	386
政策介入後 (所有選定項目)	253	246	194	216	233	250	250	284	287	276	287	242

註： ( ) 括號內數字為相應的貧窮率。  
 資料來源： 政府統計處綜合住戶統計調查。

# How to consider Housing Costs

- Hong Kong: Nominal housing subsidy as transfer
- OECD countries: Consider disposable income after housing costs





# Expenditure level approach

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**Poverty threshold** set at a multiple of a certain expenditure level of essential items (food, clothing, shelter, utilities, internet, telephone, etc.)

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The level can also be set at 50% of median household expenditure on these essential items.

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The multiple takes account of other essential services/items not included in the list (e.g., household supplies, personal care, nonwork-related transportation)

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This is applied in USA as the SPM (Supplementary Poverty Measure)

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The Official Poverty Measure (OPM) was set at three times the cost of a minimum food diet in 1963 with different household compositions.

# How to consider asset (and debt)

- In relative approach: Consider all assets and debts as disposable wealth and income?
- In “absolute approach”: Asset and (minus debt) are consider as resources to compare with the poverty threshold
  - Asset (especially for those so called poor in income but rich in asset)
    - Conversion into annuity (at what age?)
    - Property price above certain level?





# Budget standard approach

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- Income or expenditure thresholds derived from a basket of goods that represents a minimum standard of living (standards are based on either normative or behavioural (expenditure based) estimates of needs.

**Table 4.1: Budget standard for a single person of working age**

	UK Minimum Income Standard 2008 €ppp per year 2007 prices	Netherlands NIBUD budget 2008 € ppp per year 2007 prices	Ireland Vincentian 2006 €ppp per year 2007 prices	Flanders CSB 2008 €ppp per year 2007 prices
Food	2499	1761	2949	1604
Clothing	473	522	723	414
Fuel	558	881	327	1107
Rent	3240	3403	2921	4169
Total necessities	6770	6566	6921	7294
Total budget	13018	8599	11565.15	10129

# 2018 Weekly MESL Expenditure Budgets

The weekly core costs of a Minimum Essential Standard of Living in 2018 are summarised in the table below, the full range of MESL budgets for all household types and compositions is available to download

### URBAN

#### Core MESL Weekly Expenditure Budget

*Excludes Housing, Childcare and the effect of secondary benefits*

	TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b	SA	CP	LP	PC
Food	88.12	115.92	139.24	144.43	218.87	66.97	89.10	112.41	52.83	77.75	64.11	76.31
Clothing	25.86	21.70	27.98	35.62	44.02	12.35	16.49	22.77	9.17	11.95	8.84	14.74
Personal Care	22.44	16.66	22.77	26.03	32.47	8.69	9.91	16.02	12.14	14.84	8.55	12.41
Health	13.79	14.58	17.31	19.55	25.79	9.77	11.60	14.33	6.35	9.65	12.48	24.90
Household Goods	21.56	17.91	18.73	26.18	23.88	14.61	16.89	17.72	5.10	5.94	14.81	15.99
Household Services	7.09	7.09	7.09	7.09	7.09	7.09	7.09	7.09	4.04	4.04	7.11	7.11
Communications	14.00	14.00	18.58	14.00	23.16	9.41	9.41	13.99	9.46	14.05	13.16	12.97
Social Inclusion	53.18	68.85	88.96	70.55	126.44	43.67	47.56	67.67	36.80	66.80	39.22	52.27
Education	0.73	7.44	23.77	7.44	46.82	7.44	7.44	23.77	4.57	8.49	0.00	0.00
Transport	55.00	60.40	60.40	60.40	65.80	30.20	32.90	32.90	32.79	65.58	0.00	0.00
Household Energy	45.52	43.99	43.99	48.39	49.73	43.72	43.72	43.72	28.38	31.38	49.85	51.77
Personal Costs	8.16	8.26	8.26	8.37	8.48	8.00	8.10	8.10	7.90	13.50	6.27	6.43
Insurance	31.53	33.97	32.53	38.33	37.88	17.67	21.55	20.11	14.37	26.79	11.82	21.35
Savings & Contingencies	26.57	32.31	32.31	38.04	43.77	21.48	27.21	27.21	11.47	17.20	11.47	17.20
Core Expenditure	413.54	463.08	541.93	544.41	754.20	301.07	348.98	427.83	235.36	367.96	247.69	313.44

# “Material deprivation” approach

- Based on a list of “basic items” that is considered as very essential individuals to live in a society. A person is considered as poor if he/she lacks a certain number (say 3) of such items.

