Poverty Perspectives

How do we define poverty? How do we measure poverty? Social scientists, economists and anthropologists all have their valid theories and opinions. But can anyone agree? And most importantly, how does this impact on the 'poor' themselves?

This is the first in a series of monthly Poverty Briefs by PPAF that pulls together current data and evidence on poverty and related issues from across the country to provide a snapshot of current thinking on poverty. This first brief is an introduction and overview. For your views, suggestions and comments please email us at mer@ppaf.org.pk. We will be happy to publish comments in following issues.

Poverty - Definitions and Classifications

For some, poverty has a simple definition. It is the monetary / one-dimensional approach that is calculated at US$1.25 a day. Currently anyone living under this amount is classified as poor.[1]

This approach has been challenged as failing to take into account the various dimensions of poverty. Even as a simple indicator, it has its limitations. Can we classify those living on $1.50 a day as non-poor?

Using the approach advocated by Amartya Sen in his classic book "Poverty and Famines: an essay on entitlement and deprivation" (1981),which puts forward the idea that poverty is a state of deprivation of multiple capabilities experienced at the same time [2], the United Nations has moved towards a more cohesive, holistic definition of poverty. This definition, which amalgamates a variety of issues that are a function of poverty (i.e. cause and consequence), is captured through the Multidimensional Poverty Index.

Multidimensional Poverty Approach

In 1990, Pakistani economist Mahbub ul Haq, along with Amartya Sen, introduced to the world a new way of measuring human development. Their creation, the Human Development Index, presented a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP, income).[3]

Two decades after the introduction of the HDI, another measure came to the forefront. The Multidimensional Poverty Index (MPI) was first published by the UNDP in the Human Development Report (HDR) of 2010 and has been used in every HDR since. It uses the same dimensions as the Human Development Index, looking at multiple deprivations at the household level in health, education and living standard. It uses data from household surveys, requiring that all indicators are derived from the same survey. The MPI combines both the prevalence or incidence (headcount) and the intensity (number of deprivations experienced at the same time) of multidimensional deprivation.[4]

The MPI has also been challenged by social scientists, poverty researchers, some of whom argue that the deprivations identified by the MPI are limited and do not take into account issues of governance, power distribution and social inequalities. Oxford University's Oxford Poverty and Human Development Initiative (OPHI) identifies a further set of criteria – referred to as the missing dimensions of poverty - to be included to gauge the actual extent and incidence of poverty. These include quality of work, empowerment, physical safety, ability to go about without shame, and psychological wellbeing [5]. Initial research conducted in Chad and Chile shows that the contribution of these missing dimensions is considerable in the levels of deprivations that poor households undergo. [6]

[1] S.M Naseem, "A review of Studies on Poverty in Pakistan: Origin, Evolution, Thematic content & Future Directions," Series 6, 2012, p.21
[2] Amartya Sen, "Poverty and Famines: an essay on Entitlement and Deprivation," 1981 http://203.128.31.71/articles/0198284632%20 Poverty%20and%20Famines.pdf
[3] Khadija Haq, "Mahbub ul Haq: The Pioneer of Human Development Approach of Economic Growth", 2011, p.3
[4] "Oxford and UNDP launch better way to measure poverty", UNDP Turkey, 15th July, 2010, http://www.undp.org/content/turkey/en/home/presscenter/articles/2010/07/15/oxford-and-undp-launch-better-way-to-measure-poverty/

