

INSTITUTO NACIONAL DE ESTADÍSTICA



Descriptive study of poverty in Spain

Results based on the Living Conditions
Survey 2004

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Foreword

The objective of this piece of work is to provide a general view of the phenomenon of monetary poverty in Spain.

The results presented in this document have been obtained using the information provided by the Living Conditions Survey (LCS) and in particular from the survey carried out for the first time in 2004 (2003 income). Currently, the INE is about to publish data from the second year of the LCS, 2005.

The LCS is governed by a European framework regulation and by a number of commission regulations that provide a list of variables, sample methods, definitions, etc. that aim to harmonise this community statistic, which in Europe is called "Statistics on income and living conditions" (EU-SILC).

One of the main objectives of the LCS is to provide information that makes the undertaking of analysis on poverty and social exclusion possible. The information it provides is very varied. It includes data on housing, household expenses, income, household equipment, economic situation, activity of the adults, health, access to health care, education and biographic data. In this study in particular, the information available on total household income in 2003 is used, as well as some socio-economic and demographic characteristics relating to the household and its members.

Poverty, as is well known, is a multidimensional phenomenon that does not have one definition and which can be measured in multiple ways and interpreted depending on the point of view adopted. In order to undertake an analysis of poverty it is essential to clearly define the concepts to be used. In this study, a descriptive study of poverty is carried out, poverty being understood here as relative monetary poverty.

The method used in this document to classify the population as poor and not poor is based on the construction of a relative monetary poverty line.

The poverty line used is based on the net income per household consumption unit (c.u.), with net income understood as the household's total net income (disposable income in the household) between the number of consumption units. The number of consumption units is calculated using the modified OECD scale: a weighting of 1 for the first adult, 0.5 for other adults and 0.3 for children under 14 years old.

Once the household income per consumption unit has been calculated, all household members are allocated.

The poverty line or poverty threshold is fixed at 60% of the median income distribution per consumption unit allocated to people. This figure is also called the poverty threshold.

All individuals whose income per consumption unit is below the threshold are classified as poor. The remaining people are not considered to be poor.

All members of the same household will therefore be classified in same way, as poor or as not poor.

This document presents measurements of poverty incidence, depth and distribution. Firstly, detailed results from Spain are shown followed by a view of Spain within the European context.

It is important to clarify that the LCS is a survey aimed at private households living in main family dwellings and therefore two groups of people who are often affected by poverty fall outside the scope of study: homeless people and those who live in institutions or collective households.

A household's disposable income is calculated by adding up the following components:

Net income from wage earners (monetary or almost monetary)

- + Net income from freelance workers
- + Net interest, dividends and profit from capital investments in enterprises that are not set up as a company
- + Income from renting a property or lands
- + Net social benefits (unemployment, retirement, survival, illness, invalidity, study assistance, family and children's allowance, social exclusion, housing benefit)
- + Periodic monetary transfers received from other households
- + Net income received by children under 16 years old
- Periodic monetary transfers paid to other households
- /+ Adjustment for income tax and social benefits
- Capital gains tax

This document includes the previous components in income, which are available in the 2004 LCS. From 2007 onwards, the LCS will include data relating to non-monetary income received by wage earners at the value of goods produced for own consumption and data on assigned rent, which will be included in the calculation of disposable household income.

Poverty In Spain

This section presents measurements related to the incidence of, the depth of and the distribution of poverty in Spain. The charts and graphs are based on indicators compiled using data from the 2004 LCS.

1. Incidences of poverty

The first part of this document deals with incidences of poverty in Spain. Results are displayed for the whole population and for groups obtained using classifications based on certain demographic and socio-economic characteristics that are assumed to have a link to poverty.

The indicators used to display incidences of poverty are poverty rates. This rate is calculated as the quotient between the number of poor people in a group and the total people in this same group. For example, the poverty rate of females will be the same as the number of poor females (under the poverty threshold) between the total number of females in the population.

The results on poverty are presented below. Firstly, the poverty threshold and subsequently poverty rates for the whole population and for the population aged 16 years and above are presented.

1.1. POVERTY THRESHOLD

The value of the poverty threshold in Spain, obtained as previously mentioned, is 6,279.7 Euros. A person will be classified as poor if their income per consumption unit is lower than this figure.

The value of the poverty threshold, expressed according to the household's total income, depends on the number of consumption units in the household. This is obtained by multiplying 6,278.7 by the number of consumption units in the household. For example, in a household with one adult, the threshold is 6,278.7 Euros, in a household with two adults it is 9,418.1 Euros (or 4,709 Euros per person), in a household with two adults and a child under 14 years it is 11,301.7 Euros (or 3,767.2 Euros per person) and in a household with two adults and two children under 14 years it is 13,185.3 Euros (or 3,296.3 Euros per person), etc.

1.2. POVERTY RATES

Presented below are the relative monetary poverty rates for certain classifications of the population.

Firstly, the whole population is classified according to the demographic characteristics of age and sex and then by certain characteristics of the household where the population live (makeup, number of members, tenancy regime, level of development and intensity of work in the household and existence of children). The adult population is also classified (16 years or more) depending on certain personal variables (most frequent activity, general health status and level of education).

The interpretation of certain indicators on poverty may at times be complex. Thus, when interpreting the tables that classify people by individual characteristics, there is a risk of forgetting that people are classified as poor or as not poor taking into account the household situation as a whole. Therefore, this situation needs to be born in mind when reaching conclusions and explaining the results of these tables.

1.2.1. TOTAL POPULATION POVERTY RATES

1.2.1.1. TOTAL POPULATION POVERTY RATES BY SEX AND AGE

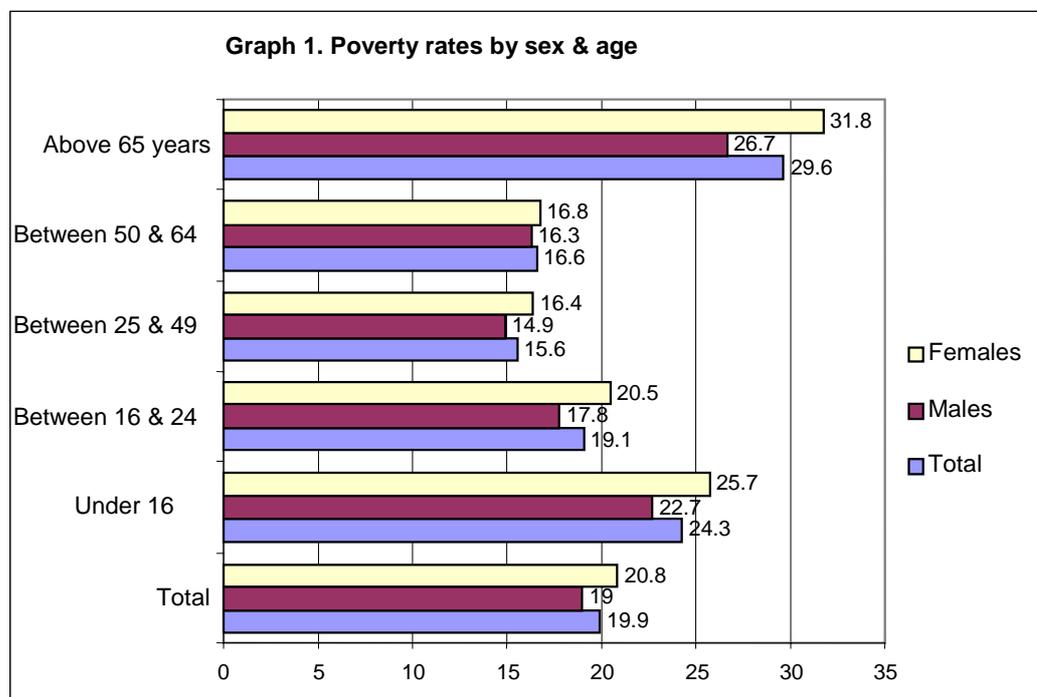
Age and sex are essential demographic variables for analysing incidences of poverty. Measurements are needed that inform us of the possible existence of differences between men and women. It is also necessary to obtain information on the ages when there is greater risk of poverty, in other words, to understand which groups are most affected by poverty (children, adults, older people).

Graph 1 shows the poverty rates by age and sex. A fifth of the population is below the poverty threshold, exactly 19.9%. It is worth highlighting that women have a greater risk of being poor than men, as the poverty rate for men is 19%, almost two points lower than the rate for women, which reaches 20.8%. This negative situation for women is general across all age groups.

