



Department of Economic and Social Affairs

Rethinking Poverty



Report on the World Social Situation 2010



United Nations



1995 Social Summit

- 1995 Copenhagen World Summit for Social Development: global leaders identified poverty eradication as one of 3 pillars of social development
- Poverty eradication overarching goal of Millennium Development Goals, global target to halve extreme poverty by 2015
- World **not** on track to meet MDG 1 by 2015
- MDG high-level review meeting, September 2010





Poverty Measure

- Income or spending yardstick does not tell entire story
 - 1995 Social Summit poverty definition considers deprivation, social exclusion and lack of participation
- poverty situation graver



Money measures

- Poverty mostly measured in money terms: per capita or household income or spending
- MDG 1 target: halving number of people in poverty – interpreted as those living on less than US\$1/day (in 1993 prices)
- Using this measure, global extreme poverty has become less severe over last two decades, although significant regional variations



Changing definition

WB \$1/day line probably under-estimates actual extent of poverty:

- Shifting goalposts: \$1.25/day based on average poverty line of *poorest* 15 countries
- different from earlier definitions



Poverty line lowered?

- Catchy, convenient, but **seriously misleading**
- New **WB \$1.25/day line (2005)**
earlier: \$1.08/day
original: \$1/day
- If US inflation considered, **line should be \$1.45 in 2005, NOT \$1.25**



Not enough food?

- Poverty line defined as money income to avoid hunger, but huge discrepancies between poverty + hunger measures

*FAO: 963m. hungry world-wide –
up by 142m. since 1990-92*

- Attributed to changing definition, faulty methodology



Inconsistent prices

- **Inconsistent correction for rural-urban price differences**, only for India + China, mainly for urban prices, introducing urban bias
- Hence, **WB estimates for India, China not comparable to rest** of developing world: either grossly underestimate poverty in these 2 large countries or overestimate poverty elsewhere



HH money incomes

Conventional focus on household incomes, but this ignores:

- Variations in **HH size + demographic composition**
- Variations in **HH assets**
- **Intra-HH** disparities, e.g. in unpaid care or domestic work



Even if HHs similar

Households with *same demographic profiles + incomes* presumed to be equally well-off or deprived

Misleading if:

- household has greater needs, e.g. because of **chronically ill** member
- public/government **social provisioning** in one society, but not another
- **Children working** in some households, but in school in others

