

Poverty Dynamics and Opportunity

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United Nations – September 12-13, 2018

RESEARCH QUESTIONS

1. ORIGINS: How many were not *born* to poverty?
2. REMOVAL: Why do some (but not others) escape poverty?
3. UPWARD MOBILITY: How high do they typically rise?

Existing data and methods not very helpful:

- Stocks (rarely flows)
- Handful of flow studies, but
- Short time periods
- Rarely probed WHY questions

→ *Need for a new methodology*

Developing a method:

“STAGES OF PROGRESS”

- Retrospective (safeguards and triangulation)
- Variable time-horizons (8-25 years)
- Local scale - assets/capabilities – reliable and validated
- Identification of reasons

Six months of initial fieldwork...later refinements

Grassroots investigations in 400 rural and urban communities of

INDIA

KENYA

PERU

UGANDA

NORTH CAROLINA, USA

> 45,000 households

(Diverse funders)

The Bathtub of poverty

	Escaped Poverty	Became Poor	Reduction in Poverty
Rajasthan (35 villages)	11%	8%	3%
Gujarat (36 villages)	9%	6%	3%
Andhra (36 villages)	14%	12%	2%
W. Kenya (20 villages)	18%	19%	-1%
Uganda (36 villages)	24%	15%	9%
Peru (20 communities)	17%	15%	2%
North Carolina (13 communities)	23%	12%	11%

Lessons learned

- ✓ **NOT A RISING TIDE** : One-third of all poor people were not born poor
- ✓ **FALLING INTO POVERTY**: NOT isolated, marginal or temporary
- ✓ **INCREASING VOLATILITY**: descents have become more common...

Increased Vulnerability in Kenya

(Countrywide: 71 rural and urban communities)

<i>% fell into poverty</i>	Zone 1	Zone 2	Zone 3	Zone 4	Urban Zone	National Average
First period (1991-1998)	7%	10%	12%	15%	7%	10%
Second period (1998-2006)	11%	14%	13%	22%	15%	14%

Falling into Poverty: how and why

- **Usually sequential, not sudden**
- **Multiple, cumulative reasons**
- **Of an everyday nature**

GENERAL REASONS FOR DESCENT

#1: Bad health and high health care expenses

ALSO

- High-interest debts
- Droughts, crop diseases
- Social expenditure - funerals, weddings
- Changing technology, job losses

Most vulnerable: female-headed households

Not significant in any region: Laziness, Alcoholism

Health → poverty

- “Catastrophic” health expenses (Xu et al. 2003; Sen, Iyer and George 2002).
- “Medical poverty trap” (Whitehead, Dahlgren and Evans 2001)
- Average long-term income loss of 17 percent (Yao 2005)
- More than half of all personal bankruptcies in America (Himmelstein et al. 2005)
- Poor people pay more (Fabricant et al. 1999, Farmer 1999)
- Macro Evidence (EQUITAP 2005; Milly 1999; Scruggs and Allan 2006)

LOCAL VARIATIONS: Critical

	Escape	Descent	Change
Andhra Pradesh			
Sitapur	49%	3%	46%
Rampur	1%	40%	-39%

GENERAL REASONS FOR ESCAPE

Diversification of Income Sources

- Agriculture
- Urban Informal Sector

Less frequent: “Regular” – i.e., stable – jobs

Worrisome: LIMITED UPWARD MOBILITY

1. AGRICULTURE: Average land held by poor households:

Uganda - 1.48 acres

Gujarat - 1.13 acres

Peru - 1.39 acres

Kenya - 1.67 acres

2. INFORMAL SECTOR: Street vendors, lorry loaders, security guards, maids, cooks, gardeners, day laborers...

HIGHEST POSITIONS

71 Indian villages (last 10 years)

Accountant	(2)	Lineman	(7)
Advocate	(4)	Council Secy.	(4)
Computer Operator	(4)	Recordkeeper	(11)
Constable	(8)	Messenger	(6)
Clerk Typist	(10)	Sub-Inspector	(4)
Doctor	(1)	Schoolteacher	(50)
Driver	(4)	Soldier (<i>Jawan</i>)	(32)
Civil Engineer	(2)	Software Engineer	(1)

Career aspirations of youth (14-22 yrs) attending school in two states of India

n=1,456

School teacher	43%
Police constable	11%
Army recruit	13%
Other low-paid government	15%
Other low-paid private	5%
TOTAL LOW-PAID	87%

Similarly Low Glass Ceiling in other Countries...

