PATHWAYS' PERSPECTIVES
on social policy in international development

Issue No 16 March 2014

Why 'The Poor' Don't Exist (And What This Means For Social Protection Policy)

Charles Knox-Vydmanov, HelpAge International

The last few years have seen growing calls for countries to progressively expand basic "floors" of social protection that guarantee income security and access to basic services throughout the life cycle. At its core, this approach stems from a recognition of the unacceptably high levels of poverty and insecurity still faced by most of the world's population, and the critical role that social security systems can play in addressing this. With endorsement from the G20, United Nations, European Union, a myriad of civil society organisations and over 180 member states of the International Labour Organisation, social protection floors are emerging as the guiding reference point for the extension of social security. While there is no single policy recipe, a social protection floor will generally include a variety of social transfers tackling the major life cycle risks, such as child benefits, unemployment support and pensions for old age and disability.[1]

Nonetheless, some powerful forces in the social protection debate remain opposed or – at best – agnostic to the ambition of a social protection floor. Detractors tend to argue that social protection floors are a relatively inefficient way to reduce poverty. Why put in place basic entitlements for older people, people with disabilities and children instead of focusing on "poor people" who really need it? Isn't it wasteful to spend limited government resources on people who are not "poor"? In contrast to a floor, detractors of a lifecycle approach to social protection tend to favour smaller "catch all" safety net – or poor relief – programmes for "poor households." The flagship schemes proposed as models are Brazil's Bolsa Familia scheme, Mexico's *Oportunidades* programme and Pakistan's *Benazir Income Support Programme*.

There are a number of generally well-recognised limitations to catch all poor relief programmes. As Kidd (2013) describes in his recent paper on *Rethinking Targeting*, all methodologies used to target the "the poor" result in substantial errors as well as increased administrative costs that significantly weaken the arguments around efficiency. Meanwhile, the political economy around such programmes suggests they rarely gain substantial investment and, as a result, have limited impact. As Amartya Sen (1995) neatly put it: "benefits meant exclusively for the poor often end up being poor benefits".

Yet many of these arguments do not go far enough in challenging the underlying logic behind poverty targeting. While we know – on the basis of evidence – that we cannot accurately identify "the poor" and that the political economy of targeting indicates that targeting "the poor" is not in their best interest, in this paper I argue that there is a more fundamental challenge. Specifically, I propose that the idea that "the poor" should be the target group of social protection is a distortion of the reality of poverty and vulnerability in low- and middle-income countries. Indeed, the conceptualisation of a static group of people known as "the poor" is, to a large extent, an imaginary construct created by the limitations of the tools available for poverty analysis. Once this is recognised, more comprehensive social protection floors comprising schemes addressing lifecycle risks emerge as the clear priority for the extension of effective social protection systems.

[1] While the author recognises the fact that health services (and potentially other services) are generally included in the definition of a floor, the focus here is limited to social transfers.

Diagnosing "the poor"

The extent to which a focus on "the poor" has come to dominate national and international discussion on social protection is striking, and there is no need to look far for examples of this. One of the most influential texts on social protection in the last five years was Barrientos, Hanlon and Hulme's (2010) "Just Give Money to **the Poor**." The World Bank's 2012-22 Social Protection and Labour strategy includes three pillars of which one is "Equity for **the poor**" and another is "Resilience for **the vulnerable**," the latter group being considered a notch up from the former.[2] The language is also echoed at a country level, with countries such as Cambodia being guided by documents such as the "National Social Protection Strategy for **the Poor** and **Vulnerable**."[3]

The categorisation of a group called "the poor" is logical and defensible to some degree. Identifying categories is fundamental to human psychology and an essential device to navigate a complex world. Isolating a priority group can make the whole business of social protection policy seem a lot more manageable. If social protection is about poverty, then it makes sense to focus on the people who live in poverty (the poor). The term is also arguably of rhetorical value for poverty campaigners as a way to bring a human face to the more abstract issue of poverty. Most, for example, would welcome the spirit of Pope Francis' call, during his inauguration, for "a poor Church, for the poor."[4]

