



The poverty line is a starvation line

By Mohan Guruswamy And Ronald Joseph Abraham

The poverty line in India measures only the most basic calorie intake, recording not nutrition but only the satiation of hunger. At present the poverty line stands at Rs 368 and Rs 559 per person per month for rural and urban areas, just about enough to buy 650 grams of foodgrains every day. A nutritious diet itself would cost around Rs 573 per capita per month, let alone the cost of securing other basic needs. When such an inclusive measure of poverty is used, as many as 68-84% of Indians would qualify as poor

"I have learnt to seek my happiness by limiting my desires rather than in attempting to satisfy them."

John Stuart Mill

☒ When defining poverty in India, the Planning Commission seems to be taking J S Mill quite literally. For decades it has followed a limited definition of poverty. The official poverty line in India is based only on calories and accounts for little else but the satiation of hunger. It would have been more accurate to call it the "starvation line".

This limited definition has allowed successive governments to claim great achievements in the percentage reduction of poverty, though very little absolute reduction in the number of poor. Using an expanded definition that factors in other basic human needs, minimum living standards and access to public services, a majority of Indians are, in fact, still extremely poor.

How India defines poverty will determine the nature and content of public policy related to eliminating poverty. A discussion of the definition of poverty in India is also relevant to an international audience because the one-dollar-a-day poverty line adopted by the United Nations borrows substantially from the Indian poverty line.

Drawing the line

The idea of defining poverty in terms of a poverty line was first proposed during the

Indian Labour Conference in 1957. A Working Group under the Planning Commission then stipulated a calorie-based poverty line of Rs 20 per person per month. In 1979, a Task Force was assigned by the Planning Commission to reconsider this definition of poverty. After much deliberation, it too fixed a poverty line largely based on calories. It delineated Rs 49 and Rs 57 per person per month as rural and urban poverty lines respectively at 1973 prices. This poverty line continues to be used to this day except for adjustments based on inflation. In 1999-2000, the poverty lines after adjusting for inflation were Rs 327 and Rs 454 in rural and urban areas respectively. As of December 2005, these figures stand at approximately Rs 368 and Rs 559 per person per month for rural and urban areas.

This official poverty line in India is, however, woefully unsatisfactory. Apart from factoring in about 650 grams of foodgrains every day, the line makes little provision for the other essentials of life such as health, shelter and clothing. The average Indian does not have access to these basic needs. Such conditions point to the absurdity of India's aspiration of joining the league of developed nations by 2020.

It is striking to note that despite what is obviously a low threshold of poverty, in 1973 nearly 55% of the population or 321 million people were below the poverty line (see Table 1). In 1993, even after 20 years of the State trying to alleviate poverty, the number of poor remained at almost the same level, at 320 million. By 2004, the number declined to about 250 million.

However, this is hardly an achievement, as the rate of decline of poverty since 1973 has been at a dismal 0.81% per annum. Considering that the economy grew at over 5% over the same period, such a low rate of decline of poverty is unacceptable. It is not surprising that the Planning Commission and the government prefer not to talk about these figures and instead dwell on the fact that the percentage of poor has declined to 26%. Many experts dispute even this claim. They suggest that this "decline" is the result of statistical jugglery and not actual fact.

Table 1: Percentage and number of poor in India since 1973			
Year	Percentage of poor	Number of poor (millions)	Annual real rate of decline in the number of poor ^
1973-74	54.9 %	321	4.0

1977-78	51.3 %	329	- 0.59 %
1983	44.5 %	323	0.31 %
1987-88	38.9 %	307	1.25 %
1993-94	36.0 %	320	- 0.70 %
1999-00	26.1 %	260	3.40 %

*As per the Expert Group Methodology

^ A negative rate of decline means the number of poor increased

Source: National Institute of Rural Development (2004); ***Rural Development Statistics***, 2002-03.

Broadening the vision

If Vision 2020 of a developed India is to become a reality, a proper definition of poverty is vital. By that time, the State needs to ensure that every citizen not only gets at least two adequate and wholesome meals a day, but also has access to all the basic amenities required to lead a modestly comfortable life with dignity. The present inadequate definition of poverty has ensured that all the policies aimed at alleviating poverty aim much too low by focussing on eliminating hunger rather than eliminating poverty as a whole.

