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Poverty Analysis

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1. INTRODUCTION

Poverty is multidimensional. It has no single definition and standard way of measurement. It is usually measured in either monetary or non-monetary terms.

This report assesses the poverty situation in the Republic of Mauritius in 2012 and over time, using the monetary approach. The analysis is based mainly on Household Budget Survey data. In some cases, additional data from administrative sources have been tapped to assess the impact of government transfers and free services on the poor.

1.1 POVERTY LINE USED IN THE REPORT

A person or household is deemed 'poor' if its resources fall below a threshold or cut off line known as the poverty line.

Statistics Mauritius (SM) uses the relative poverty line set at half of the median monthly household income per adult equivalent. In 2012, the relative poverty line was Rs 5,652 for a 1-adult member household and Rs 13,310 for a household comprising 2 adults and 2 children.

The analysis in this report is based mainly on the relative poverty line. It is used to determine the profile of the poor and how they compare with the non-poor. Given that the relative poverty line is not appropriate for monitoring changes in poverty levels over time since it varies according to the income distribution of the population, an absolute poverty line has also been used (in Section 7) by keeping the 1996/97 relative poverty line fixed in real terms.

2. HIGHLIGHTS

Relative poverty in 2012

In 2012, around 33,600 households (9.4%) comprising 122,700 persons (9.8%) were in relative poverty.

Children were more prone to poverty than older people. There was an estimated 42,100 children in relative poverty out of a total of 285,900 children.

The following households were more likely to be in relative poverty:

- Households with 3 or more children
- Households headed by divorced / separated persons
- Households headed by persons with low educational attainment
- Households with one parent and unmarried children only
- Single member households
- Households with 6 or more members (large households)
- Female headed households

Household income and expenditure in 2012

The average income of households in relative poverty was Rs 9,800 per month, ten times less than that of the richest 10% of households (Rs 97,400).

The average monthly consumption expenditure of households in relative poverty was Rs 8,300, seven times less than that of the richest 10% of households (Rs 53,600).

Household debt repayment in 2012

1 out of every 5 households (20%) in relative poverty was in debt. Among indebted households, poor ones disbursed around one-third of its income (Rs 3,200) on debt repayment per month.

Government transfers

Social protection, free health services, education and bus transport play a key role in bringing down poverty. Without them, poverty would have soared to more than three times its level; in 2012 the proportion of poor households would have been 30% instead of 9.4%.

Social protection which comprises mainly universal pensions is the main instrument in reducing poverty by bringing it down to half its level. Next comes free education, free health services and free bus transport for certain categories of the population. The 2012 poverty rate of 9.4% would have been higher at:

- 19% without any social protection;
- 15% without free education only;
- 13% without free health services only; and
- 10% without free bus transport only.

Has the situation of people in relative poverty improved over time?

During the period 1996/97 to 2012, people in relative poverty became better off in terms of housing conditions and possession of durable goods. They lived in less overcrowded houses and were more likely to own durable goods.

Their income situation improved from 1996/97 to 2012 but they consumed less, and had a high indebtedness. Their average household income, after adjusting for inflation, increased by 12.2% but their consumption expenditure decreased by 8.1%. At the same time, their debt burden increased from 3.1% to 8.0% of their income.

Trends in poverty

Though relative poverty increased from 1996/97 to 2012, in absolute terms the poverty level has actually decreased. Upon keeping the relative poverty line of 1996/97 fixed and adjusting for price changes, the proportion of poor households decreased from 8.7% to 5.0% bringing the number down from 23,800 to 18,000; the proportion of poor persons went down from 8.2% to 5.3% and declined in number from 92,700 to 67,000.

3. TRENDS IN RELATIVE POVERTY

3.1 HOUSEHOLDS AND PERSONS IN RELATIVE POVERTY

There has been a general increase in relative poverty from 1996/97 to 2012...

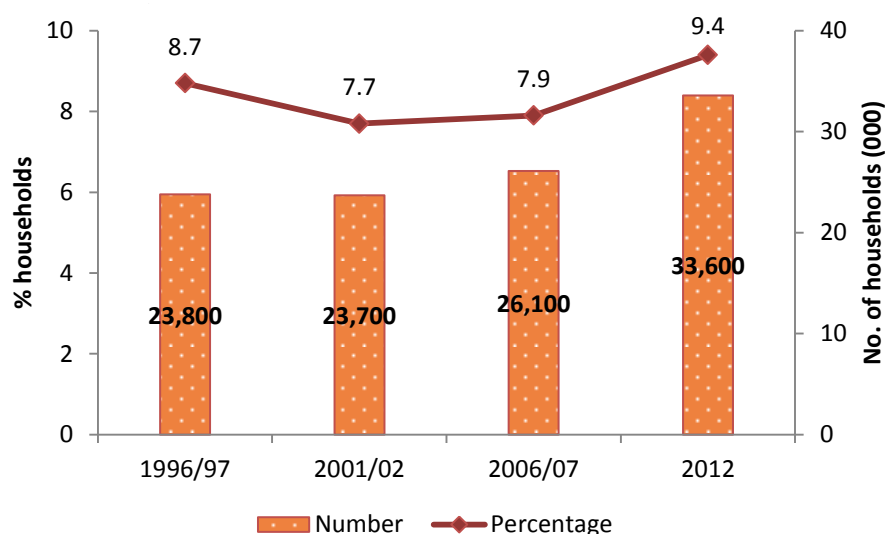
Relative poverty decreased from 1996/97 to 2001/02 and increased in the next two consecutive 5-year periods (2001/02 – 2006/07 and 2006/07 – 2012) to peak in 2012.

Table 1 – Summary indicators of relative poverty, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Relative poverty line ¹ (Rs)	2,004	2,804	3,821	5,652
Households in relative poverty				
<i>Number</i> ²	23,800	23,700	26,100	33,600
<i>Proportion (%)</i>	8.7	7.7	7.9	9.4
Persons in relative poverty				
<i>Number</i> ²	92,700	93,800	105,200	122,700
<i>Proportion (%)</i>	8.2	7.8	8.5	9.8

The proportion of households in relative poverty decreased from 8.7% in 1996/97 to 7.7% in 2001/02, and increased slightly to 7.9% in 2006/07. It then went up sizeably to reach 9.4% or 33,600 households in 2012.

Chart 1 - Households in relative poverty, 1996/97- 2012

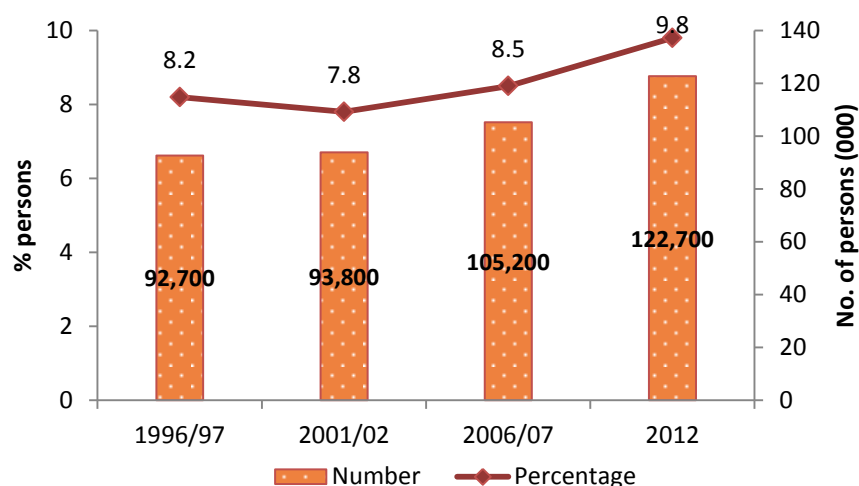


¹ Defined as half of the median monthly household income per adult equivalent; household income comprises disposable income and imputed rent. Section 8 gives more detailed information on the methodology used.

² Estimates on number of households and persons have been revised according to population series based on the 2011 Population Census.

A similar pattern is observed in terms of persons. The proportion of persons in relative poverty decreased from 8.2% in 1996/97 to 7.8% in 2001/02. It then increased to 8.5% in 2006/07 and to a high 9.8% or 122,700 persons in 2012.

Chart 2 - Persons in relative poverty, 1996/97- 2012



... in line with changes in the income distribution of households

The above changes in relative poverty depict mainly changes in the income distribution of the population. As the income distribution becomes more unequal, relative poverty increases.

From 1996/97 to 2012, both the Gini coefficient (*which measures the extent to which the income distribution of households deviates from a perfectly equal income distribution*) and the proportion of households in relative poverty follow the same trend (Table 2).

Table 2 – Selected summary indicators on relative poverty, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Relative poverty line – Half median monthly household income per adult equivalent (Rs.)	2,004	2,804	3,821	5,652
Proportion of households in relative poverty (%)	8.7	7.7	7.9	9.4
Gini coefficient ³	0.387	0.371	0.388	0.414

³ The Gini coefficient ranges from 0 (complete income equality) to 1 (complete income inequality), computed based on household disposable income.

Depth of poverty

In addition to measuring relative poverty by the number and proportion of households/people who fall below the poverty line, it is useful to determine the depth and intensity of poverty in terms of income and poverty gaps respectively.

The income gap ratio measures poverty depth; it is the percentage by which the mean income of poor households falls below the poverty line and stood at 24% in 2012.

The poverty gap ratio (PGR) is a more comprehensive measure used to reflect the intensity of poverty. It encompasses both the extent and depth of poverty and is calculated as the mean shortfall of all households from the poverty line. It is estimated at 2.3% in 2012

The PGR also indicates the total amount of resources that are needed to bring all poor out of poverty. It is an important indicator for programmes and policies for poverty alleviation. For 2012, the amount of money that is required to move people out of poverty is estimated at Rs 1.3 bn.

Over the past fifteen years, it is observed that the depth and intensity of relative poverty have increased, indicating a consistent deterioration of the situation of people in relative poverty as compared to the non-poor.

Table 3 – Income and poverty gap ratios (expressed as %) based on relative poverty lines, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Relative poverty line – Half median monthly household income per adult equivalent (Rs.)	2,004	2,804	3,821	5,652
Income gap ratio (%)	21.0	22.6	21.9	24.0
Poverty gap ratio (%)	1.7	1.8	1.9	2.3

3.2 HAS THE SITUATION OF PEOPLE IN RELATIVE POVERTY IMPROVED OVER TIME?

The income situation of households in relative poverty has improved over the past fifteen years...

Albeit a deterioration in their poverty situation when compared to the non-poor, their average household income, after adjusting for inflation, increased by 12.2% from 1996/97 to 2012, with five-yearly increases hovering between 3.7% and 4.1% (Table 4). This is an indication that their income has been increasing less fast than that of the non-poor, whose income increased by 13.1% from 1996/97 to 2012.

... but they consumed less...

However, their average household consumption expenditure, after adjusting for inflation, was 8.1% less in 2012 than in 1996/97. During the period 1996/97 to 2001/02, their household consumption went down drastically by 13.1%; it then increased by 10.7% to the next five years ending 2006/07 but went down again by 4.4% until year 2012 (Table 4).

Table 4 –Income and expenditure of households in relative poverty, 1996/97 - 2012

	Average monthly household income ⁴ (Rs)	% Real change over previous HBS	Average monthly household consumption expenditure ⁵ (Rs)	% Real change over previous HBS
1996/97	3,700		3,800 ⁶	
2001/02	5,100	4.1	4,400	-13.1
2006/07	7,100	3.7	6,500	10.7
2012	9,800	4.0	8,300	-4.4

... and had higher indebtedness

Their average monthly debt repayment, in real terms, also grew by around twofold (186%) over the past four HBS periods, with the highest increase noted from 2006/07 to 2012.

