International Labour Organization

Methods for Estimating the Poverty Lines: Four Country Case Studies

ILO Decent Work Technical Support Team
and Country Office for Eastern Europe and Central Asia

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Yuka Takeda

Foreword

Supporting productive employment and social protection of women and men is one of the three priorities of the Decent Work Country Programme (DWCP) of the Republic of Kazakhstan for 2010-2012, which was developed by the Government, the social partners and the ILO. The ILO technical assistance on assessing and improving the methodologies of the subsistence minimum calculation in Kazakhstan was envisaged under this priority. Following the official request made by the Ministry of Labour and Social Protection (MOLSP), the final report was prepared covering the analysis and assessment of subsistence minimum calculation methodologies.

The final report consists of two volumes, which serve different purposes. The first volume focused on the subsistence minimum calculation methodology and determination was printed as a separate publication. This publication is a second volume of the final report and it intends to provide some international examples of poverty line estimations and to serve as a reference for further policy formulation in Kazakhstan. In the course of preparing the final report, tripartite consultations with the Kazakh partners have been organised in order to reflect their priorities and interests. As a result, the following four countries were selected: Bulgaria, Canada, Finland and Russia. .

The second volume of the final report was prepared by the following authors:

Bogdan Bogdanov, Head of the Household Incomes and Expenditures Statistics Department, The National Statistical Institute of Bulgaria: the Bulgarian case;

Kentaro Nakajima, Associate Professor, Graduate School of Economics and Management, Tohoku University, Japan: the Canadian case;

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Pasi Moisio, Head of Minimum Income Unit, National Institute for Health and Welfare, Finland: the Finnish case;

Yuka Takeda, Assistant Professor, Institute of Economic Research, Hitotsubashi University, Japan: the Russian case.

All country cases cover the historical development of the national poverty lines and present a system for estimating the poverty line (or something equivalent). Each country applies different poverty indicators, such as the absolute poverty line/the subsistence minimum, the relative poverty line or other types of poverty measurements and these indicators serve different purposes depending on national needs.

This report was completed under the supervision of Mariko Ouchi, Senior Social Security Specialist of the ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia (ILO DWT/CO-Moscow). The technical comments provided by Hiroshi Yamabana, Senior Actuary of the Social Security Department at the ILO Headquarters have been reflected in the final version of the report. Talgat Umirzhanov, ILO National Coordinator for Kazakhstan and Eleonora Salykbayeva, ILO Project Assistant in

Kazakhstan for Finland's funded Technical Cooperation Project "From the Crisis towards Decent and Safe Jobs", provided valuable guidance and assistance throughout the preparation of this report.

We trust that this report will be a useful reference for those concerned with the development of a better poverty measurement system in Kazakhstan as well as in other countries.

Moscow, August 2012

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Poverty Lines in Bulgaria

Bogdan BOGDANOV

1. A Brief History of the National Poverty Line

1.1. Introduction to the National Poverty Line

According to a definition by the EU from 1984, impoverished people, families and groups of people are those whose material, cultural and social resources are limited in a way that excludes them from the minimum acceptable way of living in the community to which they belong. The investigation of poverty in Bulgaria began in a more focused and systematic way after the political changes at the end of 1989. In principle, the 'poverty' phenomenon did exist before those changes (under the conditions of totalitarian society), similar to any other society, but it was covered under the term 'low income population'.

During the transition to a market economy, over approximately 20 years, poverty acquired a new appearance and dimensions. Property was privatized and new distribution and re-distribution processes were adopted, but in general, the change was not a positive one for the development of the state. The new democratic society was constructed in parallel with a number of negative influences including criminality, corruption, and the abuse of political influence. This situation accelerated social differentiation and polarization, and a great majority of the population collapsed into either poverty or potential impoverishment.

The first poverty studies were done by the Ministry of Labour and Social Policy (MLSP), the National Statistical Institute (NSI) and the Institute of Union and Social Research at the Confederation of Independent Unions in Bulgaria (CIUB). These studies took an absolute approach to studying poverty, examining a basket of the most essential goods and services for satisfying the basic life necessities of the poor. The research on poverty done by various authors and institutions was summarized into a more complete and accomplished form in the publication "Poverty in Transition" (1998, ILO and UNDP). This publication presents both the sources of information and the methods used in specific studies on poverty and living conditions in Bulgaria. It includes an examination of the quality of the various methods, comparative characteristics of their advantages and disadvantages, and ideas for their use as instruments of social policy.

The regular Household Budget Survey (HBS) carried out by the NSI is the main information source in the study of poverty[1]. With financial assistance from the World Bank, a private research agency carried out three additional surveys on poverty and living conditions in Bulgaria in 1995, 1997 and 2001. A follow-up survey was done in November 2003 by a joint team from the MLSP and NSI, the results of which are presented in the publication "Bulgaria: The Challenges of Poverty" (2003, NSI).

[1] The household is the basic unit of observation. A household is two or more persons living together in one dwelling or part of a dwelling, having a common budget and eating together, regardless of kinship relations among them. A household is also one person living in a separate dwelling, room or part of a dwelling who has a separate budget.

An official poverty line was introduced in Bulgaria on December 18, 2006 – it is defined on the basis of data from the representative household budget survey carried out annually by the National Statistical Institute (Appendix I).

1.2. Differences in the Definition of the National Poverty Line

The team of experts that proposed defining the official poverty line in 2006 adhered to the definition of poverty put forward by the EU: "Poor people, families, and groups of people are those whose material, cultural, or social resources are limited in a way that excludes them from the minimally acceptable way of life in the community to which they belong".

Conversely, the relative method, which is accepted by EUROSTAT, is used in studying, estimating, and analyzing poverty in Bulgaria. This method is based on the income distribution of households as equivalent units[2]. 60% of the median equivalent income is accepted as the poverty line[3]. In defining the official poverty line, this percentage is however not specifically stated in the approach published in the State Paper. This allows specialists to change the percentage every year -- for example, depending on conditions, it could range between 50 and 70%.

Therefore, the choice of method for defining the poverty line in a given society is extremely important. In Bulgaria, the basic criteria should include the following:

- The state of the economy;
- Demographic structure and tendencies toward change;
- Conditions in the labour market;
- Social psychology, based on specific national traits, traditions, and customs;
- Current peculiarities in human motivation and behaviour;
- The characteristics of the generations educated, trained and qualified in the period between 1945 and 1995;
- The sources of financing for the social security system and perspectives on their development;
- The balance between active and passive measures in developing systems of social assistance.

Ultimately, the key aim of developing a policy for poverty reduction is to achieve a balance between the poor and not poor in society. In reality, this means achieving a balance between market efficiency and social justice. In addition, it means that the accepted system of social assistance should not negatively influence the short-term or long-term prospects for economic development in the country. The results of the poverty estimation in Bulgaria indicate that the poverty line over the last 14 years has shown a clear tendency for increase – from 501 EUR[4] in 1995 to 1,327 EUR in 2010, or an increase of over 2.6 times. At the same time, the poverty rate (after social transfers) has fluctuated over the years (the highest value of 16% recorded in

[2] The equivalent scale is calculated in order to reflect the economies of scale resulting from the mutual coexistence of persons in one household. In reality, this is the part of income spent on material goods, equally needed, inseparable, and useful to all household members. For example, the expenditure for purchasing a TV set, paying heating bills, etc. The EUROSTAT equivalent scale is 1.0 for the first member of the household; 0.5 for every other adult member; 0.3 for a child under 14 years old.

[3] 'Aggregate income' is used for calculation. The other option is to use 'aggregate consumption'. Some experts believe that the consumption aggregate is preferable in calculating poverty indicators since the respondents are more willing to give correct and reliable information on expenditures incurred than on incomes received.

[4] Exchange rates: 1 EUR = 1.95583 BGN; 1 USD = 1.39344 BGN; 1 USD = 0.712 EUR (the rates are for September 2011).

2010), and for this reason, it is difficult to observe any clear tendency (***Table 1.1***). In other words, there was approximately 1.1 to 1.2 million people defined as being poor residing in Bulgaria at the beginning of the new millennium. Also, there are comparatively fewer poor after 2000, *ceteris paribus***.** The data in the ***Table 1.1*** contain information reflecting the impact of social transfers on the poverty rate. If the share of social transfers except pension is excluded, the proportion of poor people increases in the range of 2 to 4 per cent for the years under consideration. After 2001, the impact of social transfers decreases more significantly.

In contrast, pensions have a much larger impact on reducing the number of poor in the country. *When all transfers including pensions are excluded*, the proportion of impoverished people increases considerably. Also, while there was a decrease in pension impact on this proportion after 2001, it increases again after 2007. A number of social theoreticians from economically developed countries have pointed out the gradual withdrawal of the state from its traditional social functions of giving aid, and suggested approaches by which people can resolve their social problems by themselves.

Table 1.1. Poverty line and Poverty rate for the period 1995–2010

Year	Poverty line in ECU/ EUR (60% of the median equivalent income)	Poverty rate before social transfers (%)	Poverty rate, including pensions, before social transfers (%)	Poverty rate after social transfers (%)	Gini Coefficient	Quintile Ratio S80/20
1995	501	31.7	18.9	14.5	29	4.0
1996	268	33.4	17.9	14.8	28	4.5
1997	344	33.8	18.4	15.3	28	4.0
1998	568	34.9	17.7	15.6	26	3.8
1999	608	35.5	17.4	15.3	25	3.8
2000	628	39.0	17.5	14.3	25	3.8
2001	639	43.1	19.2	15.5	26	3.8
2002	762	37.1	16.6	13.4	26	3.8
2003	843	36.7	16.1	14.1	24	3.6
2004	871	40.1	17.6	15.3	26	4.0
2005	931	39.1	17.2	14.2	25	3.7
2006	1020	40.5	16.9	13.9	24	3.5
2007	1185	40.5	17.2	14.1	25	3.7
2008	1294	43.5	18.3	14.4	26	3.9
2009	1412	46.9	18.4	14.7	26	3.9
2010	1327	50.3	19.6	16.0	27	5.2

The data for the Gini coefficient and the quintile ratio – S80/20 (***Table 1.1***) indicate that neither inequality nor income polarization are recognized or any clear tendency in the years since the start of the new millennium. The basic reason for this situation is the shadow economy in the country. In reality, there are sources of considerable income that are not reflected in the official statistics. Hence, it is not possible to make correct and reliable estimations of the existing income inequality in Bulgarian society. In correspondence with the

millennium goals, it is expected that in 2015 the relative proportion of poor people in Bulgaria will be similar to that in the EU (at present, approx. 15%). It should be emphasized that this level will be reached when the poverty line becomes 2,040 EUR per person, an increase of more than 1.5 times compared to 2010.

2. Estimation of National Poverty Line

2.1. Methodology for Estimating the National Poverty Line

The approach for defining the national poverty line was published in the State Paper in December 2006. In November 2007, certain changes were introduced and the updated approach was again published in the State Paper. The changes were not considerable in estimating the poverty line, with the conceptual framework remaining intact.

In fact, the new approach helps better define the order and method of calculating and updating the poverty line in the Republic of Bulgaria. The objective is to use the poverty line in developing the state's social policy, but unfortunately, at present this objective has yet to be fully achieved. The declared intentions have not yet been realized, despite projects and measures accomplished in this direction.

In Section II of Appendix I, the following steps to the approach are presented in detail: the data needed to calculate the poverty line; the method in which the government presents the defined poverty line in the public; the algorithm for calculation; the minimal living necessities of poor households defined and satisfied by the defined poverty line. In Section III, the procedure for updating the poverty line is described. This is done when accumulated inflation exceeds the level at the time of the last update by 10%. In the additional regulations of the approach, the basic instruments and conceptual apparatus used to calculate the poverty line are described. In the final section, it is stated that the approach developed corresponds to EU regulations and EUROSTAT recommendations, taking into consideration both the national peculiarities and specific conditions of the social and economic development in Bulgaria.

2.2. Definition of the Subsistence Minimum

In the approach for defining the poverty line, the minimal living necessities of poor households are defined. The minimal living necessities are data taken directly from the HBS and reflect:

- The recommended physiological norms per daily intake of 2,700 kilocalories per equivalent unit. In the first published approach, the norms were defined as 2,300 kilocalories. This indicator aims to monitor whether the poor get the energy needed for a human organism to remain healthy. Understandably, this indicator does not reflect the quality and variety of the food consumed. Hence, it could be complemented by more specific indicators for physiological norms per daily intake of carbohydrates, fats, vitamins, etc.
- The percentage ratio between the level of food expenditure and the level of non-food expenditure. This should correspond to the average ratio for 20% of the households in the lowest income household group. In the initial variant of the approach, 30% of the households were included in the HBS sample, but after updating the approach, this percentage declined to 20%. Empirical data indicate that for the aggregate of households with the lowest incomes, the relative share of food expenditure is approximately 45% to 50%. When the relative share of food expenditure for this aggregate of households goes over 50%, it is taken as an indication that the value of the existing poverty line should be changed.

Hence, the estimated minimums allow the experts to be flexible in defining the value of the poverty line, and thus the integrity of the approach is preserved along with its principles. In essence, it defines the specific level of satisfying minimal living conditions of poor households as a percentage of the median total net income.

2.3. Minimum Consumption Basket

The method of compiling and defining 'the minimal consumer basket of goods' is not directly used for national statistics. In principle, the basket is related to calculating the absolute poverty line. The basic difficulty of using this method is in achieving consensus among experts in the definition of the basket's content. Obviously, this content has to reasonably correspond to the economic situation in the country, the stability of the social security system, national peculiarities and specificities in living conditions.

Experimentally, the absolute poverty line was calculated in previous years as a modification of the Orshansky Method.[5] *The absolute poverty line* is defined as having less than an objectively defined absolute minimum. Calculated according to the original method, the line results from the multiplication of the normatively defined basket of food products ($\sum_i(F_i \times P_i)$) by a coefficient, obtained through a geometrical averaging of the relationship between total expenditure and food expenditure for every household[6] (k)[7] – $PL = \sum_i(F_i \times P_i) \times k$. The normative food expenditure is defined through the basket of necessary food products (F_i) valued at market prices (P_i). The modified Orshanski Method[8] is defined as substituting the expert estimation of the food component with the average food expenditure (Ef) and a coefficient (c), constituting the non-food component: PL = Ef×c.

In forming the parameters *Ef* and *c*, the following aggregates were used:

1. Aggregate Consumption at the following three levels:

   a) the ratio between the total expenditure[9] and the food expenditure for each household – ρ_i $(i = 1 \div n)$;

   b) the ratio between the total consumer expenditure[10] and the food expenditure for each household – ρ_i^* $(i = 1 \div n)$;

   c) the ratio between the monetary consumer expenditure[11] and the food expenditure for each household – ρ_i^{**} $(i = 1 \div n)$.

2. Aggregate Food consumption at the following three levels:

   a) total food expenditure on average per equivalent unit (person) – Ef;

5 Orshansky, M., "Counting the Poor: Another Look at the Poverty Profile". Social Security Bulletin, 1965, Vol. 28, N 1, p. 3–29.

6 Expenditure data are from the regular and periodical HBS.

7 In some of the studies done by Orshansky, this coefficient has a value of 3 points, i.e. the valued basket of food products is multiplied by 3 in order to add the non-food component, and in this way the absolute poverty line is obtained.

8 Bogdanov, B. "Poverty and Poverty Lines". Statistics, 1994, N 6., pp. 59–70.

9 Household expenditures according to HBS data.

10 Total consumer expenditure is obtained after expenditures on taxes, fees, social insurance payments, tools, etc. (i.e. expenditures incurred by households for the immediate satisfaction of their needs) is deducted from the total expenditure.

11 Monetary consumer expenditure is obtained after natural household expenditure is deducted from the total consumer expenditure.

b) total consumer food expenditure on average per equivalent unit (person) – Ef* = Ef;

c) monetary consumer food expenditure on average per equivalent unit (person) – Ef**.

There were three variants of poverty lines developed on this basis, and they had the following prerequisites:

A) poverty threshold: multiplication of the food expenditure on average per equivalent unit (person) by the average geometric[12] of the ratios between total expenditures and expenditures for food of the observed households at the three levels as follows:

	Example with monthly data[13]:
(1) PL_1 = Ef×c	PL_1 = 128 EUR×1.6 = 205 EUR)
(2) PL_2 = Ef *×c*	(PL_2 = 128 EUR×1.4 = 179 EUR)
(3) PL_3 = Ef **×c**	(PL_3 = 120 EUR×1.5 = 180 EUR)

B) poverty threshold: multiplication of the food expenditure of the households from the II decile (calculated by HBS data) by the geometric average of the ratios between total expenditures and food expenditures of the observed households at the three levels, as follows:

(4) PL_4 = Ef, II×c	(PL_4 = 105 EUR×1.4 = 147 EUR)
(5) PL_5 = Ef *, II×c*	(PL_5 = 105 EUR×1.2 = 126 EUR)
(6) PL_6 = Ef **, II×c**	(PL_6 = 99 EUR×1.3 = 129 EUR)

C) poverty threshold: multiplication of food expenditure of the households from II decile (calculated using HBS data) by a normatively defined multiple[14], equal to 2 on the three levels, as follows:

(7) PL_7 = Ef, II×2	(PL_7 = 105 EUR×2 = 210 EUR)
(8) PL_8 = Ef *, II×2	(PL_8 = 105 EUR×2 = 210 EUR)
(9) PL_9 = Ef **, II×2	(PL_9 = 99 EUR×2 = 198 EUR)

A poverty line calculated in this way allows for in-depth analysis, comparisons, and a choice of the level of the poverty line. The calculations and analysis can be expanded by including/excluding separate sources of income or by introducing other normatively defined multiples.

The accomplished surveys indicate that the calculation of an absolute poverty line is recommended for countries with less developed economies. In addition, using an absolute poverty line provides better protection for

12 $c = \sqrt[n]{\rho_1.\rho_2.\ldots.\rho_n}$, where for the three levels ρ_i, ρ_i* and ρ_i** – *c*, *c**, and *c*** are respectively calculated.

13 The data are taken from an HBS survey from 2010.

14 The value of the multiple is determined according to policies of poverty reduction in the country. For example, its value can range between 2 and 4. In this way, the value of the non-food component will be added in calculating the poverty line.

the poor groups of a population during times of economic crisis.[15] The reason is that in times of economic collapse, inflation rises abruptly (as the national currency is devalued), and it negatively impacts the financial state of the poor.

The income distribution of a population preserves its shape, but the purchasing power of the national currency declines. Thus, the relative poverty line is devalued, and its nominal value becomes insufficient to cover the minimal necessities of the poor groups (e.g. the data on the relative poverty line in Bulgaria during economically critical years – 1996 and 1997 (***Table 1.1***)). In such cases, the calculation of an absolute poverty line could both reduce the burden shouldered by the poor and more correctly reflect the minimum necessities of people who are in real risk of impoverishment.

2.4. Subsistence Minimum Demography

The aggregate of poor households consists of those below the poverty line. They could, however, be broken down by more specific indicators such as age, sex, households with children and without children, households with one, two or more dependent persons, etc. The data on poverty indicators for the separate sub-aggregates allow for more specific analysis and comparison.

Estimates for the subsistence minimum could be calculated from the budgets of these households, in total and by specific categories. It would also allow for definition of a new subsistence minimum for target groups of poor households – a subject of special and specific social policy.

Having said that, a basic problem likely to occur in the analysis of the separate sub-aggregates is with the small number of units in the separate groups, and accordingly, the lower accuracy in their estimations. In reality, it depends on the size of the sample and the research interest towards poor households with specific characteristics (Appendix II).

2.5. Regional Subsistence Minimum

In calculating the poverty line for the various regions of the country, the defined and accepted approach is currently applied. The poverty line could, however, be calculated as a total for the country as well as for the regions. In such a case, the estimates would show the characteristics of the poor located below the national poverty line from each region. In addition to calculating the poverty line for each separate region, the estimates could track the households located below the calculated poverty line for each separate region, using the same approach. Both cases could be adopted as a best practice, enabling more in-depth analysis and better definition of measures for the creation of focused and active social policy.

In addition, regional subsistence minimum estimates could be calculated for households by region on the basis of their budget information. Based on this analysis, a more differentiated social policy could be determined – a policy of poverty reduction in poorer regions.

Here again though, the problem likely to occur is related to the small size of the sub-aggregates for the regions. This could negatively affect the stability and reliability of the data in dynamics, which in turn would affect the accuracy and focus of the analysis of the poverty phenomenon in the separate regions of the country (Appendix II).

[15] Monitoring Absolute and Relative Poverty: 'Not Enough' is Not the Same as 'Much Less', Geranda Notten, Chris de Neuburg, The review of Income and Wealth, Series 57, Number 2, June 2011.

