

# **Global Poverty Gaps and Policy**

**UNDESA Division for Inclusive Social Development**  
Expert Group Meeting on Eradicating Rural Poverty to  
implement the 2030 Agenda for Sustainable Development  
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# Global Poverty Gaps and Policy

- Work on PovCalNet data set from WB, in 66 countries
- Research at ILO and post ILO
- Book: The Three Regularities in Development, Palgrave UK
- Poverty chapter with Florence Bonnet, ILO
- Central argument emerging from the empirical evidence:
  - (a) Demographic drag major causal factor
  - (b) Unpaid contributing family labour of women major causal factor
  - (c) Wage labour major alleviating factor
  - (d) Rural and agricultural poverty highest shares in total country poverty
  - (e) Productive transformation critical: development of manufacturing sector reduces country poverty
  - (f) But within sector technical change ie in agriculture also imp eg. Chinese experience
  - (g) Estimation of poverty gaps in income
  - (h) Implied policy has to be based on transfers, jobs and job quality and aggregate demand

# Analytics and Empirical Evidence

# Table 1 A

Table Poverty rate (%)

	1990	1993	1996	1999	2002	2005	2008	2010	2011	2012
<b>Poverty rate at \$1.90</b>										
Developing Countries (110)	46.89	43.13	34.59	33.81	29.47	25.23	19.09	16.68	14.93	14.93
Africa (44)	52.44	56.22	55.52	55.19	54.48	48.33	45.54	43.97	42.31	40.7
Asia and the Pacific (25)	58.71	49.24	38.15	36.88	30.03	25.43	16.46	12.8	10.28	12.23
Europe and Central Asia (19)	2.54	8.06	10.88	12.92	11.44	9.09	5.77	5.04	4.37	3.86
Latin America and Carabbians (20)	21.2	17	15.58	15.28	13.44	10.19	7.63	6.89	6.32	5.94
Arab States (2)	Survey data coverage is too low									

# Table 1 B

Poverty rate at \$3.10	1990	1993	1996	1999	2002	2005	2008	2010	2011	2012
Developing Countries (110)	67.17	67.68	58.77	57.41	52.26	50.4	38.78	34.97	32.52	36.23
Africa (44)	71.75	74.35	74.33	74.99	75.04	70.95	67.8	66.79	65.49	64.22
Asia and the Pacific (25)	82	77.18	66.81	64.52	56.6	54.32	38.71	32.82	29.06	36.25
Europe and Central Asia (19)	7.7	20.07	24.39	29.8	24.37	18.21	13.36	12.53	11.87	11.19
Latin America and Carabbians (20)	35.78	31.55	29.73	28.55	26.55	21.44	16.76	14.99	13.99	13
Arab States (2)	Survey data coverage is too low									



# Table 2 B: Regions

Regional \$1.90									
	Non-poor		Non-poor Total	Poor		Poor Total	Female Total	Male Total	Grand Total
	Female	Male		Female	Male				
<b>Africa</b>	<b>15.25%</b>	<b>14.61%</b>	<b>14.93%</b>	<b>35.79%</b>	<b>34.53%</b>	<b>35.16%</b>	<b>18.71%</b>	<b>17.89%</b>	<b>18.30%</b>
<b>Dependent</b>	<b>10.89%</b>	<b>8.65%</b>	<b>9.75%</b>	<b>25.29%</b>	<b>24.14%</b>	<b>24.71%</b>	<b>13.31%</b>	<b>11.20%</b>	<b>12.25%</b>
Inactive 15-64	4.36%	2.19%	3.26%	7.22%	5.04%	6.13%	4.84%	2.66%	3.74%
Under 15 and over 65	6.14%	6.13%	6.13%	17.64%	18.69%	18.17%	8.08%	8.20%	8.14%
Unemployed	0.38%	0.33%	0.36%	0.43%	0.40%	0.42%	0.39%	0.34%	0.37%
<b>Self-employment</b>	<b>3.23%</b>	<b>3.15%</b>	<b>3.19%</b>	<b>9.76%</b>	<b>8.90%</b>	<b>9.33%</b>	<b>4.33%</b>	<b>4.10%</b>	<b>4.21%</b>
Employers	0.11%	0.39%	0.25%	0.11%	0.16%	0.13%	0.11%	0.35%	0.23%
Own Account Workers	2.07%	1.94%	2.01%	5.98%	6.26%	6.12%	2.73%	2.65%	2.69%
Unpaid contributing family workers	1.05%	0.82%	0.93%	3.67%	2.49%	3.08%	1.49%	1.09%	1.29%
<b>Wage and Salaried workers</b>	<b>1.10%</b>	<b>2.79%</b>	<b>1.96%</b>	<b>0.66%</b>	<b>1.45%</b>	<b>1.06%</b>	<b>1.03%</b>	<b>2.57%</b>	<b>1.81%</b>
Wage and Salaried workers	1.10%	2.79%	1.96%	0.66%	1.45%	1.06%	1.03%	2.57%	1.81%
<b>Other Employed</b>	<b>0.03%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.08%</b>	<b>0.03%</b>	<b>0.06%</b>	<b>0.04%</b>	<b>0.02%</b>	<b>0.03%</b>
Other Employed	0.03%	0.02%	0.02%	0.08%	0.03%	0.06%	0.04%	0.02%	0.03%
<b>Arab States (3)</b>	<b>1.01%</b>	<b>0.98%</b>	<b>1.00%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.13%</b>	<b>0.86%</b>	<b>0.84%</b>	<b>0.85%</b>
<b>Dependent</b>	<b>0.93%</b>	<b>0.60%</b>	<b>0.76%</b>	<b>0.12%</b>	<b>0.09%</b>	<b>0.11%</b>	<b>0.79%</b>	<b>0.52%</b>	<b>0.65%</b>
Inactive 15-64	0.50%	0.13%	0.31%	0.05%	0.01%	0.03%	0.42%	0.11%	0.27%
Under 15 and over 65	0.42%	0.43%	0.42%	0.07%	0.07%	0.07%	0.36%	0.37%	0.36%
Unemployed	0.01%	0.05%	0.03%	0.00%	0.01%	0.00%	0.01%	0.04%	0.03%
<b>Self-employment</b>	<b>0.02%</b>	<b>0.11%</b>	<b>0.07%</b>	<b>0.01%</b>	<b>0.02%</b>	<b>0.01%</b>	<b>0.02%</b>	<b>0.10%</b>	<b>0.06%</b>
Employers	0.00%	0.02%	0.01%	0.00%	0.00%	0.00%	0.00%	0.02%	0.01%
Own Account Workers	0.02%	0.09%	0.06%	0.01%	0.02%	0.01%	0.02%	0.08%	0.05%
Unpaid contributing family workers	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Wage and Salaried workers</b>	<b>0.05%</b>	<b>0.27%</b>	<b>0.16%</b>	<b>0.00%</b>	<b>0.02%</b>	<b>0.01%</b>	<b>0.04%</b>	<b>0.23%</b>	<b>0.13%</b>
Wage and Salaried workers	0.05%	0.27%	0.16%	0.00%	0.02%	0.01%	0.04%	0.23%	0.13%
<b>Other Employed</b>	<b>0.00%</b>	<b>0.01%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.01%</b>	<b>0.00%</b>
Other Employed	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%





