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QUALITY OF LIFE AND POVERTY IN UKRAINE – PRELIMINARY ASSESSMENT BASED ON THE SUBJECTIVE WELL-BEING INDICATORS[1]

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ABSTRACT

The paper provides an overview of the information sources, methodology and main findings of the research of quality of life and poverty using indicators of subjective well-being applied by state statistics agencies in Ukraine. The paper describes the system of indicators for self-evaluation of the attained level of well-being, the level of satisfaction from meeting the basic living needs, and the limitations in consumption abilities of selected population groups due to hard conditions. In addition, methodological approaches in national statistics practice are discussed for the case of analysis of economic deprivation and for infrastructure development as indicator of geographic accessibility of services and non-geographic barriers causing the deprivation of access. Also, this paper reviews the factors that underlie the deprivations and define the percentage of population that is particularly affected by multiple deprivation in Ukraine. It covers the data on dynamics and analyses the distribution of deprivation by different population group, for several years. Finally, it describes further steps on the way to enhance the information capacity of subjective wellbeing studies, particularly as regards implementation of the contemporary approaches in international perspective, including Europe.

Key words: poverty, level of well-being, household, subjective well-being, deprivation.

1. Introduction

Given current socio-economic conditions, one of the most pressing tasks is to improve the efficiency and targeting of social support and improvement of social administration at all levels, from state level to local communities. The practical solution to this problem requires improvements in relevant information and

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analytical support: application of integrated approach and different sources of data for in-depth research of material conditions of population, efficiency analysis of measures on social protection of vulnerable groups, the risks and factors that affect the well-being and social stability to develop appropriate pre-emptive measures (Osaulenko et al., 2004; Ministry of Economic Development and Trade of Ukraine and UNDP, 2013). Considering that any democratic society strives for self-awareness, the employment of an integrated approach in social research improves the quality of such public information, and, therefore, the development of democratic principles in Ukraine.

A comprehensive approach in social research requires different types of information. They will determine the scope and direction of social changes from different perspectives and define direct and hidden cause-effect relations and factors that have the most significant influence on development of effective social policies. This will allow to achieve the most positive results – the advance in living standards of population, social cohesion, creation of favourable and equal opportunities for personal development, positive improvements in public assessment of social protection policies, in particular with regard to targeted aid, provided minimization of state funds for functioning of the system (Cherenko, 2006; Libanova, 2008).

Market transformations in economy, increased differentiation of the living conditions of some population groups and related aggravation of the poverty issue, as well as increased interest of the authorities and society in objective information have given a powerful impetus to the development of specialized state statistical observations and surveys of population. Currently, Ukraine state statistics regularly conducts three population sample surveys on: household living conditions, economic activity and agricultural activity in rural areas.

The multi-vector nature of living conditions survey of general population, in particular the most vulnerable population groups, requires a multidimensional approach to define and characterize not only the key indicators, but also concepts, processes and phenomena. In particular, there are numerous internationally recognized approaches to measuring poverty, low-income and social exclusion. Each of them has its advantages and disadvantages, they do not provide definitive assessments of events and heavily depend on research objectives and national specificity (Kangas and Ritakallio, 1998; Ramplakash, 1994).

The analysis of living standards should be based not only on the objective information, i.e. administrative data and data of continuous state statistical observations. An important role in addressing the integrated multidimensional nature of such a research phenomenon as well-being is played by thematic modular sample surveys of population. Subjective evaluations of living standards, made directly by respondents of the sample survey, reflect the degree of satisfaction of population with living standards, particularly with their possibilities of satisfying not only the minimum physiological needs but also the needs for personal development and enhancement of living comfort. Subjective evaluations indirectly display the actual level of satisfaction of population with the existing socio-economic provisions and the results of the public authorities' activity. Despite the limitations that are typical for measurements based on

"subjective attitude", this method has become widespread in many countries, including Ukraine, over recent years.

