

# **INDICATORS AND TARGETS FOR SOCIAL INCLUSION IN THE EUROPEAN UNION**

Tony Atkinson, Eric Marlier and Brian Nolan<sup>i</sup>

---

<sup>i</sup> Tony Atkinson, Nuffield College, Oxford (UK). Eric Marlier, CEPS/INSTEAD Research Institute, Differdange (Luxembourg). Brian Nolan, Economic and Social Research Institute, Dublin (Ireland).

# Indicators and Targets for Social Inclusion in the European Union<sup>1</sup>

Tony Atkinson, Eric Marlier and Brian Nolan

## **1. Introduction**

Until recently, policy co-ordination at European Union (EU) level has mostly been applied to economic policy, with multilateral surveillance provided for in the Maastricht Treaty, and to employment, where the European Council agrees employment guidelines for the Member States and progress is monitored through regular reviews of National Action Plans. In December 2001, the European Council held at Laeken in Belgium adopted a set of commonly agreed and defined indicators, which should play a central role in monitoring the performance of the Member States in promoting social inclusion. These indicators are intended to allow the Member States and the European Commission to monitor national and EU progress towards the four key EU objectives in the area of social inclusion set by the Nice European Council in December 2000<sup>2</sup>, and to support mutual learning and exchange of good practices in terms of policies. They can also prove useful for illustrating areas where more policy action is needed. The detailed content of those common objectives and the implementation arrangements endorsed at the European Council of Nice have been confirmed by the Council of Ministers for Employment and Social Affairs at their December 2002 meeting with a few amendments emphasising the importance of setting targets (following on the decision of the Barcelona European Council, as discussed below), of the need to strengthen the gender perspective in National Action Plans on social inclusion, and of the risks of poverty and social exclusion faced by immigrants.

This represents a major step forward in the development of EU social policy, and has the potential to transform the framework within which Member States develop their national policies to tackle poverty and social exclusion. Indicators combine national information on specific challenges with key transnational objectives that have been agreed by EU Heads of State and Government. This paper

---

<sup>1</sup> We are most grateful to Laura Bardone, Chris Burston, Chantal Euzeby, Hugh Frazer, Paolo Garonna, Anne-Catherine Guio, Gerry Mangan, Andreas Schaller, Armindo Silva, David Stanton, Hans Steiner, Platon Tinios and Johan Vandenbussche for their very helpful and stimulating comments on previous versions, which have led to substantial changes. They should not however be held responsible in any way for the present contents.

<sup>2</sup> These objectives are: 1) Facilitating participation in employment and access by all to resources, rights, goods and services; 2) Preventing the risks of exclusion; 3) Helping the most vulnerable; 4) Mobilising all relevant bodies.

reviews the scientific and political basis on which the indicators were selected, and the implications for the future development of policy-making in Europe. It describes the key features of the indicators and some of the ways in which they can be developed. It investigates various important issues that need to be addressed when setting quantitative targets in the context of the social inclusion process.

## **2. Agreeing Common EU Social Inclusion Indicators**

In recent years the European Union has had an increasing interest in and competence on social policy, even though, under *subsidiarity*, social policies themselves including policies to maintain and raise social inclusion have been and still are the responsibility of Member States. The Amsterdam Treaty in particular assigned the fight against social exclusion a central role in this policy and the Social Policy Agenda adopted by the Nice European Council has expanded and deepened it in scope. This is occurring in a context where the links between economic and social spheres are increasingly seen as of central importance, highlighted in the identification at the March 2000 Lisbon European Council of a fresh set of challenges which must be met by the end of this decade so that Europe can become “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”. A guiding principle of the Social Policy Agenda is thus strengthening the role of social policy as a productive factor, and the need for a balance relationship between it and the other pillars of the Lisbon strategy, so that social protection not only allows the mobilisation of human potential (social cohesion) but also facilitates risk taking and entrepreneurship<sup>3</sup>.

In seeking to make a decisive impact on the eradication of poverty and social exclusion by 2010, it was agreed to adopt the ‘open method of coordination’, with key elements being the agreement of *common objectives* on poverty and social exclusion; the preparation of *National Action Plans* on social inclusion (NAPs/inclusion) that Member States have to submit every second year to the Commission (the first were in June 2001); the exchange of good practices across Member States through so-called *peer reviews*; and the adoption of *common indicators* to monitor progress towards the common objectives and encourage mutual learning. The preparation of a regular *Joint Report on Social Inclusion* first drafted by the Commission on the basis on the NAPs/inclusion and then finalised between the Commission and the Council, is probably the critical element of the whole method in that

---

<sup>3</sup> The Lisbon strategy puts special emphasis on “preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market”. Technological prowess is therefore expected to

it builds on all its components. We would like to stress that the Joint Report can be really useful only if it goes beyond a simple, purely descriptive reporting. It has to meet the challenge of providing a sound critical analysis. The final aim of the open method of coordination is to improve performance of all the Member States and, ideally bring them all to a high level. To achieve this, hard-headed analysis is necessary. The Commission, in its capacity as an independent and neutral body, can and has to play a key role in conducting such a critical analysis; together with the Social Protection Committee it has to be the driving force of the whole “open-coordination” process in the social field. The Joint Report may then be seen as providing a framework within which other actions may unfold – the structured exchange of information and good practices, together with analysis of the impact of different policies that can evolve semi-spontaneously as the open method of coordination matures.

In judging the progress made by individual Member States, rankings on the different dimensions of social exclusion will be inevitable, and they have a role to play in bringing “peer pressure” to bear. As is considered later in the paper, the Commission may wish to identify the best-performing Member States and encourage other Members to emulate them and learn from their experience. The observation that the child poverty rate is higher in the UK than in the Nordic countries is a step towards understanding the underlying reasons. It is important however to stress that our ultimate concern is with the level of performance achieved, and the consequences of policy choices. In the (unlikely) event that all Member States were performing equally badly, a ranking would give no indication of the need for action. Equally, in a situation where all countries are improving their performance, but with no changes in ranking, then no change would be recorded. Finally, indicators are measured with error, and rankings need to take the margin for errors into account: one would not want to put too much weight, for example, on a difference of one percentage point in the “at-risk-of-poverty rate”. So, rankings are necessarily “fuzzy”, and their real value – rather than in crude headlines - is in pointing to underlying mechanisms and areas where policy can fruitfully be focused.

The Social Inclusion process has much in common with the employment strategy, initiated in 1997, whereby the European Council agrees employment guidelines for the Member States on an annual basis, and monitors progress towards achieving the objectives they lay down through reviews of National Action Plans for employment. The Commission and the Council jointly examine these Action Plans and present a Joint Employment Report to the European Council. (See for example EU

---

play a key role if the EU is to rise to the challenge of 2010, which places an emphasis on the human factor and on exploiting human potential to the full.

Employment and Social Policy, 1999-2001, European Commission 2001). This process has served to demonstrate the role that co-ordination, with agreed common objectives and monitoring procedures, can play and this broad approach is in effect, since Lisbon, being applied to poverty and social exclusion (and, since Laeken, to pensions). The Social Inclusion process is at a different stage from the Employment process, and there are clear differences (for example, it currently has no Treaty status, although this is under consideration as part of the European Convention), but it can be seen as taking forward a promising approach to EU co-operation and applying it to a new and important area of policy. Lessons learned from this application will have relevance as the open method of coordination is applied to new fields such as research and development.

