

# Harmonised consumption microdata for EU / international social policy applications

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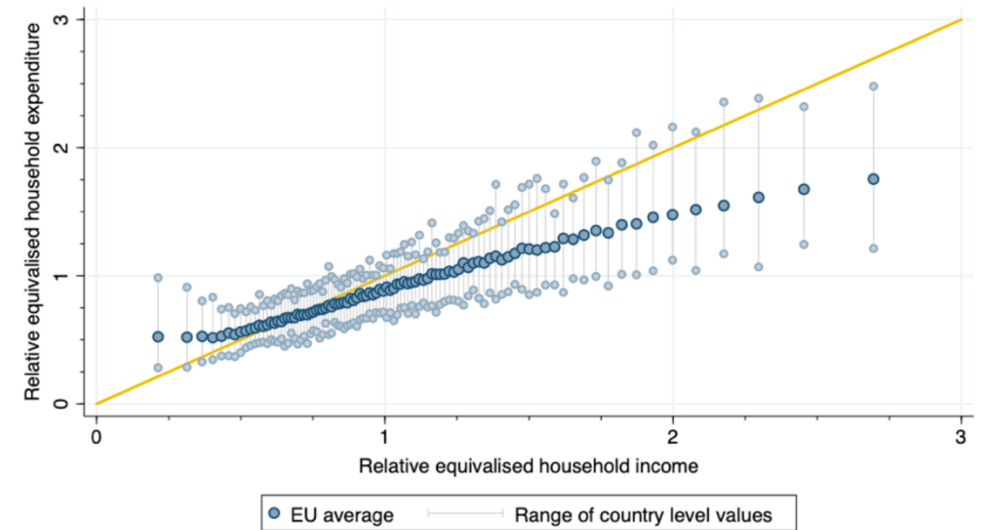
(Bank of Estonia, formerly EC Joint Research Centre)

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# General considerations

## Cross-country comparable consumption HBS microdata

- Very important initiative!
- Crucial for a wide range of thematic socio-economic & policy analysis
- May not be as relevant for welfare comparisons – at least among advanced economies
  - expenditures and incomes are very close for below-median HHs
  - consumption- / income- based poverty rates & rankings are similar
- Reflection is needed on the purpose
  - many obstacles for reliable welfare indicators
  - modular approach while retaining self-reported raw data
  - potentially differentiated treatment by country groups



Notes: Own calculations using microdata from the 2015 wave of the EU-HBS. In each EU country, the analysis focuses separately on each percentile of the national (equivalised) income distribution, and the associated average (equivalised) level of total household expenditures. The relevant income and expenditure levels are standardised by the national median of (equivalised) household income. The markers represent the relevant country-specific minimum and maximum (small light blue markers) and average value (larger dark blue marker) across all EU countries (except for Austria due to missing data).

# Relevant projects

- ABSPO
  - concentrated measurement effort of absolute poverty based on minimum needs and living costs
- Consumption footprint inequality
  - Importance of consumption quantities
- Energy poverty measurement
  - Comparison of expenditure-based / consensual indicators for social measurement
- Income measurement
  - Timing of data collection / Seasonality of self-reports
- Policy applications from a European / EU-wide perspective --> EU + national HBS files
- Decidedly practical measurement and data concerns

# ABSP0 project on absolute poverty

- Concentrated effort to measure absolute poverty in the EU context
  - demonstrates the feasibility of cross-country comparable measurement in the EU with existing data
  - EU-HBS as the main modelling survey to model consumption patterns / minimum expenditure thresholds
- Data preferences / requirements
  - info on living conditions / perceived minimum needs (housing conditions, energy consumption, daily transport)
  - reliable and harmonized information on imputed rents
  - high granularity data on food expenditures (COICOP 5-digit) and corresponding food quantities
- Data issues
  - limited cross-country harmonisation (sampling frames & methods, ref. years, quantities, imputed rent calculations)
  - potential importance of inflation and exchange rate movements!
  - limited integration with other EU HH surveys (SILC) – different samples / definitions, no overlap in data content
  - lack of granular regional classification at least at NUTS2 levels
  - little information on hard-to-reach vulnerable groups / HHs' social preferences / perceived needs

