

## **APPENDIX 1: Definitions of Poverty**

"There are basically three current definitions of poverty in common usage: absolute poverty, relative poverty and social exclusion.

Absolute poverty is defined as the lack of sufficient resources with which to keep body and soul together. Relative poverty defines income or resources in relation to the average. It is concerned with the absence of the material needs to participate fully in accepted daily life.

Social exclusion is a new term used by the Government. The Prime Minister described social exclusion as "...a shorthand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown".

### **The House of Commons Scottish Affairs Committee**

#### **The Definition of Poverty**

The usual definition of relative low income are households whose equivalised income before housing costs is below 60% of the median (i.e. midpoint) income in the U.K. in the same year.

Income is the income from all sources for all members of the household but after deductions for income tax, National Insurance contributions, council tax, pension contributions and maintenance payments.

Equivalisation allows for differences in the size and composition of households, and recognises that a family of several people requires a higher income than a single person in order for both households to have a similar standard of living.

It is assumed that all individuals in the household benefit equally from the combined equivalised income of the household.

For a couple with no children the U.K. median income before housing costs in 2006-07 was £377 per week. The relative low income level was therefore £226 per week.

#### **The Experience of Rural Poverty in Scotland (Scottish Government 2009)**

From the definitions above, it is clear that the worst cases of absolute poverty should never occur in Oban, and the trustees will consequently be more likely to be concerned with applicants experiencing gradations of "relative poverty" i.e. using equivalency to the income levels determined above.

Using the figures above as a guide, in general, those on mean tested benefits such as jobseekers allowance (£146 per fortnight for a single person) will be likely to fall within the definition of relative poverty.