If attention is paid to the age variable, it can be seen that the most unfavourable groups are people under 16 years and those above 65 years. The poverty rate for children (under 16 years) is 24.3% and it is 29.6% for those above 65 years.

The poverty rates in the other groups are lower, as these groups contain people of working age. In the case of people aged between 25 and 49 years, the poverty rate is 15.6% and in the group of people aged between 50 and 64 years, the rate is 16.6%. In the group with the youngest people (between 16 and 24 years), the poverty rate is slightly higher at 19.1%.

The greatest differences between men and women are found in the group of people aged 65 or above. 31.8% of females are poor, compared with 26.7% of males. These differences are smaller in the other groups.



Source: INE, Living Conditions Survey 2004

1.2.1.2. POVERTY RATE FOR THE TOTAL POPULATION BY TYPE OF HOUSEHOLD

The population according to type of household is classified below. The type of household variable depends on the household makeup, in particular the number of adults, their ages and the number of dependent children under their responsibility.¹

This classification is very important for determining which households are most affected by poverty, households with or without children, single parent households, older people who live alone, etc. This information is very useful when political measures aimed at reducing poverty are needed, as the needs of different households are also different.

In graph 2, the poverty rate for people aged 65 or above who live alone stands out as the highest and is considerably different from the other rates. More than half of older people who live alone are under the poverty threshold, exactly 51.8% of them.

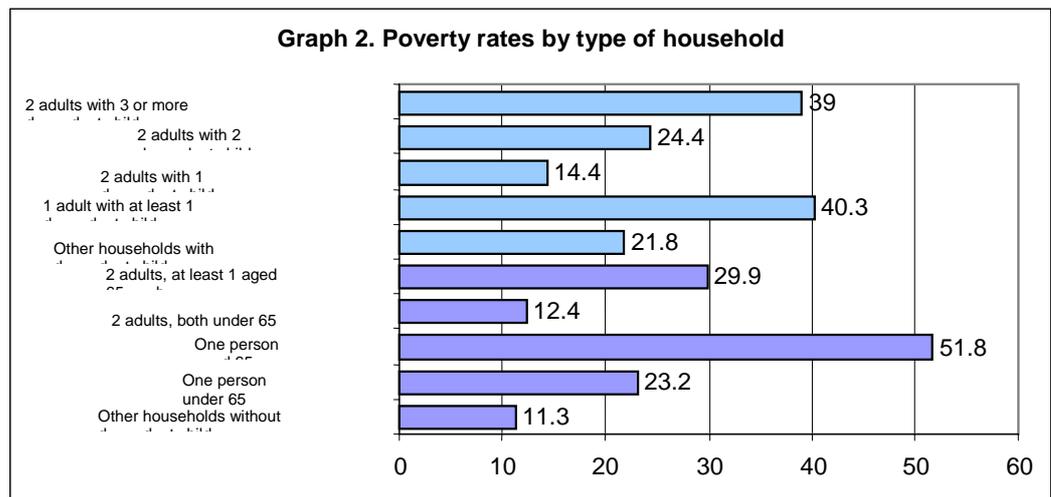
¹Dependent children: children under 16 years or between 16 and 24 years, but inactive and living with at least one parent.

Adults: Those who are not dependent children.

(This definition of adult will only be used in the tables and graphs containing the type of household variable. In the rest of the document, adult is defined as person aged 16 or above).

Following older people who live alone, the highest percentages of poor people are found in the group of people who live in households with one adult and at least one dependent child, normally single-parent households. 40.3% of these people are below the poverty threshold. There is also a high poverty rate of 39% for people in households with two adults and 3 or more dependent children.

Other households have poverty percentages under 30%. The poverty rates do not exceed 15% in households with two adults and one dependent child, which stands at 14.4%, nor in households with two adults under 65 years and no children, which stands at 12.4%. The lowest risk of poverty is found in households called "other households without dependent children", households where there are more than two adults without dependent children and where only 11.3% of people are poor.



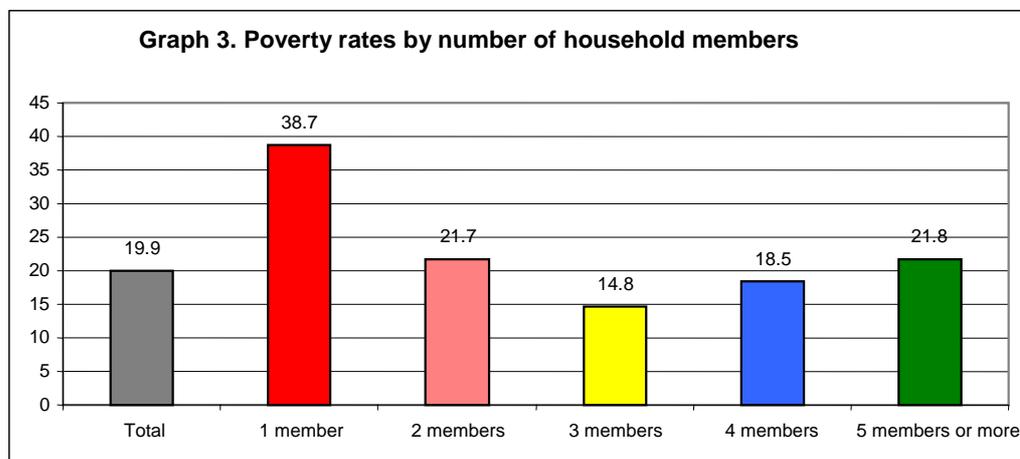
Source: INE, Living Conditions Survey 2004

1.2.1.3. POVERTY RATES FOR THE TOTAL POPULATION ACCORDING TO NUMBER OF MEMBERS

Below are the poverty rates classifying people by size of household, in other words, according to the number of members that make up the household in which they live.

Single-person households show the highest risk of poverty. There is a clear difference between these households and the rest. Whereas the percentage of poor people in households with just one member reaches 38.7%, in other households the percentages do not exceed 22%.

The group containing households with three members is in the best situation with only 14.8% of poor people.

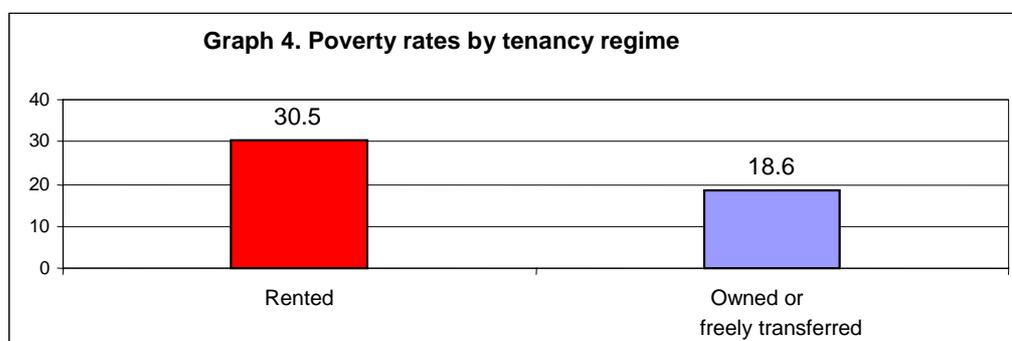


Source: INE, Living Conditions Survey 2004

1.2.1.4. POVERTY RATES FOR THE TOTAL POPULATION BY DWELLING TENANCY REGIME

The income by consumption unit of 30.5% of people who rent is below the poverty threshold. This percentage is lower in the group of people who live in owned dwellings, as the percentage of people considered poor in this case is 18.6%.

We need to bear in mind that rent allocated to the dwelling is not included in the income used to fix the poverty threshold, in other words, the estimated value of the dwelling in which the household lives when it is owned or when it has been transferred. If this had been the case, the differences would have been even greater than shown (allocated rent will be included in household income in subsequent years of the Living Conditions Survey).



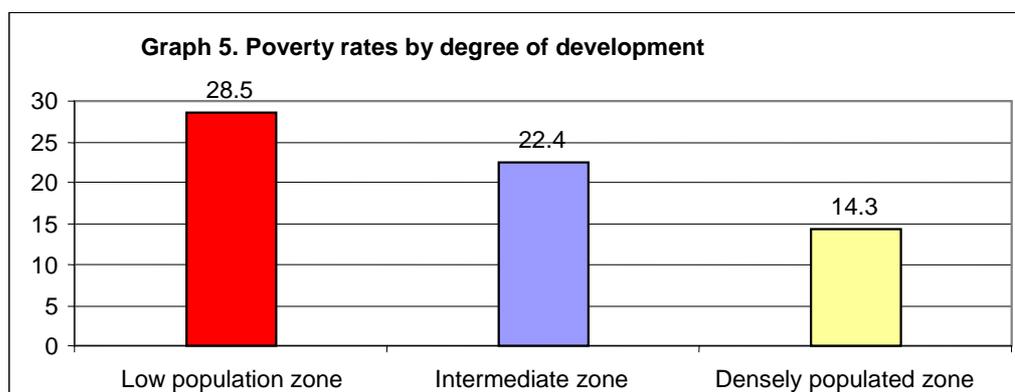
Source: INE, Living Conditions Survey 2004

1.2.1.5. POVERTY RATES FOR THE TOTAL POPULATION BY DWELLING'S DEGREE OF DEVELOPMENT

Another variable used to study the differences between people is the degree of development in the area where they live.

