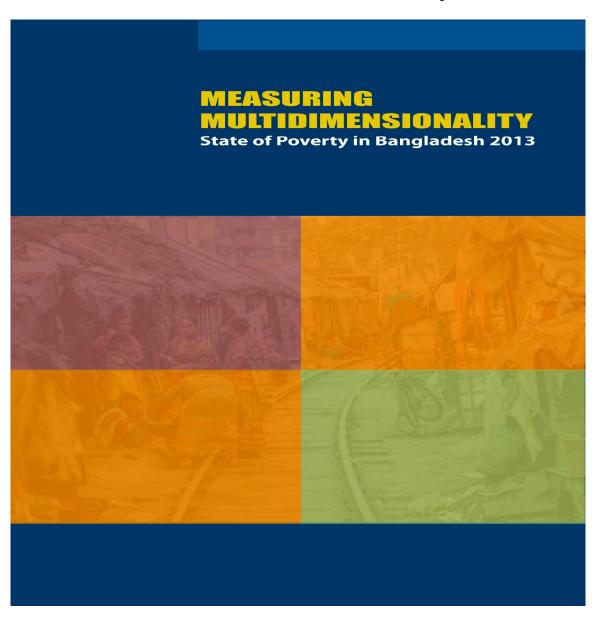


# POVERTY MEASUREMENTS: COMPARING DIFFERENT APPROACHES

# Rashed Al Mahmud Titumir & K.M. Mustafizur Rahman





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#### 1 INTRODUCTION

This chapter contrasts the different approaches of poverty measurements. Poverty is multidimensional which is not derived from simply lack of adequate income and can be described in different ways. Poverty has, however, naturally been related to income, which still remains at the core of the concept. Traditionally, economic welfare has been the central focus of poverty research predicating that poverty results from a lowness or inadequacy of income or consumption (Iceland, 2003; Orshansky, 1965; Weinberg, 1996; Wagle, 2006).

Poverty is multidimensional. People living under the poverty line earn low income, engage in indecent work, suffer health conditions, skip meals, remain uneducated, experience violence and humiliation, continue disempowerment, enjoy no rights and so on. People are poor when they cannot lead a productive and creative life in accordance with their needs and interests. There are, therefore, possibilities that the people who are battered by the most deprivations may not be the poorest in terms of income. Poverty may take different forms. Since the society is stratified, consequentially at least a section is at the bottom. This bottom layer is an expression of poverty and the people inhabiting in this bottom stratum are considered poor. The people at the bottom are likely to be deprived in the sense that they have less access to resources and lower control over income, health, water, and education etc. Again, the upper classes with better access to resources are likely to have more control over those resources than the layers below them.

Although the signs, symptoms, conspicuousness of poverty are widespread in real world, and there are vast literatures on poverty, the scientific foundation on the causes of poverty is still weak. Popular perceptions of poor - how they behave and why they are poor, and excessive importance on measurement may be part of reasons as to why scientific approach(es) to poverty has not received deserving attention. Poverty assessments, thus, are typically clouded in conceptual and methodological uncertainties (Ravallion, 1992).

For poverty measurement, most of the studies employ the *head count*, or the proportion of the population under poverty (Atkinson, 1987). The simple reason is its simplicity (Ravallion 1996). This measurement approach has been criticised (e.g. Foster, 1984; Sen, 1976, 1979) and new alternative poverty measures have also been developed. For example, inking with positive notions of freedom, the capability approach has broadened the concept of poverty, suggesting it as a manifestation of inadequate human well-being (Alkire, 2002; Clark, 2005; Gasper, 2002; Jayasuriya, 2000; Nussbaum, 2000, 2006; Pelletiere, 2006).

The following sections of the chapter, therefore, discuss and compare different approaches of measurement of poverty. The chapter also makes an attempt to show the limitations of these approaches.







### 2 MONETARY APPROACH

The monetary approaches to poverty impute a monetary value to poverty. It is most commonly used measurement of poverty. The monetary approach is mostly expressed with poverty lines and can be measured either on the basis of income or consumption. Under this cluster of approaches, poverty lines are drawn up with threshold levels of income required to purchase a given set of required goods and services. Those with income less than the required amount, therefore, fall below the line and are deemed to be living in poverty.

There are contestations over the appropriateness of consumption or income as the proxy measures since consumption tends to be higher in the beginning and later periods of life and income tends to be higher in the middle period of life (Haveman, 1987; Johnson, Smeeding and Torrey, 2005). Although the consumption-based poverty lines, arguably, provide a better measure of poverty than income-based poverty lines, yet the income is used as the yardstick to determine poverty status (Citro and Michael, 1995; Dalaker, 2005; Iceland, 2003; Joassart-Marcelli, 2005; Orshansky, 1965; Summer, 2004).

