

POVERTY AND HOMELESSNESS AS A RESULT OF INCOME INEQUALITIES

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Abstract

Although Adam Smith has taken inequality for granted, we now see it as a major negative, affecting individuals, living many times in countries that are rich in minerals but are not used for the well-being of their people. In this way, many countries have suffered inequalities that result in such poverty that people do not have enough income to secure their livelihoods. The paper deals with income inequalities that affect poverty growth. According to the data, we have found that poverty depends on the ability to cover the cost of housing and often becomes homeless. People in housing need an unsuitable environment for their lives, which causes further damage to their social status. The Slovak Republic does not have affordable rental apartments, which means that low-income groups of the population are unable to secure and maintain stable housing.

Key words

homelessness, housing, first housing, poverty, support

JEL Classification: H00, H53, E26.

Introduction

Significant changes in the globalized world bring many benefits, but there are also various negative phenomena, most of which are global inequalities. Inequalities are a topic that explores the causes of uneven development in the world and are perceived primarily as a lack of various necessary goods, financial resources to meet life needs, various services, freedom, jobs, education, health care, drinking water. All these inequalities reduce the quality of life and affect overall economic development, the growth of crime, the emergence of social unrest, and the increase in poverty in regions with higher inequalities. Various types of inequalities have long been the subject of research by several authors. Adam Smith took inequality for granted. In his work *The Wealth of Nations* (2008; originally 1776) he developed the idea of a free market for goods and labor, which leads to an increasing division of labor and thus to economic growth. However, the product is distributed not evenly but proportionally. Contribution to the study of inequalities was Kuznets (1955) who examined income inequality and, based on empirical evidence, argued that income inequality arises as a result of economic development, increases in the early stages of economic development as a result of industrialization, then declines in later stages. He illustrated the income inequality on the inverted U-shaped curve, which illustrates the hypothesis that there is inequality in income and economic growth. Kuznets hypothesis has been questioned,

Fields (Fields 2001) states that it is not a growth entity that leads to economic inequality, but the nature of economic growth that determines the development of inequalities, that is, according to Fields the effect of growth inequality depends on economic dualism, employment structure, land division, opening up of capital markets and the overall level of human capital. According to Stiglitz, economic inequality affects the pace and nature of economic growth, and not vice versa. (Stiglitz 2012).

Cowell (2009) associates inequalities with social and economic problems, recognizing them as a sign of deviating from the ideal state. McKay (2002) in his work describes inequality as the approach of different people to different degrees of distributed phenomenon, often in terms of income, consumption, or other dimensions of living standards (level of education, health status). According to several authors, the causes of inequality also stem from the level of education, which is influenced by access to education, because people with low levels of education have more difficult access to employment opportunities. (Berger, 2008).

At present, inequalities resulting from under-education can be manifested mainly by new technologies as demand for highly skilled workers is increasing (Goldin, Katz, 2007). As demand for these workers increases, it leads to a reduction in middle-income earnings, which leads to polarization of the distribution of jobs in the US and in several European countries.

Corruption also plays an important role in the growth of inequality. Corruption can affect inequalities in various ways, for example through growth rates, tax systems, social programs, property ownership, education.

To the study of inequalities contributed in his book *The Capital of the 21st Century* Thomas Piketty, who considers politics and ideology as the cause of economic inequality and not natural laws or technological transformations of society. He opposed property differences between the poorest and the richest, criticizing the disproportionately high salaries of managers and bankers, and wants to change social and tax laws effectively. He critically opposed the distribution of capital, he identified with prosperity (not only the ownership of buildings, money through software or patents or know-how). According to him, the greatest problem is the mathematical

imbalance $r > g$, which has been repeated for centuries. This means that the return on capital ownership (r), for example, of an entrepreneur is normally greater than the performance of the economy itself (g).

1 Inequality of income and poverty

Since inequality is a very complex and multidimensional phenomenon, each approach specifies a possible factor of inequality without excluding the relevance of other approaches. One is the amount of income. Income inequalities are currently growing strongly, driven by rapid technological developments and globalization, as a high-income society is created, with only a small number of people working at lower wages. According to the Gini coefficient, the largest income inequalities are in the US, South America and Africa. (Fig. 1).

