

Exigency or Expediency ?

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Chapter 9

POVERTY AND INEQUALITY: PROGRESS AND PITFALLS

Tauhid Hossain Khan

9.1 INTRODUCTION

This chapter aims at exploring the inequality –poverty nexus in Bangladesh. In doing so, it deems the secondary data collected from HIES (Household Income and Expenditure Survey) of Bangladesh Bureau of Statistics (BBS). There is a strong argument that sustained and equitable economic growth inevitably leads to poverty reduction. There is widespread concern that economic growth has not been shared fairly, and that the current economic crisis further widens the gap between the rich and the poor. The impact of growth on poverty reduction, however, can be lessened, if the growth is accompanied by rising inequalities (Titumir and Rahman, 2011). The number of people living in poverty has increased due to rising disparities in the distribution of resources within this country. Unequal accesses to different forms of services hamper the expected level of growth in reducing poverty (Titumir and Rahman, 2011). Furthermore, persistent geographical or social biases in the allocation of subsidies and public investment are also not favourable in achieving the desired poverty alleviating target (Titumir and Rahman, 2011). Unequal growth pattern has a weaker poverty alleviating effect and has been shown to be harmful to growth, as well as will also reduce the growth and thereby exacerbate

poverty. Therefore, reduction of poverty is hard to pin down without addressing inequality (Titumir and Rahman, 2011). According to recent literatures, income and consumption are rising in Bangladesh, albeit inequality is also expanding. So, a mismatch between increased income and rising inequality is observed significantly. On the other hand, poverty is declining, although the number of poor is growing up. In this regard, the question is-why do these mismatch exist in the state of Bangladesh economy regarding inequality and poverty?

There is an ancient Chinese saying, 'Inequality, rather than want, is the cause of trouble'. The debate on inequality has dogged the thinkers throughout the entirety of human history as long as we have been committing thought to writing and as long as we have had sharply stratified societies (Sernau, 2011). In fact, the debate is rooted in the common question whether inequality is necessary for society or not. In this regard, Gerhard Lenski (1966) postulated two notions- conservative thesis and radical antithesis. The conservative thesis is the argument that inequality is a part of the natural or divine order of things. It cannot be changed or should not be changed indeed. On the contrary, the radical antithesis is that equality is the natural or divine order of things whereas inequality is deemed, in this view, as usurpation of privilege and should be abolished or at least greatly reduced. However, the philosophical debate concerning inequality was taken up by the social scientists in the 1800s. Karl Marx developed an approach to understanding the history unearthing a conflict based on inequality between social classes. Capitalism takes these conflicts to new intensity in the struggle between owners and workers. The notion of inequality postulated by Marx exists not merely by income and consumption but also in every sphere of their life style. Max Weber continued Marx's emphasis on social conflict that asserted the struggles are rooted in three different dimensions of unequal social power: social class or economic power, status honour or social prestige and party or political and legal power. Conflict theorists drew on the work of

Marx and Weber to point out how large social inequalities can function to create social unrest, overlook abilities, and discourage workers while promoting social misery. Emile Durkheim emphasized the importance of a complex division of labour for modern societies, arguing that social stability depends on a society's filling a multitude of interdependent positions. Functionalist sociologists built on Durkheim's ideas to contend that social inequality serves an important function for society by helping people in this division of labour and motivating them to work hard. In understanding the existing complex socio-economic relation of human being, Karl Marx and Emile Durkheim are about obsolete while Durkheim is to some extent relevant because he tried to make sense the complex economic relations by division of labour of the modern society, although recently his analyses are also about to die. Because we are no longer off spring of modern society, rather we are now in post industrial society (Bell, 1973) or postmodern society (Harvey, 1990). Meanwhile we have experienced a dramatic socio economic transformation over the world. Harvey (1990: vii) rightly expressed as "There has been a sea-change in cultural as well in political-economic practices since around 1972". To Harvey (1990), it is no longer fixed way of capital accumulation rather than flexible capital accumulation. This flexible accumulation of capital gears up the uneven development within and between the nations amidst the assembly line production, disorganized or raider's capitalism, rise of service sectors' employment, restructuration of labour market and so on. After all, this new mode of production brings out a new phase of social inequality.

Anthony Giddens (2000), a leading British sociologist, coined 'runaway world' by which he raised one of the fundamental questions regarding inequality between the nations and within the nation. In many ways, the picture between nations in the global economy is much like the picture between people within nations: the rich have gotten richer; a few young, urban nations have made impressive gains; most of the poor have made few

gains and the poorest have lost absolutely. Likewise, the effect of globalisation on inequality within nations have also been complex, but a pattern of growth with growing inequality seems to be emerging (Sernau, 2011). This is partly effect of change in technology, e.g., those who control and manage productive technology reap profits as a result of the greater productivity the technology affords. Workers, on the other hand, may lose their jobs to new technology or find their skills are replaced by or rendered redundant by automation, both mechanical and electronic. They are displaced or deskilled just as workers in earlier industrial era (Sernau, 2011). Thus, the world faces a double division where income and consumption inequalities are increasing both between and within nations. However, Bangladesh is not out of the aforementioned theoretical and historical perspectives regarding inequity as it has been undergoing the experiences of globalisation. There have been mounting literatures asserting that recent rise in economic growth has been accompanied by rising inequality, albeit poverty has declined in many developing societies. Bangladesh is no exception in this regard, documented by a growing number of literatures such as Khan (2005), Osmani and Sen (2011). However, inequality, and poverty are intimately connected. Poverty reduction is fully determined by the rate of growth of the mean income of the population in a given country and at a given point in time as well as in the distribution of income (Bourguignon 2004, Saleh, 2012). According to United Nations (2010), more than 80 percent of the world's population lives in countries where income differentials are widening. The poorest 40 percent of the world's population account for only 5 percent of global income. On the other hand, the richest 20 percent account for 75 percent of world income (United Nations Development Programme, 2007; UN, 2010).

