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Reports on the work of the Conference of European Statisticians, its Bureau and Teams of Specialists

Implementation of the UNECE Statistical Programme 2016

Addendum

Note by the Secretariat

Report of the Seminar on Poverty Measurement

Summary

1. The Seminar on Poverty Measurement was held on 12-13 July 2016 in Geneva.

2. The present document is the report of that seminar, and is provided to inform the Conference of European Statisticians on the organization, outcomes and recommendations of the meeting.

I. Introduction

1. The UNECE Seminar on Poverty Measurement was held on 12-13 July 2016 at the Palais des Nations in Geneva, Switzerland. It was attended by participants from Armenia, Azerbaijan, Belarus, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Luxembourg, Mongolia, Poland, Republic of Moldova, Russian Federation, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, and Uzbekistan. The European Commission was represented by Eurostat and the European Union's Agency for Fundamental Rights (EU-FRA). Interstate Statistical Committee of the Commonwealth of Independent States (CIS-Stat), the Eurasian Economic Commission, the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP) and the World Bank were present. Experts from Oxford University (United Kingdom) participated at the invitation of the UNECE secretariat.

2. A number of participants could attend the Seminar thanks to the financial support from Russian Federation and the United Nations Development Account.

II. Organization of the seminar

3. Ms. Trudi Renwick of the United States Census Bureau was elected as Chair of the meeting.

4. The following topics were discussed at the meeting:

a) Guide on poverty measurement

b) Measurement challenges in consumption and income poverty

c) Country cases in poverty measurement

d) Comparability issues in measuring multidimensional poverty

e) Linkages between poverty, inequality and vulnerability

f) Communicating statistics on poverty and inequality

g) Poverty and inequality in the 2030 Agenda for Sustainable Development

h) Discussion on future work.

5. The following participants acted as Discussants: for item (b) Mr Thomas Christin (Swiss Federal Statistical Office), for item (c) Mr Minh Cong Nguyen (World Bank), for item (d) Ms Elena Danilova-Cross (UNDP), for item (e) Mr Bilal Malaeb (Oxford University), for item (f) Mr Tengiz Tsekvava (National Statistics Office of Georgia), and for item (g) Ms Ala Negruta (National Bureau of Statistics of the Republic of Moldova).

6. The discussion at the meeting was based on papers that are available on the UNECE website.[1]

7. The meeting took place back-to-back to the Workshop on harmonisation of poverty statistics, 11 July 2016.

[1] http://www.unece.org/index.php?id=41290#/

III. Recommendations for future work

8. Participants appreciated the exchange of experience and good practice at this Seminar as well as at the two previous seminars on poverty measurement organized by UNECE in 2013 and 2015, respectively. To strengthen this exchange and its link to methodological work, the meeting proposed to establish a regular forum in the form of expert meetings on measuring poverty and inequality.

9. The expert meetings will be prepared by a steering group composed of a few member countries. The Steering Group will also formulate proposals for advancing methodological work on measuring poverty and inequality, and will follow up on the implementation of methodological guidance.

10. The meeting recommended that the 2017 UNECE expert meeting on measuring poverty and inequality will be organized in April-July 2017.

11. Participants agreed that the 2017 expert meeting should address:

a) The UNECE regional needs for the poverty and inequality indicators for the 2030 Agenda for Sustainable Development, and the strengthening of the role of official statistics in this area;

b) New methodological work following up on the issues raised in the UNECE Guide on Poverty Measurement, such as

   i. Comparable indexes of multidimensional poverty: indicators and data requirements

   ii. Measurement of vulnerability to poverty

   iii. Potential for producing individual level poverty measures

   iv. Income and poverty measures for population outside private households

   v. Measurement of components of income and wealth, including social transfers and own production

   vi. Spatial patterns of poverty

   vii. Subjective poverty;

c) Harmonization of household surveys;

d) Methodological issues in measuring economic inequalities.

e) Gender, age and minority group disaggregation of indicators of poverty and inequality.

12. It was agreed that for the next meeting, sessions would be prepared by a designated organizer who would also be the discussant. The Steering Group will elaborate the proposal for topics for the 2017 expert meeting and will ask for volunteers to organize the sessions.