Figure 1. Gini Coefficient By Country 2019



Source: <http://worldpopulationreview.com/countries/gini-coefficient-by-country/>

Income inequalities are the cause of many social problems, especially the increase in poverty, which is highest in countries with higher income inequalities. According to an analysis of the countries with the greatest reduction in absolute poverty in 2012-2017, the countries of Chile, El Salvador and the Dominican Republic showed that the increase in the income of low-income households contributed most to this reduction,

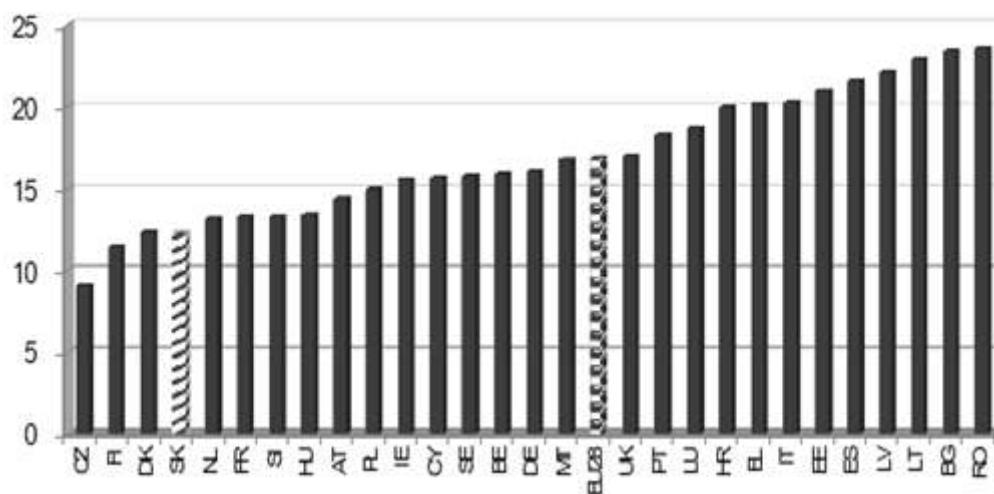
while in Costa Rica, Panama and Uruguay transfers of poor households. The United Nations Economic Commission for Latin America (ECLAC) noted the importance of strengthening wage growth, the provision of public transfers and the social protection system.

In general, to characterize the poor population in society, a poverty risk threshold (60% of median equivalent disposable income - after social

transfers) has been set to express the proportion of the population living in poverty. It is a relative poverty line that measures the extent to which household finances fall below the central income level of society. This indicator mainly reflects the risk of poverty and is dependent on the socio-economic development of society in the country.

Based on EU SILC 2017, the risk of poverty in the Slovak Republic was 12.4% (men 12.4%, women 12.3%), which is below the EU28 average (16.9%). In comparison with individual EU28 countries, the Slovak Republic is among the countries with the lowest risk of poverty, which is affected by low income inequality. (Fig. 2).

Figure 2. Poverty risk rate in individual EU countries (EU SILC 2017)

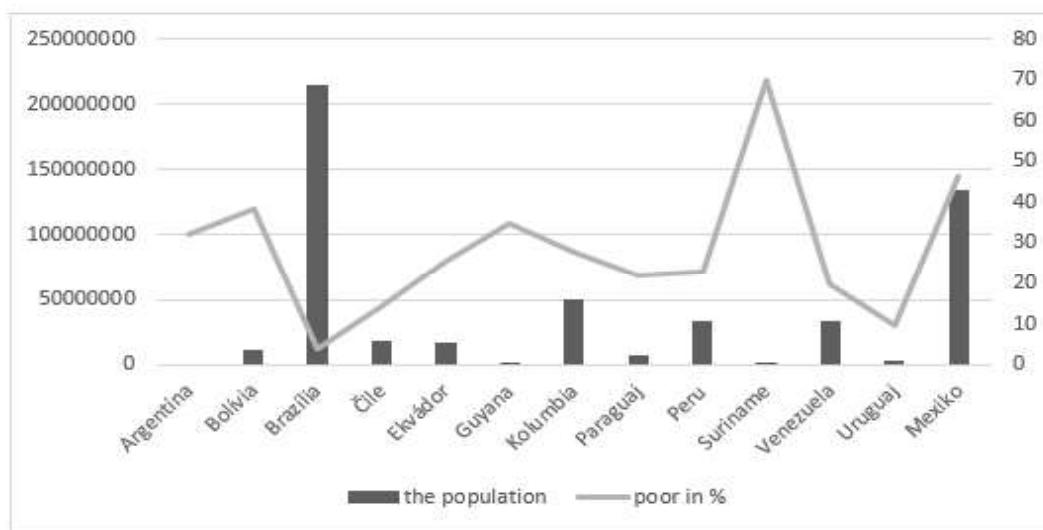


Source: processed according to data of the Statistical Office of the Slovak Republic, EU SILC 2017

In 2017, 42.3% of Sub-Saharan African people lived in absolute poverty, respectively below the international dollar. Around 27.4% of the population in Africa suffered from high food insecurity due to low income in 2016. The level of serious food insecurity refers to € 333.3 million residents. This is particularly alarming in East Africa, where there is a suspicion that 1/3 of the population is undernourished. Chronic malnutrition contributes to the stunting of children under the age of 5, which may have a negative impact on their future development (the child is too poor in height). It occurs mainly in the eastern, central and western parts of Africa.

