

POVERTY

“One thing is sure and nothing is surer; the rich get richer and the poor get — children”

1. STARTING PARAGRAPH:

Poverty is an ethical concept, not a statistical one. Inherent in the term “poverty”, when applied to human beings, is the notion of a life situation that should not exist. It is not only lack of roti, kapra aur makan—food, cloth and shelter. Amartya Sen aptly sums up many dimensions of poverty as lack of “capability”—capability to overcome violence, hunger, ignorance, illness, physical hardship, injustice and voicelessness. The World Bank has argued that poverty often lies in the absence of opportunity, empowerment and security, and not just the absence of food on the table.

Still, there is a hunger to have a statistic that sums up poverty, something handy both for analysis and for comparison across groups and among time periods. For this reason there are a variety of statistical measures of poverty. None of them do a very good job of capturing the multi-dimensional concepts of poverty discussed above. All require severe conceptual compromises to make them comparable either across groups or time. Nevertheless, they provide whatever is available to monitor poverty reduction in a consistent manner.

2. DEFINING POVERTY:

Poverty is relative to richness. It is one of the foremost social problems facing by the developing and the third world countries. John L. Gillin asserted that poverty may be regarded as “that condition in which a person, either because of inadequate income or unwise expenditure, does not maintain a scale of living high enough to provide for the physical and mental efficiency that enable him and his natural dependents to function usually according to the standards of society of which he is a member.”

I. Absolute poverty: It is a condition of moneylessness; therefore, it is also called Income poverty. According to Gerald Meier, “the ability to attain minimum standard of living.” Poverty is also defined as powerlessness. Poverty as powerlessness is measured in terms of lack of power as well as money. Powerlessness in other words is the lack of control over one’s own destiny. Powerlessness is a lack of empowerment.

II. Relative poverty: The best to measure the relative poverty is to take into account the position of various groups on a scale of income that must compare the income share of those at the bottom to that of those at the top. With complete income equality, the top 20 per cent of people would get 20 per cent of the income available and the bottom 20 per cent would get 20 per cent also.

3. INTRODUCTION:

The fight against poverty represents the greatest challenge of our times.

Considerable progress has nevertheless been made in different parts of the world in reducing poverty. The proportion of people living in extreme poverty on global level fell from 28 percent in 1990 to 21 percent in 2001 (on the basis of \$1 a day). In absolute numbers the reduction during the period was 130 million with most of it coming from China. In Sub-Saharan Africa, the absolute number of poor actually increased by 100 million during the period. The Central and Eastern Europe and the CIS also witnessed a dramatic increase in poverty. While incidence of poverty declined in South Asia, Latin America and the Middle East witnessed no change. The recent trends in global and regional poverty clearly suggest one thing and that is,

that rapid economic growth over a prolonged period is essential for poverty reduction. At the macro level, economic growth implies greater availability of public resources to improve the quantity and quality of education, health and other services. At the micro level, economic growth creates employment opportunities, increases the income of the people and therefore reduces poverty. Many developing countries have succeeded in boosting growth for a short period. But only those that have achieved higher economic growth over a long period have seen a lasting reduction in poverty – East Asia and China are classic examples of lasting reduction in poverty. One thing is also clear from the evidence of East Asia and China that growth does not come automatically. It requires policies that will promote growth. Macroeconomic stability is therefore, key to a sustained high economic growth. Although extreme poverty on global level has declined, the gap between the rich and poor countries is increasing, even when developing countries are growing at a faster pace than developed ones – perhaps due to the large income gaps at the initial level.

In a world of six billion people, one billion have 80 percent of the income and five billion have less than 20 percent. In the next 25 years, two billion more people will be added in the world we live. All but 50 million of them will be in the developing countries. In the year 2025, seven out of the eight billion people will be living in developing countries. This issue of global imbalance is at the core of the challenge to scale up poverty reduction.

4. CAUSES OF POVERTY:

According to Henry George, the main cause of poverty is the personal ownership and monopoly of the individual on the land. He writes, "in the great cities, where land is so valuable that it is measured by the foot, you will find the extremes of poverty and of luxury. And this disparity in condition between the two extremes of the social scale may always be measured by the price of land." According to Karl Marx, the main cause of poverty is the exploitation of the workers by the capitalists.

