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European Union Poverty Policies: The Case of the Statistical Policy

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Abstract

A long-lasting difficulty in dealing with the subject of poverty, both in the scientific and political realms, has been the lack of analytical and methodological instruments that facilitate defining, observing and measuring accurately the social dimensions of the phenomenon. Henceforth, it is crucial to develop further indicators in order to design and implement a consistent statistical policy. After examining these issues, this paper analyses the European Union policy on poverty and, especially, the efforts done in the field of statistical policy.

Keywords: Poverty, European Union, Statistical Policy

Resumo

Uma dificuldade de longa data nos estudos sobre a pobreza, quer a nível académico quer a nível político, reside na escassez de instrumentos analíticos e metodológicos para definir, observar e medir as dimensões sociais da pobreza. Portanto, é importante desenvolver ferramentas e indicadores que permitam formular e implementar uma política de estatísticas consistente. Após examinar estas questões, este artigo analisa a política da União Europeia relativamente à pobreza, com destaque para a área das políticas de estatísticas.

Palavras-chave: pobreza, União Europeia, política de estatísticas

1. Economic policy for poverty¹

Political preoccupation over poverty is not recent. As Hazlitt (1974, 9) highlighted, "The history of poverty is practically the history of humanity." Whether this is in terms of deprivation and necessity, inequality or marginalization, it has been a recurrent theme over time at all latitudes; although it has evolved and changed over history. Today, for example, when immigration has turned into one of the most well known expressions of poverty in the European Union, we cannot forget that it was poverty and hunger which drove many Europeans to other continents in the 19th and 20th centuries. Looking further back, we remember how periods of hunger were constant in the history of old continent countries up to contemporary times. To only quote one piece of data, it is staggering to think that in the winter of 1709 one million people could have died in France as a consequence of poverty and its related deprivation, out of a total of 20 million. In the first third of the 20th century, poverty and hunger threatened various areas of Western Europe.

It is not surprising therefore, that public powers have confronted such situations over history (see e.g. Hazlitt, 1974, 71 and later publications). Although they have done so in different ways. According to Kirschen et al. (1977, 78-79), the distribution of income in Europe in the form of aid to the poor remained up to the 17th century in the hands of the church. The principle of governmental intervention was not established up to 1601 with the well known English "Poor Law". However, these authors forget that during the Middle Ages civil political petitions had been dealing with the problem in Spain (see e.g. Casado, 1971, 29) or that in 1526 Luis Vives published his work *De subventionem pauperum* whose second book contained some recommendations for the burgomaestres (mayors) of Bruges. This led to fierce controversy between thinkers of the period who were in favour of interventionist positions or those who were liberal with respect to the issue (see Martín, 1988, 7-20; Perrotta, 1999, 95-120).

With respect to modern economic policy, it is worth noting how the subject has filtered into normal proposals on the objectives that must be pursued. It is not surprising that it was a man like Pigou - who was so preoccupied about social inequality - who included in his *Economics of Welfare* (1920) the improvement of the distribution of income among such objectives, together with growth and stability, bearing in mind

¹ This study was undertaken as part of the research project SEC 2001-1668, funded by the Spanish Ministry of Science and Technology.

problems inherent to poverty. His speech, on the occasion of the handing over of his teacher Marshall, is very expressive to this regard. The worries of John Maynard Keynes are equally well known (see Perez Moreno, 2000, 147-167). Moreover, economic policy classicists such as Kenneth Boulding, Campolongo (1972) or Watson have dealt with the matter. Watson (1975, 667) points out clearly that the general policy of income distribution is an attempt to carry out justice and equality by reducing rich people's income and increasing income for the poor.

Despite all this, the subject has been looked at with a lot of foresight by politicians, adapting at times less favourable and even hostile attitudes, considering such a question as a minor matter that will have to be resolved with general economic advances. But the reality is that poverty is a persistent fact which affects millions of people. So it is not surprising that preoccupation over poverty has opened an ever more significant gap in political agendas and research.

2. The problem of measurement

An underlying difficulty nevertheless, to deal with the subject consistently, has been in large part, to make analytical and measurement instruments available that facilitate defining, observing and getting to know the problem as much as possible. This is essential for any action especially, in a field which is so full of sentimental and axiological connotations that distort its clear perception and objective understanding of the various related problems.

From the point of view of correct political praxis, beyond sterile voluntary acts, electoral concessions to the demagogue or well intentioned actions but devoid of rigour, sufficient technical support which helps to identify the problem clearly, to choose and calibrate the solutions to be applied, to supervise and guide the orientation of these and to measure the success or failure that they bring is all necessary. But we also need support such as elements to make society and the media, for communication and social dissemination of public action, more aware. We also need to have appropriate and careful political control of these elements which are inexcusable components in any democratic process.

It was not until the end of the 1970s and beginning of the 1980s when indicators that facilitated dealing objectively and rigorously with the problem of poverty started to

become available. Sen (1976, 1979), Takayama (1979), Thon (1979), Blackorbg and Donaldson (1980), Kakwani (1980, 1981), Clark, Hemming and Ulph (1981), Foster, Greer and Thorbecke (1984), among others, are the milestones that must be quoted. From these, the path has been made easier and more consistent.