Sub-Saharan Africa is the region with the highest child mortality. (Figure 3). As for Europe, in 2017 was 113 million, respectively 22.4% of Europeans at risk of poverty and social exclusion. This is due to low incomes (85.3 million, 16.9% of the EU population), severe material shortages (33.1 million - 6.6%) or low work intensity (short-term jobs) (35.3 million, 9.5%). Women poverty in Europe is higher, reaching 23.3% in 2017. Male poverty was 21.6% and poverty rate among young people under 18 was 24.9% and between 18 and 24 was 29.2%.

Figure 3. Population below the poverty line in % 2018



Source: Index Mundi. Graph: Population Below Poverty Line. 2018. available from: <https://www.indexmundi.com/g/r.aspx?v=69>

2 Poverty in the Slovak Republic

Poverty and social exclusion are broad, complex and multidimensional, mainly related to factors such as income and living standards, opportunities for education and decent work, social protection, housing, access to health care, etc. The measurement of poverty and social exclusion is mainly based on the harmonized EU SILC (Survey of Income and Living Condition) on income and living conditions. It is the main source for calculating not only income indicators such as poverty risk, but also indicators for a more comprehensive assessment of poverty and social exclusion, namely material deprivation or a grouping of indicators to measure the risk of poverty or social exclusion. (Figure 4)

Based on the EU SILC 2017 survey, 856.2 thousand people were at risk of poverty or social exclusion in Slovakia. people, which represented 16.3% of the total population. Compared to the results for EU SILC 2008, up to 255 thousand people at risk of poverty or social exclusion.

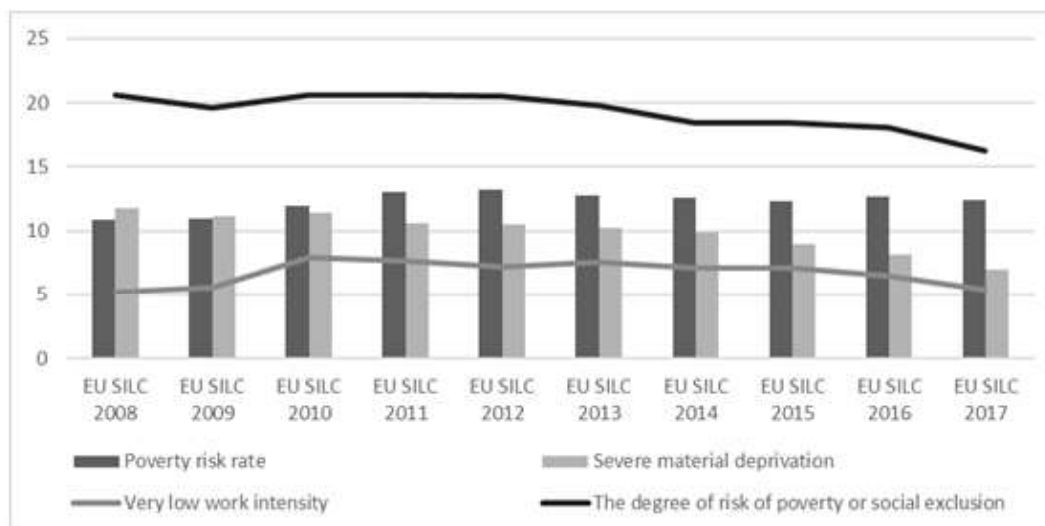
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The most at risk of poverty or social exclusion according to EU SILC 2017 were single-parent families with children - 45%, multiple families with more than three children - 35.4%, individuals under 65 years - 30.7% and last but not least individuals – 23.5%. In terms of age distribution, the riskiest group is children aged 0 - 17 (22.5%), resp. children aged 0 - 15 years (22.1%).

Depending on the type of household, the greatest risk of poverty is for families with three or more children (35.4%), single parents with at least one child (37.3%) and individuals under 65 (25.8%). The lowest risk of poverty was recorded for households with two adults, at least one of whom is over 65 (4.0%).

