



Poverty and social inclusion indicators

The poverty and social inclusion indicators are part of the common indicators of the European Union used to monitor countries' progress in combating poverty and social exclusion.

In the context of the Open Method of Coordination in the European Union countries to reduce poverty and social exclusion a common methodological framework for calculating the poverty indicators in three areas has been adopted:

- Poverty and social inclusion;
- Pensions;
- Long-term healthcare.

Regulation 1177/2003 of the European Parliament and the Council¹ establishes a common framework for systematic production of European Statistics on Income and Living Conditions (EU-SILC), which include comparable and timely information on current status and dynamics of income as well as the level and structure of poverty and social exclusion at national and European level. The results are also used for preparing the Annual Report on Bulgaria's progress on social inclusion and in determining the national goal for poverty reduction implementing the Strategy "Europe 2020".

The survey on income and living conditions took place piloted in 2006 and 2007 in Bulgaria by "Gallup International". Since 2008, with the financial support of the European Commission, the National Statistical Institute manages the entire process of conducting the study, the formation of target variables and calculations of indicators of poverty and social inclusion.

Before the introduction of the European survey on income and living conditions, the statistical data for calculating the indicators of poverty have been received from the Household Budget Survey.

The following thematic areas are included in the methodology of the survey:

- **Basic demographic and social characteristics of the households and their members:** household size, form of ownership of dwelling, age, gender, education, marital status, economic status, sources of livelihood and other data on household members.
- **Monetary (money) indicators on income and social stratification of the population:** total income and the structure of income sources (from wages, from social transfers and others).
- **Non-monetary (non-money) indicators of living conditions:** basic data on housing conditions (type and furnishing of the dwelling); problems relating to housing and neighborhood (location); access to education; health status and access to healthcare;
- **Economic activity, employment and unemployment of persons aged 16 and more** (status, job security, duration of unemployment and others);
- **Social services and programs and the participation of the household or its members in them.**

¹ REGULATION (EC) No 1177/2003 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 June 2003 concerning Community statistics on income and living conditions (EU-SILC)