Table 5 – Income, expenditure and debt of households in relative poverty, 1996/97 - 2012

	Average monthly household income ³ (Rs)	% Real change over previous HBS	Average monthly household consumption expenditure ⁴ (Rs)	% Real change over previous HBS	Average monthly household debt repayment ⁷ (Rs)	% Real change over previous HBS
1996/97	3,700		3,800 ⁵		100	
2001/02	5,100	4.1	4,400	-13.1	200	60.9
2006/07	7,100	3.7	6,500	10.7	300	5.0
2012	9,800	4.0	8,300	-4.4	600	69.4

⁴ Household income comprises disposable income and imputed rent.

⁵ Household consumption expenditure has been adjusted for infrequently purchased items such as air tickets, household appliances, etc., except for 1996/97 and 2001/02.

⁶ Household expenditure is higher than income, since poor households tend to buy goods on credit.

⁷ In this section, in order to give an overview of the financial situation of the poor over time, household debt has been analysed among all poor households, irrespective of whether they are indebted or not.

The debt burden ratio⁸, share of average monthly debt repayment over average monthly disposable income, also increased during same period.

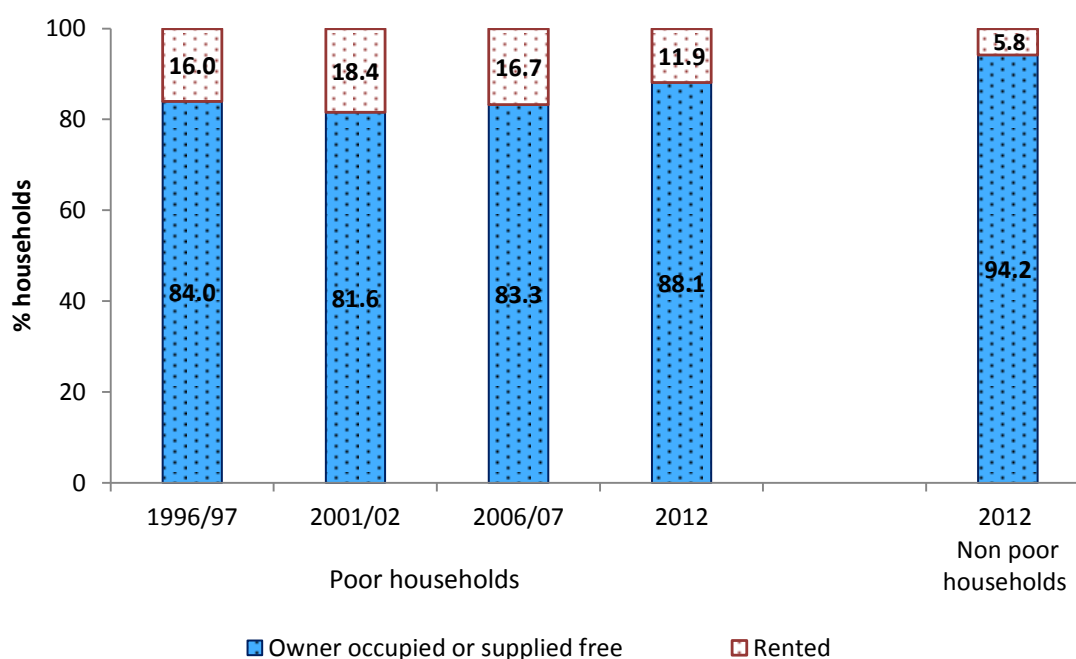
Table 6 – Debt burden of households in relative poverty, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Average monthly debt repayment (Rs)	100	200	300	600
Average monthly disposable income (Rs)	3,000	4,100	5,700	7,900
<i>Debt burden ratio</i> ⁷ (%)	3.1	4.8	4.9	8.0

From 1996/97 to 2012, households in relative poverty were more likely to be owners...

The percentage of renting households among those in relative poverty declined from 16% to 12%; these households are less likely to be owner occupied and to receive free accommodation from parents/ relatives or employer. It is worth mentioning that for non-poor households, only 5.8% households rented their houses.

Chart 3 –Households in relative poverty by type of tenure, 1996/97 – 2012

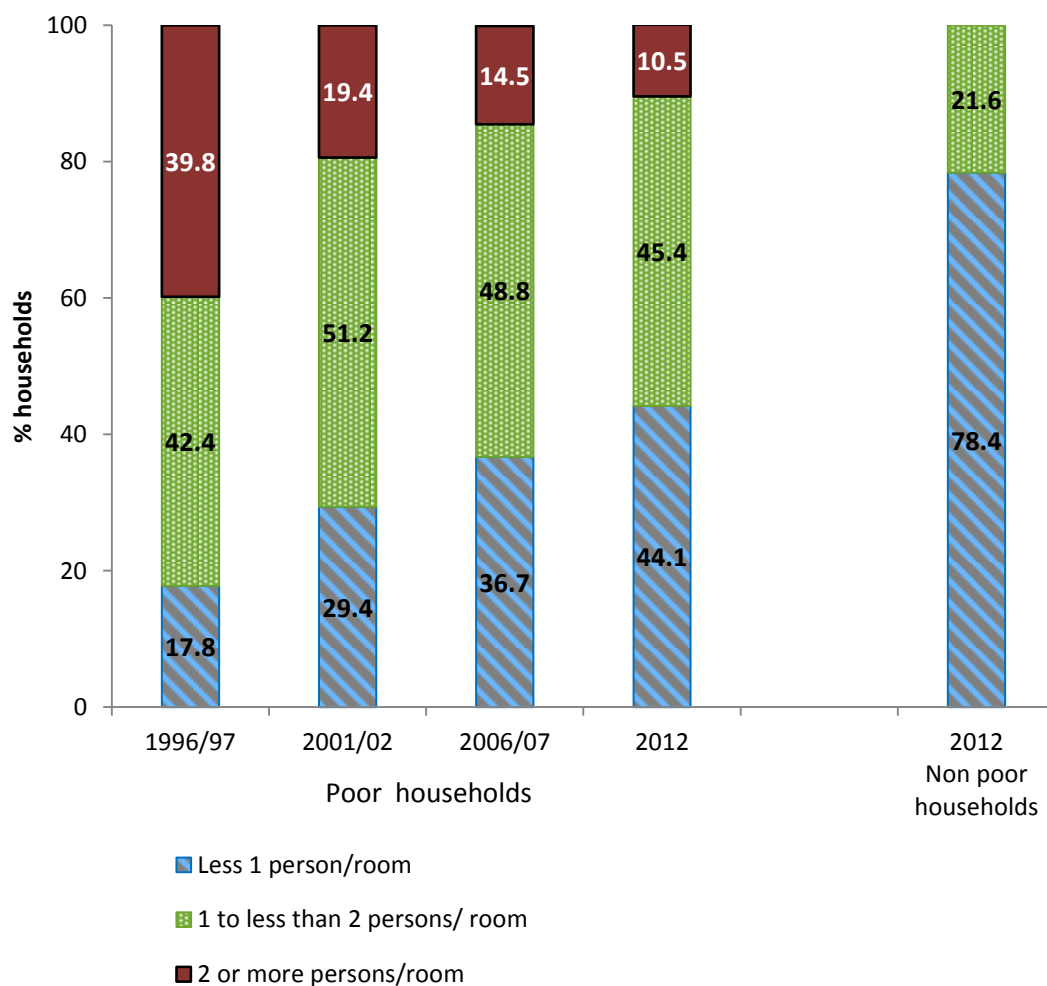


⁸ Debt burden ratio, expressed in terms of percentages, is based on all poor households irrespective whether they are indebted or not.

... and lived in less overcrowded housing...

In 2012, some 11% of households in relative poverty lived in dwellings with two or more persons per room, compared to a significant proportion of 40% in 1996/97.

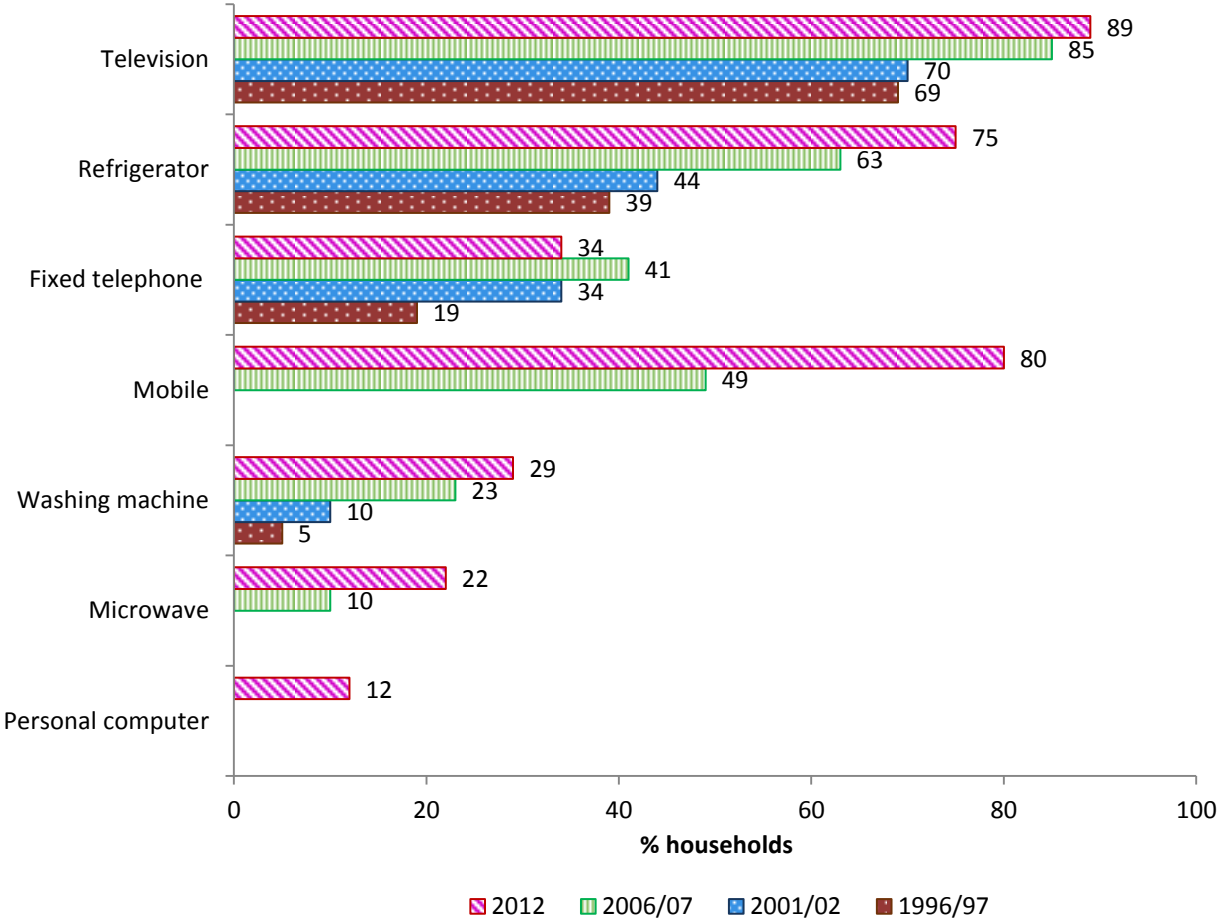
Chart 4 – Households in relative poverty by number of persons per room, 1996/97 – 2012



... and were more likely to own durable goods

Households in relative poverty also improved in terms of ownership of household durable goods like television, refrigerator, washing machine and, even mobile phones and personal computers.

Chart 5 – Households in relative poverty owning durable goods, 1996/97 - 2012



4. RELATIVE POVERTY IN 2012

4.1 HOW MANY ARE IN RELATIVE POVERTY?

In 2012, there were around 33,600 households (9.4%) comprising 122,700 persons (9.8%) in relative poverty in the Republic of Mauritius.

