

Understanding and explaining
chronic poverty

An evolving framework for
Phase III of CPRC's research

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Abstract

In order to explain chronic poverty and determine how best to interrupt it, a clear and coherent conceptual framework is necessary. The framework presented in this paper has been developed based on work undertaken both by the Chronic Poverty Research Centre (CPRC) during its first two phases (2000-2005) and by others, and is intended to inform CPRC's ongoing research and policy analysis in Phase III (2005-2010).

The framework has three levels. The first is a statement of the problem 'chronic poverty' (*Section 2*). The second is an elaboration of how we are looking at this problem through the lenses of poverty dynamics and intergenerational transmission (*Sections 2 and 3*). The third level proposes concepts which are most useful in understanding and explaining chronic poverty, poverty dynamics and intergenerational transmission (*Section 4*). In particular this suggests that there is an inter-disciplinary meeting point between concepts of 'poverty traps' and 'adverse incorporation', and suggests that the cutting edge of research on chronic poverty lies in the interaction of asset dynamics and changing social relations. Key components of the context are explored in *Section 5*. One of these – the performance of the state, and in particular the under-performance of 'fragile states' or chronically deprived countries – is the subject of *Section 6*, which suggests both that research on chronic poverty has something to say to the 'fragile states' discourse, and that dealing with chronic poverty may be an important task in 'fragile states'. *Section 7* concludes with a reflection on how this paper changes the way we see chronic poverty.

The current working paper provides an overview of the entire framework. Elements of the framework are elaborated upon in a set of companion papers.

Keywords: chronic poverty, poverty dynamics; intergenerational transmission of poverty; poverty traps; social relations; adverse incorporation; fragile states; policy

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1. Introduction

Poverty research, particularly that conducted since 2000 – the year of the last World Development Report on poverty and the inception of the Chronic Poverty Research Centre (CPRC) – has shown that while many poor people experience poverty temporarily and some are able to climb out of long-term poverty, others are stuck in ‘poverty traps’. These chronically poor people are structurally positioned so that escape is difficult or impossible without significant changes to the contexts in which they live and work.

Established in 2000 with initial funding from the United Kingdom’s Department for International Development (DFID), CPRC is an international partnership of universities, research institutes and NGOs which exists to focus attention on chronic poverty; to stimulate national and international debate; to deepen understanding of the causes of chronic poverty; and to provide research, analysis and policy guidance that will contribute to its reduction. During the first five years of CPRC’s work (2000-2005), CPRC Working Paper 2 (Hulme, Moore and Shepherd, 2001), and subsequently Hulme and Shepherd (2003), provided a guide to CPRC and others on how to research chronic poverty and poverty dynamics. CPRC’s flagship publication, the first *Chronic Poverty Report*, remains the best synthesis of research on chronic poverty; a brief summary of its key messages is provided below (*Box 1*).

Box 1: The Chronic Poverty Report 2004-05 – Summary of key messages

There are at least 420 million chronically poor people in the world. They and their children, plus some who are yet to become chronically poor, will make up a large proportion of the roughly 721 million people projected to still be poor in 2015 (IBRD/WB, 2007:65). Most chronically poor people are not only poor in terms of income or consumption but are also deprived in other ways – educationally, nutritionally, in terms of access to health services – and may be isolated and exploited.

The chronically poor are not a homogeneous group. Many different people suffer such deprivation – people who are discriminated against, stigmatised or ‘invisible’: socially-marginalised ethnic, religious, indigenous, nomadic and caste groups; migrants and bonded labourers; refugees and internal displacees; homeless people; disabled people or those with ill-health (especially HIV/AIDS). In many contexts poor women and girls, children and older people (especially widows) are likely to be trapped in poverty. While chronically poor people are found in all parts of the world, the largest numbers live in South Asia, and the highest incidence is in sub-Saharan Africa. Within countries there are often distinct geographies of chronic poverty, with concentrations in remote and low-potential rural areas; politically-marginalised regions; areas not well connected to markets, ports or urban centres; and urban slums.

The causes of chronic poverty are complex and usually involve sets of overlaying factors. Sometimes they are the same as the causes of poverty, only more intense, widespread and lasting. In other cases, there is a qualitative difference between the causes of transitory and chronic poverty. Rarely is there a single, clear cause. Some of these factors are *maintainers* of chronic poverty: they operate so as to keep poor people poor. The first *Chronic Poverty Report* identified several important maintainers of chronic poverty (which will be discussed to different extents in this framework paper):

1. No, low or narrowly-based economic growth
2. Social exclusion and adverse incorporation
3. ‘Logjams’ of geographical, agro-ecological, socio-economic and political disadvantage
4. High capability deprivation, especially during childhood
5. Weak, failing or failed states
6. Weak and failed international cooperation

CPR1 also identified *drivers* of chronic poverty that push vulnerable non-poor and transitorily poor people into poverty that they cannot find a way out of. These include shocks in the form of ill health and injury, environmental shocks, natural disasters, violence, the breakdown of law and order, and market and economic collapse. When shocks are severe and/or repeated, when people have few private or collective assets on which to fall back, and when institutional support (social protection,

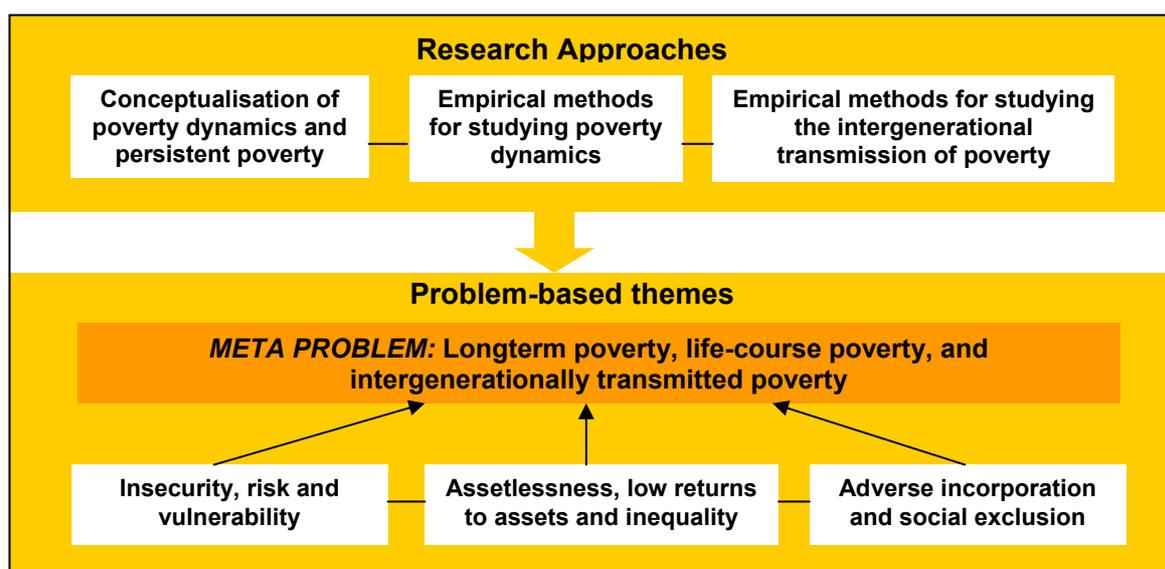
public information, basic services, conflict prevention and resolution) is ineffective, such processes are likely to trap people in poverty.

Overcoming chronic poverty – necessary in order to *eliminate* poverty, the goal the world set for itself at the 1995 Copenhagen Social Summit – requires higher ambitions than the current MDGs proclaim, re-ordered priorities, and a greater commitment to redistribution. In particular, livelihood security and social protection have to be prioritised alongside growth, material and human assets need to be redistributed so that the chronically poor can take up opportunities, and the difficult politics of challenging the processes which keep people poor must be addressed. The first of these is very much on the international agenda. The other two remain to be addressed seriously.

Source: CPRC, 2004: v-vi.

This framework paper builds on all this research, and a number of outputs produced since then, from both within CPRC and outside it. It also takes into account critiques of the original papers. The goal of CPRC during 2005-2010 ('Phase III') is to continue to improve our understanding of chronic poverty, poverty dynamics, and the scope for interrupting longterm, life-course, and intergenerationally transmitted poverty through policy measures and other interventions and actions (CPRC 2005). *Figure 1* lays out the structure that CPRC has adopted for thematic research.

Figure 1: CPRC Phase III Thematic Research Structure



Source: CPRC, 2005: 26.

To facilitate this process, this paper sets out to define more clearly what we mean by chronic poverty, and the concepts we will use to understand and explain it. A critical aspect of the conceptual framework proposed here is interdisciplinarity, making use of perspectives principally from economics, sociology and political science, but potentially also from geography, and social and developmental psychology. Developing a genuinely interdisciplinary framework is both necessary and difficult, but CPRC's Phase III thematic research strategy offers an opportunity to do this. The strategy includes the production of 'theme papers', followed by a discussion of where the common points and dissonances between these papers lie, and how this can be built into an integrated conceptual framework capable of facilitating a coherent research output over time. This paper is a contribution to this exercise, and as such, the conceptual framework presented here is underpinned by four 'theme papers' – on intergenerational transmission of poverty (Bird, 2007); assetlessness, inequality and growth (McKay, 2007); insecurity, risk and vulnerability (Barrientos, 2007); and

adverse incorporation and social exclusion (du Toit and Hickey, 2007) – key elements of the framework.¹

The framework has three levels. The first is a statement of the problem ‘chronic poverty’ (Section 2). The second is an elaboration of how we are looking at this problem through the lenses of poverty dynamics and intergenerational transmission (Sections 2 and 3). The third level proposes a set of concepts deemed most useful to understand and explaining chronic poverty. All levels are important in defining the policy agenda with which CPRC is grappling.

2. Chronic poverty and poverty dynamics – what are they and why are they important?

Chronic poverty is absolute poverty that is experienced for an extended period of time – many years, or even over the life course. A person living in absolute poverty is not able to satisfy his or her minimum requirements for food, clothing or shelter (CPRC, 2004:131).² Such poverty may be passed from one generation to another, and this is of particular interest given the known possibilities of interrupting such transmission.

As noted in *Box 1*, the chronically poor are not a homogeneous group. Those living in destitution – those “no longer able to meet their minimum subsistence needs, lacking access to the key productive assets needed to escape from poverty, and dependent on public and/or private transfers” (Devereux, 2003:11) – are among the chronically poor, but chronic poverty is not limited to destitution; many poor people who are economically active to greater or lesser degrees also live among its ranks. Destitution, like poverty and chronic poverty, are contested concepts, particularly in terms of defining ‘minimum subsistence requirements’.³ More nuanced definitions of ‘absolute poverty’ and ‘minimum requirements’ may be required to differentiate between deficits causing imminent death and those leading to irreversible damage to health, human capital or social relations with significant and long-lasting effects on individual and household well-being.

The poverty line is normally defined in terms of a money-metric – expenditure, consumption, income – but can also be delineated in terms of wider or subjective aspects of deprivation. While it is now understood that poverty is a multidimensional phenomenon, the case for a household-level human development index has been examined by Hulme and McKay (2006) and found wanting, partly for reasons of data availability in the near future, and partly because it is not clear that a multidimensional index is better for policy purposes than treating each indicator separately. Thus for defining and measuring chronic poverty, CPRC will mainly stick with a money-metric approach, exploring the relationships between material poverty and other aspects of deprivation, to understand its causes and effects.

¹ This framework may be further revised in the light of papers presented at the *CPRC Workshop on Concepts and Methods for Analysing Poverty Dynamics and Chronic Poverty*, 23 to 25 October 2006, University of Manchester, UK. Presentations and papers can be downloaded from http://www.chronicpoverty.org/news_events/ConceptsWorkshop-Oct2006.htm; they are also published or forthcoming as working papers (http://www.chronicpoverty.org/resources/working_papers.htm), and/or forthcoming in an edited volume. At present, only the ideas and approaches from a very limited number of papers have been taken into account.

² Focusing on absolute poverty does not exclude analysis of relative poverty when considering poverty dynamics and the role of inequality.

³ Harriss-White (2005:882) puts it this way: “As a state, <destitution> is a contradiction in terms. Since the complete absence of assets, transfers, and income spells death, there can be no such thing as long-term destitution. The specification of medium- or long-term destitution then cannot avoid a value judgement of what might constitute a ‘nearly complete absence.’”

It is possible to identify three interrelated forms of chronic poverty:⁴

- Longterm poverty – poverty that is experienced by an individual or household for so many years that escape is unlikely if external conditions remain unchanged.
- Life-course poverty – poverty that is experienced over the entire length of a person's life.
- Intergenerational poverty – poverty (or 'poverty-related capital' – see Moore, 2005) that is transmitted from parents (or other older carers) to children via the conditions of childhood, youth, and inheritance. This is discussed in greater detail in the next section.

