

## Survey on Income and Living Conditions (EU-SILC) 2018<sup>(p)</sup>

**Survey on income and living conditions** is an annual survey regularly implemented by Statistical Office from 2013. The data collected by this survey make possible the calculation of indicator on monetary risk from poverty and of indicator on income distribution inequality in a society. Realisation of the survey is harmonized with EU regulations and Eurostat's methodology EU-SILC (*Survey on Income and Living Conditions*). EU-SILC survey is a required source for monitoring statistics on income, poverty and social exclusion, in order to ensure comparable data for every country and at the EU level as total.

**Average annual equivalised disposable income** in 2018 was 4 239 euro and compared to 2017 it increased 2,6%.

**At risk of poverty threshold (relative poverty line)**, set to 60% of the median of national equivalised disposable income of members of households, in 2018 was 2 270 euro for one-person household, i.e. 4 766 euro for four-member household, at the annual level. Compared to 2017, it increased by 173 euro (8.2%) for one-person household, i.e. 361 euro (8.2%) for four-member household.

**At risk of poverty rate** was 23.8%, which represents a share of persons whose equivalised income is below the relative poverty line, but it does not mean that they are necessarily poor, but that they are at higher risk to be poor. At risk of poverty rate compared to 2017, increased by 0.2 percent points.

**At risk of poverty or social exclusion rate** in 2018 was 31.4% and compared to 2017 it decreased by 2.3 percent points.

Results of the survey on **material deprivation of households** show that 12.9% of population in Montenegro responded that they cannot afford at least four out of nine material deprivation items, what is compared to 2017 less for 1 percent point.

**Depending on activity status**, at risk of poverty rate is changed. Employed at employer have the lowest risk of poverty (6.1%), while unemployed are exposed to the highest risk of poverty (47.5%).

**Gini coefficient** (on a scale from 0 – fully equality to 100 – fully inequality), in 2018 was 34.8, while in 2017 it was 36.7. In 2018, 20% of persons with the highest income (5<sup>th</sup> quintile) had 7.4 times more income than 20% of persons with the lowest income (1<sup>st</sup> quintile).

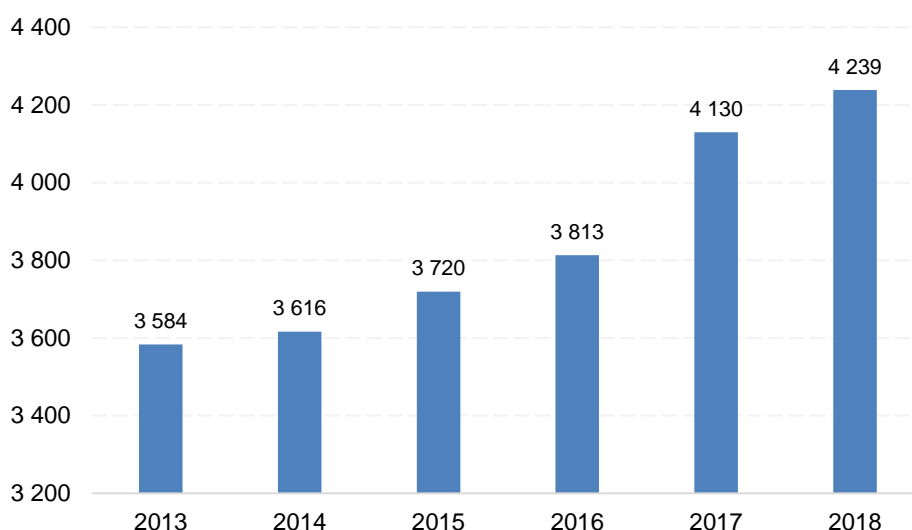
## 1. Income indicators<sup>1</sup>

**Table 1. At risk of poverty threshold (relative poverty line) at the annual level, EUR**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>	<u>2018</u> <u>2017</u>
One-person household	1 779	1 819	1 879	1 920	2 097	2 270	108.2
Household with two adults and two children aged under 14 years (according to the OECD scale) <sup>2</sup>	3 735	3 821	3 946	4 032	4 405	4 766	108.2

According to Survey on income and living conditions (EU-SILC) data, the risk of poverty threshold in 2018 was 2 270 euro for one-person household, i.e. 4 766 euro for four-member household (two adult persons and two children under 14 years aged), at the annual level. Compared to 2017, it increased by 173 euro (8.2%) for one-person household, i.e. 361 euro (8.2%) for four-member household.

**Graph 1. Average annual equivalised disposable income, nominal value EUR, 2013 – 2018**



In 2018 total average equivalised disposable income was 4 239 euro and compared to 2017, it increased by 2.6%.

<sup>1</sup> Income in the Survey on income and living conditions includes monetary income from work, income from capital, pensions, social transfers and other transfers received by household from persons who are not household members. The data such defined do not include own production, i.e. benefits in kind, savings, received gifts and income from grey economy.

