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Chronic poverty: key findings

To understand poverty dynamics and identify and explain chronic poverty thoroughly, there is no alternative to investing in regular panel data collection.

There are still relatively few developing countries where panel data are available to allow for estimations of the proportion and number of poor who are chronically poor, although the number is increasing. While severe poverty, for which figures are generally available, can be a good starting point, it does not tell the whole story. So if countries wish to understand poverty dynamics and identify and explain chronic poverty thoroughly, there is no alternative to investing in regular panel data collection, preferably accompanied by good qualitative data collection, to build a longer time perspective and a richer causal understanding. This adds significant value to one-point-in-time surveys and can be cost-effective.⁴³

1. The statistics on chronic poverty and poverty dynamics

The two Chronic Poverty Reports have established beyond much doubt that a significant proportion of the population of developing countries as a whole are chronically poor.⁴⁴ If we look across the range of CPRC partner countries, we find that the proportions and numbers of poor and chronically poor do vary somewhat, as do pictures of mobility into and out of poverty (Table 2). These figures are of course *not* comparable: they are derived over different periods of time and against different national poverty lines; some are national, some rural; one is sub-national (South Africa); Kenya and South Africa estimate chronic poverty over three survey waves and the rest over two. So it would be misleading to make any detailed comparisons, and this is not the purpose of including Table 2. Two important comments can be made, however. Wherever a serious attempt is made to study chronic poverty and poverty dynamics, fairly significant figures emerge as proportions of populations in chronic poverty. And, intriguingly, the ratio of escapes to entries is unfavourable in as many cases as it is favourable, suggesting that impoverishment and downward mobility is a very important process in the composition of any statistics on the incidence of poverty at any moment in time. Note the rare cases where data on urban poverty dynamics are available.⁴⁵

43 Wadugodapitiya, D. and Baulch, B. (2011). 'The value of panel data in chronic poverty analysis'. *CPRC Policy Brief* 23. Manchester, UK: Chronic Poverty Research Centre (CPRC).

CPRC has also invested in exploring the utility of combining a one-point-in-time survey with qualitative research (in Tanzania) as an alternative to the panel data + qualitative research 'gold standard'. The findings from this exercise are being published as CPRC working papers and in book form – Kessy, F.L., Mashindano, O. and Shepherd, A. (2011, forthcoming). *Translating Growth Into Poverty Reduction: Beyond the Numbers*. Oxford: James Currey.

44 CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC). Page 9.

45 There are a few urban panel datasets, but these tend to be location-specific. This is a significant gap in the knowledge base.

46 Aliber, M. (2003). 'Chronic poverty in South Africa: incidence, causes and policies'. *World Development*, 31 (3), 473-490.

Aguero, J., Carter, M. and May, J. (2007). 'Poverty and inequality in the first decade of South Africa's democracy: what can be learnt from panel data from KwaZulu-Natal?' *Journal of African Economies*, 16 (5), 782-812.

Dhamija, N. and Bhide, S. (2009). 'Dynamics of chronic poverty: variations in factors influencing entry and exit of the chronic poor'. *CPRC India Working Paper 39*. New Delhi: Indian Institute of Public Administration.

Krishna, A. and Shariff, A. (2011). 'The irrelevance of national strategies? Rural poverty dynamics in states and regions of India 1993-2005'. *World Development*, 39(4), 533-549.

Kristjanson, P., Mango, N., Krishna, A. Radeny, M. and Johnson, N. (2010). 'Understanding poverty dynamics in Kenya'. *Journal of International Development*, 22 (7): 978-996.

McKay, A. (2005) 'Growth and the poorest: a panel data analysis for Uganda'. *Background Paper for the Chronic Poverty Report 2008-09*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Muyanga, M., Jayne, T.S. and Burke, W. (2010) 'Pathways into and out of poverty: a study of the determinants of rural household wealth dynamics in Kenya'. Paper presented at the Conference on 'Understanding African poverty over the longue durée'. Accra, 15-17 July.

Sen, B. (2003). 'Drivers of escape and descent: changing household fortunes in rural Bangladesh'. *PRCPB Working Paper 3*. Dhaka: PRCPB.

Ssewanyana, S. (2010). 'Combating chronic poverty in Uganda: towards a new strategy'. *Research Series 67*. Kampala: EPRC.

Suri, T., Tschirley, D., Irungu, C., Gitau, R. and Kariuki, D. (2008). 'Rural incomes, inequality and poverty dynamics in Kenya'. *Working Paper 30/2008*. Nairobi: Tegemeo Institute of Agricultural and Policy Development.

Thang, N. et al. (2006). 'Poverty, poverty reduction and poverty dynamics in Vietnam'. *Background Paper for Chronic Poverty Report 2008-09*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Muyanga, M. Personal communication.

Table 2: Chronic poverty and poverty dynamics in CPRC partner countries (using non-comparable national poverty lines)⁴⁶

Country	% below national poverty line	% chronically poor	% rural population chronically poor	% urban population chronically poor	% escaping poverty	% entering poverty
Rural Bangladesh (1987/8-2000)	40	31			26	18
Burkina Faso (rural) (2001-7)	46		22		13	22
Rural India (1993/4-2004/5)	28		18 ¹		18 ¹	22 ¹
Rural India (1981/2-1998/9)			23 ²		18 ²	20 ²
Kenya (1997-2007)	46		19		12	5
Senegal (2006-8)	54	46	75	31	17	30
South Africa (KwaZulu-Natal) (1993-1998)	53	22			11	19
South Africa (KwaZulu-Natal) (1998-2004)		28			19	15
Uganda (1992/3-1999/2000)	31	20			29	11

In the rare cases where there are panel data over longer periods or more than one 'wave' (India, Kenya, Vietnam and now Uganda), the results suggest the level of chronic poverty tends to decline, as expected, as societies get richer (Table 3), although this can be very slow, as in South Africa, where the history of discrimination has left a deep legacy. In Kenya, by contrast, rural chronic poverty has increased, although if assets rather than income are used as the indicator the opposite trend emerges. This definitely requires more investigation.

As chronic poverty declines, it becomes more concentrated in socially and politically marginalised communities and regions – in India among Scheduled Tribes (STs), in Uganda in the north, in Vietnam among ethnic minorities. However, again these figures cannot be compared: the time periods are not the same; and in the Indian case the third panel is national whereas the first two are rural. Figure 3 helps make the data slightly more comparable by spreading the observations out across the decades.

Table 3: Incidence of chronic poverty over time (% of chronic poor between two survey dates) [completion of table awaited]⁴⁷

Country	1st panel	2nd panel	3rd panel	4th panel
India	27 (1970/1-1981/2)	23 (1981/2-1998/9)	18 (1993-2005)*	
Kenya (rural)**	38 (1997-2000)	43 (2000-4)	46 (2004-7)	47 (2007-10)
South Africa (Kwazulu-Natal)	40 (1993-8)	38 (1998-2004)		
Vietnam	29 (1993-8)	17 (2002-4)		

Notes: *This is from a national survey; the previous two figures for India are from a rural survey. Given the tendency for urban chronic poverty to be lower than rural chronic poverty, this figure may not represent much of a decline for rural chronic poverty. **These figures are based on income. If assets are used as the indicator, the opposite trend is observed.

Figure 3: Declining incidence of chronic poverty over time

Year	India	South Africa	Vietnam
1970			
1975	27% (1970/1 - 1981/2)		
1980			
1985			
1990	23% (1981/2 - 1998/9)		
1995		40% (1993-8)	29% (1993-8)
2000		18% (1993-2005)	
2005			38% (1998 - 2004)
2010			17% (2002-4)
	rural	national	KwaZulu-Natal
			national

47 Agüero, J., Carter, M. and May, J. (2007). 'Poverty and inequality in the first decade of South Africa's democracy: what can be learnt from panel data from KwaZulu-Natal?'. *Journal of African Economies*, 16 (5), 782-812;

Bhide, S. and A. Mehta (2006) Correlates of incidence and exit from chronic poverty in rural India: Evidence from panel data. *CPRC India Working Paper 15*. New Delhi: Indian Institute of Public Administration.

Krishna, A. and Shariff, A. (2011). 'The irrelevance of national strategies? Rural poverty dynamics in states and regions of India 1993-2005'. *World Development*, 39 (4), 533-549.

