Developing and learning from measures of social inclusion in the European Union

Draft paper for the Joint OECD/University of Maryland International Conference on *Measuring Poverty, Income Inequality, and Social Exclusion - Lessons from Europe* (Paris, 16-17 March 2009) - Please do not quote or disseminate without the authors‟ authorisation - **(DRAFT FOR CONFERENCE WEB-SITE – SENT TO AZ ON 4 MARCH 2009)** This chapter describes the concepts and broader measures of social inclusion used by the European Commission and European Union (EU) countries in the context of the Social Open Method of Coordination. We seek to bring out the value of going beyond purely income-based measures of poverty and inequality to include other dimensions also covered by the commonly agreed indicators for the OMC. For this purpose, we draw primarily on the most recent data from the *Community Statistics on Income and Living Conditions (EU-SILC)* instrument and from the Labour Force Surveys, which provide data on most of these indicators on a comparable basis across EU Member States. Some general lessons, unresolved issues and priority areas for development are also explored or highlighted. **1. Setting the scene**

The Social Open Method of Coordination (OMC) represents the social dimension of the Lisbon Strategy, which the EU established in 2000 and reviewed and revised in 2005. It now covers EU cooperation in three main policy areas: social inclusion (since 2000), pensions (2001) and health care and long-term care (2004). It also includes information exchanges in the field of *making work pay*. Since 2006, the three social “processes” that were progressively implemented under the OMC (one process for each main strand) have been *streamlined* into one single “Social OMC” built around 12 commonly agreed EU objectives (three for each main strand and three “overarching” objectives[2]).

While the EU *Social Inclusion Process*, i.e. the social inclusion strand of the OMC, was formally launched at the March 2000 Lisbon European Council[3], concerns about poverty and social exclusion in the EU were far from new. Back in 1975 the European Communities adopted the first European Action Programme to combat poverty.[4] Under Jacques Delors, the social dimension received more attention, based on a foundation of scientific research on poverty. The Final Report on the Second Programme, taking expenditure rather than income as the indicator of resources, reached the estimate for 1985 of 50 million poor people in the twelve Member States (see O"Higgins and Jenkins, 1990), based on the study carried out by Hagenaars, de Vos and Zaidi (1994). At the same time, the underlying concepts were increasingly debated (see, for example, Room, 1995; Silver, 1995; Nolan and Whelan, 1996). What is the meaning of the phrase "poverty and social exclusion", now widely used throughout the EU? In what sense is "social inclusion" the reversal of "social exclusion"? Do we mean "poverty" or "risk of poverty"? These issues go to the heart of our societal objectives, and are not yet fully resolved. Moreover, the debate has been widened by the 2004 and 2007 EU Enlargements. How far, for example, are notions like "social inclusion" and "social cohesion" differently interpreted in the "new" EU countries that previously had communist regimes? We cannot provide here an extensive discussion, but there are certain essential elements that are worth recalling and that need to be kept in mind as they form the historical conceptual context in which the indicators for use in the OMC have been developed: • The long-standing *social inclusion* objective of the EU is concerned that all EU citizens participate in the benefits of economic integration and economic growth. The EU cannot be successful if significant groups are left behind as prosperity increases. • The definition of *poverty* has therefore been based on the notion of *participation.* The EU Council of Ministers in 1975 defined the poor as "individuals or families whose resources are so small as to exclude them from the minimum acceptable way of life of the Member State in which they live", with "resources" being defined as "goods, cash income plus services from public and private sources" (Council, 1975). In this sense, it is a *relative* definition. • The move to "poverty and social exclusion" reflected a growing acceptance that *deprivation* is a multi-dimensional concept, and that, while financial poverty remains a major preoccupation, our concerns have to be broader. The European Commission, in its 1992 submission on "Intensifying the Fight Against Social Exclusion", argued that the term "social exclusion" is more encompassing than the term "poverty". It suggested that social exclusion captures more adequately the "multi-dimensional nature of the mechanisms whereby individuals and groups are excluded from taking part in the social exchanges, from the component practices and rights of social integration" (European Commission, 1992, page 8).

• With this broader focus came an emphasis on *dynamics.* People are excluded not just because they are currently without a job or income, but also because

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2006/objectives_en.pdf. [3] The European Council, which brings together the EU Heads of State and Government and the President of the European Commission, defines the general political guidelines of the EU. [4] See *inter alia* Marlier *et al* (2007) for a short review of the EU *Poverty* programmes.

they have little prospects for the future or for their children‟s future. “When poverty predominantly occurs in long spells [...] the poor have virtually no chance of escaping from poverty and, therefore, little allegiance to the wider community” (Walker, 1995, page 103). Just as poorer Member States aspire to converge to the EU average, poorer EU citizens aspire to better individual prospects.

• The concept of exclusion introduces the element of *agency*[5]. When René Lenoir coined the phrase “les exclus” in 1974, he was concerned with those who were excluded from the French welfare state. In all countries, the design of social protection and the way in which it is administered exclude certain citizens. The State is a major actor, but it is not the only actor.

• Recognition of the limitations of an income measure has led to the EU adopting in 2001 the term “at risk of poverty” to denote people living in households with incomes below a specified threshold.[6] Drawing on the most recent data from EU-SILC and the Labour Force Surveys, the two EU statistical sources used for most of these indicators, as well as data from the OECD Programme for International Student Assessment (PISA), we bring out in Sections 3 and 4 the value of an analysis of the social situation that draws on various dimensions covered by the commonly agreed indicators for the OMC, compared with one that would only look at income-based measures of poverty and inequality. In Section 3, our focus is on the overlaps and complementarities of individual EU indicators, whereas in Section 4 we consider the portfolio of EU indicators as a whole (i.e. the relationships between them) and we address the question of the usefulness of composite indicators. But first, we briefly describe the Social OMC indicators and in particular those aimed at capturing the multi-dimensionality of social inclusion.

2. Portfolio of EU indicators: major progress made in multi-dimensional coverage

Social indicators are of course used for a variety of purposes at national and international level, but in the OMC they have to serve very specific functions – namely, to facilitate comparison of actual performances achieved by EU countries through their national (and sub-national) social policies, and hence improve mutual learning and exchange of good practice across Member States. As emphasised by Atkinson, Cantillon, Marlier and Nolan in their independent study on EU indicators for social inclusion commissioned by the 2001 Belgian Presidency of the EU, for indicators to be fit for purpose their construction needs to follow a *principle-based approach* and a specific *methodological framework* is therefore required for developing the specific indicators that are needed for the OMC. The “Report on indicators in the field of poverty and social exclusion” (Social Protection Committee, 2001), prepared by the Indicators Sub-Group of the Social Protection Committee (SPC) and adopted by the Laeken European Council in December 2001, set out the first methodological principles underlying the construction of the commonly agreed social inclusion indicators, and

[5] The notion of agency has been examined by Sen (1985 and 1992) in his work on social justice. [6] See also the separate contribution to this conference focused on income-based poverty and inequality measures used in EU countries (by Maquet and Stanton).

