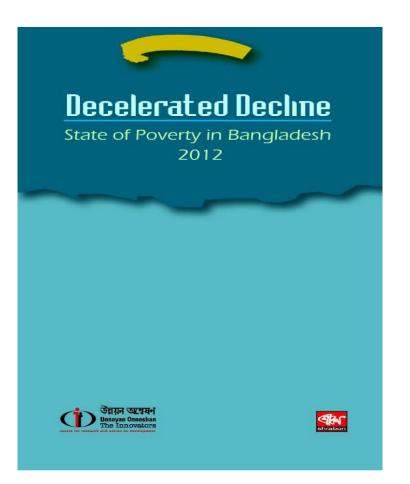
# Poverty in Bangladesh: Slowing Down in Decline

**Rashed Al Mahmud Titumir** 





This report has been prepared as a chapter for a forthcoming book "Decelerated Decline: State of Poverty in Bangladesh 2012", edited by Rashed Al Mahmud Titumir to be published by Shrabon Prokashani, Dhaka in October 2012



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## Poverty in Bangladesh: Slowing Down in Decline

#### **Rashed Al Mahmud Titumir**

### **1 INTRODUCTION**

Bangladesh has made progress in reduction in income-poverty since independence, yet the rate of decrease has slowed down in recent years. This pauses a cause of concern, particularly if a forecast is made on the basis of current trend, suggesting that the rate of decline may further decelerate, leaving the target of poverty reduction of the government at bay. The poverty reduced by 8.9 percentage points during the five years of 2000-2005 while during the next five years (2005-2010), the total decline was 8.5 percentage points. The depth of poverty or poverty gap, a measure of the average income gap of the poor in relation to a certain threshold, and severity of poverty or squared poverty gap, a measure sensitive to the income distribution among the poor -- have also witnessed a slower rate of reduction in last few years. The rate of reduction in the depth of poverty was 5.94 percent between 2000 and 2005, whereas it was 5.56 percent between 2005 and 2010. Likewise, the severity of poverty has also reduced at a slower rate than before. The rate of decrease in severity of poverty was 7.39 percent between 2000 and 2005, while it was 6.21 percent between 2005 and 2010.

The reduction in poverty is a dynamic process, underlined by structure, history, interventions and institutions, to name a few. 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.

The poverty reduction rate in Bangladesh is an aggregate product of multiple factors. For example, there is an increased trend of flow of remittance (both internal and external) over the years and this has resulted in increased consumption. Remittance has increased from BDT 322.76 billion in FY 2005-06 to BDT 1018.83 billion in 2009-2010, whereas the consumption has increased from BDT 3315.52 billion to BDT 7376.30 billion during the same period. Remittance has remained stable and predictable as compared to other financial flows in the country and more importantly, these are counter-cyclical, providing buffer against economic shocks. The export has also increased, especially in the wake of Bangladesh becoming the second largest exporter of ready-made garment in the world, leaving a huge impact on the employment situation, particularly for rural female. The agriculture sector has witnessed a change in practices, with changes associated with seedwater-fertilizer technology and multiple cropping intensity in same piece of land in the recent years. The service sector, particularly the construction has also expanded and has created a job opportunity of the people. All these, amongst others, have positive impacts in reducing poverty and have resulted in change.

The government has taken several initiatives for reduction in poverty, yet the poverty persists and challenges continue to evolve. The problem arises in its failing to

conceptualise that poverty is manifestation of social property relationship. The rate of decline in poverty is accelerated or decelerated, depending upon the social property relations, 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.

#### Structure, Systems and Dogma

In institutional sense, the major reasons for persistence of poverty are: absence of adequate state intervention for the expansion of production, deficiency of equalizing income augmenting employment system, shortfalls in public expenditure for enhancements of capabilities, inadequacies in regulatory regimes, lack of complementary policy structure and non-existence of enforceability of constitutional rights. The neoliberal paradigm reduces the capacity of state through liberalisation, deregulation and privatisation, assuming that market will deliver the results. It further assumes that a part of the population will plunge into the poverty and they will be addressed through social safety nets. The failing of the paradigm is the failing to take cognisance of the endemic market failures and the need for the state to intervene with strategies, policies and incentives to enhance the productive capacity to ensure full employment, particularly addressing the disguised unemployment. When people do not have work, they cannot make any money; thus, unemployment leads to poverty. Poverty may also increase due to the lack of maintaining coherence and/or complementarity in policies and implementation. For example, tax system of the country is regressive and bias in favour of rich as the government continues to broaden the purview of across the income quintiles equal incidence bearing tax like value added tax (VAT) while there is hardly any concerted efforts in increasing income tax net and reduction in tax evasion and avoidance of corporate houses. The Constitution of the country, on the other hand, pledges to ensure basic necessities to its citizens by the state. Since these rights are not legally enforceable, the state as a duty bearer to the rights holders could not be operationalized. It, therefore, remains difficult for the poor to enjoy the basic necessities and graduate out of poverty.