McKay, A. (2005) 'Growth and the poorest: a panel data analysis for Uganda'. *Background Paper for the Chronic Poverty Report 2008-09*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Thang, N. et al. (2006). 'Poverty, poverty reduction and poverty dynamics in Vietnam'. *Background Paper for the Chronic Poverty Report 2008-09*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Chronic poverty clearly has economic, social and political dimensions and causes.

2. The significance of context: the nature and causes of chronic poverty compared

Is the *nature* or lived experience of chronic poverty similar across most countries? The focus here is on the differences across contexts, whereas the next sections analyse the emerging commonalities.

Causes vary. In some cases, discrimination is an important part of the explanation, and chronic poverty takes a very political and relational form. In others, the explanation is more prosaic, to do with some combination of low levels or a narrow basis of economic growth, location disadvantages or the number and frequency of environmental, economic or health risks to household production and wellbeing against which people have few buffers. A third broad category of situations can be identified, where it is the nature of the state that underlies the chronic poverty of substantial numbers of people. Where a majority of poor people are chronically poor, it is plausibly the broader characteristics and trajectory of the society/economy/polity which are important; where a minority of poor people are chronically poor, then events and individual/household resources, characteristics and discrimination and intergenerational and other relationships are more important. And societies do make a transition from one to the other. Table 4 develops a typology of country situations goes some way to explaining the observed character of chronic poverty and poverty dynamics. In all of these, all of the causal factors have some relevance; the table attempts to pick out the leading causes on the basis of the analysis at country level, summarised in Annex 1.

Three types of country are distinguished: those with mass poverty and limited or volatile economic growth (Burkina Faso, Kenya, Niger, Uganda); those with a significant and growing middle class and more stable patterns of economic growth (Bangladesh, Ghana, India, Senegal); and a highly unequal middle-income country with mass poverty alongside substantial wealth (South Africa). In countries with mass poverty, the life cycle may be an important determinant of poverty trajectory (e.g. Burkina Faso), whereas in countries with a more developed class structure (e.g. Senegal), birth and

Table 4: Typology of partner countries' poverty situation and leading causes of chronic poverty

Causes of income poverty situation	Discrimination and political relationships	Structural microeconomic causes	Overall nature of state/governance
Mass poverty and limited/volatile growth, significant continued levels of chronic poverty	Kenya, Uganda	Burkina Faso	Kenya, Niger
Significant middle class and stable/high growth, but continued high if reducing chronic poverty levels	Ghana, India	Senegal	Bangladesh
Highly unequal middle-income economies, chronic poverty barely reducing	South Africa		

early childhood development tend to restrict mobility. In countries with mass poverty, chronic poverty exceeds transient poverty. Completion of primary education remains an important source of differentiation, whereas in other societies it is post-primary education and beyond that is critical to upward mobility and resilience. Child labour is a coping strategy across all these societies, however. In countries with mass poverty, a long-term failure of agricultural growth is associated with the failure of growth to reduce poverty significantly and with low employment elasticity of growth (e.g. Burkina Faso, Tanzania). India, with its continental character, is of course particularly hard to place in this typology. A state-level analysis would be necessary to do its diversity justice.

A cautionary note is necessary here. Clearly, all three sets of causes operate in most countries to a greater or lesser degree. In Kenya, for example, it would be difficult not to include governance and the nature of the state as part of the problem, given its history, as well as the discrimination that recent political events have made transparent. This suggests the typology must be applied with intelligence and good knowledge of the countries in it.

In all cases, chronic poverty clearly has economic, social and political dimensions and causes. There is usually an economic core, with important social or political aspects, such as deficient social networks or political marginality. It is typically concentrated in rural areas. And escaping it involves accumulating education/skills and/or material assets. However, markets have to work well if assets or education are to work as escape routes, and assets need to be protected – they can easily be lost given the high risk context in which many poor and vulnerable people exist. This represents new knowledge – the link between asset accumulation, market functioning and protection – and is developed below as a major tool for achieving greater participation by poor people in economic growth (Chapter 5).

To be chronically poor is sometimes not so different to being poor. However, the following ‘features’ stand out. Vulnerability is high, especially to illness and premature death, and weak social networks make it more difficult to cope with this. However, countries vary in terms of sources of vulnerability, from individual- and household-level shocks through the community, region, national and global levels. Area-wide shocks like droughts have greater importance in dry regions (Ethiopia, Pakistan). Infectious diseases may have greater importance in more densely populated, coastal regions, and low-lying coastal countries are prone to floods and storms (Bangladesh, Vietnam). The conclusion of new CPRC analysis is that ‘the jury is still out on whether and in which environments individual and household level shocks are the more important drivers of chronic poverty than more widespread shocks.’⁴⁸ Among countries in the CPRC research consortium, only in South Africa has formal social protection reached the point at which it plays a major and useful part in poor people’s coping strategies.

Chronically poor people have lower levels of assets and therefore less resilience and weaker springboards with which to escape poverty. However, again, critical assets vary by context and within countries too. Endowments of land, livestock and housing remain extremely important in some contexts, and education is important in almost all. Nonfarm business asset accumulation has become increasingly important as economies become less agrarian, and education facilitates nonfarm enterprise development.⁴⁹ Interestingly, education is a basis for resilience as much as for escaping poverty – it is an asset which cannot be taken away and so is useful even in conflict situations.⁵⁰

Markets have to work well if assets or education are to work as escape routes.

Assets need to be protected – they can easily be lost given the high risk context in which many poor and vulnerable people exist.

⁴⁸ Baulch, B. (ed.) (2011, forthcoming). *Why Poverty Persists? Poverty dynamics in Asia and Africa*. Cheltenham: Edward Elgar. Chapter 1.

⁴⁹ Ibid.

⁵⁰ Bird, K., Higgins, K. and McKay, A. (2010). ‘Conflict, education and the intergenerational transmission of poverty in Northern Uganda’. *Journal of International Development*, 22 (7), 1183–1196.

51 Baulch, B. (ed.) (2011, forthcoming). Chapter 1. *Why Poverty Persists? Poverty dynamics in Asia and Africa*. Cheltenham: Edward Elgar.

52 Sen, B. (2003). 'Drivers of escape and descent: changing household fortunes in rural Bangladesh'. *PRCPB Working Paper 3*. Dhaka: PRCPB.

Mehta, A.K. and Shah, A. (2001). 'Chronic poverty in India: overview study'. *CPRC Working Paper 7*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

However, there is other evidence suggesting there is no difference between the proportion of chronically and transitorily poor engaged in wage labour: Krishna, A. and Shariff, A. (2011). 'The irrelevance of national strategies? Rural poverty dynamics in states and regions of India 1993-2005'. *World Development*, 39 (4), 533-549.

53 Bhalla, S. (2004). 'Rural casual labourers, wages and poverty: 1983-1999-2000'. *CPRC India Working Paper*. New Delhi: Indian Institute of Public Administration.

54 IFAD (2010). *Rural Poverty Report 2011: New Realities, New Challenges, New Opportunities for Tomorrow's Generation*. Rome: IFAD.

55 Lawson, D., McKay, A. and Okidi, J. (2006). 'Poverty persistence and transitions in Uganda: a combined qualitative and quantitative approach'. *Journal of Development Studies*, 42 (7), 1225-1251.

56 Dhamija, N. and Bhide, S. (2009). 'Dynamics of chronic poverty: variations in factors influencing entry and exit of the chronic poor'. *CPRC India Working Paper 39*. New Delhi: Indian Institute of Public Administration.

Ssewanyana, S. (2010). 'Combating chronic poverty in Uganda: towards a new strategy'. *Research Series 67*. Kampala: Economic Policy Research Centre.

57 Higgins, K. (2011). *Escaping poverty in Tanzania: What can we learn from cases of success?*. *CPRC Working Paper 204*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

58 Shepherd, A. (2007). 'Understanding and explaining chronic poverty: an evolving framework for phase 3 of CPRC'. *CPRC Working Paper 80*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

The opportunities open to chronically poor people to use whatever assets they have are not as good as those open to others – owing to poor location, education and skill levels and social networks. Adverse geography is well-established (by the CPRC as well as others) as keeping people poor. Many chronically poor people live in remote or less accessible areas where their endowments are worth less and where returns to labour and capital are lower. Such areas also often have lower population densities, and so may not contribute the greatest numbers of chronically poor people.⁵¹ Countries vary in the extent of economic (and political) integration and the extent of underdeveloped regions. Nepal, for example, is much less integrated than Bangladesh, Niger than Senegal.

