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## «WHAT A WEALTH OF DATA IS WAITING TO BE EXPLOITED!»: SOCIAL SCIENTISTS' USE OF WORLD BANK'S POVERTY REPORTS ON UKRAINE

*For a social scientist interested in poverty in Ukraine, the World Bank would be one of the first reference points, since it is an important source of aggregate data, ranging from GDP per capita and the percentage of households below the poverty line, to the main determinants of poverty (such as age, gender, family composition, education, health, employment or geographical location). Nevertheless, while being helpful for social scientists as a starting point in their poverty research, the nature and the aim of World Bank's reports also have limitations that need to be taken into account. This paper explores the «strong» and the «weak» sides of these reports from a perspective of their potential use by social scientists. In particular, attention is drawn to such issues as methodology, data analysis and possible biases in explaining statistical results.*

### Introduction

For a social scientist interested in poverty in Ukraine, the World Bank would be one of the first reference points, since it is an important source of aggregate data, ranging from GDP per capita and the percentage of households below the poverty line, to the main determinants of poverty (such as age, gender, family composition, education, health, employment or geographical location). The World Bank spends significant resources to measure poverty in different parts of the world, and has large datasets at its disposition, that are not always available to individual researchers. It would be very difficult to proceed with any kind of social research or policy advice without accurate numerical information about population size and composition, socioeconomic inequalities, health and wellbeing, economic development, etc [10, 1].

Nevertheless, while being helpful for social scientists as a starting point in their poverty research, the nature and the aim of World Bank's reports also has limitations that need to be taken into account. Many of the conclusions the World Bank has made in its poverty report on Ukraine were either quite predictable with previous discussion in other literature on poverty, or very superficial, lacking a deeper analysis or data to back them up. The World Bank had a chance to use the data from its household survey in many other ways than simply establishing a correlation between poverty and socio-demographic characteristics. It could have looked at consumption patterns, survival strategies, calorie intake, or nature of non-food consumption. Furthermore, it has not used the results of its qualitative anthropological study or surveys available from other sources to the fullest.

This paper explores the «strong» and the «weak» sides of these reports from a perspective of their potential use by social scientists. In particular, I will focus on such issues as methodology, data analysis and possible biases in explanation of statistical results that social scientists need to be critical of. The case studies that I propose to look at are two poverty reports on Ukraine, written at an eleven year interval - in 1996 and 2007.

### Poverty in Ukraine (1996) and Ukraine: Poverty Update (2007)

The World Bank's report «Poverty in Ukraine» (1996) was based on the household survey of income and expenditure of 2024 households (6239 individuals), a labor sector study, and an anthropological study of poverty, conducted in 1995. One of the leading and most trusted Ukrainian social research institutes (Kyiv International Institute of Sociology) conducted the survey, giving the report extra credibility. It is representative of the entire Ukrainian population and has a high response rate of 84 % [3]. The World Bank's report «Ukraine: Poverty Update» (2007) was conducted by the Ukraine Institute for Demography and Social Studies, using similar methodology for «poverty headcounts» as in 1996 (and as used by World Bank in its other studies the world over), but excluding the anthropological study. (In fact, the results of this study were not presented in detail in the 1996 report, but were analyzed in a separate publication. Therefore, I will only focus on the (comparable) statistical part of both reports, only briefly stopping at the possible advantages of considering the results of its 1996 anthropological study in more detail).

## 1. Empirical results

The World Bank's reports on poverty in Ukraine present data on the correlation between different socio-demographic characteristics and poverty. While I cannot describe all results in detail, I will only give examples that open up interesting opportunities for further research:

a. According to World Bank's survey, 29,5 % of Ukraine's population fell below the poverty line in 1996 and this figure fell to 8 % in 2007. World Bank attributes this decrease in poverty to economic development and government «hand-outs» to the poor. At the same time, other studies show that subjective self-identifications of the people as poor have not decreased as dramatically. This raises a question of a change in living standards over the last ten years and on the difference between «objective» and «subjective» criteria of poverty, since (as the World Bank rightly admits) poverty is a «multidimensional phenomenon, and monetary indicators of well-being do not cover all of them» [12, 10].

