

COVERSHEET  
**CONCEPTUALIZING CHRONIC POVERTY\***

(Forthcoming) *World Development*, 2003

David Hulme

Institute for Development Policy and Management

University of Manchester

and

Andrew Shepherd

Overseas Development Institute

London

Correspondence to:    Professor David Hulme  
  
                                 Institute for Development Policy and Management  
  
                                 Crawford House, Precinct Centre  
  
                                 Oxford Road, Manchester  
  
                                 M13 9GH  
  
                                 Email: [david.hulme@man.ac.uk](mailto:david.hulme@man.ac.uk)  
  
                                 Tel: 0161 275 2825 or 2800

\*        This paper is partly based on an earlier paper (Hulme, Moore and Shepherd, 2001). Comments and ideas from many people have helped us in our thinking, particularly Chronic Poverty Research Centre partners, participants at a workshop held at Church House, Westminster in February 2002 and Bob Baulch, Tony German, Andy McKay, Karen Moore and Judith Randel. Particular thanks to Karen Moore for research assistance. Financial support from the Department for International Development Social Science Research Fund, Grant number R7847, is gratefully acknowledged.

**Summary** – This paper provides a meaning for the term chronic poverty ‘in a nutshell’ and explores the concepts of poverty, vulnerability and poverty dynamics that underpin this meaning. Subsequently, it reviews ‘who’ is chronically poor, ‘why’ they stay poor and what is known about policies to reduce chronic poverty. Despite the limited knowledge available it is clear that hundreds of millions of people are chronically poor, the causes are multifarious but can be analysed through livelihoods frameworks and that the scale and nature of chronic poverty will require an increase in the levels of financing allocated to social protection in developing countries. Recent conceptual and methodological advances, and the increasing availability of panel datasets, mean that the analysis of deprivation can move on from poverty trends to poverty dynamics.

*Key words:* chronic poverty, poverty dynamics, poverty reduction, deprivation, social welfare, social protection

## CONCEPTUALIZING CHRONIC POVERTY

‘A small peasant and a landless laborer may both be poor, but their fortunes are not tied together. In understanding the proneness to starvation of either we have to view them not as members of the huge army of the ‘poor’, but as members of particular classes, belonging to particular occupational groups, having different endowments, being governed by rather different entitlement relations. The category of the poor is not merely inadequate for evaluative exercises and a nuisance for causal analysis, it can also have distorting effects on policy matters’ (Sen 1981).

### 1. INTRODUCTION

In the last few years national and international commitments to poverty-reduction have reached levels that could barely have been imagined ten years ago. Most world leaders have committed their countries to ambitious targets for reducing global poverty, national governments are drafting Poverty Reduction Strategy Papers (PRSPs) and international agencies are focusing their attention on mobilizing resources and influencing policies that will provide pro-poor growth and alleviate poverty. The central focus of this exercise has become the Millennium Development Goals (MDGs). These now comprise 8 goals, 18 targets and 48 indicators (OECD 2001). At their lead, as a global rallying call is goal 1-target 1: ‘halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day’. In terms of focusing public attention on the issue of poverty and mobilizing energy and resources for its reduction, this primary goal has proved excellent. However, at other levels of activity its consequences may not be so beneficial. In particular, it encourages the conceptualization of the poor as a single homogeneous group whose prime problem is low monetary income and has lead policymakers and their advisors to search for ‘the policy’ that increases the income of ‘the poor’. When ambitions are high and time is short simple solutions are sought. As Amartya Sen’s opening quote warns, pressures to view poor people as a homogeneous group can both weaken analysis and distort policy.

A particular problem of contemporary poverty analysis, seeking to rapidly reduce poverty headcounts in an era of globalization driven by a neo-liberal vision,<sup>1</sup> is to see ‘the poor’ as those who are not effectively integrated into the market economy. This leads to a focus excessively on the role that market forces can play in poverty-reduction. Without a doubt, such approaches can help many poor people but there are two problems with them. First, such a focus will not meet the needs of all the different types of poor people. Second, such an approach encourages a focus on those poor whom the market can ‘liberate’ from poverty but neglects the needs of those who need different forms of support, policy changes, or broader changes within society that take time. The chronic poor – those who have experienced poverty for long periods, or perhaps, all of their lives – are likely to be neglected in such an era given the multiple factors that constrain their prospects and the likelihood that market-based factors may contribute to their continued deprivation. While earlier ages sought to help the ‘deserving poor’ the contemporary focus is on the ‘easy to assist poor’ (a focus that is encouraged by the MDGs). This group desperately needs support, but not at the price of ignoring those whose poverty is more problematic.

In more specific terms, one can deductively identify big differences in the types of poverty reduction strategy that are most appropriate for countries (or regions) that have different mixes of chronic and transient poverty. In a country where poverty is largely a transient phenomena, with ‘the poor’ at any particular time having a high probability of improving their position, then policies should focus predominantly on social safety nets that help people to manage their present deprivation, rapidly return to a non-poor status and reduce vulnerability. Limited term unemployment allowances, social grants, workfare, microcredit and new skills acquisition programs would be required. By contrast, in a country where a significant proportion of the poor are chronically poor, then policies to redistribute assets, direct investment towards basic physical infrastructure, reduce social exclusion (from employment, markets and public institutions) and provide long term social security will be necessary if poverty is to be significantly reduced. Quite different national development strategies, roles for the state and forms and levels of international support would be needed for these two different hypothetical cases.

This paper addresses four main questions to create a background framework for the articles that follow.

1. What is chronic poverty? This section provides a short working definition of the term so that the reader can understand the particular focus of this collection ‘in a nutshell’. Subsequently, it examines in more detail different aspects of the conceptualization of chronic poverty.
2. Who is chronically poor? This is an empirical question for which there are few materials available. A brief summary of the existing state of knowledge is presented.
3. Why are people chronically poor? This section provides a tentative framework for examining the different factors and combinations of factors that explain why poverty persists. Inevitably, attempts to answer this question will always be contested.
4. What are the implications of the answers to the earlier questions for poverty-reduction policy?

## 2. WHAT IS CHRONIC POVERTY?

In the first part of this section we provide a working definition of chronic poverty and a set of terms that facilitate the discussion of different aspects of poverty and poverty dynamics. In subsequent parts we explore important theoretical issues that deepen the understanding of chronic poverty and/or reveal unresolved debates about the analysis of chronic poverty. It would be easier if we could provide a precise definition for chronic poverty, around which there is a broad consensus, and then proceed to answer the other questions posed in the introduction. However, chronic poverty – like the concept of poverty itself – is a portmanteau term. Different meanings can be invested in the term, reflecting the differing personal values – and often the disciplinary backgrounds – of particular analysts and schools of thought.

(a) *Chronic poverty in a nutshell*

As a rough working definition we propose that chronic poverty be viewed as occurring when an individual experiences significant capability deprivations for a period of five years or more. Specific elements of this definition are explored in detail in the sections that follow. Here four main points need to be noted.

First, the distinguishing feature of chronic poverty is its extended duration. The exact length of time that needs to elapse is, as with the level chosen for an income poverty line, somewhat arbitrary. Intuitively, we are talking about people who remain poor *for much of their life course*, and who may ‘pass on’ their poverty to subsequent generations (see Harper, Marcus and Moore in this volume for an examination of the inter-generational transmission of poverty). There are three arguments that can be used to support this crude five year criterion. Five years is perceived as a significant period of time, in an individual’s lifecourse, in most cultures. There is often a five year gap between data collection points when panel data is created so that in practical terms the study of the duration of poverty will often be based on a five year period (for example, see Carter and May (1999) for South Africa and Baulch (this volume) for Vietnam). Finally, some empirical materials indicate that people who stay poor for five years or more have a high probability of remaining poor for the rest of their lives (see Corcoran, 1995 and Yaqub, 2000). If this is the case, the likelihood of inter-generational transmission would also be high and the five year criterion would permit the identification of the most intense forms of chronic poverty.

Second, the specific set of capability deprivations that are used to identify chronic poverty varies from study to study in this volume and in the wider literature, as is the case with general studies of poverty. However, relying on the usual income and consumption measures as surrogates of chronic deprivation may not be enough where poverty is persistent, as multi-dimensional deprivation is likely to underpin long term poverty. Understanding the nature and degree of multi-dimensionality is therefore an important task. As variables for poverty assessment, income and consumption are much more likely to

fluctuate over short periods of time than are measures such as literacy or tangible assets and thus to present poverty as a transient phenomena.

Third, it is individuals who ultimately suffer chronic poverty and whose life experiences should be tracked and analyzed. However, in most studies the focus of analysis is the household because this is the level at which data is collected. In some households all members may experience poverty in similar ways over similar periods of time, but this should never be assumed. It is quite feasible that in non-poor households certain members may suffer chronic poverty because of their gender, age or social status and, conversely, that specific individuals in chronically poor households may not be persistently deprived. At times it is useful to identify social groups, communities or even the populations of spatial areas where chronic poverty is concentrated. The concept can even be applied to countries in which the majority of people have been persistently poor for many years (UNCTAD, 2002).<sup>2</sup> In all of these cases similar *caveats* must apply.

Fourthly, while it is possible to assess chronic poverty in either absolute or relative terms, most existing work and virtually all of the contributors in this volume, focus on chronic absolute poverty. Such a focus is consistent with the approach of most poverty analysis in developing countries. But, it should be noted that Yaqub (2002) argues that chronic relative poverty (i.e. always being in the bottom quintile of a country's income distribution) may be as hard, or even harder to escape than chronic absolute poverty.

