

CHRONIC POVERTY AND SOCIAL PROTECTION

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Abstract

Recent perspectives on social protection focus on risk and vulnerability to poverty and attempt to integrate a wide range of interventions to prevent risk, reduce vulnerability, and ameliorate the impact of risk realisations. Risk and vulnerability contribute to poverty directly, e.g. through the depletion of productive assets from bad weather, but also through the response of poor households to risk: withdrawal of children from school, increased fertility, low productivity specialisation (crops, technology, informality). In addressing risk and vulnerability, social protection interventions have an impact upon poverty reduction. This perspective on social protection and poverty reduction is fast unifying policy among multilateral lending institutions. The extent to which social protection, thus defined, can help reduce chronic poverty has not been adequately investigated. The paper focuses on this issue. To the extent that the factors behind chronic poverty extend beyond the direct and indirect impact of risk on households, social protection can only constitute a partial response, unless it deals with non-risk factors. A hard and fast distinction between transient and chronic poverty, and between the transient and chronic poor, may suggest a bifurcation in antipoverty policy prioritising transient poverty. The paper concludes that new perspectives on social protection can have a role in interrupting risk and vulnerability among the chronic poor.

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Intuitively, social protection policies, broadly defined to include safety nets, social security, social insurance, even social policy should have a lot to offer people who are persistently poor. A range of studies has identified risk and vulnerability as a determining factor in poverty, and chronic poverty. The chronic poor face higher idiosyncratic risk, are more strongly affected by the realisation of idiosyncratic and covariate risk (because they have fewer buffers to reduce the impact of risk), and are forced to adopt strategies to cope with risk which are more likely to make poverty an absorbing state. Social protection interventions that reduce risk, reduce the impact of the realisation of risk, and facilitate long term investment in human and physical capital, could be effective in reducing chronic poverty.

On the other hand, there is a perception among analysts and public policy makers that social protection is more likely to draw the focus of antipoverty policy away from the chronic poor. To the extent that the factors behind chronic poverty extend beyond risk and include structural and agency factors, social protection that focuses solely on risk will constitute a partial response to chronic poverty. In addition, a hard and fast distinction between the determinants of chronic and transient poverty, and between the chronic poor and the transient poor, may help focus the attention of policy makers embracing social protection on transient poverty and the transient poor. To the extent that social protection focuses on interventions designed to prevent the erosion of income or loss of assets which might herald descent into chronic poverty, it may help limit the growth of chronic poverty, but will do little to help those currently in chronic poor.

The key questions for this paper and the CPRC international conference sessions on social protection are:

- ~~///~~ What are the challenges of chronic poverty?
- ~~///~~ What is social protection and to what extent does it address chronic poverty?
- ~~///~~ What role might social protection measures play in preventing the decent into chronic poverty, in combating factors which maintain people in this condition, and in assisting to interrupt it?
- ~~///~~ Are there situations where an emphasis on social protection for the chronically poor makes sense and others where it makes less sense?

These are the issues addressed in this paper. Section One discusses the challenges of chronic poverty. Section Two discusses new perspectives on social protection. Section Three examines the implications of social protection for our understanding of chronic poverty. Section Four considers the policy implications for chronic poverty of the adoption of social protection as an organising framework for antipoverty policy. A final section summarises the main conclusions.

SECTION ONE. THE CHALLENGE OF CHRONIC POVERTY

Chronic poverty characterises and affects individuals and households over time, sometimes almost whole social groups or categories, and significant proportions of the

inhabitants of particular areas. It may even characterise a large proportion of the population of whole countries, in particular the Least Developed (UNCTAD, 2002), very few of which have emerged from poverty in the last two decades. It affects people over a significant period of time, commonly though of in terms of a life, or across the generations. Repeated seasonal episodes of poverty may also be chronic (persist over years, even a lifetime) and be difficult to escape. For the purposes of research the chronically poor are generally seen as people who are persistently poor over a few years. Hopefully, this technical definition helps rather than hinders the development of an understanding about life course and inter-generational chronic poverty, but to date in poor countries there is no knowledge about thresholds of persistent poverty which are correlated with lifelong and inter-generational poverty.¹

It may be that policies which reduce poverty as a whole also benefit the chronically poor. It is widely believed that most poor people are transiently poor – either poor only for a time, or ‘churning’ – sometimes poor, sometimes not poor; that those who are always poor are not in the majority. However, research is indicating that the picture is actually very varied from one setting to another. National pictures may not represent the situation in all regions of a country, and national incidences of chronic poverty are varied too, though in most poor countries where data exists the proportions are significant. This suggests that the current policy set in many countries is not working for the chronically poor.

There are strong arguments and growing evidence to suggest that there are structural reasons to do with social, political and economic structures and relationships, and processes of exclusion and adverse incorporation, which explain why at least some of the chronically poor will not benefit from mainstream development policies and market frameworks and the existing policy set. They may not have the assets, capabilities or the freedom with which to take advantage of opportunities which mainstream policies may offer if successful (Hulme, Moore and Shepherd, 2001; Hulme and Shepherd, 2003).

