

MEASURING POVERTY: A MATTER OF CHOICE

Cristina Freguja

1. Different concepts responding to different concerns

Within a huge variety of possible approaches, poverty is generally divided into two types, absolute/extreme poverty and relative poverty, depending on the scale or reference used to set the thresholds.

Absolute poverty refers to subsistence below minimum, socially acceptable living conditions, usually established based on nutritional requirements and other essential goods. It measures households/people unable to afford certain basic goods and services.

Relative poverty measures households/people with an equivalent disposable income/consumption expenditure below a certain threshold. It is defined in relation to the overall distribution of expenditure or income in a country that, in their turns, depend on the economic cycle and, in the first case, also on the level and structure of prices. This makes the comparison among indicators complex both in terms of time and of different national realities.

While absolute poverty refers to the resources a person must secure in order to maintain a “minimum standard of living”, relative poverty is concerned with how well off an individual is in comparison to other residents in that country, which does not necessarily imply a low standard of living. In theory, therefore, while an absolute poverty line is a measure that could, adjusting for price fluxes, remain stable over time, a relative poverty line is one that could be expected to shift with the overall standard of living in a given society.

The measures of poverty based on monetary variables, expenditure and income, take as their premise that the same level of expenditure/income corresponds to the same level of well-being. In general, the incidence of relative poverty is higher when measured in terms of disposable income rather than consumption expenditure. The distribution of income is more concentrated than that of consumption expenditure: the household may decide to save part of its income or to purchase goods and services that do not fall among the consumption expenditures; in addition, by falling back on capital of household or thanks to

economical support of informal networks, low levels of disposable income may not result in levels of consumption expenditures similarly low.

Income may also present significant fluctuations over time (as it happens to the income of self-employed or seasonal workers), which do not reflect a similar variability in terms of available resources. In fact, at any given time, the standard of living of a household depends more on permanent income than the current one. In addition, the levels of consumption are also affected by the decisions regarding the allocation of income and preferences in different stages of the family life cycle.

The choice between consumption and income as point of reference for the analysis of poverty therefore remains partly open, and it is quite the comparison between the two aggregates that provides the most informative contribution. The availability of statistical sources and their characteristics then become crucial to properly analyze the phenomenon (Freguja, Pannuzi, 2007).

1.1 Relative poverty

In Italy estimates of relative and absolute poverty are available every year since 1980 and 1997¹ respectively, thanks to the availability of a robust statistical information provided by the household budget survey (Coccia, Pannuzi, 2002).

The relative expenditure-based poverty measure is based on the International Standard Poverty Line (Ispl) which is the limit of demarcation between the poor and non-poor. The poverty threshold is defined for a two-members household that is considered poor when its level of expenditure is lower than that reached, on average, by a single person (Istat, 2013).

For households of different sizes an equivalence scale known as Carbonaro equivalence scale (1985)² is used. The values of the equivalence scale³ represent the coefficients with which the expenditure of a household of a certain size is divided in order to be made equivalent to that of a household of two components (with coefficient equal to 1).

According to the methodology, the effect of economies of scale is introduced only after the determination of the poverty line which, in fact, is calculated on the not equivalent distribution of consumption expenditure. In other words, the

¹ Since 2005, a new methodology for the measure of the absolute poverty was launched (Istat 2009a).

² It is based on a simple double logarithmic function between consumption expenditures and size of the household (De Santis, 1996). The scale was estimated on the household budget survey data 1981-1983.

³ 0,60 for a single member; 1,0 for two household members; 1,33 for three household members; 1,63 for four household members; 1,90 for five household members; 2,16 for six household members; 2,40 for seven household members or more.

threshold value (the consumption expenditure per capita) is the value of the consumption of a single person, obtained without taking into account the characteristics and size of the household they belong to.

Since 2004, Istat also provides statistics on relative poverty that are income-based and harmonized at European level; the data source is the Income and living conditions survey (EU-SILC - Regulation EC n.1177/2003).

The methodology of Eurostat sets the at-risk-of-poverty threshold at 60% of median equivalent income (European Commission, 2010). The modified OECD scale is used to calculate the equivalent income. This equivalence scale gives a weight of 1.0 to the first adult in the household, 0.5 to any other household member aged 14 and over and 0.3 to each child below 14.

1.2 Absolute poverty

The absolute poverty threshold corresponds to the minimum expenditure required to purchase the basket of goods and services that are considered essential, in the Italian context and for a given household, to attain the “minimum acceptable” standard of living (Grassi, Pannuzi, 2009). The basket is made of a food and drink component and a housing component. The food and drink component was defined considering the individual calories needed to carry out the usual daily activities. As for the evaluation of the housing segment, the availability of the place and the necessary facilities equipment was taken into account.

In order to complete the picture of individual and household needs, regarding health, education, transport and clothing, a lump-sum was defined (residual component). As the residual expenditures strongly depend on individual characteristics and less on scale economies in respect with housing expenditure, it has been hypothesized that this component depends on the household typology similarly to the food and drink component.

