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EVALUATION OF NATIONAL ACTION PLANS ON SOCIAL INCLUSION: THE ROLE OF EUROMOD

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1 This paper was written as part of the MICRESA project, financed by the Improving Human Potential programme of the European Commission (SERD-2001-00099). MICRESA stands for MICRO analysis of the European Social Agenda. I am most grateful to Holly Sutherland for her comments on the first version, and to Klaas de Vos, Bengt Eklind, Michael Fuchs, Daniela Mantovani, Magda Mercader Prats and Heikki Viitamäki for their advice. None of them should be held responsible for any remaining errors or for the opinions expressed.
Introduction

In June 2001, EU Member States submitted their first National Action Plans on Social Inclusion (NAPincl), a concrete outcome of the new stage in the development of the European social agenda agreed at the Lisbon and Nice European Councils in 2000. The Commission is charged with evaluation of these Plans, and in its Joint Report on Social Inclusion in December 2001 (published in 2002) noted that “an important challenge for the next stage of the social inclusion process will be to ensure more thorough analysis by the Member States of the cost effectiveness and efficiency of their policies to tackle poverty and social exclusion” (European Commission, 2002b, page 9).

The aim of this paper is to consider the issues raised by the evaluation of National Action Plans on Social Inclusion and to assess how far EUROMOD, the European-wide tax-benefit model, can be used to evaluate the policy positions of Member States. As such it is intended to be an input into the preparation of the next round of National Action Plans and into developing a Europe-wide capacity for policy analysis.

1 The National Plans on Social Inclusion

1.1 Background

Recent developments in European social policy date from the Lisbon European Council in March 2000, where Heads of State and Government decided that the Union should adopt the strategic goal for the next decade not only of becoming “the most competitive and dynamic knowledge-based economy”, but also of achieving “greater social cohesion”. This reflected the feeling of many people that the social dimension of Europe deserved more priority, and is described in the 2001 Joint Report as “The new commitment”. Later in 2000, at the Nice Summit, it was agreed to advance social policy on the basis of an Open Method of Coordination, in order to “make a decisive impact on the eradication of poverty and social exclusion by 2010” (EU Employment and Social Affairs website, 27 April 2002). The Open Method of Coordination recognises that, under the principle of subsidiarity, social policy remains the responsibility of Member States. It was decided that each Member State should implement a national two-year action plan for combating poverty and social exclusion, setting specific targets. The Commission was charged with monitoring the development of the social agenda and with preparing an annual scoreboard of progress. There is a parallel with the National Action Plans on Employment, and there is indeed a close connection, as the European Union Summit at Lisbon in March 2000 agreed as part of its objectives for the knowledge-based economy that the EU should aim to raise its employment rate from 61% to 70% by 2010.

The National Action Plans on Social Inclusion (referred to as NAPincl) are designed in the context of agreed European objectives. Four Objectives were agreed, the first of which is subdivided into two:

Objective 1.1  Policy measures for employment,
Objective 1.2  Access to resources, rights, goods and services,
Objective 2  Prevention of the risks of exclusion,
Objective 3  Actions to help the most vulnerable,
Objective 4  Mobilisation of all relevant actors.
These objectives are made concrete in a commonly agreed and defined set of social indicators. The process of agreeing such indicators was begun by the European Commission in its Communication on Structural Indicators (European Commission, 2000), which put forward a set of indicators. Data on these were presented at the March 2001 Stockholm Summit. At the same time, the Social Protection Committee established a Sub-Group on Social Indicators. (The Social Protection Committee consists of senior representatives of Member States who are charged with preparing the business for the Council of Ministers of Social Affairs.) The Sub-Group produced a report on indicators (Social Protection Committee, 2001) that was accepted by the Employment and Social Affairs Council in December 2001, and now forms the basis for European Union policy-making.

The first NAPincl were submitted in June 2001. They have been evaluated by the Commission, and, following a series of bilateral meetings, a Joint Report was submitted to the Laeken Council, and published in 2002. Part I of the Joint Report reviews in Sections 1 and 2 the major trends, challenges and broad strategic approaches. Section 4 reviews the four Objectives listed above, drawing attention to lessons that can be learned from the experience of individual Member States. Section 4 deals with gender mainstreaming. Section 5 deals with the use of social indicators in the NAPincl. Part II of the Joint Report considers each Member State individually. The two annexes present statistical material on indicators (Annex I) and examples of good practice (Annex II).

The next steps in the open method of co-ordination are (up to May 2002) a process of mutual learning and (remainder of 2002) a dialogue in the Social Protection Committee, with the aim of drawing conclusions for the second wave of NAPincl.

To sum up, the Social Inclusion Process has the following key elements (EU Employment and Social Affairs website, 27 April 2002):

- Common objectives on poverty and social exclusion agreed at Nice Summit in December 2000,
- National Action Plans adopted by Member States on a two-yearly basis,
- Joint reports on Social Inclusion, regular monitoring, evaluation and peer review,
- Common Indicators, agreed at Laeken in December 2001, as a means of monitoring progress and comparing best practice,
- Community Action Programme to encourage cooperation between Member States to combat social exclusion.

1.2 National Action Plans

Member States had no more than 6 months to prepare their NAPincl, and it is not surprising that they varied considerably in scale and scope. The National Action Plans on Employment provided a precedent but the field of social inclusion is less well defined. Member States interpreted their brief in different ways. A number of countries provided general accounts of their approach to social protection; others discussed in detail recent legislative changes. Some countries proposed new measures; others referred to on-going strategies. Some counties have explicit targets; others expressed general aspirations.

