



POVERTY AND SOCIAL INCLUSION INDICATORS BASED ON THE EUROPEAN SURVEY ON INCOME AND LIVING CONDITIONS (EU-SILC) IN THE CONTEXT OF THE OPEN METHOD FOR COORDINATION

The open method of coordination is an instrument for coordination of the actions taken by every country of the European Union in order to ensure the social inclusion and social protection of its citizens. Key elements of this method is the determination of common quantitative goals for reducing poverty for the European Union as a whole, development of national action plans for achieving these goals and making periodic reports for monitoring of the progress. The survey on income and living conditions is a major source of data for the income and social inclusion as well as for the calculation of common indicators.

Poverty assessment at national level

The poverty line is a monetary (cash) indicator to identify the poor in the society. The poverty line is 60% of the average¹ total disposable net income per equivalent unit.

The most recent data sent to and validated by Eurostat refer to 2009. According to them the poverty line is BGN 295 average per month per person. Taking into account this size of the poverty line in 2009 below the poverty line lived 1564.8 thousand persons, representing 20.7% of the country population. Bulgaria is among the countries with the highest at-risk-of-poverty rate in the EU along with Latvia (21.3%), Romania (21.1 %), Greece (20.1%), Lithuania (20.2%) and Spain (20.7%).

1. Poverty and social inclusion indicators

Survey year	2006	2007	2008	2009	2010
Income reference year	2005	2006	2007	2008	2009
At-risk-of-poverty threshold - monthly average in BGN	135.3	144.8	212.3	276.5	295.0
Number of persons below at-risk-of-poverty threshold - 1000 pers	1 417	1 691	1 632	1 657	1 565
At-risk-of-poverty rate, % of population	18.4	22.0	21.4	21.8	20.7
At-risk-of-poverty rate before social transfers, % of population	44.9	41.4	40.0	38.8	40.8
Inequality of income distribution S80/S20	5.1	7.0	6.5	5.9	5.9
Inequality of income distribution Gini coefficient ²	31.2	35.3	35.9	33.5	33.2

During the period 2005 - 2009 the size of the poverty line in absolute terms increased more than two times (from BGN 135 in 2005 to BGN 295 in 2009). The share of poor population remained at levels on average 21%.

The main factor for increasing the risk of poverty of the majority of people is their economic activity status and their participation in the labor market. For the whole period of observation the share of poor is highest among the unemployed. The economically inactive persons as a whole are also among those groups for which the risk to live in households with income below the poverty threshold is particularly high.

¹ Average total disposable income is calculated as median income. This is the income that divides the population into two equal parts. 50% of the households receive less than this income and 50% receive income above it.

² Calculated on the basis of data from the distribution of persons and households by income and normalized in the range from 0 to 1.



2. At-risk-of-poverty rate by most frequent activity status

Survey year	2006	2007	2008	2009	2010
Income reference year	2005	2006	2007	2008	2009
Activity status					
Employment	5.4	5.8	7.5	7.4	7.7
Unemployment	47.7	55.9	55.0	52.2	48.3
Retired	18.3	23.6	31.7	36.5	30.0
Inactive population - other	16.9	19.3	24.0	24.0	24.4

In recent years, analysis and policies on poverty and social exclusion are paying more and more attention to the phenomenon of “working poor”. Working poor are actually determined by two conditions - first, by the condition that they work and second, by the condition that they are members of poor households. I.e. the definition is based on two statistical units - the individual and the household. The individual is the starting point for the classification of “employed” and “unemployed” and the household is the basis for the classification “poor” and “non-poor”. In this sense there is a category of persons who live in poor households but whose individual income is above the poverty line. Similarly, there is another category of persons whose individual income is below this threshold but they live in poor households. Data show that over 7% of employed persons live in households with incomes below the poverty line and the risk of poverty for those working part-time is 5 times higher than for those working full-time.

