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POVERTY AND ITS TYPES IN ECONOMICS

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Abstract: One of the biggest problems today is poverty. Identifying poverty and dividing it into groups is one of the most problematic issues

Keywords: Poverty, Absolute poverty, Relative poverty, Poverty line, Categorize, Situational Poverty, Covid-19, Generational Poverty, Rural Poverty, Urban Poverty, Employers, Extreme global poverty.

Introduction

The word poverty comes from French word "poverté" which means poor. Poverty, the state of one who lacks a usual or socially acceptable amount of money or material possessions. Poverty is said to exist when people lack the means to satisfy their basic needs. In this context, the identification of poor people first requires a determination of what constitutes basic needs. These may be defined as narrowly as "those necessary for survival" or as broadly as "those reflecting the prevailing standard of living in the community." The first criterion would cover only those people near the borderline of starvation or death from exposure; the second would extend to people whose nutrition, housing, and clothing

Poverty is grouped differently by scientists around the world, but many scholars categorize it: absolute and relative poverty.

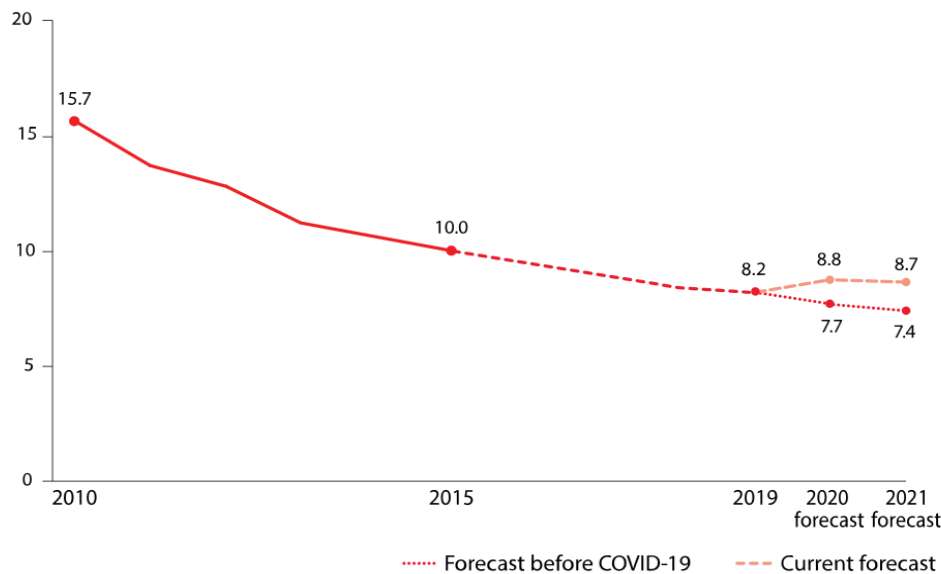
First. Absolute poverty refers to when a person or household does not have the minimum amount of income needed to meet the minimum living requirements needed over an extended period of time. In other words, they cannot meet their basic needs. When an individual goes below this threshold their survival is threatened.

On an international level this number is defined by the UN at \$1.90 per day¹. This number is extremely low because the UN has to take into account regions with extreme amounts of poverty such as Sub-Saharan Africa. This number is not subject to change based on region. It is a worldwide standard.

This absolute poverty line is often debated because of real world variability. If an individual is living in the arctic, this absolute poverty line of \$1.90 per day may be a lot higher. In an environment such as the arctic, one would need sufficient heating resources in order to survive. This, on average, would cost significantly more than \$1.90 per day.

The share of the world's population living in extreme poverty declined from 15.7 per cent in 2010 to 10.0 per cent in 2015. However, the pace of global poverty reduction has been decelerating. "Nowcast" estimates put the global poverty rate in 2019 at 8.2 per cent.

¹ Taken from <https://www.un.org>



The share of the world’s workers living in extreme poverty fell by half over the last decade: from 14.3 per cent in 2010 to 7.1 per cent in 2019. However, the pace of progress has slowed since 2013, requiring reinvigorated efforts to reach the 2030 target. Moreover, the impacts of COVID-19 are projected to push millions more into poverty. As of April 2020, recommended or required workplace closures around the world affected 81 per cent of employers and 66 per cent of own-account workers, severely limiting jobs and income.

Second. Relative poverty is the level of poverty that changes based on context- it is relative to the economic climate. Relative Poverty is when a household receives 60% of the average household income in their own economy. They do have some money, however, not enough to afford anything above the basics. This group of individuals cannot afford the normal activities and opportunities that average earners have access to known as an “ordinary pattern”.