3. National Poverty Line and Social Security

3.1. Social Security Benefits Related with the National Poverty Line

In 2005, a project for linking the poverty line to indicators for social protection and assistance was developed in Bulgaria, but the project was never actually implemented, due to lack of political initiative. The following paragraphs briefly present the basic ideas of this project. The intention is to find similar features in the practice of Kazakhstan and illustrate the idea for linking the poverty line to indicators defining basic trends in social policy development, as follows:

3.2. Linking the poverty line to the minimal labour wage

The mechanism for linking minimal labour wage (MLW) to the poverty line (PL) and the average labour wage (ALW) is based on collective bargaining among social partners (Unions, Employers, MLSP). This link allows for the development and maintenance of important proportions with other indicators that define economic development.

a) Basic concepts, connected to the mechanism of such linking:

- ***Top margin*** – derived as a specific percentage of the average labour wage (ALW).
- ***Bottom boundary*** – A coefficient, multiplied by the poverty line. It forms the minimal acceptable value of the MLW.
- ***Top boundary*** – A coefficient, multiplied by the poverty line. It forms the maximal acceptable value of MLW.
- ***Wide scope*** – The range between the bottom boundary and top boundary. It is defined as the maximum wide scope for MLW negotiations among social partners.
- ***Narrow scope*** – The range between the bottom boundary and top boundary or the top margin, if the top margin is smaller than the top boundary. It is defined as an advisable range, in which MLW must be negotiated among social partners.
- ***Minimal labour wage (MLW)*** – A topic for negotiations among social partners in the wide/narrow scope based on the previous year's data. It serves as an instrument for the coming year.

b) Mechanism of linking:

The minimal labour wage (MLW) is linked to the poverty line (PL) and the average labour wage (ALW) through the definition of wide and narrow scope for negotiations of minimal labour wage (MLW) among social partners (Unions, Employers, MLSP). This mechanism is commonly used in the EU countries.

Wide scope is formed by two coefficients for linking: a coefficient of 1.15 for the bottom boundary and 1.45 for the top boundary[16] are both multiplied by PL:

[16] The coefficients 1.15 and 1.45 are defined by experts, and they correspond to basic indicators characterizing the economic development of the country as follows: unemployment rate; inflation; real labour wage; minimal labour wage; minimal pension; GDP. The purpose is to create options for choosing optimal variants during negotiations between the government, unions and employers.

Top Boundary		1,45×PL
	Wide Scope for MLW	
Bottom Boundary		1,15×PL

Wide scope: 1.15×PL ≤ MLW ≤ 1.45×PL

Narrow scope is formed in the same way as the wide scope, but with a top margin that equals 60% of the average labour wage (ALW), under the condition that the top boundary is greater than the top margin:

Top Boundary		1,45×PL
Top Margin		60% ALW (If 0,6×ALW <1,45×PL)
	Narrow Scope for MLW	
Bottom Boundary		1,15×PL

Narrow scope: 1.15×PL ≤ MLW ≤ 0.6×ALW, in the condition that

Top margin = 0.6×ALW < 1.45×PL

If the top margin ≥ 1.45×PL, the wide scope approximates the narrow scope. The ratio between the top and bottom boundaries of the wide scope is a permanent value, the top boundary being 26 % greater than bottom boundary. When ALW increases more than PL, the boundary of the narrow scope is extended (in a range of 0 to 26 %) and allows for relevant negotiations concerning MLW between social partners.

Bulgarian case with real monthly data:

***Wide scope*:** bottom boundary 1.15 x 111 EUR = 128 EUR

top boundary 1.45 x 111 EUR = 161 EUR

128 EUR ≤ MLW[17] ≤ 161 EUR

Real*[18] *scope: bottom boundary 1.15 x 111 EUR = 128 EUR

top boundary 0.6 x 357 EUR[19] = 214 EUR

128 EUR ≤ MLW ≤ 214 EUR

In practice, it is possible to define other coefficients for relatedness in short-term and long-term periods. For instance, an increase in the living standard or average labour wage (ALW) leads to new, reasonable and higher coefficients for linking the minimal labour wage (MLW) to the poverty line (PL). The choice of coefficients depends on what social policies the country hopes to achieve.

17 At present, the minimum labour wage in Bulgaria is 270 BGN monthly (approx. 138 EUR).

18 Real data indicate that there is a positive ratio between: ALW, MLW and PL. As a result, ALW ≥ MLW ≥ PL.

19 At present, the average labour wage in Bulgaria is about 700 BGN monthly (approx. 357 EUR).

3.3. Linking the poverty line to the minimal pension for retirement and age

Calculation of the minimal pension[20] for retirement and age is linked directly to the minimum labour wage and indirect to the poverty line. The minimum level of a pension for retirement and age can be no lower than 50% of the minimum labour wage and no higher than the poverty line. Annually, when updating the poverty line, the coefficients linking it to the minimum labour wage have to be revised. This is done to equalize the levels of the poverty line and the minimum pension for retirement and age, if this has not been achieved so far.

3.4. Linking the poverty line with social security assistance

A. Constructing the social assistance system on the basis of poverty line and basic poverty indicators allows for:

- Alleviation of the state of poverty for groups at risk through better focus and definition of corresponding assistance levels;
- Medium- and short-term security of the social protection system, corresponding to the economic growth of the market-oriented economy;
- An increase in fiscal transparency and decrease in the duplication and fragmentation of different programs of social protection.

B. The target (risk) households, or subjects of social assistance, are defined by the Law of Social Assistance. The use of a chosen poverty line as a working instrument in developing and conducting focused policies of poverty reduction implies the identification of the poor through various indicators according to accepted poverty criteria. The basic risk groups, or subjects of social assistance, are defined as the following:

- Households with children, including single-parent households, households with many children, families with school-aged children;
- Persons of retirement age, including households of single aged people and pensioners;
- Handicapped people, including households of handicapped singles, and households with handicapped children/parents.

C. Equivalent weights for the members of risk households are defined in the Regulation for Implementing the Law of Social Assistance. With respect to the unification and introduction of equivalent scales corresponding to European and world practices, we propose defining the equivalent weights of at-risk households as follows:

- A single person over 65 years old: 1.0;
- A single parent: 0.5;
- A child below 6 years old (including the single parent): 0.3;
- A child between 6 and 18 (or 20 years old for a student), including the single parent: 0.5;
- A person with limited work capacity between 70% and 90%: 0.6;
- A person with limited work capacity over 90%: 0.7;
- Every other adult member of the household: 0.5.

[20] At present, the minimal pension for retirement and age in Bulgaria is relatively low: 136 BGN monthly (approx. 69 EUR). Obviously, this is considerably lower than the official poverty line for 2010 (111 EUR per month).

D. The range of the algorithm for calculating the average monthly income of assisted target household groups is as follows:

- A single person over 65 years old with income: 1.0×PL;
- Single handicapped person:
  - with limited work capacity between 70% and 90%, with income: 0.6×PL;
  - with limited work capacity over 90%, with income: 0.7×PL;
- Single parent with one child:
  - with one child below 6 years old, with income: 0.5×PL + 0.3×PL;
  - with a child between 6 and 18 (or 20 years old for a student), with income: 0.5×PL + 0.5×PL;
- Single parent with two and more children:
  - with two children below 6 years old, with income: 0.5×PL + 0.3×PL + 0.3×PL;
  - with two children between 6 and 18 (or 20 years old for a student), with income: 0.5×PL +0.5×PL + 0.5×PL;
- Households of handicapped persons:
  - two adults (1 handicapped person with up to 90% limited work capacity) and a child, with income: 0.5×PL + 0.6×PL + 0.3×PL;
  - two adults (1 handicapped person with over 90% limited work capacity) and a child, with income: 0.5×PL + 0.7×PL + 0.3×PL;
  - two adults and a handicapped child with up to 90% limited work capacity, with income: 0.5×PL + 0.5×PL + 0.6×PL;
  - two adults and a handicapped child with over 90% limited work capacity, with income: 0.5×PL + 0.5×PL + 0.7×PL.

Thus, calculated incomes will complement the income of the proven poor households, i.e. these households will be assisted with an amount that equals the difference between the defined income of assistance and the declared income of the household.

The introduction of the household as the receiving unit of social assistance and the introduction of the equivalent scale when defining the amount of social assistance reduce the opportunity for erroneous assistance given to persons or families in the same household. On the contrary, such measures create the opportunity for a more focused definition of the necessary means for social assistance of poor households. In this way, the program of social assistance and the program of energy assistance should be merged into one program for assisting **proven poor households.**

Generally, social assistance policies depend on the following three factors: the support defined by the budget; the number of proven poor; and the level of the calculated poverty line. The optimal variant can be obtained at the intersection of these three factors. Their main purpose is to create conditions that limit poverty and related processes of impoverishment. It is also important to assist the people who have the potential to cross over the poverty line and stop being poor.

3.5. Effects of Changing the National Poverty Line on Social Security

As was mentioned above, the official poverty line is not currently used in Bulgaria for any specific mechanism for calculating social protection indicators. It is predominantly used as a controlling value during negotiations between social partners: in other words, as an argument for defending one or another thesis in negotiations. This method, however, becomes insufficient when developing policies in the social sphere.

A mechanism, including the poverty line, is needed to contribute to creating a specific order, clarity and focus of social protection initiatives. Income inequality is an underlining principle of the market economy development, and it is clear enough that a market economy could not develop if income inequality were replaced by principles of egalitarianism. Accordingly, inequality has to be accepted as a consequence of market competition: a constant characteristic of the real market economy. In reality, inequality arises from the striving of individuals to do their best and achieve the most, and this includes getting the highest income for the work they do. The market economy does not lead to poverty; it creates conditions that enable people to achieve their best in greater quantities. The market economy may accelerate inequality, but could also reduce poverty. At first glance, it is one of its paradoxes, but in fact in places where there is a prosperous market economy, the poor are less poor and there is a tendency toward increasing prosperity. In this sense, programs of social protection should be defined and differentiated in the following ways: reducing social tensions; improving the quality of life for people who will remain in poverty; creating the necessary conditions for assisting people likely to pass over the poverty line and become economically self-sufficient.

In addition, social policy could be directed towards guaranteeing permanent monitoring of inequality and the social protection system. Such a social policy could provide the connections and mechanisms needed to influence the social protection systems as well as the labour market, income policies, education, healthcare and other social areas.

In parallel, the negative side effects of inequality and social assistance will stand out more clearly, enabling their removal without reducing their stimulating role in market economy development. Therefore, it is extremely important to establish an information system that maintains the proper integration of social security system data in order to help social workers make the most accurate decisions.

Without establishing such a system, the efficacy and effectiveness of the policies of social protection will be lost under the conditions of dynamically developing social processes and a globalizing economy. Experience from other countries indicates that monies do not always go to the right person; a country of average size loses billions of dollars each year due to fraud and mistakes. The desire to limit these losses once again reinforces the need to establish an integrated information system for the proper control and distribution of monies in society.

4. Analysis and comparison of the estimates from poverty surveys conducted in Bulgaria

4.1. Introduction

Representativeness, reliability and accuracy of primary data are of great importance in calculating the poverty line. Currently, the National Statistical Institute of Bulgaria is conducting two surveys on the calculation of the poverty line and a series of other indicators characterizing the processes of impoverishment. The first survey is the Household Budget Survey (HBS)[21] which, as already indicated, is used for the calculation of the official poverty line. The second survey focuses solely on the monitoring of income and living conditions of households covered by the sample (SILC)[22]. This part of the paper summarizes the main characteristics and traits of the two surveys. It seems clear that the **systematization of the metadata in both surveys could be used to help researchers** find better ways to prepare the data needed for the calculation of the poverty line and indicators allowing the development of in-depth analysis in the social field.

4.2. Traits and main characteristics of the two surveys

The main traits of both surveys are presented in the following table (***Table 1.2.***):

Table 1.2. Basic parameters of the surveys: 'Household Budget Survey' and 'Statistics on Income and Living Conditions'

Basic parameters	HBS	SILC
1.Unit of observation	Private household.	Private household and individuals (members of the household) aged 16 or older.
2. Model and size of the sample[23]	3,000 households are surveyed every month[24] for one year. A two-stage cluster selection of households is used. In the first stage, clusters are selected – census divisions (500 clusters). In the second stage, 6 households are randomly selected from a cluster. Households that refuse to participate in the survey are replaced by other households with the same number of members.	Rotational panel survey with a duration of four years. The size of the sample is approx. 6,000 – 7,000 households per year distributed in four rotation groups. Households that refuse to participate in the survey are not replaced by others.

21 The first sample surveys of Bulgarian households date from 1925, but regular surveys (monthly and annual) started in 1953. The main objective of these surveys is to obtain reliable and scientifically sound data on income, expenditure, consumption and other elements of the living standard (e.g. ownership of durables, housing type and conditions, etc.). From 1995, a series of indicators for assessing poverty in the country have also been calculated. In 2006, a Ministerial Decree (published in the State Gazette) defined the procedures and method of calculation of the official poverty line based on data from the annual surveys of the household budgets.

22 The social statistics and living conditions survey is relatively new. In Bulgaria, it was launched for the first time in 2006. Its main objective is to provide indicators for comparative analysis at European Union levels with regard to the distribution of households by income and the phenomenon of poverty and social exclusion. Along with this, data on the following is obtained: dwelling and housing conditions; access to education; health status and access to healthcare; provision of social services and participation of the household or its members in different social programs, etc.

23 In 2010, a new model of the sample was introduced. The sample is formed by three independent sub-samples, each of which includes 1,020 households. In other words, a total of 3,060 households are surveyed over four months during the year. In practice, each household is surveyed for a month, then it does not take part in the survey for two months, then it is included again, and in this sequence the survey of its budget is conducted over 12 months.

24 Selected households are paid BGN 20 monthly for their participation in the survey.

3. Head of household[25]	Same definition used for both HBS and SILC.	Same definition used for both HBS and SILC.
4. Survey tools	Diaries for daily records of income and expenditure. Three auxiliary sheets for recording of basic socio-economic and demographic characteristics of the household and its members.	Questionnaires for the household – basic socio-economic and demographic characteristics of the household and its members are recorded. Individual questionnaires for every member of the household aged 16 or older – data on professional life, economic activity, income and health status of surveyed individuals is recorded. Information on expenditure and consumption of households is not gathered.

Continued from Table 1.2

5. Period of survey	Month of observation.[26] Households are visited on the 1st and 15th of the month of observation. The diaries are then received and an additional interview is held.	The main questions for the income of the household refer to the preceding calendar year. Questions addressing shorter periods of time or current situation are also asked.
6. Stochastic errors	Standard errors for the main indicators are in the range of 5–10%.	Standard errors for the main indicators are in the range of 5–10%.
7. Non-stochastic errors[27]	Refusal to participate in the survey. Refusals are, to a large extent, predetermined due to the long period of time during which households participate in the survey.	Refusal to participate in the survey. A lot of households refuse to participate due to the large volume of questionnaires and requirement of a longer interview with respondents.
8. Percentage of respondents	Around 66%.	Around 66%.
9. Processing of information	Monthly[28]; Quarterly[29]; Annually.	Annually.
10. Estimates of key indicators of income – definitions and method of obtaining.	Definitions of income, total and by source, are synchronized with those of SILC using the Eurostat manual. Data is gathered from records made by a particular household member in a diary for the household. From 2010, in addition to diaries, questionnaires on retrospective information for the preceding two months (during which the households were not surveyed) have also been used.	Definitions of income, total and by source, are synchronized with those of HBS using the Eurostat manual. Data is gathered separately by questionnaire on every member of the household aged 16 or older.
11. Main indicators for estimation of poverty in the survey year	Algorithms presented in the Eurostat manual are used for calculation of poverty estimation indicators. Data is taken from the monthly records in the household diaries, and from 2010 onward, the questionnaires for receiving retrospective information on the preceding two months when the households were not surveyed.	Algorithms presented in the Eurostat manual are used for calculation of poverty estimation indicators. Data is taken from household questionnaires on all its members aged 16 or older.
12. Panel estimations of income and poverty indicators	Not possible to obtain such estimates.	Allows panel survey of income in which the same households are surveyed over a period of four years (longitudinal data). Allows panel survey of poverty in which the same households are surveyed over a period of four years, i.e. the so-called persistent at-risk-of-poverty rate is studied.

[25] Member of the household recognized as the head of the household or the one that provides the basic livelihood.

[26] From 2010, in addition to diaries for the current month, households will also fill in questionnaires on their income and expenditure for the previous two months.

[27] Interviewers gather information on the main reasons for refusal of households to participate in the survey.

[28] Until 2009 – monthly and annual information.

[29] From 2010 – quarterly and annual information.

4.3. Peculiarities in distribution of households by income and differences in estimates of key poverty indicators in the surveys: HBS and SILC

Distribution of households by income in the two surveys is lognormal. In SILC, the distribution is more skewed to the left than that of HBS. As a result, the *poverty rate* is higher by about 7 percentage points over the years surveyed (4% in 2005; 8% in 2006; 7% in 2007; 8% in 2008). This fact is also reflected in the size of the medians[30] (in poverty lines[31] respectively) of the two surveys.

In both surveys, a tendency toward an increase in the level of poverty lines is observed. The values of the key indicators as well as other important derivatives and measures of the poverty phenomenon in both surveys can be traced in the following table (***Table 1.3.***)[32].

Table 1.3. Comparison of Main Indicators based on Household Budget Survey (HBS) and EU-SILC Surveys

Main Indicators	2005 HBS	2006 SILC	2006 HBS	2007 SILC	2007 HBS	2008 SILC	2008 HBS	2009 SILC
Poverty line (PL) per equivalent person, per month – in BGN	152	135	167	145	193	212	211	276
Poverty rate (PR) (%):								
Total	14	18	14	22	14	21	14	22
Age								
0–15	18	25	15	30	19	26	17	24
16–64	12	16	12	19	12	17	12	16
65+	18	20	18	23	18	34	18	39
Sex								
Male	13	17	12	21	11	20	13	19
Female	15	19	16	23	17	23	16	24
Salary/wage employees (total)	6	5	6	6	5	7	5	7
Not at work (total)	20	26	20	32	21	35	21	36
Unemployed	34	48	36	56	38	55	43	52
Retired	16	18	17	23	18	32	17	36
Other inactive	15	17	16	19	16	24	20	24
Households without dependent children	13	16	13	18	13	22	14	23

30 Median: estimate of the household income at the middle of the statistical distribution of households by income.

31 They are calculated following Eurostat methodology, at 60% of the total net equivalent disposable income. Net income does not include income from the sale of property, inheritance, insurance, gifts, or lotteries, and is calculated into equivalents using the following equivalent scale parameters: 1.0 for the first adult; 0.5 for each additional adult; 0.3 for children aged below 14. The equivalent scale provides comparability of well-being among households of different sizes. It also reflects the economies of scale achieved as a result of persons cohabiting in one household. In practice, this is the part of income (costs) which is spent on goods of equal necessity and usefulness for all household members.

32 The difference in the years indicated in the table for each survey shows that data for HBS is for the corresponding year while for the SILC it shows the year when the survey was conducted. The data concerns the previous year, however, as questions asked regarding household income (and its members aged 16 and older) are of a retrospective nature.

Main Indicators	2005 HBS	2006 SILC	2006 HBS	2007 SILC	2007 HBS	2008 SILC	2008 HBS	2009 SILC
Households with dependent children	15	20	14	25	15	21	15	20
Before social transfers	39	45	41	42	41	40	43	38
Before social transfers, including pensions	17	25	17	26	17	27	18	26
S80/20[33] (in times)	4	5	4	7	4	7	4	6
Gini Coefficient[34] (%)	25	31	24	35	25	36	26	34

In practice, the SILC median divides the population between relatively poorer and richer more than that of HBS. In other words, the depth of poverty[35] when using SILC (27% for 2008) is more apparent than that that using HBS (21% for 2007). At the same time, the non-poor in SILC have a relatively higher income than the same population in HBS. This feature of the distributions can be observed in the difference in the S80/20 indicator (quintile share ratio) and the Gini coefficient. It can also be observed by the difference in the at-risk-of-poverty rate 'before social transfers' and 'before social transfers but including pensions'. The data clearly show that in SILC, if poor households do not receive income from social transfers but do receive pension income, the extent of their poverty is reduced to a lesser extent than in HBS where the extent of poverty is reduced very clearly and substantially.

The distribution of households by income within SILC is influenced mainly by the refusal of some of the selected households to participate in the survey (about 34%) and by those who do not respond to questions concerning their income. Households that have refused to participate in the survey are not replaced, and in order to minimize information loss, particular statistical techniques are used (imputation, calibration and weighting of primary data). Such techniques are not used in HBS, but the distribution is influenced by the refusal of some households to participate in the HBS surveys as well (also about 34%), which require replacement in the sample.

In both cases, the surveyors employ techniques to recover any missing information that cannot be obtained due to refusal of the respondents to provide it. It is assumed that in both surveys the same risk of disclosure of information on income exists, i.e. respondents do not indicate the full amount of income received or all sources of income. Obviously, both surveys address questions that households are reluctant to share with employees of the statistical office, regardless of the guaranteed anonymity of the received data. Moreover, a negative attitude toward these types of surveys has been growing rapidly among respondents as distrust and dissatisfaction of all government organs increases in times of economic crisis.

33 Measure of the polarization by income between 20% of the poor and 20% of the wealthy households (quintile ratio).

34 Measure of the differentiation of households by income. Standardized in a range from 0 to 100%.

35 The average relative deficit of resources of poor households below the adopted poverty line. This is calculated as a coefficient.

4.4. Data from which survey (HBS or SILC) should be used to develop a methodology for calculation of the official poverty line?

