

Fourth Meeting of the Rio Group on Poverty Statistics

Report

In the fourth meeting of the Rio Group on Poverty Statistics two main topics were discussed. The first one relates to issues where the experts of the Group have been working for a rather long time. The second topic considers issues where work is more recent and mostly related to poverty alleviation policies.

In its first meeting, the Rio Group made a great effort to identify the elements that official statistical systems employed to satisfy the demand of governments for poverty measurement indicators. As explained in the report of that meeting, many countries had a long tradition of measuring absolute and relative poverty, and substantial progress was achieved in the nineties in these areas. Absolute poverty measurement has been based either on the poverty line method (using either income or expenditure) or on the method of “unmet basic needs”. More recently, subjective poverty indicators have been introduced and compared with objective measurement.

The aforementioned topics, already discussed in the first three meetings, were brought up in the fourth meeting agenda in order to assess the recent experiences of countries in Europe, Latin America, and North America where important reforms in official measurements are being introduced. The agenda also discusses developments in methodological aspects such as the reliability of household income measurement, differences between income- and expenditure-based measurements, the use of equivalence scales, and income poverty dynamics.

As a recent work topic of great importance, the agenda included the information requirements for the design and monitoring of poverty alleviation policies. This topic was analyzed from two perspectives. On one hand, the definition of policies at a macro level frequently relates poverty to the topics of social exclusion and deprivation, and also to other areas of social policies such as nutrition, health, education and employment. On the other hand, the design, execution and monitoring of policies requires micro level information. Disaggregated indicators for local levels or functional categories are necessary to depict the heterogeneity of poverty and identify different and specific social needs. During the meeting both aspects were

discussed, and papers were presented on the relation between poverty and other concepts, their consequences on the demand for statistics and on the experience of countries with micro level policies.

In what follows a brief summary of the debate is included. All papers are available at the web page of the Rio Group (www.ibge.gov.br/poverty).

Concerning the measurement of poverty based on poverty lines, a first interesting feature is that the demand for this type of indicator is today as strong in developed as in developing countries. Among the second group, Argentina and Peru described their recent advances in poverty measurement. Argentina outlined the main features of the redefinition of poverty lines currently in process, which are being extended to cover the whole urban area. Peru discussed some aspects related to the construction of a food basket, such as caloric requirements and choice of a reference group.

It was interesting to distinguish the particularities in the approaches for poverty measurement between two countries usually perceived as similar, such as the United States and Canada. In the United States, the National Academy of Sciences (NAS) released a report that examines the US poverty measurement and makes several recommendations aimed at improving the official poverty thresholds now in use and developed in the mid-sixties. The Census Bureau has been testing these recommendations recently. Its last findings were presented at the meeting, making several improvements to the NAS recommendations, including: use of a three-parameter equivalence scale to overcome problems with certain family types; use of smaller geographic units for geographic adjustments; use of two different methods for updating the poverty thresholds; and, better estimation methods of child-care expenses, rent subsidies and medical out-of-pocket expenses.

In Canada, an update of the market basket measure is underway. The basket's components are based on a reference family of two adults and two children, and include goods and services in the categories of food, clothing, shelter, transportation and other expenses. Baskets for other family sizes are obtained by using equivalence scales. At the moment, the attempts to estimate the different components have yielded promising results in the categories of food, shelter and transportation, but the clothing basket specification needs more work. Other topics currently being reexamined are geographical coverage, subsidized rent and price change calculations.

The European experience shows a clear trend towards the establishment of international comparable indicators. For the measurement of poverty, the concept of relative poverty has been selected as the basic criteria (for more details see the documents of the third meeting of the Rio Group). Also, the comparability of subjective poverty measures and a dominance approach to poverty comparisons were discussed in the presentation by France.

