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Poverty and social exclusion in the EU

Statistics in focus

POPULATION AND SOCIAL CONDITIONS

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Common indicators for social inclusion

At the Nice European Council in December 2000, Heads of State and Government re-confirmed and implemented their March 2000 (Lisbon) decision that the fight against poverty and social exclusion would be best achieved by means of the open method of co-ordination. Key elements of this approach are the definition of commonly-agreed objectives for the European Union (EU) as a whole, the development of appropriate national action plans to meet these objectives, and the periodic reporting and monitoring of progress made.

It is in this context that the Laeken European Council in December 2001 endorsed a set of criteria and a first set of 18 common statistical indicators for social inclusion, which allow monitoring in a comparable way of Member States progress towards the agreed objectives. The list is under review by the Indicators Sub-Group of the Social Protection Committee to develop and refine its coverage. These indicators should be considered as a consistent set covering four important dimensions of social inclusion (financial poverty, employment, health and education).

The present publication provides an overview of the monetary indicators adopted in Laeken as applied to the "old" EU15 Member States, which (with the exception of Denmark and Sweden) have all been calculated on the basis of the pioneering European Community Household Panel (ECHP) survey (see Methodological notes, page 7). A parallel publication presents similar information compiled for the "new" Member States and Candidate Countries (n° 12/2004).

15% of EU citizens at risk of poverty

15% of the EU population were at risk of poverty in 2001, i.e. living in households with an "equivalised disposable income" (see methodological notes) below 60% of the median equivalised income of the country they live in. This figure, calculated as a weighted average of national results (where each country receives a weight that equals its total population), masks considerable variation between Member States - with the share of the population at risk of poverty ranging from 9% in Sweden to 21% in Ireland (see Figure 1 below and the statistical appendix).

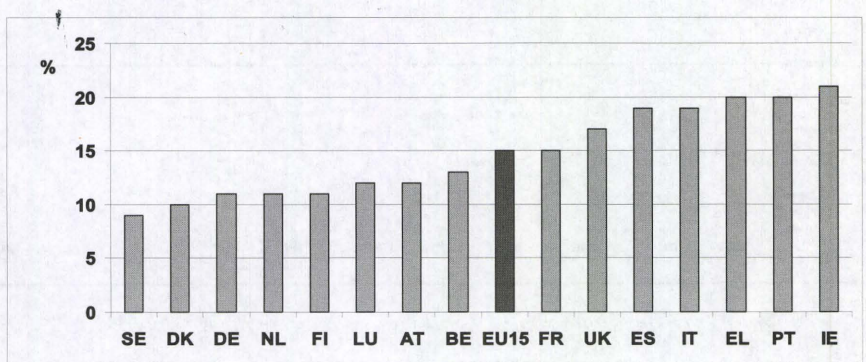

Figure 1: At-risk-of-poverty rate for 2001

Poverty risk is a relative concept

The at-risk-of-poverty threshold is fixed, for each country, at 60% of the national median equivalised income. The focus is therefore on the relative rather than the absolute risk of poverty, i.e. this risk is defined in relation to the general level of prosperity in each country and is expressed on the basis of a central value of the income distribution (a key advantage of the median is that it is not influenced by extreme values, i.e. extremely low or high incomes).

National thresholds are computed for the population as a whole and are expressed in terms of equivalised income to take account of household size and composition. For a given household type, a national threshold can then be converted from "equivalised" into "unequivalised" money by multiplying it by the "equivalent size" of that household (see methodological notes).

The fact that having an income below this threshold is neither a necessary nor a sufficient condition of being in a state of poverty: indicators are consequently referred to as measures of poverty risk.

To illustrate the relative dimension of this threshold and help understand its actual meaning, Figure 2 shows the monetary values in Purchasing Power Standards (PPS, see methodological notes) for a 2 adults-2 children household for each Member State. Values range from 60% of the EU-average in Portugal to 174% in Luxembourg, i.e. a ratio of 2.9 that highlights the differences between national standards of living. Apart from these extreme values, most national thresholds are between 80% and 120% of the EU mean value, which is 17,332 PPS (calculated as a population weighted average of national thresholds). For a one person household, the EU-mean is 8,253 PPS (see the statistical appendix).

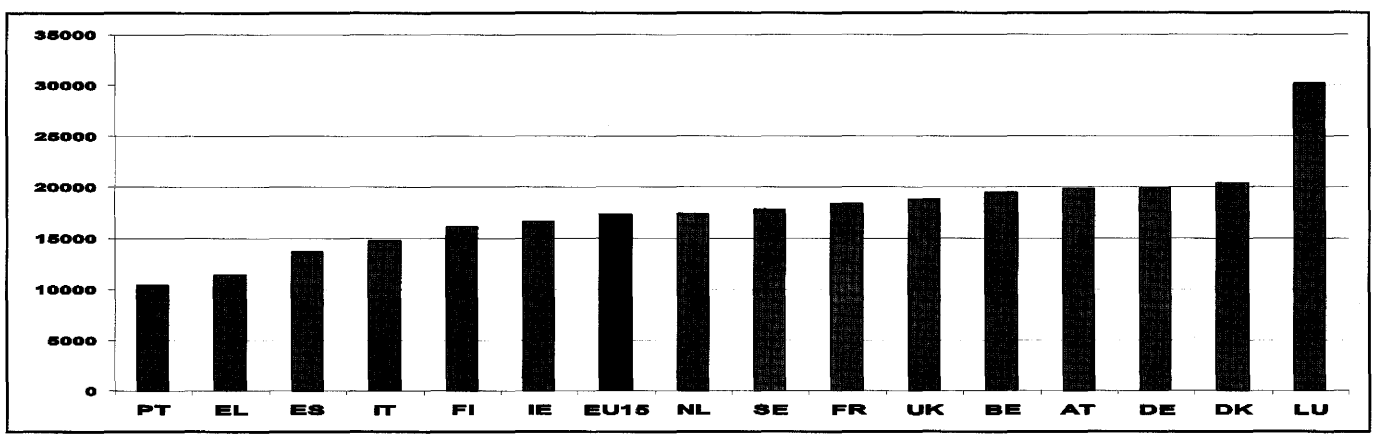

Figure 2: Illustrative value of the at-risk-of-poverty threshold for a 2 adults-2 children household for 2001

The choice of 60% of national median equivalised income is conventional, although statistical considerations have guided this selection. To examine the sensitivity of the risk of poverty to the choice of alternative thresholds, three additional thresholds have been considered: 40%, 50% and 70% of median equivalised income. At the EU level, the likelihood of being at risk of poverty varied in 2001 from 5% to 23% for thresholds set at 40% and 70% of the median respectively; it is 9% if a 50% cut-off is used (see statistical appendix). Figure 3 shows national and EU-wide rates of poverty risk at these three alternative thresholds, expressed as a percentage of the at-poverty-risk rate at 60%.

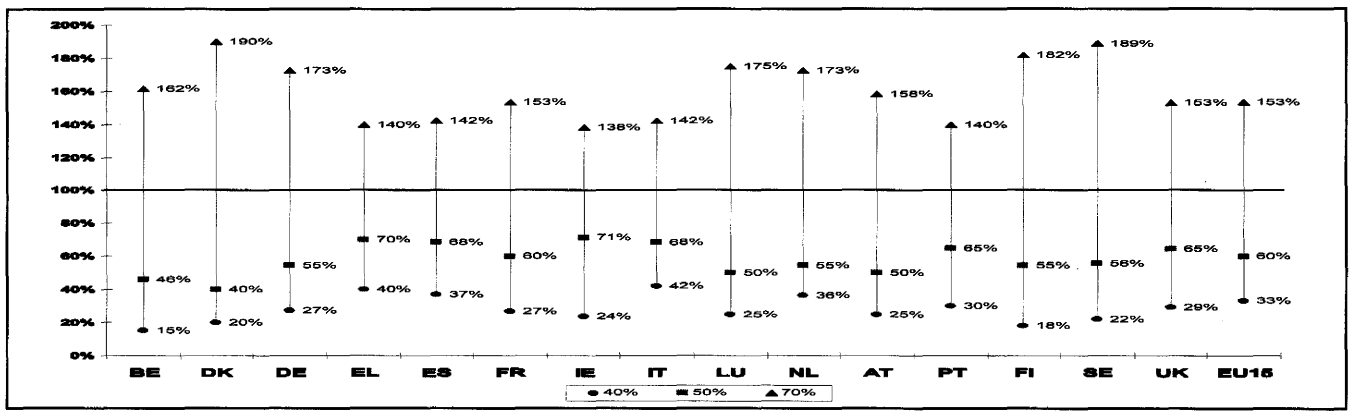

Figure 3: Dispersion around the at-risk-of-poverty threshold 40% 50% 70% for 2001 (in proportion to the 60% rate)

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The results displayed in this Figure reflect the shape of the income distribution around the 60% threshold. If a lot of people are located just below (above) the 60% threshold, the 50% (70%) rate will be much lower (higher) than the 60% rate. So, the longer a bar for a given country is, the higher the concentration of individuals around the 60% threshold. For example, in Ireland, Greece, Spain and Italy, around 70% of those who are at risk of poverty at the 60% threshold are also at risk of poverty at the 50% threshold. This means that only 30% of the people at risk of poverty according to the standard definition have an equivalised income between 50% and 60% of the median equivalised income.