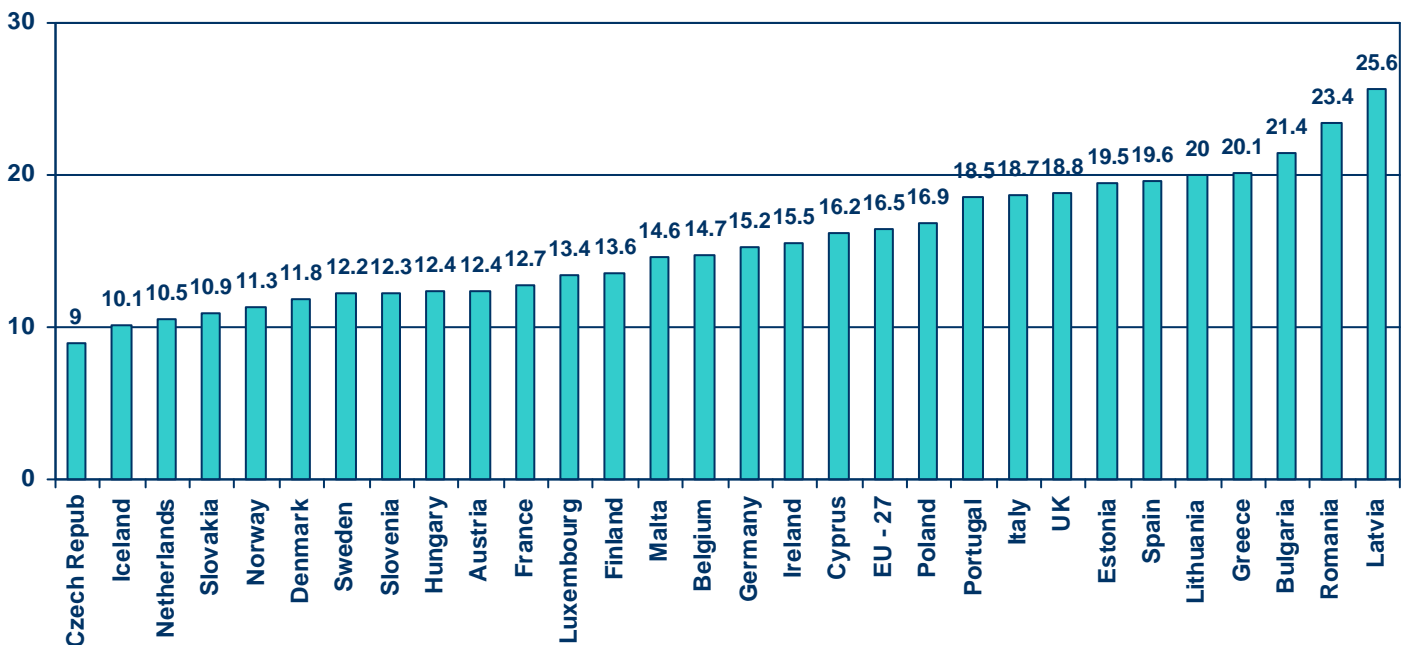


Table 1: Key indicators of poverty and social stratification

Reference Year	2005	2006	2007	2008
At-risk-of-poverty threshold (illustrative values) – BGN	135.3	144.8	212.3	276.5
At-risk-of-poverty rate				
Per 1000 persons	1 417	1 691	1 632	1 657
% of population	18.4	22.0	21.4	21.8
At-risk-of-poverty rate before social transfers (%)	44.9	41.4	40.0	38.8
Inequality of income distribution S80/S20 income quintile share ratio	5.1	7.0	6.5	5.9
Gini coefficient	31.2	35.3	35.9	33.5

The most recent data sent to and verified by Eurostat concern 2008. The results show that the poverty line is BGN 276.50. In this dimension of the poverty line 1.657 million people lived below the poverty line in 2008 which represents 21.8% of the Bulgarian population. Bulgaria falls among the countries with the highest percentage of poverty in the EU together with Latvia (25.6%), Romania (23.4%), Greece (20.1%), Lithuania (20%), Spain (19.6%) and Estonia (19.5%). At the other end with the lowest poverty rate in the EU are the Czech Republic (9%), Ireland (10.1%), the Netherlands (10.5%) and Slovakia (10.9%).

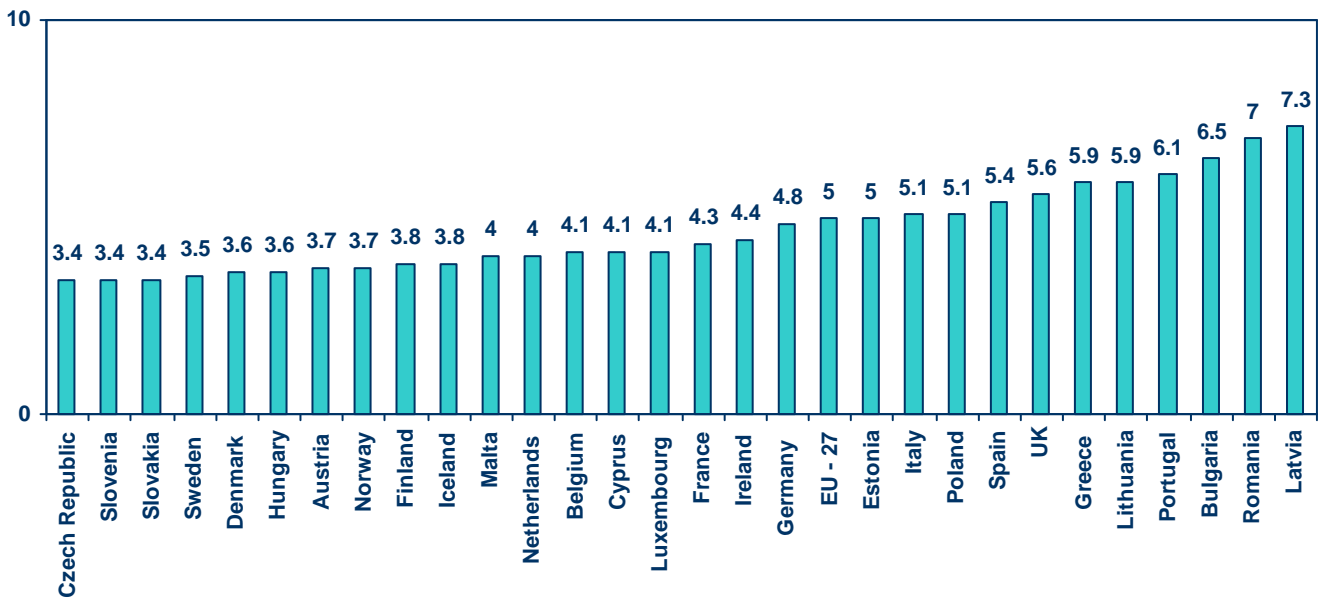
Figure 1: Poverty in the EU-27 in 2008



The countries with the highest share of poor among the population are also the countries with the highest degree of polarization in society. In Bulgaria the income of the 20% richest is nearly 6 times higher than the income of the 20% poorest.