The Stockholm European Council in March 2001 gave a mandate to the Council to improve monitoring of action in the fight against poverty and social exclusion by agreeing on a set of social inclusion indicators by the end of 2001, that is by the end of the Belgian Presidency of the Council of the EU. The task of developing this set of indicators was assigned to the EU Social Protection Committee, which comprises high-level officials from the relevant ministries in each Member State, and more specifically its Indicators Sub-Group set up in February 2001. As a contribution to this complex exercise of reaching this agreement within such a short period of time, the Belgian Government commissioned a scientific study (Atkinson, Cantillon, Marlier and Nolan, 2002) on the subject that fed into the work of the Sub-Group and organised an international conference to discuss it<sup>4</sup>. The Indicators Sub-Group worked on the topic for much of 2001, taking as point of departure the set of *structural indicators* that had been developed by the Commission for its first annual Synthesis Report presented to the Spring European Council of that year<sup>5</sup>. The fruits of their labours were summarised in the Report subsequently endorsed by the Laeken European Council. The Social Protection Committee's Report largely followed the approach taken in the Atkinson *et al* study in terms of methodological principles for selecting and organising appropriate indicators, and was consistent with the broad thrust of its recommendations though differing in some details<sup>6</sup>.

---

<sup>4</sup> The Presidency Conference "Indicators for Social Inclusion: Making Common EU Objectives Work" (Antwerp, 14-15 September 2001) gathered together more than 270 experts coming from 26 countries. A special issue No. 1/2002 of *Politica Economica* is devoted to this conference.

<sup>5</sup> The Lisbon European Council conclusions asked for an agreed set of *structural indicators* to be used to underpin the analysis in the Commission's annual Synthesis Report to the Spring European Council, starting in 2001. The role of these indicators is to allow for an objective assessment of the progress made towards the Lisbon European Council objectives, expanded at Gothenburg and refined at Stockholm and Barcelona. In this process, the Commission prepares a list of structural indicators and agrees it with the Council. Structural indicators cover six areas: general economic background, employment, innovation and research, economic reform, social cohesion and the environment.

<sup>6</sup> This Report can be found on the web-site of Directorate General Employment and Social Affairs of the European Commission ([www.europa.eu.int](http://www.europa.eu.int)).

Social indicators are in wide use, for a variety of purposes. In the present context, we are concerned with one specific use: as part of the process of open co-ordination. This specific purpose is reflected in the principles underlying the choice and construction of indicators. In setting out its methodological principles, the Indicators Sub-Group stressed first that the portfolio of EU indicators should command general support as a balanced representation of EU social concerns and, because of this, the proposed set of indicators should be considered as a whole. Secondly, the Committee recommended a focus on common indicators that address social outcomes rather than the means by which they are achieved (for instance, the level of education attained, not total spending on schools). As mentioned above, Member States, while agreeing on the indicators by which performance is to be judged, are left free to choose the methods by which these objectives are realised. (Focusing on outcomes may also foster a cooperative attitude between the different national bodies – ministries, agencies... - that have competence in these areas, whereas as far as inputs are concerned they may be more inclined to see competition for resources as a zero-sum game.) Thirdly, the Committee also adopted a set of methodological principles to guide the selection of indicators – to give just a few examples, that an indicator should be robust and statistically validated, should be measurable in a sufficiently comparable way across Member States, and should be timely and susceptible of revision, while the indicators as a set should be as transparent and accessible as possible to the citizens of the European Union. For a detailed discussion of these principles, see Atkinson *et al* (2002), who set out six principles referring to individual indicators and three referring to the portfolio as a whole.

The first of the methodological principles listed by the Social Protection Committee is that an indicator should have a clear and accepted normative interpretation. Users should be clear which direction of change represents progress. This is particularly important when we turn to the issue of the setting of targets. The conclusions of the Barcelona European Council in the Spring of 2002 invited Member States “to set targets, in their National Action Plans, for significantly reducing the number of people at risk of poverty and social exclusion by 2010”. Even though setting targets remains at the present a responsibility of Member States, many of the factors that arise are clearly common to all countries. In particular, the considerations that entered the choice of social indicators are in many cases relevant to the determination of targets. We return to the role of targets in Section 6.

### **3. The Selected Indicators of Social Inclusion**

Recognising that a large number of indicators are needed to properly assess the multidimensional nature of social exclusion, the Social Protection Committee recommended that they be presented in tiers:

- *Primary indicators* consisting of a restricted number of lead indicators which cover the broad fields that have been considered the most important elements in leading to social exclusion;
- *Secondary indicators* supporting these lead indicators and describing other dimensions of the problem.

Both these levels comprise commonly agreed and defined indicators, to be used by Member States in their NAPs/inclusion and by the Commission and Member States in the Joint Report on social inclusion.

- Member States themselves are then encouraged to include a *third level* of indicators in their National Action Plans, to highlight specificities in particular areas, and to help interpret the Primary and Secondary indicators; these need not be harmonised at EU level.

The Social Protection Committee and its Indicators Sub-Group grappled with an intimidating variety of conceptual, methodological and data-related issues, and ended up recommending the Primary and Secondary Indicators shown in Tables 1 and 2 below.

Table 1: Primary Indicators

	Indicator	Definition
1	At-risk-of-poverty rate after social transfers	Share of persons living in households with an income below 60% national median income (breakdowns by age and gender, most frequent activity status, household type, tenure status + illustrative values of the at-risk-of-poverty threshold)
2.	Inequality of income distribution	S80/S20 income quintile ratio: Ratio of total income received by the top 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (bottom quintile)
3.	Persistent risk-of-poverty rate (60% median)	Share of persons living in households with an income below the 60% risk-of-poverty threshold in current year and in at least two of the preceding years (incl. gender breakdown)
4.	Relative median at-risk-of-poverty gap	Difference between the median income of persons below the low income threshold and the at-risk-of-poverty threshold, expressed as a percentage of this threshold (incl. gender breakdown)
5.	Regional cohesion	Coefficient of variation of employment rates at NUTS 2 level.
6.	Long term unemployment rate	Total long-term unemployed population ( $\geq 12$ months; ILO definition) as proportion of total active population (incl. gender breakdown)
7.	Persons living in jobless households	Persons aged 0-65 (0-60) living in households where none is working out of the persons living in eligible households.
8.	Early school leavers not in education or training	Share of total population of 18-24-year olds having achieved ISCED level 2 or less and not attending education or training (incl. gender breakdown)
9.	Life expectancy at birth	Number of years a person may be expected to live, starting at age 0, for Males and Females.
10.	Self-defined health status by income level.	Ratio of the proportions in the bottom and top income quintile groups (by equivalised income) of the population aged 16 and over who classify themselves as in a bad or very bad state of health (incl. gender breakdown)

Note: 'Income' must be understood as equivalised disposable income. It is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member including children.