We propose a five tier categorization for the study of chronic poverty (Figure 1). While the measurement of poverty can be in terms of income, expenditure or consumption we would extend this so that other indicators (such as assets or nutrition), or combinations of indicators (such as a household level human deprivation index) could be utilized.<sup>3</sup> This recognizes the *always poor* whose poverty score (income, consumption, nutritional status, human deprivation index etc.) in each period is below a defined poverty line; the *usually poor* whose mean poverty score over all periods is less than the poverty line but are not poor in every period; the *churning poor* with a mean poverty score

around the poverty line but who are poor in some periods but not in others; the *occasionally poor* whose mean poverty score is above the poverty line but have experienced at least one period in poverty; and, the *never poor* with poverty scores in all periods above the poverty line. These categories can be further aggregated into the *chronic poor* (always poor and usually poor), the *transient poor* (churning poor and occasionally poor) and the non-poor (the never poor, continuing through to the always wealthy).<sup>4</sup>

**[FIGURE 1 HERE]**

While the study of chronic poverty is particularly interested in the always poor and usually poor, all of these categories can be used in a dynamic sense to describe poverty transitions. For example, a household can be seen as escaping chronic poverty (an escapee household) when it moves from being usually poor to being only occasionally poor (Figure 2). Conversely, a household can be viewed as descending into chronic poverty (a descending household) when its status shifts from being never poor or transient poor to being always poor over a period of time (Figure 2). The papers by Sen (this volume) and Matin and Hulme (this volume) explore the processes associated with such transitions. Such processes are of fundamental importance to policy formulation to identify means by which the chronic poor's position can be improved and the probability of non-poor and transient poor households descending into chronic poverty can be reduced.

**[FIGURE 2 HERE]**

#### *(b) Poverty Concepts and Chronic Poverty*

All of the general debates that surround the conceptualization of poverty<sup>5</sup> apply to chronic poverty. In particular, the question of whether chronic poverty should be conceptualized as income or consumption poverty or as something that has many dimensions,<sup>6</sup> has great significance. While it is now widely accepted by analysts and policy makers that poverty is deprivation in terms of a range of



capabilities in addition to income – education, health, human and civil rights – and that these capabilities are significant in their own right and in terms of their contribution to economic growth and income enhancement, the study of chronic poverty has tended to focus on income/consumption poverty. The prime reason for this is that the analysis of poverty dynamics requires panel data and virtually all the panel data sets available in developing countries have been based on surveys that have generally been used to conceptualize poverty as material or physiological deprivation (Yaqub, 2002).<sup>7</sup> Such ‘money-metric’ approaches permit measurement<sup>8</sup> of changes in levels of household poverty, comparisons over time (and, potentially between regions or countries) and can be rigorously analysed to produce findings that can be statistically tested (see McKay and Lawson, in this volume, for a discussion of such quantitative analyses, and McCulloch and Calandrino, in this volume, for an example).

Chronic poverty has typically been assessed in two ways with income/consumption data: the ‘spells approach’, which focuses on transitions into and out of poverty and is widely held to overestimate transient poverty because of measurement error especially when the object of analysis is income or consumption; and the ‘components approach’, which attempts to isolate the permanent or underlying component of poverty from transitory shifts, and is measured either by average income or consumption over a period of time, or by a prediction of income based on known household characteristics. The spells approach corresponds more to the intuitive idea of chronic poverty as persistent poverty, while the identification of the chronic poor in the components approach is also influenced by the depth of poverty – but both provide valuable insights (McKay and Lawson, in this volume). Where both measures have been used side by side, the components approach typically produces five to 25 percent more chronically poor people (Yaqub, 2002). The spells approach has often been used in studies concerned with transient poverty and the policies required to assist the transient poor emerge from poverty. The analysis of transitions becomes powerful when the factors underlying substantial and sustained transitions can be isolated. While large sample surveys with a panel element can associate transitions with particular characteristics, they are usually weak in generating understanding of the processes involved. These require qualitative data (see Hulme, Moore

and Shepherd, 2001: 15), or smaller scale, intensive surveys (e.g. Pryer 1993) together with judgments on the sustainability of the transitions observed.

While both spells and components approaches represent essential aspects of chronic poverty, and have the advantage that plenty of quantitative data is available, it will be argued below that a complete understanding of chronic poverty must also rely on developing a picture of people's assets and changes in assets over time. Only by including material and other assets in the descriptive analysis can adequate explanations of persistence be achieved. This has been a neglected aspect of poverty studies, but with the improvement in data availability from household surveys, censuses and Demographic and Health Surveys in many poor countries during the 1990s, it should now be possible to focus significantly more attention on assets and asset change.

In recent years the need to analyze poverty from a multi-dimensional perspective has been increasingly recognized. This can be done by more qualitative research methods, often with roots in anthropology and sociology (for example, see Wood, in this volume or Hulme, 2002) or by using non-monetary variables in quantitative analyses (see McKay and Lawson, in this volume, for a discussion of this issue and Baulch and Masset, in this volume, for an example). Multi-dimensional conceptualizations are likely to be of particular importance for the understanding of chronic poverty as the more dimensions on which an individual is deprived, the less likely s/he is to escape poverty as the exit routes will be limited. This argument has been used before to explain extreme poverty:

'Extreme poverty results when the lack of basic security simultaneously affects several aspects of people's lives, when it is prolonged, and when it severely compromises people's chances of regaining their rights and reassuming their responsibilities in the foreseeable future' (Wresinski, 1987, quoted in Wodon, 2000:3).

Whether the extremely or severely poor are also chronically poor remains an empirical question (see below), but it is clear that a cumulative lack of basic capabilities would make it extremely difficult for the poor to emerge from poverty by their own efforts.

Multi-dimensional or deprivation has most commonly been measured at national level through the human development index (HDI) and other indices (for example, the physical quality of life index, PQLI). Measurement at individual or household level is not well developed. However, there is plenty of scope to revisit existing datasets, as demonstrated by Baulch and Masset for Vietnam (in this volume). This shows that in a period of exceptionally high economic growth there was only modest overlap in the sub-groups of chronically poor people defined using expenditures, nutritional status and educational enrolments. A household's chronic monetary poverty was not a good predictor of chronic nutritional deficiencies or of chronic low educational status. This has significant policy implications: effective education and nutrition policies and interventions can be considered to be interrupters of chronic poverty in their own right. This optimistic scenario contrasts with developed countries where "broader indicators of welfare seem to be more strongly correlated across generations than narrow pecuniary indicators" (Yaquib, 2000: 26-8). To gain a deeper understanding of chronic poverty, future quantitative research will need to move beyond the money-metric conceptualizations that have been dominant in the past.

In the last few years a strong case has been made that knowledge about poverty should focus on the understandings of poor people and the concepts that they utilize (Chambers, 1997). The most comprehensive study adopting a participatory approach, *Voices of the Poor* (Narayan et al, 1999), did not specifically deal with the duration of poverty although some of its materials suggest that poor people recognize an overlap between the persistence and severity of poverty. In Ghana, for instance, the poorest people were described variously as:

'...chronically hungry...extremely poor, the perennially needy and pathetic. This category was divided into two broad groups, first is "God's Poor", a group which includes factors for which there is

no obvious remedy – disability, age, widowhood and childlessness. The second group is the “resourceless poor”; this includes ...immigrant widowers and other landless poor’ (ibid.: 28-29).

A second relevant finding relates to the different way in which the newly poor in transitional countries approach poverty, as compared with that of the poor in developing countries. It is noted that while all the statements gathered “reflect insecurity and material deprivation”, the Eastern European and Central Asian respondents “are filled with disbelief and demoralization, and are much more likely to make comparative statements contrasting the better past with the intolerable present” (ibid., 1999: 34). Expressing an intense shame and humiliation often qualitatively different from that of the poor in developing countries, the newly poor in transitional countries compare their standard of living both *diachronically* (with their earlier standard of living) and *synchronically* (with that of others) as an attempt to:

‘psychologically mediate their experience... [This is] a way for respondents to *externalize* the responsibility for the current situation. That is, by pointing to specific events that impoverished everybody, by citing examples of those worse off than they, or the criminality and duplicity of the wealthy, respondents feel that at least to a certain extent their impoverishment was not the result of personal failings, but of events utterly beyond their control, such as the transitions associated with “independence”, or in some cases, with other shocks such as the earthquake in Armenia...’ (ibid.: 57).

According to Narayan et al., although they continue to battle against poverty, the long-term poor in developing countries tend to be relatively accepting of their poverty as compared to the new poor in the transitional countries. The comparison generates important questions surrounding the comparative psychological effects of chronic, transient and new poverty in different contexts and on different generations, and the manner in which these relate to poor people’s sense of vulnerability and their coping strategies.

Comparisons of ‘objective’ (i.e. by external researchers) and ‘subjective’ (i.e. by the poor themselves) analyses of chronic poverty seem likely to reach agreement on some issues but also to focus on causal factors operating at different scales. Hulme’s (2002) study of a single chronically poor household in Bangladesh concurs with Maymana that her husband’s terminal illness, the depletion of household assets to meet medical expenses, food costs, and the seizure of the household’s land by her father-in-law were key factors in the descent of her and her son into chronic poverty. However, where Maymana viewed these as being ultimately an act of God, Hulme highlights failures of public and private healthcare provision, a lack of social safety nets, a weak labor market, and governance failures (in both state and civil institutions) with regard to inheritance. While Maymana focused on causality at the micro and spiritual level, Hulme emphasized the meso and macro level.

*(c) Vulnerability and Chronic Poverty*

It can be argued that what poor people are concerned about is not so much that their level of income, consumption or capabilities are low, but that they are likely to experience highly stressful declines in these levels (Chambers, 1983). This approach suggests that vulnerability can be seen as the risk that a household will suddenly (but perhaps also gradually) reach a position with which it is unable to cope, leading to catastrophe (hunger, starvation, family breakdown, destitution or death). The literature on food security and insecurity is particularly helpful in aiding the understanding of how vulnerability arises and strategies to reduce its impacts.

