

Poverty measurement in Latin American during the last decades

Luis Beccaria

University of General Sarmiento - Argentina

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FIRST EXPERIENCES WITH POVERTY MEASUREMENT IN LATIN AMERICA

- **INCOME APPROACH (Absolute poverty)**
 - ECLAC (Altimir, 1979)
- **MULDIMENSIONAL APPROACH**
 - UBN method in Argentina (INDEC, 1985)
- **COMBINED METHOD**

THE INTEGRATED METHOD

	MDM (UBN) POOR	MDM (UBN) NON POOR	
INCOME POOR	Chronic poor	Recent poor	<i>TOTAL INCOME POOR</i>
INCOME NON POOR	Structural poor	NON POOR	<i>TOTAL INCOME NON POOR</i>
	<i>TOTAL MDM POOR</i>	<i>TOTAL MDM NON POOR</i>	

THE POVERTY LINE (OR INCOME) METHOD

Basic characteristics of the method employed in Latin America

- Household is the unit of analysis. No intra-household differentiation
- Poverty Line = Basic Food Basket + Non Food Basket
- BFB: value of goods to reach minimum nutritional requirements.
Actual consumption patterns of reference population
- $NFB = BFB * (\alpha - 1)$
- $PL = BFB * \alpha$

Where $\alpha = \text{total expenditure}_r / \text{food expenditure}_r$

OFFICIAL INCOME BASED POVERTY MEASURES IN LATIN AMERICA

	Indicator of resources	Adjustment due to household size and composition
Argentina	Income	Equivalent adults
Bolivia	Income	Per capita
Brazil	Income	Per capita
Chile	Income	Scale economies
Colombia	Income	Per capita
Costa Rica	Income	Per capita
Ecuador	Income	Per capita
El Salvador	Income	Per capita
Honduras	Income	Per capita
Mexico	Income	Equivalent adults
Panama	Expenditure	Per capita
Paraguay	Income	Per capita
Perú	Expenditure	Per capita
Dominican Rep.	Income	Per capita
Uruguay	Income	Scale economies for NFB
Venezuela	Income	Per capita

OFFICIAL INCOME BASED POVERTY MEASURES IN LATIN AMERICA

	Indicator of resources	Adjustment due to household size and composition	Expenditure Survey employed for consumption patterns	Regional differentiation			Share of FBF in total LP (due to relative price changes)
				Physical food basket	FB prices	NFB or α	
Argentina	Income	Equivalent adults	2004-05 (and 1996-97)	Yes	yes	yes	Variable
Bolivia	Income	Per capita	1990-1997	u / r	u / r	u / r	Constant
Brazil	Income	Per capita	1987/88	yes	yes	no	Constant
Chile	Income	Scale economies	2011-12	no	no	no	variable
Colombia	Income	Per capita	2006/07	Yes	yes	yes	Variable
Costa Rica	Income	Per capita	2004	no	no	no	Variable
Ecuador	Income	Per capita	2005/06	no	no	no	Constant
El Salvador	Income	Per capita	1977/78	u / r	no	no	Constant
Honduras	Income	Per capita					
Mexico	Income	Equivalent adults	2006	u / r	u / r	u / r	Variable
Panama	Expenditure	Per capita	2007/08	no	yes	no	Variable
Paraguay	Income	Per capita	2010/11	u / r	no	u / r	Variable
Perú	Expenditure	Per capita	2010	yes	yes	yes	Variable
Dominican Rep.	Income	Per capita	2007	u / r		u / r	
Uruguay	Income	Scale economies for NFB	2005/06	u/r	u*/r	yes	Variable
Venezuela	Income	Per capita	1997	no	no	no	Constant

GENERAL COMMENTS

- Assumptions in the construction of poverty line. Indirect estimates of the NFB
- ECLAC measure: comparability is one of its strengths but also decisions that are to some extent arbitrary.
- PL definition in the countries official measurements made a more detailed analysis of the national conditions.
- Lack of consideration of unit equivalence and, especially, scale economies
- “Physical” poverty lines not frequently updated.
- Changes in PL and problems of comparability through time.
- Underreporting of income in HS.