Adverse geography is often linked to discrimination. The extent to which discrimination against minority groups drives chronic poverty is again varied, as is the size of such minority groups. The persistent mass poverty of black people in South Africa, STs in India and hill people in Vietnam suggests that measures to counter discrimination do not always work very well, or may take a very long time to bear fruit.

Networks are a result of education and material wealth, among other factors, and determine migration opportunities, for example. There is significant dependence of chronically poor households on labour markets: in rural Bangladesh and rural India, income from labour constitutes a much greater proportion of household income than for the transient poor.⁵² Wages, working conditions, good infrastructure⁵³ and efficiently working labour markets are extremely important for the alleviation of the severest poverty. However, the nature and extent of the wage labour market, and thus local and migrant opportunities, vary significantly. The extent of 'decent work' opportunities also varies, depending on how 'tight' the wage labour market is.⁵⁴ Again, variation may be as much within as between countries.

Family size is significant.⁵⁵ Where there are few alternatives to having many children in terms of generating a secure old age, the demographic transition among chronically poor people is delayed and life cycle poverty predominates. Younger people may be set to escape poverty, but having children reduces household wellbeing until they begin to contribute to it.⁵⁶ In the poorest countries, the life cycle remains an important determinant, with chances of escaping poverty diminishing after youth/young adulthood.⁵⁷ However, where the demographic transition is well advanced, wage labour markets may be much tighter and wage labour more remunerative.

So, context plays a major role in determining the nature and extent of chronic poverty, as well as the pattern of socioeconomic mobility around the poverty line. Having said this, CPRC research suggests a number of commonalities in the causes of chronic poverty and patterns of poverty dynamics, which the rest of this section explores in greater depth. In the CPRC, we have sought to understand why some people are chronically poor and why others escape poverty or become poor, in terms of interactions between assets and capabilities; vulnerability and risk; and economic, social and political relationships. We have taken important factors like economic growth and demographic or environmental change as part of the environment within which poverty dynamics takes place.⁵⁸

3. Assets and markets

Assets are critical to both resilience and escaping poverty,⁵⁹ and there is a broad body of literature supporting an asset-based approach to poverty reduction. Assets represent ‘stock(s) of financial, human, natural or social resources that can be acquired, developed, improved and transferred across generations. [They generate] flows or consumption, as well as additional stock [... they] are not simply resources that people use to build livelihoods: they give them the capability to be and act.’⁶⁰ Important issues that emerge from this literature include the sequencing of asset accumulation – for example, households in Ecuador first invested in housing followed by education and financial capital, even though it was the latter rather than housing which got them out of poverty.⁶¹ Housing was seen as a precondition. Work in Bangladesh highlights how households move up livelihoods ladders. In some cases, households climb up rung by rung of a single livelihood ladder, starting with small livestock and moving to large livestock; sharecropping in land then later leasing and subsequently purchasing it; and driving rented rickshaws, then driving their own and then hiring out rickshaws as a business. More often, though, they move between ladders.⁶²

Second, there is a strong tradition of research on whether there are ‘poverty thresholds’ – minimum bundles of assets a household must have in order to accumulate more assets.⁶³ Households without this minimum are unlikely to accumulate, and need ‘cargo nets’ – asset building – to get them above the threshold. Households just above the minimum may easily be pushed back under it by a shock and need safety nets to prevent this. While asset-building strategies have characterised poverty interventions in rich countries, asset-building programmes are increasingly common in developing countries too.

However, in most situations assessed in CPRC research, there are no poverty traps based on inadequate quantities of key assets alone – this is an important, and perhaps surprising finding (Box 7). Rather, research shows people are trapped by combinations of insecurity, poor work opportunities, locational disadvantage, limited citizenship and discrimination.⁶⁴

Box 7: Asset-based poverty traps?⁶⁵

A key characteristic of chronically poor people and households is the low level of assets they own or can access. A limited asset base can cause households to be caught in a poverty trap, which they may be unable to escape without external assistance. The asset-based poverty trap mechanism applied by Carter and Barrett (2006) argues for multiple equilibria in the asset accumulation process. One of these is a low equilibrium, below which households remain trapped in poverty.

The mechanisms was applied to seven panel datasets from five countries (Bolivia, South Africa, Tanzania, Uganda and Vietnam), and no evidence was found for asset-based poverty traps. The strongest evidence for these comes from studies which focus on one asset category, principally ownership of livestock by pastoralist communities. Meanwhile, households with a more diversified asset base and living in areas with better functioning markets, have more flexible livelihoods and can respond more effectively to shocks, making them much less likely to be caught in asset-based poverty traps.

⁵⁹ McKay, A. (2009). ‘Assets and chronic poverty’. *CPRC Working Paper 100*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

⁶⁰ Ford Foundation (2004). *Building Assets to Reduce Poverty and Injustice*. New York: Ford Foundation.

Bebbington, A. (1999). ‘Capitals and capabilities: a framework for analysing peasant viability, rural livelihoods and poverty’. *World Development*, 27 (12), 2021–2044.

⁶¹ Moser, C. and Felton, A. (2007). ‘Intergenerational asset accumulation and poverty reduction in Guayaquil, Ecuador, 1978–2004’. In Moser, C. (ed.) (2007) *Reducing Global Poverty: the Case for Asset Accumulation*. Washington, DC: The Brookings Institute.

⁶² Kabeer, N. (2005). ‘Snakes, ladders and traps: changing lives and livelihoods in rural Bangladesh (1994–2001)’. *CPRC Working Paper 50*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

⁶³ Carter, M. and Barrett, C. (2006). ‘The economics of poverty traps and persistent poverty: an asset-based approach’. *Journal of Development Studies*, 42 (2), 178–99.

⁶⁴ CPRC (2008). *The Chronic Poverty Report 2008–09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC). Pages 5–6.

⁶⁵ Carter, M. and Barrett, C. (2006). ‘The economics of poverty traps and persistent poverty: an asset-based approach’. *Journal of Development Studies*, 42(2), 178–99.

McKay, A. and E. Perge (2011). ‘How strong is the evidence for the existence of poverty traps? A multi-country assessment’. *CPRC Working Paper 180*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

66 Draws on Bird, K. (2011, forthcoming). 'Asset Inheritance and the intergenerational transmission of poverty'. *CPRC Working Paper*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

67 Quisumbing, A. (2007). 'Investments, bequests and public policy: intergenerational transfers and the escape from poverty'. *CPRC Working Paper 98*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

68 Duflo (2000), in Deere, C. and Doss, D. (2006). 'Gender and the distribution of wealth in developing countries'. *Working Paper RP2006/115*. Helsinki: UN WIDER.

69 A review of data from demographic and health surveys (DHSs) indicates significant proportions of households where men alone make decisions on household expenditures – up to two-thirds, for example, in Malawi (Jones, N., Harper, C., Watson C., et al. (2010). *Stemming Girls' Chronic Poverty: Catalysing Development Change by Building Just Social Institutions*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

70 Meizen-Dick, R.S., Brown, L.R., Feldstein, H.S. and Quisumbing, A.R. (1997). 'Gender, property rights, and natural resources'. *World Development*, 25 (8), 1303-1315.

Quisumbing, A.R. and Maluccio, J.A. (2003). 'Resources at marriage and intrahousehold allocation: evidence from Bangladesh, Ethiopia, Indonesia, and South Africa'. *Oxford Bulletin of Economics and Statistics*, 65 (3), 283-328.

71 Smith (2003), in Deere, C. and Doss, D. (2006). 'Gender and the distribution of wealth in developing countries'. *Working Paper RP2006/115*. Helsinki: UN WIDER.

72 Quisumbing, A.R. and Maluccio, J.A. (2003). 'Resources at marriage and intrahousehold allocation: evidence from Bangladesh, Ethiopia, Indonesia, and South Africa'. *Oxford Bulletin of Economics and Statistics*, 65 (3), 283-328.

73 Beegle et al. (2001), in Deere, C. and Doss, D. (2006). 'Gender and the distribution of wealth in developing countries'. *Working Paper RP2006/115*. Helsinki: UN WIDER.

