



A Note on Vulnerability: Findings from Moving Out Of Poverty

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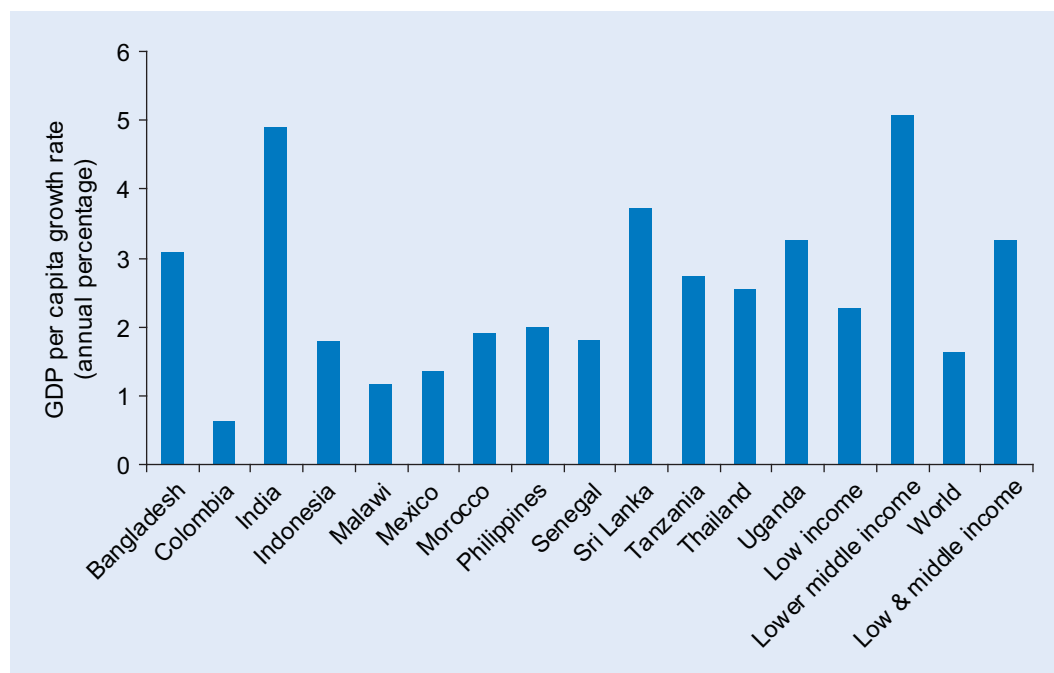
Introduction

Poverty studies typically focus on people who live below the poverty line. Few studies have examined how people are able to not only move out of but also stay out of poverty. The 15-country study, *Moving out of Poverty: Success from the Bottom Up*, by Deepa Narayan, Lant Pritchett, and Soumya Kapoor,¹ is one of the few large-scale comparative research

attempts to analyze mobility out of poverty rather than poverty alone.² The study focused largely on rural communities over a 10-year period between 1995 and 2005, when developing countries exhibited overall relatively strong growth (see figure 1).

Using recall data as well as household and community surveys of current conditions, the study revealed high levels of

Figure 1: Average per capita income growth in the study countries (1995–2005)



Source: WDI 2008.

Note: Data unavailable for Afghanistan.

churning—movements both up and down the socioeconomic ladder—that an exclusive focus on net poverty reduction rates would have hidden. Across rural communities studied in Malawi, for example, falling rates were high enough to effectively cancel out upward movement. Two important reasons across countries for falling into poverty were health shocks and declines in local economic prosperity. These findings indicate that policies to lessen vulnerability must form an essential part of any strategy to reduce poverty. Given the current impact that the food, fuel, and financial crises have had, attention to vulnerability becomes ever more urgent.

To elicit local definitions of poverty, vulnerability, and prosperity, uncover patterns of upward and downward mobility, and allow for some cross-community and cross-national comparisons, researchers asked tens of thousands of people to define what it meant to be poor, vulnerable, and non-poor in their communities. During group discussions, men and women constructed a “Ladder of Life,” or a continuum describing degrees of well-being, and then, through consensus, decided where 100 households in their community stood at the time of the study and 10 years previously. They also defined community-specific poverty lines. Tellingly, in most communities surveyed, official poverty lines tended to underestimate poverty as defined by the community. “When you give a person that much,” said members of a discussion group in Chubaka,³ Tanzania, referring to the income level at the official poverty line, “also prepare a prison for him because after a few hours he will already start stealing.”

