

## **Chronic Poverty**

**A discussion with David Hulme, director of the Chronic Poverty Research Centre and Cobus de Swardt of the Programme for Land and Agrarian Studies, at the HSRC, Pretoria, March 2003**

Up to a billion people worldwide, including a significant number in the SADC region, endure chronic poverty for much or all of their lives. Even if the Millennium Development Goals are achieved by 2015 many of these people will remain trapped in poverty. Market forces and generic growth strategies will not address their situation. This will require targeted pro-poor growth strategies; a range of initiatives to enhance the assets of chronically poor individuals and households, and to reduce their vulnerability to shocks; and appropriate and effective service provision and social protection systems. Long term resource transfers from the developed world and redistribution in many developing countries will also be necessary to enable people to escape from chronic poverty on a sustainable basis.

SARPN hosted a round table discussion on chronic poverty with Professor David Hulme, Director of the Chronic Poverty Research Centre ([www.chronicpoverty.org](http://www.chronicpoverty.org)), and Dr Cobus de Swardt, senior researcher at the Programme for Land and Agrarian Studies (PLAAS) at the University of the Western Cape ([www.uwc.ac.za/plaas/](http://www.uwc.ac.za/plaas/)). The Chronic Poverty Research Centre (CPRC) is conducting an international research project into the nature and dynamics of chronic poverty with a number of partner organisations including PLAAS, which is responsible for the research programme in South Africa, a key component of the project.

### **Conceptualising Chronic Poverty**

Professor Hulme introduced the discussion with a presentation based on the paper *Conceptualising Chronic Poverty*. It sets out a framework for analysing chronic poverty based on three questions: What is chronic poverty? Who is chronically poor? Why are people chronically poor? The paper goes on to draw out the implications of its findings for poverty reduction policy.

Growing international concern with poverty reduction has become focused on the targets set in the Millennium Development Goals (MDGs). While the goal 'to halve the proportion of people whose income is less than \$1 a day' between 1990 and 2015, has helped to focus public attention and mobilise energy and resources, it also encourages the view that the poor are a single homogeneous group.

Contemporary poverty analysis tends to view the poor as those who are not effectively integrated into the market economy. This leads to an excessive focus on the role that market forces can play in poverty reduction. While market forces can play a role they will not meet the needs of all poor people, including the chronic poor, those who have experienced poverty for long periods, or all of their lives.

The broader, more long term changes in society that are needed to address the multiple factors that hold these people in poverty are likely to be lost in the focus on the ‘easy to assist poor’ (who also need support) that the focus on market mechanisms and the urgent drive to meet the MDGs encourages.

### *What is chronic poverty?*

Chronic poverty research is concerned with the persistence of poverty over time and the dynamic aspects that determine whether people remain in poverty or escape from it.

Chronic poverty characteristics include:

- Extended duration (five or more years) and persistence
- Multi-dimensionality, indicating that the usual income and consumption measures, which often fluctuate over short periods of time, are not likely to capture it
- A variety of poverty levels within households, with affected individuals not necessarily living in poor households. Since it is usually poor households that are studied, it may be useful to also study social groups, communities or spatial areas where chronic poverty is concentrated
- Chronic poverty may be absolute or relative. Most studies tend to look at absolute chronic poverty, but relative chronic poverty, for example, being in the bottom quintile of income distribution for extended periods may be even more difficult to escape.

*Chronic poverty research is concerned with the persistence of poverty over time and with ways people escape from it*

For research purposes the five categories of poor can be aggregated to the chronic poor (always and usually poor) and the transient poor (never and occasionally poor) through to the wealthy. While the study of chronic poverty focuses on the always and usually poor, the dynamics of transition between categories are also important, particularly for formulating policies to improve the position of the chronically poor, and to reduce the likelihood of non-poor and transient poor households descending into chronic poverty.

It is now widely accepted that poverty includes deprivation in a range of capabilities such as education, health, and human and civil rights. However, most of the data for developing countries only measures income and consumption poverty, and provides little information on transitions into and out of poverty. This requires qualitative data or smaller scale intensive surveys together with informed decisions on the sustainability of the transitions observed.

A complete assessment of people’s assets over time is important for understanding vulnerability to shocks, resilience or the ability to ‘bounce back’, transitions in and out of poverty and the ability to escape poverty. These assets include human assets such as health and education, social and political networks, and material assets. Vulnerability to ill health is often a particular problem, where chronic poverty results from the main income earner contracting a chronic or terminal illness. A multi-dimensional approach is important because a person who is deprived on a number of dimensions will have less chance of escaping poverty. The relationship between poverty indices is also important, as chronic monetary poverty may not be a good predictor of chronic nutritional deficiencies or educational status in all situations.

### *Who is chronically poor?*

Hundreds of millions of people experience chronic poverty, many throughout their lives. At present there is no clearly defined number of chronically poor people but it probably falls in the range of 450 to

900 million worldwide. Current CPRC research will help to be much more specific in identifying the number and types of chronically poor individuals.

