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Developing Quick Expenditure Questions

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Motivation:
Why Measure Household Consumption Expenditure?

- How has the well-being of the poor evolved over time?

- How well insured are households against job loss? Disability? Major changes in the economy?

- How do consumption and saving respond to interest rates?

- Do tax-favored savings accounts generate net new savings?

- Do house price movements have a causal effect on consumer spending?

- How effective are tax rebates and other payments for fiscal stimulus?

- How can we have confidence in the models we use for macro policy analysis?

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Aren't Budget Surveys Sufficient?

- Limited information in other domains (health, employment, time use…..)

- Not longitudinal (often interested in *changes*)

- Some concerns with sustainability of budget surveys

  - Will budget surveys be able to continue to meet many needs?

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Response Rates and Coverage of Household Expenditure in National Accounts, UK and US budget surveys
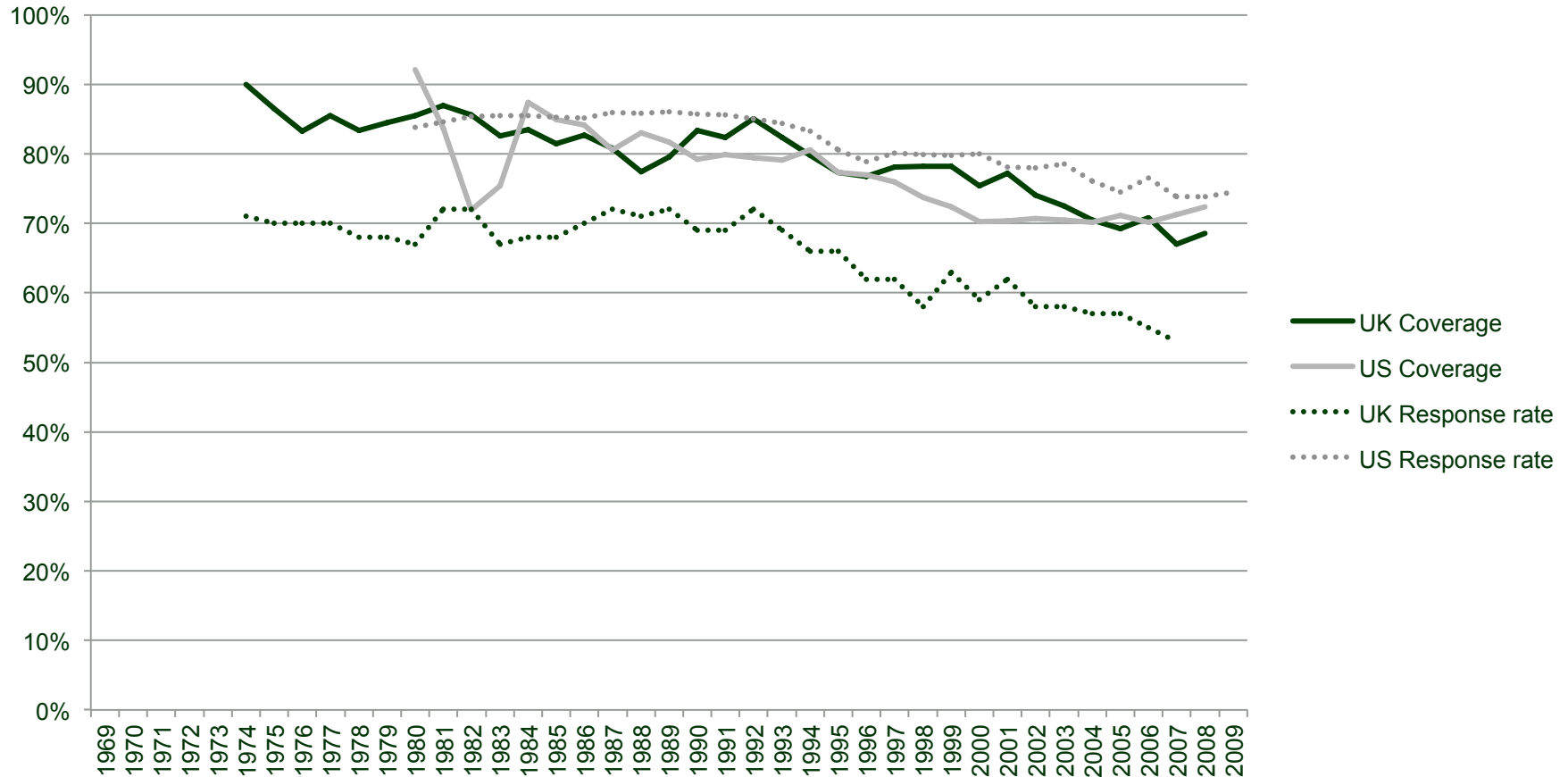
Source: Barrett et al. A comparison of micro and macro expenditure measures across countries using different survey methods, NBER Working Paper 19544

Possible Approaches

1. Administrative data.
   - Leading possibility is tax data on income and wealth.

$$x_{t,h} \approx y_{t,h} - \left[w_{t+1,h} - w_{t,h} \right].$$

2. Ask a subset of expenditure categories and impute total expenditure at the household level

3. Ask a subset of expenditure categories and estimate objects of interest directly (Browning and Crossley, 2009)

4. Capture total expenditure with a small number of questions in general social surveys (especially longitudinal surveys)

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Possible Approaches

1. Administrative/tax data.

   – Requires universal filing, collection of wealth data….