Vulnerability is not necessarily captured by income or consumption measures, though poor people according to these measures are likely to have fewer buffers against shocks. Responses to shocks and the ability to cope with vulnerability is very much dependent on assets, and the possession of or access to liquid assets are particularly important to avoid impoverishment. Liquid assets include disposable items (classically, jewelry and livestock) but could also refer to the resources people can draw down from social networks or the public purse. People may become chronically poor as a result of one major or several smaller sequential shocks that are not mitigated by their own efforts or by

public action. The absence of effective public social protection characteristic of poor and transitional countries puts a premium on social networks and private liquid assets. Wood (in this volume) argues that some people stay poor because their priority is to minimize vulnerability, and this is best achieved within a patron-client relationship that in turn limits possible exit routes from poverty.

Many studies of poor people (for example Pryer, 1993 and Hulme, 2002) find that vulnerability to ill health is a particular problem. A common 'cause' of chronic poverty in many parts of the world occurs when a household's main income earner contracts a chronic or terminal illness. This lowers household human assets and thus reduces income. To achieve minimum consumption needs this is compensated for by selling off natural and physical assets, using any financial savings, taking on debt, pulling children out of school to enter the labor market, and mobilizing support from social networks. Consumption is also lowered, but this still may not offset the additional costs of medical (or funeral) expenses. A spiral of lowering income, rising expenses and liquidating assets reduces the household to a state of chronic poverty by the time the 'bread winner' dies. In the past diseases such as TB and cancer typified such ill health spirals but today HIV/AIDS is increasingly the associated diagnosis.

A key conceptual challenge for the study of chronic poverty (and indeed poverty) is how to treat those who die preventable deaths (Kanbur, 2002). These need to be incorporated in our analysis as they experience the most acute form of deprivation (i.e. deprivation of all capabilities) for all of the 'lost' years of the life they would have had (which in most cases is more than five years). This must be included or a household whose young children die may be reported as escaping poverty when a similar household that manages to raise all its children (and thus achieve its developmental goals) is seen as 'failing' to escape from poverty as its income/consumption levels per capita are lower because of its larger size and higher dependency ratio. Theoretically this can be done by continuing to 'count' the deprivation (i.e. total deprivation of all capabilities) that the dead person suffers for all of the lost years. Conceptually, this issue is of considerable importance to the study of chronic poverty (and all aspects of poverty), but methodologically, identifying preventable deaths, estimating how many years of life were 'lost' and placing a value on such years is enormously problematic. Concepts from the

health sciences, such as disability adjusted life years (DALYs), may provide a basis for starting to think through this theoretical frontier.

*(d) Poverty Dynamics and Poverty Severity*

The study of chronic poverty is the study of poverty dynamics with a focus on those who are poor and have little or no mobility. The goal of research is to understand the evolution of social structures, mobility within them, and the particular immobility (if this is the case) of the chronically poor at the bottom of the structure. Social structures evolve little over five years, so even if available data limits quantifiable measurement to such short periods, analysis should take in a broader sweep.

Qualitative methods are likely to be critical to the development of strong analytical models. For example, in the USA several decades of panel household survey data enabled the identification of a four year threshold for entry into chronic poverty: there was a 90 percent probability that an individual who was poor for four years would be poor for their entire life (see also the analysis in Yaqub, 2002). In the majority of cases where such panel data is not available, life history work across a range of categories of individuals or households will provide indications of where such thresholds may lie. These can then be verified as quantitative panel data becomes available. Similarly, qualitative work will be needed to model life course poverty and inter-generational transmission, in order to develop an understanding of the processes involved. The *degree* of life course and inter-generational poverty can of course be estimated from cross-sectional data comparing the income, educational and other characteristics of different age groups and generations within the same households, but this will not be an accurate picture, as it represents all the factors producing poverty during a particular period for people at particular points in their lives. Nor will it be capable of supporting explanations.

In searching for explanations of patterns of mobility and the lack of it, asset change is likely to be a central indicator in poor countries with limited labor markets that could otherwise act as mobility channels for people with low levels of assets. In this respect, patterns of mobility in middle income or

transitional countries are likely to be very different, if a growing formal sector is able to absorb low skilled labor with few alternative sources of income. Where such conditions do not obtain, improved wellbeing depends critically on enhanced individual or household assets. Yaqub (2002) reports on recent data from 23 developing countries showing that upward mobility was correlated with increased landholdings and level of education, as well as starting level of education; and downward mobility correlated with increased household size and number of dependents.

Where chronically poor people have very limited material assets (e.g. land, tools and equipment, housing) it is particularly important to focus analysis on human assets such as health and education, the accumulation or loss of which will make so much difference. Social and political networks and public policy may play especially key roles in supporting or preventing accumulation or loss, whereas the accumulation of material assets is largely predicated on the development of and access to markets. Assets partly determine future income potential, but also possibilities of ‘bounce back’ from crisis. Understanding the transformation processes (assets to income to assets to income etc.) over time is the central pre-occupation of livelihoods analysis suggesting that this body of literature will contain much of relevance to the descriptive analysis of chronic poverty.

#### *(e) Summary*

To sum up, chronic poverty focuses on the durational aspect of poverty and has a particular interest in poverty dynamics at individual and household levels rather than aggregate and/or average poverty trends across populations. The analysis of chronic poverty thus requires longitudinal data and, as most existing datasets are quantitative and based upon income or consumption conceptualizations of poverty, it has been dominated by money-metric approaches. It is arguably also for these money metric measures that the distinction between chronic and transient poverty is most important, as their measurement at a point in time does not provide information on dynamics. However, there is a strong case that more multi-dimensional understandings of poverty are required as income and consumption assessments have a tendency to under-report persistent deprivation and are unlikely to tease out the



complexity of the factors that keep poor people poor. Quantitative analysis is now moving beyond purely money-metric approaches. The adoption of capital or assets based analytical frameworks can help to deepen analyses as does the combination of quantitative and qualitative research methods (given that qualitative research methods offer new insights, especially about processes, not easily captured by quantitative analysis).

### 3. WHO IS CHRONICALLY POOR?

There is no body of theory at present that allows a deductive answer to this question. Initial findings in the Chronic Poverty Research Centre identified a number of categories of individuals, households and social groups who are particularly likely to suffer chronic poverty: those experiencing deprivation because of their stage in the life cycle (e.g. older people, children and widows: see Barrientos et al, this volume and Harper et al, this volume); those discriminated against because of their social position at the local, regional or national level e.g. marginalized castes, ethnic, racial or religious groups, refugees, indigenous people, nomads and pastoralists, migrants (see Mehta and Shah, this volume and Sen, this volume); household members who experience discrimination within the household e.g. female children, children in households with many other children, daughters-in-law; those with long term or severe health problems and highly challenging disabilities and impairments (see Yeo and Moore, this volume and Lwange Ntale et al., 2002); people living in remote rural areas, urban ghettos, and regions where prolonged violent conflict and insecurity have occurred (see Bird and Shepherd, this volume, Goodhand, this volume and Amis, 2002). Commonly the chronic poor experience several forms of disadvantage at the same time. These combinations keep them in poverty and block off opportunities for improving their livelihoods.

An inductive approach requires definitions of chronic poverty which are relevant for local, regional, or national contexts. Almost inevitably it will be a heterogeneous group, though there may be consistent findings across countries. At present the answer can only be sketched as panel data is so rare and all attempts to measure poverty are fraught with problems.<sup>9</sup>

At this point in time it is only possible to ‘guestimate’ the number of chronically poor people. This is done very crudely in Table 1 for ten low income developing countries. In looking at this table though it is important to bear in mind that the different studies on which it is based use different methods to identify the poor and the chronically poor. The number of chronically poor in these countries ranges from 242 million to 580 million. It should be noted that the ten countries include China and India, and thus the figures mainly reflect the ranges in those two countries. Without China and India the range is 63 million to 80 million in eight countries. Given the different incidences of both poverty and chronic poverty it is not possible to extend these figures to make a global estimate at present. However, the numbers are clearly impressive and there is much supporting evidence. Aliber (2001 and in this volume) estimates that 18 to 24 percent of South Africa’s population suffered chronic poverty during the 1990s and Sen (this volume) illustrates that in Bangladesh tens of millions of people stayed poor in rural areas between 1987/88 and 2000.

**[TABLE 1 HERE]**

An alternative approach to this issue can be taken by making use of the UNCTAD Least Developed Countries Report for 2002. The Least Developed Countries (LDCs) exclude most countries where there is reasonable poverty data based on household surveys. National accounts data were used to estimate the incidence and absolute numbers of poor people over time. This showed substantial proportions and numbers in ‘extreme’ poverty – living on less than \$1 per day at 1985 purchasing power parity, including more than 50 percent of the population in 20 countries. If one assumes that in such countries, where a majority of the population are usually extremely poor, those who are extremely poor at the present time are also chronically poor, then an ‘order of magnitude’ of chronic poverty can be estimated. Clearly there are methodological problems in assuming that poverty trends also reveal poverty dynamics – but here we are looking for an indication of the numbers of the chronic poor, nothing more. Most of these were countries in sub-Saharan Africa, in which both the incidence and numbers of poor people have increased since the mid-1970s. The depth of poverty has also increased in these countries. 233 million people subsisted on an average of 59 US cents per day

in the late 1990s in African LDCs. This situation was significantly worse than in Asian Least Developed Countries, where a further 44 million subsisted on an average of 90 US cents per day. This gives a total of 277 million.

