

UDC 330

**THE COMPARATIVE ANALYSIS OF THE STANDARD OF LIVING INDICATORS:
LATVIA AND BELARUS****SINTIJA BATARE, DAINA ZNOTINA**
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The author has made a research by comparing the standard of living indicators of Latvia and Belarus. Because of the limited amount of research paper volume the author investigated the most important indicators – GDP, demographics, employment, as well as some indexes like Human development index, Quality of life index and Level of happiness.

Introduction. With the collapse of the Soviet Union over 25 years ago Latvia and Belarus gained the independence and the ability to govern state policy by them. Since Latvia and Belarus are neighbours, the transnational transit and various co-operation agreements are bounding these countries, therefore it is essential to examine what the differences in the standard of living in both countries today are.

The aim of the research is to analyse and compare the standard of living indicators of Latvian and Belarus.

The research methods are presented by the monographic and comparative analysis.

The tasks of the research are the following:

1. To study the concept of the standard of living and to identify the most important indicators characterising the standard of living;
2. To compare various indicators that characterise Latvian and Belarusian standard of living;
3. To express the conclusions and proposals.

The main part. A full-fledged life has always been a significant topic in philosophy, social thought and each person's personal life [1]. The quality of life is a multi-dimensional and broad concept, which characterise welfare of individuals, social groups and the general public. The quality of life consists of many components, the ones which are objectively affecting people's lives and ones that are an evaluation of the subjective level of satisfaction with life.

Both the economic and social development together constitutes the environment that is necessary for the well-being of people, and the increase of quality of life therefore also raising the standard of living [2].

The notion of the standard of living has been defined in different ways. Ministry of Economics of Latvia defined standard of living as follows: "Degree of satisfaction of material and cultural needs of the inhabitants" [3]. European Union (EU) glossary of terms (2004) which is accessible in the database of Latvian Academy of Sciences webpage, standard of living is defined as "the amount of goods and services that a person can purchase for gained income, i.e., the real value of income. It depends on the value of goods and services produced per person. The standard of living can be improved only by increasing production and productivity" [4]. Consequently, this definition claims that the standard of living is mostly affected by the Gross Domestic Product (GDP).

As mentioned in the European Union statistics database *EUROSTAT*, GDP is a quantitative indicator, which means that it is impossible to determine how wealth is distributed among people inside of the country. Consequently, to identify and compare the standard of living in the EU between the various member states, for statistical purposes the 8 + 1 dimensions of quality of life is used, which describes indicators such as [5]:

1. Material living conditions (income, consumption and material conditions).
2. Productive or main activity.
3. Health.
4. Education.
5. Leisure and social interactions.
6. Economic and physical safety.
7. Governance and basic rights.
8. Natural and living environment.
9. +Overall experience of life.

Thus, the author can conclude that the indicators of the standard of living can be divided into 3 categories, which are (1) economic indicators (GDP, employment and unemployment, household income, etc.), (2) social indicators (demography, education, health, etc.) and (3) subjective indicators (quality of life assessment).

The standard of living and also the quality of life can be evaluated using various indexes, such as Gender Equality Index, Human Poverty Index and Quality of life index and others. Within The United Nations (UN) Development program, every year the majority of world countries are placed on the Human development index

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(HDI) ranking by calculating different indicators of the country and combining them. Its determination involves the use of criteria such as life expectancy at birth, which can be predicted by demographic characteristics, education level and income (gross national income per capita) [6].

None of the indexes is a perfect indicator, since absolutely all aspects of human development are not possible to cover, as well as many indexes are collected only among EU countries, however, these indexes provide a relatively clear picture of the development trends in various countries and regions. [7].

The author of the research, as the leading indicators to evaluate standard of living, choose to compare the demographic indicators, GDP, unemployment and other indicators, as well as the HDI and the Quality of life index.

As a first indicator to compare the two countries, the author used demography, that is, the number of inhabitants, the breakdown of inhabitants by place of residence and the life expectancy (Table 1). According to the latest information, Belarus population is 9,505 million, while the Latvian is only 1,969 million. In both countries, the population over the years has fallen since gaining the independence, but in the last two years, the Belarusian population growth rate is positive, which could not be said about Latvia.

Table 1 – Demographic comparison of Latvian and Belarus

Indicator	Latvia	Belarus
Population (2005), million	2,250	9,697
Population (2010), million	2,121	9,500
Population (2016), million	1,969	9,505
Population by place of residence (%):		
– urban	68 (2016)	77 (2014)
– rural	32 (2016)	23 (2014)
Life expectancy at birth, years	74,3 (2014)	72,6 (2013)

Source: [8–9].

As shown in Table 1, a population of Latvia in 2016 compared to 2005 decreased by 12.49%, while in Belarus at the same period by 1.98%, which can be explained by the low birth rates in Latvian, as well as migration to other EU countries with better living conditions. In Latvian higher proportion of the population is living in the rural areas. Life expectancy is an important indicator (calculated with a special computer program), as it reflects the nation's health, while health depends on the living conditions and the figure in Latvia (74,3 years) is better than in Belarus (72,6 years).

