

## POVERTY RATES AND GAPS

Avoiding economic hardship is a primary objective of social policy. As perceptions of “a decent standard of living” vary across countries and over time, no commonly agreed measure of “absolute” poverty across OECD countries exists. A starting point for measuring poverty is therefore to look at “relative” poverty, whose measure is based on the income that is most typical in each country in each year.

### Definition

Relative income poverty is measured here by the poverty rate and the poverty gap. The poverty rate is the ratio of the number of people whose income falls below the poverty line and the total population; the poverty line is here taken as half the median household income. However, two countries with the same poverty rates may differ in terms of the relative income-level of the poor. To measure this dimension, the poverty gap, i.e. the percentage by which the mean income of the poor falls below the poverty line, is also presented.

Income is defined as household disposable income in a particular year. It consists of earnings, self-employment and capital income and public cash transfers; income taxes and social security contributions paid by households are deducted. The income of the household is attributed to each of its members, with an adjustment to reflect differences in needs for households of different sizes (i.e. the needs of a household composed of four people are assumed to be twice as large as those of a person living alone).

### Overview

Across OECD countries, the average poverty rate was about 11% in the late-2000s. There is considerable diversity across countries: poverty rates are 20% or more in Israel and Mexico, but below 7% in the Czech Republic, Denmark, Hungary and Iceland. On average, in OECD countries, the mean income of poor people is 27% below the poverty line (poverty gap), with larger gaps in Korea, Mexico, Spain and the United States and lower ones in Belgium, Luxembourg, Finland and the Netherlands. In general, countries with higher poverty rates also have higher poverty gaps but this is not universal; for example Norway combines low poverty rates and high poverty gaps, while the opposite occurs in Estonia.

From the mid-1980s to the late-2000s, poverty rates rose in 16 out of 19 countries for which longer-run data are available, resulting in an overall increase of 2 percentage points for the OECD as a whole. The largest rise was experienced by Israel, and the largest decline was registered in Greece.

### Comparability

Data used here were provided by national experts applying common methodologies and standardised definitions. In many cases, experts have made several adjustments to their source data to conform to standardised definitions. While this approach improves comparability, full standardisation cannot be achieved.

Measurement problems are especially severe at the bottom end of the income scale. As large proportions of the population are clustered around the poverty line used here, small changes in their income can lead to large swings in poverty measures. Small differences between periods and across countries are usually not significant.

“Late-2000s” data refer to the income in 2008 in all countries except Japan (2006); Denmark, Hungary and Turkey (2007); and Chile (2009). “Mid-1990s” data refer to the income earned between 1993 and 1996. “Mid-1980s” data refer to the income earned between 1983 and 1987 in all countries for which data are available except Greece (1988); Portugal (1990); and the Czech Republic (1992). “Mid-1980s” data refer to the western Lander of Germany. “Late-2000s” data for Austria, Belgium, Ireland, Portugal and Spain are based on EU-SILC and are not deemed to be fully comparable with earlier years.

### Sources

- OECD (2011), *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing.

### Further information

#### Analytical publications

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- Förster, M. (1994), “Measurement of Low Incomes and Poverty in a Perspective of International Comparisons”, *OECD Labour Market and Social Policy Occasional Papers*, No. 14.

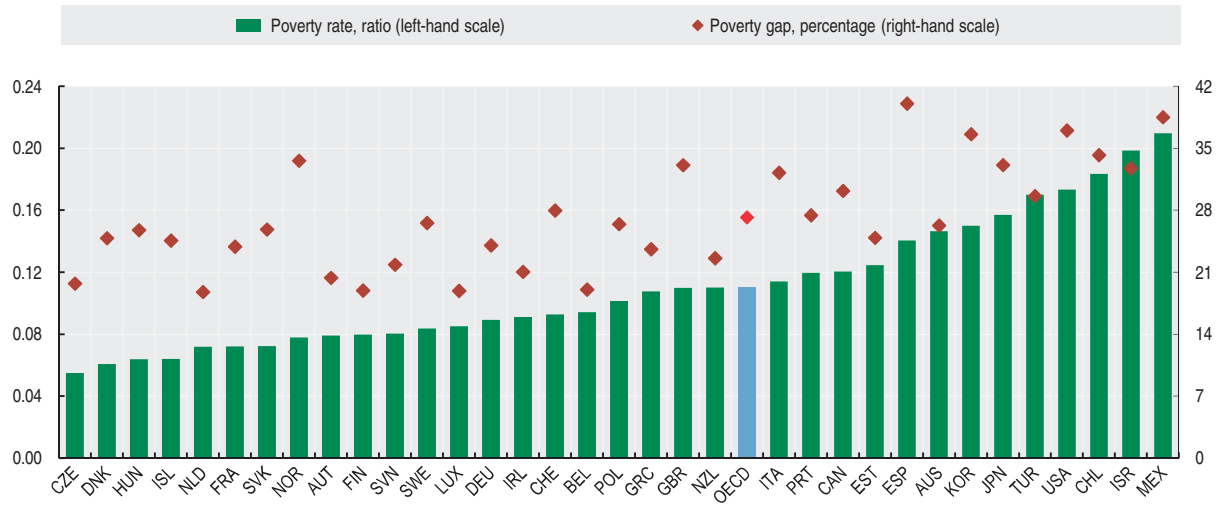
#### Websites

- OECD Social and Welfare Statistics, [www.oecd.org/social/statistics](http://www.oecd.org/social/statistics).
- OECD Income Distribution and Poverty, [www.oecd.org/els/social/inequality](http://www.oecd.org/els/social/inequality).



