



# **Social Protection Committee**

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**Report on Indicators in the field of poverty and social exclusion**

**October 2001**

## **Report on Indicators in the field of Poverty and Social Exclusion**

Following the mandate from the Lisbon European Council, the Member States and the Commission have sought to develop common approaches and compatibility in regard to indicators. The work has been carried out by the Social Protection Committee and its technical subgroup on Indicators that started meeting in February 2001. In particular, the sub-group was concerned with improving indicators in the field of poverty and social exclusion. This follows from the political agreement reached at the European Council in Nice, defining appropriate objectives in the fight against poverty and social exclusion, and inviting Member States and the Commission to seek to develop commonly agreed indicators.

At the Stockholm European Council, in March 2001, Heads of State and Government gave the mandate to the Council to adopt a set of commonly agreed social inclusion indicators by the end of this year. Such indicators should allow the Member States and the Commission to monitor progress towards the goal set by the European Council of Lisbon of making a decisive impact on the eradication of poverty by 2010, to improve the understanding of poverty and social exclusion in the European context and to identify and exchange good practice.

When selecting the indicators, the Social Protection Committee has considered all the main areas to be covered and taken account of national differences in the importance that Member States attach to different areas. It is important that the portfolio of EU indicators should command general support as a balanced representation of Europe's social concerns and because of this, the proposed set of indicators should be considered as a whole rather than a set of individual indicators.

In the suggested set of indicators, the Social Protection Committee agreed to focus on indicators that address social outcomes rather than the means by which they are achieved. The Social Protection Committee agreed on the following methodological principles:

- an indicator should capture the essence of the problem and have a clear and accepted normative interpretation;
- an indicator should be robust and statistically validated;
- an indicator should be responsive to policy interventions but not subject to manipulation;
- an indicator should be measurable in a sufficiently comparable way across Member States, and comparable as far as practicable with the standards applied internationally;
- an indicator should be timely and susceptible to revision;
- the measurement of an indicator should not impose too large a burden on Member States, on enterprises, nor on the Union's citizens;
- the portfolio of indicators should be balanced across different dimensions;
- the indicators should be mutually consistent and the weight of single indicators in the portfolio should be proportionate;
- the portfolio of indicators should be as transparent and accessible as possible to the citizens of the European Union.

A large number of indicators are needed to properly assess the multidimensional nature of social exclusion. The Social Protection Committee suggests that these indicators should be prioritised by placing them in three levels. *Primary indicators* would consist of a restricted number of lead indicators which cover the broad fields that have been considered the most important elements in leading to social exclusion; *Secondary indicators* would support these lead indicators and describe other dimensions of the problem. Both these levels would be commonly agreed and defined indicators, used by Member States in the next round of National Action Plans on Social Inclusion and by the Commission and Member States in the Joint Report on Social Inclusion. There may also be a third level of indicators that Member States themselves decide to include in their National Action Plans on Social Inclusion, to highlight specificities in particular areas, and to help interpret the primary and secondary indicators. These indicators would not be harmonised at EU level.

On the basis of the above principles, the Social Protection Committee agreed the following indicators of Social Exclusion:

### **Primary Indicators**

1. Low income rate after transfers with low-income threshold set at 60% of median income (with breakdowns by gender, age, most frequent activity status, household type and tenure status; as illustrative examples, the values for typical households);
2. Distribution of income (income quintile ratio)
3. Persistence of low income
4. Median low income gap
5. Regional cohesion
6. Long term unemployment rate
7. People living in jobless households
8. Early school leavers not in further education or training
9. Life expectancy at birth
10. Self perceived health status

### **Secondary Indicators**

11. Dispersion around the 60% median low income threshold
12. Low income rate anchored at a point in time
13. Low income rate before transfers
14. Distribution of income (Gini coefficient)

15. Persistence of low income (based on 50% of median income)
16. Long term unemployment share
17. Very long term unemployment rate.
18. Persons with low educational attainment

The exact definitions of the agreed indicators are included in the annex.

Even though the Social Protection Committee is not yet able to put forward a proposal for a commonly agreed indicator on the key dimension of housing, its members agreed on a common approach to be followed: National Action Plans should contain quantitative information covering three issues: (1) decent housing, (2) housing costs, (3) homelessness and other precarious housing conditions.

The Social Protection Committee is satisfied with the degree of progress reached in 2001, as with this first set of indicators, Member States and the Commission will be able to measure, in a comparative way, several key aspects of the multidimensional phenomenon of poverty and social exclusion. However the Social Protection Committee is fully aware that the above list does not give the same weight to all relevant dimensions. Therefore, the Committee recommends that further work be carried out in 2002 on indicators on poverty and social exclusion:

- ◆ Examining the possibility of developing additional commonly agreed indicators in a number of areas which are recognised as relevant for social exclusion: living conditions including social participation, recurrent and occasional poverty, access to public and private essential services, territorial issues and indicators at local level, poverty and work, indebtedness, benefit dependency and family benefits.
- ◆ Examining how the gender dimension of poverty and social exclusion can be perceived and measured in a more satisfactory manner.

The Committee also recommends that the following aspects should be given a more detailed technical examination in order to improve accuracy and comparability:

- ◆ Improving comparable information and reporting on decency of housing, housing costs and homelessness.
- ◆ Developing indicators on literacy and numeracy and on access to education.
- ◆ In the field of health, examining measures for quality adjusted life expectancy, premature mortality by socio-economic status and, as currently proposed in the Task Force on Statistics on Income and Living Conditions (EU-SILC), access to healthcare.
- ◆ Tackling groups not living in "private households", especially the homeless but also those living in institutions (old age homes, prisons, orphanages...)