2. Ask a subset of expenditure categories and impute total expenditure at household level

   – Requires external information on spending relationships

3. Ask a subset of expenditure categories and estimate objects of interest directly

   – Requires external information on spending relationships

4. Capture total expenditure with a small number of questions in general social surveys (especially longitudinal surveys)

   – Our topic today

Quick Survey Questions to Measure Expenditure: Background

- Past experience with a 'one-shot' question in Canada, Italy, Spain, US, Netherlands:

  – High response rates (except for complex households)

  – Useful data, patterns align with budget survey data

  – Evidence of under-reporting

- Some trials of `breakdown' approach in web mode (US, Netherlands)

  – Evidence that a reconciliation screen or expenditure check improves the data

- We compared a 'one-shot' and breakdown approach in the first wave of the Innovation Panel of Understanding Society (IP1)

  – high response rates but evidence of very significant underreporting for the one-shot question

  – Cognitive testing suggested problems with the questions

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Design of the Current Project

- Focus groups to explore how households think about spending, feasibility of different approaches to collecting total household expenditure

- Consultation with experts

- Question development with two rounds of cognitive testing

- Testing in existing large scale social surveys
  - So far: UKLHS IP6
  - A `one-shot' approach and a 'breakdown' approach

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Remainder of the Session:

- Results from the Focus Groups and Cognitive Testing (Jo and Margaret)

- Preliminary results from the IP6 experiment (Tom)

- Discussion

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IP6 Experiment – Context

- Understanding Society is a major longitudinal survey of UK households

  - 40,000 individuals (aged 10 and over) surveyed annually (mixed mode)

  - Broad range of content

  - Began in 2008. Follows on from (and incorporates) the British Household Panel Survey

- Separate *Innovation Panel* of 1500 respondents for testing and development

- Our experiment in Wave 6 of the Innovation Panel (IP6)

  - Fieldwork Feb-July 2013

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IP6 Experimental Design - Overview
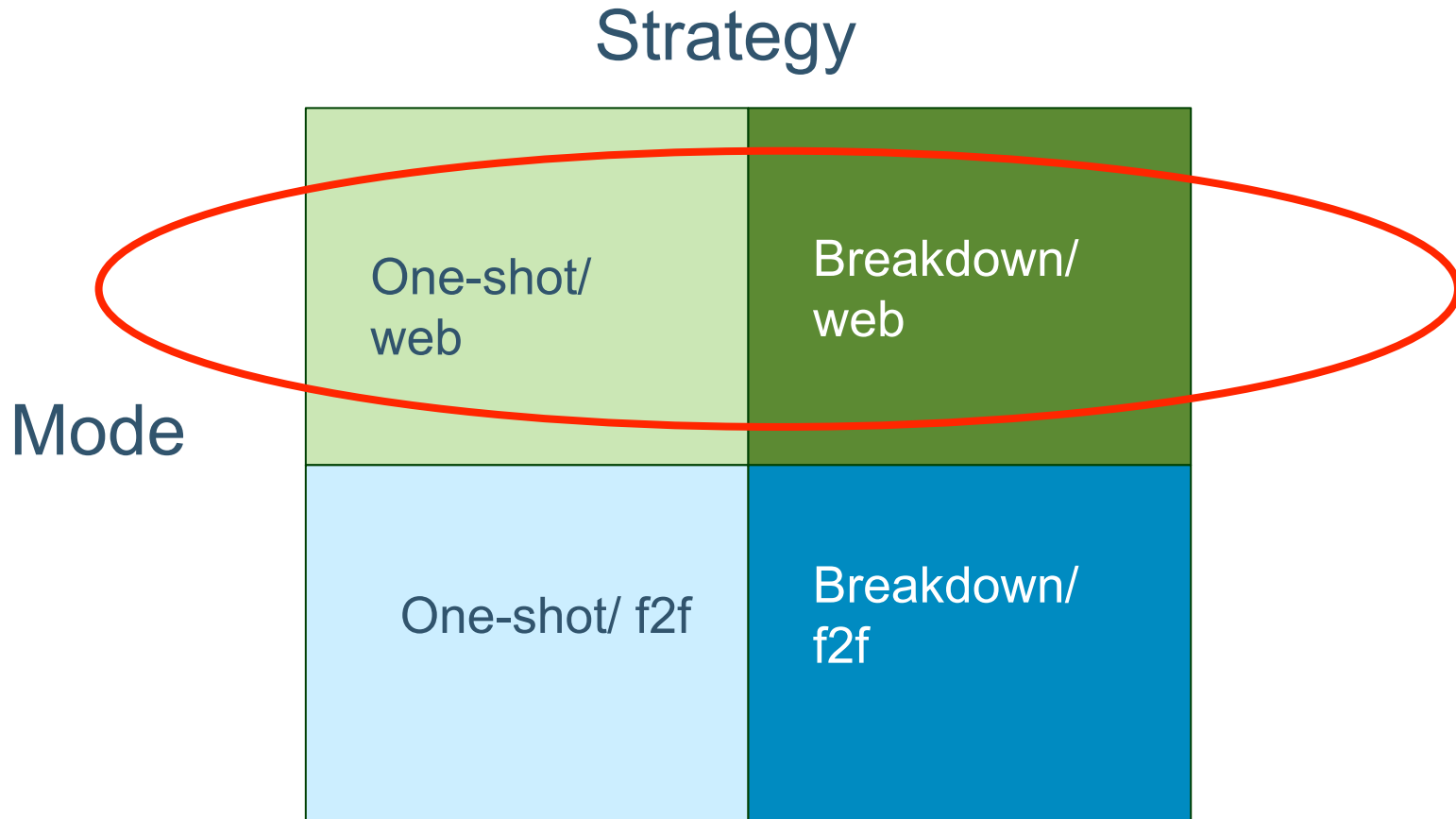
Question details are on your handout

