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CONSUMPTION POVERTY IN THE REPUBLIC OF KOSOVO IN 2011

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The World Bank
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INTRODUCTION

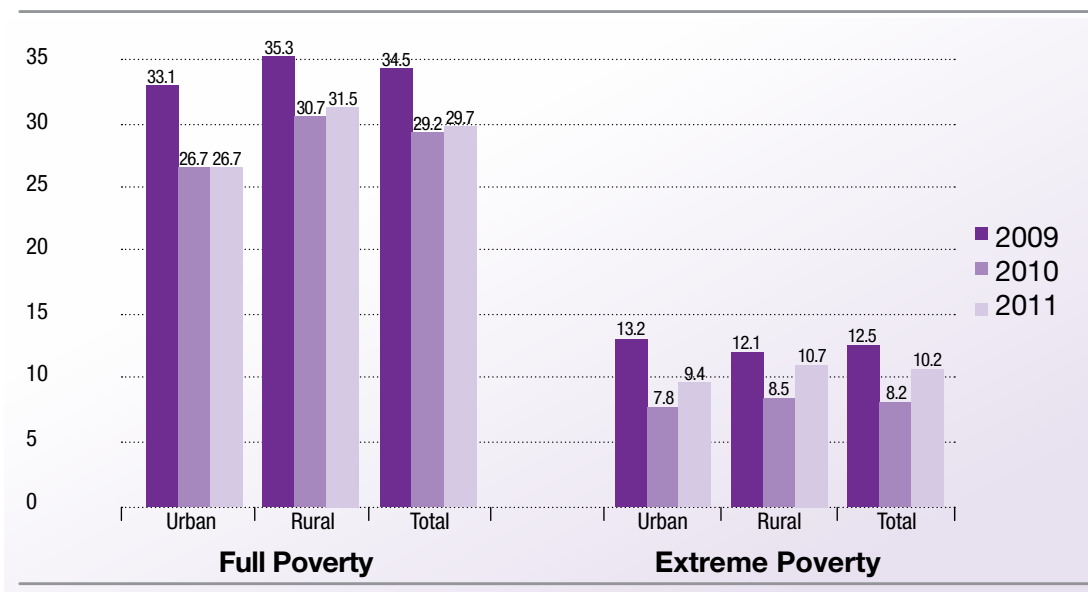
This report focuses on *absolute poverty*, comparing living standards to a poverty threshold that is held fixed *in real terms* over time and space. The monetary value of the poverty line is updated annually to account for changes in prices.

Consumption is used as the measure of individual well-being or welfare. Household consumption is calculated as the total value of a household's expenditure on food and nonfood items as recorded in the Household Budget Survey (HBS), a nationally representative survey conducted each year, including imputed values of any home-produced food items that were consumed by the household. In keeping with past practices in Kosovo, expenditures on consumer durable items and rent are excluded from the consumption measure. The 2009, 2010 and 2011 HBS surveys used the new master sample that was developed in 2008 and other aspects of data collection and processing were largely unchanged, therefore data for the three years are comparable.

The standard of living associated with a given value of total household consumption depends greatly on the size and demographic composition of the household. Therefore household consumption is divided by the number of adult equivalents in the household to arrive at the welfare measure, which is consumption per adult equivalent.

