

Income Inequality & Poverty

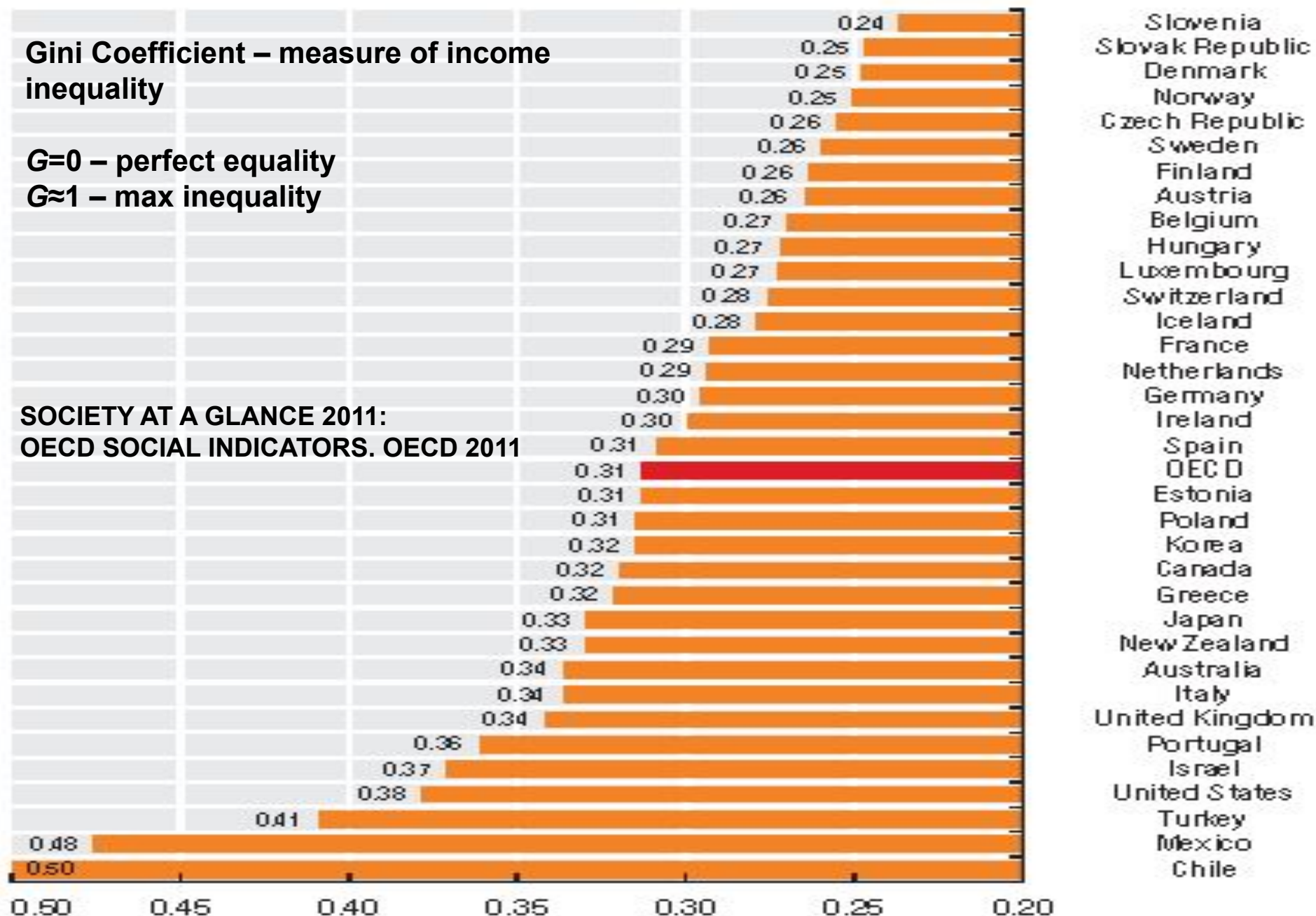
Panel A. Gini coefficient,
late-2000s

**Gini Coefficient – measure of income
inequality**

G=0 – perfect equality

G≈1 – max inequality

**SOCIETY AT A GLANCE 2011:
OECD SOCIAL INDICATORS. OECD 2011**



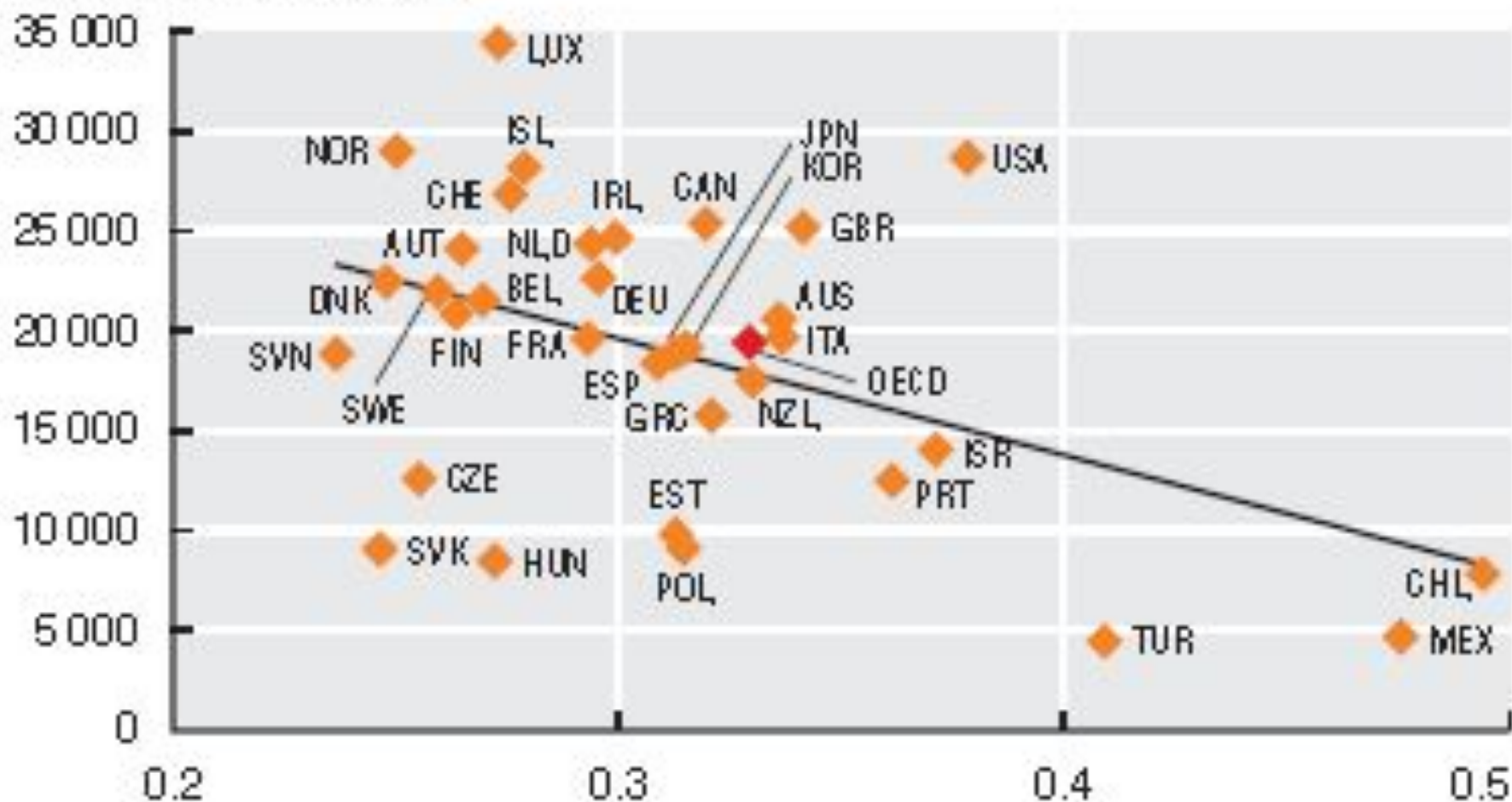
Panel B. Annual average change in Gini
between mid-1980s and late-2000s, percentages