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2 The references to National Action Plans are given at the end of the paper. Atkinson et al (2002, Chapter 3) provide an introduction to the individual NAPincl, with particular reference to social indicators. The European Anti-Poverty Network (2001) provides a synthesis of the NAPincl with reactions from national networks. Ruxton and Bennett (2002) provide an audit of the NAPincl from the perspective of children.
The Commission was therefore faced with a task of considerable magnitude when it prepared its Joint Report. It had to put in a common format the very different NAPincl. Its summary “boxes” on each country cover the four headings: Situation and key trends, Strategic approach, Policy measures, and Challenges ahead. In Tables 1 and 2, I have summarised their summary under the first two headings.

The Joint Report summary of the current position refers to a number of dimensions of social exclusion, but the main indicator – indeed the only indicator reported for all Member States in the summaries – is the rate of financial poverty (below 60% of the national median equivalised income). In its diagnosis of the determinants of poverty, the Joint Report gives particular emphasis to the role of macro-economic factors, and specifically to the overall employment rate. A core thesis is that “the major cause of exclusion is the lack of employment” (Summary for Spain). High employment rates are seen as a strongly positive factor in Denmark, Austria, Sweden and the UK. Conversely, low employment rates are seen as a cause of poverty in Greece and Italy. The Joint Report draws a clear distinction between employment and unemployment. It notes the contribution of high unemployment rates to poverty in Belgium, Germany, Greece, Spain, France, and Italy. Unemployment is affected by short-term macroeconomic policy as well as by structural factors, and a booming economy is seen as a positive contributor in the cases of Denmark, France, Ireland, Luxembourg, Netherlands, Austria, Finland, Sweden and the UK.

The positive association of these economic factors with the reduction of poverty is important both for predicting the future evolution of poverty in the EU and for the design of policy. At the same time, there is recognition that employment does not necessarily ensure inclusion. In the case of France the Joint Report notes “although poverty and exclusion are mostly associated with being out of work, people with a job may also be affected” (European Commission, 2002b, page 115). In the case of Italy, the Joint Report notes that family-based welfare has a negative effect on female employment but there is also a reverse effect: expansion of female employment may reduce family-based welfare. In the short-run, economic growth may leave behind those at the bottom, so that growth may lead to rising relative poverty. In the case of Ireland, the Joint Report notes “growing income disparity” (2002b, page 121).

The second key element in the Joint Report analysis is the role of social protection. Comprehensive social protection systems are identified as positive factors in the cases of Belgium, Denmark, Germany, Luxembourg, Austria, Finland and Sweden. Improvements are identified in coverage (Spain) and in benefit levels relative to average wages (Netherlands). In the UK, the persistence of income inequalities and poverty, despite strong employment, are linked to shortcomings in social protection.

The same two key elements – employment and social protection – recur in the Joint Report conclusions on the Strategic Approach. In the Annex to the Joint Report there is the beginning of a statistical analysis, seeking to explain the cross-country differences in poverty rates in terms of social spending. In Figure 1 this is taken further by including as explanatory variables both the employment rate (in 1995) and the proportion of GDP spent on social protection in 1996 (ESSPROS data). (The proportion seems more appropriate for explaining relative poverty than the level of spending per head used in the Joint Report.) The regression equation is

\[
\text{poverty rate} = 37.2 - 0.69 \text{social protection} - 0.05 \text{employment rate}
\]

\[
\begin{align*}
(0.33) & \quad (0.17)
\end{align*}
\]
where all variables are measured as percentages, and the figures in brackets are estimated standard errors. As may be seen, nine Member States lie close to the regression line (Belgium and Germany lies more or less exactly on the line). But actual poverty is a lot lower than predicted in Denmark, Finland and Luxembourg. In the latter two countries, poverty is relatively low despite low employment rates. It is a lot higher in the UK, Portugal and Greece. In the case of the UK, poverty is high despite it spending very close to the EU average on social protection.

Cross-country variation is not the same as cross-time variation. There may be country-specific reasons (country “fixed effects”) for differences in poverty. These differences may be correlated with, but not causally linked to, the two explanatory variables. Finally, it should be noted that the employment rate coefficient is not statistically significant and that the regression equation only explains some 44% of the variance.

The Nice European Council underlined the importance of gender mainstreaming. The Joint Report stated clearly that “gender analysis across all the fields involved in combating poverty and exclusion is a fundamental first step” (European Commission, 2002b, page 74). The NAPincl include some relevant experiences, but, as the Joint Report comments, “a comprehensive analysis is absent in all cases” (European Commission, 2002b, page 74).³

1.3 National Policies for Social Inclusion

The NAPincl differ in their handling of policy. Many Member States refer to existing policy. In some cases, this is a general reference to their approach to social protection and to employment generation, in the latter case making cross-references to the National Action Plans for Employment. In other cases, countries have already adopted an explicit strategy for combating poverty and social exclusion. Ireland initiated its National Anti-Poverty Strategy (NAPS) in 1997, in response to the 1995 UN Social Summit in Copenhagen; and this has provided a framework for the efforts of various government departments, agencies and non-governmental actors. France passed an Act in July 1998, described as “the real breakthrough in French policy to combat poverty and exclusion” (European Commission, 2002b, page 117). The Luxembourg coalition set out its plans in 1999 for the period 1999-2004 that encompass measures for social inclusion. The change of government in the UK in May 1997 led to a large number of initiatives that underlie its long-term strategy. The UK, like Ireland, has adopted specific targets for the reduction of poverty. Portugal laid down quantitative objectives in its NAPincl for poverty reduction. Sweden committed itself in the NAPincl to further increase its employment rate and to halving the number of welfare dependent people by 2004.

