

### 3. Methodology of the Survey

To study living standards of the population, poverty, its structure and causes in transition period, two-stage survey of households in Armenia was carried out under technical assistance of the World Bank.

First stage of the survey, i.e. collection of data, was carried out within a month, from November 15 to December 15 1996. Sample universe includes 5040 households, and self-weighted sample covering all the territory of the republic was built-up. The probability of being covered has been equal for each household. The outcomes were published in “Social Snapshot and Poverty: National Report”, Ministry of Statistics, State Register and Analysis, Yerevan, 1999).

The second stage, i.e. integrated household survey was conducted within twelve months between July 1 1998 and June 30 1999. One of the objectives of the second stage has been adjustment of seasonality impact on the consumption of food items reflected in the first stage. The sample size comprised 3600 households for a year. According to the sample, the survey covered 15 clusters per month. Cluster is a primary territorial unit of a sample. Each cluster covered 20 households, i.e. 300 households per month. The survey has been carried out on the basis of clusters (unit of sample) according to the principle of household monthly rotation.

#### 3.1. Sample Structure

Two-stage random sampling has been used to build up sample universe. At the first stage, 180 clusters were selected by random sampling method according to the stable step of universe population. Clusters in rural areas and 23 small towns have been equalized to the village and town. In five cities double clusters were selected; in two of the surveyed cities triple clusters were selected; 11 in Giumri; 6 in Vanadzor; and 53 in Yerevan. In Giumri, Vanadzor and Yerevan a cluster has been recognized the spaces under district communal management units or those outside their authorities. Thus, sample has included 104 settlements, including 33 cities and 71 villages. At the second stage, 20 households were selected from the list of households included in each cluster.

#### 3.2. Structures of the Questionnaire and Diary

The outcomes of integrated household survey allow for compilation of general picture of the households standing, because the information has been collected on all aspects of living conditions of the population. The Integrated Household Survey questionnaire consists of 14 parts, including:

1. Household register
2. Dwelling conditions
3. Employment
4. Migration
5. Education
6. Agriculture
7. Self-employment (other than agricultural)
8. Monetary and in-kind flows of households
9. Health
10. Savings and borrowings
11. Subjective evaluation of living standards

12. Social capital
13. Social programs
14. Social assistance

The “Household Register” envisions:

- definition and accounting household members;
- collection of basic demographic data on household members and identification of relations between household members.

The part of “Dwelling conditions” contains data distributed by type, size and communal facilities of the dwelling concerned. These descriptors usually reflect socioeconomic condition and living standards of population.

Education often reflects the decisive indicator of behavior of a person in and outside his family.

Like education, health condition is a priority and very important indicator of living standard for certain people.

Daily recording by households in their diaries has been used to collect the basic indicators (such as household incomes, expenses and consumption) serving as a comparison basis for identification of poverty (well being). The main parts of the diary are:

1. Purchase of food and beverages for consumption
2. Food consumption at home
3. Food consumption outdoors
4. Purchase of goods and services
5. Household incomes
6. Purchase of durable goods in the course of 12 months
7. Annual food consumption (including items purchased, prepared, home cultivated, received, etc.).

48 interviewers who have taken special training courses conducted the interviews of households during 12 months. According to the survey methodology, each interviewer paid four mandatory visits to a household per month. This has been exercised in order to alleviate the burden placed on the interviewed, as well as to assist them to fill in the diaries. 11 supervisors carried out logical check-up of the data stipulated in the questionnaires and diaries. When necessary, the questionnaire or the diary was returned to the household through the respective interviewer with the objective of their correction and clarification. Further to data entry, its massive has been checked and adjusted to result in the database for 3600 households.

### **3.3. Living Standard Indicators**

In selecting the indicators for assessment of living standards, the priority was granted to such values that are estimated on the basis of more stable and reliable data recognized as such by virtue of accumulated international experience.

