



# The Cost of Poverty

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Fight Poverty

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# Poverty

“Poverty is the manifestation of societal failure”

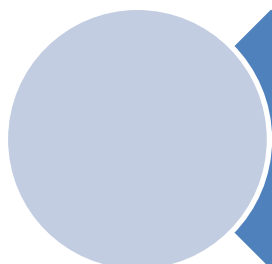
(Schiller, 2008, p. 2)

# Swedish living conditions approach

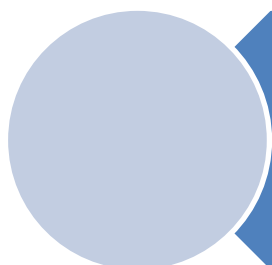
1. **Having**: material resources
2. **Loving**: social relations
3. **Being**: need to be part of a society
4. **Doing**: social and political engagement

# **PERCEPTION OF POVERTY**

# Eurobarometer (2010) on people's perception of the rate of poverty in their country



68% of Maltese say poverty has increased



14% it has decreased



10% stayed the same

# **WHO BEARS THE COST OF RELATIVE POVERTY IN MALTA?**

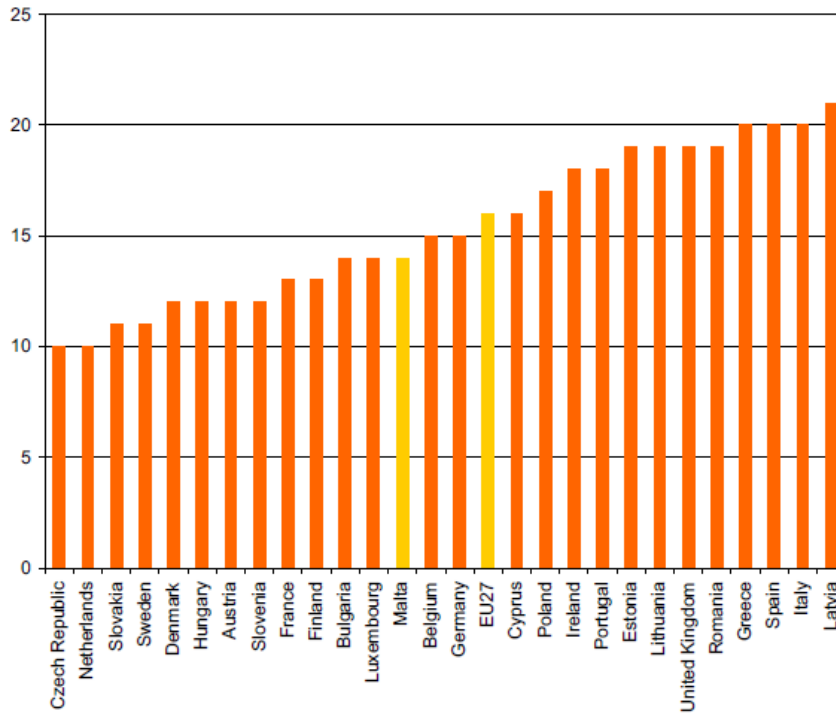
# At-risk-of-poverty rate

Defined by EU as persons whose disposable incomes are below the 60% of median national equivalised income

# At risk of poverty rates 2007-2008

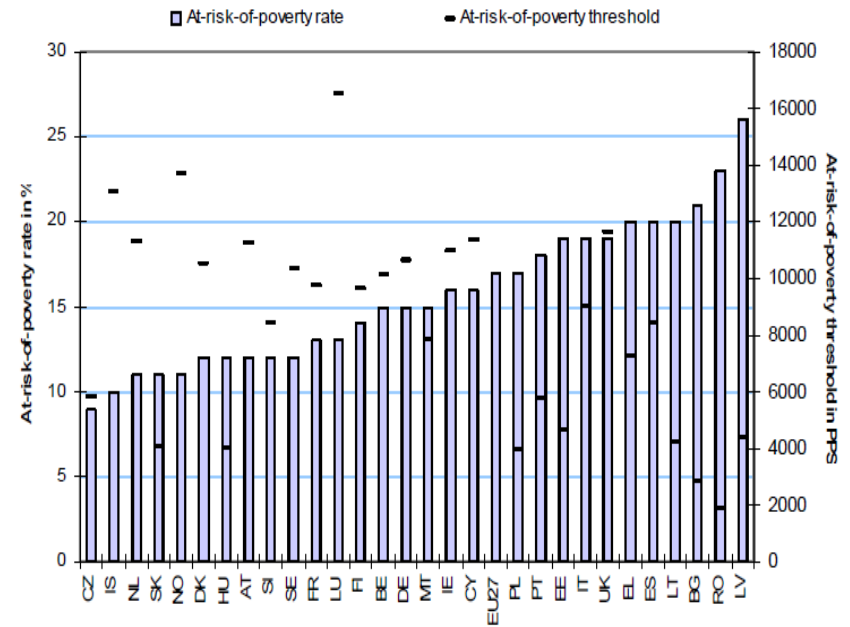
In 2007 14% were at risk  
13th position on EU basis

Chart 5. At-risk-of-poverty-rates: 2007



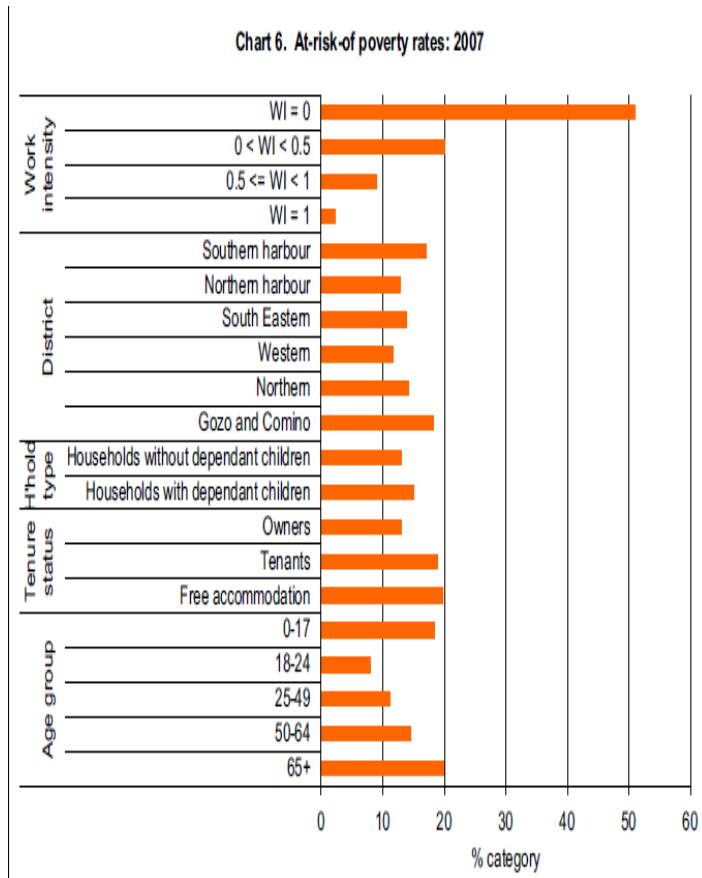
In 2008 15% were at risk  
16th position on EU basis

