

“To make progress toward moving a majority of the world’s population into better circumstances, we must adopt a more nuanced view of what constitutes poverty.”

The Mixed News on Poverty

ANIRUDH KRISHNA

Progress in poverty reduction has been spectacular, unprecedented, and widespread over the past quarter-century. Here’s the evidence: In 1981, more than 50 percent of the world’s population lived below the international poverty line (currently, \$1.25 per day, adjusted for cost-of-living differences). This share was cut nearly in half, falling to 25.7 percent by 2005. The number of people

DEVELOPMENT

Global Trends, 2013

in poverty fell from 1.9 billion to 1.4 billion. The number living below a lower poverty line of \$1 per day fell even more sharply, from 1.5 billion in 1981 to 0.8 billion in 2005. These improvements are far better than anything achieved over comparable periods in the past.

Clearly, there is much to celebrate. But look closer at the evidence and you may not feel quite so triumphant. Those who escaped poverty have not moved very far above the poverty line; many are in danger of backsliding. And despite the recent successes, large numbers remain mired in poverty. Fifty-one percent of the population in sub-Saharan Africa, 40 percent in South Asia (including India), and 17 percent in East Asia (including China) continue to live below the \$1.25 poverty line. These numbers need to be halved and then halved again.

Business as usual will not succeed in reducing world poverty to single-digit percentages. Policies that have helped reduce poverty in the past have lost some of their edge, and are unlikely to be equally effective in the future. Newer and better-focused policies are required to address three areas

of continuing concern that have received relatively little attention in the past. Only with attention to these concerns can we hope to achieve a world in which the majority of people live in dignity and reach their potential.

PERSISTENT PROBLEMS

The first of these concerns relates to the resurgence of poverty. Moving people out of poverty is not the entire solution, because people fall into poverty in large numbers. Investigations that I conducted together with colleagues in different countries show that more than one-third of all poor people were not born into poverty. Rather, they fell into poverty, and in the majority of cases have remained persistently poor. Assistance of different kinds is being provided to these individuals and families. It seems odd and grimly ironic that support is extended only after people have become impoverished. Much more can be done to prevent these occurrences, saving a great deal of human misery and substantial taxpayer funds. Yet policies aimed at poverty prevention have not been put in place in most countries. As a result, what is gained on one hand is lost on the other; new people fill spaces vacated by the formerly poor.

A second concern relates to the special problems of chronic and intergenerational poverty, on which current policies have had very little effect. Stubborn pockets of poverty remain in particular locations and among members of groups that are discriminated against or marginalized by geography or politics. Whole families remain poor for generations. Poverty is passed on from parents to children and grandchildren. Such chronically poor people are estimated to number between 320 million and 400 million across the world, a sizeable group requiring special attention.

A third area concerns the nature and quality of escapes from poverty. Sure, it is a happy occasion when some individual crosses over the poverty

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line. But how much more do formerly poor individuals typically end up achieving? Are the destinations at which they arrive commensurate with their personal capabilities and hard work? Or do even the most capable and hardworking tend to get trapped beneath low glass ceilings?

Not a great deal of knowledge is available on this score, but for what they are worth the aggregate statistics are far from encouraging. Between 1981 and 2005, the number of people living in acute poverty (below \$1.25 per day) fell by 500 million across the world. What we did not see, and what is less often discussed, is that simultaneously the number of those in near-poverty (between \$1.25 and \$2) went up by an even larger number: 600 million. The entire reduction in the numbers of the acutely poor thus seems to have been absorbed within the ranks of the near-poor, with those escaping poverty climbing above but still remaining close to the poverty line—a realization that takes the luster off the reported achievements.

More people need support to rise, not just above the poverty line, but as high as each one is individually capable. Unfortunately, current policies do not help achieve this goal. Talented individuals are born in large numbers even within very poor households. Our investigations revealed that hardly anyone among them was able to achieve a high-paying position.

