

CONSUMPTION POVERTY IN THE REPUBLIC OF KOSOVO 2012-2015

April 2017

INTRODUCTION

This report focuses on the dynamics of absolute poverty in Kosovo during the 2012-2015 period. 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 practice in Kosovo, expenditures on consumer durable items and rent are excluded from the consumption measure. Consumption based living standards are assessed against 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.

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.

The Kosovo HBS relies on a stratified two-stage sample design. The sampling frame was based on the data and cartography from the 2011 Kosovo Census (more details can be found in Annex 1). In 2012, the HBS data collection methodology was changed. Whilst prior to year 2012, households were required to record food and other expenditures for one month, since 2012 interviewed households were required to record food and other expenditures for two weeks. More specifically, from 8 randomly selected households from each enumeration area, 4 households participate in the survey during the first half of a month (first period) and 4 households participate in the survey in the other second half of the month (second period). Prior to year 2012, the reference period for recording non-food products was one month, which changed into three months period since 2012 (the reference period for own production of food remained the same, that is one month).

IMPORTANT NOTE: Given these important methodological changes, poverty estimates from 2011 and previous years are not comparable to poverty estimates for the 2012-2015 period. Direct comparisons of poverty estimates presented in this report and previous publications for 2011 and earlier years should not be drawn.

OVERALL POVERTY TRENDS DURING 2012-2015

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:

- 2012: €1.79 and €1.27 per adult equivalent per day
- 2013: €1.82 and €1.30 per adult equivalent per day
- 2014: €1.83 and €1.30 per adult equivalent per day
- 2015: €1.82 and €1.30 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 2015, it is estimated that 17.6 percent of Kosovo's population lives below the poverty line, with 5.2 percent of the population living below the extreme poverty line (Figure 1). Comparing the four years, it can be noted that the poverty rate fell by about 5.3 percentage points from 2012 to 2013; it increased from 2013 to 2014 by 3.5 percentage points and then it reverted to the 2013 rate of 17.6—a decline of 3.5 percent from 2014. Poverty rates in all four years are higher in rural areas (Figure 1).

