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Reconsidering the Definition and Measurement of Pro-Poor Growth: Featuring the Vast Majority Income as a Measure of Pro-Poor Growth—A Note

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Abstract

The aim of this study is to review the various definitions and measures of pro-poor growth and suggesting a suitable definition and a measurement for subsequent research. The "weak" versus "strong" definitions and "relative" versus "absolute" approaches of pro-poor growth are compared to neighboring concepts and the policy implications of each are revealed. The distribution-focused approaches bear the characteristics of progressive growth or the construction of a middle class, advocating redistribution policies and limiting the scope of growth. The poverty-outcome-focused approaches are compared to trickle down growth or inclusive growth, involving growth accelerating policies. The analysis votes for a strong and absolute definition and suggests the vast majority income as a sound measure of pro-poor growth.

Keywords: inclusive growth, middle class, progressive growth, pro-poor growth, trickle down growth, vast majority income.

JEL Classification: D30, D60, E60, I30, 011.

1. INTRODUCTION

It is almost a consensus in development studies that not all growth processes have the same impact on poverty reduction (Hull, 2009) and pro-poor growth is the main pathway for sustained and steady poverty reduction. But the descriptive nature of the pro-poor growth measures lessened the promises of the concept. According to Saha (2011), the descriptive measures could not reveal the long run relationship found in econometric time series analysis. But recently, (Doumbia, 2019; Fufa, 2021) opened the way to long term analysis of pro-poor growth by investigating its determinants using the income share of the lowest 20% as the indicator of pro-poorness of growth. This measure however shows many missing data for developing countries[2].

Rooted in the redistribution with growth models (Shorrocks et al., 1976), therefore taking into account the simple arithmetic of poverty, inequality and growth (Bourguignon, 2003; Datt & Ravallion, 1992), pro-poor growth represents a growth process which pace and pattern enhance the ability of poor to participate in, contribute to and benefit from growth. Literature on pro-poor growth features almost as many definitions as studies assessing growth processes prompting Abdala (2016) to wonder whether pro-poor growth represents a single or a multiple concept.

This paper considers that pro-poor growth should be narrowed to its strict sense of the quality of growth process so as to focus on how policies can affect each growth process to derive maximum poverty reduction instead of sticking only to transfers measures (Hanmer & Booth, 2001). It recalls the competing definitions of pro-poor growth, their related labeling and their implications for economic policy. It ends up calling on the development economics community to accept the vast majority income (Shaikh & Ragab, 2007) as a common measurement of pro-poor growth.

2. POLICY IMPLICATIONS OF PRO-POOR DEFINITIONS

Two main families of definitions[3] (table 1) are identified in the literature, each family recognizing a weak/broad and a strong/strict approach of defining and measuring pro-poor growth. The distribution-focused "family" defines pro-poor growth as a function of distributional changes of wealth and the poverty-outcome focused "family" defines pro-poor growth by monitoring the overall outcome of growth on the welfare of the poor.

In the first family, for the weak[4] approach, growth is pro-poor if inequality decreases or does not increase during the growth process. It is a mere average relationship between poverty and inequality; therefore it calls for policies of static redistribution (McCulloch & Baulch, 1999). It is thus close to building a middle class or fighting against polarization. In the strong[5] approach, a growth process is pro-poor when the poor benefit proportionally more than the rich (Kakwani & Son, 2003), or say again, when redistribution is in favor of the poor. This prescribes policies that will gradually include them in the modern circuit of the economy and is similar to progressive growth or shared growth or dynamic redistribution.

In the second family, the broad approach considers growth to be pro-poor when it raises the income of the poor or when a poverty index decreases in a growth episode. It is a mean relation between growth and a poverty index

Table 1: Sample of Measurements and Competing Labeling

Measurement	*Authors/Methods*	*Definition approaches*	*Specific features*	*Neighboring concepts*
Distribution-focused definition (inequality)				
Poverty bias of growth	(McCulloch & Baulch, 1999)	Weak/broad	Average relationship between poverty and inequality	Middle class construction
Poverty equivalent growth rate (PEGR)	(Kakwani & Son, 2003)	Strong/strict	A bias based on the nature of growth alone	Progressive growth
Poverty-outcome-focused definition (income)				
Poverty elasticity of growth	Decomposition methods	Weak/broad	Average relation between poverty and growth	Trickle down growth
Poverty growth curve (PGC)	(Son, 2004)	Strong/strict	A bias both on the pace and the nature of growth	Inclusive growth

