

2020 FOCUS BRIEF on the World's Poor and Hungry People

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THE DYNAMICS OF POVERTY Why Don't "The Poor" Act Collectively?

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Where the poor form a majority or near-majority, why don't they vote themselves to power in democracies? In Madagascar, Mozambique, Mali, Guatemala, Honduras, Kenya, and Bangladesh, where the poor constitute 71, 70, 64, 56, 53, 52, and 50 percent of the population, respectively, why don't poor groups emerge and take power democratically? Even in countries where the poor form a smaller but still sizable part of the population—such as India (29 percent), Ecuador (35 percent), and the Philippines (37 percent)—why are the politics of poverty not more emphatic, potent, and visible? Traditionally these questions have been answered by referring to factors that create divisions among the poor, such as caste, religion, or tribe; but a more fundamental basis of division also exists, emanating from the separate relationships that different poor people have with poverty itself.

Not everyone who is poor was born into poverty. New research shows that large numbers of poor people have fallen into poverty within their lifetimes. Their relationship with poverty is qualitatively different from that of people who have been chronically poor. Different trajectories into and out of poverty define different relationships that produce different identities and interests among subgroups of poor people. Apart from those who have newly fallen into poverty and those who are persistently poor, a further subgroup consists of upwardly mobile poor people on the cusp of escaping poverty. Members of each of these subgroups have quite different interests, and their demands from the state are correspondingly disparate. These divisions make it difficult for poor people to unite and make common cause. Rather than considering "the poor" as a homogeneous group requiring some common policy responses, it is preferable to take account of subgroup-specific requirements. Policymakers intending to deal more effectively with poverty will do well to mount a more comprehensive response. Unless the creation of new poverty is first stemmed, efforts to move people out of poverty will ultimately be ineffective. Mounting a more comprehensive response—addressing escape and descent concurrently—will also help empower poor people socially and politically.

Poverty Creation in the Midst of Economic Growth

Poverty is being constantly refreshed, with two concurrent streams flowing in parallel. Even as some people escape poverty, others are simultaneously falling into poverty. The numbers on both sides are large, though they vary across contexts. Everywhere, however, the rate of falling into poverty is worryingly high (Box 1). Large movements in both directions constantly reconfigure the composition of "the poor." Until relatively recently, however, these movements were hidden from view. Conventionally, poverty has been measured as a stock, considering the numbers of poor people at a particular moment in time. Such stocks can be compared across two points in time and the net change calculated. Such analysis does not reveal, however, exactly how this change was derived: how many people fell into poverty within the specified time frame, and how many others concurrently escaped poverty?

It is only quite recently, mostly within the past 5 to 10 years, that scholars working independently in different parts of the world have examined poverty in a dynamic context. These studies collectively help construct a new and more complete view of how poverty is simultaneously created and reduced. Regardless of the country or period studied or the definitions and methodology used, the results are the same: descents and escapes occur concurrently. A study of more than 1,000 households in KwaZulu-Natal, South Africa, shows that while 10 percent of households moved upward out of poverty over the five-year period 1993–98, another 25 percent of households simultaneously fell into poverty. Ironically, and quite counter-intuitively, poverty increased overall even as many people moved out of poverty. Similarly, in Bangladesh over the 13-year period 1987–2000, 26 percent of households studied escaped poverty, but another 18 percent of households concurrently fell into poverty. Movements both out of and into poverty are large in every instance.

These movements into and out of poverty are not marginal or temporary events. Thus, people do not fall into poverty only to escape in a later period, nor indeed are these results confined to borderline households fluctuating around the poverty line. For instance, in Uganda, only one-third of households that fell into poverty during the 15-year period 1979–



94, were able to escape from poverty over the next 10 years. The remaining two-thirds were still poor when investigations were conducted in 2004. Meanwhile, an additional 11 percent of households had fallen into poverty, further adding to the ranks of the poor in these communities.

