31st MEETING OF THE STATISTICAL PROGRAMME COMMITTEE

LUXEMBOURG, 26 & 27 NOVEMBER 1998

Item 2 of the Agenda

Recommendations on Social Exclusion and Poverty statistics

Table of content

Executive summary

1. Introduction

The High Level Think Tank (HLTT), held in Stockholm in January 1998, established a Task Force on Social Exclusion and Poverty statistics with the objective of making concrete recommendations on production, analysis and presentation of comparative statistics on income distribution, social exclusion and poverty. The Task Force met three times and produced the following recommendations, which were submitted to the Working Party on Social Exclusion and Poverty in October 1998.

2. Concepts and definitions

The concept of Disposable Income was considered to be the most suitable for the international comparison of household groups and individuals.

When estimating disposable income, the following eleven components should be identified :

+ *Income from Activity* :
> (1) Compensation of employees,
> (2) Income from self-employment,
> (3) Operating surplus of owner occupied dwellings,
> (4) Income from activity not elsewhere covered

+ *Income from Property*
> (5) Income from Property

+ *Transfer Income received:*
> (6) Social Security Benefits and Social Welfare Assistance,
> (7) Other money income

- *Compulsory payment transfers*:
> (8) Taxes on Income and wealth,
> (9) Social security contributions ,
> (10) Other disbursements

- *Voluntary Transfer Payments*:
> (11) Inter household transfers received

___

= Disposable Income

Reliability of estimates should be sought at the level of income components.

3. Measurement of income poverty

The Task Force chose to maintain relative poverty lines recommending the following specific measures and computational procedures:

- To use the median income to determine the poverty line and to continue the present practice of publishing figures on all three cut-off points to avoid a crude poor/non-poor classification of individuals.

- To continue with the modified OECD equivalence scale used in previous publications to ensure the comparability of the poverty figures. Also to assess the robustness of the results regarding alternative scales.

- To use individuals as "the unit of distribution" as well as "the unit of analysis" for consistency .

-To report on income distribution disparity measures to strengthen the robustness of poverty figures.

4. Statistics on social exclusion

As it is difficult to reach firm conclusions to define social exclusion, the Task Force suggested that a pragmatic approach in three stages be adopted to define the most appropriate elements to describe Social Exclusion from the point of view of policy relevance:

1. Definition of low income
2. Labour status
3. Definition of concrete variables and measurements to be used in Social Exclusion analyses.

As long as there are no uniform generally accepted definitions, and for practical reasons, the Task Force recommended the use of the existing set of Eurostat Social Indicators as variables for social exclusion, based as much as possible on the ECHP, as this is also the source of the income data.

5. Reporting on social exclusion and poverty

Quality reports (comprehensive descriptions of the data quality) should be addressed to the producer and specialist user. However, as well as quality of underlying data, it is also important to assess quality and fitness of both statistical measures and statements made about income measures. Meta-data should be provided for user-databases and publications targeting ordinary users to inform them on what data are available and their access, what concepts and definitions are used, how the information was collected and what processes are applied in deriving the data. Publications should be confined to statements which are robust. Users should be guided by the text to analytically sound conclusions including any necessary warnings.

6. Request to the SPC

The SPC is invited to give its opinion on the recommendations presented here on concepts, measures and reporting concerning statistics on social exclusion and poverty to be diffused by Eurostat.

1. Introduction

The demand of statistics on social exclusion and poverty is likely to be reinforced once the Treaty of Amsterdam is ratified. The new treaty mentions explicitly in its social chapter objectives and actions which require statistical data for the implementation and monitoring of policies to support these actions. The Treaty also enlarges the concept of poverty to social exclusion considering this last as: "The process which prevents people from fully participating in society as well to be socially integrated".

Due to this new dimension, data at individual and household level have to be rich and broadly based to reflect the multi-dimensional nature of deprivation. The collection and reporting of data on monetary income has to be supplemented by information on the social and economic context in which poor people live and the manner in which policy (social protection, health, education etc.) impinges on them. Moreover, the significance of such data increases further as a result of the new emphasis at EU level on employment as well as on promoting integration of persons excluded from the labourmarket.

Statistics must also reflect the dynamic processes underlying poverty. Longitudinal analyses are required to understand and model the patterns of entries into and exits from the state of poverty and exclusion.

The High Level Think Tank (HLTT) held in Stockholm in January 1998, after analysing the "state of the art" of statistics on poverty and social exclusion, considered the new demands addressed in the Amsterdam treaty. It established a Task Force on Social Exclusion and Poverty statistics with the objective of making concrete recommendations on production, analyses and presentation of comparative statistics on income distribution, social exclusion and poverty, assuring proper links between what is produced at the national level.

In the first instance, statistics will be based on the existing harmonized data sources in Eurostat. In the longer run, the Task Force will also consider possible alternative strategies for the continued generation of such statistics, bearing in mind the requirements of feasibility and practicality.

The HLTT gave a specific mandate for the Task Force. A summary of the tasks to be performed is as follow:

1. To identify and clarify the scope of various types of reports on poverty and social exclusion, especially concise and targeted reports such as Statistics in Focus.

2. To advise specifically on "good practice" in the preparation and dissemination of poverty statistics in international reports.

3. To make recommendations on the appropriate definition of income to be used, including the treatment of particular components such as irregular receipts and private transfers.

4. Apart from monetary income, consideration should also be given to the use of household consumption data and other material and subjective indicators of living conditions.

5. To advise on the choice of specific measures and computational procedures in the production and reporting of poverty and income distribution statistics at the EU level.

6. To focus first on 'cross-sectional' reporting, and to extend as soon as possible to dynamic or longitudinal reporting of changes in living conditions.

7. To consider ways of making the best use of the existing data sources, in particular how they may be used in combination to supplement each other.

8. In parallel, the Task Force should consider options for the continued generation of regular and comparable information on poverty and income distribution.

9. To assess the scope and quality of the existing data from different sources, taking into account the special requirements of reporting at the international level.

10. To formulate specific recommendations on procedures for the evaluation, documentation and reporting of data quality required for international comparability.

In order to meet the mandate, the work program of the Task Force was structured in four domains as a pragmatic way to combine expertise from participants and related themes:

1: Income concepts and definitions:

- methodology on income, assets and consumption
- comparison of concepts used in the report on Distribution of Income, Consumption and Accumulation of Households (DICAH) with those in the European Community Household Panel (ECHP), Household Budget Survey (HBS) and national sources
- recommendations on which concepts should be used for international comparisons

2: Measurement of income poverty: sensitivity analysis

- equivalence scales
- comparison of income (monetary or including imputed rent and income in kind)
- sub-populations
- units
- measures (including cut off points)

3: Social exclusion

- delimitation of what should be understood as statistics on social exclusion
- analyses of non-monetary 'poverty'
- regional and European measures
- longitudinal aspects

4: Quality assessment reports

- recommendation on content of quality assessment reports
- presentation of meta-data
- reporting on social exclusion and poverty

The four following chapters in this document describe the recommendations on the different domains. The recommendations on regional and European poverty lines have been placed in the chapter on measurement of income poverty which covers related issues.

The Task Force met three times. The first meeting was mostly dedicated to analyse the terms of reference, to providing background on the availability of data and to allocating Task Force members to the different domains. The second meeting concentrated on the detailed analyses of reports on domains 1 and 2. The last meeting was dedicated to the analyses of reports on domains 3 and 4 and to a discussion of the overall recommendations from the Task Force which are included in this document. Sensitivity analysis has largely been used in helping to choose among the different alternatives. The Task Force did not attemp to create a definition of poverty and social exclusion since there was a consensus that a variety of measures should be used.

As requested in the mandate from the HLTT the Task Force completed the deliberations before the end of July. The recomendations have been submitted to the Working Party on Social Exclusion and Poverty and after discussion at the October meeting the resulting text is then submitted to the Statistical Program Committee for opinion in November 1998.