Chart 1: At-risk-of-poverty rate (%) and At-risk-of-poverty threshold (PPS), 2008



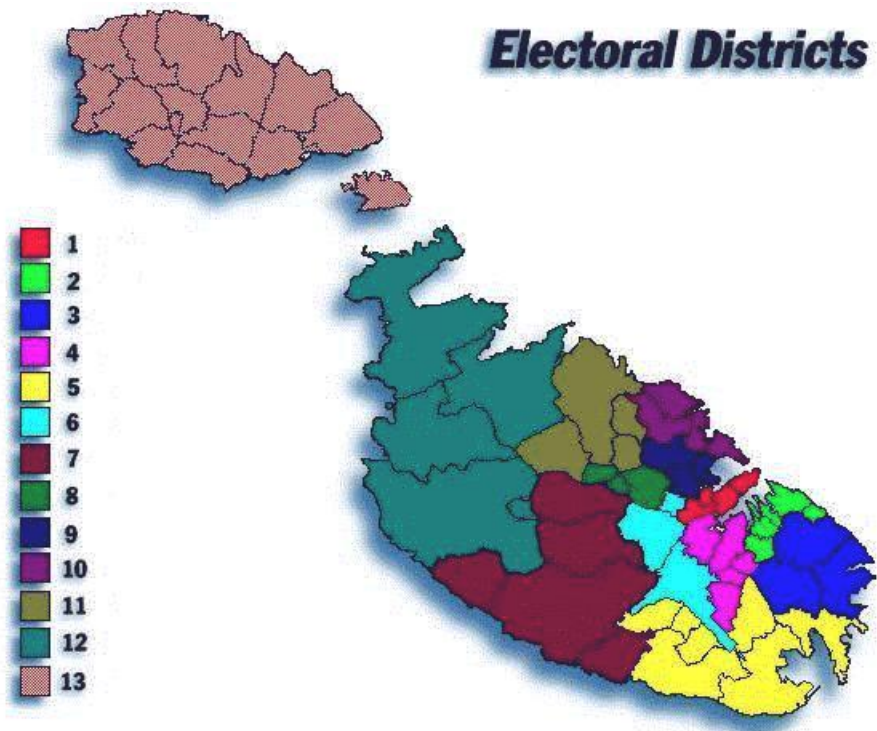


# Groups at risk of poverty, 2007



- 1. Employment:** unemployed, those not working full-time
- 2. District:** Gozo & Comino, Southern Harbour
- 3. Households with dependent children:** especially those with 3+
- 4. Tenure:** those living in free & rented accommodation
- 5. Age:** young and elderly
- 6. Marital status:** single living alone, single parent households
- 7. Gender:** female (25-64)
- 8. Level of education:** those with pre-primary, primary and lower secondary education

# Maltese Islands



# At risk of poverty by age in 2008

## Children 20%, Elderly 22%

**Table 1: At-risk-of poverty rate by age group (%), 2008**

	Total population	Children (0-17)	People aged 18-64	Elderly (65 and more)
<b>EU27</b>	<b>17 p</b>	<b>20 p</b>	<b>15 p</b>	<b>19 p</b>
BE	15	17	12	21
BG	21	26	17	34
CZ	9	13	8	7
DK	12	9	11	18
DE	15	15	15	15
EE	19	17	15	39
IE	16	18	14	21
EL	20	23	19	22
ES	20	24	16	28
FR	13 b	17 b	13 b	11 b
IT	19	25	16	21
CY	16	14	11	49
LV	26	25	20	51
LT	20	23	17	29
LU	13	20	13	5
HU	12	20	12	4
MT	15	20	12	22
NL	11	13	10	10