# Table 3: Rural Urban decomposition

DC \$1.90 PPP	Rural	Urban
Non-poor	59.08%	40.92%
Poor	87.78%	12.22%
Grand Total	63.86%	36.14%

DC \$3.10 PPP	Rural	Urban
Non-poor	41.25%	58.75%
Poor	83.31%	16.69%
Grand Total	55.14%	44.86%

DC \$5 PPP	Rural	Urban
Non-poor	30.91%	69.09%
Poor	78.39%	21.61%
Grand Total	56.10%	43.90%

AE 60% of median income	Rural	Urban
Non-poor	18.01%	81.99%
Poor	21.09%	78.91%
Grand Total	18.69%	81.31%



# Table 4 B: Sectoral decomposition by regions

	Non-poor		Non-poor Total	Poor		Poor Total	Female Total	Male Total	Grand Total
	Female	Male		Female	Male				
<b>Africa</b>	<b>16.57%</b>	<b>10.82%</b>	<b>12.75%</b>	<b>45.60%</b>	<b>24.31%</b>	<b>31.99%</b>	<b>21.25%</b>	<b>12.80%</b>	<b>15.67%</b>
Agriculture	39.03%	32.26%	35.21%	63.70%	73.53%	68.48%	47.58%	43.78%	45.53%
Industry	7.81%	16.61%	12.78%	9.24%	5.36%	7.35%	8.31%	13.47%	11.10%
Services	52.11%	50.36%	51.12%	26.88%	20.58%	23.82%	43.37%	42.05%	42.66%
Other category	1.05%	0.76%	0.89%	0.18%	0.53%	0.35%	0.75%	0.70%	0.72%
<b>Arab States</b>	<b>0.07%</b>	<b>0.17%</b>	<b>0.14%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.06%</b>	<b>0.15%</b>	<b>0.12%</b>
Agriculture	3.06%	3.77%	3.65%		7.46%	7.46%	3.06%	3.77%	3.65%
Industry	12.96%	22.59%	20.96%		21.81%	21.81%	12.96%	22.59%	20.96%
Services	83.98%	73.64%	75.39%		70.74%	70.74%	83.98%	73.64%	75.39%
Other category	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%
<b>Asia and the Pacific</b>	<b>57.25%</b>	<b>69.41%</b>	<b>65.33%</b>	<b>51.57%</b>	<b>72.73%</b>	<b>65.10%</b>	<b>56.34%</b>	<b>69.90%</b>	<b>65.30%</b>
Agriculture	48.23%	38.78%	41.55%	72.50%	59.55%	63.25%	51.81%	41.95%	44.84%
Industry	18.31%	24.04%	22.36%	15.77%	22.34%	20.46%	17.93%	23.78%	22.07%
Services	33.27%	37.03%	35.93%	11.54%	17.99%	16.15%	30.06%	34.12%	32.93%
Other category	0.19%	0.14%	0.16%	0.19%	0.12%	0.14%	0.19%	0.14%	0.16%





