

Compiling country-level working poverty indicators: Group exercises

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Why measure working poverty?

- Strong linkage between poverty and employment
 - Quantity and quality of employment
- Standard labour market indicators such as unemployment are insufficient in developing countries
- Appropriate labour market policies require good targeting
- MDG target to “*Achieve full and productive employment and decent work for all, including for women and young people*” includes indicator on working poor.

Working definition

- Working poor:

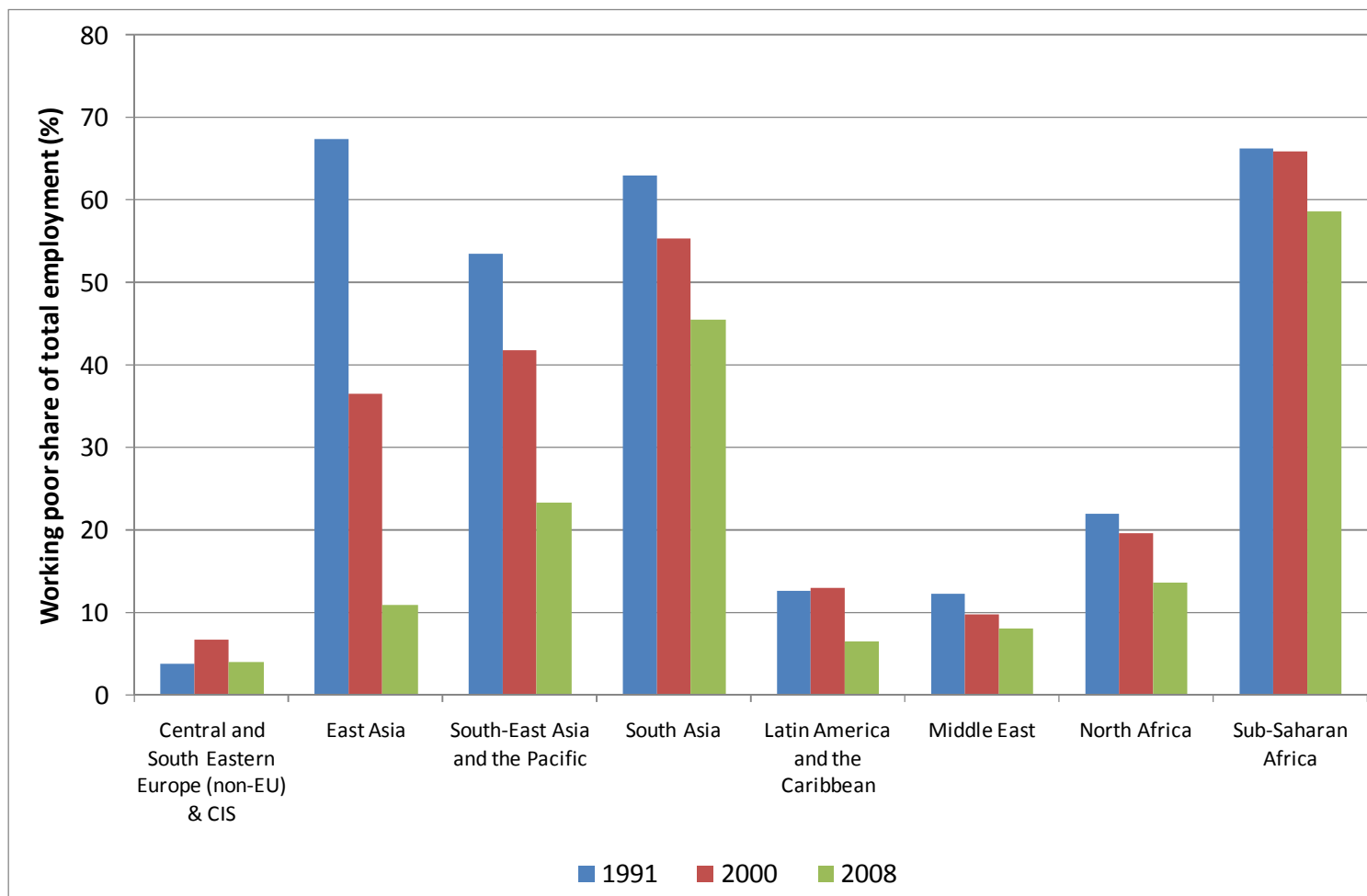
Employed persons living in households in which per-capita income/expenditure is below the poverty line