Figure 1: Poverty and extreme poverty headcount by location (%) 2012-2015

Source: HBS 2012-2015

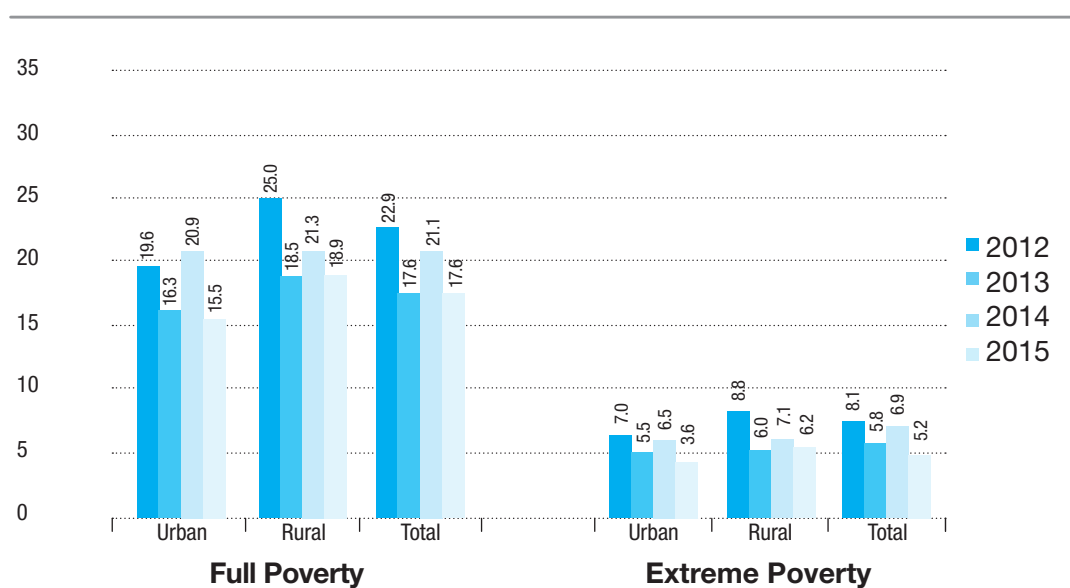
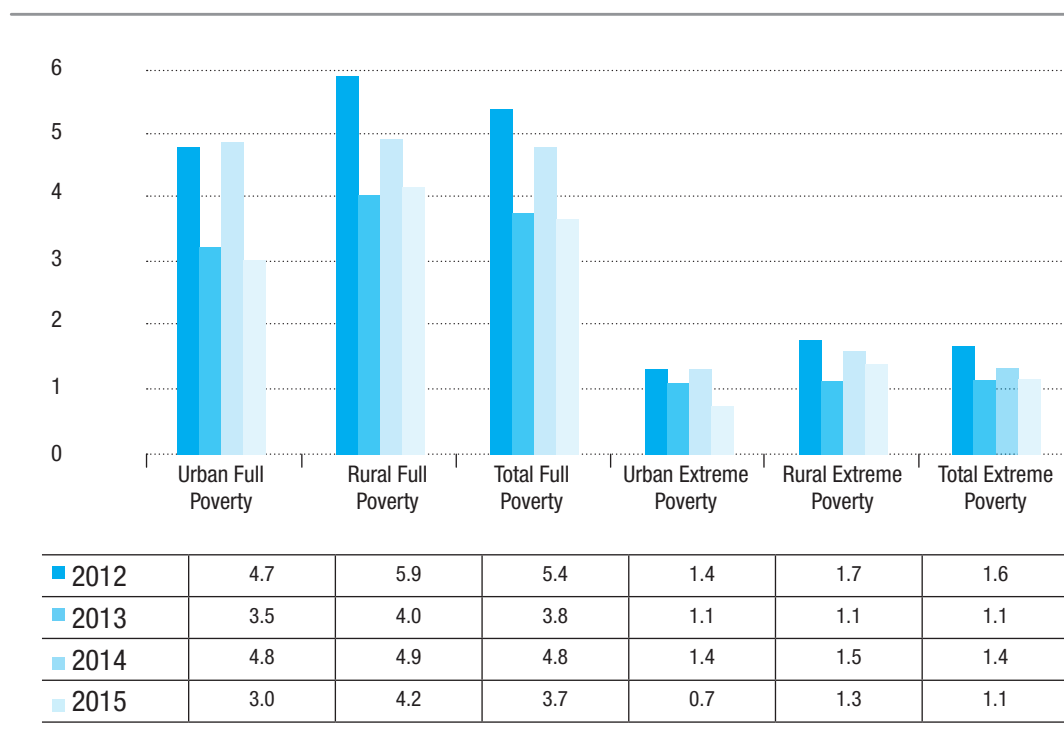


Figure 2: Poverty gap index for full and extreme poverty line (%) 2012-2015

Source: HBS 2012-2015



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. The poverty gap declined from 2012 to 2013, it increased in 2014 and then declined again in 2015 to the level recorded in 2013 (Figure 2). A similar trend characterizes changes of the extreme poverty gap. In all four years, the depth of poverty is greater in rural areas. With the exception of 2014 when the poverty gap is similar in rural and urban areas, the depth of extreme poverty is higher in rural areas (Figure 2).

Table 1: Distribution of the poor by location (%) 2012-2015

Source: HBS 2012-2015

Distribution of Population					Distribution of the Poor				Distribution of the Extreme Poor			
Area	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Urban	39.8	39.4	39.8	39.0	34.0	36.4	39.4	34.3	34.7	37.2	37.7	27.0
Rural	60.2	60.6	60.2	61.0	66.0	63.6	60.6	65.7	65.3	62.8	62.3	73.0
Overall	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Whilst about 60 percent of population lives in rural areas in 2015, nearly two-thirds of poor and three-fourth of extremely poor people reside in rural areas (Table 1). The share of poor people living in rural areas increased by 5 percentage points from 2014 to 2015 and it increased by 11 percentage points for extreme poverty.

