Module 1: Defining Concepts of Well-being and Poverty
Topics

1. Concept of well-being and poverty.
2. Why measure well-being and poverty?
3. Data needs
1. Concept of well-being and poverty. (1)

There are many concepts and definitions of well-being:

- **Command over commodities**: ability to obtain commodities in general.
- **Command over specific types of consumption**: ability to obtain specific consumption goods and services (e.g. food, housing).
- **Capability**: ability to “function” in the society, to achieve certain “functionings” (“beings and doings” – Amartya Sen)
1. Concept of well-being and poverty. (2)

As a result, multiple definitions of poverty:

- Working definition: Lack of command over commodities or severe constriction of the choice set over commodities.
- Narrower definition: Lack of specific consumptions.
- Broader definition: Lack of capability.
1. Concept of well-being and poverty. (3)

Poverty can be seen as deprivation in both material and non-material goods and assets:

- **Material poverty**
  - Income poverty
  - Consumption poverty

- **Non-material poverty**
  - Poor health
  - Low education or illiteracy
  - Social exclusion
  - Insecurity
  - Lack of freedom and “voice” (inability to make your needs heard)…
1. Concept of well-being and poverty. (4)

Finally, poverty can be considered as an objective or a subjective status:

- **Objective**: When objective quantifiable indicators and benchmarks are used, both for material and for non-material dimensions.

- **Subjective**: When individuals’ own judgments on their individual well-being are used, both for material and non-material dimensions.
1. Concept of well-being and poverty. (5)

The importance of these various dimensions varies across countries/regions and over periods of time.
1. Concept of well-being and poverty. (6)

Various definitions of poverty are in constant interaction and reinforce each other. This is particularly observed across generations (inter-generational).

For instance, low income prevents individuals from obtaining a high level of education, which in turn limits future earning potential and social inclusion opportunities.
1. Concept of well-being and poverty. (7)

In the current course, we focus on the following definition:

- Objective poverty
- Material poverty
- Concept of command over commodities in general
2. Why measure well-being and poverty? (1)

Most of our countries are engaged in the PRSP process. The PRSP process, and more generally the focus of our governments’ interventions on poverty, are generating very large needs for information on the patterns of poverty, the determinants of poverty, and the impact of interventions on well-being.
2. Why measure well-being and poverty? (2)

The PRSP process contains various steps. Each of these steps requires information on poverty, its determinants, and the impact of public actions on poverty and living standards.

- Understanding poverty, the constraints, and the past actions
- Choosing priorities and setting objectives
- Defining the strategy and choosing the actions
- Selecting indicators and targets
- Implementing
- Monitoring and evaluating
2. Why measure well-being and poverty? (3)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Information needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1: Understanding</td>
<td>Situation description</td>
</tr>
<tr>
<td></td>
<td>Analysis of the past interventions</td>
</tr>
<tr>
<td>Step 2: Policy selection</td>
<td>Analysis of situation and choice of priorities</td>
</tr>
<tr>
<td>Step 3: Policy elaboration</td>
<td>Information to set goals and design interventions</td>
</tr>
<tr>
<td>Step 4: Target setting</td>
<td>Information to select indicators and set targets</td>
</tr>
<tr>
<td>Step 5: Implementation</td>
<td>Collection of information</td>
</tr>
<tr>
<td>Step 6: Monitoring and evaluation</td>
<td>Monitoring of inputs, outputs, outcomes and impacts. Evaluation of impact</td>
</tr>
<tr>
<td>Step 7: Feedback</td>
<td>Transparency to ensure accountability</td>
</tr>
<tr>
<td></td>
<td>Information to help improve future policies</td>
</tr>
</tbody>
</table>
2. Why measure well-being and poverty? (4)

The objectives of measurement and analysis of poverty and living standards are, therefore, to:

- identify the poor
- make comparisons
- identify the determinants of poverty
- help design interventions
- assess the effectiveness of interventions
2. Why measure well-being and poverty? (5)

Examples of specific policy areas for analysis of poverty and living standards:

A. Developing Growth Strategies:
- Has poverty increased?
- To what extent is poverty chronic or transient?
2. Why measure well-being and poverty? (6)

