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Supplemental poverty measures

National Survey of Household Income and Expenditure (ENIGH)

Note by the National Institute of Statistics and Geography (INEGI)*

Summary

The paper aims to analyze the impact of Social Transfers in Kind within the National Survey of Household Income and Expenditure survey, as well as how to capture them. The topic of inclusions of Social Transfers in Kind is critical to measuring poverty and inequality. While cash income is an essential measure of the ability to meet basic human needs, Social Transfers in Kind are also very important, especially from a policy perspective. Failure to reflect the impact of these programs in a poverty measure weakens public and political support for these efforts.

I. Background

1. To have broader information on poverty, Mexico was the first country to introduce an official multidimensional poverty measure; an index, which, in addition to considering the lack of economic resources, includes other dimensions that social policy must address. The General Law of Social Development (LGDS, by its acronyms in Spanish) stipulates that the guidelines and criteria issued by the National Council for the Evaluation of Social Development Policy (CONEVAL, by its Spanish acronym) for defining, identifying and measuring poverty are mandatory to any Mexican institution that executes social development programs; also stipulates that poverty estimates must be updated every two years for the national and state level and every five years at the municipality level. To do so, CONEVAL should use the information generated by the National Institute of Statistics and Geography, Mexico's NSO (INEGI by its Spanish acronym).

2. The data source which supplies the information for the multidimensional measurement of poverty is the National Survey of Household Income and Expenditure (ENIGH, by its Spanish acronym), which is carried out every two years since 2008. This information is public. The most recent edition (2018) has a sample of over 85 thousand households.

3. Taking social transfers in kind (STIK) into account in household income and consumption measures is essential for comparing rates and experiences of poverty in different countries, as well as for making international comparisons of the level of economic well-being more broadly. However, because of measurement challenges, they are often excluded from the welfare measures used for poverty statistics.[1]

4. OECD research (Balestra and Sustova, 2017) shows that the majority of countries that contribute to their OECD Income Distribution Database do not produce any estimates of these transfers, with even smaller numbers including them within their income statistics.[2]

5. The types of benefits included within STIK also vary from country to country, affecting comparability. A further challenge to comparability comes from the different methods used. UNECE recommends, to address limited data availability, that statistical compilers who not currently producing estimates of the distribution of STIK consider including them in income and consumption expenditure statistics. UNECE guidelines support countries in adopting a common methodological approach.[3]

6. Mexico was the first country to introduce an official multidimensional poverty measure, an index which, in addition to considering the lack of economic resources, includes other dimensions that social policy must address.

7. The General Law of Social Development (LGDS, Ley General de Desarrollo Social) stipulates that the guidelines and criteria issued by the National Council for the Evaluation of Social Development Policy (CONEVAL, for its acronym in Spanish) for defining, identifying and measuring poverty are mandatory to any Mexican institution that executes social development programs; that poverty estimates must be updated every two years for the national and state level, and every five years at the municipality level; that CONEVAL should use the information generated by Mexico's National

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[1] UNECE (2017), Guide on poverty measurement. Available at:
https://www.unece.org/fileadmin/DAM/stats/publications/2018/ECECESSTAT20174.pdf
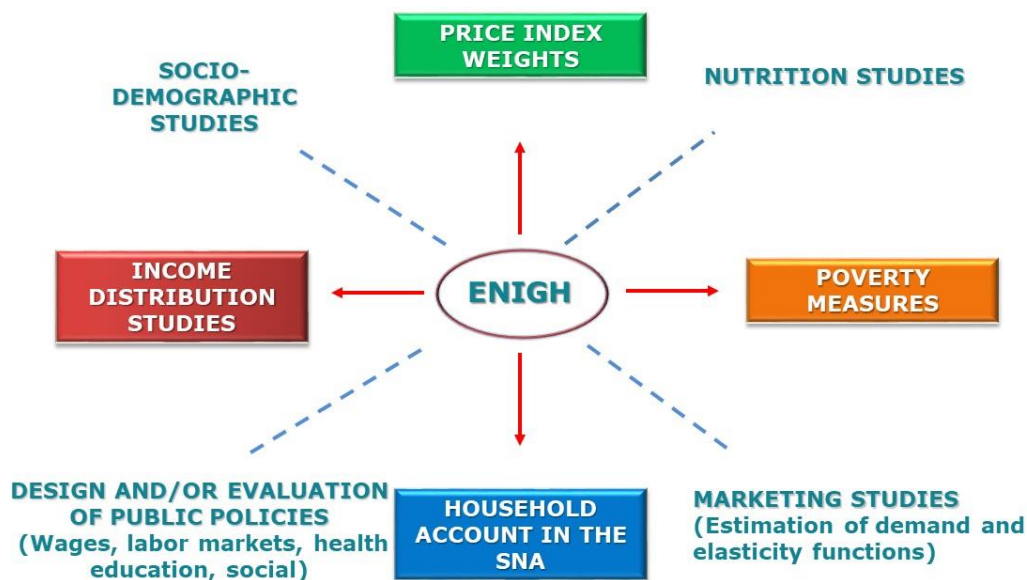[2] Ibid
[3] Ibid