For policy makers, a critical issue concerns the numbers of people who are in this situation: if these are small, or can be seen to be reducing to the point where they will be residual, the challenge is one of adjusting policies which are otherwise hitting the mark. If they are large, and are possibly even increasing, the policy set and market framework which is expected to reduce poverty will need to be questioned.

For social protection policies in particular, the challenge is whether and to what extent or in what way a narrow approach to social protection developed in the 1990s and designed predominantly to prevent vulnerability from rendering people in general poor, or to prevent the poor from becoming destitute can also play a role in creating conditions for persistently poor people to emerge from poverty, and can even interrupt some of the structural patterns which maintain people in poverty.

¹ Unlike the situation in the US where it is known that a period in poverty of 5 years is likely to extend to a life time in poverty (Corcoran, 1995).

A further challenge is that countries which are lucky enough that chronic poverty is more of a residual phenomenon are probably in the best position to address the issue through policies because they are likely to be the least poor, have better governance systems, and quite possibly higher levels of social solidarity. The latter is the basis for the redistributive policies which may be required. On the other hand, countries where there are large numbers of chronically poor may have least resources and capacities to develop and implement relevant policy frameworks.²

SECTION 2. NEW PERSPECTIVES ON SOCIAL PROTECTION

There is an emerging consensus among multilateral institutions around the need for developing countries to strengthen and develop social protection policies and programmes as an urgent response to economic crisis and rising vulnerability (IADB 2000; Asian Development Bank 2001; ILO 2001; World Bank 2001).³ The consensus has centred on ‘social protection’ as the organising concept, covering a wider range of programmes, stakeholders, and instruments than alternatives such as ‘social policy’, ‘social security’, ‘social insurance’, or ‘safety nets’. This consensus is emerging, but it is not yet complete, and there are important differences across institutions in their interpretation of social protection. These reflect, in large measure, their specific priorities and approach. More importantly, the differences reflect the absence of an explicit grounding of social protection within a normative framework, or perhaps the uneasy presence of several implicit normative frameworks. This section aims to map out the key features of new perspectives on social protection.

What is social protection?

Social protection has traditionally been defined in terms of a range of public institutions, norms and programmes aimed at protecting individuals and their households from poverty and deprivation. These broadly include labour and employment standards, programmes aimed at covering contingencies arising from life-cycle contingencies such as maternity and old age, norms and programmes directed at work related contingencies such as unemployment or work related injuries, and basic safety nets. Social protection is generally taken to be broader than social security. Social security is normally associated with compensatory, comprehensive, welfare state programmes such as those existing in advanced economies.⁴ Social protection is also broader than social insurance, normally restricted to contributory programmes covering a specific range of contingencies. It is broader than social safety nets, which are mainly temporary interventions in response to

² This provides an interesting link to a burgeoning area of interest in development performance and governance, crystallising the problem in terms such as low income poorly performing states, weak/dysfunctional states, low income countries under stress, and so on.

³ The World Bank’s Social Protection Sector Strategy paper argues there are important similarities between social protection and the sustainable livelihoods approach of the UNDP and DFID (World Bank 2001).

⁴ In the ILO’s perspective, for example, social security is restricted to ‘statutory schemes’.

food or income crises. In its traditional meaning, therefore, social protection is a broader concept.

In the 1990s, the concept of social protection underwent a significant transformation. Within the context of economic crises, structural adjustment, and globalisation, social protection has been increasingly adopted as the organising concept and framework, defining an agenda for social policy in developing countries.⁵ Social protection is now defined as consisting of “public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society” (Conway, de Haan et al. 2000). There is an emerging consensus around the view that social protection can provide a more appropriate framework for addressing rising poverty, vulnerability, and inequality in the context of current conditions in developing countries.

It is important to underline a number of strands making this new social protection focus distinctive:

1. Social protection focuses on poverty reduction and on providing support to the poorest (de Haan 2000). This is different to the focus of social security, which includes redistribution, and to that of social insurance which targets contingencies.
2. Social protection seeks to address the causes of poverty, and not simply its symptoms (World Bank 2001). It is postulated that the causes of poverty are to be found in the multiple social risks faced by the poor, and in their vulnerability to the impact of these risks. The realisation of social risks affects the welfare of the poor directly, but also indirectly as risk averse behavioural responses by the poor may themselves have long term detrimental effects on their welfare. It can be argued that by focusing on social risks, social protection addresses the dynamic nature of poverty (de Haan 2000).
3. The focus on risk and vulnerability as the main cause of poverty also implies that social protection is ‘forward looking’ in underlining the need to develop interventions to reduce risk and vulnerability. Public interventions are evaluated as investments rather than costs (World Bank 2001), and seek to develop the capacity of the poor to reduce, ameliorate, or cope with social risk. Social protection draws particular attention to human capital investment, and more generally to productive investment as key to poverty reduction.
4. Social protection acknowledges the variety and heterogeneity of risks affecting individuals, households and communities, and therefore acknowledges the multidimensional nature of poverty (Lund and Srinivas 2000). Employment and labour market risks are very significant, and interrelated with other sources of risk and vulnerability.