This chapter has been organised in accordance with the objectives mentioned above. The next section discusses nature of income and consumption in rural and urban Bangladesh. The third

section presents the dynamics of inequality for both rural and urban case of Bangladesh. After that, this chapter provides the data on the incidences and trends of poverty in Bangladesh. Finally, with a view to exploring inequity- poverty nexus, this chapter analyzes inequality and poverty at the light of Harvey's 'accumulation by dispossession' (2003) with the illustration from Bangladesh.

9.2 INEQUALITY IN BANGLADESH: INCOME AND CONSUMPTION

9.2.1 Trends of Household Income in Bangladesh: Rural-Urban Differences

The estimated income at National Level as per 1983-84 HIES stands for Tk. 23,003 per household and the average household size is 5.71 (Annex, Table 9.1). The income level per household has been rising gradually over the years and reached at Tk. 86,436 in the year of 2005 which was about 276 percent higher than the current prices in the year of 1983-84. Therefore, there is a rising trend of income per household among these years. Number of members per household falls on an average, though it rises between the years of 1983-84 and 1985-86. Income per member (at national level) also increased over these years. At the rural areas of Bangladesh between 1983-84 and 2005 the income per household also rises gradually. In 2005, the income per household was about 231 percent higher at current prices than in 1983-84. The number of member per household fell over these years though there was a rising trend in the years of 1985-86 but on an average there was a declining trend of household size between these periods (Annex, Table 9.2).

In urban areas there was also a rising trend of income between 1983-84 and 2005 and a declining trend of household size except the years of 1985-86. In 2005, the income per household was about 321 percent higher than in 1983-84. Income per member is

raising both in rural and urban areas of Bangladesh (Annex, Table 9.1). Therefore, there is a rising trend of household income in both rural and urban areas of Bangladesh. But the income level in urban areas is rising faster than that of rural areas over these years mentioned. In the years of 1983-84 household income in urban areas was 135 as a percentage of rural areas and which was rising gradually up to 2000 but in the year of 2005 this percentage fell compared to 2000, which was 205 in 2000 and 172 in 2005, though it is much higher than that of 1983-8. So, it can be concluded that considerable urban/rural disparities are found with regard to household income as well as income either per member or per earner at current prices of 1983-84, 1985-86, 1988-89, 1991-92, 1995-96, 2000 and 2005.

9.2.2 Trends of Household Expenditure in Bangladesh : Rural – Urban Differences

The distribution of average monthly household consumption expenditure by major items (Annex, Table 9.2). It reveals that 53.8 percent consumption expenditure accounted to food and beverage 5.5 to cloth and footwear, 12.2 percent to housing and house rent, 6 percent to fuel and lighting and 22.4 percent to miscellaneous expenditure in 2005 at the national level. The percentage share of food and beverage consumption decreased from 74.2 percent in 1973-74 to 53.8 percent in 2005. It is observed that there is a falling trend of percentage share of food and beverage consumption at the national level over the years mentioned though in the years of 1978-79 and 1988-89 this share of expenditure increased compared to the previous years, which is about 20 percent more in 2005 compared to 1973-74. The consumption expenditure on housing and house rent increased sharply from 5.7 percent in 1973-74 to 12.2 percent in 2005 which is about 7 percent more in 2005 than in 1973-74. Percentage distribution of monthly consumption expenditure on food and beverage in both urban and rural areas of Bangladesh are showing similar trend in the national level.

The distribution by rural and urban, however, shows some variation of share of consumption by major group. In 2005, 58.5 percent consumption expenditure accounted to food and beverage in rural area, whereas the same was 45.1 percent in the urban area. Therefore, it can be said that the rural people spend bulk of their consumption expenditure on food and beverage that of urban people. Spending on these items decreased by 22.7 percent and 15 percent respectively in urban and rural areas of Bangladesh in 2005 compared to 1973-74. A little fluctuation is observed on spending on food and beverage in between the early and late 70's, but there was sudden dramatic fall in this spending in the early 80's and little fluctuation is observed up to late 80's. Again in the middle of 90's (1995-96) there was also a dramatic fall in the spending on these items, but between this period of 1995-96 and 2005, it was more or less stagnated, which was 46.3 percent in 1995-96 and 45.2 percent in 2005. In 1981-82, a dramatic decline in spending on food and beverage was seen in early 80's in the rural areas of Bangladesh which was 69.1 percent and was 77.1 percent in 1978-79. After this period, there was a slight decline in the percentage share of food and beverage expending in rural areas of Bangladesh which was 58.5 percent in 2005.

