

A better future for the bottom billion

Deepak Nayar



The 20th century has witnessed enormous economic progress, yet widespread poverty persists. Estimates suggest that, in 2014, one in every seven people on Earth lived in absolute deprivation and wretched poverty. This essay poses some big questions about the stark reality and endeavours to provide short answers. Who are the poorest people in the world? Where do they live? Why are they poor? What are the attempted solutions? Why does the problem persist? Is a better future possible? If so, how?

The poorest are those who cannot meet their basic human needs in terms of food and clothing, let alone appropriate shelter or adequate health care and education. The widely used poverty line is US\$ 1.25 per day in terms of purchasing-power parity¹. In 2012, just over a billion people in the world lived below this line, probably unable to reach the critical minimum in terms of nutrition². Infant mortality, life expectancy and literacy rates among the bottom billion remained abysmal, with economic exclusion reinforcing social and political exclusion everywhere.

Demographics

The perennial poor are concentrated in three regions of the developing world. In 2012, 415 million lived in Sub-Saharan Africa, 399 million in South Asia and 157 million in East Asia and the Pacific: altogether 971 million, of whom 292 million lived in India and 84 million in China. In addition, Latin America and the Caribbean were home to 27 million perennial poor, and 11 million lived in the Middle East, North Africa and Central Asia. In 1981, nearly 2 billion people lived in this wretched poverty. This number has halved in three decades. Even so, it remains unacceptably large.

Absolute deprivation

Such poverty persists among people because they do not have the income, or sufficient income, to buy goods and services for meeting their basic needs, including energy to help

Economic exclusion denies people the social opportunities and political participation that might otherwise help them to improve their lives



A.J. Cotton/Dreamstime.com

Access to energy can enable people to set up their own businesses.

improve their lives. Energy poverty, as much as income poverty, keeps them in a state of absolute deprivation. The underlying reasons are simple: most of them have no assets, such as land or livestock, which could be used to yield an income, so that they have nothing to sell but their labour. Yet some cannot find work, while others – the majority – work very hard but cannot earn enough even to feed themselves, let alone buy fuel. This economic exclusion also denies them the social opportunities and political participation that might otherwise help improve their lives.

Attempted solutions

National governments and international institutions have sought to address this problem through anti-poverty programmes that seek to provide income support for the poor through public works or cash transfers. Sometimes, in some places, this goes together with enabling support through rural electrification or other forms of rural infrastructure. This approach may well be necessary as a means of mitigating poverty – and it does. Experience suggests, however, that it is not sufficient: it is often too little, the delivery is poor, and the leakages are significant. What is more, income support constitutes transfer payments in perpetuity, which

A better future for the bottom billion

cannot eradicate poverty or provide a sustainable solution. Indeed, widespread poverty persists despite such programmes.

Orthodox thinking among economists, increasingly accepted by policy practitioners and political leaders in governments, stresses the importance of economic growth as the only solution to the problem of poverty. Economic growth is obviously necessary. Indeed, between 1981 and 2008, it was a critical factor underlying the reduction in the number of people and the percentage of the population below the poverty line, particularly in Asia. But the belief that it can ever be sufficient represents a triumph of hope over experience.

Persistent problem

It is striking that more than half the bottom billion still live in Asia despite the region's rapid economic growth, rising share of world income, and industrialisation during the period 1980–2010. China and India have witnessed the fastest growth in human history over the past three decades. Yet in 2012, of the poorest billion people in the world, 29 per cent lived in India while 8 per cent lived in China. Sub-Saharan Africa remained home to 42 per cent of the bottom billion despite an impressive growth performance during the 2000s.

This poverty persisted essentially because rapid economic growth was associated with a rise in economic inequality, and little if any of the increments in income accrued to the poorest. Energy poverty reinforced the problem. Such outcomes often lead governments to discover the idea of inclusive growth, but it remains in the realm of rhetoric simply because growth can be inclusive, or pro-poor, if – and only if – it creates employment, livelihoods and energy access in off-grid villages. But that has not happened. Clearly, more of the same will not change reality for a long time.

Better future

The living conditions of the poorest in the world are ethically unacceptable, politically unsustainable and socially dangerous. However, a better world is possible. In this quest, economic growth is essential, yet not enough. The essays in this collection explore how energy access for the poor can perform

***Growth can be inclusive,
or pro-poor, if – and only if –
it creates employment,
livelihoods and energy access
in off-grid villages***



Employment and self-employment, which could blossom into entrepreneurship, are both instrumental in, and constitutive of, well-being for the poorest

a catalytic role. It should be combined with employment creation, social protection and human development. There could, then, be a better future for the bottom billion.

The well-being of the poor depends on their private income and their public entitlements.

Assuming that there is no income from assets, private income – which supports private consumption – in turn depends upon employment levels for those in the world of work and social protection for those who are unemployed. Public entitlements, which support social consumption, depend upon the resources made available by governments for the public provision of services such as health care and education, their delivery and quality, and access for the poor. Thus, a mix of private income and public entitlements that is sufficient to meet basic human needs – food, clothing, shelter, health care and education – together with energy access that can act as a catalyst for development, should help eradicate absolute deprivation and lift the poorest above the poverty line.

