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Monitoring of Different Poverty Forms in Ukraine

Prepared by the State Statistics Service of Ukraine ¹

Abstract

The report presents the overview of methodology used to measure different poverty forms in Ukraine. It contains the brief characteristic of sample household living conditions survey which is an information base for poverty assessment. The description of the methodology to calculate basic indicators of household wellbeing used for the official monitoring of poverty is set forth. The report gives the definitions of thresholds (poverty line) to assess the absolute, relative, subjective and deprivation poverty.

It also presents the assessment of tendencies for changing the scales of different poverty forms in Ukraine as well as overview of the results of multidimensional analysis that was made using different criteria. The results of analysis of population's material deprivation using both national and European approaches are given.

The perspective directions, objectives and problems related to improvements to measurement of poverty, inequality and social exclusion are outlined.

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1. Information Basis for Poverty Monitoring

In Ukraine, poverty monitoring is carried out based on the results of household living conditions sample survey. The volume of annual household sample survey makes about 13 thousand households with the exception (due to the occupation) of the Autonomous Republic (AR) of Crimea and Sevastopol equal to 12.2 thousand (about 0.1 % of the aggregate number). About 80 % of households agree to participate in the survey. The territorial sample (with the exception of the AR of Crimea and Sevastopol) includes all the 37 large cities with population of 100 thousand and over, all the 464 rural regions and 157 towns.

The household survey is carried out by 931 professional interviewers forming a single network for polling respondents within all the sample surveys of population carried out by the state statistical agencies.

They use different tools for data collection (work-books, check lists and questionnaires). The survey consists of three parts:

I. Data collection on general characteristics of households.

II. Survey of household expenditures and incomes.

III. Modular thematic polls:

- Self-assessment of the state of health of household members (annually).
- Availability of durable goods in households (once every 2 years).
- Access by households to specific goods and services (the issue of deprivations) (once every 2 years).
- Self-assessment by households of their income levels (annually).
- Access of households to the Internet (annually).
- Efficiency assessment of social support programs aimed for the population (once every five years).

The poll is carried out exclusively in households. 10% of households are surveyed annually using the methods of repeated visits for express polls of respondents by interviewers, as well as personal and telephone interviews.

Based on the survey results, Gosstat prepares quarterly newsletters and reports, as well as 33 regional newsletters, 4 digests and 5 reports on different topics every year. All the publications are posted on the Gosstat website. Reports on the survey results quality, as well as polls of users related to the level of satisfaction of their requirements are prepared annually. All the reports and summarized results of user polls are also posted on the Ukrainian Gosstat website.

2. Poverty Measurement Methodology

Official poverty monitoring of 2015 was carried out according to the approved Complex Poverty Assessment Methodology based on monetary approach and the following criteria for estimation of poverty threshold:

– 75 % of median values of monthly per-capita equivalent expenditures – as relative poverty threshold, and 60 % of median values – as extreme poverty line;

– officially established minimum wage as a threshold of absolute poverty – proportion of poor population is estimated based on equivalent incomes. Minimum wage is the cost size of foodstuffs and minimum set of non-food goods and services sufficient for maintaining normal functioning of human body and health, as well as satisfaction of basic social and cultural needs of a person. The minimum wage is defined for different social and demographic groups of population and forms a basis for definition of the state social guarantees. Official minimum wage is established by the Ukrainian Law on State Budget for a respective year.

– USD5 per person a day at the purchasing-power parity (PPP) – as absolute poverty threshold determined on the basis of equivalent expenditures for international comparisons;

Monitoring of Goal 1 on Poverty Reduction within Millennium Development Goals provided monitoring of poverty levels estimated based on the following poverty thresholds: – 75 % of median values of monthly per-capita equivalent expenditures;

– equivalent monthly expenditures below the actual minimum wage (the latter is defined by the Social Policy Ministry of Ukraine on the basis of actual (as of the estimation date) prices and fixed sets of goods and services that is posted on the www.mlsp.gov.ua);

– equivalent expenditures below USD5 per person a day according to PPP.

Poverty indicators monitoring envisaged use of scale equivalence, according to which the first person in the household is allocated coefficient equal to 1, while all the others – to 0.7.

Subjective and deprivation poverty forms are also subject to monitoring.

Based on specified survey results, researchers also use other criteria for carrying out poverty assessment (i.e. structural one, depending on the caloric content of daily food ration, etc.).

