Differentiation of Approaches to Determination and Measurement of Poverty in Modern Latvia and Ways to Improve Social Policy

Zhanna Tsaurkubule

Baltic International Academy, Latvia
zcaurkubule@inbox.lv
https://orcid.org/0000-0003-1077-4854

Abstract. *The article analyzes the population's poverty problem, importance of which has increased significantly in Latvia. The basic concepts and approaches to measuring poverty, macroeconomic conditions and social policy instruments used to prevent and reduce poverty are considered. By investigating the interrelation of different characteristics of poverty, a polynomial forecast of the poverty dynamics of the Latvia's population is made. For the development of specific measures to reduce the poverty of population, factors causing current situation were identified.*

Keywords: *poverty, concepts of poverty, poverty assessment methods, poverty indicators, social policy, Latvia*

Introduction

In the post-crisis period, Latvia faces a paradoxical situation, which is determined by the fact that high rates of economic growth of the country, on the one hand, are accompanied, on the other hand, by the natural high decline of population, labor shortages in most sectors of the economy and high emigration rates to other EU countries. The level of GDP in Latvia has been gradually increasing, and the economy is developing on paper, but people are not getting richer. The government trumpets the victory on the global economic crisis in Latvia, and suggests to use it as a model to follow for Greece and Spain. However, while the government of Latvia has selected

austerity mode as the main tool to combat the crisis, most inhabitants of the country disagreed. Feeling that there is no acceptable political alternative, many chose to emigrate (*Sommers & Hudson,* 2012). The main reason – low standard of living of the majority of Latvian population, coupled with the low quality of life. Currently, a large part of the population lives below the poverty line or close to the border of the "social bottom". This is especially noticeable on the background of the strong stratification, when the income gap between the rich and the poor constitutes the tens, hundreds and even thousands of times. And this process is of dynamic character, the poor are getting poorer and the rich – richer. The model of social stratification which developed today in Latvia reflects a highly differentiated society, at one pole of which is small in size layer of top officials of the state and entrepreneurs which amass a large piece of property and income, and on the other – a large part of the population, living in poverty. At the same time, low average level of income of the general population shows the almost complete absence in Latvia of so-called "middle class". Since the beginning of economic reforms in the country the size of personal (family) income of the population is becoming the most significant factor of social differentiation of the population. Poverty in the country is becoming an important social problem, on which solution the government works insufficiently, according the European Commission's (Hutorov, Stroj, & Donich, 2017) opinion. The resolution of problems of social inequality and poverty in Latvia led to the relevance of the conducted research.

According to the OECD Economic Surveys 2019, macroeconomy in Latvia overall appears balanced with the inflation, public debt and deficit under control. Economic growth is strong and income convergence continues, the unemployment has fallen to its lowest rate in ten years period and number of vacancies is rising fast. Wage growth has supported strongly household purchasing power (*OECD, 2019)*. At the same time, according to official statistics, about 30% of the population of Latvia is living below the poverty line. However, according to independent experts, this figure is significantly different.

There is a contradiction between positive dynamics of the main economic indicators of the country's development, which allowed Latvia to be included in the OECD list of rich countries back in 2016, and the relatively low standard of living of the majority of the population of Latvia, which leads to the outflow of the working population of Latvia to other EU countries.

Thus, the problem of poverty proves its relevance and requires further research as the basis for the formation of the socio-economic policy of the state. This problem of the research is solved through the broad theoretical context of a relation between the low level of welfare of some residents of Latvia and its social policy, emphasizing the impact of this policy on poverty reduction in order to improve the level and quality of life of the population of Latvia.

The aim of the research is the application of alternative approaches in the research of main indicators of the poverty level of the population in modern Latvia, and the development of basic directions for overcoming poverty within the framework of social

policy in Latvia. **The object** of research is represented by the ways for overcoming poverty as a socio-economic phenomenon of population of Latvia within the framework of social policy in Latvia.

The methodological basis of the research is dialectical method of cognition and general scientific methods based on it, namely, systemic, situational and process analyses, comparative and statistical methods, observation and forecasting. In addition, in the process of solving research problems, partially scientific methods were used, namely, factorial and content analysis methods, structural and causal explanation methods, triangulation method. Triangulation is the combination of at least two or more methodological approaches, data sources or data analysis methods in one study. It is a way to ensure the validity of research and helps to understand different aspects of the same phenomenon (Thurmond, 2001). The theoretical basis of the research is based on ideas and concepts, presented in the classical and modern works of scientists on the problems of poverty, deprivation and social stratification, welfare, employment and social behavior. The methodical basis of the research was scientific works of foreign and Latvian scientists, statistical data, results of a study of poverty in Latvia in comparison with other EU countries, as well as the results of the analysis of various indicators of poverty generalized by the author of the article.

The definition of poverty as the socio-economic category

Poverty is a condition in which there is a discrepancy between the achieved average level of the needs satisfaction and possibilities of its satisfaction in individual social groups, strata of the population. People are considered poor when their standard of living is lower than a minimum allowable threshold, which is the poverty line (Paniotto & Kharchenko, 2009). This leads to low material security of certain groups of people, to change in their system of values, to the formation of a particular social world and its culture (subculture of poverty), lifestyle discordant with the generally accepted, claimed in society, that cause a threat to the normal functioning of the latter.

However, there are other definitions of poverty and there are several difficulties in defining poverty and its origins (Yanagisawa, 2011, Paniotto & Kharchenko, 2009, Akoum, 2008)

Disagreements about the definition of poverty affect not only its essence, but also the causes, consequences and ways to solve this problem. In his report on poverty in the UK, conducted in the 1960s – 70s, P. Townsend (1979) gave a definition of poverty: "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and the amenities which are customary, or at least widely encouraged or approved in the societies to which they belong. Their resources are so seriously below those commanded by the average family that they are in effect excluded from the ordinary living patterns, customs, and activities".

Myrdal's (1963) underclass refers to a "class of unemployed, unemployables, and underemployed, who are more and more hopelessly set apart from the nation at large, and do not share in its life, its ambitions, and its achievements." The forming lower class can be attributed not only to the most disadvantaged sectors of society, but also to all citizens living below the poverty line, and those who today receive income which does not exceed half of the income of the average industrial worker employed full-time.

Poverty is the result of inter-related factors, among which are (Bobkov, Zinin, & Razumov, 2004):

1) *economic* – falling income of the population, high differentiation, low wages, unemployment;
2) *social* – disability, old age, marginalization, children's neglect;
3) *demographic* – incomplete families, families with a high burden of dependents, young and old with a weak position in the labor market;
4) *political* – disintegration of the country, the gap of interregional relations and violation of the vertical of power, military conflicts, forced migration;
5) *regional-geographic* – monoindustrial depressive regions, subsidized regions with low economic potential, the northern regions that are dependent on the centralized supply of food and resources.

Both the works of scientists of XVIII – first half of XX century (Smith, 1776; Malthus, 1798; *Spencer*, 1851, 1884, 1898; Proudhon, 1840; Reclus, 2011; Marx & Engels, 1961; Booth, 1903; Rowntree, 1902; *Rowntree & Kendall*, 1913), and also recent studies of poverty of the end of XX – beginning of XXI century are devoted to researches of the causes of poverty and its place in a society (Hayek, 1944, 1988; Townsend, 1979, 1987; Sen, 1976; Akoum, 2008; Dao, 2008; Smith, 2010; Lenagala & Ram 2010; Šileika & Bekerytė, 2013; Czapiński & Panek, 2011, et al.). Yet works of A. Smith identified the relative nature of poverty through the link of poverty and social shame, i.e. the gap between social standards and the material ability to stick to them. Scientific literature on the analysis of poverty in society determines the main factors that may cause poverty, such as economic (unemployment, low labor productivity), demographic (overpopulation), the sociodemographic (single-parent families, dependents), social and health (disability, old age), socio-educational (low level of education and, accordingly, professionalism), the socio-political (forced emigration, military conflicts), regional (the unequal distribution of resources in the world economy), and others. It is clear that unemployment and poverty have a direct impact on an increase in crime (Šileika & Bekerytė, 2013).

