

**EAPN SIWG Capacity Building Session:
Defining and Measuring Poverty
12 November 2010, Brussels**

Background Note

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Introduction

Background

The ½ day Capacity-Building session will kick-off the Social Inclusion Working Group meeting. The theme was chosen by the last SIWG in February in Dublin, following the emergence of important debates related to the measurement of extreme and relative poverty and the target set by the Council of Ministers to reduce the number of people facing poverty and social exclusion by at least 20 million by 2020 (based on three key indicators: at risk of poverty, material deprivation and jobless households). The Group felt there was a strong need to explore in more detail the concepts around definitions of poverty and social exclusion, in the context of the Social OMC indicators and to be better prepared to contribute to the debates over national targets related to key indicators, both in the context of Europe 2020, the national delivery of the poverty target, and the continuation of the Social OMC.

Objectives

This short session has three main objectives:

- 1) To inform and raise awareness of members on how Poverty and Social Exclusion are defined and measured at national and EU level.
- 2) To get to know and practice using the common indicators developed through the Social Open Method of Coordination.
- 3) To build capacity of members to enter more fully into the current debates at national and EU level on targets based on key indicators.

Programme

This short workshop will be divided into two sessions:

Session 1, (9-11): aims to build capacity of members on **definitions and measurement of poverty and social exclusion at EU and national level**. It will start with a short input on current definitions of poverty and social exclusion, absolute and relative poverty, and the link to inequality. This will be followed by an input on EU Common Indicators developed through the Social Open Method of Coordination – charting the history and exploring current indicators. These will be contrasted with indicators developed at national level – in Ireland (which has developed its own set of poverty indicators) and Slovakia that has based its indicators on the EU model. Following a chance for questions and amicable debate, the session will end with an exercise in groups – applying OMC indicators in their work.

Session 2: (11.30 to 1.00) will build on the knowledge acquired in session 1 as a basis to help members engage in current debates – particularly related to discussions over the balance of indicators related to extreme/absolute poverty and relative poverty and the choice of indicators agreed as a basis for the poverty target. This session will kick off with a round table, with interventions from Isabel Maquet, from the European Commission, coordinator of the SPC group on indicators; Rudi Van Damm, SPC member from the Belgian Government, and Ludo Horemans, EAPN President. The session will close with questions and debate with the whole group.

1. Poverty, Social Exclusion and Inequality – How do we define them?

Introduction

In 2008/9 EAPN's Social Inclusion Working Group published a booklet, together with Hugh Frazer (Coordinator of the OMC Independent Experts), aiming to explain key issues around definition and measurement of poverty, in everyday terms. (EAPN:2009: Poverty and Inequality in the EU). The booklet forms an essential background to the debate: (Access [here](#)). In this short paper, we further deepen the discussion drawing on recent EU and National publications including:

- [The Eurostat booklet \(2010\): Combating poverty and social exclusion 2010 – a statistical portrait](#) .
- J Bradshaw and E Mayhew (2010): 2nd draft Final Report on the Measurement of Extreme Poverty, University of York, Social Policy Research Unit.
- Eric Marlier, A.B. Atkinson, Bea Cantillon and Brian Nolan (2007):The EU and Social Inclusion: Facing the Challenges.
- Wilkinson R, Pickett K (2008): The Spirit Level: Why more equal societies almost always do better.

This short paper aims to focus on the following key questions:

- What is the difference between relative and absolute poverty, how far do they describe different groups or different aspects of poverty?
- What is the difference between poverty and social exclusion? How far are the terms used interchangeably? Does it matter?
- What is the link to inequality? Why is this important?

What is poverty? A historical perspective

In the recent study developed for the European Commission on Measurement of Extreme Poverty, by Jonathan Bradshaw and Ernese Mayhew (University of York, SPRU), useful insights are provided on the origins of the debate on poverty. *“The literature on poverty tends to draw a distinction between relative and absolute poverty. Notions of absolute poverty are related to physical necessities and perhaps most commonly associated with the work of Seebohm Rowntree, who, in his first survey of poverty in York (UK) in 1898, used a measure of primary poverty based on the “minimum necessities of life for mere physical efficiency”.* Rowntree drew on the developing science of nutrition to establish a diet that represented the minimum number of calories required for moderate physical labour, priced the diet at the lowest prices available in York, added small amounts for clothing and fuel and counted the number of households with wages below that limit as being in primary poverty.