The basic needs are considered homogenous all over the nation (despite few differences due to external factors as the climate on determining the heating need), but their costs differ.

Therefore, the basket monetary value and the poverty threshold vary by geographical area and residence municipality size. The poverty thresholds are calculated for each single household, depending on number and age of its components. Over time the value of the basket is updated taking into account the single good and service price dynamics by geographical area so that it does not depend on the variations in the distribution of consumption or income and on the economic trends.

Households with monthly expenditure equal to or below the threshold (which varies according to household size and age composition, to geographical area and demographic scale of the municipality of residence) are classified as poor in absolute terms. In 2012, for a household made up of two adult members (aged 18-59) in a small municipality the absolute poverty threshold was 1013.19 euros, if resident in the North, and 779.66 euros if in the South and Islands area; it decreases to 946.27 euros and 721.99 euros, respectively, if one of the two members was aged over 74 (Istat, 2013).

2. Extreme poverty

Relative and absolute measures of poverty capture the condition of poverty that refers to people living in private households. This means that they do not take into account the most severe forms of poverty and social exclusion: housing deprivation and homelessness. Researches and analysis on this domain are still very limited because of the great difficulties in collecting information on the population group affected by this issues (Grassi, Pannuzi, Siciliani, 2010).

Only few countries have developed methodologies to regularly produce statistics on homelessness. The main experiences are currently conducted in the United States, Australia, Netherlands and Sweden. In 2001, the French National Institute of Statistics (INSEE) carried out a homelessness country-wide survey to estimate the users of shelters and hot meal distribution services.

Among relevant Italian experiences on this domain, a country-wide data collection conducted by the Commission on Social Exclusion together with the Zancan Foundation of Padua and a survey of the Veneto Region and University of Padua are worthwhile to be mentioned.

The homelessness research⁴ - under an agreement between Istat, the Italian Ministry of Employment and Social Policy, the Italian Federation of Associations for the Homeless (fio.PSD) and the Italian Caritas organization, is the first Italian experience involving the statistical institute with the aim of providing reliable estimates of the homeless services and of the people who enter in contact with them.

Consistently with the European Typology on Homelessness and Housing Exclusion (Ethos classification) adopted by Feantsa⁵ organization, the definition of homeless assumed in the research includes each person suffering a condition of intense housing hardship, referring to the impossibility/incapacity of independently

⁴ Homeless not using services during the reference period were not included in the survey.

⁵ FEANTSA is the European Federation of National Organizations working with the Homeless.

finding or maintaining a house in a strict meaning. It includes people living: i) in public spaces (streets, barracks, abandoned cars, caravans, warehouses); ii) in a night shelter and/or obliged to spend several hours during the day in a public space; iii) in hostels for homeless without any temporary house or accommodation; iv) in accommodation provided by the social support system (for singles, couples or groups of people). On the other side, it excludes people living in overcrowding, in illegally occupied accommodation or in structured camps and people receiving hospitality from friends or relatives.

The research has been conducted on 158 municipalities, including all the municipalities with over 70,000 inhabitants, the provincial capitals with more than 30,000 inhabitants, and the municipalities bordering on the municipality with more than 250,000 inhabitants.

The operational phases of the project were the followings:

- 1) a census of the organizations and services addressed to homeless people, in order to draw a map of their offer: supports for primary needs (food, clothes, drugs, personal hygiene, economical help), night and day shelter, social secretariat, social support measures (counseling, medical assistance and others);
- 2) a census of the service providers in order to collect information, both quantitative and qualitative, about their users (detailed interview referring to the main characteristics of the organization and services, the employed human resources, contacts network, users typologies, data storing, access type and users participation);
- 3) a survey on homeless people benefitting from a select sample of the services enumerated in the second phase.

The census has been conducted by CATI and CAPI techniques and has involved 1,625 organizations or institutions. The organizations' list has been derived from different archives already available at the beginning of the research (belonging to Fio.PSD, Italian Caritas, other organizations at local level, and Istat itself). Starting from these information, the database has been updated and completed by adding new organizations, reported by the already interviewed organizations, with a snowball technique, in order to catch the maximum number of centers, even informal, supplying services to the homeless.

In 2010, 727 organizations and institutions directly provided services to homeless people in the selected 158 Italian municipalities. One third of the services provides supports for primary needs (food, clothes, personal hygiene), 17% provides night shelters and 4% day shelters. More widespread are the social secretariat and the social support measures services (24% and 21%, respectively) (Istat, 2011).

Canteens and night shelters surveyed in the second step has been selected and, from each of them, a systematic random sample of the users (from a list, if available, or randomly selected people in a queue or according to the order users pass a specific point, as the entrance or the exit). The probability of being selected for a single person is directly proportional to the time spent in services, so the weighting system has taken into account the number of times the person uses the services during the reference period.