In a minority of cases, the NAPincl announce new policy measures. The Belgian NAPincl is perhaps the most extensive in terms of new measures: many of the policies described are of recent date and constitute new developments. A number of other Member States took the opportunity to announce new measures, or the NAPincl coincided with policy initiatives. In other cases reference is made to policies introduced in the recent past.

In Table 3, I have summarised some of the main policy initiatives discussed in the NAPincl that are relevant to the analysis of this paper. The table does not list exhaustively all policies, but focuses on those in the fields of employment and social protection. Where figures for spending are given, they have been included in Table 3.

³ The incorporation of a gender analysis will be the subject of a separate paper within the MICRESA research programme.
1.4 Indicators for Social Inclusion

In the course of developing social indicators, a variety have been proposed, and there are at least four sets of indicators by which the effectiveness of the NAPincl could be judged:

- the indicators proposed by the Commission in 2000 and later modified in the Joint Report agreed in December 2001,
- the indicators proposed in the Atkinson, Cantillon, Marlier, Nolan Background Report for the Belgian Presidency (Atkinson et al, 2002),
- the indicators proposed by the Social Protection Committee, agreed at the Laeken Council in December 2001,
- the indicators used by individual Member States in their NAPincl.

The first three sets apply the same indicators to all Member States, and are natural candidates for EUROMOD to look at, but the national ones are also very relevant.

In this paper, I concentrate on the indicators agreed at Laeken. Table 4 sets out the ten primary indicators. From this list it is clear that the evaluation of policy poses a major challenge. Even if some dimensions have not yet been incorporated (such as homelessness or poor housing), the different elements cover a diversity of fields that are not readily brought together in a single assessment. This means that I shall pare down the list for the purposes of this paper. The indicators have been selected with an eye to what is available in the European Community Household Panel, but even this invaluable resource does not allow one to measure life expectancy at birth. For other indicators, such as self-perceived health status and early school leaving, the causal links between policy and outcome are quite different from those in the case of financial indicators.

I therefore restrict attention to Indicators 1-7. In considering these, it seems useful to distinguish between indicators for which changes in labour market behaviour are of first-order importance, and those for which it is meaningful to make a first-round calculation assuming behaviour constant. For Indicators 5-7 (referred to as “Employment Indicators”), the key element is the change in employment status. Unless someone in the household enters work (or there is a change in household composition), a household will remain jobless. In contrast, for Indicators 1-4 (referred to as “Income Indicators”), a new benefit for the working poor will change disposable incomes even if there is no change in labour market behaviour.

2 Conceptual Issues in the Evaluation of the NAPincl

The purpose of evaluation is to assess how far the Social Inclusion process is on course to achieve its objectives, and in particular to make a decisive impact on the eradication of poverty and social exclusion by 2010. The overall EU income poverty rate, for example, was 18% in 1997. The average for the 6 best-performing Member States was 11%. In its Communication to the Spring European Council in Barcelona, the European Commission proposed that the European Council should set the target of halving the poverty rate to 9% by 2010 (2002, page 16)\(^4\). Is there a realistic prospect that the overall rate could be reduced to

\(^4\) The Presidency Conclusions refer to Member States “being 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” (European Commission, 2002a, page 5).
that level? (It is not clear whether the target refers to poverty in 2010 or to poverty as measured by the data available in 2010.)

The answer depends on the likely evolution of poverty and other indicators in the absence of policy change, and on the impact of policy changes. In Sections 2.1 and 2.2, I begin by considering two different approaches to forecasting the “policy-constant evolution”; I then consider two major types of policy change: policies to raise the employment rate (Section 2.3) and policies to improve social protection and reform personal taxation (Section 2.4).

2.1 Policy-Constant Evolution: Aggregate Modelling

In order to assess the likely evolution, we need first to update from the date covered by the data to June 2001, and then attempt to forecast the future development to, say, 2005 and 2010. The updating to 2001 is important, since it describes the situation at the time that the first NAPincl were submitted.

Two broad approaches could be adopted to the updating/forecasting: an aggregate model of poverty rates (or other indicators) or a microsimulation model based on individual household data (like EUROMOD).

The aggregate approach is illustrated by the work of Blank and Blinder (1986) in the US. They estimated a time-series regression relating the United States poverty rate over the period 1959 to 1983 to the rates of unemployment and inflation, and to the ratio of transfers to Gross National product, and to the poverty line as a proportion of mean income. (Such aggregate studies of the poverty rate are closely related to the studies of the macroeconomics of income inequality – see Jäntti and Jenkins (2001) for a recent survey that draws attention to the econometric problems, not discussed here.) Blank and Blinder found in the US at that time that "a 1 point rise in prime-age male unemployment raises the poverty rate by 0.7 points in the same year. If the rise in unemployment were sustained, the final net effect would be a 1.1 point rise ... the effect of a 1 point rise in inflation is only one-seventh as large as that of a 1 point rise in unemployment" (1986, p 188).

At first sight, this offers a straightforward means of arriving at predicted poverty rates. All that is needed are current values (for June 2001) or forecasts (for 2005 and 2010) of the explanatory variables, such as the unemployment rate. A policy-constant forecast may hold the spending on social protection constant, or it may allow for predicted changes in the proportion as a result of current policy. For example, the scaling back of state pensions may lead to a falling proportion, or the maturing of state pensions may lead to an increase. If the cross-country coefficients for these variables were to apply across time, then a 9 percentage point increase in the employment rate would reduce poverty by around half a percentage point, whereas a 5 percentage point increase in social protection expenditure would reduce poverty by some 3½ points.