Table 2: Gini coefficient (%) 2012-2015

Source: HBS 2012-2015

Area	2012	2013	2014	2015
Urban	26.2	23.5	26.0	24.4
Rural	25.5	22.6	22.3	22.0
Overall	26.1	23.2	24.1	23.2

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 provided in Table 2 show that inequality declined from 2012 to 2013, it increased from 2013 to 2014 and then it declined in 2015. Over a four year period urban inequality remained higher than that observed in rural areas.

Table 3: Poverty incidence by household size (%) 2012-2015

Source: HBS 2012-2015

Household size	2012	2013	2014	2015
1	14.2	7.0	10.3	7.8
2	13.3	7.9	9.6	8.1
3	7.5	9.9	9.0	6.7
4	16.0	15.4	15.4	12.1
5	21.7	18.1	18.1	20.6
6	21.3	17.3	21.8	19.9
7 or more	27.7	19.8	25.8	19.5
Overall	22.9	17.6	21.1	17.6

Larger households tend to be poorer, the highest poverty rate is found among households with seven and more members whereas the lowest for three member households (Table 3). In 2015, about 23 percent of average size households (comprising of 5 members) are poor in Kosovo.

Table 4: Poverty incidence and distribution of poverty by household size (%) 2012-2015

Source: HBS 2012-2015

Household size	Distribution of poor population (%)				Distribution of population (%)			
	2012	2013	2014	2015	2012	2013	2014	2015
1	0.3	0.3	0.3	0.3	0.5	0.7	0.6	0.8
2	1.4	1.2	1.3	1.6	2.5	2.8	2.9	3.4
3	1.6	2.7	1.9	2.1	4.8	4.8	4.5	5.5
4	7.8	10.4	8.0	9.5	11.2	11.8	11.0	13.7
5	16.3	18.9	16.8	22.6	17.2	18.3	19.6	19.3
6	16.8	19.4	18.7	20.5	18.0	19.8	18.1	18.1
7+	55.8	47.1	53.0	43.4	46.0	41.8	43.3	39.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

As shown in Table 4, in 2015 a substantial share of poor people live in households with seven and more members (43.4%), which rate is lower compared to previous three years (2012-2014).

Table 5: Poverty headcount rate and distribution of the poor by main income source of household (%) 2012-2015