Between November and December 2011, 47,648 homeless people (confidence interval between 43,425 and 51,872) used canteens or night-time accommodation service at least once in the 158 Italian municipalities in which the survey was conducted (27.5% live in Milano; 16.4% in Rome) (Istat, 2012).

3. Material Deprivation

To integrate the information summarized in poverty indicators, by looking at more “absolute” material deprivation measures, other indicators are available every year thanks to the Income and Living Conditions survey data (EU-SILC). They are defined as a forced lack of a combination of items depicting material living conditions, such as housing conditions, possession of durables, and capacity to afford basic requirements (Eurostat, 2005).

The definition of material deprivation is based on the inability to afford a selection of items that are considered to be necessary or desirable, in particular: having arrears on mortgage or rent payments, utility bills, hire purchase installments or other loan payments; not being able to afford one week’s annual holiday away from home; not being able to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day; not being able to face unexpected financial expenses; not being able to buy a telephone (including mobile phone); not being able to buy a color television; not being able to buy a washing machine; not being able to buy a car; or not being able to afford heating to keep the house warm.

The material deprivation rate is defined as the proportion of persons who cannot afford to pay for at least three out of the nine items specified above, while those who are unable to afford four or more items are considered to be severely materially deprived.

3.1 Poverty and material deprivation during the economic crisis

The expenditure-based relative and absolute poverty indicators have remained stable over the years of economic crisis, till 2011, at around 10-11% and 4-5%

respectively. The large gap between North and South has remained unchanged, too: in the northern regions the poverty rate was 4.9% in 2011 while in the southern regions it was 23.3% (Istat and Cnel, 2013).

In fact, households softened the effect of the gradual erosion of purchasing power by falling back on their capital, saving less and, in some cases, running into debt. In addition, the percentage of people in households who received financial or other aid from non-cohabiting relatives, friends, institutions or other sources rose from 15.3% in 2010 to 18.8% in 2011, and the percentage of indebted households rose from 2.3% to 6.5% in the first nine months of 2012. In this phase government transfers to workers (unemployment benefits and salary integration) and the contribution of households support networks helped to mitigate the impact of the difficulties on the labor market.

As the crisis continued, the situation deteriorated considerably in 2012. The percentage of relative poor households rose from 11.1 to 12.7% and that of the absolute poor households from 5.2 to 6.8%. The increase is evident in all the areas of the countries.

This trend is confirmed by the rise in indicators of material deprivation: severe deprivation increases from 11.1% to 14.3% between 2011 and 2012, while in 2010 the risk of poverty achieves 19.6% (+1.4 points) and increases from 13.6% to 15.1% in Central Italy and from 31% to 34.5% in the South. Moreover, income inequalities rose too: the ratio between the income owned by the top 20% earners and the lowest 20% rose from 5.1 in 2008 to 5.6 in 2010.

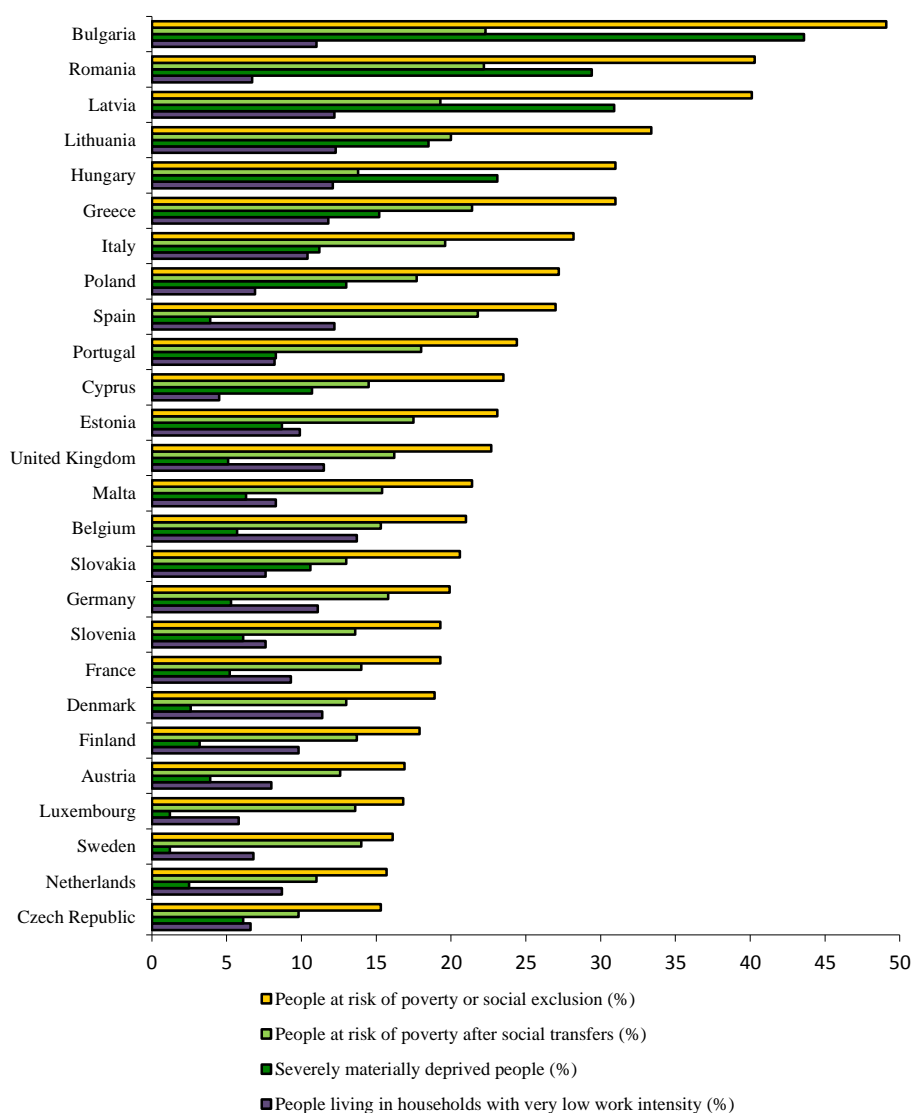
4. At risk of poverty or social exclusion

