



Engelse samenvatting De SCP-methode voor het meten van armoede

Herijking en revisie

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Summary

The SCP method for measuring poverty

Recalibration and review

The Netherlands Institute for Social Research (SCP) has been using its current method for measuring poverty since 2007. To ensure that the quality and reliability of the poverty figures is maintained, it is important to periodically evaluate the methodology and to update and improve it where necessary. To do this, every few years SCP recalibrates the poverty threshold and reviews the method used to measure poverty. The first recalibration and review was carried out in 2010. This document describes the second recalibration and review, carried out in 2017/2018.¹

When measuring poverty, the first step is to define the poverty threshold against which it is measured: What is the minimum income that someone needs to meet their living expenses? People's income is then measured: How much do they actually have available to spend? Finally, the individual poverty rate is translated into a single national poverty rate for the Netherlands, expressed as the share of the population living below the poverty threshold.

The SCP poverty threshold draws substantially on sample minimum budgets published by the Dutch National Institute for Family Finance Information (Nibud), and is divided into two levels. The *basic needs budget* covers the minimum necessary expenditure on unavoidable basic needs such as food, clothing and shelter (housing), plus a few other items that are difficult to avoid. The *modest but adequate budget* is slightly more generous and also allows for minimal expenditure on recreation and social participation. Following the recalibration, in 2017 these budgets amounted to €1,039 and €1,135 per month, respectively, for a single person.

As well as recalibrating the poverty threshold, a number of changes have also been made to the way (disposable) income is determined. The first of these concerns the recently revised income statistics published by Statistics Netherlands (CBS). Among other things, the net rental value for homeowners has been significantly increased in the revised figures, which on average has led to a substantial rise in the measured income of owner-occupiers. Second, it has been decided to end the practice of adding rent benefit actually received to income, but instead to use the (notional) rent benefit applying for a 'reference dwelling', so as to maintain consistency with the expenditure items in the reference budgets. This aligns with the idea that poverty is determined based on the resources someone has to enable them to purchase the items in the reference budgets rather than on their actual expenditure. Third, non-reimbursed medical expenses are no longer included in the reference budgets, but instead are deducted from income. This reflects the wide differences in individuals' medical expenses and the unavoidable nature of those expenses. Fourth, the net costs of childcare are now deducted from income.² This recognises the need to use childcare in order to be able to earn an income. Together, these procedures produce the key figures. In addition, poverty rates are now also reported which take into account people's assets and liabilities (debts). This meets the criticism

¹ In support of this process, focus group research is used from time to time to ensure that the SCP poverty threshold remains in line with what citizens themselves regard as the minimum necessary. New focus group research is planned for the next recalibration and review.

² The equivalence scale used to compare households has also been adjusted accordingly.

that measurements of poverty look only at income, whereas high levels of assets or debt can also influence people's spending power.

The recalibration of the SCP poverty threshold and the review of the CBS income statistics have an upward and downward effect, respectively, on reported poverty rates in the Netherlands. Adding the notional rather than actual rent benefit to income has a downward impact, while the different treatment of non-reimbursed medical expenses and childcare costs have small and partially mutually compensating effects on the measured rate of poverty. The cumulative net effect of all the changes on the poverty rate as measured in 2014 is negative: according to the basic needs criterion, the poverty rate falls from 5.1% to 4.4%, while the rate falls from 7.6% to 7.0% based on the modest but adequate criterion. Although the recalibration and review have a downward effect on the measured poverty rate, they have no significant impact on the trend over time, so that the trends in the poverty rate between 2011 and 2014 measured using the old and new system are comparable.

Interest on assets and debts is incorporated in disposable income, but the actual amount of the assets (or debts) is not. Assets and debts fall outside the usual definition of income because they are not actual funds flows. Henceforth, however, a number of variants will be presented in which assets and debts do play a role. Taking into account the freely disposable assets (by simulating the consumption of the assets over a series of years) (naturally) has a downward effect on measured poverty: -0.5 percentage points when applying the basic needs criterion and -0.7 percentage points when using the modest but adequate criterion. By contrast, taking into account debts pushes up the measured poverty rate: +0.9 percentage points when applying the basic needs criterion and +1.1 percentage points when using the modest but adequate criterion. Taking both assets and liabilities into account has a small positive effect.

Finally, in addition to the recalibration of the poverty threshold and the changes in the determination of disposable income, ways were explored of reporting other criteria for measuring poverty besides the percentage of people living in poverty, and of carrying out a sensitivity analysis in the future which takes account of regional housing market differences.