Issues in measuring absolute poverty:  
The case of Greece

Y. Basiakos, G. Lamprinidis, T. Maniatis, C. Passas

Abstract: This paper aims at revealing methodological issues referring to the definition and measurement of absolute poverty. The literature on poverty, both relative and absolute, is reviewed and a proposal is put forth for an approach of absolute poverty based on needs and the notion of the value of labour power. The paper presents the results of the application of this method in the Metropolitan Athens area

Keywords: absolute poverty, relative poverty, value of labour power, needs

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Introduction

Absolute poverty can be defined as the minimum amount of goods and services a person and his/her dependents need to survive and be reproduced in a normal way in a given historical and social context. We believe that the poverty rate, when poverty is defined in an absolute sense should be one of the most important economic and social indicators in any country that aspires to be called a modern democracy. The issue of the definition and measurement of absolute poverty is a technical, social and unavoidably political issue. The absolute poverty threshold cannot be totally free of relativity, subjectivity and value judgment on the part of the analysts, researchers and “experts”.

We consider the issue of absolute poverty as a historically and socially specific question. We see extreme poverty as a situation that can be defined independently of the income distribution, and quantifiable in the following sense: The absolute poverty threshold can be constructed on the basis of a basket containing the minimum requirements of normal physiological reproduction. This basket though has also a certain degree of 'social' content and determination in the sense that members of a household need some goods and services to ensure their social integration to a satisfactory degree. Since, our empirical investigation starts from the major urban centers where most of the wage are salary earners are concentrated we also use the concept of the value of labor power.

We should note here that the value of labor power consists of those goods, the consumption of which enables the socially and historically specific normal reproduction of the labor power (Marx, Capital, I, pp 183-184). Generally, the value of labor power in real terms (i.e. the real wage) tends to rise over time as the bargaining power of the working class (at least for the periods when it is improved), other cultural factors along with the overall rise in average living standards resulting from the development of productive forces, add a certain “moral and historical element” to the minimum level of physiological subsistence corresponding to the “iron law of wages” of classical political economy.

The more capitalist relations of production develop in the society, and the wage labor relationship is generalized within the economically active population, the more the latter part of the value of labor power can be seen as approaching the poverty threshold and also varying over time with the absolute poverty line.
Since the total value of the labor power is that part of the living standard of the working class for which capital is “responsible”, the correlation of that part of the value of the labor power, which is roughly equal to the minimum acceptable standard of living (minimum subsistence), plus a socially determined part – of the “moral and historical element” of the value of labor power –, with the threshold of poverty shows that this issue as well has to do with the capital-labor relations which runs through the whole capitalist mode of production (Wright, 1994 46). Therefore, the content and the results of our study do not have to do only with marginal social strata and the corresponding social policy which might reduce their suffering. They are intended also, to objectively inform and help labor unions and similar organizations in their fight for a decent wage and salary, pension, unemployment compensation and possibly guaranteed minimum income based on objective economic and social criteria.

More specifically, our goal here takes the form of creating a composite index comprised of use values evaluated using current and constant prices and including also local municipal taxes, levies and fees associated with the consumption of certain use values as we will see below. All those use values satisfy in an adequate way the “basic” needs, namely the needs of survival and normal social reproduction. The construction of this basket/index is approached in every possible way: theoretically, empirically or even axiomatically. The composite nature of the index provides the advantage of its revision when the average social and economic conditions change leading to an increase to those perceived as basic needs for the typical household, or when we manage to develop our knowledge in greater depth in the specification of a need. As far as we know, such an approach is entirely absent from the Greek literature and it is found in a systematic way in a few countries, especially in the U.S. and the UK.

**Approaching poverty**

**.... through the basic reproduction needs and the value of labor power**

The question of what is defined as poverty and how it can be measured, it was inevitable to reemerge as soon as it was observed that substantial and certainly not
negligible sections of the population, even in the most developed economies, were unable to fulfill even basic needs which the society at the given level of development of production forces could in general, i.e. on average to satisfy. What are these needs will be clarified in the next chapter, but what should make clear here that in principle those needs do not remain stable over time, on the contrary they are always socially and historically defined.

Based on the above discussion of the issue, it is argued that a poor person is somebody who is unable to meet his/her basic needs and thus is even less able to meet those needs which the society in which he/she lives is able to cover.