Share of spending on housing and house rent increased both in rural and urban areas of Bangladesh. This share was 9.8 percent and 5.3 percent in 1973-74, where as 16.7 percent and 9.7 percent respectively in 2005 in the urban and rural areas of Bangladesh. Though a little fluctuation is observed on the share of expending on housing and house rent, a rising trend is seen in urban areas, while a major fluctuation is observed in case of rural area though alternately it increased up to 9.7 percent in 2005 which was nearly a double compared to 1973-74. Share of expending on cloth, foot-ware and fuel and lighting has decreased by about 2 percent in 2005 in both cases compared to 1973-74 in the urban areas of Bangladesh.

9.3 INCOME INEQUALITY: URBAN AND RURAL CONTEXT

The data on both urban and rural shows the similar characteristics (Annex, Table 9.3). It reveals that 1985/86 was the peak year in the case of PCI and PCE. After 1985/86 the per capita income and expenditure both decreased for both the rural and urban areas. In the year of 1995/96 the gap between the rural and urban areas increased a great deal since the PCI and PCE both reached a peak for urban areas but PCI for rural areas declined, albeit there has been a little rise in the PCE for rural area. In fact, the income and expenditure gap between the rural and urban areas has increased to a large extent, which ultimately increased the inequality of income distribution between the urban and rural areas.

9.3.1 Recent Trends of Income and Consumption Inequality in Rural Bangladesh

After a careful scrutiny of the HIES data, Khan (2005) generated a series of estimates of inequality in both income and consumption distributions for the period between 1991/92 and 2005. Accordingly, Osmani and Sen (2011) made a review on HIES data and Khan (2005) to make sense the trends of inequality in rural Bangladesh. According to Osmani and Sen (2011:4), a couple of features of the evolving trend stand out immediately. First, the rising trend in income inequality that started in the early 1990s continued unabated in the last decade. As measured by the Gini coefficient, income inequality has increased from 0.35 in 2000 to 0.46 in 2010. Second, in complete contrast to income inequality, consumption inequality did not change at all in the last decade, with the Gini coefficient of consumption distribution remaining stable at around 0.28.

9.3.2 Underlying Causes of Widening Inequality in Rural Bangladesh

Osmani and sen (2005) goes on to examine the nature of widening income inequality in rural Bangladesh, they divided the rural population into several groups by a number of alternative criteria namely, occupation, landownership class, educational status and location. In terms of occupational groups, it is reported that inequality increased for each of the major occupational groups—regardless of whether the households were engaged in agriculture or non-agricultural activities or depended on other sources of income, and regardless of whether they were self-employed or wage-employed . But there is a difference in degree. At one end of the scale were households engaged in self-employment in non-agriculture, who experienced the sharpest increase in inequality—for them the Gini coefficient increased by 15 percentage points compared to 10 percentage points for the rural population as a whole. At the other end were casual wage labourers, in both agriculture and non-agriculture, for whom the Gini coefficient increased by only 3-4 percentage points. In the case of class by landownership, Osmani and sen (2005) asserted that inequality increased for each group of households, but there was also a difference in degree . The landless group experienced the least increase in inequality – just 6 percentage points, well below the rural average of 10 points. For the next higher group, called the functionally landless, the increase in inequality was exactly equal to the rural average, and for each of the three higher groups it was more than the average (Osmani and Sen,2005). Thus, while every landownership group was afflicted by the phenomenon of widening inequality, the truly land-poor ones (i.e. the landless and the functionally landless) experienced it rather less than the landowning class. Moreover, they went on to look into the nature of inequality in rural Bangladesh, they further assert that widening of inequality was a pervasive phenomenon in rural Bangladesh, affecting almost every group of people regardless

of their occupation, landownership, education and location (Osmani and Sen, 2005). A few groups e.g., landless households, casual wage labourers, and households whose head had more than higher secondary level of education—can be counted as exceptions, since the rise in inequality they experienced (3-4 percentage points increase in Gini) was way below the rural average (10 points). But that does not detract from the validity of the broad generalisation that whatever had caused the widening of rural inequality in the last decade was transcendental in nature, and was not related to specific group characteristics.

Osmani and Sen (2011) went on to further assess the relative importance of different sources of income to widening inequality in rural Bangladesh, they took three broad categories of income source into account –agricultural income, non-agricultural income, and transfer income with a view to unearthing the underlying factors and reassessing the marginal effects of widening rural inequality in Bangladesh. The marginal effect is defined as the percentage change in Gini as a result of one per cent change in a source of income. A positive figure indicates that the source in question has an unequal effect i.e., higher income from this source would lead to greater income inequality, other things remaining the same (Osmani and Sen, 2005). Conversely, a negative figure indicates that the source of income in question has an equalizing effect. It can be concluded that agricultural income has an equalising effect on rural income distribution, while both non-agricultural income and transfer income have unequal effects and applicable for both 2000 and 2010. The table further reveals that the magnitude of the effects has behaved in rather disparate ways, albeit the sign of the marginal effect has remained unchanged during the decade of the 2000s for all three components. For example, the marginal effect has remained more or less the same at around 13 per cent in the respect of agricultural income while for non-agricultural income it has declined from 6.8 per cent to 1.7 per cent. In the case of transfer

income it has increased sharply from 6.9 per cent to 11.9 per cent. Transfer income has clearly played the leading role in exacerbating income inequality in rural Bangladesh (Osmani and Sen, 2005).