But it is not enough to have the appropriate tool; apart from this a real political intention and solid plans are needed. The tool may be used by dilettantes and researchers without having any political virtuality. Its transcendency is that it incorporates itself effectively into the task of public agencies. Only in this way will it serve as an element which strengthens political action. This takes us beyond mere statistical science and into a more compromising and interstitial area: *statistical policy*.

We speak of *statistical policy* to refer to that branch of policy that deals with administrating, planning and controlling the systematic and permanent measurement processes of phenomena that affect a community, with the objective of facilitating the group process of taking decisions in conditions of uncertainty. From an analytical point of view this includes the conception, organisation, establishment of priorities, carrying out, function, application and dissemination of statistical activities in the corresponding social environment.

As can be inferred we are speaking of something somewhat more than a measurement policy but which is nevertheless necessary for getting to know the reality and for diagnosing problems by public officials. We are speaking at least of three various fronts, which are self-complementary: a) the measurement of the physical and social phenomena that are presented within a given territory (measurement policy); b) the social dissemination of such measurements (statistical information policy); c) the effective incorporation of the same into the group process of the taking of decisions (statistical treatment policy). All this, with the objective of improving political activity in general and economic policy in particular.

The use of statistical policies constitutes an ever more significant field within economic and political responsibilities. The combination of the advances made from statistical science and its integration into the progress of economic knowledge has been offering significant opportunities for political agents to reinforce the efficacy and efficiency of their interventions. However, it is necessary to point out that all this manifests significant delay in the scope of the distribution of income and wealth. We have sufficient indicators available to act in the fields of growth, price stability,

employment, external balance... Economic science moreover, offers a wide range of content related to the interpretation and use of such indicators which stimulates employment by governments and other political, economic and social agents. However, all this is different for distribution. There is not even a generally accepted indicator, nor are those that exist used for calculation, publication and dissemination frequently. Nor are they incorporated into the normal practice in any of their phases. Furthermore, political officials usually reject the publication of such indicators by private agencies.

In reality, the subject is more complex. On occasions it has been preferred not to deal immediately with the problems of distribution, trusting that these problems will solve themselves as other economic subjects are settled. Or action has been by trial and error, stimulated by unchangeable social pressure demanding specific responses to certain short term questions. The result in any case, was to act without excessive knowledge of the real situation. We speak of the objective of employment or stability, specifying with figures what we are trying to do (reduce a rate, increase a certain magnitude, etc.) and offer short term information on what has been achieved. But all this is not the same for distribution: we speak of improving income distribution or reducing poverty; but without specific figures and in very vague terms. Or especially, leaving inevitable negotiations in the hands of agents committed to fixing certain criteria on variables (wages, social benefits, quotas to pay, tax rates...) which means affecting the final results if these are achieved. But without getting to know exactly if these results are achieved within the relevant periods, or the extent to which they have been achieved. An integrated political treatment of distribution in this way results in being nigh on impossible.

The appropriate theoretical and technical fundamentals together with a political will is necessary so that the systematic use of statistics on poverty and distribution becomes a reality. This will facilitate broadening our knowledge on the real situation by carrying out comparisons between experience, improving existing practices and of course, obtaining solid results and effectively getting to know what is happening. In this way, it seems reasonable to think that such a statistical policy may be an extraordinarily useful tool as it has been in other fields.

Obviously, from the perspective dealt with here we have an instrumental policy as we are referring to an immediate intervention by public powers that do not run out of steam on their own. Rather, this is at the service of other policies that transcend it,

whether they are sectorial, regional, social or general. Obviously, the statistical data in itself, from the point of view considered here, lacks importance if not for its reference to real situations, directly or indirectly linked to those policies. Statistical policy therefore, is a better way of getting to know the real situation, to act upon this; but it also reflects the changes or non-changes of such a real situation, which occur as a consequence or in the absence of specific operational policies in such a way that the availability of a way to control the results and a way of communicating to citizens about such results is facilitated.

3. The problem of poverty and distributive inequality in the European Union

The advances that have occurred in the statistical treatment of poverty have had their logical translation on the development of abundant applied studies. This is what has happened with European countries. Although there have been other studies using different techniques, it was only from the end of the 1970s - coinciding with the availability of the indicators highlighted above - when attention started to be more intense, systematic and continued.

While poverty has many dimensions, it has been common to measure it from simple magnitudes such as income or expenditure of households of each country. This perspective of poverty may be understood as a particular form of measuring inequality in the distribution of income for which corresponding indicators may be presented as an alternative to well known inequality indices although paying attention to the population groups which are weakest economically. This facilitates getting to know better the evolution of the distribution of income in the same way as has occurred up to now with growth, stability of prices or employment. And to the extent that available indicators are available, these are used, their understanding is improved, their content filtered and design and application procedures are perfected. A feedback process is established which is fundamental for the advancement of knowledge.

Along these lines there has been more protagonism by individual researchers than public data production centres for which there is obviously a great variety in the information available. Fortunately, the existence of databases such as the *Luxembourg Income Study* facilitates compensating such a problem. This simplifies efforts to simultaneously understand better the route followed by various countries. So, using the

estimates provided by the LIS, referring to the relative poverty rate.² and the Gini coefficient, we may note the income distribution trend in the States of today's European Union, from the 1970s (see tables 1 and 2).