This Task Force was composed of the following Members:

- Mr Alfred FRANZ – Österreichisches Statistisches Zentralamt
- Mr Jean-Michel HOURRIEZ – INSEE
- Mr Jos SCHIEPERS, CBS Netherlands
- Mr Mauro MASSELLI, ISTAT
- Mr Carlos FARINHA RODRIGUES, Instituto Nacional de Estatistica Portugal
- Mr Markku LINDQVIST, Statistics Finland
- Mr Uno DAVIDSSON, Statistics Sweden
- Mr Tim HARRIS, Office for National Statistics London
- Ms Margaret FROSZTEGA, Department of Social Security, London
- Mr Jos JONCKERS, DG V, European Commission
- Mr Antonio BAIGORRI, Eurostat
- Mrs Anne CLEMENCEAU, Eurostat
- Mr Pieter EVERAERS, Eurostat
- Mr Thierry KRUTEN, Eurostat
- Mrs Lene MEJER, Eurostat
- Prof. Vijay VERMA, University of Essex

2. Definition and concepts of income

2.1. Background

From the discussions at the HLTT, it was clear that based on current practice and validity of the results, Member States preferred statistics on social exclusion and poverty to be based on the concept of income as opposed to the concept of expenditure.

The mandate given to the Task Force sets as specific tasks:

- To make recommendations on the appropriate definition of income to be used.
- To analyse ways of making the best use of the existing data sources, and how they may be used in combination to supplement each other.

In its meetings the Task Force discussed several concepts of income and agreed on founding the concept of income on generally accepted theory. Transparency in the definition of the income concept, with respect to current practice in the Member States and in other fields of statistics was considered very important. The report on the Distribution of Income, Consumption and Accumulation of Households (DICAH), by Franz, Ramprakash and Walton, written on demand of Eurostat was chosen as the reference. This report facilitates a pragmatic approach to implement the National Account concept of income on the individual (household) level. The report moves from a monetary income concept to a wider concept including elements like income in kind and imputed rent. It is also based on extensive theory of the distribution of income and describes the income concept and its components in relation to the European System of Accounts (ESA).

The DICAH report describes the scope and structure of concepts of income, consumption and wealth as the outcome of a project to revise and update the UN's 1977 Manual. The DICAH report takes full account of the implications for the concepts and definitions of household micro level data of the 1993 SNA and the 1995 ESA. The Task Force followed the lines of discussion in this report focusing the concept of Disposable Income as the reference for statistics on social exclusion and poverty.

The DICAH report and its implications have already been discussed at international meetings. For example the Canberra group on Income Statistics discussed the preliminary report in its 1998 meeting (March, Voorburg). Further discussions on the components and subcomponents will be on the agenda of the next meeting of the Canberra group (Canada, 1999).

Variables on income are included in the Eurostat Program on Harmonisation of a set of core variables on persons and households. The work on the selection of an income concept and its components as an element of the Task Force is considered also to be part of the above mentioned Program on Harmonisation. From this point of view, maximum co-ordination is foreseen with other international institutions and groups working on the international comparison of household income and its components.

2.2. Recommendations based on the Task Force work

2.2.1 Definition of Income

The Task Force recommends to use the DICAH report because of a parallel with the National Accounts concepts, the pragmatic approach and the fact that it relates to a wider definition of income as it includes income in kind and imputed rent. Based on the DICAH report the Task Force considers the concept of Disposable Income most suitable for the international comparison of (groups of) households and individuals with respect to the amount of money allocable either to

consumption of goods and services or to saving. This concept is recommended as the best alternative to describe the opportunities of households and individuals.

The Task Force recommends the use of Disposable Income as the target variable for statistics on social exclusion and poverty. However, the Task Force also considered it useful to gather, whenever possible, information on Gross Income. Gross Income is the total of all sources of income, having deducted business expenses and other professional outlay and omitting any capital gains. The difference between Disposable Income and Gross Income shows the effect of taxes and social security contributions and voluntary payments.

The Task Force recommends the development of some indicators for describing social exclusion and poverty based on the proportion of specific income components to Disposable Income or Gross Income. Based on components specified in the DICAH report and common practice, the Task Force recommends the use of eleven components in the calculation of Disposable income, Gross Income and proportions of the contribution of these components to Disposable and Gross Income.

2.2.2 The income components

Disposable Income is calculated as the addition of income from activity, income from property and received income transfers minus compulsory payable transfers and voluntary transfers. The Task Force recommends the identification of the following eleven components.

+ Income from Activity
>   Components : 1. Compensation of employees,
>   2. Income from self employment,
>   3. Operating surplus of the owner occupied dwelling,
>   4. Income from activity not yet covered
+ Income from Property
>   Component :   5. Income from Property
+ Transfer Income received
>   Components: 6. Social Security Benefits and Social Welfare Assistance,
>   7. Other money income
- Compulsory payable transfers
>   Components : 8. Taxes on Income and wealth,
>   9. Social security contributions
>   10. Other disbursements
- Voluntary Transfer Payments
>   Component : 11. Inter household transfers received

Based on the above mentioned recommendation, the reliability of the income concept should be sought, in principle, at the component level, which would, in this regard, function as the first level of the classification. Based on this requirement the results for the components should be at the maximum possible level of reliability. This implies the use of well defined concepts and definitions of income at the more abstract level as well as practical recommendations for measurement at the more specific level of income components. This also implies that specific national examples of such subcomponents should be noted as exhaustively as possible.

2.2.3 Sources for Income measurement

The terms of reference of the Task Force contain the discussion on the best source for statistics on social exclusion and poverty. To investigate the possibilities of using the theoretically selected income concept in the available European and Member States' sources, an inventory has been launched to gather information on the availability and accessibility of income concepts and sub components.

In the inventory the Eurostat harmonised sources ECHP and HBS are also included. For several Member States the ECHP is the only source for income statistics. For all Member States except one (Sweden), the ECHP is the only data source on a annual basis measuring household income in a comparable way between countries.

In the ECHP most of the eleven components are reasonably covered. However, specific calculations or assumptions have to be formulated for the component *Operating surplus of the owner occupied dwelling* (Imputed rent) and the *Income from activity not yet covered* including benefits in kind. These components are described in more detail in paragraph 2.2.4. For other relevant components specific assumptions have also to be made. These are described in paragraph 2.2.5.

The Task Force recommends that the ECHP is used for statistics on social exclusion and poverty at the EU level because:

a) it is currently the only source available comparing poverty defined on income over the Member States;

b) it relates monetary poverty with the non monetary dimensions of social exclusion;

c) it gives a reasonable coverage of most of the different income components although two components, income in kind and imputed rents, for the time being are not recorded by the ECHP.

Based on data from Wave 2 of the ECHP the following table illustrates components of income and relative weights for Member States which conducted the survey in 1995.

Table 2.1
Components of income

	Belgium	Denmark	Germany	Greece	Spain	France (*)	Ireland	Italy	Luxembourg	Netherlands	Austria	Portugal	United Kingdom
mean/equ	**13.553**	**14.119**	**13.851**	**8.803**	**10.375**	**13.500**	**11.043**	**10.017**	**22.124**	**12.361**	**13.810**	**7.773**	**13.139**
TOTAL	100,0	100,0	100,0	100,0	100,0	:	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Income from work	**60,2**	**72,8**	**71,9**	**70,2**	**79,2**	:	**72,4**	**73,1**	**70,8**	**66**	**66,2**	**78,3**	**70,1**
employment	54,6	65,9	66,4	45,4	67,3	:	57,1	59,8	63,6	62	59,6	67,8	62,3
self-emp	5,5	6,9	5,4	24,8	11,9	:	15,3	13,3	7,2	4	6,5	10,5	7,8
Non-work private income	**6,3**	**4,0**	**4,6**	**9,5**	**3,7**	:	**1,8**	**3,4**	**4,5**	**5**	**3,4**	**2,7**	**4,2**
Social transfers	**33,5**	**23,2**	**23,3**	**19,6**	**17,5**	:	**26,1**	**23,8**	**24,4**	**29**	**30,5**	**19,0**	**25,7**
pensions	17,5	9,0	16,5	17,9	11,4	:	12,9	20,8	16,1	15	21,9	13,9	10,0
other transfers	16,0	14,2	6,9	1,7	6,1	:	13,1	3,0	8,3	14	8,6	5,1	15,7

Source: Eurostat - ECHP Wave 2
(*) Information on net components not available

All the above mentioned characteristics currently make the ECHP the single source most appropriate for EU reporting. Nevertheless, the mandate given to the Task Force also referred to ways of making the best use of the existing data sources and how they may be used in combination to supplement each other, and that was the purpose of the inventory conducted among Member states. It covered the main sources for statistics on household income or sources in which (household or individual) income plays an important role.