**SOCIETY AT A GLANCE 2011:
OECD SOCIAL INDICATORS. OECD 2011**

EQ1.2. Richer countries have lower income inequality

Median equivalised income in USD at current prices
and current PPPs in 2007



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Gini coefficient,
late-2000s

The Condition of the
Working Class in
England 1845

Charles Booth
1840-1916
Labour & Life of the People
1886-1903





To maximize profit & compensate inefficient organization of production business tend to minimize wages





“rents”



Poverty can provoke social disorder



The "Hooligans "



Poverty reduces chances of children for development and achievement

East End
3400 streets

Survey

Research and policy questions:

Who are the poor (how do we define poverty)?

Who became poor?

Who are responsible for the position of the poor?

What is to be done?





School Board *Visitors* as guides

Volunteers who helped to check if children attended school

† ST. HUBERT STREET. (Class A—coloured black on map.)

			Class.	Section.
1. CASUAL LABOURER.....	1 room	2 school children	§ B.	2
	(Now gone hopping.)			
CHARWOMAN	1 room, widow	1 child at school and 1 baby†.....	B.	33
	(The widow's sister also lives with her.)			
.....	1 room	1 family, no children at school		
2. BOOTMAKER	1 „ wife helps,	2 school children	C.	11
CASUAL LABOURER.....	1 „	1 child at school and 2 babies ...	A.	1
	(Very low family. Also have one child at Industrial School.)			
?	1 room, widow...	1 child at school	B.	35

			Class.	Section.
HAWKER	1 room	3 school children	A.	22
	(Queer character.)			
.....	1 room	1 family, no children at school		
	(One room—empty.)			
3. HAWKER (female)	1 room	3 school children	B.	35
	(Husband in prison—mother lives with them—doubtful characters.)			
HAWKER	1 room	1 child at school	A.	22
	(Two elder sons loaf about.)			
FISH-STALL HAWKER...	1 room, wife helps,	2 school children and 1 baby ...	B.	22
.....	1 „	1 family, no children at school		

The 8 classes into which I have divided these people are :

A. The lowest class of occasional labourers, loafers, and

B. Casual earnings—"very poor." [semi-criminals.

C. Intermittent earnings } together the "poor."

(D.) Small regular earnings }

E. Regular standard earnings—above the line of poverty.

F. Higher class labour.

G. Lower middle class.

H. Upper middle class.

A:

any kind. Their life is the life of savages, with vicissitudes of extreme hardship and occasional excess. Their food is of the coarsest description, and their only luxury is drink.

III.—Percentage Table of Classes.

[illegible]

