

Social Entrepreneurship (SE)

Topic 12. The End of Poverty

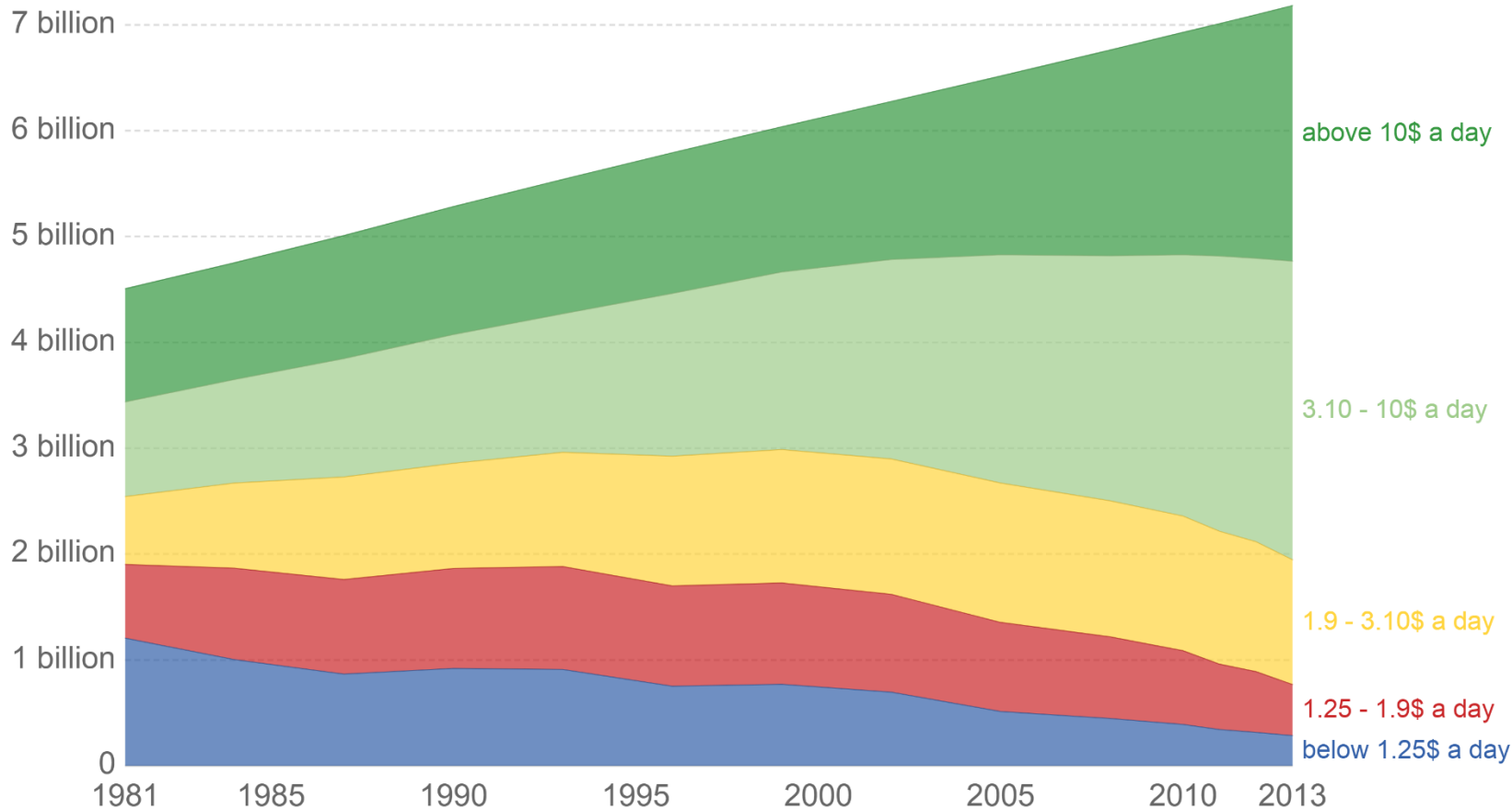
Lecturer: Kakhramon Kholov

Outline

- **Millions of people live in extreme poverty: Who are they?**
- *We can* reduce poverty
- *We should* reduce poverty
- *How* can we reduce poverty?

Distribution of people between different poverty thresholds, World

Poverty thresholds are all in 'international dollars' at constant 2011 PPP prices. This means all figures account for cross-country differences in price levels, as well as for inflation. Estimates rely on a combination of income and consumption data (see sources for details).



According to the *International Poverty Line*, people are considered to be in 'extreme poverty' if they live on less than \$1.90 per day, or the equivalent amount after converting currencies and adjusting for price differences between countries. This is the definition used by the World Bank and many other international institutions.

About 700 million people in the world live below this low threshold. And about 4.7 billion people (more than half of the global population) live on less than 10 dollars per day.

(Note: In the interactive version of this chart you can click on the option "Change country" to plot numbers for any country or world region.)

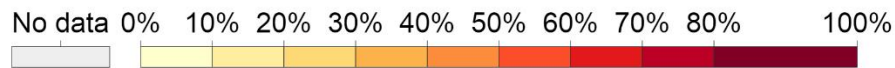
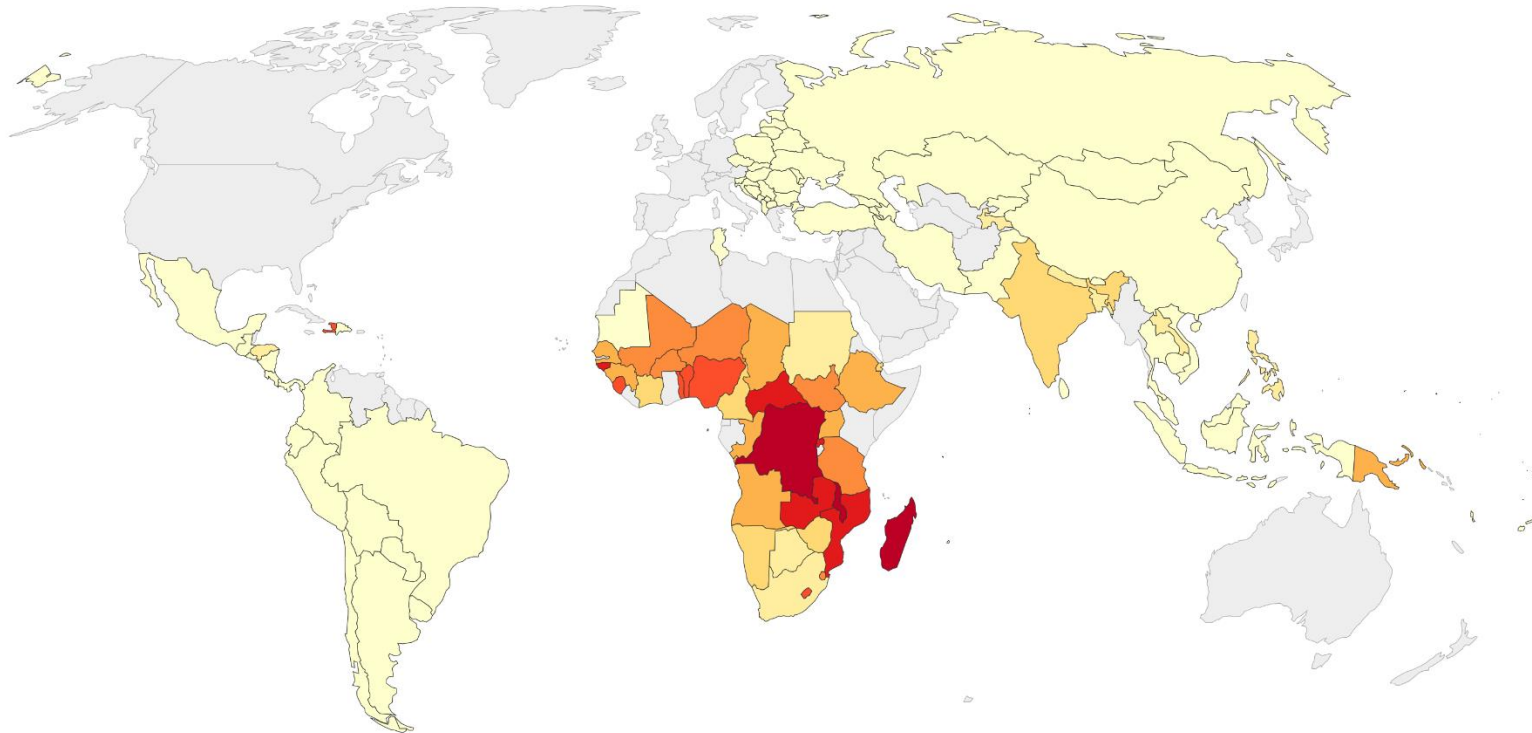
Source: World Bank

Note: Estimates for high-income countries are included, but are not always comparable with those from other countries because of differences between income and consumption data.