It is of course well known that poverty is neither a social phenomenon created by the capitalist mode of production, nor a phenomenon which is uniquely observable to him. However, this study focuses only on capitalist economies that are characterized by the wage labor relationship, and particularly on the case of Greece. This is because even though poverty is not just a symptom of capitalist economies, it has been shown to be an endemic feature of the capitalist system; it is present indeed to a remarkable extent even in the most developed capitalist economies like the U.S.

However, the extent of the problem of persistence of poverty in developed economies has been largely ignored as attention has been confined usually to the report of the relative poverty - based solely on the profile of the income distribution and not at the level of income, usually defined as the percentage of population earning less than half or 60% of median income. The measurement of absolute poverty has been confined mostly to developing economies based on the purely arbitrary definition of the World Bank of one U.S. dollar a day or two U.S. dollars as the boundaries of "extreme poverty" and 'moderate poverty', respectively. The fact that relative poverty is merely a reflection of the degree of inequality in income distribution in an economy can be seen from the table 1 below. It is obvious that the ranking of every single OECD country regarding the degree of income inequality which is based on the Gini coefficient is almost identical to its ranking on relative poverty. In other words, the poverty rate calculated based on the definition of relative poverty does not provide any significant additional information from that which is given by the coefficient of income inequality.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Gini Coefficient</th>
<th>Poverty Rate (60% of Median Income)</th>
</tr>
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<tbody>
<tr>
<td>1</td>
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<td>0.232</td>
<td>0.114</td>
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<tr>
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But the almost exclusive emphasis and use of relative poverty in public debate has contributed to the neglect of the criticality of the problem as the latter can be justified much more easily than the condition of absolute poverty.

Thus, the phenomenon of high rates of relative poverty is either ignored or considered a minor problem and in any case not necessarily implying “real poverty” and shortages of basic goods. In addition, since in the relevant literature there are plenty of theoretical arguments for the existence of an inverse relationship between income equality and economic performance (the “equality-efficiency trade-off”) the
high rates of relative poverty are considered only an indication of income inequality, which is likely to enhance future economic growth. Thus, while an extensive debate exists on the large and growing inequality, almost nowhere (and especially in Greece) can be found an explicitly stated aim to reduce this degree of inequality. This attitude affects the combat of poverty as well (since it is measured as inequality) which is also not a specific, explicit aim of the intervention of the state and social policy.

Furthermore, from the few cases available, we get quite different results in measuring relative and absolute poverty in the same country. For example, in the U.S. for 2007, 12.5% of the population or 37.3 million people were below the threshold of absolute poverty (which was $10,787 in annual income for an individual and $21,203 for a four-person household), while the relative poverty rate (measured as the percentage of population with income below 60% of median income) was 24.1% in 2004 and 23.3% of the population in 2005 according to the Luxembourg Income Study. It should however be noted that the systematic recording of the absolute poverty line has contributed to some social policy measures related to this threshold while there is no country where the well known relative poverty lines have been explicitly connected with and used by social policy.

It is however clear that the measurement of absolute poverty is more important and a matter of higher priority than relative poverty since it is a more urgent and explosive social problem. We would argue that at this stage it is important to measure and report absolute poverty in order to help in the understanding of the extent of the problem. The control or eradication of this problem is a separate issue, and we do not want to adopt a priori the view that the state and social policy will automatically turn in this direction. Poverty (like the “reserve army of labor”) is endemic in the capitalist mode of production and performs specific functions needed for the normal reproduction of the system. Its permanent and systematic presence has nothing to do with distortions or imperfections of the market mechanism; it stems from the proper functioning of a typical capitalist economy. Only when this phenomenon spreads in a dangerous way threatening social cohesion and the legitimacy of the system, some pressure is created for the active intervention of certain welfare state mechanisms to mitigate or reduce widespread poverty.

Marx notes that in those societies characterized by the dominance of the capitalist mode of production, capital having been able to control the two primary creators of wealth, land and labor, it acquires an expansive force that helps to extend
the limits apparently determined by its the size (Marx, Capital, I, p. 625). In capitalist societies, then, are relations of exploitation of labor power and the expropriation of surplus value produced by workers form the basis for the class character of the distribution of new value generated in the economy. The operation of the law of accumulation is reflected in this very division of society into two poles. On the one pole we find the owners of the means of production, who expand their wealth by the process of accumulation of capital. On the other, we find the working class and the other dominated strata of society, whose position is getting relatively worse rather than improving since as wealth is concentrated the greater the distance between the two poles. This observation leads us to conclude that labor on the one hand and the size and rate of accumulation of wealth on the other hand, are the most crucial criteria that a society has in order to determine when someone can be considered poor. Thus, labor and especially the value of labor power is a reliable tool for thinking and measuring poverty, since it is through the sale of his/her labor power that the worker can obtain those material resources necessary to meet his/her needs. For this reason, moreover, the bulk of these so-called poor belong to the working class. Since this study initially focuses on the Attica Basin, we will leave temporarily outside of our focus the rural population, which are in many ways different from the working class.