<sup>2</sup> In order to make the living standard for households different by size and structure comparable, the modified OECD equivalency scale by which disposable household income is reduced to the income per equivalent adult is used. Such equivalised disposable income is the total disposable income of household corrected based on size and structure of household. The total disposable income of household is not divided by the number of actual household members, but with the corrective number resulting from the OECD equivalency scale. *E.g. if the household that has four members, two adults and two children under 14 years of age, has an available income of 5 000 euro, disposable income by equivalent adult will be 2 381 euro (5 000/2.1=2 381).* The value 2.1 is calculated by giving value 1 to the first adult household member according to the OECD equivalence scale, other adult member the value of 0.5, and all persons under 14 years of age are given with the value 0.3. In case of four-member household with 2 adults and 2 children under 14 years of age, equivalent household size is calculated in the following way:  $1+0.5+(2*0.3) = 2.1$

**Table 2. Share in equivalised income by quintiles<sup>3</sup>, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
First quintile	5.1	5.8	5.6	5.7	5.6	5.4
Second quintile	10.8	11.3	11.2	11.4	11.8	12.3
Third quintile	16.6	16.2	17.0	16.8	17.0	17.8
Fourth quintile	24.4	24.4	24.1	23.9	23.0	24.1
Fifth quintile	43.2	42.3	42.1	42.2	42.6	40.3

The income proportion of citizens in the fifth quintile in total equivalised income is, as expected, the highest and it was 40.3% in 2018. On the other side, the income proportion of citizens in the first quintile is the lowest, and their proportion represents 5.4% of the total income of Montenegro citizens. Therefore, 20% of citizens with the lowest income dispose with 5.4% of total income, while 20% of citizens with highest income had 40.3% of the total income in 2018.

## 2. At risk of poverty and inequality indicators

**Table 3. The main indicators of at risk of poverty and inequality<sup>4</sup>**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
At risk of poverty rate, %	25.2	24.1	24.4	24.0	23.6	23.8
Relative at risk of poverty gap, %	39.7	32.8	36.6	35.6	34.0	35.3
Income distribution inequality – quintile ratio (S80/S20)	8.5	7.3	7.5	7.4	7.6	7.4
Gini coefficient	38.5	36.5	36.5	36.5	36.7	34.8

At risk of poverty rate in Montenegro in 2018 was 23.8%. Income distribution inequality in 2018 was 7.4. Therefore, in 2018, 20% of citizens with the income in fifth quintile, had 7.4 times more income than 20% of citizens which, by income, belong to first quintile.

Gini coefficient in 2018 was 34.8.

**Table 4. Dispersion around the at risk poverty threshold**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
At risk of poverty rate, if threshold is:						
40% of median	16.2	11.9	13.5	12.9	11.9	12.4
50% of median	21.9	17.4	19.9	18.7	17.2	19.0
60% of median	25.2	24.1	24.4	24.0	23.6	23.8
70% of median	33.4	32.5	31.9	31.2	30.4	30.6

An increase in the risk of poverty threshold from 60% to 70% of the median of equivalised income would increase at risk of poverty rate by 6.8 percentage points, i.e. to 30.6% in 2018. Reducing the risk of poverty threshold from 60% to 50% of the median of equivalised income would reduce at risk of poverty rate by 4.8 percentage points, i.e. to 19% in 2018.

<sup>3</sup> **Quintile** – represents a part of population ranked according to some characteristics in 5 equal parts (every part contains 1/5, i.e. 20% of population), from the minimum to the maximum value.

<sup>4</sup> At risk of poverty rate is more indicator of inequality than poverty, this is also suggested by the fact that income increase will not necessarily lead to decreasing the relative poverty rate. This is due to the reason if income would proportionally rise for all citizens, the relative line would increase, but the at risk of poverty rate would remain the same, i.e. income inequality of citizens would remain at the same level.

**Table 5. At risk of poverty rate before and after social transfers<sup>5</sup>, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
At risk of poverty rate after social transfers	25.2	24.1	24.4	24.0	23.6	23.8
<i>Social transfers not included in income</i>	28.9	31.1	29.4	28.9	31.4	31.2
<i>Pensions and social transfers not included in income</i>	46.1	46.5	45.1	44.3	46.7	45.0

At risk of poverty rate before receiving social transfers is calculated based on income deducted with the value of social transfers and pensions.

The risk rate before social transfers would be 31.2%, while the risk rate before social transfers and pensions would be 45.0% in 2018.

**Table 6. At risk of poverty rate by household type, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
<b>Household without dependent children</b>	<b>15.1</b>	<b>13.2</b>	<b>15.9</b>	<b>16.6</b>	<b>15.9</b>	<b>15.2</b>
<b>Single-person household</b>	<b>14.6</b>	<b>16.6</b>	<b>20.4</b>	<b>17.0</b>	<b>20.1</b>	<b>19.3</b>
<i>Male</i>	15.3	16.3	20.4	16.7	20.0	22.9
<i>Female</i>	14.1	16.8	20.4	17.2	20.3	17.0
<i>Single-person household, person under 65 years of age</i>	15.7	17.6	21.9	19.6	23.7	22.5
<i>One-person household, person aged 65 years and over</i>	13.2	15.6	18.8	14.8	17.0	16.4
<b>Two adults</b>	<b>15.2</b>	<b>11.3</b>	<b>13.2</b>	<b>14.8</b>	<b>14.1</b>	<b>14.9</b>
<i>Two adults, both under 65 years of age</i>	19.8	13.2	16.4	13.7	13.0	15.1
<i>Two adults, at least one aged 65 years and over</i>	7.8	9.6	10.8	15.7	14.9	14.8
<b>Other households without dependent children</b>	<b>16.3</b>	<b>13.4</b>	<b>16.3</b>	<b>17.6</b>	<b>15.0</b>	<b>14.0</b>
<b>Households with dependent children</b>	<b>30.1</b>	<b>29.2</b>	<b>28.9</b>	<b>28.0</b>	<b>27.9</b>	<b>27.9</b>
<i>One parent with at least one dependent child</i>	32.6	24.1	27.4	25.8	27.6	30.4
<i>Two adults with one dependent child</i>	17.2	16.4	16.3	17.3	16.5	17.5
<i>Two adults with two dependent children</i>	26.7	23.3	24.0	22.2	21.7	21.4
<i>Two adults with three or more dependent children</i>	47.9	45.5	48.7	44.2	45.9	46.1
<i>Two or more adults with dependent children</i>	30.0	29.4	29.0	28.0	27.9	27.8
<i>Other households with dependent children</i>	27.1	28.1	26.4	25.9	25.7	25.5