Table 2: Secondary Indicators

11.	Dispersion around the risk of poverty threshold	Share of persons living in households with an income below 40, 50 and 70% of national median income
12.	At-risk-of-poverty rate anchored at a moment in time	For a given year n, the “at-risk-of-poverty rate anchored at a moment in time (e.g. year (n-4))” is the share of the population whose income in that given year is below a risk-of-poverty threshold calculated in the standard way (here for the year (n-4)) and then up-rated for inflation (here, the period concerned is (n-4)-n, but the inflation rate to be applied if the European Community Household Panel (ECHP) is used as data source is that for the period (n-5)-(n-1) because the income reference year in the ECHP is the year prior to the survey)
13.	At-risk-of-poverty rate before social transfers	At-risk-of-poverty rate where income is calculated as follows: 1. Primary income, i.e. income excluding all social transfers 2. Primary income plus old-age and survivors' pensions. 3. Total income, i.e. including all social transfers (= indicator 1) (incl. gender breakdown)
14.	Gini coefficient	Relationship of cumulative shares of the population arranged according to the level of income, to the cumulative share of the total income received by them
15.	Persistent risk-of-poverty rate (50% median)	Share of persons with an income below the 50% risk-of-poverty threshold in current year and in at least two of the preceding years (incl. gender breakdown)
16.	Long term unemployment share	Total long-term unemployed population ( $\geq 12$ months; ILO definition) as proportion of total unemployed population (incl. gender breakdown)
17.	Very long term unemployment rate	Total very long-term unemployed population ( $\geq 24$ months; ILO definition) as proportion of total active population (incl. gender breakdown)
18.	Persons with low educational attainment	Educational attainment rate of ISCED level 2 or less for adult education by age groups (25-34, 35-44, 45-54, 55-64) (incl. gender breakdown)

Note: 'Income' must be understood as equivalised disposable income. It is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member including children.

### Low Income

The Primary Indicators begin with the most widely used indicator of poverty, namely the percentage falling below income thresholds. The Indicators Sub-Group emphasised that this was to be seen as a measure of people who are “at risk of being poor”, not a measure of poverty. This reflects a growing realisation that low income, on its own, may not always be a reliable indicator of poverty and social exclusion. Those observed with the same income level at a point in time may have quite different living standards, because both the other resources and the needs of households vary (see for example Layte *et al* 2001). The availability of other resources, notably savings and other assets as well as assistance from friends and families, will be influenced in particular by how long low income has persisted. Income may be badly measured by the statistical instruments in use, for example because they take no account of the benefit of owning one's own home, the informal economy, employer-provided benefits, and/ or state-provided benefits in kind.

In addition to the way low income measures are to be interpreted, many significant choices have to be made in producing them, and the Sub-Group devoted considerable time to the fundamental one, namely the choice of low income thresholds. The decision to place the main emphasis on relative rather than absolute or fixed thresholds has not been particularly contentious, although a low income threshold anchored at one point in time and updated only in real terms over time was adopted as a Secondary indicator. (As we discuss below, the role of relative versus fixed thresholds may loom larger in the future in the context of the candidate countries.) The choice of which relative income threshold to prioritise is however more problematic, since practice varies across the Member States. Eurostat, the statistical office of the European Communities, in 2000 adopted 60% of national median equivalised disposable income as the basic risk-of-poverty threshold for their reports, reflecting the advice of the Task Force on Poverty and Social Exclusion. This choice is conventional, even though statistical considerations have partially guided it. The willingness to ensure a relative consistency in most Member States with the risk-of-poverty estimates based on the definition that had been used by Eurostat up to that date (50% of the mean, which in several Member States leads to results that are similar to those produced by a threshold set at 60% of the median) also played an important role in this decision. Finally, the Lisbon European Council, in setting the goal of making a decisive impact on the eradication of poverty by 2010, also made reference to income poverty figures computed with that 60% median threshold. This was also clearly influential in the recommendation that 60% of median income be the threshold employed in the Primary low income indicator. However, the Sub-Group also concluded it was necessary to report as Secondary indicators the number of people living in households with incomes below 40%, 50%, and 70% of median income, to capture the shape of the income distribution around the 60% threshold, which had also been recommended by the aforementioned Task Force. They were clearly concerned nevertheless that people falling below 60% and even more so 70% of median income should not be taken on that basis as “poor”, and labelled the indicators “low income” rather than “poverty” rates. When finalising the 2001 Joint Report on Social Inclusion, the Commission and the Council subsequently agreed on the description “persons at risk of poverty”.

The research literature on poverty measurement has emphasised for many years that simply measuring the numbers falling below an income threshold can give misleading signals, failing to distinguish between the situation where they are all just below versus very far below that threshold. Finding the best way of measuring this depth aspect of low income is more difficult, particularly in the light of the known unreliability of very low incomes in household surveys. The measure adopted is the difference between the median income of persons below the 60% risk-of-poverty threshold and that threshold.

(More conventional measures of the depth of low income incorporate the average gap between each of the incomes below the threshold and the threshold itself, and are therefore more sensitive to mis-measurement especially of very low income.)

In monitoring changes over time, we need to bear in mind how far the observed change in the size of the population at risk of poverty is due to changes in their circumstances and how far due to changes in the 60% of median income threshold. The median income may, for example, vary cyclically, so that an observed rise in poverty could be a reflection of the business cycle rather than deterioration in the standard of living of those at the bottom of the distribution. For this reason (see above), the Secondary Indicators include an indicator anchored at a point in time. It should however be noted that it is important to keep the base year fixed throughout the monitoring period.

### *Income Distribution*

One of the structural indicators already in use by the Commission was an income distribution measure, namely the ratio of the share of total equivalised disposable income going to the top versus the bottom quintile (as opposed to total “non equivalised” disposable income, which was used in the 2000 structural indicators), and this has been adopted as a Primary indicator.<sup>7</sup> The Gini coefficient, widely used as a summary income inequality measure though less straightforward than the quintile shares ratio, is to be used as a Secondary indicator.

### *Jobless Households*

The EU policy agenda places a strong emphasis on increasing employment and on good-quality jobs as the best way to tackle social exclusion. It is recognised however that employment will not tackle poverty if it is unevenly distributed among households, and some countries have been particularly concerned about a growing divide between ‘work-rich’ versus ‘work-poor’ households. A Primary indicator measuring, for eligible households only, the number of people (aged 0-59 and 0-64) in jobless households was therefore adopted, with joblessness captured by lack of employment regardless of whether the people who do not work are unemployed or inactive<sup>8</sup>. This indicator is thus

---

<sup>7</sup> This is also potentially seriously affected by mis-measured low incomes - a less sensitive alternative would have been the percentile ratio, that is the ratio of the income cutting off the top quintile to the corresponding income threshold for the bottom quintile. This was rejected on the grounds that it would have been less “transparent and accessible” to the general public, with transparency and accessibility being included in the nine agreed methodological principles to be applied to common indicators for social inclusion.

<sup>8</sup> The issue of how students and the retired should be treated was particularly difficult since for example normal age of retirement varies a good deal across countries. It was decided not to count those aged 18-24 and in full-time education as potentially qualifying a household as jobless, and that two different upper age limits (60 and 65) would be used in distinguishing the elderly for that purpose. Within eligible households, all members, i.e. also the children and the elderly

calculated in a very different way from that of the initial structural indicator. Its focus is also quite different given that it is not advanced as a predictor of financial poverty (which does not mean, of course, that joblessness and risk-of-poverty are not in some Member States closely associated) nor as an indication of potential “activation”, but as a measure of the household’s contact with the world of work, an aspect that is deemed to be important in view of the primacy of work-relations in modern European societies (and underlined in the employment targets agreed at Lisbon and subsequent European Councils).

### *Long-term Unemployment*

Long-term unemployment is seen as a key cause of poverty and social exclusion, so the percentage unemployed for a year or more – already included among the Commission’s structural indicators - is also included as a Primary indicator. The long-term unemployment share (within total unemployment) and an indicator of very long-term unemployment (at least 2 years) were also adopted as Secondary indicators. A variety of other employment-related indicators are of course employed in monitoring the Employment Strategy.

### *Regional Disparity*

The variation of the unemployment rate across regions within Member States was also already in use as a structural indicator. The coefficient of variation of *employment*, rather than unemployment, across NUTS 2 regions has been adopted as a Primary social inclusion indicator.