Vulnerability: Pervasive in Developing Countries

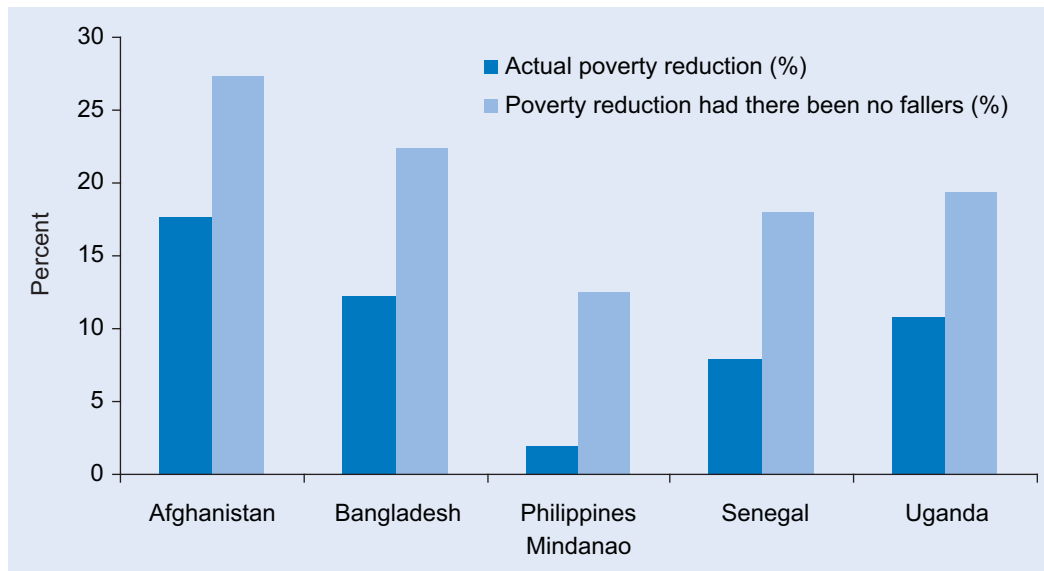
A striking finding from these discussions was the pervasiveness of vulnerability and insecurity. During discussions, participants

were asked if there were particular steps on the Ladder of Life from which it was easier to fall back into poverty. Not surprisingly, they identified households not only on the first but often on the second step immediately above the community poverty line as the most vulnerable. In Dabiading, the Philippines, discussants noted that at this step, failure of a business venture or the need to pay medical expenses would immediately push a household into poverty. Unlike those higher up on the Ladder of Life, people just above the poverty line had no savings or assets to fall back on. In other words, discussants identified a critical distance—or “vulnerability gap”—between being non-poor and being safe from falling into poverty.

What is the overall significance of vulnerability for efforts to reduce poverty? The *Moving out of Poverty* study found that, across regions, while 17.2 percent of households moved out of poverty, 5.9 percent of households fell into poverty over the course of a decade. In other words, net (median) poverty reduction was 9.1 percent—but poverty would have been reduced by a further 5.9 percent had no one slipped below the poverty line. Clearly, from a policy perspective, preventing vulnerability to falling into poverty represents as important a challenge as encouraging movement out of poverty.

The extent of falling was particularly striking in Africa. In the Malawian villages, for instance, 10.2 percent of all households surveyed in the Ladder of Life moved out of poverty (as defined by the community rather than by a \$1/day poverty line) between 1995 and 2005, while 10.6 percent fell into poverty. This high level of churning resulted in a marginal increase in poverty, as measured against the community poverty lines. Figure 1 shows the net poverty reduction rates in five countries with high falling rates versus the poverty reduction rates if no one had fallen into poverty.

Figure 2: Actual and hypothetical poverty reduction rates in selected study countries (median, percentage)



Source: Calculations from the Ladder of Life community mobility matrixes, Narayan et al. 2009.

