The measurement of poverty and social inclusion in the EU: achievements and further improvements

Prepared by Eurostat

Abstract

1) People at risk of poverty and social exclusion (AROPE):
   - relative component: the at-risk-of poverty rate / monetary poverty (AROP)
   - "kind of" absolute component: material deprivation
   - exclusion of labour market component: severe low work intensity

2) improvements due to the crisis:
   - complementary indicators / changes in the AROPE components: at-risk-of poverty anchored in time (2008), new material deprivation items
   - timeliness: material deprivation rates at the end of the year of data collection
   - regionalisation

3) Usefulness of the EU experience for non-EU countries
   - the at-risk-of poverty rate and those anchored in time are adapted to the income of distribution and living standards of each country separately
   - use by new EU-Member States (e.g., material deprivation)
   - the opposite is true: other national and non-EU experience can be useful to improve EU tools and facilitate comparisons between EU and non-EU countries
Contribution from EUROSTAT: The measurement of poverty and social inclusion in the EU: achievements and further improvements

I) People at risk of poverty and social exclusion (AROPE)

1.1 Importance of Measuring Poverty in Europe

The treaty on the functioning of European Union foresees (art. 151) that the Union and the Member States, shall have as their objectives the promotion of employment and improved living and working conditions and that (art. 156) the Commission shall encourage cooperation between the Member States and facilitate the coordination of their action in all social policy fields.

Poverty and social exclusion are both multidimensional concepts. A European definition was agreed first by the European Council already in 1975:

“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.”

This definition is relative to the society and the standard of living in which people live and it recognises the multiple causes of poverty and social exclusion. In 2002 Eurostat proposed a conceptual framework for measuring social exclusion (Eurostat, 2002) which presented income poverty as one of the aspects of social exclusion (See Figure 1).

Figure 1: Framework of social exclusion in the European Union

On the statistical side the complexity of the concept of social exclusion has resulted in the elaboration of a portfolio of indicators which represent more broadly its various facets, in
particular in the context of the so-called "open method of coordination" (OMC) which is a voluntary process for political cooperation based on agreeing common objectives and common indicators, which show how progress towards these goals can be measured. The development of European Statistics on poverty and social exclusion was inscribed in this framework as the mean to ensure this measurement of progress towards common goals in social policy.

In June 2010, the European Council adopted the Europe 2020 Strategy which is the EU’s growth strategy for the current decade, aiming at a developing in the EU a smart, sustainable and inclusive economy. In this context, the European Council adopted a social inclusion target, namely lifting at least 20 million people from the risk of poverty and exclusion by 2020.

1.2 The Europe 2020 Strategy: The AROPE and its 3 components

To monitor progress towards this target, the 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) EU Council of Ministers agreed on an 'at-risk-of poverty or social exclusion' indicator, "AROPE". This indicator defines the share / number of people who are at risk-of-poverty or severely materially deprived or living in households with very low work intensity. It is sourced from the EU Statistics on Income and Living conditions, EU-SILC. The EU-SILC survey collects data at household and household members' level, data on income, education, labour information, health, housing conditions, material deprivation and some other information including annual ad-hoc modules focused on a different subject every year.

The high political profile of the AROPE and the huge effect of the financial and economic crisis in terms of increase of poverty in the EU, gave a very important visibility and policy relevance of this indicator, what also requires high quality and comparability standards.

The AROPE consists of three sub-indicators that are derived from EU-SILC data:
- a relative component: the at-risk-of poverty rate / monetary poverty (AROP)
- a "kind of" absolute component: material deprivation
- an exclusion of labour market component: severe low work intensity

This broader "at-risk-of-poverty or social exclusion" indicator is relevant in capturing several dimensions. More precisely it includes people that are at least in one of the 3 categories:

- People at risk-of-poverty, who have an equivalised disposable income below the risk-of-poverty threshold, set at 60 % of the national median equivalised disposable income (after social transfers).