In terms of chronic poverty that is 'merely' longterm, it is difficult to specify a minimum period after which poverty is viewed as chronic. In practice, generally this is taken as the number of years between rounds of a panel survey, which vary considerably and may or may not reflect a 'threshold period' after which escape becomes significantly more difficult. There is a small but growing number of panel datasets for developing countries which do stretch over longer periods of time (Lawson, McKay and Moore, 2003)⁵ that can help us during the coming years to begin to identify such 'threshold periods'. In the United States, it was found that being poor for only four years was enough to reduce very substantially the chances of ever escaping poverty (Corcoran, 1995). *Box 2* reflects on this for India, asking the question – of those households which were poor in both 1970 and 1981, what proportion were still poor in 1998?

Box 2: The longterm consequences of being poor in India

India has a national rural panel data set with three waves stretching from 1970, through 1981 to 1998, with another survey being conducted in 2006. From this we know that if you were poor in India in both 1970 and 1981, the probability of being poor as well in 1998 was about two in three: 24% of the sample were poor at all three points, compared to 34-38% poor over the period 1970-81. We can then say that poverty stretching over 10 years (admitting we do not know what happened in between the two survey points in time) has had strong longer term effects on the likelihood of upward mobility. Identifying what traps people and how long periods of poverty affects them enables the development of possible exit pathways.

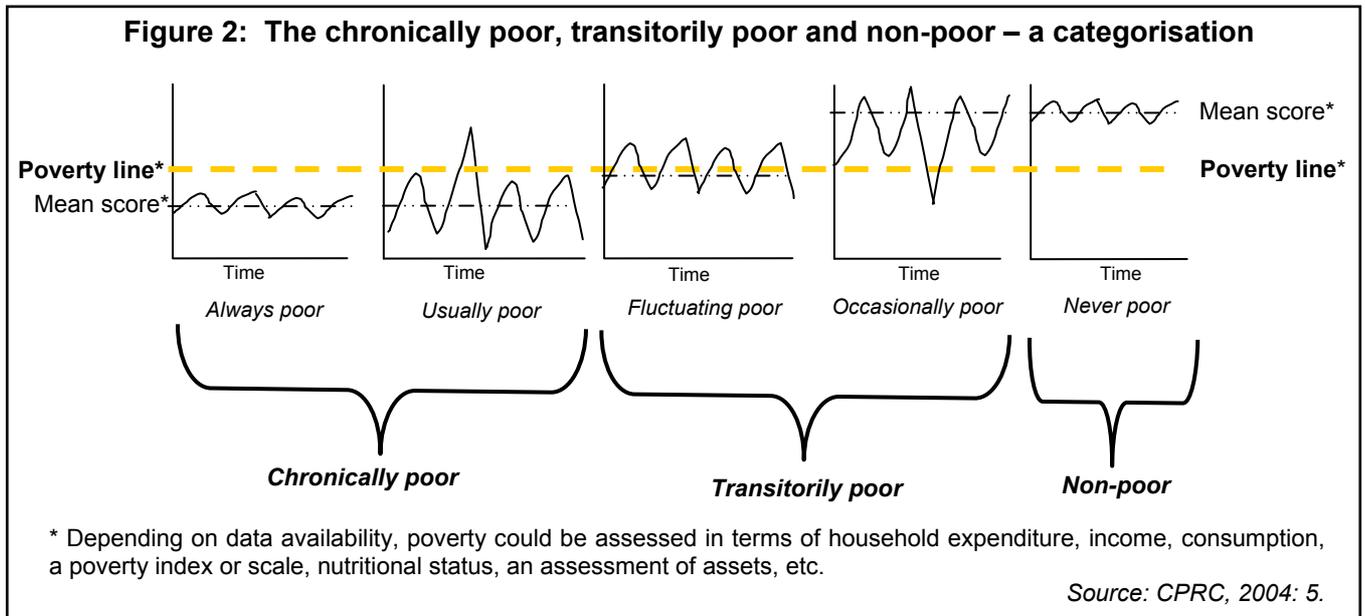
From initial analysis, Scheduled Tribe status, higher dependency ratios, low access to land, and low levels of village infrastructure were important variables accounting for persistent poverty and/or mobility. Interestingly Scheduled Caste status, having been a determinant of persistence between 1970 and 1981, was *not* associated with persistent poverty over the *three* waves, indicating that perhaps the effects of caste on mobility (see Munshi and Rosenzweig, 2006) – achieved both through limiting occupational mobility and migration but also through severely constraining marital mobility – were beginning to loosen towards the end of the century. This suggests that the effects of recent liberalisation and reform-based growth have been more inclusive than previous economic growth. Upward mobility out of poverty was associated with access to additional land, irrigation facilities, improved local infrastructure, and the greater availability of jobs in nearby urban areas.

Source: Based on Bhide and Mehta, 2005.

⁴ It has been argued that 'poverty-related preventable deaths' constitute another form of chronic poverty, because poverty leading to a death (a permanent condition) becomes a permanent (i.e. chronic) condition itself. The view taken here is that while it is relevant to examine poverty-related death, it is a distinct issue and should be treated as such. For example, it is not clear if death related to transitory poverty is always qualitatively different from that related to chronic poverty. However, the case for counting poverty-related deaths as an aspect of poverty or wider deprivation is strong (see Kanbur and Mukherjee, 2003).

⁵ There are now 30 years and 3 waves, soon to be 35 years and 4 waves for a national rural sample in India; 7 years and 3 waves, which will hopefully be 16 years and 4 waves by 2007 in Uganda; several waves over similar periods in Vietnam and Indonesia; 15 years and 3 waves in Kwazulu Natal, South Africa; and similar periods (10-15 years) for more restricted samples in Ethiopia, Tanzania, rural semi-arid South India, Madagascar, Kenya and Zambia. However, the number of waves is generally very small, making interpretation difficult, particularly at the household level, and potentially exacerbating the significant and systematic attrition and measurement error that are always a serious problem with panel data (Andy McKay, pers. comm.).

But ‘staying poor’ is only part of the issue under investigation: an investigation of *poverty dynamics* – changes in the poverty status of an individual or household over time – is the other side of the coin, and crucial to the understanding of chronic poverty. Research into poverty dynamics can help identify exit routes for the chronically poor, and for the transitorily poor before their condition becomes chronic, and suggest ways of preventing others falling into poverty likely to become chronic. *Figure 2* provides a simple, highly stylised graphical representation of different types of poverty dynamics. An interest in the chronically poor implies a focus on the ‘always poor’ and the ‘usually poor’.



It is important to note that even the chronically poor can experience upward as well as downward trajectories, although insufficiently to lead to a sustainable escape from poverty. *Figure 3*, drawn from qualitative work in rural Bangladesh, suggests eight stylised categories of poverty dynamics over a lifetime. Each can occur above, below or around a poverty line.

Figure 3: Ideal type patterns of livelihood trajectory – Example 1

Qualitative life history interviews undertaken by Davis to investigate poverty dynamics in rural Bangladesh uncovered the rich temporal, spatial and social contexts of people’s lives, and allowed the researcher to identify eight stylised life trajectory categories:

Trajectory pattern	Trajectory direction and depiction		
Smooth	Level	Improving	Declining
Saw-tooth	Level	Improving	Declining
Step	Single-step declining	Multi-step declining	

Improvements in people’s life conditions tend to happen only gradually, whereas sudden declines are more common. As such, saw-tooth trajectories, where gradual improvements were interspersed with more abrupt declines, were the most common trajectory pattern among Davis’ poor interviewees.

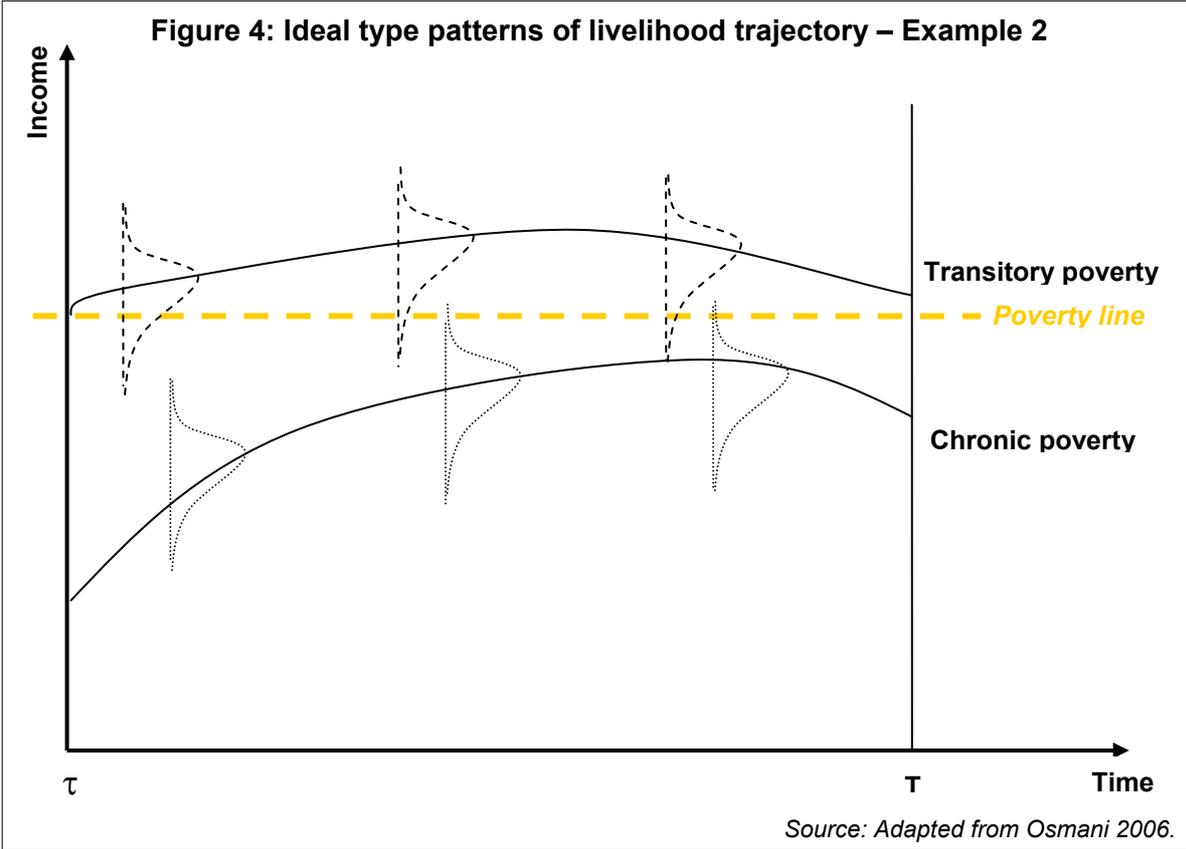
Source: Davis, 2006.

A more accurate though perhaps less intuitive way of graphically representing chronic poverty is given in *Figure 4*, adapted from that developed by Osmani (2006). In *Figure 4*, the transitory poverty trajectory, which while always above the poverty line, shows examples of distributions around the trajectory that may occasionally mean an individual falls below it. The chronic poverty trajectory, on the other hand, shows a distribution of possibilities around the curve at any given moment, some of which could take a chronically poor person above the poverty line for periods of time, even if the tendency is to remain poor.

Osmani defines chronic and transitory poverty in a forward-looking way that takes into account the effects of stochastic variations, individual-specific variables (e.g. the endowment set: age, gender, assets, education, skills, number of dependents and size of the household labour force, etc.), and variables exogenous to the individual and the household:

A person is chronically poor if her initial conditions ensure that her income will fall below the poverty line more often than not for the rest of her working life, if the exogenous variables prevailing at the time of observation remain unchanged (*ibid*, 6).

Transitory poverty refers to a situation where the time path of (conditional) expected income always stays above the poverty line but sufficiently close to it so that the actual income would fall below the poverty line fairly frequently (but not most of the time), if the exogenous factors remained unchanged (*ibid*, 8).⁶



⁶ *Figure 2* is a ‘spells’ approach to poverty dynamics, while *Figure 3* relates to a ‘components’ approach. A ‘spells’ approach identifies the chronically poor based on the number or length of spells of poverty they experience (e.g. Baulch and McCulloch, 1998). A ‘components’ approach defines transitory and chronic components to poverty for each household (e.g. Jalan and Ravallion, 1999). The chronic component summarises what the poverty level would be if consumption did not vary about its mean value.