### *Education and Training*

The structural indicators in use by the Commission included the share of 18-24-year olds having achieved lower secondary education or less and not currently attending education or training.<sup>9</sup> This indicator is now one of the Primary indicators for social inclusion, with the proportion of the population of working age with a low educational attainment (distinguishing gender and age classes) as a Secondary indicator.

### *Health*

On health, the Social Protection Committee faced the very real difficulty that while there is a good deal of comparative data on health, very little of it has a specific focus on poverty and social

---

are counted. As far as the number of people living in jobless households is concerned, the decision was to exclude the elderly and focus only on those aged 0-64 (and, separately those aged 0-59), which poses some methodological problems that we do not discuss here.

exclusion. At this stage two health-related indicators are included among the Primary set, namely life expectancy at birth (for males and females) and a measure of inequality in self-assessed health. This inequality measure is the ratio of the proportions in the bottom and top income quintile groups of the population aged 16 and over who classify themselves as in a bad or very bad state of health.

#### **4. Filling Gaps in the Agreed Indicators**

Arriving at agreement among EU Member States on a set of common indicators on social inclusion in a short space of time and across a very wide range of areas represents a major achievement. None the less, it is important to highlight areas which the agreed indicators do not cover or where they are in need of significant development. In arriving at these indicators, many significant choices had to be made, and we have to recognise that, while indicators should have a reasonable degree of stability in order to fulfil their monitoring function, the process of definition is necessarily a dynamic one. A good example is provided by the definition of risk of financial poverty. As noted, the Indicators Sub-Group devoted considerable time to the choice of low-income thresholds. The decision to place the main emphasis on relative rather than absolute or fixed thresholds may however need to be re-visited in the context of an enlarged Union. In considering this, we need to take account both of the differences in average living standards and the degree of income inequality in the candidate countries. The accession of new Member States, with differing living standards and expectations, may also lead to reconsideration of the role of subjective measures of financial deprivation.

Apart from the need to re-examine the indicators in an enlarged Union, there are at least two other reasons why the choice of indicators should not be regarded as fixed in stone. As was pointed out by Frank Vandenbroucke in his Introduction to Atkinson et al (2002), “as we gain experience in their operation, we will no doubt be able to refine the definition and implementation of indicators”. Moreover, he went on to say, “the social and economic situation is constantly changing, generating new issues and new challenges. The Union should concern itself with today’s and tomorrow’s problems, not with yesterday’s [and] discussion of indicators needs to be broadened, responding to the views of social partners, non-governmental organisations, of those experiencing social exclusion, and indeed of all of Europe’s citizens.” Finally, the data at our disposal are also changing over time. For all these reasons, the common indicators will be regularly reviewed, and the opportunity will arise to consider the gaps in the set currently adopted.

---

<sup>9</sup> ISCED, the International Standard Classification of Education, is a framework for comparing educational programmes across countries, which of course differ greatly in terms of institutional structures; ISCED 2 is lower secondary level.

### *Gaps in Coverage*

Major gaps in the areas and topics covered at this stage - recognised by the Social Protection Committee and its Indicators Sub-Group - reflect a combination of data unavailability and absence of clear conceptual underpinning in particular areas; it also reflects the very short period within which an agreement on this first set of indicators had to be reached. An important area not currently covered by the agreed indicators is housing. The Committee could only recommend that individual Member States in their NAPs/inclusion should present quantitative information on decent housing, housing costs, and homelessness and other precarious housing conditions, and that obtaining better comparable data and reporting on these topics be a priority.

Homelessness is of course the most pressing concern in the housing area, and clearly one of the most serious forms of exclusion. It is however particularly problematic from a measurement point of view, since people who are homeless or living in very precarious and temporary accommodation tend not to be included in household surveys and other statistical data sources. Following the recommendations by the Social Protection Committee, a European Task-Force has been set up in 2001 by Eurostat to help the Commission and Member States tackle these complex housing issues, including both representatives of the national statistical institutes and non-governmental organisations active in this area. As well as the homeless, those living in institutions such as old age homes, prisons, orphanages are also often excluded from the coverage of household surveys whose focus is generally on private households, and their situation would have to be captured in a comprehensive set of indicators. (Ideally, of course, one would also like to capture the influence of social welfare and other institutional structures on household formation itself, including whether the elderly live alone, with relatives, or in institutions.)

Other areas where the Committee felt indicators need to be developed as a matter of priority included social participation and other aspects of living conditions, recurrent and occasional poverty, poverty and work, access to public and private essential services such as health and education, indicators at local level, indebtedness, etc. They were also anxious to examine further how the gender dimension of poverty and social exclusion can be perceived and measured in a more satisfactory manner. Gender is important in terms of disaggregation (see Tables 1 and 2) but also in the definition of indicators. The definitions chosen may not be “gender neutral”. For instance, the measurement of risk of poverty

assumes that financial resources are equally divided among all those living in a household. All are poor or all are non-poor. In reality, household income may be unequally divided among household members. There may well be households, recorded as being above the risk of poverty threshold, where the women members are sufficiently disadvantaged relative to the men members that the women are in fact at risk of poverty.

### *Development of Education Indicators*

Although some education and health indicators are included among the current set, development of further indicators in those areas is also a clear priority. As far as education is concerned, functional literacy and numeracy are clearly necessary to operate in modern societies, and illiteracy and innumeracy can be direct causes (as well as correlates) of poverty and social exclusion. Substantial progress has been made over the last ten years in developing comparative data on these issues, notably through the International Adult Literacy Survey (IALS), the Trends in Mathematics and Science Study (TIMSS) and, initiated by the OECD in 2000, the Programme for International Student Assessment (PISA), a survey of students' skills and knowledge at age 15 being administered in 32 countries, including – unlike IALS and TIMSS - all current EU Member States<sup>10</sup>. Another important issue with respect to education is access, and the influence of socio-economic background on that access; some information on this is available in IALS and in PISA. Comparing the educational attainment level of parents and their children, for example, sheds some light on this issue and the related one of the intergenerational transmission of educational disadvantage and thus poverty and social exclusion. The PISA survey would be worth investigation in this context, since its primary purpose is to allow an assessment of education systems in a comparative perspective.

### *Development of Health Indicators*

As far as health is concerned, inequalities in health and access to health services are now widely seen as key aspects of broader socio-economic inequalities and social exclusion. Here again data limitations are very real. The lack of comparative measures of socio-economic mortality differentials is a particularly serious gap in the knowledge base for indicators of social inclusion, although Eurostat is currently seeking progress towards harmonized measurement using administrative sources. The two health indicators now adopted as Primary indicators undoubtedly have serious limitations. Differences in life expectancy across Member States are relevant to the social cohesion of the EU as a whole, but they are not relevant to social inclusion within a country. One country may have higher mortality than another, on account of dietary, smoking or other behavioural differences, but this does not necessarily imply a

problem of social inclusion within that country. In the case of health it is not mortality as such that concerns us but differential mortality according to socio-economic characteristics. Indicator 10 attempts to capture such differences with regard to morbidity. Self-assessed health status provides a useful starting-point in the absence of data at EU level on premature mortality by socio-economic groups, but it poses serious problems of interpretation and alternatives should be sought for future use. Given that it is to be used at this first stage, it is essential that it be standardised by age. The bottom quintile group may have poorer self-reported health status partially because it contains more people in older age groups, whereas the focus of the indicator is on the impact of income rather than that of age differentials.

