

Economic indicators for analysing standards of living

[Business](#)



Professional Higher Education Bachelor's Programme " European business Studies" Course paper in Economics Economic indicators for analysis of living standards in Latvia and Scandinavian countries – Sweden and Norway

Author: Yevgeniya Grygorchuk Group D1A2 Supervisor: A. Petrovs Riga,

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Deep knowledge of economic indicators for analysis of living standards gives an opportunity to impartially evaluate and compare living standards in different countries such as Latvia, Norway and Sweden and suggest ways of improvements for Latvia in order to achieve high level.

Nowadays, in the period of the world economic crisis Latvia by many indicators is occupying a leading place of low living standards among European Union countries.

However, Scandinavian countries are recognized as the most attractive to live, work and study in. These countries serve as a good example for Latvia for imitation in order to provide its population with better living standards. * Course paper aim The intention of this report is to make a careful study of economic indicators that are used for thorough analysis of living standards in Latvia and the Scandinavian countries and find out how they reflect living standards in the countries. * Course paper tasks Identify what is meant by “living standards” and which economic indicators are used for analysis of living standards in the given countries * Determine how economic indicators reflect a level of living standards * Examine their numerical value in each

country * Using examples of the Scandinavian countries make suggestions for possible improvement for Latvia in order to achieve high living standards.

Theoretical basis What is usually meant by 'living standards'? Which economic indicators are used by statisticians and experts in the area of economics, demography and politics to define living standards in a country?

What affects standards of living? What factors do favour an increase of living standards? These and many others questions will be thoroughly examined in the theoretical part and obtained results will be used to analyse living standards in Latvia and Scandinavian countries - Norway and Sweden.

Definition of the term "living standards" Living standards of population may simply be defined as a scope of living conditions in accordance with reached level of country's economic advancement.

It concerns the physical circumstances in which an individual, a group or a nation live; the goods, services and luxuries they are able to consume; and the economic resources they have access to. In short standard of living reflects financial health of the population and its level of material comfort. However, standards of living include not only the ownership of privately bought consumer goods and services, but also aspects of living that cannot be purchased or are not under an individual's direct control, for example, environmental quality or services provided by the government.

Factors that influence an increase in living standards * Democracy. Since an amount of ordinary people is much bigger than an amount of gentles, advent of democracy meant that for the first time the government acts in the interest of the majority. The main achievement of democracy was a choice of

the government policy which has been supporting and helping traders and manufacturers, but not gentles. * Limited liability Company. In such business structure investors can lose only their investment volume and they are not responsible for debts which a company cannot meet.

Limited liability reduced risk of investment and therefore resulted in growth of investment. * Patent right for inventor's protection. Before patent right found legal force, inventors often faced a theft of their brainchild - before they had barely raised any money. Conceding exclusive rights, institution of patenting created financial stimulus to invent a great amount of inventions. * Wide spreading of literacy and education. Without highly educated inventors new technologies could not developed.

Without educated workers it was not possible to start mass production of inventions.

Consequently a decision of making primary education and then secondary education obligatory which many countries made, favoured swift and uninterrupted economic growth. Economic indicators for analysis of living standards Experts use a lot of different factors to define whether a country has ' high' or ' low' standards of living. As a rule, there is a fixed scope of economic indicators that is widely used to analyse, describe and compare living standards of countries. GDP per capita GDP per capita is an index that measures the amount of goods and services each person can enjoy. GDP per capita= GDP of the country/ Population of the country.

GDP per capita is one of the most often used indicators to compare living standards across the countries and it is considered to be a reasonable place

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to start an assessment of a country's living standard [4]. Like it was already recognized the major advantages to using GDP per capita as an indicator of standard of living are that it is measured frequently, widely (measure of GDP is available for practically every country in the world), and consistently (the technical definitions used within GDP are relatively consistent between countries, and so there can be confidence that the same thing is being measured in each country). [40] However, many experts refuse to use this indicator, as it is a measure of particular types of economic activity but not a measure of standard of living. It does not reflect true picture of well being of individuals living in a nation. " For instance, in an extreme example, a country which exported 100 per cent of its production and imported nothing would still have a high GDP, but a very poor standard of living". [40] The argument in favour of using GDP is that standard of living tends to increase when GDP per capita increases.