9.4. URBAN INEQUALITY

9.4.1 Urban Income Inequality

In terms of classification of income components, there is a broad similarity between urban and rural areas—equal and unequal sources; minor discrepancies exist here. Farm income and wages have an equalising effect on income distribution. Both of these components have gradually declined as a proportion of income. Unlike rural areas, domestic remittances received by urban households have been equalizing. In the context of rural areas regarding domestic remittances, there is a clear income inequity between those who earn from rural–urban migration and those who cannot do so. In contrast, domestic remittances received by the urban households are made by the rural households, relatively better off in the rural context, to their members who have migrated to urban areas and are looking for jobs or receiving training and hence are relatively poor in the urban context. The table 10 also shows that two other components of income inequality—“other” transfer (public transfer and private charity) and the rental value of housing, became influential in this regard in 2005, although it was not so traditionally. All other sources of urban income—salaries; non-farm entrepreneurial income, property income both from land rent and other assets; remittances received from abroad, and the aggregate of the unspecified residual sources of income are all unequal. They have become more unequal over time while their income shares with minor exceptions have increased.

9.4.2 Urban Consumption Inequality

Khan (2005) indicates that inequality in consumption is lower than inequality in income finding a consistent with the

established relationship between income and consumption. But there is a significant difference between the two sets of inequality that has widened over time, dramatically since 2000. In this regard, the kind of decline for 2000 and 2005 over preceding years, however, seems to be precipitous. It is particularly suspicious that consumption inequality fell between 2000 and 2005 when income inequality, according to every available estimate, rose. For the urban area the fall in consumption inequality, amounting to a 5 per cent decline in the Gini ratio, particularly strongly challenges the credulity of the observers of economic and social scene in Bangladesh.

9.5 INCIDENCE AND CHANGING TRENDS OF POVERTY IN BANGLADESH

Bangladesh has made strides in the fight against poverty during the last two decades. The incidence of poverty has dropped from 56.6 percent in 1991 -92 to 31.5 percent in 2010 (Rahman, 2012). However, decline in the aggregate poverty in the subsequent period was associated with decline in urban poverty (Zohir, 2011; Saleh, 2012). The present government has made a commitment to reduce the rate of poverty to 25 percent and 15 percent by 2013 and 2021 respectively. According to the latest available national statistics on poverty, based on head count rate (CBN) and using upper poverty line, the incidence of poverty decreased to 31.5 percent in 2010 at the national level with an annual average rate of decrease at 1.32 percent from 1991 - 92. If this trend of decrease continues, the incidence of poverty might slide down to 27.5 percent and 17.0 percent by 2013 and 2021, which are higher by 2.5 and 2.0 percent respectively than those of the targets of the present government. To achieve the targets within the time limits (i.e. by 2013 and 2021), it is required to reduce the rate of poverty by 2.2 percent in 2013 and 1.5 percent in 2021 than that of 2010. In rural areas, the incidence of poverty decreased from 58.7 percent in 1991-92 to 35.2 percent in 2010 with an annual average decrease rate of 1.24 percent (Rahman, 2012). However, in urban

areas, the incidence of poverty decreased from 42.7 percent in 1991-92 to 21.3 percent in 2010 with an average decrease rate of 1.13 percent per annum. It is evident the incidence of poverty is higher in rural areas than that of the urban areas and the decrease rate of poverty is also higher in rural areas than that of the urban areas (Rahman, 2012). One possible reason might be the accelerated pace of rural -urban migration. Rural poverty results from lack of assets, limited economic opportunities and poor education and capabilities as well as disadvantages rooted in social and political inequalities (IFAD, 2010). The incidence of poverty is decreasing, but the rate at which it is decreasing warrants more time to achieve the targets that the present government has made in its election manifesto (Rahman, 2012).

9.6 HARVEY'S ACCUMULATION BY DISPOSSESSION AND INEQUALITY IN BANGLADESH

Harvey's (2003) accumulation by dispossession (ABD) is a inspiration from Marx's seminal analysis of primitive accumulation – 'the historical process of divorcing the producer from the means of production'(1976: 875) – as a process that took place at the origins of capitalism in the West or as the crux of transitions to capitalism in the Global South. Accumulation by dispossession , by Harvey (2003) , opens up fertile terrain for understanding the proliferation of contemporary labor exploitation in the industrial sector especial reference to garments sector, foreign remittances, land grabs in Bangladesh and elsewhere for factories, dams, Special Economic Zones, Export Processing Zone, slum demolitions, mining projects, privatized infrastructure development, tourism and real estate schemes, all of which fit awkwardly into classical theories of primitive accumulation and agrarian transition. They fit awkwardly because they are driven by diverse forms of capital accumulation, many have little to do with agriculture, and they cannot be interpreted as processes furnishing the preconditions for capital accumulation; they reflect the multiple demands for land and

natural resources by fully developed capitalism. Marxist primitive accumulation is the precondition of development of capitalism – the processes by turning land into capital and peasants into wage laborer, in which ‘conquest, enslavement, robbery, murder, in short, force, played the greatest part’ (1976: 874). On the other hand, Harvey’s accumulation by dispossession as the deployment of extra-economic coercion in the process of accumulation that capture many of the examples of dispossession such as dams, SEZs, slum demolitions, IMF structural adjustments and various forms of state-mediated enclosures, privatizations and transfers of public wealth.

