

Issues in measuring absolute poverty: the case of Greece*
Questões na mediação de pobreza absoluta: o caso da Grécia

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Abstract: This paper aims at revealing methodological issues referring to the definition and measurement of absolute poverty. The literature on poverty, both relative and absolute, is reviewed and a proposal is put forth for an approach of absolute poverty based on needs and the notion of the value of labour power. The paper presents the results of the application of this method in the Metropolitan Athens area.

Keywords: absolute poverty, relative poverty, value of labour power, needs

Resumo: Este trabalho tem por objetivo revelar as questões metodológicas referentes à definição e medição da pobreza absoluta. É feita uma revisão da literatura sobre pobreza absoluta e relativa e é desenvolvida uma abordagem de pobreza absoluta baseada nas necessidades e na noção do valor da força de trabalho. O trabalho apresenta os resultados da aplicação desse método na região metropolitana de Atenas.

Palavras-chave: Pobreza absoluta. Pobreza relativa. Valor da força de trabalho - Necessidades.

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Introduction

Absolute poverty can be defined as a situation where the minimum amount of goods and services a person and his/her dependents need to survive and be reproduced in a normal way in a given historical and social context are lacking. We believe that the poverty rate, when poverty is defined in an absolute sense should be one of the most important economic and social indicators in any country that aspires to be called a modern democracy. The issue of the definition and measurement of absolute poverty is a technical, social and unavoidably political issue. The absolute poverty threshold cannot be totally free of relativity, subjectivity and value judgment on the part of the analysts, researchers and "experts".

We consider the issue of absolute poverty as a historically and socially specific question. We consider poverty as a situation that can be defined *independently of the income distribution*, and quantifiable in the following sense: The absolute poverty threshold can be constructed on the basis of a basket containing at least the minimum requirements of normal physiological reproduction. This basket though has also a certain degree of social content and determination in the sense that members of a household need some goods and services to ensure their social integration to a satisfactory degree. Since our empirical investigation starts from the major urban centers where most of the salary earners are concentrated, the concept of the value of labor power is applied.

It should be noted here that the value of labor power consists of those commodities, the consumption of which enables the socially and historically specific normal reproduction of the labor power (Marx, *Capital*, I, pp 183-184). Generally, the value of labor power in real terms (i.e. the real wage) tends to rise over time as the bargaining power of the working class is strengthened (at least for the periods when this is occurring). Cultural factors, along with the overall rise in average living standards resulting from the development of productive forces, add a certain "moral and historical element" to the minimum level of physiological subsistence corresponding to the "iron law of wages" of classical political economy.

The more capitalist relations of production develop in the society, and the wage labor relationship is generalized within the economically active population, the more a certain, definite part of the value of labor power can be regarded as approaching the poverty threshold and also varying over time with the absolute poverty line. Since the total value of the labor power is that part of the living standard of the working class for which capital is "responsible", the correlation of that part of the value of the labor power which is roughly equal to the minimum acceptable

standard of living (minimum subsistence) plus a socially determined part – a fraction of the "moral and historical element" of the value of labor power –, with the poverty threshold shows that this issue as well has to do with the capital-labor relationship which runs through the whole capitalist mode of production (Wright, 1994:46).

Therefore, the content and the results of our study do not have to do only with marginal social strata and the corresponding social policy which might reduce their suffering. They are intended also, to objectively inform and help labor unions and similar organizations in their fight for the wage and salary, pension, unemployment compensation, based on objective economic and social criteria.

More specifically, our goal here takes the form of creating a composite index comprised of use values evaluated using current and constant prices and including also local municipal taxes, levies and fees associated with the consumption of certain use values as we will see below. All those use values satisfy in an adequate way the "basic" needs, namely the needs of survival and normal social reproduction of the typical households. The construction of this basket/index is approached in every possible way: theoretically, empirically or even axiomatically. The composite nature of the index provides the advantage of its revision when the average social and economic conditions change, leading to an increase to those perceived as basic needs for the typical household, or when we manage to develop our knowledge in greater depth in the specification of a need. As far as we know, the pursuit of such an approach is entirely absent from most developed economies and it is found in a systematic way in very few countries, especially in the U.S. and the UK.

Approaching poverty

...through the basic reproduction needs and the value of labor power

The question of what is defined as poverty and how it can be measured, was inevitable to emerge as soon as it became clear that substantial and certainly not negligible sections of the population, even in the most developed economies, were unable to fulfill even basic needs which the society at the given level of development of production forces could satisfy in general, i.e. *on average*.

The specification of those needs will be clarified in the next chapter, but what should be made clear here is that in principle those needs do not remain stable over time, on the contrary they are always socially and historically defined.

Based on the above discussion of the issue, it is argued that a poor person is somebody who is unable to meet his/her basic needs and thus is even less able to meet those needs which the society in which he/she lives is able to cover.

It is of course well known that poverty is neither a social phenomenon created exclusively in the capitalist mode of production, nor a phenomenon which is uniquely observable in it. However, this study focuses only on capitalist economies that are characterized by the wage labor relationship. This is so, because even though poverty is not just a symptom of capitalist economies, it has been shown to be an endemic feature of the capitalist system; it is present indeed to a remarkable extent even in the most developed capitalist economies like the U.S, UK, France, etc.

However, the extent of the problem of poverty persistence in developed economies has been largely ignored as attention has been confined usually to the report of relative poverty – based solely on the profile of the income distribution and not at all on the absolute level of income of households, usually defined as the percentage of population earning less than half or 60% of median income. The measurement of absolute poverty has been confined mostly to developing economies and it is based on the purely arbitrary definition of the poverty threshold proposed by the World Bank. This is either one U.S. dollar a day, or two U.S. dollars representing the boundaries of "extreme poverty" and "moderate poverty", respectively.

