

Overview

Overview: Understanding, measuring and overcoming poverty

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What is poverty?

Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.



Poverty is a call to action -- for the poor and the wealthy alike -- a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities.

Poverty has many faces, changing from place to place and across time, and has been described in many ways (for a collection of readings, see [Poems and Personal Accounts of Poverty](#)). Most often, poverty is a situation people want to escape. So poverty is a call to action -- for the poor and the wealthy alike -- a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities.

To know what helps to reduce poverty, what works and what does not, what changes over time, poverty has to be defined, measured, and studied -- and even experienced. As poverty has many dimensions, it has to be looked at through a variety of indicators -- levels of income and consumption, social indicators, and indicators of vulnerability to risks and of socio/political access.

Much work has been done using consumption or income-based measures of poverty, but also on non-income dimensions of poverty, most notably in the [Human Development Report](#) prepared annually by the United Nations Development Programme. See [New Directions in Poverty Measurement](#) below.

Measuring poverty at the country level

A common method used to measure poverty is based on incomes or consumption levels. A person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is usually called the "poverty line". What is necessary to satisfy basic needs varies across time and societies. Therefore, poverty lines vary in time and place, and each country uses lines which are appropriate to its level of development, societal norms and values.

Information on consumption and income is obtained through sample surveys, with which households are asked to answer detailed questions on their spending habits and sources of income. Such surveys are conducted more or less regularly in most countries. These sample survey data collection methods are increasingly being

complemented by participatory methods, where people are asked what their basic needs are and what poverty means for them. Interestingly, new research shows a high degree of concordance between poverty lines based on objective and subjective assessments of needs.

For details on methodology, see the [Measuring Poverty](#) topic in the Poverty Analysis site. For data see [Data and Data Sources](#).

Measuring poverty at the global level

When estimating poverty worldwide, the same reference poverty line has to be used, and expressed in a common unit across countries. Therefore, for the purpose of global aggregation and comparison, the World Bank uses reference lines set at \$1.25 and \$2 per day (2005 Purchasing Power Parity terms). Using improved price data from the latest (2005) round of the International Comparison Program, new poverty estimates released in August 2008 show that about 1.4 billion people in the developing world (one in four) were living on less than \$1.25 a day in 2005, down from 1.9 billion (one in two) in 1981. The new international poverty line of \$1.25 a day at 2005 prices is the mean of the national poverty lines for the 10-20 poorest countries of the world. While the revised estimate is significantly higher than earlier estimates of less than a billion people living under \$1 a day in 1993 prices, the developing world as a whole remains on track to meet the first Millennium Development Goal to halve extreme poverty from its 1990 levels by 2015. However, poverty is more pervasive than earlier estimated, and efforts to fight it will have to be redoubled, especially in Sub-Saharan Africa. Also, lags in survey data availability mean that the new estimates do not yet reflect the potentially large impact on poor people of rising food and fuel prices since 2005.

The research behind the new estimates is explained in a research paper "[The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty](#)" by Ravallion and Chen (2008) and in a shorter, bulleted brief, and web article. The data will be available on [PovcalNet](#) on September 30, 2008.

New directions in poverty measurement

While much progress has been made in measuring and analyzing income poverty, efforts are needed to measure and study the many other dimensions of poverty. Work on non-income dimensions of poverty -- defining indicators where needed, gathering data, assessing trends -- is presented in the [World Development Report \(WDR\) 2000/01: Attacking Poverty](#). This work includes assembling comparable and high-quality social indicators for education, health, access to services and infrastructure. It also includes developing new indicators to track other dimensions - - for example risk, vulnerability, social exclusion, access to social capital -- as well as ways to compare a multi-dimensional conception of poverty, when it may not make sense to aggregate the various dimensions into one index.

