Approaches in Measuring Subjective Poverty in Bosnia and Herzegovina

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Measuring Poverty (1)

- There are various poverty measurement.
- The majority of them are monetary based poverty indicators.
- Household income or consumption expenditure are monetary aggregates used for the production of poverty indicators.
- Several poverty indicators are highly standardized and used as official national poverty measures produced by national statistical offices.
- They are considered as „objective“ poverty measures and are used in strategies for poverty reduction.
- Monetary poverty indicators are not exaustive poverty measures.
- There is a need for inclusion of non-monetary factors in poverty measurement.
Measuring Poverty (2)

- First new approaches introduced:
  - POLI-Physical Quality of Life Index
  - HDI-Human Development Index and
  - MPI-Multidimensional Poverty Index

- These included new dimensions to poverty measurement:
  - Infant mortality
  - Life expectancy
  - Education
  - Health
  - Living standard factors

- But, they are still a kind of „objective“ or expert constructed poverty measures.
Measuring Poverty (3)

- A more complete approach to poverty analysis should include another dimension in the poverty calculation – subjective poverty or subjective assessment of the wellbeing.

- Subjective poverty measures should complement the monetary or objective poverty indicators.

- In such a way, the multidimensional nature of the poverty could be covered.
Measuring Subjective Poverty in B&H (1)

- Poverty in B&H is still measured on the basis of consumption expenditure data collected from HBS.

- The methodology of poverty indicator calculation is not fully harmonized with EU standards (consumption approach is used).

- Since 2011 HBS instruments extended with new module on social inclusion in order to compensate the lack of EU-SILC.
Measuring Subjective Poverty in B&H (2)

Three poverty concepts used in this analysis:

- relative poverty
- material poverty, and
- subjective poverty.

Relatively poor were those households whose per capita consumption is below the national relative poverty line. The national relative poverty line was set to 60% of median of the per capita consumption expenditure equalized by using OECD modified equivalence scale.
Measuring Subjective Poverty in B&H (3)

- Those households that were deprived of 4 out of 8 items of material deprivation were marked as materially poor.

- We used 8 instead of 9 items of the material deprivation since data for one item (cannot afford a telephone) could not be properly calculated.
For the definition of subjective poverty, we used a survey question, which is a proxy of The Center for Social Policy Poverty Line (Duvoux and Papuchon, 2019). This question reads as follows:

“In your opinion, how does your household survive (to make ends meet):
- very difficult
- difficult
- with certain difficulties
- not just easy
- easy
- very easy?”

Households that reported very difficult or difficult surviving were considered subjectively poor for the purpose of this paper.
Results (1)

• Graph 1. Poverty indicators in Bosnia and Herzegovina (%), 2015
Results (2)

Table 1. Consumption (relative) and subjective poverty (%), 2015

<table>
<thead>
<tr>
<th></th>
<th>Relatively non-poor</th>
<th>Relatively poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subjectively non-poor</td>
<td>90,3</td>
<td>9,7</td>
<td>100</td>
</tr>
<tr>
<td>Subjectively poor</td>
<td>66,9</td>
<td>33,1</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>83,5</td>
<td>16,5</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2. Consumption (relative) and material poverty (%), 2015

<table>
<thead>
<tr>
<th></th>
<th>Relatively non-poor</th>
<th>Relatively poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materially non-poor</td>
<td>90,3</td>
<td>9,7</td>
<td>100</td>
</tr>
<tr>
<td>Materially poor</td>
<td>67,1</td>
<td>32,9</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>83,5</td>
<td>16,5</td>
<td>100</td>
</tr>
</tbody>
</table>
Results (3)

- Table 3. Subjective and material poverty (%), 2015

<table>
<thead>
<tr>
<th></th>
<th>Subjectively non-poor</th>
<th>Subjectively poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materially non-poor</td>
<td>86,8</td>
<td>14,2</td>
<td>100</td>
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<tr>
<td>Materially poor</td>
<td>34,9</td>
<td>65,1</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>70,7</td>
<td>29,3</td>
<td>100</td>
</tr>
</tbody>
</table>

- Monetary and subjective poverty and monetary and material poverty overlap in Bosnia and Herzegovina in some extent, but, it is evident that they refer to partially distinct social groups.
Who is poor in B&H? (1)

Graph 2. Poverty indicators by types of households (%), 2015
Who is poor in B&H? (2)

Graph 3: Poverty indicators by households with and without children (%), 2015

- Relatively poor
  - Households without children: 16.9%
  - Households with children: 16.1%

- Subjectively poor
  - Households without children: 34.4%
  - Households with children: 24.3%

- Materially poor
  - Households without children: 37.1%
  - Households with children: 21.9%
MIQ-Minimum Income Question (1)

- Survey instruments contained a question about the minimum net income which would meet the needs of the households.
- We calculated the ratio of minimum income p.c. to the consumption expenditure p.c.
- Graph 4. Ratio of minimum income p.c. to the consumption expenditure p.c., 2015
MIQ-Minimum Income Question (2)

- Graph 5. Ratio of minimum income p.c. to the consumption expenditure p.c. by household types, 2015
MIQ-Minimum Income Question (3)

- Graph 5. Ratio of minimum income p.c. to the consumption expenditure p.c. by household with and without children, 2015
Conclusion (1)

- Subjective poverty in B&H based on questions that are proxy sources of information describing subjective poverty feeling.
- Subjective data offer to expand the information set traditionally used for assessing poverty.
- Analysis of non-monetary poverty can help identifying the most vulnerable groups in the society and to contribute to the analysis of inequality.
- This approach highlights the importance of linking statistical surveys dedicated to poverty and living standards to the sociological studies related to perception of social status and quality of life issues.
- Combining monetary and non-monetary poverty measures can contribute to faster development of the European ICW statistics.
Conclusion (2)

- Shortcomings of this analysis:
  - Analysis was not performed on the basis of intentionally designed surveys for measuring subjective poverty.
  - Analysis does not contain income data since this data, although collected, was not analyzed within household budget surveys.
  - Factors at the level of households and at the individual level which influence subjective poverty feeling were not analyzed.

- Steps for further work:
  - Use 2022 EU-SILC data for poverty measure.
  - Improve design of survey questions in order to better cover subjective assessment of poverty.
  - Apply more sophisticated statistical analysis.
Thank you for your attention!

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