

REVELATION

Government claims prosperity through inaccurate data: Eran

By KELUM BANDARA

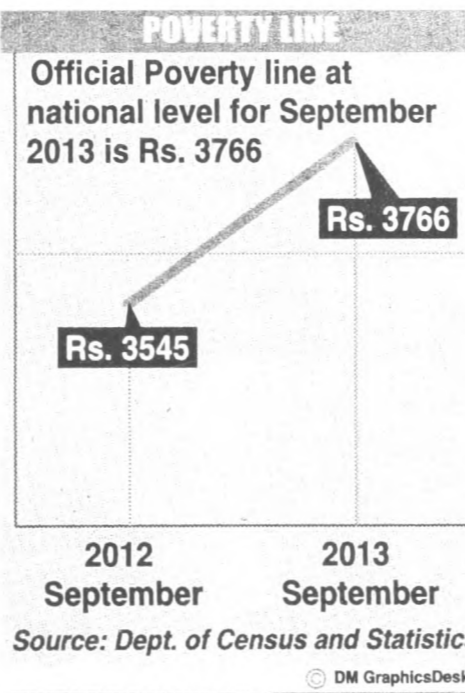
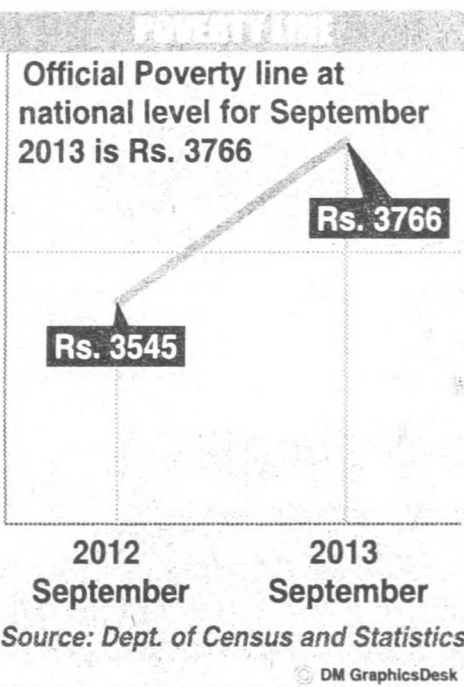
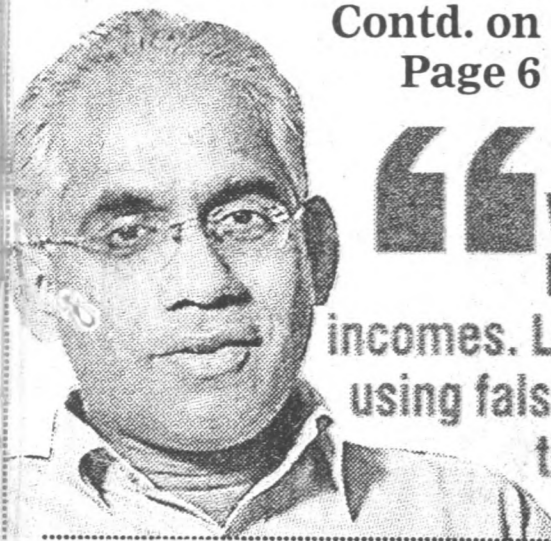
United National Party (UNP) MP Eran Wickramaratne disputed the government's figure of 6.5 percent as the poverty level, arguing that the Official Poverty Line defined by the Department of Census and Statistics was unrealistic in terms of international standards.

Making his remarks in Parliament during the vote on the budget allocations

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“We have a problem in terms of incomes. Let's not hide it using false statistics.”



Govt. claims...

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for the Economic Development Ministry, MP Wickramaratne said the Census and Statistics Department had determined that the minimum daily nutritional requirement of a person should be 2,030 kilo calories.

"The cost to buy this minimum nutritional requirement

was Rs.3,766 as at September 2013. That is US\$ 29 a month or less than one dollar a day. This is the definition of poverty that the government uses to declare that poverty has reduced to 6.5 percent of the population. Is it credible to have the level

of Rs. 125 per day as the definition of poverty?" he asked.

He said daily income of two dollars per day is considered globally as the yardstick for the measurement of poverty.

"The Institute of Policy Studies has stated that about 23 percent of the population lives on less than two dollars (PPP) a day per capita. Your assumptions on poverty are wrong. False assumptions lead to faulty policy and bad decisions. You have disadvantaged the poor by this. You are creat-

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ing prosperity by data. But ask the man on the street who will tell you otherwise. Seventy percent of the poor live in spaces

which are less than two rooms. Ten percent have no toilets. 70 percent have no electricity. 30 percent use kerosene. 95 percent use firewood for cooking. These are the published statistics of the poor," he said.

He said, "As the government is using the wrong yardstick to measure poverty, they

are arriving at faulty conclusions. In 2006 there were 1.9 million families receiving Samurdhi benefits, while today only 1.4 million families receive Samurdhi. In 2006 there were 122,000 families receiving dry rations, today the programme has been abolished. In 2006, there were 186,000 families receiving nutrients (poshana malla) while this figure in 2013 has come down to 33,000 families. The actual expenses on welfare have been below the budget estimates.

P. Anura



POVERTY ALLEVIATION IN SRI LANKA? DONE!