Table 7 – Selected summary indicators on relative poverty, 2012

Summary poverty indicators	2012
Estimated total number of households	357,100
Estimated total number of persons	1,255,900
Relative poverty line – Half median monthly household income per adult equivalent	Rs 5,652
Households in relative poverty	
Number	33,600
Proportion	9.4%
Persons in relative poverty	
Number	122,700
Proportion	9.8%

4.2 WHO ARE MORE LIKELY TO BE IN RELATIVE POVERTY?

Poverty is mostly likely to be prevalent among specific population groups with specific characteristics for example those lacking a certain of level of education or working in certain fields.

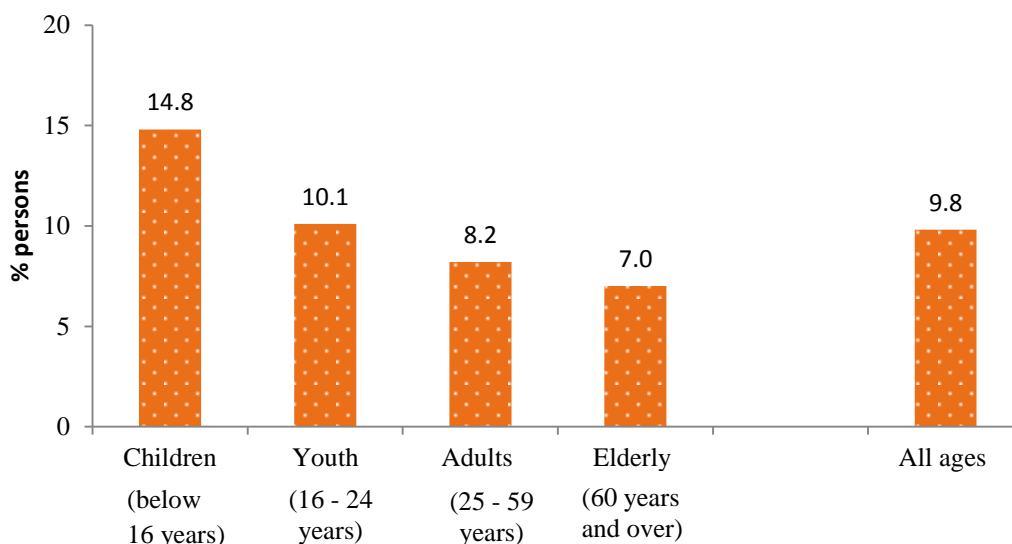
More females than males were in poverty

In 2012, females were more likely to be in relative poverty. The proportion of females in relative poverty was 10.5 % against 9.0 % for males. Out of 122,700 persons in relative poverty, 66,700 were females and 56,000 males.

Children were more vulnerable

Poverty decreases with age (Chart 6). In 2012, children aged less than 16 years were more likely to be poor (14.8%) than older people. It is estimated that around 42,100 children were in relative poverty in 2012.

Chart 6 – Poverty rate by selected age group, 2012

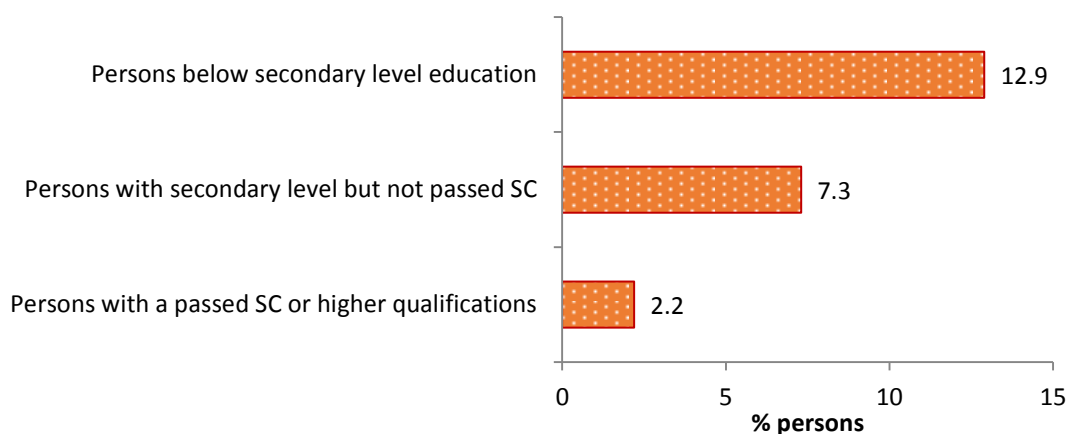


On the other hand old people, aged 60 years and over, were least likely to be in poverty (poverty rate of 7.0% in 2012) largely because all elderly persons receive old age pension from Government. Out of all people in relative poverty in 2012, there were around 11,300 old people.

Poor population are less qualified...

People with low level education are more likely to be in poverty. The poverty rate among the population aged 20 years and over who did not achieve secondary education was 12.9%. Conversely, the poverty rate among those who had at least a Cambridge School Certificate (SC) qualification was 2.2%,

Chart 7 – Poverty rate by educational attainment, 2012



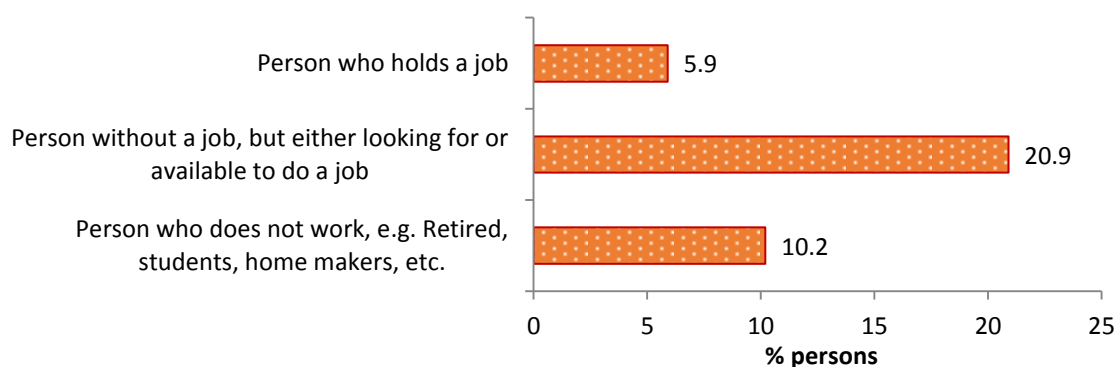
... and more likely to be jobless

Among the population aged 16 years and over, poverty was highly prevalent among unemployed persons (20.9%), followed by those people who were economically inactive i.e. retirees, home makers and students.

Among unemployed persons in poverty,

- over 50% were females,
- 60% were aged 16-24 years, and
- over 70% did not achieve SC qualification.

Chart 8 – Poverty rate by activity status, 2012



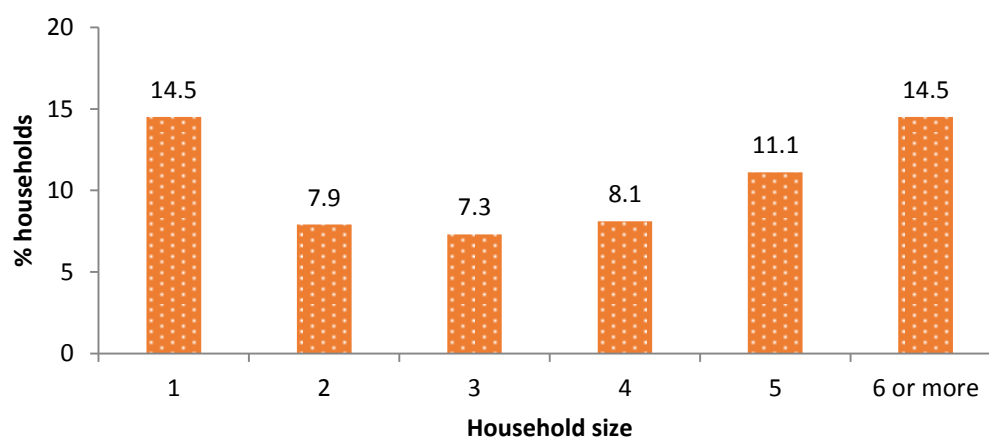
Among employed persons in poverty,

- over 90% did not achieve SC qualification, and
- 82% were engaged in low grade occupations such as skilled agricultural, forestry & fishery workers; craft & related trades workers; plant and machinery operators & assemblers; and elementary occupations.

Poverty is more pronounced among very small and large households, ...

In 2012, 1-person households and very large households with 6 or more persons were more likely to be poor with a poverty rate of around 15%.

Chart 9 – Poverty rate by size of household, 2012

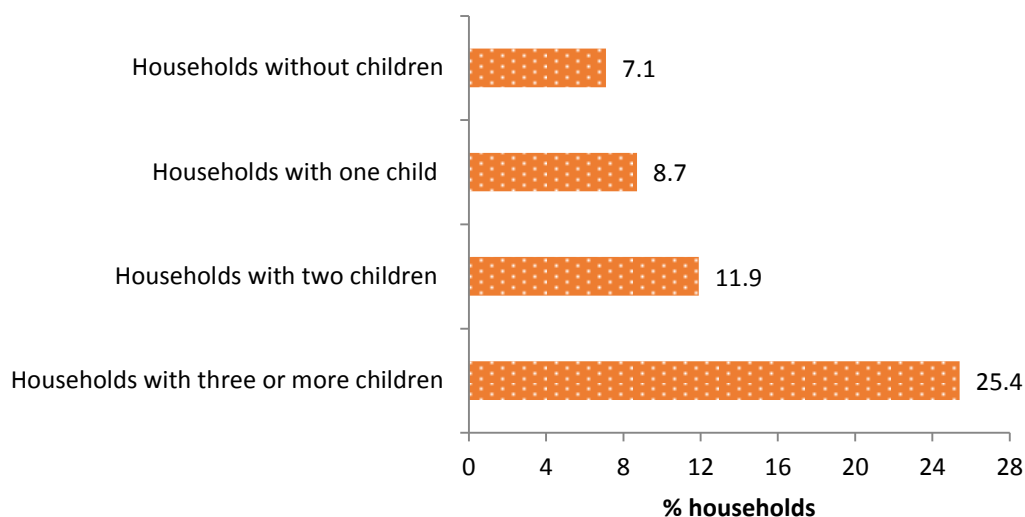


... among households with children, ...

In 2012, the prevalence of poverty among households with at least one child was 12.1%, much higher than among households without children (7.1%).

Poverty prevalence increases with the number of children in households. It stood at 8.7% for households with one child and increased to 25.4% for households with three or more children.

Chart 10 – Poverty rate by number of children in households, 2012



Households with children in poverty

- were large households with an average household size of 4.6 against 3.7 for all poor households;
- comprised mainly couples with unmarried children only (over 60%);
- were mostly headed by employed persons engaged in low occupations (over 80%); and
- drew lower income than those without children; the average monthly household income of poor households with children was Rs 4,200 per adult equivalent against Rs 4,500 for poor households without children.

