

Poverty research in international perspective

by Alfred J. Kahn

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There has been no European equivalent to the poverty research carried out over the past twenty years at the Institute for Research on Poverty. Fundamental differences in social policy and in the interpretation of poverty within that policy have inevitably shaped different research agendas. The differences, of course, are of degree and have become less important over time. Events of recent years have created considerable social policy convergence and, not surprisingly, research programs also have become more similar. Interesting cross-Atlantic collaborative work has begun.

What follows is impressionistic and personal. The relevant literature is limited. There has been little formal U.S.-European interchange about the advantages of or strategy for poverty research or its alternatives, although one notes some new interest.

Discovering and measuring poverty

Poverty reached the agendas of several major Western industrial societies in the latter part of the nineteenth century as researchers, journalists, novelists, religious reformers, social workers, and others began to document and report on the causal role of social and economic conditions. They attacked the notion that failure of people and their personal inadequacies were always at the root of economic disadvantage. Gradually "poverty" was distinguished from the moral category, "pauperism," and was counted. Charles Booth reported on London¹ and B. Seebohm Rowntree on York² before Robert Hunter³ and others surveyed U.S. cities. But a tradition was born.

Early in the 1900s Rowntree introduced a subsistence concept of poverty. Incorporated and adopted by W. M. Beveridge,⁴ it generated the intellectual and policy tradition

which led eventually to the Orshansky poverty line,⁵ now the Census Bureau poverty index. In this tradition one determines what it takes to keep the body adequately, but not generously, fed; one takes account in one way or another of the need for clothes, transportation, and many other things; perhaps considers housing separately—and thus sets a minimum standard. Those whose income (sometimes net and sometimes gross) falls below that standard are said to be poor. In its current Census Bureau version, adjusted annually to reflect the changing Consumer Price Index, this "absolute" poverty line is the basis for official statistics as well as controversy. It may be destined for reform, for the reasons suggested by Harold Watts (see his article in this issue) among others.

The institutional response

Social security in its broadest sense (coverage for retirement, survivors, health, invalidity, and disability) was invented in response to the needs of the working population for protection against the risks and uncertainties of the industrial-urban system. Its rationale goes well beyond the poverty question, even though it prevents poverty for many. For those who fell between the cracks or whose social security entitlements yielded too little, various assistance and supplementary benefits schemes were to take over. The Europeans started down this path well before World War I and many nations had well-developed systems before the United States passed its 1935 Social Security Act.

The differences go beyond pace, however. In all societies, the nineteenth-century insight that not all poverty is "pauperism" is lost and relearned periodically. There are also differences in perception of social security protection as relevant to all "average" people. The Europeans in general have been more comfortable with an emphasis on universal social benefits and programs. Thus they have added family allowances, statutory maternity benefits, and (in some cases) extensive housing allowances to the social security package as well. Much of the increase in social protections came after World War II, in the name of solidarity. In a sense Europe moved in the 1950s toward the kind of welfare state enhancement that the United States was only to start in the mid-1960s, and the Europeans began on a higher plateau.

For reasons frequently discussed, the reluctant U.S. initiatives are more often remedial, means tested, and categorical. Such programs are constantly called upon to justify themselves in ways never demanded of universal programs. This need has yielded our more extensive poverty research.

The prosperity of the 1960s also had differing social policy manifestations: In Europe there was considerable benefit and social protection enrichment, including efforts to equalize family burdens and concern in some countries with redistribution and with decreasing income inequality. The United States saw the filling in of some notable gaps in its basic social welfare system. The formal U.S. slogan was “equality of opportunity”; a “poverty war,” not a concept of universal protection, became the rationale for a series of actions. The poverty effort, in its formal sense, was organized largely around educational, social service, community, and training programs, many of them remedial. The more significant direct antipoverty measures (transfers) in fact came through expanded participation in Aid to Families with Dependent Children (AFDC) and the development of the Food Stamp program.