**[TABLE 2 HERE]**

Table 2 provides details of the trends. Given that around 80 percent of the population (nearer 90 percent in African LDCs) had lived on less than US \$2 per day, even the upwardly mobile within the poor would not have moved far. The poverty of those around and below the US \$1 a day level in countries, where either economic growth or human development investments or both have been sluggish or even in decline, is unlikely to have been substantially relieved during this period. Indeed, 12 countries with a combined population of about 120 million saw increased poverty head counts *over two decades* – the 1980s and 1990s (UNCTAD, 2002: 61). Eleven of these were in Africa. In a further five African countries with a combined population of about 60 million, improvement in the 1990s was not enough to offset decline which had occurred in the 1980s. A further six African countries had improved their poverty figures in the 1980s but declined in the 1990s. Given that these periods of time represent a minimum of 10 years decline, including their populations living on less than \$1 a day in the chronically poor category seems justified. The total number of chronic poor in these LDCs was thus 147 million. None of these countries was included in the earlier figures.

Adding the two sets of figures together (which is undoubtedly methodologically problematic) gives a low estimate of 389 million and a high estimate of 727 million chronically poor people in 32 developing countries, including China and India. There are many countries with significant populations which do not yet figure in this enumeration.<sup>10</sup> If these were incorporated then the total number of chronically income poor people in the world (i.e. those who have been poor for at least five years, but for many for all of their lives) would probably range from 450 million to 900 million. Improving on such crude estimates is a key task for the CPRC's 2004 Chronic Poverty Report.

#### 4. WHY DO PEOPLE STAY POOR?

A vast range of theories seek to shed light on why poor people stay poor. These range from the global level, highlighting the nature of capitalist development, to the micro level, focusing on the personal characteristics and psychology of poor individuals. Globally, there are radicals who argue that the persistence of poverty is an inherent element of capitalist development (Fine, 2002). At the other extreme come neo-liberals who theorize that poverty persists because of obstacles to capitalism and distortions in local, national and global markets (Dollar and Kraay, 2000). Lipton (1977), in an influential but highly criticized volume, argued that ‘urban bias’ was the underlying source of continued poverty. While such broad sweeping theories have great intellectual interest there is no grand theoretical framework yet proposed that can explain the persistence of poverty in general, or the persistence of poverty for countries or social groups in particular. The nature of chronic poverty, and the causal factors that underpin it, differ from context to context and so explanations must also vary (this point is argued through in Harper et al, this volume).

At the national level theory has highlighted ‘bad governance’ (Moore, 2001) and a lack of economic growth. Bad governance leads to ‘bad’ policies, which create a disabling environment for savings, investment, risk-taking and employment creation, and is often associated with political instability, repression and violent conflict. A lack of economic growth, assuming that there is a positive growth elasticity of poverty, means that poor people cannot raise their income or consumption. However, the growth elasticity of poverty in fact varies significantly (UNCTAD, 2002: 74). Elasticities in the poorest developing countries are lowest. More recently inequality has been blamed for the low impact of growth on poverty in very low income countries (Naschold, 2002). But inequality at societal level is a descriptive analytical construct; it has to be ‘unpacked’ to gain explanatory power. Underlying unequal distribution of income is a power structure, and a distribution of wealth maintained by that power structure. Neither are static, but both must figure critically in the explanation of chronic poverty. Whether rich people invest and create employment opportunities, what their attitudes are to the poor (are they seen as ‘deserving’ or rather criminalized and how these shape public policy

(Moore and Devereux, 1999): these are critical questions which will help determine the effects of inequality on poverty. In a globalized world the rich are not only the local rich but also the international rich (diasporas, expatriates) with feet in different worlds.

The generalized poverty in the poorest countries means that few resources are available for public or private investment. Income is almost entirely dedicated to consumption of basic necessities. Public expenditure per capita is extremely low; the result is perpetuated low levels of human development. Harnessing external resources is thus critical. However, many of these countries endure 'complex political emergencies', have weak or collapsed states, provide little by way of investor confidence and have even scared off the international development agencies, whose constituencies are concerned about aid effectiveness and fiduciary risk, as well as employee security (Goodhand, this volume). Some agencies<sup>11</sup> have been moving towards a policy of 'aid selectivity', privileging countries which 'perform' better on economic reform, citizen participation and increasing public expenditure in the social sectors.

Where growth does occur in a very low income country and is sustained (recent examples would be Uganda and Mozambique, but the East Asian countries provide the longest and best documented experiences) there are so many poor people that they are almost bound to benefit. However, this effect is reduced (a) if growth in GNP does not translate well into growth in private consumption, as when warlords or foreign ventures seize the benefits; (b) if growth depends on domestic resource mobilization or saving, which reduces consumption and thus the degree of poverty reduction possible; and (c) if the assets which poor people have are themselves poor and generate low returns (UNCTAD, 2002: 75-76).

The result is some degree of differential benefit from growth, with some people structurally excluded from participating in processes that lead to improved wellbeing. The micro-level accumulation or loss of assets, and what influences this at local level, is key to understanding exclusion from the 'demand side'. Culture is also important at this level: the values and patterns of learned behavior shaping

attitudes, aspirations, coping strategies and responses. While we do not wish to return to the ‘culture of poverty’ debates as they were, reworking the concept to fit into broader explanations of the persistence of poverty among certain groups is essential, particularly in the context of an increased focus on forms of adverse incorporation (see Wood, this volume). Social exclusion theory offers other insights while also shedding light on wider political and economic processes. However, those wider processes – the context – require standard political economic analysis.

At the meso and micro level there are several possible frameworks available for examining poverty and extensive listings of the economic, social, political and environmental factors that ‘cause’ chronic poverty (Hulme, Moore and Shepherd, 2001). In common with many other researchers we believe that livelihoods analysis (Ellis, 2000) has particular relevance for understanding chronic poverty as it permits the tracking over time of a household’s assets (human, social, natural, physical and financial) in relation to its vulnerability context and the institutions, organizations and policies that mediate its external economic and social relationships. A particular strength of this approach is that it recognizes human agency and examines the way in which household livelihood strategies are built around protecting, substituting, increasing and using assets to produce security and achieve other goals. In addition, its focus on vulnerability is central to understanding chronic poverty. It is not unproblematic, however, and is subject to several critiques. The most significant of these is its failure to adequately deal with social relationships and power (see Wood, this volume). At the very least, when the framework is used it needs to be supplemented by an analysis of how any specific household fits into wider social structures.

Carter and May’s (1999) work based on the Kwazulu-Natal Income Dynamics Survey argued that the chronically poor were characterized by a structurally low asset base, and could only escape poverty temporarily due to some ‘positive shock’ or luck before relapsing. The transient poor were temporarily pushed below the poverty line by negative shocks to their livelihoods (Aliber, in this volume). Table 3 illustrates the importance of assets in the reported experiences of households in Bangladesh as they moved between poverty categories. Health, land and jobs feature prominently in

these tales of upward and downward mobility. Underlying health and acquisition of a job is education, an unspoken asset in these stories; however, social networks may also be needed. Government makes little apparent difference. Luck and judgment feature, as do negative aspects of the ‘culture of poverty’ (drug addiction) and vulnerability to idiosyncratic shocks.

[TABLE 3 HERE]

There are three particular dynamics central to the understanding of chronic poverty to which livelihood analysis can be applied. The first is the examination of households that start poor and stay poor: here the inter-generational transmission (IGT) of poverty is the key process to be analyzed. Second, is the study of descending households (Figure 2) that move from being non-poor or occasionally poor into chronic poverty. As illustrated below, livelihoods analysis can deepen the understanding of why declines occur, why households strategies to gain security failed and of the ways in which different assets are depleted when a household is unable to manage risk and vulnerability. The third dynamic focus is on ‘escape’ (Figure 2). Again livelihoods analysis can help us to understand how household strategies and their interaction with other agents can achieve success.

In order to understand the persistence of poverty over generations, it is possible to adapt the livelihoods framework to take into account the intergenerational transfer, extraction, and absence of transfer of different forms of poverty-related assets, as well as the effects on such transfers of broader structures, processes, policies, and institutions; shocks and trends; and livelihood strategies (see Table 4; Moore, 2001). Table 4 should be conceived of as a complex web of interactions rather than a set of discrete factors.

[TABLE 4 HERE]

The descent of households into chronic poverty, from a position of being non-poor or transiently poor, can follow many trajectories and be associated with many factors and combinations of factors (for

example see Table 3). Rapid descents can occur because of a catastrophic change in circumstances that depletes household assets or places the household in a situation where its assets cannot be effectively utilised. An unfortunately all too common example of such a descent is when violent conflict breaks out and a rural household flees to take on refugee status. Its human capital is reduced (deaths and impairments), physical capital is destroyed (houses burned, equipment broken), financial capital is rapidly used up (to pay for transport to flee and survival expenses), social capital is broken up (social networks are dispersed) and its natural capital is inaccessible. In the context of a refugee camp there are few opportunities to deploy human capital to earn an income and so dependency on food aid and handouts is required. If there are no health or educational services available then the household's young people experience childhoods that make it likely that they will be poor throughout their lifecourse.

For other households the slide into chronic poverty is more gradual and a set of processes and events erode assets until all opportunities to improve household well-being are closed off. A detailed example is provided by Hulme (2002) who charts the slide of Maymana and Mofizul into chronic poverty. The terminal illness of the household head, the husband Hafeez, reduces the household's human capital and leads to the selling off of physical assets to pay medical bills and the withdrawal of children from school. At his death, his father takes control of the household's land (natural capital) and the widow and impaired son (Maymana and Mofizul) survive by casual labour, gleaning, charity, borrowing and begging. Mechanisms for accumulating assets, through a state food grant, are blocked because of social relationships. The household becomes chronically poor, but is not destitute. Destitution involves even 'deeper' slides which usually involve the social outcasting of individuals (see Harriss-White 2002 for an excellent discussion of destitution).

