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Poverty in Rural and Urban Areas

Direct comparisons using the global MPI 2014

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This briefing presents the rural-urban analysis of MPI and briefly compares it with rural-urban income poverty disaggregation. OPHI's online tables provide rural-urban decompositions of multidimensional poverty for 105 countries, together with the composition of poverty for rural and urban areas. Separately, we analyse changes over time by rural and urban regions for 34 countries – looking at the level and composition of that change by each of the 10 indicators of the MPI.

The global Multidimensional Poverty Index (MPI) uses the same indicators to depict rural and urban poverty, so we can directly compare MPI poverty in rural and urban areas. Of all the people across 105 countries who are MPI poor in 2014, 85% live in rural areas. With the MPI, the pattern of higher incidence and intensity of poverty in rural areas than in urban ones is consistent across the different regions in the developing world. This is combined with the fact that over half of the population lives in rural areas in 64 of these 105 countries, including populous countries such as India.[1] Thus, those in acute poverty are mostly concentrated in rural areas.

THE MPI 2014: 85% OF POOR LIVE IN RURAL AREAS

The Multidimensional Poverty Index (MPI) provides a new source of information on directly comparable rural-urban poverty breakdowns for 105 countries, and for 34 countries over time.[2]

According to the MPI 2014, 85% of multidimensionally poor people live in rural areas. The MPI suggests that the rural share of poverty is higher than income poverty estimates of 70 to 75%. UN agencies frequently cite this as their headline figure – for example the Global Donor Platform for Rural Development (GDPRD 2005) argues that since "three-quarters of the poor live in rural areas of the developing world", rural poverty needs to be targeted to achieve Millennium Development Goal 1. Similarly, according to the World Bank's 2008 *World Development Report: Agriculture for Development* and an ILO report in the same year (p. 119), 75% of the world's poor live in rural areas. A 2013 World Bank briefing on *The State of Poor* also takes this as a starting point: "more than three quarters of those living in extreme poverty are in rural areas and nearly two thirds of the extremely poor earn a living from agriculture" (Olinto *et al.* 2013).

Multidimensional Poverty in Rural and Urban Areas: Different, yet related

Photo by Vanita Leah Falcao/OPHI

Bibi Ayesha is a 55-year-old woman who lives in a wooden box-like structure on stilts near a temple in Delhi, after experiencing a series of forced relocations due to fires and slum development schemes. Unable to walk after an accident, she uses a hand-pedaled tricycle to get around and relies on the government restrooms near her shelter for water and sanitation. Bibi Ayesha cleans a nearby homeless shelter to earn a little money, but much of it goes to pay for medication to combat a chronic respiratory condition. Her hopes are focused on her granddaughter, now living in an NGO-run home, whom she hopes will go on to study.

Photo by Bouba Housseini/OPHI

Fifty-six-year-old Fansa is a cotton and grain farmer in the arid Far North Region of Cameroon. In their previous home, a town about 30 miles away, one of his wives and several of his children died as a result of illness and malnutrition. He moved his remaining family to Guidiguis nine years ago to seek improved living conditions and an escape from the violence and thefts that plagued them in the other town. Although life has improved since the move, it remains precarious as a subsistence farmer, especially given the area's long dry season and the lack of irrigation and modern agricultural equipment.

Where do income poverty estimates of urban-rural poverty come from? In short, they come from cross-country income poverty data carefully combined using a number of assumptions. Complementing these, the global MPI uses a set of 10 indicators, applied consistently in both rural and urban areas, and can be decomposed very easily into comparable measures.

WHAT IS THE MPI AND HOW IS IT DECOMPOSED?

The MPI reflects different deprivations that individuals face simultaneously. It is composed of three equally-weighted dimensions (health, education and standard of living) measured by ten indicators, which are equally weighted within each dimension. A person is identified as MPI poor if he or she is deprived in at least one-third of the weighted indicators.

The MPI can be rigorously decomposed by any subnational group for which the survey data is representative. In 2014, the MPI is decomposed by rural and urban regions. In rural and urban regions, precisely the same indicators and cutoffs are used to enable direct comparisons.