Source: HBS 2012-2015

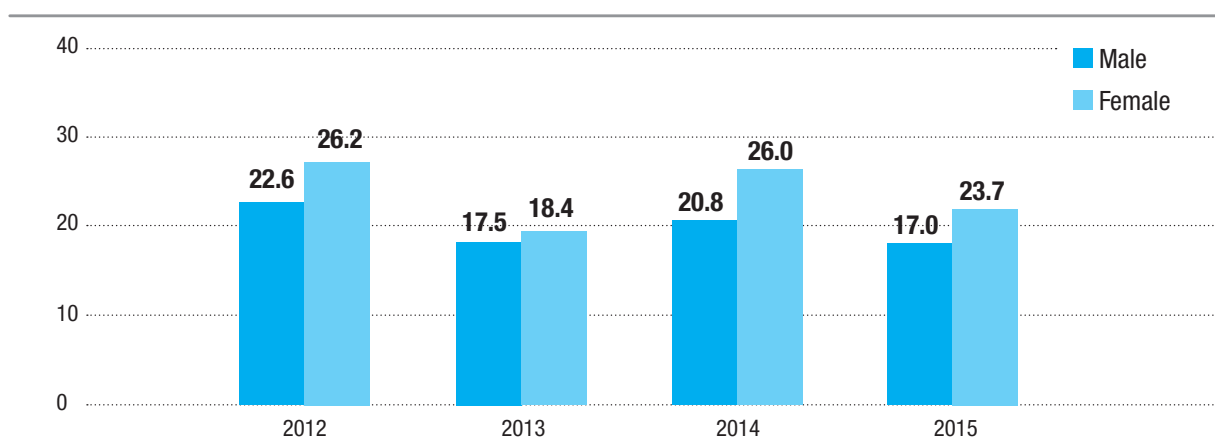
Main income source	Poverty Headcount Rate				Distribution of the Poor				Distribution of Population			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Wages and salaries from public sector	14.1	8.07	12.9	7.4	14.0	10.8	13.4	11.3	22.7	23.5	22.0	26.8
Wages and salaries from private sector	19.1	17.5	18.7	18.1	19.8	30.4	28.7	25.2	23.7	30.5	32.5	24.6
Farming	37.9	10.8	22.9	13.2	10.0	3.9	4.9	4.5	6.0	6.4	4.5	6.0
Per diem work	31.3	31.9	33.6	33.8	13.9	14.4	13.6	14.2	10.2	8.0	7.8	7.4
Other household business	13.4	12.3	10.2	11.7	10.0	8.4	5.7	8.8	17.0	12.0	11.9	13.2
Pensions	31.8	21.7	24.0	27.8	7.6	8.7	10.1	13.7	5.5	7.1	8.9	8.7
Remittances from abroad	17.8	13.6	17.4	10.1	6.6	4.9	5.3	3.9	8.4	6.4	6.4	6.8
Social assistance – 1st Category	77.2	60.4	76.6	70.7	13.1	12.4	11.2	13.2	3.9	3.6	3.1	3.3
Overall	22.9	17.6	21.1	17.6	100	100	100	100	100	100	100	100

Note: The following categories are not reported due to small cell size (less than 2 percent of population) – other remittances, social assistance – 2nd category, income from property, and other. Category 'income from property' was included for the first time in the 2015 HBS questionnaire

In 2015, poverty rates are lowest among households that primarily depend on public sector wage employment, remittances from abroad, household business and farming (Table 5). In 2015, poverty rates are highest among households whose main source of income is social assistance, which account for nearly one fifths of the poor. Comparing data between 2014 and 2015 (Table 5) the poverty rate has increased for households where the main source of income comes from pensions while better prospects are noted for households whose main source of income is those that depend on income from public sector, farming and remittances from abroad. 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.

Figure 3: Poverty by sex of head of household (%) 2012-2015

Source: HBS 2012-2015



The poverty rate is slightly higher among female-headed households (Figure 3). From 2012 to 2013, the poverty rate of female-headed households declined by nearly 8 percentage points and then increased in 2014 by nearly the same rate, and it declined by 2.3 percentage points in 2015. These 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 300 households each year.