IV. Adoption of the report of the meeting

13. The present report was adopted during the closing session.

14. A summary of the discussion in the substantive sessions of the meeting will be presented in the annex of this report, to be prepared by the Secretariat after the meeting.

Annex

Summary of the main issues discussed at the Seminar on poverty measurement

I. Introduction

1. The meeting began with a brief introduction from the Director of the UNECE Statistical Division bringing the attention to the meaning of poverty on a global scale and in the context of Sustainable Development Goals (SDGs) monitoring. The speaker explained the importance of finding the balance between striving for international comparability and responding the country specific economic, social and institutional needs. The methodological issues and gaps to be addressed by the experts should be aligned with the regional priorities and respond to the countries demands. The establishment of a Steering Group will help to identify the country needs and tackle concrete issues on poverty measurement. The speaker acknowledged the progress made by the Task Force on preparing the Guide on poverty measurement and highlighted its potentially global use.

2. Mr. Andres Vikat, Chief of the Social and Demographic Statistics Section of the UNECE Statistical Division opened the Seminar and explained its role in the context of activities of the Conference of European Statisticians.

3. The first presentation was given by the Chair of the UNECE Task Force on Poverty Measurement, Ms. Anna Bieńkuńska from Poland. She reported on progress made in the preparation of the Guide on poverty measurement and noted the next steps. She underlined the main objective of the Guide to provide recommendations for improving the international comparability and availability of statistics on poverty and the related metadata.

4. The Task Force's Chair introduced the four substantive chapters. In particular, chapter 1 "Conceptual background" provides a general description of the poverty phenomenon and poverty related concepts such as vulnerability to poverty, population at risk of poverty, inequality, social inclusion. Chapter 2 "Monetary poverty" addresses the monetary approach to poverty, and in particular, the traditional income and consumption expenditure measures that are the most commonly used approach to measuring poverty. Chapter 3 "Subjective poverty" aims to introduce the concept of subjective poverty and its methods of measurement. Chapter 4 „Multidimensional poverty" addresses the measurement of the non-monetary aspects of poverty and social exclusion and demonstrates their relevance for policy design and analysis at global, regional and national levels. The speaker noted that the main challenge in front of the Task Force is to stay focused on the practical aspects and to draft the recommendations. Next steps include finalization of the chapters, editing the content and the preparation of recommendations. The Guide should be finalized among the Task Force members by October 2016 and be ready for submission to the Bureau of the Conference of European Statisticians by December 2016.

II. Discussion at the substantive sessions

5. The Seminar covered six substantive topics: "Measurement challenges in consumption and income poverty", "Country cases in poverty measurement", "Comparability issues in measuring multidimensional poverty", "Linkages between poverty, inequality, and vulnerability", "Communicating statistics on poverty and inequality" and "Poverty and inequality in the 2030 Agenda for Sustainable Development". A variety of speakers from national statistical offices and government agencies, leading researchers from Oxford University, representatives of World Bank, Eurostat and other

international organizations, made presentations and provided papers as a basis for the discussions. The respective chapter leaders under the Guide in poverty measurement presented the draft chapters of the Guide on poverty measurement for discussion and comments. The summary of the discussions is below.

A. Measurement challenges in consumption and income poverty

6. This session consisted of presentations from the Task Force on poverty measurement, the United States of America, the World Bank and Eurostat. Discussion was led by the representative of Switzerland.

7. The representative of the **United Kingdom**, on behalf of the **Task Force on poverty measurement**, outlined the content of the draft chapter on monetary poverty in the Guide on Poverty Measurement. It was emphasised that the chapter does not yet contain recommendations as these are to be discussed by the Task Force in their next meeting. The presenter posed questions for feedback regarding areas not yet addressed or without enough detail; areas requiring examples; main conclusions; unresolved issues and ideas for a future research agenda.

8. The representative of the **United States of America** described the development and use of the supplemental poverty measure (SPM) used in the USA to complement the official poverty measure, which has clear and recognised drawbacks. The SPM is used to estimate the value of social transfers or in-kind benefits. The presentation outlined some of the measurement challenges surrounding these estimates and described work to improve the measure and its use.