proposed the first set of the so-called *Laeken indicators*.[7] The approach followed since the adoption in 2006 of an integrated monitoring framework for the OMC on social protection and social inclusion (further to the streamlining of the Social OMC) is very close to the one endorsed in 2001 for the Laeken indicators on social inclusion[8]. In this EU integrated framework, the commonly agreed indicators are organised according to the structure of the common objectives for the OMC on social protection and social inclusion (see above): one set of commonly agreed indicators appropriate to the overarching objectives and one appropriate to each of the three social strands. Even though it largely builds on the methodological principles agreed for the original set of Laeken indicators, this framework departs from the original one in two respects. Firstly, in an attempt to better reflect the action and impact of policies, the choice of indicators is no longer strictly limited to outcome indicators (even though outcome indicators still form the vast majority). So, the focus of indicators to be used in the OMC should for the most part be on social outcomes rather than the means by which they are achieved. Member States are left free to choose their preferred methods under subsidiarity, but their performance in the various social areas is to be compared in terms of indicators reflecting commonly agreed objectives. However, in order to facilitate mutual learning, it is essential that outcome indicators be supplemented with information (input indicators and context information) that allows a better linkage between policies and social outcomes. Secondly, and this represents a major change, some flexibility has been introduced in the way the "Laeken principles" are to be applied, notably allowing for the inclusion of "commonly agreed *national* indicators" in the EU framework. These indicators are based on commonly agreed definitions and assumptions but, contrary to the "commonly agreed *EU* indicators", they do not satisfactorily fulfil all the criteria for the selection of EU indicators (especially the comparability and/or normative value requirements). This flexibility, which was the result of a pragmatic decision, has proved very useful. It has allowed some indicators to be included which were seen as covering important social dimensions but for which no "robust" EU indicators could be built for various reasons (lack of comparable data, diverging approaches to the issue in the different Member States…). In the absence of robust EU indicators for these dimensions, the only alternative would have been to leave out the dimensions covered by the "national" indicators - i.e., a serious loss of information in some cases. In the EU portfolio of social inclusion indicators, two indicators are commonly agreed *national* indicators: the only measure covering the situation of migrants (indicator P7 in Table 1) and the only measure addressing the issue of access to healthcare (indicator P10). Without the option of agreeing national rather than EU indicators, these two important non-income indicators of social inclusion would not have been included in the EU framework.

[7] The methodological principles adopted in Laeken were consistent with those put forward in the aforementioned study by Atkinson *et al*, where they were originally proposed. Readers interested in a detailed discussion of these principles and, more broadly, of comparative EU indicators for social inclusion can refer to this study, which was subsequently published (see Atkinson *et al*, 2002). [8] The most recent list of commonly agreed EU indicators for the OMC on social protection and social inclusion was adopted by the EU Social Protection Committee in May 2008 (see also footnote 10 below re two new EU indicators which are about to be included in the EU portfolio of social inclusion indicators). It can be downloaded from:

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/indicators_update2008_en.pdf.

The very slightly revised methodological framework for the selection of commonly agreed indicators consists of eight criteria: • Five criteria refer to individual indicators which should, in particular: a) have a clear accepted normative interpretation; b) be robust and statistically validated; c) be measurable in a sufficiently comparable way across EU countries; d) be timely and susceptible to revision; and e) be responsive to policy interventions but not subject to manipulation. (As indicated above, commonly agreed national indicators do not satisfactorily meet all 5 criteria.) • Three criteria refer to each individual indicators portfolio which should: be comprehensive and cover all key dimensions of the common objectives, be balanced across the different dimensions, and enable a synthetic and transparent assessment of a country's situation in relation to the common objectives. A direct consequence of this is that the EU portfolio of social inclusion indicators should not be biased towards income-based measures but should also properly cover all the other important dimensions of exclusion.

The ”overarching” portfolio, comprising fourteen indicators covering social inclusion, pensions, healthcare and long-term care, as well as more “overarching” issues (such as the in-work poverty risk, i.e. the EU indicator on “working poor”), has a particularly important role in providing linkage across the different social policy strands, as well as between the EU social, economic and employment strategies.[9]

As shown in Table 1, the social inclusion portfolio now (“post-streamlining”) comprises twelve *Primary Indicators* and four *Secondary Indicators*:[10]

a) The *Primary Indicators* provide a “synthetic set of lead indicators” covering all key dimensions of the defined objectives and/or highlighting the social situation of key sub-populations. In the social inclusion area, they encompass income poverty risk (Indicators P1-P3)[11], unemployment and joblessness (P4 and P5), low educational qualifications (P6), the employment situation of migrants (P7), Population living in materially deprived households (P8) and access to healthcare (P10). They also include indicators that are currently being developed, relating to housing and child well-being (P9 and P11 respectively). A gender breakdown of each of the Primary Indicators and a breakdown of most by broad age groups are also provided.

b) The *Secondary Indicators* support the lead indicators by describing in greater detail the nature of the problem or by describing other important dimensions of the phenomena. In the case of social inclusion, they provide the following:

[9] On the linkages across areas, it is noteworthy that the shortlist of 14 *Structural Indicators* produced by the European Commission in its yearly Progress Report to the Spring European Council includes 3 indicators relating to social cohesion, namely: the at-risk-of-poverty rate, long-term unemployment rate and regional cohesion. [10] The two indicators on material deprivation (P8 and S4) as well as the context information providing the median share of housing costs in the total disposable income (see below) have only been agreed by the SPC Indicators Sub-Group on 10 February 2009. Therefore, they have not yet been formally included in the EU portfolio of indicators for social inclusion. However, given that this agreement represents a major step forward in the multi-dimensional coverage of the portfolio we find it is important that it be already reflected in the present paper. [11] Recognition of the limitations of an income measure has led to the EU adopting the term “at risk of poverty” to denote people living in households with incomes below the specified threshold.

Poverty risk by different breakdowns and for alternative thresholds, Persons with low educational attainment, Low reading literacy performance of pupils and Severity of deprivation for deprived population. **Table 1: Commonly agreed Primary and Secondary Indicators for social inclusion**

Commonly agreed Primary Indicators for social inclusion

Income poverty:	P1) At-risk-of-poverty rate, which are calculated with a threshold set at 60% of the national equivalised median income and which have to be analysed together with the actual value of the threshold in Purchasing Power Standards for two illustrative household types (a single-person household and a household consisting of two adults and two children) P2) Persistent at-risk–of-poverty rate P3) Relative median poverty risk gap
Unemployment and Joblessness:	P4) Long-term unemployment rate (at least 12 months of unemployment on the ILO definition P5) Population living in jobless households (distinguishing between adults aged 18-59 and children under 18)
Low educational Qualifications:	P6) Early school leavers not in education or training
Employment situation of migrants:	P7) Employment gap of immigrants
Material deprivation:	P8) Population living in materially deprived households
Housing:	P9) Indicator(s) to be developed; work in progress
Access to healthcare:	P10) Self-reported unmet need for medical care (to be analysed together with care utilisation)
Child well-being:	P11) Indicator(s) to be developed; work in progress