The positive aspects of conducting both surveys can be presented in the following sequence:

Table 1.4. Positive aspects of conducting the surveys: HBS и SILC

Household Budget Survey (HBS)	Statistics on Income and Living Conditions (SILC)
Income data, as well as data regarding expenditures and consumption is collected.	Data on income, housing conditions, health status, ownership of durables and others is collected through questionnaires.
Quarterly and annual information, beginning in 2010.	Annual information.
Data on income and expenditures is collected from diaries filled in on a monthly basis, and for the time that households do not participate in the survey, a questionnaire regarding the last two months is filled in.	Panel survey, conducted for the first time by the Bulgarian NSI in this form and scale. It can be used to gain empirical experience that may serve in conducting other surveys of such kind.
The official poverty line is defined on the basis of data from this survey as a percentage of the total equivalent income based on predefined minimal basic needs.[36] The minimal basic needs, on the other hand, are defined and determined based on data for household consumption and expenditures.[37]	Presents data on changes in income and living conditions of households over a four-year period. The estimations obtained by this survey allow us to follow over the four years the development of households that have been initially identified as poor.
The data from the survey is used in international comparisons in accordance with the recommendations and suggestions of Eurostat based on a gentleman's agreement.	Data is internationally comparable as Eurostat regulations are used to gather and process it.

The two surveys result in different evaluations of the poverty phenomenon. It is obvious that the specifics in the methods and approaches towards investigating the poverty phenomenon define and determine these differences. Nevertheless, the poverty evaluations from both surveys can be seen to provide two observation angles over the impoverishment processes, and these perspectives need to lead to the formation of specific measurements and politics for solving the socio-economical problems of the poor in Bulgaria.

HBS is used for developing and defining the official poverty line in Bulgaria. A methodology has been developed which allows for the predefinition of minimal basic needs based on data on consumption (minimum daily caloric intake of 2,300 kcal per equivalent unit – equivalent person) and relative share of food expenditures, which should correspond to 30% of the households with the lowest income. Such criterion is impossible to be defined for the SILC survey because no information about consumption and food expenditures of the observed household is collected. These criteria are of great importance, especially during economic crisis, because the level of inflation and unemployment is reflected in consumption and expenditures. The growth of inflation and unemployment may substantially reduce the nominal income growth. This circumstance is a good precondition in defining the minimum social payments for softening poverty in the country, as well as

[36] The official poverty line is calculated as 60% of the total net equivalent income which is in line with the Eurostat methodology. It should be noted, though, that this percentage can be changed in accordance with national priorities for social policy and economic development of the country. Poverty estimations based on SILC are obligatorily calculated using Eurostat methodology and should be available for publication when making international comparisons and analysis.

[37] See Bulgarian State Gazette No. 107 from 27 December 2006.

in developing politics for reducing the poverty rate, i.e. to provide a chance for the elimination of the risk of poverty.

SILC is used to present data on the poverty indicators of the country for comparisons at a European level. The data from this survey define Bulgaria among the Member States of the European Union, and this leads to commitments and obligations for the country in terms of policies to reduce poverty and control the processes of impoverishment. For example, Bulgaria participates in the European Initiative for Poverty Reduction by 2020, under which the number of persons at risk of poverty are to be reduced by 20 million people[38]. In that period, Bulgaria needs to reduce the number of its poor by 260,000, which was approximately 16% of the number of poor people in Bulgaria in 2008[39].

Ultimately, it should not be overlooked that during the process of calculation of the poverty lines, the two surveys have the following common features:

- use of aggregate 'income';
- use of the same equivalence scales;
- use of the relative method for determining the poverty line (a percentage of total median income);
- use of the same algorithms for calculating a system of indicators for estimating poverty.

Essential for the credibility of the information collected is the psychological attitude of respondents, which definitely tends to be negative, especially in times of economic crisis. Important steps to overcome the problems in this area can be found, ceteris paribus, when: the surveys are funded in the proper way; a permanent control of the fieldwork is in place; a very good update of the lists for selection of households is made in order to avoid unfulfilled contacts with respondents; sufficient pre-campaigning work of selected households in the survey is done to raise participation rates i.e. the number of non-respondents in the beginning of the survey is minimized (e.g. in the range of 15 – 20%); interviewer training of teams on the ground is strong.

From the following table (***Table 1.5***), it can be seen that during the observed three-year period, Bulgaria has had a relatively high poverty rate according to data from SILC. A markedly higher level of poverty can be observed only in Latvia and Romania. It can be added that the estimates of this indicator have become relatively more stable over time compared to the estimates of the poverty line in the next table (***Table 1.6***). This means that poverty rates have not changed significantly during the relevant years, even while poverty lines outline an embossed upward trend for all countries.

[38] It is calculated that the number of people that live in poverty and social exclusion in the Member States of the European Union (EU) is 120 million people. This means that in order for their number to be reduced by 20 million people (16.66%) over 10 years, a number of policy measures have to be introduced which will eliminate the further growth of this base 120 million people. This should be considered to be another aim of the EU Member States. This means that in the following 10 years, the poor and socially excluded should continue to drop out of the group of 120 million and reach the 100 million mark by the end of 2020.

[39] Data for 2007 is taken from the SILC survey conducted in 2008.

Table 1.5. Poverty Rate (%)

States	2006	2007	2008
Belgium	15	15	15
Bulgaria	**18**	**22**	**21**
Czech Republic	10	10	9
Denmark	12	12	12
Germany	13	15	15
Estonia	18	19	19
Ireland	18	17	16
Greece	21	20	20
Spain	20	20	20
France	13	13	13
Italy	20	20	19
Cyprus	16	16	16
Latvia	23	21	26
Lithuania	20	19	20
Luxemburg	14	14	13
Hungary	16	12	12
Malta	14	14	15
Netherlands	10	10	11
Austria	13	12	12
Poland	19	17	17
Portugal	18	18	18
Romania	–	25	23
Slovenia	12	12	12
Slovakia	12	11	11
Finland	13	13	14
Sweden	12	11	12
United Kingdom	19	19	19
Croatia	17	18	-
Iceland	10	10	10
Norway	11	12	11

Source: EUROSTAT – 2010

From the next table (***Table 1.6***), it can be seen that the poor in Bulgaria are significantly poorer than those in many other European countries. The poverty line in Bulgaria is 5 to 10 times lower than that of other European countries, and compared Luxembourg the difference is even bigger (20 times lower in 2006/7 and more than 14 times lower in 2008). Though during the observed period of time the poverty lines increase in nominal terms, Bulgaria and Romania emerge as the countries with the highest poverty rates and the lowest poverty lines. Obviously, this conclusion requires taking serious socio-economic measures to reduce the existing differences with other countries, the members of the European Union.

Table 1.6. Poverty Line (EUR)

States	**2006**	**2007**	**2008**
Belgium	10,316	10,538	10,788
Bulgaria	**830**	**888**	**1,303**
Czech Republic	2,878	3,251	3,638
Denmark	13,598	14,004	14,497
Germany	9,370	10,624	10,953
Estonia	2,183	2,668	3,328
Ireland	11,808	13,180	13,760
Greece	5,910	6,120	6,480
Spain	6,860	7,203	7,753
France	9,712	9,938	10,538
Italy	8,712	9,003	9,382
Cyprus	8,719	9,590	10,022
Latvia	1,520	2,010	2,899
Lithuania	1,520	2,010	2,899
Luxemburg	17,688	17,929	18,550
Hungary	2,308	2,361	2,639
Malta	5,238	5,453	5,728
Netherlands	10,356	10,924	11,694
Austria	10,711	10,892	11,406
Poland	1,864	2,101	2,493
Portugal	4,386	4,544	4,878
Romania	–	995	1,173
Slovenia	5,589	5,944	6,535
Slovakia	1,988	2,382	2,875
Finland	10,935	11,104	11,800
Sweden	10,638	11,132	12,178
United Kingdom	11,584	12,572	13,101
Croatia	17,083	17,225	19,330
Iceland	16,668	17,257	18,985
Norway	16,668	17,257	18,985

Source: EUROSTAT – 2010.

Combining the results of the HBS and SILC surveys in a system of indicators for characterizing poverty is a prerequisite for making good decisions in the field of social policy and meeting national level priorities and international commitments. Consequently, the coexistence of national and international policies with the specific objective, reducing poverty, is not contrary to the commitments of Bulgaria as a member of the European Union.

4.5. How can the estimates of the poverty indicators from HBS and SILC be used in developing policies for social assistance?

The estimates of poverty from HBS and SILC can be used as lower and upper limits of the corresponding indicator. From the perspective of social policies, that would make it possible to develop more flexible parameters for determining the minimum wage and pension, the social pension and a number of other social transfers aimed at assisting the poor. This option is predetermined by the fact that data on income from both surveys is used to calculate relative poverty lines. In practice, they give direction to the experts who develop and implement policies for social assistance, since their job specifically involves the documented attestation of factors that most accurately define the material status of people who need the help of the state as poor and people threatened by social exclusion. Of course, the assumption is made that the individuals identified as poor, in either percentage or absolute numbers by the HBS or SILC, are deprived of material goods and cannot lead dignified and normal lives. For 2007, according to data from the HBS survey, there are approximately 1,070,700 people in this category, and according to data from the SILC survey, there are 1,625,000 people (or 554,300 more). According to this data, in the 10 years until 2020, Bulgaria needs to reduce the number of its poor by either 172,000 (HBS) or 260,000 people (SILC) (a difference of 88,000 people) to fulfill its EU commitments in this area. These particular differences can be seen as milestones in the work of experts in determining the actual number of poor as well as the amount of funds that the state can afford to finance its social assistance programs.

In conclusion, it can be suggested that despite the existing differences in the methodology of the two surveys, if they are well organized and financed, the main estimates of poverty will be close, ceteris paribus, which includes a stable economic situation in the country. In practice, this would be an important indicator of the government's ability to adequately manage and control the processes of impoverishment in the country. This would also be a good test of trust and respect of a representative part of the population (the respondents participating in the surveys) to the government. It is known that the increase of non-response in this type of survey is an expression of discontent and distrust, which leads to the expansion of the informal and shadow economy, the parameters of which are difficult to measure when conducting statistical surveys.

5. References

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6. Appendices

Appendix I: Approach for Defining and Updating the Poverty Line for the Country

Accepted with a Decree of the Council of Ministers № 345 from 18.12.2006, published in the State Paper, Issue 106 from 27.12.2006, amended in Issue 89 from 6.11.2007.

Section I: General Provisions

Article 1.	(1) The approach defines the procedure and approach for calculating and updating the level of the poverty line in the Republic of Bulgaria.
	(2) The approach is applied in the development of state policy in the sphere of incomes and living standard as well as for defining the specific measures of social protection.

Section II: Procedure for Defining the Poverty Line in Bulgaria

Article 2.	(1) The level of the poverty line for the country is defined on the basis of the results from the Household Budget Survey in the Republic of Bulgaria carried out by the National Statistical Institute.
	(2) In defining the level of the poverty line, the following data shall be used:
	number and age of persons in households; level of income and expenditure of households; caloric content of the consumed food products and drinks by households; other data necessary for defining the level of the poverty line for the country.
Article 3.	(1) The level of the poverty line is defined by the Council of Ministers in a proposal by the Minister of Labour and Social Policy.
	(2) The National Statistical Institute makes the necessary calculations and summaries, and provides the necessary information to the Minister of Labour and Social Policy for the development of a proposal on the level of the poverty line in the country.
	(3) The Minister of Labour and Social Policy negotiates the proposal for the level of the poverty line with the organizations of social partners and with other interested organizations and institutions.
Article 4.	(1) The size of the poverty line is calculated as a percentage of the median total net equivalent income for the country on the basis of predefined minimum living necessities.
	(2) The level of the poverty line should guarantee the satisfaction of the predefined minimum living necessities of poor households.
Article 5.	The median total net equivalent income is calculated as follows:
	calculation of the total income of each separate household, obtained when summing up the household incomes from all sources; calculation of the net total income for each separate household, obtained from the level of the total income after payments made for taxes, fees and social security benefits, the revenues from sales of real estate, inheritance, lottery winnings, and gifts; definition of the equivalent size of each separate household, calculated by summing up the values of the equivalent weights corresponding to every household member;

	calculation of the total net equivalent income for each separate household, obtained by dividing the level of total net income of each household by the equivalent size of the household;
	arrangement of the households in ascending order according to the size of their total net equivalent income;
	definition of the median total net equivalent income as the household income, which divides in two equal parts the households arranged in ascending order according to the size of their total net equivalent income.
Article 6.	The minimal living necessities are defined as follows:
	(amendment – State Paper, Issue 89, 2007) the monetary equivalent of factual expenditure on food consumption per equivalent unit which ensures the recommended physiological norms of the daily caloric intake of 2,700 kilo calories per equivalent unit;
	(amendment – State Paper, Issue 89, 2007) the percentage ratio between the level of expenditure on food consumption and the level of expenditure on consumption of non-food products and services should correspond to the average ratio for the 20% of households with the lowest incomes.
Article 7.	(1) The level of the poverty line guarantees that poor households should be able to satisfy the predefined minimal living necessities, if the following conditions are met:
	given the so defined level of the poverty line, poor households should have made factual expenditure on food consumption per equivalent unit which meets the criterion for the recommended physiological norms of the daily caloric intake in Article 6, p. 1;
	(amendment – State Paper, Issue 89, 2007) given the so defined level of the poverty line, the percentage ratio between the factual expenditure incurred on food consumption and the factual expenditure incurred on consumption of non-food products and services by the poor households should correspond to the same average percentage ratio for the 20% of the households with the lowest incomes.
	(2) Oversight of the fulfillment of conditions of p.1 is executed by the National Statistical Institute on the basis of the data on household incomes and expenditures from the Household Budget Survey in the Republic of Bulgaria.

Section III: Order for Updating the Size of the Poverty Line

Article 8.	(1) (amendment – State Paper, Issue 89, 2007) The level of the poverty line is updated once a year by October 31 of the previous year under the stipulations of Section II.
	(2) If the inflation accumulated during the month of the last actualization is higher than 10%, the level of the poverty line is updated more frequently.
Article 9.	(1) The level of the poverty line is updated by the Council of Ministers by the deadline set in Article 8, p.1 by a proposal from the Minister of Labour and Social Policy.
	(2) The National Statistical Institute provides the necessary information to the Minister of Labour and Social Policy for the development of a proposal to update the level of the poverty line.
	(3) The Minister of Labour and Social Policy negotiates the proposal on the updated level of the poverty line with the organizations of social partners and with other interested organizations and institutions.

ADDITIONAL REGULATIONS

§ 1. Definitions of terms used in the approach:

1. 'Poverty line' is a monetary indicator for identifying the poor in society.

2. 'Household' refers to two or more persons who live together in one dwelling or part of a dwelling, have a common budget and eat together, regardless of the fact that some of them might not have a kinship connection. A household could also be one person who lives alone in a dwelling, in a room or part of a room at a given dwelling, has own budget in terms of food expenditure and satisfaction of other needs.

3. 'Equivalent scale' is the total of numerical values called equivalent weights arranged in descending order. The equivalent scale is applied to reflect the economies of scale in the consumption of persons from a given household as a result of their mutual coexistence.

4. 'Equivalent weights' are numerical values indicating the weight of each household member in defining the total net equivalent income of the household. In the approach, the values of the equivalent weights used are: 1.0 for the first person, 0.5 for every other person of 15 years of age and older, 0.3 for every child 14 or under.

5. 'Equivalent size of the household' is the sum of the equivalent weights corresponding to every household member according to the values of the equivalent scale.

6. 'Total household income' is the level of the household income after summing up the incomes of the household from all sources.

7. 'Total net household income' is the level of the household income after summing up the incomes of the household from all sources and after deducting paid taxes, fees, social security benefits, and the revenues from sales of real estate, inheritance, lottery winnings, and gifts;

8. 'Total net equivalent household income' is the level of the household income after the total net income of the household is divided by the equivalent size of this household.

9. 'Median total net equivalent household income' is the level of the total net equivalent household income which divides in two equal parts the list of households arranged in ascending order in advance.

10. 'Expenditure on food consumption per equivalent unit' is the total factual food expenditure incurred by all household members divided by the equivalent size of this household.

11. 'The daily caloric intake per equivalent unit' is the total daily caloric intake of food by all household members as a result of factual incurred food expenditure divided by the equivalent size of this household.

12. 'Poor households' are those households having total net equivalent income lower than the level of the poverty line.

CONCLUDING REGULATION

§ 2. The approach for defining and updating the poverty line for the country corresponds to:

1. the regulations of the European Union and EUROSTAT recommendations in the sphere of statistics of incomes and living standard;

2. the methodology and approach of the Household Budget Survey in the Republic of Bulgaria carried out by the National Statistical Institute.

Appendix II: The System of Poverty Indicators

In the detailed and thorough study on poverty, additional indicators, defined by EUROSTAT, include the following:

- Poverty rate by age and sex, as the age groups are defined: 0–15; 16–24; 25–49; 50–64; over 65.
- Poverty rate by sex and economic status: salary/wage employees; not at work, freelance; unemployed; retired; other economically inactive people.
- Poverty rate by household type: with one person by age; with one person under 30 years old; with one person between 30 and 64 years old; with one person over 65; with two adults, without dependents, without children, under 65; with two adults, without dependent children, over 65 years old; other households, without dependent children; single parent with one or more dependent children; two adults with a dependent child; two adults with two dependent children; two adults with three dependent children; other households with dependent children.
- Poverty rate before social transfers.
- Poverty rate before social transfers, including pensions.
- Dispersions around the poverty line: 40% of the equivalent scale; 50% of the equivalent income; 70% of the equivalent income.
- Poverty rate by residence type: capital city; cities with over 100,000 residents; cities with 50,000 or more residents; small towns below 50,000 residents; villages with 2,000 or more residents; villages with 1,000 or more residents; villages with less than 1,000 residents.
- Poverty rate by region in Bulgaria (6 regions) and administrative districts (28 districts).
- Probability of slipping into poverty[40].
- Working poor: a household consisting of individuals who are classified as employed but have income lower than 60% of the median equivalent income.
- Work activity of households: two adults working all year round: WI = 1; one adult working all year round, the others are inactive: $0 < WI < ½$; one or two adults working all year round: $½ < WI < 1$; households with unemployed adult members: WI = 0 (except for household members: under 18 years old; students in the age group 18 – 24; over 60 years old).

[40] The probability of slipping into poverty is calculated on the basis of a lognormal model of consumption and the assumption that the dispersion in the change in household consumption does not change over the course of a year. See Chaudhiri S. (2000), "Empirical Methods for Assessing Households Vulnerability to Poverty", Columbia University.

Viewed in this sequence, the indicators provide considerable information segments for studying poverty. They allow for the study of poverty not only as a process, but also as a way to monitor the efficiency of policies for poverty reduction.

Appendix III: Abbreviations

MLSP	-	Ministry of Labour and Social Policy (in Bulgaria)
NSI	-	National Statistical Institute (in Bulgaria)
CIUB	-	Confederation of Independent Unions in Bulgaria
PL	-	Poverty Line
PR	-	Poverty Rate
MLW	-	Minimum Labour Wage
ALW	-	Average Labour Wage
HBS	-	Household Budget Survey
SILC	-	Statistics on Income and Living Condition
BGN	-	Bulgarian currency
EUR	-	European Union currency

Poverty Lines in Canada

Kentaro NAKAJIMA

1. Introduction

In contrast to Russia, there is no official poverty line in Canada. Instead, the Canadian Government calculates and publishes three types of poverty estimations: the Low Income Cutoffs (LICOs), the Low Income Measure (LIM), and the Market Basket Method (MBM) (Salro 2001; deGroot-Maggeti 2002; HRSD 2009). This chapter explains the methodology of poverty line calculations used in Canada. Let us start with the LICOs.

2. The Low Income Cutoffs (LICOs)

LICOs have been used by Statistics Canada since the late 1960s (HRSD 2009), and are the most traditional and widely recognized poverty estimation in Canada. They are based on after-tax income levels, where families spend 20% more of their after-tax income than the average family on three basic goods: food, shelter (housing) and clothing. The cut-offs are calculated for seven family sizes (one through six and more) and five community sizes (rural, urban under 30,000, urban between 30,000 to 99,999, urban between 100,000 to 499,999, and more). Accordingly, 35 different cut-offs are calculated, considering the difference in the size of families and communities.

Currently, the LICOs are calculated on the basis of 1992 expenditure patterns, and are updated each year to take into account price changes reflected in CPI data. In 1992, the average proportion of spending on the three basic goods was 43% of income in Canada, thus, any households spending more than 63% (20% more) of their income on basic goods were identified as poor by this estimation.

As the LICOs are constructed on the basis of average household consumption patterns, we can regard this poverty estimation as a relative poverty line.

3. The Low Income Measure (LIM)

The Low Income Measure (LIM), developed by the Statistics Canada in 1991, is also a relative poverty estimation since it is built on the basis of average household income levels. This is calculated on the basis of 50% of median after-tax income, adjusted for family size. In contrast with the LICOs, differences in community size are not considered in calculation of the LIM.

4. The Market Basket Method (MBM)

The MBM was proposed by Human Resources Development Canada (HRDC) in response to requests from federal, provincial and territorial ministers responsible for social services needing to more accurately un-

derstand low income families from a cost of living perspective. According to the HRSD, this is "easy to understand, sensitive to geographic cost differentials, and related to changes in costs of consumption rather than income" (HRSD 2003). The minimum cost of living is estimated based on the MBM, so it is an absolute low-income measure rather than a relative one like the LICOs and LIM.

According to the MBM manual written by Michaud, Cotton, and Bishop (2004), the MBM estimates the cost of a specific basket of goods and services for the basic social inclusion standard of living as:

- A nutritious diet as described by the 1998 version of Health Canada's Nutritious Food Basket;
- The basket of clothing and footwear defined by the Social Planning Council of Winnipeg's 2000 Acceptable Living Level clothing list;
- The median rental unit in each community size in each province and territory;
- Transportation, using public transportation where available in the region;
- Other necessary goods and services.

