Measuring Inclusive Growth in Developing Countries Using Micro-based Pseudo-Panel Data

Arturo Martinez Jr.*
Institute for Social Science Research, University of Queensland, Australia
a.martinez2@uq.edu.au

Developing Asia provides an interesting case study for examining income mobility. Although it is the fastest growing region in the world, about 1.5 billion Asians still live below extreme poverty which suggests that economic growth in the region is not significantly inclusive. Empirically, this can be potentially confirmed by measuring income mobility using longitudinal data that collects information about income from the same set of respondents over time. However, individual panel data is scarce in developing countries as collecting it often requires significant amount of (financial) resources. Instead, developing countries rely on repeated cross-sectional multi-purpose surveys. This study creates pseudo-panel data of individual income by estimating cross-sectional models with time-invariant and time-varying covariates. Numerical simulation is used to evaluate the performance of this statistical approach when one is interested in measuring chronic poverty rates and decomposing changes in income inequality into pro-poor growth and income mobility components. In addition, three cross-sections of Philippine Family Income and Expenditures Survey are used to illustrate the proposed methodology using empirical data.

Key Words: Inclusive growth, income inequality, poverty and pseudo-panel estimation.