Commonly agreed Secondary Indicators for social inclusion

Income poverty:	S1) Poverty risk by different breakdowns (household types, work intensity of households, most frequent activity status, accommodation tenure status) and Poverty risk according to different at-risk-of-poverty thresholds (40%, 50% and 70% of the national equivalised median income)
Low educational qualifications:	S2) Persons with low educational attainment S3) Low reading literacy performance of pupils
Material deprivation:	S4) Severity of deprivation for deprived population

In addition, a further set of twelve statistics has been specified for the social inclusion portfolio as providing “Context Information” to help in interpreting the Primary and Secondary Indicators: Income inequality (the S80/S20 ratio and the Gini coefficient), Regional cohesion (measured through the dispersion of regional employment rates), Healthy Life expectancy and Life expectancy at birth and at 65 (by Socio-Economic Status when available), At-risk-of-poverty rate anchored at a moment in time, At-risk-of-poverty rate before social cash transfers (other than pensions), Jobless households (by main household types), In-work poverty risk (for full-time/part time workers), Making work pay indicators (unemployment trap, inactivity trap, low-wage trap), Net income of social assistance recipients as a % of the at-risk-of-poverty threshold for 3 jobless household types, Self-reported limitations in daily activities (by income quintiles, sex and age) and Median share of housing costs in total disposable income for both the total population and the population at risk of poverty. The choice of indicators is necessarily constrained by the availability of reliable and comparable data, and it was unsurprising that the original set of social inclusion indicators adopted in 2001 relied heavily on information about income and labour force status, where the gathering and production of comparative data is relatively well developed. This is rather less true of the social inclusion indicators that are now being employed, and when the indicators still under development are complete the portfolio will be truly multi-dimensional in scope.

As a result of both the availability of EU-SILC data and the growing urgency to address those key issues in view of the economic and financial crisis, significant progress has been made in early 2009 on commonly agreed indicators on material deprivation (see Table 1 above, indicators P8 and S4). There has also been significant advancement in the area of housing (housing deprivation and financial burden represented by housing costs) even though no EU indicators could yet be agreed. Finally, a major step forward was made in the field of child well-being with the adoption of the EU Report on “Child poverty and well-being in the EU” in January 2008 by the European Commission and all 27 Member States[12]. However, the empty slot foreseen in Table 1 for a “child well-being” indicator still needs to be filled in; EU research in this field is being pursued. Despite the important progress made recently, significant challenges remain in improving the monitoring framework of the Social OMC, as we briefly discuss in our concluding Section. We now move on to an examination of how some of the currently available indicators can be used to investigate some key relationships between various income and non-income dimensions.

12 See: http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/child_poverty_en.pdf.

3. The portfolio of indicators in practice: overlaps and complementarities[13]

In this Section we examine the baseline for the various dimensions and try to assess, in particular, how far they provide different pictures with regard to the relative performance of different Member States. Do the same countries perform well on all indicators, or do they all have their own special domain where they excel? Here the country is the unit of analysis, not the individual person or household, which has some important implications as we shall see. We consider the indicators in pairs, in particular where pairs of indicators refer to the same domain. This will show to what extent these (presumably related) indicators overlap, or are complementary and reveal different realities. In Section 4, we look at the portfolio as a whole, and address the question of whether a composite EU indicator would be useful. Our main focus in Sections 3 and 4 is on the EU set of Primary Indicators. (Even though indicators P8 and S4 on *material deprivation* still need to be formally adopted at EU level, we have chosen to cover them in our analysis with a view to emphasising the added value of their future inclusion in the EU set.) ***Income poverty*** The portfolio of indicators contains three Primary Indicators on income poverty: the at-risk-of-poverty rate (the headcount; see definition in Table 1), the persistent at-risk-of-poverty rate (the proportion of persons being at risk of poverty in the current year, and also in at least two of the three previous years), and the relative median poverty risk gap (which measures how far the median at-risk-of-poverty person is below the poverty risk threshold). Unfortunately, results for the persistent poverty risk are not yet available from EU-SILC for most Member States as they require four years of observations; they are therefore not analysed here.

13 Figures discussed in this Section and in Section 4 come from three different statistical data sources: the Community Statistics on Income and Living Conditions (EU-SILC), the EU Labour Force Survey (LFS) and the OECD Programme for International Student Assessment (PISA). For detailed information on EU-SILC and LFS, please see Eurostat web-site:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,1&_dad=portal&_schema=PORTAL For detailed information on PISA, see PISA web-site:

http://www.oecd.org/pages/0,3417,en_32252351_32235907_1_1_1_1_1,00.html Data reviewed in this paper were generally collected in 2007, except for those related to “Low reading literacy” (PISA, 2006) as well as “unmet need for medical care” and “material deprivation” (both EU-SILC, 2006). However, for a few national results there may be some other exceptions concerning the source and/or the year of data collection: for all details, please look at the web-site of the European Commission Directorate-General “Employment, Social Affairs and Equal opportunities” where these data were downloaded on 6 February 2009 (File “Social inclusion – January 2009”):

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/data_inclusion_en.xls It should be noted that in EU-SILC, income data generally refer to the total annual income of households in the year prior to the survey (earnings, social benefits, income from capital…) as this is generally considered the best *proxy* for the current total annual households income. Sole exceptions are the UK (the total annual income of households is calculated on the basis of the current income) and Ireland (it is calculated on the basis of a moving income reference period covering part of the year of the interview and part of the year prior to the survey). EU-SILC data are not yet available for Bulgaria and Romania. For these reasons, and with a view to ensuring a consistent approach to data sources used in the paper, all our analysis in this paper is limited to EU-25 Member States.

In Figure 1, we plot the at-risk-of-poverty rate against the relative median poverty risk gap. These two indicators are clearly related, with an R^2 equal to 0.53 at EU-25 level.[14] There are, however, some interesting exceptions. For example, Ireland combines a relatively high poverty risk headcount with a fairly low median poverty risk gap, while the reverse is true for Sweden. The most striking outlier is Finland, where the poverty risk gap is much smaller than in any other EU-25 country whereas the poverty risk is below the EU average but not among the lowest ones (8 Member States have lower at-risk-of-poverty rates). It is likely that the level of the poverty risk threshold with respect to minimum social benefits is part of the explanation for these outliers. Once the data become available, it would be interesting to compare the extent of the (single-year) poverty risk with the persistent poverty risk. Earlier analysis of 18 OECD countries has indicated that countries with many income poor persons at a single point in time also tend to have high long-term poverty risks (OECD, 2008, page 158), but the inclusion of the new Member States might affect that pattern. **Figure 1: Relative median poverty risk gap and poverty risk**

Note: EU-25 averages are population weighted averages of the 25 national rates

14 In view of the small number of observations, R^2 should be interpreted cautiously. See also Table 4 below, for correlations between the various EU indicators reviewed in this paper (for poverty risk x poverty gap, the correlation is as high as 0.73). 15 Countries" abbreviations are provided in annex.

