

EDUPHORE IAS
WEEKLY CURRENT AFFAIRS**Topic of the week: UNDERSTANDING POVERTY: APPROACHES AND STRATEGIES****UNDERSTANDING POVERTY: APPROACHES AND STRATEGIES**

Being poor can be described as follows (IBRD, 2000):

‘To be hungry, lack shelter and clothing, sick and not cared for, illiterate and not schooled. Poor people are particularly vulnerable to adverse events outside their control. Often treated badly by institutions of the state and society and excluded from voice and power in those institutions.’

What is Poverty?

Poverty is when there is no wheat at home, when there is little food, when Mom and Dad have no jobs, when there are no utensils, good clothes, and sometimes – when there is no home. And even if there is, it has dirty walls, no carpets and blankets. Poverty is when a person is often hungry.” —Shahnoza, Shahrstan.

- Poverty refers to **socially perceived deprivation in terms of basic human needs**. It provides an understanding of a basic minimum standard of living
- Material deprivation: In consumption including items such as food, clothing.
- Non material dimension: Discrimination based on gender, religion, race or caste.
- Deprivation in the non-material dimension partially manifests itself in deprivation in the material dimension and vice versa. E.g. Scheduled Castes and Scheduled Tribes discrimination in the past resulted in reduced access to material wellbeing.

DEFINING POVERTY

Classically there are two major traditions that define poverty: Absolute and Relative.

Absolute Poverty

“Lack of resources to maintain **minimum bare subsistence**”

- Row tree—“Poverty line represents minimum sum on which **physical efficiency** could be maintained. It is a standard of bare subsistence, absolutely necessary for physical health”
- Dominant from 1900s until 1970s.
- **Amartya Sen (1983) ‘Poverty as a failure to achieve certain minimum capabilities’**. Lack of capability is absolute.
- ‘Absolute means a threshold after which functioning within society is no longer possible’.
- E.g. of Absolute Poverty in India: India ranks at 94 on Global Hunger Index With a score 27.2, which is called ‘serious situation. 17.3 % of children under five are wasted- It is the highest prevalence in the world, 35% children under five are stunted- one of the worst in the world.

Relative Poverty

‘Lack of resources to maintain the living which is acceptable, customary or encouraged in the society in which they live’

- **Townsend**- Lack resources to maintain the type of diet, participate in activities & have living conditions & amenities which are customary or at least widely encouraged or approved in society to which they belong.
- Adam Smith gave example of linen shirts, leather shoes in England during 18th century.
- Modern society-Lack of access to technology during lockdown deprived many access to education and healthcare.
- Sen has criticised Townsend’s Relative definition on the ground that it does not make an explicit distinction b/w the different dimensions in which the definition of poverty should be based.

UN World Social Summit (1995) Multidimensional definition of poverty/ ‘Overall poverty’

- Lack income & productive resources ensure sufficient livelihoods

- Hunger, malnutrition, ill health
- Limited or lack of access to Education
- Increased morbidity & mortality from illness
- Homelessness, inadequate housing
- Unsafe environment
- Social discrimination & exclusion – lack of participation in d/m in civil, social & cultural rights.

➤ It also defined ‘Absolute’ – severe deprivation of basic human need + access to social services.

APPROACHES TO POVERTY MEASUREMENT

- Poverty usually refers to - **Lack of resources** or qualities needed for **decent survival**.

Monetary approach: Poverty is **income or consumption below a standard**.

- It is “**absolute**” as **define a minimum threshold** under which people are defined to be poor.
- Example: **World Bank’s Global Poverty Line** ‘a Dollar a day’. The current global absolute income poverty line is defined by the WB as incomes below USD 1.25 a day PPP. Moderate income poverty refers to life below USD 2.00 a day PPP.
- The main weakness of subsistence concepts is that they tend to be very mono-dimensional and overemphasize the physical survival needs of human beings.