Figure 4: Poverty by sex of individual (%) 2012-2015

HBS 2012-2015

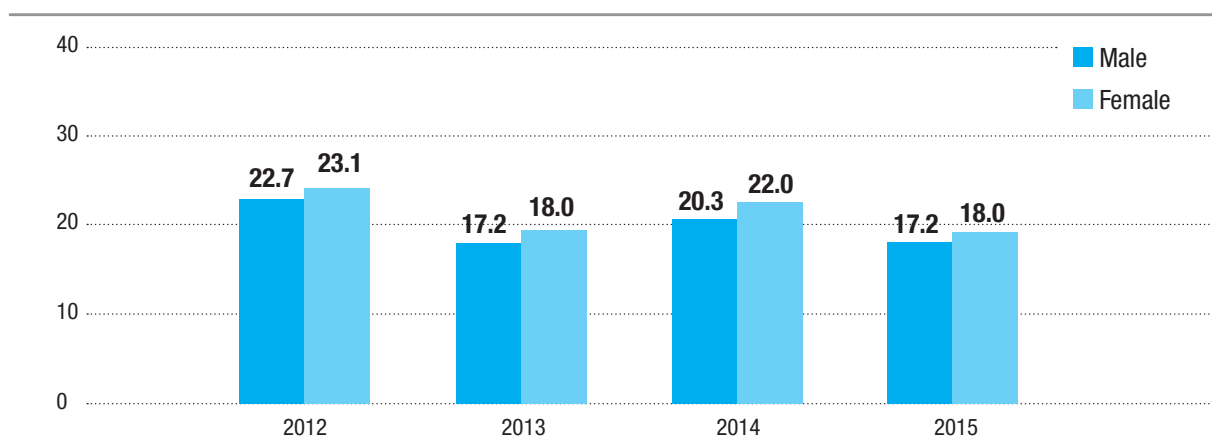


Figure 4 presents the relationship between poverty and gender of individuals. In 2015, 18 percent of females in Kosovo live in poverty in comparison to 17.2 percent of males, nearly a one percentage point difference. From 2012 to 2015 poverty rate declined slightly more for males than females (5.1 and 5.5 percentage points respectively).

Table 6: Poverty headcount rate and distribution of the poor by highest level of education completed (aged 15 and above) (%) 2012-2015

Source: HBS 2012-2015

Household size	Poverty Headcount Rate (%)				Distribution of Poor Population (%)				Distribution of Population (%)			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Didn't complete primary	36.7	20.6	29.7	22.9	18.2	12.6	17.1	14.3	10.8	10.2	11.1	10.3
Primary	24.5	19.9	21.7	18.8	45.8	46.8	41.7	40.7	40.9	39.3	37.2	35.8
Secondary or vocational	18.2	15.5	17.0	15.7	33.3	37.2	36.6	41.0	40.0	40.3	41.6	43.2
Tertiary	7.2	5.6	8.7	6.2	2.7	3.4	4.6	4.0	8.3	10.2	10.2	10.7

Consistently across years 2012 to 2015, less educated individuals tend to be poorer than more educated ones (Table 6). Poverty rate of individuals who did not complete primary education is 22.9 compared to 6.2 percent for those who have completed tertiary education. In 2015, more than half of individuals aged 15 and more years that completed less than primary education live in poor households, compared to 4.0 percent of individuals with university degrees. About 40 percent of the poor possess less than secondary education.

Table 7 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. With regard to the composition of the poor population it can be noted that nearly one-third of poor adults are disabled persons and about 30 percent are pupils/students. Poverty rates appear to be lowest among full time employees, as well as self-employed and farmers, and highest among those employed occasionally or disabled.

Table 7: Poverty incidence and distribution of the poor by main activity of individuals (15 years and above) (%), 2012-2015

HBS 2012-2015

Main activity	Poverty Headcount Rate				Distribution of the Poor				Distribution of Population			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Employed, full time	12.0	9.2	12.0	9.3	8.8	8.5	9.2	8.3	16.1	15.9	15.4	15.3
Employed, occasionally	32.8	29.0	29.6	26.0	6.5	5.8	4.8	4.1	4.3	3.4	3.2	2.7
Farmer	33.5	12.0	16.7	7.0	5.1	2.0	1.8	1.0	3.3	2.9	2.1	2.5
Other self-employed	11.3	11.0	8.1	10.4	2.2	2.1	1.4	2.3	4.3	3.3	3.4	3.7
Pupil/ Student	22.9	18.8	20.3	18.2	16.8	30.6	27.3	28.1	17.0	28.1	26.9	26.4
Retired	22.2	11.6	14.6	14.0	11.2	6.8	7.4	8.7	11.0	10.1	10.2	10.6
Disabled	26.3	24.2	27.1	23.5	27.1	27.7	31.6	32.4	22.6	19.7	23.3	23.5
Unemployed	22.1	16.9	19.9	16.7	17.5	14.1	12.5	12.0	17.4	14.3	12.5	12.3
Overall	22.9	17.6	21.1	17.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: The following categories are not reported due to small cell size (less than 2 percent of population) – unpaid family worker, housekeeper, other, employed part time, and employer.