This indicator provides a first insight into the depth of poverty. An indicator that explicitly measures how far below the threshold the income of people at-risk-of-poverty is, i.e. "how poor the poor are" is the at-risk-of-poverty gap.

Median at-risk-of-poverty gap

In 2001 the median gap (i.e. the difference between the median equivalised income of the poor and the 60% threshold), expressed as a percentage of this threshold, was 22% at EU level. In other words, half of those at-risk-of-poverty had an equivalised income below 78% of the at-risk-of-poverty threshold (i.e. below 78%*60%=47% of median equivalised income). The gap was higher in Italy and Greece and lower in Denmark, Belgium, Finland, Luxembourg and Sweden (Figure 4). Countries where the concentration of people between the 50% and 60% was higher (see figure 3) have the lowest gap.

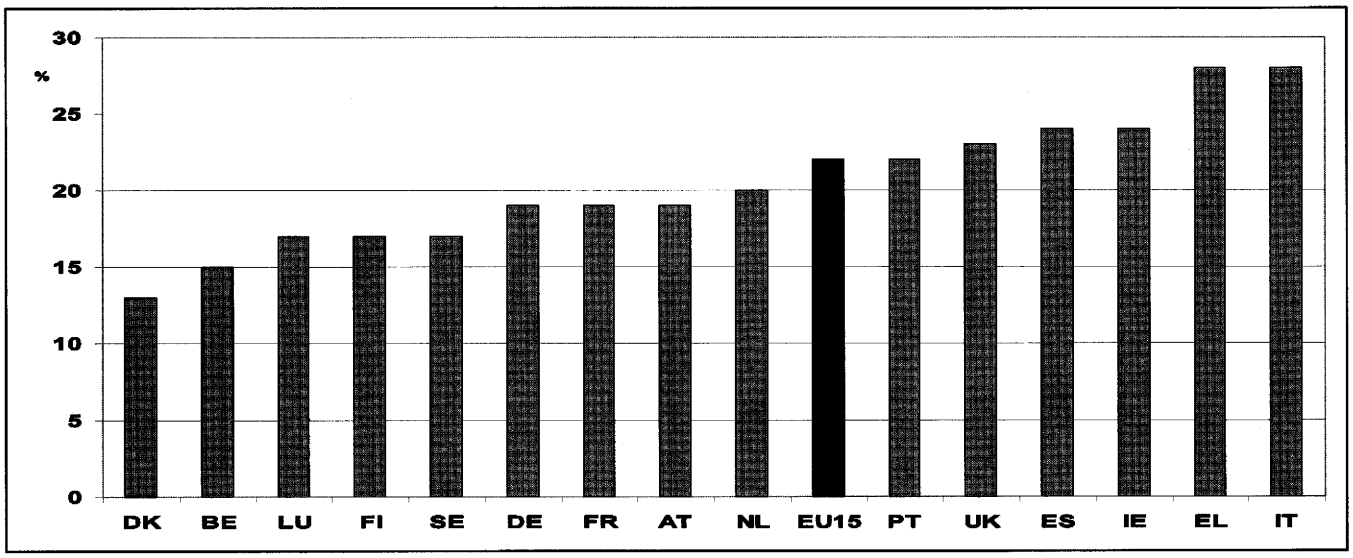

Figure 4: Relative median at-risk-of-poverty gap for 2001

Persistent risk of poverty

The share of the population living on a low income for an extended period of time is of particular policy concern, which is why another measure of poverty risk retained in the Laeken list of indicators for social inclusion is the persistence of this risk over a four years period. Figure 5 displays 2001 national figures for both this indicator and the standard at-risk-of-poverty rate already discussed above. 9% of the EU population were persistently at-risk-of poverty in 2001, i.e. had an equivalised income below the 60% national threshold in that year but also in at least two of the preceding three years (1998-2000). This average again masks wide variation between Member States, with the persistent-risk-of-poverty rate varying from 5% in the Netherlands to 15% in Portugal.

By contrasting both persistent and current poverty risk, Figure 5 shows that in 2001, at EU level, well over half the total number of people at risk of poverty were persistently at risk of poverty. This share was highest in Portugal and lowest in the Netherlands.

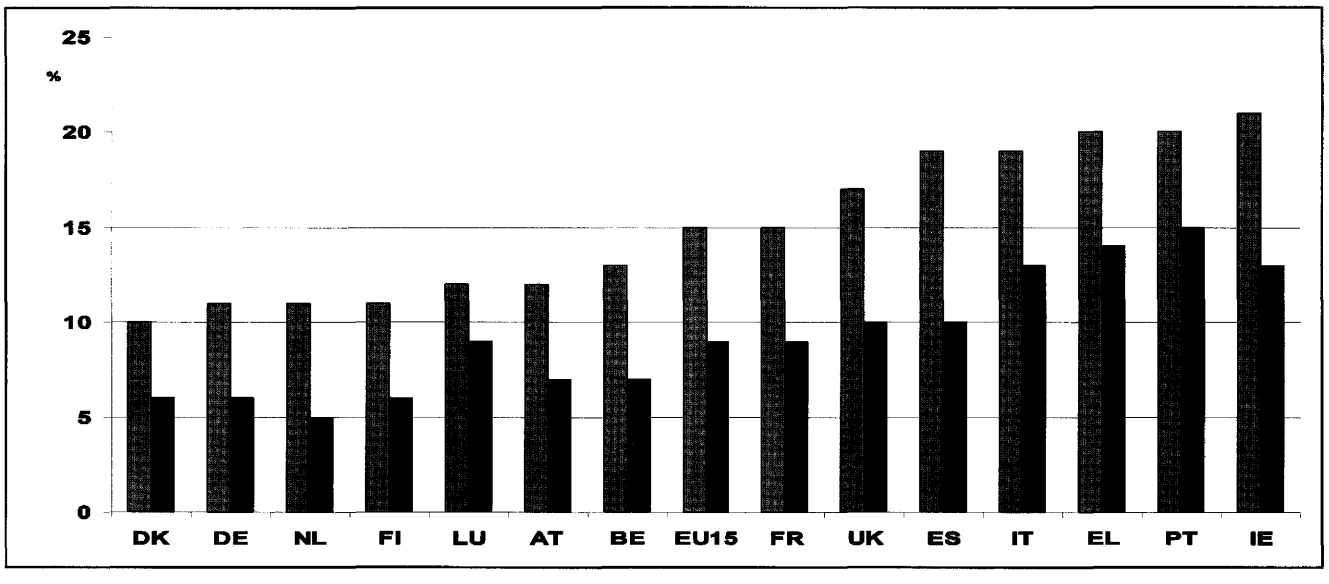

Figure 5: Persistent risk-of-poverty rate for 1998-2001 (right) and at-risk-of-poverty rate (left) for 2001

Changing the risk-of-poverty threshold over time

It is also interesting to calculate the at-risk-of-poverty rate for a threshold that is kept fixed in real terms over the period under examination (1998-2001). To do this, the 1998 threshold is used throughout the period simply by up-rating it for inflation in each year. Figure 6 compares the standard at-risk-of-poverty rate with this new at-risk-of-poverty-rate "anchored" in 1998.