The analysis of living standards of population, poverty and other closely related issues of subjective well-being (a person's self-evaluation of the level to which essential means, physical, social, cultural and spiritual benefits are accessible by her/him (completeness)), is gaining exceptional relevance today (Cherenko, 2015; Libanova et al., 2013; State Statistics Service of Ukraine et al., 2013). Current uneasy social and economic realities, the antiterrorist operation (ATO) in Donetsk region and related immense migration pose a number of challenges to state statistics bodies of Ukraine, and give more focus to the determinants of subjective well-being. The challenging tasks also emerge during the implementation of the EU regulations and standards in national statistical practice (Commission regulation (EC), 2003; Vogel, 1997).

The information base for the analysis of subjective well-being in Ukraine is obtained from the sample household living conditions survey conducted by the state statistics bodies and modular polls based on the survey (State Statistics Service of Ukraine, 2013, 2014). This survey is a unique source for comprehensive studies of Ukraine's population well-being. It enables analysis of various spheres of household life, which depends on their level of income (expenses), composition, presence of children, place of residence and other criteria. An annual effective sample amounts to about 10,000 households. The analytical potential is significantly expanded by the combination of sociological questions with "subjective" ratings on attitudes, expectations and aspirations of certain groups, identification of their needs, and self-evaluation of their well-being within the survey research. These thematic surveys provide a unique opportunity of combining the information on the actual financial situation of each surveyed household with its subjective evaluations by household members.

2. The system of indicators to characterize the self-evaluation of the achieved well-being and the degree of satisfaction of basic living needs

Self-evaluation of well-being by households is made by subjective determination of the adequacy of their income to meet basic needs, information on limitations of consumption abilities due to lack of funds, and by social self-identification. Household self-evaluation involves the selection of alternative responses to questions referred to the following system of structural indicators:

- subjective determination of the adequacy of annual household income (had enough and made savings; enough, but did not make any savings; constantly denied the essentials, except for food; could not afford even adequate food);
- consumption abilities of certain groups of households (the presence or absence of cases of inability to meet individual needs due to lack of funds,

namely the possibility of daily consumption of hot food; hunger cases among adults and children due to lack of funds; inclusion of fruits or juices in a child's diet; the ability to give children food or money for food at school; the ability to give children treats at least once a week; the ability to pay for children in kindergarten);

- self-identification of households as representatives of certain population groups (rich, middle class, not poor but not middle class yet, poor).

A comprehensive analysis of well-being is not possible without such important aspects as public accessibility of health services and grounds for unmet needs in health care, the ability to purchase medicines and medical devices. Even the effective and comprehensive system of administrative data collection is not able to reflect the whole picture in the area, as public health institutions provide information only about people who employ the health care system. Information on individuals, who do not use the services, and, in particular, about the reasons for that, may be obtained only from other sources, namely from sample population surveys. For this purpose, in Ukraine, the following indicators are developed:

- the level of accessibility of medical aid for household members, ability to purchase medicines and medical supplies if such needs emerge (share of households whose needs were satisfied);
- distribution of households which did not satisfy these needs, because of lack of access to services (too high cost, failed to find the desired one, too long queue to see a doctor, there were no appropriate specialist, or no required department in the hospital, no free place).

Well-being largely depends on living conditions, the availability of modern amenities in housing as well as the availability of subsidiary farms and other property in a household. The survey program studies these issues in sufficient detail. Subjective evaluation is presented by distribution of households by the degree of satisfaction with their living conditions (very dissatisfied, dissatisfied, not very satisfied, satisfied, very satisfied).

As the survey results reveal, the psychological impact of the crisis and economic insecurity have a greater influence on self-evaluation than the actual financial state. Thus, the level of subjective poverty, defined as the share of households which consider themselves as such, increased from 59% to 65% during 2009-2013. However, the poverty rate for other household's self-evaluation of income (always denied themselves the essentials, except for food, or they could not afford even adequate food) decreased from 44% to 39% during this period. Figure 1 below reflects more clearly the interrelation between objective

(poor by absolute[3] and relative criteria[4] (Ministry of Social Policy of Ukraine et al., 2012)) and subjective poverty.