The basket is built and priced to reflect the cost of living for a family of two adults and two children in various communities and community sizes in the ten provinces.

In the following subsection, which is based on data from the Michaud, Cotton, and Bishop's manual (2004) and HRSD reports (2009), we describe the specific method for calculating the MBM (for more details, see Michaud, Cotton, and Bishop, 2004 and HRSD, 2009).

4.1. Food basket

The content of the food basket is based on Health Canada's guideline for a weekly food basket for a family of four (National Nutritious Food Basket). The price of each item in the basket is collected in 40 cities across Canada by the Prices Division of Statistics Canada. The minimum expenditure for food consumption is calculated using this data, based on the MBM.

For example, according to the HRSD (2009), in Ottawa in January of 2000, the average price for a four-liter bag of 2% milk was $3.49. Since the average weekly purchase recommended for the National Nutritious Food Basket was 10.45 liters, the weekly cost of milk for a family was (10.45 liters / 4 liters) times $3.49 = $9.12. Applying this procedure to every component of the basket, the MBM estimates the minimum cost for food. Specific contents and quantities of the baskets are shown in ***Table 2.1***.

Table 2.1. Contents of the MBM food basket

Food	Suggested Purchase Unit	Approximate Quantities Purchased Weekly
1	2	3
Milk Products		
2% Milk	4 L	10.45 L
Yoghurt, fruit, 2% BF	500 g	230 g
Cheddar cheese, medium	227 g	245 g
Processed cheese slices	500 g	275 g
Mozzarella cheese, 16.5% BF	227 g	365 g
Vanilla ice cream, 10% BF	2 L	930 mL

Continued from Table 2.1

1	2	3
Eggs		
Grade A large	12 (1 doz)	12
Meats, Poultry, Fish		
Round steak	–	500 g
Boneless stewing beef	–	210 g
Ground beef, medium	–	655 g
Pork chops, loin	–	400 g
Chicken legs, no back attached	–	1.34 kg
Wieners, beef and pork	450 g	165 g
Sliced ham, 11% fat	175 g	335 g
Frozen fish fillets	400 g	200 g
Pink salmon, canned	213 g	115 g
Tuna, canned, in water	170 g	65 g
Meat Alternatives		
Baked beans, tomato sauce, canned	398 mL	330 mL
White beans, dry	454 g	80 g
Peanut butter	500 g	365 g
Grain Products		
Bread, enriched, white	675 g	1.4 kg
Bread, whole wheat	675 g	1.4 kg
Hot dog/hamburger rolls	8 pack	18 rolls
Flour, all purpose	2.5 kg	655 g
Flour, whole wheat	2.5 kg	165 g
Spaghetti/macaroni, enriched	900 g	755 g
Rice, long–grained, white, parboiled	900 g	550 g
Macaroni/cheese dinner, dry	225 g	155 g
Oatmeal, regular/quick–cooking	1 kg	55 g
Corn flakes	675 g	345 g
Shreddies™	800 g	345 g
Soda crackers	450 g	205 g
Tea	400 g	455 g
Citrus Fruits and Tomatoes		
Oranges	–	710 g
Apple juice, canned, vitamin C added	1.36 L can	1 L
Orange juice, frozen concentrate	335 mL	330 mL
Tomatoes	–	560 g
Whole tomatoes, canned	796 mL	240 mL
Tomato juice	1.36 L can	165 mL
Other Fruit		
Apples	–	1.8 kg
Bananas	–	2.3 kg
Grapes	–	480 g
Pears	–	755 g

Continued from Table 2.1

1	2	3
Raisins, seedless	750 g	100 g
Fruit cocktail, canned in juice	398 mL	335 mL
Potatoes		
Potatoes, fresh	4.54 kg	5.5 kg
French–fried potatoes, frozen	1 kg	615 g
Other Vegetables		
Broccoli	–	585 g
Cabbage	–	255 g
Carrots, fresh	1.1 kg bag	885 g
Celery	–	345 g
Cucumber	–	455 g
Lettuce, iceberg	–	450 g
Lettuce, romaine	–	595 g
Onions	–	740 g
Green peppers	–	305 g
Turnips (rutabaga)	–	360 g
Mixed vegetables, frozen	1 kg	330 g
Kernel corn, canned	341 mL	565 mL
Green peas, canned	540 mL	215 mL
Fats and Oils		
Margarine, tub, non–hydrogenated	454 g	365 g
Butter	454 g	190 g
Canola oil	1 L	230 mL
Salad dressing (mayo type, <35% oil)	500 mL	195 mL
Sugar and Other Sweets		
Sugar, white	2kg	845 g
Strawberry jam	500 mL	155 mL

To account for regional differences in the content of the food baskets, Health Canada is proposing other food baskets for the Territories (Nutritional Recommendations), but Statistics Canada does not fully survey local food price data, especially for local food items, in the Northern part of Canada. Thus, currently, the MBM uses the National Nutritious Food Basket for all Territories, and regional differences of required food expenditures are reflected in local price differences.

The minimum cost of food in the MBM is $6,574, in Hamilton, Ontario. This is 71.0% of the national median expenditure for foods. The maximum cost of food in the MBM is $8,347, in Newfoundland and Labrador outside the St. John's Census Metropolitan area. This is 90.2% of the national median expenditure for foods.

4.2. Non-food basket

(i) Clothing

The HRSD recommends using the clothing list in the Acceptable Living Level publication prepared by the Social Planning Council of Winnipeg. This basket consists of a complete wardrobe of essential clothing for a family of four (two adults and two children), with no adjustment for regional differences. The price of each

wardrobe is also derived from survey data collected by the Prices Division of Statistics Canada. Specific contents and quantities of the baskets are shown in ***Table 2.2***.

Table 2.2. Contents of the MBM clothing basket

Item	Quantity	Replacement Schedule
Boy's athletic shoes	2	Annually
Girl's athletic shoes	1	Annually
Men's athletic shoes	1	Annually
Women's athletic shoes	1	Annually
Boy's shoes	2	Annually
Girl's shoes	2	Annually
Men's casual shoes	1	Annually
Men's dress shoes, medium grade	2	Every 3 Years
Women's casual shoes	2	Annually
Women's dress shoes, medium grade	1	Annually
Boy's summer sandals	1	Every 3 Years
Girl's summer sandals	1	Every 3 Years
Men's summer sandals	1	Every 3 Years
Women's summer sandals	1	Every 3 Years
Boy's winter boots	1	Annually
Girl's Winter Boots	1	Annually
Men's workboots	1	Every 3 Years
Women's boots	2	Every 3 Years
Boy's rubber boots	1	Annually
Girl's rubber boots	1	Annually
Men's rubber boots	1	Annually
Women's rubber boots	1	Annually
Boy's socks	6	Annually
Girl's socks	6	Annually
Men's dress socks	2	Annually
Men's sport socks	4	Annually
Boy's briefs	7	Annually
Girl's briefs	7	Annually
Men's briefs	7	Annually
Women's briefs	7	Annually
Women's brassiere	7	Annually
Women's camisole	7	Annually

Continued from Table 2.2

Item	Quantity	Replacement Schedule
Women's panty hose	3	Annually
Men's long underwear	1	Every 2 Years
Women's long underwear	1	Every 2 Years
Boy's jeans	3	Annually
Boy's casual slacks	3	Annually
Boy's winter casual pants	3	Annually
Boy's dress pants	1	Annually
Girl's jeans	3	Annually
Girl's summer slacks	2	Annually
Girl's winter slacks	2	Annually
Men's jeans	2	Annually
Men's dress/casual slacks	2	Annually
Women's summer slacks	1	Annually
Women's winter slacks	1	Annually
Men's sport jacket/blazer	1	Every 5 Years
Women's summer blazer	1	Every 2 Years
Women's winter blazer	1	Every 2 Years
Women's summer skirt	1	Annually
Women's winter skirt	1	Annually
Women's dress	2	Annually
Boy's shorts	1	Annually
Girl's shorts	2	Annually
Men's shorts	1	Every 2 Years
Women's shorts	1	Every 2 Years
Boy's knit shirt	2	Annually
Boy's dress shirt	2	Annually
Girl's T-shirts	4	Annually
Men's dress shirt	2	Annually
Men's knit shirt	1	Annually
Men's sweatshirt	1	Annually
Women's shirt	3	Annually
Women's sweatshirt	1	Annually
Girl's summer dress	1	Annually
Girl's winter skirt	1	Annually
Boy's sweatshirt	2	Annually

Continued from Table 2.2

Item	Quantity	Replacement Schedule
Girl's sweatshirt	2	Annually
Girl's sweater	1	Annually
Men's sweater	1	Every 2 Years
Women's sweater	1	Every 2 Years
Boy's summer pyjamas	2	Annually
Boy's winter sleepwear	2	Annually
Girl's summer nightgown	2	Annually
Girl's winter sleepwear	1	Annually
Women's summer nightgown	1	Annually
Women's winter nightgown	1	Annually
Boy's swim trunks	1	Annually
Girl's bathing suit	1	Annually
Men's swim trunks, boxer style	2	Every 3 Years
Women's bathing suit	1	Annually
Boy's ski jacket	1	Annually
Boy's spring jacket	1	Annually
Girl's snowsuit	1	Annually
Men's winter coat	1	Every 3 Years
Men's golf jacket	1	Every 2 Years
Men's raincoat	1	Every 3 Years
Men's ski jacket	1	Every 3 Years
Women's winter coat	1	Every 3 Years
Women's raincoat	1	Every 3 Years
Boy's raincoat	1	Annually
Girl's raincoat	1	Annually
Men's/women's umbrella	1	Every 2 Years
Boy's winter gloves	2	Annually
Girl's winter gloves	3	Annually
Men's gloves	1	Annually
Women's gloves	1	Annually
Boy's belt	1	Annually
Boy's wrist watch	1	Every 2 Years
Girl's wrist watch	1	Every 2 Years
Men's wallet	1	Every 3 Years
Men's wrist watch	1	Every 3 Years

Continued from Table 2.2

Item	Quantity	Replacement Schedule
Men's belt	1	Every 2 Years
Women's wrist watch	1	Every 3 Years
Women's handbag	1	Every 2 Years
Boy's summer/sport casual shirt	3	Annually
Boy's spring jacket	1	Annually

The minimum cost of clothing in the MBM is $1,976 in Quebec, or 62.5% of the median expenditure for clothing in Canada. The maximum cost of clothing in the MBM is $2,629, in Nova Scotia, or 83.2% of the median expenditure.

(ii) Shelter (Housing)

The shelter component reflects the rent expense for two and three bedroom rental units for a family of four.

For rent calculation, it is recommended to use the average of the median prices for rental units with two bedrooms and those with three bedrooms for the rental price of housing for a family of four for both the individual communities and the community size groups in each province. For housing rental data, the HRDC initially used the data collected by a Canada Mortgage and Housing Corporation survey, but more recently, three other surveys are used to calculate housing rent: The Canadian Census of Population, The Labour Force Survey Rent Supplement Survey, and The Survey of Household Spending.

Because rents differ greatly between rural and urban areas, the cost of shelter in the MBM also varies considerably. The minimum is $6,149 (36.3% of the national median), found in rural Manitoba, and the maximum is $13,477 (79.5% of the national median), in Toronto.

(iii) Transportation

Basic transportation needs are also included in the non-food basket. The transportation needs component of the basket follows the recommendations of the National Council of Welfare (1998). Because of the difference in the development of public transportation, transportation needs are specified differently in urban and rural areas.

In urban areas, transportation needs are provided as public transportation fees. This consists of the total annual cost of two adult monthly transit passes and 12 taxi round-trips per year. One taxi round trip is fixed at $16, and is updated by the provincial CPI for taxi fares.

In rural areas, because of the relative lack of public transportation services, it is provided as the annual cost of operating a vehicle plus the purchasing cost of a five-year old, four-door compact car once every five years. The Statistics Division does not survey car prices. Instead, the monthly publication Canadian Red Book Official Used Car Valuations is used to calculate the car price. The costs of operating the vehicle consist of annual driver's license fees, annual vehicle registration fees, annual mandatory vehicle insurance, the cost of 1,500 liters of gasoline, and the cost of two oil changes and one tune-up.

In urban areas, the cost of transportation in the MBM ranges from $1,444 in Cape Breton, Nova Scotia to $2,641 in Toronto. On the other hand, in rural areas, it ranges from $3,536 in rural Alberta to $4,348 in rural Manitoba.

(iv) Other expenses

The non-food basket also consists of other expenses (goods and services) for basic needs. For example, the basket includes the purchase of items such as telephones and equipment, furniture, electrical equipment and appliances. Specific contents of the basket are shown in ***Table 2.3***.

Table 2.3. List other expenses

SHS Item Number	SHS Item Description
2200	Purchase of telephones and equipment
2202–2204	Telephone services
2230	Postal and other communication services
2310	Household cleaning supplies
2320–2330	Paper, plastic, and foil household supplies
2380	Other household supplies
2500	Furniture
2510	Rugs, mats, and under padding
2520	Window coverings and household textiles
2540	Room air conditioners, portable humidifiers, and dehumidifiers
2552	Microwave and convection ovens
2560	Small electric food preparation appliances
2580	Vacuum cleaners and other rug cleaning equipment
2584	Sewing machines
2586	Other electrical equipment and appliances
2590	Attachments and parts for major appliances
2640	Lamps and lampshades
2650	Non-electrical kitchen and cooking appliances
2660	Tableware, flatware, and knives
2670	Non-electrical cleaning equipment
2672	Luggage
2674	Home security equipment
2680	Other household appliances, parts, and accessories
2690–2710	Maintenance and repairs of furniture and appliances
2720–2730	Services related to furnishings and appliances
3312	Other medicines and pharmaceutical products

Continued from Table 2.3

SHS Item Number	SHS Item Description
3500–3580	Personal care
3700	Sports and athletic equipment
3720	Toys and children's vehicles
3730	Electronic games and parts
3830	Video game rental
3770–3774	Photographic goods and services
3900	Bicycles, parts, and accessories
3950	Bicycle maintenance and repairs
4000–4070	Home entertainment equipment and services
4100	Movie theatre admission
4110	Live sports event admission
4120	Live performing arts event admission
4130	Admission to museums and other activities
4140	Rental of cablevision and satellite services
4150	Membership fees for sports and recreation facilities
4160	Single-use fees for sports and recreation facilities
4170	Children's camps
4300–4340	Reading materials and other printed matter
4400–4410	Education supplies
4420–4430	Textbooks
4630	Service charges from banks
5220–5230	Contributions to charities

However, it is difficult to specify every component of the goods and services in the basket. Furthermore, the proportion of expenditure on the other expenses is relatively small compared to that of food and clothing. The cost of 'other expenses' is calculated using a multiple representing other expenditures as a proportion of the expenditure of foods and clothing for a family whose income level lies in the 20th percentile. The multiple is calculated for eleven urban centers across Canada using the micro data of the Survey of Household Spending. On average from 2005 to 2007, the ratio of 'other' expenditures to the food and clothing expenditure in the 20th percentile household bracket was 73.1%. Thus, we can calculate the cost for the other expenses by multiplying the cost of foods and clothing in the MBM by 0.731. It ranges from $6,280 in Hamilton, Ontario to $7,954 in Newfoundland and Labrador outside the St. John's Census Metropolitan area.

4.3. Setting the MBM thresholds

After specifying the contents of the basket and their prices, the threshold can be set by simply adding the prices together. Specific thresholds in the MBM are shown in ***Table 2.4.***

Table 2.4. MBM Poverty thresholds

Community	Total	Food	Clothing	Shelter	Transportation	Multiple
Newfoundland and Labrador						
rural	29,308	8,347	2,530	6,422	4,055	7,954
<30K	29,820	8,347	2,530	6,934	4,055	7,954
St. John's	28,544	8,115	2,530	8,381	1,734	7,784
Prince Edward Island						
rural	28,603	7,762	2,503	7,128	3,703	7,507
<30K	29,465	7,762	2,503	7,990	3,703	7,507
Charlottetown	30,527	7,762	2,503	9,052	3,703	7,507
Nova Scotia						
rural	29,967	8,026	2,629	7,451	4,069	7,792
<30K	30,245	8,026	2,629	7,729	4,069	7,792
30K – 100K	28,012	8,026	2,629	7,934	1,631	7,792
Halifax	29,761	7,793	2,629	10,034	1,684	7,621
Cape Breton	27,037	7,773	2,629	7,584	1,444	7,607
New Brunswick						
rural	28,893	7,913	2,614	6,437	4,231	7,698
<30K	29,364	7,913	2,614	6,908	4,231	7,698
Fredericton	29,681	7,862	2,614	9,729	1,816	7,660
Saint John	27,202	7,811	2,614	7,482	1,672	7,623
Moncton	27,946	7,487	2,614	8,811	1,648	7,386
Quebec						
rural	25,861	7,248	1,976	6,201	3,691	6,745
<30K	25,964	7,248	1,976	6,304	3,691	6,745
30K – 100K	24,283	7,248	1,976	6,851	1,463	6,745
100K – 500K	24,492	7,248	1,976	6,790	1,733	6,745
Québec City	25,810	7,304	1,976	7,901	1,843	6,786
Montreal	26,560	7,405	1,976	8,509	1,810	6,860
Ontario						
rural	28,440	6,872	2,014	8,893	4,163	6,498
<30K	28,428	6,872	2,014	8,881	4,163	6,498
30K – 100K	26,478	6,872	2,014	9,287	1,807	6,498
100K – 500K	27,856	6,961	2,014	10,366	1,952	6,563
Ottawa	30,032	7,056	2,014	12,373	1,957	6,632
Hamilton/ Burlington	27,538	6,574	2,014	10,863	1,807	6,280
Toronto	31,729	6,993	2,024	13,477	2,641	6,594

Continued from Table 2.4

Community	Total	Food	Clothing	Shelter	Transportation	Multiple
Manitoba						
rural	27,192	7,508	2,135	6,149	4,348	7,052
<30K	28,400	7,508	2,135	7,357	4,348	7,052
Brandon	26,156	7,508	2,135	7,839	1,622	7,052
Winnipeg	27,256	7,312	2,135	8,961	1,940	6,908
Saskatchewan						
rural	27,018	7,308	2,178	6,414	4,181	6,937
<30K	28,047	7,308	2,178	7,443	4,181	6,937
30K – 100K	25,596	7,308	2,178	7,682	1,491	6,937
Saskatoon	27,292	7,424	2,178	8,968	1,700	7,022
Regina	26,835	7,265	2,178	8,883	1,604	6,905
Alberta						
rural	29,200	7,651	2,172	8,658	3,536	7,183
<30K	30,729	7,651	2,172	10,187	3,536	7,183
30K – 100K	29,355	7,651	2,172	10,887	1,462	7,183
Edmonton	29,215	7,381	2,172	11,015	1,661	6,986
Calgary	30,951	7,592	2,172	12,002	2,045	7,140
British Columbia						
rural	29,219	7,406	2,251	8,456	4,044	7,062
<30K	29,395	7,406	2,251	8,632	4,044	7,062
30K – 100K	27,575	7,406	2,251	9,379	1,477	7,062
100K – 500K	30,956	8,026	2,251	11,504	1,660	7,515
Vancouver	31,768	7,881	2,251	12,329	1,898	7,409

5. Conclusion

In Canada, even though there is no official poverty line, the Canadian government does calculate three estimations of poverty. The MBM was developed in response to requests from Federal, Provincial, and Territorial Ministers responsible for Social Services. For the MBM, it is worth noting that in contrast to the consumption basket in Russia, the contents of the basket have basically no regional variations except in the case of transportation. Regional differences in the basket occur only in regional price differentials in the Canadian MBM.

Even though the MBM is not used to determine eligibility for federal government income support programs, it is useful to more accurately understand the situations of low income families from a cost of living perspective.

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Poverty Lines in Finland

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1. A Brief History on the estimation of the National Poverty Line in Finland

Finland has no official definition for poverty or a poverty line. Similar to other European countries, it uses the relative definition of poverty and Eurostat's 60% of median income threshold as the indicator of relative poverty risk in the population.[41] Statistics Finland refers to persons living in households below this threshold as low income earners.

Statistics Finland publishes both 'total statistics on income distribution' and 'statistics on income distribution' annually. The 'total statistics' on income distribution describe the annual income of registered households and their distribution, especially from a regional perspective. The 'statistics' on income distribution depict the amount of income and its formation from different income sources when taxation and income transfers are taken into consideration. Since it is a question of total data formed annually from administrative registers covering the whole population, it is also possible to make dynamic income distribution analyses (e.g. permanent low income).[42]

Low-income earners are considered those whose household's total disposable income per consumption unit (so-called equivalent income) is lower than 60 per cent of the equivalent median income of all households. The proportion of those below this income level is called the low income rate. This low income rate presents the relative income poverty estimation. The euro-denominated limit for low income varies by year, with changes in the median income. This definition is based on recommendations from Eurostat, the Statistical Office of the European Communities. Low income rates are also generated regularly by Statistics Finland using an alternate poverty line, namely 50 per cent of the equivalent median income.

The income distribution statistics describe the distribution of the annual income of households and income differentials across different population groups. The statistics describe the amount of disposable income and its formation from different sources when taking taxation and income transfers into consideration. Income and its distribution are also examined by group according to level of income, socio-economic status, stage in the life cycle and area of residence. The statistics also describe the earned and entrepreneurial incomes of household members.

