
Maria Marta Santillán, Universidad Católica de Córdoba
Maria Constanza Street, CONICET- Universidad de Buenos Aires
Jerónimo R. Carballo, Universidad Nacional de Córdoba

Long Abstract

CONTEXT

Over the last decade, the incidence of poverty increased dramatically in Argentina. While in 1993, 16.8% of the population lay below the poverty line, this figure had reached 51.7% in the beginning of 2003. This increase in the incidence of poverty obviously shows deterioration in the level of welfare of Argentina relative to that of other countries of Latin America, but it also shows a collapse when compared to the situation of the country in the preceding decades: in 1980, for instance, no more than 8.7% of the population lay below the poverty line. Furthermore, unlike what had been seen in the past when increases in the incidence of poverty or indigence happened when hyperinflation reached its peak (as, for instance, in 1982 and 1989), the continuous increase in the incidence of poverty that marked the last decade happened in a context where inflation was below 1% per year (largely related to the parity between the Argentinean peso and the US dollar), but where the unemployment rate increased continuously, going from 6.0% in 1990 to 16.4% in 2003 (See Figure 1).

Figure 1: Percentage of the population below the poverty line and unemployment rate. Buenos Aires Metropolitan Area, 1980-2003.

Source: Encuesta Permanente de Hogares.

Argentina had developed its industry under a protectionist economic model that fostered local production of a wide area of goods for the local market so as to reduce importation, rather than under a free-trade model that would have encouraged specialization for exportation. The implementation, from the late 1970’s, of an economic model based on

---

1 The figures on poverty and unemployment referred to in this section are those of the Buenos Aires Metropolitan Area (AMBA) in October of the corresponding years.
free-trade lead to a contraction of the economy in which both production and domestic
demand decreased (specially in the manufacturing industries) and in which investment
switched from production of goods and services to speculation, while the foreign debt
increased as to reach a level that made the country highly vulnerable to disturbances in the
regional financial markets such as the Mexican crisis of 1993-1994. This era of economic
policy ended in the last few weeks of 2001, when the Argentinian government ceased to back
the parity between the peso and the US dollar, in the middle of the most important social and
political crisis the country had ever experienced.

Furthermore, during the 1990’s, the national government had progressively dismantled
most of the institutions of the welfare state, thus transferring to private agents, that is
individuals and their families, most of the costs and liabilities of the day to day as well as
intergenerational reproduction. During the same period, the government also ceased to
actively promote upwards social mobility through its action in the public sector and the labour
market, as it had done since the middle of the 1940’s, which also contributed to the increase
in the incidence of poverty.

Recent studies on poverty in Argentina showed not only that its incidence increased,
but also that the people who now lay below the poverty line are socially far more
heterogeneous that they were in the past. The “poor people” is now made of the “structural
poor”, that is people who cannot meet basic needs, and the “new poor”, that is people who
were until recently part of the middle or lower middle class and whose income dropped
because they lost their job, had their working hours reduced, had to accept less paid jobs or
simply because their real income dropped because of the end of parity and the high inflation
that followed it in 2002 and part of 2003.

Most studies in sociodemography focused on comparing the behaviour of the poor to
that of “non poor”, with a special emphasis on the role of demographic behaviour in the
intergenerational transmission of poverty and the differences in family and domestic forms of
organisation. However, as pointed out by Torrado (2004), studies like these have a very basic
limitation: blaming demographic factors, such as high fertility rate or large average size of
family, for the fact that families cannot escape poverty eludes the fact that it is the lack of
appropriate public policy and the implementation of an economic model that fosters exclusion
that give demographic factors their effect in to transmitting poverty and impairing social
progress. According to this view, when economic and social policies promote social inclusion
and upwards mobility, the impairing effect of demographic behaviour is largely neutralized.
That Argentina had such policies until the end of the 1970’s explains why the incidence of
poverty remained relatively low until the mid 1980’s. On the contrary, the economic model
implemented over the last decades gave back to the demographic factors all their effect in
reproducing the conditions for economic deprivation. As a rule, according to this view,
studies on the role of demographic factors in the reproduction of poverty should not be
conducted without considering the prevailing economic and social policies.

