

MEASURING POVERTY – WHAT HAPPENED TO COPENHAGEN?

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Absolute poverty can be thought of as a condition of 'insufficiency', i.e. the inability to acquire the basic necessities of life. Relative poverty can be thought of as a condition of 'inequality'. At the World Summit on Social Development in Copenhagen in 1995, all participants made a commitment to produce official measures of both absolute and relative poverty and to strive to eradicate absolute poverty within a reasonable time frame. Despite these commitments, measures of absolute poverty are rare in the developed world. This paper concludes that both kinds of measures are needed for intelligent discussions and good policy-making.

Introduction

Traditionally, poverty has been understood as a condition of severe deprivation – a condition that was more than inconvenience and which was likely to have adverse consequences for physical efficiency and well-being. Some dictionary definitions still retain this meaning.¹ However, in the last 30 years or so, a number of scholars have advocated a different conception of poverty: one that views poverty as a condition of having substantially less than what most others in society have. This approach, called 'relative poverty', has a large number of adherents, particularly in academic circles. A simplistic summary of the two approaches to defining poverty might contrast poverty as insufficiency (absolute) with poverty as inequality (relative).

In fact, the two approaches are not completely distinct. Absolute poverty has a context. That context is the society in which one resides. So, while shelter, for example, would be listed as a basic necessity in any country, the nature of that necessity would be determined by socially accepted norms in one's own community. So, there is, at least, relativity in the determination of the type, quality and volume of each of the items listed as basic needs.

While not entirely distinct, absolute and relative poverty are different enough to be separate conceptual categories. In most countries of the world, those defined as relatively poor would also be poor in absolute terms – and vice versa. But this is not necessary. A poor country with a very

compressed distribution of income might have little or no relative poverty but substantial numbers who were absolutely poor. As well, in a very wealthy nation with high inequality, it is possible to have little or no absolute poverty but substantial levels of relative poverty.

Which approach is the right one? This paper argues that, while each has weaknesses, both approaches are needed to give us a fuller understanding of 'disadvantage'. Yet, absolute poverty tends not to be on the radar in studies of poverty in the developed world. Generally, absolute poverty is either ignored or disparaged.

Absolute approach

If absolute poverty means that one lacks a basic need, then it might make sense to list the basic needs, cost them out for a particular geographical context, and find out which households do not have enough income to afford the basket of necessities. Most measures of absolute poverty use this method. It is arguable whether the US method of measuring poverty, discussed by Eberstadt in this symposium, which takes the cost of an 'economy' nutritious diet and sets its (official) poverty line at three times that cost, adjusted for family size, is indeed an absolute approach. Any use of proxies or multipliers in crafting an absolute measure runs the risk of oversimplifying and inadequately representing the necessities themselves. Better to use a full list of basic needs.

But who determines the composition of the list? Once determined, is the list fixed for all time? Will lists vary, at least to some extent, internationally? What indicator of 'household resources' should be used to determine who is poor – income or consumption expenditure? And how might we deal with 'free' necessities provided by the state or by other entities?

In terms of determination of the list of necessities, it is common for an expert panel to determine both the list and the nature of the individual components of the list. This seems to be appropriate and objective. Nutritionists, for example, would be in a good position to determine what foods would satisfy healthy dietary requirements while still being reasonably affordable. Is it a problem, though, that real households do not consume *only* healthy foods? Or is it enough to say that households might be poor if they lack the resources to be able to acquire a healthy diet, regardless of what foods they actually buy?

To what extent is subjective input from 'non-experts' (ordinary citizens) of relevance to the determination of necessities? Such input may come from surveys in which respondents are asked how much income they need to 'get by', or, more accurately, to 'avoid poverty'.²

This issue is discussed by Gordon (2000). He makes the point that subjectively determined poverty lines may be 'socially realistic' but produce poverty lines 'at a relatively high level' (p. 53) for absolute poverty and are not likely to be taken seriously by politicians. He argues that it is '... necessary and desirable to measure poverty using objective, scientific methods that are independent of respondents' perceptions of their own economic and social conditions' (p. 63).

