

Poverty Alleviation: A Corporate Issue

Harjyot Kaur, Manjit Kaur

Asst. Professor, PG Deptt. of Commerce,
S.D. College Hoshiarpur

Abstract:

There is large number of societal issues which requires the attention of business houses to solve these issues. Issue of poverty is one of these issues which require the attention of corporate sector. Poverty alleviation or reduction is a big challenge now a days around the world. For some people poverty is a microeconomic issue. For others it is a issue at macro level and associated with MNC's. In this article, it is defined that what is poverty, and what should be the role of the business houses for the alleviation of the poverty. There are various approaches which are used by the business houses towards the issue of the poverty alleviation and links are established among various aspects of issue of poverty.

Keywords: Poverty, GDP, LDCs, Consumption, Income, Poverty Line

I. INTRODUCTION

Poverty alleviation or Poverty reduction refers to a set of measures, which includes both economic and humanitarian, aimed to permanently lift people out of poverty. These are the means which helps the poor to generate wealth and eliminate the poverty which leads to raising the standard of living of poor population. Poverty prevails in both developed and developing countries, but spreads more in the developing countries. Henry George is one of the economists who promoted many measures in this context.

Business corporations are contributing to a large number of societal issues since the beginning of 21st century, which also include the biggest global challenge: Alleviation of Poverty. Issue of Poverty is largely ignored by the Management theory and is an ambiguous state of affairs in management. For this ignorance there are three main reasons:- (i). Poor people have limited purchasing power (ii) Issue of poverty is complex (iii) Issue of poverty includes many "issue owners."

Poverty reduction or alleviation is very important for the worldwide economic growth. Many problems and issues stemmed from poverty such as weak human assets, forced labor, child labor, high degree of economic vulnerability, lack of education, social and political discontent, triggers migration, terrorism and corruption etc.

This study analysis the development of poverty as a corporate issue and suggests the various ways by which a firm can engage with this issue.

II. COMMON CONCEPTIONS OF POVERTY

For the formulation of business strategies which aimed at alleviation of poverty, a broad understanding of poverty should be there in managerial personnel. These conceptions focus on income and consumption levels.

Common conceptions of poverty include the following:

1. Absolute poverty
2. Relative poverty
3. The working poor

1) *Absolute Poverty*

Extreme poverty, absolute poverty, destitution, or penury was originally defined by the United States in 1995 as "a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services." There are various poverty measures that use the income and consumption levels. It uses benchmarks \$1 or \$2 per day which denotes the minimum level needed to meet the basic needs. This is also known as "Poverty Line." GDP per capita during the year 1990's grew by 1.6% per year. Fall from 29% to 23% of world population is noted which living on less than \$1 a day. Number of people living less than \$2 a day increased to 2.5 billion (World Bank 2004). But the extreme poverty decreased by 10%. This data is showed that poverty is unequally spreaded over the world. Half of the world population is below the poverty line (i.e. below \$1,500 PPP per year). United nation has identified a group of LDCs which as termed as "least developed" in terms of Low GDP per capita. Most of the LDCs are located in sub Sahara Africa. According to the UN Human Development Report in 1998, there are 19% poor people in USA and 13% poor people in UK, in France percentage is 7.5% of total population.

2) *Relative Poverty*

Relative poverty refers to a condition in which people lack the minimum amount of money needed to maintain the average standard of living in the society in which they used to live. Relative poverty is the easiest way to measure the level of poverty in a given country. Relative poverty goes on changing over time period.

Causes of relative poverty:-

- Unemployment
- Lack of Education
- Poor Health
- Lack of access to affordable services
- Marginalization etc.

Relative poverty is more complex and controversial concept than others. This is related to the unequal distribution of income around the world. Inequality in income around the world increased continuously since the beginning of 19th century until the World War II, after that it stabilized. In particular economic growth hampers the income inequality at per income levels below US\$2,000 (Barro, 1999; Easterly, 2002).

Ginni-coefficient I the measure, used to measure the income inequality within societies. Ginni-coefficient ranges from perfect equality i.e. 0 to perfect inequality i.e. 1. Among the high income countries, USA has the highest Ginni-coefficient (0.408 in 2004) whereas most European countries and Japan have a considerably lower Ginni-coefficient (between 0.247 and 0.327 in 2004). Unequal income distribution is strongly associated with remuneration policies in leading companies. An average CEO in USA earns approximately \$1.9 million in 2002, where in China or Thailand CEO at same level earns only 5% of that amount.

3) Working Poor

Working poor are working people and their income fall below the Poverty Line. At the end of year 2002, there were 550 million working poor i.e. workers living on or under \$1 per day. There were 1.4 billion working poor at poverty line \$2 (2006 figures). U.S. Department of Labor registered about 7.4 million working poor people in 2002, which represents around 5% of work force (U.S. Department of Labor & Bureau of Labor Statistics, 2005).in Europe 8% of employees in European Union can be considered as working poor(European Industrial Observatory).

III. POVERTY ALLEVIATION: AS BUSINESS ISSUE AND RESPONSIBILITY

Poverty is very complex issue around the world. Generally this issue cannot be regulated or handled at national level. Poverty alleviation represents a “positive duty” not “Negative duty” on the part of business houses. Issue of minimum wages is very complex to regulate. There is no government regulation to address the poverty or to solve it.