The inventory also aimed at gathering all kind of background information to construct a meta-information system on Individual and Household Income and Income measurement as described in the introduction. The objective of the work is to make the correspondences and the differences transparent between concepts, definitions and measurement rules as well as results, to have proper insight to recommend which concepts and definitions on income should be included. This objective has almost 100% overlap with the objective of the Program on Harmonisation of a set of core variables on persons and households.

The Task Force recommends the use of information from this meta information system to get insight in the differences between the ECHP, other sources used in combination with the ECHP and other relevant but not used sources for data on income.

2.2.4. Relevant missing components in the ECHP

2.2.4.1. Imputed rents

The operating surplus from the owner occupied dwelling, for short often (but not quite correctly) called "Imputed Rent", (Component 3) is considered a relevant component of Disposable Income because

a) it represents a relatively high proportion in relation to the total income
b) its distribution within Member States makes this component differ between household types.

Imputed Rent can be estimated on a net (excluding depreciation and indirect taxes) or gross level. For the purpose of income the Task Force recommends that the net level is used as the appropriate concept. For practical reasons measurement at the gross level may be the source for an adequate proxy.

The Task Force analysed via different simulation models, based on HBS data, the effect of including imputed rents in the definition of income as opposed to the monetary estimates excluding this item. In Table 2.2, the results of this analysis are shown. By including imputed rent the percentage of poor persons changes in some of the Member States. This is particularly true for some sub-populations like the elderly. The Task Force recognizes the fact that methods used measuring and imputing income components have to be included in meta-information systems.

Table 2.2

Relevance of including Imputed Rent in the Income definition

country	MEDIAN PER ADULT EQUIVALENT		POVERTY RATE (50%)		POVERTY RATE(60%)		POVERTY RATE (70%)	
	ECHP definition	with imputed rent	ECHP definition	with imputed rent	ECHP definition	with imputed rent	ECHP definition	with imputed rent
Belgium	499,311	598,383	9.9	9.6	15.3	13.7	22.3	20.6
Denmark	195,570	209,357	7.7	7.8	16.6	16.8	25.0	24.6
Greece	1,504,459	1,756,580	14.6	12.3	21.1	19.3	28.7	26.5
Spain	901,833	1,080,532	8.4	7.5	15.8	13.7	24.4	22.0
Netherlands	38,380	41,898	7.7	8.1	15.8	16.3	25.8	25.9
Portugal	899,129	1,001,278	12.4	12.1	20.1	19.4	26.9	26.7
Finland	100,338	112,873	6.9	6.3	14.7	14.2	23.8	22.7

Source eurostat - HBS - 1994

Results based on the recommended methods discussed in chapter 3.

Based on this exercise it is concluded that imputed rent plays a significant role in establishing the poverty thresholds and also in the ranking of countries after this component has been included. Consequently the Task Force recommends that imputed rent should be estimated for the ECHP in order to have a more complete picture for the distribution of income. A program for the estimation of imputed rent will be designed for the ECHP.

2.2.4.2. Income in kind

Other income from work or other informal income (own account production etc.) - Income in Kind - is considered to be, for several Member States, a substantial subcomponent of the Disposable Income. It is also a well known fact that within Member States the relative importance of Income in Kind differs between household types.

Income in kind could be estimated on a net or a gross level. For the purpose of income the Task Force recommends that the net level is used as the appropriate concept although for practical reasons measurement on the gross level may result in an adequate proxy.

The Task Force analysed via different simulation models, based on HBS data, the effect of including Income in Kind in the definition of income. In Table 2.3 the results of this exercise are shown. By including Income in Kind the percentage of poor persons changes. The effect seems to be particularly true for some sub-populations, e.g. those in rural areas.

Table 2.3

Relevance of including Income in Kind in the Income definition

country	MEDIAN PER ADULT EQUIVALENT		POVERTY RATE (50%)		POVERTY RATE(60%)		POVERTY RATE (70%)	
	ECHP definition	with income in kind	ECHP definition	with income in kind	ECHP definition	with income in kind	ECHP definition	with income in kind
Belgium	499,311	500,498	9.9	9.8	15.3	15.2	22.3	22.2
Denmark	195,570	196,079	7.7	7.7	16.6	16.7	25.0	25.2
Greece	1,504,459	1,559,878	14.6	13.8	21.1	19.9	28.7	27.5
Spain	901,833	909,643	8.4	8.2	15.8	15.3	24.4	23.8
Portugal	899,129	949,490	12.4	11.2	20.1	18.3	26.9	26.4
Finland	100,338	100,963	6.9	6.9	14.7	14.6	23.8	23.9

Source eurostat - HBS - 1994
Results based on the recommended methods discussed in chapter 3.

Although the relative importance of this subcomponent in the overall income is less than imputed rent, the above simulation shows that the inclusion /exclusion of income in kind in the concept of income has an effect on the poverty tresholds. The Task Force recommends that income in kind is estimated from the ECHP and a program for this estimation will be designed. In constructing such a program it should be noted that income in kind may appear in any of the components 1 to 7 of the Disposable Income. In each case the cash equivalent should be taken into account.

2.2.5 Problems related to other relevant components

The Task Force discussed in detail the characteristics and measurement of the components and subcomponents of the concepts of Disposable Income and Gross Income. These discussions were structured along the lines of draft results of the inventory. Several minor additions to the subcomponents and the ordering of components and subcomponents were made recognizing that some components, as those referred to next, require special attention.

a) Income from self employment

In the ECHP, income from self employment (Component 2, Mixed Business Income) is treated differently in some of the Member States. The main difference relates to the method of questioning and calculating the net level of the self employment income (i.e. after deduction of business operation costs). The Task Force recommends that special emphasis be put on the transparency of this measurement in the Member States versions of the ECHP. Guidelines have to be developed with respect to the documentation of Member States in measuring these elements and this documentation has to be added to meta information on Income measurement.

b) Irregular and lump sum payments

Irregular payments and lump sum payments, such as heritages, can sometimes be an important part of the income from activity. The Task Force recommends that special attention be given to this subcomponent of the compensation of employees and documentation of this issue should be included in meta information systems.

c) Private funded and occupational pensions social benefits

Social security benefits and social welfare assistance components include private funded and occupational pensions social benefits. The Task Force recommends that these subcomponents be included for being relevant for some population groups in poverty analysis.

d) Disbursements

From wave 2 of the ECHP, disbursements to a private household have been included in the questionnaire. An example of disbursments are tax refunds as a consequence of too much tax paid in advance. The Task Force recommends the Member States to take care that these components are included in the measurement of income and proper reference is made in documentation.

2.3 Long term and short term goals

The Task Force discussed the present and future work to be done on the income concept and recommends, for the short term, the addition to the existing ECHP income components, those of operating surplus from owner occupied dwelling and income in kind. Methods for the calculation of these components have to be developed and tested. The Task Force also recommends for the short term that the ECHP takes into account in the variable extraction programs and field work protocols all the minor points discussed with respect to the inclusion and measurement of the subcomponents.

The planned inventory on the availability of components and subcomponents in the Member States sources for statistics on Income and Consumption will result in a meta-information system allowing to see exactly the correspondences and differences between ECHP and the National Sources. Based on the further harmonization of the measurement of income, in the long run, data on income from national sources can be used for EU statistics on social exclusion and poverty.

3. Measurement of income poverty

3.1. Background

The mandate from the HLTT gives the Task Force the role of advising on the choice of specific measures and computational procedures in the production and reporting on poverty and income distribution statistics at the EU level. At a more detailed level, this task was understood by the Task Force to cover:

- The definition of poverty lines.
- The selection of equivalence scales.
- The units to be used when reporting.
- The geographical extent of poverty lines.
- The specification of the income distributions.

As outlined in the mandate initially, all these tasks concern primarily 'cross-sectional' reporting. These can be extended to reporting on changes in living conditions when wave2 and 3 of the ECHP are available.