The fight against poverty and social exclusion is a key part of the Europe 2020 strategy for smart sustainable and inclusive growth. With more than 120 million people in the EU at risk of poverty or social exclusion, EU heads of state and government are committed to relieve at least 20 million people of the risk of poverty and social exclusion by 2020.

To reach this goal, Member States have to set national targets in line with EU aims and adopt measures to meet them. The European poverty and social exclusion headline target has been set on the basis of three combined indicators: the number of people i) at risk of poverty, ii) living in households with very low work intensity, iii) severely materially deprived. These indicators cover the various features of poverty and exclusion across Europe and the differing situations and priorities among Member States. People whose equivalent disposable income is less than 60% of the median for their country are considered to be at risk of

poverty. This is a relative measure of poverty, linked to income distribution and taking account of all sources of monetary income.

Figure 1 – Population at risk of poverty and social exclusion by single component (EU 2020 indicators) and Country – year 2011 (percentage values).



Source: Author's calculations, EU-SILC data

The indicator “persons living in households with low work intensity” is defined as the number of persons living in a household having a work intensity below a threshold set at 0.20.

The work intensity of a household is the ratio of the total number of months that all working-age household members⁶ have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period.

This indicator describes the situation of people who live in households in which nobody works (or in which household members work very little), but who are not necessarily living on a very low income.

People who cannot afford to pay for at least four out of the nine items that are considered essential for a decent life in Europe (cfr. Par. 4), are defined as severely materially deprived. This indicator reflects both distribution of resources within a country as well as differences in living standards and GDP per capita across Europe.

The indicator “at risk of poverty or social exclusion”, abbreviated as AROPE, refers to the situation of people either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. The AROPE rate, that is the part of the total population which is at risk of poverty or social exclusion, is the headline indicator to monitor the EU 2020 Strategy poverty target.

The measure originally developed at European level (risk of poverty), based on income distribution, is then extended to cover a non-monetary dimension of poverty and to include situations of exclusion from the labor market. In this way, in 2011, 120 million people were at risk of poverty or exclusion approximately in the 27 EU countries (Figure 1); among these, 74 million lived in one of the 17 euro area countries and 17 million resided in Italy. Each Member State is free to choose the most appropriate indicator to reach its goal. In its NRP (National Reform Program) Italy states that will be able to contribute with a reduction of 2.2 million of people at risk of poverty and exclusion (Istat, 2012a).

5. The Italian situation in the European context

In Italy, almost a fifth of the population (19.6%) was at risk of poverty in 2010⁷. This value was higher than the European average (16.9% for both the euro-

⁶ A working-age person is a person aged 18-59 years, with the exclusion of students in the age group between 18 and 24 years. Households composed only of children, of students aged less than 25 and/or people aged 60 or more are completely excluded from the indicator calculation.

⁷ The EU-SILC survey conducted in 2011 (income year 2010) is the latest available for all European countries.

area countries and EU 27). The highest proportions of population at risk of poverty were observed in Bulgaria (22.3%), Romania (22.2%), and Spain (21.8%), while the lowest values were recorded in the Republic Czech (9.8%) and the Netherlands (11.0%). Greece (21.4%), Lithuania (20.0%); the Latvia (19.3%) and Portugal (18.0%) are more similar to the Italian situation but with lower values of median income.

