



# Poverty and Intergenerational Change:

## Preliminary Findings from the 2016 Young Lives Survey (Round 5): Peru

This fact sheet presents preliminary findings from the fifth round of the Young Lives survey of children in Peru in 2016. Young Lives is a longitudinal study on childhood poverty that has followed two cohorts of children born seven years apart, collecting household and child-level survey data from households in Peru since 2002. This fact sheet presents preliminary findings on changes that have taken place in household welfare for the Younger Cohort, and reports on some selected outcomes for the Older Cohort. The data continue to show significant improvement in the living standards of the children's households that is consistent with the country's economic performance over the same period. By comparing households from different socio-economic backgrounds, we have seen that many differentials in welfare-related outcomes have substantially reduced over time; however, new ones have arisen.

### Key Findings

- There is considerable improvement in household welfare of the Younger Cohort over time, with the wealth index increasing at an average annual growth rate (AAGR) of 3.1%, and real household expenditure per capita increasing at an AAGR of 4.6%. However, between Rounds 4 and 5 (2013 and 2016), the rate of change of these improvements lessened.
- Looking at specific dimensions of wealth over 15 years, the largest improvements have been in access to services and ownership of consumer durables, whereas the smallest improvement has been in housing.
- Differentials by socio-economic background continue to reduce over time, although differences persist. Some have greatly reduced (e.g. access to electricity), while others remain or have increased (e.g. quality of the materials of walls, roof and floor of dwellings).
- At the age of 22, the Older Cohort is substantially better off in terms of educational attainment and adult height compared to their parents. Socio-economic differences are of a different nature, depending less on school completion and more on higher education.

## The policy context for poverty in Peru

Young Lives data collection took place during a favourable period for the Peruvian economy, with a notably high-growth period from 2002 to 2013. This economic growth – which translated into higher household income – combined with the implementation of sound macro-economic policies, improvements in physical infrastructure, and an expansion and improvements in the efficiency of social programmes, are some of the main factors that explain a substantial reduction in monetary poverty – from 58.7% in 2004 to 20.7% in 2016 (Central Bank of Peru, 2017). Within this context, it is important to analyse to what extent differences in living standards have changed across different sections of the population.

## Changes in household welfare

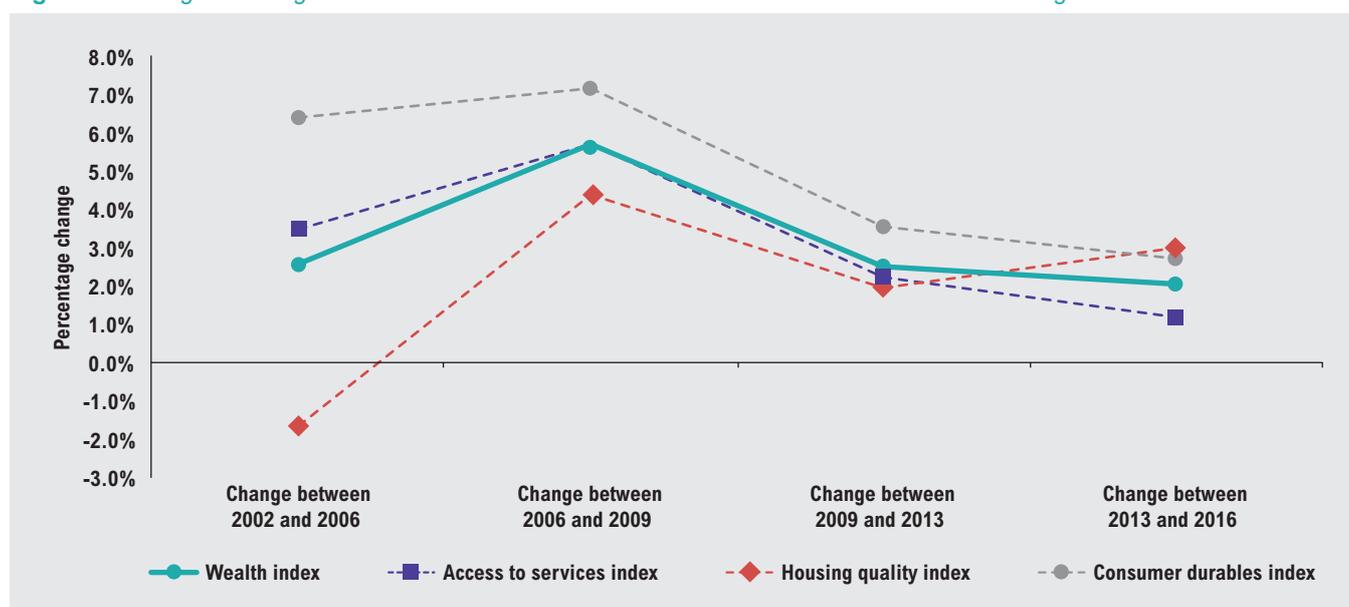
As documented in reports on previous rounds of the Young Lives survey (Escobal et al., 2008; Cueto et al., 2011; Sánchez and Melendez, 2015), the living standards of the Younger Cohort have improved considerably since our first visit (in 2002), which is in turn consistent with trends at the national level (see, for instance, Escobal et al., 2012). This trend continued between 2013 and 2016 (Rounds 4 and 5 of the Young Lives survey). We measure living standards using a wealth index that is a composite index combining: access to services; housing conditions, and ownership of consumer durables that gives equal weight to each of these dimensions,<sup>1</sup> and real household expenditure per capita. Overall, average wealth according to this index increased by 54% between Rounds 1 and 5 – an average annual growth rate of 3.1% – while average real household expenditure per capita increased by 57% between Rounds 2 and 5 of the survey – an average annual growth rate of 4.6% (see Table 1).

