Chapter 12

POVERTY

12.0 Introduction

This chapter presents the preliminary findings of the poverty profile derived from the survey. A more detailed discussion on poverty profile will follow in a report on the Malawi Poverty and Vulnerability Assessment prepared jointly by the Malawi government and the World Bank.

In order to compute a poverty indicator for each individual in the IHS2, it is necessary to: 1) choose a welfare indicator, and 2) compute a threshold for this welfare indicator, below which a person is deemed "poor". The measure of welfare used in the poverty analysis of the IHS2 is the total annual per capita consumption expenditure reported by a household. In the analysis, this measure is expressed in Malawi Kwacha deflated to February/March 2004 prices.

The threshold level of welfare that distinguishes poor households from non-poor households is the poverty line. The poverty line is a subsistence minimum expressed in Malawi Kwacha based on the cost-of-basic-needs methodology. It is comprised of two parts: minimum food expenditure based on the food requirements of individual and critical non-food consumption. Food needs are tied to the recommended daily calorie requirement. Non-food needs are estimated based on the expenditure patterns of households whose total expenditure is close to the minimum food expenditure. Using this method, a poverty line is developed for the country. Individuals who reside in households with consumption lower than the poverty line are then labeled "poor". Using the minimum food expenditure as an additional measure, we can identify the "ultra poor", households whose total consumption per capita on food and non-food items is lower than the minimum food expenditure.

12.1 Poverty Lines

Using the methodology outlined above, the poverty lines for identifying the poor and ultra poor in Malawi are presented in Table 12.1.

Table 12.1 Poverty line in Malawi Kwacha per person per year

	Poverty line (MK per person per year)
Poor	MK16,165
Ultra Poor	MK10,029

Based on the poverty lines in Table 12.1, it has been found that 52.4 percent of the population in Malawi is poor. More to this, 22 percent of the population is ultra poor. That is, about one in every five people lives in dire poverty such that they cannot even afford to meet the minimum standard for daily-recommended food requirement.

Figure 12.1: Proportion of poor and ultra-poor persons in Malawi
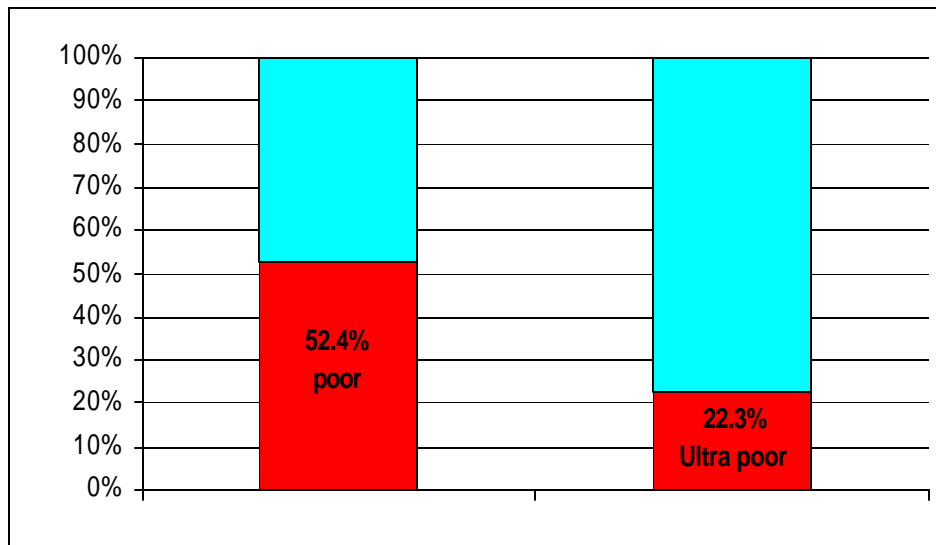
12.3 Poverty and Location

While the national poverty rate is 52 percent, there is variation across regions in terms of poverty rates. The Southern region has the largest poverty rate (60%) implying that three out of five people live in poverty in the rural areas of the Southern region. The Northern region has the second highest proportion of poor people (54%). The Central region has the lowest proportion (44%) of poor.