Statistics Office (INEGI, for its acronym in Spanish), and the measurement should include, at least, eight indicators.

8. Thus, to accomplish this, CONEVAL uses the information generated by the National Institute of Statistics and Geography (INEGI). To do so, CONEVAL should use the data generated by the National Institute of Statistics and Geography, Mexico's NSO (INEGI), and the measurement should include, at least, the following eight indicators:

    - current per capita income;
    - educational gap;
    - access to health services;
    - access to social security;
    - quality and spaces of the dwelling;
    - access to essential services in the housing;
    - access to food;
    - and the degree of social cohesion.

9. The data source which supplies the information for the multidimensional measurement of poverty is the National Survey of Household Income and Expenditure (ENIGH), for its acronym in Spanish), which is carried out every two years since 2008. This information is public.

10. This data source, its periodicity, and the level of geographical disaggregation are designed to generate a rigorous diagnosis, which provides decision-makers with the elements required for the design of public policies to improve the population's quality of life.

11. To generate better indicators, INEGI presented in 2016 and 2018 an improved edition of the ENIGH given that:

    - The sample size is the largest in the country's history for a survey of income and expenses.
    - For the first time, it allows representativeness by the federative entity (state level) with estimates for urban and rural domains.
    - In all sample households, is measure both income and expenditure.
    - Operationally, they have been the most supervised event that has been carried out in this area so far.
    - Strength in training permits that interviewers were more attached to methodological definitions.
    - It had an automated tracking report system that supported supervision and control.

II.   Methodological aspects

12. The National Survey of Household Income and Expenditure (ENIGH) 2018, aims to present an overview of the behavior of income and expenditure at the household level, in terms of amount, origin, and distribution. Additionally, ENIGH provides information on the labor participation and socio-demographic characteristics of household members. It also includes information on dwelling characteristics and their equipment.

13. Initially, the design of the ENIGH focused on the need to provide information to update the National Consumer Price Index weights. However, the data collected by the survey has had many other uses in the last years, mainly to measure poverty.

14. The main methodological characteristics are:

Target population	The target population consists of all national and foreign households that live within the country´s boundaries.
Unit observation	The units of analysis for ENIGH are the household, the dwelling, and householders.
Geographical coverage	The survey is designed to provide results at the following levels: • National • Urban-Rural At the state level with estimates for urban and rural domains
Sample Design	• Probabilistic: The sampling units have a known probability that is different from zero of being selected. • Stratified: The sampling units with similar characteristics and that belong to localities of the same size are grouped to form strata. • Conglomerates. The sample units with distinct characteristics that belong to localities of the same size are grouped to form the primary sampling units (PSU). • Double stage. Dwellings are selected in two steps: primary sampling units (groups of blocks) and housings.
Sample size	87,826 households, represent to 125,091,790 population.
Date of uprising	From August 21 to November 28, 2018

III. Conceptual design

15. The total current income of a household consists of monetary and non-monetary sources that satisfy these three criteria:

INCLUSION CRITERIA		EXCLUSION CRITERIA
REGULARITY	**AVAILABILITY**	**WEALTH**
Income sources have to be regular, which is subject to an uninterrupted flow in a given period.	Income sources have to contribute to economic wellbeing; that is, they have to be available for the purchasing of goods and services that the household can use.	These income sources should not include the flows that modify the net wealth or the net value of the assets and debts of the household.

16. Given the transactional role of money, the total current income splits in current monetary income and current non-monetary income.