- People who suffer from severe material deprivation and have living conditions severely constrained by a lack of resources. They experience at least 4 out of the 9 following deprivations items. They cannot afford: i. to pay rent or utility bills, ii. keep home adequately warm, iii. face unexpected expenses, iv. eat meat, fish or a protein equivalent every second day, v. a week holiday away from home, vi. a car, vii. a washing machine, viii. a colour TV, or ix. a telephone.

- People living in households with very low work intensity who are those aged 0-59 living in households where adults worked less than 20% of their total work potential during the past year.

In total in 2011 there were about 120 million people in the EU-27, equivalent to 24.2 % of the entire population, who were at-risk-of poverty or social exclusion. Among them, 14 million were both at risk of poverty and living in households with a very low work intensity, about 13 million
at risk of poverty and severely materially deprived, a bit less than 3 million both severely materially deprived and in households with a very low work intensity, and 8 million were experiencing all 3 poverty and social exclusion situations (Figure 2).

Figure 2. People at risk of poverty or social exclusion, EU-27, 2011 (million persons).

1.3 The relative component: the at-risk-of poverty rate / monetary poverty (AROP)

Historically the at-risk-of-poverty rate has been used in the European Union as the main indicator to monitor progress towards the eradication of poverty in the European Union until the adoption of Europe 2020. It is defined in the EU as the percentage of the population with an equivalised disposable income below the at-risk-of-poverty threshold, which is set in each country at 60 % of the national median equivalised disposable income expressed in national currency. The equivalised disposable income of a household is defined as the sum of all the incomes of all its members divided by its equivalised number of members, defined according to the following scale: 1 by household / 1st adult, 0.5 for each other adult and 0.3 for each child less than 14 years. The choice of the poverty threshold at 60% of the national median is conventional and represents the level of income that is considered necessary to lead an adequate life.

In 2011, approximately 84 million people in EU-27 (16.9%) lived below their national poverty threshold. This figure, calculated as a weighted average of national results, masks considerable
variation across Member States. The national at-risk-of-poverty rates were from less than 10% in Czech Republic to more than 22% in Bulgaria, Romania and Spain in 2011 (Figure 3).

Figure 3: At-risk-of-poverty rate (%) and threshold (EUR), 2011

When analysing these results it is important to keep in mind a number of limitations that have been highlighted in different reports:

- Although collected in all European countries through a single instrument (EU-SILC), the full harmonisation of the definition for each income component is difficult to reach.

- The at-risk-of-poverty rate is a measure of income inequalities rather than a direct measure of poverty. In particular other elements such as the available wealth could have a determining influence on the living standards of a given household (income poor vs. wealth).

- Cross-country comparisons of relative poverty measures such as the at-risk-of-poverty rate have to be done carefully for a number of reasons among which: 1) relative poverty levels have to be analysed jointly with national poverty thresholds in order to avoid misinterpretations; 2) the use of a standard equivalised income scale across the EU is a normative approach which does not always reflect the actual “cost” of children, or the resources actually available to them, and 3) the underlying concept of household income does not include imputed rent (the money that one saves on full (market) rent by living in one’s own accommodation or in an accommodation rented at a price that is lower than the market rent or rent free) as well as the value of self-produced goods for own consumption.

- The risk of poverty threshold is related to the general level of income, and its distribution, over the whole population. This threshold may, therefore, change in various directions from one year to another when individual incomes change suddenly, as it has occurred since the beginning of the economic crisis in many countries.

The focus on the monetary side also excludes from the concept some benefits in kind (education, health, childcare, etc.) which – depending on the relative generosity of national social systems – may have a different impact on the disposable income (Social Transfers in Kind – STiK).

However, even though they are significant and need to be kept in mind, these limitations do not undermine the policy relevance of an analysis focused on income poverty since the household
income remains a key determinant of individuals’ material situation and can be influenced through labour market and transfer policies.