Yet when we talk about the "the poor" we risk making problematic assumptions. The first is that "the poor" are a coherent group that is fundamentally different from the rest of the population. This leads to a belief that the kind of social protection needed for "the poor" will be different than for other groups. The World Bank's (2012) social protection strategy is an example, focusing on non-contributory social assistance for "the poor" and forms of insurance for "the vulnerable." The second implicit assumption is that "the poor" are a minority group. This assumption is by no means inherent to the term, but it is striking how consistently "the poor" are described as a small sub-class of the population. Paradoxically, even in countries where most of the population live below the official poverty line the focus on a minority group persists, with a transfer of focus to sub-categories of the poor such as the "extreme poor", "chronic poor" or "poorest of the poor".

The emphasis on "the poor" as a minority group arguably has political motivations, particularly for those trying to undermine the case for inclusive and comprehensive social protection. The extension of the idea that a minority of people are "poor" is that the rest of the population is self-sufficient, or "resilient". This is perhaps convenient for those with limited interest in investing in social protection since it suggests that the role of the state is limited to supporting a small group of people (which, of course, requires less taxation). It also provides fuel for questions about what is so different about this minority group that they cannot get by like the rest of us. Invariably narratives emerge to suggest "the poor" are not in that state due to lack of opportunity or misfortune, but because they are lazy, irresponsible and probably immoral.

It is striking to see how associations between behaviour and the poor have pervaded throughout history. Some of the most vivid historical examples come from European countries a century ago as they grappled with moves from meagre poor relief to more comprehensive social protection systems. When the landmark poverty maps of London – a precursor to the modern household survey – were conducted by Charles Booth in the late 19th Century, it is notable that, of seven income categories, only the lowest made reference to character: "Lowest class. **Vicious, semi-criminal**". While perhaps toned down, the mentality that "the poor" are fundamentally different is being reproduced in the modern social protection debate. The use of conditions is accepted by many advocates as principally a political mechanism by which the middle-class (self-sufficient) will agree to support the (dependent) poor, who need to be told how to behave.[5] Alternatively, take a World Bank (2011) report that dismissed a proposal for a universal pension in Tanzania and instead pointed towards a "more surgically targeted approach". Poverty has become some kind of tumour or infection that can be isolated and treated. It is no wonder that being "diagnosed" as "poor" is commonly a humiliating and stigmatising experience.[6]

[2] World Bank (2012).
[3] Royal Government of Cambodia (2011).
[4] Reuters (16 March 2013) "Pope Francis wants Church to be poor, and for the poor" at http://www.reuters.com/article/2013/03/16/us-pope-poor-idUSBRE92F05P20130316
[5] See, for example, Fiszbein *et al* (2009:51).

The illusion of "the poor"