[40] Economic Growth and living standards

According to Richard G. Lipsey (1989), the single most important force leading to long-run increases in living standards is economic growth. " It's clear that the prosperity of a nation rests upon its ability to improve its productivity. The more successful it is in doing this, the greater will be its rate of economic growth. " (John Sloman, 2007) Economic growth refers to the growth of total (potential) national income.

Obviously, a lack of growth is a problem if people want higher standards of living. What happens to living standards depends also on the growth of population.

To measure the growth in a country's average living standards, we use per capita economic growth which is the rate of per capita national income (national income divided by the population). Government expenditures John Beardshaw (1992) supposes: " The type of government expenditure affects living standards. Expenditure on defence, for example, brings no immediate improvement to living standards whereas expenditure on hospital does. Many of the poorest countries of the world have their living standards depressed because the majority of the governments' budget goes on arms expenditure and upon debt interest.

Exports and imports Richard G. Lipsey prove in his book ' An Introduction to Positive Economics' that the argument that exports raise living standards by adding to aggregate demand, and imports lower them by subtracting from aggregate demand, is incorrect. " Exports raise national income by adding to the value of domestic output, but they do not add to the value of domestic consumption. In fact, exports are goods produced at home and consumed abroad, while imports are goods produced abroad and consumed at home.

The standard of living in a country depends on the goods and services available for consumption, not on what is produced. If exports were really good and imports really bad, then a fully employed economy that managed to increase exports without a corresponding increase in imports ought to be better off.

Such a change, however, would result in a reduction in current standards of living, because when more goods are sent abroad, the total goods available

for domestic consumption must fall. The living standards of a country depend on the goods and services consumed in that country.

The importance of exports is that they permit imports to be made. This two-way international exchange is valuable because more goods can be imported than could be obtained if the same goods were produced at home. ” (G.

Lipsey, 1989) Leisure “ Leisure is also a complicating factor when we are trying to assess or compare living standards. If, for example, the GDP were to remain constant but the average working week were to decline then we could say that the quality of life had improved, even though this would not show up in the GDP figures. (John Beardshaw, 1992) Not only the economic indicators that are mentioned above are used to examine standards of living, but also such measures like cost of living and annual per capita income, availability of natural resources, housing affordability, demographics: the population with low incomes, crime rate, the standard of health care, household crowding. Nevertheless, some countries use their own indices like level of happiness and even body mass index as an indicator of living standards in developing countries. 13] Analysis of living standards of the members of population covers three aspects: comparison of dynamics of economic indicators with dynamics of previous years, confrontation of economic indicators with scientific standards, and comparison with other countries. Economic indicators of a country’s living standards could be considered as a generalized, reflecting aggregate consumption and possibilities of such consumption; and as a relative, describing certain side of welfare of the population.

Typical generalized indices are level and dynamics of nominal and real income of the members of population, aggregate consumption of goods and services. Peculiarity of these indicators lies in the fact that they reflect not only absolute changes in standard of living of the population but also relative dynamics counting on per capita, a family, a thousand or 10 thousand of people. The second type of indicators is defined in relative terms: consumption of food, other consumer goods, provision an individual, a family or a thousand with public health services, education and with public transport. 47] All above-listed information will be used in the next chapter of the course paper in order to analyse living standards in Latvia, Sweden and Norway and to compare Latvia's standards of living with Scandinavian countries. Countries' profiles in brief Norway Norway is a highly developed, industrial country with an open, export-oriented economy. Norway, with its population of 4.

6 million, is recognized as one of the richest countries in the world. It has also achieved top-rankings with regard to standard of living, life expectancy, and overall health and housing standards. 28] " Huge stocks of natural resources combined with a skilled labor force and the adoption of new technology made Norway a prosperous country during the nineteenth and twentieth century" (Ola Honningdal, 2008) Norway is the only Scandinavian country which is not a member of the European Union, as Norwegians voted against the joining the EU. Sweden " Sweden is a typical Scandinavian economy. Severe poverty has been eliminated because the welfare system covers every Swede from the cradle to the grave.

" (Ralph T. Byrns, Gerald W. Stone) The country considered to be a miracle when it comes to living standards, as Sweden has been enjoying one of the highest living standards in the world. Sweden has been the member of the EU since 1995 and is a member of the OECD. Despite this fact, Swedes rejected the euro and still maintain its own currency, the Swedish krona. [39]

Latvia Latvia is one of the three Baltic States.

