

## **Internationally comparative indicators of material well-being in an age-specific perspective**

1. Which international indicators in this area are currently available and published? Review of selected recent EU and OECD social reports.
2. Which indicators can potentially be built on the basis of existing instruments and data? Criteria and possible fields.
3. Which ageing indicators in the area “well-being, income (in)security, poverty“ would be of relevance? A proposal for nine selected indicators.

## Currently available indicators: selected publications reviewed

### ① Social and social indicators reports

- The social situation in the EU (EC 2003)
- Social protection in Europe (EC 2002)
- Society at a Glance (OECD 2003)



### ② Reports on poverty and social exclusion

- Joint Report on Social Inclusion (EC 2001)
- 2nd EU report on income, poverty and social exclusion (EC 2003)



### ③ Reports on ageing and well-being

- Joint report on adequate and sustainable pensions (EC 2003)
- Ageing and income (OECD 2002)














## **Conclusion of review:**










- i. Relatively little amount of comparative age- or income/poverty - specific indicators included in current general international social reports**
  - EC 2001: 3/20; EC 2003: 14/50; OECD 2003: 9/68
  - old Laeken specifies: 2/18, new Laeken: 13/20
- ii. Age- and income/poverty - specific indicators basically limited to two core indicators: relative income levels and income poverty rates**
  - EC 2003 annex: median income and income poverty rates (60%) by age; OECD 2003: average income and income poverty rates (50%) by age
  - old Laeken: income poverty rate (60%)
  - new Laeken: income poverty rate(40%, 50%, 60%, 70%); persistent poverty rate (50%, 60%); poverty gap (60%); constant poverty rate (60%); pre-transfer poverty rate (60%); in-work poverty rates (60%); health status
- iii. More is available in special reports on either ageing or poverty/social exclusion. However, more of interest for applied in-depth analyses and less relevant for policy monitoring**
  - Eurostat 2003 2<sup>nd</sup> report: 20/140
  - EC 2003 pension report:4/29
  - OECD 2001 ageing report: 25/49
- iv. Some of these need to be considered when developing framework for ageing sustainability indicators in the income (in)security and poverty domain, in particular distribution and wealth indicators**

## Commonly agreed EU social inclusion indicators: only 2 in 2001 but 13 in 2003 are age-specific

### “PRIMARY INDICATORS”

-  *Low-income rate after transfers with threshold set at 60% of the national median equivalised income (with breakdowns by gender, age, activity stats, household type and tenure status)*
-  **Values of the threshold**
-  **Distribution of income (income quintile ratio)**
-  *Persistence of low income (persons living in low income households in year n and (at least) two years of years n-1, n-2, n-3 (with gender breakdown))*
-  *Median low-income gap (difference between the median income of persons below the low income threshold and the low income threshold, expressed as a percentage of the low income threshold (with gender breakdown))*
-  Regional cohesion (coefficient of variation of regional employment rates) (with gender breakdown)
-  *Long-term unemployment rate (with gender breakdown)*
-  Rate of people living in jobless households (children and working-age adults);
-  *Early school leavers not in further education or training (with gender breakdown);*
-  *Life expectancy at birth (with gender breakdown)*
-  *Self perceived health status by income level (bottom and top quintile) (with gender breakdown)*

### “SECONDARY INDICATORS”

-  *Dispersion around the 60% median low income threshold (persons living in households below 40, 50 and 70% of the median national equivalised income) (with gender breakdown)*
-  *Low income rate anchored at a point in time (year t-3) (with gender breakdown)*
-  *Low income rate before transfers (with gender breakdown) (with gender breakdown)*
-  **Distribution of income (Gini coefficient of income inequality)**
-  *Persistence of low income based on 50% of median income threshold (with gender breakdown)*
-  *Incidence of in-work poverty risk (with gender breakdown)*
-  *Long-term unemployment share (with gender breakdown);*
-  *Total very long-term unemployed rate (≥24 months) (with gender breakdown);*
-  *Rate of persons with low educational attainment (by age groups and with gender breakdown)*

Note: Indicators in *italic* are age-specific; in **bold** income-based; and in *italic bold* income-based and age-specific

**Additional *possible* indicators, based on data sources and instruments which could be exploited further. Example ECHP/EU-SILC**

Potential indicators in 10 fields:

- incomes: dynamic and distributive indicators
- literacy and education
- access to consumption goods and durables
- savings and wealth
- financial situation: indebtedness; ability to make ends meet
- housing and living conditions: facilities; space; neighbourhood
- reciprocity: caring behaviour
- subjective assessment and expectations
- social relations
- dynamics in the household and family

## **Principles and criteria for social indicators**

### **EU social report criteria:**

- i. each indicator should be policy relevant at EU level;
- ii. comparable across EU member states;
- iii. available using harmonised sources;
- iv. measurable over time;
- v. easily understood;
- vi. the set of indicators should be relatively stable over time to ensure continuity.