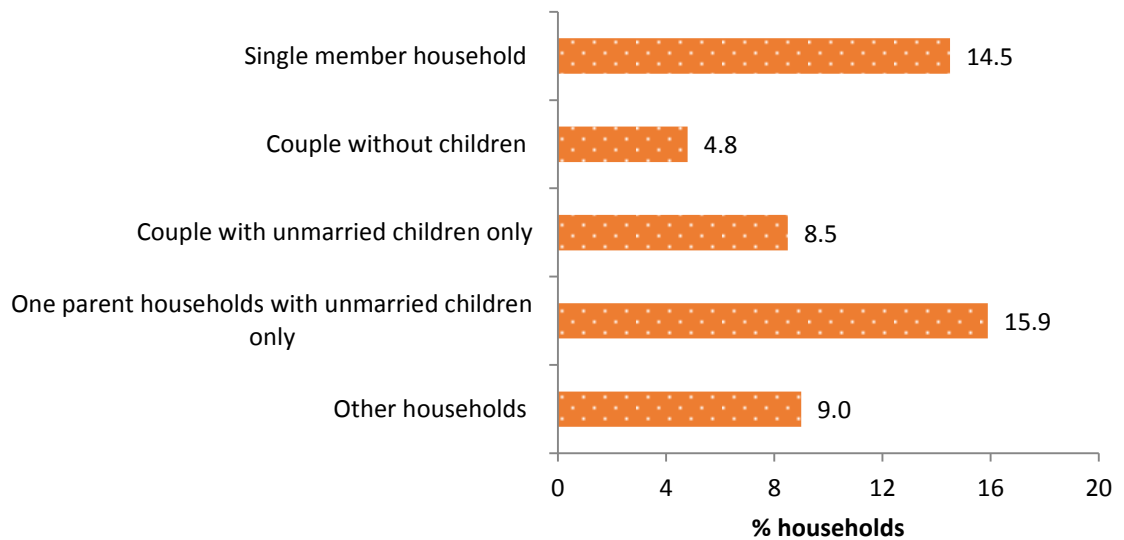
... among one-parent households with unmarried children only, ...

One parent households with unmarried children only had a high poverty rate of 15.9%. Out of these households, over 95% were headed by women.

Single member households were also highly likely to be in poverty (rate of 14.5%). Among these households:

- two thirds were made up of women; and
- nearly two thirds comprised old persons aged 60 years and over.

Chart 11 – Poverty rate by type of household, 2012



Poor households are more likely to be headed by females, ...

In 2012, 17.0% of female headed households were in relative poverty as compared to 7.3% of male headed households.

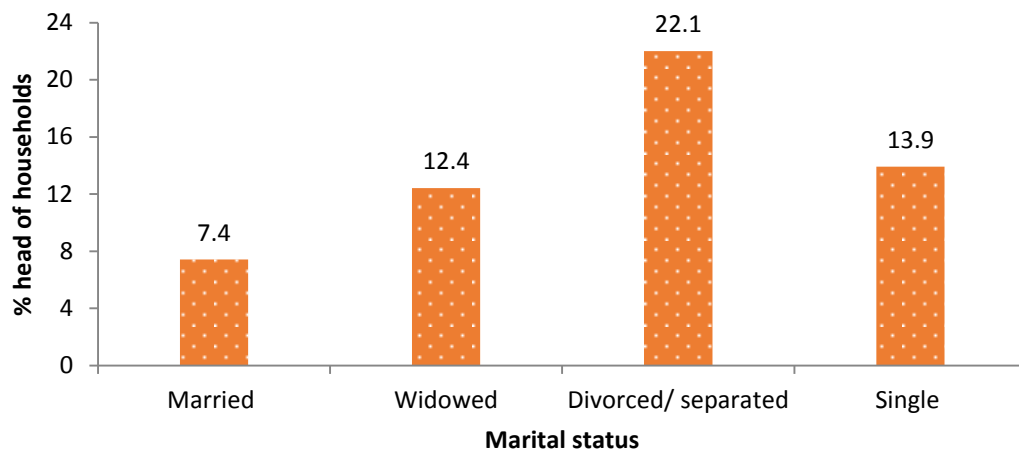
...by people who are below 60 years...

10.0% of all households with heads aged less than 60 years were in relative poverty in 2012 as compared to 8.1% for households headed by an elderly person.

... by widowed, divorced or separated persons, ...

In 2012, the prevalence of poverty was highest among heads who were divorced or separated (22.1%), followed by heads who were single (13.9%) or widowed (12.4%).

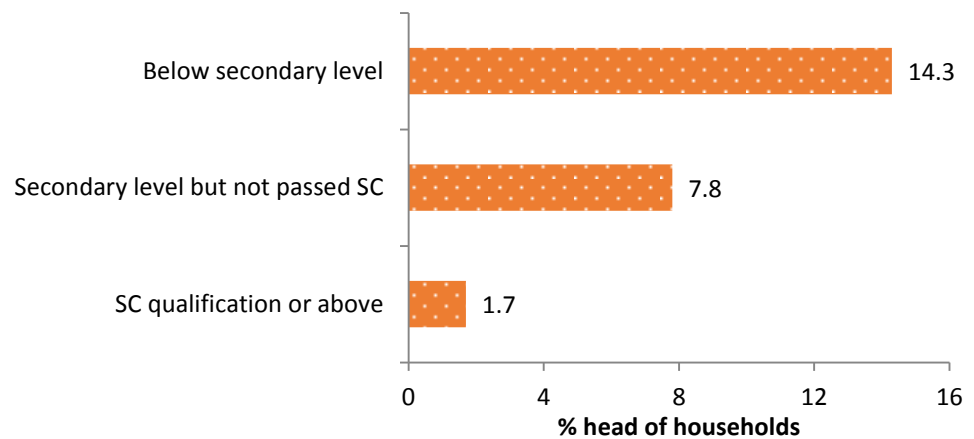
Chart 12 – Poverty rate by marital status of head, 2012



... by people with low education, ...

In 2012, the proportion of households headed by someone who did not reach at least a secondary level was 14.3% compared to other households headed by someone with at least an SC qualification (1.7%).

Chart 13 – Poverty rate by level of education of head, 2012



... by jobless people

In 2012, the poverty rate of households headed by people who do not work (either unemployed, retired, homemakers or in any state of economically inactive) was 14.1% compared to 7.3% among households whose heads had a job.

5. SITUATION OF PEOPLE IN RELATIVE POVERTY COMPARED TO THE OTHERS

This part of the analysis compares households in relative poverty with other categories of households. For this purpose, households are categorised as follows:

- (i) Poor – households living below the relative poverty line set at half median monthly income per adult equivalent
- (ii) Middle income - households falling in the fifth and sixth deciles group of household income per adult equivalent
- (iii) High income - households falling in the highest tenth decile group of household income per adult equivalent.

Poor households are large households with more children but fewer income earners,...

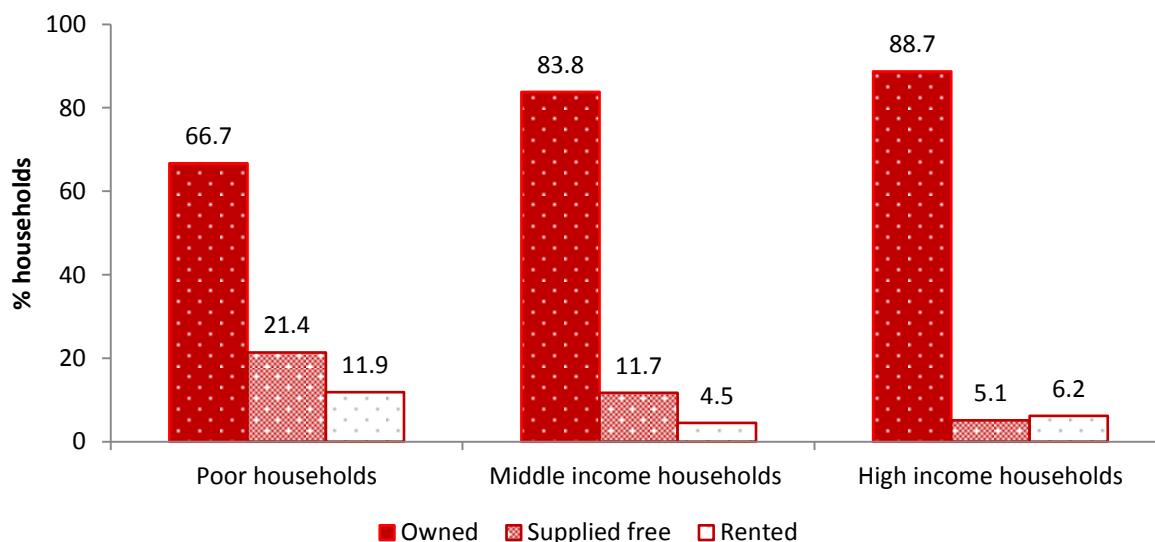
Table 8 – Average household size by household category, 2012

	Poor households	Middle income households	High income households
Average household size	3.7	3.6	3.1
Average number of children	1.2	0.7	0.5
Average number of income earners	1.5	2.0	2.2

...they are less likely to be owners of their house

In 2012, the proportion of owner occupied households were 67% among poor households compared to 84% and 89% among middle and high income households respectively.

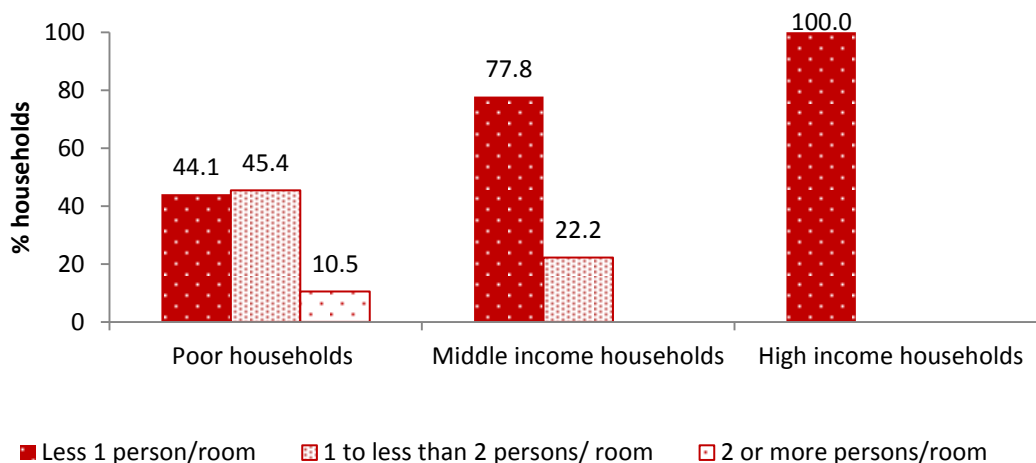
Chart 14 – Distribution of households by household category and type of tenure, 2012



... they are more likely to live in crowded houses, ...

Poor people are more likely to live in more overcrowded conditions. Around 11% of poor households lived in households with two or more persons per room.

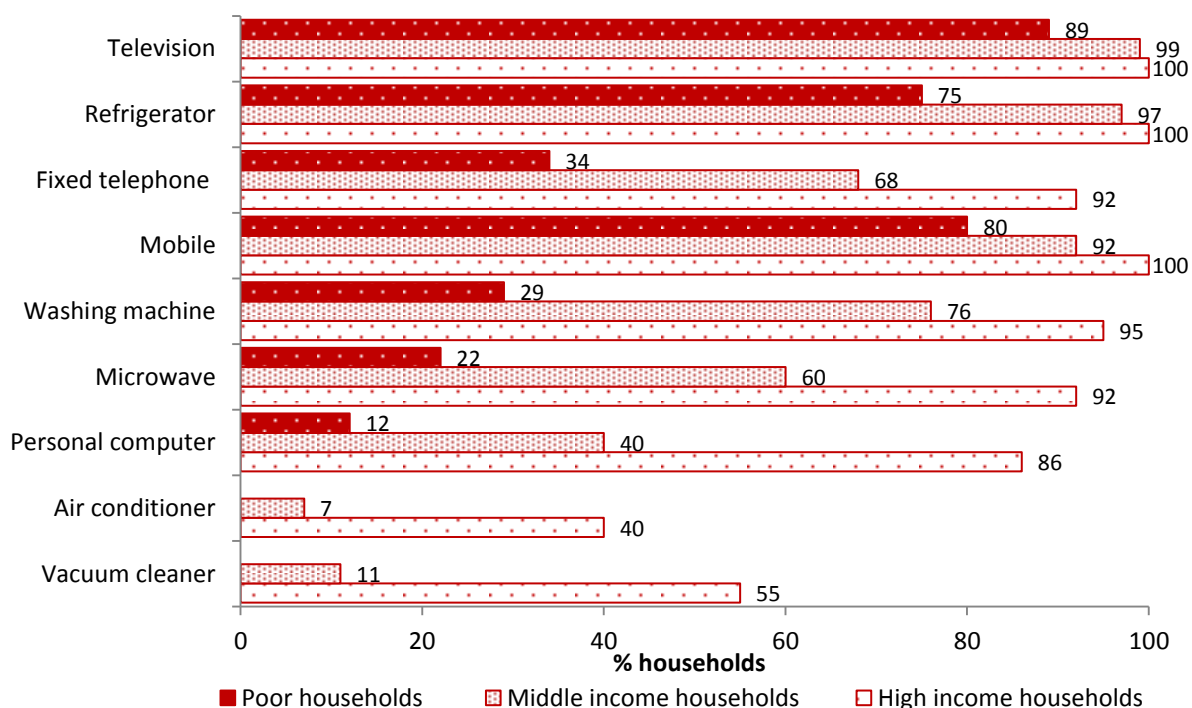
Chart 15 – Distribution of households by household category and number of persons per room, 2012



...they are less likely to own durable goods...