The regional rates above mask a striking difference in poverty rates between urban and rural areas. About 25 percent of the population in urban areas is living in poverty, compared to 56 percent of the rural population. That is, a person in a rural area is more than twice as likely to be poor.

A similar pattern is observed for ultra-poor people. The proportion of ultra-poor people is high in the Southern region, followed by the Northern region and then finally the Central region.

In Figure 12.2 below, four areas are defined: urban, North rural, Southern rural and Central rural. The solid line indicates the national poverty line and as can be seen, excluding the urban centers, only the Central region has a poverty rate

that is below the national level, likewise for ultra poverty in the Central rural areas.

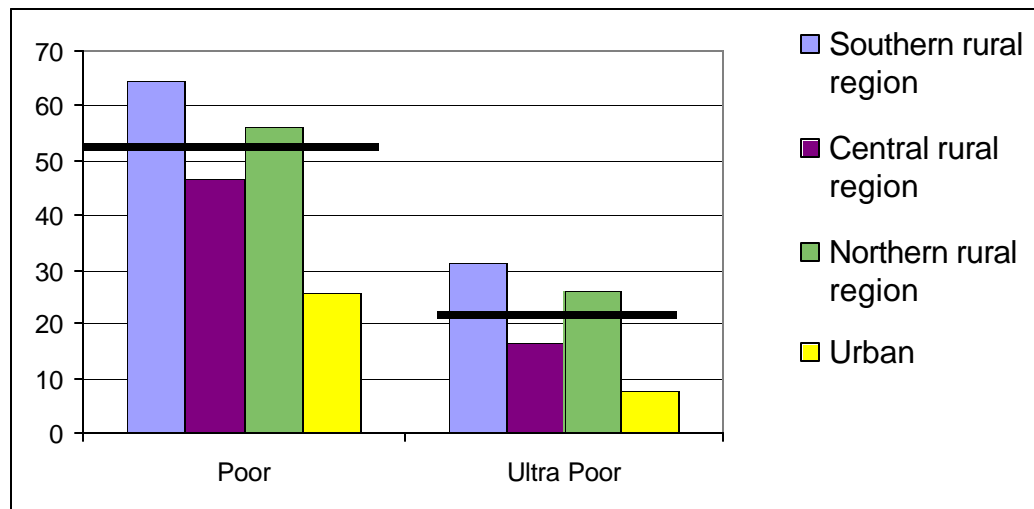Figure 12.2: Proportion of poor and ultra-poor persons by region

Table 12.2 Poverty headcount and percentage distribution of Malawi's poor by place of residence.

	Poverty headcount	Ultra Poor	Percent of Malawi's poor	Percent of Malawi's population
Malawi	52.4	22.4	100	100
Rural northern region	56.3	25.9	10.9	10.2
Rural central region	46.7	16.2	33.9	38.1
Rural southern region	64.4	31.5	49.7	40.4
Urban	25.4	7.5	5.5	11.3

While the poverty rates are informative, they don't necessary tell us where most of the poor actually reside. In order to understand where the poor live, we need to take into account the population shares in the different regions. As shown in Table 12.2, almost half of the poor population in the country lives in the rural areas of the Southern region. About one in every three poor people comes from the rural areas of the Central region while one in every ten poor people comes from the Northern region rural areas. The urban areas are contributing only 6 percent of all the poor people in the country.

It is important to note that distribution of the population is slightly different from that of the poor. In terms of population distribution, the Southern rural area has 40 percent, the Central rural has 38 percent, the Northern rural has 10 percent while the urban areas contribute 11 percent.   That is, the Southern rural areas have a disproportionate share of the poor, reflecting the higher poverty rate in this region.

Tables 12.3 and 12.4, below shows that distribution of poverty headcount and percentage distribution of Malawi's poor and Ultra poor respectively by district.

Table 12.3 Poverty headcount and percentage distribution of Malawi's poor by districts, Malawi 2005.

