

Expert Group on poverty statistics

summary of the debates

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I. Introduction.

Within the framework of the Statistical Commission of the United Nations an Expert Group on Poverty Statistics was created in 1996. It is chaired by Brazil and the Economic Commission for Latin America and the Caribbean (ECLAC) as its Secretariat.

A first seminar on poverty statistics was organized at ECLAC, Santiago, Chile, from 7-9 May 1997, as a starting point of activities. At the end of the seminar, the Expert Group identified a set of topics to guide the participants in their common research in the area of poverty statistics. A second meeting of the Expert Group (Rio Group) was held in Rio de Janeiro from 13-15 May, 1998.

This second seminar concentrated on a group of topics identified in the first seminar and a more in depth discussion, based on documents especially prepared for this meeting, was held. In what follows a brief summary of the discussions precedes the documents presented at the seminar. Therefore, it is recommended to read the summary and documents of the first seminar included in this web page, because many topics discussed there were used implicitly in this seminar and its documents.

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a. Political status of poverty estimates

1. It became evident that both in developed and developing countries the issue of poverty has increased its political status. In most countries, one of the fundamental policy objectives is to reduce poverty. In developed countries it is frequently associated to giving access to the whole population to goods and services that are part of the pattern of consumption of very significant parts of the population. In developing countries, the concept of absolute poverty is highly associated in first place to satisfying minimum requirements in the areas of food, shelter, clothing and health. Nevertheless, within developing countries there is a broad spectrum of what is considered a minimum standard.
2. It was recognized that notwithstanding the opinion of statisticians in relation to the convenience of establishing one or more poverty indicators (head count ratio, poverty gap, etc.) governments do seem to need, demand and order the establishment of a measure of poverty. During the meeting, it was stated that within the European Union there is a mandate to establish a measurement. In Australia, Canada and the United States there are reports being prepared to replace previous poverty measurements. In Africa and Asia there is work underway in both Regional Commissions to satisfy recent demand of governments to help them in the measurement in the social area and specifically in poverty in relation both to internal needs and to the monitoring of the goals of the World Summit on Social Development. In the case of Latin America, where there is a lot of work underway and greater experience, many governments have established and update their measurements of poverty. To sum up, the statistical system of countries is under heavy demand to produce information usefully to establish such indicator or directly of estimating it.

B. Methodological issues

3. Within the numerous methodological topics involved in the measurement of poverty, the ones that were more intensively discussed during the seminar were the following:
 - a) Regional estimates of poverty
Poverty situations are quite heterogeneous in most countries. Different economic, social, geographical, infrastructural conditions oblige to disaggregate estimates of poverty for regions, provinces or even local communities. Furthermore, there is a world wide trend to decentralize resources and decisions to extend the content of democracy and to increase the efficiency in expenditures. Therefore, many efforts are being made to measure poverty and its evolution with a geographical disaggregation. As examples of differences of poverty situations in regions, it was showed that for many countries the value of the poverty line changes significantly within regions. In the United States relative housing cost in 1990 had the index values ranging from 0.564 to 1.492, in which the 45th percentile of rent paid for the entire US was 1.0. In the work being prepared in Brazil by IBGE, IPEA and ECLAC, changes of the indigence line vary even in a wider range . Data derived from PPP studies for Zambia also showed great changes within regions. Therefore, it is clear that for policy objectives there is a methodological and operational challenge to disaggregate poverty measurements within regions.
 - b) Normative criteria
There is a wide possibility of options in terms of the degree of standards that the estimate of poverty will incorporate. The factors that seem to influence more the decision are related to how extreme is the poverty situation and to how related it is to budget restrictions.

In the countries of low or very low per capita income a short number of basic needs is normally selected as policy targets. Nutrition is one of the most repeated target in poverty studies. The food components of expenditure have been widely studied and there are international norms related to the

minimum of calories and other components that have been defined for different type of persons and activities. Therefore, this is an area where the normative component is important and widely used. Other areas such as access to dwellings, sanitation and water have also been studied but the possibility of defining international standards is much lower. Anyhow, at the national level certain normative measures have been defined in many countries but they normally vary from country to country. For example, having clean water inside houses or at a certain distance of the houses depends very much on the possibilities of the country, and therefore, the norm is different between them. Similar considerations could be established for the size and quality of dwellings and sanitation.

The relation between the strictness of norms and governmental financial availability have become important in many countries. In this case, possibilities play a fundamental role in the norm. An interesting example is the case of the new measurement being developed in the United States. There, the normative aspect is explicit in relation to two or three items and the rest of the expenditure is represented by a coefficient that is relatively low. In other terms, the norm to define the groups under poverty has been clearly adapted to a certain roof of possibilities. It is obvious that if minimum standards are defined for a great quantity of variables such as health, education, housing, durable consumer goods of different types and modern services even if a very restrictive criteria is incorporated, most probably the poverty line will go far beyond the possibilities of policies based on the public budget. A very interesting experience is the Australian. There, many different items have been studied. The criteria used is not directly a budgetary one. It is related to the idea of a welfare state, where if a certain percentage of the population (as example, half or more) have access to a certain good or service it is considered that it should be available for everyone. If that type of norm is widely applied it becomes an objective more related to distribution of consumption than to poverty.