On the matter of the constancy of absolute measures, it would seem that there is a bit of a dilemma. On the one hand, a constant basket would ensure comparability (over time and between nations). On the other hand, absolute poverty does have a context and that context will be different in different societal situations. It would seem, looking back at least, that there has been a 'core' of basic needs that has been the same over time and in every society – a list that would include shelter, food, clothing, hygiene and health needs. But even those core necessities would be defined according to societal norms. Sen's (1985, p. 673) view of the nature of the absolute approach is relevant here:

'The characteristic feature of "absoluteness" is neither constancy over time, nor invariance between societies, nor concentration merely on food and nutrition. It is an approach of judging a person's deprivation in absolute terms (in the case of poverty study, in terms of specified minimum absolute levels), rather than in purely *relative* terms vis-à-vis the levels enjoyed by others in society.'

How do we determine whether a household has the ability to acquire a particular list of necessities? It is common to use income as an indicator of the household's command over goods and services. If the cost of basic needs is X , then if a household's disposable income is less than X , it would be poor. However, this assumes that income can be accurately measured. To the extent that some incomes go unreported or underreported, the number living in poverty is likely to be overstated, regardless of what approach we use.

Sarlo (2001), in his examination of 'basic needs' poverty in Canada, looked at the question of unreported and underreported income. He noted that certain types of transfer income (unemployment insurance benefits and welfare benefits) were found to be 'substantially underreported according to Statistics Canada reconciliation checks' (p. 41). Aside from transfers, potential underreporting would occur with:

'... cash transactions in the construction, renovation and repair trades; tips paid in return for service in the hospitality industry; cash paid to producers and performers in the entertainment industry; money paid to prostitutes, escorts and others in the sex trade; illegal activities such as gambling, drug dealing and fencing stolen property [p. 41].'

Sarlo argues that the aggregate amount is significant. According to the Auditor General of Canada report of 1999, just the 'legal portion of the underground economy was about 4.5% of GDP' (p. 41).

Sarlo (2001) points to some other, less significant, considerations which might also tend to overstate the extent of poverty, including student loans (not counted as income but which are a substantial part of resources for students), small business losses resulting in very low and sometimes negative household incomes and the omission of in-kind income. An important example of the latter, in Canada, would be subsidised rent which resulted in 710,000 households paying less than half the market level of rents in 1996 (p. 42).

Citro and Michael (1995) examined the question of in-kind benefits as part of their review of US poverty measures. They recommended that in-kind benefits, such as subsidised housing, and other gifts and resources, be added to income for the purpose of poverty measurements. They also recommended that such things as income taxes, some childcare costs, work-related transportation and child support payments be subtracted from income to obtain more realistic estimates of poverty.

In Canada, almost all studies estimating poverty or 'low-income' use reported incomes drawn from Statistics Canada surveys, such as the *Survey of Household Spending*, the census or from tax-filer data. To the extent that tax evasion is the primary

motivation for underreporting, all of these sources of income are subject to these concerns. As a result, it might be fair to say that poverty (again, regardless of what line is used) cannot be estimated with any reasonable accuracy if we use reported incomes as our gauge.

If income is a poor indicator of household well-being, especially at the lower-income levels, what is the alternative? Consumption spending has been used as an indicator in a modest number of studies estimating poverty, including Slesnick (2001), Pendakur (2001), Sarlo (2001) and Menchini and Redmond (2006). The advantage of consumption is that it more directly represents household well-being than income and can therefore be more useful in detecting poverty. Consumption can also be viewed as a more stable and consistent indicator as households save or borrow over time to achieve their desired living standard (often referred to as ‘smoothing’). Consumption data is typically gathered from respondents in a survey and therefore there will be some inaccuracy as a result. However, one would expect that there is not the same motivation to understate consumption as there is with income.

Households consume more than the things that they buy in the marketplace. They consume, in particular, a number of free goods and government services that are an important part of their ‘standard of living’. If we ignore, for example, food programmes (which allow people to access free food), rent or transportation subsidies, we overstate poverty estimates depending on the significance of these items to households. However, household spending surveys, at least in Canada, have insufficient information which might be used to impute the value of these free or subsidised commodities.

