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TENDENCIES OF POVERTY IN THE REPUBLIC OF CROATIA AND THE EU COUNTRIES



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Introduction

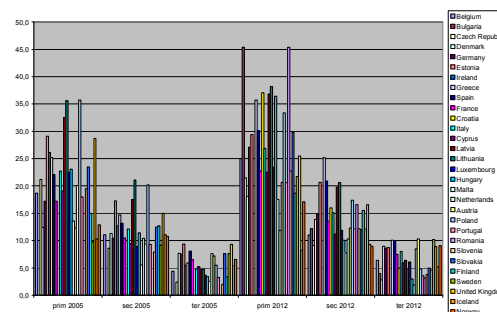
This paper proves the hypothesis that the rate of poverty in Croatia has been increasing, especially in the period after 2008, and that population, according to the indicators of relative poverty, has been most affected by the crisis. It is also verified that the poverty risk rate can be reduced by increase in income.

At risk of poverty rate (cut-off point: 60% of median equivalised income after social transfers) in Republic of Croatia and selected EU countries

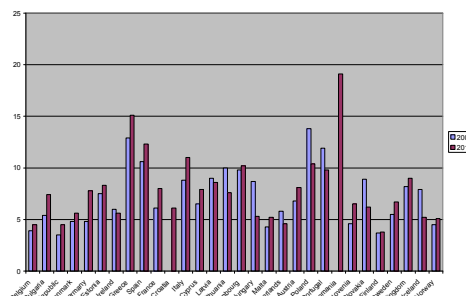
GEO/TIME	2005	2008	2012	2012-2005 p.p.	2012-2008 p.p.	Index 2012/2005	index 2012/2008	Croatia 2012 =100	EU 28 2012=100
European Union (28 countries)	-	-	17,0	-	-	-	-	82,93	100,00
European Union (27 countries)	16,4	16,5	16,9	0,5	0,4	103,05	102,42	82,44	99,41
New Member States (12 countries)	18,9	17,3	17,3	-1,6	0,0	91,53	100,00	84,39	101,76
Euro area (17 countries)	15,3	16,0	17,0	1,7	1,0	111,11	106,25	82,93	100,00
Belgium	14,8	14,7	14,8	0,0	0,1	100,00	100,68	72,20	87,06
Bulgaria	14	21,4	21,2	7,2	-0,2	151,43	99,07	103,41	124,71
Czech Republic	10,4	9,0	9,6	-0,8	0,6	92,31	106,67	46,83	56,47
Denmark	11,8	11,8	13,1	1,3	1,3	111,02	111,02	63,90	77,06
Germany	12,2	15,2	16,1	3,9	0,9	131,97	105,92	78,54	94,71
Estonia	18,3	19,5	17,5	-0,8	-2,0	95,63	89,74	83,57	102,94
Greece	19,6	20,1	23,1	3,5	3,0	117,86	114,93	112,68	135,98
Spain	20,1	20,8	23,2	2,1	1,4	110,45	106,73	108,29	130,59
France	13,0	12,5	14,1	1,1	1,6	108,46	112,80	68,78	82,94
Croatia	18	17,3	20,5	2,5	3,2	113,89	118,30	100,00	120,59
Italy	18,9	18,7	19,4	0,5	0,7	102,65	103,74	94,63	114,12
Malta	13,5	12,4	14,0	0,5	1,6	103,70	112,90	68,29	82,35
Hungary	13,9	15,0	15,0	1,1	0,0	107,91	100,00	73,17	88,24
Netherlands	10,7	10,5	10,1	-0,6	-0,4	94,39	96,19	49,27	58,41
Austria	12,3	12,4	14,4	2,1	2,0	117,07	116,13	70,24	84,71
Poland	20,5	16,9	17,1	-3,4	0,2	83,41	101,18	83,41	100,29
Portugal	19,4	18,5	17,9	-1,5	-0,6	92,27	96,76	87,32	105,29
Romania	-	23,4	22,6	-	-0,8	-	96,36	110,24	132,94
Slovenia	12,2	12,3	13,5	1,3	1,2	110,66	109,76	65,85	79,41
Slovakia	13,3	10,9	13,2	-0,1	2,3	99,25	121,10	64,39	77,65
Finland	11,7	13,6	13,2	1,5	-0,4	112,82	97,06	64,39	77,65
Sweden	9,5	12,2	14,2	4,7	2,0	149,47	116,39	69,27	83,53
United Kingdom	19,0	18,7	16,2	-2,8	-2,5	85,26	86,63	79,02	95,29
Norway	11,4	11,4	10,1	-1,3	-1,3	88,60	88,60	49,27	59,41

Source: Authors' calculation

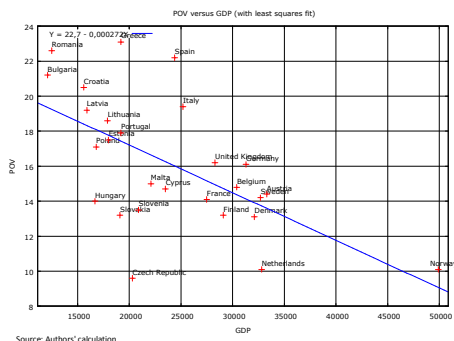
At risk of poverty rate (cut-off point: 60% of median equivalised income after social transfers) in Republic of Croatia and selected EU countries



The share of persons who are at work and have an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers)



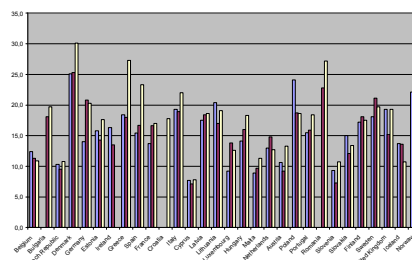
THE EFFECT OF GDP ON POVERTY TRENDS



Source: Authors' calculation

The model shows a clear correlation (trend line, determination coefficient 0.360629, correlation coefficient 0.60052) between income and poverty risk. Countries with the highest income have the lowest risk of poverty, and countries with the lowest income per capita the highest. If countries were grouped, Croatia would be placed in a group of countries with Bulgaria, Romania, Greece, and Spain. The model for time series for the period between 2005 and 2012 analyses the impact of a unit change in GDP (delta GDP) on change in poverty (delta POV) for EU Member States. The chart and the regression model ($Y = 3,12803 - 0,265244 * x$) for time series between 2005 and 2012 indicate that one per cent increase in GDP per capita reduces the poverty rate by 0.26%.

Young people's at-risk-of-poverty rate (from 16 to 29 years)



Source: Authors' design according to Eurostat 2014

Conclusion

The initial hypothesis, that poverty in Croatia is increasing, is verified in the paper. Its increase has been particularly pronounced after 2008 when Croatia had the highest increase in the poverty rate among the EU Member States. According to official statistics, 20.5% people were living at risk of poverty in Croatia in 2012 and material deprivation rate in Croatia in 2012 amounted to 35.3%. This means that almost every third inhabitant is so poor according to this indicator that Croatia could not be classified on a global scale as the high developed country, although it is belonging to high income countries. Research results also shows that people who only completed primary education are at greatest risk of poverty. This is improved by increasing education. It is argued in the paper that poverty risk rate can be reduced by an increase in income. It was established with an econometric model that the poverty risk rate is reduced by 0.26% when GDP per capita is increased by 1%.