There are however several problems with the application of this approach. First, as already noted, there is no reason to believe that the cross-country coefficients apply across time, and much of the cross-country variation is unexplained. It is of course possible that the introduction of other explanatory variables, such as demographic structure, would help resolve these problems, but such work would need to be done. Secondly, we do not have data over time for a sufficient number of years to carry out time-series analysis in all Member States. The European Community Household Panel only gives results for, at a maximum, 5 years. National studies of poverty yield longer series for a number of countries, such as Italy,
Finland, Sweden and the UK, but countries such as Belgium, France, Germany, Ireland and Portugal only have data on poverty rates for a relatively small number of years. Thirdly, the US experience shows that estimated aggregate relationships may break down over time. The relationship estimated by Blank and Blinder (1986) related to the period prior to 1983. From 1983 to 1989 the United States saw a period of expansion, with unemployment falling substantially, but poverty did not fall as predicted. The reason is to be found, according to Blank (1993), in a change in the responsiveness to macro-economic conditions of the earnings of the poor. Whereas in the 1960s expansion the poor benefited from rising weekly wages, in the 1980s their real wages declined. As has been widely documented, there was a widening of the earnings distribution.

While it would be valuable to carry out an aggregate statistical analysis of the time series of poverty for those Member States where data exist, to see if a stable relationship can be identified, it does not seem that this approach can be used at present. For this reason, I turn to the second approach.

2.2 Policy-Constant Evolution: Micro-Data

The second approach is to use micro-data on individual households to project forward and forecast the levels of poverty and other indicators. In effect for each household $i$ we have information on their current income, $Y_i$, which can be related to its underlying economic determinants, denoted by $X_i$, to personal characteristics, $Z_i$ and to policy parameters, $T$. The $X$ vector would include whether or not different household members were employed, their wage rates, and other labour market variables. The $Z$ vector would include the composition of the household, their ages, and marital relationships. Microsimulation models use this information to examine the consequences of changes in $T$, such as a reduction in employee social security contributions. But they can also be used to examine the effect of changes in the economic determinants and in the personal characteristics. These would be the counterparts of unemployment rates and demographic variables in the aggregate relationship, but their impact would filter through the household income determination process. In particular the impact of a fall, say, in unemployment, would have differential effects depending on who left unemployment. The model would allow for the complexities of income-tested benefits and for the inter-relations between the incomes of different households members.

The major problem with the implementation of this approach is that it requires a detailed specification of the households and the household members for whom there are changes in $X$ or $Z$. This problem clearly arises with any updating exercise. We may be fairly confident about the present levels of employment by age, gender, region and other characteristics, but there is no mapping to the individual households. (The position is the same as with grossing-up surveys for non-response.) While it would be possible to re-weight the sample to correspond to the new employment distribution, there is no reason to suppose that the newly employed (or unemployed) would be a random drawing. These issues are discussed by Nolan (1987) in his study of the macroeconomics of income distribution, and following him the approach suggested here is that a range of assumptions be made, in order to assess the sensitivity of the findings.

2.3 Relationship with the Employment Target

The employment target can illustrate how this may operate. As part of the Lisbon process, it was agreed that the EU should aim to raise its overall employment rate from 61% to
70% by 2010. This target has been amplified to be 65% by January 2005, with a female employment rate of 57% by that date, and 60% by 2010. For older workers (aged 55-64), the target employment rate is 50% by 2010.

It would be an interesting exercise to take the employment targets – overall, for women and for older workers – and to see how different allocations of increased employment within these constraints affects the social inclusion indicators. More precisely, one could take all households who could potentially contribute to the employment target. For example, one could take all households with a non-employed household member aged 55-64. For this sub-set of households, one can calculate, on a specified set of assumptions (for example about the wage earned if working), the potential contribution of each household to improving the score on the primary indicators. Would employment for Herr Schmidt aged 62 at the national minimum wage raise his household above the poverty line, allowing for the consequential changes in tax and benefits? Was the Schmidt household previously classified as “jobless”? This will inform us about the degree of complementarity between objectives. If the households are then ranked according to their potential contribution to improving the score on the primary indicators, we can then examine the characteristics of the households most likely to score better as a result of the increased employment, providing a guide to policy.

2.4 Social Policy Change and the Changing Effect of Policy

In my account of the NAPincl, I have emphasised the changes in policy, but Member States have rightly stressed the continuing impact of social protection systems as a whole. The automatic effect of social insurance benefits, of progressive taxation, and of income-tested assistance all serve to moderate the impact of changing market incomes. The contribution of social policy may be changing over time, not because of policy change, but because the external environment has changed. The achievement of the employment targets and its impact on social inclusion indicators has just been discussed. Paradoxically, those countries that have been most successful in preventing low employment from causing poverty will also see the least benefit in terms of poverty reduction from raising employment.

A second example is the impact of rising real incomes. The aim of the Lisbon economic strategy is not only to raise employment but also to increase real incomes, through increases in efficiency, through gains from trade, and through faster growth. We have seen in the case of Ireland that when average incomes are growing exceptionally rapidly, those on low incomes may share in that growth and see their real living standards rise significantly, but still lag behind the general movement. Relative income poverty rates have not declined over this period, principally because social transfers per recipient, although rising significantly in real terms, have lagged behind the exceptionally large increase in average incomes. This has meant that while the numbers relying on social transfers have fallen as unemployment declined, more of those remaining reliant on them are below relative income lines. In predicting the likely evolution of social inclusion variables over the next ten years, we need to take account of how existing social protection systems interact with economic change, under different assumptions about the up rating of benefits.