Ascending households experience the opposite dynamic but they are not 'the flipside of the coin'. Sen (this volume) finds that the factors associated with building up household assets and 'escape' from poverty are different from declines. Of great importance are the household's stage in the life cycle, the dynamism and nature of the local economy and the capacity, or good fortune to avoid



shocks. Combinations of household agency and enterprise, in wider environments that are becoming more enabling through market development and public action, raise the prospects for positive trajectories.

As the paragraphs above reveal, the understanding of why poor people stay poor is strengthening, but we need to extend this knowledge if policies to effectively tackle chronic poverty are to be developed.

## 5. WHAT CAN BE DONE? CHRONIC POVERTY AND POLICY CHOICE

As the earlier sections have revealed, the present knowledge base on the extent, nature and causes of chronic poverty in developing countries is relatively rudimentary. However, there are two firm observations that can be made. First, it is clear that hundreds of millions of people experience chronic poverty and that many are born poor, stay poor, die poor and have children that have a high probability of impoverishment. Second, evidence from the papers in this volume shows that ‘reaching’ the chronic poor is often difficult – commonly they live in less accessible areas (geographically or in terms of physical insecurity), and have social positions that make contacting them problematic (for example, patrons or male relatives stop them from meeting other people). Their ability to take up economic and other opportunities is held back by intractable obstacles – individual and structural. This indicates that the ‘unit costs’ of poverty reduction for chronically poor people will often be higher, and sometimes much higher, than for those experiencing occasional spells of poverty. Given these two points, at least one firm policy conclusion can be reached: the serious pursuit of chronic poverty reduction and the MDGs requires sustained financial support from wealthier countries and wealthier people on a massive scale. Resource increases promised at Monterrey in 2002<sup>12</sup> fell well short of the additional \$50 billion a year thought to be needed to achieve the MDGs. Even if the MDGs are met in full, around a billion people will remain in poverty in 2015. If the vision of eliminating absolute poverty, embraced at the 1995 Social Summit, is to become reality, then the first steps are to understand the problem and identify appropriate responses – both policy and practice. But then comes the challenge of finding the resources. This in turn, demands

widespread political commitment by national governments to finance poverty reduction for all – not just for those in best position to take up economic opportunities. For the wealthier, donor countries this goes beyond prescribing a development policy to direct actions on their own economies. Opening up agricultural product markets, removing subsidies to OECD farmers, and improving the prospects for conflict prevention by reducing the arms trade can reduce vulnerability to poverty and help to tackle chronic poverty.

In development policy terms, the intractable nature of poverty must cause us to question some of the orthodoxies of recent decades. Most people who are poor now, will still be poor in a generation. Poverty policies based on short term interventions, focused on creating opportunities for those who are able to escape poverty and sustain themselves above the poverty line, are clearly not enough. We know that millions of people who are old, disabled, or disadvantaged by their remoteness, ethnic group or multiple disadvantage will never be able to lift themselves out of poverty unaided. We know that for many people in chronic poverty, no amount of rhetoric on sustainability can obscure the need for ongoing external assistance for at least a generation. We must therefore design policies which respect the universal right to social protection and which acknowledge the fact that some redistribution from rich to poor, within and between countries, must be part of the solution.

Beyond this ‘headline’ policy implication things get more complicated because of the heterogeneity of the chronic poor and the many different factors and combinations of factors that explain specific experiences of chronic poverty in specific contexts. At a general level, it might appear that the orthodoxies of contemporary development policy (World Bank, 2000) meet the needs of the chronic poor but this needs a careful examination. The *World Development Report 2000/2001* proposes that a strategy pursuing empowerment, opportunity and security (ibid: 6-11) provides a comprehensive basis for poverty reduction.

‘Empowerment’ highlights issues of governance and social equity. While at a general level the papers in this volume support the case that improved national and local governance would be good for the

chronic poor, at more specific levels the analysis gets more complicated. While the World Bank (ibid) highlights the benefits of decentralization to local and community levels for the poor, the empirical proof for this is lacking. Indeed, there is considerable evidence that local and community level institutions and leaders are as likely or more likely to exploit and manipulate the chronic poor as are more centralised institutions (see Bird, Hulme, Moore and Shepherd, 2001; Hulme, 2002; and Wood, this volume). The idea of public, private, civic ‘partnerships’ sounds comforting but it is so flexible it has little meaning in terms of which institutions will take on which responsibilities for assisting the chronic poor. Recent thinking by some multilateral and bilateral agencies about aid selectivity and governance (i.e. concentrating aid flows on countries that have ‘good’ public policies and policy processes) is an issue of particular concern. Such a policy would reduce aid flows to those countries with the deepest concentrations of long term poverty. In particular, aid selectivity would divert international resources away from the bulk of Africa’s chronic poor who, at least in some countries, are known to be increasing both in absolute numbers and in proportional terms (Aliber, this volume).

Increasing ‘opportunity’ so that economic growth occurs, markets work for poor people and the assets of the poor are built up (ibid: 8) should be beneficial for all poor people but there are important qualifications. The quality or type of economic growth, rather than the overall rate of growth, will be a key determinant of whether or not chronically poor people benefit. Pro-poor growth – increasing the demand for labour across the economy, raising levels of public revenue and raising the income levels of the chronic poor (or, of their relatives, friends and neighbours) – could be beneficial. However, rapid growth based on the exploitation of natural resources may well weaken governance (Moore, 2001) and thus work against the interests of the poor and chronic poor people. Where such resources are concentrated at particular locations (diamonds, oil, ores and minerals) ‘opening them up’ may initiate processes that undermine governance, foster state collapse and create persistent deprivation (see Goodhand, in this volume). In contexts where the benefits of growth are unequally shared then the chronic poor are the most likely to see no benefits or find that their livelihoods are weakened (as in the UK over the 1980s and 1990s).

Three particular aspects of ‘opportunity’ policy need careful consideration. First, assuming that simply deregulating markets will open up opportunities for the chronic poor shows a misunderstanding of the nature of persistent poverty. Opening up markets for the chronic poor demands a context-specific strategy to work out what other barriers – gender, ethnicity, caste, disability etc. – constrain access to markets, particularly labour markets, and working out what forms of intervention are required to remove those constraints. As has been the case in South Asia and some OECD countries, opening up labour markets for those who are discriminated against may require regulation. Second, the idea that ‘making markets work for poor people’ means that the bulk of services to poor people, including health, education and water, should be provided by the private sector needs to be closely examined. While there are many and deep problems with state provided health, education and water services in poorer countries it is disingenuous of agencies and analysts (e.g. Devaranjan and Reinikka’s (2002) draft of the *World Development Report 2003*) to claim that market-based provision (real markets not hypothetical perfect markets) will more effectively meet the needs of poor people. The great steps forwards with health and educational standards in the developing world in the 20<sup>th</sup> Century were closely associated with the public provision of those services and commonly showed some of the greatest gains – India, China, Sri Lanka, Cuba – when state provision was both dominant and effective. In practice, sustained action on chronic poverty is more likely to be in the public than the private sector. Consequently, making the public provision of basic services to poor people more effective needs, at the very least, as much attention as transferring such responsibilities to the markets.<sup>13</sup> Thirdly, policies to ‘...build their [the poor’s] assets...’ need an even greater emphasis if chronic poverty is to be addressed. Chronic poverty is associated with low levels of assets (see previous section). Building human capital, through education, health services and training may well need to be matched by building up the chronically poor’s physical, natural and financial capital through grants, the redistribution of rights to land and natural resources and by protecting rights to existing assets. ‘Political and social difficulties often obstruct [such] change...’ (ibid: 9), but these difficulties needed to be confronted, by recognising that ‘empowerment’ (see earlier) is not about cosy ‘partnerships’ but often about raising the non-violent capacities of chronically poor people (and poor people) to confront inequality and discrimination at local and

national levels. In addition, building up the assets of the chronic poor is likely to involve large scale, public investment in physical infrastructure in the remote and less favoured areas where the chronic poor are often concentrated.

Improving the ‘security’ of the livelihoods of poor people and reducing the vulnerability of chronically poor, poor and also non-poor people to shocks and adverse risks is central to tackling chronic poverty. While ‘...a modular approach to helping poor people manage risk...’ (ibid: 10) sounds neat, there is a danger that such an approach exaggerates the depth of understanding that we have about insecurity, views vulnerability as something that is usually temporary and has a limited timeframe, and consequently, underestimates the scale of resources and actions that will be needed. It also fails to take account of the ways in which other policies can reduce or create insecurity. For example, structural adjustment programmes in the 1980s and 1990s raised the vulnerability of many people and ‘created’ many of today’s chronic poor by reducing their access to health and education services and causing rapid drops in income and consumption. We regard the concept of a national system of social protection, rather than a tangle of social safety net ‘modules’, as more appropriate for understanding the ways in which chronically poor people, and those who are vulnerable to descending into persistent poverty, might achieve security. In addition, public actions that can tackle the social structural relationships (see Wood, this volume) that trap people in poverty need to be formulated. While much of the literature on risk and vulnerability highlights the ways in which poor people manage these largely through individual, household and community-based mechanisms there is a vast ‘policy gap’ about how to provide public and/or formal private sector security.

The pressing priority for policy is to explore how affordable old age pensions (contributory and non-contributory), unemployment and illness grants and insurance, long term savings schemes, disability allowances, social assistance and emergency grants and loans can be provided. Affordable means that - as in developed countries – such social investment can be paid for out of present and anticipated future incomes and revenues. It does not mean without public subsidies and/or international transfers.