Further developmental work should not be confined however to the task of reaching a set of commonly agreed indicators, on the basis of current data. Despite clear improvements in the EU data bases over recent years, there is still too little comparable data available, and much of it is not timely. In order to ensure the

monitoring of the social inclusion process in its multi-dimensionality the development of the statistical capacity is crucial, while making full use of the data currently available. EU-SILC will be an important source of comparable data in the future. For this reason, it is important that the current exacting timetable does not slip.

Finally, the Social Protection Committee recognises the importance of increasing the involvement of excluded people in the development of indicators, and the need to explore the most effective means of giving a voice to the excluded.

## Annex: List of Indicators

### PRIMARY INDICATORS

	<b>Indicator</b>	<b>Definition</b>	<b>Data sources + most recent year available</b>
1a	Low income rate after transfers with breakdowns by age and gender	Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. Age groups are: <b>1.</b> 0-15, <b>2.</b> 16-24, <b>3.</b> 25-49, <b>4.</b> 50-64, <b>5.</b> 65+. Gender breakdown for all age groups + total	Eurostat ECHP 1997
1b	Low income rate after transfers with breakdowns by most frequent activity status	Percentage of individuals aged 16+ living in households where the total equivalised household income is below 60% national equivalised median income. Most frequent activity status: 1.employed, 2.self- employed, 3.unemployed, 4.retired, 5.inactives-other. Gender breakdown for all categories + total	Eurostat ECHP 1997
1c	Low income rate after transfers with breakdowns by household type	Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. 1. 1 person household, under 30 yrs old 2. 1 person household, 30-64 3. 1 person household, 65+ 4. 2 adults without dependent child; at least one person 65+ 5. 2 adults without dep. child; both under 65 6. other households without dep. Children 7. single parents, dependent child 1+ 8. 2 adults, 1 dependent child 9. 2 adults, 2 dependent children 10. 2 adults, 3+ dependent children 11. other households with dependent children 12. Total	Eurostat ECHP 1997
1d	Low income rate after transfers with breakdowns by tenure status	Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. 1. Owner or rent free 2. Tenant 3. Total	Eurostat ECHP 1997

1e	Low income threshold (illustrative values)	The value of the low income threshold (60% median national equivalised income) in PPS, Euro and national currency for: 1. Single person household 2. Household with 2 adults, two children	Eurostat ECHP 1997
2.	Distribution of income	S80/S20: Ratio between the national equivalised income of the top 20% of the income distribution to the bottom 20%.	Eurostat ECHP 1997
3.	Persistence of low income	Persons living in households where the total equivalised household income was below 60% median national equivalised income in year n and (at least) two years of years n-1, n-2, n-3. Gender breakdown + total	Eurostat ECHP 1997
4.	Relative median low income gap	Difference between the median income of persons below the low income threshold and the low income threshold, expressed as a percentage of the low income threshold. Gender breakdown + total	Eurostat ECHP 1997
5.	Regional cohesion	Coefficient of variation of employment rates at NUTS 2 level.	Eurostat LFS (2000)
6.	Long term unemployment rate	Total long-term unemployed population ( $\geq 12$ months; ILO definition) as proportion of total active population; Gender breakdown + total	Eurostat LFS (2000)
7.	Persons living in jobless households	Persons aged 0-65 (0-60) living in households where none is working out of the persons living in eligible households. Eligible households are all except those where everybody falls in one of these categories: - aged less than 18 years old - aged 18-24 in education and inactive - aged 65 (60) and over and not working	Eurostat LFS (2000)
8.	Early school leavers not in education or training	Share of total population of 18-24-year olds having achieved ISCED level 2 or less and not attending education or training. Gender breakdown + total	Eurostat LFS 2000
9.	Life expectancy at birth	Number of years a person may be expected to live, starting at age 0, for Males and Females.	Eurostat Demography Statistics
10.	Self defined health status by income level.	Ratio of the proportions in the bottom and top quintile groups (by equivalised income) of the population aged 16 and over who classify themselves as in a bad or very bad state of health on the WHO definition Gender breakdown + total	Eurostat ECHP 1997

## SECONDARY INDICATORS

11.	Dispersion around the low income threshold	Persons living in households where the total equivalised household income was below 40, 50 and 70% median national equivalised income	Eurostat ECHP 1997
12.	Low income rate anchored at a moment in time	Base year ECHP 1995. 1. Relative low income rate in 1997 (=indicator 1) 2. Relative low income rate in 1995 multiplied by the inflation factor of 1994/96	Eurostat ECHP 1997
13.	Low income rate before transfers	Relative low income rate where income is calculated as follows: 1. Income excluding all social transfers 2. Income including retirement pensions and survivors pensions. 3. Income after all social transfers (= indicator 1) Gender breakdown + total	Eurostat ECHP 1997
14.	Gini coefficient	The relationship of cumulative shares of the population arranged according to the level of income, to the cumulative share of the total amount received by them	Eurostat ECHP 1997
15.	Persistence of low income (below 50% of median income)	Persons living in households where the total equivalised household income was below 50% median national equivalised income in year n and (at least) two years of years n-1, n-2, n-3. Gender breakdown + total	Eurostat ECHP 1997
16.	Long term unemployment share	Total long-term unemployed population ( $\geq 12$ months; ILO definition) as proportion of total unemployed population; Gender breakdown + total	Eurostat LFS 2000
17.	Very long term unemployment rate	Total very long-term unemployed population ( $\geq 24$ months; ILO definition) as proportion of total active population; Gender breakdown + total	Eurostat LFS 2000
18.	Persons with low educational attainment	Educational attainment rate of ISCED level 2 or less for adult education by age groups (25-34, 35-44, 45-54, 55-64). Gender breakdown + total	Eurostat LFS 2000