Naturally, it would be possible to use distinct indicators for urban and rural areas, data permitting. This would make comparisons more difficult, but might better reflect distinctive aspects of urban and rural poverty in each region. Nonetheless, the present MPI estimations have the value of measuring a small set of direct deprivations that could be experienced in rural or urban areas, and providing rigorous comparisons.

RURAL-URBAN MULTIDIMENSIONAL POVERTY BY REGIONS

Out of all the MPI poor people across 105 countries, 85% live in rural areas.[3] As Table 1 shows, this share varies across geographical regions – from 28.6 percent in high-income countries to 86% in Sub-Saharan Africa and South Asia. Most of the MPI poor – both urban and rural – live in South Asia. The rural-urban difference in the headcount ratio (proportion of poor) is particularly stark in South Asia and Sub-Saharan Africa – 39.3 and 46.3 percentage points, respectively. The intensities of poverty are consistently higher in rural areas for all regions and much higher in Sub-Saharan Africa and Middle East and North Africa, where they differ by nearly ten percentage points.

The breakdown of MPI poor people by rural and urban regions is shown in Table 1.

In our sample of 105 countries, only 13 countries housing 8.2% of the combined population have a rural share of MPI poverty that is less than 50% (meaning that less than half of that country's poor people live in rural areas). Fully 72 countries have a rural share of MPI poverty that is greater than 70% according to the rural-urban definitions in the surveys implemented. For each geographic region, the rural share of MPI poverty is greater than the rural share of income poverty. The starkest contrast is in the figures for Latin America and the Caribbean, where 27.5% of those living on under $1.25/day are in rural areas (IFAD 2011) whilst 69.5% of the multidimensionally poor live in rural areas.

The rural share is particularly high in Sub-Saharan Africa and South Asia at 86%. Sub-Saharan Africa, Burundi and Madagascar have the most striking rural-urban divides, with rural shares of MPI poor at around 95%. Gabon is significantly different with a rural share of only 44.2% – making it the only country in Sub-Saharan Africa with a rural share in poverty less than 50%. However, only 15.7% of the population in Gabon lives in rural areas.

India's rural-urban divide is reflective of South Asia as a whole, and 86% of India's poor live in rural areas.[6] Among South Asian countries, Nepal and Bhutan have the largest shares of poor populations living in rural areas: 95.6% and 95.1%, respectively. Among East Asia and the Pacific countries, Cambodia has the largest share of population living in rural areas.

Finally, the table below presents the MPI by rural-urban area for low-income countries and countries in other groupings. We see that

Table 1: MPI Poverty by Region

	Number of Countries	Total Population (thousands)	Number of MPI Poor (thousands)	Number of Rural Poor (thousands)	Number of Urban Poor (thousands)	MPI poor living in rural areas 'Rural Share' (%)
All Countries[4]	**105**	**4,001,345**	**1,433,456**	**1,214,322**	**219,134**	**84.7%**
East Asia & Pacific (excluding China)[5]	9	514,360	64,663	46,863	17,800	72.5%
Europe & Central Asia	17	233,731	8,820	5,543	3,277	62.8%
Latin America & Caribbean	15	469,739	28,697	19,953	8,744	69.5%
Middle East & North Africa	9	206,909	25,345	19,074	6,271	75.3%
South Asia	8	1,606,945	833,946	719,496	114,450	86.3%
Sub-Saharan Africa	38	789,187	469,342	402,637	66,705	85.8%
High Income Countries	9	180,474	2,643	756	1,887	28.6%

Source: This and other tables use the MPI estimations for 105 countries (Alkire, Conconi and Seth 2014) using data 2003-2013, with 60 countries' data being 2008-13. Argentina and Slovenia are excluded as their surveys do not cover rural areas; China is excluded because MPI data are 2002. Estimates are aggregated using 2010 UN Population Statistics from UNDESA (2013). Regional definitions use the World Bank regional classification to facilitate comparison with the income poverty tables.