In each section the background, which summarises the discussion of the Task Force, is offered to support the recommendation including results from sensitivity analysis. This technique was widely used in order to evaluate the differences expected when alternative calculations were done. The Task Force did not attempt to create a definition of poverty and social exclusion, since there was a consensus that a variety of measures should be used.

3.2. Recommendations based on the Task Force work

3.2.1. The definition of poverty line.

- *Background*

The Task Force chose to maintain a measure of relative poverty, and to use relative poverty lines, while some countries outside Europe prefer absolute lines. The definition of a relative poverty line requires first the selection of a measure of central tendency of the income distribution and afterwards a cut-off point related to this reference.

The question of whether poverty lines should be set in relation to the mean income or to the median income is, in part, a matter of their relative statistical properties. However it has to be borne in mind that the choice has a direct impact on the level of poverty to be reported given the special features of the income distributions (asymmetry, long tails, etc).

In statistical terms, the main advantage of the median is that this measure is less affected by the extreme values of the income distribution and is less affected by sampling fluctuations. This property becomes crucial if we intend to use longitudinal studies in the analyses of poverty to try to identify trends.

It can be argued that the use of the median is less accurate and relative than the mean because it is based on only one or two reference points on the income distribution. One of the consequences

of this characteristic is that the median is unaffected by changes in the top or the bottom of the distribution. For example, an increase in the income of the last two deciles of the distribution would increase mean income but median income would remain constant. The fact that the median describe the middle part of the distribution may be considered as a reason to choose the median rather than the mean, because social exclusion implies distance from the standard income level, which is the the income level in the middle of the distribution.

In pure statistical terms it is possible to reconcile the positive characteristics of the median with those of the mean using a k% trimmed mean or a M-estimator for the mean. However, using these statistical measures of central tendency to measure poverty would imply that the poverty concept loses its clear, perceptive meaning.

The choice of the median or the mean has also implications for the level of poverty. In highly skewed distributions, the mean is higher than the median and using the median results in lower levels of poverty. However, this difference in each country depends basically on the extreme values and on the asymmetry of the distribution. The median will be more stable and robust as a measure and every effort should be made to strengthen the data, particularly at the extremities of the distribution. This implies the improvement of the coverage of the data sources with respect to groups like homeless, illegal immigrants, elderly/young/disabled persons in institutions etc. An important way to combat exclusion of vulnerable groups is to ensure that they are not excluded from statistical sources.

Nevertheless, it must be underlined that most of the literature concerning poverty figures already published refers to the mean which is an easier measure to interpret. Account should be taken of consequences of changing from mean to median to analyse the time series.

Concerning the choice of cut-off points, Eurostat has used the 50% cut-off points in relation to mean income as the reference point for calculating the number of poor in each Member State but has also shown figures for the 40% and 60% cut-off points for some reports. No analysis has until now shown that a certain percentage would represent the 'real' division between the 'low income group' and the rest. When only a single cut-off point is selected, there is a risk that some of the features of the income distribution concerning poverty are not shown. Thus, it is advisable to show several cut-off points explicitly. Results about different cut off points based on the median and the mean are given below:

Table 3.1

	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Netherlands	Austria	Portugal	United Kingdom
ratio mean/median(%)	111	109	112	120	119	113	127	114	118	120	111	123	123
Below 50% median	11.4	4.4	10.9	14.9	14.7	9.9	9.4	12.5	9.5	8.8	12.1	15.9	11.6
Below 60% median	**18.4**	**9.7**	**17.9**	**21.1**	**21.2**	**16.6**	**22.2**	**19.4**	**15.0**	**14.2**	**17.7**	**22.5**	**20.9**
Below 70% median	26.6	16.7	23.7	27.8	28.7	24.4	30.6	27.2	22.7	22.7	25.6	28.9	30.1
Belw 40% mean	8.3	2.7	9.3	13.7	12.8	6.8	10.4	10.2	7.2	8.5	9.3	15.2	10.8
Below 50% mean	**15.7**	**6.3**	**14.7**	**21.1**	**20.7**	**14.0**	**24.8**	**17.2**	**14.7**	**14.0**	**15.0**	**24.0**	**22.6**
Belw 60% mean	24.2	12.5	21.7	29.1	30.0	22.7	36.0	26.1	23.1	24.5	23.4	31.5	33.0
<mean	**57.9**	**59.9**	**59.5**	**61.2**	**60.5**	**60.2**	**61.8**	**58.4**	**61.6**	**62.6**	**58.9**	**63.9**	**61.9**

Source: Eurostat - ECHP wave2

The choice of cut-off points

As can be observed in the table, poverty rates based on 50% of the mean income are fairly close to poverty rates based on 60% of the median income. This is due to the fact that the mean is roughly 20% higher than the median. A similar effect can be noticed comparing the results involving 60% of the mean income and 70% of the median income.

- *Recommendations*

Bearing in mind the above mentioned characteristics, the recommendations of the Task Force are:

- To use the median income to determine the level of poverty

- To continue the present practice of publishing figures on all three cut-off points to avoid a crude poor/non-poor classification of individuals.

- To use the 60% cut-off as the main reference point, but also showing figures from the other cut-off point as 50% and 70% of the median. Robustness of these thresholds should be assessed[1].

- To provide further information on the income distribution reporting on summary statistics of inequality measures (see 3.2.6).

- In the short term, publications should give results based on both mean and median in order to show proper links with previous work. In addition the reports should explain the reasons for changing from mean income to median income for calculating thresholds.

- To stimulate the strengthening of the data at the extremities of the distribution and the improvements in the statistical sources with respect to the coverage of those groups with a high risk to be excluded from statistical sources.

In the longer term, the Task Force recommends investigating more criteria for having more soundly based cut-off points. That might for example be a uniformly defined minimum income for each country, or criteria based on a combination of more information relating to income.

---

[1] Recommendations revised at the Working Party meeting of 12-13 October 1998

3.2.2 The use of equivalence scales

- *Background*

To compare the resources of households with different patterns in size and composition, it is necessary to use an equivalence scale. The scale specifies how a household's needs increase as a function of its size. The needs of a household with N members are not just N times the needs of one person living alone, because there are economies of scale arising from the pooling of some goods.

In view of the lack of determinants for estimating the scale, it would be better for any analysis of poverty to test several scales as variants (see document TFSEP/17/98). The effects of shifting from one scale to another on the results on poverty in European countries are shown below.

Graphic 3.2

Comparison poverty rates based on different equivalent scales

Source - Eurostat - ECHP wave2
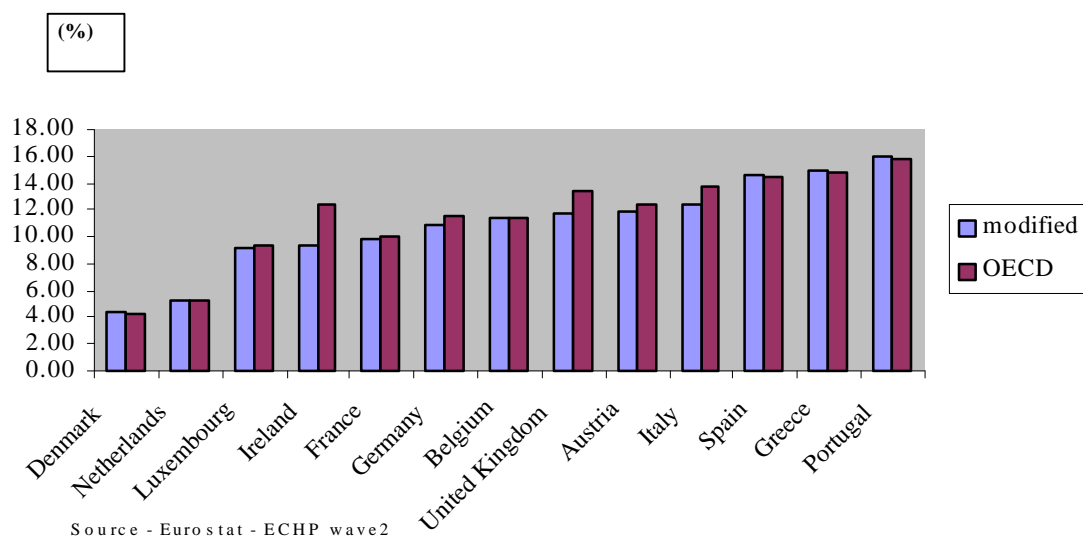
The modified OECD scale used by Eurostat counts additional adults as 0.5 units and children as 0.3 units. In the classical OECD scale each other adult is counted as 0.7 and the youngest children as 0.5. As a consequence the OECD scale and the modified OECD scale differ with respect to the poverty rates of subgroups in the population. However, when shifting from the OECD scale to the modified OECD scale the overall poverty rate generally does not change more than 2 percentage points. These equivalence scales are maybe too simplistic to account for the complexity of the households' composition, but necessary to take into consideration the economies of scale effects of larger families.