After re-establishing its independence in 1991, Latvia joined the European Union in the spring of 2004. It was one of the EU countries whose economy was developing and growing rapidly; consequently, standards of living were raising as well.

However, the living standards in Latvia remain the lowest in the European Union. Especially nowadays, when the Global crisis is affecting its economy badly and almost every individual feels the negative effect of recession. * *

Practical part Real GDP per capita Sweden.

According to The World Factbook of the year 2008 - a reference source produced by the Central Intelligence Agency of the United States, Sweden ranked 22 out of 230 world countries with its GDP per capita \$ 38, 500. 2. 1. 1 Picture. Sweden - GDP per capita (PPP) (US\$) [36]

It is clearly seen from the chart that Sweden's GDP per capita has been growing steadily.

It means that the amount of goods and services that every member of society enjoys has been growing from year to year. Latvia In 2008 GDP per capita in Latvia was \$17, 800 that place the country on the 67 position in The

World Factbook list " Country Comparison - GDP - per capita (PPP)". 2. 1. 2
Picture.

Latvia - GDP per capita (PPP) (US\$) [22] Latvia's GDP per capita has been fluctuating for the period of time of the last 33 years, correspondingly a conclusion can be drawn that standards of living have been changing as well.

Norway In the year 2008 Norway ranked 7 out of 230 countries and left behind such countries like the United States, Switzerland, Canada and Austria. Its GDP per capita in 2008 estimated \$55, 200. 2. 1.

3 Picture. Norway - GDP per capita (PPP) (US\$) [27] From 1975 GDP per capita has been increasing. The same picture is observed in Sweden. As a result, it is obvious that living standards has been improving in Sweden and Norway, and in 2008 they reached the highest level if it is taken into account that GDP per capita is the main indicator which reflects wellbeing of Sweden and Norway.

However, in order to obtain precise information concerning standards of living, other indicators should be thoroughly examined as well. Government expenditures Norway According to the Statistic Norway- official site- central government expenditure by ministry shows that Ministry of Health and Care Services has the highest expenditures \$15.

5 billion in 2007. Compared to other European countries a relatively large share of health expenditure in Norway is publicly financed. In 2008 per capita spending on health was \$ 7000 on average. The Ministry of Education and Research is another ministry with expenditure exceeding \$9. billion.

In 2007 Norway ranked 13 among 22 OECD countries. The government spent 41% of GDP. (Finland, World Statistics) It is planned to implement a pension reform in 2010 which will lead to a substantial increase in pension benefits.

(K. Stensnes and N. M.

Stolen , 2009) Total expenditure on social protection per head of population (PPS) in 2006 is 9900. 6. (Eurostat) Norway's government spends a great amount of money every year on health, safety and protection, social benefits, by that increasing standards of life of its citizens. Sweden

Sweden is often regarded as having the highest standards of living within the OECD area. It is at the head of the list of OECD countries with 53. 8 % of GDP spent by the government.

The differences in government expenditures can partly be explained by the different approaches to problems. In Sweden there is particularly heavy government expenditure on R; amp; D sector and on transfer payments such as old age pensions and sickness benefits. [4] Citizens are provided by the Sweden's government with a broad range of public services and social welfare benefits that guarantee minimum living standard.

All inhabitants are covered by national insurance. Total expenditure on social protection per head of population (PPS) in 2006 is 30. 7.

(Eurostat) All these measures taken by Scandinavian countries ensure high living standards at all times even during period of global economic crisis.

Governments of these countries spend a substantial part of their budget on health, education, protection and safety, insurance. As a result, every

individual feels governments' attention and concern for the good of everyone. Latvia

Under existing conditions of crisis Latvia is forced to reduce budget deficit to 7 % of GDP. Consequently, the government should find out the ways of economizing approximately Ls 345 mil. It has already discharged thousands of workers; as a result the unemployment rate has reached the level of 11 %.

The government has cut down salaries of employees, maternity benefits, child benefits, financing of some projects that help young people to work during summer holidays. It is planned to retrench the budget of public health in this year by Ls 62. mil, but next year - by Ls 61. 8 mil. [45] Undoubtedly, these arrangements will reduce somehow budget deficit, but they may result as well in worsening of living standards in the state and appearing of public unrest. Economic growth Norway According to the official site of Norway in the United States, the twentieth century represented a period of continuous vigorous economic growth in Norway.