The Impact of Shocks on the Vulnerable

Idiosyncratic shocks

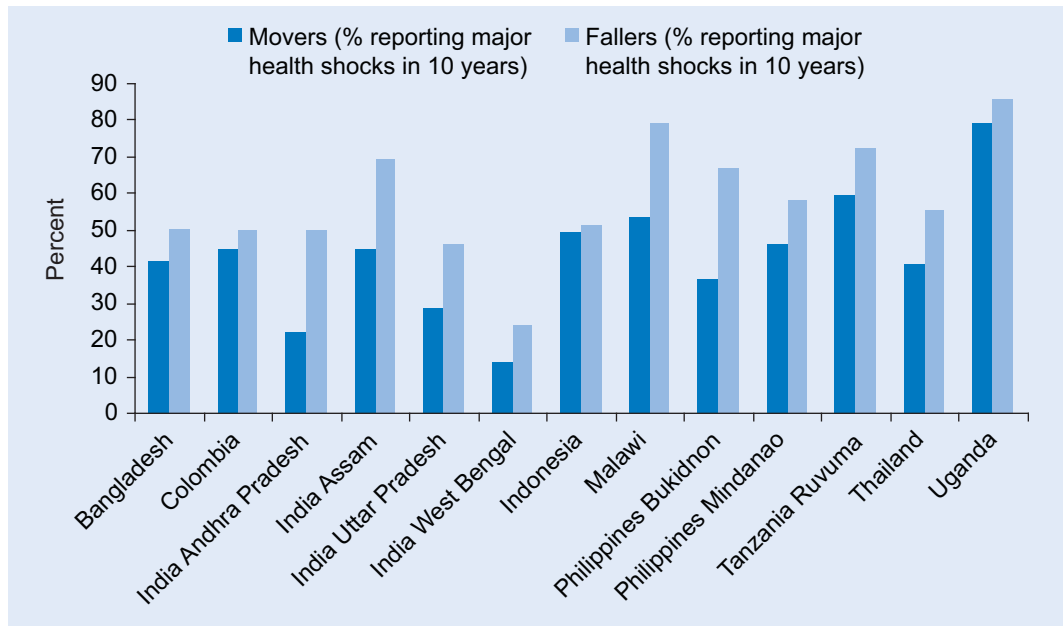
The first step to devising policies to alleviate vulnerability is to understand its causes. Across the communities surveyed, for example, death and illness featured as principal sources of vulnerability. The incidence of health shocks was higher among fallers than among movers in 14 of the 15 countries (figure 2). The association between ill health and falling into poverty was particularly powerful in the African communities: nearly 85 percent of fallers in Uganda, 79 percent in Malawi, and 73 percent in Tanzania (Ruvuma) had experienced a health shock in the decade prior to the survey. In addition, health shocks were more prevalent among the fallers relative to the movers in the Indian and conflict-affected communities. In the four Indian states (including the conflict-affected state of Assam), the difference between the fallers and the movers ranged between 10 and 28 percent, while it was 30 percent in the Philippines.

In addition to death and illness, social obligations also pulled those dwelling precariously above the poverty line down into poverty. In the Indian state of Uttar Pradesh, social shocks explained as many descents into poverty as death and health shocks. Discussants lamented the ever increasing expenditures on the marriage of their daughters, among other social obligations. One woman reflected, “The birth of a girl in a poor family is equivalent to death.”

Discussants identified three types of setbacks that resulted from such idiosyncratic shocks. First, household incomes suffered due to illness and death, especially when the incapacitated person was the main breadwinner and healthy family members took on the role of caregivers. In Zokwaza, a Malawian community deeply affected by HIV/AIDS, a discussant said, “People are spending more time attending to patients and funerals instead of working in the fields or doing other income-generating activities.”

Second, people were forced to sell productive assets to cover medical or ceremonial expenses and to supplement forgone

Figure 3: Fallers report more health shocks (injury, illness, and death) than movers



Source: Household questionnaire, Narayan et al. 2009.

earnings. This was the case for Mohiroop, a 30-year old faller from Peebarost in Uttar Pradesh. In 1996, he had to sell three acres of land to cover his brother’s medical expenses. He did not have time to recover the lost assets before 2002, when he was forced to sell another three acres to meet the marriage expenses of his sister. Over the course of these six years, Mohiroop descended from above the community poverty line to the ranks of the village poor.