-       *Recommendations*

By convention and for continuity of the results already published, the Task Force recommends going on with the modified OECD scale used in the previous publications to ensure the comparability of the poverty figures. However, some assessment concerning the robustness of the results regarding alternative scales should be included in the metadata.


3.2.3 The choice of units

-       *Background*

Two aspects of the choice of the unit involved in poverty statistics have to be discussed: the choice of the unit used to compute lines such as the median or thresholds, and the choice of the unit used for reporting the results, number of individuals, households, workless, elderly etc. below the threshold.

Firstly, a unit must be chosen to build the distribution of income in order to define poverty lines. Consequently, for each country, one unique reference measure to isolate the "low income group" from the rest of the distribution should be defined.

Graphic 3.3
The choice of the unit used to compute lines

Distribution of equivalised income of individuals

'low income group'

Income Thresholds   median
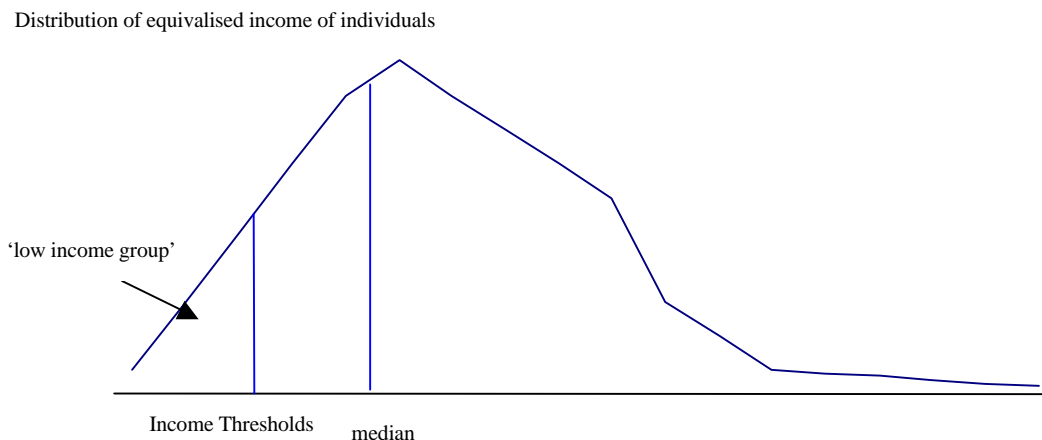
Theoretically, two main choices are possible in this respect. One may be interested in poverty in terms of households, as it was done in the previous publications on poverty at the EU level. Computation permits us to provide distribution figures in terms of equal number of households rather than equal population. One may also be interested in poverty in terms of persons. In that case, each member of a household, including children, will be assigned with the same equivalised income to which the household he (she) belongs. Thus, the median income would be defined as the equivalised income that breaks the distribution of the individuals into two sub-groups including identical number of persons.

The second aspect deals with the unit used for counting poor people using a poverty line previously defined. The choice of showing statistics such as 'the proportion living in poverty' in terms of counting households or persons residing in those households is open at this stage.

Overall, as shown in the tables below, the effect of taking the household rather than the person as the unit of analysis is small, though generally in the direction of slightly increased values of the inequality indices. This may reflect the fact that single person households, especially those of the aged, tend to be below the median income, and receive relatively more weight with the household as the unit than with the person as the unit. The pattern of results depends in a complex way on the differences in household size and composition but overall the effect is small, as noted above.

- *Recommendations*

Social policies relate to both individuals and households. The use of households as a unit of measurement in statistical analyses is complex because of differences in definition as well as in household size and composition.

Poverty statistics for social policy in general use based on the person as statistical unit. Moreover, one might take into account that the poverty status of individuals within other measurements units (e.g households) may not be equal. Because of different household sizes and compositions, the Task Force recommends the use of individuals as "the unit of distribution" to estimate poverty thresholds based on the income distribution, assigning the same equivalised income to all members within one household (including children).

For consistency, the Task Force also recommends to use individuals at the unit of analysis. Using individuals is less affected by differences in household size and composition and therefore a more robust unit for analysis, particularly when it comes to assessing and developing social policies at the level of each citizen. Using individual makes it possible to undertake statistical analysis at the level of the total population as well as for specific sub-groups.

The use of individuals as the unit of analysis does not preclude using other units where this may be more relevant and useful, such as the household which is an important supplementary unit of analysis for assessing and developing social as well as other policies related to the family.

Table 3.4

Poverty rates based on the median equivalised income according to some charateristics

(All household, household type)

Unit of counting: household

	BELGIUM	DENMARK	GERMANY	GREECE	SPAIN	FRANCE	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	AUSTRIA	PORTUGAL	UNITED KINGDOM
ALL HOUSEHOLD	11,1	5,8	10,7	17,5	13,7	10,9	7,3	10,2	8,3	8,4	11,5	17,7	11,4
HOUSEHOLD TYPE													
1 adult older than 64 years	12,3	11,8	12,6	39,3	10,5	15,5	5,1	7,3	6,3	11,2	9,3	43,8	19,8
1 adult between 30 and 65 years	10,1	3,3	8,3	15,6	16,6	10,5	2,5	6,7	5,9	5,9	10,3	29,0	11,0
1 adult younger than 30 years	22,2	27,6	21,5	16,9	10,5	32,7	6,3	11,3	10,3	15,1	18,3	12,1	18,1
1 adult with children	8,3	4,0	20,2	25,1	35,8	23,1	30,8	16,4	37,0	18,6	19,1	23,5	20,8
Couple, 1 person older than 64 years	12,4	2,8	9,6	34,4	23,5	10,9	1,2	4,9	5,4	19,8	8,5	25,7	12,1
Couple, older person under 65 years	8,2	1,6	7,2	12,8	8,4	6,9	2,9	5,0	6,7	2,2	9,4	19,1	5,5
Couple, 1 child	7,4	2,1	7,9	7,7	10,7	3,9	1,8	9,0	8,9	7,9	15,5	8,1	7,0
Couple, 2 children	9,8	1,0	10,5	9,4	13,0	4,6	4,4	9,3	5,2	5,9	12,8	11,0	7,9
Couple, 3 or more children	14,3	7,1	14,0	8,3	22,7	11,1	13,9	25,0	20,5	13,8	24,6	35,0	19,9
Nuclear family with children, 1 child older than 16 years	11,9	4,4	12,1	16,0	13,7	9,3	9,5	15,4	9,8	8,8	9,7	13,1	6,6
Other, with all members related	17,4	1,9	14,2	15,7	13,7	6,8	1,4	9,2	5,9	10,6	11,5	15,7	16,8
Other, with some members unrelated	11,2	5,4	1,5	0,0	15,8	8,6	1,7	3,8	0,0	19,5	6,8	10,4	8,8