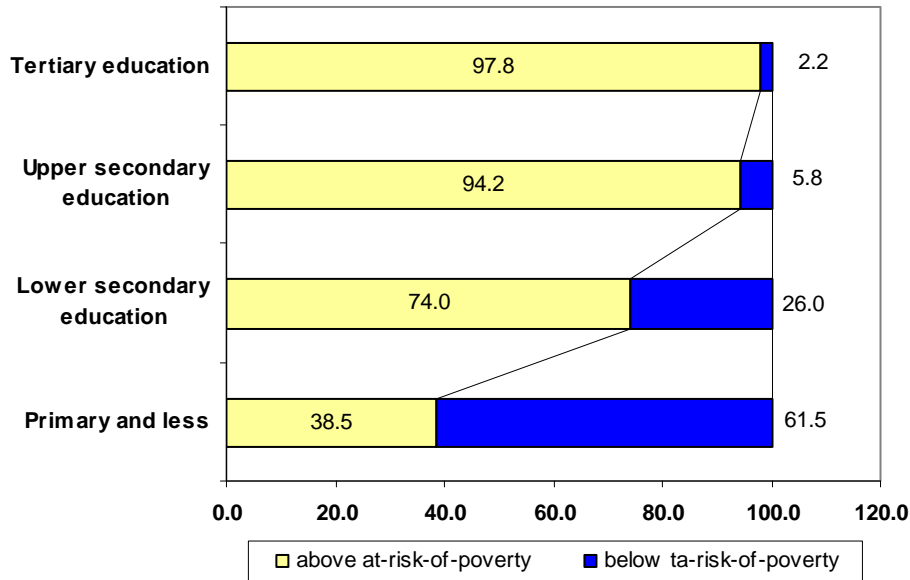
3. In-work at-risk-of-poverty rate (population 18 - 64) by full-time and part-time work

Survey year	2006	2007	2008	2009	2010
Income reference year	2005	2006	2007	2008	2009
Full-time/part-time work					
Fulltime	4.6	5.1	6.3	6.2	6.4
Part-time	14.7	16.2	20.3	24.4	30.3

The level of poverty by main groups of occupation shows that low-skilled workers are predominant (around 30%) among the working poor in 2009. The education level, which largely determines the access to better paid jobs, is directly correlated with the poverty of the employed persons. Nearly two-thirds of the workers with primary or lower education are poor, and among the workers with lower-secondary education the share of poor is 26%. The difference between working poor with higher education and working poor with no education is significant - nearly 30 times (2.2% vs. 61.5%).