Figure 4. Development of individual indicators forming a grouping of indicators as well as the risk of poverty itself or social exclusion rate in %



Source: processed according to data of the Statistical Office of the Slovak Republic

3 Lack of income affects the increase in the number of homeless people

Homelessness is also caused by insufficient access to housing. Expenditure on housing also has an impact on the risk of poverty or social exclusion. The EU SILC 2017 survey showed that in 8.4% of the population housing expenditures account for more than 40% of household disposable income. For people at risk of poverty, the situation is more severe as up to 38.9% of them live in households with housing expenditures of more than 40% of households' disposable income. According to the survey in 2017, according to the type of housing ownership, the largest and most burdened cost is the group of households dependent on housing in subleases (at reduced price or free of charge) and represents 21.3% of households. In the case of owners of a flat with a mortgage or a housing loan, it decreased from 15.1% to 8.6% (by 6.5 pp). Up to 36.4% of people in crowded flats and houses lived in Slovakia, which is well above the EU28 average (15.7%). Households with three or more children (62.0%) and individuals with at least one child (53.4%) are most affected by this situation. Another important factor is the ownership relationship to housing, as crowded dwellings are most often occupied by sublets, provided at market or reduced prices or free of

charge (the value is the same in both cases 57.1%). A serious factor is the condition of the dwelling, respectively its quality. According to the EU SILC 2017 survey, 6.7% of the population lived in dwellings with roof and damp walls and 2.9% of the population in too dark dwellings.

The lack of affordable housing contributes significantly to the reduced birth rate, as postponement of family formation is postponed by up to 45% of young people, mainly due to the inaccessibility of their own housing. Up to 74% of young people between 18 and 34 years of age live in Slovakia with their parents, the highest proportion in the European Union.

The Slovak Republic has 329 dwellings per thousand inhabitants, which is one of the lowest shares in the European Union. At the same time, the Slovak Republic has a shortage of affordable rental apartments, whose share represents only 3% of the total number of apartments. These negative indicators mean that low-income groups of the population are unable to secure and maintain stable housing.

The state has also significantly contributed to this unflattering situation in the field of homelessness, with insufficient protection

against evictions in the event of default on various loans granted mainly by non-banking companies, as well as reduced availability of several public services by reason of the determination of their territorial jurisdiction by the applicant's domicile, not by the place of usual residence.

4 Aid for the homeless in the V4 countries

Homelessness is an extreme form of poverty. Our society understands homelessness as a complete absence of housing, respectively as the absence of adequate and dignified housing. In relation to homeless people, it is also common to talk about complex social failure syndrome. What this means is that these people have not been able to participate in a way of life that is standard for most of the population. It is this "behavior" that will later lead to the loss of background, life security and social exclusion. At the same time, the word 'home' cannot be understood simply as a 'roof over your head'. From a sociological point of view, the "home" is a coherent circle of close people, filled with a sense of belonging, supported by the material environment in which one resides. Therefore, the phrase "to be homeless" is deeper than "to be without a roof over your head". The first is solitude, the extraction of isolation, the pain of exclusion, frustration and despair, which can lead to self-destruction.

Slovak legislation does not have a definition of homeless people. It incorporates them under the category of citizens in material or material need. The public perceives the homeless as obvious, hidden and potential homeless. Homeless people who use public spaces to sleep are described by the public as overt homeless. Homeless people who use various facilities for sleeping (shelters, hostels, etc.) designate the public as hidden homeless people, as they are not visible at first sight, but we must state that even this group of homeless people does not have their own home. Potential homeless persons are persons or households who live in their apartment or in a sublease, but their housing is threatened by an ongoing execution, respectively long-term unemployment.

Homelessness in Hungary has become a visible street phenomenon after 1990, with people who have already lost their rural roots on the street without a social system to help these homeless people. Until then, the state tried to solve this problem by creating workers' dormitories and other social services. In the Czech Republic, they try to tackle homelessness through field social work. Based on experience requires personal care of the person. As part of short-term assistance, there is a mobile medical office that investigates the homeless and tries to prevent the spread of infectious diseases. In the Republic of Poland is constantly increasing the number of homeless is still. State policy considers homelessness to be a state of exclusion. Laws order to help the homeless. Most of the aid is provided not by local governments but by NGOs. Responsibility under the law rests with self-government, but practically the homeless are dealt with by NGOs.