It has actively implemented the restructuring measures needed to achieve high economic growth.

In 2007 gross national income exceeded \$ 82000 which was one of the highest in the world - thanks mainly to its huge offshore oil reserves and natural gas which account for 17 % of GDP and 65 % of export. [19] [1] Sweden " Modern economic growth in Sweden took off in the middle of nineteenth century and in international comparative terms Sweden has been rather successful during the past 150 years. This is largely thanks to the transformation of the economy and society from agrarian to industrial. " (L. <https://assignbuster.com/economic-indicators-for-analysing-standards-of-living/>

Schon, 2008) Other Scandinavian countries also grew rapidly but at a slower rate than Sweden.

According to Maddison (2006) in the mid-nineteenth century the Swedish average income level was close to the average global level. In a European perspective Sweden was a rather poor country. However, by the 1970s the Swedish income level was more than three times higher than the global average and among the highest in Europe. There were some formidable obstacles which slowed down economic growth in Sweden from the 1970s until early 1990s. A number of industries - such as steel works, pulp and paper, shipbuilding, and mechanical engineering - ran into crisis.

Sweden had a poorer GDP growth than the majority of industrialised countries. [31] However, from the 1990s up to 2005 Swedish growth accelerated quite forcefully in comparison with most Western economies. Sweden's gross national income in 2007 was \$ 49, 873. [1] Nevertheless, as many other world countries, in 2008 Sweden's economy experienced decrease because of the crisis. Latvia Latvia's economic performance was ranked among the best of the EU accession countries before late 2007 and it had the fastest growing economy in Europe. Between 2004 and 2007 Latvia's economy grew by 50 %.

In 2007 gross national income per capita in Latvia reached \$ 11, 930. However, the global economic crisis of 2008 hit the country hard; and Latvia's economic growth slowed down considerably, the 2008 second quarter GDP growth rate dropped to 0. 1 from 11 % just a year ago. [3] It was claimed that economy will reach its trough in the autumn of 2009 and will start recovering in the second half of 2010. (V. Dombrovskis) <https://assignbuster.com/economic-indicators-for-analysing-standards-of-living/>

Nevertheless, Economy Ministry and Finance Ministry of Latvia predict a slight increase in economic growth, reaching 3-4%.

Immediately after Latvia joined the EU living standards started rising rapidly. The great majority (96 %) of respondents, who were interviewed on standards of living in Latvia during 2004-2007, claim that exactly during this period of time the country was especially prosperous and living standards were growing correspondingly. However, nowadays they are decreasing sharply due to the economic crisis and the measures taken by the government in order to restore the economy of Latvia. Exports and imports Norway Foreign trade accounts for nearly half of Norway's national income.

According to WTO statistics, Norway was the world's 28th largest merchandise exporter, and the 37th largest importer, in 2004. For the most part Norway exports petroleum, machinery, transport equipment, metals and metal products, and fish.

It is among the world's top five exporters in the seafood, crude oil and shipping services sectors. The export value of Norwegian seafood was \$ 1.65 billion. This is an increase of 15% compared to the same period in 2008. Norway's principal trading partners are countries of European Union - the United Kingdom, which receives the largest portion of Norway's exported goods, Germany and Sweden.

Norway imports such goods as machinery, motor vehicles, ships, iron and steel, and food products, especially fruits and vegetables. The greatest contributor of imports to Norway is Sweden. [39] Sweden Sweden is an export-oriented market economy, which is highly dependent on

free international trade to maintain its living standard. Export accounts for about one-third of Sweden's GDP. Sweden mostly exports finished goods, dominated by engineering products - cars, telecommunications equipment, hydroelectric power plant equipment; and, increasingly, high technology and chemical- and biotechnology.

Together Germany, the United Kingdom, the United States, Norway, Finland, and Denmark account for about half of Sweden's export market. Imports, however, are more diversified than exports. Among imported goods are engineering products - motor vehicles, business machines, computer equipment; chemicals and textiles; foodstuff - coffee, tea, fruit and fish. The main supplier for Sweden's imports is Germany, followed by the United Kingdom, Norway, and Denmark. [11] Latvia Latvia's export goods are wood and wood products, metals, foodstuffs, and textiles.

