

## Alternative Standpoints on Poverty in Spain: A Question of Definition and Measure

Iñaki Permanyer / Pinar Köksel, *Centre d'Estudis Demogràfics*

In 2010 the European Union (EU) presented the Europe 2020 Strategy, a set of measures aiming to deal with the adverse effects of the recent financial crisis and to strengthen the economies of the Eurozone. One of the stated priority objectives was the need to reduce by twenty million the number of people at risk of poverty and exclusion in the EU as a whole. In the case of Spain, this goal meant reducing the number of people living in poverty by 1.4 million between 2010 and 2020.

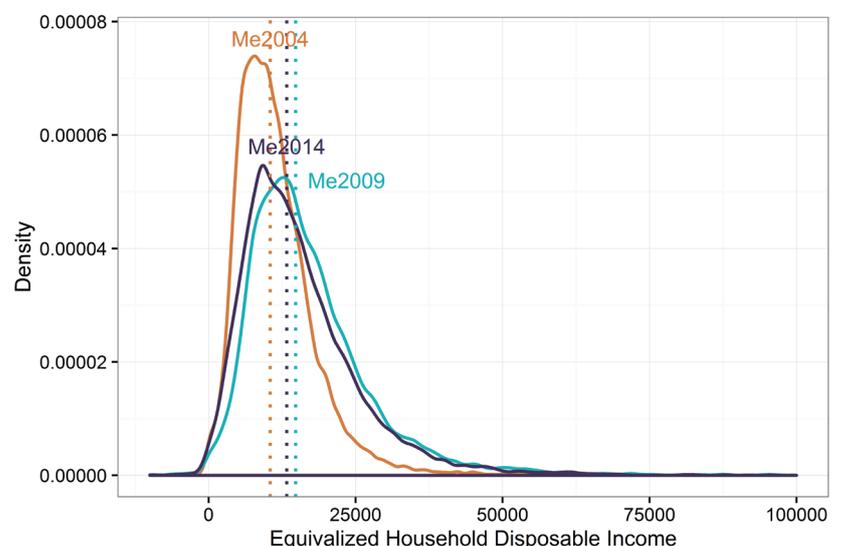
To what extent are the poverty reduction goals set for Spain by 2020 now being met? This is the question we wish to answer in this issue of *Perspectives Demogràfiques*. Since we have recently passed the halfway point of the stipulated period, this would seem to be a good time to make a provisional appraisal of the progress made so far in order to analyse the prospects for success in the coming years. To this effect, we shall begin with a brief overview of the virtues and defects of the official measures presently being used to quantify poverty and then we shall propose an alternative. Although the new measure is as arbitrary as those already existing, it has the virtue of offering a complementary and, perhaps, more realistic perspective on the worrying processes of social exclusion which have recently been developing in Spain.

The ways in which we define and measure social phenomena are supremely important, not only when attempting to portray and understand the world around us but, in particular, when seeking to modify or remedy it. In this regard, poverty is a paradigmatic example with a considerable impact on society and presence in the media after the onset of the cycle of economic recession in 2008. How has it evolved in recent years? Which sectors are most seriously affected? What might we expect in the future? If we take a different perspective from that of some unduly reassuring official measures which do not seem to take into account the major structural changes which are occurring in the Spanish economy, there are reasons for pessimism: children, foreigners and people without university education are among the sectors most affected by the ebb and flow of the present economic situation.

### POVERTY: A COMPLEX, ELUSIVE PHENOMENON

The Income distribution in Spain has shown considerable transformations in the last ten years as the result of a highly variable economic situation. Figure 1 shows the income distribution for the years 2004, 2009 and 2014, in accordance with data from the European Union Statistics on Income and Living Conditions Survey (EU-SILC). While the first year corresponds to a boom period, the second and third correspond to the onset and subsequent development of an economic crisis which has ended up being among those which have most seriously disrupted the economies of the wealthiest countries in recent decades. If the income distribution of 2004 is compared with that of 2009 one sees quite a generalised improvement (the curve has clearly shifted to the right). Then again, a comparison of the distribution in 2014 with that in 2009 reveals an evident

**FIGURE 1.** Income distribution density functions for Spain, years 2004, 2009 and 2014





contraction of income (the curve has shifted leftwards), although this is not as notable as the expansion that preceded it. The shifts in income distribution are reflected in the values of the corresponding medians, which rose from €10,464 to €14,794 between 2004 and 2009 (a historic maximum), after which they dropped to €13,268 five years later. It is worth mentioning that no significant changes were detected over time in the lower extremes of the distributions (earnings at around zero representing the income of extremely poor individuals).