#### Accumulation by Disposition

Another manifestation of poverty is accumulation by disposition. The country's economy has been expanding and so is the dispossession in many forms. Reduction in income poverty has a limit, and the boundary of poverty is volatile. 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 enjoy other elements of life likes of expression, association etc. Hence, even if income poverty scenario may have changed, social poverty remains unchanged due to class differentiation.

#### Informalisation

The growth process in Bangladesh has not been matched with increases in jobs. Evidently, a considerable number of people have entered into labour market with wages below the poverty, creating a huge amount of people, who can be termed as "working poor." Moreover, a huge chunk of employed population is under-employed. Furthermore, typical incomes, adjusted for inflation, grew little while the cost of living increased and they feel difficulty to maintain their livelihood. Again, they are engaged an income generating activities, but formally remain jobless as they hardly enjoys the rights to be enjoyed by an employed. These have also resulted in augmentation of income inequality. The full employment is an essential way of achieving the sustainable livelihoods, which in turn is a crucial means of reducing poverty.

#### Ecological Poverty

The deterioration of the natural environment, including the climate, bodies of water, soil, and forests — is an important cause of poverty. Environmental problems have led to shortages of food, clean water, materials for shelter, and other essential resources. For example, based upon ecological zones, Barisal and Khulna division are more poverty prone area (the incidence of poverty in Barisal division is 39.4 percent and it 32.1 percent in Khulna division, which is highest among other divisions except Rangpur division in 2010) due to the adverse effects (like sidr, aila etc) of climate change. More specifically, the rate of reduction in the percentage of population living below the poverty line in these two divisions is also lower as compared to other divisions.

#### Unequal Society

Many economists argue that sustained and equitable economic growth inevitably leads to poverty reduction. There is, however, widespread concern that fruits of economic growth has not been shared fairly, and that the current economic crisis further widens the gap between the rich and poor. Moreover, the system of accumulation in Bangladesh is principally primitive in nature. Such accumulation is omnipresent, particularly in cases of access to, and control over, natural resources, common property resources, and subsidies of state resources. The bias created in favour of rich and powerful could be somewhat lessened by regulatory regimes, giving access to and control over, such resources to the poor. Absence of dynamic regulatory policies and enforcement reduces the poor's access to such resources, and hence poverty is reproduced or graduation becomes difficult. In Bangladesh, the number of people living in poverty has increased due to rising disparities in the distribution of resources within this country. Unequal pattern of growth has a weaker poverty alleviating effect and has also been shown to be harmful to growth. Moreover, inequality afflicts the persistence of poverty. Therefore, reduction of poverty is hard to pin down without addressing inequality.

#### 2 INCIDENCE AND SEVERITY OF POVERTY

The incidence of poverty in Bangladesh is one of the highest in the world. Millions of people are suffering from the hardship of poverty (Titumir and Rahman, 2011). Like many other developing countries, poverty is still a major concern and challenge for Bangladesh.

The present government has made a commitment to reduce the rate of poverty to 25 percent and 15 percent of population by 2013 and 2021 respectively. According to the latest available national statistics on poverty, based on head count rate (CBN) and using

upper poverty line, the incidence of poverty decreased to 31.5 percent in 2010 at the national level with an annual decrease rate of 2.46 percent from 1991-92. If this trend of decrease continues without any radical shifts in policy and implementation, the incidence of poverty might slide down to 29.2 percent and 22.9 percent by 2013 and 2021, which are higher by 4.2 and 7.9 percent respectively than those of the targets of the present government. The incidence of poverty is decreasing such a rate that it warrants more time to achieve the targets of the current regime made in its election manifesto. A different result is also found in case of the incidence of poverty in terms of divisions. The estimates of head count rates (CBN) by divisions using upper poverty line reveal that the incidence of poverty is higher in Barisal division with 39.4 percent among all divisions followed by Rajshahi including Rangpur (35.7 percent), Khulna (32.1 percent), Dhaka (30.5 percent) and Sylhet (28.1 percent) (HIES, 2010).