A zone of local areas whose density is greater than 500 inhabitants per square kilometre, where the total population in the zone is less than 50,000 inhabitants, is called a densely populated zone, The intermediate zone is a zone of local areas that do not belong to the densely populated area and whose density is greater than 100 inhabitants per square kilometre and with a total population of 50,000 or more inhabitants. The low population zone includes a number of local areas that do not belong to either the densely populated area or to the intermediate zone.

According to this classification, the risk of poverty reduces gradually with the level of development. In low population zones, the risk of poverty is 28.5%; almost double the figure for densely populated zones, which is 14.3%. It therefore seems that in zones that are less populated, the incidence of relative monetary poverty is greater than in cities.



Source: INE, Living Conditions Survey 2004

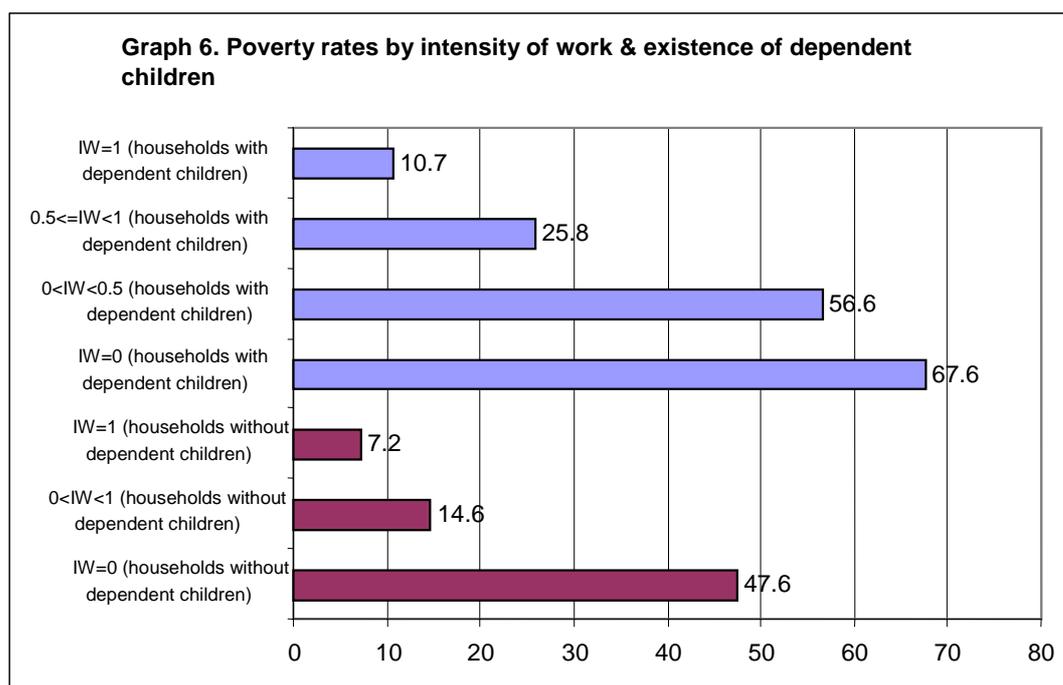
1.2.1.6. POVERTY RATES FOR THE TOTAL POPULATION BY INTENSITY OF WORK IN THE HOUSEHOLD AND THE EXISTENCE OF DEPENDENT CHILDREN

The relationship between poverty and the existence of work in households is a well-known fact. There is therefore great interest in studying this relationship in greater detail. Households and the people who make them up are classified depending on time worked throughout the year and the number of children and poverty rates are calculated from the groups that are formed.

The measurement entered in the time worked throughout the years is the so-called "intensity of work in the household". This is calculated as the percentage

of the number of months actually worked against those that could have been worked. People of working age who are not dependent children are taken into account in this calculation.².

According to this classification, the best placed households are those whose intensity of work is equal to one, in other words, households that work the whole year. In these households if there are dependent children, the poverty rate is 10.7% and if not, it is 7.2%.



Source: INE, Living Conditions Survey 2004

On the other hand and as expected, households in which nobody works (intensity of work equal to zero) are those with the highest poverty rates: 67.7% of people are poor in households with dependent children and 47.6% in households without dependent children.

In other words, the greater the intensity of work in a household, the lower the risk of poverty. The existence of dependent children also has an effect on poverty rates. If the intensity of work is maintained, the probability of being poor in households with dependent children is greater than in households without dependent children.

²Dependent children: children under 16 years or between 16 and 24 years, but economically inactive and who live with at least one parent.

1.2.2. POVERTY RATES FOR THE ADULT POPULATION (16 YEARS AND ABOVE)

These tables consider the adult population to be all people aged 16 or above, regardless of whether they are economically active or not.

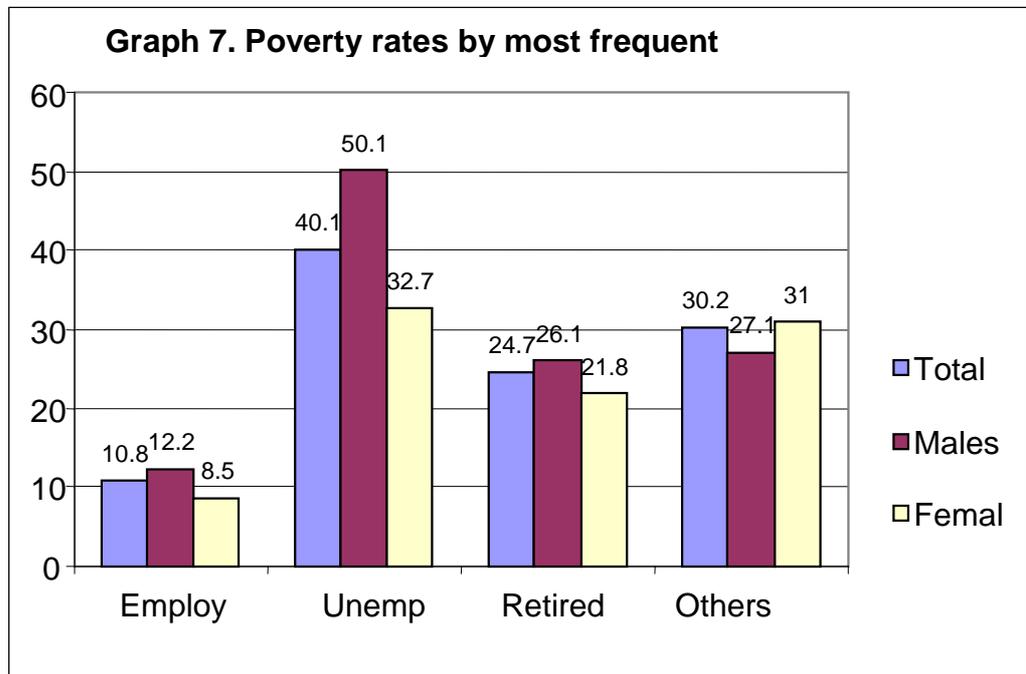
1.2.2.1. POVERTY RATES FOR THE ADULT POPULATION BY MOST FREQUENT ACTIVITY

The adult population is classified according to the most frequent activity. This analysis provides very interesting information showing to what extent the relationship between economically active people affects their situation in terms of poverty. It is important to bear in mind however, that the activity included is personal, whereas the classification of poor and not poor people uses household data, for example the income from other people in the household may determine whether a person is poor or not, even though they are inactive and do not have any kind of income.

The most frequent activity is defined as the activity undertaken for more than half of the months in which information on activities undertaken was collected during the calendar year prior to the survey.

Graph 8 shows that the group most affected by poverty is the unemployed, with 40.1% of them being poor. Nearly a third of unemployed females, 32.7%, and half of the males, 50.1% have income per consumption unit that is lower than the poverty threshold. The difference between males and females is the most marked in this case.