To assess poverty levels, the monetary approach assumes that all required goods and services are included in the basket and the poor spend their money in the most efficient way without buying any "non-essential" items. Such assumption is fraught with limitations. Furthermore, defining poverty by means of a line at a specific point in time fails entirely to capture those income that are close to the line but fluctuate especially across the year as a result of seasonality as well as misses to highlight that there are large number of people who, in different ways, are at risk and vulnerable to become poor. In fact, over time, many individuals and families can move "in and out of poverty" as they find employment and then are made redundant, as their levels of remuneration fluctuate and their necessary expenses change as well.

# **3 CAPABILITY APPROACH**

The capability approach is billed by its proponents as a coherent framework in analysing multidimensional aspects of poverty and welfare in a 'concerted and conceptually coherent fashion.' The capability approach of Amartya Sen<sup>1</sup> has become particularly relevant in the poverty discourse, following his and others' critiques of the one-dimensional consumption or income-based measurement of poverty and inequality. The approach has led to the development of multidimensional measurements of poverty, inequality and standards of living. Consequently, the capability approach of Amartya Sen stands out as the foundation of the Human Development Index (HDI). He forcefully argued for judging the quality of life of people, and their capability to achieve various "beings and doings".

The capability approach focuses on human freedoms and what is required to live a "valued life". Within this paradigm, poverty is defined as the failure to achieve certain minimal or basic

<sup>&</sup>lt;sup>1</sup> See Sen. A. K. 1976



capabilities, where basic capabilities include the ability to satisfy certain crucially important functioning up to certain minimally adequate levels (Ruggeri et al, 2003). The capability approach argues that poverty or a lack of human well-being can result from a number of factors, with one being the low or inadequate economic well-being. From this perspective, more fundamental is the capability or the freedom needed to achieve important 'functioning' and lead to the life or lifestyle one values and has reason to value than economic well-being (Alkire, 2002; Sen. 1992, 1993, 1999, 2000; UNDP, 2000a; 2000b).

The capability approach, in theory, provides a more satisfactory approach to poverty than the monetary approaches providing a framework in defining poverty in the context of lives which people actually live and the freedoms they enjoy.

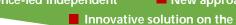
The problem, however, arises in its failing to conceptualise that poverty is manifestation of social property relationship. The rate of decline in poverty depends upon the social property relations. Since the reduction in poverty is a dynamic process, structure, history, interventions and institutions, to name a few, underline it. For example, the poor is more vulnerable as they have less capacity to adjust with different socio-economic, cultural and environmental trajectories. Their endeavour to come out of poverty is also trapped in political process. Rather than economic consideration, political decisions also determine the reduction of poverty.

#### **4 PARTICIPATORY APPROACH**

The stated aim of the participatory approach is to understand poverty dimensions within the social, cultural, economic and political environment of a locality and the assumption is that poor individuals are able to understand and analyse their own reality. The participatory approach of poverty differs from the other approaches and is defined as 'a growing family of approaches and methods to enable local people to share, enhance and analyse their knowledge of life and conditions, to plan and to act' (Chambers, 1994). While income-generating opportunities are of concern to the poor, according to this approach, it is not necessarily the primary or sole grievance they have with regard to their situation.

Participatory approach claims that it potentially embraces social, economic, cultural, and political and security issues and thus, provides a multidimensional view of poverty. It focuses on the ways of the poor's empowerment, enabling them better to make and influence decisions which affect their well-being. This approach attempts to see poverty as a multidimensional phenomenon, where poverty is not only caused by low incomes or lack of assets, but also by other factors like social relationships, powerlessness, and voicelessness. Poverty is not only an individual or household problem but also the problem of relationships between households and between social groups, requiring a wider scope of analysis (Neef, 2003; Probst, 2002; Cooke and Kothari, 2001)

The growing acceptance of participatory approach by development practitioners reflects a continuing 'belief' in a bottom-up approach in which participants becoming 'agents' of change and decision-making. Participation is seen as providing a means through which the poor become enabled in meaningful involvement of having strong voices in the development process, allowing





themselves to assert greater influence with more control over the decisions and institutions that affect their lives.

The participatory approach helps in eliciting people's own analysis of their poverty and wellbeing provides a deeper understanding of dimensions of poverty other than income and consumption indicators. This has potential for identifying key factors of chronic poverty within and between different settings. It also helps in understanding complexity and diversity of livelihood strategies, including the impact of structural economic and political factors over time on people's impoverishment and ability to become less poor. The approach is also helpful in identifying barriers to participation, factors of social exclusion and assessing social capital of different groups according to gender, age, caste, ethnicity etc.