3. Tendencies in the Change of Different Poverty Forms Scope

Poverty scope throughout the last two years has grown up due to the aggravated social and economic situation, including direct and indirect impact of occupation of the Autonomous Republic of Crimea and city of Sevastopol by the Russian Federation, as well as the need for antiterrorist operations (ATO) in Donetsk and Lugansk regions. Occupation and military operations have destroyed about 20% of the Ukrainian economic potential. Thousands of citizens have been killed or wounded, while their families have lost breadwinners. According to the inventory data, there were about 1.8 mln of temporarily displaced persons in the territory of Ukraine as of April 2016. They had to leave their houses on the temporarily occupied territories and territories where military activities were taking place. Ukraine is respectively spending an essential part of its state budget on carrying out of the ATO and support of victims and temporarily displaced persons.

The price situation at the consumer market in 2015 was characterized by considerable inflation with prices (tariffs) growth making 43.3%, which was almost twice as high as the indicator of 2014 (24.9%), which was the biggest one throughout the last 20 years. Inflation in 2015 was generated by considerable devaluation of national currency (hryvna) at the beginning of the year and its secondary effects, such as misbalance caused by the antiterrorist operation in the east of the country, as well as by the economic and political shock situations. Administrative parallel upward adjustment of prices in several segments of the market also became a powerful factor. It primarily refers to the large-scale increase of housings tariffs in the municipal sphere and growth of tariffs on transport and telecommunication services and excisable goods. For example, in 2015, housing prices and tariffs on water, electricity, gas and other kinds of fuel grew up by 2 times, mainly due to the essential increase of natural gas tariffs – by 3.7 times, hot water and heating – by 1.8 times, electricity – by 1.7 times. The growth of foodstuff prices was also essential. Besides, devaluation processes in the currency market resulted in the increase of prices of commodity lines with an essential part of import.

Actual earnings in 2015 decreased versus those of 2014 by 20%. The average size of fixed pensions increased during this period by less than 4%. All these factors including actual ‘freezing’ of official minimum wage and other social standards affected poverty growth practically in all its dimensions (Figures 1-3).

Figure 1. Relative Poverty Risk Threshold and Official Minimum Wage (Absolute Poverty Threshold), Hryvna
poverty risk threshold minimum wage