Box 1—The Complexity Underlying Net Poverty Changes

The realization of the complexity underlying net poverty changes emerged through the process of conducting studies of household poverty dynamics over the past six years in countries of Africa, Asia, and North and South America using the Stages-of-Progress methodology, which enables measurement and comparison to be made reliably and reasonably quickly. More importantly, this methodology enabled the identification of the factors associated with movements out of and into poverty. Research teams interviewed more than 25,000 people, identifying who had escaped poverty and why, and who had fallen into poverty and why. These teams met hundreds of very poor people who had not been poor 5, 10, or 20 years earlier. Their accounts of descents into poverty were awful to hear, but they provided an understanding of the incompleteness and ultimate futility of most current efforts to reduce poverty.

The data reproduced below show, for example, that even as 19 percent of people came out of poverty in the 20 western Kenyan villages studied, another 18 percent fell into poverty, resulting in a net reduction of only 1 percent. Such paltry gains have become frustratingly familiar from newspaper accounts, the inference being that nothing much seems to be happening. In truth, a great deal is happening (Table 1).

Each row in Table 1 relates to a separate study, and each row illustrates the fundamentally dynamic nature of poverty. Take Andhra Pradesh, for example: 14 percent of people in villages studied there came out of poverty over the 25-year period 1979–2004, but another 12 percent fell into poverty over that period. Overall, only a 2 percent reduction in poverty resulted, but a total of 26 percent of all households experienced a change in their poverty status. Similarly large movements have been experienced elsewhere. Net change in poverty was only 9 percent in the studied Uganda villages, but 39 percent of people fell into or came out of poverty.

Table 1—Households Escaping from and Descending into Poverty over 25 years

Region/Country/ Communities/Households	Share of Total (%)	
	Escaped Poverty	Became Poor
Rajasthan, India: 35 communities, 6,376 households	11	8
Gujarat, India: 36 communities, 5,817 households	9	6
Andhra Pradesh, India: 36 communities, 5,536 households	14	12
Western Kenya: 20 communities, 1,706 households	18	19
Central and Western Uganda: 36 communities, 2,631 households	24	15
Cajamarca and Puno, Peru: 40 communities, 3,817 households	17	8
North Carolina, United States: 13 communities, 312 households ^a	23	12

Source: Compiled by author; see www.pubpol.duke.edu/krishna for more information.

Movement reconstitutes the profile of people in poverty. Who is poor at the end of a period is considerably different from who was poor at the beginning. “The poor” is a swiftly changing and diverse collection of people, with subgroups that are traveling in opposite directions. For this reason alone, it is difficult for all who happen to be poor at some moment in time to consider themselves part of some collective-action group; but there is also

another reason related to the different factors that are associated, respectively, with movements into and out of poverty. Escaping poverty and falling into poverty are not symmetric in terms of their underlying causes. As a result, two separate sets of policies are required to address these two issues. Those countries that have adopted both sets of policies are also the ones in which poverty has been reduced to single digits. Other countries have been less successful.

Asymmetric Reasons for Escape and Descent

Ill health and high health care costs are associated with the majority of descents studied. In low-income regions, such as rural Rajasthan or urban Nairobi, as much as in high-income areas, such as North Carolina in the United States, the majority of households that became poor faced one or more serious illnesses (or injuries) in their family. Other people, who were poor constantly, also faced one or more episodes of debilitating ill health. Ill health imposes a double whammy—when high treatment costs go together with loss of earning power—and it has the biggest influence on becoming poor in all regions underlying this study, including Gujarat, a state with economic growth rates of 9 percent and higher. Health is an equally critical factor of descent in areas of Kenya, Uganda, and Peru. The positive influences that families experience when new earning opportunities come their way become nullified when health care expenses take a bigger bite out of the household budget. Other factors also matter, but nowhere do these factors matter as much as or more than ill health (Table 2).

Researchers comparing trends across multiple, diverse countries have concluded similarly: a “medical poverty trap” is driving thousands into poverty. Thousands of families are living one illness away from poverty, and thousands have become deeply indebted on account of health-related costs.