The definition of the “decent” is the key issue. Whatever the definition, poverty can be defined either in absolute terms below a fixed threshold of income or basic needs satisfaction (absolute poverty) or as relative poverty referring to a specified proportion of median incomes of the population. The criteria can be one dimensional (usually income) or multidimensional (deprivation in terms of lack of access to goods and services).

Basic needs approach: Poverty is **deprivation of the means for satisfying basic needs**.

- The basic needs approach to poverty emerged in the 1970s.
- It refers to **minimum consumption (food, shelter, clothing) and a varying set of “basic services” available such as water and sanitation, health care, education, public transport, cultural facilities**.
- E.g.: UNICEF Bristol study on basic needs deprivations in developing countries original list of basic

Capabilities approach (1980s): Poverty is a lack of capabilities- Amartya Sen

- It assesses - Whether an individual is capable “to lead the kind of life she or he has a reason to value”. Capabilities are the means to achieve a good life, to escape from deprivations and to realize one’s potential.
- **Development** – for an active agent – is not solely about food and shelter but it **means the expansion of choices**. **Amartya Sen’s book “Development as Freedom” elaborates this perspective. Development is freedom from want and freedom from fear.**
- Sen’s idea capabilities and his understanding of "the five essential freedoms" that is necessary for a dignified life. In Sen’s theory human beings are active agents of their lives. Therefore **development can be seen as taking place when “freedoms” of choice improve. Capabilities enable people to enjoy such freedoms to achieve a good life free of poverty and deprivations.**
- The fundamental freedoms are: **Political freedom, economic facilities, social opportunities, transparency guarantees, and protective security**. These freedoms enable people to ‘lead the kind of lives they have a reason to value’.
- Sen refers with “capabilities” to **both internal/individual capacities and external prerequisites for human action**. It is possible to clarify such prerequisites so as to make a clear distinction between capabilities by the individual (abilities, skills, knowledge, and motivation) and external opportunities and/ or obstacles.
- Poverty approaches and indexes that measure individual or household level phenomena have their limitations as tools for policy design. They do not capture the structural dimensions of poverty as a social phenomenon.

OECD Multidimensional Capabilities framework (2010)

Economic capabilities i.e. the ability to earn income, to consume and to have assets which are key to food security, material well-being and social status

Human capabilities that are based on health, education, nutrition, clean water and shelter that all are necessary elements of well-being as well as instruments to achieve livelihoods.

Political capabilities include human rights, a voice and influence in public policies and political priorities.

Socio-cultural capabilities include the ability to participate as a valued member in society.

Protective capabilities enable people to manage economic or other shocks that threaten to push them into poverty.

- E.g. UNDP Human Development Index (HDI) — It is an assessment of a nation’s **health, education and standards of living**. Health and education are Principles that would determine individual’s freedom of choices. India ranked at 131 out of 189 countries in 2020 HDI.
- Sustainable Development Goals: These are mixture of basic needs and capabilities

Understanding well-being: What people can be and can do, rather than simply on what they have. Capabilities approach engages with both objective and subjective perceptions of well-being.

1. Sen's approach distinguishes between people's capabilities (what they can potentially be and do) and what they choose to do with them (their actual functionings)
2. Freedom is integral
3. It distinguishes between **endowments and entitlements**. Endowments are the assets that an individual owns such as labour, land, savings, and so on. **Entitlements refer to the ability of an individual to translate these assets into goods, for instance, by hiring out their own labour in order to buy food in the market or by growing food on their own land.** Entitlements can be thought of as ways of making claims to resources whether it be through social obligations, or political rights or through market exchange. Famine study
4. The UNDP founded their index in Sen's capabilities approach and it combines measures of the capability of leading a long life (life expectancy), of acquiring knowledge (literacy), and of accessing the resources needed for a decent life (per capita income). The HDI is a highly aggregate index but gives a multi-dimensional measure of well-being that we can readily compare across different situations. However, it is orientated to basic human development, primarily in developing countries, and cannot capture much sense of the wider freedoms Sen had in mind.
5. **Capabilities enhance values that are achievable.** Hence poverty is defined as lack of capabilities.