Of course, the fact that we use the value of labor power as a measure to determine poverty, in no way implies that we exclude the most destitute segments of the society such as the homeless, drug addicts and generally the socially marginalized persons. We also believe that this approach is relevant and satisfactory for self-employed people as well.

In this perspective, we have to identify the minimum amount of monetary income (and non-monetized use-values) that a wage laborer should possess in the modern Greek society (always with reference to the Attica Basin) to be able to meet his/her needs and those of his family. Inevitably, therefore, we end up with the value of labor power –at its lowest possible level- as it is formed at a particular time and at a given level of development of production forces.

Marx in Capital, considering the value of labor power (Volume I, Part 2, Chapter 4th) defines it - like any other commodity - as the labor time necessary under normal conditions for the long run reproduction of this commodity. Here it is basically the labor time necessary for the production of commodities that are required
to maintain and reproduce a worker and his/her dependents in the same physiological state. The value of the commodities includes also the labor time necessary for the worker to acquire the education and training which will provide him with the skills that are needed for the normal operation of the production process. Thus, the value of labor power varies depending on the developments in the productivity of labor, which is used in order to produce these commodities, and also the means of production that are used in their production. However, unlike all other commodities, labor power differs in the determination of its value, since it contains a socially determined “moral and historical element”.

\[
(A + B + C) = (A + Z - E) = \text{average standard of living}
\]

\[
\text{Labor Taxes (D)}
\]

\[
\text{Use values from own production (A)}
\]

\[
\text{Net money (B) wage}
\]

\[
\text{“minimum subsistence”}
\]

\[
\text{poverty threshold}
\]

\[
\text{variable capital (value of labor power) (Z)}
\]

\[
\text{Labor benefits from the state (C)}
\]

\[
\text{State}
\]

\[
\text{gross wage}
\]

\[
\text{variable capital (value of labor power) (Z)}
\]

\[
\text{average standard of living (A+B+C) = (A+Z-E)}
\]

\[
\text{“minimum subsistence”}
\]

\[
\text{poverty threshold}
\]

\[
\text{variable capital (value of labor power) (Z)}
\]

\[
\text{Labor benefits from the state (C)}
\]

\[
\text{State}
\]

\[
\text{Use values from own production (A)}
\]

\[
\text{Net money (B) wage}
\]

\[
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\]

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\text{State}
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\[
\text{“minimum subsistence”}
\]

\[
\text{poverty threshold}
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\[
\text{variable capital (value of labor power) (Z)}
\]

\[
\text{Labor benefits from the state (C)}
\]

\[
\text{State}
\]
So, the standard of living of the average worker consists of the use values from own production (A), the value of labor power itself, which is originally paid by capital (Z) (and includes a minimum standard of living, socially and historically determined, and a "historical and moral element" (H)) plus the net social wage (E) (which can be either positive or negative as in Figure 1 above, where the taxes of the working class (D) are greater than the benefits of workers derived by government spending (C). The monetary threshold of absolute poverty can be regarded as that portion of net money wage (B) corresponding to the minimum needs for survival, socially "adjusted" – by a certain part of (H) - and augmented by the required taxes, levies and fees - a portion of (D) - which fall even on the lowest of incomes. Furthermore, the size of this segment depends at any point in time on the size of (A) that is on the access of workers to land and means of production for the creation of use values for own consumption and on the level and composition of (C), namely the provision of use values\(^2\) by the state individually or collectively consumed.

We will be based on this general definition of the value of labor power, standard of living of the working class and the majority of the population in order to define in monetary terms the lowest possible income that enables a resident of the Attica basin initially, and later of the whole country to fulfill those needs so that he/she is not considered poor in an absolute sense in the current Greek society.