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Share of the population living in extreme poverty, 2014

Extreme poverty is defined as living with per capita household consumption below 1.90 international dollars per day (in 2011 PPP prices). International dollars are adjusted for inflation and for price differences across countries.



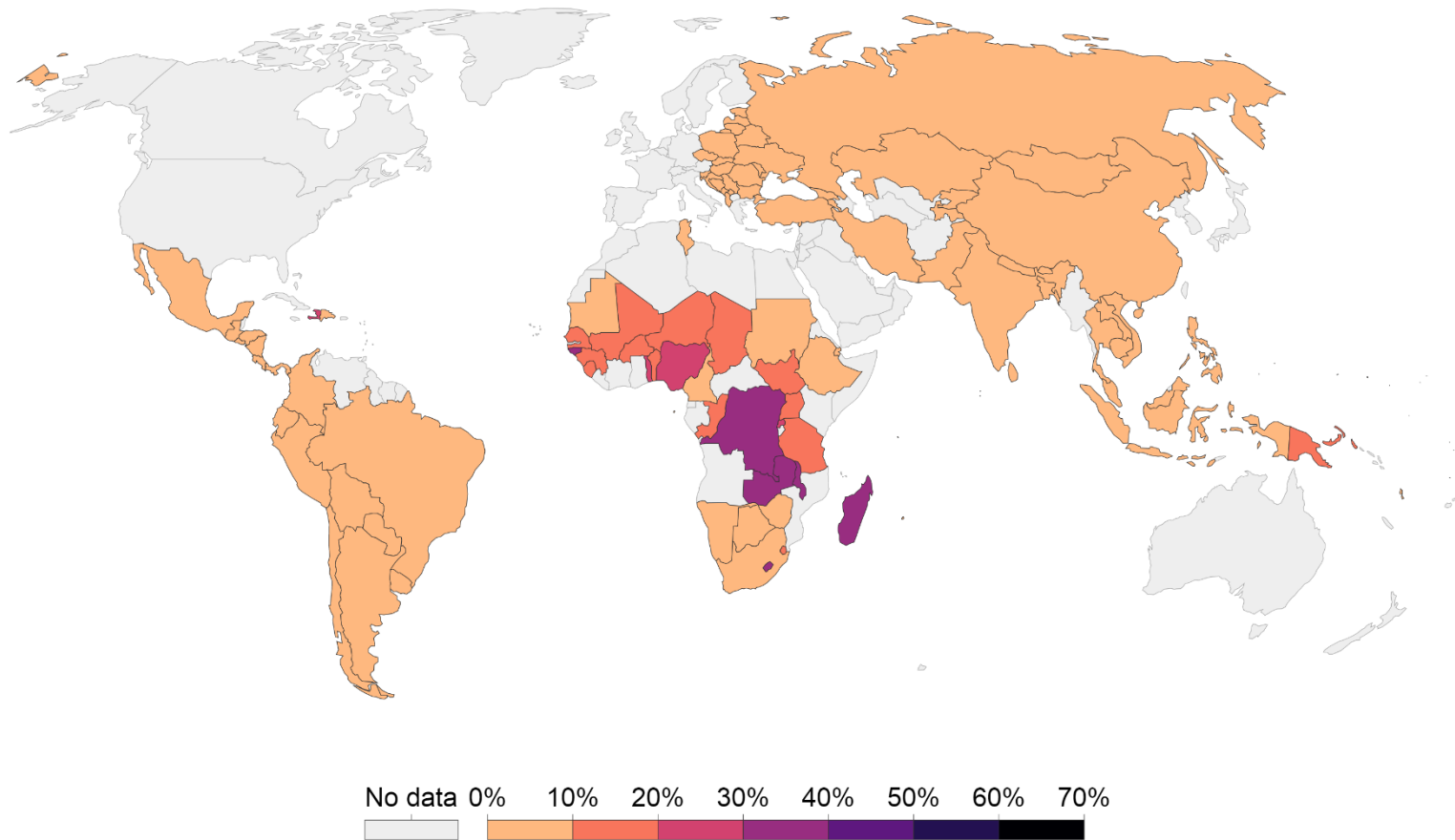
People living in extreme poverty are concentrated in certain regions.

The country where you happen to be born makes a huge difference to your expected living standards.

(Note: In the interactive version of this map you can use the slider at the bottom to show estimates for any year.)

Poverty gap index at 1.90 int-\$ per day, 2014

The poverty gap index is the mean shortfall in income or consumption from the International Poverty Line (\$1.90 a day in 2011 international dollars) counting the non-poor as having zero shortfall, expressed as a percentage of the poverty line. International dollars are adjusted for inflation over time and for price differences between countries.



If we focus on the *intensity* of poverty, we see a similar pattern: The countries where a large share of people live in extreme poverty are also the countries where people tend to have the largest shortfall from the poverty line (i.e. the 'poverty gap' is largest in these countries).

In other words: People below the *International Poverty Line* tend to have much worse living standards in low-income countries.

(Note: In our map charts you can click on any country to display the time-series estimates in a line chart.)

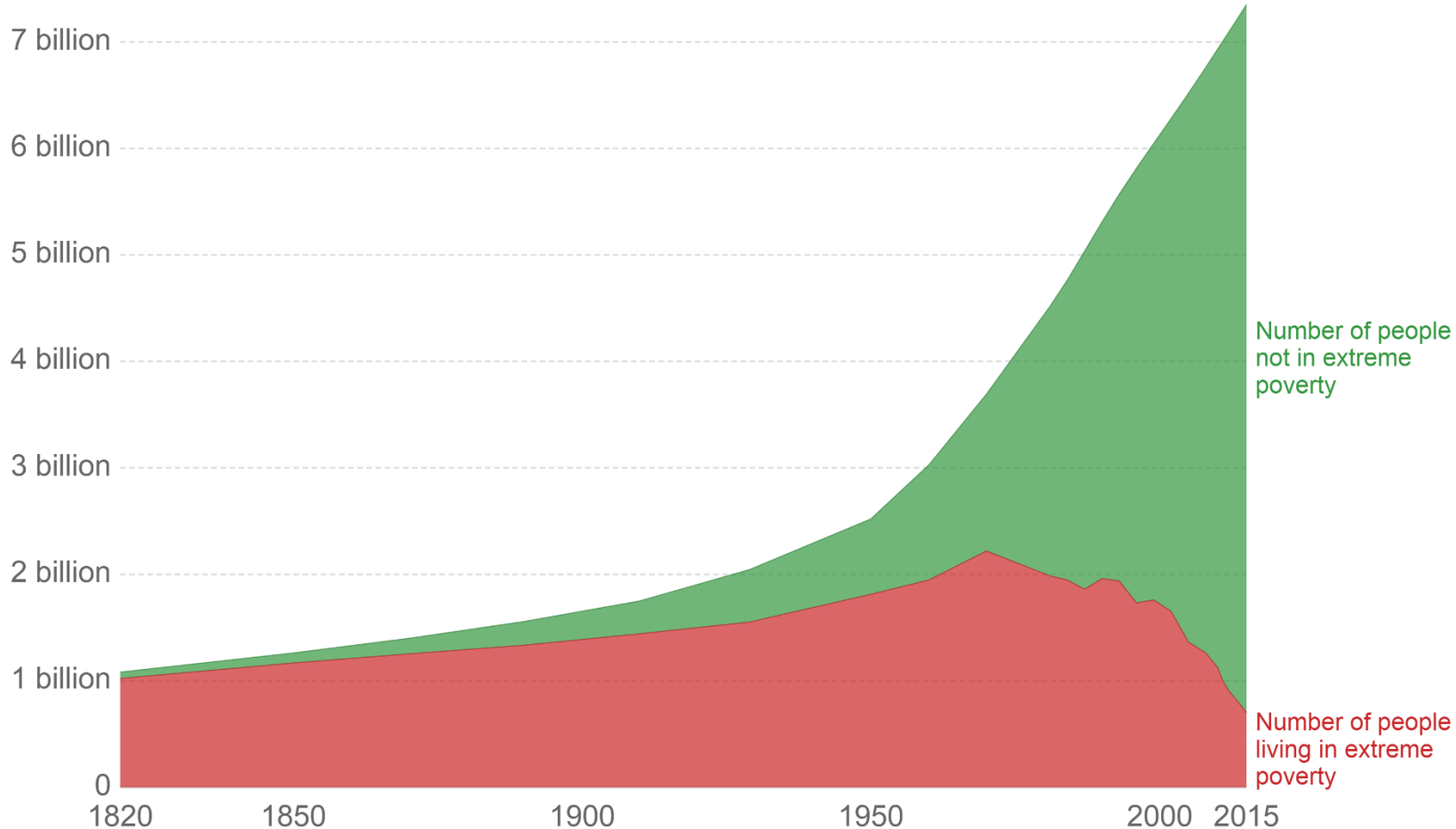
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- **We *can* reduce poverty**
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- *How* can we reduce poverty?