In households without dependent children, at risk of poverty rate in 2018 was 15.2% (19.3% for single-person household and 14.9% for two adults without dependent children). On the other side, households with dependent children were more exposed to the risk of poverty, 27.9% compared to households without dependent children (15.2%).

<sup>5</sup> Social transfers include unemployment benefits, sick leave, child allowance, maternity leave, as well as other monetary social benefits paid by the state.

**Table 7. At risk of poverty rate by age, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
0-17 years	34.7	31.8	32.6	30.9	31.7	32.4
18-24 years	27.7	30.8	28.0	29.6	27.8	25.0
25-54 years	24.4	23.3	23.4	22.6	22.5	22.4
55-64 years	16.0	16.3	19.9	20.3	18.8	18.6
65 years and over	15.6	13.1	14.9	16.1	15.4	15.3

With the increase of age, at risk of poverty rate decreases, therefore in 2018, 32.4% of children aged to 17 years were at risk of poverty, then persons aged 18-24 years (25%).

Middle-aged generations (25-64 years) are under-average risk, while the lowest risk of poverty is recorded among citizens aged 65 years and over (15.3%).

**Table 8. At risk of poverty rate by sex, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
Male	24.9	24.2	24.4	24.5	24.2	24.1
Female	25.4	23.9	24.5	23.6	23.0	23.5

In 2018 at risk of poverty rate of men was 24.1%, and rate of women was 23.5%.

**Table 9. At risk of poverty rate by the highest attained level of education, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
Primary school and less than primary school	36.6	36.2	35.3	37.9	36.6	41.6
Secondary school, secondary non tertiary education	21.1	21.6	22.3	21.7	20.8	19.2
High education (Bachelor, Master and Doctoral level)	6.0	6.1	7.6	7.0	6.8	7.3

At risk of poverty rate in 2018 significantly falls as the level of education rises: from 41.6% for persons with unattained or attained primary school, over 19.2% for persons with the secondary level of education attained, to 7.3% for persons with high education.

**Table 10. At risk of poverty rate by the most frequent activity status (18 years and over), %**

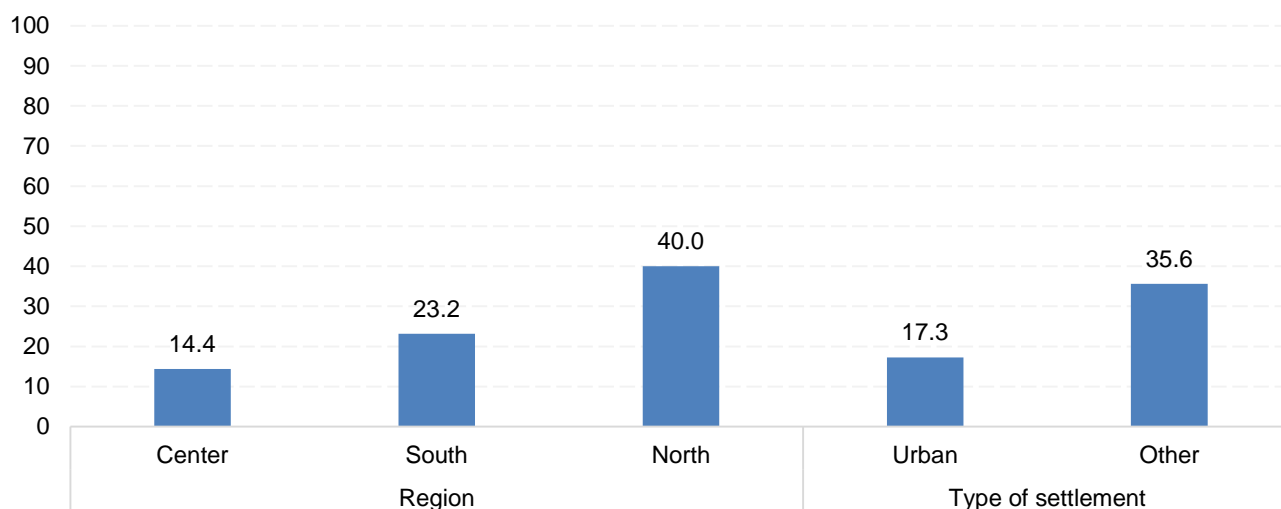
	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
Employed at employer	5.5	7.2	6.1	6.6	5.9	6.1
Self-employed	10.9	12.1	18.9	16.0	19.8	16.4
Unemployed	49.0	43.7	44.0	42.2	44.8	47.5
Pensioners	12.1	12.9	13.4	15.1	13.6	11.7
Other inactive	30.0	32.0	33.4	32.9	31.0	31.1