A common example is used to illustrate the importance of distinguishing between functionings and capabilities. Consider a rich and healthy person who, for religious reasons, fasts for a specified period thus temporarily reducing their calorie intake below that considered to be the basic need. Consider also a poor female farmer who does long hours of hard physical work in the fields for low pay and can not afford to buy sufficient food for herself and her children. The rich man had the possibility of being well nourished and chose to fast whilst the poor woman was so disadvantaged by the labour market that she had no options. Over the short term at least, the man's daily calorie intake (his functioning of being well nourished) may have been less than the woman but nevertheless his potential (capability) to be well nourished was much greater than hers.

Well-being approach: Poverty is ill-being.

- Erik Allard summarized well-being as a combination of **material, social and spiritual–emotional dimensions**. well-being as a product of using available resources to achieve one’s own goals.
- This approach— understanding human action as a goal-oriented process by an active agent that strives to manage his/her life.
- While the satisfaction of physiological needs is a necessity for staying alive, it is not the sole purposes of life of even the poorest of the poor.

<ul style="list-style-type: none"> • Material well-being <ul style="list-style-type: none"> ○ Food ○ Assets ○ Work 	<ul style="list-style-type: none"> • Bodily well-being and appearing well <ul style="list-style-type: none"> ○ Health ○ Appearance ○ Physical environment
<ul style="list-style-type: none"> • Social well-being <ul style="list-style-type: none"> ○ Being able to care for and bring up their children, and to see their children get married and settled ○ Self-respect and dignity ○ Peace, harmony, good relations in the family/ community 	<ul style="list-style-type: none"> • Security <ul style="list-style-type: none"> ○ Civil peace ○ A physically safe and secure environment ○ Personal physical security ○ Lawfulness and access to justice ○ Security in old age ○ Confidence in the future
<ul style="list-style-type: none"> • Freedom of choice and action • Psychological well-being <ul style="list-style-type: none"> ○ Peace of mind ○ Happiness ○ Harmony (including spiritual life and religious observance) 	

Fig. 3.2.4.a: Staying alive is not enough for living



Inequality approach: Poverty is exclusion

"All human beings are born free and equal in dignity and rights"— Article 1 of the Universal Declaration of Human Rights.

- World Bank’s World Development Report 2000 in its conceptualization of poverty took some distance from a basic needs approach and introduced a new set of concepts: improving **opportunities**, creating **employment**, reducing vulnerabilities by making available **social security and empowering people**.
- The Report also concludes that **economic, social and political inequalities tend to reinforce each other “and reproduce themselves over time and across generations — “Inequality traps.”**
- The UN-DESA World Development Report of 2010 “Rethinking Poverty” criticizes the conventional dollar-a-day or the more generally economic ways of measuring poverty. The poverty-line approach leads to individualizing poverty and to focusing on those that are below the line, while at the same time forgetting those who are all the time at high risk of falling into poverty because they are vulnerable.
- The UN urges giving more attention to combating inequality and social exclusion and to designing ways to provide universal social services and social protection.

Inequality Trap: Disadvantaged children from families at the bottom of the wealth distribution do not have the same opportunities as children from wealthier families to receive quality education. So these disadvantaged children can expect to earn less as adults. Because the poor have less voice in the political process, they—like their parents—will be less able to influence spending decisions to improve public schools for their children. And the cycle of underachievement continues.”

Human rights approach: Poverty is a violation of basic rights and fundamental freedom.

About POVERTY LINE

Income Approach: Poverty line

- Poverty line is the specified **threshold level of expenditure that separates the poor from non-poor**. This amount is necessary to purchase a **basket of goods and services deemed necessary to satisfy basic human needs at socially acceptable levels**.

Perceptions of what represents basic human needs (and socially acceptable levels) vary according to general level of prosperity. What is “want” at low levels of income may turn into “need” at higher levels of income, this led to controversy on the appropriate calibration of poverty line.

