

The Effect of Adjustment For Household Size and Composition on Poverty Estimates in Russia

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Paper Abstract: The official poverty measurements in Russia are based on per capita welfare aggregate. We estimate equivalence scales and economies on household size in consumption by different methodologies ranging from consumption methods to subjective based methods. We also investigate the Engel curve for Russia which has not been studied before using parametric, nonparametric and semiparametric techniques. We show that using per capita approach gives a misleading picture of poverty since household welfare varies by size and composition. In particular, we demonstrate that ignoring the scales results in a relevant overstatement of poverty among large households and understatement of poverty among lone households. Taking into account the economies of scale in household consumption might affect both size and a profile of the groups targeted by anti-poverty programs.