

## Perception of Poverty by Ethiopian Rural Households: Using a Self Reported approach

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### Abstract

Recent quantitative studies on Ethiopia's rural households' poverty of the last decade indicated that poverty head count has reduced. Nevertheless, most qualitative studies witnessed the contrary to quantitative studies. This study assesses how the Ethiopian rural households perceive poverty using self reported data from the Ethiopian Rural Household Survey (ERHS). Moreover, it has examined whether poverty is actually reducing as claimed by official government reports. Our findings come up with mixed results. Majority of the respondents reported that health care, family housing, and credits have been improving compared to the last decade. Nevertheless, perceptions related to food consumption and comparisons of wealth rankings relative to their fathers' tend to show that the situation is worse though the sample size may not be sufficient to generalize about the whole country.

### Key words

Food poverty, perception, rural households, Ethiopia, growth.

### Introduction

Ethiopia is a rural economy where about 83 % of its population relies on agriculture for its livelihoods. For instance, in the year 2009 about 60 % of exports, 85% of total employment and 43 % of its gross domestic product was generated from the agriculture sector (Alem & Soderbom, 2011). The country is endowed with natural resources. However, poverty, hunger and starvation have remained big challenges to the country due to the sector's dependence mainly on rainfall and traditional farming practices.

Studies during the 1990's and the last half century in general have revealed that the country's economic growth was very low and even at some periods were negative (Diao & Pratt, 2007; Geda, Shimeles, & Weeks, 2009). Conversely, the country is one of the few countries in sub-Saharan Africa that have registered continuous economic growth for the last eight years. Official government reports indicate the country has been growing double digit growth. i.e., at an annual average growth of 11.4% in GDP from 2004/05 to 2010/2011 (Federal Democratic Republic of Ethiopia, 2010). In line with this, a recent interim report of the Ethiopian government has revealed that consumption poverty has dropped from 39.3 % in 2004/05 to 30.4 % in

2010/11 (Federal Democratic Republic of Ethiopia, 2012). Apparently, other studies witnessed that, even at times of fast economic growth, the country has suffered from continuous and high inflation. Due to this, different studies have been conducted to measure poverty and come with different results (Alem & Soderbom, 2011; Stefan Dercon, Hoddinot & Woldehana, 2011; Sabates-Wheeler & Devereux, 2010).

Nevertheless, this study is basically different from other studies due to the following three major reasons. In the first place most studies that have studied poverty focused on specific areas of the country such as the studies of Devereux & Sharp (2006) and Rahmato & Kidanu (1999). This study, unlike others, has tried to take more samples from the major regions of the country which operate most of the agricultural economy. Secondly, Ethiopia has never experienced such high inflation and growth simultaneously thus there is hardly any study that addresses the perception concerning poverty in these periods using qualitative method. Thirdly, though significant number of studies have been done on poverty status of the rural households, there is lack of studies that assess poverty using qualitative method.

Above all, the researcher is motivated by the contradicting evidences appearing in recent studies

concerning the status and trends of poverty in rural Ethiopia under the quantitative and qualitative approaches. For instance, qualitative studies such as Rahmato & Kidanu (1999), Devereux & Sharp (2006), show that poverty is increasing while quantitative research findings such as FDRE (2012), Dercon (2006), Bigsten & Shimeles (2008), Bigsten, et al., (2003), Dercon and Krishnan (1998) and Dercon & Krishnan (2000) revealed evidence that poverty has been reducing. Still some empirical studies such as (Stefan Dercon, et al., 2011) also show that poverty has been increasing particularly in the most recent years though they still show the country had experienced improvements in poverty in earlier periods. A large number of research is done on poverty status in rural areas and their results are different and inconsistent, particularly studies that measured poverty using qualitative and quantitative data (Devereux & Sharp, 2006).

