DETERMINANTS OF VULNERABILITY TO POVERTY AND WELFARE STATUS OF HOUSEHOLDS IN URBAN ETHIOPIA: EVIDENCE FROM URBAN MAICHEW

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ABSTRACT
In the extant literatures, income or consumption expenditure measured over short periods of time has been regarded as proxies for well-being of individuals. However, economists have recognized that individuals or households sense of well-being depends not only on its average income or expenditure, but also on the risks it faces. Vulnerability is a more reasonable measure of welfare. This paper aims to measure the extent of vulnerability to poverty and examine its determinants on the basis of household’s consumption expenditure in Urban Ethiopia with reference to Maichew town. Results are based on primary survey data of 205 households. Descriptive statistics, OLS and 3FGLS regression analysis are employed as analytical techniques. 3FGLS is used to examine the ex ante welfare status of households subjected to idiosyncratic and covariate shocks. The probability of vulnerability to poverty of the society is 0.4. OLS estimation reveals that family size, orphans size; pensioner head significantly aggravate vulnerability to poverty. On the hand, household heads with major occupation petty trading, increase years of head education strive to reduce vulnerability to poverty. Sizable households are observed to be non-poor but estimated to be vulnerable to poverty. Thus, poverty reduction strategies need to be incorporate not just alleviation efforts but also prevention.

KEY WORDS: 3FGLS, Urban Maichew, Ethiopia, Vulnerability to poverty.