

Ten Answers to the Debate on CASEN Survey 2011

It is unfortunate to go to the extreme of questioning the validity of the CASEN Survey, since losing credibility on this tool entails a high cost for our country's social policy. In order to reduce frictions among different political sectors, it would be advisable to rely on certain protocols that are respected, not only in relation to data sampling and treatment, but also in the way results are published.

At no time before, the dissemination of the results of the CASEN Survey 2011 (*Encuesta de Caracterización Socioeconómica Nacional*) had caused so much polemics as this year. It seems as if people wished to eclipse good results in reducing poverty and inequality. It is unfortunate to “technically” question the comparison of last CASEN Survey with previous ones in order to discredit these achievements.

The CASEN Survey has been conducted for over 26 years, and with seriousness, transparency and the possibility of reproducing official results, it has set up as the center of social policy in Chile. It does not only allow assessing poverty rates and inequality indicators, but also spending coverage, focalization and distribution, among others.

In the following lines, we will share 10 remarks concerning the debate derived from the CASEN Survey 2011. These answers reaffirm the survey as the best tool for measuring our country's social policy.

1. There has been no change as to how poverty is measured.

The CASEN Survey 2011 has used the same methodology to measure poverty as all previous surveys. It is an indirect method, which measures the household's welfare through the families' total income. The extreme poverty line is estimated by the family basket of goods of 1987-1988, and the moderate poverty line is computed by multiplying this value by the Orchanisky coefficient (2 in urban areas and 1.75 in rural areas). The underlying concept is that people who are in poverty condition cannot satisfy their basic needs (food, clothing, housing, education, health,

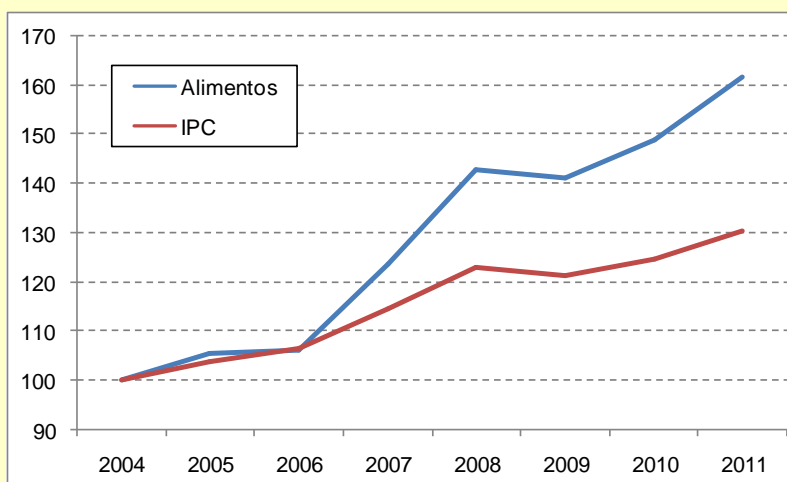
transportation, among others). The basic basket is updated with the price of foods and its composition has not been updated.

It is important to mention that this methodology has been validated by all governments prior to President Sebastián Piñera. In case of doing a modification, such as updating the non-nutritional component by the PCI, by the inflation of food prices, a change introduced by ECLAC in 2010, it would be necessary to do the complete poverty rate series again, retroactively, so that these values are strictly comparable.

Another subject which has caused a stir is the important role played by food inflation since CASEN 2009 in calculating poverty. Prior to this, the consumer price index and the food price index had usually a similar behavior. However, since 2006 they have shown a significantly different evolution, which increases poverty line constraints (See Chart 1).

Chart 1

DIFFERENCES BETWEEN CPI AND FOOD AND NON-ALCOHOLIC BEVERAGE PRICE INDEX (YEAR 2004, BASE 100)



Source: LyD based on data from the National Statistical Institute (INE).

For 2011, with the official methodology of the Ministry of Social Development (MDS, in Spanish), the poverty number amounts to 14.1%; the ECLAC methodology estimates it at 10.8%, and the World Bank, at 2.29%.

2. Bonuses were treated in the same way as in previous years.

When a bonus is given once a year, it is normally put on a monthly basis. Instead, when it is part of a program where monetary transfers are made every month, this treatment is unnecessary. The bonus of CLP\$10,000

given in 2011 does not significantly affect poverty reduction. In fact, according to estimations from the same Ministry, it would account for 0.1% of the poverty rate. This bonus was not annualized, and neither was the treatment of the transfers from the *Chile Solidario* program. Nevertheless, these results show that the effect of this allowance was quite delimited. Actually, two bonuses of CLP\$40,000 were allocated in 2009 to four million people and they influenced the poverty rate by 1.0%, that is, poverty would have accounted for 16.1% instead of 15.1%. However, at that time, none of the people criticizing this point today said anything about it.

Furthermore, it is important to mention that the family allowance presented an important sub-statement. From the 166 thousand families who received this benefit, only 45% declared this benefit.

Concerning the fact that the question on family allowance is not very specific, it should be remembered that the bonus was announced in October 2011, several months after this survey was designed, so it is understandable if the question has a general character.

3. Changing the questions to improve the survey.

In this type of surveys it is usual to revise questions and procedures, especially if it is evident that a question is wrong or ambiguous. This is the case in the income module, which not only asks about last month's income, but also about the income for the last 2 or 3 months. Questions are also made on incomes, wages or payments for jobs to non-remunerated, unemployed and non-active family members. Another innovation on the questionnaire is the questions evaluating financial inclusion.