Following a boom period throughout the 1990s, the theoretical, conceptual and methodological foundations of participatory approaches have attracted increasing criticism in the last years. The main issues include: (1) methodological limitations and lack of scientific rigour; (2) naïvety about the complexity of communication processes, group dynamics and power relations; (3) reduction of participatory methods to the diagnostic stage; (4) myth of instant analysis of local knowledge; (5) 'tyranny of techniques' and instrumental character of participatory methods; (6) underestimation of the costs of participation; and (7) participation as a substitute for good governance (Neef, 2003).

## **5 SOCIAL EXCLUSION**

The concept of poverty as social exclusion is to describe processes where individuals and groups of people do not participate in society and the shaping of that society and the benefits derived from it but would like to do so, and become increasingly marginalised. Social exclusion differs from both monetary and capability approaches in putting the social perspective at the centrestage since exclusion is assessed in relation to the "norm", making it a relative approach of measurement of poverty. It is also explicitly multi-dimensional, focusing on the ways in which people and groups are deprived in more than one dimension.

The social exclusion focuses intrinsically, rather than as an add-on, on the processes and dynamics which allow deprivation to arise and persist (Ruggeri et al., 2003). Here, poverty status is a function of one's relationship with the broader society especially as manifested in the degree of integration (Cannan, 1997; de Haan and Maxwell, 1998; European Foundation, 1995; International Institute for Labour Studies, 1996; Silver, 1994, 1995). Some people excluded by virtue of their membership to certain groups are effectively denied the opportunity to attain economic resources or capability and creating a complex vicious cycle. These are integral components of relational well-being and research supports a highly positive reinforcement between poverty and social exclusion (Figueroa, et el. 1996; Gore and Figueiredo, 1997; Lister 2004; Wagle, 2005). Social exclusion also leads to a focus on distributional issues – the situation of those deprived relative to the norm generally cannot improve without some redistribution of opportunities and outcomes. The poor may embrace a different set of norms and practices and it is arguably a survival strategy that cannot be avoided without broader policy frameworks to meaningfully integrate them in the mainstream processes (Gans, 1995; Stack, 1974).



It poses numerous conceptual and analytical difficulties, which academics have grappled with in debates about the concept. Some of the problems identified include that it is so broad in its scope that just about anyone or anything can become or be considered socially excluded (Saunders and Tsumori 2002: 32). For example, exclusion may also occur among the non-poor, whether poverty is defined in absolute, relative or capability terms. Marsh and Mullins (1998) argue that once you break the link between poverty and deprivation, there is a danger that all households might be depicted as enduring some degree of social exclusion and this limits its analytical use.

#### 6 COMPARISON BETWEEN DIFFERENT APPROACHES

The monetary approach to poverty understands it as a kind of natural phenomena which is mainly rooted in low productivity of poor, but the other perspectives go beyond this orthodox view. The level of analysis is individuals. The monetary approach is related to income or money so that the required policy action is "getting to the right prices" through privatisation, liberalisation and adjustment of the labour market together with minimum wage and labour contracts.

From the other perspectives, poverty is a multidimensional phenomenon and needs to go beyond the monetary approach and income based poverty line in order to design anti-poverty measures. These approaches assert that the social environment as well as different kinds of excluding mechanisms such as lack of access to education, health, basic infrastructures, social networks are to be addressed. From these viewpoints, it might be difficult to address the poverty properly without paying attention to these factors.

Table 1: Comparison of different approaches to poverty

Name of approach	Level of Analysis	Definition of poverty and its reason	Policy action
	Individua l and	based on a single	getting to the right prices
		dimensional phenomenon	through privatisation, liberalization, removing of wage and other
Monetary Approach		which could be measured	
	micro	by single index of income;	welfare policies; paying cash
		low	subsides to
		productivity of poor is reason	poor.



