Why Poverty Persists: Poverty Dynamics in Asia and Africa

Bob Baulch
RMIT University Vietnam
21 November 2012
New from Edward Elgar Publishing

Why Poverty Persists

Poverty Dynamics in Asia and Africa

Edited by Bob Baulch, Chronic Poverty Research Centre

‘This volume on poverty dynamics in developing countries, whose authors include the leaders in this field, is a must for analysts and research students. It advances the literature by addressing three important issues – measurement error, attrition, and tracking. For each of these questions, the volume leads by example, showing how they can be handled in specific cases. The results show that escape from poverty is a diverse phenomenon, and establish the importance of country and context specificity. The volume provide an analytical platform for careful policy assessment of policy alternatives.’

— Ravi Kanbur, Cornell University, US

‘At the beginning of the 2000–2010 decade, Bob Baulch (with John Hoddinott) was setting the micro-econometric agenda on poverty dynamics and chronic poverty and producing work that “non-economists” had to read if they wanted to conduct serious research on these issues. In this volume – through his analytical excellence, the pursuit of methodological rigor, extraordinary energy and persistence, and his ability to lead such a distinguished network of colleagues – Bob has set the research agenda for the next ten years.’

— From the foreword by David Hulme, Brooks World Poverty Institute, Chronic Poverty Research Centre, Institute for Development Policy and Management, University of Manchester, UK

This edited book analyses what traps people in chronic poverty, and what allows them to escape from it, using long-term panel surveys from six Asian and African countries.
Overview of Book

• The book analyses what traps people in chronic poverty, and what allows them to escape from it, using long-term panel surveys

• Aims to synthesize the main findings from selected panel studies commissioned by the CPRC’s Poverty Dynamics and Economic Mobility Theme

• Contains six country studies: from Bangladesh, Ethiopia, Nepal, Pakistan, South Africa, & Vietnam

• Pays careful attention to the issues of attrition and tracking, measurement error, and modelling of poverty dynamics

• Published in US in September 2011, with a paperback edition from September 2012
Outline of Presentation

• Introduction and Overview
• Preliminary Remarks + 3 Methodological Issues
• Key Findings
  – What enables people to escape chronic poverty?
  – What traps people in chronic poverty?
  – What leads people to fall into chronic poverty?
• Policy Conclusions
  – Promoting escapes from chronic poverty
  – Preventing descents into chronic poverty
Some Preliminary Remarks

• CPRC defines chronic poverty as extended duration poverty, measured in absolute terms

• Reducing chronic poverty involves decreasing the ‘stock’ of people trapped in poverty by increasing the ‘flows’ of people escaping poverty, while decreasing the ‘flows’ of people entering it

• We therefore need to understand:
  – What enables people to escape chronic poverty?
  – What prevents people from escaping chronic poverty?
  – What leads people to fall into chronic poverty?
## The Panel Surveys

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>Number of panel waves</th>
<th>% of households attriting (between first and last waves)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>1996/97-2006/07</td>
<td>2+</td>
<td>6.3%</td>
<td>Rural households; local tracking including splits</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1994-2004</td>
<td>5</td>
<td>12.1%</td>
<td>Rural households, local tracking excluding splits</td>
</tr>
<tr>
<td>Nepal</td>
<td>1995/6-2003/4</td>
<td>2</td>
<td>21.9%</td>
<td>Rural + urban households, local tracking</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1987/88-2004/05</td>
<td>2+</td>
<td>5.4%</td>
<td>Rural households in Sindh Province, including splits and descendants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rural + urban households in Kwazulu Natal; local tracking including</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>splits and descendants</td>
</tr>
<tr>
<td>South Africa</td>
<td>1994-2004</td>
<td>3</td>
<td>37.9%</td>
<td>Rural + urban households; local tracking including splits and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>descendants</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2002-2006</td>
<td>3</td>
<td>14.6%</td>
<td>Rural + urban households; local tracking excluding splits and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>temporary migrants</td>
</tr>
</tbody>
</table>
Three Methodological Issues

• Attrition and tracking: testing and inverse probability weights

• Measurement error: known to be pervasive but little agreement on adjustment methods

• Modelling poverty dynamics: involves choice between various discrete and continuous variable models
Key Findings 1:
What enables people to escape CP?