Among Latvia's import commodities are machinery, oil, foodstuffs, and chemical products. [12] In January- March 2009 exports value comprised \$ 1531 mil - less by 26 %, but imports value accounts for \$ 229 mil - less by 36. 5 % than a year ago. [21] In March 2009 main export partners were European Union countries - Estonia (13. 3 % of total export), Lithuania (13 %), Germany (10.

2 %), Russia (8. 7%) and Sweden (7. 2 %). Main import partners in March 2009 were Russia (14. 9 % of total import), Lithuania (14. 3 %), Germany (10.

2%), Poland (8. 0%), and Estonia (6. 8%). [21]

All the above mentioned countries mostly export raw materials, part and components and imports engineering products for industry, and foodstuff for people that are available for domestic consumption. Leisure Norway The maximum allowed working hours in Norway are up to 40 hours per five-day working week, i. e.

an average of eight hours per day with possible reduction through collective agreement. Work carried out beyond the standard hours is considered overtime and is payable by at least an additional 40 % when imposed on employee. However, there is no payment for overtime for staff in senior positions. 25] A cash benefit scheme has been introduced to help parents to spend more time caring for their own children and to give them genuine freedom of choice as regards type of care for their children. The cash benefit is granted for children between 1 and 3 years of age. In 2006 parents received from the government \$ 560 per month.

Norwegians are very keen on sports, with around a third of the population reportedly participating regularly in some form of sporting activity. Winter sports are especially popular, and include various forms of skiing, alpine skating and snowboarding.

Hiking and cycling are popular summer sporting pursuits. River sports including kayaking and rafting are also popular. Public swimming pools can be found in most cities and main towns. Oslo and the other main cities offer a range of arts and entertainment facilities, including cinemas, theatres, nightclubs and discos.

Entertainment is often held in the hotels and major restaurants. Restaurants are expensive in Norway, so dining out tends to be an occasional treat. [18]

Physical culture is also important in one of the most prosperous nations in the world.

In terms of the opportunities for enjoying leisure, few countries compare with Norway. With great forests and wide mountain plateaus for winter pleasure and extensive coastal areas and rivers for summer recreation, Norway provides a natural environment which encourages outdoor sports and to a large degree hiking.

Many Norwegians own at least one pair of skis, and the Norwegian Mountain Touring Association stands strong. [41] Sweden Full time employment may be a maximum of 40 hours a week. In many agreements working hours are shorter.

An employee has both nightly rest, which includes the hours between midnight and 5 a. m. and weekly rest, which includes at least 36 consecutive hours per seven day period.

[2] According to Swedish law employees are free to spend their free time in private life as they wish. Sports and outdoor leisure pursuits are very popular in Sweden, with a high percentage of the population regularly participating in some form of exercise. Football, handball, ice-hockey, tennis, skiing, golf, hiking, jogging, sailing and canoeing are just a few of the activities which are particularly favoured here.

By law, everyone in Sweden has the right of access to nature, which means that they can cross private uncultivated land or camp there for one night without needing the owner's permission, pick wild flowers or berries, and fish along the coast, providing they do not litter or damage the countryside or any of its wildlife. [18] Latvia In Latvia as in other EU countries the normal working time is set at eight hours per day and forty hours per week or seven hours in six-day working week.

According to the Labor Law there should be a normal daily rest period of at least twelve hours and a minimum weekly rest of forty -two hours without interruption. However, in recent study conducted by Eurofound it is proved that Latvians work longer hours than in other EU countries. Great amount of employees work overtime on regular basis and they are not paid for overtime. In addition people are taking on multiple jobs in order to supplement their income. According to the Central Statistical Bureau of Latvia, Latvian women spend nearly twice as much time with housework and childcare and fewer hours at work than men.

Overall, women spend less time on leisure than men. It can be concluded that people in Latvia do not have time for rest; they are forced to work a lot in order to support a family, to pay bills for public services, disburse funds under loans. As a result, they do not take delight in life, but they are becoming more and more overloaded, stressed and unhappy. Cost of living and annual per capita income Norway Norway's per capita income is among the highest in the world due to large investments into North Sea oil and gas fields that result in substantial oil revenues. 10] Annual income per capita amounts \$43.

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400 or \$ 3616 per month. [9] The cost of living in Norway is extremely high, and it was rated the second most expensive country in which to live in a 2006 Quality of Life Index, compiled by the Economist Intelligence Unit. According to an expatriate cost of living survey prepared by UBS, Oslo is the second most expensive city in the world behind London. Average prices in Norway for most every good and service are among the highest in the world, but they are balanced by high income level. [20] Accommodations prices are around \$700 and higher per month.