		- C	
		of poverty	
		based on	
		personal and	increasing the
		social effective factors on	capability of individuals through
	Individua	capability of	providing basic
Capability	l, social,	individuals	semi public
Approach	Micro,	which is	goods
Approach	macro	related to	including
	macro	income,	education, health and
		,	other basic
		education,	infrastructures
		health and	by state
		infrastructures	<b>,</b>
		based on	
		different kinds	
		of	
		exclusions	removing social
		(e.g. disability,	exclusions and
Social		gender,	including the
exclusion	Social,	religious,	excluded
	macro	minority)	people through
approach		minority) which are	changing the
		related	rules and social
		202000	struggle and resistance
		to political and social	resistance
		environment	
		based on	to reject the
Participato	G ' 1	inability of	current
ry	Social,	poor	positive-
approach	macro	to participate	normative
app-outsi		in decision	dualism and
			paying more



making attention to process which local is knowledge and deconstruction related to elite of current oriented power structure in epistemology which there is and topdown no room for development poor to participate in process both at decision national making process; and establishing international levels bottom-up participatory development process through social struggle and resistance

Source: Adopted from Dini and Lippit, 2009

Capability and social exclusion approaches are quite similar and hence these emphasise on the role of state in designing and implementing interventional welfare policies. However, the capability approach has started from social welfare function with a micro foundation and reached to the important role of environment and social factors in improving the capabilities of individuals so there is a micro-macro interaction. On the other hand, the participatory approach is social approach. These do not address dismantling of the power structure while capability and social exclusion approaches deal indirectly by paying attention to social environment which leads to low capability or different kinds of exclusions.

#### **8 CONCLUSIONS**

This chapter analysed that all the three dimensions of poverty including economic wellbeing, capability, and social inclusion are highly interrelated and their incorporation in measurement adds an important value. Measuring poverty by a single indicator or approach namely 'monetary approach' never represents the whole situation of poverty within a country. The monetary approach simplifies poverty and reduces all of the multidimensional aspects of poverty only to the low productivity of a part of society and their low income without paying attention to



historical and social roots of low productivity of poor including discriminations, lack of education and health as well as not having any role in decision making process.

Poverty is interlinked to, and emanates from, the functioning of society, which is strikingly different from those of allocative market paradigm. For analytical clarity, society is understood as an interlinked system consisting of economic, political and social sub-systems, tied at every sphere – local, national and global. The societal sub-system reflects configuration of classes, which pitches with each other in political domain in order to maintain control over productive resources in the economic sphere. The political sub-system draws on societal sub-system as the governing class arrives at or imposes a set of collective goals. The economic sub-system actualises the production of goods and services. In other words, the societal sub-system defines players, the political sub-system inscribes rules and economic sub-system actualises the system of accumulation.

Thus poverty is manifestation of social property relationship. The rate of decline in poverty is accelerated or decelerated, depends upon the structure of the society, rather than the neo-liberal articulation that an increase in the size of the "things-basket" reduces poverty. This happens as this "things-basket" operates under particular social relationships. The "things-basket" may reduce poverty up to a point, but it is reproduced due to social property relationship, embedded through institutions, structures, power, and reality and composition of the state (Titumir, 2012). Poverty is a part of social relationship. The poor are remaining as they are due to the structural reasons. Even reduction in income poverty has a limit, as it is contingent upon the structure. For example, one may generate income at an increased rate but ought to remain at the same level inside the society due to the social stratification. People belonging to the lower class of the society are not allowed to be associated with the upper class anyway. Hence, even if income poverty scenario changes somehow, social poverty remains unchanged due the structural reasons. Moreover, reduction in income poverty has a limit, as it is reliant to the structure. Furthermore, the social structure reproduces poverty.



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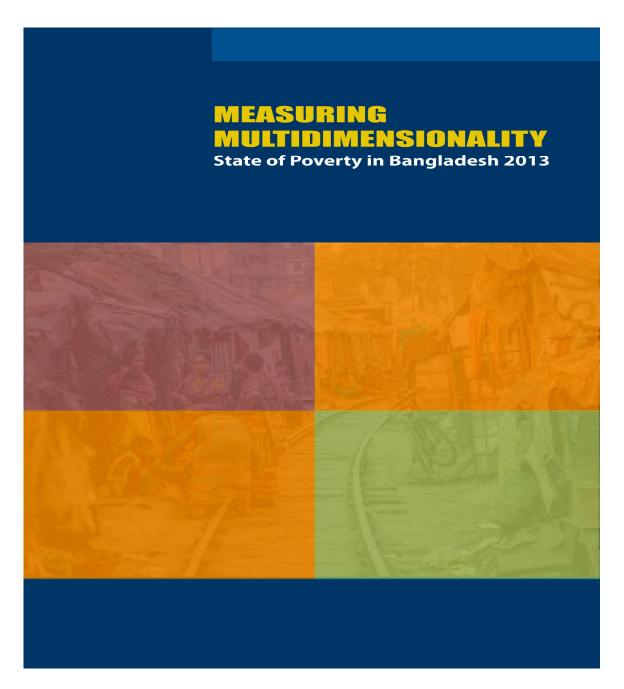
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