



MONTENEGRO
STATISTICAL OFFICE

METHODOLOGICAL GUIDELINES
STATISTICS OF INCOME AND LIVING CONDITIONS (EU-SILC)

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The legal basis for the implementation of the survey on statistics of income and living conditions is the Law on Official Statistics and Official Statistical System of Montenegro ("Official Gazette of Montenegro", No. 18/12 from 30. 03. 2012, 047/19 from 12. 08. 2019) and Annual plan for statistical surveys.

Law on Official Statistics and the system of official statistics reporting units are obliged to give information and individual data obtained in the survey are protected and can be used only for statistical purposes.

METHODOLOGICAL GUIDELINES

The aim of survey

The European Union Statistics on Income and Living Conditions (EU-SILC) is an instrument aiming at collecting timely and comparable cross-sectional and longitudinal multidimensional micro-data on income, poverty, social exclusion and living conditions. The survey provides two types of annual data:

- Data on income, poverty, living conditions in a certain time period (*cross-sectional data*);
- Data which refer to individual-level changes over time, continuously observed over a four-year period (*longitudinal data*).

The main aims of the survey implementation are:

- Production of indicators of relative poverty, inequality and living conditions of citizens of Montenegro;
- Development of survey in line with the regulations and methodology of EUROSTAT;
- International data comparison;
- Improvement of cooperation with other institutions to promote/ensure use of administrative sources (registers) when implementing EU-SILC.

The data collection in the EU-SILC is done by face-to-face method using the paper version of questionnaire (PAPI interview method).

A reference population for EU-SILC survey are households and its members residing in the territory of Montenegro at the time of the data collection.

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

Household means:

- a) **Group of individuals** living together and together spending earned income (multi-person household),
- b) **Individual**, who lives, earns and spends his/her income alone (one-person household).

The survey units are also members of household temporarily away in the following cases:

- c) Household members temporarily away less than 12 months,
- d) Pupils and students considered to be household members, regardless of the duration of their absence from their household (for educational purposes),
- e) Individuals working or going to school in other place in the country or abroad, as long as they keep economic ties to the household or spend at least one month in the household over the reference year, and not having their own household.

This survey does not include:

- a) Collective households (hospitals, monasteries, prisons, etc.),
- b) Temporarily present persons (e.g. guests) who are members of other households,
- c) Individuals residing in other place in the country or abroad longer than 12 months,
- d) Sub-tenants living together with the household members in the same dwelling or house and do not share living expenses with them.

Sample

The framework for the household sample selection is the 2011 Population, Households and Dwellings Census. The household sample is a two-stage sample stratified by region (north, centre, south and Podgorica) and by type of settlement (urban, other), where units of the first stage are enumeration areas, and units of the second stage are households. The annual sample is approx. 5 200 households. Household substitutions are not allowed.

The sample follows the rotational scheme, which implies that a certain number of households remain in the sample (i.e. they can be interviewed) for four consecutive years. The total sample for each year is divided into four independent and non-overlapping subsamples – the so-called rotational groups, equal in size and sample design, which represent the whole population. Every year, one rotation group from the previous year is excluded from the sample and a new rotary group is included in the sample.

Territorial coverage

The EU-SILC survey is conducted in the territory of Montenegro and its processing provides the data for Montenegro.

Reference periods

Reference period means the period of time to which a particular item of information collected by the interview relates. EU-SILC uses different reference periods for different items, as it follows:

Income reference period is a 12 month-period, i.e. the previous calendar year.

Reference period for material deprivation is the day of the interview.

Child care reference period for children up to 12 years of age: refers a typical (usual) week around the interview. If the date of the survey is before or during the school summer holidays, then the child care reference period shall be a typical week in the period from January to the date of interview.

Survey implementation period

EU-SILC is implemented once a year, for a period of two months (the fieldwork of the survey is done in April and May).

Survey organization, preparation and implementation

Pursuant to the Plan of Statistical Surveys, Organization, Preparation and Implementation of EU-SILC survey, as well as collected data processing are done by Statistical Office and direct actors are interviewers and controllers.

Statistical Office performs all preparation tasks for proper and successful survey implementation. For this purpose, it also performs the tasks, as it follows: survey methodology production; questionnaire drafting; determining framework for reporting unit selection; performing selection and make an address list of reporting units; survey material printing and its delivery to interviewers.