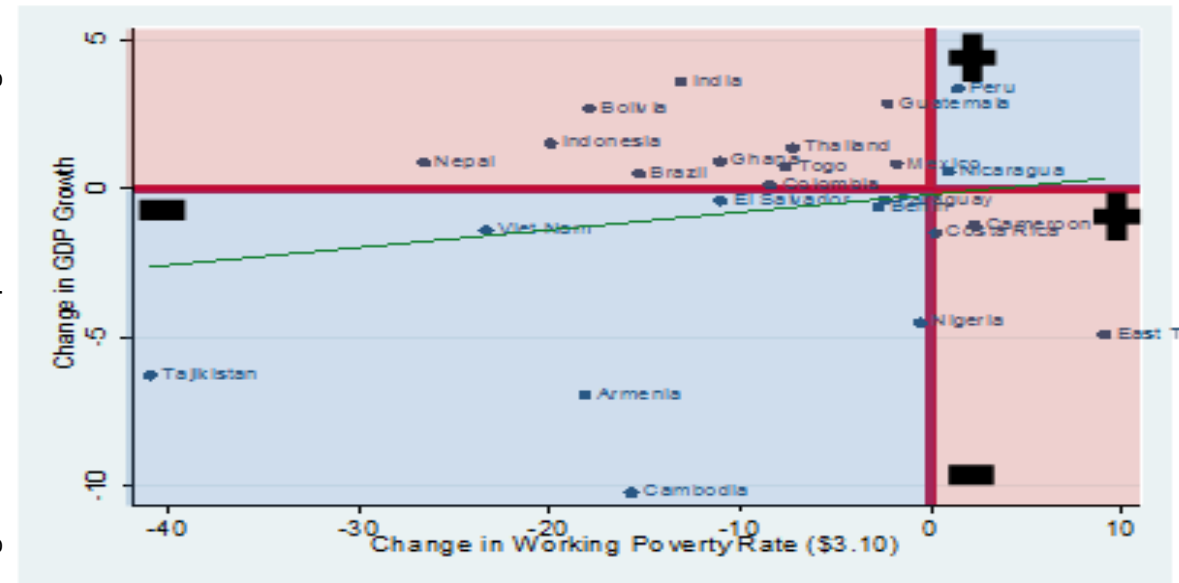
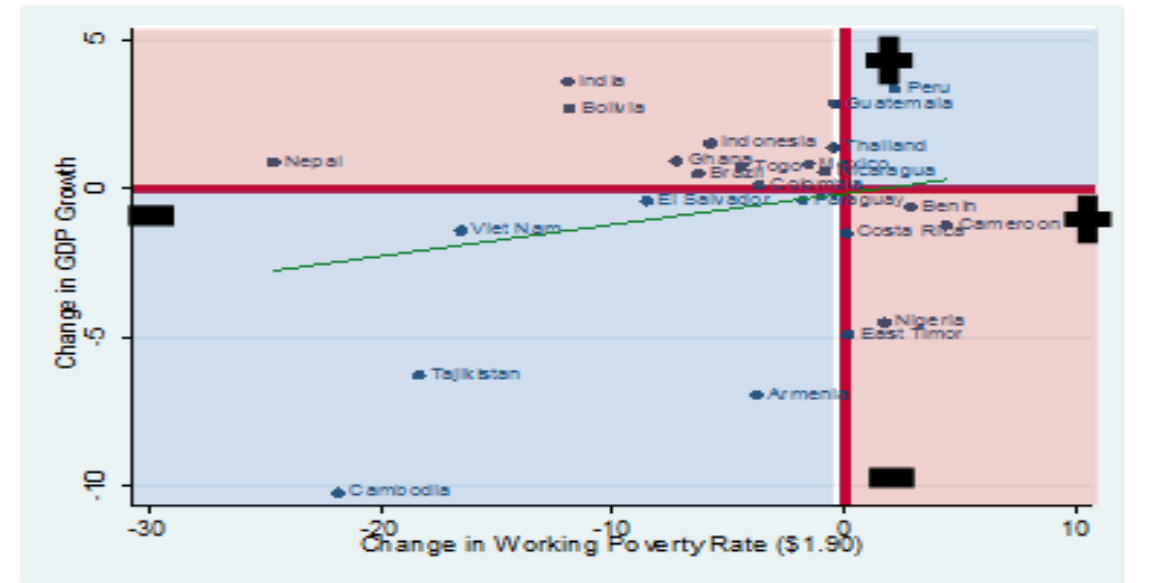
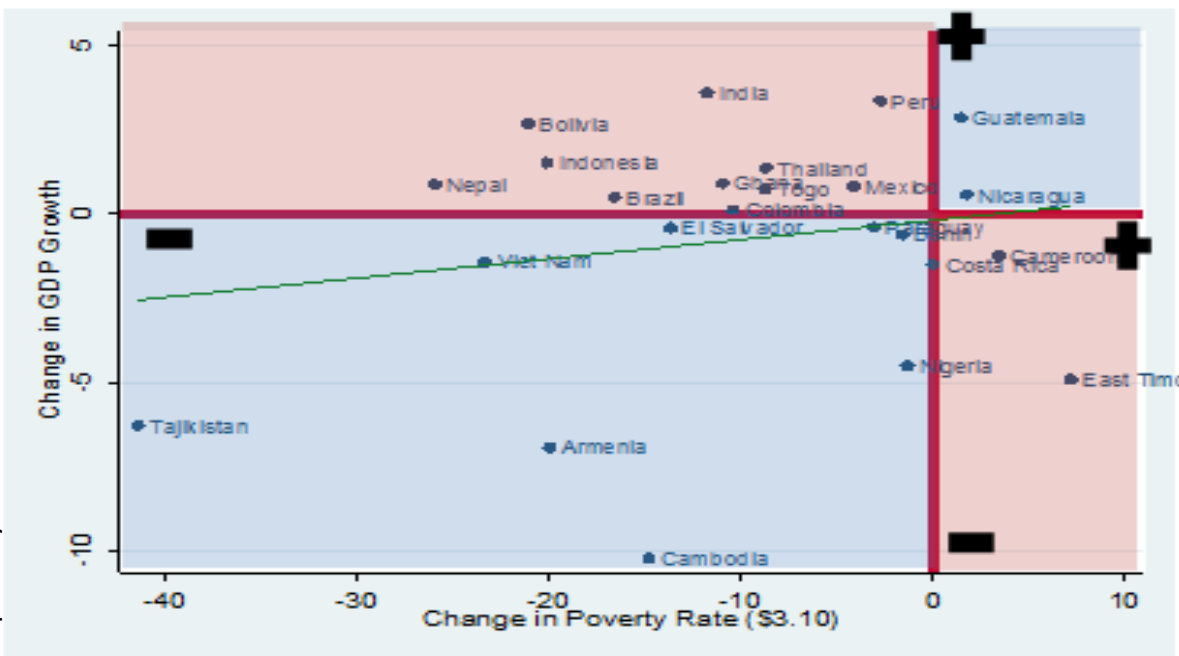