The fact that relative poverty is merely a reflection of the degree of inequality in income distribution in an economy can be seen from the table 1 below. It is obvious that the ranking of every single OECD country regarding the degree of income inequality which is based on the value of the Gini coefficient is almost identical to its ranking on relative poverty. In other words, the poverty rate calculated on the basis of the definition of relative poverty does not provide any significant additional information from that which is given by the coefficient of income inequality.

Country	Inequality (Gini coefficient)	Poverty rate (60% of the median income)	Country
1. Denmark	0.232	0.114	1. Sweden
2. Sweden	0.234	0.115	2. Czech Republic
3. Luxembourg	0.258	0.123	3. Denmark
4. Austria	0.265	0.123	4. Iceland
5. Czech Republic	0.268	0.123	5. Hungary
6. Finland	0.269	0.132	6. Luxembourg
7. Belgium	0.271	0.134	7. Austria
8. Netherlands	0.271	0.137	8. Slovakia
9. Switzerland	0.276	0.141	9. France
10. Norway	0.276	0.144	10. Netherlands
11. Iceland	0.280	0.148	11. Finland
12. France	0.281	0.152	12. Switzerland
13. Hungary	0.291	0.155	13. UK
14. Germany	0.298	0.162	14. Belgium
15. Australia	0.301	0.172	15. Germany
16. Korea	0.312	0.190	16. Canada
17. Canada	0.317	0.196	17. Greece
18. Spain	0.319	0.197	18. Italy
19. Japan	0.321	0.203	19. Australia
20. Greece	0.321	0.207	20. Portugal
21. Ireland	0.328	0.208	21. Poland
22. Slovakia	0.335	0.208	22. Korea
23. UK	0.335	0.208	23. Japan
24. Italy	0.352	0.210	24. Spain
25. Poland	0.372	0.227	25. New Zealand
26. USA	0.381	0.233	26. Ireland
27. Portugal	0.385	0.239	27. USA
28. Turkey	0.430	0.243	28. Turkey
29. Mexico	0.474	0.253	29. Mexico
OECD-30	0.311	0.174	OECD-30

Table 1 Inequality and relative poverty in the mid-2000s, OECD countries.

Source: OECD Stat Extracts, OECD, Growing Unequal? Paris, 2008

But the almost exclusive emphasis on relative poverty in the public debate has contributed to the neglect of the criticality of the problem as the latter can be justified much more easily by the leading circles than the condition of absolute poverty.

Thus, the phenomenon of high rates of relative poverty is either ignored or considered a minor problem and in any case not necessarily implying “real poverty” and shortages of basic goods. In addition, since in the relevant literature there are plenty of theoretical arguments for the existence of an inverse relationship between income equality and economic performance (the “equality-efficiency trade-off”), the high rates of relative poverty are considered just an indication of income inequality, which is likely to enhance future economic growth. Thus,

while an extensive debate exists on the issue of large and growing inequality, almost nowhere can be found an explicitly stated aim to reduce this degree of inequality. This attitude affects the combat against poverty as well (since it is measured as inequality). The reduction of poverty rates is also nowhere a specific, explicit aim of the intervention of the state and social policy.

Furthermore, from the few cases available, we get quite different results in measuring relative and absolute poverty in the same country. For example, in the U.S. for 2007, 12.5% of the population or 37.3 million people were below the threshold of absolute poverty (which was \$10,787 in annual income for an individual and \$21,203 for a four-person household), while the relative poverty rate (measured as the percentage of population with income below 60% of median income) was 24.1% in 2004 and 23.3% of the population in 2005 according to the Luxembourg Income Study. However it should be noted that the systematic recording of the absolute poverty line in that country has resulted in the connection of some social policy measures to this threshold, while there is no country where the well known relative poverty lines have been explicitly connected with, and used by social policy.

It is however clear that the measurement of absolute poverty is much more important than relative poverty, and represents a matter of higher priority, being a more urgent and explosive social problem. We would argue that, at this stage, it is important to measure and report absolute poverty in order to help in the understanding of the extent of the problem in every country. The control or eradication of this problem is a separate issue, and we do not adopt the view that the state and social policy will automatically turn in this direction. Poverty, like the “reserve army of labor”, is endemic in the capitalist mode of production and performs specific functions needed for the normal reproduction of the system. Its permanent and systematic presence has nothing to do with distortions or imperfections of the market mechanism; it stems from the proper functioning of a typical capitalist economy. Only when this phenomenon spreads in a dangerous way, threatening social cohesion and the legitimacy of the system, some social and political pressure is created for the active intervention of certain welfare state mechanisms to mitigate or reduce widespread poverty.

Marx notes that in those societies characterized by the dominance of the capitalist mode of production, capital having been able to control the two primary creators of wealth, land and labor, it acquires an expansive force that helps to extend the limits apparently determined by its size (Marx, *Capital*, I, p. 625). In capitalist societies, then, relations of exploitation of labor power and the expropriation of surplus value produced by workers form the basis of the class character of the distribution of new value generated in the economy. The operation of the law of accumulation is reflected in this very division of society into two poles. On the one pole we find the owners of the means of production, who expand their wealth by the process of accumulation of capital. On the other, we find the working class and the other dominated strata of society, whose position is getting relatively worse rather than improving since, as wealth is concentrated, the greater the distance between the two poles. This observation leads us to conclude that labor on the one hand, and the size and rate of accumulation of wealth on the other hand, are the most crucial criteria that a society has in order to determine when someone can be considered poor. Thus, labor and especially the value of labor power is a useful tool for thinking and measuring poverty, since it is through the sale of his/her labor power that the worker can obtain those material resources necessary to meet his/her needs. For this reason, moreover, the bulk of the so-called poor belong to the working class. Poverty is a class issue and affects mostly people inside and at the margins of the working class.