In the Slovak Republic after 1948, in a socialist society, problems with people who could not join the system disappeared. There were prisons, psychiatric hospitals, homes of various types. The successful socialist society was externally presented by the working people, the word homeless practically did not exist. After 1989, the company has already accepted the status of 'homeless'. In the Slovak Republic there is still no law on social housing that would address the issue of homelessness in legislative and systematic terms. All services for homeless people are organized by enthusiasts, eventually Christian organizations and civic associations. In almost every Slovak city there are dormitories, emergency housing, shelters, in some even daily food supply centers. There are social services facilities where counseling works well and where there is the possibility of personal hygiene and clothes washing. In addition, social workers regularly go out in the field to provide personal assistance and other unpaid services.

According to Olah (2015), there have been several attempts in recent decades to address this relatively new social phenomenon so called social legislation (from Act No. 195/1998 on Social Assistance to Act No. 448/2008 on Social Services, or Act No. 305/2005 on the Social and Legal Protection of Children of the Asocial Curator and Act No. 417/2013 on Assistance in

Material Need). There are no records of homeless people in Slovakia or other countries. It is impossible, because under the evidence is understood the detection of some identification data, which people in difficult life situations often do not have. As a rule, however, some homelessness detection works abroad.

Currently, there is no regular survey of homeless people in Slovakia. The Statistical Office of the Slovak Republic in the Population and Housing Census conducted in 2011 reached 23,483 homeless people, without focusing on people sleeping in the street / homeless people. The worst is Bratislava. Homeless people are especially looking for big cities, where they have the highest chance of employment or find a dormitory or dormitory.

Housing first program

Housing first plays an important role in ending homelessness, as it offers fast access to a permanent home in combination with mobile support. It is a suitable and stable housing with a lease and fair conditions. According to an American study, up to 80% of homeless people maintain housing by promoting social work (Tsemberis, 2010). This concept of help was developed by Dr. Sam Tsemberis in New York. Housing first is designed for people who need intensive social support to be able to leave homelessness. Housing provision is the primary activity of the program, which improves the living situation of homeless people, improves their health and wellbeing. Research has shown that this approach to tackling homelessness is sufficient for a person to gradually break free from social problems, primarily because of the security he or she feels through housing. By providing housing first, it differs from other homeless programs, as these programs require homeless people, for example, to be homeless they have given up alcohol and drugs, and this is an unsustainable condition, which makes these programs unsuccessful. In the Housing first program, clients are motivated to deal with their addictions, but this is not required and conditioned by the loss of housing.

In 2013, the Housing first Europe research project revealed that 70% of Housing first users in Amsterdam reduced drug use, 89% confirmed

an improvement in their quality of life and 70% improved their mental health (Pleace, 2017, p. 28). If housing is lost, they will be offered other housing, where they continue to be supported. From an economic point of view, the Housing first program seems to be more efficient, as it saves money, for example, for the emergency services, as well as in the judiciary and the prison.

Housing first, however, is not a miracle cure that would eliminate all the negative consequences of homelessness. There are people, usually between 5% and 20% of clients, who are not even able to provide and ensure a sustainable abandonment of homelessness.

Conclusion

After the social change in 1989, homeless people became part of public space in Slovakia again. They concentrate mainly in the urban environment, where they find better conditions for survival. Majority society sees, feels, compassion, or rejects them. The causes of homelessness are different, whether or not they are the fault of man. The most common causes of loss of home are especially leaving the parent house, marriage breakdown, eviction due to debt, leaving because of family problems, fraud, experience of violent behavior, loss of employment, drugs, alcohol. People in housing need an unsuitable environment for their lives, which causes further damage to their social status. However, many homeless people cannot get out of their situation on their own.

The state has also contributed significantly to this unflattering situation in the field of homelessness, with insufficient protection against evictions in the event of default on various loans granted mainly by non-banking companies, as well as reduced availability of several public services by reason of the determination of their territorial jurisdiction by the applicant's domicile, not by the place of usual residence.

One of the possible solutions is the support of social agencies of rental housing. Their main

mission is to rent flats from landlords, especially on the commercial market, whereby they guarantee long-term lease to these landlords, thus gaining more favorable price conditions compared to regular tenants. At the same time, unlike direct rent to persons belonging to vulnerable groups, landlords perceive the agency as a reliable partner, without the threat of non-payment of rent. (Fico, M.; Ondrušová, D., 2018, p. 75). For social rental agencies to operate in the Slovak Republic, it is necessary to adopt legislation that will allow their functioning.

In conclusion, we can state that the Slovak Republic must adopt system solutions that will help reduce homelessness and help people to regain and maintain housing. These include, in particular, measures relating to the availability of social counseling as well as access to social services and more affordable housing. One of the successful solutions is also the Housing first program, which has a high success rate abroad in tackling homelessness.

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