Economic growth, which has helped raise millions out of poverty in the past, will not be equally successful as an antipoverty measure in the future. Already, calculations show that the poverty-reducing impacts of growth have shrunk, especially within countries where growth has helped most in the past. One reason for this is that economic growth is not a sufficient antidote for any of these three remaining concerns, which will require new policies assisted by disaggregated data collection and innovative analytical tools.

HIDDEN FLOWS

Continuing inattention to the concerns discussed above can be blamed in part on gaps in poverty data. An intense, worldwide focus on stimulating economic growth as the primary antipoverty measure has resulted in the collection only of national-aggregate poverty statistics. Surveys carried out by national governments and international agencies estimate the total number of

people who are poor in a country at particular moments in time. We can deduce the net change in the stock of poverty between successive measurements, but there is nothing in these data that reveals precisely how many people escaped poverty, much less about the quality of individual escapes; nor do the data show how many fell into poverty, or anything about the numbers and conditions of the chronically poor.

For the sake of illustration, consider the following hypothetical example. The level of poverty in Country X, which was 32 percent in 2000, fell to 24 percent by 2010. Should we be optimistic or disheartened? More important, what can we deduce from these statistics, the only ones usually available, about what needs to be done in terms of future policy design?

The answers to these questions, it turns out, depend largely on the nature of the underlying poverty flows. We need to know: How did this 8 percentage point reduction actually come about? Did (a) 8 percent of the population escape poverty, and no one fell into poverty over the same period (which, if it were true, would be very encouraging); or (b) did 16 percent escape poverty, while 8 percent concurrently became poor; or (c) causing most distress, did 24 percent escape poverty and 16 percent fall into poverty? None of these

possibilities can be discounted. The available data are compatible with any of these (and innumerable other) flow possibilities, all resulting in an 8 percent net reduction of the national poverty level.

If statistics tell us nothing about different flow possibilities, we are powerless to design effective policies. Critically, escapes from poverty and descents into poverty are not responsive to the same remedies. People escape poverty on account of one set of reasons; they fall into poverty on account of a different set of reasons. Because separate factors are associated with each poverty flow, separate and parallel policies are required.

One set of policies—let's call them promotional policies—is required to promote more poverty escapes. Concurrently, another set—preventive policies—is required for holding poverty descents in check. The faster the pace of descents in some country or region, the more urgent is the need for preventive policies. But where descents are fewer in number, resources can be concentrated, instead, on promotional strategies. Different combina-

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tions of promotional and preventive policies are required, therefore, depending on the particular circumstances of a nation or region.

In order to give shape to the appropriate policy mix, it is critical to have disaggregated data that help differentiate escapes from descents. Such data have not been available in the past. Policy makers, unable to view the magnitude, far less the sources, of this problem, have been blind to poverty descents. As a result, preventive policies have been enacted in only a handful of countries, developing or rich—and these are the countries that have the lowest poverty rates, not those with the highest growth rates or the largest per capita incomes.

The same nexus—non-availability of data leading to policy inattention—applies to the second and third areas of concern: chronic poverty, and a dearth of opportunities resulting in a low glass ceiling for poor individuals. Recent studies give some indication of the magnitude of these problems and ideas about what needs to be done. In particular, improving health care is critical for preventing future poverty. Simultaneously, investments must be made in education, infrastructure, and information provision.

UPS AND DOWNS

Planners are fixated on promotional strategies, but the only way in which inattention to poverty descents can be justified is by assuming that all poor people must have been born poor. A swath of evidence from different parts of the world shows that nothing could be further from the truth. Recent research employing a variety of methods has tracked flows into and out of poverty. The results are broadly similar: Everywhere, poverty simultaneously falls and rises.

In a series of investigations undertaken between 2001 and 2010, I traced which households have come out of poverty and which others fell into poverty (and why) in a varied sample of nearly 400 communities in India, Kenya, Peru, Uganda, and the US state of North Carolina. In association with colleagues in these countries I studied more than 35,000 households.

In each case, we found, encouragingly, that large numbers of people have moved out of poverty. In 36 Ugandan communities that I analyzed, 370 households (almost 15 percent of the total) emerged from poverty between 1994 and 2004. In Gujarat, India, 10 percent of a sample of several thousand households emerged from poverty

between 1980 and 2003. In Kenya, 18 percent of a sample of households came out of poverty between 1990 and 2004.