TABLE 1. RELATIVE POVERTY RATE

TABLE 2. GINI COEFFICIENT

Although data provided by LIS corresponds to disparate dates, given that national surveys on which LIS is based present a periodicity which is variable and different for each country, the first conclusion that can be deduced from this data in global terms, is that of the 13 countries on which information is held, the relative poverty rate increased in nine of them between the first and last year considered, while in other seven – although both phenomena coincide only in six– the Gini coefficient value increased. Nevertheless, it must be highlighted that the sense of variation of the said indicators has not been uniform during the period considered. In certain countries the periods when income distribution improved alternated with periods when income distribution worsened.

On the other hand, it is worth noting that in the time period considered certain general trends can be considered. So, for example, the data relative to the poverty rate and Gini index referring the second half of the 1970s show a general improvement in income distribution, with the notorious exception of the United Kingdom where an increase in both indicators could be noticed. For its part, during the 1980s this trend inverts. According to data at the end of the decade, the only countries where the poverty rate and the Gini coefficient decreased during this period were Spain and Denmark. Finally, as to the first half of the 1990s it is worth noting that the evolution of income distribution in Union Member States is more ambiguous. This is distributed in terms similar to the number of countries in which the values of the indicators analysed increase and decrease.

² Here we will consider estimates carried out taking 60% of equivalent median income as the poverty threshold which - as is known - is less sensitive than average income to extreme income at both ends of the income distribution.

Despite the circumstances mentioned above, it can be stated that from the data looked at, the United Kingdom, Ireland, Italy and Spain are the countries considered to have the worst income distributions in terms of poverty and Gini coefficient during the period analysed. For its part, conversely, it is worth especially noting the situation in Sweden and Finland to the extent that these societies generally have greater levels of distributive equity. A very individual behaviour is that shown by the three BENELUX countries. Their relative position in the various years considered is modified or they show a different profile for the poverty rate and for the Gini index.

To summarise we can conclude the following: 1. The importance that poverty and inequality has for countries as specific realities within their borders. 2. The worrying evolution that the indicators considered shows; both problems, far from attenuating tend to get worse, at least generally. 3. The differences that exist between some countries and others which implies an additional problem in terms of real convergence is very expensive for the consolidation of the Union. 4. The discrepancies existing as to the years indicators are available for the different countries, as well as the lack of regularity in the appearance and the long periods of time that elapse without available information.

4. Communitarian policy on poverty

Independent of the panorama on the situation of European Union countries and the marked differences between them, there is one fact which attracts attention: the lack of homogeneity in the presentation of data. Not only do the years which refer to the data not coincide for various countries but moreover there is no correspondence as to their periodicity. Obviously, something that implies certain difficulties from the point of view of political harmonisation, an issue very much appreciated by the Union. Even bearing in mind the principle of subsidiarity, although “it is clear that the Union authorities cannot replace Member States” (CES, 1997, 99) every time the trend towards greater communitarian implication in this field is more evident. In the end, it cannot be ignored that European construction requires the consolidation of the social dimension of the Union, in such a way that internal cohesion is reinforced. The Commission is aware of such plans.

EU action related to poverty may be analysed from a double perspective as apart from specific action, we may find indirect interventions. The latter have less interest for

our proposals which does not mean that they are unimportant. We are referring to all those policies applied from the first moments that the European Communities existed which - in one way or another - may produce (and in fact do produce) specific impacts on the extension or reduction of poverty, independent of whether this is the objective or no. The structural funds are of special interest here. They are designed to correct clear situations on inequality which are closely correlated with the existence of significant poverty bags in certain geographical areas or specific population groups. But, in any case, it is clear that it is not poverty as such which the objective of such political measures is.

Action orientated expressly to poverty situations is relatively recent. It may be limited to the formulation of orientations and measures designed to stimulate initiatives in the Member States, in an attempt to potentiate and harmonise relevant national policies; or to constitute features specifically designed to affront poverty from a community perspective although obviously counting on the implication of Member States on the lines of respective competences.

A key date in this field is 1975, the year in which the first specific community program oriented towards poverty started and the year the first European Council was held. The latter's preoccupation for the subject (given its weight in the decision process) has been fundamental.

Without a doubt, both the approach used to deal with the problem and the emphasis adopted by Community institutions have varied significantly. Two periods may be distinguished due to the fact that a new chapter began in 1994. From this year important modifications were detected both in Community actions and in the international context, to the extent that the Copenhagen World Summit on Social Development established a novel scene in which poverty demands were at the top of the agenda. This was reflected among communitarian preoccupations and in the content of European Councils held from this date.

It is interesting to observe that in neither of the two periods did we see the application of decisive policies. The first period was merely empirical or experimental using the idea of putting various procedures to the test with the objective of contrasting their utility and scope. The second period in turn, was characterised by speculation, directing preoccupation towards the search for formulas and plans capable of offering

consistent solutions. But in neither case were such consistent general solutions being put into practice.

What most characterises the experimental period (1975-1994) is, without a doubt, the setting up of different programs relating to poverty, in which the idea of pilot actions is emphasised. These serve as a reference to learn from.