The policy emphasis of the 1980s and 1990s on livelihood promotion (Deveureux, 2001) and workfare (Peck, 2001) have advanced the understanding of activities such as microfinance, micro enterprise development, local infrastructural development through social funds but means that there has been more limited experimentation with livelihood protection mechanisms. Indeed, in some circumstances the shift to promotional approaches by governments, donors and NGOs may have led to resources being diverted from the chronically poor to the transient poor and vulnerable non-poor (Matin and Hulme, this volume). We know that through the agency of the poor livelihood promotion mechanisms can be converted to achieve livelihood protection (Hulme and Mosley, 1996) and vice versa (Lund, 2002) but how to formally link these remains a challenge for policy design and institutional provision.

At the heart of debates about social protection will be questions of who pays and whether policies should be targeted or universal. The findings of this volume point to the fact that many chronically poor people actively contribute (in terms of cash and labour) to their own and their relatives and neighbours security. However, these resources are insufficient and there is a strong case for greater public (national and international) resourcing of social protection programmes. The question of whether universal or targeted social protection mechanisms are more or less likely to assist the chronic poor, and/or those vulnerable to becoming chronically poor, is one for further investigation. Theoretically, strong cases can be made for both positions. Empirically, the evidence is often contradictory<sup>14</sup> and is under-researched.

## 6 CONCLUSION

The understanding of poverty and human deprivation will always be partial but in recent times the knowledge base has been greatly strengthened. An important aspect of this has been disaggregating the poor and examining the many factors and combinations of factors that cause the poverty of different poor people. One component of this is understanding chronic poverty: the poverty that persists for many years or a lifecourse and that may be transmitted across generations. This paper has

sought to set a framework for analysing chronic poverty. Conceptual advances (such as capability frameworks, vulnerability and livelihoods analysis), the development of more sophisticated quantitative analytical techniques and innovative qualitative approaches (participatory poverty assessments) and the growing number of panel datasets available from developing countries now place researchers in a strong position to move beyond the study of poverty trends to the study of poverty dynamics.

The ultimate purpose behind this is to create knowledge that makes policy and social action more effective in poverty reduction and, in particular, to ensure that those who are chronically poor do not ‘miss out’ from the benefits of global development. It would be ‘nice’ if we could argue that this knowledge will permit precision policy. However, at best it is a move towards making poverty-reduction policy less crude, attempting to find specific interventions that can reach and assist the chronic poor<sup>15</sup> and stopping interventions that hurt, or increase the numbers<sup>16</sup>, of those trapped in poverty. While future policy must be nuanced and much more research is required, one clear message does emerge. This is that the scale of resources needed to tackle contemporary chronic poverty must not merely achieve the promises made at Monterrey in 2002, but move beyond them. Historically, chronic poverty (including premature death) was the lot for much of humanity. With the resources and knowledge available today, however, there is no excuse for hundreds of millions still living in chronic poverty. Knowledge and action must proceed hand in hand to ensure that poor people do not stay poor.

## NOTES

---

<sup>1</sup> Although the contemporary orthodoxy talks of ‘partnerships’ between the state, private sector and civil society it is underpinned by a neo-liberal vision that sees the private sector as the most effective means of achieving economic growth and improved welfare. The state and civic action are allocated supplementary roles. For an example, see the initial draft of the World Development Report 2003 (Devaranjan et al., 2002). This argues that increased public expenditure will not improve services for poor people despite the fact that in China and India – the two countries that account for the bulk of MDG achievement being close to target in the 1990s – the state has played a central role in service provision to the poor.

<sup>2</sup> It should be noted that the methodology that UNCTAD (2002) use and the validity of the idea of chronically poor countries are both being challenged.

<sup>3</sup> The reader should note that this is theoretically possible but operationally difficult because of the data required and queries about which indicators to use and how to weight indicators. There is a need, however, for experimentation with such measures and the construction of scoring systems that can capture key aspects of deprivation but are easy to collect accurate data about.

<sup>4</sup> For a discussion of how this categorization can be adapted to incorporate the severity of poverty see Figure 3 in Hulme, Moore and Shepherd (2001:13). However, the reader should note that this categorization needs further development. For example, a dramatic, short-term downturn or ‘spike’ in the welfare of a churning poor or occasionally poor household could lead to an event (eg wasting of children, a preventable impairment or death) that has long-term negative implications for an individual or household and is thus chronic.

<sup>5</sup> These include whether poverty is seen as a lack of income or multi-dimensional deprivation, as an absolute or relative form of deprivation and whether poverty should be defined by technical specialists or by poor people themselves.

<sup>6</sup> The work of Amartya Sen (e.g. 1981 and 1999) has been particularly influential in encouraging analysts to conceptualize poverty in a multi-dimensional way, such that his ideas, explicitly or implicitly, underpin much of the relevant literature.



---

<sup>7</sup> In addition, the people who come along to analyse the raw data are most often economists trained in the analysis of income, consumption and expenditure.

<sup>8</sup> The accuracy of the measurements made is of course dependent on the degree of measurement error within any specific dataset.

<sup>9</sup> The widely utilized figures on US\$1 a day poverty that are central to the MDGs and that have been allocated substantial resourcing for their preparation and updating are subject to considerable doubts. See Pogge and Reddy (2002) and Wade (2002) for presentations on the main criticisms.

<sup>10</sup> In Africa, Nigeria, Kenya, Cote d'Ivoire and Zimbabwe to name a few. In South Asia, Pakistan. Most of the rest of Asia has not been included, nor has Latin America.

<sup>11</sup> The World Bank, The European Union and the Netherlands have all declared commitments to selectivity on performance grounds. However, implementation has been slow.

<sup>12</sup> International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002. The Monterrey Consensus urged all donors to meet the 0.7% target and the US and EU committed themselves to significantly increase aid levels, generating an estimated US\$12 billion a year. See DFID evidence to the UK Parliamentary Select Committee on International Development, Annex A. Follow Up Briefing on FfD.

<sup>13</sup> It should be noted that private sector provision of basic services is likely to need a public regulatory authority to oversee standards. Creating regulatory capacity within the state may be more problematic than improving public service delivery.

<sup>14</sup> In South Africa (Aliber, this volume; Lund, 2002) the non-contributory old age pension helps protect many households from a descent into chronic poverty and/or keep them above the poverty line. In contrast, universal food subsidies in Sri Lanka provided social protection but at an unsustainable cost (Hulme and Sanderatne,

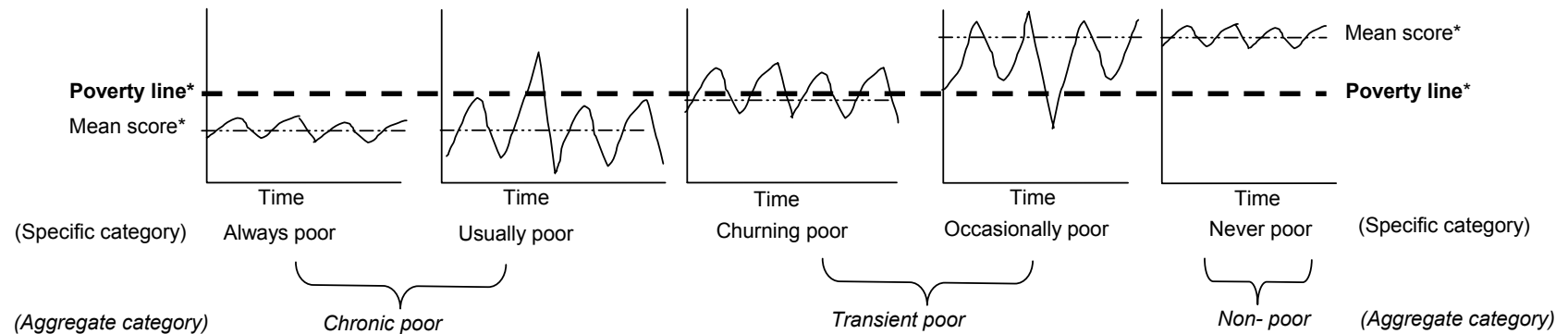
---

1995). Similarly, while some targeted schemes, such as food stamps in Sri Lanka, are riddled with Type 1 and 2 error (*ibid*) others reach the poor and needy effectively (Munro, 2000).

<sup>15</sup> For an example of these see Matin and Hulme (this volume).

<sup>16</sup> For example, as mentioned earlier, the shocks created by the rapid implementation of structural adjustment policies are the very mechanisms that drive people into chronic poverty.