# Example: Ireland

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Enforced deprivation is where a household experiences **two or more** of the following deprivation items:

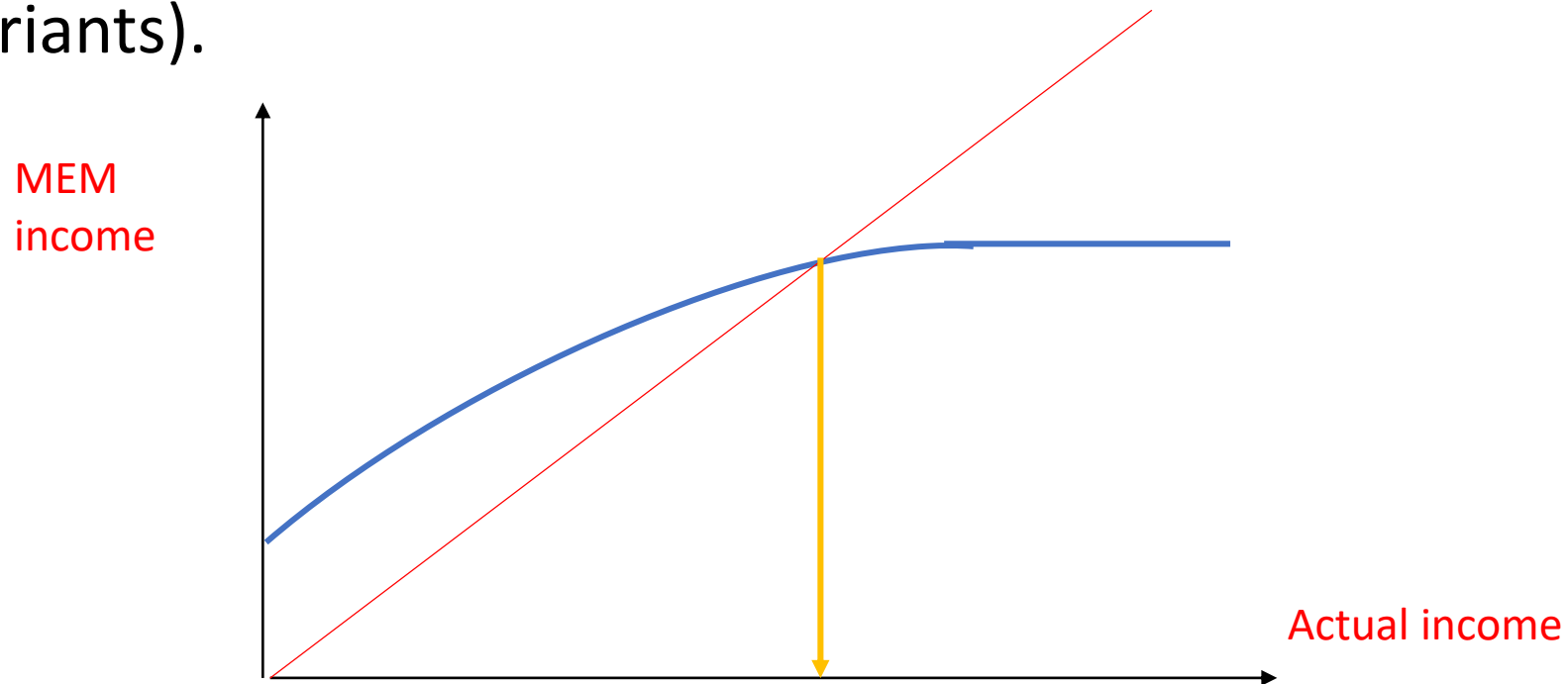
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1. Without heating at some stage in the last year
  2. Unable to afford a morning, afternoon or evening out in last fortnight
  3. Unable to afford two pairs of strong shoes
  4. Unable to afford a roast once a week
  5. Unable to afford a meal with meat chicken or fish every second day
  6. Unable to afford new (not second-hand) clothes
  7. Unable to afford a warm waterproof coat
  8. Unable to afford to keep the home adequately warm
  9. Unable to afford to replace any worn out furniture
  10. Unable to afford to have family or friends for a drink or a meal once a month
  11. Unable to afford to buy presents for family or friends at least once a year
