

Monitoring poverty in Europe: an assessment of progress since the early-1990s

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Assessing progress since the early-1990s

This talk makes three points:

1. Capacities to monitor poverty have improved substantially
 - Issues remain but not discussed here (no time)
2. Progress on EU poverty reduction has been disappointing
3. Fundamental challenges remain
 - Policy: Why have poverty rates not fallen? What can be done?
 - Monitoring: How should we define ‘poverty’ and specify policy target(s)?
 - What are the future prospects for EU-level anti-poverty actions?

Statistical monitoring is an essential part of a poverty and social inclusion policy agenda

- to know what the problems are and who is afflicted, and
- to know how social policies have an effect on the problems

An optimistic view expressed by a politician intimately engaged with the substantial increase in monitoring initiatives under the Belgian presidency of the EU:

Social indicators are not ... a miracle cure for the social problems of the EU, but they constitute a key instrument for defining and monitoring policies that are put in place to deal with these problems. ... The purpose of the establishment of a common set of indicators is not a naming and shaming exercise. ... The peer review process supports ... mutual learning. (Frank Vandenbroucke, Minister, Belgian Federal Government, 2002)

- Social indicators should be an integral part of national and EU statistical infrastructure – placing the social agenda on the same footing as macroeconomic indicators and the national accounts!

Monitoring milestones

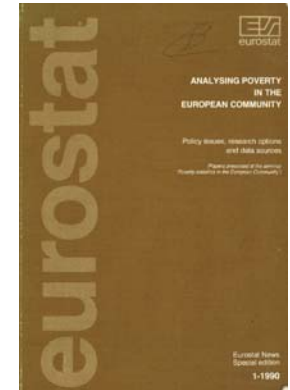
Date	Initiatives	EU Data
1980s	EC Poverty Programmes; major Eurostat symposia (1984, 1989)	Compilations of national data sets
1990s	First pan-European data (input harmonised: same instrument in multiple countries): European Community Household Panel	ECHP, 1994–2001, 14 MS
2000	Lisbon Council: Open Method of Coordination framework (MS agree upon common objectives for the EU as a whole and a set of common indicators to assess national and EU progress towards these goals) with National Action Plans	
2001	Atkinson et al. report proposing a common EU-wide set of social indicators (primary, secondary, tertiary), adopted shortly thereafter	
2000s	‘Laeken’ indicators (2001), subsequently refined	
Mid-2000s on	Pan-European output-harmonised data: EU-Statistics on Living Conditions. MS required by EU law to provide data	EU-SILC, mid-2000s onwards, coverage reflects EU enlargement
2010	EU2020 targets include a Social Inclusion objective	

A comparison of 1990 and today illustrates substantial progress in monitoring capacity

Source	Year(s) examined	Coverage	Data	Analysis	Comments
O'Higgins & Jenkins (1990)	1975, 1980, 1985	EU-12	National sources	Protocol returned by country correspondents	Issues of comparability; not timely, one main indicator (income poverty rate) Controversial (Eurostat pulped the report)
Everyone including me	2015 and up to previous 10 years	EU-28+	EU-SILC	Eurostat online database or unit record data	Harmonised; relatively up-to-date; multiple social indicators Non-controversial

Poverty in the EC: 1975, 1980, 1985

O'Higgins and Jenkins (Eurostat, 1990): extract



Country	Year	Persons in poverty		Households in poverty	
		Proportion (%)	Number ('000)	Proportion (%)	Number ('000)
Germany	1973	8.8	5238.2	8.8	1943.9
	1978	6.7	4001.2	7.6	1807.7
	1985	[8.5]	[5026.7]	[7.4]	[1895.5]
United Kingdom	1975	6.7	3624.7	7.5	1470.0
	1980	9.2	5032.4	8.4	1680.0
	1985	12.0	6636.0	9.8	2009.0
Aggregate (12 countries)	1973/77	12.8	38580.3	12.6	12843.1
	1978/81	12.6	39491.5	11.5	12601.6
	1984/85	13.9	43865.1	12.1	14056.4

- National data sources with incomplete harmonisation, some missing data (hence projections e.g. DE 1985)
- Poverty standard different from that used today
- Overall, we estimated a rise of 1.3 ppt in the individual-level 12-country poverty rate between 1980 and 1985

Notes

1) Figures estimated by the assumptions set out in Section 2 are shown in [.] , except where the overall population has been estimated: see Appendix Table 1.

2) Poverty is defined as less than 50 per cent of average equivalent income using the 'OECD' equivalence scale (C). As far as possible, results are based on derivation method 1, with method 2 as the preferred alternative. (See text for further details and sensitivity analysis.)