If consumption spending is more stable and less likely to be understated than income, consumption poverty will tend to be less prevalent than income poverty. There is some evidence that supports this. Sarlo (2001) found that consumption poverty (using data from the family expenditure survey [FAMEX]) was lower than income poverty (using data drawn from the *Survey of Consumer Finances* [SCF]) for the period 1969–96. Sarlo (2006, pp. 3–5) estimated both income and consumption (absolute) poverty for Canada for 2004 using the same database (Statistics Canada’s *Survey of Household Spending*). Income poverty was estimated at 4.9% of the population, whereas consumption poverty was 4.2%. Slesnick (2001, pp. 163–166) measured both income and consumption poverty for the USA over the post-war period and found that consumption poverty tracked below income poverty throughout – and significantly so since the early 1980s.

If the defining characteristic of absolute poverty is deprivation of basic necessities, there still exists considerable room for interpretation. Those

unfavourably disposed to the absolute approach tend to use terms like ‘minimal’, ‘subsistence’, ‘keep body and soul together’ and ‘starvation level’ to describe the standard of living *at the line*. Those who believe that absolute poverty can be useful in understanding poverty might rather describe the level as ‘sustainable’ in that it does not compromise long-term physical well-being and covers all basic needs at a standard that is considered acceptable in one’s own society. Sarlo (2001, pp. 9–10) looks at various characterisations of absolute poverty to help distinguish between ‘subsistence’ levels (just keeping oneself alive; minimal level of existence) and healthy ‘sustainable’ levels.

Relative approach

A person is poor in the relative sense if his standard of living is substantially less than most others in his society, regardless of whether he lacks any necessities. This approach is generally preferred in academic studies and by those organisations in the ‘social justice’ community.

There are a number of ways to measure relative poverty. The simplest and most widely used method is to set a relative poverty line at some proportion of the average or median living standard. Income is the most commonly used proxy for living standard. This method has the advantage of being easy to use and easy to understand. Being directly (formulaically) connected to some indicator of material well-being ensures its relativity. Most often, a relative poverty line set at 50% of median income (adjusted for household size) is used. However, in recent years, some studies of relative poverty in European nations have used 60% of median income as a measure.³

More recently, other methods have been used to measure relative poverty. A budget standard approach has the capacity to represent any level or standard of living – depending on the components of the basket. The items to be included could be selected by experts and would include the goods and activities that they believe without which a person would not be able to ‘fully participate in society’. Alternatively, the basket could be determined subjectively by survey. For example, the poverty and social exclusion (PSE) survey in Britain asks respondents to indicate which of a long list of items they believe ‘all adults should be able to afford and which they should not have to do without’. The survey also asked respondents if they had those items currently and if they did not have them, was it because they did not want them or because they could not afford them. If a household lacks two or more of the items listed as necessary by at least 50% of respondents, that household is classified as ‘poor’.⁴ Using this approach, it was determined that 25.6% of Britons were poor in 1999 (Gordon *et al.*, 2000, pp. 13–18).

The measurement of relative poverty, sometimes referred to as 'overall' poverty in developed nations, in practice will include absolute poverty. This is because relative poverty invariably involves higher poverty lines. The 'relatively' poor will also include those who apparently have the basic necessities covered but not all of the items regarded as necessary for inclusion or full participation in society.

Well-known advocates of a relative poverty standard, David Gordon and Peter Townsend (2000, p. 94) prefer a budget standard for the measurement of relative poverty:

'A single budget standard or a set of budget standards should be used to set the low income threshold . . . instead of the current arbitrary threshold of 60% of median income. The low income statistics would then relate to a meaningful and readily understandable standard of living which allowed for the costs of being able to participate in the normal activities and customs most people take for granted.'

Relative poverty is subject to some of the same concerns as absolute poverty. Both methods potentially involve arbitrary choices. With absolute poverty, a series of choices have to be made, usually by 'experts', largely relating to which commodities are 'necessities' for the purpose of the measure. With relative poverty, decisions have to be made about either what percent of average or median living standards constitutes 'poverty' or what specific goods or activities are necessary for 'inclusion'. In the case of 'socially perceived necessities' drawn from a survey like the PSE survey in Britain, there is also arbitrariness in the initial list of items facing respondents, the proportion of respondents who believe it should be included as a necessity for it to be incorporated in the list of necessities, and the number of necessities without which one is regarded as poor. And since survey-generated socially perceived necessities could, potentially, be used to also determine absolute poverty, the same concerns hold.

