

Living Conditions Survey (LCS)
Final data. Year 2014

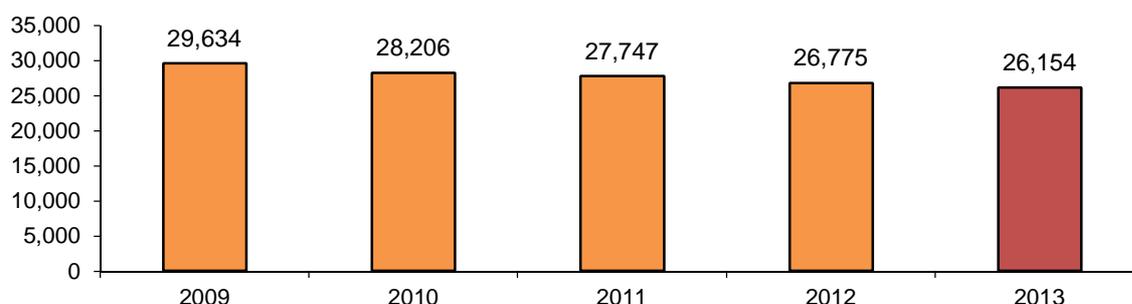
The average annual income of Spanish households reaches 26,154 euros in 2013, indicating a 2.3% decrease

The Spanish population at risk of poverty increased by 22.2% in LCS of 2014 (income of 2013), as compared to 20.4% in LCS of the previous year.

Average income

The results of the Living Conditions Survey (LCS) in spring for the year 2014 provided information regarding the average income of households during the year 2013. According to these results, average net annual monetary income per household reached 26,154 euros, with a 2.3% decrease, as compared with the previous year.

Evolution of the average household income
Euros



At-risk-poverty threshold

Following the criteria recommended by Eurostat, this threshold is set at 60% of the median¹ income per consumption unit of persons. Therefore, it increases or decreases as does the median income. Due to the fact that the population's income decreased, the at-risk-of-poverty threshold did so as well.

¹ The median is the value that orders all individuals from lowest to highest income, leaving half of them below the aforementioned value, and the other half above it. Therefore, as this is a relative measurement, its value depends on the income level and on how income is distributed throughout the population.

In 2014, the at-risk-of-poverty threshold for one-person households (estimated with 2013 incomes) stood at 7,961 euros, that is, 1.9% less than that calculated for the previous year. In the case of the households including two adults and two minors under 14 years old, said threshold stood at 16,719 euros.

At-risk-poverty threshold

Euros

Year that the survey is conducted:	2010	2011	2012	2013	2014
<i>Income for the year:</i>	2009	2010	2011	2012	2013
One-person households	8,763	8,358	8,321	8,114	7,961
Households with 2 adults and 2 children	18,402	17,551	17,473	17,040	16,719

Population at risk of poverty

The percentage of the population below the poverty threshold (the so-called *at-risk-of-poverty rate*²) increased, as compared to the previous year. The population at risk of poverty is a relative indicator that measures inequality. It does not measure absolute poverty but the number of persons with low income as compared with the total population.

Thus, in 2014, the at-risk-of-poverty rate (and taking into account 2013 incomes) stood at 22.2% of the population resident in Spain, as compared with the 20.4% registered in the previous year.

Worth noting was the increase in this rate among those persons under 16 years of age (3.4 points) and the decrease among those persons over 65 years old (1.3 points). The at-risk-of-poverty rate among those persons under 16 years of age stood at 30.1%, that is, 7.9 points higher than that of the whole population.

At-risk-of-poverty rate by age

Percentages

Year that the survey is conducted:	2010	2011	2012	2013	2014
<i>Income for the year:</i>	2009	2010	2011	2012	2013
TOTAL	20.7	20.6	20.8	20.4	22.2
Under 16 years old	28.8	27.2	26.9	26.7	30.1
16 years old and over	19.2	19.4	19.7	19.2	20.7
16 to 64 years old	18.6	19.3	20.9	20.8	23.2
65 years old and over	21.8	19.8	14.8	12.7	11.4

On considering the value of imputed rent³, the at-risk-of-poverty rate stood at 19.9% in the year 2014.

² The at-risk-of-poverty rate in the LCS-2014 is the percentage of persons whose income of the previous year is below the poverty threshold.