At the same time and quite separately, one major social insurance gap was filled in with Medicare, and a health program for the poor was created—Medicaid. Before the mid-1970s, when the poverty war in its formal sense was phased out, we indexed social security and federalized public assistance for the aged, blind, and disabled by creating Supplemental Security Income (SSI).

Poverty research

The U.S. antipoverty effort required a research capacity to provide needed intelligence and assessment in order to continually justify the societal response. The Institute for Research on Poverty was established for this purpose. Although a number of small antipoverty research “think tanks” came and went in West Europe, none had the IRP’s sanction, mission, and scale—because none of the other countries had focused its social welfare strategy quite as sharply upon the antipoverty objective. Countries such as West Germany, the Netherlands, and Denmark did not consider poverty as a large problem or good issue around which to shape policy research. Britain, France, and others did far more along these lines.

In general, the relevant European research focused more on income distribution, redistribution, and equality as basic issues—and as subjects which were important to labor market policy and to debates about the size of social benefits. Many investigators studied the comparative adequacy of benefits (child allowance value, pension replacement rates, unemployment insurance replacement). The Organisation for Economic Co-operation and Development (OECD) developed an important and continuing series of comparative studies on the tax/benefit position of the average worker.⁶

Fortunately, from the beginning the IRP staff never defined their challenge as poverty research in the narrowest historical tradition. The Institute developed a basic research program to parallel its work on trends and measurement and its evaluations of social experiments. Its contributions on income distribution, income transfers, and basic research in

related social policy areas are familiar to present readers and to Europeans. But its linking of basic policy research to poverty remained extensive and almost unique.

The increasing U.S.-European convergence of the late 1970s and 1980s may be ascribed both to dissemination and to new shared concerns. The American antipoverty research, particularly the IRP work, has influenced some European scholars. The economic downturn and crisis of social expenditure led to a series of remedial projects by the European Economic Community (EEC) and programs (which required evaluation), and to a search for policy with regard to vulnerable groups.⁷ Other social and demographic changes have reinforced the process. In various ways Europeans and Americans have become concerned about the poverty risks and related problems of the long-term unemployed, young workers with no access to jobs, the low-income elderly, growing numbers of single-parent families, migrants; Europeans in some countries would add large families to this list.⁸ While no European country has undertaken a large-scale poverty research program, more applied poverty research has been carried out, specifically focused, than previously. Moreover the International Labour Office (ILO) and the OECD have commissioned several symposia and modest comparative studies. They have funded and assessed antipoverty projects financed by their social, regional development, and agricultural funds.⁹ (These projects, in fact, recall the U.S. poverty war more than the more universal European traditions!)

How have these recent European efforts defined poverty? The answers will be familiar to Americans:

- Most countries (and, thus, most studies) define poverty with reference to a public assistance or supplementary benefits standard. People eligible for aid are “poor.” The problems are apparent: variation within and between countries in assistance standards and the manner in which they are set.
- A few studies have followed Beckerman’s use of a percentage of per capita disposable income, often choosing an inevitably arbitrary percentage which is close to the public assistance standard.
- Others select a similarly arbitrary percentage of disposable household income.

(The latter two approaches employ an equivalence scale for family size.)

Most countries do not have a poverty line with the policy and administrative applicability assigned the poverty line in the United States. Where public assistance levels are employed they may have empirical roots or historical rationale, lost with adjustments over time. Some countries begin with a minimum wage as an income transfer anchor figure, as France and the Netherlands long did, and this number plays a poverty research role, too. Others also have index numbers, politically set, whose historical rationales are no longer reflected in the actual benefits, but which are the key

to a variety of benefit systems—and assessments of benefit adequacy.

Peter Townsend, a British sociologist whose poverty research is extensive and long term, has not been satisfied with absolute poverty lines and has advocated and illustrated a multifaceted effort to conceptualize and measure relative deprivation.¹⁰ In his view one is in poverty if unable to command the resources, access, and rights which are essential to full participation in one's own society. Townsend's arguments are conceptually strong, and his specific work impressive, but there is no evidence that he can solve problems of reliability and validity over time or between investigators, or utilize and operationalize his concepts for between-country comparisons.