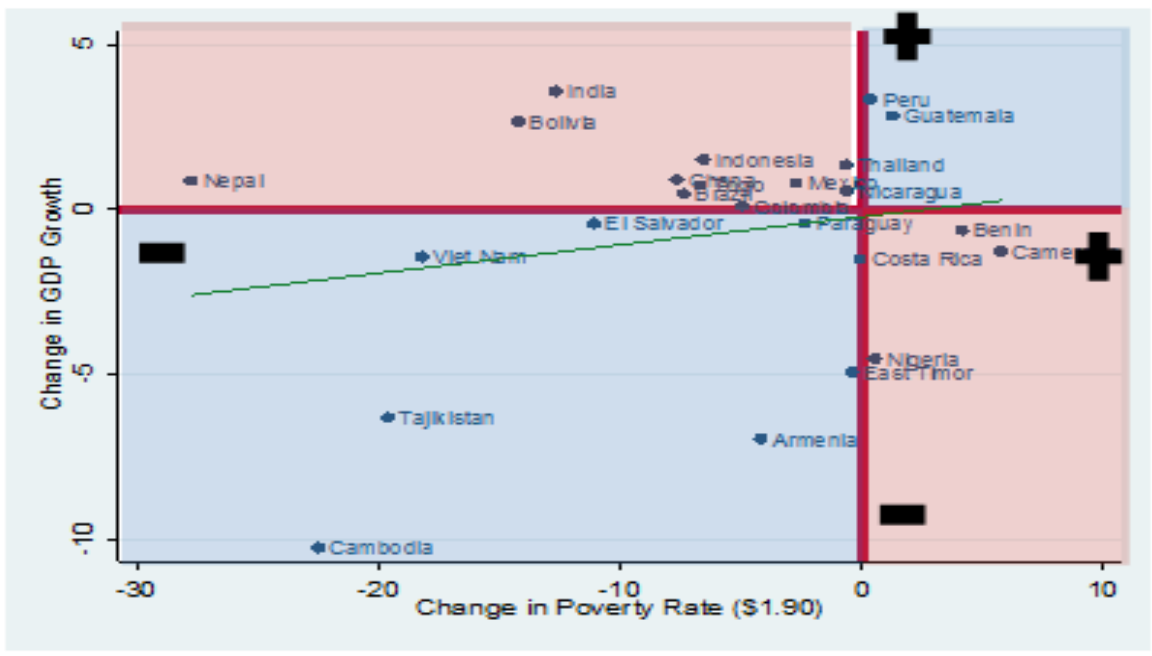
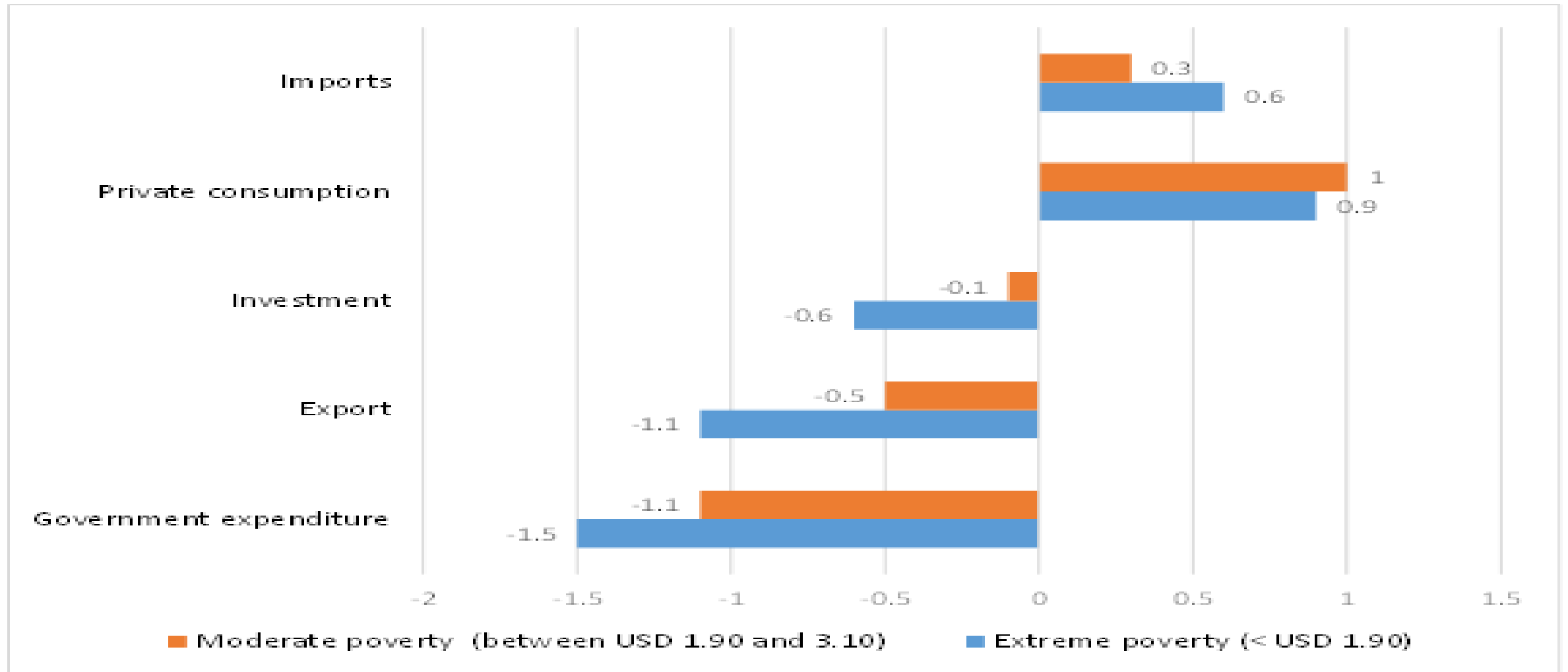


