

Details of submission

(i) Session 6B

(ii) "Welfare volatility or measurement error? Some implications for chronic poverty measurement."

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(vi) A number of chronic poverty measures have recently been proposed, and are beginning to be used for the purposes of targeting social programs. As with cross-sectional poverty measures, it is important to minimise errors of inclusion and exclusion. Many measures have the property of being sensitive to volatility in welfare, often as measured by consumption. For any given average level of consumption below the poverty line, a higher variance would entail a higher degree of poverty. However, variance in consumption may well be caused by measurement error. No research to date has considered the implications of measurement error for chronic poverty measurement. This paper considers the relationship between the underlying assumptions about substitution of welfare between time periods in the proposed measures in the literature and the direction of bias in the case of measurement error. In the case of increasing compensation, and classical measurement error, it may be that intertemporal poverty is overstated. Using a simple average over time, intertemporal poverty may be understated. If measurement error is not random or classically distributed, we determine the direction and severity of the bias, illustrating with an empirical example and simulations.