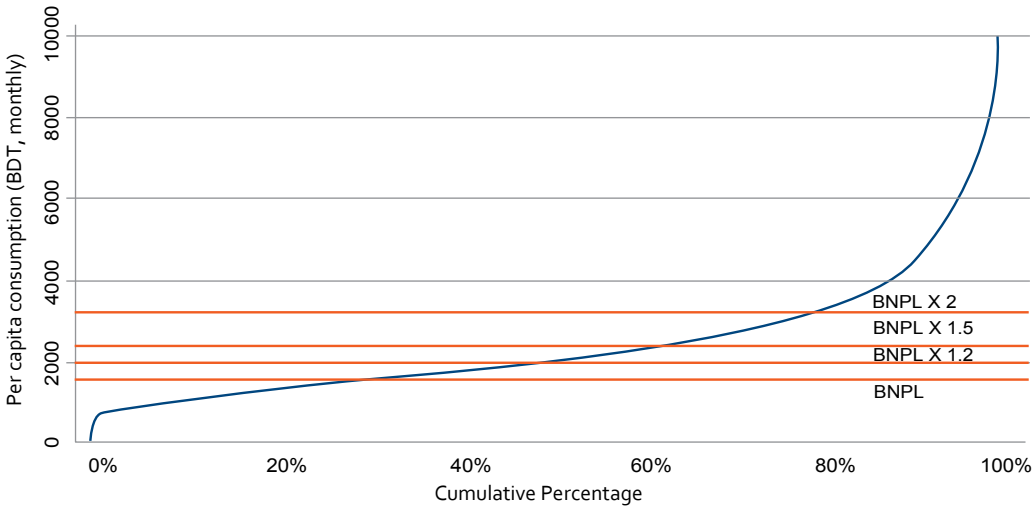
Whether or not the language of "the poor" can be justified, this fixation has reached such a scale that it has vastly obscured the reality of poverty and vulnerability in low- and middle-income countries. When we look behind the narratives and superficial headline statistics, we find that a static, minority and easily identifiable group called the "the poor" is little more than an imaginary construct of poverty analysts. This is not to challenge the existence of poverty – quite the opposite – but that it needs to be conceptualised and understood as a dynamic concept.

Poverty analysis has moved on hugely since Charles Booth's nineteenth century maps of London but, at its core, it still tends to depend on a similar form of categorisation based around establishing a poverty line. Much debate and analysis surrounds these lines but, ultimately, they remain relatively subjective and highly open to political influence. This means that they have a tendency to reassure us of the preconceived idea that "the poor" are a minority. Indonesia provides a good example of this since – on paper – the national poverty rate has been steadily decreasing to around 13 per cent of the population in 2011, an even lower poverty rate than in the United States. Yet there has been widespread criticism of the use of a poverty line that focuses on extreme poverty.[7] When the threshold is increased to the international US$2 PPP per day poverty line – which is recognised as a more appropriate poverty line for middle-income countries – we find that just under 50% of the population live in poverty.[8]

We see the same habit of thought at the global level. The target setting of the Millennium Development Goals put priority on the more manageable task of halving *extreme* poverty, yet the heavy focus on this apparent group of "extreme poor" means it is easy to lose perspective. Much of the discussion around a post-2015 framework to follow the MDGs is now pushing on "getting to zero" (extreme poverty) seemingly side-stepping that this "zero" will still result in a large part of the world's population living in poverty (at least, when measured against what any sensible person would regard as poverty).

The means by which poverty lines can hide the bigger picture of poverty is exemplified when we look at specific countries. In Figure 1, the curved line shows the distribution the population of Bangladesh according to per capita consumption, something akin to lining up the population in order of their income. What we observe is that the line increases gradually through the first 70-80 per cent of the population, with significant changes only occurring in the top 20 per cent of the population. The distinct minority group called "the poor" is illusive in this context. Instead, most of the population are only a slightly richer or poorer than those immediately above or below them.

Figure 1: The cumulative distribution of consumption in Bangladesh, from the poorest household to the richest[9]



[6] See, for example, Kidd S "'Poor' Practice: The Stigmatisation of Families Living on Low Incomes" at http://www.developmentpathways.co.uk/resource-centre/blog/post/125-poor-practice-the-stigmatisation-of-families-living-on-low-incomes-

[7] See for example, The Economist (3rd April 2011) "Indonesia's poverty line: To make a million people unpoor" http://www.economist.com/blogs/banyan/2011/08/indonesias-poverty-line

[8] World Bank (2012).

[9] Source: Analysis of HIES 2010 in Kidd and Khondker (2013).