In the post-war period this “quasi scientific” quality of Rowntree’s poverty line was criticised, most notably by Peter Townsend (UK), who did more than anyone to reconceptualise poverty as relative. Bradshaw and Mayhew comment that *“in fact it was always rather difficult to justify the notion of absolute poverty as scientifically defined physical necessities”.* Rowntree himself had to make “social” decisions: about the amount of physical labour those consuming his diet would undertake; the choices of food stuffs in the food basket; the prices to be applied;’ In his subsequent surveys of poverty in York in 1936 and 1950 he revised his poverty standards to

include items which were not purely physical necessities (including social insurance contributions, trade union subscriptions, travel to work, stamps, writing paper, a daily newspaper, a wireless, and amount for other - beer, tobacco, presents, holiday books and travel.

EU Definitions of Relative and Absolute/Extreme Poverty

In the statistical portrait produced by Eurostat and the European Commission for 2010, a distinction is made between the definition of absolute/ or extreme poverty and relative poverty **as capturing vital but different aspects of poverty.**

At the World Summit on Social Development in Copenhagen in 1995 (2), absolute or **extreme poverty** was defined as: *'... a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information'* – therefore, mainly depending on access to a range of services. The Millennium Development Goals focus on the objective to eradicate extreme poverty and hunger. This is translated into an objective to reduce by half the proportion of people living on less than a dollar a day.¹

The EU's social inclusion process has traditionally used a **relative definition** of poverty as originally developed by Peter Townsend, and first agreed by the European Council in 1975 (3):*'... people are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted'*.²

Many Member States have adapted this definition to their own context and language expression. For example: the Irish Government's definition of poverty in its National Action Plan for Social Inclusion (2007-2016).

"People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally. As a result of inadequate income and other resources people may be excluded and marginalised from participating in activities which are considered the norm for other people in society."

Relative poverty was therefore an attempt to define poverty in terms of how far people are able to **participate on equal terms** with the people who surround them. *"People are seen as being at risk of poverty when they do not have enough money to do the things that most people take for granted. Poverty can mean not having the money to buy enough food for your family, not being able to afford to heat your home in winter or having to buy second-hand clothes because you*

¹ Current indicator is increased to 2 dollars a day.

² [EUROSTAT \(2010\) Combating poverty and social exclusion:2010 edition](#)
[A statistical portrait of the European Union 2010](#)

can't afford new ones. Poverty is also more than not having the money for material things. It can also mean that you don't have the money for social activities like going to the cinema or having a meal out with friends or to have a holiday. This can lead to people feeling cut off from the rest of society because they don't have the money to participate.³

Social Inclusion and Social Exclusion

The EU has a long-standing **Social Inclusion** objective – reflecting the concern that all EU citizens participate in the benefits of economic integration and economic growth. The underlying narrative is that the EU cannot be successful if significant groups are left behind as prosperity rises.

In the Eurostat/Commission 2010 booklet, **Social Exclusion** is described as being related to "being unable to enjoy levels of participation that most of society takes for granted. It is a complex, multi-dimensional, multi-layered and dynamic concept that the EU's social inclusion process defined as: '*... a process whereby certain individuals are pushed to the edge of society and prevented from participating fully by virtue of their poverty, or lack of basic competencies and lifelong learning opportunities, or as a result of discrimination. This distances them from job, income and education opportunities as well as social and community networks and activities. They have little access to power and decision-making bodies and thus often feeling powerless and unable to take control over the decisions that affect their day to day lives*'

The move away from an exclusive focus on Poverty to Social Exclusion (1990's) reflected a growing acceptance of the **multidimensional character of deprivation**. The European Commission in its 1992 submission on 'Intensifying the Fight against Social Exclusion' argued that 'social exclusion' was more encompassing than poverty, capturing more adequately the multidimensional nature of the mechanisms "whereby individuals and groups are excluded from taking part in social exchanges,... and rights of social integration". (European Commission, 1992, page 8). An implicit assumption was that a person could be socially excluded, even if they were not poor – and visa versa.