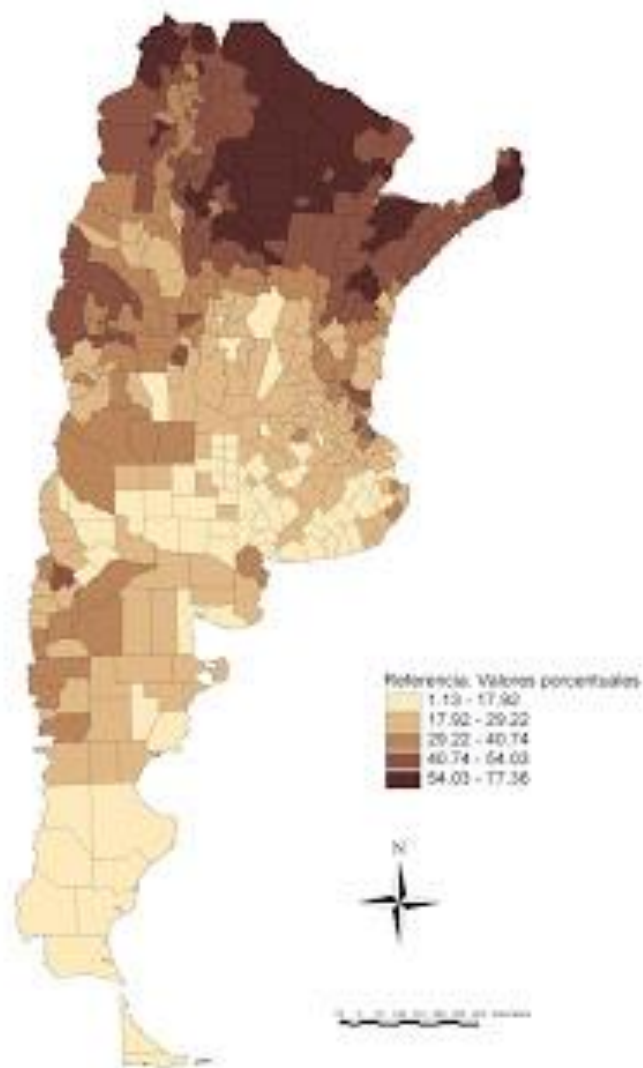
CHALLENGES

- More frequent updating of parameters
- Alternatives for a direct measure of NFB
- Defining criteria for time comparability

MULTIDIMENSIONAL POVERTY

INDICATORS OF THE UBN METHOD

	Argentina	Colombia	Peru	Venezuela
Housing	Precarious; rooms in cheap "hotel"; rooms in slum buildings	<i>main cities:</i> dwellings with no flooring <i>other cities:</i> dwelling with no flooring and inadequate walls materials	Dwellings with out flooring and inadequate walls materials	"Rustic" dwellings in shanty towns housing
Overcrowding	More than three persons per room	More than three persons per room	More than three persons per room	More than three persons per room
Services	No toilets	<i>main cities:</i> without public water supply and non sewage disposal facilities; <i>other cities:</i> water from nearby streams or wells, with no toilets	Simultaneously: no running water supply no water from wells, no sewage disposal facilities and no electricity	<i>urban:</i> no water pipes inside or outside the dwelling <i>rural:</i> no water pipes nor toilets
Education	Households with children in primary school age not attending school	Household with children in primary school age not attending school	Households with children in primary school age not attending school	Households with children in primary school age not attending school
Subsistence capacity	Head of household with 3 or less years of education in households with 4 or more people per employed person		Head of household with 3 or less years of education in households with 3 or more people per employed person	Head of household with 3 or less years of education in households with 3 or more people per employed person



INTENSIDAD DEL IPMH. REPÚBLICA ARGENTINA. 2001.

Fuente: Censo Nacional de Población, Hogares y Viviendas 2001. INDEC, IGM. Elaboración propia.

Laboratorio de Cartografía Digital - Instituto de Estudios Geográficos.

MAPA 1

THE INTEGRATED METHOD

	MDM (UBN) POOR	MDM (UBN) NON POOR	
INCOME POOR	Chronic poor	Recent poor	<i>TOTAL INCOME POOR</i>
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THE INTEGRATED METHOD

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	<i>TOTAL MDM POOR</i>	<i>TOTAL MDM NON POOR</i>	

OFFICIAL MULTIDIMENSIONAL POVERTY MEASURES IN LATIN AMERICA

	Chile	Colombia	Costa Rica	Ecuador	El Salvador	Honduras		Mexico			
								MDM	Income poor	Poor	

OFFICIAL MULTIDIMENSIONAL POVERTY MEASURES IN LATIN AMERICA

	Chile	Colombia	Costa Rica	Ecuador	El Salvador	Honduras	Mexico		
							MDM	Income poor	Poor
Dimensions	5	4	5	4	5	4	6		
Indicators	15	15	20	12	20	15	12		
Weights									
Dimensions	Equal except one	Equal	Equal	Equal	Equal	Equal			
Indicators in dimensions	Equal	Equal	Equal except in one	Equal	Equal	Equal			
Cut off to identify poor units (% of weights of indicators)									
	33,5	33	20	33	35	25	One dimension. One indicator per dimension		Intersection
Unit of analysis									
	Household	Household	Household	Household	Household	Household	Individual	Household	Individual

OFFICIAL MULTIDIMENSIONAL POVERTY MEASURES IN LATIN AMERICA

	Chile	Colombia	Costa Rica	Ecuador	El Salvador	Honduras	Mexico			ECLAC	ECLAC-UNICEF (child poverty)
							MDM	Income poor	Poor		
Dimensions	5	4	5	4	5	4	6			5	6
Indicators	15	15	20	12	20	15	12			13	16
Weights											
Dimensions	Equal except one	Equal	Equal	Equal	Equal	Equal				Equal except one	Equal
Indicators in dimensions	Equal	Equal	Equal except in one	Equal	Equal	Equal				Equal except in two	
Cut off to identify poor units (% of weights of indicators)	33,5	33	20	33	35	25	One dimension. One indicator per dimension		Intersection	22	Extreme poverty: extreme deprivation in one dimension/ Child poverty: moderate deprivation in one dimension
Unit of analysis	Household	Household	Household	Household	Household	Household	Individual	Household	Individual	Household	Individual (child)

GENERAL COMMENTS

- Selection of indicators. Conceptual and empirical questions.
 - absence of explicit conceptual basis
 - lack of adequate information (regular household surveys do not collect data on aspects relevant for a MDM indicator).
 - statistical procedures to define the relevant ones are not always adopted.
- Definition of thresholds faces also some difficulties.
- Updating of dimensions, indicators and thresholds

CHALLENGES

- Adapt surveys to gather information on indicators relevant for a MDM measure
 - Not need to measure MDM in the short run (e.g. yearly).
- Incorporate statistical routines for a better selection of indicators.
- Define criteria for updating the measures