### Definition and measurement of poverty in the literature and in practice

#### Relative poverty

"Half (60\% of) the median": The most popular (and more problematic) measure of poverty is based on the definition of relative poverty that classifies as poor all members of households with monetary income less than 60\% -or sometimes 50\% - of the median income for the whole country (see table 1 above). Three main problems have been reported in the literature concerning the definition and measurement of relative poverty: a) it is not suitable for comparisons between countries with very different median income. For example from Table 1 above it

\(^2\) For example, the privatization of health and education services will tend to increase (B) –if we are to assume a relative stability of the standard of living- and vice versa.
could be argued that the problem of poverty is similar in countries like U.S. and Turkey or that the percentage of poor people in the population in the U.S. is double that in Hungary and the Czech Republic, b) if the average and median national income increase significantly over time, with the distribution of income remaining stable, the poverty rate will remain unchanged despite the fact that the living standards of poor people increased significantly, and c) using the above two arguments researchers and/or conservative governments have tended to easily overlook and dismiss these measurements as they do not consider them a reliable record of poverty.

**Polling methodology:** In the same conceptual framework of relative poverty we find the "subjective approach" of Goedhart et al. (1977) and others, based on Rainwater (1974). This approach proposes to conduct public surveys to determine the poverty line so that the poverty threshold does not deviate from the general idea of the population about the decent standard of living. Of course, it is clear that this approach departs significantly from the attempt to capture objectively the basic needs of a household and becomes an almost fully relativistic approach. The polling method does not contain a detailed list of the necessary goods for normal reproduction and does not account for differences in household specific characteristics (e.g. working parents and need for child care) their geographical location, etc. However, the results which emerged from the polls were that public opinion considers the poverty line to be an income close to one-half of the actual median income; in other words it provided an estimation similar to that of the axiomatic methodology used for determining the threshold of relative poverty.

"**Deprivation index**:" P. Townsend is the researcher who developed the concept of relative poverty in the UK in the first postwar decades (when the continuous rise in living standards meant that the problem of absolute poverty was becoming less severe in developed economies), although the logic behind the concept of relative poverty – or better yet of a poverty threshold beyond bare physiological subsistence- was quite clear already in A. Smith³.

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³ “By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the century renders it indecent for creditable people, even of the lowest order, to be without” A. Smith (Wealth of Nations, Book 5 chapter 2, part 1, 1776).
In order to provide an objective and measurable content in the definition of relative poverty Townsend constructed a “deprivation index” consisted originally by sixty and subsequently by twelve critical "material” (fresh meat, cooked meals, possession of refrigerator, etc) and several "social" goods (such as going out, vacation, visiting friends, etc.) in specific quantities, the lack of which classified the household in the population of poor. It should be noted that under this definition the poverty rate in 1969 in the UK was close to 23% of the population far exceeding the 9% recorded by the traditional measure of relative poverty.

**Absolute poverty**

In 1995, the proclamation of the UN World Summit for Social Development in Copenhagen stated that all countries should develop measures of absolute poverty, which should be eliminated altogether (and relative poverty to be reduced significantly). Yet, this effort and research has not progressed with the U.S. still being almost the only country systematically reporting (of course, with several objections and controversies) measures of absolute poverty.

**Subset of basic needs – Multiplier approach (US Census Bureau - Orshansky):** The U.S. "official" absolute poverty threshold, which is still estimated every year, was constructed by the US Census Bureau for the first time in the mid-1960 (Orshansky, 1965). It is based on an estimate of the cost of an "economy food plan" which according to the Ministry of Agriculture was sufficient in nutritional terms for a family of four people (working father, non-working mother performing domestic work and two children) with limited resources in emergency situations. Since data from 1955 showed that households with more than three members spent about one third of their income on food, the cost of the "economy food plan" was multiplied by three giving the monetary threshold of absolute poverty. This threshold was updated for inflation in 1969 and after that it is adjusted for price changes every year. However, the official method maintains the composition of the food plan constant and assumes that food remains one third of total expenditure on basic needs. A common criticism of the continuation of this practice has to do with the socioeconomic changes that have happened since the period of the original construction of the poverty threshold such as the greater involvement of women in the workforce, greater automobile use, increased health care costs, etc. Those changes have increased
dramatically the cost of childcare, transportation, healthcare, etc. so that food has become instead of a third, about 18% of the total cost of living for a four-member family (Dollars and Sense, 2006). Therefore, the cost of the poverty budget is now seriously underestimated by the traditional method.

On the other hand, the measure of income which is compared to the threshold of poverty is the gross monetary income before the deduction of taxes (direct taxes and property taxes), and especially before the deduction of contributions to social security, although these amounts are not available for consumption, thus overestimating the resources of households. In contrast to this inconsistency, various state benefits in cash and mostly in kind (food-stamps, free medical care-Medicaid, housing subsidies-housing aid) are not taken into account thereby understating the real disposable income of households (Bergmann, 2000). These shortcomings have led to strong criticism on the part of both those who argue that the official measure understates the actual poverty rate and those who claim that it overstates it.