There are several reasons for such high cost of housing: houses are well built and fully insulated, with heating in all rooms because of the cold climate.

Approximately \$ 400 per person is need for food; taking into account that person does not eat out. Alcohol is particularly expensive due to high liquor tax. Transportation cost is around \$50 per person, telecommunication cost is \$ 400 Altogether, a person needs \$2000 per month to live in Norway [43]; \$ 1616 is left for personal spending. Sweden Sweden has one of the highest costs of living in the European Union.

It is due to high salaries, which are well above the EU average.

Average annual per capita income is estimated \$ 39. 600, or \$3300 per month. [42] Almost all goods and services are considerably more expensive than in other European countries. [20] The major part of life expenses is the rent, as in Stockholm, for example, there is a severe housing shortage. As a result, this is driving up rents in some areas.

Most properties are only on the market for a very short period of time. The rent for a single family house is around \$1. 200.

It is estimated, that \$200-\$300 is needed for food per one person, \$ 65 for public transport, which is much more convenient and modern than in other European countries and the US. To sum up, around \$3000 per month is needed for a small family of three persons to live in Sweden.

Considering that salary of one family member is around \$3300 per month, it can be concluded that some amount of money (\$ 3600) is left to spend on leisure, entertainment, travelling, or luxury products. Latvia The minimum wage in Latvia is 180 Ls or \$ 343. It was increased in the beginning of the year 2009 in order to make standards of living better.

However, the cost of living in April 2009 accounted 171. 61 Ls. Structure of basket of goods was following: 49.

59 Ls was the share of foodstuff, non-foods - 60. 99 Ls, services - 54. 43 Ls.

[46] According to a public opinion poll, conducted by author, the absolute (89 %) majority of those interviewed admits that major portion of monthly wages goes to cover public services, especially during winter period of time. However, the services provided are not that good and people are not satisfied with the quality of services.

Unlike the Scandinavian countries, the cost of living in Latvia is quit affordable.

Almost all goods and services are at very reasonable prices. However, there is a big difference in cost between Riga and other parts of Latvia (S. Baister, C. Patrick, 2007).

After paying all the bills, there is a little amount is left for personal spending. People should economize and that always bring worries whether there will be enough money for the future. Population Norway The population of Norway currently stands at 4, 801, 376 inhabitants with an annual growth rate of 0.57 %. The birth rate of Norway has been steadily declining. In 2008 there were 11.

2 births per 1, 000 population. (WF) The calculations indicate that in 2030 Norway population will exceed 5 mil. inhabitants. Its population density of 15.3 inhabitants per square kilometer is one of the lowest in the world. The mean life expectancy at birth has increased steadily since 1830 and reached 79.

95 years in 2009 which is among the highest in the world. (World Factbook, Eurostat). In the list " Country Comparison - Life expectancy at birth" it ranks 24 out of 225 world countries. (World Factbook) In Norway at-risk-of-poverty rate after social transfers is 12 %. s) High life expectancy, low at-risk-of-poverty rate indicate high living standards in the country.

Sweden The most recent data provided by Eurostat shows that in 2009 Sweden has a population of 9, 259, 044 and its population growth rate is 0.8%. The birth rate has been rather stable and in 2008 it was 10.15 births per 1, 000 inhabitants. In 2030 it is predicted to be approximately 10, 080,

007 inhabitants. [29] [14] 85 % of the population live in southern part of Sweden.

Its population density of 22. 42 people per square kilometer ranks as one of the lowest in the world.

Sweden is considered to be the most heavily populated of the Nordic states. Sweden's at-risk-of-poverty rate after social transfers in the year of 2007 is only 11 %. Sweden has one of the highest life expectancies at birth in the world.

This proves once more that Sweden's living standards are at a very high level. World Factbook rates Sweden No 10 in the list of 225 countries leaving behind such developed countries like Switzerland, Iceland, Germany, the UK, and many others. In 2009 its life expectancy is estimated 80. 86 years. (s) 2. 7.

2 Picture. Life Expectancy, 1975-2025, Sweden and the World [44] Latvia

The population of Latvia is estimated by Eurostat at 2261132 in 2009. Latvia's population growth rate is -0. 614% (2009 est.) with the projected population for the year 2015 at 2, 064, 000.

