

Chronic and transient poverty in Brazil

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(This presentation is based on the original work by Luis-Felipe Lopez-Calva, Shabana Mitra and Eduardo Ortiz-Juarez prepared as background for the World Bank Report on Chronic Poverty in Brazil, coauthored with Rogerio Bianchi, Luis-Felipe Lopez-Calva and Maria Ana Lugo. The authors benefitted immensely from support by Jordan Solomon and Andres Castaneda, and conversations with James Foster and Sabina Alkire)

When can we declare Mission Accomplished?

In 2011 launch of Brasil sem Miseria with aim at eradicating extreme poverty

Question: how can we say if succeeded?

- Distinguish between:
 - Chronic Poverty that captures persistence (over time) of deprivation
 - Transient poverty refers to a temporary condition

How can measure it?

Concept entails some movement or lack thereof.

Ideally would need panel data to track these movements. But very few countries collect panel data.

Two most common approaches to measure chronic poverty (components approach and the spell approach) in the absence of panel income data are equally problematic

Key question

How do we **identify** the chronic and transitory poor without panel data?

Two approaches

- *Synthetic panels*
- Monetary & Multidimensional index of poverty

Synthetic panel approach

- Methodology similar to the one used to construct poverty maps level (Dang, Lanjouw, Luoto, McKensie 2011)
- Has been validated using panel data (Dang and Lanjouw 2013)
- Using information from at least two cross-sections it is possible to the study of income mobility at the household level

Synthetic panel approach - cont

Classify households into four groups:

- 1) those that are always poor— ‘the chronically poor’;
- 2) those that were poor in the first period but not in the second—the ‘leavers’ of poverty;
- 3) the non-poor in the initial period who fell into poverty in the second one— the ‘enterers’ into poverty; and
- 4) those that are never poor.

Mobility in Brazil, International Poverty Lines (Lower and Upper Bounds) 1992-97 & 2003-2011

