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Expert meeting on measuring poverty and inequality

Vienna, Austria, 29-30 November 2018

Item 10 of the provisional agenda

Adoption of report

Report of the Expert Meeting on Measuring Poverty and Inequality

Note by the Secretariat

I. Attendance

1. The UNECE Expert Meeting on Measuring Poverty and Inequality was held on 29-30 November 2018 in Vienna, Austria. It was attended by participants from Albania, Armenia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Czechia, Georgia, Greece, Israel, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Mexico, Mongolia, Poland, Republic of Moldova, Russian Federation, Slovakia, Slovenia, South Africa, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, and Uzbekistan. The European Commission was represented by Eurostat. Austrian Development Agency, Eurasian Economic Commission (EEC), Interstate Statistical Committee of the Commonwealth of Independent States (CIS-Stat), European Union Agency for Fundamental Rights (FRA), Organisation for Economic Cooperation and Development (OECD), United Nations Economic Commission for Latin America and the Caribbean (ECLAC), United Nations Development Programme (UNDP), United Nations Mission in Kosovo (UNMIK), and the World Bank were present. Experts from LIS Cross-National Data Centre (Luxembourg), London School of Economics (United Kingdom), and University of Neuchatel (Switzerland) participated at the invitation of the UNECE secretariat.

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

II. Organization of the meeting

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) Poverty indicators for monitoring the 2030 Agenda for Sustainable Development
- b) Improving response rate and sampling precision in surveys
- c) Assets-based poverty and inequality
- d) National experiences
- e) Inclusion of social transfers in kind, housing wealth and imputed rent in the measurement of poverty
- f) Coverage of hard-to-reach and potentially disadvantaged population groups in data collection
- g) Individual level poverty measures
- h) Subjective poverty
- i) Discussion on future work

5. The following participants acted as Discussants: for item (b) Mr. Edin Šabanović, Agency for Statistics, Bosnia and Herzegovina, for items (c) and (h) Ms. Trudi Renwick, United States Census Bureau, for item (e) Mr. Dominic Webber, United Kingdom Office for National Statistics, and for item (f) Mr. Edgar Vielma Orozco, INEGI, Mexico.

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

III. Recommendations for future work

7. The meeting emphasised the need for national statistical offices to follow up on implementing the adopted methodological guidance, such as the Guide on poverty measurement. The meeting took note of the substantial progress made and the work plan presented by the Task Force on Disaggregated Poverty Measures, and welcomed the establishment of the new Task Force on Measuring Social Exclusion.

¹ <http://www.unece.org/stats/documents/2018.11.poverty.seminar.html>

8. The next Expert Meeting on Measuring Poverty and Inequality is scheduled to take place on 5-6 December 2019 at the Palais des Nations in Geneva.

9. Participants proposed the following topics for discussion at the 2019 Expert meeting:

- a) Disaggregation of poverty indicators for monitoring the 2030 Agenda for Sustainable Development, including measurement of hard-to-reach groups
- b) Impact of social transfers on poverty
- c) Longitudinal poverty measures
- d) Use of administrative data for measuring poverty
- e) Spatial patterns of poverty
- f) Supplemental poverty measures, including
 - Asset-based measures of poverty and inequality
 - Individual level poverty measures
 - Indexes of multidimensional poverty
 - Subjective poverty

10. The Steering Group will elaborate the call for papers for the 2019 Expert meeting and will ask for volunteers to organize the sessions.

IV. Adoption of the report of the meeting

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

12. 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 discussions

I. Poverty indicators for monitoring the 2030 Agenda for Sustainable Development

1. This session consisted of contributions from Russian Federation and CIS-Stat. The Chair of the UNECE Task Force on Disaggregated Poverty Measures presented the work and progress made by the Task Force during its first year of work.

2. A number of challenges related to SDG data inconsistency, different approaches to disaggregation, missing metadata for national SDG lists, and the use of proxy and complementary SDG indicators were noted. Countries discussed how to set priorities in selecting the poverty indicators and whether a global or national list of indicators should be used as a basis for the national production of indicators. Close coordination at regional level was noted as an important step in producing comparable data between the countries.

3. The delegates were invited to consult the CIS-Stat website for information, publications and links to information resources on SDGs in CIS countries. A second edition of the publication *Monitoring of SDG Indicators in the CIS Region*² is planned for December 2018.

4. Further methodological discussions and guidance on criteria for selecting SDG indicators was requested. In this context, the work of the UNECE Task Force on current and emerging good practices in disaggregating poverty indicators and assessing their robustness could serve as a basis for establishing a common approach for reporting on SDGs.

II. Improving response rate and sampling precision in surveys

5. This session consisted of contributions from Mexico, Ukraine, Latvia, and the Cross-National Data Centre (Luxembourg). Discussion was led by Bosnia and Herzegovina.