Other topics derived from the experiences in European countries were the studies on the relation between subjective and objective poverty and the dynamics of income poverty. The relation between subjective and objective poverty has conceptual and political implications. On the conceptual side, it tests to what extent socially perceived necessities match the concepts of welfare employed in social sciences. On the political side, it tests if public policies for poverty alleviation are satisfying social demands. The relation between subjective and objective poverty has been examined in detail by a group of academics of several British Universities (Bristol, Loughborough, York, and Heriot-Watt Universities), using a special survey that inquired on what types of goods and services people perceived to be “necessities”. It also asked people about their perceptions of what “absolute” and “overall” poverty means. A profile of poor households under these concepts was prepared. This work offers new insights on the relations between poverty, social exclusion and vulnerability. Concerning social exclusion, it distinguishes among exclusion from adequate income, labor market exclusion, service exclusion, and social relations exclusion.

Another topic on which European studies place great importance is the relation between poverty and labor markets. Working poor and social security constitute an interesting dilemma for policy. The fact that social security is an important and extended policy instrument that operates in periods of unemployment raises the question of what is the relative situation of workers with low wages versus unemployed covered by the social security. The paper of France brings light about such relation. During the meeting this same topic was also discussed under the agenda item of poverty dynamics.

The availability of longitudinal surveys in Europe and Canada has opened the possibility to study the situation of households where workers have a relatively small qualification. It has been possible to observe what happens to households’ poverty when a non-qualified person moves from unemployment to employment. Papers by Canada, the Netherlands, and

Spain present results for different periods of time. In the case of the papers of Canada and Spain other dynamic relations were also examined. Special importance has been given to the persistence of poverty, studying the number of years that households remain poor. Within poor households, characteristics such as age, sex, education, type of family, health and occupational status have been considered. In Canada, research on more specialized topics such as child support and women's return to work is in progress.

In the case of Latin America, ECLAC reported on its work to extend in number and length its countries' time series of poverty measurements based on poverty lines. The results are usually updated on a bi-annual basis and published in ECLAC's Social Panorama of Latin America (available at www.eclac.org)

The Rio Group has kept close contact with the Canberra Group on household income measurements. A summary of the Group's final report was presented, and implications on poverty measurements were discussed. Special attention was given to the success of the Canberra Group to put together the macro and the micro approach, the first being represented by the SNA 93 concepts and the second by operative concepts utilized by those institutions that conduct income surveys where the liquidity (or real versus potential possibility of expenditure) plays an important role. The results were presented in a matrix that contains the National Accounts concepts in its rows and the type of income according to household's autonomy of expenditure in its columns. The Canberra Group, together with other experts, prepared tables showing the availability of data for that matrix. During the debate it became evident that the number of items needed for poverty studies was substantially lower in developing countries than in developed countries, due to simpler or inexistent social security instruments and to low coverage tax systems. It was also verified that experience is still short in measuring public expenditure as an element of household income, although important efforts are underway. Current research emphasizes the area of health, due to the fact that important percentages of families in developed countries are under private or semi private health insurance. Specific methodologies to address this topic were discussed during the meeting for the particular case of the United States.

Several reports of progress on technical topics were presented. The document of Brazil studied the consequences of measuring poverty through

income or expenditure in the case of a Central American country. ECLAC and Mexico presented documents that studied the reliability of poverty measurements based on income. The first of them addressed topics such as the components of income currently measured, the treatment of missing responses and the adjustments for underestimation, providing empirical results for some Latin American countries. It was highlighted that the treatment of the income variable needs to be further discussed and improved for international comparability to be achieved. The presentation of Mexico focused on the adjustment of incomes to National Accounts, and the distinction between the distortions caused by understatement and by top- and bottom-coding.

The use of equivalence scales was analyzed in the documents by Argentina and ECLAC. The first one outlines a methodology to estimate equivalence scales that distinguishes among four types of goods, depending on their economies of scale and equivalence of use. The document of ECLAC presents an empirical comparison for Mexico of the estimation methods currently used. They also established comparisons with the results originated in developed countries.

