**TWINNING PROJECT**

**Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production**

**Ukraine**



**MISSION REPORT**

**on**

**12 Household Living Conditions Survey**

**Activity12.3: Compilation of Household Income Indicator**

Mission carried out by Ms Regina Deveikyte and Ms Irina Kompanijec, Statistics Lithuania

June 3-5, 2014

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**List of abbreviations**

ToR Terms of Reference

SSSU State Statistics Service of Ukraine

SD Statistics Denmark

SL Statistics Lithuania

# Background information

Working meetings under Component 12 of the Twinning Project took place on June 3-5, 2014. The meetings were attended by exerts of Statistics Lithuania and the SSSU.

The participants discussed in detail the methodology for calculation of the total and disposable income harmonised with the EU requirements, methods for calculation of imputed rent and possible sources of additional data as well as scheduled changes in questionnaires on collecting income data and material deprivation indicators. Based on the experience of Statistics Lithuania, the parties dealt with the content of the quality report on Household Living Conditions Survey (HLCS).

The participants agreed that the next meeting would be held in Kyiv and will focus on finalisation of draft questionnaires and the updated methodology of calculation of disposable income, imputed rent and material deprivation indicators.

# 1. General comments

Statistics Denmark in partnership with INSEE France, Statistics Lithuania, Statistics Finland, Statistics Sweden, Central Statistical Bureau of Latvia, Central Statistical Office of Poland, Italian National Institute of Statistics (ISTAT) and Statistical Office of Spain (INE) is leading the EU-Twinning project on “Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production” in Ukraine. The beneficiary is the State Statistics Service of Ukraine (the SSSU).

This activity was implemented under Component 12 of the Twinning Project: Household Living Conditions Survey. This Component is aimed at facilitating harmonisation with the EU requirements of:

• household income concept,

• system of material deprivation indicators.

# 2. Assessment and Results

The main purpose of the second working mission was to obtain experts’ recommendations on the methodology for calculation of income indicators, imputed rent, material deprivation indicators harmonised with the EU requirements. The experts discussed the above-mentioned issued and provided recommendations on the household income questionnaire and the questionnaire to collect material deprivation data with regard to changes to be agreed with the Eurostat methodology.

# 2.1. Methodology for calculation of household income

The mission looked at algorithms for calculation of indicators of total and disposal household income, which are used in the EU-SILC.
The SSSU specialists familiarised the Lithuanian experts with the draft methodology for calculation of household income and resource indicators. The methodology is designed to further harmonise the Household Living Conditions Survey with the EU requirements in terms of indicators of population income.
The methodology will lay a foundation for the calculation of the total and disposable income in compliance with the EU methodology. Disposable income data calculated with the help of the EU methodology will be used to calculate relevant poverty indicators.
Alongside with the methodology, the SSSU has prepared a list of income components in EU-SILC and HLCS with the description of every component. This made it possible to assess compliance of the HLCS indicators with those of the EU-SILC. The participants discussed discrepancies and recommendations on calculating income indicators with the help of the EU methodology based on available data as well as recommendations on changes to be incorporated to the questionnaire for indicator calculation, which would correspond to the European methodology. According to the EU methodology, social allowance income can be divided by social assistance functions. To calculate social allowances by the EU methodology, it would be reasonable to introduce a separate question on sickness benefit, which are now included together with the salary. Age retirement benefits (expert for war veteran allowances) should be referred to old age payments. This will not require introduction of additional questions, changes in the income calculation algorithm will be enough. Implementation of calculations of the household total income indicator in Ukraine would require the Ukrainian survey programme supplement with tax-related questions.

## 2.2. Company car

The available survey questionnaire does not contain a separate indicator “income from the use of the company car”, yet this indicator forms a component of the aggregate indicator “compensating payments at the workplace”. The income from the use of the company car is estimated subjectively by respondents and is taken into consideration together with the salary.

The SSSU specialists familiarised the foreign experts with a project of estimating income from the company car. The method plans to use the car depreciation, including intensity of the company use. This will stipulate introduction of additional questions into the questionnaire.

## 2.3. Imputed rent

During the visit, the parties discussed and agreed upon the decision on testing of one of the “imputed rent” indicator calculation methods suggested by the Eurostat. To select a calculation method, data of one quarter covered by the HLCS served as a basis for preparing information about a share of households who rent their housing by separate household groups: by place of residence and by household structure. Around 3 per cent of households rent their housing and pay rentals. According to the experience of Statistics Lithuania, HLCS data will

not be enough for the calculation of imputed rent.

A method of stratification and regression was selected. A decision was suggested to divide data by 4 strata: Kyiv, other cities, towns and villages. The first stage may require data on rentals from the HLCS, newspapers and the Internet. At the second stage, if possible, data can be obtained from the price statistics division. The regression model may make use of data grouped up by the total residential area or the number of rooms. Other changes that influence the rental level will be selected experimentally. The utilities, electricity payment, etc. should be removed from the rental indicator.

HLCS is a quarterly survey but a decision was adopted to calculated the imputed rent indicator only once a year and only for the primary housing.

