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20 Economic and Social Situation of the Population

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Results from 2007 to 2014

Poverty and material deprivation

According to the latest findings of the Federal Statistical Office (FSO), around 530,000 people in Switzerland were affected by income poverty in 2014. 123,000 of them were employed. Furthermore, some 1.085 million people were at risk of poverty and around 370,000 people showed an income-related deprivation in at least three out of nine areas of life. Lone parents, persons with no post-compulsory education and persons in households with a low level of participation in the labour market are particularly affected.

As is usual in poverty research, the FSO's poverty statistics use various monetary and non-monetary concepts to determine poverty (see box).

For 6.6% of the resident population in Switzerland, the disposable income¹ in private households was below the absolute poverty threshold in 2014. This means that 1 in 15 persons in Switzerland was affected by income poverty. This corresponds to approximately 530,000 persons.

According to the relative at-risk-of-poverty concept, 13.5% or some 1,085,000 persons were at risk of poverty. This means that the income of over half a million people lies only slightly above the absolute poverty threshold. Should their income situation deteriorate, these people are particularly at risk of slipping into poverty.

For some 370,000 people or 4.6% of the population, a lack of financial means leads to material deprivation: These people are unable to afford at least three items from a comprehensive list of nine categories (see box).

Three concepts for measuring income poverty and material deprivation

The **poverty rate** is based on an "absolute" threshold: People are considered to be poor if they do not have the financial means to buy goods and services that are necessary for a socially integrated life. The poverty threshold used is based on guidelines from the Swiss Conference for Social Welfare (SKOS). It consists of a fixed amount to cover living expenses, individual housing costs as well as CHF 100 per month per person aged 16 or over for additional expenses.

The **at-risk-of-poverty-rate** is based on a "relative" threshold: People are considered to be at risk of poverty if they have an equivalised disposable income (see p. 2) that is considerably below the standard income level in the country concerned. Thus poverty is seen as a form of inequality: whether a person is at risk of poverty depends not only on his or her own economic situation (or that of its household) but also on the standard of living in the country where she or he lives. The European Union has set the at-risk-of-poverty threshold at 60% of the median disposable equivalised income.

The **material deprivation rate** is described as income-related deprivation in at least three out of nine categories coordinated across Europe: the ability to face unexpected financial expenses of CHF 2500; the ability to afford a one-week annual holiday away from home; no arrears; the ability to afford a meal with meat or fish (or vegetarian equivalent) every second day; the ability to keep a home adequately warm; having access to a washing machine; owning a colour TV, a telephone and a car.

¹ See definition of income in box on p. 2.

T1 Average poverty thresholds and at-risk-of-poverty thresholds of selected household types, 2014 in CHF per month

Household types	Basic needs	Average housing costs taken into account	Other expenditure	Average poverty threshold ¹	At-risk-of-poverty threshold at 60% of the median ²
Individual	986	1133	100	2219	2458 ± 26
Lone parent with 2 children aged under 14	1834	(1556)	100	(3490)	3933 ± 42
2 adults without children	1509	1356	200	3065	3688 ± 39
2 adults with 2 children aged under 14	2110	1721	200	4031	5163 ± 55

¹ National averages; for the calculation of poverty indicators an individual poverty threshold is used for each household.

² The at-risk-of-poverty thresholds for the different household types are calculated using the the modified OECD equivalence scale (see box on definitions of income).

(x) The values in brackets are based on low case numbers and should therefore be interpreted with caution.

Source: FSO – Statistics on Income and Living Conditions SILC, Version 04.04.2016

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In 2014, the poverty line for an individual was CHF 2219 per month on average and CHF 4031 for two adults with two children (see T 1). This amount has to cover general living costs (basic needs: food, clothing, hygiene, mobility, entertainment etc.) as well as housing costs and other expenses such as insurances. However, this does not include health insurance costs as, in line with international standards, these are already deducted in the calculation of the disposable income.

The at-risk-of-poverty threshold was several hundred francs higher for each of these household types. In 2014 it was CHF 2458 for an individual person and CHF 5163 for two adults with two children.

Poverty has tended to decline since 2007

Since the start of data collection for SILC in 2007, income poverty in Switzerland has had the tendency to decline (see G 1). Over the same period disposable incomes have risen in all income groups. With the exception of a short slump in 2009, the labour market and economic situation were stable and developed positively.

Nevertheless, over the same period no clear trend can be observed in the at-risk-of-poverty rate or in the material deprivation rate. The decline in the material deprivation rate between 2010 and 2011 is mainly due to the fact that some questions were reformulated in 2011 for better international comparability. Therefore, from 2011 the rates cannot be directly compared to previous years. As substantial changes have been made to the SILC methodology, from 2014 the values of all indicators can no longer be directly compared with those of previous years (see box).

