Are we measuring poverty or preferences: the increasing use of deprivation indicators

New research on measuring living standards has cast doubt on the increasing use of lists of goods people cannot afford to measure poverty.

Both Government and academics are increasingly using ‘deprivation indicators’ to measure poverty. People are regarded and counted as “poor” if they say they are unable to afford goods from a lengthy list of desirables, including a yearly holiday, two pairs of shoes and replacing broken furniture. The new Government measure of child poverty places reliance on questions of this kind, along with income.

In an important re-analysis of the data used by officials and researchers, a new article in Fiscal Studies casts doubt on the weight we may place on these kinds of questions.

These questions depend on a self-reported inability to afford a particular item. In fact younger people are much more likely to say that they cannot afford things than older people, even where the younger people have more money. This seems to reflect higher aspirations, not worse conditions. Whether someone says they cannot afford, or do not want, particular things varies a lot between different people, depending on their expectations.

Even where people say they cannot afford these so-called ‘necessities’, they still say that they are able to afford lots of other goods that are not necessities - often quite a few of them. This suggests that their priorities, and hence spending patterns, are not typical and they are simply choosing to buy other goods. New analysis of an influential survey found that among those apparently unable to afford two or more ‘necessities’, in fact:

- 88 per cent had a video machine;
- 79 per cent had a micro-wave oven;
- 55 per cent had a car; and,
- 19 per cent had taken holidays abroad.

This suggests that whether or not a family lacks certain items is determined by the preferences of the family as well as by their income. It is therefore not clear what the ‘enforced’ lack of such items is really picking up.

Supporters of using such indicators claim that there is widespread need for the kinds of goods on these lists. But, again, re-analysis of the same data showed that most people believed there to be fewer necessities than the researchers claimed.

There is considerable disagreement between people about what kinds of things should be regarded as necessities and which are merely desirable but not essential.

******** ENDS ********
1.1.1.1. Notes to editors

1. The author of this research is Steve McKay, School of Geographical Sciences, University of Bristol. Contact him on S.McKay@bristol.ac.uk