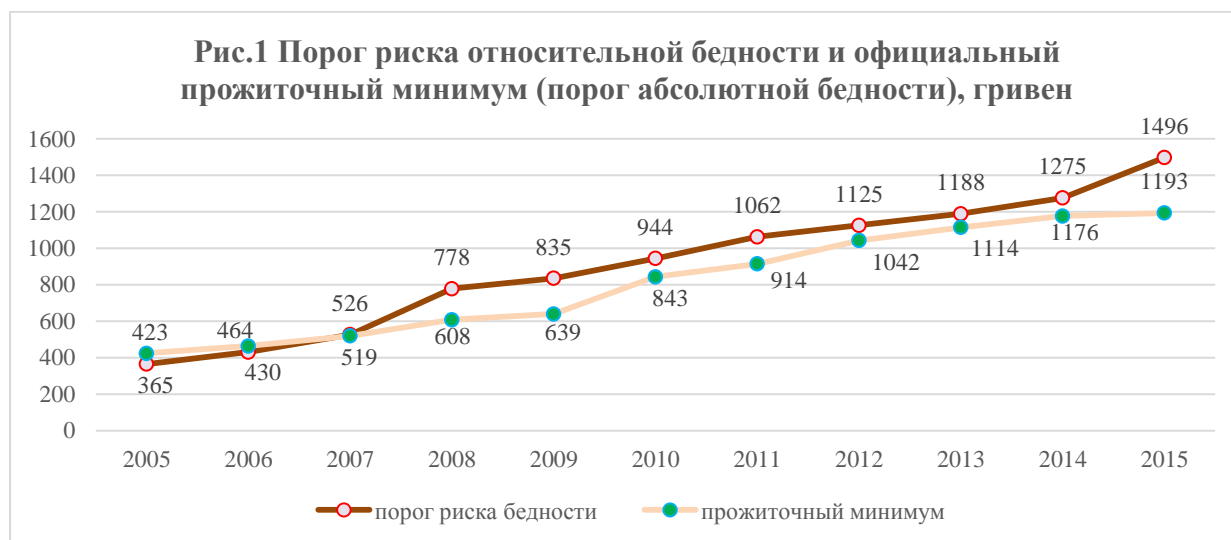


Figure 2. Poverty Levels Estimated Based on Major Measurement Criteria

9 months

Expenditures below USD5

Relative poverty

Absolute poverty based on actual minimum wage

Absolute poverty based on official minimum wage

Extreme poverty



Figure 3. Poverty Levels Estimated Based on Alternative Criteria

Population percentage

Those considering themselves poor, %

Those who had to permanently abnegate necessary things, except foodstuff, %

Those who could not afford even sufficient nutrition, %

Those who had 4 and more deprivation characteristics out of 18, %

Foodstuff expenditures make 60% and over, %

Food energy value of daily ration is below 2100 kcal



Data for 2015 demonstrates survey results for 9 months of 2015.

Figure 4 shows scopes of different forms of population poverty, while Table 1 demonstrates their changes as compared to 2013. Due to the fact that the table shows results for 9 months of 2015, there are no essential changes in the scope of specific forms of poverty (with exception of deprivation forms) versus 2013. About 20% of population is characterized by 2 forms of poverty. 3% of population is characterized simultaneously by the risk of absolute, relative and deprivation poverty. This is, primarily, due to the fact that the given diagram uses as an absolute poverty indicator an official minimum wage that did not reflect the real situation in the consumer market. However, the tendencies in poverty distribution growth are demonstrated by the grown proportion of population having, at least, one of these forms of poverty (from 40% to 45%).

Figure 4. Scope of Different Forms of Population Poverty (Official Minimum Wage is the Threshold of Absolute Poverty), 9 Months 2015

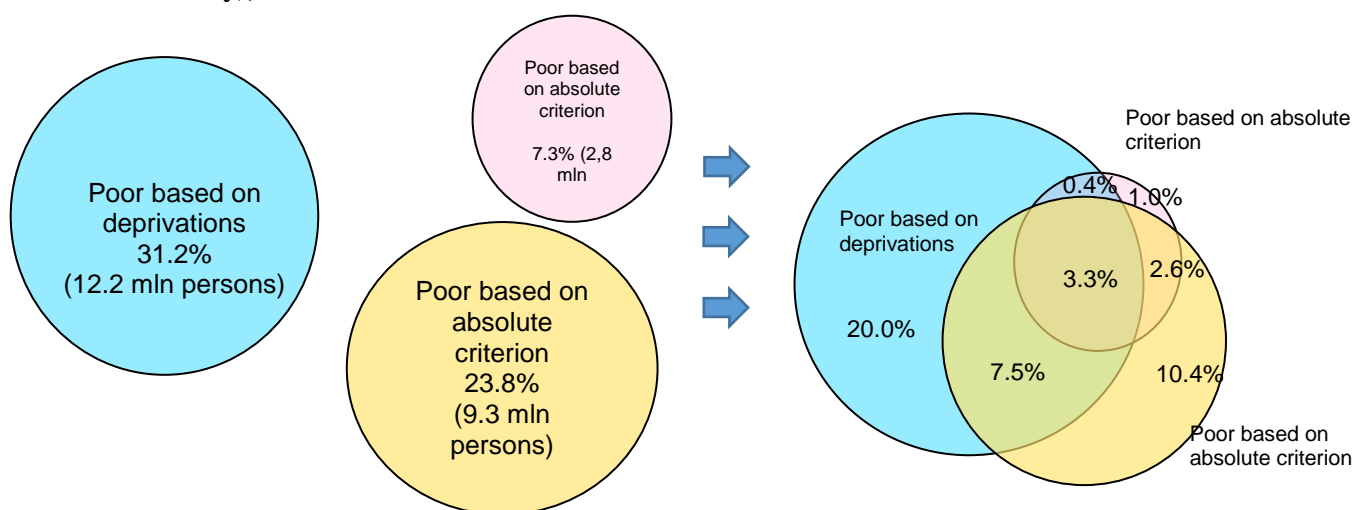


Table 1. Change in the Scope of Different Poverty Forms (Absolute Poverty Threshold is Official Minimum Wage)

	9 months 2013		9 months 2015	
	Mln persons	% of overall population	Mln persons	% of overall population
Poor based on relative criterion	10.3	24.8	9.3	23.8
Poor based on absolute criterion (income)	3.8	9.0	2.8	7.3
Poor based on deprivations (4 out of 18)	9.1	22.0	12.2	31.2
Poor based on relative and absolute criteria	3.0	7.2	2.3	5.9
Poor based on relative criterion and deprivations	3.3	7.9	4.2	10.8
Poor based on absolute criterion and deprivations	1.5	3.7	1.4	3.7
Poor based on relative and absolute criteria and deprivations	1.3	3.0	1.3	3.3
Poor based on, at least, one criterion	16.7	40.1	17.6	45.2

At the same time, when selecting as an absolute poverty criterion not the official but actual minimum salary, we get a different picture (Figure 5 and Table 2).