Political interest is likely to centre however on social policy changes. Will new in-work benefits reduce poverty? As noted earlier, we have to distinguish between those effects that work through behavioural changes and those that change incomes even where there are no behavioural changes. The former encounters the problem that there may well not be evidence about the nature of the responses, and where evidence exists there is often a wide
margin of uncertainty. The uncertainty arises both because empirical estimates of key parameters are often imprecisely estimated, generating large confidence intervals around the simulation results (Pudney and Sutherland, 1996), and because there is often disagreement among economists about the correct specification of the relationships.

The problem of allowing for behavioural change is well covered in the economics literature; less attention is typically paid to a second problem, which is the translation of policy into administrative reality. Tax evasion and tax avoidance is an obvious example. Reductions in employer social security charges on low paid workers may not help workers whose employers were failing to pay in the first place. Conversely, there is well-documented problem of incomplete take-up of social security benefits, particularly income-tested assistance. How far the working families tax credit helps low paid families depends on the proportion who claims the credit. Related is the capacity of administrative authorities to deliver benefits at the time needed.

For all these reasons, the simulation of policy change is a conditional statement: the effect of a policy change making assumptions about behavioural response (if any), about the rate of take-up, and about the degree to which the benefits received and the taxes paid correspond to the letter of the law.

Finally, it should be noted that the evaluation of policy changes needs a model in which policy variables appear explicitly. It is conceivable that these are aggregate models. For example, the replacement rate for a worker on average earnings often appears in macroeconomic econometric equations; and we have seen how the level of social protection spending can be used to examine differences across countries. But such modelling seems too aggregative for the purpose. It may capture the broad effect of levels of spending, but it cannot handle detailed changes in structure. Inspection of Table 3 suggests that none of the policy initiatives described in the NAPincl is likely to be adequately represented by an aggregate variable. Their impact is typically on a subset of households and in many cases it interacts with other elements of the system. For this purpose, a household-based modelling approach is necessary.

3 Evaluation of NAPincl

What practical conclusions can be drawn about the evaluation of the NAPincl? What is the required modelling capacity (Section 3.1)? Can the Commission rely on national models? Does it require a EU-wide approach? What can EUROMOD contribute (Section 3.2)? How should we proceed (Section 3.3)?

In considering these questions, we need to bear in mind the main issues identified above:
• up dating the social indicators to June 2001;
• forecasting the evolution to 2005 and 2010 of the indicators in the light of employment (specifically the Lisbon targets) and growth, in the context of existing systems of social protection;
• evaluating the impact of policy initiatives.
3.1 Required Modelling Capacity

It has been argued that the evaluation process needs micro-based modelling. Aggregate relationships have their place, but models that treat the impact on individual households play an essential role. It would be possible in this context for the Commission to evaluate the NAPincl by relying on national micro models. This is in effect the approach adopted by the OECD, where studies such as those of replacement rates are based on the responses of Member State governments.

There are however three reasons why I believe that a EU-wide model, such as EUROMOD, is required. The first reason for a EU-wide model is that the open method of coordination is based on peer review and mutual learning. For this purpose a common basis for evaluation seems essential. While the Commission could attempt to specify in great detail the way in which policy should be modelled, if this stops short of full model specification then there will always be the possibility that differences across Member States reflect differences in modelling and not in reality. The experience with the construction of EUROMOD has underlined the enormous scope for variation in assumptions and data handling. We have to recognise that any microsimulation model is a representation, and that there could be a number of different representations corresponding to any set of data. Predictions of the effect of policy changes are conditional on the representation adopted. In some cases these are explicit. For example we may assume 100% take-up of tax credits. In most cases however they are implicit and their significance is unclear. For this reason, it seems desirable that peer review should be based on results from the same playing field, a playing field that is not necessarily level but where the results for each Member State are affected by the same bumps. (I recognise, of course, that the location of the bumps may affect some Member States more than others.)

The second reason is that a EU-wide model is a natural step towards considering the impact on the EU as a whole. We need to be able to add up across Member States. The bottom line in the Commission’s table is a figure for EU15.

The third reason is that it is important that the model be accessible. I have in mind here the fourth Objective of the Social Inclusion process: Mobilisation of all relevant actors. The availability of tax benefit models to the general public is in itself a means to assist wider participation in the policy formation process.

3.2 What EUROMOD Can and Cannot Do

EUROMOD is a EU-wide model, constructed with the aim of evaluating changes in tax and benefit policy. It is in the process of being updated to June 2001, and can be adapted to examine the implications of changes in employment and real incomes. At the same time, it is a pilot exercise, which has served to demonstrate the feasibility of constructing a model covering 15 countries, with very different tax and social protection systems, and without a single common data source. As such, it has set itself limited objectives. It is a very useful tool but it is not all-purpose. As already noted, microsimulation models make assumptions about behavioural response, and this limits what can be said, but there are other, more specific, limitations, notably (i) the inability to model particular policy changes, and (ii) restrictions on the range of outcomes that can be investigated. These are considered in turn.