So far CPRC research has identified a number of categories of individuals, households and social groups particularly likely to suffer from chronic poverty. They include:

- The aged, women, children, the disabled
- Marginalised castes, ethnic, racial and religious groups, refugees, indigenous people, nomads, pastoralists and migrants
- Household members who experience discrimination, including female children, children in households with many children, daughters-in-law, those with severe health problems or challenging disabilities
- People living in remote rural areas or urban ghettos, and areas that have experienced prolonged violent conflict and insecurity.

### ***Why do people stay poor?***

Theories attempting to explain reasons for persisting poverty range from those that highlight the nature of capitalist development, to micro level theories that focus on the characteristics and psychology of poor individuals.

At national level theories have highlighted:

- Bad governance, often associated with political instability, repression and violent conflict
- Low economic growth (assuming a positive link between growth and poverty reduction), and
- Inequality (calling for an analysis of the underlying power structures).

At the micro level three areas central to understanding chronic poverty have been identified, namely why households remain poor over extended periods of time, why certain households descend into chronic poverty, and what the assets, attributes and dynamics are that enable some households to escape from poverty.

However, to date there is no comprehensive explanation for the persistence of poverty in general or why it persists for particular countries or social groups. The nature of chronic poverty and its causes appear to differ from context to context, so it is conceivable that explanations will also vary.

### ***What can be done? Chronic poverty and policy choice***

- Addressing chronic poverty will require substantial international transfers for many years. The intense burst of commitment over 10 to 15 years through which wealthy countries aim to achieve global targets and initiate sustainable poverty reduction will not suffice.
- Many countries, including South Africa, will require national redistribution of assets, income and other resources.
- Growth is often assumed to be pro-poor without really examining whether it is creating jobs, improving life chances or lowering the relative cost of life and prices for poor people. There needs to be a distinction between growth and pro-poor growth.
- Much of the work on markets assumes perfect markets. Real markets are far from perfect and deregulation produces very mixed results. For example, privatising social services raises particular concerns given evidence that privatising health services in South Asia has actually deepened poverty.

***The aim is to develop a framework for analysing chronic poverty that will improve knowledge and make policy and social action more effective***

- Asset building needs to be a focus, including building human assets. Nevertheless, studies in South Africa show that the benefits are not automatic (for example, education as an asset becomes unimportant if jobs are not available).
- Countries need to give attention to comprehensive social protection systems. The modular social safety nets proposed in the 2000/1 World Development Report underestimate what is required, particularly in regard to the chronic poor.

The overall aim of developing a framework for chronic poverty analysis is to improve knowledge, make policy and social action more effective in poverty reduction, and ensure that the chronic poor do not miss out in global development. While much still needs to be done to achieve this, it is clear that the scale of resources needed to tackle contemporary chronic poverty must extend beyond the promises made at Monterrey in 2002.

### **The South African Research Programme**

Cobus de Swardt, senior researcher and lecturer at the Programme for Land and Agrarian Studies (PLAAS) at the University of the Western Cape ([www.uwc.ac.za/plaas/](http://www.uwc.ac.za/plaas/)), spoke on research into chronic poverty in South Africa. This research builds on an overview of poverty in South Africa by Michael Alliber (available at [www.chronicpoverty.org](http://www.chronicpoverty.org)).

At present, there are three main survey sites covering three typical South African settings, rural subsistence (the Mount Frere district), a rural commercial farming district (Ceres), and urban settlement (Khayelitsha and Nyanga in Cape Town). Overall, the South African research seeks to identify ways to increase the asset base of the poor and to understand the multi-dimensional strategies employed by households to achieve the best use of physical, financial, health and other assets.

*The social security study showed that chronically poor people are least likely of all population groups to access social security grants*

In Mount Frere the team conducted an in depth survey of over 700 households incorporating more than 5 000 people. The survey takes about three hours to conduct in a household. In Mount Frere it was conducted in one session given the difficulty of getting to isolated rural households (a pilot study had shown that the time taken was not a problem). The same instrument was used in Ceres and Cape Town where the interview time was reduced because of smaller household sizes. The survey was also split up with different elements conducted at different times.

The team also did an in-depth month long household food security survey on 10 percent of the main sample, and a social security survey following 54 children admitted to hospitals in Mount Frere because of severe malnutrition.

Of the households studied in Mount Frere, a subsistence farming area, over 97 percent fell below the poverty line. Interestingly, 44 percent of household expenditure in this district went on food. This was a slightly higher than the 41 percent recorded in Khayelitsha. The second highest expenditure was on education, third on debt and fourth on health. Together these amounted to 81 percent of household expenditure.

The food security survey showed that salt, sugar and cooking oil were the most frequently available foods followed by starches. Red meat, available on average for three days a month, was one of the least frequently available foods along with other proteins.

The social security study showed that the likelihood of chronically poor people accessing social security grants is lower than for any other segment of the population, with very low take up levels for child support and foster care grants. This corresponds with a familiar pattern of households higher up on the poverty scale being more likely to get the grants than those experiencing more severe poverty.