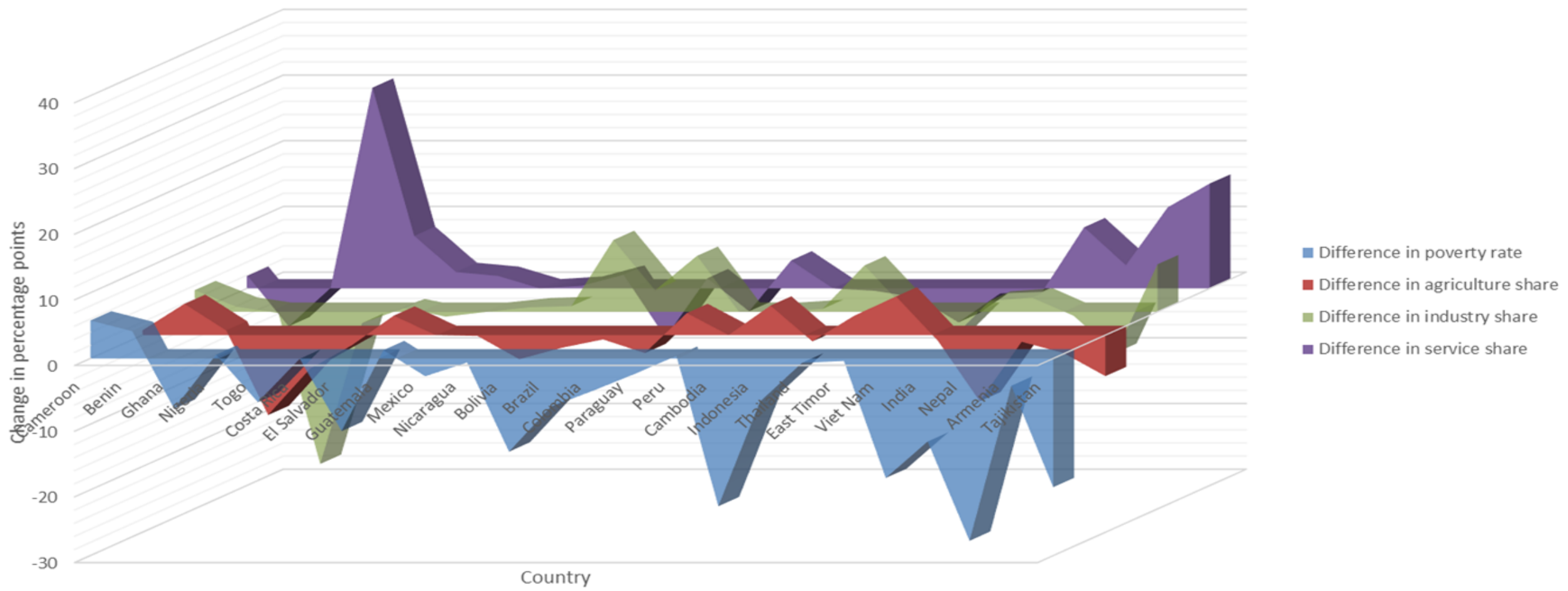
Figure 4.1 Relationship between GDP growth and poverty rate: source: ILO estimations based on World Bank PovCalNE