Figure 5. Scope of Different Forms of Population Poverty (Actual Minimum Wage is the Threshold of Absolute Poverty), 9 Months 2015

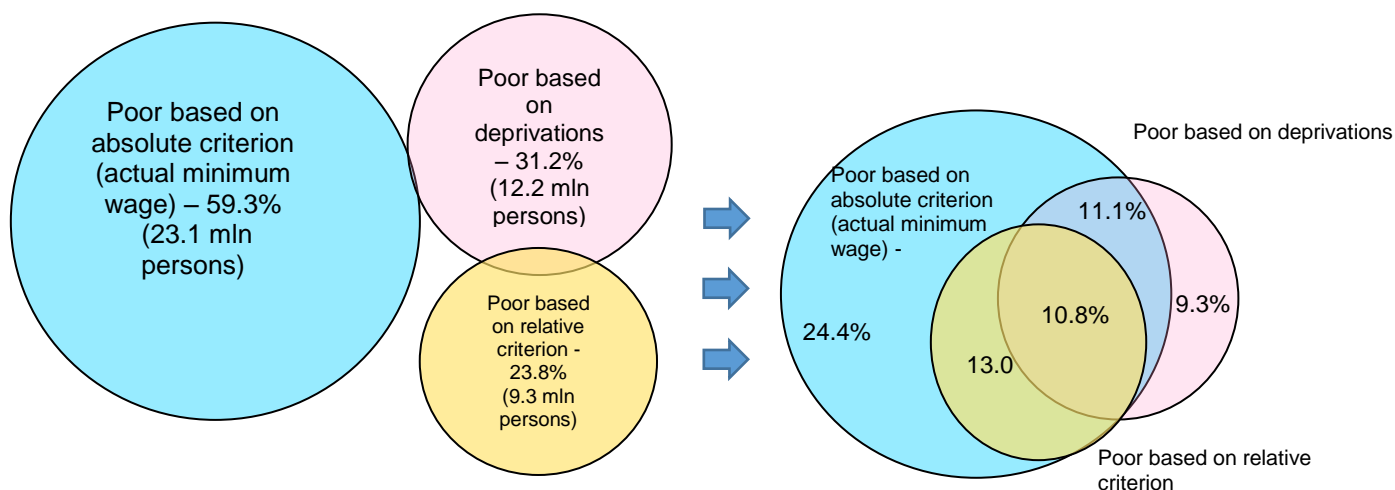


Table 2. Change in the Scope of Different Poverty Forms (Actual Minimum Wage Is Threshold of Absolute Poverty)

	2013		9 months of 2015	
	mln persons	% of overall population	mln persons	% of overall population
Poor based on relative criterion	10.3	24.8	9.3	23.8
Poor based on actual minimum wage (expenditures)	9.9	23.9	23.1	59.3
Poor based on deprivations (4 out of 18)	9.1	22.0	12.2	31.2
Poor based on relative and absolute criteria	9.9	23.9	9.3	23.8
Poor based on relative criterion and deprivations	3.3	7.9	4.2	10.8
Poor based on absolute criterion and deprivations	3.2	7.6	8.5	21.9
Poor based on relative and absolute criteria and deprivations	3.2	7.6	4.2	10.8
Poor based on, at least, one criterion	16.2	38.9	26.8	68.6

Scope of the acutest poverty forms when households are susceptible to complex poverty in all its three forms, with actual minimum wage being used as a criterion, increases by 3.3 times. Proportion of population having, at least, one of these forms of poverty has made almost 70 %, which is by 1.5 times higher than when official minimum wage is used as absolute poverty threshold.

In order to ensure objective monitoring of absolute poverty with account of real situation in the consumer market, the new Poverty Reduction Strategy for 2016–2020 approved this March by the Government uses actual minimum wage as an absolute poverty threshold.

Irrespective of the chosen criterion, the most vulnerable households traditionally are those having children, and especially many children. Rural population is more susceptible to poverty (Table 3).