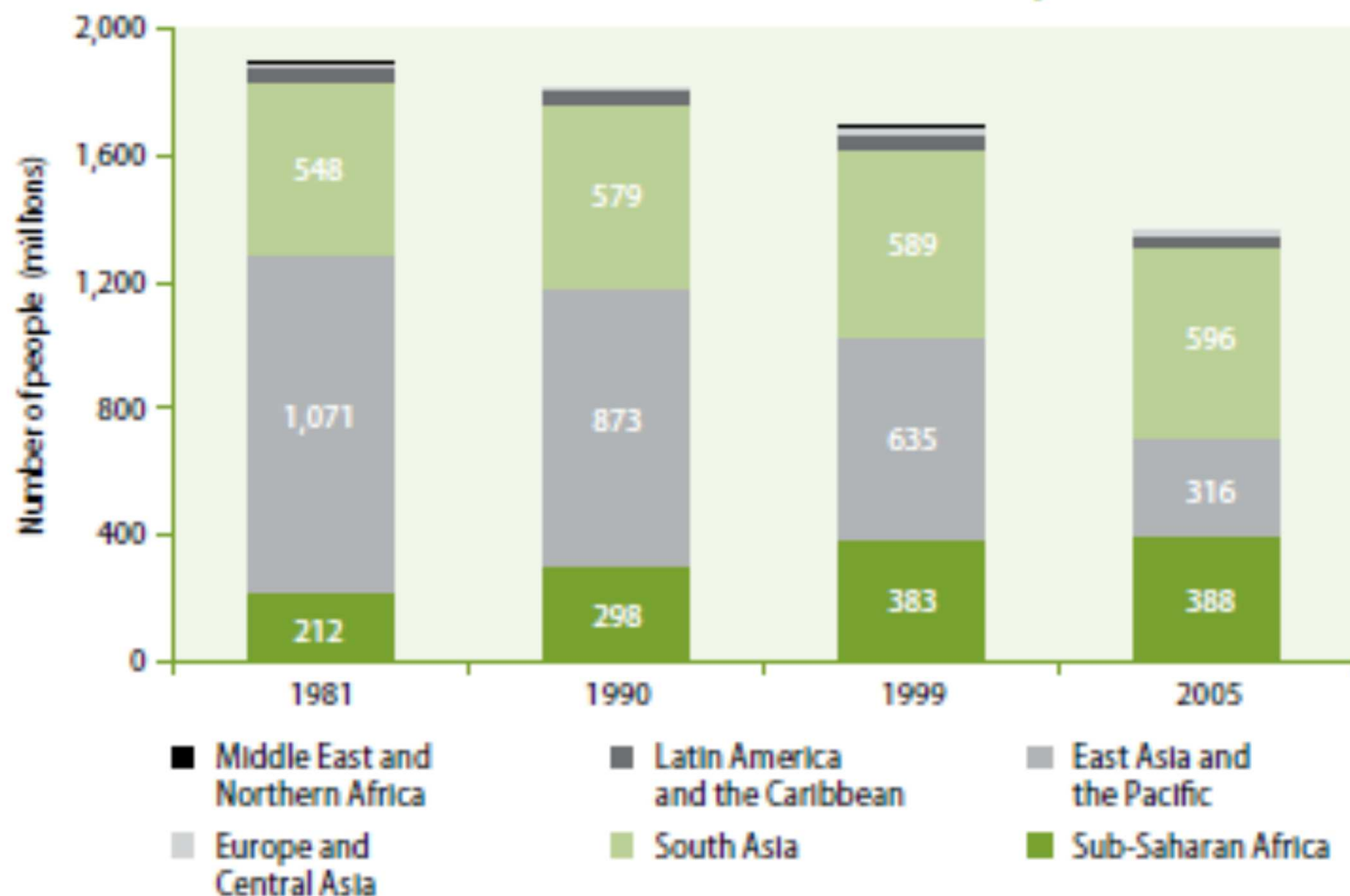


WB estimates

- No. of poor fell from 1.9bn in 1981 to 1.4bn in 2005: 50% increase!
- From 52.0% to 25.7% of world population
- But if China left out,
 - global absolute poverty levels higher
 - increased from 1.1bn in 1981 to 1.3bn in 1999, 1.2bn in 2005
- Without China, extreme poor up from 1.1bn in 1981 to 1.2bn in 2005

Global and regional trends in extreme poverty, 1981-2005

A. Number of people living on less than \$1.25 a day





Where are the poor?

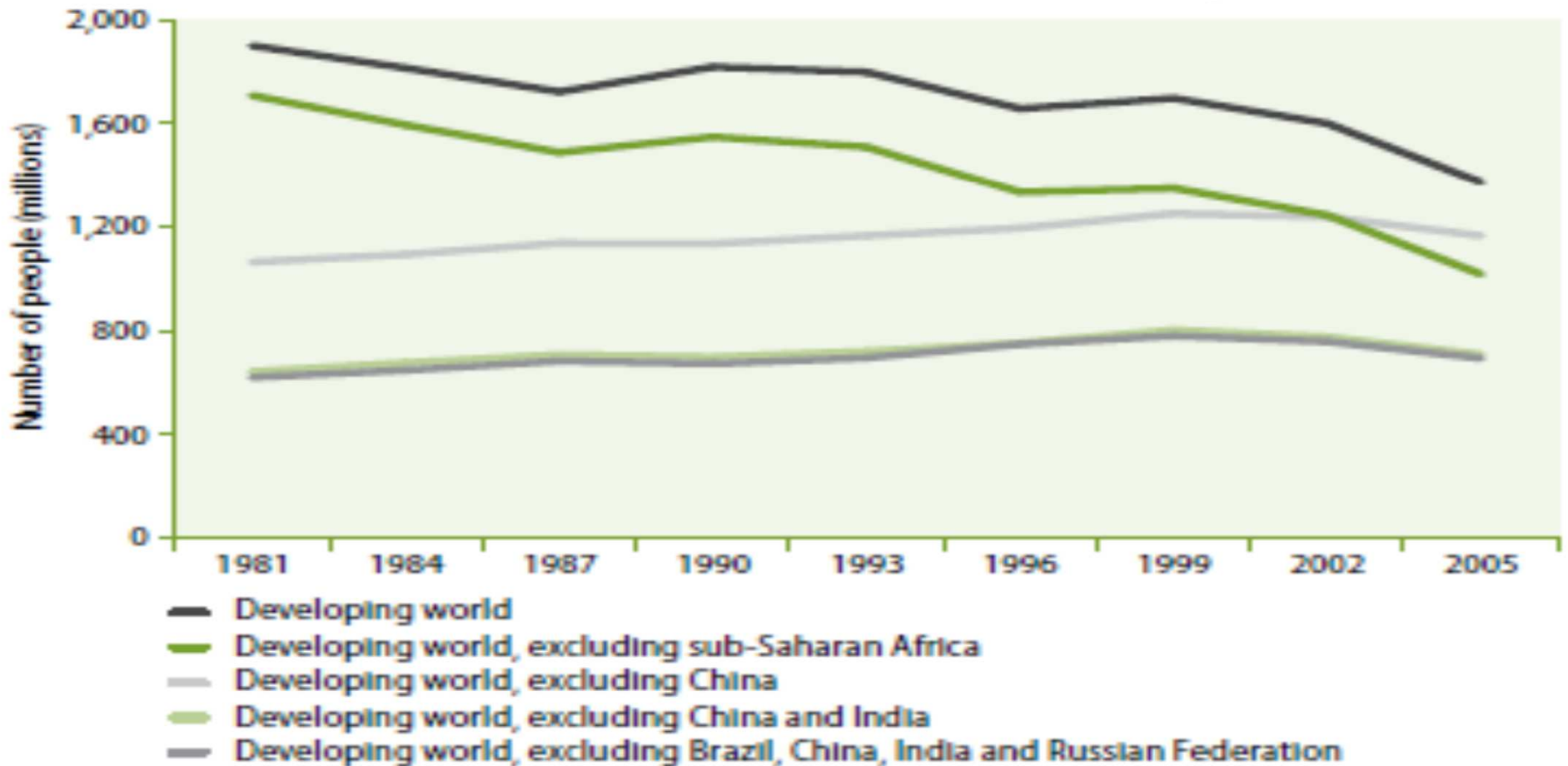
- Highest share of poor changed from E Asia to S Asia + SS Africa
- 57% of world's extreme poor lived in E Asia + Pacific in 1981, down to 23% in 2005
- S Asia share increased from 29% in 1981 to 43% in 2005
- Sub-Saharan Africa more than doubled from 11% to 28% between 1981 and 2005
- Excluding China, poverty actually increased from 1.1bn in 1981 to around 1.2bn in 2005