Poor households are less likely to own basic durables like television, mobile phones and refrigerators than non-poor households and highly unlikely to own air conditioners.

Chart 16 – Proportion of households owning selected durable goods by household category, 2012



A poor household earns ten times less than a high income household...

On average, a poor household draws a monthly income of Rs 9,800, nearly three times less than that of a middle income household (Rs 26,200) and ten times less than that of a high income household (Rs 97,400).

Table 9 –Household income and size by household category, 2012

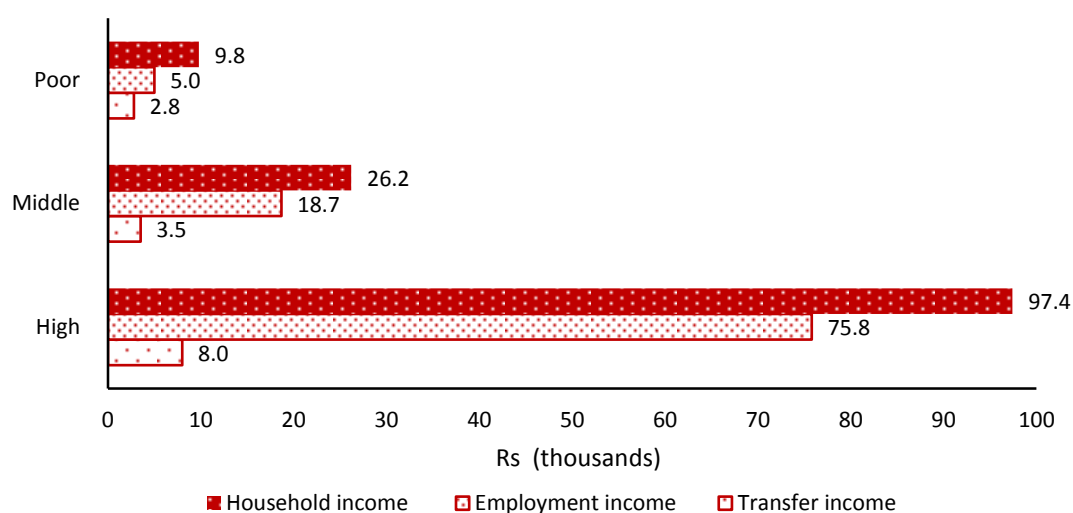
	Poor households	Middle income households	High income households
Average monthly household income (Rs)	9,800	26,200	97,400
Average household size	3.7	3.6	3.1
Average number of income earners	1.5	2.0	2.2

A poor household earns 15 times less income from employment than a high income household

The employment income⁹ of a poor household was Rs 5,000 per month, i.e. 15 times lower than that of a high income household (Rs 75,800).

Transfer income for the poor was also lower than that of other households but, to a lesser extent. The transfer income of a poor household was Rs 2,800 per month compared to Rs 8,000 for high income household.

Chart 17 – Average monthly household income (Rs) by household category and source, 2012



⁹ Refers to net employment income.

A poor household derives nearly one third of its income from transfers...

Poor households are more reliant on transfers than middle and high income households. A poor household derives 29% of its income from transfers against only 8% for a high income household.

Table 10 – Share of household income¹⁰ by household category and source of income, 2012

	Poor households	Middle income households	High income households
Share (%) of income from:			
Employment	51.3	71.4	77.8
Transfers	29.1	13.3	8.2
Other sources	19.6	15.3	14.0
Total	100.0	100.0	100.0

... the bulk of which comes from Government pensions

84% of the transfer income of a poor household comes from Government – in the form of basic pensions for the old, widows and disabled as well as other social security cash benefits designed specifically for poor households. For a high income household, transfers from Government made up only 26% of its total transfer income.

Table 11 – Transfer income (Rs) by household category and type, 2012

	Poor households	Middle income households	High income households
Average monthly household transfer income (Rs)	2,800	3,500	8,000
<i>of which</i>			
Government transfers (Rs)	2,400	2,200	2,000
Contributory pensions (Rs)	200	1,000	5,800
<i>Share of Govt. transfers on total transfer income (%)</i>	<i>84.2</i>	<i>64.1</i>	<i>25.5</i>
<i>Share of Contributory pensions on total transfer income (%)</i>	<i>5.8</i>	<i>30.0</i>	<i>72.6</i>

A poor household spends around seven times less on consumption goods and services than a high income household

A poor household spent Rs 8,300 per month in 2012. This is around seven times less than the expenditure of a high income household (Rs 53,600) and two times less than that of a middle income household (Rs 17,700).

¹⁰ Household income comprises household disposable income and imputed rent.

Poor households are more likely to spend on basic items like food, housing and transport. Middle income households also have more or less a similar pattern of consumption. However, the spending pattern of high income households is different.

In 2012, ‘Food and non-alcoholic beverages’ was the most important item of consumption expenditure for the poor, accounting for 47% of their total consumption expenditure. ‘Housing, water, electricity, gas and other fuels’ was the second most important item (16% of total expenditure), probably because they are more likely to rent houses.

Compared to the non-poor, they devote a lesser share of their expenses on lower priority items (e.g. ‘Communication’, ‘Recreation & culture’ and ‘Furnishings, household equipment & routine household maintenance items’) but also on Health (2%) and Education (3%), possibly as they rely more on free health and education facilities provided by the Government.

Poor households are less likely to be indebted than the non-poor ...

At the Household Budget Survey, households were asked to report on their monthly household debt repayment¹¹. In 2012, around 20% of poor households reported having made at least one debt repayment during the month of the survey. This is relatively lower compared to higher income households (middle income households – 49% and high income households – 64%).

Table 12 –Indebted households by household category, 2012

	Poor households	Middle income households	High income households
Percentage of indebted households	19.5	49.1	64.1
Percentage of indebted households indebted on:			
- <i>Housing</i>	23.5	56.6	67.6
- <i>Vehicles</i>	8.6	34.2
- <i>Education</i>	5.5	9.9
- <i>Durable goods</i>	66.7	35.0	16.1
- <i>Others</i> ¹²	21.4	35.8	37.4

Poor households are more likely to contract debts on hire-purchase of items such as furniture, audio visual equipment and household appliances (67%) than on housing, vehicles or education.

¹¹ For this analysis, household debt refers to specific debt such as loans on housing, education, health, motor vehicles, hire purchases goods (e.g. household appliances, television, etc.) taken from financial institutions.

¹² Include debt on health, wedding, computer, mobile phone, personal loans, etc.

... the vulnerability of the poor is even more pronounced among indebted households

Table 13 – Debt burden ratio of households by household category, 2012

	Poor households	Middle income households	High income households
Average monthly household debt repayment (Rs)	600	1,900	11,500
Average monthly household disposable income (Rs)	7,900	22,400	86,500
<i>Debt burden ratio (%)</i>	<i>8.0</i>	<i>8.3</i>	<i>13.3</i>

A poor indebted household disbursed around Rs 3,200 monthly on debt repayment. This makes up more than one third of its income. By comparison, an indebted high income household spends a lower share of one fifth of its income on debt.

Table 14 – Debt burden ratio¹³ of indebted households by household category, 2012

	Poor households	Middle income households	High income households
Average monthly household debt repayment (Rs)	3,200	3,800	18,000
Average monthly household disposable income (Rs)	9,400	24,200	89,500
Debt burden ratio (%)	34.2	15.7	20.1

¹³ Debt burden ratio expressed in terms of percentages is based on indebted households; the household disposable income and debt repayment also refer to indebted households.

6. IMPACT OF GOVERNMENT INTERVENTIONS ON POVERTY

Every year, more than half of the total Government Budget is spent on community welfare and social security to promote the socio-economic wellbeing of the population. In 2012, expenditure on community welfare and social security programmes¹⁴ amounted to Rs 47,800 Mn or 57% of total Government expenditure¹⁵ (Rs 84,250 Mn).

Chart 18 (a) – Breakdown of Government expenditure, 2012

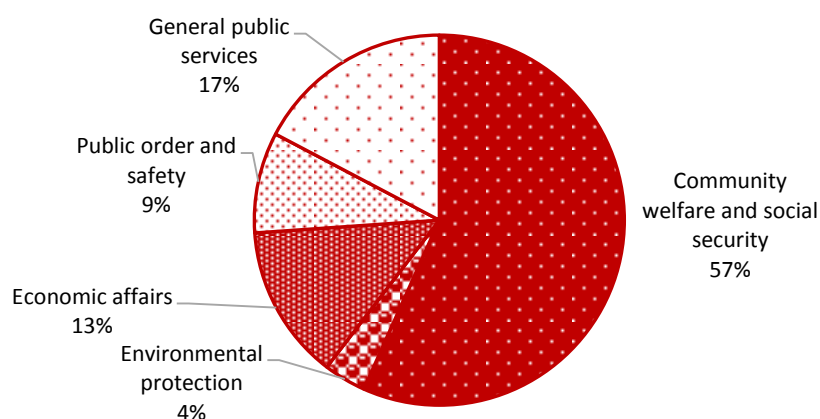
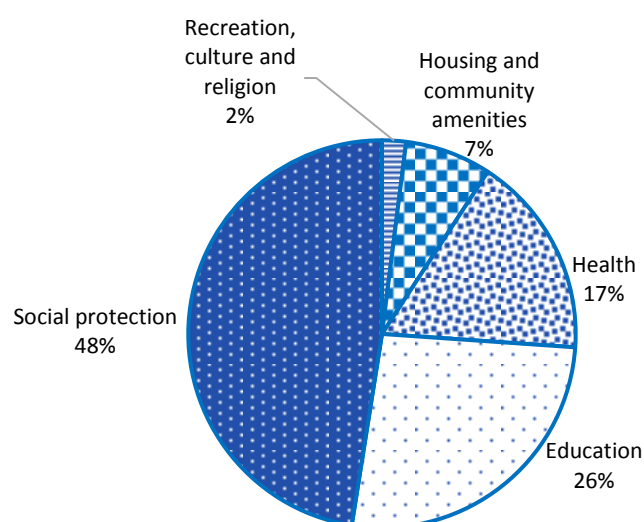


Chart 18 (b) – Breakdown of Government expenditure going to community welfare and social security programmes, 2012



¹⁴ Community welfare and social security programmes include Social Protection, health, education, housing and community amenities and recreation, culture and religion.

¹⁵ Government expenditure comprises expenditure for Central Government (e.g. all ministries and departments, Extra Budgetary Units and social security schemes), administration for Rodrigues Island, Municipalities and District Councils, etc.

Source: <http://statsmauritius.govmu.org/English/Documents/digest/Finance2014.pdf>

The main programmes are on social protection, free health services and education. Another commonly known programme relates to the provision of free bus transport to certain categories of the population.