It's important to remember that despite the magnitude of the challenge, poverty is not unavoidable

World population living in extreme poverty, 1820-2015

Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international \$" per day. International \$ are adjusted for price differences between countries and for price changes over time (inflation).



In 1820 there were just under 1.1 billion people in the world, of which more than 1 billion lived in extreme poverty.

Over the next 150 years, the decline of poverty was not fast enough to offset the very rapid rise of the world population, so the number of non-poor and poor people increased.

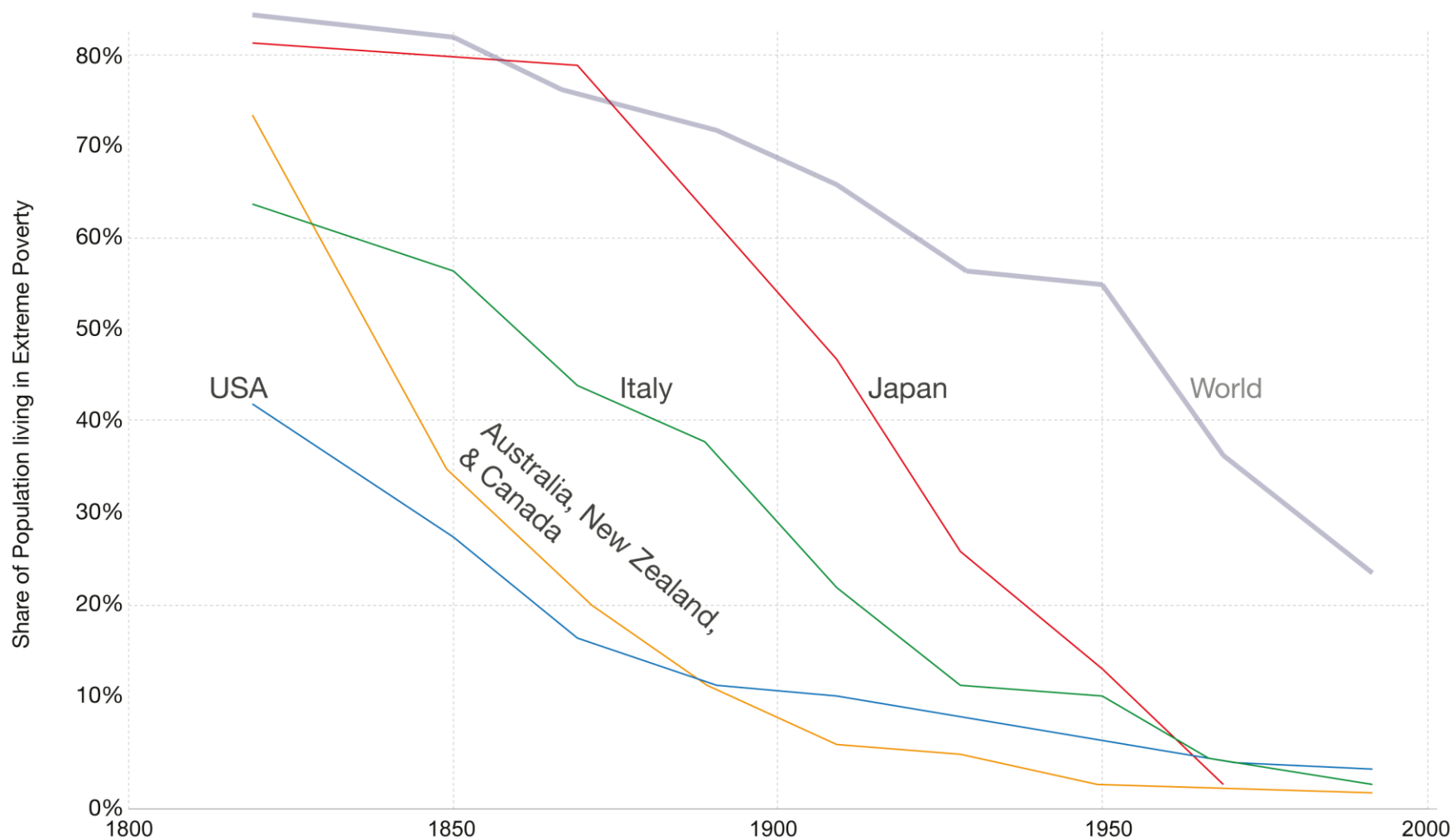
Since around 1970, however, we are living in a world in which the number of people who are not living in extreme poverty is rising, while the number of people who are living in extreme poverty is falling.

(Note: You can read more about this in our article discussing [extreme poverty in a historical perspective.](#))

Source: World Poverty in absolute numbers - OWID based on World Bank (2016) and Bourguignon and Morrisson (2002)
OurWorldInData.org/extreme-poverty/ • CC BY-SA

The reduction of extreme poverty in countries that are rich today, 1820–2000

The absolute poverty is defined as living with less than \$1.25/day. This is measured by adjusting for price changes over time and for price differences between countries (purchasing power parity (PPP) adjustment).