- Employment status determined at individual level
- Poverty status determined at household level

“Macro”-based working poverty estimates

- In absence of direct measurement, working poverty can be estimated
 - $WP_L = \text{Total poverty rate} * \text{employed}$
 - $Wp_u = \text{Total poverty rate} * \text{labour force}$
- Key assumptions
 - Poverty rate 0+ = poverty rate 15+
 - $LFPR_{\text{poor}} = LFPR_{\text{nonpoor}}$
 - Unemployment rate of poor is negligible
- Advantages:
 - Allows for regional and global monitoring for MDGs
 - ILO econometric model
 - Easily updatable

Working poverty US\$ 1.25, by region, 1991, 2000 and 2008



Source: ILO, Trends Econometric Models, January 2010

What's missing from the macro-based global & regional estimates?

- Country-level trends
- Information about different groups within societies
 - Women vs. men, youth vs. adults and elderly, workers in different sectors & industries, different levels of education, rural vs. urban, etc.
- Linkages with other indicators
 - ...In short, policy relevance at the national level
- And macro-based estimates may be biased (if underlying assumptions are unrealistic)

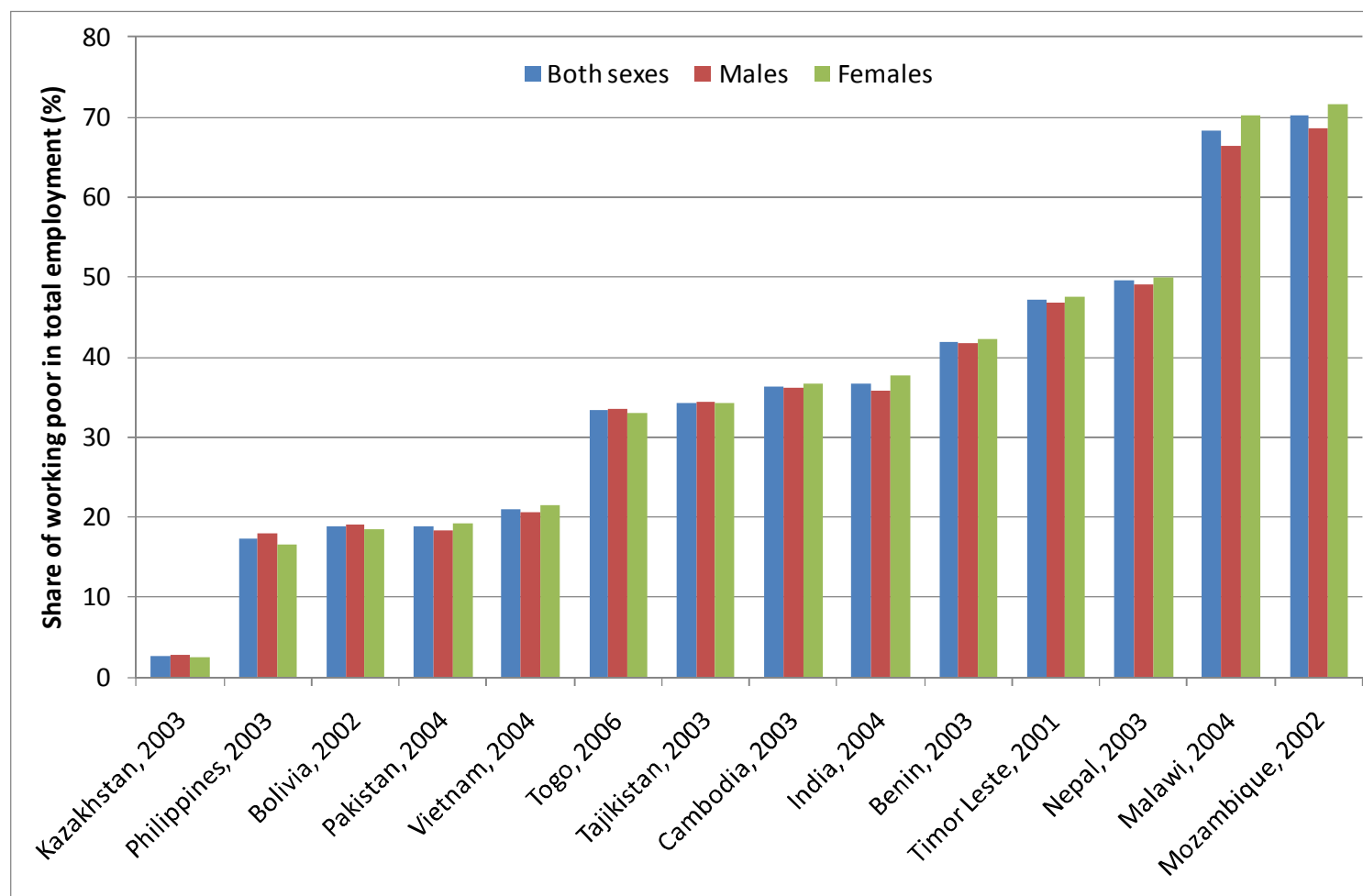
Towards national household survey-based working poverty estimates