Importantly, the figure's stylised lines include *life cycle poverty* – the idea that certain life events increase or reduce the likelihood of experiencing poverty at a particular point in the life course. We have adapted Osmani's diagram (which focuses on the span of the working life rather than the entire life course) to reflect the fact that our and other research suggests that poverty in developing countries is more likely at both the beginning and the end of the life course; however, this is an empirical issue that requires investigation in particular contexts. Research, including that by Rowntree (1901) on life cycle poverty in late 19th century York, also suggests that in addition to childhood and old age, young households – with increasing dependency ratios (i.e. children) and limited earning power – are also particularly vulnerable to poverty.

Poverty trends describe changes in poverty incidence, often at the national level, over time, and can mask *poverty dynamics*. This is because poverty incidence at a moment in time is the result of the sum of downward and upward mobility across the poverty line (poverty dynamics), and persistent poverty. For example, that there was a the significant reduction of 24% in aggregate poverty apparent in rural Vietnam between 1993 and 1998 tells us nothing about what happened to individual households. In fact, while about 30% of households moved out of poverty, another 5% fell into poverty (together considered as the transitorily poor), and about one-third of the population was poor in both periods.

Indeed, the same poverty trend can be composed of quite different levels of mobility. Even substantially reduced incidence is compatible with high levels of downward mobility into poverty, for example. The level of chronic poverty will be high where upward mobility is low, and/or where it is difficult to recover from downward mobility. If the factors which enable sustained upward mobility and/or the factors which enable recovery from shocks and stresses are scarce, it is possible that the incidence of chronic poverty may remain stationary even while the incidence of poverty declines.⁷ There is much awareness of the role of shocks – e.g. ill-health, sudden environmental change, crime – in the generation of poverty. 'Threshold events' such as these may also be extremely important in tipping people with no previous history of poverty into persistent poverty, and there is support for the view that multiple hazards and vulnerabilities are a critical factor in keeping people poor over time.

Understanding chronic poverty is particularly important for three main reasons. First, it can be argued that the chronically poor are a subset of 'the poorest' and thus demand attention and support on ethical grounds (Clark and Hulme, 2005). Second, while 'time' has long been included in concepts of poverty – in terms of seasonality (e.g. Lipton's (1986) work on the rural 'ultra-poor'); 'time poverty' (e.g. time as an asset of which one can lack sufficient amounts); and, more so in industrialised countries, the life-course, 'duration' remains a missing dimension of poverty that must be incorporated into any credible conceptualisation (Clark and Hulme, 2005). As suggested above, time spent in poverty may itself have effects, as well as being the result of a complex of structures and processes. Broader processes of social, economic and political change – the sweep of history – provide the context within which poverty dynamics and socio-economic mobility (or its absence) take place (Bevan, 2004), and can be expected to exert a strong influence – for example through the changing decisions and actions of elites and property owners, which have a significant impact on poor people (da Corta, forthcoming).

Finally, it can be argued that contemporary analyses of poverty treat it largely as a transitory phenomena and thus fail to generate knowledge that can be used to effectively tackle chronic poverty. Countries with identical levels of headcount poverty might need different, or differently balanced, poverty reduction strategies, because of their differing compositions of

⁷ These processes are researchable using multiple cross-sections, like the Demographic and Health Surveys (DHS) if a satisfactory proxy for chronic poverty can be devised – a challenging task on which some work is underway (Lawson, forthcoming; Nandy, forthcoming).

transitory and chronic poverty (*Box 3* and *Table 1*). Policymakers, who would logically seek to minimise downward mobility into poverty and maximise upward mobility out of poverty, need to understand both the relative proportions of the poorest, poor and vulnerable non-poor, as well as the relative intransigence of the each group's poverty or vulnerability, based on its causes and duration. Both research and policy analysis work will identify the range of critical policy measures which are relevant in particular countries or groups of countries, depending on their trajectories.

Box 3: Policy implications of national poverty composition

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 transitory poverty. In a country where poverty is largely a transitory phenomena, with 'the poor' at any particular time having a high probability of improving their position, then arguably 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 toward basic physical infrastructure, reduce social exclusion (from employment, markets and public institutions) and provide longterm social security will be necessary if poverty is to be significantly reduced.

However, it would be wrong to conclude that completely different national development strategies, roles for the state and forms and levels of international support would be needed for these two different hypothetical cases. In fact the chronically poor need both asset transfers and insurance – unprotected assets being highly likely to be lost without protection. And the transitorily poor also need assets – if they had better education or health they would be less likely to fall into poverty even for relatively brief periods. But where chronic poverty predominates, asset transfers are likely to be a more significant requirement for poverty reduction. However, assets are arguably best built through cash-transfer-based social assistance.

Regional poverty strategies might be as important or indeed more important than national strategies. The chronically poor, in particular, might be concentrated in a specific region in some countries (north east Brazil, for example). A supportive national strategy to back the regional poverty strategy will be essential, but if the regional strategy is absent or weak (e.g. due to elite capture, or institutional inability to implement) then the national strategy won't achieve much.

Sources: Hulme and Shepherd, 2003:404; Barrientos, Hulme, and Shepherd, 2005, Tony Addison, pers. comm. on the importance of regional development.

Study approaches: combining qualitative and quantitative approaches

This paper is not about research methods; work synthesising CPRC's approach is forthcoming. However, a brief word is in order. CPRC has homed in on combined qualitative and quantitative research as fundamental if progress is to be made in delineating, understanding and explaining the dynamics and intergenerational transmission of poverty. While many different combinations are possible, good practice is rare, and we aim to produce methodologically innovative work. This will centre on the use of panel data complemented by life histories as core methods for generating information and understanding of chronic and intergenerational poverty (Baulch and Scott, 2006; Ojermark, forthcoming). However, in the majority of situations where panel data is not (and will not be) available, it is legitimate to develop plausible proxies using data from one-off surveys on malnutrition (stunting), illiteracy and other assets⁸ – indicators of deprivation from one off surveys which have time built into them and are known to have a certain degree of correlation with chronic poverty (Hulme and McKay, 2006) – to use alongside household survey data on poverty, and life histories (or other qualitative methods). Pseudo panels can

⁸ Using income tends to exaggerate mobility; asset-based indicators show lower levels of mobility.

Table 1: Poverty dynamics and policy analysis: some examples

	Growth	Human Development	Security	Rights, Culture, Empowerment
<i>Preventing descent</i>	<ul style="list-style-type: none"> Collective insurance against risk of failed investment (e.g. irrigation). 	<ul style="list-style-type: none"> Reduce health care costs. Reduce exposure to key shocks. 	<ul style="list-style-type: none"> Competitive financial markets, especially for consumption credit and savings.⁹ 	<ul style="list-style-type: none"> Conflict prevention and management, especially to avoid loss of assets.
<i>Addressing maintainers</i>	<ul style="list-style-type: none"> Policies to reverse absence of growth at national and regional levels. Redistribution of assets. Increase returns to very small assets held by the very poor. 	<ul style="list-style-type: none"> Address social and institutional barriers to inclusion, e.g. stigma, mental health, financing and service quality, alcoholism. 	<ul style="list-style-type: none"> Deal with governance or implementation problems that prevent access to personal and social security. Choosing easily targeted schemes. 	<ul style="list-style-type: none"> Policies outside the box: women's land rights; reducing social expenses on death/marriage.
<i>Facilitating escape</i>	<ul style="list-style-type: none"> Pro-poorest economic policies.¹⁰ Facilitate contacts with knowledgeable individuals and organisations for provision of information on diverse economic opportunities. 	<ul style="list-style-type: none"> Education, particularly beyond primary. Focus on key groups who miss out (e.g. adolescents; children of polygamous marriages). 	<ul style="list-style-type: none"> Social protection measures with investment value (e.g. pensions that are of sufficient size and coverage). 	<ul style="list-style-type: none"> Development of social capital – inclusion or separate development strategies.

Sources: Bird et al, 2004; Bird and Shinyekwa, 2003; Krishna, 2003; Shepherd and Mehta, 2005.

also be constructed in the rare cases where survey sample size is large enough (Goh et al, 2004).¹¹ Parent-child comparisons, and family and cohort studies, can also reveal much about intergenerational transmission.

3. Intergenerational poverty and mobility

There is a stronger focus in this period of research on *intergenerational* poverty and mobility. We know most about intergenerational mobility (or its absence) in the US, and increasingly the UK. It has been found to be less than expected – parental income has been a fairly strong predictor of offspring's earnings, for example (Solon, 1999 and Solon and Lee, 2006). The fact of intergenerational transmission is well established, but the causes are not – perhaps a deficiency of relying only on quantitative survey based research. An extensive

⁹ It is possible that competitive credit markets would not have much to offer the chronically poor, given the usual exclusion of the poorest from microfinance schemes.

¹⁰ See discussion below.

¹¹ According to Bob Baulch (pers. comm.), 20,000+ households are needed to construct an adequate pseudo-panel. Of the DHS surveys, those with around 20,000 or more are limited, but still possibly of interest: Bolivia, 2003 (19,207); Columbia, 2005 (37,211); Dominican Republic, 2002 (27,135); Egypt, 2005 (21,972); India, 1998/9 (92,486); and Indonesia, 2002/3 (33,088).

survey of the literature (Boggess, Corcoran and Jenkins, 1999) produced the conclusion that the strong correlation between parental and offspring earnings was *not* to do with the greater likelihood that a poor household is woman-headed, the greater likelihood of living in a poor neighbourhood, or the lower amount of schooling received by poor children – all of which are true, but statistically do not account for the intergenerational link in incomes. The most promising areas in terms of finding explanations included:

- (a) the physical and mental development delays that poor children experience, which seem to be correlated with later earnings;
- (b) the extreme poverty of single parent families in particular (fewer income earners), whose children are more likely to drop out of school, have a teen birth and be unemployed as adults;¹² and
- (c) the substantial race differences which continue to exist – the “vast majority of black children will be poor, use welfare and live in a single parent household at some point during their childhood. Many black children will be in these situations for a long time” (*ibid*, 82).

There is evidence of race discrimination in the job market too, suggesting that events and processes in adulthood can also exert a strong influence. Recent American evidence is explored in Bowles *et al* (2005) – see *Box 4*.

Box 4: The intergenerational transmission of poverty in the US: recent findings

Extensive studies on this issue have found that there are surprisingly high correlations between the consumption, wealth, income and wages of succeeding generations in the US – despite its stereotypical presentation as the land of ‘rags to riches’ stories. There is clearly both a poverty trap, from which it is difficult if not impossible to emerge, and an ‘affluence trap’ that is only slightly less durable. Persistent intergenerational poverty is much higher for black than white people.

The main causal channels of intergenerational transmission are schooling, wealth and race; IQ and personality, on the other hand, do not account for much intergenerational transmission. The negative effects of residence in low income neighbourhoods are a key focus of debate, suggesting the centrality of reproduction of the social structure, defined largely in terms of class and race, over time. Yet the contemporary American policy research debate continues to exist primarily among economists who analyse individual or family life chances largely in isolation from group and structural considerations.¹³

Policy responses in the US typically focus on educational deprivation, seen to be more tractable than eliminating racial discrimination. Public opinion surveys suggest that large majorities favour financial compensation for those with inherited physical and mental impairments, and that many regard the role of race in the intergenerational transmission of poverty as unfair and the correlation between parental income and child health as ‘morally suspect’. Findings such as these make it more politically legitimate for policymakers to confront these issues. Recently there have been interesting interventions to interrupt the ‘neighbourhood effect’ too.

Source: Bowles et al, 2005.

The US debate on intergenerational transmission indicates that finding explanations for intergenerational transmission remains a challenge, even where there is unparalleled availability and quality of panel data. This supports the idea that qualitative research has a role to play.

The companion theme paper by Bird (2007) examines the critical factors involved in the intergenerational transmission of poverty, drawing on experience from the US and other

¹² While being a single parent household itself does not hold much explanatory power, it does matter significantly if that household is also extremely poor, which is more likely than among dual parent families.

