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## Measuring poverty and inequality in Latvia: advantages of harmonising methodology

UNITED NATIONS

**Inter-regional Expert Group Meeting**  
**“Placing equality at the centre of Agenda 2030”**

Santiago, Chile  
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**Viktors Veretjanovs**

Senior Expert of Social Statistics Methodology Section of Social Statistics Department  
(EU-SILC survey manager)

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# Structure of the presentation

- Latvia
- Data sources
- Methodology
- Data dissemination
- Sharing of experience
- National and international strategies
- Future challenges



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# Latvia



Founded in 1918

Independent country since 1991

EU country since 2004 (euro  
since 2014)

Number of population – 1.93  
million

Territory – 64.6 thsd km<sup>2</sup>

Capital city – Riga (32 % of the  
population)



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# Data sources (1)

## **Before implementation of survey “EU Statistics on Income and Living Conditions” (EU-SILC survey):**

- Household Budget Survey (HBS):
  - 1926-1927 and 1936-1937 – first HBS in Latvia;
  - 1952-1994 – Family Budget Survey;
  - 1995-2016 – HBS with updated methodology (with the support of the UN and the World Bank). Prior to joining the EU, HBS was the main data source on income, inequality and poverty;
  - next data collection year of HBS data will be carried in 2019 (or in 2020) and then every 3 years.
- Survey on income and living conditions (during the Soviet times; every 5 years);
- FAFO (Norway) NORBALT (1994) and NORBALT II (1999) – survey on living conditions in all Baltic States.



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## Data sources (2)

### Implementation of EU-SILC survey in Latvia:

- since 2005;
- EU-SILC survey is organized under a framework regulation and it is compulsory for all EU Member States  <http://ec.europa.eu/eurostat/web/income-and-living-conditions/legislation> ;
- EU-SILC is based on the idea of a “common framework” in contrast with the concept of a “common survey”.

The common framework is defined by:

- harmonized lists of target primary (annual) and secondary (every five years or less frequently) variables;
- recommended design for implementing EU-SILC;
- common requirements (for imputation, weighting, sampling errors calculation);
- common concepts (household and income) and classifications (ISCO, NACE, ISCED).



Main aim

To maximise comparability of the information produced by EU Member States.

*Currently, the process of modernization of the social statistics of the European Statistical System (including EU-SILC survey) is running.*



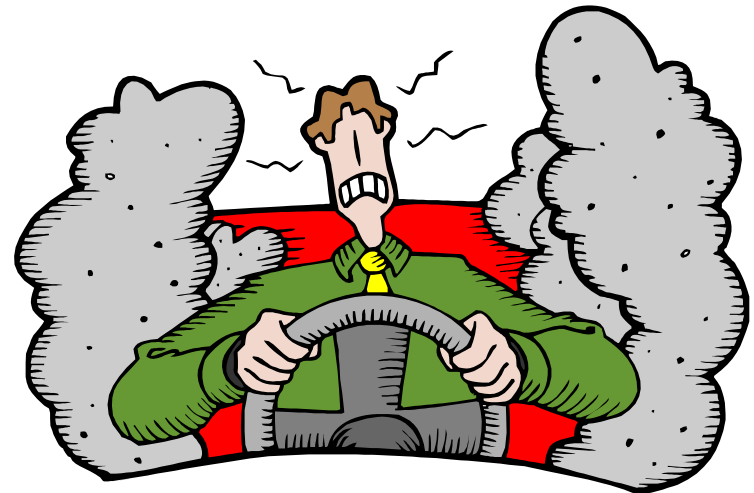


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## Data sources (3)

Situation at Central Statistical Bureau (CSB) of Latvia before implementation of EU-SILC:

- Previous experience insufficient;
- Knowledge based project with need of innovative methodological solutions to be applied;
- Many limitations, restrictions;
- We felt necessity for knowledge transfer and technical assistance from EU;
- Lack of experience in producing of relative poverty (at-risk-of-poverty rate), multidimensional poverty (at-risk-of-poverty or social exclusion), material deprivation, equivalized income data etc.





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# Methodology (1)

**Monetary poverty and income inequality indicators** - Indicators adopted by the Laeken European Council in December 2001 in order to evaluate and observe the progress of EU Member States in decreasing the social exclusion. Those indicators include at-risk-of poverty rate, Gini coefficient and other indicators.

**(A) At-risk-of-poverty rate** - Share of persons with an equivalised disposable income below 60 % of the national median equivalised disposable income.

**(B) Severe material deprivation** - Severe material deprivation is defined as the proportion of people lacking at least four items among the nine following: the household could not afford: 1) to face unexpected expenses, 2) one week annual holiday away from home, 3) to pay for arrears (mortgage or rent, utility bills or hire purchase instalments), 4) a meal with meat, chicken or fish every second day, 5) to keep home adequately warm, or could not afford (even if wanted to): 6) a washing machine, 7) a colour TV, 8) a telephone, 9) a personal car (= *current list of Material deprivation items*).