In addition to arbitrariness, there is a concern with any measure that uses income as an indicator to measure poverty. Income is not a good reflection of material well-being, especially for lower-income households, both because there is substantial underreporting of income and because income omits some things that are important such as subsidised necessities (for example, food, rent and transportation).

In addition to problems which are common to both approaches, there are issues that are unique to each approach to defining and measuring poverty.

Some thoughts on absolute poverty

Arguably the most pervasive critique of the absolute approach to measuring poverty is that it is

'mean-spirited' because it looks at deprivation in such a 'restrictive' way. By focusing solely on 'subsistence' needs it is argued that we omit a range of other needs without which people might rightly be classified as poor. The implicit (sometimes explicit) implication of this approach is that it will encourage the state to provide only very basic benefits to the poor.⁵

One response to this line of criticism is that it confuses 'what we would wish for the poor' with the need to measure real deprivation.⁶ Defenders of the usefulness of the absolute approach might make the point that there is value in knowing how many of your citizens simply cannot acquire even the basic necessities, *independent of policy considerations*. Clearly, a measure of this sort is likely to help inform government policy-making, just as would the unemployment rate, incidence of single parenthood, school dropout rate, and a number of other indicators. However, many considerations go into the making of policy and programme entitlements, including fairness, affordability and efficiency. The point is that it is critical to separate measurement from policy. Social scientists should focus on measuring things that are important without having one eye on the policies that might follow.

The usefulness of absolute measures seems now to be widely accepted even by those who prefer relative measures. The 1995 World Summit for Social Development, held in Copenhagen, had two key recommendations: every nation should have annual anti-poverty plans that they could commit to, and every nation should develop measures of both absolute and 'overall' poverty (see Gordon and Townsend, 2000, pp. 2, 14, 49). That latter concept is quite similar to relative poverty in that it would include absolute poverty but also other forms of deprivation connected to inclusion and social needs. The Copenhagen declaration urged that national policies be geared to, among other things, 'eradicating absolute poverty by a target date to be specified by each country in its national context' (*ibid.*, p. 35).

In addition, the PSE survey in Britain, although primarily devoted to uncovering various forms of social exclusion, does have a component revealing the extent of absolute poverty.

Finally, though certainly not least, Amartya Sen, Nobel laureate in economics, has written extensively on various aspects of poverty. While Sen is clearly a proponent of relative measures and the 'social nature' of needs, he nevertheless has emphasised the importance of absolute measures: 'It is important to know whether the poor, relatively speaking, are in some sense absolutely deprived' (Sen, 1983, p. 168); '. . . people's deprivations are judged absolutely, and not simply in comparison with the deprivations of others in that society. If a person is seen as poor because he is unable to satisfy his hunger, then that diagnosis of poverty cannot be altered merely by the

fact that others too may also be hungry (so that this person may not be, relatively speaking, any worse off than most others' (ibid., p. 161); '... if there is starvation and hunger, then – no matter what the relative picture looks like – there clearly is poverty' (ibid., p. 159).

Despite the seeming acceptance of the utility of the absolute approach to measuring poverty, research using absolute measures is sparse. Aside from work using the US (official) poverty line, which is a questionable absolute measure, there are very few examples of estimates of absolute poverty in the industrialised world. Sarlo (1992, 2001, 2006) and Pendakur (2001) have measured absolute poverty in Canada. Sestito and Tangorra (2003), using a basic necessities approach, found absolute poverty in Italy to be about 5%. There are a number of studies which claim to use an absolute measure of poverty but which are not based on a basket of necessities.⁷

Defenders of relative poverty often make the case that, in the 'developed' world, absolute poverty is much less a concern and that poverty now means 'doing less well than others in the same society'. For example, Deaton (2004, p. 14) states: 'In rich countries, where meeting basic needs is no longer an issue for the vast majority of households, there is a greater emphasis on social inclusion and not being too far away from the mainstream of other citizens'.⁸

