

OECD study highlights widespread and persistent poverty in Europe and America

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A report issued by the Organisation for Economic Cooperation and Development (OECD) suggests that poverty in Western Europe and North America is far wider than previously calculated. The report, *Poverty Dynamics in Six OECD Countries*, surveyed Canada, Germany, the Netherlands, Sweden, the United Kingdom and the United States.

Using a different method of assessing poverty than in previous studies, the authors conclude that while traditional assessments are important, they are insufficient since they conceal the fact that a much larger part of the population is touched by poverty. "The poverty rate indicates how many are poor at a point in time. However this 'snapshot' masks considerable turnover among the poor and the variation in the time that the poor stay in poverty," they state.

The report focuses attention on the "dynamics and persistence of poverty". Its main remit was to estimate the sections of society that fall temporarily below the poverty line, as well as those who return to this position within a given time. The results were alarmingly higher than the single-figure rates previously used for the six countries.

Between 12 and almost 40 percent of the population across the six nations were affected by poverty over the six-year period of the study—a much larger percentage than would be suggested by the "static" poverty rates. Within this larger group, the majority spends only a short time below the poverty line but "as spells lengthen, the probability of exit falls such that a small group of the population remains in poverty for long periods of time with little chance of exit".

The changed assessment criterion also reveals a cycle that develops, with many people living on the edges of the poverty threshold (defined as 50 percent of the median equivalent disposable income). "The

probability of exiting poverty falls with previous experiences in poverty. At the same time, there is a high probability of falling back into poverty. Thus for the longer-term poor, low probability of exit and high probability of re-entry tend to reinforce each other". In addition, a "significant share of the longer-term poor are in paid work".

The report confirmed the economic necessity of most families having to hold down more than one job. "Households with more than one worker are better protected from poverty—increased employment or hours worked by other household members is an important source of exit from poverty". In an economy characterised by flexibility, job insecurity and low wages, multiple-earner households can be important for families "more easily to compensate for job loss or lower earnings of other household members".

The households particularly vulnerable to long-term poverty are female-headed households; single-adult households with children; households headed by an individual of retirement age or by a young individual; households where the head has only basic education and households where there is no worker.

The report attributed the longer spells of poverty amongst these groups to their unchanging circumstances. "The concentration of the longer-term poor among these groups probably reflects the fact that many of these conditions, when they occur, tend to last for a long time: for example, in the United Kingdom, lone-parenthood lasts, on average, for around six years, and for older people incomes change little over time, such that those in poverty tend to stay there for a long period".

A comparison was also made of poverty figures before and after social benefit payments. The country that saw the smallest change was the US, where welfare

payments have only a marginal affect. But in Germany, the Netherlands and Sweden the difference between poverty figures before and after benefits is more than three times as large. This is due to the existence of a still relatively strong social safety net in the latter countries, unlike the US.

The country with the highest poverty rates—both static and over a six-year period—is the UK, followed by the US and Canada. Before benefit payments, 55 percent of the population of the UK fell below the poverty line at least once in a six-year period. After benefits the figure is just under 40 percent.

The UK figures reveal how widespread poverty has become in Britain—more than half the population can expect to be touched by it at any one time. Welfare benefit payments have such a marginal impact on this because, like the US, such state spending has been subjected to continuous cutbacks over the last two decades.

What makes the poverty figures most striking is that they were calculated during a period when most of the countries surveyed enjoyed economic stability or even, as in the case of the US and the UK, a "boom". With all the governments in the six countries committed to further cuts in public spending—most particularly in welfare—it is clear that an economic reversal will produce a social catastrophe of unprecedented proportions.



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