At risk of poverty rate by the most frequent activity status<sup>6</sup> shows that 47.5% of unemployed were exposed to the risk of poverty in 2018. Self-employed persons have at risk of poverty rate higher than employed at employer (16.4% and 6.1%, respectively), since this category covers farmers whose incomes in kind are not

<sup>6</sup> Activity status is defined based on the statement of respondent on his/her own status that lasted over 6 months in the year preceding the surveying year.

included in the income, as well as family workers<sup>7</sup> in households with no income by definition. Among pensioners, at risk of poverty rate in 2018 was 11.7%. The lowest risk of poverty had employed at employer 6.1% in 2018.

**Graph 2. At risk of poverty rate by regions and type of settlement, 2018, %**



In 2018, 40.0% of population of northern region<sup>8</sup> was at risk of poverty, while population of central region had the lowest risk of poverty 14.4%.

The risk of poverty is present for every third resident of rural areas (35.6%). At risk of poverty rate in urban area was 17.3% in 2018.

<sup>7</sup> Family workers are persons helping family members in work or keeping family business/individual farms, without any compensation.

<sup>8</sup> Lower income of population in northern region compared to other regions can be explained to a certain degree by a dominant share of agriculture. Disposable income does not include the value of household's production for its own needs. The income from production of goods for own needs means the value of food and beverages produced and consumed by household for its own needs. In both rural areas and in northern part of Montenegro, the standard of population largely depends on the own production. Monetary income of population engaged in the own production can be very low and indicates to a very low standard what does not need to be the case due to the important value of own production.

### 3. Material deprivation and social exclusion indicators

**Table 11. Material deprivation rate by number of material deprivation items, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
Three or more items	32.9	37.0	37.0	36.5	35.2	32.7
Four or more items	12.6	13.3	14.7	14.9	13.9	12.9
Five or more items	6.6	4.9	6.0	6.9	5.3	7.6

**Material deprivation rate** of 32.7% in 2018 shows the proportion of persons living in households that cannot afford at least three out of nine material deprivation items. **Severe material deprivation rate** of 12.9% in 2018 shows the proportion of persons living in households that cannot afford at least four out of nine material deprivation items. **Extreme material deprivation rate** of 7.6% in 2018 shows the proportion of persons living in households that cannot afford at least five out of nine material deprivation items.<sup>9</sup>

**Table 12. At risk of poverty rate or social exclusion rate and components of this indicator, %**

	2013	2014	2015	2016	2017	2018 <sup>(p)</sup>
At risk of poverty rate	25.2	24.1	24.4	24.0	23.6	23.8
Severe material deprivation rate	12.6	13.3	14.7	14.9	13.9	12.9
Proportion of persons living in households with low work intensity (0-59 years) <sup>10</sup>	22.6	21.6	19.1	20.0	19.4	19.2
<b>At risk of poverty or social exclusion rate</b>	<b>37.3</b>	<b>37.5</b>	<b>35.9</b>	<b>34.6</b>	<b>33.7</b>	<b>31.4</b>

Indicator at risk of poverty or social exclusion rate (AROPE) represents a combination of at risk of poverty rate, severe material deprivation rate, as well as rate of households with very low work intensity. At risk of poverty rate or social exclusion in 2018 was 31.4%.

It is considered for persons to live at risk of poverty or social exclusion if they are at least in one out of three or all three previously mentioned poverty dimensions. Some persons are in the same time in two or three poverty categories and due to this it is impossible to observe this indicator as a sum of individual components, since this observation of indicators would lead to double counting in certain cases. Therefore, this indicator represents a combination, not the sum of three previously mentioned components.

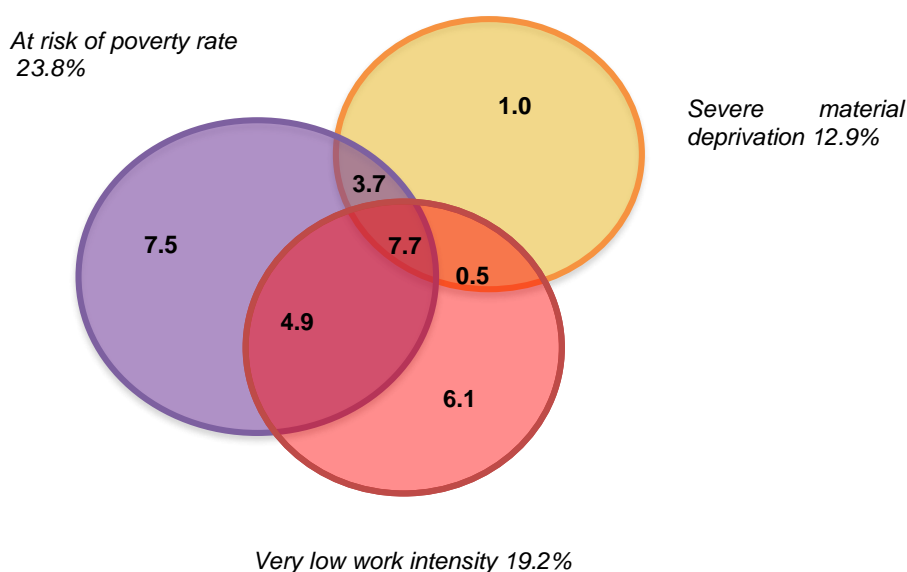
Observing by components of at risk of poverty or social exclusion indicator, in 2018, the risk of income poverty was 23.8%, while 12.9% of population in Montenegro that live in households having reported that cannot afford at least four out of nine material deprivation items. When the work intensity is observed as a component of this indicator, 19.2% of Montenegro population aged 0 to 59 years, live in households with very low work intensity.