Counting the Poor in India: A Brief History

Earliest-Post independence

- ₹20 (rural) and ₹25 (urban) per capita per month at 1960-61 prices
- It was not official poverty line but formed the basis of the extensive discussion of poverty in the fifteen-year plan.

More than 50% of India was poor in the first three decades after Independence.

Y.K. Alagh Committee by Planning Commission in 1977 to develop a methodology for the measurement of poverty. (Report in 1979)

- Rural poverty line ₹49.09 and
- Urban poverty ₹56.64 per capita per month at 1973-74 prices.
- It was based on the assumption of different Poverty Kine Baskets (PLBs) for rural and urban consumption.
- It remained the basis of poverty measurement nationally, until 2004-05.

D. T. Lakdawala Committee in 1989 to look into the methodology for estimation of poverty at national and state level and look if need re-defining poverty line. (Report 1993)

- Retained the separate rural and urban poverty lines recommended by the Alagh at national level.
- It recommended a methodology to update these lines over time and extend them to individual states using appropriate price indices.

- **Lakdawala 1973-74: Total: 55%**
- **Lakdawala 1987-88: Total: 39%**

- Thus Planning Commission adopted practice of calculating poverty levels in rural and urban areas in the states using state-specific poverty lines together with the national estimates.
- Lakdawala methodology and poverty lines formed the basis of poverty estimates nationally and across states until 2004-05.

Suresh Tendulkar committee in December 2005 (Report 2009)

1. Recommended adoption of consumption basket underlying the Alagh-Lakdawala national urban poverty line in 2004-05 as the PLB and aligning the national rural poverty line to it using an appropriate price index. Thus, rural and urban poverty lines were now fully aligned around a common PLB.
- It led to an upward adjustment of the national rural poverty line and correspondingly the national rural poverty estimate
- Rural and urban poverty lines for states then derived by evaluating the same urban PLB at the state-level rural and urban prices. latest official poverty estimates for years 1993-94, 2004-05, 2009-10 and 2011-12 are now based on Tendulkar poverty line.

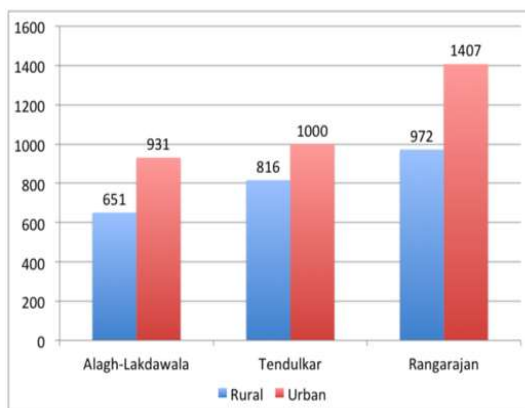
- **Tendulkar 1993-94: Total: 45%, Rural: 50%, Urban: 32%.**
- **Tendulkar 2004-05: Total: 37%, Rural: 34%, Urban: 21%.**
- **2011-12= 21.9%**

C. Rangarajan 2012 by Planning Commission. (Report June 2014)

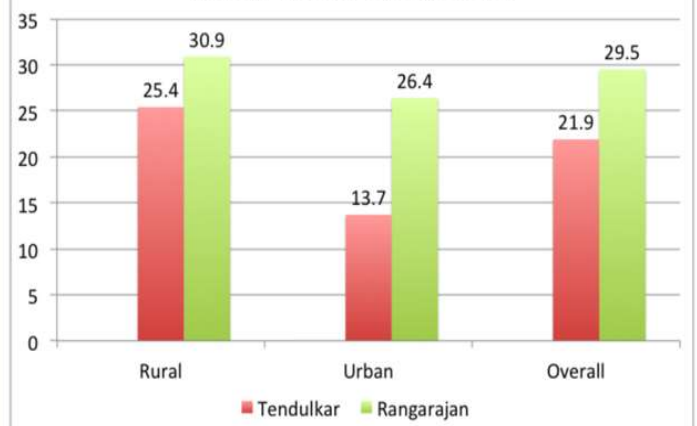
- Recommended separate consumption baskets for rural and urban areas which include food items that ensure recommended calorie, protein & fat intake and non-food items like clothing, education, health, housing and transport. once again de-links the rural and urban poverty lines.
- 19% increase in rural poverty line and 41% in urban poverty line.