Note 3: Poverty risk thresholds are annual amounts calculated for a household consisting of 2 adults and 2 children aged below 14

[16] The relation between the median and the mean, more usually taken as a measure of overall living standards, depends on the shape of the distribution. National thresholds are expressed in Purchasing Power Standards (PPS), which – on the basis of Purchasing Power Parities (PPP) – converts amounts expressed in a national currency to an artificial common currency that equalises the purchasing power of different national currencies (including those countries that share a common currency).

As is clear from Figure 2, there is a distinct tendency among the EU-15 countries for the poverty risk to fall as we move from poorer countries to richer countries. There is substantial dispersion around the dotted linear regression line, which is fitted to predict poverty risk for the EU-15 Member States as a function of their median income, and it has been noted (see for example Morley, Ward and Watt, 2004, page 43) that countries with a more narrow/equal income distribution, such as Denmark, Finland, Sweden and the Netherlands, tend to lie below the line, and countries with greater income dispersion, such as Ireland and the UK, tend to lie above it.

On this purely statistical basis, the at-risk-of-poverty rates in the new Member States (encircled in Figure 2) could be expected to be comparable to, or higher than, those in the poorer EU-15 countries. In fact, this is only true for Latvia, Lithuania and Estonia.[17] All other new Member States have typically lower at-risk-of-poverty rates than would be predicted simply from their level of income. (This is clear from the comparison of the slope of the thick regression line, fitted to EU-25 countries, with that of the dotted regression line, fitted to EU-15 countries.) On this basis, Enlargement has added little to the diversity of the EU. The main conclusion to be drawn is that there was already considerable diversity within the EU-15. The difference in the at-risk-of-poverty rate between the best EU-15 performers (the Netherlands and Sweden) and the worst (Greece, Spain and Italy) is a factor of 2 to 1; only slightly lower than the factor for the EU-25 as a whole (adding the Czech Republic and Slovakia at the lower end of the range and the Baltic States at the higher end.).

Long-term unemployment and joblessness

The concern about long-term unemployment, defined as the proportion of people unemployed (ILO definition) for at least 12 months in the total active population aged 15 years or more, is not a recent one and has been further exacerbated by the financial and economic crisis. A second very important EU indicator of possible labour market exclusion is provided by the proportion of adults aged between 18 and 59 who live in jobless households, i.e. in households where all members aged 18-59 are either economically inactive or unemployed.[18] Living in jobless households is seen as particularly problematic, not only because of the generally precarious income situation of those households, but also because children growing up in such households may find it more difficult to find their place on the labour market in later life.

Figure 3 shows that the correlation between long-term unemployment and the proportion of adults in jobless households is not very pronounced. One observes a (rather mixed) group of countries where rates of both long-term unemployment and jobless households are limited (with Cyprus in the extreme bottom left corner), and also a group where both are high. The latter group includes some countries with Bismarckian welfare states (Belgium, France and Germany), and also some Eastern European countries (Hungary and Poland). However, Portugal suffers from fairly high

[17] If this regression line is fitted to the EU-14 (old Member States excluding Luxembourg, which is an outlier), then all new Member States are located below the regression line. [18] Households consisting solely of students are excluded from this indicator.

Early school leaving

In Figure 4, we compare the rate of early school leaving with that of low reading literacy performance. The latter is also part of the commonly agreed EU indicators used for monitoring the Social Inclusion Process; it is a Secondary Indicator which is defined as the share of 15 years old pupils who are at level 1 or below of the PISA combined

reading literacy scale. Interestingly, the association of early school leaving with low literacy is limited. Even though they manage very well to keep children in school, the Czech Republic and Slovakia have above-average rates of low literacy, while Spain and Portugal, surprisingly, perform no worse on this indicator than them. On the other hand, the bottom-right part of the graph is empty, indicating that no country combines a high proportion of early school leavers with a low proportion of poor reading literacy. Nevertheless, these two measures apparently capture rather different dimensions of the quality of the educational system. ***Employment gap of immigrants***

The employment gap of immigrants measures the difference between the employment rate of immigrants and that of the non-immigrant population, where immigrants are defined as persons born abroad.[19] In the portfolio, it is labelled as "National" indicator, meaning that it should not be used for direct cross-country comparisons (European Commission, 2008, page 20). Figure 5 reveals first of all that the employment gap is negative in many countries (most negative values are located in Eastern and Southern Europe though this group also includes Luxembourg), indicating that immigrants are in fact more likely to be employed than non-immigrants. Clearly, the composition of the immigrant population in terms of age, country of origin and year of immigration is an important factor here. Although employment is a crucial aspect of people"s income and living conditions, the description of this indicator rightly notes that it needs to be supplemented by relevant national data covering other key aspects of the social inclusion of migrants (European Commission, 2008, page 20).

One might expect that in countries where long-term unemployment is high, the immigrant employment gap is higher, because unemployment might hit the more vulnerable group of immigrants more strongly than non-immigrants. Figure 5 suggests that such a tendency is indeed present, and we can point to Poland, Germany and Belgium as examples. But there are also important exceptions, in particular Denmark, Sweden and The Netherlands. These latter countries realise a very high level of employment overall (on top of very low long-term unemployment rates), but apparently find it difficult to extend this to the immigrant population. Or, in other words, in these countries the employment rate among non-immigrants is very high, but the employment rate among immigrants is not necessarily lower than it is in countries that score better on the immigrant employment gap.[20] The specific situation of Slovakia needs to be highlighted, as this country combines the highest rate of long-term unemployment with very good performance on the indicator measuring the employment gap of immigrants.

[19] It is up to each country to decide whether or not they include nationals born abroad, as appropriate. [20] This points to a general problem with indicators that are defined in terms of the difference as regards a certain outcome between a disadvantaged group and an advantaged group. While there are important theoretical reasons for adopting such a kind of indicator, they have the drawback that a positive change can be the result of an improvement among the disadvantaged group and/or a decline among the advantaged group. *Mutatis mutandis*, the same applies to comparisons between countries. This makes changes over time and differences between countries much more difficult to interpret.

As mentioned above, the measurement of material deprivation has been regularly on the EU agenda since 2004 and the SPC Indicators Sub-Group finally reached an agreement in February 2009 on two indicators which were originally proposed by Guio (Guio, 2009). Even though the EU set of commonly agreed indicators for social inclusion does not yet formally include these measures, we cover them in our analysis with a view to highlighting the added value that their inclusion in the EU set will bring about to the multi-dimensional coverage of the EU portfolio for social inclusion. In 2011, when the data collected through a special 2009 EU-SILC module on material deprivation become available, it will be important to come back to these measures in order to refine them.21

21 See also the separate contribution to this conference focused specifically on material deprivation (by Nolan) and an analysis of the *Structure of national perceptions of social needs across EU countries* (Dickes, Fusco and Marlier (2009)) based on the data of a Eurobarometer survey on "poverty and exclusion" conducted in 2007 on behalf of the European Commission in all the Member States.