Considering that this indicator at risk of poverty or social exclusion rate is represented by three different risk categories, it is possible to calculate different combinations of risk between these categories, as well as every individual risk category.

<sup>9</sup> For the details on the material deprivation, see the methodological part of the release.

<sup>10</sup> Share of persons living in households with very low work intensity as a component of at risk of poverty or social exclusion indicator, measures the share of persons aged 0-59 years living in households where persons of working age worked during the reference period less than 20% of their total working potential.

**Graph 3. At risk of poverty or social exclusion rate in Montenegro, 2018<sup>(p)</sup>, %**



Proportion of people in Montenegro, who are at the same time in all three categories (they are at the risk of poverty, severe materially deprived and live in households which have very low work intensity) in 2018 was 7.7%.

#### 4. At risk of poverty and inequality indicators

In cooperation with UNICEF, Statistical Office calculated a certain set of indicators which refer to the relative poverty of children, presented in this release also for 2018.

**Table 13. At risk of poverty rate of children during years, %**

	2013	2014	2015	2016	2017	2018(p)
At risk of poverty rate of children during yeras	34.7	31.8	32.6	30.9	31.7	32.4

EU-SILC survey data for 2018, shows that at risk of poverty rate of children is 32.4%.

**Table 14. At risk of poverty rate of children during years by highest level of education attained by parents, %**

	2013	2014	2015	2016	2017	2018(p)
Less than secondary	77.0	74.2	75.9	76.8	77.8	83.6
Secondary level	36.5	34.6	35.3	33.2	34.8	31.1
Higher level	9.6	8.7	13.3	10.5	8.0	11.6

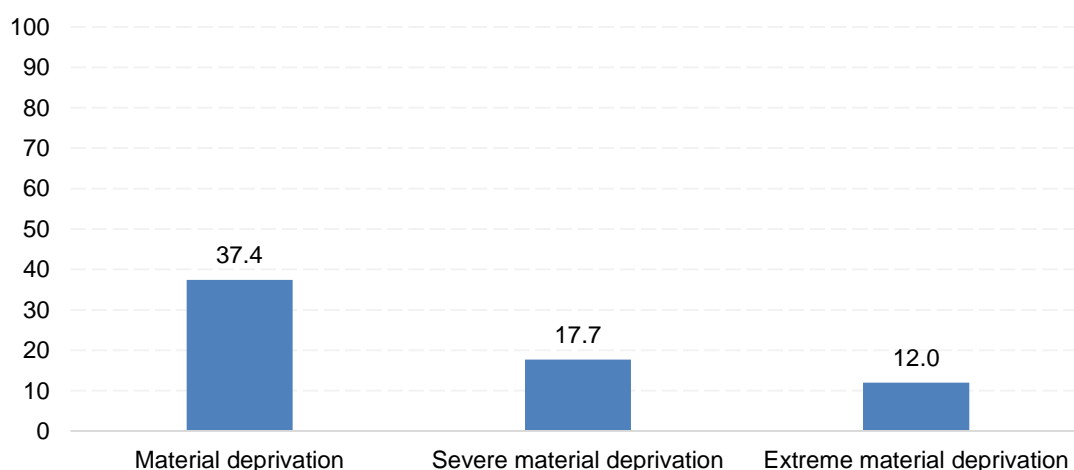
Table 14 shows that in 2018 were 83.6% of children whose parents are with lower than secondary level of education (ISCED: 0-2) at risk of poverty. With the increase in the level of education of parents, the rate of children at risk of poverty decreases, dropping down to approx. one third when observing children of parents with level of education up to the secondary level (ISCED: 3-4). The rate additionally drops down to 11.6% when the children of parents with the high level of education are observed (ISCED: 5-8).



The classification of educational activities is based on ISCED – the International Standard Classification of Education, UNESCO 2011 version<sup>11</sup>. It has the following categories:

- 0 — early childhood education
- ISCED 1 — primary education
- ISCED 2 — lower secondary education
- ISCED 3 — (upper) secondary education
- ISCED 4 — post-secondary non-tertiary education
- ISCED 5 — short-cycle tertiary education
- ISCED 6 — Bachelor’s or equivalent level
- ISCED 7 — Master’s or equivalent level
- ISCED 8 — Doctoral or equivalent level

**Graph 4. Material deprivation rate of children, 2018<sup>(p)</sup>, %**



Graph 4 shows three levels of material deprivation among children in 2018. The rate of material deprivation was 37.4%, severe material deprivation 17.7%, and extreme material deprivation 12%.

