Chapter III
The poverty of poverty measurement

Measuring poverty accurately is important within the context of gauging the scale of the poverty challenge, formulating policies and assessing their effectiveness. However, measurement is never simply a counting and collating exercise and it is necessary, at the outset, to define what is meant by the term "poverty". Extensive problems can arise at this very first step, and there are likely to be serious differences in the perceptions and motivations of those who define and measure poverty. Even if there is some consensus, there may not be agreement on what policies are appropriate for eliminating poverty.

As noted earlier, in most developed countries, there has emerged a shift in focus from absolute to relative poverty, stemming from the realization that the perception and experience of poverty have a social dimension. Although absolute poverty may all but disappear as countries become richer, the subjective perception of poverty and relative deprivation will not. As a result, led by the European Union (EU), most rich countries (with the notable exception of the United States of America), have shifted to an approach entailing relative rather than absolute poverty lines. Those countries treat poverty as a proportion, say, 50 or 60 per cent, of the median per capita income for any year. This relative measure brings the important dimension of inequality into the definition.

Alongside this shift in definition, there has been increasing emphasis on monitoring and addressing deficits in several dimensions beyond income, for example, housing, education, health, environment and communication. Thus, the prime concern with the material dimensions of poverty alone has expanded to encompass a more holistic template of the components of well-being, including various non-material, psychosocial and environmental dimensions. Deficits within the other dimensions of well-being exist at levels of income well above the absolute—and even the relative—poverty lines.

More recently, the perspective in developed countries has widened further through the application of the concept of social exclusion. A hallmark of this approach is its emphasis on the relational dimension of deprivation. It is clear that these shifts of focus in discourse and practice—from absolute poverty to relative poverty, from income poverty to dimensional analysis, from poverty to well-being, and then to social exclusion—have profoundly altered the way deprivation is conceptualized, defined, measured, analysed, addressed and monitored.

In contrast, in developing countries, the field is still dominated by a definition of absolute poverty in terms of income. Little attention is paid to inequality beyond that of some empirical work linking growth and poverty trends and suggesting that inequality first rises with growth before it falls. However, this tends to breed policy complacency by imparting a kind of naturalness to the persistence, even the widening, of inequality in the phase of early growth

—the stage at which developing countries find themselves. There is no move to adopt relative poverty definitions as the new standard despite the widespread preference for it shown by developed economies.

The absolute poverty lines have seldom been revised, even in countries where there has been significant economic growth; hence, there has been a steady fall in the share of average per capita income represented by the absolute poverty line, a trend evident in India and China, for instance.

Instead of a revising of the norms upward, discussions of poverty in developing countries have shown a tendency to move in the opposite direction, as reflected in debates over caloric and nutritional norms, with some arguing in favour of reducing the standard norms in accordance with which poverty lines were generally constructed. Absolute poverty lines were drawn based on only a fraction of the basal metabolic rate, which refers to the energy required by the human body to survive in a state of inactivity. Distinctions were made between the different types of poor below the poverty line, resulting in the notion that redistribution from the poor to the very poor, for instance, would do good, while the imperative of redistributing from the very rich to the poor was not given much consideration. The emphasis on the permanently or the chronically poor again reflects this tendency towards manipulation of the scale and nature of the phenomenon so as to render it manageable.

What has finally emerged as the dominant instrument is the dollar-a-day money poverty line created by the World Bank for the purpose of measuring and monitoring poverty—but only in developing countries—within an internationally comparable framework.

There have been attempts, however, at reconceptualizing deprivation, for example, the capability approach (Sen, 1999). Capability deprivation goes beyond material wants to include lack of human capabilities, namely, skills and physical abilities, and self-respect in society. Sen's capability approach contributed to the launch of the human development approach and the human development index (HDI) by the United Nations Development Programme (UNDP) in 1990, within the context of which poverty is defined as the lack of opportunities in the areas of education, health and command over resources, as well as for participation in the democratic processes. The human poverty index (HPI), introduced by UNDP in 1996, measures deprivations in three of the four key dimensions of the human development index, namely (i) the capability to survive (measured, in developing countries, by vulnerability to early death defined as death before age 40), (ii) the capability to be knowledgeable (measured by the adult illiteracy rate) and (iii) having access to private income as well as public provisioning (measured by the proportion of malnourished children under age 5, and by the share of people without access to safe water). However, despite the philosophical underpinnings of this redefined point of entry, at an operational level, it tends to be summed up by a handful of social indicators. Since these indicators capture relative performances among countries, or population groups which are ranked and compared, the index does not help to define, identify or measure poverty;

furthermore, with this approach, inequality becomes visible in highly restricted ways among countries, and not at all within countries. Yet, in development discourse, the human development index has come to occupy a significant niche alongside the absolute poverty-line approach.

Thus, while the past decades have witnessed a wide acknowledgement of deprivation in developed countries, and a greater inclusiveness, the opposite tendency is clearly visible in poor and other developing economies. A simple example captures this divergence. In many rich European economies, the poverty threshold is defined as 50 per cent of average per capita income. In India in 1973-1974, the base year for current poverty-line estimations, the rural poverty threshold was 54 per cent of average per capita income for that year, a figure similar to that for the European economies. By 2004-2005, the average per capita income for the country had increased by a factor of 5 in real terms; however, the rural poverty line for 2004-2005 was just 16 per cent of average rural per capita income (Kannan, 2008). In fact, India's poverty line has not been substantively redefined at all, but only adjusted for inflation, which leads to an understatement of the real increases in the cost of living at the poor end of the distribution scale.