Figure 5: Poverty headcount by location for overall population and children aged 0-18 years (%) 2012-2015

Source: HBS 2012-2015

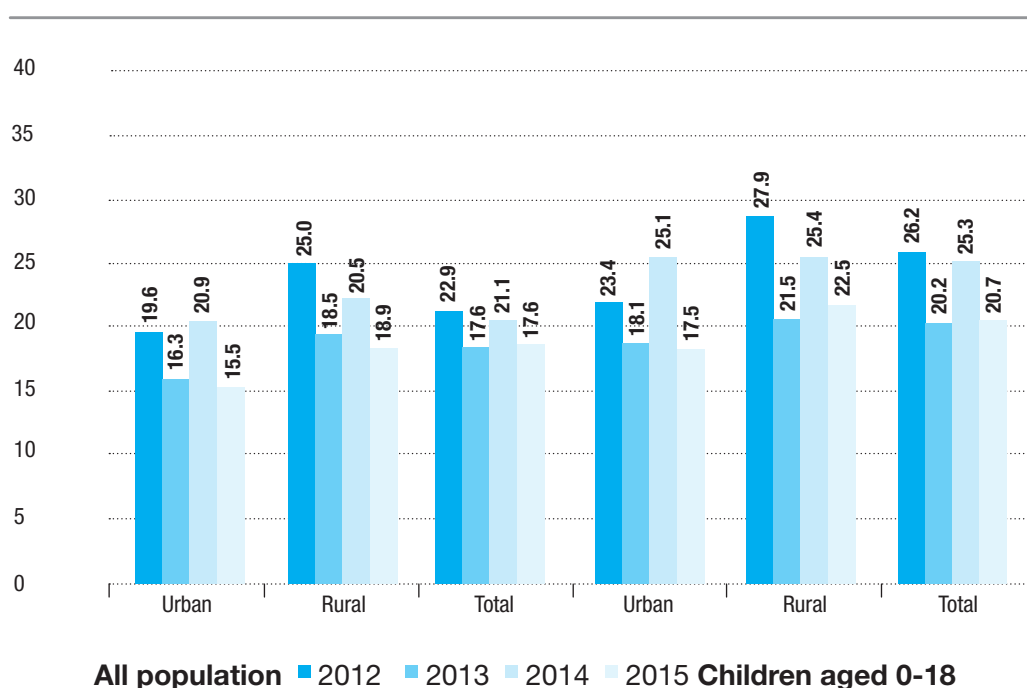


Figure 5 presents information on poverty among children, where a child is defined as any person up to and including 18 years of age. Children are more likely to be poor than the general population. The overall poverty rate for children in 2015 was 20.7 percent compared to 17.6 percent for the whole population. The poverty rate for children declined by 5.5 percentage points from 2012 to 2015, whilst it declined by a slightly lower rate for the whole population (5.3 percentage points).

Figure 6: Extreme poverty headcount by location by overall population and children aged 0-18 years (%) 2012-2015