Improvements did not occur at the same speed over time. The largest improvement in the wealth index (5.7%) was registered between 2006 (Round 2) and 2009 (Round 3) while the smallest improvement (2.1%) was registered between 2013 (Round 4) and 2016 (Round 5). A similar slowing in growth between 2013 and 2016 was also observed for average household expenditure. This coincides with a period of deceleration in the economic performance of the country from 2013 onwards. However, this slowing of improvements in wealth index can be attributed to some of its components starting out near maximum or optimum levels. To look at this in more detail we look at how the components of the wealth index have evolved since 2002.

Disaggregating the components of the wealth index, the largest improvements since 2002 occurred in ownership of consumer durables and in access to services. Between 2002 and 2016 the proportion of Young Lives families with access to electricity increased from 60% to 96%. During the same period, access to sanitation increased from 74% to 95%, while access to mobile phones became near universal (from 5% to 96%). In contrast, housing quality – the quality of floor, wall and roofing materials – is the dimension of wealth in which least progress is observed. Although access to services has not improved as much in percentage terms as access to consumer durables, this is in part due to access to basic services already being very high in certain segments of the sample at the start of the survey.

There has been progress for all socio-economic sub-groups, classified by area of residence, wealth, education level, and ethnicity. Nevertheless, welfare differentials observed in 2002 between households of different socio-economic backgrounds are still substantial and statistically significant in 2016. Those families from rural areas, from the bottom wealth tercile, with low levels of education, or from an indigenous background are better off in 2016, but still consistently fare worse than their peers (Table 1).

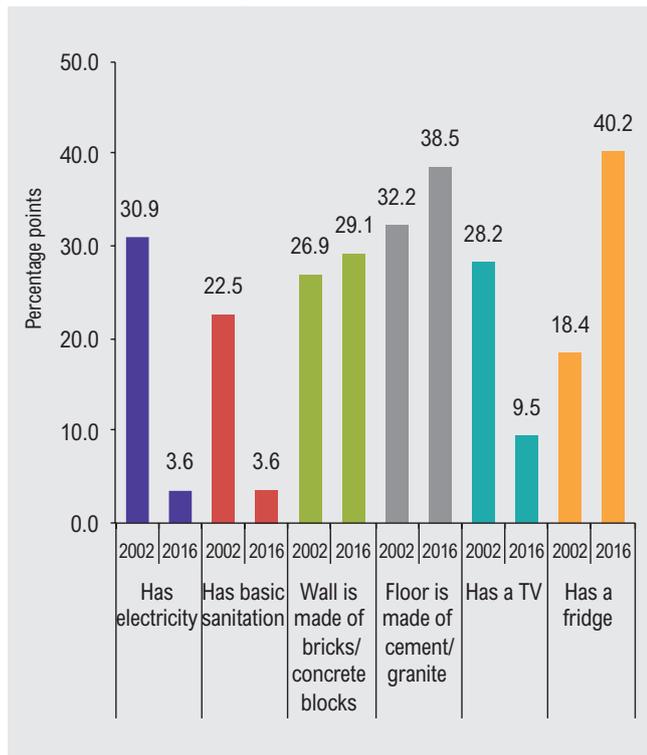
Figure 1. Average annual growth rates in household wealth between 2002 and 2016 for the Younger Cohort