**A - lowest class - some occasional labourers,
street-sellers, loafers, criminals and semi-criminals -
1.25%**

B – casual earnings - very poor – 11.2%

C – intermittent earnings - 8.3%

the “poor” - 35,2%

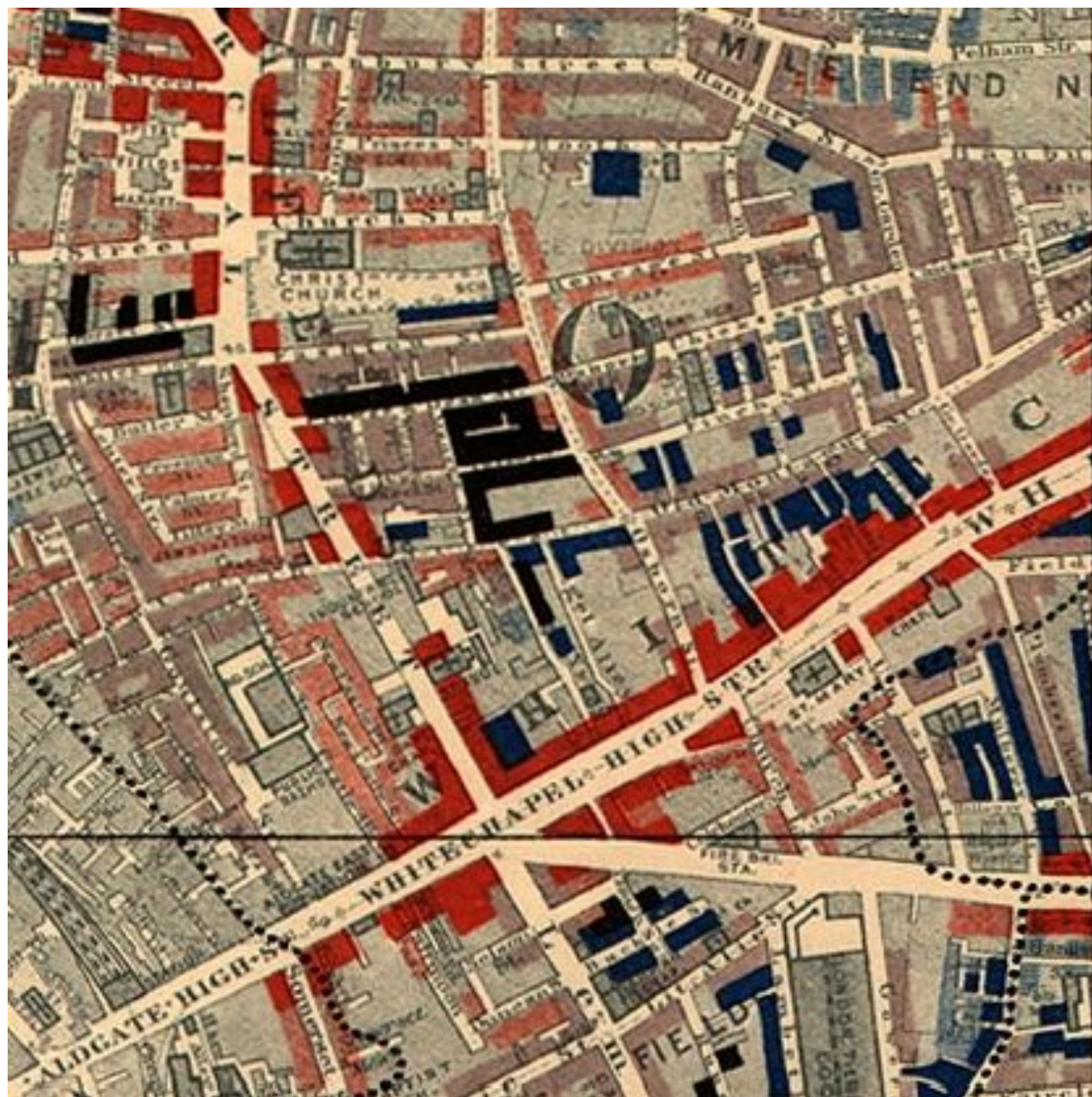
D – small regular earnings - 14.5 %

E - artisans and regular wage-earners - 42%

G – lower middle – 3.9 %

H – upper middle – 5%

**Invented “poverty line” concept – 1 GBP = food, housing,
clothing + basic spending**




BLACK: Lowest class. Vicious, semi-criminal.

DARK BLUE:
Very poor, casual.
Chronic want.

 **LIGHT BLUE:**
Poor. 18s. to 21s.
a week for a
moderate family

PURPLE: Mixed.
Some comfortable
others poor

 **PINK:** Fairly comfortable. Good ordinary earnings.

RED: Middle class. Well-to-do.

YELLOW:
Upper-middle and
Upper classes.
Wealthy.



-  **BLACK:** Lowest class. Vicious, semi-criminal.
-  **DARK BLUE:** Very poor, casual. Chronic want.
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IV.—Table showing the Formation of Class B from the various Sections.

[illegible]

Benjamin S. Rowntree
Poverty, A Study of Town Life
(1901)

POVERTY LINE DEFINITION by Rowntree

Minimum physical efficiency of a worker

- 1) Food: idealized adequate diet suggested by contemporary physicians
- +
- 2) Expenditures on housing (rent)
- +
- 3) Everyday expenditures (clothing, fuel. etc.)

= min income = poverty line

Actual income

- Regular earnings
 - Rent
- Incidental earnings

Primary = **absolute** poverty
Lack of fundamental requirements for human existence (9,9 % of York population)

Secondary = **relative** poverty
Inability to meet overall standards of living that prevails in a given society (27,8 % of York population)

Poverty is a mismatch between family income & family needs

Poverty is caused not by lack of household management but by lack of income

(Platt 2014 Poverty Studies and Social Research)

DEATH **OF** CHIEF
WAGE EARNER



15.63% **of** those in
'Primary' Poverty
(1130 Persons)

ILLNESS OR OLD
AGE **OF** CHIEF
WAGE EARNER



5.11% **of** those in
'Primary' Poverty
(370 Persons)

CHIEF WAGE
EARNER OUT
OF WORK



2.31% **of** those in
'Primary' Poverty
(167 Persons)

IRREGULARITY
OF WORK



2.83% **of** those in
'Primary' Poverty
(205 Persons)

LARGENESS **OF**
FAMILY



22.16% **of** those in
'Primary' Poverty
(1602 Persons)

IN REGULAR
WORK BUT AT
LOW WAGES



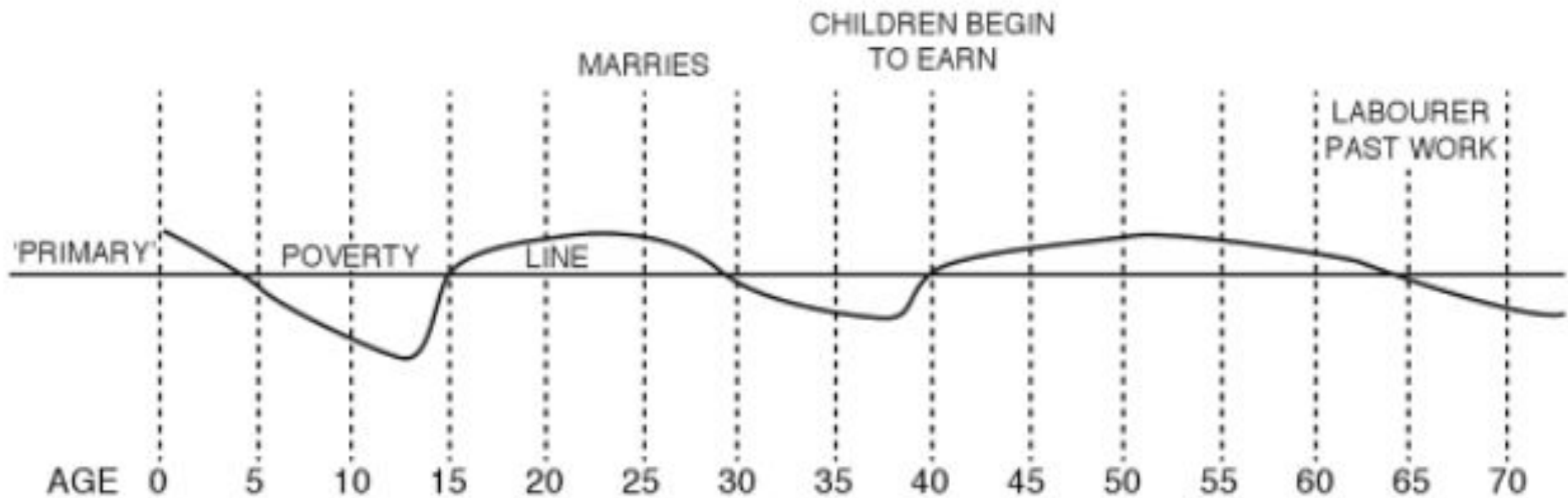
51.96% **of** those in
'Primary' Poverty
(3756 Persons)