Poverty and Social Exclusion – Overlapping Concept

As we can see from the above sections, in reality the concepts of poverty and social exclusion overlap. As commented by the Rowntree Foundation – UK Poverty Site: "*one of the consequences of introducing the term 'social exclusion' was that it led some people to assume that low income and alienation were essentially unconnected and that each could (and should) be considered separately when developing policy. This, in turn, led to the tendency in some circles to **downgrade the importance of addressing issues of low income, on the grounds that its effect was simply to limit the material goods that a household could acquire rather than having any wider social impact***". As a result, at EU level an overlapping concept was used: 'poverty **and** social exclusion', without differentiating between them. This has the advantage of recognizing the importance of low income and factors relating to severe and chronic disadvantage and recognizing the connection between them. It is this **overlapping definition of**

³ [Combat Poverty Agency: What is Poverty?](#) (2005)

poverty and social exclusion that has provided the basis for measurement in the development of the Social OMC indicators.

Poverty, Social Exclusion, and Inequality

As Relative poverty describes the capacity of an individual to participate equally in society, it is clearly linked to **inequality in access to resources and life chances** within a given society. As the Commission's Statistical Portrait (EC 2010) highlights: *"Nowadays, societies cannot combat poverty and social exclusion without analysing the inequalities within the society, whether they are economic in nature or social"*

Economic inequality is defined by the Commission as the *"disparities in the distribution of monetary resources (assets and income) within a population"* – in simple terms – the gap between rich and poor. **Social inequality** encompasses a broad range of inequalities where *"different groups in society do not have equal social status"* and are deprived **from accessing their rights**. Although Equality is a fundamental right within the EU, backed by EU legislation, inequalities still exist in terms of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation, as well as for people experiencing poverty and social exclusion. These inequalities manifest themselves as discrimination in achieving equal access to most aspects of daily life: access to key services like education, health, housing and social services; to decent jobs and to political and cultural participation.

Scientific evidence not only tends to confirm the link between **growing inequality and increased poverty and social exclusion**, but supports the view that *"more equal societies not only benefit the poor, but provide a better life for all"*⁴. (Wilkinson R, Pickett K 2008). For EAPN, reducing inequalities in income, wealth and access to rights, resources and services is a fundamental prerequisite for the eradication of poverty, and for achieving a fairer more, socially cohesive society for the benefit of all.

Wilkinson R and Pickett K (2008) *The Spirit Level: Why More Equal Societies Almost Always Do Better*

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2. Measuring Poverty, Social Exclusion and Inequality – The Social OMC Indicators

Original Laeken Indicators (2001)

In 2001, the Laeken European Council endorsed a first set of 18 common indicators for social inclusion. These “Laeken Indicators” were developed as part of the newly launched Open Method of Coordination for Social Inclusion⁵, with a specific purpose of facilitating international comparisons of actual performances by national and sub-national social policies, in order to support the monitoring of national and EU progress towards the common objectives agreed in the Social OMC in March 2000.

The design of the indicators drew on a history of social science research over 30 years in both Europe and the USA. A key role was played by the Indicators Sub Group (ISG) of the Social Protection Committee, working with the Commission and the Statistical Office of the European Communities (Eurostat), and other bodies like the OECD.

This first set of indicators focused only on social outcomes, rather than the means by which it was achieved (ie the level of education achieved, rather than total spending on schools). Member States were left free to choose the methods by which these objectives could be realized.

Member States were also expected to include their own nationally defined indicators in their National Action Plans for Inclusion, and supplement the data with other information, allowing a clearer linkage between policies and social outcomes.

The indicators were divided into *Primary and Secondary* Indicators ie primary – lead indicators that support key dimensions of the objectives and key groups; secondary - supporting the lead indicators by describing in greater detail the nature of the problem.

Streamlined Social OMC - New Integrated Monitoring Framework (2006)

Since 2001, the SPC Indicators Sub-Group has refined and extended the original set of indicators. In 2006, it worked on new indicators to cover the fields of pensions and health and long-term care which were now included in the three pillars of the Streamlined Open Method of Coordination. This established a “new integrated monitoring framework for the three pillars”, and a portfolio for each individual strand (social inclusion, pensions, health and long-term care), as well as an overarching list.

The new framework followed the structure of the new common objectives for the OMC on social protection and social inclusion and consists of four sets of indicators. (1 overarching set, and 3 sets covering the 3 pillars of the Streamlined OMC). We focus here on the overarching set and social inclusion indicators.