- Household survey-based “micro” estimates
 - Main national data sources: household income/expenditure surveys, labour force surveys
 - Crucial that both **household income/expenditure** and **employment status** are included in survey
- Advantages:
 - Direct measurement, no strong assumptions
 - Allows for much richer and more detailed analysis at national & sub-national levels
- Disadvantages:
 - It hasn't been done before in standardized way
 - Household income/expenditure surveys often not designed to capture employment variables

Current ILO work & technical support

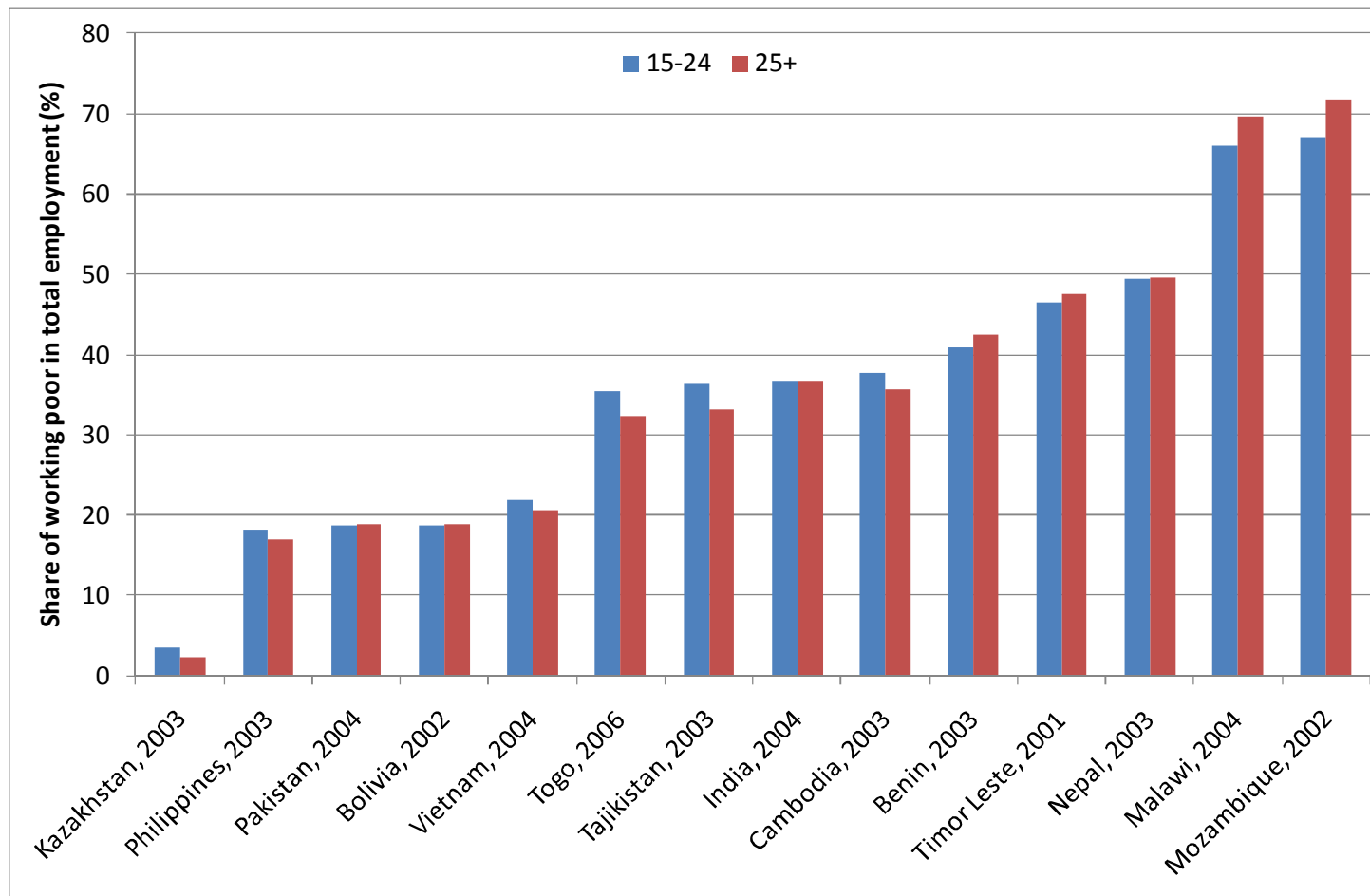
- ILO-World Bank collaboration to produce country-level working poverty estimates at \$1.25 & \$2 levels
 - Use existing HIES/LSS to tabulate working poverty data
 - Estimates for 30 countries published in KILM 6th Edition
 - Rising to 50+ countries, many with multiple observations
 - Cross-tabulations of poverty status with:
 - Employment, unemployment, status in employment, industry, education, age and gender
 - Produce detailed metadata & compare HIES with LFS where possible
 - Background paper: KILM 6th Edition, Chapter 1b
- Support to countries in producing national estimates
- National studies on the working poor

