

Poverty in Europe

March 2016

Poverty and Equity Global Practice

Pinpointing Poverty in Latvia

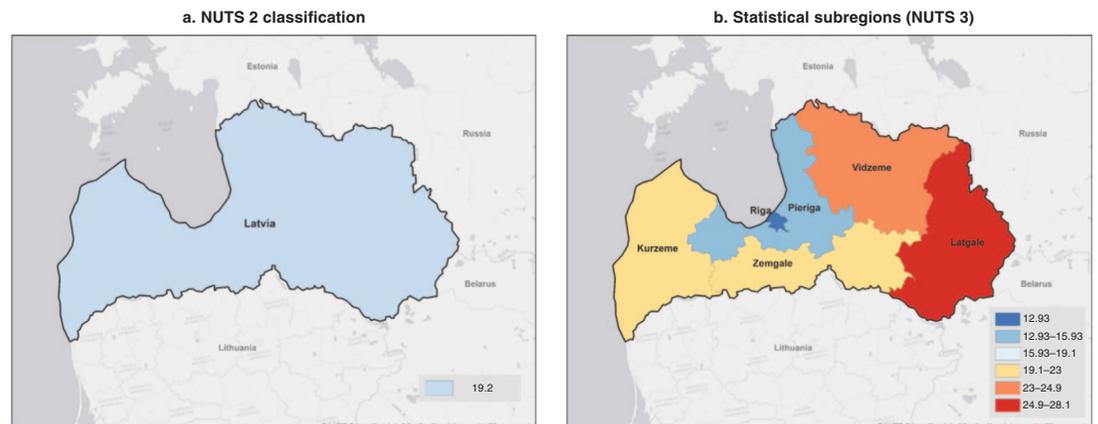
Rates of poverty and social exclusion vary widely across European Union (EU) member states, and there is also a high degree of variability in living standards within member states. In its 2014–20 multiannual financial framework, the EU budgeted €1 trillion to support growth and jobs, which will contribute to the goal of reducing the number of people living at risk of poverty or social exclusion by 20 million by the year 2020. To contribute to this goal, the Government of Latvia has set a national goal of reducing by 121,000 the number of people at risk of poverty or living in households with low work intensity.¹

Success depends on developing the appropriate policies and programs and targeting them effectively. However, the EC has previously had to rely on sub-national data at a relatively high level of aggregation for program planning and the allocation of EU funds. The EC and the World Bank, in cooperation with

individual EU member states, have developed a set of high-resolution poverty maps.² The greater geographical disaggregation of the new poverty maps reveals which parts of these larger regions have particularly high rates of poverty and require greater attention in poverty reduction programs.

The poverty maps for Latvia confirm existing knowledge about poverty in Latvia, but also reveal new insights. The EC has relied on the NUTS 2 territorial classification³ to determine eligibility for aid from European Structural and Investment Funds and for program planning. In smaller countries such as Latvia, the NUTS 2 classification corresponds to the entire national territory, that is, with no sub-national divisions (map 1, panel a). The EU-SILC in Latvia is representative at the statistical region level (NUTS 3), and the Central Bureau of Statistics reports risk of poverty estimates at that level. Using small area estimation techniques, it

Map 1 At-Risk-of-Poverty Rates, Latvia



Source: Estimates using data from the 2012 EU-SILC and 2011 Population and Housing Census collected by the Latvia Central Statistical Bureau.

Note: The risk of poverty rates are defined using the EU standard of 60 percent of median national equivalized income after social transfers.

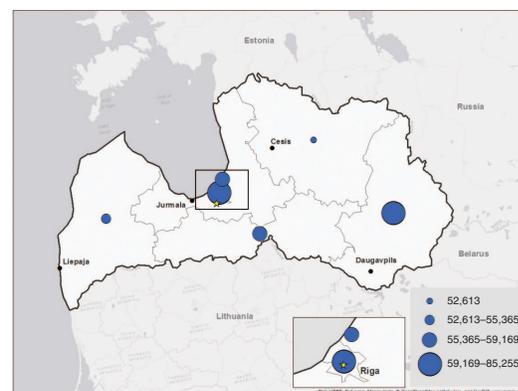
was possible to improve the precision of these poverty estimates for the six regions of Latvia. According to these estimates, there is quite a bit of heterogeneity across regions (map 1, panel b). Riga and Pieriga in northern central Latvia are the only regions where the incidence of poverty is below the national average. Estimates of poverty in other regions range from 21 percent to as high as 28 percent in Latgale in southeastern Latvia. Knowing which regions have higher poverty rates can help more efficiently target resources for development and poverty reduction.

Targeting poor areas alone can have limitations. Policy makers have an interest both in areas where poverty is high and in areas that have the most poor people. These two are not the same: areas that are poor may also be sparsely populated, whereas large cities tend to have low poverty rates, but large numbers of poor people because of the large populations. For example, Riga Region has the lowest estimated risk of poverty, 12.9 percent, which is less than one-half the risk in the poorest region, Latgale (28.0 percent). However, because Riga Region is much more populous, each of the two regions has approximately 85,000 people living at risk of poverty. While the remaining four regions have somewhat heterogeneous poverty incidence, they all have a similar number of poor people, in the range of 50,000–60,000 (map 2).

While poverty estimation at the regional level adds a significant nuance to national estimates, more revealing spatial heterogeneity is possible if census microdata are employed. The initial poverty maps in Latvia were limited to the six statistical regions because census microdata were not available at that time. The processing of the microdata has now been completed, and it is planned to revisit the poverty mapping exercise using census and EU-SILC microdata. By using microdata, one will be able to estimate the risk of poverty for much smaller geographical units and provide much higher-resolution poverty estimates than are possible directly from the EU-SILC. It is expected that reasonably precise poverty estimates can be obtained for Latvia's 119 municipalities and cities.

Poverty maps do not provide all the answers. They must be combined with other information, including local expertise, to inform decision making. After identifying the areas or populations in greatest need,

Map 2 Population Living below the Poverty Threshold, Latvia



Source: Estimates using data from the 2012 EU-SILC and 2011 Population and Housing Census collected by the Latvia Central Statistical Bureau.

one must understand why these places are poor. The reasons are likely to vary from place to place and may include inadequate infrastructure, lack of economic activity, an insufficiently skilled workforce, or other reasons. Poverty maps provide more finely grained information on sub-national variations in poverty than was previously available and can potentially improve resource allocation. The maps also force more thinking on how best to allocate resources aimed at improving standards of living, balancing the targeting of poor areas and poor people. While the appropriate combination of approaches will vary by country, the maps provide important information to help improve policies and programs to combat poverty and social exclusion.

Notes

1. Latvia, Ministry of Economics. 2015. "National Reform Programme of Latvia for the Implementation of the 'Europe 2020' Strategy: Progress Report." April, Ministry of Economics, Riga, Latvia.
2. These maps combine aggregate data from the 2011 population census and the 2012 EU-SILC survey.
3. The NUTS (Nomenclature des Unités Territoriales Statistiques) classification is a hierarchical system of dividing up the economic territory of the European Union for the development of regional statistics, regional socioeconomic analysis, and the framing of EU regional policies. To date the NUTS 2 classification has been used for determining eligibility for aid from European Structural Funds. Below the NUTS 3 classification areas are defined according to Local Administrative Units (LAU). Most EU member states have LAU 1 and LAU 2 divisions, but some only have LAU 2.