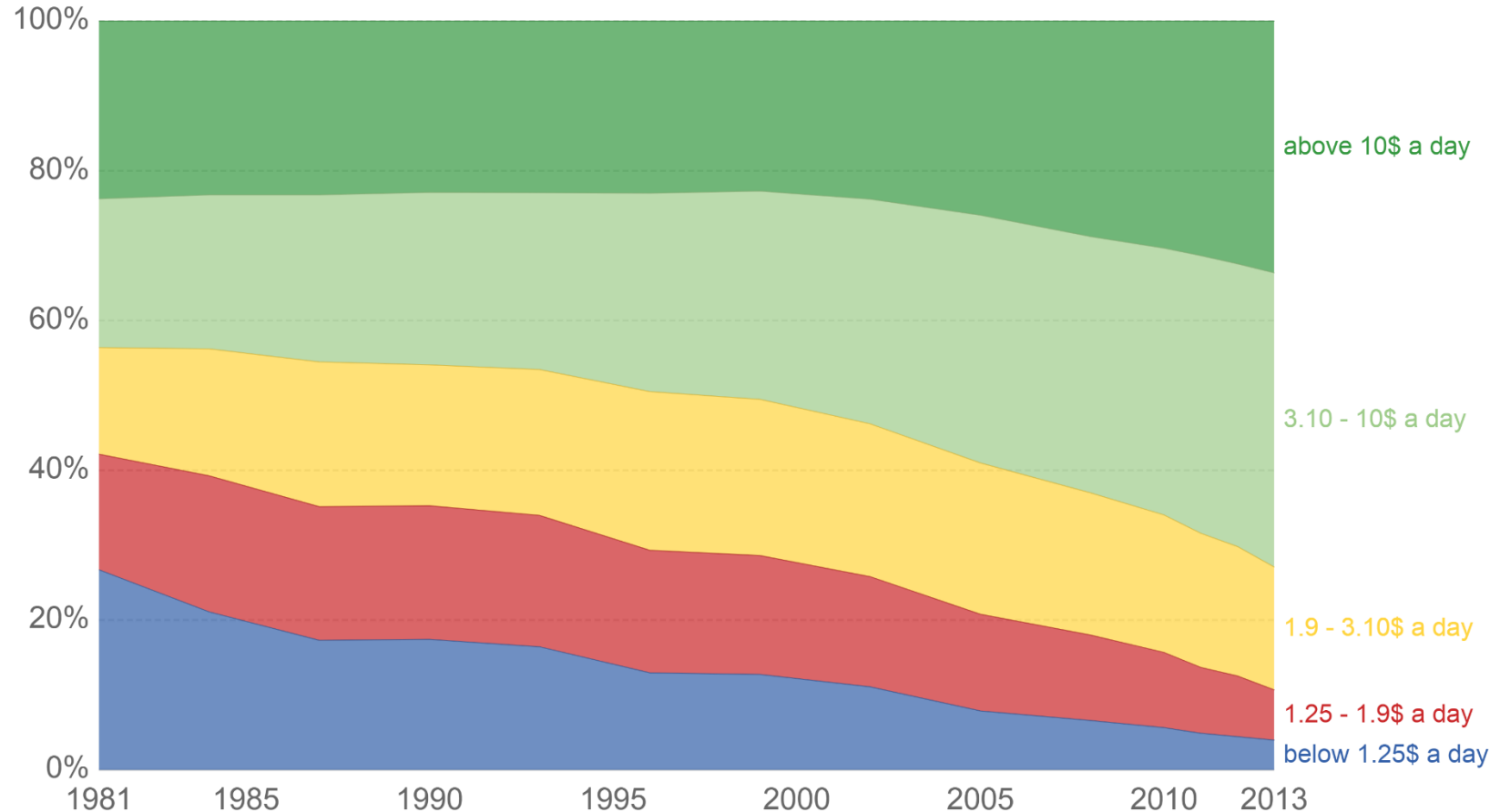


In fact, in today's rich countries a large share of the population lived in extreme poverty until fairly recently.

Actually, in most of these countries the majority of the population lived in extreme deprivation only a few generations ago. Progress was made at a fast pace — in some cases even at a *constant* pace.

Distribution of people between different poverty thresholds, World

Poverty thresholds are all in 'international dollars' at constant 2011 PPP prices. This means all figures account for cross-country differences in price levels, as well as for inflation. Estimates rely on a combination of income and consumption data (see sources for details).



And this progress is not only about incomes moving marginally above the extreme poverty line.

In recent decades the global poverty rate has been going down independently of whether we set the poverty line at 1.90 or 10 dollars per day.

(Note: You can read more about this in our blog post ["Extreme poverty is falling: How is poverty changing for higher poverty lines?"](#))

Source: World Bank

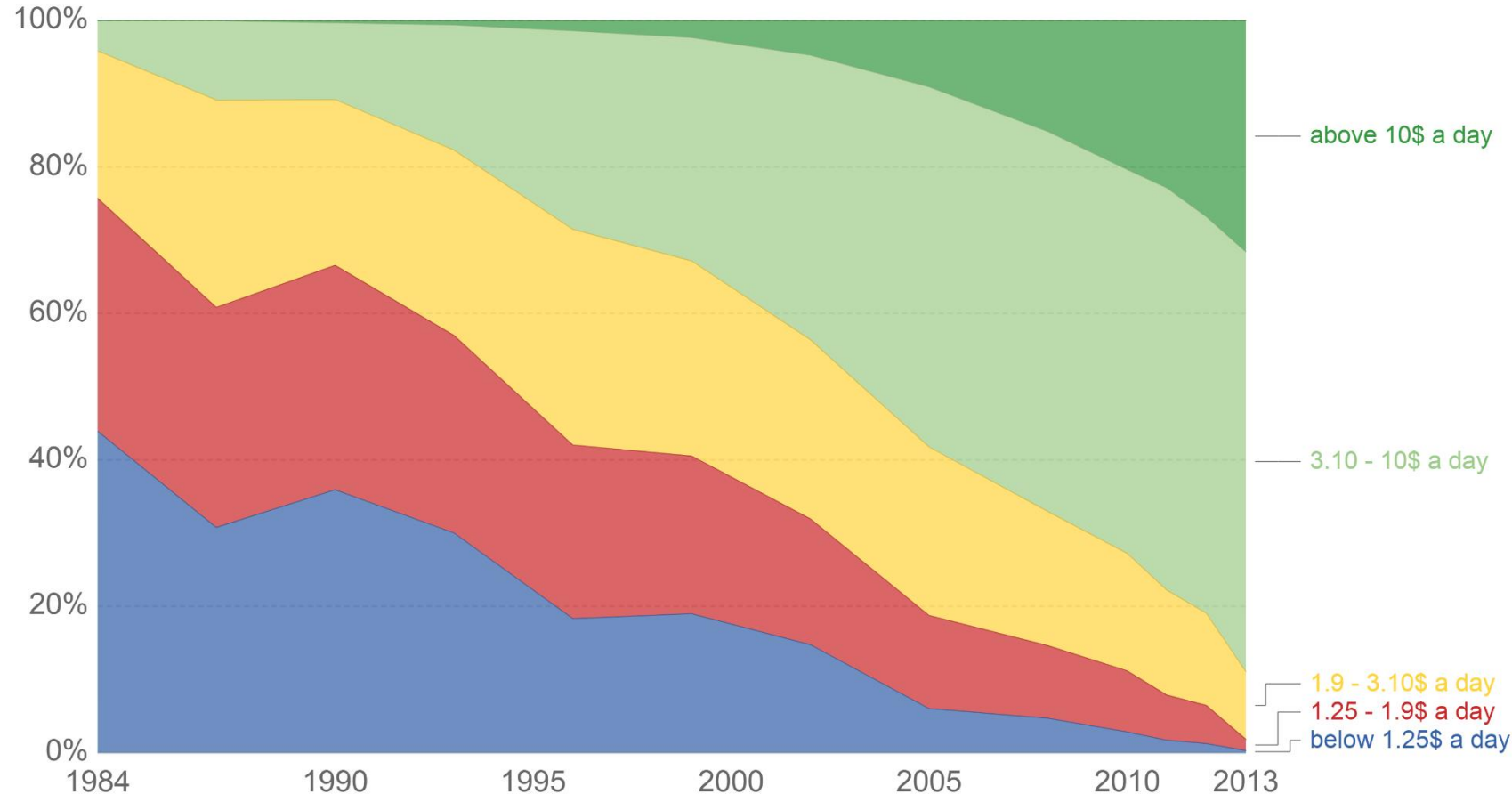
Note: Estimates for high-income countries are included, but are not always comparable with those from other countries because of differences between income and consumption data.

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Distribution of people between different poverty thresholds, China



Poverty thresholds are all in 'international dollars' at constant 2011 PPP prices. This means all figures account for cross-country differences in price levels, as well as for inflation. Estimates rely on a combination of income and consumption data (see sources for details).



The experience of China is remarkable in this respect.

In 1984 more than two-thirds of the population lived in extreme poverty; and over the course of just one generation the share in extreme poverty declined to less than 2%.

(Note: You can explore trends by country using the option "Change country" in the interactive version of this chart; and you can also toggle the option "Relative" to show total poverty headcount figures.)

Source: World Bank

Note: Estimates for high-income countries are included, but are not always comparable with those from other countries because of differences between income and consumption data.