The other unemployed group follows the unemployed group with 30.2% of poor people. This is the only group in which females have a higher risk of poverty than the males. It is important to note that the percentage of inactive retired females is high at 45%, which significantly raises the total poverty rate for females, which in turn is higher than the rate for males.



Source: INE, Living Conditions Survey 2004

On the other hand, the lowest risk of poverty is found in the employed group, where only 10.8% of employed people are poor. This confirms therefore what was previously assumed: that work protects people to a certain extent from poverty. Despite this, there is a not inconsiderable percentage of people who are poor even though they work.

1.2.2.2. POVERTY RATES FOR THE ADULT POPULATION BY GENERAL STATE OF HEALTH

The following data reflect the different percentages of poor adults according to their state of health as declared in the survey.

In general, the risk of poverty is greater the worse a person's general state of health. The poverty rate is 15.7% for people with a very good state of health and almost double, 31.5%, for people with a very poor state of health.

The general state of health is closely related to age and this, in turn, is related to access to work. A high percentage of income often comes from work, meaning that access to work influences the risk of poverty. This factor is decisive in understanding the relationship that exists between state of health and poverty.

Chart 1. Adults located below the poverty threshold by general state of health

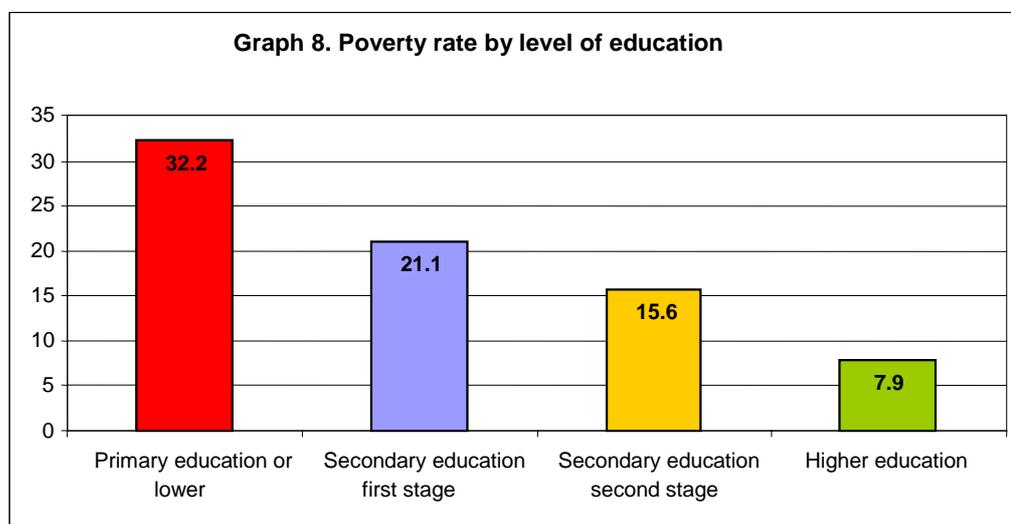
	Adults
Very good	15.7
Good	18
Acceptable	22.8
Poor	32.5
Very poor	31.5

Source: INE, Living Conditions Survey 2004

1.2.2.3. POVERTY RATES FOR THE ADULT POPULATION BY LEVEL OF EDUCATION

Peoples' level of education is directly linked to the probability that they are able to find work. Furthermore, the higher the level of education, the more possibilities they have of finding well-paid work.

Graph 9 shows that as a person's level of education increases, the probability of them being poor reduces. In the group of people with higher education, only 7.9% are poor, whereas almost a third of people with primary education or lower live in poverty.



Source: INE, Living Conditions Survey 2004

1.3. COMPARISON OF POVERTY RATES BEFORE AND AFTER TRANSFERS

It is essential to highlight the importance of social transfers on household income due to their redistributive role and for the weight they have in some households. Part of these social transfers, survival and old age pensions, are received as a result of a previous working life or an individual's family relations, in other words, they can be better understood as an acquired right rather than public assistance. Other benefits, such as unemployment, social assistance, family benefit, housing benefits, etc. make up the basis of the social welfare system and aim to have a redistributive effect on the income of households, avoiding extreme inequalities between households and situations of poverty.

In order to study the effect of this type of income on the distribution of income, the differences produced in poverty rates before and after receiving these benefits should be analysed.

The following table presents the percentages of poor people according to three different criteria: eliminating the calculation of income from any social transfer, incorporating old age and survival pension into the income, but not including other transfers and bearing in mind all social transfers, both pensions and other benefits. The final criterion has been used in all other tables and graphs showing poverty rates in this document.

In the calculation of these rates, the poverty threshold set is that which has been used in this document up until now, in other words, the threshold calculated that includes all transfers in the household income, 6,278.7 Euros in the 2004 survey. Subsequently, people are classified as poor or as not poor depending on whether their income per consumption unit (which will include certain transfers or others or none, depending on the case) is below or above the threshold.

Chart 2. Poverty rates for the total population before and after transfers

	Before all transfers	After pensions, before other transfers	After all transfers
Total	41.3	25.0	19.9
Under 16	32.2	29.0	24.3
16 to 64	32.4	22.3	16.5
65 and above	84.9	32.3	29.6

Source: INE, Living Conditions Survey 2004

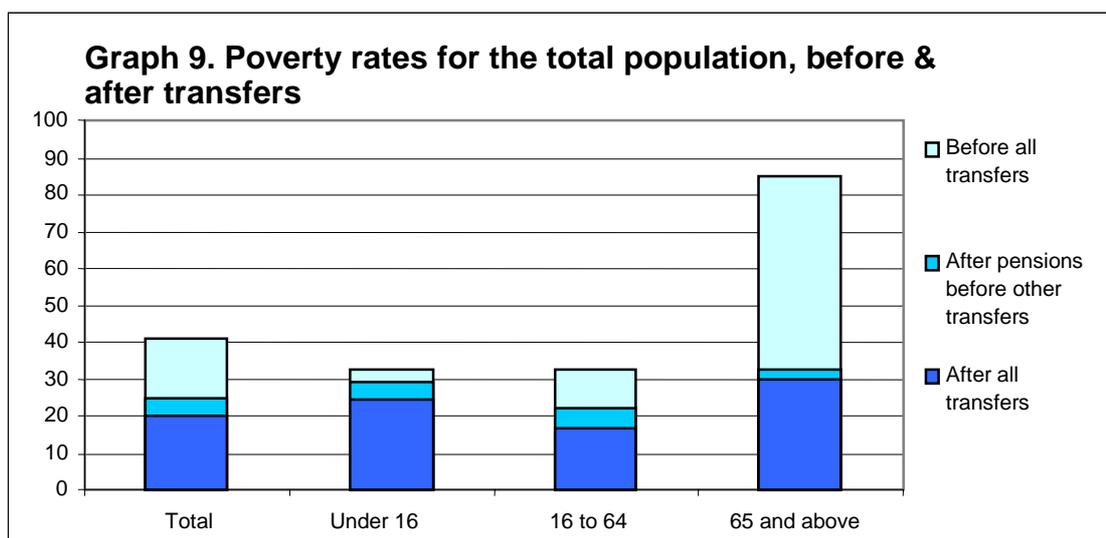
The poverty rate for the whole population is 41.3% before all transfers, 25% after including income from old age and survival pensions and it finally drops to 19.9% after including all social transfers in the income.

As can be seen in the table, old age and survival pensions manage to reduce the poverty rate to a greater extent than other benefits. In the case of those aged over 65 this reduction is dramatic. We need to remember that many older people live in households where a substantial part of the income comes from old age pensions and

survival pensions, meaning that if these benefits are eliminated, the number of poor people in poverty would be greater. The data show that the poverty rate calculated without including any social transfer in the income is 84.9%, but this reduces to 32.3% after considering pensions as part of the income.

The reduction in the poverty rate isn't as important for people aged between 16 and 65 years, but neither is it inconsiderable, reducing from 32.4% to 22.3%. It is important to remember that the type of household and the household's total income influences the risk of poverty, meaning that although a person is under 65 years old, they may live with people above 65 years old who contribute pensions to the total income.

Graph 10 shows that in general, except for those under 16 years, the ability of old age and survival pensions to reduce the poverty rate is greater than other transfers. These pensions are normally linked to an individual's life-work cycle and are not really transfers that redistribute income.



Source: INE, Living Conditions Survey 2004

If we are looking to measure the redistributive ability of social transfers, we should compare the "poverty rates before transfers but after pensions" with the "poverty rates after all transfers", in other words, we should isolate the effect of transfers, whose main objective is to redistribute income: unemployment benefits, social assistance benefits, family benefits, sick and invalidity benefits, etc.