Figure 2: Ratio of polarization in the EU-27 in 2008



The main risk of poverty of the majority of the households is determined by their economic activity and participation in the labour market. The largest share of poor is among the unemployed – 52.2%. The economically inactive people are also among those groups for whom the risk to live in households with income below the poverty threshold is particularly high. 36.5% is the share of persons living below the poverty threshold among the pensioners. Data show that 7.4% of the employed also live below the poverty threshold while the risk of poverty for those working part-time is 4 times higher than for those working full time.

Table 2: Share of poor by economic activity

in %

Economic activity	2005	2006	2007	2008
Employed	5.4	5.8	7.5	7.4
Unemployed	47.7	55.9	55.0	52.2
Pensioners	18.3	23.6	31.7	36.5
Other inactive	16.9	19.3	24.0	24.0

The EU has developed subjective indicators of material deprivation which are implemented by all countries. They show the subjective assessment and the personal attitude of individuals and households about opportunities to meet their individual needs. The subjective indicators are formed from the answers of nine questions related to the consumption of specific goods and services:

1. arrears on loans or rent, running costs for electricity, water, heating, burden on payment on taken loans;
2. capacity of the household to afford paying for one-week annual holiday away from home only with own funds;
3. capacity of the household to afford a meal with meat, chicken or fish every second day;



4. capacity of the household to face unexpected financial expenses with its own funds (unexpected repair of the dwelling, sudden illness, etc.);
5. possession of phone (including mobile phone);
6. possession of colour TV;
7. possession of a washing machine;
8. possession of a car;
9. restriction on the heating of the dwelling due to lack of funds.

Table 3: Subjective indicators of material deprivation

Indicators of material deprivation	Questions to the household	Number of persons with limitations	% of the population
1	Did the household have any difficulties to pay on time for the following expenses for its dwelling: * loan to pay for the dwelling in which the household currently lives * rent for the dwelling in which the household lives * running costs for electricity, water, heating (excluding telephone costs) * payment to repay loan	2 646 908	34.8
2	Can the household afford to go for a week's annual holiday, away from home	4 547 862	59.8
3	Can the household afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day	2 810 476	36.9
4	Can the household afford an unexpected financial expense (urgent repair of the dwelling or car, replacement of a washing machine or refrigerator, sudden illness, etc.) and pay through its own resources.	4 442 911	58.4
5	Does the household have a telephone (including mobile phone)	296 196	3.9
6	Does the household have a color TV	168 118	2.2
7	Does the household have a washing machine	944 415	12.4
8	Does the household have a car (including company car which is used for personal needs)	1 889 181	24.8
9	Does the household restrict in the use of heating due to lack of funds	4 883 135	64.2

Data show that only 3.9% of Bulgarians cannot afford a phone, including a mobile one, 2.2% - a color TV, 12.4% - a washing machine, and approximately 37% said they could not afford the consumption of meat, chicken or fish every second day. Meanwhile, 59.8% of the households indicated that they cannot afford paying for one-week annual holiday away from home only with own funds, and 58.4% said that they cannot face unexpected expenses with their own funds (unexpected required repair of the dwelling, sudden illness, etc.).



Methodological notes

The target set of the survey on income and living conditions (EU-SILC) are all **private** households and their members living on the territory of the country at the time of observation. Persons living in collective households or institutions are excluded.

The survey is conducted over a 4 year rotating panel of private households. Every year the panel sample size is about 6500 addresses/ private households distributed in all areas of the country. The sample consists of 4 rotational groups and each year one of the rotation groups is dropped and replaced with new. This rotation pattern of a sample provides two types of data:

- cross-sectional (as of the year of observation)
- longitudinal (data for households participated in at least two consecutive years).

Units of observations are the households and their members. **Household** is two or more persons who live at the same address (in a dwelling or a part of a dwelling), have common budget and have their meals together. **Household** is also a person who lives in an independent dwelling, room or a part of room of a dwelling and has an independent budget for the costs of food and cost to meet other needs.

Basic concepts:

- **Poverty line** is 60% of the median disposable income per equivalent unit;
- Equivalent scales are used due to the different composition and number of persons in a household. The first adult aged 14 and more receive weight 1, the second adult – weight 0.5 and every child less than 14 years old receives weight 0.3. The weights are given to each member of the household and are summed up to obtain the equivalent size of the household. The total disposable income of every household is divided to its equivalent size and in this way the total disposable income per equivalent unit is formed.
- The average disposable is calculated as the median income. This is the income which divides the population into two equal parts. 50% of the households receive less than this income, and 50% receive above this income.