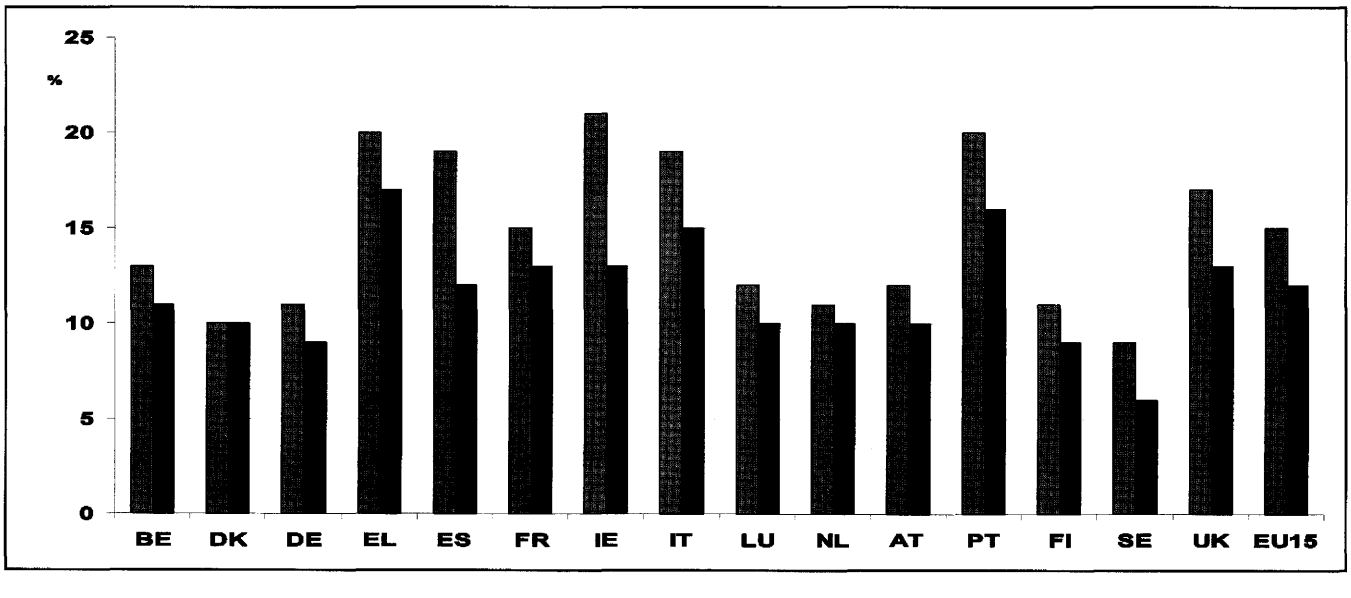

Figure 6: At-risk-of-poverty rate for 2001 (left) and at-risk-of-poverty rate anchored at 1998 for 2001 (right)

The results displayed in this Figure reflect the shape of the income distribution around the 60% threshold. If a lot of people are located just below (above) the 60% threshold, the 50% (70%) rate will be much lower (higher) than the 60% rate. So, the longer a bar for a given country is, the higher the concentration of individuals around the 60% threshold. For example, in Ireland, Greece, Spain and Italy, around 70% of those who are at risk of poverty at the 60% threshold are also at risk of poverty at the 50% threshold. This means that only 30% of the people at risk of poverty according to the standard definition have an equivalised income between 50% and 60% of the median equivalised income.

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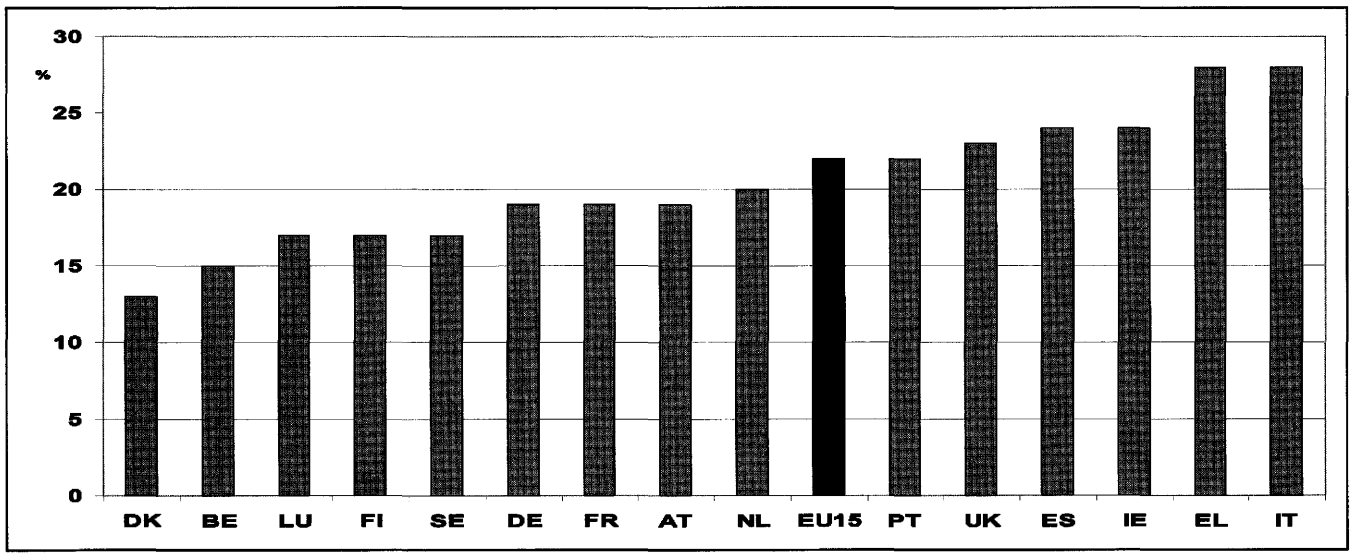

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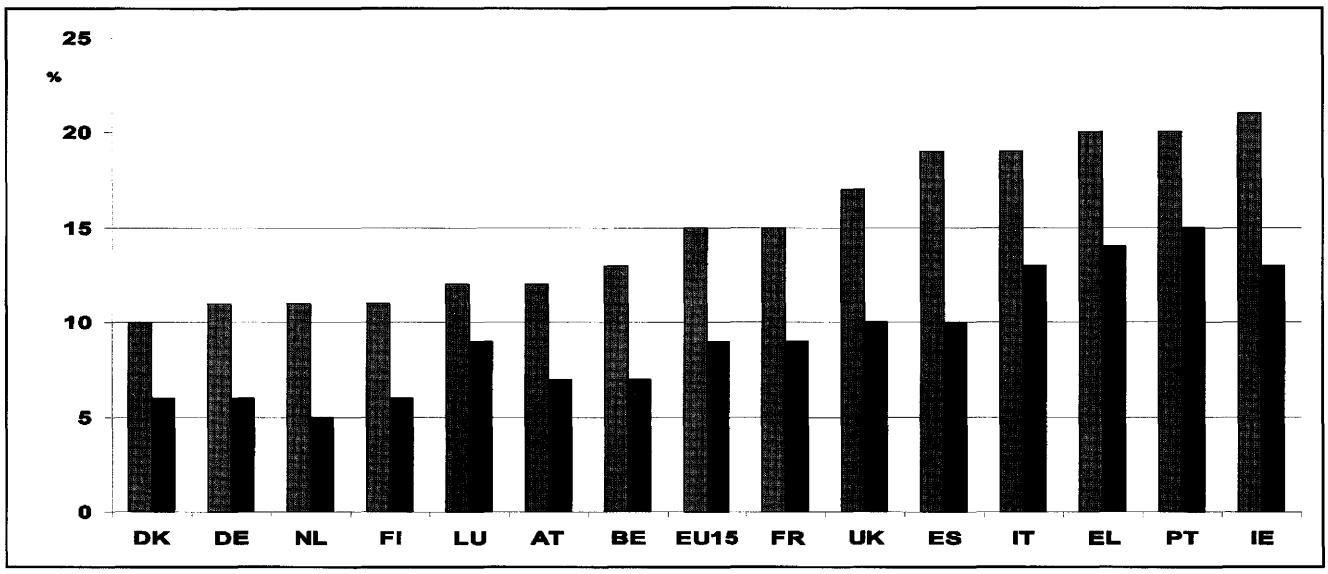

Figure 5: Persistent risk-of-poverty rate for 1998-2001 (right) and at-risk-of-poverty rate (left) for 2001

Changing the risk-of-poverty threshold over time

It is also interesting to calculate the at-risk-of-poverty rate for a threshold that is kept fixed in real terms over the period under examination (1998-2001). To do this, the 1998 threshold is used throughout the period simply by up-rating it for inflation in each year. Figure 6 compares the standard at-risk-of-poverty rate with this new at-risk-of-poverty-rate "anchored" in 1998.