**(C) Low work intensity** - Refers to the number of months that all working age household members have been working during the income reference year as a proportion of the total number of months that could theoretically be worked within the household. Individuals are classified into work intensity categories that range from  $WI=0$  (jobless household) to  $WI=1$  (full work intensity). It is considered that person is living in household with **low work intensity** if  $WI \leq 0.2$ .

**(A or/and B or/and C) At-risk-of-poverty or social exclusion (AROPE)** - Persons with disposable income below at-risk-of-poverty threshold or persons subjected to severe material deprivation or employed with low work intensity.



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# Methodology (2)

## Material deprivation

List of current Material deprivation items	List of <b>new</b> Material deprivation items	Level of item	Availability
coping with unexpected expenses	coping with unexpected expenses	household level	2005+
one week annual holiday away from home	one week annual holiday away from home	household level	2005+
avoiding arrears (in mortgage or rent, utility bills or hire purchase instalments)	avoiding arrears (in mortgage or rent, utility bills or hire purchase instalments)	household level	2005+
a meal with meat, chicken, fish or vegetarian equivalent every second day	a meal with meat, chicken, fish or vegetarian equivalent every second day	household level	2005+
keeping the home adequately warm	keeping the home adequately warm	household level	2005+
a personal car	a personal car	household level	2005+
a washing machine	-	household level	2005+
a colour TV	-	household level	2005+
a telephone	-	household level	2005+
	to replace worn-out furniture	household level	2009, 2013+
	to replace worn-out clothes by some new (not second-hand)	personal level	2009, 2013+
	two pairs of properly fitting shoes, including a pair of all-weather shoes	personal level	2009, 2013+
	to spend a small amount of money each week on oneself without having to consult anyone	personal level	2009, 2013+
	to get together with friends/family for a drink/meal at least monthly	personal level	2009, 2013+
	to have regular leisure activities	personal level	2009, 2013+
	to have access to Internet for personal use at home	personal level	2009, 2013+





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# Data dissemination (1)

## Dissemination of EU-SILC survey data:

- Collection of statistical data “[Income and Living Conditions in Latvia, 2017](#)” – 08.05.2018;
- CSB\* Statistics Database: [Monetary poverty and income inequality](#) -> 2016, [Households disposable income](#) -> 2016, [Minimum Income Level](#) -> 2016, [Material deprivation \(Household and Individual level\)](#) -> 2017, [Self-perceived health status](#) -> 2017, [Housing Conditions](#) -> 2017, [Composition of Households](#) -> 2017, EU-SILC ad-hoc modules -> [Social and cultural participation](#), [Well-being](#), [Health and children`s health](#);
- Leaflet “[Material Deprivation in Latvia, 2017](#)”, 27.04.2018 (in Latvian only);
- Press releases of EU-SILC 2017 data:
  - 19.12.2017 [In 2016, household disposable income increased by 4.9 %](#)
  - 18.01.2018 [22.1 % of Latvia population at risk of poverty](#)
  - 05.03.2018 [In 2017, average housing costs amounted to EUR 138 monthly](#)
  - 15.03.2018 [43.6 % of Latvian households make ends meet with difficulty](#)
  - 09.05.2018 [One fifth of Latvia population has never consulted family doctor during the past 12 months](#)
- [Eurostat Database](#)\*