Of course, the fact that we use the value of labor power as a point of reference in order to help us define and measure poverty, in no way implies that we exclude the most destitute segments of the society such as the homeless, drug addicts and generally the socially marginalized persons. We also believe that this approach is relevant and satisfactory for self-employed people as well.

In this perspective, we have to identify the minimum amount of monetary income (and non-monetized use-values) that a wage laborer should possess in a modern capitalist society to be able to meet his/her needs and those of his/her family. Inevitably, therefore, we end up with the value of labor power – at or around its lowest possible level – as it is formed at a particular time, in a specific society and, therefore, at a given level of development of production forces.

Marx in *Capital*, considering the value of labor power (Volume I, Part 2, Chapter 4th) defines it – like any other commodity – as the labor time necessary under normal conditions for the long run reproduction of this commodity. In this case, it is basically the labor time necessary for the production of commodities that are required to maintain and reproduce a worker and his/her dependents in the same physiological state. The value of the commodities includes also the labor time necessary for the worker to acquire the education and training which will provide him/her with the skills that are needed for the normal operation of the production process. Thus, the value of labor power varies over time depending on the developments in the productivity of labor which is used in order to produce these commodities, and also the means of production that are used in their production. However, unlike all other commodities, labor power differs in the determination of its value, since it contains a socially determined “moral and historical element” (see figure 1).

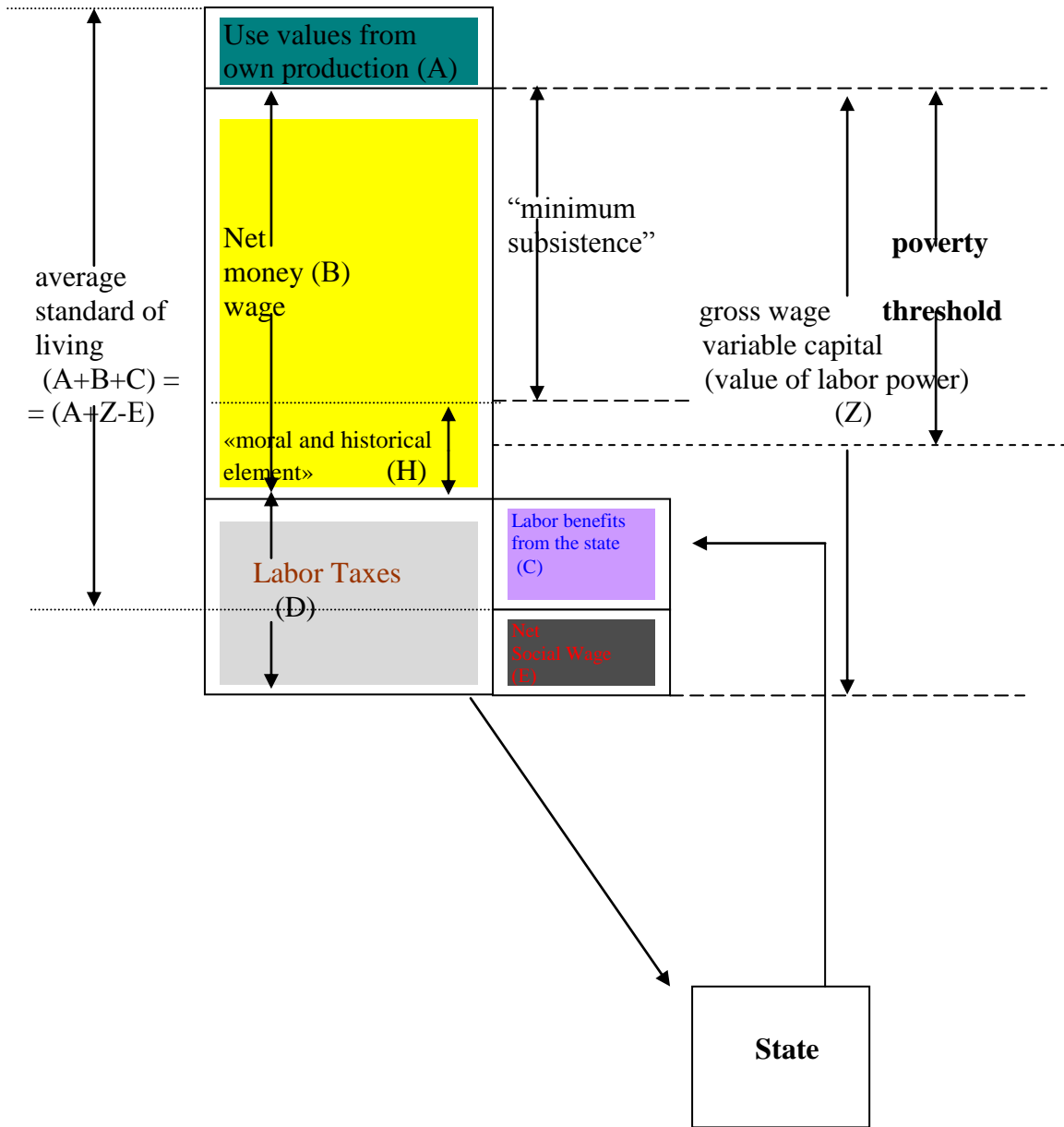


Figure 1 Value of labor power, net social wage, average standard of living of workers and poverty threshold

Thus, the overall standard of living of the average worker consists of the use values from own production (A), the value of labor power itself, which is originally paid by capital (Z) and is composed of a minimum standard of living, socially and historically determined, and a "historical and moral element" (H) plus the net social wage (E), which can be either positive or negative as in Figure 1 above, where the taxes of the working class (D) are greater than the benefits of workers derived by

government spending (C). The monetary threshold of absolute poverty can be regarded as that portion of net money wage (B) corresponding to the minimum needs for survival, socially "adjusted" by a certain part of (H), and possibly augmented by the required taxes, levies and fees – a portion of (D) – which fall even on the lowest of incomes, if they are not offset by certain government transfers (a part of C). Furthermore, the size of this "moral and historical" segment depends at any point in time on the size of (A), that is on the access of workers to land and means of production for the creation of use values for own consumption and on the level and composition of (C), namely the provision of use values¹ by the state individually or collectively consumed.