Unfortunately, people moving out of poverty are only half the story. The other, gloomier half is about the thousands of people who fall below the poverty line each year. In Kenya, for example, more households, 19 percent, fell into poverty than emerged from it. In Gujarat, 7 percent of all households fell into poverty, even as 10 percent were moving out. In Egypt, Peru, South Africa, Bangladesh, and every other country where such studies have been carried out, concurrent escapes and descents have been similarly exposed.

In remote rural areas as well as throbbing metropolises, the numbers are large both for those who have escaped poverty and for others who have become poor. In many places, the newly impoverished constitute the majority of the poor. Worse, many of those who fall into poverty take a long time to move out, with some becoming persistently poor. Nearly 60 percent of all those who slipped into poverty 15 or more years ago were still poor at the time of our investigations.

THE HEALTH CARE TRAP

Preventive policies are urgently required. There is nothing inevitable about falling into poverty. In fact, there are many opportunities to prevent it. People usually fall into poverty over a period of time, bit by bit, and not all of a sudden. A number of factors contribute to poverty descents, and they differ in importance within and across countries. A chain of everyday events, rather than any single catastrophe, is most often involved.

However, the leading culprit is poor health care. Tracking thousands of households in the five countries we studied, my colleagues and I found that poor health and high health care expenses are the leading cause for people's reversals of fortune. The story of a man from Cachachi, a district in Peru, is illustrative. "I was much better off than my neighbors when my wife of 25 years became ill," he said. It was diagnosed as uterine cancer. "I was obliged to sell my animals, cows, oxen, and donkeys, and I also went into debt in order to care for her, and later, to bury her. Today, old and sick, I have to find work as a day laborer."

Among households that fell into poverty in 20 villages of western Kenya, 74 percent cited ill health and high health care costs as the most important cause of their economic decline. Eighty-eight percent of people who fell into poverty in 36

villages in India's Gujarat state placed the blame principally on health care costs. In Peru, 67 percent of the recently impoverished in two provinces cited ill health, hard-to-reach medical facilities, and high health care costs. In comparison, drunkenness, drug abuse, and laziness together accounted for no more than 3 percent of all poverty descents.

People are not poor because they wish to be poor or because of some character defect. Most have become poor due to influences beyond their personal control, including, particularly, health care.

Once families are hit by a health crisis, it is often hard to recover. One major illness typically reduces family income by up to one-fifth. Successive illnesses ensure an even faster spiral into persistent poverty. Public health researchers have detected a "medical poverty trap" in many countries. A combination of ill health and indebtedness has forced large numbers of households in Asia and Africa into poverty, including many who were once quite well off. The phenomenon exists in wealthy nations as well. More than half of all personal bankruptcies in the United States occur due to high medical expenses.

Millions of people are living one illness away from poverty. And existing poverty alleviation measures are ill suited to respond to the challenge. Economic growth does not by itself remove the medical poverty trap. Health care is not automatically better or cheaper where economic growth rates have been high. In Gujarat, which has regularly achieved 8 percent growth rates for many years, the dearth of affordable health care remains a severe problem, and thousands have fallen into poverty for health-related reasons. Health care in fast-growing Gujarat is no better than in other, often poorer, states of India. Indeed, Gujarat ranked fourth from the bottom among twenty-five states in terms of proportion of state income spent on health care.

Perversely, rapid economic growth often weakens existing social safety nets and raises the danger of falling into poverty. In places as diverse as rural India, Kenya, Uganda, and North Carolina, I observed how community and family support is crumbling as market-based transactions overtake community networks.

Making affordable and high-quality health care accessible to all is the most important preventive

policy of the future. Poverty is lowest in those countries and communities where residents can get a loved one's illness treated without having to lose their shirts. The poverty rate in Japan is 2 percent, among the lowest in the world. By the same measure, 14 percent of the United States' population is poor, even though the country boasts one of the highest annual per capita incomes in the world—nearly \$50,000.