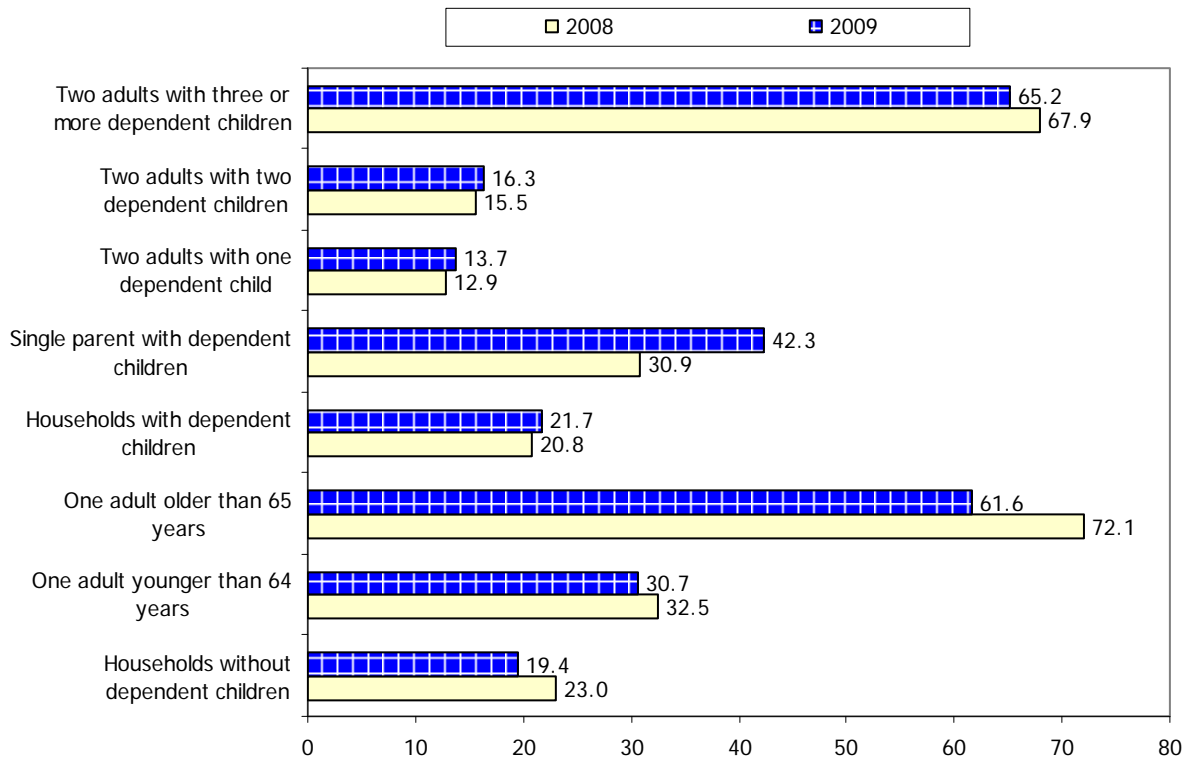


Figure 1. Distribution of employed persons by at-risk-of-poverty and by education in 2009



Poverty estimates depending on household size show that poverty is concentrated among the elderly one-person households, single parents, and households with three or more children.

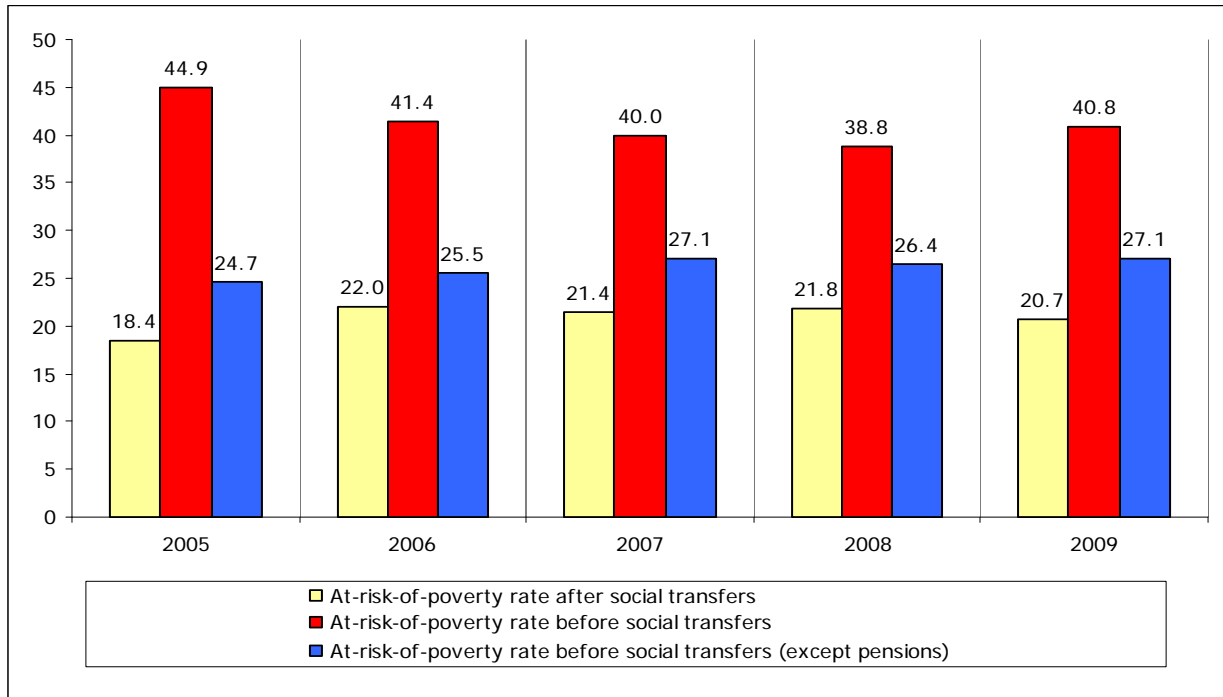
Figure 2. At-risk-of-poverty rate by household type





The social protection system is essential for reducing poverty. The social transfers (pensions, benefits, social and family benefits and allowances) have the highest impact on reducing the risk of poverty. For the period 2005 - 2009 the poverty rate (after social transfers) show some tendency of fluctuations.