The Social Protection Committee expressed particular interest in the development of measures of quality-adjusted life expectancy (taking prevalence of disability into account), premature mortality by socio-economic status, and access to healthcare. Ideally one would want variation in life expectancy, and in quality-adjusted life years, across socio-economic groups to be captured since the focus in this context is firmly on poverty and exclusion. The variation in healthy life-years by socio-economic status is important in its own right, but it is also instrumentally significant. From a social inclusion perspective, the impact that illness and disability have on ability to participate fully in the life of society is also critical. Those with a chronic illness or disability may well face severe obstacles in obtaining access to schooling, employment, independent housing and other aspects of participation. This is difficult to capture in comparable way across countries, given the problems in measuring disability in a harmonised way, but is of central importance to a significant group. Similarly in seeking to capture inequalities in access to health care, failure to access care due to financial constraints is particularly salient from a social inclusion perspective, although once again difficult to measure. (The soon-to-be-launched EU *Statistics on Income and Living Conditions* (EU-SILC; see below) instrument will provide important new information on this issue of access.)

### *Non-Monetary Indicators*

Another area in need of development is the use of non-monetary indicators, now in use in various Member States. The key rationale underlying the growing emphasis on non-monetary indicators is that income, while a key component, does not tell us everything we need to know about the resources or living standards of households. Some households on low income may actually be doing very much worse than others on the same income, for a variety of reasons relating to both how their resources

---

<sup>10</sup> For a detailed presentation of these surveys and a comparative analysis of educational disadvantage, see UNICEF 2002.

and their needs have evolved over time. This is evident from a variety of national studies (for example, Nolan and Whelan, 1996) as well as from analysis of data for all the EU Member States participating in the ECHP. The Social Protection Committee's Indicators Sub-Group saw considerable value in the development of these measures at EU level, on the basis that they can augment income-based measures in identifying those at risk of poverty, they provide a better understanding of the living conditions of the poor, and they give information about those domains where income based indicators are least helpful. It agreed to investigate further the possibility of defining a concise set of such indicators. Non-monetary indicators can supplement information about income, which is subject to mismeasurement and may not always be a reliable guide to "permanent income", and they can also help to capture the multidimensional nature of poverty and social exclusion. If Member States are able to include non-monetary indicators in the 2003 NAPs/inclusion, which we think would be an important step forward, then these "third level" indicators may provide a basis for progress. But it is already worth trying to think now about the development of common EU indicators to be incorporated at the Secondary or Primary levels.

### *Regional Indicators*

The current treatment of regional variation also requires development. In the structural indicators "inherited" by the Social Protection Committee, the European Commission sought to give weight to the regional dimension by specifying a specific indicator of regional disparities, namely the variation in regional unemployment rates. The Committee did as we have seen adapt this to the variation in employment rates. However, the logic of having a specific regional disparity indicator may be questioned (for a discussion of this issue, see Atkinson *et al* 2002). An alternative would be to give regional breakdowns for all indicators of social inclusion where it is meaningful and data allow.

### *Moving Forward*

Progress in filling gaps in the social indicators depends crucially on the statistical infrastructure. The December 2001 European Council at Laeken emphasised "the need to reinforce the statistical machinery". As developed by the Social Protection Committee: "the use of indicators to monitor progress depends to a great extent on the availability of relevant and timely data. Thus ... Member States may wish to identify gaps in existing data and to stress the need to develop further their statistical infrastructure" (2003, page 7). We focus on these gaps and the practical problems faced in trying to fill them in a consistent and harmonised fashion below: it is worth simply emphasising at this point our belief that improved statistical capacity is indispensable if the process is to achieve its aims.

The final point to be noted about the further development of social inclusion indicators at EU level is about the nature of the indicators involved and the process by which they are arrived at. As already mentioned, one of the objectives agreed at the 2000 Nice European Council is “to mobilise all relevant bodies”. Significant efforts have already been made in this direction, a major one being the first *European Round Table Conference on Poverty and Social Exclusion* organised by the Danish Presidency of the EU (Aarhus, Denmark, 17-18 October 2002). It is, however, important to intensify the efforts to engage a wide range of social actors. Consultation with social partners, non-governmental and grass roots organisations, and academics will both disseminate knowledge and allow the indicators to be refined. They should also aim at “a better inclusion of the excluded in all kinds of actions, not as passive participants but as active actors” (Vranken et al, 2001, page 5). Those suffering from social exclusion should co-determine how exclusion should be measured. The European Anti-Poverty Network (EAPN), for example, has argued that “the best indicators are those which gauge changes in the everyday lives of people living in poverty and social exclusion” (2001, page 3). The importance of increasing the involvement of excluded people, and the need to explore the most effective means of giving a voice to the excluded, was emphasised by the Social Protection Committee - though the best ways of bringing this about, at Member State and EU levels, are still being developed. The Belgian Presidency initiative to organise the first European meeting of people experiencing poverty (Brussels, 1-2 December 2001) was an important step in this direction. The Greek Presidency Conference “*We also participate in Europe!*” (Brussels, 10-11 May 2003) was the second European meeting of people experiencing poverty. Participants were asked to draw on their personal experience in areas such as housing, access to health, employment and the particular experience of women in the areas of low paid employment, education and training or indebtedness.

This involvement of the various stakeholders is important in choosing and defining the indicators. At a Member State level it may lead to new Level 3 indicators being proposed, whereas for the EU as a whole it should feed into the design of Levels 1 and 2 indicators. Such an involvement is also important in evaluating the social inclusion process itself. A participatory approach will contribute to greater transparency and awareness.

## **5. The Role of EU Social Inclusion Indicators**

We now turn to the role that common indicators of social inclusion can play and their potential importance in the development of EU social policy, and indeed the strategic direction of the Union more broadly. As we have seen, the specific indicators adopted at the December 2001 Laeken

European Council arise out of the political agreement reached at earlier European Councils in Lisbon, Nice and Stockholm.

As part of the open method of co-ordination, Member States submitted their first National Action Plans on Social Inclusion in mid-2001. These have been examined in the first Joint Report on Social Inclusion (2002). This has served to illustrate quite emphatically the need for common indicators, with enormous variation across the National Action Plans in the use made of indicators and in the specific indicators employed. In the absence of commonly defined and agreed indicators, Member States used national definitions of core indicators such as poverty and inadequate access to housing, health care and education. In measuring the core risk of poverty, for example, countries focused on different relative income thresholds, or used indicators of ‘absolute’ poverty which again differed across countries, or focused on benefit dependency. Some other countries used hardly any quantified outcome indicators at all.

With commonly agreed indicators now having been adopted and being further elaborated, the open method of co-ordination can become fully operational. Member States are obliged to use these common indicators in preparing their 2003 round of National Action Plans<sup>11</sup>. The Common Outline for the 2003/2005 NAPs/inclusion agreed upon by the Social Protection Committee (2003) states that “the commonly agreed indicators should be used as appropriate” although it recognises that “given constraints in relation to the timeliness of data it will be important to supplement these with indicators based on national data” (page 3). In our view, even where national data are used for common indicators, the definitions of the indicators should strictly follow those commonly agreed.

The use of a common set of indicators has the potential to bring about a significant change in the way policy with respect to social inclusion is framed. It will provide policy-makers with a basis on which the starting positions and progress over time in the different Member States in terms of key areas of social concern can be reliably compared. While evaluating the contribution of specific policy initiatives on the evolution of indicators will always be extremely difficult, the scope for policy learning should be considerably enhanced. Most productively, though, as in the Employment Strategy, Member States will pursue the policies they regard as most likely to succeed in their particular circumstances, but the spotlight will be (more) firmly placed on concrete outcomes.