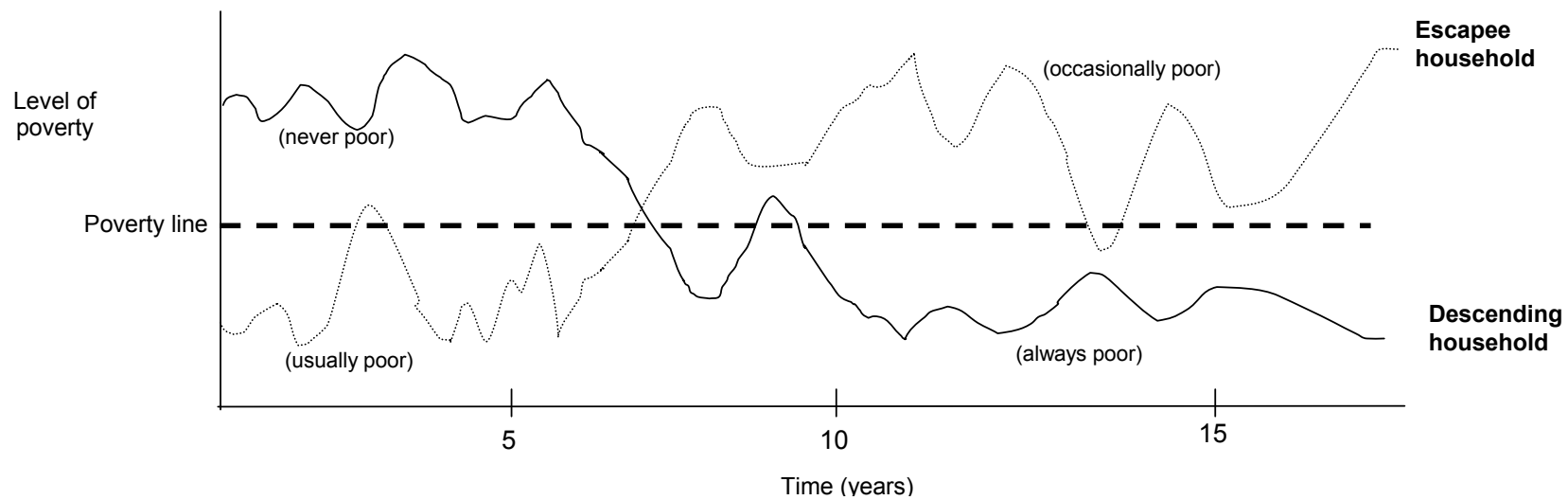
**Figure 1: The chronic poor, transient poor and non-poor – a categorisation**



Depending on data availability poverty could be assessed in terms of household expenditure, income, consumption, a nutritional measure, a poverty index, a poverty scale or an assessment of assets/capitals.

Source: Adapted from Jalan and Ravallion (2000). Note that terms are used with different meanings than in Jalan and Ravallion.

**Figure 2: Poverty dynamics: escaping and descending households**



## REFERENCES

- Aliber, M. (2003). Chronic poverty in South Africa: incidence, causes and policies. *World Development* (this volume).
- Aliber, M. (2001). *Study of the incidence and nature of chronic poverty and development policy in South Africa: an overview*. Manchester: IDPM, University of Manchester (CPRC Working Paper 3).
- Amis, P. (2002). *Thinking about chronic urban poverty*. Manchester: IDPM, University of Manchester (CPRC Working Paper 12).
- Barrientos, A., Gorman, M; & Heslop, M. (2003) Old age poverty in developing countries: contribution and dependence in later life. *World Development* (this volume).
- Baulch, B. & Masset, E. (2003) Do monetary and non-monetary indicators tell the same story about chronic poverty? a study of Vietnam in the 1990s. *World Development* (this volume).
- Bird, K. & Shepherd, A. (2003) Livelihoods and chronic poverty in semi-arid Zimbabwe. *World Development* (this volume).
- Bird, K., Moore, K., Hulme, D., & Shepherd, A. (2002). *Chronic Poverty and Remote Rural Areas*. Manchester: IDPM, University of Manchester (CPRC Working Paper 13).
- Carney, D. (1998). *Sustainable rural livelihoods: what contributions can we make*. London/ East Kilbride: DFID Issues Paper.
- Carter, M. R. & May, J. (1999). *One kind of freedom: poverty dynamics in post-apartheid South Africa*. Madison: IFPRI/University of Natal/University of Wisconsin.

Chambers, R. (1997). *Whose reality counts? Putting the last first*. London: ITDG.

Chambers, R. (1983). *Rural Development: Putting the Last First*. Essex: Longman.

Collier, P., & Gunning, J.W. (1999). Explaining African Economic Performance. *Journal of Economic Literature*, 37, 64-111.

Corcoran, M. (1995). Rags to riches: poverty and mobility in the United States. *Annual Review of Sociology*, 21, 237-267.

Devarajan, S., & Reinikka, R. (2002). *Making services work for poorer people*. Washington, D.C.: World Bank. (Draft outline of *World Development Report 2003*).

Dollar, D. & Kraay, A. (2000) *Growth is good for the poor*. Washington, D.C.: World Bank (Policy Research Working Paper 2587).

Ellis, F. (2000). *Rural Livelihoods and Diversity in Developing Countries*. Oxford: Oxford University Press.

Fine, B. (2002). *Globalisation and development: the imperative of political economy*. (Paper given at 'Towards a new political economy of development: globalisation and governance' conference, Political Economy Research Centre (PERC), University of Sheffield, July 2002).

Goodhand, J. (2003) Enduring disorder and persistent poverty: a review of the linkages between war and chronic poverty. *World Development* (this volume).

Harriss-White, B. (2002). *A note on destitution*. Oxford: Queen Elizabeth House, University of Oxford.

Hulme, D. (2002) *Why does poverty endure? Maymana and Mofizul's story*. Manchester: IDPM, University of Manchester (forthcoming CPRC Working Paper).

Hulme, D., Moore, K. & Shepherd, A. (2001). *Chronic poverty: meanings and analytical frameworks*. Manchester: IDPM, University of Manchester (CPRC Working Paper 2).

Jalan, J. & Ravallion, M. 2000. Is transient poverty different? Evidence for rural China. *Journal of Development Studies*, 36/6, 82-99.

Kanbur, R. (2002) *Conceptual challenges in poverty and inequality: one development economist's perspective*. (Paper given at the 'Cornell Conference on Conceptual Challenges in Poverty and Inequality', New York: Cornell University, April 2002).

Lipton, M. (1977) *Why poor people stay poor: a study of urban bias in world development*. London: Temple Smith.

Lwanga Ntale, C., Ndaziboneye, B., & Nalugo, J. (2002). Chronic poverty and disability in Uganda. Manchester: IDPM, University of Manchester (forthcoming CPRC Working Paper).

Matin, I. & Hulme, D. (2003) Programs for the poorest: learning from the IGVGD program in Bangladesh. *World Development* (this volume).

McCulloch, N. & Calandrino, M. (2003). Vulnerability and chronic poverty in rural Sichuan. *World Development* (this volume).

McKay, A. & Lawson, D. (2003). Assessing the extent and nature of chronic poverty in low income countries: issues and evidence. *World Development* (this volume).

Mehta, A. K. & Shah, A. (2003). Chronic poverty in India: incidence, causes and policies. *World Development* (this volume).

Moore, K. (2001) *Frameworks for understanding the intergenerational transmission of poverty and well-being in developing countries*. Manchester: IDPM, University of Manchester (CPRC Working Paper 8).

Moore, M. (2001). Political underdevelopment: what causes bad governance? *Public Management Review*, 3/3, 385-418.

Moore, M. & Devereux, S. (eds.) (1999) Nationalising the anti-poverty agenda. *IDS Bulletin*, 30/2.

Narayan, D. with Patel, R., Schafft, K., Rademacher, A. & Koch-Schulte, S. (1999). *Can Anyone Hear Us?* Washington D. C.: World Bank.

Naschold, Felix (2002), "Why Inequality Matters for Poverty", ODI/DFID-ERC Inequality Briefing Paper No. 2, ODI, London.

OECD. (2001) *The Millennium Development Goals*, DAC, Paris: OECD.

Reddy, S. G. & Pogge, T. W. (2002) *How not to count the poor*. Unpublished working paper, [www.socialanalysis.org](http://www.socialanalysis.org).

Pryer, J. (1993). The impact of adult ill-health on household income and nutrition in Khulna, Bangladesh. *Environment and Urbanisation*, 5/2, 35-49.



Sen, A. (1981). *Poverty and famines: An essay on entitlement and deprivation*. Delhi: Oxford University Press.

Sen, A. 1999. *Development as Freedom*. Oxford: Oxford University Press.

Sen, B. (2003). Drivers of escape and descent: changing household fortunes in rural Bangladesh. *World Development* (this volume).

UNCTAD. (2002). *The Least Developed Countries Report 2002 - Escaping the Poverty Trap*. Geneva: United Nations Conference on Trade and Development (UNCTAD).

Wade, R. (2002). Globalisation, poverty and income distribution: does the liberal argument hold? Sheffield: Political Economy Research Centre (PERC), University of Sheffield.

Wodon, Q. 2000. *Extreme Poverty and Human Rights: Essays on Joseph Wresinski*. Background Paper for the *World Development Report 2000/2001*. Washington D.C.: World Bank.

Wood, G. D. (2003). Staying secure, staying poor: the 'Faustian bargain'. *World Development* (this volume).

World Bank. (2000). *World Development Report 2000/2001 – attacking poverty*. Washington D.C.: World Bank..

Yaqub, S. (2002) *Chronic poverty: scrutinising patterns, correlates, and explorations*. Manchester: IDPM, University of Manchester (forthcoming CPRC Working Paper).

Yaqub, S. (2000). *Intertemporal welfare dynamics: extents and causes*. (Paper given at 'Globalization: new opportunities, new vulnerabilities' workshop, Brookings Institution/ Carnegie Endowment).

Yeo, R. & Moore, K. (2003). Including disabled people in poverty reduction work: 'nothing about us, without us'. *World Development* (this volume).

