

Developing a model set of questions for HBS

Rafkat Khassanov, UNECE consultant

Goal and objectives of the report:

- To develop a model set of questions on expenditure, income and deprivations for household budget survey (HBS) in countries of Eastern Europe, Caucasus and Central Asia
 - to align questionnaires with indicators of the Sustainable Development Goals;
 - to classify expenditure, income and deprivations based on certain principles;
 - to codify expenditure, income and deprivations;
 - to achieve maximum possible harmonization under the existing conditions

Alignment of questionnaires with indicators to monitor progress towards the Sustainable Development Goals

- Goal 1 End poverty in all its forms everywhere

1.1.1.	Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural)
1.2.1.	Proportion of population living below the national poverty line, by sex and age
1.2.2.	Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
1.3.1.	Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable
1.4.1.	Proportion of population living in households with access to basic services

Alignment of questionnaires with indicators to monitor progress towards the Sustainable Development Goals

- Goal 10 Reduce inequality within and among countries

10.1.1.	Growth rates of household expenditure or income per capita among the bottom 40 per cent of the population and the total population
10.2.1.	Proportion of people living below 50 per cent of median income, by sex, age and persons with disabilities

Important insights

1. Many indicators require data on average income/consumption per capita, disaggregated by sex, age and employment status, which means that there will be individual questionnaires for each household member.
2. Indicator 1.2.2. *Proportion of men, women and children of all ages living in poverty in all its dimensions* according to national definitions

This indicator is similar in every way to multi-dimensional poverty index (MPI). It can be produced subject to the availability of information on deprivations; such information can be obtained from the proposed HBS questionnaire as well as other national statistics sources

Important insights

3. Indicator 1.3.1. *Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable*

There is as yet no final consensus at the international level with respect to the definition and production of this indicator. The proposed questionnaire, however, allows for a minimum measurement of the coverage with social protection systems based on the questions regarding social benefits, and accessibility of social security system for people.

Important insights

4. Indicator 1.4.1. *Proportion of population living in households with access to basic services*

The countries have not reached yet full consensus on the definition of ‘basic services’. Nevertheless, the most common international definition of access to basic services is, at least, the following: access to clean water, access to sanitation, access to basic education, health care, and quality of food

5. Other *SDG indicators* require data on income per capita. The classification of income proposed in the report aims at calculating disposable income which underpins all indicators with such a variable as income

Classification and codification of expenditure, income and deprivations

- *For income*: based on the classification set forward in the 2011 Canberra Group Handbook on Household Income Statistics (*Canberra Group Handbook*), which describes main income items;
- *For social benefits*: ESSPROS to be applied
- For expenditure: classification is based on classification of individual consumption by purpose, *without any changes*;
- *Codification of expenditure and income* relies on COICOP principles, with a hierarchical approach: divisions – groups – classes – categories – types
- **The maximum harmonization both for expenditure and income is feasible at the level of classes**

Section I. Development of HBS questions on household income

Main purpose of income questionnaire:

1. To provide data on aggregate values of household expenditure, including for SDG indicators:
 - *total household expenditure* over a period (two weeks, month, quarter – as preferred by national statistical offices);
 - *household expenditure by major divisions, groups and classes* of expenditure in accordance with COICOP
2. To provide for harmonization of questionnaires on consumption expenditure at the level of classes

Development of questions on household expenditure is based on:

- classifying expenditure based on certain principles, first and foremost in accordance with the *classification of individual consumption by purpose*
- providing for maximum possible harmonization in the existing conditions, including through *common income codification*;
- consistency of questions with the provisions of the UNECE Guide on poverty measurement (Task Force on Poverty Measurement of Economic Commission for Europe, Conference of European Statisticians): *measurement of expenditure based on purchase approach*

Methodological details of expenditure questions:

- Developing a comprehensive functional and purpose approach: *grouping in one module questions on all expenditure related to a specific target function of consumption*
- Considering psychological aspects of surveys: to provide details of expenditure items at class level, inclusion of *'hints and reminders'*
- An opportunity given to measure expenditure based on two approaches: *by purchase or by actual use*. Given that purchase-based approach is a prevailing one, the countries which track stocks of some foods (and such stocks are quite considerable), should implement both approaches in the questionnaire which does not seem difficult

Major modules of expenditure questionnaire

I. Food

II. Non-food products of individual consumption

III. Housing

IV. Housekeeping

V. Education

VI. Health

VII. Transport services

VIII. Recreation, entertainment and culture

IX. Miscellaneous goods and services

X. Other financial expenditure

National statistical offices' purview

- To decide on expenditure reference period – two weeks, a month, a quarter;
- To design Household Daily Expenditure Diary;
- To include into the list of food country-specific products, but in line with general COICOP codification;
- An option to track changes in stocks of major foods (e.g. potatoes, flour, sugar, etc.), by including relevant questions;
- To detail or to aggregate expenditure by categories within classes in line with COICOP

Section II. Development of HBS questions on household income

Household income classification: main principles

The classification relies on the classification proposed by Canberra Group Handbook on Household Income Statistics and supplemented by ESSPROS with respect to current transfers

Major aggregates at the level of divisions (Level 1);

1. *primary income*: practically, this is income from production;
2. *current transfers received*, or in other words, income to be redistributed;
3. *changes in assets and liabilities* that describe the change in financial situation of households. Changes in assets and liabilities of households formally are not income; however, they need to be accounted in order to identify all resources available to a household to support its expenditure

Fundamental principles of household income classification:

- The result of aggregation of total income should be the amount of disposable income which is a sum of primary income and current transfers received less current transfers paid

Another issue here is that following Canberra Group Handbook recommendations social transfers in kind are deducted for estimating disposable income

- Response categories need to enable specifying *source of payment*, as recommended by the Handbook above, (government, private sector, non-profit institutions, households and remittance from abroad), as well as the type of payment – cash or in kind

Structure of primary income

Group code	Income item and class code
1.01. Income from employment	1.01.01. Wages and salaries and other income from employment
	1.01.02. Income from self-employment and entrepreneurship
1.02. Income from property (land and capital)	1.02.01. Income from tangible assets
	1.02.02. Income from financial assets
1.03. Income from certain activities	1.03.01. Income from agricultural activities

Structure of current transfers received

According to the classification set forth in the Canberra Group Handbook current transfers received include:

- a. Social security pensions / schemes
- b. Pensions and other insurance benefits
- c. Social assistance benefits (except for social transfers in kind)
- d. Current transfers from non-profit institutions
- e. Current transfers from other households (in cash only)

Need for a more detailed classification of current transfers:

- Classifying this income is critical because of its link to SDG 1.3.1. Detailing this income will provide much additional data for monitoring this indicator.
- The criterion for differentiation is the source of payment. Specifically, for income stated in items a and c it is the state, for item b – employer, for item d - non-profit institutions, e –households. Differentiation between the types of income in lines and c is not clear enough.
- Many reviewed questionnaires provide for much more details on current transfers than proposed in the Canberra Group Handbook

Classification of social benefits in ESSPROS

Manual:

ESSPROS aims at providing a comprehensive and coherent description of social protection in the Member States, particularly, for:

- covering social benefits and their financing;
- ensuring international comparability;
- harmonizing with other statistics, particularly national accounts, in its main concepts

Proposed classification of social benefits

Taking into account the arguments above, the questionnaire could be structured around the following 9 items, relevant to the social benefits functions:

1. Sickness/health care
2. Education
3. Disability
4. Old age
5. Survivors
6. Family/children
7. Unemployment
8. Housing
9. Social exclusion not classified by other functions as well as multifunctional benefits

Other: current transfers paid

- Direct taxes (net of refunds);
- Compulsory fees and fines;
- Current inter-household transfers paid;
- Employee and employers' social insurance contributions;
- Current transfers to non-profit institution

Other: changes in assets and liabilities

These are not income, however, sale of an asset by a household would generate additional cash liquidity and possibly increase current expenditures.