IP6 Experimental Design – Additional Elements

- One-shot

  - Examples and exclusions shown underneath the answer box

  - Strategy: *How did you work out your answer to the spending question?*

  - Usual spending follow up: *Would you say your spending last month was: higher than usual, lower than usual, typical of a usual month's spending?*

  - If higher/lower: *how much do you [and X] spend on everything in a usual month?*

- Breakdown

  - Reconciliation: *So in total in the last month you [and X] spent [total] pounds. Does that sound right?*

  - If no: *How much did you [and X] spend in the last month?*

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IP6 Experiment – Item Response

	'One-shot'	'Breakdown'
n	233	203
Valid responses	195 (84%)	
Don't know	19 (8%)	
Refused	19 (8%)	
Valid responses - at least one category		189 (93%)
Valid responses – all categories		140 (69%)

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'Breakdown'– Item Response Detail

Number of responses	
13 Categories (all)	69%
10 or more	82%
At least one	93%

Highest item non-response	
Other	25%
Gifts	19%
Childcare	18%

- `refusals' exceed `don't knows' for all categories except `other'

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One-shot Question:
Last Month vs. Usual Month

	Initial respondents	Initial non-respondents
Higher than usual	35	7
Lower than usual	14	1
Typical of usual	146	27
There is no usual	0	1
Nonresponse	0	2
Total	195	38

	Last month	Usual month
n	195	197
mean	2260	1646
median	1600	1500
Std. dev.	4239	896

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One-Shot Questions: Strategies

(not mutually exclusive)	
Checked statements	28%
Added up categories	35%
Income minus saving	24%
Recall without checking	21%
Other	5%

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Breakdown Approach:
Responses to the Expenditure Check

	Yes	No	Nonresponse	Total
All 13 categories	135	5	0	140
1-12 categories	36	9	4	49
Total	171	14	4	189

	Before check	After check
n	189 (140)	183
mean	1840	1807
median	1520	1570
Std. dev.	1616	1265

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Comparing Approaches

	`One-shot'	`Breakdown'
n	197 / 233 (85%)	183 / 203 (90%)
mean	1646	1807
median	1500	1570
Std. dev.	896	1265

- Recent LCFS: average monthly *household* spend about £2040

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Conclusions So Far

- In web mode, and as designed and tested, the `one-shot' question seems to be as good as the `breakdown' design

  - Lower cost and burden

  - Response rate of break-down question reaches that of the `one-shot' question only if the expenditure check is included

  - Average `one-shot' report is not much lower, but lower variance

- Significant improvement from IP1

  - (mode?)

  - value of integrated approach

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Conclusions So Far

- Focus groups and cognitive testing suggest advantages of `one-shot':

  – Break-down more difficult for some respondents and more sensitive for some

  – For one-shot respondents can self-select an answer strategy

- Focus groups and cognitive testing also identified key improvements to the 'one-shot' question

  – Showing examples

  – Choice of response unit

  – Avoiding problem language (particularly around 'household' spending)

Thank you

If you want further information or would like to contact us:

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