	Poverty Rate	95% CI	
Malawi	52.4%	50.5%	54.4%
By Region:			
Urban	25.4%	20.1%	30.7%
North Rural	56.3%	50.9%	61.6%
Centre Rural	46.7%	43.7%	49.8%
South Rural	64.4%	61.4%	67.4%
By Urban/Rural:			
Urban	25.4%	20.1%	30.7%
Rural	55.9%	53.9%	57.9%
By Strata:			
Chitipa	67.2%	51.2%	83.1%
Karonga	54.9%	40.9%	68.9%
NkhataBay	63.0%	47.4%	78.6%
Rumphi	61.6%	48.2%	75.0%
Mzimba	50.6%	44.0%	57.3%
Kasungu	44.9%	33.9%	55.9%
Nkhotako	48.0%	36.5%	59.4%
Ntchisi	47.3%	33.8%	60.9%
Dowa	36.6%	29.9%	43.3%
Salima	57.3%	45.5%	69.1%
Lilongwe rural	37.5%	31.5%	43.4%
Mchinji	59.6%	48.3%	70.9%
Dedza	54.6%	47.7%	61.5%
Ntcheu	51.6%	43.6%	59.6%
Mangochi	60.7%	52.3%	69.2%
Machinga	73.7%	66.9%	80.5%
Zomba rural	70.0%	60.1%	79.9%
Chiradzu	63.5%	49.4%	77.6%
Blantyre rural	46.5%	32.6%	60.5%

	Poverty Rate	95% CI	
Mwanza	55.6%	46.5%	64.7%
Thyolo	64.9%	55.7%	74.2%
Mulanje	68.6%	60.9%	76.4%
Phalombe	61.9%	52.5%	71.3%
Chikwawa	65.8%	57.3%	74.3%
Nsanje	76.0%	69.4%	82.6%
Balaka	66.8%	55.8%	77.8%
Mzuzu city	34.0%	19.2%	48.8%
Lilongwe Urban	24.6%	13.2%	36.1%
Zomba Urban	28.7%	23.9%	33.6%
Blantyre Urban	23.6%	20.6%	26.5%

Notes: results are population weighted. Revised from
previous estimates for:
a)   maize outliers
b)   new conversion factors for North region for cassava
     tubers, dried fish, and fresh fish
c)   Values for Dowa are imputed.

Percent of population living below $1/day
(PPP adjusted)

	Poverty Rate	95% CI	
Malawi	28.0%	26.2%	29.8%

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Table 12.4 Poverty headcount and percentage distribution of Malawi's Ultra poor by districts, Malawi 2005

	Ultra Poverty Rate	95% CI	
Malawi	22.4%	20.8%	24.0%
By Region:			
Urban	7.5%	3.7%	11.4%
North Rural	25.9%	20.7%	31.1%
Centre Rural	16.2%	14.2%	18.3%
South Rural	31.5%	28.5%	34.5%
By Urban/Rural:			
Urban	7.5%	3.7%	11.4%
Rural	24.3%	22.6%	26.1%
By Strata:			
Chitipa	30.4%	18.0%	42.8%
Karonga	28.3%	12.2%	44.4%
NkhataBay	30.3%	11.3%	49.2%
Rumphi	24.2%	15.6%	32.9%
Mzimba	22.7%	17.0%	28.4%
Kasungu	15.1%	9.0%	21.2%
Nkhotako	11.4%	5.2%	17.6%
Ntchisi	12.2%	3.7%	20.6%
Dowa	4.8%	2.8%	6.9%
Salima	25.0%	16.5%	33.6%
Lilongwe rural	11.7%	8.6%	14.8%
Mchinji	30.4%	22.6%	38.1%
Dedza	20.9%	13.5%	28.3%
Ntcheu	21.1%	12.9%	29.2%
Mangochi	29.3%	20.5%	38.0%
Machinga	38.3%	29.6%	47.0%
Zomba rural	41.0%	32.4%	49.6%
Chiradzu	27.5%	12.5%	42.5%
Blantyre rural	16.0%	5.6%	26.5%