Unit of counting: person

	BELGIUM	DENMARK	GERMANY	GREECE	SPAIN	FRANCE	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	AUSTRIA	PORTUGAL	UNITED KINGDOM
ALL HOUSEHOLD	11,4	4,4	10,9	14,9	14,7	9,9	9,4	12,5	9,2	8,8	12,0	15,9	11,6
HOUSEHOLD TYPE													
1 adult older than 64 years	12,3	11,8	12,6	39,3	10,5	15,5	5,1	7,3	6,3	11,2	9,3	43,8	19,8
1 adult between 30 and 65 years	10,3	3,3	8,3	15,6	16,6	10,5	2,5	6,7	5,9	5,9	10,3	29,0	11,0
1 adult younger than 30 years	22,2	27,6	21,5	16,9	10,5	32,7	6,3	11,3	10,3	15,1	18,3	12,1	18,1
1 adult with children	9,0	4,5	21,0	26,2	39,2	24,1	30,1	14,7	37,5	22,8	20,6	28,4	23,0
Couple, 1 person older than 64 years	12,3	2,8	9,6	34,4	23,5	10,9	1,2	4,8	5,4	19,8	8,5	25,7	12,1
Couple, older person under 65 years	8,2	1,6	7,2	12,8	8,4	6,9	2,9	5,0	6,7	2,2	9,4	19,1	5,5
Couple, 1 child	7,4	2,1	7,9	7,7	10,7	3,9	1,8	8,8	8,9	7,9	15,5	8,1	7,0
Couple, 2 children	9,7	1,0	10,5	9,4	13,0	4,6	4,4	9,2	5,2	5,9	12,8	11,0	7,9
Couple, 3 or more children	14,8	7,3	14,4	8,4	23,1	12,8	14,8	26,0	21,1	14,1	24,5	36,6	21,2
Nuclear family with children, 1 child older than 16 years	12,0	5,0	12,8	14,9	15,1	10,8	11,9	17,3	10,6	9,6	9,6	13,2	7,1
Other, with all members related	21,4	1,2	15,3	15,6	15,2	8,0	1,6	10,6	7,3	10,9	11,1	15,3	18,0
Other, with some members unrelated	27,0	4,4	2,2	0,0	13,8	7,8	2,3	5,3	0,0	22,1	8,2	10,1	9,9

Source - EUROSTAT - ECHP wave2

3.2.4. Regional poverty lines

- *Background*

The Task Force analysed the feasibility of calculating regional poverty lines selecting NUTS II as the relevant regional level with the exception of Germany and the United Kingdom, where NUTS I was used.

The ECHP collects income data at those levels for all Member States except Sweden (Austria and Finland after 1996). The sample size in terms of individuals and households for the different countries is shown in TFSEP/14/98. The HBS also collect regional data at NUTS level I but these are not available from all Member States.

Although poverty lines at this level would be desirable, in most countries, the sample sizes attained in the ECHP do not permit the calculation of reliable estimates for all the regions. It may be roughly assumed that for having a relative standard error of +/- 1%, 1600 individuals per region are needed, and for +/- 2% the required sample size would of 400 individuals.

- *Recommendations*

The Task Force does not recommend that estimation of regional poverty lines be done in a systematic way at this moment, due to insufficient sample sises in the ECHP for some regions. However, for those regions with a large sample size, reliable poverty lines can be calculated allowing comparison among regions and countries.

The Task Force underlines the value of reliable regional statistics and indicators on ex/inclusion for improving the use and impact of important EU regional policy instruments such as the Structural Funds. The Task Force recommends that serious consideration be given to developing progressively sample sizes for all regions in the ECHP in a way that will make reliable analysis and comparisons possible at the level of regions. Furthermore, the possibility in the future of developing regional PPPs would permit the calculation of regional poverty lines after adjustment for price differences, thereby increasing the relevance of these estimates.

3.2.5. European poverty lines

- *Background*

The calculation of a poverty line at the EU level, in contrast to the national or regional, gives an impression of the poverty levels in each country/region compared to an EU average. The definition of poverty in the Council Decision of December 19, 1984 refers to the Member state situation, thus the EU approach is outside of this context. Bearing in mind the above restriction, the Task Force analysed the feasibility and usefulness of the estimation of a European poverty line, with a unique poverty boundary for all the countries.

Table 3.5 illustrates the calculation based on an EU poverty line where the poverty level is fixed at 50% of median income. The EU 12 income distribution in this table has been compiled by weighting the country data in proportion to their population size after converting equalised income to PPPs.

Table 3.5
European Union poverty rates

Country	% poor households	% poor individuals
B	6,7	7,4
DK	6,5	2,8
D	6,7	5,9
EL	36,4	34,4
E	25,2	26,2
F	9,9	8,0
IRL	24,9	24,0
I	19,0	21,0
L	1,2	1,0
NL	9,2	8,4
P	43,8	40,2
UK	13,0	12,8
EU 12	13,7	14,3

Source: ECHP, wave 1, taken from: 'La Pauvreté en France et en Europe', INSEE Premiere n. 533 - Juillet 1997.

- *Recommendations*

For the calculation of EU poverty lines, the Task Force recommends being aware of the institutional differences among Member States which affect income and in particular income in kind, which can make comparisons based on monetary income doubtful. These differences play a minor role in time comparisons where the trend, and not the level, is more important. In fact, a Member State's relative position may be studied by observing how the percentage of poor household or persons in relation to the EU average develops over time.

European poverty lines are useful for measuring social and economic cohesion in the EU. The present limitations of EU poverty lines are likely to be solved in the future in the framework of the Harmonisation project, which cover also the harmonisation of income variables among Member states. The Task Force recommends following up this Harmonisation project.

3.2.6 Measurements of disparity and inequality

- *Background*

As it has been mentioned in 3.2.1., no analyses have clearly shown that a certain cut-off point represents the boundary between poor and not poor. Moreover, even if a specific cut-off point could be defined by empirical studies, it would not necessarily be the same for each country. The asymmetry of the distribution of income could affect the analyses of the poverty figures. Even if the calculations were based on the median, which is, as a measure of central tendency, less affected in this respect, it would be useful to evaluate the impact of the disparity of the income distribution.

Those points indicate the necessity to show not one but several indicators to provide poverty figures. On one side, Gini or Atkinson coefficients permit assessment of the concentration of the

income data measuring the inequality of the distribution. On the other side, statistical tools like the share of the decile or ratios top/bottom, reflect different patterns in the distribution of income.

The table below shows some summary statistics that add additional information on the results on poverty in European countries:

Table 3.6
Assessment of the income distribution by providing summary statistics

	Belgium	Denmark	Germany	Greece	Spain	France	Ireland	Italy	Luxembourg	Netherlands	Austria	Portugal	United Kingdom
Cumulative decile shares													
Share of bottom (%)													
10	2.9	4.4	2.7	2.2	2.5	3.3	3.0	2.4	3.1	2.9	2.7	2.2	3.0
20	7.8	10.7	7.7	6.4	6.7	8.4	7.2	7.1	8.1	8.0	7.7	6.1	7.4
30	13.9	17.9	14.0	11.8	12.2	14.6	12.2	13.0	14.2	14.0	13.9	11.3	12.6
40	21.1	26.0	21.5	18.5	18.7	21.9	18.2	20.0	21.4	20.9	21.3	17.7	18.9
50	29.5	34.8	29.9	26.3	26.4	30.2	25.3	28.2	29.3	28.7	29.8	25.3	26.3
Share of top (%)													
60	60.8	55.7	60.6	64.7	64.4	60.4	65.9	62.3	61.5	62.4	60.8	65.9	64.8
70	49.9	45.2	49.9	54.1	53.6	49.8	55.3	51.2	51.2	52.0	50.0	55.7	54.2
80	37.4	33.6	37.6	41.7	40.7	37.5	42.6	38.3	38.8	39.9	37.5	43.5	41.7
90	22.5	20.2	22.7	26.3	24.9	22.8	26.6	22.9	23.6	25.3	22.8	27.7	26.1
95	13.3	12.4	13.6	16.5	14.8	13.8	16.7	13.6	14.1	15.9	13.7	17.2	16.3
S80 / S20	4.8	3.1	4.9	6.6	6.0	4.5	5.9	5.4	4.8	5.0	4.9	7.1	5.6
P90/P10	3.9	2.6	3.9	5.3	4.9	3.7	4.6	4.3	4.0	3.8	4.1	5.6	4.5
Gini coefficient	29.6	22.7	29.6	35.1	34.0	29.0	35.7	31.4	30.4	31.8	29.7	36.8	34.5

Source: Eurostat - ECHP wave2

- *Recommendations*

The Task Force recommends that disparity measures of income be reported to strengthen the quality of the analysis of income distributions, in particular analysis of the bottom of the distribution. Appropriate measures are among others: the share of total income within each decile, Atkinson entropy, Gini coefficients etc.