Income definitions

The **gross household income** includes all income from all of the members of a private household (income from employment and self-employment, pensions and social transfers, income from property etc.). However, it does not include any financial assets.

The **disposable household income** is calculated by subtracting compulsory expenditure from the gross household income. Compulsory expenditure includes social insurance contributions, taxes, basic health insurance premiums, alimony and other maintenance payments.

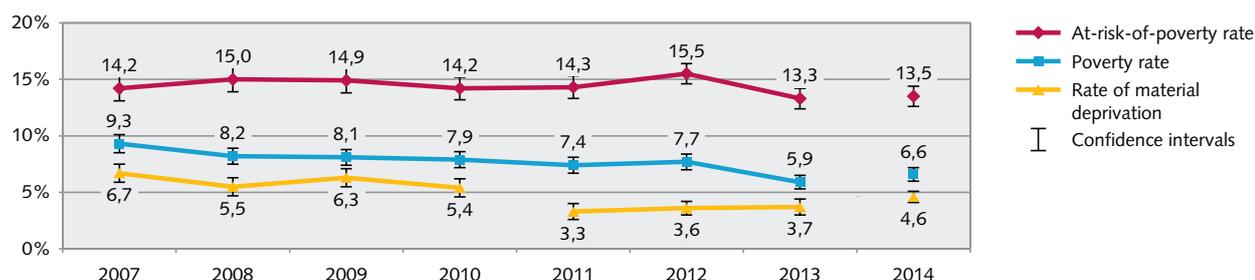
The **disposable equivalised income** is calculated on the basis of the disposable household income, taking into account the size and composition of households. The oldest member of the household is given a weighting of 1, every other person aged 14 or over is weighted 0.5 and every child under the age of 14 is weighted 0.3 (OECD-modified scale). This allows for savings which result from the communal economic activity of a household with several persons.

Changes to SILC methodology

The present analysis is based on the European-wide survey SILC (Statistics on Income and Living Conditions). As of 2014, the sample for the SILC survey is drawn from the new sample frame for the person and household survey (SRPH). This means that people without a fixed telephone line can now also be included in the survey. As a result the weighting model was revised and improved in particular by the inclusion of new register data. These changes mean that from 2014, results from previous years can no longer be directly compared with one another. For more information on SILC: www.silc.bfs.admin.ch.

Evolution of the poverty rate, the at-risk-of-poverty rate and the rate of material deprivation, 2007–2014

G 1



The 2007 to 2013 time series has been revised to enable better comparability of data. Due to the different formulation of various questions, from 2011 the material deprivation rate is no longer comparable with previous years. Furthermore due to methodological adjustments the values of all SILC indicators from 2014 can no longer be compared with previous years (see box).

Source: FSO – Statistics on Income and Living Conditions SILC

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Education and employment prevent poverty

The income poor population can be characterised by various sociodemographic characteristics (see G 2). The highest completed level of education is of key importance here: People with no post-compulsory education are almost twice as likely to be poor as those with an upper secondary qualification (12.6% compared with 6.8%). People with a diploma from a university or university of applied sciences were least affected by poverty (tertiary level, 4.1%).

At 7.6%, the poverty rate among women was higher than that of men (5.7%). This is in part attributable to the fact that women are much more likely than men to be lone parents.

People aged 65 or over also showed a higher than average poverty rate (13.6%). However, it should be noted here that only poverty of income is considered without any possible assets and that it is precisely people aged 65 and over who resort to their financial assets in order to cover everyday expenditure.

Previous FSO analyses show that roughly three quarters of all income poor people of retirement age have more than CHF 10,000 in liquid assets and that one third have even more than CHF 100,000. Among persons aged 18 to 64, the proportions of people with such assets are much lower: 40% and 10% respectively.² The poverty rate among people of retirement age should therefore only be interpreted with caution. This is also borne out by the fact that at 1.6%, people aged 65 or over have a considerably lower rate of material deprivation than all other age groups.

If we differentiate between household types, poverty is particularly common among people in single-parent families (14.1%). People who live alone are also more likely to be poor than the population as a whole: The poverty rate is high both among single people aged under 65 (11.2%) and those aged 65 or over (22.7%). But if a second adult lives in the same household, the likelihood of people under the age of 65 being affected by poverty is not higher than average, regardless of how many children live in the household (no child: 3.2%, 1 child: 3.3%, 2 children: 3.6%, 3 children: 6.0%). According to the relative poverty concept, however, families with three or more children are at particular risk of poverty (20.7%, not shown in graphic). This would suggest that the household income of large families often lies only slightly above the absolute poverty threshold.