Table 1 – *Population at risk of poverty and social exclusion by single component (EU 2020 indicators) and country – years 2007, 2009, 2010 e 2011 (percentage values).*

COUNTRIES	People at risk of poverty after social transfers				Severely materially deprived people				People living in households with very low work intensity				People at risk of poverty or social exclusion			
	2007	2009	2010	2011	2007	2009	2010	2011	2007	2009	2010	2011	2007	2009	2010	2011
Austria	12	12	12.1	12.6	3.3	4.8	4.3	3.9	8.1	7.2	7.7	8	16.7	17	16.6	16.9
Belgium	15.2	14.6	14.6	15.3	5.7	5.2	5.9	5.7	13.8	12.3	12.6	13.7	21.6	20.2	20.8	21
Bulgaria	22	21.8	20.7	22.3	57.6	41.9	35	43.6	15.9	6.9	7.9	11	60.7	46.2	41.6	49.1
Cyprus	15.5	16.2	-	14.5	13.3	7.9	-	10.7	3.7	4	-	4.5	25.2	22.2	-	23.5
Denmark	11.7	13.1	13.3	13	3.3	2.3	2.7	2.6	9.9	8.5	10.3	11.4	16.8	17.4	18.3	18.9
Estonia	19.4	19.7	15.8	17.5	5.6	6.2	9	8.7	6.2	5.6	8.9	9.9	22	23.4	21.7	23.1
Finland	13	13.8	13.1	13.7	3.6	2.8	2.8	3.2	8.7	8.2	9.1	9.8	17.4	16.9	16.9	17.9
France	13.1	12.9	13.5	14	4.7	5.6	5.8	5.2	9.5	8.3	9.8	9.3	19	18.4	19.3	19.3
Germany	15.2	15.5	15.6	15.8	4.8	5.4	4.5	5.3	11.4	10.8	11.1	11.1	20.6	20	19.7	19.9
Greece	20.3	19.7	20.1	21.4	11.5	11	11.6	15.2	8	6.5	7.5	11.8	28.3	27.6	27.7	31
Ireland	17.2	15	16.1	-	4.5	6.1	7.5	-	14.2	19.8	22.9	-	23.1	25.7	29.9	-
Italy	19.9	18.4	18.2	19.6	6.8	7	6.9	11.2	10	8.8	10.2	10.4	26.1	24.7	24.5	28.2
Latvia	21.2	25.7	21.3	19.3	24.9	21.9	27.4	30.9	6.1	6.7	12.2	12.2	36	37.4	38.1	40.1
Lithuania	19.1	20.6	20.2	20	16.6	15.1	19.5	18.5	6.4	6.9	9.2	12.3	28.7	29.5	33.4	33.4
Luxembourg	13.5	14.9	14.5	13.6	0.8	1.1	0.5	1.2	5	6.3	5.5	5.8	15.9	17.8	17.1	16.8
Malta	14.3	15.1	15.5	15.4	4.2	4.7	5.7	6.3	9.2	8.4	8.4	8.3	19.1	20.2	20.6	21.4
Netherlands	10.2	11.1	10.3	11	1.7	1.4	2.2	2.5	9.5	8.3	8.2	8.7	15.7	15.1	15.1	15.7
Poland	17.3	17.1	17.6	17.7	22.3	15	14.2	13	10	6.9	7.3	6.9	34.4	27.8	27.8	27.2
Portugal	18.1	17.9	17.9	18	9.6	9.1	9	8.3	7.2	6.9	8.6	8.2	25	24.9	25.3	24.4
United Kingdom	18.9	17.3	17.1	16.2	4.2	3.3	4.8	5.1	10.5	12.6	13.1	11.5	22.8	22	23.1	22.7
Czech Republic	9.6	8.6	9	9.8	7.4	6.1	6.2	6.1	8.6	6	6.4	6.6	15.8	14	14.4	15.3
Romania	24.8	22.4	21.1	22.2	36.5	32.2	31	29.4	8.4	7.7	6.8	6.7	45.9	43.1	41.4	40.3
Slovakia	10.5	11	12	13	13.7	11.1	11.4	10.6	6.4	5.6	7.9	7.6	21.3	19.6	20.6	20.6
Slovenia	11.5	11.3	12.7	13.6	5.1	6.1	5.9	6.1	7.2	5.6	6.9	7.6	17.1	17.1	18.3	19.3
Spain	19.7	19.5	20.7	21.8	3	3.5	4	3.9	6.3	7	9.8	12.2	23.1	23.4	25.5	27
Sweden	10.5	13.3	12.9	14	2.2	1.6	1.3	1.2	5.9	6.2	5.9	6.8	13.9	15.9	15	16.1
Hungary	12.3	12.4	12.3	13.8	19.9	20.8	21.6	23.1	11.3	11.3	11.8	12.1	29.4	29.9	29.9	31
Ue 27	16.7	16.3	16.4	16.9	9.1	8.1	8.1	8.8	9.7	9	10	10	24.5	23.1	23.5	24.2
Euro Area (17 countries)	16.1	15.9	16.1	16.9	5.3	5.6	5.6	6.5	9.6	8.9	10.2	10.5	21.7	21.2	21.6	22.6