Absolute & relative poverty

Basic needs VS. comparative disadvantage

A family living upon **the** scale allowed for **in** this estimate must never spend a penny on railway fare or omnibus. They must never go into **the** country unless they walk. They must never purchase a halfpenny newspaper or spend a penny to buy a ticket for a popular concert. They must write no letters to absent children, for they cannot afford to pay **the** postage. They must never contribute anything to their church or chapel, or give any help to a neighbour which costs them money. They cannot save, nor can they join sick club or Trade Union, because they cannot pay **the** necessary subscriptions. **The** children must have no pocket money for dolls, marbles or sweets. **The** father must smoke no tobacco, and must drink no beer. **The** mother must never buy any pretty clothes for herself or for her children, **the** character **of** **the** family wardrobe as for **the** family diet being governed by **the** regulation, 'Nothing must be bought but that which is absolutely necessary for **the** maintenance **of** physical health, and what is bought must be **of** **the** plainest and most economical description.' Should a child fall ill, it must be attended by **the** parish doctor; should it die, it must be buried by **the** parish. Finally, **the** wage-earner must never be absent from his work for a single day (Rowntree, 1902, pp. 133–4).

Poverty & Lifecycle



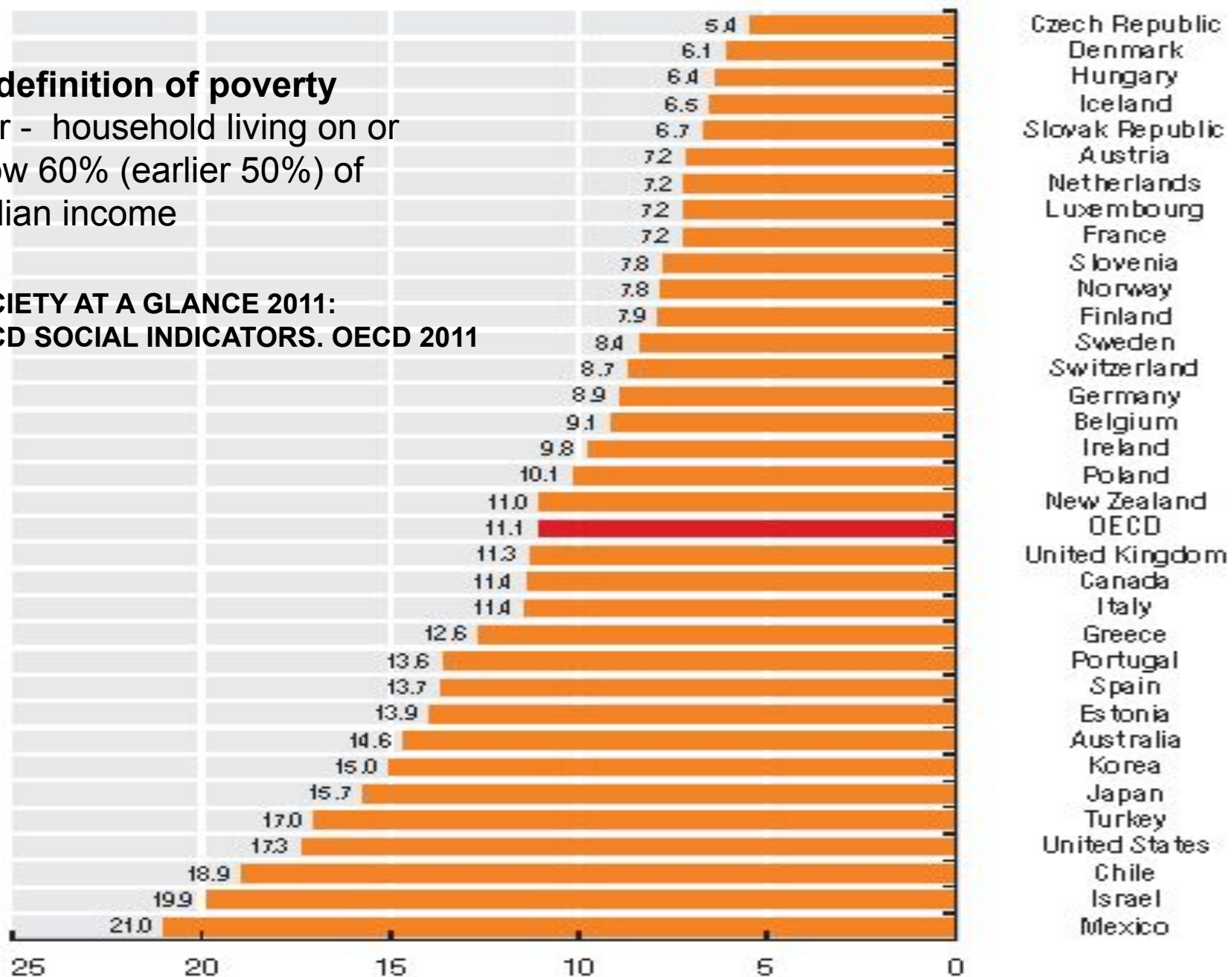
Rowntree. Poverty: A Study of Town Life, 1902, p.137