Almost two thirds of people are unemployed in Khayelitsha with only 36 percent of adults having some form of paid work. Unemployment was highest amongst young adults in the 19 to 25 year age group. Paid employment was unstable with 32 percent of households having lost a full time job in the last five years. Transitions in and out of poverty appeared to be particularly related to employment and wage labour. Households with wage labour had an average income of over R1400 a month, while those without reported an average income of just over R500 a month. Even so, over two thirds of wage earners did not earn enough to lift their households out of poverty, with over 50 percent earning less than R1000 a month. This has important implications for debates on minimum wage levels.

Formal education appears to make no difference to the chance of getting a job for many poor people in all three research sites. This finding differs from results obtained in townships closer to the centre of Cape Town, and seems to illustrate a spatial poverty trap that makes it more difficult for people in outlying areas like Khayelitsha to use their skills to obtain employment.

In Cape Town the picture for death and disease is symptomatic of long term impoverishment, social breakdown and lack of effective public health interventions, reflecting the city's continued imbalance in health expenditures between wealthy and poor areas. There is a high prevalence of disease, with over 70 percent of adult deaths due to HIV/Aids, TB and violence. Deaths of children under five years are mostly due to preventable causes. There is a high rate of obesity amongst adult women, possibly related to changes in diet and other social causes.

Despite misgivings about a basic income grant, de Swardt investigated its potential impact in Khayelitsha. If all social grants were removed, the number of households falling below the poverty line would increase by 3.5 percent, whilst a universal basic income grant (BIG) of R100 per person would reduce the overall percentage of households below the poverty line by over 17 percent. In addition, a BIG would markedly reduce the severity of poverty for the poorest third of households, bringing them close to the income level of the middle third of poor households and dramatically increasing their chances of becoming economically active. In this sense, a BIG would both contribute to addressing the immediate income crisis of poor households and to enhancing their incremental integration into productive economic activities.

Pro-poor growth and social grants would most probably help chronically poor households. However, the chronic poor also need measures that make them less vulnerable to a variety of risks and shocks. These measures could include:

- Increased direct access to resources for basic household food production
- Sustainable strategies for making services appropriate and affordable
- Development of community organisations that increase safety from violence, as well as addressing the underlying socio-economic causes of violence
- Strategies that address the long term impacts of HIV/Aids

Failure to address the immediate needs of the poor and their longer term integration into the economic and social life of the community threatens to undermine the tremendous political gains made in South Africa in the early 1990s.

**Discussion: The main points raised and the ensuing discussions are summarised below.**

### ***Social security***

Issues raised included: the reasons behind continued hesitancy about a basic income grant, the choice of a universal grant; long term versus short term social security; and whether people are poor because they fail to take up available grants.

- The analysis of the impact of a BIG has not been done for the Mount Frere sample yet. Increased monetisation has not benefited the rural poor in situations where jobs are not available and the economic multipliers generally appear to have been over estimated. This needs further investigation.
- There is a tendency to see poverty as essentially transient, due to, for example, short term economic downturns. Where there are more fundamental causes, long term interventions are needed.
- Limited take up of grants is partly due to the high transaction costs involved in applying for and collecting grants, institutional problems and inappropriate bureaucracy. This contributes to poverty. Means testing often limits the take-up of grants.

### ***What is the potential of alternative / traditional coping mechanisms and food production?***

- The details of coping mechanisms or the dynamics of households that manage to improve their situation are not well understood. Most households require help, but the forms of social capital and how these can be translated into effective and productive capital need to be understood for assistance to be effective.
- Households that produce even small amounts of food tend to have much better nutritional status. However, every year less land is cultivated in the rural Eastern Cape. Once again, the reasons underlying this observation are not well understood. De Swardt will address this in a paper later this year. However, in many cases food insecure households no longer believe they can do things for themselves. Much of the traditional knowledge about agriculture has been lost. Modern cultivation techniques require money for inputs, and national policies are geared to formal sector agriculture and do not look at backyard food production in urban or rural settings as a serious addition to people's livelihood. The contraction of the formal labour market and the subsequent reduction of remittances and money in the rural economy for input costs also contributes to the crises in rural subsistence areas such as Mount Frere.
- Overall, a paradigm shift about the potential types of livelihoods is needed, since it is not possible to create formal sector jobs for everyone in the foreseeable future.

### ***Why differentiate between poor people?***

- Differentiation between groups of poor people helps to identify the dynamics of transition, target poverty alleviation more effectively, and identify ways to help people out of different kinds of poverty.

### ***Why the high level of expenditure on debt?***

- In all three sites, food, education and health comprise the largest sources of debt. In addition, in Mount Frere funeral expenses, and in Khayelitsha and Ceres water and electricity services are major sources of debt. The cost of education needs to be addressed so that children are not taken out of school because their families cannot afford costs such as uniforms and school fees.