However, until now, no empirical study had shown convincingly that in contemporary
Argentina, demographic factors have gained importance in the process of becoming poor and
in the transmission of poverty.

PURPOSE

In this paper, we examine the importance of socio-demographic factors in the process
that lead households to poverty from 1995 to 2003, a period in which the economic conditions
changed drastically, the incidence of poverty rose sharply, and for which longitudinal data are
available.
Specifically, we intent to:

- Identify and estimate the effects of the socio-demographic and economic variables that explain the risk that households become poor;
- test whether or not the effects of these variables increased over the period;
- according to the results of the estimations, identify the most vulnerable groups, and
- check whether new groups became vulnerable over the period.

DATA AND METHOD

The study uses data from the “Encuesta Permanente de Hogares” (EPH) a household survey of the main urban areas of the country conducted by the Instituto Nacional de Estadísticas y Censos (INDEC), the Argentinean federal statistics agency. The main goal of the survey is to provide data for labour statistics such as activity and unemployment rate, household income, and measures of the levels of poverty and indigence. It collects data on employment, level and sources of income, household composition as well as on the social and demographic characteristics of all members of the sampled households. We employ data from the three main cities of Argentina: Buenos Aires, Córdoba and Rosario. Longitudinal data is available for those cities from 1995-2003.

The sampling scheme of the EPH involves panels that remain under study for two years. During the period we are interested in, the survey was conducted twice a year, in May and October. Panels were introduced and deleted from the sample so that one fourth of it was renewed each time the survey was conducted.

We use the panel data so that we may follow individual households over the four waves they belong to the sample. Given that we are interested in the process that leads households below the poverty line, we limit the study to the households that are not below the poverty line when they enter the sample of the EPH, and we follow them until they fall below the poverty line or until they leave the sample without having fallen below the poverty line.

We use the poverty line as it is defined by INDEC, that is a function of the size of a household expressed in number of equivalent adults, and the value of the basket of goods and services that is believed to meet the basic needs of a household of that size. A household lies over the poverty line if the total income of its members is higher than the value of the goods and services that should meet its basic needs, and below the poverty line if the total income of its members is lesser than the value of these goods. The value of the basket of basic goods and services for a household of a given size varies across regions of the country; all values of the basket varied over time from the beginning to the end of the period we study. All these variations are taken into account when deciding if a household, in each of the waves it is part of the survey, is below or over the poverty line.

Given that we are interested in the changes in the effects of the socio-demographic factors over time, we split the historical period we are studying into three sub-periods, corresponding to distinct phases of the evolution of the unemployment rate: until May 1997, from October 1997 to October 2001, and from May 2001 to the end of the period. As one can see from Figure 1, the unemployment rate diminishes during the first of these sub-periods, remains more or less stable around 15% during the second, and increases during the third, which begins after the end of the parity of the peso and the US dollar.

We estimate the effects of changes in the composition of households – such as birth or departure of a child, and death of a father or a mother –, and changes in the structure of the
families – such as formation or dissolution of unions –, on the risk that a household lying over the poverty line in a given wave lies below it in the next wave. Effects are estimated for the whole period and estimated separately for each subperiod to assess changes in these effects over time.

These effects are estimated using Poisson regression, taking into account the exposition time and adjusting the value of independent and control variables as their values change from one wave to the next. The estimation is done using the final weights provided by INDEC. Weighted models are re-estimated using negative binomial and zip models to check for over and underdispersion. Test statistics are adjusted to take the design effect into account, based on the information made available to researchers.

References
Crosta, Fernando (2001) La medición de la pobreza en la Argentina, revisión metodológica y estimaciones, Anales de la Asociación de Economía política.
Marchioni, Mariana and Leonardo Gasparini (2002a) El impacto distributivo de los cambios en las decisiones de fertilidad, Departamento de economía, Facultad de Ciencias Económicas, Universidad Nacional de La Plata, Documento de trabajo nº 44.
Marchioni, Mariana and Leonardo Gasparini (2002b) El papel de los cambios demográficos en el aumento de la pobreza, Departamento de economía, Facultad de Ciencias Económicas, Universidad Nacional de La Plata, Seminario de Economía.
Morales, Elena (1988) Canasta Básica de Alimentos – Gran Buenos Aires, Documento de trabajo nº 3, INDEC/IPA.