**Income poverty in the European Union: Children, gender and poverty gaps**

Lene Mejer (Eurostat) and Clemens Siermann (Statistics Netherlands)

This Statistics in Focus was carried out jointly by Eurostat and Statistics Netherlands. Based on the 1996 wave of the European Community Household Panel (ECHP), it analyses income poverty from the point of view of children, gender differentials and how poor persons with a low-income are. The information presented in this Statistics in Focus forms part of a bigger Eurostat report on income poverty and social exclusion in the Member States of the European Union which is being prepared for publication by autumn 2000.

Children in the European Union run an above average income poverty risk compared to adults. In 1996, 21% of all children in the European Union lived in a low-income household, whereas only 16% of adults were in the same position.

Almost half of all children living in single parent households (46%) lived in income poverty. Compared to other children, children in a single-parent household were more than twice as likely to live in a low-income household. Similarly, poverty rates of children belonging to unemployed or inactive households are more than 60% in the European Union.

Within all age groups, women were always at a greater risk of being in income poverty than men within the European Union. In 1996, 18 per cent of all women lived in a low-income household compared to 16 per cent of all men.

Single women have higher poverty rates than single men (25% against 19%), but the relative difference between men and women becomes larger when they are working (16% against 10%). Controlling for education, it appears, that whereas income poverty for high educated single women and men is equally low (7%), the middle to low educated single women have substantially higher poverty rates than men with similar educational level.

The poverty gap measures the distance between the value of the poverty line and the average income of those living in income poverty. Hence, measuring this gap gives an insight into the severity of income poverty.

In 1996, persons living in a low-income household in the European Union had an equivalised household income that was, on average, 30% below the poverty line of their country.
Income poverty and children

One out of every five children living in income poverty

Children in the European Union run an above average income poverty risk, but not every child is equally threatened by poverty. In 1996, 21 per cent of all children in the European Union lived in a low-income household. These were 16.9 million children below the age of 18 living in 7.9 million low-income households across 13 Member States. More than one in every five (23 per cent) of these children lived in a single-parent household.

Figure 1: Share of children below 18 by household type in the European Union, 1996

Source: ECHP, wave 3 (Finland and Sweden excluded)
Example: 23% of children living in income poverty in the European Union live in single parent households

Looking at poverty rates, this means that almost half of all children in a single-parent household lived in income poverty. Compared to other children, children in a single-parent household were more than twice as likely to live in a low-income household.

Besides children in single-parent households, children living in large households (a couple with 3 or more dependent children) also run a poverty risk above the European Union average. Of all children in large households, one out of four lived in low-income households. For children in households consisting of a couple with one dependent child and children in households consisting of a couple with two dependent children, the income poverty rate was 10 and 14 per cent, respectively.

Figure 2: Income poverty rate of dependent children 1) in the European Union by household type, 1996

1) Dependent children are below 18 years old.
Source: ECHP, 1996 (Finland and Sweden excluded).
Example: 46% of children in single parent households live in income poverty
The poverty rates of children belonging to unemployed or inactive households are more than 60% in the European Union.

The poverty risk of a child is determined by his or her household situation. For instance, a child that lives in a working household is far less likely to be threatened by income poverty than a child living in an unemployed, retired or other inactive household.

In 1996, the majority of all poor children (69 per cent) lived in a working household. Compared to 90 per cent of all children living in such households, this indicates that children in a working household have a comparatively low risk of being poor. Almost one third (31 per cent) of all poor children lived in a non-working household. Among all 81.3 million children below the age of 18 this was 10 per cent.

Relatively more Luxembourg, Irish and British children live in income poverty compared to other EU Member States.

Children are not equally threatened by income poverty in all Member States. In the great majority of countries children run a poverty risk which is higher than that of adults. However, there are some exceptions. In Denmark, children under the age of 18 were far less likely to be found in a low-income household than the average adult Danish citizen. Their poverty risk was less than half the average Danish poverty risk. Also in Greece, children below the age of 18 had a poverty risk below the average. At the other extreme, children in Luxembourg, Ireland and the United Kingdom were almost 50% more likely to live in a low-income household.