¹³ See section on poverty traps and adverse incorporation below for a partial exception.

industrialised states, but focussing on developing countries. She identifies the factors affecting transmission, focusing on both household level and on wider contextual or 'extra-household' factors. The paper also gives considerable space to the concept of 'resilience', in both its livelihoods and psychological senses. Moore (2005:12) provides a starting point:

Poverty is not transferred from one generation to the next as a 'package', but as a complex set of positive and negative factors that affect an individual's chances of experiencing poverty, either in the present or at a future point in her life-course. These factors can include both the 'private' transmission (or lack of transmission) of capital and the 'public' transfer (or lack of transfer) of resources from one generation to the next (e.g. through taxing the income of older generations to pay for the primary education system). These can be positive (e.g. cash, assets, positive aspirations) or negative (bonded labour, poor nutrition, gender discrimination).¹⁴

Initial, and usually context-specific, endowments are important; these include the assets, capabilities, and power to exercise agency held by an individual or household. Initial endowments are themselves often the result of intergenerational processes. There are then hard choices made within households between present and future wellbeing, personal and family wellbeing. Decisions – for example, a land sale in a situation of structural escalation of land values, or nutritionally disfavoured of a girl, younger child, or a child of a lower order wife in a polygamous household – can lead to 'irreversibilities' – negative outcomes for an individual or household which are very difficult or impossible to reverse in later life.

Decisions can also promote or undermine resilience. Within development studies, livelihoods approaches to poverty and wellbeing define resilience simply as the capacity to bounce back after a shock, particularly without having to deplete other assets leading to longterm negative effects: for example, being able to rebuild a house destroyed in a storm without having to pull children out of school to save the money required. But resilience also has psychological dimensions, and social and developmental psychologists now suggest a nuanced definition: 'the manifestation of positive adaptation despite significant life adversity' (Luthar, 2003). Resilience here means that an individual appears able to 'deal with' adversity, and 'come through' – survive, adapt, or even prosper, despite the poor hand dealt to them.¹⁵

Research on resilience among children and young people, almost completely in industrialised countries, has suggested a wide range of individual attributes and social contexts associated with resilience (*Box 5*), which may help or hinder a child in overcoming early disadvantage. In terms of individual characteristics, Bird (2007) notes the particular importance of fostering children's self-esteem:

¹⁴ Intergenerational poverty is not only passed from parents to children. ('Parents' is used here as shorthand for an older generation responsible for the care of children. These people may, in fact, be grandparents, siblings, other relatives or unrelated fosterers.) It can be passed from adults to their parents, from children to their parents (e.g. through the illness or disability of a child, through high dependency ratios). It can skip a generation – from grandparents to grandchildren and vice versa. The decisions of a cohort can impoverish the cohort following or preceding (e.g. through policy decisions around savings and pensions, education and child-care). See Moore (2001). Here the definition is narrowed to focus on transfers between parents and children's generations. If CPRC can contribute to understanding this, it will have achieved a lot. In some cases our work will touch on other relationships too where these are critical. However, we do not have the resources to be universally comprehensive.

¹⁵ A more critical view of the usefulness of 'resilience', in its psychological sense, in understanding poverty that persists across generations can be found in Boyden and Cooper (2007). They argue that the concept remains theoretically and methodologically murky, and as such suggest "relinquishing the metaphor of resilience while retaining the focus on particular factors that moderate and mediate poverty experiences and outcomes" (abstract).

**Box 5: Examples of attributes of individuals
and their contexts often associated with resilience**

Individual differences: cognitive abilities (IQ scores, attentional skills, executive functioning skills); self-perceptions of competence, worth, confidence (self-efficacy, self-esteem); temperament and personality (adaptability, sociability); self-regulation skills

Relationships: parenting quality (including warmth, structure and monitoring, expectations); close relationships with competent adults (parents, relatives, mentors); connections to prosocial and rule-abiding peers (among older children)

Community resources and opportunities: good schools; connections to prosocial organisations (clubs, religious groups); neighbourhood quality (public safety, collective supervision, libraries, recreation centres); quality of social services and health care

Source: Masten and Powell (2003:13).

Children with high self-esteem have been found to associate their success in a particular situation with their ability and their failure with a lack of effort or a factor that they had no control over. This contrasts with the 'learned helplessness' of children with low self esteem (Yaqub, 2002:1085). In later life this can influence the degree to which individuals assert agency, respond to risks and cope with covariant and idiosyncratic shocks.

Critical periods in the life course that affect intergenerational poverty and mobility include *in utero*, childhood, youth and early adulthood. How adults carers and wider society manage these periods can make all the difference. We know a lot about childhood poverty, and how to interrupt it, both in general and in context (see *Box 6*). The point here is surely to get on with the job: remove the obstacles to getting it done, and where there are choices to be made, test approaches through policy experiments. We know less about youth and young adult poverty, and even less about its interruption. We have argued for a strong focus on post-primary education (see *Box 6*); convincing young people and families of its economic utility is also necessary (World Bank, 2006). But we recognise that this on its own is not enough – the labour market, for example, needs to be capable of absorbing educated youth, and conditions for young adult entrepreneurship and participation in social organisation and politics need to be right. The context is clearly critical (see e.g. Ainsworth and Filmer, 2006).

Inside the household, a large range of important factors are likely to influence intergenerational transmission; these include the characteristics of the household itself (e.g.

Box 6: Interrupting childhood poverty

CPRC's partner, the Childhood Poverty Research and Policy Centre (CHIP), has identified four specific policy areas and a range of contexts that are essential to ensure that poverty transfers are interrupted, and life course and intergenerational poverty cycles broken. These are: education of at least 10 years; preventive and curative health services for all; an emphasis on under five and maternal and adolescent nutrition; and social protection (in particular cash transfers) to enable all the above and enhance livelihood strategies. Delivery in these four areas requires economic policy which is conducive to human development, including scope for redistribution and increased equality; trade liberalisation preceded by investment in human development, especially education, and with attention to preventing potential exploitation of, for example, child workers; and macro-economic policy which considers potential social impacts. Economic growth may not reverse the damage done when children have missed their only chance for education or critical nutritional intake. Governments need commitment to human development, even in periods of economic crisis; the public needs to be in a position to hold government to account, and public services need to be planned to take advantage of the synergies between, for example, nutrition, education and family planning.

Source: Harper 2005

composition in terms of genders and ages, and dependency ratios); parental education and health; access to productive assets; quality of parenting, nurturing and socialisation; domestic violence; patterns of fostering, adoption and orphanhood; and the socio-economic role of older people. Outside the household, the important set of factors likely to influence intergenerational transmission include political processes (e.g. violent social conflict; the political economy of redistribution, including between generations); social processes influencing the development of aspirations; and social networks, underpinned by social structures of class, caste, ethnicity, and religion. Location – the ‘neighbourhood effect’ – and relatedly the relative isolation of whole groups of people may also exert an independent effect.

What can we take from this brief survey of work on intergenerational poverty? A key point is that, while the mechanisms of transmission may not always be well understood – and arguably this requires a greater volume of qualitative research alongside survey-based work – the fact that childhood poverty is so strongly associated with longer term effects should be enough to focus a great deal of our attention on that experience of childhood poverty in different contexts, being sure we know what can interrupt it, and finding politically feasible ways of enabling the ‘interrupters’. The world is understandably focussed on least cost ways of interrupting childhood poverty – with interventions compared primarily in terms of cost per head – whereas the key issue is to find interrupters which can be politically sustained over significant periods of time and ‘rolled out’ to large proportions of the population. This is difficult – ‘political will’ is not abundant, and key factors in the equation – the need in most situations for much greater gender equity, known to be tied closely to child wellbeing – have not been given enough weight despite many years on the agenda.

However, intergenerationally transmitted poverty is not only about child poverty, and for research it is the non-childhood stages of the life course which more urgently need attention. It is to be hoped that critical interrupters will be found at different life stages – in adolescence (e.g. providing adolescent cohorts who have missed out on school the first time around an education, combined with broad based growth and labour market measures); or in young adulthood, when individual responsiveness to wider economic conditions (e.g. growth) can be expected to be at its height.¹⁶ The role of older people in processes of intergenerational transmission of wellbeing, particularly in contexts with ‘missing generations’ due to HIV/AIDS, is also important. Adaptability and flexibility may not be entirely determined by inheritance or childhood/adolescent experience.

It is also crucial to understand systems of inheritance and other factors that shape what one generation passes to another. These include:

- norms and values around care for older people, early marriage practices, high birth rates, education and child labour, and health seeking behaviour;
- coping strategies addressing economic insecurity (e.g. that caused by inflation), conflict or environmental crisis, which draw down assets so that they become unavailable for inheritance,
- the accessibility and quality of protective institutions and measures; and
- not least, legislative frameworks and their local level interpretation and implementation, or customary law, which are so critical in determining access to some assets – land being the primary example.

This brief analysis would suggest that the major focus of research might be to identify changes in inheritance systems, law and practices, and changes in the wider environment affecting inheritance of those assets, which are potentially transformative of life chances and

¹⁶ See WDR (2006) for a recent comprehensive review.

can foster the emergence of livelihood resilience among the younger generations vulnerable to chronic poverty. This would enable a focus on the composition of assets as well as their level, and the uses that can be made of them in changing contexts. It raises issues of gender equality, and would require analysis of the broader social and economic relations which frame poverty traps and permit interruption of poverty, explored below and in the social exclusion and adverse incorporation theme paper. This would be an example of the scope for innovative research brought out by the inclusion of an intergenerational perspective.

4. Understanding and explaining chronic poverty

While we know that there is often a significant degree of mobility around income or consumption poverty lines, in most places and times we know less about patterns of wellbeing over time, much less about very longterm and intergenerational poverty, little about mobility in terms of wider deprivation or asset mobility, and next to nothing about mobility in stagnant economies and fragile states. We also do not know enough about the determinants of persistent poverty – what is structural (and therefore likely to be hard to escape without significant change in policies or the wider economic, social or political environment) and what is temporary or stochastic (where the underlying structures are healthy). What we know is largely based on either quantitative or qualitative research separately; combining these two approaches should produce stronger evidence of causality. However, the extent to which causes can be generalised will remain an issue.

This section outlines a basic conceptual approach to the explanation of chronic poverty and poverty dynamics, framed around concepts of pro-poor(est) growth, insecurity, vulnerability, assets and returns to assets, and social exclusion. It then goes on to suggest that the cutting edge for research lies in an interdisciplinary zone relating poverty traps with social, economic and political relations, since the majority of people living in chronic poverty are *incorporated into* (rather than, or in addition to, *excluded from*) local society, national social contracts, and the global economy. The terms of incorporation are adverse, however, and not conducive to the elimination of poverty; they may even be positively socially engineered to keep people poor.

Economic growth

Levels of mobility are strongly conditioned by the wider economic and political environment, in particular the level and nature of economic growth, and the extent to which states provide basic stability and security. It is possible to make a strong argument that all that is required to reduce the incidence of poverty is economic growth – and we certainly know that economic growth usually reduces poverty incidence. The extent of the reduction is related to the level of inequality and the extent of redistribution, as well as to the composition (or ‘quality’) of growth. However, depending on the same factors, reduced incidence of poverty may be accompanied by increased inequality and/or greater poverty severity or depth. Ultimately, sustained economic growth is capable of changing the socio-economic structure within which mobility takes place.

We know from the ‘Operationalising Pro-poor Growth’ studies (World Bank *et al*, 2005) that countries that experienced growth in 1990s also experienced overall absolute income poverty reduction, and that at the end of the period, the income of the poorest 10% was greater than at the beginning. In a majority of cases, however, inequality increased. In a majority of cases, also, the positive change for the poorest was less than the average. But there were also a significant number of cases where the poorest did better than average.

What factors underlie these patterns? Increasing inequality meant that it was more difficult for the poorest to benefit. The distribution of growth between rural and urban areas was

crucial – with urban bias making it difficult for most of the poorest to participate, since most are located in rural areas. Public expenditures favouring the poorest – health, education, rural infrastructure – were associated with greater participation by the poorest, and if the underlying political economy afforded representation of their interests this was also favourable to their participation in growth (Lahouel 2007).

A pro-chronically poor economic growth strategy, then, would emphasise in particular: protection against downward mobility and destitution; recovery mechanisms for those falling through the protection; and factors enabling upward mobility – not to a point just above the poverty line from where vulnerability to becoming poor again will be high, but to a point where escape from poverty is likely to be permanent. Macro-economic stability and peace are important pre-conditions for preventing erosion of even substantial gains in wellbeing. However, the economic policy agenda required to enable sustained escapes from poverty will include a perspective on lagging regions, infrastructure, the functioning of critical markets (land, commodities, finance, labour, housing), as well as fiscal policy and public expenditure allocation.

Early work on ‘pro-poorest growth’ has suggested that it will take a long time for the poorest to escape poverty via growth alone. Reasons for relatively low levels of benefit from economic growth include:

- the lack of assets held by the poorest, and low returns to those assets held;
- their severe vulnerability;
- their political exclusion;
- the fact that they rarely benefit from migrants’ remittances (though there may be exceptions to this); and
- the ineffectiveness of public policy in ensuring service delivery to the poorest.