Figure 4.2 Effect on poverty rate of a 1 per cent increase in share of GDP components by poverty measure, 1991-2014 (percentage)



Source: ILO calculations based on the WDI.

# Change in GDP sector share





# Policy framework

(a) Estimating Income Gaps

(b) Filling Income Gaps

**Given these 3 macro determinants of poverty: policy based on estimating income gaps, and filling gaps based on HH demographics ie more & better jobs for HHs with more wage earners & transfers for HHs with high demographic drag**

Table 5.6: Global income gap, by region and poverty line, 2012

	Distribution of the income gap (%)		Income gap (% of GDP)		Income gap (% government expenditure)	
	\$1.90 PPP	\$3.10 PPP	\$1.90 PPP	\$3.10 PPP	\$1.90 PPP	\$3.10 PPP
DCs	100.0	100.0	0.31 <b>\$72bn</b>	1.65 <b>\$360bn</b>	1.46	7.27
LDCs	42.9		3.86	14.31	17.61	68.59
LMICs	38.6		0.53	3.11	2.67	14.14
EEs	18.5		0.07	0.40	0.24	1.39

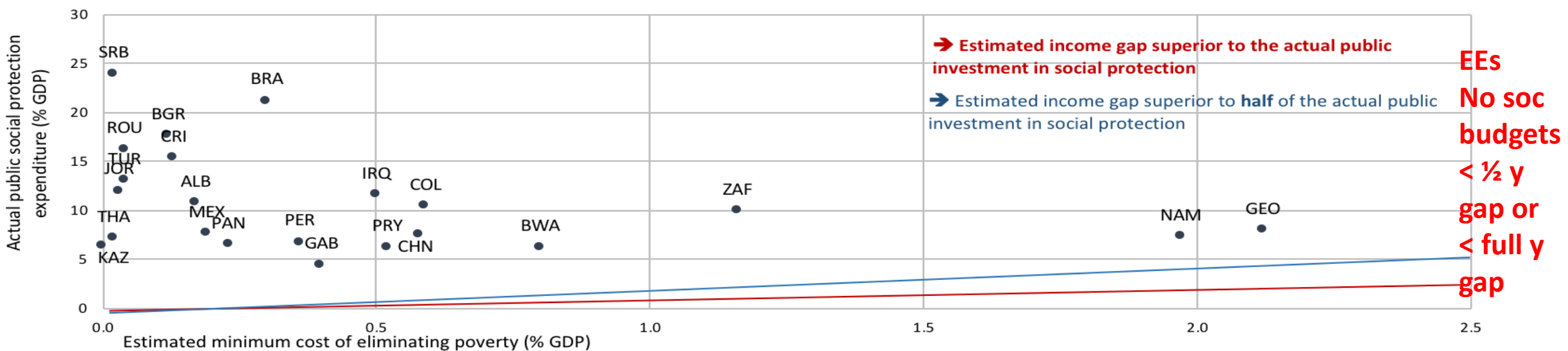
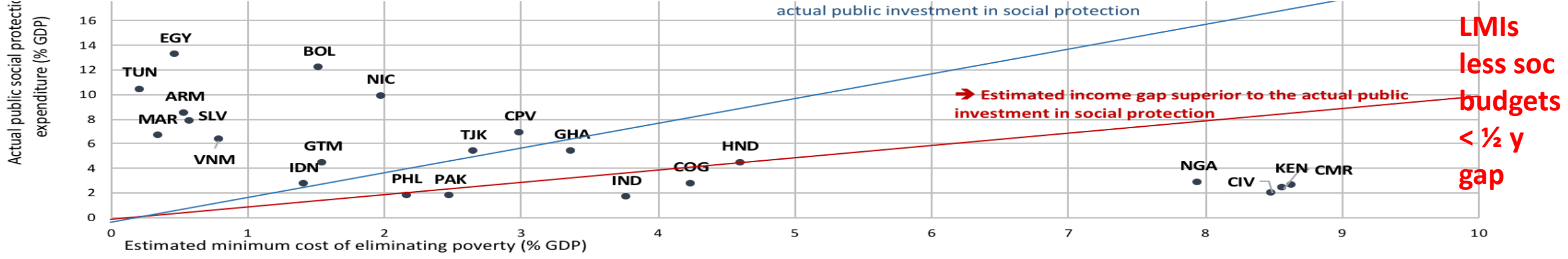
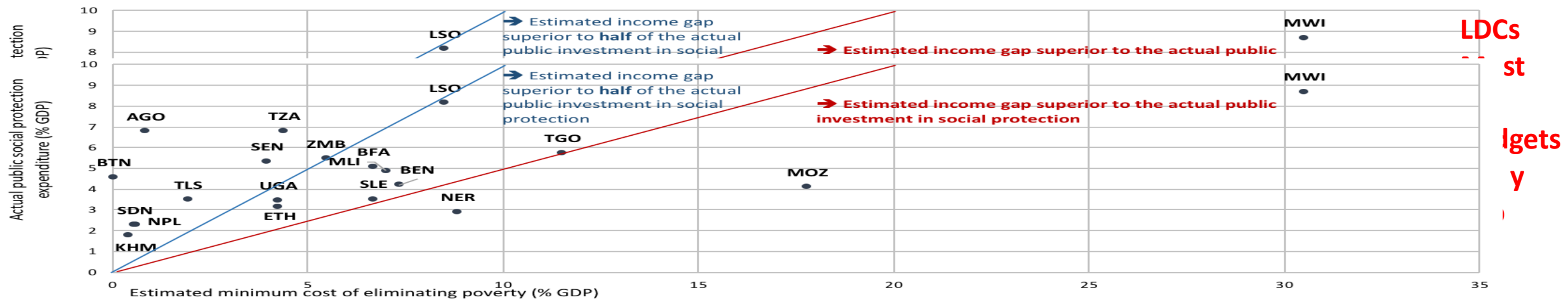
**DCs Transfers**

**0.2% \$50bn 1.1% \$245bn**

Note: DC = developing country, EE = emerging economy, GDP = gross domestic product, LDC = least developed country, LMIC = lower- or middle-income country, PPP = purchasing power parity. Global and regional estimates based on 65 DCs (20 LDCs, 23 LMICs and 24 EEs). See Table A5.1 in the Appendix for detailed data sources. Extreme poverty and extreme associated income gap are defined as the share of those with per capita income or consumption below \$1.90 PPP per day. Extreme and moderate poverty and extreme and moderate associated income gap are defined as the share of those with per capita income or consumption below \$3.10 PPP per day.

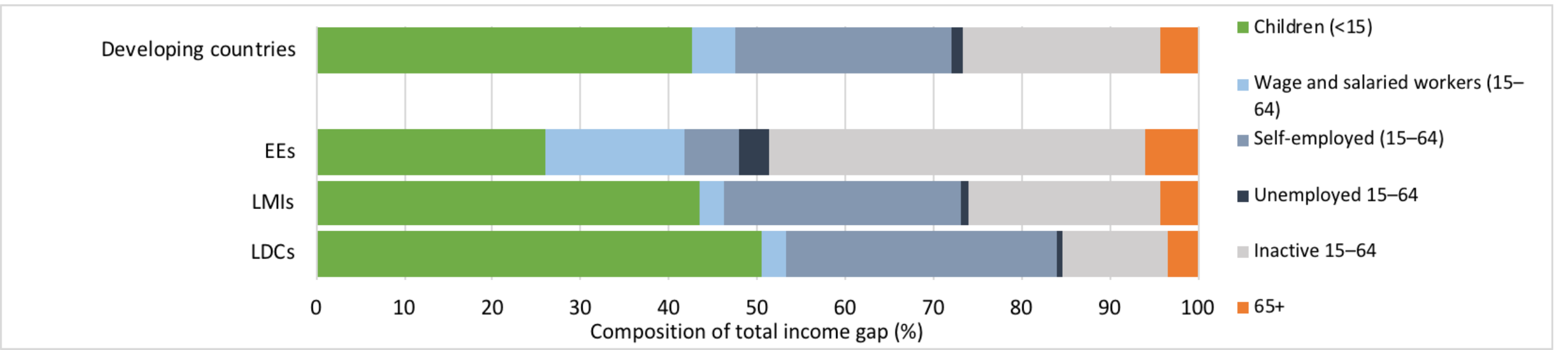
**65 DCS = 85% OF POPULATION**

Source: Authors' estimations at the ILO, based on national household survey data.



**Policy: 50% of income gap based on demographic drag: need transfers**  
**25% on vulnerable jobs: need more waged jobs**  
**25% on lack of jobs: need agg demand more jobs**

	Children (<15)	Wage and salaried workers (15–64)	Self-employed (15–64)	Unemployed 15–64	Inactive 15–64	65+	Children and inactive	Employed	UE	LFS
LDCs	50.56	2.75	30.70	0.69	11.98	3.33	62.37	37.24	0.39	37.63
LMIs	43.44	2.79	26.92	0.74	21.87	4.23	64.73	34.37	0.90	35.27
EEs	25.93	15.76	6.30	3.44	42.55	6.02	72.38	25.09	2.52	27.62
Developing countries	42.59	4.87	24.63	1.18	22.46	4.27	69.69	28.35	1.95	30.31