Poverty in Europe today can be documented quickly using the Eurostat Database

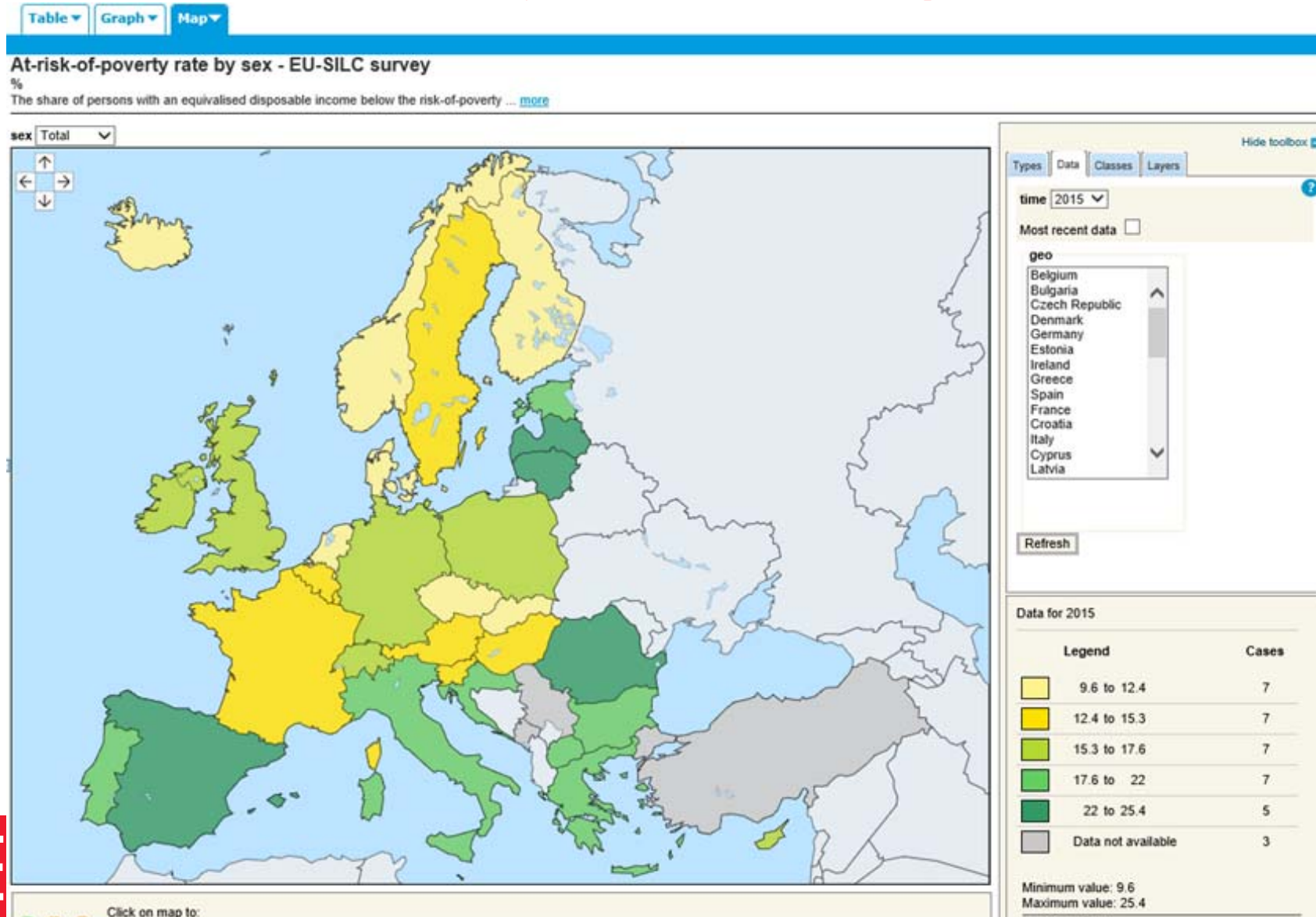
The screenshot shows the Eurostat website interface. At the top, the 'eurostat' logo is followed by the tagline 'Your key to European statistics'. A search bar contains the placeholder text 'Type a keyword, a code, a title...'. Below the header, a navigation bar includes 'News', 'Data', 'Publications', 'About Eurostat', and 'Help'. The main content area is divided into 'DATA' and 'DATABASE' sections. The 'DATABASE' section is expanded to show a 'Data Navigation Tree'. The tree lists various categories such as 'Database by themes', 'Tables by themes', and 'Tables on EU policy'. Under 'Tables on EU policy', several indicators are listed, including 'At-risk-of-poverty rate by sex - EU-SILC survey (tessi010)'. This item is highlighted with a blue selection bar and a yellow 'ZIP' icon. Other items include 'At-risk-of-poverty rate by age group - EU-SILC survey (tessi012)', 'At-risk-of-poverty threshold - EU-SILC survey (tessi014)', and 'Income quintile share ratio (S80/S20) - EU-SILC survey (tessi180)'. The bottom of the tree shows 'Cross cutting topics', 'New Items (sorted by code) New', and 'Recently Updated Items (sorted by code) Updated'.