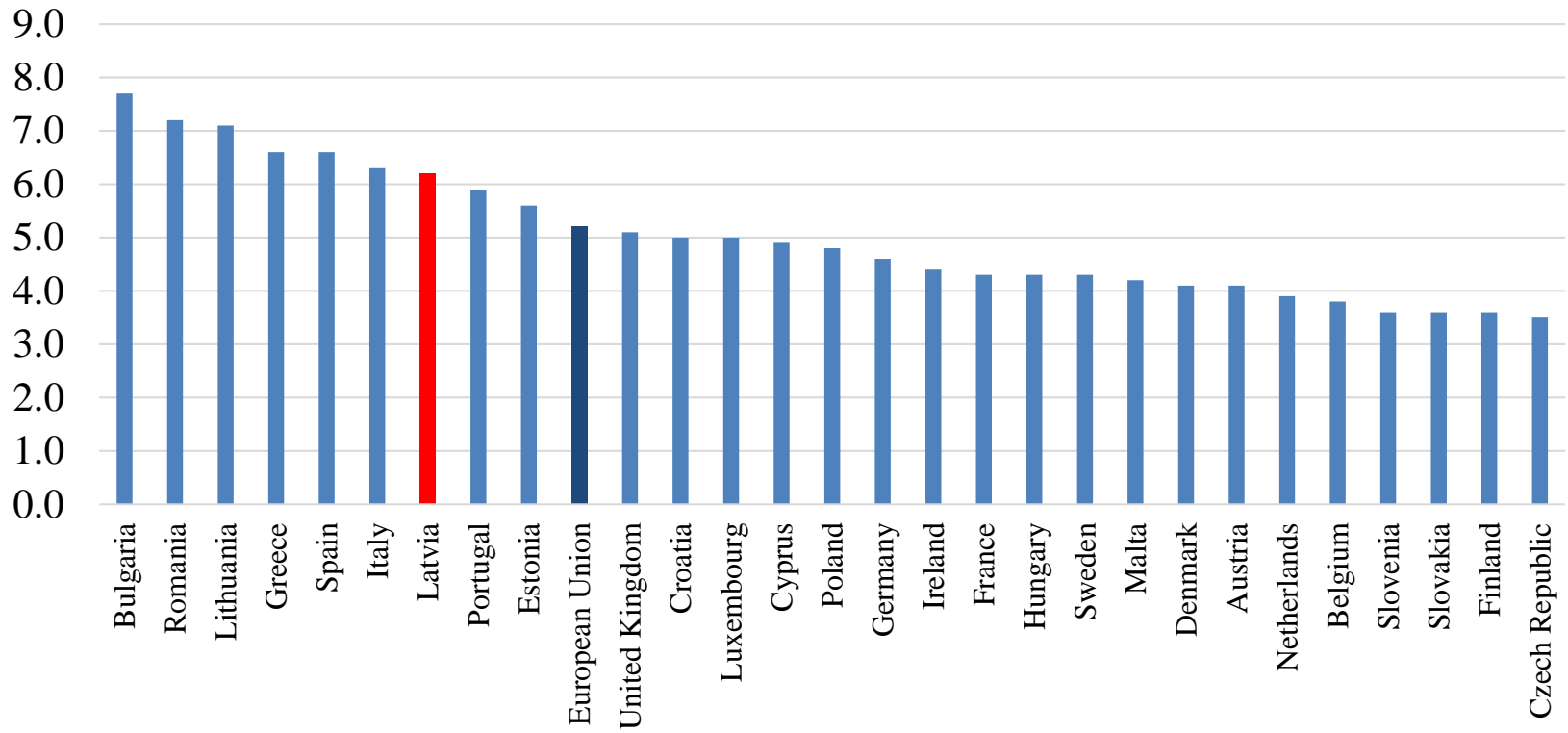
\* survey year or data collection year (for example, income reference year). Differences in approaches between CSB, and Eurostat;



# Data dissemination (2)

## Income inequality

S80/S20 income quintile share ratio in EU countries (EU-SILC 2016 survey data)



Eurostat data



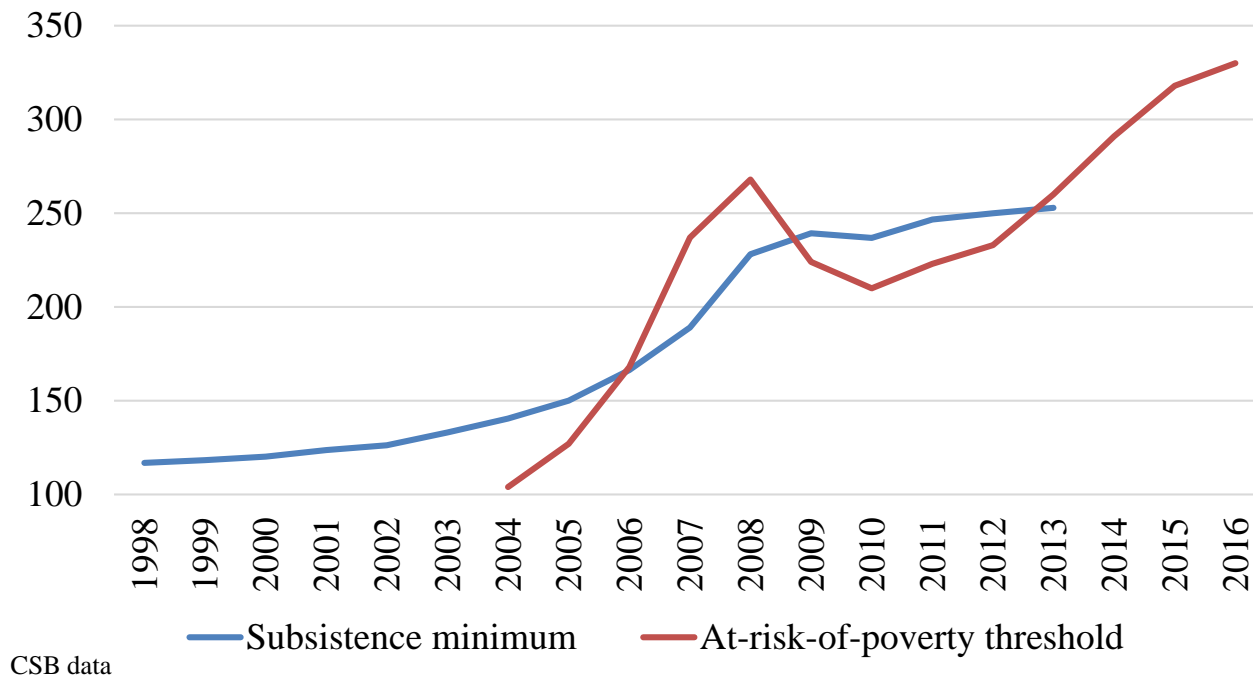
# Data dissemination (3)