³ The LCS, in accordance with community regulations, estimates the value of the use made of the dwelling by the household, when it is owned by said household. See the *methodological note* on page 12.

The fact of considering the value of the dwelling in which the household resides in the calculation, when said dwelling is owned by the household or the household has it free of charge, leads to the at-risk-of-poverty rate decrease for all age groups.

The population over 65 years old, which in a greater proportion owned its dwelling of residence, presented the lowest at-risk-of-poverty percentage (5.9% in 2014). In turn, the highest percentage was registered among the persons under 16 years of age (29.6%).

At-risk-of-poverty rate by age (with imputed rent)

Percentages					
Year that the survey is conducted:	2010	2011	2012	2013	2014
Income for the year:	2009	2010	2011	2012	2013
TOTAL	17.6	17.8	19.0	18.7	19.9
Under 16 years old	27.8	27.1	28.0	27.2	29.6
16 years old and over	15.7	16.0	17.2	17.0	18.0
16 to 64 years old	17.0	17.6	19.7	19.7	21.2
65 years old and over	10.3	9.6	7.5	6.8	5.9

Household economic situation

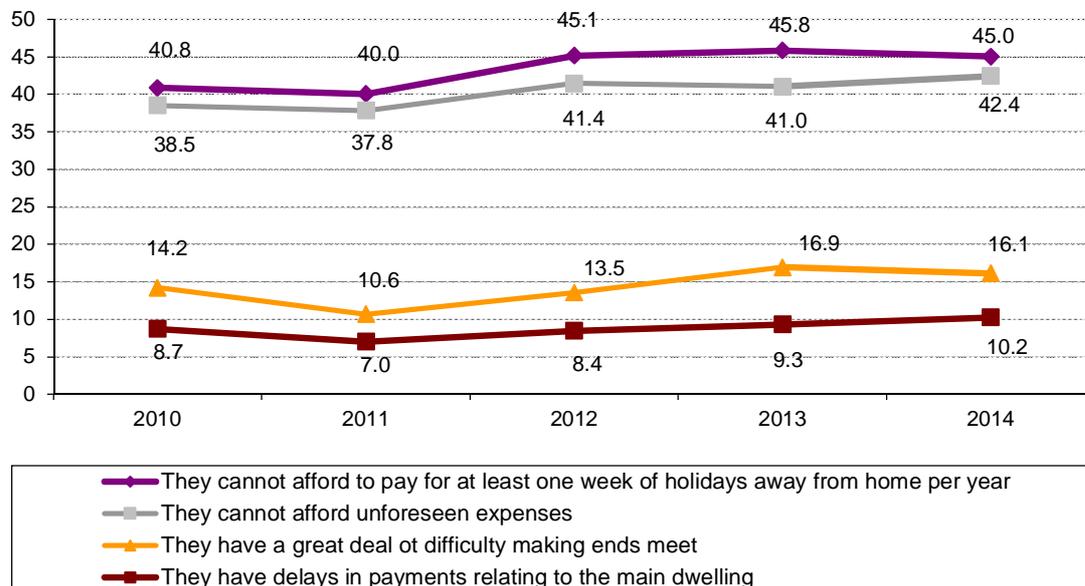
At the time of the survey (spring of 2014), a total of 16.1% of Spanish households stated that they had "a great deal of difficulty" making ends meet. This percentage was 0.8 points lower than that registered in the previous year.

In turn, 42.4% of households could not handle unforeseen expenses, as compared with 41.0% from the year 2013.

45.0% of households could not afford to pay for at least one week of holidays away from home per year. This percentage was 0.8 points lower than that registered in 2013.

10.2% of households had late payments when paying expenses related to the main dwelling (mortgage or rent, gas or electricity bills, community costs, etc.) in the 12 months prior to the interview. This percentage was 0.9 points higher than that from the previous year.

Evolution of household economic difficulties.
Percentages of households



Household economic situation by Autonomous Community

In 2014, Andalucía (24.3%), Región de Murcia (22.7%) and Galicia (20.8%) were the Autonomous Communities that registered the highest percentages of households that had “a great deal of difficulty” making ends meet. The Autonomous Communities that presented the lowest percentages were Comunidad Foral de Navarra (4.2%), Principado de Asturias (4.6%) and Aragón (9.8%).

