Methodology borrowed from LAC region

- Between 2003 and 2013, **72 millones de personas** exited poverty and **94 millones** joined the middle classes.

- Despite progress, people continue to experience **vulnerability** and **exclusion**.

- **Between 25 and 30 millones people** are at risk of falling back into poverty.

Poverty Risk Analysis Tool

Jamaica Mobility Matrices 2002-2003 and 2009-2010

Row Percentage of Households				
		2003		
	Poor (<$4/day)	**Vulnerable ($4-10)**	**Middle Class ($10-50)**	**Total**
Poor (<$4/day)	59.7	37.7	2.6	100
Vulnerable ($4-10)	21.2	60.6	18.2	100
Middle class ($10-50)	5.5	37.0	57.6	100
Total	**28.0**	**48.3**	**23.8**	**100**

(left axis label: **2002**)

		2010		
	Poor (<$4/day)	**Vulnerable ($4-10)**	**Middle Class ($10-50)**	**Total**
Poor (<$4/day)	62.8	34.6	2.7	100
Vulnerable ($4-10)	18.9	66.0	15.1	100
Middle class ($10-50)	2.2	34.7	63.1	100

(left axis label: **2009**)

Poor → Vulnerable: Between 2002 and 2003 37.7 per cent of those poor in 2002 transitioned to vulnerable.

Vulnerable → Poor: Between 2002 and 2003 21.2 per cent of those vulnerable in 2002 became poor.
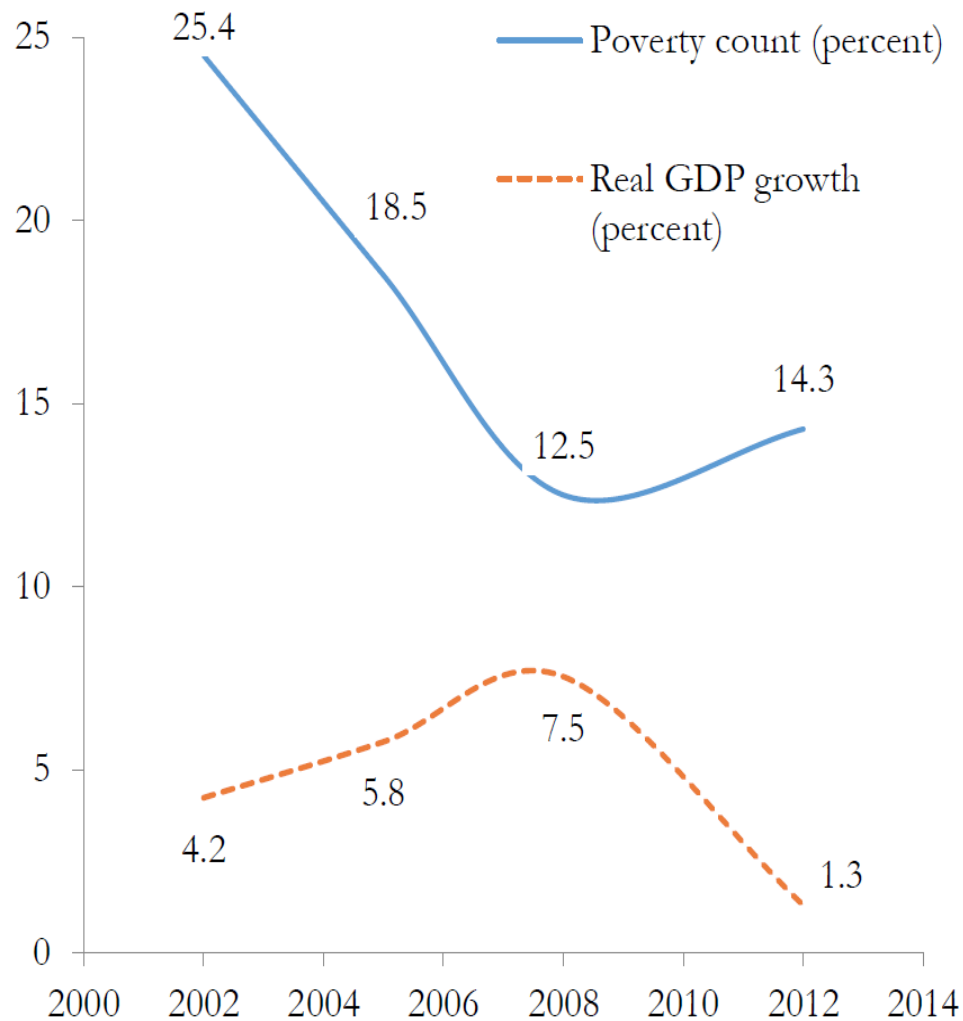
Context