Without China?

Poverty trends over time, with and without major countries and regions, 1981-2005

A. Number of people living on less than \$1.25 a day





Why less poverty?

Less poverty due to:

- rapid economic growth, esp. productive employment growth

Despite:

- increased income inequality
- reduced social protection/provisioning



Development lessons

- Pragmatism: **address constraints** to accelerating development
- Promote desirable economic activities, e.g. increasing returns
- **Growing inequality prevents benefits** of growth from reaching poor
- **Fiscal capacity** needed to provide basic needs + essential social services
- **Government role crucial** in determining economic + social outcomes



Macroeconomics

- Need sustained **output growth** + significant productive **job creation**
- Promoting structural change crucial
- Growth process needs to be **more stable** by maintaining consistently **counter-cyclical** macroeconomic stance
- Measures **reducing inequality**
- Fiscal space and capacity for **adequate social protection** or provisioning



Market liberalization?

- Economic liberalization since 1980s slowed growth, poverty reduction + increased inequality + vulnerability in most countries
- **Slower growth** (except 2003-2008)
- Policy prescriptions **reduced policy space**
- Less growth + revenue due to liberalization (tax competition) have **reduced fiscal means**
- Reduced policy + fiscal space → **adverse effects for poverty** + destitution



Governance

- ‘Good governance’ reforms?
- Most developing countries do not have fiscal means for comprehensive governance reform
- Market failures likely to remain
- ‘Pro-poor’ governance reforms claim to improve service delivery to poor. But neither theory nor evidence support this
- Instead, focus on alternative growth-enhancing governance capabilities to address “key” development bottlenecks



Poverty magic bullets

No evidence of IFI/donor favoured special poverty programs significantly reducing poverty without sustained growth + job creation, e.g.

- micro-finance
- property rights (e.g. land titling)
- 'bottom of the pyramid' marketing
- pro-poor governance



Social safety nets?

- Social provisioning, protection should be universal + integral to development + poverty reduction strategies
- IFIs want social safety nets involving targeting + conditionalities, ostensibly for cost effectiveness + behavioural change by poor
- Targeting poor often expensive + politically unsustainable, while missing out many deserving
- Universal social policies generally more inclusive + politically sustainable



Step up efforts

- Some specific measures include:
 - Making promotion of **decent work** central objective of macroeconomic policies
 - Protecting and augmenting **social expenditures**, especially for health care + education
 - Establishing **social protection floor** comprised of a basic social security package



Rethinking

Time to rethink way we understand poverty, how it is measured, and policies to address it



Need more comprehensive strategy to reduce poverty, that puts decent jobs at the centre of development strategies, to improve lives of current and future generations



Thank you

Report on the World Social Situation

<http://www.un.org/esa/socdev/rwss/index.htm>

Please also visit UN-DESA esa.un.org/

United Nations Development Agenda

National Development Strategies Policy Notes

*World Economic and Social Survey DESA
working papers*

Also see: G24 website: www.g24.org

IDEAs website: ww.ideaswebsite.org

*Acknowledgements: RWSS preparation team
led by Yang Wenyan; also Anis Chowdhury*