Source: Author

(Datt & Ravallion, 1992). This absolute definition calls for growth policies irrespective of their impact on inequality and can be merged to trickle down growth. The strict absolute approach admits that growth is pro-poor if it reduces poverty more than a benchmark scenario (Son, 2004). It involves seeking the highest growth possible (as it is the main factor for poverty reduction) and a growth path that alters favorably the distribution without any income transfer from the rich to the poor. It is thus similar to inclusive growth.

3. THE VAST MAJORITY INCOME, A RELEVANT MEASURE OF PRO-POOR GROWTH

According to Abdala (2016), the strong relative and absolute definitions of pro-poor growth both pass the test of pro-poorness and their (sample) measures (PEGR and PGC) respect the monotonicity criterion (Kakwani & Son, 2003; Son, 2004). For these two reasons, the strict approaches of defining and measuring pro-poor growth may be appropriate. But as we go for the policies implications, the absolute approach seems to surpass the relative approach.

The income share of the bottom 20% is the share of revenue that accrues to the first quintile or second deciles of the total population ranked by income level. If the quintiles are used to derive the Lorenz curve or compute inequality measures like deciles dispersion ratio, the share of the poorest 20% is typically an income dimension indicator. The data on this measure are available in the

WDI of the World Bank, but with many missing values. They are computed after the national household surveys are conducted, but the frequency of these surveys is not annually distributed.

The vast majority income is credited for accounting for both income and redistribution (Shaikh & Ragab, 2007) oriented pro-poor growth approach. The vast majority income (vmi) is an intuitive statistic that combines information on countries income levels, as captured by GDP (or NNI) per capita, and the distribution of this income among the population, as measured by the Gini coefficient. It is computed using the income of the first eighty percent of the population. The vast majority income ratio[5] bears a constant ratio to (1 – Gini) across countries and across time. This is called "The 1.1 rule[6]", which helps to compute the vast majority income for a given country in a year. It thus becomes possible to calculate a measure of pro-poor growth available yearly which captures both the income dimension and the distribution aspect.

4. CONCLUSION

This briefing article reviews the two families of definitions of pro-poor growth in the development literature: the relative and the absolute definitions. It further admits for each family a weak and a strong approach. The paper merges each approach with policy recommendation and neighboring concept to add clarity.

This note tolerates the strong definitions and prefers the strong absolute approach to pro-poor growth. It ends up suggesting the vast majority income as the measure of pro-poor growth for time series or panel data analysis to investigate the determinants of pro-poor growth.

Notes

1. The author is thankful to all anonymous reviewers of Academia Letters for their useful comments. A first version of this article is available online with the title: Revisiting the definitions and measurements of Pro-poor growth (Abdala, 2021). The empirical evidences of the measurement suggested in the letter are provided in Timbi & Abdala (2023).
2. In the WDI, the indicator gathers information from national household surveys conducted on average each 5 years for sub-Saharan Africa countries. Between these static data, researchers sometimes use linear interpolation to fill empty cells.
3. The terms are borrowed from a document for comment of Don Sillers available online at: "Pro-Poor Growth" - adjusting the rhetoric to the reality. Don Sillers, USAID/EGAT/PR (slideshare.net).

4. This is Kakwani & Son (2003)'s expression. They consider McCulloch & Baulch (1999)'s PBG and Kakwani & Pernia (2000)'s PPGI to be part of this approach. Lopez (2000) rather qualifies it as *broad* definition of pro-poor growth.
5. Once again, this is Kakwani & Son (2003)'s expression. They consider that PEGR respects the monotonicity criterion, thus a high rate of PEGR would mean higher poverty reduction. Son (2004) rather speaks of *strict* definition of pro-poor growth.
6. The vast majority income ratio (vmir) is the ratio of the disposable income per capita of the 80 percent of the population to the average income per capita.
7. The authors find robust results for all the countries of their samples and get the general empirical coefficients 1.0, 1.1 and 1.27 for the bottom 70, 80 and 90 percentiles respectively.

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