1.4 A more absolute measure of social exclusion: material deprivation

By providing an estimate of the proportion of people whose living conditions are affected by a lack of resources, the indicators related to material deprivation (MD) complement the picture of social exclusion derived from income inequalities based indicators. They reflect the differences in living standards across countries and are thus very much needed in an international context.

In the EU, MD indicators are based on a common basket of goods and services which are relatively independent from each other. These items refer to economic strain and durables and were selected in order to reflect: 1) the lack of an ordinary pattern common to a majority or a large part of the population in the European Union and 2) an adequate level of comparability over time and across countries.

The main indicator named “Severe material deprivation rate” is defined as the share of people who cannot afford at least four of the nine selected items. Accordingly, 23 million people (8.8%) in the EU-27 population were considered to be in severe MD in 2011. For its part, the MD rate is defined as the share of people who cannot afford at least three of the nine selected items. The severe MD rate went from around 1 % in Sweden to about 44 % in Bulgaria in 2011 (Figure 4).

Figure 4: Material deprivation and severe material deprivation rate (%), 2011

1.5 Exclusion from the labour market as an essential cause for social exclusion: Households with very low work intensity

Another essential cause of social exclusion is related to the exclusion of many citizens from the labour market. Besides being dependent on social benefits, their contact with the labour market is often further reduced and access to health, culture and leisure is hampered. Children growing up in jobless households are also particularly affected by this situation.

That is why the third component of the social inclusion headline indicator has been defined in the Europe 2020 strategy as the share of people living in households with very low work intensity.
In 2011, 10.3% or 38 million persons in the EU were living in households whose members were working at less than 20% of their capacity. This means that in these households, either no one was working or its members were working at very low work intensity. This rate was from a bit less than 5% in Cyprus to a bit more than 24% in Ireland in 2011 (figure 5).

Figure 5: Persons aged 0-59 living in a household with very low work intensity (%), 2011

II) Further improvements and complementary indicators

Both the high visibility as EU-2020 indicator and the need to solve some drawbacks in order to have an even better instrument in time of economic and financial crisis, stressed the needs for further improvement and/or complementary indicators. Eurostat and the European Statistical System (ESS) are currently working and achieving first results accordingly.

2.1 A complementary indicator the AROP: AROP anchored in time (2008)

As said above, the AROP indicator must be analysed with caution since the poverty threshold set at 60% of the national equalised median disposable income (national currency) can change from one year to another due to the evolution of the general level of income and its distribution in a country.

With respect to the effect of the financial and economic crisis, such changes can be due to the fact that different sources of income are not all hit at the same time. Work incomes (i.e. wages and salaries) are the first to decrease as the situation on the labour market deteriorates, while other sources of income, such as pensions and social benefits, do not adjust immediately. As work incomes decrease while others remain unchanged, there could be a distortion in the overall income distribution and the median income, and therefore the poverty threshold, falls. However at the same time and as a consequence, people with an income that was previously slightly below the poverty line may now move above the line, even though their actual situation has not changed or has even worsened (e.g. those whose sources didn’t deteriorate too much in a first time such as pensioners). The AROP may then remain stable or even decrease although the median income decreases, what is indeed misleading.
The at-risk-of-poverty anchored in time could in this situation complement the information given by the AROP as the effects of a moving poverty threshold are controlled for in this second indicator. Eurostat had already published this indicator anchored in 2005.

However, the anchoring time needs to be changed regularly in order to reflect an updated living standards situation (after several years, especially if the income situation has greatly changed, a too old threshold could not correspond anymore to current households living standards). Hence, being 2008 the reference time for EU2020 strategy and the onset of the economic crisis, Eurostat decided to develop and disseminate an indicator At-risk-of-poverty anchored in this year.