Panel A. Percentage of persons living with less than 50% of median equivalised household income, late-2000s

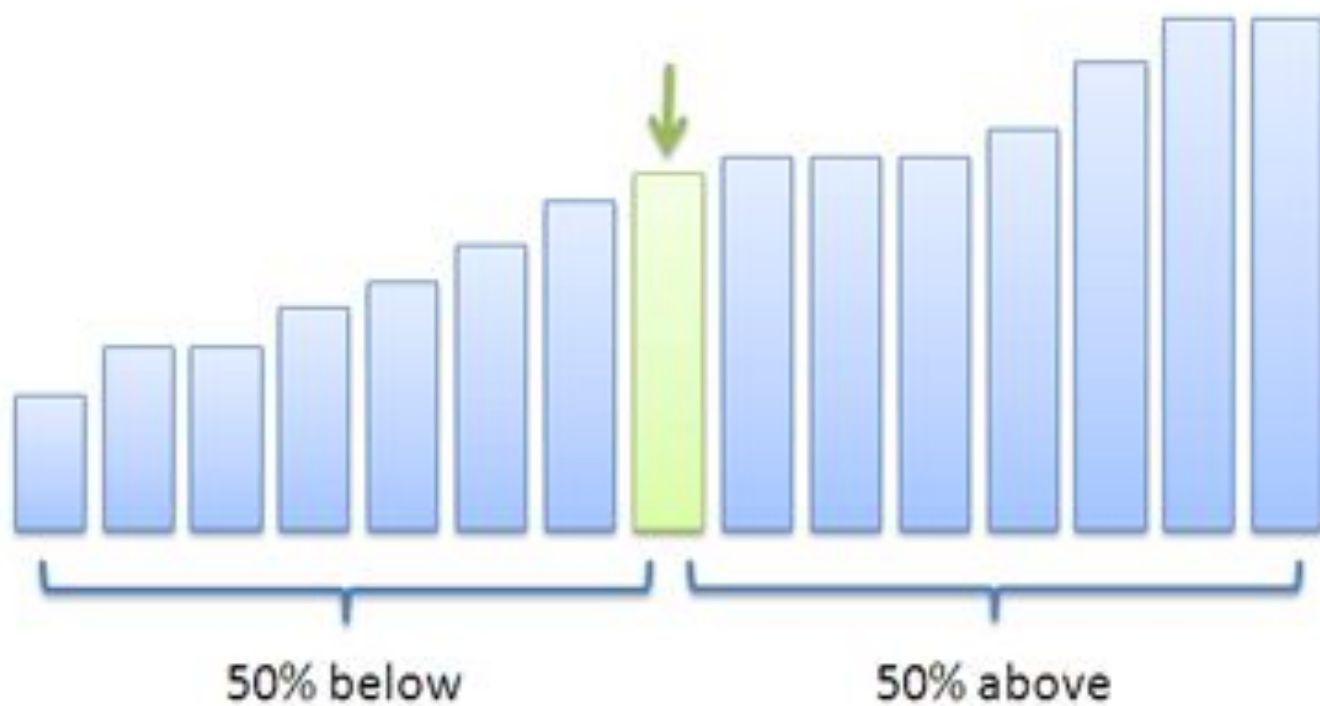
EU definition of poverty

Poor - household living on or below 60% (earlier 50%) of median income

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Median



Income inequality among squirrels ;)