Osmani (2006) has argued that “chronic poverty can arise not just from low level of endowments but also from a mismatch between the structure of endowments possessed by the poor and the structure of opportunities open to them”. The implication is that policymakers need to consider both: poverty will persist unless the structure or composition of endowments fit those of the opportunities available. Policy needs to ensure that the ‘pattern of growth’ – in terms of its sectoral, geographic and technological composition – matches the endowments of the poorest, while concurrently fostering the endowments of the poorest such that they match the emergent opportunities – through, for example, targeted interventions redistributing assets, enhancing human capital, or removing the entry barriers that many face in accessing markets and public services. “Indeed”, as Osmani notes, “acting at the endowment end may sometimes be the more cost-effective and durable method of tackling the problem of chronic poverty that stems from structural mismatch.”

To conclude on growth, the chronically poor are likely to benefit less than proportionately from growth. There are three key provisos:

- (i) Growth still matters and can have significant benefits over time, through, for example, generating jobs and additional remittances, although market size can be a significant limiting factor.
- (ii) Growth-promoting policies may in certain instances also harm *some* of the poor. For example, infrastructure development and trade liberalisation, and the consequent loss of assets or employment, can *create* chronic poverty for some. There may also be structural features of an economy that impoverish, marginalise and render vulnerable.
- (iii) The overall results depend a lot on the extent to which the benefits of any growth are redistributed through raising additional revenue, allocating it appropriately, and delivering services effectively.

Most of our work to date has been in situations where there has been reasonable or even high levels of economic growth – India, Bangladesh, Vietnam, Uganda. However, we know less about mobility around the poverty line in contexts where there has been economic stagnation or decline – e.g. historically in Kenya, Zambia, Madagascar, most of West Africa, the Philippines, Papua New Guinea, Nicaragua, Peru. This theme will be developed in *Section 6* below, and CPRC’s work is increasingly in such countries. There will also continue to be an interest in ‘lagging regions’ – in India much of the empirical work planned is in the poorest states; an emphasis of the forthcoming review of poverty reduction policies will be on policy responses to underdeveloped regions.

Insecurity and assetlessness

If chronic poverty and poverty dynamics are not just a matter of economic growth – notwithstanding its importance – how else can we understand and explain it? Insecurity, risk and vulnerability stand out from the first phase of CPRC’s work as a set of issues that not only combine to drive people into poverty, but also conspire to keep them there, partly because they rationally adjust their responses to perceived risk. A critical aspect of this process is the incremental – or sometimes sudden – loss of critical assets. The state of relative assetlessness (and therefore inequality) is a predictor of chronic poverty, and the acquisition of access to assets of chronic poverty interrupted. Lack of assets is a major cause of vulnerability – and these two concepts lie at the heart of CPRC’s work.

Which assets are critical, like which hazards, depends on the context. Also a function of the context are the returns on those assets – if only low returns are possible, chronic poverty is likely. This could be a result of general economic conditions, or location in an isolated or underdeveloped region. Vulnerability is greater and returns are lower where individuals or groups of people are excluded in some critical way from mainstream economic, social and political institutions. Exclusion may also occur *within* households, which can be differentiated by gender, age, birth order, and preferred status. However, as noted, most poor people in developing countries are at least partially included in the mainstream, but on adverse terms that do not enable them to progress in economic or human development terms.

As noted, ownership of or access to material and human assets is a critical determinant of scope for upward mobility, and protects against downward trajectories and destitution, until eroded. Different assets are important in different situations: while land is still a basic asset for many of the rural poor, access to finance, education or social networks is central in other contexts, and in those situations where households pursue multiple and diverse livelihoods in order to prosper, combinations of assets tend to be crucial. Assets are also important because they allow access to other goods and services, such as credit; political participation may in some contexts be more open to the ‘assetted’, as assets act as status signals that grant ‘permission’ to speak in public. Levels of assets and their distribution within the household also matter. However, it is not only possession of assets, but also their productivity and utility which has to be realised, and this is a function of the broader institutional, socio-economic and political environment. Education without jobs, or land without organised agricultural markets may provide for security, but do little for upward mobility – an endowment-opportunity mismatch. Similarly, one asset without another – land without education – may limit the degree of mobility (in this case through participation in the non-farm economy or more sophisticated agricultural markets).

Significant attention was given to *asset redistribution* in development policy between World War II and 1970, in order to counter the inequalities that were hampering development. Today there exists a significantly improved understanding of the way in which high inequality hampers economic growth. However, because of potential disincentive effects, asset redistribution remains largely off the development agenda, except through provision of education and health services – and even there ambitions have often remained modest over

long periods, constrained by resources and elitism. By contrast, other forms of redistribution such as land reform is very much on the agenda of certain countries – not only in Southern Africa, but also, in different forms, in Southeast Asia and West Africa. There is now a clear task to bring redistribution back onto the international agenda in updated and useful forms, and in consideration of any disincentive effects. Indeed, fiscal policy is a critical determinant of the extent to which growth will benefit the chronically poor, and will be a strong focus of CPRC's work.¹⁷

Material assets – and of course human labour power – can be lost, however, as a result of shocks or stresses. Strategies to avoid the loss of assets are thus critical for longterm security and prosperity. But so are strategies to recover from loss of assets, and these are pursued with great vigour by poor people, wherever possible. This is where the social assets (capital) of kinship networks (informal social protection), remittances, and relief or formal social protection figure importantly in allowing households to 'bounce back' to near their pre-shock asset position. However, the possibilities of *significantly* increasing asset holdings beyond a point are often severely constrained, by the wider environment and by logical, context-specific responses to vulnerabilities (Barrientos, 2007). This is the 'low level poverty equilibrium', from which it is hard to escape.

The term 'equilibrium' here raises some difficulties, since it suggests that poor people's livelihoods are somehow stable while in fact they are vulnerable to shocks that can upset a fragile situation. It also suggests that poor people attempt to prioritise safety and security rather than the accumulative strategies which would get them out of poverty, whereas achieving real security is what typically allows later decisions in favour of accumulation. The critical policy-related research question is, however, whether chronically poor people can by some means take advantage of existing opportunities, and if not, what alternative opportunities may feasibly become available. This cuts through the danger of misrepresenting people's strategies, which need to be investigated and understood rather than inferred (hence the importance of qualitative research).

In drought-prone agrarian societies, livestock represent a key strategy, as they multiply naturally. Loss of all stock means having to buy them at high post-drought prices. Exclusion from, or inability to own livestock is a severe disability in these communities, caused by structural indebtedness or gender, for example. In less livestock-oriented agrarian economies, other assets may also be 'growable' – trees, for example. As societies de-agrarianise access to and attainment in education, and finding a productive place in the urban economy (house, neighbourhood, transport links) may replace livestock or trees as the key renewable assets.

Viewing labour power as an asset potentially leads to different policy conclusions compared to thinking about it solely in terms of insecurity or discrimination. Measures to ensure that people are healthy, strong, and educated and skilled appropriately would be prioritised; where discrimination is the focus, legislation and other mechanisms would receive attention; in terms of insecurity, the generation of jobs and job security would be the heart of policy. Some policies (such as social protection) could support all approaches at once.

Insecurity, then, characterises persistent poverty: the poor (and others) respond rationally to risk situations with strategies (or behaviour) which may or may not hold back their chances of progress. Vulnerability to all kinds of hazards, but perhaps especially to the life-stresses which are more or less predictable – marriage, childbirth, illness, disability, death – underlie both the common downward mobility trajectories into poverty and also constrain abilities to

¹⁷ The World Bank has in the past argued strongly against redistribution strategies because of low tax bases, strong disincentive effects, and the need for politically difficult negotiations. Evidence suggests ways to overcome such obstacles, however (see Anderson and O'Neil, 2006 and references therein).

strategise and find pathways out of poverty. According to the ILO there are over 500 million 'working poor' – in work but earning less than US\$1/day – and this number will increase without higher than currently predicted levels of economic growth, or a higher than average proportionate share for the poor in growth. It might be thought that today's patterns of growth provide less security than in the past, as more open economies, with potentially faster growth, are also more exposed to economic shocks originating beyond national boundaries. However, the evidence on this suggests that open economies can suffer less price volatility than closed ones (Lutz and Singer 1994; Winters, McCulloch and McKay 2004). Nevertheless, the much greater attention being given to social protection within poverty reduction policy discourses demonstrates awareness of the significant levels of volatility that exist – something that also demonstrates the utility of social science in influencing policy.¹⁸

It is correctly pointed out (Prowse, 2003:32-3) that the consequences of vulnerability are potentially important in distinguishing chronic from transitory poverty. Apart from the well worn idea of risk aversion, and resulting low return economic activities, consequences can also include adverse incorporation, and resignation. Poor people act rationally to reduce their vulnerability, but may be unable to challenge the underlying circumstances which produce it. They may have little choice in adopting behaviour (e.g. becoming a client) that can be criticised as 'risk averse' and constraining accumulation, but that behaviour may in fact provide the basis for subsequent improvement in status or wellbeing – how this situation works out is an empirical question. In Wood (2003) trade-offs were identified, whereas in du Toit (2005) paths of upward mobility among South African farm workers were based precisely on the clientelist relationship. It is not poor people who keep themselves in poverty, rather that the socio-economic relationships in which they are caught constrain their agency and escape from poverty.

In Barrientos' theme paper (2007:15) on vulnerability and poverty traps, he concludes:

There is a growing body of evidence suggesting that poverty incidence rises with uninsured shocks. There is much less agreement on whether shocks have long-term and lasting effects leading to poverty traps. The limited empirical literature suggests that shock-affected households bounce back, but that households affected by large shocks take a long time to recover offering some support for a link existing between vulnerability and poverty traps. A blind spot in the <quantitative> literature is feedback effects of vulnerability on household strategies leading to persistent poverty.

A further critical issue is the extent to which it is *multiple* vulnerabilities which account for chronic poverty specifically. Most survey based work on vulnerability tends to examine single shocks and vulnerabilities (and small numbers of assets). There is a need for richer models of poverty persistence that give space to a broader range of vulnerabilities and to their interaction as potential explanations. Such models could also give greater scope for agency and non-economic factors. This would also enable policy recommendations about combinations and sequences of measures against vulnerability, as opposed to single interventions, which have typically been the focus of most research. Such a model is sketched in Barrientos (2007).

Conflict of different sorts represents a huge and overriding form of insecurity for many poor people, and one that is hard to address through strategies at the individual or household level. Significant conflict exists at many levels – domestic violence, community factionalism, inter-ethnic or religious strife and civil war being the most widespread. Addressing prevalent

¹⁸ The results of longterm work on environmental hazards, food insecurity, conflict, and the consequences of ill-health underlie this current reaffirmation of security and protection, which has emerged from both the development and humanitarian traditions over the past fifteen years.

and damaging forms of conflict is in many situations the most significant public action which can be taken. While larger-scale conflicts force engagement with the political realm, smaller conflicts that, though 'small', nevertheless can have huge ramifications in terms of incapacities created and losses sustained, are rarely strongly focused on in development policy. The collateral damage to social networks and important relationships, social values, and people's mental and emotional wellbeing can be significant. The use of violence in excluding or adversely including people and in redistributing assets, and the results of violence in terms of poverty and deprivation, are likely significant processes in the understanding of poverty dynamics and chronic poverty.

Livelihoods resilience

Identifying the preconditions for upward mobility out of chronic poverty is a key task for CPRC. Arguably, achieving livelihood resilience – the ability to cope with shocks without sustained livelihood damage – is a critical basis for interrupting and preventing chronic poverty. In this paper we have already referred to the individuals' socio-psychological resilience in the face of adversity; here we are concerned with the resilience of livelihood systems – at household, community, region and wider economy levels, which translates into an ability to recover from shocks.

For example, livelihood resilience in the face of ill-health is derived from not only the possession of liquid assets and from (often costly) access to other resources through social networks, but also from the ways in which illness can be managed, and access to and costs of treatment. In other words, livelihood resilience can be significantly affected by the provision and quality of (public) services. Likewise, social protection schemes can provide considerable assurance that basic expenditures (e.g. on education) can continue to be met, even in the face of a shock or stress. This will have a knock-on effect on behaviour (keeping children in school during a crisis), as well as the level of agency achieved (decision to send children to school).

Politics and power: social exclusion

An earlier draft of this paper added another possible definition of chronic poverty:

The chronically poor are those trapped in unequal social relations that are so unjust that there is no or very limited opportunity for upward social and economic mobility, such that they experience persistently high levels of poverty. These may be at national or international level, but in some cases are at local, community level, and may even be found within households.