⁵ For a discussion of the transformation of social protection within the World Bank, see World Bank (2001), and for a restatement of social protection within the ILO see ILO (2001).

5. Social protection draws attention to a wide range of stakeholders, programmes and institutions, and instruments, involved in the provision of social protection in developing countries, from formal social insurance programmes, to the universal provision of health and education, to informal social networks, micro-insurance, and intra-household support (Esping-Andersen 1999; Esping-Andersen 2002). It draws attention to the need to ‘crowd in’ and articulate existing forms of social protection (Murdoch 1998).

6. Social protection acknowledges the importance of a gender dimension to the distribution of risk and vulnerability, and therefore to poverty reduction strategies (ILO 2001, p.39; World Bank 2001, pp.27ff).

7. Social protection addresses the impact of globalisation on the demand and supply of social protection. Globalisation raises the need for social protection because it generates greater risk and uncertainty particularly among the poor (Rodrick 1997). At the same time, globalisation can lead to a reduction in the tax base of developing countries, further diminishing the already limited provision of public social protection (Tanzi 2000). While acknowledging the important role of public provision of social protection, and the important role of governments in supporting and strengthening other forms of provision, the articulation of a broader set of providers and instruments, including private, not-for-profits, and household provision, is taken to constitute a necessary response to globalisation.

8. Social protection highlights issues of governance and participation in the design, financing, and provision of social protection (World Bank 2001).

These strands of social protection amount to a very comprehensive, as well as effective and timely, statement regarding a social policy agenda in developing countries. They reflect a significant shift in perspective reflecting the experience of multilateral agencies in the field.

There are important nuances in the definition of social protection used by different donor agencies reflecting their specific outlook. The Social Protection Strategy Paper from the World Bank, for example, moves beyond ‘traditional’ social protection in defining a ‘social risk management’ framework adding macroeconomic stability and financial market development to typical social protection programmes. Social risk management (SRM) consists of public interventions “to assist individuals, households and communities in better managing income risks” (Holzmann and Jorgensen 1999, p.4). The emphasis on agency and income protection is in line with the Bank’s broader approach to development. The ILO, on the other hand, sees social protection as arising from basic rights.⁶ It is defined by “entitlement to benefits that society provides to individuals and

⁶ In the more recent *Social Security. A new consensus*, a painstaking effort is made to broaden the organisation’s emphasis on social security in the direction of social protection by drawing a parallel existing between the latter and the ‘decent work for all strategy’. As noted in this document, one “of the essential features of the decent work approach is that everybody is entitled to basic social protection” (ILO 2001, p.39). This is taken to be an extension of the 1948 Universal Declaration of Human Rights’s article 22 stating that “everyone, as a member of society, has the right to social security...”, via the 1966

households – through public and collective measures – to protect against low or declining living standards arising out of a number of basic risks and needs” (van Ginneken 2000). The emphasis on rights is also in line with the ILO’s basic approach

SECTION THREE. THE IMPLICATIONS OF SOCIAL PROTECTION FOR OUR UNDERSTANDING OF CHRONIC POVERTY

The spread of social protection has important implications for chronic poverty, at different levels. In terms of our understanding of chronic poverty, social protection raises the important issue of what is the relationship between risk and vulnerability and chronic poverty. To the extent that the factors behind chronic poverty extend beyond risk, social protection may offer only a partial understanding of chronic poverty. This also raises the issue of whether risk and vulnerability are important in identifying chronic poverty. These are the main issues covered in this section, while the policy implications are examined in the next section.

To what extent is chronic poverty explained by risk and vulnerability?

Although risk and vulnerability are key factors⁷ in explaining the descent into poverty, it is not clear from the literature how important they are in maintaining people in poverty, transmitting poverty from one generation to the next, and in preventing the interruption of chronic poverty.

Much of the strength of the case for risk and vulnerability playing a role in maintaining people in poverty rests on the behavioural responses adopted by the poor to their risk and vulnerability situations. This includes trading off lower risk for adverse incorporation for example under the wings of a patron (Wood, forthcoming), adopting safer but low return production techniques, reducing investment in physical and human capital, as well as a variety of strategies to avoid or reduce risk and bolster resilience. However, it is likely that these behavioural responses are responses to continued deprivation and poverty as much as they are responses to risk or vulnerability. Persistent poverty and deprivation generate their own behavioural patterns reinforcing poverty.⁸ In many cases, it is hard to distinguish behavioural responses to risk and vulnerability from behavioural responses to deprivation.

