

Poverty Considerations and Income Aspiration: A Tale of Two Cities

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Abstract: This paper explores the role of poverty exposure in affecting income aspirations. In this direction, we collect samples from two relatively adjacent cities in Lebanon each with a different socioeconomic setting. The emerging evidence suggests that higher levels of education positively affect income aspirations, with education abroad being the most impactful across all estimated equations. The female population however consistently was found to have lower aspirations than their male counterparts across all estimated equations.

Key words: Income aspirations, Poverty, Education, Gender, Lebanon

1. Introduction

Societies function better when citizens realize and harness their capacity to aspire (Duflo, 2013; Kosec and Mo, 2017). Unfortunately, the vast majority of research focusing on aspiration windows fails to capture the existing disparities pertaining to the nature of the study-subjects. Motivated by development and welfare possibilities, scholars appear to be focusing on the opportunities that arise from widening one's aspiration window in order to create an aspirational effect, hence a subsequent change in behavior. In this context, the focal point appears to be the portion of the window where exogenous interventions could potentially lead to an increase in aspirations, as theorized by Genicot and Ray (2017).

Ostensibly, such an approach might be inherently incomplete as it fails to reflect a realistic scenario of aspiration formation. Additional factors such as for example, exposure to poverty – or simply bad socioeconomic conditions - should be taken into consideration when discussing aspiration windows. Intuitively, this exposure should have an anchoring effect on aspiration formation, leading to lower aspirations compared to those with a lesser degree of this “negative” exposure. Along these lines, Dalton, Gonzalez-Jimenez and Noussair (2017) showed that exposure to poverty can provoke a decline in productivity.

Genicot and Ray (2017) in an attempt to describe a theory of socially determined aspirations, argue that aspiration formation is not a mere internal process, but also a factor of society-wide economic outcomes. This largely builds on Ray (2006), who suggested that every person has an aspiration window, “formed from (her) cognitive world” p(1),

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from which aspirations are drawn. Simply put, people get inspired by what (or rather who) they see and know. Consequently, if positive exposure increases one's aspirations, it can be argued that exposure to poverty could have an anchoring effect on aspiration formation.

Ray (2006) explains that "the aspirations gap is simply the difference between the standard of living that's aspired to and the standard of living that one already has" p(3). In this study, aspiration gaps are thought to reflect the difference between the salary one aspires to get and one's current salary. The size of this gap is of considerable importance as a widening/narrowing gap might have a direct impact on the behavioral aspects of individuals (Dalton, Ghosal and Mani, 2015). For instance, a gap that is too narrow rarely causes a change in behavior, for it does not incentivize the person to make efforts. On the other hand, an aspiration that is too far away from one's current position can also be discouraging hence cause an aspiration failure. In this context, Pasquier-Doumer and Brandon (2015) found that indigenous children in Peru had larger aspiration gaps than non-indigenous ones, leading to higher rates of aspiration failure hence a persistence of inequality.

Despite the fact that the aspiration window is multidimensional, i.e. one could aspire on other dimensions such as location, managerial position, or simply next summer's travel destination, our research efforts only target the income dimension.

The aim of this paper is to explore the effects of exposure to poverty on income aspirations. In so doing an empirical investigation is taking place, we study a sample of 1923 individuals with different individual characteristics. This sample represents residents of two Lebanese cities (Beirut and Tripoli), largely different in terms of socio-economic conditions.

The rest of the paper is organized as follows: Section 2 elaborates on the empirical methodology whereas section 3 discusses the results. Finally, section 4 provides some concluding remarks.

2. Methodology

For the empirical investigations data from two Lebanese cities, Beirut and Tripoli is collated. We randomly select a large sample (N=1923) of individuals with different characteristics utilizing the Bayt Recruiter tool for data collection. Bayt is a professional networking platform, similar to LinkedIn, mainly targeted at the Middle Eastern market. The Recruiter tool is a paid service used by recruitment firms in their search for profiles. Initially, by using descriptive statistics, we try to establish potential differences in aspirations between inhabitants of the two cities before we proceed to the estimation of a set of regressions in an attempt to provide more insightful and meaningful results of the

impact of certain characteristics (age, gender, level of education) of the individuals on income aspirations.

In passing, it should be noted that despite the small size of the country (10452 Km²) and the short distance separating the two cities (80 Kms), Tripoli has a much worse socioeconomic situation than the capital which serves as a starting point to test out hypothesis. Moreover, the proximity between the two cities allows a large number of Tripolitans to go work every day in Beirut and come back. Similarly, young Tripolitans and Beirutis often study in the same institutions. Nevertheless, these two cities are dramatically different in terms of socioeconomic conditions. In Tripoli, the poverty rate is much higher, armed conflict is frequent and employment opportunities are scarce, whereas Beirut enjoys much more stable and superior socioeconomic conditions. In Lebanon, when employment opportunities are advertised, they are by default assumed to be in Beirut. Consequently, most employment seekers only target Beirut in their job search. This situation could be compared to that of any large Western Capital such as Paris or London, where job seekers from the city's suburbs look for opportunities within the metropolis.

3. Discussion of results

Given the nature of our sample, one should not expect to observe a large disparity between Beirutis and Tripolitans' income aspiration levels. Indeed, at least for those with identical qualifications, gender and age, a relatively similar aspiration window should be shared, for they are exposed to the same sources of inspirations. However, unlike the other, one group is in frequent contact with poor socioeconomic conditions. Using descriptive data analysis, see Table 1, we can draw preliminary conclusions in relation to the exposure to poverty and any disparities arising in aspiration levels.