Most often, poverty is divided into social and economic. Social poverty is related to disabled persons and persons with reduced individual ability of the individual in carrying out of certain works. Economic poverty – a poverty of working people, whose work can not ensure the appropriate level of social welfare (Brante, 2010). In the economic literature, a situation in which an increase in work effort does not lead to an increase in human welfare, is called "the economic trap" (Poverty Trap).

The problem of the research is the existence of manifoldness of approaches to the definition of the poverty phenomenon in the modern society and based on this to pluralism of opinions on the level of this phenomenon in Latvia.

Methods of measurement and evaluation of poverty

Yet in the XIX century, it was proposed to calculate the poverty line based on household budget and thus to introduce a criterion of absolute poverty, to link the criteria of determining the poverty line with incomes (Batrakova, 2011).

Table 1

Methods of assessment and concepts of poverty

Method of assessment	Author	Type
Absolute (normative)	The concept of a living wage C. Booth B.S. Rowntree J. Mack S. Lansley (England)	Measured the absolute poverty (the number of people or households, whose consumption or income level below the poverty line). Based on the concept of income. It takes into account the satisfaction of physical needs The concept poverty threshold or poverty line introduced (Townsend, 1979; 1987). The concept of typical (key) poverty markers introduced (Mack, Lansley, 1985).
Relative	The concept of relative poverty (deprivation) Townsend P. (America)	Is measured the relative poverty. Based on the well-being concept. It takes into account the satisfaction of not only physical but also social needs. ILO Conventions No. 82 and No. 117 adopted the methodology - calculation of absolute poverty (living wage) on the basis of the consumer basket (ILO, 1947, 1962)
Subjective (heuristic)	The concept of poverty as self-assessment	Is measured a subjective poverty. Based on public opinion - the population's self-assessment of their financial situation.
Deprivational (qualitative)	The concept of accumulated deprivation E.Hansen (Norway)	Is measured the deprivational poverty. Is based on the calculation of poverty through consumption. It considers not only the size of the income, but also the actual situation of people in the general system of production and distribution. (Hansen, 1979)
Stratificational		The people a priori limited in self-sufficiency opportunities are the poor (old men, disabled people, incomplete and large families, children without parents, the unemployed, migrants, etc.)
Integral		Summarizes a number of statistical characteristics that determine the poverty of population in a single indicator (human poverty index: HPI-1 and HPI-2)

Source: prepared by the author based on scientific literature

In world practice, there are several methods of measuring poverty (Czapiński & Panek, 2015; Węziak-Białowolska, 2015).

Thus, based on Table 1 data, there are three basic concepts of poverty depending on the level of wealth:

1. Absolute poverty – assumes the receiving of income below the poverty line established in the society (or the minimum consumer basket);
2. Relative poverty – assumes the receiving of income which is lower than that of the majority of other society members;
3. Subjective poverty – is based on the feeling of the person that he does not have enough money for his own support.

Traditional approaches to the concept and evaluation of poverty such as absolute, relative and subjective, especially consider the income level of a person or the level of his consumption. Apart from these there is a method based on the concept of social inequality. The poverty rate, measured by the criteria of each of these concepts will differ markedly. For example, the poverty rate, calculated on the basis of accumulated poverty concept, will be lower than those obtained on the basis of relative deprivation concept, but they both give a higher rate of poverty than in the case of measuring the minimal cost of living.

In order for the state to recognize a particular individual or family as poor, i.e., to include them in programs to curb poverty, the identification criteria were established, compliance with which must be proven in each case. In many countries there are appropriate legislatively designed solutions that establish formal criteria for assigning a particular person and the family to the poor category. Generalization of data on the number of such persons as beneficiaries in anti-poverty programs, allows to characterize only the visible, registered officially part of the poor. But for the development of a common social policy should take into account those individuals and families who do not want or are not able to prove to the state structures the low level of their financial situation. For these purposes are used the methods of statistical estimation of the size, level and depth of poverty. These methods are based on statistical data collected from households, which, in cooperation with the bodies of state statistics, report information about their income, expenditure, consumption and property characteristics of household members (sex, age, employment). These data allow us to calculate the poverty line for a specific family and to compare it to the actual income, expenditure and consumption.

Assessment of the degree and extent of poverty in a given society depends on the choice and exact definition of the poverty line (herewith often used the method based on cash terms).

Analysis of the problems of poverty and social inequality
in Latvia using different methods

The poverty threshold in Latvia is measured based on the methodology elaborated by the EU Statistical Bureau EUROSTAT. In order to evaluate and monitor social inclusion Laeken indicators are applied, and within this framework the indicators are as follows: at-risk-of-poverty rate, at-risk-of-poverty threshold, S80/S20 income quintile share ratio, persistent at-risk-of-poverty rate, persistent at-risk-of-poverty rate (alternative threshold), relative median at-risk-of-poverty gap, regional cohesion, long-term unemployment rate, persons living in jobless households, early school leavers not in education or training, life expectancy at birth, self defined health status, dispersion around the at-risk-of-poverty threshold, at-risk of-poverty rate anchored at one moment in time, at-risk-of-poverty rate before cash social transfers, Gini coefficient, in-work at risk of poverty rate, long term unemployment share, and very long term unemployment rate (CSB, 2017).

Relative method

In the study, calculation and analysis of poverty in Latvia is applied the **relative method** used by Eurostat and based on the distribution of household income as the equivalent units. At the same time it is accepted to evaluate the border of relative poverty by median income, which – in contrast to the average income, the value of which depends strongly on the highest and lowest incomes – is considered more appropriate to present normal standard of living in the country. 60% of the median equivalent income is accepted below the poverty line.

Improving the standard of living of all population groups is only possible in achieving sustainable economic growth and business activity. Analysis of Latvia's GDP has shown a gradual decline in the rate of growth since 2011, while in the crisis year of 2009, the real GDP fell by 14.3%, and real GDP per capita – by 21.35%. This, of course, affected the standard of living.

Since 2011, there have been trends to improve living standards. The country gradually began to emerge from the economic crisis, and only in 2015 regained the level of 2008 GDP. This was facilitated by a decrease in inflation and subsequent deflation. Average GDP growth in 2011–2017 was 3.5% (CSB, 2017). With the situation in economy are closely related demographic processes. All the years of independence of Latvia the decline, which was observed in the republic's economy, had a significant impact on demographics: the negative balance of birth rate and high rates of emigration of the working population to the developed EU countries, the dynamics of the population of Latvia is stable negative. These processes in the economy and demography are not contributing to the improvement of the welfare of Latvian inhabitants.

According to the criteria of statistical bureau Eurostat, very poor – is the one who can not afford four of these pleasures: payments for rental housing, housing loans, utilities, heating homes, unforeseen expenses, regular consumption of meat, travel, television, washing machine, car, phone. Those who can not afford three of these benefits are considered simply poor. In 2016, 16% of the EU population suffered from material and social deprivation, 8% from severe material deprivation. Last year, the highest material and social deprivation rate, affecting about half of the population, was registered in Romania (46.8%) and Bulgaria (44.4%), followed by countries where 1 in 3–4 persons was affected: Greece (35.1%) and Latvia (25.2%). In contrast, the Nordic Member States and the Netherlands reported the lowest shares of material and social deprivation: 2.8% in Sweden, 4.4% in Norway, 5.3% in Finland, and 6.4% in Netherlands. The highest severe material deprivation rate was registered in Bulgaria (30%), Greece (21.1%), Romania (19.7%), Hungary (14.5%), Lithuania (11.4%) and Latvia (11.3%) (Eurostat, 2017).

Our poverty is accurately reflected in the conclusions of CSB in Latvia. According to the study, more than 500 thousand inhabitants, or every fourth, or 23.9% of the population of Latvia live in deep poverty. Their income is less than € 330 per month, they do not make ends meet without the help of social services.

Figure 1.