In 1975, as highlighted above, the first program was set up. It was called "Program of studies and pilot projects to combat poverty" which continued until 1980. With these programs (see European Communities 1975 and 1977) it was attempted to set up a set of experimental projects and orientating investigations in different contexts that facilitated improving knowledge of the real situation to fight against poverty.³ For a start, it is significant that, despite recognising that the persistence of poverty was incompatible with the achievement of objectives such as the harmonic development of economic activities in the Community, a continued and balanced expansion, growing stability, accelerated improved quality of life, etc. a specific budget together with the Program was not approved preferring it to be vaguely covered within the general budget by virtue of the needs that were generated.

Some time later, after nothing for five years, in 1985 a second program was approved. This was called "*Specific community action to fight against poverty*" with an initial budget of 25 million ecus, subsequently increased to 29 million ecus (European Communities, 1985, 1986). As requested by the European Parliament this program was adopted for the period 1985-1989. However, despite its name, the program simply proposed the promotion of different types of action/research with the objective of putting new methods to the test to help poor people or people threatened by poverty; the diffusion and exchange of knowledge and methods; and the regular dissemination and exchange of comparable data on poverty in the Community.

The 3rd Program, developed from 1989-1994 has the title "*Medium term program of measures for the economic and social integration of the categories of people who are economically and socially less favoured*" (European Communities, 1989a). However,

³ Such plans make us think how little we have advanced on the continent, since that remote date in 1526 when Luis Vives proposed (apart from prohibiting begging) something similar: to attribute responsibility and management to the public powers on this subject, to research poverty for its appropriate treatment, to establish categories in poverty situations to apply different treatments (see Casado, 1977, 19; García Lizana et al., 1979).

despite its name, it continues to be centred on local projects. It remains experimental and maintains the support and exchange of methods, knowledge and data.

It is important to highlight that coincident with the application of the 3rd Program, the use of a concept which came to be widely used occurred: that of social exclusion. The European Commission recognised in the final report on the application of "Poverty 3" (European Communities, 1995, 6-9) that the perspective used in this program to deal with the problem of poverty that considers different categories of people based on their social possibilities justifies the tendency to stop speaking of poverty and to start talking of social exclusion. This alludes to the danger of the rupture of social cohesion that the worsening of exclusion situations and processes implies. In reality, it was shortly after the approval of the program when the Council approved a resolution on 29 September 1989 dedicated to social exclusion (European Communities, 1989b), calling attention so that Member States could take the appropriate action. Such a concept appears in other subsequent initiatives, such as for example, in 1992, in two Council Recommendations, relative to social protection policies (European Communities, 1992a and 1992b).

This community activism was cancelled suddenly in 1994 with the Council refusing to approve the 4th Community program (1994-1999) designed and presented by the Commission, after evaluating the methods and results of "Poverty 3". This unusual dismantling of a community policy was mainly an answer - according to Adelantado and Goma (2000, 209-210) - to the inflexible position of the German government on the subsidiarity principle.

In any case, from a practical point of view, the new situation is not surprising, when the general balance on the evolution of poverty rates results in being so discouraging as we have seen. It is evident that new paths must be forged.

And the search for new paths seems to be mainly oriented towards the initiatives during what we have called the speculative phase from the previous date. The incidence of the World Summit on Social Development held in Copenhagen in 1995 has to be included in the new orientations (see European Communities, 2000c). But, in any case it is from the European Council held in Madrid in December 1995 when the said institution started to deal with the issue significantly. It even planned to set up evaluation instruments for such a purpose. Following along these lines subsequent Councils (such as Turin, Florence, Dublin, in 1996; Amsterdam, 1997; Kiln, 1999, etc.)

have continued to go deeper into these issues. They have made issues related to methods, instruments and the elaboration of specific policies their political priorities.

But it was the European Council held in a special session in Lisbon (March 2000) which meant - also in this field - a fundamental link in community policies. It tried to promote social inclusion as a priority to reduce poverty and social exclusion in the EU via an open co-ordination method for which national action plans were combined with community co-operation initiatives. The ultimate goal is to promote greater comprehension on the subject, better practice and to achieve common indicators and comparative evaluations which means broadening the definition of the relevant action. Independent of this meanwhile, specific applications of new plans are being incorporated into certain community policies (such as the priorities of the European Social Fund for the period 2000-2006).

The line followed by the Lisbon Council has been extended in subsequent Councils, especially Nice (December 2000) where the European Social Agenda was approved in which the priorities for specific action for the next five years in all fields of social policy were defined. Specifically, in the field of social exclusion and eradication of poverty very direct measures were adopted such as the development in each Member State in the framework of the open method of co-operation defined by the Lisbon European Council of a two year national action plan to fight against poverty and social exclusion, the use of new information and communication technologies to reduce social exclusion, etc. An important chapter is the improvement of knowledge of the reality of social exclusion, via instruments that facilitate the analysis and evaluation of poverty and social exclusion in the EU, departing from a common base and language (on this issue see for example *Government and Administration Files*, 2000; García, Malo and Toharia, 2001; etc.).