74 Panda and Agarwal (2005); Friedemann-Sánchez (2006), in Deere and Doss (2006). Deere, C. and Doss, D. (2006). 'Gender and the distribution of wealth in developing countries'. *Working Paper RP2006/115*. Helsinki: UN WIDER.

CPRC research suggests having the right complementary assets, a somewhat diversified portfolio, an enabling policy and market context and the right social, economic and political relationships are all necessary if assets are to provide a pathway out of poverty. In particular, assets need to function together with markets to enable escape from poverty: having more or better quality livestock is not much use if market returns are minimal, although they will at least help provide security for survival in most situations. Relationships are again critical: sharing and loaning animals within kin groups brings potential for upward mobility; absence of peace among livestock-owning groups or between them and farmers brings the opposite.

A significant research effort has focused on the inheritance of assets as a determinant of wellbeing trajectories, having identified this as an important but under-researched constituent of asset accumulation, and one where governments have had a significant interest. Land remains a particularly important asset, with land transfers made at the time of marriage of the younger generation. These *inter vivos* gifts can be understood as 'advanced inheritance' and allow young couples to establish their own family farm.⁶⁶

Where people are poor and assets take a long time to accumulate, the assets brought together at marriage and can strongly determine the future wealth of the couple and their family.⁶⁷ Women's ownership of land leads to improvements in their welfare, productivity, equality and empowerment, and women in Ghana with a higher share of asset ownership were found to have better health and nutritional outcomes.⁶⁸ Women's asset ownership is associated with greater control over household decision making and so has an impact on household expenditure on food, health, education, children's welfare and household services.⁶⁹ Children's welfare improves, particularly for daughters.⁷⁰ The anthropometric status of children improves, with incidence of underweight children in South Asia reduced by up to 13%⁷¹ and in Bangladesh and South Africa household expenditure on education increasing as a result of women's increased ownership of assets (although in Ethiopia it is an increase in men's assets that has this effect).⁷² Women's greater ownership of assets is also associated with improvements in prenatal care⁷³ and reduced domestic violence.⁷⁴

That assets in a limited portfolio can easily be eroded is important too: asset holders need protection – through either general or asset-specific insurance, through legislation to protect the interests of women and children or through social protection. Ability to save and insure assets is more important for chronically poor people than access to credit:⁷⁵ the microfinance industry is rapidly expanding its range of products and services.⁷⁶ Asset building and social protection are therefore two mutually reinforcing approaches to chronic poverty.

As mentioned above, education represents a particularly important asset in the modern world. Education builds resilience as well as the capabilities and networks for escaping poverty, but it is under-resourced, especially at post-primary and vocational levels.⁷⁷

However, the returns to education have moved in favour of making such investments.⁷⁸ Getting poor and excluded children better access to education is possible (e.g. through scholarships, conditional and unconditional cash transfers, greater public expenditure on post-primary and vocational training, etc.). However, if education is of poor quality this greatly constrains its utility – quality improvements are often critical, especially if education is to help with enhancing both quality of life and also access to decent work. Where demand for labour is thin,⁷⁹ or labour markets are discriminatory, education may not make as much difference as it could. Endowments need to match opportunities.⁸⁰ The redesign of education systems, emphasising quality and labour market links, is therefore a priority for 2010-20.⁸¹ In terms of long-term outcomes, the generation of skill-using employment and well-functioning labour markets is equally important – something the 2010 review of MDG1 emphasises strongly. There are important questions about how to do this: apprenticeships may work in reducing poverty in Ghana, but the relatively well-off capture formal skills training in India.⁸² We return to the question of how labour markets function in Section 5 of this chapter.

4. Vulnerability and protection

Vulnerability is dependent on ownership of or access to individual and collective assets, but also on highly context-specific degrees of exposure to market, social relational, political and environmental risks. Persistently poor people tend to be vulnerable, and vulnerability to poverty (likelihood of future poverty) tends to keep people poor, because vulnerable people are less likely to succeed in the strategies they pursue to get out of poverty. Ill-health and resulting bereavement are the most frequently and widely experienced shocks making or keeping people poor, because they involve household expenditure on medical treatment which cannot be afforded. However, other serious risks are always present – idiosyncratic or co-variant, environmental, market and political. The high levels of risk poor people manage are a substantial part of the explanation of chronic poverty. Its varied sources, and the limited capacities and budgets of especially low-income country governments, mean there is a premium on interventions that can protect against several risks, even if only partially. Social assistance (or social transfers) does this (Box 8).

Social protection is therefore critical, both in preventing descent into chronic poverty and reducing the depth of poverty – providing a springboard to escape poverty becomes possible if other conditions are favourable. It also facilitates savings and investment in human capital. However, it is important to allow political contexts the space to develop contextually appropriate commitments⁸³ and to avoid crowding out other key expenditures. For example, where the same level of government provides education and social assistance budgets, as in South Africa's provinces, there may be tradeoffs as well as synergies.

75 Mahajan, V. (2007). 'Beyond microfinance'. In Moser, C. (2007 ed.). *Reducing Global Poverty: the Case for Asset Accumulation*. Washington, DC: The Brookings Institution.

76 Collins, D. (2009). *Portfolios of the Poor*. Princeton, NJ: Princeton University Press. Chapter 7.

77 *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

78 Colclough, C., Kingdon, A. and Patrinos, H. (2009). 'The patterns of return to education and its implications'. *Policy Brief 4*. Cambridge: RECOUP, Faculty of Education, University of Cambridge.

79 South Africa is an example. Aliber, M. (2003). 'Chronic poverty in South Africa: incidence, causes and policies.' *World Development*, 31 (3), 473-490.

Keswell, M. and Poswell, L. (2004). 'Returns to education in South Africa: a retrospective sensitivity analysis of the available evidence'. *South African Journal of Economics*, 72 (4), 834-860.

Case, A. and Yogo, M. (1999). 'Does school quality matter? Returns to education and the characteristics of schools in South Africa'. *Working Paper 7399*. Cambridge, MA: NBER.

80 Osmani, S. (2007). 'When endowments and opportunities don't match: understanding chronic poverty'. *CPRC Working Paper 78*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

81 Sister research institutes the Research Consortium on Educational Outcomes and Poverty (RECOUP) and the Consortium for Research on Educational Access, Transitions and Equity (CREATE) (India) have investigated this in depth.

82 Monk, C., Sandefur, J. and Teal, F. (2008). 'Does doing an apprenticeship pay off? Evidence from Ghana'. *Working Paper 12*. Cambridge: RECOUP, Faculty of Education, University of Cambridge;

Palmer, R. and King, K. (2010). 'Technical and vocational skill acquisition and its impact on the lives and livelihoods of poor youth in Ghana, India and Pakistan'. Cambridge: Centre for Commonwealth Education, University of Cambridge.

83 CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Hickey, S. (2006). 'The politics of what works in reducing chronic poverty'. *CPRC Working Paper 91*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Social protection programmes are most effective when complementing policies that enhance growth and improve basic services.

Box 8: What the evidence tells us about social protection⁸⁴

Appropriately designed social assistance provides the means to increase the resilience of poor households such that the disadvantages of informal employment, and the risks of ill-health and other major family and cultural expenditures, are less likely to damage the life chances of the next generation and the wellbeing of older people. With social assistance, children go to school longer and stay out of the labour market longer, and girls get married later.⁸⁵ Pensions will make a significant difference to older people following a lifetime of insecure and unprotected work.

The rapid extension of social protection in developing countries can best be described as a 'quiet revolution' because it has not been on the radar of international development agencies. We estimate that existing programmes introduced in the past decade currently reach around three-quarters of a billion people in the South. Perhaps most importantly, the majority reach the poorest.

Evidence from the oldest programmes, mainly in Latin America, is that well-designed social protection programmes can have a significant impact on poverty. Social protection programmes have been subjected to rigorous impact evaluations, perhaps more than other poverty reduction instruments. The most rigorously evaluated programme, Progresa/Oportunidades in Mexico, had reduced the poverty gap by 30% among beneficiaries and had raised the height-for-age of beneficiary children by 1cm compared with a control group after two years of operation. It is expected to raise years of schooling among beneficiary children completing the education cycle by close to one additional year.⁸⁶

Social protection programmes are most effective when complementing policies that enhance growth and improve basic services. Where policies are in place, social protection can facilitate and promote pathways out of poverty. In the absence of economic opportunity and access to good quality education and health services, social protection can only mitigate poverty.