## Absolute and relative poverty

### At-risk-of-poverty threshold and subsistence minimum

*At-risk-of-poverty threshold: EUR, per equivalent consumer per month*

*Subsistence minimum: EUR, per person per month*



Starting from 2014, the CSB stopped calculating subsistence minimum due to the outdated calculation methodology which was developed in 1991. The Ministry of Welfare is working on the new methodology for calculating subsistence minimum.



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# Data dissemination (4)

## Relative poverty

### At-risk-of-poverty rate (%)

Age/year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Latvia, total</b>	<b>19.4</b>	<b>23.5</b>	<b>21.2</b>	<b>25.9</b>	<b>26.4</b>	<b>20.9</b>	<b>19.0</b>	<b>19.2</b>	<b>19.4</b>	<b>21.2</b>	<b>22.5</b>	<b>21.8</b>	<b>22.1</b>
<b>0-17</b>	22.0	25.9	19.8	23.6	26.3	26.3	24.7	24.4	23.4	24.3	<b>23.2</b>	<b>18.6</b>	18.4
<b>18-24</b>	16.2	19.2	15.0	16.2	19.4	21.0	22.3	20.1	19.8	16.9	22.1	17.3	16.1
<b>25-49</b>	17.3	18.8	15.7	17.3	19.1	19.9	19.3	18.7	17.4	17.4	16.0	14.5	14.6
<b>50-64</b>	21.2	26.3	23.5	25.4	23.9	21.0	20.9	20.1	20.8	20.5	21.5	23.1	22.7
<b>65+</b>	21.1	30.4	35.6	<b>52.0</b>	<b>47.6</b>	17.2	9.1	13.9	17.6	27.6	34.6	38.1	<b>39.9</b>