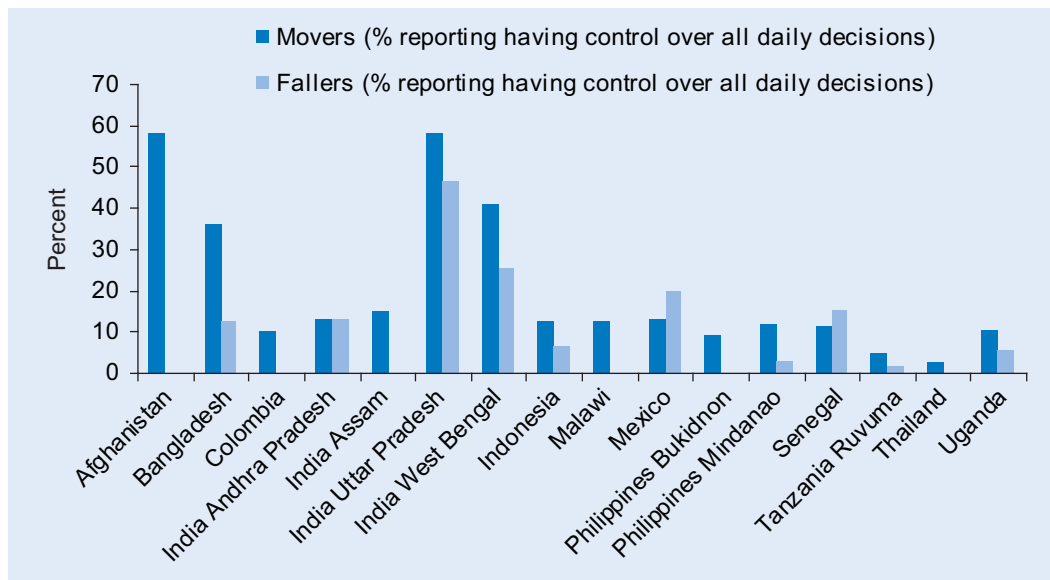
Third, ill-health, unemployment, and asset depletion debilitated people’s self-confidence and dampened their aspirations for the future. After his first child died, Peter, a 22-year-old in Tulma, the Philippines, began to drink heavily: “I lost my interest to work. It seemed that I had gone insane in my thoughts.” Reflecting on his own illness and illness in his family, a villager in Assam said, “I don’t think my life is dynamic. It has become static. I feel demoralized.” This sense of disempowerment is reflected by the finding that movers tended to rate their level of control over daily decisions higher than did fallers (fig-

ure 3). Across all communities surveyed, the study found the lowest levels of happiness and feelings of empowerment among fallers. Almost two-thirds of fallers, as opposed to fewer than 20 percent of movers and 16 percent of the never poor, put themselves in the bottom happiness categories. And only one-third of fallers as opposed to nearly three-quarters of movers placed themselves at or higher than step four on a ten-step ladder of power and rights.

Covariate shocks

While health and social shocks affect individual households, natural disasters and climate-related shocks impact entire communities. Such covariate shocks were particularly prevalent in communities that depended almost entirely on traditional forms of agriculture. In Thiel, Senegal, 70 percent of households fell into poverty over the course of the decade. Dependent on groundnut farming as their primary source of income, farmers suffered from loss of income resulting from cold weather in 2002 and a locust invasion in 2004.

Figure 4: Control over all daily decisions by movers and fallers



Source: Household questionnaire, Narayan et al. 2009.

Price shocks were a recurrent cause of vulnerability, with those just above the poverty line particularly susceptible. In the coffee-growing regions of Tanzania, production used to be closely supervised by parastatal cooperative societies, which supplied farmers with inputs and bought coffee at set prices. From 1994, private coffee buyers were allowed to enter the market. In Ngimiyoni village, growers initially benefited from higher prices and they forwent membership of the cooperative. But over the course of a few years prices on the private market fell, middlemen further eroded profits, and farmers were left with inadequate income and insufficient inputs for growing crops the following season.