The World Bank $1-per-day line

The dollar-a-day poverty line has its roots in the purchasing power parity (PPP) exchange rates generated by the International Comparison Program project, undertaken jointly by the United Nations Statistics Division, the World Bank and the University of Pennsylvania. The PPPs were used first to construct an "average" poverty line for a group of countries for which the International Comparison Program provided information and then to convert this common line into national currencies in order to estimate the incidence of poverty using national distributional data. The Program has produced three rounds of estimates: in 1985, when the Program covered 22 countries, with a poverty line of $1 per person per day; in 2000-2001, when the estimates were revised using the PPP exchange rates of the Program's 1993 round with a poverty line of $1.08 per person per day; and in 2005, when the Program produced new estimates using its 2005 PPPs, with the poverty line raised to $1.25 per person per day. Each subsequent round leads to a re-estimation of the incidence of poverty. According to the last round, the number of people living below the international poverty line in 2005 was 1.4 billion, or close to 500 million (or more than 50 per cent) more than previously estimated. In the view of the World Bank, the world is still on track to meet the Millennium Development Goal poverty target, although if one excludes China, much of the rest of the developing world seems well off course (Chen and Ravallion, 2008).[1]

1 These estimates were made before the onset of the global financial and economic crisis; thus, they do not reflect the impact of the crisis on global poverty trends. Preliminary

These estimates have been widely publicized, even though many analysts (Reddy and Pogge, forthcoming; Sala-i-Martin, 2006; Kakwani and Son, 2006; Bhalla, 2002) have noted their shortcomings. A focus on the last round reveals that there are several persisting or new problems that can be singled out for criticism.

The main problem concerns the intrinsic worth of the poverty line as a meaningful representation of poverty. There is evidence to suggest that the poverty lines underestimate the actual extent of poverty. Reddy (2009) has suggested the possibility that some of the recent poverty lines might themselves have been expediently put at the dollar-a-day mark. In the new round, the new World Bank line of $1.25 per person per day has been based on the average poverty line for the poorest 15 countries; alternatively, the Asian Development Bank chose to base its estimates on the poverty line of the median country in the sample, and arrived at significantly higher numbers living in poverty for countries such as India. Furthermore, the new World Bank line is not based on the United States rate of inflation; had it been taken into account, the original $1.08 would have become $1.45 for 2005, with obvious implications for the corresponding estimates of numbers of persons in poverty, and hence for the achievement of the Millennium Development Goals poverty target by 2015.

Himanshu (2008) and Reddy (2009) demonstrate that the new round remains subject to the same criticisms that had been levelled by Pogge and Reddy (2006) at the original edition. In addition, the new round follows an inconsistent procedure with regard to correcting for rural/urban price differences, applying it only to the cases of India and China and there, too, essentially using urban prices, thereby introducing what Himanshu calls an urban bias. Tellingly, Himanshu (p. 410) concludes:

> As it stands, the present World Bank estimates for India and China are not comparable to poverty estimates for the rest of the developing world, and either grossly underestimate the relative poverty in these two large countries compared to other countries or overestimate poverty elsewhere. In either case, the present world poverty estimates are flawed and an odd aspect of this is that the selective urban-rural adjustment now made reduces measured world poverty, whereas in an earlier paper Chen and Ravallion (2007) had reported that world poverty at 1993 PPP $1.08 increases by about 2 percentage points when such a rural-urban distinction is made.

One might also wish to question the motivations behind the undertaking of international comparisons of poverty. Those motivations are traceable to the compulsion to systematize of the originators, who in the process acquire an instrument for making periodic statistical pronouncements which then in-

assessment indicates that between 55 million and 90 million more people will be living in poverty in 2009 than had been anticipated before the crisis, stalling progress towards achieving the Millennium Development Goals (United Nations, 2009a).

fluence the discourse on poverty. Thus, with their serious distortions arising from known methodological problems, the numbers provided often have little utility and may actually serve to mislead, albeit unwittingly, as highlighted by a pioneer in poverty studies:

> The World Bank's adoption of the crude criterion of $1 per day at 1985 prices for the poorest countries, $2 per day for Latin America, and $4 per day for the transitional economies, without regard to the changing conditions of needs and markets, affronts science as it affronts reasoned development of priorities in international policies. In 1997, UNDP topped this absurdity by suggesting that the US criterion of $14.4 per day might be applied to the OECD countries. If measurement is arbitrary and irrational, it is impossible either to concoct the right policies for the alleviation or eradication of poverty, or monitor their effects closely (Townsend, 2002, p. 5).

The poverty of poverty lines

The potential strength of the monetary poverty-line approach, entailing, for example, the dollar-a-day line, is considerable: it defines absolute poverty in a simple manner which is intuitively attractive and seems to provide a universally applicable definition for making comparisons among countries cross-sectionally as well as (for single countries) inter-temporally; moreover, the measures of incidence derived by using it have some desirable axiomatic properties. Thus, it is understandable that the dollar-a-day poverty-line approach has become the dominant one. However, it has significant weaknesses and there are several types of problems connected with its use that need to be reviewed.