CSB data, year = income reference year

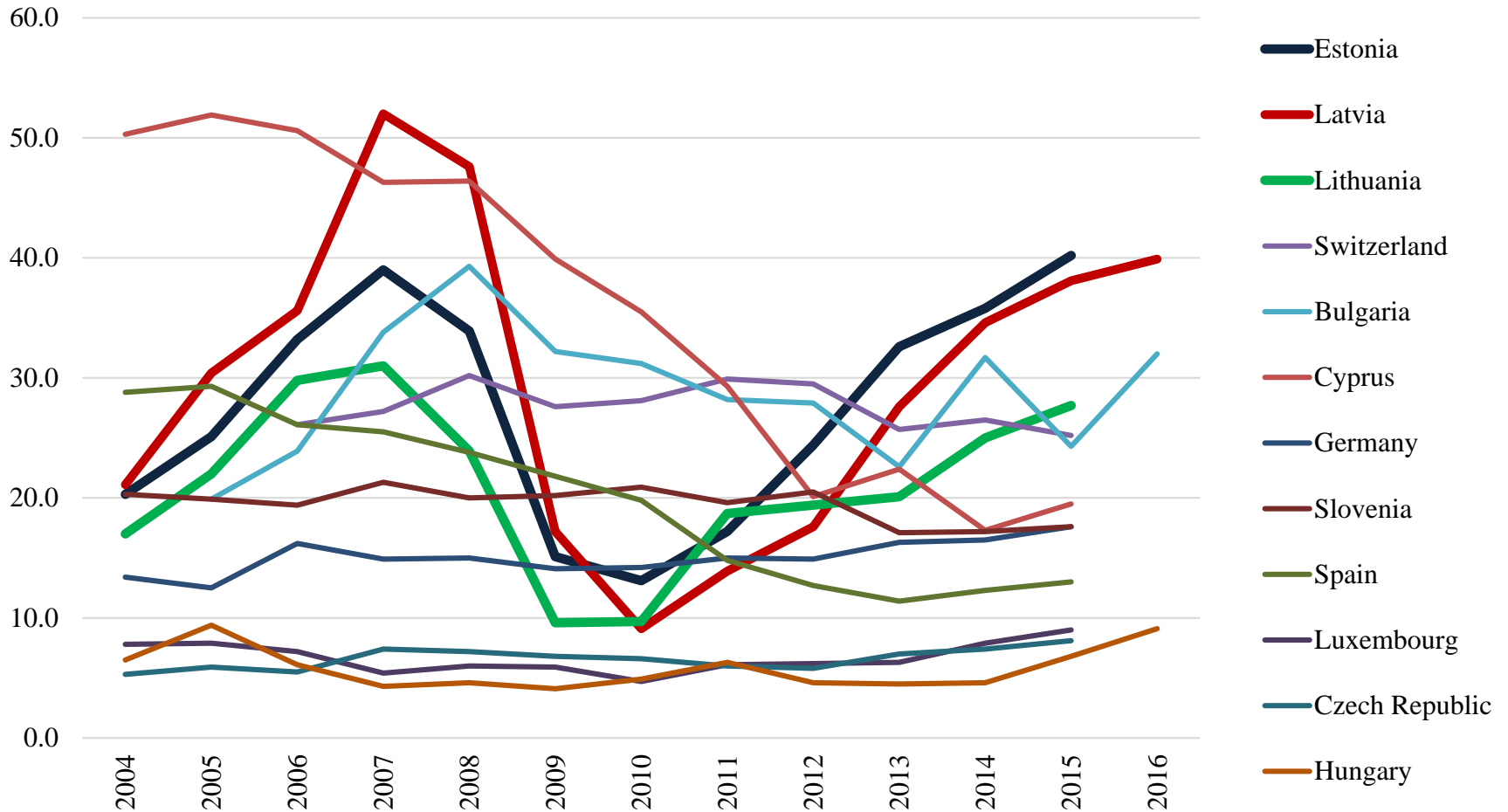


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# Data dissemination (5)

## Relative poverty

### At-risk-of-poverty rate in age group 65+\* (%)



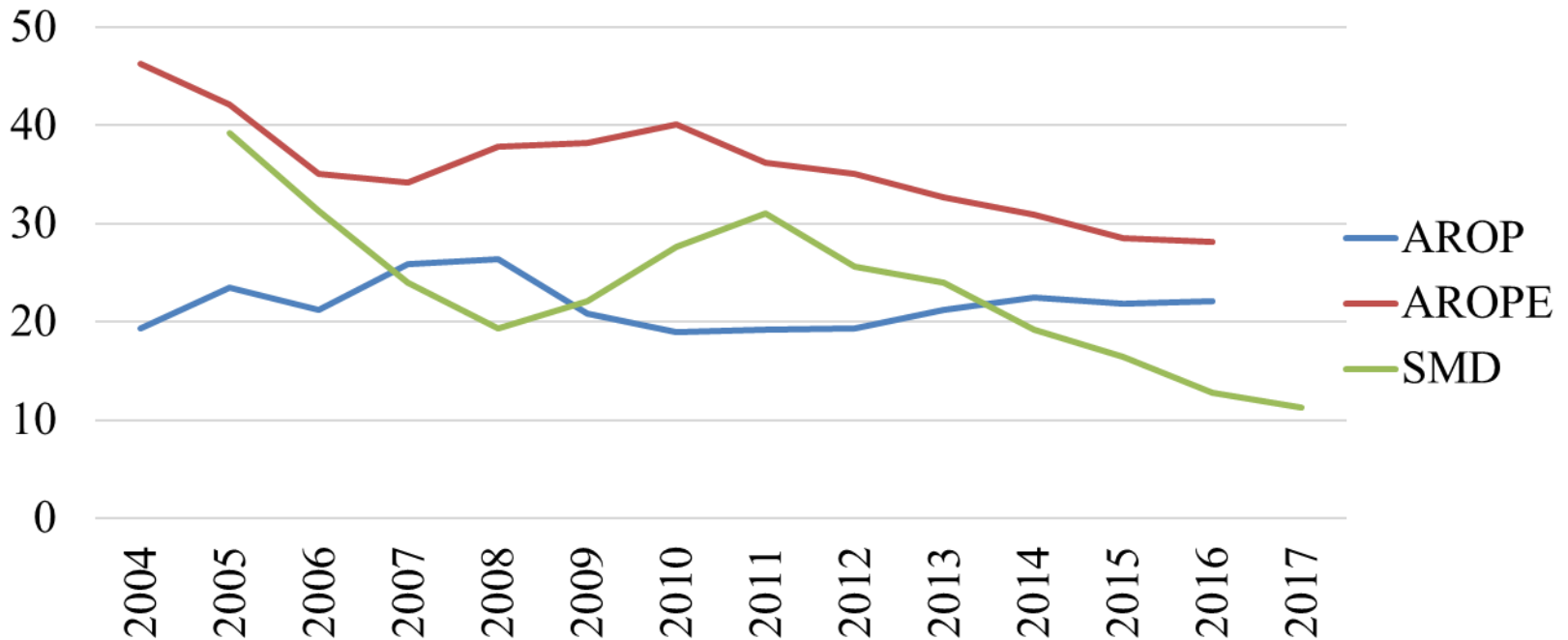
\* Eurostat data; years correspond to the years of income



# Data dissemination (6)

## Multidimensional poverty

At-risk-of-poverty or social exclusion (AROPE), at-risk-of-poverty (AROP) and severe material deprivation rate (SMD) [%]



CSB data

CSB publishes AROP and AROPE indicators for the survey year minus 1 year, SMD - for the survey year.



