

MEASUREMENT OF POVERTY

What is poverty, and how is it measured?

Poverty can be defined as a condition in which an individual or household lacks the financial resources to afford a basic minimum standard of living. Economists and policymakers estimate “absolute” poverty as the shortfall in consumption expenditure from a threshold called the “poverty line”. The official poverty line is the expenditure incurred to obtain the goods in a “poverty line basket” (PLB). Poverty can be measured in terms of the number of people living below this line (with the incidence of poverty expressed as the head count ratio). The “depth” of poverty indicates how far the poor are below the poverty line.

Six official committees have so far estimated the number of people living in poverty in India — the working group of 1962; V N Dandekar and N Rath in 1971; Y K Alagh in 1979; D T Lakdawala in 1993; Suresh Tendulkar in 2009; and C Rangarajan in 2014. The government did not take a call on the report of the Rangarajan Committee; therefore, poverty is measured using the Tendulkar poverty line. As per this, 21.9% of people in India live below the poverty line.

The PLB comprises goods and services considered essential to a basic minimum standard of living — food, clothing, rent, conveyance, and entertainment. The price of the food component can be estimated using calorie norms or nutrition targets. Until the 1990s, the calorie norms method was used — it was based on the minimum number of calories recommended by the Indian Council of Medical Research (ICMR) for a household of five members. However, this method does not consider the different food groups that are essential for health — this is why the Tendulkar Committee targeted nutritional outcomes.

The Lakdawala Committee assumed that health and education is provided by the state — therefore, expenditure on these items was excluded from the consumption basket it proposed. Since expenditure on health and education rose significantly in the 1990s, the Tendulkar Committee included them in the basket. As a result of revisions to the basket and other changes in the method of estimation, the percentage of people living below the poverty line in 1993-94 rose from 35.97% to 45.3%.

Why are poverty numbers important?

The PLB has been the subject of much debate. The 1962 group did not consider age and gender-specific calorie requirements. Expenditure on health and education were not considered until the Tendulkar Committee — which was criticized for setting the poverty line at just Rs 32 per capita per day in urban India (and at Rs 27 in rural India). And the Rangarajan Commission was criticized for selecting the food component arbitrarily — the emphasis on food as a source of nutrition overlooks the contribution of sanitation, healthcare, access to clean water, and prevalence of pollutants.

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In what other ways can poverty be estimated?

In 2011, Oxford University researchers Sabina Alkire and James Foster devised the multidimensional poverty index (MPI) to capture poverty using 10 indicators: nutrition, child mortality, years of schooling, school attendance, ownership of assets, and access to proper house, electricity, drinking water, sanitation, and clean cooking fuel. Poverty is measured in terms of deprivation in at least a third of these indicators. In 2015-16, 369.546 million (nearly 37 crore) Indians were estimated to meet the deprivation cut-off for three or more of the 10 indicators.

While the overall headcount multidimensional poverty ratio in 2015-16 was 27.9%, the number was 36.8% for rural and 9.2% for urban India. There were wide variations across states — poverty was the highest for Bihar (52.5%), followed by Jharkhand (46.5%), Madhya Pradesh (41.1%), and Uttar Pradesh (40.8%). It was the lowest for Kerala (1.1%), Delhi (4.2%), Punjab (6.1%), Tamil Nadu (7.3%) and Himachal Pradesh (8.1%).

The MPI is a more comprehensive measure of poverty because it includes components that capture the standard of living more effectively. However, uses “outcomes” rather than expenditure — the presence of an undernourished person in the household will result in it being classified as “poor”, regardless of the expenditure on nutritious food.

Social scientist S Subramanian used data from a leaked version of the consumer expenditure data to conclude that the incidence of poverty in India increased from 31.15% to 35.1% between 2011-12 and 2017-18. The absolute number of poor people also increased from 270 million to 322.22 million over the same period, which translates to 52 million more poor people in six years.