**National Academy of Sciences-categorical approach:** In (Citro and Michael, 1995) a newly proposed measure of absolute poverty threshold by a committee of the National Academy of Sciences of the USA is described. This measure is consisted of three main categories, food, clothing, and housing (including the costs for electricity, telephone, water, heating) and an extra "small amount" for household supplies, personal care and hygiene and transportation (except for work transportation). This measure too is not based on a thorough assessment of basic needs and it is closer to relative poverty than the original official measure. This is because it defines the poverty threshold as a percentage (between 78-83%) of the medial actual consumption for the categories of food, clothing, housing and adds an amount for the categories of household supplies, personal care and hygiene, and transportation (except work) which is a percentage (between 15%- 25%) of the expenditure on food, clothing and housing. Since the average values of the ranges mentioned above are used the poverty threshold is defined as:

\[
\text{poverty line} = (0.8 \times \text{median consumption of total population for food, clothing, housing}) \times 1.20
\]

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4 In the Greek economy according to the Household Budget Survey of 2004 in the Attica Basin spending for “food and non-alcoholic drinks” for the average household was 16.1% of the total expenditure, roughly one sixth.
Some expenditures for basic needs (transportation to work, healthcare premiums, medical expenses and contributions to social security, child care) are subtracted from money income instead of being components of the poverty budget. However, this new poverty threshold too, does not record the elements of the total basket of basic needs, but only a subset (clothing, housing, nutrition) and it subject to the same criticism as the initial official estimate of the poverty threshold. Furthermore, it falls within the “categorical approach” in that it does not record in detail the necessary use values needed but merely estimates some general categories of expenditure.

The equivalence scale proposed for the construction of the poverty line for households of size and composition different than the four member – two children reference household is the following: The number of "equivalent adults” is estimated by adding to the number of adults the number of children multiplied by 0.7 and then this sum is raised to the power of 0.7.

For Italy too, the Coccia and Grassi (2000) proposal for the construction of the threshold of absolute poverty is methodologically close to that of the National Academy of Sciences (Citro and Michael, 1995). The basket includes goods and services that are considered absolutely necessary for a particular household, namely food (and drink), housing (including a minimum consumption for electricity, heating and telephone), annual depreciation of durable goods (color TV, refrigerator, washing machine), and a residual amount (determined by the ratio of other expenses in relation to the food expenses from the Household Budget Survey, which was about one third in 1997) for all the other necessary goods (clothing and footwear, personal hygiene, leisure, culture, transportation, miscellaneous expenses related to housing, fees for the use of radio, televisison, etc) explicitly adopting the assumption that all expenditure on health and education services are covered by central or local government.

UK unlike the U.S. does not calculate an official poverty line or threshold. In Britain the poor (in an absolute sense) are characterized as people who are eligible to receive a particular (means tested) income support benefit (formerly called national assistance, and now supplementary benefit).

In Canada, the Low Income Cut-Offs (LICOs) method which is used by Canada Statistics is also classified in the categorical approach while in (Sarlo, 1992, 2001) a mixture of absolute and relative poverty approach is adopted, which gives poverty rates below the official level, probably because the latter rely on generous
estimates of the poverty threshold. In other words the opposite trend of what happens in the U.S. is observed, where the official measure is the lowest reported in the relevant literature.

**Lack of coverage of two essential needs:** In Gordon (2005), the situation of absolute poverty is defined as the lack of coverage of two of the following eight basic needs: a) food, where the body mass index must be over 16 b) drinking water c) health care in cases of serious illness or pregnancy d) housing conditions with fewer than four people per room e) education, where all members of the household have to be able to enroll in school or be able to read f) information, with everyone having access to newspapers, radio, television, computer and home telephone g) toilet within or close to the house h) access to other services.

In Fisher (2007) a significant increase in the interest of governments and independent researchers or organizations is reported for the standard budget approach and more specifically for the detailed budget approach. This is true not only for the US at the federal and state levels but also for other English speaking countries like the UK, Canada, Australia and Ireland. Neither the current official method in the U.S. or the UK nor the alternative measure proposed by the NAS and now annually reported by the US Census Bureau use in a full and consistent way the standard budget approach, namely a detailed list of use values needed by a household of a certain size, composition, geographical location for its reproduction, remaining instead at the level of recording only the general categories of needs. And that happens, although the first standard budget (consisting of 33 items) was constructed in the U.S. already in 1891, whereas after the 1960s this issue was neglected in the relevant literature. (Fisher, 2007).

