

There is No Single Indicator of Poverty: Implications for Sri Lanka

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The definition of poverty determines how the needs of the ‘poor’ are addressed in a society. However, what exactly do we mean by poor? Do we mean less privileged in terms of education? Unable to afford a bicycle? Socially excluded? Or hungry? Answers to these questions point to many different approaches to poverty measurement. This first edition of a new regular column *Poverty in Focus* aims to highlight the importance of looking at poverty from different angles. Poverty is a multidimensional phenomenon and there is no single indicator that will capture all its facets. This article highlights the importance of selecting the appropriate method for measuring poverty depending on the welfare objective of the policy or programme. For example, if the objective is to supplement the earnings of low-income groups, a monetary approach is called for. However, if the objective is the improvement of healthcare or educational achievement, an approach which only measures income, would not necessarily correctly identify the disadvantaged groups in need of support.

It is accepted that a society has obligations towards those who, for whatever reason are worse off than others. Governments need to develop programmes which specifically target the poor, but unless there is a clear understanding of the relative suitability of different methods of measurement policy interventions may not successfully achieve their objectives.

Poverty Measurements

Poverty reduction policies need to take into account different approaches to poverty measurement in order to target all disadvantaged groups. Indeed, the traditional association between poverty and low income (or consumption) is increasingly being challenged. There is growing acknowledgment in academic and policy circles that there is neither one single way of understanding poverty, nor any single indicator that adequately describes it. On the contrary, there are several ways to define and understand poverty. In this section we review four of the currently accepted approaches; monetary, capabilities, social exclusion and participatory.

The **monetary approach** views income or consumption data as being a fair proxy for the welfare of an individual or household, i.e. the poor are identified by their low income or purchasing power. The ‘poor’ are those who fall below a certain poverty line. In Sri Lanka, the measurement of well-being is dominated by the monetary approach, as in most other countries of the world‡. The Department of Census & Statistics (DCS) developed the first national Official Poverty Line in 2004. The DCS has chosen an absolute approach, which allows for comparability when measuring poverty over time and space. An absolute poverty line establishes a specific income threshold and measures those living below that line (an agreed minimum income to afford certain basic goods and services). The poverty line in Sri Lanka is nutrition based, i.e. it is defined as the minimum amount of money a person has to spend in order to meet certain nutritional requirements (measured in kilocalories) to live a healthy life. In addition, expenditure on non-food items (e.g. clothing, shelter) is taken into consideration. As of February 2006, the national poverty line for Sri Lanka is Rs.1,922 (DCS, 2004, 2006).

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‡ A notable exception is Bhutan’s measurement of gross national happiness.

A relative poverty measure on the other hand, identifies the welfare (or poverty) of a person in relation to others. The conventional method of measuring the income aspect of relative poverty is to measure how income is distributed among different (high and low income) groups. The Gini Coefficient, which looks at the spread of the population along income deciles, is such a measure of inequality (Gunewardena, 2004).

The **capabilities approach** to poverty measurement is exemplified by the UNDP's Human Development Index (HDI), which sees human development in terms of the freedom to live a socially acceptable and individually valued life (as argued by Amartya Sen). In order to capture the 'multidimensionality' of poverty, different social welfare statistics are combined. The HDI is a composite index based on three indicators; life expectancy, education and GDP per capita. The HDI reflects what is called 'human development' based on the achievement, or otherwise, of different outcomes (e.g. obtain an education, live a healthy life etc.). The HDI does not directly measure the freedom or security people have to lead a valued life. In the 2005 Human Development Report, Sri Lanka ranked 93rd out of 177 evaluated countries. This placed the country among other 'medium human development' countries such as Brazil or Uganda (UNDP, 2005).

The **social exclusion approach** to poverty was originally developed in industrialised economies. Developing countries have increasingly adopted this method, which is society specific. It focuses on marginal groups (or individuals) within a society, i.e. those who are unable to partake fully in a society. One weakness of this approach is that the identification of a group or society as 'poor' may merely validate an initial foregone conclusion, which can call into question all subsequent inferences. It is partly for this reason that **participatory approaches** to poverty measurement have recently gained wider acceptance and recognition. These methods, which are largely qualitative, include a wide range of instruments to assess poverty from the perspective of the poor themselves as well as other non-poor members of the community. The practice evolved from participatory rural appraisals and has been adopted and institutionalised over the last decades. Although theoretically this approach is the ideal combination of intervention objectives and target group requirements, it risks favouring more vocal groups and leaving the 'poorest of the poor' out of the process. Moreover, as with the social exclusion approach, the participatory approach to measuring poverty is not conducive for comparison among different communities, regions or countries (Ruggeri Laderchi et al., 2003).