Based on EU-SILC data, the soon-to-be-endorsed EU indicators of material deprivation focus on the proportion of people living in households who cannot afford at least 3 of the following 9 items: 1) to face unexpected expenses; 2) one week annual holiday away from home; 3) to pay for arrears (mortgage or rent, utility bills or hire purchase instalments); 4) a meal with meat, chicken or fish every second day; 5) to keep home adequately warm; 6) to have a washing machine; 7) to have a colour TV; 8) to have a telephone; 9) to have a personal car. So, these measures aggregate information focused on some key aspects of *material* living conditions; they do not aim at covering all the dimensions of social exclusion (i.e., health, employment, education, social participation, etc). This approach, in terms of "enforced lack", makes the suggested indices more comparable with *inter alia* income poverty. We see from Table 2 that the range across countries in terms of the percentage deprived is wide – from 3% in Luxembourg and 6% in Sweden and The Netherlands up to as high as 50% in Latvia. This is much wider than the range in poverty risk rates, which is only from 10% to 21% (see Figure 1 above). This reflects the fact that differences in average living standards across countries (measured here in "absolute" rather than "relative" terms) as well as the distribution within them now come into play. **Table 2: Material deprivation (2006) and poverty risk threshold (2007) for EU countries, EU-SILC**

Country	% of persons deprived for at least 3 out of 9 items	Mean number of "lacked" items among deprived population	Poverty risk threshold (PPS)
LU	3	3.49	36,908
SE	6	3.45	20,120
NL	6	3.48	22,325
DK	8	3.59	21,367
FI	10	3.48	19,573
AT	10	3.48	22,960
UK	10	3.49	23,868
ES	11	3.45	16,394
IE	11	3.66	22,483
FR	13	3.57	19,661
BE	13	3.76	21,075
DE	13	3.51	21,846
IT	14	3.70	18,371
SI	14	3.49	16,756
EE	18	3.61	8,524
CZ	20	3.79	11,231
PT	20	3.74	11,255
EL	23	3.81	14,588
CY	31	3.50	13,226
SK	36	3.77	8,678
HU	38	3.96	8,355
LT	41	4.09	7,376
PL	44	4.06	7,187
LV	50	4.12	7,049

Note: Countries are ranked in ascending order on the basis of the national percentages of people deprived for 3+ items. Poverty risk thresholds are annual amounts calculated for a household consisting of 2 adults and 2 children aged below 14 Interpretation: In Luxembourg, 3% of the population is "deprived" on the material deprivation indicator, i.e. lack at least 3 out of the 9 items considered; and, on average, the deprived population lacks 3.49 out of these 9 items. The national poverty risk threshold is 36,908 PPS Source of calculations for material deprivation indicators: Guio, 2009; Malta: not available

As shown in Figure 6a, the most striking examples in this respect are Hungary and Slovakia (which have high levels of deprivation but low income poverty rates) as well as, though to a lesser extent, Cyprus (poverty risk identical to EU average but high deprivation) and the Czech Republic (lowest poverty risk in EU, together with The Netherlands, but intermediate performance on deprivation). Latvia combines both the highest poverty risk and highest proportion of deprived in the EU. Conversely, Spain has a high poverty risk (second highest in EU, *ex aequo* with Greece and Italy) whereas it has a below average proportion deprived (8th best performance). It is then not surprising that the R^2 between deprivation and poverty risk is close to zero (0.09). **Figure 6a: Link between material deprivation and income poverty: Material deprivation (2006) and poverty risk (2007) for EU countries, EU-SILC**

Source of calculations for material deprivation indicator: Guio, 2009; Malta: not available Even though the rankings are not identical, the extent of material deprivation is generally much higher in the countries with the lower levels of median income than in the better-off ones (the R^2 between deprivation and thresholds is 0.69). So, all five countries with the highest proportion above the deprivation threshold (Slovakia, Hungary, Lithuania, Poland and Latvia) are among the six countries with the lowest median income (their national poverty risk thresholds are below 8,700 PPS whereas all other Member States‟ thresholds are above 11,200 PPS; see Table 2). The only exception is Estonia, which has a much lower proportion deprived than its median income ranking would suggest.

Table 2 also shows the mean number of items lacked among those above the cut-off: this does not vary much across countries, although it is highest in the countries with the highest proportion deprived. The relationship between being materially deprived and being at-risk-of-poverty in relative income terms can be assessed using this deprivation measure, as shown in Figure 6b. The mean level of deprivation is a good deal higher for those below the poverty risk threshold than above it in every country, though the gap is considerably wider in some countries than in others. It is also worth noting that the mean level of deprivation for those who are at risk of poverty in the richer countries is lower than the corresponding figures for those *above* the threshold in the poorest countries. In Denmark and the UK, for example, the mean level of deprivation for those at risk of poverty is 1.5, whereas in Latvia the corresponding figure for those *not* at risk of poverty is 2.2. This brings out the value of complementing the indicators based on the at-risk-of-poverty measure with indicators of material deprivation, particularly in the enlarged EU. **Figure 6b: Overlap between material deprivation and income poverty: Mean number of "lacked" items among income-poor and non-income-poor population for EU countries, EU-SILC, 2006** *Note: In Luxembourg, on average those above the 60% of median income poverty risk threshold lack 0.2 item out of these 9 items while those below the threshold lack 1.2 items Source of calculations: Guio, 2009; Malta: not available*
00,511,522,533,54LUSENLDKUKFIBEATIEFRITESDESIEECZELPTCYSKHULTPLLVnon poorpoor

Such material deprivation measures also allow the situation of different groups and household types within countries to be compared. For example, studies have suggested that the elderly as a group have below-average deprivation scores in the Northern European "old" Member States, but that this is not the case in the Southern countries or in the new Member States – and this is borne out by results from EU-SILC using the deprivation measure described. This type of analysis provides an important perspective in understanding the needs of different household types and framing policy to respond. (See Dewilde (2008) and Jehoel-Gijsbers and Vrooman (2008).)

The relation with the poverty risk has an interesting triangular shape: while some countries with relatively high poverty risks manage to keep unmet medical need very low (Ireland, UK, Spain), there are no countries with low poverty risks and high levels of unmet need. One interpretation of this finding could be that a low poverty risk (as measured by the present indicator, i.e. in relative terms) can only be sustained by countries with a system of generous social transfers with broad coverage, and that welfare states which achieve that, also provide accessible health care.

4. The portfolio of indicators as a whole

Building on the results presented in Section 3, we now look more closely at the value added of a multi-dimensional portfolio of indicators for monitoring the Social OMC. For this purpose, we first look at the relationships between indicators: how are countries ranked on these indicators and to what extent are these measures correlated? Then, we discuss whether a composite indicator might be useful.