6. The session underlined the importance of reducing both sampling and non-sampling errors. The experts shared experience in using calibration methods and weighting techniques to improve the sampling precision. Special emphasis was made on the use of register and census data for validating the samples. New paths to explore progressively in the future would involve using survey data to improve register data as well as satellite images and administrative data to extend the sample basis for population census.

7. One of the main challenges survey researchers face is the absence of sampling frames (or their poor quality) for certain target groups, including

² http://www.cisstat.com/rus/sb_monitoring2018.pdf

ethnic minorities, homeless people or groups defined on the basis of their sexual orientation or gender identity. Thus, experts considered alternative sampling methods to survey these groups.

8. Wealthy persons are especially difficult to capture in surveys due to high non-response rates among this group. Register (e.g. fiscal) data is not always the best way to capture the richest because of the shadow economy. One possible way to address the issue is to stratify the households by register income and introduce additional samples targeting specifically the high-income strata. Using register data on pensions is also a way to obtain data that is not affected by the shadow economy.

9. The participants discussed challenges in harmonizing income and consumption survey microdata across countries and their implications for economic inequality analysis. Non-response is a potential limitation to harmonization, especially in countries with high and middle-income and less of an issue in low-income countries. The participants suggested different modes of data collection to address non-response (e.g. online), and reduction of questionnaires' length.

III. Assets-based poverty and inequality

10. This session consisted of contributions from University of Neuchatel (Switzerland), Swiss Federal Statistical Office and OECD. Discussion was led by the United States.

11. The topic of measuring assets based poverty and inequality has received an increased attention over the past number of years. Wealth inequality is an important factor in measuring poverty. An OECD data collection has found that wealth inequality is twice the level of income inequality on average. While 14 per cent of people in OECD countries are income poor, a further 36 per cent lack the liquid financial assets needed to maintain above poverty-level living standard for at least three months.

12. Combining asset poverty with income-based poverty measures can further provide a more comprehensive picture of poverty and of prevalence of low material living standards in society. In addition, it can also outline those households that were potentially misclassified as “in poverty” under the conventional methods. A Swiss study showed that the risk-of-poverty for elderly decreases when using wealth-corrected poverty rates. On the other hand, the risk of poverty for the young is also diminished because some of those identified poor according to their income are not concurrently poor according to their wealth. This opened a discussion about whether the possibility and the timing of intergenerational transfers should matter for the measurement of poverty. It was noted that the expectations of future income, e.g. pensions could also play a role in defining poverty among young population.

13. Methodological issues related to the choice of assets, which matter for poverty measurement (e.g. should education be considered), and the asset

owner's exposure to risks such as liquidity and price risks were discussed. Although households with the lowest or even negative net wealth, e.g. homeowners with mortgages, are not considered poor in terms of their income, they could be exposed to risks due to changes in asset prices, interest rates or personal circumstances, factors that need to be taken into account in developing measurement techniques.

14. The experts reflected whether a car or a home should be considered liquid enough assets to sustain living standard in case of loss of income, and for how long reference period. The choice of reference period in producing asset-based poverty rates may lead to a large variation in the results. Longer reference periods, i.e. beyond 12 months, were suggested to consider especially with the elderly who have limited prospects to increase their income and rely mainly on assets to sustain their living conditions until the end of their lives.

IV. National experiences

15. The session consisted of contributions from Bosnia and Herzegovina, United Kingdom, and Czechia.

16. As part of recent efforts to improve poverty measurement, Bosnia and Herzegovina has made important steps in harmonising its statistical methodologies with European standards and regulations, in particular in developing income measure for poverty, producing relative poverty estimates and conducting pilot surveys. This process helped Bosnia and Herzegovina make further improvements in the quality of income and survey data and supported the production of complex social indicators.

17. United Kingdom presented an expenditure-based study that provided useful insights on measuring poverty and material living standards in their country. The results were compared with the poverty estimates from the income approach. It showed that 11.5 per cent of the population were both in income and expenditure poverty. In terms of size, both income and expenditure approach provide similar estimates of poverty, however, income poor are not necessarily expenditure poor, and vice versa. While further research was needed, the study provided some additional support for the view that household expenditure may be a better measure proxy of material well-being than income.

18. Czechia shared their experience from integration of household surveys. The aim was to obtain data on consumption, income and wealth while reducing the respondents burden and making financial savings. The Statistical Office asked the same households participating in the EU-SILC to participate also in the household budget survey and thus managed to avoid the need for statistical matching. The Statistical Office in cooperation with the Czech National Bank plans to integrate also wealth data into this survey from next year.

19. Participants agreed that continuous open communication with users remains essential in explaining the difference in poverty measures obtained through various approaches.

