

4.2.1 Absolute and relative poverty

- *Distinction between absolute poverty and relative poverty*
- *Measures of absolute and relative poverty*
- *Causes of changes in absolute poverty and relative poverty*
- Absolute poverty: the minimum amount of resources a person needs to survive, including food, shelter, clothing, access to clean water, sanitation, education and information
- Relative poverty: measured in comparison with other people in a country. Measured in relation to a certain income threshold.
- Persistent poverty: includes income for the current year and at least two out of the three preceding years
- Measure of absolute poverty: In October 2015, the World Bank set the poverty line at \$1.90 a day. It preserves the purchasing power of the previous line of \$1.25 a day in 2005 prices.
- Measure of relative poverty: Commonly, the lines range from 40-70% of median household income. In the EU it is below 60% of median income.
- Problems of measures of relative poverty:
 - It is highly subjective
 - It changes over time
 - It cannot easily be used to make international comparisons
- Other measures of poverty:
 - The UN Human Poverty Index: HPI-1 is a measure of deprivation in the poorest countries in the world. HPI-2 is more relevant for developed countries. They are composite measures made up of many components, not just income
 - Ratio method: calculating the proportion of income spent on basic necessities such as food and energy
- Causes of changes in absolute poverty and relative poverty:
 - Level of indebtedness
 - Level of unemployment
 - Health or education
 - Access to public services
 - The state of the economy
 - Distribution of income
 - Natural disasters and conflict
 - Corruption and political oppression
 - Taxes: regressive or progressive