Even among studies that used quantitative data, especially government official report on the one hand and other panel surveys on the other hand, poverty head count discrepancies are common. As stated by Devereux & Sharp (2006) seasonal and other socio-cultural factors have impact on the variation of rural poverty head count index. The study of Dercon and Krishnan (1998) in agreement with Devereux and Sharp (2006) confirmed how erratic is the result of poverty due to seasonal variations. Moreover, Dercon and Krishnan (1998) have done studies during harvest and non harvest time. Their study has proved that poverty has reduced from 61 % in 1989 to 50 % in 1994 (using a pre harvest data) and to 33 % (during harvest times). Dercon & Krishnan (2000), in addition, reported that poverty head count index has reduced from 39 % in 1994 to 29 % in 1997.

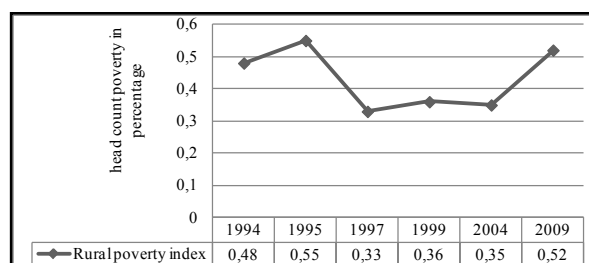
Another study conducted by Bigsten et al. (2003) evidenced that rural poverty has reduced from 41.9 in 1994 to 37.6 % in 1995/96 and again it

reduced to 35.5 % in 1997. Bigsten & Shimeles (2008) similarly shares the trend of poverty with Bigsten et al. (2003) and point out that poverty has dropped from 56 % in 1994 to 49 % in 1995 and to 39 % in 1997 then increased to 50 % in 2000 which latter again declined to 43 % by the year 2004. The Ethiopian government's Household, Income, Consumption and Expenditure (HICE) evidenced that poverty rate fall from 47.5 % in 1995/96 to 45.4 % in 1999/2000 (Federal Democratic Republic of Ethiopia, 2012).

Very recent study by Stefan Dercon et al. (2011) showed that the head count poverty increased from 48 % in 1994 to 55 % in 1995. And again in 1997 poverty lowered to 33 % only to increase to 36 % in 1999 in contrast to the previous study then reduced to 35 % in 2004 compared to period, too. Surprisingly Dercon's (2011) study revealed that the poverty rate jumped to 52 % in 2009 from 35 % of the previous study period [see figure 1]. However, HICE survey indicated that head count poverty has reduced from 47.5 % in 1995/96 to 45.4 % in 1999/00. Then in the 2004/05 poverty has reduced to 39.3 from the prior period and by 2010/11 reached 30.4 % [see figure two].

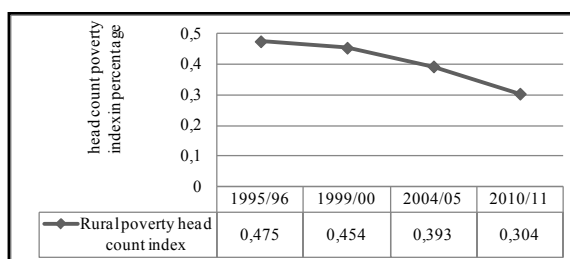
From these two studies it is evident that the rural households head count poverty figure up to 2004/05 was almost similar. But after 2004/05 as to Dercon's et al., (2011) head count poverty has increased from 35 % in 2004 to 52 % in 2009 showing an increase by 48.57 %. During the same period government HICE reported that head count poverty reduced from 39.3 to 30.4 % showing a 22.7 % reduction in head count poverty. In the same period, survey of HICE reported that food poverty in the rural households has only reduced by about 10 % which is an indication that the non food poverty were reducing at faster rate than food poverty.

When we see studies done on the rural areas using



Source Stefan Dercon, et al. (2011, p. 20) using author's own analysis

Figure 1: Trends of rural Ethiopia households count poverty index.