SOCIAL PLATFORM

By **Siri Hettige**

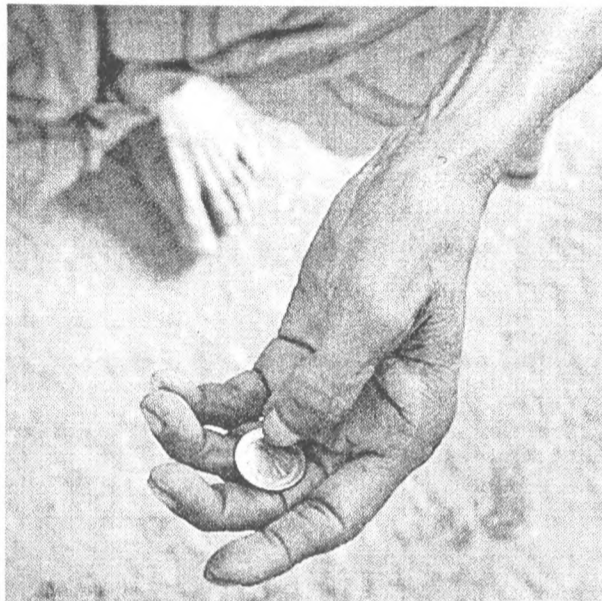
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The data compiled by the relevant government agencies in Sri Lanka shows that poverty in the country has declined steadily over the last few decades. This decline in income poverty is due to a number of reasons that include rapid monetary expansion, decline in unemployment, increasing private transfers by migrant workers employed abroad. On the other hand, the impressive figures on the decline of poverty mask two important issues, namely, the growing economic pressure at the lower end of the social spectrum and the widening social disparities in the country. In this article, I intend to discuss these two issues that have a much bigger impact on society and public welfare than even poverty.

It is obvious that nominal incomes of most people have increased in recent years. The average monthly household income is about 36,000 rupees, though the lowest 40% of the households earn less than half of this amount. Yet, measured according to the nationally computed poverty line of just over 3000 rupees per capita per month, just over 9% of the households are classified as poor. This on the surface is very impressive in comparison to the countries in the region like India, Nepal, Bangladesh and Pakistan where the rates of poverty are much higher. But, when we look at poverty line of Rs 3000 a month or 100 rupees a day, it is obvious that the data grossly underestimates poverty. It is ludicrous to assume that one could satisfy all the basic needs of an individual with 100 rupees a day in a country where a simple meal in a roadside eating house usually costs more than hundred rupees. Most households today routinely spend money on many items outside the basket of basic goods such as private tuition, transport, health care and drugs, all of which are considered by the rich and the poor alike as essential requirements. So, there is no point in splitting hairs on the incidence of poverty in the country based on an utterly unrealistic poverty line which the fat bureaucrats of international financial institutions do not seem to have much of a problem with, though they may spend more than 3000 rupees for a single meal in a Colombo restau-

“ The official poverty line of Rs 3000 a month per capita is grossly inadequate to meet even the basic food requirements of an individual. Otherwise, the country would not have high rates of malnutrition among children and women. **”**



rant.

Poverty is not a discrete phenomenon but a relational one. It is, therefore the gap between the rich and the poor that matters most. In other words, it is the issue of inequality that we need to focus attention on. With increasing monetary expansion, due to diverse reasons, there is so much money floating around. The result is increasing inflation that drives people away from low income yet productive activities to higher income service related employment and even employment overseas, but the real value of wages either remains stagnant or continues to decline.

In a country where earnings of most people fall far below the taxable income threshold, the state naturally has to impose all sorts of indirect taxes to shore up to its revenue. These indirect taxes usually weigh heavily on low-income groups. On the other hand, the latter often have little capacity to increase their own income due to their weak structural position in the economy. For instance, competition among manual labourers is so intense that they often cannot demand higher wages. Similarly, those who earn fixed wages and salaries have no choice but manage with what they earn. But, professionals and chief executives of large firms have the capacity to demand more and spend lavishly on almost anything. There is no need to mention those who hold influential positions that enable them to engage in rent seeking behavior.

Higher incomes of the upper stratum of the income pyramid have a cascading effect on lower levels. Prices on many consumer items and services are driven by higher income groups and the low income groups often have to fall in line. Some of the low income earners, under increasing economic pressure may resort to unlawful activities to earn money. Many incidents of economic crime reported from all parts of the country are largely the result of the above tendency. As the media reports attest, many government officers, law enforcement officers, local politicians etc are involved in many economic crimes that include bribery, theft of public property and many other forms of corruption. With increasing consumer aspirations such as purchase of vehicles, building modern houses, sending children abroad for education

and consulting specialist doctors in Colombo, the urge to earn more money increases but there are often no legitimate avenues to do so. Hence, the tendency to turn to illegitimate means. Conspicuous display of wealth by the new rich, the political elites and their close associates also reinforces the above tendency.

The structure of the country's economy is such that the members of the lower classes are stuck at the lower end of the social hierarchy. About 60% of the school children do not go beyond GCE (O/L). These are mostly children from the lower classes. They leave school and take up informal sector activities, join garment factories for several years before they marry and settle down or go abroad for unskilled jobs. None of these leads them to any stable long-term employment and therefore, often remain trapped in the lower class for the rest of their lives. Most of the elderly do not retire and often work till they drop dead. Official statistics show that the labour force participation rate among 60-70 years old males is as high as 68%, not very different to the rate among their younger counterparts. It is poverty that usually compels them to continue to work, in the absence of any old age social security.

The official poverty line of Rs 3000 a month per capita is grossly inadequate to meet even the basic food requirements of an individual. Otherwise, the country would not have high rates of malnutrition among children and women. Besides, households spend a great deal on education, health; transport and they do so often at the expense of food. Many households maintain dependant elderly parents, the disabled, the chronically ill and the unemployed, leading to shared poverty.

So, Sri Lanka's poverty figures should not be taken on their face value. Unless a more realistic poverty line is devised taking in to account the actual household expenditure on a range of items, talking about a drastic reduction in poverty based on an unrealistic poverty line is misleading to say the least. If we make a more realistic assessment of poverty and relative deprivation, we would perhaps become more modest in our claims and stop insulting the poor who already have enough things to worry about.

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