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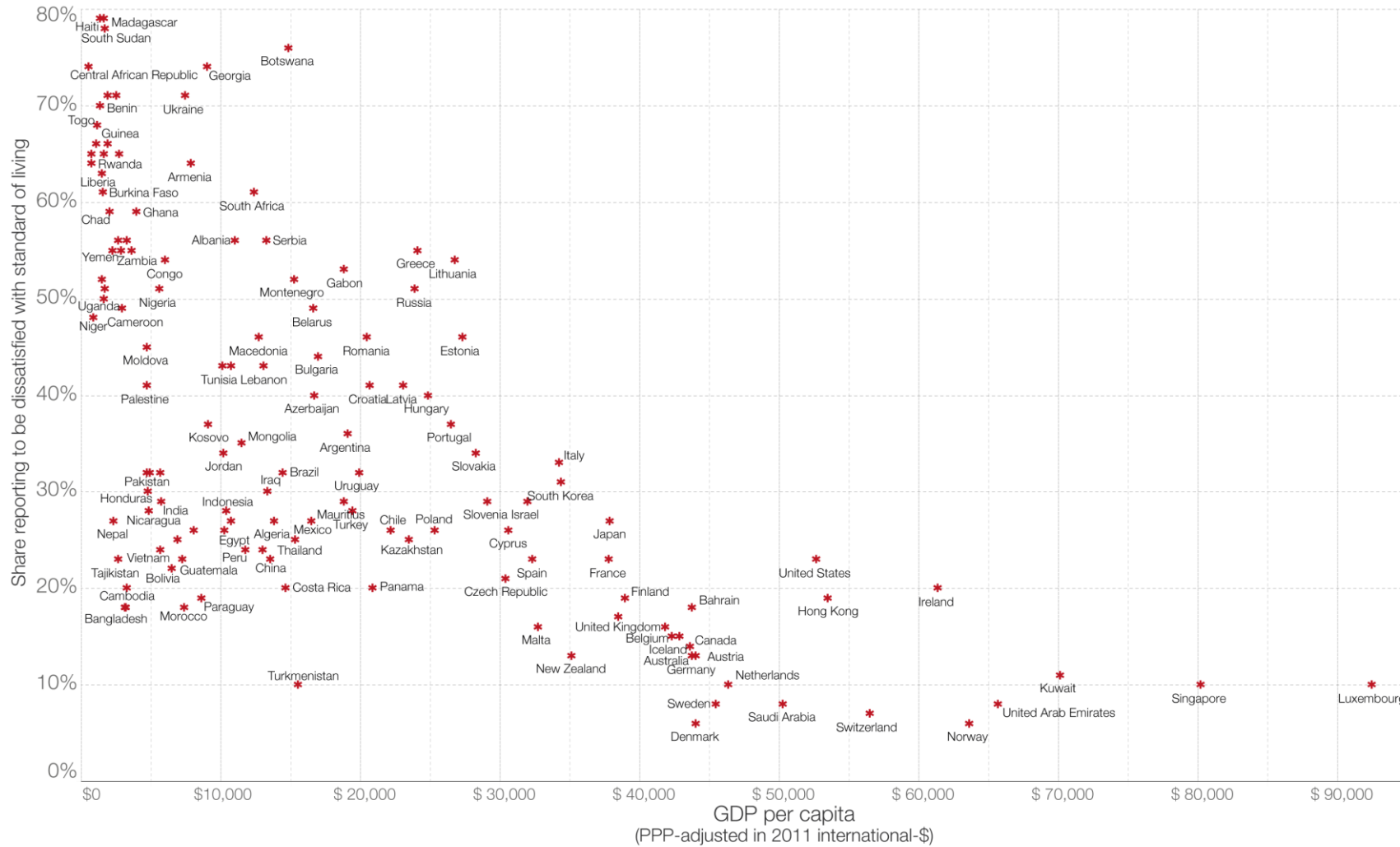
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There is no empirical evidence to support the romantic idea that people living in extreme material deprivation are satisfied with their standards of living

Dissatisfaction with standard of living vs GDP per capita

Shown on the y-axis is the share that answered 'dissatisfied' to the question "Are you satisfied or dissatisfied with your standard of living, all the things you can buy and do?".



The Gallup World Poll asked people around the world what they thought about their standard of living—not only about their income.

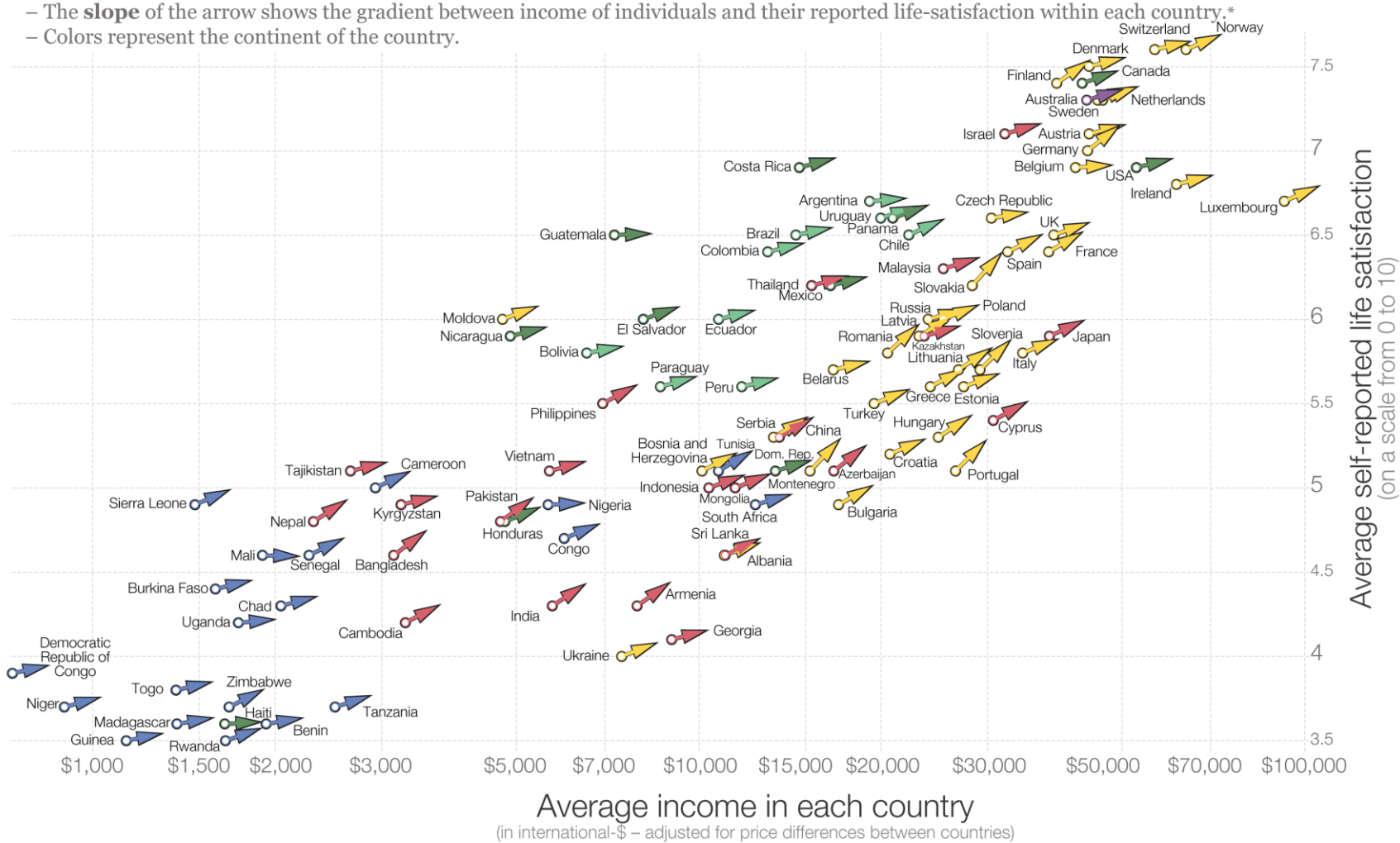
The following chart compares the answers of people in different countries with the average income in those countries. It shows that, broadly speaking, people living in poorer countries tend to be less satisfied with their living standards.