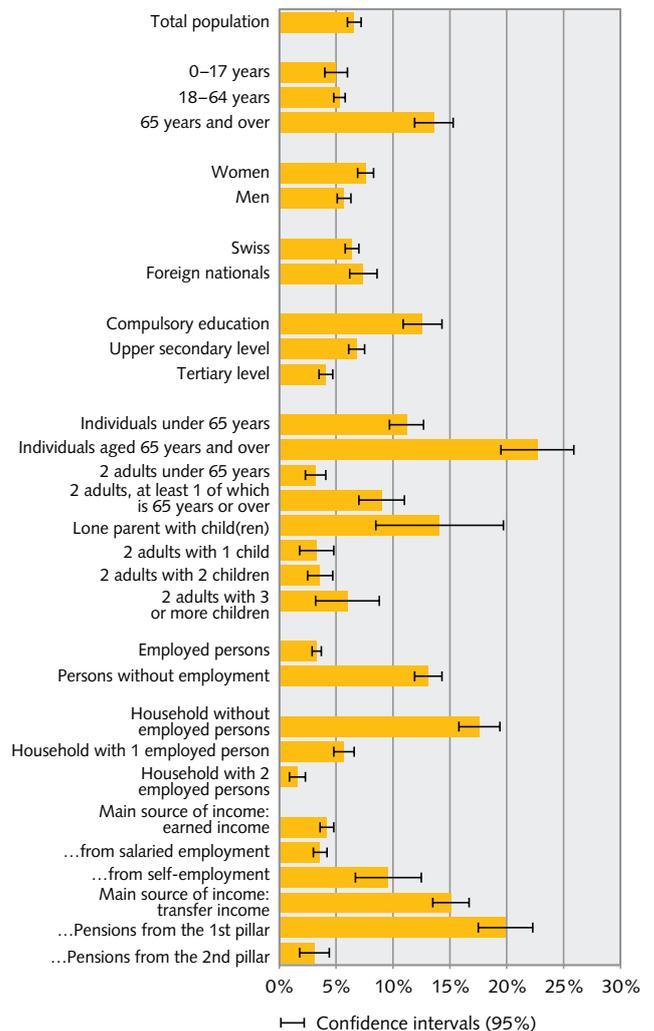
There is no clear distinction by nationality with regard to persons who are below the absolute poverty threshold. People who do not hold a Swiss passport, however, are more likely to be at risk of poverty and to suffer material deprivation than Swiss nationals (at-risk-of-poverty rates: 20.1% against 11.5%; material deprivation rates: 7.7% against 3.7%, not shown in graphic).

Another important factor concerning those affected by poverty is the labour market participation of adults in the household. Employed persons are far less likely to be affected by poverty (3.3%) than those who are without employment (13.1%). Not surprisingly, persons in households

² Liquid assets are money in bank and postal accounts as well as shares, bonds, investment funds etc. (gross values). These analyses were made on the basis of SILC 2011, as the survey that year contained detailed information on financial assets. See also the report "Armut im Alter" (FSO, 2014 Order number 851-1201). Available in German and French.

Poverty rates by different characteristics, 2014

G 2



The poverty rate is based on income and does not take into account any financial assets. The household variables are based on persons who live in households with these characteristics. The variables relating to the educational and labour market are only collected for persons aged 18 or over. All persons under the age of 18 and economically inactive persons aged 18-24 who live with their father and/or mother are considered to be children. Only subgroups with at least 200 observations in the sample and a confidence interval of a maximum of $\pm 10\%$ are shown.

The confidence interval is used to determine whether the observed differences between two values are statistically significant. Example: The poverty rate of men was 5.7% (± 0.6), that of women 7.6% (± 0.7). The confidence intervals of these two groups were 5.1% to 6.3% and 6.9% to 8.3% and do not overlap. The difference observed is therefore statistically significant.

Source: FSO – Statistics on Income and Living Conditions SILC, Version 04.04.2016, without imputed rent

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in which no single person is employed show the highest poverty rate (17.6%). Where one person in the household is employed, the poverty rate falls to 5.7% and where two people are employed, the rate decreases to 1.7%.

People living in households that can mainly cover their living costs with earned income are relatively seldom affected by poverty (4.2%). However, if household income is mainly comprised of social transfers, the poverty rate is considerably above average (15.1%). On examining further

details, striking differences can be seen: For example, people receiving a main income from the 2nd pillar are far less often affected by poverty (3.1%) than those with an income that mainly comes from the 1st pillar (19.9%).