New initiatives

The diversity of conceptualizations, preoccupations, and research solutions is illustrated in fascinating detail in a recent report of a 1984 international meeting at which IRP researchers and European scholars assembled to discuss the effects of economic policies on the economic well-being of the poor in their home countries. The introduction comments as follows:¹¹

The goal was to provide an estimate of how income transfer policies in the late 1970s and recent economic changes have affected poverty or income inequality and the work effort of the poor. A concerted effort was made to ensure that the definitions and computational procedures were comparable. What is most remarkable about these papers is that, while all are faithful to the principles guiding the conference, they differ remarkably from one another. They vary in the questions pursued and the methods chosen. In that diversity lies a major lesson—evaluating the redistributive effects of the policies of an administration is a new task for economists and there is as yet no agreed-upon methodology to accomplish it. (pp. 257–258)

An observer is not surprised. The differences in social policy contexts and, therefore, in research over two decades have had their effects.

The convergence of concern about social welfare expenditure and vulnerable groups, and the shared experience with new ideological and programmatic challenges to welfare state traditions, are, nonetheless, yielding some interesting new developments. Obviously, recent progress in data storage and processing are also central determinants.

Readers of IRP publications and other poverty research will recall that there have continued to be advocates for a relative poverty line. What is now the U.S. Census Bureau poverty line for a family of four was 49 percent of the median U.S. income of a family of that size in 1959, 42.3 percent in 1964,

35.2 percent in 1969, and 34.9 percent in 1983. Advocates of a relative line would report the percentage of the total population or of specific demographic groups below a constant percentage of the median over time, usually 40, 42, or 50 percent. From such an approach one gets a very different view as to progress against poverty or a lack thereof over time. The relative line asks whether the poor are partaking of a country's greater wealth and productivity as reflected in average incomes.

The relative line is readily defined and standardized for international comparisons. An American-European team, drawing upon the Luxembourg Income Study (LIS), has adopted 50 percent of the median income as one poverty standard (and the percentage of families in a given category who are in the lowest quintile of the distribution as a "low-income" standard), and has begun to report comparatively on seven countries.

The LIS, a collaborative effort which began in 1982, made its public debut at a 1985 conference at which a series of papers illustrating its possibilities were presented. Currently, most major welfare states have the capacity to use household survey data (in the words of Working Paper No. 1) "to describe the effects of existing policy and simulate the effects of changes in policy."¹² A group of international collaborators has assembled and coordinated a databank of income surveys relating to 1979–81 and resolved a series of complex conceptual, definitional, and procedural issues to launch this seven-country, cross-national effort. Several other countries are being added to the databank and the resource is now available to researchers. Plans are under way to include 1984–86 data. The next several years are secure, and longer-term plans are being developed.

As the LIS effort is refined and more analytic work is published, the comparative picture of income composition and distribution will be enriched and the phenomena of inequality and redistribution will be better understood. In this connection one early product is a new, cross-national, comparative poverty picture based on the relative poverty line.¹³ The data refer to the late 1970s and early 1980s. Table 1 illustrates the possibilities.

Whether the relative line is 50 percent or 40 percent of the median income—or some other proportion—one sees some encouragement to regular reporting of relative as well as country-specific yet comparable absolute poverty in the future. One also notes the likelihood that, stimulated by comparative reports, European and U.S. investigators will look more intensively at their own countries as research covering poverty, income distribution, social benefits, expenditures, and redistribution expands its vocabulary and perspectives. This will be welcomed by those who follow such research for policy purposes or see its relationship to the basic development of their social sciences. ■

Table 1
Relative Poverty and Low Income

	Rates of Relative Poverty, by Age Group			
	All	Under		
		24	65-74	75+
Canada	12.1	22.7	11.2	12.1
Germany	7.2	14.5	12.7	15.2
Israel	14.5	11.7	22.6	27.1
Norway	4.8	16.8	2.7	7.3
Sweden	5.0	17.3	—	0.0
U.K.	8.8	11.6	16.2	22.0
U.S.A.	16.9	28.0	17.8	25.5
Mean	9.7			