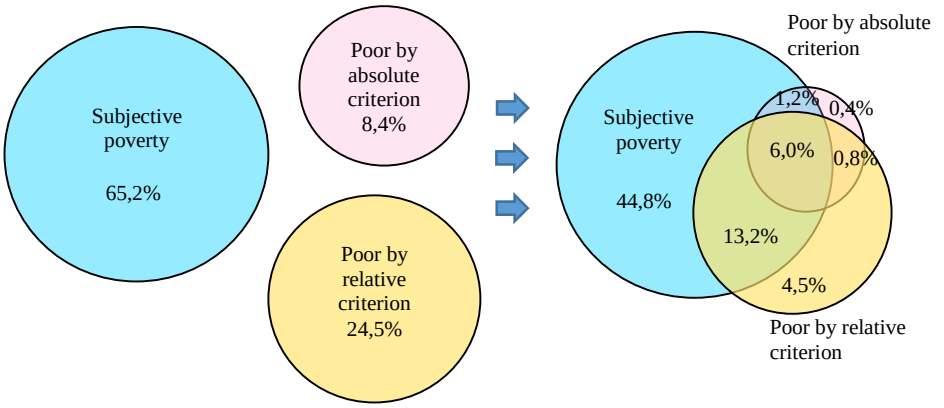

Figure 1. Interrelation of objective and subjective poverty evaluations in 2013

3. Methodological approaches to evaluation of economic deprivation and deprivation of access.

Another area of well-being analysis that is based on subjective evaluation of population is the research of deprivation poverty. This form of poverty is characterized by limited abilities of the population to access certain essentials, which not only cover the minimum physiological needs but also the needs associated with the personal development and assurance of the adequate level of living comfort. To provide the information base for the deprivation study, a modular survey is conducted on the basis of household living conditions survey. It extends the classic (monetary) understanding of poverty through non-monetary subjective indicators. The program of the survey is designed having regard to the modern international experience and the needs of national users. The module for household deprivation and factors that are often subjectively perceived by public as signs of poverty, allows for the following directions of the survey:

- Economic deprivation due to inadequate level or quality of:

[3] Absolute poverty line corresponds to the amount of the legal subsistence level per month per person, annually approved by the Verkhovna Rada of Ukraine in the Law on State Budget of Ukraine for the relevant year.

[4] Relative poverty line is defined by the fixed (75%) share of average per capita total expenditures of the median total expenditures of a particular person who takes the medium position in the list of population ranked by average per capita expenditures calculated for one conventional person.

- meals (lack of funds to ensure a certain quality of meals);
- non-food goods (lack of funds to acquire the needed inexpensive goods, and lack of certain types of these goods);
- housing conditions (lack of normal housing conditions, lack of funds to improve housing conditions);
- health care and education services (lack of funds to obtain the needed inexpensive goods and services);
- income or lack of possibilities of satisfying other important needs.

➢ Development of infrastructure as an attribute of geographical accessibility of services and non-geographical barriers that identify the deprivation of access.

The survey program implies not only the determination of the public perception of signs of poverty and isolation, but also the collection of information on their actual distribution. The national list covered 18 items of deprivation. All items went through frequency control (items indicated by prevailing number of households were selected) and consensus control (items about which majority of respondents felt that their presence is necessary for the normal standard of living). In addition, each item was checked for the interrelation with the level of population well-being. Pearson correlation ratio[5] for almost all types of deprivations indicated a close linkage between distribution of each deprivation and income of households.

Dynamics of changes in distribution of certain deprivations is shown in Figure 2. Each of 18 items of the national list of deprivations contains data for 2009-2013. New items introduced into the program of observation in 2013 are presented for one period.

The incidence degree of certain types of deprivation significantly depended on the place of residence of households. Urban households, as compared to the rural ones, more suffered from financial failure to enlarge the available floor space. Rural residents suffered more than urban residents from all other manifestations of poverty and deprivation, especially from deprivations related to ensuring normal living conditions, availability of amenities in the housing and deprivation associated with low infrastructure development.