Total national poverty estimate in 2011-12 rose from 21.9% under the Tendulkar line to 29.5%. (36cr)

Rural and Urban Poverty Lines in India at 2011-12 Prices



Percent Population below Poverty Line (2011-12) at Tendulkar and Rangarajan Lines



Need for Official Poverty Lines

Poverty lines and the poverty estimate 3 objectives:

- (i) **Identification of the poor** through a comparison of the poverty line with the household (or individual) expenditure;
 - (ii) **Tracking poverty** in a region over time and **comparing** it across regions at a point in time; and
 - (iii) **Estimation of the required expenditure on anti-poverty programs** and their allocation across regions.
- There are alternatives for income or expenditure method to identify the poor. E.g. SECC can help identify poor on basis of deprivation on many dimensions. Similarly anti poverty programmes that are targeted not universal can be based on some other parameter like housing schemes can estimate those deprived of housing. However poverty line estimation is almost irreplaceable for second objective i.e. Poverty tracking. Consider SDG - 1st goal which seeks to eliminate poverty on the basis of a poverty line of 1.25\$ per capita per day at PPP.

Other alternatives for tracking Poverty are in India

- **Track improvements in the average standards of living/ expenditure** of different deciles of the population at the bottom of the income distribution over time. Example: bottom 30% of the population (defined in terms of per capita income or household consumption) as poor and ask how the fortunes of this population are evolving over time.
- **Directly measure progress on some key components of material poverty.**
The 2015-16 Budget goals in these components and can track:
 - **Consumption** of cereals, milk, meat, fruits and vegetables by the bottom three deciles relative to the top three.
 - Progress towards **housing** for all by 2022.
 - Progress towards **basic facilities in each house**: 24-hour power supply, clean drinking water, a toilet, and road connectivity, electrification.
 - Progress in various indicators of **education and health**
- **Socio Economic Caste Census**
The census contains all the relevant information for tracking poverty and could serve as a substitute for the poverty line. But problems
 - It does not collect information on the overall income or expenditure of the household.
 - Even if start collecting such information, over time, household responses may get biased since they know that their responses determine whether or not they would receive benefits under various social schemes.
 - No experience on how this experiment would work out over time.
 - Only rural SECC results are available.

These two approaches enrich our understanding of the progress in combating various dimensions of poverty but they do not substitute for tracking the poverty ratio.

Options in proceeding further towards the objective of tracking poverty:

- Continue with the Tendulkar poverty line
- Switch to the Rangarajan or other higher rural and urban poverty lines
- Track progress of the bottom 30% of the population
- Track progress along specific components of poverty such as nutrition, housing, drinking water,
 - (iii) and (iv) complement the poverty ratio approach but do not substitute it. Hence they can complement poverty ratio but cannot replace it.
 - **NITI Aayog report favours use of Tendulkar approach** as the main criticism against it that the poverty lines are too low does not hold merit if our very purpose is track progress of those living under abject poverty and not identifying beneficiaries of government schemes.

POVERTY ALLEVIATION STRATEGIES

Economic Growth

- Policies can be aimed at rapid growth, via generating new and expanding employment opportunities at a faster rate than those generating displacement make a significant impact on sustainable poverty eradication.
- Studies from **Africa, Brazil, China, Costa Rica, and Indonesia** show that rapid economic growth lifted a significant number of poor people out of financial poverty between 1970 and 2000.