Social protection is not a 'silver bullet' for all development problems. Well-designed programmes can have positive effects on a range of areas: intra-household bargaining, political inclusion and participation and public agencies' poverty efforts, for example. But their main role is to reduce extreme poverty by protecting household consumption and human capital investment and by facilitating the inclusion of poorest households in economic activity.

There is considerable diversity in programme design at country and regional levels. Social protection's main domain is at the national level. Design reflects national learning on poverty and its remedies and local institutions. At the international level, normative approaches which attempt to impose one-size-fits-all templates are misplaced. A constructivist approach supporting national policy works best.

Social protection programmes can work in low-income countries as well as they have in middle-income countries. They require an integrated approach that gives attention to supply-side constraints and builds on economic opportunity and a longer timeframe for development and support. Extending social protection in developing countries is about building long-term institutions that protect those in poverty and vulnerability.

The role of multilaterals and bilaterals is to support national institution building; to support independent knowledge generation and dissemination (evaluations in particular); and to help low-income countries overcome the high initial costs barriers to get social protection programmes off the ground. In the medium term, national government should finance social protection from domestic resources.

⁸⁴ Barrientos, A. (2010). 'Notes for DFID Social Protection Expert Briefing'. 10th February.

⁸⁵ Barrientos, A. and Zarazua, M. (2010). 'Do social transfer programmes have long-term effects on poverty reduction?' *CPRC Policy Brief* 20. Manchester, UK: Chronic Poverty Research Centre (CPRC).

⁸⁶ Ibid.

4.1 Labour markets

Long-term informal employment correlates with poverty, and the negative effects of informal employment on children (e.g. care arrangements and barriers to educational achievement) and access to social protection mean they may inherit parents' poverty.⁸⁷ A lifetime of informal employment is also likely to mean that old age will bring poverty. However, in many countries there are few, if any, policy levers for improving the quality of working conditions. Social protection provides an indirect way of developing a 'social floor'⁸⁸ for informal employment and is a less controversial route than extending labour inspection, which is politically and administratively difficult to do well. Applying consumer pressure through vertical value chain links to achieve improved labour standards may bring better results.⁸⁹

The pressures of highly competitive agricultural and other markets are transmitted to labourers in labour surplus countries, who experience highly insecure ('flexible') and exploitative working conditions. At worst, workers are bonded.⁹⁰ Labour inspection systems have limited reach in agriculture generally, and in remote regions in particular. Regulation by itself is not enough – social and political mobilisation is required to make a difference and to support regulation. Box 9 highlights one way of doing this.

Box 9: A multi-party labour inspection process for India?⁹¹

Labour inspections are an important way of ensuring that labour standards are maintained. Enforcing rules and controls on wages, job security and working conditions can, in turn, contribute to increasing incomes and improving the wellbeing of workers.

India has one of the most comprehensive legal structures for labour regulation and protection in the world. Many of these laws come directly from conventions framed by the International Labour Organization (ILO). However, many of them were intended to regulate labour relations in the formal sector, with its relatively stable employer–employee relations. In India, many workers are casual and employed in the informal sector, including as agricultural employees, day labourers or domestic workers. The majority earn less than the official minimum wage, working in conditions that contravene labour laws. They are often recruited by brokers, limiting the accountability of their employers.

Labour laws, then, are not easily applicable to, and are largely failing, informal sector workers. Legal loopholes mean employers can circumvent regulations. By keeping the number of employees below 50, they are not subject to the Industrial Disputes Act. In addition, there is strong evidence of corruption in the Labour Department, where inspectors take bribes to reduce their enforcement.

More recent approaches to labour inspections are having more success, though. The gap in the formal inspection system is, to some extent, being filled by civil society and the media, which are functioning as watchdogs. Gap Inc., after being exposed by The Observer for using child labour, introduced a system of approved vendors and monitoring protocols to eradicate child labour from its production. As well as in the garment industry, labour standards are beginning to improve in stone quarries, the carpet industry and cottonseed production, thanks to the interventions of CSOs and the media. However, sectors not linked to rich countries continue to violate labour laws, with workers in the construction industry and sugarcane fields continuing to work under illegal conditions.

87 Douane, D. (2007). 'Living in the background: home-based women workers and poverty persistence'. *CPRC Working Paper 97*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Barrientos, A. (2007). 'Does Vulnerability create poverty traps?'. *CPRC Working Paper 76*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

88 ILO/WHO (2009). 'The social protection floor: a joint initiative of the UN Chief Executives' Board'. Geneva: ILO/WHO.

89 Deshingkar, P. (2009). 'Extending labour inspections to the informal sector and agriculture'. *CPRC Working Paper 154*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

90 Philips, N. (2010). 'Social exclusion, adverse incorporation and the global problem of forced labour: a comparative and theoretical consideration'. Paper presented at 'Ten years of war against poverty: What we have learned since 2000. What we should do 2010-2020.' Manchester, 8-10 September 2010.

91 Deshingkar, P. (2009). 'Extending labour inspections to the informal sector and agriculture'. *CPRC Working Paper 154*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

92 Pakpahan, Y.M., Suryadama, D. and Suryadahi, A. (2009). 'Destined for destitution: intergenerational poverty persistence in Indonesia'. *CPRC Working Paper 134*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Ssewanyana, S. (2009). 'Chronic poverty and household dynamics in Uganda'. *CPRC Working Paper 139*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Suryadarma, D. Pakpahan, Y.M. and Suryadahi, A. (2009). 'The effects of prenatal death and chronic poverty on children's education and health: evidence from Indonesia'. *CPRC Working Paper 133*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Widyanti, W. (2009). 'The relationship between chronic poverty and household dynamics: evidence from Indonesia'. *CPRC Working Paper 132*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

93 Davis, P. (2006). 'Poverty in time: exploring poverty dynamics with life history interviews in Bangladesh'. *CPRC Working Paper 69*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

94 Barrientos, A. (2007). 'Does vulnerability create poverty traps?' *CPRC Working Paper 76*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

95 World Bank (2009). *Global Monitoring Report: a Development Emergency*. Washington, DC: World Bank.

96 Harper, C. et al. (2010). 'Including children in policy responses to economic crises: lessons from the past and policies for a sustainable future'. *CPRC/UNICEF Synthesis Paper*. London: ODI.

97 Hickey, S. (2008). 'Adverse incorporation and social inclusion'. *CPRC Research Summary 7*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

4.2 Changing household demography

Changes in household composition⁹² (deaths, births, marriages) are (surprisingly) not well-correlated with household chronic poverty in quantitative survey-based studies. But they can have an impact on schooling, which in turn affects intergenerational welfare. However, qualitative work suggests that such events can make a big difference to welfare, usually on a short-term basis, such that household welfare trajectories are typically 'saw-toothed' rather than smooth.⁹³ Where the loss is significant enough and erodes household savings and assets, it can lead to more permanent damage.⁹⁴

4.3 Assets-markets-protection synergies

This analysis suggests policy and programming should address assets and capabilities, the operation of key markets (labour, agricultural) and protection as a package. These key causes of poverty and prosperity are normally addressed by different groups of professionals and different organisations (ministries, non-governmental organisations (NGOs)). Developing tried and tested ways of joining up policy and programming in these areas will be a key challenge for 2010-15.

All of this can be undermined greatly by global crises such as that seen during the past three years. Where the crisis has caused gross domestic product (GDP) declines, the effects have been damaging – declines in trade and commodity prices and remittance and other financial flows have translated into meso-level effects of unemployment, increased poverty, declining access to credit and rising social malaise.⁹⁵ These effects are likely to persist at the micro level, where there is evidence of increased child malnutrition and infant and child mortality. However, within a wide range of policy responses to the crisis, the degree of protection of basic services vital to poor people has varied. Some countries have learnt the lesson of past crises that maintaining basic services through a downturn is critical, and have been in a better macro-economic position to do so. In some countries in Latin America, funding for conditional cash transfers has been increased; in Asia, coverage remains low; in Africa, fledgling programmes may have struggled.⁹⁶

However, knowledge about the exact effects of crises remains thin. There is analytical work to be done using the new panel datasets covering the period 2008-10, which will become available shortly, for Bangladesh, Kenya, South Africa, Tanzania and Uganda.