The fact of reporting labor incomes generated by non-remunerated and non-active family members allows improving the data collection, and the definition of autonomous income. According to CASEN 2009, autonomous income, also called primary income, is defined as all payments received by the household as a result of the possession of productive factors. It includes wages and salaries, earnings from own-account work, self-provision of goods produced by the household, incomes, interests, pensions and retirement allowances. This definition says nothing about how people are classified; what matters most is how they generate incomes.

The questionnaire's improvement is normal. For example, in 2006, 19 new items were incorporated to the income module. Within these changes, a new question which allowed a more accurate definition of unemployed and non-active was added. No critical voices were heard either at that time.

4. It is questioned that the survey was conducted in two periods of time.

In the CASEN Survey 2011, sampling was made in two “copies”, each one representative of 33% and 67% of the whole sample. Each copy represents the national population. The first was developed in 4 weeks between October 17th and November 13th, 2011, while the second one lasted 9 weeks, between November 14th, 2011 and January 15th, 2012. In whole, field work took 14 weeks.

Since the technical committee recommended extending the term for income questions, the Ministry considered convenient to make 2 sampling copies to use the same interviewers and simplify the field work.

However, as it has been clarified, the incomes used to calculate the poverty rate belong to comparable months, that is, the incomes corresponding to the second copy.

5. Sampling error.

It is argued that since the expected sampling error is 0.7%, it does not allow discarding the hypothesis that poverty has reduced. Nevertheless, using the same argument, we could affirm that poverty has reached its historical minimum.

6. Delivering data without national account adjustment.

Experts agree that it would be desirable to deliver data without national account adjustments, since the population’s income distribution does not necessarily maintain itself. Additionally, they invalidate the comparison with other countries which do not make this adjustment. According to the work of Valderrama and Bravo (2011), these adjustments reduce the incomes of the poorest and increase those of the richest.

7. The bidding subject.

The fact of changing the survey’s precision objectives has also caused some stir: “The surveys of 2006 and 2009 defined their sampling sizes in terms of optimizing the 50% proportion, using the criterion of 1.1% maximum relative error at national level. Instead, for CASEN 2011 the sample size was defined in terms of optimizing the regional poverty rate under the criterion of absolute error between 1 and 4 percentage points at regional level”ⁱ.

This change aims at improving the survey and reducing the margin of error of the regional poverty rate. The latter is relevant, particularly if the allocation of certain resources depends on this figure.

8. Data bases are still not available.

It is normal to have some delays in the delivery of the CASEN Survey's data bases. For CASEN 2006, it took three months to deliver the poverty rate. In 2009, this took a month and a half.

9. Bad practices in the data delivery.

There may always be a certain degree of uneasiness as to how poverty and inequity rates are communicated. This time, nothing significantly different from other times was made. Nevertheless, due to the importance of this survey, it would be advisable to set some type of data delivery protocol, thus respecting the delivery of certain figures and a specific way of delivering them.

10. Poverty decreased, because autonomous income and job creation increased.

Above and beyond criticism, poverty decreased because autonomous income increased significantly. In the first decile, this income increased 35% and the employment rate, 15.4%, way over the average. Furthermore, those receiving labor incomes also increased; for the same decile, they went from 0.38 to 0.54, that is, a 42% increase. Employment's annual average growth for the period 2009 and 2011 was approximately 210 thousand jobs, one of the highest averages ever.

None of the criticisms manages to discredit that the main explanation for poverty and inequality reduction was greater employment and remuneration increase of the most vulnerable.

Conclusion

It is unfortunate to go to the extreme of questioning the validity of the CASEN Survey 2011. The Undersecretary of the concerned department, Soledad Arellano, has called for a serious discussion, since, regardless of what political sidewalk we are in, losing credibility on this tool entails a high cost for our country's social policy. Although all methodologies are improvable, there are no reasons to start questioning a tool which has been and still is very useful.

In order to reduce frictions among different political sectors, it would be advisable to rely on certain protocols that are respected, not only in relation to data sampling and treatment, but also in the way results are published. It would be desirable that deliveries also report the sample error, and show a technical sheet with the changes applied to the questions, the ECLAC adjustment factor, and uses the same format, among other things.

Likewise, we cannot undervalue the attempt to improve this survey's precision and procedure. Therefore, the Ministry called for a technical commission and carried out two seminars aimed at the academic community to show the committee's results and revise the design of the sample.

As we have stated in this document, the adjustments made in the CASEN Survey have sought to improve its precision, with the purpose of strengthening the most important tool to assess social policy.

In brief...

TEN ANSWERS TO THE DEBATE ON CASEN SURVEY 2011:

1. There has been no change as to how poverty is measured.
2. Bonuses were treated in the same way as in previous years.
3. In this type of surveys it is usual to revise questions and procedures.
4. Concerning the two periods in which the survey was conducted, it was meant to follow a recommendation of the technical committee summoned by the Ministry, which suggested increasing the data collection period and, anyhow, the incomes used to calculate the poverty rate belong to comparable months.
5. It is argued that since the survey's sampling error is 0.7%, it does not allow discarding that poverty has not reduced, but using the same argument, it could be stated that poverty has reached its historical minimum.
6. There is consensus as to delivering data without national account adjustments, since the population's income distribution does not necessarily maintain itself.
7. Regarding the change in the bidding, its purpose is to reduce the margin of error of the regional poverty rate.
8. It is normal to have some delays in the delivery of the CASEN Survey's data bases.
9. There may always be a certain degree of uneasiness as to how poverty and inequity rates are communicated, and this time nothing significantly different from other times was made.
10. Poverty decreased, because autonomous income and job creation increased.

ⁱ Report of Dante Contreras, CEP Seminary, the CASEN Survey, August, 2012.