Thereafter we will follow this general definition of the value of labor power, standard of living of the working class and the majority of the population in order to define in use value and monetary terms the lowest possible income that enables a person or household to fulfill those needs so that he/she is not considered poor in an absolute sense in a current capitalist society.

Definitions and measurement of poverty in the literature and in practice

Relative poverty:

Half (60% of) the median:

The most popular (and more problematic) measure of poverty is based on the definition of relative poverty that classifies as poor all members of households with monetary income less than 60% - or sometimes 50% - of the median income for the whole country (see table 1 above). Three main problems have been reported in the literature concerning the definition, measurement and implications of relative poverty: a) it is not suitable for comparisons between countries with very different median income. For example, it could be argued from Table 1 above that the problem of poverty is similar in countries like U.S. and Turkey or that the percentage of poor people in the population in the U.S. is double that in Hungary and the Czech Republic. Obviously, those statements contradict widespread perceptions about poverty internationally, b) if the average and median national income increase significantly over time with the distribution of income remaining stable, the poverty rate will remain unchanged despite the fact that the living standards of everybody including poor people have increased significantly, and c) using the above two arguments researchers and/or conservative governments have tended to overlook and dismiss these measurements since they do not consider them a reliable record of poverty.

¹ For example, the privatization of health and education services will tend to increase (B) –if we are to assume a relative stability of the standard of living- and vice versa.

Polling methodology:

In the same conceptual framework of relative poverty we find the "subjective approach" of Goedhart et al. (1977) and others, based on Rainwater (1974). This approach proposes to conduct public surveys to determine the poverty line so that the poverty threshold does not deviate from the general idea of the population about the decent standard of living. Of course, it is clear that this approach departs significantly from the attempt to capture objectively the basic needs of a household and becomes an almost fully relativistic approach. The polling method does not contain a detailed list of the necessary goods for normal reproduction and does not account for differences in household specific characteristics (e.g. working parents and need for child care), their geographical location, etc. However, the results which emerged from the polls revealed that public opinion considers the poverty line to be in income close to one-half of the actual median income; in other words it provided an estimation similar to that of the axiomatic methodology used for determining the threshold of relative poverty.

Deprivation index:

P. Townsend is the researcher who developed the concept of relative poverty in the UK in the first postwar decades, when the continuous rise in living standards meant that the problem of absolute poverty was becoming less severe in developed economies, although the logic behind the concept of relative poverty – or better yet of a poverty threshold beyond bare physiological subsistence – was quite clear already in A. Smith².

In order to provide an objective and measurable content in the definition of relative poverty Townsend constructed a "deprivation index" consisted originally by sixty and subsequently by twelve critical "material" (fresh meat, cooked meals, possession of refrigerator, etc) and several "social" goods (such as going out, vacation, visiting friends, etc.) in specific quantities, the lack of which classified the household in the population of poor. It should be noted that under this definition the poverty rate in 1969 in the UK was close to 23% of the population far exceeding the 9% recorded by the traditional measure of relative poverty.

Absolute poverty:

In 1995, the proclamation of the UN World Summit for Social Development in Copenhagen stated that all countries should develop measures of absolute poverty, which should be eliminated altogether (and relative poverty to be reduced

² "By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the century renders it indecent for creditable people, even of the lowest order, to be without" A. Smith (Wealth of Nations, Book 5 chapter 2, part 1, 1776).

significantly). Yet, this type of research has not progressed substantially, with the U.S. still being almost the only country systematically reporting (of course, with several objections and controversies) measures of absolute poverty every year.

Subset of basic needs – Multiplier approach (US Census Bureau - Orshansky):

The U.S. "official" absolute poverty threshold was constructed by the US Census Bureau for the first time in the mid-1960 (ORSKANSKY, 1965) and it is still estimated by the same method every year. It is based on an estimate of the cost of an "economy food plan" which, according to the Ministry of Agriculture, was sufficient in nutritional terms for a family of four people (working father, non-working mother doing domestic work, and two children) with limited resources, in emergency situations. Since data from 1955 showed that households with more than three members spent about one third of their income on food, the cost of the "economy food plan" was multiplied by three in order to give the monetary threshold of absolute poverty. This threshold was updated for inflation in 1969 and after that it is adjusted only for price changes every year. Thus, the official method maintains the composition of the food plan constant and assumes that food remains one third of total expenditure on basic needs.

A common criticism of the continuation of this practice has to do with the socioeconomic changes that have occurred since the period of the original construction of the poverty threshold such as the greater involvement of women in the workforce, greater automobile use, increased health care costs, etc. Those changes have increased dramatically the cost of childcare, transportation, healthcare, etc. so that food has become instead of a third, about 18% of the total cost of living for a four member family³ (Dollars and Sense, 2006). Therefore, the cost of the poverty budget is now seriously underestimated by the traditional method.

