At-Risk-of-Poverty Threshold

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Abstract

European Statistics on Income and Living Conditions (EU-SILC) is a survey on households' living conditions. The main aim of the survey is to get long-term comparable data on social and economic situation of households. Data collected in the survey are used mainly in connection with the evaluation of income poverty and determination of at-risk-of-poverty rate. This article deals with the calculation of the at risk-of-poverty threshold based on data from EU-SILC 2009. The main task is to compare two approaches to the computation of at risk-of-poverty threshold. The first approach is based on the calculation of the threshold for each country separately, while the second one is based on the calculation of the threshold for all states together. The introduction summarizes common attributes in the calculation of the at-risk-of-poverty threshold, such as disposable household income, equivalised household income. Further, different approaches to both calculations are introduced and advantages and disadvantages of these approaches are stated. Finally, the at-risk-of-poverty rate calculation is described and comparison of the at-risk-of-poverty rates based on these two different approaches is made.

Keywords	JEL code
EU-SILC, at-risk-of-poverty threshold, at-risk-of-poverty rate, income poverty	*D31*

INTRODUCTION

The European Union – Statistics on Income and Living Conditions[2] (EU-SILC) is the main data source on income and living conditions of European households. In 2009 the survey took place in 27 Member States of the European Union and in Switzerland, Norway and Iceland.

The main aim of the survey is to obtain data, comparable in the long-term, on the social and economic situation of households. Data obtained in the survey are used mainly to explore the at-risk-of-poverty threshold and the at-risk-of-poverty rate (e.g. European Commission, 2010a).

The quality of life could be evaluated on the basis of material and living conditions, which could be measured by indicators of income poverty, material deprivation and social exclusion. Evaluation of the at-risk-of-poverty rate and the comparison of the results obtained by calculation and the results of European countries would not be possible without the data on income. To get a credible and complete picture of the financial situation of households in terms of their income, it was necessary to capture all their incomes, not just those from work. All necessary information on households' income as a whole and individuals over 16 years is provided just the EU-SILC survey.

All the outputs in this article are based on data from EU-SILC 2009. The reference period for income variables is the year 2008. An exception is the United Kingdom, where the income reference period is related to the current situation in the survey period.

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[2] For more information on the EU-SILC, see:
<http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/introduction#>.

Data used in the analyses are only for EU Member States (Austria, Belgium, Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Spain, Finland, France, Great Britain, Hungary, Ireland, Italy, Latvia, Luxembourg, Lithuania, Malta, Netherlands, Poland, Portugal, Romania, Greece, Sweden and Slovakia). Due to the refusal to provide data, Germany and Slovenia could not be included. Non-EU states (Switzerland, Iceland and Norway) are not included in the analyses either, although data from these countries are available.

The calculation of the at-risk-of-poverty threshold is based both on the obtained household income and income of household members aged 16 years and over. The computation of income variables is based on the binding methodology provided by the European Statistical Office (Eurostat).[3] The variables of household income include income from rental of a property or land, social benefits received (Assistance in material need, Family / Children allowances, Housing allowances), regular inter-household cash transfers received, income received by people aged under 16 years, and interests, dividends, profit from capital investments in unincorporated business. The income collected for persons aged 16 years and over includes gross cash employee income, gross non-cash employee income (e.g. company car), gross cash profits or losses from self-employment, unemployment benefits, old age benefits, survivors' benefits, disability benefits, sickness benefits and education-related allowances (e.g. European Commission, 2010b).

All these incomes are included in the variable Total household gross income, after deduction of the mortgage interest, regular taxes and employer's social insurance contributions, and regular inter-household cash transfer paid created the variable Total disposable household income. Total disposable household income is the main variable in the calculation of the at-risk-of-poverty threshold and indicators evaluating income poverty.

The methodology of Eurostat sets the at-risk-of-poverty threshold at 60% of median equivalised income (e.g. European Commission, 2010c). Equivalised income is defined as the share of the total disposable household income and the sum of consumption (equivalent) units that is equivalised household size. Conversion to the equivalent units is useful because it takes into account the size and demographic composition of the household. For calculating equivalised income, the modified OECD scale,[4] is used. This equivalence scale gives a weight of 1.0 to the first adult in the household, 0.5 to any other household member aged 14 and over and 0.3 to each child below 14.

This equivalised income is assigned to all household members, regardless of whether they are adults or children. From the set of all persons ranked in ascending order according to their equivalised income, the median equivalised income is determined. The at-risk-of-poverty threshold is calculated as 60% of median equivalised income. The at-risk-of-poverty rate is the share of people with an equivalised income below the at-risk-of-poverty threshold.

Despite the common methodology the income disparity between EU Member States must be taken into account. Income in each of the states is influenced both by its direct government interventions or regulations, and indirect effects such as the result of market forces. The fiscal policy (tax system) and the social policy are the main influences from the government. The main indirect effects include current distribution of wealth and market-determined differentiation of income from employment and income from self-employment carried on by the profession.

If we compare the at-risk-of-poverty rate between EU Member States, it is very important how the at-risk-of-poverty threshold is constructed. The main aim of this article is to compare two approaches to the calculation of the at-risk-of-poverty threshold, so that one could assess the risk of income poverty rate of Member States.

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[3] For detailed information on the total household income, see:
   <http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/methodology/main_concepts_and_definitions#>.
[4] For more information on the OECD scale see: <http://www.oecd.org/dataoecd/61/52/35411111.pdf>.

The first approach to the calculation of the at-risk-of-poverty rate is based on common poverty threshold for all countries. The common poverty threshold allows for comparing the risk of income poverty in all EU states same to a large degree. It better reflects different income levels across countries but, on the other hand, it does not take into account different tax and social systems in these countries.