68.0% of households in Canarias, 58.3% in Andalucía and 55.6% in Región de Murcia could not handle unforeseen expenses in 2014. At the other end of the spectrum were Comunidad Foral de Navarra (17.5%), País Vasco (20.5%) and Principado de Asturias (25.6%).

Región de Murcia (61.5%), Andalucía (59.5%) and Canarias (57.9%) presented the highest percentages of households that could not afford to pay for at least one week of holidays away from home per year. The lowest percentages corresponded to Comunidad Foral de Navarra (21.4%), País Vasco (24.6%) and Comunidad de Madrid (28.9%).

In the case of households with late payments when paying expenses related to the main dwelling, Illes Balears (18.1%), Canarias (16.0%) and Comunitat Valenciana (15.5%) presented the highest percentages. In turn, Castilla y León (3.2%), País Vasco (4.4%) and Cantabria (4.6%) registered the lowest percentages.

Household economic difficulties by Autonomous Community. (LCS-2014)

Percentages of households

	They cannot afford to pay for at least one week of holidays away from home per year	They cannot afford unforeseen expenses	They have delays in payments relating to the main dwelling	They have a great deal of difficulty making ends meet
Total	45.0	42.4	10.2	16.1
Andalucía	59.5	58.3	13.5	24.3
Aragón	34.5	29.8	7.2	9.8
Asturias, Principado de	32.4	25.6	6.9	4.6
Balears, Illes	43.6	39.8	18.1	14.7
Canarias	57.9	68.0	16.0	19.5
Cantabria	52.6	32.6	4.6	15.2
Castilla y León	40.8	28.7	3.2	12.1
Castilla - La Mancha	46.3	34.8	9.8	15.9
Cataluña	40.8	40.2	9.1	12.2
Comunitat Valenciana	51.1	47.9	15.5	18.0
Extremadura	53.7	40.4	6.1	19.6
Galicia	55.1	38.6	7.6	20.8
Madrid, Comunidad de	28.9	37.1	8.1	12.4
Murcia, Región de	61.5	55.6	13.9	22.7
Navarra, Comunidad Foral de	21.4	17.5	5.0	4.2
País Vasco	24.6	20.5	4.4	11.5
Rioja, La	33.2	32.2	6.7	12.9
Ceuta	59.5	65.5	29.1	32.9
Melilla	37.1	49.4	14.0	12.9

The At-Risk-of-Poverty or Social Exclusion Indicator, AROPE (Europe 2020 Strategy⁴)

The At-Risk-Of-Poverty or Social Exclusion Indicator, AROPE, is a new aggregated indicator combining three concepts: risk of poverty, material insufficiency and low work intensity. It is defined as that population that is in at least one of the following three situations:

- At risk of poverty (60% of the median income per consumption unit). It is made with the incomes of the previous year.

- In severe material insufficiency (with insufficiency in at least four concepts from a list of nine). The nine concepts considered are:

1. They cannot afford to pay for at least one week of holidays away from home per year
2. They cannot afford to eat meat, chicken or fish at least every two days
3. They cannot keep the dwelling at an adequate temperature
4. They cannot handle unforeseen expenses (of 650 euros)⁵

⁴ Europe 2020 is the growth strategy of the EU for the following century approved by the European Council on the 17 June 2010. For further information see page 13.

5. They have delays in payments relating to the main dwelling (mortgage or rent, gas or electricity bills, community costs, etc.) or hire purchase loans in the past 12 months.
6. They cannot afford a car.
7. They cannot afford a mobile phone.
8. They cannot afford a TV.
9. They cannot afford a washing machine.

- In households without work or with low work intensity (households in which the members of a working age did so for less than 20% of their total working potential during the reference year, that is, the previous year of the survey).

In 2014, the At-Risk-of-Poverty or Social Exclusion Indicator, AROPE, stood at 29.2% of the population resident in Spain, as compared with 27.3% registered in 2012.

AROPE Indicator. Population included within at least one out of three criteria of poverty risk or social exclusion by components.