Food and the basic needs basket

There are several assumptions involved in determining what should constitute the food component of the basic needs, or poverty threshold, basket, many of which have ethical implications. Depending on how the constitution of the basket is determined and what is included, the poverty line can be pushed down to what many might feel is too low a threshold, or raised to what others might question as being an overly generous one.

The customary approach, albeit a controversial one, has been to specify the food component of the poverty line in terms of calorie requirements. However, such requirements are not fixed. Debates have been fuelled by the finding that the incidence of poverty obtained using a calorie-based poverty line was a small fraction of the prevalence of malnourishment as estimated from nutrition surveys (Dev, 2001; Ray and Lancaster, 2005). While many analysts have attributed this to the deficiencies of the monetary poverty-line methodology itself, others have argued that the food poverty line was not low enough and that caloric intake was not relevant as a criterion of nutrition (Sukhatme, 1988): if the poor do not meet their nutritional needs because of suboptimal expenditure patterns, then this is their own fault and need not be factored into the creation of the poverty line. Such suboptimality could involve the intake of more expensive calories, the search for a more balanced or a more tasty diet, or the inability to forgo compliance with social demands.

Another fundamental issue concerns the assumption made about the needs for energy expenditure. The prescribed calorie norm is far below what is deemed necessary for a full day of the strenuous manual labour expected in the rural works programmes that are a part of many anti-poverty interventions. In such a situation, workers would experience significant nutrition deficits, which over time would result in higher rates of morbidity and mortality. Sukhatme (1988) has argued that variations between individuals, and processes of adaptation, could contribute to making persons into more efficient workers, while Deaton and Dreze (2009) have maintained, in the light of declining calorie consumption trends in India over the past decade, that changing work patterns over the period might have resulted in less energy expenditure and therefore lower caloric needs. Both propositions remain the subject of intense controversy, especially in view of their weak empirical basis and the mounting empirical evidence on the consequences of malnutrition.

Non-food basic needs

How should non-food basic needs be specified and aggregated in monetary terms? This task is as difficult as defining the food component of the income poverty line. The standard methodology for the estimation of the non-food items is based on the platform set by the threshold adopted for food needs. Three routes could be taken.

The first method is to try to list the basic non-food items and then quantify and value each of them at market prices. However, the procedure is virtually impossible to operationalize for any large and diverse population group inasmuch as the number of factors and variables that influence these needs is very large. In this regard, imagine attempting to specify the needs of a family for linen and clothing: issues of free choice and preferences would also arise. Hence, the exercise is not realistic.

The second method sidesteps all such difficulties by arbitrarily setting expenditure on non-food items as some proportion, say, 50 per cent, of food needs, on the general assumption that the poor "usually" spend about two thirds of their income on food. This method was used by the International Labour Organization in its early discussions on basic-needs lines.

The third method, which is essentially a methodological refinement of the second, is most often used in specifying the income poverty line. It basically applies the logic of the second approach to non-food basic needs. Any household with an income above the poverty line should be able to meet its basic food and non-food needs and is not deemed deprived in terms of nutrition or health. Implicit in this method is the acknowledgement that everyone, including the poor, is free to make bad choices, but must then face the consequences of his or her decisions. The ramifications of, and possible objections to, such an assertion have been taken up above in the context of the composition of the prescribed, as opposed to actual, food expenditures and intakes, and they apply here as well (see box III.1).

Box III.1

Problems in estimating basic non-food needs

Different procedures are used to estimate the food and non-food components of the poverty-line basket. While dietary requirements are calculated on a "scientific" basis according to bodily needs, the non-food component of the poverty threshold is not calculated on such a *needs* basis. Instead, the procedure essentially identifies households whose expenditure on food exactly matches the cost of the food component in the poverty-line basket, and then checks how much such households *actually* spend on non-food items. Thus, the food component is needs-based, whereas the non-food component reflects the poverty of the poor with no guarantee that all basic non-food needs are in fact, or in principle could be, satisfactorily met.

This is a very serious shortcoming, and could have the effect of suppressing the visibility of such crucial basic needs as health, education, housing, transport and communications, fuel, information, and social and political participation. What such benchmark poor households actually spend on non-food items is assumed to substantively meet the non-food basic needs, but there is no verification process to confirm this assumption in any manner: it remains an assumption, and one with respect to which there are overwhelming prima facie grounds for rejection. Thus, after spending on food basic needs, poor households might not be left with enough to meet the real basic needs of education and health. Children might not be going to school or might not be well provided for in terms of educational accessories, and many health needs might be postponed or overlooked; these deficits might then be absorbed in the form of vulnerability to disease, or illiteracy.

In fact, in many cases, the methods for imputing non-food needs for inclusion in the poverty line are even more restrictive. The non-food component is in some cases taken to be the non-food expenditure of households whose *total* expenditure is equal to that required to be on the *food* poverty line (Klugman, 2002). This procedure is remarkable, in that it guarantees that such households cannot under any circumstances meet both food and non-food basic needs simultaneously. Why then should it be adopted at all? The underlying motivation seems to be obsessive zeal with regard to making absolutely certain that no non-necessity enters the poverty-line basket. Explaining this methodology, a World Bank sourcebook notes that in this case "the non-food expenditures of the households … must be necessities, since the households are giving up food expenditures considered necessary to buy non-food items" (ibid., pp. 409-410). A monetary poverty line postulated by such a methodology cannot by definition be a basic-needs line: it is guaranteed to short-change the poor.

