Chronic Poverty
Research Centre

Policy Brief

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Chronic poverty in India: Policy responses

Despite the huge efforts at eliminating poverty made in India since independence, it is estimated that up to 130 million Indians live in chronic poverty – defined as poverty that endures for at least five years, and often passes from generation to generation within a family. This briefing paper summarises the characteristics of and explanations for this phenomenon, discusses the context for policy today, and proposes a series of recommendations for policy changes that would move India towards eradicating poverty

Key Points

Public policy can make a difference. Social sector policies in particular have contributed to reducing multiple disadvantage in many parts of India, even in a poor state like Orissa.

Political commitment is essential for sustainable, effective policies. Poverty needs to be high on the agenda of the political elite, and they will have to work with grassroots activists to build 'policy constituencies' to enforce 'political contracts' around poverty issues.

Policy points include:

- Improving financial flows to persistently poor states is a critical challenge.
- Improving wages, conditions, security and volume of work for casual labourers is vital.
- Social protection is very valuable for the chronically poor.
- Health care and interventions against hunger are important; health shocks are a major factor in chronic poverty.
- Urban centres improve economic opportunities for poor people in the surrounding area – a more even spread of urbanisation may be positive for poverty reduction.
- Building village level infrastructure helps poverty reduction.
- Social status and discrimination, particularly on caste and gender grounds, still need combating, with a focus on the poorest.
- Public surveys and censuses should be adapted to collect data on the time span and multi-dimensionality of poverty.

What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

Chronic Poverty in India

Chronic poverty describes the situation of people or populations (individuals, households, social groups, regions or territories) who are poor for significant periods of their lives, who may pass their poverty on to their children, and for whom finding exit routes from poverty is difficult. It is estimated that there are from 78 to 130 million people in India living in such situations.

The Millennium Development Goals and India's Plan targets (in particular

those relating to poverty ratios, education and gender) cannot be met without addressing chronic poverty. Chronic poverty analysis matters for policy-makers because policies designed to assist the transitorily poor may not be effective for those trapped in chronic poverty. Also, the chronically poor are a heterogeneous group, and policies targeted at them will thus also need to be varied.

The Chronic Poverty Research Centre (CPRC) develops an understanding of the social, economic and political factors responsible for chronic poverty and its reduction, through a typology of *drivers, maintainers* and *interrupters*.

Who are the chronically poor?

There are many processes driving and maintaining chronic poverty. However, some broad characteristics, which *most* will share *some* of, can be identified.

Casual labour: a great many of the chronically poor are not excluded from the economy, but included on adverse terms. Insecure employment, low wages and poor working conditions trap people in poverty. Casual labour is on the increase in India: 41% of all households reported casual labour as their main income source in 1999-2000, and there are around 132 million rural casual labourers. Casual labour is strongly associated with household poverty: many casual labourers never emerge sustainably from poverty.

Persistently poor states: Uttar Pradesh, Bihar (and Jharkand), Madhya Pradesh (and Chattisgarh), Orissa, Rajasthan and Assam are states having persistent and severe poverty and the majority of India's most deprived districts. The first three, in particular, have a substantially higher share of India's poor in relation to their share of the population overall. Adverse land relations inherited from feudalism and the zamindari system, political instability and upper caste domination of political power,[1] poor green revolution performance and weak infrastructure have all combined to reproduce this pattern.

Remote Rural Areas: Nevertheless, chronic poverty exists in every state in India, with "pockets" in even relatively wealthy or low-poverty-rate states such as Maharashtra, Andhra Pradesh or Tamil Nadu. Rural areas poorly connected to urban centres are associated with particular problems. Remote forested areas often form such pockets of chronic poverty. Despite rich natural resource bases, a combination of physical isolation and entitlements failures – of access to these resources, to information, to wider markets and public services and to anti-poverty programmes - maintain many tribal people in chronic poverty. Environmental degradation or climate change may emerge as additional factors maintaining those poor households most dependent on natural resources in chronic poverty.

Many dryland areas are sites of livelihood insecurity. Both commercialisation of agriculture and out-migration have helped households cope, and indeed contributed to growth and poverty reduction. But there is a danger that pressure on water tables and recipient-area economies could block these mechanisms and increase chronic poverty.

Social status can be a maintainer of chronic poverty and/or a driver. Despite progress in some areas, members of Scheduled Tribes (ST) and Scheduled Castes (SC) remain disproportionately poor. Evidence also suggests that ST face particular challenges (linked to remote rural area problems) in escaping poverty.

