

Exploring Poverty in Grenada: Part 1

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Enhancing the welfare of the population is the ultimate objective of achieving economic growth and development. In this regard, the poverty rate is the most commonly used indicator to assess the welfare of the population. In the budget statement for 2022, the poverty rate was reported at 25 percent in 2018/2019 and was estimated to have declined from 37.7 percent in 2008/2009. This information was sourced from the "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS].

According to the Report, the survey is undertaken every 10 years. It is obvious that a ten [10] years period is too long a gap in assessing poverty if policies are to be targeted at elevating the poor out of poverty. Also, in presenting information on social indicators, particularly on unemployment and poverty, the data should be disaggregated by age, sex, a combination of age and sex, and by parish to provide a full picture of the situation. It is this deep disaggregation of the data that is needed for the public to understand the situation in communities, parishes and in the country.

The ten [10] years interval in undertaking the poverty survey also leaves a mental gap by the public as to what was the level of poverty during the interim period of 2008/2009 and 2018/2019. During this period, the economy was affected by the financial and economic crisis of 2008 and 2009, economic recovery was slow between 2011 and 2013. Thereafter, the economy recorded strong growth between 2014 and 2018, but this was accompanied by the structural adjustment programme. In this context, poverty was estimated to have declined from 37.7 percent in 2008/2009 to 25 percent in 2018/2019.

Using the "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS] as the reference, a rudimentary estimation is undertaken of the possible poverty situation during the ten years interim period. In the SLCHBS Report, reference is made to two indicators used to measure poverty namely, income or consumption.

In the case of Grenada, the consumption indicator was used to measure poverty. A survey of household consumption expenditure was undertaken to calculate this consumption-based poverty with a sample of 1,689 households. Consumption expenditure was classified into the categories of food, non-food, imputed housing rent, and consumption durable goods: estimated vehicle consumption. A level of welfare, and in this case consumption expenditure of EC\$6,782 per year per person at 2019 prices, was established. This level of consumption expenditure, of EC\$6,782 per year per person, is defined as the poverty line. It separates the poor from the rest of the population and represents "a monetary measure of the minimum annual consumption, in dollar terms, that is needed to meet the basic food and non-food requirements of an average adult, at prevailing prices." (Final Report-Country Poverty Assessment: Grenada, Carriacou and Petit Martinique, Volume 1- Main Report; 2007/2008).

The survey is based on household consumption expenditure which is derived by using a fixed adult equivalent weight for the population by age and sex.

The use of consumption expenditure is the monetary definition of poverty. Based on this consumption expenditure method, the "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS] reported that monetary poverty declined from 37.7 percent in 2008/2009 to 25 percent in 2018/2019. It also reported that within the poverty group, extreme poverty increased, and the income disparity between the non-poor and the poor widened. The inclusion of non-monetary indicators such as education and health in the measurement of poverty resulted in multi-dimensional poverty of 34.3 percent in 2018/2019.

The rate of poverty, as measured by consumption expenditure, is influenced by the performance of the economy. This is because the income or consumption indicator of poverty is aligned to the method of determining the Gross Domestic Product [GDP] of the country. The GDP is the value of goods and services produced in the economy in one year. There are three fundamental approaches to calculating Gross Domestic Product [GDP], which determines economic growth. The three methods are described as (i) output, (ii) expenditure, and (iii) income. The two commonly used methods are the output and expenditure methods. In the output approach, the value of all the goods and services produced in the economy is aggregated to derive the total value of goods and services or GDP. The other commonly used method is the expenditure approach where the expenditure for consumption and investment on goods and services produced in the economy is aggregated to obtain total expenditure on domestically produced goods and services. There is the income method where income received by households in the form of wages, interest, and dividends; and the profits of businesses are aggregated to derive total national income. In a perfect economic situation, the calculation of GDP and economic growth by these three methods should result in the same figure. This synchronization does not occur due to non-reporting and errors in reporting by agents.

It is the income or consumption indicator, which determines GDP, that is used to measure monetary poverty. As the economy grows, accompanied with job creation that pushes persons above the poverty line, consumption expenditure is likely to increase, and poverty would decline. If the economy contracts, consumption expenditure is likely to decline, and poverty would increase.

A rudimentary calculation, based on the elasticity of poverty to growth in GDP and the rate of inflation, is used to provide an indication of the possible trend in poverty over the ten years period. The elasticity is the extent to which the rate of poverty changes as the economy grows. With the SLCHBS as the reference, it is estimated that a one percentage point increase in GDP results in a 1.7 percent decline in poverty. The "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS] reported "In Grenada, the elasticity of poverty with respect to growth is -1.71. In other words, on average a 10-percentage-point increase in economic growth will produce a 17-percent decrease in the proportion of people living in poverty."

Inflation is also incorporated in the determination of the rate of poverty during the interim period of 2008/2009 and 2018/2019. While economic growth would reduce poverty, higher prices would dampen the impact of increased consumption expenditure associated with economic growth. During the period 2009 to 2014, inflation was relatively high, influenced by the high oil prices. Thereafter, between 2015 and 2018, inflation was low as the international price of oil declined after the high of 2014.

As indicated previously, the ‘Survey of Living Conditions and Household Budget Survey’ [SLCHBS] was undertaken with a ten [10] years interval. However, public policies that aim at reducing poverty are continuous. Therefore, it would be necessary to establish indicators that could inform the public on the trend in poverty during the interim periods. In Part 2 of this article, the estimated poverty rates during the interim years of 2009 to 2019 are estimated, based on the growth in the economy, the elasticity of poverty, and the rate of inflation.

Knowledge is power and experience is the greatest teacher.

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