- 2000 - 2008 reasonable growth performance – with poverty declining by half (12.4% in 2008)

- Albania shifts to middle income status

- 2008 – 2012 shrinking growth – poverty increases to 14.8%, and extreme poverty rises to 2.3% (from 1.2% in 2008)

- Changing policy context (new tax regime)

Indicators

- **Demographic indicators**
  - size of HH, number of children and elderly;
  - geographic location;
  - head of HH characteristics (age, sex, marital status, educational level, and labour market resources);
  - intra-household characteristics (presence of disabled members, level of literacy),
  - assets (vehicles and dwelling, appliances and financial assets generating income)
  - dwelling indicators (level of overcrowding, availability of cooking fuel and access to basic services).
- **Labour market**
  - type of work undertaken by the head of HH (permanent, temporary, seasonal, unpaid, or other, employment and self-employment)
- **Social protection**
  - social care services received and social transfers and remittances.

Poverty data

- Longitudinal datasets that can be used for poverty analyses. Complex and expensive to obtain from surveys. LSMS 2002, 2005, 2008, 2012,

- A synthetic panel was generated based on the Household Budget Survey (HBS) of 2008 and of 2014.

- Estimation of household consumption in a future year (or in a past year), transforming two or more cross-sections of household survey data into a panel dataset.

Parameters

Per capita consumption each household is classified into:

- poor households with per capita consumption between 0 and 4 USD
- vulnerable households with per capita consumption between 4 and 10 USD
- middle class household with per capita consumption between 10 and 50 USD.

i. from poor in 2008 to vulnerable or middle class in 2014

ii. from vulnerable in 2008 to poor in 2014

iii. from middle class in 2008 to vulnerable or poor in 2014.

Distribution of HH in each consumption group, 2008 and 2014
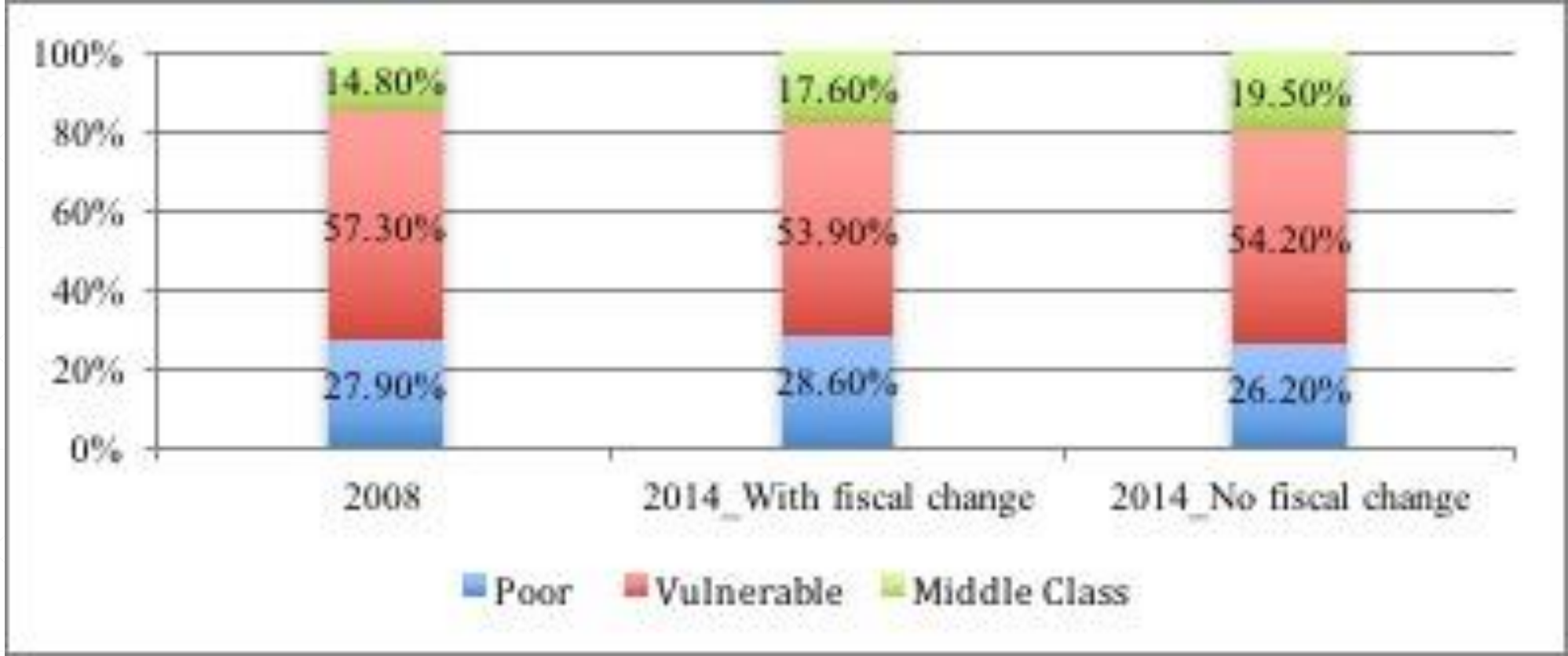
No substantial changes among the different consumption groups