Source: Author's calculations, EU-SILC data

In 2011, the indicator of material deprivation confirms the worst condition of the population living in Latvia and Romania, and especially in Bulgaria, where more than two-fifths of the population lives in conditions of severe deprivation. Similarly, the good situation of households is confirmed in the Czech Republic having a lower value than the European average. In other countries, a high value of the risk of poverty associated with a reduced value of that of severe deprivation

indicates a marked inequality in income distribution, but decent standards of living for the poorest people. This is the case of Spain, Sweden and the United Kingdom. In contrast, a reduced value of the risk of poverty associated with high deprivation (Hungary) reports a slight inequality in income distribution, but considerable difficulties for people with lower incomes. In the case of Italy in 2011 people are seriously deprived: 11.2%, a value higher than the European average (6.5% for the euro-area countries, 8,8% for EU27) .

Finally, the indicator of exclusion from the labor market indicated that, in Italy in 2011, 10.4% of people aged under 60 years (7.6% of the total population) lived in a household with low work intensity , the value is close to the European average (10.5 and 10.0% respectively for the euro area and the EU 27). Values similar to the Italian one are observed in Germany (11.1%), Bulgaria (11.0%), Estonia (9.9%) and Finland (9.8%). The highest levels are recorded in Belgium (13.7%), Lithuania (12.3%), Spain and Latvia (12.2%). In addition, only in 6 EU countries the incidence of the indicator is low (less than 7%), with Cyprus and Luxembourg in the best positions.

The Italian AROPE rate shows a value (28,2%) higher than the European average: values close to the Italian are recorded for Spain (27.0%) and Poland (27.2%), but also for Greece and Hungary (31.0%). The best situation is observed in the Czech Republic (15.3%) and in the countries of Northern Europe (in the Netherlands, Sweden, Luxembourg and Austria the values do not exceed 17%). France (19.3%), Germany (19.9%) and the UK (22.7%) have a better situation than Italy.

Over the last few years (Table 1), in Italy, the percentage of people at risk of poverty has remained stable at approximately 19% (with variations not statistically significant) while increasing from 18.2% to 19.6% between 2009 and 2010. An even more marked increase is observed for the index of severe deprivation passing from 6.9 to 11. 2% between 2010 and 2011. On average, in the EU27 countries and in the euro area countries the economic conditions of the households seem to be more stable: the increase of population at risk of poverty and in conditions of severe deprivation do not reach one percentage point.

Among the population at risk of poverty or social exclusion - 28.2% - some subgroups that differ depending on the type and severity of the condition of difficulty can be distinguished (Table 2). In general, the risk of poverty is the most prevalent component and, in most cases (11.5% of the population, corresponding to about 7 million individuals), it is not associated with the other two considered.

The proportion of people living in households at risk of poverty and also deprived (3.6%, 2 million 207 thousand individuals) or with a low work intensity (2.8%, 1 million 717 thousand individuals) is in fact very small.

On the other hand, the diffusion of households only in severe deprivation (5.4%, 3 million 266 thousand people) or with only a very low work intensity (2.7%, 1 million 617 thousand people) is rather limited. The percentage of individuals living in deprived households with very low work intensity (352,000 individuals) is equal to 0.6%. Finally, the 1,6% of the population (944,000 people) live in a household simultaneously at risk of poverty, deprived and with very low work intensity.

5.1 Territorial differences

The South and the Islands are the Italian areas with the highest rates of poverty and exclusion: the proportion of people who have all the **components** is greater than 2% (approximately 469,000 individuals), while the population that has at least one is equal to 44.4% in the Islands (49.3% in Sicily) and to 38.7% in the South (42.7% in Campania).

In the South - inhabited by a third of the population - resides 57% of the people with at least one component, and 77% of those with three of them (respectively, 8 million 479 thousand and 469 thousand individuals).

The most pronounced regional disparities are observed in terms of risk of poverty, as the only component recorded (the South stood at 18.1%) and the Islands at 18.9%, compared to the national average of 11.5%, or associated with deprivation (6.9% and 9.3%, respectively, versus 3.6%) or the low work intensity (4.4% and 5.9% versus 2.8%).

Table 2 – Population at risk of poverty and social exclusion by single component (EU 2020 indicators) and geographical area – year 2011 (percentage values).