5. Social, economic and political relations: adverse incorporation and social exclusion

The first phase of CPRC research identified clearly that there were critical underlying social, economic and political relations perpetuating poverty.⁹⁷ The key question for the second phase of research was to explore the significance and implications of these relations for policy on chronic poverty. Examples include exclusion (e.g. from education); the adverse incorporation of individuals, social groups and whole geographical regions; and the combination of material forms of deprivation with cultural forms of discrimination (which may be partly location-specific too) in ways that keep subordinate social groups (indigenous, lower-caste) poor.

The important point for policy is that understanding the role of these social structures and processes expands the policy discussion from one focused on the poor to one focused on class, ethnicity and caste. The significance of this is that elites need to be convinced that poverty is not a result of laziness or other individual attributes but of more structural features of the situation poor people find themselves in – the discrimination they experience, the constraints of location and the common position many people share – if elites are to roll out large-scale public action against chronic poverty.⁹⁸

The challenge of poverty lies as much in politics as in policy. Citizenship-based approaches generally advance civil and political rather than material rights, so have done little to alter the underlying causes of chronic poverty.⁹⁹ This may change as rights-based approaches begin to have greater influence over development policy and address systemic state problems of information and accountability (Box 10).¹⁰⁰

Box 10: India's rights-based approach¹⁰¹

Over the past two decades, there has been growing enthusiasm for the adoption of rights-based approaches to tackling poverty. These imply that the state has clear obligations to guarantee all of its citizens, including those living in chronic poverty, the rights to which they are entitled.

India has recently instituted laws and schemes to support the ability of the most vulnerable to access their rights. This move is the result partly of advocacy by longstanding social movements and partly of 'democracy in action' and the surprise defeats of the incumbents in both the 1996 and 2004 elections, which stemmed from the failure of the state to address deep inequalities in society. Laws include the 2005 National Rural Employment Guarantee Act (now known as the Mahatma Gandhi National Rural Employment Guarantee Act – MGNREGA), which obliges the state to guarantee 100 days of paid employment each year to rural households. The 2005 Right to Information Act empowers citizens to access information from government authorities. The 2006 Forest Rights Act protects access to land for India's most vulnerable tribal populations. The 2009 Right to Education Act guarantees free education, making it compulsory for children aged 6-14. There are also currently plans for a Right to Food and a Right to Health.

The granting of rights provides new opportunities for citizens to claim their entitlements from the state. MGNREGA directly improves the situation of chronically poor households through guaranteeing work and, through its employment schemes, providing sustainable infrastructure to rural areas. Using the Information Act, CSOs, and in future hopefully citizens, have held MGNREGA administrators to account, including when officials have withheld job cards or siphoned off funds.

Certainly, synergies among rights are crucial. The right to employment, underpinned by the right to information and combined with the right to education, can lead to tightened labour markets and a more rapid increase in wages than would otherwise be the case in the situation of a labour surplus. This is achieved by providing guaranteed employment at minimum wages and taking large numbers of children out of the labour market by keeping them in school.

Legislation on rights, though, is not a panacea for poverty reduction. For chronically poor people to even consider claiming their rights, there also need to be adequate incentives. The Right to Education Act, for instance, makes it compulsory for children to attend school. However, this is associated with costs for chronically poor households, including the immediate potential loss of labour income.

To claim their rights, poor people can make themselves vulnerable to recriminations from violators of rights and may have to rely on intermediaries, which has its own risks. Entitlements must also be set at an adequate standard and effective implementation is central, with sufficient resources needed to ensure this. The innovation of the rights-based approach is that it creates new institutions that promote the accountability of the state to its citizens. If these are ineffective, the approach will flounder.

Policy and programming should address assets and capabilities, the operation of key markets, and protection as a package.

⁹⁸ Journal of Development Studies (2010). Special Edition on the Government of Chronic Poverty. *Journal of Development Studies*, 46 (7).

Mosse, D. (2007). 'Power and the durability of poverty: a critical exploration of the links between culture, marginality and chronic poverty'. *CPRC Working Paper 107*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

⁹⁹ Hickey, S. (2010). 'The government of chronic poverty: from exclusion to citizenship' *Journal of Development Studies*, 46 (7), 1139 - 1155.

¹⁰⁰ Mehta, A. et al. (2011). *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

¹⁰¹ Mehta, A. et al. (2011). 'Chapter 6: India's Rights-Based Approach and Chronic Poverty'. In *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

102 Bebbington, A. and Mitlin, D. (2006). 'Social movements and chronic poverty across the urban-rural divide: concepts and experiences'. *CPRC Working Paper 65*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

103 Hickey, S. (2010). 'The government of chronic poverty: from exclusion to citizenship.' *Journal of Development Studies*, 46 (7), 1139 - 1155.

104 CPRC (2008). 'Chapter 2: The policy and political challenge'. In *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

105 Grindle, M. (2005). 'Good enough governance: poverty reduction and reform in developing countries'. *Governance*, 17 (4), 525-548.

106 Hickey, S. (2010). 'The politics of social protection in Africa: what do we get from a social contract approach?' Paper prepared for EDR Conference on 'Social Protection in Africa'. Paris, 17-18 June.

107 Unsworth, S. (ed.) (2010). *An Upside Down View of Governance*. Brighton: Institute of Development Studies.

Booth, D. (2011). 'Working with the Grain? The Africa Politics and Power Programme'. In Crook, R. and Booth, D. (eds.) *Working with the Grain? Rethinking African Governance*. Brighton: Institute of Development Studies.

108 Ponte, S. (2008). 'Developing a vertical dimension to chronic poverty research: some lessons from global value chain analysis'. *CPRC Working Paper 111*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Social movements rarely address poverty explicitly, though they may focus on particular critical relationships that create or sustain it – e.g. the consequences of corporate investment for access to land and other natural resources (forest, water), dispossession and resettlement.¹⁰² To address chronic poverty, they need to combine this focus with one on the allocation of state resources with respect to key processes around asset accumulation and market functioning, social protection and the politics of discrimination.¹⁰³ A citizenship- or rights-based approach provides a useful, rigorous language for this which can relate to local political discourses.

National political society holds the key to the development and uptake of pro-poor policies. Poverty reduction strategies developed in political systems based on inclusive political movements have proved especially pro-poor.¹⁰⁴ Even patron-client-based political systems may deliver for the poorest, although rarely in a transformative way. This means there may be tradeoffs between the 'good governance' agenda and poverty reduction. 'Good enough' governance should perhaps be the aim,¹⁰⁵ although a critical question is 'Good enough for what?' The rights-based approach India is attempting is highly demanding of governance, and in new ways, requiring an overhaul of the service delivery system accomplished partly through a much higher level of demand from citizens. Civil society actors can help to maintain policies once they are in place; political elites play the premier role in generating the kinds of citizen-state social contract that can address chronic poverty.

Social protection can be a vehicle for developing a citizen-state social contract, although liberal and social democratic schools of thought about social contracts have different approaches.¹⁰⁶ While universal programmes are undoubtedly the gold standard within progressive social contracts, targeted and conditional programmes can be politically sustainable, and can be themselves contractual – conditional cash transfers are the obvious example. Universal programmes may come under political pressure on cost grounds: this has been the case in turning the right to employment in India into a programme, for example.

Political elites are involved in webs of informal political relationships, and it is often these that determine who has political influence – this is a lesson of much recent research on the politics and governance of development.¹⁰⁷ The implication is that the formal political and administrative system, and attempts to gain footholds for poor people and their interlocutors, can only be a part of the story of political advancement. A strategic understanding of informal networks will enable the identification of other entry points, which may be as important.

5.1 The worst forms of adverse incorporation

Following the identification of informal employment as a source of insecurity-based chronic poverty, and growing interest in understanding relationships between the development of global value chains and chronic poverty,¹⁰⁸ CPRC research has recently investigated some of the 'worst forms of adverse incorporation or exploitation,' sometimes known as 'forced labour,' in India and Brazil. 'Forced labour' is a misnomer in the modern era, however, and international labour policies need to adjust to the new realities, where very exploitative labour relations can occur even in global production

networks (GPNs), but where labour is not forced and conditions of slavery do not apply.¹⁰⁹ Focusing on income poverty alone may not help capture such labour relations, as wages paid, especially in global production networks, may keep a household above the national poverty line but are not enough to enable saving, asset accumulation or significant investment in education, so children go to work early and become the next generation of exploited workers. Jobs tend to be highly insecure (Box 11).

