Roadmap to harmonise the household income questionnaires

This roadmap was developed on mission results by a consultant to four countries. The basis for its development is the fact that none of the countries visited does not measure poverty based on household income. Although the calculation of household income is based on questions regarding the income components, however, representatives of statistical agencies stressed that the measurement of income is not as reliable as the measurement of expenditures, in particular, because of household income is underreported.

At the same time, the analysis of the country questionnaires and methodological materials proved that the problem of household income surveys is not only underreporting, but there is also a number of issues, and in particular, the definition of the total household income and its components does not correspond to the conceptual definitions set by the Canberra Group Handbook. In some cases, the ways of formulating questions underestimate the effect of forgetting, and there are no methods for evaluating some income components.

Accordingly, the Roadmap below sequentially lists the stages, the implementation of which will allow transitioning to the income-based poverty measurement, as well as comments on specific details of their implementation. It should be emphasised that some countries have already completed a number of stages; nevertheless, attention should be paid to the indicated details of the corresponding stages. Full implementation of the stages will also allow creating the solid basis for harmonising income questionnaires. In conclusion, it is important to recognise that the implementation of all stages does not mean that the country questionnaire reaches a perfect state. Each country will need to continue to improve methods for measuring income based on country specifics.
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| **I. Making a decision to measure income-based poverty, along with keeping its measurement based on expenditures** | 1. It is important that disposable income becomes the main indicator of income. Currently, such a calculation is already possible for all countries; however, the individual components of income require improvement. The definition of current transfers paid should also be improved. Also important the fact that estimating the income of agricultural private farms is part of all country questionnaires. The disposable income should include net income from the agricultural private farms. Inclusion of current transfers in kind in income definition will allow calculating the adjusted disposable income.  
2. It is necessary to realise both the advantages and disadvantages of this measurement. However, it should be noted that the method of measuring income poverty is useful for both policy makers and researchers, especially from the point of view of analysing the impact of policy decisions on poverty and other social phenomena.  
3. It is necessary to assess the costs associated with the expansion of the income module. However, it is necessary to take into account the fact that this module already exists in many questionnaires and it occupies a disproportionately small part of the questionnaires. In addition, some questionnaires have modules that do not relate formally to the questions to measure expenditure, income or deprivations, the reduction of their scope will allow redirecting resources. |
| **II. Verification of compliance of definitions of income components with the definitions of the Canberra Group Handbook** | 1. At the very least the matching of the main components of income should be ensured:  
   - Employment income  
   - Property income  
   - Current transfers received  
Here it is necessary to evaluate which income components and their subcomponents are received insufficient attention. This will lay the foundation for the fifth stage (see below).  
2. It is necessary to provide an exclusion from the household income receipts that either reduces the assets of the households or increases their liabilities. |
| **III. Adoption of income classification** | 1. It is necessary to adopt an income classification, which should be based on the conceptual definitions of the Canberra Group Guide, but modified with respect to the current transfers received taking into account the ESSPROS and EU SILC.  
2. It is necessary to introduce a codification of household income, which should at least include three levels of hierarchy: sections, groups and classes.  
3. It should be taken into account that the list of income components is wider than indicated in the Canberra Group Handbook. Following the classification and coding will ensure that other unspecified incomes were included in the appropriate class, and did not form a separate so-called class of other unidentified incomes. |
| **IV. Development of methodological documents** | The introduction of an income classification allows clarifying the methodological materials (instructions, instructions, internal documents, metadata). The analysis carried out at the second stage will allow to expand the definitions given in these documents, as well as to include additional sections in these documents, which will ensure the same interpretation of the relevant components by all the parties involved. |
| V. Revision of questionnaires | Improving the questionnaires should be based on a number of principles:  
1. They should be consistent with the classification of income structurally. The classification should also include division between incomes of individual members and incomes of the entire household, as well as take into account the sources of income origin. Here it is necessary to revise the questions on income components, the omission of which was fixed at the second stage. Such an example, along with a number of others, is the insufficient attention in many country questionnaires to collecting data from entrepreneurship and self-employment, which will require the development of a module for the income of a non-agricultural household enterprise.  
2. Definition and testing of the minimum set of questions that takes into account country specific.  
An example is the approach that can be applied to current transfers received. Based on the analysis of administrative statistics, determine the most important transfers and prepare questions to clarify the value of these transfers.  
3. Include tips and reminders in the questionnaires in order to reduce the fading out effect. |
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| VI. Improving methods for valuation the income components in kind | 1. It should be taken into account that, although incomes in kind are more characteristic of current transfers received, they are also part of employment income.  
2. It is necessary to avoid situations where different respondents use different approaches to estimating income in kind.  
3. Methodological documents should contain lists, examples of incomes in kind, as well as a description of methods for their valuation. For example, food received by employees of organisations must be valued at the prices of the enterprise, and transfers in kind at market prices, and in the absence of such information be imputed on the basis of clearly described methods in methodological documents. |
| VII. Further improvement of income data collection methods | 1. Income collection methods should be improved on ongoing basis. This stage, apparently, will never be completed, since the changing external environment of the household will require the improvement of methods for estimating its income.  
2. This recommendation assumes methodological guidance from international organisations and concerns various aspects of improving the methodology and information exchange between statistical agencies on an ongoing basis.  
– The following aspects need attention:  
   • Development of methods for recording incomes of both poor and rich deciles, and especially small entrepreneurs,  
   • Further improvement of the methods of valuation of evaluation income and current transfers in kind indicated in the sixth stage.  
   • Methods of interaction and exchange of information between statistical and administrative registers.  
   • Development methods for measuring the imputed rents in the long-run.  
– It is necessary to develop the income data reliability tests, such as, but which do not cover everything:  
   • Correlation of income and expenses  
   • Compliance of household income and national accounts  
   • Compliance of data on government current transfers received with the data of administrative departments |
| that make the corresponding social payments. | • Conduct pilot surveys of household income using the methods suggested in Handbook for Measurement of the Non-Observed Economy. The latter will require the introduction of new methods of analysis at the level of statistical agencies, such as regression and correlation models and a corresponding capacity building of the staff of the departments responsible for conducting household budget surveys. |