Without social protection, free health services, education and bus transport, poverty would have soared to more than three times its level

Without Government transfers and free services, more people would fall in poverty trap.

Table 15 – Impact of Government transfers and free services on poverty, 2001/02 - 2012

	2001/02	2006/07	2012
Poverty rate (%)	7.7	7.9	9.4
Without Government transfers and free services	26	27	30
Without Government transfers	14	16	19
Without Government free services on:	16	19	21
- Education ¹⁶ only	12	14	15
- Health only	11	12	13
- Free bus transport only	9	10

Social protection brings down poverty by half

Social Protection comprises mainly universal basic pensions such as Basic Retirement Pensions (payable to all old persons aged 60 years and above), Basic Widows Pensions, Basic Invalid Pensions, and Social Aid which is payable to the needy. For the purpose of the analysis, these basic pensions and Social Aid benefits are together referred to as ‘Government transfers’.

Based on data from HBS 2012, a household received on average Rs 2,400 monthly from Government transfers. This constitutes 8% of its disposable income. Non-poor households derived 7.5% of their disposable income from Government transfers against a high 30% for poor households.

Table 16 – Monthly Government transfers for poor and non-poor households, 2012

	Poor households	Non-poor households
Average monthly household disposable income	7,900	31,700
Average monthly transfer income (Rs)	2,800	4,400
of which		
Government transfers	2,400	2,400
<i>Share of Government transfers on household disposable income (%)</i>	30.2	7.5

¹⁶ Free Government services on Education here refers to primary and secondary levels only.

Government transfers have been instrumental in bringing down poverty and are becoming more important over time (Table 17). In 2001/02, they brought down poverty by more than 40% (from a rate of 14.0% to 7.7%) and by 2012 they brought it down by more than 50% (from 19.0% to 9.4%). This is due to the ageing of the population – as the population ages, more people are benefiting from Basic Retirement pensions without which they would be in poverty.

Table 17 – Impact of Government transfers on poverty, 2001/02 - 2012

	2001/02	2006/07	2012
Poverty rate (%)			
With Government transfers	7.7	7.9	9.4
Without Government transfers	14	16	19

Public education and health services are powerful instruments in reducing poverty

In 2012 the cost of free primary education borne by Government made up nearly a third (31%) of the income of poor households with primary school students. For high income households, the corresponding share was lower (8%).

Table 18 – Cost of free primary education borne by Government for poor and non-poor households, 2012

	Households with primary school students	
	Poor households	Non-poor households
Average monthly household disposable income (Rs)	9,400	31,500
Average monthly cost of free primary education borne by Government (Rs)	2,900	2,600
<i>Share of free primary education borne by Government over household disposable income (%)</i>	31.0	8.0

With regard to secondary education, it is estimated that the cost of free secondary education borne by Government made up over half of the income of poor households as compared to 15% for high income households.

Table 19 – Cost of free secondary education borne by Government for poor and non-poor households, 2012

	Households with secondary school students	
	Poor households	Non-poor households
Average monthly household disposable income (Rs)	9,300	32,600
Average monthly cost of free secondary education borne by Government (Rs)	5,200	4,900
<i>Share of free secondary education borne by Government over household disposable income (%)</i>	<i>55.0</i>	<i>15.0</i>

Without free education, the 2012 poverty rate would have been 15% instead of 9.4%

If households had to pay for primary and secondary education provided by Government, many would fall into poverty. The poverty rate would have increased sizeably (Table 20). In 2012, the rate would have been 15% instead of 9.4%.

Table 20 – Impact of free education on poverty, 2001/02 - 2012

	2001/02	2006/07	2012
Poverty rate (%)			
With free education	7.7	7.9	9.4
Without free education	12	14	15

Without free health services, the 2012 poverty rate would have been 13% instead of 9.4%

At the 2012 HBS, over 95% of households reported that they usually attend public health services. For these households, the cost of free health services borne by Government represented 6% of their income; for poor households, it represented around 21%. If health services were not free, the 2012 poverty rate would have been around 13% instead of 9.4%.

Without free bus transport, the 2012 poverty rate would have been 10% instead of 9.4%

As from 2005, free bus transport is being granted to elderly people (aged 60 years and over), disabled people and students.

In 2012, the cost of free bus transport borne by Government represented 4% of the income of poor households; for non-poor households, the corresponding share was only 1%. It is estimated that the poverty level would have been 10% instead of 9.4% in 2012 if bus transport were no longer granted free.

Table 21 – Impact of free bus transport on poverty, 2006/07 – 2012

	2006/07	2012
Poverty rate (%)		
With free bus transport	7.9	9.4
Without free bus transport	9	10

7. CHANGES IN POVERTY LEVELS, 1996/97 to 2012

The previous sections in this report indicate that relative poverty increased significantly from 1996/97 to 2012. Given that relative poverty changes according to the income distribution of the population, it is not appropriate to monitor the evolution of poverty levels over time. A poverty line which is fixed at a point in time and adjusted for price changes is more appropriate.

This section sheds lights on the actual evolution of poverty levels in the country by making use of such 'fixed' poverty lines.

The World Bank \$1.25 and \$2 a day lines

The World Bank uses the poverty line \$1.25 (PPP) a day (at 2005 prices) to measure extreme poverty at the international level¹⁷. Based on HBS data, the proportion of population living in extreme poverty is estimated to be less than 1% for all four HBS years.

Table 22 – Poverty incidence based on World Bank \$1.25 and \$2 (PPP) a day poverty lines, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Poverty line of \$1.25 per person per day				
- per person per month (Rs)	420	570	770	1,020
Proportion of poor persons (%)	<1%	<1%	<1%	<1%
Poverty line of \$2 per person per day				
- per person per month (Rs)	680	910	1,230	1,640
Proportion of poor persons (%)	2.9%	2.5%	2.2%	<2%
Number of poor persons	32,600	31,300	27,200	24,200

There has been a decline in the poorest poor from 1996/97 to 2012

In addition, the World Bank has developed the \$2 a day poverty line to assess poverty in developing countries such as Mauritius. From 1996/97 to 2012, the proportion of people living below this poverty line decreased from 2.9% to less than 2%.

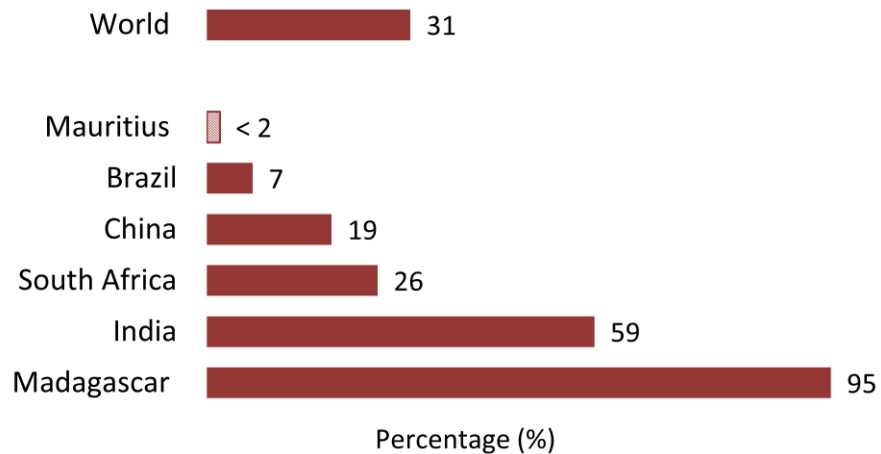
Assuming that this line measures the poorest poor in the country, it can be construed that there has been a gradual decrease in the poorest poor in Mauritius over the past 15 years both in terms of numbers and proportion.

¹⁷ World Bank poverty lines \$1.25 and \$2 a day lines are measured based on per capita household consumption expenditure. Section 8 gives more detailed information on the methodology used.

PPP refers to Purchasing Power Parity, which is different from exchange rate. It is the amount of money in a country's currency needed to buy goods and services equivalent to what can be bought with \$1 in the US.

The poverty level based on \$2 a day line for Mauritius is estimated at less than 2 % in 2012, a proportion relatively lower than that of world estimate (31%) and other international countries like Brazil (7%), South Africa (26%).

Chart 19 – Percentage population living below \$2 (PPP) a day line by selected country, 2010 - 2012



*Source: Data based on latest available figures World Bank website
<http://data.worldbank.org/indicator/SI.POV.2DAY>*

Fixed poverty threshold

The above poverty lines are adequate for monitoring poverty at the international level but not for assessing the poverty situation at the national level due to the very low rates obtained therefrom.

There is presently no national absolute poverty line. In its absence, the relative poverty line of 1996/97 is being used as a fixed threshold and adjusted for price changes to obtain equivalent lines for 2001/02, 2006/07 and 2012¹⁸.

¹⁸ Section 8 gives more detailed information the methodology used.

Poverty declined from 1996/97 to 2012

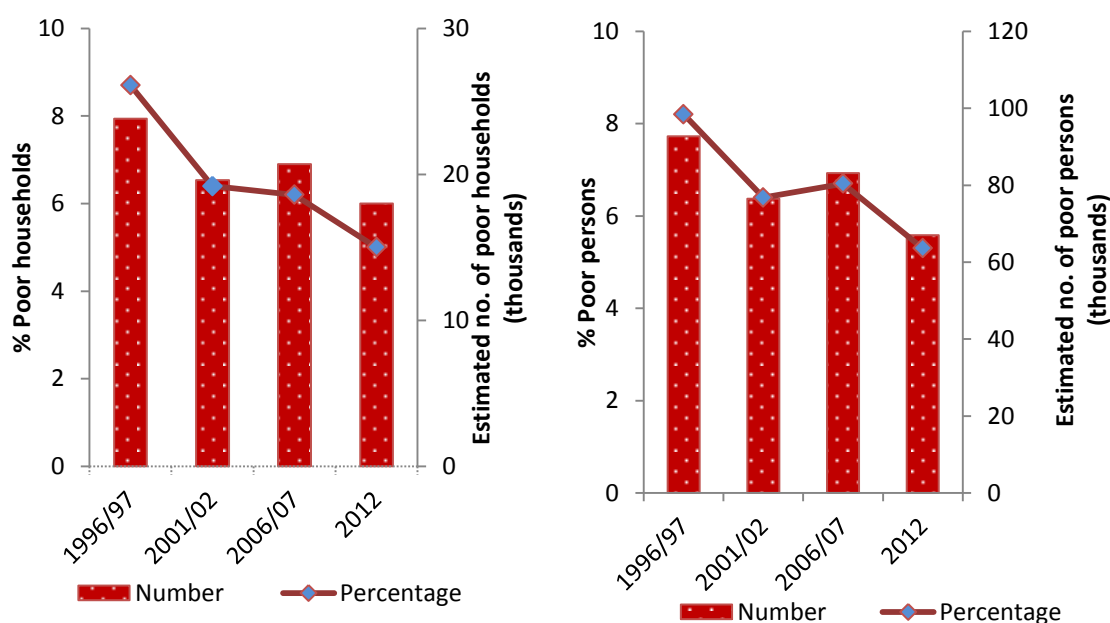
From 1996/97 to 2012, poor households decreased in proportion from 8.7% to 5.0% bringing the number down from 23,800 to 18,000. In terms of persons, the proportion went down from 8.2% to 5.3% and the number declined from 92,700 to 67,000.