In the group of people above 65 years, changes in the poverty rates when including other social transfers in the income are of less importance than for those who received old age and survival pensions.

The poverty rate for the total population after pensions but before other social transfers is 25%. Once other social transfers have been included in the income, the rate is 19.9%. For those people above 65 years, the rate drops from 32.3% to 29.6% and for adults between 16 and 24 years, it drops 5.8 points and reaches 16.5%.

2. The depth of poverty

As well as determining the percentage of the population affected by poverty and the most disadvantaged groups, it is necessary to also analyse the scope and intensity of poverty.

Only studying the percentage of poor people does not provide sufficient information to establish a complete view of the problem. Very different situations can be hidden behind the same percentage of poor people. It may be that all the poor people had income per consumption unit that was close to the poverty line, or the opposite, that all poor people had income per consumption unit that was way below the poverty threshold. The measures needed to improve the situation of poor people in these two extreme situations are very different. The amount of resources that need to be set aside to alleviate situations of poverty will depend not only on the number of poor people but also on the difference of their income per c.u. with the poverty threshold and the distribution of poor people's income, including inequality between the poor themselves.

With the aim of providing measurements of poverty intensity and inequality between poor people, this sections contains the income distribution deciles of poor people, the poverty gap and a measure of the sensitivity of the poverty rate.

2.1. INCOME DISTRIBUTION PER CONSUMPTION UNIT OF THE POOR POPULATION

Below is a table with the income distribution deciles for the population considered poor in this analysis (people with income per c.u. lower than 6,278.7 Euros). The first decile contains 10 percent of poor people who have the lowest income per consumption unit: less than or equal to 1,923 Euros, and so on until the last decile to which 10 percent of poor people with the highest income belong, between 5,796 Euros and 6,278.7 Euros.

It is important to highlight that 20 percent of poor people (approximately 4% of the total population) are located below the middle of the poverty threshold, in other words, their income per consumption unit is less than 3,117 Euros a year, which is the equivalent of 259.7 Euros a month.

The remaining poor people, 80%, are almost entirely spread out more or less evenly in the second half of the threshold (0 Euros, 6,278.7 Euros), in other words, their income per consumption unit is above 3,139.4 Euros a year.

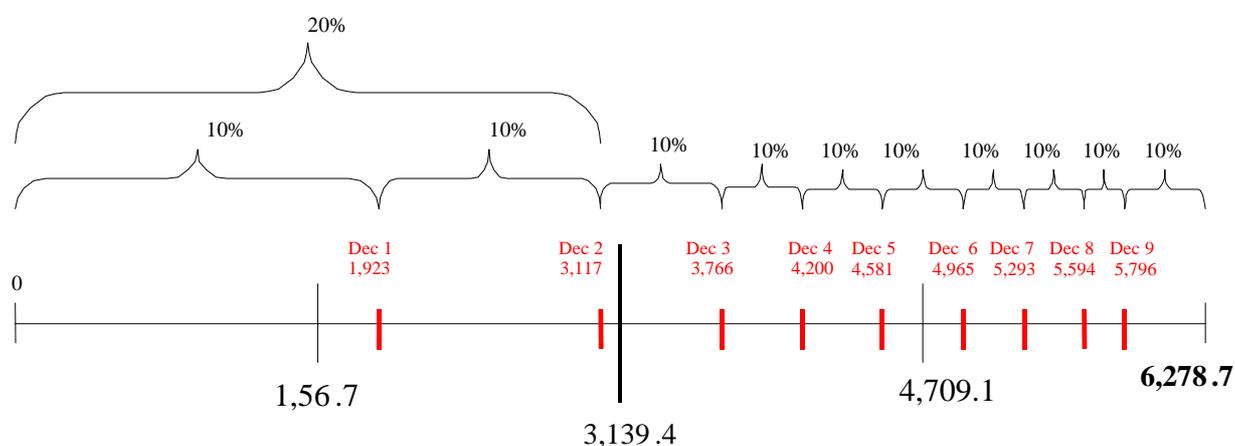
Chart 3. Top limit of income distribution deciles per consumption unit of poor people

	<u>Upper decile limit</u>
First decile	1,923
Second decile	3,117

Third decile	3,766
Fourth decile	4,200
Fifth decile	4,581
Sixth decile	4,965
Seventh decile	5,293
Eighth decile	5,594
Ninth decile	5,796

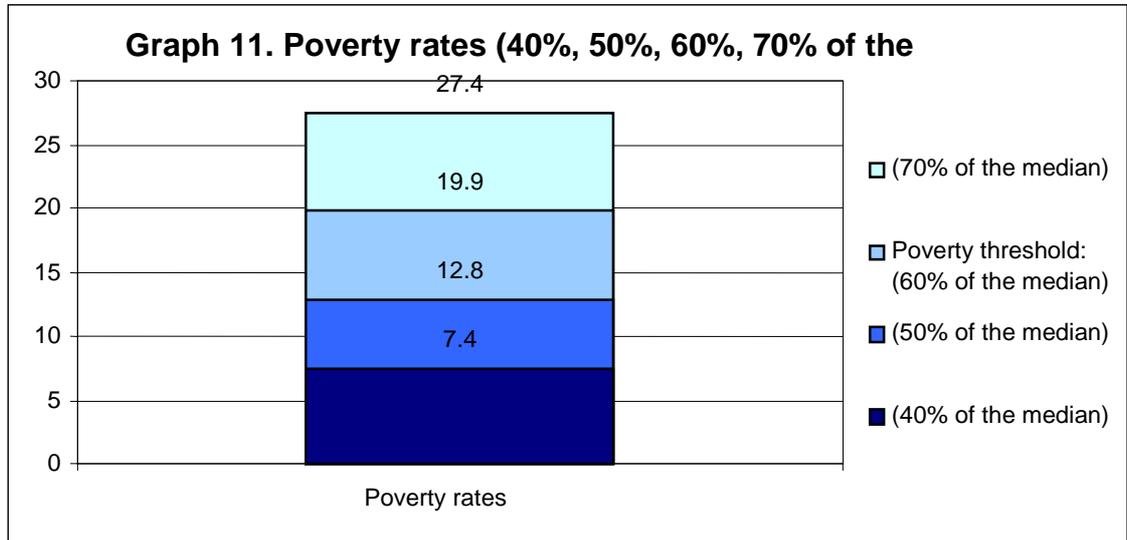
Source: INE, Living Conditions Survey 2004

Graph 10. Income deciles for the population classified as poor



2.2. POVERTY RATE SENSITIVITY

In order to study the spread around the threshold usually used to study poverty (60% of the average income per consumption unit), other alternative poverty lines are created and the poverty rate is calculated with these thresholds that are fixed at 40%, 50% and 70% of average income per consumption unit. In this way, the changes produced in the poverty rate can be studied by choosing a certain percentage of the average, in other words, the sensitivity of the poverty rate to these changes.



Source: INE, Living Conditions Survey 2004

The most used monetary poverty threshold in the European Union is calculated with 60% of the average. In Spain in 2003 (LCS 2004) this threshold is 6,278.7 Euros. The thresholds obtained with 40%, 50% and 70% of the average are respectively 4,185.8 Euros, 5,232.3 Euros and 7,325.2 Euros.

Only 7.4% of the population is located below the poverty threshold calculated using 40% of the average, the income per consumption unit of 5.4% is between 40% and 50%, 7.1% is located between 50% and 60% and 7.5% of the population is located between 60% and 70% of the average.

Graph 12 shows the poverty rates obtained using these four poverty thresholds: 40%, 50%, 60% and 70% of the average income per consumption unit. This shows how much the percentage of poor people changes depending on the criteria chosen to fix the threshold.

2.3. THE POVERTY GAP

One of the decisive factors when interpreting the situation in a country with regards poverty is knowing to what degree poor people are poor. One way of measuring this is by quantifying in average terms the difference between poor people and those who are not poor. There are several measurements that show the difference between poor people and those who are not poor and the majority of them are based on the distances between the income of poor people and the poverty threshold.

In the results presented below, the indicator used is the difference between the poverty threshold and the average income per consumption unit of people who are

located below the poverty threshold, expressed as a percentage of the poverty threshold. This gap is broken down by sex and certain age groups.

Chart 4. Poverty gap broken down by age and sex

	Total	Males	Females
Total	24.6	25.8	23.7
Under 16	26.0	26.3	25.4
16 to 64	26.7	26.8	26.7
65 and above	20.5	24.0	19.7

Source: INE, Living Conditions Survey 2004

The general poverty gap is 24.6% of the threshold, in other words, 1,544.6€. When broken down by sex, the gap is slightly greater for males than for females, 25.8% as opposed to 23.7%.