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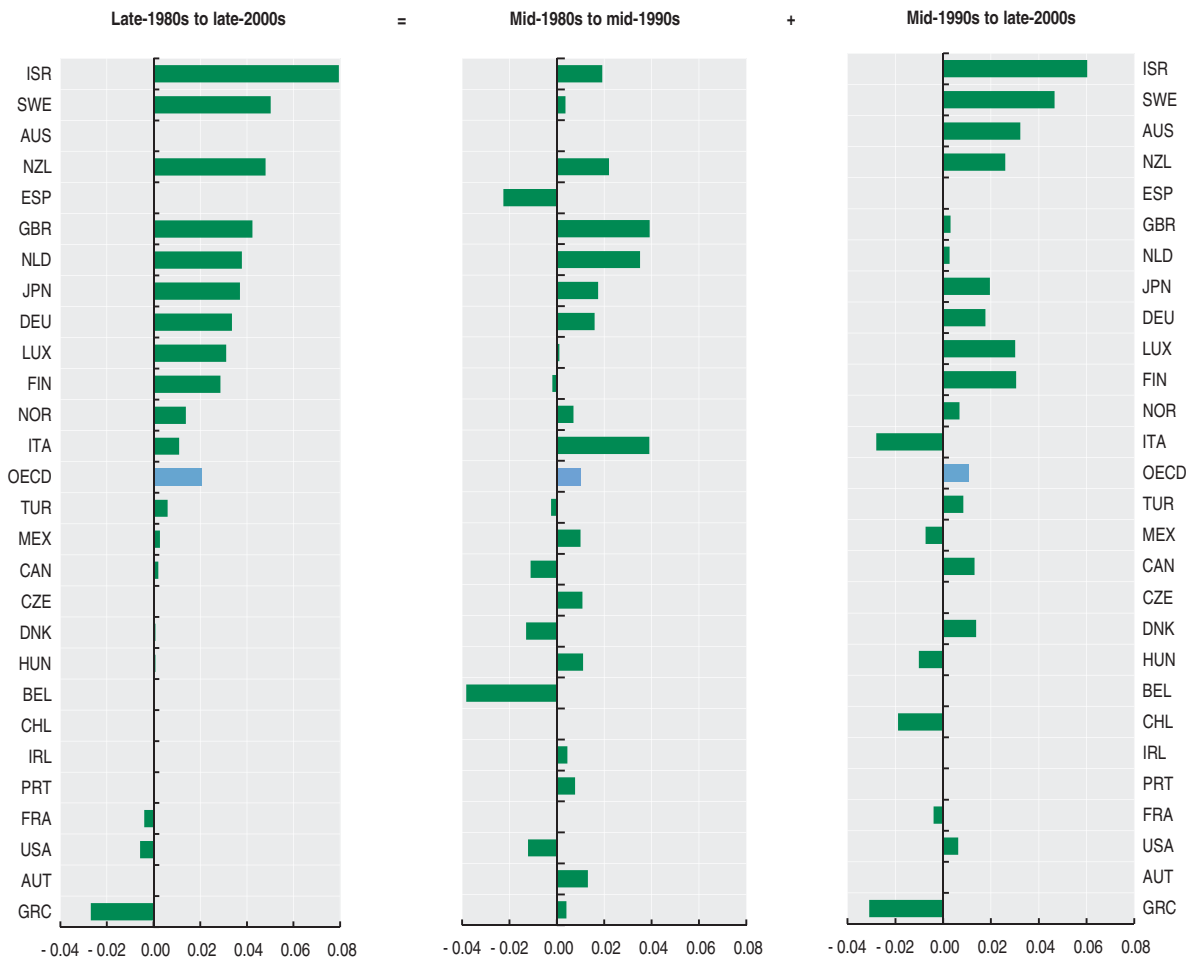
Late-2000s



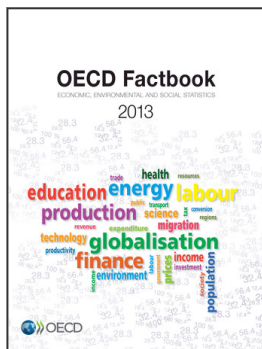
StatLink <http://dx.doi.org/10.1787/888932707059>

Trends in poverty rates

Percentage point changes in income poverty rate at 50% median level



StatLink <http://dx.doi.org/10.1787/888932707078>



**From:**  
**OECD Factbook 2013**  
Economic, Environmental and Social Statistics

**Access the complete publication at:**  
<https://doi.org/10.1787/factbook-2013-en>

**Please cite this chapter as:**

OECD (2013), "Poverty rates and gaps", in *OECD Factbook 2013: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/factbook-2013-26-en>

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