**Standard Budget Approach - Basic Needs Budget:** In Renwick and Bergmann (1993) there is an effort for a detailed listing of the use values that are needed from almost all the categories of needs: food, housing, health, transportation, clothing, child care and personal care. Taxes and benefits in kind were taken into account in determining the disposable personal income (as opposed to the methodology of the official measure) as well as the different characteristics of family members such as participation in the workforce, age of children, the need for custody and care of children, place of residence and the need for transportation.

Advantages of the standard budget approach include the transparency and the clear picture of the standard of living given by the detailed budget, the independence
of the latter from the actual expenditures of low income households and the flexibility it provides for adjustment through the addition or subtraction of specific components when this is deemed necessary by specialists and researchers. Although several standard budgets have been constructed in a strict way so as not to go beyond the minimum possible functional standard of living by not including essential items such as meal in a restaurant, cinema, interest on loans or credit cards, children's education costs, however, they are usually significantly higher than official poverty thresholds (Allegretto 2000, Boushey, et al. 2005). It is moreover true that the official poverty threshold had been constructed not in order to show what enough for a decent living is but to demonstrate and record the amount which is marginally adequate for survival in emergency situations (Orshansky, 1965).

It should be noted that childcare and housing expense are the highest costs in the detailed budget approach in the U.S., and they are responsible for the large differences observed with the official measure. For the Greek case as will be seen below spending on housing, home heating, electricity and water are also the major categories, but the costs for child care do not appear to be particularly large (in line with the data reported in Household Budget Survey) as it seems that they are in large part underreported because of the general nature and characteristics of household work in Greece (uninsured work, limited public services for childcare, etc.).

The approach of absolute poverty by building a detailed budget standard should make international comparisons easier if we were to assume that the basket of use values is stable it is evaluated by the prices in the different countries and it is compared with the corresponding monetary incomes. In practice, however, differences in climate, topography, social customs and conventions differentiate the basket from country to country making international comparisons of absolute poverty not so accurate.

The income elasticity of the poverty line is positive\(^5\) (and less than one) which means that as average income and the living standard increase over time, so does (less in percentage terms of course) the threshold of poverty. This implies that goods which were once considered luxury goods, as time goes by due to technological change, changes in social organization, population movements, become necessary (e.g. television sets, automobiles, computer, mobile phone, etc). This means that not only

\(^5\) See Fisher (1995)
prices but also the components along with their respective quantities of a detailed standard budget should be adjusted after some time. In the methodology that we apply we try to combine the narrow "economic" definition of absolute poverty (minimum subsistence level) with the socio-cultural definition which takes into account and is influenced by the general (average) social situation. Thus, the poverty threshold in real terms does not remain unchanged over time, but keeps up to a degree with the overall economic growth and the eventual rise of average living standards. We should add here that lately the "consensual budget standard" approach has been developed, based on successive estimations of a poverty budget where the opinion of the public is also taken into account in each round until a final agreement is reached. In this way, the list of use values comprising the standard budget are not based only on experts’ opinions but also on the general views of the public on the issue of poverty.

Of course, the approach of estimating a poverty threshold no matter how detailed, accurate and objective may be, it does not capture quantitatively the extent of the problem since the impact of poverty is about the same for those individuals or households located just above the poverty line and individuals or households located just below the poverty line.

Schematically, the determination of the number of poor persons or households and the poverty rate includes the following steps. First, the construction of a basket of use values in specific amounts at the most detailed level possible, which satisfy to a minimum ("low cost" budget) or to a greater ("modest but adequate") degree “basic”/“social” needs and vary depending on the geographical location of household, its size, exact composition, whether it resides in an owned home or burdened with rent or mortgage, and if both parents are working with their children being at a preschool age. Secondly, the quantities of these values use multiplied by their price (adjusted annually) gives a detailed standard budget in terms of money, which is the monetary threshold of absolute poverty according to the specific household characteristics (composition, size, geographic location, etc). Third, when the monetary income (after taxes and transfers from the state) of a household happens to be less than the corresponding poverty threshold, the members of the household are classified as poor people; their total number is then divided by the total population to give us the poverty rate for the country.
Our use of the term "basic needs" includes not only food, clothing and housing but according to the most recent practice in the literature the minimum (by social standards) amount of use values necessary for normal reproduction such as education, health, culture, recreation, transportation, etc. Also besides income which provides the level of consumption necessary for reproduction an additional amount of income is required to ensure smooth social integration and of the individual and the family (e.g. expenses for children’s birthday, going out even few times a year, etc.).