USD1.25 working poverty rate (15+) by sex, selected countries



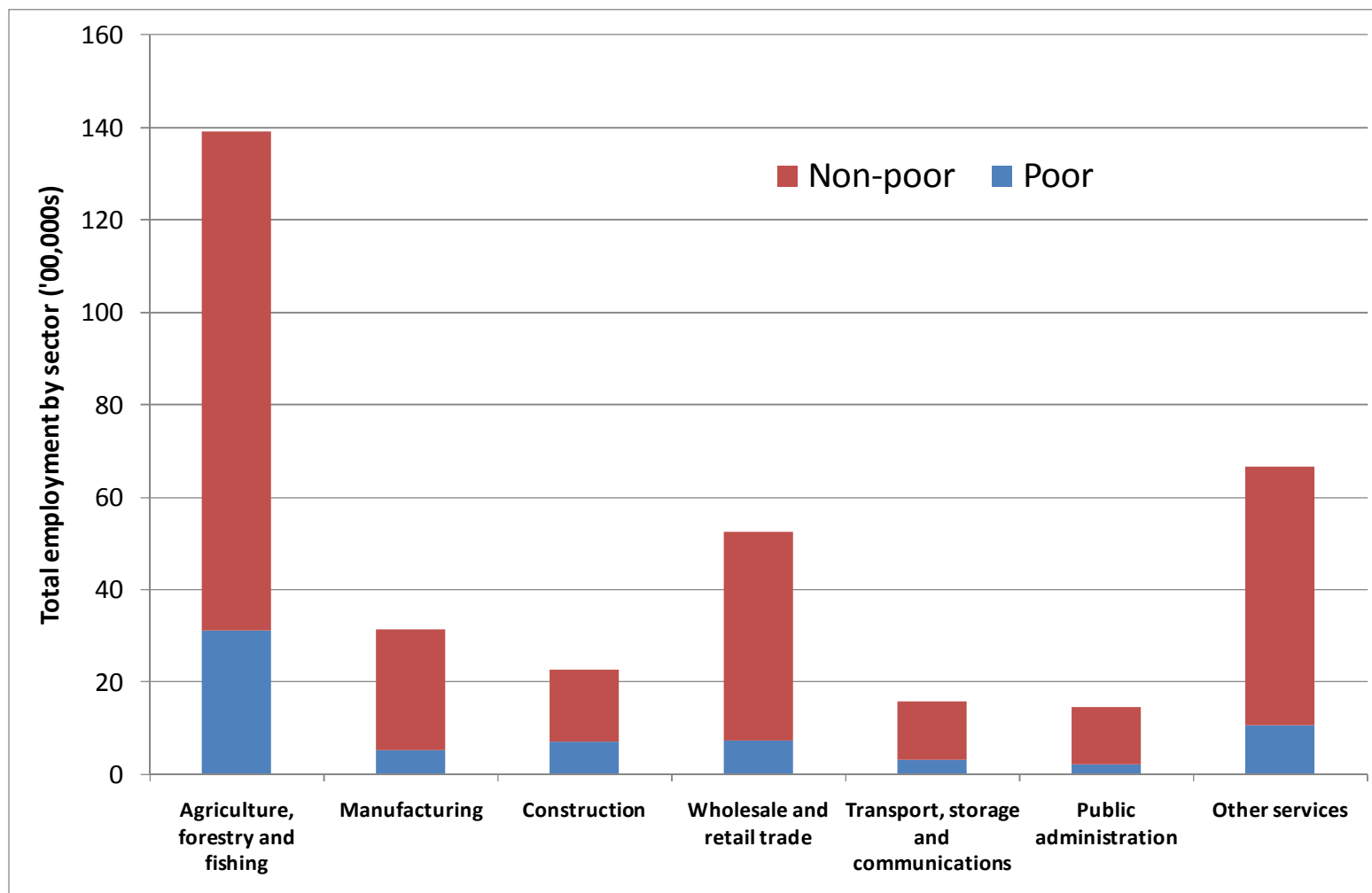
Source: ILO, Key Indicators of the Labour Market 6th Edition, Table 20b