The smallest gap is found in the group of people aged 65 years and over at 20.5%. But in this group, where we find the greatest differences when looking at the sexes, there is a gap of 24% for males and 19.7% for females.

3. Poverty distribution

In order to design policies to fight against poverty and inequality, it is essential to have information on the characteristics of poor people, both demographic and socio-economic. In this way, more effective plans can be made that take into account the special characteristics of the different groups of poor people.

The distribution of poor people is presented below using the following variables: age and sex, tenancy regime in dwelling, type of household, intensity of work in the household and the existence of dependent children and the level of difficulty in making ends meet.

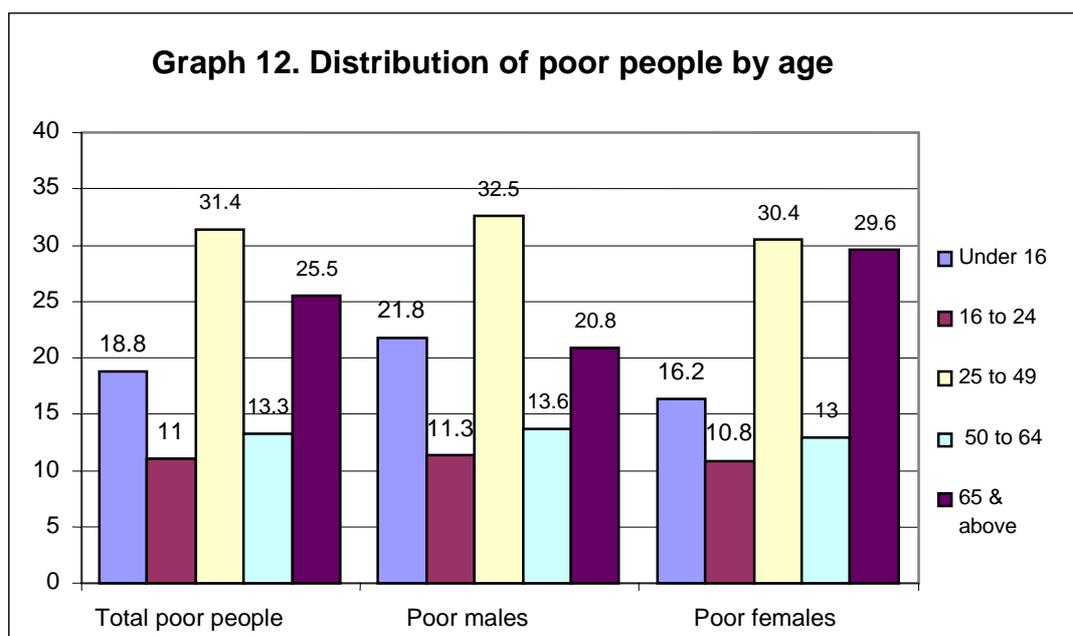
The majority of these variables have already been used in the calculation of incidences of poverty in the population. In the section on incidences of poverty, the percentages were calculated as follows: the number of poor people in a group within this group's population, in other words, this group's risk of poverty. In this section, the percentages are obtained by dividing the poor population with specific characteristics among the total poor population. For example, the percentage of poor people aged between 16 and 24 years will be calculated as the number of poor people between 16 and 24 years divided between the total number of poor people.

3.1. DISTRIBUTION OF TOTAL POOR POPULATION

3.1.1. DISTRIBUTION OF POOR PEOPLE BY SEX AND AGE GROUPS

The needs of children, adults of working age and older people are not the same and in many cases, the needs of males and females are not the same either. Finding out how many poor people there are in each age group and sex is essential information when formulating policies to reduce poverty and it can help to decide which group most urgently needs certain measures or which group should receive the most resources, both financial and of other types. The distribution of poor people by age and sex is presented below.

When looking at the sex of people considered to be poor, the data show that 46.7% are males and 53.3% are females, in other words, there are 6.6% more poor females than poor males.



Source: INE, Living Conditions Survey 2004

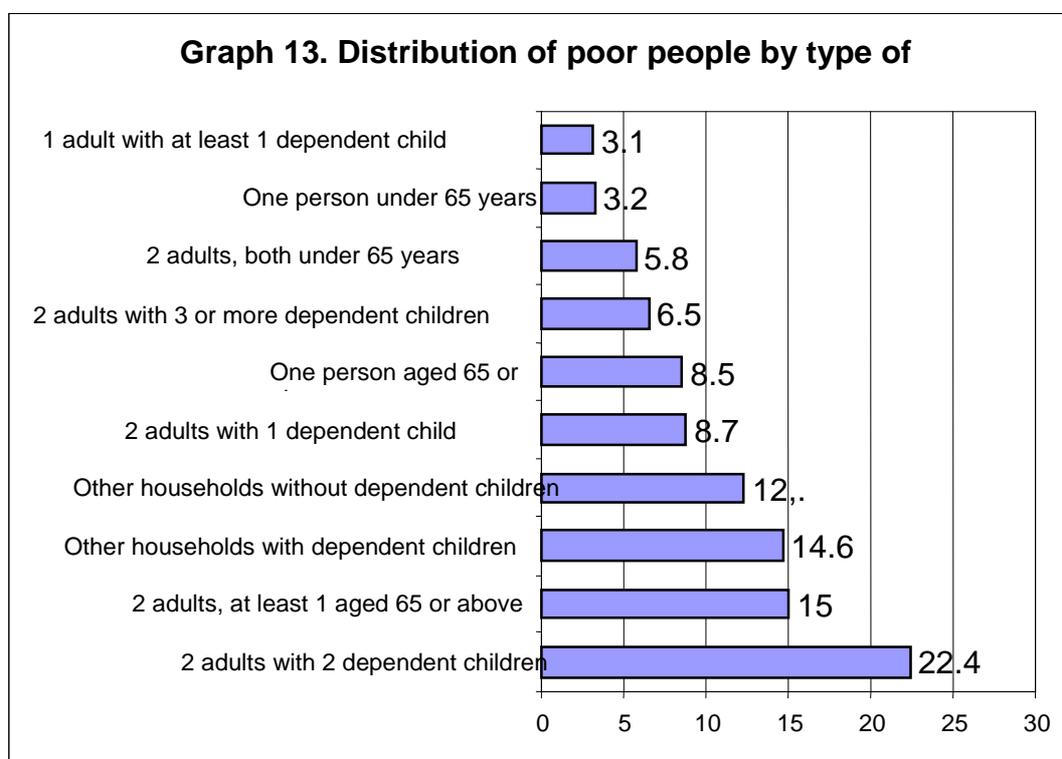
In terms of the age of poor people, graph 13 shows that the most common age range is between 25 and 49 years with 31.4% of poor people; approximately a fourth of poor people are aged 65 years and 18.8% are under 16 years old. The other two groups, people between 16 and 24 years old and people between 50 and 64 years are the least represented amongst poor people.

If the distribution of poor males is compared with the distribution of poor females, it is important to note that there is a higher percentage of minors amongst the poor males, 21.8%, than amongst the poor females, 16.2%. On the other hand, the percentage of poor females aged over 65 years, 29.6%, is greater than for males,

20.8%. In the remaining age groups, poor males and females are distributed in a similar way.

3.1.2. DISTRIBUTION OF POOR PEOPLE BY TYPE OF HOUSEHOLD

Graph 13 shows the percentages of poor people in each type of household, according to the classification used in the part of the document that deals with incidences of poverty.