Figure 1: Poverty and extreme poverty headcount by location (%) 2009-2011

Source: HBS 2009-2011



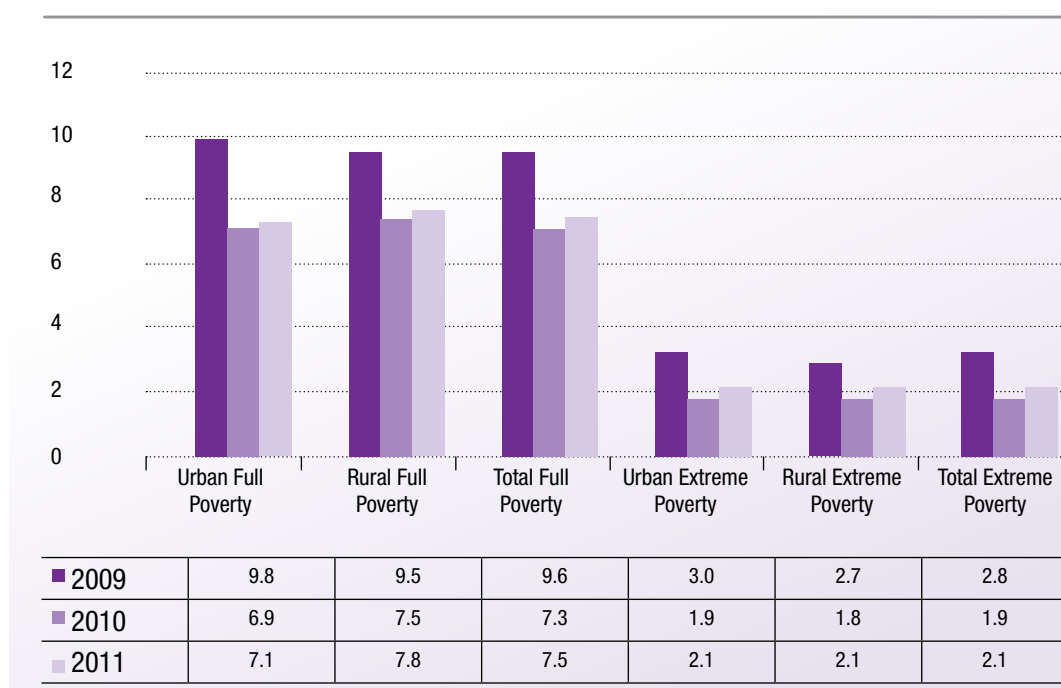
Two poverty lines are used in this report, a poverty line that is considered adequate to meet basic needs and a lower extreme poverty line. After adjusting for inflation, the poverty line and extreme poverty lines are:

- 2011: €1.72 and €1.20 per adult equivalent per day
- 2010: €1.61 and €1.07 per adult equivalent per day
- 2009: €1.55 and €1.02 per adult equivalent per day

The poverty headcount ratio measures the percentage of the population whose consumption per adult equivalent is less than the applicable poverty line. Based on HBS 2011, it is estimated that 29.7 percent of Kosovo's population lives below the poverty line, with 10.2 percent of the population living below the extreme poverty line (Figure 1). Comparing the three years, it can be noted that the poverty rate fell by about 5 percentage points from 2009 to 2010 and slightly increased from 2010 to 2011 by 0.5 percentage points. The apparent increase in poverty in 2011 is within the margin of sampling error for the HBS, meaning that the poverty rate is essentially unchanged from 2010 to 2011. Poverty rates in all three years are higher in rural areas except for the extreme poverty rate in 2009 being slightly higher in urban areas (Figure 1).

Figure 2: Poverty gap index for full and extreme poverty line (%) 2009-2011

Source: HBS 2009-2011



The poverty gap measures the *depth* of poverty. It takes into account both the percentage of the population below the poverty line as well as the size of the gap between the poverty line and the average consumption of those below the poverty line. Compared to the poverty headcount, the poverty gap has the advantage of detecting changes in welfare that occur below the poverty line, such as households becoming less poor, but not enough to cross the poverty line. From 2009 to 2010 the depth of poverty based on the full poverty line declined whereas it slightly increased in 2011 (Figure 2). A similar trend characterizes changes of the extreme poverty gap. The depth of poverty is greater in rural area in 2010 and 2011 whereas the reverse is observed in 2009. The depth of extreme poverty is almost equal in urban and rural areas.