In the case of rural Bangladesh, accumulation by dispossession can be deemed as a political process through which the state’s coercive power is deployed to make a key condition of production – e.g., land – available for capital in a context where increasing demand confronts the barrier to accumulation represented by smallholding peasants and incompletely capitalist rural land markets. This conjuncture under neoliberalism is giving rise to what Levien (2011) calls ‘a land broker state’, which takes as one of its chief responsibilities the forcible transfer of agrarian land to capital for industrial, commercial and residential development. Accumulation by dispossession operates through capitalist rentiers (corporate developers) who commodify land for industry and urban growth and capture windfall profits from the artificially cheap land acquired by the state. For example, EPZ developers sell the developed land to producing companies who want infrastructurally supported land near sources of cheap skilled labour, and the EPZ developer then leverages this industrial presence to build luxury real estate colonies. Under this particular form of ABD – in contrast to dams, mines or commercial logging – expropriation serves the commodification of rural land and its transformation into urban space rather than the extraction of natural resources. This processes which intersects in complex ways with agrarian social structures, draws certain classes into a chain of land-based rentiership, and

ultimately amplifies existing inequalities in the rural class structure. Many argue that this process regardless of primitive accumulation or ABD, no matter how brutal, is process of modernizing the countryside creating an industrial proletariat and unleashing greater productive possibilities.

Moreover, interestingly, by the name of productive possibility, the capitalist goes on to accumulate capital, they break up the traditional rural class structure where there exists diversity in class formation related to economic interest, e.g., in rural areas, when government or private company acquires cultivable land for industry or any other purpose, they creates a mediator class, locally known as *datal* class, who are locally powerful by local politics or any other means. They are used as machine to grab the lands in exchange of *percentage* (commission). Thus they are getting richer than the original owners of land. It is something new by the nature of rural class formation. These processes are gearing up getting landlessness of the rural farmer and widening the rural inequality. In this regard, by widening rural inequality, the number of poor in rural areas of Bangladesh is increasing, although the majority of the survey data conducted at the national level revealed that income inequality along with consumption inequality has declined in rural Bangladesh. Moreover, the poverty rate in rural Bangladesh has also declined during the last decade, on the contrary the number of people who live under poverty line has been increasing since the period. From the aforementioned discussion, there is a clear gap, we see. Why is the number of poor increasing? It is true economic development which is taking place but the rich are getting richer while the poor are getting poorest, absolutely loser. Remittances are an influential indicator in widening inequality in Bangladesh (table 8 and 9). Who is the receiver of remittances? Only those people who have capital to send their family member abroad or he or she can earn remittances. This processes fuelling the inequality irrespective of rural and urban Bangladesh because the capitalist are becoming capitalist.

Advanced capitalism as well as industrialization require skilled and technology friendly labor. In Bangladesh most of the labor are not so in terms of skill and technology, as a result they are getting deskilled and losing their jobs, and have to face the poverty. As a result, this chapter tends to state that agrarian transformation generated by this specifically neoliberal form of ABD fails to productively transform the rural economy. Because it is a constitutive of a process of knowledge- and capital-intensive development in which the labor-power of the dispossessed peasantry is largely irrelevant. The result is a capitalist transformation of the countryside – characterized by non-productive speculation and premiership, the expansion of pre-capitalist exploitation and the creation of a marginalized pool of underemployed labor.

In the case of urban areas, capitalists impose urban restructuring through ‘creative destruction (2010)’ which always has a class dimension since it is the poor, the underprivileged and this marginalized from political power that suffer first and foremost from this processes. He deliberately engineered the removal of much of the working class and other unruly elements from the city centers, where they constituted a threat to a public order and political power. A process of displacement and what Harvey (2003) call ‘accumulation by dispossession’ lie at the core of urbanization under capitalism. It is the mirror –image of capital absorption thorough urban redevelopment, and is giving rise to numerous conflicts over the capture of valuable land from low income population that may have lived there for many years. For example, in Bangladesh most of the slum dwellers are getting displaced because their residences are being replaced by the high rise building for different purpose of capitalists. Will the people who are displaced get compensation? The lucky ones get a little bit. On the contrary, most of the people turn into urban poor vis – a-vis widening the inequality.

9.7 INEQUALITY - POVERTY NEXUS: DESTINATION, DISCREPANCY AND POLICY

Since Bangladesh's emergence as an independent nation in 1971, Poverty reduction has been a priority objective of development of Bangladesh. Beginning from the First Five Year Plan (1973-1978) which emphasized poverty reduction through employment generation, all development plans as well as the two poverty reduction strategy papers recognized the importance of poverty reduction and developed policies and strategies for poverty reduction. Consequently, significant reduction in poverty has taken place in the last four decades – the incidence of poverty as measured by headcount rate declined from more than 80 percent in 1973-74 to 31.5 percent in 2010 (BBS, HIES, 2010). Other measures of poverty such as poverty gap and squared poverty gap showing the depth and severity of poverty respectively have shown long term trends similar to that observed for the headcount rate. Despite notable progress in poverty reduction Bangladesh faces the stark reality that about 45 million of its population still live under poverty (BBS, 2010). The other dimensions of poverty which make poverty reduction more challenging in the future are rural-urban divide in poverty, regional variations in poverty with the western region of the country having a higher incidence of poverty, and the fact that 17.6 percent the total population live in extreme poverty or chronic poverty (BBS, 2010). Higher dependency ratio, decline in the availability of natural and common property resources, limited access to financial and human resources and incidence of multiple shocks such as natural and health shocks are usual correlates of extreme poverty. Besides, people living in remote char areas and remote areas of the hill tracts region, indigenous people and people with disability are victims of extreme poverty.