Economists can solve difficult problems with convenient assumptions. For example, in 1962, a pioneering study group of India's Planning Commission set a monthly per capita consumption level of rupees (Rs) 20 in 1960-1961 prices as the bare minimum level-of-living threshold. This excluded expenditure on health and education, since it assumed that such needs would be covered directly for all and for free by the State, as enjoined upon it by India's Constitution. The State's obligation has not been fulfilled but the assumption of its fulfilment has nevertheless survived.

Source: Saith (2005).

Some empirical studies confirm the tendency of the methodology to suppress the visibility of non-food needs in the poverty line. In India, the official poverty line does not cover education and health needs. Factoring these in on the basis of the actual expenditure pattern of the median household reveals that the poverty line would need to be raised by 10.4 per cent for rural areas and by 15.6 per cent for urban areas.[2] The rates of rural and urban poverty would increase from the official estimates of 28.3 and 27.5 per cent to the revised estimates of 36.4 and 35.8 per cent, respectively (Ravi and Dev, 2008, pp. 8-9). Another study estimates the cost of all major non-food needs—including food, health, insurance, clothing, fuel and electricity, transport, rent, etc., but excluding education—and arrives at a poverty threshold of Rs 840 per person per month, compared with the official poverty-line figures of Rs 368 and Rs 559 per month for rural and urban areas, respectively. This yields headcount poverty rates of 84.6 and 42.4 per cent for rural and urban areas, respectively, and a weighted average of 68.8 per cent for the country—close to three times the official headcount rate for 2004 based on the official poverty line (Guruswamy and Abraham, 2006). Similar findings also emerge in the context of China (Caizhen, 2009). While it is stated that official monetary poverty affects about a quarter of the population, direct evidence confirms the existence of a wide range of human development deficits for a much higher share of the population.

Ranking households by expenditure

Using the distribution of consumption expenditure per adult equivalent per household as a measure of a household's capacity to meet its basic needs can have perverse consequences. Consider two paradoxical examples, one dealing with health and the other with education.

In the first case, assume two households have identical demographic profiles and identical expenditure levels; the difference lies in the fact that the first household has a couple of seriously ill older persons who receive no treatment, whereas in the second there is no such problem of ill health. Both households, based on this methodology, are equally deprived. Now imagine

2 There are no a priori grounds for believing that the median household in either sector is able to meet its basic education and health needs; this exercise merely takes into account the actual expenditures. Offhand, it would be remarkable if all health and expenditure needs could be met by an outlay of 10-15 per cent of total expenditure. For instance, in 1999-2000, 71 per cent of children in age group 15-19 had not completed a secondary education; and 4 out of 5 households did not have access to public-health facilities. Household consumption data for India reveal that 62 per cent of the population do not have an intake of 2100 calories per day! Using the international poverty lines employed by the Asian Development Bank in the recent revised estimates of poverty based on PPPs for 2005, headcount poverty is estimated to be in the range of 54.8-65.3 per cent using a $1.35 poverty line; and at 60 per cent using a $1.25 line without a distinction between rural and urban (Himanshu, 2008, p. 42). The use of the median is utterly unjustifiable in such circumstances.

that the first household decides to sell off its land and thereby obtains the cash needed to meet the heavy medical expenses arising from dealing with the serious illness of its aged members. As most poor households do not have any land to sell, they might sell off their possessions or enter into a dangerous state of debt or, in an extreme situation, of debt bondage. Paradoxically, this household will now move above the other and, should the medical expenses for the illness be high enough, it will move even *above* the poverty line: its status will have *improved* relative to the other household's. The fact that it might have fundamentally jeopardized its long-term viability would go unnoticed in the methodology. All that would be recorded would be the higher expenditure, inducing the false deduction of an improvement in the status of the household on the poverty scale. If the medical expenditure was greater than its poverty gap, the household would appear as having improved its status and moved above the poverty line.

Consider the situation—tragically all too common in developing economies—where parents keep children out of school or prematurely withdraw them and send them out into the labour market. Child earnings would boost the family income and expenditure and, based on this methodology, might help the family move above the poverty line. The fact that a lack of education is a constitutive component of poverty somehow seems to elude this methodology and its practitioners. In short, the expenditure variable cannot be used automatically as a proxy for the fulfilment of the basic needs of a household.

Household size and composition

The only characteristics that the poverty-line method explicitly takes into account are urban or rural residence and total household size. This is an important methodological flaw. Households have different numbers of children at potentially different stages of schooling. Many poor households also engage in strenuous manual labour which requires the expenditure of more energy than is generated by the diets on the basis of which the average poverty line is constructed.

While adult equivalence scales adjust for the demographic structure of the household, and while further adjustments can be made for the additional needs of lactating mothers and pregnant women, the prevalence of illness, with its potentially debilitating impact on the economic well-being of the household, is not taken into account. Health expenses are increasingly coming to be recognized as a common cause of families' falling into poverty.

Adult equivalence scales may not be sufficient for normalizing household expenditure. Other elements, such as sex composition, could be very important. For instance, the villagers of northern India perceive the overall strength or vulnerability of a household as depending partly on whether the family has girls, for whom a dowry would have to be accumulated, or sons, who would provide both additional labour and dowries.