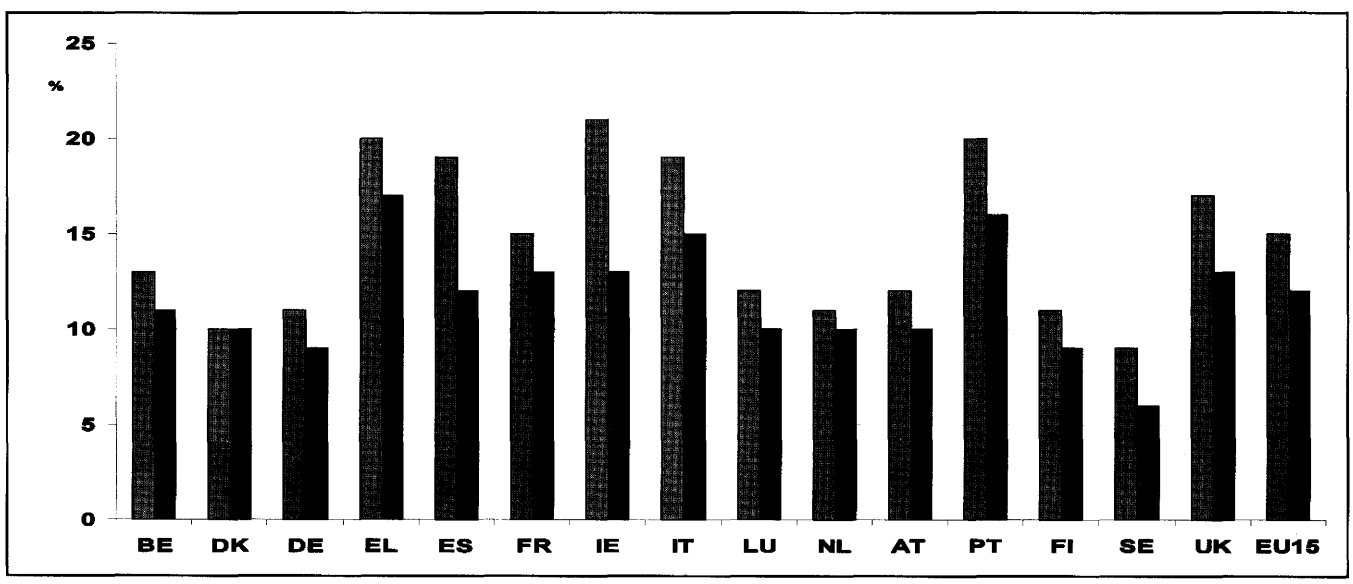

Figure 6: At-risk-of-poverty rate for 2001 (left) and at-risk-of-poverty rate anchored at 1998 for 2001 (right)

Results suggest that this approach yields significantly different results for the EU as a whole (2001 threshold: 15%, 1998 indexed threshold: 12%). In particular, in Ireland, the indexation approach gives an at-risk-of-poverty rate of 13% (as opposed to 21%) and in Spain 12% (instead of 19%), which suggests that over the 4-year period considered the rise in median income (and therefore in at-risk-of poverty threshold) has been much faster than the inflation rate in these countries.

Some countries have a more equal distribution of income than others

The focus of all the indicators presented so far is on the bottom part of the income distribution. It can also be interesting to look at the relative position of the bottom group with regard to that of the top group. This can be illustrated by the S80/S20 ratio. For each country, this ratio compares the total equivalised income received by the top income quintile (20% of the population with the highest equivalised income) to that received by the bottom income quintile (20% with lowest equivalised income). The EU average is 4.4 in 2001, which means that the wealthiest quintile had 4.4 times more income than the poorest. Ratios range from 3.0 in Denmark to 6.5 in Portugal.

S80/S20 is only responsive to changes in top and bottom quintiles. The Gini coefficient allows one to take into account the full distribution of income. If there was perfect equality (i.e. each person receives the same income), the Gini coefficient would be 0%; it would be 100% if the entire national income were in the hands of only one person. In 2001, the calculated coefficient for the EU was 28%. National Gini coefficients vary between 22% (Denmark) and 37% (Portugal). The rankings of national Gini coefficients and S80/S20 ratios are quite similar as can be seen in Figure 7.

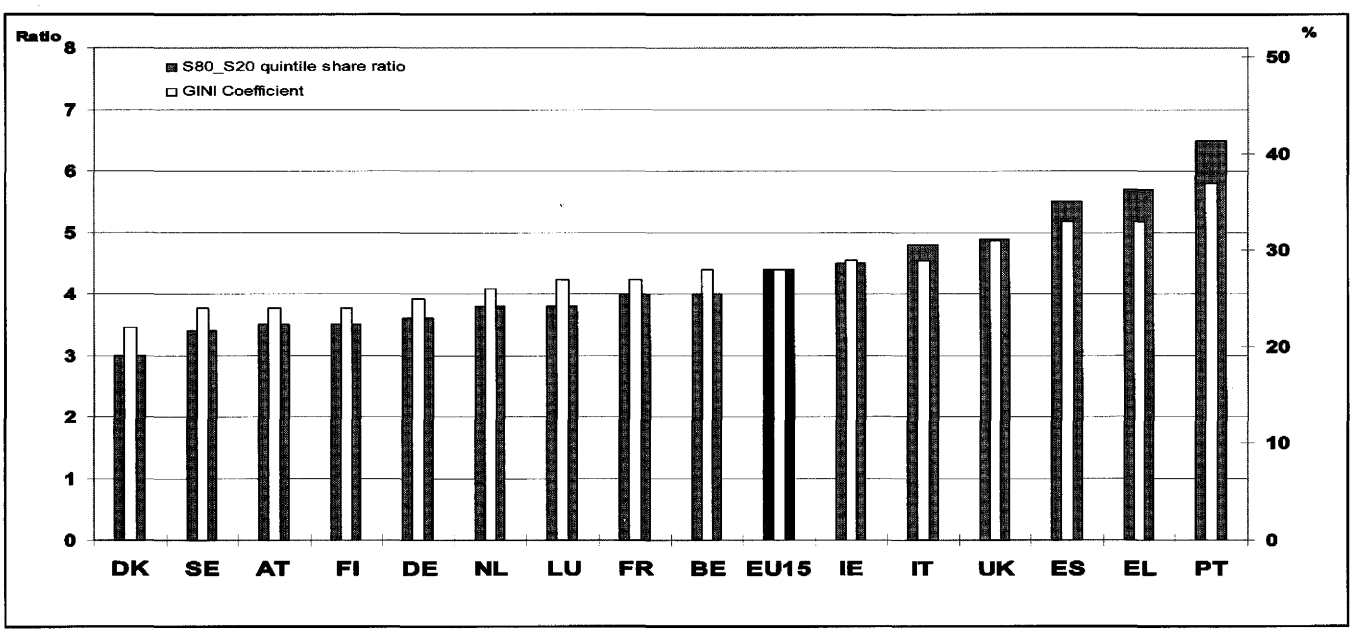

Figure 7:Income share ratio (left hand scale; bars) and Gini Coefficient (right hand scale; line) for 2001:

Re-distributive effect of social transfers

After having examined the phenomenon of poverty risk and income distribution, it is important to start assessing the role of policy in lifting people out of the poverty risk. ECHP data allow us to look at the re-distributive effect of social transfers (i.e., old-age and survivors pensions, unemployment benefits, invalidity payments, family allowances) and their role in alleviating the risk of poverty. However it does not allow us to look at alternative policy measures such as tax credits and tax allowances as well as social transfers in kind.

A comparison between the standard at-risk-of-poverty rate and the hypothetical situation where social transfers are absent, shows that such transfers have an important re-distributive role. In the absence of all social transfers, the poverty risk for the EU population as a whole would be considerably higher than it is in reality (39% instead of 15%). It can be argued that the prime role of old age (and survivors') pensions is not to re-distribute income across individuals but rather over the life-cycle of individuals. If, therefore, pensions are considered as primary income rather than social transfers, the at-risk-of-poverty rate without all other social transfers is 24%. Figure 8 compares the different rates after and before social transfers for all the countries in 2001. These rates are calculated with exactly the same threshold, namely the 60% threshold calculated on the basis of *total* household income, i.e. including all social transfers.