The issue of poverty is also arises because of the Exceptional gaps i.e. those gaps which are arise due to the confliction of views among stakeholders about what acceptable corporate conduct is or should be according to societal issues. The issue of poverty is a real issue in the firms since the early 21st century because of exceptional gaps exist among various stakeholders. These type of issues have a life cycle with 5 stages i.e.

1. Birth
2. Growth
3. Development
4. Maturity
5. Settlement.

IV. APPROACHES TOWARDS POVERTY BASED ON CSR

There are four business approaches towards issue of poverty with different procedural aspects. These approaches address the issue of poverty in area of Corporate Social Responsibility (CSR).

A. Inactive approaches

The inactive approach refers to that the responsibility of the companies is to generate profits. By this, companies create jobs and wealth and is a form of CSR. This is inside-in business prespective. The objective of which is create efficiency in market environment. This is the narrow approach towards the CSR which requires no explicit strategy towards poverty reduction. The main aim is primarily the basic duties of managers and the owners of the company to generate affordable products for society and creation of jobs in an indirect way. The main aim is to profit maximization.

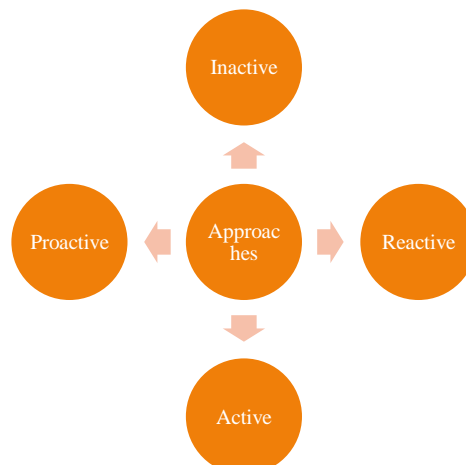


Figure 1: approaches towards poverty

B. Reactive approach

This approach refers to the approach which focus on not to make the mistakes i.e. “don’t do anything right.” The main focus is on efficiency in this approach. Corporate Social Responsibility is converted into Corporate Social Responsiveness. In this approach emphasize on negative duties. Firms are compelled to follow the norms which are defined by the stakeholders. This approach refers to that managers reacts towards the actions of the competitors. This type of business deals with the issue of poverty when confronted with the actions of critical stakeholders. In this approach companies mainly operates in developing and under developing nations and transfer technology, foster the economic growth, create employment and discharge social responsibility to remove the poverty. Firms take poverty as an opportunity.

C. Active approach

The active approach towards poverty shows that CSR is positive duty of the business. In this approach business are “inside-out” oriented and follows positive duty approach i.e. entrepreneurs do what is right to do. These firms use moral and ethical view point towards the issue of poverty. These firms perform number of activities both core and complementary activities. For example firms can define a decent wage policy and various activities to reduce the poverty. In this approach firms takes the responsibility towards poverty alleviation. Poverty is not only considered as opportunity but also seen as strategic means for creation of ethical legitimacy.

D. Proactive approach

Proactive approach refers to a CSR approach which is both “inside-out” and “outside-in” oriented. In this approach firms involves external stakeholders at the starting stage of the issue’s life-cycle. In this approach various stakeholders regularly meet each other for the negotiation purpose on various norms which are to be acceptable by everyone i.e. ding right things right. In this approach company’s internal and external stakeholders has a significant role to manage the issue of poverty. These firms believe that poverty can only be removed by partnerships between various groups of external and internal stakeholders. These firms are able to draw a relationship between low wages and low economic growth.

Poverty approaches of Fortune 100 Companies, 2006				
[% of row category; overlap possible]				
	<i>Inactive</i>	<i>Reactive</i>	<i>Active</i>	<i>Proactive</i>
Total (N=100)	63%	55%	33%	4%
Europe (N=52)	48%	67%	52%	8%
USA (N=30)	77%	47%	13%	0%
Developing(N=3)	33%	66%	33%	0%
Asia (N=15)	93%	27%	7%	0%

Figure 2: Fortune 100 Corporations, 2006

V. CONCLUSION

It is concluded that issue of poverty alleviation has not get priority in business strategy. It is seen that firms which follow the active or proactive approach do not solve the complexity of the issue, but emphasize more on the regulatory framework in which firm operates. There are narrow and micro level conceptions towards solution of issue of poverty prevail. It is very difficult to change the strategic phenomenon of big business houses.

REFERENCES

[1] Barro, R. (1999). Inequality, growth and investment. Cambridge, MA: national Bureau of Economic Research.
 [2] Blowfield, M. (2005). Corporate social responsibility.
 [3] Fair Labor association (2007). <http://www.fair-labor.org>
 [4] Fortanier, F., & Kolk, A. 2007. On economic dimensions of CSR: Exploring fortune global 250 reports.
 [5] International survey of corporate responsibility reporting 2005.
 [6] Poverty alleviation. <http://www.en.m.wikipedia.org>
 [7] Poverty alleviation published on website: <http://www.slideshare.net>
 [8] Poverty reduction online published on website: <http://www.scribd.com>
 [9] Poverty alleviation as an corporate issue published on website <http://www.research-papers.essayempire.com>
 [10] Issue of poverty notes published online: Ref: study-material4u.blogspot.in
 [11] S.Department of Labor & U.S. Bureau of Labor Statistics 2005. A profile of the Working poor 2003. <http://www.bls.gov/cps/cpswp2003.pdf>