

# *eSays*

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## **DEBATING POVERTY**



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# Fixing Poverty vs. Fixing the Poverty Line

**Anirudh Krishna**

*Economic growth is regarded by some as a sure fix for poverty; growth causes poverty reduction, some have proclaimed; but the chain of evidence in support of this assertion is less than clear. Macro-micro links have not been established that can show how growth in the aggregate flows down to improve the prospects of poor individuals. The vectors of poverty – the reasons why some people fall into poverty while others rise out of it – are not automatically fixed on account of economic growth. Instead of simply banking upon economic growth, targeted policies have been followed in every country that has succeeded in achieving single-digit poverty rates. Because poverty is multi-dimensional in nature, developing a many-faceted set of public policies is essential.*

A great deal of public discussion about where to set the poverty line has recently captured the national discourse about poverty and welfare in India. Diverse viewpoints have resulted, naturally, in producing divergent estimates of the number of people who can be properly regarded as poor. These discussions, often contentious and sometimes ironic, have nevertheless missed a critically important point. Whether someone is today below the poverty line (however defined) certainly matters. But what matters as much, and arguably more, is whether tomorrow and the day after she will be able to keep the wolf from her door.

Most poor people do not have a steady job and thus no regular income. Multiple earning opportunities are cobbled together to construct tenuous livelihoods that are filled with uncertainty and risks. Whether one has enough to eat today is no assurance that next month one will not have to go hungry or to deprive a sick child of medicines. Because there is no foreseeable stream of income, investments in building a better future become risky gambles.

One step forward is followed too often by two steps back. Calamities occurring with frightening frequencies push people deeper into poverty. Children are pulled out of school during months and seasons when there is no money to pay for bus tickets, uniforms or books. Essential home repairs, like fixing leaky roofs, cannot be undertaken, because the little that is left over after meeting daily survival needs is required to repay old debts.

## The Two Faces of Poverty

Reducing vulnerability and volatility is as important as raising the “average” incomes of poorer families. Statistical averages have little meaning when one’s prospects fluctuate widely from day to day. Those who work as construction labourers may find no work on particular days. Others employed in agriculture are ruined by droughts and climate impacts. Some have struck a Faustian bargain with employers, accepting low but steady wages instead of letting fate determine what they will make. That still does not free them from the risks of disease or disaster, which deepen and perpetuate poverty.

Falling into poverty is widespread across India, prevalent in richer as well as poorer states. Investigations that I conducted in Andhra Pradesh, Gujarat, Karnataka and Rajasthan showed how poverty commonly has two faces.

Many rise out of poverty, largely by dint of their own efforts, assisted by a little bit of luck (mostly coming in the form of adverse events not happening, such as family members not falling seriously ill). But many other families have concurrently fallen into poverty, crushed by large unforeseen expenditures, mostly arising on account of ill-health.

Between 3 and 4 per cent of the Indian population falls below the poverty line every year because of high medical expenses, among the largest proportion among any country. Few among these newly impoverished people are able to bounce back. Most remain persistently poor. It is not only people who were previously just above the poverty line who have suffered such reversals of fortune. Even relatively well-to-do families have become chronically poor on account of events beyond their individual control.

*Take the example of Ram Prasad (name disguised) who is my neighbour in the central Indian village where I have lived for extended periods over several years. When I first met Ram Prasad, 10 years ago, he wasn't rich in terms recognizable to city dwellers, but he wasn't poor either by any account. He owned four acres of land, which he farmed together with his family. He also owned six cows, two buffaloes, a pair of oxen, and a small herd of goats. Additional flows of money came in occasionally when Ram Prasad and his 18-year-old son worked as casual labour at a nearby stone quarry. He was saving up to buy a new diesel water pump and to deepen the well on his agricultural land.*

*But fate decreed otherwise. First, his father became seriously ill, ultimately requiring intestinal surgery, which cost the family close to Rs. 70,000, more than the entire amount they had saved. His daughter's wedding, coming immediately after, required the expenditure of another Rs. 60,000. The herd of*

*animals was sold to pay for these expenses, and some amount was borrowed from relatives and friends. In a bid to quickly repay the money that he owed to others, Ram Prasad began to work long hours at the stone quarry, but a third event occurring in quick succession proved too much to overcome; the proverbial straw on the camel's overloaded back. A large rock fell upon him one afternoon while he was working at the quarry, breaking his leg in two places. There was no medical attention or even first aid at hand. After several hours he has was taken to the district hospital, more than 40 kilometres distant by road. Treatment was both expensive and ineffective. A month later, his injured leg had to be amputated at the knee. His expenses and his debt had mounted hugely, even as his ability to earn an income had been emasculated. Today, Ram Prasad's is among the poorer families of this village. Their land and well are mortgaged, and they have no money to repay these debts. His younger son and daughter have stopped going to school. Ram Prasad is hardly alone in this respect. There are many others who have fallen into chronic poverty in this village. Similar stories were narrated in every other village and urban settlement where I conducted such investigations.*

The fear of the wolf at the door is not merely an unpleasant fiction. It is the reality that too many people in India currently live.

