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TECHNICAL CO-OPERATION

DEVELOPMENT OF COUNTRY CAPABILITIES: THE NATIONAL HOUSEHOLD
SURVEY CAPABILITY PROGRAMME (NHSCP) AND THE LIVING STANDARDS
MEASUREMENT STUDY (LSMS)

The Living Standards Measurement Study (LSMS)

Report of the World Bank

SUMMARY

The present report updates progress and activities of the World Bank's Living Standards Measurement Study (LSMS). It begins with a brief overview of the first report to the Statistical Commission (paras. 1-3), followed by a discussion on recent changes in emphasis within the LSMS programme (paras. 4-7). The recent changes include a more explicit focus on operational considerations and a stronger emphasis on using LSMS data for behavioural analysis. Output from the first phase of LSMS which comprise a series of working papers and a basic outline of the essential characteristics of a living standards study are reviewed (paras. 8-9). The report ends with a description of the project's current phase-operational tests of LSMS recommendations in three country areas (paras. 10-14).

* E/CN.3/1985/1.

1. The report has been written in response to a request by the Statistical Commission for a progress report on the World Bank's Living Standards Measurement Study (LSMS) to be provided at its twenty-third session. 1/ The report begins with a brief summary of the report submitted to the twenty-second session of the Commission (E/CN.3/1983/21) on this subject. It then reviews the project's current objectives and activities.
2. The LSMS was launched in 1980, in response to a growing sense of dissatisfaction with the ability of existing data to monitor changes in living standards. Its primary objectives were to review and evaluate existing methods for measuring living standards, both survey-related and methodological, in order to establish a set of recommendations for future data collection and analysis. At its inception, LSMS was divided into three overlapping phases: a conceptual phase in which existing methodologies would be reviewed and improved, an operational phase in which recommendations would be tested and an analysis and dissemination phase. With only minor modifications, those phases have remained intact.
3. The LSMS recognizes that the demand for household survey data derives from many sources. To be successful, a project with the broad objectives of LSMS must first and foremost provide information on who benefits from development and why, in a manner that can serve a variety of users. Such data should, for example, be useful as a foundation for a country's macro-economic framework, particularly for its system of national accounts, and it should be a basis for behavioural research that can inform and guide policy-makers at the project and programme levels.
4. Although the LSMS continues along the same basic path on which it began in 1980, time and experience have brought change in emphasis. Work with survey organizations in several developing countries has led to a recognition that LSMS guidelines must have some degree of flexibility within them. Varying national objectives, survey capabilities, and resources mean that no two countries will want or accept exactly the same design. The LSMS staff are working to define the minimum essential characteristics of a Living Standards Study (LSS) as well as to provide guidelines on the costs and benefits of alternative designs. That has proven to be difficult because of a general lack of information on tradeoffs that survey designers face from an analytical perspective. The LSMS staff are presently experimenting with several designs to establish their relative merits.
5. There is perhaps more emphasis now than before on understanding differences in living standards in addition to measuring them. Current design recommendations emphasize the interrelated nature of household decision-making and the need to recognize that policy intervention in the sphere of family activity may well influence behaviour in many other spheres. There is also a presumption that behavioural responses to changes in household circumstances vary less among regions and population subgroups than do measured variables such as income or experience patterns. This implies a high payoff to smaller but very comprehensive surveys as contrasted with large, narrowly focused surveys.
6. Although it has always been implicit in the LSMS, there is now a more open recognition that policy research can only be as good as its weakest component. The LSMS is focusing more attention than previously on operational bottle-necks that

have plagued past data collection efforts, especially data processing and archiving, and on the importance of disseminating findings to the ultimate consumers, policy-makers and planners, in understandable and effective ways.

7. One theme throughout the history of LSMS has been a concern with the multidimensionality of living standards and the need to recognize the varying importance that a particular dimension may have for different socio-economic groups. It was learned during the conceptual stage of LSMS that to measure differences in living standards among, for example, urban wage employees and rural subsistence farmers, in a meaningful way is an extraordinarily difficult task. The Study's greatest challenge to date has been to serve adequately the complexity of design that modern economic and social welfare theory demands while at the same time maintaining operational feasibility. Efforts to meet those conflicting objectives have led to the design of new questionnaires, new data processing techniques and the development of new analytical methods. The operational phase in which the LSMS is now engaged will determine whether or not those efforts have succeeded.

8. The first phase of the Study is now near completion. During that phase, LSMS staff reviewed literature on the measurement and analysis of living standards and developed a multidimensional concept of living standards designed specifically for use in third world countries. Field and research experiences of existing surveys were also documented. Output from that phase has been recorded in a series of working papers available from LSMS on request. A volume is also being prepared that will illustrate some of the ways in which data collected in living standards surveys may be utilized.

9. Work during the first phase has also led to an assessment of the essential characteristics of a living standards survey which include:

(a) A questionnaire that ensures the collection of the minimum set of information required to describe and analyse both summary (income and expenditures) and component (health, education, housing, etc.) living standards measurement. This will include information on market and non-market income, expenditures and home-produced goods and services, labour force behaviour, including activities of the self employed, migration and work histories, communities in which households live and an extensive set of socio-economic characteristics;

(b) A survey design that emphasizes quality of operation over size of sample;

(c) An emphasis on comparability over time, either through a longitudinal design or by doing the same survey with a known level of precision at regular intervals;

(d) A commitment to understanding living standards differences and changes therein over time, as well as to their accurate measurement;

(e) A data-management system that recognizes the long-term value of LSS data and ensures easy access to them by researchers not directly associated with the survey operation;

(f) A programmatic approach to policy research that entails a permanent commitment to the collection and analysis of LSS data.

10. In the fall of 1983, LSMS began its field test phase. One LSS is now under way, and two are in the final stages of negotiations. The first of those efforts will take place in the Ivory Coast where LSMS is helping the Direction de la Statistique of the Ministry of Finance and Economy to establish a permanent household survey capability that will continuously monitor living standards through a series of ongoing annual surveys.

11. The Ivory Coast model is based on a "rolling panel" concept which combines features of longitudinal data with a series of independent cross-sections. Each year, a national probability sample of approximately 1,600 households, distributed among 100 "community" clusters, will be interviewed; at the end of an annual survey round, 50 clusters will be dropped from the sample and 50 new (randomly selected) clusters added. The design provides for a continuous building up of independent observations while at the same time capturing some longitudinal information on selected households.

12. A second test of LSMS recommendations is now in the negotiation stage with the Central Agency for Public Mobilization and Statistics (CAPMAS), the Egyptian statistical office. If current plans remain in effect, the proposed Egyptian Living Standards Survey (ELSS) will begin with a relatively large national survey and then follow a subsample of households for an additional four years. In theory, the cycle (a large cross-sectional survey followed by four years of a smaller panel survey) would be repeated. The advantage of that model ensures subnational statistical representation every five years and national representation during the intervening years.

13. A third LSMS project, currently under negotiation, would test a more conventional data collection scheme in Peru, in collaboration with Peru's Instituto Nacional de Estadística. Field operations for that project are expected to begin in late 1984. The basic survey design will consist of a series of independent cross-sections every three to five years. The sample will be nationally representative and consist of approximately 5,000 households drawn from 200 community clusters.

14. Careful monitoring of those three models will provide a basis for judging the costs and benefits of alternative survey strategies in terms of both operational feasibility and research and policy output. Results from those tests will be made available to the Commission, to other international organizations and to statistical offices as they become available.

Notes

1/ Official Records of the Economic and Social Council, 1983, Supplement No. 2 (E/1983/12 and Corr.1), para. 96.