The second approach uses the standard indicators published by Eurostat.[5] It is based on calculating the at-risk-of-poverty threshold for each state separately. The direct comparison of the at-risk-of-poverty rate between countries is therefore not fully correct, but its advantage is that it takes into account the different conditions in individual countries.

Each of the two rates is warranted, and the difference between them only proves how difficult it is to find an objective criterion for international comparison.

1 THE CZECH REPUBLIC

The Czech Republic is divided into 14 regions NUTS 3. The at-risk-of-poverty threshold (regional poverty threshold) is calculated for each region separately and then the at-risk-of-poverty rate is computed. Along with the calculation of the regional poverty threshold nationwide at-risk-of-poverty threshold for the Czech Republic as a whole is calculated. Similarly, the poverty threshold is calculated for individual EU Member States and the whole EU.

The comparison of the at-risk-of-poverty rate of the Czech Republic and its regions serves as an example of how could it appear when there is the same economic and social system, similar level of population and similar market mechanism affecting for instance income according to occupation in all EU Member States.

1.1 At-risk-of-poverty threshold, CZ

In 2009, the at-risk-of-poverty threshold in the Czech Republic accounted for CZK 109 184. If we compare the different regional poverty thresholds with this nationwide poverty threshold, we find out that only four regions are above this threshold (Figure 1 non dotted). Regional poverty threshold higher than CZK 115 thousand was in Praha and the Stredocesky region.

Figure 1 Regional at-risk-of-poverty thresholds according to the nationwide at-risk-of-poverty threshold in 2009 (in CZK)

Source: EU-SILC, own construction

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[5] Main tables are available at:
  <http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/main_tables>.

1.2 At-risk-of-poverty rate, CZ

In the following two figures we compare the degree of at-risk-of-poverty rate by the nationwide poverty threshold (Figure 2) and subsequently by the regional poverty thresholds (Figure 3).

In the case of the first concept, which is based on the nationwide poverty threshold, the poverty rates in regions have a much higher variability than in the case of the second approach, which takes into account the regional poverty thresholds.

Both figures confirm the variability of each poverty rates. In the first figure, regions are situated in all used scales, while in the second one more than half of the regions are located in the range between 7.1% and 11.0%.

Figure 2 At-risk-of-poverty rate according to the nationwide poverty threshold in 2009 (in %)

Source: EU-SILC, own construction

Figure 3 At-risk-of-poverty rate according to the regional poverty threshold in 2009 (in %)

Source: EU-SILC, own construction

When comparing the at-risk-of-poverty rate according to the nationwide poverty threshold, the lowest risk of poverty rate shows Praha (4.6%), while the highest risk of poverty rate can be observed in the Olomouc region (15.8%). The result reflects the real situation in income level in regions.

From the point of view of calculating the regional at-risk-of-poverty threshold, the Jihocesky region has the lowest income poverty rates –5.3%. On the other hand, the highest poverty rate amounting to 12.4% is registered for Praha.

1.3 CZ regions by at-risk-of-poverty rate

In the following three figures there is an analysis of ranking of regions according to the level of at-risk-of-poverty rate.

Figure 4 Ranking of regions by poverty rate based on the nationwide poverty threshold

Source: EU-SILC, own construction

Figure 5 Ranking of regions by poverty rate based on the regional poverty threshold

Source: EU-SILC, own construction

Figure 4 shows the ranking of the regions by poverty rate derived from the nationwide poverty threshold. Praha and the Jihocesky region occupy the first two positions and the last two positions belong to the Karlovarsky and Olomoucky region.

Figure 5 reflects the order of the regions by poverty rate calculated from the regions' poverty thresholds. The Jihocesky and Kralovehradecky region holds the first two positions, and the last two belong to Praha and the Stredocesky region.

Praha shows the biggest fall in the ranking as monitored in Figure 6. Praha dropped from the first position to the last one. Next highest slump was registered in the Stredocesky region, which fell from the 7th to the 13th place. The Jihocesky region shifted from the second position to the first one. These changes in the order of regions could be explained by using coefficients of income distribution.

Figure 6 The difference in the ranking of regions by poverty rate based on nationwide and regional poverty threshold

Source: EU-SILC, own construction

1.4 Coefficients of distribution of income, CZ

We see certain relationship between the at-risk-of-poverty rates by region and coefficients of income inequality. If we compare these coefficients with the risk of poverty rate, we observe a clear dependence, the higher these coefficients are, the higher the risk of poverty rate is.

Specifically, the Gini coefficient (see Figure 7) shows inequality in person's income in the area. The higher value Gini coefficient gives, the higher differences in income of persons are. Correlation between the Gini coefficient and the at-risk-of-poverty rates is 0.724, indicating medium dependence between these indicators. The overall Gini coefficient takes values 25 for the Czech Republic, which is rather lower value. At the regional level Gini coefficient varies from 20 to 31.

If we focus on Praha, we see that it lies in the upper right corner, while the Jihocesky region is situated in the lower left corner. This might explain the previously mentioned decline of Praha from the lowest at-risk-of-poverty rate derived from the nationwide poverty threshold to the highest risk of poverty rate derived from the regional poverty threshold.

The second coefficient measuring income inequality is the coefficient S80 / S20. It is the share of 20% of the population with the highest total disposable income (top quintile) and 20% of the population with the lowest total disposable income (lowest quintile). The higher coefficient, the bigger income differentia-

tion is. In practice, this coefficient ranges from 2 to 12. Overall, the coefficient S80 / S20 acquired value 3.5 in the CZ. In the regions the coefficient S80 / S20 varied between 2 and 5. The correlation coefficient between S80 / S20 and the at-risk-of-poverty rate is 0.796, indicating medium dependence. Figure 8 shows the same situation of the regions as we see in Figure 7.

