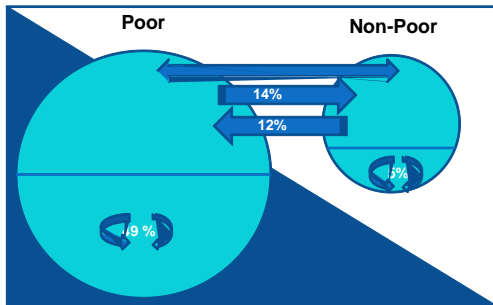# AGRODEP Training Session
Poverty Dynamics - Plan

Anne-Claire Thomas & Philippe Van Kerm

Université catholique de Louvain (Belgium) & CEPS/INSTEAD (Luxembourg)

International Food Policy Research Institute, Dakar, April 24–27

What is poverty dynamics about?

- ► Studies individuals' poverty trajectories

- ► Notions of poverty durations
- ► Notions of chronic and transitory poverty
- ► Notions of poverty entry and exit rates
- ► rk: poverty dynamics $\neq$ income mobility

Policy relevance

▶ The dynamic perspective allow to design new policy instruments

▶ It allows to answer a set of questions that static analyses cannot answer

Descriptives statistics:

  ▶ How many people are persistently poor?
  ▶ How many people are transiently poor

Multivariate analyses:

  ▶ What enables individuals to escape poverty
  ▶ What prevents individuals to enter poverty?
  ▶ What leads the individual to enter poverty?
  ▶ What leads individuals to fall in chronic poverty
  ▶ Are chronic and transient poverty different phenomenoms?

$=>$ move from income supplementation to supporting poverty exit strategies and preventing poverty entries and poverty traps

Main insights

1. The bulk of poor is poor for only a few years (Most poverty is transitory)

2. The poor are a very heterogeneous group with a small minority of persistently poor

3. The determinants of poverty dynamics are context specific. Some regularities arise:

	Mechanism	Significant Assets
Poverty persistence	Lack of assets	Productive capital
	+ Inablity to accumulate assets	Education
		Geographic capital
Poverty entry	Negative shocks	
	+ Low resilience	
Poverty exit	Positive shocks	Education
		Employment opportunities

Plan

- Chronic and transient poverty are very simple concepts
- Measures of these concepts are more complex
    - the spell approach
    - the component appraoch
    - the markovian transition approach

Plan

1. Data and Measurement Issues
   The possibility to study poverty dynamics is intimately linked
   to the availability of longitudinal data

2. Descriptive Statistics
   How to describe poverty dynamics? How one should identify
   and measure chronic poverty?

3. Multivariate Analysis
   How to explain poverty dynamics?

Data Issues

1. Sources of longitudinal data
2. Reference period
3. Attrition and tracking
4. Measurement error

Descriptive Statistics

1. Time spent poor over a period of time
2. Spell approach
   2.1 Duration of poverty spells
   2.2 Life table: hazard rate and survival probability
3. Component approach
4. Markovian transition approach: poverty entry and exit rates
5. Intertemporal measures of poverty
6. Subgroup decomposition: poverty profiles
7. Routes into and out poverty: trigger events

Multivariate Analyses: Large Number of Panel Waves

1. Spell approach: hazard/duration model
2. Component approach: Jalan and Ravaillion's approach
3. Markovian transition approach
   3.1 Random effect dynamic probit models
   3.2 Endogenous switching models

Multivariate Analyses: Small Number of Panel Waves

1. Discrete choice models: multinomial logit models
2. Modelling a continuous welfare measure (income or expenditure)

Conclusion

- ▶ Value of panel data to analyse poverty dynamics;
  It allows to identify
    - ▶ The stock of chronic poor and flows in and out of poverty
    - ▶ Poverty drivers and maintainers/ poverty exit factors
    - ▶ The role of initial conditions
    - ▶ The long lasting impact of shocks
- ▶ △! to data issues: measurement errors and attrition
- ▶ The choice of the best methods depends on the data
  available, on the purpose and the context of the study