The decline in poverty depends largely upon outcome of long term growth and employment generation in the economy. Various targeted programmes of the government and NGOs

which improved access of the poor to education and health, water and sanitation, and micro credit and created employment also played an important role in the process. Acceleration in growth and employment generation will remain the primary foundation of poverty reduction in the NSDS period. The policies and strategies for growth and employment generation will have to be, however, complemented with other policies and strategies to address the spatial, regional, and gender dimensions of poverty and specific problems of under-privileged people and people with vulnerabilities. Acceleration in growth will have a positive effect on poverty reduction, the effect depending on the growth elasticity of poverty as well as for sustainable development. The poor in Bangladesh depend heavily for their livelihoods on natural resources such as land, water, fisheries, and forests. While growth-induced degradation of these resources can adversely affect livelihoods of poor people, the poor can themselves be partly responsible for overexploitation and degrade natural resources. Increased income of the poor should reduce the pressure on natural resources and stem their degradation. Unfortunately the reality does not show so, because the benefits of economic growth do not accrue to all individuals or households equally. Increasing inequality in the distribution of income implies a higher proportion of income accrues to the households in the higher income deciles at the cost of the households at the lower deciles. The households at the lower deciles thus miss the opportunity to reduce their income poverty taking full advantage of economic growth. This is a process of accumulation by dispossession by which income inequality is widening. Inequality has been rising in Bangladesh for a long time. Gini coefficient which provided a measure of income inequality increased from 0.36 in 1984 to 0.47 in 2005 thus reducing the effect of growth on poverty reduction. However, the latest HIES (2010) shows a marginal decline in Gini coefficient to 0.46 which resulted in stronger positive effect of growth on poverty reduction. Incidentally, this decline is an outcome of decline urban inequality while rural inequality continues to

grow. Apart from its negative impact on poverty reduction inequality especially high inequality ($Gini > 0.50$) can generate social instability. It should be noted the Gini coefficient in 2010 is still higher than in 2000. The challenge is to contain the increase in inequality in both rural and urban areas which will result in decline in national income inequality. On the contrary, consumption inequality has been remaining stable (table 6). But the incidence of stable consumption inequality is contradictory with increased income inequality because income inequality is supposed to be increased or declined at the same rate or the people who have increased income are investing or saving as deposit instead of consumption.

In this regard, in rural areas micro credit is playing great role to make disguise poor. For example, we can imagine a family with five family members which have only an earning member. Their income does not increase, although their consumption is increasing in the purpose of meal, education and so on. As a result this case shows that they are trapped by both income and consumption inequality. They are getting poorest, albeit it is not visible because they are compelled to take micro credit or sell /modgadge their property like land for compensation or by other informal transaction. This chapter also takes an attempt to farther exacerbate the income inequality in the both urban and rural areas. They are maintaining their lives not by income from production, but the sources of alternative income that are perpetuating their poor condition. As a result, for the time being, rural poor are superficially shows that they are breaking the chain of poverty. But the reality tells different story. Consequently, the number of poor people is going up, albeit poverty rate is declining. It is so because social inequality has not declined yet as desired by the Bangladesh government. Recent mounting studies in Bangladesh reveal that transfer income like domestic and foreign remittances is making and widening rural inequality that is accord with this chapter. Traditional sources of income are getting less important in income inequity, agricultural

income as an influential factor in widening rural inequality is less important than transfer income. In this regard, social safety net programs should be given emphasized with proper utilization. In addition, foreign remittances can be redistributed if government takes the steps to send the poor people to the different countries including Middle East at cheap rate of cost like the recent contract of Bangladesh government with Malaysia government. This steps may reduce the income inequality and poverty in rural Bangladesh. In the case of urban areas, house rent is considered as significant factor in widening income inequality.

Bangladesh has been experiencing rapid increase in urban population since its independence resulting in increase in the proportion of urban population to total population from 8 percent to 23 percent during the 1974-2001 periods. It is estimated that 33 percent of the population will be living in the cities by 2021. (Perspective Plan of Bangladesh 2010 -2021). Population has increased in all urban centers such as metropolitan areas, district towns, upazila centers, growth centers and business centers though a large proportion of urban population in concentrated in Dhaka, Chittagong and Khulna metropolitan areas. Dhaka has the fastest population growth with about 10.712 million populations in 2001 and it is one of the most populous cities of the world. A major cause of urbanization is the inability of the agriculture sector and the non-agriculture rural sector to provide employment to the growing population and sufficient income for the family. Another important factor is the increase in the level of education and skills of rural people who have to move to urban areas to find jobs commensurate to their education and skills. Rapid urbanization has brought physical, structural, and economic changes in urban areas and led to manifold increases in the demand for housing, transport, water, fuel, energy, security, recreation facilities and clean up services in the face of shortage of urban facilities and resources, skilled manpower and governance. In the case urban areas, house rent is considered one of the significant factors in widening income inequality. It is so

because government is failed to implement the house rent regulatory rules. After all, Government will have to take careful policies to reduce social inequality for poverty alleviation as well as sustainable development.