The problem is exemplified when poverty lines are introduced to the picture, here represented by the horizontal lines. The lowest Basic Needs Poverty Line (BNPL) refers to Bangladesh's National Poverty Line, which is a little below the international extreme poverty line of US$1.25 PPP. The point where this crosses the curved line indicates that 31.5 per cent of Bangladesh's population lives in poverty. Yet very small changes to the poverty line change the picture dramatically. Increasing the line by 20% (BNPL x 1.2) increases the poverty rate to close to 50% and, when the poverty line is doubled (bringing it closer to the US$2 per day poverty line), nearly 80% of the population are found to be living in poverty. In fact, the World Bank estimates that the poverty rate using the US$2 a day poverty line is 84 per cent.[10]

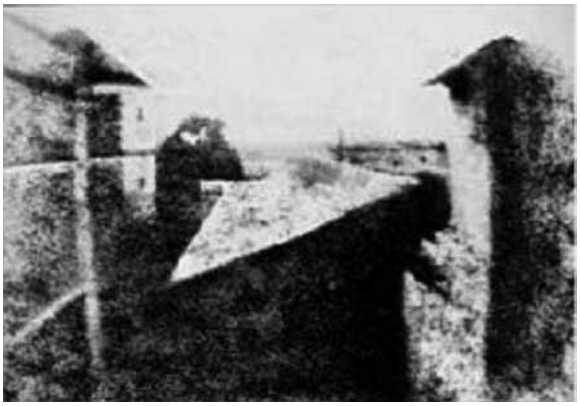
The binary categorisation of "poor" and "non-poor" becomes even more problematic when we introduce the second issue, that poverty is dynamic: in other words, people who are "poor" today are not necessarily "poor" tomorrow. One of the issues that clouds poverty analysis is a dependence on household survey data – such as that presented in Figure 1 – that only shows a snapshot of the situation at a particular point in time. It hides the fact that, after an enumerator has visited a household, its situation will change so that it has either lower or higher incomes and many non-poor households may now be "poor." In reality, most household surveys are only conducted every 3-5 years and do not follow the same households. When panel surveys are used, they usually reveal a high degree of "churning": in other words, people often move in and out of poverty – or up and down the curved line in Figure 1 – on a regular basis. Analysis in Pakistan, for example found that, while the national poverty rate was 37 per cent in 2001/02, 67 per cent of households were either living in poverty or expected to be living in poverty over the next three years.[11] The dynamic nature of poverty is also not particular to one country. A major 2009 study by Narayan, Pritchett and Kapoor based on interviews with more than 60,000 people in 15 countries argued that: "The findings from this exercise strongly confirm the conclusion that has emerged from the increasing use of surveys that track the same individuals over time: poverty is a condition, not a characteristic."[12]

This evidence suggests a very different starting point for social protection policy. Instead of a neat, static, minority, target group, we are faced with the prospect that poverty and vulnerability affect the vast majority of a developing country's population, albeit at different times. In fact, it emerges that it is the "self-sufficient" that is likely to constitute the distinct minority, often comprising no more than 20-30 per cent of the population.

What is the alternative?

So what should be the response of social protection practitioners? Narayan, Pritchett and Kapoor concluded "One direct policy consequence of … high levels of churning is that programs that attempt to target benefits to 'the poor' are unlikely to succeed on any static criteria." One option, therefore, would be to persevere with poverty targeting, but argue that a system is needed that dynamically catches people at the moment they fall under a particular income threshold. Unfortunately the tools available are highly inadequate for this task. An appropriate analogy for current approaches to poverty targeting is to compare them to an old-fashioned photo camera. We see from statistical tests of proxy means testing - even when treating poverty as a static phenomenon - that these mechanisms miss a large proportion of the intended beneficiaries. A 2011 assessment of proxy means testing in four countries found that, even before implementation, the formula would exclude between 44 and 55 per cent of intended recipients (when targeting the poorest 20 per cent).[13] As a result we should probably consider our targeting to be equivalent to one of the very first cameras developed two centuries ago (as shown in Figure 2).

Figure 2: Niépce's View from the Window at Le Gras (1826), the earliest surviving photograph of a scene from nature taken with a camera obscura[14]



[10] World Bank (2013). [11] World Bank (2009a).

[12] Narayan, D, Pritchett L, Kapoor S (2009) *Moving Out of Poverty : Volume 2. Success from the Bottom Up*. Washington, DC: World Bank and Palgrave Macmillan.