**Tabela 15. At risk of poverty or social exclusion (AROPE) rate for children during years, %**

	2013	2014	2015	2016	2017	2018(p)
At risk of poverty or social exclusion rate for children during years	43.0	44.9	42.2	40.1	40.3	39.4

AROPE is a standard Eurostat’s variable defined as a sum of all persons who are at risk of poverty or severe material deprivation or live in households with very low work intensity. In 2018 this rate was 39.4%, while in 2017 it was 40.3%.

<sup>11</sup> More information available at [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Children\\_at\\_risk\\_of\\_poverty\\_or\\_social\\_exclusion#Impact\\_of\\_parents.E2.80.99\\_education\\_level\\_on\\_risk\\_of\\_poverty](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Children_at_risk_of_poverty_or_social_exclusion#Impact_of_parents.E2.80.99_education_level_on_risk_of_poverty)

## 5. International comparison of at risk of poverty, inequality and social exclusion, 2017-2018

**Table 16. Poverty indicators, comparable overview of data with the EU countries and countries in the region, 2017**

	At risk of poverty rate %	At risk of poverty or social exclusion rate %	At risk of poverty rate before social transfers (pensions included in income) %	At risk of poverty rate before social transfers (pensions not included in income) %	Gini coefficient	Inequality of income distribution – income quintile share ratio (S80/S20)
EU-28	16.9	22.4	25.6	43.8	30.6	5.1
Austria	14.4	18.1	24.9	43.4	27.9	4.3
Belgium	15.9	20.3	26.3	43.9	26.0	3.8
Bulgaria	23.4	38.9	29.2	44.8	40.2	8.2
Czech Republic	9.1	12.2	15.8	35.2	24.5	3.4
<b>Montenegro</b>	<b>23.6</b>	<b>33.7</b>	<b>31.4</b>	<b>46.6</b>	<b>36.7</b>	<b>7.6</b>
Denmark	12.4	17.2	25.3	40.5	27.6	4.1
Estonia	21.0	23.4	28.9	39.3	31.6	5.4
Finland	11.5	15.7	26.7	43.7	25.3	3.5
France	13.2	17.0	24.0	45.2	28.8	4.3
Greece	20.2	34.8	24.0	50.8	33.4	6.1
Netherlands	13.2	17.0	21.9	38.0	27.1	4.0
Croatia	20.0	26.4	26.6	43.2	29.9	5.0
Ireland	15.6	22.7	32.9	42.6	30.6	4.6
Island	:	:	:	:	:	:
Italy	20.3	28.9	25.2	45.4	32.7	5.9
Cyprus	15.7	25.2	24.5	37.5	30.8	4.6
Latvia	22.1	28.2	28.3	40.0	34.5	6.3
Lithuania	22.9	29.6	29.8	42.3	37.6	7.3
Luxembourg	18.7	21.5	29.0	47.0	30.9	5.0
Hungary	13.4	25.6	25.0	46.6	28.1	4.3
North Macedonia	22.2	41.6	25.9	40.8	32.4	6.4
Malta	16.7	19.3	23.9	37.5	28.2	4.2
Germany	16.1	19.0	24.1	42.2	29.1	4.5
Norway	12.3	16.0	26.2	41.3	26.1	3.9
Poland	15.0	19.5	24.0	44.2	29.2	4.6
Portugal	18.3	23.3	23.6	45.2	33.5	5.7
Romania	23.6	35.7	28.3	47.5	33.1	6.5
Slovakia	12.4	16.3	17.5	37.4	23.2	3.5
Slovenia	13.3	17.1	24.0	41.5	23.7	3.4
Spain	21.6	26.6	28.4	45.1	34.1	6.6
Serbia	25.7	36.7	31.6	51.3	37.8	9.4
Switzerland	15.5	18.1	24.5	38.1	30.1	4.6
Sweden	15.8	17.7	29.3	44.2	28.0	4.3
Turkey	22.2	41.3	24.3	39.9	43.0	8.7
United Kingdom	17.0	22.0	29.2	43.1	33.1	5.4

: Data is not available

Source: Eurostat- <https://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>