On the other hand, the measure of income which is compared to the threshold of poverty is the gross monetary income before the deduction of taxes (direct taxes and property taxes), and especially before the deduction of contributions to social security. Obviously since these amounts are not available for consumption, the real resources of households are overestimated. In contrast to this inconsistency, various state benefits in cash and mostly in kind (food-stamps, free medical care-Medicaid, housing subsidies-housing aid) are not taken into account thereby understating the real disposable income of households (BERGMANN, 2000). These shortcomings have led to strong criticisms on the part of both those who argue that the official measure understates the actual poverty rate and those who claim that it overstates it.

³ In another example, in the Greek economy according to the Household Budget Survey of 2004 spending for "food and non-alcoholic drinks" for the average household was 16.1% of the total expenditure, roughly one sixth.

National Academy of Sciences (NAS) – categorical approach:

In Citro and Michael (1995) a newly proposed measure of absolute poverty threshold by a committee of the National Academy of Sciences of the USA is described. This measure is based on a basket of goods consisted of three main categories: food, clothing, and housing (including the costs for electricity, telephone, water, heating) and an extra "small amount" for household supplies, personal care and hygiene, and transportation (except for transportation to work). This measure too, is not based on a thorough assessment of basic needs and it seems to be closer to relative poverty than the original official measure. This is because it defines the poverty threshold as a percentage (between 78% - 83%) of the median *actual* consumption for the categories of food, clothing, housing and adds an amount for the categories of household supplies, personal care and hygiene, and transportation (except work) which is a percentage (between 15% - 25%) of those expenditures. Since, it is the average values of the ranges mentioned above are used, the poverty threshold is defined as:

$$\text{poverty line} = (80\% \text{ of the median consumption of total population for food, clothing, housing}) * 1.20$$

Some expenditures for basic needs (transportation to work, healthcare premiums, medical expenses and contributions to social security, child care) are subtracted from money income instead of being separate components of the poverty budget. However, this new poverty threshold too, does not record the elements of the total basket of basic needs, but only a subset (clothing, housing and nutrition) and it is subject to the same criticism as the initial official estimate of the poverty threshold. In other words it falls within the "categorical approach" in that it does not record in detail the *necessary* use values needed for reproduction, but merely uses estimates for some general categories based on actual expenditures on them.

It should be noted that the equivalence scale proposed for the construction of the poverty line for households of size and composition different than the four member – two children reference household is the following. The number of "equivalent adults" is estimated by adding to the number of adults the number of children multiplied by 0.7 and then this sum is raised to the power of 0.7.

For *Italy*, the Coccia and Grassi (2000) proposal for the construction of the threshold of absolute poverty is methodologically close to that of the National Academy of Sciences (CITRO AND MICHAEL, 1995). The basket includes goods and services that are considered absolutely necessary for a particular household, namely food (and drink), housing (including a minimum consumption for electricity, heating and telephone), annual depreciation of durable goods (color TV, refrigerator, washing machine), and a residual amount (determined by the ratio of other expenses in

relation to the food expenses from the Household Budget Survey, which was about one third in 1997) for all the other necessary goods. The latter include clothing and footwear, personal hygiene, leisure, culture, transportation, miscellaneous expenses related to housing, fees for the use of radio, television, etc explicitly adopting the assumption that all expenditure on health and education services are covered by the central or the local government.

UK, unlike the U.S. does not calculate an official poverty line or threshold. In Britain the poor (in an absolute sense) are characterized as people who are eligible to receive a particular (means tested) income support benefit (formerly called national assistance, and now supplementary benefit).

In *Canada*, the Low Income Cut-Offs (LICOs) method which is used by Canada Statistics is also classified in the categorical approach while in Sarlo (1992, 2001) a mixture of absolute and relative poverty approach is adopted, which gives poverty rates below the official level, probably because the latter rely on generous estimates of the poverty threshold. In other words the opposite trend of what happens in the U.S. is observed, where the official measure is the lowest reported in the relevant literature.

Lack of coverage of two essential needs:

In Gordon (2005), the situation of absolute poverty is defined as the lack of coverage of two of the following eight basic needs: a) food, where the body mass index must be over 16, b) drinking water, c) health care in cases of serious illness or pregnancy, d) housing conditions with fewer than four people per room, e) education, where all members of the household have to be able to enroll in school or be able to read, f) information, with everyone having access to newspapers, radio, television, computer and home telephone, g) toilet within or close to the house and h) access to other services.

In Fisher (2007) a significant increase in the interest of governments and independent researchers or organizations is reported for the *standard budget approach* and more specifically for the *detailed budget approach*. This is true not only for the US at the federal and state levels but also for other English speaking countries like the UK, Canada, Australia and Ireland. Neither the current official method in the US or the UK, nor the alternative measure proposed by the NAS and now annually reported by the US Census Bureau, use in a full and consistent way the standard budget approach remaining instead at the level of recording only the general categories of needs.

On the contrary, the standard budget approach constructs a detailed list of use values needed by a household of a certain size, composition and geographical

location for its reproduction. The lack of an official estimate of poverty based on a standard budget is curious since the first standard budget (consisting of 33 items) was constructed in the U.S. already in 1891. It was only after the 1960s that this issue was neglected in the relevant literature as noted in Fisher (2007).

Standard Budget Approach - Basic Needs Budget:

In Renwick and Bergmann (1993) there is an effort for a detailed listing of the use values that are normally needed from almost all the categories of needs: food, housing, health, transportation, clothing, child care and personal care. Taxes and benefits in kind were taken into account in determining the disposable personal income (as opposed to the methodology of the official measure), as well as the different characteristics of family members such as participation in the workforce, age of children, the need for custody and care of children, place of residence and the need for transportation.