EUROMOD simulates a wide variety of policy instruments, including (a) income taxes, local and national, (b) social insurance contributions paid by employees, employers and the self-employed, (c) family benefits, (d) housing benefits, and (e) social assistance and other
income-related benefits. There are however other taxes and benefits which are not modelled, including capital and property taxes, and real estate taxes. In some cases, due to the limitations of the input data, it has not yet been possible to model pension and survivor benefits, other contributory benefits, and disability benefits. This means that there are certain classes of policy action that cannot be simulated.

Further reasons why we cannot model policy initiatives are that there are attached conditions that cannot be verified in EUROMOD or that the policy is restricted to groups of the population that cannot be identified in EUROMOD. The Greek NAPincl illustrates both problems. This includes measures to subsidise the employment of socially vulnerable groups, such as ex-drug addicts, ex-prisoners, juvenile delinquents, not identified in EUROMOD, and includes a child tax credit conditional on school attendance, not recorded in EUROMOD. Equally, EUROMOD cannot model income support to those in mountainous areas.

EUROMOD can be used to calculate the implications for household disposable incomes. This allows direct calculation of three of the primary indicators agreed at Laeken: (1) proportion below 60% median, (2) ratio of top quintile share to bottom quintile share, and (4) median poverty gap. It does not allow calculation of poverty persistence (indicator 3), since the model does not contain data on previous income. Given that the labour market behaviour is assumed fixed, the model cannot at present predict changes in the labour market indicators (indicators 5-7) or the proportion in education (indicator 8).

3.3 How Should We Proceed?

I suggest four ways in which EUROMOD can be used to further the Lisbon process through the evaluation of the NAPincl:

- up dating the values of indicators (1), (2) and (4) from the currently calculated date (1998) to June 2001;
- examination of the implications for these indicators of changes in employment up to 2005 and 2010, taking the employment targets, and of changes in real incomes;
- simulation of a selection of policy changes described in NAPincl, both for the country concerned, and – where relevant – for other countries;
- simulation of other policies that could be introduced with the aim of reaching the poverty reduction target.

In order to make these more concrete, let me comment on them individually. First there is the up dating. This is part of the MICRESA programme. I would expect it to be complemented by an analysis of the national evolution of the indicators. For example in Figure 2, I have plotted the UK poverty rates, based on 50% of the mean, for the period, and shown the EUROMOD poverty rate (based on 60% of the median). (There are three, slightly different, series.) It would be interesting to see if the updating process reproduced the stability in financial poverty apparent in this figure up to 2000.

The second part also forms part of the MICRESA programme. The employment targets have already been discussed in Section 2.

The third part involves identifying the policy areas where EUROMOD can usefully be applied. I suggest:

- reduction in social security contributions by employees for low paid workers (Belgium, Denmark, Greece);
- income tax reductions for the low paid (Belgium, Denmark, Germany, Spain, Ireland, Luxembourg, Netherlands, UK);
• in work benefits (France, UK);
• child benefits/tax credits (Greece, Ireland, Luxembourg, Portugal, Finland, Sweden, UK);
• income-tested minimum pensions (Belgium, Portugal, Sweden, UK).

The last of these is a good illustration of a policy area where EUROMOD can profitably be used; indeed research has already been carried out on the reform of social assistance in Greece, Spain, France, Italy and Portugal (see Albuquerque et al, 2001). It is the policy goal of a number of Member States to improve their minimum income schemes and EUROMOD can simulate many reforms in this direction.

Under the fourth heading, there are a number of policies that could be considered, ranging from improvements in individual programmes to across the board increases in social protection spending. An example of the former would be a minimum child benefit (as a % of Member State mean disposable income). EUROMOD has been used to examine the role of child benefits by Immervoll, Sutherland and de Vos (2001). Sutherland (2001) explores the relation between child poverty and the scale of cash benefits and tax concessions targeted on children in Denmark, France, Spain and the UK. Illustrative results for overall increases in spending were given in Atkinson (2000).
Table 1 National Action Plans: Joint Report Commentary on Situation and Key Trends

<table>
<thead>
<tr>
<th>Member State</th>
<th>Joint Report Commentary</th>
</tr>
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<tbody>
<tr>
<td>Belgium</td>
<td>Below EU average poverty rate (15% in 1997) reflects well-developed social protection system; long-term unemployment and jobless households remain important.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Universal social protection; effectiveness demonstrated by lowest poverty rate (8% in 1997) in EU; positive trends in economy with highest EU employment rate and low unemployment.</td>
</tr>
<tr>
<td>Germany</td>
<td>Employment centred system of social protection, with social assistance as safety net, guaranteeing an adequate income; poverty rate 14% in 1997; Germany is confronted, especially in the Eastern Länder, with persistent high levels of unemployment.</td>
</tr>
<tr>
<td>Greece</td>
<td>Safety net in process of evolution; poverty rate 22% in 1997; problems in labour market (low employment and high unemployment), change from rural to urban society, ageing of the population, weakening of family support mechanisms, and strong immigration flows, mean that poverty and social exclusion continue to represent major challenge.</td>
</tr>
<tr>
<td>Spain</td>
<td>Spanish welfare state improved very significantly over past 20 years; rapid growth of social protection expenditure; social protection broadened scope and progressive implementation of social assistance as safety net; poverty rate 19% in 1997; unemployment rate remains high and major cause of exclusion is lack of employment; main vulnerable groups are lone-parent families, homeless, immigrants, and their children.</td>
</tr>
<tr>
<td>France</td>
<td>Sustained economic growth, but continued high unemployment; poverty rate 17% in 1997; although poverty and exclusion are mostly associated with being out of work, people with a job may also be affected; main vulnerable groups are children in poor households, long-term unemployed, young people with low qualifications, lone-parent families, large families, people in run-down districts, and asylum seekers.</td>
</tr>
<tr>
<td>Ireland</td>
<td>Extraordinarily good economic performance; decline in “consistent” poverty, but growing income disparity; poverty rate 20% in 1997; no systematic analysis of vulnerable groups.</td>
</tr>
<tr>
<td>Italy</td>
<td>Main reason for social exclusion is economic poverty; poverty rate 19% in 1997; social exclusion particularly hits large families whose head is unemployed, people with low education and dependent elderly; geographic concentration of these risks in the south; family remains a pillar of social model, but can have negative effect on female employment.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Booming economy and generous social policy; poverty rate 12% in 1996; difficulties with respect to unemployed elderly, low-skilled jobseekers, lone-parent families, and “new arrivals”.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Booming economy and low unemployment, minimum increased more than average wages, reducing financial poverty; poverty rate 13% in 1997; women and old persons more vulnerable: demographic trend to increasing share of old persons and growing ethnic minority population.</td>
</tr>
<tr>
<td>Austria</td>
<td>Comprehensive social insurance for all active persons and dependents; social assistance safety net; good economic and employment performance; poverty rate 13% in 1997; increased labour force participation, while unemployment low; improved educational level; minimum level of old age pensions</td>
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</table>
significantly increased.