Change in assets and liabilities is a balancing aspect of income and expenditure and as such should be recorded separately.

Group code	Class code
5.01. Changes in assets and liabilities	5.01.01. Net income from property sale
	5.01.02. Net change in the principle amount of deposits and savings kept at home
	5.01.03. Net loans and credits

Other considerations

1. Should be emphasized that social transfers in kind are excluded from the estimation of disposable income due to the practical difficulties of their measurement.

Nevertheless, it is recommended to evaluate those due to their importance for expanded wellbeing analysis.

2. National offices are free to expand the list of indicators at the level of categories in keeping with the essence of income class definition.

Section III. Development of HBS questions on deprivations

Development of questions on deprivations is based on:

- Opportunity to obtain data for producing indicators for monitoring progress towards Sustainable Development Goals;
- Concordance of questions with provisions of the UNECE Guide on Poverty Measurement (Task Force on Poverty Measurement of Economic Commission for Europe, Conference of European Statisticians);
- Availability of questions on deprivations in current HBS in the reviewed CIS countries

Matching questionnaires with multidimensional poverty measurement: international MDI

MDI component	Data source
No household member has completed at least six years of schooling	HBS: Education section, control card
A school-aged child is not attending school	HBS: Education section, control card, social and demographic characteristics
A household member (for whom there is nutritional information) is stunted according to WHO methodology (body mass index, height-for-age Z-score)	HBS: mainly against a benchmark of 2100 kcal a day
A child has died in the family in past 5 years	HBS: changes in household membership, control card
Household has no electricity	HBS: housing conditions
Household does not have access to safe drinking water or safe drinking water is more than a 30-minute walk from home roundtrip	HBS: housing conditions
Household's sanitation facility is not improved, or it is improved but shared with other households	HBS: housing conditions
Household cooks with solid fuels (stove, open fire) dung, wood or charcoal	HBS: housing conditions
Household has a dirt, sand or dung floor	HBS: housing conditions
Household does not own more than one of: radio, TV, telephone	HBS: possession of consumer durables

Conclusions

- Most EU SILC deprivation items are relevant to the region and can be extended to the countries
- Some country-specific questionnaires contain questions on access to health care and education
- These sections enable collecting data required for producing poverty indicators in all its dimensions and to measure access to basic services (SDG Indicator 1.4.1.) and Multidimensional Poverty Index (as one of ways to produce SDG Indicator 1.2.2).

Conclusions 2

- Currently HBS questionnaires in the CIS countries contain long lists of durables
- For measuring deprivations it is enough to have a short list that will include durables related to access to information (e.g. computer, telephone, TV), and major household appliances
- Apart from the European questionnaire, Russian statistics also follow this example and their list consists of six durables

Conclusions 3

- The section on housing conditions will enable collecting data not only on item 6 of household deprivations but also to evaluate household access to sanitation, safe drinking water needed for producing SDG indicators
- Similarly to the EU SILC, the existing questionnaires in the CIS countries, have dedicated sections on housing conditions
- The section on poverty self-assessment enables assessing poverty depth and how poverty is perceived by household members
- About 8 CIS countries have in their questionnaires a dedicated section or questions related to self-assessment of poverty by respondents

Recommended sections

1. Material deprivations: questions to be prepared mainly based on EU SILC as an overall instrument to measure material deprivations
2. Housing conditions: this section will help to collect data on the housing conditions, access to safe drinking water and sanitation, space constraints, adequacy of heating and fuels for cooking
3. Poverty self-assessment

Conclusion

- The proposed set of questions is not to replace HBS. HBS objectives are wider than just to measure poverty indicators.
- However, the set of questions secures getting common output: for income it is disposable income, for expenditure it is aggregate expenditures based on common methodology. This will then enable producing comparable poverty indicators.
- The same can be said about deprivations: a common approach to defining multidimensional poverty index.