Source: FDRE (2012, p. 9) using author's own analysis

Figure 2: Trends of rural Ethiopia households' count poverty index.

qualitative data the results are contrary to the results of the quantitative studies. The study of Rahmato & Kidanu (1999) found that majority of the respondents reported that they believe that they are in the lowest group of well-being than ten years ago. Similarly, they found that the total proportion of households who were in the highest category of well-being ten years ago also declined significantly. Another study by Devereux and (2006), using a qualitative data in the drought affected area of Wollo, northern highlands of the country found results contrary to the above quantitative results. Devereux and Sharp's (2006, p.606) study confirmed that poverty has rather increased in the study area and they concluded that "poverty reduction in rural Ethiopia is not uniform, it is not universal and it is not linear"

This study tried to examine how the Ethiopian rural households perceive poverty using self reported data from the Ethiopian Rural Household Survey. The finding has revealed mixed results. Health care, family housing and credit have been improving compared to prior years as reported by majority of the respondents. Nevertheless, perceptions related to food consumption and comparisons of wealth with their fathers' reveal the case to be worse.

## **Material and methods**

This study used secondary data, from the Ethiopian Rural Households Survey (ERHS), a unique longitudinal data set collected from 2004 to 2009. These surveys have been supervised by the Economics Department, Addis Ababa University, the Centre for the Study of African Economies (CSAE), University of Oxford and the International Food Policy Research Institute (IFPRI) (Stefan Dercon & Hoddinott, 2011). According to Dercon & Hoddinott (2011), the ERHS is a comprehensive data set covering households in a number of villages in rural Ethiopia. Data collection started in 1989, when a team visited 6 farming villages in Central and Southern Ethiopia. Following 1989, additional rounds were conducted in late 1994 and expanded to cover 15 villages across the country with further rounds in 1995, 1997, 1999, 2004 and 2009. The nine additional communities were selected to account for the diversity in the farming systems in the country, including the grain-plough areas of the Northern and Central highlands, the *enset* (a root crop also called false banana) that is growing in southern parts of the country. Household characteristics, agriculture and livestock information, food consumption, income, asset,

health, women's activities, poverty perception are some of the topics addressed by the survey.

Attrition rate, at the household level, is low. Only 5.2 % were lost from 1999 and 2004. The ERHS survey when addressing sampling, a list of all households was constructed with the help of the local Peasant Association (PA) officials. The sample is representative of the population since the populations are broadly consistent with population shares in three main sedentary farming. In addition landless samples were incorporated in all villages and it is possible to say good lists of the households in the villages were used as a sampling frame (ibid).

Though the survey collected data on perception of poverty, welfare and trust using about 39 questions, only 13 questions related with this study are selected. In 2004 from four major regions of Ethiopia 1369 men and 983 women a total of 2352 were included. 1556 men and 1156 women a total of 2712 included in 2009. The four major regions of Ethiopia, Tigray, Amhara, Oromia and South Nations and Nationalities & peoples (SNNP), were represented with a sample of 240, 733, 615 and 764 in the 2004 and in 2009 the same regions were represented with 222, 717, 1031 and 752 respectively.

In the ERHS, a sociological study of poverty was conducted alongside the household survey in both study periods aiming to collect qualitative data. My intention in this study has been to assess the perception of poverty by the Ethiopian rural households using data that were collected before and after food crisis or inflation. So from the nature of the data and the objective of the study, using qualitative approach is found more appropriate to assess the perception of the respondents through simple descriptive statistics.

