

First Draft

Poverty and its Reduction in the Small Developing Countries of the Caribbean*

Andrew S Downes PhD

Professor of Economics and Director
Sir Arthur Lewis Institute of Social and Economic Studies
University of the West Indies, Cave Hill Campus
PO Box 64, St Michael, BARBADOS

asdownes@yahoo.com

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Introduction

The English-speaking Caribbean region consists of a number of small developing countries with populations ranging from 1,000 (Montserrat) to 2.7 million (Jamaica) in 2007. According to the UNDP's Human Development Index (HDI), these countries have achieved a relatively high level of human development as measured by the level of gross domestic product (GDP) per capita, life expectancy at birth, literacy rate and the gross enrolment rate in education. According to the HDI for 2007, Barbados was classified as having a “*very high human development*”, Antigua and Barbuda, the Bahamas, St Kitts and Nevis, Trinidad and Tobago, St Lucia, Dominica, and Grenada were countries with a ‘*high human development*’ classification, while St Vincent and the Grenadines, Belize, Jamaica and Guyana were grouped in the ‘*medium human development*’ category.

These countries however face a significant degree of economic and environmental vulnerability occasioned by a number of features. These countries have small domestic markets as measured by population size and per capita income, very specialized and undiversified economies based on products such as sugar, bananas, oil and tourism and associated export market and commodity concentration. The economies of these countries are highly open and dependent on foreign resource flows. Historically, the region benefited from trade preference and market access to the UK, USA, Europe and Canada through various trading agreements. Although the region has a favourable geographical location (that is, in close proximity to the USA and strategically located on main trading routes), it is subject to seasonal hurricanes which have had significant adverse effects on the countries. In addition, there have been periodic natural disasters such as earthquakes, volcanic eruptions, floods and landslides. In effect, the region is vulnerable to both economic and environmental shocks which can adversely affect the socio-economic well-being of the population of the region.

Although the region has made significant socio-economic progress since the 1960s, poverty levels (that is, the percentage of the population living below a poverty line) have been relatively high. Since the late 1990s, a series of poverty surveys have been undertaken to determine the extent and severity of poverty and to assist in the formulation of poverty reduction strategies. While one-off studies have been undertaken for most of the countries, Jamaica has been conducting an annual survey of living conditions since 1989 to gauge the extent of poverty in that country. The data for the region indicate that poverty levels for the region vary between 14 and 43 percent of the population over the 1995 to 2004 period.`

This study reviews the *extent* and *characteristics* of poverty in the region as indicated by the poverty surveys (survey of living conditions). It provides some ideas on the underlying *determinants* of poverty in the Caribbean region. In addition, it discusses the poverty reduction *strategies* and *policies* that have been adopted by respective governments in the countries and provides a cursory evaluation of the success of these measures.

The Extent and Characteristics of Poverty

Poverty data for most of the Caribbean countries have been collected through the conduct of country poverty assessments (CPAs) sponsored by the Caribbean Development Bank (CDB). These CPAs involve four (4) basic components: *a macro-economic and -social assessment of the country, a survey of living conditions within households, a participatory poverty assessment of communities, vulnerable groups and households and an institutional analysis of entities involved in the fight against poverty*. These CPAs have formed the basis of national poverty reduction strategies. Jamaica has been conducting surveys of living conditions patterned on the World Bank's model since 1989. In a few cases, agencies such as the Inter-American Development Bank (IADB) have sponsored poverty assessments in some countries.

The measurement of poverty in these surveys usually involves a measure of the *incidence* of poverty, that is, the proportion of individuals or households below a specified poverty

line, the *depth* of poverty which reflects the extent to which the average income (expenditure) of those in poverty fall below the poverty line (the poverty gap) and the *severity* of poverty which reflects the distribution of income (expenditure) among the poor. The Foster, Greer and Thorbecke (FGT) index is used to measure the severity of poverty by weighting each poor person (household) according to the degree of deprivation (that is, the higher the value of the measure, the more severe the degree of poverty).