- Poverty transitions in the population
  → Indonesia
  1997 to 2000

Poverty transitions in the population:
- Escaped poverty: 10%
- Stayed poor: 7%
- Became poor: 9%
- Not poor: 74%
2. Why measure well-being and poverty? (7)

Examples of specific policy areas for analysis of poverty and living standards:

A. Developing Growth Strategies:
- Has poverty increased?
- To what extent is poverty chronic or transient?
- Did growth help the poor?
2. Why measure well-being and poverty? (8)

- Growth Incidence Curve: “benefits” of growth by income group
  → Consumption growth in Moldova 1997-99 and 1999-2002
2. Why measure well-being and poverty? (9)

A. Developing Growth Strategies:
- Has poverty increased?
- To what extent is poverty chronic or transient?
- Did growth help the poor?
- How did relative price changes affect the poor?
- Who were the losers and who will be the gainers from economy-wide policy reforms?
2. Why measure well-being and poverty? (10)

- Distributional impacts of an economy-wide reform
  - Aligning cotton prices in Uzbekistan
2. Why measure well-being and poverty? (11)

B. Assess Social Spending:

- Who uses public services?
- **Who benefits from government subsidies?** On average, versus at the margin?
2. Why measure well-being and poverty? (12)

- Incidence of Public Expenditures
  → Uzbekistan Benefit Incidence Curves for 2 Education Levels
2. Why measure well-being and poverty? (13)

- Incidence of Public Expenditures
- Nicaragua Benefit Incidence 1993-1998 for Health Expenditures
2. Why measure well-being and poverty? (14)

B. Assess Social Spending:

- Who uses public services?
- Who benefits from government subsidies? On average, versus at the margin?
- Who will be hurt by retrenchment?
2. Why measure well-being and poverty? (15)

C. Evaluate Targeted Interventions:

- Who are the stated target groups and who receives programs?
2. Why measure well-being and poverty? (16)

- Benefits from Food Subsidy Programs
  - Jamaica: Food stamps are more pro-poor than food subsidies
2. Why measure well-being and poverty? (17)

C. Evaluate Targeted Interventions:

- Who are the stated target groups and who receives programs?
- How should transfers be allocated?
- How much impact do/will they have on poverty?
2. Why measure well-being and poverty? (18)

- Regional poverty differences
  - Kazakhstan 2001
2. Why measure well-being and poverty? (19)

C. Evaluate Targeted Interventions:

- Who are the stated target groups and who receives programs?
- How should transfers be allocated?
- How much impact do/will they have on poverty?
2. Why measure well-being and poverty? (20)

- Change in poverty in the absence of social protection programs
  - Serbia

\[\text{Note: MPC = 50\%}\]
3. Data needs (1)

Using data to improve PRSP process:

- to identify problems that exist
- to identify the causes of problems (answer the “why” question)
- to establish appropriate targets and indicators
- to monitor targets and indicators
- to simulate policies and their impacts
- to evaluate and measure impact of programs (ex ante and ex post)
3. Data needs (2)

The Challenges

- Data/statistics are **public goods** (role for govt)
- **Timely** data...
- of high **quality**...
- covering the **relevant** range of topics....
- and collected from the **appropriate** population
- **publicly available** to policy makers, NGOs and researchers in the form of summary reports and unit-record data for primary analysis.
Degree of Representativeness:

<table>
<thead>
<tr>
<th>Case study</th>
<th>Purposive selection</th>
<th>Quota sampling</th>
<th>Small prob. sample</th>
<th>Large prob. sample</th>
<th>Census sample</th>
</tr>
</thead>
</table>
Quantitative/Qualitative Dimension:

- Direct measurement
  - Questionnaire (quantitative)
  - Questionnaire (Qualitative)
  - Structured interview
- Case study
- Purposive selection
- Quota sampling
- Small prob. sample
- Large prob. sample
- Open meetings
- Conversations
- Subjective assessments
- Census
3. Data needs (3)

Tools to gather information from households:

- Participatory poverty studies
- Sentinel site surveillance
- Case study
- Participant observation
- Purposive selection
- Quota sampling
- Beneficiary assessment
- Direct measurement
  - Household budget survey
  - Questionnaire (quantitative)
  - Questionnaire (Qualitative)
  - LSMS/IS
  - LSMS
  - Structured interview
  - Open meetings
  - Conversations
  - Subjective assessments
- Community surveys
- Censuses
- PS/CWIQ
- Small prob. sample
- Large prob. sample
- Census
We will focus on the quantitative random sample surveys:
3. Data needs (4)

Features of a Statistical Survey

- Structured Questionnaire
- Random/Probability Sample
3. Data needs (5)

Tradeoffs to Consider When Planning a Survey

- Probability vs. Purposive Sampling
- Sampling vs. Non-Sampling Errors
- Time vs. Cost
- Data vs. Capacity Building
- Surveys over time:
  - New sample every year
  - Panel Survey
  - Rotating Sample
3. Data needs (6)

Survey alternatives....

● Single Topic
  ● Agricultural Surveys (FAO)
  ● Labor Force Surveys (ILO)
  ● Income and Expenditure Surveys (traditional HBS)
  ● Census
3. Data needs (7)

- Multi-topic
  - Analytic complexity & range of topics
  - Accompanying community/facility data
  - Single-year or multi-year: panel or cross-section, core & rotating modules
- Demographic and Health (DHS)
- Multiple Indicator Cluster Surveys (MICS)
- Priority Surveys (PS)
- Living Standards Measurements Study (LSMS) Surveys
- Core Welfare Indicator Surveys (CWIQ)
## 3. Data needs (8)

### Multi-Topic Household Survey Alternatives

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>LSMS / IS</th>
<th>Priority Survey</th>
<th>Core &amp; Rotat.</th>
<th>HIES/HBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Measure poverty; Study hhld behavior</td>
<td>Identify vulnerable groups</td>
<td>Monitor poverty</td>
<td>Measure poverty</td>
</tr>
<tr>
<td>Analytic complexity</td>
<td>High</td>
<td>Low</td>
<td>Medium-High</td>
<td>Low</td>
</tr>
<tr>
<td>Consumption</td>
<td>Yes</td>
<td>Maybe</td>
<td>Core</td>
<td>Yes*</td>
</tr>
<tr>
<td>Income</td>
<td>Yes</td>
<td>No</td>
<td>Rotating</td>
<td>Yes*</td>
</tr>
<tr>
<td>Social Indicators</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Few</td>
</tr>
<tr>
<td>Questionnaire Length</td>
<td>Long</td>
<td>Short</td>
<td>Medium</td>
<td>Medium*</td>
</tr>
<tr>
<td>Sample Size</td>
<td>2000</td>
<td>8000</td>
<td>2000-5000</td>
<td>5,000-10,000</td>
</tr>
<tr>
<td>Sampling Error</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nat’l aggregate</td>
<td>Medium</td>
<td>Low</td>
<td>Medium-low</td>
<td>Low-medium</td>
</tr>
<tr>
<td>Sub nat’l aggre.</td>
<td>High</td>
<td>Medium</td>
<td>High-medium</td>
<td>Low-medium</td>
</tr>
<tr>
<td>Non-sampling error</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Planning Period</td>
<td>Variable</td>
<td>Variable</td>
<td>Variable</td>
<td>Variable</td>
</tr>
<tr>
<td>Months in Field</td>
<td>4-12…</td>
<td>1-3</td>
<td>Flexible</td>
<td>on-going</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(quarterly/annual)</td>
</tr>
</tbody>
</table>

* Complicated diary component
3. Data needs (9)

- Other uses of household surveys
  - Models to estimate pension systems
  - National Accounts
- Important to think of the multi-topic household survey in the context of a system of surveys and data, rather than a survey done in isolation
3. Data needs (10)

…but Household Surveys are not enough:

- Current public expenditure statistics
- Administrative data/records
- Price data (consumption/production)
- Participatory poverty assessments
- Census data
3. Data needs (11)

- Surveys are one source of information among many (system of information)
- Surveys have some unique advantages
- No single survey can answer all questions
- Practice the art of triangulation
- *Importance of close links between data collectors, analysts, and policymakers to improve data systems*