**Table 17. Poverty indicators, comparable overview of data with the EU countries and countries in the region, 2018**

	At risk of poverty rate %	At risk of poverty or social exclusion rate %	At risk of poverty rate before social transfers (pensions included in income) %	At risk of poverty rate before social transfers (pensions not included in income) %	Gini coefficient	Inequality of income distribution – income quintile share ratio (S80/S20)
EU-28	17.1	21.9	25.6	43.8	30.9	5.2
Austria	14.3	17.5	25.2	43.3	26.8	4.0
Belgium	16.4	19.8	25.1	42.4	25.6	3.8
Bulgaria	22.0	32.8	29.5	45.3	39.6	7.7
Czech Republic	9.6	12.2	15.6	34.0	24.0	3.3
<b>Montenegro<sup>12</sup></b>	<b>23.8</b>	<b>31.4</b>	<b>31.2</b>	<b>45.0</b>	<b>34.8</b>	<b>7.4</b>
Denmark	12.7	17.4	24.1	39.2	27.8	4.1
Estonia	21.9	24.4	29.9	38.7	30.6	5.1
Finland	12.0	16.5	25.9	43.2	25.9	3.6
France	13.4	17.4	24.1	45.9	28.5	4.2
Greece	18.5	31.8	23.2	50.0	32.3	5.5
Netherlands	13.3	16.7	21.8	37.9	27.4	4.1
Croatia	19.3	24.8	25.7	42.9	29.7	5.0
Ireland	14.9	21.1	30.9	41.0	28.9	4.2
Island	:	:	:	:	:	:
Italy	20.3	27.3	25.9	45.8	33.4	6.1
Cyprus	15.4	23.9	24.2	36.9	29.1	4.3
Latvia	23.3	28.4	28.8	39.2	35.6	6.8
Lithuania	22.9	28.3	29.7	41.8	36.9	7.1
Luxembourg	18.3	21.9	27.5	46.0	33.2	5.7
Hungary	12.8	19.6	25.0	45.9	28.7	4.4
North Macedonia	:	:	:	:	:	:
Malta	16.8	19.0	24.2	37.0	28.7	4.28
Germany	16.0	18.7	24.0	42.1	31.1	5.07
Norway	12.9	16.2	26.7	42.6	24.8	3.7
Poland	14.8	18.9	24.8	44.8	27.8	4.3
Portugal	17.3	21.6	22.7	43.7	32.1	5.2
Romania	23.5	32.5	28.0	45.9	35.1	7.2
Slovakia	12.2	16.3	17.7	37.1	20.9	3.0
Slovenia	13.3	16.2	23.4	40.5	23.4	3.4
Spain	21.5	26.1	27.9	44.6	33.2	6.0
Serbia	24.3	34.3	29.6	48.7	35.6	8.6
Switzerland	14.6	17.4	24.2	38.7	29.7	4.5
Sweden	16.4	18.0	28.9	44.3	27.0	4.1
Turkey	:	:	:	:	:	:
United Kingdom	18.9	23.6	29.5	43.7	34.2	6.0

: Data is not available

Source: Eurostat- <https://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database>

<sup>12</sup> The data for 2018 are preliminary

## METHODOLOGICAL EXPLANATIONS

**Disposable income of household** is the income, after paid tax and contributions, available to household for spending and saving. Components of disposable income of the household comprise:

- Cash income from work (for employees and self-employed),
- Income from capital,
- Pensions,
- Social transfers and other transfers received by households from persons who are not household members.

Disposable income **does not include**:

- Income from grey economy,
- Savings and received gifts,
- Benefits in kind (value of household production for own needs).

Income from the production of goods for its own needs implies the value of food and drinks that the household only produces and consumes for its own needs. In rural areas as well as in the northern part of Montenegro, the standard of the population largely depends on its own production. The monetary income of the population dealing with its own production can be very low and indicate a very low standard which does not have to be the case because of the significant value of its own production.

**Cash income from work** includes income from the main job and additional jobs paid by employer (earnings, overtime, funds obtained by distribution of company profits, winter goods, hot meals, 13<sup>th</sup> salary, etc.) as well as income that a person generates on the basis of the independent organization of business activity.

**Income from capital** includes income from interest on savings and deposits, dividends and income from renting land, apartment or other real estate.

**Social transfers** include unemployment benefits, sick leave, child allowance, maternity leave, as well as other monetary social benefits paid by the state.

**Net private transfers** include regular financial assistance that the household provides or receives from a person living in another household in the country or abroad.

**Equivalised disposable income** is the total disposable household income evenly distributed among the members of the household according to the modified OECD equivalence scale. The function of the OECD scale is to enable a comparison of the well-being of households with different demographic characteristics. The costs of different household members are not mutually equal since: a) there is an economy of scope, i.e., each additional member brings increasingly fewer costs than the first one, because some costs remain fixed or almost fixed, b) subsistence of children costs less than that of adults. Therefore, total disposable income of the household is not divided by the number of actual household members, but with the adjusted number created from the equivalence scale which is used to adjust the size of the household. According to this scale, the first adult member of the household receives a value of 1, the every other adult aged 14 and over value 0.5 and children under 14 receive a value of 0.3.<sup>13</sup> The income thus obtained by an equivalised adult is granted to each member of the household, whether adult or children.

**At-risk-of-poverty threshold** (relative poverty line) represents 60% of the median of national equivalised disposable income of all households and it is presented in euros.

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<sup>13</sup> For example, if a one-person household has available income of 5 000 euro, its equivalised income will also be 5 000 euro ( $5\,000/1=5\,000$ ). However, if the household has four members, two adults and two children under the age of 14 according to this scale ( $1 \times 1 + 1 \times 0,5 + 2 \times 0,3 = 2,1$ ), the equivalised disposable income per equivalent adult member will be 2 381 euros ( $5\,000/2,1=2\,381$ ) and assigned to each member of the household, either adults or children.