c) Updating of poverty lines

Once a poverty measurement is established, the need to make inter-temporal comparisons becomes an important goal in monitoring both the phenomena of poverty and the effect of policies designed to diminish it. The methodological problems cover different areas: the quantity of items considered in the estimate of the poverty line imply the need to update movement in prices. Changes in consumption patterns, that have become more frequent in a global economy also constitute a challenge. In the case of the United States, an updating formula have been provided by the new methodology approved. It is not the case of the Australian budget standards where, up to now, no formula has been provided. In the case of the Brazilian food baskets and the Argentinean poverty lines, procedures have been established to update their values. This implicates that in the construction of the indicators it is necessary to consider explicitly methodologies to guarantee the updating of the poverty lines.

d) Use and type of equivalence scales

There is a general agreement that it is necessary to consider the effect of size and composition of the families when estimating poverty lines. The way in which equivalence scales are included differ significantly within countries. In one extreme, Australia has made a big explicit effort to study the different types of expenditure among different household structures. Forty six types of households have been differentiated and studied. This method constitutes an explicit way of establishing budget standards. In the case of the United States, the equivalence scale has been imported as a coefficient not explicitly estimated starting from different type of expenditures. In the case of Latin America, in the estimation of food baskets the different nutritional needs related to age, sex and activity have been explicitly considered. This equivalence scale has been normally used for the rest of expenditures. It is recognized that up to now the empirical data are not enough to construct very sophisticated equivalence scales and that, on the other hand, it would be desirable to include some type of scale in spite of its present limitations.

e) Heterogeneity of poverty

For most demands associated to policy formulation, the heterogeneity of poverty is fundamental. It was already stated that the regional aspect of poverty is recognized as an important issue. Other dimensions associated to heterogeneity were also considered. Within them, the ethnic groups constitute a characteristic that may be specially important in some countries. The case of Hispanics in the United States is a good example of how the poverty incidence can be specially different within groups.

f) Quality, quantity and price of items of expenditure

When defining standards to be used in the establishment of poverty line, the consideration of quality, quantity and price of items has proved important. In some cases, such as Australia, it has been shown that in many durable goods the better quality and higher price comes together with longer duration.

Therefore, if a cost for a certain period of time is estimated the difference between prices of goods of different quality are reduced and in occasions the more expensive ones, have smaller costs for a certain period of time (week, month or year). In Latin-American countries, when establishing poverty lines, there is no evidence that poor people obtain lower prices for the same type of good or service. It occurs in many occasions that less expensive goods correspond to lower quality and smaller content of calories or proteins per unity of weight.

g) Clusters of the poor according to different indicators

In some countries, it has been possible to make estimates of poverty based on different criteria for one particular year. For example, poverty lines, unmet basic needs and subjective criteria have been used to estimate percentages of population living in poverty. Normally, they differ and in occasions insignificant percentages. Furthermore, as shown in the case of the study for France and Slovakia presented at the Seminar, the number of households that satisfies simultaneously the three criteria of poverty were extremely low.

C. Statistical sources

4. The demand for poverty statistics has increased the pressure on statistical sources. Most of the estimates use more than one source of information. Therefore, many topics related to sources arise during the seminar: the need to expand questionnaires of present sources, the need to examine the compatibility of data originated in different sources, the need to coordinate the development of different sources, the introduction in developing countries of new sources of information and the relation between the process of policy making and the use and progress of statistical sources.

a) The necessity to utilize different sources

The fact that most estimates combine different sources, raised the issue of the need to consider the practical and conceptual consequences of this fact. On the one hand, it is important in the sense of using resources to minimize overlapping. On the other hand, it is very difficult that one and only source will be enough to satisfy all demands in the field of poverty. The relation between population and housing census, household surveys, administrative data and national accounts was discussed in many occasions. In the field of household surveys, efforts in Latin America to include the concept of a system of household surveys were discussed. The idea is to accept that by itself neither the classical employment multi-objective surveys, nor the income and expenditure surveys or special surveys for poverty will by itself be enough to prepare estimates. Therefore, conceptual and empirical analysis should be introduced to coordinate the effort. In that framework, the role of LSMS of the World Bank was presented showing potentials and limitations. It was remembered that in the field of income statistics work was underway in the Canberra Group and that efforts have been carried out to avoid duplication of efforts. Issues such as correction of income derived from surveys was a common topic for both groups.

b) Panel surveys

The need of establishing structured relations in the social area and make longitudinal analysis has derived in new efforts in the area of Panel Surveys in countries of the OECD. The European, USA and Canadian new panel surveys were introduced and the new findings were discussed. The possibility of introducing these type of services in developing regions was also discussed, showing the need to overcome some technical and financial limitations that make possible their implementation in the medium term.

c) Estimates based on different surveys

The introduction of new panel surveys on the OECD countries should lead to new poverty estimates that will differ from previous based on non panel surveys. This fact should illustrate on differences of poverty estimates when using each type of survey. A comparison in the case of Brazil of estimates based on different surveys using PNAD and LSMS was presented.

d) Process of policy making and progress of statistical sources

The fact that some household surveys are being intensively used for poverty statistics led to the identification and correction of shortcomings. Therefore, although first estimates had methodological problems and probably some critical level in errors, the fact of being used for policy design and monitoring helped to obtain more resources and to introduce progress in quality. The Brazilian experience related to the map of hunger was presented. Therefore, at least in Latin America, programs such as Mecovi sponsored by the Inter-American Development Bank, the World Bank and ECLAC for the improvement of quality of household surveys have allowed an intense use of available household surveys.