Percentages

Year that the survey is conducted:	2010	2011	2012	2013	2014
<i>Income for the year:</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
AROPE Indicator.	26.1	26.7	27.2	27.3	29.2
Risk of poverty (1)	20.7	20.6	20.8	20.4	22.2
Severe material insufficiency	4.9	4.5	5.8	6.2	7.1
Low work intensity (2)	10.8	13.4	14.3	15.7	17.1

(1) Income for the previous year

(2) Year prior to the interview

Worth noting the decrease recorded in this rate for the age group of 65 years of age and over (10 points between 2010 and 2014).

AROPE Indicator. At-poverty-risk rate and social exclusion by age

Percentages

Year that the survey is conducted:	2010	2011	2012	2013	2014
<i>Income for the year:</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
TOTAL	17.6	17.8	19.0	18.7	19.9
Under 16 years old	32.6	31.6	31.4	31.9	35.4
16 to 64 years old	25.3	27.0	29.0	29.5	32.0
65 years old and over	22.9	21.2	16.5	14.5	12.9

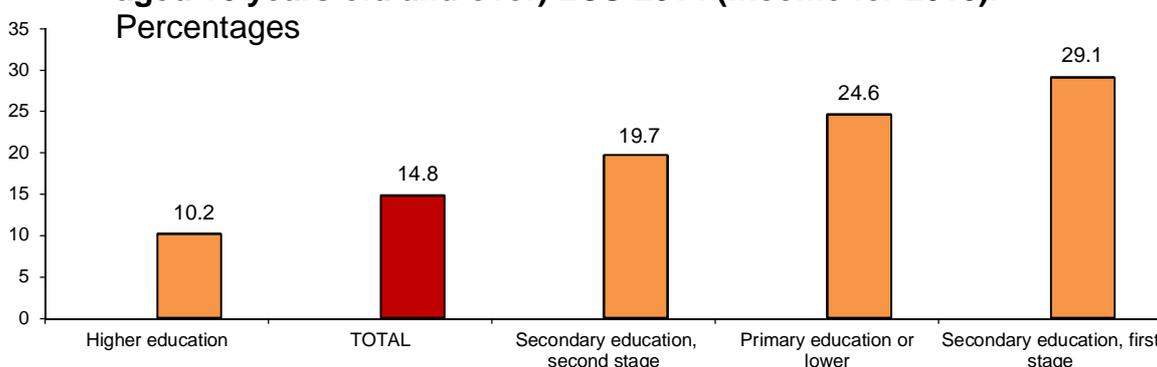
⁵ The capacity of a household to handle unforeseen expenses is only considered taking into account the own resources, that is, not applying for loans or hiring purchase loans in order to face usual expenses that were previously paid in cash. The amount of expenses is revised each year from the evolution of the level of income of the population. This amount stood at 650 euros in the survey of 2014

Population at risk of poverty, according to characteristics

The at-risk-of-poverty rate differs, depending on the educational level of the individual and the type of household.

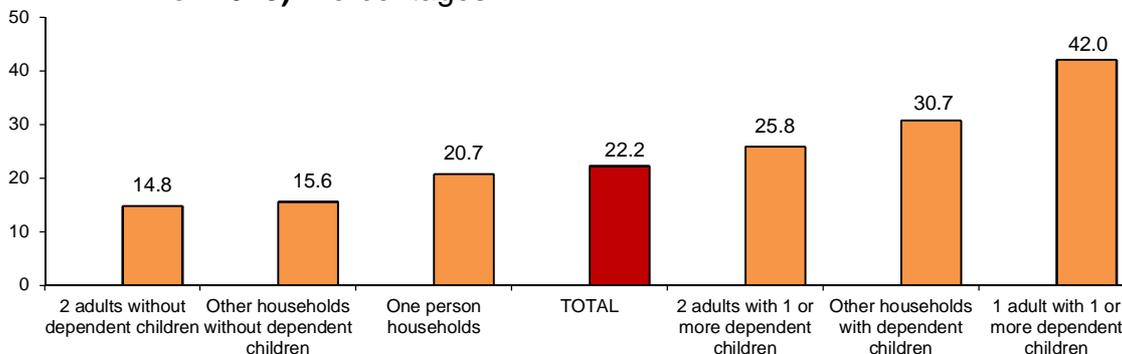
Regarding the importance of the educational level, 29.1% of the population that had attained an educational level equivalent to first stage of secondary education was at risk of poverty in 2014 (with 2013 incomes). In turn, when the level reached was higher education, said rate stood at 10.2%.