Interviewer must perform all tasks entrusted to him/her in responsible and timely manner. Interviewer must attend the entire training after which testing will be performed. In case, he/she does not attend the training and does not pass the test, interviewer cannot perform the interviewing. Interviewer must submit filled-in questionnaires to controllers.

Survey instruments

For the purpose of EU-SILC implementation, methodological instruments have been determined as it follows:

- List of households selected in sample - *Address list*.
- *SILC 1-01/A questionnaire* – comprises basic information on households and all household members, as well as whether household accepted to be interviewed or not. Basic information includes identification of household, address and contact

information, household structure, presence of household members in the household, moved out or deceased, moved in, and care for children up to 12 years of age.

- *SILC 1-01/B questionnaire* – contains detailed data on the very household, housing, i.e. life quality, owners of dwellings, tenants, household income and expenses, social benefits and family allowances, as well as data on value of products produced for own production.
- *SILC 1-01/C questionnaire* – contains the data on household members aged 16 and older, their education, economic activity (whether a person had job in reference week, as well as data on the main job, last job and active job search in the last 4 weeks), income (on the basis of workers employed at employer, and income on the basis of self-employment), health, and material deprivation.
- *Instructions for interviewers.*

Definitions

Household means group of persons living together, spending their income on food and together spending earned income, regardless of whether all members are located in a place where the household is inhabited or some of them stay for a long time in another settlement or a foreign country, for work, studying or for other reasons. Also, household means an individual who lives, earns and spends his/her income alone.

Disposable income of household is the income, after paid tax and contributions, available to household for spending and saving. It includes cash income from work, income from capital, pensions, social and other transfers received by households from persons who are not household members. Income defined like this does not include value of household production for own needs, benefits in kind and savings and received gifts. 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.

Cash income from work includes income from the main job and additional jobs paid by the employer (earnings, overtime, funds obtained by distribution of company profits, winter goods, hot meals, 13 salaries, 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.

Other 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 disposable household income evenly distributed among the members of the household according to the modified OECD equivalence scale. It is calculated when total disposable household income is divided with the equivalent size of a household that is calculated on the basis of a modified OECD scale. The procedure is used for determining the equal share of each household member in acquiring a common income. Thus, the amount of income per equivalent adult is given to each member of the household, either adults or children.

The modified OECD equivalency scale (Organisation for Economic co-operation and Development) is used in order to make the living standard for households different by size and structure comparable, by which disposable household income is reduced to the income per equivalent adult. 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. 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. 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 ($5\,000/2.1=2\,381$). 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: $1+0.5+(2*0.3) = 2.1$.

At-risk-of-poverty threshold (relative poverty line) is determined by calculating the equivalized income per household member for all households. After that, the middle value (median) of the income distribution is determined and 60% of the median is determined as the risk-of poverty threshold. The at-risk-of-poverty threshold is presented in euro.

At-risk-of-poverty rate represents a share of persons whose equivalised disposable income is below the at risk of poverty threshold. The at-risk-of-poverty rate does not show how many people are really poor, but how many have income below the at-risk-of-poverty threshold.

At-risk-of-poverty rate before social transfers is calculated based on income that is reduced by the value of social transfers and pensions. This indicator is used in combination with the basic at-risk-of-poverty rate to measure the impact of social transfers on the risk of poverty.

Relative at-risk-of-poverty gap represents the difference between the at-risk-of-poverty threshold and equivalised income median of the persons below the at-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 Survey on income and living conditions: 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 a population of 1 000 people, sorted according to the amount of income, 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 incoming inequality which measures the relationship between the first and fifth income distribution quintals.

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

Material deprivation of household is an indicator of the material conditions that influence household life quality. The material deprivation items 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;
- 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 expenses;
- 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, chicken, fish (or vegetarian equivalent) every second day;
- 9) Being in arrears with mortgage or rent payments, utility bills, hire purchase instalments or other loan payments.

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

Extreme material deprivation rate is an indicator of financial inability of a household to afford at least 5 out of 9 possible items of material deprivation.

Work intensity of a household means 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 if persons aged 17 years and over which lasted over 6 months in the year preceding the year of survey.

Harmonization with EU regulations

The statistics on income and living conditions are carried out in accordance with [Regulation \(EC\) No 1177/2003](#), which is the framework for the entire survey, as well as in accordance with DocSILC065 (Methodological guidelines and description of EU-SILC target variables).

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