The list of household-specific diversities can be expanded. The relevant point is that none of those diversities, apart from rural or urban, and total household size, are explicitly taken into account. An exceptional case, however, is provided by the United States practice of targeting poor households, where such diversity is extensively taken into account. Ignoring household-specific diversities constitutes a fatal methodological flaw if poverty lines and gaps are to be used.

Public provisioning

The expenditure profile should include the imputed cash value of goods and services received in kind as gifts or transfers, but it is typically limited to private expenditure. Public transfers of goods and services are usually excluded. This produces a significant gap when it comes to health and education services, particularly in developing economies, where the role of public provision is usually substantial. In the absence of such information, one can only speculate over actual outcomes with respect to these key basic needs. Since access to such public provision is often heavily unequal across locations, and within communities, this gap constitutes a significant weakness, especially in the context of cross-sectional or inter-temporal comparative analysis. In many situations, even households that have the financial capacity might find it impossible to obtain adequate education and health services simply because those services are not available locally. The poverty-line approach implicitly assumes that money can buy health, education and other services at any time and in any place, or that these are provided by the State.

Problems of comparison arise also when public provisioning systems shift from subsidized to non-subsidized access. As a general rule, poverty-line estimates have not taken this crucial change on board. The reason for this lapse is that such publicly provided non-food goods and services are not assessed separately, as discussed earlier. The implications of this are potentially very damaging: if these services were earlier subsidized or provided virtually free of charge and later on are privatized, or provided by the State against user fees,[3] increases in poverty are likely to be underestimated.

Household assets base

The economic strength of a household, family or individual depends not just on its income but also on its asset base. If there were a uniform and stable relationship between asset ownership and income, additional information

3 The case of basic health services in China's rural villages is relevant in this regard. Rudimentary health care provided by an army of "barefoot doctors" was free to villagers before the economic reforms of the last three decades, with financial support from rural collectives. The rural household responsibility system (family unit-based agricultural production) of the post-reform era eliminated the financial bases for maintaining the services of these rural health-care workers. As a result, rural households now incur greater out-of-pocket expenses for health services (Grigoriou, Guillaumont and Yang, 2005).

on assets could be redundant. However, levels of asset ownership vary and many unproductive assets are also held as stores of value. The level and pattern of assets also determine the staying power of the household unit in the face of fluctuations in incomes. Many poor households are deeply in debt, and the profound implications of this fact are ignored. Poverty lines are typically drawn in terms of expenditure, not income levels, and, this being the case, they do not take into account how this expenditure was financed, that is to say, whether there were positive or negative savings. The issue of sustainability is therefore overlooked.

Intra-household disparities

By adopting the household as the basic measurement unit, the method ignores intra-household disparities in access, consumption and other entitlements. Thus, the welfare of women, children and older persons might not be adequately reflected in the average level for the household.

Marginalization and exclusion

The poverty-line approach treats each household independently and scales it on the basis of its average per capita expenditure level; hence, all relational dimensions go missing. The fact that poor households suffer from high levels of social exclusion and marginalization is omitted. There is no reference to the issues of inequality and to power relations in the community within which the poor live. The approach ignores the socio-political dynamic that underlies the persistence and the reproduction of poverty. Thus, the claims of the poor with regard to community or social resources, or in the domain of access to government services, are rendered invisible. Lineage and social networks, which also influence vulnerability, are not taken into consideration either.

Self-perception of the poor

Those who experience poverty usually have a perspective on the sources, forms, nature and intensities of their various deprivations and deficits that is somewhat different from that of the analyst studying a particular indicator, especially absolute income or the food poverty line. These insights remain silent and invisible. Notwithstanding the fact that the methodology of self-perception-based approaches to poverty identification and analysis is not without its own problems, the relevance of such subjective information cannot be overlooked.

Inequality

The issue of inequality is increasingly absent from poverty debates. Given the rise in inequality in recent decades, this suppression is all the more worrisome. Furthermore, since inequality and resource availability are closely related, legitimizing the absolute poverty line as a targeting instrument also distorts discussions concerning the existence and extent of budgetary constraints. Thus, the approach to poverty reduction that ignores inequality actually hides, condones, legitimizes and perpetuates it. The more widely used measures of poverty, for example the Foster-Greer-Thorbecke index and the Sen poverty measure, are lauded for being sensitive to the degree of inequality among the poor; however, they neglect the issue of inequality between the poor and the rich.

Problems of use and interpretation

Chronic income poverty or socio-economic vulnerability?

The poor are especially vulnerable to shocks, and this is reflected in fluctuations in their annual levels of income. Thus, while the poverty line itself is held constant, and even if the statistical incidence of poverty remains the same over two periods, the composition of the poor population can change, with some of the poor climbing above the poverty line as others slip below it. For the sake of illustration, let us say that the incidence of headcount poverty was estimated to be 30 per cent in each of three successive years. These annual estimates cannot, however, indicate what proportion of the population experienced poverty, say, in any one or two or each of the three previous years. Was poverty a permanent condition for all 30 per cent, with the same households, and no others, experiencing poverty? Or was it also a transitory state experienced by, say, 60 per cent of the population?[4] These are crucial questions which remain unanswered by stock data. Similarly, the annual average for consumption hides the possibility of extended periods of hunger which cannot be compensated by possible consumption above the norm in the plentiful season.