Data source: GDP per capita data from the World Bank; survey data on the satisfaction with living standards from the Gallup World Poll. The visualization is available at OurWorldinData.org where you find more visualizations and research on global development.

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People in richer countries tend to be happier and within all countries richer people tend to be happier

- The **position** of the arrow shows the average life satisfaction reported by the population of a country (vertical axis) and the average income of that country (horizontal axis).
- The **slope** of the arrow shows the gradient between income of individuals and their reported life-satisfaction within each country.*
- Colors represent the continent of the country.



And there is a similar correlation in terms of subjective well-being.

As this chart shows, low-income countries tend to have lower self-reported life satisfaction; and richer people within these countries tend to have higher self-reported life satisfaction.

* The gradients correspond, country by country, to the regression coefficients between income quintiles and the related average life satisfaction reported by people within each income quintile.
Data sources: World Bank for data on incomes by quintile (based on income shares by quintile and GDP per capita as the mean income); Gallup World Poll for life satisfaction by income quintile. The visualization is available at [OurWorldinData.org](https://ourworldindata.org). There you find the research and more visualizations on life satisfaction. Licensed under CC-BY-SA by the author Max Roser.

Self-reported life-satisfaction across the income distribution

For each country, incomes have been split into five groups with the same number of people (income quintiles). Lines show, country by country, the average self-reported life satisfaction of people at a given income quintile. (Data is for 2008 to 2014 depending on the country; Countries ordered by income.)

– Incomes are adjusted for price differences between countries

– Life-satisfaction is self-reported as the answer to the following survey question:

"Please imagine a ladder with steps numbered from 0 at the bottom to 10 at the top. Suppose we say that the top of the ladder represents the best possible life for you, and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time, assuming that the higher the step the better you feel about your life, and the lower the step the worse you feel about it? Which step comes closest to the way you feel?"



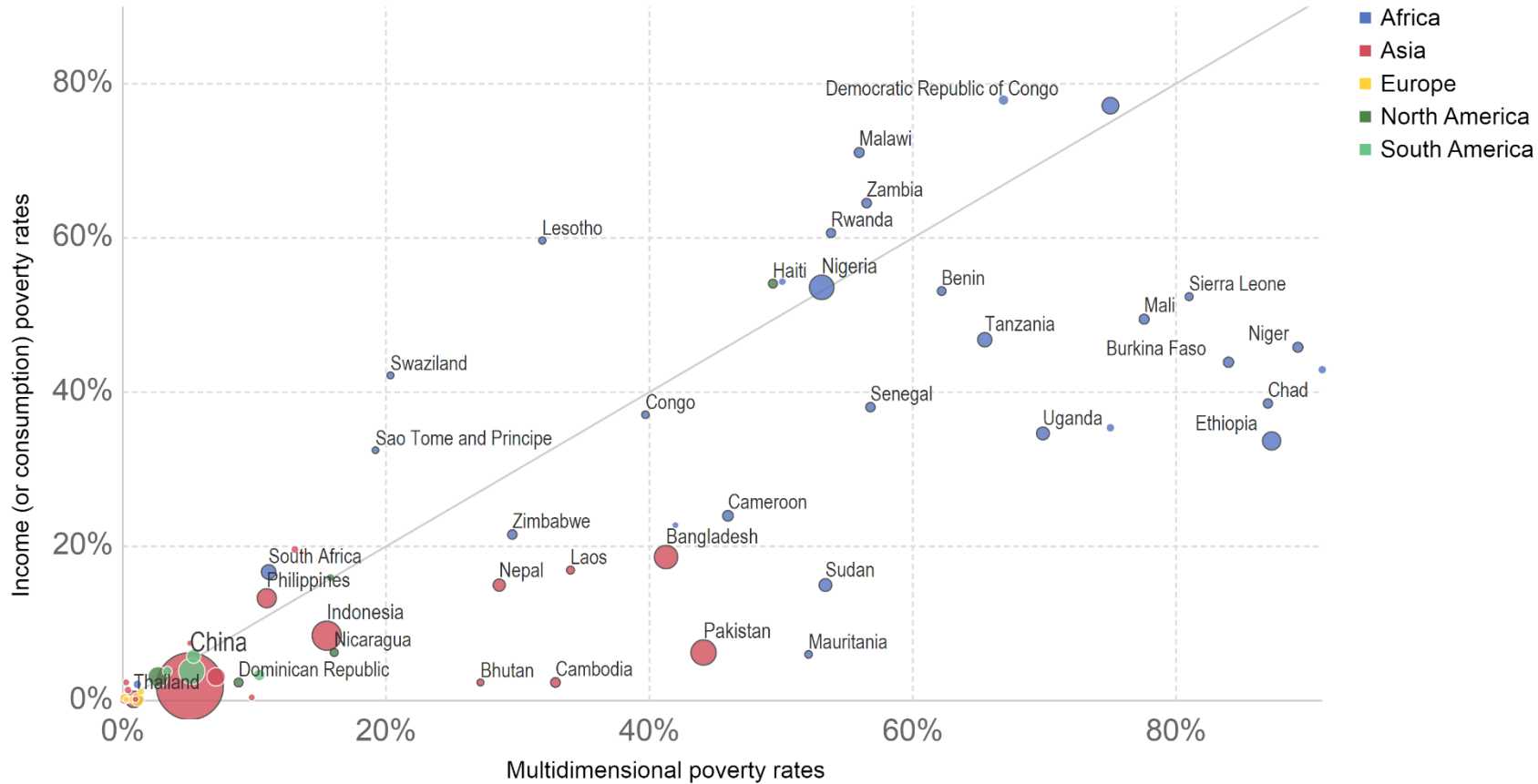
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Share of population in multidimensional poverty vs. Share of population living with less than \$1.90 per day, 2014



Multidimensional poverty is based on the Multidimensional Poverty Index, weighing ten indicators of deprivation in the context of education, health and living standards. Individuals are considered poor if deprived in at least one third of the weighted indicators (see source for more details). The \$1.90 poverty line is in international dollars adjusting for price differences between countries and for price changes over time (inflation).



Poverty is complex. It's not just about monetary incomes.