The share of inhabitants of Latvia living below the poverty line, %
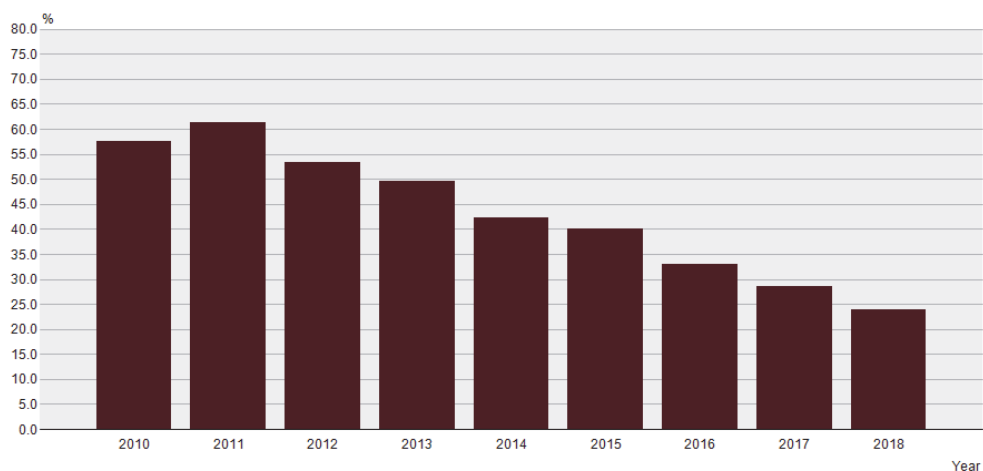
Source: CSB of Latvia

According to the Ministry of Welfare, in the end of 2017, 62,260 inhabitants of Latvia were granted the status of those in need, and the status of low-income person was granted to 50,283 inhabitants. Currently, in Latvia the share of the poor is equal to 7.8%, and the middle class has been rapidly shrinking.

Integral method

It should be noted that the formation of approach to the problem of poverty, based on income and consumption, significantly narrows the understanding of this problem. Therefore, poverty is considered in the context of human development as a multifaceted phenomenon that can not be reduced solely to income. As part of this concept are used two integrated indicators – **human poverty indexes** HPI-1 and HPI-2 (Human Poverty Index, HPI-1, HPI-2), which are statistical indicators characterizing poverty in developing countries (HPI-1) and developed countries (HPI-2) (**integral method**), respectively for Latvia (as well as for other countries of the former USSR) are not completely suitable. These indices were used for multivariate poverty analysis until 2009. As another complex indicator is applied Human Development Index (HDI). This indicator is used in the analysis of the socio-economic situation in individual countries and the world in general.

Table 2

The Human Development Index (HDI) of the Baltic States (2012–2018)

Year	Latvia		Lithuania		Estonia	
	HDI rank	HDI	HDI rank	HDI	HDI rank	HDI
2012	44	0.814	41	0.818	33	0.846
2013	48	0.810	35	0.834	33	0.840
2014	46	0.819	37	0.839	30	0.861
2015	44	0.830	37	0.848	30	0.865
2016	46	0.819	37	0.839	30	0.861
2017	41	0.847	36	0.858	30	0.871
2018	39	0.854	34	0.869	10	0.882

Source: Human Development Report 2013, 2014, 2015, 2016, 2017, 2018, 2019

In 2018, the human development index in Latvia amounted to 0.854, which allowed Latvia to join the group of countries with high human development and rise to 39th place in the world's ranking. However, Latvia is still behind its closest neighbors – Lithuania (34th place) and Estonia (10th place). Thus, the level of welfare of Latvians lower than that of neighbors in the Baltic States, and Latvia is still among the poorest countries of the European Union, according to the EU statistical office Eurostat.

Absolute method

In the analysis of poverty in Latvia, **absolute method** based on the concept of a living wage is also applicable. One of the most important social indicators of social development level is the **living wage**, which is a measure of the minimum level of

consumption of goods and services essential for human health and to ensure his functioning. The budget of a subsistence minimum includes cost assessment of natural set of food, non-food products and services, as well as taxes and other obligatory payments costs. Moreover, the basis for calculating the minimum subsistence budget is usually the cost of the minimum necessary food basket for a month for a single person.

Contents of the basket of consumer goods and services used to date in Latvia was approved by the Decree of the Council of Ministers of Latvia on April 8, 1991. The cost of living by the methodology of the early 90-ies of the last century does not include paid education or medicine, there is no mobile phone, and especially the Internet and cable TV. The minimum consumer basket does not include alcoholic beverages, tobacco products and luxury goods.

According to the CSB of Latvia, in December 2013 a living wage was € 252.19, but this amount does not reflect the real needs of people. Firstly, because the calculation methodology was developed over 20 years ago, and secondly, it does not affect the amount of the minimum wage or pension (Table 3):

Table 3

The ratio of the minimum wage and the living wage per capita in Latvia, €

Nr.	Date	Before taxes	After taxes	Minimum cost of subsistence
1.	01.01.2007	170.74	130.76	189,09
2.	01.01.2008	227.66	183.84	228,11
3.	01.01.2009	256.12	206.81	239,28
4.	01.01.2010	256.12	185.43	236,81
5.	01.01.2011	284.57	205.96	246,63
6.	01.01.2012	284.57	205.96	250,00
7.	01.01.2013	284.57	207.85	252,84
8.	01.01.2014	320.00	229.67	252.19
9.	01.01.2015	360.00	265.34	–
10.	01.01.2016	370.00	272.24	–
11.	01.01.2015	360.00	265.34	–
12.	01.01.2016	370.00	254.99	–
13.	01.01.2017	380.00	261.88	–
14.	01.01.2018	430.00	293.26	–
15.	01.01.2019	430.00	293.26	

*Source: calculated by the author based on data from CSB of Latvia

Analysis of this indicator dynamics in Latvia shows that the state, offering residents to work for minimum wage barely covers receiving a living wage by workers. However, since 2015 the state no longer calculates this figure, basing its decision on the fact that

the contents of the basket of consumer goods and services has not changed since 1991. At that time, the Latvian Welfare Minister U. Augulis announced that Latvia moves to a new survival-level counting system: instead of methodically obsolete "living wage" there will be established so-called "level of income per family member" or "guaranteed minimum income" (GMI), which will be calculated at the rate of 40% of average household income (Elkin, 2018). Thus, GMI will be tied to the average salary and will grow along with it. However, today the average salary in Latvia makes up more than 1000 € per month, and GMI is 53 € per month, but it is impossible to survive having such money! (LR Ministru kabineta noteikumi No.913, 2012). At the same time the level of prices for goods and services in Latvia, is almost comparable with Western European. For comparison: in Denmark GMI is 1201 €, in Luxembourg –1 185 €, in UK – 742 €, in Belgium – 644 €. Announcing this perspective in the field of social policy and the fight against poverty, the minister honestly said that established today in the normative acts of Latvia the levels of minimum incomes are determined not on the basis of a specific calculation methodology, but rather based on the notion of the financial capacity of the state and government in specific period of time. Thus, the very GMI calculation formula is incorrect because it is possible to tie the GMI to the average income only in case of rather high average salary and pension in a state. This calculation is suitable for Western Europe, but for Latvia – not, as this will lead to an even greater outflow of able-bodied population from Latvia.

For Latvia, it would be much more correct to calculate GMI based on a basket of crisis subsistence minimum. However, since January 1, 2014 the state abolished the calculation of this index for the local population. At the same time for the foreigners receiving the residence permit (RP) in Latvia the subsistence minimum is calculated and constitutes:

- for officials of company or branch – 1 432 € per month;
- for official representatives of persons – € 360 per month;
- for investors in the authorized capital of LLC or JSC – 716 € (if employment is on the basis of an employment contract), in the absence of labor relations – € 1 080 per month;
- for real estate investors –1 080 € per month;
- for investors to subordinated capital – 360 € per month.

The subsistence level for members of the families of the applicants for residence permit in Latvia – 360 € per month per adult, € 216 for the minor child (CIS Consulting, 2018).