Sound answers call for careful and systematic panel data monitored over several years. Such panels are rare, and hence such empirical evidence as is available is scattered and sketchy; but some synthetic, indicative conclusions are nevertheless possible. The report of the Chronic Poverty Research Centre for 2004-2005 (Chronic Poverty Research Centre, 2004) uses a definition of chronic poverty as "still being poor after five years". The data are based on a two-point comparison and discount for any mobility out from and (back) into poverty in the interim years; it is thus possible that they might well overstate the dimensions of chronic poverty considerably. For South Asia, the report es-

4 For instance, a two-point comparison of the same households in rural India, for 1970-1971 and 1981-1982, revealed that about a quarter of the households had been poor in both periods, while 22.8 per cent had escaped poverty and 13.3 per cent had descended into it, thereby implying that while about 25 per cent had been poor in both periods, about 60 per cent of the households had experienced poverty in one period or the other (Chronic Poverty Research Centre, 2004, p. 94, table 11.1i). Clearly, if all annual flows to and from poverty had been recorded in the panel, the proportion of households that had never experienced poverty in the period from 1970-1971 to 1981-1982 might have represented a slender minority.

timates that while 536 million persons were below the $1-per-day poverty line for its reference year, the number of those in chronic poverty ranged between 134 million and 188 million, representing between one fourth and one third of the annual rate; for East Asia, the ratio ranged between one sixth and one fourth; for Africa, with its lower level of income, the ratio ranged between 30 and 40 per cent.

Based on panel findings for a small group of countries, Baulch and Hoddinott (2000) present proportions of households that are "always poor" (AP), "sometimes poor" (SP) and "never poor" (NP).[5] In India, in the late 1970s and early 1980s, for every household that was always poor, there were another three households that were sometimes poor; only 12.4 per cent were reported as having been never poor. For Zimbabwe, the ratio of AP to SP in the first half of the 1990s was 1 to 6; for China in the second half of the 1980s, it was 1 to 8. Panel data for 379 households in 21 villages in rural Bangladesh show that 31 per cent of households in the sample were poor in both 1987-1988 and 2000 and 25 per cent of households were never poor, that is to say, not poor in either 1987-1988 or 2000, while 26 per cent of the households who had been poor in the base year (1987-1988) were no longer poor in 2000, and 18 per cent fell into poverty between 1987-1988 and 2000 (Sen, 2003). In that sample, the chronically poor constituted only 31 per cent of households, which demonstrates that by focusing on the chronically poor as their target, policies miss many of the other poor.

The exclusionary tendency of the focus on chronic poverty is actually stronger than these data suggest, the reason being that the comparison is with the part of the population deemed to be poor according to the $1-per-day line, or one based on nationally specified poverty thresholds. It has been argued above that these lines are already very restrictive in their definition.

Why narrow the target?

First, the chronically poor households are the households that face the most acute forms of poverty, that is, they are the "poorest of the poor", and as such deserve to be given priority. However, not all chronically poor households are among the poorest of the poor. A study of rural India using panel data showed that of those households that were poor in each of a string of three years, only a fraction belonged to the category of the poorest (Gaiha, 1989).

A further issue arises, namely, whether identification of "the chronically poor" is carried out only to provide a means of ranking the poor so as to ensure that relief can be prioritized and rushed *first* to those found to be poorest. If so, prioritization would hardly matter except in extreme situations, for example, in famine-stricken camps where aid workers have to resort to weighing scales to determine the neediest in the face of impossible constraints.

5 The data are reported in Holzman and Jorgensen (2004, p. 33, table 2.1).

Or is it simply that narrowing the focus makes the project of anti-poverty more manageable, even if it comes at the cost of excluding the majority of those in poverty or vulnerable to it? When the focus is on the duration and depth of poverty, limited resources can be devoted to the chronically poor, while other people living in poverty are left out.

Such exercises and methodologies perhaps reflect the ethical dilemmas of the members of the aid-fatigued donor community who feel they need an allocation criterion in situations where available resources cannot match the need. It is commonplace to justify and legitimize such targeting strategies—such as identifying the "poorest of the poor", or the "chronically poor", by ingeniously—but disingenuously—adducing Rawlsian or Gandhian ethical criteria as their foundation.[6]

Is poverty a discrete concept?

The utilization of the income poverty line fosters the impression that a statistical test is capable of identifying who is and who is not suffering from the impact of the phenomenon of poverty. The substantive issue concerns the discriminatory power of poverty lines in separating the poor from the non-poor. In reality, the experience of poverty is multifaceted, multidimensional and subject to volatility; it also has time and relativity dimensions.

This being the case, poverty cannot be defined by a straight line that divides a population into two segments based on an expenditure criterion. Deficits in various specific dimensions, for example, those of education, health, housing, etc., commonly persist at expenditure levels well above the stipulated poverty line. Therefore, multiple indicators besides money-metric income and expenditure measures are needed to capture the scale and dimensions of poverty. While monetary poverty might affect just a minority, only a few might escape poverty in any form.