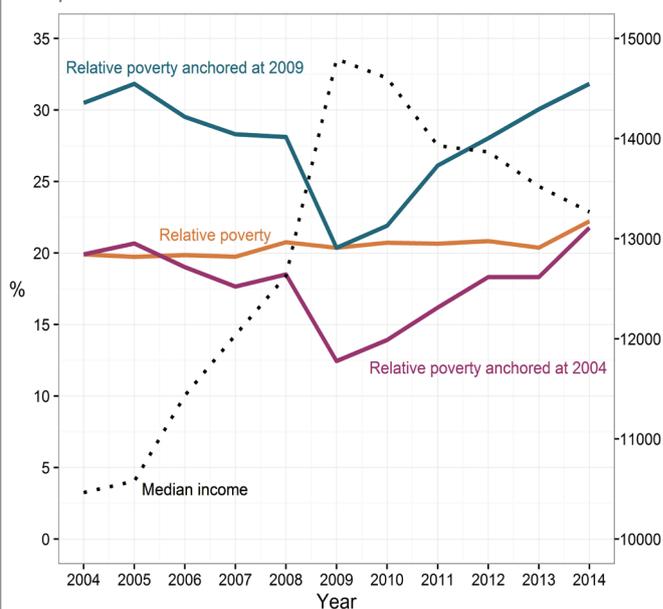
What might be said about the percentage of poor people over the last ten years? Given the notable transformations shown in the corresponding distributions in the period analysed, one might expect that they would be reflected in the analogous poverty indicators. Surprisingly, however, the official poverty measures have remained obdurately stable over the last decade: between 2004 and 2013, they oscillated slightly between 20% and 21%, with a slight rise to 22% in 2014 (see Figure 2). How is it possible that the official figures would seem to be unresponsive to one of the hardest-hitting economic crises in recent decades?

The explanation for this apparent paradox is to be found, logically, in the formal definition used by the statistics institutes to decide who is poor and who is not. At present, the EU countries consider that a person is poor if his or her level of income falls below 60% of the median income for the country and corresponding year. This is an example of the so-called relative poverty thresholds which aim to reflect the importance that individuals give to their position by comparison with the rest of society. The serious shortcoming of these measures is that they only take into account the relative position of individuals, independently of the absolute levels of income, which means that they are totally insensitive to the periods of generalised expansion and contraction such as those undergone by the Spanish economy in the last ten years.

In order to avoid such drawbacks, several authors have suggested that, when measuring the evolution of poverty at times when there are episodes of variability in the economic cycle, it is worth using what is technically known as anchored poverty lines (Morelli et al. 2014, pp. 610ff.). The idea is simple: it entails fixing (or anchoring) a certain poverty threshold and studying the evolution of trends on the basis of this new threshold which is not affected by the fluctuations of the economic situation (but bearing in mind, of course, the inflation recorded year after year). Although this threshold can be criticized for its relative arbitrariness (why anchor with respect to one year and not another?), it does have the great virtue of offering a view that is complementary to the official one, and that probably reflects

more realistically the fluctuations of poverty over the last decade. Figure 2 shows the recent evolution of the percentage of poor people in Spain using poverty lines anchored at 2004 and 2009. Although the levels of the two indicators are quite different over the period as a whole (which can be attributed to the expansion of the Spanish economy over this time), the trends are remarkably similar. In both

**FIGURE 2.** Evolution of median income (right axis) and poverty levels (left axis) in accordance with different definitions during the period 2004-2014.



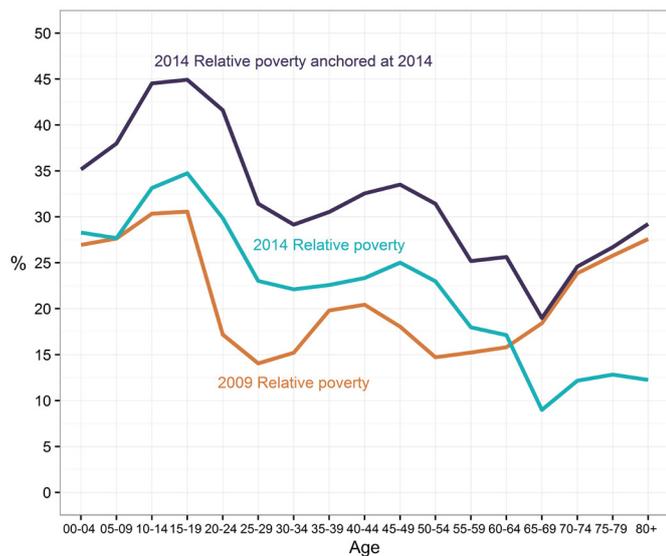
cases, there is a clear downturn in poverty levels until 2009, at which point there is an evident change of direction. The evolution of these indicators is certainly much closer to what one would expect to find in periods of economic expansion and recession. Figure 2 also shows the corresponding median income levels in order to highlight the countercyclical nature (which is to say, the opposite direction to economic growth) of the new indicators. In the remainder of the article, we shall therefore explore in further detail the evolution of poverty in Spain, using the poverty line anchored at 2009—at which point the median income in Spain reached its highest point, marking the beginning of a decline, the end of which is not yet in sight—and comparing the results with those given by the official measure.