Finally, the study documented the relationship between conflict and vulnerability. In Paitatu village, in the Mindanao region of the Philippines, informants testified to the impact of conflict on their livelihoods and assets. During “all-out war” between government and separatist forces, houses and farmland were damaged, and vehicles were stolen or destroyed. To survive during evacuation, people sold remaining assets

such as draft animals at less than half of their usual value. Once it became known as a conflict area, the community struggled to rebound, even after peace was formally reestablished. Discussants in Paitatu noted that outside investors continued to stay away; even casual commerce was affected since people were “afraid to pass through the village road.”

Mitigating Shocks: The Role of Assets and Access

Those at the top of the Ladder of Life were able to rely on some of their assets as a cushion when times were tough. As Jamilah, a female discussant from Abanang, the Philippines, reflected: “Wealthy people are like coconut trees because they never lose their fruit.” In Ngraf village, Senegal, the wealthy were defined as those with enough income to invest in both farm and nonfarm activities. When harvests were good, these people generated income to invest in an additional activity, such as a small shop, creating a stronger safety net for times when harvests were bad. Discussants noted that in case of difficulties, the wealthy could sell

their property and easily get loans because they were trusted.

In contrast to those dwelling at a safe distance from the community poverty line, the vulnerable lacked a meaningful asset cushion when disaster struck. Jamilah reflected that in this sense the vulnerable were “like milking cows that no longer have any milk to spare.” In West Bengal, discussants recounted how they sold the small parcels of land that had been distributed to them by the government to meet unexpected expenses—from medical treatments to food purchases when harvests were poor. One man described how he was forced to sell the half acre he had received from the government in 1980. “For cultivation, our main source of water was our nearby canal. But in 1996, water of the canal dried up. So cultivators faced difficulty and their condition became worse. So to return money that I had borrowed earlier, I had to sell my land.”

Unequal access, whether to markets, credit, services, or public goods, means that vulnerable people face an uphill struggle in their battle to stay out of poverty. Coffee growers in Ngimanyi, Tanzania, described a market controlled by middlemen. Small producers’ crops were short-weighted in a trick known as *masomba*—or making the coffee as light as sunflower seeds. To make ends meet, farmers often turned to informal moneylenders, but here too they were cheated, forced to sign agreements saying they had borrowed more than was actually lent.

Discussants reflected that opportunities to set up a business were limited to insiders with connections. Women in Villa Rosa, Colombia, said, “Getting a permit is tough—you must have contacts and money.” Gourikanta, a construction worker in Ranibari, Assam, related how his efforts to pull his family out of poverty were thwarted. “In 2002, thinking about doing business, I applied to the local government for a loan of 10,000 rupees. But the people in the office

wanted bribes.” Unable to pay the bribe, Gourikanta continued to eke out a living doing poorly paid construction work.

Movers and the never poor confirmed these observations, noting that access to employment, business licenses, or support during emergencies depended on having privileged inroads into local government. Sukatan, a 30-year-old male mover from West Bengal, stated, “Since 1996 I have been attached to the Party.... Through this involvement I was allotted a space in the market so I could open my business.”

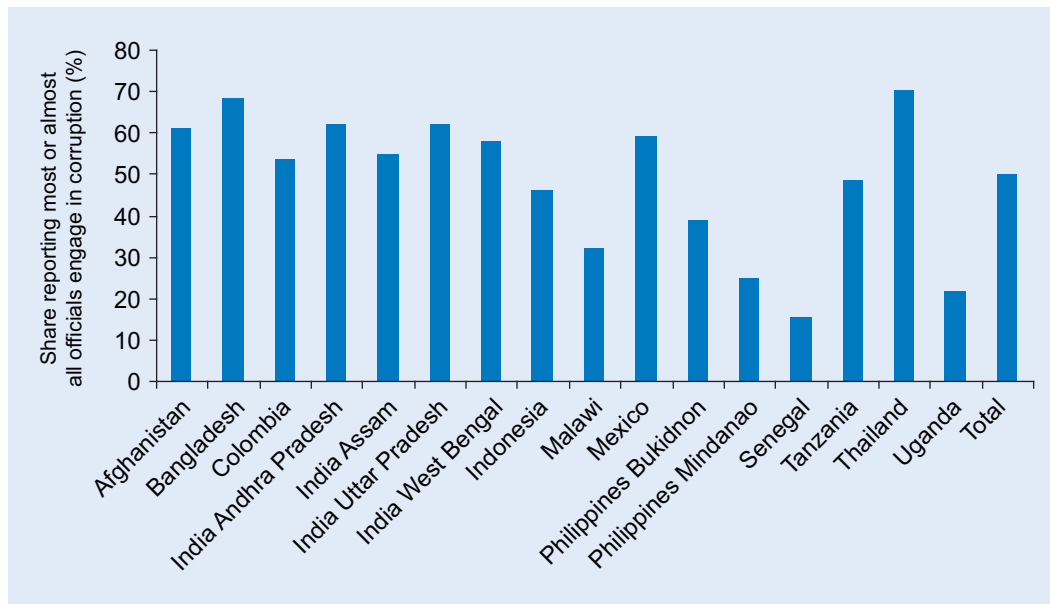
Across communities, discussants described a system rigged against those who could not afford to pay bribes. Overall, 70 percent of the communities reported dealing with corrupt government officials, and 50 percent reported that all or almost all local officials were corrupt.