However, in the current conceptual framework, both poverty traps and socio-economic and political relationships feature at the level of explaining chronic poverty and its effects, rather than defining the problem. This avoids conflating chronic poverty with, for example, structural poverty, leaving open the possibility that chronic poverty is not necessarily about position in society but in some situations may reflect a low level of economic growth and consequent inadequate public revenues and expenditure, with no inherent barriers to participation.

There is clear understanding of the centrality of politics and power to poverty and development, both in terms of the way that national or international politics can influence the broad sweep of historical socio-economic change, both positively and negatively, and more specifically in terms of the politics of the 'developmental state' in creatively shaping processes of market-based economic growth and poverty reduction, in contrast to those of 'rentier', 'extractive' or 'kleptocratic' states in conserving structures which perpetuate the poverty of the majority. Regional and local politics also determines the extent to which individuals can be trapped in poor social relations. Within these overarching political structures and associated processes, lies the relatively constrained power and agency of

individuals, households, communities and wider social groups. Analysis of the “politically entrenched social relations (household, community, national and international) that work to produce the effects that constitute the experience of chronic poverty provides a potential means for deepening understanding and guiding action” (Hickey and Bracking, 2005:876).

CPRC has partly captured these issues through an analysis of social exclusion from the mainstream, a product of particular histories of interactions between the state, politics and institutional arrangements, and social groups and places. Social exclusion is a powerful concept in developing countries, especially in the many situations where there are strong path-determined exclusionary structures affecting large minorities or even majorities (e.g. indigenous groups, black South Africans). Such groups are structurally excluded, and engage in a longterm struggle for equitable inclusion in political, economic and social life. Other groups may commonly *feel* excluded – where political systems allocate scarce resources on a ‘winner takes all’ approach, groups aligned with opposition parties react against their perception of exclusion. While this latter process underlies the volatility and fragility of many political systems, structural exclusion is politically ‘deeper’, taking much greater levels of political organisation to bring it to the surface of national politics (e.g. in Bolivia; *Box 7*).

Box 7: Bolivia’s politics of inclusion

Lazar and McNeish (2006) draw on their edited special section of *The Bulletin of Latin American Research* to sketch out these processes in Bolivia. They note that there has been “a long history of excluding the majority from real influence in politics, despite formal democratic procedures being in place” (159). They further describe how

“Deficient representation has combined with state traditions of corruption, ineptness and ‘pacting’ between political parties to produce severe distrust of politics among ordinary Bolivians. As a result, the political process has become one of fierce and radicalised discourses and forced negotiations...” (158)

... although there is still “dialogue with the state in a democratic cycle of organised protest – negotiation – agreement – breaking of some promises on the part of the government – protest again” (159).

The breakdown of this cycle eventually led to the early elections that returned Evo Morales and the Movimiento Al Socialismo to power in December 2005. Underlying this recent history are notions of indigeneity which have become increasingly politically powerful and attractive, with growing numbers of people identifying as indigenous. The idea is more or less inclusive depending on the political movement.

Source: Lazar and McNeish (2006).

Beyond the basic framework:

Poverty traps and adverse incorporation – An inter-disciplinary meeting point?

In economics there is a growing literature on the ways in which low level equilibrium poverty traps combine vulnerability, unprotected risks and low levels of assets to generate low returns. Poverty traps are a way of unravelling and understanding what keeps people poor. This literature provides some support for part of the conceptual framework advanced in this paper. In sociology there is smaller literature on adverse incorporation – relationships between poor and non-poor built on a combination of exploitation and protection. It is argued here that these two concepts represent different disciplinary perspectives on the same problem. Both approaches are useful – economics can point to critical asset thresholds necessary in a given situation for progress (though the identification of specific thresholds is fraught with difficulty). Sociology can point to the ways in which people assure a modicum of economic and personal security through social relationships which have a cost in terms of possibilities of agency and accumulation.

Poverty traps keep people in poverty over extended periods of time because they are unable to move their economies from one low level 'stable equilibrium' to a higher one, because they are inhibited by their asset endowments, their perceived level of economic and human security, and the functioning of meso- and macro-level institutions and politics (Barrett and Swallow, 2006). Chronically poor households require a substantial 'positive economic shock', or leg up, to get them to an asset 'threshold' from which they could be substantially upwardly mobile above the poverty line. They would also need an environment where safety nets stopped them from returning to the previous lower stable equilibrium, and where institutions functioned well enough to ensure that the enhanced assets generate sufficient returns.

This has implications for defining and measuring chronic poverty – if we know which the critical assets are and the level of any assets thresholds, we can predict which households (and at higher levels of analysis, communities, regions and countries) will be in persistent poverty until conditions change. Specifying asset thresholds in different contexts thus becomes a key challenge for researchers seeking to identify pathways out of poverty. Understanding the role of assets in poverty dynamics is major research agenda for CPRC during 2005-10. *Box 8* illustrates this type of work.

Are there potentially generalisable thresholds? This is unlikely as critical assets vary contextually. However, in comparable environments, it is possible that asset thresholds may

Box 8: Identifying critical assets and asset thresholds

Work published by BASIS at the University of Wisconsin identified the following critical assets in various contexts. The suggestion is not that without achieving these it is impossible to progress, but that it is significantly less probable.

- In northern Kenya, where farm or herd sizes were shrinking, educational attainment was strongly correlated with the level and stability of household expenditures, through creating access to non-farm employment. Despite this, lending and transfers for education were almost non-existent. (BASIS CRSP, 2003)
- In the South Wollo region of Ethiopia ownership of land is widespread, but it is animal assets that have a particularly strong positive effect on food security and wellbeing. Households with less than two Tropical Livestock Units (TLU) were poor; less than four TLUs vulnerable to becoming poor. Interestingly female headed households recovered more rapidly from the late 1990s drought during 2000-2 despite lower than male-headed household average asset levels, as they were engaged in non-farm occupations like petty trade, brewing, handicrafts, and received remittances. (Little *et al*, 2004)
- In northeast Ghana household size mattered most – large households had plenty of male labour, and could spare labour for migration without becoming impoverished. High return livelihood strategies (e.g. cash crops) were increasingly restricted to the small group of large households with significant livestock resources, or with a formal sector wage earner. (Whitehead, 2004)
- In Kwazulu-Natal, South Africa, Adato, Carter and May (2006) combined analysis of two waves of panel data (1993, 1998) with qualitative evidence to find that households with an asset base expected to yield less than twice the poverty line would sink into a low level poverty trap, while those above this threshold could be predicted to increase their asset holdings and wellbeing. In addition to this poverty trap of poor initial asset endowments, Woolard and Klasen (2005) identified traps due to large initial household size, poor initial education and poor initial employment access. However, recent analysis of the third wave (2004) of KIDS data suggests that only poor initial education is continuing to act to trap households in poverty (May and Woolard, forthcoming). During the 1990s, there were several roles of social capital: it helped the poor avoid destitution; but did not help them escape poverty – because the poor were not connected socially with the non-poor, who might have been in a position to help them. By contrast, for the structurally non-poor, social networks were very helpful in further accumulating assets. A critical contextual factor in South Africa is the weakly developed informal sector, which provides for very few substantial opportunities for material progress.

be generalised beyond the region or nation-state. For example, in the agrarian Sahel, where ecologies are continuous and markets relatively integrated across national borders, it may be possible to generalise about livestock asset thresholds. Other situations where generalisation, to a degree, may be possible include Southern Africa, with an economy centred on South Africa, a common history of labour and land markets structured by the history of settler colonialism, and the common absence of a vibrant informal sector; and South Asia, where a majority of the chronically poor are casual and often migrant labourers with few assets and experiencing discrimination on the basis of caste or tribe.

Adverse incorporation refers to relations of exploitation – where relationships permit one party to profit and accumulate capital while the other party earns a wage which may or may not be improving over time, depending on labour productivity; more widely to sets of social, political or economic relationships which hold people back, including relations of dependence on patrons (sometimes in the form of local authorities) for security (Wood, 2003), including through low quality ghetto social housing. *Box 9* illustrates this combination for migrant workers in northwest India. A significant proportion of migrant workers in India are trapped in poverty, with relations of adverse incorporation underlying their low wages and continued vulnerability. Others, however, may be able to emerge from clientelistic relations and enter accumulative trajectories – one basis for the current optimism around migration contributing to poverty reduction (Deshingkar, 2006; McDowell and de Haan, 1997).

Box 9: Adversely incorporated migrant workers in India

Migrant workers in northwest India face tough labour market conditions in which the basic problem they have to manage is the scarcity of work. ‘...Migrants doggedly pursue security, not in alliance with progressive parts of the state, unions or NGOs, but through their patrons and exploiters’, the contractor-employers. ...‘Among their most intimate exploiters are their mukkadams – gang leaders, foremen or labour brokers’ (3032). Migrants are reluctant to take up any case against them, and to complain or organise.

This is despite the considerable institutional infrastructure devoted to improving conditions for migrant labourers, with legislation, unions and NGO programmes devoted to this. Underlying this is the fact that migrant labourers have not become a political constituency for the

...labour departments, unions, municipal authorities or political parties – they do not have votes, contribute revenue, or pay subscriptions; they are not consumers or customers, and their interests fail to become a weapon in the struggles of the professional political field [Bourdieu 1991:188 cited in Gledhill 1994:139]. Making the conditions of migrant labour a moral and political issue is the basis upon which migrants might gain leverage by enrolling elite interests, through pro-poor coalitions, and from competition between elite groups [Moore and Putzel 2000]. Today this is a remote prospect. (3031)

If high rates of economic growth are sustained in India, and demand for labour becomes more buoyant, it may become progressively easier for migrant labourers to challenge these ‘terms of exploitation’.

Source: Mosse, Gupta and Shah, 2005.

The companion paper on adverse incorporation and social exclusion by Hickey and du Toit (2007) argues that social exclusion and adverse incorporation were originally developed as distinct concepts, the former a residual and distributionist idea, the latter a relational concept. However, during the last decade writers on social exclusion in the south have increasingly looked at the experience of domination of the outsiders – at the relational basis and outcomes of exclusion. While recognising that in practice they often operate simultaneously and seek to highlight many of the same issues of power and “the ways in which particular groups or individuals are linked to larger social totalities”, the present paper, like that of Hickey and du Toit, sees value in maintaining a degree of distinction between the two sets of processes, while investigating their interplay in practice.

While adverse incorporation draws our attention to the previously underemphasised negative aspects of inclusion, it is arguably also critical to examine its potentially positive forms and effects. *Group membership* can often mean getting access to goods, services or opportunities previously denied. Further, what has been bread and butter for sociologists and anthropologists for decades is now gaining acceptance among some economists too – Durlauf’s ‘memberships theory of poverty’ (1999; 2006), for example, argues that socio-economic groups have measurable effects on individual outcomes,¹⁹ through such mechanisms as role models and peer groups. Without role models earning high wages, aspirations among younger people may be limited, for example. Peer expectations may reinforce language or behaviour that may be perceived as deviant, dysfunctional or unproductive by actors with power (e.g. employers). And conversely, positive role models and peer group pressures can help explain upward mobility. What remains missing from an economic analysis such as Durlauf’s is a notion of a dynamic social structure, though it can be seen as implied within the notion that the perceptions of powerful actors in the economic mainstream have a role to play in determining individual outcomes.

Group membership is also the basis for collective action, which may be a necessary part of shifting the institutional context in favour of the disadvantaged (see below). At the same time, there is a recognition that group-based exit routes from chronic poverty may be constrained as groups increasingly face a range of challenges in rapidly globalising and market-dominated communities (see for example Heyer, Stewart and Thorp, 2002).

An absence of transformational political representation (political ‘space’), which might provide basic security for all, means that chronically poor people often have little option but to fall back on more immediate relationships to provide them with security. Paradoxically, transformational politics, as in the South African case, can also contribute to adverse economic incorporation – as paternalistic labour relations are converted into insecure casual wage labour arrangements in response to changing global economic conditions and apparently progressive labour legislation (du Toit, 2004).

An underlying idea here is that chronic poverty can be institutionalised within norms, social relations and processes, and that representational politics are unlikely to challenge this for a variety of reasons: first, among civil society organisations, only claims-based or advocacy organisations are potentially effective representatives; second, few political parties are able to focus on the interests of the poorest over time – distracted by a ‘politics of middleness’; and third, both local and national elites may be antithetical to the aspects of change required to interrupt chronic poverty (Hickey and Bracking, 2005:857-9). Representational politics may be better able to focus on crosscutting aspects of chronic (particularly intergenerational) poverty, centred on education, poor women’s rights, or youth employment, for example.