[13] Kidd and Wylde (2011).

[14] *Source: Wikimedia Commons http://en.wikipedia.org/wiki/File:View_from_the_Window_at_Le_Gras,_Joseph_Nic%C3%A9phore_Ni%C3%A9pce.jpg*

We then need to introduce the fact that poverty is dynamic. The image that our camera is trying to capture is not a static landscape, but more akin to a football match in full swing. What we need is a high definition video camera, but our instrument is far from up to the task. In reality, most poverty-targeted programmes only re-target very irregularly, at best every two years, and often every five or ten. So we have to ask ourselves: were we to take a two hundred year old camera to a football match and take 3-4 four photos, could we pass them on to a friend to write a comprehensive match report?

When we look at the history books, it turns out that this finding is hardly new. Countries throughout history have grappled with the task of targeting the poor but the task invariably ends up being hugely challenging. English historian Pat Thane, when describing late nineteenth century attempts to improve the efficiency of the English Poor Laws, chimes with many of the experiences of poor relief programmes today: "The aim was maximum mobilization of resources, from all sources, to be targeted upon the needs of the poor as assessed 'scientifically'. .... As it turned out, the extent of poverty was too great, its causes and cure too complex for such simple 'scientific' treatment; ... After a decade or so the policy was an admitted failure."[15]

Fortunately the history of social protection policy also points to an effective alternative to poor relief in dealing with the large-scale and complex issue of poverty and insecurity, that is, social security programmes offering support across the range of lifecycle risks. Social security makes an important and fundamental departure from poverty targeting in that - rather than attempting to cure the symptoms of various shocks and stresses – it looks to the causes of poverty (i.e. the shocks themselves). Individuals, families and networks face a range of shocks and risks that can push them into poverty, and these can be categorised into three broad groups. First are one-off, short-term and often covariate shocks, in other words, large-scale crises that affect a large number of people in a similar way at the same time. Examples include natural disasters and sudden economic crises. The social protection response to such shocks mainly relates to short-term responses or what can truly be called safety nets. The second kind of shock or stress can be considered fundamental structural issues related to the labour market and wider economy. Social protection policy can touch on this – for example, through unemployment benefits and workfare – but arguably has a marginal role to play in directly addressing these issues compared to broader macro-level interventions relating to the functioning of the economy and labour market. The final type of shocks are those that - no matter the livelihood context of a country - exert a strain on the productive capacity of individuals and households. These essentially come down to old age, disability and sickness, and stresses associated with raising a family (from both the perspective of parents and children).[16]

The logic behind establishing a comprehensive social security system is that - left to themselves - most people have inadequate means to prepare and insure themselves against lifecycle risks. As a result, these shocks constitute a major driver of poverty, not only for those directly affected (e.g. older people, people with a disability, families with children) but also wider households, kinship networks and communities upon which they depend and which may depend on them. Social security is, therefore, not so much about targeting different "categories" of people but, instead, it insures all people against a range of inevitable yet unpredictable stresses on their lives. The effectiveness of this approach is demonstrated when we look for social protection systems that effectively and systematically reduce poverty and inequality on a substantial scale. Whether in the more mature social protection systems in OECD countries or the social protection superstars of Brazil and South Africa, the big wins come not from a futile hunt for "the poor", but substantial investment in a range of policies covering a range of lifecycle risks (see Box 1 on Pensions and Inequality). It is also this recognition that underpins the growing global calls for the introduction of social protection floors that guarantee a basic level of income security across the life cycle, complemented by social insurance schemes to enable people to invest in their own protection.