## **Principles and criteria for social indicators, II**

### **EU social inclusion indicators principles:**

- i. an indicator should capture the essence of the problem and have a clear and accepted normative interpretation;
- ii. be robust and statistically validated
- iii. be responsive to policy interventions but not subject to manipulation
- iv. be measurable in a sufficiently comparable way across countries and comparable as far as practicable with the standards applied internationally;
- v. an indicator should be timely and susceptible to revision;
- vi. the measurement of an indicator should not impose too large a burden on member states, on enterprises nor on the Union's citizens;
- vii. the portfolio of indicators should be balanced across different dimensions;
- viii. the indicators should be mutually consistent and the weight of single indicators in the portfolio should be proportionate;
- ix. the portfolio of indicators should be as transparent and accessible as possible to the citizens of the European Union

## **Principles and criteria for social indicators, III**

**ILO (Corredo/Behrendt):** indicators in employment/social protection field should be

- i. clear and straightforward;
- ii. consistent;
- iii. as comprehensive as possible while not being overly complex;
- iv. easily comparable across countries;
- v. build on data that are relatively easily available and do not require much data collection effort from the part of governments and other bodies;
- vi. lend themselves to an unambiguous interpretation.

**Pestieau (policy brief):** indicators should be

- i. widely accepted and not subject to manipulation;
- ii. significant (comparable and robust).

**Stanton (framework for indicators for effective policy making):** key criteria for indicators

- i. to measure real resources transferred to elderly as well as associated financial flows
- ii. need to be flexible to accommodate different pension policy rationales;
- iii. balance between monitoring today's pensioners and those in the future;
- iv. realistic trade-off between internationally and domestically available data

## **Principles and criteria for social indicators, resumé**

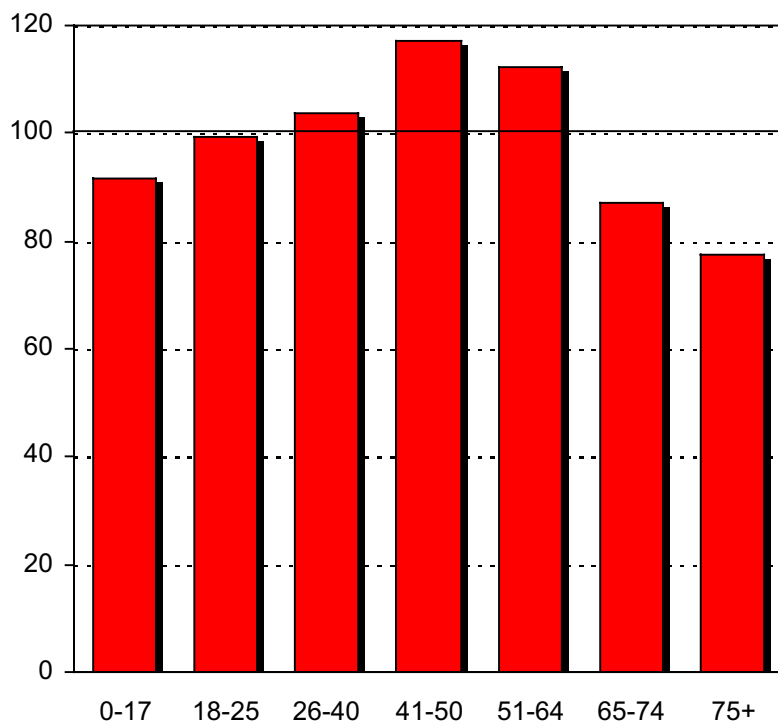
### **Indicators' key criteria:**

- i. comparability
- ii. robustness
- iii. availability
- iv. clear meaning and acceptance
- v. policy relevance

## Nine proposed indicator groups of ageing sustainability in the field “well-being, income (in)security and poverty” with illustrative examples

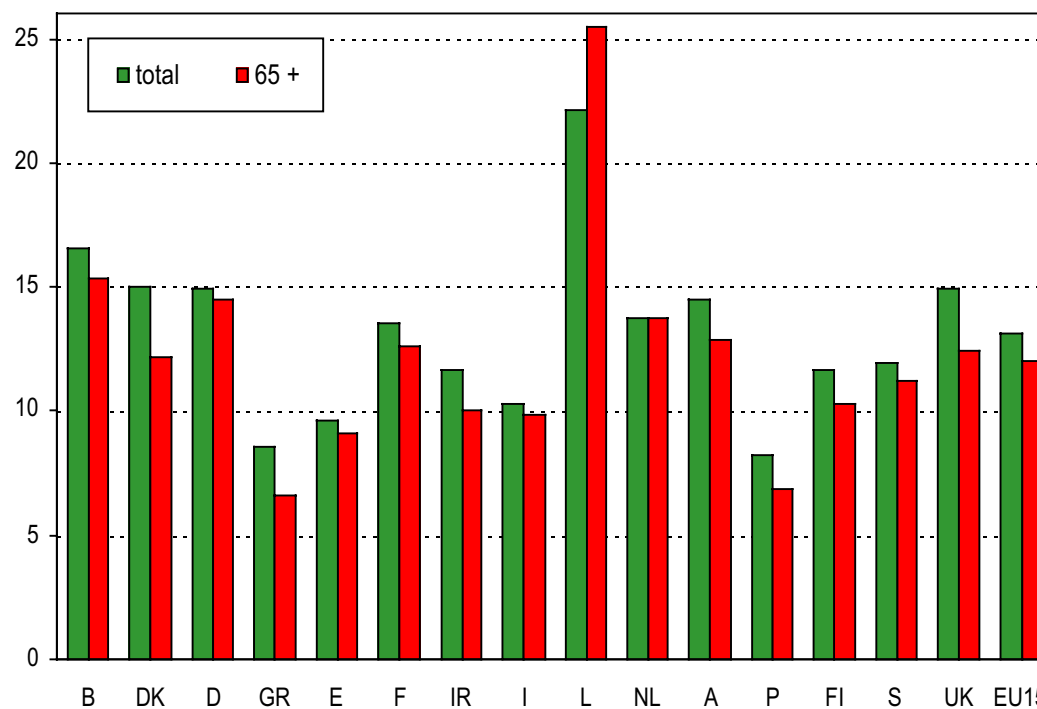
### 1. Income status: relative and real disposable income