	Rate of Relative Poverty, Children			
	All	Under		
		Single-Parent	Two-Parent	Other
Canada	16.8	51.2	13.2	13.0
Germany	n.a.	n.a.	n.a.	n.a.
Israel	18.6	23.8	13.5	32.3
Norway	5.6	13.7	3.7	10.7
Sweden	5.2	9.8	5.5	2.5
U.K.	10.4	36.4	9.2	6.2
U.S.A.	24.1	60.0	16.6	20.6

Source: Stein Ringen, *Difference and Similarity: Two Studies in Comparative Income Distribution* (Stockholm: Institute for Social Research, 1986). Reproduced with permission.

Note: Percentage of persons/children belonging to families with family-equivalent disposable incomes below one-half of the median for all families. There are several caveats in the original. The missing German rate for poverty for all children is 6.3 percent (see Smeeding, Torrey, and Rein in note 13 of this paper).

⁶ OECD, *The Tax-Benefit Position of a Typical Worker* (Paris: OECD, 1974, 1978, 1980, and periodically thereafter).

⁷ See, for example, EEC, *Final Report from the Commission to the Council on the First Programme of Pilot Schemes and Studies to Combat Poverty* (Brussels: EEC, 1981); EEC, *One-Parent Families and Poverty in the EEC* (Copenhagen: EEC, 1982).

⁸ See, for example, Jonathan Bradshaw and David Piachaud, *Child Support in the European Community* (London: Bedford Square Press, 1980).

⁹ Wilfred Beckerman, *Poverty and the Impact of Income Maintenance Programs* (Geneva: ILO, 1979); Victor George and Roger Lawson, *Poverty and Inequality in Common Market Countries* (London: Routledge and Kegan Paul, 1980).

¹⁰ See Townsend, *Poverty in the United Kingdom* (Berkeley: University of California Press, 1979), and Robert Walker, Robert Lawson, and Townsend, eds., *Responses to Poverty: Lessons from Europe* (London: Heinemann Educational Books, 1984).

¹¹ Sheldon Danziger and Eugene Smolensky, eds., *Income Transfer Policies and the Poor: A Cross-National Perspective*, special issue of *Journal of Social Policy*, Vol. 14, Part 3 (July 1985).

¹² Timothy Smeeding, Gunther Schmauss, and Serge Allegreza, "An Introduction to LIS," Center for Population, Poverty and Policy Studies, Working Paper no. 1, Luxembourg, July 1985.

¹³ Several papers have been circulated: one by Timothy Smeeding, Lee Rainwater, and Martin Rein from the United States, Richard Hauser from Germany, and Gaston Schaber from Luxembourg, "Poverty in Major Industrial Countries," Center for Population, Poverty and Policy Studies, Working Paper no. 2, Luxembourg, July 1985; another by Smeeding, Barbara Torrey, and Rein in the United States, "The Economic Status of the Young and Old in Six Countries," Center for Population, Poverty and Policy Studies, Working Paper no. 8, Luxembourg, July 1986; and a third by Stein Ringen in Sweden, *Difference and Similarity: Two Studies in Comparative Income Distribution* (Stockholm: Institute for Social Research, 1986). These reports compare poverty rates by country and differences between the young and old. Smeeding, Torrey, and Rein have also converted both the U.S. and U.K. absolute poverty lines into national currencies by using the "purchasing power parities" developed by OECD.

¹ *Life and Labour of the People of London*, 4 vols. (London: Macmillan, 1892-1903).

² *A Study of Town Life* (London: Macmillan, 1901).

³ *Poverty* (New York: Macmillan, 1904).

⁴ In the Beveridge Report: *Social Insurance and Allied Services*, Report of the Inter-Departmental Committee on Social Insurance and Allied Services Consisting of Opinions and Recommendations Only (London: HMSO, 1942).

⁵ Mollie Orshansky, "Counting the Poor: Another Look at the Poverty Profile," *Social Security Bulletin*, January 1965, pp. 3-26.