

eLearning

by  **Dr. M.G.R.** EDUCATIONAL AND RESEARCH INSTITUTE



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(Deemed to be University with Graded Autonomy Status)

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Poverty

1. **Poverty** is the state of not having enough material possessions or income for a person's basic needs. Poverty may include social, economic, and political elements.

Poverty, the state of one who lacks a usual or socially acceptable amount of money or material possessions. Poverty is said to exist when people lack the means to satisfy their basic needs. In this context, the identification of poor people first requires a determination of what constitutes basic needs.

These may be defined as narrowly as “those necessary for survival” or as broadly as “those reflecting the prevailing standard of living in the community.”

Absolute Poverty

Absolute Poverty is the complete lack of the means necessary to meet basic personal needs, such as food, clothing, and shelter.

Absolute poverty, often synonymous with 'extreme poverty' or 'abject poverty', refers to a set standard which is consistent over time and between countries. This set standard usually refers to "a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services.

Relative Poverty

- **Relative Poverty** occurs when a person cannot meet a minimum level of living standards, compared to others in the same time and place. Therefore, the floor at which relative poverty is defined varies from one country to another, or from one society to another.
- **Relative poverty** views poverty as socially defined and dependent on social context. It is argued that the needs considered fundamental is not an objective measure and could change with the custom of society.
- For example, a person who cannot afford housing better than a small tent in an open field would be said to live in relative poverty if almost everyone else in that area lives in modern brick homes, but not if everyone else also lives in small tents in open fields.

Other aspects of Poverty

- Rather than income, poverty is also measured through individual basic needs at a time. Life expectancy has greatly increased in the developing world since World War II and is starting to close the gap to the developed world.
- **Child Morality** has decreased in every developing region of the world.
- The social aspects of poverty may include lack of access to information, education, health care, social capital or political power.

Poverty is looked through social indicators like

- Illiteracy level.
- Lack of general resistance due to **malnutrition**.
- Lack of access to **health** care.
- Lack of opportunities.
- Lack of access to safe drinking water.
- Lack of access to safe **sanitation** facilities

Types of various poverty

On the basis of social, economical and political aspects, there are different ways to identify the type of Poverty:

- Absolute poverty
- Relative Poverty
- Situational Poverty
- Generational Poverty
- Rural Poverty
- Urban Poverty

Inequality

- **Inequality** refers to the phenomenon of unequal and/or unjust distribution of resources and opportunities among members of a given society. The term **inequality** may mean different things to different people and in different contexts.
- The major examples of social inequality include income gap, **gender** inequality, health care, and social **class**. In health care, some individuals receive better and more professional care compared to others. They are also expected to pay more for these services.
- **Social inequality (or) Human inequality** is characterized by the existence of unequal opportunities and rewards for different social positions or statuses within a group or **society**. It contains structured and recurrent patterns of unequal distributions of goods, wealth, opportunities, rewards, and punishments.
- There are wide varieties of **economic inequality**, most notably measured using the distribution of income and the distribution of wealth. Besides economic inequality between countries or states, there are important types of economic inequality between different groups of people

Inequality

There are three main types of economic inequality:

- 1. Income Inequality-**Income **inequality** is the extent to which income is distributed unevenly in a group of people. Income.
- 2. Pay Inequality-** A person's pay is **different** to their income. Pay refers to payment from employment only.
- 3. Wealth Inequality.**