Transition matrix 2008 – 2014

		2014			
		poor	vulnerable	middle class	total
2008	**poor**	38.7	52.5	8.7	100
	vulnerable	26.4	55.5	18.1	100
	middle class	17.1	50.5	32.4	100

Most of the movement brought households
into the category of being vulnerable to poverty in 2014

FINDINGS

- **Increasing age** of Head of HH increases the risk that the household will slide into vulnerability or poverty.

- **Small households** have a higher likelihood of transiting from non-poverty to poverty than do large families, which are more resilient to fall into poverty, mainly because of the household income and mechanism of labour allocation.

FINDINGS

- **Life outside of Tirana** does not significantly influence transition from poverty, though once away from poverty, **living in the regions reduces the risks of falling into poverty**.

- **Younger children** seem to reduce the chances of a family transiting out of poverty, with a child of school age or of child-care age reducing by 9 percent the likelihood that a household will exit poverty, everything else being equal.

- **Middle class families** with children of age less that 18 years are impacted positively. Those consuming more that 10 USD per capita per day have a reduced likelihood of transiting to vulnerable or poor.

FINDINGS

- Head of household **education attainments** strongly impact household transition into and out of poverty.

- Head of HH with **general secondary education and VE** does not impact significantly the chances of a family transiting out of poverty.

- Head of HH **trapped in poverty has a university education,** this would not improve the likelihood of the household exiting poverty;

- If the head of a household has a **general secondary education this increases the chance of transition to poverty if the household is vulnerable**.

- A university degree contributes significantly to keeping households away from poverty, if they are not poor.

- **VET would appear to improve the odds of staying away from poverty, by almost 30 percent if everything else is constant.**

FINDINGS

- **Working in the public sector** keeps non-poor households non-poor and poor households poor. Working in the public sector reduces the odds of vulnerable individuals transiting into poverty by 30 percent and middle class households transiting into vulnerability or poverty by 16 percent.

- **Self-employment** improves the likelihood of households exiting poverty. Nevertheless, self-employment is risky and increases the likelihood of individuals transiting from middle class to vulnerable or poor.

- **Household living conditions**, as described by housing characteristics such as having running water in the home, proper sanitary conditions, domestic appliances or the size of the living space, **strongly affect efforts to transit out of poverty, but have no significant impact on transition into poverty from the vulnerable or middle class groups.**

Conclusions

- Factors that influence the probability of households exiting poverty include mainly labour market condition, social care and support to enable households to engage in employment, especially women.

- Factors affecting an exit from poverty are different from those causing the reverse.

- Policies targeting net poverty, or lifting individuals or households out of poverty, do not ensure that they will stay out of poverty

- Strategies to fight poverty through social transfers and education might not always produce the desired poverty dynamics.

- Social transfers to vulnerable and middle class tend to increase the likelihood of a household transiting into poverty.

- Vocational education has proven highly significant in helping households maintain well-being and not transit again into poverty once out of it. Higher education also improves the odds of households exiting poverty and maintaining consumption levels above the poverty line.