People spending their lives in poverty (or at least long periods) are of course probably subject to more risks and are more vulnerable to the consequences of those risks than others. They are likely to have less to fall back on in the way of material and social assets, although there are significant exceptions to this – for example, the poor in remote areas whose extended family structures are relatively intact partly because of isolation and provide a safety net over a range of risks. But it is likely to be grinding, relentless

International Covenant on Economic, Social and Cultural Rights’s article 9 stating “the right of everyone to social security, including social insurance” (ILO 2001).

⁷ ‘drivers’ in the language of Hulme and Shepherd (2003) and Hulme, Moore and Shepherd (2001).

⁸ This was the argument of the Culture of Poverty school of thought in the 1950s and 1960s.

poverty and deprivation and the day to day relationships and experiences which structure their lives which shapes their behaviour just as much as, if not more than calculations of risk. They have fewer options, less freedom to take up available options, and so remain stuck in patterns of life which give them low returns to whatever few assets they have maintained. External or structural factors (low growth, little available employment, isolation/remoteness, social position) are important. Agency factors play a part as well, through decisions and actions taken in the face of whatever the prevailing situation of a day to day (to discriminate in certain ways within the household) and those of more momentous nature (eg to remove a child from school). Although such agency as there is, is limited and conditioned by social norms however these reach the poor. Idiosyncratic factors also contribute to chronic poverty (structure of household, capabilities accumulated resulting from past decisions and opportunities available).

While much poverty *can* be analysed in terms of risk and response, the understanding which emerges will at best be partial. It will not take account of the structural factors and processes which underlie chronic poverty: the discrimination and stigma affecting particular social or linguistic groups, categories of people (disabled, older, widows, second wives in polygamous households etc), the exclusion of remote areas with 'residual populations' from economic and political participation through isolation and voicelessness. A comprehensive understanding of chronic poverty needs to balance structural and idiosyncratic factors with agency (Moore, 2001).

To what extent are risk and vulnerability factors in identifying chronic poverty?

Section Two provided a working definition of chronic poverty as the persistence of poverty in time. An individual, or household, is chronically poor if observed welfare over time is below the minimum social norm. There is a widely accepted view in the literature that exposure to risk and vulnerability is an important explanatory factor in the persistence of poverty. In a meta-analysis of 27 studies from developed and developing countries, Yaqub finds that economic insecurity, understood as the exposure to transitory fluctuations in income, is one of three key factors explaining downward mobility among households (Yaqub 2002). Similarly, in a review of literature on vulnerability, Dercon asserts that "persistence in poverty is caused by the presence of risk and its consequences" (Dercon 2001, p.11). Risk and vulnerability may have effects upon chronic poverty in a number of ways. To the extent that risk and vulnerability are concentrated on certain groups, these will be more likely to suffer from persistence in poverty. If the poor have higher risk than other groups of suffering adverse shocks, if they have fewer buffers against the realisation of these shocks, and if they are forced to adopt low return strategies to minimise these, then risk and vulnerability will help absorb individuals and households into persistent poverty. *Prima facie*, risk and vulnerability are important factors in chronic poverty.

In spite of this, most operational measures of chronic and transient poverty explicitly exclude risk and vulnerability from the identification of chronic poverty. There are three main operational definitions of chronic poverty emerging from the literature. One approach focuses on the duration of poverty and defines a chronically poor household as

one which shows per capita levels of income or consumption at or below the poverty line at each, or most, observation points (Baulch and Hoddinott 2000; Baulch and Masset forthcoming). The chronic poor are identified as those persistently below the poverty line. Households in transient poverty are those which show variation in income or consumption around the poverty line, but with all, or most, observations above the line. A second approach focuses on income or consumption shortfall over a period of time. In line with the permanent income hypothesis, it suggests income and consumption have constant and fluctuating components, which can be distinguished empirically (Ravallion 1988; Jalan and Ravallion 2001). A household is said to be chronically poor if its constant (permanent) component of income or consumption is at or below the poverty line. A third approach focuses on the probability of future consumption. It combines knowledge of current income or consumption with its variance across households to estimate the probability that future income or consumption is below the poverty line (Pritchett, Suryahadi et al. 2000; Chaudhuri and Datt 2001; Chaudhuri, Jalan et al. 2001; Chaudhuri 2002). It defines a household as chronically poor if its current consumption is at or below the poverty line and, on the basis of current information, has a high probability that future consumption will also be at or below the poverty line.

These three different approaches to operationalising chronic poverty produce different readings on the connection between risk and vulnerability and chronic poverty. The duration measure does not exclude risk and vulnerability as possibly a causal factor in observed chronic poverty, but excludes it as a relevant factor in the identification of the chronically poor. Risk and vulnerability are neither a necessary, nor a sufficient, condition for a household to be identified as chronically poor. The variability of consumption or income is ignored in this approach.⁹ The shortfall approach goes further in excluding risk and vulnerability as a factor in chronic poverty. The decomposition of a permanent and a fluctuating component in income or consumption, associates chronic poverty only with the permanent component. Transient poverty is fully identified with the fluctuating component. The third approach does incorporate risk and vulnerability into the identification of the chronically poor. The variance of income or consumption across households of a particular type is used in the prediction of future consumption. As a consequence, risk and vulnerability enter directly into the identification of the chronically poor. Of the three operational notions of chronic poverty, only the last one incorporates risk and vulnerability explicitly.