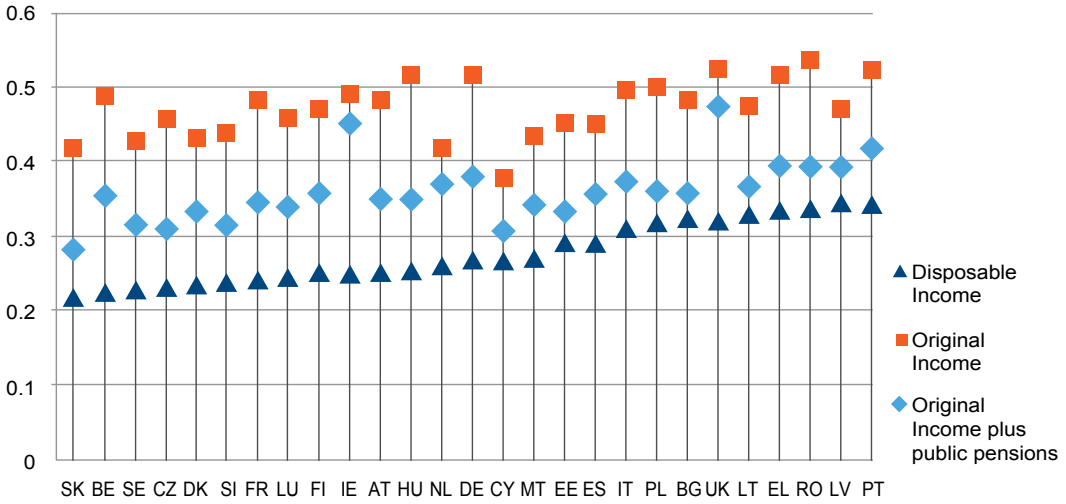
[15] Thane (2000).

[16] While not the focus of discussion here, effective, affordable and accessible health systems are clearly an essential complement to the social security system in dealing with health shocks.

Pensions and inequality

Intuitively, we might assume that social protection programmes with the greatest impact on inequality would be those most closely targeted at the poorest people. But this is not borne out by the evidence. In fact, some of the most significant impacts of social protection systems globally are from basic pensions not specifically targeted at "the poor". This trend is well documented in wealthier economies with substantial investment in social protection. Figure 3 shows the impact of tax and public transfers on the Gini coefficient in the European Union: not only do social protection systems have a major impact on reducing income inequality, but public pensions tend to constitute a major (if not the largest) element.

Figure 3: Income inequality (Gini coefficient) before and after taxes and benefits (2010 policies)



Notes: Countries ordered according to the value of the Gini coefficient of disposable income.
In the calculation of Gini coefficients negative income has be replaced by zero.
Source: EUROMOD version F6.0. See background information for details of data sources.
European Social Situation Observatory – Income distribution and living conditions.

Similar trends are emerging in less developed countries that are extending basic pension entitlements. In Brazil, the pension system has resulted in a 12% reduction in inequality while the Bolsa Familia poor relief scheme's contribution is a mere 0.6%. The extension of basic solidarity pensions in Chile led to a fall of 1.5 Gini points between 2006 and 2009, while World Bank calculations suggest that removing Georgia's universal old age pension would contribute to a three point rise in the Gini coefficient compared to one point from removing general social assistance. All of these cases point to the conclusion that basic entitlements given on the basis of lifecycle risks, such as old age, have a greater impact on inequality than poor relief programmes. This is principally as their greater political popularity means they are able to secure a larger tax base that can truly lead to redistribution.

Sources: ISSA (2013), B Castelletti (2013) and World Bank (2009b).

Final thoughts

I have argued in this paper that poverty is complex, dynamic and affects a far greater part of the population than is recognised when we limit our view of social protection to an imaginary static group labelled as "the poor". If we accept this, it quickly becomes apparent that the tools available to us are vastly inadequate to hit this moving target and a more systematic approach is needed that addresses the drivers of risk and uncertainty facing people across their lives. The task of building comprehensive social security systems is challenging yet, unlike the futile task of accurately targeting "the poor" it is achievable, effective and proportionate to the scale of poverty and vulnerability facing citizens of the world today. Moreover, there are increasing examples of countries such as Nepal, Uganda, Timor-Leste and Bolivia that have started down the path of building social protection floors shaped by the architecture of the lifecycle. This is a path that will continue to remain blocked to many countries as long as we fool ourselves that poverty is a residual issue limited to a minority sub-class.