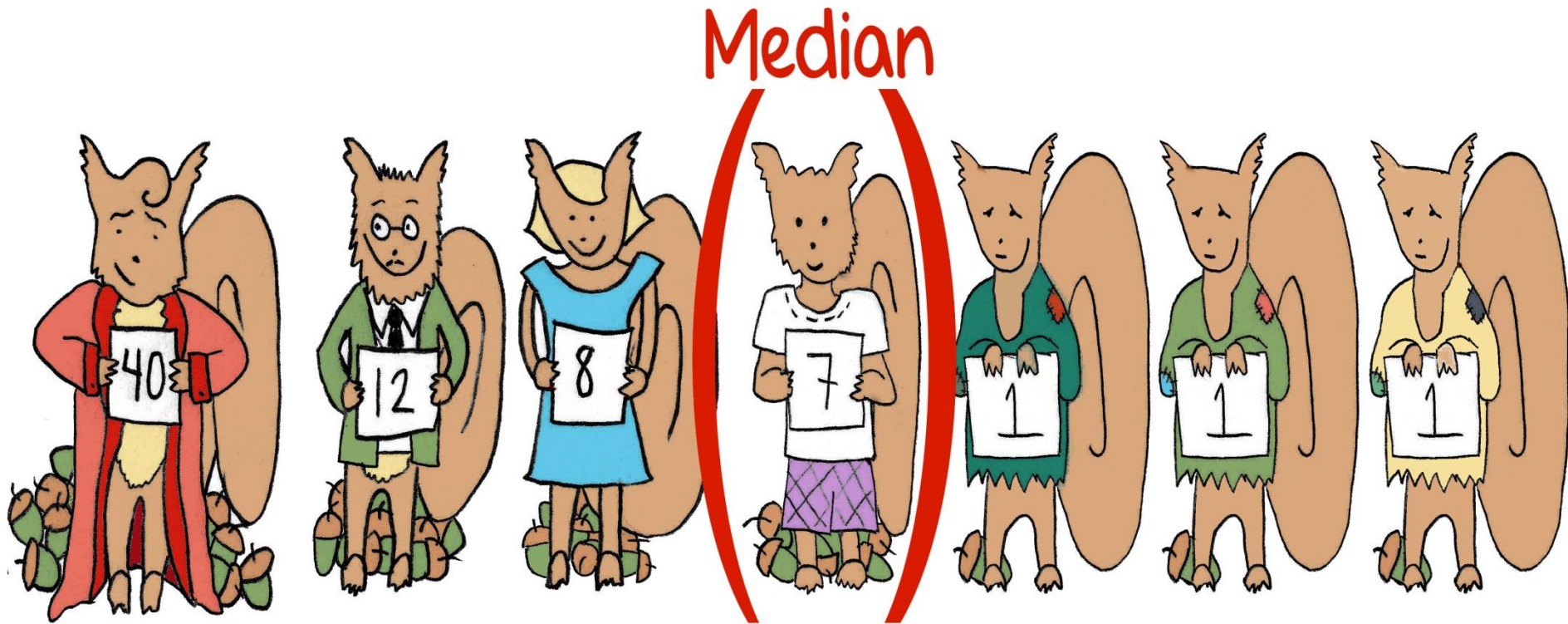


Mean is a bad model

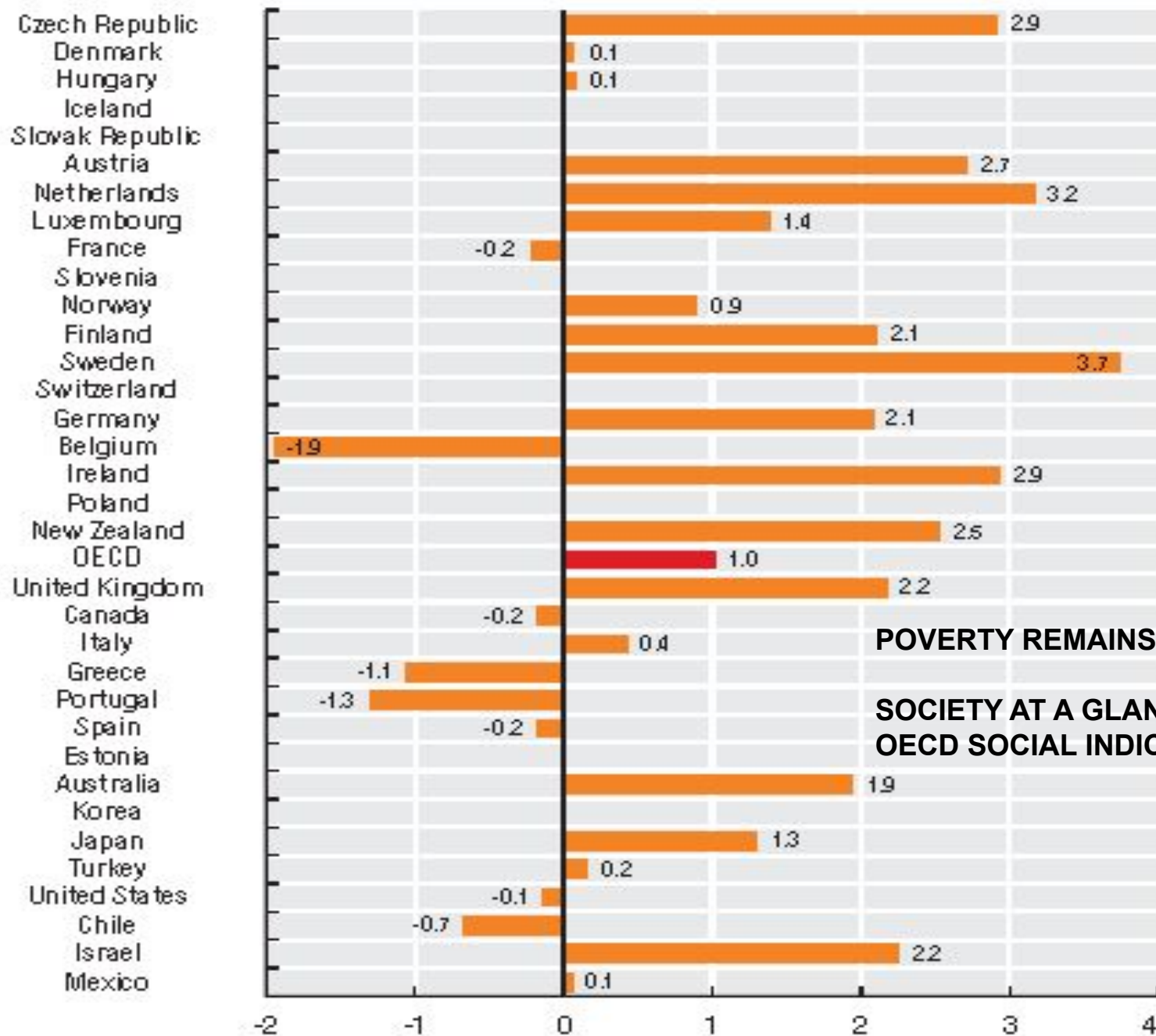
Mean Average



Median is better



Panel B. Annual average change in poverty rate
between mid-1980s and late-2000s, percentages