b. Both in 1996 and in 2007 the most important factor in explaining poverty according to World Bank was family composition, where households with dependent children were poorer than country's average. Households with no participants in the work force were poorer, than those with working members, although many workers were also poor, since they were receiving salaries that were too low to sustain their families (hence, a weak correlation between poverty and unemployment) [12, 21]. These indicators show potential for further research of «poverty in a growing economy» [13] where economic growth does not always translate into better living standards for some categories of «working poor» and economically inactive categories (mothers with young children or elderly), dependent on government support.

c. Weak correlation between poverty and other indicators, such as housing and household durables leads to further questions on living standards and consumption. The quality of life, including the kind of housing and furniture each household has, expenses on education, medical care or traveling tell us a lot about the nature of poverty. For example, similarly to the study of the rich, the poor and the middle class in Russia, one could analyze the presence of different kinds of property and durable goods, and the purchase of new goods by different social categories [5, chapters 6 and 13], or the growth of leisure activities that demand money input among the rich [5, 65].

d. Geographic differences in the incidence and nature of poverty is another area that could be given more attention. For example, in the 1996 Report one can read that «poverty is lowest in the South... reflecting the advantage of a more temperate cli-

mate» [12, 20] and highest in the East because of the «industrial slump» there. However, United Nations Development Program [11] suggests that thanks to their industrial potential Eastern regions have the highest GDP per capita compared to other regions in Ukraine, and have simply not been able to «translate their income advantage into the lives of their people» [11]. On the contrary, the 2007 report states that «poverty rates were highest in rural areas and in the south and west. The rate was low in Kyiv, and relatively low in the east» [14]. It is interesting to focus on this regional dimension of poverty, and why the situation changed so dramatically over ten years.

e. Since work in the informal sector is an important source of income for Ukrainian households, it is useful to focus more attention on the role of this unofficial income or at the different «survival techniques» of Ukrainian poor. The World Bank (despite having had all the necessary information from the household survey) described it in very general words: «many people engage in petty commerce», «many Ukrainians consider selling something for profit as "speculation"», «sharing can be an effective coping mechanism», etc [12, 25]. Social scientists should look for statistical data to back up these statements, for further references or quotes from ethnographic research.

## 2. Difficulties with «measuring poverty»

Methodologically, the World Bank used quantitative methods, focusing on just one indicator - the poverty line (which itself is a relative figure that could be measured differently). Therefore, between-method triangulation is appropriate in further research of poverty, since «the flaws of one method are often the strengths of another, and by combining methods, observes can achieve the best of each while overcoming their unique deficiencies» [4, 244]. In 1996 the World Bank has supplemented its quantitative data with results of an anthropological study of poverty, which is a good attempt to overcome the limitations of using a single method and of the very task of «measuring» poverty. Milanovic, one of the leading experts on poverty in Eastern Europe, argues that surveys carried out before transition underestimated the level of poverty, while in the 1990s it was overestimated, since some dramatic changes in the economy (such as expansion of the informal sector) were not reflected in household surveys [7, 67]. Clarke [3] adds that in household budget surveys carried out in Eastern Europe incomes are often under-reported and the scale of domestic production and private transfers is very high, with expenditures being considerably higher than money income: «With quantitative data of dubious

quality, low levels of income and expenditure and a marked clustering of households around the putative poverty lines, poverty headcounts tell us very little».

One of the factors that make the poverty line very relative is the difference between earnings and expenditures, which is especially high among the poorest households. Volodymyr Paniotto, director of the Kyiv International Institute of Sociology that conducted the survey, notes that in the lowest income group (lowest 10 %) in 1996 reported incomes were 13 times lower than expenditures [6]. In this situation one cannot know how much money people are really spending and what things they don't report as expenditures. For example, Paniotto cited one of the respondents who participated in a household budget study and said that she regularly uses washing detergent. Later, when this same respondent took part in a focus-group, it turned out that the neighbors merely leave soapy water to that family to use for laundry [6].

