

Poverty & Social Exclusion

1. Concepts

- Absolute vs relative poverty
 - Absolute: basic level of subsistence (food, clothing, housing...) – conservative politicians tend to highlight that poverty has been decreasing based on absolute standard
 - Relative: Poverty line changes by time & place – a state not enough to achieve ‘customary’ living standards in society (relative means considering the ‘average’ of society)
- Multiple deprivation, social exclusion & multidimensional poverty
 - Social exclusion: exclusion from social benefits and social participation → deprivation of social citizenship
 - List of dimensions considered for policy research: health & hygiene; working conditions; housing; education; access to public services; access to social insurance; financial services; basic ICT (esp. after remote education during lockdown!); leisure activities (arts, sports); social integration; freedom of political activity, recently fuel poverty
 - The list of dimensions depends on the definition of basic human rights & needs or what society thinks is essential in individual’s living (all related to lack of resources to some extent)
- Regional inequalities: neighbourhood effect shapes access to resources & individual behaviours, leading to deprivation of basic resources.
 - ‘Culture of poverty’ sounds like ‘victim blaming’ but from different perspectives it can be used to emphasise neighbourhood effects
 - Persistent loop of deprivation (dropout from education, involvement in crime) can be an outcome of a rational choice in such environments
- Capability approach: Well-being is conceived as the freedom to enjoy and achieve valuable states or activities – emphasise functionings & capabilities as opposed to resources & utilities

- Functioning: being & doings that people value (or have reason to value) – safety, health, nourishment, political engagement, social participation
- Capability: combinations of functionings that a person can achieve (have real opportunity or choice to achieve)
- Poverty is understood as capability deprivation: exclusion from society by constraints not by choice or preferences, deprivation of agency & process (related to self-autonomy & decision-making power)
- Commodities & resources (means) vs capabilities & functioning (ends)
- Example: people with disabilities – simply giving out cash benefits cannot effectively improve their lives & address social exclusion

2. Poverty Measurement

- Conceptual disagreement → debates on measurement (by itself forms vast academic literature)
- Household income: most widely used but limitations?
 - 50% of median HH equivalised income (OECD); or 60% (at-risk-of poverty: UK & EU) – there are relative poverty measures, taking into account family size & the number of dependent members
 - Limitations: (1) wealth inequality not considered (i.e., people with zero income but huge amount of deposits in bank account): income is flow, wealth is stock!
 - (2) Intra-household sharing: household head consume most of the resources – related to gender inequality & child deprivation
 - Universal Credit: joint payment to couples (usually to men's account)
 - (3) Consumption: highly correlated with income but not always
 - (4) Access to public services: basic needs may be costly in countries with poor public services (transport, health care, education, care...)
- Absolute poverty: poverty line in development sectors (\$ 1.90 a day), national living standards (based on living costs & household budgets)
- Atkinson index, Multidimensional poverty indicators

- Different approaches in applied research: focusing on one or two dimensions vs. creating a composite measure of multidimensional poverty → balance between practical use & complexity of concepts

3. Policies to tackle poverty

- Need to understand causes & processes of poverty & multiple deprivation
 - Individual behaviour? 'Dependency culture' (choice of work/benefits), low investment in education...
 - Institutions: capitalism (market inequality), welfare state (redistribution)
 - Discrimination: lack of enforced civil/social/political rights, social exclusion (against homelessness, disease, mental disability, minority ethnicity, sexual orientation, teenage pregnancy...)
- Anti-poverty policies are mainly cash transfers or tax credits: means-tested social assistance; subsidies for social insurance contribution; tax credits for low-paid work ("making work pay") & childcare
- Why are means-tested cash transfers criticised (by the left)?
 - high social division & stigma → low take-up rates, ineffective targeting of the poor, also harms the principle of solidarity (alienating)
 - benefit conditions & sanctions: state patriarchy, regulating individual behaviour; complex bureaucratic process
 - Targeting itself creates administrative cost & requires state capacity (poor targeting also includes fraud)
 - Poverty trap (but also critiques from the right): creates incentive for not working above a certain threshold
 - Paradox of redistribution (Korpi & Palme, 1998): low poverty observed in universalist welfare states – encompassing or universal welfare benefits create political coalition between middle and lower class → leads to more input for redistribution
- (Universal) social services/in-kind benefits: education/childcare; health intervention; social housing; community organisation; employment service

- Universalism versus selection (Titmuss, 1967): reasons for universalist social services → avoiding social stigma/humiliation in taking up public services
- “Services for the poor tends to be poor” → universal services promote solidarity against discriminative social services
- Prevention of “descending spiral of poverty, disease, illiteracy & destitution” (social risks can also threat middle class)
- Economic efficiency: pensions, health, unemployment insurance, school meals (where market failure occurs more often)
- Administrative complexity to means test in all kinds of services (education, care, health, housing...)
- Payment for people who are bearing social costs of collective welfare gain (i.e. childcare, education, updating skills, prevention of diseases)
- ‘Unidentifiable causality’: what social risks are faults of individual or faults of society?

4. Britain’s Poverty & Policies

- Poor laws from 17c: “principle of less eligibility” – level of benefit should not exceed wage earners’ minimum living standard
- Early 20c social policy research (Booth & Rowntree): structured social investigation of urban poverty → established the notion of poverty line and minimum household budget, considering housing, family, work, education
- New labour policy: activation (‘work first’ approach) + child investment (generous child benefits & early intervention)
- Overall (22%) & child poverty (30%) higher than West European countries
 - Children with lone parents → about 50% in poverty
- Child Poverty Act 2010: set targets & strategies to tackle child poverty
- Coalition government (2010-15): retrenchment of social spending, cut to Sure Start & other child interventions; freezes on tax benefits
 - Two-child limit on child-tax credit & universal credit problematised: disadvantageous for large families with more need for support

- Guardian newspaper (2022): “More than half of UK’s black children live in poverty, analysis shows”
- Universal Credit: replacing six means-tested benefits & tax credits for working-age population – housing benefit, working tax credit, child tax credit, income support, income-based unemployment benefit (JSA) & disability benefit (ESA) into one payment (note: contribution-based JSA & ESA still available)
 - The name ‘universal’ is misleading as UC is a highly selective scheme
 - Behavioural conditions attached (Dwyer & Wright, 2014): job-seeking & work preparation, even for lone parents, those with ill health/disability
 - Financial incentives to work: lower participation tax rates (for starting work), lower marginal deduction rates (for increased earnings)
 - But perverse incentives for secondary earners (usually mothers) to engage in paid work (due to joint calculation of income & marginal deduction rates)
 - Non-compliance sanctions & fine for incorrect or fraud claims
 - Guardian Newspaper (2022): “Universal credit claimants face tough sanctions in UK job crackdown”
- Covid-19 pandemic: UC increase by £20 per week (ended in October 2021); reduction of marginal tax rates on earnings above the means-test cutoff (targeting working households); ban on evictions.