THE LIVING STANDARDS MEASUREMENT STUDY (LSMS)

Report prepared by The World Bank
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1. The Living Standards Measurement Study (LSMS) is an effort on the part of the World Bank to design a system of data collection at the household and community levels that will serve the needs of policymakers and policy researchers. The LSMS was launched by the Bank in 1980 and is now collaborating in the fielding of two national surveys in the Côte d'Ivoire and Peru. This report briefly outlines the LSMS's objectives, reviews progress to date and discusses limits to the LSMS design.

2. The LSMS system has at its core two objectives: First, to act as a national level early warning system with regard to changes in living standards; second, to provide data necessary to analyze root causes of differences in living standards and to design policies for improving them. Both these characteristics have played key roles in determining the nature of the LSMS system.

3. The LSMS began its efforts to improve household and community data by undertaking an extensive and thorough review of two areas: (1) What data ought to be collected to measure and analyze differences in levels of living; and (2) why such data were in short supply in many developing countries. Several general findings emerged from this exercise:

4. First, surveys in developing countries were often designed to produce descriptive information in one or two areas (crop production, educational levels, fertility) but little else. Descriptive statistics are essential in identifying problem areas but in and of themselves provide only limited scope to explore alternative policies for achieving desired goals. Further, by the time data actually surfaced issues had changed and new questions were being asked. This led to considerable frustration among both producers and consumers of such data, and to an obvious waste of scarce financial and human resources.

5. The challenge raised by these concerns was to design a survey system that would produce quick and timely descriptive information and provide a good basis for in depth analysis of alternative policy options. Such a system should be able to accommodate the rapidly changing environment in which policy decisionmaking takes place and should be able to serve multiple users to improve the ratio of benefits to costs for survey operations.

These considerations led the LSMS team to advocate the collection of a broad spectrum of household data covering income generation, production, and consumption plus demographic and human resource characteristics for each household member. This household level data is to be supplemented by data on the communities in which interviewed households live to improve the survey's policy research potential.

1 This review is documented in the LSMS Working Paper series. Copies are available on request from the Living Standards Unit, Development Research Department, World Bank.
6. A second finding was that although considerable resources were being devoted to the collection of household data throughout the developing world very little of use to policymakers was being produced. A major problem area appeared to lie on the survey production side of the process: Many household surveys in developing countries were overly ambitious, under-managed, poorly documented and of indeterminate quality, with results released only after delays often measured in years.

A main objective set for itself by the LSMS team was to design a household survey implementation and management program for national statistical offices that at once produce high quality and timely data.

7. The complexity of data required to monitor living standards and especially to analyze differences in them is considerable. LSMS has, therefore, generally recommended that its survey and analysis program be used to provide national rather than subnational statistics. Put another way, while the LSMS system is capable of producing subnational statistics such statistics are not its principal objective.

8. Since regional statistics are often essential to government policymaking this means that the LSMS system works best as one element of a larger program of household surveys. As such, a Living Standards Survey can be a valuable input into the development of surveys to produce subnational statistics by allowing these large sample surveys to operate with shorter, more efficient questionnaires.

9. To provide Bank and host country policymakers with truly contemporaneous information, LSMS divides the dissemination phase of its survey operation into two parts. The first produces basic indicators of social and economic characteristics as quickly as possible. The second undertakes in depth analyses of current and future policy issues.

10. The LSMS is now in the midst of two full scale tests of its questionnaire and survey design recommendations. The first of these, the Côte d'Ivoire Permanent Household Survey (also known as the Côte d'Ivoire Living Standards Survey) is a collaborative effort between the Bank and the Government of the Côte d'Ivoire's Direction de la Statistique, Ministère de l'Economie et des Finances.

11. Five teams, each consisting of two interviewers, a supervisor, a data entry specialist, and a driver, interview 160 households per month (1600 per year) on a continuous basis for ten months out of the year. Teams are permanently located in regional centers and field work is scheduled so as to produce a representative cross section of the Ivorian population each half year (800 households) of operations. A preliminary statistical abstract based on the first half year of interviews was released in November 1985.

12. A second test of the LSMS model is now underway in Peru in collaboration with Instituto Nacional de Estadística (INE). This, too, is a national survey but it is not at this time planned as a continuous operation. Forty eight hundred households are to be interviewed between July, 1985 and June, 1986 by 15 teams also regionally
based. Data from the first 2,400 households are now available in machine readable form and a first round of descriptive tabulations is under preparation.

13. Although much remains to be done a number of lessons are already evident from these ongoing field operations. First and foremost the survey and data management system designed by LSMS staff works exceptionally well. Clean data in machine readable form are available within a matter of weeks after a particular household is interviewed.

14. Not only does the LSMS system produce data quickly it also produces data of high quality. One strength of a multitopic survey is that data quality can be thoroughly tested by comparing internal consistency of responses in different modules of the questionnaire. Both the Ivorian and Peruvian data hold up very well to these tests. And, at least for the Côte d'Ivoire LSS, sample based statistics (for example, total per capita consumption) generally compare favorably to external sources such as national accounts data.

15. The LSMS model has a number of components that will be of varying interest to the statistical community at large. The survey and data management components have been very successful and should have wide applicability in other types of household surveys. This success is due in no small part to the use of microcomputers in virtually every stage of survey design and operation -- from questionnaire design and revision to sample selection and interview allocation to data cleaning in the field.

16. It is worth noting that the microcomputers used in LSMS operations have held up remarkably well under quite difficult field conditions. Even in the event of a breakdown, their low initial cost makes them inexpensive to replace thus reducing the risk of bottlenecks due to computer downtime (in fact, once field operations began there were no failures among the roughly 15 microprocessors in Peru and the Côte d'Ivoire over a one year period).

17. The LSMS questionnaire remains an area of considerable controversy. It is long (four to six hours spread, however, over at least two and often more visits, and many household members) and complex, and often said to be unadministrable when first circulated in draft form. Field operations in Peru and the Côte d'Ivoire prove otherwise. With appropriate (and intensive) training interviewers are capable of administering such a questionnaire. And, as we indicate above data from the questionnaire more than pass conventional tests for quality. It is some indication of the value of good training that refusal rates in the Côte d'Ivoire are less than 5 percent and in Peru less than 4.5 percent (this includes both first and second round visits).

18. The length and complexity of the LSMS questionnaire is due largely to the requirement that data produced must go beyond description to support in depth policy analysis. The LSMS questionnaire recognises that households are integral units in which activities in one area (say, labor supply) may influence outcomes in another (say, education or fertility). Thus, analysis of potential effects of policy changes requires information on a wide range of household activities, not just in the area of policy intervention.
19. The LSMS system of survey design and analysis can fill an important void in a national household survey program. It should not, however, be thought of as a complete program in and of itself. Its strengths are comprehensiveness, quality, and speed of data delivery; its weakness is a degree of complexity which makes it more suitable for national than subregional analysis.