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Consumption and Asset Smoothing: How the Chronically Poor Cope with HIV/AIDS

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Structure of Presentation

- Background
- Descriptives/Quantitative Insights
- ‘Q-Squared’
- Returning to Quantitative Findings – But from ‘longer’ panels
- Summary

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Background Literature

- Poorer agents acquire less remunerative portfolio and pursue asset smoothing, rather than consumption smoothing (Zimmerman and Carter, 2003)
- Although circumstance might be dire, to sell off the meager assets a household possesses even when food consumption had fallen dramatically is to invite future destitution (Corbett, 1988; Devereux, 1993).
- (Zimmerman and Carter, 2003; Hoddinott 2006) – Poverty Levels of Assets disposals

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- The situation associated with assets or consumption smoothing is far more complex, for example, the existence of poverty traps may induce differences in behaviour by asset levels, households at the threshold of the poverty trap, or just below that threshold, may be far more reluctant to sell assets given an income shock (Zimmerman and Carter, 2003; Hoddinott 2006),

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Previous Q-Squared Work

- Barahona et al. 2004 for Malawi, McKay and Howe, (2004) Rwanda
- Lawson. McKay Okidi Uganda (2004/5) - More genuine Q2 – Kate Bird + Ellis;
- WB – Moving out of poverty

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Background – Uganda

- Economic growth average close to 7% in 1990's
- GDP per capita approx. 452 US $, Inflation 5.9%
- Income Poverty - 54% (1992) to 31% (2005) BUT Regional Differences and Chronically Poor
- HIV/AIDS levels high for last decade have fallen from >14% to 6.0%
- Morbidity levels have increased from 17% (1992) to >30% (2005)

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Background - Data

- 3 wave panel 1992-1999-2006
- Matching process to identify panel households: 1105 households + testing for Attrition
- Standard of living measure (consumption expenditure pae & pov line fixed with reference to calorie requirements)
- Revisited 1992-99 Panel Households and Obtained Life History and Quant Data in 2005/6 (2 visits in latter periods)
- 20% cpoor, 10% MIP, 30% MOP

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Descriptives - shocks

- 1/3rd of households appear to have had at last one type of shock,
- more than 20% of households having experienced a major illness but more than 25% of chronically poor hholds
- But what are the coping strategies for these shocks?

Table 6: Coping Strategies in Case of Major Illness

	Friends and Family Helped	Sold Assets	Borrowed Money
National	41.8	11.5	6.1
Poor	38.9	13.7	13.8
Non-Poor	43	21.9	10.5
Cpoor	34.2	8.2	14.6
Quintile			
1	36.9	12.7	3.4
5	45.4	28.8	7.4
Male Headed Households	37.6	13.3	7.2
Female Headed Households	52.9	6.8	3.3

Descriptive Trends - Assets

	Chronic Poor		Never In Poverty	
Asset Levels and Change	**Sick (1)**	**Not Sick (2)**	**Sick (7)**	**Not Sick (8)**
Cows at 1992	0.41	0.91	1.27	0.98
Cows at 1999	0.15	0.78	1.21	1.62
% Increase	-63.6%	-14.3%	-4.7%	65.6%

Sale of Asset and reliance on family and friends are the major coping strategies

Hence although the % of non poor who sell assets is greater the extent of asset depletion appears less (i.e. proportionate decline in assets) compared with the chronically poor.

Q-Squared Practical Issues (1)

- Sampling from Transition Matrix (C/Poor etc) – Based On Proportion of C/Poor, Never Poor. Moved Into Poverty, Moved Out of Poverty
- Our Sample 96 to start with (not nat. representative) Followed up further hhold interviews on HIV related issues (June 2006)
- Sequencing – Quant – Qual- Quant (for 2 wave panel + 3 wave data available) -

  IDEAL? Not Ideal Sequence and Time Gaps BUT Have quant insights to push life history

  OLD PANEL – last interview 1999 (3rd wave 2005)

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Q-Squared Practical Issues (2)

- Household 'Head' Interviewed – Consumption Expenditure based on head female doing cooking – we tried to interview the same
- Tracing Households – 98% hit rate + located all splits
- Practical Issues – Ask them to draw life history. All helped with reflection