The poverty gap was found 14.4 percent in 1995-96, but decreased to 12.8 percent and 9.0 percent in 2000 and 2005 respectively and further, decreased to 6.5 percent by 2010. The decreased rate in the percentage of poverty gap during 2005 to 2010 was lower than that of 2000 to 2005 at national level. This rate was 5.94 percent between 2000 and 2005 whereas it was 5.56 percent between 2005 and 2010. Similar results were also found in case of the squared poverty gap, which was 5.9 percent in 1995-96 and decreased to 4.6 percent, 2.9 percent and 2.0 percent by 2000, 2005 and 2010 respectively. The rate of reduction in the percentage of squared poverty gap between 2000 and 2005 was 7.39 percent, which was higher than the rate of reduction (6.26 percent) of last five years (i.e. from 2005 to 2010) at national level.

The number of population living below the poverty line has increased from 51.6 million in 1991-92 to 56 million in 2005 with an annual average rate of 0.314 percent at national level. The number of population under poverty line is decreasing in the rural area, but it is increasing in urban area. This might be the result of rural-urban migration.

Although the government has taken several initiatives for reduction in poverty, yet the poverty persists. This is mainly due to the problems associated with the neo-liberal paradigm that the successive governments are pursuing in reducing poverty, including those of the poverty reduction strategies (PRS).

## **3 POVERTY AT HOUSEHOLD LEVEL**

Analyzing the poverty situation at household level is important not only for uncovering the nature of the problem but also for formulating effective poverty reduction (alleviation) strategy. Ascertaining the socio-economic characteristics of the poor, and the constraints they face, is a prerequisite for effective policy design as well as the achievement of development goals. Notwithstanding specific areas of progress, aggregate poverty rates remain dauntingly high.

The incidence of poverty is lower among the households having 1-2 members compared to others at national, rural and urban level. The annual rate of reduction in the incidence of poverty among the households having 1-2 members is 4.7 percent during the last ten

years, which is higher compared to the other households having more than two members. Similar results are also found in case of the rural area. However, in urban area, the annual rate of decrease in the incidence of poverty is higher among the households having more than 10 members compared to others. This might be the result of engaging the higher family members in different income generating activities and earning more than those who have lower family members in the urban area.

Generally, the incidence of women-headed households is believed to have increased worldwide and, in both developed and developing countries, a high proportion of these households are found to suffer from poverty. However, in Bangladesh, an opposite result is there, where the incidence of poverty is lower in women-headed households than the male generated ones. More specifically, it also observed that the incidence of poverty in women-headed households has reduced with a higher rate than that of male generated households during the last ten years at national level. The annual rate of reduction in the incidence of poverty was 3.4 percent at national level during 2000 to 2010 for the maleheaded households whereas it was 4.4 percent for the female generated households during the same time period.

Poverty levels fall as the educational attainment of people rises. The tendency of reducing poverty among the more educated persons have occurred at an accelerated pace than those having no or little education. Additionally, it is found that the rate of reduction in the incidence of poverty among the illiterate has reduced from 63.1 percent in 2000 to 42.8 percent in 2010 with an annual decrease rate of 3.2 percent at the national level.

As the quantity of ownership of land rises, the incidence of poverty level falls and poverty is more pronounced among the landless. However, the incidence of poverty is the highest among the landless but the rate of reduction in the percentage of poverty is comparatively well. This is because, most of them are engaged in non-agricultural activities and managed to reduce their incidence of poverty by various non-agricultural economic activities.

During the period of 1991-92 to 2010, the monthly household income has increased with a rate of growth of 13.53 percent, 11.68 percent and 13.39 percent at national, rural and urban level respectively. At the same time, the monthly household expenditure has risen with a rate of growth of 15.58 percent at national level, 14.07 percent at rural level and 14.16 percent at urban level while food expenditure has increased with a rate of growth of 11.79 percent, 11.01 percent and 13.39 percent at national, rural and urban area respectively. Furthermore, it is found that during the last five years (i.e. from 2005 to 2010), the rate of growth of monthly household income was 11.87 percent, 11.67 percent and 11.50 percent whereas the rate of growth of monthly household expenditure was 16.52 percent, 16.14 percent and 16.40 percent, of which the rate of growth in food expenditure was 17.59 percent, 16.67 percent and 19.20 percent at national, rural and urban areas respectively. This indicates hardship to manage their livelihood due to the higher rate of growth in household expenditure over the income.