And with just 9 mouse clicks, you can see the latest data on EU's headline poverty indicator ...

A map of income poverty rates (%) EU, 2015

Survey year 2015; income year 2014. Poverty line = 60% contemporary national median income.

Income = person's household market income plus social and private transfers less income taxes and social insurance contributions, adjusted for household size and composition

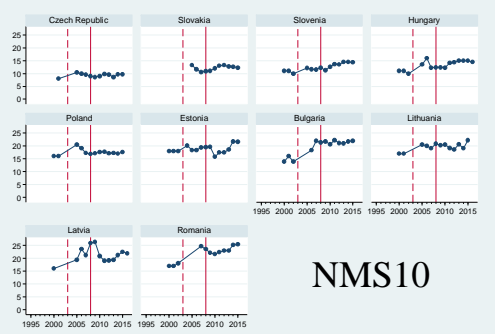


Disappointing progress on poverty reduction even before the Great Recession, EU15, 1995–2015

Income poverty rates (%), poverty line = 60% of contemporary national median income



1995 2000 2005 2010 2015



NMS10

Notes. (1) Countries sorted by poverty rate in 2015. (2) EU-SILC began in mid-2000s. (3) 2008: Great Recession onset.

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Why did poverty rates not fall much?

During the period of macroeconomic growth (1990s–2008):

Atkinson (Macerata Lecture 2010):

1. Social inclusion received less priority than economic and employment growth policies (citing Mid-Term Review of Lisbon Agenda 2004, post-Kok Report)
2. Policies for employment and economic growth not also automatically achieving social objectives (as assumed or hoped)
 - Move from passive to activation policy strategies reduced levels of social protection and tightened eligibility conditions
 - Increase in the number of low-paid workers (working poor)
3. Over-reliance of Open Method of Coordination on national policy initiatives – which reflected different national priorities
 - Atkinson: “A significant reduction in European poverty requires concerted European action”

Cantillon (*JESP* 2011):

1. Rising employment benefited workless households only marginally (jobs to households with a worker)
2. Poverty among unemployed and workless households increased in almost all Member States
3. Less redistributive effect: new work-orientated spending (tended to be less pro-poor) increased, but the generosity of traditional passive income support declined