To assess more explicitly the effect of social transfers excluding pensions (still considered as primary income), Figure 9 shows the drop of the at-risk-of-poverty rate calculated before and after these transfers for 2001

(expressed as a percentage of the "before transfers" rate). This drop is lowest in Greece (13%: from 23% to 20%), Italy, Portugal and Spain. It is highest in Denmark and to a lesser extent in Luxembourg, the Netherlands and Sweden suggesting a high re-distributive impact of social transfers or a higher level of social expenditure in these countries.

The indicator of poverty risk before social transfers must be interpreted with some caution, as no account is taken of interventions that, like social cash transfers, can have the effect of raising the disposable income of households and individuals, namely transfers in kind as well as tax credits and tax allowances. Furthermore, the poverty risk before social transfers is compared to the poverty risk after transfers keeping "all other things equal" – namely, assuming unchanged household and labour market structures.

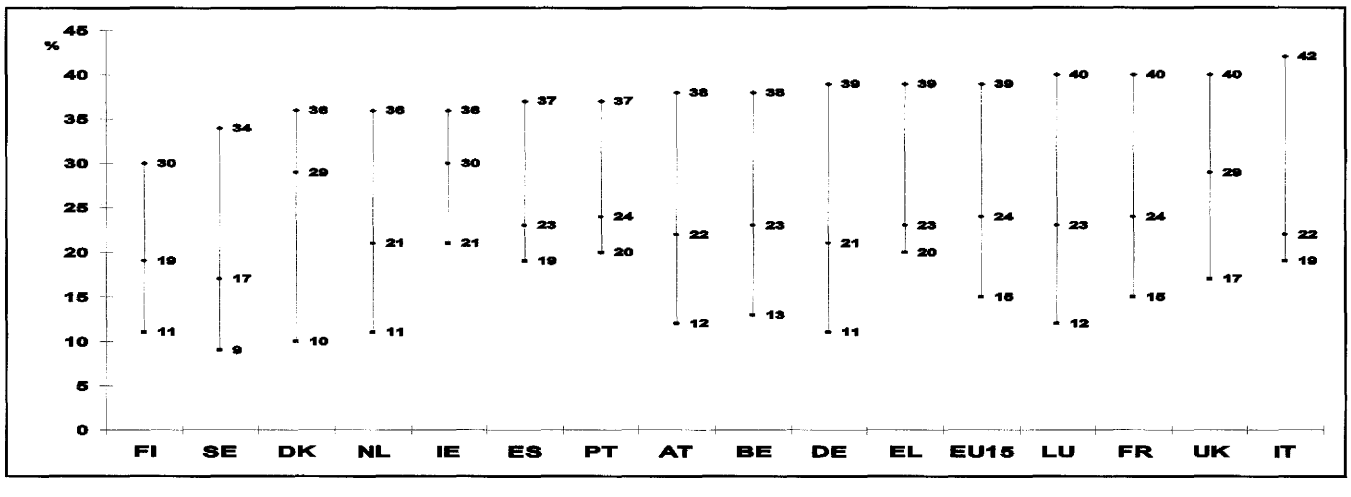

Figure 8: At-risk-of-poverty rate for 2001 before any social transfers (top), after pensions (middle) and after all social transfers (bottom)

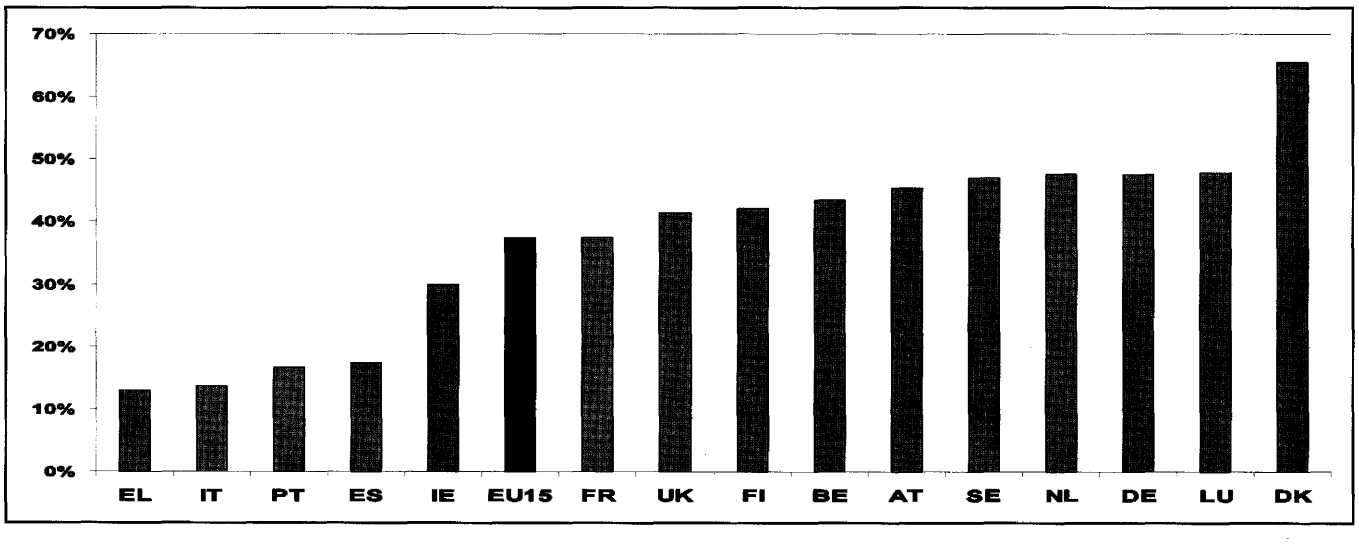

Figure 9: Impact of social transfers (excluding pensions) on the at-risk-of-poverty rate before transfers for 2001

More about the *Laeken indicators* of social inclusion.

As mentioned in the introduction, eighteen indicators were agreed at the Laeken European Council in 2001, grouped into ten primary indicators to cover the most important elements identified as leading to social exclusion, and eight secondary indicators to describe other dimensions of the problem. Ten relate to monetary poverty and inequality; eight concern other aspects of social exclusion. This list has subsequently been extended and refined by the ongoing work of the Indicators Sub-Group of the Social Protection Committee. The indicators are intended to help monitor progress towards the common objectives of social inclusion which were agreed at the Nice European Council in 2000 and slightly revised in 2002.

The common indicators now form a key basis for analysis and EU policy-making in the social area, given that Member States include them in their National Action Plans on social inclusion that are submitted every second year (in future a "streamlining" process will alter the timetable). They are also used by both Member States and the Commission in their Joint Report on Social Inclusion of 2001 and 2003. Member States are also encouraged to supplement these common indicators in their National Action Plans with a third level of indicators to reflect specific national circumstances and to help interpret the primary and secondary indicators; these indicators need not necessarily be harmonised at EU level. For example, even though agreement has not yet been reached on common indicators of housing, Member States are invited to report on decent housing conditions, housing costs and homelessness in their National Action Plans on social inclusion as from 2003.

Of the Laeken indicators, several are selected as "structural indicators" for inclusion in the annual Commission Report to the Spring European Council, thereby ensuring full consistency between the different processes.

The Indicators Sub-Group of the Social Protection Committee met for the first time in February 2001: Eurostat is an active participant. Building on prior work by Eurostat, they take account of in-depth methodological research commissioned by the Belgian Presidency of the EU for this specific purpose (see Atkinson T., Cantillon B., Marlier E. and Nolan B., 2002, *Social Indicators: The EU and Social Inclusion*, Oxford University Press, Oxford). The report on indicators for social inclusion prepared by the Social Protection Committee and endorsed in Laeken can be found on the web-site of Directorate General *Employment and Social Affairs* of the European Commission (www.europa.eu.int).

The current publication is the second of its type: first results were published in Statistics in Focus no.8/2003 "Poverty and social exclusion in the EU after Laeken – part 1". A pilot project to collect comparable indicators for Accession and Candidate Countries was launched in 2001, using national data sources ex-post harmonised as far as possible with ECHP methodology: results were published in Statistics in Focus no. 21/2003 "Monetary poverty in EU Accession and Candidate Countries". A second round was conducted in 2003 (see Statistics in Focus n° 12/2004 "Monetary poverty in new Member States and Candidate Countries"). The present publication focuses on nine income indicators in the Laeken list (see definitions in table below). Indicators in this report are only provided at the level of the total population and for the latest data available (ECHP UDB, version December 2003, wave 8: 1994-2001).