A good example of this is the National Rural Employment Guarantee Scheme (NREGS), which guarantees one able-bodied member of each family work at a wage of Rs 60 a day. Even if this person works on all 30 days of a month, he/she earns only Rs 1,800. For a family of five, that amounts to Rs 360 per person, which is exactly what the rural poverty line is right now. Therefore, even a scheme released with as much fanfare as the NREGS at best only ensures that each person in the family consumes a certain quantity of foodgrains. It guarantees little else. Moreover, the guarantee is only for 100 days in a year, leaving the poor to fend for themselves for the rest of the 265 days.

The present ceiling on poverty is so low that even if the government were to hand out

enough money to each poor family to buy enough food to be just above the official poverty line, it would only cost around Rs 570 billion per year. This amount is only 25% of what it costs to maintain the entire bureaucracy of India (around Rs 2,270 billion every year).

The sad fact remains that despite a conveniently low notion of poverty adopted by the government, one in every four Indians is poor. This is abysmal, but the truth is that the situation is much worse. When we develop a poverty line based on all basic needs, we find that over two-thirds of the Indian population is poverty-stricken.

Three problems with the poverty line

As we have argued, the definition of poverty based just on the caloric norm is unacceptable. Many persons who are above the poverty line may in fact be getting less than the stipulated daily calories. In addition, despite the increase in agricultural production, the per capita availability of cereals is about the same since 1981, whereas the per capita availability of pulses has declined from 37.5 grams in 1981 to 28.2 grams in 2003.

Therefore, the present official poverty line, which was only supposed to ensure a certain calorie intake, fails even on that single front. The line is based on the norm that the average person in urban and rural India should be able to consume between 2,100 to 2,400 calories. In 1979, when the poverty line was formed, this was indeed the case. However, currently (1999-2000), people who are just above the official poverty line do not meet this norm. This group consumes an average of 1,868 calories in rural areas and 1,912 calories in urban areas. Therefore, these groups fall short of the caloric norm by 22% in rural areas and 9% in urban areas.

Secondly, the current caloric standard is not only an inadequate norm, it is also an insufficient nutritional norm. Firstly, the caloric standard set by the Planning Commission is a glaring under-stipulation. The Indian Council of Medical Research (ICMR) prescribes 3,800 calories for an adult male doing heavy activity and 2,925 calories for an adult female carrying out heavy activity. This makes it clear that for the millions of poor unskilled wage labourers in India who do heavy manual labour every day, a stipulation of 2,100-2,400 calories in urban and rural areas is grossly insufficient.

More significantly, it is important to go beyond a simple caloric standard, because the body also needs proteins, fat, minerals, iron and vitamins. Nutrition deficiency is a leading cause of disease. According to the UNICEF, "Malnutrition limits development and the capacity to learn. It also costs lives: about 50% of all childhood deaths are attributed to malnutrition." A nutritious diet is a fundamental need of the human body

and this must not be ignored when formulating a poverty line.

Thirdly, as argued above, the poverty line not only ignores important nutritional needs but also the other basic needs of life: shelter, clothing, healthcare, sanitation, drinking water and equal opportunity education.

In 1979, when the present poverty line was defined, the expenditure on non-food items of the group of people who consumed over 2,100-2,400 calories in urban and rural areas was calculated. In addition to the total expenditure on calories, this non-food expenditure was also included in the poverty line. However, such a method is akin to suggesting that whatever the poor spend on non-food items is "enough".

Instead, one needs to analyse what is consumed through non-food expenditure and verify whether it meets the basic needs of a human being. Therefore the amount of non-food expenditure for a poor person should be based on norms, not on behaviour. For example, the latest national sample survey on consumer expenditure shows that those who are just above the poverty line in rural India spend only around Rs 8 per month on medical care. This is grossly insufficient.

Redefining poverty in India

The argument that India's poverty line needs to be substantially redefined is not a new one. Even the Planning Commission recognises this urgent need. Despite this "recognition" no new norms exist. Most of these norms can be derived scientifically, so the only plausible explanation for why the poverty line has not been redefined can be that raising the poverty bar higher will compound the task of India's policymakers and economic planners. It therefore remains at a ridiculously low level to enable claims of achievement and to avoid deployment of resources to areas and people who deserve them the most.

The Centre for Policy Alternatives has attempted to outline a new poverty line. It used the Cost of Basic Needs (CBN) approach to set norms for all basic needs and then attribute a cost to achieving that norm. We derived a new poverty line by adding up these costs. This is a more inclusive definition than the calorie-based poverty line.