Table 1: Income poverty of dependent children in the European Union by labour market situation of the household, 1996

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Low income</th>
<th>Poverty rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>21</td>
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<tr>
<td>Working</td>
<td>90</td>
<td>69</td>
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<tr>
<td>Unemployed</td>
<td>4</td>
<td>13</td>
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</tr>
<tr>
<td>Retired</td>
<td>1</td>
<td>2</td>
<td>38</td>
</tr>
<tr>
<td>Inactive</td>
<td>5</td>
<td>16</td>
<td>68</td>
</tr>
</tbody>
</table>

1) Dependent children: below 18 years old

Source: ECHP, wave 3 (Finland and Sweden excluded)

Example: In the total population, 90% of dependent children live in a working household, in low-income households this is 69%. 16% of all children living in a working household, live in a low-income household.

Women always at a greater risk of being in income poverty than men

Within all age groups, women were always at a greater risk of being in income poverty than men within the European Union. In 1996, 18 per cent of all women lived in a low-income household compared to 16 per cent of all men. However, the difference in income poverty rates between the sexes depends on age. The gender differences in income poverty are largest within the age groups of 18-24 years old* and of 65 years or older. Of all women in the latter age group, one in five (20 per cent) lived in a low-income household against just below one in every six (16 per cent) elderly men (see Table 3).

* Note: In the age group 18-24 years there are a large number of persons who are in full-time education. Such persons would in some Member States live mainly or partly from student loans and/or income in kind transferred from parents/family. Loans and income in kind are not part of the income concept used in this study and thus the poverty rate for persons in full-time education may be overestimated.
Single women have higher poverty risk than single men

With regard to type of household, the greatest difference in poverty rates between the sexes was found for single persons. In 1996, the poverty risk for single women aged below 65 was 29 per cent higher than for single men. The difference was even larger among working singles (i.e. 55 per cent). However, the latter result depends on the level of education. High-educated, single female workers had the same poverty rate as men with similar education and labour market situation. On the other hand, middle- or low-educated single female workers were 50% more likely to be in a low-income household than men with those characteristics.

Table 2: Poverty rates of women and men by household type in the European Union, 1996 (%)

<table>
<thead>
<tr>
<th>Type of household</th>
<th>Total male</th>
<th>Total female</th>
<th>Working male</th>
<th>Working female</th>
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<td>single below age 65</td>
<td>19</td>
<td>25</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>single age 65 or more</td>
<td>20</td>
<td>27</td>
<td>-</td>
<td>-</td>
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</table>

Working single person below age 65

<table>
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<tr>
<th>Education level of the household</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>high</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>middle</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>low</td>
<td>12</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: ECHP, wave 3 (Finland and Sweden excluded)

Example: 16% of working single women below 65 of age live in income poverty, for the same group of men this is 10%. The relative risk is thus more than 50% higher (155) for women in this group of being in income poverty compared to men.

Member State specific poverty risks differ

Although in the great majority of countries women were more at risk of poverty than men, the importance of the difference diverges. In the age groups 45-54 and 55-64 there are only very slight differences between the poverty rates of women and men in Denmark, Germany, Spain, Ireland, Italy, and they go in both directions. Although elderly women (aged 65 or older) in most countries have a significantly higher poverty risk than men (notably in Ireland), in Spain and the Netherlands they run a slightly lower poverty risk than men in this age group.

