

Differences Between Absolute Poverty and Relative Poverty

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Poverty is a critical global issue that lacks a universally accepted definition. However, it is commonly understood as a condition in which individuals or communities are unable to meet the basic necessities required for a dignified life, such as adequate food, clothing, shelter, education, and healthcare. The two most commonly used concepts are Absolute Poverty and Relative Poverty. While both refer to the lack of economic resources, they differ in how this lack is measured and understood in various contexts. Understanding these two types of poverty is crucial to designing appropriate economic and social policies.

Absolute Poverty

Absolute Poverty refers to a condition in which an individual cannot meet the most fundamental human needs such as adequate food, clothing, shelter, clean water, sanitation, and healthcare. It signifies a severe level of deprivation that threatens basic survival. As per the World Bank, absolute poverty is identified when people live on less than US\$0.90 per day (based on 2011 prices), lacking access to essential resources for a minimal standard of living. Individuals in this category face extreme hardships and are unable to lead a life with dignity or security.

Key Features

- Measured using specific income levels (e.g., \$2.15/day as per World Bank 2023 standard).
- Focuses on minimum survival needs.
- The threshold remains constant over time, regardless of economic conditions in society.
- Common in developing or underdeveloped countries.
- Also known as extreme poverty.

Relative Poverty

Relative poverty refers to a condition where an individual’s income is significantly lower than the average income in their country, making it difficult to maintain a standard of living considered acceptable by society. It is measured in relation to the median income typically, if a person earns less than 50% of the national median household income, they are classified as living in relative poverty. This benchmark varies across countries, depending on their overall income levels and cost of living. Unlike absolute poverty, relative poverty highlights income inequality and social exclusion within a specific economic context.

Key Features

- Measured relative to the median income of a population.
- Indicates social exclusion and inequality.
- Varies across countries and over time.
- More relevant to developed or high-income countries.
- Associated with inequality, not just survival.

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Differences Between Absolute Poverty and Relative Poverty

The table below includes Differences Between Absolute Poverty and Relative Poverty for the comparative analysis:

Differences Between Absolute Poverty and Relative Poverty		
Aspect	Absolute Poverty	Relative Poverty
Definition	Inability to meet basic survival needs	Inability to maintain the average standard of living in society
Measurement	Fixed income threshold (e.g., \$2.15/day by World Bank)	Based on median income in a society

Standard	Universal and unchanging over time	Varies between societies and changes over time
Focus	Basic human needs like food, shelter, water, and health	Social inclusion, inequality, and living standards
Relevant Regions	Developing and least developed countries	Developed and high-income countries
Purpose	Measures survival threshold	Measures inequality and social exclusion

Key Points to Remember

- Absolute Poverty is about survival, whereas Relative Poverty is about dignity and equality.
- The World Bank's poverty line helps track absolute poverty globally.
- Relative poverty lines are different across countries; for example, in the EU, it's defined as 60% of the national median income.
- Policy interventions also differ: absolute poverty calls for humanitarian aid; relative poverty requires welfare and redistributive programs.

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