## ANATOMY OF A COLLAPSE

Owing to the heterogeneity of the Spanish population, the economic crisis has hit the different groups comprising it in very different ways. Below, we shall give a brief summary of the recent evolution of poverty levels in accordance with three basic sociodemographic principles: age, country of birth and educational level. In Figure 3

we show the evolution of poverty by age group, comparing the relative official measures with the alternative measures we propose. A comparison of official measures or relative poverty between 2009 and 2014 using alternative definitions.

**FIGURE 3.** Percentage of poor people by age group in the years 2009 and 2014 using alternative definitions.



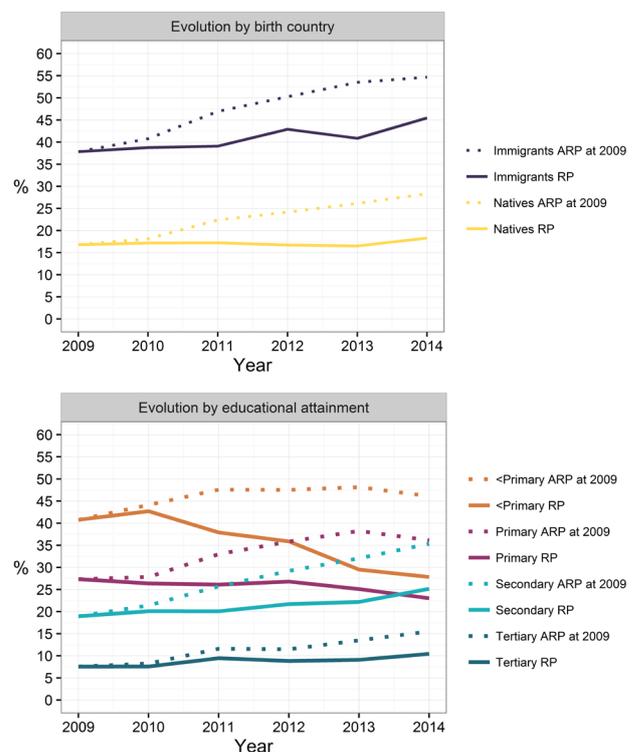
and 2014 presents an increase in relative poverty for all age groups under 65 years, and a decline in relative poverty for groups above retirement age. This incongruity disappears when we compare the official results of 2009 with the measures of 2014 using poverty lines anchored at 2009. In this case, all the age groups show increased corresponding levels of poverty, especially those of under 65 and, even more so, those aged under 20. These comparisons allow us to conclude that the set of people of retirement age is the sector of the population by age group which—at least for the time being—seems to have been least affected by the economic crisis. It's worth pointing out that youth and children poverty rates would have been much higher had it not been for inter-generational co-residence patterns favouring cohabitation with their elders up to quite advanced ages (Köksel, Esteve i Permanyer 2016).

We shall now go on to show poverty levels between 2009 and 2014, comparing people born in Spain with those born elsewhere. As Figure 4 shows (left-hand panel), there is a very substantial difference between the poverty levels of people born in Spain and those born in other countries, and this appears whether we use the official measures or those anchored at 2009. In both cases there is a difference of about 20 points between the two groups for 2009, and this rises over time to more than 25 points by 2014. According to the new measures, more than half of the people born elsewhere were poor in

2014. In this case, the new way of measuring poverty does not offer a picture that differs with regard to the relative position between the two groups, but it does confirm that the difference between Spanish-born and foreign-born groups is increasing over time and that the official poverty levels are surprisingly stable given the present economic circumstances.