Tab. 3 Indicators of Population Poverty Depending on Household Type, 9 months of 2015

	Proportion of population					
	Relative poverty	Absolute poverty based on official minimum wage	Absolute poverty based on actual minimum wage	Having deprivations		
				4 and more criteria out of 18 (national list)	3 and more criteria out of 9 (European list)	4 and more criteria out of 9 (European list)
Overall population	23.8	7.3	59.3	31.2	44.2	26.7
<i>Including</i>						
Urban households	20.8	6.6	56.6	24.4	41.5	23.9
Rural households	29.7	8.7	64.6	44.4	49.2	32.1
Households having children	29.3	10.7	66.4	32.8	46.1	28.3
<i>Including</i>						
One child	24.1	7.9	61.8	30.2	45.5	26.4
Two children	39.1	16.6	74.4	35.6	44.7	29.8
Three and more children	50.8	20.8	89.4	54.3	61.4	47.5
Households having no children	17.5	3.3	51.1	29.4	41.9	24.8

Colored are the three biggest values within each poverty form.

3. Analysis of Financial Population Deprivation Using National and European Approaches

National Approach. Deprivation poverty implies limited opportunities for part of the population in accessing certain life benefits that not only ensure satisfaction of minimum physiological needs, but also requirements connected with person's development and maintenance of sufficient level of comfort and subsistence. The developed national list includes 18 deprivation criteria covering different aspects starting with impossibility to get food, clothes, durable goods, medicines, opportunity to ensure normal living conditions and finishing with access to social infrastructure. All the criteria have been subjected to the frequency (selected were the criteria characterizing majority of households) and consensus analysis (majority of respondents considered them necessary for normal life). The list of these 18 criteria is provided in Annex 1 to the given information note (earmarked criteria are colored). Derivation poverty line means that a household is characterized by not less than 4 out of 18 criteria. Its monitoring is carried out once every 2 years starting with 2007.

During the poll, respondents not only inform about their exposure to deprivation based on the selected criterion, but also about their considering the given deprivation as limiting their opportunities and inactivation. With national approach, deprivation poverty refers to the category of the poor the household as a whole, while the poverty scope represents proportion of households. According to the users' needs, indicators of poverty scope can be estimated for the population level rather than that of households.

For harmonization with the methodology applied in the European countries, the national list has been supplemented with deprivations connected with physical and social environment of the region where the household resides, as well as the opportunities for rest and recreation, financial aspects, etc. (full list is provided in Annex 1).

The most widely spread in all the groups of households were: lack of money to pay for necessary unforeseen expenditures from own funds – 64%; family rest outside of their own homes and those of their relatives, at least, one week a year – 52%; necessary medicines, goods and public health services – 33–28%; consumption of meat, chicken, fish (or their vegetarian analogues) every other day, as well as buying of clothing for cold season for adults once every 5 years – 30%, purchase of a car – 27%.

Deprivation poverty level of households has increased from 29% in 2007 to 31% in 2015 (Figure 6). Most widely this form of poverty is spread among rural households and those having many children. Among rural households, the poor ones make 44% versus 24% of those living in urban areas. 54 % of households having many children were marked with 4 and more deprivation criteria, which is twice as many versus the households without children and those having only one child. The deprivation poverty level defined based on the national approach in 2015 was the greatest for the period of 2007–2015 almost in all household groups. This form of poverty growth was, to a great extent, due to the result of deterioration throughout the last two years of the opportunities for the households to provide sufficient food, get necessary clothing and footwear for adults for the cold season, new clothes and footwear for children, as well as to pay for necessary medicines and health care services (as there are no free services of this kind), to pay for housing and utilities.

Figure 6. Proportion of Households of Respective Type with 4 And More Criteria out of 18 (Deprivations)

Total of households
Households living in urban areas
Households living in rural areas
Households having children
Households having two children
Households having three and more children
Households having no children



European Approach. In the European countries, financial deprivation indicator is defined as a relative proportion of population with induced absence of, at least, 3 – and in case of deep deprivation 4 – out of the following 9 criteria of financial deprivation: lack of money to pay for housing and utilities, rent, mortgage or other loan commitments, keeping up sufficient temperature in residential premises; unforeseen necessary expenditures from the own funds, consumption of meat, chicken, fish (or their vegetarian equivalents) every other day, family rest outside of home place and that of their relatives, at least, one week a year; lack of car, washing machine, color TV, phone (including cellphone).