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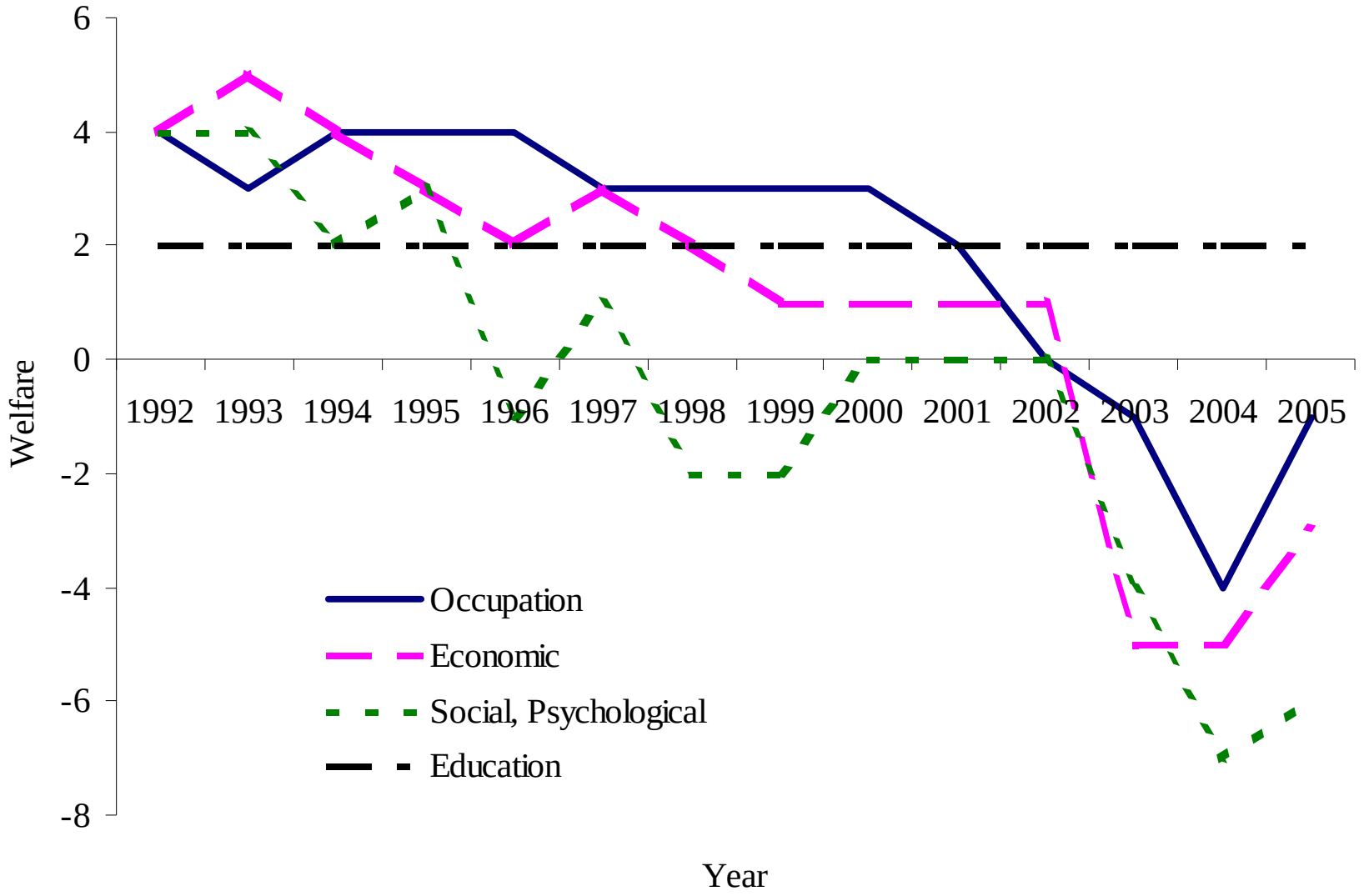
Ill health and Assets Example

Chronically Poor Household (abbreviated life history & typical story)

- 1 - Death of the father (HIV) in 1996 caused a negative psychological and economic impact. However, this period also coincided with the loss of 4 cows
- 2 - Although the occupation remains the same in the late 1990's there is further economic and social downturn as deteriorating rainfall and crop sales reduce crop productivity and sales, combined with the death of one son + sale of other assets (radio) after 'Asset smoothing'.
- 3 - These events are shortly followed by a third series of shocks in 2003 when assets are further reduced (death of goats through disease) and one son dies and land eviction (2004) (economic and psychological).