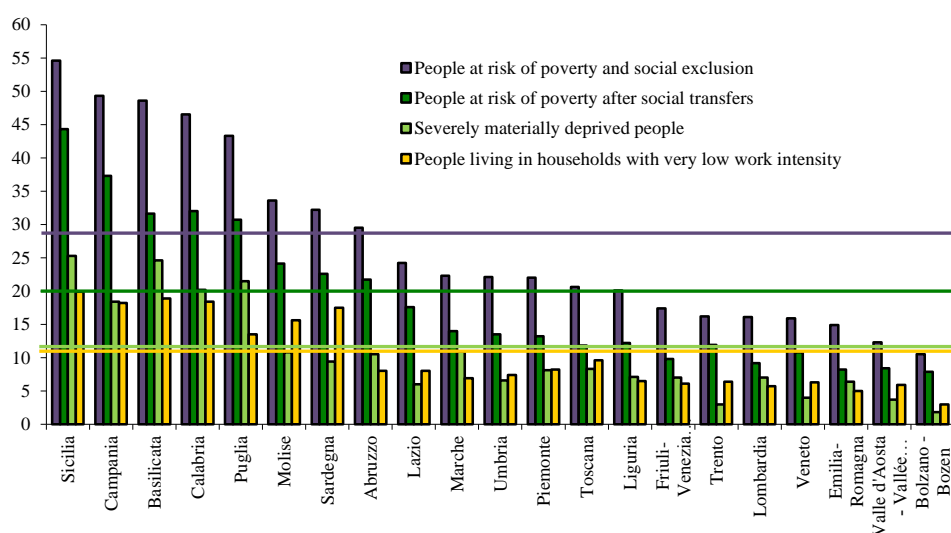
MACRO AREAS	Only one component				Two components			All three components
	At least one component	At-Risk-of-Poverty Rate	Severe Material Deprivation	Very Low Work Intensity (a)	At-Risk-of-Poverty Rate and Severe Material Deprivation	At-Risk-of-Poverty Rate and Very Low Work Intensity (a)	Severe Material Deprivation and Very Low Work Intensity (a)	
North-West	18.1	6.7	5.1	2.2	1.7	1.9	0.3 (b)	0.2 (b)
North-East	15.5	6.9	3.4	2.3	1.0	1.2	0.2 (b)	0.5
Centre	22.7	10.6	4.4	2.7	1.7	2.0	0.6 (b)	0.7
South	44.9	18.1	7.8	3.4	6.9	4.4	1.1	3.1
Islands	49.0	18.9	6.3	2.8	9.3	5.9	1.0 (b)	4.7
Italy	28.2	11.5	5.4	2.7	3.6	2.8	0.6	1.6

Source: Author's calculations, EU-SILC data

Note: (a) In order to quantify the intersection of the indicators, the incidence of "very low work intensity" is considered, for consistency with the other indicators, on the total population.

(b) Estimate corresponding to a sample size between 20 and 49 units.

Figure 2 – Population at risk of poverty and social exclusion by single component (EU 2020 indicators) and region – year 2011 (percentage values)



Source: Author's calculations, EU-SILC data

About 60% of people at risk of poverty and of those severely deprived live in the South and in the Islands; in addition, in this area 56% of people in households with low work intensity reside. The most serious situations are once again in Sicily with the maximum values for all three indicators: the 39.9% of residents is at risk of poverty, 18.8% is in severe deprivation and 15.7% is in a household with low work intensity. High values even in Calabria and Campania, while we note a difficult situation for Puglia in terms of severe deprivation (10.7%) and Basilicata with regards to low-intensity work (14%).

At the other extreme, the North, especially the Northeast, is less exposed to the risk of poverty: the population with at least one of the considered indicators is equal to 14%; the proportion of people at risk of poverty is equal to 7.5%, in case of being the only component, and 0.9% if associated with one of the other two (respectively 858,000 and 105,000 individuals). The best situations are observed in Trentino-Alto Adige and Valle d'Aosta, where the share of the population with at least one component amounts to 11.1 and 13.4%, respectively (Figure 2).

5.2 Categories with the highest risk

In Italy, the elderly who live alone, the population living in households with three or more children, people who live in households with aggregate members (persons not related by ties of child-parent or spouses) or where there is a single parent are those that present the highest risk levels of poverty and exclusion: more than one third of these group members have at least one of the considered components. Specifically, the portion that has all three components is greater than 4% among households where several generations live together, and stands at 2.8% in the case of single parents, and 2.9% for households with three or more children (Table 3).

Table 3 – Population at risk of poverty and social exclusion by single component (EU 2020 indicators) and type of households - 2011 (percentage values).

HOUSEHOLD TYPE	Only one component				Two components			All three components
	At least one component	At-Risk-of-Poverty Rate	Severe Material Deprivation	Very Low Work Intensity (a)	At-Risk-of-Poverty Rate and Severe Material Deprivation	At-Risk-of-Poverty Rate and Very Low Work Intensity (a)	Severe Material Deprivation and Very Low Work Intensity (a)	
One-person household	34,1	15,4	7,4	2,1	4,7	2,6	0,6	1,2
-under 65	33,4	10,9	6,5	4,2	3,1	5,2	1,1 (a)	2,4
-65 or over	34,8	20,0	8,4	-	6,4	-	-	-
Couples without children	21,0	8,2	5,1	3,4	2,3	0,9	0,5	0,6
-r.p. (a) under 65	21,8	6,1	4,1	5,7	2,5	1,6	0,8 (a)	1,1 (a)
-r.p. (a) 65 or over	19,9	11,0	6,5	-	2,0	-	-	-
Couples with children	26,6	11,6	4,4	2,2	3,7	2,6	0,5	1,5
-One child	22,3	7,6	4,2	3,5	2,8	2,4	0,8	1,0
-Two children	25,9	13,3	4,1	1,3	3,1	2,3	0,2 (a)	1,6
-Three or more children	41,4	17,7	6,0	1,3	8,4	4,2	0,9 (a)	2,9
Single parents	39,4	10,2	7,6	5,2	4,6	7,9	1,1 (a)	2,8
Other households (b)	38,3	15,7	8,5	2,8	3,1	3,6	-	4,1
All Households	28,2	11,5	5,4	2,7	3,6	2,8	0,6	1,6