5. THE WORLD BANK REPORT (2006):

A World Bank report says that South Asian countries can significantly reduce poverty in the next 10 years by increasing investment, improving labor quality and addressing gaps in income.

The Economic Growth in South Asia report says South Asia's decade-long economic expansion has made life better for many poor people. But, it said, without changes to economic policies, that rapid economic growth may be difficult to keep up. Shantayanan Devarajan, co-author of the report and World Bank chief economist for South Asia, said the region "must create the conditions and incentives necessary to sustain and accelerate growth that benefits all. The economic well-being of several hundred millions of people depends on it."

The report said the number of people living in poverty could drop by two-thirds if economic growth jumps to 10 per cent a year until 2015.

6. CAUSES OF POVERTY IN PAKISTAN:

I. Large family size:

II. Skewed patterns of land ownership:

III. Disadvantageous consumption patterns:

IV. Poor educational attainment:

V. Poor health and fertility indicators: Lack of access to critical infrastructure:

VI. Vulnerability to abuses or power, weak Rule of Law:

VII. The inflation rate, which was at 5.7 per cent in 1998-99, was reduced to 3.6 percent in 1999-2000 and further to 3.1 per cent in 2002-03 (the lowest in the last three decades). But still standing at 8 per cent in June 2006.

7. GOVERNMENT'S POVERTY REDUCTION STRATEGY:

In Pakistan, Poverty Reduction Strategy was launched by the government in 2001 in response to the rising trend in poverty during 1990s. It consisted of the following five elements:- (a) accelerating economic growth and maintaining macroeconomic stability, (b) investing in human capital, (c) augmenting targeted interventions; (d) expanding social safety nets and (e) improving governance. The net outcome of interactions among these five elements would be the expected reduction in transitory and chronic poverty on a sustained basis. The reduction in poverty and improvement in social indicators and living conditions of the society are being monitored frequently through large- scale household surveys in order to gauge their progress in meeting the targets set by Pakistan for achieving the seven UN Millennium Development Goals by 2015.

1) Employment:

The strong economic growth is bound to create employment opportunities and therefore reduced unemployment. The evidence provided by the Labour Force Survey 2005 (First two quarters) clearly supports the fact that economic growth has created employment opportunities. Since 2003-04 and until the first half of 2005-06, 5.82 million new jobs have been created as against an average job creation of 1.0 – 1.2 million per annum. Consequently, unemployment rate which stood at 8.3 percent in 2001-02 declined to 7.7 percent in 2003-04 and stood at 6.5 percent during July – December 2005. The rising pace of job creation is bound to increase the income levels of the people. Agriculture, housing and construction, IT and Telecom sector, and SME are the sectors, which have created relatively more jobs.

2) Remittances:

In recent years the role of remittances in reducing poverty has been widely acknowledged¹. Remittances allow families to maintain or increase expenditure on basic consumption, housing, education, and small-business formation. Remittances constitute one of the largest sources of external finance for developing countries and Pakistan is no exception. Total remittances inflows since 2001-02 and until 2005-06 have amounted over \$ 19 billion or Rs.1129 billion. It has averaged 4.1 percent of GDP during the last four years.

To the extent that the poorer sections of society depend on remittances for their basic consumption needs, increased flow of remittances would be associated with reduction in poverty and possibly in equality.

3) Globalization:

The strategy going forward as enshrined in the Poverty Reduction Strategy Paper for the medium-term (2006/07 – 2008/09) aims at forging a broad-based alliance with civil society in the quest to alleviate poverty and accelerate development. The complex and multi-dimensional nature of poverty warrants that strategies for poverty reduction encompass plans for rapid pro-poor economic growth, sound macroeconomic management, structural reforms, and social inclusion. The strategy is being enriched by the on-going process of dialogue with civil society and the poor. The strategy places considerable emphasis on taking advantage of the opportunities offered by globalization.

8. SUGGESTIONS & INITIATIVES OF THE GOVERNMENT:

Pakistan's Poverty Reduction Strategy is underpinned by the following considerations:

Continuing to ensure macro-economic stability and sustained high and broad-based economic growth by taking advantage of the opportunities offered by globalization, while at the same time unleashing the potential of domestic commerce, reducing inequalities and maximizing employment generation directing public policy debate towards the needs of the poor.