## **Results and discussions**

### **Perception of happiness, personal and community wealth ranking**

Respondents were asked how they perceive their happiness, and about 54, 33 and 12 % in 2004 and in 2009 about 60, 23, and 17 % reported pretty happy, not too happy, and very happy respectively. Literatures such as by Dolan, Peasgood, and White (2008 ) stated that income both in absolute and relative terms, personal characteristics, attitudes and belief, wider political, social, and economical environments are among the variables that influence the subjective well-being. The study of Clark, Frijters, & Shields (2008) empirically evidenced

that happiness is affected by relative income among people who live in the richer countries than people live in poorer countries. Akay & Martinsson's (2011) study proved Clark's, et al. (2008) and who found empirical evidence, that the relative income does not affect subjective well-being among the very poor people in northern Ethiopia. This implies that the level of happiness could be related with absolute income of the rural households than relative income assuming the factors listed by Dolan, et al. (2008) which affect happiness of the rural households.

Asked to compare themselves in the village in terms of households circumstances or community wealth ranking, about 48 and 18 % of the respondents in the 2004 and about 55 and 17 % in 2009 compared themselves about average and a little poorer than most households who live in the village. The number of respondents who responded amongst the poorest is about 19 % in 2004 and 19 % in 2009. According to Philippa Bevan (2005), the Ethiopian rural households' consumption and expenditure is characterized by seasonal and annual variations due to weather, food aid, fasting and other festival cycles and measuring poverty consumption (P0) may not show the real poverty. In 1994 Bevan & Joireman (1997) taking one community, in Amahara region (North Wolo) attempted to compare their wealth against the community wealth ranking and showed that 78 % perceive they are poorer than the community. This shows how big the differences are concerning results of poverty situation of the rural households.

#### **Perception on family food consumption, housing and loan**

When asked how respondents perceive their households' circumstances or personal wealth ranking, in 2004 about 30 % responded comfortable, and can manage to get by each. While in 2009, 36 and 33 % responded for comfortable and can manage to get by. Respondents, who reported, never have quite enough, poor and destitute altogether account 30 and 22 % in 2004 and 2009 respectively. Compared with Bevan & Joireman (1997) where 71 % of them perceived being poor still show how conflicting results are.

Respondents were also asked if they can get 100 Birr when the household needs it for emergency, which 57 and 75 % reported yes in 2004 and 2009 respectively. During the same periods 43 and 25 % reported that they cannot get the stated amount of money respectively. Moreover, in 2009 big positive

shift is shown from previous study period. Since 2005 the country has been hit by high inflation which still remain a big challenge to the Ethiopian government (Alem & Soderbom, 2011; Sabates-Wheeler & Devereux, 2010). Due to this, the value of the 100 Birr (currency of Ethiopia) has highly diminished in between the study periods and may become easy to get loan from friends, family, and other sources or may indicate an expansion of microfinance services to rural areas.

Asked about the source of the 100 Birr; 39 and 33 % of the respondents reported that sales of animals and loans for the year 2004. Similarly in the 2009, still sales of animals and loan account about 33 and 26 %. In both the study periods sales of animals took the major share showing the difficulty of getting less than ten US dollar for an emergency.

Asked concerning the family's food consumption over the past one month in 2004, nearly 39 % responded that it was less than adequate for the family and about 54 % responded that it was just adequate for the family. In the 2009, nearly 93 % reported that it was less than adequate and nearly 7 % reported it was more than adequate. This result contradicts to studies like FDRE (2012) that reported that poverty is reducing in the rural Ethiopia. However this result agrees with Dercon's et al. (2011) that evidenced poverty has increased after 2004. Literatures discussed that the consumption of the rural households is variable due to volatility of agriculture production and consequently high variability of rural incomes (Philippa Bevan, 2005; Bigsten, et al., 2003; Bigsten & Shimeles, 2008; Stefan Dercon & Krishnan, 2000). Specific study needs to be done why more than 90 % reported that consumption is less in 2009 compared to 2004.

Of respondents asked concerning family's housing in those days, about 53, 39 and 7 % reported for just adequate, less than adequate and more than adequate in 2004 and about 92 and nearly 8 % reported for just adequate and more than adequate in 2009. The percentage of respondents has highly increased in the 2009 in comparison to the prior study period. In this regard there is a big improvement in the households' in housing the family showing a positive relationship with the country's growth rate registered in the last eight years.