Birth rate is very low - 9. 62 births per 1000 inhabitants. Latvia has quit high life expectancy at birth 72. 15 years, which placed it as number 120 among 225 nations of the world. In Latvia at-risk-of-poverty rate after social transfers in 2007 was rather high 21%. It varies significantly among the regions.

High at-risk-of-poverty was recorded in Latgale, but the lowest - in Riga and region of Pieriga.

As example should be mentioned retired people, single person households and the unemployed. 2. 7. 3 Picture. At-risk-of-poverty rate in Latvia regions in 2007 (%) CONCLUSION The Scandinavian countries considered to be miracles when it comes to living standards.

Their extremely prosperous economies as well as wise form of government and a special regard for their citizens have led to the one of the highest living standards in the world. Even now, during these difficult times of the global economic crisis, which forced many economies suffer from recession, these countries remain stable.

Their indicators of GDP per capita are gradually going up, economic growth stay on a high level; even so it slightly decreased due to the crisis. The cost of living in Norway and Sweden is extremely expensive; but wages of employees are correspondingly high. Besides well-paid job, youth has an ability to have a good rest, spend their free time with friends and play sport games, young parents have an opportunity to bring their children up by themselves, and elderly people have a good rest after a hard day's work. Citizens are provided by the government with a broad range of public services and social welfare benefits.

The government support young parents and the elderly by offering them maternity and pension benefits, respectively. People are able to consume a great variety of goods and services that are produced within a country or imported from other countries. Consequently, people in Norway and Sweden

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live longer than anywhere else; the population growth rate is rather stable. Undoubtedly, citizens of these countries have been enjoying very high living standards for quite long period of time and it is obvious that in the future standards of living will only be increasing.

Latvia's living standards, on the contrary, are low; and for the past two years they have been decreasing sharply.

The main reason for this is of course consequences of the economic crisis; Latvia is worst hit by the crisis. The government tries to help the country out of the recession by taking measures, which adversely affect on lives of thousands of people. In order to reduce budget deficit, the government retrenches the budget of public health and cut down salaries of employees, maternity benefits, child benefits, financing of some projects.

People lose their work places and the unemployment rate is growing and those who still has a job work longer hours, which are not paid. Minimum wage is not enough for support a family during one- month period.

People are overloaded with work, problems and constant worries for the future. They do not have enough free time to spend with their families and friends. The government's measures displease citizens. However, after a trough there is always a peak. Soon Latvia's economy will start " improving its health", consequently living standards will go up and reach very high level. RECOMMENDATIONS

It is strongly recommended for Latvia to use the system called benchmarking to compare its economic performance and living standards with Sweden and Norway, which are leading countries in the field of economics and living
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conditions both in Europe and in the world arena, copy best practice and try to implement it.

Undoubtedly, policy of those states regarding retention and improvement of living standards of population may not work in Latvia's case and may even lead to unpredictable consequences. Still something can be borrowed from neighboring countries and integrated in everyday life of every Latvian.

Now it is difficult to speak about any considerably changes, as the crisis forces to think about survival of the country, but afterwards when economy of Latvia will start to go up to its peak it will be the perfect time to think about its citizens and make them feel happy and secure not only within Latvia's boundaries. Which ideas should the government of Latvia consider for increasing living standards? First of all, increase minimum wages, as Latvia has one of the lowest minimum wages in the EU. According to Eurostat, in the year 2008 the average monthly minimum wage for the EU-15 was 1, 160 euro/month.

Latvia should suggest wage increase from 241 euro to at least 300 euro/month. As a result, people will an opportunity to consume more products and services, therefore movement of export and import should be thoroughly controlled in order to guarantee that all the goods and services demanded are available for consumption. Secondly, overtime work should be discouraged so that people have enough time for both active and cultural rest, for their families and friends. Otherwise overtime work should be paid for. Employer should also provide better working conditions to ensure that every employee is in safe.

Thirdly, provide more incentives to work more efficiently in order to increase country's GDP per capita, as living standards tend to increase when GDP per capita increases. Finally, the government should guarantee higher quality of education, public health, safety. In many European countries secondary and high education is free, so in the future Latvia should consider making its high education for Latvians free, as nowadays many young people cannot afford to study at universities or high schools due to high tuition fee.