

Once More, without Feeling: The Government of India's latest poverty estimates

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Yet again the central government has mired itself in controversy by releasing its [latest poverty estimates](#) based on the consumption expenditure survey of the NSSO Survey of 2011-12. The [Planning Commission's poverty line](#), using methodology suggested by the [Tendulkar Committee](#) in 2010, is now apparently defined as the spending of Rs 27.20 per capita per day in rural areas and Rs 33.40 in urban areas. Using these lines yields a significant decline in poverty compared to a decade earlier, so that the Planning Commission now estimates that the aggregate incidence of poverty has fallen from 37.2 per cent of the population in 2004-05 to 29.8 per cent in 2009-10, to 22 per cent in 2011-12 (25.7 per cent in rural areas and as low as 13.7 per cent in urban India). The total number of poor people is now estimated at just below 270 million, of which around 216 million reside in rural India.

Of course these poverty lines are appallingly low, and so it is just as well that the media have finally woken up to this fact in the past few years, after decades of relatively uncritical acceptance of the official position. Not surprisingly, the release of these latest estimates has created a public furore once again, as yet another example of the relative insensitivity of the government. Responses have ranged from anger to disdain – and certainly these numbers are hard to justify in terms of any minimally civilized notion of what the basic needs of a citizen could be.

In response, some members of the Congress have added to the ruling party's embarrassment by arguing that these amounts are more than adequate for survival, with some more enthusiastic drum beaters even declaring that they can get wholesome meals for Rs 12 or even Rs 5 in the city of Delhi. Officials of the government have been more circumspect, but they also have defended the use of these very low expenditure lines in determining the extent of poverty. They have argued that these poverty lines are similar to those that have been used for some decades in India; that it is important to maintain continuity in deriving these lines so as to get a sense of the trends over time; and that per capita estimates do not give a good idea of the actual spending of a household of several members, in which some economies of scale operate.

Let us first note that in fact continuity over time is not being maintained in any case in deriving these lines. The poverty line drawn up in the early 1970s was based on the consumption expenditure level of a household in which per capita calorie consumption was 2400 Kcal in rural areas and 2100 Kcal in urban areas. Subsequently, the calorie component was in effect dropped, as these lines were simply revised upwards according to the movement of the consumer price indices. The Tendulkar Committee suggested an alternative approach, which is rather opaque in that it really did little more than extrapolate the urban line to rural areas. The resulting lines were based on some rough estimates of expenditure for buying food worth 1700 calories and also a family's monthly spend on education, health, electricity and transport.

It is seldom realized that – despite the change in definition – the Tendulkar-style estimates give slightly higher poverty lines (and therefore higher incidence of

poverty) than would have been generated by the earlier method. This means that some of the public outcry comes from those who had never really looked at poverty lines earlier and are therefore shocked to realize that they put the bar so low as to rule out almost everyone but the absolutely destitute.

The crucial point is that these poverty lines are still obviously far too low and make a cruel joke on the actual living standards of the bulk of the population that are thereby “lifted” out of poverty. This is why the central government had in fact promised the Supreme Court of India that it would use a [multi-dimensional approach](#) to the measurement of poverty and would not use these lines to decide on who is poor. Yet [another committee](#) has been constituted, this time headed by Dr. C. Rangarajan. However, since the report of that committee is not expected for another year or so, the government decided to use the Tendulkar-based estimates to announce a huge decline in poverty.

Let us for the moment leave aside the question of the results of the NSSO survey or the prior question of why the government decided to undertake another large survey well before the usual quinquennium (ostensibly on the grounds that the 2009-10 survey was conducted in a drought year, although this had also occurred in the past, such as in 1987-88). Let us focus instead on the use of these particular poverty lines, not for determining trends over time, but for deciding public allocations with respect to below poverty line (BPL) households.

So the poverty line itself is a matter for direct public concern because it continues to drive the central government’s approach to the delivery of a wide range of goods and public services. In other words, the representative of the Planning Commission effectively lied to the Supreme Court when he declared that these lines would not be used to determine poverty – they continue to be absolutely decisive in determining central allocations to the states for all major areas, including for the current public food distribution system.

The government has indeed conducted a socio-economic census in the states to derive what will supposedly be a multi-dimensional definition of poverty. But this too has several problems – most significant of which is the likelihood (in fact the near certainty) that the central government will not accept the state governments’ estimates of how many poor households they have, and continue to use some national measure.

In all of this brouhaha, it is surprising that some of the more obvious solutions are not being suggested. Why should the Government of India, in the second decade of the 21st century, be stuck with definitions of poverty that were developed nearly half a century ago in very different economic circumstances? Why does it not simply take a basket of the essential goods and services that urban and rural residents require to live in a minimally decent manner and estimate their prices, so as to derive the poverty line? This is the approach followed in many other developing countries, including those with much lower per capita incomes than India.

Some officials respond that this method is too cumbersome, and estimating prices of the required basket would be tedious, complicated and not sensitive to regional differences. Yet these same officials blithely accept estimates of India’s national income based on [Purchasing Power Parity exchange rates of the World Bank](#), which are themselves based on a nationally irrelevant “global” basket of goods and very infrequent price surveys (the last one was conducted in 2005!). In any case, if

countries like South Africa and even Rwanda can engage in such an exercise, surely it is not too much to expect the same in the would-be global economic giant that is India.

Doing this would at least eliminate some of the more obvious anomalies in the current poverty lines. Consider, for example, the urban poverty line. Most of the discussion has been about the price of food, and there the grim hilarity of the numbers is already evident. But in any case, life consists of more than eating. There are all the other necessary daily expenses that are a necessary part of existence. In most cities and town today, rents take up a huge part of the income of the poor, yet the imputed rents are estimated to be ridiculously low for most urban areas. Daily life also requires some mobility, at the very minimum to get to and from one's place of work.

So consider a casual worker living in a slum settlement in South Delhi, say Ambedkar Nagar near Khanpur Bus Depot. Suppose this labourer is able to find work somewhere near the Old Secretariat, the seat of the city's government. The cheapest public transport available would cost a minimum of Rs 40 for a return trip, while using the metro and linked feeder buses would cost Rs 54. This is significantly higher than the national urban poverty line of Rs 33.40, which is supposed to cover the total of all daily expenses.

Presumably, even ruling party representatives and government officials would recognise that the ability to use public transport should be within the scope of all citizens. Yet according to present definitions, anyone who can afford to use public transport is automatically "above" the declared poverty line. Does anyone really need to be told how stupid this is?

It is still not too late for the government to admit to some past stupidities and move forward with a more realistic (and more internationally consistent) definition of poverty that would include all those who do not have the means to ensure what is socially accepted as a minimally decent life. But then first of all, the Marie Antionettes in the government must be firmly put in their place.

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