V. Inclusion of social transfers in kind, housing wealth and imputed rent in the measurement of poverty

20. This session consisted of contributions from Russian Federation, Canada, United States, and the World Bank. Discussion was led by United Kingdom.

a) Transfers in kind

21. Countries include various types of transfers in kind (STIK) in their estimations. The Russian Federation imputes transfers such as drug provision, sanatorium treatment, and transport, while education and healthcare services are excluded. United States estimates STIK according to some recipients groups, e.g. children, and adds food provision into the calculation of its poverty line.

22. Since statisticians do not impute all types of STIK available in the country, their impact on poverty rates is usually found insignificant. Nevertheless, it was noted that continued efforts for their estimation are important for the development and assessment of social policies, including at regional and local levels. Imputed values especially on access to services such as health, education, child and long-term care, lifelong learning, etc. could provide valuable insights on inequality and another way of looking at the income distribution.

b) Imputed rent

23. The discussion highlighted the importance of housing stock and the related cost that may influence the poverty measure. Neglecting it may lead to incorrectly identifying owner-occupiers with relatively low spending on housing as experiencing poverty. The experts provided examples of various ways to account for the difference in housing costs between homeowners and renters. In the United Kingdom, for example, housing costs (rent, mortgage payments, water rates, council tax, etc.) are excluded from their expenditure-based poverty measures. In the United States, different poverty thresholds are used for homeowners with and without mortgage and for renters. In Canada, experimental estimates are produced on income from imputed rent applied to owner-occupiers. Switzerland includes imputed rent in their calculation of relative poverty.

24. The participants debated on the role of rent subsidies in the poverty measurement. In Canada, for instance, the subsidised rental market is rather small as a share of the total housing market, and accounting for it leads to

only small changes in overall low income. The rent subsidies however in other countries like Austria, France, and the United Kingdom are more important and affect around 20 per cent of the dwellings. In the United States, the value of housing subsidies is estimated as the difference between the “market rent” for the housing unit and the total tenant payment. According to this approach, 2.9 million people are taken out of poverty after receiving housing subsidies in 2017. This was noted as a good example of evaluation of an impact of social policies.

25. According to the World Bank, poverty changes very little when the poverty line is adjusted for imputed rent. In many less developed economies, the effect of home-ownership on reducing poverty is limited, as other factors such as low quality of dwellings would play a more important role. The experts agreed that housing markets in countries differ and imputed rent estimation could be more or less relevant depending on the specific country situation.

VI. Coverage of hard-to-reach and potentially disadvantaged population groups in data collection

26. This session consisted of contributions from Slovakia, Eurostat, EU Agency for Fundamental Rights, and the World Bank. Discussion was led by Mexico.

27. There is an increasing policy demand for information on population groups such as undocumented migrants, homeless people or members of ethnic minorities, for instance Roma. In many cases and despite being at an increased risk of poverty, these groups have been excluded from general population sample frames because of difficulties in obtaining the required information. Various efforts to go beyond the traditional and established survey methodologies have been introduced in this session.

28. Several national statistics institutes already have developed approaches to cover special groups in their standard surveys. Slovakia presented their experience in implementation of survey on income and living conditions in marginalized Roma communities covering 1000 households in different municipalities rated by the degree of density of Roma population (from 0 to 100,000 Roma inhabitants). More than 60 external interviewers and community workers are currently collecting information on socio-economic living conditions of Roma, e.g. education services, health, housing conditions, social exclusion, etc. Italy is planning a similar survey on non-racial discrimination.

29. As part of their efforts to fight poverty and support social inclusion, EU has initiated data collection on past homelessness and housing difficulties, main reasons for such past episodes (e.g. health issues), and factors that allowed respondents to come out of homelessness. Children are not specifically covered in the sample, but episodes of child homelessness should be reported when asked about past experience. The data is collected

through a specific EU-SILC module launched in 2018 and is planned to be revised every 6 years.

30. Adapting a standard survey to reach out to elusive population, as shown in the above examples, is one method to improve representation of population groups that are difficult to access. This method depends largely on the size of the hard-to-reach population group. The Agency for Fundamental Rights underlined that when using this method, the surveys need to include information for identifying these special groups, for example ask respondents about their ethnic group, respecting the principle for self-identification. If the numbers covered in the survey are not large enough, strategies to over-sample special groups and tools to improve response rates can be included. Alternative fieldwork approaches could be also used to better capture certain target groups.

31. There have also been calls to design dedicated surveys of particular sub-groups of the population, which are of high political relevance but represented in too small numbers in the samples of general population surveys to carry out a robust analysis. The work by the World Bank on capturing forcibly displaced persons, including refugees and internally displaced persons has been such an example.

32. The experts requested further work on definition of hard-to-reach population groups in the context of leaving no one behind principle and in adapting the unit of observation “household” for specific groups (e.g. persons in grouped housing such as refugee camps). The meeting asked the UNECE Task Force on Disaggregated Poverty Measures to address the issue.