### 4 THE POOR IN RURAL VULNERABLE AREAS

The rate of poverty in the rural areas has declined over the last decade, but remains relatively high. A periodic survey conducted by the Unnayan Onneshan in hard to reach remote areas reveals that the percentage of the population living below the poverty line (upper poverty) has more than doubled at the surveyed area compared to the national level. The rate is 82.67 percent at the surveyed area, while it is 35.2 percent in the national level. In case of the lower poverty, the percentage of population under the poverty line is about three times higher than that of the national level.

Considering food poverty line, the study found them close to the food poverty line (average calorie intake was 2137 kcal per person per day) compared to the national boundary of food poverty (2122 kcal per person per day).

## **5 POVERTY AND RURAL-URBAN MIGRATION**

The poorest groups in any society are often bypassed by economic development and it is quite the same for the people in the rural areas. Without opportunities for an adequate livelihood in the rural areas, poverty increases and these force many rural poor to seek employment elsewhere, leading to a rural-urban migration.

Migration could not be generalized in to a single category, depending on demographic, socio-economic and cultural factors. Many factors such as poverty, lack of work availability, unemployment, natural disaster and socio cultural factors like marriage, family conflict, better educational opportunities etc. are contributing to migration. Recently, most of the cities in Bangladesh are experiencing rapid but unplanned urbanization and that has resulted in job opportunities in the urban areas. As a result, migration in the urban areas is on the rise, which simultaneously also increases the growth of urban population compared to the national population growth of Bangladesh.

A strong linkage, nevertheless, exists between migration and poverty. In Bangladesh, every year a large number of populations migrate in search for options of their livelihood. There is a common perception that they can improve their lives by earning more in the urban areas, but in reality, they are facing multiple challenges. Migration creates the conditions that lead the people feeling themselves to be poor, which in turn lead to further migration.

## 6 THE URBAN POOR

The urban poor have migrated from different rural areas due to 'push' and 'pull' factors wherein 'push' factors are more frequent. However, after migration in the city, the poor migrants, in most occasions, fail to achieve their desired targets. A growing number of poor urban people are living with minimal or no social services or basic infrastructure, in pitiable housing along with inadequate provision of water, sanitation and drainage. As a result, their livelihoods are under continuous threat. Livelihood strategies are undertaken and chosen by the people in order to achieve their goals. Results from a quick survey, conducted by Unnayan Onneshan, indicates that urban poor, mostly migrated from different rural areas, are facing difficulty in maintaining their livelihoods. This is further complicated in cities where there has been higher degree of concentration of migration. For example, the overall poverty situation in the country has improved over the years, though the situation of Dhaka city has become worse in terms of both upper and lower poverty lines. The slow expansion in the private sector in recent years due to infrastructural bottlenecks like supply of gas, electricity etc. has failed to absorb the unemployed and the increased labour force. In such circumstance, the poor migrants are being compelled to take up low-paid activities and forcing to reduce the wage in the midst of huge competition to support their livelihoods. They are further excluded from the formal sectors of the economy due to entry barriers such as lack of education, skills and training. Without access to these jobs, the only options left to migrants are hard, dangerous physical labour, without occupational safety and associated rights for a decent work.

## 7 POVERTY, INEQUALITY AND GROWTH NEXUS

Conventionally, economic growth is considered as the main intervention to reduce poverty. It is thought that the relations between growth, inequality, and poverty are nonlinear, complex, and path dependent in their dynamics. Inequality is non-linearly influenced by a host of institutional and social factors along with growth. The relationship between these two variables - inequality and growth - is not based upon a one-dimensional causality. Moreover, difficulties in operating the definitions of these variables and lack of time series data make the issue more complicated.

The rate of poverty reduction is following a slower trend in the recent and forecast to pursue the same, if radical shifts are not taken into practice in upcoming years. The country has witnessed a growth rate of GDP at 4.6 percent in 1995-96 while the incidence of poverty was 50.1 percent. In 2000, the growth rate of GDP was 5.94 percent; while the incidence of poverty reduced to 48.9, which further reduced to 40 percent in 2005 while growth rate of GDP was 5.96 percent. Continuation of current trend suggests that incidence of poverty might decreased to 29.18 percent against the government target of 25 percent while rate of growth in GDP attain at 6.46 percent by 2013. Under the business as usual scenario, the incidence of poverty, according to a trend analysis, might reduce further to 27.56 percent by 2015 while rate of growth in GDP might be witnessed at 6.73 percent.

The incremental rate of growth in GDP has already slowed down. In addition, the rate of reduction in poverty might slow down in the upcoming years while inequality in income may increase. If inequality in income is not reduced by redistribution, the challenge of alleviating poverty would not be achieved despite the rate of growth in GDP.