Consequently, even at the current level of economic development, the minimum wage in Latvia should be increased at least to the absolute poverty line (subsistence minimum) after tax payment. Yet in 2013 the Commissioner for Human Rights in Latvia Yansons called for it the government of Latvia. "People note that the situation where the employed person is forced to ask for help to meet the minimum daily requirements, is hopeless, humiliating and degrading to human dignity", – said the Ombudsman (Rus.

jauns.lv, 2013). Earlier, he said that the minimum wage in Latvia can not be considered valid in the interpretation of the European Social Charter, which Latvia ratified only partially. According to calculations of the Ombudsman's Office, the minimum wage should be at least 66% of national income per capita, or 68% of the average wage, that is 430 € or 510 € respectively. The Ombudsman has previously offered to Parliament and the responsible ministry to include among the ratified articles of the Charter an article on the right to fair remuneration. This article provides that the State recognizes the right of workers to a fair wage that ensures them and their families a decent standard of living. However, the government refused to ratify the relevant article to the Charter.

Stratification method

Based on the data, the cost of living in Latvia is on par with the minimum wage (gross). However, those who work for minimum wage, does not receive this money on hand, such as pensioners, whose average pension, according to the CSB of Latvia is only 301.34 €. In this case, when analyzing poverty in Latvia, the **stratification method** is applicable, since pensioners are inherently limited in self-sufficiency opportunities, and are mainly among the poorest part of the society. In Latvia of pension of different categories get 556.7 thousand pensioners, from them old-age pension get 452.9 thousand pensioners (81.4%).

Table 4

Number of pension recipients in Latvia at end of year (thsd population)

| Year	Old-age pensions	Disability pensions	Survivor's pensions	Service pensions	Total
2007	467.2	66.0	28.6	3.5	565.3
2008	465.2	66.4	28.3	3.2	563.1
2009	473.3	67.4	28.0	2.7	571.4
2010	475.9	69.3	26.9	2.4	574.5
2011	481.7	69.3	25.3	10.3	586.6
2012	482.1	70.9	23.6	10.5	587.1
2013	476.6	71.7	22.1	10.4	580.8
2014	472.1	72.3	20.8	10.3	575.5
2015	466.7	73.3	19.8	10.3	570.1
2016	460.7	74.5	19.0	10.6	564.8
2017	456.7	74.4	18.4	10.7	560.2
2018	452.9	74.7	18.5	10.7	556.7

Source: calculated by the author based on data from CSB of Latvia

According to the CSB of Latvia, 63.5% of pensioners in Latvia receive pensions of less than 300 €, i.e more than half of the Latvian pensioners receive pensions below the minimum subsistence level. The total share of people over 65 years out of the total 1,934,379 people who, according to statistics, resided in the territory of Latvia as of 2017, is 20.1%. A considerable number of older people (3.1% of the total), receive pensions equal to 71 € (i.e five times lower than the living wage), 11.1% – from 71€ up to 140 €, 49.3% – from 141€ up to 300 €. The average disability pension in Latvia is 164.14 €.

According to Eurostat (Eurostat, 2018), in 74% of families with low-income the children are at risk of poverty, and 23.9% of children in Latvia live below the poverty line. In Latvia, there is the biggest gap between the rich and the poor in the EU. Our GINI record, which indicates social stratification of society, is 35.6%:

Figure 2

Poverty Indicators in Latvia, %
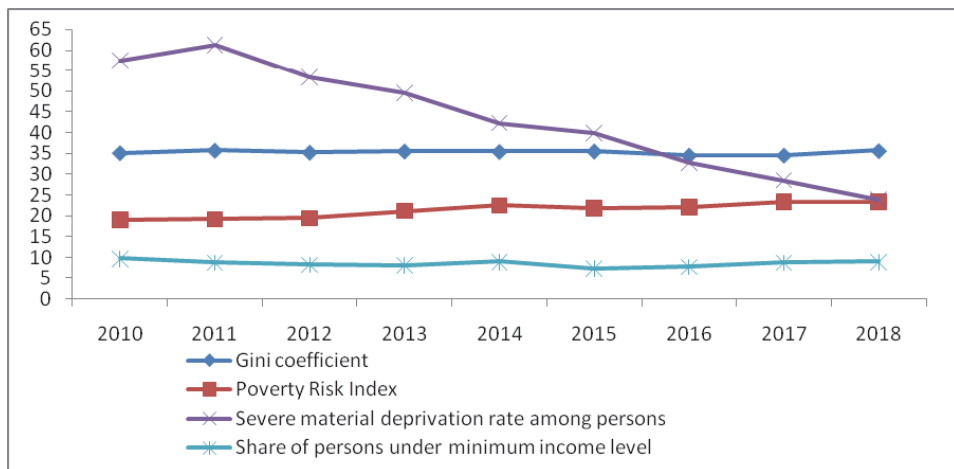
Source: CSB of Latvia

The government takes new steps, increasing stratification. For example, to reduce the income tax, instead of increasing the non-taxable minimum, which would significantly increase the amount remaining from the low wages and would give more money to the hands of poor people.

Differences of poverty in various countries consist mainly in how poverty is wide and how deeply affects different groups of society. Statistical studies performed by CSB Latvia showed that in Latvia the so-called middle layer, which is the basis of the state of stability, is practically absent (is extremely small). At the same time, a bundle essentially leads to the fact that we have a great mass of the poor and near-poor people, and on

the other hand, we have the elite of society – 10–12% of the rich, who live apart from this great mass of people. As already mentioned, the government doctrine links the questions of poverty reduction to economic growth. The paradox of current situation in Latvia is that economic growth in the conditions of distribution relations, only deepens inequality and poverty. Deformation of distribution mechanisms, associated primarily with the concentration of incomes of the rich, has reached such a level when disturbed even the natural logic of reducing poverty in process of economic growth. Today in Latvia there is not only an excessive social and economic stratification of society, but also the distribution mechanisms that created it, systematically support and prevent the overcome of social disparities. Without resetting of these mechanisms towards a reasonable limit of the highest income growth, the situation will not be changed – problem essence that in case of the operating nowadays distribution relations, too big share of cumulative growth of the income goes on growth of the income of the wealthiest parts of the population, and for to improve the income the poorest remains crumbs.

Subjective method

Considering the peculiarities of the poor families forming because of non-payments, it should be emphasized two emerging trends: the expansion of the boundaries of poverty due to the able-bodied population groups (and, above all, unemployed) – it is the first one, and the second – increase the proportion of the poor at the expense of workers with low (below subsistence minimum) wage level, or not receiving wages at all. The first demonstrates not only the development of market relations but also the economic disorganization of society, and the second – the irrationality in the regulation of distribution relations, when the minimum wage is below the subsistence level. This phenomenon can only be regarded as a form of hidden unemployment. If an employee, practicing full-time, can not secure a minimum livelihood, then he seems to be not working and receives benefits for a formal affiliation to the working group. After all, the couples with 1–2 children, where two adults work, during the Soviet era have traditionally belonged to the medium and well-off segments of the population, and now every fifth family faces poverty, including self-appraisal by these families of their financial situation (**subjective method** of poverty assessment) (CSB Press Release,2018; KANTAR TNS Latvija, 2017). The establishment of minimum wages at or below the subsistence level, and the high proportion of workers (above the third) as a part of the poor population, indicate the trends of reproduction of labor power on a narrower basis, its indispensable degradation.

Economic Research Department of the Latvian division of the based in Sweden bank Swedbank promises to Latvia the slight economic slowdown and warns of the "poverty trap", from which the country would not be able to escape only by increasing the gross domestic product. According to Swedbank economists, Latvia can not ignore

the problems of inequality and poverty, the regional gap of welfare. On the background of the EU countries, Latvia is allocated by number of the population on the verge of poverty, the gap between a layer of rich and poor is deep. Swedbank Experts point out that in Latvia "were created" almost the biggest in the EU the so-called poverty trap and low wages, and there is need to take appropriate political steps to solve these problems (Swedbank Economic Outlook, 2013).