For a given year, the indicator at-risk-of-poverty anchored at a point in time (2008) is defined as the percentage of persons in the total population who are at-risk-of poverty referring in this case to an at-risk-of poverty threshold calculated in the standard way for the base year (60% of the 2008 national median equivalised disposable income) and adjusted for inflation only up to the income year considered. Adjustment is based on the annual harmonised index of consumer prices (HICP) of the income reference period. This results in the ‘real’ value of the threshold of the base year, i.e. adjusted for price increases in subsequent years. The remaining difference between the ‘inflation adjusted’ threshold of the base year and the threshold of the current year reflects evolutions in living standards as measured by median disposable incomes. Hence, the indicator anchored in time is not affected by evolutions of the current median income and gives a better picture of the evolution of monetary poverty in particular when median income decreases.

A decrease of the anchored poverty risk over time would indicate that the living standards for low-income groups are improving compared to the base year (2008). On the other side, an increase in the anchored rate while the normal non-anchored rate is decreasing (or increasing less) may be a signal of a strong deterioration of the living standards of the lowest income groups. The latter is the situation that has occurred with some EU member States since 2008.

Figure 6: AROP anchored in time (2008) and AROP (%), 2011

Looking at the differences in the annual values and variations from one year to another of both the anchored and the non-anchored rate, allows identifying countries hardly touched by the crisis and were the economic situation of households belonging the left part of the income distribution deteriorated over time. In 2011 Latvia, Lithuania and to some extent Spain, Greece, Estonia, Iceland and UK had AROP anchored in 2008 much higher than their AROP (Figure 6).
More precisely, countries like Estonia, Greece, Spain, Latvia, Lithuania, and to a lower extent Portugal were affected by a high deterioration of the AROP anchored in 2008 while the AROP increased less (decreased in LV) as the income distribution and its median value tended to flatten or decrease due to the crisis. For their part, UK and above all Iceland experienced a relatively important inflation over (parts of) 2008-2011 affecting low income households what involved a high / less negative evolution of the anchored rate while the AROP decreased (Figure 7).

Figure 7: Variation in pp 2010-2011 of Anchored AROP (2008) and AROP inflation of the income reference year

2.2 The mid-term revision of the EU-2020 strategy: revision of material deprivation indicators

When adopting the Europe 2020 target on social inclusion and poverty reduction and appropriate indicators the Council also decided that the mid-term review of the EU headline target in 2015 would include a review of the indicators. More specifically, the Social Protection Committee and the EPSCO stated that the mid-term review of the EU headline target should step up work, among others, on improved measures of material deprivation. Actually some items such as having a washing machine, a colour TV or a telephone are not anymore items people cannot afford in the EU Member States although in some specific regions or situations it can still be the case (e.g., homeless). It then appeared necessary to adopt new items that reflect better current leaving standards and the lack of which is a clear identifier of social exclusion in EU countries nowadays.

Work already took place in view of the elaboration of a proposal for the review of the material deprivation indicators in the context of a Eurostat Task Force (TF) on material deprivation that met by end 2011 and beginning 2012. The TF agreed on a list of 7 new material deprivation variables for the whole population (to be used together with 6 of the current 9 EU-SILC variables on material deprivation and 1 other current SILC variable for setting up indicators for the whole population) and 13 material deprivation variables for children (to be used with 5 adults items for setting up children material deprivation indicators). Actually new items are a bit less "material", covering less "durables" as mentioned above, while new items tackle, e.g., participation in a leisure activity or capacity to spend a small amount of money each week on oneself.
In order to take an informed decision for the adoption of the new material deprivation indicators, the proposed new variables are being collected in EU-SILC (mainly the 7 adults variables) on a voluntary basis in the context of an ESS-agreement in 2013 and will be collected in 2014 (all new variables, EU-SILC ad hoc module). An analysis of the indicators based on at least three pilot years (2009, 2013, and 2014) will then be possible in order to set up definitively the revised list of material deprivation variables and the new threshold numbers of items that the household cannot afford to be considered as materially deprived or severely materially deprived.