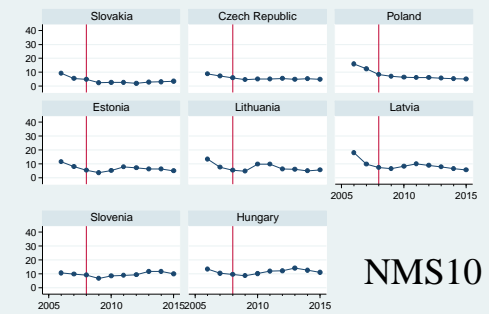
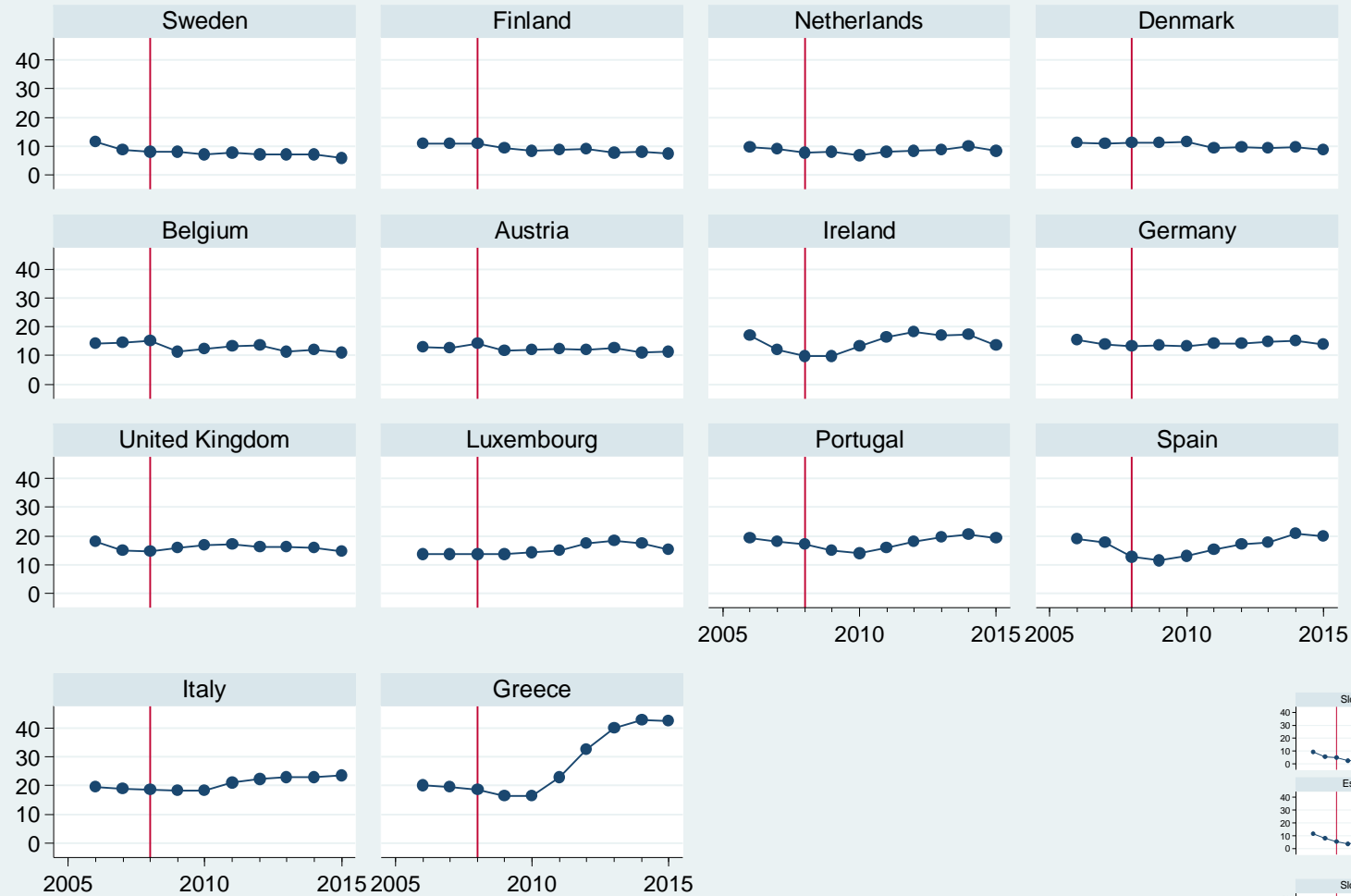
2009–2015: Same social policy orientation, plus macro austerity

But what if we use a different poverty indicator from the headline one?

- Headline indicator: income-based, with a threshold based on contemporary national living standards
 - 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. (European Commission, Joint Report on Social Inclusion 2004)*
- Threshold changes over time as median income changes; and differs across countries (different country medians)
- Shouldn't we take account of changes in the real living standards of the poor, regardless of changes overall?
 - What about use of anchored ('absolute') poverty lines?
- Should we use nationally-defined standards or an EU one?
 - Cf. USA: one official poverty line for the union (and it's anchored)
 - Cf. World Bank's estimates of global extreme poverty (\$1.90PPP/day)
- Why use income at all? Why not look directly at living standards?
 - What does a multiple indicator approach show?

National poverty trends using anchored poverty lines reflect national business cycles

Income poverty rates (%), EU15, 2005–2015, poverty line = 60% of 2005 national median income



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Should we use nationally-defined standards for EU poverty monitoring?