Table 23 - Poverty indicators based on 'Fixed threshold', 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Poverty line using 1996/97 Relative poverty line as a 'Fixed threshold' in Rs per adult equivalent per month	2,004	2,665	3,572	4,750
Estimated number of poor households	23,800	19,600	20,700	18,000
Proportion of poor households (%)	8.7	6.4	6.2	5.0
Estimated number of poor persons	92,700	76,500	83,100	67,000
Proportion of poor persons (%)	8.2	6.4	6.7	5.3

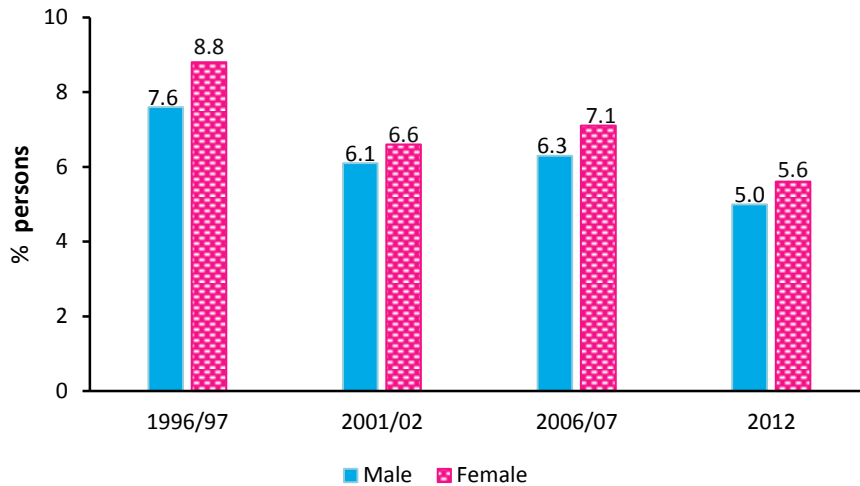
The decrease in poverty was not continuous (Chart 20); it declined from 1996/97 to 2001/02 then went up slightly in 2006/07 to reach its lowest over the fifteen years in 2012.

Chart 20 – Trend in poverty level based on fixed threshold, 1996/97-2012



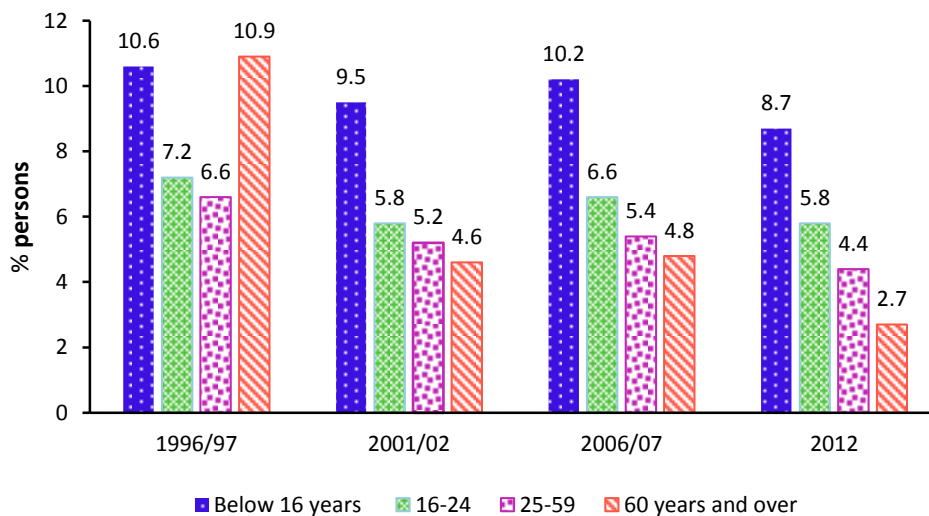
The same trend is observed among males and females. However, females were consistently more likely to be in poverty than males (Chart 21).

Chart 21 – Trend in poverty level based on fixed threshold by sex, 1996/97 - 2012



The fall in poverty occurred across all age groups with a marked decrease among the old aged 60 years and over, largely due to increases in universal old-age pensions (Basic Retirement Pension) provided by the Government. Poverty also decreased among children aged below 16 years but the level in 2012 is still high at 8.7%, and calls for concern.

Chart 22 – Trend in poverty level based on fixed threshold by selected age group, 1996/97- 2012



8. NOTES

8.1 ANNEX TABLES

Table 1A – Distribution (%) of persons in relative poverty by sex, 2012

Sex	Poor households	Non-poor households
Male	45.0	49.3
Female	55.0	50.7
Both sexes	100.0	100.0

Table 2A – Distribution (%) of persons in relative poverty by selected age group, 2012

Age group (in years)	Poor households	Non-poor households
Below 16	33.0	20.6
16 - 24	15.3	14.8
25 - 59	42.0	50.6
60 and above	9.7	14.0
All ages	100.0	100.0

Table 3A – Distribution (%) of households in relative poverty by type of households, 2012

Household type	Poor households	Non-poor households
Single member household	12.8	7.8
Couple without children	5.8	11.9
Couple with unmarried children only	44.0	49.1
One parent households with unmarried children only	16.1	8.8
Other households	21.3	22.4
All households	100.0	100.0

Table 4A – Poverty rates based on relative poverty lines, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Relative poverty line – Half median monthly household income per adult equivalent (Rs.)	2,004	2,804	3,821	5,652
Estimated number of households in relative poverty	23,800	23,700	26,100	33,600
Proportion of households in relative poverty (%)	8.7	7.7	7.9	9.4
<i>Standard error</i>	<i>0.36</i>	<i>0.33</i>	<i>0.33</i>	<i>0.36</i>
<i>95% Confidence Interval</i>	<i>8.0 - 9.4</i>	<i>7.1 - 8.4</i>	<i>7.2 - 8.5</i>	<i>8.7 - 10.1</i>
Estimated number of persons in relative poverty	92,700	93,800	105,200	122,700
Proportion of persons in relative poverty (%)	8.2	7.8	8.5	9.8
<i>Standard error</i>	<i>0.17</i>	<i>0.16</i>	<i>0.18</i>	<i>0.19</i>
<i>95% Confidence Interval</i>	<i>7.9 - 8.6</i>	<i>7.5 - 8.2</i>	<i>8.2 - 8.9</i>	<i>9.4 - 10.1</i>

Table 5A - Average monthly household income¹⁹ for poor²⁰ and non-poor households by source of income, 1996/97 - 2012

	Poor households				Non-poor households			
	1996/97	2001/02	2006/07	2012	1996/97	2001/02	2006/07	2012
Household income	3,700	5,100	7,100	9,800	13,500	17,600	23,500	36,300
Household disposable income	3,000	4,100	5,700	7,900	11,800	15,100	20,200	31,700
<i>Net employment income</i>	<i>2,100</i>	<i>3,000</i>	<i>4,000</i>	<i>5,000</i>	<i>10,500</i>	<i>13,200</i>	<i>17,000</i>	<i>26,800</i>
<i>Transfer income</i>	<i>900</i>	<i>1,100</i>	<i>1,700</i>	<i>2,800</i>	<i>800</i>	<i>1,600</i>	<i>2,700</i>	<i>4,400</i>
<i>Other²¹</i>	<i>...</i>	<i>...</i>	<i>...</i>	<i>100</i>	<i>400</i>	<i>300</i>	<i>500</i>	<i>500</i>
Imputed rent	700	900	1,400	1,800	1,800	2,500	3,300	4,600

¹⁹ Figures in the table may not add up to totals due to rounding.

²⁰ Poor households refer to those in relative poverty.

²¹ Figures for poor households are negligible for 1996/97 to 2006/07.

Table 6A – Average monthly household consumption expenditure²² for poor²³ and non-poor households by COICOP division²⁴, 2001/02 - 2012

	Poor households			Non-poor households		
	2001/02	2006/07	2012	2001/02	2006/07	2012
01. Food and non-alcoholic beverages	2,000	3,000	3,900	3,500	4,700	6,800
02. Alcoholic beverages and tobacco	300	400	400	500	600	800
03. Clothing and footwear	200	200	200	700	900	1,100
04. Housing, water, electricity, gas and other fuels	600	1,000	1,300	1,000	1,500	2,100
05. Furnishings, household equipment and routine household maintenance	200	300	400	700	1,100	1,600
06. Health	100	100	200	300	500	1,000
07. Transport	400	400	500	1,400	2,500	3,900
08. Communication	100	200	300	400	600	1,000
09. Recreation and culture	200	300	400	500	800	1,100
10. Education	100	100	300	400	500	1,200
11. Restaurants and hotels	200	200	300	500	600	1,000
12. Miscellaneous goods and services	100	200	200	600	700	1,000
Total consumption expenditure	4,400	6,500	8,300	10,600	15,000	22,600

²² Figures in the table may not add up to totals due to rounding.

²³ Poor households refer to those in relative poverty.

²⁴ COICOP refers to UN classification of Consumption Expenditure according to Purpose, which consists of 12 major divisions. Table does not include figures for 1996/97, since the classification of items was different at that period; there were 9 groups.

Table 7A – Poverty indicators based on ‘Fixed thresholds’, 1996/97 - 2012

	1996/97	2001/02	2006/07	2012
Poverty line - using 1996/97 RPL as 'fixed threshold'				
- Per adult equivalent per month (Rs)	2,004	2,665	3,572	4,750
Estimated number of households below poverty line	23,800	19,600	20,700	18,000
<i>Proportion of households below poverty line (%)</i>	8.7	6.4	6.2	5.0
Estimated number of persons below poverty line	92,700	76,500	83,100	67,000
<i>Proportion of persons below poverty line (%)</i>	8.2	6.4	6.7	5.3
Poverty line - using 2001/02 RPL as 'fixed threshold'				
- Per adult equivalent per month (Rs)	2,108	2,804	3,757	4,997
Estimated number of households below poverty line	28,600	23,700	25,000	21,700
<i>Proportion of households below poverty line (%)</i>	10.4	7.7	7.5	6.1
Estimated number of persons below poverty line	110,100	93,800	101,200	81,800
<i>Proportion of persons below poverty line (%)</i>	9.8	7.8	8.2	6.5
Poverty line - using 2006/07 RPL as 'fixed threshold'				
- Per adult equivalent per month (Rs)	2,144	2,851	3,821	5,082
Estimated number of households below poverty line	30,300	24,600	26,100	23,200
<i>Proportion of households below poverty line (%)</i>	11.0	8.0	7.9	6.5
Estimated number of persons below poverty line	116,900	97,400	105,200	87,400
<i>Proportion of persons below poverty line (%)</i>	10.4	8.1	8.5	6.9
Poverty line - using 2012 RPL as 'fixed threshold'				
- Per adult equivalent per month (Rs)	2,384	3,171	4,250	5,652
Estimated number of households below poverty line	40,800	35,700	38,800	33,600
<i>Proportion of households below poverty line (%)</i>	14.9	11.7	11.7	9.4
Estimated number of persons below poverty line	160,300	141,700	152,600	122,700
<i>Proportion of persons below poverty line (%)</i>	14.2	11.8	12.3	9.8

8.2 CONCEPTS AND DEFINITIONS

Household	A household is either: (i) a one-person household, i.e., a person who makes provision for his own food or other essentials for living without combining with any other person to form part of a multi-person household; or (ii) a multi person household, i.e, a group of two or more persons living together to make common provision for food or other essentials for living. The person in the group may pool their incomes and have a common budget to a greater or lesser extent: they may be related or unrelated persons or a combination of both
Disposable income	It comprises income from employment, transfers, property, and income obtained from own produced goods; it excludes compulsory deductions such as income tax (PAYE) and contributions to pension and social security schemes.
Household income	For poverty analysis, it is defined as the sum of disposable income and imputed rent i.e., the rental value of houses of non-renting households.
Household consumption expenditure	Household consumption expenditure includes: (i) money expenditure on goods and services intended for consumption by the household; and (ii) consumption of goods and services which are either own produced, received free or at reduced price by the households.
Relative poverty line	It is defined in terms of the poverty of a lower income group relative to a higher income group; it is set at 50% of the median monthly household income per adult equivalent. Households with monthly income per adult equivalent below this poverty line are considered to be in relative poverty.
Adult equivalent	The number of adult equivalents (E) in a household is determined according to the Bank and Johnson's equivalence scale as follows: $E = (A + 0.7C)^{0.7}$, where A = No. of adults C = No. of children (< 16 years) e.g. A household of 2 adults and 2 children = 2.36 adult equivalents
Household income per adult equivalent or equalised household income	It is the total household income divided by the number of adult equivalent (number of household members converted into equalised adults). This adjustment allows comparison of income levels between households of differing size and composition.
Absolute poverty line	An absolute poverty line is fixed at a point in time and is usually updated with price changes. It allows to track the evolution of poverty over time. It is commonly estimated as the cost of basic needs of a household in terms of food, housing, clothing and other essentials for living.

