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Is there a divergence between objective measures and subjective perceptions of poverty trends?

Evidence from West and Central Africa

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Several sub-Saharan African countries have succeeded at increasing their economic growth rate in recent years, and this has translated into substantial poverty reduction according to objective measures based on household survey data. At the same time, many people do not feel that the poverty situation has been improving in their country or community, and this is a source of concern for elected policymakers. To what extent is there a divergence between objective measures and subjective perceptions of poverty trends, and what may explain this divergence? The objective of this note is to document and discuss this issue using data from West and Central Africa and results from a series of poverty assessments recently completed at the World Bank.

Poverty reduction in a sample of West and Central African countries

Table 1 provides estimates of the share of the population in poverty in selected countries with high growth rates and repeated household surveys with consumption data. The poverty estimates are from recent World Bank poverty assessments, and they are based on the standard cost of basic needs methods using nationally representative household survey data on the consumption per capita or per equivalent adult of households. The countries included are Cameroon, Guinea, Mauritania, and Senegal, with two pairs of surveys in the case of Senegal (one for the immediate period following the devaluation of the CFA franc in 1994 up to 2001/02, and one for the period from 2001/02 to 2005/06). The selection of the countries stems from the fact the household surveys for these countries include both consumption data on which objectives measures of poverty are based, and subjective questions on the perceptions of households regarding changes in poverty over time (typically over the last five years) in their country or their community.

Consider first the data on growth and poverty in the top part of the table. In all the countries, for the survey-based periods listed in the table, economic growth was rather rapid, although growth vanished in

Table 1: Objective and subjective perceptions of poverty in West Africa, by country (percent)

Measure or perception of poverty	Cameroun 1996–2001	Guinea 1994–2002	Mauritania 1990–2000	Senegal 1994–2001	Senegal 2001–06
Growth and objective poverty					
Cumulative growth in GDP per capita (1)	12.7	16.7	16.8	18.9	9.3
Initial poverty incidence (2)	53.3	62.6	56.6	67.8	57.1
Final poverty incidence (3)	40.2	49.1	46.7	57.1	50.8
Poverty reduction (4) = [(3)–(2)]/(2)	–0.246	–0.216	–0.175	–0.158	–0.110
Elasticity of poverty to GDP growth (4)/(1)	–1.94	–1.19	–1.04	–0.84	–1.19
Gini index of inequality					
Initial Gini index	40.6	45.8	33.8[a]	32.6	34.1
Final Gini index	40.8	41.0	39.0	34.2	32.0
Perception regarding poverty					
Deterioration	54.1	23.1	30.9	64.3	43.9
No change	17.4	49.5	40.8	12.8	22.1
Improvement	17.3	24.5	28.3	19.0	31.2
No opinion	11.2	2.9	-	4.0	2.8

Source: Author. Note: a. Data are for 1996.

Guinea and slowed down in Cameroon after 2001/02. More precisely, cumulative growth in GDP per capita between the two survey years ranged from 9.3 percent to 16.8 percent. Given that there are on average seven years between the two surveys for each country, this translates into an average rate of growth in per capita GDP of about two percent per year. Taking into account population growth, which was close to three percent in most countries over that time period, the GDP growth rate was thus close to five percent per year on average in these countries. In most countries, although this is not shown in the table, there was also a strong correspondence between the growth in GDP per capita as estimated in the National Accounts and the growth in the consumption per capita (or per equivalent adult) of households as computed from the household surveys. This is important given that it is the growth in consumption in the surveys that ultimately plays a role, together with changes in inequality, in leading to changes in poverty measure when an absolute measure of poverty is used for monitoring and evaluation.

The shares of the population in poverty decreased by 6.3 to 12.9 percentage points or 11.0 to 24.6 percent of the original values, depending on the country. This translates into an elasticity of poverty reduction to GDP growth of slightly above minus one on average (except for Cameroon where this elasticity was higher). This elasticity to growth is very much in line with what has been observed at the international level for countries with high levels of poverty. Inequality increased in some countries but decreased in others, suggesting no general pattern. Thus, in all four countries, objective measures of standards of living suggest a substantial drop in poverty between each pair of surveys, with this drop being mostly due to growth rather than to changes in inequality. At the same time, subjective perceptions regarding poverty were not as favorable. A majority of respondents declared that poverty had worsened in their country or community. The question is: what could help explain this divergence between the trend in objective measures of poverty and the perceptions of households regarding poverty in their country or community?

Potential explanations for the divergence between objective measures and subjective perceptions of poverty

A simple explanation for the divergence between objective measures and subjective perceptions of poverty would be that the decrease in poverty has simply been over-estimated. It might be tempting to adopt this explanation, yet it would be quite a surprising coincidence to witness such over-estimation in the decrease in poverty in country after country where we observe high rates of growth. It is better therefore to explore other potential explanations for the divergence. At least five different and probably complementary explanations could be used to tentatively explain the apparent disconnect between the decline in the poverty measures and the perceptions of households indicating a worsening of their countries' or communities' poverty situation.