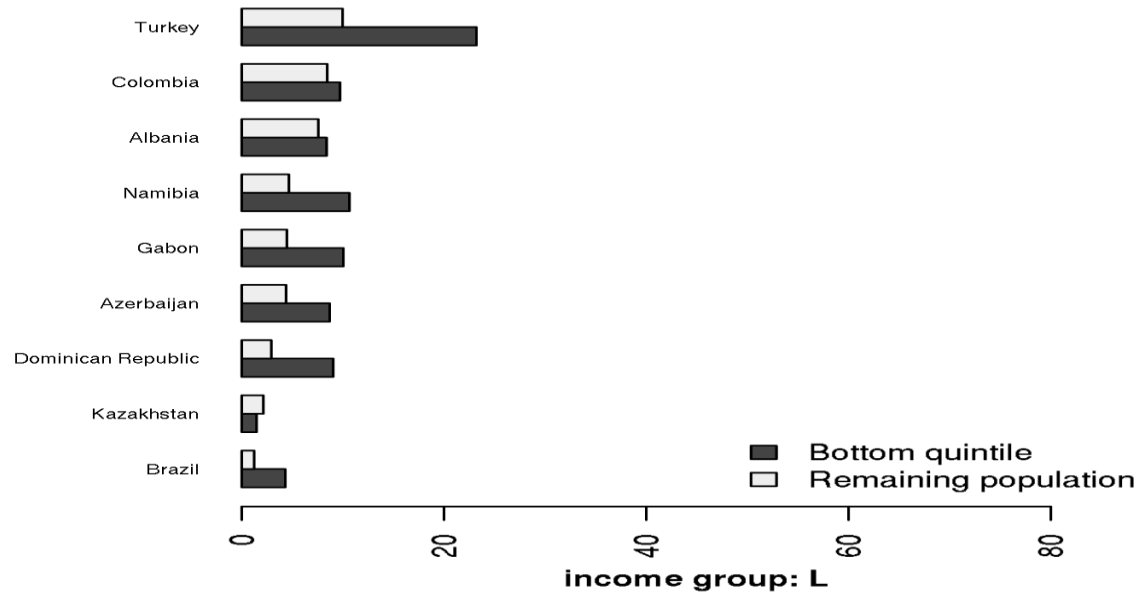


# Non Income Gaps: Education: Out of school children (%) by country income groups

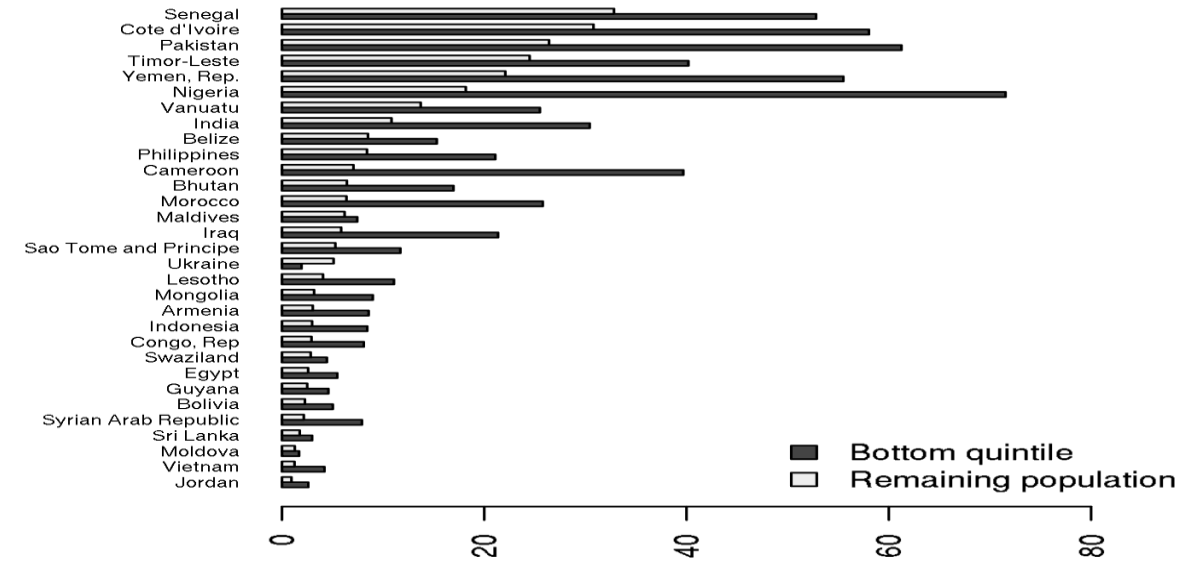
ILO estimates based on UNICEF data base

## Out of school children (%)

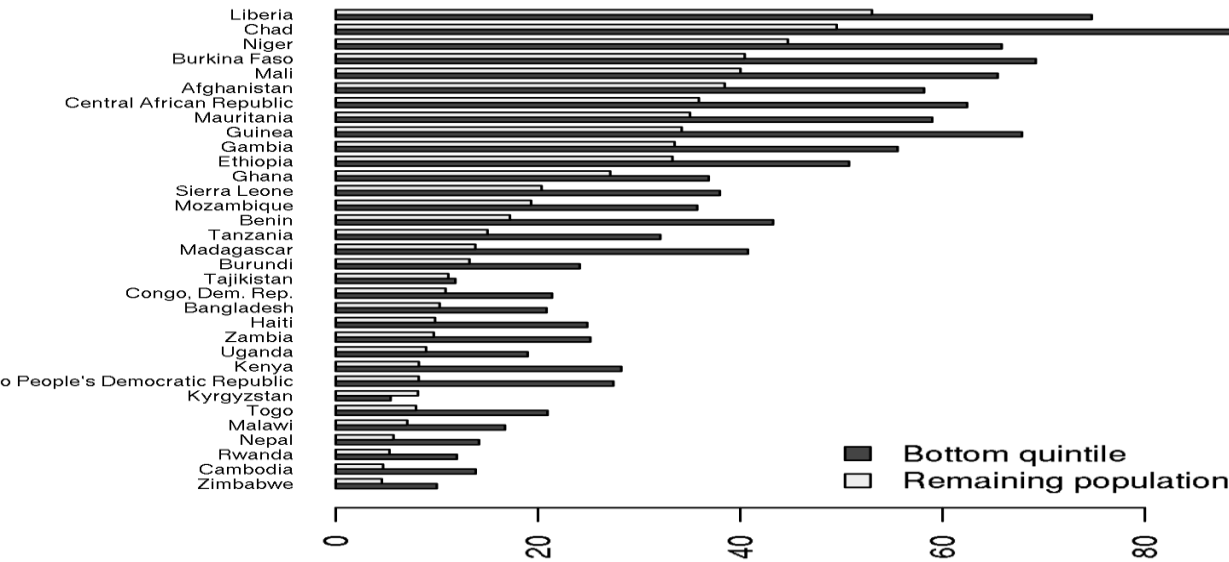
income group: UM



income group: LM



income group: L



# Figure 4.17 Correlation between government expenditure on education and school attendance

Panel A: Government Expenditure on education,

Panel B: Government Expenditure on education, top four

ILO estimates based on UNICEF data base

# Figure 4.18 Correlation between pupil-teacher ratio in primary school and school attendance

Panel A: Pupil-teacher ratio in primary school, bottom quintile

Panel B: Pupil-teacher ratio in primary school, top four quintiles

ILO estimates based on UNICEF data base

Non  
Income  
Gaps:  
Health

Figure 4.20 Under-5 mortality rate (per 1000 live births)

ILO estimates based on WB survey



Figure 4.21 Correlation between government expenditure on health (%) and under-5 child mortality

ILO estimates based on WB survey

# Figure 4.23 Correlation between medical staff density and under-5 child mortality

ILO estimates based on WB survey

Non  
Income  
Gaps:  
Nutrition  
subsidies

Table 4.9 Government expenditure on food subsidies as a percentage of GDP

Countryname	Year	Expenditure (% of GDP)	Region
Djibouti	2011	<0.1	Africa
Senegal	2013	0.1	Africa
Mauritius	2012	0.3	Africa
Morocco	2013	0.7	Africa
Ethiopia	2007	0.1	Africa
Mauritania	2011	0.8	Africa
Algeria	2011	1.9	Africa
Tunisia	2013	1.9	Africa
Sudan	2011	0.22	Africa
Egypt	2011	2.4	Africa
Saudi Arabia	2011	0.13	Arab States
Syria	2011	2.75	Arab States
Jordan	2012	1	Arab States
Kuwait	2011	0.75	Arab States
Bahrain	2011	0.7	Arab States
Lebanon	2011	<0.1	Arab States
Qatar	2011	<0.1	Arab States
United Arab Emirates	2011	<0.1	Arab States
Iraq	2011	3.3	Arab States
India	2012	0.8	Asia and the Pacific
Maldives	2010	1.8	Asia and the Pacific
Timor-Leste	2008	5.8*	Asia and the Pacific
Bangladesh	2011	0.75	Asia and the Pacific
Indonesia	2010	0.25	Asia and the Pacific
Philippines	2009	<0.1	Asia and the Pacific
Note: * percentage of non-oil GDP			
Source: IMF			