Example 1a: age-specific relative income levels (total population=100), OECD average



Source: OECD (2000), Figures refer to the mid-1990s

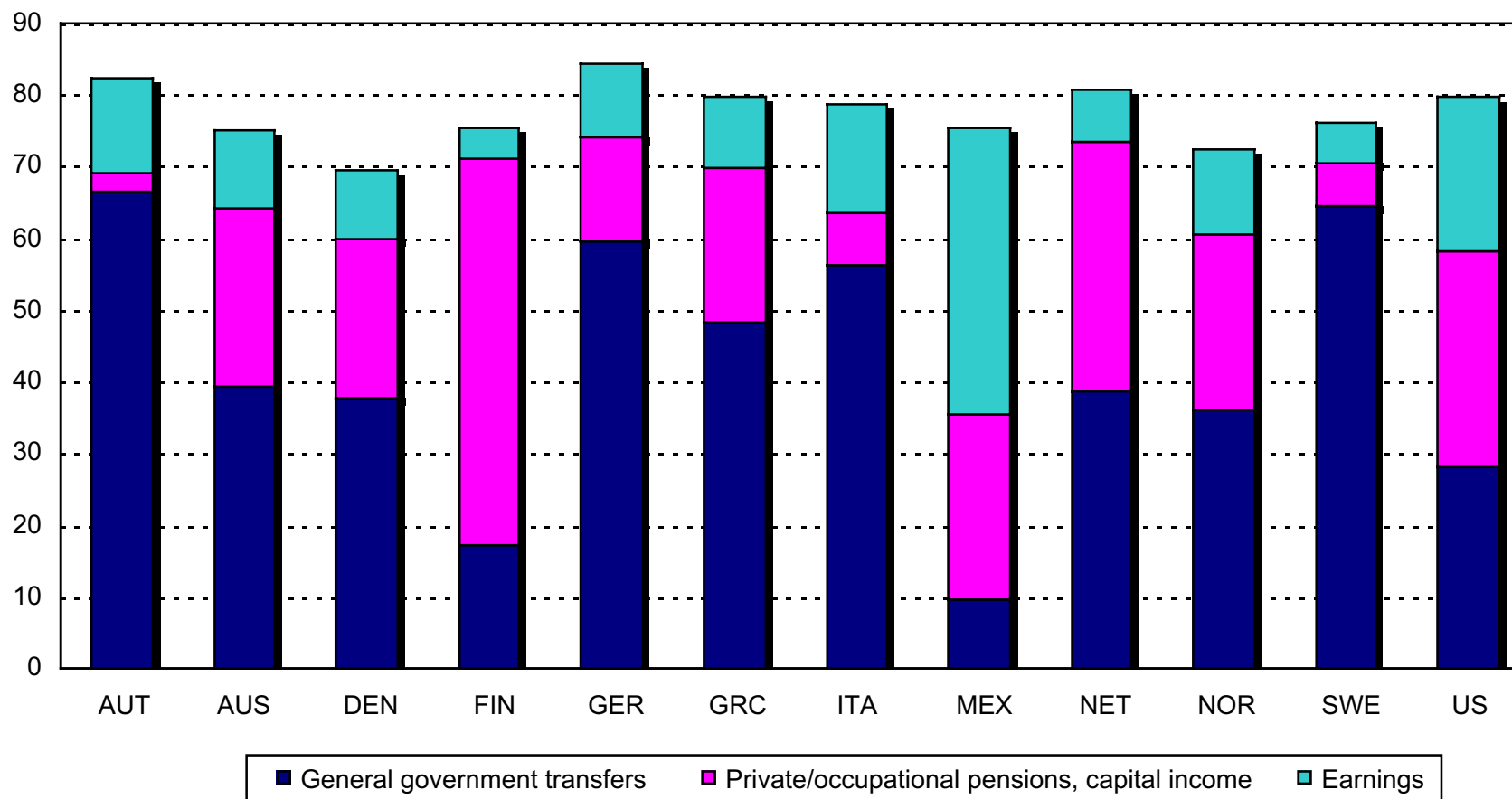
Example 1b: real age-specific annual income levels in 1.000 PPPs, 15 EU member countries



Source: Eurostat (2003). Figures refer to 1998.