First, when assessing trends in poverty subjectively, households may be influenced by persistent and in some cases increasing inequality or more generally by the lack of progress of the poor in society in relative terms. The poverty measures reported in table 1 are based on an absolute poverty line that tracks the cost of a package of goods meant to satisfy a household's food and non-food basic needs. In industrialized countries, and especially in Europe, it is however common to use relative poverty measurement instead, whereby a relative poverty line, which is a function of mean or median income or consumption, is used to measure poverty. Under this alternative relative poverty measurement approach, growth in itself will not help reduce poverty if there is no decrease in inequality. To the extent that households assess their welfare (or the welfare of the poor in general) in comparison to others, then growth may not lead to an improvement in subjective perceptions of well-being. A related argument is based on relative deprivation theory, according to which growth without a reduction in inequality may actually lead to higher feelings/measures of deprivation over time, among others because the absolute gap in consumption or income between the poor and those who are better off keeps increasing.

Second, even if many households benefit from higher consumption levels over time, their vulnerability to shocks remains very high, and this may affect subjective perceptions. In West and Central African countries, households are often subjected to weather and commodity price shocks. For example, droughts are frequent, and there is evidence that the variability of rainfall is increasing together with climate change. As to commodity price shocks, a prime example is the decrease that has been observed in the last decade or two in the prices for cotton and coffee, among others. As producer prices in many countries have been liberalized, farmers are today more directly exposed to changes in world commodity prices than in the past. In addition, there is also some evidence that solidarity networks may have become less efficient in protecting households vulnerable to shocks. While good data are difficult to come by in this area, it can at least be conjectured that despite improvements in absolute standards of living, many households may actually be more vulnerable (or at least as vulnerable) to shocks today than ten years ago.

Third, negative subjective perceptions of poverty may account in part for a lack of improvements in a wide range of non-monetary aspects of well-being. One example of non-monetary dimension that affects well-being is the fact that in most countries, households have relatively low levels of satisfaction with publicly provided services for education, health, and basic infrastructure services (such as electricity and water). Even if physical access to a number of services is improving, for example with the construction of new schools and health centers, the quality of the services may remain low, and in some cases better access may have contributed to lower quality, at least in the short run, for example when classrooms become overcrowded. In addition, petty corruption remains widespread in many countries as households often need to provide bribes or illicit fees to public officials or other persons in positions of responsibility in order to obtain specific services. This may also affect negatively subjective perceptions on poverty trends, especially as there are cash payments involved that are often difficult to make for the very poor, which in turn may prevent some among the very poor from even using the services in principle available to them.

Fourth, negative subjective perceptions of poverty may be related to the issue of the limited cash resources available to households to meet a subset of their needs which require cash payments. The economy remains mostly informal in most sub-Saharan countries, and many households are still involved in subsistence farming or in other activities that provide limited opportunity to get access to cash income. At the same time, in a number of areas, the cash resources needed to meet one's needs are increasing. One example is the fact that utility tariffs for electricity and water are increasing in many countries, among other because of higher oil prices. While most of those affected by the increase in tariffs are not actually poor (the population connected to the electricity and water networks tends to be urban and on average relatively well off), they may still feel poor, or at least poorer when the cost of goods and services that they must purchase increases faster than their cash income. Another example is when households need to contribute to cost recovery mechanisms, as is often the case for access to health care. To the extent that the cash resources of some groups of households are not increasing or in some cases are even decreasing despite overall economic growth (for example when cash crop farmers get paid less in real terms over time for their crops due to the fall in world commodity prices), and to the extent that needs are increasing, or the cost of satisfying these needs is increasing, households may feel that the poverty situation is deteriorating even if the aggregate consumption data suggests the opposite.

Finally, even if the share of the population living in poverty is reduced over time, the number of the poor is often increasing due to high population growth. Consider a typical small sub-Saharan African country of about 10 million people, with a population growth rate of 2.8 percent per year. Seven years later, that country will have 12.1 million people. Even if the share of the population in poverty decreases from say 60 percent to 54 percent (a 10 percent or 6 percentage point drop), the number of the poor will still have increased by close to 10 percent between the initial and the final year. To some extent, poverty may also become more visible, especially in urban areas, due to high rates of rural to urban migration and phenomenon such as street children which seem to be on the rise. Overall, despite improvements in average standards of living even for the poor, the sheer increase in the number of the poor and the higher visibility of some aspects of poverty may lead households to feel that the poverty situation in their country is deteriorating.

Conclusion

There is a lot of talk about an African revival, and indeed in recent years the growth performance of the sub-Saharan Africa region has been strong. In many countries, standards of living are improving and absolute poverty is decreasing, at least as measured using traditional approaches. Yet populations do not necessarily think that the poverty situation in their country or community is improving. Subjective perceptions should not be ignored. A number of tentative explanations have been provided in this note for the divergence between objective measures and subjective perceptions of poverty. While these explanations are only tentative, and would need to be tested in empirical work, they do point to areas where public actions could make a difference in the life of people. Examples include the quality of publicly provided services in education, health, and basic infrastructure, the issue of the cash resources available to households to be able to purchase minimum levels of service, and the issue of highly visible manifestations of poverty or vulnerability such as the increase in the number of street children in some large cities. Beyond a decrease in absolute poverty measures, these and other areas require public interventions in order to improve how households feel about their well-being and that of their country or community.

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