Measures and Mechanisms Inequality axioms

Measures of Inequality

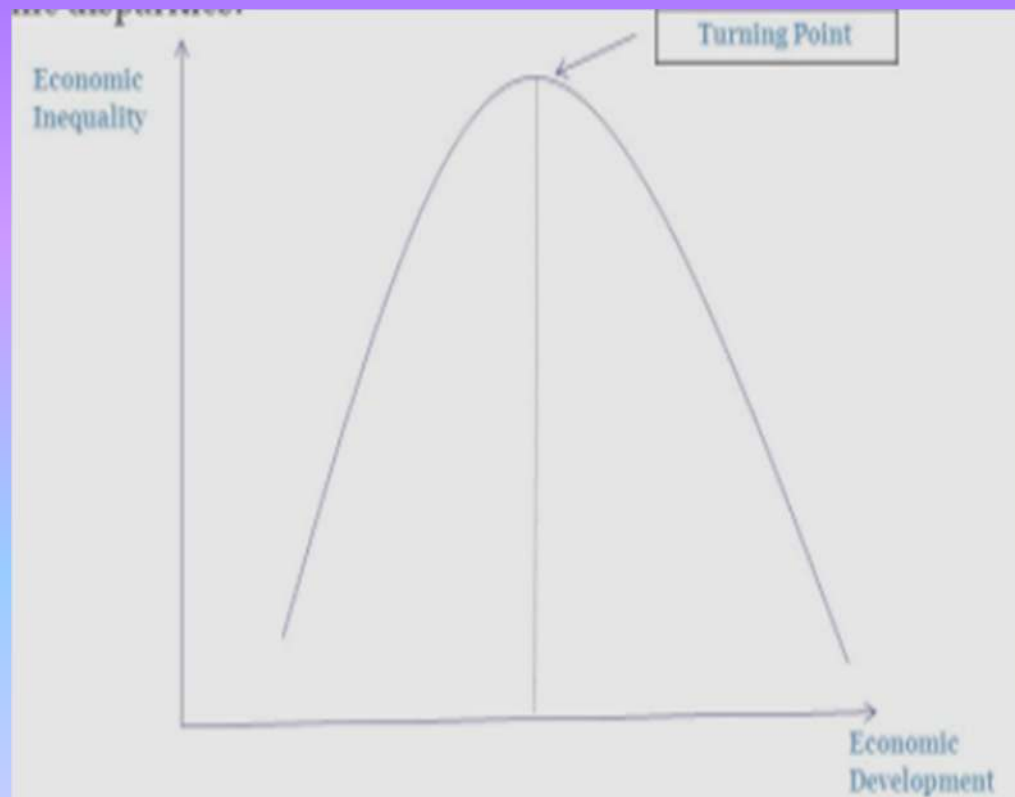
- **Vertical inequality-** Measures of vertical inequality seek to represent in a summary fashion how income or another attribute is distributed among individuals or households in a population.
- **Horizontal inequality-** Many issues involved in measuring vertical inequality apply equally to measuring horizontal inequality.
- one is that groups differ in size and its necessary to decide whether to weight any inequality by group size.
- the second is that there is generally inequality within each group and the question arises as to whether to compare the distributions of each group with every other group as a whole, or simply take the mean – which is what is typically done.

A comparison of commonly used inequality measures

- **Inequality** of outcomes occurs when individuals do not possess the same level of material wealth or overall living economic conditions.
- **Development** theory has largely been concerned with **inequalities** in standards of living, such as **inequalities** in income/wealth, education, health, and nutrition

Connections between inequality and development

The 'Kuznets curve' is the most influential attempt to propose a stylized relationship between inequality and development. In a seminal paper, Simon Kuznets advanced the argument that in the course of development, income inequality would first rise owing to a shift from the agriculture to non-agriculture and the countryside to city – and then fall, as the returns across sectors equalized – 'the range first tends to widen and then to diminish' (Kuznets 1955, p. 15)



Poverty measurement

- We may want to measure poverty directly instead of looking at Y and inequality together
- The most commonly used poverty measures are:
 - Head Count Index
 - Poverty Gap
 - Proportional Poverty Gap
 - Squared Poverty Gap

Head Count Index

- The most widely –used measure is the headcount index.
- It simply measures the proportion of the population that is counted as poor.
- Head count index=number of poor/total no. of population
- With the greatest virtues of H.I that it is simple to construct it has three weaknesses:
 - ✓ It does not take the intensity of poverty into account.
 - ✓ It % of households are poor, it may be that 25% of individuals are poor.
- But survey does not indicate how poor the poor are ,and hence does not change if people below the poverty line become poorer.
- The poverty estimates should be calculated for individuals and not the households. if 20 data is always related to households, so in order to measure at individual level we must take a critical assumption that all members of the given household enjoy the same level of well-being.

	Expenditure for each individual in country				Headcount poverty rate (P_h)
Expenditure in country A	100	100	150	150	50%
Expenditure in country B	124	124	150	150	50%

Poverty Gap

- This popular measure of poverty adds up the extent to which individuals on average fall below the poverty line, and expresses it as a percentage of poverty line.
- more specifically ,we define Poverty gap as the poverty line less the actual income for poor individuals: the gap is considered to be zero for everyone else.

$$G = (z - y) \cdot I(y < z)$$

- This measures the proportionate poverty gap in the population (where the non poor have zero poverty gap).