USD1.25 working poverty rates by age-group, selected countries



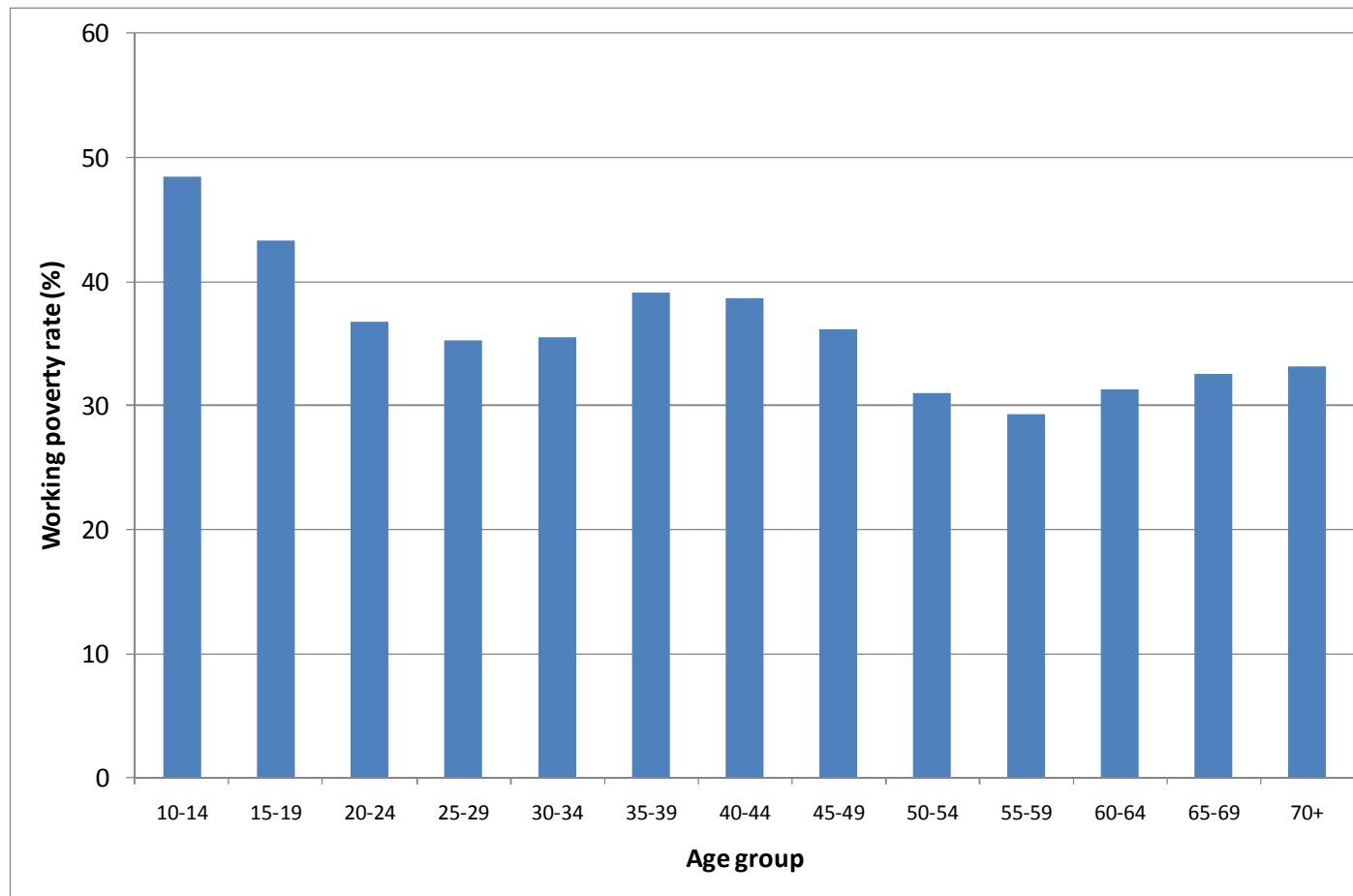
Source: ILO, Key Indicators of the Labour Market 6th Edition, Table 20b