Poverty measures discussed so far typically define the poor at a single point in time, overlooking the risk (or possibility) of the household falling into or moving out of poverty. An approach that provides for measuring poverty as a **dynamic** phenomenon can address the risk and vulnerability of different households. For example, poverty trends can be measured as a function of the shortfall of current income or consumption expenditures from a poverty line, and regular measurements with this approach would be able to differentiate between chronic or transitory poverty. However, a quantitative approach may be deceptive, since it could conceal the fact that households may manage their exposure to risk by prioritising other aspects of security over the opportunity to increase their income or assets.

As mentioned above, it is generally accepted that several factors, not only low income, contribute to a person being in poverty. A multidimensional measurement of poverty, including dynamics (vulnerability), and differentiation between absolute and relative poverty (inequality), which is also comparable and up to date is the ideal. However, the measurement of these factors and the development of a composite index are challenging in terms of capacities, both human and financial. As a consequence, one-dimensional indicators like the national and international income poverty lines such as 'less than USD1 per day' continue to be regarded as a fair proxy for poverty measurement. While these approaches may be attractive in terms of comparability, they are less useful in developing sustainable and constructive development projects. If the objective is to

identify poverty to develop effective poverty reduction programmes, it is important to be wary of using one approach to measuring poverty, which may favour some groups and/or perpetuate prevailing structures (CEPA, 2006).

Implications for Poverty Reduction Programmes in Sri Lanka

Poverty reduction efforts in Sri Lanka have focused to a large extent on the monetary approach, identifying the poor based on measurements of income and consumption. Such an approach is useful when poverty reduction strategies seek only to target low-income groups. However, it is vital to consider the objective of any poverty reduction strategy when identifying target groups, as it may not necessarily be solely for improving the conditions of low-income groups. The objective of a particular poverty reduction strategy could be non-income related and hence necessitate the usage of alternative methods of target group identification. In this section, we examine the implications of using a monetary approach to guide poverty strategies in Sri Lanka and highlight the importance of expanding the usage of multidimensional measures of poverty.

Sri Lanka has long been viewed as a success story in South Asia, because of its high achievements in human and social indicators, attributed to extended social services provision. Income and consumption poverty has declined, with the percentage of households defined as being poor reducing from 30% in 1990 to 23% in 2002 (DCS, 2002). However, as highlighted above alternative approaches to poverty analysis enable the identification of other target areas when considering poverty reduction in the country. For example, despite the reduction in the proportion of poor households, inequality across income groups has increased. In 2002, the lowest decile (10% of the population) earned less than 2% of total income while the highest decile earned 37% (DCS, 2002). While the monetary approach identifies the percentage of poor households in the country, coupling this analysis with an income inequality analysis (using the Gini Coefficient) would highlight the growing gap between the rich and the poor in Sri Lanka. This wider measurement bolsters arguments challenging the view that economic growth automatically translates into a reduction in poverty.

An analysis of disaggregated data would show the heterogeneity of poverty levels prevalent within Sri Lanka both in terms of time and space. Considering variance over time, some districts show changing poverty levels while others remain stagnant. In this regard, measuring poverty over the years, allowing for temporal comparability, helps to distinguish between the transient and permanent poor and track movements in and out of poverty. Panel data of this sort is important to measure vulnerability, in terms of propensity or risk of falling into poverty. Currently a disaggregated analysis of poverty is only possible using data based on income and consumption patterns, making it useful for income based targeting strategies. However such an analysis could also include information on more subjective aspects that are related to poverty such as vulnerability and disempowerment, that also contribute to this heterogeneity and help inform non-income based strategies.

Considering differences across space, the disaggregation of the national poverty line points towards poverty pockets. There are huge provincial and district disparities with causes that need to be addressed from the regional level. For example, at the district level, Colombo is classified as the least poor with 6% poor households while Moneragala displays the highest levels of poverty 37%. Despite the apparent low percentage of poor households, Colombo has a larger *number* of people below the poverty line, 144,106 people and 114,843 respectively (DCS, 2002).

A sectoral analysis of income and consumption data on poverty provides an alternative analysis in structural and spatial terms for the country. In Sri Lanka, poverty is widely seen as a rural phenomenon. This may be because of the development bias towards the urban sector since

independence, as opposed to the slow-moving predominantly agricultural rural sector. Indeed, industrialisation in Sri Lanka has taken place mainly in the region surrounding Colombo's trading hub. However the estate sector fares the worst in terms of poverty when taking into account social indicators such as housing, access to education and health services, safe drinking water, sanitation, electricity and malnutrition (Jabbar and Senanayake, 2004). This identification of poverty is only possible when assessing poverty with a multidimensional approach.

