

GLOBAL POVERTY: CAUSES AND CONSEQUENCES

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Abstract: Poverty is about more than a lack of income. It has a range of different socioeconomic dimensions, including: the ability to access services and social protection measures and to express opinions and choice; the power to negotiate; and social status, decent work and opportunities. Poverty is also the root cause of many human rights and labour rights violations. For example, child labour, forced labour and human trafficking are each deeply connected to poverty. Under the UN Guiding Principles on Business and Human Rights, companies have a responsibility to respect human rights and labour rights in accordance with international standards which includes identifying and avoiding practices that perpetuate poverty traps. A company can do this by conducting human rights due diligence to identify, prevent, mitigate and account for how they address actual and potential human rights and labour rights impacts in their own operations and supply chains.

Keywords: Global Poverty, Child Labour, Human Rights, Labour Rights.

1.0 Introduction:

People living in poverty are among the most vulnerable in society: as well as a lack of resources, the poorest families on average also experience higher infant mortality, higher stunting in children and lower educational attainment. Poverty is about more than a lack of income. It has a range of different socioeconomic dimensions, including: the ability to access services and social protection measures and to express opinions and choice; the power to negotiate; and social status, decent work and opportunities. Poverty is also the root cause of many human rights and labour rights violations. For example, child labour, forced labour and human trafficking are each deeply connected to poverty.

Under the UN Guiding Principles on Business and Human Rights, companies have a responsibility to respect human rights and labour rights in accordance with international standards which includes identifying and avoiding practices that perpetuate poverty traps. A company can do this by conducting human rights due diligence to identify, prevent, mitigate and account for how they address actual and potential human rights and labour rights impacts in their own operations and supply chains.

More than 700 million people or 10 per cent of the global population still live in extreme poverty, which means they are surviving on less than \$1.90 a day. Experts predict these figures will continue to rise as a result of the COVID-19 crisis alongside the ongoing impacts of conflicts and climate change. Improving the lives of the poorest and most vulnerable ensuring no one is left behind is an overarching theme of the Sustainable Development Goals (SDGs) and the primary focus of Goal 1: No Poverty. In order to achieve the vision, set out in the SDGs, the fundamental issue of poverty must be addressed.

2.0 Absolute and Relative Poverty

Absolute poverty is a lack of basic necessities, based on a set income level. Per World Bank guidelines, people living on less than \$2.15 a day are considered to be living in extreme poverty. This generally applies to people in low-income countries. For lower middle-income countries, the delineation is \$3.20 a day. For upper middle-income nations, the delineation is \$5.50 a day. These delineated standards account for differences in economies, since a poor household in a rich economic bloc is substantially more economically privileged than one in an economically deprived bloc. Thus, a discussion of poverty in an advanced economy has to take into account that absolute poverty might not be readily applicable to people in that economy.

Relative poverty refers to individuals or entities that do not meet minimum standards versus others in the same area, place and time. A lot of poorer economies can have both absolute and relative poverty affecting its respective people. Relative poverty generally exists more in advanced economies.

3.0 Causes of Global Poverty

The causes of poverty may vary with respect to nation, region, and in comparison, with other countries at the global level. Yet, there is a commonality amongst these causes. Philosophical perspectives, and especially historical perspectives, including some factors at a micro and macro level can be considered in understanding these causes. There are behavioural, structural and political theories on the causes of poverty: "Behavioural theories concentrate on individual behaviours as driven by incentives and culture. Structural theories emphasize the demographic and labour market context, which causes both behaviour and poverty. Political theories contend that power and institutions cause policy, which causes poverty and moderates the relationship between behaviour and poverty."

3.1 History: Many of the poorest nations in the world were former colonies from which slaves and resources had been systematically extracted for the benefit of colonizing countries. Although there are notable exceptions (Australia, Canada and the U.S. being perhaps the most prominent), for most of these former colonies, colonialism and its legacies have helped create the conditions that prevent many people from accessing land, capital, education and other resources that allow people to support themselves adequately. In these nations, poverty is one legacy of a troubled history involving conquest.