Figure 3. At-risk-of-poverty rate before and after social transfers



Pensions remain an essential element in reducing the risk of poverty. Data show that if income from pensions is included in the household income and other social transfers are excluded from it, the poverty rate increases from 3 to 6 percentage points over the years of the period of observation. Accordingly, with the exclusion of pensions and other social transfers from the household income, the poverty rate increases sharply with around 20 percentage points for the observed years. This situation indicates that one of the main instruments that can be used by the state for poverty reduction in a significant part of the Bulgarian households is the amount of pensions.

Indicators of inequality and polarization clarify and supplement the analysis of poverty. They show the inequality (differentiation) and the polarization between rich and poor persons by income for a specified period of time.

4. Inequality of income distribution

Survey year	2006	2007	2008	2009	2010
Income reference year	2005	2006	2007	2008	2009
Inequality of income distribution S80/S20	5.1	7.0	6.5	5.9	5.9
Inequality of income distribution Gini coefficient	31.2	35.3	35.9	33.4	33.2



The Gini coefficient³, which measures the income inequality of the households, decreases in the period 2006 - 2009 - from 35.3% in 2006 to 33.2% in 2009.

The polarization by income of the population⁴ has the same tendency as this for the income inequality (measured by the Gini coefficient). In 2005 the ratio of the income of the richest to the income of the poorest is 5 times, in 2006 it increases to 7 times and after 2007 it is stabilized to 5.9 times.

Material deprivation of the households at national level

The general indicators of poverty assessment include subjective indicators related to material deprivation. They show the subjective assessment and personal attitude of the persons and households related to the possibility to meet individual needs. The subjective indicators are formed from the answers of nine questions related to the consumption of specific goods and services:

5. Subjective material deprivation items in 2009

	Questions related to deprivations asked to the households	Deprived persons	% of population
1	Has the household been in arrears, i.e. has been unable to pay on time due to financial difficulties for any of the listed housing costs: *Mortgage repayment for the main dwelling * Rent * Utility bills for electricity, water, heating, etc. (without expenditures on telephone) * hire purchase installments or other loan payments	2 555 902	33.8
2	Can your whole household afford (if you wish) going for a week's annual holiday away from home every year, including staying at a second dwelling or with friends and relatives?	4 717 786	62.4
3	Can your whole household afford (if you wish) eating meat, chicken or fish (or their vegetarian equivalent) every second day?	3 264 890	43.2
4	Can your household afford an unexpected required expense and pay through its own resources (urgent repair of the dwelling or car; replacement of washing machine or refrigerator; sudden illness, etc.)?	4 919 045	65.0
5	Does your household have a telephone (incl. mobile)?	234 084	3.1
6	Does your household have a color TV?	169 000	2.2
7	Does your household have a washing machine?	883 628	11.7
8	Does your household have a car/van (incl. company car for private use)?	1 809 587	23.9
9	Can your household afford to keep its home adequately warm?	2 532 251	33.5

The data show that the highest number of households have arrears on going for a holiday away from home and the ability to afford unexpected required expenses with own resources (urgent repair of the dwelling or car, replacement of washing machine or refrigerator, sudden illness, etc.). In parallel, only 3.1% of Bulgarians cannot afford having a telephone (including mobile), 2.2% - a color TV, 11.7% - a washing machine, and 43.2% of the households claim that they cannot afford having a meal with meat, chicken or fish every second day. One-third of the households has arrears on the payment of housing-related costs in time and cannot keep their home adequately warm.

³ Calculated on the basis of data from the distribution of persons and households by income and normalized in the range from 0 to 1.

⁴ Calculated as a ratio between the incomes of the richest 20% and the poorest 20% of the persons in the households.



