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Local poverty indicators and cost of living

Topic 2 – Learning more from what we already know

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Introduction

In the last years, there was a worldwide increase in the demand for poverty and living conditions estimates at the local level (that is at different level of the administrative units, such as province or municipalities), since these quantities are important in planning local policies aimed at decreasing poverty and social exclusion, and the help citizens to evaluate them.

In order to estimate adequate and comparable poverty indicators and to count the poor at local level, there are various steps and choices to do that affect, may be strongly, the results obtained. Therefore it is important to evaluate the impact of the choices referred to the definitions of the indicators and poverty line, to the data and methods used to estimates the indicators and to do their comparisons among the different areas.

The aim of this paper is to provide empirical evidence on the impact of the different mentioned choices on the estimation of poverty indicators and in the count of poor.

Methods / Problem statement

In order to achieve the objective before mentioned, we will compare the results the estimations of local poverty indicators obtained by using income or expenditure surveys data. Because the sample surveys is not enough to obtain reliable estimates at local level, Small Area Estimation (SAE) methods are used, depending on the kind of data available, to estimate income and /or expenditure averages and their distributions. In any case, we have to consider the statistical significance of the estimates.

A correct comparison of the poverty indicators among different areas can be done only taking into account the eventual differences on the level of prices in the different areas to be compared, that is doing comparisons in real terms. At this end, the Purchasing Power Parities (PPPs) are used, which however are not available at sub-national (or local area) level. All the estimations will be done, by using Italian data for the years 2007-2010-2013 coming from two important surveys, the Survey on Income and Living Conditions (EU-Silc) and the Households' Consumption Expenditure Survey, and data coming from Population Census and other Archives.

Moreover, if scanner data on the expenditures in the supermarket will be available, an experiment to compute the expenditure indicators and the local PPPs in a unified framework will be presented.

Results / Proposed solution

The expected results are the estimation of the poverty indicators and the count of poor at a very fine territorial level by using different definitions and methods for three different years.

Conclusions

The empirical evidence on the impact of the different mentioned choices on the estimation of poverty indicators and in the count of poor will allow to better define the indicators useful to target the policy actions against poverty.