- 1) **14 commonly agreed (national and EU indicators)** to monitor the first two broad objectives of the Social OMC. The third objective related to governance has yet to have indicators developed.

⁵ The Social Open Method of Coordination is a mutual feedback process of planning, monitoring, analysis, comparison and adjustment of national social inclusion policies on the basis of commonly agreed EU objectives.

2) 11 Primary indicators for social inclusion and 3 Secondary Indicators. In addition a further set of 11 statistics provide “context information”.

These **Primary Indicators** covered:

- Poverty Risk (Indicators 1,2 and 3) – these are based on the EU definition of at-risk of poverty (households living below 60% of the median national household income)
- Unemployment and joblessness (4 and 5)
- Low Educational qualifications (6)
- Employment situation of migrants (7)
- Material Deprivation, housing, access to health care and child well-being (8,9,10 and 11).

The **Secondary Indicators** comprised detailed disaggregations of income poverty risk by smaller age groups, household type, work intensity, labour force status and tenure, and with different income thresholds, also to adults with low educational achievement and poor literacy levels.

The **Context information** – covered income inequality (S80/20) income quintile ratio, and the Gini coefficient), regional disparities in employment rates, life expectancy, at risk of poverty rate anchored at a point in time, before social transfers, distribution of jobless households by main household types, in-work poverty risk, relationship between social assistance and at risk of poverty level and self-reported limitations to daily activities.

Full list of Social OMC Indicators (updated 2009)

See European Commission Working Paper: Portfolio of Indicators for the Monitoring of the European Strategy for Social Protection and Social Inclusion – 2009 Update (particularly list of indicators and definitions for social inclusion: p.18-28) – Access [here](#)

Key changes since 2001

1. **New indicators were introduced** – ie on employment gap for migrants, low reading ability/literacy as well as child well-being. Updated indicators on health were agreed in 2008 and on material deprivation and housing in 2009.
2. **No longer just impact indicators** but also input indicators – e.g. social protection spend.
3. **The strict criteria for establishing indicators was made more flexible** - ie some commonly agreed national indicators were agreed, e.g employment gap of immigrants.

Criteria for validation of OMC Indicators (2006)

1. Must capture the essence of the problem/ have a clear and accepted normative value.
2. Must be robust and statistically validated
3. Must be responsive to policy intervention, but not subject to manipulation
4. Should provide a sufficient level of cross-country comparability
5. Should build on available data, be timely and able to be revised.
6. The broad portfolios should be sufficiently comprehensive and cover all the key dimensions of the common objectives
7. Each of the four portfolios should be balanced
8. Each of the portfolios should enable a synthetic and transparent assessment of a country’s situation in relation to the common objectives

Key Challenges

The ISG recognizes some key challenges in the Social OMC indicators:

1. **Increasing coverage:** There is a continual need to expand the set of indicators (more recently new indicators have been developed, relating to material deprivation, child well-being, homelessness etc.
2. **Refining existing indicators:** The ISG continually work to improve existing indicators. ie with the definition of financial poverty based on relative rather than absolute thresholds. There has been a growing recognition that greater account needed to be taken of larger differences between countries in terms of living standards, in the context of the enlarged EU. This involved an increasing interest in the values of national thresholds and on material deprivation.
3. **Better disaggregation and recognition of specific groups:** children and older people are now given a special focus, and the need to develop more child-focussed indicators rather than just age breakdowns. Although gender disaggregation is more systematically applied, the definitions are themselves often not 'gender neutral'. ie the measurement of at risk of poverty assumes financial resources are equally divided amongst those in the household. This clearly is not always the case, particularly where women are carers or in low-paid or part-time employment, yet responsible for children and household expenses.
4. **Improving statistical capacity:** there is a need to produce more timely data
5. **Getting ownership from national governments** – many MS are reluctant to use the Common Indicators, and prepare their National Action Plans and Strategic Reports with no reference to them.

3. Europe 2020 and the Poverty Target and Indicators explained

Introduction

In its proposals for Europe 2020 issued in March 2010, the European Commission suggested that there should be 5 headline targets to be achieved by 2020. One of these was to “reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty. At the March Spring Council meeting, EU leaders agreed that there should be a target on “promoting social inclusion, in particular through the reduction of poverty”, but they could not agree on the appropriate indicator and target.