Escaping poverty is responsive to an entirely *different* set of reasons (Table 3). Developing a new income source is most importantly associated with successful escapes. Jobs in the government and private sectors are important for this purpose, but they are not always quantitatively the most important reason for escape. Diversification within agriculture has been more important in several regions, and new sources of income from the urban informal sector constituted the primary reason for escape in some other regions. About three-quarters of all escapes examined through the research underlying this brief were associated with income diversification through informal sector occupations and agriculture.

Assistance in the form of education, transportation and communication links, agricultural infrastructure, irrigation, and regular information about available opportunities are regarded by the people involved as important for facilitating their escapes out of poverty. On the other hand, the subgroup of the newly poor, having faced different

experiences, prefers to have very different types of policy supports—most notably, better health care. Consequently, their demands from the state are quite different from those of the upwardly mobile subgroup of poor people. One study conducted in early 2004 in 36 villages of Andhra Pradesh, India, shows how putatively similar demands of “the poor” diverge so significantly across different subgroups. All households in these villages were classified within four mutually exclusive subgroups: those who were poor seven years ago and also poor in 2004 (the persistently poor); those who were poor seven years ago but had since escaped from poverty (the formerly poor); those who were not poor seven years ago but had since fallen into poverty (the newly poor); and those who were not poor at either point in time (not poor). Hence, apart from the not poor subgroup, members of the other subgroupings could be included, at one time or another, within the omnibus category of “the poor.” More than 1,000 adult residents were selected for interview using random sampling. A list of major demands had been constructed and pilot-tested earlier. Respondents were asked to rank these demands in order of priority.

People belonging to the different subgroups are not very different in terms of gender, age, caste, religion, or education. But demands from the state vary considerably across these subgroups. Wage labor is the most important demand of the persistently poor. As many as 46 percent of respondents in this subgroup rated this demand among their top-three priorities, but only 8 percent of the newly poor and only 5 percent of the formerly poor considered this demand among their top-three priorities. Better health care services constituted the top demand of respondents from the newly poor subgroup, as could be expected, given that ill-health was the most important reason associated with their impoverishment. The largest group of newly poor respondents, 34 percent, regarded health care services as a critical demand from the state. However, only 8 percent of persistently poor respondents and only 7 percent of formerly poor respondents considered health care their key demand from the state.

Housing support was another key demand by newly poor respondents, but relatively few respondents from the other two subgroups—less than 10 percent in all—considered housing support among their top-three demands from the state. Members of the third subgroup, the formerly poor, have still different demands. Irrigation, high schools, and jobs are their most important demands. These were the means that helped take members of this subgroup out of poverty in the past, and these were their key demands in the present as well. These highest-priority demands for the formerly poor subgroup ranked quite low, however, for members of the other two subgroups. Hence, because they face different opportunities and have experienced different threats, different subgroups of the poor

have quite different demands from the state, making it even more difficult to organize poor people for collective action.

Conclusion

A sluggish pace of net poverty reduction does not occur because there is no movement out of poverty. It is a result of two large and frequently offsetting trends: large numbers of people are falling *into* poverty, even as large numbers make their escape. Until poverty *prevention* is more effectively targeted, poverty reduction will, at best, be a transient gain. These aspects of poverty’s fundamentally dynamic nature have come to be understood only quite recently as a critical mass of studies has emerged to track households and individuals over time and examine movements in and out of poverty. As a result, it is now known that many poor people—the majority in some cases—were not born poor, nor have they always been poor. Many have become poor within their lifetimes. On the other hand, many others who were poor in the past have risen out of this state in recent times, and yet others are on the cusp of escaping poverty.

Disaggregating the poor into these constituent subgroups serves a number of important functions. First, it facilitates a better understanding of the sources of poverty, in particular allowing us to consider how poverty is freshly created and how such new creation can be controlled more effectively. Such a disaggregated view aids in the design of more cost-effective policies. It may prove less expensive to increase protective measures that prevent the creation of poverty rather than to invest in poverty relief only after people have fallen into poverty. How much, for instance, does a government spend on housing and other welfare assistance than could have been saved earlier in the process through better medical coverage? Second, considering different subgroups provides a more nuanced and ultimately more useful means for analyzing the politics of the poor. It shows that requirements of the state depend *not* so much on where households lie on the income scale at any given moment but on which direction they are moving. Two households with the same level of income or wealth cannot be assumed to have similar interests; if one has fallen into poverty while the other is persistently poor, their interests will more likely diverge than be similar.

