



“Summary of articles by Brian Nolan and Christopher T. Whelan: Income, Deprivation and Poverty and Implications for Conceptualizing and Measuring Poverty” in Frontier Issues in Economic Thought, Volume 5: The Political Economy of Inequality. Island Press: Washington DC, 2000. pp. 151-155

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Theoretical and empirical analyses of poverty often seem to be dealing with different concepts. While theorists emphasize the importance of considering deprivation, rights, and capabilities as well as the money incomes of the poor, most empirical studies continue to rely on income data as the sole or primary measure of poverty. This book attempts to bridge the gap, applying a multi-dimensional definition of poverty to a survey of Irish households, and drawing out the implications of the empirical findings for ongoing theoretical debates. The first chapter summarized here explores the survey results, while the second addresses related theoretical issues.

Income, Deprivation, and Poverty

A widely accepted definition, proposed by Townsend, says that poverty consists of exclusion from ordinary living standards arising from lack of resources. Under this definition, income alone is not a satisfactory measure of poverty, since the correlation between low income and deprivation in consumption is far from perfect. A few analysts have attempted to apply this idea in practice, but have usually been hampered by the lack of adequate data on consumption or by ad hoc definitions of deprivation.

A survey of a random sample of more than 3,000 Irish households in 1987 (described in earlier chapters) provides detailed information on consumption patterns and attitudes as well as standard economic and demographic data. Of the 24 indicators of consumption available in the study, there are 8 that are regarded as necessities by most people in the survey, and that tend to cluster together statistically. (Examples include being able to afford two pairs of shoes, or being able to eat meat or fish every other day.) Being deprived of any one of these eight items for lack of resources is taken as the definition of deprivation for most of the analysis.

Two alternate definitions of poverty, corresponding roughly to common notions of what it means to be poor, are i) an income below 50% of the mean, and ii) an income below 60% of the mean combined with enforced deprivation of at least one of the eight basic items. Overall, 77% of the sample is "consistently non-poor," i.e. not in poverty by either definition, while 10% is consistently poor. The remaining, inconsistent group is split almost evenly: 7% is poor only by the first definition, or "income-poor only," while 6% is poor only by the second definition, or "deprivation-poor only."

The two definitions imply different risks of poverty: farmers and other self-employed people are more likely to be income-poor, while households headed by someone who is ill or disabled, or in "full-time home duties" (e.g., single mothers of young children), are more likely to be deprivation-poor. Current labor force status appears more closely related to income poverty, while long-term lack of household resources (growing up in poverty, experiencing long-term unemployment, being widowed, living in an inner city) is more closely related to deprivation poverty.

Resources of the Inconsistent Groups

By any of several criteria, the consistently non-poor are doing best, followed by the income-poor-only, then the deprivation-poor-only, with the consistently poor at the bottom. This ranking applies to measures of long-term resources such as average savings, house value, and level of education, and to outcomes such as the percentage reporting difficulty in making ends meet, or high levels of psychological distress.

These findings raise several questions about the resources of the inconsistent groups, which can only be partially answered with the survey results. In general, the income-poor have greater resources; some (though certainly not all) of them may be classified as poor due to errors in measurement of income, or to short-term fluctuations. For example, the survey year was an unusually bad one for Irish farmers. One simple adjustment for income fluctuations would reclassify 10% of the income-poor as non-poor.

People experiencing deprivation of at least one of the basic items can be found at every income level; on average they have much smaller savings and less valuable homes than those of the same income who are not deprived. Some of them may have different spending priorities than the majority, whose opinions were used to define the eight basic items. Even among those below 60% of the mean income, about 21% of the deprivation-poor households own a car and 36% own a telephone; in some circumstances these may be more necessary than the "basic" items.

Finally, it is likely that there are individual differences in needs and circumstances, and in strategies for coping with limited resources, that make the income-poor-only households feel less deprived than the deprivation-poor-only; however, such distinctions cannot be made on the basis of the survey data.

Conceptualizing and Measuring Poverty

There appears to be widespread acceptance of the idea that poverty consists of inability to participate in society due to lack of income and other financial resources. To be poor according to this definition, a person must both experience deprivation and be constrained by lack of resources. This implies that income alone is not an adequate measure of poverty. As suggested by the survey results in earlier chapters, both low income and deprivation should be measured, and the definition of poverty should include both criteria.

Amartya Sen's proposed "capability" approach to assessing living standards has been an important feature of recent theoretical debates. Sen highlights the importance of the freedom or

ability to achieve desirable “functionings,” rather than actual outcomes. However, such views have had little impact on empirical research, in part because the capabilities and functionings discussed by Sen are at a high level of generality. The combined use of income and deprivation data to define poverty could be seen as a small step toward implementing the capability approach.

In measuring deprivation, there is a danger of casting the net too widely, yielding an overly detailed or prescriptive list of activities and possessions that are required to be classified as non-poor. The aim is to identify those excluded from society and its commonly accepted standard of living because of a lack of resources. Specific deprivation indicators are used, not because they are uniquely important in themselves, but because they are thought to correlate with and reflect an underlying latent variable, the experience of generalized deprivation.

The term “social exclusion” has replaced “poverty” in much of the European discussion of the issue. “Social exclusion is presented as relating to dynamics and processes, to multidimensional disadvantage, and to inadequate social participation, whereas poverty is presented as static and descriptive, unidimensional, and narrowly financial. Our own analysis illustrates how this contrast is based to a significant extent on a caricature of the concept of poverty...” (201) That is, the exclusion literature is critiquing the simple financial measures of poverty that are widely used in practice, not the more sophisticated theories of poverty. The distinction between the two concepts in theory is only that poverty is restricted to exclusion based on lack of financial resources, whereas the newer term may include cases where non-market factors are the cause of exclusion from society. The concept of poverty is often analytically preferable for its clarity of focus, while the more fashionable but vague concept of exclusion has a political advantage in mobilizing support for anti-poverty programs at present.

There is an important distinction between notions of poverty based on living standards, and those based on minimum rights to resources. However, the survey results show that there can be a substantial number of people below a low-income line who are not experiencing basic deprivation, based in part on wide variation in personal circumstances and desires. Are people below the minimum income necessarily deprived of an entitlement, regardless of other circumstances? Even if there is or should be such an entitlement, it is useful to distinguish between the right to a minimum income, based on considerations of equity, and the right to participate in society, which requires elimination of enforced deprivation. The two concepts are closely related, but not identical.

Finally, the concept of the “underclass” has been important in recent American discussions of poverty, drawing on the influential work of William Julius Wilson. The underclass is usually defined as a subset of the poor who experience prolonged labor market marginality, unusually severe deprivation, and the development of a distinctive subculture. The Irish survey data show that those with marginalized labor force histories do have much higher levels of deprivation than the non-marginalized working class, drawing attention to the particular needs of those who are detached from the world of work. However, in Ireland, those with marginalized work histories who live in rented public housing in large urban centers make up a small proportion of the poor, and do not show an unusually high level of fatalism. So adopting the “underclass” terminology may do more harm than good.