---

<sup>11</sup> Even though the agreed 18 “Laeken indicators” were not endorsed in time for inclusion by Member States in their first (June 2001) NAPs/inclusion, the first Joint Report on Social Inclusion did make use of 12 of these indicators, calculated by Eurostat and based on common EU data sources (rather than national ones).

The adoption of the common indicators, and the open method of co-ordination more generally, can we believe contribute to the development of a more coherent policy towards social exclusion in Member States. The multi-dimensioned nature of the indicators not only reflects the fact that exclusion is a multi-dimensional concept but also serves to underline the need for co-operation between different agencies of government as well as, in some countries, between different agencies belonging to different levels of governments. The overlap between the Employment and Social Inclusion National Action Plans is an obvious example. Policy to reduce long term unemployment and joblessness requires (*inter alia*) joint action by the ministries of employment and social affairs. All of the indicators indeed potentially involve joint action by different agencies, and one of the latent functions of the open method is to promote co-ordination not just across countries but also within countries. “Joined up government” will become even more important if, as should be made a key priority, the NAPs/inclusion are integrated more clearly with policy formation.

The need for joined-up government raises the question of the role of regional and local government. The extent of devolution of responsibility varies across Member States, but the NAPs/inclusion and social indicators provide a focus for all levels of government. The 2001 NAP/inclusion for Spain described as “unprecedented in Spain” the production of a document that brings together for the country as a whole the different areas of action for social inclusion. If in the 2003 round Member States are setting national targets, then it is to be hoped that lower-level governments will be concerned to monitor the local performance. This is especially important where responsibility for provision of services etc. is being devolved to the local level, where it is essential to monitor that this does not lead to new inequalities.

## **6. From Indicators to Targets**

Many have argued that the objective of greater social cohesion can only be made concrete by setting such targets for the reduction of poverty and social exclusion, similar to those that have evolved in the macro-economic and employment fields as part of the Maastricht process and the Employment Strategy. While the adoption of an initial common set of social inclusion indicators represents a major achievement, social inclusion may only be given the same weight as employment and the macro-economy in EU and national decision-making when such targets are in place. In other words, if the process is to be meaningful and credible, targets are essential. The need to do so has already been recognised at the highest political level, with the Barcelona European Council in Spring 2002 stating the following:

“ The European Council stresses the importance of the fight against poverty and social exclusion. Member States are invited to set targets, in their National Action Plans, for significantly reducing the number of people at risk of poverty and social exclusion by 2010.”

The Common Outline for the 2003/2005 NAPs/inclusion explains that such targets are important for several reasons. National targets are “a significant political statement of purpose”; they provide “a goal against which to measure progress” (Social Protection Committee, 2003, Appendix I). The targets should also promote awareness of social inclusion policies and provide a focus for policy-makers.

This will be a major departure. Only a minority of countries had outcome targets in their first NAPs/inclusion, and these were not all systematically linked to one or several indicators to be used for monitoring progress made towards achieving them. Ireland’s plan did present such a target, which was already at the core of its National Anti-Poverty Strategy, in terms of a measure of “consistent poverty” relating to both falling below a relative income threshold and experiencing deprivation in terms of a small set of non-monetary indicators. Sweden set out a target for reducing welfare dependency (as well as increasing employment). The UK has adopted a number of specific targets relating to the activities of different government departments, as well as a commitment to eradicate child poverty – on the latter, the Government has been consulting widely on the appropriate measure to be used in monitoring progress. Similarly the Netherlands has set targets for reducing early school leaving, illiteracy and “unhealthy life years”. It is too early to say as yet, on the basis of this limited experience, what the impact of adopting formal quantified targets has been in those countries. (In Ireland, for instance, where an overall poverty target has been in place since 1997, this has been exceeded due to a quite exceptional rate of economic growth and thus one could not draw more general lessons.) It will be interesting to see how Member States respond to the challenge of setting targets in the 2003 round of NAPs/inclusion.

The Common Outline for the 2003/2005 NAPs/inclusion contains a detailed appendix on “Setting Targets”. It recognises that “setting targets that are appropriate to their own situation is a matter for each Member State” but goes on to say that “many of the factors that need to be taken into account ... are common to all” (Social Protection Committee, 2003, page 5). It suggests that targets should be ambitious but achievable, relevant, intelligible, quantified and measurable, and time specific. It puts forward the idea that just a small number of headline targets should be set for 2010, accompanied by a

series of more detailed targets. This structure is similar to the Level 1 and Level 2 indicators proposed by Atkinson *et al* (2002), where we suggested that the number of Level 1 “Lead” indicators should be in the range 5-15.

The 2001 NAPs/inclusion made use of both performance (output) indicators and policy effort (input) indicators. For the 2003 NAPs/inclusion, the Common Outline states that “performance or outcome indicators are strongly preferred [but] policy effort indicators could be used when performance or outcome indicators are not measurable” (Social Protection Committee, 2003, page 6). The principle of subsidiarity means that policy effort as such is not the subject of evaluation. Member States differ in their choice of means to combat poverty. To take an example, the replacement rate in a state pension scheme may be lower in one country than another because greater reliance is placed on private pension schemes. In some cases the change in a policy variable may be a valid instrument to forecast changes in the risk of poverty, since we often have information about inputs well in advance of output indicators, but such a use should be carefully justified. Any policy effort indicator would need to be shown to be closely related to outcomes. To take an example, we may be concerned about the number of people in inadequate housing, and the number of new houses built is an input indicator that may indeed be relevant, but one cannot be sure a priori that these houses are going to the people in need: that link would need to be studied empirically.