What is most important to understand about relative poverty is that it is a social exclusion rather than a definitive monetary

exclusion. Relative poverty also changes over time. As the wealth of a society increases, so does the amount of resources and income that society deems necessary for proper living conditions. Therefore, relative poverty works in relation to the society in question but this method of measuring poverty is widely used in the EU

There are also some types of poverty that have been highlighted by scientists and cannot be ignored. They are:

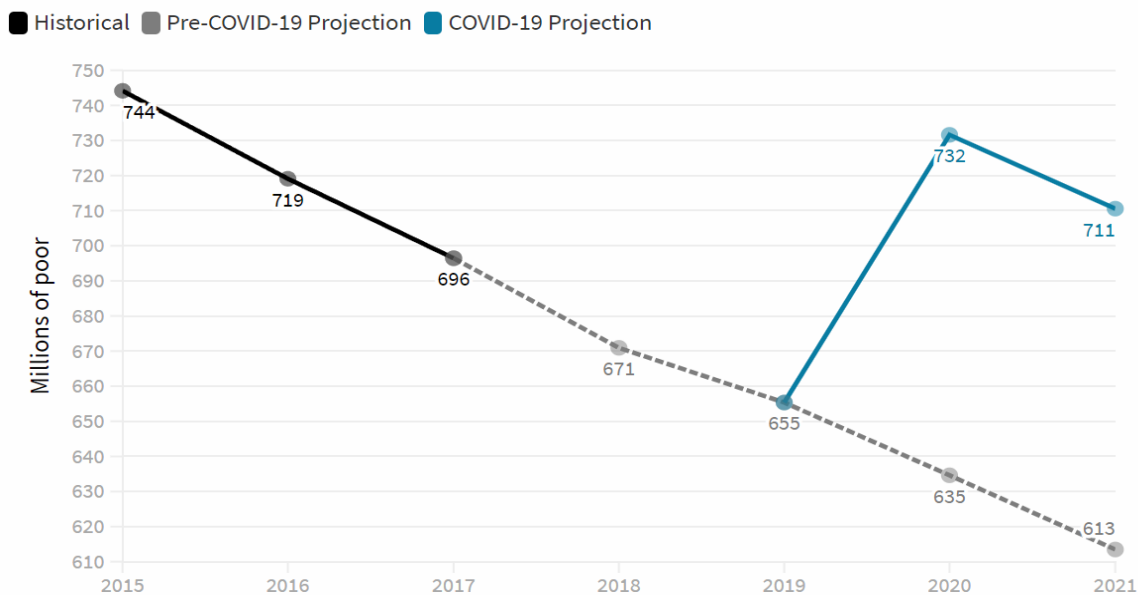
1. Situational Poverty.
2. Generational Poverty.
3. Rural Poverty.
4. Urban Poverty.

Situational Poverty: It is a temporary type of poverty based on occurrence of an adverse event like environmental disaster, job loss and severe health problem. People can help themselves even with a small assistance, as the poverty comes because of unfortunate event.

The perfect example for this type of poverty is covid-19. During 2020, as the pandemic spread

around the globe and growth forecasts deteriorated, we gradually increased our estimate of the impact of the pandemic on global poverty. To recall, COVID-19-induced poverty is calculated as the difference in poverty in a world with and without the pandemic. The pandemic-induced poverty estimates were derived using the latest growth forecasts

available from the Global Economic Prospect (GEP), and the pre-pandemic counterfactual was derived using the forecasts from the January 2020 GEP. In January 2021, we estimated that the pandemic will push between 119 and 124 million people into extreme poverty around the globe in 2020.



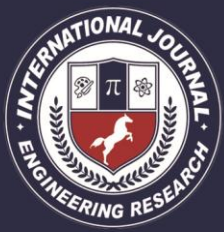
Generational Poverty: It is handed over to individual and families from one generation to the one. This is more complicated as there is no escape because the people are trapped in its cause and unable to access the tools required to get out of it.

Rural Poverty: It occurs in rural areas with population below 50,000. It is the area where there are less job opportunities, less access to services, less support for disabilities and quality education opportunities. People are tending to live mostly on the farming and other menial work available to the surroundings.

Urban Poverty: It occurs in the metropolitan areas with population over 50,000. These are some major challenges faced by the Urban Poor:

- Limited access to health and education.
- Inadequate housing and services.
- Violent and unhealthy environment because of overcrowding.
- Little or no social protection mechanism.

Instead of a conclusion “Extreme global poverty could be eliminated by 2025 if the wealthy countries of the world were to increase their combined foreign aid budgets to between \$135 billion and \$195 billion from 2005 to 2015. In 2004, 1.1 billion people lived in extreme poverty on less than a dollar a day”. Book by Jeffrey Sachs “The End of Poverty”



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