Advantages of the standard budget approach include the transparency and the clear picture of the standard of living given by the detailed budget, the independence of the latter from the actual expenditures of low or middle income households and the flexibility it provides for adjustment through the addition or subtraction of specific components when this is deemed necessary by specialists and researchers. Although several standard budgets have been constructed in a strict way so as not to go beyond the minimum possible functional standard of living by not including essential items such as meals in a restaurant, cinema, interest on loans or credit cards, children's education costs, they are usually significantly higher than official poverty thresholds (ALLEGRETTO 2000, BOUSHEY, et al. 2005). It is moreover true that the official poverty threshold had been constructed not in order to show the income necessary for a decent living but to demonstrate and record the income which is marginally adequate for survival in emergency situations (ORSHANSKY, 1965).

It should be noted that childcare and housing expenses are the highest costs in the detailed budget approach in the US, and they are responsible for the large differences observed with the official measure⁴.

The approach of absolute poverty, by building a detailed budget standard should in principle make international comparisons easier. This is especially true if we were to assume that the basket of use values is stable across different countries, it is evaluated by the prices in the different countries and it is compared with the

⁴ For the Greek case also, spending on housing, home heating, electricity and water constitute the major categories, but the costs for child care do not appear to be particularly large at least according to the data reported in the Household Budget Survey) as it seems that they are in large part underreported because of the general nature and characteristics of household work in Greece (uninsured work, limited public services for childcare, etc).

corresponding monetary incomes. In practice, however, differences in climate, topography, social customs and conventions differentiate the basket from country to country making international comparisons of absolute poverty not so straightforward.

In the studies that examine the development of absolute poverty thresholds over time, the *income elasticity of the poverty line* appears to be positive⁵, and less than one, which means that, as average income and the living standard increase over time, so does (by less in percentage terms, of course) the threshold of poverty. This implies that goods which were once considered luxury goods, as time goes by, due to technological change, changes in social organization, population movements, etc. become necessary (e.g. television sets, automobiles, computer, mobile phone, etc). This means that not only prices, but also the components of a detailed standard budget along with their respective quantities should be adjusted from time to time.

In the methodology that we apply, we try to combine the narrow "economic" definition of absolute poverty (minimum subsistence level) with the socio-cultural definition which takes into account the general (average) social situation. Thus, the poverty threshold in real terms does not remain unchanged over time, but keeps up to a degree with the overall economic growth and the eventual rise of average living standards.

It should be added here that lately the "*consensual budget standard*" approach has been developed, based on successive estimations of a poverty budget where the opinion of the public is also taken into account in each round until a final agreement is reached. In this way, the list of use values comprising the standard budget is not based only on experts' opinions but also on the general views of the public on the issue of poverty.

Of course, the approach of estimating a poverty threshold no matter how detailed, accurate and objective may be, certainly does not capture quantitatively the extent of the problem since the impact of poverty is about the same for those individuals or households located just above the poverty line and individuals or households located just below the poverty line.

Schematically, the determination of the number of poor persons or households and the poverty rate includes the following steps (see figure 2 below). First, the construction of a basket of use values in specific amounts at the most detailed level possible. Those use values satisfy to a minimum ("low cost" budget) or to a greater ("modest but adequate") degree the "basic" / "social" needs and vary depending on the geographical location of the household, its size, exact composition, whether it

⁵ See Fisher (1995)

resides in an owned home or is burdened with rent or mortgage, and whether both parents are working with their children being at a preschool age. Secondly, the quantities of these use values multiplied by their price (adjusted annually) gives a detailed standard budget in monetary terms. This is the monetary threshold of absolute poverty according to the specific household characteristics (composition, size, geographic location, etc). Third, when the monetary income (after taxes and transfers from the state) of a household happens to be less than the corresponding poverty threshold, the members of the household are classified as poor people; their total number is then divided by the total population to give us the poverty rate for the country.