But social status factors affect others too, in particular, women. Evidently not all women are poor, but discrimination expressed in many areas of life, from labour markets to intra-household decision-making, makes many women especially vulnerable to poverty and makes it harder for poor women to escape from poverty. Other social categories that are often linked to poverty and discrimination include "life-cycle" categories – old age or childhood, and certain forms of ill-health, such as physical disability, HIV/AIDS, leprosy or mental illness.

Household composition: Household size by itself does not appear to be statistically associated with greater likelihood of chronic poverty. But chronically poor people do tend to live in households with a greater number of dependents (e.g. children), or lesser access to the labour market (e.g. with more women).

Multi-dimensional deprivation: chronic poverty is related to nutrition and food insecurity, ill-health (including environmental health) and lack of social well-being as well as income. There is a higher

incidence of chronic illnesses among the poor, who are particularly vulnerable to health "shocks". The various dimensions of poverty can become mutually reinforcing over time, e.g. ill-health often undermines income earning capacity, leading to undernutrition, inability to afford access to healthcare, and further health deterioration.

How do chronically poor people exit poverty?

Just as there are many drivers of chronic poverty, so other processes can interrupt chronic poverty. People have found a variety of routes to avail themselves of economic opportunities and exit poverty. Analysis of panel data on rural households highlights a few key themes:

Owning land: those poor households who have managed to retain some land are more likely to exit poverty (in urban areas, other assets - perhaps housing security or education - may be more important);

Migration is more often of member(s) of a household rather than the whole household, to urban areas for better employment opportunities, especially where prior information and contacts can reduce costs and increase benefits;

Greater village level infrastructure and district urbanisation, is associated with a higher rate of household exits from poverty, through greater connection to economic opportunity (especially labour markets).

Policy context

Policy approaches

There has been a vast array of Government of India anti-poverty policies since independence. Policy-making has been informed by three main views of the causes of, and best approaches to combating poverty. Structuralist theories have suggested efforts to redistribute productive resources and break down social barriers; another approach views this as problematic, and focuses on extending growth into marginalised areas and population sectors. A third highlights the multi-dimensional deprivations of poverty and calls for social security measures, both to address these deprivations themselves and support poor people's participation in growth.

The major anti-poverty programmes represent a mix of all these approaches. They can be grouped into six categories:

1. Land distribution and land reforms;
2. Area-based approaches for community and rural development, focusing on marginal and small farmers, and areas with particular problems e.g. those that are drought-prone;
3. Individual-based targeted approaches, providing access to productive capital and skills among the poor, including vulnerable groups like women, SC, ST and the landless;
4. Social security or safety-net programmes, comprising the National Social Assistance Programme (which includes the National Old Age Pension Scheme (NOAPS)), employment and self-employment programmes and relief works, distribution of commodities of basic needs like food (Public Distribution System (PDS) and others), clothing, housing for the poor and the vulnerable groups;
5. Special schemes for education among socially-marginalised groups such as Scheduled Castes and Tribes, subsidised primary education especially for girls, and special nutrition and health care programmes for women and children;
6. Reservation policies, in employment, education and political representation, for particular groups.

Policies in action

India's anti-poverty programmes in total amount to some 6-7 per cent of total Government of India budgetary expenditure, or 1 per cent of GDP (IBRD, 2000). Poverty rates have declined and there have been notable successes – e.g. the building of a social contract around famine prevention. Despite this, there remains a chasm between official policies on the one hand, and the experience of the poor on the other. In terms of technical policy design, while all the policy approaches outlined earlier contain useful insights, a disaggregated and dynamic analysis is generally lacking from all of them: weakening their effectiveness at engaging with the specific processes that drive people into poverty, or enable them to escape, in particular contexts.

Policy on poverty has tended to become part of a political economy that proliferates 'doles', which often exist more to allow political power bases to be consolidated than to help the poor. Thus, while there has been poverty reduction, anti-poverty budget increases have not made the contribution that was hoped for; and the targeting of anti-poverty programmes is poorly handled, producing both errors of inclusion and exclusion.

State level implementation of programmes and the performance of Panchayati Raj institutions, has also been variable. In some cases, alliances that include some chronically poor groups have had success, in others lack of financial resources or patronage politics have weakened and distorted implementation. Structural maintainers of chronic poverty, especially unequal distribution of land and social hierarchies, remain powerful. State and sub-state political economy also often leads to poor performance of rural development schemes which are notoriously prone to "leakage" into a bureaucrat-contractor-village leader nexus, restricting their potential to boost agricultural growth.