There are usually high proportions of the population in most developing countries at expenditure levels concentrated around the poverty line. Shifting the line up or down could make a dramatic difference with respect to the estimated incidence of monetary poverty. Since the methodological and statistical bases of the money-metric approach are so seriously compromised, there has

6 The contemporary philosopher John Rawls has elaborated what he calls the difference principle, according to which the arrangement of social and economic inequalities is such that they benefit those who are least advantaged. In other words, differences in wealth and social position are acceptable as long as they can be shown to benefit everyone and, in particular, those who have the fewest advantages. This principle also requires that systems allow for all people to have access to goods and positions under conditions of fair equality of opportunity based on both need and merit. Gandhi's yardstick for action was simple: "Whenever you are in doubt, or when the self becomes too much with you, apply the following test: Recall the face of the poorest and the weakest person whom you have seen, and ask yourself if the next step you contemplate is going to be of any use to that person" (see Barker (2007)).

been interest in measures of the "depth" of poverty (below the poverty line) as well as attention to measures of vulnerability to poverty.

How significant are these issues empirically? The case of India provides some clues (see also box III.2; and Sengupta, Kannan and Raveendran, 2008, pp. 50-51). In 2004-2005, someone on the national poverty line had a daily consumer expenditure of Rs 12; a level below Rs 9 was classified as extreme poverty; that between Rs 12 and Rs 15 was deemed marginal poverty; and a level below Rs 20 was taken to define those vulnerable to poverty. Across these four levels, the range was from $1 to $2.2 (PPP) per day. While only 6.4 per cent of households were found to be extremely poor, as many as 76.8 per cent were below the vulnerability line. In 1993-1994, those below the vulnerability line had constituted 81.9 per cent of the population. If other households experienced poverty or vulnerability in the interim, a large majority of the population lives in poverty or in its shadow.

When compared with those clearly above this band, most households within and below it might appear relatively similar, in that they usually display similar social, visual and behavioural characteristics, irrespective of the differences in their expenditure levels. After all, the gap between the income that defines the extremely poor and that defining the vulnerable, Rs 11 per day, is approximately equivalent to the price of any of the following: a ticket in a municipal car park, half a litre of bottled water, a bus ride or a mini-sized snack from a street food vendor. This offers little justification for discriminat-

Box III.2

Does the choice of approach matter? Soundings from rural China

Who is poor in rural China? There are many answers to this question. The incidence and pattern of rural poverty are highly sensitive to the measurement approach taken.

A recent study of an administrative village in Wuding County in rural Yunnan applied multiple methodological and measurement approaches to the 473 households in the village. The use of the national official poverty line of 668 yuan yields an incidence of headcount poverty of just 3.4 per cent of households. Re-estimating the incidence of poverty on the basis of two other specifications of the poverty line yielded different results.

First, the national poverty basket was estimated using local prices; this led to a poverty line of 1,296 yuan; the incidence rate was then 18.0 per cent. Second, a notional basket of items that would correspond to the poverty threshold based on local perceptions was composed through participatory interactions with village folk. This basket, valued also at local prices, was calculated as 2,315 yuan; through use of this local poverty line, the conclusion was reached that 59.6 per cent of the households were in poverty. The spread was enormous: for every 1 household that was classified as being poor using the official poverty line, there were nearly 18 households that would have been deemed poor using a poverty line based on local perceptions of basic needs valued at local prices.

This being the case, the incidence fluctuated widely from year to year, with the pattern of these fluctuations often running contrary to what should reasonably have been expected based on trends in the real economy of the village for the years in question. For the reference year of research, the incidence rate, based on the local list, turned out to be 40.2 per cent.[a]

Box III.2 (*continued*)

Does the choice of approach matter? Soundings from rural China

The same population of 473 households was then investigated through the field application of participatory poverty assessment methods. This exercise revealed a poverty incidence of 33.8 per cent.

Finally, India's recently established multidimensional poverty household indexing template was adapted to calculate household scores which were then used to rank households. This ranking was then compared with the one obtained using the other criteria. The lesson that emerges from this multi-method field research is that different approaches lead to very different estimates of poverty for the same set of households.

Only 4 households of 473 were poor on all criteria. This no doubt reflects the very low poverty line. However, when the high local money poverty line was used, the number rose to 34, or to only 7.2 per cent of all households. Using the low official poverty line, 170 households, or 35.9 per cent, were found to be non-poor on all criteria; the number was 90, or 19.0 per cent, if the much higher local poverty threshold was used. Four of every five households were found to be in poverty on at least one criterion, using the local poverty line.

Applying diverse methods to estimate the incidence of rural poverty for a fixed population for the same reference period yields very different results, with regard to both the overall rate of incidence and the rankings of and the overlaps between the groups of "households in poverty". These findings provide revealing insights into the conceptual and methodological ambiguities of the empirical estimation of poverty, which have powerful implications for the design and implementation of anti-poverty interventions.

Source: Caizhen (2009).

a The local list was prepared by local officials and included households identified as slated to receive support from public resources. In this regard, it was heavily influenced by the guidelines and budgets set by authorities at higher administrative levels. This accounted both for considerable fluctuations in the length of the local list from year to year and for the divergence in the incidence of poverty based on this criterion from the estimate derived from the application of the official national poverty line.

ing between such groups at a policy level but strong justification for exploring anti-poverty strategies based on the principle of universal coverage.

Towards universalism: life without poverty lines?

