



Uncovering the Hidden Poor: The Importance of Time Deficits

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Official estimates of poverty still ignore the fact that unpaid household production contributes to the fulfillment of material needs and wants. This omission has consequences. Taking household production for granted when we measure the incidence and depth of poverty yields an unacceptably incomplete picture of both, and therefore these estimates provide inadequate guidance to policymakers.

Standard measurements of poverty assume that all households and individuals have enough *time* to adequately attend to the needs of household members—including, for example, caring for children—tasks absolutely necessary for attaining a bare-bones standard of living. But this assumption is false. For numerous reasons, some households may not have sufficient time, and they thus experience “time deficits.” If a household officially classified as nonpoor has such a time deficit and cannot afford to cover it by buying market substitutes (e.g., hire a care provider), that household will be encountering hardships not reflected in the official poverty numbers. To get a more accurate calculus of poverty, we have developed the Levy Institute Measure of Time and Income Poverty (LIMTIP), a two-dimensional measure that takes into account *both* the necessary income and household production time needed to achieve a minimum living standard.

Our LIMTIP estimates for Argentina, Chile, and Mexico show that substantial numbers of people are left out of the official ranks of the poor, as indicated by the gap between the official and LIMTIP poverty rates shown in Table 1. Most of these “hidden” poor reside in households with at least one employed person but whose earned incomes prove too low to buy their way out of their (household production) time deficits. The LIMTIP estimates also expose the fact that the income shortfall of the poor is greater than normally assumed (1.5 times more in Argentina and Chile, and 1.3 times more in

Mexico). These findings suggest that if labor market outcomes and social provisioning that reduces household production needs stay unchanged, income-support programs need to (1) broaden their coverage to include the hidden poor, and (2) increase the level of support to offset the income shortfall emanating from time deficits.

Three additional findings deserve mention. First, contrary to the view held in some quarters, professional and better-paid individuals do not face time deficits as severe as those of the working poor. Second, women and men *both* suffer from poverty-inducing time deficits, but the specific source of their plight differs: for low-wage men, very long hours of employment; for even lower-wage women, though their hours of employment are lower relative to men’s, the demands of household production on their time are large enough to render them time-poor. Third, our estimates show the hidden risks children face. Beyond the well-known vulnerability of children to income poverty, an alarming majority of them (around 70 percent) live in households with large time deficits.

Given these results, we also tested the effectiveness of job creation for poverty reduction and simulated a hypothetical scenario in which all adults without a full-time job became employed full-time. Under the prevailing patterns of pay and hours of employment, we find that job creation will go a long way toward reducing income poverty for some (as shown by the gap between the actual and simulated poverty rates in Table 1). Yet, for many others, it will simply replicate the patterns we described above: employment will provide entry into the ranks of the time-deficient working poor, not a ticket out of poverty. The findings are particularly important in the context of the inclusive-growth agenda and the deteriorating employment conditions due to the latest global slowdown.

Taking the reduction of poverty and gender inequalities seriously means that, in addition to increasing access to jobs, progress must be made toward establishing a regime of decent wages, regulating the length of the standard workweek, and adopting other measures, such as child care provisioning, that will help address the crucial problem of income and time deficits in a coherent and integrated manner.

A more detailed discussion of this topic can be found at www.levyinstitute.org/pubs/ppb_126.pdf and www.levyinstitute.org/publications/?docid=1566.

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Table 1 Official and LIMTIP Income-poverty Rates (in percent)

| | Argentina* | | Chile** | | Mexico | |
|---------------------------------|------------|--------|----------|--------|----------|--------|
| | Official | LIMTIP | Official | LIMTIP | Official | LIMTIP |
| Actual | | | | | | |
| Households | 6 | 11 | 11 | 18 | 41 | 50 |
| Men | 7 | 13 | 9 | 15 | 40 | 49 |
| Women | 7 | 12 | 11 | 18 | 43 | 51 |
| Children | 16 | 28 | 19 | 29 | 57 | 67 |
| Full-Time Employment Simulation | | | | | | |
| Households | 1 | 6 | 3 | 11 | 21 | 39 |
| Men | 2 | 7 | 1 | 8 | 20 | 38 |
| Women | 1 | 7 | 2 | 10 | 34 | 56 |
| Children | 5 | 19 | 5 | 19 | 25 | 44 |

*Buenos Aires, **Gran Santiago