	Ultra Poverty Rate	95% CI	
Mwanza	19.7%	11.1%	28.4%
Thyolo	33.0%	25.4%	40.6%
Mulanje	30.6%	22.9%	38.4%
Phalombe	26.9%	16.8%	37.1%
Chikwawa	31.9%	20.9%	43.0%
Nsanje	44.3%	37.0%	51.7%
Balaka	33.5%	22.0%	45.1%
Mzuzu city	10.1%	4.3%	16.0%
Lilongwe Urban	8.8%	0.7%	16.8%
Zomba Urban	11.6%	6.6%	16.6%
Blantyre Urban	4.8%	2.5%	7.2%

12.4 Income Inequality in Malawi

Poverty rates indicate the share of the population below a minimum income level (the poverty line), but they don't reveal any information about the distribution of income above the threshold. Inequality measures, instead, consider the entire distribution, although they don't reveal anything regarding the level of absolute poverty. Certainly, income inequality persists in the country. Figure 12.3 uses expenditure as a proxy for income, and plots the median expenditure per capita for each of the deciles of the population. As shown in the figure the richest 10 percent of the population has a median per capita income that is eight times higher (MK50, 373 per person per annum) than the median per capita income of the poorest 10% (K6, 370 per person per annum). Moreover, the richest 10 percent of the population has a median income that is three times higher than the overall median income in the country.

Figure 12.3: Per capita consumption expenditure by decile
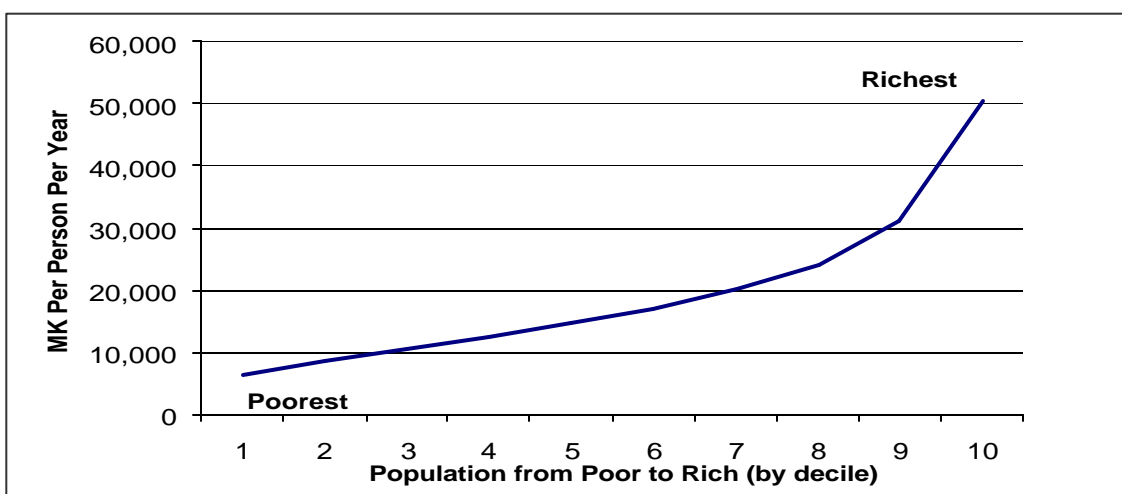

12.5 Poverty and household characteristics

Moving beyond these basic indicators of poverty for the population of Malawi, it is interesting to explore the differential poverty observed across households. To what extent are some household characteristics highly correlated with poverty Are some types of households significantly more likely to be poor. We address these issues in this section, focusing on the characteristics of the household head (gender, age and education) as well as the demographic composition of the household membership.

12.5.1 Poverty and gender of the household head

Figure 12.4 shows that 51 percent of the people in male-headed households are poor. On the other hand, 59 percent of people in female-headed households are poor. By place of residence, it may be noted that the poverty rates by male and female headship are slightly higher in rural areas than at national level. About 55 percent of people in male-headed households in the rural areas are poor compared to 60 percent those who reside in female-headed. The rates are seen to be lower in the urban areas where nearly one in four people in male-headed households are poor compared to about a third of those in female-headed households.