⁹ This applies even where the chronically poor are defined as those poor in some, or most, observations. In the context of a panel with six observation points, the chronically poor defined as those with at least three poverty spells, and with consumption collapsed to a [0,1] range, households with consumption patterns [0,0,0,0,0,0], [0,0,0,1,1,1], or [0,1,0,1,0,1] are observationally equivalent.

Table 1. Risk and vulnerability in operational measures of chronic poverty	
Operational definitions of chronic poverty	Is risk and vulnerability a factor?
poverty duration: $CP1 : \max (y_{it}, y_{it+1}, \dots, y_{iT}) = z$ where y is a measure of consumption or income, i indexes households, t indexes observation points, and z is the poverty line	no
poverty shortfall: $CP2 : y_i = z$, where $y_i = \{(\sum_{t=1}^T y_{it})/T\}$, i.e. y_i is time-mean	no
predicted poverty: $CP2 : (y_{it}, E_t[y_{it+1} v_{it} > n]) = z$ where v_{it} is a measure of vulnerability to future poverty and n is a threshold	yes through v

The issue here is that most operational measures of chronic and transient poverty used in the literature fail to take account of risk and vulnerability in defining chronic poverty. The first poverty duration measure ignores fluctuations in consumption or income as far as identifying the chronic poor. The poverty shortfall measure, on the other hand, fully excludes risk and vulnerability, and associates these with transient poverty only. The last measure is the only one that takes account of risk and vulnerability identifying chronic poverty. Most operational measures of chronic poverty exclude risk and vulnerability. Adopting a social protection framework requires accounting for risk and vulnerability as factors in chronic poverty.

SECTION FOUR. THE IMPLICATIONS OF SOCIAL PROTECTION FOR CHRONIC POVERTY POLICY

At the policy level, the key issue is the extent to which the adoption of social protection framework implies a focus on transient poverty as the main objective of anti-poverty programmes. This section considers a number of dimensions of this question.

Is social protection capable of addressing the factors which maintain people in poverty?

As mentioned in section 2, the fact that people are consistently poor over long periods of time lies at the core of the concept of chronic poverty. The literature identifies a range of factors which maintain the chronic poor in that situation, including those which transmit poverty across generations. In the last section, these factors were classified into structural, idiosyncratic and agency related. Risks contribute to these in a number of ways, do not exhaust the full range of factors and, as a result, it was argued that focusing on risk only fails to provide a complete understanding of chronic poverty. At the policy

level, it follows from this that policy responses to chronic poverty must address the full range of factors behind chronic poverty. Table 2 below provides an indication of the range of policies which could effectively tackle chronic poverty.

Table 2. Policies to address factors which maintain people poor over long periods		
	<i>Chronic poverty factors</i>	<i>Potentially useful policies</i>
<i>Maintainers</i>	<p><u>Idiosyncratic:</u> Household structures</p> <p>Intra-household relations</p> <p><u>Structural:</u> Exclusion, discrimination, stigma</p> <p>Low returns on limited assets</p> <p>Social norms and patterns of learned behaviour</p> <p><u>Agency:</u> Freedoms limited by patronage, violence, social norms</p> <p>Search for security through adverse multi-stranded incorporation</p> <p>Social movements</p>	<p>Compensations for absent breadwinners</p> <p>Support for the vulnerable within household</p> <p>Inclusion in universal benefit schemes</p> <p>Direct and indirect measures to enhance economic participation and returns to labour and capital</p> <p>Explicit leadership on social issues¹⁰</p> <p>Controls on violence both domestic and community</p> <p>Support for alternative, unbundled, possibilities for dependence</p> <p>Encourage sectional leaderships to advocate on behalf of wider groups</p>
<i>Inter-generational transmitter: the above factors, plus:</i>	<p>Nutritional inadequacies at critical life course moments (pregnancy, infancy)</p> <p>Mother to child HIV/AIDS transmission</p>	<p>Wide range of policies affecting nutritional outcomes</p> <p>Measures to change social norms on distribution of food and targeted supplementary feeding</p> <p>Appropriate drug treatments</p>

While this argument needs considerable further elaboration, a tentative conclusion would be that a wide range of social and economic including social protection policies will best address the factors behind the maintenance and transmission of poverty. The role of social protection within this broader framework could be considerable. It includes:

¹⁰ A good example was the leadership on HIV/AIDS and sexual behaviour in Uganda. However there are other probably equally damaging issues like alcohol consumption and

universal benefit schemes covering groups highly likely to be chronically poor; schemes with indirect benefits for investment in asset formation (e.g. human capital formation through education); and targeted schemes which interrupt the transmission of poverty and reduce discrimination within the household.