Deprivational method

Another criterion of poverty is the structure of consumer spending. In the analysis of poverty in Latvia, the **deprivational method** based on the calculation of poverty through consumption is also applicable. It is known that the richer is a country, the less money its citizens spend on food. In developed countries, with the secure population and high level of living one-third of the expenses on food spend very poor families, and if 50% is spent on food, it testifies to extreme poverty. This regularity was developed in the late XIX century by Belgian scientist Engel (Ekonomicheskij slovar, 2018). Experts believe that a decent family life begins at the moment when its food costs account for less than 30% of revenues. At the same time in Latvia along with manifestation in the action of the Engel's law works also the law of Schwabe – the poorer the family, the greater the consumption share falls to housing (Ciemiņa, 2009).

Analyzing the structure of expenditures of the inhabitants of Latvia, it should also be noted that in 2017 26.2% of their incomes were spent on food (RIA News, 2018).

Figure 3

Structure of expenses of household consumption in 2017 (%)
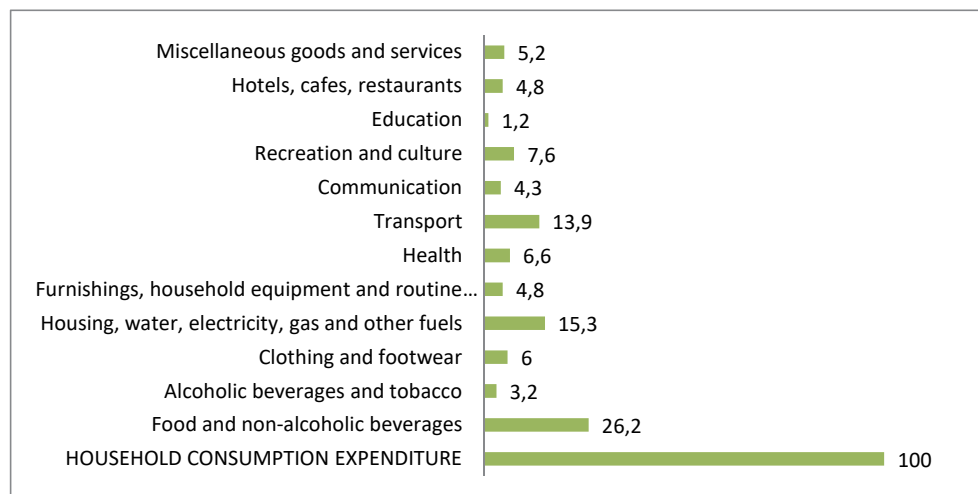
Source: calculated by the author based on data from CSB of Latvia

The study of household budgets in the capitals of the Baltic countries, held annually by the Swedbank Financial Institution of Private Persons, showed that after deducting the cost of basic needs (food, housing and public transport), the average family in Riga has 984 € in hand, in Vilnius – 1073 €, in Tallinn this amount is almost twice as large as in the two neighboring capitals – 1924 €. At the same time, cost of food makes up the largest share in the cost structure for basic needs in all of the capitals of the Baltic countries: in 2017, the highest expenditure on the optimal food basket was in Riga – 377 €, and the lowest in Vilnius – 293 €. In Tallinn, the family spends 329 € on optimal food basket (Dojkin, 2018). Food continues to be the largest item in the household expenditure structure in all three capitals of the Baltic States. For comparison: households' spending on food in Japan is 15.5% on average, in Germany – 12.8%, in Sweden – 13.5%, in the US – 8.7%. It should be noted that in the former USSR, the share of expenditure on food was 35–40% in the 70s, in the 80ies – 25–30% (Rudakova, 2008).

Having conducted a comprehensive study of poverty problems in Latvia using the studied poverty assessment methods, we can draw the following conclusions: the analysis of the basic approaches to measuring the level of poverty in modern Latvia gives no univocal results. Howusing different approaches to measuring poverty one can arrive at different results – from moderately optimistic (relative, integral and subjective methods) to pessimistic (absolute, stratification and deprivation methods).

Moderately optimistic conclusions: Latvia is included in thegroup of countries with high human capacity development. There is a positive dynamics of the human development index in Latvia (HDI rank), the level of material and social deprivation in Latvia is lower than in Greece, Bulgaria and Romania. Moreover, the share of people at poverty riskhas been decreasing, there have been trends to improve living standards.

Pessimistic conclusions: every fourth person lives in deep poverty in Latvia, Latvia is among the poorest countries of the European Union, the middle class has been rapidly shrinking. In Latvia, there is the biggest gap between the rich and the poor in the EU, low level of employment income (minimum wage — one of the lowest in Europe), most of expenses are still allocated to daily needs.

Moreover, the tendency to deepen the differences in incomes not only survived, but also acquired a distinct excess, irrational. The phenomenon of poverty in Latvia poor households with workers-breadwinners whose income does not provide financial situation to family members at the subsistence level. The current inequality is based on the absolute poverty of a significant part of the population.

The main factors that influence the poverty level in the Latvia, such as high demographic burden, low official wages, ineffectiveness of state support measures for entrepreneurship and self-employment.

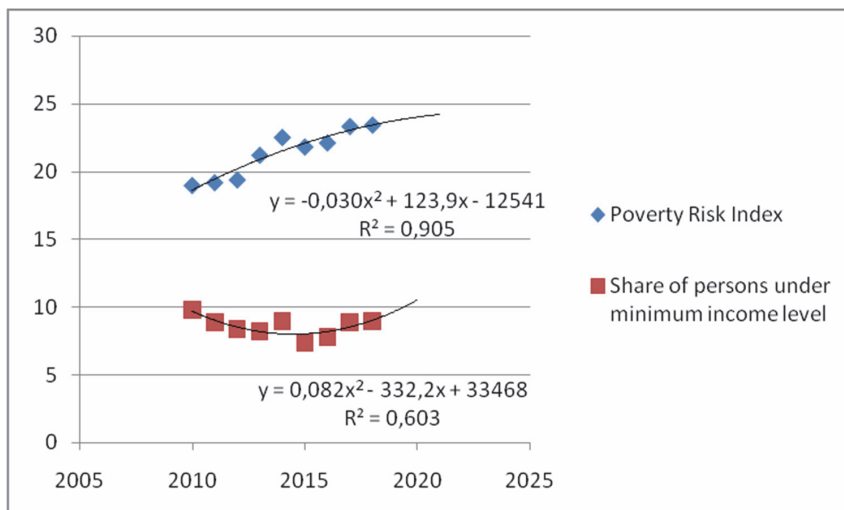**Predicting the growth dynamics of the poverty of Latvia**

On the basis of statistical data of the main poverty risk indicators of the inhabitants of Latvia, including those working and receiving the minimum wage, it is possible to make a forecast for the near term about trends of the poverty rates under review, by building trend models.

Time series-based prediction is related to unidimensional prediction methods that are based on extrapolation, i.e. on an extension into the future of trends observed in the past. Under this approach, it is assumed that a predicted figure is formed under the influence of a large number of factors, which are very difficult to single out due to the uncertainty and inconsistency of information. In this case, course of change of the indicator is associated rather with the flow of time than with factors, which is manifested in the formation of unidimensional time series.

To identify the best equation for prediction, parameters of the main types of trends were determined in EXCEL. As a result of a comparative assessment of parameters for different functions of the same time series, we have defined a model with the best statistical properties. A second-degree polynomial is the best form of model for predicting such population poverty indicators in Latvia, as the Poverty Risk Index ($R^2 = 0.9$, suggesting a very high accuracy of the approximation according to Chaddock scale) and the share of people with a minimum income level ($R^2 = 0.6$, suggesting a moderate accuracy of approximation).

Figure 4

Predicting the growth dynamics of the poor population of Latvia

The chart shows two data series with fitted polynomial trend lines:

Poverty Risk Index: $y = -0{,}030x^2 + 123{,}9x - 12541$, $R^2 = 0{,}905$

Share of persons under minimum income level: $y = 0{,}082x^2 - 332{,}2x + 33468$, $R^2 = 0{,}603$

Source: calculated by the author based on data from CSB of Latvia

Thus, the trend models built by us to predict the growth dynamics of the poor population of Latvia are based on the assumption that, in the nearest time, the trend that prevailed in the past will continue to prevail in the future (until 2022).