Higher incomes and economic growth undoubtedly helped in Japan, but so, too, did an entirely different set of policies. Quite early in the country's postwar recovery, Japanese officials recognized the critical relationship among illness, health care services, and poverty creation, and they responded by implementing universal health care as early as the 1950s. Sweden, Denmark, and all other countries with single-digit poverty rates have also invested in high-quality, universally accessible health care.

Improving health care will reduce future poverty by stemming the inflow of newly impoverished people. It will also improve the prospects of the existing poor. People who know that they are protected against downsides will more readily take risks and invest in their futures.

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CHRONIC ADVERSITY

Both promotional and preventive policies are also required to deal with the problems of chronic poverty. People remain chronically poor not for lack of trying or because nothing happens to change their lifestyles. More often, for them, one step forward is followed by two steps back. Over time, families face different combinations of adverse and positive events. Adverse events—a loved one's illness, the death of a spouse—tend to pitch families into a downward spiral. But positive events also occur: Someone acquires education and lands a job; someone else obtains a profitable supply contract. The buoyancy produced by positive events is offset, however, when families experience negative events.

The balance of events—positive and adverse—determines whether a family will climb up, go down, or stay in place. The object of policy should be to change this balance, inducing more positive and fewer adverse events. Improving health care will help enhance the balance of events, including for the chronic poor.

Three other factors require special mention. First, there is a spatial dimension to chronic pov-

erty, which is more often found in rural than in urban areas. It is especially acute in remote rural regions. The prospects of rising out of poverty are lower (while the odds of falling into poverty are higher) among habitations located far from towns and cities. In many countries, urban areas and villages located close to major cities provide the lion's share of physical and social infrastructures. In remote areas, a lack of transportation, schools, and clinics combine to keep people trapped in chronic poverty, which is multidimensional in nature—the chronically poor are more often sick, they are less often educated, and they find it hard to connect with market opportunities. A hard core of chronic poverty is frequently found among forest dwellers and mountain folk.

These handicaps are made worse by social exclusion and political discrimination directed against members of particular ethnic groups. In India, for instance, scheduled castes (former untouchables) and scheduled tribes (indigenous people) have been historically discriminated against and still carry a higher burden of poverty. Gender discrimination is another concern in many countries. Female-headed households are among the poorest of the poor, being (or becoming) chronically poor in a vast number of cases.

A third chronic poverty trap has to do with civil wars and limited citizenship. Prolonged civil strife with refugees moving across borders has given rise to persistent poverty, especially in sub-Saharan Africa, where the chronic poor constitute 15 to 20 percent of the population.

Having little or no education, lacking roads and communication, isolated, and often refugees or victims of social discrimination to boot, the chronically poor have few means to avail themselves of the benefits of economic growth. They need targeted policies that can equip them better for participating in the growth process. Improving health and especially education is critical; there are many illiterate people and their wages are very low. Building better connections to outlying areas is another priority. Rapidly spreading cell phones have in some places and to some extent helped, but other forms of physical and social infrastructure are also necessary.

MARGINAL ESCAPE

To make progress toward moving a majority of the world's population into better circumstances,

we must adopt a more nuanced view of what constitutes poverty. A binary view considering only two possible states—above and below the poverty line—has unfortunately informed poverty policies of the past. Because reducing the aggregate numbers in poverty was the overriding concern, the quality of individual escapes was not separately monitored. A marginal escape above the \$1.25 poverty line—from, say, \$1.23 to \$1.27 per day—was counted as a success. A more substantial escape, 79 cents to \$2.50, was counted in much the same way. This manner of compiling poverty statistics has provided relatively little knowledge about individual poverty escapes.

Recent data from grassroots investigations help fill these gaps in poverty knowledge. The picture they show is similar to what we have seen in global statistics. Many have moved out of poverty, but only a tiny number have risen very far. Most of those who escaped poverty in the countries I studied have found positions working as maids, gardeners, chauffeurs, pushcart vendors, security guards, rickshaw pullers, mason's assistants, and the like. Hardly anyone has become a software engineer, university professor, business magnate, or airline pilot. Further investigations have shown that even the sons and daughters of these maids and pushcart vendors are rarely able to achieve higher-paying positions.

