

Exploring Poverty in Grenada: Part 2

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In the previous article, reference was made to the poverty rate of 25 percent in 2018/2019, which represented a decline from 37.7 percent in 2008/2009. This information was reported in the budget statement for 2022 and was sourced from the "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS], which is undertaken every 10 years.

During the interim ten [10] years period, the economy was affected by external shocks and internal programmes. There was the financial and economic crisis of 2008 and 2009 and high inflation influenced by high oil prices. Economic recovery was slow between 2011 and 2013, but inflation remained high due to the elevated price of oil. Thereafter, the economy recorded strong growth between 2014 and 2018 and inflation was low as oil price moderated after the high of 2014. This period coincided with the implementation of the structural adjustment programme.

The following is a rudimentary calculation of the rate of poverty for periods between 2008/2009 and 2018/2019, based on the growth in GDP, the elasticity of poverty, and the rate of inflation. The elasticity of poverty was obtained from the "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS], which implies, that if the economy grows by one (1) percentage point, poverty declines by 1.7 percent. The reverse is applied in this analysis, that is, if the economy declines by one (1) percentage point, poverty increases by 1.7 percent. This rudimentary estimate provides an indication of the possible rate of poverty in periods between 2008/2009 and 2018/2019.

During the financial and economic crisis, there was a decline in national income [GDP] of 6.6 percent in 2009 and 0.5 percent in 2010, resulting in a 7.1 percent decline in GDP over the period. Based on the elasticity of poverty, a one percentage point decline in GDP results in a 1.7 percent increase in poverty, the rate of poverty would have increased by 12.1 percent or 4.6 percentage points to 42.3 percent. With the further negative effect of the accumulated inflation rate of two (2) percent during the period, poverty could have increased to approximately 44.3 percent by 2010.

Between 2011 and 2013, the poverty rate would have increased from the 44.3 percent estimated for 2010. After 2010, the economy was slowly recovering from the financial and economic crisis and grew by 0.8 percent in 2011, declined by 1.2 percent in 2012, and then grew by 2.3 percent in 2013, with a total accumulated growth of two (2) percent during the period. This economic growth could have led to a reduction in the consumption-based poverty by 3.4 percent or 1.5 percentage points to 42.8 percent. However, inflation was high, and the accumulated rate of inflation was four (4) percent between 2011 and 2013, which completely eroded the gains from economic growth. Consequently, a higher rate of poverty of 46.8 percent was estimated at the end of 2013.

Then between 2014 and 2017, the accumulated economic growth was 21.9 percent [Growth rates: 2014: 7.3, 2015: 6.5, 2016: 3.7, 2017: 4.4]. Applying the elasticity, of one (1) percentage point increase in GDP leads to a 1.7 percent decline in poverty, the rate of poverty would have declined by 37.2 percent or 17.4 percentage points to 29.4 percent. Inflation was low during the period with an accumulated rate of 1.1 percent which had the effect of reducing the impact of economic growth on poverty. Consequently, the rate of poverty was estimated at 30.5 percent at the end of 2017.

In the following two years, 2018 and 2019, the accumulated growth was 5.1 percent [Growth rates: 2018: 4.4 percent and 2019: 0.7 percent]. Applying the elasticity, poverty could have declined by 8.7 percent or 2.6 percentage points to 27.9 percent. However, with the rate of inflation of 1.4 percent, poverty is estimated at 29.3 percent at the end of 2019. The result from the rudimentary calculation approximates the 25 percent derived by the SLCHBS.

Based on this rudimentary measurement of poverty, using economic growth, the elasticity of poverty and the rate of inflation, it is possible to trace the trend in poverty during the interim periods of 2008/2009 and 2018/2019. It provides an overall estimated poverty rate but does not indicate how the poor groups benefited from the economic growth.

In the "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS], it is reported that within the poverty group, the poorest of the poor or extreme poverty increased from 2.4 percent to 3.5 percent between 2008 /2009 and 2018/2019. Also, the income disparity between the non-poor and the poor widened. This indicates that while the economy was growing a segment of the population was getting poorer, and the distribution of income was more inequitable. The growth period coincided with the implementation of the Structural Adjustment Programme. Therefore, an assessment of the measures of the 'Structural Adjustment Programme' would provide details of the impact of the programme on the vulnerable groups.

The impact of growth policies must also be assessed in relation to the accompanying employment created. The "Grenada Survey of Living Conditions and Household Budget Survey" [SLCHBS] reported higher poverty among the unemployed. It also reported that 20.8 percent of the poor was employed. Among the working poor, the highest proportion was employed with the Central Government. In relation to sectors, the higher level of poverty was among human, health, and social workers; and these were followed by agriculture, forestry, and fishing. The following is extracted from the SLCHBS report:

“In terms of labor market indicators, not surprisingly poverty is considerably higher for those unemployed (38.8 percent), compared to those employed (20.8 percent). Moreover, of those individuals currently employed, central government employees—who represent 21 percent of all workers—are among the group with the highest poverty rate (24.5 percent), followed by private workers and self-employed people without employees, with a poverty rate of 20.8 percent and 19.9

percent, respectively. By sector of employment, the poverty rate is highest among human, health and social workers, followed by agriculture, forestry, and fishing workers. The lowest poverty rates are observed among the transportation, information and communication sector workers, followed by professionals working in scientific and technical activities, along with Education workers.”

The poverty survey was undertaken before the Covid-19 Pandemic. With the 13.8 percent decline in GDP in 2020, poverty would have increased from the estimated 25 percent reported in the SLCHBS. The Covid-19 Pandemic was unprecedented with the precipitous decline in GDP associated with lockdowns, restrictions, and Covid-19 related health matters. The existing models of the relationship between growth and poverty may not be relevant for this period. It is therefore necessary to undertake a rapid assessment of the impact of the Pandemic on poverty.

In contrast to the consumption expenditure-based poverty, multi-dimensional poverty was reported at 34.3 percent in 2018/2019. Numerous indicators are used to determine the rate of multidimensional poverty including, among others, employment, health, education, internet access, safety and crime, house insurance, piped water and households’ assets such as fridge, washing machine, and computer. This is the non-monetary poverty, but the Report did not provide a comparison with 2008.

These are important social indicators and the publication of a ‘Social Indicators Bulletin’ could assist the public in understanding the dynamics of unemployment and poverty in communities, parishes, and in Grenada.

Knowledge is power and experience is the greatest teacher.

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