#### **8 TOWARDS A NEW DIRECTION**

Despite considerable thrust on poverty reduction in all plan documents since the independence of Bangladesh, a significant number of people are still living below the poverty line. It is a constitutional obligation of the government to provide a decent living standard for the citizens by alleviating poverty. However, like in many other countries, poverty in Bangladesh is still a serious concern although the present government of Bangladesh is hopeful in achieving the target of Millennium Development Goals (MDGs) as well as the targets of Vision-2021 related to poverty and inequality. The Unnayan Onneshan research, however, suggests that Bangladesh is not well on the track en route to achieving those targets. Moreover, it might be quite difficult to achieve the targets, unless the government does not give top priorities on the issues outlined above.

The promotion of household income has been given importance in policy documents, but programmatic intervention is neither adequate nor implemented with vigour. Unless agrarian reforms are implemented and rapid industrialization are promoted, a few income promotion and safety net programmes can not contribute significantly towards promoting household income and reducing poverty as well.

It is true that despite having a modest economic growth in the country, all people cannot get benefit from growth equally due to the differentiation. To assist the people, the government may take special programmes. Furthermore, revamping of the policies in an effective manner to ensure equitable distribution of income and wealth must precede embarking upon of those special programmes. Accelerating the rate of decline of poverty can be accomplished only by reducing poverty in source.

It must be stressed that any design and strategy to improve the urban condition must correspond with similar design and strategy to improve the rural areas in order to stamp out the prevalence of the rural-urban migration. In other words, tackling the issues of sustainable development, infrastructural distributions are crucial in improving the rural drift. Without ensuring a balanced development between rural and urban areas, reduction of poverty will remain a distant dream and therefore, the rural-urban migration will continue.

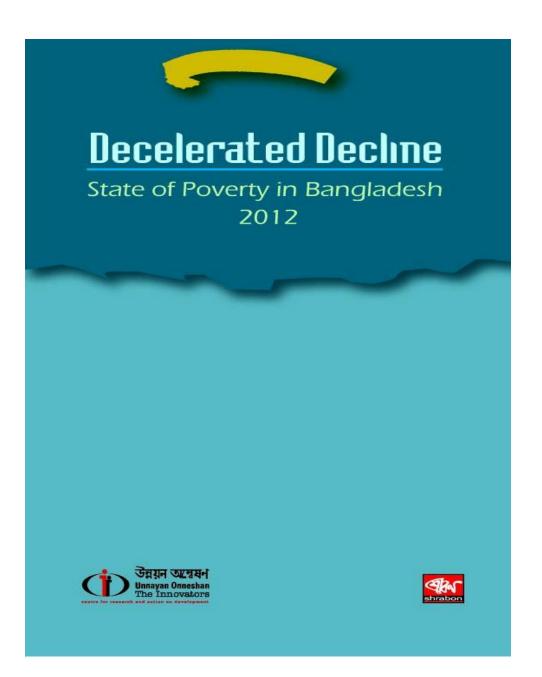
The employment opportunities in non-agricultural production is needed to increase in the rural areas, in addition to traditional agriculture enabling the poor to escape from poverty. With respect to policies, broader types of interventions are important: employment generating (including support for income generating activities which also include access to infrastructures and markets), capability enhancing (support for improvement of human resources including education, training and health services), and motivational (so that people aspire for good life, commit themselves for it and work hard to achieve it) as well as planned supportive activities during natural disaster.

The lives and livelihood of the urban poor people are mostly twisted by the policies on employment, housing and land use, and services of the urban government. The interests of the urban poor are, however, neglected in urban polices and planning as they remain politically marginalized and excluded from city politics. The urban poverty, therefore, needs to be understood in relation to urban government and urban policies.

The rate of growth only shows the percentage change in the level of consumption or income by ignoring the changes in distribution. Growth may not bring the intended improvements unless it is supported by policies that would reduce the initial level of inequality. In a country where reduction in poverty is the fundamental objective of development strategies, the goal of development should be balanced between growth and equity targets.

The government needs to be creative in renewing and revising strategies and approaches, including increased budgetary allocation for poverty alleviation. Therefore, provisions must be formulated for the evaluation of programmes and understanding of the impacts as well. Findings need to be scientifically utilised in developing suitable programmes addressing the causes of poverty and inequality in Bangladesh. Otherwise, the aim of reducing poverty and inequality may remain elusive and distant dreams, which the nation cannot afford.





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