Employment by poor and non-poor (\$1.25) by sector (Pakistan 2004)



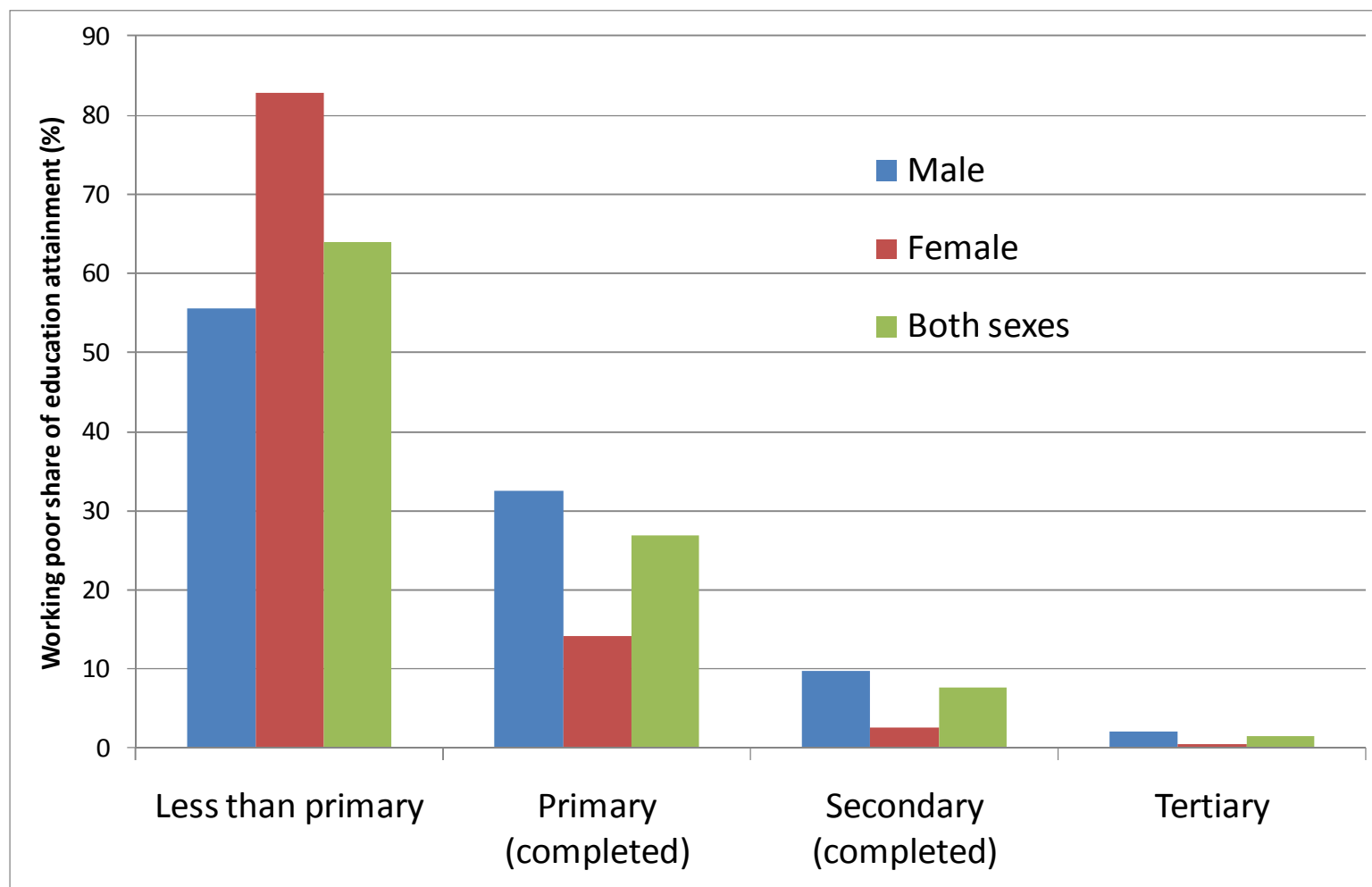
Source: ILO estimates, national sources

Working poverty rates by age group (Cambodia 2003)



Source: ILO estimates, national sources

Working poor educational attainment (\$1.25), by sex (India 2004)



Source: ILO estimates, national sources

Measuring working poverty with income/expenditure surveys

- HIES surveys often do not include probing questions needed to fully ascertain employment status. The following should ideally be included*:
 - Paid employment, incl. persons temporarily absent from work
 - Self employment
 - Unpaid family work
 - Production of economic goods and services for own and household consumption
 - Paid apprentices
 - Persons both at work and in school
 - Members of armed forces

*See handout: ICLS definition of employment

Important to document & analyse potential shortcomings (metadata)

- Definition of employment/unemployment & any exceptions
- Reference period for employment/unemployment
- Age for employment questions
- Other key differences with labour force surveys

Group exercise: Calculating working poverty estimates from household surveys

- 1) Assess feasibility of tabulating working poverty using existing HIES/LSS questionnaires from Cambodia and Sri Lanka
 - Is it possible to define employment? Provide coding instructions.
 - Note shortcomings and possible biases (reference period, lack of probing questions, etc)
- 2) Identify cross-tabulations that could be conducted & would be most useful for policy

Country example: Pakistan 2004/05

CWIQ Survey