Table 1 An indication of the percentages and numbers of chronically poor people in ten low income developing countries

	<i>Absolute (see note) Poor</i>		<i>Relative: poorest quintile Poor</i>		<i>Number of absolutely chronic poor Millions</i>	<i>Number of relatively chronic poor Millions</i>
	<i>Duration</i>	<i>Perm shortfall</i>	<i>Duration</i>			
Bangladesh, rural (1970-77)	12				10	
Bangladesh, rural (1987-89)	10				11	
China, rural (1978-89)			8			88
China, rural Sichuan (1991-95)	6				72	
China, rural southwest (1985-90)		20			220	
China, urban (1997)		32				
Côte d'Ivoire (1987-88)	25				3	
Egypt (1997-99)	19				12	
El Salvador, rural (1995-97)	19				1	
Ethiopia, rural (1994-95)	25	30	10		17	6
India, rural (1974-83)			3			n/a
India, rural (1968-70)	33		7		n/a	n/a
India, rural Tamil Nadu (1977-85)			12			96
India, semi-arid rural (1975-83)	22	48			280	
Indonesia, rural (1997-98)	9		11		19	
Pakistan, rural	5	26	10		16	11
Papua New Guinea		15			1	

Source: developed from Yaqub, Table 1. The population denominators were taken from World Development Indicators, 1990 and 2000. Figures have been rounded to nearest million. The number of absolutely poor has been averaged where there are two incidence figures.

Table 2 Poverty Trends in LDCs and other Developing Countries, 1965-1999<sup>a</sup>  
(1985 PPP \$1-a-day international poverty line)

	1965-1969	1975-1979	1985-1989	1995-1999
<b>Population living on less than \$1 a day (%)</b>				
39 LDCs <sup>b</sup>	48.0	48.5	49.0	50.1
African LDCs	55.8	56.4	61.9	64.9
Asian LDCs	35.5	35.9	27.6	23.0
22 other developing countries <sup>c</sup>	44.8	32.5	15.0	7.5
<b>Number of people living on less than \$1 a day (millions)</b>				
39 LDCs <sup>b</sup>	125.4	164.0	216.0	278.8
African LDCs	89.6	117.4	170.5	233.5
Asian LDCs	35.6	46.5	45.2	44.8
22 other developing countries <sup>c</sup>	760.0	697.0	389.3	229.2
<b>Average daily consumption of those living below \$1 a day (1985 PPP \$)</b>				
39 LDCs <sup>b</sup>	0.70	0.71	0.69	0.64
African LDCs	0.64	0.66	0.64	0.59
Asian LDCs	0.84	0.85	0.89	0.90
22 other developing countries <sup>c</sup>	0.86	0.91	0.96	0.93

Source: UNCTAD (2002: 59)

a Country group averages are weighted averages.

b For LDCs sample composition see LDCs listed in Table 19.

c Other developing countries are: Algeria, Cameroon, China, Congo, Cote d'Ivoire, Dominican Republic, Egypt, Ghana, India, Indonesia, Jamaica, Kenya, Morocco, Namibia, Nigeria, Pakistan, Philippines, Sri Lanka, Thailand, Tunisia, Turkey

Table 3: Factors reported as leading to a change in the poverty status<sup>1</sup> of households in Bangladesh

**PRESENT STATUS**

STATUS TEN YEARS AGO	PRESENT STATUS					
		<i>Always Poor</i>	<i>Usually Poor</i>	<i>Churning Poor</i>	<i>Occasionally Poor</i>	<i>Never Poor</i>
	<i>Always Poor</i>	<ul style="list-style-type: none"><li>Continued landlessness</li><li>Few assets</li><li>Continued poor health status</li></ul>	<ul style="list-style-type: none"><li>Increased local demand for casual labour</li><li>Remittances from daughter in garment factory</li><li>Improved health status</li></ul>	<ul style="list-style-type: none"><li>Acquired a secure low paid job</li><li>Inherited small plot of land</li><li>Mature child now working as rickshaw driver</li><li>Remittances</li></ul>	<ul style="list-style-type: none"><li>A combination of events – head of household acquired secure job, son got casual work and wife's microcredit was successful</li></ul>	<ul style="list-style-type: none"><li>No case found</li></ul>
	<i>Usually Poor</i>	<ul style="list-style-type: none"><li>Head of household's health deteriorated</li><li>Husband died</li><li>Cheated out of land</li><li>A run of mini-problems</li></ul>	<ul style="list-style-type: none"><li>Continuation of low level of assets</li><li>Continuation of vulnerability blocks opportunity to accumulate</li></ul>	<ul style="list-style-type: none"><li>Child matures and gets casual work</li><li>Remittances from daughter in Dhaka</li><li>NGO microcredit increases wife's earnings</li></ul>	<ul style="list-style-type: none"><li>Son acquires secure job with moderate pay</li><li>Increased crop productivity</li></ul>	<ul style="list-style-type: none"><li>No case found</li></ul>
	<i>Churning Poor</i>	<ul style="list-style-type: none"><li>Death of husband</li><li>Land washed away by river and had to migrate</li><li>Serious long term illness of head of household</li></ul>	<ul style="list-style-type: none"><li>Son becomes a heroin addict – stops working and steals from family</li><li>Major defraud by a bogus foreign employment contractor</li><li>Daughter loses job</li></ul>	<ul style="list-style-type: none"><li>Asset level continues at same level</li><li>A mixture of good events (son gets job) and bad events (wife is constantly sick)</li></ul>	<ul style="list-style-type: none"><li>Head of household gets a secure job</li><li>Both sons get casual labour on a regular basis</li><li>Allocated khas land by local government</li></ul>	<ul style="list-style-type: none"><li>Inheritance of land</li><li>A combination of good events (daughter gets garment factory job, head is able to lease more land)</li></ul>
	<i>Occasionally Poor</i>	<ul style="list-style-type: none"><li>Terminal illness of household head accompanied by sale of land to pay medical bills</li><li>Catastrophic bad investment in a trading venture</li></ul>	<ul style="list-style-type: none"><li>Terminal illness of head of household</li><li>Dowry payments for two daughters</li><li>A sequence of several problems in close proximity</li></ul>	<ul style="list-style-type: none"><li>Health of husband and wife deteriorates</li><li>Burning down of house</li><li>Apparent land salinisation</li></ul>	<ul style="list-style-type: none"><li>Assets level continues at roughly the same level</li><li>A mixture of good events and bad events</li></ul>	<ul style="list-style-type: none"><li>Successfully establish new business</li><li>Saved, bought land, now secure income</li><li>Son and daughter both got jobs with NGOs</li></ul>
	<i>Never Poor</i>	<ul style="list-style-type: none"><li>Terminal illness, sale of assets for medical bills, death of household head, widow cheated out of land</li></ul>	<ul style="list-style-type: none"><li>Terminal illness of head of household and asset depletion</li></ul>	<ul style="list-style-type: none"><li>A combination of several factors – ill health, bad investments, flooding</li><li>Loss of secure job due to public sector retrenchment</li></ul>	<ul style="list-style-type: none"><li>Godown burns down with contents</li><li>Bad investment</li><li>Head of household ageing and no son</li></ul>	<ul style="list-style-type: none"><li>Asset level continues</li><li>Bad events are more than offset by good events</li></ul>
<i>Source:</i> Hulme, fieldnotes <sup>1</sup>						
This table is illustrative as the poverty status is based on judgments from the information supplied by respondents and was not explicitly measured.						

Table 4: Intergenerational transmission of poverty-related capital from ‘parent’ to ‘child’

WHAT is transmitted?		HOW is it transmitted?
<b>FINANCIAL, MATERIAL AND ENVIRONMENTAL CAPITAL</b>	<ul style="list-style-type: none"> <li>• Cash</li> <li>• Land</li> <li>• Livestock</li> <li>• Housing and other buildings</li> <li>• Other productive/non-productive physical assets (e.g. rickshaw, plow, sewing machine, television)</li> <li>• Common property resources</li> <li>• Debt</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance, pensions</li> <li>• Inheritance, bequests, dispossession</li> <li>• <i>Inter vivos</i> gifts and loans</li> <li>• Dowry, bridewealth</li> <li>• Environmental conservation or degradation</li> <li>• Labor bondage</li> </ul>
<b>HUMAN CAPITAL</b>	<ul style="list-style-type: none"> <li>• Educational qualifications, knowledge, skills, coping and survival strategies</li> <li>• Good mental and physical health</li> <li>• Disease, impairment</li> <li>• Intelligence?</li> </ul>	<ul style="list-style-type: none"> <li>• Socialization</li> <li>• Investment of time and capital in care</li> <li>• Investment of time and capital in education and training</li> <li>• Investment of time and capital health, nutrition</li> <li>• Contagion, mother-to-child transmission</li> <li>• Genetic inheritance</li> </ul>
<b>SOCIAL, CULTURAL AND POLITICAL CAPITAL</b>	<ul style="list-style-type: none"> <li>• Traditions, institutions, norms of entitlement, and value systems</li> <li>• Position in community (i.e. family, ‘name’, kin group, caste, race, nationality, language, physical appearance)</li> <li>• Access to key decision-makers, political patrons, civil society organizations and development agencies</li> <li>• ‘Culture of poverty’?</li> </ul>	<ul style="list-style-type: none"> <li>• Socialization and education</li> <li>• Kinship</li> <li>• Locality</li> <li>• Genetic inheritance</li> </ul>

#### WHICH FACTORS AFFECT transmission?

- Norms of entitlement determining access to financial, material and environmental capital, including via the legal and cultural institutions of inheritance, property rights, debt, marriage, child fostering etc.
- Norms of entitlement determining access to human capital, particularly education, health care and nutrition
- Economic trends and shocks (e.g. commodification, shifts in terms of trade, hyperinflation)
- Access to and nature of markets. E.g. nature of labor market (employment opportunities for children, young people and women; labor migration as livelihood strategy); access to financial market.
- Presence, quality and accessibility of public, private, and community-based social services and safety nets
- Structure of household and family, including headship as well as gender, birth position, marital status and age of ‘child’ and ‘parent’
- Child fostering practices
- Education and skill level of ‘parent’
- Intent/attitude of ‘parent’ and ‘child’
- HIV/AIDS pandemic; other diseases regionally endemic; associated stigma
- Nature of living space e.g. security/conflict/violence, stigma, remoteness, sanitation,