Table 2: MPI in Rural and Urban Regions

	URBAN AREAS			RURAL AREAS		
	MPI	Incidence (H)	Intensity (A)	MPI	Incidence (H)	Intensity (A)
All Countries	0.059	13%	45.7%	0.284	52.4%	54.1%
East Asia & Pacific	0.032	8.1%	39.7%	0.073	15.9%	45.9%
Europe & Central Asia	0.009	2.5%	37.6%	0.023	5.5%	41.3%
Latin America & Caribbean	0.010	2.5%	39.5%	0.080	17.5%	45.6%
Middle East & North Africa	0.023	5.8%	39.3%	0.095	19.1%	49.6%
South Asia	0.113	24.2%	46.7%	0.338	63.5%	53.2%
Sub-Saharan Africa	0.131	27.4%	47.7%	0.424	73.8%	57.5%
High Income Countries	0.005	1.2%	36.8%	0.011	2.7%	39.7%

Source: This table uses the 105 MPI countries (Alkire, Conconi and Seth 2014), aggregated using 2010 UN Population Statistics from UNDESA (2013). Regional definitions use the World Bank regional classifications.

even in lower middle income countries, over 84% of the MPI poor live in rural areas, and 60% in upper middle income countries.

CHANGES IN RURAL AND URBAN POVERTY OVER TIME

We compare changes over time in rural and urban areas for 34 countries, with a combined population of over 2.5 billion people. For three countries, Bangladesh, Ethiopia and Peru, we have changes over two periods.[7]

Across all countries the composition of poverty differed across urban and rural areas, with deprivations in electricity, water and flooring contributing more to MPI in rural areas, and deprivations in child mortality, malnutrition, and school attendance contributing relatively more to urban poverty.

In terms of changes over time, both rural and urban regions reduced MPI although rural areas as a whole reduced MPI significantly faster than urban areas – as might be expected given the higher rates of poverty in rural areas. For example, rural areas reduced the headcount ratio by 1.3 percentage points per year instead of 1 percentage point per year for urban areas. The annualized average rural MPI reduction was 0.009, whereas the urban MPI reduction was 0.005. Naturally rural-urban migration will have also affected these rates.[8]

Rural and urban areas both reduced sanitation deprivations most, and tended to have stronger reductions in living standard indicators. However, rural areas had faster rates of reduction in most indicators.

RURAL-URBAN INCOME POVERTY BREAKDOWN: NATIONAL INCOME POVERTY LINE AND $1.25/DAY

The global MPI is comparable across countries; national MPIs are being made in some countries, and these have been adapted by governments to reflect their national priorities.

The levels of poverty are not comparable across developing countries when we use nationally-defined income poverty lines, but these national income poverty measures do reflect national priorities and definitions. Of the people who are income poor according to their national poverty lines, 71.4% live in rural areas (Table 4).[9] If the rural share of income poverty (using national poverty lines) is evaluated by region, we find that it is lowest in Latin America – the only region besides Europe and Central Asia in which less than 60% of poor people live in rural areas – but is on the order of 80% in South Asia, and close to 75% in Sub-Saharan Africa and East Asia and Pacific.

IFAD's *Rural Poverty Report* (RPR) 2011 provided a set of rural-urban income poverty statistics for $1.25/day poverty, broken down by region. The $1.25/day figures have the advantage of being designed for comparisons across countries, although rural-urban breakdowns of global poverty statistics are rather difficult to compute due to different rural-urban prices and poverty lines. The RPR combines information on national poverty incidence against $1.25/day and $2/day poverty lines with breakdowns of rural poverty incidence using *national* poverty lines, to construct the data on rural-urban breakdowns of poverty incidence at the $1.25/day and $2/day poverty lines.[10] The report shows that of the approximately 1.3 billion people living on less than $1.25/day, 71.6% live in rural areas. This rural-urban poverty divide was more pronounced in previous decades – this proportion was 80.5% and 82.9% in 1988 and 1998, respectively (IFAD 2010). The rural share of poverty using this measure varied significantly by region: in Latin America and the Caribbean, only 26.5% of those in extreme poverty live in rural areas while this fraction climbs to 75% in Sub-Saharan Africa and 80.7% in South Asia. Olinto et al. (2013) produce a global aggregate for $1.25/day poverty by which 78% of the poor live in rural areas, but do not break this aggregate down by regions.

Whilst income poverty data and MPI data agree that poverty worldwide is concentrated in rural areas, MPI data can be directly compared across rural and urban areas. Using the current MPI, 85% of the world's MPI poor people live in rural areas. The pattern of rural concentration of MPI poverty is consistent across regions and most countries.