3.2 War & political instability: Whatever the causes of war and political upheaval, it is clear that safety, stability and security are essential for subsistence and, beyond that, economic prosperity and growth. Without these basics, natural resources cannot be harnessed individually or collectively, and no amount of education, talent or technological know-how will allow people to work and reap the benefits of their labor. Laws are needed to protect rights, property and investments, and without legal protections, farmers, would-be entrepreneurs and business owners cannot safely invest in a country's economy. It is a telling sign that the poorest countries in the world have all experienced civil war and serious political upheaval at some point in the 20th century, and many of them have weak governments that cannot or do not protect people against violence.

3.3 National Debt: Many poor countries carry significant debt due to loans from wealthier nations and international financial institutions. Poorer nations owe an average of \$2.30 in debt for every \$1 received in grant aid. In addition, structural adjustment policies by organizations like the World Bank and the International Monetary Fund often require poorer nations to open their markets to outside business and investors, thereby increasing competition with local businesses and, many argue, undermining the potential development of local economies. In recent years, calls for debt reduction and forgiveness have been increasing, as activists see this as a key means of reducing poverty. The United Nations has also made it a priority to examine how economic structural adjustment policies can be designed to place less pressure on vulnerable populations.

3.4 Discrimination: Poverty and inequality are two different things, but inequality can feed widespread poverty by barring groups with lower social status from accessing the tools and resources to support themselves. According to the United Nations Social Policy and Development Division, "inequalities in income distribution and access to productive resources, basic social services, opportunities, markets, and information have been on the rise worldwide, often causing and exacerbating poverty." The U.N. and many aid groups also point out that gender discrimination has been a significant factor in holding many women and children around the world in poverty.

3.5 Vulnerability to natural disasters: In regions of the world that are already less wealthy, recurrent or occasional catastrophic natural disasters can pose a significant obstacle to eradicating poverty. The effects of flooding in Bangladesh, drought in the Horn of Africa and the 2005 earthquake in Haiti are examples of the ways in which vulnerability to natural disasters can be devastating to affected countries. In each of these cases, already impoverished people became refugees within their own countries, losing whatever little they had, being forced out of their living spaces and becoming almost completely dependent on others for survival. According to the World Bank, two years after Cyclone Nargis hit Myanmar in 2008, the debt burden of local fishermen had doubled. The Solomon Islands experienced an earthquake and tsunami in 2007 and the losses from that disaster equalled 95 percent of the national budget. Without foreign aid, governments in these countries would have been unable to meet the needs of their people.

3.5 Inequality: Inequality is easy enough to understand as a concept. When one group has fewer rights and resources based on an aspect of their identity compared to others in a community, that's inequality. This marginalisation could be based on caste, ability, age, health, social status or most common and most pervasive gender. When people are given fewer rights or assets based on their ethnicity or tribal affiliation, that means they have fewer opportunities to move ahead in life. We see this often in gender inequality, especially when women have

fewer rights around their health and economic power. In this case, equality isn't even relative. It doesn't matter that someone has more. What matters is that someone else doesn't have enough. This is especially harmful when inequality is combined with risk which is the basic formula, we use at Concern to understand the cycle of poverty. A widow raising a family of five won't have the same resources available to her husband. If she lives in an area vulnerable to the effects of climate change, that puts pressure on what few resources she has. In some countries, this is the rule rather than the exception. To address inequality, we must consider all groups in a community. What's more, to build equality we have to consider equality of results, as opposed to equality of resources.

3.6 Conflict: Large-scale, protracted crises, such as the 11 years of civil war in Syria, can grind an otherwise thriving economy to a halt. As fighting continues in Syria, for example, millions have fled their homes, often with nothing but the clothes on their backs. Public infrastructure has been destroyed. Prior to 2011, as few as 10% of Syrians lived below the poverty line. Now, more than 80% of Syrians now live below the poverty line. But the nature of conflict has changed in the last few decades, and violence has become more localised. This has a huge impact on communities, especially those that were already struggling. In some ways, it's even harder to cope as these crises go ignored in headlines and primetime news. Fighting can stretch out for years, if not decades, and leave families in a permanent state of alert. This makes it hard to plan for the long-term around family businesses, farms, or education.