What are the implications for antipoverty policy of a hard and fast distinction between chronic and transient poverty?

The distinction posed between chronic and transient poverty has far reaching implications for policy, especially in the context of the adoption of social protection as the organising framework for social policy. The previous section discussed how the duration and shortfall measures of chronic poverty effectively exclude risk and vulnerability as a relevant factor in determining chronic poverty. Instead, risk and vulnerability determine transient poverty.¹¹ Within this perspective, chronic poverty is a factor of insufficient welfare generating assets, such as land or human capital. On the other hand, transient poverty is a factor of the variability in the returns from these assets. To the extent that the factors determining chronic poverty prove to be different from those determining transient poverty, and the chronically poor are different from the transient poor, policy bifurcation necessarily follows.

Effective anti-poverty policy directed at chronic poverty would be substantially different from policy directed at transient poverty. It would also need to target different groups. Broadly, policies effective in interrupting or reducing chronic poverty (assisting people emerge in a sustainable form from it) would need to target the current chronically poor and extend the range of assets at their disposal, such as land ownership or education and training. This would undoubtedly require a combination of policies to deal with the often multiple deprivations experienced by the chronically poor. Policies aimed at reducing transient poverty would need to target the vulnerable, as opposed to the current poor, and expand access to market or community insurance, and self insurance, instruments. The adoption of social protection in its current form would likely switch the policy focus to transient poverty. How social protection policies are constructed – the degree of emphasis on them, the specifics of the policies - therefore has important implications for chronic poverty at the policy level.

There are also other reasons to believe that in the event of a bifurcation in poverty policy, chronic poverty would give ground to transient poverty as the key focus. Policy choices have as much to do with predicted benefits as with costs, and their timeframe. It is broadly accepted in the literature that policies aimed at upgrading the asset base of the chronically poor would have significantly higher costs than policies aimed at reducing risk and vulnerability (Gaiha and Deolalikar 1993; Hulme and Shepherd forthcoming). Land reform or the extension of education and training, for example, involve significant investment in resources, over a prolonged period. The timeframe for chronic poverty interventions also poses a problem in that a sustained policy effort is needed. Transient

¹¹ Jalan and Ravallion, for example, “define transient poverty as the contribution of consumption variability over time to expected consumption poverty. The non-transient component is the poverty that remains when inter-temporal variability in consumption has been smoothed out” (2001, p.83).

poverty interventions are likely to appear more effective because of their ‘low hanging fruit’ nature. The political economy conditions needed for successful chronic poverty intervention is also an issue. Vulnerability to poverty is more widespread than chronic poverty, a larger number of people are vulnerable to poverty than are currently poor (Baulch and Hoddinott 2000; Yaqub 2002). Vulnerability to poverty is also more widely distributed in the population, than chronic poverty. Chronic poverty is concentrated on certain groups (Baulch and Masset forthcoming). In a competitive political system, transient poverty interventions are likely to gain more support than chronic poverty interventions.¹² The timeframe is also important here in that competitive political systems necessarily have a short-term outlook, especially as regards the benefits from policy interventions. In the event of a policy bifurcation, it will be harder to focus on chronic poverty, even in the absence of social protection setting the agenda.

It is important to question whether a policy bifurcation of the sort discussed here is warranted. The basic issue is the chronic-transient poverty distinction, and the association of social protection with transient poverty. Is the distinction between chronic and transient poverty clear-cut in terms of determining factors and population groups? Is social protection focused on transient poverty only?

Is the distinction between chronic and transient poverty clear-cut in terms of determining factors and population groups?

Postulating asset deficiency as the main factor determining chronic poverty, and fluctuations in asset returns as the main determinant of transient poverty is too simplistic for policy purposes. Shocks to asset values will impact on both their mean and their variance. The productivity of the assets held by the poor is another important dimension. Asset deficiency must necessarily incorporate changes in their value and expected returns, thus blurring the proposed distinction between the determinants of chronic and transient poverty.¹³ In the specific case of welfare generating characteristics of household and individuals, such as education achievement or health status, these are time-invariant and changes in the value and productivity of accumulated assets over time impact on both chronic and transient poverty. It is too simplistic to draw a distinction between chronic and transient poverty on the basis of asset holdings and their returns.

Jalan and Ravallion (2001) consider the chronic-transient poverty distinction in the context of rural China. Their identification of chronic poverty relies on the CP2 method in the Table above. They find that the two types of poverty have both common and

¹² There are two issues here, the fact that the vulnerable are many more than the current poor, and the spread of those affected. “In models in which the budget for poverty programmes is endogenously determined by majority voting, programs that are well targeted on the poor can be worse for the poor than programs supported by the ‘middle’ group interested in reducing their vulnerability” (Pritchett, Suryahadi et al. 2000, p27).