Note: the graph reports average annual growth rates of the wealth index between rounds that took place in 2002, 2006, 2009, 2013 and 2016.

1 For more details see Briones (2017) *How many rooms are there in your house? Measuring household socio-economic status using the Young Lives Wealth Index*, Oxford: Young Lives.

**Figure 2.** Percentage differences in access to selected goods or services between Spanish and non-Spanish native speakers for the Younger Cohort, in percentage points



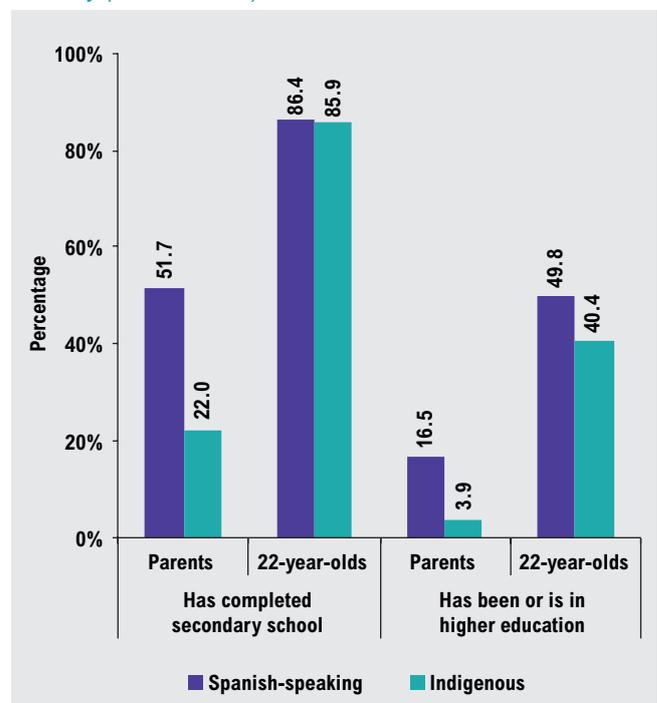
Furthermore, although it is the case that when aggregating indicators virtually all differentials by socio-economic background have lessened, a different picture emerges when looking in more detail at the components of the wealth index. For illustrative purposes, in Figure 2 the bars show the difference between average access among families whose children are Spanish native-speakers, and average access among families whose children are not Spanish native-speakers (or are from an indigenous background) in 2002 and in 2016 for six selected types of goods or services (two for each of the components of the wealth index, the selection is not random). The fact that in these six examples the differentials are positive means that in all cases access is on average higher among families whose children are Spanish native speakers.

We want to highlight how these differentials have evolved. In the case of access to electricity and basic sanitation the differential substantially reduced. In contrast, in the case of the materials used to build walls and floors the difference between the two groups increased over time; that is, housing quality improved for everyone, but more so for Spanish native speakers. Finally, when looking at access to durable goods, the differential in access to TV has reduced but the differential in access to a fridge has increased. These results show that, even though there has been a reduction in differences related to access to basic services as the country makes progress towards becoming an upper-middle income economy, other differences start to emerge.

## Intergenerational change in education and height

Educational attainment and physical height are important predictors of earnings in the labour market. For the 22-year-olds (Older Cohort) and their parents, on average, the younger generation is considerably better placed than their parents' generation. The proportion of individuals who completed school has more than doubled (from 39% to 86%); the proportion enrolled in higher education has quadrupled (from 11% to 46%); and the younger females are five centimetres taller than their mothers. Also, disparities by socio-economic background for school completion have drastically reduced, while for higher education they are very similar. Disparities in educational attainment by ethnicity have virtually disappeared for completion of secondary school but remain similar for higher education (Figure 3).