Inter-relation between indicators: rankings

From our discussion of the various indicators in Section 3, it is clear that the various commonly agreed EU measures for social inclusion do indeed tell a different story about the relative social performance of the different EU Member States. They also tell different stories in terms of policy evaluation. We now take only four of the EU indicators commented above and explore their interaction more explicitly: the at-risk-of-poverty rate, long-term unemployment, adults living in jobless households and early school leavers. Figure 8 shows the rankings, from 1st to 25th position, of EU-25 Member States on each of these four indicators. There is considerable movement up and down the ranking as we move from one indicator to another. When the common indicators were first mooted, there was general agreement that they should be multi-dimensional. This view was held largely on *a priori* grounds: that it was right in principle. Now that we have the experience of values being given to the indicators, enriched by Enlargement, we can see that the multi-dimensional approach is indeed crucial. The best performers on poverty risk have a strong tendency to be ranked lower on long-term unemployment and/or the proportion of adults living in jobless households. Nine countries – Cyprus, the Czech Republic, Denmark, Estonia, the Netherlands, Poland, Portugal, Slovakia and Sweden - feature in the top three countries for one of the four indicators shown in Figure 8. Thus over one-third of the EU countries can claim to be in the “top three”. Another way of conveying the same message is to present quartile scores. For each indicator, we take as the benchmark the median across countries, dividing them into quartiles. So, those in the first quartile are marked „- -„, the second „-„, the third „+“ and the fourth quartile „++“. For all indicators used here, a high value represents a poor performance. (In interpreting the results, it should be borne in mind that the various dimensions of poverty and social exclusion covered by the indicators are represented by differing numbers of indicators.) In the top part of Table 3, the countries that are performing poorly relative to the median on the different indicators are highlighted (i.e., values of „+“ or „++“). There are many different combinations. Even though there are no totally shaded columns, there is however a much denser concentration of shaded cells (at least 7 out of 10) in Cyprus, Greece, Italy, Poland and Portugal. Conversely, some countries stand out for their small number of shaded cells (maximum 3). This latter group includes various rich countries with extensive welfare states (Austria, the three Nordic Member States, Luxembourg and the Netherlands) as well as the Czech Republic, Ireland and Slovenia.

Inter-relation between Indicators: correlations

Rankings may be misleading, since, where observations are bunched, a country may lose several places on account of a tiny difference. An alternative is provided by the correlations of the indicator values (though these are more easily affected than rankings by outliers). If the different indicators are highly correlated across countries, then this suggests that there is little value added from considering additional dimensions in determining *stricto sensu* their relative performance. It should be re-emphasised that we are considering here countries as the unit of analysis. We learn nothing from these correlations about the extent to which risks are correlated at the individual level within any country. The at-risk-of-poverty rate may be much higher in countries with high rates of early school leavers, but this does not automatically imply that individual early school leavers in country A are at higher risk of poverty. In order to explore the latter correlation, we would have to go back to the micro-data, i.e. the observations on individual persons and households which is not the purpose of our discussion here. Table 4 shows the correlations between the Primary Indicators for which data are available. If we first look at the poverty rate (which is clearly the lead indicator in the Primary list), we see that it correlates – rather unsurprisingly – strongly with the poverty gap, and also – more interestingly – with unmet need for medical care. A significant but weaker correlation is found between the poverty gap and (material) deprivation, while the correlation with the employment gap of immigrants is negative (but not statistically significant). The correlations with the indicators of labour market exclusion are very small (we come back to this below). Among the other indicators, we observe few significant correlations. As shown above, the two indicators of labour market exclusion (long-term unemployment and adults living in jobless households) are clearly related. Otherwise, the only significant, and in fact remarkably strong, correlation is observed between deprivation and unmet need for medical care. Why are the correlations among most of the indicators very small or even insignificant? First of all, and most obviously, some indicators refer to quite different domains and low correlations are therefore not particularly surprising. There is *a priori* no particular reason why countries that manage to keep nearly all children in school should also be successful in meeting medical need, and in fact we observe no correlation between these indicators. But there are also instances where low correlations are unexpected. An instructive example is the nearly zero correlation between the joblessness measure and the poverty rate. If one looks within nearly all EU countries one finds a very strong association at the household level between joblessness and poverty risk, as can be seen from the examination of the EU poverty risk indicator broken down by the "work intensity" of the household. One might therefore expect that countries where there are many jobless households also have higher poverty risk rates. This argument would certainly be correct, but for the fact that other variables intervene.

In fact, an important third variable is the extent of income protection. It is well known that there is a strong negative correlation between the extent of social income protection and the poverty rate. It has more rarely been observed that there is in fact a *positive* relation between the degree of income protection and the proportion of jobless households. That there is such a relation makes perfect sense: in the absence of social

protection, living in a jobless household is often not a viable option, and people either have to find work, or become part of another household. The fact that both poverty and joblessness are correlated with the degree of income protection, but with opposite signs, explains why we find little correlation across countries between the first two variables. The example of poverty, joblessness and income protection contains a more general point, which is relevant to the policy lessons which can be derived from such indicators: sometimes there is a trade-off between different policy objectives, where increasing the effectiveness of a particular policy instrument as regards one objective may in fact exacerbate other problems. Governments often have to define priorities – investing in schools or in hospitals – because of budget constraints. Moreover, societies can make different democratic choices. These are important reasons why one should not rely on one or two indicators, but should use the entire portfolio. ***A composite indicator?***

An issue that inevitably arises when dealing with a multi-dimensional set of indicators is whether it is helpful to add up indicators for different fields to arrive at a total score, which we refer here as "composite" indicator.[22] The popularity of such an approach has been demonstrated *inter alia* by the UNDP Human Development Index (HDI), which is a composite of three basic components: longevity, knowledge and standard of living. Certainly, for the general public, composite indicators can serve a „headline" function, and newspapers are keen to report the resulting rankings of countries. In this way, the attention of the public can be drawn to issues in which they otherwise would show little interest. As discussed in a separate contribution to this conference (Marlier and Atkinson, 2009), there are, however, a number of technical and political reasons why we do not feel that composite measures can play a useful monitoring role as part of the Social OMC or in other international policy frameworks.

	AT	BE	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV
Poverty risk	-	+	+	+	-	++	++	++	-	-	-	-	+	++	++	-	++
Poverty gap	-	+	+	+	-	++	++	++	-	-	-	-	+	++	++	-	++
Long-term unemploy	- -	++	+	++	+	++	-	-	+	+	-	-	+	-	- -	-	

[22] It is important to highlight that our focus here is not on aggregate indices such as the one discussed in the above Section on material deprivation (which we fully support). Instead of first aggregating across fields for an individual and then across individuals (as in the deprivation measure), in what we call here "composite indicator" the aggregation is made first across people and then across fields. A composite indicator is thus a combination of aggregate indicators.