17. Current monetary income:

- Remunerations for subordinate work.
- Wages, salaries, cash bonuses, and overtime wages.
- The income of the self-employed.
- Family enterprises and the self-employed.
- Other work income.
- Other jobs, different from the primary and secondary occupation.
- Income from assets.
- Interests and dividends from investment in an enterprise in which the investor does not work.
- Income from transfers.
- Government social programs, donations from private institutions, and remittances from migrant workers.

18. Non-monetary current income:

- Self-consumption:

    An estimate of the value of the products and services taken from the family enterprise for household consumption.

- In-kind remuneration:

    An estimate of the value of the products and services that workers receive as payment for their work.

- In-kind transfers:

    An estimate of the value of the transfers in goods and services received by a household, whether from other households, the government, or a private institution.

- Estimated rent value of their own home:

    An estimate of the rent cost if the dwelling did not belong to the household.

19. Income from financial assets and capital:

    A particular source of income that households can have referred to income from financial assets and capital.

    Unlike current income, these sources modify (increase or diminish) the net wealth of the household and do not satisfy the regularity and availability criteria. Hence, in a strict sense, these income flows are not considered part of current income and need to be treated separately.

    Examples:

    - Withdrawals from investment, savings.
    - Loans from institutions or individuals outside the household.
    - Sale of other assets.
    - Inheritances, lotteries, and raffles.

20. Current expenditures:

    The expenditures of a household are the expenses that it must make to satisfy its needs and fulfill its commitments.

    The total current expenditures include all the expenses in which a household regularly incurs to purchase its basic consumption basket, plus non-regular consumption expenses. This concept does not consider the costs that modify the wealth of the householders.

21. Methods to measure consumption expenditure:

    ENIGH measures consumption expenditure taking into account the purchase value of goods and services, whether they were paid in full in the reference period.

    ENIGH reports consumption expenditure when purchases are made in cash or with credit cards. When goods are purchased using credit schemes provided by the seller, whether they are formal or informal, the consumption expenditure reported by ENIGH corresponds to paid consumption.

IV. Social transfers in the National Survey of Household Income and Expenditure (ENIGH)

22. Social transfers in all its modalities represent just over half of the entire budget that is spent on social protection in Mexico. These transfers are aimed at fighting poverty in the country.

23. The National Survey of Household Income and Expenditure (ENIGH), considers that transfers are monetary entries received by household members and for which the provider or donor does not demand compensation of any kind. The variables included under this concept are:

    - Retirements and pensions.
    - Scholarships from government and institutions.
    - Donations of money from institutions or another household.
    - Income from other countries.
    - Benefits from government programs.

- Transfers in kind from other households (gifts).
- Transfers in kind from institutions.

24. When it comes to retirement or pension variables, they are referring to those from mixed contribution systems or schemes, that is, when they have been derived from contributions made by employers, workers and the government. In all cases, the value of transfers in kind is estimated by the informant based on the retail market value of the goods or services he received.

25. The supports are considered as STIK or cash, depending on how the support is granted. STIK contributes to the increase in disposable income. These transfers affect the population groups in different ways, for that reason if they are excluded from the definition of income that would affect the international comparison of those.

26. It was not until 2002 that a format for the supports was integrated into ENIGH. Before this event, the supports were not captured separately, except for:

- School breakfasts;
- Food pantries purchased at the low training cost.

  a. School breakfasts, which were captured in the format of food and beverages consumed outside the household received as benefits at work or provided by an educational institution.
  b. Food pantries purchased at a low cost. As of 1998, spending on food items purchased at a low price or subsidized in the booklet of daily expenses on food, beverages, tobacco, and public transport was recorded. It is until the event of the year 2000 that the pantries have their key.

27. In the 2002 ENIGH, the format called "Supports" is integrated into the Basic Questionnaire for each of the expenditure items and in the Daily Expense Booklet.

28. In 2008 the name of this section was changed by transfers in kind. As of ENIGH 2008, the field was asked about the frequency with which households receive the gift that another household gives them. Following the regularity of tickets, the value of non-periodic gifts, which were received only once, are not included in the aggregate of current income of the new construction of the ENIGH.

29. In 2010 the questions of transfers in kind seek to capture information on the items and services that the members of the household received; the amount and form of presentation in which they received the article or service; know in turn if any of the members of the household made any payment for the items or services received, as well as what they paid if they had to pay something.

30. Likewise, questions of transfers in kind are intended to know the cost that the informant estimates would have been paid in case of having purchased the item or service, the institution that granted the product or service, and the frequency with which it receives said goods.