What is holding back these individuals? It is certainly not lack of effort or ambition. Again and again, in interviews with poor mothers and fathers, I was brought back to one essential fact: One's own poverty is easier to bear with fortitude if future opportunities for one's children are bright. People of all socioeconomic levels are deeply concerned about their children's future. Data from around the developing world show an explosive rise in school attendance. Many are investing more than they can afford in sending their children to schools.

Few among these investments have delivered rich rewards. People from poorer communities, even the more educated and hardworking ones, tend to get stuck with low-paying positions. I inquired in a diverse group of communities about what the residents have achieved in the past and what current residents, especially younger ones, aspire to achieve in the future. Separately, I examined the social and educational backgrounds of

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young people who have been recruited recently as engineers or managers or who found other high-paying positions. There are many happy parts to the stories I heard, but the sad part is that none among these new recruits was brought up poor.

Two factors have militated against greater achievement. First, the quality of education in poor communities is poor. The schools that poorer children attend are poorly resourced. Teachers are scantily supervised and poorly motivated; teacher absenteeism is rife. There is hardly any after-school activity. Despite going to school for the same number of years, children in poorer communities learn less than their peers in better schools.

Intensifying the limitations imposed by lower-quality education is an acute shortage of career information. Employment exchanges, career counseling services, college guides, vocational centers, and other institutions that provide information and career guidance do not exist in poor communities. And the only role models available in such communities are those who achieved low-paying positions in the past. The absence of high-achieving role models and mentors along with a lack of reliable information about pathways and opportunities keeps thousands of bright-eyed young people trapped within low-productivity, low-compensation situations. Even those who have innate ability and the will to excel are unable to do so because they cannot get plugged into better opportunities.

Faster economic growth will open new opportunities, but who will benefit from them? There are concerns that income inequality is rising worldwide, hampering the poverty-reducing impact of economic growth. Investing in education and information is, therefore, an urgent need. Individuals will benefit and countries will grow faster when a greater share of their talent pool can connect with higher-productivity opportunities.

PROMOTE AND PREVENT

Progress in poverty reduction has been laudable in the past few decades, but we cannot afford to be complacent, hoping that what has worked in the past will continue to deliver in the future. Promoting faster economic growth is critical, particu-

larly in countries, including many in sub-Saharan Africa, where growth rates have been historically low. In addition, different and targeted policies are required.

And this means preventive as well as promotional policies. It does little good that large numbers of new recruits enter the pool of poverty while strenuous efforts are made to move people out of this pool. People who escaped poverty in the past have not gone very far, and many others are in danger of impoverishment. Cutting off the flow of people into poverty is a critical priority for the future. Diverse factors are responsible for this constant flow, and bad health is primary among them. Future poverty cannot be controlled without introducing better health care.

Reducing chronic poverty is another priority. The chronic poor constitute a special group that is not automatically assisted by economic growth. Better physical and social infrastructures are required to deal with their problems, in addition to legislation and grassroots actions against discrimination.

Moving beyond a narrow concern with dollar-a-day poverty, improving social mobility among the poor is another priority for the future. Imagine if someone like Albert Einstein had been born poor. Would it have been enough to have moved him just above one dollar a day? The antipoverty achievements of the past are brought into question because many who escaped poverty have joined the ranks of the near-poor. Doing better in the future will require investing in more effective promotional policies. Nurturing talent, no matter where it emerges, requires higher-quality education for all. Simultaneously, there is a need for institutions that provide poor people with information about diverse career opportunities, helping individuals put their capabilities to better use.

Small-scale examples, sparks of light from across the world, pioneered variously by nongovernmental organizations, government agencies, businesses, and volunteer groups, show how these efforts can be successful. Achieving a world without poverty is not beyond our reach, but it will require expanding current thinking, doing new things, and adopting different ways. ■