Analysis of Poverty in Portugal Using Quantile Regression
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Abstract
Usually, a study of monetary poverty requires the definition of a threshold known as poverty line. Briefly, a household is considered poor if its income level is below this poverty line. Additionally, it is necessary to correct the income data to take into account economies of scale that exist in a household. This is done using equivalence scales, which depend on the composition of the household.

Not only the choice of the method to construct the poverty lines, but also the type of equivalence scale to use are rather arbitrary. In this article, these problems are bypassed using quantile regression. This is a powerful tool in that it allows the researcher to study how the quantiles of income change when the characteristics of the households vary. Since it takes into account the heterogeneity of the data, it provides more information than other techniques. Clearly, to study poverty the estimates for the lower quantiles will have more interest. This type of analysis also permits the comparison of poverty between rural and urban areas. The data used in this article are taken from the Household Budget Survey (2000) for Portugal.