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>Traditional poverty, caused by limitations of social protection system and dominance of low-productivity sectors, co-exists with “new poverty” associated with modernisation, immigration and job insecurity; poverty rate 23% in 1997; low level of qualifications and high school drop-out rate.</td>
</tr>
<tr>
<td>Finland</td>
<td>Comprehensive income security system, with risk-based social insurance, supplemented by residence-based income-tested benefits; poverty rate low (9% in 1997); strong economic growth.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Comprehensive social security based on individual rights; poverty rate low (12% in 1997); steady growth, high employment and relatively low unemployment.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>High levels of employment, low unemployment, but continued income inequalities; poverty rate 22% in 1997; 1 in 3 children live in poverty; women higher proportion of adults in poverty; persistence of pensioner poverty since unable to build up adequate second pension; vulnerable groups include lone and teenage parents, children in care, rough sleepers, certain ethnic minorities, mentally ill and disabled; concentration of poverty within geographic areas.</td>
</tr>
</tbody>
</table>

Note: the poverty rates cited are those given in the Joint Report (European Commission, 2002b, page 185); they do not necessarily agree with those given in the NAPincl.
<table>
<thead>
<tr>
<th>Member State</th>
<th>Joint Report Commentary on Strategic Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>NAPincl focuses on recent policy measures; “active welfare state” approach; integration in labour market a key element.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Developing inclusive labour market best way to social inclusion; ensure financial support; improve living conditions for most vulnerable groups.</td>
</tr>
<tr>
<td>Germany</td>
<td>First government Report on Poverty and Wealth published April 2001; welfare state has to activate; avoidance of poverty cycles.</td>
</tr>
<tr>
<td>Greece</td>
<td>NAPincl includes great number of policy measures; three responses: unemployment and transition to new economic conditions, delivery of social policy, and information handling.</td>
</tr>
<tr>
<td>Spain</td>
<td>Response focuses mainly on employment component of social protection; multi-dimensional nature of exclusion makes it hard to implement a consistent inclusion policy.</td>
</tr>
<tr>
<td>France</td>
<td>NAPincl extends and supplements the approach pursued since 1998; two-pronged strategy based on access to employment and mobilisation of social rights.</td>
</tr>
<tr>
<td>Ireland</td>
<td>National Anti-Poverty Strategy was established in 1997 and under review at time of NAPincl; NAPincl did not embody results of that review or of analysis underlying strategy.</td>
</tr>
<tr>
<td>Italy</td>
<td>National Social Plan adopted in April 2001 was basis for the NAPincl; new planning policy integrated, decentralised, partnership-based and multi-sectoral; rebalancing of public expenditure on social protection.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>An active social state, providing everyone with a sufficient income, fostering integration into the world of work, and prevention of potential crisis situations.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Strategy based on employment, income security, with benefits and minimum wage indexed to wages.</td>
</tr>
<tr>
<td>Austria</td>
<td>Integrated economy, employment and welfare policy; NAPincl based on ongoing policy measures, but a few new policy developments announced.</td>
</tr>
<tr>
<td>Portugal</td>
<td>Mainstreaming of social inclusion; NAPincl lays down quantitative objectives with a view to eradicating child poverty and reducing poverty in general.</td>
</tr>
<tr>
<td>Finland</td>
<td>Preserve the basic structure of social security system, while putting more emphasis on the primacy of work.</td>
</tr>
<tr>
<td>Sweden</td>
<td>A vigorous employment policy is key to fighting poverty; the Government commits itself in the NAPincl to further increase employment rate (target 80% by 2004) and to halving social assistance dependency by 2004.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>UK has long-term strategy; it tackles issues in relation to the life cycle; strong commitment to employment as route out of poverty, but also significant preventative element; commitment to eradicate child poverty within 20 years; NAPincl only reports on existing policies and does not announce any new policies.</td>
</tr>
</tbody>
</table>
Table 3 National Action Plans: Policy Initiatives

The population figures relate to 1998; the exchange rates for non-euro countries are those published by the ECB on 19 April 2002.