According to the Latvian Central Statistical Bureau, the GDP is a volume of produced final products and services in total during the year in the certain territory. It is calculated using data on domestic production, expenditure and income [10]. Table 2 summarises the GDP figures. To compare GDP of Latvia and Belarus, the author chose to use International Monetary Fund data which is available in dollars, whereas the Belarusian Ruble exchange rate is quite volatile and the currency is repeatedly denominated [11].

Table 2 – GDP and GDP per capita in Latvian and Belarus (Real and Deflator)

Indicator	Latvia	Belarus
GDP, Real	\$ 27,95 billion	\$ 48,12 billion
GDP per capita, Real	\$ 14 141	\$ 5 092
GDP, Deflator	PPP \$ 50,87 billion*	PPP \$ 165,36 billion*
GDP per capita, Deflator	PPP \$ 25 740*	PPP \$ 17 496,5*

Note: * – an International dollar would buy in the cited country a comparable amount of goods and services a U.S. dollar would buy in the United States.

Source: [12].

In terms of real and deflator GDP, Belarus numbers are higher, but it is important to take into account the fact that in Latvia goods and services per capita are produced at higher numbers, which means that, according to this indicator, economic situation is better in Latvia than Belarus. Since the GDP is used to provide a broad overview of the national economy, therefore assessment of the specific country's standard of living only by GDP cannot be done.

By analysing the HDI index of Latvia and other Baltic countries, the author concluded that HDI in 2015 (last data collected) placed Latvia in the 46th place among 188 countries (index value 0,819) [13]. Lithuania ranks in the 37th place [14], while Estonia is at the 30th place [15], which means that all three Baltic countries

are in a high Human Development Index group (high HDI (0,800 and above) Medium HDI (0,500-0,799); low HDI (below 0,500)). According to HDI, Belarus among all countries is in the 50th place with an index value of 0,798 [16], which correspond to the Medium Development Index group. The author has compiled a variety of standard of living indicators and internationally recognised indexes in Table 3.

Table 3 – Comparison of Latvia and Belarus standard of living indicators and indexes 2015

Indicator/index	Latvia	Belarus
Human development index	0,819	0,798
Gini coefficient of income inequality	36	26,5
Employment to population ratio (% ages 15 and older)	53,8	52,7
Employment in services (% of total employment)	68,1	49,9
Total unemployment rate (% of labour force)	11,9	6,1
Youth unemployment rate (% of labour force ages 15-24)	23,2	12,5
Homicide rate (per 100,000 people)	4,7	5,1
Internet users (% of population)	75,8	59
Environmental sustainability: Carbon dioxide emissions per capita (tonnes)	3,8	6,7
Quality of life index (2015) (place in ranking among 34 European countries) [6]	23	28
Ranking of Happiness (2012-2014) [17] (place in ranking among 158 countries)	89	59

Source: [13, 16].

The biggest advantage of HDI is that the countries with low-income level are able to score higher than might be expected, because even essential GDP growth still can make a relatively small contribution to human development and improvement on Standard of living in the country. The Gini coefficient reveals income inequality. If Gini coefficient value is 0, then there is absolute equality of income (all citizens have the same income), but the more it is approaching a value of 100, the greater the income inequality. Thus, it can be concluded that the Latvian income inequality is higher than in Belarus. As shown in Table 3, the employment rates in Belarus is much more successful, and the unemployment rate is lower (6.1%), as well as the youth unemployment rate (12.5%), and, as the Latvian youth lack employment opportunities, they are going to other EU countries, which leads to have a negative impact on the national economy and on the demographics in the long term. Among European countries, the Quality of life index in Latvia is higher than in Belarus, but with life, in general, more satisfied and happier is the Belarusians. In terms of security and environmental sustainability Latvian indicators are better, so it can be assumed that the living environment is more favourable in Latvia than in Belarus. Another important indicator is the number of the people employed in the service sector, as trends indicate, in the developed countries the services sector employs more than 70% of the population compared to the manufacturing sector [18], which can be seen also in Latvian figures in Table 3, unlike in Belarus where more people are employed in manufacturing.

Conclusions. After analysing the major indexes that characterise standard of living in the country (GDP per capita, the Quality of life index and the Human Development Index), Latvia was in a higher positions than Belarus, but taking into account other indicators, the gap between the countries does not seem that major, besides, according to the Ranking of happiness, Belarusians are happier about their life.

But it should be emphasised that there are significant problems in both countries – in Belarus it is the currency instability, whereas Latvia faces the depopulation and unemployment.

By continuing to develop and improve this research further the author should increase comparable determining indicators of standard of living for comparison, as well as accurately assess the importance of each of the quality of life indicators to better compare the standard of living in both countries.

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