Figure 7 Relationship between the regional poverty rates and the Gini coefficient
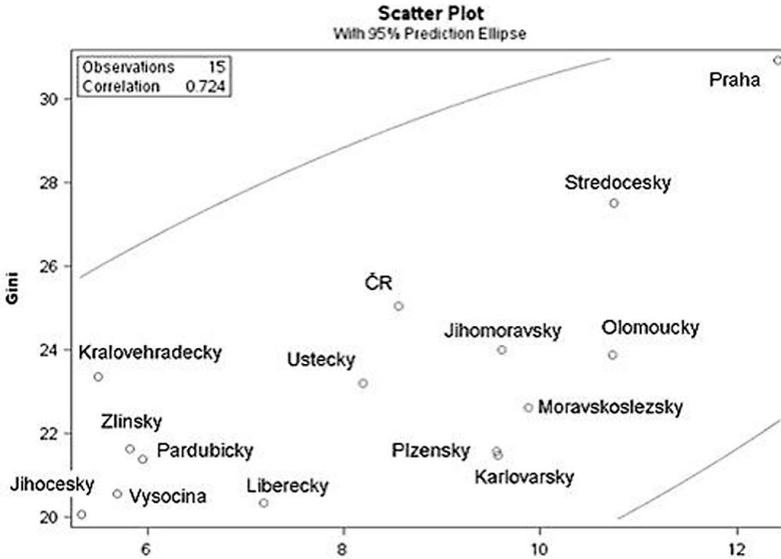
Source: EU-SILC, own construction

Figure 8 Relationship between the regional poverty rates and coefficient S80 / S20
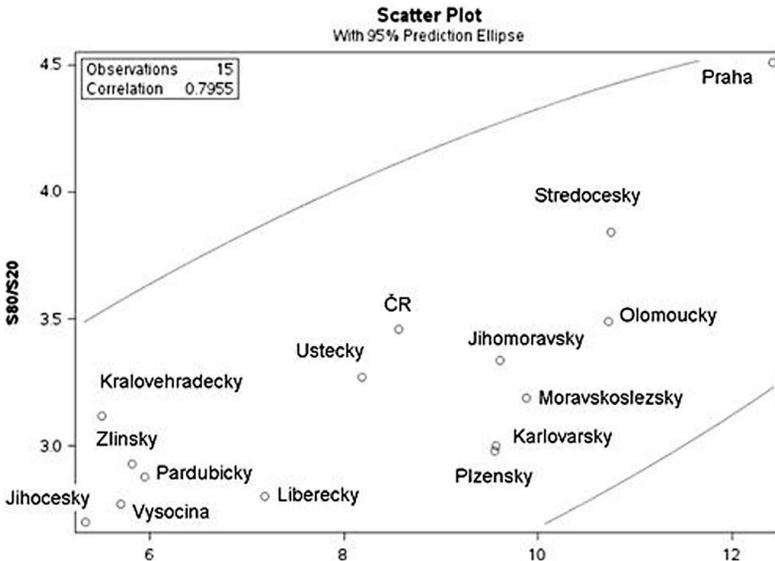
Source: EU-SILC, own construction

2 THE EUROPEAN UNION

In this part, attention will paid to the comparison of the at-risk-of-poverty rate between EU Member States. The calculations could not cover Germany and Slovenia, which do not provide their data for analytical purposes. Given the fact that Germany belongs to developed countries, we can assume that its inclusion would increase the final European at-risk-of-poverty threshold. On the other hand, Slovenia can be judged as a state, which has similar level as the Czech Republic and would probably not affect the results. In comparison, we must assume that EU Member States have different economic and social systems, market mechanisms acting differently, different levels of population, etc.

The analysis is based on similar procedure as in the case of the Czech Republic. It compares two approaches for calculating the at-risk-of-poverty threshold and the at-risk-of-poverty rate.

The first approach to the calculation of the at-risk-of-poverty rate is based on a poverty threshold, which covers all EU states – the EU is a single unit. The poverty threshold calculated in this way can be used to compare the risk of income poverty rate of people in all EU countries equally. To calculate the European poverty threshold the total disposable household income, which is calculated in all these states by the same methodology, is used. Disposable income is calculated in Purchasing Power Standards[6] (PPS) in 2009. PPS is used in order to enable a comparison between countries. PPS is an artificial reference currency unit that eliminates differences of prices levels or exchange rate between countries. Disposable income in PPS gives us a comparable income in all EU Member States according to their purchasing power.

The second approach to the at-risk-of-poverty rate calculation is based on the national income poverty threshold and the national at-risk-of-poverty rate. At-risk-of-poverty rate in this case is a relative measure of risk of poverty. At-risk-of-poverty threshold among the Member States is calculated from the total national disposable income. Thus created indicator of the risk of poverty rate is more suitable for evaluation of the national at-risk-of-poverty rate, because it evaluates its own situation, regardless of the rest of states.

2.1 At-risk-of-poverty threshold, EU

The European poverty threshold is 8 160 PPS taking the EU as a whole. Based on this threshold, states were divided into two groups - the states with a national poverty threshold below the European poverty threshold (Figure 9 dotted) and the states with a national poverty threshold above this threshold (Figure 9 non dotted). Luxembourg has the only poverty threshold higher than 12 000 PPS. Poverty threshold from 10 501 to 12 000 PPS have Cyprus, the Netherlands, Austria, Sweden, Denmark, France and Ireland. On the other hand, the states having their value of the national poverty threshold lower than 5 000 PPS are Romania, Bulgaria, Hungary, Latvia, Lithuania, Poland, Slovakia and Estonia.

It can be deducted from the foregoing figure that there is a considerable difference between the EU15 and New Member States (NMS12). Among the EU15, only two states have national poverty threshold lower than the European poverty threshold. It is Portugal, which has a national poverty threshold in the range 5 001–6 500 PPS (5 646 PPS) and Greece, whose national poverty threshold is located in the interval of 6 501–8 160 PPS (7 578 PPS). Cyprus is the only state among the NMS12 that has its national poverty threshold (11 785 PPS) above the European poverty threshold.