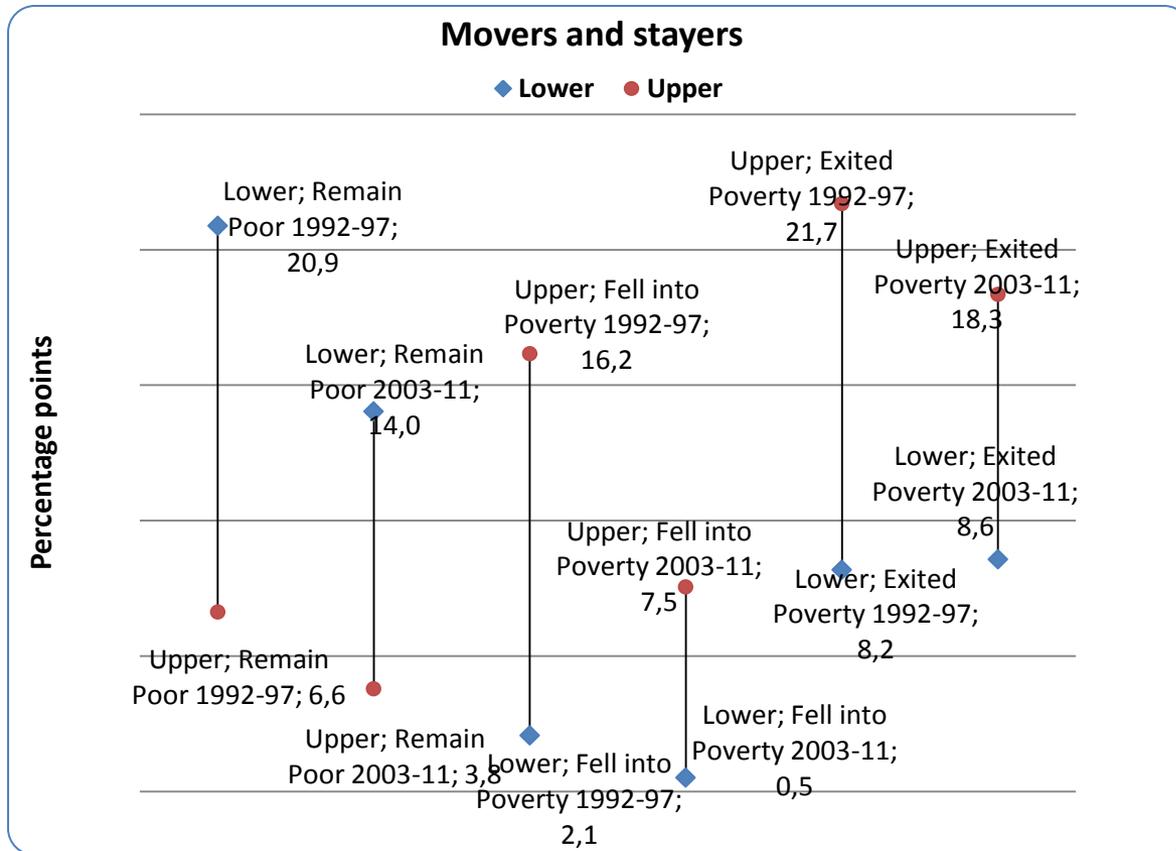


Table 1: Mobility in Brazil 2003-2011, International Poverty Lines (lower bound estimates)^[1]

Mobility in Brazil 2003-2011, International Poverty Lines (lower bound estimates – less mobility)

		Destination: 2011			TOTAL 2003
		Poor (0-140 Reais)	Vulnerable (140 – 250 Reais)	Middle Class + (250 Reais +)	
Origin: 2003	Poor (0-140 Reais)	14.0%	6.7%	1.9%	22.6%
	Vulnerable (140 – 250 Reais)	0.5%	7.0%	11.2%	18.7%
	Middle Class + (250 Reais+)	0.0%	0.9%	57.8%	58.7%
TOTAL 2011		14.5%	14.6%	70.9%	100.0%

Synthetic panel approach (cont)

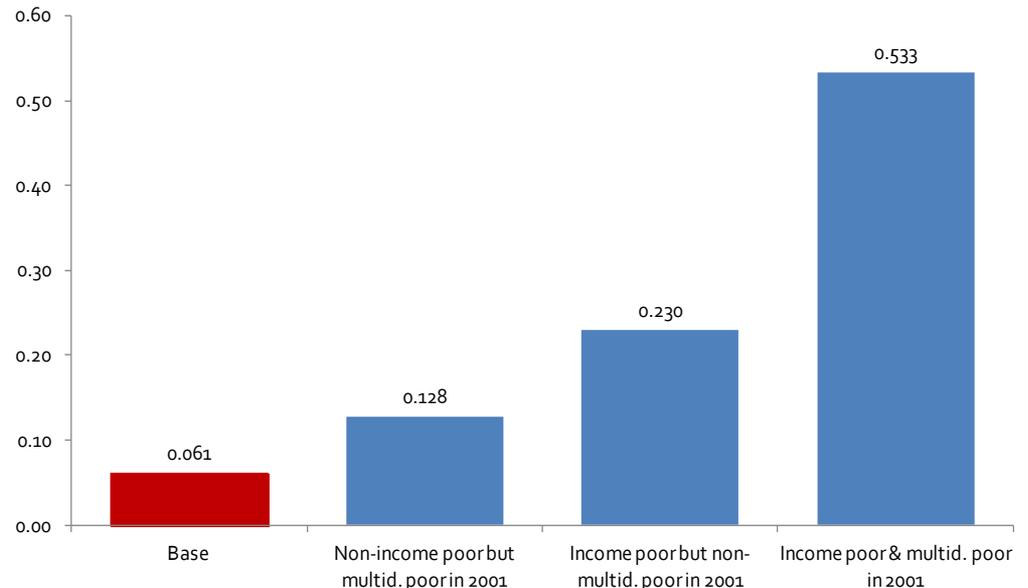
Find that exiting poverty related to

- Higher educational achievement,
- location and
- employment status

Monetary & MPI

- Monetary poor & multidimensional poor today is more likely to remain poor (Lopez-Calva, Mitra and Ortiz-Juarez)