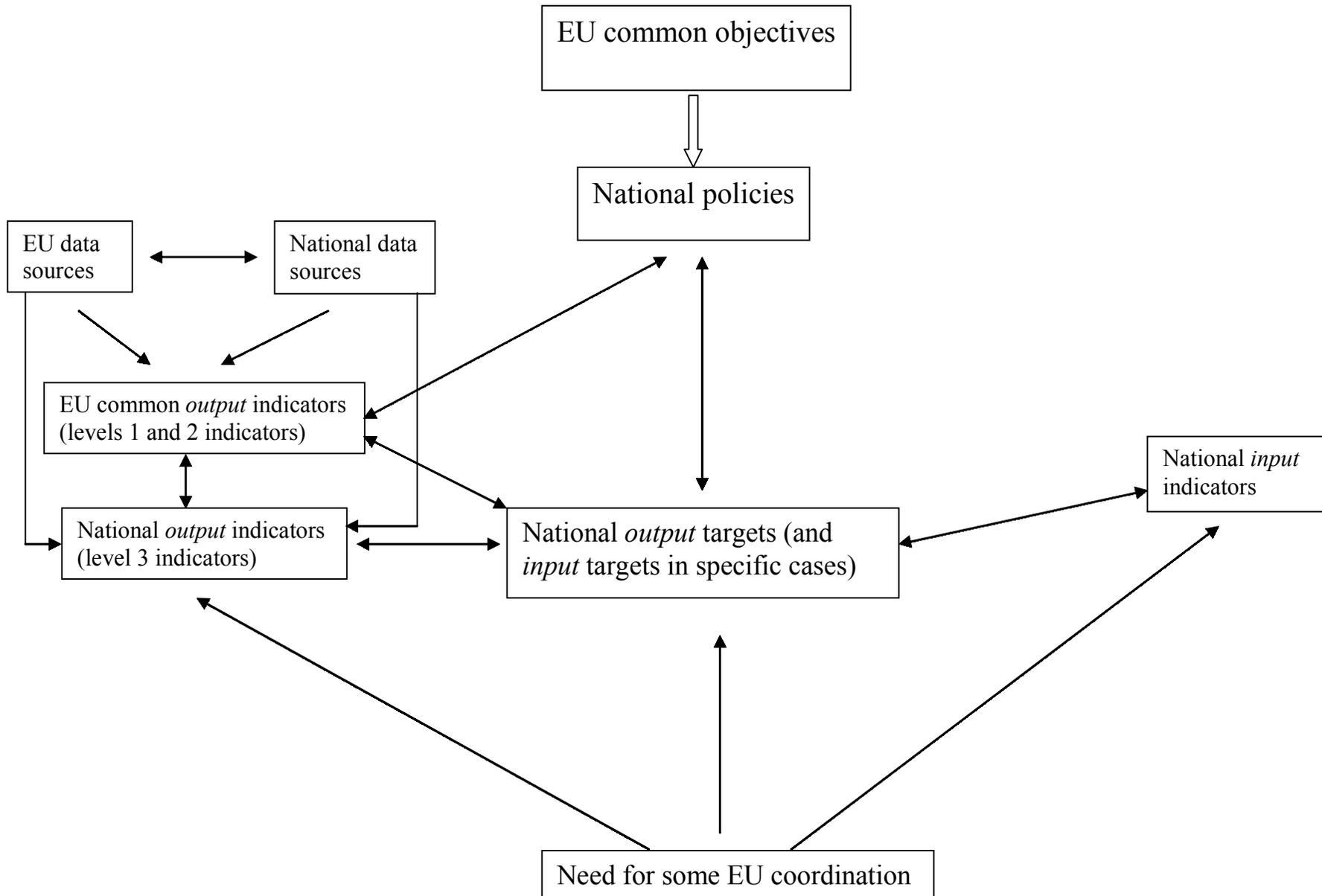
If countries initially focus their target setting on social outcomes that are seen as particularly important to their own situation, then different countries may have different targets, and these may or may not be directly linked to the common EU indicators. This would still represent a significant step forward, given the impact which explicit adoption of targets can have. However, we would argue that the logic of agreeing common indicators in the first place is that Member States should be working towards a situation where targets are framed in terms of those commonly-agreed indicators (or future versions of these commonly agreed indicators), or are at least systematically linked to some of these. This would facilitate mutual learning and exchange of good practices between Member States, which is a key rationale of the open method of coordination. The advantages of this approach are reflected in the Social Protection Committee’s Common Outline for the 2003 NAPs/inclusion reports.

The next question concerns the response of the EU as a whole. If, as seems likely, Member States adopt differing kinds and levels of target, then the Joint Report will play an important role in unifying the analysis. It is to be hoped that the Joint Report will, for example, report on the performance of Member States judged by the different targets proposed by individual countries. If France, for

instance, sets a target for one dimension, then the Joint Report should examine how the other 14 Member States perform against that yardstick, provided of course that comparable data is available for (most of) the other Member States.

Before moving on to the final issue we address, of the formulation in time of EU-wide targets, it may be useful to illustrate the way we see the inter-relationships between EU and national data, EU and national indicators and targets within the structure of the social inclusion process in Figure 1.

**Figure 1: Data, Indicators and Targets in the EU Social inclusion process**



## **7. EU Wide Targets**

The next stage of the process could well be the setting of EU wide targets. What might this mean, and what would be a sensible and productive approach? The example provided by the Employment Strategy will continue to be a significant influence on the development of the open method of co-ordination in the context of social inclusion. The Employment Strategy has now arrived at the point where the goal of having 70% of the population of working age in each Member State at work by 2010 has come to assume a central place. One of the points we will seek to bring out, in considering these issues, is that the best approach to follow in target-setting in the social inclusion field may well be rather different, with the most satisfactory approach being teased out in an evolutionary fashion rather than prescribed at the outset. The paper concentrates on the *setting* of targets, not on their monitoring over time, which raises a number of different issues.

First, let us consider a single dimension: the risk of poverty. There are a number of possible forms that a European target could take, including

- a common target for all Member States (e.g. poverty risk down to x% in all countries);
- an overall target for the European Union, set in terms of the poverty rate for the EU as a whole (the proportion of the total EU population at risk of poverty);
- different targets for each Member State, but aimed at reducing poverty to zero;
- Member States asked to emulate the best performing Member States.

A common target would seem unrealistic given the existing wide differences in performance. Currently available figures show the percentage falling below this income threshold in 1999 varied from 9% in Sweden up to 21% in Greece and Portugal. A common poverty target would be very challenging for some Member States and irrelevant for others. An EU-wide target, on the other hand, would in effect mean the largest Member States taking responsibility. Put differently, a situation in which a small country had a poverty rate of 50% might make little difference to the EU-wide statistic but be incompatible with European social cohesion. The third method takes account of the existing differences. It would require say that a poverty rate of 21% be reduced to 15% and one of 7% reduced to 5%. But in the latter case the required reduction might be small in relation to the measurement error, and there seems a case for a target of the fourth kind, which also seems in the spirit of the open method of co-ordination. Member States would be set the target of closing the gap on, say, the best three performing countries. Such a criterion should be seen, not as a ranking exercise, but as an application of peer review.

Does this mean that the three best performing Member States in terms of poverty can rest on their laurels? This would only be the case if they were also the best three performers on all other dimensions. (Even then, depending on the level of their performances, they would be encouraged to either remain (within a certain range) at the already achieved level or improve further.) Social inclusion is inherently multi-dimensional, and that is precisely why a *set* of indicators seeking to capture key aspects was recommended by the Social Protection Committee and adopted at the Laeken European Council. Having explicitly recognised this central characteristic in agreeing indicators, it would be inconsistent to now seek to focus target-setting on one indicator, however important. Instead, following through on the approach adopted so far would point towards encouraging Member States to set targets across the dimensions. This would face Member States with complex and inter-related challenges but allow real progress to be registered in the different dimensions of social exclusion. Once again, rather than thinking in terms of targets representing a common level for an indicator across the Member States, it may be best to seek to emulate the best performing three countries. National targets may be translated into regional or local targets. Some of the problems that arise in the EU/Member State relation discussed in this section will then also arise within countries.

Thinking about setting ambitious but achievable and appropriate targets poses a real dilemma because it may be difficult, in the current state of knowledge, to actually decide what is realistic. Two points should be kept in mind in this context. The first is that the open method of co-ordination focuses attention *inter alia* on cross-country and over time comparisons. The best-performing countries in particular domains can serve to demonstrate what can be achieved. This depends of course on the initial conditions of each Member State and on the institutional structure. Here the second point comes into play. The *ex post* examination of indicators relies implicitly on a counterfactual: what would have happened otherwise? Recent developments in the area of simulation modelling, notably the EUROMOD tax-benefit model, considerably enhance our capacity to assess the likely impact of specific types of policy intervention on for example the percentage below income thresholds.<sup>12</sup> Long-term underlying secular trends such as demographic shifts and the reduction of the share of the population engaged in agriculture affect poverty and inequality differentially in different countries, and also need to be incorporated in the analysis. Much remains to be done at a scientific level and researchers have a major contribution to make in deepening the information base for decision-makers. At the same time, this does not mean that there are technical solutions that will work in a way that is independent of the politics. The obstacles to meaningful target setting are more likely to be political

---

<sup>12</sup> See Atkinson (2002) for a discussion of the role of EUROMOD in the evaluation of National Action Plans on Social Inclusion.

than technical, and a target, policy or strategy that is politically unacceptable will either not be adopted or, if adopted, will not be implemented.