World Bank's figures, even though they capture the objective side of poverty, can not be taken out of the social context in order to generalize about the nature of poverty in society. For example, the World Bank notes that «poverty is not quite as serious in Ukraine as in Russia, but it is much more serious than in Poland» [12, 1]. It also notes that «a proportionate 20 % increase in per capita consumption would result in a 34 % decline in the number of households below the poverty line» [12, 2], without taking into consideration that in this case the living standards would probably change and the poverty line could also increase. By doing such comparisons with other countries, or by looking at the situation in Ukraine in historical perspective, one always needs to remember about the social context from which these figures were taken, and that no statistics will give us a full picture of the situation. World Bank's statistical data on poverty cannot tell us much about the real scope of poverty and the subjective side of the problem - how people feel about their situation, how deprived they are of the necessities that are adequate in Ukraine, how do the poor locate themselves in society compared to other social groups, etc. As Bourdieu [1, 4] notes, «using material poverty as the sole measure of all suffering keeps us from seeing and understanding a whole side of the suffering characteristic of a social order». Qualitative methods and surveys that deal with subjective sides of poverty are much more helpful in this case.

### **3. «Qualitative flesh on quantitative bones»**

Considering all the limitations of the quantitative research, World Bank's attempt to use qualita-

tive data in its 1996 report could have been one of its strong sides. The resources the World Bank spent on this research must have been quite high, as 500 families were interviewed, each interview lasting for an average of three hours. The World Bank acknowledged the contribution of these families at the very beginning of the report: «Profound thanks are owed... to the 500 families who participated in the anthropological study of poverty that puts qualitative flesh on quantitative bones. By allowing interviewees into their lives, these families have made it possible to analyze poverty in Ukraine with a thoroughness and richness that was impossible in the past» [12].

Thanks to the anthropological study, conducted by the World Bank simultaneously with its household survey, it was able to reveal qualitative differences between rural and urban poverty [12, 19] or between transitory and structural poverty [12, 24], and in the differences in access to services and quality of life among the poor and non-poor households [12, 23].

However, the resources were not used to their fullest. Only 9 descriptions from the anthropological study were provided (inserted as little boxes - without sufficient explanation of the findings). For example, one of the important conclusions that the World Bank makes from its anthropological data is the need to look at how the poor describe their situation. In its anthropological study some of the households described themselves as poor, and others - as destitute, and that in the latter case sometimes they «cited hunger as the worst aspect of their lives» and «subsisted solely on bread, milk and tea». Even though the World Bank admits that «self-assessment helps one understand what it means to be poor in Ukraine» [12, 11] it only uses quantitative measures, based on reported per capita consumption. It does not answer the questions of how wide-spread was this self-assessment as «destitute» in the anthropological study, does it correlate in any way with the reported per capita consumption, who are these people who don't even have enough to eat? Considering the number of interviews, it remains unclear why the World Bank did not make more use of them, and why it failed to triangulate its quantitative findings with qualitative data, to get a fuller picture of poverty in Ukraine (although the World Bank did publish its anthropological results elsewhere).

### **4. Separating science from ideology**

Simply presenting the findings of a survey on poverty is rarely an end in itself, but a means used to advise on certain policy measures. But in such case statistics risks being used by «demagogues of all persuasions who are always in a hurry to con-

firm the apparent expectations of individuals who do not always have the means of identifying their real needs» [1, 619]. The World Bank uses material indicators of poverty to suggest social policy programs, saying for example, that since some of the pensioners are above the poverty line it is not a good idea to raise pensions [12, 18], that raising minimum salary will make poverty worse [12, 12], or that social payments are already very high and future decrease in poverty should come from increased productivity rather than government handouts [14]. It is not my task to argue here whether these proposals are an «effective» way to decrease the number of Ukraine's poor, but only to say that World Bank's own data could be used as evidence to support opposite claims (for example, to speak of the *positive* effect of raising pensions, wages for the working poor and other social benefits, as in the following passage: «The poverty rate in Ukraine fell from a high of 32 percent in 2001 to 14 percent in 2004, and then again to 8 percent in 2005. Generous increases in public sector wages and transfers played an important role. In addition to large increases in average pension payments, a sharp increase in childbirth assistance introduced in 2005 improved the situation of households with children» [14]. For a social scientist it is important to be critical of the biased conclusions that the World Bank makes from its data, but not to «throw the baby out with the bathing-water», instead carefully separating scientific knowledge on the subject from ideological conclusions made by policy advisors.

