Statistics Institute Creates Controversy with New Formula to "Reduce Poverty"™

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Statistics Institute Creates Controversy with New Formula to ‘Reduce Poverty’

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The government’s semi-autonomous statistics institute, the Instituto Nacional de Estadística y Geografía (INEGI) has come under fire for changing the formula to measure income in Mexico, a step that gave the illusion that poverty levels had come down in the country. The controversy erupted when INEGI released a report entitled Módulo de Condiciones Socioeconómicas (Socioeconomic Conditions Module, MCS 2015). In the report, the institute said it had “improved the measurement of household income,” and as a result the income levels for the poorest segment of the population appeared to have increased by more than 33% between 2014 and 2015.

The report, released in mid-July, sparked strong criticism from the Consejo Nacional de Evaluación de la Política de Desarrollo Social (National Council for Evaluation of Social Development Policy, CONEVAL), a decentralized agency that measures poverty in Mexico. It objected to the new formula to measure poverty, describing the changes as “not credible.” Furthermore, CONEVAL criticized INEGI for not consulting CONEVAL experts when deciding to make the changes and for not providing public documentation of the technical aspects behind the changes.

“[The MCS 2015] presented a real increase of 33.6% in the income of the poorest households in the country in just one year, which is not compatible with the trend that INEGI has presented in its instruments and economic variables,” CONEVAL said in a statement.

INEGI defended the changes, saying the institute had wanted to “improve” its methods of data collection to compensate for the fact that people had been underreporting their earnings. According to INEGI, field canvassers were asked to conduct more in-depth interviews to account for even the smallest sources of underreported income, including donations, odd jobs, and assistance from relatives. The 2015 survey reflected these changes.

A loss of credibility

The MC 2015 report also sparked criticism from civil society, particularly from the Acción Ciudadana Frente a la Pobreza (Citizen Action to Confront Poverty, ACFP), which represents 60 organizations that work on poverty-related issues in Mexico, including Centro de Estudios Espinosa Yglesias, Nutre a un Niño, Red por la Salud, Transparencia Mexicana, Asociación Mexicana de Transformación Rural y Urbana, Fundación Filobatrista para el Desarrollo de la Participación Comunitaria, Grupo para Promover la Educación y el Desarrollo Sustentable, and many others.

“Authorities at all three levels of government should abandon their obsession to present ‘advancements’ based on changes to certain indicators used to measure poverty,“ the ACFP said on its website. “The new statistics presented in the MCS 2015 resurrected a debate on the measure of poverty that we thought had been resolved. This report represents a step backwards.”

According to ACFP, the intent of the INEGI policy was to modify the manner in which poverty was measured without taking into account the need to transform the real conditions present in households. “There is no other explanation,” it said.
The ACFP challenged authorities to focus on real solutions to address poverty rather than manipulate statistics. “Our country must develop a national policy over the next few decades that allows us to eradicate poverty, promote social mobility, and close gaps of inequality while promoting the exercise of social rights,” it said.

Columnist Armando Fuentes Aguirre, who uses the pseudonym Catón, wrote in the daily newspaper Reforma, “In Mexico, we do not fight against hunger, we merely disguise it … This was evident in the extremely unfortunate incident—which damaged the prestige of INEGI—when someone manipulated the statistics to give the impression that poverty had declined.”

Opposition legislators agreed that INEGI would have a difficult time regaining credibility after the MCS 2015 report. “No one can determine with any certainty whether poverty increased, whether it remained the same, or whether it declined,” said Sen. Luis Miguel Barbosa, floor leader for the center-left Partido de la Revolución Democrática (PRD) in the upper house. “The fact that INEGI decided on a unilateral basis to ‘improve field work’ rendered the most recent data collected useless, because it could not be compared with previous years.”

Similar comments came from the conservative Partido Acción Nacional (PAN). “The credibility of an institution as important as INEGI is in doubt,” said PAN Sen. Ernesto Cordero, who served as finance secretary during the administration of former President Felipe Calderón. Cordero also faced controversy over comments he made about poverty in 2011 suggesting that Mexico had transitioned from a poor to a middle-income country. Critics said then that his statements minimized the level of poverty at the time (SourceMex, June 8, 2011).

Columnist Luis Enrique Mercado wrote of INEGI in the daily newspaper Excélsior, “The most important asset of this institution, which conducts the majority of the measurements of socioeconomic conditions in our country, is credibility. This asset has fallen by the wayside.”

A ‘scapegoat’ resigns

The controversy claimed at least one INEGI official. At the end of July, Miguel Juan Cervera Flores, who had been director of the sociodemographic statistics division at the institute for eight years, tendered his resignation. However, some critics suggested that Cervera Flores was a mere scapegoat, and that INEGI president Julio Alfonso Santaella Castell should have also stepped down.

“Once the storm was unleashed, the only thing INEGI did was to fire Miguel Cervera Flores, allowing the person who is truly responsible for the crisis, Santaella Castell, to save his hide,” Mercado wrote. “The biggest problem was not the impossible situation of trying to compare poverty in 2015 relative to previous years, but in the damage that was done to INEGI’s credibility.”

Reports from INEGI and CONEVAL have shown a steady increase in the number of poor in Mexico over the last eight years, going from 48.8 million in 2008 to 52 million in 2010 (SourceMex Aug. 3, 2011) to 53.3 million in 2012 (SourceMex, Aug. 7, 2013).

“According to official statistics, there were 55.3 million poor people in Mexico in 2014, although the reports made reference to ‘people living in conditions of poverty,’” columnist Gerardo Galarza wrote in Excélsior. “That total means that the number of people ‘living in conditions of poverty’ has increased by 2 million since 2012, which represents the first two years of the current administration.”

Galarza noted that the statistics recorded for 2014 were confirmed by CONEVAL, which gave credibility to the data.
“The official statistics are important to determine which anti-poverty programs are going to be applied, how much money will be devoted to those programs, how many people will benefit from those programs, and how the results are going to be measured,” he said. “CONEVAL decided not to endorse the latest data from INEGI, which means that there are no official updated statistics about ‘Mexicans living in conditions of poverty.’”

**Is INEGI truly autonomous?**

Others noted that INEGI, despite its status as a semi-independent agency, still falls under the influence of the finance ministry (Secretaría de Hacienda y Crédito Público, SHCP), primarily because the statistics institute also compiles data on economic trends and population.

“One of the longstanding criticisms of INEGI is its affiliation to the SHCP,” columnist Ernesto Villanueva wrote in the weekly newsmagazine Proceso. “Even though it has technical autonomy, it lacks judicial independence.”

According to Villanueva, a move in Congress to give INEGI constitutional autonomy in 2006 fell short of its target, as the institute was not given full authority over its operations. “That reform approved in 2006 was in reality a mirage,” Villanueva said, pointing out that the president still wields power over who sits on the board.

Following the scandal, Social Development Secretary José Antonio Meade Kuribreña was forced to offer reassurances that the controversy over the report would not affect the Fondo de Aportaciones para la Infraestructura Social (FAIS), a government program that disburses funds to municipalities to combat poverty.

“The ordinary measurement of poverty is conducted in Mexico every two years, and that is the relevant data that we use to determine the disbursement of funds,” Meade told reporters at the launch of a nutrition fair in Hidalgo state at the end of July. He added that the social development ministry (Secretaría de Desarrollo Social, SEDESOL) is working with INEGI to revise the methods used for the MCS 2015. “We celebrate that we are working together and in a coordinated fashion, which is something that should have occurred from the very beginning,” he said.

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