Households with low work intensity status

Jobless households are households where no member has been in employment over the last four weeks, i.e. all members of the household aged 16 years old or more have been either unemployed or inactive. Joblessness in EU-SILC are calculated as the percentage of persons in a given age group living in a household whose “work intensity” is below or equal to 0.20 over the total population in the same group.

The work intensity of the household refers to the ratio between on the one hand the number of months that all working age (18 - 59) household members have been working during the income reference year and on the other hand the total number of months that could theoretically have been worked by the same household members.

6. People living in households with very low work intensity by age group 18 - 59 years and by gender

Survey year		2006	2007	2008	2009	2010
Income reference year		2005	2006	2007	2008	2009
Total	1000 pers	644.7	678.8	350.3	303.1	322.6
	% of population	14.1	15.1	7.7	6.7	7.3
Male	1000 pers	315.2	323.8	163.1	150.4	155.5
	% of population	13.8	14.4	7.1	6.7	7.0
Female	1000 pers	329.5	355.0	187.2	152.7	167.1
	% of population	14.4	15.8	8.2	6.8	7.6

Combined indicator

In relation to the goals set in strategy “Europe 2020”, a combined indicator for regular monitoring of countries’ progress in implementing the national targets is calculated using data from the survey of income and living conditions (EU-SILC). The indicator includes at-risk-of-poverty rate, severe material deprivation rate and rate of people living in households with low work intensity.

The combining of the three indicators show that in 2009 almost half of the population (49.2%) or 3 718.7 thousand persons are in need of special care to combat poverty, social inequality and exclusion from active work.

7. Population at-risk-of-poverty or social exclusion

Survey year		2006	2007	2008	2009	2010
Income reference year		2005	2006	2007	2008	2009
Total	1000 pers	4734.1	4663.2	3421.0	3511.2	3718.7
	% of population	61.3	60.7	44.8	46.2	49.2
Male	1000 pers	2265.6	2203.4	1591.9	1624.1	1729.3
	% of population	60.5	59.4	43.0	44.1	47.3
Female	1000 pers	2468.5	2459.8	1829.0	1887.0	1989.5
	% of population	62.1	61.9	46.4	48.1	50.9