The decision was therefore postponed until the June Council Meeting and the EU Social Protection Committee and its Indicators Sub-Group (ISG) were asked to address the key issues and propose a compromise. This was finally reached and endorsed by EU Social Ministers in the EPSCO Council of the 7 June 2010, and 10 days later approved by all EU Heads of State and Government ((European Council Conclusions 17 June)

Compromise proposal – the current Europe 2020 Poverty Target

The target agreed in June, consists of “promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of risk of poverty and social exclusion’, by 2020.

The agreed compromise is based on a combination of three EU outcome indicators developed through the Social OMC common indicators.

- 1) The at-risk of poverty rate (EU definition)⁶
- 2) The Material Deprivation rate (EU definition but stricter, requiring a lack of 4 key criteria, rather than the current 3)⁷
- 3) The percentage of people aged 0-59 who live in jobless households ie households where none of the members aged 18-59 are working.

The target will consist in lowering the number of people in the EU who are at risk of poverty AND/OR materially deprived, AND/OR living in jobless households.

Loss of ambition but still progress?

It was clear to EAPN and other actors, that the final agreement represented a rather an unhappy compromise. See EAPN’s Press Releases (www.eapn.eu). As stated by Eric Marlier, Hugh Frazer and Ides Nicaise in their book: A Social Inclusion Roadmap for Europe (2010) “The level of

⁶ According to the EU definition, people at-risk-of-poverty are people living in a household whose total equivalised income is below 60% of the median national equivalised household income.

⁷ Proportion of people living in households who cannot afford at least 3 (4) of the following 9 items: 1) coping with unexpected expenses; 2) one week annual holiday away from home, 3) avoiding arrears (in mortgage, rent or utility bills or hire purchase); 4) a meal with meat, chicken or fish every second day; 5) keeping the home adequately warm; 6) a washing machine; 7) a colour TV; 8) a telephone; 9) a car.

ambition has decreased significantly compared with the Commission's original proposal". The inclusion of 3 indicators, now increases the target population from 80 million (at risk of poverty 60% threshold), to a new figure of around 120 million people – setting the target to reduce to 100 million by 2020.... EAPN's view was that the target did represent a step forward, providing for the first time concrete quantitative targets on poverty, embedding the priority of tackling poverty and social exclusion in the overarching economic strategy. However, the test will be the implementation.

National Targets

The next challenge is for each individual Member State to adopt one or several (sub) national targets, based on one or more of the agreed indicators. Under the principle of subsidiarity, countries are free to set the targets on the basis of what they consider to be the most appropriate indicator, given their national circumstance and priorities. All Member States will be expected to carry out a diagnosis and provide clear evidence for their choices and also to show how their chosen national targets will contribute to the achievement of the EU level target. These targets have to be agreed in bi-lateral meetings with the Commission that have taken place in September and October. The agreed targets and indicators are expected to be presented as part of each Member States draft National Reform Programme – to be presented on the 12th of November. A full National Reform Programme, establishing the policy measures, and budgetary support, including EU funds will be presented to the Commission by Mid-April.

Key Challenges

EAPN's initial preference was to retain the focus on the at risk of poverty indicator – the accepted and well-known EU benchmark, but recognized the value-added of including material deprivation indicators, which better measure deprivation in access to resources and services, particularly important for New Member States. In the context of the new proposal, it would seem preferable that all Member States set national targets to reduce poverty and social exclusion by at least 20 million, using all three indicators. EAPN is keen to maintain the focus on risk of poverty, combined with material deprivation, and a support for people into decent jobs. The risk is that most Member States focus on jobless households, to the detriment of the other 2, which demand a greater redistribution of income and resources.

Some Questions

- 1) How to ensure that Member States do not focus only on the most easily helped (creaming), ignoring the plight of the most vulnerable?
- 2) Will MS ignore the agreement to reduce at least 20 million, focusing just on the set figure?
- 3) Will the raising of the total figure (120 million), allow the EU to claim a "success" by reducing poverty to 100 million, without any real impact on poverty?
- 4) Will Member States look for ways round the commitment, focusing for example only on jobless households – getting people into poor jobs, at any cost, which will not reduce poverty risk nor material deprivation?