# At risk of poverty by labour status, 2008

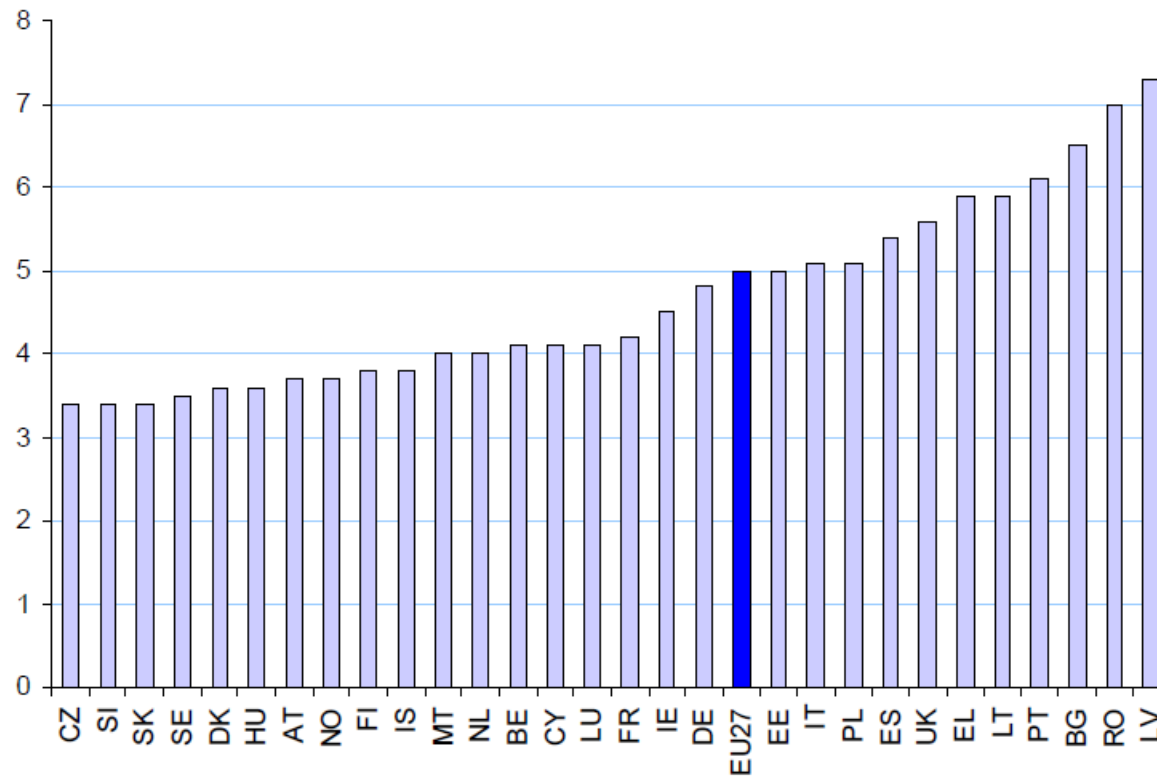
## Unemployed 31%, Inactive 20%

**Table 2: At-risk-of poverty rate by labour status (%), 2008**

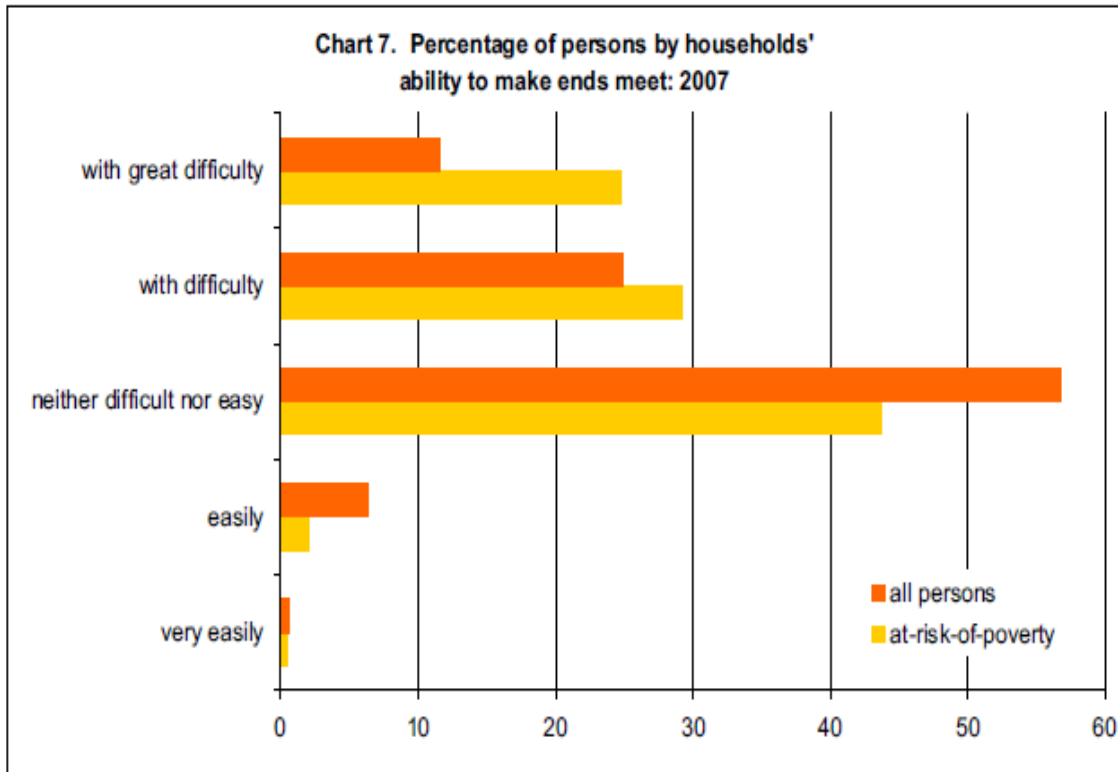
	Employed			Unemployed	Other inactive
	Total	Permanent contract	Temporary contract		
<b>EU27</b>	<b>8 p</b>	<b>5 p</b>	<b>13 p</b>	<b>44 p</b>	<b>27 p</b>
BE	5	3	11	35	26
BG	7	6	16	55	24
CZ	4	2	6	48	12
DK	5	4	:	34	31
DE	7	5	14	56	23
EE	7	6	5	61	32
IE	6	3	12	28	27
EL	14	5	16	37	26
ES	11	5	14	38	31
FR	7 b	4 b	12 b	39 b	27 b
IT	9	6	16	42	29
CY	6	5	18	31	20
LV	11	10	18	53	33
LT	9	7	14	51	32
LU	9	9	15	52	16
HU	5	4	12	48	24
MT	5	4	5	31	20