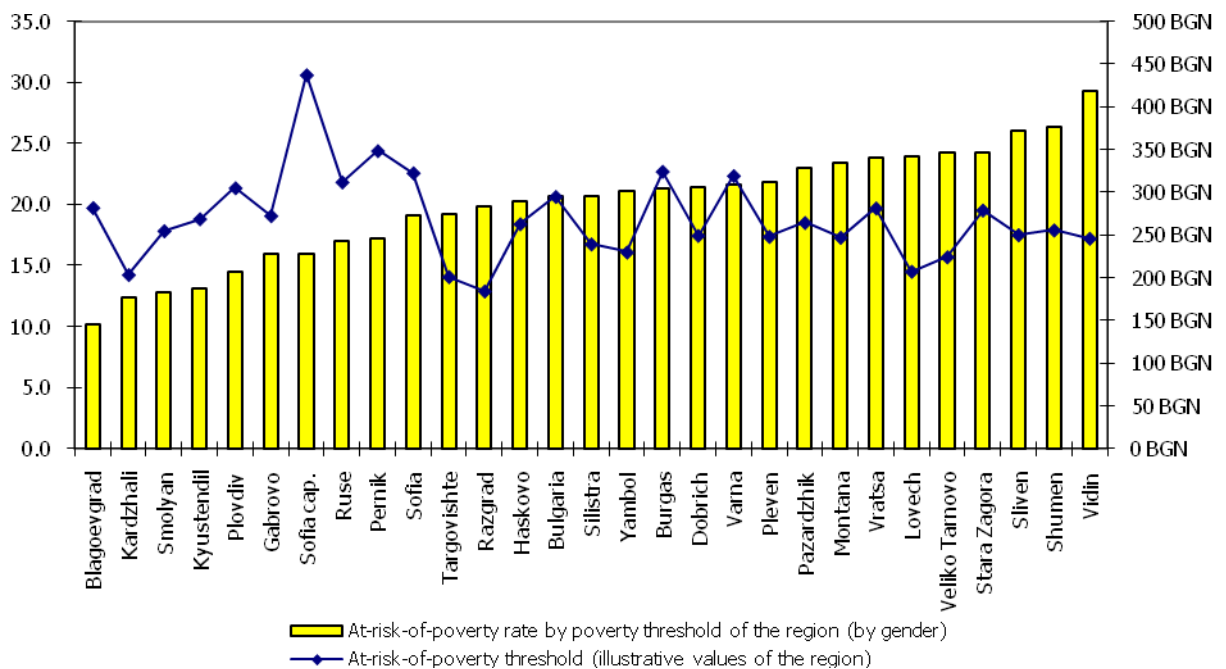


Assessment of poverty at regional level

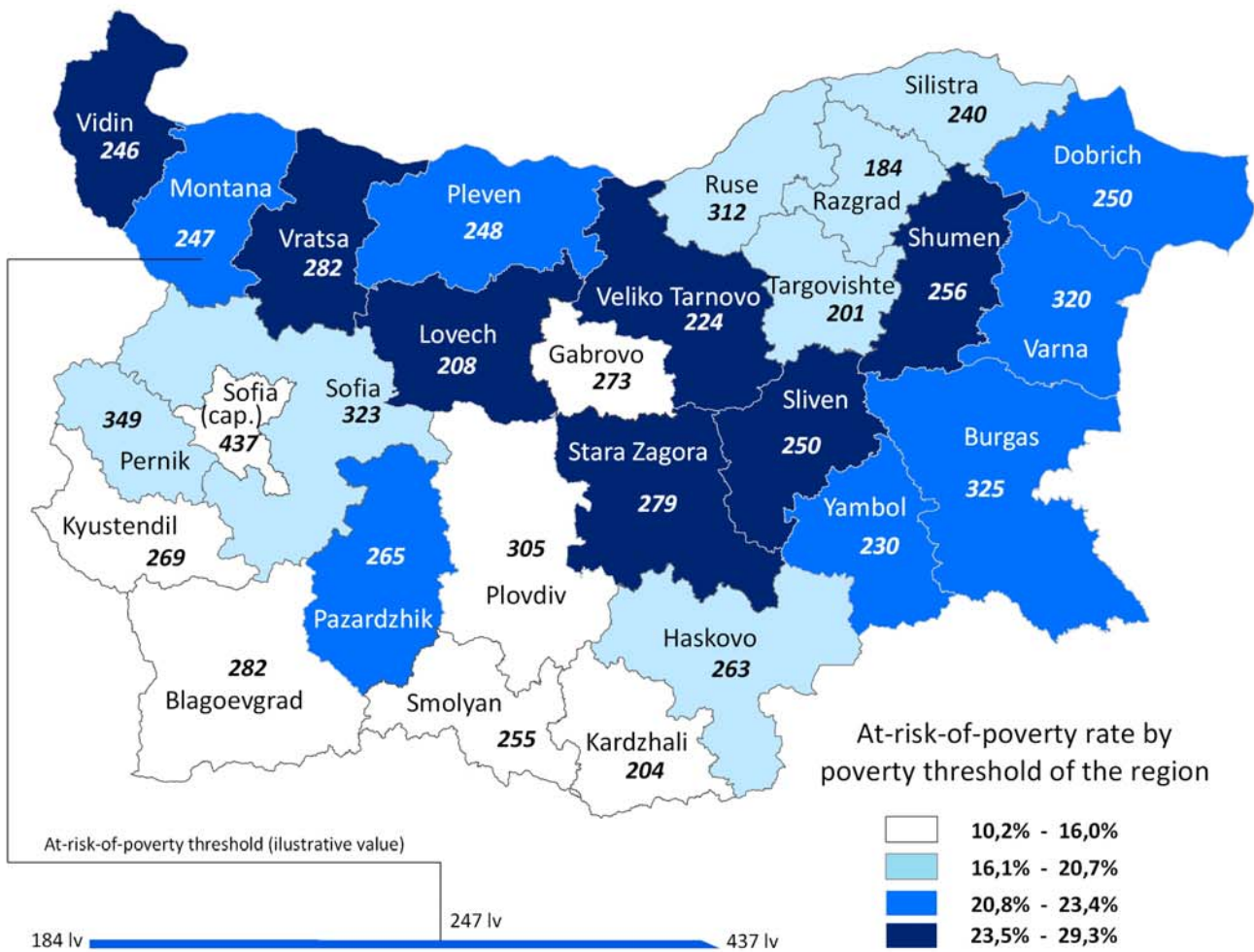
An important aspect in the study of poverty is the poverty assessment by regions. The same method as for the poverty line at national level is applied in the calculating the poverty line for each region - 60% of the average disposable net income of the households in the region.