Figure 12.4: Population poverty rates by sex of household head by place of residence
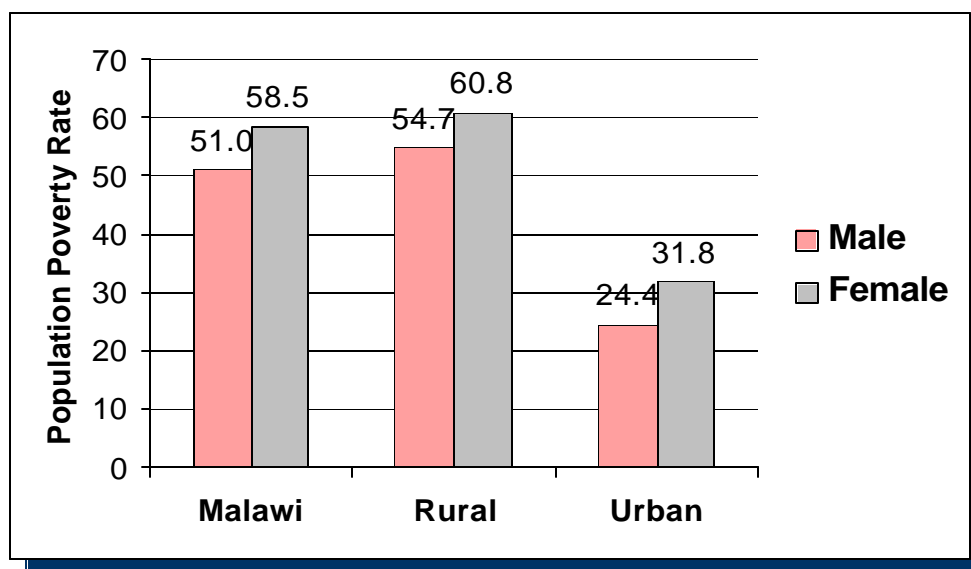
12.5.2 Poverty and age of household head

People in households headed by older members consume less per capita per day than those in younger households. Figure 12.5 shows that as the age of the household head increases, the poverty rate of the population increases. By about the late 40s, the age profile is fairly flat indicating that the relationship between poverty and age of the head is concentrated among the younger ages.

Figure 12.5: Population poverty rates by age group of household head
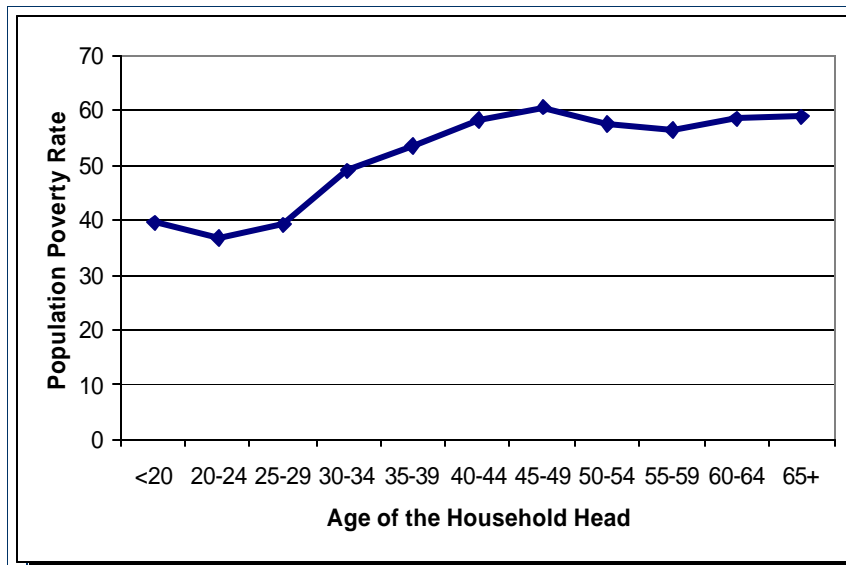
12.5.3 Poverty, household size and dependency ratio