9. A representative of the **World Bank** gave a presentation on the topic of imputing rent values to include them in aggregate welfare measures. The reasons for needing to do this are that significant utility is derived from occupying a dwelling; rent is a major part of consumption and welfare; and rent makes up a high share of expenses. A variety of possible methods available for imputing rent were reviewed in order to reach a proposed methodology based on econometric methods, attempting to account for bias in data sources. Empirical testing of the method through application to Georgian data was presented. A comparison of imputed and reported rents was made, and their effects on poverty lines and rates were examined.

10. A presentation made by the **United Kingdom** began by explaining the relative advantages and disadvantages for using income, consumption, material deprivation and wealth as measures of poverty. Economic well-being is derived from all four of these and as such, consideration of multiple measures together might give the best insights for policy intervention. No single data source is available for all four components in the UK, so a method was described in which statistical matching techniques were used to combine datasets from two surveys. Once matched, the relationships between the different components of economic poverty were analysed. There is clear evidence of a close (but non-identical) relationship between both income and expenditure measures of poverty and other measures of well-being, but different degrees of overlap in different countries highlight the fact that they each measure something distinct. Looking at wealth along with income can permit better analysis of vulnerability. Analysis of income and wealth together makes it possible to identify within at risk of poverty population those with/without savings buffer. It also allows for identification of ’asset poor only’ who may be vulnerable to sudden fall in income.

11. A presentation by **Eurostat** described five current strands of work to modernise the Survey of Income and Living Conditions (EU-SILC), with a particular focus on work to improve the collection of data on material deprivation. This includes updating the list of items which are considered “socially necessary”, such that an inability of a household to afford them suggests material deprivation (since ownership of items such as a colour television is now so close to universal that it no longer has discriminatory power). A new

focus on personal-level deprivation allows analysis of intra-household differences in deprivation, which in some cases are quite large.

12. The following points were made in the discussion:

- Many difficulties of deciding on common criteria for defining consumption and income poverty exists, even bearing in mind that this alone is only one component of overall poverty that is multidimensional. These challenges underlie the difficulty in formulating recommendations for the relevant chapter of the UNECE Guide. As the UK paper illustrated, the range of different components reflect related but non-identical underlying mechanisms. It was therefore questioned whether it is necessary or appropriate to develop a single set of criteria.
- Underreporting is a serious issue and correcting for it is a big challenge. Gathering data at sub-national level for some of the benefits programmes is a major challenge, especially to do it in a timely way. Other measurement issues include taking account of tax rebates (benefits given through less taxation), distinguishing poverty as a temporary phenomenon or as lower living standards, which income in-kind to include and which to exclude, etc.
- Participants noted the need to develop simplified measures that can take into account people not covered in large surveys, e.g. people in institutions and homeless people.

B. Country cases in poverty measurement

13. This session consisted of presentations from Belarus, Ukraine, and Russian Federation. Discussion was led by the World Bank.

14. The representative from Belarus presented on the methods of poverty assessment in their country. The household living standards survey is the main source of information about poverty for both the population as a whole and households. The sample covers 6000 households, which is 0.2 per cent of the population. The poverty concepts applied in Belarus include absolute and relative poverty, subjective poverty and material deprivation. Furthermore, the speaker explained the methodology for calculation of the main indicator of well-being – average per capita household disposable resources, including the use of the national equivalence scale. The poverty line is calculated as minimum subsistence, with food items representing 55 per cent of the overall subsistence minimum budget and non-food items 77 per cent of the food items. Relative poverty line is defined as 60 per cent of median national disposable resources per capita, using the equivalence scale.

15. The delegate from Ukraine spoke about monitoring different poverty forms in their country. The survey sample of the household living conditions survey in Ukraine covers about 13,000 households. The response rate is 80 per cent. As in other countries in the region, absolute poverty line is based on subsistence minimum. In addition, for the purpose of MDG reporting, a poverty line of $5 per capita a day by purchasing power parity (expenditure based) is estimated. The following relative poverty thresholds are used: 75 per cent of median of equalized monthly expenditures is set as a relative poverty threshold and 60 per cent of median - as extreme poverty threshold. A national approach on deprivation poverty is characterized by the limited possibilities of the population to access certain benefits, including basic physiological needs, needs attributed to personal development and adequate level of comfort. Deprivation poverty line is defined as a presence of at least 4 out of 18 deprivation items. The results of analysis of population's material deprivation using both national and European approaches were presented. Finally, the speaker outlined the perspective directions, objectives and problems related to improvements to measurement of poverty, inequality and social exclusion.