Both in the EU countries and in Ukraine, the most widespread deprivation (Figure 7) in 2015 was impossibility to pay for unforeseen necessary expenditures from own funds. However, the value of this indicator in Ukraine was by 1.6 times higher (64%) than that in the EU countries (39%). Judging by other criteria, Ukrainian population deprivation was by 7–1.5 times bigger than that in the EU countries.

Almost each of the 9 deprivation criteria (except for insufficiency of money to pay for housing and utilities, rent, mortgage and loan commitments) was wider spread among agricultural population than among the urban one (Annex 2). Large families are characterized by deprivations connected with low financial opportunities: three quarters of such households had no money for family rest outside of their homes and those of their relatives, at least, one week a year, and no money to pay for unforeseen necessary expenditures from their own funds. The impossibility to buy durable goods due to the lack of money was rather characteristic of lonely persons than of other population groups. The population of senior age groups (60 and over) suffered to a bigger extent than young and middle-age persons from insufficiency of money for consumption of meat, chicken, fish (or their vegetarian equivalents) every other day; they did not have enough money to keep up warm temperature in their residential premises and payments for rent, mortgage or loan commitments. Women, to a somewhat higher degree than men, suffered almost from each of the 9 deprivations.

Figure 7. Financial Deprivation Indicators in the EU Countries and Ukraine

Ukraine

insufficiency of money for consumption of meat, chicken, fish (or their vegetarian equivalents) every other day

insufficiency of money to keep up warm temperature in their residential premises

insufficiency of money for family rest outside of their homes and those of their relatives, at least, one week a year

lack of money to pay for unforeseen necessary expenditures from their own funds

lack of money for full and timely payment for housing and utilities, rent, mortgage or other loan commitments

lack of car

lack of washing machine

lack of color TV

lack of telephone (including cellphone)



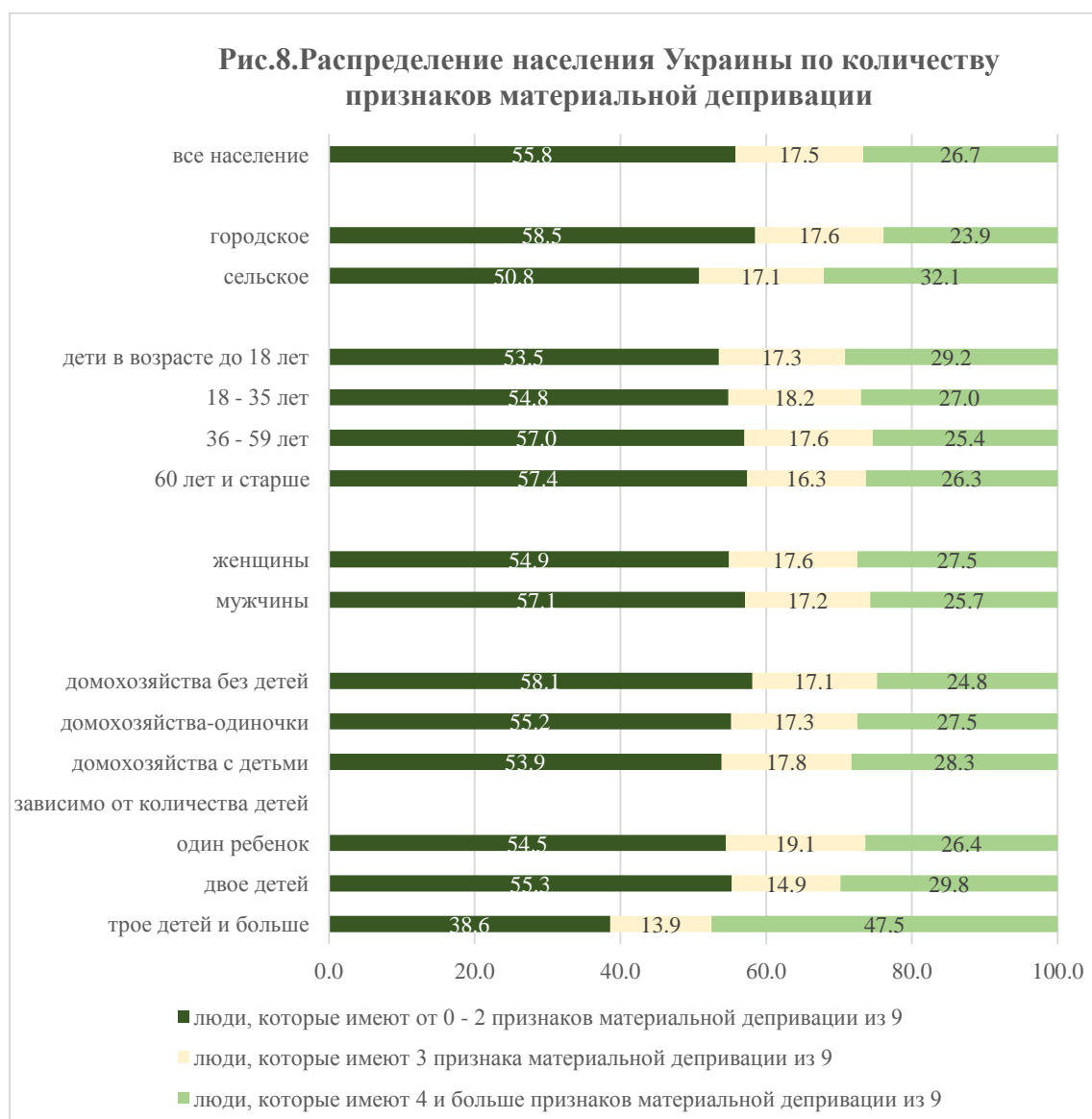
In 2014, financial deprivation indicator for 28 EU countries made 19%.¹ In Ukraine, in 2015, this indicator made 44%. 9% of the EU countries population had deep financial deprivation, while in Ukraine (Figure 8) this indicator was three times as high (27%). 3 financial deprivation criteria were characteristic of 17% of population, while the EU indicator was equal to about 10%. Proportion of the population having no more than 2 out of 9 criteria made 56% (81% - in the EU countries).

