

**SPAIN**

**STATISTICAL SOURCES FOR THE STUDY OF POVERTY  
AND INEQUALITY**

by

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## Statistical sources for the study of poverty and inequality

### SUMMARY

This paper presents an overview of the statistical sources associated with each of the various statistical approaches applied in the study of poverty and social exclusion, on the basis of the conceptualization recently formulated by a majority of experts. It follows the guidelines broadly agreed within the European Union<sup>1</sup> and refers to practice in Spain.

The problem of poverty will therefore be examined from four different, though largely complementary, standpoints: objective poverty as measured by monetary indicators, subjective poverty, poverty as measured by physical indicators (critical deficiencies) and chronic poverty.

### STATISTICAL SOURCES FOR THE STUDY OF POVERTY

	Family budget Surveys (FBS)	European Union panel of households (EUPH)	Income tax returns	Social assistance files
Objective poverty	<b>XX</b>	<b>X</b>	<b>X</b>	
Subjective poverty	<b>X</b>	<b>X</b>		
Critical deficiencies	<b>XX</b>	<b>X</b>		
Chronic poverty	<b>X</b>	<b>XX</b>	<b>X</b>	
Social exclusion				<b>X</b>

<sup>1</sup>According to the definition adopted by the European Union (EU) in the COUNCIL decision of 19 December 1984, the poor are “persons, families and groups where resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the member States in which they live”.

## Objective poverty

The publications and studies so far produced by the National Statistical Institute of Spain (INE) summarize objective measures of poverty based on directly observable variables --chiefly income and expenditure-- in terms of relative poverty lines, which makes them equivalent to inequality indicators. There is no consensus or clear demand by users for absolute poverty lines, which are of limited interest in countries such as Spain. A number of studies, however, including a recent study by INE, do define an extreme poverty line of 25% average per capita expenditure in Spain; those spending less are identified as living in absolute poverty.

The statistical basis for studies on poverty-line-based objective measures of poverty is the family budget survey.

The reason for this is simple: the family budget survey is a carefully conducted statistical operation, and the sample size is large (approximately 25,000 households and a sampling fraction of 1/400). The survey yields a vast amount of information (on geographic, demographic and socio-economic variables for each household surveyed and for each member of that household; monetary standard-of-living indicators; the dwelling the household occupies and the ownership and use of particular goods, services and household equipment; and the household's subjective perceptions of its situation both in the present and the past).

This wealth of information makes up for the limitations of such surveys.

The unit of analysis is the household, on the assumption that its members have a similar standard of living regardless of the financial contribution they make to the common budget.

The choice of a monetary indicator of well-being is complex. In theory, the most acceptable standard-of-living indicator should be total household income over the year. A household's economic resources do not depend, however, only on its income at a given moment, and an indicator composed of income plus wealth.

Nevertheless, income can vary from year to year according to the economic situation, and a decline in income at a particular time does not necessarily entail a drop in the standard of living. Inequality, poverty and standard of living in general are phenomena that tend to be more stable than annual income. Generally speaking, then, the concept of permanent income lends itself better to the aims of such a study. The lack of information on long-term household income, however, makes it necessary to look at alternative options. Many authors use expenditure as a monetary indicator, on the assumption that it is more accurate than temporary income as an indicator of permanent income. This choice is not without problems, however, for household expenditures depend on what stage it has reached in the life cycle and are also affected by the environment in which the household lies. The choice of

expenditures or income is thus not an easy one, and there is no universal agreement on which is more appropriate. The solution has been to use both and compare the results.

The question arises, however which expenditures and what income? Monetary expenditure and income only. Or would it be well to include a non-monetary component, i.e., the value imputed to own-use output and payment in kind?

Since our aim is to obtain a standard-of-living indicator, and since there are certain households for which it is indeed very important to take account of non-monetary expenditure (or income), it would be helpful to include non-monetary components in the study.

In addition, in order to be able to treat families of differing size in a standard way, the monetary indicator based on total household expenditure and income may be replaced by one based on per capita expenditure and income.<sup>2</sup>

Although, as mentioned above, the majority of studies are based on family budget surveys, this is not the only source that can be used in the study of poverty and inequality.

In 1994, INE set up a Community-wide statistical operation, in conjunction with the other members of the European Union, involving a European Union household panel.

The panel goes beyond conventional cross-sectional surveys in that it does not merely describe the population's situation at one particular point in time but also provides longitudinal information on the same households and persons at a number of points in time. The households selected for the first round of surveys are retained in the sample for the following rounds; new members can be incorporated and members that leave the household -- or the household as a whole-- can be followed up as long as they continue to reside in a private or collective household within the European Union.

### **Subjective poverty**

The objective of a study on poverty should not be merely to identify less privileged households in terms of income or expenditure.