## 2.4. Indicators of poverty and material deprivation

The SSSU experts familiarised the Lithuanian experts with a draft of an updated section in Questionnaire No. 2 on material deprivation. A column “Can the above-mentioned be referred to indications of poverty and misery of an individual” was removed and earlier absent questions needed for the calculation of the material deprivation indicator were introduced. Data collected by the updated questionnaire will enable calculation of the material deprivation indicator using the SSSU methodology and the EU recommendations. Poverty indicators are calculated by the SSSU with the use of a national methodology. The experts and the specialists of the SSSU believe that several reasons contribute to the fact that the methodology ought not be currently changed. The equivalent scale presently used by the SSSU is more suitable for Ukraine since food expenses make a significant part of the consumption expenditure. Income in kind that is not included into the EU poverty calculations composes a considerable part in households living in the countryside.

# 3. Conclusions and recommendations

SSSU experts prepared draft changes in questionnaires that would enable calculation of household income and material deprivation indicators by the methodology used in the EU. At the same time, a possibility remains to calculate indicators using the national methodology and to preserve their comparability within time.
To achieve complete comparability with the EU methodology, the following changes are recommended to be made into questionnaires or calculations:

- Household transfers should be regular and monetary (so that money should be separated from payment in kind); also employer’s payments in kind should be separated from the salary and alimony payments should not be subtracted.
- Other incomes from hired labour should be divided by their designation.
Comment. It will be desirable to precise which types of income should be divided by their designation.
 - A question on taxes, separately for business and hired labor, should be added to the Individual Household Members’ Income Section.
- Sickness benefit should be detected, if possible.
- Mortgage payments and related interest should be detected in cases of housing maintenance.
- An additional question about payments from private pension funds should be detected.
- A question on regular tax on realty and agricultural land should be added into Section 5.
- A series of questions to estimate income from the use of company car should be added to the questionnaire.

- During income calculation, all age retirement payments, except for war veteran and old age person allowances, should be referred to old age payments.
- The question “over the last 12 months” should deal only with debt on mortgage, rental, utility and other payments on loans in Questionnaire No. 2 on material deprivation. As to other deprivation cases, questions should cover a present situation.
- To harmonise household typology with the EU, a question should be added about job hunting for individuals aged 18-24 (PL020, PL025).

# Annex 1. Terms of Reference

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**European Union Twinning Project**

**Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production**

**Twinning №: UA/13/ENP/ST/38**

**Terms of Reference**

for a short-term mission to the State Statistics Service of Ukraine

*Component 12: Household Living Conditions.*

### *Activity 12.3: Compilation of household income indicator*

# General information

Statistics Denmark in partnership with INSEE France, Statistics Lithuania, Statistics Finland, Statistics Sweden, Central Statistical Bureau of Latvia, Central Statistical Office of Poland, Italian National Institute of Statistics (ISTAT) and Statistical Office of Spain (INE) is leading the EU-Twinning project on “Support to Development Process in the State Statistics Service of Ukraine with the Objective to Enhance its Capacity and Production” in Ukraine. The beneficiary is the State Statistics Service of Ukraine (the SSSU).

This activity is implemented under the Component 12: Household Living Conditions. The purpose of this component is to develop and implement into the national practice an updated concept of household income, harmonised with EU requirements, and to improve the system of indicators of material deprivation within the Ukrainian survey basing on the experience of the EU countries in the EU Survey on Income and Living Conditions (EU-SILC) .

### Purpose of the mission

Mission’s priority purpose:

To get the EU experts’ advice on

- the methodology for calculation of household income and material deprivation indicators in line with EU requirements;

- conducting test calculations of disposable income and imputed rent;

Discussion on the methodological particularities of calculation of material deprivation indicators taking into account the EU experience and the need to monitor poverty in Ukraine.

### Expected results

To get recommendations on:

- the methodology for compilation of household income indicator (harmonised with the EU requirements) within the framework of the current Ukrainian survey on living conditions;

- the methodology for compilation of indicator of material deprivation taking into account the EU experience and the need to monitor poverty in Ukraine;

- conducting test calculations of disposable income;

- conducting test calculations of imputed rent.

**Consultant and partner**

The mission will be carried out by:

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| STATISTICS LITHUANIA:Regina Deveikyte Irina Kompanijec |
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SSSU:

I. Osypova, Director, Department of Household surveys, SSSU

M. Novychenko, Director, Unit of collection and dissemination of household living conditions survey data, Department of Household surveys, SSSU

K. Plisko, Director, Unit of organisational and methodological support of household living conditions survey, Department of Household surveys, SSSU

Т. Torkhova– chief specialist-economist, Unit of organisational and methodological support of household living conditions survey, Department of Household surveys, SSSU;
S. Spesivaya-Uhova, Deputy Director, Head of Unit of organisational and methodological support of household living conditions survey, Department of Household surveys, SSSU;

# Scheduling

### The mission will be carried out on June 3-5, 2014 in Ukraine.

# Report

The final report on the mission should be submitted no later than two weeks after the completion of the mission.

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# Annex 2. Persons met

SSSU:

Osypova І.І., Director, Department of Household surveys;
Novychenko М.V., Director, Unit of collection and dissemination of household living conditions survey data.

Plisko К.Yu., Director, Unit of organisational and methodological support of household living conditions survey;

Torkhova Т.І - chief specialist-economist, Unit of organisational and methodological support of household living conditions survey;
S. Spesivaya-Uhova, Deputy Director, Head of Unit of organisational and methodological support of household living conditions survey

O. Lyzohub, chief specialist-economist, Unit of organisational and methodological support of household living conditions survey;

O. Yapolska, chief specialist, Unit of collection and dissemination of household living conditions survey data.

RTA Team:

Irina Bernstein, RTA