**Figure 3.** Educational attainment across generations, by ethnicity (Older Cohort)



Note: Percentages are weighted to adjust for the sampling frame.

## Conclusions

The living standards of the Young Lives families have continued to rise, while disparities by socio-economic background have substantially reduced over time. The educational attainment and adult height of the new generation have also significantly improved in relation to their parents' generation. Alongside these positive trends, important inequalities remain, for example in the quality of access to basic services. To the extent that differentials in access to tertiary education have not changed, inequalities in earnings for the next generation are likely to persist.

**Table 1. Changes in household wealth from 2012 to 2016 (Younger Cohort households)**

	Wealth index			Real household expenditure per capita (Nuevos soles)			Sample size
	2002	2016	Change between 2002 and 2016 (%)	2006	2016	Change between 2006 and 2016 (%)	
Average	0.40	0.61	53.69***	177.00	278.00	57.05***	1772
<b>Area of residence in R1</b>							
Rural	0.21	0.48	126.67***	127.00	237.00	87.13***	563
Urban	0.51	0.69	35.29***	206.00	302.00	46.39***	1209
Differential (%)	139.26***	42.80***	-69.26	62.97***	24.49***		.
<b>Household wealth (thirds of wealth index) in Round 1 survey (2002)</b>							
Bottom tercile	0.17	0.49	194.35***	117.00	208.00	77.65***	585
Middle tercile	0.40	0.62	55.62***	164.00	278.00	68.89***	595
Top tercile	0.71	0.77	8.41***	270.00	369.00	36.69***	592
Differential (%)	327.02***	57.27***	-82.49	131.29***	77.97***		.
<b>Maternal education</b>							
Primary incomplete or less	0.24	0.49	105.31***	120.00	219.00	82.51***	490
Complete primary or secondary	0.44	0.65	47.14***	183.00	282.00	53.73***	1078
Higher education	0.66	0.78	17.11***	327.00	452.00	38.09***	201
Differential (%)	175.86***	57.35***	-67.39	173.13***	106.66***		.
<b>Mother's first language (ethnicity proxy)</b>							
Indigenous	0.27	0.50	87.20***	133.00	237.00	78.33***	516
Spanish-speaking	0.47	0.67	43.26***	200.00	300.00	49.62***	1248
Differential (%)	73.38***	32.68***	-55.47	49.63***	26.67***		.

Note: Data for children interviewed in all five survey rounds. Results are weighted to adjust for the sampling frame. Estimates of real household expenditure per capita are preliminary. Sample size corresponds to Wealth Index. Differences are significant at \*\*\*1%, \*\*5% and \*10%. Results for real household expenditure per capita in Round 5 are preliminary. Differentials are percentage change. Differences between rounds are also percentage change. Differentials were calculated using Indigenous, Rural, Incomplete primary or less, and Bottom tercile as baselines.

## REFERENCES AND FURTHER READING

- Briones (2017) *How many rooms are there in your house? Measuring household socio-economic status using the Young Lives Wealth Index*, Oxford: Young Lives.
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## ACKNOWLEDGMENTS AND CREDITS

This is part of a series of fact sheets giving a preliminary overview of some of the key data emerging from Round 5 of the Young Lives household and child survey, covering *Survey Design and Sampling; Education and Learning; Growth and Nutrition; and Youth Transitions: Skills, Work and Family Formation*. This fact sheet was written by Alan Sánchez and Nicolás Pazos at GRADE, with support from Gonzalo Manrique, Alessandra Hidalgo and Mónica Lizama. Thanks to Santiago Cueto and Javier Escobal for comments and suggestions. We are grateful to Sofia Madrid who coordinated the survey fieldwork and our fieldwork teams for their dedication and enthusiasm. In particular we would like to thank the Young Lives children and their families for their participation and time which they give so freely and generously.

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Young Lives is an international study of childhood poverty, following the lives of 12,000 children in four countries (Ethiopia, India, Peru, and Vietnam). In Peru, Young Lives is known as Niños del Milenio and is a partnership between the Instituto de Investigación Nutricional (IIN), the Grupo de Análisis para el Desarrollo (GRADE), and the University of Oxford.