At-risk-of-poverty rate by educational level attained (persons aged 16 years old and over) LCS-2014 (income for 2013).



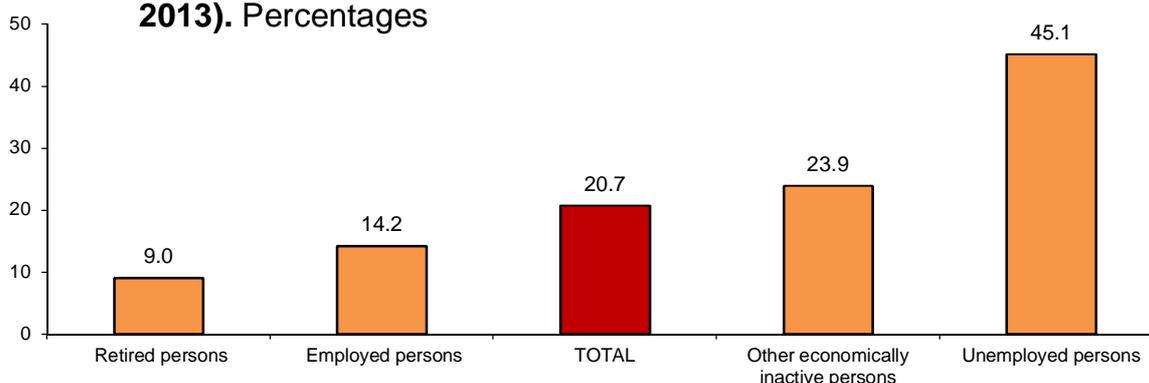
With regard to the importance of the type of household, 42.0% of the total persons living in households comprising one adult and dependent children stood at risk of poverty in 2014. The lower at-risk-of-poverty rate occurred in households comprising two adults without dependent children stood at 14.8%

At-risk-of-poverty rate by type of household. LCS-2014 (income for 2013). Percentages



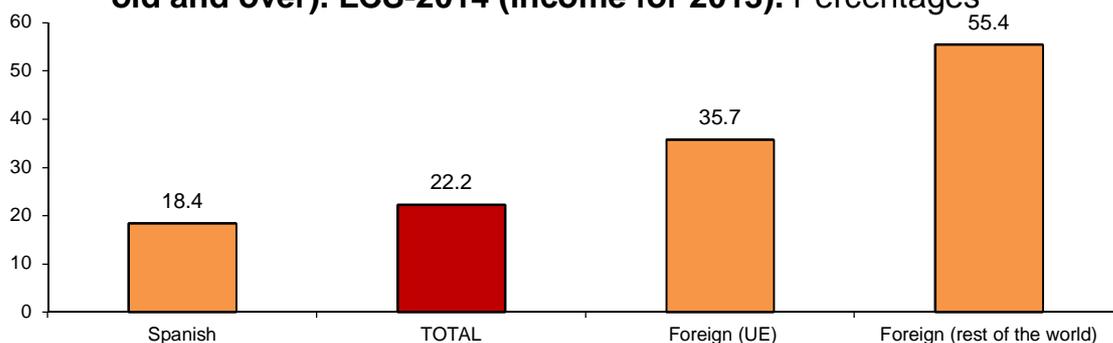
In terms of economic activity, 45.1% of unemployed persons were at risk of poverty. In turn, 9.0% of retired persons were below the at-risk-of-poverty threshold.

At-risk-of-poverty rate by relationship with economic activity (persons aged 16 years old and over). LCS-2014 (income for 2013). Percentages



According to nationality, the percentage of persons below the at-risk-of-poverty threshold was 18.4% among Spanish nationals, 35.7% among Non-Spanish nationals from a country within the European Union (EU) and 55.4% for persons whose nationality was from a country outside the EU.