This research has challenged the assumption that regulation within GPNs to preserve brand integrity is more robust than in local or domestic markets. In fact, the limitations of private regulation; the restriction of regulation/monitoring within the value chain to first-tier suppliers when the problems are concentrated much further up in the value chain; and the shortcomings of public regulation all mean that GPNs too are likely to push competitive pressures down to the lowest level in the labour market. Equally, such a distinction misunderstands the interconnections between different kinds of markets and production networks: it is often not possible to clearly demarcate what is production for a 'domestic' market and what is production for a 'global' market.

The key policy implication is that regulation inside GPNs – for example, against child labour – is not enough to address the chronic deprivation of such labourers and their families. Efforts to eliminate child labour can go to waste unless the children are educated; and without education, children will be unlikely to improve their socio-economic positions. Public–private partnerships are needed to address access to social services, especially education, and measures against discrimination on the basis of age, gender, ethnicity, race, nationality and immigration status. Such partnerships exist on a small scale, for

Regulation inside global production networks is not enough to address the chronic deprivation of such labourers and their families.

Box 11: 'Slave labour' in Brazil¹¹⁰

The evolution of GPNs has in many contexts, and for huge numbers of workers, been associated with precarious and exploitative labour relations. The notion of 'adverse incorporation' helps us understand theoretically and empirically why and how the terms of inclusion in GPNs are frequently associated with the reinforcement of poverty and vulnerability. On the one hand, conditions of poverty create vulnerability to precarious exploitative labour relations and 'slave labour'; on the other, these vulnerabilities are exploited within GPNs, and the power relations which create them are reinforced.

A study on what is known as 'slave labour' in Brazil reinforces the challenge to orthodox views of 'inclusion' through employment as the route out of poverty for the world's poor workers. The picture is much more complex. The 'normal functioning' of GPNs is as much associated with the dynamics of 'adverse incorporation' as it is with a beneficial process of 'social upgrading'.¹¹¹ Moreover, 'slave labour' cannot be viewed as a deviation from the normal functioning of GPNs, rejecting the tendency in many parts of academic and policy debates to imagine that a separation needs to be drawn between these practices and other kinds of 'normal' labour exploitation. Rather, 'slave labour' is a complex phenomenon clearly associated with the normal functioning of GPNs, responding to the same market pressures as elsewhere along the value chain. It represents an extreme manifestation and form of adverse incorporation, but nonetheless is one which remains in evidence across the global economy.

The challenge to the orthodoxy of 'inclusion' as poverty reduction is reinforced by the profile of the vulnerable workers. The poorest of the poor remain excluded from the GPNs surrounding Brazilian agriculture, given the physical condition demanded of the workforce employed in punishing manual labour. Thus, the reach of GPNs often does not extend to the poorest and most vulnerable parts of the world's population: the orthodox faith in 'inclusion' as the route to lifting people out of poverty appears misdirected.

109 Phillips, N. (2011, forthcoming). 'International policy implications of the worst forms of undecent labour'. *CPRC Working Paper*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

110 Phillips, N., Sakamoto, L. (2011). 'The dynamics of adverse incorporation in global production networks: Poverty, vulnerability and 'slave labour' in Brazil'. *CPRC Working Paper 175*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

111 Ponte, S. (2008). 'Developing a vertical dimension to chronic poverty research: some lessons from global value chain analysis'. *CPRC Working Paper 111*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

example, an Indian project on home-based work, which established embroidery centres for women workers. This was effective in both improving the conditions of work for women (ensuring fair payment, reducing exploitation by contractors) and in addressing child labour (the requirement is that children attend school, and, indeed, the aim is to eliminate women's need to employ their children in work rather than sending them to school). But such projects are very limited in number and scope. The research reported ostensible enthusiasm from the big corporations but limited investment of resources, and the firms still send only very small amounts of work to the embroidery centres.¹¹² New public-private partnerships are needed to combine provision of education and other services with effective regulation or self-regulation on a much wider scale. This goes way beyond current approaches to Commercial Social Responsibility.

5.2 Measures against discrimination

Discrimination is explicitly or implicitly identified as an important factor in much CPRC research. The extent of discrimination can also be demonstrated quantitatively. Studies of wage differences in Vietnam, for example, suggest that, while the wage gap between women and men closed during 1993-2002, the wage gap between majority and minority ethnic groups remains significant, with those that are not Kinh-Hoa receiving significantly lower wages. The gap, if anything, increases at higher levels of the wage distribution. The gap is accounted for not so much by differential characteristics, but predominantly by returns to characteristics, these being significantly lower for minorities for reasons of language and culture; returns to land and land quality; education quality and the returns to education; returns to infrastructure; misconceptions and stereotyping of ethnic minorities.¹¹³ Box 12 elaborates.

The second Chronic Poverty Report emphasised public measures to reduce discrimination, in combination with others to support education and economic opportunities for discriminated groups. While in isolation specific measures do not always have the intended effect, over time new social norms can be established that change popular perceptions of marginalised groups. If these groups also gain political representation, equality before the law and enhanced access to health, education and other services, this is a basis for greater social cohesion. However, anti-discriminatory measures pursued separately, without a broader social policy agenda, can generate a backlash, which needs to be managed politically.¹¹⁴

6. Location

Spatial inequality and remoteness matter. Environmental, market and political risks are often greater; access to services is poorer; returns to assets can be lower where markets do not function well or are served poorly by infrastructure; and labour markets can be sluggish, with barriers to migration. It is possible to address spatial inequality in many situations, through a combination of improved connectivity and anti-discrimination measures.¹¹⁵ The deep historical roots of adverse incorporation of regions in national and global political economies¹¹⁶ generally mean a new political settlement is needed to address it; that this can be achieved is demonstrated by progress achieved in northern Ghana, for example.¹¹⁷ The geographical concentration of chronic poverty is

112 Bhaskaran, R. *et al.* (2010). 'Home based child labour in Delhi's garment sector: contemporary forms of unfree labour in global production'. *Indian Journal of Labour Economics*, 53 (4), 607-624.

113 Pham, H. T., Reilly, B (no date). 'The gender pay gap in Vietnam, 1993-2002: a quantile regression approach'. *Working Paper 34*. Brighton: Sussex University Poverty Reduction Unit.

Hung T. Pham, Barry Reilly, (2009) 'Ethnic wage inequality in Vietnam'. *International Journal of Manpower*, 30 (3), 192-219.

114 CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC). Pages 76-7.

115 Higgins, K., Bird, K. and Harris, D. (2011). 'Policy responses to spatial poverty traps'. *CPRC Working Paper 168*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

116 Hickey, S. and Gooloba-Mutebi, F. (2009). 'Governing chronic poverty under inclusive liberalism: the case of the Northern Uganda Social Action Fund'. *CPRC Working Paper 150*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

117 Shepherd, A. *et al.* (2005). 'Economic growth in northern Ghana'. London: ODI.

Box 12. Addressing ethnic discrimination in Vietnam¹¹⁸

Vietnam's policies and programmes have targeted ethnic minorities in three ways: based on location, household economic status, and ethnic minority group membership. While the living standards of minorities have improved over the last decade, it is clear that the minorities have benefited less from Vietnam's dramatic economic growth than the Kinh and Hoa. In part, this is due to the widening disparities in living standards between the lowlands and uplands as, with the exception of the Khmer and Cham, the ethnic minorities remain overwhelmingly upland residents. However, it would be a mistake to ascribe the poverty of the ethnic minorities entirely to geography (with a policy focus on infrastructure which this tends to imply).

One question related to this is why is it that Kinh and Hoa workers generally earn substantially higher returns to their human and physical capital, while their households enjoy better access to public services, even when they live in the same upland communes as the minorities? Ethnic minority poverty in Vietnam is multi-dimensional and increases cumulatively with the life course. This is the result of the complex interplay of several overlapping layers of disadvantage, which start in utero and continue until adult life. Counteracting such disadvantages requires multiple interventions coordinated across a number of sectors, which pose complex implementation challenges in Vietnam's multi-layered system of government.