4. Defining and measuring social exclusion

4.1 The policy framework

The Task Force recognises the growing relevance of social exclusion and the emphasis this concept puts on the multi-dimensional character of poverty. Combatting social exclusion is explicitly mentioned in the Amsterdam Treaty. This Treaty, once ratified, will create a new legal basis and scope for Community action and cooperation for combating exclusion. The Task Force is aware of the fact that in this area work is going on in Member States. Therefore, the subject of statistical description of social exclusion should be re-examined in the future in the light of national developments.

Statistical information on social exclusion and poverty is needed to support the policy mentioned above and to evaluate its results. Improvement of statistical indicators at EU level on social exclusion and poverty has been listed as a priority task of the Social Action Program of the Commission for 1998-2000 under the theme of promoting an inclusive society.

The HLTT on poverty (Stockholm 1998) decided to work out in more detail concrete recommendations for statistics on social exclusion and poverty. The mandate of the Task Force asks for a set of concrete recommendations, e.g. what statistics and statistical analysis should be developed at Community level to support more effective policies and actions in the EU to combat exclusion, including exclusion from the labour market. Proposals should attempt to make a link with statistics on poverty and income distribution.

The Task Force had in mind the seminar on social exclusion in Bath (1994). In this seminar it was attempted to translate the policy terminology of social exclusion to a statistical concept. The shortcomings in the information available were noted. Eurostat was advised to :
- change from the financial concept of poverty to a multi-dimensional concept
- change from the static concept to a dynamic concept
- to pay more attention to the local (regional) aspects of poverty (recommendations dicussed in chapter 3).

The HLTT again clearly showed the need to consider poverty as a multi-dimensional problem. Contributions from several Member States showed that monitoring poverty was already extended in many publications to cross tabulating monetary poverty with indicators of several domains. The Amsterdam Treaty clearly positions the work to be done on poverty in the multi-dimensional framework of statistics on social exclusion.

Social exclusion is considered a dynamic process, best described as descending levels: some disadvantages lead to some exclusion, which in turn leads to more disadvantages and more social exclusion and ends up with persistent multiple (deprivation) disadvantages. Individuals, households and spatial units can be excluded from access to resources like employment, health, education, social or political life. Based on the mandate the Task Force makes proposals for the longitudinal analysis of social exclusion and poverty and has studied the possibilities of paying more attention to the local aspects of poverty.

At the moment, generally accepted definitions of social exclusion for policy purposes are not available. The Task Force decided not to define social exclusion. However, in the long run a statistical definition has to be defined. In the process to this statistical definition the Task Force chose a pragmatic approach in using the following policy description of social exclusion as a hypothesis for the further work. 'Society recognises social exclusion risk when it accepts that

individuals and households are dissatisfied with their current situation and role in society, and are unable to bring about sustainable improvements due to lack of means and confidence, and/or because of discrimination'. In this description, objective and subjective indicators are combined.

Additional to the hypotheses, the link between social exclusion and poverty is formulated in the following ways. 'Individuals or households are poor when their total disposable income is so low in absolute terms, that it deprives them of respect of their fundamental human rights as well as a standard of living which is regarded as acceptable by the society in which they live'. This refers to an absolute level of poverty. The next description refers to a relative level of poverty. 'When their income is so low compared to the income of the rest of society, that it undermines their capacity to improve their situation and role in the society in which they live'.

4.2 The statistical framework

The Task Force agreed on an approach with three main discriminating elements. In the first stage (a) low income, in the second stage (b) labour market situation and in the third (c) social indicators.

Ad a. The Task Force has studied research initiated in the field of social exclusion and the elements proposed as main indicators. Based on these studies, on pragmatic considerations with respect to available data, on the current practice in statistics in describing poverty and social exclusion and on the policy input as described above, the Task Force concludes that in general there is agreement to start the analysis on social exclusion where it has the most severe consequences, in the lower income groups.
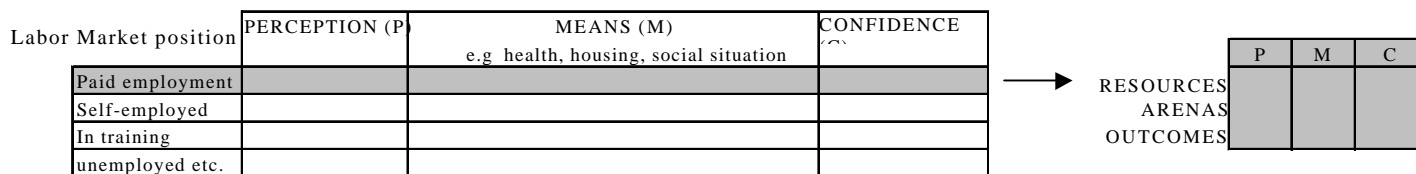
Ad b. The Task Force stresses the fact that in European societies, while recognising the complexity of exclusion, work is seen to be of great importance. The policy input described above underlines the importance of employment as the core of the social tie, as the entrance to social protection, as it gives a social identity, social status, satisfaction, social contacts and prevents families from long term poverty. Some groups in Europe are considered particularly vulnerable in this respect. The lack of opportunities of these vulnerable groups is related to a lack of integration in society as opposed to solidarity. Therefore, the Task Force recommends that the labour market position is used as a second important variable.

With respect to the labour market position, the Task Force recommends that more developments have to be done on the best possible classification of types of employment/activity status, suitable to relate to social exclusion and poverty. These classifications have to be based on harmonised sources. These variables will be included in the list of proposed indicators, to be published in the first report.

Ad c. As long as there are no uniform generally accepted definitions, the selection of the variables for the issues in social exclusion is mainly a pragmatic one. Therefore, the Task Force recommends the use as much as possible of a selection of the existing set of the Eurostat Social Indicators as variables for social exclusion. For practical reasons the Task Force recommends that these variables are based as much as possible on the ECHP, as this is the source for the income variables.

Based on its working definitions of social exclusion the Task Force recommends that the social exclusion of low income groups is described by combining their labour market position with respectively:

    I.   the perception of one's role and situation in society role,
    II.   their means
    III.   confidence

Labor Market position	PERCEPTION (P)	MEANS (M) e.g health, housing, social situation	CONFIDENCE (C)
Paid employment			
Self-employed			
In training			
unemployed etc.			

	P	M	C
RESOURCES			
ARENAS			
OUTCOMES			

The Task Force suggests using a conceptual framework as described by Ringen (1995) to classify the issues related to the means, making a distinction between resources, arenas and outcomes.

Resources are the personal characteristics which are beneficial for a person's position in society and which determine the range of options people have for choosing a way of life. Examples of personal resources are knowledge and skills, monetary resources, social networks (including the household) and social status.

Arenas offer the structural constraints to the choices people have in arranging their lives. Examples of structural constraints are the kind of services which are offered (health care, education, public transport), regional labor market circumstances and the system of social security. With the distribution of personal resources and structural constraints among groups, the differences in life changes are described. If the life changes are equally distributed among groups in society, there is equality of opportunity. It is taken for granted that some groups prefer another way of life compared to others.

Outcomes can be understood as the result of the choice people make for a particular way of life. The distinction is between objective outcomes (the objective circumstances in which people live) and subjective outcomes (satisfaction, happiness).

A list of possible indicators to be included in the means field in line with the Eurostat Social Indicators has been identified. Demographic variables, variables on the labour market position and variables describing the proportion of specific income components in the Disposable Income have to be added to this list based on further research. The Task Force recommends a more detailed study on the usefulness (availability, validity and other properties of these variables) of these and possible other variables of the ECHP with respect to the grouping of low income groups and labour market positions. The Task Force also recommends that some specific dummy tables should be produced; the exact format of these should be worked out in more detail at a later stage.

4.3 The framework for analysis

Based on the insights discussed at the HLTT and the actual demand of the European Commission, the Task Force recommends following the next four steps to describe social exclusion and poverty.

Starting point is the low income groups, their labour market positions and relevant demographic and household variables as well as all variables related to the income concept and its components. They are considered already to be included indicating the monetary poverty variable of the relevant household groups.