Table 1: Distribution of the poor by location (%) 2010-2011

Source: HBS 2010-2011

Area	Distribution of Population			Distribution of the Poor			Distribution of the Extreme Poor		
	2010	2011	Change	2010	2011	Change	2010	2011	Change
Urban	37.4	37.2	-0.2	34.2	33.4	-0.8	35.4	34.4	-1.0
Rural	62.6	62.8	0.2	65.8	66.6	0.8	64.6	65.6	1.0
Overall	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	0.0

In 2011 about two-thirds of poor and extremely poor people reside in rural areas. The share of poor people living in rural areas is higher in 2011 by about 1 percentage point.

Table 2: Gini coefficient (%) 2009-2011

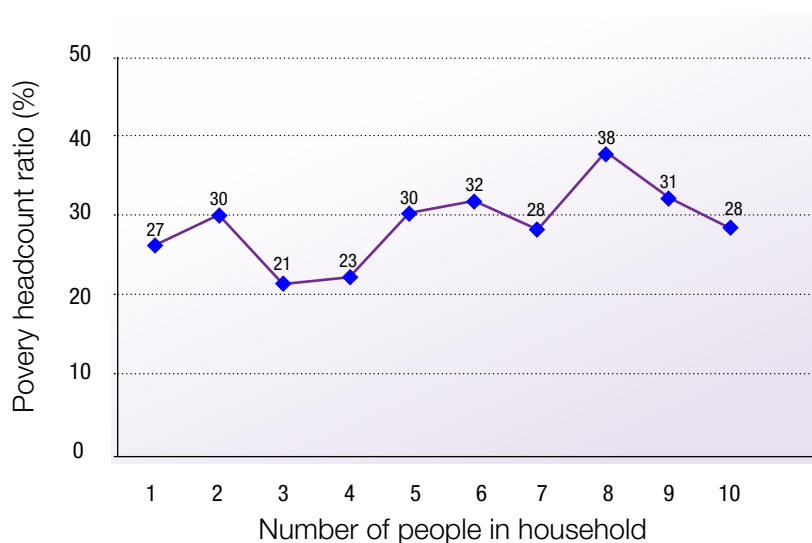
Source: HBS 2009-2011

Area	2009	2010	2011
Urban	33.9	31.1	29.6
Rural	27.2	27.1	25.8
Overall	30.2	29.0	27.6

The Gini coefficient is the most widely used summary statistic of inequality. A Gini coefficient equal to one (100%) means that the total consumption belongs to one person whereas as it approaches zero it means that the consumption is equally shared among people, i.e., consumption levels are equal across the population. Data in Table 2 show that inequality has declined over time. It is evident that over a three year period urban inequality remained higher than that observed in rural areas. The decrease in inequality between 2010 and 2011 occurred because of a decline in consumption among the top half of the distribution, while consumption among the poorer half remained more or less constant.