"Income" must be understood as equivalised disposable income. It is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member.	
Primary Indicators	**Definition**
At-risk-of-poverty rate after transfers	The share of persons with an income below 60% national median income. Breakdowns by age and gender, by most frequent activity status, by household type, by accommodation tenure status, by work intensity of households + At-risk-of-poverty threshold (illustrative values).
Inequality of income distribution S80/S20 income quintile share ratio:	Ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile).
Persistent risk-of-poverty rate (60% median)	The share of persons with an income below the risk-of-poverty threshold in the current year and in at least two of the preceding three years. Gender and age breakdowns + total
Relative median at-risk-of-poverty gap	Difference between the median income of persons below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold. Gender and age breakdowns + total
Secondary Indicators	
Dispersion around the risk-of-poverty threshold	The share of persons with an income below 40%, 50% and 70% national median income. Gender and age breakdowns + total
At-risk-of-poverty rate anchored at a moment in time	In year t (in this publication: 2001), the "at-risk-of-poverty rate anchored at a moment in time" is the share of the population whose income in year t is below a risk-of-poverty threshold calculated in the standard way for t-3 (here for 1998) and then up-rated for by inflation over three years.)
At-risk-of-poverty rate before transfers	At-risk-of-poverty rate where income is calculated as follows: 1. Primary income, i.e. income excluding all social transfers 2. Primary income plus old-age and survivors' pensions 3. Total income, i.e. including all social transfers The same threshold (after social transfers) is used for the three statistics
Gini coefficient	The relationship of cumulative shares of the population arranged according to the level of income, to the cumulative share of the total income received by them.
Persistent risk-of-poverty rate (50% median)	The share of persons with an income below the 50% risk-of-poverty threshold in the current year and in at least two of the preceding three years. Gender and age breakdowns + total

"Laeken" Common indicators of social inclusion

			eu15s	be	dk	de	gr	es	fr	ie	it	lu	nl	at	pt	fi	se	uk
			2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
S80/S20 quintile share ratio			4.4	4.0	3.0	3.6	5.7	5.5	4.0	4.5	4.8	3.8	3.8	3.5	6.5	3.5	3.4	4.9
Gini coefficient			28	28	22	25	33	33	27	29	29	27	26	24	37	24	24	31
Risk-of-poverty threshold	*1person hh*	*NAT*	:	9295	89355	9455	4264	5416	8932	8553	6240	13863	8292	9173	3589	8916	87548	6480
(illustrative values)		*EUR*	8319	9295	11988	9455	4264	5416	8932	8553	6240	13863	8292	9173	3589	8916	10367	10632
		PPS	8253	9286	9747	9492	5443	6527	8765	7934	7044	14376	8309	9468	4967	7680	8502	8984
	2 adults 2 dep. children	*NAT*	:	19520	187647	19855	8955	11374	18756	17961	13103	29113	17414	19263	7538	18724	183850	13608
		EUR	17469	19520	25175	19855	8955	11374	18756	17961	13103	29113	17414	19263	7538	18724	21770	22327
		PPS	17332	19501	20469	19933	11431	13706	18407	16662	14793	30190	17449	19883	10431	16128	17854	18866
Dispersion around	*40% of median*		5	2	2	3	8	7	4	5	8	3	4	3	6	2	2	5
the risk-of-poverty	*50% of median*		9	6	4	6	14	13	9	15	13	6	6	6	13	6	5	11
threshold	*60% of median*		15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
	70% of median		23	21	19	19	28	27	23	29	27	21	19	19	28	20	17	26
Risk-of-poverty rate	*Total*	*Total*	15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
by age		*M*	14	12	9	10	19	17	15	20	19	12	12	9	20	9	10	15
by gender		*F*	17	15	12	12	22	20	16	23	20	13	11	14	20	14	11	19
	0-15	*Total*	19	12	7	14	18	26	18	26	25	18	16	13	27	6	7	24
		M	19	12	:	13	18	25	17	26	25	18	17	12	27	5	:	24
		F	19	12	:	14	18	26	18	25	24	19	16	13	28	6	:	24
	16-24	*Total*	19	12	21	16	19	20	21	12	25	20	22	11	18	23	18	20
		M	19	11	18	17	18	19	21	10	25	22	24	7	21	19	16	18
		F	20	12	24	15	21	21	21	15	25	17	21	14	15	28	20	21
	25-49	*Total*	12	10	7	9	14	15	12	17	18	11	10	8	15	7	7	12
		M	11	8	7	7	14	14	11	17	17	10	10	7	15	8	8	10
		F	14	11	7	11	15	16	13	18	19	11	10	9	15	7	7	14
	50-64	*Total*	12	12	5	10	21	17	13	16	16	9	7	9	16	9	5	11
		M	12	10	5	10	19	15	12	18	15	9	6	8	15	7	5	10
		F	13	13	5	9	22	18	13	14	16	10	7	11	16	10	5	12
	65+	*Total*	19	26	24	12	33	22	19	44	17	7	4	24	30	23	16	24
		M	16	24	23	9	30	20	17	35	16	7	5	14	28	12	10	19
		F	21	26	25	14	35	24	21	51	19	8	3	30	31	31	20	28
Risk-of-poverty rate	*Employed*	*Total*	6	3	1	4	5	7	6	6	7	8	:	3	7	4	4	5
by most frequent activity		*M*	6	3	1	4	5	7	7	7	10	8	:	3	9	3	3	4
by gender		*F*	5	4	2	5	5	5	5	4	4	8	:	3	4	5	4	6
	Self-employed	*Total*	16	10	15	5	25	20	25	16	18	2	:	24	28	17	24	14
		M	16	11	15	4	25	21	24	17	19	3	:	25	24	15	25	14
		F	16	8	15	6	26	20	26	12	13	0u	:	23	32	20	24	15
	Unemployed	*Total*	38	32	23	34	39	37	30	54	51	48u	23	23	38	21	19	49
		M	44	40	32	41	46	45	34	61	54	54u	18	22u	49	26	24	59
		F	30	27	17	26	32	30	26	34u	46	:	24	23u	30	17	13	34
	Retired	*Total*	17	21	23	13	32	18	17	39	13	8	3	16	25	20	16	24
		M	16	22	23	12	29	22	16	35	14	7	4	13	25	11	10	20
		F	17	20	24	14	35	10	18	52	13	8	0u	19	26	26	20	27
	Inactive/other	*Total*	25	21	22	18	23	24	26	33	28	16	12	22	28	22	22	30
		M	23	13	22	18	20	20	25	29	24	23	14	20	29	25	22	27
		F	25	24	21	18	24	25	26	34	29	14	11	22	27	20	22	30