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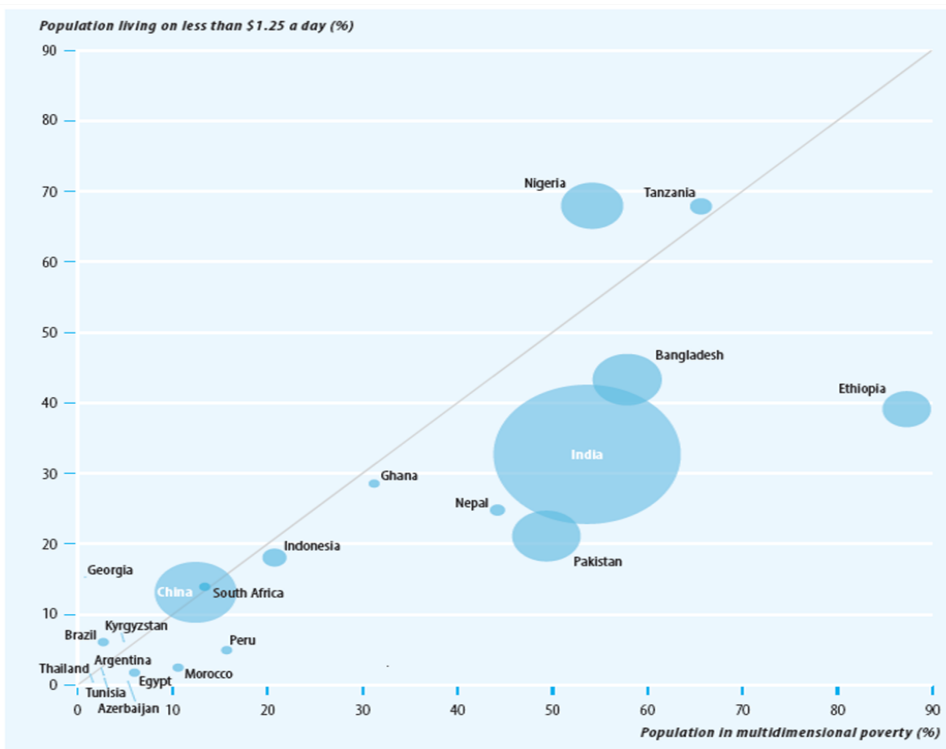
Poverty In Pakistan

No uniform measure in Pakistan for estimating poverty existed until 2001, when Pakistan's Planning Commission declared an official poverty line (OPL). It was decided then that the OPL for Pakistan will be estimated on a 2350 calories per adult equivalent per day. This is based on an adult equivalent intake of 2150 calories in the urban areas and 2450 calories in the rural areas. [7]

The indicator for poverty, then, is the proportion of the population below the calorie based food plus non-food poverty line. The head-count index is based on the official poverty line of R. 673.54 per capita per month in 1998-99 prices consistent with attainment of 2350 calories per adult equivalent per day.[8]

Global Comparisons

The Human Development Report of 2013 ranked Pakistan 146 out of 187 countries in terms of human development, 123 in terms of gender inequality and reported 49% of the population in Pakistan as living in multidimensional poverty, a proportion only below one other in the region – Bangladesh, at 58%. According to the report, the intensity of deprivation is 50% in Bangladesh and 53% in Pakistan. Although a larger proportion of the population (headcount) lives in multidimensional poverty in Bangladesh than in Pakistan, the intensity of deprivation is calculated as higher in Pakistan.[9] The data used to calculate the MPI for Pakistan was taken from the Pakistan Demographic and Health Survey of 2006/2007.[10]

As illustrated by the figure below, there is a stark difference between income poverty and multidimensional poverty levels. The bubble size is proportional to the number of people in multidimensional poverty, whereas the diagonal line represents the population living on less than $1.25 a day equivalent to population in multidimensional poverty. This also confirms that the lower the HDI value, the greater the gap between income poverty and multidimensional poverty.[11]

Source: Human Development Reports 2013

[5] Arif Naveed and Nazim Ali, *Clustered Deprivation: District Profile of Poverty in Pakistan,* 2012, p. 37

[6] " The Missing Dimensions of Poverty Data," http://www.ophi.org.uk/research/missing-dimensions/

[7] Naseem, p. 11

[8] Ibid

[9] Khalid Malik, *Human Development Report: 10 The Rise of the South: Human Progress in a Diverse World,* 2013, p. 158, 160

[10] Malik, p. 161

[11] Malik, p.30

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Pakistan's Poverty Data Sources

Most studies and statistics related to Poverty in Pakistan have been based on data taken from three surveys:

- **Household Income and Expenditure Survey (HIES)**, produced by the Federal Bureau of Statistics (FBS) since 1964, provides information on household income, savings, liabilities, consumption expenditure and consumption patterns at National and Provincial level with urban/rural disaggregated data. The Planning and Development Division also uses data from this survey in making poverty estimates. [12]

- **Pakistan Social and Living Standards Measurement Survey**, initiated by The Federal Bureau of Statistics, was designed to provide Social and Economic indicators, alternate years, at Provincial and District levels. The data generated from this survey was used to assist the government in formulating the country's Poverty Reduction Strategy, development plans at district level and for rapid assessments of programs. In addition, this survey is the main mechanism used for monitoring the Millennium Development Goal indicators in Pakistan as it provides data on demographic characteristics, education, health, employment, household assets, household amenities, population welfare and water supply & sanitation. [13]