We calculated that the total expenditure to live a life with the minimum basic needs of nutrition, healthcare, clothing, shelter etc comes to about Rs 840 per month per person in India. This is almost twice the current urban poverty line for the country. Table 2 shows the details of this cost calculation.

Table 2: Cost of basic needs

Basic need	Cost per capita per month (Rs.)
Nutritious diet	573
Healthcare	30
Electricity consumption	35
Kerosene consumption	20
Clothing	17
Miscellaneous expenditure	164
Total*	840

* The total is Rs 839. We round it off to Rs 840 for convenience.

Source: Calculated using various sources. For details, refer to 'Redefining Poverty: A New Poverty Line for a New India' at www.cpasind.com.

As much as 68.5% of India's population is below this more inclusive poverty line. That is over two-and-a-half times the present official poverty rate of 26.1%. The situation in rural India is worse, with over 84% of the people below this more realistic poverty line.

Table 3: Poverty ratio using a holistic poverty line

Area	Percentage
Rural	84.6

Urban	42.4
-------	------

Weighted average	68.8
------------------	------

Calculated using Gol (2001a): **NSS Report No. 454: Household Consumer Expenditure in India , 1999-2000-- Key Results** , NSSO, New Delhi ; Gol (2005b): "Statistics, Index Numbers", Labour Bureau, October 2005; and a poverty line of Rs 840.

Although the poverty line of Rs 840 per month is more inclusive of the basic needs of human life, it still only partially reveals the true state of poverty in India. There are some basic needs that cannot be quantified in monetary terms. Therefore, in addition to the poverty line, a proper definition of who is poor should also include "access parameters". Some of the crucial parameters that must be included in the definition of poverty are:

- 37.7% of Indian households do not have access to a nearby water source
- 49% do not have proper shelter
- 69.5% do not have access to suitable toilets
- 85.2% of Indian villages do not have a secondary school
- 43% of Indian villages are not connected to an all-weather road

Therefore, as we define it, a person is poor in India if he or she has a monthly per capita expenditure that is less than Rs 840 or does not have access to drinking water, proper shelter, sanitation, quality secondary education or an all-weather road with public transport.

Raising the bar

The present definition of poverty grossly misrepresents the real situation. It is inappropriate to use a simple caloric measure as the yardstick. The responsibility of the state exceeds this manifold. India needs to upgrade the concept of food security to that of nutritious food security. In addition, it should also be the right of every Indian citizen to have access to safe shelter, sanitation, healthcare, education and clothing. When planning policy for the poor, these benchmarks should be the target.

This poverty line should be separately calculated for each state to account for regional differences in taste, clothing requirement, housing requirement, and others. It is also

important to understand that the norms of basic needs and what may be regarded as luxuries, evolve over time. If one tap in a bathroom is considered a minimum norm now, in a few years, as more and more households fulfil this norm, the norm may be upgraded to include a flush toilet; or, by 2020, piped gas for cooking may become the norm. To account for such changes in established norms, the poverty line should be updated every five years. The present poverty line is updated only to account for an increase in prices. In the long run this distorts the picture of poverty.

India needs to urgently revisit its concept of poverty. The present unrealistically low poverty line only serves the purpose of making the government and its development efforts - or the lack of it - look good. If the State is as committed to addressing the ills of poverty as it claims to be, it should start by redefining the poverty line. This will ensure that the government gets its priorities straight and is able to target policy effectively.

Based on our proposed poverty line of Rs 840 per month, the State should try to ensure that a typical household of five people is able to earn around Rs 50,000 per year, or about Rs 4,200 per month. This family should have access to a sturdy house with basic amenities such as a toilet connected to a sewerage system and electrical fittings. Access to water should be within 10-15 metres if not, ideally, within the home. The children of the family should be able to access their constitutional right to education. Moreover, the State needs to go beyond offering an accessible school and ensure that the schooling guarantees each student equal opportunities in life.

Such a household, where the most fundamental of needs are met, should be the minimum ideal that the State must aim for. This calls for a paradigm shift in the sphere of development policy in India. The shift is overdue and imperative.

(Mohan Guruswamy, Chairman, Centre for Policy Alternatives, New Delhi, was an advisor to the finance minister of India. He has many years of experience in academia and in the private sector and is a graduate of the John F Kennedy School of Government, Harvard University.)

Ronald Joseph Abraham graduated in Economics from St Stephen's College, University of Delhi, and is currently a Research Associate at the Centre for Policy Alternatives.

This essay is an abridged version of a paper prepared by the Centre for Policy Alternatives.)

InfoChange News & Features, October 2006