There are certain initiatives in the nutrition and education sectors (e.g., the bio-fortification of staple foods, provision of nutritional supplements to women of childbearing age in mountainous areas, the development of weekly boarding schools, and the extension of simple conditional cash transfer/scholarship programmes) that are relatively simple to implement and which would make an important difference to the life chances of ethnic minority children.

Counteracting the disadvantages which ethnic minority people face later in life, especially improving their rural livelihoods and access to wage employment, is more complex. In the agriculture and forestry sectors, extension systems which are sensitive to the farming systems and tenure practices of the different minorities require development. Improving infrastructure in the remote villages in which the smaller and more disadvantaged ethnic groups live, also has its role to play in improving the returns they receive to their assets. However, given the extensive investments which have been made here in recent years, the importance of further investments in infrastructure should not be overstated. In the wage employment field, further work is needed, exploring the extent to which ethnic minority workers experience 'unequal treatment', or whether their clear inability to access wage jobs outside the public sector is a function of their education (combined, perhaps, with 'educational screening'), networks and Vietnamese language ability. Finally, the importance of promoting growth that is geographically broad and socially inclusive is essential. For without a more equitable pattern of growth, the current disparities between the majority Kinh and Hoa and the ethnic minorities are sure to continue growing.

Universal policies/ programmes are a good start if they reach people in spatial poverty traps, but strong area-based approaches are also needed to address context-specific challenges.

often linked to persistent horizontal inequalities in society which need to be addressed if today's chronically poor are to have greater life chances, and to reduce the scope for violent political conflict.¹¹⁹

Universal policies/programmes are a good start if they reach people in spatial poverty traps, but strong area-based approaches are also needed to address context-specific challenges. Responses that facilitate better integration of these areas into the national or global economy are key – as pioneered in Latin America's (and now Asia's) work on the stakeholder-based 'territorial development' approach.¹²⁰ This could be a prime arena for developing an understanding of the formal and informal political networks that determine public action.

¹¹⁸ Baulch, B., Thi Minh, N., Thu Thi Phuong, P. and Thai Pham, H. (2010). 'Ethnic minority poverty in Vietnam'. *CPRC Working Paper 169*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

¹¹⁹ Stewart, F. (ed.) (2008). *Horizontal inequalities and Conflict: Understanding Group Violence in Multiethnic Societies*. London: Palgrave Macmillan. Pages 55-6 and 262ff.

¹²⁰ IFAD (2010). *Rural Poverty Report 2011: New Realities, New Challenges, New Opportunities for Tomorrow's Generation*. Rome: IFAD. Pages 194-195.

High transport costs constrain economic development in landlocked countries, and is exacerbated by a succession of administrative requirements, checks, and roadblocks, and sometimes domestic taxes.

121 Higgins, K. (2011) 'Escaping poverty in Tanzania: What can we learn from cases of success?'. *CPRC Working Paper 204*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

122 CPRC (2008). 'Chapter 1: Foundations for understanding and challenging chronic poverty.' In *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

123 Collier, P. (2007). *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*. London: Oxford University Press.

While short-term mitigation measures definitely help, long-term, more structural solutions are also possible and useful. And spatially trapped poor people need measures to facilitate their engagement with the external world too – to enable better, less costly, more productive migration. Finally, it is key to acknowledge that traps can exist at different scales (very local, local, sub-regional, regional, whole country), that there is heterogeneity within deprived areas and that approaches to targeting may be needed which combine area and other factors.¹²¹

6.1 Landlocked countries

CPRC research identified landlocked countries among the chronically deprived;¹²² Collier identified landlocked countries as among the 'bottom billion',¹²³ hence our focus on them. Table 5 suggests that landlocked developing countries do grow slower, though this may be changing in the 2000s.

In Africa, the growth rates of landlocked countries are always less than those of coastal countries. The country case studies included one Latin American (Bolivia) and three African examples (Burkina Faso, Rwanda and Zambia). Two of these are resource rich and two are not. Only Rwanda has had a creditable growth performance in recent years.

Table 5: Average growth rates for landlocked countries

	All landlocked countries	All coastal countries	Landlocked developing countries	African landlocked countries	African coastal countries
1970s	2.29	2.98	2.12	2.13	4.63
1980s	1.21	0.78	0.98	0.48	2.46
1990s	-0.53	1.72	-0.63	0.61	2.78
2000s	3.73	2.51	3.75	1.81	4.85

There are a number of disadvantages to countries being landlocked. All three African country examples strongly highlight the importance of high transport costs, within the countries as well as transiting neighbouring countries. This makes imports much more expensive and substantially reduces the return to exports. Bolivia suggests there are problems of transport, particularly internally, as they can trade relatively straightforwardly through Chile. In the case of Bolivia, it is stressed that only mineral resources generate enough rent to overcome transport costs. In Rwanda, some high value commodities are exported by air but this is expensive.

The issue though is not just transport costs but a succession of administrative requirements, checks and roadblocks, and sometimes domestic taxes, for example, on fuel in Zambia. All these factors create a major disincentive to trade. Investment rates and returns to human capital have been low, at least in Burkina Faso and Rwanda. Governance issues also arise in a number of cases but these are not clearly linked to a country's landlocked status.¹²⁴

6.2 Conflict

CPRC research has suggested that being born or living a substantial part of life in a conflict-affected area or politically fragile state can lead to chronic poverty, and persistent poverty and injustice can also be a cause of conflict.¹²⁵ While it may be the poverty of institutions rather than poverty itself that causes conflict,¹²⁶ it is also true that, in the absence of strong equity-focused political leadership, widespread, persistent deprivation will have a dampening effect on the development of certain aspects of institutional quality – especially the extent that organisations are accountable and politicians represent their constituents' interests.

The chronically poor risk being ignored in recovery programmes. In northern Uganda, the incidence of poverty has substantially reduced since the end of the conflict with the Lord's Resistance Army, but most poverty in the north is now chronic poverty. This suggests that the recovery programmes need to be revised to take into account the interests of chronically poor people.¹²⁷

Basic service provision aimed at the poorest and hardest to reach, infrastructure to remote areas and social protection transfers stimulate inclusive post-conflict growth and lessen the potential for renewed conflict. Social protection is especially useful in reducing the high levels of vulnerability that exist in such situations, and can be set in place. These are all potential elements of a new social contract:¹²⁸ the actual elements in a particular country and time will be very context-specific. (Re-)building a public finance system is a critical underpinning, to mobilise revenue created by growth. Assets are critical to resisting impoverishment and escaping poverty. Education is a portable asset – versatile in a conflict situation.¹²⁹

Where governments fail to deliver on social contracts in poor regions, conflict can result, as with the persistent conflicts in India's 'red corridors.' Preventative action will inevitably include attempts to return areas to the rule of law and order, but this will not be sustainable without strong development action.¹³⁰ For example, education *could* provide a ticket out of poverty for tribal populations in these zones, but the level of public investment is simply inadequate and educational standards are in many cases abysmal.¹³¹

124 McKay, A. (2011, forthcoming). Growth in landlocked countries. *CPRC Policy Report*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

125 Addison, A. and Braunholz-Speight, T. (2008). 'Chronic poverty and violent conflict: fragile states and the social compact'. *Policy Brief 7*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

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CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC). Pages 88-90.

126 World Bank (2011). *Conflict, Security and Development: WDR*. Washington, DC: World Bank. Page 7.

127 CPRC/DRT (forthcoming, 2011). *Uganda Chronic Poverty Report 2: Is anyone listening?*. Kampala: Development Research and Training and Chronic Poverty Research Centre (CPRC).

128 Harvey, P., Holmes, R., Slater, R. and Martin, E. (2007). 'Social protection in fragile states'. London: ODI.

129 Bird, K., Higgins, K. and McKay, A. (2010). 'Conflict, education and the intergenerational transmission of poverty in Northern Uganda'. *Journal of International Development*, 22(7), 1183-1196.

130 Mehta, A. et al (2011). *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

131 Department of School and Non-formal Education et al. (2009). 'Access to elementary education in Madhya Pradesh and Chhattisgarh'. Seminar Report.