# Top 20% income groups earned 4 times as much as bottom 20% income groups

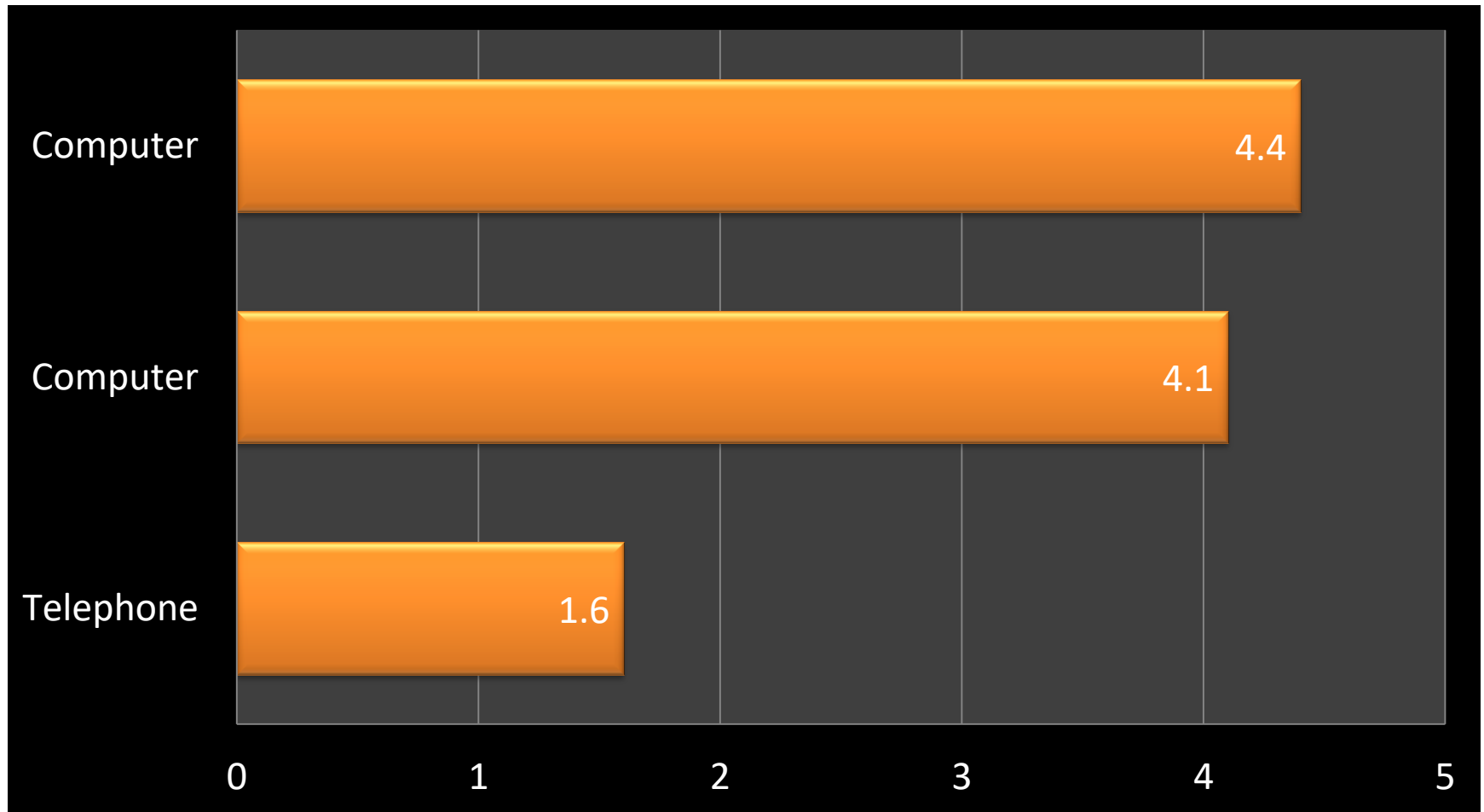
Chart 4: Income quintile share ratio (S80/S20), 2008