**At risk of poverty rate** means a share of persons (in the total population) whose equivalised income is below the relative poverty line. These persons are not necessarily poor, but they are at higher risk to be poor. As its name suggests, this indicator does not measure the level of poverty, but the risk that the included individual is to be poor, i.e. to have difficulties in providing means for a standard usual for his/her country. Considering that population, i.e. their disposable income is compared with one another, and not with some objective benchmark, it can be said that the risk of poverty rate is more a measure of income distribution inequality, than an indicator of poverty. It does not show how many persons are poor, but how many have disposable income below the risk of poverty. In order to have comparable data on poverty, it is important to use the same poverty line, as well as definitions of key concepts. At risk of poverty rate is used in all European countries as a basic indicator of relative poverty. This indicates that its main advantage is comparability. However, if it is viewed independently from other indicators of relative poverty, it can lead to a wrong conclusion. The comparison of at risk of poverty rate between countries does not sufficiently take into account the differences in living standards. The risk of poverty in richer societies can be equal to that of less developed societies. For example, a person who is relatively poor in a rich country, usually has smaller material deprivation than a person living in a country where the general living standard is low. In these countries, the probability that more things for living are missing is higher, but the relative poverty rate is lower because the general living standard in the country is low, i.e. the difference between the poor and living standards of all the rest is smaller. In this way, in 'richer' countries, the poor can be considered those who could be out of poverty line in 'less rich' countries.<sup>14</sup>

**Relative at risk of poverty gap** represents a difference between the at risk of poverty threshold and the median of equivalised income of the persons below the risk of poverty threshold.

**Dispersion around the at risk of poverty threshold** shows the percentage of people at risk of poverty rate when the relative poverty line is set at 40%, 50% or 70% of the median equivalised income.

**Persistent at risk of poverty rate** shows the proportion of persons in the overall population at risk of poverty in the current year and at least in two of the previous three years. It means that this indicator includes those who have been at risk of poverty for at least three years in the last four years. They belong to permanently endangered. This calculation is done on the basis of the longitudinal component of the EU-SILC: for four years, one part of the sample does not change (rotation panel), so that it is possible to monitor the same individuals and households for four years.

**Quintiles** - are observed in the distribution of population ranked by some feature in 5 equal parts (each part contains 1/5, or 20% of the population). In population of 1 000 people, sorted according to the amount of income/consumption, the first quintile is the value of income/consumption of 200 persons in a row.

**Quintile share ratio (S80/S20)** compares the total equivalised disposable income of the upper income quintile (20% of the population with the highest equivalised income) with those from the lower income quintile (20% of the population with the lowest equivalised income). It is an indicator of income inequality which measures the relationship between the first and fifth income distribution quintals.

**Gini coefficient** in this survey represents the measure of inequality in the distribution of equivalised disposable income. The value of this coefficient goes within the interval from 0 to 1, where 0 represents perfect equality, i.e. each person in society has equal income. The closer to 1 the value is, the income inequality is higher.

**Material deprivation**<sup>15</sup> of household is an indicator of the material conditions that influence household life quality. The items of material deprivation are:

- 1) Inability of the household to keep its home adequately warm;
- 2) Inability of the household to afford the washing machine;
- 3) Inability of the household to afford a car;

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<sup>14</sup> For example, a person with equivalised disposable income of 20 000 euro in a country with high living standards in which the relative line is 30 000 euro, is at the risk of poverty. However, with this income of 20 000 euro in less developed country with lower income of citizens where the relative line is set at lower level of, for example, 8 000 euro, this person would not be below the relative line, but he/she would belong to the group of citizens with high income.

<sup>15</sup> Inability to afford certain items of material deprivation is based on the subjective estimate of individual if his/her household can afford some items of material deprivation.

- 4) Inability of the household to afford paying for one-week annual holiday away from home;
- 5) Inability of the household to afford unexpected financial expense from own funds;
- 6) Inability of the household to afford a telephone;
- 7) Inability of the household to afford a colour TV;
- 8) Inability of the household to afford a meal with meat or fish every second day;
- 9) Being in arrears with mortgage or rent payments, utility bills, hire purchase instalments or other loan payments for a dwelling in which household lives.

**Material deprivation rate** is an indicator of financial inability of a household to afford at least 3 out of 9 possible items of material deprivation.

**Severe material deprivation rate** is an indicator of financial inability of a household to afford at least 4 out of 9 possible items of material deprivation.

**Work intensity** represents a ratio between total number of months in which all working-age household members have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period. A working-age person is a person aged 18–59 years, with the exclusion of students in the 18–24 age group. The work intensity is defined as very low (0-0.20), low (0.20-0.45), medium (0.45-0.55), high (0.55-0.85) and very high (0.85-1). For example, low work intensity refers to households whose working-age members worked between 20% and 45% of the total number of months they could have possibly worked during a referent period.

**At risk of poverty or social exclusion rate (AROPE)** shows the share of individuals (in the total population) who are at risk of poverty or are severely materially deprived or live in households with very low work intensity.

**The most frequent activity status** represents the status of persons aged over 17 years which lasted over 6 months in the year preceding the year of survey.

### **Legal basis**

Survey on income and living conditions is conducted on the basis of the Law on Official Statistics and Official Statistical System of Montenegro (Official Gazette of Montenegro No 18/12 and 47/19).

Data are published according to [Statistical Release Calendar](#).

### **Basic information about survey**

Survey on income and living conditions is an annual survey regularly implemented by Statistical Office from 2013.

Data sources are households and its members residing in the territory of Montenegro at the time of data collection.

Survey units are households at the territory of Montenegro selected by a random sample method, as well as all household members aged 16 and over.

Sample size for this survey is approx. 5 200 households in average.

### **Obligation to protect individual data**

Confidentiality of the individual data of the households and persons is provided completely.

Survey on income and living conditions (EU-SILC) was conducted by Statistical Office (MONSTAT) in September and October 2018.

The last published data is considered as preliminary and becomes final, in defined deadline, predicted by Statistical Release Calendar.

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