## 2. Income composition and replacement rates

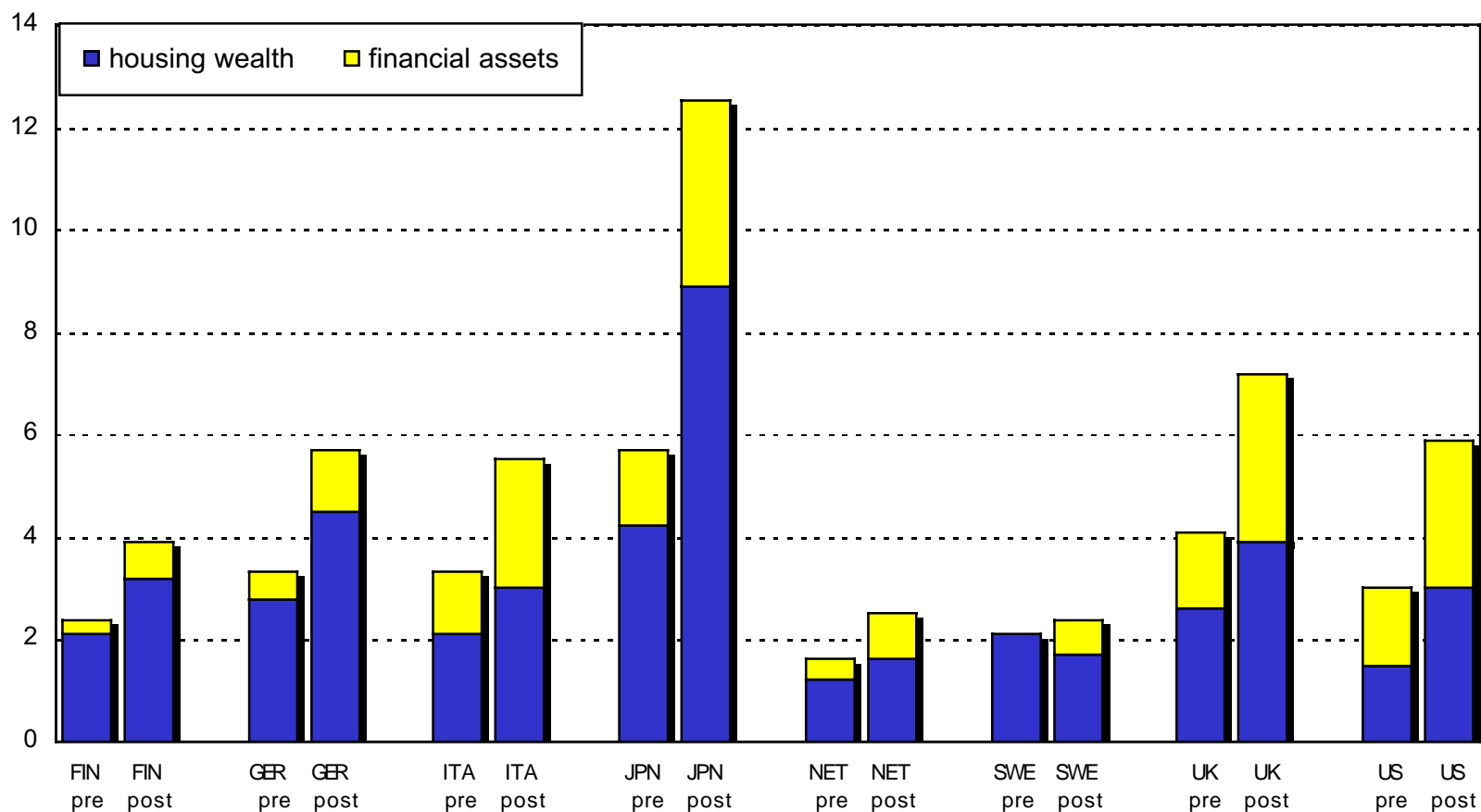
Example 2: Income composition and quasi replacement ratios for persons aged 65-75