All the characteristics of poverty are closely linked. Poverty, malnutrition, poor health and lack of education are closely linked, and organize a sort of closed and vicious circle in which poor families are. Inferiority by one criterion inevitably leads to the infringement by others. For example, the low income makes it impossible to get a good education and to care effectively for the health, complicates family relations, makes it difficult to establish social ties. In turn, poor health and education does not allow to obtain a high-paying job, to participate fully in society life, etc. As a result, poverty is transformed into a special, stable state of an individual's lifestyle, which can not be changed simply by increasing revenues. Such a state of affairs in the future significantly threatens the sustainable development of society.

**The social policy of Latvia to overcome poverty
as a factor in sustainable development**

As a rule, distinguished two ways of fighting poverty.

The **first** – to maintain basic income at the level necessary for operating in a society of consumption standards. This method aims to reduce the number of poor people, and includes measures to prevent the increase of the poor. It is associated with the holding of such an economic policy, which would allow to increase the income of the general population, to organize a mechanism to support those in need, to create new jobs, support small business, private sector.

The **second** method – is targeted social assistance to those in need, who are in an extremely difficult financial situation. In accordance with it, is provided the allocation of a certain amount of funds from the national income for aid to the needy.

The European Commission has allocated 17 million euros for the program to combat poverty. The European institutions provide direct financial assistance to low-income residents of the country, as well as finance activities that help Latvians to adapt to the new realities of the labor market. The European Social Fund (ESF) is the main source of funding for programs of assistance to the unemployed and the poor in the conditions of government spending cuts. On the ESF funds from 2007 to 2014 were trained 149 thousand unemployed. However, the European Commission criticized Latvia for its inefficient system of social support, as well as the education system is not meeting the needs of the national labor market. Brussels itself now points to the Latvian authorities, that in the post-crisis period, priorities have changed: is necessary a long-term program of reducing poverty and material inequality, of labor market stimulation.

In December 2012 the government of Latvia approved the National Development Plan for Latvia for 2014–2020, the leitmotif of which was a breakthrough in the economy. As a priority the program document calls the ensuring confidence in the

future of country residents, the economy growth and development of the regions. The overall objectives of the National Development Plan of Latvia aims to improve the quality of life of the poor and those with low incomes; ensuring the situation in the country when by 2020 in Latvia will be reduced the **number of people at risk of poverty** to 5% and increased to 75% the proportion of working population in the 20 to 64 age group. To implement this plan, the state faces several problems – reducing the tax burden especially for low-income residents, integration in the labor market for young professionals, the availability of social services (CSCC, 2012).

Within the current legislation of Latvia, for this purpose there are three tools:

1) direct reduction of tax rates (and, first of all, VAT on food)

2) increase of non-taxable minimum,

3) introduction of a progressive income tax scale.

The main thing – to help the not rich, and enable a high level skilled professionals to get a decent income. The balanced use of these three tools can give a positive result: both to increase budget revenues, and to increase the real incomes of the poor.

In this context, the main directions for poverty overcoming should be (Tsaurkubule, 2015; Tsaurkubule & Rubanovsky, 2017):

- improving macro-economic policy and economic growth in order to support low-income segments of the population;
- improvement of the tax policy of the state in order to reduce social inequality and social justice;
- ensuring human state guarantees in the sphere of living, the transition from the current level of a living wage to its decent standard;
- the ratification in full of the European Social Charter, which gives the right to a fair wage and a decent life;
- creation of the conditions allowing the working population to earn enough in order that the family didn't stay in a poverty condition through cardinal increase in the salary level of workers. The policies to improve incomes should focus on the growth of the middle class in the country;
- development of social policy in the direction of improved protection of vulnerable groups of the population at the expense of strengthening of targeted assistance to needy citizens, the rationalization of the system of privileges and focus on supporting the most vulnerable;
- development of a monitoring system that allows not only to monitor trends in the implementation of sustainable development strategies and poverty reduction, but also to take action on deviations from the planned course, to adjust the drawn-up plans.

The proposed package of measures, on the one hand, assumes the continuation of the reforms aimed at sustainable economic growth, and on the other – is aimed at the displacement of social policy priorities towards those who are not able to independently provide an acceptable standard of living. The central link of priorities are the processes

in the labor market: in employment and wages. Extension for the able-bodied poor of the income opportunities – is a key link. Positive changes in employment in any case lead to an increase in the official payroll. This, in turn, will not only reduce the potential burden on the social support programs for vulnerable groups but also will increase social security contributions that will help to strengthen the financial base of social transfers (Rubanovsky & Tsaurkubule, 2015).

Conclusions and generalizations

The article analyzes the basic concepts and approaches to measuring poverty. A comprehensive study of poverty problems in Latvia was carried out using the studied poverty assessment methods. The analysis of approaches to understanding and measuring poverty shows that each of them has its own advantages and limitations and, accordingly, how one can arrive at different results by using different approaches to measuring poverty – from moderately optimistic (relative, integral and subjective methods) to pessimistic (absolute, stratification and deprivation methods).

Moderately optimistic conclusions:
- Latvia is included in the group of countries with high human capacity development. There is a positive dynamic of the human development index in Latvia (HDI rank);
- the level of material and social deprivation in Latvia is lower than in Greece, Bulgaria and Romania. Moreover, the share of people at poverty risk has been decreasing, there have been trends to improve living standards.

Pessimistic conclusions:
- Latvia is among the poorest countries of the European Union, every fourth person lives in deep poverty in Latvia, the middle class has been rapidly shrinking. In Latvia, there is the biggest gap between the rich and the poor in the EU;
- In Latvia, there is low level of employment income (minimum wage is one of the lowest in Europe), most of expenses are still allocated to daily needs. Thus, the current model of poverty in the country is primarily the result of the low level of employment income.
- Factors associated with an extremely poor situation in the labor market, low-quality jobs, are dominant among the causes of family differentiation in poverty status. In this context, poverty can be defined primarily in terms of "economic" or "market" poverty – the poverty associated with the place of certain categories of the economically active population in the labor market.
- in general, for all households in Latvia such primary expenditures as on food, housing, transportation, clothing and footwear, as well as on health care make up more than two-thirds (74%) of the total consumption. In other words, most of the expenses are still allocated to daily needs.

The findings can be used to determine the main directions and measures to reduce poverty and its risks in the framework of the development and implementation of social policies.

Quantitative and qualitative assessment of poverty is of great importance for the development of economic and social policy of the state. Social policy in the coming years should be aimed primarily at addressing the most pressing social issues that define the social security and sustainable development of the state. It is urgently needed to develop and implement the programs for to reduce poverty in the country, which would prevent the impoverishment of the population and would solve the problem of poverty in Latvia. This program should include such activities as the reduction of income differentiation and consequently inequalities in society; providing wage increases, on which eventually depends the solution of all other social problems; improvement of the situation with pension and social security of the population; preventing further deterioration in the social sphere. It is necessary to improve the real incomes of poor sectors of society (and that are two-thirds of the country's population), then will automatically increase domestic demand, and it is the same economic breakthrough, which is waited by the Latvian economy for to exit the recession, and which is the basis for the development strategy of Latvia.

References

Akoum, I. F. (2008). Globalization, growth, and poverty: the missing link. *International Journal of Social Economics, 35*(4), 226–238.

Batrakova, L.G. (2011). Osnovnye koncepcii ocenki bednosti naseleniya [Basic Concepts Estimate of Population Poverty.] *Yaroslavskij pedagogicheskij vestnik* [Yaroslavsky pedagogical bulletin], *3*(1), 117-121. http://vestnik.yspu.org/releases/2011_3g/26.pdf

Bobkov, V.N., Zinin, V.G., & Razumov, A.A. (2004). *Politika dokhodov i zarabotnoy platy* [Policy incomes and wages]. Doklad v ramkakh proekta MOT "Preodolenie bednosti, sodeystvie zanyatosti i mestnoe ekonomicheskoe razvitie v Severo-Zapadnom federal'nom okruge." [Report of the ILO project "Overcoming poverty, promote employment and local economic development in the North-western Federal District"]. http://www.ilo.org/public/russian/region/eurpro/moscow/areas/gender/events/textwagesdeskrus.pdf.