\$1.25 (PPP) a day poverty line also called the 'Extreme poverty line'	It is an absolute poverty line developed by World Bank to quantify poverty in <u>Least Developed Countries</u> whereby a person whose consumption expenditure is below \$1.25 (PPP) a day is considered to be in extreme poverty.
\$2 (PPP) a day poverty line	It is an absolute poverty line developed by World Bank to quantify poverty in <u>Developing Countries</u> whereby a person whose consumption expenditure is below \$2 (PPP) a day is considered poor.
Purchasing Power Parity (PPP)	The Purchasing Power Parity is the amount of money in a country's currency needed to buy goods and services equivalent to what can be bought with \$1 in the US. Using the 2005 International Comparison Program results, \$1 PPP, based on private consumption, is equivalent to Rs 17.73.
Fixed threshold	In the absence of an official absolute poverty line for the country, a 'Fixed threshold' is used to track poverty over time. It is determined by 'fixing' the relative poverty line in a given year, i.e. by adjusting it with price inflation to obtain the equivalent poverty lines for other years.

8.3 METHODOLOGY USED

8.3.1 Data Source

Household Budget Survey (HBS) data are the most important data sources for poverty analysis.

In Mauritius, the HBS is conducted every five years by Statistics Mauritius. It constitutes the most reliable data source for household income and expenditure data. The main objective of the survey is to obtain up to date information on the consumption pattern of Mauritian households to update the basket of goods and services used for the computation of the monthly Consumer Price Index (CPI).

The HBS is conducted in the islands of Mauritius and Rodrigues. The number of households surveyed at the past four HBS are as follows:

HBS years	Island of Mauritius	Island of Rodrigues	Republic of Mauritius
1996/97	5,755	480	6,235
2001/02	6,240	480	6,720
2006/07	6,240	480	6,720
2012	6,240	480	6,720

In addition to information on household income and expenditure, the HBS data comprised demographic and socio-economic details that allow more in-depth analysis of poverty²⁵.

8.3.2 Absolute / Relative Poverty Lines

The poverty line is set in two main ways — in a relative or absolute way:

- A relative poverty line is defined in relation to the overall distribution of income or consumption in a country; for example, the poverty line could be set at half of the country's median income or consumption.
- An absolute poverty line is usually based on some absolute standard of what households need to meet their basic needs. It is fixed at a point in time.

8.3.3 Use of income or expenditure data for poverty measurement

Poverty can be measured using either household income or expenditure data. The relative advantage of expenditure is that it is less subject to under-reporting than income in household surveys. However, expenditure data can also present problems since it results in distorted consumption measures in cases of stock piling and infrequent purchases of durables. In the light of this and due to the fact that income data is more appropriate for assessing the degree to which pensions affect poverty in the country, the relative poverty line used is based on income.

8.3.4 Definition of income for poverty measurement

The income resources used for poverty analysis are based on disposable income since it represents what the household can actually spend to acquire the goods and services that it needs. In the case of owner-occupiers and households not paying rent, the income resources additionally include the “imputed rent” i.e. the equivalent rental value of their house.

The components of the “income measure” used for the poverty analysis are:-

- a. employment income both for employees and the self-employed
- b. property income (interests, dividends and rent of buildings, land, etc.)
- c. transfer income (pensions, allowances and other social benefits)
- d. other income derived from own-produced goods
- e. imputed rent for non-renting households

8.3.5 Level of median household income

The relative poverty line used for poverty analysis is based on half median household income. In fact, the poverty line can be set at different level of median income. The most commonly used levels are at 40%, 50% and 60% median income.

²⁵ More information on the conduct of HBS can be obtained at <http://statsmauritius.govmu.org/English/CensusandSurveys/Pages/Reports-HBS-2012.aspx>

The poverty incidence based on these levels of 40%, 50% and 60% median income is presented in the table below.

	Survey year	Level of median household income per adult equivalent		
		40%	50%	60%
Poverty line (Rs.)	1996/97	1,603	2,004	2,405
% of households below poverty lines		4.0	8.7	15.1
Poverty line (Rs.)	2001/02	2,243	2,804	3,365
% of households below poverty lines		3.5	7.7	14.1
Poverty line (Rs.)	2006/07	3,057	3,821	4,585
% of households below poverty lines		3.6	7.9	15.0
Poverty line (Rs.)	2012	4,522	5,652	6,782
% of households below poverty lines		4.4	9.4	16.1

8.3.6 Definition of the relative poverty line used

The relative poverty line used for poverty analysis is **the half median monthly household income per adult equivalent**. For the past four HBS, the relative poverty lines are estimated as follows:

- Rs 2,004 in 1996/97
- Rs 2,804 in 2001/02
- Rs 3,821 in 2006/07
- Rs 5,652 in 2012

8.3.7 Why equivalised household income?

The requirements of a household depend largely on its size as well as its composition in terms of age of members. For example, in larger households requirements are expected to be higher than those in smaller households. Also, a child's requirements differ from that of an adult. Thus, in order to take into consideration these intra-household differentials, adjustment for household size and household composition is important to obtain the number of adult equivalents in each household.

The table below presents poverty indicators for the Republic of Mauritius based on income from the past four HBS using different relative poverty lines.

	1996/97	2001/02	2006/07	2012
Half median monthly household income (Rs)	4,935	6,650	8,698	12,776
% of households below the half median income	12.3	11.5	12.3	15.3
Half median monthly household income per capita (Rs)	1,265	1,834	2,554	3,879
% of households below the half median income per capita	9.3	9.5	10.1	11.0
Half median monthly household income per adult equivalent (Rs)	2,004	2,804	3,821	5,652
% of households below the half median income per adult equivalent	8.7	7.7	7.9	9.4

8.3.8 Equivalence Scale used

The Bank and Johnson's non-linear equivalence scale is used in this report as recommended by the World Bank. This scale caters for intra-household differentials as mentioned above and also for economies of scale.

It is of the form

$$E = (A + 0.7 * C)^{0.7}$$

where

- E = Number of adult equivalents
- A = Number of adults (aged 16 years and over)
- C = Number of children (aged below 16 years)

The table below gives the number of adult equivalents by household type:-

Household type	Household size (unadjusted)	Number of adult equivalents
One adult	1	1.00
One adult, one child	2	1.45
One adult, two children	3	1.85
Two adults, one child	3	2.00
Two adults, two children	4	2.36
Three adults, one child	4	2.50
Three adults, two children	5	2.82

The household income per adult equivalent or equivalised household income is, thus, obtained by dividing the household income by the number of adult equivalent. This adjustment allows comparison of income levels between households of differing size and composition.

8.3.9 Determining relative 'poor' households

For each household covered in the survey, information is available on its size, composition, age of its members and on its different income components.

For the purpose of the analysis, a household is determined poor as follows:-

- (i) The monthly resources of the households (R) is calculated as the sum of total household disposable income and imputed rent
- (ii) The number of adult equivalents in the household (A) is calculated using the Bank & Johnson's non-linear equivalence scale
- (iii) The monthly household resources per adult equivalent = $R_a = R/A$
- (iv) R_a is then compared with the relative poverty line. If R_a is less than the poverty line, the household is considered to be relative 'poor'.

For example in 2012, the relative poverty line was estimated at Rs 5,652; a household was considered as relative 'poor' if R_a was less than Rs 5,652 in 2012.

8.3.10 Poverty line for selected household compositions

The poverty lines based on the 'equivalence scale' for some selected household compositions are given below.

Household type	Relative poverty line (Rs)			
	1996/97	2001/02	2006/07	2012
One adult	2,004	2,804	3,821	5,652
One adult, one child	2,906	4,066	5,540	8,195
One adult, two children	3,699	5,176	7,054	10,434
Two adults, one child	4,016	5,619	7,657	11,327
Two adults, two children	4,719	6,603	8,998	13,310
Three adults, one child	5,010	7,010	9,553	14,130
Three adults, two children	5,653	7,910	10,779	15,944

8.3.11 Fixed poverty threshold

In the absence of an official absolute poverty line for the country, a 'Fixed threshold' is used to monitor poverty over time. It is determined by 'fixing' the relative poverty line in a given year, i.e. by adjusting it with price inflation to obtain the equivalent poverty lines for other years.

For example, the 1996/97 Relative poverty line, i.e. Rs 2,004 is held 'fixed' and adjusted for price changes to obtain equivalent poverty lines for 2001/02, 2006/07 and 2012 HBS. These poverty lines are used to monitor the poverty level over time (Re:annexed Table (7A)).

The fixed poverty threshold is, therefore, based on household income expressed in terms of 'per adult equivalent per month'

8.3.12 \$1.25 and \$2 (PPP) a day lines

\$1.25 and \$2 (PPP) a day lines have been developed by the World Bank to quantify poverty at global and to monitor poverty level over time.

\$1.25 a day line is relevant to assess poverty situation in Least Developed Countries, whereby a person whose consumption expenditure is below \$1.25 (PPP) a day is considered to be in extreme poverty.

This extreme poverty line is measured in terms of PPP; it was originally set at \$1 in 1980, then updated to \$1.08 in 1993 and \$1.25 in 2005.

The poverty levels based on \$1.25 PPP a day line is calculated as follows:

- Step 1 - The poverty line \$1.25 (PPP) a day is converted into Mauritian Rupees using the 2005 PPP estimates for Mauritius (\$1 PPP = Rs 17.73 in 2005);
- Step 2 -The poverty line in Rs is then adjusted for local price inflation to obtain equivalent poverty line for the required year; and
- Step 3 – The household survey data is used to obtain the number of persons below the poverty line.

The \$2 (PPP) a day line is more appropriate to developing countries and the same methodology is used to estimate the number of persons living the line.

8.3.13 Poverty indicators

8.3.13.1 Poverty rate / headcount ratio / poverty incidence rate

The **Poverty rate** is the most common indicator used for poverty measurement. It is defined as the proportion of households or population whose income is below the poverty line. It is computed as follows:

$$\text{Poverty rate (\%)} = \frac{\text{Number of poor persons / households}}{\text{Total number of persons / households}} \times 100$$

The headcount ratio is easy to interpret; it is an indicator of the *incidence of poverty* and indicates how many poor there are.

8.3.13.2 Income gap ratio

Income Gap Ratio (IGR) is a measure of the depth of poverty; it is the difference between the poverty line and the mean income of the poor expressed as a ratio of the poverty line as follows:

$$\text{IGR} = \frac{\text{Poverty line} - \text{Average income of poor}}{\text{Poverty line}}$$

8.3.13.3 Poverty gap ratio

Poverty Gap Ratio (PGR) is a measurement of both the extent and depth of poverty; it considers both the number of poor people and how poor they are.

$$\text{Poverty gap ratio} = \text{Poverty rate} \times \text{Income gap ratio}$$

It also indicates the total amount of money needed to bring all the poor out of poverty.

$$\text{Amount in Rs} = \text{PGR} \times \text{Poverty line (Rs)} \times \text{Number of adult equivalents in the population}$$

8.3.14 Decile group of household income per adult equivalent

The decile group of household income attempts at analysing the income inequality that exists in the population. The decile household income is obtained by dividing the number of households into ten equal groups from the households having the lowest income to highest income

8.3.14 Statistical Package

The data analysis is done using the statistical package, STATA 11.0, Statistics Data Analysis, together with Microsoft Excel.

8.4 CONTACT PERSON

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