### **No Automatic Cure**

Poverty is being created and deepened even as schemes are launched to reduce poverty. The problem is that the lived nature of poverty – with big swings in individuals' prospects from day to day and month to month – has been mostly overlooked, because planners are fixated upon estimating how many people are poor today.

Official statistics create an unreal world in which poverty policies are framed. Even more unreal statistics are being called for by some who have taken part in a largely fruitless public debate.

The fastest way to reduce poverty is by lowering the poverty line: it requires no great insight to realize that the lower the poverty line is set, the fewer people will be found below it. But doing this does not improve a single poor person's life. It merely makes some rich people feel less guilty about the lives that they lead.

Instead of getting enraptured by statistical jugglery concerning the 'true' poverty line, let's get serious about making poverty history. Doing so will require, first, accepting that the poor in India are not a separate nation. People no different from most of us have become poor, not because of character flaws or bad habits, but mostly because of events and circumstances beyond their individual control, as in Ram Prasad's case.

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reduction, some have proclaimed; but the chain of evidence in support of this assertion is less than clear. Macro-micro links have not been established that can show how growth in the aggregate flows down to improve the prospects of poor individuals. The vectors of poverty – the reasons why some people fall into poverty while others rise out of it – are not automatically fixed on account of economic growth. If that were so, then the United States, with per-capita income more than 10 times that of India, should have zero poverty, instead of its actual poverty rate of 15 per cent.

Instead of simply banking upon economic growth, targeted policies have been followed in every country that has succeeded in achieving single-digit poverty rates. Because poverty is multi-dimensional in nature, developing a many-faceted set of public policies is essential. There is no single or homogeneous group of ‘the poor’. There are smart and less smart people within this group, as well as more and less physically capable ones – just as there are among richer individuals.

No uniform policy can effectively assist all poor people. We need to recognize and address key distinctions, recognising particular sub-groups.

### **Health Care Comes First**

The subgroup of the newly impoverished and those in danger of falling into poverty in the future should be best assisted by policies that protect them from the apparition of the wolf at the door. Unlike what some comfortably rich people might believe, people do not stay poor because of lack of effort. Most try hard to break out of poverty, but the recurrence of adverse events pushes them back. Ram Prasad and his family were working hard, trying to raise themselves further upward, but two expensive health episodes pushed them into poverty that has proved hard to overcome.

Ill health and high health care expenses constitute the single largest reason for falling into poverty and remaining poor. Poor people suffer illnesses more often than others. They also pay more than others for treatment, running down their own or their relatives’ meagre savings, or more often, borrowing from moneylenders at exploitative rates.

Growth in India has not made things any easier for people like them. In fact, growth that has gone together with unregulated commercialization of medicine has made things worse for many people, forcing millions into debt just in order to pay for the treatment of a loved one. People don’t need to live in fear of losing their shirts every time a family member suffers an illness or has an accident.

A caring health policy has been part of the arsenal employed by every country where single-digit poverty ratios have been achieved or can be reasonably foreseen. Simply growing one’s way out of poverty is not possible or likely – unless health care is simultaneously widened and improved. Countries, such as the United States, which are rich on average but do not provide everyone with affordable access to high-quality

health care, have higher poverty rates than others, such as Sweden or South Korea, whose per-capita GNP is not as high. More than half of all personal bankruptcies in the United States occur on account of high medical expenses. Countries with much lower levels of per-capita GNP have also lowered poverty by investing in publicly available health care. They include Colombia, Chile, Cuba, and Costa Rica – and at one time also included Sri Lanka. Through diverse mechanisms, with some countries relying on public provision and others preferring to work through the market, invoking mandated insurance, these countries have substantially reduced the fear of the wolf at the door.

India, too, requires to invest more substantially – and more effectively – in making adequate health care available to all its citizens. This is only partly a question of extending medical insurance. Provision and regulation are equally essential parts of the required solution. There are still areas in India where one must travel a considerable distance in order to avail oneself even of primary care. In many states, governments are unable to exercise control over grassroots-level health care providers whose salaries the taxpayers defray. As a result of large-scale absenteeism, coupled with callous and sometimes corrupt behaviours on the part of government medical staffs, many people, even poorer ones, have moved over to the private for-profit health care system, which has developed its own pathologies, including over-prescription, overcharging, and unnecessary procedures. Collectively, these shortcomings in the health care systems, public and private, have resulted in intensifying a “medical poverty trap.”

Unless health care becomes more effective through a combination of better provision, stricter regulation, and affordable access, poverty will continue growing in India. There will be many more unfortunate occurrences of people falling into persistent poverty, paralleling the experience of Ram Prasad and millions like him.