The determination of the number of poor individuals or households and their percentage in the total population results from the comparison of the cost of “basic” needs with the resources available to individuals or households. The income with which to compare the cost of covering the basket of basic needs should be the disposable income of households. A fairly good approximation, therefore is the monetary income from any source, i.e. either from current economic activity or from
government transfers (wages and salaries, interest, rent, dividends, unemployment compensation, pensions, welfare benefits) or any other random or systematic source after deduction of direct taxes (personal income tax and wealth tax) and contributions to social security. We should note here that for methodological reasons having to do with the nature of the required data, taxes paid to local government and the contribution to state television are included as monetary costs in the poverty threshold basket we construct in the main part of the study.

Some provisional results

The focus in relative poverty has created a gap in the research on absolute poverty which is undoubtedly a more serious social problem but it is considered (wrongly) a problem only of less developed or developing countries. It is objectively difficult or impossible for social policy to be designed or be affected in the direction of tackling or even eradicating poverty when the latter is described on the basis of either subjective definitions of or definitions based on the relative position of poor individuals and households compared to that of the rest of the population. This is true especially in historical times like the last thirty years where the sharpening of inequality was even perceived as a factor facilitating economic growth, while egalitarian policies were considered to be hampering growth.

The Marxist tradition holds responsible for the systematic presence and the perpetuation of poverty in the capitalist mode of production, the social structure, and more concretely the monopolization of the means of production from a social minority. In contrast, the Malthusian tradition focuses on demographic reasons for the persistence of poverty regardless of the existing mode of production (Daly, 1971). More specifically, the Marxist analysis regards society and relations of production, not the individual responsible for the phenomenon of poverty it also considers poverty as an inherent and not conjunctural and unfortunate by-product of this social structure. (Wright, 1994). The poor (and especially the working poor) belong to a specific social class\textsuperscript{6}. The mainstream literature treats them separately from all classes as a distinct

\textsuperscript{6} Miliband notes that “The basic fact is that the poor are an integral part of the working class –its poorest and most disadvantaged stratum. They need to be seen as such, as part of a continuum the more so as many workers who are not “deprived” in the official sense live in permanent danger of entering the ranks of the deprived and that they share in any case many
social stratum (Marcus, 2005). Thus, it is an easy step to accuse individuals for their poverty status instead of explaining their situation on the basis of their marginal position in the bottom layer of the working class, the social class without access to means of production.

Our research proposal is therefore oriented towards approaching the basic/social needs, both qualitatively and quantitatively, guided by the segment of the value of labor power corresponding to the minimum standard of living (subsistence level) augmented by a definite portion of the “moral and historical element”. In other words, if we assume that the value of labor power has a certain range we take into account not the lowest possible limit or the actual level of labor power but something in between. The goal is to identify these needs and the level at which these must be met for someone not to be considered poor.

Our provisional results (from the subset of needs contained in table 2 below) are revealing and quite interesting. As shown in the table below, the incomplete poverty threshold, approaches the amount of 1820 € per month for the reference unit of this study, the four-person household with two children. The figure for one person is 810 €, while for a young couple nearly 1190 €. The data are quite telling when compared both with the poverty threshold of the National Statistical Service of Greece\(^7\), and the wages of the National General Collective Labor Agreement\(^8\).