"Laeken" Common indicators of social inclusion

			eu15s	be	dk	de	gr	es	fr	ie	it	lu	nl	at	pt	fi	se	uk
			2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
Risk-of-poverty rate	*Total*		15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
by household type	*1person hh*	*Total*	25	21	24	19	32	31	22	57	24	9	12	23	39	35	21	29
	1person hh	*M*	18	12	22	16	16	18	17	47	17	5	15	9	28	28	17	21
	1person hh	*F*	28	26	26	20	39	38	25	66	27	12	9	30	43	40	24	33
	1person hh <30yrs		32	21u	:	42	37u	27	31	21u	19u	11	49	17	1u	52	:	37
	1person hh 30-64		15	13	:	13	15	18	11	37	16	10	6	12	28	20	:	18
	1person hh 65+		29	27	28	19	38	43	27	79	29	7	3	35	46	45	27	35
	2 adults no children	*(at least one 65+)*	16	26	20	7	36	24	16	37	14	8	5	18	32	8	6	17
	2 adults no children	*(both < 65)*	10	8	4	8	17	14	11	14	12	6	4	10	13	5	4	9
	Other hh no children		9	8	:	5	18	8	12	8	15	5	9	7	10	10	:	5
	Single parent	*(at least 1child)*	35	25	12	36	37	42	35	42u	23	35u	45	23	39	11	13	50
	2 adults 1dep. child		10	7	3	9	8	18	10	17	13	13	10	7	9	5	5	8
	2 adults 2 dep. children		13	11	3	7	14	23	12	17	21	15	9	7	15	5	4	12
	2 adults 3+dep. children		27	7	13	21	26	34	24	37	37	23	17	23	49	5	8	30
	Other hh with dep. children		16	15	3	11	23	18	14	10	24	26	18	9	23	7	6	13
Risk-of-poverty rate	*Total*		15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
by tenure status	*Owner-occupier*		12	10	7	7	21	18	12	17	17	8	7	12	19	8	5	12
	Tenant		24	28	17	16	15	23	25	44	30	24	20	12	25	23	13	32
Risk-of-poverty rate	*before all transfers*	*Total*	39	38	36	39	39	37	40	36	42	40	36	38	37	30	34	40
		M	36	34	:	34	36	34	38	35	39	38	33	34	36	27	:	37
		F	42	42	:	43	41	39	42	37	44	42	39	42	37	34	:	44
	including pensions	*Total*	24	23	29	21	23	23	24	30	22	23	21	22	24	19	17	29
		M	22	21	:	20	21	22	23	29	21	24	21	19	25	17	:	26
		F	25	25	:	23	24	25	24	32	23	23	21	25	24	20	:	32
	including all transfers	*Total*	15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
		M	14	12	:	10	19	17	15	20	19	12	12	9	20	9	:	15
		F	17	15	:	12	22	20	16	23	20	13	11	14	20	14	:	19
Persistent risk-of-poverty rate (60 % threshold)		*Total*	9	7	6	6	14	10	9	13	13	9	5	7	15	6	:	10
by gender		*M*	9	6	:	6	13	10	8	12	12	9	6	5	14	4	:	9
		F	10	8	:	7	15	11	9	15	13	8	5	9	15	8	:	11
Persistent risk-of-poverty rate (50 % threshold)		*Total*	5	3	2	3	9	6	3	7	7	3	2	3	8	2	:	5
by gender		*M*	4	2	:	3	8	5	3	6	7	4	2	2	7	1	:	4
		F	5	3	:	3	10	6	4	8	8	3	2	3	8	2	:	6
Risk of poverty rate anchored at a point in time		*Total*	12	11	9	9	17	12	13	13	15	10	10	10	16	9	6	13
Relative risk-of-poverty gap		*Total*	22	15	13	19	28	24	19	24	28	17	20	19	22	17	17	23
by gender		*M*	22	15	:	21	27	24	18	27	28	18	21	20	22	18	:	22
		F	22	15	:	18	29	24	19	23	28	17	19	18	24	17	:	23

Explanatory text:
Source: Eurostat, ECHB.UDB wave 8 1994-2001, version December 2003 except Denmark, Law Model Database, Sweden: HEK survey. PPE data as available at July 2004.
Same breakdown as for 2003 data collection from candidate countries: differs slightly from final "Laeken" breakdowns (eg. age/gender categories).
s: european population weighted average
u: small sample size or many missing information
: data not available

"Laeken" Common indicators of social inclusion

			eu15s	be	dk	de	gr	es	fr	ie	it	lu	nl	at	pt	fi	se	uk
			2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
S80/S20 quintile share ratio			4.4	4.0	3.0	3.6	5.7	5.5	4.0	4.5	4.8	3.8	3.8	3.5	6.5	3.5	3.4	4.9
Gini coefficient			28	28	22	25	33	33	27	29	29	27	26	24	37	24	24	31
Risk-of-poverty threshold	*1person hh*	*NAT*	:	9295	89355	9455	4264	5416	8932	8553	6240	13863	8292	9173	3589	8916	87548	6480
(illustrative values)		*EUR*	8319	9295	11988	9455	4264	5416	8932	8553	6240	13863	8292	9173	3589	8916	10367	10632
		PPS	8253	9286	9747	9492	5443	6527	8765	7934	7044	14376	8309	9468	4967	7680	8502	8984
	2 adults 2 dep. children	*NAT*	:	19520	187647	19855	8955	11374	18756	17961	13103	29113	17414	19263	7538	18724	183850	13608
		EUR	17469	19520	25175	19855	8955	11374	18756	17961	13103	29113	17414	19263	7538	18724	21770	22327
		PPS	17332	19501	20469	19933	11431	13706	18407	16662	14793	30190	17449	19883	10431	16128	17854	18866
Dispersion around	*40% of median*		5	2	2	3	8	7	4	5	8	3	4	3	6	2	2	5
the risk-of-poverty	*50% of median*		9	6	4	6	14	13	9	15	13	6	6	6	13	6	5	11
threshold	*60% of median*		15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
	70% of median		23	21	19	19	28	27	23	29	27	21	19	19	28	20	17	26
Risk-of-poverty rate	*Total*	*Total*	15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
by age		*M*	14	12	9	10	19	17	15	20	19	12	12	9	20	9	10	15
by gender		*F*	17	15	12	12	22	20	16	23	20	13	11	14	20	14	11	19
	0-15	*Total*	19	12	7	14	18	26	18	26	25	18	16	13	27	6	7	24
		M	19	12	:	13	18	25	17	26	25	18	17	12	27	5	:	24
		F	19	12	:	14	18	26	18	25	24	19	16	13	28	6	:	24
	16-24	*Total*	19	12	21	16	19	20	21	12	25	20	22	11	18	23	18	20
		M	19	11	18	17	18	19	21	10	25	22	24	7	21	19	16	18
		F	20	12	24	15	21	21	21	15	25	17	21	14	15	28	20	21
	25-49	*Total*	12	10	7	9	14	15	12	17	18	11	10	8	15	7	7	12
		M	11	8	7	7	14	14	11	17	17	10	10	7	15	8	8	10
		F	14	11	7	11	15	16	13	18	19	11	10	9	15	7	7	14
	50-64	*Total*	12	12	5	10	21	17	13	16	16	9	7	9	16	9	5	11
		M	12	10	5	10	19	15	12	18	15	9	6	8	15	7	5	10
		F	13	13	5	9	22	18	13	14	16	10	7	11	16	10	5	12
	65+	*Total*	19	26	24	12	33	22	19	44	17	7	4	24	30	23	16	24
		M	16	24	23	9	30	20	17	35	16	7	5	14	28	12	10	19
		F	21	26	25	14	35	24	21	51	19	8	3	30	31	31	20	28
Risk-of-poverty rate	*Employed*	*Total*	6	3	1	4	5	7	6	6	7	8	:	3	7	4	4	5
by most frequent activity		*M*	6	3	1	4	5	7	7	7	10	8	:	3	9	3	3	4
by gender		*F*	5	4	2	5	5	5	5	4	4	8	:	3	4	5	4	6
	Self-employed	*Total*	16	10	15	5	25	20	25	16	18	2	:	24	28	17	24	14
		M	16	11	15	4	25	21	24	17	19	3	:	25	24	15	25	14
		F	16	8	15	6	26	20	26	12	13	0u	:	23	32	20	24	15
	Unemployed	*Total*	38	32	23	34	39	37	30	54	51	48u	23	23	38	21	19	49
		M	44	40	32	41	46	45	34	61	54	54u	18	22u	49	26	24	59
		F	30	27	17	26	32	30	26	34u	46	:	24	23u	30	17	13	34
	Retired	*Total*	17	21	23	13	32	18	17	39	13	8	3	16	25	20	16	24
		M	16	22	23	12	29	22	16	35	14	7	4	13	25	11	10	20
		F	17	20	24	14	35	10	18	52	13	8	0u	19	26	26	20	27
	Inactive/other	*Total*	25	21	22	18	23	24	26	33	28	16	12	22	28	22	22	30
		M	23	13	22	18	20	20	25	29	24	23	14	20	29	25	22	27
		F	25	24	21	18	24	25	26	34	29	14	11	22	27	20	22	30