    ⇒ Pakistan adopted the **Poverty Scorecard** as a simple objective targeting tool for the Benazir Income Support Program in early 2009. The poverty Scorecard was developed using data from the Pakistan Social and Living Standard Measurement Survey (PSLM) 2005-06 and uses a number of weighted indicators to classify a household as: *Extremely Poor, Chronically Poor, Transitory Poor, Transitory Vulnerable, Transitory Non-poor* or *Non-poor*. It contains indicators related to household size, asset ownership, education of household members, etc. [14]

- The **Pakistan Demographic and Health Survey** (PDHS), first carried out in 1990-1999 by the National Institute of Population Studies, has the objective of assisting the Ministry of Population Welfare in evaluating changes in demographic and health conditions nationwide.[15]

Even though the same sources / sets of data are used in reporting poverty estimates, varying methods of data processing as well as definitions of poverty have yielded an array of results.

Recent Developments in Estimating Poverty in Pakistan

For the first time in Pakistan, a study was completed in 2012 by Arif Naveed and Nazim Ali for the Sustainable Development Policy Institute (SDPI), which endeavored to estimate poverty using a multidimensional approach at the most disaggregated district level in Pakistan. The findings were published in a report titled, 'Clustered Deprivation: District Profile of Poverty in Pakistan.' The findings of the study show that one-third of households in Pakistan are falling below the poverty line and 21% are severely poor.

[12] "Household Income and Expenditure Survey," http://www.pbs.gov.pk/sites/default/files/pslm/publications/hies10_11/complete_report.pdf
[13] "Brief on Pakistan Social and Living Standards Measurements,",http://www.pbs.gov.pk/content/pakistan-social-and-living-standards-measurement
[14] Annual Plan 2011-12,Chapter 14 Poverty Reduction, http://www.pc.gov.pk/annual%20plans/2011-12/chapter-14poverty_reduction.pdf
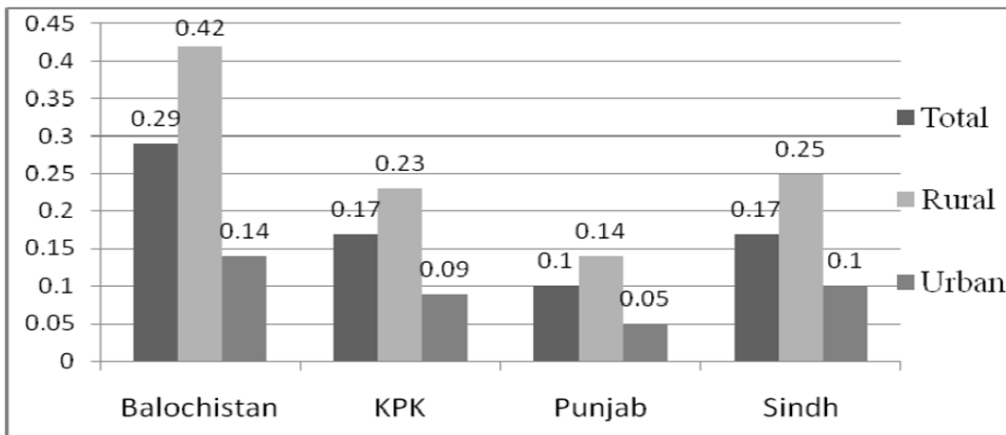[15] "Pakistan 2007 Demographic and Health Survey", http://www.measuredhs.com/pubs/pdf/SR142/SR142.pdf

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The study uses data from the PSLM 2008-2009 and an adapted form of the Multidimensional Poverty Index to calculate poverty figures within the country. In addition to the three dimensions used to report MPI in HDRs - education, health, and living conditions – the authors include asset ownership as a fourth dimension. Weight, indicators and cut-off points are given for each of the four dimensions. The study also uses 40% deprivation of the four dimensions as the poverty line. It further classifies 30-39% deprivation as *vulnerable* and 50% and higher as *severely poor*.

The study reveals the unequal inter-provincial, intra-provincial, and rural-urban distribution of poverty in Pakistan, with a strong geographic clustering of poverty within each province. Balochistan is shown as having the highest MPI, almost three-times higher than that of Punjab.

The distribution of MPI scores shows that deprivations in education and health collectively contribute 50% to MPI. The lack of asset ownership is the highest single contributor to MPI, followed by non-enrolment of children in school and poor educational attainment of household members.

Figure 5.2: MPI at the provincial level

Source: SDPI