

# Poverty and Health Inequity

- How to measure poverty
  - World Bank: Measuring Poverty "poverty defined as not having enough today in some dimension of well-being."  
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:20238988~menuPK:435055~pagePK:148956~piPK:216618~theSitePK:430367~isCURL:Y,00.html>
  - 3 steps
    - One has to define the relevant welfare measure.
    - One has to select a poverty line – that is a threshold below which a given household or individual will be classified as poor.
    - One has to select a poverty indicator– which is used for reporting for the population as a whole or for a population sub-group only

# Defining Welfare Measures

- Monetary dimensions of poverty: When estimating monetary measures of poverty, one may have a choice between using income or consumption as the indicator of well-being. Most analysts argue that provided the information on consumption obtained from a household survey is detailed enough, consumption will be a better indicator for poverty measurement than income for the following reasons:
  - Consumption is a better outcome indicator than income: Actual consumption is more closely related to a person's well-being in the sense of having enough to meet current basic needs. Income is only one of the elements which will allow consumption of goods (others include questions of access, availability, etc.).
  - Consumption may be better measured than income: In poor agrarian economies and in urban economies with large informal sectors, income flows may be erratic and fluctuate during the year. For farmers, one added difficulty in estimating income consists in excluding the inputs purchased for agricultural production from the farmer's revenues. Finally, large shares of income are not monetized if households consume their own production or exchange it for some other goods, and it might be difficult to price these. Estimating consumption has its own difficulties, but it may be more reliable if the consumption module in the household survey has been well designed.
  - Consumption may better reflect a household's ability to meet basic needs: Consumption expenditures reflect not only the goods and services that a household can command based on its current income, but also whether that household can access credit markets or household savings at times when current income is low or even negative, due perhaps to seasonal variation or harvest failure. Consumption can therefore provide a better picture of actual standards of living than current income, especially when income fluctuates a lot.

# Choosing and Estimating a Poverty Line

- Relative poverty lines: These are defined in relation to the overall distribution of income or consumption in a country; for example, the poverty line could be set at 50 percent of the country's mean income or consumption.
- Absolute poverty lines: These are anchored in some absolute standard of what households should be able to count on in order to meet their basic needs. For monetary measures, these absolute poverty lines are often based on estimates of the cost of basic food needs (i.e., the cost a nutritional basket considered minimal for the healthy survival of a typical family), to which a provision is added for non-food needs. For developing countries, considering the fact that large shares of the population survive with the bare minimum or less, it is often more relevant to rely on an absolute rather than a relative poverty line. Different methods have been used in the literature to define absolute poverty lines (see Deaton 1997, Ravallion and Bidani 1994, and Ravallion 1994).
  - The food-energy intake method defines the poverty line by finding the consumption expenditures or income level at which a person's typical food energy intake is just sufficient to meet a predetermined food energy requirement. If applied to different regions within the same country, the underlying food consumption pattern of the population group just consuming the necessary nutrient amounts will vary. This method can thus yield differentials in poverty lines in excess of the cost-of-living differential facing the poor.
  - The Cost of Basic Needs method values an explicit bundle of foods typically consumed by the poor at local prices first. To this, a specific allowance for nonfood goods, consistent with spending by the poor, is added. However defined, poverty lines will always have a high arbitrary element; for example, the calorie threshold underlying both methods might be assumed to vary with age.

# Choosing and Estimating Poverty Indicators

- Incidence of poverty (headcount index): This is the share of the population whose income or consumption is below the poverty line, that is, the share of the population that cannot afford to buy a basic basket of goods. An analyst using several poverty lines, say one for poverty and one for extreme poverty, can estimate the incidence of both poverty and extreme poverty. For non monetary indicators, similarly, the incidence of poverty measures the share of the population which does not reach the defined threshold (e.g. percentage of the population with less than 3 years of education).
- Depth of poverty (poverty gap): This provides information regarding how far off households are from the poverty line. This measure captures the mean aggregate income or consumption shortfall relative to the poverty line across the whole population. It is obtained by adding up all the shortfalls of the poor (considering the non-poor has having a shortfall of zero) and dividing the total by the population. Put differently, it gives the total resources needed to bring all the poor to the level of the poverty line (divided by the number of individuals in the population). This measure can also be used for non-monetary indicators, provided that the measure of the distance is meaningful. The poverty gap in education could be the 'number of years of education missing to reach the defined threshold'. In some cases, though, the measure does not make sense or is not quantifiable (e.g. when indicators are binary, such as literacy, in which case only the concept of the headcount can be used). Note also that, the poverty gap can be used as a measure of the 'minimum amount of resources necessary to eradicate poverty', that is, the amount that one would have to transfer to the poor under perfect targeting (i.e. each poor getting exactly the amount he/she needs to be lifted out of poverty) to bring them all out of poverty.
- Poverty severity (squared poverty gap): This takes into account not only the distance separating the poor from the poverty line (the poverty gap), but also the inequality among the poor. That is, a higher weight is placed on those households who are further away from the poverty line. As for the poverty gap measure, limitations apply to some non-monetary indicators

# How to respond? Idea from a recent paper

- XENIA SCHEIL-ADLUNG: Response to health inequity: the role of social protection in reducing poverty and achieving equity. *Health Promotion International*, Vol. 29 No. S1: i59-i67. doi:10.1093/heapro/dau030

## SUMMARY

*Health inequities are determined by multiple factors within the health sector and beyond. While gaps in social health protection coverage and effective access to health care are among the most prominent causes of health inequities,*

*social and economic inequalities existing beyond the health sector contribute greatly to barriers to access affordable and acceptable health care.*

*Key words:* social comparison; economic analysis