### 5. World Bank's poverty studies in the context of other poverty research in Ukraine

The World Bank was the first to produce a report dedicated specifically to the problem of poverty in Ukraine. In 1996 it complained that «Ukraine is behind other European countries, and even neighboring countries, in the analysis of poverty» [12, 10] while in 2007 it noted significant improvement in this issue and spoke of Ukrainian scholars' strong capacities in researching poverty - in research conducted by the State Statistics Committee and independent research institutes alike. I would like to add a social scientist would benefit from supplementing World Bank reports with the data available from the Institute of Sociology of the National Academy of Sciences of Ukraine, or statistics from the Ukrainian Centre for Economic and Political Studies, who have been doing yearly monitoring of the social, economic and political situation in Ukraine, as perceived by its citizens. Although, neither of the above-mentioned institutes conducts special surveys to measure poverty, many questions deal with subjective

sides of poverty and self-perception of individuals' position in society, and their surveys are usually of high quality and representative of the adult population of Ukraine.

Furthermore, even with the data of the World Bank household surveys it is possible to go deeper than a simple poverty headcount. For example, one could look in more detail at consumption patterns: the share of expenditures on food and non-food items, calorie intake, etc (considering that World Bank's reports are based on household budget surveys, and this type of surveys provides an impressive volume of data on these questions [8, 19-20]. There is a detailed report by Revenko [9] on consumption patterns in Ukraine, based on the household budget study, conducted by the State Statistics Committee a year after World Bank's 1996 study. Although this report is not representative of Ukraine's population as a whole, and has other drawbacks compared to the World Bank's report, it shows some interesting findings about the types of goods purchased by households and the amount of in-kind expenses, the substitution of the more expensive kinds of goods by cheaper ones in poor households, and food consumption, especially calorie intake, with almost a quarter of the urban population in Ukraine having a calorie deficient diet. This is a very important indicator of poverty, and can explain other tendencies related to poverty, such as the spread of tuberculosis.

### Conclusions

Despite its numerous achievements in defining and measuring poverty in Ukraine, the World Bank's report has several flaws. First of all, as with all quantitative research, none of its statistics has any meaning per se - even though the findings deal with the objective side of poverty, they can be interpreted very differently. Secondly, measuring poverty in post-soviet countries is a difficult task, and poverty headcounts will always be imprecise. The World Bank has met its goal in answering what characteristics are highly correlated with poverty, but besides simply «counting» the poor, social scientists should try to describe the poor and explain the reasons for the current situation, that is best done by triangulation of research methods.

Looking at the positive sides, the World Bank is considered an «expert» organization as far as questions of poverty in different parts of the world are concerned. It has conducted good household surveys in Ukraine and provided some interesting and important statistics. World Bank's reports provide a good starting point, allowing the social scientist to focus on more precise questions and to research in greater detail the interesting tendencies that the World Bank's studies help uncover.

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### **«ЯКЕ БАГАТСТВО ДАНИХ ЧЕКАЄ АНАЛІЗУ!»: ВИКОРИСТАННЯ ЗВІТІВ ПРО БІДНІСТЬ СВІТОВОГО БАНКУ ВЧЕНИМИ СУСПІЛЬНИХ НАУК В УКРАЇНІ**

*Для науковця, який займається питаннями бідності в Україні, дослідження Світового Банку є однією з точок відліку як важливе джерело агрегованих даних, починаючи від ВВП на душу населення і відсотка населення за межею бідності і закінчуючи основними детермінантами бідності, такими як вік, гендер, сімейний склад, освіта, здоров'я, зайнятість чи географічне положення. Однак природа і завдання звітів Світового Банку накладає також деякі обмеження, які слід врахувати. Уданій статті проаналізовано сильні й слабкі сторони цих звітів із перспективи їх можливого використання соціологами. Зокрема, увагу приділено таким питанням, як методологія, аналіз даних і можливі упередження у поясненні статистичних результатів.*