Source: HBS 2012-2015

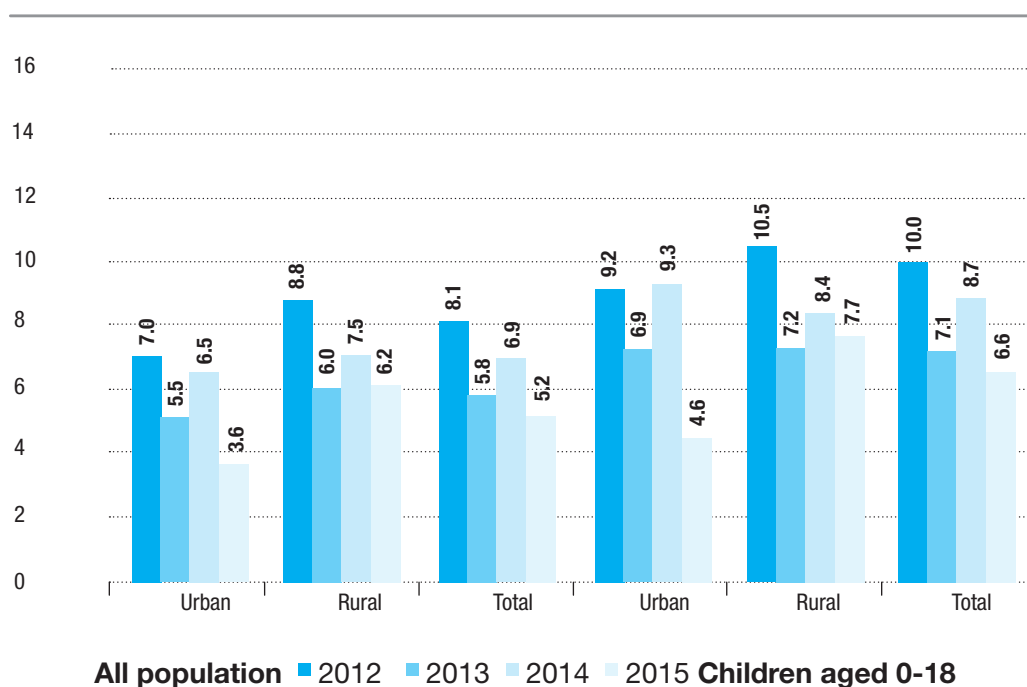


Figure 6 presents information on extreme poverty among children. Children are more likely than others to be in extreme poverty. Their overall poverty rate in 2015 was 6.6 compared to 5.2 for the whole population. Compared to 2012, the extreme poverty rate for children in 2012 was lower for 3.4 percentage points.

Tables 8 and 9 present poverty and extreme poverty rates for different household types. Overall, households without children have a lower poverty headcount than those with children, and the headcount increases with the number of children in the household.

Table 8: Poverty rate by household type (%) 2012-2015

Source: HBS 2012-2015

Household type	2012	2013	2014	2015
No children	15.9	13.0	13.3	13.4
With one child	22.6	16.1	19.4	16.8
With two children	27.8	20.0	21.3	18.3
With 3 or more children	25.2	20.8	29.4	22.2
Overall	22.9	17.6	21.1	17.6

Table 9: Extreme Poverty rate by household type (%) 2012-2015

Source: HBS 2012-2015

Household type	2012	2013	2014	2015
No children	4.6	4.1	3.7	4.2
With one child	6.5	5.0	5.9	3.7
With two children	10.3	5.6	7.4	4.3
With 3 or more children	10.1	8.0	10.2	8.0
Overall	8.1	5.8	6.9	5.2

METHODOLOGICAL ANNEX: SAMPLE DESIGN AND WEIGHTS COMPUTATION

Summary of Sample design for HBS 2012-2015

Kosovo was subdivided into enumeration areas (EAs), which are relatively small operational segments defined for the census enumeration. A total of 4,626 EAs were defined for Kosovo, and these were used as the primary sampling units (PSUs) selected at the first sampling stage for the HBS. The overall average number of households per EA in the sampling frame was 67; the average size of the urban EAs (103 households) was almost twice that for the rural EAs (53 households). One census enumerator was responsible for enumerating the households and population in each EA. KAS used the 2011 Census data to compile a sampling frame of EAs that was used for selecting the HBS sample. Kosovo is divided geographically into seven regions. KAS uses these seven regions for stratifying the sampling frame and for reporting the results from their household surveys. Each region is divided into municipalities, which are further subdivided into towns or localities. The EAs were defined within the smallest administrative units. Each EA was classified as urban or rural, and this classification was used for defining sampling strata within each region.