16. A speaker from Russian Federation presented recent efforts in assessing deprivation across country regions in attempt to address large inter-regional differences. The main differences between poverty and average level of welfare were focused on several aspects

of life, in particular culture and leisure, current consumptions, provision with housing and property, education services, and medical services. Some new developments included an introduction of a relative poverty line and a rate based on the OECD standards, introduction of a two-level poverty measurement based on indicators of monetary and total household income, and the extension of indicators for describing poverty profiles. Efforts have been made to ensure data comparability in the long-term. The speaker explained the difference between the material deprivations approach in EU countries and Russian Federation.

17. The following points were made in the discussion:

- Only certain poverty measures and indicators are communicated to policy makers. For example, absolute poverty, in particular the minimum subsistence poverty line, is the measure that is mostly used at the level of policy. Other poverty data are usually used by researchers or by experts to analyse the effects of different social programmes.
- The participants pointed the need for addressing the issue of poverty in the context of SGDs monitoring.
- Relative poverty is considered rather as an internationally comparable measure and is in general used for analytical purposes rather than policy.
- The presented countries produce poverty data on a quarterly basis.
- In countries with big territories, applying the deprivation approach is complicated because of large sub-national differences.
- It is difficult to provide estimates on salary in-kind (e.g. transport discounts).
- The list of deprivations is different across the countries of Eastern Europe, Caucasus and Central Asia, e.g. 14 deprivations in Belarus and 18 in Ukraine. Moreover, the process of compiling the list of deprivations is different in each country, also regarding the various consultation rounds.

C. Comparability issues in measuring multidimensional poverty

18. This session consisted of presentations the Task Force on poverty measurement and the Republic of Moldova.

19. The presentation from OPHI, on behalf of the Task Force on poverty measurement, outlined the content of the draft chapter in the Guide on poverty measurement on multidimensional poverty, including material deprivation. This presentation focused on the development of the Multidimensional Poverty Index (MPI), an index intended to take into account non-monetary factors to arrive at a more broad view of poverty. Specifically, the motivation for the development of the MPI was discussed along with a technical description of the required steps to calculate this measure. Lastly, several examples and recommendations on the use of the MPI and its underlying methodology were presented.

20. The presentation from the Republic of Moldova focused on the experience of the National Bureau of Statistics of Moldova in its efforts to measure multidimensional poverty. The speaker provided background on the indicators historically used by the Republic of Moldova and the motivation for moving beyond measuring only monetary poverty. She presented survey results on material deprivation, population at risk of poverty and population in low work intensity households, in comparison with monetary poverty indicators.

21. The following points were made in the discussion:

- The multidimensional poverty indicators represent better the multifaceted nature of poverty as specified in the SDGs.

- Several participants reported on their current or planned use of various forms of the MPI.
- While noting the MPI's usefulness, some highlighted the challenges in the international comparability of the MPI given differences across countries in data availability.
- The participants debated whether determinants and symptoms of poverty should be included in the same index and noted the importance of distinguishing between social exclusion and multidimensional poverty.
- There was strong support for introducing multidimensional poverty in the countries of Eastern Europe, Caucuses and Central Asia. With this approach, however, there is need for decisions at policy level on dimensions, indicators and thresholds. It is therefore necessary to explain to the experts from ministries and state agencies the meaning of multidimensional poverty in accessible language. A handbook or a small set of Guidelines would be helpful in this respect.

D. Linkages between poverty, inequality, and vulnerability

22. This session consisted of presentations from Poland, Russian Federation, CIS-Stat and World Bank. Discussion was led by the OPHI.