Table 3: Quartile scores of EU countries for Primary EU Indicators of social inclusion, EU-SILC and LFS, 2007

	AT	BE	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL
Poverty risk	-	+	+	--	+	-	++	++	++	-	-	-	+	++	++	-	++	-	--	+
Poverty gap	--	-	+	-	++	--	+	++	++	--	--	+	-	+	++	-	++	--	--	++
Long-term unemployment	--	++	--	+	++	--	+	++	-	-	+	+	-	+	-	--	-	+	-	++
Adults in joblessness	-	++	--	--	++	-	--	+	--	+	++	++	+	+	-	-	-	+	--	++

Note: In the top part of the Table, countries highlighted are those that perform poorly relative to the median (i.e. values of „ countries highlighted are those that have the best performance (top quarter, i.e. „--„)

Interpretation: Country figures are being compared with the EU-median for each indicator. „- -" indicates in the first quartile, the fourth quartile; „." unknown. Quartiles and median are used for their non-dependency on outliers

Table 4: Correlations among the Primary Indicators across EU-25 countries, EU-SILC and LFS, 2006 and 2007

	Poverty risk	Poverty gap	Long-term unemployment	Adults in jobless households	Early school leavers	Employment gap immigrants	Material deprivat
Poverty risk	1	0,73**	-0,06	-0,07	0,38	-0,34	0,30
Poverty gap	0,73**	1	0,19	-0,02	0,20	-0,24	0,51*
Long-term unemployment	-0,06	0,19	1	0,45*	-0,06	-0,04	0,38
Adults in jobless households	-0,07	-0,02	0,45*	1	-0,30	0,38	0,10
Early school leavers	0,38	0,20	-0,06	-0,30	1	-0,38	-0,19
Employment gap of immigrants	-0,34	-0,24	-0,04	0,38	-0,38	1	-0,24
Material deprivation	0,30	0,51*	0,38	0,10	-0,19	-0,24	1
Unmet need for medical care	0,62**	0,66**	0,13	-0,04	-0,05	-0,17	0,76**

Note 1: correlations calculated pairwise (pairwise exclusion of missing values)

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Note 2: Material deprivation and unmet need for medical care are for 2006; all other indicators are for 2007

5. Conclusions and moving forward

In this chapter, we have seen that the EU portfolio of commonly agreed indicators serves to bring out the diversity and multidimensionality in the ways that people can be socially excluded and also in national situations and policies. It is important to re-emphasise that no country scores consistently better than the cross-country median on all indicators, and that most countries excel (are in the top quartile) on at least one indicator. Across countries, there is remarkably little correlation between different indicators, reflecting different social, demographic and economic situations, but also different (implicit) policy priorities and trade-offs. Even where indicators are quite strongly correlated across countries, there are always countries which do not conform to the general pattern and these cases may contain valuable policy lessons (e.g. the poverty rate and unmet medical need). The case for a comprehensive portfolio of indicators, covering all key dimensions of the common EU objectives and balanced across the different dimensions, seems thus well established.

In these conclusions, we therefore primarily review what we believe are the most important remaining gaps in the current EU portfolio. Since the adoption of the first portfolio of EU indicators for social inclusion by the Laeken European Council in December 2001, a great deal of work has been undertaken and major progress has been made not only in the coverage of these indicators but also in using them; yet the portfolio is not fully finished yet. Some gaps in the agreed indicators are clearly recognised, with ones relating to housing and child well-being explicitly flagged for development and inclusion in the Primary set. The SPC Indicators Sub-Group and Eurostat have already devoted considerable effort to discussion and analysis of the options in these areas, and in the space available we simply highlight some suggestions without being able to tease out the arguments in detail.[23] Significant progress has been made since early 2009 in developing commonly agreed indicators on housing (housing deprivation and financial burden represented by housing costs); the priority now is to move forward in formally adding to the EU portfolio indicators covering these areas in line with the request already made in Laeken back in 2001. Progress on the introduction of an indicator for homelessness is also still required. It could be made incrementally, by agreeing first on a relatively tight definition of homelessness, then on the preferred measure, and finally on the approach to producing data relating to this agreed measure. Official responsibility would have to be clearly assigned for overseeing the collection of appropriate data on homelessness in close collaboration with organisations working in the area.

As far as material deprivation is concerned, a step forward has been made in February 2009 with the agreement on both a Primary Indicator and a Secondary Indicator which should be soon added to the EU portfolio for social inclusion. This addition should however be seen only as a first (though major) step forward. In 2011, when the data collected through the special 2009 EU-SILC module on material deprivation become available, refinements of these measures will need to be investigated.

[23] For a detailed discussion see Marlier *et al* (2007), Chapter 5. See also Marlier (2008).

On health, priority should now be given to the development of a measure of premature mortality or life expectancy by socio-economic circumstances, to be produced on a regular but not necessarily annual basis. The need to develop a Primary Indicator on "child well-being" has already been highlighted, and there is consensus that this should relate to a non-income-related dimension - for instance child health or educational performance. The aforementioned 2008 EU Report on "Child poverty and well-being in the EU" highlights the richness of the child well-being indicators already used in different Member States and can provide very useful guidance. There is also a need for some further refinement of the existing indicators. To give some examples, an EU indicator of literacy for the working age population would be a useful complement to the existing one for second-level school pupils; regional breakdowns for existing indicators where possible would be a valuable addition; and it would be highly valuable to complement the "working poor" EU indicator with a measure of the extent of low pay. Countries need to systematically analyse in their NAPs/inclusion how the situation of individuals and households changes over time; the dynamics of income, poverty and social exclusion at the *micro*-level, based on panel data, and the factors/ processes associated with it (including the inter-generational transmission of disadvantage) need to be better understood. People living in institutions, migrants and ethnic minorities, other vulnerable groups including the homeless, people with disabilities, those with addiction problems etc. are generally under-counted or missed by household surveys, and these require special attention. In view of the importance attached to learning about what does and does not work elsewhere, the EU institutions should also consider, in collaboration with OECD, the extension of (some of) the commonly agreed social indicators to cover for example the US, Australia, Canada, Japan and New Zealand.

It may be useful to mention a number of other areas on which attention should focus. First, and probably most important, we need to better understand the meaning of the relative at-risk-of-poverty thresholds in the different Member States. A step in this direction was taken back in 2001 with the EU decision to provide the national at-risk-of-poverty rates together with the value of the national thresholds expressed in PPS (see indicator P1 in Table 1), which is obviously valuable contextual information in interpreting this indicator. One should, however, go further than this. Taking the value of the at-risk-of-poverty thresholds (in this case in national currencies, not PPS), we should ask what these thresholds imply in terms of the actual standard of living achievable in each Member State. What can a household on 60% of the median income, adjusted for its size and composition, in each country actually consume? A comparison with budget standards, which exist in various EU countries, would be very useful in this regard (even when these standards have been developed independently and are not comparable). Information on the actual expenditures of households around the poverty line could also help understand the living standards achievable at the at-risk-of-poverty threshold in the various Member States. A next step would be to use this information to investigate how much the appropriate Purchasing Power Parities adjustment varies across the income distribution in the different Member States. If the price relativities were moving against the poor, then this

would become apparent from the implied budgets.[24] Such an analysis could valuably be supplemented by qualitative information on how people "at risk" actually live. This approach would make more meaningful the otherwise arcane statistical procedures on which the poverty risk indicator is based. It would be a good means by which governments could engage those experiencing poverty and social exclusion, including the organisations representing them, and other bodies. Furthermore, it would be valuable to investigate in a systematic way the relationship between the level of the relative income thresholds and the minimum income provided or implied in many national social security systems. (This would be in line with the Context Information already included in the EU portfolio for social inclusion; see Section 2.) The extent to which those falling below the 60% threshold are in fact on that minimum guaranteed income would also be very helpful. This is often not a straightforward matter since the minimum guaranteed income can be complex to define, with support coming from a variety of schemes and varying not only with household size and composition but also with tenure and housing costs and perhaps other features of the household"s situation. It would however be very useful both in providing a benchmark against which the level of the relative income thresholds in different countries can be framed, and indeed understanding the varying proportion falling below those thresholds. This can be seen as one example of the broader issue of linking what is happening in terms of social protection and social inclusion with developments in the broader economy, including employment and incomes, which has become even more important with the economic and financial crisis. Another example of how these linkages could be further investigated would be to develop further Making Work Pay indicators that take a "social perspective" (already part of the Context Information included in the EU portfolio, but in need of more intensive development and application). Other areas meriting attention are mental health and disability (where problems in definition and data loom large, sometimes even within a same country); the depth of financial poverty and social exclusion, when it can be taken as a reliable indicator of the severity of the situation; the highly complex issue of intra-household allocation of resources (the topic for the 2010 EU-SILC module); the poverty risk indicator before versus after social transfers, also taking account of gross income information (which is now available from EU-SILC); and social "convergence", where an EU-wide income threshold has potential to complement what is captured by country-specific thresholds.