In this way, at the same time as a transversal treatment of social inclusion in the policies of Member States has been promoted and completed in the Community with structural fund financing, it has been attempted to potentiate the development of technical and methodological support to reinforce the corresponding political action.

In this context interest has been recovered by carrying out specific programs; but answering the new criteria that we are highlighting. In 2000, the Commission proposed to the European Parliament and the Council a five year community action program with the objective of developing co-operation between Member States to fight against social

exclusion (European Communities, 2000b). From this proposal in December 2001 the European Parliament and Council (in its meeting in Laaken) approved a "*Community action program with the objective of developing co-operation between Member States to fight against social exclusion*" (European Communities, 2001) for the 2001-2006 period with the objective of improving understanding of social exclusion and poverty, with the help of comparable indicators; organising exchanges on policies in force, stimulating mutual understanding; and developing the capacity of agents to effectively tackle social exclusion and poverty to promote innovative formulas especially via the establishment of European networks and the development of dialogues with all agents involved, including national and regional levels.

In the Barcelona European Council (March 2002), there was final insistence on the "need to reinforce social integration and the fight against exclusion ...". The invitation for Member States to include in their national action plans the fixing of quantified objectives to significantly reduce - before 2010 - the number of people who are at risk of falling into poverty and social exclusion was emphasised. The importance of this proposal must be especially highlighted as it meant breaking with inveterate tradition of not having a definite indicator to income distribution. From the viewpoint of this statistical policy serving the distribution policy the commitment shown could not be more significant.

5. Communitarian statistical policy with respect to income distribution, poverty and social exclusion

Along the lines of the above it is clear that one of the most solid policy proposals from the Union with respect to poverty is statistical policy. This is consistent specifically with the design and use of indicators that facilitate understanding the main problems indicated with the objective that they may serve as a reference to advance in the achievement of the policy objectives proposed. Obviously, this may be planned in this way thanks to many years of effort thereby constructing some solid bases on which to support the proposals.

5.1. The fundamentals of communitarian statistical policy

Although the production of community statistics goes back to the beginning of the 1950s⁴, it is worth stating that the legal fundamentals on which communitarian statistical policy is based are relatively recent. In fact, the first document from community institutions dedicated specifically to statistical policy which was going to govern the future of the EU did not see the light until 1988 (*Communication to the Commission on Community Policy and Statistical Information*). From this date however, there have been numerous and relevant periods which have led to the consolidation of the political-legal framework which support the European Statistical System (ESS) of today.

A priority place in this framework is the configuration of the multiple committees that participate in the ESS⁵, among which the one known as the Statistical Program Committee (SPC), formed in 1989 (see *Council Decision 89/382/EEC, EURATOM*). It is the committee related to the most significant statistical regulation, the Community Statistical Program (CSP).⁶ Specifically the main functions that decision attributed to the CSP are the following: 1 Attendance at the Commission in the general co-ordination of pluriannual statistical programs with the objective of guaranteeing coherence of this body's acts with National Statistical Programs. 2. Consultative power in everything concerning the elaboration and execution of pluriannual statistical programs. 3. Active participation in the executive powers of the Commission as long as they affect statistics and according to what is laid out in the Council act on delegation of powers.

But if a key date has to be emphasised in the settlement of the legal bases of community statistical policy, this date is 1997 with the adoption of various legal acts of notable importance for the subject we are concerned about.

⁴ We recall that the current European Statistical System (ESS) originated in 1953 with the creation of the European Coal and Steel Community (ECSC) statistical office to meet the statistical needs of the Coal and Steel Community. Years later, when the European Community was formed in 1958, the institution which was the precursor to Eurostat was set up and called the European Communities Statistical Office in 1959. Today, Eurostat constitutes the epicentre surrounded by the extensive network of institutions that make up the ESS.

⁵ Outside the committees the functioning of the ESS works in the same way, via numerous forums that bring together experts from national and community institutions, such as those known as Working Groups, *Task Forces*, *Leadership Groups*, *Partnership Group* and the Director Generals Conference. All these types of forum have in common the absence of a certain legal basis while committees are created on the basis of a Council legal act.

⁶ The CSP is a five year program that has the object of establishing strategies, priorities and work plans foreseen for the planning period that is subsequently developed via more detailed annual programs. To date, and from 1974 a CSP has been adopted. It is foreseen that the latter will be implemented during the period 2003-2007.

On the one hand, the approval of the Treaty of Amsterdam via which significant provisions relative to community official statistics was incorporated into the European Community Treaty (ECT). To this end, in article 285 of the ECT the principles of impartiality, reliability, objectivity, scientific independence and statistical confidentiality that all official statistics in any democratic society must have are expressly established; similarly the said article highlights significant novelties in the elaboration of community statistics in establishing that the statistical acts must be agreed by the co-decision procedure for which apart from the Council and Commission, the European Parliament must intervene in the adoption of legislative provisions.

On the other hand Council Regulation 322/97/EC of 17 February 1997 on community statistics, known colloquially as "Statistics Law" with the objective of creating a regulatory framework to produce community statistics in a systematic and programmed way was also approved. The general guidelines that govern official EU statistics, among other aspects, the distribution of responsibilities among national and community statistical authorities, are covered in an organised way in that Regulation.