23. The speaker from Poland presented the social perception of poverty and income inequalities in Poland based on their Social Cohesion Survey conducted in 2015. The survey covered questions on the perception of the Polish society on the number of poor and rich in the country, including a break down by the income quintile of the respondents. The survey also reported results on the percentage of Polish inhabitants that personally know poor and rich people, on the role of the state in reducing poverty and income inequalities in Poland, and on the kind of social assistance and the type of recipients (families with many children, old age, single parents, disabled, living in difficult housing conditions). The presenter concluded that the systematic collection of data regarding social perception of the socio-economic reality could be very useful in a context of social dialogue as well as creating, verification and monitoring of social policies aimed at improving the quality of life and social cohesion.

24. A representative from Russian Federation introduced the methodological developments in measuring inequality and poverty during the transition to new sources of information. The Russian Federal State Statistics Service produces indicators on income distribution statistics since 1970 and on poverty since 1992. Previously (before 1992) the data source for these statistics was a special sample population income survey (PIS) covering 170 000 households. In 1992 it changed to a household budget survey covering 48 000 households and starting in 2017 a transition is being made to a new annual survey on population income and participation in social programs covering 60 000 households (160 000 households every 5 years). The methodological principles of the new survey were developed taking into account relevant international guiding principles and tested. Comparisons were made of the preliminary estimates with the macroeconomic indicators. The introduction of PIS provides new opportunities in terms of information and analytical capacity, consistency in terms of estimates, and sustainability in terms of indicator quality.

25. CIS-Stat presented on the poverty and inequality in the countries of the Commonwealth of Independent States (CIS). The main purpose of statistical measurement of poverty in the CIS countries is to determine the headcount of people requiring social support. Therefore, the most commonly applied concept is absolute monetary poverty, which for the vast majority of countries is the subsistence minimum. Some countries use relative poverty for official poverty estimates. Most CIS countries use consumption aggregates or income as well-being measures for construction of the distribution series. The national poverty estimates, however, cannot be used for comparisons across countries due

to the different methodologies. Similar is the situation with inequality measures, where the CIS countries use various approaches to study inequality, such as Gini coefficient, population distribution by income per capita to expenditures and distribution of total monetary income/expenditures by demographic groups. In addition to economic inequality, a cross-country comparison was presented with regard to education and health inequalities, both of which are growing in the CIS countries.

26. The representative from the World Bank introduced an example of high frequency welfare monitoring from Tajikistan. Tajikistan was chosen for a project as country vulnerable to various shocks, including climate shocks (temperature variations from the lowest to the highest in the world) and very high percentage of remittances (45 per cent of GDP). The main goal of the project was to monitor important vulnerabilities at higher frequency, such as migration and remittances, public services as electricity and water, subjective wellbeing, employment, wages and income. In this project, for the first time the poverty rate of Tajikistan was estimated using a national Household Budget Survey (HBS) from the Agency on Statistics.

27. The following points were made in the discussion:

- The use of social perception to complement objective measures is becoming increasingly important. It is also useful in the context of measuring sustainable development.
- The need for work on integration of data from different sources such as administrative data, environment surveys, and economic statistics was underlined.
- The role of the international organizations was considered important in identifying issues of common interest for possible future work on improving comparability.
- The methodology used by World Bank to measure poverty in Tajikistan could be applied in other interested countries. More information can be found on World Bank website.
- In addition to harmonisation of methodologies and data sources, the quality of the survey also matters to ensure comparability across countries.
- Subjective well-being is not only about satisfaction but also on trust, values, etc. Adding more social questions to the economic aspects is necessary to provide a more comprehensive picture of the multidimensional poverty.
- The presentation from Poland covered only part of the survey. The social cohesion surveys are also used to estimate living conditions in general. For example, based on this type of survey conducted in 2011, Poland has published “Quality of life. Social capital, poverty and social exclusion in Poland”[2].

E. Communicating statistics on poverty and inequality

28. This session consisted of two presentations by the World Bank. Discussion was led by Georgia.

29. The first presentation was on tools for data visualization. The speaker noted that the availability of household survey data allows national statistics offices to monitor welfare and advise policymakers in a more timely and frequent manner. Moreover, the availability of new channels of communication allows national statistics offices to reach out to a broader audience with large heterogeneity in terms of interest and knowledge. To facilitate

[2] Available at: http://stat.gov.pl/en/topics/living-conditions/living-conditions/quality-of-life-social-capital-poverty-and-social-exclusion-in-poland,4,1.html

this dialogue, the World Bank shared their experience on how to communicate and visualize data through interactive dashboards that summarize key trends and characteristics in the data in an easy understandable way.