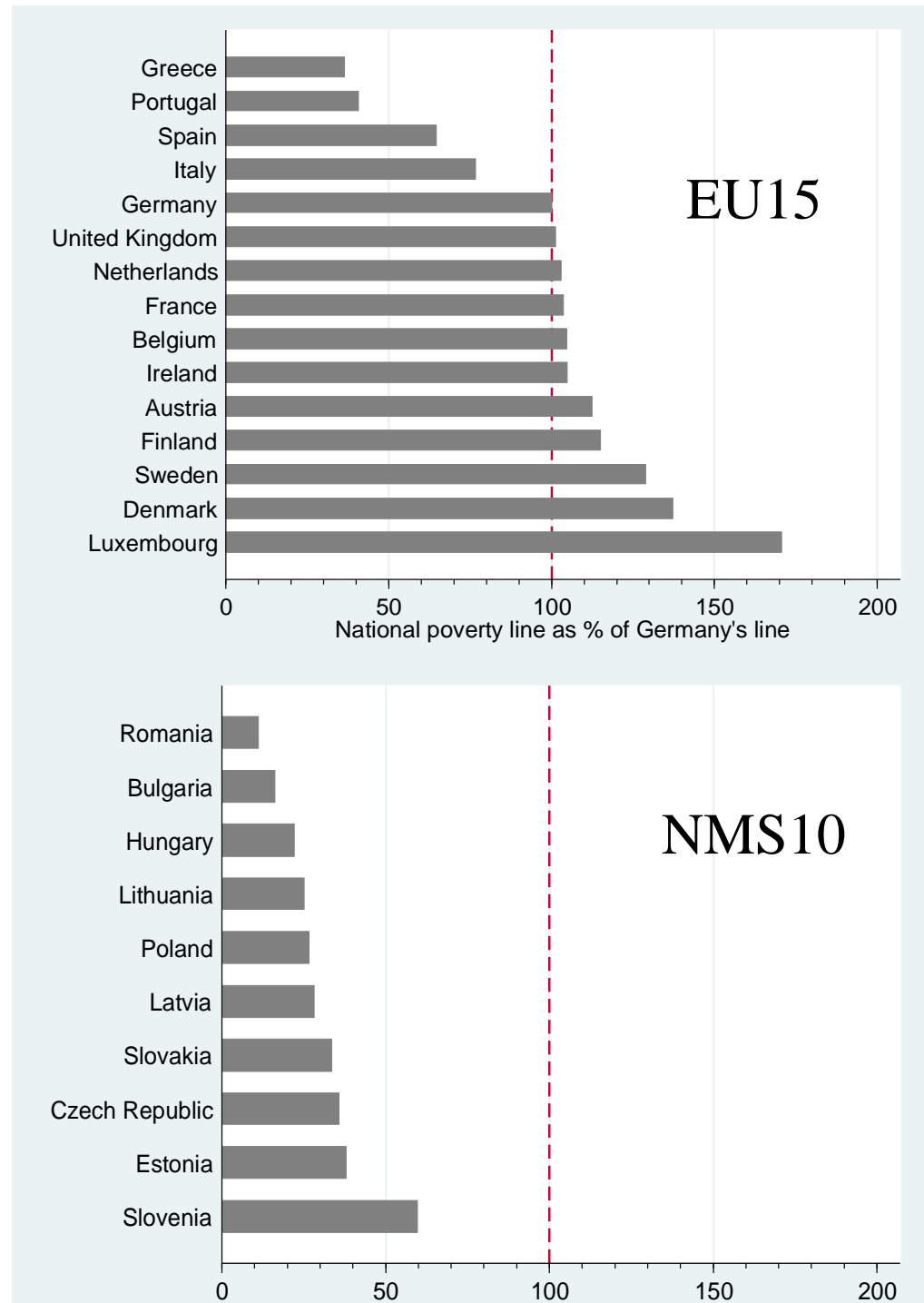
Country-specific '60% of median' poverty lines expressed as a percentage of Germany's, 2015

Poverty line for single person in 2015, in Euro per year: Germany, €12,401; Luxembourg, €21,162; Greece, €4,512; Romania, €962

In 2015, a single adult in Germany with an income of €10k p.a. would be counted as poor in Germany but non-poor in Spain, Portugal, Greece, and all of the NMS10 countries

Are the people counted as poor in rich EU countries genuinely poor?

Differences in real living standards matter?



Towards a common European-level poverty line for EU monitoring?

- “... the society in which they live” interpreted as Europe, not the Member State

An EU-wide line ...

- ... would represent ‘a significant move towards viewing the European Union as a social entity’ (Atkinson 1998: 29)
- ... take into account that individuals’ sense of social exclusion uses a European reference point as well as their national context
- Atkinson (1990, 1998) proposed using a weighted average of national and EU poverty lines, where variations in a parameter θ allowed a range of possibilities, from the case of fully national lines ($\theta = 0$) to a common EU line ($\theta = 1$). That is,

Poverty line for country $X = 60\% \times (\text{median income, } X)^{(1-\theta)} \times (\text{median income, } EU)^\theta$

Moving to a common EU line would reduce the number of people from rich countries counted as poor and raise the number from poor countries

Source: Brandolini (2007)