Finally, there remain serious practical issues to be addressed before the commonly-agreed indicators can be used to full advantage to assess performance in practice. This is because Member States need not only to agree on what is to be measured as common indicators; they also have to be willing to accept the validity of the statistics being produced to measure those indicators empirically. It is important in this context that the current set of Primary and Secondary indicators rely quite heavily, as foreseen in the Social Protection Committee Report on indicators for social inclusion endorsed in Laeken, on common EU data sources. In particular the EU *Labour Force Surveys* as well as, currently (see below) and especially for the core low income indicators, the *European Community Household Panel* (ECHP). The ECHP is a panel survey based on a standardized questionnaire that involved interviewing a representative sample of households and individuals in each country, covering a wide range of topics, including income, health, education, housing and employment. The first wave was conducted in 1994 in the then 12 EU Member States, and Austria (1995) and Finland (1996) subsequently joined although Sweden did not participate. The fact that the survey is harmonised has been crucial in addressing the very serious difficulties that can arise through non-comparability of figures from national sources. On the other hand, the reliability of the income data for a number of countries (including Belgium and the UK) has been questioned, and the results have been available only after a substantial lag and can therefore be criticised as out of date. For both these reasons, some countries have not tended to accept the results as reliable, preferring to rely on national sources. It is to be hoped that as a result of important joint efforts from both Eurostat and the Member States, ECHP data quality will be improved so that the unique socio-economic comparable information it contains can satisfactorily be used in the context of the open method of coordination until 2006, when an alternative EU data source has been launched and provides the required statistics (see below).<sup>13</sup>

The last wave of interviews for the ECHP was carried out in 2001 in most Member States, and the final 1994-2001 set of micro-data should become available by 2004. It is to be replaced by a rather different approach to producing data across all the Member States, known as the EU *Statistics on Income and Living Conditions* (EU-SILC), which should become the EU reference source for income and social exclusion statistics. This will allow Member States to use both survey(s) and administrative

---

<sup>13</sup> Many important errors in the ECHP micro-data, on the side of both Member States (which provide the basic national data files) and Eurostat (which double-checks the data, but also imputes the missing income information and weights the national data-sets), have been corrected in the statistical release covering the period 1994-1999, which is likely to significantly improve the quality of the data.

registers provided that this data can be linked at the micro-level, i.e. at both the individual and household level. Member States will also be allowed to separate the cross-sectional element from the longitudinal, panel element if they so wish<sup>14</sup>. The objective is to “anchor” EU-SILC in the different national statistical systems. This is a valid aim, and may be the only way to ensure acceptance at national level of the reliability of the figures, which is a *sine qua non* for further progress. Unfortunately, the approach now being adopted also has its risks. It is not difficult to see problems relating to harmonisation and non-comparability arising – since even the way a household is conventionally defined varies from one country to the next.

While Eurostat and Member States are working together on the development of common guidelines and procedures aimed at maximising comparability (through a Council and European Parliament framework regulation adopted in 2003, and through a series of implementing Commission’s Regulations to be adopted immediately afterwards by the so-called *commitology procedure*), this is something which will require utmost care and need detailed examination as data from EU-SILC actually become available. The other problem at this stage is timing: EU-SILC will only get under way in Germany, the Netherlands and the United Kingdom in 2005 (whereas it will be launched in 2003 or 2004 in the other Member States), and first data for all the (current) Member States will then not be available before end-2006. There will therefore be a significant data gap at EU level (as well as, for several Member States, at national level). Methodological work will also inevitably be required before a link can (possibly) be made, for the agreed indicators, between the existing ECHP time series and the new EU-SILC ones.

This obviously has implications for target-setting. Data from the ECHP are likely to be the source for the commonly agreed and defined income-based indicators in the 2003 Joint Report on Social Inclusion, (and possibly in the 2005 Report), and will provide a good baseline picture of the situation around the time the open method of co-ordination got under way. Some Member States may prefer to set targets based on national sources, especially when there is then going to be a significant gap before EU-SILC comes on stream, which is unfortunate since it will inevitably give rise to problems in making comparisons across countries. However, the most important point to focus on at this stage is which indicators, rather than which figures for those indicators, are used in initial target-setting. Member States can be expected to approach target-setting gingerly and with some trepidation. The priority at the outset should thus be to emphasise the importance of framing targets in terms of key broad social outcomes, rather than either input/programme-related targets or outcome indicators

---

<sup>14</sup> Cross-sectional data are data pertaining to a given time or a certain time period, whereas longitudinal data are data

relating to very specific areas. Countries could then focus initially on social outcomes relating to poverty and social inclusion which are regarded as particularly salient, and on targets that are regarded as credible and politically supportable domestically.

Much of our attention in this paper has been focused on the more technical aspects of target setting. In conclusion, though, it should be emphasised that such target-setting is essentially a political act. To fulfil its potential within the social inclusion process, targets must be seen by all as embodying a political commitment by Member States' governments – in effect, to do whatever it takes to substantially improve the position of the disadvantaged over a specified time-frame. Furthermore, while the overall objective set at Lisbon for 2010 is central, data will not be available against which it can be assessed until several years later. Thus there need to be intermediate targets, which allow Member States to see whether they are on track, to which that political commitment is also made. The real technical challenges which have to be faced in giving concrete form to such commitments should not be allowed to act as an obstacle to their adoption.

## References

- Atkinson, A.B., 2002. *The Role of EUROMOD in the Evaluation of National Action Plans on Social Inclusion*, EUROMOD Working Paper No. EM/02, Microsimulation Unit, University of Cambridge: Cambridge.
- Atkinson, T, Cantillon, B, Marlier, E and Nolan, B, 2002. *Social Indicators: The EU and Social Inclusion*, Oxford University Press, Oxford.
- Dennis, I and Guio, AC, 2003. *Poverty and Social Exclusion in the EU after Laeken*, Statistics in Focus, Theme 3, 8 and 9/2003, Office for Official Publications of the European Communities, Luxembourg.
- European Anti-Poverty Network (EAPN), 2001. *The European strategy for combating poverty and social exclusion: EAPN proposals for evaluation, monitoring and indicators*, EAPN, Brussels.
- European Commission, 2001. *Structural Indicators*, Communication from the Commission, COM (2001) 619 final.
- European Commission, 2002. *Structural Indicators*, Communication from the Commission, COM (2002) 551 final.
- European Commission, 2001. *EU Employment and Social Policy, 1999-2001*, Office for Official Publications of the European Communities, Luxembourg.
- European Commission, 2002. *Joint Report on Social Inclusion*, Office for Official Publications of the European Communities, Luxembourg.
- Layte, R, Maître, B, Nolan, B and Whelan, CT, 2001. "Persistent and Consistent Poverty: An Analysis of the First Two Waves of the ECHP", *Review of Income and Wealth*, Series 47, No. 4, 357-372.
- Marlier, E, 2003. "Setting Targets: The Use of Indicators", *EAPN Network News*, No. 98, 4-6.
- Nolan, B and Whelan, C T, 1996. *Resources, Deprivation, and Poverty*, Clarendon Press, Oxford.
- Politica Economica, No. 1/2002, Special issue devoted to "Indicators for Social Inclusion: Making Common EU Objectives Work".
- Social Protection Committee, 2003. "Common Outline for the 2003/2005 NAPs/inclusion", Brussels.
- UNICEF, Innocenti Report Card, No 4/2002, *A League Table of Educational Disadvantage in Rich Nations*.
- Vranken, J, De Keulenaer, F, Estivill, J, Aiguabella, J, Breuer, W and Sellin, C, 2001. *Towards a policy-relevant European database on forms of social exclusion*, UFSIA, Antwerp.