For the first time in a Rio Group meeting, an explicit relation between policies to alleviate poverty and poverty indicators and sources of information was examined. IBGE presented a paper where a classification of policies was introduced. A macro and a micro approach was used for classifying policies. The first one is related to broad macro strategies, where the tools are economic growth, income distribution, public expenditure and macroeconomic and institutional reforms. In the micro approach, policies are specifically oriented towards poor groups that suffer from shortcomings in factors that influence income or welfare. They are fundamentally related to education, health, housing, employment and other social areas. They are normally the object of public expenditure and constitute today one of the central aspects of the budgetary debate. Each of these approaches creates a different demand for the statistical system. An analysis of the different sources of information and the actual possibility of satisfying those demands in developing countries was discussed.

United Kingdom and Chile presented papers where the micro approach is being intensively used. In the case of the UK, the work carried out by the Department for Work and Pensions was described. An important mechanism for the design and monitoring of functional and geographically

disaggregated policies with an extensive use of indicators has been developed. A document called “Opportunity for All” is being produced periodically to follow up public policies for poverty and social exclusion.

Chile explained the technique used to describe the particular situation of households that belong to poor geographic divisions. This technique is employed in the country to distribute public resources, and is closely related to the special survey that is used to estimate poverty, for both rural and urban sectors.

Papers about the relations between poverty and human capital were presented. An interesting feature of the relation between poverty and health is the change of policy implications under different analysis frameworks. The study of poverty under a health framework is more dynamic and policy oriented than the study of the health problems of poverty. The papers by PAHO and the Australian Institute of Health and Welfare presented in this section called the attention on the relation between poverty and inequality in terms of education and health. Research results for many countries illustrated the importance of enhancing the human capital of poor groups through targeted policies as a fundamental tool for poverty alleviation under a dynamic approach. The importance of investing in basic social services (BSS) as an essential precondition for human capital development was pointed out during the meeting. Emphasis was also put on their low cost of implementation and high social return.

The strategies of the statistical system to respond to the demand of information for poverty measurements and policies have been a recurrent topic in Rio Group meetings. In this occasion, Australia illustrated the importance of institutional cooperation by describing an agreement between the Australian Institute for Health and Welfare and the Australian Bureau of Statistics. Collaboration between public institutions is especially important in areas where certain public organizations are able to capture information of special groups very efficiently. This strategy is essential to the micro approach mentioned above, in which specialized public institutions play a crucial role in the design and execution of policies.

Presentations on the Millenium Declaration, the Development and Human Rights Observatory, and the Paris21 Initiative contributed to the discussion by setting up a framework of the institutional and political aspects of poverty and human development measurement.

Finally, the Rio Group examined its future working-program. Having in mind the experience of the Canberra Group on household income statistics, the possibility of producing a compendium of best practices will be explored. To this end, the IBGE, as chairman of the Group, with the collaboration of ECLAC, will carry out consultations on the possibility of gathering the accumulated experience of the group in eight topics. Table 1 contains the list of topics and countries that have been working on them.

In April IBGE will evaluate the possibility of organizing working groups for each topic and assign working tasks to them. Topics for which participants are able to prepare strong background papers will be included in the compendium of best practices and also in the 2002 meeting's agenda. To justify such a meeting, at least half of the topics have to be covered. It was also decided that when these "thematic blocks" were ready, a group would have to discuss the structure of the compendium. This was, by the way, the procedure used by the Canberra Group.

Table 1

Absolute Poverty Lines (Including income measurement topics)	USA CANADA ECLAC INDIA IBGE MEXICO ARGENTINA
Unmet Basic Needs	SOUTH AFRICA ARGENTINA
Poverty and Social Exclusion (Relative and subjective poverty)	EUROSTAT UK CHILE PAHO
Poverty Dynamics	NETHERLANDS CANADA SPAIN
Equivalence Scales	ECLAC ARGENTINA USA
Strategies for Improvement of Information	AUSTRALIA UK ECLAC – MECOVI
International Strategies	UNSD WORLD BANK PARIS 21 MONTREUX
International Comparisons	FRANCE EUROSTAT ECLAC UNSD