<table>
<thead>
<tr>
<th>Household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>431.69 €</td>
<td>575.00 €</td>
<td>700.31 €</td>
<td>831.13 €</td>
<td>971.81 €</td>
</tr>
<tr>
<td>Rent</td>
<td>291.00 €</td>
<td>383.00 €</td>
<td>473.00 €</td>
<td>568.00 €</td>
<td>672.00 €</td>
</tr>
<tr>
<td>Water/Sewage</td>
<td>1.91 €</td>
<td>3.17 €</td>
<td>4.41 €</td>
<td>5.65 €</td>
<td>7.12 €</td>
</tr>
<tr>
<td>Electricity</td>
<td>11.03 €</td>
<td>15.23 €</td>
<td>18.10 €</td>
<td>21.65 €</td>
<td>25.65 €</td>
</tr>
<tr>
<td>Κοινόχρηστα</td>
<td>3.75 €</td>
<td>6.76 €</td>
<td>9.76 €</td>
<td>12.76 €</td>
<td>15.77 €</td>
</tr>
<tr>
<td>Heat</td>
<td>30.96 €</td>
<td>55.66 €</td>
<td>80.36 €</td>
<td>105.06 €</td>
<td>129.76 €</td>
</tr>
<tr>
<td>Durables-materials</td>
<td>83.26 €</td>
<td>98.26 €</td>
<td>98.26 €</td>
<td>98.26 €</td>
<td>98.26 €</td>
</tr>
<tr>
<td>Local taxes and fees</td>
<td>4.43 €</td>
<td>6.94 €</td>
<td>9.74 €</td>
<td>12.40 €</td>
<td>15.20 €</td>
</tr>
<tr>
<td>Property tax</td>
<td>1.11 €</td>
<td>1.74 €</td>
<td>2.44 €</td>
<td>3.11 €</td>
<td>3.81 €</td>
</tr>
<tr>
<td>Food</td>
<td>101.13 €</td>
<td>202.26 €</td>
<td>282.67 €</td>
<td>383.80 €</td>
<td>484.93 €</td>
</tr>
</tbody>
</table>

of the disadvantages which afflict the deprived. Poverty is a class thing closely linked to a general situation of class inequality”.
\(^7\) This threshold corresponds to the 60% of the median income and it is 1134€ for the four member household, and 540 € for the single person.
\(^8\) This is 650 € for the married worker and 590 € for the single worker.
If we use the provisional 2009 findings in order to construct the alternative poverty indicators used in the U.S., then the resulting poverty line for Greece is 2.380 € for a family of four, according to the Orshansky line, and 1915 €, based on the methodology of the National Academy of Sciences (NAS). The corresponding figures for a single person household are 627.5 € and 755 € per month.

Finally, we present in table 3 below two indicators that take into account home ownership. Under the first, which takes into account that the rate of home ownership in the basin is estimated at around 50% of households (meaning that 50% of the households either pay rent or mortgage) the poverty threshold is 1535 € per month for a family of four, and 665 € for a single person household. According to the second indicator where rent is entirely removed from the poverty threshold of the finding in 2009, it is 1250 € and 520 € respectively for these two sizes of households.

All approaches to poverty thresholds mentioned above are summarized in the table below where the last two lines show the poverty line according to which the NSSG estimates that more than two million people fall below the poverty line, and the wage established by the National General Collective Labor Agreement.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum (report 2009)</td>
<td>809.38€</td>
<td>1,186.37€</td>
<td>1,495.73€</td>
<td>1,820.33€</td>
<td>2,189.24€</td>
</tr>
<tr>
<td>&quot;Orshansky line&quot;</td>
<td>627.50€</td>
<td>1,255.00€</td>
<td>1,754.00€</td>
<td>2,381.50€</td>
<td>3,008.80€</td>
</tr>
<tr>
<td>NAS (100%)</td>
<td>756.45€</td>
<td>1,166.84€</td>
<td>1,524.88€</td>
<td>1,914.39€</td>
<td>2,315.09€</td>
</tr>
<tr>
<td>Sum R2009 (&quot;weighted rent&quot;)</td>
<td>663.88€</td>
<td>994.87€</td>
<td>1,259.23€</td>
<td>1,536.33€</td>
<td>1,853.24€</td>
</tr>
<tr>
<td>Sum R 2009 (no rent)</td>
<td>518.38€</td>
<td>803.37€</td>
<td>1,022.73€</td>
<td>1,252.33€</td>
<td>1,517.24€</td>
</tr>
<tr>
<td>Poverty line NSSSG</td>
<td>540.00€</td>
<td>1,134.00€</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGCLA</td>
<td>590.00€</td>
<td></td>
<td></td>
<td>1,300.00€</td>
<td></td>
</tr>
</tbody>
</table>

This table summarizes the results of all of the findings for 2009 clarifies the argument that the "official" poverty line (i.e. that measured and reported by the National Statistical Service of Greece using the definition of relative poverty)

* Here we assume that both adults are paid according to the National General Collective Labor Agreement.
underestimates the true extent of the phenomenon for all household sizes, and that the basic wage/salary is not enough to cover basic needs. It also illustrates the relevance to social reality of an indicator of absolute poverty which is based on a reasonable argument about the extent and the level of modern normal reproduction needs.

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