¹³ In the context of asset acquisition and diversification as a means of reducing vulnerability to poverty (transient poverty), Dercon notes that asset prices are normally covariant with income such that raising the asset base of the poor may not reduce their vulnerability, it may actually raise it (Dercon 2001). Jalan and Ravallion acknowledge that facilitating capital investment among the chronic poor may actually increase their exposure to risk (Jalan and Ravallion 2001).

specific determinants. Demographic and household characteristics, human capital, labour diversification, and the distribution of grain yields, are important determinants of chronic poverty, but not of transient poverty. Wealth holdings and life cycle factors, on the other hand, are determinants of transient poverty. Higher physical wealth determines both chronic and transient poverty. They conclude that the determinants of transient poverty are sufficiently different to “suggest that different types of policies will be needed to deal with the two types of poverty” (Jalan and Ravallion 2001, p.96). Notwithstanding this conclusion, they identify policies which would have an effect on both types of poverty, such as greater command over physical capital, and changes in household formation and composition. Interestingly, their distinction of chronic and transient poverty is in their study done within the household, by decomposing the poverty gap for each household into a time-mean (chronic), and a time variant (transient) component. The study does not identify the chronically poor, from the transient poor, but simply chronic and transient components of the poverty gap observed for each household.

Distinguishing the chronically poor from the transient poor is much harder, because these are not ‘crisp’ sets. Whether the chronically poor are identified through the poverty duration or the poverty shortfall measures in the Table above, there is an important element of indeterminacy about the categorisation of individuals and households in these two groups.¹⁴ In the poverty duration measure, a ‘crisp’ set can only be identified if the categorisation is done on the basis that the chronically poor are those poor in all observation points.¹⁵ If the categorisation is done on the basis of a sub-set of observations, say three years out of five, indeterminacy is involved. If the poverty shortfall measure is used, indeterminacy arises because the chronic poor also face transient poverty in so far as their income or consumption varies over time. The identification of the chronically poor from an averaging of consumption or income over several observation points assumes these observations are independent of each other, thus precluding dynamic effects from one period to the next.¹⁶ On the basis of this brief discussion of the issues, it would be fair to conclude that the chronically and transient poor are overlapping sets.¹⁷ Highly restrictive assumptions are needed to achieve a crisp distinction between the two groups.¹⁸

In sum, the distinction between chronic and transient poverty, in terms of their determinants and population groups, is not clear-cut. Fluctuations in assets impact both

¹⁴ Methodological issues surrounding the poverty line are relevant here.

¹⁵ The issue of measurement error is relevant here (Baulch and Hoddinott 2000; McKay and Lawson forthcoming).

¹⁶ In the context of a panel with six observation points, the chronically poor defined as those with time-mean income below a poverty line of 0.6, and with consumption collapsed to a [0,1] range, households with consumption patterns [1,1,1,0,0,0], [0,0,0,1,1,1], or [0,1,0,1,0,1] are observationally equivalent. They are also affected by consumption fluctuations around the poverty line, especially the last one.

¹⁷ A number of studies, especially those focusing on the multidimensionality of poverty, have suggested that the poor and non-poor are fuzzy sets (Chiappero Martinetti 2000; Lelli 2000).

¹⁸ In the third measure of chronic poverty, these issues do not arise because risk and vulnerability affect both chronic and transient poverty. Suryahadi and Sumarto (2001) carried out a study of changes in poverty associated with the 1997 Indonesian crisis. Using a version of measure CP3 in the Table above, they find that both transient and chronic poverty rose after the crisis, but proportionally the rise in chronic poverty was steeper. A rise in vulnerability to poverty directly affects chronic poverty.

on their mean and variance, and therefore on chronic and transient poverty. The determinants of chronic and transient poverty are not independent of each other. The chronically poor are also affected by fluctuations in income or consumption, thus making it difficult to distinguish between the chronically poor and the transient poor as two 'crisp' sets. Empirical studies on the identification of chronic and transient poverty rely on discretionary categorisations.

Is social protection focused on transient poverty only?

In the literature, it is common to distinguish between social protection which aims to reduce the fluctuations in income or consumption of households, and asset transfers which aim to reduce chronic poverty. This 'division of labour' is based on a very restrictive reading of social protection. Social protection holds that risk and vulnerability are key to the poverty generating process, and this includes chronic poverty. The impact of risk and vulnerability on welfare, and on poverty specifically, is determined by three factors: the risk of an adverse contingency, the impact on welfare of the realisation of that risk, and the behavioural responses of households. The chronic poor face higher risks, are less able to protect their welfare from the effects of the realisation of risk, and are forced to adopt risk minimising strategies that can lead to a poverty trap (Siegel and Alwang 1999; World Bank 2001). In this framework, risk and vulnerability are a factor in both chronic and transient poverty, and it recommends policy interventions which have an impact on both. On paper, social protection addresses both chronic and transient poverty.