Figure 2: Consolidated Time Line Analysis for 1992-2005
(Chronically Poor Household)



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'Q2' Findings

- Gender inequality through social networks was found to be present and may partly explain why higher proportions of WHH's are chronically poor.
- Gender inequality - Poorest women - health care
- Suggestions of direct causality (at least from the interviewees) between ill health and AIDS, and movements into poverty, with explanations regarding the processes that underpin this.
- **Asset preferencing and sale 'ordering' when 'crisis'**
- **'Asset Smoothing' is appears to be very common**
- **Household size increases with, but only 5-6 years later do the 'delayed child costs' of school fees etc. start causing the major monetary impact/problems.**
- **'Q2' very useful in identifying a households 'potential vulnerability' e.g. assess the extent to which a household may be about to adopt siblings of sick brothers and sisters.**

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'Q2' Findings

- Suggestions of direct causality between ill health and AIDS, and movements into poverty, with explanations regarding the processes that underpin this.
- Households preference the types of assets sold 'in times of crisis'
- 'Asset Smoothing' appears to be very common especially for those 'less sick'/no sickness

First shock coping mechanism is to Reduce Food	Yes
Ill Health affected HH	43.4%
AIDS affected HH	69.0%
CP	83.2%
NP	45.3%

Reduction in Food consumption

	Ill Health HH	AIDS HH	CP	NP
When faced with shock to hhold % that reduce food consumption coping mechanism is to:	43.4%	69.0%	83.2%	45.3%
From 3 to 2 meals per day	19.30%	14.90%	45.30%	8.30%
from 2 to 1.5 meals per day (i.e. tea in the morning	5.30%	5.10%	9.20%	0.20%

Determinants of Adverse Impacts of Shocks

- Log Reg:Likelihood of selling major assets

INCREASE (sig): no. of shocks, hhsize, (type of shock – any sickness)

DECREASES (sig): with no. of adult males (perhaps because of employment opps) and dep ratio (counterintuitive – perhaps because such hholds have fewer assets to sell?? – descriptives support this!!

Summary

- CP smaller % use assets sales to cope with shocks, but those who do sell, reduce their assets by far larger proportions (&sick CP sell by even higher %'s).
- Smoothing: Asset smoothing clearly very common but there is a 'level of shock absorbence' (not necessarily a level of poverty – i.e. it's welfare and non monetary, and hhold characteristics dictates when and to what extent to reduce meals or assets)

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Summary (2)

Therefore:

- Triangulation – YES, but BUT – DOES THIS ADD ANY VALUE?
- TFR Into POLICY ?? + POLITICAL SYMPATHY TO FINDINGS
- Identifies Future Key Research to re-visit data:

Welfare Calcs – Combined Use of Assets

Asset Smoothing Behaviour

HIV/AIDS - Gender Empowerment (over personal rights, assets etc.) (Lesotho – mimics findings from what was happening in Uganda 15 years ago, Ethiopia) etc.