The data on the incidence, depth and severity of poverty in the Caribbean region (except Jamaica) is indicated in Table 1. The incidence of poverty varied between 9.3 percent (Bahamas, 2001) and 43.2 percent of the population (Guyana, 1993). The CPAs undertaken in recent years (since 2000) indicate headcount levels of poverty are particularly high in the Eastern Caribbean states of St Kitts and Nevis, St Lucia, Grenada, and Dominica and moderate in Antigua and Barbuda. In countries where several poverty estimates are available the data suggest an increase in poverty amongst individuals in Belize (1996 to 2006), Grenada (1998 to 2008) and St Lucia (1996 to 2006), while it decreased in Guyana (1993 to 1999), St Kitts and Nevis (2000 to 2007) and Trinidad and Tobago (1992 to 2005).

The incident of indigent (food) poverty is relatively low in the region, generally under 10 percent of the population. Belize, Guyana, Dominica and St Vincent and the Grenadines, however, displayed significant levels of indigent poverty (that is, between 13 and 29 percent of the population). Some countries such as Belize, Grenada, Guyana, St Lucia and Trinidad and Tobago have been able to reduce the incidence of poverty. The depth of poverty as measured by the poverty gap has been between 2.3 and 16 percent over the period. The severity of poverty is not as high as in other developing countries, varying between 1.7 and 10 percent over the period 1996 to 2008.

In the case of Jamaica, there has been a general decline in the incidence of poverty since the early 1990s. For example, the overall level of poverty declined from 44.6 percent in 1991 to 9.9 percent of the population in 2007 [see Table 2]. The data indicate that

poverty in the rural areas of Jamaica is significantly higher than in the Kingston Metropolitan areas (KMA), but moderately higher than in other towns. For several years rural poverty was more than twice the degree of urban poverty.

Table 1: Poverty Indicators in the Caribbean

Country	Year	Poverty Line	Headcount Poverty (%)		Incidence (%)		Poverty Gap	Severity of Poverty
			Indiv	H/hold	Indiv	H/hold		
Anguilla	2002	EC\$7930	23.0	20.0	2.0	2.0	6.9	3.2
Antigua/Barbuda	2006	Bds\$5503	28.5	n.a.	3.7	3.1	6.63	3.75
Bahamas	2001		9.3					
Barbados	1996/7	Bds\$5503	13.9	8.9	n.a.	n.a.	2.3	n.a.
Belize	1996	B\$1287	33.0	25.3	13.4	9.6	8.7	4.3
	2002		33.5		10.8		11.2	6.1
Brit Virgin Is	2003	US\$6302	22.0	16.0	0.5		4.1	1.7
Dominica	2002	EC\$3400	39.0	29.0	15.0	n.a.	10.2	4.8
Grenada	1998	EC\$3262	32.1	23.8	12.9	11.5	15.3	9.9
	2008		37.7		2.5			
Guyana	1993	US\$380	43.2		29.0		16.2	8.2
	1999	US\$510	35.0		19.0		12.4	n.a.
St Kitts/Nevis	2000 2007	EC\$3361	30.5/32.0 23.7/15.9	16/n.a.	11(17)		2.5(2.8)	8.9(10)
St Lucia	1996	EC\$1876	25.1	18.7	7.1	5.3	8.6	4.4
	2006		28.8		11.6			
St Vin/Gren	1996	EC\$1558	37.5	30.6	25.7	20.4	12.6	6.9
Trin/Tobago	1992	TT\$2420	21.1		11.0		7.3	
	1997		24.0		11.2		n.a.	n.a.
	2005		16.7		8.3		n.a.	n.a.
Turks/Caicos	1999	US\$2424	25.9	18.4	3.2	n.a.	5.7	2.6

Sources:

An examination of the CPAs undertaken for the respective countries reveals a number of characteristics of poverty in the Caribbean region. These features include the following:

- poor households are larger than non-poor households;
- poor households are primarily female-headed and characterized by a large number of dependents (children and the elderly);
- poor households contain different generations of persons thus indicating some degree of inter-generational transfer of poverty;
- poverty is much higher in designated 'rural' areas than in 'urban' ones;
- the human capital (education and training) base of the poor is quite low;