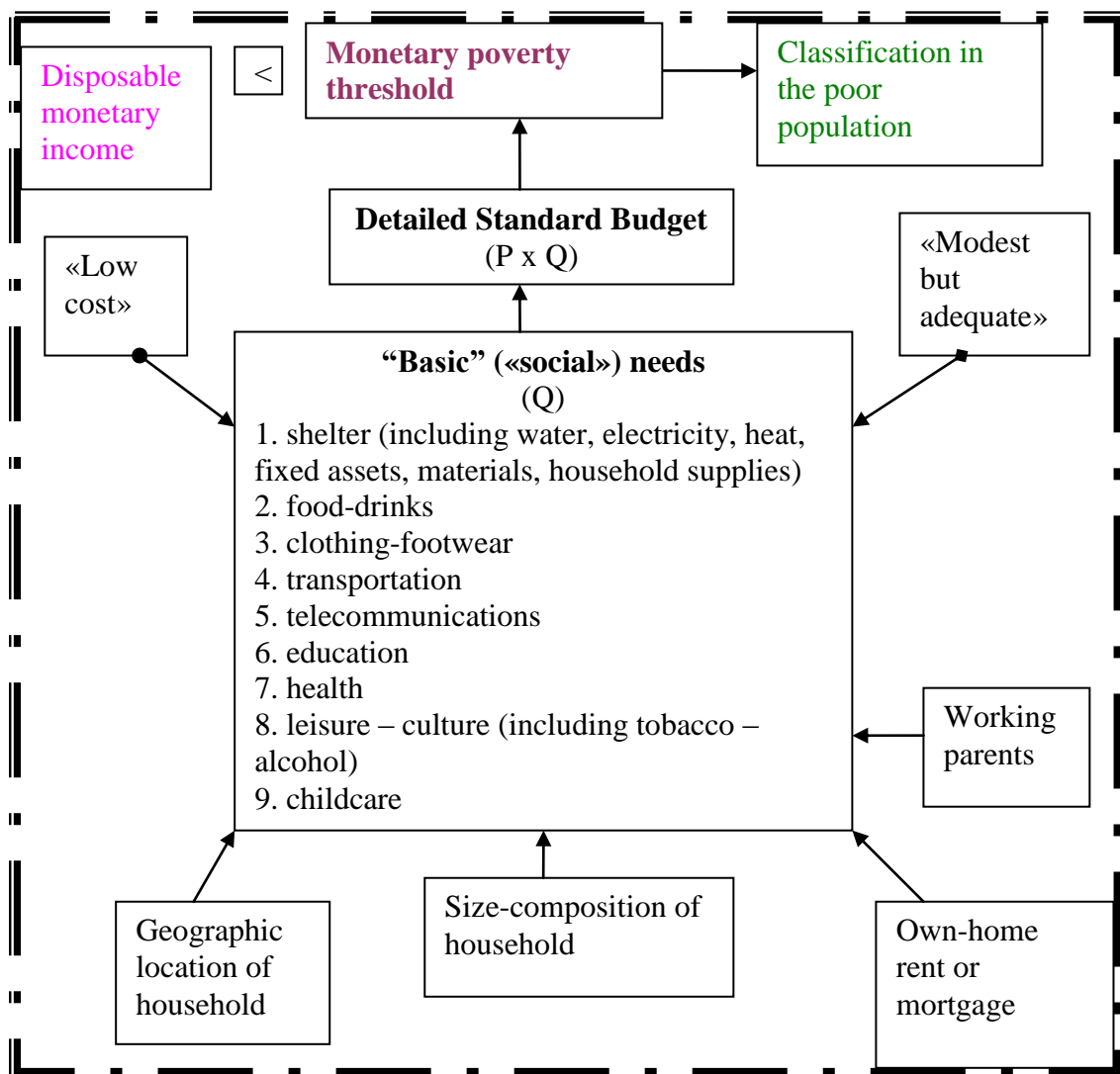


Figure 2 Absolute poverty – “basic” needs

Our use of the term "basic needs" includes not only food, clothing and housing, but according to the most recent practice in the relevant literature, the minimum (by social standards) amount of use values necessary for normal reproduction such as education, health, culture, recreation, transportation, etc. Also, besides income which provides the level of consumption necessary for reproduction, an additional amount of income is required to ensure smooth social integration of the individual and his/her family (e.g. expenses for children's birthday, going out even few times a year, etc).

The determination of the number of poor individuals or households and their percentage in the total population results from the comparison of the cost of "basic" needs with the resources available to individuals or households. The income with which to compare the cost of covering the basket of basic needs should be the disposable income of households. A fairly good approximation, therefore is the monetary income from any source, i.e. either from current economic activity or from government transfers (wages and salaries, interest, rent, dividends, unemployment compensation, pensions, welfare benefits) or any other random or systematic source after deduction of direct taxes (personal income tax at the state and local level and property tax) and contributions to social security⁶.

The case of Greece: Some provisional results

The focus in relative poverty has created a gap in the research on absolute poverty which is undoubtedly a more serious social problem but it is (wrongly) considered a problem only of less developed or developing countries. It is objectively difficult or impossible for social policy to be designed or be affected in the direction of tackling or even eradicating poverty when the latter is described on the basis of either subjective definitions of or definitions based on the relative position of poor individuals and households compared to that of the rest of the population. This is true especially in historical times like the last thirty years – the neoliberal period – where the sharpening of inequality was even perceived as a factor facilitating economic growth, while egalitarian policies were considered to be hampering growth.

The Marxist tradition holds responsible for the systematic presence and the perpetuation of poverty in the capitalist mode of production, the social structure and more concretely the monopolization of the means of production from a social minority. In contrast, the Malthusian tradition focuses on demographic reasons for

⁶ We should note here that in the Greek case for methodological reasons having to do with the nature of the required data, taxes paid to local government and the contribution to state television are included as monetary costs in the poverty threshold basket that we construct in the main part of the study.

the persistence of poverty regardless of the existing mode of production (Daly, 1971). More specifically, the Marxist analysis regards society and relations of production instead of the individual as responsible for the phenomenon of poverty. It also considers poverty as an inherent, as opposed to conjunctural and unfortunate by-product, of this social structure⁷. The poor (and especially the working poor) belong to a specific social class⁸. On the contrary, the mainstream literature treats them separately from all classes as a distinct social stratum⁹. Thus, it is an easy step to accuse individuals for their poverty status instead of explaining their situation on the basis of their marginal position in the bottom layer of the working class, the social class without access to means of production.

Our research proposal is therefore oriented towards approaching the basic / social needs, both qualitatively and quantitatively, guided by the segment of the value of labor power corresponding to the minimum standard of living (subsistence level) and augmented by a definite portion of the “moral and historical element”. In other words, if we assume that the value of labor power fluctuates within a certain range we define as poverty threshold neither the lowest possible limit nor the actual level of the value of labor power but something in between. The goal is to identify these needs and the level at which these must be satisfied for someone not to be considered poor.

From this point of view, Greece is quite an interesting country to apply our approach. Inequality is quite high, as well as relative poverty. At the same time, it is a member of the EU and the Eurozone, at least up to the moment that these lines were written. The most interesting feature of Greece though is that, because of the current crisis and the applied austerity policy, Greece seems like a set up experiment for our purposes. The standard of living will change dramatically in a very short time; some of these changes will affect our threshold pushing it downwards, while some others will resist, or even push the threshold upwards. The examination of such a case will allow for radical changes in the threshold in a very short time of few years that would need several decades to materialize under normal circumstances and very useful results will be drawn for the dynamic evolution of social needs.