Table 3: National Income Poverty by Region

Region - World Bank Grouping (for the Developing World)	Number of regions	Total Population	Total Poor Population	Percentage of Poor Population	Total Rural Poor	Rural Poverty Share
Sub-Saharan Africa	30	609,628	268,261	44.0%	197,908	73.8%
Middle East and North Africa	5	165,736	33,539	20.2%	23,849	71.1%
Latin America and the Caribbean	11	265,238	121,813	45.9%	43,882	36.0%
South Asia	6	1,354,442	487,481	36.0%	389,296	79.9%
Europe and Central Asia	13	176,898	34,432	19.5%	17,677	51.3%
East Asia and Pacific	6	423,285	65,691	15.5%	49,655	75.6%
Total	**71**	**2,995,227**	**1,011,216**	**33.8%**	**722,266**	**71.4%**

Source: Authors used data from http://wdi.worldbank.org/table/2.7# to obtain the national poverty figures rural-urban breakdown for all developing countries for which data on the national income poverty headcount and rural headcount ratio were available [Accessed: 24 May 2014]. Table 4 presents the 71 countries that had data in rural and national poverty headcount (using national poverty lines) within three years of the MPI survey. If we use all developing countries with sufficient data (99 countries, including China) the rural share of income poverty is 71.9%. Regional shares follow a similar pattern to that seen in Table 4, with the exception of Europe and Central Asia (ECA). ECA for the full sample (with additional countries being Azerbaijan, Macedonia and Romania) has a rural share of 62.3%.

NOTES

1. These aggregates do not include China because the MPI uses 2002 data, and China's available income poverty data are 1998. The 105 countries include 1.43 billion MPI poor people. If we include China's 2002 MPI data, then, 85.5% of 1.6 billion MPI poor live in rural areas.

2. The definition of 'rural' and 'urban' are taken directly from the surveys used to construct the MPI; these definitions may vary across countries.

3. All aggregates for the 105 countries are population-weighted using 2010 estimates from UNDESA (2013).

4. Regions are based on the World Bank regional classification: http://data.worldbank.org/about/country-classifications/country-and-lending-groups [Accessed: 24 May 2014].

5. Results with and without China and India are available at OPHI's website. If China's MPI is included, the total 'Rural Share' increases to 84.7%, and the rural share in East Asia and the Pacific increases to 87%.

6. Note that India's NFHS survey dates back to 2005/6 and is the oldest survey used in South Asia: 6 of the other 7 countries in South Asia use data collected 2009-2013 for the global MPI. Tables without India are found online. Visit www.ophi.org.uk/multidimensional-poverty-index.

7. Analysis of changes over time uses the rural-urban shares from the retained sample in each survey. These may not accurately reflect demographic shifts – for example if two surveys are drawn from the same census.

8. The DHS surveys use the national census definitions to identify rural and urban clusters, then update the household listings soasto reflect major population shifts. As the years and periods of the surveys differ, comparisons are best done nationally. But to give a rough summary, over the periods in question, the percentage of the populations across the 34 countries living in urban areas increased from 30.7% to 33.3%. The weighted urban MPI decreased from 0.119 to 0.087, the weighted urban H decreased from 24.7% to 19%. The unweighted averages (simple mean of countries) also decreased. The urban MPI decreased from 0.145 to 0.101, and urban H decreased from 29.5% to 21.7%. The number of MPI poor decreased in both rural and urban areas. In rural areas the number of poor decreased by about 3.7% while in urban areas the number decreased by 5.9%.

9. http://wdi.worldbank.org/table/2.7# was used to obtain the poverty figures based on national poverty lines and rural-urban breakdown for all developing countries for which data on the national income poverty headcount and rural headcount ratio were available [Accessed: 24 May 2014].

10. This approach implicitly assumes that the incidence of rural poverty rates according to national surveys is the same as at the $1.25/day poverty line. Ravallion, Chen and Sangraula (2007) showed that this approximation is a fair one for $2/day poverty lines but may be less accurate for $1.25/day poverty lines. It obviously presumes that the national rural-urban breakdown – which uses different poverty lines for rural and urban areas because of different prices – is accurate.

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