#### **Perception of health, economic situation and comparison of wealth**

About 50, 34, and 6 % reported for just adequate, less than adequate and more than adequate in 2004

when asked concerning health care the family gets. In 2009, nearly 91 and nearly 8 % reported for just adequate and more than adequate. In this regard, there is a big improvement in the households' health care that the family gets showing a positive relationship with the country's growth rate for the past eight years.

When respondents were asked to compare the overall economic situations of the households one year back, about 29, 28 and 26 % responded for a little better now, same and a little worse now in 2004. In 2009, however, 65 % reported a little worse now and about 18 and 16 % reported same and much worse now. This result is shared with Dercon, et al. (2011) which evidenced that head count poverty increased from 35 % in 2004 to 52 % in 2009.

Respondents were also asked how they may compare their wealth with the wealth of their fathers at the same age, i.e., whether they perceive richer or poorer in the study periods. In the 2004, majority of the respondents (58.39 %) reported that they perceive they are poorer, and about 17 and 11 % of them reported they are richer and about the same. In the 2009, study period still majority of the respondents (54.02 %) responded that they are poorer than their fathers, and nearly 24 and 8 % responded they are richer and a lot poorer. In both study periods majority of the respondents, i.e., above 50 % reported that they are poorer in comparison to their fathers' wealth. This result is also shared by Devereux & Sharp (2006, p. 1) which witnessed that rural households "perceive themselves to be poorer and more vulnerable than official poverty head count suggest"

Asked in relation to those who reported in 2004 why they are poorer in comparison to their fathers' wealth, majority (35 %) feel that their source of poverty is due to less land and the remaining 22 and 10 % perceived that they work less hard and times are harder. In 2009, still majority (49 %) perceived that shortage of land is the cause for their poverty. The remaining, nearly 13 and 10 % reported for harder times and work less hard. Early to this study periods, the study of Rahmato & Kidanu (1999) found that per capita landholdings are becoming smaller and the pressure on agriculture land is high which is similar with this study's findings.

To summarize, the result of this study can be divided in to three major categories. Health care families get, family housing and credit are among the first category that majority respondents perceived and reported that they are getting adequate and more

than adequate. In the second category, for questions like household circumstances both in terms of personal wealth ranking and community wealth ranking, i.e., comparing wealth of a household with other households living in the same village, very few respondents reported for some change. Nevertheless, results of family food consumption, overall economic situation, and comparison of wealth with their fathers are negative and contrary to the results of quantitative studies. In 2009, unlike in 2004, large number of respondents reported that food consumption has become worse and this may be due to high food price. In general it can be concluded that the perception of households related to non food consumption is positive, despite perceptions related to food consumption and comparison of wealth with their fathers becoming worse which goes in line with the country's report that showed food poverty reduction is less than non food poverty reduction.

## **Conclusion**

For the last two decades, government official reports and results of panel survey evidenced that rural Ethiopia's households' poverty reduced though the rate of poverty reduction vary among studies. Very recent interim report of the Ethiopian government, FDRE (2012) has indicated that poverty has reduced contrary to recent study of Dercon's (2011) that evidenced poverty has increased after 2004. However, most studies that measured poverty using self reported data indicated far behind the results that were witnessed by government reports and other panel surveys. So this study has tried to see how Ethiopian rural households perceive poverty at times of economic growth and high inflation despite the contradicting results of prior researches. Our finding shows that the perceptions of households related to non food are positive. However, perceptions related to food consumption tend to show worsening which is in line with the country's report that shows food poverty reduction is less than non food poverty reduction.

So the finding of this study (though the sample is not for the whole country representative) results indicate against the results obtained using quantitative approaches on the one hand and shows similarity other previous qualitative studies. Hence measuring poverty using one approach may mislead to develop policies and strategies targeting the rural areas, and when reporting about poverty both approaches is better to use before concluding whether poverty is really reducing or not.

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