• The processes which enable people to escape chronic poverty are gradual, and are often interrupted by short-term set-backs.

• Households who escape poverty are often at early stages in their life cycles (they may well fall back into chronic poverty in later life)

• A family member obtaining regular employment or establishing a successful non-farm business often allows their household to escape CP

• The causes of improvements for some are causes of decline for others
Escaping Chronic Poverty
Key findings 2: What traps people in CP?

- Lack of assets are crucial maintainers of CP
- Lack of education and ethnicity-caste-race lock people into persistent poverty
- Adverse geography, customs and social obligations also play important roles in perpetuating chronic poverty
- Limited evidence for a threshold (of either land or non-land assets) beyond which households are more likely to escape from chronic poverty
Maintainers of Chronic Poverty
Key findings 3:
What leads people to fall into CP?

• Rather than a single shock, it is two or three ‘negative events’ happening in rapid succession that usually propel households into chronic poverty

• In non-arid environments, negative events at the household level are more important than community/area level shocks. In arid and semi-arid environments, community/area level shocks have greater importance

• Lack of education makes individuals more vulnerable to falling into chronic poverty

• In South Asia, a lack of brothers/close male relatives is often associated with females falling into poverty
Falling Into Chronic Poverty
Policy Conclusions

Chronic Poverty: What is to be done?

• No blue-prints solutions for reducing chronic poverty but certain theme recur time and time again in the 6 country studies in Why Poverty Persists

• Reducing chronic poverty involves decreasing the ‘stock’ of people trapped in poverty by increasing the ‘flows’ of people escaping poverty while decreasing the ‘flows’ of people entering it.

• So we need to examine what can be done to:
  – Promote escapes from chronic poverty
  – Prevent descents into chronic poverty
Promoting Escapes from Chronic Poverty (1)

• Growth is good but it is not enough
  (‘a rising tide does not raise all boats’)
• Disadvantaged and marginalised groups are likely to be excluded from the benefits of growth
• Need for meso-level measures to ensure that the benefits of growth are spread widely
• Distinguish between measures to improve returns to the CP’s existing endowments, and those which enhance their asset base
Promoting Escapes from Chronic Poverty (2)

1. Measures to improve the returns to the CP’s endowments
   - Labour market and migration policies
   - Employment guarantee and workfare schemes
   - Minimum wage policies
   - Anti-discrimination initiatives

2. Measures to improve the asset base of the CP
   - Asset accumulation often involves trading-up assets
   - Complementary assets are usually needed
   - Microfinance and social funds may be useful
Preventing Descents into Chronic Poverty (1)

- Social safety nets in most countries consists of many *ad hoc* interventions designed to protect people and households against specific shocks.
- Descents into poverty often happen rapidly after 2 or 3 shocks or negative events happen in rapid succession.
- Broader social protection policies (e.g., social insurance, social assistance and labour market policies) can provide protection against a range of risks.
- Social safety nets programmes must complement each other and designed to be scaled-up and down quickly.
Preventing Descents into Chronic Poverty (2)

• Protecting the asset base of the poor/near poor against erosion in times of crisis
  – Employment guarantee and workfare schemes
  – Conditional and unconditional cash transfers
  plus, in some cases:
    – Contributory social insurance schemes

• Credible and reliable social protection programmes are essential to reducing downward mobility and increasing upward mobility
Concluding Remarks

• St Mark’s Gospel states ‘the poor ye shall ever have with you’

• If poverty is defined in relative terms, this statement is probably unavoidable

• But if poverty is defined in absolute terms, one can talk about the reduction and, in the long-term, even the elimination of chronic poverty

• Reducing chronic poverty requires a transformative approach to development, in which equitable access to employment, broad-based investments in education, and effective social protection all have central roles
Further Information

www.chronicpoverty.org

www.e-elgar.com