41 The at-risk-of-poverty rate is the share of people with an equivalent disposable income (after social transfers) below the at-risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income after social transfers. The equivalent disposable income is the total income of a household, after taxes and other deductions, that is available for spending or saving, divided by the number of household members converted into equalised adults; household members are equalised or made equivalent by weighting each according to their age, using the so-called modified OECD equivalence scale. Further information can be found at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary: At-risk-of-poverty_threshold. See also Marlier et al. (2007).

42 Further information can be found at Statistics Finland http://www.stat.fi/meta/til/tjkt_en.html.

Income distribution statistics represent a sample survey whose final sample size is approximately 10,000 households. The data on households and their members are collected using interviews and from administrative registers. In the interviews, the size and structure of households are established and background data are collected on the household members' occupations, activity in the labour market, dwelling, untaxed income and other matters that have a bearing on the subsistence of households. The vast majority of data on income and on classification variables (e.g. level of education, marital status) are obtained from registers.

In the Income and Living Conditions survey, data are collected on households' and individual's income and other factors contributing to economic livelihood as well as on living conditions. The data are used to compile national income distribution statistics and the Living Conditions Survey (EU-SILC) produced for the European Union by combining interview and register data. Interviews are used to gather most household classification data, living conditions data, and any other income data that are not available from registers. The majority of the survey data are derived from administrative and statistical registers. The gross sample of the data is around 16,000 households each year, and the interviews are done primarily by telephone.

There are several different ways of calculating consumption units. Since 2002, the income distribution statistics have used the OECD's adjusted consumption unit scale where:

- the first adult of the household receives the weight 1.0;
- others over 13-years old receive the weight 0.5;
- children receive the weight 0.3 (0 to 13-years old).

Until 2004, the Household Budget Survey utilised the original OECD scale which was previously also used in the calculation of income distribution statistics. It is constructed as follows:

- the first adult of the household receives the weight 1.0;
- other adults receive the weight 0.7;
- children receive the weight 0.5.

Those aged 0 to 17 were defined as children.

The selection of consumption unit scale has a significant effect on income levels and on placement of different population groups in the income distribution.

The household's disposable money income is a corresponding concept to the household's disposable income, but it does not include imputed income items (e.g. imputed income received from an owner-occupied and used dwelling). The concept includes benefits in kind related to employment relationships.

The household's disposable money income = household members' total wages and salaries + entrepreneurial income + property income (excl. imputed income items) + current transfers received – current transfers paid.

Equivalent income is an income concept by which incomes of households of different types are made comparable by taking shared consumption benefits into account.

Equivalent income = the household's disposable income divided by the number of consumption units in the household.

Household = a household is formed of all those persons who live together and have meals together or otherwise use their income together. The concept of a household is only used in interview surveys. Excluded from the household population are those living permanently abroad and the institutional population (such as long-term residents of old-age homes, care institutions, prisons or hospitals). The corresponding register-based information is the household-dwelling unit. A household-dwelling unit is formed of persons living permanently in the same dwelling or address, and more than one household may belong to the same household-dwelling unit. The concept of household-dwelling unit is used in register-based statistics in place of the household concept.[43]

According to Statistics Finland's income distribution statistics, the low income rate (the ratio of those who are lower than 60 per cent of the equivalent median income of all households) was 13.1 per cent of the population in 2009 (***Table 3.1***), or around 690,000 persons. The threshold value used for low income is 60 per cent of disposable median income per household consumption unit, and this equated to approximately 14,230 EUR for a one-person household in 2009.

When the 50% threshold is used, the low income rate lies at 6.3 per cent, which is approximately half of that derived using the 60% threshold described above. In 2009, the 50% threshold equated to 10,210 EUR per year for a single adult with no dependent children.

Table 3.1. At risk of poverty (after social transfers) indicators in Finland 1990–2009

	1990	1995	2000	2004	2005	2006	2007	2008	2009
Low income figures, income below 60% of median income									
Low income earners (total)	395,000	361,700	576,100	629,100	660,500	651,800	706,900	694,000	690,000
Low income rate, % of populat ion	7.9	7.2	11.3	12.2	12.8	12.5	13.5	13.2	13.1
Low income limit, EUR per consumption unit*	10,600	9,980	11,330	12,850	13,330	13,290	13,610	13,770	14,230
Low income figures, income below 50% of median income									
Low income earners	169,100	158,100	230,500	284,300	296,200	299,100	326,900	350,600	329,700
Low income rate, % of population	3.4	3.1	4.5	5.5	5.7	5.8	6.3	6.7	6.3
Low income limit, EUR per consumption unit*	7,590	7,020	8,270	9,260	9,670	9,660	9,600	9,760	10,210

* The low income limit is the annual threshold value used for low income (either 60 or 50 per cent of disposable median income) in a one-person household

Source: Official Statistics of Finland, 2011.

[43] Further information can be found at Statistics Finland http://www.stat.fi/til/tjkt/kas_en.html and http://www.stat.fi/til/tjt/kas_en.html

The relative income poverty has increased in Finland between 1990 and 2009, regardless of which threshold measure is used (50% or 60%). Both indicators are functions of income distribution, so the rise in the low income rate represents a growth in income differentials between low and median income groups.

Although there is no official poverty definition in Finland, the low income rate (based on Eurostat's 60% of median income threshold) is used in official documents and widely referred. Statistics Finland also produces data on subjective poverty and material deprivation; however, these measures are not as often referred to as is the low income rate. In 2009, 7 per cent of the population had some or great difficulties making ends meet, and 3.4 per cent suffered 'material deprivation'. Material deprivation is defined as the enforced inability to meet at least four of the following criteria: pay unexpected expenses, afford a one-week annual holiday away from home, have a meal with meat, chicken or fish every second day, maintain the adequate heating for their dwelling, buy durable goods like a washing machine, colour television, telephone or car, or being confronted with payment arrears (mortgage or rent, utility bills, purchase installments or other loan payments).[44]

Within the framework of the Europe 2020 strategy, the relative at-risk-of-poverty indicator (60% of median threshold) is complemented by two non-monetary indicators: the number of people 'materially deprived' and the number of people living in 'jobless households'. The Europe 2020 strategy has also set the explicit target of reducing the number of people in poverty by 20 million people. According to the new indicators, there are approximately 900,000 poor people in Finland, and the government has set a goal to reduce poverty by 150.000 people.

Poverty became more of a political question during the late 1990s. Various actors placed poverty on their agendas, and in 1999, poverty was mentioned for the first time in history in a government programme. Every government programme since has given particular attention to poverty, and this is thought to be mainly due to the increased low income rate. (Kuivalainen & Niemelä 2010).

2. Minimum income protection

There is no official definition of subsistence minimum in Finland, and thus no calculations based on food basket and non-food expenses are done for official use. However, social assistance, which is the last resort form of income security in the Finnish system, is commonly thought of as representing the level of minimum standard and regarded as the level below which no member of society should fall. The general social assistance is called "living allowance" (*toimeentulotuki*). According to the Finnish Social Assistance Act (*Laki toimeentulotuesta 1412/1997*), social assistance is meant to be a last resort benefit and the aim is to guarantee income for individuals and families and promote self-reliance (1§). According to the rules, everyone has responsibility to support oneself and their families according to their capacities, and the purpose of social assistance is to promote these capacities and create possibilities for them to participate in society.

2.1. Social assistance system

The right to minimum income protection is stated in the Constitution of Finland. According to Section 19, anyone who cannot obtain the means necessary for a life of dignity has the right to receive essential subsistence and care.

44 http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary: Material_deprivation_rate

The Constitution does not, however, specify the level for a sufficient or decent standard of living, and the concept of 'essential subsistence' is not explicitly defined anywhere. Social assistance is intended to secure at least the necessary income referred to in the Constitution of Finland, and hence the level of social assistance is commonly thought to represent the existing indispensable subsistence level (see next page for a detailed description of the calculation of assistance). Because the aim of social assistance is to promote the independent coping of individuals and families, indispensable subsistence is thought to differ from minimum subsistence; the aim is thus not only to provide a minimum level of subsistence but rather to guarantee a reasonable level of income, enabling a life of human dignity.

According to official reports, social assistance should be ample enough to enable socially acceptable living close to the average standard of living among the majority of the population. This principle was initially put forward by a committee (*sosiaalihallintokomitea*) in 1974, when a new law on last resort support was prepared. In practice, establishing such a definition is not easy, since the average standard of living changes over time; as the society's average standard of living rises, the conception of the quantity and quality of commodities all citizens should be entitled to changes accordingly.

A modern form of social assistance was introduced in Finland in 1984, when a new Social Welfare Act (*Sosiaalihuoltolaki 710/1982*) was enacted, under which social assistance was also regulated. The Act included provisions establishing a uniform level of cash grants for different categories of applicants, and the right to last resort support became subjective. All those in need were entitled to receive support. This law was a significant change in relation to prior laws, which provided only a very limited support and made a clear distinction between the deserving and undeserving poor.

In the new Social Welfare Act, the level of social assistance was set in accordance with other social security benefits and was linked to the minimum flat-rate old age pension (*kansaneläke*). The reason for adopting this mechanism was technical: changes in living costs were simpler to take into account when social assistance was linked to the old age pension system. The amount of benefit for a single person was set at 80 per cent of the old age pension, which was aligned with the consumption patterns of the lowest income quintile.

In 1998, a new law on social assistance (*Laki toimeentulotuesta 1412/1997*) was enacted, and the level of assistance was set as a specific law. The levels remained the same as before, but the link between old age pension and social assistance was formally abandoned.

The level of social assistance is revised annually according to the National Pensions Index (*kansaneläkeindeksi*). The National Pensions Index is linked to the Cost of Living Index, which is compiled by Statistics Finland and tracks the prices of key commodities (*elinkustannusindeksi*). The index is updated annually by Kela on the basis of average prices in the third quarter of the year.[45]

The structure of social assistance was revised at the beginning of 2006 by dividing social assistance into basic (*perustoimeentulotuki*), supplementary (*täydentävä toimeentulotuki*) and preventive (*ehkäisevä toimeentulotuki*) social assistance.

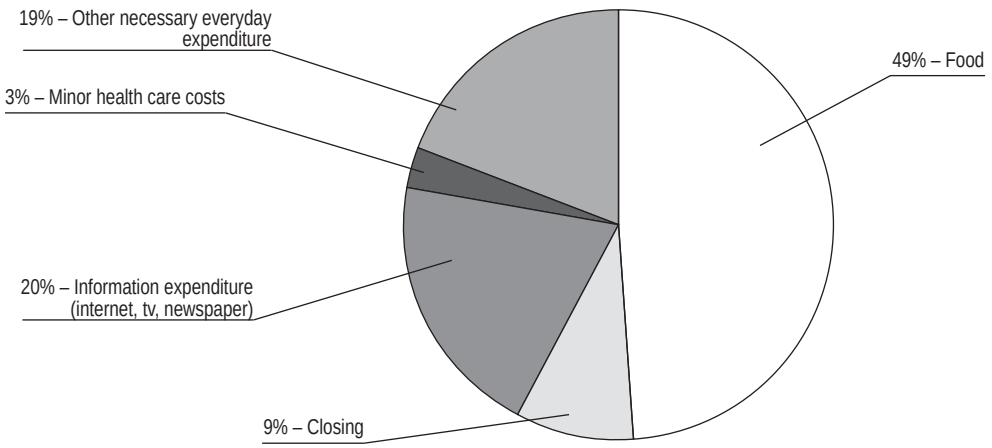
The basic social assistance benefit includes a basic amount (*peruosa*), which is intended to cover everyday costs of living. According to the law (7 a§), everyday living expenses cover the following expenses: food,

[45] Further information can be found at: http://www.kela.fi/in/internet/english.nsf/NET/100908142337HS? OpenDocument

clothing, minor health costs, hygiene (personal and home), use of public transport, phone and TV, newspaper subscription, recreation and other necessary everyday costs. The basic amount is a calculatory measure of how much a certain type of household needs to meet a defined level of living and to cover standard day-to-day living expenses. Needs seen as normal daily living expenses covered in social assistance can be considered as basic necessities to which everyone in a society should have the right. The usefulness of having a basic amount is that the claimant does not need to provide proof of his/her daily expenses, but instead those expenses are standardized into set amounts.

The composition of the basic amount for a single adult is evaluated, though not regularly, on the basis of the Household Budget Survey conducted by Statistics Finland. The Household Budget Survey produces data on changes in the consumption expenditure of households and on differences in consumption by population group. Calculations were constructed on the basis of the two lowest quintile's consumption in order to evaluate the amount of consumption of those items covered by the basic amount (i.e. food, clothing, information expenditure and so forth). The data in the below graph is from the early 2000s, but expenditures are indexed according to 2007 price levels.

Figure 3.1 Computational grounds for a single adult's basic amount according to the Household Budget Survey



Source: Ministry of Social Affairs 2007

As can been seen in the chart, approximately half of the total expenditure of the two lowest quintiles is made up of food-related expenses, while information expenditures accounted for approximately 20 per cent, and clothing a little less than 10 per cent. The Handbook for the Application of the Act on Social Assistance (Ministry of Social Affairs 2007) underlines that that these figures should only be used as indicative, not explicit, amounts.

Basic amounts are specified for each family member, and thus the rates are personalized by type of individual. In 2011, the basic amount for a person living alone was 419.11 €. For other family members, rates were calculated as a percentage of the single adult rate: 85% for the other spouse in a couple, 73% for a child of 18 or over, 70% for a child between 10 and 17 years old, and 63% for a child under 10. The level of basic amount for children declines as the number of children increases: for the second child, the rate is 5% point

lower (65% for those between 10 and 17 years old, 58% for those under 10 years old), and for the third and subsequent, 10% point lower than for the first child (60% for those between 10 and 17 years old, 53% for those under 10 years old).

Table 3.2. Basic amounts of social assistance, 2011

	€/month	% compared with the single person
Single person or single parent	419.11	100%
Spouse aged 18 or over in a couple	356.24	85%
Child aged 18 or over living with their parents	305.95	73%
Children 10–17 years old		
1st child	293.38	70%
2nd child	272.42	65%
3rd and subsequent children	251.47	60%
Children 0–9 years old		
1st child	264.04	63%
2nd child	243.08	58%
3rd and subsequent children	222.13	53%

Basic amounts are set on a national basis, and thus there are no regional variations in the amounts. Nationally-set scale rates were introduced in Finland in 1989, with a five-year transitional period up to 1994. Along with this change, local discretion was reduced. During the years 1989 and 1994, two different benefit rates were set by the state: the basic allowance or 'net norm' and the expanded basic allowance or 'gross norm'. Municipalities were previously able to adjust to the new norm at their own pace, but in 1994, all municipalities were required to meet the gross assistance norms at standardized rates. Prior to 2008, the level of basic amounts differed between two categories of municipalities relating to local variations in the cost of living. Since 2008, however, there has been only one level of basic amounts, which are set nationally every year for the municipalities to follow. All municipalities follow the same rates.

Other expenses covered by basic benefits are housing expenses (e.g. rent or maintenance fees, water costs), health care costs that cannot be considered minor, household electricity bills and home insurance premiums. Other expenses should be taken into account as reasonable, but there are variations in the ways other expenses are covered between municipalities.

Secondly, the supplementary benefit component of social assistance is intended to cover special expenses, including children's daycare fees, housing expenses not considered basic expenses, and other expenses arising from the person's or family's special needs or circumstances.

Thirdly, the aim of the special preventive assistance (*ehkäisevä toimeentulotuki*) is to promote a person's and his/her family's self-reliance and security. It is up to the municipalities to decide qualifying conditions. The Ministry of Social Affairs and Health has outlined that special preventive assistance could be granted for

example to secure housing and in case of severe illness. The amendments of April 2001 (*Laki ehkäisevästä toimeentulotuesta 923/2000*) put more emphasis on preventive assistance; it further aims to prevent social exclusion and long-term dependency (13§). The use of preventive assistance is, however, still small. In 2010, only approximately 2 per cent of all spending on social assistance consisted of preventive assistance (THL 2011).

Social assistance allowances are not taxable and people receiving assistance in Finland do not pay contributions towards social insurance benefits or pensions.

By law, all persons are eligible for social assistance. Social assistance is meant to be a short-term financial aid in order to assure subsistence when a person cannot live on his/her own earnings, entrepreneurial or other income or property. Social assistance is applied for by written application, and because everyone is responsible to earn his own living to the best of his ability, all other possible benefits or sources of income are considered before social assistance is granted. Social workers or social care workers assist individuals in finding solutions to income problems and provide the unemployed client assistance during their job search.

The amount of social assistance is determined based on the amount by which the client's eligible expenses exceed income and assets. Means-testing is rather harsh as it is in the other Nordic countries (see e.g. Kuivalainen 2004). Nearly all available net income of the applicant and his or her family members is taken into account. However, in an effort to encourage clients to take up work and to promote the claimant's self-reliance, a minimum of 20 per cent of earnings are exempt from the means test, up to a limit of 150 euro per month per family. This trial started in 2002 and has been extended to the end of 2014.

Activation of recipients is currently promoted in several ways. If an applicant of social assistance has refused an offered job or other labour policy measure without justified reason, the basic amount may be reduced by 20 per cent. If the applicant repeatedly turns down jobs and labour market measures, the basic amount may be reduced by 40 per cent. The reduced basic amount is valid for a maximum period of two months at a time. If the basic amount is reduced, the social worker and the client make up a plan together on how the client could improve his/her employment and maintenance possibilities. Having said this, it seems that the basic amount is only rarely reduced in actual practice.

Duration of social assistance is unlimited, meaning that people have a right to it as long as they meet the conditions of eligibility. The average period for which social assistance was paid was 6 months in 2010. Around 40 per cent of all households on social assistance receive assistance for only a short time, between one and three months per year. Nonetheless, the share of those households who receive social assistance at least 10 months during a calendar year has increased since the 1990s, with around 28 per cent of all households currently on social assistance being long-term recipients (THL 2011).

In 2010, social assistance was paid to some 240,000 households, or a total of 375,000 people. The gross expenditure on social assistance was 629 million EUR. At the beginning of the 1990s, during the deep economic recession in Finland, the increase in social assistance recipiency was remarkable, peaking in 1996 at 11.9 per cent of the total population. The proportion of social assistance recipients then declined until 2009, when a sharp increase took place as a consequence of the economic downturn. In 2010, 7.0 per cent of the population received social assistance, compared with 6.4 per cent in 2008 (THL 2011).

71 per cent of the households receiving social assistance in 2010 were single-person households. Single parents made up 12 per cent of all recipient households, two-parent families with children 9 per cent, and couplse without children 8 per cent. Single parent families have the highest risk of needing to receive social assistance: almost one in every four single parents (24.1%) received social assistance in 2010. The lowest risk is among two adult families without children, with around two per cent of them being social assistance recipients (THL 2011).

There is little evaluation of the take-up of social assistance in Finland, but as in many other countries, the topic has gained more attention during the past few years. The studies indicate that non-take-up is wide in Finland. The non-take-up rate is calculated as the ratio of individuals that do not receive benefits although being eligible divided by the total number of eligible individuals or households. There is also evidence that non-take-up has increased. A study by Bargain et al. (2007) indicates that there has been a gradual increase in non-take-up, from 40% in 1997 to approximately 50% in 2003.

Social assistance is the last resort benefit and subsidiary to other social benefits. A typical situation is that a recipient has so-called first-tier benefits, but owing to the low level of these benefits, the recipient receives social assistance as a top-up. Those who are not entitled to contribution-based and earnings-related social insurance benefits, but instead are receiving flat-rate basic social benefits are more often in need of social assistance.

A typical such situation is unemployment. If a person does not qualify for earnings-related contribution-based unemployment benefits, mainly due to an insufficient work history, that person will most often receive means-tested unemployment assistance, a labour market subsidy (*työmarkkinatuki/peruspäiväraha*). The labour market subsidy was introduced in 1994, and its purpose is to provide financial assistance to unemployed job seekers who enter the labour market for the first time or otherwise have no recent work experience, and to long-term unemployed persons who have exhausted eligibility for earnings-related allowances. In addition to that, the individual usually also receives a housing allowance (*yleinen asumistuki*). Cross-sectional data on sources of income and principal economic activity are collected each year in November from all municipalities that use software applications for data collection. The most frequent income sources were housing allowance and labour market support. Of the households receiving social assistance in November 2010, two out of three (70%) received a housing allowance and about 40 per cent received labour market support (THL 2011). Less than one in ten (8.8%) had no income from any other social benefits.

The levels of various basic social benefits and social assistance for a single adult are presented in ***Table 3.3*** to give an example of a typical case of a person living on basic social benefits and receiving social assistance. Five different life situations are given: a single unemployed adult, a retired adult, an adult on disability due to illness, and an adult caring for a young child on maternity or paternal leave. The fifth life situation represents a situation where a single adult is for some reason not entitled to any first-tier basic social security. Figures are from a report conducted by the Institute for Health and Welfare and refer to the year 2011 (THL 2011). It is assumed that a single adult on basic social benefits lives in a rented dwelling and that the rent corresponds to the average rent level of households receiving housing allowance. The average rent level is derived from the housing allowance statistics. ***Table 3.3*** illustrates how social assistance is often used as a top-up benefit.