Finally, that same year Commission Decision 97/281/EC of 21 April 1997 on the function of Eurostat in the production of community statistics, that developed the role of Eurostat as a community statistical authority, defined by the "Statistics Law" was also approved.

Other relevant legal references that serve as a base for communitarian statistical policy are on the one hand, Council Regulation 1990/1588 of 11 June 1990, on the transmission to the EC Statistical Office of information protected by statistical secrecy and, on the other hand, Council Decision 1999/468/EC of 28 June 1999, by which procedures are established for the exercise of competences attributed to the Commission.

5.2. Statistical action on poverty during the 1975/1997 period

Among the objectives proposed in the second and third program on the fight against poverty, we remember that reference is made to *the regular dissemination and exchange (or periodical) of comparable data on poverty (or on the categories of economic and socially unfavoured people)* which highlights a certain sensibility on the need to have statistical support available. Given the experimental character of the programs, it was not planned to go beyond that. Simply to estimate the circulation of

homogeneous data (comparable) as a way of trying possible indicators, generalising their use, familiarising themselves with the same, etc.

As these worries were abundant, at the end of the 1980s, coinciding at the time with the development of programs, the community authorities responsible for social policy established the possibility of making available an expressly defined statistical instrument that supplies base information in different fields (income, education, training, employment, etc.) in such a way that it serves as a support for the design of political action and facilitates analysing the incidence of applied policies on community households and individuals.

According to Seoane and Ureña (1997) the first steps that were taken in this direction tried to ascertain if the planned objectives could be optimally satisfied with existing statistical sources. For this we went back to those statistics carried out in all member countries with content similar to that required (Active Population Survey, Household Budgets Survey, administrative sources, etc.). However, the absence of data on income in some of the existing sources, the lack of harmonisation of other statistics, problems of coverage of administrative registers and different legislation in Member States indicated the need to carry out a new statistical operation, harmonised on a community scale and co-ordinated by Eurostat and statistically integrated with the rest of the surveys directed at households and other types of national and community statistical information: the European Community Household Panel (ECHP), with which income, employment, poverty, social exclusion, health, etc., are analysed.

The ECHP is a survey that goes beyond the traditional instantaneous transversal information as it not only describes the population at a determined moment in time but it also facilitates obtaining longitudinal information in adapting the fixed panel formula. In this way, households that form part of the initial sample are followed for the successive annual survey cycles allowing people who are incorporated into existing households to enter the sample and following those who have abandoned the household if they have changed address.

Between 1990 and 1992 various preparatory studies and conferences were started for the definition, design and setting up of a panel which gave rise within the characteristic experimental spirit of the period to two waves of a pilot test in 1993. Finally, in 1994 the first ECHP was carried out.

5.3. Community statistical action on the distribution of income, poverty and social exclusion from 1995.

The ECHP has constituted since its implementation in 1994 an important statistical instrument for the study of the distribution of income and poverty in the European Union. under the auspices of the section Income, poverty and social exclusion, of unit E-2 of Eurostat (Statistics on life conditions). Among other characteristics it has to be stressed that never before has there been a fixed and harmonised panel of its dimension, some 70,000 households for the whole EU.

However, the speculative wind of the new period started in 1995 by the communitarian policy on poverty also ended by gradually achieving quite a consolidated experience. Obviously, this was driven by the growing importance given to the subject of poverty in the European Councils held from this date.

In this way, the European Council of Madrid (December 1995 established the need to set up new measurement instruments as balances of annual evaluation on the distribution of income and social exclusion. But it was as of the Amsterdam Treaty in 1997 when demand for social statistics was greatly stimulated.

As a consequence of the new situation established and although the ECHP acceptably covered the pretensions of the European Union on social cohesion, in the annual directors meeting of social statistics that took place on 13 and 14 June 1999 it was agreed to replace it in 2002. Such a decision was mainly founded on the need to adapt the content and improve the functioning of the survey (especially on the speed of data production), dealing with the new political demands on poverty and social exclusion (see European Commission, 2001). But such a proposal created a group of experts whose responsibility was to carefully study the various options as to the content and structure of the new instrument, community statistics on income and life conditions (EU-SILC). A year later, this group presented its conclusions to the directors meeting who approved the basic principles, subjects to include and new work calendar.

Meanwhile, the Lisbon European Council in March 2000 has to be especially recalled again. This is where the preoccupation for measurement acquires special importance in the framework of the definition of a "new strategic objective" for the immediate decade. Along these lines, the Council mentioned, taking as a base the Communication from the Commission, "Build a Europe that stimulates integration"

(European Commission, 2000b) affirmed its commitment to evaluate and mobilise all relevant policies in a complete and integrated strategy, supported by a new open method of co-ordination, that combines national action plans with community co-operation initiatives to promote better understanding, better practice, common indicators and comparative evaluations.

After the previous Council, the Santa Fe de Feira Council held in June 2000 wanted to deepen the modernisation of the European Social model and within this, via the evaluation of incidences of national social policies, elaboration of indicators and other references, requested the Commission to present a report "*on the proposed planning for indicators and references in September of the same year, both in relation to specific policies and to be used in the synthesis report that the European Council was to present in the Spring⁷, to guarantee the necessary coherence and its standardised presentation*".