Looking at the results in Figure 9, we can get basic idea of degree of the at-risk-of-poverty rates for each EU Member State derived from the European poverty threshold.

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[6] More on information about PPS, see:
  <http://epp.eurostat.ec.europa.eu/portal/page/portal/purchasing_power_parities/introduction>.

Figure 9 The national poverty thresholds according to European poverty threshold in 2009 (PPS)
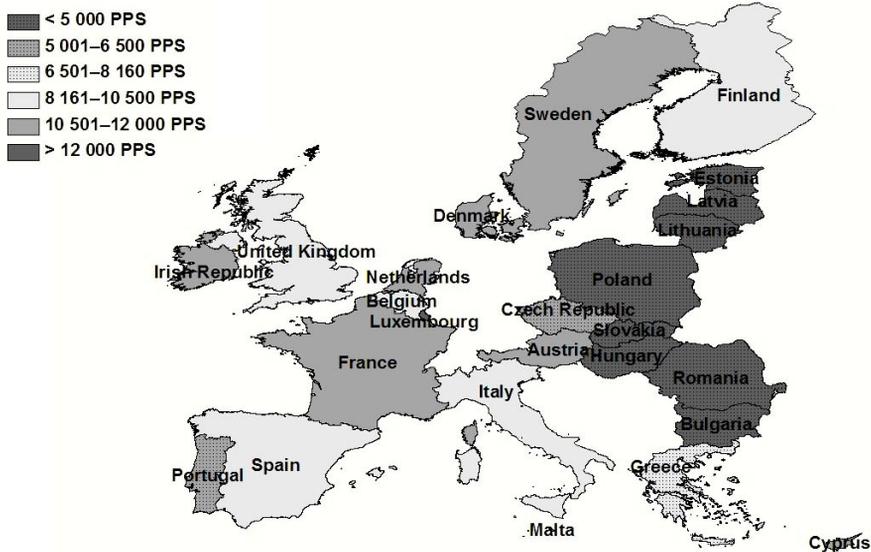
Source: EU-SILC, own construction

2.2 At-risk-of-poverty rate, EU

European at-risk-of-poverty rate established on the European poverty threshold is 29.3%. While it might appear that almost 30% is a high number, we must realize that the risk of the income poverty rate varies from 0 to 100% in constituent states. This is confirmed by the variation in the at-risk-of-poverty rates. In case of the first approach based on the European poverty threshold there is a much higher variability than in the second concept. This conclusion is confirmed by the following figures.

The first figure shows the poverty rate according to the European poverty threshold. There is an obvious link to the Figure 9 that shows the national poverty thresholds. The states that have national poverty threshold above the European threshold have at-risk-of-poverty rates based on the European poverty threshold only up to 25%. Luxembourg had the highest national poverty threshold and so it has the lowest at-risk-of-poverty rate of all, less than 1%. On the other hand, Romania had the lowest national poverty threshold and so it has the highest at-risk-of-poverty rate, amounting to almost 99%.

Figure 10 shows a noticeable difference between the at-risk-of-poverty rate of EU15 and NMS12. Low poverty rates have only two states in the group of New Member States – Cyprus 7.0% and Malta 35.1%.

Taking into account the national at-risk-of-poverty rates under the national poverty thresholds, the risk of poverty rates variability is not so high, ranging between 8 and 26%. Using the same scale as in the previous Figure 10, all states belong to the same range between 5 and 25%, except for Latvia, which has 26% poverty rate so it belongs to the range from 25 to 45% (see Figure 11).
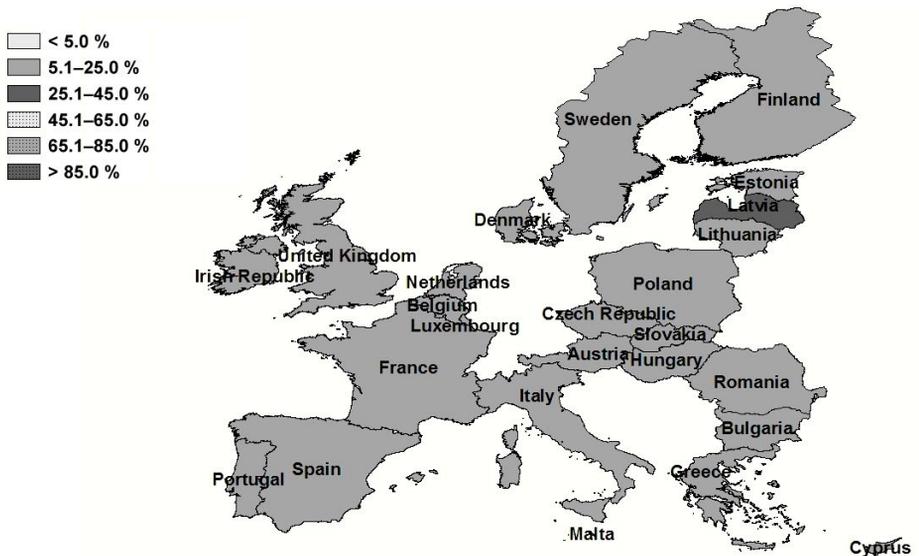
To overview the differences of individual rates of poverty, it is necessary to use a different scales (see following Figure).