However, some progress on these problems can be observed. Electoral competition has driven government to focus on poverty more recently. And movements at the grassroots, such as the Mazdoor Kisan Shakti Sanghathan (MKSS) in Rajasthan and other "right to information" campaigns, have played a part in extending and deepening democratic politics beyond urban and literate classes. In some areas they have exposed the corruption and inefficiency of poorly-performing schemes, even to the point of seeing corrupt officials pay back embezzled funds. At state and national level, anti-poverty programmes have been subject to redesign and change in recent years. For example, even in Orissa, which remains one of the poorest states in monetary terms, notable improvements in human development indicators such as child malnutrition, infant mortality and literacy have been achieved. Several schemes have undergone reforms, rationalisation and better targeting with a greater role for local government in implementation and for beneficiary selection and monitoring, a stress on transparency, making information available at the village level, and on social audits. This points to the tremendous positive potential of better central-local cooperation and the mobilisation of poorer people.

However, while these reforms are very welcome, there is still a long way to go. Structural factors constrain government's ability to bring about any rapid change, despite repeated attempts to implement land reform, anti-discrimination policies, etc. In some areas, enduring conflicts have erupted over land issues along caste-class lines. Tenancy reform has helped poverty reduction in West Bengal, and tensions (generally) remain lower than in neighbouring Bihar, where the poorest have rarely benefitted. Across the country, poor people seeking to claim their rights and improve their situation – a key factor for poverty reduction – face great dangers. Violent reactions to political awakening and activity among sections of the poor, in particular scheduled castes and women, continue to cause many tragedies.

Meanwhile, at the level of national policy debate, growth, while important, has perhaps sometimes been over-emphasised at the expense of specific policies for poverty reduction. Yet this is not inevitable. There are a number of promising policies and policy areas that government should consider, to stop the operation of the processes that drive people into poverty and maintain them there by blocking exit routes, and increase opportunities to exit.

Policy Recommendations

Persistently poor states and areas

The problem of persistently poor states is multi-dimensional and not susceptible to quick fixes. However:

- *improved flows of public sector and aid finance* could play an important role, and galvanise private sector investment in them. Creating the institutional and political conditions for this is a major, but critical, challenge for the coming decade.

As discussed above, pockets of chronic poverty in wealthier areas have their own particular problems. Policy recommendations given below, to assist dry land agricultural livelihoods, and STs – who often constitute a significant number of the chronically poor in forest "pockets" of chronic poverty – should help to address this problem.

Social protection

Social protection is critical in enabling the chronically poor to cope with risk (and so increase their chances of exiting poverty), and in preventing the transitorily poor from being driven into chronic poverty. This is particularly so in India, where the very low asset base of many poor people (especially the landless) means that "shocks" such as ill-health have long-term devastating impacts on households.

- *National Rural Employment Guarantee Act (NREGA)*. The NREGA guarantees 100 days of wage employment per financial year to those adult members of rural households

who demand employment and are willing to do manual work in 200 districts. It will be extended to the entire country in 5 years. Work is to be provided within 15 days of demanding it. The choice of works suggested address causes of chronic poverty like drought, deforestation and soil erosion. If effectively implemented, the employment generated could reduce severe poverty. Extension of the scheme to mandatory work on demand for individuals rather than households could enable escape from poverty for those willing and able to undertake manual work.

- *Develop a "policy constituency" for social protection for the poorest.* As noted above, political support and long-term commitment is key to asset transfer schemes reaching their intended beneficiaries. But the kind of "political contract" that has been built around famine response does not yet exist for "ordinary" hunger.
- Building a policy constituency that will develop and enforce such a contract requires action from media, civil society and grassroots organisations.
- Government has an important role to play too. Recent shifts towards a more "empowerment" approach, looking at building social and political capital through self-help groups, and the Antyodaya principle of starting with the poorest and most vulnerable, hold promise.
- *Strengthen and extend the NOAPS.* Research from around the world suggests pensions not only alleviate the poverty experienced by the elderly but can also reduce the burden on household expenditure and reduce vulnerability. The postal service can be used as a delivery mechanism, but while an estimated one third of India's elderly are eligible for the pension, funding caps limit its coverage in practice[2] – as recognised when the Annapurna scheme was introduced – and lack of regularity in payment reduces its effectiveness. Recent budget commitments to increase the centrally-sponsored rate and strengthen delivery are very welcome. Expansion of the scheme to cover greater numbers of elderly people would be another useful step.