In comparison to the rural and estate sector, the urban sector has relatively low levels of income poverty. Indeed, some 'poor' urban households may have incomes above the national poverty line, yet they live in low quality housing, in crowded, unsanitary and insecure conditions with a lack of infrastructure and access to basic services (Gunetilleke and Abdul Cader, 2004). Moreover, since the focus on urban poverty in Sri Lanka has been largely on the Colombo metropolitan areas, attention has been diverted from other urban centres such as Greater Colombo, Kandy, Galle and Chilaw. These towns could be facing similar issues as a consequence of rapid urbanisation and population growth, but a cursory glance at poverty in percentages may hide this.

Poverty in Sri Lanka is also characterised by the northeast conflict. The conflict has led to a loss of assets, income earners, caused displacement and disrupted services and infrastructure. This in turn has isolated communities from essential services, employment opportunities and has led to high levels of human insecurity (Jafferjee and Senanayake, 2004). Poverty analysis and strategy need to factor in the conflict and its effects and acknowledge that it has led to an exacerbation of many dimensions of poverty in Sri Lanka.

Even if we accept that the monetary approach can measure income poverty, we need to recognise that it does not tell us much about the actual circumstances of the poor. By focusing on other indicators, such as education, health, empowerment and access to infrastructure, services and opportunities we can get a better picture of the living conditions of poor groups. If we identify certain key characteristics as indispensable for a socially accepted living standard, those who do not have access to such characteristics could be said to be deprived, or poor. Issues of empowerment or the lack of it, along with voicelessness and powerlessness should be included in the research agenda supporting poverty reduction strategies (Gunewardena, 2005).

Since independence successive governments have developed poverty reduction strategies in the form of food subsidy programmes, zonal development programmes, and income support programmes such as the *Janasaviya* and *Samurdhi*. More recently poverty reduction strategies have been articulated through the development of the *Poverty Reduction Framework* in 2000, the *Poverty Reduction Strategy* in 2001, and *Regaining Sri Lanka: Vision and Strategy for Accelerated Development*. This was re-launched in 2003 as the *National Framework for Relief, Rehabilitation and Reconciliation*, the *Sri Lanka New Development Strategy: Framework for Economic Growth and Poverty Reduction* in 2004 and most recently the *Mahinda Chintana*.

All these policies stress the need to reduce poverty by mainstreaming the poor into the economic growth process and building a supportive macroeconomic environment. At the same time, they look to invest in human capacities and reduce regional disparities through the provision of essential services and the empowerment of the poor. The need to focus on conflict-affected areas is also highlighted in policy. There is a need to fill gaps in data on the conflict regions (including the surrounding regions that have been affected) and shed further light on issues of vulnerability and human security to supplement demographic information. Despite these multiple objectives, target groups have been mainly identified using the monetary approach. Poverty reduction programmes that attempt to address non-income poverty aspects need to include approaches that help identify these target groups.

A case in point is the focus of the *Samurdhi* programme in the *Mahinda Chintana*. Although the programme selects recipients on the basis of low income, the *Chintana* promises to include eligible recipients who have hitherto been denied admittance to the programme for various reasons. Although these reasons have not been specified it indicates a realisation that poverty is characterised and caused by factors other than low-income levels, indicated by the proposal to increase payments to families with aged and disabled members. The development of the rural sector is stressed in the village up-liftment programme, *Gama Neguma* that will be implemented through *Jana Sabhas* made up of representatives of religious groups, village organisations and government bodies. While it is clear that this is an attempt to engage in participatory development practices, there have to be clear monitoring mechanisms to ensure that the development process is beneficial to all. Participatory approaches to development have often been critiqued for perpetuating poverty and power structures within communities, with representation perpetuating existing structures of the community, and hence excluding already marginalised groups. It is however questionable whether their voice would be heard even if they are included (Ruggeri Laderchi et al., 2003).

Conclusions

The development of policies and programmes to target the poor requires alternative approaches to identifying poverty which reflect the poverty reduction objectives. The gradual adoption of participatory methods when developing poverty reduction strategies suggests an increased awareness of alternative approaches but this needs to be mainstreamed into policy development. As economic growth catches up with Sri Lanka's social indicators, using and institutionalising alternative approaches to understanding relative poverty becomes even more crucial.

To measure poverty in just one way implies an assumption of certain priorities and values which may not be shared by the entire population. It is important to acknowledge that the value a social group may ascribe to something may not have the same value or importance in a different society. Preconceived notions of 'experts' should give way to a more humble and critical examination of the measurement of poverty. This edition of *Poverty in Focus* has presented a range of different approaches that identify and describe poverty. We conclude by reiterating the importance of a multidimensional understanding of poverty – low income is a fair proxy, but does not provide a complete picture. There is no single indicator of poverty, and poverty reduction programmes need to be aware of this.

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