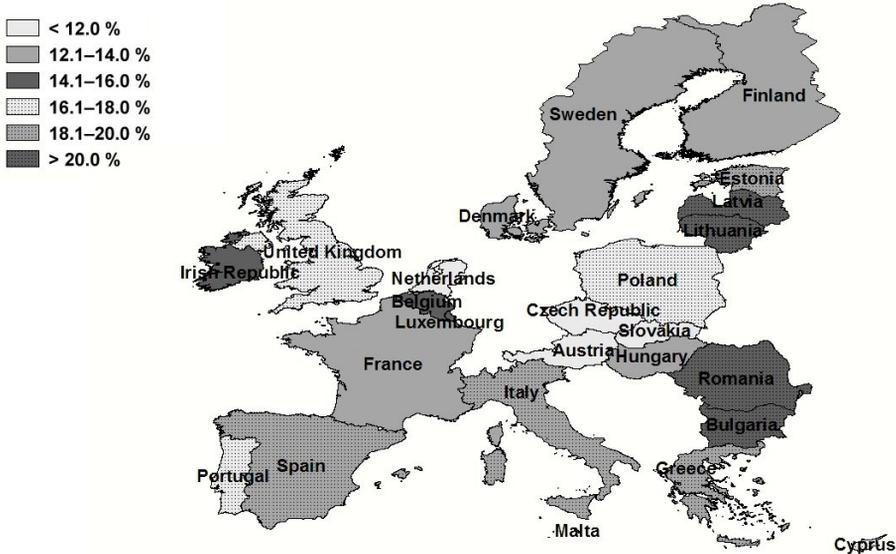**Figure 10** At-risk-of-poverty rate by a European poverty threshold in 2009 (in %)
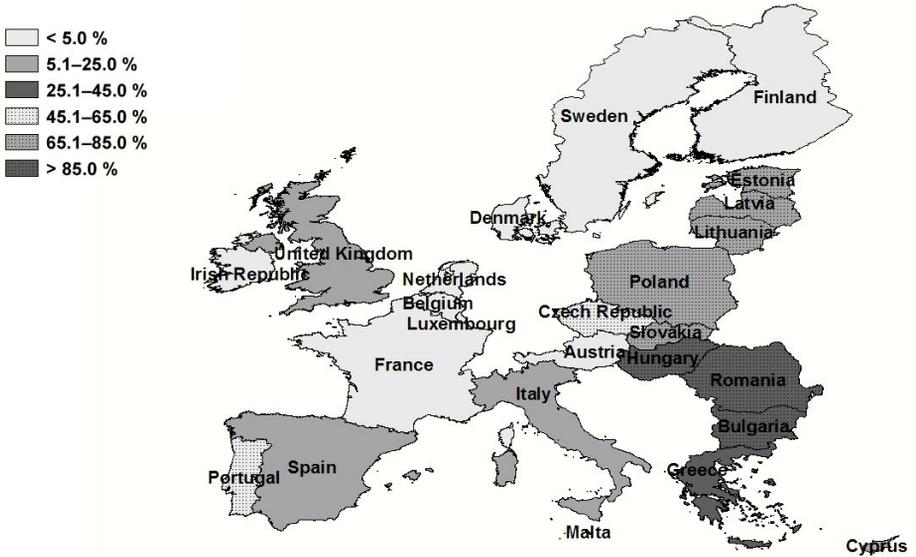
Source: EU-SILC, own construction

Figure 11 At-risk-of-poverty rate according to the national poverty threshold in 2009 (in %)

Source: EU-SILC, own construction

Figure 12 At-risk-of-poverty rate according to the national poverty threshold in 2009 (in %)

Source: EU-SILC, own construction

Figure 12 shows the at-risk-of-poverty rate calculated according to national poverty threshold. Eurostat usually publishes these poverty rates. As opposed to the Figure 10 there is not a clear distinction between the EU15 and the NMS12. The lowest national at-risk-of-poverty rates have the Czech Republic, Slovakia, the Netherlands and Austria. The highest national at-risk-of-poverty rates have Romania, Bulgaria, Lithuania and Latvia. The lowest level of income and highest income differentiation are likely causes of the fact that Romania and Bulgaria are the countries with the highest at-risk-of-poverty rates in terms of both concepts.

2.3 The EU member states by at-risk-of-poverty rate

The following three figures show the difference in the sequence of the states, ranked by the at-risk-of-poverty rate calculated according to the European poverty threshold (Figure 13), followed by at-risk-of-poverty rates derived from the national poverty thresholds (Figure 14). Finally, there are states ranking of at-risk-of-poverty rates calculated on the basis of European poverty threshold subtracted from the ranking of states by poverty rates calculated on the basis of national poverty threshold (see Figure 15). Move up in the order was recorded mainly for the NMS12 (for example CZ advanced from the 21st place to the first one) and a decrease in the order was recorded for the EU15 (for example Italy has fallen from 15th place to 21st place).

Figure 13 compares the risk of poverty rate for all states derived from the European poverty threshold. There is again a noticeable difference between the EU15 and the NMS12. On top, those states, which have the lowest at-risk-of-poverty rate, are Luxembourg, Finland, Ireland, the Netherlands and Austria. On the other side, Romania, Bulgaria, Hungary and Poland were on the last rungs with the highest risk of income poverty rate.

Figure 14 shows the ranking of the states by at-risk-of-poverty rate based on the national poverty threshold. The order of the states has changed especially in the leading positions that in this respect belong to the Czech Republic, Slovakia, the Netherlands, Austria and Hungary.