"Laeken" Common indicators of social inclusion

			eu15s	be	dk	de	gr	es	fr	ie	it	lu	nl	at	pt	fi	se	uk
			2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
Risk-of-poverty rate	*Total*		15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
by household type	*1person hh*	*Total*	25	21	24	19	32	31	22	57	24	9	12	23	39	35	21	29
	1person hh	*M*	18	12	22	16	16	18	17	47	17	5	15	9	28	28	17	21
	1person hh	*F*	28	26	26	20	39	38	25	66	27	12	9	30	43	40	24	33
	1person hh <30yrs		32	21u	:	42	37u	27	31	21u	19u	11	49	17	1u	52	:	37
	1person hh 30-64		15	13	:	13	15	18	11	37	16	10	6	12	28	20	:	18
	1person hh 65+		29	27	28	19	38	43	27	79	29	7	3	35	46	45	27	35
	2 adults no children	*(at least one 65+)*	16	26	20	7	36	24	16	37	14	8	5	18	32	8	6	17
	2 adults no children	*(both <65)*	10	8	4	8	17	14	11	14	12	6	4	10	13	5	4	9
	Other hh no children		9	8	:	5	18	8	12	8	15	5	9	7	10	10	:	5
	Single parent	*(at least 1child)*	35	25	12	36	37	42	35	42u	23	35u	45	23	39	11	13	50
	2 adults 1dep. child		10	7	3	9	8	18	10	17	13	13	10	7	9	5	5	8
	2 adults 2 dep. children		13	11	3	7	14	23	12	17	21	15	9	7	15	5	4	12
	2 adults 3+dep. children		27	7	13	21	26	34	24	37	37	23	17	23	49	5	8	30
	Other hh with dep. children		16	15	3	11	23	18	14	10	24	26	18	9	23	7	6	13
Risk-of-poverty rate	*Total*		15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
by tenure status	*Owner-occupier*		12	10	7	7	21	18	12	17	17	8	7	12	19	8	5	12
	Tenant		24	28	17	16	15	23	25	44	30	24	20	12	25	23	13	32
Risk-of-poverty rate	*before all transfers*	*Total*	39	38	36	39	39	37	40	36	42	40	36	38	37	30	34	40
		M	36	34	:	34	36	34	38	35	39	38	33	34	36	27	:	37
		F	42	42	:	43	41	39	42	37	44	42	39	42	37	34	:	44
	including pensions	*Total*	24	23	29	21	23	23	24	30	22	23	21	22	24	19	17	29
		M	22	21	:	20	21	22	23	29	21	24	21	19	25	17	:	26
		F	25	25	:	23	24	25	24	32	23	23	21	25	24	20	:	32
	including all transfers	*Total*	15	13	10	11	20	19	15	21	19	12	11	12	20	11	9	17
		M	14	12	:	10	19	17	15	20	19	12	12	9	20	9	:	15
		F	17	15	:	12	22	20	16	23	20	13	11	14	20	14	:	19
Persistent risk-of-poverty rate (60 % threshold)		*Total*	9	7	6	6	14	10	9	13	13	9	5	7	15	6	:	10
by gender		*M*	9	6	:	6	13	10	8	12	12	9	6	5	14	4	:	9
		F	10	8	:	7	15	11	9	15	13	8	5	9	15	8	:	11
Persistent risk-of-poverty rate (50 % threshold)		*Total*	5	3	2	3	9	6	3	7	7	3	2	3	8	2	:	5
by gender		*M*	4	2	:	3	8	5	3	6	7	4	2	2	7	1	:	4
		F	5	3	:	3	10	6	4	8	8	3	2	3	8	2	:	6
Risk of poverty rate anchored at a point in time		*Total*	12	11	9	9	17	12	13	13	15	10	10	10	16	9	6	13
Relative risk-of-poverty gap		*Total*	22	15	13	19	28	24	19	24	28	17	20	19	22	17	17	23
by gender		*M*	22	15	:	21	27	24	18	27	28	18	21	20	22	18	:	22
		F	22	15	:	18	29	24	19	23	28	17	19	18	24	17	:	23

Explanatory text:
Source: Eurostat, ECHB.UDB wave 8 1994-2001, version December 2003 except Denmark, Law Model Database, Sweden: HEK survey. PPE data as available at July 2004.
Same breakdown as for 2003 data collection from candidate countries: differs slightly from final "Laeken" breakdowns (eg. age/gender categories).
s: european population weighted average
u: small sample size or many missing information
: data not available

Data used

Figures presented in this publication come from the December 2003 version of the European Community Household Panel (ECHP) users' database (UDB). This is considered to be the sole common source of comparable data currently available. The ECHP is a survey based on a standardised questionnaire. It involves annual interviewing of a representative panel of households and individuals, covering a wide range of topics: income (including the various social benefits), health, education, housing, demographics and employment characteristics. The longitudinal structure of the ECHP makes it possible to follow up and interview the same households and individuals over several consecutive years. The general impact of attrition rates over time has been reasonably low. The ECHP, like other households surveys, does not cover persons living in collective households, homeless persons or other difficult to reach groups. Furthermore, there are concerns about data quality for those at the lowest end of the income distribution.

The first wave of the ECHP was conducted in 1994 in the then twelve EU Member States, on a sample of some 60,500 households (about 170 000 individuals). Austria joined the project in 1995 and Finland in 1996. The original samples were carefully designed to achieve a high degree of national representativity. Even though Sweden is not taking part in the ECHP, comparable micro data from the Swedish survey on living conditions are included in the ECHP user's database from 1997 onwards. For the UK there is a break in series between 1996 and 1997. Until 1996, data from the original ECHP survey was used. From 1997 onwards, data from the national panel was transformed and used as the ECHP. For Germany, there is a break in the series between 1994 and 1995. From 1995 onwards, an additional sample of immigrants was added to the survey sample. In consequence, indicators calculated for years including 1994 are not consistent with those using data for 1995 and subsequent years. This particularly applies to the at-persistent-risk-of-poverty rate. The available data for Finland and France only permit adjustment for social transfers on a gross basis, which may affect the accuracy of the at-risk-of-poverty indicator before social transfers.

The income-based indicators that are presented in this publication are calculated on the basis of data from the ECHP last 2001 wave (with income data referring to 2000) for all countries except Denmark and Sweden. For Denmark, data are drawn from the Law Model database. The Law Model database contains a large number of register-based information for each individual in a 3.3 percent random sample of the Danish population. For Sweden, data are drawn from the Income Distribution Survey (HEK). This is an annual cross-sectional survey based on a national sample of adults. Data are collected from a person/household survey and are then linked to a file of administrative data. The main aim of the survey is to obtain data on income distribution.

The ECHP is to be replaced by the EU Statistics on Income and Living Conditions (EU-SILC), which will become the EU reference source for income and social exclusion statistics, and in particular for indicators of social inclusion agreed under the open method of coordination.

Disposable Income

Household's total disposable income is taken to be total net monetary income received by the household and its members, including all income from work (wages and salaries and self-employment earnings), private income from investment and property, plus all social cash transfers received including old-age pensions, net of any taxes and social contributions paid. However, ECHP income data do not capture several major determinants of living standards, namely: receipts in kind, transfers paid to other households, negative capital income (i.e. interest paid) and imputed rent (i.e. the money that one saves by not having to pay full market rent by living in one's own accommodation or in accommodation rented at a price that is lower than the market rent). The inclusion of this latter component of income could have a significant impact for certain countries or certain groups of the population within countries (i.e. the elderly).

In order to reflect differences in household size and composition, the income figures are given per equivalent adult. This means that the total household income is divided by its equivalent size using the so-called modified OECD equivalence scale. This scale gives a weight of 1.0 to the first adult, 0.5 to any other household member aged 14 and over and 0.3 to each child below age 14. The resulting figure is attributed to each member of the household, whether adult or children. The equivalent size of a household that consists of 2 adults and 2 children below the age of 14 is therefore: 1.0+0.5+(2*0.3) = 2.1. In this report, income data for Denmark and Sweden have been provided using the same income definition as described above.

Income from the ECHP relate to the year immediately preceding the survey (e.g. 2000 for wave 8 conducted in 2001), whereas the household composition and the socio-demographic characteristics of household members are those registered at the moment of the survey. Similarly, in the Danish Law Model Database, household composition and age relate to the situation on January 1st, 2001, whereas income information relate to the year 2000. For Sweden, 2001 data for all the variables refer to 2000.

Purchasing Power Parities (PPP) and Purchasing Power Standards (PPS)

PPPs are a fictitious currency exchange rate, which eliminate the impact of price level differences. Thus 1 PPS will buy a comparable basket of goods and services in each country. For ease of understanding they are scaled at EU level. In consequence the PPS can be thought of as the Euro in real terms. PPP estimates available as at July 2004 are used.

The detailed methodology of the monetary Laeken indicators presented in this publication is available from the authors on request.

Further information:

➢ Databases

NewCronos, Theme 3

To obtain information or to order publications, databases and special sets of data, please contact the **Data Shop** network:

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