In addition to expanding the range of indicators of poverty, work is needed to integrate data coming from sample surveys with information obtained through more participatory techniques, which usually offer rich insights into why programs work or do not. Participatory approaches illustrate the nature of risk and vulnerability, how cultural factors and ethnicity interact and affect poverty, how social exclusion sets limits to people's participation in development, and how barriers to such participation can be removed. Work on integrating analyses of poverty based on sample surveys and on participatory techniques is presented in the WDR. An example of participatory work is given by the Voices of the Poor studies. See an extract of these studies at What the Poor Say ([150Kb PDF](#)).

Living standards have improved...

Living standards have risen dramatically over the last decades. The proportion of the developing world's population living in extreme economic poverty — defined as living on less than \$1.25 per day (at 2005 prices, adjusted to account for the most recent differences in purchasing power across countries) — has fallen from 52 percent in 1981 to 26 percent in 2005.



While there has been great progress in reducing poverty, it has been far from even, and the global picture masks large regional differences.

Substantial improvements in social indicators have accompanied growth in average incomes. Infant mortality rates in low- and middle-income countries have fallen from 87 per 1,000 live births in 1980 to 54 in 2006. Life expectancy in these countries has risen from 60 to 66 between 1980 and 2006. For more health, nutrition and population statistics, see the [HNPStats database](#).

Adult literacy has also improved, though serious gender disparities remain. Male adult literacy (% ages 15 and over) rose from 77% to 86% in low- and middle-income countries between 1990 and 2004. While female literacy rates rose from 60% to 74%. For more information on education statistics and on gender statistics, see the [EdStats](#) and [GenderStats](#) databases.

...but wide regional disparities persist.

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Poverty in East Asia—the world's poorest region in 1981—has fallen from nearly 80 percent of the population living on less than \$1.25 a day in 1981 to 18 percent in 2005 (about 340 million), largely owing to dramatic progress in poverty reduction in China. The goal of halving extreme poverty between 1990 and 2015 has already been achieved in East Asia.

Between 1981 and 2005, the number of people in poverty has fallen by around 600 million in China alone. In the developing world outside China, the poverty rate has fallen from 40 to 29 percent over 1981-2005, although the total number of poor has remained unchanged at around 1.2 billion.

\$1.25 a day poverty rate in South Asia has also fallen, from 60 percent to 40 percent over 1981-2005, but this has not been enough to bring down the region's total number of poor, which stood at about 600 million in 2005.

In Sub-Saharan Africa, the \$1.25 a day poverty rate has shown no sustained decline over the whole period since 1981, starting and ending at around 50 percent. In absolute terms, the number of poor people has nearly doubled, from 200 million in 1981 to 380 million in 2005. However, there have been signs of recent progress; the poverty rate fell from 58% in 1996 to 50% in 2005.

In middle-income countries, the median poverty line for the developing world—\$2 a day in 2005 prices—is more relevant. By this standard, the poverty rate has fallen since 1981 in Latin America and the Middle East & North Africa, but not enough to reduce the total number of poor.

The \$2 a day poverty rate has risen in Eastern Europe and Central Asia since 1981, though with signs of progress since the late 1990s.

The uneven progress of development is worrying. The flows of trade and capital that integrate the global economy may bring benefits to millions, but poverty and suffering persist. Responding to such concerns, governments and international development agencies have begun to reexamine the way they operate. In September 2000, 189 countries signed the Millennium Declaration, which led to the adoption of the [Millennium Development Goals \(MDGs\)](#).



The **poverty goal** calls for reducing by half the proportion of people living on less than a dollar a day by 2015. A reduction from 28 percent in 1990 to 12.7 percent in 2015, would reduce the number of extreme poor by 363 million.

The MDGs are a set of eight goals for which 18 numerical targets have been set and over 40 quantifiable indicators have been identified. The goals are:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria, and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development.

While each goal is important in its own right, they should be viewed together as they are mutually reinforcing. Achieving them will require building capacity for effective, democratic, and accountable governance, protection of human rights, and respect for the rule of law. The World Bank will systematically monitor progress in achieving these goals in the countries it assists (see the [Millennium Development Goals website](#) for more detail on the MDGs)

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