Figure 13 At-risk-of-poverty rate according to the national poverty threshold in 2009 (in %)
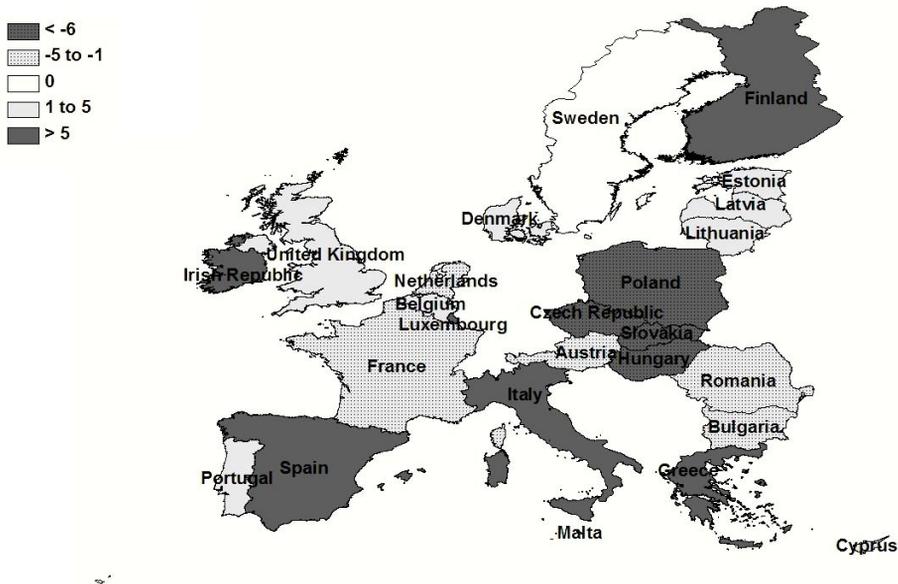

Source: EU-SILC, own construction

Figure 14 Ranking of states by poverty rate based on the national poverty threshold

Source: EU-SILC, own construction

Figure 15 The difference in the ranking of states by poverty rate based on European and national poverty threshold

Source: EU-SILC, own construction

Figure 15 indicates the change in the order of the states according to the risk of poverty rate. The dotted states achieved the highest decline in the order, while the non dotted states recorded the highest upward shift. Hungary is an interesting example, which, according to the European poverty threshold was placed with the highest at-risk-of-poverty rate at the lowest position, but according to national poverty threshold finds itselves with the lowest at-risk-of-poverty rate.

## 2.4 Coefficients of distribution of income, EU

In comparison of the national at-risk-of-poverty rates and coefficients of income distribution an undoubted relationship can be seen. If we compare these coefficients with the risk of income poverty rate based on the national poverty thresholds, we find a clear dependence. The higher these coefficients, the higher the at-risk-of-poverty rate is (e.g. Atkinson, A. B., 2003).

In case of the Gini coefficient, which indicates inequality of distribution of income, the correlation between the Gini coefficient and national at-risk-of-poverty rates is 0.932, indicating a strong correlation between these indicators. The overall Gini coefficient for the EU takes a high value 40.2. At the national level varies from 22 to 37.

If we focus in Figure 16 on states with the lowest national risk of income poverty rate, it is obvious that these states lie in the lower left corner. These are the Czech Republic, Slovakia, the Netherlands, Hungary and Austria. States with the highest national risk of poverty rate are situated in the opposite corner of the graph; these are Lithuania, Latvia, Romania and Bulgaria.

The second coefficient used for measuring the income inequality is the coefficient of income inequality S80 / S20. In the Member States this coefficient takes values from 3 to 7. Overall, for the EU as a whole the coefficient achieves the value of 11. The correlation coefficient between S80 / S20 and national at-risk-of-poverty rates is 0.939, which indicates a strong dependence as well as the Gini coefficient. The following Figure 17 shows the similar situation of states as in the previous Figure 16.

Figure 16 Relationship between national poverty rates and the Gini coefficient
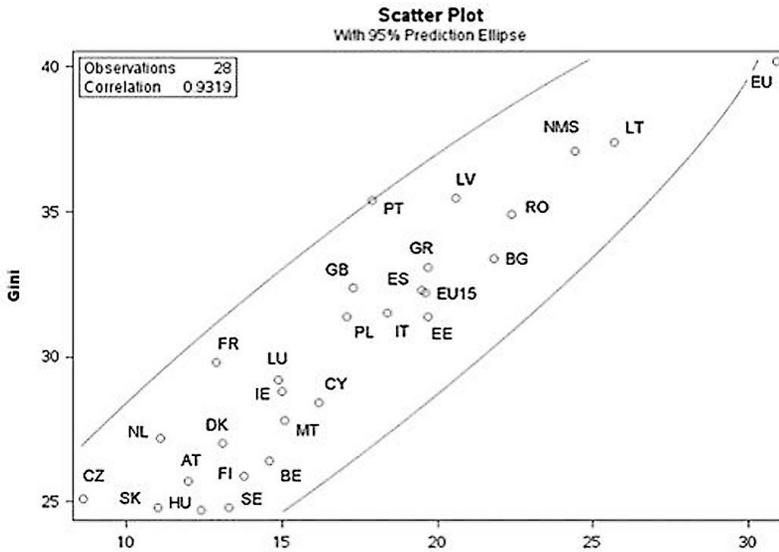
Source: EU-SILC, own construction