31. To classify the institutions that provide STIK, the ENIGH considers the classification of all levels of Mexico government, as well as NPISHs, and specific programs of the federal government.

32. In turn, non-regular transfers in kind, from other households, group all those transfers in kind that do not meet the criteria of regularity, that is, all gifts received by households from different households and that the informant reports that he gets only once and are not expected to get it again at least every year.

33. Within the section of monetary income from transfers, ENIGH captures, the following items of social transfers by the government:

- **PROSPERA benefit (OPORTUNIDADES, PROGRESA) (P042)**

Cash receipts derived from the direct benefit to the avalanche, food, and education, provided by the Ministry of Social Development (SEDESOL), through PROSPERA, before Progresa, Pronasol or Oportunidades.

It includes:

- Financial support for any person, whether for health, food, or education.
- Energy support and food support, "To Living Better."

Excludes:

- **Non-monetary support.**
- **Benefits of PROCAMPO (P043)**

   Cash receipts received as a direct benefit to the field for agricultural activities.

- **The benefit of program 65 and more (P044)**

   Federal Government Program that supports adults over 65 years of age or older who live in communities of up to 30 thousand inhabitants.

   Older adults receive financial support per month. This support is delivered bi-monthly in addition to health, food, and human rights services managed by the Program.

- **Benefit from other programs for older adults (P045)**

   Support in money that the state or municipal government grants to people over 60 years.

- **The benefit of the Hunger Card (PAL) (P046)**

   A federal government program that grants monthly monetary support to families that are mainly in food poverty, to contribute to improving the nutrition of the beneficiaries.

- **Temporary Employment Program Benefit (P047)**

   Federal Government program that provides sources of temporary income to people 16 years of age or older to face the effects of an emergency or low labor demand, through the execution of projects that contribute to the improvement of family or community conditions.
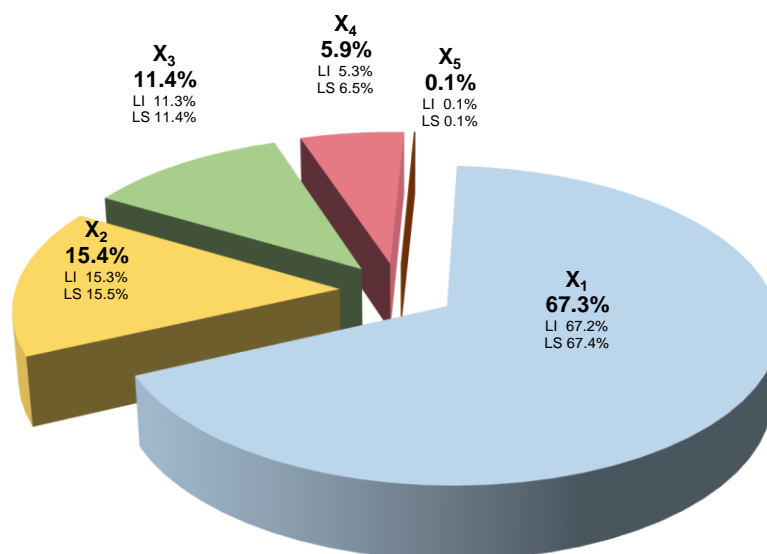
- **Benefits of other social programs (Specify) (P048)**

   These benefits include bonuses or donations from public institutions, examples such as support programs for vulnerable groups such as the disabled, single mothers, and government cards for heads of household.

34. The following graph shows the distribution of total current income by primary sources of income in Mexico. The primary source of income is income from work with 67.3%, followed by transfers with 15.4%, the estimate of the rental of housing with 11.4%, the revenue of property with 5.9%, and other current income bi-monthly 0.1 percent.

Graph 1. Distribution of total current income by primary sources of income

X_3
11.4%
LI 11.3%
LS 11.4%

X_4
5.9%
LI 5.3%
LS 6.5%

X_5
0.1%
LI 0.1%
LS 0.1%

X_2
15.4%
LI 15.3%
LS 15.5%

X_1
67.3%
LI 67.2%
LS 67.4%

*Confidence Interval of 90% LI (lower limit), LS (upper limit).
Note: The sum of the partials may not add up to one hundred percent, due to rounding.
SOURCE: INEGI. National Survey of Household Income and Expenses 2018.

35. Table 1 shows the composition of the primary sources of income, in which the amount of social transfers by the government (benefits from government programs) its above 25 billion pesos in 2018. This amount was reduced from 2016 to 2018.