The revised list of material deprivation (MD) items for the whole population would be:

- Existing primary MD variables:
  - HH050 Ability to keep home adequately warm
  - HS011-021-031 Arrears
  - HS040 Capacity to afford paying one week annual holiday away from home
  - HS050 Capacity to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day
  - HS060 Capacity to face unexpected financial expenses
  - HS110 A car

- New supplementary MD variables:
  - HD080 Replace worn-out furniture
  - PD020 Replace worn-out clothes by some new (not second-hand) ones
  - PD030 Two pairs of properly fitting shoes (including a pair of all-weather shoes)
  - PD050 Get together with friends/family (relatives) for a drink/meal at least once a month
  - PD060 Regularly participate in a leisure activity
  - PD070 Spend a small amount of money each week on yourself

- Mix of an existing primary MD variable (possibly) and a new supplementary MD variable:
  - HS090 A computer; and PD080 Internet connection for personal use at home

For their part the new additional list of children MD items would be:

- Existing primary whole population MD variables:
  - HH050 Ability to keep home adequately warm
  - HS011-021-031 Arrears
  - HS110 A car

- New supplementary whole population MD variable:
  - HD080 Replace worn-out furniture

- Mix of an existing primary whole population MD variable and a new supplementary whole population MD variable:
  - HS090 A computer; and PD080 Internet connection for personal use at home
- New supplementary children MD variables:
  - HD100 Some new (not second-hand) clothes
  - HD110 Two pairs of properly fitting shoes (including a pair of all-weather shoes)
  - HD120 Fruits and vegetables once a day
  - HD140 One meal with meat, chicken or fish (or vegetarian equivalent) at least once a day
  - HD150 Books at home suitable for their age
  - HD160 Outdoor leisure equipment
  - HD170 Indoor games
  - HD180 Regular leisure activity
  - HD190 Celebrations on special occasions
  - HD200 Invite friends round to play or eat from time to time
  - HD210 Participate in school trips and school events that cost money
  - HD220 Suitable place to study or do homework
  - HD240 Go on holiday away from home at least one week per year

2.3 Timeliness: early material deprivation, economic strain and other non-income variables at the end of the year of data collection

Regarding timeliness of poverty and social exclusion indicators, as a response to the urgent social policy need in the context of the economic crisis, an action plan was agreed between Eurostat and DG Employment and Social Affairs of the European Commission. A main action is to improve by 6 months the data availability of the whole EU-SILC cross-sectional data, i.e. in June N+1 for data of reference year N instead of the current legal deadline in November N+1. Member States work towards a progressive implementation within the next 2-3 years. Some will implement it already from 2014 on 2013 data. Others target delivery of data in the first quarter of N+1.

In addition the action plan includes the early dissemination of indicators based on material deprivation variables and other similar variables, on economic strain such as "making ends meet", from ad hoc modules, etc., collected via interviews. It was agreed to launch a test of such data collection in 2013, i.e. that participant Member States would provide selected 2012 early micro-data by 15th April 2013 on voluntary basis (whereas the final aim of the early data collection project is a collection in December N or January N+1) in order to test the feasibility of production of early MD indicators.

Nine countries: Belgium, Czech Republic, France, Italy, Malta, Austria, Poland, Slovenia and Finland agreed to participate. The calculated indicators were not disseminated as provisional results before the final ones for this very first test (but it will be the case in future). However a detailed analysis and comparisons were carried out on MD items and indicators based on the early collection and on the official delivery of cross sectional data that occurred in the meantime.

The results of this test are extremely promising. Basically, apart a specific problem for 2012 data in Austria due to a change of data source for elements of income used in the weighting procedure and a revision for one MD item, the estimated severe MD rates based on the early collected data and the final severe MD rate, are very similar or even equal in some cases.
More precisely the final indicator is the same as the estimated one for 3 Member States and for the others the estimated value on the basis of the early data is always within the confidence interval of the final indicator (final data for Belgium are not yet available at the date of drafting this document and final data for Italy are still provisional). Evolutions 2011-2012 based on the estimated value are always very similar (and of course of the same sign) to the final ones (except for Austria but again due to reasons specific to 2012 reference year). See table 1.