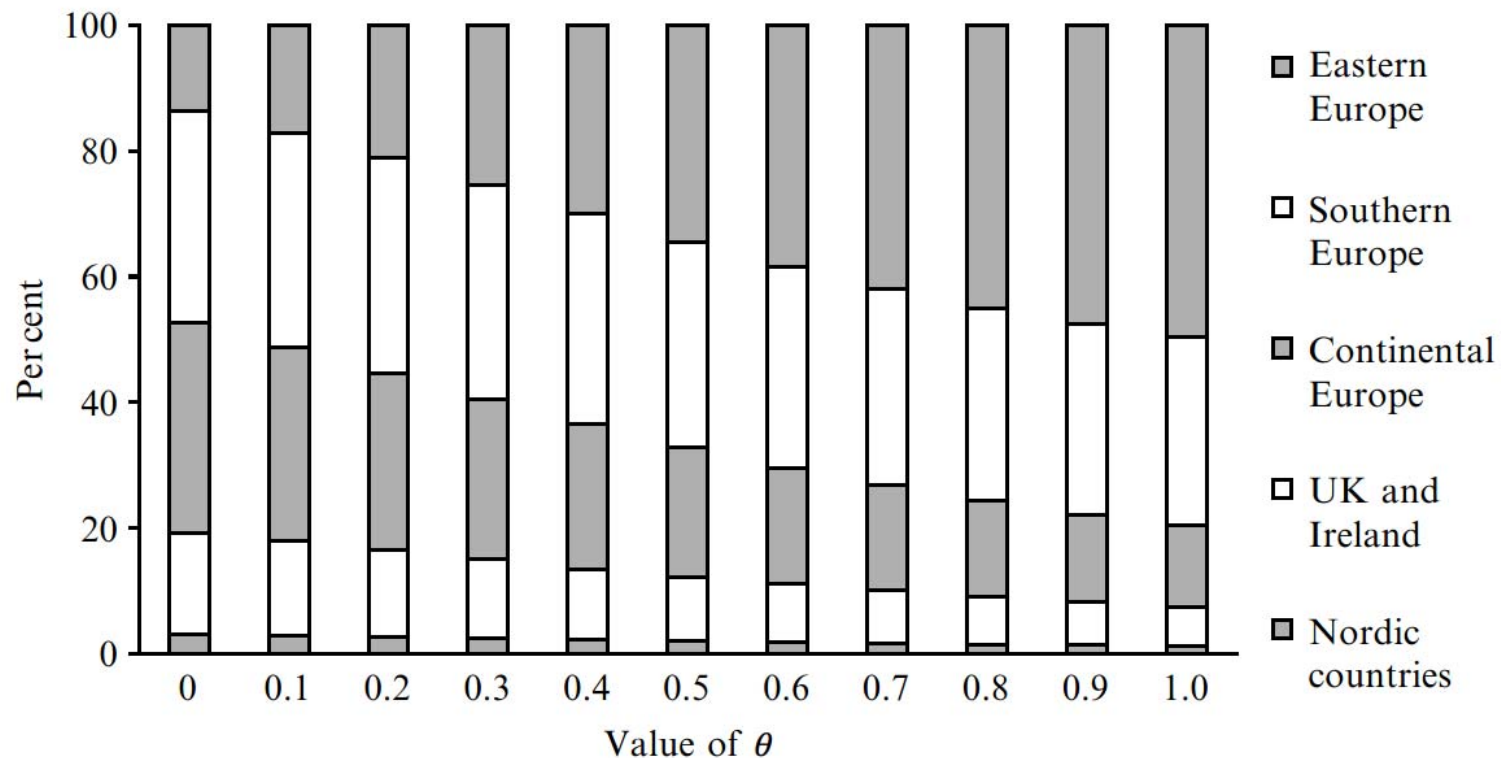


Figure 3.3 Poverty composition in EU-25 by alternative values of θ , 2000.



$\theta = 0$: fully national lines (as now)