Preconditioned by seasonality and other factors, the volatility of incomes accompanied by existence of informal and illegal activities and practices, as a rule, is displayed through inclination to unwillingness to declare (i.e. to conceal) true income data by households. To this end, a main indicator of living standard has been selected to be the one for current

consumption rather than that of current incomes. Current value of consumption, in comparison to the income indicator, is a more stable and precise indication of living standard in almost all the surveys.

Current consumption indicator consists of the following constituents:

- value of consumed food items, irrespective of their source and/or the type of acquisition (purchased, household-grown or prepared, received as gift, or in-kind salary);
- value of purchased industrial goods and payable services
- value of free industrial goods and payable services.

### **3.4. Defining Poverty Line**

Composition and structure of actual consumption basket as identified on the basis of the outcomes of the 1996 Household Survey has been used in order to define the poverty line. As back in 1996, there currently exists officially approved minimum consumption basket, which can serve as poverty benchmark. Application of the composition and structure of the minimum consumption basket identified in the first stage of the 1996 survey will enable the changes that took place in living standards of the population between 1996 and 1999.

The basis of minimum consumption basket is the food basket. The part of the basket containing consumption of industrial goods and services in 1996 was drawn structurally, in other words, 61.3% of the basket was represented by food items with 38.7% share of industrial goods and services.

The value of actual food basket in 1996 prices totaled dram 6612 with actual consumption basket value of dram 10784 (USD 15.2 and USD 24.8, respectively). In 1998-99 average prices, the outcomes of the survey come to evidence the food basket value of dram 7194 with dram 11735 reflecting total value of the basket (USD 13.2 and USD 22.4, respectively). Changes in prices in consumption markets are inconsistent with changes in dollar exchange rate. Nevertheless, it should be mentioned that purchasing parity of 1 US dollar has increased 4.5% to the 1996 level.

### **3.5. Food and Absolute Poverty Lines**

24 types of food products most frequently used in all the decile groups have been separated with a view of calculation of the food line. Taking into consideration the fact that the basic poor portion of the population is concentrated in the 3-7 decile groups, the actual consumption of food products has been calculated on the basis of consumption thereof. It accounts for 2040 kilocalories on a per capita basis. However, according to recommendations of FAO (Food and Agricultural Organization of the United Nations) applicable to developing and non-rich countries, the minimum energetics per capita per diem equals 2100 kilo calories. Taking the said into consideration a recalculation was performed through re-weighting the selected food products. The so resulting food basket (expressed in-kind) was considered to be the minimum food basket, while the monetary expression of the latter is considered to be poverty food line.

In order to calculate general poverty line, the data of such households were used, whose expenditures for acquisition of food products were equal to or close to the value of actual minimum food basket. On the basis of the actual structure of such household expenditures separated in the above-mentioned manner, the expenditures for goods and services ratio was calculated.

Further, the value of actual minimum consumer basket was estimated on the basis of the proportion between food basket and expenses incurred on goods and services, and the monetary value of such minimum consumer basket has been recognized the poverty line.

### **3.6. Minimum Food Basket**

Decline in per capita incomes in the recent decade has diminished consumption volume and further deteriorated the food imbalance. Third of the population residing in rural areas consumes the majority of the own food produce. With regard to urban population, which represents the two third of total population, characteristic is creation of food reserves of seasonal nature.

The results of the Study show that more than 60% of the household current expenditures reflect expenses for food. This indicator reaches the level of 73% with extremely poor population, while it is 31% with most prosperous. Low-income families display low level of food products consumption and sharp food distortion. Very low is consumption of such nutritious products as meat, dairy products, fruits and vegetables.

It should be mentioned that minimum food basket has been compiled on the basis of actual food consumption in the studied period (1996). Approximately 65% of calories prescribed under the minimum food basket are exclusively attributed to bread and bread products. From the perspective of its structure, the food basket resembles “subsistence budget” characterized by consumption of low-value products (bread, potato) at the expense of high-value products (meat, dairy, fruits).