STEERING GROUP ON MEASURING POVERTY AND INEQUALITY: PROGRESS REPORT AND RENEWAL OF TERMS OF REFERENCE

Note by the Steering Group and the Secretariat

> *This note provides a report on the work carried out in 2017-2020 by the Steering Group on Measuring Poverty and Inequality and its task forces. The note also summarises the continuing challenges in this area for the coming years that require further work and guidance from the Steering Group. The updated terms of reference for the Steering Group are presented in document ECE/CES/BUR/2020/OCT/9/Add.1.*
> ***The Bureau discussed the priorities in the area of measuring poverty and inequality and approved the terms of reference of the Steering Group for the coming five years.***

I. BACKGROUND

1. The Bureau established the Steering Group on Measuring Poverty and Inequality in February 2017 to advance methodological work on measuring poverty and inequality, prepare expert meetings to discuss progress in this area, and follow up on the implementation of methodological guidance.

2. The Steering Group includes representatives of the following countries and organizations: United States (chair), Austria, Canada, Italy, Poland, Russian Federation, United Kingdom, Eurostat, OECD, UNDP Regional Bureau for Europe and CIS, World Bank, and Oxford University (Oxford Poverty and Human Development Initiative, OPHI).

3. The UNECE Secretariat maintains a wiki site with public information about the Steering Group and a workspace restricted to members, used for the planning of meetings, drafting of documents and collection of reference material.

II. PROGRESS ACHIEVED

4. In the UNECE region, countries' approaches to poverty measurement vary significantly. For many indicators, a wide variety of definitions, methods, and primary data sources exist, and in many cases there is no internationally agreed guidance for their application. To meet the countries' needs for guidance in addressing methodological issues underlying poverty measurement, the Steering Group has provided direction to the work of task forces with experts from national statistical offices and international organizations, which have produced valuable methodological guidance. It has also successfully steered the preparation and organization of the UNECE expert meetings on measuring poverty and inequality. Finally, the Steering Group contributed to initiatives to develop statistical capacity of the countries of Eastern Europe,

Caucasus and Central Asia. The following sections describe the activities led by the Steering Group in more detail.

A.   Methodological work

(i) Guide on Poverty Measurement

5.   The *Guide on Poverty Measurement*, published in December 2017, provided practical guidance to national statistical offices on specific approaches to poverty measurement. It discussed the availability and comparability of key poverty measures, data requirements and measurement challenges such as self-employment income, goods and services produced for own consumption, transfers between households, social transfers, and transfers in kind. Along with the traditional income and consumption approaches, the *Guide* also delved into analysing the more recent non-monetary aspect of poverty by including two chapters – one on poverty dashboards and material deprivation measures, and another one on developing multidimensional poverty indexes.

6.   The *Guide on Poverty Measurement* has served as a reference during the UNECE expert meeting discussions and as a basis for recommendations on capacity development.

(ii) Poverty Measurement: Guide to Data Disaggregation

7.   In 2017, the Steering Group developed a proposal for improving the availability of disaggregated poverty measures, building on specific recommendations from the *Guide on Poverty Measurement* and the 2017 Conference of European Statisticians (CES) seminar on poverty measurement.

8.   A Task Force worked during 2018-2019 to develop new methodological guidance: *Poverty Measurement: Guide to Data Disaggregation*. The *Guide* proposes a standard set of core variables for poverty disaggregation to enhance international harmonization of poverty statistics. It addresses methodological challenges, including the measurement of households sharing of resources, cost and medical expenditures of disability, housing wealth, imputed rent, social transfers in kind, sub-national price differences, as well as multi-dimensional poverty. A special attention is paid to assessing and improving survey methods, including on hard-to-reach groups and population living in institutions.

9.   Following the highly appreciative evaluation in the CES country consultation with replies from 41 countries and 4 international organizations, CES approved the *Guide* in 2020. The *Guide* is scheduled for print publication this year in English and Russian.

(iii) Approaches to Measuring Social Exclusion (in progress)

10.   The Bureau approved the terms of reference for the Task Force on Measuring Social Exclusion in June 2018 and reviewed the progress of its work in February 2020.

11.   The Task Force has taken a pragmatic approach and has collected hands-on country experience among the Task Force members to identify how social exclusion or other related concepts are currently being measured in their country. The experiences have been analysed and presented in a report prepared by the Task Force. A separate section is dedicated to the

relationship between measurement of social exclusion and SDGs, and the principle of 'leave no one behind'.