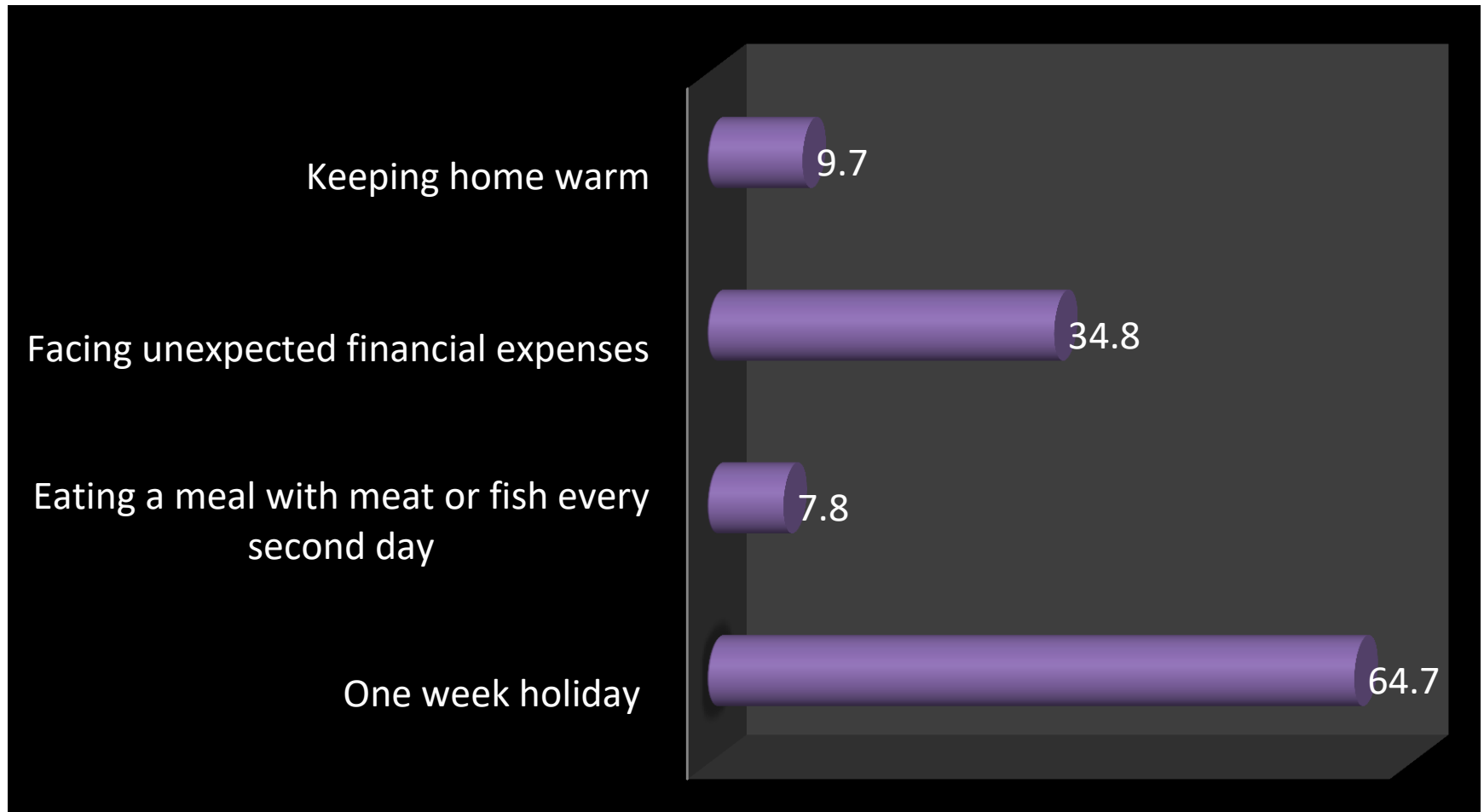
# Deprivation index



# % of households in 2007 which could not afford

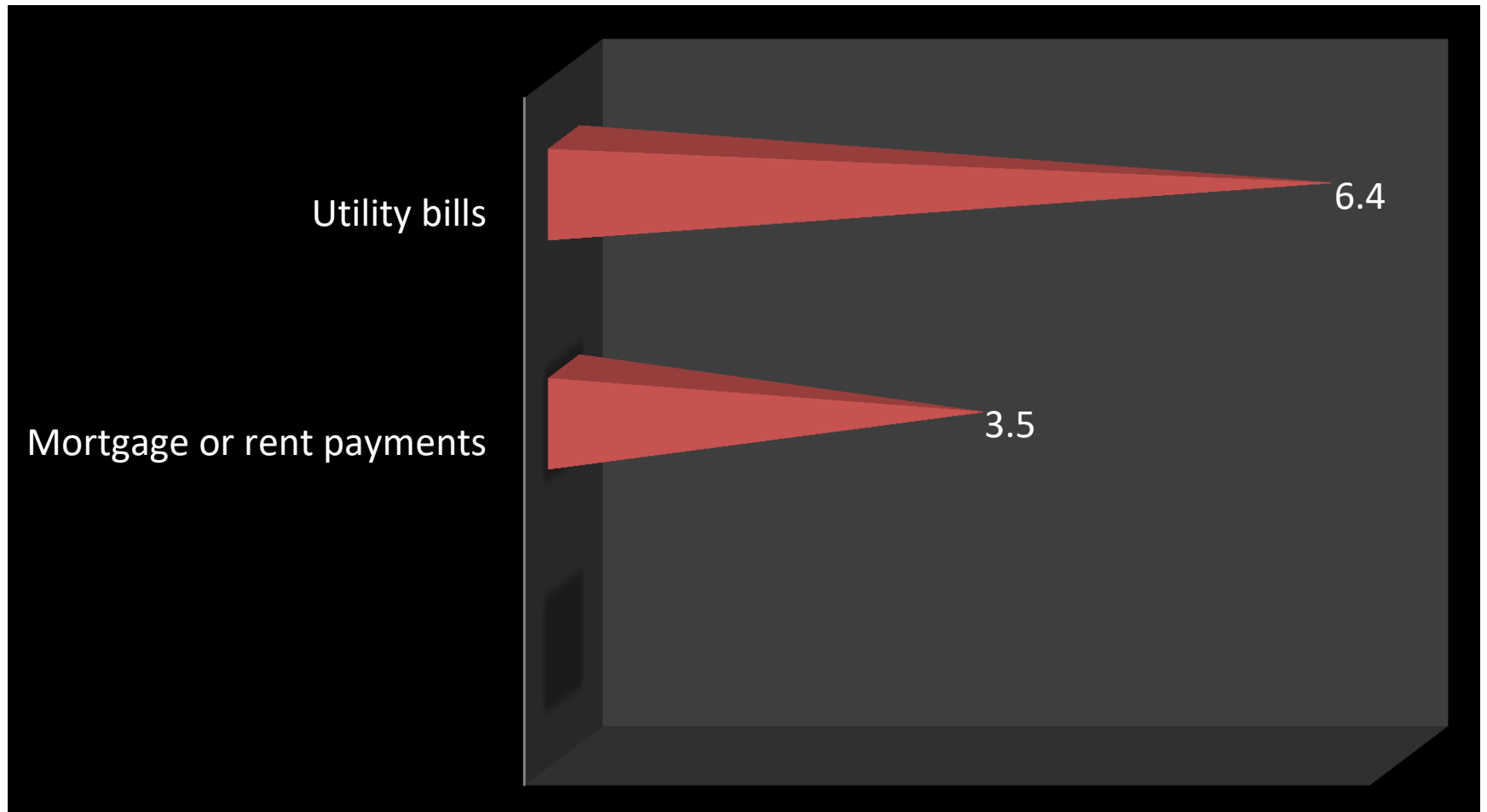


# % of households in 2007 which couldn't afford ...





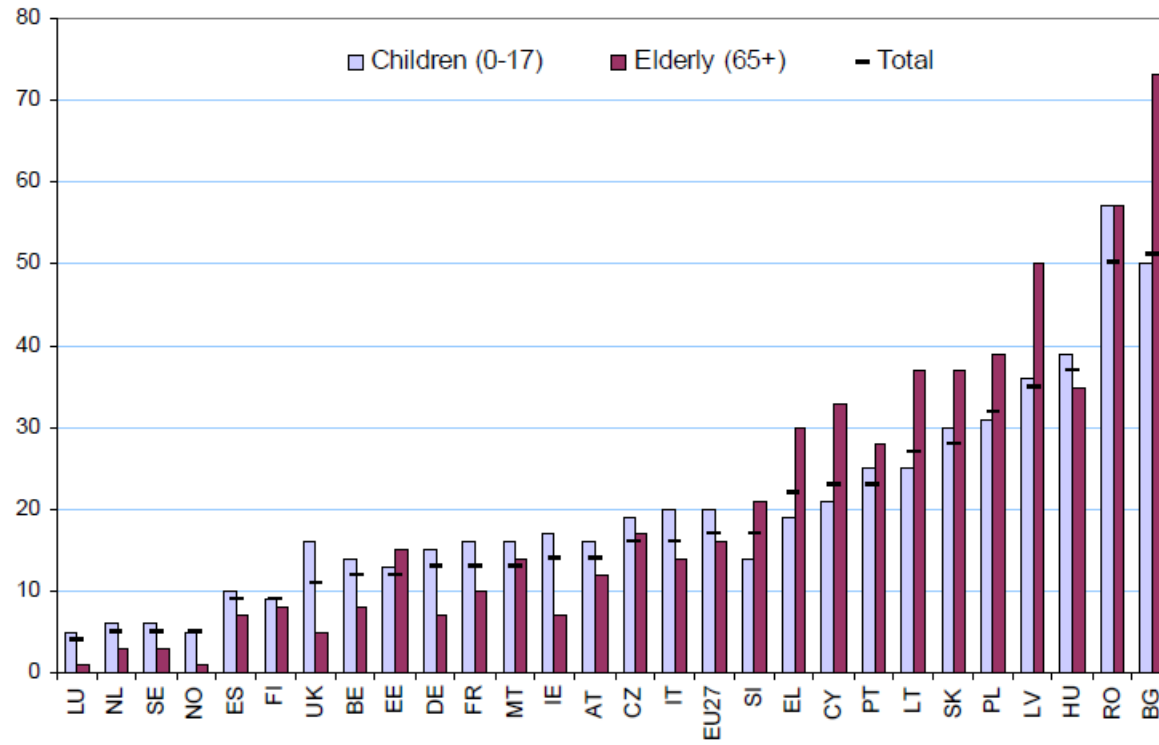
# Arrears with (2007) ...