$\theta = 1$: common EU line

Measuring poverty as material deprivation

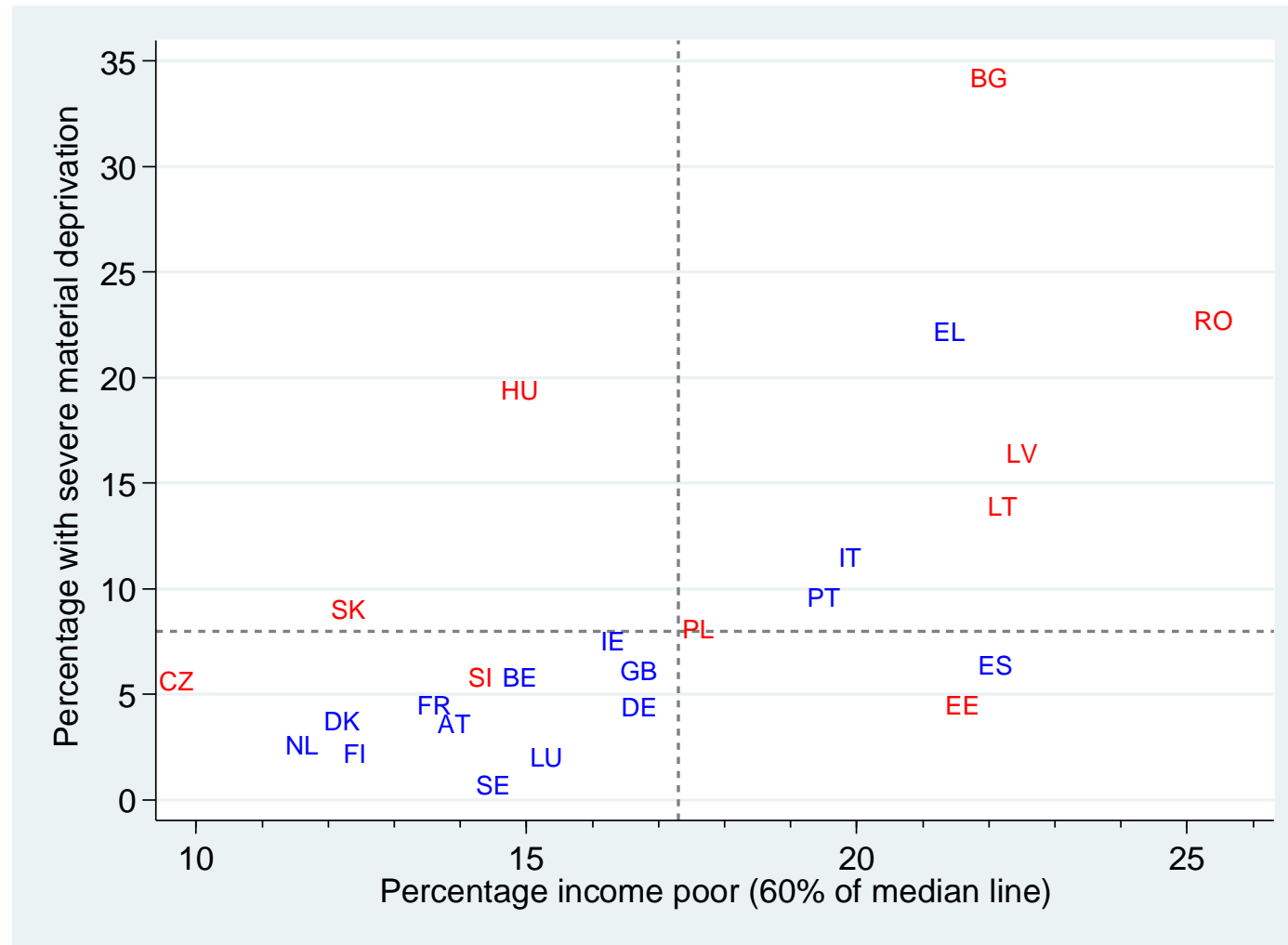
- EU approach follows in a long tradition pioneered by Peter Townsend in the UK
- Nine indicators relating to economic strain and durables possession (same nine in each Member State)
 - Lack of something because unaffordable – not because of choice or preference

Cannot afford:

- | | |
|---|--------------------|
| 1. Pay rent or utility bills | 6. Car |
| 2. Keep home adequately warm | 7. Washing machine |
| 3. Face unexpected expenses | 8. Colour TV |
| 4. Eat meat, fish, or protein equivalent every second day | 9. Telephone |
| 5. Have a week's holiday away from home | |
-

- Severe material deprivation: person with a count of 4 or more items out of 9 (each item is weighted the same in the count)