Table 1. Composition of the main sources of quarterly total current income, according to the year of the survey. (Billions of pesos)

Composition of the main sources of income	Totals (billions of pesos)		
	ENIGH 2016	**ENIGH 2018**	**Δ (%)**
Work income	**1 113.2**	**1 159.8**	**4.2***
Property income	**152.2**	**101.4**	**-33.4**
Transfers	**269.5**	**265.0**	**-1.6**
Retirement, pensions, and compensation for a work accident, dismissal, and voluntary pension	115.6	120.2	4.0
Scholarships from the government and institutions	5.3	4.0	-23.3*
Donations in money from institutions and other households	36.4	37.7	3.6
Income from other countries	12.8	13.7	6.8
Benefits from government programs	30.8	25.2	-18.0*
In-kind transfers from other homes	46.4	43.9	-5.2
In-kind transfers of institutions	22.3	20.3	-9.2
Housing rental estimate	**195.3**	**195.9**	**0.3**
Other current income	**1.5**	**1.5**	**2.2**

36. Gini Coefficient allows appreciating income inequality. The value of this coefficient for income with transfers by deciles of households was 0.4262 in 2018. Besides, the Gini Coefficient will enable us to appreciate the positive effects of transfers on income distribution. If in 2018 there were no transfers of income, the concentration of these would have been higher, because the Gini coefficient would have had a value of 0.475 against 0.426 with transfers.

Graph 2. Gini coefficient 2016-2018
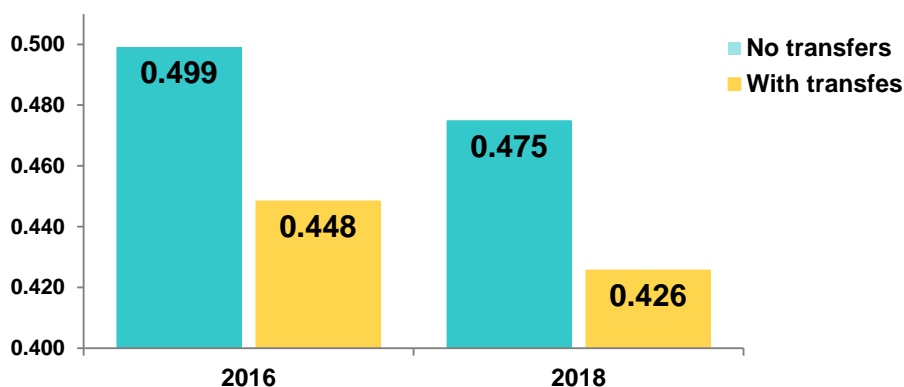
V. Final considerations

37. The supports may be considered as social transfers in kind or cash, depending on how they are granted. Social transfers in kind it's a contribution to the increase in disposable income. These transfers affect the population groups in different ways, for that reason if they are excluded from the definition of income that would affect the international comparison of those.

38. ENIGH 2002 integrates the format for the record of supports. Before this event, the supports were not captured separately, except for:

   - School breakfasts,
   - Food pantries purchased at low cost
   - School breakfasts included in the format of food and beverages consumed outside the home received as benefits at work or provided by an educational institution.
   - Food pantries purchased at a low cost. As of 1998, spending on food items purchased at low in or subsidized in the booklet of daily expenses on food, beverages, tobacco, and public transport was recorded. It is until the event of the year 2000 that the pantries have their key.

39. In the 2002 ENIGH, the format called "Supports" is integrated into the Basic Questionnaire for each of the expenditure items and in the Daily Expense Booklet.

40. In the questionnaires of the ENIGH 2016, for the fifth time, fieldwork was asked about the frequency with which households receive the gift that another household offers them.

41. Following the criterion of the regularity of entries, the value of non-periodic gifts, which were received only once, are not included in the current income aggregate of the new construction of the ENIGH.

42. In 2008 the name of this section was changed by transfers in kind.

43. In the 2010 ENIGH the questions of transfers in kind seek to capture information on the items and services that the members of the household received; the amount and form of presentation in which they received the article or service; know in turn if any of the members of the household made any payment for the items or services received, as well as what they paid if they had to pay something.

44. Likewise, questions of transfers in kind look for fond out the cost that the informant estimates that would have paid in case of had having purchased the item or service, the institution that granted the product or service, and the frequency with which it receives these goods.

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