# Consumption footprint inequality

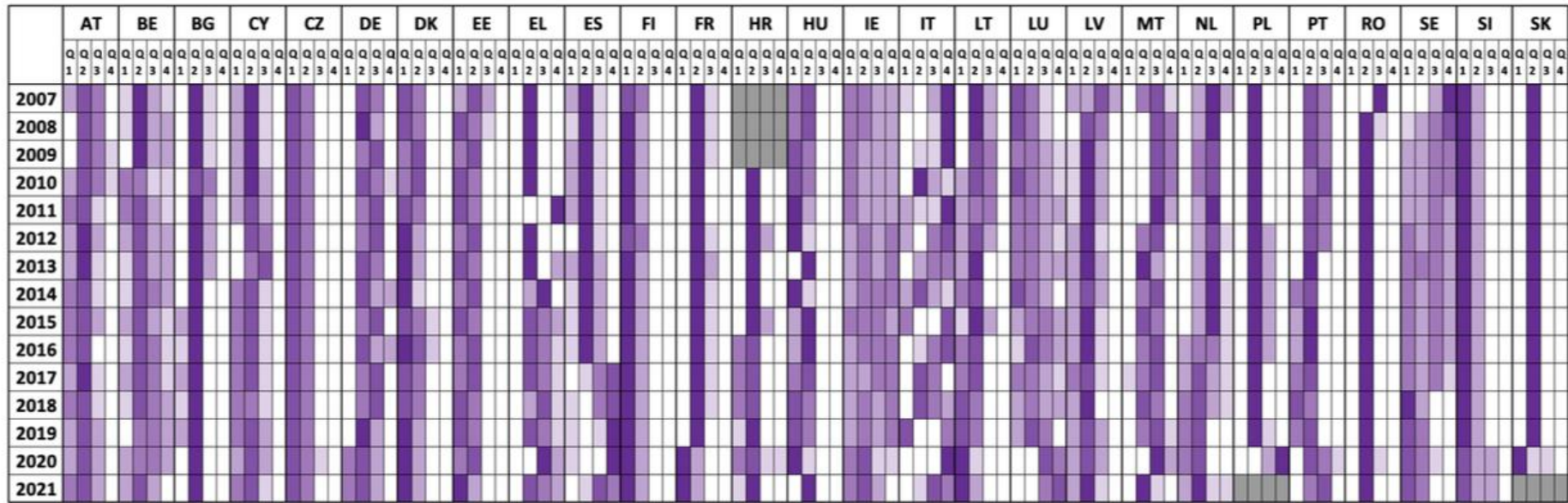
- Distributional assessment of EU HHs' consumption footprint and environmental impact
  - merging of two main data sources: 1) EU-HBS and 2) EC's product-level environmental footprint data
- Main challenges
  - convert expenditures to consumption quantities (through nationally average prices)
  - break up consumption / expenditure aggregates into granular COICOP classes at the 5-digit level
  - particularly challenging in domains of price variability, regular use, indirect payments (e.g. transportation, energy)
- Data preferences and improvements
  - detailed information on consumption quantities at the disaggregated level (COICOP 5-digit)
  - information on ownership / use intensity
  - matters for a number of thematic policy dossiers

# Energy poverty measurement

- Two types of indicators coming from different surveys
  - subjective / consensual indicators from living conditions surveys (EU-SILC)
  - expenditure-based indicators based on HBS microdata
- Overlapping samples / integrated survey information is very helpful
  - Hungarian HBS-SILC data files based on the same population sample and contains both indicators
  - different measures identify distinct population segments as energy poor
  - would be useful for poverty modelling in many thematic domains (housing, transportation)
  - potential extensions on self-perceived deprivations and inadequacy
- Two additional aspects to consider
  - longitudinal dimension
  - potential seasonality of consumption expenditures

# Seasonality of survey self-reports

- **Study of seasonality & consistency of EU-SILC income reports**
  - retrospective income reports so sampling schedules should not matter
  - in fact, they do – HHs report on average 10% higher income in latter quarters



# Proposals for LCS

- check consistency of definitions / sampling frames / sampling methods as much as possible
  - retain information on consumption quantities where possible (important also for implied prices)
  - include information on households' living conditions / ownership / perceived needs
  - aim for detailed regional and territorial classification (at least NUTS2 level)
  - promote / invest in the reliable calculation of imputed rents
  - look for the possibility of longitudinal information
  - acknowledge / test for potential seasonality concerns and promote harmonized data collection schedules
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- EU-HBS?



# Preparatory questions & answers

1. What consumption concept did you use? What are the related strength & weaknesses?
  - main focus on directly observable out-of-pocket consumption with the acquisition approach
  - inclusion of health / education is context- and scope-dependent
  - consumption flows from durables – more interested in the actual use
  - in-kind transfers / home production / extraordinary expenditures may not be that relevant empirically
2. What is your view on cross-country comparability? What are the implications of excluding STIK?
  - much harmonization to do in the data collection / processing / preparation phase by NSIs
  - excluding STIK matters for some analysis but not for others
  - additional survey information on health / education / social housing + improved modelling / microsimulation
3. Based on the LCS note, what would you like to see included?
  - mostly concerned about quality and consistency rather than scope
  - modular structure may make sense (core + additional components)

# Thank you!



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