- UGANDA (40 communities) –
1 Doctor, 1 Bank Manager, 14 “businessmen”
- PERU (20 communities) –
1 Civil Engineer, 1 Agricultural Engineer, 2
Nurse Practitioners, several “merchants”

Available pathways (agriculture and the informal sector) → limited upward mobility

Lessons

- ✓ **Poverty increases even as it is reduced**
- ✓ **Not one, but two, poverty policies**
- ✓ **Local factors are critically important**
- ✓ **Limited policy perspective:** What if Einstein had been born poor...?



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OXFORD

one illness away

why people become
poor and how they
escape poverty

ANIRUDH KRISHNA

EXTRA SLIDES

STAGES-OF-PROGRESS METHODOLOGY

Seven Steps

Step 1. Getting together a representative community group

Step 2. Discussing the objectives of the exercise

Step 3. Defining “poverty” collectively in terms of Stages of Progress

Stages of Progress (Rajasthan)

1. Food for the family	
2. Send children to school	
3. Some clothes to wear outside the house	
4. Start repaying debts	
5. Repair the existing shelter	<i>Poverty Cutoff</i>
6. Dig a well	
7. Purchase cows and buffaloes	
8. Construct a <i>pakka</i> (brick) shelter	
9. Purchase ornaments	<i>Prosperity Cutoff</i>
10. Radio, tape recorder, refrigerator	
11. Motorcycle	
12. Tractor, car	

Initial stages before the poverty cutoff:

STAGE	Rajasthan	Gujarat	W. Kenya
1.	Food	Food	Food
2.	Primary education	Some Clothing (to wear outside)	Some Clothing (to wear outside)
3.	Some Clothing (to wear outside)	Primary education	House repair (roof renovation)
4.	Retiring accumulated debt	Retiring accumulated debt	Primary education
5.	House repair (roof renovation)	House repair (roof renovation)	Small animals (chicken, sheep, goat)
6.		Hiring in a small tract of land	

- **STAGES OF PROGRESS METHOD**

- **Step 4.** Define “X years ago” in terms of a well known signifying event
- **Step 5.** List all households. Ascertain stage for each household at present time and in earlier period
- **Step 6.** Categorize all present-day households:
 - A. Poor 25 years ago and poor now (Remained poor)
 - B. Poor then and not poor now (Escaped poverty)
 - C. Not poor then but poor now (Became poor)
 - D. Not poor then and now (Remained non-poor)

STAGES OF PROGRESS METHOD

Step 7. For a random sample (25-40%) of households in each category, investigate reasons for change or stability

I. Community inquiry:

Comparative perspective
Probing

II. Household inquiry:

Verify what the community has said
Go deeper into reasons

- Training is critical
- Sharing results

Stage – and assets (recorded 7 years ago)

STATUS7	Land (<i>bighas</i>)	Large Animals	Small Animals	<i>Kaccha</i> house
Very Poor (Stage 1-3)	3.6	1.8	2.8	86%
Poor (Stage 4-5)	5.5	2.5	3.7	77%
Middle (Stage 6-8)	8.1	3.1	5.1	51%
Better Off (Stage 9+)	10.6	4.3	3.1	22%

Increased Vulnerability in North Carolina (13 rural communities)

	First Period 1995-2000	Second Period 2000-2005
<i>% of all households</i>		
Escaped Poverty	16%	13%
Fell into Poverty	6%	12%