

Measuring Relative Poverty

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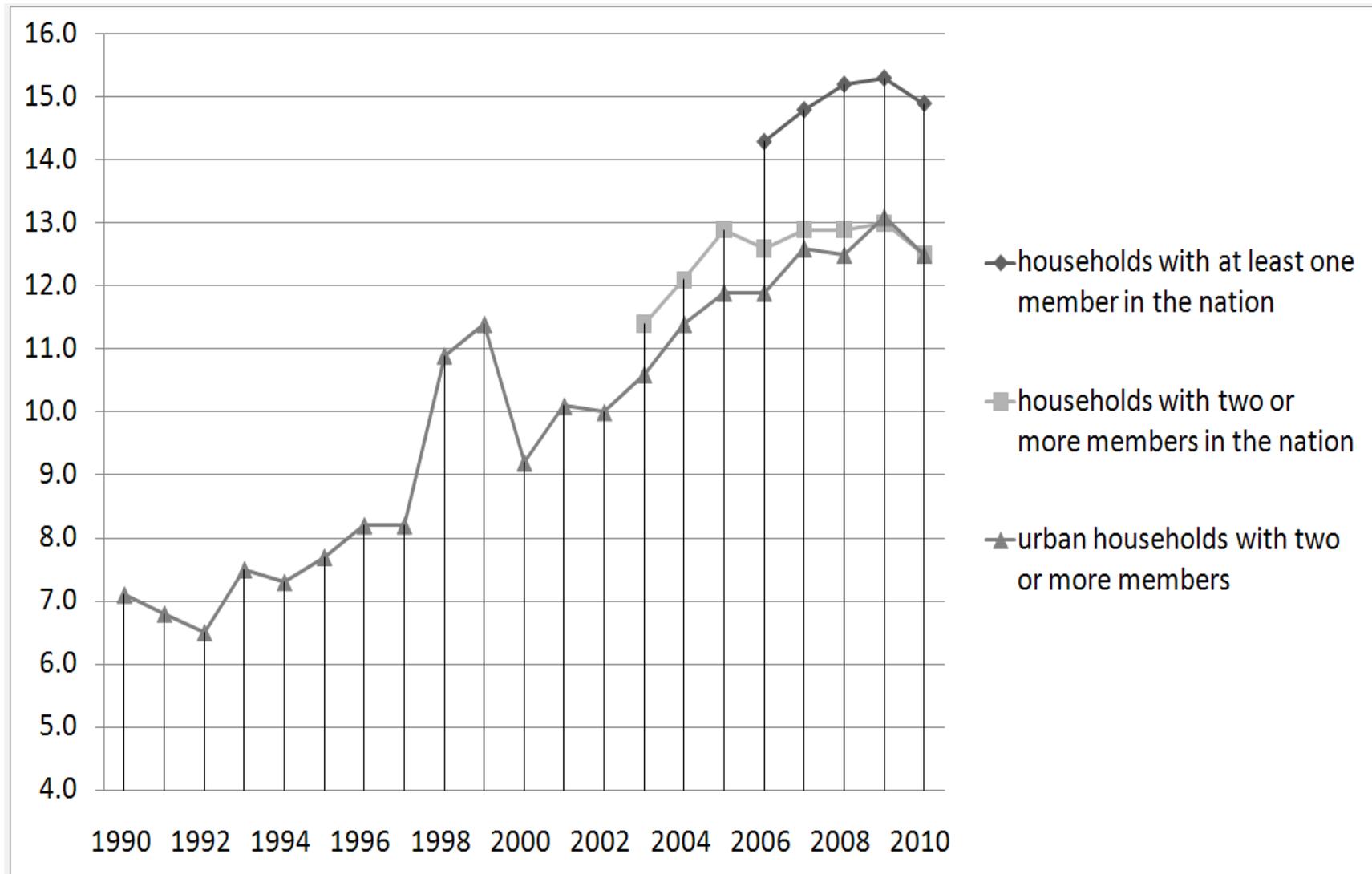
Minimum Cost of Living

- official poverty line of Korea
- market basket for all the necessities, constructed from survey data.
- measured every three years, updated for inflation in between.
- Criterion for public assistance
- quasi-absolute measure, partially reflecting the rising standard of living

Introducing Relative Poverty

- Growing notion that poverty is relative to a society's level of development
- Absolute poverty responsive to economic growth, relative poverty to inequality.
- Commonly set a poverty threshold at a percentage (50%) of median income
- Important to fast growing countries, but unrealistic criterion for public

Relative Poverty in Korea (under 50% of median DPI)



Quasi-relative poverty

- Income vs. Expenditure
- Expenditure vs. consumption expenditure
- Total consumption vs. basic consumption

- Median vs. Mean
- For 1 year vs. N years
- All household vs. Employee household

- What percentage of reference level?

Discussion

- Properly reflects changes in real standards of living?
- Appeals to the public?
- Properly gauges the impact of public policy on poverty?