At the time of the 2011 Census, KAS was not able to conduct the census enumeration in three municipalities in the North (Leposaviq, Zubin Potok and Zveçan) as well as part of the municipality of Mitrovica, which have a high concentration of Serbian population. For this reason the final results from the 2011 Kosovo Census exclude the households and population in those areas. However, KAS had previously defined EAs for those areas, and these EAs had been listed in 2008 (in the case of a master sample of 1,000 EAs for the national household surveys) or in 2009 (for the remaining EAs). Therefore KAS was able to use the previous information for the EAs excluded in the 2011 Census, to complement the frame for the rest of Kosovo with census information. A total of 257 EAs in the Northern municipalities are in the frame with information from the 2008/09 listing. These EAs are integrated with the EAs for the rest of Kosovo with information from the 2011 Census, for a total of 4,626 EAs in the combined frame.

The HBS primary sampling units (PSUs) are taken from LFS sample. At the first stage a sample of 300 EAs was selected with PPS within each stratum (region, urban/rural) and at the second stage a sample of 12 households was selected in each sample EA which means 8 are used as regular households and 4 as reserve households.

General methodology for calculating the weights

In order to ensure that the HBS sample estimates represent the population, sampling weights must be applied. The basic weight for each household in the sample is equal to the inverse of its selection probability (it's calculated by multiplying the probabilities at each stage of sampling). Selection probabilities are based on a two-stage sample design. In the first stage the sample of EAs was selected with the probability proportional to the size within each stratum (region, urban / rural), and in the second stage a sample of 8 households was selected in each sample EA. Based on this sample design, the probabilities of selection for the households in each sample EA can be expressed as follows:

$$p_{hi} = \frac{n_h \times M_{hi}}{M_h} \times \frac{m_{hi}}{M_{hi}}$$

n_h = number of sample EAs selected in stratum h for the HBS

M_{hi} = total number of households in the sampling frame for the i -th sample EA in stratum h

M_h = total number of households in the sampling frame for stratum h (that is the cumulated measure of size for the stratum)

m_{hi} = number of sample households selected in the i -th sample EA in stratum h

The basic sampling weight is calculated as the inverse of this probability of selection. Based on the previous expression for the probability the weight can be calculated as follows:

$$W_{hi} = \frac{M_h}{n_h \times M_{hi}}$$

where:

W_{hi} = basic weight for the sample households in the i -th sample EA in stratum h

It is important to adjust the basic weights for the sample households to take into account the nonresponse of households in each sample EA. Since the weights are calculated at the level of the sample EA, it is advantageous to adjust the weights at this level. The final weight (W'_{hi}) for the sample households in the i -th sample EA in stratum h can be expressed as follows:

$$W'_{hi} = W_{hi} \times \frac{n_h}{n'_h}$$

where:

n'_h = number of sample EAs with completed interview in stratum h for the HBS.

Since 2013 to 2015, there the final weights has been calculated using the adjustment factor.

For the 2015 HBS weights was calculated as follows:

$$AHBS = \frac{H_{2014}}{H_{2015}}$$

where:

H_{2014} = total number of households for Kosovo from the last year (2014)

$\hat{H}_{2015} = \sum_h \sum_i W'_{hi} = xn_{hi}$, weighted estimate of households of Kosovo from 2015 HBS data adjusted for nonresponse

xn_{hi} = number of households in the i-th sample EA of stratum h in the 2015 HBS data.

The final 2015 HBS weights were calculated by multiplying the basic weight adjusted for nonresponse by this households adjustment factor, as follows:

$$W''_{hi} = W'_{hi} \times A_{HBS}$$

where:

W''_{hi} = final adjusted weight for the sample households in the i-th sample EA in stratum h.

For further information please contact:

T: +381 38 200 31 143

E: infoask@rks-gov.net

Publisher:

Agency for Statistics of Kosovo
Zenel Salihu Str., No. 4 Prishtina, Kosovo

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