It is useful for all of these reasons to examine poverty not as it is often visualized—that is, a somewhat homogeneous mass—but as it really is: an inconstant, internally differentiated, and fluid collection of individuals who are moving in different directions at the same point of time. “The poor” is merely a figure of speech. Those to whom it refers have different identities and interests, and distinct trajectories vis-à-vis poverty. Policymakers will do well to address separately the disparate requirements of different subgroups. Assisting escapes from poverty has always been and should remain an important pillar of policy, but assistance is

required equally urgently to prevent descents into poverty. Efforts to move more people out of poverty—through job creation in the formal and informal sectors, irrigation, education, and the like—will need to be accompanied by parallel efforts to prevent or at least slow down descents into poverty. Waiting until someone arrives into poverty should hardly be the sole time to provide assistance. Acting preemptively is not only better; it may be the only way to overcome poverty comprehensively. Dealing more successfully with health care will be of primary importance in this regard.

For Further Reading: M. Carter and C. Barrett, "The Economics of Poverty Traps and Persistent Poverty: An Asset-Based Approach," *Journal of Development Studies* (Vol. 42, No. 2, 2006); M. Carter and J. May, "One Kind of Freedom: Poverty Dynamics in Post-Apartheid South Africa," *World Development* (Vol. 29, No. 12, 2001); A. Krishna, "Pathways out of and into Poverty in 36 Villages of Andhra Pradesh, India," *World Development* (Vol. 34, No. 2, 2006); A. Krishna, M. Kapila, M. Porwal, and V. Singh, "Why Growth Is Not Enough: Household Poverty Dynamics in Northeast Gujarat, India," *Journal of Development Studies* (Vol. 41, No. 7, 2005); A. Krishna, D. Lumonya, M. Markiewicz, F. Mugumya, A. Kafuko, and J. Wegoye, "Escaping Poverty and Becoming Poor in 36 Villages of Central and Western Uganda," *Journal of Development Studies* (Vol. 42, No. 2, 2006); B. Sen, "Drivers of Escape and Descent: Changing Household Fortunes in Rural Bangladesh," *World Development* (Vol. 31, No. 3, 2003).

Table 2—Principal Reasons for Descent into Poverty

Reasons	Rajasthan, India	Gujarat, India	Western Kenya	Andhra Pradesh, India	Central and Western Uganda	Puno and Cajamarca, Peru
	Share of Descending Households (%)					
Poor health and health-related expenses	60	88	74	74	71	67
Marriage/dowry/new household-related expenses	31	68		69	18	29
Funeral-related expenses	34	49	64	28	15	11
High-interest private debt	72	52		60		
Drought/irrigation failure/crop disease	18			44	19	11
Unproductive land/land exhaustion			38		8	
Number of observations	364	189	172	335	202	252

Source: Compiled by author; see www.pubpol.duke.edu/krishna for individual research papers and results.

Note: These percentages sum to more than 100 because more than one reason was involved in most cases.

Table 3—Principal Reasons for Escaping Poverty

Reasons	Rajasthan, India	Gujarat, India	Western Kenya	Andhra Pradesh, India	Central and Western Uganda	Puno and Cajamarca, Peru
	Share of Households Escaping Poverty (%)					
Diversification of income	70	35	78	51	54	69
Private-sector employment	7	32	61	7	9	19
Public-sector employment	11	39	13	11	6	10
Government/nongovernmental organization assistance	8	6		7		4
Irrigation	27	29		25		
Number of observations	499	285	172	348	398	324

Source: Compiled by author; see www.pubpol.duke.edu/krishna for individual research papers and results.

Note: These percentages sum to more than 100 because more than one reason was involved in most cases.

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