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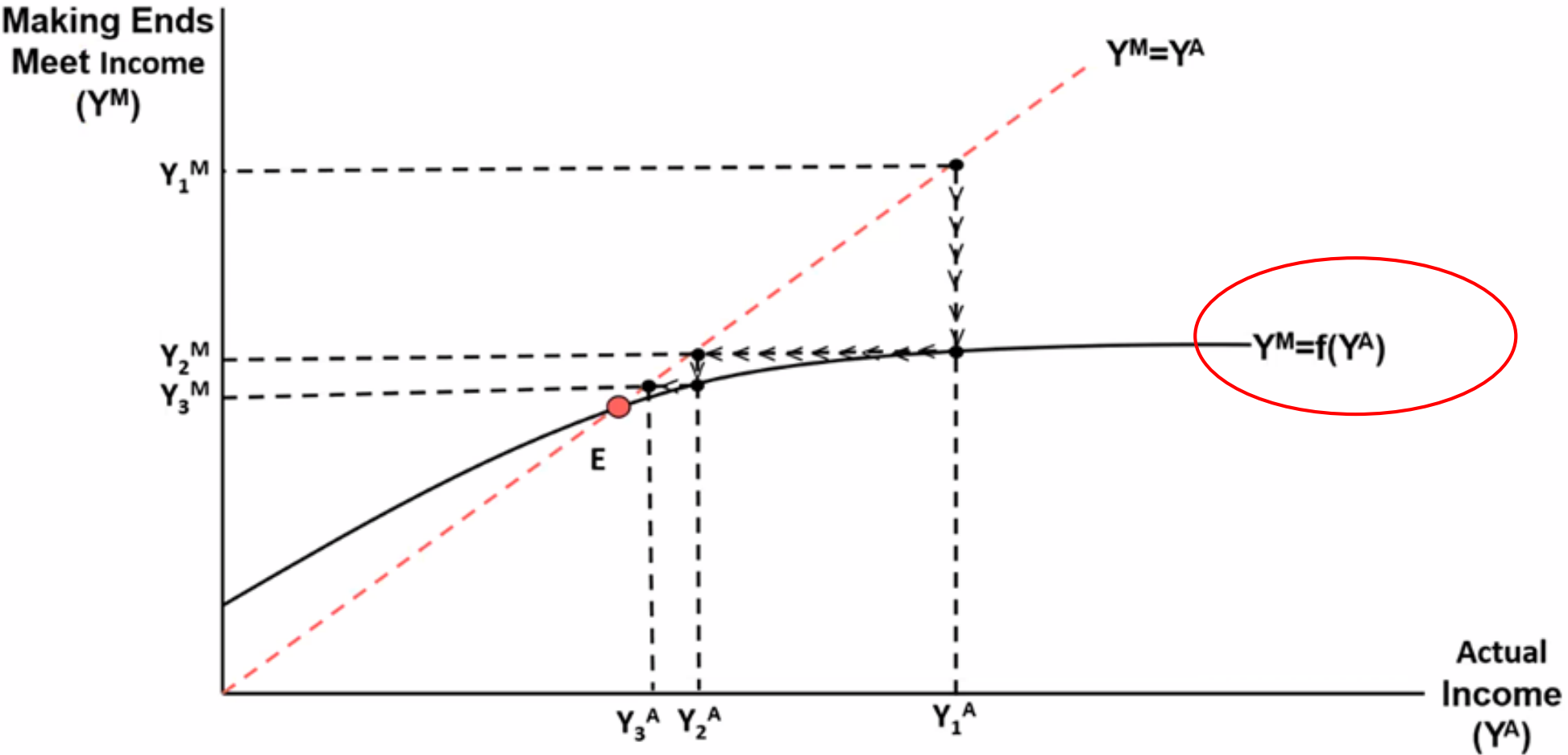


# Consensual Approach

- Focus on income but draws on people's understanding of how much income they need to 'make ends meet' (MEM) to set a poverty line that reflects these views.
- So, all households interviewed will have a view about how much money they need to keep a family like themselves out of poverty (or other variants).



# Making Ends Meet (Minimum) Income and Actual Income



## Issues to consider

- Adopts disposable Income approach? (BHC and AHC)
- Self-owned property (with or without mortgage), tenants, should have different poverty thresholds.
- Different household composition (e.g. household having persons with disabilities, PwD, young children should have a higher poverty threshold)
- Consider “absolute” poverty approach to deal with asset (property vs liquid asset), how do we convert them into income
- Other issues: duration in poverty, alleviation targets