The issue is more to do with whether the social protection framework involves a relative bias in favour of transient poverty. This applies to a number of areas of concern. Firstly, studies on chronic poverty agree in the primary role of public actors in chronic poverty policy. The scale, resources, and time scale involved in effective interventions requires public agencies to have a primary role (Gaiha and Deolalikar 1993; Baulch and Hoddinott 2000; Yaqub 2002; Hulme and Shepherd 2003). Whilst social protection includes a wide range of stakeholders, it does not rule out a primary role for public agencies in planning, coordinating, funding and implementing interventions aimed at chronic poverty. Secondly, the focus on risk, as opposed to needs or rights, introduces a bias against sustained and significant asset transfer programmes (land reform, universal pensions, free education and health care). This is an important issue which needs to be evaluated empirically, by investigating whether in practice the focus of social protection moves away from asset transfers.¹⁹ Thirdly, social protection aims to provide integrated programmes, this is important because programmes may complement/supplement/substitute each other. At the same time, the scope of integrated programmes (what components are included), and the prioritisation of components (say macroeconomic stability versus anti-cyclical public social protection expenditure) are not sufficiently

¹⁹ Devereux (2001) discusses a range of safety net programmes in Africa, and distinguishes livelihood promotion programmes, those that aim to transfer assets, or improve the productivity of existing assets, among the poor; from livelihood protection programmes aiming to protect consumption from short-term fluctuations. His "research finds that these distinctions are artificial in reality" (p.19), especially as the resources flowing into households are 'fungible' and are usually diverted by households into productive investment, and because of the medium and long impact of consumption stabilisation on productivity.

worked out.²⁰ Fourthly, political economy issues associated with the adoption, and support, for social protection programmes are important here. Social protection programmes focused on the transient poor have a larger, and socially more diffuse, target population than programmes aimed at the chronic poor.²¹ There is an important issue to investigate here, but more comparative evidence at programme level is needed to come to some firm conclusion on this.

CONCLUSION

The main conclusion of this paper is that the relationship existing between social protection and chronic poverty bears closer examination. Social protection is a very important and rapidly evolving field of work which is of considerable relevance to chronic poverty. The argument has been advanced that chronically poor people do need and can benefit from social protection programmes. A growing understanding of the nature of chronic poverty may also contribute significant new dimensions to shape social protection as a framework for social policy in developing countries. This is partly a theoretical agenda, as we begin to have a wider and rounder understanding of chronic poverty and social protection acquires greater definition; and partly an empirical one.

In this paper we have aimed to outline the broad issues involved in bringing together social protection and chronic poverty. Risk and vulnerability are an important factors in shaping chronic poverty, but not the only ones, and the paper argued that structural and agency factors must also be considered. We found that the literature focused on measuring and operationalising concepts of chronic and transient poverty associates chronic poverty with asset deficiency and social protection with transient poverty. It is important to draw attention to the fact that chronic and transient poverty have common factors, and that the chronic poor and the transient poor are not always easily distinguished 'crisp' sets. The chronic poor also face risk and vulnerability, and the latter can easily push the transient poor into an absorbing poverty state.

²⁰ A new generation of poverty programmes in Latin America explicitly have the dual objective of protecting short-term consumption and facilitating investment in human capital. Typically, a cash transfer targeted on poor households also includes a supplement conditional on school attendance by children, and use of primary health care providers. The PROGRESA programme in Mexico is the largest of such programmes targeting 2.6 million households in rural areas in 2000. The programme included payment of a graduated cash transfer supplement conditional on children of school age achieving at least 85 percent attendance. Evaluations of PROGRESA have concluded that the programme has a significant impact on poverty, increases school attendance, and use of primary health care (Skoufias).

²¹ Sumarto, Suryahadi and Pritchett (2000) compare two safety net programmes introduced in Indonesia in the wake of the 1997 crisis. One programme, providing rice at subsidised prices for poor households, can be characterised as a safety net programme. A second programme, more a range of interventions aimed at employment creation for those workers displaced by the crisis, can be seen as typically contingent on risk realisation. Interestingly, they evaluate these two programmes in a political economy context. Under a veil of ignorance, the employment creation programme would be preferred because it targets support for the least advantaged and individuals are ignorant of their future consumption. In a context in which individuals know their consumption level, decision making will be dominated by the median voter, and providing the median voter is significantly risk averse, the employment creation programme would be preferred.

In combination with other policies, social protection has an important role in the reduction of chronic poverty, as well as to the reduction of transient poverty. It can contribute to interrupting chronic poverty; it can also positively affect some of the factors which maintain people in poverty over long periods. This sets an agenda for research, which can perhaps be undertaken initially by reviewing existing literature and papers for this conference. Research is needed to discover the extent to which behavioural responses reinforcing poverty are a direct response to risk and vulnerability calculations, or whether they are (a) more often a response to the architecture of poverty, and (b) conditioned by social norms. The object of research will be social protection policies which aim to improve well-being for vulnerable individuals and households, areas and social groups, and even chronically poor nations. Specifying which policies or interventions are likely to have these benefits in which contexts will constitute the key research agenda for the CPRC.

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