Country	Year	Subsidy programme	Subsidised products	A: Poverty rate with food subsidies (%)	B: Poverty rate without food subsidies (%)	Impact of food subsidies on poverty reduction (B-A) (%)	% of the subsidies recieved by the poor	% of the poor who recieved any subsidies	Expenditure (% of GDP)	Description of the programme
Indonesia*	2010	Raskin	rice	15.90	17.14	1.24	20.88	79.86	0.25 (2010)	Eligible households can purchase a maximum 15 kilograms per month at 75 to 80 percent lower than the market price.
Philippines*	2009	NFA	rice	11.98	12.46	0.48	20.78	54.27	0.05 (2009)	NFA (National Food Authority) sells rice about one-fifth cheaper than non-NFA ordinary rice. NFA rice subsidies are universal with unlimited purchase.
Iraq**	2007	PDS (Public Distribution System)	A basket of goods*****	3.37	7.43	4.06	3.23	99.71	3.3 (2011)	The PDS is an in-kind ration card system through which the government provides a list of subsidized commodities to almost one-fifth of the population.
Egypt***	2011	i. Ration cards ii. Baladi bread	i. Sugar, oil, rice and tea ii. Baladi bread	25.2	34	8.8	Not available	Not available	2.4 (2011)	i. Ration cards allow 80% of Egyptian households to buy set quotas of specific commodities at subsidised prices from specific outlets ii. Baladi bread is sold at 5 piasters (about \$0.01) per loaf, with no entitlement restrictions and distribution is on a first-come-first-served basis.
Egypt ***	2005	i. Ration cards ii. Baladi bread	i. Sugar, oil, rice and tea ii. Baladi bread	19.6	26.6	7	18	i. Subsidised flour: 40% ii. Baladi bread: 70%	1.7 (2005)	i. In 2005, ration cards allowed about 60% of Egyptian households to buy set quotas of specific commodities at subsidised prices from specific outlets ii. Baladi bread is sold at 5 piasters (about \$0.01) per loaf, with no entitlement restrictions and distribution is on a first-come-first-served basis.

**Non income gaps: Public goods: ys constrain Y/L & budgets; Education & Health; Nutrition**

Table 4.11 Characteristics of the different country groups

	AYS	Avg. manuf. value added	Group characteristics				
			AYS	Non-schooled	Primary	Secondary	Polarized “missing middle”
Group 1	2.8	7.8	<4.5	High	Low	Low <20%	No
Group 2	3.8	7.6	<4.5	High	Very	High	Yes
Group 3	5.7	12.0	>4.5	Low	High	Varies	No
Group 4	5.2	9.2	>4.5	Low	High	Varies	Yes

Source: Nübler I., Growth, Employment and Decent Work in the Least Developed Countries Report, Chapter 7, ILO, 2011