Table 3: Poverty rates of men and women by age (%)

<table>
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<th>Age Group</th>
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<th>D</th>
<th>EL</th>
<th>E</th>
<th>F</th>
<th>IRL</th>
<th>I</th>
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<tr>
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<tr>
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<td>11</td>
<td>8</td>
<td>20</td>
<td>37</td>
<td>29</td>
<td></td>
</tr>
</tbody>
</table>

Source: ECHP, wave 3 (Finland and Sweden excluded)

Example: Of all women aged 65 or more in Ireland, 20% live in income poverty, for men in the same group this is 10%.
Poverty gap

In 1996, 61.1 million persons in the European Union had an income below their country specific poverty line. Having an income below the poverty line identified one as being in income poverty, but did not show how severe this poverty was. The poverty gap is defined as the extra income necessary to bring the equivalised household income of a person under the poverty line, level with the income at the poverty line. Measuring this gap between income and the poverty line provides an insight into the severity of income poverty*.

The European mean poverty gap is 30%

In 1996, persons living in a low-income household in the European Union had an equivalised household income that was 30 per cent below the EU weighted average poverty line. With an average poverty line of 6,400 PPS in the European Union, this amounts to a mean equivalised poverty gap of roughly 2,000 PPS.

Across the 13 Member States the gap between equivalised household income and the poverty line ranged from below 25 per cent in Ireland and Luxembourg to over 35 per cent of the income at the poverty line in Italy. Taking into account the various poverty lines, the mean poverty gap in the 13 Member States ranged from a little under 1,300 PPS in Ireland to over 2,500 PPS in Germany and Luxembourg.

Figure 4: Relative poverty gap of persons, 1996

![Figure 4: Relative poverty gap of persons, 1996](image)

Source: ECHP, wave 3 (Finland and Sweden excluded)
Example: The equivalised mean income of persons in income poverty in Germany is 34% below the poverty line.

In comparison to other age groups, young adults living in a low-income household had the largest poverty gap in the European Union. In 1996, the gap between equivalised household income and the poverty line was 32 per cent for persons in the age group 18-24. Between the age of 25 and 64, the poverty gap is stable around 30-31%. For persons aged 65 or older the gap between the equivalised mean income and the poverty line was 27 per cent on average. Elderly have a lower poverty gap due to the fact that most receive at least a state pension. Between the sexes there were no significant differences in the level of the poverty gap.

Figure 5: Relative poverty gap by age and sex, 1996

![Figure 5: Relative poverty gap by age and sex, 1996](image)

Source: ECHP, wave 3 (Finland and Sweden excluded)
Example: The equivalised mean income of persons aged 65 or more in income poverty is 27% below the poverty line.

*The results should be treated with caution as the income information for those at the very bottom of the income distribution, that is those with the largest gaps, is of potentially low reliability.
The source of data used in this Statistics in Focus is the European Community Household Panel (ECHP). The ECHP is a survey based on a standardised questionnaire that involves annual interviewing of a representative panel of households and individuals in each European Union member state, covering a wide range of topics such as income (including social transfers), health, education, housing, demographic and employment characteristics, etc. The longitudinal structure of the ECHP makes it possible to follow up and interview the same households and individuals over several consecutive years. The first wave of the ECHP was conducted in 1994 in the twelve Member States of the European Union at that time. The survey was based on a sample of some 60,500 households (about 170,000 individuals). Since then, Austria (in 1995) and Finland (in 1996) have joined the project. Sweden does not take part.

The results in this study were calculated from the ECHP ‘users’ database’, which contains longitudinal microdata on households and persons interviewed, harmonised and interlinked as the various survey waves are completed. For more details of direct access to ECHP microdata, see “EC Household Panel Newsletter 3/99” (OPOCE, Luxembourg, 1999).

The figures analysed in this study are estimates, whose precision – all other things being equal – depends on the size of the sample and the percentage. They cover the 13 Member States for which the required data are currently available: all EU Member States except Finland and Sweden. The data for Austria are still provisional. All results in this Statistics in Focus are based on at least 50 sample observations. Separate methodological studies on for example sample size and attrition rates for analysis of income poverty are available in Eurostat.

Education level of a person
In the ECHP, each person aged 16 or over is asked to state the highest level of education he or she has successfully completed.