The biggest financial deprivation in Ukraine is characteristic of persons living in the households with 3 and more children. The deep financial deprivation indicator of rural population exceeds that of the townspeople by 1.3 times. Proportion of children with deep financial deprivation made 29%, which is 3 percent higher than the average for the overall population.

¹ <http://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database#>

Figure 8. Distribution of Ukrainian Population by the Number of Financial Deprivation Criteria

Total population
Urban
Rural
Children under 18
18-35
36-59
60 and over
Women
Men
Households without children
Single-person households
Households with children
Depending on the number of children
One child
Two children
Three and more children
People with 0-2 out of 9 financial deprivation criteria
People with 3 out of 9 financial deprivation criteria
People with 4 and over out of 9 financial deprivation criteria



5. Long-Run Objectives in the Area of Poverty, Inequality and Social Isolation Measurement Improvement

- This March, the Government has approved a new Poverty Reduction Strategy until 2020. The methodical basis for monitoring and assessment of implementation efficiency is under way.
- Assessment of poverty among children using MODA methodology (Multiple Overlapping Deprivation Analysis) with UNICEF support, i.e. analysis of multiple crossing deprivations.
- Implementation of European household budgets survey (HBS) and statistics on incomes and living conditions of households (SILC) in order to improve measurement of poverty, inequality and social isolation.

Annex 1

Proportion of Households Unable to Afford Certain Material Benefits in Modern Ukrainian Society (percentage)

