

## Income poverty or assets?

*Longitudinal perspectives on urban  
chronic poverty reduction*



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## Objective

- ❑ To contribute to roundtable from the perspective of:
  - ❑ Urban poverty
  - ❑ Micro-level – complementing macro-level
  - ❑ Bottom-up – what do people do themselves when top-down social protection programmes do not exist?
- ❑ **Identification of the contribution of asset accumulation trends to chronic poverty reduction debates**
  - ❑ Do household strategies to accumulate assets coincide with poverty reduction strategies?

## Background: Recent poverty debates

- ❑ **A decade since 2000/1 WDR**
  - ❑ Identification of opportunity, empowerment and security
  - ❑ Endorsement of social protection risk management
  - ❑ Research on chronic poverty, poverty traps  
*(CPR, May and others)*
- ❑ **Multi-dimensionality of poverty acknowledged**
  - ❑ Recognition of limitations of income / consumption measurement of poverty
  - ❑ Introduction of concepts such as capabilities, entitlements, livelihoods, assets *(Sen, Chambers and others )*

## Political economy of poverty

- ❑ **Critique of IFI's dominant hegemony on poverty as target of international assistance**
  - ❑ Vested interest in determining the agenda, research methodology and priority interventions
- ❑ ***'Poverty becomes what has been measured and therefore is available for analysis' (Chambers)***
  - ❑ Poverty is seen as individual responsibility of the poor
  - ❑ MDGs defined in terms of poor's characteristics
  - ❑ Political structure or changing global economic context not acknowledged
- ❑ ***'Poverty is a social relation not an absolute condition' (Green)***
  - ❑ Analysis of social relations and structural relationships of broader power political relations in which poverty is embedded

## Contribution of research on asset accumulation and poverty reduction within a broader politico-economic context



**Empirical Research on:**

***‘Ordinary families: Extraordinary lives: Asset accumulation and poverty reduction in Guayaquil, Ecuador 1978-2004’***



# Research Objectives

In 1978 original objective was to document poverty dynamics - household strategies to 'get out of poverty' in a very poor community

- Young, upwardly aspiring, small nuclear families, many rural origins, low education with men builders, tailors; women dressmakers, washerwomen



- BUT recognition that households are strategic managers of complex asset portfolios
- Challenge to understand relationship between long-term asset accumulation and poverty reduction
  - To identify if 1<sup>st</sup> generation choices affect 2<sup>nd</sup> generation outcomes

# Income poverty

	Very poor or poor (%)	Non-poor (%)
1978	84	16
1992	88	12
2004	61	39
KIDS	61	39

- ☐ Between 1978-92 poverty increased
- ☐ Between 1978-2004 some households 'got out of income poverty' with non-poor households more than doubling
- ☐ Kids in 2004 at comparable income level to their parents
- ☒ ***Is this the full story? Income or Assets:***
  - ☐ Move beyond static 'snapshots' of changing income poverty levels?
  - ☐ Can a decline in income be accompanied by accumulation in assets?