Of course, meaningful development is about much more. It must enable ordinary people, men and women, to exercise their own choices for a decent life. In the pursuit of this objective, it is also necessary to provide the poor with access to social opportunities that are the essence of development as an end, and impart the poor with capabilities that are essential as a means of their participation in development through democratic engagement, which improves their well-being. The significance of this proposition is highlighted by the medieval distinction between agents and patients. The bottom billion must be seen as agents, or participants, in a process, who can shape their destinies, rather than as patients, or passive recipients, of the benefits from development programmes designed by benevolent governments or institutions.

Employment and livelihoods

Employment is an imperative both as a means and as an end. Economic growth provides income opportunities for people only through employment creation. Thus, employment and livelihoods are critical as the institutional mechanism that mediates between growth in aggregate income for the economy and growth in private income for individuals or households. Employment, in the form of decent work, is also what imparts dignity to the deprived or excluded. Apart from conventional wage-employment, sustainable livelihoods

A better future for the bottom billion

can be created through self-employment. In villages, home to the poorest, work with assets such as land or livestock can yield an income stream to support private consumption. In sum, employment and self-employment, which could blossom into entrepreneurship, are both instrumental in, and constitutive of, well-being for the poorest.

Incomes from wage- and self-employment are an essential part of a better future for the bottom billion. To begin with, this must be supplemented by public entitlements that support their social consumption, and social protection that provides them with a safety net in difficult times. The most essential public entitlements, which have to be provided by governments, are health care and education. These improve the quality of life for people and create capabilities among them. For the poorest, the components are obvious: safe drinking water, sanitation, vaccination, preventive medicine and community health; and primary education, adult literacy and skill development. The most essential social protection is insurance for health, accidents and life. Since insurance is about pooling risk, this can be done at modest premiums supported largely by governments with contributions from people that increase over time. The outcome in terms of human development could help transform the lives of the bottom billion: it would improve their well-being; it would provide them with access to social opportunities; and it would impart them with capabilities that would, taken together, empower such people to help themselves.

Initial conditions

Urban poverty can be wretched. But most of the poorest people live in villages and depend upon agriculture, directly or indirectly, for their livelihoods. Their ability to help themselves could undergo a dramatic transformation if governments were to help create a physical infrastructure in rural hinterlands that are almost bereft of it. This is feasible. It requires electricity from the grid or off the grid, combined with non-conventional sources of energy, which could be a catalyst not only for the physical infrastructure but also for the social infrastructure in health care and education. It requires investment in rural roads, transport and communications, around which economic activities can develop to create non-agricultural rural employment. It needs irrigation and storage facilities to boost agricultural incomes. Creating these initial conditions could open the door to a much better future for the bottom billion.

***People's ability to help themselves
could undergo a dramatic
transformation if governments
were to help create a physical
infrastructure in rural hinterlands***



Conclusions

The conclusion is simple. Employment is the solution. For people who do not have the income to meet their basic needs, often in villages that have no energy access, employment opportunities are the only sustainable means of reducing and eradicating poverty. The preceding essays argue that energy provision fosters employment opportunities. Moreover, employment creation and entrepreneurial activity mobilise the most abundant yet under-utilised resource in poor countries – the people for development. And the very people who constitute resources on the supply side also provide markets on the demand side. This interactive causation between supply and demand is a potential source of economic growth that highlights the importance of domestic markets in the process of development.

This should lead to some rethinking about the meaning of efficiency beyond the usual conceptions of economic or technical efficiency. Indeed, employment expansion is at least as important as growth in productivity. In a sense, both represent the utilisation of labour as a resource. Why, then, does thinking about efficiency focus on one and neglect the other? It is important to reflect on this question. The answer, which calls for change in both economics and politics, could make a real difference. In the sphere of economics, the meaning of efficiency must extend beyond output per worker or growth in productivity to encompass employment expansion and labour use. In the realm of politics, employment and livelihoods, supported by off-grid energy provision, must become an integral part of the discourse and the process, as a primary objective rather than a residual outcome.

Notes

1. Two poverty lines are used in World Bank estimates. PPP \$1.25 is the mean of poverty lines in terms of consumption per person in the poorest 15 countries of the world. There is a second poverty line of PPP \$2 per day which is the median poverty line for developing countries as a group.
2. This total number, as well as the number of the poor in each region cited in the subsequent paragraph, is based on World Bank estimates of poverty. See World Development Indicators, online database <http://data.worldbank.org/products/wdi>. These estimates are not without their problems in terms of methodology and statistical foundations, but are the only possible source for international comparisons over time, which sketch a global picture with broad orders of magnitude.

A better future for the bottom billion

Further reading

Deaton, A. 2013. *The Great Escape: Health, Wealth and the Origins of Inequality*. Princeton University Press, Princeton, NJ, USA.

Nayyar, D. 2013. *Catch Up: Developing Countries in the World Economy*. Oxford University Press, Oxford, UK.

Nayyar, D. 2014. Why employment matters: Reviving growth and reducing inequality. *International Labour Review* 153(3): 351–364. International Labour Office, Geneva, Switzerland.

Sen, A. 1999. *Development as Freedom*. Alfred E. Knopf, New York, NY, USA.

Author

Professor Deepak Nayyar is Emeritus Professor of Economics, Jawaharlal Nehru University, New Delhi, and an Honorary Fellow of Balliol College, Oxford. nayyar.deepak@gmail.com