Booth, C. (1903). *The life and Labour of the people in London*. London: Macmillan & Co.

Brante I. (2010). Nabadzības novērtēšanas problēmas: nabadzības sliekšņa noteikšana. [Poverty Evaluation Problems: Poverty Threshold Determination]. *Economics and Management. Scientific Papers University of Latvia, 754*, 105–114. http://www.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/LUR-754_Ekonomika.pdf.

CSB (2017). *Central Statistical Bureau of the Republic of Latvia* home page. http://www.csb.gov.lv

CSB Press Release (2018). Iedzīvotāju apmierinātība ar savu finansiālo situāciju ir zema [Residents' low satisfaction with their financial situation]. https://www.csb.gov.lv/en/press_release/2710

Ciemiņa, I. (2009). Latvijas iedzīvotāju patēriņa izdevumi un to izmaiņu tendences pēdējā desmitgadē [Household Consumption Expenditure and Tendencies in Its Change in the Last Decade]. *Economics and Management. Scientific Papers University of Latvia, 743*, , 34.–42. http://www.lu.lv/fileadmin/user_upload/lu_portal/apgads/PDF/LUR-743_Ekon-vad-zinatne.pdf.

CIS Consulting. (2018). Prozhitochnyy minimum pri oformlenii VNZh v Latvii [Living wage at registration of residence permit in Latvia]. http://www.внжвлатвии.рф/index.php?alias=prozhitochnyj-minimum&id=30&page=left.

Cross-Sectoral Coordination Centre (CSCC) (2012). *National Development Plan of Latvia for 2014–2020. (NDP 2020)*. file:///C:/Users/HOME/Downloads/NDP2020_English_Final.pdf

Czapiński, J., & Panek, T. (2011). Poverty and income inequalities. Social diagnosis 2011. Objective and subjective quality of life in Poland: *Contemporary Economics, 5*(3), 1-24 (242-261). file:///C:/Users/HOME/Downloads/254%20(1).pdf

Czapiński, J., & Panek, T. (2015) Diagnoza społeczna 2015.Warunki i jakość życia polaków. [Social diagnosis 2015. Objective and subjective quality of life in Poland]. *Contemporary Economics, 9*(4), 510-517. http://www.diagnoza.com/data/report/report_2015.pdf

Dao, M. Q. (2008). Human capital, poverty, and income distribution in developing countries, *Journal of Economic Studies, 35*, 294–303.

Dojkin S. (2018). *Issledovanie: v Rige samye vysokie raskhody i samye nizkie dohody sredi stolic stran Baltii. [Research: Riga has the highest expenses and the lowest income among the capitals of the Baltic countries].* https://lv.baltnews.com/riga_news/20180426/1021926982.html.

Ekonomicheskij slovar [Economic Vocabulary]. (2018). http://abc.informbureau.com/html/caeii_yiaaess.html.

Elkin, A. (2018). *Opasnaya potrebitelskaya korzina. [Dangerous consumer basket].* https://bb.lv/statja/segodnja/2018/04/05/opasnaya-potrebitelskaya-korzina.

Eurostat (2018). *Statistics Database*. http://epp.eurostat.ec.europa.eu

Hansen, E.J. (1979). *Fordelingen afleverede* [The distribution delivered]. Copenhagen: Danish National Institute for Social Research.

Hayek, F.A. (1944). *The Road to Serfdom*. London and New York, Routledge Classics. https://www.falseflag.info/wp-content/uploads/2013/08/The-Road-to-Serfdom-F.A.-Hayek.pdf

Hayek, F.A. (1988). *The Fatal Conceit: The Errors of Socialism*. Padstow, Cornwall, Great Britain. https://www.mises.at/static/literatur/Buch/hayek-the-fatal-conceit.pdf

Human Development Report (2019). *Human Development Index (HDI).* New York, USA. http://hdr.undp.org/sites/default/files/hdr2019.pdf

Human Development Indices and Indicators (2018). *Statistical Update. New* York, USA. http://hdr.undp.org/sites/default/files/2018_human_development_statistical_update.pdf

Human Development Report. (2017). http://hdr.undp.org/en/composite/HDI

Human Development Report. (2016). *Human Development for Everyone*. New York, USA. http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf

Human Development Report (2015). *Work for Human Development*. New York, USA. http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf

Human Development Report (2014). *Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience.* New York, USA. http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf

Human Development Report (2013). *The Rise of the South: Human Progress in a Diverse World.* New York, USA. http://hdr.undp.org/sites/default/files/hdr2013_en_summary.pdf

Hutorov, A, Stroj, A., & Donich, O. (2017). *Edinaya evropejskaya social'naya politika: za i protiv* [Common European Social Policy: Pros and Cons]. http://lr4.lsm.lv/lv/raksts/den-za-dnem/edinaja-evropeyskaja-socialnaja-politika-za-i-protiv.a94933/.

ILO (1947). *C082 - Social Policy (Non-Metropolitan Territories) Convention* (No. 82. Convention concerning Social Policy in Non-Metropolitan Territories (Entry into force: 19 Jun 1955). https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C082

ILO (1962). *C117 - Social Policy (Basic Aims and Standards) Convention* (No. 117. Convention concerning Basic Aims and Standards of Social Policy (Entry into force: 23 Apr 1964). https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C117

KANTAR TNS Latvija (2017). *Latvijas iedzīvotāji viduvēji novērtē savu finanšu veselību* [Latvian residents average rate of their financial status]. https://www.kantar.lv/latvijas-iedzivotaji-viduveji-noverte-savu-finansu-veselibu/

Lenagala, C., & Ram, R. (2010). Growth elasticity of poverty: estimates from new data. *International Journal of Social Economics, 37*(12), 923–932.

LR Ministru kabineta noteikumi [Conditions of LR Ministers Cabinet]. (2012). *Noteikumi par garantēto minimālo ienākumu līmeni (*No.913). [Conditions for the level of the guaranteed minimum income.]. https://likumi.lv/doc.php?id=253731

Mack, J., & Lansley, S. (1985). *Poor Britain.* London: George Allen and Unwin. https://www.poverty.ac.uk/system/files/poor-britain-Mack&Lansley.pdf

Malthus, T.R. (1798). *An Essay on the Principle of Population.* Rod Hay's Archive for the History of Economic Thought, McMaster University, Canada. https://www.marxists.org/reference/subject/economics/malthus/index.htm

Marx, K., & Engels, F. (1961). *Scientific works, 2*(23), 656-660.

Rus.jauns.lv. (2013). *Ombudsmen: 'Minimal'naja zarplata ne dolzhna byt' nizhe prozhitochnogo minimuma!'* [Ombudsman: " The minimum wage should not be lower than the living wage!"]. https://rus.jauns.lv/raksts/novosti/130897-ombudsmen-minimalnaya-zarplata-ne-dolzhna-byt-nizhe-prozhitochnogo-minimuma (in Russian)

Myrdal G. (1963). *Challenge to Affluence*. New York, NY: Random House,1968. p. 10.

OECD (2019). *Latvia Economic Snapshot.* Retrieved from https://www.oecd.org/economy/latvia-economic-snapshot/

Paniotto, V., & Kharchenko, N. (2009). What Poverty Criteria are Best for Ukraine? *Problems of Economic Transition*, *51*(7), 5-12.

Proudhon, P.J. (1840). *What is Property? An Inquiry into the Principle of Right and of Government.* Paris. https://theanarchistlibrary.org/library/pierre-joseph-proudhon-what-is-property-an-inquiry-into-the-principle-of-right-and-of-governmen.pdf

Reclus E. (2011). *Bogatstvo i nishcheta* [Wealth and poverty]. Moscow: LIBROKOM.