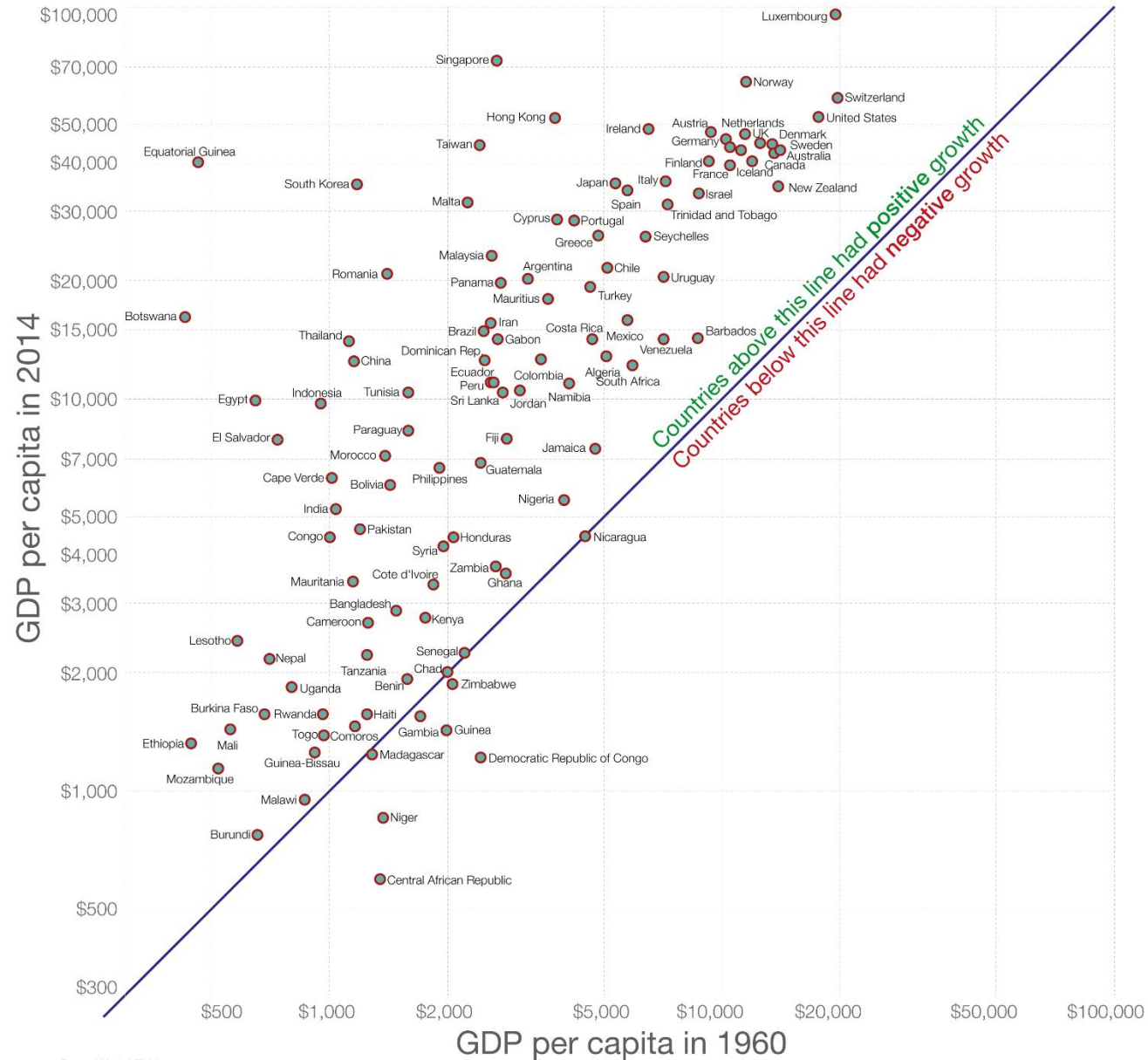
This chart shows a proxy of 'multidimensional poverty' weighing ten household-level indicators of deprivation in the context of education, health and living standards.

As we can see, monetary and multidimensional poverty are related, but clearly not one and the same.

(Note: You can read more about this in our article discussing [poverty across multiple dimensions.](#))

GDP per capita in 1960 and 2014

GDP per capita is adjusted for price changes over time (inflation) and for price differences between countries (purchasing power parity (PPP) adjustment).

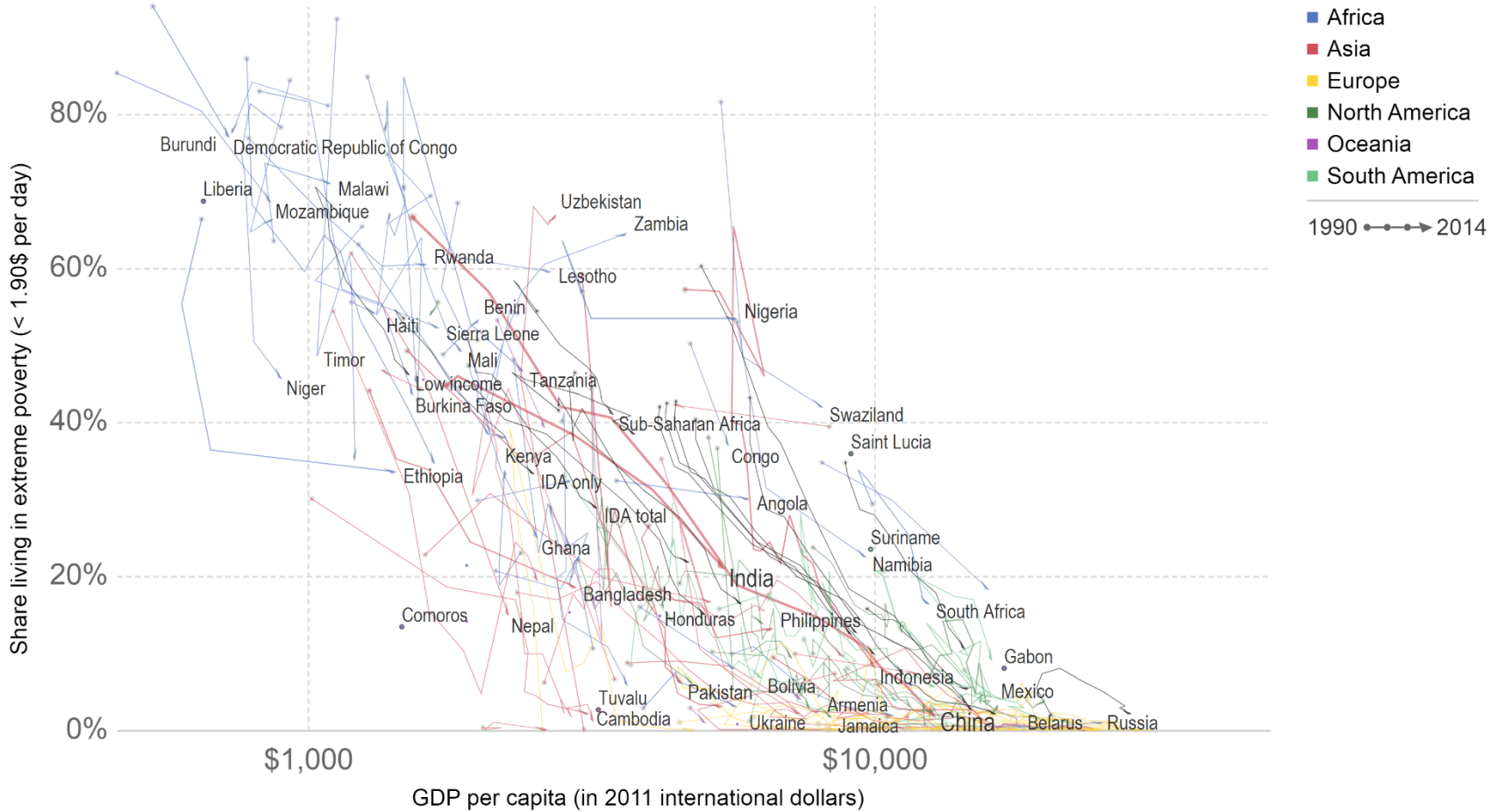


But higher incomes do make a huge difference to living standards. It's no coincidence that in the last decades, when we have reduced poverty globally, we have also witnessed important economic growth.

The share of people living in extreme poverty vs GDP per capita, 1990 to 2014



Both measures are adjusted for inflation over time and for price differences between countries (PPP adjustment) and are expressed in 'international dollars'. Extreme poverty is defined as living with less than 1.90\$ per day.