Social groups

Legislation and policies are in place to protect and support women and members of SC and STs, but implementation is, at best, uneven. Policy should aim to:

- *increase the focus on the poorest* members of these groups – building on the Antyodaya principle;
- *increase access to justice* for discriminated-against groups, including promoting meaningful implementation of the Prevention of Atrocities Act;
- *re-examine policies to assist STs* in particular, as data suggests they find it particularly difficult to exit poverty;
- *poor women continue to face particular barriers to escaping poverty* and interventions are needed especially in the fields of literacy, health and access to work.

As a general policy direction, work to lessen myths and stigma surrounding certain health conditions (e.g. HIV/AIDS, leprosy, mental illness), and to support sufferers not just in access to healthcare, but in economic and social activities too, could be useful.

Economic Policy

- *Infrastructural development and village-level assets* remain key to boosting the opportunities and productivity of casual labour, higher real wages and livelihood diversification. Reducing corruption in implementation will require more informed popular participation and accountability. As with social protection, government should consider how it could work with grassroots groups to develop effective 'policy constituencies' to support infrastructure programmes for poverty alleviation.
- *Support sustainable wage rises and employment security.* Those dependent on casual labour are the largest single group of the chronically poor. A policy to support wages and employee rights of casual labourers is key to reducing chronic poverty in both urban and rural areas.
- *Help people manage migration.* Exits from poverty are sometimes associated with the migration of household members to work in urban areas, but for many of the sometimes poor, the high costs and lack of well-placed contacts in towns make this more of a crisis response. Helping people engage in managed migration, through providing better information about jobs and accommodation, would increase the potential for this as a route out of poverty.
- *Make dry land agriculture stable and viable.* Dry land livelihoods are vulnerable to shocks such as drought, preventing households from exiting chronic poverty and pushing them into unsustainable coping strategies.
- *Asset transfers, including land reforms*, have promise from the point of view of the chronically poor. Earlier experience has shown that land redistribution needs to be accompanied by access to affordable finance. This helps chronically poor households develop their new land, and cope with livelihood shocks without having to sell it to raise funds.
- *Support access to health care and food for the chronically poor.* Existing schemes have had a mixed record. Affordable health and nutrition are crucial both in preventing descent into poverty,

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The **Chronic Poverty Research Centre** (CPRC) is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

and enabling poor people to make use of economic opportunities and break poverty cycles. Chronic hunger needs to be taken as seriously as famine.

Information on chronic poverty

- *The 2010 Census should carry a specific schedule on chronically poor households.* This would provide a solid base for future policy-making in this area.
- *Further valuable measures* could include a mini-census in all 52 poorest districts and known drought prone areas, and the enumeration of slum residents. The latter is already taking place in some cities as a part of urban infrastructure improvement plans.

Endnotes

[1] Harriss, 1999
[2] Gorman, 2004

About CPRC-India

CPRC - India is led from the Indian Institute of Public Administration (IIPA), New Delhi. Core team partners include faculty at IIPA, the Gujarat Institute of Development Research, Jawaharlal Nehru University and the National Council of Applied Economic Research.

For further information please see: www.chronicpoverty.org

Resources

This briefing paper is based on work by the CPRC India, in particular:

Kapur Mehta, A and A Shepherd (eds) (2006) "*Chronic Poverty and Development Policy in India*" Sage Publications, New Delhi;

Nath, Dr N. C. B (2005) "Policy Implications", paper presented to the CPRC-IIPA Seminar "Chronic Poverty in India: Emerging Policy Options and Issues" on September 29-30 2005, at IIPA in New Delhi;

Kapur Mehta, A, A Shah, A Kumar and S Bhide (2005) "Getting Chronic Poverty on to Policy Agendas: The Case of CPRC India", paper presented to the ODI/CPRC "Policy Influencing and Media Engagement" Workshop, January 2005, London.

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Gorman, M. /Help Age International (2004) Age and security: how social pensions can deliver effective aid to poor older people and their families, Help Age International, London, UK.

Harriss, J. (1999) Comparing political regimes across Indian states, Economic and Political Weekly, November 27, http://www.epw.org.in/showArticles.php?root=1999&leaf=11&filename=722&filetype=html. Accessed 06.03.2007

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