It may well be that absolute poverty is much less of an issue for richer countries, but we will never know that unless we measure it. And the fact is that very few studies looking at poverty in the developed world bother to measure the incidence of absolute poverty. Even since 1995, after the strong recommendation for all nations to measure absolute as well as 'overall' poverty coming out of Copenhagen (to which most developed nations were signatories), there has been little apparent interest in measuring absolute poverty. Yet, it is common in news stories about poverty in advanced industrial nations to have explicit references to hunger, homelessness and other examples of severe deprivation.⁹

Some thoughts on relative poverty

Despite the fact that 'within-country' comparisons of relative living standards will always be of great interest, there are a number of issues with relative conceptions of 'poverty' which, it can be argued, tend to weaken the usefulness of the approach.

While many academic researchers employ measures based on a relative notion of poverty, most people in society (including the poor themselves) seem to have a different, more absolute, notion in mind. Sarlo (2001) makes reference to a study of social assistance recipients in Australia. Respondents were asked what poverty means to them and were given several statements to choose from. Almost 70% of respondents chose statements

close to a 'basic needs' conception of poverty: that is, they felt that poverty meant either, 'not having enough to buy basics like food and clothing' or 'having to struggle to survive each and every day'. Only 1.8% selected an answer ('having a lot less than everyone else') which reflected a purely relative notion of poverty (Sarlo, 2001, p. 12). Pendakur (2001) points out that, while academics often prefer relative poverty measures, that preference, 'does not always coincide with popular conceptions of poverty'. Amiel and Cowell (1999) found that in a multiple-choice questionnaire on poverty definitions, only 11% thought that 'poverty is a situation where incomes are below a level which is relative to the income distribution (for example, 50% of the median income), whereas 72% thought that 'poverty is a situation where incomes are not enough for a supply of basic needs' (Pendakur, 2001, p. 128).

To the extent that there is a 'disconnect' between conceptions of poverty used by researchers and conceptions which inform the average citizen, there will be, at the very least, significant misunderstanding in public discourse about the poverty 'problem'. If researchers report that, for example, one-quarter of the population is poor and people in general are thinking that to be poor means to be 'hungry' or 'without some basic need', we do have an information problem and a concern about credibility. This does not mean that relative measures should not be used. Perhaps, though, their use in conjunction with measures which more closely conform to the popular understanding of poverty would serve the objectives of clarity and a better informed citizenry.

Relative measures, notably those formulaically tied to average or median income, have been criticised as being inappropriate for comparison purposes in a wide variety of circumstances. If, for example, a nation experiences strong economic growth, there will be no less poverty (measured relatively) unless there has been, at the same time, some compression of the distribution of income. Conversely, during a period of economic decline, we might well see a reduction in poverty if the well-being of the better-off falls more sharply than the well-being of the worse-off. If, over a period of time, a significant number of high-income earners migrate, that nation will experience a reduction in poverty as a result. And the host nation to well-off immigrants may well experience a rise in measured poverty.

Unless two nations are at approximately the same level of development, comparisons of relative poverty, using the more traditional income threshold linked to mean or median, become problematic. Figure 1 illustrates this point. Here we have a graph representing the income distributions in two nations. Nation A has a high mean income (50) and a fairly high variance of incomes around that mean. Nation B has a low average income (10)

and a very compressed distribution of income around that mean value. Which nation has less poverty? In strictly relative terms, nation B has less poverty even though about 90% of the people in A are better off than *everyone* in nation B.

These examples are simply intended to show that relative poverty comparisons, without any reference to absolute levels of poverty, appear to miss something very important. If we just look at relative poverty, we may be drawing conclusions which are not warranted if we had a more complete understanding of each nation's situation. For example, in its 2005 Innocenti report card on child poverty in rich countries, UNICEF revealed that Canada and the UK had sharply higher poverty rates than Hungary, the Czech Republic and Poland (Corak *et al.*, 2005).¹⁰ This result, based on a purely relative measure (50% of median income), would be of very limited use to researchers attempting to rank nations in terms of children's real living standards and opportunities. UNICEF does now include more considerations affecting children in their index as well as a reasonably complete discussion of data limitations. The addition of an absolute measure of child poverty, along the lines recommended in the Copenhagen declaration in 1995, would greatly assist in providing a more complete picture of child poverty in rich countries.