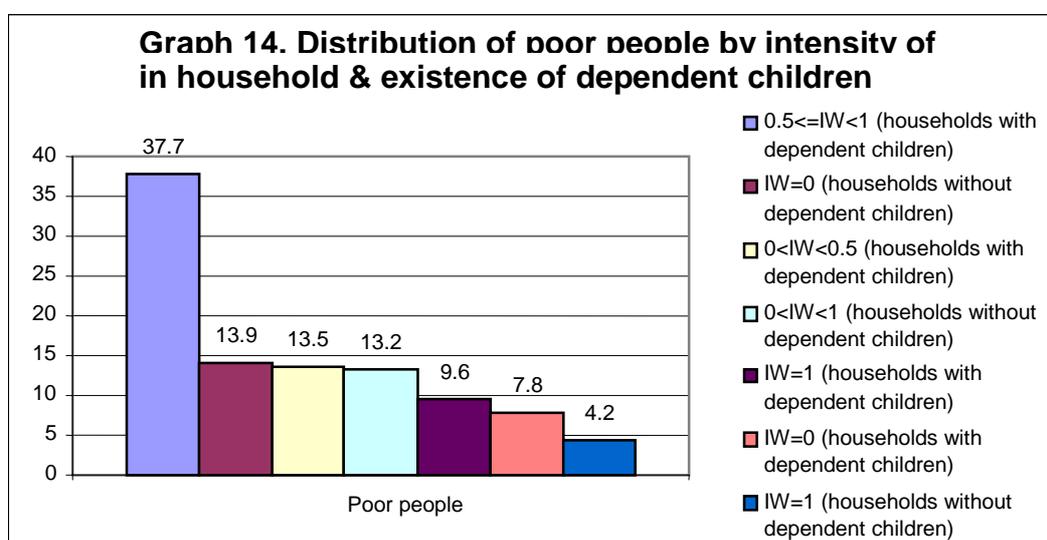


Source: INE, Living Conditions Survey 2004

Poor people are distributed very unevenly between the different types of household. A high percentage of poor people, 22.4%, live in households with two adults and two dependent children. This is the largest group of poor people and it clearly stands out from the rest. The second largest group of poor people contains households with two adults, at least one aged 65 years or above, where 15% of poor people are located. The percentages of poor people in households of another type drop down from 14.6% in households called "other households with dependent children" to 3.1% of poor people in households with one adult and at least one dependent child.

3.1.3. DISTRIBUTION OF POOR PEOPLE BY INTENSITY OF WORK IN THE HOUSEHOLD AND EXISTENCE OF DEPENDENT CHILDREN

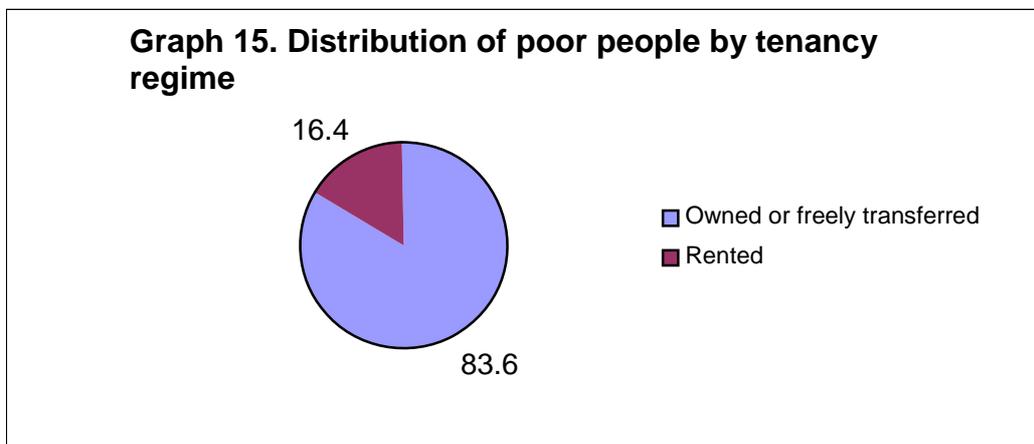
A large number of poor people, 37.7%, live in households with dependent children and with an intensity of work between 0.5 and 1, making this group stand out clearly from the rest. In the remaining groups, those people who live in households without dependent children and with an intensity of work equal to 1 stand out the most, with just 4.2% of poor people living in this type of household.



Source: INE, Living Conditions Survey 2004

3.1.4. DISTRIBUTION OF POOR PEOPLE BY TENANCY REGIME

83.6% of people under the poverty threshold live in dwellings that are owned or have been freely transferred. The rest live in dwellings that are rented. Although incidences of poverty are greater in rented households, the high proportion of owned houses in Spain means that the distribution of poor people also reflects this situation.

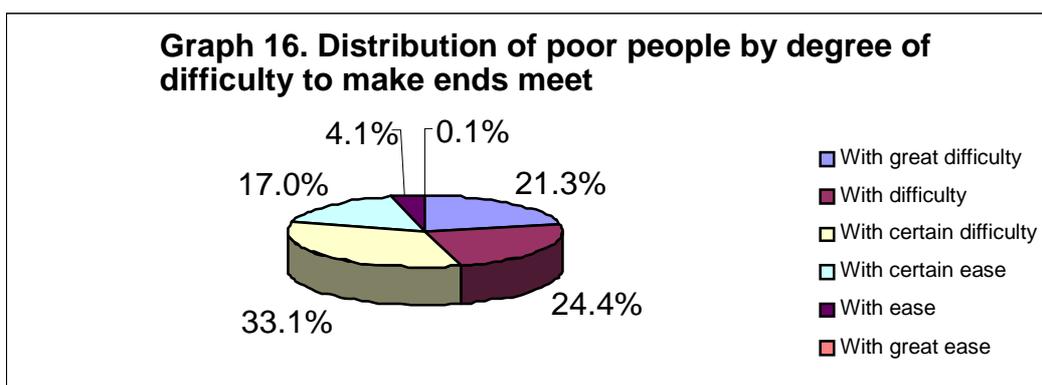


Source: INE, Living Conditions Survey 2004

3.1.5. DISTRIBUTION OF POOR PEOPLE BY DEGREE OF DIFFICULTY IN MAKING ENDS MEET

One of the questions considered in relation to poverty is the study of how people considered poor perceive their own situation. Below are the distributions of poor people and the total population according to the degree of difficulty a household has in making ends meet. This variable expresses the subjective view of households on their financial situation.

78.8% of poor people belong to households with some degree of difficulty in making ends meet (great difficulty, difficulty or some difficulty).



Source: INE, Living Conditions Survey 2004

21.2% of poor people live in households that claim that they make ends meet with some degree of ease, which to a certain extent contradicts those that are objectively classified as poor. In any case, the majority of these people live in households that have stated that they make ends meet only with some degree of ease, not with ease or with great ease.

It seems therefore, that there is a certain consistency between the classification of people into poor and not poor and the subjective classification carried out by the

households themselves. Even so, the relationship between the classification of someone as poor using monetary criteria and the way in which their household perceives their financial situation isn't perfect. There are psychological factors, the availability of resources other than income and a wide range of circumstances that mean that monetary poverty cannot be identified with the perception that households have of their financial situation.

3.2. DISTRIBUTION OF POOR ADULT POPULATION

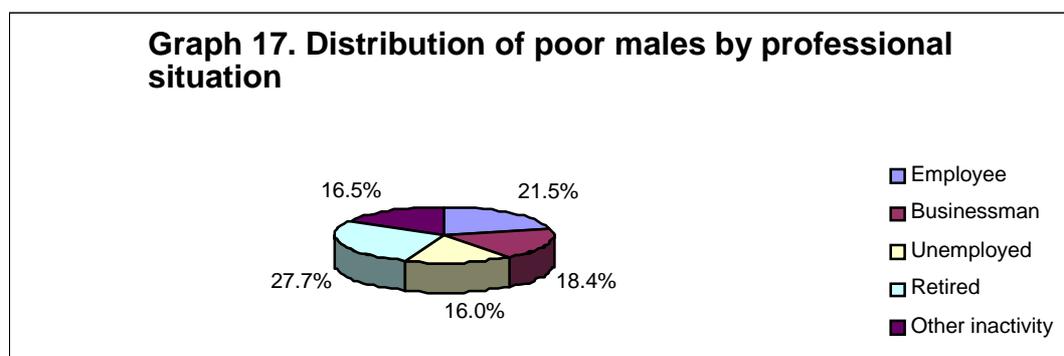
The adult population considered in this section includes people aged 16 years or above.

3.2.1. DISTRIBUTION OF POOR ADULT POPULATION BY MOST FREQUENT ACTIVITY AND SEX

Almost three quarters of poor adults, 73.8%, are not employed. 14% are unemployed, 18% are retired and 41.8% are inactive in another way.

The remaining poor people are spread out between employees with 14.9% and business people with 11.2%.

When analysing separately the distributions of poor adult males and females according to their most frequent activity, there are clear differences. Whereas poor males are spread out between the groups in a more homogenous way, poor females are distributed very unevenly.

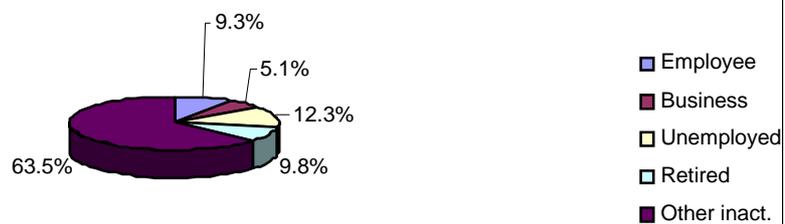


Source: INE, Living Conditions Survey 2004

The proportion of employed males amongst poor males is considerable at 39.9% (21.5% employees and 18.4% business people). The largest group includes retired people. 27.7% of poor males are retired. The proportion of poor, unemployed males at 16% is similar to the proportion of poor males who are inactive in another way, at 16.5%.