The fundamental question is whether the poverty-line approach is useful in addressing poverty, or whether its methodological problems have proved fatal to its utility in efforts to significantly reduce poverty. While the methodologies used are the subject of much criticism and debate, States Members of the United Nations and international development agencies have agreed to halve the incidence of poverty by 2015 despite such problems of measurement. The current techniques for measuring poverty undoubtedly have serious flaws. Conceptual and methodological improvements that address the limitations of the current approach should continue to be explored and pursued, as so many lives and livelihoods are at stake.

Reverting to national poverty lines and improving their methodology may be one way of dealing with the limitations of the global poverty-line approach (Reddy, 2009). This approach has begun to take hold over the past few years

(Saith, 2005, 2007; Srinivasan, 2007; Reddy, 2009) and official methodologies are under expert review in places. Another advance has been to replace money poverty lines by multidimensional scoring criteria; promising as this is, the initiative introduces its own methodological problems and questions neither the intrinsic nor the operational worth of targeting. It is against this backdrop that the alternative of universalism has to be viewed.[7]

If the objective is to reach the poorest in any given population, where being poor is defined in the usual terms of private consumption expenditure per adult equivalent within each household, all that would be needed are the data on the distribution of this expenditure variable across households. For the purpose of reaching the poorest first, the poverty line is redundant; it becomes necessary only when a cut-off point is being defined indicating where to stop, not where to begin. But why is such a cut-off point needed at all?

One alternative to targeting based on the income poverty line would be to widen the frame of reference to include all sections of society at risk of sliding into poverty, instead of moving in the direction of limiting action only to the chronically poor, who often form a small fraction of those in poverty or those seriously vulnerable to it. It was observed earlier that including this dimension of vulnerability to poverty for a country such as India could widen the net, expanding the proportion from one quarter to about four fifths of the population. If one adopted the strategy of excluding never-poor households, the coverage could well expand to all but the top 10 per cent of the population. This course of action remains, of course, within the money-metric approach itself.

An alternative strategic perspective emerges within from the universalizing framework of the dimension of socio-economic security (United Nations, 2008). This involves a rejection of targeting the poor, in favour of profiling and addressing deprivations for the entire population in each of a wider range of specific dimensions of well-being.

There are profound differences between the reductionist monetary approach based on an expenditure poverty line and an alternative strategy that defines and addresses deprivations in multiple dimensions, regardless of the income of the household. The monetary approach assumes that all dimensions can be measured and accessed in money terms. It is then assumed that if a household has enough money to procure its basic needs, it is up to that household to make its own consumption choices. Thus, if the household overconsumes but has deficits in other dimensions, that becomes a reflection of consumer preference and the exercise of agency by the household and the ensuing deficits need not be a matter of policy concern. This approach therefore holds households responsible for poverty.

This view has several shortcomings. **First**, whether the poverty-line budget of the household is enough to cover stipulated basic needs at set levels and in

7 See, for instance, Mkandawire (2007); Robeyns (2008); Chhachhi (2008); and Saith (2008).

terms of quality norms remains unclear. Being above the poverty line should be enough to prevent primary poverty, but given the way in which the non-food component of the poverty-line budget is estimated, this is not assured. **Second**, not all secondary poverty is necessarily the responsibility of the household: for instance, there might be a supply-side failure which prevents the children of the household from going to school or receiving medical attention when necessary. The monetary poverty-line approach seems to assume that money in the pocket automatically secures access to goods and services. **Third**, ascribing accountability for under-nutrition to the household, for instance, is ethically questionable. There is casuistry at work in setting a budget to meet basic needs based on questionable assumptions and then blaming the household for the subsequent deficits in key dimensions. **Fourth**, the household member who makes the decisions leading to secondary poverty may not be the one who suffers from the ensuing deficits. Thus, the choices of the parents might affect outcomes for the children or older persons, for which there can be little ethical justification. **Fifth**, there could be parental biases that interfere with the rights of the children, resulting, for example, in the withholding of education from girls. Data on dimensional poverty with respect to children firmly reveal that deficits in specific dimensions, such as health and education, exist at income levels far exceeding the poverty-line cut-off point.

The alternative strategy of addressing all deficits in specific dimensions, entailing the provision of access to all in the form of rightful entitlements, at socially determined norms and levels of quality and assured supply, calls for a multipronged approach. The first step is to ensure that these entitlements are provided through adequate resources. Second, physical availability has to be coupled with guaranteed and unrestricted social access. Third, there have to be mechanisms for financial access, which could take various forms, including mobilizing resources away from inequitable provisioning programmes towards underwriting more universal ones. It is worth emphasizing, however, that not all initiatives for advancing well-being require financial resources.

In adopting such an approach, it is necessary to extend the net so as to cover wider dimensions of well-being using non-conventional indicators of psychosocial and mental health, and environmental, relational and subjective components. As noted earlier, the approach adopted in both academic discourse and policy practice in developed countries has long represented a shift in perspective from monetary poverty to a holistic appreciation of well-being. Taking this step, which is being done increasingly in developed countries, immediately broadens the focus to include all persons, whether in a state of money poverty or not, who are faced with deficits within any of these additional dimensions of well-being. There is a clear case to be made for promoting an integrated, more universal, more inclusive and more holistic approach to deprivation. This is attempted in chapter IV.