- poor households are subject to poor housing conditions with overcrowding being a problem and restricted access to public utilities;
- the unemployment rate is highest among members of poor households;
- there is evidence of high rates of malnutrition among children in poor households;
- poor households tend to participate more in the secondary or informal labour market (employment in low-paying jobs partly reflects the low human capital base of the poor, that is, the working poor);
- the poor tend to be employed in elementary occupations, rural small-scale enterprises and in a range of informal sector activities;
- when poverty is concentrated in identifiable communities, there is evidence of stigmatization which results in discrimination in employment and labour market segmentation;
- the poor have been greatly affected by the seasonality of production in the region (agriculture, tourism, construction) and external shocks such as increase in prices and declining export sales;
- the incidence of poverty among the elderly (60 years and over) tend to be high
- evidence from Jamaica indicates that ‘child poverty’ is significantly more than the national average;
- squatting is a common feature amongst the poor in larger countries leading to environmental challenges;
- indigenous groups in such countries as Dominica, Guyana and Belize experience a higher level of poverty than the population average.

These descriptive features of poverty in the region help to identify the underlying causes of poverty in the region.

Table 2: Poverty Indicators for Jamaica

Year	KMA	Other Towns	Rural Areas	Country
1989	15.5	22.5	40.7	30.5
1990	13.3	25.7	37.5	28.4
1991	28.9	31.4	57.2	44.6
1992	18.8	29.9	42.2	33.9
1993	16.7	22.9	29.6	24.4
1994	13.8	20.0	28.8	22.8
1995	15.0	22.8	37.0	27.5
1996	17.2	22.0	32.8	26.1
1997	9.3	14.8	27.4	19.9
1998	8.6	13.4	19.5	15.9
1999	10.6	12.1	22.0	16.9
2000	9.9	16.6	25.1	18.7
2001	7.6	13.3	24.1	16.9
2002	10.4	18.7	25.1	19.7
2003	9.5	15.8	24.2	19.1
2004	14.3	7.8	22.1	16.9
2005	9.6	7.2	21.1	14.8
2006	9.4	9.4	20.8	14.3
2007	6.2	4.0	15.3	9.9

Source: PIOJ: Surveys of Living Conditions, various issues

Determinants of Poverty

There are several theories of poverty which seek to identify the underlying determinants or causes of poverty. These theories relate to the nature of economic underdevelopment, human capital formation, structural elements in the country, the contradictions in capitalism, cultural elements in the society, geographical location, the lack of an incentives structure to realize a person's capabilities [see Blank, 2003; Bradshaw, 2006; Yung and Smith, 2007 and Shaffer, 2008].

Participatory studies of poverty in the region point to the *four main factors* causing poverty in the region:

- (i). unemployment
- (ii). large families and single parenting
- (iii). lack of education and/or skills
- (iv). low pay

[see Frank, 2007, p. 35]. These reflect human capital formation - labour market and demographic explanations for poverty in the region. In addition to the above factors, the

inability to access basic social services and the lack of economic opportunities also result in high levels of poverty. Bourne (2005) has also identified the high degree of inequality of income and wealth within countries, the volatility of the economies of the region and the absence of personal coping mechanisms and public social safety nets as additional determinants of poverty.

Although definitions of unemployment differ slightly across the countries, the available data indicate high levels of unemployment in the region especially among the youth [see Table 3].

Table 3: Unemployment Rate in Selected Caribbean Countries, 2003-2009 (%)

Country	2003	2004	2005	2006	2007	2008	2009
Bahamas	10.8	10.2	10.2	7.6	7.9	8.7	14.2
Barbados	11.0	9.6	9.1	8.7	7.4	8.1	10.2
Belize	12.9	11.6	11.0	9.4	12.1	n.a.	12.9
Jamaica	11.4	11.7	11.2	10.3	9.9	10.6	11.3 ²
St Lucia	22.3	18.2	18.6	15.8	14.0	n.a.	n.a.
Suriname	7.0	10.0	15.0	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	10.5	8.6	6.7	6.2	5.5	4.6	5.7 ¹

Notes:

¹based on the average of the 1st, 2nd and 3rd quarters

²based on January, April and July

Source: CCMF website, National Statistical Offices - websites

In addition, estimates of the degree of inequality in the distribution of income suggests a relatively high level of income inequality [see Table 4]