Chile - Probabilities of being income-poor in 2006 by poverty status in 2001



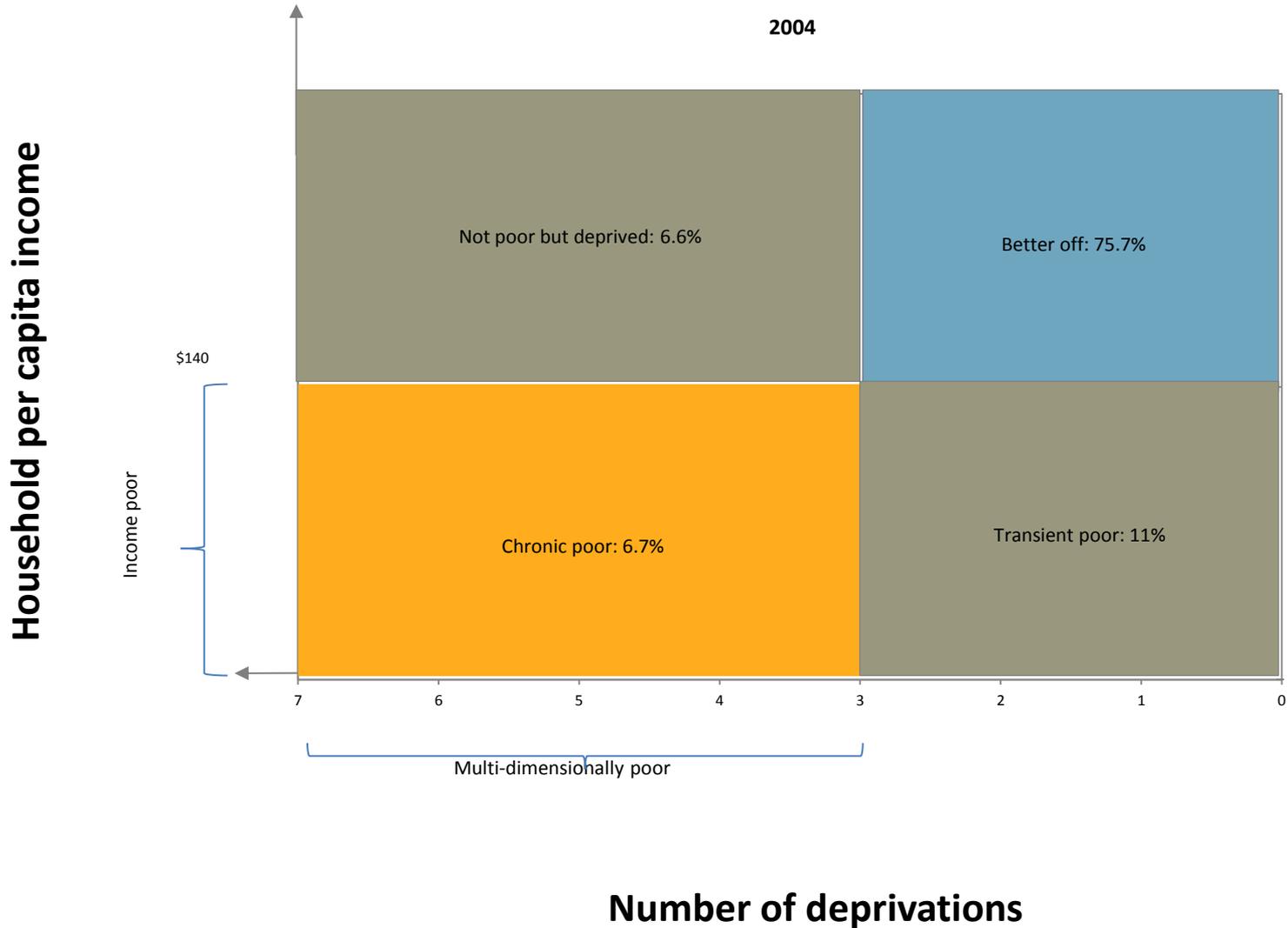
Monetary & MPI

- In the absence of panel data we can identify chronic and transient poor using individual's multidimensional & monetary poverty status.