Figure 3: Poverty incidence by household size (%) 2011

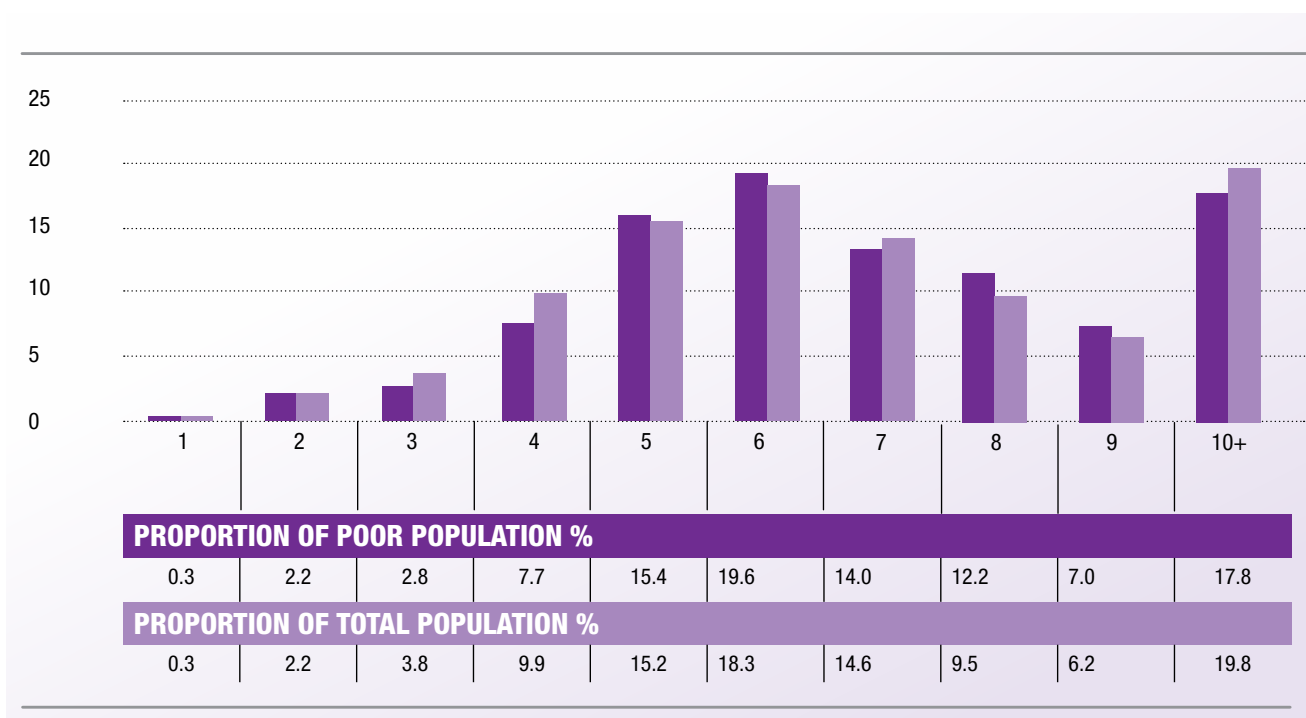
Source: HBS 2011



As in previous years, large households tend to be poorer in 2011: the highest poverty rate is found among households with eight members whereas the lowest for three member households (Figure 3). Nearly one third of average size households (comprising of six members) are poor in Kosovo.

Figure 4: Poverty incidence and distribution of poverty by household size (%) 2011

Source: HBS 2011



As shown in Figure 4, a substantial share of poor people live in households with five to eight members and those with ten and more members.

Table 3: Poverty headcount rate and distribution of the poor by main income source of household (%) 2010- 2011

Source: HBS 2010-2011

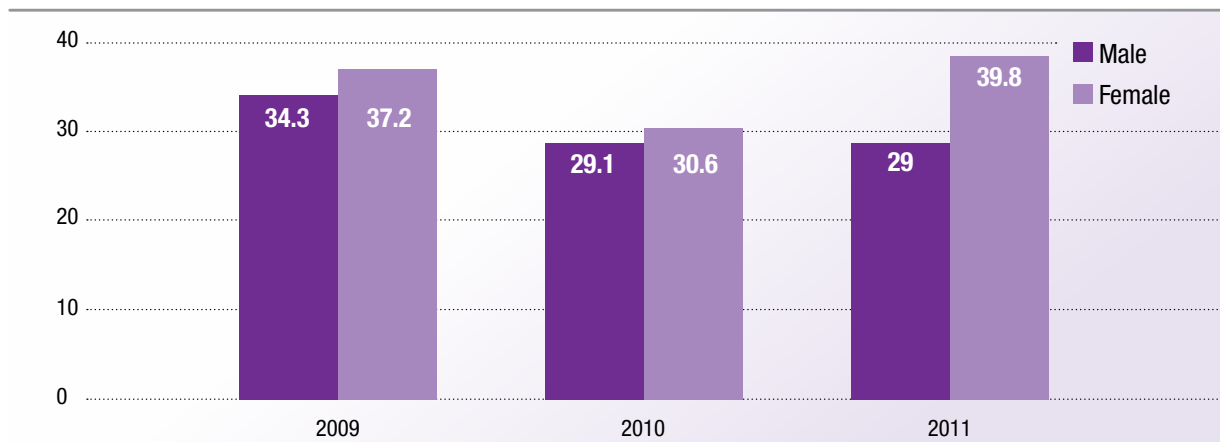
Main income source	Poverty Headcount Rate		Distribution of the Poor		Distribution of Population	
	2010	2011	2010	2011	2010	2011
Public sector wages and salaries	19.7	19.8	17.5	16.4	25.2	24.5
Private sector wages and salaries	28.5	26.2	21.9	21.0	19.6	23.8
Farming	38.5	36.2	9.8	9.5	7.7	7.8
Per diem work	43.5	33.7	13.5	11.0	10.9	9.7
Other household business	16.1	20.6	8.5	9.8	14.5	14.1
Pensions	43.6	44.1	8.6	8.2	6.1	5.5
Remittances from abroad	24.2	30.2	6.5	7.4	8.6	7.3
Other remittances	38.3	51.1	0.6	0.3	0.3	0.1
Social assistance	73.0	79.0	10.9	14.6	5.2	5.5
Other	46.8	35.0	2.2	1.9	1.7	1.6
Overall	29.2	29.7	100.0	100.0	100.0	100.0