Source: OECD (2000), Figures refer to the mid-1990s

### 3. Overall material well-being: consumption and wealth

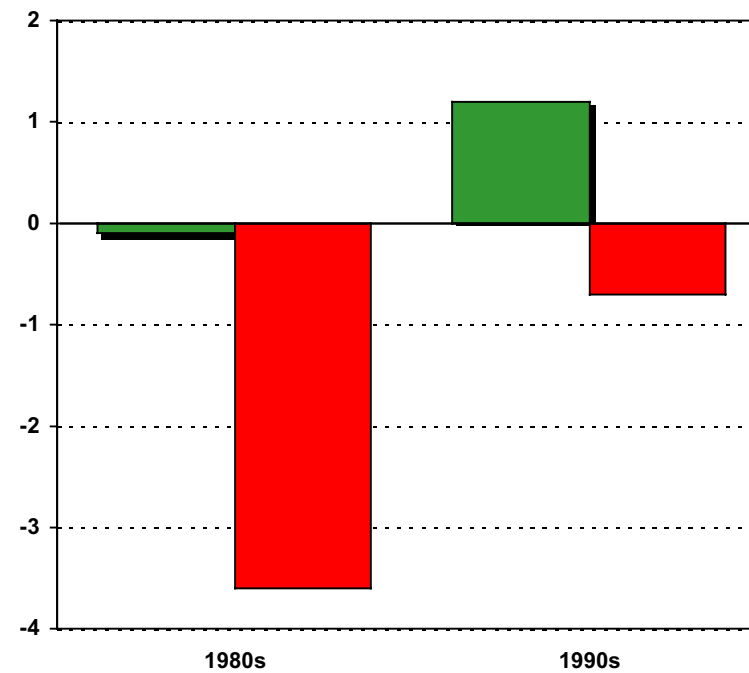
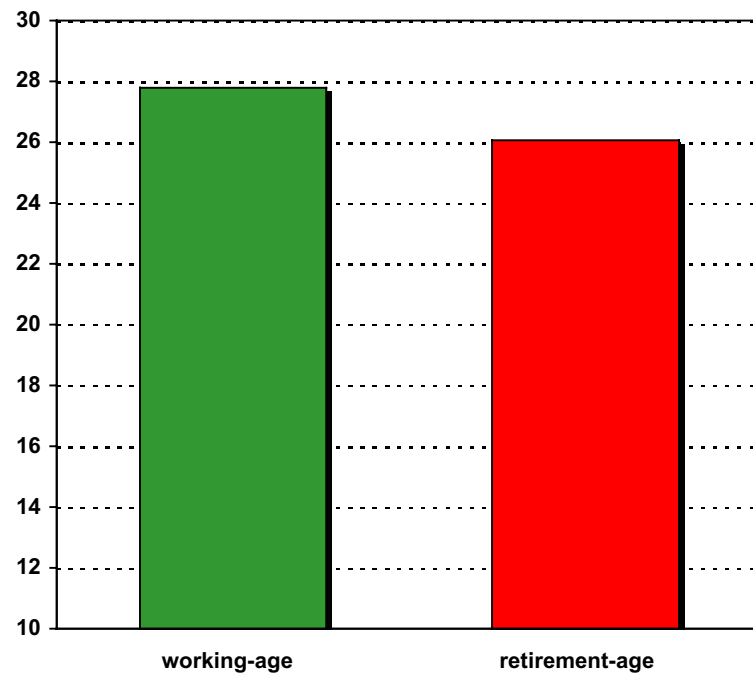
Example 3: Financial and housing wealth in percent of gross annual income, pre- and post retirement age head



Source: OECD (2001), Figures refer to the mid-1900s

## 4. Distribution of wealth and income

Example 4: Gini coefficients of income inequality for working- and retirement-age population: OECD average, levels (mid-1990s) and trends