# 14% Material deprivation rate in 2008

Children more exposed to material deprivation since they are more likely to live in household without access to accumulated wealth

Chart 5: Material deprivation rate by age group (%), 2008



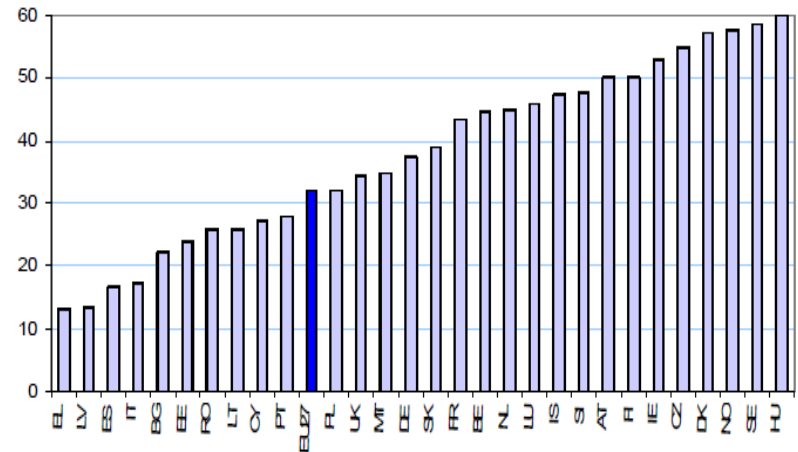
# Do social transfers diminish risk of poverty?

2007

2008 (remained 34%)

Risk of poverty after social transfers	After of poverty rate before social transfers
14%	34%

Chart 3: Reduction in the At-risk-of poverty rate, comparison before and after social transfers (%), 2008



# Effect of material deprivation on Maltese people's sense of social integration

1. In spite of these levels of material deprivation Maltese people were
  1. least likely to feel left out of society (TNS, 2010; p. 48)
  2. more likely to feel optimistic about the future (TNS, 2010; p. 46)
  3. more confident about keeping their job (TNS, 2010, p. 82)
  4. had higher rate of social cohesion (European Foundation, 2010, p. 12-14)
  
2. Compensating institutions/structures that mitigate impact of deprivation
  - a. Family mentioned as source of material and emotional support (TNS, 2010; European Foundation, 2010)
  - b. State intervention helps sustain adequate living standards (EF, 2010, p. 22)
  1. Individuals who have access to financial or moral support tend to have lower levels of perceived social exclusion, even at the same levels of lifestyle deprivation
  2. Financial well-being is not only factor that influences people's outlook on life

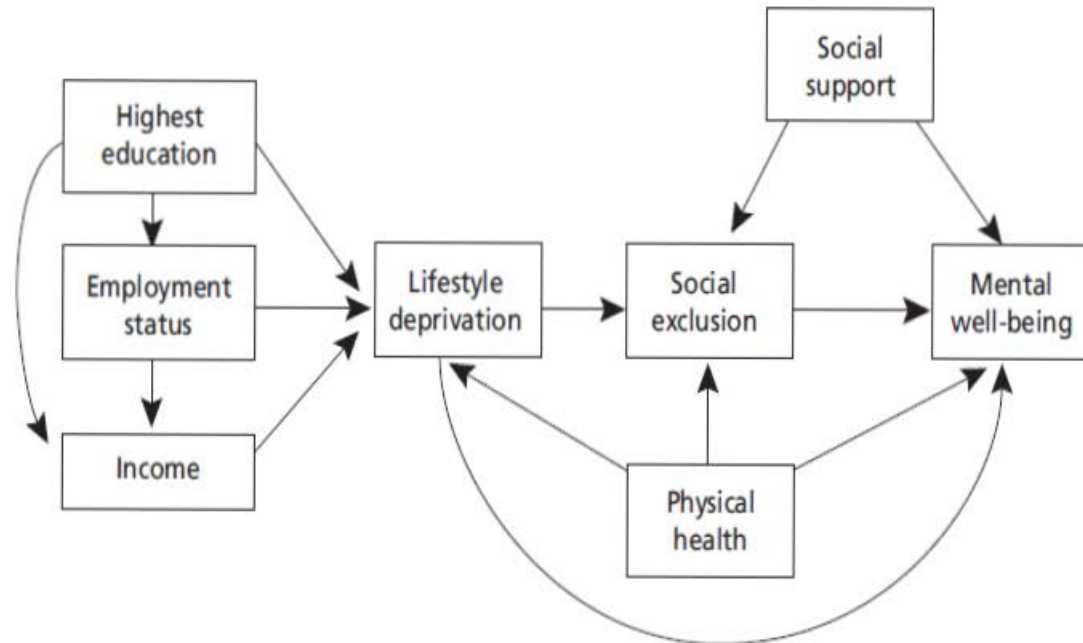
# Compensating institutions/structures that mitigate impact of deprivation

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## Effect of material deprivation on Maltese people's mental well being (EF, 2010, pp. 47-56)

- Material deprivation causes mental stress
- Stress leads to a lower mental health well-being
- Turkey, Malta and Latvia have lowest level of mental well-being in EU27

Figure 10: Determinants of mental well-being



Source: EQLS (2007), authors' overview

# **COSTS OF POVERTY AND SOCIAL EXCLUSION**



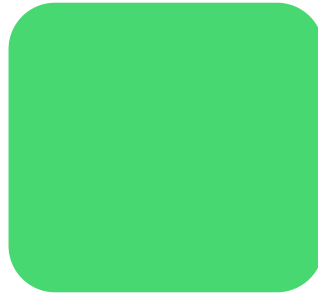
# Material deprivation can be ...

1. **Transitory** – young people, self-employed, short-term unemployed
2. **Persistent**
3. **Across generations**

# Costs of poverty borne by



Individual



Neighbourhood



Country



European  
Union

# Cost of material deprivation on individual

## 1. Effect on sense of self

- Loss of dignity and self-esteem
- Higher sense of alienation/subjective exclusion
- Sense of frustration

## 2. Education

- Higher incidence of drop out rates of children from compulsory education
- Lower educational attainment

## 3. Employment

- Higher likelihood of experiencing repeated spells of unemployment
- Earn less over their lifetime
- Work more for less
- Be exposed to poor working conditions

## 4. Family

- Higher incidence of family breakup & family related problems

## 5. Behaviour

- Increased exposure to
  - physical,
  - psycho-social and
  - behavioural risk factors: violence, suicide, addiction, pollution, crime

# Cost of material deprivation on individual

## 6. Health

- Reduces life expectancy (Men 4-6 years; women 2-4 years)
- More likely to experience health problems
- More likely to feel ill for more years during lifetime
- Increased evidence of low birth weight babies
- Increased rate of accidents/work related diseases
- Suffer from psych-social stress
- Lower access to hospitals/specialists (gap of around 28% between high and low income groups in Malta EC, 2008, p. 49)
- Higher rates of disability and mental illness