Figure 17 Relationship between national poverty rates and the coefficient S80 / S20
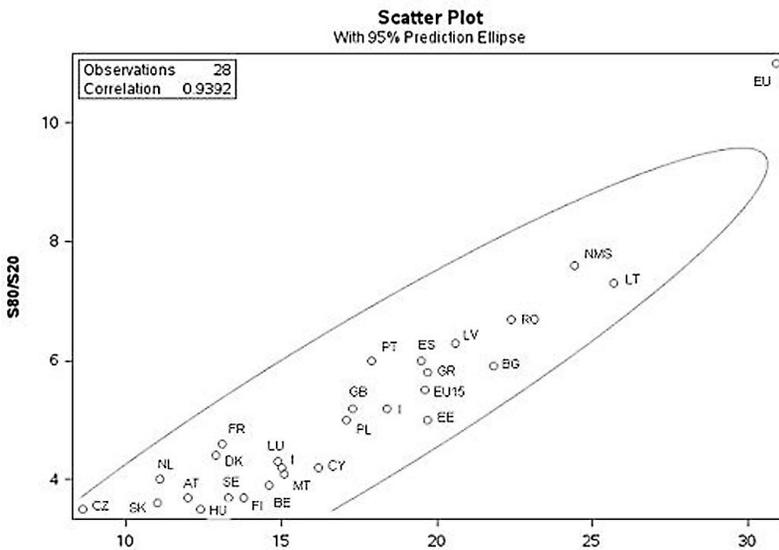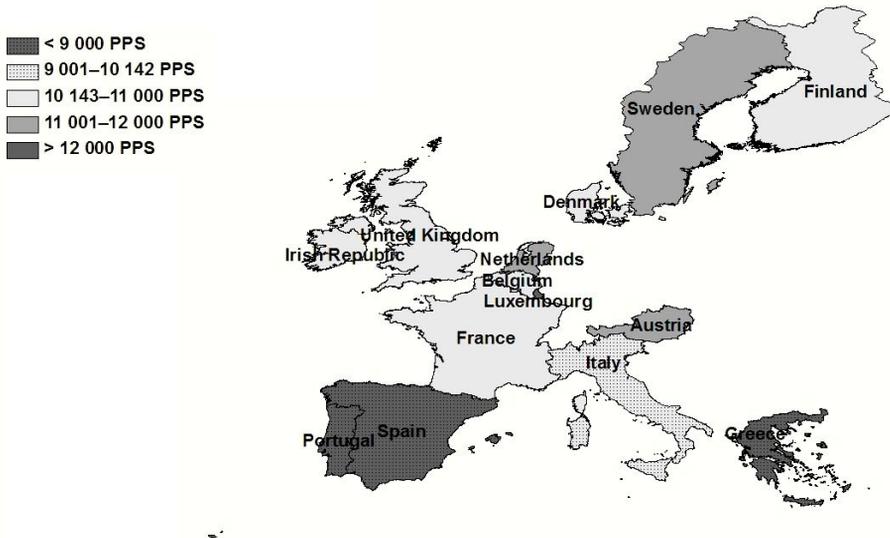

Source: EU-SILC, own construction

3 OLD MEMBER STATES – EU 15

The following analysis focuses only on the EU15 without Germany. For computation of the at-risk-of-poverty rate total disposable household income in PPS was used. On this basis, the EU15 poverty threshold and the at-risk-of-poverty rate of each country were calculated.

3.1 At-risk-of-poverty threshold, EU15

The at-risk-of-poverty threshold for the EU15 as a whole is 10 142 PPS. The national poverty threshold above EU15 poverty threshold belongs mainly to states in the North Europe (non dotted in Figure 18). On the contrary, states with the national poverty threshold below the EU15 poverty threshold are situated in the South Europe; i.e. Portugal, Spain, Greece and Italy (Figure 18 dotted).

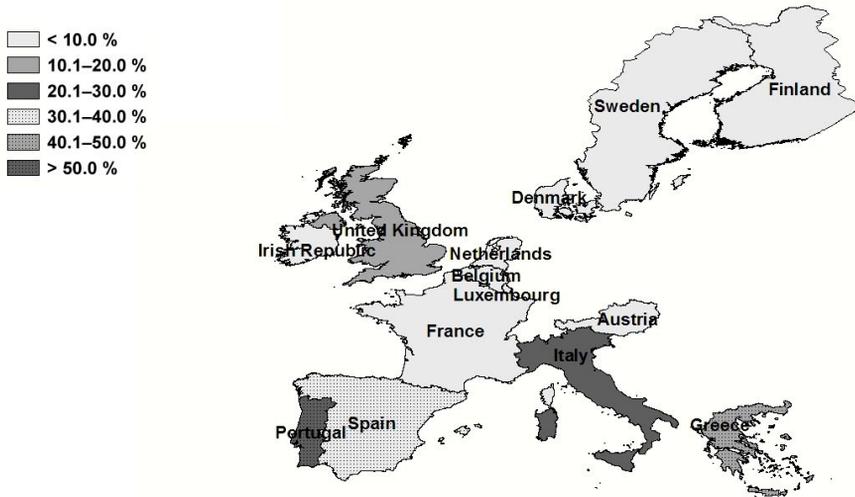**Figure 18** National poverty thresholds according to the EU15 poverty threshold in 2009 (PPS)

Source: EU-SILC, own construction

3.2 At-risk-of-poverty rate, EU15

Figure 18 illustrates the value of the national poverty threshold in the EU15 compared to the EU15 poverty threshold. If states had their risk of poverty threshold higher than the EU15 poverty threshold, these states had a lower at-risk-of-poverty rate and vice versa.

The Figure 19 shows that the risk of income poverty is most affected Portugal (64.5%), Greece (40.8%) and Spain (31.9%). The number of states with lower risk of income poverty (to 10%) is nine. From these states, Luxembourg has the lowest at-risk-of-poverty rate (1.3%), in the Irish Republic and the Netherlands the risk-of-poverty rate shows around 4% and in other states it ranges from 5 to 10%.

Figure 19 At-risk-of-poverty rate according to the EU15 poverty threshold in 2009 (in %)
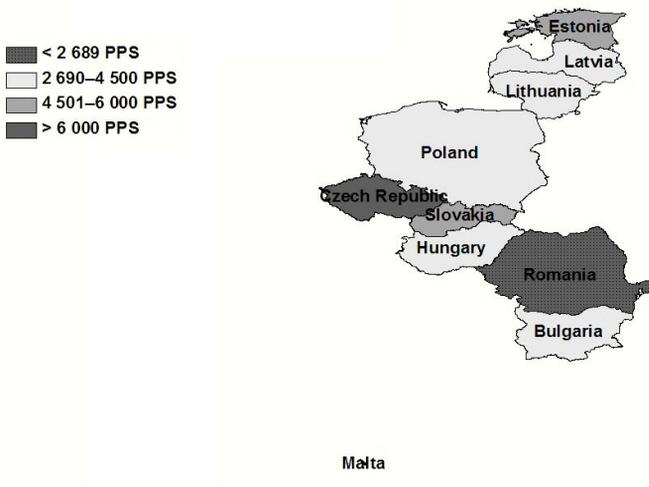

Source: EU-SILC, own construction

4 NEW MEMBER STATES – NMS12

The chapter is focused on new Member States except of Slovenia, which is not included due to failure to provide the required data.