[5] Pearson correlation rate was calculated by the distribution of equivalent per capita income and incidence of deprivations among decile population groups.

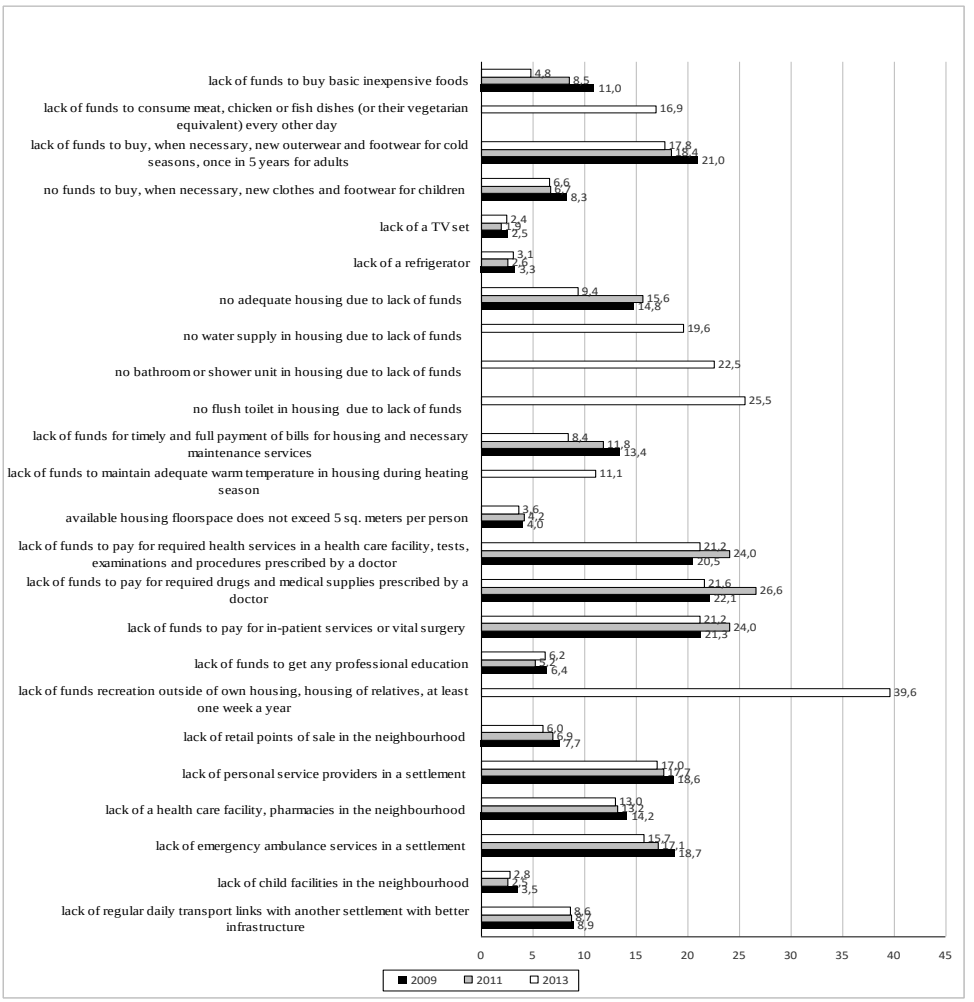

Figure 2. Incidence of certain deprivations among households of Ukraine in 2009-2013

4. Multidimensional assessment of the size of the household group with the lowest standard of living.

The development of information base for improving multidimensional poverty assessment is primarily associated with the use of a combined approach and employment of monetary and subjective criteria as well as the criterion for poverty deprivation. Since the different criteria can differently display poor population, the combined approach reflects the group of households with the highest risk of poverty by all its types.

