7 Income Poverty and Material Deprivation

The previous chapters concentrated on the development of relative income poverty and its dynamics in Germany and Great Britain. Thus, I focused on only one dimension of deprivation, albeit arguably one of the most important resources available to households. To concentrate on income implies that poverty is defined on the basis of household resources, not the actual living standard of the household (Atkinson et al. 2002). In contrast, indicators of material deprivation focus on the latter aspect and assess if a household is able to afford certain goods or activities (Nolan and Whelan 2011).

The following chapter addresses two main questions. First, I will focus on the trends in material deprivation themselves: how does the extent of material deprivation change over time in the two countries under study and can these changes be explained by the previously reported trends in relative income poverty? Second, I will analyse the effect of poverty on material deprivation and its change over time. Instead of replacing income with living standards as the relevant dimension for the definition of poverty, previous research has shown that it is worthwhile to exploit the information of both dimensions at the same time (Callan et al. 1993; Groh-Samberg 2009). A strong relationship between poverty and living standards suggests that consistent or core poverty is widespread and households are often exposed to both kinds of deprivation. In contrast, a weak effect of poverty on material deprivation implies that the consequences of poverty for living standards are limited.

Before presenting the results, however, I will review previous research on the links between material deprivation and poverty, as well as the
explanation of overall levels of deprivation in different countries or for different time-points.

7.1 Previous Research: Explaining Material Deprivation

A considerable amount of research on material deprivation is now available in the European context. The concept is usually defined as the lack of goods that are considered to be part of a minimal living standard, or the inability to afford certain activities. Items that allow the construction of indices of material deprivation were included in the large European survey programs in the nineties (ECHP) and after 2000 (EU-SILC). A large number of studies are based on these two datasets (Devicienti and Poggi 2011; Figari 2012; Kenworthy et al. 2011; Nelson 2012; Nolan and Whelan 1996; Nolan and Whelan 2010; Nolan and Whelan 2011; Whelan and Maitre 2012; Whelan et al. 2001; Whelan et al. 2004).

One theme of this line of research is the link between the measure of relative income poverty on the one hand and the measure of material deprivation on the other hand. Intuitively, the two concepts should be closely related, because income is the main resource, which enables individuals and households to purchase goods or amenities. Empirically, the mismatch is surprisingly large: according to data from the EU-SILC, only between 30 and 50% of individuals below the income poverty threshold are also deprived, using a similarly constructed measure of material deprivation (Nolan and Whelan 2011, p.105).

Longitudinal information on both, incomes and living standards can improve our understanding of this mismatch. On the one hand, using longitudinal information can reduce the measurement error for both income and deprivation, on the other hand, the duration of poverty should matter substantially for the level of deprivation experienced by individuals (Groh-Samberg 2009). Longitudinal studies for Great Britain show that changes in incomes of households between years immediately influence deprivation scores, but a stronger relationship