It is important for researchers to recognise that levels and trends in both types of measures can lead to very different conclusions. More to the point, if we omit absolute measures, we are limited to a picture of unequal incomes – of inequality. Nowhere is this more important than in the tracking of poverty rates over time.

For example, the trends of relative and absolute poverty for households in Canada, displayed in Figure 2, tell different stories. Relative poverty, determined using the 'half the average income' method, is essentially trendless over the period 1973–2003.¹¹ The incidence of absolute poverty, determined using Sarlo's (2001) basic needs poverty line, has declined to about half its 1973 level over the same period.¹² While most of the decrease happened in the 1970s, basic needs poverty in Canada has continued to fall. A recent update shows that the household poverty rate in 2004 was 6.6%, down from 10.2% in the mid-1980s (Sarlo, 2006). The critical point here is that we would miss something important about the state of poverty in Canada if we relied exclusively on relative poverty measures.

Recently, a new and very interesting approach has been used to determine the extent of relative poverty. The poverty and social exclusion (PSE) project in the UK, centred at the University of Bristol, is a clear departure from traditional methods where thresholds are established and compared with household incomes. The PSE researchers make the case that the list of necessities that flow from the survey results is thereby

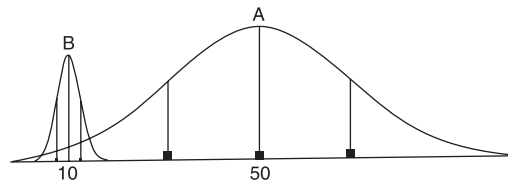


Figure 1: Income distributions in two nations

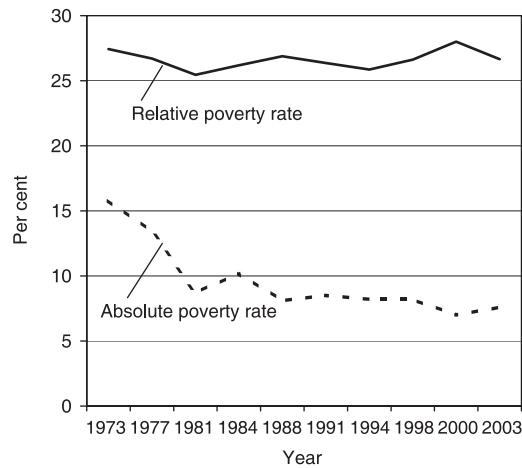


Figure 2: Absolute and relative poverty in Canada, 1973–2003
Source: Statistics Canada, *Survey of Consumer Finances*, microdata files, selected years; Statistics Canada, *Survey of Household Spending*, microdata files, selected years and calculations by author.

democratically and socially determined (Gordon *et al.*, 2000, pp. 13–18). The list includes basic material necessities (such items as food, clothing, medicines, a damp-free home, telephone, laundry facilities and insurance) but also a number of 'social needs' such as an annual holiday, weekly restaurant meals, presents for family members and regular savings. Because most people have these items and the majority feel they are necessities, the PSE researchers maintain that people who don't have them are, in that sense, excluded from the mainstream and are therefore 'poor'.¹³

While there are arbitrary choices here (there always are, with any poverty measure) this 'consensual' approach does relate poverty to a specific set of deprivations – which had been a concern with prevailing relative measures. Anyone interested in having more information about the poor and their predicament will find this approach to be most promising.

The list that is part of the PSE (aside from the exclusion of alcohol and tobacco) seems to be a reasonable start.¹⁴ The list could be used to estimate the rate of absolute poverty in addition to the existing estimate of overall poverty. Within the overall list, there are those items, the absence of any one of which would constitute absolute poverty.¹⁵ Doing this would make the exercise more consistent with Copenhagen and would serve as a useful check on the more subjective estimate of absolute poverty coming from the results of the survey.