At-risk-of-poverty rate by nationality (persons aged 16 years old and over). LCS-2014 (income for 2013). Percentages



Results by Autonomous Community

The highest data regarding average annual income per person (year 2013) were registered in País Vasco (14,281 per person), Comunidad Foral de Navarra (13,221 per person) and Comunidad de Madrid (12,597 per person)

In turn, the lowest average annual income was registered in the Autonomous Communities of Extremadura (7,729 per person), Región de Murcia (7,767) and Andalucía (8,079)

Net average annual income per person. (LCS-2014). Income for 2013. Euros

País Vasco	14,281
Navarra, Comunidad Foral de	13,221
Madrid, Comunidad de	12,597
Cataluña	12,205
Aragón	12,037
Asturias, Principado de	11,251
Rioja, La	11,120
Balears, Illes	10,660
Castilla y León	10,406
TOTAL	10,391
Galicia	10,235
Cantabria	9,824
Comunitat Valenciana	9,144
Castilla - La Mancha	8,545
Canarias	8,302
Andalucía	8,079
Murcia, Región de	7,767
Extremadura	7,729
Ceuta	8,712
Melilla	11,619

Los ingresos están referidos a 2013

Regarding the at-risk-of-poverty rate, the highest rates in the LCS of 2014 were registered in Región de Murcia (37.2%), Andalucía (33.3%) and Extremadura (33.1%)

In turn, País Vasco (10.2%), Comunidad Foral de Navarra (11.9%) and Comunidad Madrid (14.7%), registered the lowest rates.

At-risk-of-poverty rate. (LCS-2014). Income for 2013. Percentages

País Vasco	10.2
Navarra, Comunidad Foral de	11.9
Madrid, Comunidad de	14.7
Galicia	15.4
Cataluña	15.8
Rioja, La	16.2
Asturias, Principado de	16.7
Aragón	16.9
Balears, Illes	17.9
Castilla y León	20.4
Cantabria	20.6
TOTAL	22.2
Comunitat Valenciana	26.2
Canarias	27.6
Castilla - La Mancha	28.4
Extremadura	33.1
Andalucía	33.3
Murcia, Región de	37.2
Ceuta	44.3
Melilla	19.2

Methodological note

The Living Conditions Survey (LCS) is an annual statistical operation aimed at households, and it is conducted in all European Union countries. These statistics are harmonised with the European Union (EU), supported by Regulation (EC) No. 1177/2003 of the European Parliament and Council, of 16 June 2003, regarding community statistics on income and living conditions.

The LCS was conducted for the first time in 2004. The survey is carried out during spring of each year, normally between March and June. Its main objective is to provide information regarding the income, level and composition of poverty and social exclusion in Spain, and to enable making comparisons with other European Union countries. For this purpose, the incomes, which are referred to the natural year previous to carrying out the survey, are collected. Also, many other questions about living conditions, which are referred to the time of the survey, are collected. Therefore, the variables related to the incomes of the survey of 2014 are referred to 2013 year whereas the other questions are referred to 2014.

Among its uses, the survey is noteworthy because it constitutes a fundamental reference element for tracking the National Action Plan for Social Inclusion.

The LCS also provides longitudinal information, since it is a panel survey in which the persons interviewed participate for four consecutive years. It is thus possible to ascertain the evolution of variables researched over time.

The LCS is specifically designed to obtain information on:

1. Income in private households, and in general, on their economic situation (the information on income refers to the year prior to the survey year).
2. Poverty, deprivation, social protection and equality of treatment.
3. Employment and economic activity.
4. Retirement, pensions and the socio-economic situation of elderly persons.
5. Housing and the costs associated with it.
6. Regional development.
7. Educational level, health and the effects of both on the socio-economic situation.

The Living Conditions Survey (LCS) for 2014 includes a module where information about material well-being and deprivation is requested. A press release on this module is scheduled to be published on 2th June 2015.

Definitions

Net household income

This is the income received during the year prior to the interview (therefore, in the 2014 survey, questions refer to the income received in 2013, whereas in the 2013 survey, questions referred to the income received in 2012) by the members of the household. This income comprises income from employment working for others, profits/losses from freelance

work, social benefits, income from private pension schemes not related to work, capital and property income, transfers between other households, income received by children and the outcome of the income tax return. Non-monetary components are not included, with the exception of company cars.

Net income per household consumption unit and personal income

In order to allow a better comparison of the income of different types of households the concept *consumption unit* is used internationally. A person living alone constitutes one consumption unit, because said person handles all the expenses of the household.