Source: Author's calculations, EU-SILC data

Note: (a) Estimate corresponding to a sample size between 20 and 49 units;
(b) Households with aggregate members where different generations cohabit.

The situation of elderly people living alone is mainly due to the high incidence of poverty, affecting 20.0% of people over 64 years, considering it as the only component, and an additional 6.4% if combined with severe deprivation (respectively, 749 000 and 240 000 individuals). In addition, elderly people living alone and those living in households with aggregate members, are mostly affected by severe deprivation (14.8% and 15.7%, respectively).

The three indicators considered by the Europe 2020 strategy capture situations of poverty and exclusion only partially overlapping. The risk of poverty and severe deprivation are both indicators that pertain to economic difficulties and have, therefore, a strong association. Nevertheless, 5.4% of the population is in a condition of severe deprivation, but not at risk of poverty or low work intensity; in most cases, they are individuals belonging to households close to the poverty line, i.e., people who live in situations of budget constraints similar to those of poor households. Nearly half (49,6%) of deprived people (not at risk of poverty or low work intensity) lives in a household whose income falls in the first two-fifths of the distribution. These people often live in jobless households (28,3%) or with a single employed (44,5) or a household having an employee income (55%) or pension (34,2%) as the main source of income.

The indicator of very low work intensity, when not associated with the risk of poverty, or severe deprivation, identifies a population group (2.7%, about 1 million 617 thousand people) distinguished by situations where low work intensity is associated with income levels close to the poverty line; the absence of overt symptoms of economic difficulty hiding aspects of vulnerability related to the fact that young people are protected from the risk of poverty by the income of older generations (with obvious weaknesses in terms of sustainability over time); the non-participation in the labor market of one or more components is associated with high income perceived by others.

The indicator of low work intensity, when not associated with the risk of poverty, nor with the severe deprivation, identifies a population group (2.7%, about 1 million 617 thousand people) in which the low work intensity is often associated with levels of income close to the poverty line, and the absence of overt symptoms of economic difficulty may hide the vulnerability of disadvantaged people (eg young unemployed maintained by the income of the parents).

The majority of these people (59,2%) lives in households with incomes that fall in the fourth or fifth quintile of the income distribution. Three quarters (76,5%) are in a jobless household and a further 20,9% in a household where only one person works. In 76.7% of cases the main income is represented by a pension or other type of social benefits; the household is mainly a couple with children (45,3%) and single-parent household (17,4%), where the difficulty to access the labor market by the younger members is not always associated with the risk of

poverty or economic deprivation, thanks to pensions and relatively high incomes of the other household members.

6. Conclusion

The different methods and data sources used for the analysis of poverty in our country help to provide a clear structural characterization of poverty: a phenomenon especially prevalent in the South, among households with a large number of components and with a more limited access to the labor market, often as a result of a modest human capital.

The analysis of subjective indicators of deprivation confirms the poverty profiles defined on the basis of the analysis of income and consumption, in some cases expanding or reducing the distances between groups of population. This highlighted that the subjective perception may change depending on the context with which we are confronted, or to the different costs of goods and services in the various areas of the country (north-south, rural-city, big-small towns). Until now, the lack of indicators produced annually did not allow an adequate response to this problem. However, the possibility of taking into account the different purchasing power of money in different areas of the country (as already done for the absolute poverty), through the revaluation of the national poverty line, is definitely a future priority for official statistics.

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SUMMARY

Poverty is a phenomenon with many possible definitions (relative, absolute, subjective, etc..) which, in turn, identify sets of poor only partially or not at all overlapping. Depending on the adopted point of view and the aspects that need to be highlighted, different poverty analyses can be carried out.

Data sources, definitions and methodological criteria adopted to measure this phenomenon have a significant impact on estimates and on the profiles of poverty. Different indicators have different and complementary uses in the identification of poverty and planning of social policies.

The measures that Italian National Institute of Statistics (Istat) provides every year permit to monitor the dynamics and characteristics of the phenomenon in Italy. This work aims to provide an overview of these measures under a defined angle, the one that relates to the scarcity of money and material deprivation. The analysis, not intending to be exhaustive, will attempt to provide an integrated view of information from different sources and different estimation methods.