12.   The report of the Task Force is submitted to the Bureau for deciding whether it can be sent for a wide consultation to all CES members (doc. ECE/CES/BUR/2020/OCT/9). Subject to a positive outcome of the consultation, it will be submitted to CES 2021 plenary session for endorsement.

B.   Exchange of experience: annual expert meetings on measuring poverty and inequality

13.   The annual UNECE meetings on measuring poverty and inequality bring together experts from national statistical offices across the UNECE region and from other CES member countries, offering the opportunity to share methods, challenges and solutions, and exchange ideas and research findings on a range of topics related to poverty statistics. The meetings attract a large attendance of about 80 participants and a good representation of countries with advanced knowledge in poverty statistics.

14.   The members of the Steering Group discuss the call for papers; identify session organizers, engage keynote speakers, act as discussants, plan the agenda of the meetings, and actively contribute to the discussions and reaching conclusions during the sessions. Thanks to their strong commitment, the expert group has matured over the years and the discussions have become very dynamic and productive.

15.   The Steering Group holds side meetings during the expert meeting to discuss proposals for future work and presents them to the meeting participants to agree on the topics for the next meeting.

C.   Capacity development

16.   The Steering Group supports the UNECE Secretariat in conducting capacity development workshops on measuring poverty and inequality. Regional workshops for countries of Eastern Europe, the Caucasus and Central Asia have been held back-to-back with the Expert Group meetings. Steering Group members have delivered training sessions and made substantive interventions.

17.   The UNECE project "Harmonized poverty indicators for monitoring sustainable development in the CIS countries" has come to a successful completion at the end of 2018. All activities, including 2 capacity-building workshops and a high-level seminar were held according to plan with contribution from Steering Groups members. A *Harmonized Survey Module for Poverty Measurement* was designed to provide a model set of survey questions for poverty measurement in countries of Eastern Europe, Caucasus and Central Asia to produce comparable and reliable poverty indicators for SDG monitoring. The work on the model set of questions for poverty measurement was finalized in compliance with the recommendations of the two poverty *Guides*.

III. PRIORITY AREAS FOR FUTURE WORK

A. Longer term future work directions from the *Poverty Measurement: Guide to Data Disaggregation*

18.   Chapter 6 of the *Poverty Measurement: Guide to Data Disaggregation* (endorsed by CES in June 2020) offers a wide range of topics for future work. These are summarised below:

(a)   **Measurement of resources**. The Guide presents examples of how social transfers in kind and housing cost and wealth are accounted for in practice. However, the adequate inclusion of stocks of wealth and non-monetary resources in the measurement of monetary poverty remains an important field for research. This is especially relevant for comparability between countries that have quite different volumes of non-monetary transfers or different house ownership rates.

(b)   **Measurement of needs**. Challenges in the assessment of needs are most evident with regard to the relationship between the cost of living and characteristics of the household, such as the number of adults, children or persons with special needs due to old age, care or disability. Problems in the assessment of needs are also inherent in the definition of multidimensional measures of poverty.

(c)   **Microsimulation and impact of transfers.** Microsimulation is a powerful instrument to study redistribution mechanisms in a modern welfare state, for example the effect from altering pensions or child benefits. The growing accessibility and use of administrative data in NSOs allow new synergies between microsimulation techniques and fiscal data sources.

(d)   **Dedicated surveys on hard to reach populations.** Conventional household surveys are usually not designed to represent small or hard to reach populations. Dedicated surveys may be used to overcome these constraints adopting specific techniques to investigate living conditions of hard to reach populations, as in the case of homeless persons or Roma people.

(e)   **Use of registers.** Administrative sources that can be used in the measurement of poverty include population registers, tax registers, social security data, and health and education records. Even if most countries are using (some of) these sources, the degree to which they are used varies between countries and across statistical domains.

(f)   **Link to macro aggregates.** The Guide discusses the need to consider aggregates, especially with regard to social transfers in kind and imputed rent. However, it turns out that the aggregates and growth rates are not strictly comparable between microdata and macro data. The latter relate in particular to the UN System of National Accounts where definitions are followed to varying degrees by countries and are often subject to revisions.