Employed if age \geq 10 & (e01=1 or e02=1 or e03==1 or e06 =1,2,3,5,6,7,8,9))

Age 10+

1 - Yes, 2 - No

e01 Did [NAME] do any work for pay, profit or family gain during last week, for minimum 1 hour on any day?

e02 Did [NAME] have a business (shop, farm, service etc.) even if [NAME] did not work last week?

e03 Did [NAME] help to work in the family business or farm during the last week?

e06 Why did [NAME] not work last week?

- 1 Illness or Injury
- 2 Strike or Lockout
- 3 Holiday, Leave etc
- 4 Off Season
- 5 Bad Weather
- 6 Mech. Breakdown
- 7 Shortage of raw Material
- 8 Educational Leave
- 9 Maternity, Parental leave
- 0 Other

Comparing LFS/HIES labour market statistics: Sri Lanka 2006/07

	Employment rate			Unemployment rate		
	Males	Females	Both sexes	Males	Females	Both sexes
HIES (2006/07)	91.0	80.7	87.5	9.0	19.3	12.5
LFS 2006	95.6	90.7	93.8	4.4	9.4	6.2

Source: Gunatilaka, R. 2010 (forthcoming). "Sri Lanka's Working Poor" (ILO, Colombo).

Comparing LFS/HIES labour market statistics: Cambodia 2003/04

	Employment-to-population ratio			Unemployment rate		
	Males	Females	Both sexes	Males	Females	Both sexes
HIES (2003/04)	85.5	75.0	80.0	0.9	0.9	0.9
LFS 2001	83.9	80.0	81.8	1.5	2.2	1.8

Source: Labour Force Survey 2004: KILM 6th Edition; Household Socioeconomic Survey, 2003/04

Selected resources

- ILO Key Indicators of the Labour Market, 6th edition, www.ilo.org/KILM
 - Indicator 20b: National working poverty
 - Chapter 1c: Background of ILO working poverty activities
- ILO Employment Trends Website
www.ilo.org/TRENDS
- World Bank PovcalNet, Online Poverty Analysis Tool
- Majid, N. (2001) “The size of the working poor in developing countries”