The **employed population** in this analysis is comprised of people aged 18 and over who reported that in the year prior to the survey they were mainly employed or self-employed. Both full-time and part-time jobs are considered in these figures.

Part-time workers are more likely to be poor

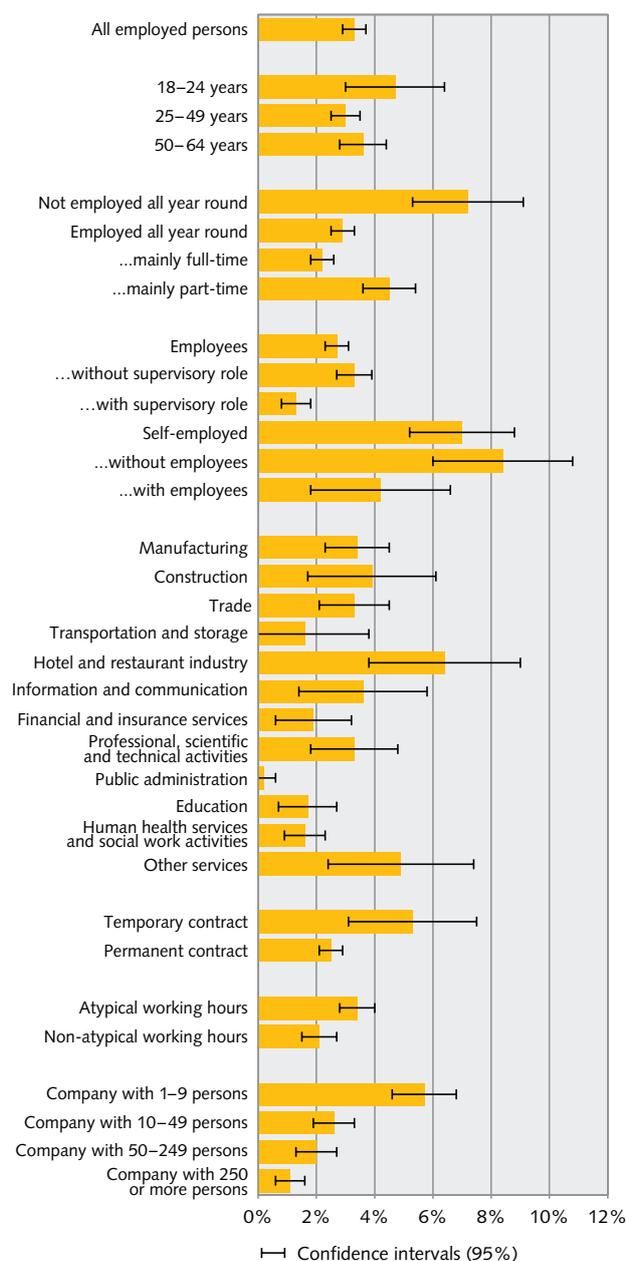
Although integration in the labour market provides effective protection against poverty, in 2014 3.3% of employed people, or 123,000 persons were affected by poverty. Closer inspection of this figure reveals considerable differences (see G 3). People who were employed throughout the year were less likely to be income poor than people who worked for only part of the year (2.9% compared with 7.2%). Among those that work all year round, a difference is observed between full and part-time workers. Employed persons mainly working part-time are twice as likely to be income poor than employed persons mainly working full-time (4.5% compared with 2.2%).

Employees (2.7%) are less likely to be income poor than the self-employed (7.0%), especially when the latter have no employees (8.4%). However, as there are methodological difficulties in calculating the income of self-employed persons, these results should be interpreted with caution.³ The material deprivation rate tends to be higher among self-employed people than among employed people (4.8% compared with 3.7%).

A breakdown by economic activity⁴ shows that people who work in the hotel and restaurant industry are somewhat more likely to be affected by poverty (6.4%). In contrast, a low rate is observed among people working in public administration (0.2%). Employees working on limited contracts (5.3%) and/or with atypical working hours (e.g. weekend, shift or night work, 3.4%) as well as those working in small businesses (5.7%) are more likely to be income poor when compared with other groups.

Poverty rates of employed persons by different characteristics, 2014

G 3



Only subgroups with at least 200 observations in the sample and a confidence interval of a maximum of ±10% are shown.

Source: FSO – Statistics on Income and Living Conditions SILC, Version 04.04.2016, without imputed rent © FSO 2016

³ For further information see p.55 of the report "Armut in der Schweiz: Konzepte, Resultate und Methoden" (FSO, 2012, Order number 851-1001). Available in German and French.

⁴ Due to the low case numbers, for some economic activities no poverty rates can be shown.

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