The report mentioned 27 indicators, considered a key to offering a balanced table of how the European Union functions in the fields of employment, innovation, economic reform and social cohesion –where the subjects of distributive inequality and poverty– (see European Commission, 2000c) are included.

With respect to social cohesion and more specifically, to the field of income distribution, poverty and social exclusion, the Social Protection Committee created as a result of the agreements adopted in the Feira Council and especially the technical subgroup "indicators" was in charge of profiling common planning faced with the definition of indicators and guaranteeing the compatibility of these indicators. The work of the said committee was carried out in harmony with the political agreements adopted in the Nice Council, held in December 2000 in the framework of approval of the European Social Agenda in which specific priorities were defined in all fields of social policy up to 2005.

In short and according to the report by the Commission (2001, 2) what resulted from the Lisbon and Nice meetings is greater emphasis put on the *policy to eradicate poverty* and the request to the Council of the Union and the Commission that they encourage better comprehension of social exclusion, via dialogue and the exchange of

⁷ This refers to the European Council in Stockholm in March 2001.

information. This to be done while –dealing with *commonly accepted indicators* which are capable of measuring the progress carried out.

Within this framework, the Commission prepared communication COM 594 on *structural indicators* in which it highlighted the need to consider distribution of income and poverty indicators; the aforementioned program –Poverty 4– which covers –the collection and diffusion of comparable statistics in Member States and on a community level–, approved in December 2001; and after various studies and meetings with various bodies, the Regulation proposal by the European Parliament and the Council relating to EU-SILC. Meanwhile, both the subgroup of indicators of the previously referred to Social Protection Committee (2001) with the participation of Eurostat and the Employment and Social Affairs General Directorate prepared a *report* which was presented to the Laeken Council also held in December 2001. The Council approved a relation of 18 indicators which were classified by the *report* within two levels, according to their priority:

A) *Primary indicators*, made up of a restricted number of main indicators that covered the most important elements on poverty and social exclusion and considered causes of the latter: 1. At-risk-of-poverty rate⁸, after social transfers and with an income threshold fixed at 60% of median income; poverty risk threshold; 2. Inequality of income distribution (S80/S20 quintiles ratio); 3. Persistent at-risk-of-poverty rate; 4. Relative poverty risk gap; 5. Regional cohesion; 6. Long term unemployment rate; 7. People who live in households in which none of its members work; 8. Persons who prematurely abandoned education and who do not follow any type of education or training; 9. Life expectancy at birth; 10. Perception of state of health by income level.

B) *Secondary indicators*, which support the former and describe other dimensions of the problem: 11. Dispersion around the poverty risk threshold; 12. Poverty risk rate at a given moment; 13. Poverty risk rate before social transfers; 14. Gini coefficient; 15. Persistent at-risk-of-poverty rate (alternative at-risk-of-poverty rate of 50% of equivalent median income); 16. Proportion of long term unemployment; 17. Very long term unemployment rate; 18. Persons with low education levels.

⁸ The at-risk-of-poverty rate refers to the poverty rate mentioned above, also known in economic literature as the head count ratio or poverty basic indicator. This rate could be broken down by sex, age, most frequent professional situation, type of households and dwelling situation.

Similarly, the possibility of defining a *third level of indicators* outside the previous common ones that Member States could include in their national action plans on social exclusion is considered. This would have the result of highlighting certain peculiarities of specific fields although they would not necessarily be harmonised on a European scale.

Finally, to round up the special significance of 2001, it is worth warning that this was the last year that the ECHP - whose microdata was feeding the calculation of poverty and exclusion indicators for the EU Member States - was applied. Its latest services are being given for the "Laaken" indicators which were used in the annual synthesis report of 2002.

However, the definition of such indicators may not be considered to be closed due to how much work the Social Protection Committee continues to carry out via the indicators subgroup and particularly, on the method of calculation that should be applied.

Updating, on the other hand, the EU-SILC will facilitate, together with such indicators, having sufficient information available for dealing with poverty better within the Union. As indicated in the regulation relative to the EU-SILC, there is an attempt to systematically use information on the distribution of income, level and composition of poverty and social exclusion.⁹ is without doubt, a valuable piece of news from the point of view of economic and social policy. But also, for the functioning of the Union to the extent that this will be translated into a strengthening of social cohesion, one of the essential elements for its future.

In agreement with Dennis (2002), project manager responsible for statistics on income, poverty and social exclusion of unit E-2 of Eurostat, EU-SILC aspires to convert itself into the EU reference source for statistics on comparative distribution of income and social exclusion and its two basic objectives are high quality, especially as to comparability and punctuality and flexibility. To which "common acceptability" and "veracity" have to be added.

⁹ The main priority that the Council and the Commission are giving to the fight against poverty and social exclusion in the EU demands comparable and updated statistics to supervise the process. The approval of the present regulation proposal is considered necessary to guarantee this Community demand (conclusion of the setting out of the motives for the EU-SILC Regulation proposal) (Commission 2001, 3).