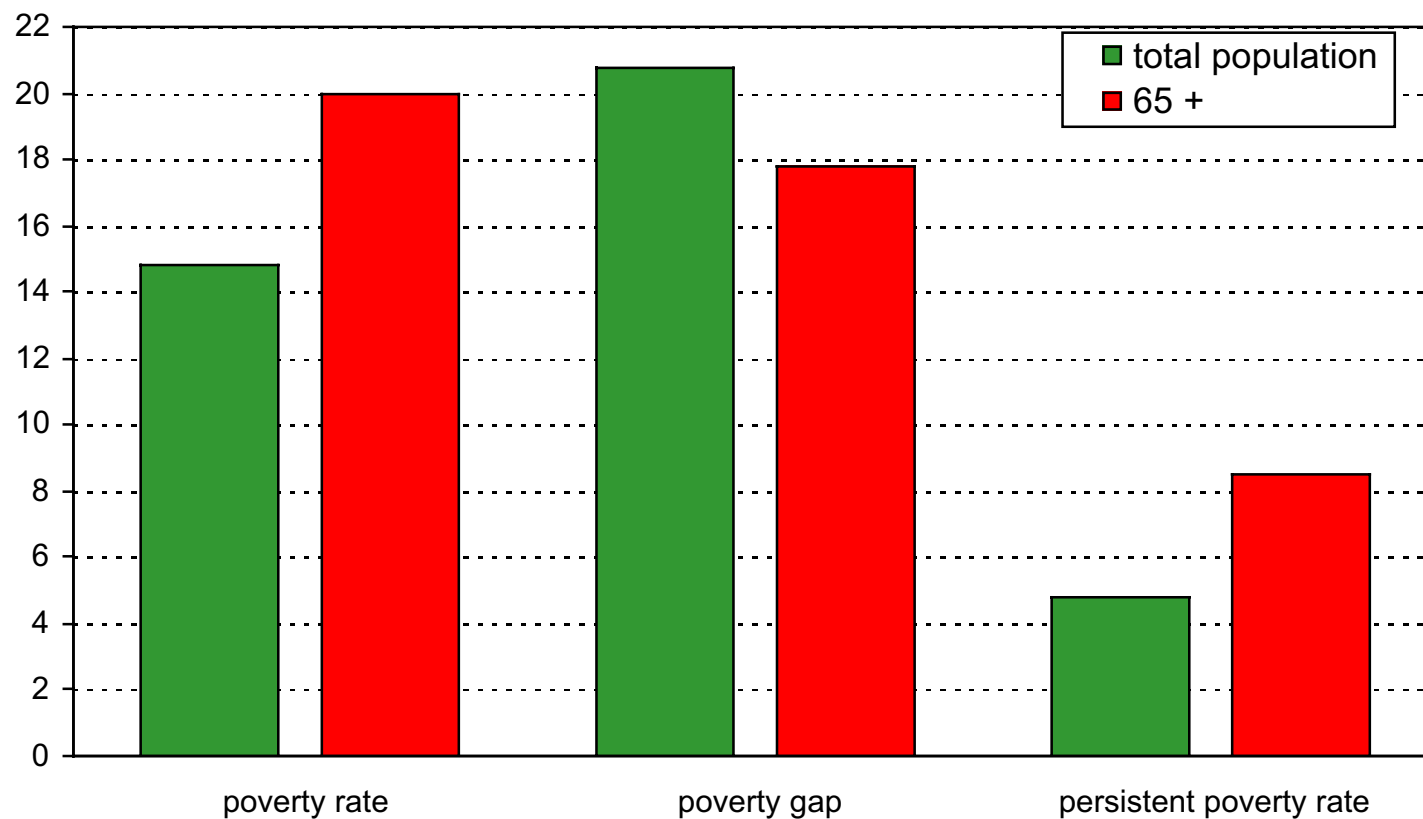


### 5. Relative income poverty

### 6. Persistent poverty

Example 5: At-risk-of poverty rate and median poverty gap (60% threshold), EU15 average

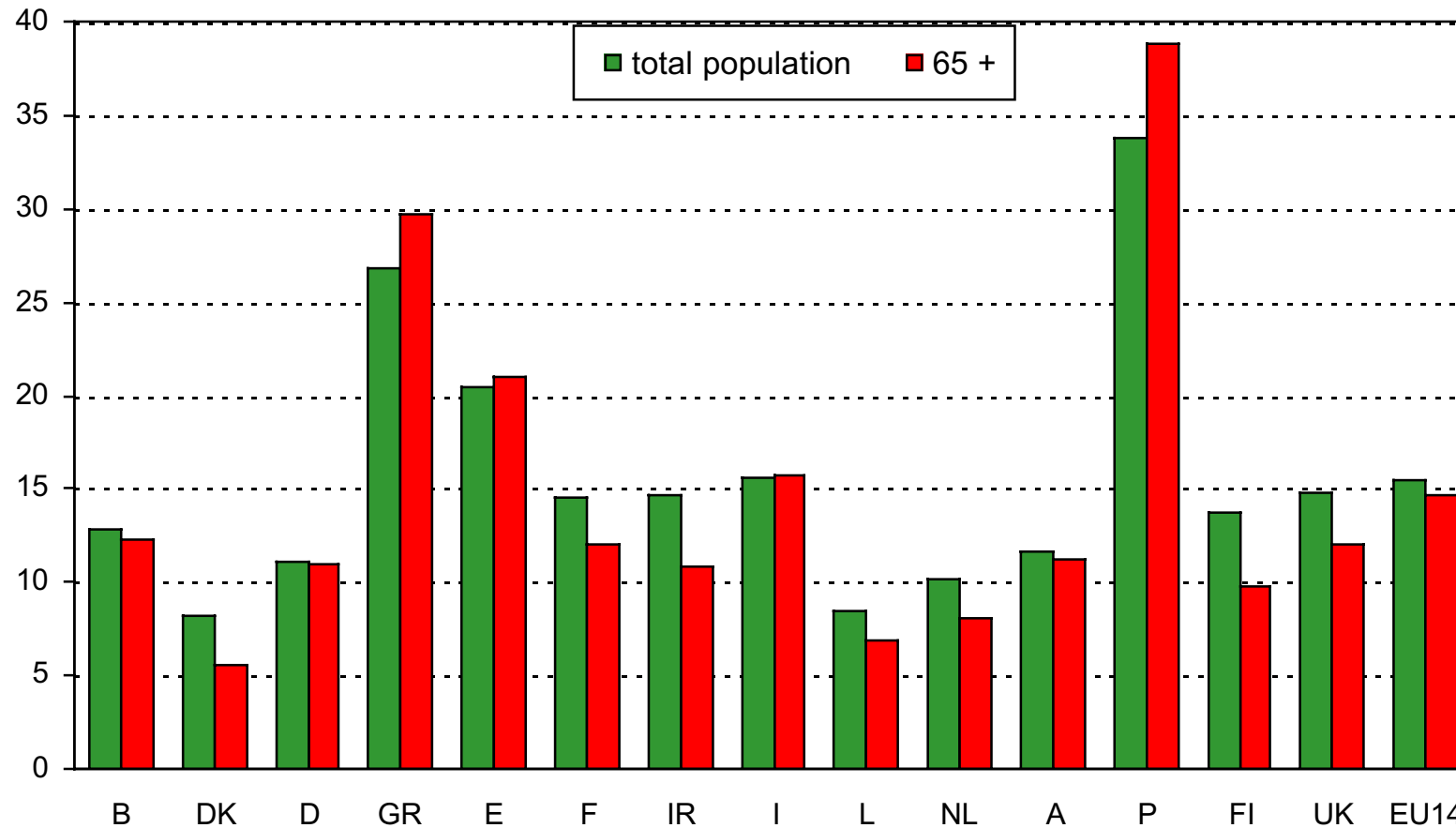
Example 6: Longer-term at-risk-of poverty rate (60% threshold): 3 out of 5 years, EU14 average



Source: Eurostat (2003), European Centre. Figures refer to 1998.