9.8 CONCLUSION

There has been a growing frustration with the perception of higher growth rate since the last decade. The evidence of growing number of poor people around the globe especially in the developing societies despite the widespread claim of higher growth rates attained in these societies has reduced the prominence of growth mania. The development experiences of last two decades have shown that the benefits of higher growth rates trickled up rather than trickling down to the poor as traditionally believed. Higher economic growth rate cannot be the top priority in economic development planning unless it can bring about concomitant reduction in the prevailing incidence of poverty. Poverty alleviation has indeed been the focus of any development effort in developing countries. Unfortunately economic development ever and anon has widened the inequality gap that ultimate results in making the poor to a larger amount of people in Bangladesh. Farm income has dwindled over time as a proportion of total income. Agricultural wages has fallen as a proportion of income while non-agricultural wages have risen. Remittances are the most influential in creating inequality in both urban and rural areas.

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Annex

Table 9.1: Rural Urban Differences by income (at current prices)

Survey Year	Household Income (Taka per annum)	Number of member (Person per household)	Number of earners (Person per earner)	Income per Member (Taka per annum)	Income per earner (Taka per annum)
National					
1983-84	23003	5.71	1.51	4029	15234
1985-86	30933	5.86	1.45	5279	21333
1988-89	34379	5.54	1.55	6205	22180
1991-92	40092	5.35	1.38	70316	29052
1995-96	52302	5.26	1.48	9960	3540
2000	70104	5.18	1.45	13536	48348
2005	86436	4.84	1.4	17859	61740
Rural					
1983-84	22131	5.70	1.51	3883	14656
1985-86	28.958	5.83	1.44	4967	20110
1988-89	32042	5.52	1.56	5805	20539
1991-92	37308	5.35	1.38	6820	27036
1995-96	43896	5.25	1.46	8364	26460
2000	57792	5.19	1.43	11136	40368
2005	73152	4.88	1.37	14990	53388
Urban					
1983-84	29842	5.84	1.51	5110	19763
1985-86	45186	6.09	1.52	7.420	29728
1988-89	50682	5.61	1.55	9034	32698
1991-92	57984	5.34	1.38	10523	42012
1995-96	95676	5.30	1.59	18048	60168
2000	118536	5.13	1.54	23112	76968
2005	125556	4.72	1.50	26597	83700

Source: Based on Health, Environment & Safety (HES) data of 1983-84, 1988-89, 1991-92 and Household Income and Expenditure Survey data of 2000 and 2005 survey year

Table 9.2: Percentage distribution of monthly consumption expenditure on major items per household by survey year

Survey Year	Average Monthly Consumption/Expenditure	Monthly Consumption Expenditure On Major Items					Total
		Food and Beverage	Cloth and Footwear	Housing and House Rent	Fuel & Lighting	Miscellaneous Expenditure	
National							
1973-74	501	74.2	5.3	5.7	8.0	6.8	100.0
1976-77	496	73.7	5.3	5.8	10.1	5.1	100.0
1977-78	594	72.4	6.4	7.9	7.4	5.9	100.0
1978-79	793	75.7	5.9	5.2	7.6	5.6	100.0
1981-82	1105	66.1	7.8	9.5	6.9	9.7	100.0
1983-84	1686	65.1	7.7	7.8	7.6	11.8	100.0
1985-86	2316	63.3	5.9	8.8	8.4	13.6	100.0
1988-89	2555	65.4	5.5	9.6	5.8	13.6	100.0
1991-92	2904	66.6	4.7	10.4	5.7	12.7	100.0
1995-96	4026	57.7	6.5	11.1	5.6	19.1	100.0
2000	4537	54.0	6.3	9.0	6.8	21.8	100.0
2005	5964	53.8	5.5	12.2	6.0	22.4	100.0
Urban							
1973-74	643	67.9	5.6	9.8	7.3	9.4	100.0
1976-77	621	63.3	6.8	12.0	8.2	9.7	100.0
1977-78	748	62.3	6.7	15.3	7.2	8.5	100.0
1978-79	1032	66.3	6.7	11.8	6.7	8.5	100.0
1981-82	1816	56.1	6.9	16.2	6.0	14.8	100.0
1985-86	3459	55.1	5.9	15.6	5.8	17.6	100.0
1988-89	3816	56.1	5.2	16.3	17.0	5.4	100.0
1991-92	4280	56.1	4.3	16.4	6.2	17.0	100.0
1995-96	7084	46.3	6.6	17.3	4.7	25.2	100.0
2000	7125	44.5	5.7	16.0	6.0	24.8	100.0
2005	8316	45.1	5.4	16.7	5.7	24.2	100.0
Rural							
1973-74	491	74.7	5.3	5.3	8.1	6.6	100.0
1976-77	484	74.9	5.1	5.1	10.4	4.5	100.0
1977-78	575	74.0	6.4	6.7	7.4	5.5	100.0
1978-79	766	77.1	5.8	4.2	7.7	5.2	100.0
1981-82	991	69.1	8.1	7.5	7.1	8.2	100.0
1985-86	2157	65.1	5.9	7.3	9.0	12.7	100.0