Table 1: Test of early data collection of material deprivation variables, 2012 - first results

<table>
<thead>
<tr>
<th>Member State</th>
<th>severe MD 2012 (%)</th>
<th>standard error</th>
<th>95% CI lower</th>
<th>95% CI upper</th>
<th>severe MD rate 2011 (%)</th>
<th>evolution severe MD 2011-2012 ppt</th>
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The analysis also showed similar results for breakdown by, e.g., age or sex, and also for the level and evolutions of each of the 9 MD items. Only in few cases and at very disaggregated level some problems were identified (e.g. editing between the early and final data) but this can be overcome in future and recommendations will be provided accordingly.

On the basis of these promising data, and based on the recommendations to be set up from the 2013 experience, in addition to the 9 participating countries in 2013 on 2012 data (for BE however the exercise will be done again only from the 2015 data), 12 other countries plan to do it from 2013, 2014 or 2015 data. This will however be progressive (for the first time delivery in the first quarter N+1 and then in December N / January N+1). Finally, other countries develop or will develop statistical methods that will allow them to participate in future to the early submission.
2.4 Regionalisation

EU-SILC data, on which the AROPE indicator and its 3 sub-indicators are built, do not provide for all countries a sufficient precision at regional level. For the moment accurate data is mainly disseminated by degree of urbanisation (thiny populated, intermediate urbanised and densely populated areas).

However, it has been agreed that the ESS has to move towards delivering data on poverty and inequality at the regional level. Improving the availability of regional data is an urgent policy need coming from DG Regional Policy (DG REGIO), in the context of streamlining the EU 2020 Strategy into this domain of action through complementing GDP with poverty and inequality data for monitoring purposes (2014-2019) and fund allocation (starting 2020) of the Cohesion Policy. Reliable data (preferably at NUTS 2 level, and in exceptional cases NUTS 1 for larger Member States) is needed starting 2018 reference year for fund allocation from 2020, while at least estimations of regional indicators are necessary from reference year 2014.

In this context Eurostat works together with those Member States concerned (others either have no NUTS 1 and 2 or have already accurate estimates from EU-SILC at regional level) in order to improve the regional precision of their regional indicators. These countries set up national actions plans for this purpose. Solutions proposed are very different from one country to another one.

For the interim period 2014-2017 reference years where only monitoring is planned and estimates can be accepted, some countries propose to use 3-year moving regional averages. Other countries will work for their part on estimate procedures.

On the longer term some countries envisage to adapt their sampling method and/or size or to use administrative data. Others work / will work with methodologies based on small areas estimates.

III) Usefulness of the EU experience for non-EU countries and vice-versa

3.1 EU poverty and social exclusion indicators can potentially be used in other countries

Although the EU experience in measurement of poverty and social exclusion is indeed related to the EU situation, with 28 different countries having still important differences in economic development level, the EU is not at all a homogeneous area where indicators are easily set up fitting to the needs and situations of all countries. MD items are nevertheless typical examples of absolute measurements that were set up in order to be used for a large number of countries. Of course national disparities apply concerning what is considered as a minimum necessary set of material living conditions. For example, the MD items selected are not very adapted to Nordic countries as they do not correspond to items than one can miss in these countries except in very exceptional circumstances (and de facto the MD rates are very low in Nordic countries). However the MD variables and related indicators set are tools that are adapted to the majority of EU Member States, despite their diversity, and allow comparable measurement (as in any case, using again the MD example, the fact that MD is low in the Nordic countries correspond to a reality, i.e. that their welfare system provides a good support for material living to people severely constrained by a lack of resources).
In particular each time a new country joined the Union, as it was the case relatively recently for Bulgaria and Romania in 2007 and Croatia in 2013, it was possible to compute and analyse MD and more generally poverty and social exclusion data and compare them with other EU countries.