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# Sharing of experience

## SUSTAINABLE DEVELOPMENT GOAL 10

Reduce inequality within and among countries



Sharing of experience; harmonisation of methodology of data to be collected and indicators to be published

**Example 1:** Harmonisation of Poverty and Inequality Statistics in Eastern European, Caucasus and Central Asian countries, lead by UNECE.

**Example 2:** Annual meetings of representatives from Baltic States (Latvia, Lithuania and Estonia) during implementation of EU-SILC survey.

**Example 3:** “Harmonization of the Russian program for sample household income survey with the program for European Union Statistics on Income and Living Conditions (EU-SILC) survey” within the framework of the World Bank’s Instrument.



# National and international strategies (1)

- Strategy "Europe 2020"
- National reform programme of Latvia for the implementation of the Strategy "Europe 2020"

<b>Strategy "Europe 2020" headline target</b>	<b>Measurement at EU level</b>	<b>Measurement at national level (LV)</b>
Poverty and social exclusion	At least 20 million fewer people in or at risk of poverty and social exclusion	To reduce the number of persons at the risk of poverty and/or of those living in households with low work intensity by 121 thousand or 21 % until 2020

- National Development Plan for 2014-2020
- Sustainable Development Strategy of Latvia until 2030
- UN Sustainable Development Goals
- Concept paper "On setting minimum income level"



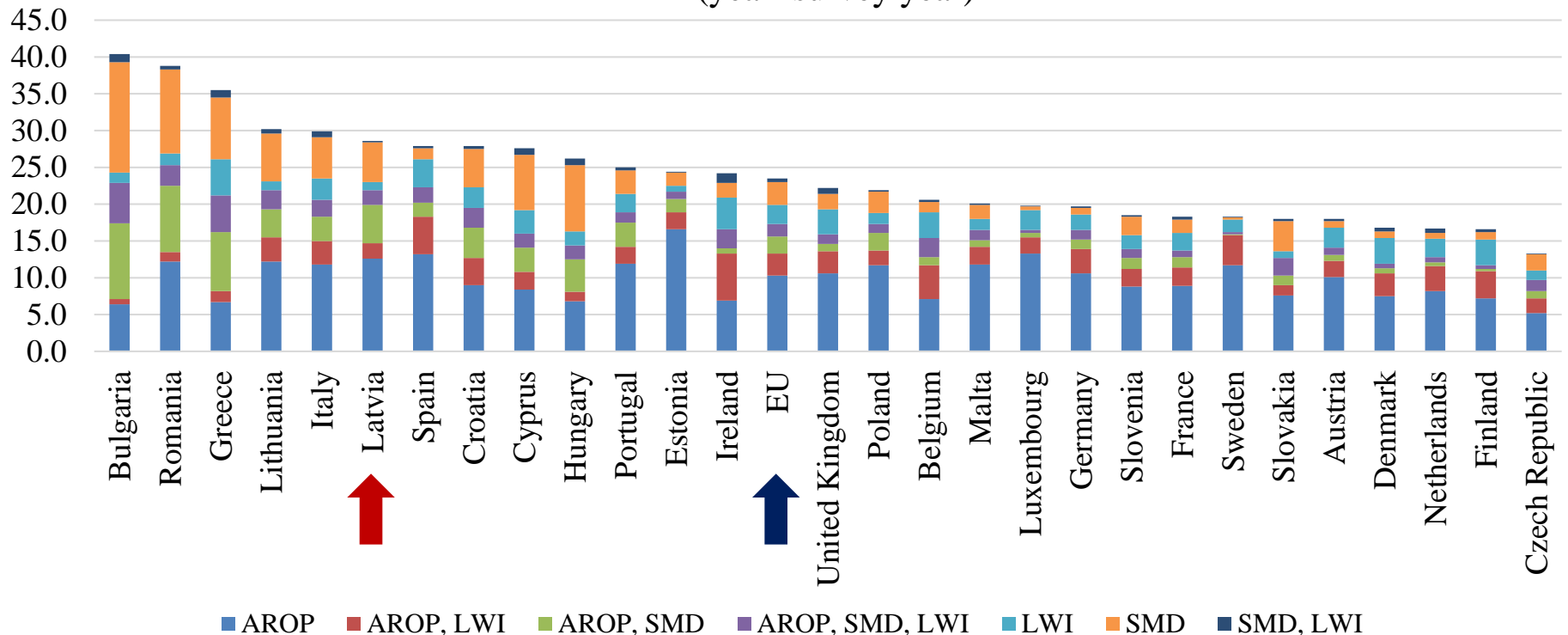


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# National and international strategies (2)

## Strategy "Europe 2020"

At-risk-of-poverty or social exclusion (AROPE) in 2016 (%)  
(year=survey year)