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END OF PRESENTATION

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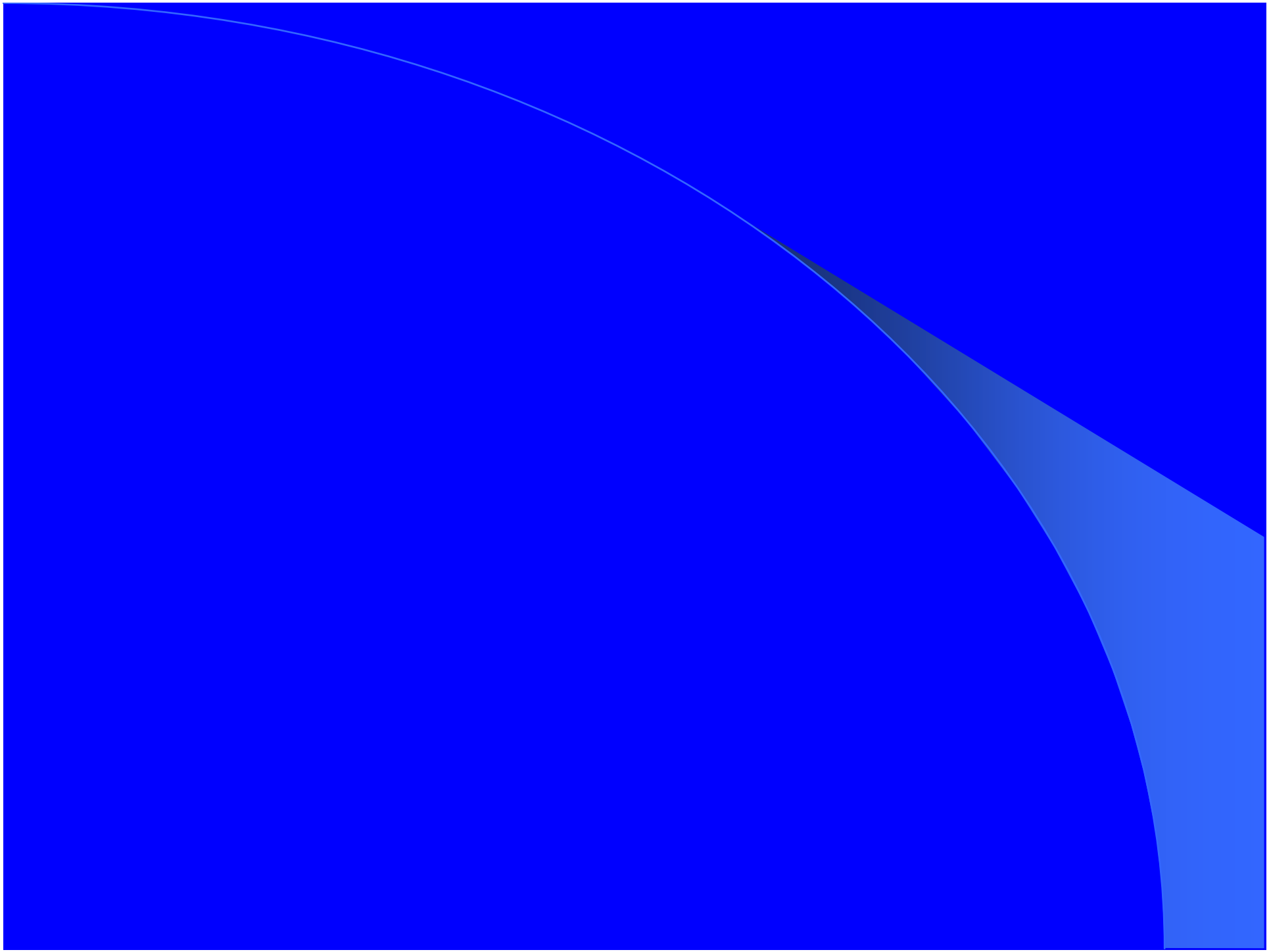
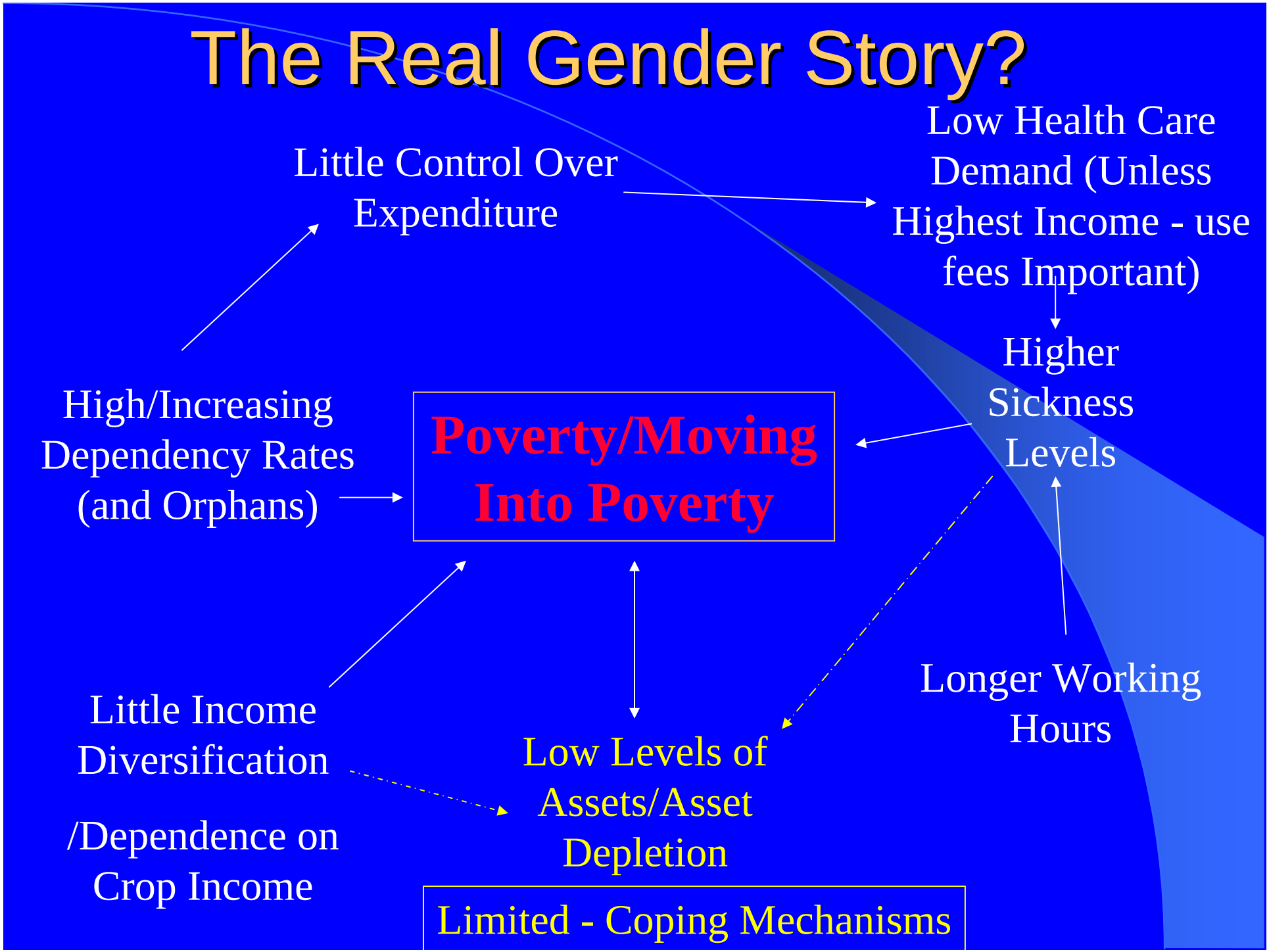