30. The second presentation discussed data access. Even though countries in Eastern Europe and Central Asia are data rich compared to countries in other regions, access to data (in terms of both timeliness and availability) continues to be an issue in many countries. The presentation touched upon issues related to legislation, anonymization and documentation (which seem to be the main constrains/sources of concern among clients when it comes to making their data public), showcasing best practices both within and outside the region.

31. The following points were made in the discussion:

- Visualization is important to be adapted to different types of users as they have different goals.
- The choice of software depends on price and the possibility to receive international organizations assistance; traditional .xls files are still preferred by users, as it is easy to work with.
- Data sharing is not easy as the metadata are prepared by the best employees who are usually overworked. The documentation process should start immediately after collecting data and even as the survey is being planned. The memory is then the freshest and the production of metadata is much less time consuming.
- Sometimes the persons responsible to producing the metadata are not the individuals specifically assigned for the survey work and in some cases this task is given even to IT people. That worsens the metadata quality.
- Dissemination and anonymization policies need to be clearly defined. The trade-off between anonymisation and utility is important. The business companies for example are usually asking for individual data and anonymisation substantially decreases the utility for them.
- It is useful to visualize the data in all cases and despite the type of software that is being used. This includes providing some important key indicators and explanation on how the data and/or indicators were produced. Country practices on illustration and visualisation tools are welcome.
- The United States shared experience is using researchers in reviewing their software.

F. Poverty and inequality in the 2030 Agenda for Sustainable Development

32. The session was based on presentation from EU-FRA and UNDP. Discussion was led by the Republic of Moldova.

33. The presentation from EU-FRA described the organization's recent work to collect data on Roma through surveys. The results of an earlier survey show elevated risks of poverty for Roma in countries analysed and highlight the specific challenges faced when collecting measures of poverty for this group. The UN Office of the High Commissioner on Human Rights (OHCHR) framework for a fundamental rights based approach was connected to structure, process and outcome indicators for Roma. EU-FRA underlined the importance of applying this framework to the SDGs as a way to heighten their policy relevance and effectiveness.

34. The paper from UNDP focused on the measurement of inequality in Eastern Europe and Central Asia, specifically those receiving assistance from UNDP. The speaker presented an analysis of changes over time in income inequality in the region using several different indicators. More targeted studies from the Republic of Moldova, Bosnia and

Herzegovina and Turkey were also presented. Overall, the results of these analyses show that income inequality seems to be decreasing in recent years and that the number of people in the region living in poverty has decreased significantly. However, UNDP also highlighted the data gaps and uncertainties in the data and noted specific challenges in collecting data for several countries. The specific challenge of nonresponse in cities (and by proxy from the more wealthy) was also addressed as a potential evidence of underestimation of income and of bias in wealth inequality data.

35. The following points were made in the discussion:

- It is important to align any poverty indicators produced by the countries to the SDGs. In addition, for each indicator, the data related aspects of disaggregation and dissemination (e.g. reporting done by the country or the international organizations) should be discussed in the context of SDGs.
- The process of setting out the monitoring system for the ethnic minorities at European level could serve as a model for the indicators' structure. The SDGs indicators could be similarly structured, e.g. policy and institutional development indicators or process and outcome indicators.
- The indicators should be carefully selected. The Gini coefficient for example is accessible indicator but at the same time is one of the most difficult indicators from policy perspective. The experts need to think of indicators that have baseline and targets.
- The challenges in harmonizing data for international comparisons are high, though the EU-SILC was noted as an example showing that such harmonization is possible. UNECE will be working with CIS countries in upcoming years on this issue. The aim is to improve the level of harmonisation and not to harmonise each question.
- Some participants noted that there is still confusion on the division of labour between international and national organizations in measuring SDG indicators for countries. A CES task force is currently developing a Road Map for developing official statistics for monitoring SDGs in cooperation with countries in the UNECE region. This road map will be available in 2017.