Type of the household
During the ECHP interview, the relationship of each person to the reference person of the household is established. Based on this relationship, and on age, persons are classified into ten household types. Single persons fall into two classes, depending on age: singles below 65 and singles aged 65 or older. Couples without children are similarly divided into two groups based on the age of the oldest person in the couple: couples below 65 without children and couples aged 65 or over without children. Children are labelled dependent if their age is less than 18. Depending on the number of children, couples with only dependent children are classified as: couples with one dependent child, couples with two dependent children and couples with three or more dependent children. Couples with both dependent and non-dependent children are treated separately. One-parent households with at least one dependent child are classified as single-parent households. All households that fall outside the above mentioned groups are labelled other households.

Labour market situation of the household
In this Statistics in Focus the labour market situation of the household was based on a combination of ILO main activity status during the current year and self-defined main activity status of all household members aged 16 or older. The former is used to distinguish between working, unemployed and inactive households. The latter is used to make a distinction between retired and other inactive households. This leads to the following categories:

- Working, if a household has at least one member who is working.
- Unemployed, if a household has no working members and at least one member is unemployed.
- Retired, if a household has no working or unemployed members and at least one member is retired.
- Other inactive, if a household has no working, unemployed or retired members.

Self-defined activity status
During the ECHP interviews, all persons aged 16 or over are asked to state for each month of the previous year their main activity. From this ‘calendar of activities’ the most frequent activity of a person is defined (priority is given to activity over inactivity and to work over non-work). Contrary to the ‘ILO main activity’ definition, the most frequent activity is ‘self-defined’ and not constructed.
Income
Total household income is taken to be all the net monetary income received by the household and its members at the time of the interview (1996) during the survey reference year (1995). This includes income from work (employment and self-employment), private income (from investments, property and private transfers to the household), pensions and other social transfers directly received. No account has been taken of indirect social transfers (such as the reimbursement of medical expenses), receipts in kind and imputed rent for owner-occupied accommodation. As the weight of these income components may be different in the different countries, full comparability of income statistics is hampered. Figures on the level and distribution of income from the ECHP should therefore be treated with some caution.

Equivalised income
In order to take into account differences in household size and composition in the comparison of income levels, the amounts given here are per “equivalent adult”. The household’s total income is divided by its ‘equivalent size’, using the modified OECD equivalence scale. This scale gives a weight of 1.0 to the first adult, 0.5 to the second and each subsequent person aged 14 and over, and 0.3 to each child aged under 14 in the household.

Purchasing power parities (PPP)
Incomes cannot be made directly comparable by using currency exchange rates, as in this way the difference in purchasing power of a particular monetary unit in the different countries will not be taken into account. The conversion rates that take both rates of exchange and differences in purchasing power into account are called Purchasing power parities (PPP). They convert every national monetary unit into a common reference unit, the “purchasing power standard” (PPS), of which every unit can buy the same amount of goods and services across the countries in a specific year. However, in the ECHP, the measurement of income related to the preceding year, so the conversion rates between PPS and the national currencies used in 1996 are 1995 PPPs. These rates are: B (42.13), DK (9.740), D (2.148), EL (134.9), E (7.274), IRL (0.7032), I (1.696), L (40.79), NL (2.250), A (15.19), P (142.7), FIN (7.012), UK (0.7305).

Income poverty
The income poverty line (or low-income threshold) is set at 60% of the median equivalised income per person in each Member State. The median income is a robust measure as it is not affected by extreme values of the income distribution and less affected by sampling fluctuations. The 60% cut-off point is chosen as a main reference point, while more points were used in the analyses to check the robustness of the results.
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☐ Bank transfer
☐ Visa □ Eurocard

Card No: ____________________________ Expires on: ____________________________

Please confirm your intra-Community VAT number:

If no number is entered, VAT will be automatically applied. Subsequent reimbursement will not be possible.

For information on methodology
Lene Mejer, Eurostat/E2, L-2920 Luxembourg, Tel. (352) 4301 32382, Fax (352) 4301 35979, E-mail: lene.mejer@cec.eu.int

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Table: Data Shop and sales office addresses

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<th>Country</th>
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<th>Fax</th>
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