In order to determine the number of consumption units equivalent to the households, the *modified OECD scale* is used in all countries within the European Union. This scale assigns a weight of 0.5 to the rest of adults and a weight of 0.3 to the persons under 14 years of age. Thus, a household including two adults would count as 1.5 consumption units ($1+0.5=1.5$) and a household including two adults and two minors would have 2.1 ($1+0.5+0.3+0.3=2.1$) consumption units.

Income per household consumption unit is obtained by dividing total household income by the number of consumption units constituting the household. Thus, in the aforementioned household, income will be divided by 2.1 consumption units. Once income per household consumption unit is calculated, this will be assigned to each of its members. This income per consumption unit of persons (or equivalent personal income) is used in calculating measurements of poverty risk.

Imputed rent

Imputed rent constitutes a non-monetary component of household income. Imputed rent is applied to those households that do not pay a complete rent, either because they are the resident-owners, or because they reside in the dwelling rented at a price under the market price, or because they live in the dwelling free of charge. The amount imputed is equivalent to the going market price of the rent that would have to be paid for a dwelling similar to that occupied, minus any rent actually paid.

The amount of imputed rent is obtained by combining the amount obtained via an objective method, with the subjective rent provided by the household informant. The objective method used consists of imputing the average of the real rent of dwellings with similar characteristics, in terms of the number of bedrooms, type of dwelling, degree of urbanisation of the area and period of occupation of the dwelling. Likewise, a deduction is made, from the total household income, of the interest on the loans applied for, for the purchase of the main dwelling.

As with other publications, the at-risk-of-poverty rate by age is calculated also considering imputed rent in the definition of household income.

Risk of poverty

The poverty threshold depends on the distribution of income by consumption unit of persons. This poverty threshold is set at 60% of the median income per consumption unit of persons. The median is the value that, ordering all individuals from lowest to highest income, leaves half of them below the aforementioned value, and the other half above it.

The at-risk-of-poverty rate is the percentage of persons who are below the poverty threshold. The threshold for the national group has been used in the results presented.

The value of the poverty threshold is established in euros. In other words, a person with annual income per consumption unit below this threshold is considered to be at risk of poverty.

The value of the poverty threshold, expressed according to the total household income, depends on the size of the household and the age of its members, that is, the number of consumption units in the household.

Thus, for the 2014 survey, the value of the poverty threshold is obtained by multiplying the number of household consumption units by 7,961.3. For example, for a household with one adult, the threshold is 7,961.3 euros, for a household with two adults, it is 11,942.0 euros (or 5,971.0 euros per person), for a household with two adults and two children under the age of 14, it is 16,718.7 euros (or 4,179.7 euros per person).

The At-Risk-Of-Poverty or Social Exclusion Indicator, AROPE (Europe 2020 Strategy)

The poverty risk or social exclusion rate (or *AROPE* indicator, due to the English acronym) is part of the indicators in the European Union Europe 2020 Strategy (for more information, see: http://ec.europa.eu/europe2020/index_en.htm)

It is defined according to certain criteria established by Eurostat. This is the population that is in at least one of the following three situations:

- At risk of poverty (60% of the median income per consumption unit).
- With severe material insufficiency. These are the households with insufficiency in at least four of the following nine concepts:
 - 1) The person or household cannot afford to go on holiday at least one week a year.
 - 2) The person or household cannot afford a meal with meat, chicken or fish at least every other day.
 - 3) The person or household cannot afford to keep the dwelling at an adequate temperature.
 - 4) The person or household is unable to handle unforeseen expenses.
 - 5) The person or household has been late paying expenses relating to the main dwelling (mortgage or rent, gas bills, community costs, etc.) or in the payment of instalment purchases in the last 12 months.
 - 6) The person or household cannot afford a car.
 - 7) The person or household cannot afford a telephone.
 - 8) The person or household cannot afford a colour television.
 - 9) The person or household cannot afford a washing machine.
- In households without jobs or with low intensity employment. These are the households in which the members of working age actually worked for less than 20% of their total work potential during the year prior to that of the interview (income reference period).

On the one hand, this calculates the number of months in which the members of the household worked during the reference year, and on the other hand, the total months in which those same members of the household might have worked. The ratio is calculated, and it is determined whether it is less than 20%.

This variable is not applied in the case of persons aged 60 years old and over.