To conclude, for all relevant dimensions, we would like to suggest a more systematic examination by Member States of the relationship between the commonly agreed indicators and the (sub-)national indicators which they are using for monitoring their social

[24] As has been emphasised in research on the monitoring of the Millennium Development Goals, the relevant adjustment is one that relates to consumption, not national product in total, and one that is relevant to households at risk of poverty. As it is put by Deaton, "the consumption bundles of the poor are not the same as the average consumption bundle, and price movements in the latter can be different from price movements in the former, for example if the relative price of food increases." (2002, page 1.9). If we are going to place more reliance on the PPS adjustments, then their distributional salience needs to be addressed. The economic and financial crisis has made this even more important.

policies. This would be valuable to reinforce confidence in and facilitate the wider application of the commonly agreed indicators. We also want to emphasise the importance of using the indicators in a forensic manner at EU level to identify possible explanations of differences in Member States‟ performance. An illustration of this is provided by the 2008 EU Report on “Child poverty and well-being in the EU”, which shows what can be learned from combining and analysing existing commonly agreed indicators for social inclusion from a child perspective and which therefore represents a major step forward in this respect.

References Atkinson, A.B., Cantillon, B., Marlier, E. and Nolan, B. (2002), *Social Indicators: The EU and Social Inclusion*, Oxford University Press, Oxford. Council (1975), Council Decision of 22 July 1975 Concerning a Programme of Pilot Schemes and Studies to Combat Poverty", 75/458/EEC, OJEC, L 199, Brussels. Deaton, A. (2002), *Data for Monitoring the Poverty MDG*, Research Program in Development Studies, Princeton University, Princeton. Dewilde, C. (2008), "Armoede over de levensloop" (Poverty across the Life-cycle), in: Vranken J. *et al, Armoede en Sociale Uitsluiting, Jaarboek 2008*, Acco, Leuven. Dickes, P., Fusco, A. and Marlier, E. (2009), "Structure of national perceptions of social needs across EU countries", *Social Indicators Research*. European Commission (1992), "Towards a Europe of Solidarity: Intensifying the Fight Against Social Exclusion, Fostering Integration", Communication from the Commission, COM(92)542, Brussels. European Commission (2008), "Portfolio of Overarching Indicators and Streamlined Social Inclusion, Pensions and Health Portfolio. April 2008 Update", available at:

http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/indicators_update2008_en.pdf. Guio, A.-C. (2009), "What can be learned from deprivation indicators in Europe?", Document presented to the SPC Indicators Sub-Group at its 10 February meeting. Hagenaars, A., de Vos, K. and Zaidi, A. (1994), *Poverty Statistics in the Late 1980s*, Eurostat, Luxembourg. Jehoel-Gijsbers, G. and Vrooman, C. (2008), Social exclusion of the elderly; a comparative study in EU Member States, Centre for European Policy Studies, Brussels. Lenoir, R. (1974), *Les exclus*, Seuil, Paris. Marlier, E. and Atkinson A.B. (2009), "Analysing and Measuring Social Inclusion in a Global Context", Paper presented at the Joint OECD/University of Maryland International Conference on *Measuring Poverty, Income Inequality, and Social Exclusion - Lessons from Europe*, Paris, 16-17 March 2009. Marlier, E. (2008), "Commonly agreed Social Indicators in the EU: Purpose, specificities and gaps", Paper presented at the EQUALSOC Berlin Conference, INCDIS Thematic Session, Berlin, 10 April 2008. Marlier, E. Atkinson, A.B., Cantillon, B., and Nolan, B. (2007), *The EU and Social Inclusion. Facing the Challenges*, The Policy Press, Bristol.

Morley, J., Ward, T. and Watt, A. (2004), *The State of Working Europe 2004*, ETUI, Brussels.

Nolan, B. and Whelan, C.T. (1996), *Resources, Deprivation and Poverty*, Oxford University Press, Oxford. OECD (2008), “Growing Unequal? Income Distribution and Poverty in OECD Countries”, OECD, Paris. O‟Higgins, M. and Jenkins, S. (1990), “Poverty in Europe: Estimates for 1975, 1980 and 1985, Analysing Poverty in the European Community”, *Eurostat News*, Special Edition, Vol. 1. Room, G. (ed.) (1995), *Beyond the Threshold*, The Policy Press, Bristol. Sen, A. K. (1985), “Well-being, agency and freedom: the Dewey Lectures 1984”, *Journal of Philosophy*, vol. 82: 169-221. Sen, A. K. (1992), *Inequality Re-examined*, Harvard University Press, Cambridge. Silver, H. (1995), “Reconceptualizing Social Disadvantage: Three Paradigms of Social Exclusion”, in Rodgers, G., Gore, C. and Figueiredo, J. (eds.), *Social Exclusion: Rhetoric, Reality, Responses*, ILO, Geneva. Social Protection Committee (2001), “Report on Indicators in the Field of Poverty and Social Exclusion”, Brussels, available at: http://www.europa.eu.int/comm/employment_social/news/2002/jan/report_ind_en.pdf. UNDP (1990), *Human Development Report 1990*, Oxford University Press, Oxford. Walker, R. (1995), “The Dynamics of Poverty and Social Exclusion, in Room, G. (ed.), *Beyond the Threshold*, The Policy Press, Bristol.

Annex: Countries' abbreviations

"Old" Member States		"New" Member States	
AT	Austria	CY	Cyprus
BE	Belgium	CZ	Czech Republic
DE	Germany	EE	Estonia
DK	Denmark	HU	Hungary
EL	Greece	LT	Lithuania
ES	Spain	LV	Latvia
FI	Finland	MT	Malta
FR	France	PL	Poland
IE	Ireland	SI	Slovenia
IT	Italy	SK	Slovakia
LU	Luxembourg		
NL	The Netherlands	*(BG)*	*Bulgaria*
PT	Portugal	*(RO)*	*Romania*
SE	Sweden		

In 2004, the "old" EU-15 countries were joined by ten "new" Members State. In 2007, Bulgaria and Romania became in turn EU Member States. In view of limited data availability, the latter two countries could not be included in this paper.