# Components of Asset Indices in Indio Guayas

## ☐ Physical capital

- ☐ Housing
- ☐ Consumer durables

## ☐ Financial capital

- ☐ Productive durables
- ☐ Transfer and rental income

## ☐ Human capital

- ☐ Education

## ☐ Social capital

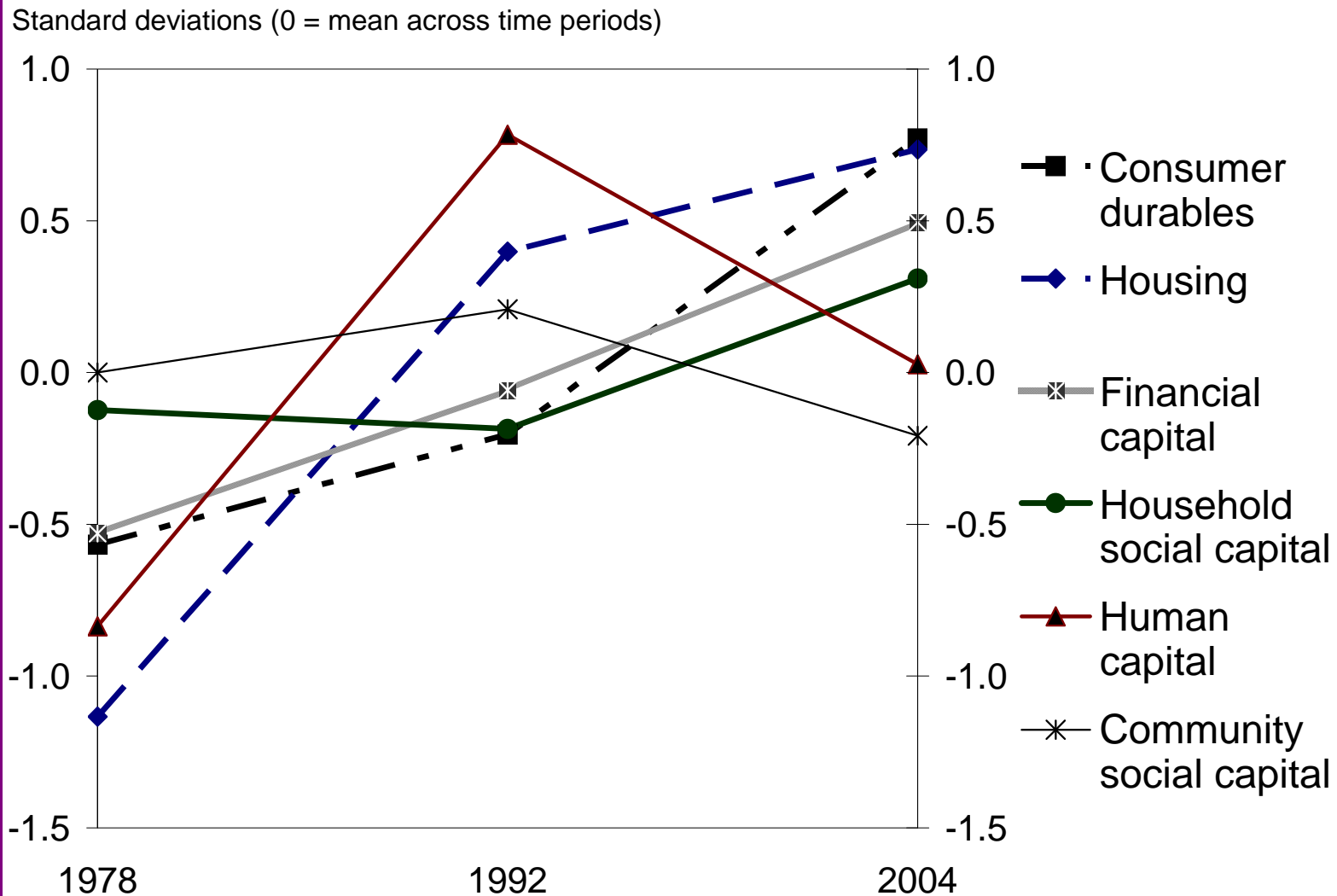
- ☐ Household
- ☐ Community

### Econometric Analysis

- Construction of asset indices to understand longitudinal household changes
- Stocks of assets as measures of long-run economic well-being
- Econometrics: Polychoric principal components analysis
- Income regression estimation



# Asset accumulation 1978-2004



# Housing: the first prioritized asset



- Housing consolidation occurs in the early stages
- Housing does not get household out of poverty
- BUT is necessary as precondition for accumulation of other assets

## Improvement of housing value via:

- Land infill
- House upgrading
- Provision of services
- Land titling



# Community social capital



## Committee Indio Guayas

- Strong local community organization essential for contestation and negotiation to achieve delivery of all physical and social infrastructure

- As physical infrastructure consolidated community-based services canceled, community social capital declined
- Household social capital increased both as coping and as an accumulation strategy
  - *Increasing no. of extended households*
  - *Increasing reliance on market for services*



# Intergenerational educational levels

Parents make a tradeoff between their own consumption and their kids' education

- ☐ Daughters better educated than their mothers
- ☐ Sons are better educated than their fathers
- ☐ Kids more likely to own houses, better educated and less 'income' poor than their parents
- ☐ **BUT lack of jobs and opportunities for social mobility results in increasing alienation and exclusion**



## Next generation face new, different options in their accumulation strategies



### 1. Migration as a 'safety net'

#### ❑ Migration to Barcelona provides opportunities for women and men

- ❑ In 2004 average monthly income: Barcelona \$820; Guayaquil \$62
- ❑ Migrants become empowered about labor, child protection and domestic abuse legislation
- ❑ Changes in gender relations – where women can earn as much as men

#### ❑ Remittances as a 'positive' shock

- ❑ In Indio Guayas, help families, with elderly parents, stay out of poverty



## 2. Young men remaining in Indio Guayas without job opportunities

- ❑ Increasingly involved in drugs and crime and associated violence
- ❑ ***In 3 months during 2005, in two block area of 100 households***
  - ❑ 7 killings - gang or drug-related : 15 robbers identified : 3 young men in prison :
  - ❑ 15 known small shops selling drugs – mainly cocaine paste; 1 big drug dealer; Teenage boys cycling around selling drugs at a dollar a go
  - ❑ Plus gratuitous violence - armed young men robbing women on buses;
- ❑ **Indio Guayas story between 1978 -2004 a relative success story. . although no magic bullets**
  - ❑ Slow accumulation of human, physical and financial capital is the strategy for long-run poverty reduction
- ❑ **Change in kids expectations and preferences, with different priorities and strategies**
  - ❑ Formation of gangs, erosion of community social capital and greater insecurity and fear

# Conclusions

## Short-term 'snapshots' of poverty

- Tend to produce short-term policies which can miss long-term trends
- High volatility of income obscures steady asset accumulation identified through longitudinal studies

## New chronic poverty reduction agenda

- Needs to incorporate an asset adaptation framework that identifies opportunities and constraints at structural, institutional and operational levels

## With distinction between different 'generations' of policies

### First-generation policy

- Provision of social and economic infrastructure essential for human, physical, and financial capital accumulation and associated social protection

### Second-generation policy

- Ensures opportunities for consolidation of accumulated assets relating to community social capital, citizen rights, accountable institutions and human security