Almost three quarters of poor females are inactive at 73.3%. The fact that there are hardly any business women, just 5.1% of poor females, stands out.

Graph 18. Distribution of poor females by professional situation



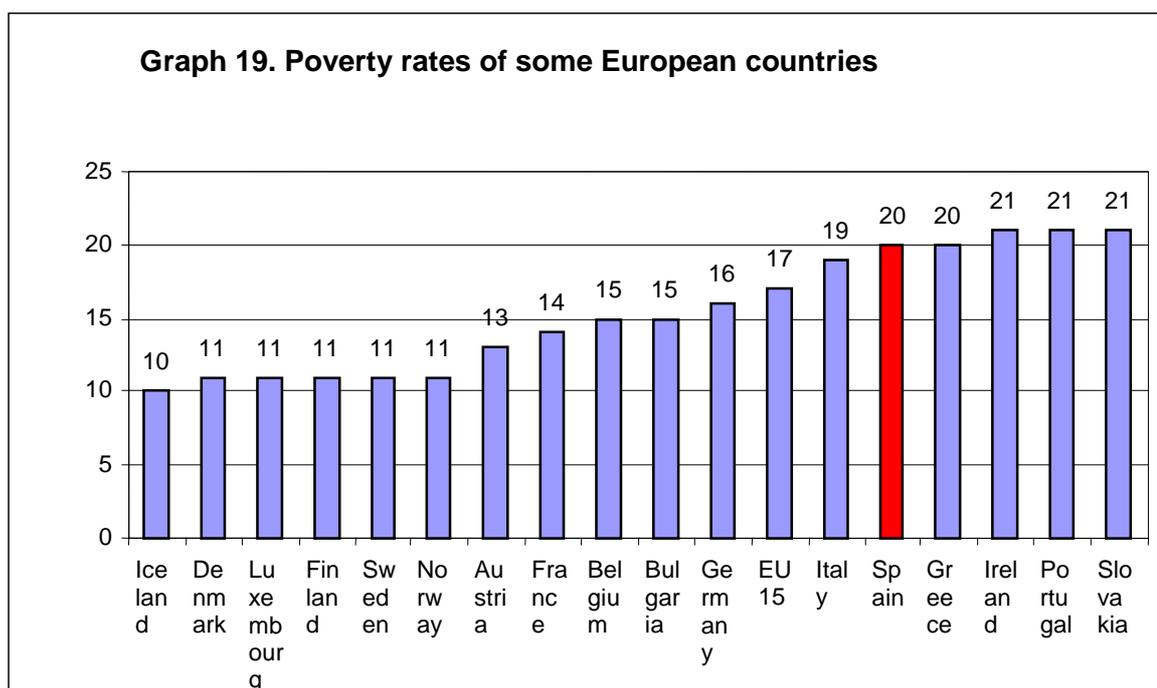
Source: INE, Living Conditions Survey 2004

Spain in the European context

This section includes a short comparison of the situation in Spain with regards other European countries, the majority belonging to the European Union. To do this, the poverty thresholds and poverty rates of each of the countries are presented below. The thresholds are expressed in purchasing power standards (PPS).

The data come from the European Statistics Office (EUROSTAT) and are available on <http://epp.eurostat.ec.europa.eu/>

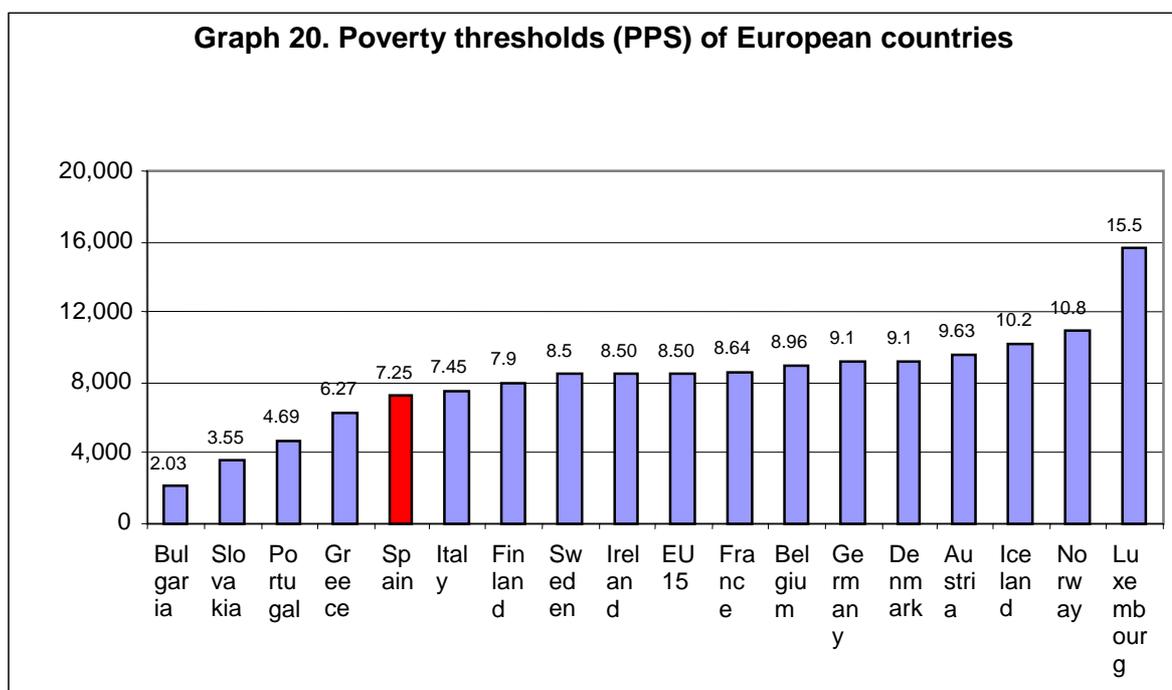
As there is no single threshold in the European Union and thresholds are calculated separately in each country, the relative poverty rates are not enough to be able to make comparisons between countries. With the aim of enriching the information offered by the poverty rates, the values of national thresholds are also presented. Even so, on many occasions these measurements do not allow the relative position of two countries to be specified either, as one country may be better situated than the other in terms of the poverty rate, but in a worse situation when considering the threshold. In any case and although these data do not provide us with a single ranking of countries, these two measurements used together provide a general view of groups in countries that are better or worse placed in terms of poverty.



Source: EUROSTAT

Graph 19 shows that Spain is among the seven countries with the highest poverty rates: Slovakia (21%), Portugal (21%), Ireland (21%), Spain (20%), Greece (20%) and Italy (19%). On the other hand, graph 20 also shows that with a poverty threshold of 7,254 PPS, Spain is among the six countries with the lowest poverty thresholds: Bulgaria (2,033 PPS), Slovakia (3,554 PPS), Portugal (4,697 PPS), Greece (6,272 PPS) and Italy (7,450 PPS).

PPS). It is important to remember that only the data for some countries have been presented, given the lack of availability of data on EUROSTAT for the other countries.



Source: EUROSTAT

When studying the relationship between Spain and Bulgaria, there is a lack of comparability. Bulgaria's poverty rate is 15%, less than Spain's, which is 20%, but its poverty threshold of 2,033 PPS is not even a third of Spain's threshold, which is 7,254 PPS, in other words, people considered poor in Spain have income per consumption unit three times the poverty threshold in Bulgaria. The opposite of this happens when we compare Spain and Ireland, whose poverty threshold is 8,502 PPS, which is greater than Spain's. At the same time however, Ireland's poverty rate is 21%, slightly higher than in Spain. In neither case can we say which of the two countries is better placed without introducing other elements into the analysis or without giving preference to one of the two measurements.

Even though the countries can't be ranked based on these measurements, it has been possible to confirm that the situation in Spain is neither the best nor the worst in Europe. Spain is placed among those countries with the highest relative monetary poverty rates and lowest relative monetary poverty thresholds, but there are several countries in a worse position than Spain. The situation in Portugal and Greece is worse than in Spain. Graphs 19 and 20 show that in these countries the poverty rates are higher than in Spain and the poverty thresholds lower than in Spain. Greece has the same poverty rate as Spain, but its poverty threshold is quite a bit lower. Italy on the other hand is in a very similar situation to Spain with an almost identical threshold, but with a poverty rate that is a percentage point lower.