	2007	2013	2015
Economic Deprivation			
1 Nutrition, insufficient amount of money for:			
- having the opportunity to afford the most necessary inexpensive foodstuffs	8.8	4.9	11.3
- consumption of meat, chicken, fish (or their vegetarian equivalents) every other day	-	17.0	29.6
2 Non-food goods, insufficient amount of money for:			
- buying, when necessary, outdoor clothes and footwear for cold season for adults once in 5 years	15.9	18.0	30.4
- buying, when necessary, new clothes and footwear for children	7.7	6.6	10.1
lack, due to insufficient monetary resources, of:			
- TV	4.2	2.4	1.9
- refrigerator	6.2	3.2	2.4
- telephone (including cellphone) ¹	-	-	2.2
- computer ¹	-	-	14.2
- washing machine ¹	14.0	-	9.6
- car ¹	-	-	26.8
3 Living conditions of households lacking, due to insufficient monetary resources:			
- normal conditions of housing (licking roof, damp wall/floor/basement, defective window panes or flooring)	15.1	9.3	9.0
- running water in the house	20.8	20.1	17.8
- bath or shower room	-	23.0	20.3
- toilet with flush	24.7	26.1	23.0
insufficient monetary resources for:			
- timely and full payment for the bills related to housing and services needed for maintaining it in proper condition, as well for gas needed for cooking	15.8	8.6	19.6
- keeping up sufficiently warm temperature in the house/apartment (purchase of fuel, heater, etc.) throughout cold season	16.6	11.2	25.1
- timely and full payments for rent, mortgage and other loan commitments ¹	-	-	3.5
living space of the size not exceeding 5 sq. m per person	4.7	3.6	4.7
4 Health care, insufficient monetary resources for:			
- doctor's services (except for dentist) in medical institutions (in case of their absence or difficulty with receiving such services for free), tests, analyses, examinations, treatments proscribed by the doctor	24.1	21.8	28.7
- medicines and medical supplies advised by the doctor	23.4	22.0	32.7
- getting treatment in a hospital without having surgery (should there be no such services free of charge) or vitally needed surgery (except cosmetic one) and further treatment in the hospital (should there be no such services free of charge)	26.8	21.5	28.3
5 Education and pre-schooling. Lack of money for receiving any kind of vocational training	4.3	6.3	7.6
6 Rest and recreation. Lack of sufficient monetary resources for family rest outside of home and relatives' place, at least one week a year	34.0	39.4	52.1
7 Financial resources. Lack of opportunity to afford unexpected necessary expenditures from own funds¹	-	-	64.2
8 Characteristics of physical and social environment in the household's residential area:			
- noise coming from neighbors or from the street (street traffic, enterprise, factory, etc.) ¹	-	-	8.7
- pollution, coal dust or other environmental problems (smog, unpleasant smells, polluted water, etc.) ¹	-	-	16.4
- criminality, violence, acts of vandalism in the district ¹	-	-	7.3
Infrastructure Development.			
1 absence of retail stores in the neighborhood	9.7	6.0	6.5
2 absence in the neighborhood of service centers (hairdressing salons, laundries, dry-cleaners, clothes, footwear and home appliances repair centers)	19.1	16.9	20.7
3 absence in the neighborhood of medical institutions (rural health posts, outpatient units, polyclinics, etc.), pharmacies	18.4	12.9	12.3
4 lacking timely medical emergency services in the community	22.9	15.9	14.8
5 no preschool centers (kindergartens, day care centers for infants) in the neighborhood	4.7	2.8	2.4
6 no regular daily transport communication with another community with more developed infrastructure (chain of stores, cultural and educational centers, etc.)	12.6	8.8	9.2

¹ Criterion is included in the survey program, starting with 2015.

Annex 2

Financial Deprivation of Different Social and Demographic Groups of Population (percentage)

	Insufficient monetary resources for consumption of meat, chicken, fish (or their vegetarian equivalents) every other day	Insufficient monetary resources for keeping up comfortably warm temperature in the house/apartment	Insufficient monetary resources for family rest outside of home place or that of relatives, at least one week a year	Absence of possibility to afford contingencies from own funds	Insufficient monetary resources for timely and full payment of housing and utilities, rent, mortgage, other loan commitments	Lacking opportunity for households to afford:				Proportion of population characterized with 3 and more deprivation criteria out of 9	Proportion of population characterized with 4 and more deprivation criteria out of 9
						car	washing machine	color TV	telephone (including cellphone)		
Total population	28.4	24.2	54.5	64.0	21.4	28.8	7.8	1.5	1.6	44,2	26,7
Urban population	27.2	20.1	53.6	63.1	22.0	26.5	5.3	1.2	1.0	41,5	23,9
Rural population	30.6	32.3	56.4	65.7	20.2	33.4	12.8	2.0	2.8	49,2	32,1
Households having children	28.8	23.1	57.9	64.9	22.6	32.1	6.3	1.3	1.1	46,1	28,3
<i>Including by the number of children</i>											
One child	28.5	22.6	55.9	64.6	20.1	31.7	6.0	1.5	1.1	45,5	26,4
Two children	27.6	22.3	59.6	63.9	26.3	29.9	6.0	0.8	0.9	44,7	29,8
Three and more children	38.8	35.1	76.6	74.6	39.9	49.8	12.4	1.0	1.2	61,4	47,5
Households having no children	28.0	25.5	50.6	63.0	19.9	25.0	9.6	1.6	2.3	41,9	24,8