Eurostat data

AROP – at-risk-of-poverty, SMD – severe material deprivation, LWI – low work intensity

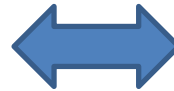


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# National and international strategies (3)

## Minimum income level

Minimum income level



At-risk-of-poverty threshold

- **The existing legal framework at the national level:** concept paper "On setting minimum income level".
- **Data source:** EU-SILC survey.
- **Calculation of the indicator :** **40%** of national average equivalised disposable income, using equivalence scale: **1; 0,7; 0,7** (1 for the first household member and 0.7 for any other household member, including children).
- **Availability:** CSB database

- **The existing legal framework at the national level:** Does not exist (only indirectly through the strategy "Europe 2020").
- **Data source:** EU-SILC survey.
- **Calculation of the indicator :** **60%** of national average equivalised disposable income, using equivalence scale: **1; 0,5; 0,3** (1 for the first household member, 0.5 for any other adult household member, 0.3 for children).
- **Availability:** CSB and Eurostat databases



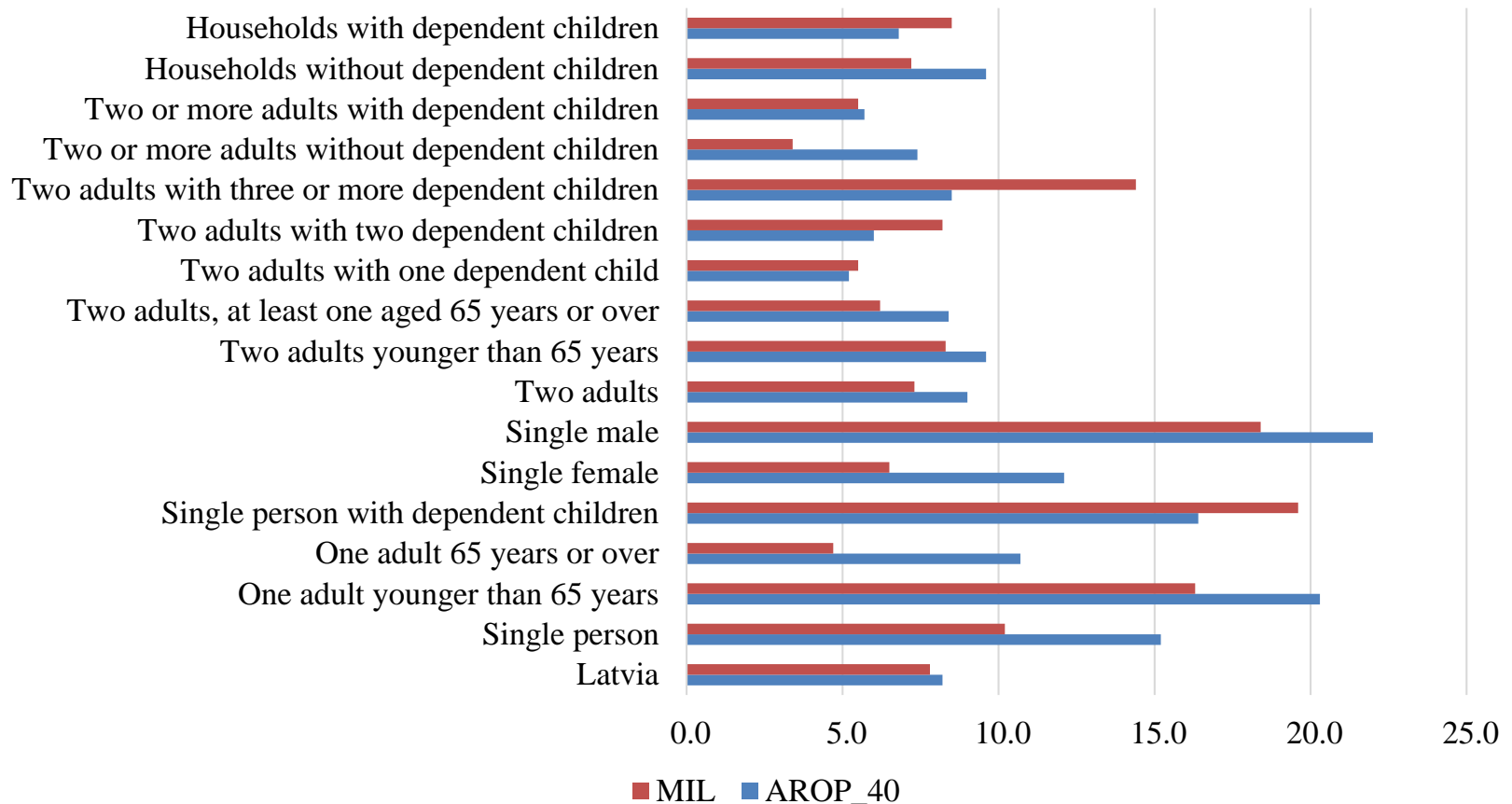
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# National and international strategies (4)