3.7 Hunger, malnutrition, and stunting: Hunger is also a cause and maintainer of poverty. If a person doesn't get enough food, they'll lack the strength and energy needed to work. Or their immune system will weaken from malnutrition and leave them more susceptible to illness that prevents them from getting to work. This can lead to a vicious cycle, especially for children. From womb to world, the first 1,000 days of a child's life are key to ensuring their future health. For children born into low-income families, health is also a key asset to their breaking the cycle of poverty. However, if a mother is malnourished during pregnancy, that can be passed on to her children. The costs of malnutrition may be felt over a lifetime: Adults who were stunted as children earn, on average, 22% less than those who weren't stunted. In Ethiopia, stunting contributes to GDP losses as high as 16%.

3.8 Poor healthcare systems especially for mothers and children: With the effects of hunger, extreme poverty and poor health go hand-in-hand. In countries with weakened health systems, easily preventable and treatable illnesses like malaria, diarrhoea, and respiratory infections can be fatal. Especially for young children. When people must travel far distances to clinics or pay for medicine, it drains already vulnerable households of money and assets. This can tip a family from poverty into extreme poverty. For women in particular, pregnancy and childbirth can be a death sentence. Maternal health is often one of the most overlooked areas of healthcare in countries that are still built around patriarchal structures. New mothers and mothers-to-be are often barred from seeking care without their father's or husband's permission. Adolescent girls who are pregnant (especially out of wedlock) face even greater inequities and discrimination.

3.9 Little (or zero) access to clean water, sanitation, and hygiene: Currently, more than 2 billion people don't have access to clean water at home. This means that people collectively spend 200 million hours every day walking long distances to fetch water. Contaminated water can also lead to a host of waterborne diseases, ranging from the chronic to the life-threatening. Poor water infrastructure — such as sanitation and hygiene facilities — can compound this. It can also create other barriers to escaping poverty, such as preventing girls from going to school during their menstrual cycles.

3.10 Climate change: Climate change causes poverty, working as an interdependent link between not only extreme poverty but also many of the other causes including hunger, conflict, inequality, and a lack of education. One report from the World Bank estimates that the climate crisis has the power to push more than 100 million people into poverty over the next decade. Many of the world's poorest populations rely on farming or hunting and gathering to eat and earn a living. Malawi, as an example, is 80% agrarian. They often have only just enough food and assets to last through the next season, and not enough reserves to fall back on in the event of a poor harvest. So, when climate change or natural disasters leave millions of people without food, it pushes them further into poverty, and can make recovery even more difficult.

3.11 Lack of education: Not every person without an education is living in extreme poverty. But most adults living in extreme poverty did not receive a quality education. And, if they have children, they're likely passing that on to them. There are many barriers to education around the world, including a lack of money for uniforms and books or a cultural bias against girls' education. But education is often referred to as the great equaliser. That's because it can open the door to jobs and other resources and skills that a family needs to not just survive, but thrive. UNESCO

estimates that 171 million people could be lifted out of extreme poverty if they left school with basic reading skills. Poverty threatens education, but education can also help end poverty.

3.12 Poor public works and infrastructure: A lack of infrastructure from roads, bridges, and wells, to cables for light, cell phones and internet can isolate communities living in rural areas. Living off the grid often means living without the ability to go to school, work, or the market to buy and sell goods. Traveling further distances to access basic services not only takes time, it costs money, keeping families in poverty.

3.13 Global health crises including epidemics and pandemics: A poor healthcare system that affects individuals, or even whole communities, is one cause of poverty. But a large-scale epidemic or pandemic merits its own spot on this list. COVID-19 isn't the first time a public health crisis has fuelled the cycle of poverty. More localised epidemics like Ebola in West Africa (and, later, in the DRC), cholera in Haiti or the DRC, or malaria in Sierra Leone have demonstrated how local and national governments can grind to a halt while working to stop the spread of a disease, provide resources to frontline workers and centres, and come up with contingency plans as day-to-day life is disrupted.