Table 3.3. The amounts of different basic social security benefits and amounts of social assistance in five different life situations for a single adult in 2011 (monthly amounts, €)

	Unemployed	Retired	Illness	Maternity	No income
First-tier basic social benefit	Labour market subsidy (Työmarkkinatuki) 553 €	Old age pension inc. guaranteed pension (Kansaneläke ja takuueläke) 688 €	Minimum illness allowance (Sairaspäiväraha) 553 €	Minimum maternity allowance (Äitiys-/vanhempain-päiväraha) 553 €	
Taxes	–90 €		–90 €	–90 €	
Housing allowance	319 €	321 €	319 €	319 €	
Social assistance	68 €	0 €	68 €	68 €	850 € (419 € + rent)
Total (net)	850 €	1,009€	850 €	850 €	850 €
Disposable income after housing costs	419 €	578 €	419 €	419 €	419 €

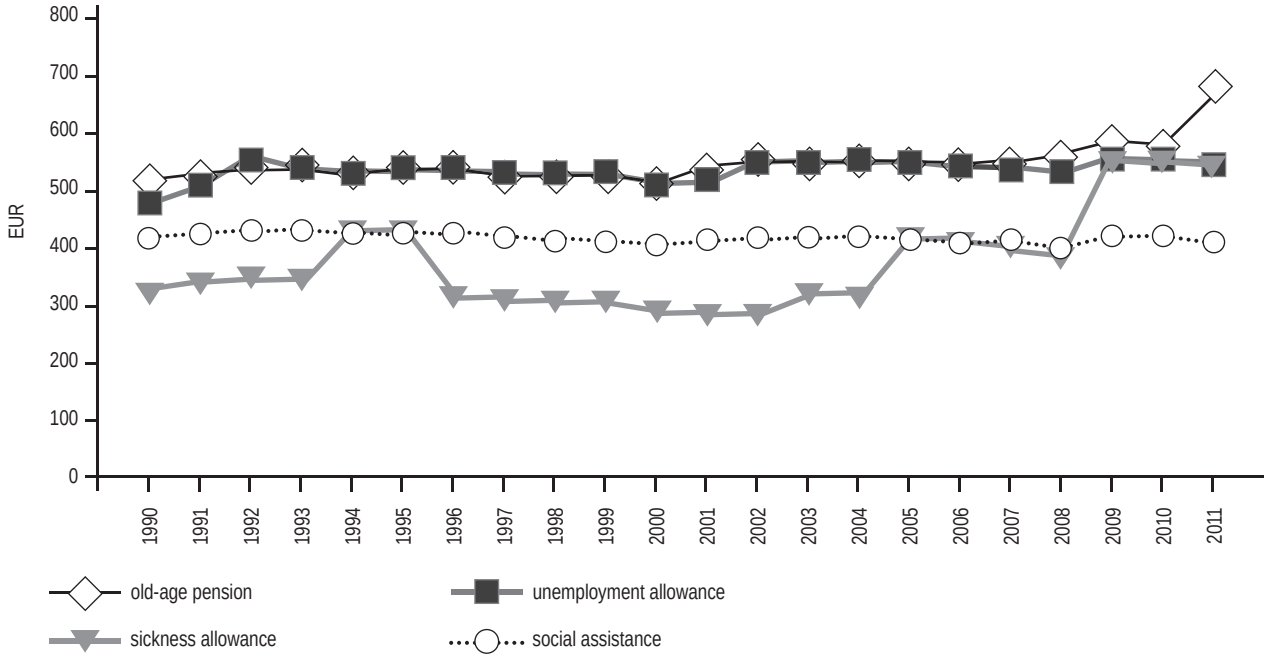
Source: THL 2011.

As can be seen in ***Table 3.3***, the highest benefit levels are for a pensioner. In 2011, a new form of benefit was introduced – a guaranteed pension – and this increased the former level of national old age pension by 100 €. Taxation practices are different for pensioners, and the housing allowance scheme for pensioners (*eläkkeensaajien asumistuki*) is also more generous. For these reasons, a single adult on pension is not usually in need of last resort social assistance, since their level of disposable income is usually above the level of subsistence income set within the social assistance scheme. The higher level for national pension is considered justified as it is intended to be a long-term benefit. National pensions offer a basic income for persons who are entitled to a very small earnings-related pension or none at all.

The levels of minimum unemployment, illness and maternity allowance are equal, and the net amounts of these first-tier benefits are above the basic amount of social assistance. Since the housing allowance does not cover all housing costs (approx. 80%), people in these situations receive social assistance as a top-up benefit primarily to cover housing costs. It is estimated that the need for social assistance among single adults is 90 per cent produced by housing costs. These benefits are revised annually according to the national pension index. ***Figure 3.2*** displays the amount of main basic social security benefits and social assistance between 1990 and 2011. ***Figure 3.3*** presents the relative level of social assistance (i.e. in relation to the average income and wage as well as to the poverty line).

The level of social assistance has remained unchanged over the past 20 years. It has followed rather well changes in price levels through practices of annual indexation. By comparison, the levels of old-age pension, unemployment allowance and illness allowance have increased in real terms due to improvements in benefit levels. The introduction of a guaranteed pension (*takuueläke*) in 2011 substantially increased the benefit level of old-age pensions (*kansaneläke*). The level of illness allowance (*sairauspäiväraha*) was raised in 2008 to correspond to the level of unemployment assistance (*työmarkkinatuki/peruspäiväraha*). The minimum level of illness allowance and the maternity and parental (äitiys ja vanhempainpäiväraha) allowances are equal in

Figure 3.2. Amounts of old-age pension, unemployment assistance, illness allowance and social assistance 1990–2011 (fixed at 2010 prices)



amount. The guiding principle in developing social security benefits has been that the levels of first-tier social security benefits should be higher than the level of social assistance, set this way in an aim to diminish the need for last-resort social assistance.

The structure of the Finnish basic social security is complicated and fragmented, and many efforts have been made to simplify the structure. In 2007, a committee for reforming social protection (SATA Committee) was set up to prepare a reform of social protection. The committee was assigned the task of preparing a total reform of social protection by drawing up a proposal for adequate basic protection and clarification of social security among other things. Several proposals by the committee are already incorporated into legislation, such as extended index protection and a raising of the minimum rehabilitation allowance. On the whole, the committee's work has received a lot of criticism, and its efforts to reform social protection are regarded as modest.

2.2. Adequacy of minimum income protection

During the past few years, there has been frequent discussion and debate on the adequacy of minimum income protection. Although the levels of social benefits have kept up to changes in price levels (see Figure 2), the levels have deteriorated in relation to the average income level, which increased substantially during the years of prosperous economic growth from 1996 to 2008. Figure 3 illustrates the level of social assistance in relation to average income, average wage and the relative poverty line (60% of median income).

It is notable that the level of social assistance has declined in comparison with average income and average wage during the past two decades. Figure 3 also shows that the level of social assistance is significantly lower than the relative poverty line (60% of median income), which is the case for a large majority of OECD countries (Immervoll 2009). However, it should be noted that the level of social assistance as the level of basic

amount for a single adult is not wholly comparable with average income or average wage, nor with the poverty line as such. People on social assistance receive support for housing costs, so their actual income level is higher (cf. ***Table 3.3***). ***Figure 3.4*** presents the total disposable income for a single person on social assistance in relation to the poverty line and net average wage.

Figure 3.3. The level of basic social assistance in relation to the poverty line, average income and average wage 1990–2011 (in EUR, fixed at 2010 prices)

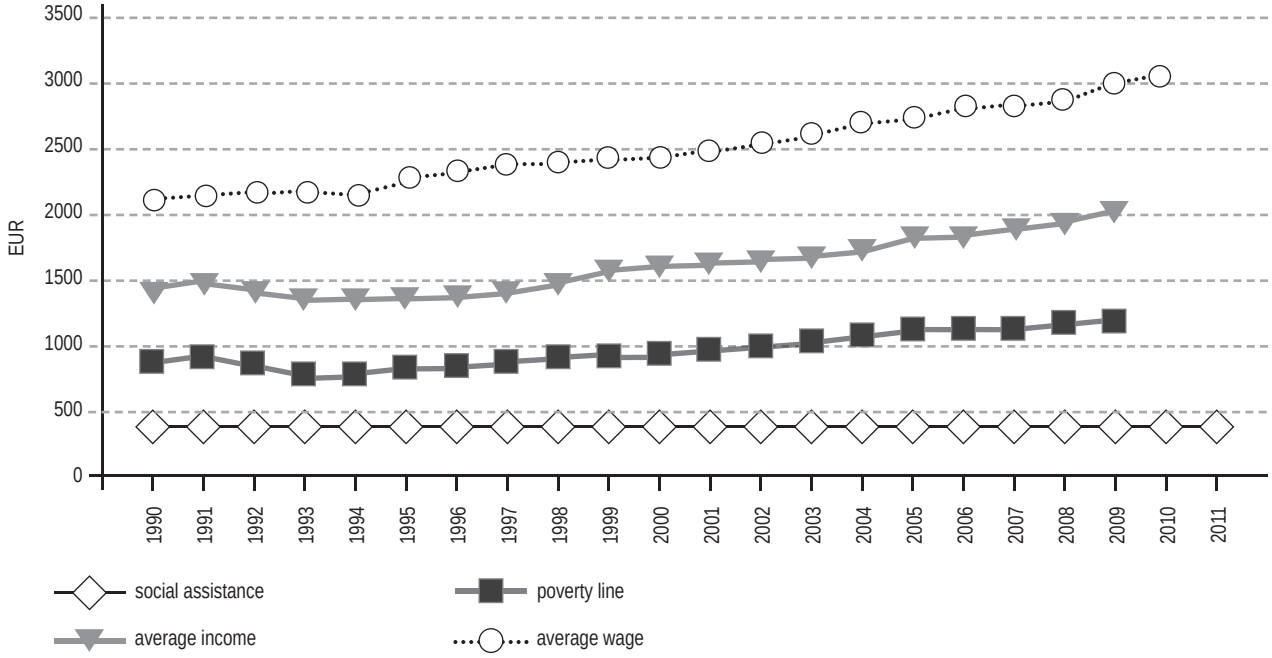
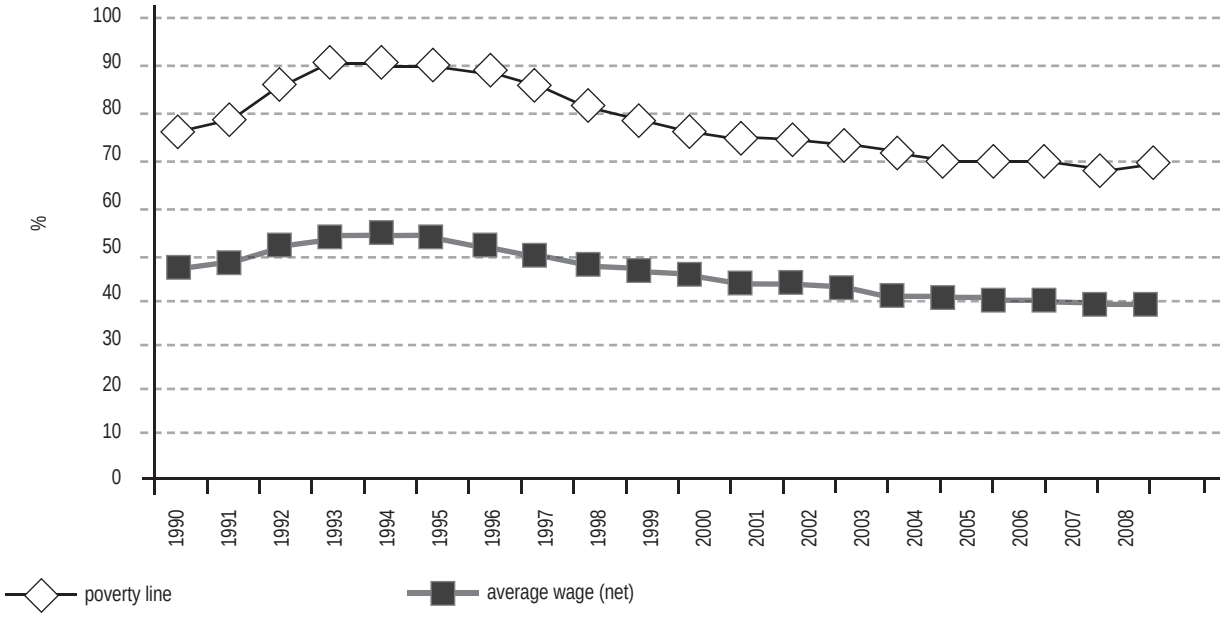


Figure 3.4. The level of disposable income for a single person on social assistance as a % of the poverty line and net average wage



During the early 1990s, the level of disposable income for a single person on social assistance increased in relation to the poverty line, average income and average wage. This was not a result of increased level of social assistance, but instead of a declined level of overall income. After the deep recession, the relative level of social assistance has declined.

In December 2010, a legislative amendment came into effect under which an overall evaluation of the sufficiency of basic benefits shall be conducted every four years. The adequacy of basic social security and social assistance benefits including the living allowance is now evaluated regularly. The first evaluation report, covering the years 1990–2011, was released in March 2011 (THL 2011).

The adequacy of basic social security was evaluated in several ways. First, the adequacy of benefits was evaluated using sample calculations for four different model families to assess the level of disposable income before and after housing costs. To achieve an extensive depiction, a range of benefits were included in the analyses. The approach allowed analyses of the whole income package, which was essential, since typically, families depending on basic social security and social assistance benefits also receive different types of social transfers (e.g. universal child benefits, means-tested housing allowance, unemployment benefit and social assistance (See ***Table 3.3***)). The level of disposable income before housing costs referred to net disposable income including housing allowance, while the level of disposable income after housing costs represented the level of income families have after paying housing costs.

The disposable income of households on basic social security (before housing costs) increased in real terms from 1990 to 2011 (see Appendix ***Table A.1***). However, disposable income after housing costs decreased except for those families on national pension (see Appendix ***Table A.2***).

The level of disposable income of households on basic social security in comparison with the income of average wage earners (i.e. the relative level) declined from 1990 to 2011 (see Appendix Table 3). Even though the level of social assistance has kept up with price development, wages have increased faster than prices, placing households on social assistance in a more precarious position in the overall income distribution. The level of disposable income of households on basic social security has also declined in relation to the income of low-wage earners (50% of average wage) and to the income of those households receiving an earnings-related contribution-based unemployment allowance. (cf. ***Figure 3.4***)

Secondly, the levels of social assistance and basic social security benefits were assessed in relation to a reference budget for a decent minimum standard of living. In 2010, the National Consumer Research Centre published (Lehtinen & al. 2010, in English 2011) a reference budget for a decent minimum standard of living for several household types. The reference budgets were constructed for six different family types. Budgets were not compared with the poverty line, but for the purposes of the first evaluation report, the levels of the reference budget were compared with the levels of disposable income of various model families in different life situations. Analyses showed that, except in cases of elderly households, the level of basic social security covered about two thirds of the reasonable minimum living costs estimated by the reference budget methods. For average wage and low wage (50% of average wage) earners, the income levels were above the reference budgets (***Figure 3.5***).

Thirdly, the level of basic social security was compared with what the public thinks is sufficient minimum subsistence. The University of Turku complied survey data in which respondents were asked how they perceived the current level of minimum income and how much a single adult needs in order to make ends meet. The majority of Finns (73.2%) perceived the current level of minimum income (419 € in 2010) as too low.

Furthermore, the share of those who considered the level insufficient had increased from 1995. Correspondingly, the current level of social assistance was much lower than the level proposed by the public. In 2010, the sufficient level for minimum income (i.e. for social assistance) was 670 €, while the actual level for social assistance was 417 €. This shortfall had also increased over time. ***Figure 3.6*** presents the perceived level of sufficient minimum income by the general public in relation to the disposable level of income after housing costs for a single adult in different life situations from 1995 to 2010 (THL 2011).

Figure 3.5. The level of disposable income for three model families on basic social security in relation to a reference budget for a decent minimum standard of living in 2010.

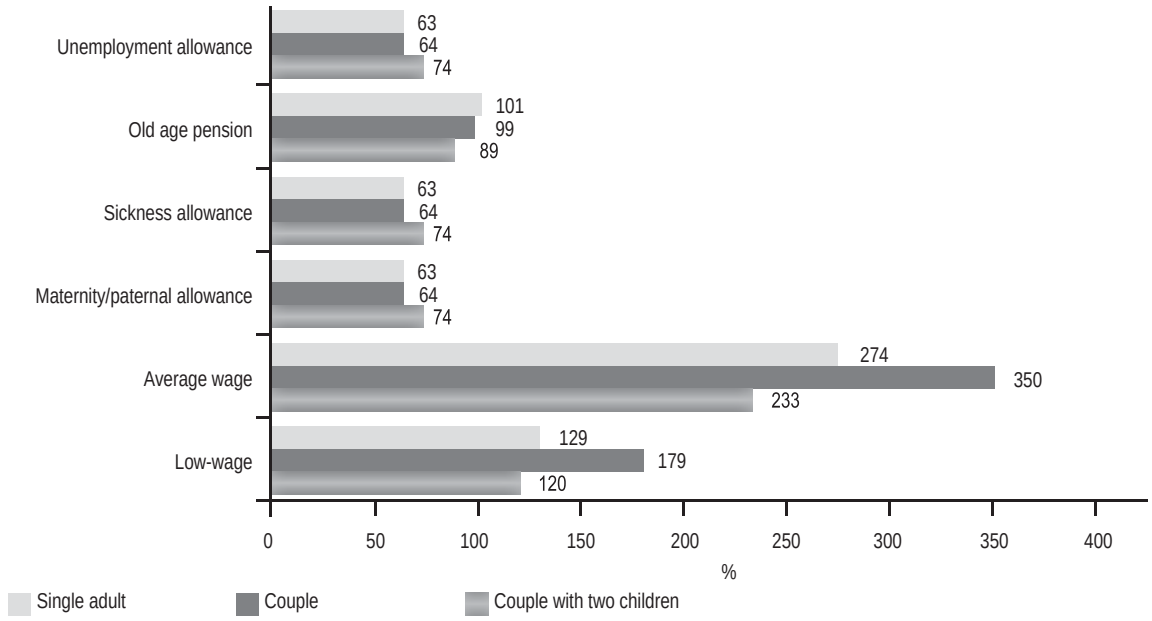
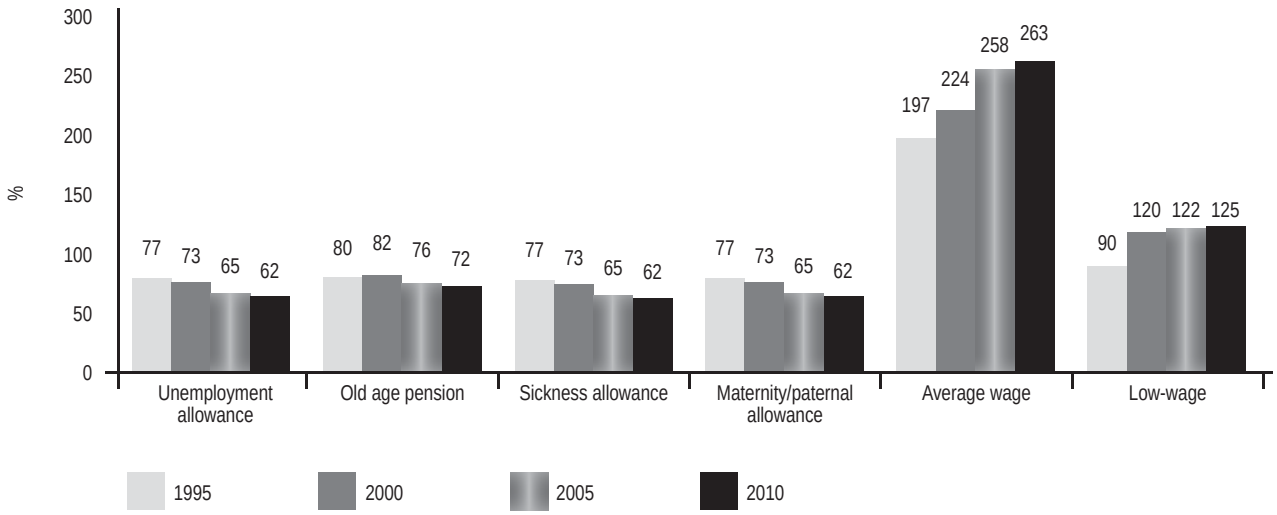


Figure 3.6. The level of disposable income after housing costs for a single adult in relation to perceived level of sufficient minimum income.



Finally, the adequacy was studied by evaluating the status in income distribution of persons living on basic social security benefits. The number of those households where more than 90% of the gross income consisted of basic benefits had increased since the early 1990s. Basic social security benefits, especially means-tested benefits, were targeted at the two lowest income deciles. 80 per cent of the housing allowance was paid to the two lowest deciles, and 72 per cent of the labour market subsidy and 70 per cent of social assistance was received by the poorest groups in the population (THL 2011).

The risk of poverty among those households whose primary form of income was basic social security benefits (over 90% of household income) was 89% in 2009. Further, this share has increased over the years. These households were also more often facing material deprivation and feeling difficulties in making the ends meet. A main conclusion of the report was that basic social security benefits (including social assistance) are currently inadequate (THL 2011).