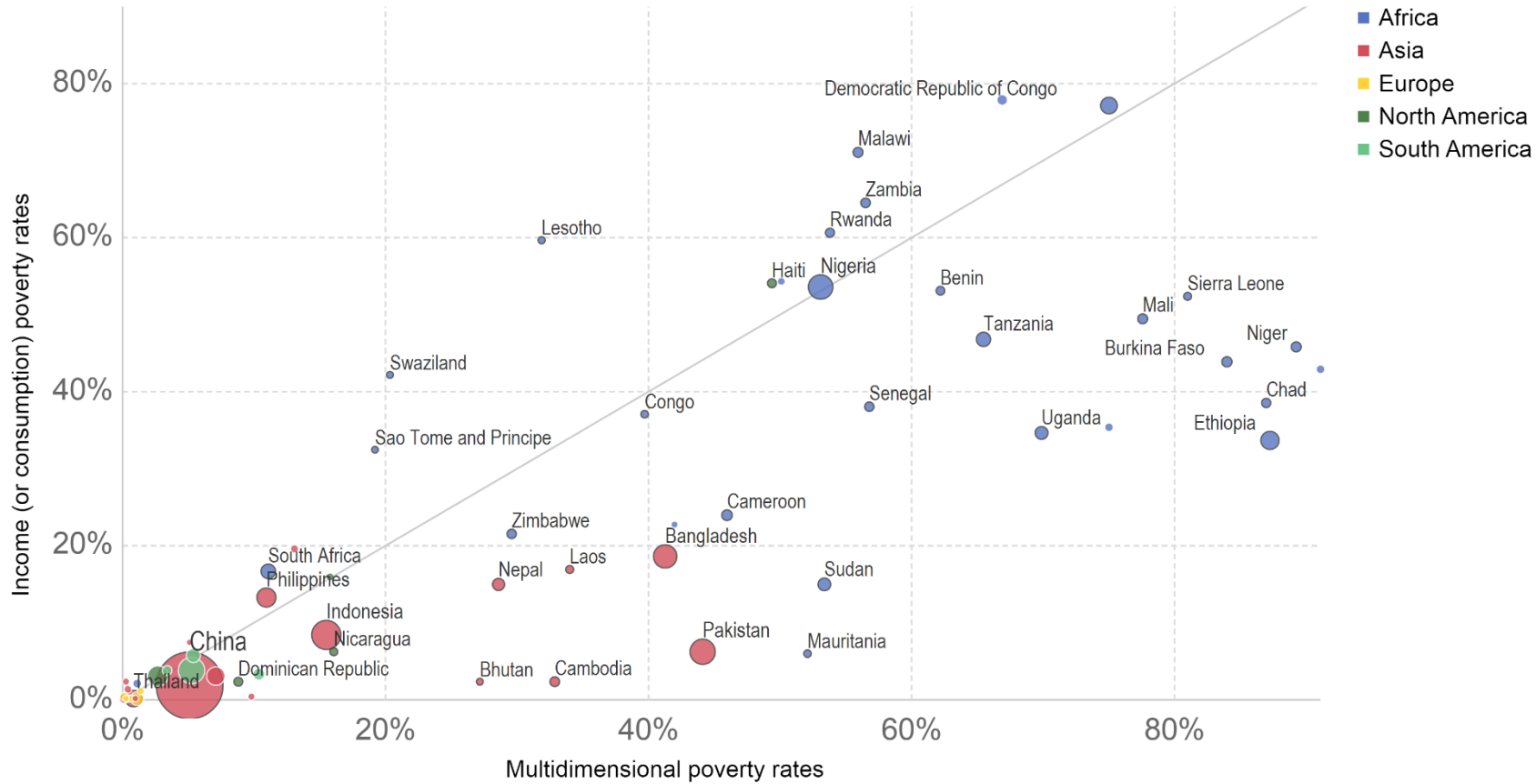
Indeed, the correlation between GDP per capita and extreme poverty is strong, both across countries at any point in time, as well as within countries across time.

Note: This 'connected scatter plot' shows country-level changes in GDP per head and poverty rates over time; specifically, over the period specified in the slider. You can move the marks on the slider to change the length of the time window for which changes are plotted. When the beginning and end marks coincide, the chart plots a traditional cross-sectional scatter plot.

Share of population in multidimensional poverty vs. Share of population living with less than \$1.90 per day, 2014



Multidimensional poverty is based on the Multidimensional Poverty Index, weighing ten indicators of deprivation in the context of education, health and living standards. Individuals are considered poor if deprived in at least one third of the weighted indicators (see source for more details). The \$1.90 poverty line is in international dollars adjusting for price differences between countries and for price changes over time (inflation).



Social policy and direct household-level support, too, make an important difference.

Social policy is important both because it can contribute to promote income growth, and because it often makes the wait for growth less painful.

“Economists (and other experts) seem to have very little useful to say about why some countries grow and others do not... Given that economic growth requires manpower and brainpower, it seems plausible, however, that whenever that spark occurs, it is more likely to catch fire if women and men are properly educated, well fed, and healthy, and if citizens feel secure and confident enough to invest in their children, and to let them leave home to get the new jobs in the city. It is also probably true that until that happens, something needs to be done to make that wait for the spark more bearable.”

(Banerjee and Duflo, Poor Economics, Page 270)

Entrepreneurship Education Goes Beyond Colleges and Business Schools

- Programs vary dramatically on many dimensions
 - Target population: high school students, military veterans, unemployed workers, under-represented populations, individuals with a demonstrated interest in starting a business
 - Sponsor/payor: government, individuals, private sector
 - Duration
 - Content or supports provided
 - Objectives
- Examples
 - Department of Labor programs for unemployed
 - Programs to retrain workers after massive lay offs
 - Programs for entrepreneurs who seek funds to start their business or raise funds for existing businesses
 - Training and assistance for veterans who want to create their own business

Major Components of “Growing America Through Entrepreneurship” Program

- Assessment
 - Evaluate possible success of the project
- Training
 - General courses on how to start a businesses (the business plan, marketing, cash flow, legal structure and financial management)
 - Classes on specialized topics (child care businesses, e-commerce)
- Technical assistance
 - One-on-one help with business issues (refinement of business idea, business plan writing and development, marketing)
- Assistance in applying for business loan

Components of the Veteran Entrepreneurship Support Programs

- The Veterans Business Outreach Program provides entrepreneurial development services such as
 - Business training
 - Counseling
 - Mentoring to eligible veterans owning or considering starting a small business
- Veterans Business Outreach Centers provide
 - Pre-business plan workshops
 - Concept assessments
 - Business plan preparations
 - Comprehensive feasibility analysis
 - Entrepreneurial training and counseling
 - Mentorship and other business developmental related services

Entrepreneurship Education Programs are Rarely Evaluated

- What is the short-term effect on the outcomes of entrepreneurs?
 - Do they actually start a business?
- What is the long-term effect on entrepreneurs?
 - Is the business successful?
- Against what objectives should the programs be evaluated?
 - For example a program that discourages people with bad ideas from becoming entrepreneurs may be viewed as a failure by some metrics
- What combinations of interventions work?
- Can these interventions be scaled up?

Lecture Overview

- Role of education system in ensuring an entrepreneurial workforce?
- Examples of entrepreneurship programs in schools
- Programs designed to “teach” entrepreneurship beyond schools
- **Student Presentations**

Student Presentation

- Benus, Jacob, Sheena McConnell, Jeanne Bellotti, Theodore Shen, Kenneth Fortson and Daver Kahvecioglu. May 2008. *Growing America Through Entrepreneurship: Findings from the Evaluation of Project GATE*. Available on-line at the Department of Labor website at:
http://wdr.doleta.gov/research/keyword.cfm?fuseaction=dsp_resultDetails&pub_id=2337&mp=y

Student Presentation

- Karlan, Dean S. and Valdivia, Martin, "Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions" (July 2006). Yale University Economic Growth Center Discussion Paper No. 941 Available at SSRN: <http://ssrn.com/abstract=920487>

Further Resources from Our World in Data

- Blog posts and data entries on this topic:
 - ourworldindata.org/extreme-poverty
 - ourworldindata.org/happiness-and-life-satisfaction
- Reading list and Teaching Notes for other topics:
ourworldindata.org/teaching-notes

References

- Social Entrepreneurship: An Evidence-Based Approach to Creating Social Value (Bryson Series in Public and Nonprofit Management) 1st Edition, Kindle Edition by Chao Guo (Author), Wolfgang Bielefeld (Author)
- Social Entrepreneurship and Innovation: International Case Studies and Practice by Ken Banks , Peter Gabriel, et al
- Social Entrepreneurship: What Everyone Needs to Know Part of: What Everyone Needs to Know April 16, 2010 by David Bornstein
- Understanding Social Entrepreneurship: The Relentless Pursuit of Mission in an Ever Changing World 3rd Edition by Jill Kickul (Author), Thomas S. Lyons (Author)
- Introduction to Social Entrepreneurship 1st Edition by Teresa Chahine (Author)
- Social Entrepreneurship: Managing the Creation of Social Value 1st Edition by Constant Beugré (Author)
- Social Entrepreneurship, Intrapreneurship, and Social Value Creation: Relevance for Contemporary Social Work Practice – April 25, 2019 by Monica Nandan (Author), Tricia B. Bent-Goodley (Author), Gokul Mandayam (Author)
- Getting Beyond Better: How Social Entrepreneurship Works – October 6, 2015 by Roger L. Martin (Author), Sally Osberg (Author), Arianna Huffington (Foreword)