1. Analyse and stratify low-income households: according to (i) demographic variables and (ii) labour market status (not only of persons) and (iii) variables of the dimensions as described in the social indicator list (health, education, housing, amenities and durables, consumption, social relations, etc.).
2. Compare households and individuals to the rest of households according to the selected dimensions.
3. Study these groups by describing them according to the perceived role and situation in society and elements of their confidence.
4. Apply longitudinal analysis in order to get a better understanding of the factors which prevent/promote income mobility among low income households.

4.4 Longitudinal analysis of social exclusion and poverty

Longitudinal analysis is considered an important element of the work on statistics on social exclusion and poverty. The Task Force recommends that the characteristics of households and people involved in the inflow and outflow of poverty and social exclusion are described and the causes for these flows are determined.

The Task Force recommends including in further work feasibility analysis with respect to the indicators to be used. This work can be based on the results of the first year's statistics. A possible result of this work could be the transition of the policy description, announced earlier, from a status of hypothesis into a possible statistical definition of social exclusion. One of the priorities, as soon as the second and third wave of the ECHP are available, should be the development of true longitudinal analysis.

4.5 Use of sources and short and long term goals

The discussions of the Task Force concentrated on the use of the ECHP as the main source for statistics on social exclusion and poverty. The Task Force recognises that the current ECHP covers the main elements of the income concept and also facilitates the derivation of many of the suggested objective indicators for social exclusion.

Subjective indicators are considered to add valuable information to the results as covered by the objective indicators. However, the Task Force considers that the selection and measurement of subjective elements of poverty and social exclusion is a complex issue and recommends studying in more detail the variables and questions assumed to measure the perception of poverty and social exclusion.

The ECHP is currently recommended as the most appropriate source for statistics on social exclusion and poverty at the European level. However, it is recognized that this source should be completed either by other national sources or specific surveys in order to avoid the exclusion of some relevant sub-populations such as homeless, etc[2]. The demand for results on a lower regional scale, developments with respect to the future of the ECHP and the harmonisation program of a set of core variables necessitate starting a process of reconsidering the possibilities of exploiting other data sources on social exclusion and poverty.

The Task Force did not discuss the synthesis of various indicators (weighting within household etc.). In further work this has to be included.

---

[2]   Recommendations revised at the Working Party meeting of 12-13 October 1998

5. Reporting on Social exclusion and Poverty (Short version)

5.1 Background

The needs of users of statistics for background information are various. Some analysts require detailed methodological or robustness reports to enable them to make an assessment of the quality and viability of comparative data. Others, such as the more general reader of publications, are reliant on authors of reports to provide guidance on the quality and reliability of information, and what they, the reader, can safely use the information for.

The mandate required that recommendations be made on "good practice" in the presentation of poverty statistics in international reports. The scope of various types of report was to be considered, together with quality assessment procedures and documentation. The mandate also asked for an evaluation of the scope and quality of existing data sources. The recommendations made have focused on the ECHP as this survey is the primary source harmonised across most Member States. However, the recommendations can be applied to other sources as required. At the Working Party meeting in October, a detailed set of recommendations was submitted which are summarised here.

The recommendations have been structured in the following way:

1- Content of quality assessment reports

This covers the detailed background information on all field procedures and processing methodologies. It provides the producers of data with the background information from which metadata and methodological and quality information in reports are drawn

2- Presenting metadata

This includes the information which specialist users require in order to understand the data prior to use either a primary data source or in a comparative work with other sources. For the user, it should be the definitive source of information about the data

3- The reporting of social exclusion and poverty

This section covers a wide range of publications aimed at a range of users with various levels of expertise. It recommends a minimum level of information for short publications.

5.2 Recommendations based on the Task Force work

5.2.1 Quality Assessment reports

Statistics based on sample surveys should routinely be accompanied by a comprehensive assessment of the quality of the data and its fitness for the purposes to which it is put. This quality assessment should cover all stages in the production of the information. It is primarily designed for the producer of the statistics and is used as a diagnostic tool for assuring high quality. However it is also a primary source of information for the metadata.

Eurostat is in the process of drafting guidelines on quality assessment reports, which will be used when reporting on the quality of statistics. The guidelines will be binding on all statistics produced by Eurostat and therefore will be used in quality reports for poverty and social exclusion at the EU level. *However, as well as the quality of the underlying data, it is also important that robustness reports assess the quality and fitness of both the statistical measures and the statements made about income measures.*

The recommendation of the Task Force in chapter 2 concerning sources makes the ECHP the fundamental source to be used for reporting at EU level. The quality of the ECHP wave 1 has already been assessed in the quality report presented to the 28th SPC in March 1998. This mainly covered two statistical aspects of data quality, namely accuracy and coherence with other statistics. The Task Force recommends that the quality evaluation of the ECHP also focuses on those characteristics relevant for statistics on poverty and social exclusion. In this context, a second quality report of the ECHP based on waves 1 and 2 and covering longitudinal analysis is in progress.

5.2.2 Metadata information

The Task Force makes detailed recommendations concerning the metadata that should be included with a dissemination database. By metadata we mean both the information that is integral to a database file (variable names, dates, coverage, units, formulae etc.) and the documentation that can come with the data set.

Consistent with a user centred view of quality, metadata should be provided so that a user knows what data are available and how to access them, what concepts and definitions are used, how the information was collected and what processes are applied in deriving the data. The user should also be informed about the quality of the data, of the impact of non-response or non-coverage, and of the sensitivity of the results to assumptions. Information about publications and other related sources should be provided, together with any copyright constraints.

5.2.3 Reporting on social exclusion and poverty

5.2.3.1 General principles for quality in publications

Good presentation has two major inter-related components. Firstly publications should be confined to statements which are robust. Users should be guided by the text to analytically sound conclusions. Secondly, statements should be qualified by any necessary warnings to the reader, for example when comparing figures of differing robustness from different countries. Such qualified statements are more appropriate in more extensive reports than in short publications such as press notices or fact sheets where the space available for explanation may be limited.

Published statistics are released in a variety of forms, from the short press notice to the detailed analytical report. Whatever the form of publication, the users of statistics need information on quality. This enables them to assess the fitness of the data for the purposes they require. Such information should be incorporated into analytical statements as well as stand alone descriptions.

5.2.3.2 Requirements for a First Release or Press Notice and for Statistics in Focus

The level of detail for background information will inevitably be affected by the type of publication and the results presented. However, there is minimum level of information which is necessary to adequately inform users. This information should not only notify the user of any problems which may exist but should also indicate the effect of any such problems on the data presented so that the reader is not tempted to place more interpretation on the figures than they can reasonably bear. Terms should be defined and an indication of sampling errors provided.

The warnings may be required according to the topics reported on: these may cover biases, figures which are sensitive to assumptions, differences between countries in the importance of factors not captured in the data sources (e.g. non-cash support), and any major conflicts with other sources.

5.2.3.3 Requirements for more detailed reports

In more detailed reports which are generally aimed at a more informed audience such warnings as described above should routinely appear in the text and tables, and be elaborated upon as appropriate in the text or appendices. But in addition, appendices should include information similar to that provided in the metadata.

5.2.3.4 Compendium, anthology or omnibus publications

An increasingly important statistical output, is the production of publications which aim to paint pictures of society. For these types of publication, which draw on a wide range of statistical sources, it becomes inappropriate and impractical to provide detailed quality assessments and metadata for all the individual sources. Nonetheless the key principles of only using robust statements, and highlighting where the underlying statistics are problematic remain of paramount importance.

Moreover these publications, which would not normally include previously unreleased statistics, should take care to include references to original sources, as well as explaining the concepts used, and the implications of using different sources.

5.2.3.5 Presentation and release arrangements

In terms of increasing accessibility of statistics, robust release arrangements for statistics should be published. This would ensure the orderly release of statistics and help build the trust of users. Such arrangements should include:

- Pre-announced dates for publications. These dates should reflect the provision of an adequate consultation with national offices when needed.

- Checking of material in draft prior to publication, by national statistical institutes to agreed timetables, particularly tables and in any case a minimum consultation of 24 hours for Statistics in Focus drafts when the sensitivity of the data make it advisable[3].

- No release of information to users outside the Commission before publication date

- Release arrangements for copies of the data sets

---

[3] Recommendations revised at the Working Party meeting of 12-13 October 1998