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## Population income in the European Union and situation in Latvia

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### Abstract

At individual's level, income is an essential factor influencing different dimensions of the life. Objective of this study is to determine differences in population income within the European Union. The method of comparison was used to analyze the situation of population income in Latvia and the EU during the years 2005-2013. There are remarkable differences in terms of the population income in the EU countries, and the income in Latvia is one of the lowest in the EU. The population income can also be seen as the effect of economic activity in the country. The results of research show very varied competitiveness of nations that can sufficiently determine the social and economic development of the EU member states, including Latvia.

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### Introduction

As the result of different levels of society's organization, the regional division is formed. Taking into consideration processes of globalization and urbanization, it is possible to construct following structure of worlds economic space – local (micro level – towns and countryside), regional (meso level – regions), national (macro level – countries), trans-national (hyper-macro level – unions of countries). (Grizāns & Vanags, 2010)

The EU is a trans-national region that consists of 28 member states. One of the EU's main goals is to promote human rights both internally and around the world. Human dignity, freedom, democracy, equality, the rule of law and respect for human rights: these are the core values of the EU. (European Union, 2015) To achieve these goals, it is vital to ensure sustainable development of the EU. This can be reached only if all regions of the EU (member states and regions in countries) will attain the same level of development.

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Regions of all levels are formed in an interaction of political, social, cultural and spatial dimensions. If there are differences in these factors, the level of social and economic development among the regions may differ. At individual's level, differences in social and economic situation can be considered as main factors that form and contribute to inequalities of various dimensions of life. This can be seen between regions as well as within one region.

Objective of this study is to determine differences in population income within the European Union and a correlation of the personal income with the social and economic situation in the country.

## 1. Methodology

Several research methods are applied in this research. Firstly, research papers on an income inequality were reviewed – methods of generalization and synthesis of scientific literature were used in the study. Secondly, the method of comparison was used to analyze the situation of population income in Latvia and the EU during the years 2005-2013. Finally, method of correlation was used to verify the population income coherence to other dimensions of a person's life quality within the EU countries. For this purpose, data about amount and level of population income, life expectancy at birth and risk of poverty and social exclusion in EU countries were used (from Eurostat database).

## 2. Literature review

Inequality can be seen in several dimensions – as a vital inequalities (inequalities of humans as a biological organisms), existential inequalities (inequalities of persons in their freedom and respect) and resource inequalities (inequalities in human agency). (Crow, Zlatunich & Fulfroft, 2009)

Amount of income (an absolute indicator) and level of income, comparing to other members of society (relative indicators) are essential indicators of person's life quality and opportunities. The greater are differences of income between members of society, the greater the income inequality is. Accordingly, there can be more expressed disparities in quality of life between members of society.

Main source of income for the majority of society is income from work (salary). Amount and level of salary, mainly, are result of interaction of profession, place of work, position etc. factors. These factors can be influenced by level of person's education. Thereby, it might be considered that there is strong, reverse correlation between level of education and income inequality. However, several researches point to distinctive situation. In a research about Portugal is obtained that education increase inequality of wages within one level of education. (Alves, 2012)

A research about impact of education policy on income distribution has result that in developed countries income inequality can increase if higher education is made more available. This can happen because wages of unskilled workers decrease and premium for qualification increase. Primary education and literacy improve situation of lower income group, secondary education increase share of medium income group and decrease share of higher income group. Expenditure for education influences inequality. There is option to decrease inequality by investing in human capital. However, greater expenditure for education has not made inequality lower in many developing countries. This is explained by effective usage of resources and the quality of education. In the research (global data) is found that secondary education, especially enrollment rates, plays a major role in determining why some countries have more equal income distribution than others. Conversely, tertiary enrollment rates are significantly unequalizing. Enrollment rates in primary, secondary and higher education each highly significantly decrease fertility rates, and as high fertility rates generally are highly significantly increasing income inequality, this also indirectly improves income distribution. (Keller, 2010)

Other authors, in turn, point that not education, but inequality in education affects economic development negatively and increase income inequality. (Crow, Zlatunich & Fulfroft, 2009)

This coherence can be seen also in opposite direction – income inequality influences education inequality, especially if it is education with a charge. It is always a very important question when income inequality analysis is carried out – there are factors, influencing income inequality and social and economic aftereffect, caused by income inequality. However, what are factors and what – results? For example, health condition (vital inequalities) can influence individual's options of receiving greater income from work. At the same time, greater (relative) income

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