Research in this area should include, *inter alia*, information on how the households themselves perceive their situation and should also focus on those that feel excluded from a minimum acceptable level and classify themselves as poor.

Subjective poverty lines are based on the perception that the households themselves

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<sup>2</sup> A discussion on the choice of a suitable scale of equivalence can be found in INE/Autonomous University of Madrid, *Desigualdad y pobreza en España*, a study based on family budget surveys 1973-1974, 1980-1981 and 1990-1991.

have of their needs.

Such parents lines use income as a monetary indicator of standard of living and have an advantage over objective standards in that they do not require the use of equivalency scales (the household itself takes size into account in providing information on income).

The subjective poverty lines used by the European Union are the Kapteyn line (SPL), the Leyden (LPL) and the Deleek line.

With the inclusion, at the recommendation of EUROSTAT, of a subjective poverty module in the most recent household budget surveys, it has been possible not only to calculate subjective lines as described above, but also to study households that consider themselves poor (let us not forget that in the final analysis, poverty in the sense of social exclusion or marginalization involves a high degree of subjective evaluation).

### **Critical deficiencies**

Analyses based on objective relative poverty lines enable us to identify the number of persons who are poor (in the sense that they are poorer than the rest). However, it is hard to say how poor these poor may be; i.e., are they merely worse off than the rest or are they unable to meet the most basic needs in that country people (even those in the lowest strata), consider vital.

It is difficult, however, to decide which needs should be considered basic. Moreover, if a household does not have a particular item, one must determine the reason: a matter of choice or lack of means.

Since the family budget surveys collect a wide ranged information on household furnishings and fittings and on the features and amenities of the dwelling... physical indicators now emerging from these surveys offer an alternative perspective on poverty.

It is a matter of determining how poor is poor, that is, of coming closer to a definition of absolute poverty.

For this purpose, the most recent study carried out by the Institute provides findings on ownership, dwelling characteristics and the chief source of income of households considered to be poor at lines corresponding to 25%, 40% and 50% of per capita expenditure and income, compared with data for the non-poor (defined as those whose per-capita income-expenditure level exceeds 50% of the average per capita income-expenditure level of the population). The situation of poor households as defined by Leyden and of those who perceive themselves as poor was also analysed.

Lastly, family budget and household panel surveys are the existing statistical sources for developing physical indicators of poverty. Household panel surveys have an advantage over family budget survey in that the information they record on capital assets owned by the household shows:

- whether the household has a given asset; or,
  - if the household does not have such an asset, whether this is because:
    - it cannot afford it, although it would like to have it,
- or
- it chooses not to, or for other reasons.

### **Chronic poverty**

Family budget surveys have one major limitation as far as poverty studies are concerned. Although their methodology does make it possible to determine the percentage of poor households and study their characteristics and thus to observe the actual development of poverty in different sub-segments of the population, it is inadequate (since the surveys are not on-going panel-type surveys, which follow up on individuals at different periods in time) when it comes to the analysis of one particularly worrying trend: i.e., the tendency for households identified at a given moment as poor to sink into a state of long-term or chronic poverty.

If poverty were a temporary phenomenon and the poor households of today could stop being poor tomorrow, there would be little cause for concern, since, even if at a given time households suffered certain hardships, such households would not be part of a permanent class.

However, we know that this is not the case and that there are certain sub-groups suffering from persistent poverty. It is imperative that these sub-groups should be described in a study specifically designed.

In order to identify those households suffering from persistent poverty, it would be necessary to monitor the same households (or individuals) over a period of time or, alternatively, to request selected households at a given point to give an account of their history or give their own assessment of their present situation compared with previous periods.

The household panel survey, as suggested earlier, is the ideal source of information for a study of chronic poverty (individuals are followed up throughout their life), since it can be noted at a given point in time what part of the population considers itself poor to what extent this situation can be considered chronic (that is, it has been below the poverty line in previous years), to what extent social protection measures can offer a way out of poverty... in short, how people become poor, have they escape from poverty and what the root causes are.

Nevertheless, an attempt has been made, using the information recorded in the 1990/1991 household budget survey, which relates the household's current situation with its previous circumstances, to estimate the extent of chronic poverty.

1. How would you describe the current economic situation of your household compared with the average economic situation of your parents' household?

( The possible response may be much worse, worse, the same, better, much better or do not know/no reply),.

This question has been incorporated into the analysis in order to add information on the perception that families have of their inter-generational background or history.

2. What do you think is to be the main reason for the change in your standard of living compared with what it was 10 (or 5 or 1) years ago?

- The size and/or needs of the household have changed.
- The employment situation of one of the household members has changed;
- Although the employment situation is the same, the household's purchasing power has changed.

The response to this question will reflect the causes, as identified by the households themselves, of the change in their circumstances.