Calculating the Poverty Gap Index, assuming poverty line of 125					
	Expenditure for each individual in country				Poverty Gap Index (P_g)
Expenditure in country C	100	110	150	160	
Poverty gap	25	15	0	0	
G/z	0.25	0.12	0	0	0.08 [-0.124]

Poverty gap Index

- It is considered to be helpful as it gives the cost of eliminating poverty (relative to the poverty line), because it shows how much to be transferred to the poor to bring their incomes or expenditures up to the poverty line (as a proportion of the poverty line).
- The minimum cost of eliminating poverty using targeted transfers is simply the sum of all the poverty gaps in a population; every gap is filled up to the poverty line. This is all possible subject to the perfect efficiency.

Squared Poverty Gap (poverty severity) index

- It is a measure of poverty that takes into account inequality among the poor.
- This is weighted sum of poverty gaps (as a proportion of the poverty line),

Where the weights are the proportionate poverty gaps themselves: a poverty gap of 10% of the poverty line is given a weight of 10% and a poverty gap (say) 20% is given a weight of 20%: this is in contrast of poverty gap index, where they are weighted equally.

- The measure lacks intuitive appeal and because it is not easy to interpret it is not used very widely.

Meaning and Categories of Poor

- A poor person is an individual who does not have the provisions or financial capabilities to fulfill the minimum essential necessities of life. Street cobblers, push-cart vendors, rag pickers, flower sellers, beggars, and vendors are some kinds of poor and weak groups in urban neighbourhoods. The poor maintain few assets and stay in *kutchra* huts with walls built of baked mud and roofs built of grass, bamboo, thatch, and wood. The poorest of them do not even have such homes.
- In the rural areas, many of them hardly possess anything. Even if some of them own property, it is either dry or a wasteland. Several people do not get even two meals a day. Starvation and hunger are the principal characteristics of poverty-struck families. The poor tend to not possess the fundamental literacy and jobs and therefore have poor economic possibilities.

Common characteristics of poor

Characteristics of poor

Lack of basic amenities

- Most poor households do not have the access to basic amenities like safe drinking water, electricity, etc.
- Their primary cooking fuel is firewood and cow dung cake.

Starvation and hunger

- Starvation and hunger are the main issues of the poorest families.
- The basic amount of food tends to not be available.

Malnutrition

- Malnutrition is another alarming issue for poor households.
- Health issues, disability, and serious illnesses are a few reasons that make poor people physically weak.

Larger family size

- Poor families tend to be larger in size.
- They believe that a larger number of children would result in the increase of their earning capacity in the future.
- This makes their economic condition worse.

Limited economic opportunities

- The poor lack basic literacy skills.
- They tend to not have a fixed employment.
- They have limited economic opportunities.

Debt trap

- The rural poor generally borrow money from the local moneylenders at high rates of interest.
- When the poor are unable to repay these debts, they get pushed into chronic indebtedness.

Rural & Urban Poverty

- Rural Poverty or Poor

Poor people living in rural areas comprise the following:

1. Landless labourers
2. Cultivators with small landholdings

Landless

1. Many of the rural poor are landless.
2. Even if some of them possess land, it tends to be dry or a wasteland.

Food

1. Many rural poor do not get to have even two meals a day.

- Urban Poverty or Poor

The poor living in urban areas comprise the following:

1. Rag pickers
2. Beggars
3. Push-cart vendors
4. Street cobblers

Shelter

1. They live in kutcha houses with walls made of baked mud and roofs made of grass, bamboo, etc.
2. Some of them do not have such shelters.

Living

1. They possess a few assets,
2. They do not have a fixed source of earning a livelihood.

Migrants

1. Most of the urban poor are largely constituted by the overflow of the rural poor.
2. They had migrated to urban areas to seek employment and livelihood.

Mechanisms that generate poverty traps and path dependence of growth processes

- **Increasing the supply of basic needs - Food and other goods, Health care and education and Housing.**
- **Removing constraints on government services**
- **Reversing brain drain.**
- **Controlling overpopulation.**
- **Increasing personal income.**
- **Economic freedoms.**
- **Financial services.**



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