



Understanding poverty and poverty data in Indonesia

The commitment and efforts of the government to reduce the scale of poverty are very strong. This can be shown by the many development programs to alleviate poverty. However, the decrease in the poverty rate remains very slow. The question is, what needs to be improved?

The efforts to reduce the number and percentage of poor people must be accompanied by a good understanding of what poverty means and how it is measured. If there is a gap between policies to reduce poverty and a correct understanding of measurements of macro poverty and its dimensions, it is very likely that the results of aggressive development policies will be different from what is expected. Comprehending who poor people are is very much related with how poverty and its characteristics are measured.

Measuring poverty

BPS-Statistics Indonesia did not create its own formula to measure poverty. Instead, it has been applying a concept and standard method used in many countries in the world to count the number and percentage of poor people in Indonesia.

The concept being used is monetary -- poverty is the lack of income in the form of money to maintain a basic level of household expenditure. Why measurement by money? Because the concept of money is quite clear and it can be easily measured. Numerous studies have shown that the level of household expenditure in the form of money correlates positively with key poverty variables that are difficult to measure, such as social status, social deprivation and its various variants, and access to various opportunities.

Out of 84 developing countries, according to inventories of the United Nations Statistics Division, more than 50 percent countries use the expenditure approach for consumption, 30 percent countries use the income approach, and the rest a combination of the two.

In determining whether someone is poor or not, what is used is the amount of money to purchase the food consisting of a minimum amount of calories (2,100 kcal per day in the case of Indonesia) plus the most basic non-food needs. This amount of the money is then used to set the poverty line. Above the line

the population is classified as not poor, under the line the population is classified as poor.

The expenditure approach with the basic needs for calories and basic non-food needs has long been used by many countries. A recommendation on the use of the household expenditure approach was first carried out in New York, the US, in 1936, after Seebohn Rowntree conducted a thorough study related to the consumption pattern of the New York community at that time.

Stronger approval for the use of this method is based on a recommendation of the United Nations after a meeting initiated by FAO and WHO in Human Energy Requirement: Expert Consultation which was held in Rome, Italy in 2001 and 2005. Even before the consultations, many developing countries had already adopted the concept and the operational definition. Now, this method of measuring poverty is applied in many countries (even though there is a slight variation in the number of calories being used as the measurement).

With such a methodology and by using data on household consumption from the results of the National Socio-Economic Survey, which has been carried out since 1963, Indonesia's poverty line in March 2017 was Rp 374,500 per capita per month. For a household with three children plus in-laws (or a household with seven members), this means the household is classified as poor if its monthly expenditure is less than Rp 2.6 million. Thus whether a person is classified as poor or not, depends upon total household expenditure and the household size.

From the poverty line in March 2017, Indonesia's poverty rate was 10.64 percent, a slight decline from the poverty rate in September 2016 (10.70 percent). Over the last three years, Indonesia's poverty rate has only declined by 0.61 percentage points.

With the approach of the expenditure required for the basic need of 2,100 kcal food intake and the basic non-food expenditures, those who are under the poverty line are people who only consume rice with simple vegetables and are deprived in many dimensions of social and economic lives.

Who are poor people?

Several scientific studies on poverty show that those classified as poor, by using this measure, are called as the last, the least, the lowest and the losers (4L). They are always the last in receiving various opportunities, receive the least benefit from development, have the lowest level of social life, and always lose choices and opportunities.

Do not expect that the stimulus of job opportunities from labour-intensive projects, business capital provisions, credit facilities, provision of agriculture input subsidies and the like will automatically touch and be utilized by the 4L group.

The 4L group who were poor in March 2017 stood at 27.8 million. About 49.9 percent of them or about 14 million people work in the agricultural sector as farm workers, casual labourers and small-scale farmers. About 7.12 percent or about 2 million people work in household activities as workers with very low incomes, about 4 million people do not have jobs, and the remaining 8 million are construction workers in cities, street vendors, or casual labourers in urban areas. On average, their households consist of five members, led by the head of the household who only has an elementary school education or less.

Poor people who become casual labourers in the agricultural sector got an average nominal wage of Rp 49,500 per day in March 2017 and experienced a rise of only 2.57 percent compared with the wage in September 2016. If set against inflation in the period from September 2016 to March 2017,

which was 2.24 percent, real wages of our farm workers — varying among regions — rose by only 0.16 percent.

The nominal wage of construction workers in urban areas rose by 1.51 percent, from an average of Rp 82,500 per day in September 2016 to Rp 83,700 per day in March 2017. After considering inflation, their real wage fell by 0.72 percent. These facts illustrate that poor people in Indonesia at present are clustered in several types of economic activities.

Foothold of the policies

Using the statistical data does not mean simply publishing the figures and then debating them. In order to use the data in a meaningful way, one must understand the concept, definition, measurement method and characteristics in the data.

If poor people are concentrated among casual labourers in agriculture, farm workers, and small-scale farmers, the question arises: Have the various poverty-alleviation programs available in villages gained realistic footholds? Have the large and medium-scale infrastructure projects, even the infrastructure being built with village funds, provided job opportunities for this group of people or are the opportunities even enjoyed by those above the poverty line? Same questions can be asked about construction workers, household workers, workers in small food stalls. Have they been accommodated by the various available packages to alleviate poverty?

The efforts to reduce the poverty rate will be more effective and be quicker if the programs, including those outside the social security programs, are designed to have direct contact with the groups that are described by the available poverty statistics. How to understand data properly becomes the interesting challenge.

For more information regarding ESCAP's work in statistics development please visit: <http://www.unescap.org/our-work/statistics>

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