Table 1: Analysis of descriptive statistics for both samples

N	TRIPOLI			BEIRUT		
	Min.	Mean	Max.	Min.	Mean	Max.
	972			951		
Sample Age	21	30.83	67	21	32.865	66
Income Aspiration Level	600	2344.321	15000	600	2803.229	15000
Income Aspiration Level, Males	600	2622	15000	600	3363	15000
Income Aspiration Level, Females	600	1619	6000	600	1902	10000
Income Aspiration Level, Diploma	600	1851	13335	600	2178	12500
Income Aspiration Level, Bachelor's	600	2242	14000	600	2640	15000
Income Aspiration Level, Master's	600	3140	15000	800	3710	15000
Income Aspiration Level, Education Abroad	800	4441	15000	1500	5505	15000

Table 1 shows that, for every single subgroup, income aspiration levels are higher in Beirut. The difference in means for the two groups is of 459 USD monthly, thus 5,508 USD annually. The two groups show similar patterns: those with higher levels of education have greater income aspirations, with education abroad topping the list; females have lower aspirations than their male counterparts, possibly due to cultural aspects or gender discrimination in this labor market. Table 2 summarizes the differences in means between the two cities for each subgroup.

Table 2: Differences in means between the two cities for each subgroup

N=1923	Difference in Monthly Income Aspiration Level between the Beirut and Tripoli samples (USD)
All Sample	459
Males	741
Females	283
Education Level: Diploma	327
Education Level: Bachelor	398
Education Level: Master	570
Education Type: Study Abroad	1064

The findings from this section complement those of Czaika and Vothknecht (2014) and Van Mol (2016). Indeed, our micro-level analysis of these two locations has shown that residents of the city with a greater level of economic development have a higher level of income aspirations. It also clearly depicted a positive relationship between education and aspirations. Those who have had an experience in a foreign country have the highest aspiration levels in both groups. However, we cannot draw any conclusion as to whether their initial decision to go study abroad was due to a possible predisposition to aspire.

The preliminary evidence is also supported by the estimated regression equations. More specifically, Table 3 suggests that the identity variables, Age, Gender and Education, are relatively equal in their influence on aspirations formation in both cities. Hence, for instance, if we assume that gender inequality in aspirations is possibly due to discrimination or culture, we could argue that exposure to poverty in itself does not have an impact on these discriminatory tendencies. Furthermore, since as Table 3 shows, identity variables have a relatively same effect in both locations, it is tempting to believe that inequality will be perpetual if the status quo remains unchallenged by an appropriate set of policies.

Table 3: Regression results

	Entire sample	Entire sample	Beirut	Beirut	Tripoli	Tripoli
Age	123.70*** (7.34)	125.72*** (7.34)	121.30*** (7.31)	123.31*** (7.30)	122.31*** (7.30)	125.30*** (7.31)
HED	771.82*** (90.32)	782.12*** (90.19)	742.35*** (91.62)	752.54*** (91.50)	762.54*** (91.50)	772.35*** (91.62)
MED	505.46*** (110.01)	507.45*** (110.06)	537.62*** (110.56)	547.62*** (110.56)	547.62*** (110.56)	557.63*** (110.57)
EDA	1258.08*** (240.30)	1188.00*** (240.30)	1287.14*** (238.47)	1297.10*** (238.47)	1177.10*** (238.47)	1177.15*** (238.49)
M	857.03*** (69.14)		887.95*** (70.93)		887.95*** (70.93)	
F		-856.90*** (69.13)		-897.87*** (70.92)		-899.87*** (70.91)
BEIR			231.00*** (82.19)	231.04*** (83.18)		
TRIP					-231.0*** (82.18)	-233.0*** (82.19)
Cons	-2715.9*** (244.138)	-1859.8*** (230.30)	-2744.9*** (245.05)	-1875.5*** (230.27)	-2513.9*** (248.26)	-1626.5*** (239.76)
R ²	0.365	0.365	0.364	0.364	0.363	0.363

Notes: Robust standard errors used; *** denotes significance at the 1% level; **Age** denotes age of individuals in the sample; **HE** is a dummy variable that assumes the value of 1 for individuals who have Higher Education and 0 otherwise; **MED** is a dummy variable that takes the value of 1 for individuals with an MSc qualification and 0 otherwise; **EDA** is a dummy variable that take the value of 1 when denotes individuals have studied abroad and 0 otherwise. **M** is a dummy variable that equals 1 when the individual is male and 0 otherwise; **F** is a dummy variable that equals 1 when the individual is female and 0 otherwise; **BEIR** is a dummy that assigns the value of 1 to individuals who reside in Beirut and 0 otherwise; **TRIP** is a dummy that assigns the value of 1 to individuals who reside in Tripoli and 0 otherwise.

4. Conclusions

There is a “vicious circle” of low aspirations and poverty (Appadurai, 2004; Czaika and Vothknecht, 2014). This paper builds on this observation in a slightly different context. Indeed, it makes a case for the consequences of exposure to poverty, not necessarily being poor. We have seen that, even within a limited geographic perimeter (50 miles distance), those who had greater exposure to poverty aspired consistently less than their counterparts. Furthermore, our findings depict a clear relationship identity (Gender, Age, and Residence) and aspiration formation.

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