RIA News (2018). *Reyting stran Evropy po dole raskhodov semey na produkty pitaniya [The rating of the countries of Europe on a share of expenses of families on food].* https://ria.ru/20181217/1547989821.html.

Rowntree, S. (1902). Poverty: A Study of Town Life. *The Economic Journal, 12*(45), 56–62. https://doi.org/10.2307/2957025

Rowntree, B., & Kendall, M. (1913). *How the laborer lives.* London: Thomas Nelson and Sons.

Rubanovsky, A., & Tsaurkubule, Z. (2015). *A new approach to the problem of pension capital formation.* LAP LAMBERT Academic Publishing, Germany.

Rudakova, O. (2008). Maloobespechennost' i bednost' naseleniya kak ugroza ekonomicheskoy bezopasnosti Rossii [Low-security and poverty of the population as threat of economic security of Russia]. *Upravlenie personalom, 10,* 50-52.

Sen, A. (1976). Poverty: An Ordinal Approach to Measurement. *Econometrica, 44*(2), 219–231. http://www.ophi.org.uk/wp-content/uploads/Sen-1976.pdf

Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Random House, Inc. [Online]: Adam Smith Reference Archive (marxists.org). https://www.marxists.org/reference/archive/smith-adam/works/wealth-of-nations/

Smith, N. (2010). Economic inequality and poverty: where do we go from here? *International Journal of Sociology and Social Policy,* 30, 127–139.

Sommers, J. & Hudson, M. (2012). Latvia is no model for an austerity drive. *The Financial Times, June 21.* https://www.ft.com/content/73314cbe-baee-11e1-81e0-00144feabdc0

Spencer, H. (1851). *Social Statics: The Conditions Essential to Human Happiness Specified and the*

First of Them Developed. London: John Chapman. https://oll.libertyfund.org/titles/spencer-social-statics-1851

Spencer, H. (1884). *Sins of Legislators.* https://www.panarchy.org/spencer/legislators.1884.html

Spencer, H. (1898). *Principles of Sociology.* New York: D. Appleton and Company. https://oll.libertyfund.org/titles/spencer-the-principles-of-sociology-vol-1-1898

Swedbank Economic Outlook. (2013). *Swedbank Analyses the Swedish and Baltic Economies.* https://ru.scribd.com/document/120586734/Swedbank-Economic-Outlook-January-16-2013

Šileika, A., Bekerytė, J. (2013). The theoretical Issues of Unemployment, Poverty and Crime Coherence in the Terms of sustainable Development. *Journal of Security and Sustainability Issues*, 2(3)

Thurmond, V. (2001). The Point of Triangulation. *Journal of nursing scholarship*, 33(3), 253-258.

Townsend, P. (1987). Deprivation. *Journal of Social Policy,*16(2), 125-146.

Townsend, P. (1979). *Poverty in the United Kingdom.* Hazell Watson & Viney Ltd, Aylesbury, Bucks Set in Monotype Times, Great Britain. https://www.poverty.ac.uk/system/files/townsend-book-pdfs/PIUK/piuk-whole.pdf

Tsaurkubule, Z.(2015). Improving Social Policy of Latvia as a Factor of Sustainable Development of the State. *Unia Europejska w 10 lat ponajwiększym rozszerzeniu*, 380, 510-524.

Tsaurkubule, Z., & Rubanovsky, A. (2017). *Influence of Life of Quality of Population on State and Development of Human Capital in Latvia.* Baltic International Academy.

Węziak-Białowolska, D. (2015). Poverty in the regions of the European Union – measurement with a composite indicator. *Contemporary Economics. 9*(2), 113-154. file:///C:/Users/HOME/Downloads/390%20(3).pdf

Yanagisawa, A. (2011). Poverty: Social Control over Our Labor Force. *International Journal of Social Economics*, 38(4), 316-329.

Differentiation of Approaches to Determination and Measurement of Poverty in Modern Latvia and Ways to Improve Social Policy

Zhanna Tsaurkubule, Baltic International Academy, Latvia
Summary

Poverty indicators are important indicators of the analysis of social situation in any country. Their importance is reflected in the understanding of social conditions and in their practical consequences for the development of social policies and social programs. The article deals with a detailed study of alternative approaches to the definition and measurement of the poverty issue, as well as with development of methods and ways for its solution in modern Latvia.

The problem of the research is the existence of manifoldness of approaches to the definition of the phenomenon of poverty in modern society, and based on this to pluralism of opinions on the level of this phenomenon in Latvia. Thus, the problem of poverty proves its relevanceand requires further research as the basis for the formation of the socio-economic policy of the state. This problem of the research is solved through the broad theoretical context of a relation between the low level of welfare of some residents of Latvia and its social policy, emphasizing the impact of this policy on poverty reduction in order to improve the level and quality of life of the population of Latvia.

The aim of the research is the application of alternative approaches in the research of main indicators of the poverty level of the population in modern Latvia, and the development of basic directions for overcoming poverty within the framework of social policy in Latvia. The methodological basis of the research is the dialectical method of cognition and general scientific methods based on it, namely, systemic, situational and process analyses, comparative and statistical methods, observation

and forecasting. In addition, in the process of solving research problems, partially scientific methods were used, namely, factorial and content analysis methods, structural and causal explanation methods, triangulation method. Scientific works of foreign and Latvian scientists on the issues of poverty, deprivation and social stratification, welfare, employment and social behavior served as the methodical basis of the research. Such scientific methods as systemic and situational approach, structural and comparative analysis were used in the survey. The time series statistical data for the period from 2007 to 2018, with the development of trend models to predict the dynamics of the studied indicators up to 2022, are used.

The article analyzes the concept of poverty as a socio-economic category. For the first time, the basic concepts and approaches to the measurement of poverty are summarized, and comprehensive research of the poverty issues in Latvia using the studied methods of poverty assessment has been carried out.

It is shown how using different approaches to measuring poverty one can arrive at different results - from moderately optimistic (relative, integral and subjective methods) to pessimistic (absolute, stratification and deprivation methods).

Moderately optimistic conclusions: Latvia is included in the group of countries with high human capacity development. There is a positive dynamics of the human development index in Latvia (HDI rank), the level of material and social deprivation in Latvia is lower than in Greece, Bulgaria and Romania. Moreover, the share of people at poverty risk has been decreasing, there have been trends to improve living standards.

Pessimistic conclusions: every fourth person lives in deep poverty in Latvia, Latvia is among the poorest countries of the European Union, the middle class has been rapidly shrinking. In Latvia, there is the biggest gap between the rich and the poor in the EU, low level of employment income (minimum wage — one of the lowest in Europe), most of expenses are still allocated to daily needs.

It should be emphasized two emerging trends in Latvia: the expansion of the boundaries of poverty due to the able-bodied population groups (and, above all, unemployed) - it is the first one, and the second - increase the proportion of the poor at the expense of workers with low (below subsistence minimum) wage level, or not receiving wages at all. On the basis of the analysis using the time series-based forecasting method with the construction of a trend model, the forecast of the growth dynamics of the poor population of Latvia for the near term was made.

The macroeconomic conditions and social policy instruments used to prevent and reduce poverty are considered. Solution to the problems of poverty reduction is considered as one of the main goals of sustainable socio-economic development of the country. For the development of specific measures to reduce the poverty of population, the factors causing the current situation are identified. Particular emphasis is placed on the development of programs to reduce poverty in the country. The proposed package of measures, on the one hand, assumes the continuation of the reforms aimed at sustainable economic growth, and on the other hand - is aimed at the displacement of social policy priorities towards those who are not able to provide independently an acceptable standard of living.

The research on the quantitative and qualitative assessment of poverty is of practical importance to the development of economic and social policy of the state. The proposed measures and activities for overcoming poverty can be used in the Baltic States and other poor countries of the European Union.

Corresponding Author's E-mail: zcaurkubule@inbox.lv
Zhanna Tsaurkubule, Baltic International Academy, Latvia