3.14 Lack of social support systems: In Ireland, there are social welfare programmes that people can access if they need healthcare or food assistance. They also pay into insurances against unemployment and fund social security through our pay checks. These systems ensure that we have a safety net to fall back on if they lose their job or when we retire. But not every government can provide this type of help to its citizens. Without that safety net, there's nothing to stop vulnerable families from backsliding further into extreme poverty. Especially in the face of the unexpected.

3.15 Lack of personal safety nets: If a family or community has reserves in place, they can weather some risk. They can fall back on savings accounts or even a low-interest loan in the case of a health scare or an unexpected layoff, even if the government doesn't have support systems to cover them. Proper food storage systems can help stretch a previous harvest if a drought or natural disaster ruins the next one. At its core, poverty is a lack of basic assets or a lack on return from what assets a person has. People living in extreme poverty can't rely on these safety nets, however. At its core, poverty is a lack of basic assets or a lack on return from what assets a person has. This leads to negative coping mechanisms, including pulling children out of school to work (or even marry), and selling off assets to buy food. That can help a family make it through one bad season, but not another. For communities constantly facing climate extremes or prolonged conflict, the repeated shocks can send a family reeling into extreme poverty and prevent them from ever recovering.

3.16 Lack of good jobs/job growth: This is the first reason a lot of people think about. When you don't have a good job, you aren't getting a good income. In many countries, traditional jobs like farming are disappearing. The Democratic Republic of Congo is a good example, where most of the population live in rural areas stripped of natural resources from years of colonialism. Half of the DRC live below the poverty line. Even in nations like the United States where many people do have jobs, those jobs aren't paying enough. According to the Economic Policy Institute, large groups of workers with full-time, year-round employment are still below federal poverty guidelines.

3.17 Lack of good education: The second root cause of poverty is a lack of education. Poverty is a cycle and without education, people aren't able to better their situations. According to UNESCO, over 170 million people could be free of extreme poverty if they only had basic reading skills. However, in many areas of the world, people aren't getting educated. The reasons vary. Often times, families need kids to work, there aren't schools close by, or girls aren't being educated because of sexism and discrimination.

3.18 Lack of reserves: All of the above risk factors from conflict to climate change or even a family illness can be weathered if a family or community has reserves in place. Cash savings and loans can offset unemployment due to conflict or illness. Proper food storage systems can help if a drought or natural disaster ruins a harvest.

4.0 Conclusion:

Addressing poverty is a complex process that should involve dialogue and collaboration amongst companies and with stakeholders. The UN Global Compact Action Platform on Decent Work in Global Supply Chains builds an alliance of companies and partners who are committed to respecting human rights and fundamental principles and rights at work by leveraging their supply chains and taking collective action to address decent work deficits. The second phase launched in 2020 and focuses on developing strategies to reduce working poverty and re-think supply chains to transform them into engines of sustainable growth.

The World Bank Group's goals are to end extreme poverty and promote shared prosperity. This mission underpins our analytical, operational, and convening work in about 140 client countries.

For three decades, the number of people living in extreme poverty defined as those who live on less than \$2.15 per person per day at 2017 purchasing power parity was declining. But the trend was interrupted in 2020, when poverty rose due to the disruption caused by the COVID-19 crisis. The number of people in extreme poverty rose by 70 million to more than 700 million people. The global extreme poverty rate reached 9.3 percent, up from 8.4 percent in 2019.

The world's poorest people bore the steepest costs of the pandemic. Their income losses were twice as high as the world's richest, and global inequality rose for the first time in decades. The poorest also faced large setbacks in health and education which, if left unaddressed by policy action, will have lasting consequences for their lifetime income prospects.

The recovery since then has been uneven. Rising food and energy prices fuelled in part by the war in Ukraine and by climate shocks and conflict have hindered a swift recovery. By the end of 2022, as many as 685 million people could still be living in extreme poverty.

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