VII. Emerging issues: Individual level poverty measures

33. This session was based on contributions from Austria, OECD, Eurostat, Luxembourg Institute of Socio-Economic Research and London School of Economics. Discussion was led by Austria.

34. People’s economic well-being is a multi-dimensional concept, whose components income, consumption and wealth, are separate but inter-related. An Eurostat-OECD Expert Group is currently conducting work at experimental level to analyse these different types of economic resources jointly (rather than in isolation) in order to better identify people in distressed or disadvantaged conditions. The work will lead to recommendations for improving data collection and quality of future estimates of the joint distribution of income, consumption and wealth. The group is also working to develop a database with micro data on income, consumption and wealth, and to propose data collection instruments to improve the quality of data linking between different household datasets.

35. Typically, surveys are conducted at household level and provide little information on the intra-household distribution of resources. The standard assumption in empirical analyses on poverty and deprivation is that all

household members share equal living conditions. Increasingly researchers and statisticians are challenging this assumption. Analysis of an EU-SILC module in 2010 on income inequality within households, for example, showed that the risk of poverty in Austria is about 40 per cent higher for women than men when taking the unequal distribution of income within households of couples into account.

36. Researchers from academia presented first empirical studies on unequal sharing of household resources in the EU countries using adult individual level deprivation data included in the 2014 EU-SILC. The first study examines married and cohabiting couples. For all deprivation items included in the study, except for access to the internet, the gender difference, though generally small, was found significant and to the disadvantage of women. The second study considered adult deprivation in multi-family households (with two or more adult generations). It proposed a multi-dimensional deprivation index based on the Alkire-Foster methodology treating household and personal deprivation as two separate dimensions. The analysis showed that around 15 per cent of all adults in the sample live in households with inequitable deprivation outcomes and this percentage is even higher in multi-family households.

37. Participants noted as important to consider various family compositions. The high prevalence of multi-family households in certain countries may have key implications for poverty and income inequality measurement (e.g. one-third of the population in Greece lived in households containing three or more adults). Families that expand over the household boundaries (e.g. divorced parents) should also need a particular attention, especially with regard to child poverty.

38. The definition of a family by itself is not straightforward. The U.S. Census Bureau for example defines a family as those living together related by birth, marriage, or adoption. Not included above are cohabiting couples, people living alone or with nonrelatives, people related to each other but not to the householder, and legally married same-sex couples. The U.S. supplemental poverty measure however includes also cohabiting partners. It was mentioned that cohabiting partners might have different attachment to the labour market from legally married couples.

39. Despite the implementation challenges, the EU-SILC module on income inequality within households was found very useful and countries have integrated selected questions in their regular surveys. For example, Austria has introduced the question: “What proportion of your income you keep separate from your household budget?” If there is a policy need, Eurostat will repeat the module. Non-EU members were encouraged to review the module for possible integration of questions in their regular surveys.

VIII. Emerging issues: Subjective poverty

40. This session was based on contributions from Bosnia and Herzegovina, Poland and OECD. Discussion was led by United States.

41. Subjective measures of poverty complement the so-called objective measures. By applying subjective approach to poverty measurement, statisticians are attempting to evaluate the gap between measures defined by subjective and objective criteria and to understand the reasons behind – whether the objective measure is not sufficiently well constructed or communication needs improvements.

42. Countries integrate subjective measures in their surveys in various ways to help identify the most vulnerable categories. Bosnia and Herzegovina, for example, implemented a survey module on social inclusion within the household budget survey in 2015 to obtain subjective perception on living standards, including health, life satisfaction, access to public services, material deprivation and financial restrictions of households. Switzerland uses a question on the respondent's inability to make ends meet in the absence of wealth data to verify if elderly are in a difficult position. Poland has experimented with several approaches in constructing subjective poverty lines and suggested modification when data of income perception is not available. Kyrgyzstan noted that tools measuring perceptions could be used as a first signal of upcoming new developments.

43. In May 2015, the OECD launched “Compare your income” (www.compareyourincome.org), an online interactive tool aimed at raising awareness among people on how income is distributed. This tool also allowed the OECD to get some insights on how people's own perceptions of income inequality and poverty differ from statisticians' best estimates of reality, with all the caution required by the use of non-representative data. In most countries, the average poverty line (i.e. average minimum income that users consider necessary to escape poverty as share of the median national income) lies between the OECD poverty line (50 per cent of the median income) and the Eurostat one (60 per cent of the median income). Subjective poverty lines are on average increasing with the income reported by the user and decreasing with the household size, suggesting the existence of economies of scale.

44. The discussion also noted that other factors may influence the subjective answer, e.g. the presence of children in the family might give a more positive perception of reality when measuring living conditions, and therefore subjective measures should be used with care.