- According to **Bhagwati and Panagariya**, economic growth **generates revenues required for expanding poverty alleviation programmes** while enabling governments to spend on the basic necessities of the poor including healthcare, education, and housing.
- Example: Make-in-India

Capabilities Approach

- Public expenditure towards providing primary health and education services help create higher income-earning capability among the poor households.
- The goal of public action should be to expand human capabilities
- Example: Skill India Programme, Right to Education, National Food Security Act

World Bank Approach

- World Bank (1990): Poverty needed to be mounted simultaneously on three fronts: (i) **broad-based (labor-intensive) economic growth** that generates employment and incomes for the poor; (ii) **development of human resources (education, health, and nutrition) of the poor**, which allows them to better exploit the opportunities created by economic growth; and (iii) establishment of a financial and **social safety net for those among the poor who are unable to benefit from growth and human development opportunities owing to physical and mental disabilities, natural disasters, civil conflict, and physical isolation**. Example: Special programmes have been taken up for the welfare of scheduled castes (SCs) and scheduled tribes (STs), the disabled and other vulnerable groups. The targeted public distribution system (TPDS) protects the poor from the adverse effects of a rise in prices and ensures food and nutrition security at affordable prices.
- World Development Report 2000 provided three pillars: **empowerment, security, and opportunity**.

- **Empowerment** is the process of enhancing the capacity of poor people to influence the state institutions that affect their lives, by strengthening their participation in political processes and local decision making.
- **Security** is the protection of the poor against adverse shocks, both via better management of macroeconomic shocks as well more comprehensive safety nets.
- **Opportunity** is the process of increasing the access of the poor to physical and human capital and increasing the rates of return to these assets.

Asian Development Bank

- It explicitly considers the **importance of governance**.
- According to the ADB (1999), the three pillars of a poverty reduction strategy are: (i) **pro-poor, sustainable economic growth**; (ii) social development comprising **human capital development, social capital, improving the status of women**, and social protection; and (iii) sound macroeconomic management and **good governance**, which would be required for successful achievement of the first two pillars.
- Understanding the nexus between poverty and the **environment**. Two of the major environmental issues are (i) **air and water pollution in megacities that affects the poor disproportionately** and (ii) **deforestation, natural resource depletion, and land degradation** that can deepen poverty. E.g. Environment Impact Assessment
- **Pro-poor growth**, which can be distinguished from “trickle-down” growth, is **economic growth that is explicitly biased in favor of the poor** so that they benefit more than proportionately relative to the nonpoor. Obviously, pro-poor growth is possible only under an enabling environment in which poor households can rapidly increase their production, income, and earnings. Since the most important asset—often the **only asset—that the poor possess is their own labor, labor-intensive development projects tend to be pro-poor**. E.g. Make-in-India programme

Good governance

- It calls for strengthening a **participatory, transparent, and accountable form of governance** if poverty has to be reduced while improving the lives of the poor and vulnerable.
- Evidence is available, both in India and other developing countries, of information and communication technology (ICT) contributing to poverty alleviation programmes. Example: Direct Benefit transfer scheme in India.
- Capturing, storing, processing, and transmitting various types of information with the help of ICT empowers the rural poor by increasing access to micro-finance, expanding the use of basic and advance government services, enabling the development of additional livelihood assets, and facilitating pro-poor market development
- Institutionalising Civil society, NGO
- Decentralisation
- Legal framework

Direct handling of poverty: Direct income-generating wage and self-employment programmes. Example: MNREGA, Universal Basic Income

International Labour Union: The Decent Work Agenda

■ **Rights & Empowerment** : Poor need voice to obtain recognition of rights and demand respect. They need **representation and participation**. They also need **good laws** that are enforced and work for, not against, their interests.. Example: Minimum wages act, industrial dispute act

■ **Employment**: Poverty elimination is impossible unless the economy generates opportunities for investment, entrepreneurship, job creation and sustainable livelihoods.

■ **Protection**: Poor people are unprotected people. The earning power of those living in poverty is suppressed by marginalization and lack of support systems .Support for people unable to work because of age, illness or severe disability is essential.

■ **Dialogue**: People in poverty understand the need to negotiate and know that dialogue is the way to solve problems peacefully