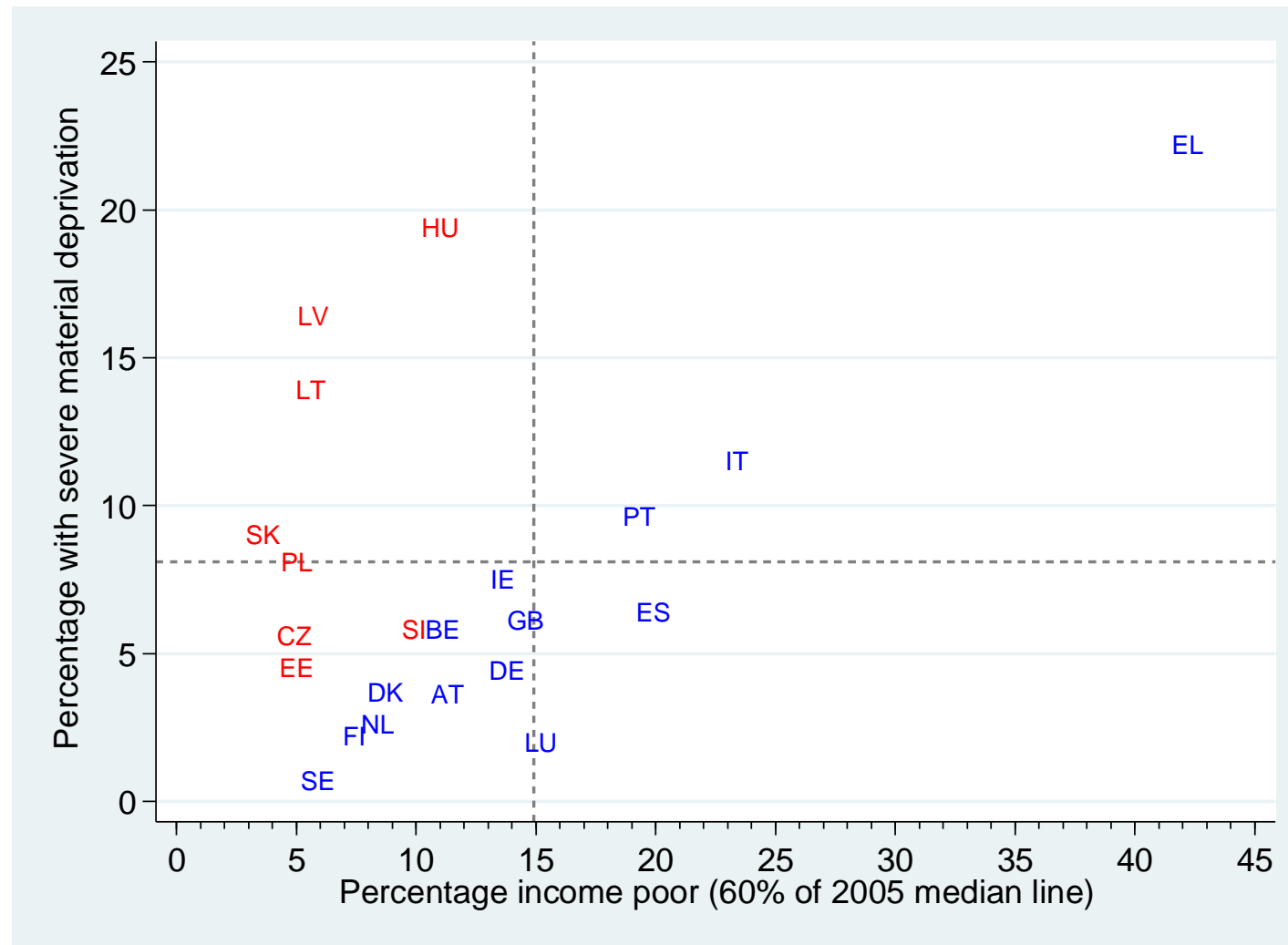
Rates of severe material deprivation and income poverty
are not closely correlated, especially among NMS10
Severe material deprivation & income poverty (line = 60% median), 2015



Dashed lines show EU-27 averages

Rates of severe material deprivation and **anchored** income poverty are correlated among EU15, but not among NMS10

Severe material deprivation & income poverty (line = 60% 2005 median), 2015



Dashed lines show EU-28 averages.

EU2020 Social Inclusion target refers to both income poverty and material deprivation – and also being in a very low-work intensity household

EU2020 five targets relate to Employment, R&D investment, Climate change and sustainability, Education, and ...

5. Fighting poverty and social exclusion

- **at least 20 million fewer people in or at risk of poverty and social exclusion**
- Count of persons who are: (1) at risk of poverty (60% contemporary median line), *or* (2) severely materially deprived, *or* (3) living in households with very low work intensity
 - Persons are only counted once in the headline count even if they are present in more than one of the three sub-indicators
- Reduction in headline count possible via a reduction in any one of the 3 dimensions

EU-national tensions in the indicators

- EU2020 target: weights each of the 3 indicators equally
 - Recognition that each indicator is picking up different sorts of information, each useful?
 - Or a means of avoiding deciding what ‘poverty’ really is?
 - *Common EU* weighting of each indicator, rather than allowing *national* heterogeneity
- Income poverty indicator is based on *national* medians, but severe multiple deprivation is based on a *common EU* list of items for all Member States
- Income poverty indicator is *updated* with changes in national living standards (when the median changes) but the multiple deprivation list is *not updated*

Conclusions: pessimism about further progress in EU-level poverty monitoring and policy initiatives?

- Since the early-1990s: (1) substantial progress in EU-level initiatives in monitoring and an anti-poverty agenda, but (2) this progress seems unlikely to continue
- The progress has always involved EU-nation state compromises along the way, including:
 - The definitions of the monitoring indicators
 - EU-level Open Method of Coordination, but national action plans and policies
- Changes in the socioeconomic context now hinder EU-level initiatives
 - The 'EU' itself has changed substantially: enlargement, migration, etc.; differences in national economies and economic performance
 - Views about affordability in the Austerity Era
 - Is there sufficient cross-nation solidarity for supra-national EU-level action?
- Introducing effective anti-poverty policies such as an EU-wide basic income for children (Atkinson 2010) seem unlikely in the current climate
 - If we think such goals remain worthwhile (as I do), what can be done?
 - How can we better coordinate economic and social policy agendas and policies?