In 2011 poverty rates are lowest among households that primarily depend on public sector wage employment, household businesses (self-employment) and private sector wages (Table 3). Comparing data between years the poverty rate has increased for households where the main source of income comes from household businesses,

remittances, social assistance and pensions. Compared to 2010, better prospects in 2011 are noted for households whose main source of income is from per diem work. With regard to distribution of the poor in both years nearly 40 percent of the poor live in households that primarily depend on public and private sector wages. The prevalence of poverty among those with wage employment may be attributed to low wages, a large number of dependents, or both.

Figure 5: Poverty by sex of head of household (%) 2009-2011

Source: HBS 2009-2011



The poverty rate is higher among female-headed households (Figure 5). From 2009 to 2010, the poverty rate of female-headed households declined and then increased by nine percentage points from 2010 to 2011. The large apparent changes in the poverty rates of female-headed households should be treated with caution, because the sample of female-headed households is very small, totaling only approximately 200 households each year.

Figure 6: Poverty by sex of individual (%) 2009-2011

Source: HBS 2009-2011

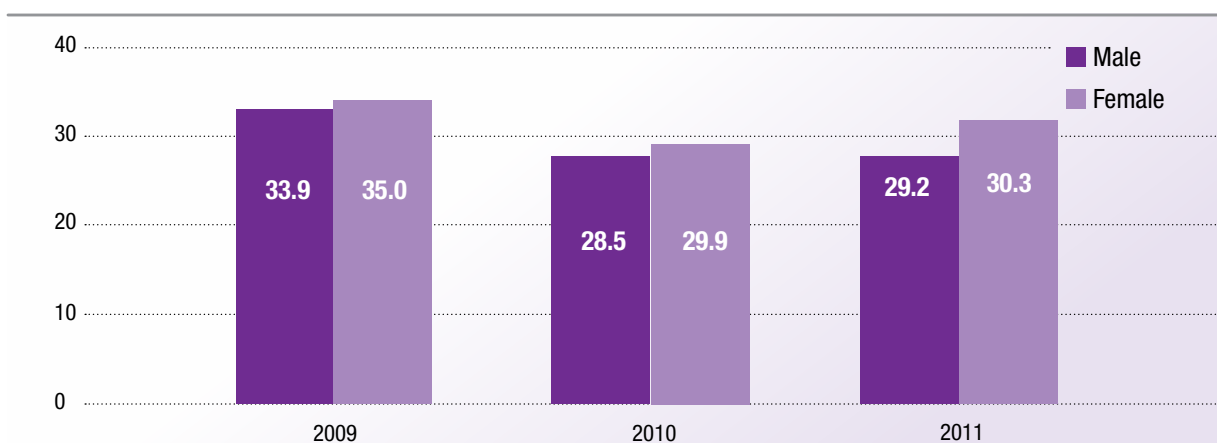
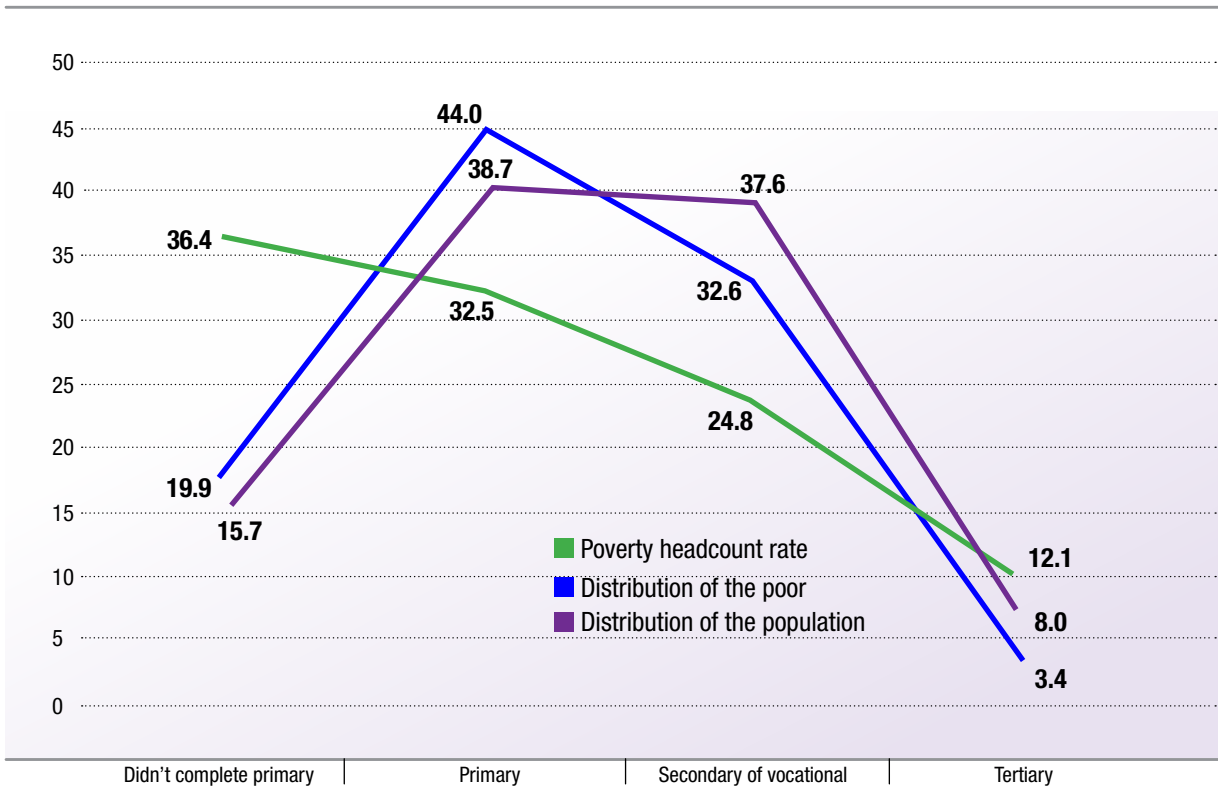


Figure 6 presents the relationship between poverty and gender of individuals. In 2011, 30.3 percent of females in Kosovo live in poverty in comparison to 29.2 percent of males, a one percentage point difference. From 2009 to 2010 poverty rate declined slightly more for males than females. However, the reverse was experienced from 2010 in 2011 when poverty increased more for male than female individuals, albeit by a small difference.

Figure 7: Poverty headcount rate and distribution of the poor by highest level of education completed (aged 15 and above) (%) 2011

Source: HBS 2011



Less educated individuals tend to be poorer than more educated ones (Figure 7). More than one third of individuals who did not complete primary education live in poor households, compared to 12 percent of individuals with university degrees. Almost two thirds the poor possess less than secondary education.