## 7. Non-monetary poverty

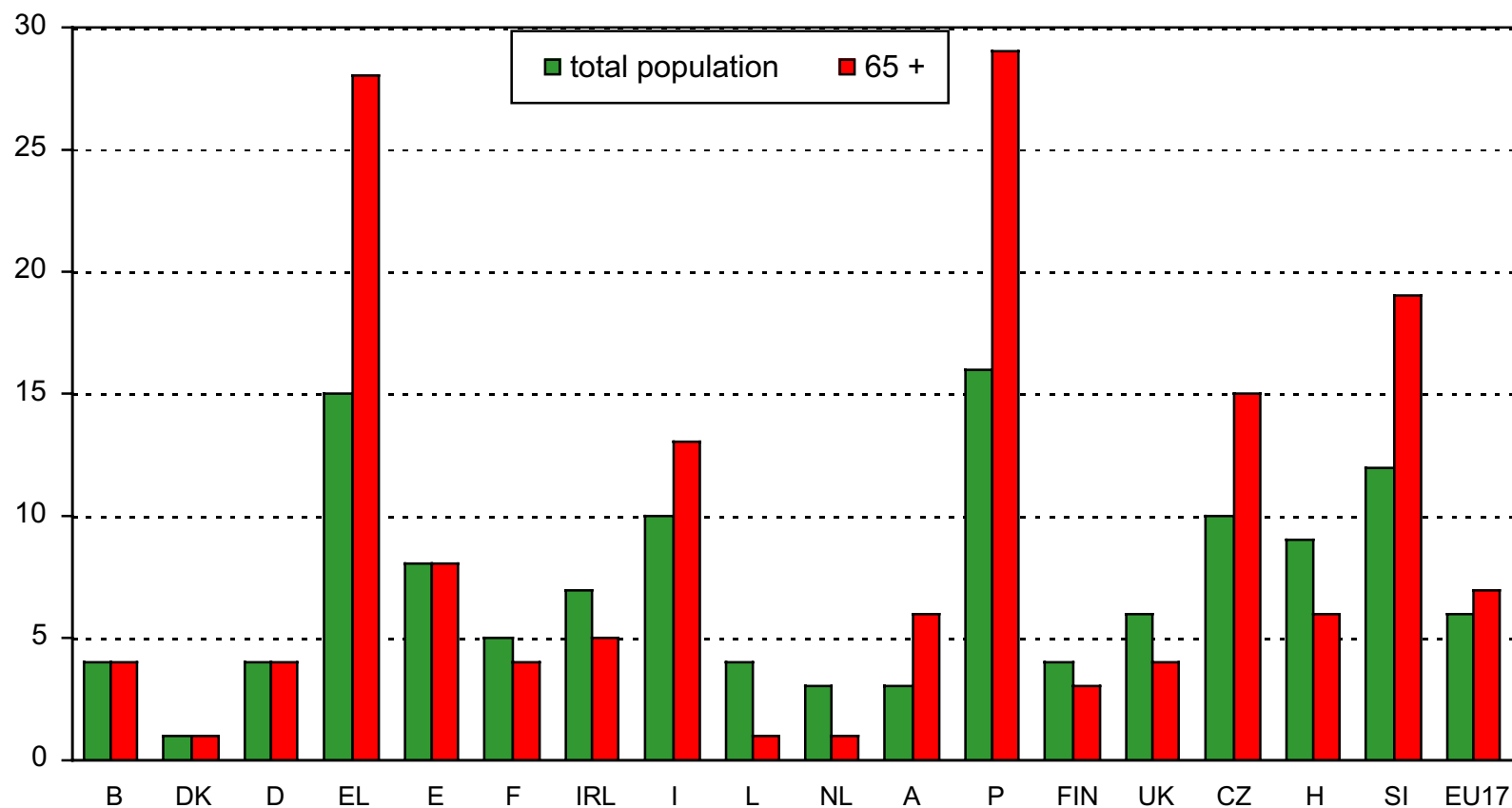
Example 7: Relative multiple non-monetary (life-style) deprivation index



Source: Eurostat (2003). Figures refer to 1998.