3. Conclusion

The aim of this paper was to give a brief history of the national poverty line and poverty estimation as well as a description of the social assistance scheme in Finland. Finland has no official definition for poverty, but the relative definition of poverty and the low income rate based on Eurostat's definition are widely used. Likewise, there is no official definition of the subsistence minimum in Finland. Social assistance (toimeentulotuki) is a last-resort benefit which is intended to secure the least necessary income referred to in the Constitution of Finland, and hence the level of social assistance is commonly considered to represent the existing level of indispensable subsistence.

Income poverty has increased in Finland over the past fifteen years, and with this development, poverty has become more of a political question. In the 2000s, basic social security and social assistance have gained increasing attention, and there has been quite a lot of discussion and debate over the adequacy of these benefits.

A new government came into office in the summer of 2011, and Prime Minister Jyrki Katainen's government has given a high priority to the issue of poverty. The reduction of poverty, inequality and social exclusion is one of the three core objectives of the government, and the government will take action in improving the livelihood of the most disadvantaged. The basic daily allowance and labour market support for the unemployed will be increased by 100 EUR per month as of 1 January 2012. The basic amount of social assistance will be increased by 6% as of 1 January 2012. In addition, 5 million EUR will be allocated towards increasing social assistance provided to single parents.[46] There will also be improvements made in the housing allowance scheme.

[46] http://www.vn.fi/hallitus/hallitusohjelma/pdf332889/220611hallitusohjelma_en.pdf

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5. Appendix

Table A.1. The level of disposable income before housing costs of model families in different life situations, 1990 = 100

Single adult	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	112.3	107.9	115.1	124.2	122.9
National pension	100.0	110.5	110.7	120.3	128.5	140.5
Illness allowance	100.0	112.3	107.9	115.1	124.2	122.9
Single parent	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	108.5	103.0	112.1	117.4	116.2
National pension	100.0	121.0	115.9	124.3	131.6	139.4
Illness allowance	100.0	111.5	105.8	112.5	120.6	119.4
Couple without children	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	109.3	104.8	111.2	118.9	117.6
National pension	100.0	118.9	118.0	125.4	135.1	155.5
Illness allowance	100.0	110.9	106.4	112.9	120.7	119.4
Couple with children	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	110.1	103.5	109.1	115.4	113.9
National pension	100.0	110.1	103.5	109.1	115.4	129.2
Illness allowance	100.0	108.5	101.9	107.5	113.7	112.3

Source: THL=2011.

Table A.2. The disposable income after housing costs of model families in different life situations, 1990 = 100

Single adult	1990	1995	2000	2005	2010	2011*
Unemployment allowance	100.0	102.4	91.4	93.0	99.9	97.9
National pension	100.0	100.3	96.8	102.5	108.2	127.1
Illness allowance	100.0	102.4	91.4	93.0	99.9	97.9
Single parent	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	98.7	91.2	92.8	94.5	92.6
National pension	100.0	117.0	105.9	110.0	114.5	126.5
Illness allowance	100.0	102.8	90.9	92.6	98.4	96.5
Couples without children	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	100.2	90.7	92.3	97.7	95.8
National pension	100.0	114.3	110.0	113.0	121.3	151.5
Illness allowance	100.0	102.4	92.6	94.4	99.9	97.9
Couples with children	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Unemployment allowance	100.0	103.7	92.5	94.4	98.5	96.5
National pension	100.0	103.7	92.5	94.4	98.5	117.1
Illness allowance	100.0	101.7	90.7	92.5	96.5	94.7

Source: THL=2011.

Table A.3. The level of disposable income after housing costs of model families in different life situations in relation to disposable income after housing costs of an average wage family, 1990=100

Single adult	1990	1995	2000	2005	2010	2011*
Average wage	100.0	100.0	100.0	100.0	100.0	100.0
Low wage (50% of average wage)	54.8	45.9	49.3	47.3	47.3	47.3
Unemployment allowance	35.1	39.0	29.8	25.1	23.8	23.3
National pension	37.3	40.5	33.6	29.4	27.4	32.2
Illness allowance	35.1	39.0	29.8	25.1	23.8	23.3
Single parent	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Average wage	100.0	100.0	100.0	100.0	100.0	100.0
Low wage (50% of average wage)	69.7	72.3	65.6	62.0	59.3	59.0
Unemployment allowance	50.0	56.2	44.2	39.9	36.3	35.6
National pension	46.3	61.7	49.7	43.7	40.6	45.0
Illness allowance	48.0	56.2	44.2	38.2	36.3	35.6
Couples without children	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Average wage	100.0	100.0	100.0	100.0	100.0	100.0
Low wage (50% of average wage)	52.0	50.3	50.6	51.3	51.3	51.3
Unemployment allowance	28.5	30.1	23.6	20.0	18.7	18.4
National pension	28.0	33.7	28.1	24.0	22.8	28.5
Illness allowance	27.9	30.1	23.6	20.0	18.7	18.4
Couples with children	**1990**	**1995**	**2000**	**2005**	**2010**	**2011***
Average wage	100.0	100.0	100.0	100.0	100.0	100.0
Low wage (50% of average wage)	54.5	58.3	52.4	52.5	52.0	51.9
Unemployment allowance	46.2	51.3	40.4	34.7	32.4	31.8
National pension	64.8	64.6	47.2	38.1	32.4	37.7
Illness allowance	47.1	51.3	40.4	34.7	32.4	31.8

Source: THL=2011.

Poverty Lines in Russia

Yuka TAKEDA

1. Introduction

In this chapter, we investigate the poverty lines in Russia that were established after the collapse of the U.S.S.R. In Russia, a relative poverty line has not been used. Therefore, in this chapter, we will discuss the absolute poverty line in Russia that is regarded as the subsistence minimum. First, we will take a brief look at the minimum consumption basket in the Soviet period. The value of the minimum consumption basket was considered to be the poverty line at that time, although it was never specifically stipulated during that period. In Section 3, we will review the measurement methodology of subsistence minimum in Russia that was established during the first period of transition from planned to market economy. In Section 4, we will investigate a revised methodology for measuring subsistence minimum and point out the distinguishing features of the revised methodology. In Section 5, we will document the structure of subsistence minimum based on the revised methodology, focusing on its regional peculiarities.

2. Minimum consumption basket in the Soviet period

During the Soviet period, the authorities of the U.S.S.R did not acknowledge the existence of poverty in the country. However, in the early 1960s, i.e. during the Khrushchev period, some academic groups initiated a study on the minimum consumption basket (minimum consumption budget) (Klugman and Braithwaite 1997, pp. 12–14). The minimum consumption basket consisted of both food and non-food components, each estimated separately. The food allowance was set to an idealistic level, so that it was generous rather than minimum for basic needs.

Although no legislation on a minimum consumption basket was introduced during the Soviet period, authorities such as the State Committee of Labour began to use the concept of the minimum consumption basket for the provision of social allowances. In 1975, for example, a child allowance for lower income families began being provided, and this alluded to the concept of the minimum consumption basket.

The first official subsistence minimum, that is, an official poverty line was published in 1988, and was set at 78 rubles per capita per month. The subsistence minimum was composed of expenditures on food, non-food goods and services, and taxes and other payments. According to Institute for Socioeconomic Studies of the Population, food share in the official subsistence minimum for 1989–91 was 52%, while the share of non-food goods and services was 37.5%, and that of taxes and other payments was 10.5% (Rimashevskaya 1997, p. 123). Several calculations were made on the basis of the prices paid at state retail and collective farm markets. The authorities provided social allowances, referring to a lower poverty line. Taking a higher subsistence minimum as a threshold of poverty (84 rubles per capita per month), the poverty ratio for 1988 was 10.6% in Russia (Braithwaite 1997, p. 34).

3. Introduction of the measurement methodology of subsistence minimum in Russia: The 1992 Methodology

During the transition from a planned to a market economy, a new methodology of subsistence minimum was needed in Russia. Following Presidential Decree No. 210, dated 2 March 1992 "On the system of minimum subsistence budget of the population of Russian Federation", a committee was launched under the Ministry of Labour and Social Development (currently, the Ministry of Health and Social Development) in order to elaborate the norm of minimum consumption and develop a methodology for the calculation of subsistence minimum, not only at the national but also the regional level in the Russian context of transition. On 10 November 1992, the Ministry of Labour approved "Methodological Recommendation for Calculating Subsistence Minimum by Region of Russian Federation" (hereafter, **the 1992 methodology**).

In the 1992 methodology, subsistence minimum was defined as an indicator of the amount and structure of the minimum consumption of the most important goods and services needed to maintain the vital activity and physical condition of an individual. Thus, the subsistence minimum in Russia has been calculated on the basis of the Cost of Basic Needs method (CBN method), the international standard for calculating poverty lines. Legislations on the subsistence minimum and the consumption basket have changed in Russia several times since 1992, but the subsistence minimum has continued to be calculated using the CBN method.

The value of the subsistence minimum was defined as the amount of the minimum consumption basket. Based on the consumption structure of lower income families, the amount of the consumption basket was calculated as the sum of the estimated value of the food basket and the minimum non-food goods and services, plus taxes and other compulsory payments. In principle, the value of the minimum food basket was estimated using the average retail price of each foodstuff listed in the Household Budget Survey (HBS) by the Russian Federal State Statistics Service (Rosstat). In the 1992 methodological recommendation by the Ministry of Labour, the share of food in the subsistence minimum was 68.3%; non-food goods was 19.1%; services were 7.4%; and taxes and other compulsory payments were 5.2% (***Table 4.1,*** Column 1).

Table 4.1. Structure of subsistence minimums in Russia based on the 1992 methodology (%)

		By socio-demographic group			
				Children	
	Total population	Working population	Pensioners	0–6 years old	7–15 years old
Food	68.3	61.6	82.9	74.5	73.4
Non-food	26.5	30.3	17.1	25.5	26.6
Non-food goods	19.1	21.4	10	18.9	19.8
Services	7.4	8.9	7.1	6.6	6.8
Tax and other payments	5.2	8.1	—	—	—
Total	100	100	100	100	100

Source: Методологические рекомендации по расчетам прожиточного минимума по регионам Российской Федерации (утвержденные Министерством труда РФ 10.11.92)

Foodstuffs within the minimum food basket were classified into 11 categories: (1) grains, (2) potatoes, (3) vegetables, (4) fruits and berries, (5) meat, (6) dairy products, (7) fish, (8) eggs, (9) sugar and confections, (10) butter and margarine, and (11) other foods. On the basis of the minimum food consumption, the foodstuffs in the basket were selected by the Institute of Nutrition, Russian Academy of Medical Science and the Institute of Social and Economic Studies of Population, Russian Academy of Science as well as the Ministry of Labour, with the support of specialists from abroad. The caloric intake of the food basket was set at 2,236.7 kcal, which was in accordance with recommendations by FAO/WHO/UNU. Thus, the minimum food basket established in Russia also met international standards.

The minimum food basket for socio-demographic groups was set, taking into consideration the differences in the needs of the individual groups: adult males (16–59 years old); adult females (16–54 years old); pensioners (over 60 years old if male and over 55 years old if female); and children (0–6 years old and 7–15 years old). Moreover, the minimum food basket was set by region, taking into consideration regional peculiarities such as climate, economic development and food traditions. Russia was categorized into 8 zones (Appendix 1), and these were elaborated by the Central Research Institute of Economy under the Ministry of Economy. The lowest caloric intake was set at 2,204.2 kcal per capita for Zone II, while the highest was set at 2,607.0 kcal per capita for Zone VIII (***Table 4.2***).

Table 4.2. Food bundles within the subsistence minimum by zone based on the 1992 methodology

(kg per capita per year)

Food bundles	Zone							
	I	II	III	IV	V	VI	VII	VIII
Grains	137.2	124.4	128.2	124.4	130.8	134.6	135.9	141.1
Potatoes	79.3	101.7	126.6	124.2	132.6	134.8	132.5	106.5
Vegetables	97.4	126.5	98.3	101.7	86.3	83.7	85.5	90.6
Fruits and berries	22.7	25.6	19.4	20.3	20.3	15.6	17.0	21.3
Sugar and confections	20.0	20.0	20.0	20.0	21.4	21.4	21.4	23.7
Meat	25.5	23.9	24.5	26.1	26.6	27.1	27.7	32.5
Fish	6.2	14.0	11.7	11.7	10.9	10.9	12.1	17.9
Milk and dairy products	162.6	165.9	210.4	208.5	217.0	221.6	222.9	268.1
Eggs	120.0	142.2	152.0	151.4	154.5	154.5	156.3	158.8
Butter and margarine	7.6	8.5	9.8	10.0	10.0	10.1	10.7	11.8
Caloric intake, kcal	2222.4	2204.2	2331.0	2306.4	2389.2	2429.4	2458.9	2607.0

Source: Госкомстат России (1996, С. 87–88).

Although the non-food basket was not defined using the 1992 methodology, the share of non-food goods and services in the subsistence minimum was calculated on the basis of the actual consumption structure of the families whose consumption was at the lower 10% level of the consumption in the whole country. The structures of the subsistence minimum by socio-demographic group and by region are shown in ***Table 4.1*** (Columns 2–5) and ***4.3***, respectively.

Table 4.3. Structure of the subsistence minimum by zone based on the 1992 methodology (%)

	Zone							
	I	II	III	IV	V	VI	VII	VIII
Food	68.4	69.1	69.8	68.9	69.1	67.4	66.4	66.5
Non-food	27.6	27.7	25.6	26.5	26.1	27.2	27	26.8
Goods	19.6	19.4	18.2	19.2	18.9	19.7	19.4	19.0
Services	8	8.3	7.4	7.3	7.2	7.5	7.6	7.8
Tax and other payments	4	3.2	4.6	4.6	4.8	5.4	6.2	6.7
Total	100	100	100	100	100	100	100	100

Source: Методологические рекомендации по расчетам прожиточного минимума по регионам Российской Федерации (утвержденные Министерством труда РФ 10.11.92)

4. Revisions of the measurement methodology of subsistence minimum in Russia: The 2000 Methodology

The 1992 methodology was used until the fourth quarter of 1999, but in accordance with federal law N 134-FZ "On the subsistence minimum in the Russian Federation" adopted on 24 October 1997, a new methodology for calculating the subsistence minimum was set in 2000. In contrast with the 1992 presidential decree, the 1997 federal law on the subsistence minimum determined that: (1) the consumption basket was to be reviewed at least once every five years; (2) the consumption basket at the regional level was to be defined by the legislations of the local authorities, while that at national level, by federal laws; and (3) the differences in climate and regional peculiarities were to be considered for the calculation of the consumption of not only foods but also non-foods. In accordance with the 1997 federal law on the subsistence minimum, a more methodological recommendation on the subsistence minimum was established[47], and the federal law N 201-FZ "On the consumption basket in Russia as a whole" was put in force on 20 October 1999. Thus, since the first quarter of 2000, the subsistence minimum has been calculated on the basis of the above legislations (hereafter, **the 2000 methodology**).

As already mentioned, the features of the 2000 methodology were seen in the non-food basket, which was newly introduced, and the setting of the regional groups for the non-food basket. In comparison with the 1992 methodology, the expenditures on non-food goods and services were set at a higher level. As a result, the value of the consumption basket, that is, the subsistence minimum was set higher on the basis of the 2000 methodology than that of 1992. For example, the subsistence minimum based on the 2000 methodology was higher by 15% (Госкомстат России 2001, С. 129).

Another feature of the 2000 methodology is that each region has more influence over the determination of regional subsistence minimums than before. For example, following the 2000 methodology recommended by the Ministry of Labour, each region can select the regional specific goods and services to be included in the non-food basket. Also, regional governments now have more incentive to allocate budget from the central government to social assistance, setting a larger subsistence minimum at the regional level. Accordingly, the

[47] Government decree N 192 dated 17 February 1999 "Methodological recommendation for the definition of the consumption basket by socio-demographic group in the Russian Federation as a whole and regions in Russian Federation."

decentralization of the process of setting regional subsistence minimums could lead to an inconsistency in the utility of subsistence minimum at the regional level.[48]

In accordance with the rule of having revisions of the consumption basket every five years, the basket was revised in the first quarter of 2005.[49] The non-food basket hardly changed at all, but a minor revision was made in the food basket. Additionally, transportation costs were included into the services within the subsistence minimum for pensioners. As a result, the 2005 revision of the consumption basket led to an increase of the share of services within the subsistence minimum (***Tables 4.4–1 and 4.4–2***). For example, in Russia as a whole, the share of services in the subsistence minimum increased to 35.8% in 2006 from 28.2% in 2003. Later, following a federal law dated 8 December 2010[50], the consumption basket was revised again in 2011, but in any case, the revisions have been quite small, and in principle, the subsistence minimum in Russia has been calculated based on the 2000 methodology.

Table 4.4. Structure of the subsistence minimum in Russia based on the 2000 methodology (%)

Table 4.4-1. Structure of the subsistence minimum in 2003

	By socio-demographic group			
	Total population	**Working population**	**Pensioners**	**Children**
Food	45.0	42.3	51.2	48.4
Non-food	49.4	48.7	48.8	51.6
Non-food goods	21.2	19.4	24.1	24.2
Services	28.2	29.3	24.7	27.4
Tax and other payments	5.6	9.0	—	—
Total	100.0	100.0	100.0	100.0

Table 4.4-2: Structure of the subsistence minimum in 2006

	By socio-demographic group			
	Total population	**Working population**	**Pensioners**	**Children**
Food	40.4	38.4	44.8	43.9
Non-food	53.2	51.9	55.2	56.1
Non-food goods	17.4	15.9	19.7	20.8
Services	35.8	36.0	35.5	35.3
Tax and other payments	6.4	9.7	—	—
Total	100.0	100.0	100.0	100.0

Sources: Росстат (2004, C.174; 2007b, C.144).

48 Ravallion and Lokshin (2006) also insisted that the incentive that local authorities have to increase their regional subsistence minimum was one of the reasons for the inconsistency of the utility of subsistence minimum.

49 A federal law N44-FZ dated 31 March 2006 “On the consumption basket in Russia as a whole”.

50 A federal law N332-FZ dated 8 December 2010 “On the consumption basket in 2011–2012 in Russia as a whole”.

In the next section, we will investigate the structure of the consumption basket and its regional peculiarities identified in the 2000 methodology. Here, it should be noted that our discussion will be based on the version of the methodological recommendation, reflecting the consumption basket revision of 2007. In order to avoid any inconsistency of expression, below we also call the methodological recommendation revised in 2007 as the 2000 methodology[51].

5. Consumption basket in Russia based on the 2000 methodology and its regional peculiarities

In the 2000 methodology as well as the 1992 methodology, the subsistence minimum consists of the consumption basket (food, non-food goods and services) plus tax and other compulsory payments. As already mentioned, the 2000 methodology established the baskets for non-food goods and services as well as the food basket. Additionally, regional differences in the baskets for non-food goods and services were also taken into consideration. Below we take a thorough look at the consumption basket based on the 2000 methodology. Let us start with the food basket.

5.1. Food basket

The food bundles include 33 food items, which are classified into 11 groups: (1) grains, (2) potatoes, (3) vegetables and melons, (4) fresh fruit, (5) sugar and confections, (6) meat, (7) fish, (8) milk and dairy products, (9) eggs, (10) butter and margarine, (11) other goods[52]. In both the 2000 methodology and the 1992 methodology, the food baskets are calculated for adult males, adult females, pensioners and children (0–6 year old and 7–15 year old). The baskets are set based on recommendations from national specialists on nutrition and the WHO. The caloric intake per day based on the food basket is 2,730 kcal for adult males, 2,100 kcal for adult females, 1,610 kcal for pensioners and 2,360 kcal for children.

Taking into consideration the differences in food traditions, climate and economic conditions, the 2000 methodology set 9 regional zones for the food basket (Appendix 2). Zones I and II are a part of the areas near to the Arctic Circle, and the other zones are almost all identified in the same way as the federal districts[53]. The food basket for each socio-demographic group is set by zone, and ***Table 4.5*** shows the zone-based food basket for adult males. The consumption pattern in the food basket can vary between zones. For example, in the extremely cold zones such as Zones I and II, more grains are included in the food basket, while in the warmer zones such as Zones VIII and IX, more fruit is included in the basket (***Table 4.5***). However, it should be noted that, in principle, the total calorie intake for every socio-demographic group does not vary between zones. Having said that, as it is extremely cold in Zones I and II, their calorie intake is set slightly higher than the others. In this case also, the necessary calorie intake for each socio-demographic

[51] In this study, what we refer to as the 2000 methodology is a government decree N 192 dated of 17 February 1999 "Methodological recommendation of the definition of the consumption basket by socio-demographic group in Russian Federation as a whole and regions of Russian Federation". The methodological recommendation was revised in March 2000, August 2005 and June 2007.

[52] A document attached to a decree of the Ministry of Labour and the Goskomstat of Russia N 36/34 dated 28 April 2000 "On the approval of the calculation method of subsistence minimum in Russia as a whole".

[53] Russia discontinued use of 11 economic zones and introduced instead 7 federal districts in May 2000: Center, West-North, South, Volga, Ural Siberia and Far East. In January 2010, a part of the South Federal District was split off into a new district, the North Caucasian federal district. Zone IX includes all the remaining regions that were included in the former South Federal District.

group does not vary between the two zones. To summarize, it could be said that the needed caloric intake is set for two aggregate groups: (1) Zones I and II, and (2) the other zones. With the exception of the larger calorie intake for the colder areas, we can conclude that the utility of the food basket in Russia is consistent across regions.