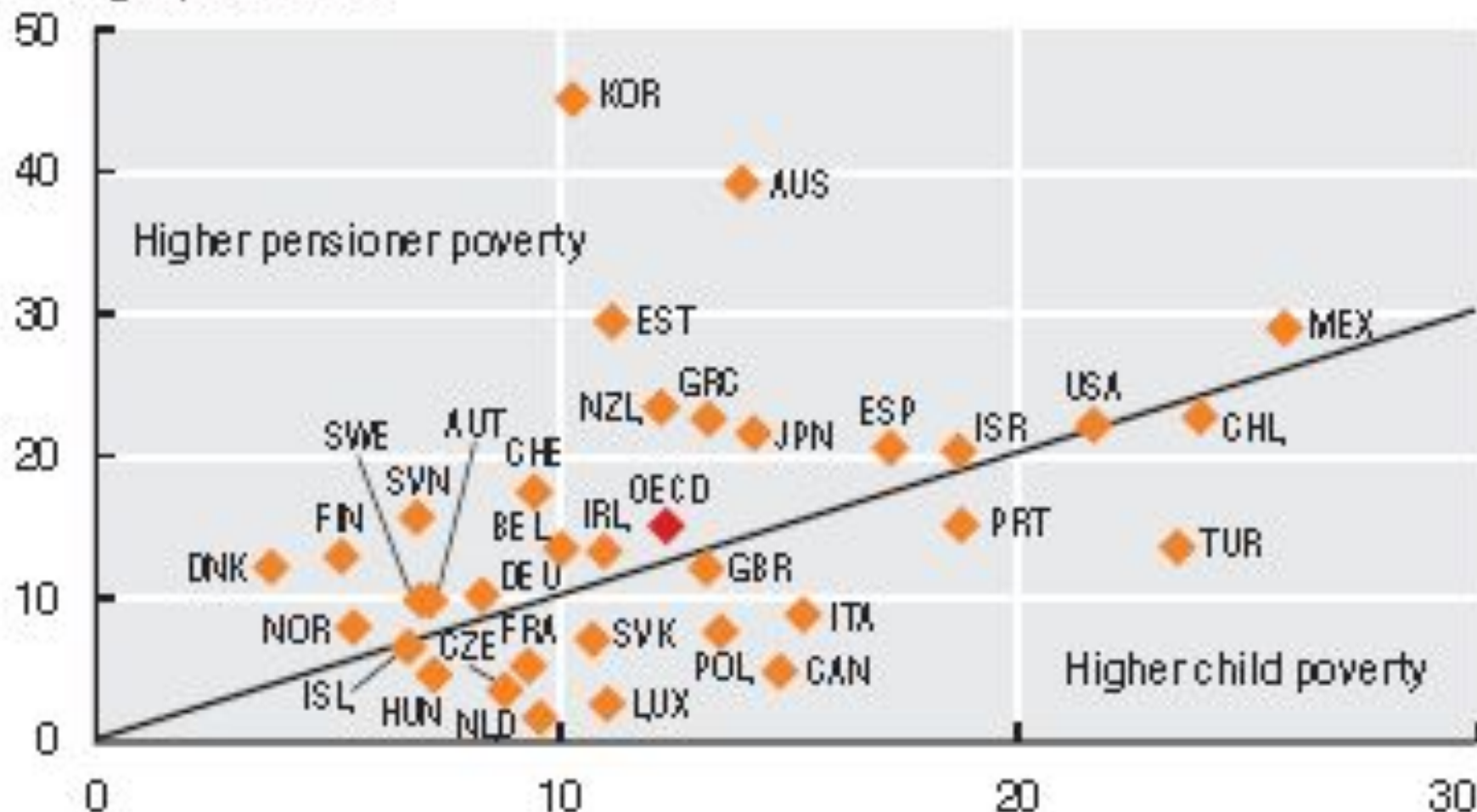


POVERTY REMAINS WIDESPRED

**SOCIETY AT A GLANCE 2011:
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EQ2.2. Poorer pensioners or poorer children?

Poverty among people of retirement age,
percentages, late-2000s

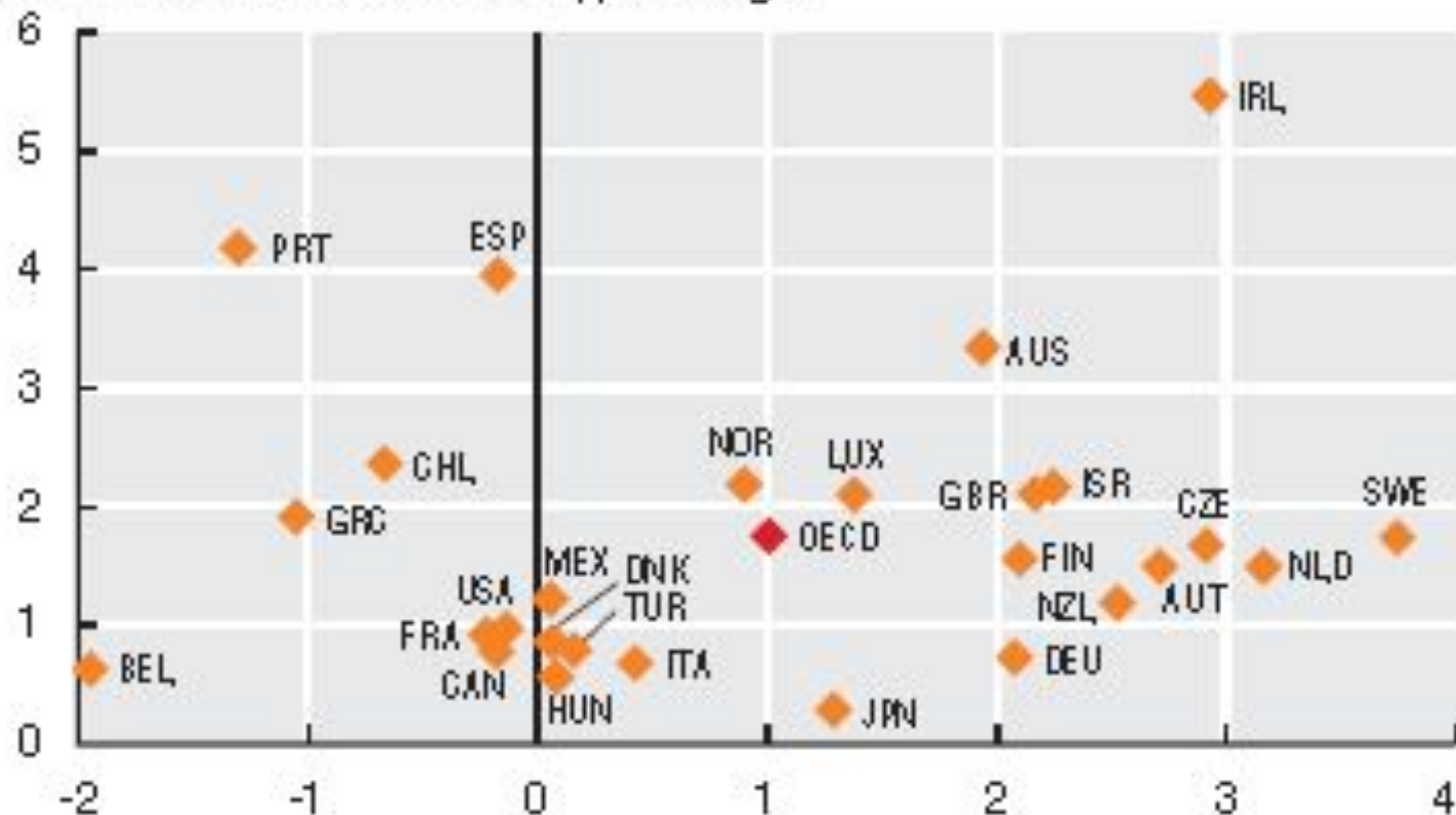


SOCIETY AT A GLANCE 2011:
OECD SOCIAL INDICATORS. OECD 2011

Poverty among children,
percentages, late-2000s

EQ2.3. Income growth is no poverty solution

Real average annual change in median household income,
between mid-1980s and late-2000s, percentages