The size of the household is highly correlated with the poverty rate of the household. As the household gets larger, household members share the same amount of resources, thereby reducing their per capita expenditure. This is shown in Table 12.5.3. The poor households have larger mean household size of 5.4, compared to non-poor households with a mean household size of 3.8

A second indicator of household demographics is the dependency ratio, defined in the standard way as the ratio of prime-age adults to the total number of persons in the household outside the economic active population (children under the age of 15 and adults above 65 years of age). The table shows that poor households tend to have a larger dependency ratio of 1.4, compared to non-poor households with a dependency ratio of 0.8. That is, poor households have fewer working-age adults per dependent (child and elderly).

Table 12.5 Household size and dependency ratio by wealth groups

	Non-poor households	Poor households
Household size	3.8	5.4
Dependency ratio	0.8	1.4

12.5.4 Poverty and education of head

Education of the household head is also highly correlated with poverty status. As expected, poverty is more severe among people who live in households whose heads have no formal education qualification. Figure 12.6 shows that the poverty rate for people in households whose head do not have any formal education qualification was 59%, whilst as the education qualification of the household head increases the poverty rate drops. The population in households whose head has more than JCE level of education is significantly less likely to live in poverty.

Figure 12.6: Proportion of population in poverty by education qualification of household head
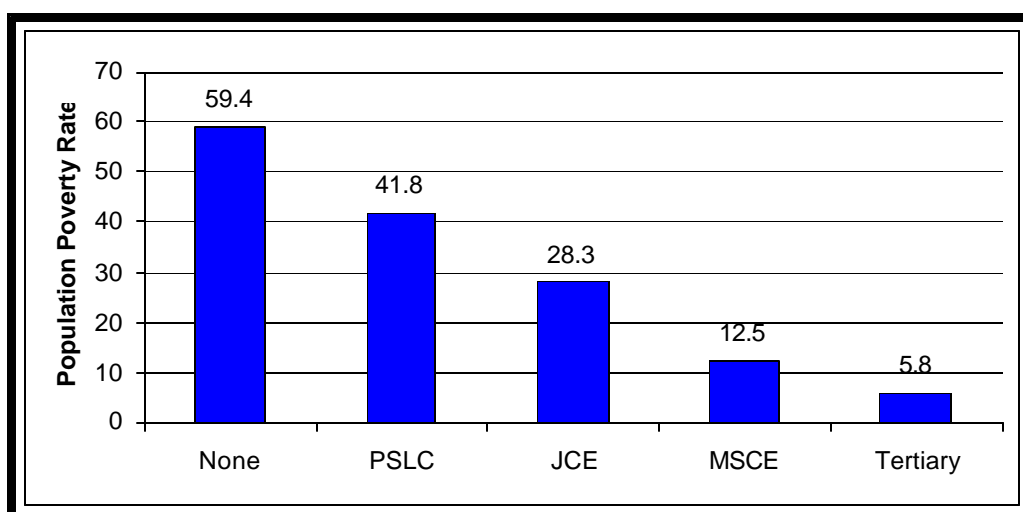
12.6 Poverty Comparisons: IHS1 & IHS2

As earlier highlighted, the IHS2 estimate of the poverty rate is 52.4%. However, this rate should not be directly compared to the 65.3% estimate from the 1997/8 IHS1. This is because the survey instruments & methods of calculating the poverty rates have been revised and improved to meet local and international standards.

Despite this change in survey instruments and methodology, an effort was put in place to compute the poverty rates for the previous IHS using the current methodology. In this exercise, poverty estimates from IHS1 were estimated using regression models to impute expenditure per capita based on comparably measured household characteristics. See the Appendix for more details on the methodology applied.

APPENDIX

HOUSEHOLD CHARACTERISTICS QUESTIONNAIRE