Table 4.5. Food bundles by adult male and zone based on the 2000 methodology

(kg per capita per year)

Food bundles	Zone								
	I	II	III	IV	V	VI	VII	VIII	IX
Grains	185.7	186.4	163.4	160.0	161.2	160.9	156.4	158.7	163.3
Potatoes	80.0	100.0	110.0	120.0	110.0	115.0	125.0	110.0	90.0
Vegetables and melons	102.0	102.0	102.0	102.0	102.0	102.0	102.0	113.0	115.0
Fresh fruit	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Sugar and confections	25.2	25.2	23.2	23.2	23.2	23.2	23.2	23.2	23.2
Meat	50.0	48.2	48.5	44.5	43.5	42.3	42.5	43.0	43.0
Fish	33.0	31.0	29.0	19.0	18.0	18.0	17.0	19.0	13.0
Milk and dairy products	210.0	220.0	173.2	201.2	219.2	239.2	257.2	229.2	222.4
Eggs	250.0	250.0	200.0	200.0	200.0	200.0	200.0	200.0	200.0
Butter and margarine	21.0	21.0	16.0	17.0	16.0	15.0	15.5	17.0	16.0
Other foods	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88
Caloric intake, kcal	3,100	3,100	2,730	2,730	2,730	2,730	2,730	2,730	2,730

Note: Other foods include salt, pepper, and tea.

Source: Методологические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектах Российской Федерации (утверждение Постановлением Правительства РФ от 17 февраля 1999 г. N 192).

5.2. Non-food basket

A non-food basket was established for the first time in Russia with the introduction of the 2000 methodology. The non-food basket is defined taking into consideration the differences in needs by age, and the protection of the body from the elements. The items in the non-food basket consist of goods for both personal use and collective household use. The personal use goods include: (1) clothing, (2) footwear, and (3) pens and notebooks. The number of years of expected use is set for each item by socio-demographic group: (1) adult and pensioner males, (2) adult and pensioner females, (3) 0–6 year-old children, and (4) 7–15 year-old children. For example, the number of years of expected use of a coat in Russia as a whole is 7 years for adult males and 8 years for pensioner males. Additionally, items for household collective use include furniture, tableware, home electronic appliances, as well as blankets, pillows, sheets and towels. The number of years of expected use is set for each item based on a statistically average household. For example, the expected length of use for three pillows is 15 years, while for 6 dishes, it is 12 years.

Three zones are set for the personal use of non-food goods, considering the differences in consumption patterns between regions. The zones for the non-food goods are: (1) those with cold and extremely continental climate, (2) those with moderate climate, and (3) those with warm climate (Appendix 3). The number of years of expected use for each item is also set for the socio-demographic groups and zones. ***Table 4.6*** shows the non-food bundles and the years of expected use for each item for adult males. For example, in the zone with cold and extremely continental climate, the expected years of use is set at 8 years for a fur-coat and 5 years for a pair of felt boots, but these items are not included in the non-food bundles for the warm climate zone.

Table 4.6. Non-food bundles for the individual use of adult males

	Zone I		Zone II		Zone III	
	Quantity	Years of use	Quantity	Years of use	Quantity	Years of use
1. Upper garment group						
fur coat	1	8	—	—	—	—
jacket with fur	1	7	1	8	1	8
jacket	1	9	1	9	1	8
coat	1	8	1	7	1	7
2. Upper clothing group						
two-piece suit	1	5	1	5	1	6
shirt	3	4	3	4	4	4
wool trousers	1	3	1	4	1	5
denim trousers	1	4	1	4	1	3
light jacket	2	5	1	5	1	6
sportive clothing	1	4	1	4	1	3
3. Underwear						
pants	5	2	5	2	5	2
sleeveless top	3	3	3	3	3	3
4. Hosiery						
socks	7	1	7	1	7	1
5. Hats						
fur hat	1	6	1	7	—	—
wool hat	2	6	2	7	1	7
scarf	1	5	1	6	1	7
knitted gloves	1	3	1	3.5	1	4
fur mittens	1	3	—	—	—	—

Continued from Table 4.6

6. Shoes						
felt boots (valenki)	1	5	—	—	—	—
boots	2	4	1	5	1	6
half boots	2	6	2	5	2	5
sneakers	1	4	1	3	1	3
home shoes	1	3	1	3	1	3
rubber shoes	1	7	1	7	1	6
7. School items						
notebooks (12 leaves)	1	1	1	1	1	1
ball-point pens	2	1	2	1	2	1

Source: Методологические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектах Российской Федерации (утверждение Постановлением Правительства РФ от 17 февраля 1999 г. N 192).

5.3. Services

According to the 2000 methodology, the items for services are set. The service bundles consist of 8 items such as housing, central heating, hot and cold water, gas, and transportation. Per capita consumption for each service is set for three groups: adults, pensioners and children.

Three zones are also set for services, taking into consideration the difference in the period in which central heating is used and the hours of sunlight between the regions (Appendix 4). The regions included in the zones for services are partly consistent with those in the zones for non-food goods. For example, the regions in Zone III for services are included in not only Zone III for non-food goods, but a part of Zone II for non-food goods as well. ***Table 4.7*** shows the consumption of each item by zone. In Zone II for services, where the period for using central heating is shorter and the hours of sunlight are longer, the consumption of heating and electricity is set at a lower level.

Table 4.7. Bundles of housing and public utility services by zone based on the 2000 methodology

		Zone		
Service	**Unit**	**I**	**II**	**III**
Housing	m^2 for all family members	18	18	18
Central heating	gcal per year	8	6.7	5.4
Hot and cold water	litre / day	275	285	295
Gas	m^3 per month	10	10	10
Electricity	kW/hour per month	54	50	46

Source: Методологические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектах Российской Федерации (утверждение Постановлением Правительства РФ от 17 февраля 1999 г. N 192).

5.4. Calculation of the consumption basket and prices

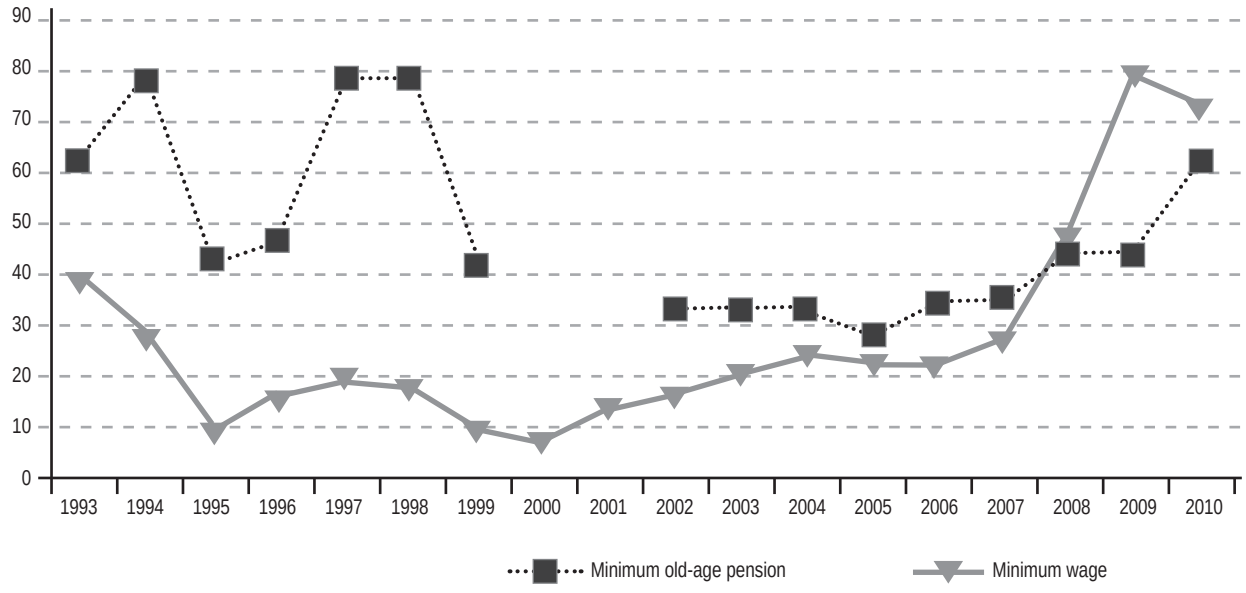
The value of the consumption basket for each zone is calculated by multiplying the quantity of each item in the basket by the corresponding prices in the appropriate city or town in the zone. The data on the consumer price of each item in the basket is collected quarterly by Rosstat, and is defined in a way that coincides with the consumer price index calculation.

6. Subsistence minimum as a social indicator

The subsistence minimum in Russia is used to gain a perspective on the social security system, including the amount of social assistance and minimum pension. The subsistence minimum can be regarded as a social indicator in this context. By referring to the 1992 presidential decree that is the basis of the 1992 methodology, and the 1997 federal law that is the basis of the 2000 methodology, we can see how the legislations of Russia link the subsistence minimum with the social security system.

The government set the subsistence minimum, according to the presidential decree "On the system of the minimum consumption budget of the population of the Russian Federation" dated 2 March 1992, in order to secure the system of social security and strengthen social assistance to the poor in the population. The presidential decree also mentioned that, in reference to the subsistence minimum and the actual economic perspective, the minimum amounts for wages, pensions, allowances, scholarships and other social payments should be gradually raised. In addition, it recommended that the local authorities themselves should set the regional subsistence minimums, taking into consideration the specific features of their locality. It was thought that this would enable the regional subsistence minimum to be used as an indicator for determining a perspective on each region's socio-economic policies.

Figure 4.1. Percentage of minimum wage and old-age pension as compared to the subsistence minimum



Source: Росстат (2007a; 2010).

The federal law N134-FZ dated 24 October 1997 “On the subsistence minimum in Russian Federation” provides the legislative basis for the definition and calculation of the subsistence minimum, putting into practice the guarantee of the minimum income and other social assistance. First, it should be noted that the 1997 federal law N134-FZ clarifies that the subsistence minimum at the national level is used as a basis for setting the minimum wage and social payments at the national level. The ratios of the minimum wage and the minimum old age pension to the subsistence minimum gradually increased after 2000, when continuous economic development started to be seen in Russia (***Figure 4.1***). Additionally, each subsistence minimum at the national and regional levels is used to estimate the living standards of the population for federal and regional social policies, respectively.

Lastly, it should be noted that the subsistence minimum at the regional level is used to facilitate state social assistance to lower income households. If per capita income of a household falls below the subsistence minimum at the regional level, the household is then eligible to be provided with state social assistance by the central government. This could give the local authorities increased incentive to set a larger regional subsistence minimum in order to draw extra resources from the federal government. This type of incentive of local authorities could lead to an inconsistency in the utility of the subsistence minimum between the regions, i.e. a distortion in the level of the regional poverty line.

7. Conclusion

During the transition from planned to market economy, the subsistence minimum in Russia has been calculated based on the CBN method that is the international standard for the calculation of poverty lines. One of the features of the subsistence minimum in Russia is that a non-food basket was established in 2000, and this takes into consideration the differences between the regions. However, according to Ravallion and Lokshin (2006), the utility of the subsistence minimum in Russia is inconsistent across regions, as the calculation process is decentralized.

It is necessary to define the subsistence minimum from a broader viewpoint as well as from a nutritional one in the course of the development of a country. In addition, it should be noted that although the food basket has a rational basis for its establishment (e.g. minimum nutritional requirements), the non-food basket does not have a corresponding basis. The Russian case examined in this study showed us that inconsistencies in (non-food) poverty lines across regions could indeed occur when the process for setting the consumption basket is decentralized. Therefore, in order to get a rational estimate of the subsistence minimum, it could be better not to establish a non-food basket, but to estimate a non-food subsistence minimum based on the value of the food basket.

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9. List of regulations related to subsistence minimum in Russia

(i) Legislations on subsistence minimum in Russia

1. Указ президента РФ от 2 марта 1992 г. N 210 «О системе минимальных потребительских бюджетов населения Российской Федерации».

2. Утверждение Министерства труда и социального развития от 10 ноября 1992 г. «Методические рекомендации по расчетам прожиточного минимума по регионам Российской Федерации»

3. Федеральный закон от 24 октября 1997 г. N 134-ФЗ «О прожиточном минимуме в Российской Федерации».

4. Постановление Министерства труда и социального развития Российской Федерации и Государственного комитета Российской Федерации по статистике от 28 апреля 2000 г. N 36/34 «Об утверждении Методики исчисления величины прожиточного минимума в целом по Российской Федерации»

(ii) Legislations on minimum consumption basket in Russia

5. Постановление Правительства РФ от 17 февраля 1999 г. N 192 «Об утверждении методических рекомендаций по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектов Российской Федерации».

6. Федеральный закон от 20 ноября 1999 г. N 201-ФЗ «О потребительской корзине в целом в Российской Федерации».

7. Федеральный закон от 31 марта 2006 г. N 44-ФЗ «О потребительской корзине в целом по Российской Федерации».

8. Постановление Правительства Российской Федерации от 4 июня 2007 г. N 342 «О внесении изменений в Методические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектов Российской Федерации».

9. Федеральный закон от 8 декабря 2010 г. N 332-ФЗ «О потребительской корзине в целом по Российской Федерации в 2011-2012 годах».

10. Appendixes

Appendix 1: Zones for calculating the subsistence minimum at the regional level based on the 1992 methodology

Zone	Territory Name
I	Krasnodarsk territory; Stavropol territory.
II	Republic of Kalmykiya; Republic of Dagestan; Republic of Kabardino-Balkaria; Republic of North Osetia.
III	Bryansk region; Orel region; Ryazan region; Belgorod regions; Kaluga region; Lipetsk region; Tambov region; Voronezh region; Republic of Mari El; Republic of Mordovia; Republic of Chuvashia; Penza region; Rostov region; Ulyanovsk region; Republic of Tatarstan.
IV	Vladimir region; Ivanovo region; Nizhny Novgorod region; Kostroma region; Vologda region; Moscow region; Tver region; Novgorod region; Pskov region; Leningrad region; Tula region; Kaliningrad region; Yaroslavl region; Moscow; Saint-Petersburg.
V	Astrakhan region; Sratov region; Volgograd region; Samara region; Republic of Bashkortostan; Orenburg region; Republic of Udmurtia; Chelyabinsk region; Kurgan region.
VI	Kirov region; Arkhangelsk region; Republic of Karelia; Altai territory; Republic of Buryatia; Republic of Tuva; Kemerovo region; Novoshibirsk region; Omsk region; South of Tyumen region; Sverdlovsk region; Perm region.
VII	Murmansk region; Republic of Komi; North of Arkhangelsk region; Khabarovsk territory; Primorye territory; Amur region; Chita region; South of Krasnoyarsk territory; Tomsk region; Irkutsk region.
VIII	Republic of Sakha (Yakutiia); Magadan region; Kamchatka region; Sakhalin region; North of Tyumen region; north of Krasnoyarsk territory.

Source: Госкомстат России (1996, С. 86).

Appendix 2: Zones for the food basket based on the 2000 methodology

Zone	Territory name
I	North part of Republic of Sakha; North part of Krasnoyarsk territory; Taimyr administrative district; Chukotka administrative district; North part of Evensk administrative district; Yamal-Nenets administrative district
II	North part of Republic of Karelia; North part of Republic of Komi; North part of Arkhangelsk region; Murmansk region; Nenets administrative district
III	Republic of Sakha (excluding noth part); Primorye territory; Khabarovsk territory; Amur region; Kamchatka region; Magadan region; Sakhalin region; Jewish administrative district; Koryak administrative district; Khanty-Mansi administrative district; Evensk administrative district (excluding north part)
IV	Republic of Altai; Republic of Buryatia; Republic of Tyva; Republic of Khakasia; Altai territory; Krasnoyarsk territory (excluding north part); Irkutsk region; Kemerovo region; Novosibirsk region; Omsk region; Tomsk region; Tyumen region; Chitinsk region; Aginsk-Buryat administrative region; Ust-Ordyn Buryat administrative district
V	Kurgan region; Sverdlovsk region; Chelyabinsk region; Orenburg region
VI	Republic of Karelia (excluding north part); Republic of Komi (excluding north part); Arkhangelsk region (excluding north part); Vologda region; Kaliningrad region; Leningrad region; Novgorod region; Pskov region; St. Petersburg
VII	Belgorod region; Bryansk region; Vladimir region; Voronezh region; Ivanovo region; Kaluga region; Kostroma region; Kursk region; Lipetsk region; Moscow region; Orel region; Ryazan region; Smolensk region; Tambov region; Tver region; Tula region; Yaroslavl region; Moscow
VIII	Republic of Bashkortostan; Republic of Mali El; Republic of Mordovia; Republic of Tatarstan; Republic of Udmurtia; Republic of Chuvashia; Kirov region; Nizhny Novgorod region; Penza region; Perm region; Komi-Perm administrative district; Samara region; Saratov region; Ulyanovsk region
IX	Republic of Adygeya; Republic of Dagestan; Republic of Ingushetia; Republic of Kabardino-Balkaria; Republic of Kalmykia; Republic of Karachaevo-Cherkessia; Republic of North Osetia; Republic of Chechnya; Krasnodar territory; Stavropol territory; Astrakhan region; Volgograd region; Rostov region

Source: Методологические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектах Российской Федерации (утверждение Постановлением Правительства РФ от 17 февраля 1999 г. N 192).

Appendix 3: Zones for the non-food basket based on the 2000 methodology

Zone	Type of climate	Territory name
I	cold and extremely continental climate	Altai region; Buryatia region; Republic of Karelia; Republic of Komi; Republic of Sakha; Republic of Tyva; Republic of Khakasia; Altai territory; Krasnoyarsk territory; Primorye territory; Khabarovsk territory; Amur region; Arkhangelsk region; Irkutsk region, Kamchatka region; Kemerovo region; Magadan region; Murmansk region; Novosibirsk region; Omsk region; Sakhalin region; Tomsk region; Tyumen region; Chita region; Jewish administrative district; Aginsk-Buryat administrative district; Koryak administrative district; Nenets administrative district; Taimyr administrative district; Ust-Ordyn administrative district; Khanty-Mansi administrative district; Chukotka administrative district; Evenk administrative district; Yamal-Nenets administrative district.
II	temperate climate	Republic of Bashkortostan; Republic of Kalmykia; Republic of Mari El; Republic of Mordovia; Republic of Tatarstan; Republic of Chuvashia; Republic of Udmurtia; Astrakhan region; Belgorod region; Bryansk region; Vladimir region; Volgograd region; Vologda region; Voronezh region; Kaluga region; Kirov region; Kostroma region; Kurgan region; Kursk region; Leningrad region; Lipetsk region; Moscow region; Nizhny Novgorod region; Novgorod region; Oreburg region; Orel region; Penza region; Perm region; Pskov region; Ryazan region; Samara region; Saratov region; Sverdlovsk region; Smolensk region; Tambov region; Tver region; Tula region; Ulyanovsk region; Chelyabinsk region; Yaroslavl region; Komi-Perm administrative district; Moscow; Saint-Petersburg.
III	warm climate	Republic of Adygeya; Republic of Dagestan; Republic of Ingushetia; Republic of Kabardino-Balkaria; Republic of Karachaevo-Cherkessia; Republic of North Osetia; Republic of Chechnya; Krasnodar territory; Stavropol territory; Rostov region.

Source: Методологические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектах Российской Федерации (утверждение Постановлением Правительства РФ от 17 февраля 1999 г. N 192).

Appendix 4: Zones for the services based on the 2000 methodology

Zone	Territory name
I	Altai region; Buryatia region; Republic of Karelia; Republic of Komi; Republic of Sakha; Republic of Tyva; Republic of Udmurtia; Republic of Khakasia; Altai territory; Krasnoyarsk territory; Primorye territory; Khabarovsk territory; Amur region; Arkhangelsk region; Vologda region; Irkutsk region, Kamchatka region; Kemerovo region; Kirov region; Magadan region; Murmansk region; Novosibirsk region; Omsk region; Perm region; Sakhalin region; Tomsk region; Tyumen region; Chita region; Jewish administrative district; Aginsk-Buryat administrative district; Komi-Perm administrative district; Koryak administrative district; Nenets administrative district; Taimyr administrative district; Ust-Ordyn administrative district; Khanty-Mansi administrative district; Chukotka administrative district; Evenk administrative district; Yamal-Nenets administrative district.
II	Republic of Bashkortostan; Republic of Kalmykia; Republic of Mari El; Republic of Mordovia; Republic of Tatarstan; Republic of Chuvashia; Belgorod region; Bryansk region; Vladimir region; Voronezh region; Ivanovo region; Kaliningrad region; Kaluga region; Kostroma region; Kurgan region; Kursk region; Leningrad region; Lipetsk region; Moscow region; Nizhny Novgorod region; Novgorod region; Oreburg region; Orel region; Penza region; Pskov region; Ryazan region; Sverdlovsk region; Smolensk region; Tambov region; Tver region; Tula region; Ulyanovsk region; Chelyabinsk region; Yaroslavl region; Moscow; Saint-Petersburg.
III	Republic of Adygeya; Republic of Dagestan; Republic of Ingushetia; Republic of Kabardino-Balkaria; Republic of Karachaevo-Cherkessia; Republic of North Osetia; Republic of Chechnya; Krasnodar territory; Stavropol territory; Astrakhan region; Volgograd region; Rostov region; Samara region; Saratov region.

Source: Методологические рекомендации по определению потребительской корзины для основных социально-демографических групп населения в целом по Российской Федерации и в субъектах Российской Федерации (утверждение Постановлением Правительства РФ от 17 февраля 1999 г. N 192).

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