1988-89	2374	67.6	5.6	8.0	5.8	12.7	100.0
1991-92	2690	69.2	4.8	8.9	5.4	11.6	100.0
1995-96	3426	62.4	6.4	8.4	5.9	14.3	100.0
2000	3879	59.2	6.5	5.7	7.1	18.2	100.0
2005	5165	58.5	5.5	9.7	6.1	18.2	100.0

Source: Based on Health, Environment and Safety (HES) data of 1983-84, 1988-89, 1991-92, Household Income and Expenditure Survey data of 2000 and 2005 survey year

Table 9.3: Urban income shares and inequality indices

	Share of total Income(percent): 100 qi				Gini /Concentration ratio(Ci or G)			
	1991/ 92	1995/ 96	2000	2005	1991 /92	1995/ 96	2000	2005
Farm income	6.09	5.80	2.41	5.94	0.12	0.23	0.22	0.31
Wage/salary	36.55	35.84	38.02	36.4	0.28	0.28	0.30	0.33
Non Agric. wage	10.1	8.11	8.03	8.40	0.09	0.03	-0.18	-0.12
Non Agric. salary	20.40	20.50	29.11	26.36	0.41	0.42	0.46	0.51
Other wage	6.14	7.23	0.89	1.63	0.16	0.09	-0.35	0.21
Non-farm enterprise	28.42	37.70	28.78	33.9	0.31	0.46	0.50	0.61
Property income	3.76	3.42	7.95	6.02	0.64	0.64	0.64	0.63
Rent from land	-	-	1.59	2.29	-	-	0.51	0.53
Other rental income	-	-	6.36	3.72	-	-	0.68	0.69
Remittance and transfer	9.27	7.20	10.10	8.27	0.43	0.58	0.62	0.53
Domestic remittances	-	-	1.93	1.98	-	-	0.31	0.37
Foreign remittance	-	-	3.90	5.35	-	-	0.59	0.64
Other transfer	-	-	4.27	0.94	-	-	0.78	0.19
Rental value of housing	9.19	6.78	6.41	1.94	0.43	0.41	0.49	0.41
Other income	6.72	3.26	6.32	7.53	0.42	0.44	0.42	0.59
Total income	100	100	100	100	0.33	0.39	0.44	0.47

Note : qi= the share of the i -th component of total income ; Ci=the concentration ratio of the i- th source of income ;G=the Gini ratio of income distribution .Column total, values shown in the total income row, do not always add up exactly up to the amounts shown due to rounding errors.[Khan, 2005:18]

Table 9.4: Per capita Income / Expenditure, and Gini index in different year at real price of 1972-73(Base: 1973-74=100)

Year	Household Size	Average Household Income	Average Household Expenditure	Per capita Income (PCI)	Per capita Expenditure (PCE)	Gini Index
Urban						
1973-74	6.5	5323	5476	819	843	N.A.
1976-77	5.7	6542	4305	1148	755	N.A.
1981-82	5.8	6519	6039	1124	1041	N.A.
1983-84	5.8	6646	6187	1146	1067	0.370
1985-86	6.1	8012	7531	1313	1235	0.370
1988-89	5.6	6961	6429	1243	1148	0.381
1991-92	5.34	6649	6023	1245	1128	0.398
1995-96	5.30	9138	8337	1724	1573	0.444
Rural						
1973-74	5.8	3921	4149	676	715	N.A.
1976-77	5.5	4427	3321	805	604	N.A.
1981-82	5.7	3537	3246	621	569	N.A.
1983-84	5.7	4928	4337	865	761	0.350
1985-86	5.8	5134	4636	885	799	0.360
1988-89	5.5	4401	3946	800	717	0.368
1991-92	5.34	4278	3744	801	701	0.364
1995-96	5.25	4193	980	799	758	0.384

Source: Based on Household Income and Expenditure Survey data of different survey year

Table 9.5: Incidence and changing trends of poverty in Bangladesh

	2000	2005	2010	Annual Change (percent)2000-2005	Annual Change (percent)2005-2010	Annual Change (percent)2000-2010
Head Count Index						
National	48.9	40	31.5	-3.64	-4.25	-3.35
Urban	35.2	28.4	21.3	-3.86	-5.00	-3.94
Rural	52.3	43.8	35.2	-3.31	-3.93	-3.27
Poverty Gap						
National	12.8	9	6.5	-5.93	-5.55	-4.92
Urban	9.1	6.5	4.3	-5.71	-6.77	-5.27
Rural	13.7	9.8	7.4	-5.69	-4.89	-4.59
Squared Poverty Gap						
National	4.6	2.9	2	-7.39	-6.20	-5.65
Urban	3.3	2.1	1.3	-7.27	-7.61	-6.06
Rural	4.9	3.1	2.2	-7.35	-5.80	-5.51

Source: Based on Household Income and Expenditure Survey -2010, Bangladesh Bureau of Statistics; Hossain and Khan, 2011:120