The Real Gender Story?



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Gender and Chronic Poverty

	MHH		WHH	
Poverty Status	**Married**	**Divorced**	**Married**	**Divorced**
Chronic Poor	20.0%	16.7%	28.0%	10.6%
Moving out of Poverty	29.8%	33.3%	27.9%	19.1%
Moving into Poverty	10.0%	6.7%	17.6%	14.9%
Never In Poverty	40.2%	43.3%	26.5%	46.8%

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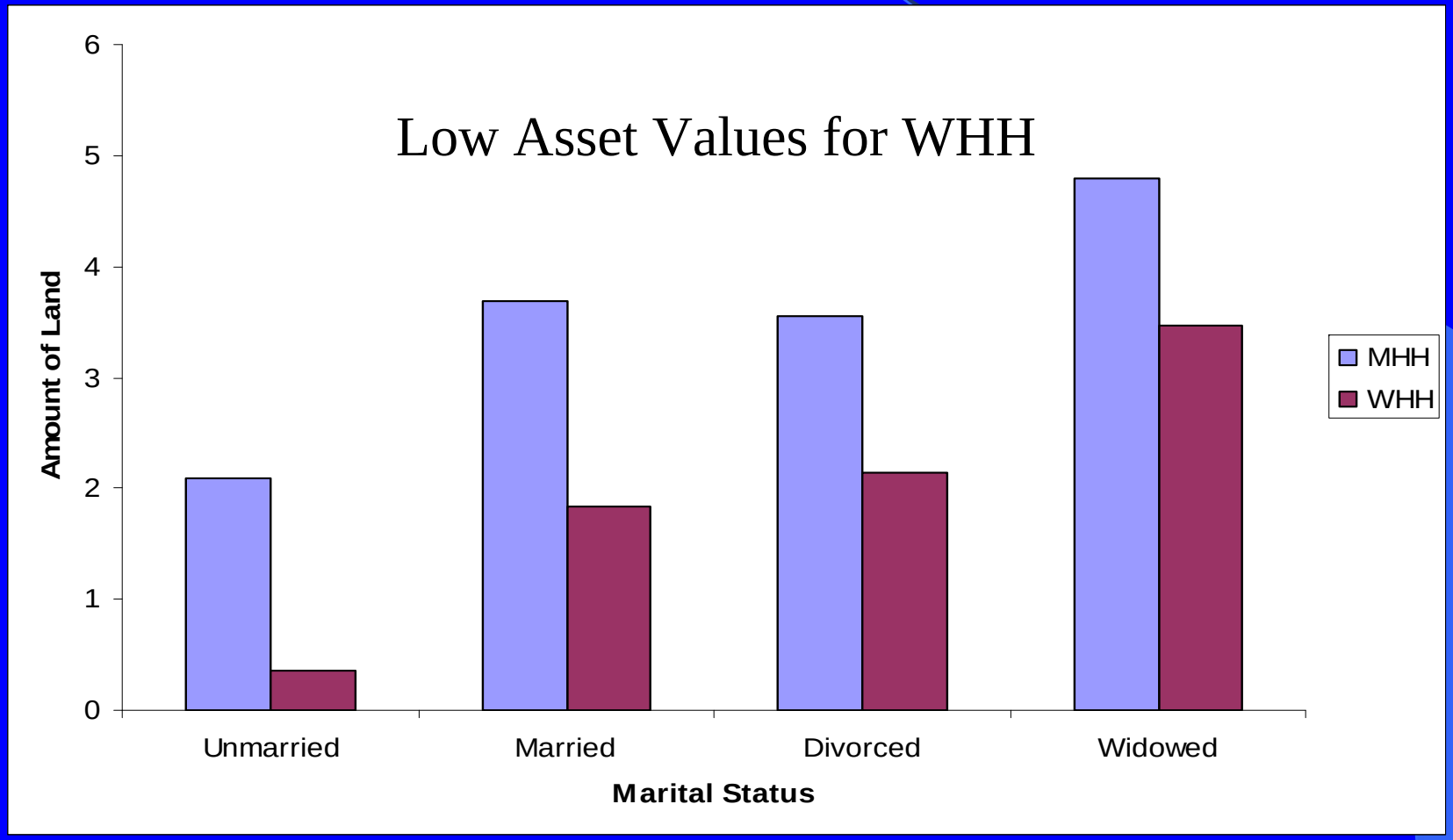
Gender and Demographics

Demographics	MHH Divorced	WHH Divorced	*All*
Dependency Ratio	0.9	3.3	1.3
Number of Individuals aged 0–14yrs.	1.0	4.1	2.6
Number of Individuals aged 15-59yrs.	1.3	0.1	2.4
Number of individuals aged 60+ yrs.	0.3	2.1	0.1
Percentage of households with any member orphaned	4.0%	7.9%	6.0%

Land Assets (2003) - By Gender and Marital Status



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'Q2' - Summary

- Method not ideal but allows Corroboration/negate aggregated and household level quantitative data
- Provide more insightful findings regarding the reasons for poverty movements – including social, psychological, occupational reasons - I.e. reveals
- Propagators/Maintainers/Interrupters of Poverty + The Processes
- Quantify the impact (as perceived by the household) of each event on the subjective welfare status of the household
- Use methods that further interactions and assist interviewee recall – therefore hopefully heightening the quality of the recall information.

Figure 1: TIMELINE (Drawn by Interviewee)