Bringing about an effective transformation of society, by forging partnerships and alliances with civil society and the private sector.

Understanding the nature of poverty, and using that as a guide for all public actions, empowering the people, especially the women and the most deprived, by increasing access to factors of production, particularly land and credit.

1) Maximizing the Gains from Globalization:

Globalization is a multi-dimensional process, which impacts all aspects of life, be it economic, social, cultural, or political. For globalization to lead to poverty reduction, domestic enterprises need to be increasingly competitive in the international market. This requires increased efficiency and upgrading skills of the labour force to improve its level of human capital. It requires the enforcement of quality control and standards. For domestic enterprises to be competitive in the global economy, good investment climate is essential, in which firms can start up, grow and prosper.

2) Trade Liberalization and Export Promotion:

The Government has implemented a comprehensive program of trade reforms gradually moving the economy away from protectionism towards greater trade openness and global economic integration. The Government has been taking a number of defensive trade measures – in the context of WTO – to protect the domestic industry against the dumping of cheap and illegal imports. Sustained export performance is a key priority. Towards this end, the Government is making efforts in the areas of trade facilitation, WTO related issues, export promotion and diversification, and extension of export promotion zones and industrial clusters. The Government's policy will focus on measures to sustain textile exports and promote other sectors that are not yet capable of exporting. The Government is committed to liberalize and deregulate Pakistan's trade and widens the export base through further strengthening of industrial activity and strong institutional supply side measures. The trade policy continues to focus on value addition for sustainable growth in export earnings.

3) Employment Generation and Poverty Reduction:

Economic growth has been quite robust during the last five years and particularly in the tenure of PRSP-I (2003-06). The growth momentum is likely to continue in the medium-term. In order to maximize the poverty reduction impact of growth it needs to be aligned with an employment strategy that can ensure that growth is broad-based.

4) Micro-Finance:

Micro finance plays a critical role in improving the lives of the poor people. The poor use financial services not only for business investment in their micro-enterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other liquidity needs that they encounter occasionally. Evidence from the millions of micro finance clients around the world demonstrate that access to financial services enables poor people to increase their household income, build assets and reduce their vulnerability to the crises that are so much a part of their daily lives.

In the context of Pakistan, the use of micro-credit holds importance for both the

agricultural and non-agricultural sector. The need for credit is particularly important for poor farmers. Their requirement for agricultural inputs, seeds, fertilizer, pesticide etc. tends to be cyclical, as does their income. However the two cycles do not always coincide. Rural loans for non-agricultural purposes include such things as micro enterprises in unorganized sectors of rural economy.

9. CONCLUSION:

Not surprisingly, the figures cited by the government for people living below the poverty line have come to be widely questioned. With poverty alleviation being the buzzword these days in our economic and social development and a key criterion for aid givers, it is understandable that the policymakers are desperately trying to prove the success of their strategy in terms of falling poverty levels. But unfortunately wishes are not horses and the government will have to do better to achieve its goals. It now appears that the government's claim of poverty being 23.9 per cent is being challenged not just by economists in the country but also the World Bank and the UNDP. Both these agencies have come up with different figures — 25.7 per cent by the UNDP and 28.3 per cent by the World Bank. This is no doubt embarrassing for the government, which has repeatedly claimed that its estimates have been endorsed by the donor agencies. But it is still not too late to rectify the error so that our economic planning is not based on illusionary statistics.

In fact, the poor in our countries have been kept at the level of slaves who work to keep their masters in power by their labour, providing services which nobody else would, and voting the elite into power again and again. Every programme for relief to the poor is designed to let their conditions climb by a small notch essentially to enhance their capacity to continue the good work they have been doing for the affluent for generations. Thoughts contrary to this system are dubbed as the product of the followers of the leftists led by Karl Marx, and dumped.

Malthus stated that in the race between increasing population and increasing production, population must eventually win. Those of us who decline to accept this pessimistic view recognize the difficulty of the practical problem of meeting the needs of an ever-expanding population.

It is vital that a broader range of poverty reduction measures be utilised, including alternative strategies that can better address deprivations of the landless poor or even the marginalised provinces. The only way to encourage such policies would be to make development processes more participatory.

St. John's Gospel says, "The poor, you have always with you. But the poor haven't always been treated in the same way. In sum, the poor may always be with us, but they are not always who we think they are."