Finally, we also show the evolution of poverty levels in accordance with the educational level of individuals aged over 25 (see Figure 4, right-hand panel). Using both official and alternative measures, we find a clear gradient in poverty levels with regard to educational status: the higher the level of education of individuals, the lower the incidence of poverty. Yet the findings differ when we observe the trends over time. According to the official poverty measures, a process of convergence is occurring in which poverty levels are increasingly similar, independently of the educational level. The incidence of poverty diminishes notably among the less-educated groups and increases slightly among more-educated groups. When we use the poverty line anchored at 2009, however, the incidence of poverty rises sharply for all levels of education, in both absolute and relative terms. For individuals who have completed secondary school or with university degrees the incidence of poverty has doubled in only five

**FIGURE 4.** Evolution over time of poverty levels in Spain by country of birth and educational level. Spain 2009-2014 (RP=Relative Poverty, ARP=Anchored Relative Poverty)





years, while almost one in every two of the over-25s without primary education is poor. Although the official measures would invite moderate optimism because of the marked drop in poverty levels among individuals with lower educational levels, the results do not offer much cause for hope when we anchor the poverty line at values of only five years ago (the results are totally comparable when we anchor the poverty line at levels observed ten years ago).

## IS EUROPE 2020 ACHIEVING ITS GOALS?

We began this study by asking whether Spain is moving in the right direction if it is to achieve the Europe 2020 Strategy goal of reducing the numbers of the poor by 1.4 million between 2010 and 2020. This question is being pondered in numerous media, academic and institutional circles, both governmental and non-governmental (see Nota d'Economia 103), yet it does not hold out easy answers. As happens with so many phenomena in the social sciences, everything depends on how things are conceptualised and measured. We conclude our study by approaching the question using the aforementioned different methodologies for measuring poverty.

If we use the official definition of poverty (income lower than 60% of the median), the number of poor people in Spain has risen from 9,652,018 to 10,330,459 between 2010 and 2014, which is to say an absolute rise of 678,441 people and a relative increase of 7%. It should be said that the results are not ostensibly different if, instead

of using this indicator, we employ the other official indicator of risk of poverty and social exclusion used by the EU and known by the acronym of AROPE (At Risk Of Poverty and Social Exclusion). This indicator considers that a person is poor if he or she complies with any of the following conditions: (i) income below 60% of the corresponding median; (ii) living in a household with low work intensity; and (iii) living in a materially deprived household (see the formal definitions at [ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)). According to this alternative definition, the number of people at risk of poverty and social exclusion has risen from 14,030,046 to 14,397,732 between 2010 and 2014. This means an absolute increase of 367,685 people and a relative upswing of 3%—which is slightly less than the figure observed when using the strictly economic poverty indicator.

Finally, when we measure poverty using the level anchored at the year 2009, the results are startling. Between 2010 and 2014, the number of poor people rose from 10,206,684 to 14,794,664, with an absolute increase of 4,587,980 individuals (or a relative increase of 45% with respect to the initial figure). This spectacular rise particularly affects children and the working-age population, people without university studies and foreign-born groups. Although people with university studies are less affected by the incidence of poverty it has, nevertheless, increased across the board of educational levels. On the basis of the empirical evidence presented here, it would therefore seem that, although there are still five years to go before the deadline established by the EU expires, the chances of achieving the poverty reduction goals would seem to be very slim.

### Bibliographical References

Köksel, P., Esteve, A. and Permanyer, I. (2016), "How do living arrangements affect the prevalence of jobless households across European regions?", paper presented at the 2016 European Population Conference (<http://epc2016.princeton.edu/uploads/160636>).

Morelli, S., Smeeding, T. I Thompson, J. (2014), "Post-1970 Trends in Within-Country Inequality and Poverty: Rich and Middle-Income Countries", in Atkinson, A. and Bourguignon, F. (eds.) Handbook of Income Distribution, Volume 2A.

Nota d'Economia [Barcelona: Generalitat de Catalunya. Departament de la Vicepresidència, i d'Economia i Hisenda], núm. 103 (novembre 2016): Anàlisi i eines per fer front a la pobresa i la desigualtat.

### Editorial Board

Andreu Domingo and Albert Esteve

### Please address correspondence to:

Iñaki Permanyer  
[ipermanyer@ced.uab.cat](mailto:ipermanyer@ced.uab.cat)

### Credits

Graph editing: Anna Turu

### Layout

Xavier Ruiz Vilchez

### URL

<http://ced.uab.es/en/difussion/butleti-perspectives-demografiques/>

### Contact

Centre d'Estudis Demogràfics.  
Carrer de Ca n'Altayó, Edifici E2  
Universitat Autònoma de Barcelona  
08193 Bellaterra / Barcelona  
Spain  
Telephone: +34 93 5813060  
Email: [demog@ced.uab.es](mailto:demog@ced.uab.es)  
Website: <http://ced.uab.es/en/>

UAB

Universitat Autònoma  
de Barcelona