On the other hand, the estimation of the poverty threshold *before* the austerity plan can be a strong and explicit argument in the hands of the working class in its struggle

⁷ See Wright (1994) for a discussion of the functional role poverty plays for the perpetuation of the capitalist system and the class interests that prevent its diminution or elimination.

⁸ Miliband notes that “The basic fact is that the poor are an integral part of the working class –its poorest and most disadvantaged stratum. They need to be seen as such, as part of a continuum the more so as many workers who are not “deprived” in the official sense live in permanent danger of entering the ranks of the deprived and that they share in any case many of the disadvantages which afflict the deprived. Poverty is a class thing closely linked to a general situation of class inequality”.

⁹ See Marcus (2005).

against capitalists. Given the orientation of the austerity policy which is squeezing working people, self-employed and small and medium business, the results of this approach can enforce the offensive claims of the resisting people, by proving that society can *generally* satisfy needs that they were deprived of during the period of high growth – before the crisis. In this sense, what is socially *feasible* is reoriented.

Appendix

Our provisional results for Greece (from the subset of needs contained in table 2 below) are revealing and quite interesting. As shown in the table below, the incomplete poverty threshold approaches the amount of 1820 € per month for the reference unit of this study, the four-person household with two children. The figure for one person is 810 €, while for a young couple it is nearly 1190 €. The data are quite telling when compared both with the poverty threshold of the National Statistical Service of Greece (NSSG)¹⁰, and the wages of the National General Collective Labor Agreement¹¹.

Household (members)	1	2	3	4	5
Housing	431.69 €	575.00 €	700.31 €	831.13 €	971.81 €
Rent	291.00 €	383.00 €	473.00 €	568.00 €	672.00 €
Water/Sewage	1.91 €	3.17 €	4.41 €	5.65 €	7.12 €
Electricity	11.03 €	15.23 €	18.10 €	21.65 €	25.65 €
Other housing expenses	3.75 €	6.76 €	9.76 €	12.76 €	15.77 €
Heat	30.96 €	55.66 €	80.36 €	105.06 €	129.76 €
Durables-materials	83.26 €	98.26 €	98.26 €	98.26 €	98.26 €
Television	4.24 €	4.24 €	4.24 €	4.24 €	4.24 €
Local taxes and fees	4.43 €	6.94 €	9.74 €	12.40 €	15.20 €
Property tax	1.11 €	1.74 €	2.44 €	3.11 €	3.81 €
Food	101.13 €	202.26 €	282.67 €	383.80 €	484.93 €
Clothing/footwear	97.56 €	195.11 €	287.75 €	380.40 €	472.50 €
Transportation	179.00 €	214.00 €	225.00 €	225.00 €	260.00 €
Sum	809.38 €	1,186.37 €	1,495.73 €	1,820.33 €	2,189.24 €
Sum (without rent)	518.38 €	803.37 €	1,022.73 €	1,252.33 €	1,517.24 €

Table 2 Poverty thresholds (incomplete) with and without house rent

If we use the provisional 2009 findings in order to construct the alternative poverty indicators used in the US, then the resulting poverty line for Greece is 2.380€ for a family of four, according to the Orshansky line, and 1915€, based on the methodology of the National Academy of Sciences (NAS). The corresponding figures for a single person household are 627.5 € and 755 € per month.

¹⁰ This threshold corresponds to the 60% of the median income and it is 1134€ for the four member household, and 540 € for the single person.

¹¹ This is 650 € for the married worker and 590 € for the single worker.

Finally, we present in table 3 below two indicators which take into account the extent of home ownership and the way it affects the general poverty threshold. Under the first, which takes into account that the rate of home ownership in the Metropolitan Area of Athens is estimated at around 50% of households (meaning that 50% of the households either pay rent or mortgage), the poverty threshold is 1535 € per month for a family of four, and 665 € for a single person household. According to the second indicator, where rent is entirely removed from the poverty threshold of the finding in 2009, it is 1250 € and 520 € respectively for these two sizes of households.

All approaches to poverty thresholds mentioned above are summarized in table 3 below where the last two lines show the poverty line according to the NSSG estimates – more than two million people fall below the poverty line according to this threshold of relative poverty – and the wage established by the National General Collective Labor Agreement (NGCLA).

Household (members)	1	2	3	4	5
Sum (report 2009)	809.38€	1,186.37€	1,495.73€	1,820.33€	2,189.24€
“Orshansky line”	627.50€	1,255.00€	1,754.00€	2,381.50€	3,008.80€
NAS (100%)	756.45€	1,166.84€	1,524.88€	1,914.39€	2,315.09€
Sum R2009 (“weighted rent”)	663.88€	994.87€	1,259.23€	1,536.33€	1,853.24€
Sum R2009 (no rent)	518.38€	803.37€	1,022.73€	1,252.33€	1,517.24€
Poverty line NSSG	540.00€			1,134.00€	
NGCLA	590.00€			1,300.00€ ¹²	

Table 3 Alternative poverty thresholds

The table supports the argument that the "official" poverty line (i.e. that measured and reported by the National Statistical Service of Greece using the definition of relative poverty) underestimates the true extent of the phenomenon for all household sizes, and that the basic wage/salary is not enough to cover basic needs. It also illustrates the relevance to social reality of an indicator of absolute poverty which is based on a reasonable argument about the extent and the level of modern normal reproduction needs.

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¹² Here we assume that both adults are paid according to the National General Collective Labor Agreement.

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