The combination of analysis in terms of poverty traps and social, economic and political relations, it is suggested, will enhance explanations of observed persistent poverty and poverty dynamics. Acknowledging the importance of changing social relations and social structure necessarily underpins a full understanding of socio-economic mobility.

5. Context matters and is changing

Three aspects of the broader, changing context are vital ingredients of our conceptual framework:

- changing institutions of state, market and civil society;
- demographic change; and

¹⁹ Even if measuring these influences is difficult, and has not always generated expected statistical results. See Durlauf, 2006; and Sobel, 2006.

- the evolution of inequality.

The norms, values and learned behaviour (at both individual and social level) around each of these changing contexts is crucial for the ways in which they translate into greater or lesser poverty reduction trends. A diagrammatic representation of the framework is presented as *Figures 5a* (explaining chronic poverty) and *5b* (explaining exits from chronic poverty). Much of the contextual material is obvious – clearly institutions and values, and change in these are of importance in explaining virtually any significant social change. This now has broad acceptance across disciplines, even if institutions are conceived in different ways (Scott, 1995).

The processes leading to significant institutional change with the potential to alter the terms of exclusion, the nature of group memberships, and the terms of incorporation, are still poorly understood. On the one hand there is the broad sweep of history (for example, comparisons between different colonial economies and their very different longterm consequences (Acemoglu, Johnson and Robinson, 2002)), and the narrower sweep of local area histories (for example, comparisons between those districts in colonial India where *zamindari* (landowners) were given taxation powers to non-*zamindari* districts, which have typically done better in independent India (Banerjee and Iyer, 2002)). On the other hand, there are processes of social and political change leading to reforms and even revolution, both of which generate ‘new rules of the game’.

Critical to social change is the role of social movements and collective action. Movements rarely address chronic poverty or its immediate causes (e.g. assetlessness, insecurity) directly, though they challenge the political systems and institutions on which asset distributions are based.²⁰ Civil Society Organisations or NGOs may have more traction in dealing with the immediate issues (Bebbington, 2006). However, while institutional change is often key to dismantling poverty traps or changing modes socio-economic relationships, accounting for institutional change is not a simple matter. Movements certainly play a role, but collective action can be sporadic. A theory developed by Bowles (2006) building on evolutionary game theory and a theory of collective action proposed that “moderate levels of inequality may be insufficient to motivate collective action by *any of the poor*, while conventions characterised by extreme levels of inequality can only be displaced through collective actions endorsed by very large fractions of the poor”. This suggests that adverse incorporation of itself will not necessarily generate progressive social movements. Histories of institutional change, however, record a wide range of factors which may influence the occurrence of a ‘tipping point’ into new institutional arrangements, and a number of different theoretical positions on how and why institutional change happens. Some of these are captured in *Figures 5a* and *5b*.

A further critical contextual factor is the distribution of demographic change – the extent to which vulnerable non-poor, poor and chronically poor households are changing in size and particularly structure, with increased dependency ratios being found time and again to correlate with chronic poverty. Yet the role of changing household and population demographics is not always obvious. However, the classic demographic transition from viewing children principally as a critical means to one’s own prosperity and social security, especially in old age, to considering that there is an obligation to invest in their human capital in order that *they* survive and prosper into the future, is one with tremendous implications for accumulation, inheritance, use of household assets, managing risk and ensuring security, and is generally positive for the reduction of poverty. The changing values underpinning demographic transition may thus (indirectly) influence processes of economic and social incorporation (*Box 10*).

²⁰ In the case of movements around land, there is often a combination between challenge on the basis of ideas, and direct action, which may be rare in other movements.

Figure 5a: The conceptual framework in context

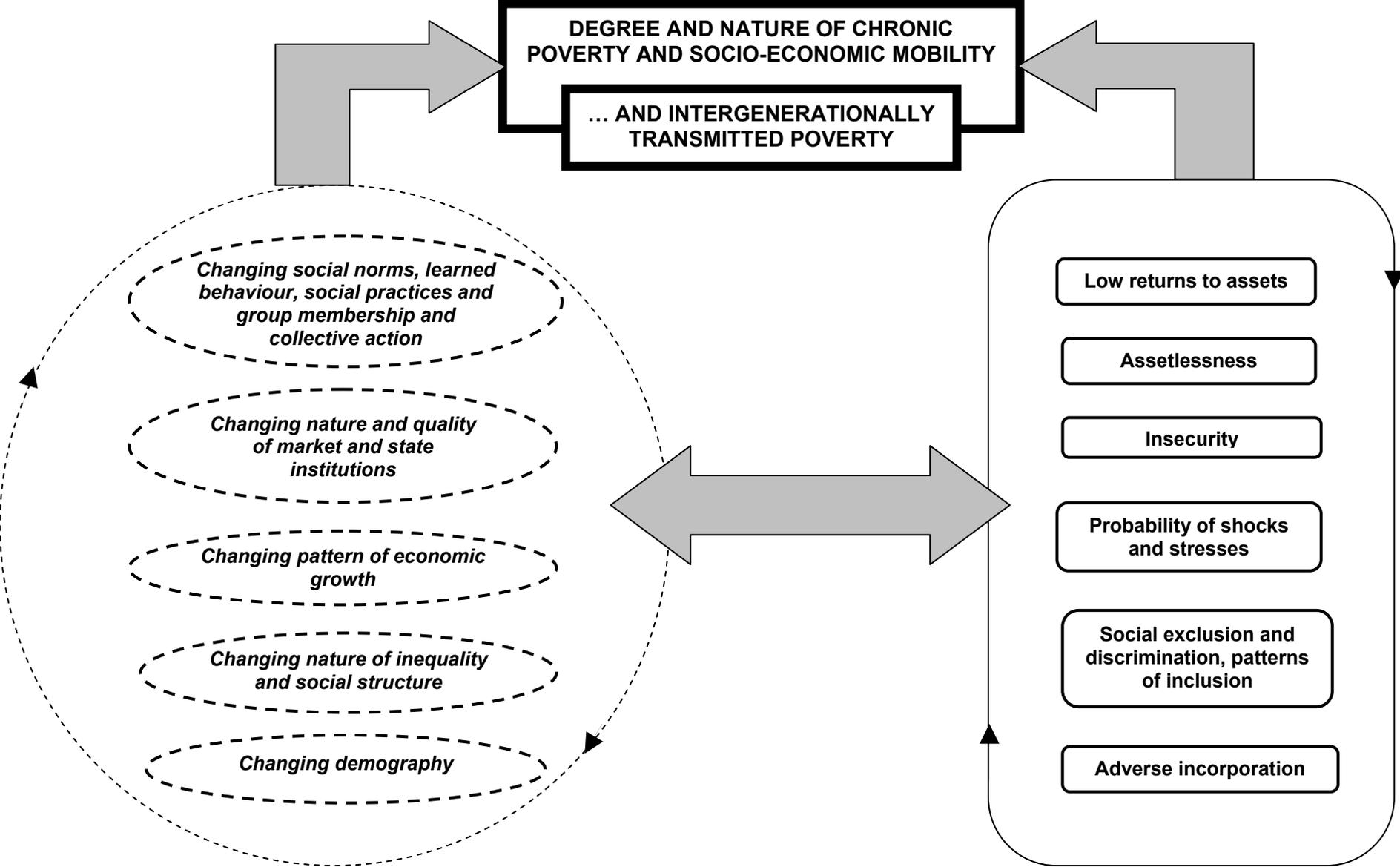
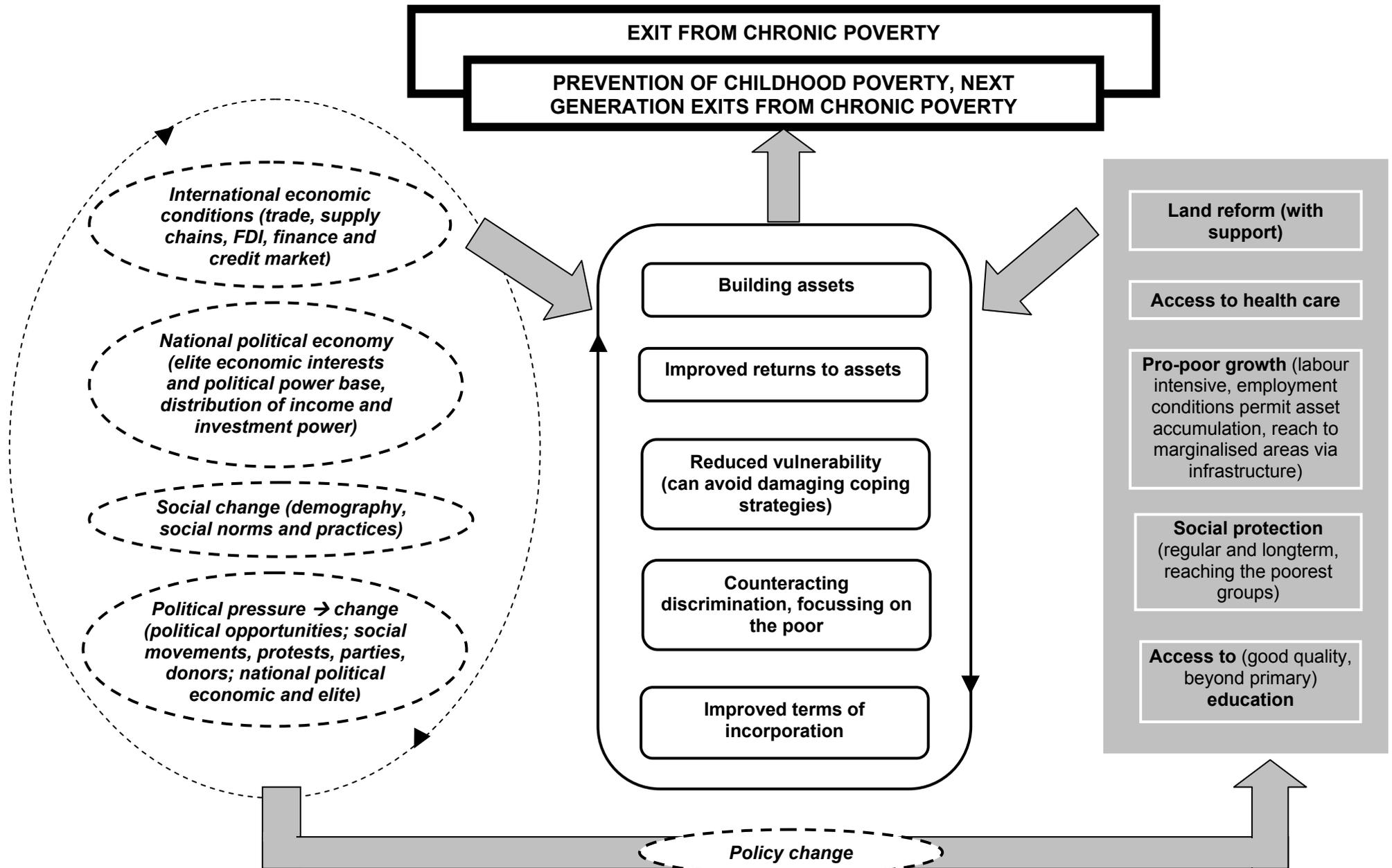


Figure 5b: The other side of the coin



Box 10: Fertility decline in Bangladesh

Analysing a panel study of two communities in Bangladesh over the period 1994-2001, Kabeer notes that:

There was evidence of a decline in fertility even in the relatively short period of time covered by the study. The desire for fewer children which led to this decline reflects a variety of factors, including the perceived cost of raising and educating them (Kabeer, 2001a), while the capacity to act on this desire was expedited by a highly effective family planning program which used female family planning workers to offer door-step delivery of contraceptives to women who were restricted by purdah norms to the home (Simmons et al., 1988). At the same time it is evident from our study that fertility decline has not occurred evenly across the different social groups and that high dependency ratios continue to play a role in curtailing the capacity of poorer households to escape from poverty.

Source: Kabeer, 2004:42.

The level and direction of change in inequality is critical to understanding not only patterns of economic growth, but also the character of economic mobility – it is a plausible idea that the higher the level of inequality the more difficult it will be for poor people to emerge *sustainably* from poverty, since the access to the markets needed to underpin that emergence is constrained. In a highly unequal developing society, labour markets will be casualised and offer little protection to large numbers of workers. Poor households will be excluded from financial markets, and will experience adverse terms for accessing consumption credit. Highly unequal societies not only create housing ghettos for both rich and poor, but they may also locate poor ghettos far from sources of employment, or critical services like drinking water. Inclusion of poor producers into lucrative value chains is difficult in circumstances where commodity markets become concentrated in order to serve the growing upper and middle classes – often the structural reason for increased inequality – through supermarkets. In all cases it is theoretically possible through institutional creativity to include poor people in the operations of these markets, but in practice the context may not be favourable or may require considerable motivation or ‘structuring’.