## 8. Core poverty: below monetary and non-monetary poverty thresholds

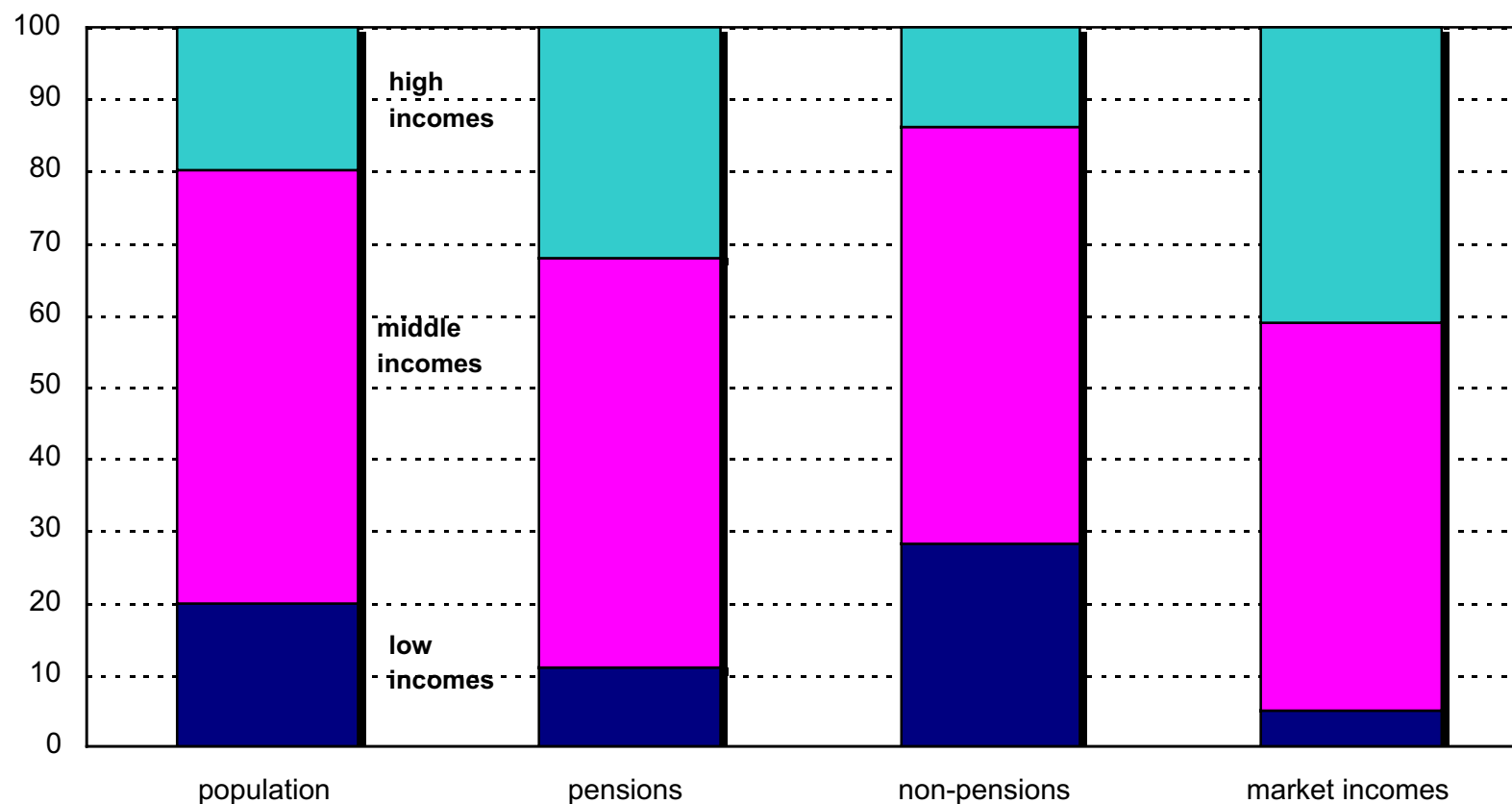
Example 8: Consistent poverty rate: below 60% of median *and* deprived in 2 of 4 life domains, EU17, 1999



Source: European Centre (2003), Figures refer to 1999










## 9. Distribution of pension benefits and pension shares

Example 9: Distribution of public pensions (60+), non-pension transfers and market incomes (20-64), EU14 average



Source: Eurostat (2003), European Centre. Figures refer to 1998.

## Résumé: the nine proposed indicators / indicator groups:

-  **Income status**
-  **Income composition**
-  **Consumption and wealth**
-  **Distribution of income and wealth**
-  **Relative income poverty**
-  **Persistence of income poverty**
-  **Non-monetary deprivation**
-  **Consistent poverty**
-  **Distribution of income sources (public and private pensions)**

### Present Workshop contributions:

- Pestieau includes 1. & 5. under “descriptive”, 2. under “incidence”
- Perelman includes 1. & 5. under “intermediate”
- Stanton includes 1. & 5. within group 5 (“poverty”)
- Corredo/Behrendt include 1. & 5. as two of 15 overall indicators
- Jacob includes 1. & 5. and 4. (according to three objectives)
- Jäntti includes 1. & 5. & 2. & 3. & 4. among seven overall indicators

## **In sum, the nine proposed indicator groups**

- include the two most commonly used and published indicators (income levels and income poverty)
- expand the indicators set with non-monetary variables and indicators
- include information on levels and trends
- include cross-section and dynamic indicators
- include “status” as well as “response” indicators
- take into account the specific need to compare across a larger region of Europe