Table 4, on the next page, presents information at the individual level on the relationship between poverty and a person's main activity, limited to persons 15 years of age or older. In 2011 the highest rates of poverty are found among unemployed and retired or disabled people. With regard to the composition of the poor population it can be noted that nearly 30 percent of poor adults are unemployed. From 2010 to 2011, the poverty rate declined by 11 percentage points for per diem workers. The poverty rate has increased the most for self-employed and unpaid family workers by six and three percentage points, respectively.

Table 4: Poverty incidence and distribution of the poor by main activity of individuals (15 years and above) (%), 2010-2011

Source: HBS 2010-2011

Main activity	Poverty Headcount Rate		Distribution of the Poor		Distribution of Population	
	2010	2011	2010	2011	2010	2011
Employer	7.6	8.5	0.2	0.2	0.6	0.5
Employed with salary	17.0	17.3	10.6	8.6	17.6	14.4
Subsistence farmer	31.5	29.4	3.3	2.8	3.0	2.8
Per diem worker	40.4	29.3	4.4	3.3	3.1	3.2
Other self-employed	15.6	21.9	2.2	2.4	4.0	3.1
Unpaid family worker	22.7	20.1	0.7	0.5	0.8	0.7
Pupil/student	28.9	30.4	16.8	28.8	16.4	27.5
Retired or disabled	28.1	29.6	11.7	10.7	11.7	10.4
Unemployed	33.9	36.1	29.0	25.1	24.1	20.2
Housekeeper	31.4	29.5	20.5	17.0	18.4	16.7
Other	66.4	63.4	0.6	0.8	0.2	0.4
Overall	28.2	29.7	100.0	100.0	100.0	100.0

Figure 8: Poverty headcount by location by overall population and children aged 0-18 years (%) 2009-2011

Source: HBS 2009-2011

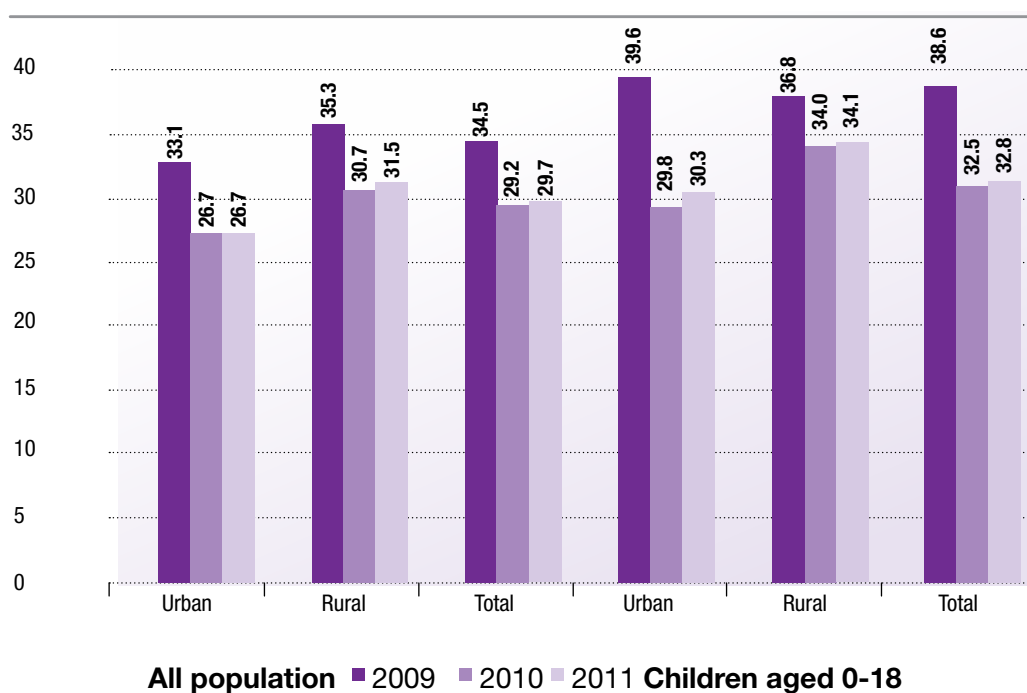


Figure 8 presents information on the relationship between poverty whether person is a child. For these results a child is defined as any person aged between 0 (a baby of less than one year) and up to and including 18 years of age. Children are more likely than others to be in poverty. Their overall poverty rate in 2011 was 32.8 compared to 29.7 for the whole population.