Socio-economic inequality potentially links strongly to the idea of social structure, constructed around the relationships between groups (countries, classes, generations, genders, ethnicities). It may be analysed mathematically, at the level of atomised households (the *Gini* coefficient). But, more interestingly, it may reveal changing relations between groups or regions within a country (or between countries). This is important context for the analysis of socio-economic mobility, since mobility occurs within a structure which is changing. Mapping that change is an important aspect of understanding sustained upward and downward mobility, or their lack.

Bevan (2004:28-29) rightly pointed out that there is

‘little serious development-related poverty-focused research at meso, macro and global levels where the talk is all of ‘absences’: market failures, governance failures, public service failures, the need to build ‘social capital’, and encourage ‘civil society’...usually with the unstated assumption that these ‘absences’ denote empty spaces to be filled rather than ongoing economic, social, political and cultural activities, relations, structures and processes of a different nature than those assumed to be desirable.’

She generates a language for talking about the context – the ‘lifeworld’ (the immediate environs of poor people’s livelihoods), the ‘big structure’ (national political economies) and the global political economy and cultural structure. These ideas describe levels of action and relationship which are vital to our project. A challenge for CPRC is to link the micro, individual and household level of research to these bigger processes and structures. In disciplinary terms this will be done using both the tools of economics, sociology and political science, and

will involve searching for meeting points and the advantages of bringing multiple analytical perspectives on the same phenomenon, or on different perceptions of a reality.

6. Economic stagnation, chronically deprived countries and 'fragile states'

All the major CPRC partner countries during its first two phases (2000-5) were experiencing economic growth and were reasonably stable democracies, or making progress towards multi-party democracy.²¹ By contrast, a significant proportion of the world's chronically poor live in countries with stagnant or low growth economies, whose polities tend to crisis – 'fragile states' in the current jargon;²² countries which overlap substantially (though not completely) with the 'chronically deprived countries' in the analysis of the first *Chronic Poverty Report* (CPRC, 2004). During Phase III (2005-10) there will be significant focus on such countries, in particular, Kenya, Niger, Zambia, Madagascar and Papua New Guinea. In India there will be a strong focus on the 'weaker' states of Bihar and Orissa. In southern Africa there has been discussion about extending CPRC's coverage to include southern African states that are chronically deprived and experiencing crisis. Recently there has been an attempt to identify the development trajectories of countries over a forty year period (Anderson 2007), with a view to exploring the consequences of economic and human developmental trajectories for state fragility.

In Phase III, some work will be done to explore the extent to which the above analytical framework can be applied to countries, sub-regions or even continents, starting with preparatory work for the second *Chronic Poverty Report*. To what extent are factors that explain chronic poverty at the individual, household and community level also capable of accounting for the chronic deprivation of countries? In principle it would be expected that the answer to this would be 'only to some extent', as the framework has not been designed for this purpose. However, it is thought that widening the debate about policy responses in fragile states to include such factors at both the household, regional and national level, and thereby broaden the range of possible policy responses at all of these as well as the international level, is a useful exercise. *Box 11* illustrates, suggesting that economic and financial insecurity and widespread economic adverse incorporation in particular are likely to account for a substantial proportion of the chronic deprivation in low-value commodity dependent countries. In high-value commodity (e.g. oil, diamonds, copper etc.) dependent regions, the issues are the relationships between politics, the social contract and public expenditure. In both cases, asset insecurity may also be critical.

These features of international and national economies condition the functioning of the key national and local markets (labour, commodity, finance and housing) which determine the extent to which poor people have opportunities to exit poverty. The quality of state and other institutions, and of the relevant international organisations engaged with those institutions, also influences the operation of these markets, as well as the achievement of critical improvements in human development and welfare. These are important aspects of the context for work on poverty dynamics.

On the other hand, widespread chronic deprivation and the absence of adequate structures of upward socio-economic mobility (despite economic growth, or because of the low levels or restricted patterns of economic growth, or high inequality) may also account for part of the failure of the requisite quality of institutions to develop – failures to develop civil society,

²¹ At the time of writing, however, Bangladesh continues to face internal challenges to its multi-party democratic system.

²² This is a fast moving jargon, with any categorical term generally found to be unsatisfactory before long.

Box 11: Adverse incorporation of national economies, risk and vulnerability

The idea of adverse incorporation at national and international levels relates to the debate on whether or not globalisation is poverty reducing. Many of the studies by the World Bank (including the WDRs of the late 1990s) and other institutions draw a positive connection between 'globalisation' and poverty reduction by measuring globalisation as the increase in a country's trade. While trade is one (important) element of globalisation, the two countries that strongly affect the correlation between increases in trade and reductions of poverty are China and India (as well as other parts of Asia). Their 'globalisation' model has been quite different from the one that the IFI's recommended in the past – most notably maintaining relatively closed (or controlled) capital accounts and sequencing liberalisation of exchange rates and the financial sector more slowly than that practiced in other regions (e.g. Latin America and parts of Africa). (The IFIs have now moved on from this model, especially with respect to capital account liberalisation.)

While there is an array of country-level policies that have an impact on a country's ability to benefit from globalisation, some economic processes also effect these results. A recent book by Kaplinsky (2005), for example, argues that the 'diversify and industrialise to develop' model is being challenged by the enormous comparative advantage China (and to a lesser extent India and other parts of Asia such as Vietnam) have in producing manufactured goods. This is the flip side of 'adverse incorporation': it is hard for poor, non-industrialised countries to compete in global markets when their goods fall into one of several categories:

- (i) Basic manufactured goods which are uncompetitive by price (and perhaps quality) vis-à-vis China and other middle income countries
- (ii) Primary agricultural products which have suffered historically from declining terms of trade, price volatility, competition from highly efficient agricultural producers (Brazil, Thailand, US, Canada, Australia, etc.) and increasingly difficult sanitary and phyto-sanitary regulations that have made export more difficult. However, recently some primary agricultural commodities have begun to follow the trend of mineral commodities, and there is a need to re-evaluate outcomes.
- (iii) Services which face barriers because of limits on migration or, in WTO speak, 'Mode 4:' the natural movement of persons.

Chronically deprived countries, indeed all countries, can respond in different ways to these challenges, through investment in infrastructure and skills, trade policy changes, emphasizing particular economic sectors, improving economic governance and so on. While these dynamics are happening, some poor countries are particularly exposed to financial as well as other vulnerabilities – e.g. their debt (denominated in US\$) becomes more expensive as their exports earn less foreign exchange. The problem of debt overhang is certainly related to why some countries remain poor.

Source: Addison and Shepherd, forthcoming; Lauren Phillips (ODI Research Fellow), pers. comm.

educated urban middle classes, mechanisms for accountability, and opportunities to diversify tax bases.

State fragility is normally accounted for by rather a different set of explanatory factors, to do with governance, politics, and the history of state formation. *Box 12* illustrates.

A modified research question is therefore whether the above explanatory frameworks combined (i.e. CPRC's and CSRC's) are capable of generating enhanced understanding and useful policy implications for domestic actors or the international community. If it is the case that widespread chronic deprivation lies at the heart of the fragile states 'problematik', this could have significant consequences for approaches to the problem. Current approaches emphasise building the capacity of the state – to become more 'sovereign', more effective, authoritative and even legitimate, through political system development. However, these approaches may have little direct or immediate purchase on the chronic deprivation of large numbers of people, which sustains the social and political relationships and structures underlying state fragility. Exclusion of such populations from participation in mainstream economic and political institutions rarely figures in the analysis; adverse incorporation, on the other hand, may be the flipside of the clientelism which structures politics in neo-patrimonial

Box 12: Framework for analysing 'crisis states'

The LSE Crisis States Research Centre (CSRC) has recently produced an analytical framework for understanding state collapse and fragility, with the following key dimensions:

- The economic foundations of states, in particular the critical distinction between informal and formal economies, links to domestic and international markets, and legal/illegal activities; and the historical evolution of these economic foundations.
- The quality and nature of state organisations and institutions, focused on security, administrative, legal and political systems; and their relation to alternative sources of power in society.
- The political economy of state collapse and crisis, focused on institutional multiplicity (coexistence of different rules of the game); state capacity and capability; legal and illegal influencing or rent seeking processes, including patron-client networks and political violence; coalitional analysis, investigating the agency of groups actors; the divisibility/indivisibility ('all or nothing' versus 'more or less') of conflicts over rights; and the boundaries which are drawn around identities (narrow/broad).
- The performance of the state in terms of outcomes in ensuring security, growth and welfare, together with the impact of international organisations on securing these outcomes.

Source: Putzel, 2006.

states). These issues may be addressed through combinations of sustained supranational, sectoral, sub-national and civil society *developmental* and *humanitarian* actions, as well as through the national- and international-level political actions and longer term state-building that are more often the focus of 'fragile states' programmes.

For instance, combined spatial and socio-economic inequality lead to persistent poverty in particular regions, which, in a situation where a national government or elite has proved unable or unwilling to address the issue, possibly could be addressed through a sustained and coherent combination of such actions.²³ This is an example of the narrowly defined identity boundaries and potentially indivisible conflicts mentioned in the CSRC framework. There are also 'lagging regions' with excluded or adversely incorporated populations in states which are not considered 'fragile' which, without countervailing policy measures, have the potential to constrain progress in the country as a whole.

While fragile states and economic stagnation as such will not be central research foci for CPRC, the problem of chronic poverty in those states, and its potential centrality to state fragility provides part of the justification for continuing to examine the nature and reasons for chronic poverty. And chronic poverty may contribute part of the explanation of state fragility. States which are currently not fragile could find their relative stability, and even their potential positive economic growth trajectories, undermined if they cannot address chronic poverty.

7. Conclusion: moving towards policy narratives

How will the conceptual framework advanced here change the way we think about chronic poverty? First, it focuses on the longterm and intergenerational nature of *some* poverty, and argues that in most situations much absolute poverty is persistent in the longterm, and that this is worthy of attention within any overall analysis of absolute poverty. It then identifies a number of explanatory factors and processes which can account for both chronic poverty, and movements into and out of (longterm) poverty. While income poverty is central, the framework can be applied to the study of other forms and measures of deprivation.

²³ This work could draw on the deep literature on policy responses in underdeveloped or lagging regions, to which CPRC has already contributed (e.g. CPRC, 2004:Ch 3; Mehta and Shah, 2001; Bird *et al*, 2002; Bird and Shepherd, 2003).

The framework asks researchers to pay attention to several possible factors and processes in explaining what they observe, or what their respondents report. These include elements of what is here called the wider context – demographic change; economic growth and inequality; the changing nature of markets and other key institutions; values, attitudes and social practices. But the research also focuses on dynamic processes underlying vulnerability and livelihood resilience, asset loss and accumulation, and the socio-economic and political relationships which determine how people are economically incorporated and/or socially excluded. Poverty traps – and how to differentiate structural traps from stochastic shifts in position – are central to this approach, as are social relations, including those of social exclusion, discrimination and adverse incorporation – the combination of exploitative and protective relationships in which the poor often find themselves. The research aims to validate, modify or abandon these concepts. The menu of inter-related concepts gives an opportunity to construct valid explanations in context.

But this picture can also be turned on its head. The biggest challenge for researchers is to facilitate an understanding of how sustained escapes from poverty can be promoted or supported; how entries can be minimised; and how the factors maintaining people in poverty over the longterm, and leading in some cases to intergenerational reproduction of poverty, can be addressed by international and national policymakers and civil society leaders. Key positive processes include enhanced individual and livelihood resilience, which may be achieved through:

- redistribution, social protection, and breaking the link between exploitation and protection in a sustainable fashion (no mean task!);
- reformed institutions and broader social change, which will enable participation in economic growth; and
- access to the required quality public services.

These may be prompted by social movements.

At the international level, addressing the issue of ‘chronically deprived countries’ in a broader way than the current ‘fragile states’ discourse allows, may contribute to internal positive processes of social, political and economic change, currently highly constrained or only happening on a stop-go basis.

Once these levers for progressive change are identified, CPRC is committed to detailed policy analysis to work out the best policy options in different contexts, and to engagement with policy processes to further advance knowledge and practice. National contexts are clearly highly varied, and the Centre is wary of universal solutions. However, in order to enhance its relevance at international level, it will attempt to categorise contexts into a manageable number of ideal types. While most policy analysis and engagement should be at national level, these ideal types will enable a greater degree of appropriateness of policy analysis to be achieved at international level. This is a particular challenge for the second *Chronic Poverty Report*, due in 2008.

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