## 7. Justice

Poorer people are more likely

- to be arrested,
- charged by police,
- denied bail,
- appear in court without adequate legal representation,
- end up with custodial sentence

## 8. Political efficacy

- Income buys access to political participation
- Moneyed class dominates political system (candidate selection, campaign finance, political lobbying)

# Individuals who are relatively poor pay more in ...

1. **Money**: food, housing, transport, health
2. **Time**: wait more, work more
3. **Hassle**: from bill collectors, lenders, landlords, utility companies
4. **Menace**
5. **Lack credit worthiness**: cannot get loans from banks; pay rent when they could pay mortgage

# Material deprivation and Neighbourhoods

## 1. General feeling of neglect

- Stigma of locality
- Denied mainstream public services: general maintenance of roads, buildings
- Feel unable to gain attention of authorities or obtain adequate police protection
- General depression and apathy – “we don’t count”

## 2. Lack of reasonably priced goods

## 3. Social inequality in a neighbourhood leads to

- Lack of social cohesion
- Lower social participation in community life
- Lack of collective income –needed to finance community events/projects
- Lower income may affect collective efficacy: whether neighbours or not look out for each other (Sampson et al., 1997)
- Lower collective efficacy rate leads to a decreased feeling of safety (Putnam, 2000)

## 4. Cultural attitudes

- Immediate gratification
- Dependency culture
- Masculine identity which disparages educational investment

***What does all this cost the  
country?***

# Country costs

## Income redistribution

1. Income redistribution needed to enable people to develop their productive potential and contribute to the generation of income (EC, 2008, p. 12)
2. To do so, we need to invest in social groups demobilised by discrimination and social exclusion
3. More equal distribution of income
  - Helps improve economic performance
  - Strengthens country's economic competitiveness
  - Promotes greater social cohesion



# Country Costs

## Health care

1. High degree of income related health inequality (Humphries & van Doorslaer, 2000)
  - Children from low income households are more likely to have lower functional health
  - Less likely to participate in organizational physical activities
  - More likely to be hyperactive (Phipps & Curtis, 2000)
  - Low income households less likely to use/access health services: higher use of GP services, lower use of specialist services despite having more health problems (van Doorslaer et al. 2000; Dunlop et al., 2000)
  - Have higher rates of hospitalization ( Roos & Mustard, 1997)
- People who face physical and mental health issues or disabilities will be a drain on public resources

# Country costs

## Education

### 1. Malta has

- the highest proportion of low qualified young people who are not in education/training (30% and over) (EC, 2008, p. 99)
- low participation in life long learning 0.5% (EC, 2008, p. 103)
- low literacy rate (91.6%) among 15-24 year olds (Eurostat European Commission, 2009, p. 83)
- high rate of unused human potential due to high rate of female inactivity

### 1. We need to invest more in Malta's human potential through

- labour market integration training programmes
- increased public funding in socially deprived areas to facilitate efficacious compensatory education, pre-school programmes to weaken link between income status and educational opportunity

### 2. Higher education seems to

1. Reduce the risk of unemployment
2. Increase a person's income
3. Reduce the risk of poverty
4. Increase country's economic competitiveness

# Country costs

## Family

1. Stress caused by material deprivation can lead to family breakdown (Abela, 2009)
2. When family breakdown occurs the country needs services/benefits to minimize this breakdown
3. Expand opportunities for self-sufficiency - childcare facilities
4. Recreational services for families on welfare benefits to facilitate social integration, promote healthy lifestyles, and employment take up

# Country costs

## Criminal justice system

- Inequality fosters resentment (Schiller, 2008)
  - Breeds crime
  - Society has to allocate more resources to property protection, justice and confinement