In 2009 the highest size of the poverty line is in Sofia cap. - BGN 437, with at-risk-of-poverty rate 15.9%, and the lowest size of the poverty line is in Razgrad - BGN 184, where the at-risk-of-poverty rate is 19.8%. The region of Blagoevgrad has the lowest share of poor (10.2%) with size of the poverty line at BGN 282, while the region of Vidin has the highest share of poor - 29.3% with size of the poverty line at BGN 246. Compared to the national poverty line - BGN 295, only seven regions have higher size of the poverty line - Plovdiv, Ruse, Varna, Burgas, Sofia district, Pernik and Sofia cap.

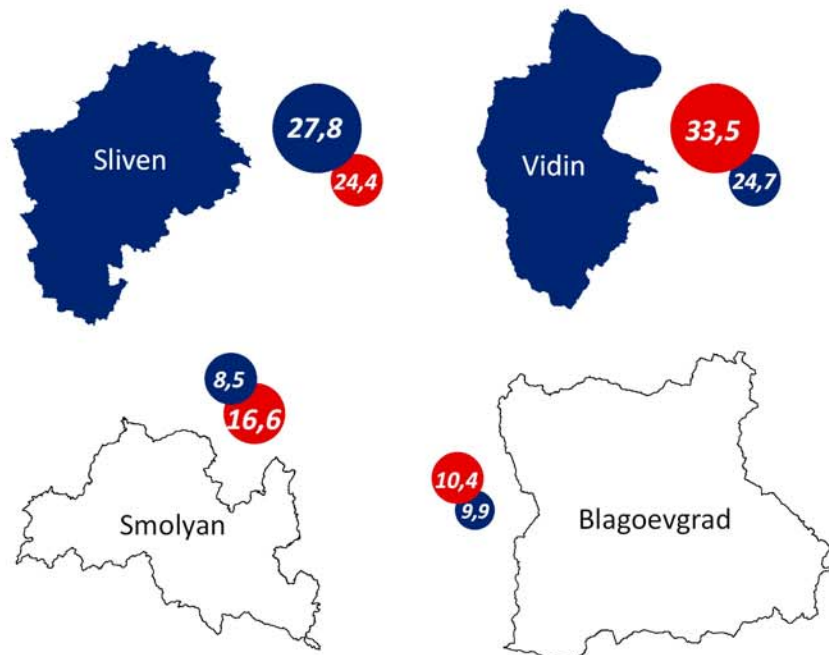
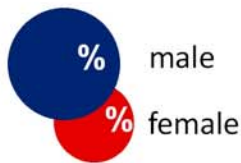
Figure 4. Distribution of the region by at-risk-of-poverty in 2009



Smolyan has the lowest share of poor for men - 8.5%, while Sliven has the highest share of poor for men - 27.8%. In Blagoevgrad women have the lowest at-risk-of-poverty rate (10.4%), while in Vidin the same share is 33.5%. Vidin has also the largest difference in the at-risk-of-poverty rate between men and women - 8.8 percentage points. In five districts - Dobrich, Lovech, Shumen, Razgrad and Sliven the share of poor men is bigger than the share of poor women.