Bibliography

Castelletti B (2013) *How redistributive is fiscal policy in Latin America? The case of Chile and Mexico*, OECD.

Fiszbein A, Schady N, Ferreira F, Grosh M, Keleher N, Olinto P and Skoufias E (2009) *Conditional Cash Transfers: Reducing Present and Future Poverty*, Washington, DC: World Bank

Hanlon J , Barrientos A, David Hulme D (2010) *Just Give Money to the Poor: The Development Revolution from the Global South*, Kumarian Press.

Kidd, S (2013) *Rethinking "Targeting" in International Development*, Development Pathways. http://www.developmentpathways.co.uk/resource-centre/pathways-perspectives/post/98-pathways--perspectives-11

Kidd S (2014) ""Poor" Practice: The Stigmatisation of Families Living on Low Incomes" at http://www.developmentpathways.co.uk/resource-centre/blog/post/125-poor-practice-the-stigmatisation-of-families-living-on-low-incomes-

Kidd, S., and E. Wylde (2011) T*argeting the Poorest: An assessment of the proxy means test methodology*. AusAID publication.

Kidd, S. and Khondker B. (2013) Scoping Report on Poverty and Social Protection in Bangladesh. Unpublished manuscript.

Kidd S., Khondker B., Khan N. and Ahsan T. (2014) *Building a Social Protection System to Address the Demographic Challenges Faced by Bangladesh*. Background paper for Bangladesh's National Social Protection Strategy.

Narayan, D., Pritchett L., Kapoor S. (2009) *Moving Out of Poverty: Volume 2. Success from the Bottom Up*. Washington, DC: World Bank and Palgrave Macmillan.

Royal Government of Cambodia (2011) *National Social Protection Strategy for the Poor and Vulnerable*

Sen A (1995) "The political economy of targeting", in *Public spending and the poor: theory and evidence*, edited by D. van de Walle & K. Nead. John Hopkins University Press, 1995, pp. 11-24

Thane P., (2000) Old Age in English History: Past Experiences, Present Issues, Oxford University Press.

World Bank (2009a) *International Development Association Program Document for a Proposed Social Safety Net Development Policy Credit to the Islamic Republic of Pakistan*. Report No. 47480-PK, May 5, 2009

World Bank (2009b) *Georgia Poverty Assessment*, Report No. 44400-GE, World Bank Publication.

Pathways' Perspectives

This series of papers provides people with the opportunity to comment on key issues in international development with the aim of stimulating debate. While Development Pathways may not necessarily agree with the opinions of the authors, we believe it is important to give people space to express their views.

About Development Pathways

We are a group of international development practitioners who specialise in the fields of social protection and social development and work with a range of development organisations and country governments across the developing world. We are committed to bold and innovative thinking and our aim is to provide creative and context-specific solutions to the social and economic policy challenges facing developing countries.

We believe that policy and programming needs to be evidence-based and uniquely appropriate for the political realities of the countries in which we work, which may mean challenging prevailing orthodoxy to deliver the best policy and programme solutions. All of our work is grounded in social and political analysis, ensuring that policies and programmes promote gender equity and women's empowerment, and benefit the most vulnerable.

About The Author

Charles Knox-Vydmanov

Charles Knox-Vydmanov is a Social Protection Policy Adviser at HelpAge International. He worries that it may be poor judgement to challenge the concept of "the poor". Yet he is adamant that social protection is less about different categories of people and more about the different things that happen to people.

For more information please feel free to get in touch, our contact details are below:

DEVELOPMENT PATHWAYS

Development Pathways
483 Green Lanes, London,
N13 4BS United Kingdom

M +44 (0) 781 345 7624
E admin@developmentpathways.co.uk
W www.developmentpathways.co.uk