SOCIETY AT A GLANCE 2011:
OECD SOCIAL INDICATORS. OECD 2011

Average annual change in poverty rate
between mid-1980s and late-2000s, percentages

Absolute & relative poverty

Basic needs VS. comparative disadvantage

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Table 12.3 Townsend's deprivation index (1979)

Characteristics	% of the population
1 Has not had a holiday away from home in the past 12 months.	53.6
2 Adults only. Has not had a relative or a friend to the home for a meal or snack in the past four weeks.	33.4
3 Adults only. Has not been out in the past four weeks to a relative or friend for a meal or snack.	45.1
4 Children only (under 15). Has not had a friend to play or to tea in the past four weeks.	36.3
5 Children only. Did not have a party on last birthday.	56.6
6 Has not had an afternoon or evening out for entertainment in the past two weeks.	47.0
7 Does not have fresh meat (including meals out) as many as four days a week.	19.3
8 Has gone through one or more days in the past fortnight without a cooked meal.	7.0
9 Has not had a cooked breakfast most days of the week.	67.3
10 Household does not have a refrigerator.	45.1
11 Household does not usually have a Sunday joint (three in four times).	25.9
12 Household does not have sole use of four amenities (flush WC; sink or washbasin and cold water tap; fixed bath or shower and gas / electric cooker).	21.4

Giddens 2009

Source: "Townsend's Deprivation Index" from *Poverty in the United Kingdom*, by Peter Townsend (Penguin, 1979)

Source: Monitoring Poverty and Social Exclusion 2006 by Guy Palmer, Tom MacInnes and Peter Kenway, published in 2006 by the Joseph Rowntree Foundation. Reproduced by permission of the Joseph Rowntree Foundation.

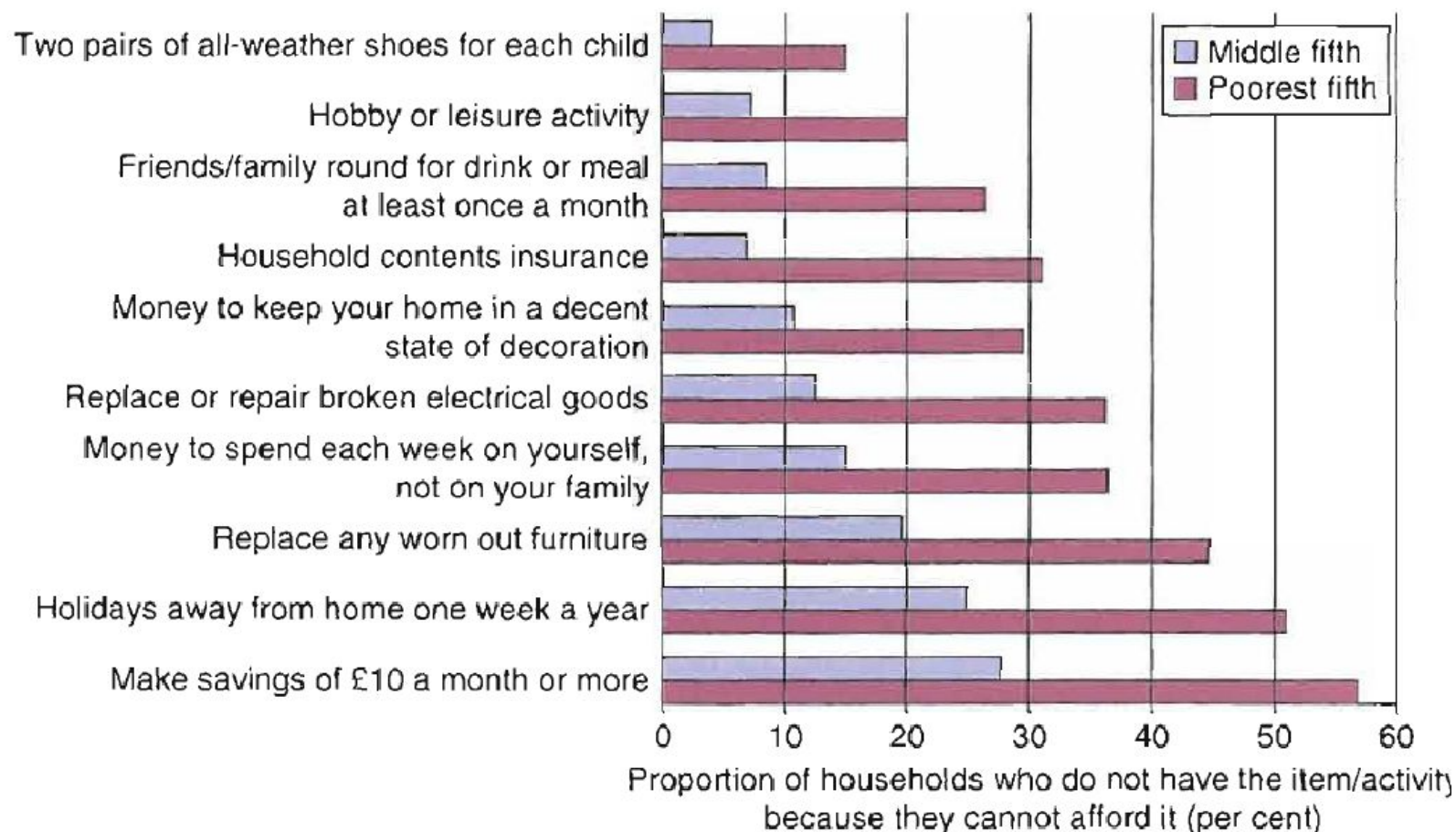


Figure 12.4 Percentage of UK households which cannot afford selected 'essential items', by average and low-income household

Giddens 2009

Source: Family Resources Survey 2004/05, Department for Work and Pensions, UK.