Most of the prevailing approaches to measuring relative poverty employ an income threshold (usually a given percentage of median or mean income) and are not related in any way to specific deprivations. The list-based consensual approach

does provide information not previously available about the reported living standards of lower-income households. Can this approach be easily used to make valid international comparisons of poverty? It seems likely that the 'basic necessities' part of the list would be quite similar for most nations. Nutritious food (as defined locally/culturally); safe, comfortable accommodation; clothing; personal hygiene needs; healthcare; communication and transportation needs would very likely be on all lists, regardless of the level of development. Beyond those basics, we are likely to get more differences in the lists of additional 'necessities' between countries. Going out to restaurants, an annual holiday and a regular amount of savings will be more important in some societies than in others. There is real value in having a broad list of necessities, as defined democratically and uniquely within each society, and then in obtaining estimates of the proportion of the population in each society that is deprived of those necessities.

A modest proposal

In Canada, since at least the early 1990s, there has been a debate about how best to measure poverty. The discussion has too often been emotional, uncivil and polarising. Given the importance of the issue of poverty and the need for governments to allocate resources intelligently, one would have thought that a reliable measure or group of measures would have long been in place. That this is not the case is both surprising and most regrettable, particularly since the World Summit for Social Development in 1995 laid out a clear agenda – to which most nations signed up. Here we are, 12 years on, and very few nations have measures of both absolute and overall poverty in place.

Absolute poverty has not been eradicated, even in the wealthiest countries. Its continued existence is of interest to social scientists, policy-makers, the media, activists and the citizenry. Unless we measure absolute poverty, we will never know how we stack up against other nations or how economic improvements and policy measures are helping to reduce the problem. It is hard to imagine how governments can claim to be accountable for the substantial amounts spent to deal with the problem of poverty unless they have clear and reliable measures. As long as the same measuring rod is employed, useful comparisons of the rate of absolute poverty can be made over time and between countries.

Relative poverty is far more difficult to deal with. Depending on how it is defined, relative poverty may always be with us. Certainly, if we use conventional relative measures (say, half the median income), we would need a significant compression of the distribution of income in countries like Canada, the USA and the UK to eliminate relative poverty. Such a compression would involve a

fundamental political shift in thinking towards a perspective not currently part of the platforms of mainstream political parties in these countries. It may be possible to more easily address some of the specific relative deprivations that might be revealed using list-based consensual measures. However, independently of policy considerations, the information should be available and should be of a sort that would make possible useful international comparisons.

Therefore, for the purposes of accountability, providing information and as a guide to help those interested in assisting the poor, three measures should be employed by every nation:

1. *A conventional measure of absolute poverty.* This would involve the development of a list of basic needs. In order to provide information about the extent of serious deprivation, that list should be limited to physical needs required for healthy maintenance and avoid social needs. A poverty line is not an allowance for the poor and is certainly not what we want for the poor. It is there to provide information on how many of our fellow citizens are unable to acquire even those basic necessities. The list should be developed by experts and the same list, ideally, should be applied to every nation. Clearly, each society will define its shelter, food and so on uniquely as that which is considered appropriate in that specific society. Thus, the list is the same everywhere but the types and standards of each component will differ across different countries. The absolute poverty line (simply the cost of the components of the list in each nation adjusted for household size) would then be compared with either the income or the consumption levels of households and the poverty rate calculated.
2. *A conventional measure of relative poverty.* Despite the criticism of conventional measures of relative poverty, there is value in determining the number of people who are 'unequal' according to some arbitrary but clear and easy-to-use measure. Half the median income would certainly be adequate here. It is already widely used, is easy to understand and provides a different sense of what is happening to poorer households. An economic or policy change may help reduce absolute poverty but may increase relative poverty. This is useful information.
3. *A PSE-like survey resulting in estimates of both absolute and relative poverty using a list-based consensual approach.* This measure would provide additional useful information about poverty. It would serve as a check against the more conventional measures and would clarify significantly and in detail the specific sorts of deprivation that people are enduring.

These three measures, calculated annually, would provide far more information than is now the case. They would allow for intelligent comparisons of poverty over time and between nations. And they would certainly go a long way towards fulfilling the mandate of the Copenhagen agreement.

The difficulty will be much less in constructing the measures to be employed and much more in finding reliable indicators of economic well-being to be used in each nation to determine the level of poverty. If we continue to have significant underreporting of income (largely because of tax avoidance and underground economic activity) and if adjustments cannot be made to take account of in-kind gifts, subsidies and the value of goods produced at home (likely to be of particular relevance to less-developed nations), then we will not be able to estimate the extent of *any kind of poverty* reliably.