### **Raising Social Mobility**

Simultaneously, other policies are needed that will enable individuals born in poverty to rise to the full extent of their individual potential. Improving education for all is certainly important, but so too, is raising the aspirations and the confidence levels of poorer kids.

Social mobility is low in India compared to other countries. Recent investigations show how hardly anyone born to poverty, no matter how smart or hard working she (or he) may be, has achieved a high-paying position of any kind. Studies that have compared pairs of sons and fathers show how most often “the apple has not fallen far from the tree,” implying that individuals whose parents are poor tend to remain poor themselves. I examined this proposition by looking at the social and educational backgrounds of more than 1,500 new entrants to a variety of engineering colleges, business schools and higher civil services – each of them a highly sought after career destination. I

looked not only at the top-tier institutions (like the IITs, IIMs, and IAS) but also at middle- and lower-tier engineering colleges and business schools and other, lower-paid civil services.

The results of these investigations give cause for considerable concern, showing how, in general, the English-speaking urban professional elite is being reproduced, with the sons and (increasingly) the daughters of salaried and self-employed professionals themselves joining higher education and higher-status occupations in the largest numbers. People who were brought up and educated in rural areas are at a severe disadvantage. Their numbers at any of these institutions, including lower-tier ones, are far below their population proportions. The longer the time spent at rural schools, the greater tends to be this disadvantage. Simultaneously, family wealth also makes a considerable difference to the chances of entry, particularly when low wealth goes together with other disadvantages, such as less-educated parents. A combination of disadvantages – being rural and poor, or SC/ST and rural, or the child of less educated parents and female, or low wealth and vernacular education – constitutes an almost insurmountable handicap. Only a handful of such multiply-disadvantaged people have managed to gain entry, even within the lowest-tier institutions considered in our investigations.

On the positive side, a possible way out of this discouraging situation was also revealed by these investigations. Detailed follow-up interviews with “outliers” – those few individuals who despite facing long odds have made it into one of these institutions – showed how, to a considerable extent, socio-economic disadvantages have tended to operate via the medium of “soft skills,” including information, motivation, aspirations, and career guidance. People growing up in poor rural and urban communities have little access to the kinds of information resources that middle-class families abundantly possess and take for granted. Few school-goers in poor rural areas even aspire to be engineers or MBAs. A vast majority does not even know that such possibilities exist. Those who do somehow gain the knowledge of these possibilities remain unsure of how to proceed. Since hardly anyone from their immediate environment has become an engineer or MBA or IAS in the past, young people in situations of economic and social disadvantage suffer not only because of lack of resources and low-quality education; they suffer additionally from a shortage of inspiration and a dearth of role models. Investing in soft skills can help make up for socio-economic disadvantages. The few disadvantaged individuals who have nevertheless secured entry to gateway academic institutions and the civil services were almost invariably benefited by some helpful individual – a cousin, uncle, teacher, or family friend – who motivated them and provided them with information and career guidance, helping cover the gaps in soft skills. One cannot, of course, hope that such a chance provider of soft skills will automatically arise to assist every capable and hardworking young person.

Institutions and programs are required, especially in rural areas and urban slums, that can help endow individuals with soft skills. More equal societies have invested in building such public programs – including career counselling agencies, mentoring programs, employment exchanges, textbooks detailing diverse career paths, interactive web sites, radio and TV links, and so on.

Programs that initially help even a few talented and hardworking individuals from poor rural and urban slum communities make it into places of high standing will act as a crucial stimulus, showing the way ahead to others like them. Communities which gain the confidence that their sons and daughters have a real chance of becoming engineers, MBAs and the like will shed the scepticism and lack of hope that presently beset so many of them. People motivated in this manner will no longer hopelessly accept absentee teachers and low-quality teaching; their children's futures are critically at stake. A bottom-up dynamic can and must be unleashed before top-down efforts become more meaningful, productive and resilient.

Combating poverty has multiple avenues, thus there are many reasons for feeling optimistic. Making people's lives less volatile and vulnerable to downfalls, by cutting down the numbers who become poor, will help reduce future poverty. Simultaneously, raising realistically poorer individuals' prospects for upward mobility – through a combination of improving education quality and investing in soft skills – will help achieve larger gains, not only in terms of social justice, but also in relation to aggregate economic progress.

#### **Author**

Anirudh Krishna is professor and associate dean of international academic programs at the Sanford School of Public Policy, Duke University, where he has served since 2000, after obtaining his PhD in Government from Cornell University. A former civil servant, he served in the IAS between 1982 and 1996. His scholarly publications include *One Illness Away: Why People Become Poor and How they Escape Poverty* (Oxford University Press, 2010) and *Poverty, Participation and Democracy: A Global Perspective* (Cambridge University Press, 2008).