Table 4: Income Inequality in the Caribbean, 1996-2006

Country	Year	Gini Coefficient
Anguilla	2002	0.31
Antigua and Barbuda	2006	0.48
Bahamas	2001	0.57
Barbados	1997	0.39
Belize	2002	0.40
British Virgin Islands	2002	0.23
Dominica	2002	0.35
Grenada	1999	0.45
Jamaica	2002	0.4
St Kitts	2000	0.39
Nevis	2000	0.37
St Lucia	1996	0.5
St Vincent and the Grenadines	1996	0.56
Trinidad and Tobago	1997	0.39
Turks and Caicos Islands	1999	0.37

Source: Bourne (2009)

The region has done well with respect to universal primary level education and, to some extent, secondary level education. Gross enrolment rates ranged from 94 to 103 for primary and 83 to 113 for secondary in 2005 [Commonwealth Secretariat, 2008]. However, the quality of output of the school system has not been high. For example, in Jamaica, it is estimated that 70 percent of the labour force was uncertified/untrained in 2007. Pass rates in secondary school examinations for English Language and Mathematics have been generally poor, thus resulting in a poor human resource base entering the labour market [see Downes, 2006].

Brathwaithe (2009) in a review of the social protection system and policy framework in the region points to weakness in the system which cannot support high levels of poverty including transient poverty resulting from shocks. It has been estimated that in Jamaica up to 20 percent of households changed position in relation to their poverty status between 1995 and 2005 [Anderson-Gayle, 2009].

The informal sector has been a source of employment for the poor. Estimates for informal sector employment, which tends to be low-paying, varied from 12 to 48 percent of the labour force during the 1990s [see Table 5].

**Table 5: Informal Employment in Selected Caribbean Countries^(a)
1991, 1994, 1998
(%)**

Country	1991	1994	1998
The Bahamas	13.3	15.1	15.1
Barbados	11.9	12.7	12.9
Belize	n.a.	23.7	24.9
Guyana	47.6 ⁽¹⁾	n.a.	n.a.
Jamaica	42.6	39.4	38.6
Suriname	n.a.	18.3	18.6
Trinidad and Tobago	20.7	22.3	18.9

Notes: ^(a)defined on self-employed, apprentices and unpaid family workers as a proportion of total employment

⁽¹⁾data for 1992; n.a. is not available

Source: Freije (2001)

Recent estimates (early 2000s) of the informal sector in the Caribbean ranged from 16 percent of GDP (Bahamas) to 51 percent (St Vincent and the Grenadines). In several instances, the informal sector has been associated with illegal activities such as the drug trade, leading to a relationship between crime and poverty.

The identification of the underlying determinants/causes of poverty in the region through country assessments has resulted in a policy matrix aimed at reducing the high poverty level.

Poverty Reduction Strategies

Poverty reduction strategies adopted in the region have been either direct or indirect. Measures have been adopted to alleviate the plight of the poor by enhancing the social protection system. The main measures adopted have been associated with:

- the promotion of sustainable economic growth, via export promotion, small business development, economic integration and economic diversification
- human resources development through the development of technical and vocational education and training (TVET), skills training programs, reforming the secondary school system
- rural enterprise development and urban renewal to reduce the extent of rural and urban poverty. Small and micro enterprise development, along with social infrastructural development, has been important aspects of these measures

- the strengthening of social safety net provisions such as welfare payments, child support, conditional cash transfers, unemployment insurance
- community development programs in association with NGOs/CBOs to promote better government and empowerment.

A sample of measures adopted by various countries is given in Table 6. These measures have been focused on human resources development and poverty alleviation. In addition, regional agencies such as the Caribbean Development Bank (CDB) and the UN agencies have provided assistance with the reduction of poverty in the region. For example, the CDB's Basic Need Trust Fund is a targeted program aimed at addressing the need for "capabilities enhancement and income creation at the community level".