Figure 9: Extreme poverty headcount by location by overall population and children aged 0-18 years (%) 2009-2011

Source: HBS 2009-2011

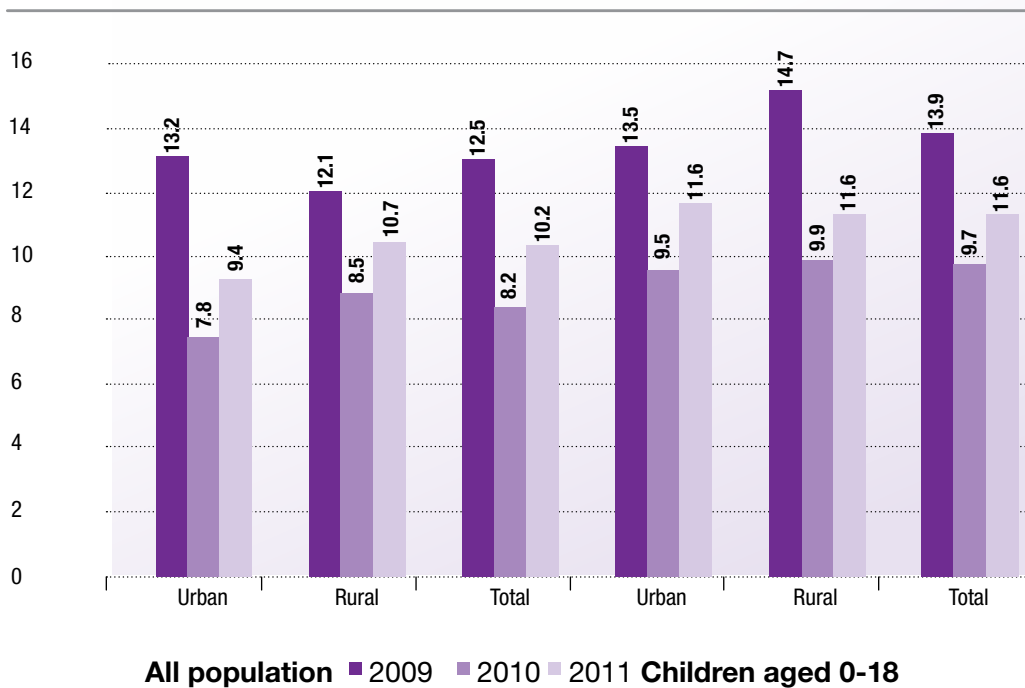


Figure 9 presents information on the relationship between extreme poverty and whether person is a child. The definition of child is the same as that used above for Figure 8. Children are slightly more likely than others to be in extreme poverty. Their overall poverty rate in 2011 was 11.6 compared to 10.2 for the whole population. Over time there has been virtually no change in the extreme poverty rates for children.

Table 5: Poverty rate by household type (%) 2009-2011

Source: HBS 2009-2011

Household type	2009	2010	2011
With no children	28.7	19.4	19.7
With children	35.7	30.9	31.3
With four or more children	42.7	36.2	34.2
Overall	34.5	29.2	29.7

Table 6: Extreme poverty rate by household type (%) 2009-2011

Source: HBS 2009-2011

Household type	2009	2010	2011
With no children	10.8	4.0	7.7
With children	12.9	8.9	10.6
With four or more children	16.9	9.6	14.0
Overall	12.5	8.2	10.2

Tables 5 and 6 present poverty and extreme poverty rates for different household types. Having children increases the rate of extreme poverty. Having four or more children increases the likelihood of being in poverty and extreme poverty even further.

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