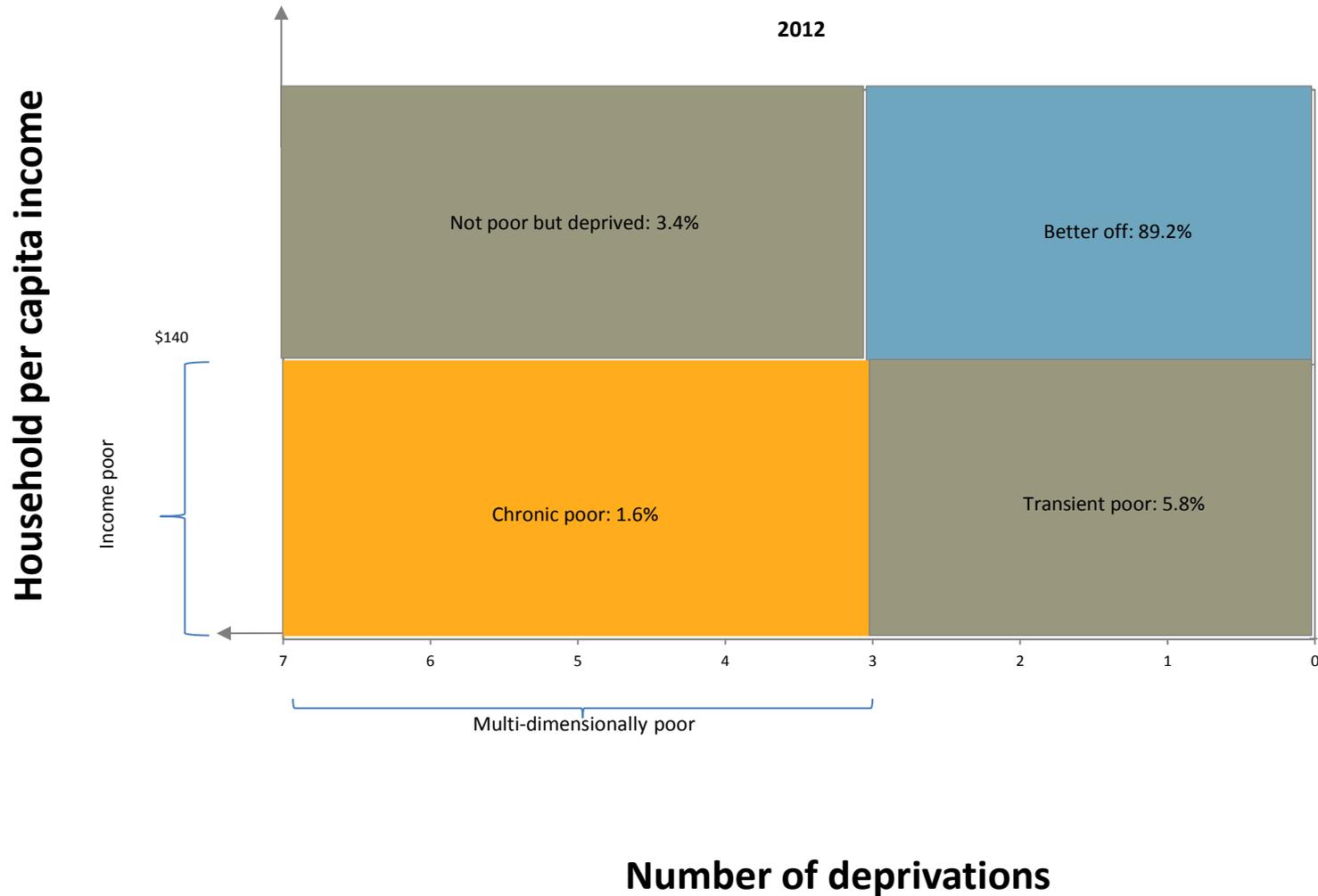
Indicators and deprivation criteria

Indicator	The household is considered deprived on that dimension:
Child School Attendance	if any school-aged child (7-17 years old) is not enrolled in school
Years of schooling	if none of the household members has 8 years of schooling or more
Improved sanitation	if the dwelling has no access to a general network or septic tank
Safe water	if the dwelling has no access to piped water provided by the general network of distribution, well or spring
Electricity	if the dwelling has no access to electricity
Shelter	if living in a shelter not constructed with masonry materials (like bricks and stones)
Assets	if it does not own at least two of: i) refrigerator/freezer; ii) telephone/mobile; iii) clean cooking fuel stove (gas or electric cooker)

Chronic and transient poor



Chronic and transient poor



Considerations

- The actual number will depend on the number of deprivations that is considered.

	k=2	k=3	k=4
2004			
Chronic	9.9	6.7	4.0
Transient	7.8	11.0	13.7
Vulnerable	14.4	6.6	3.2
Better Off	67.9	75.7	79.1
2012			
Chronic	3.1	1.6	0.7
Transient	4.2	5.8	6.7
Vulnerable	10.9	3.4	1.0
Better Off	81.7	89.2	91.6

Conclusions

- When panel data not available there are some methodologies that allow to identify and characterize chronic and transient poor.
- Synthetic panels allow to characterize households who remain poor or who exit poverty
- Possible to use multidimensional index of poverty to identify the chronic and transient poor and thus target them with appropriate policies.

Thanks