Poverty is a very serious economic and social problem. It is associated with human misery and a waste of valuable human resources. The shame of poverty is regrettably matched by the shame of our ignorance about the nature and dimension of the problem.

1. For example, Pearsall and Trumble (1996): 'want of the necessities of life' or 'the state of being extremely poor'.
2. For example: Gallup Poll (<http://www.galluppoll.com/content/?ci=26467&pg=1>), 9 February 2007: 'What is the smallest amount of yearly income a family of four would need to get along in your local community?'; *Poverty and Social Exclusion Survey of Britain*, last updated – 06/03/02; (<http://www.bris.ac.uk/poverty/pse/welcome.htm>): 'How many pounds a week, after tax, do you think are necessary to keep a household such as the one you live in, out of poverty?'
3. In England, for example, see <http://www.poverty.org.uk/01/index.shtml>, and in Holland, see SCP and Statistics Netherlands (2004, p. 12).
4. Two exceptions are noted. If people were unable to afford the necessities but had relatively high incomes, they were not classified as poor. Also, if they did not lack two or more necessities but had relatively low incomes, they were classified as 'vulnerable to poverty' and not as 'poor'.
5. Peter Townsend, in his critique of Amartya Sen's defence of absolute poverty measures, stated that 'Sen's minimalism . . . opens the door to a tough State interpretation of subsistence rations', and 'Professor Sen's argument carried the dangerous implication that meagre benefits for the poor in industrial societies are more than enough to meet their (absolute) needs and, depending on economic vicissitudes, might be cut' (Sen, 1985, p. 673).
6. Sarlo (1992, p. 29) and Sarlo (2001, p. 10), elaborates on this important distinction.
7. For example, Barcena and Cowell (2002, pp. 8–11) use, as an absolute poverty line, 60% of median income fixed in real terms to an earlier date (1993) and use, as a measure of 'extreme' poverty, 30% of median income in real (1993) terms. Similarly, Corak *et al.* (2005, pp. 3–4) use 50% of median income fixed in real terms (to 1991) as an absolute measure. Sharpe (2001, p. 5) uses a fixed amount (US\$14 per day, appropriately adjusted for other countries) to estimate the rate of absolute poverty in the working populations of various nations.
8. Also, the Instituto Nacional de Estadística (undated, p. 6) has stated that 'absolute lines are of limited interest in developed countries'.
9. Sarlo (2001, p. 17) argues that most media stories in Canada and the USA about poverty and the poor conform closely to the absolute notion of poverty.
10. <http://www.unicef-icdc.org/publications/pdf/repcard6e.pdf>.
11. Following the approach used for many years by the Canadian Council on Social Development, relative poverty lines are determined by taking half the average total income for a household of three persons and, using an equivalence scale (NRC, US, see Sarlo, 2001), calculating lines for households of different sizes. Then, using various microdata files from Statistics Canada for selected years from 1973 to 2003, the number and percentage of households with incomes below the relative lines were determined for different household sizes and combined to determine a rate for Canada as a whole.
12. Author's calculations; see Sarlo (2001). Poverty lines updated to 2003 using the all-items CPI for Canada. The same microdata files used to determine relative poverty rates were also used for the absolute poverty rate.
13. There are two additional considerations here: people who could not afford two necessities but had relatively high incomes (perhaps those who had recently risen out of poverty) and people who did not lack two or more necessities but had relatively low incomes (those who would be vulnerable to poverty). These groups were not classified as poor but separately listed (Gordon *et al.*, 2000, p. 18).
14. The exclusion of alcohol and tobacco may well have been a political decision by the framers of the survey. However, these items may be far more important to many people than, for example, a savings plan or a holiday.
15. For example, the *Millennium Survey of Poverty and Social Exclusion, 1999*, has a chart entitled 'the essential items' that are most commonly lacking are those that are money related. In the chart, many items from 'refrigerator' down to 'damp-free home' seem to be those that would be part of a basic needs list (<http://www.poverty.org.uk/05/b.pdf>).

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