Table 6: Poverty Programmes in the Caribbean

Country	Programme	Targets	Observations
Barbados	<ul style="list-style-type: none"> ○ Public Assistance ○ School feeding programme ○ Housing Welfare Programme ○ Skills Training Programme 	<ul style="list-style-type: none"> ○ The needy and indigent - some recent efforts at gender-based targeting ○ The elderly and the disabled ○ School children ○ Youth 	<ul style="list-style-type: none"> ○ Limited due to insufficiency of funds, staff and adequate office space ○ Recent establishment of Ministry of Social Transformation intended to increase funds and improve targeting ○ Skills training - largely limited to low skill areas
Belize	<ul style="list-style-type: none"> ○ Direct Welfare Assistance ○ BNTF ○ SIF ○ Small Farmers and Business Bank ○ Environmental and Social Technical Assistance Programme 	<ul style="list-style-type: none"> ○ The indigent, rural areas, and persons affected by structural programmes ○ Small farmers and other micro-entrepreneurs ○ Social and environmental infrastructure (health, education, water and sanitation) in deprived areas ○ Groups affected by the Highway Development Project 	<ul style="list-style-type: none"> ○ Cash grants are too small and have very limited reach (less than 5% of affected population) ○ Low lending limits indicated limited ability to support significant economic activity

Grenada	<ul style="list-style-type: none"> ○ NDF Small Enterprise Unit ○ School Feeding Programme ○ Welfare Assistance 	<ul style="list-style-type: none"> ○ Small farmers and micro-entreprses ○ Women - job creation ○ Children - nutritional support ○ Pension and disability allowance 	<ul style="list-style-type: none"> ○ Substantial increases in both the number of public assistance recipients and the amount of the benefits ○ Increased subventions to underprivileged children and the disabled
Guyana	<ul style="list-style-type: none"> ○ Social Impact Amelioration Programme ○ Futures Fund ○ BNTF 	<ul style="list-style-type: none"> ○ Social and physical infrastructural devt ○ The traditionally disadvantaged groups - women, youth, the disabled, the Amerindians ○ Needy students 	<ul style="list-style-type: none"> ○ Limited coverage; too little emphasis on delivery of services ○ NGOs not effective brokers of assistance ○ Insufficient emphasis on integrated community development and hinterland development ○ Private sector needs strengthening
Jamaica	<ul style="list-style-type: none"> ○ National Poverty Eradication Unit ○ SIF ○ Macro-Investment Development Agency ○ Self-Start Fund ○ Food Stamp Prog. ○ Public Assistance and School Feeding Program ○ Special Training and Empowerment Programme ○ Revitalisation of Inner City ○ Minimum Wage Legislation 	<ul style="list-style-type: none"> ○ Unemployed youth, the aged, women, the disabled ○ Human resource devt, and social and physical infrastructural devt. in economically deprived communities ○ Rural communities ○ Small and micro-enterprises ○ Children under 6 yrs and pregnant and lactating mothers, the elderly poor, single member households ○ Needy students ○ Business devt. in urban communities 	<ul style="list-style-type: none"> ○ Some successful geographical targeting ○ Operations limited by low purchasing power of food stamps and low lending limits for enterprise dev. ○ Neglect of low income households not in target groups ○ Strategy needed to address one unintended consequence of the minimum wage legislation - namely increased unemployment
St Lucia	<ul style="list-style-type: none"> ○ BNTF ○ Short-term Employment Prog ○ James Bellgrave Fund ○ School Support and School Feeding Progs ○ National Development Corp. and St Lucia Devt Bank 	<ul style="list-style-type: none"> ○ Small farmers and micro-enterprises ○ Industrial zones to encourage employment growth ○ Community infrastructural support ○ Youth employment 	<ul style="list-style-type: none"> ○ Lending programmes still agriculture-based, also few women acquire loans ○ Industrial zones not sufficiently targeted towards poorer sectors of the country
St Vincent	<ul style="list-style-type: none"> ○ National Development Foundation (NDF) ○ School Feeding Programme ○ Youth Skill Development 	<ul style="list-style-type: none"> ○ Small investors ○ Children - nutritional support ○ Disadvantaged women to be trained ○ The needy and indigent 	<ul style="list-style-type: none"> ○ The NDF not yet self-supporting - thus credit support is limited ○ Services delivery and targeting need improvement

	Programme o Public Assistance		
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Source: Lefranc (2000)

The evaluation of poverty reduction programs is still an under-developed exercise in the region. The PATH program in Jamaica, a conditional cash transfer program, has been evaluated and positive results led to an extension and modification of the program.

Further studies are needed on the changing nature of poverty in the region in order to determine the extent to which poverty reduction strategies have been effective.

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