Of course the values of the AROPE indicator for Bulgaria and Romania but also to some extent Latvia are very high (around 40%) and can express a lack of meaning of standard EU poverty and social exclusion indicators in these countries. On the other hand it can be noted that for Croatia a different pattern is found with a value still high but close to those of some countries that belong to the EU from much longer time (IE, EL, LT, HU and to a lower extend ES, IT and PL, see Table 2) even though the values for some of the latter countries are affected by the effect of the crisis.

Table 2: AROPE, 2007-2011 and At-risk-of-poverty threshold, 2011

<table>
<thead>
<tr>
<th>Member States</th>
<th>People at risk of poverty or social exclusion</th>
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As far as AROP is concerned, although as mentioned above it can be more difficult to get relevant data in a low-income country where this situation could be combined with a flat distribution of disposable income, by definition it is measured compared to the national distribution and more precisely the national median equivalised disposable income in national currency (60% of it). Hence, the concept of being monetary poor is measured in the national context although according to an harmonised method. Consequently, it can be potentially used in any country by defining 60% of the national median income as a threshold. Table 2 also indicates the value of the poverty threshold (single person and couple with 2 dependent children) for all EU Member States.

Finally, the same applies for the very low work intensity indicator which relates to a quasi-universal essential cause of social exclusion, the exclusion from the labour market.

3.2 And vice-versa

Sharing experiences among countries of both non-EU and EU countries is indeed extremely useful to improve tools and facilitate comparisons between them.

As indicated before, because of the high political profile of the AROPE indicator in the context of the EU2020 strategy and the huge effect of the financial and economic crisis in terms of increase of poverty in the EU, the ESS and Eurostat face in the moment challenges in order to further improve their measurement of poverty and social exclusion in Europe. Eurostat is conducting studies in some of these areas but projects are not mature enough for implementation. Other experiences in the same domains would be very useful to share for answering these new issues.

First of all, as indicated above, an action plan has been launched in order to improve the timeliness of EU-SILC data and indicators based on it. Among others, one solution could be to use "current" income as collected in household surveys in some countries. The idea is that when collecting usual income data either via survey or using administrative sources, only data for the year previous to those of data collection is available. On the opposite, questions on current income apply to the year of data collection (current monthly income at the date of the interview). A study carried out by Eurostat on 4 countries collecting current income in EU-SILC shows that the income level collected is not a good estimator of the real income as it tends to underestimate the real values. However, after modelisation, (the evolution of) the income distribution based on current income is a good estimate of (the evolution of) the actual income distribution.

It should be also noted that while administrative data provide in principle more accurate and easier to collect income data and they are more and more used for this purpose, their use is not always a solution to timeliness issues as owners such as tax authorities frequently release data to statistical institutes only when they are final after a quite long time. On the other hand technics for estimating missing data for provisional administrative files could be envisaged. As a consequence a trade-off between timeliness and use administrative data should be found.
The relation with inequalities and vulnerability should also be better considered. More generally developing data on income, consumption and wealth is a priority of the ESS. Wealth data is actually not collected by the ESS but by the European Central Bank using the Household Finance and Consumption Survey, HFCS. For its part the ESS collects data on income, in EU-SILC, and consumption in the Households Consumption Survey, HBS. Hence matching methods have been tested in order to match these surveys and short modules of hook variables, e.g. on wealth in EU-SILC, could be used to improve in future the matching. Also work on households' poverty measurement by the consumption approach is not used by Eurostat but there are on-going national developments in this area.

Finally some technical issues in compiling households' income in line with the Canberra manual, namely Social Transfers in Kind – STiK – and imputed rent, should be tackled. For the former, Eurostat is ending a 2 years project aiming at developing methods for allocation to households of STiK in the areas of health, education and childcare. In addition the 2016 EU-SILC ad hoc module will contain "hook" variables for education and child care allowing to better input STiK to households which actually "consume" such services (STiK in health cannot be imputed on a consumption basis and this is usually done by a so-called insurance approach).

Sharing experiences in all these domains would be very valuable and should be supported.