It will consist both of a transversal dimension initial priority and a longitudinal dimension and will be based to a large extent on national data sources in an attempt to harmonise the results more than the data collection. The transversal information will be collected annually and nationally. It will be multidimensional and will include income, work, demography, housing, education and health with additional rotating modules. The longitudinal information for its part will also be updated annually while its content will be more limited; it will only deal with income, work and a reduced set of non-monetary variables.

In light of existing proposals, we add our voice to those that claim the need to keep on working even more in the definition of common agreement of a broader set of indicators that covers the greatest possible dimensions of poverty and social exclusion, such as access to public services and social exclusion, territorial poverty indicators, debt, social benefit dependency, access to education, access to health care, facilities and opportunities to credit access, homeless people and people who live in institutions (nursing homes, prisons, orphanages...), etc.

But together with this it is necessary to back at the same time, the need to have information available on a main indicator that will serve as a commonly accepted reference for the simplified representation of reality, in the field of income distribution as occurs with the other main objectives of community policy. A standardised treatment in this respect will simplify enormously the evaluation of corresponding policies, reduce costs and will help to pin down public opinion, interest groups, political groups, etc. onto an extremely important subject. Not having this available and despite the numerous plural set of indicators, may disperse public attention into a barrage of numbers. The agreements from the Barcelona Council definitely require a solution of this type¹⁰.

6. Conclusions

The revision of communitarian policy on poverty highlights - although with certain variations - growing affirmation as to the importance given to this subject. Nevertheless, the main action proposed has responded to the need to improve our perception of reality and our knowledge on the methods of intervention. The decisions

¹⁰ A good solution could be to use head count ratio or at-risk-of-poverty rate with this purpose (see Martín et al., 1989 and 1995)

that imply effective and immediate action in this field are very limited. Thus, from 1975 two periods were established, the first one experimental with the proposal to test different action models, developing the dissemination and exchange of knowledge and a second speculative period where reflection, the study and search for responses had priority. Nevertheless, it has been sufficiently verified in documents produced by the Union that we have advanced significantly on the definition of objectives and on highlighting the importance that the reduction (we could even say eradication) of poverty and social exclusion has for social cohesion within the Union and therefore, for the consolidation and financing of the European Union.

On the other hand, within action by the Union on income distribution, poverty and exclusion, the effort made on statistical policy, both on measurement, information and - although to a lesser extent - the application to the political process, deserve a special mention. For the latter, it is worth emphasising being clearly aware of the importance of having a consistent system of indicators to support political action.

Such indicators should incorporate a set of special characteristics as a consequence of their necessary application to a set of different countries that belong to the Union. These characteristics are: common acceptance, comparability, punctuality, flexibility and similar production and dissemination procedures. These demands have been marked by community efforts to have solid instruments in this field available.

The role of statistical policy as a tool at the service of different objectives is clearly highlighted in the development of the Union. In the same way as other fields to the extent that the system of indicators is clearly established and the procedures to obtain and disseminate data are consolidated. It is worth noting that we may encounter a very different third stage in EU efforts to deal with the challenges of income distribution, poverty and exclusion.

To this end, it would be appropriate to combine a greater number of indicators to be used in such a way that they facilitate capturing - with the greatest possible accuracy - the multiple content and nuances, with the definition of a generally accepted indicator. This indicator should be capable of immediately explaining the distribution problem as occurs with other traditional economic policy objectives.

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TABLE 1. RELATIVE POVERTY RATE
(Poverty threshold: 60% equivalent median income)

	1973	1974	1975	1978	1979	1980	1981	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1994	1995	1996	1997	1998	1999	2000
B										10,5			11,4				10,7				14,4			
DK												17,3					14,7							
D	12,2			11,7			10,6	11,7	14,1					11,4				13,6						13,2
EL																								
E						19,5									17,3									
F					14,5		13,4		13,1					15,5				14,1						
IRL												20,0						20,4	20,8	21,8				
I											17,4	19,1		19,5		19,1			21,2			20,8		19,9
L										11,0						12,4		10,4				13,1		12,5
NL								7,6					8,2			12,2		13,3					12,7	
A												11,7							17,0			14,2		
P																								
FIN												11,2				11,2			9,2					12,4
S			12,5				7,7					12,5					12,1		10,0					12,3
UK		15,4			17,3						17,6					22,8		20,0	22,1				21,3	

Source: Luxembourg Income Study (LIS)

TABLE 2. GINI COEFFICIENT

	1973	1974	1975	1978	1979	1980	1981	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1994	1995	1996	1997	1998	1999	2000
B										0,227			0,232				0,224				0,250			
DK												0,254					0,236							
D	0,271			0,264			0,244	0,260	0,268					0,257				0,272						0,264
EL																								
E						0,318									0,303									
F					0,293		0,288		0,292					0,287				0,288						
IRL												0,328						0,333	0,336	0,325				
I											0,306	0,332		0,303		0,290			0,338			0,346		0,333
L										0,237						0,240		0,235			0,260			0,260
NL								0,260				0,256				0,266		0,253					0,248	
A												0,227							0,277		0,266			
P																								
FIN												0,209				0,210			0,217					0,247
S			0,215				0,197					0,218					0,229		0,221					0,252
UK		0,268			0,270						0,303					0,336		0,339	0,344				0,345	

Source: Luxembourg Income Study (LIS)