## Minimum income level

### Impact of equivalence scale:

At-risk-of-poverty rate (AROP\_40\*) and share of persons under minimum income level (MIL) by household type in 2016 (%)



\*cut-off point: 40% of median equivalised income



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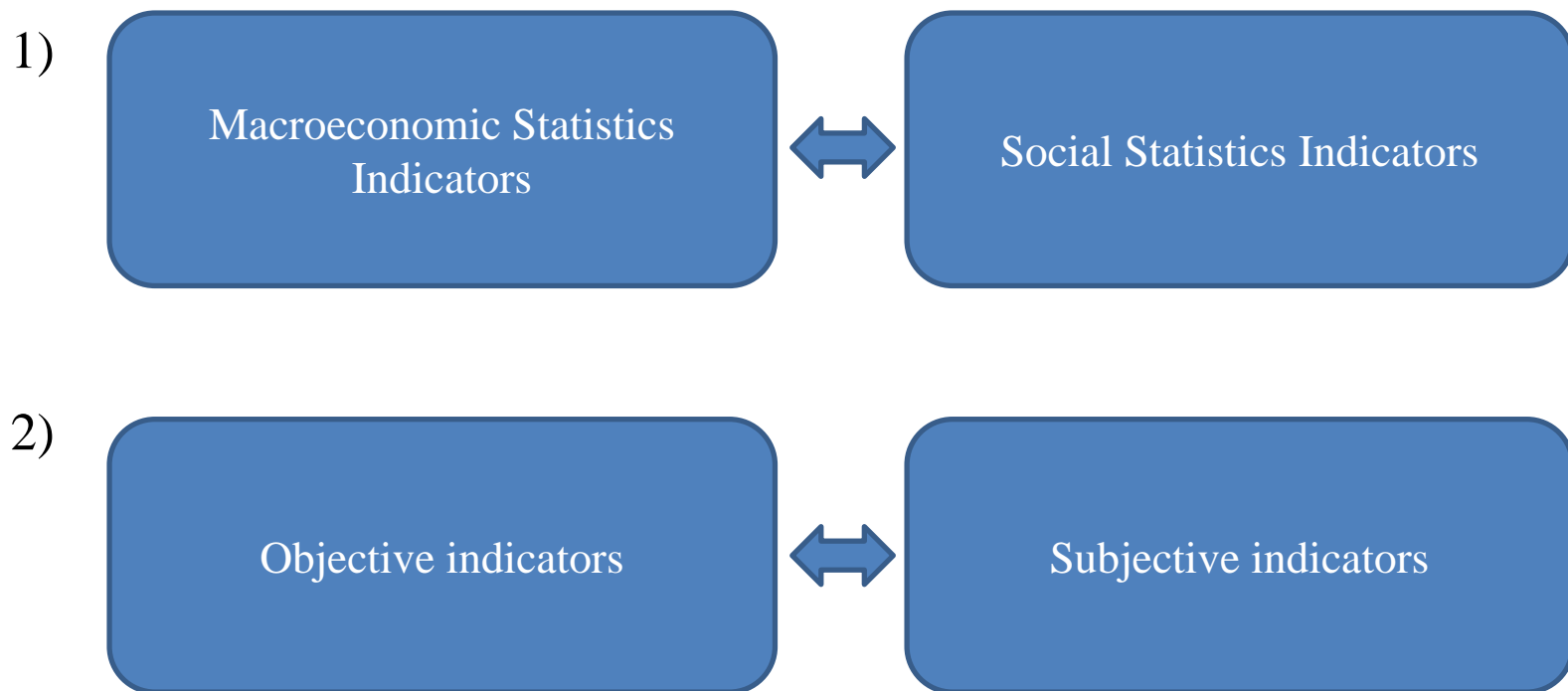
# Future challenges (1)

- Population aging; impact of changes in the structure of population to other statistics
- What is well-being and how to measure it?
  - European Commission/European Parliament/Club of Rome/OECD/WWF: *Beyond GDP initiative*
  - OECD: *Better Life Index Dimensions*
  - Eurostat: *Quality of Life Dimensions*
- What is sustainable development? How to create synergies between economic development, social protection and environmental protection?
  - UN: Sustainable development goals
- Statistics on income, consumption and wealth; comparison with the data of national accounts:
  - Vienna Memorandum
  - ESS Agreement on health (2nd priority), labour, over-indebtedness, consumption and wealth (testing in EU-SILC 2017)
  - EU-SILC 2020 module (Income, consumption and wealth)
  - European Central Bank: Household Finance and Consumption Survey



## Future challenges (2)

Evaluating the development of the society, sought a new balance between:





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**Thank you for your attention!**

Viktors.Veretjanovs@csb.gov.lv