4.1 At-risk-of-poverty threshold, NMS12

The at-risk-of-poverty threshold for new Member States is 2 690 PPS. The highest national poverty threshold of these countries has Cyprus (11 785 PPS), the lowest one has Romania (2 066 PPS). Only 2 states have national poverty threshold below the NMS12 poverty threshold – Romania and Bulgaria.

**Figure 20** National poverty thresholds according to the NMS12 poverty threshold for 2009 (PPS)

Source: EU-SILC, own construction

4.2 At-risk-of-poverty rate, NMS12

As it is shown in Figure 21, the at-risk-of-poverty rates to 10% have Cyprus (0.1%), the Czech Republic (1.9%), Slovakia (5.9%) and Estonia (6.6%). The highest risk of poverty rate among the NMS12 shows Romania (65.1%) and Bulgaria (46.3%). These conclusions about at-risk-of-poverty rate correspond to the conclusions in chapter 4.1.

Figure 21 At-risk-of-poverty rates according to the NMS12 poverty threshold in 2009 (in %)
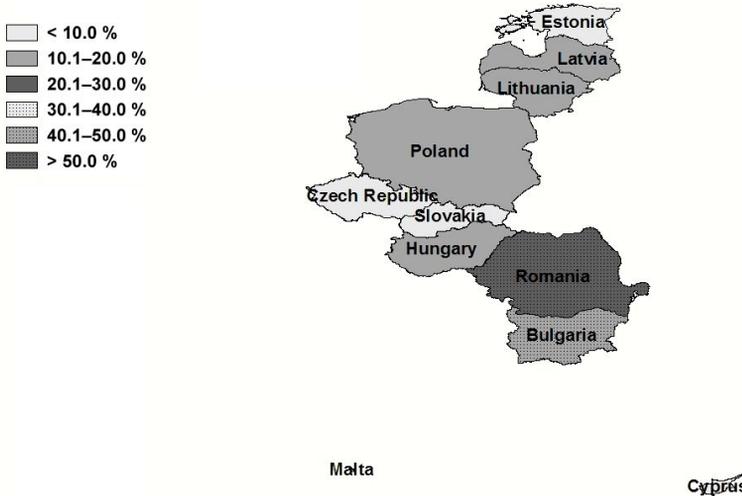
Source: EU-SILC, own construction

CONCLUSION

The introductory chapter describes the general principle of computing the indicators of the at-risk-of-poverty rate. The aim of this article is to obtain the at-risk-of-poverty rate for constituent states, which could be compared with EU states that are included in the analysis. This comparison is achieved by calculating the at-risk-of-poverty rate based on one poverty threshold for the whole area.

The second chapter focuses on the calculation of the at-risk-of-poverty rate in the Czech Republic. It is shown, how would the comparison of poverty rate look like, if we took the CZ as a whole Europe and regions as its individual states. The difference between this example and the whole Europe subsists in the fact that the Czech regions have the same economic and social system, a similar population and similar effect of the market mechanism.

Comparing the at-risk-of-poverty rates by the regional poverty threshold and the nationwide threshold is especially interesting for Praha. Taking into account one poverty threshold for the CZ, Praha has the at-risk-of-poverty rate 4.6%, the lowest rate of all regions. On the contrary, 12.4% of the population in the region has the equivalised income below the Praha region poverty threshold, which is the highest at-risk-of-poverty rate in all regions. This difference is due to high variability of income distribution, which is confirmed by the Gini and S80 / S20 coefficients. The lowest income variability can be observed in the Jihocesky region, which is thus placed at the forefront in both concepts.

The third chapter deals with a similar analysis as for the Czech Republic conducted for the EU and its Member States. The difference in the level of the at-risk-of-poverty rate comes from the fact that there are more disparities between individual EU states than between the Czech regions. It is shown on the based on European poverty threshold that there are considerable differences between Member states of

the EU15 and New Member States (NMS12). Only two states of EU15 are below the European poverty threshold – Portugal and Greece. Among the NMS12, only one country – Cyprus, has a national poverty threshold that goes beyond the European one.

If we look at the at-risk-of-poverty rates according to the European poverty threshold, the lowest rate is observed in Luxembourg (1%), while the highest is in Romania (99%). Taking into account the poverty rate based on the national poverty threshold, the lowest poverty rate has the Czech Republic (8.6%), the highest has Latvia (25.7%). As well as in the case of the CZ and its regions, the relationship between the coefficients of income inequality and at-risk-of-poverty rate based on the national poverty threshold was confirmed.

The analysis identifies significant differences in the level of poverty among the EU15 and NMS12. For that reason, a separate analysis for these two areas in the fourth and fifth chapter is carried out. EU15 states could be divided, on the basis of the at-risk-of-poverty rate by the poverty threshold of this area, into northern states, which are characterized by higher poverty threshold and lower income poverty rate, and the southern ones that are characterized by lower poverty threshold and higher poverty rate. From the NMS12, Cyprus, the Czech Republic, Slovakia and Estonia have the highest poverty threshold and the lowest at-risk-of-poverty rates, while the lowest poverty threshold and the highest poverty rate could be seen in Bulgaria and Romania. Romania and Bulgaria are the only two states whose poverty threshold is lower than the poverty threshold for the NMS12 as a whole.

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