Figure 3 shows the scope of population poverty defined by different criteria. In 2013, out of population in relative poverty, 32% had 4 or more deprivations. Out of population in absolute poverty, such deprivations were characteristic of 40% of population. On the other side, out of 22% of population which had 4 and more deprivations signs 15% were absolutely poor, and 36% of population were relatively poor. 3% of population were simultaneously at risk of absolute, relative and deprivation poverty. Among the population who were in three types of poverty, the majority (56%) were residents of rural areas. As to the composition, these households mostly had children (79% versus 21% of households without children), half of which had one child, 38% - two and 12% - three and more children. Nearly a quarter of them did not have employed persons in the household, in 44% of households one person was employed. Out of the households with children which were poor simultaneously according to three criteria, almost a quarter had children without one or both parents. 39% of population had at least one of these types of poverty.

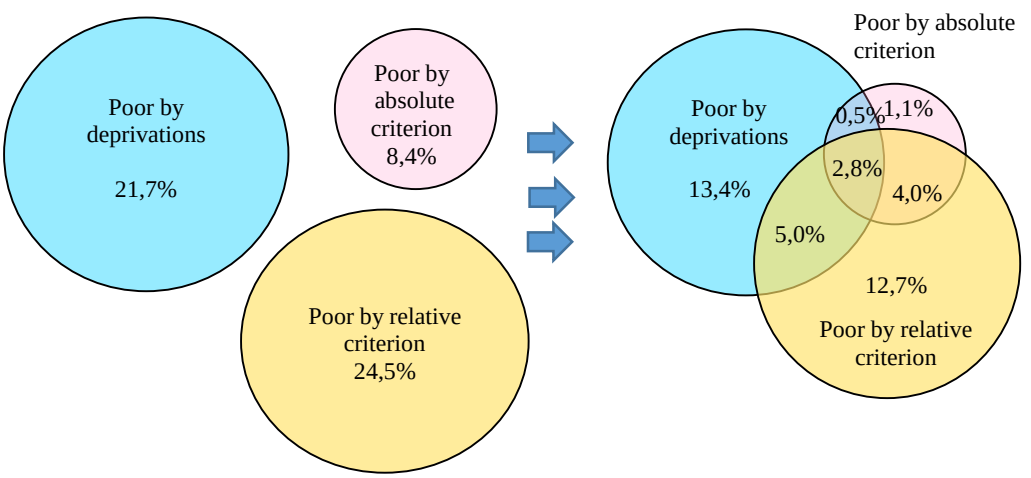

Figure 3. Scope of poverty in 2013, defined by different criteria

The main profiles of poverty by socio-demographic and socio-economic groups of population remain steady. Regardless of the criteria, the level of poverty among people of working age and among people of retirement age is below the national average value, and vulnerable groups include children and "old" pensioners. The most vulnerable traditionally include large families, households with children up to the age of 3 and double demo-economic burden (with children and unemployed).

The profiles of poverty vary depending on the monetary and non-monetary approaches: the high risks of monetary poverty apply to children and non-monetary poverty is much higher among older age groups. When using monetary approaches, the highest poverty risks are typical for large families and for the families with children and unemployed persons. Increased risks are also assigned to households with two or more children, and with children up to the age of 3. When using non-monetary criteria, the group with the highest risk of poverty is represented by households that consist solely of older age groups (75 and older).

4. Conclusions

At present stage of socio-economic development in Ukraine, as in many other countries, social partners pay great attention to the analysis of social inequality, changes in well-being standards that require new approaches to surveys of living standards of population:

- use of subjective evaluations and estimates of material deprivation for the analysis of well-being and poverty, in addition to traditional monetary approaches;
- identification of the most problematic and vulnerable population groups on the basis of multidimensional analysis and combined estimates, obtained by different factors and criteria (for example, poor by income and deprivation criteria, etc.);
- significant differences in living standards in urban and rural areas require more focus on the factorial analysis of key indicators of subjective well-being and material deprivations of the population living in rural areas, especially in the context of the task of optimizing the development of rural areas, which is relevant to Ukraine;
- introduction of the study on the regional differences and territorial determinants in the material deprivations of the population. This direction is of particular importance with regard to administrative and territorial reform in Ukraine. However, the research of territorial determinants will require a significant increase in the size of household sampling and the attractiveness of significant additional financial and human resources for representative and qualitative results for the regional level, which is currently quite challenging for our country.

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