# **WHO IS RESPONSIBLE FOR ELIMINATING POVERTY**

# Why people are poor according to the Maltese

31% due to injustice in our society

29% due to laziness & lack of will

21% part of progress

15% bad luck

# Which factors explain why people are poor in Malta?

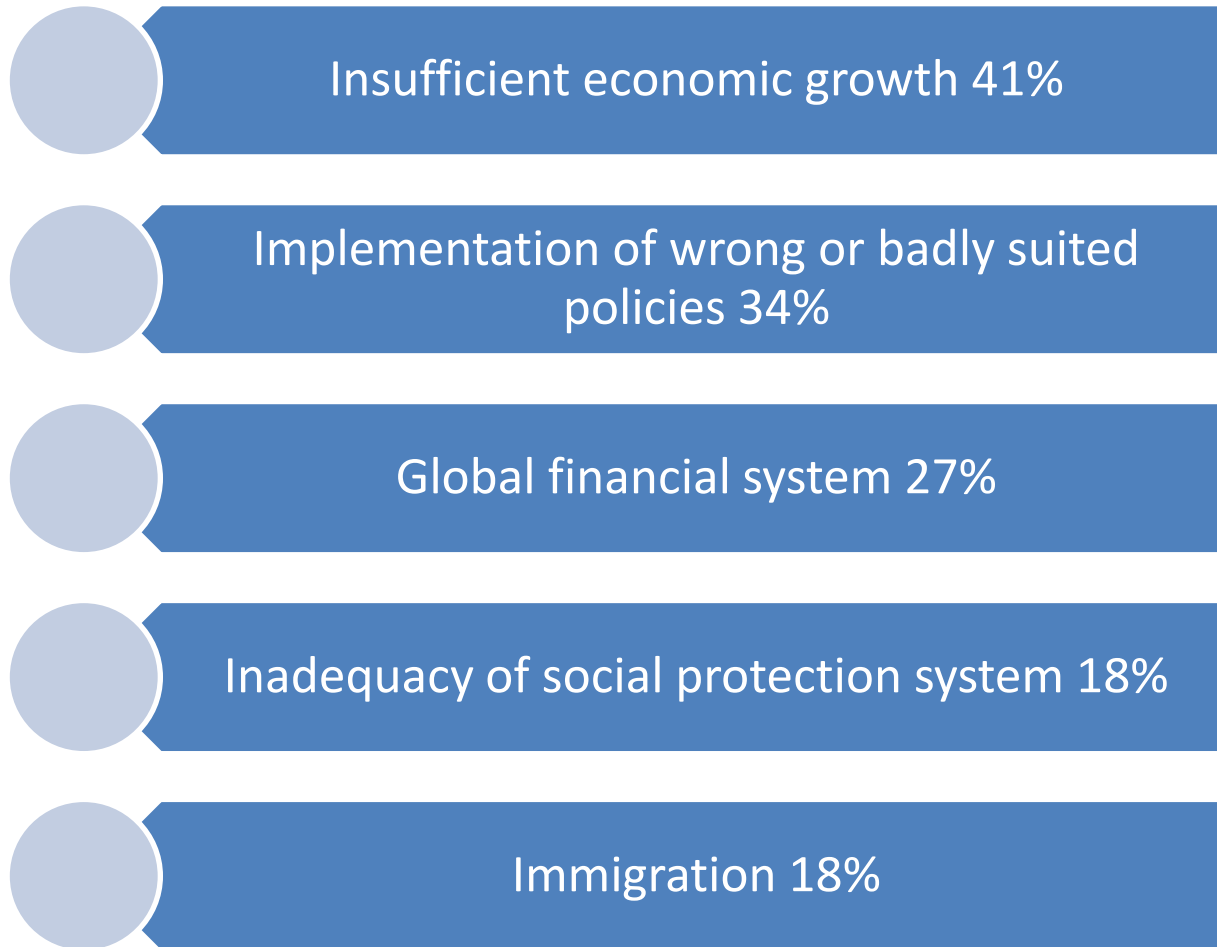
67% wages/salaries not high

- 38% social benefits/pensions not high

26% decent housing expensive

- 21% high rate of unemployment

# Which 2 factors help generate poverty in your country?





# Opinions about poverty

- Government should ensure that wealth is fairly redistributed 91%
- Poverty is a problem that requires immediate action by government 86%
- Well off people should pay higher taxes to help government fight poverty 74%
- Income difference too large 71%
- There is no point in fighting poverty, it will always exist 68% (EU highest)

## Which institutions do you trust to combat poverty?

79% NGOs or charities

73% religious institutions

59% EU

51% citizens themselves

## Who is primarily responsible for fighting poverty?

70% government

12% citizens themselves

9% EU

3% NGOs or charities

# What should governments do to help people out of poverty? (1st 4)

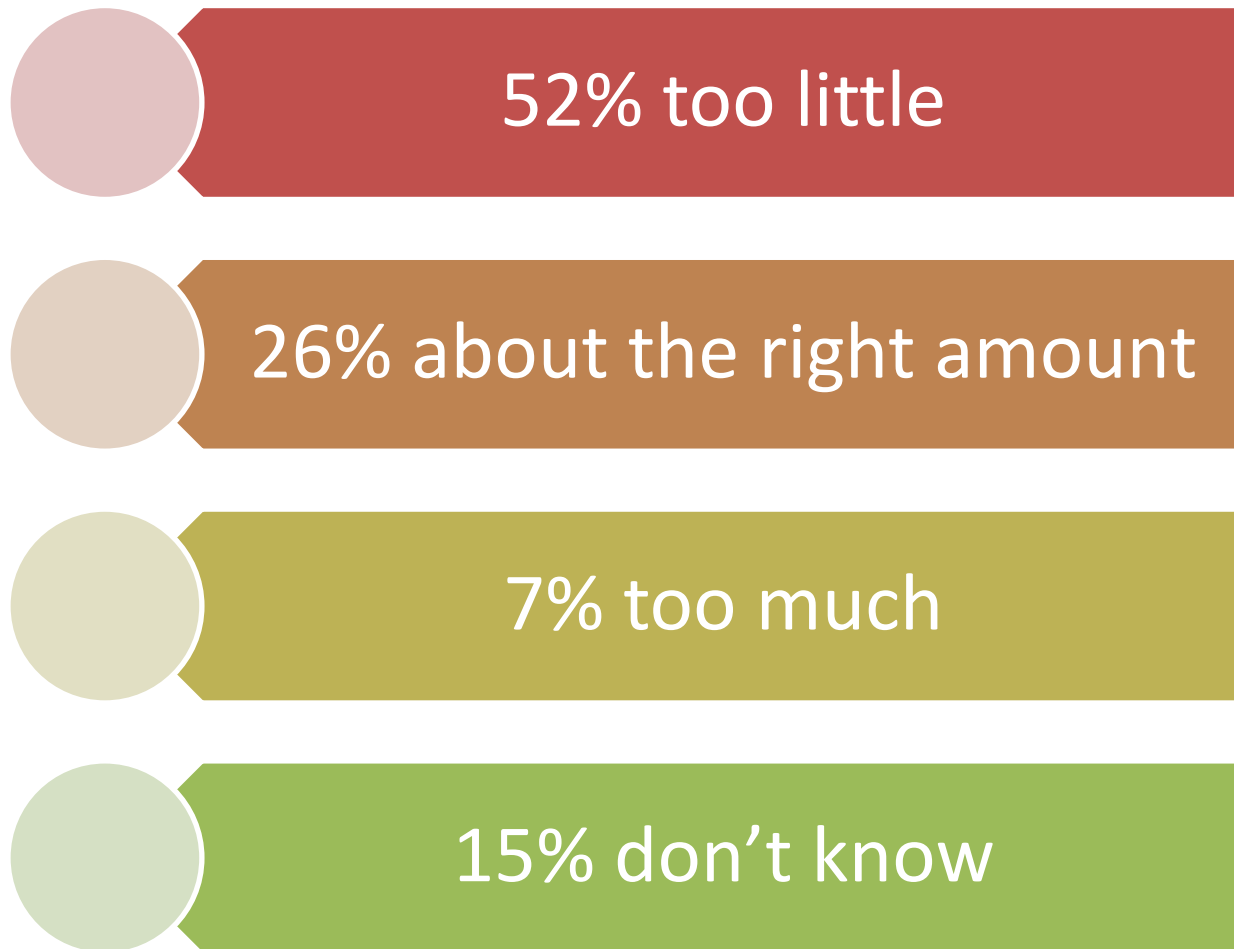
56% offer work opportunities

51% sufficiently and regularly increase social benefits/pensions

50% increase economic growth to improve living standards

32% help poor people access decent & affordable housing

# Do you think your country is spending enough to help people out of poverty?



# General perception of causes of poverty

- 1. Flawed character:** individual is to blame
- 2. Restricted opportunity:** access to good schools, jobs, housing and income restricted by discrimination on the basis of race, gender, social class, sexuality
- 3. Big Brother:** government is blamed for
  1. broken families
  2. culture of dependency

**Thank you for your attention**

This presentation is dedicated to Prof. Anthony Abela who was one of the seminal researchers on poverty in Malta

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