Regions with highest and lowest At-risk-of-poverty rate of the region by gender



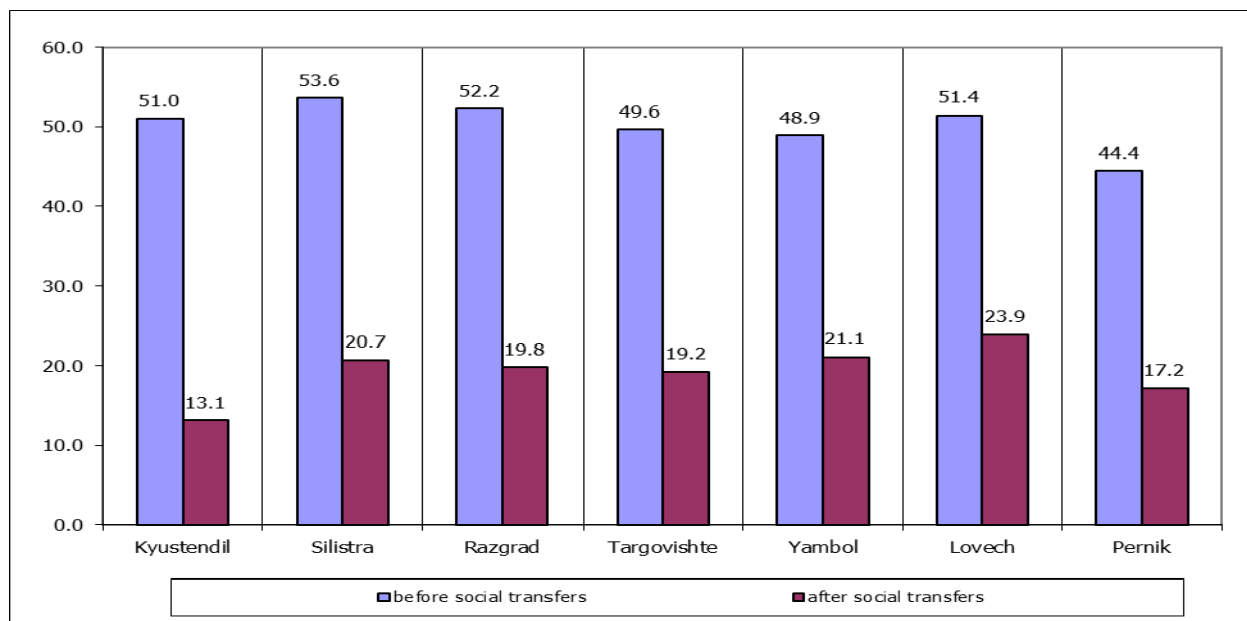
Income reference year 2009

source:
Survey year 2010
SILC
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The low levels of poverty in Kyustendil, Blagoevgrad and Smolyan are mainly due to social transfers - benefits, allowances and pensions. If we compare the poverty rates before social transfers we will see that once they are realized the poverty is reduced by over 37 percentage points in Kyustendil, by over 32 percentage points in Razgrad and Silistra, by 30.4 percentage points in Targovishte and by over 27 percentage points in Pernik, Lovech and Yambol.

Figure 5. At-risk-of-poverty rate before and after social transfers in 2009



Pensions remain basic factor in reducing the poverty. If income from pensions is included, but income from other social transfers is excluded, then the at-risk-of-poverty rate decreases by 14.9 percentage points in Razgrad (from 34.7% to 19.8%), by 13.2 percentage points in Silistra (from 33.9% to 20.7%) and by over 9 percentage points in Smolyan (from 21.8% to 12.8%) and in Lovech (from 33.3% to 23.9%). For the regions with the highest share of poor population Vidin, Burgas and Stara Zagora, the social transfers do not play such an important role in reducing poverty. The difference in the at-risk-of-poverty rates before and after social transfers is around 1.6 times.

The inequality of the population by income measured by the ratio of income between poor and rich strata of the society by regions show that the poorest 20% in the districts Lovech, Sliven and Montana have more than 7 times lower income compared to the richest 20% in the same districts. The lowest percentage of inequality is in Blagoevgrad (3.0) where the inequality coefficient is the lowest - 20.4%.

The highest inequality coefficient - over 35%, is observed in Razgrad, Montana, Shumen and Loveche. The poorest households live in Pernik and Sliven. The depth of poverty is 0.42 and 0.48 respectively while the average for the country is 0.30.

Estimates of poverty at national and regional level are the basic resource for monitoring the process of impoverishment in the country. They are a prerequisite for defining socially significant conclusions and allow outlining the main directions and priority areas for interventions.