Conclusions

These findings about vulnerability, the significance of shocks, and the factors that reduce the impact of shocks have important policy implications. They show that reducing vulnerability is critical for overall poverty reduction, particularly given the waves of food, fuel, and financial crises that threaten to undermine the economic security of households worldwide. Three sets of actions are crucial.

First, the vulnerable need to be protected from the kinds of shocks that trigger negative cycles of asset depletion, indebtedness, and disempowerment. The prevalence of health shocks in the life stories of fallers indicates that affordable and accessible health care represents a first line of defense. Where government capacity is limited, the nongovernmental sector can play an important role by complementing (but not substituting for) public provision. In Andhra Pradesh, discussants testified that self-help groups were invaluable in coping with health and social shocks. In Appipuram, villagers described their self-

Figure 5: Share of households reporting most or almost all officials engage in corruption (percentages)



Source: Household questionnaire, Narayan et al. 2009.

help group’s system of savings and loans: “One member utilized her loan amount for her treatment in the hospital and now she is alright; one member took a loan to perform her daughter’s marriage.” Innovative insurance mechanisms, such as weather derivatives to protect against crop failure, are other tools that can offer protection to the most vulnerable.

Second, the study highlighted the importance of asset accumulation in protecting the vulnerable from unexpected shocks—whether food and fuel price increases, ill health, natural disasters, or the loss of jobs. Piecemeal interventions are unlikely to ensure the accumulation of sufficient assets to protect those hovering precariously above the poverty line. Rather, an equivalent to the “big push” cited in aid theory—combining favorable terms of credit with improvements in local infrastructure—is required to help people build permanent assets. For example, in the Mindanao region of the Philippines, communities with higher

net prosperity were those that had received a combination of livelihood assistance and infrastructure investments in the wake of conflict. In Lomamoli village, discussants described programs to rehabilitate roads and expand access to water and electricity. With clean water and refrigerators, women were able to start their own businesses, generating additional sources of income that helped to lift their families above the vulnerability gap.

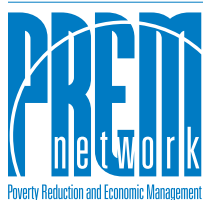
Finally, local governance reforms are required to ensure that the poor and vulnerable enjoy equal access to municipal and social services, credit, and markets. Good leadership and free and fair elections represent crucial elements of the good governance equation. But of equal importance, providing access to information about local government activities and promoting peoples’ participation through grassroots organizations can create demand-side pressures for change.

Endnotes

1. The volume, published in 2009 by Palgrave Macmillan and the World Bank, is the second one of a series of four; the remaining two volumes will be forthcoming in 2009 and 2010.

2. The countries studied were: (in Africa) Malawi, Morocco, Senegal, Tanzania, and Uganda; (in East Asia) Cambodia, Indonesia, the Philippines, and Thailand; (in Latin America) Colombia and Mexico; (in South Asia) Afghanistan, Bangladesh, India, and Sri Lanka. Data was collected from a limited number of communities in each country, and findings can only be generalized with caution.

3. Village names have been changed to maintain informant confidentiality.



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