(g)   **Dynamics of poverty and exclusion (panel data).** To understand the ways in and out of poverty which are relevant to policy makers, it is important to track changes over time in the circumstances of individuals. Only longitudinal panel data can determine how much mobility there is within the poverty population, allowing to distinguish between permanent poverty and fluid poverty.

(h)   **Privacy and access to microdata.** Future work should examine best practices in disclosure protection techniques, helping national statistical offices balance the competing demands of data accessibility, transparency and privacy protections.

(i)   **Comparative quality reporting.** The quality of poverty measurement should be regularly assessed, and information provided about any deviations from international standards. Consolidating quality reports from different countries can generate a rich repository

of methodological practices, support mutual learning and enhance comparability. International agencies can play an important role in this.

B.   New data requirements stemming from the Covid-19 crisis in the short term

19.   The Steering Group sees as its principal activity for the coming years to adapt the work to take into consideration the new data requirements stemming from the Covid-19 crisis. The Covid-19 pandemic is exacerbating global inequalities and changes the poverty profile of people who are at risk of remaining or becoming poor during the pandemic. It is particularly harmful to certain groups of the society, especially those already in a vulnerable situation. The impact is multifaceted, along with unprecedented health risks there are also the economic and social implications across all countries and regions. The Steering Group considers important to launch **methodological work to respond to the additional needs on measuring poverty and inequality during the pandemic and its aftermath**.

20.   UNECE has recently conducted a study of the practices of national statistical offices in adjusting their household surveys to the circumstances of the pandemic. An analysis of the information provided by countries will be presented to the UNECE virtual expert meeting in December 2020.

21.   The Steering Group considers of particular interest the issue of **data collection on vulnerable or disadvantaged groups,** who may suffer disproportionately in the current crisis, including children, youth, elderly, disabled and ethnic or migrant minorities.   Further discussions in this direction could build on the recommendations of the new *Poverty Measurement: Guide to Data Disaggregation*.

22.   **Urban and rural poverty** is another possible topic for further work. There are complex development challenges with regard to urban mobility, consumption behaviour, future skills and jobs, and future of education. These all have become even more relevant under the current pandemic situation with big cities exceedingly affected. Furthermore, a large part of the population had to adapt to a remote work and study environment on an extremely short notice.

23.   Any methodology for measuring poverty relies on several assumptions and decisions, e.g. how to set the poverty threshold or define resources. Countries are therefore developing **supplemental or experimental poverty measures** to improve accuracy of the measurement. These include adjustments for cost of living differences and household circumstances, social transfers in kind, disability cost, housing wealth, imputed rent, combining information on income, consumption and wealth, and unequal sharing of resources within households.

24.   Disaggregation of poverty indicators for monitoring the **2030 Agenda for Sustainable Development** has been regularly considered in the last expert meetings.   A number of challenges persist such as lack of methodology for certain indicators, missing data disaggregation on key variables and absence of financial and technical support. Continued exchange and sharing of experience would therefore help countries improve their SDG reporting on poverty and inequality.

25.   In its activities, the Steering Group will rely on the currently available methodological guidance, including the three guides developed under its direction – *Guide on Poverty Measurement* (2017), *Poverty Measurement: Guide to Data Disaggregation* (2020), and *Approaches to Measuring Social Exclusion* (forthcoming). The Steering Group considers it

important to **follow up on the implementation** of these guides and address the related challenges.

26.   The Steering Group will consider the above issues in designing the programme and identifying speakers for the UNECE **expert meetings** in the coming months.

IV.   PROPOSAL

27.   Reducing poverty is the first SDG goal and a pillar of the 2030 Agenda for Sustainable Development, yet the risks and threats to meeting this goal are now increased by the Covid-19 pandemic. The UNECE methodological work and expert meetings remain an important tool for strengthening national statistics on poverty and inequality, and ensuring a close coordination at international level in support of SDGs 1 and 10. The role of the Steering Group is therefore essential to guide national statistical offices and ensure a close cooperation between international partners active in this area. This work is of a continuous nature.

28.   **The Bureau is invited to:**

(a)   advise on priorities in the area of measuring poverty and inequality, in particular the more short-term priorities defined in section III.B. The priorities spelled out in section III.A could be considered in the longer term;
(b)   review and approve the terms of reference for the Steering Group on Measuring Poverty and Inequality for the next five years, presented in document ECE/CES/BUR/2020/OCT/9/Add.1.

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