Belgium
Population 10.2 million, 1 € = 40.3399 Belgian francs

The NAPincl states clearly that “les actions constituent la partie centrale du PANincl”. Most of the policies described are of recent date and constitute new developments towards an “active welfare state”. The first two objectives are equipped with a large number of measures. One priority is tackling employment traps, where steps have been taken to reduce employer and employee social security contributions at a cost in 2001 of €3.7 billion. From 2001 there is a refundable tax credit, intended as an instrument both of combating poverty and of providing an incentive for work (cost €450 million, but rising). A mobility premium has been introduced for certain categories of people, including single parents, taking work. Unemployment benefits have been increased. A new guaranteed minimum income for the elderly has been introduced. From 2001, a maximum has been introduced for health care expenses (facture maximale).

Denmark
Population 5.3 million, 1 € = 7.4344 Danish krone

Existing policy has strong focus on the social dimension of the activation approach. Under the “Whitsun Package” the government introduced over the period 1999 to 2002 a number of structural improvements of the tax system, reducing the marginal tax rates on the lowest incomes. In July 2000, a comprehensive national pan was launched to combat homelessness (cost 200 million DKK). A new Equal Opportunities Act was adopted in 2000, establishing statutory gender mainstreaming.

Germany
Population 82 million, 1 € = 1.95583 Deutsche marks

The NAPincl provides an overview of the German system of social protection, and refers to many existing and recently introduced as well as some planned measures,. although the Joint Report is critical that no explanation given as to how more inclusive policies are to be translated into operational arrangements. Under Objective 1, the NAPincl refers to measures to promote co-operation between employment offices and social assistance providers, and to the target for reducing the number of unemployed severely disabled people. Under improvement of access to resources, the NAPincl refers to proposed legislation on needs-oriented basic provision in old age, and to housing benefit reform introduced on 1 January 2001 at a cost of 1.4 billion DM. The tax burden on low- and middle-income has been reduced by raising child tax allowance, and the threshold for the income test applied to the child-raising benefit has been and will be increased.
Greece
Population 10.5 million, 1 € = 340.75 Greek drachma

The NAPincl includes a number of new measures to be implemented in 2001 and 2002. Under Objective 1.1, the government are introducing an employee contribution subsidy for workers earning the minimum wage (cost €82 m, affecting 100,000 workers (1% population)); and reduction of employer contributions of 2% for low paid workers. Subsidies had been introduced for the employment of socially vulnerable groups: the disabled, ex-drug addicts, ex-prisoners, juvenile delinquents, and those facing imminent risk of exclusion (cost €32 million and create 1,800 new jobs). Under Objective 2, there was to be income-tested support to those in mountainous and less favoured areas (annual cost €70 million, benefiting 140,000 families (4% households), cash benefits for long-term unemployed (annual cost €60 million, benefiting 35,000 (0.3%)), and a new child tax credit, conditional on school attendance (annual cost €52 million, benefiting 135,000 (4% households)). There was also be increases in the minimum OGA pension paid to farmers without contribution conditions, representing the minimum guaranteed pension for those aged over 65. New Principal Pension Fund of OGA is response to poverty of elderly individuals in rural areas.

Spain
Population 39 million, 1 € = 166.386 Spanish pesetas

The Spanish response focuses on employment component, coupled with a minimum income. Under Objective 1.1, the main emphasis is on schemes combining employment and training. It is proposed to reduce from 2002 social insurance contributions for workers aged 55-64 who have worked for at least 5 years in the enterprise (the government has also announced its intention in the next income tax reform planned for 2003 to reduce income tax for the low paid). Under Objective 1.2, the NAPincl reiterates the aim of improving the minimum income scheme available at the regional level. The largest increased spending announced is for a complementary minimum pension guarantee, filling the gap between the minimum pension and that to which a person has right under social security (cost 665 billion pesetas), and for non-contributory pensions (cost 278 billion pesetas). The government has also announced its intention of introducing in the tax reform noted above a new benefit of 100 euro a month for each child under the age of 3 where the mother is in paid work.

France
Population 59 million, 1 € = 6.55957 French francs

A large proportion of measures come under the heading of “access to employment”, but NAP proposes wide range of measures (Act of 1998 and 2001 Plan) aimed at target groups. The NAPincl emphasises the role of action focusing on regions particularly affected by social exclusion. It refers to measures increasing the probability of return to work by recipients of the Revenu Minimum d’Insertion. The creation of the Prime pour l’Emploi in 2001 (doubled in 2002) has increased the in-work incomes of those earning up to 140% (210% for one-worker families) of the minimum wage (10 million persons have benefited). There has been a reform of housing assistance and of rebates on the taxe d’habitation. The law of July 1999 introduced universal sickness insurance.
Ireland
Population 3.7 million, 1 € = 0.787564 Irish pounds

The National Anti-Poverty Strategy was established in 1997, and was under review at time of NAPincl. The NAPincl does not refer to new policy but describes recent policy initiatives under the NAPS and the national agreement, the Programme for Prosperity and Fairness (PPF). With respect to Objective 1, the government has introduced in April 2000 a National Minimum Wage, coupled with a strategy of removing the low paid from the tax net. Under the PPF, child benefit is to be increased, with priority for the third and subsequent children (cost IR£1 billion by 2003). The income tax will move to an individual basis and the standard rate band widened. PPF provides for increases in lowest rates of social welfare payments.

Italy
Population 58 million, 1 € = 1936.27 Italian lira

The NAPincl refers to the National Social Plan adopted in April 2001, to the 2000 framework law on reform of social assistance, and to reforms contained in the 2000 and 2001 Budget laws. It refers to the guaranteed minimum income as part of a contract of insertion (Reddito Minimo di Inserimento) introduced experimentally in 1998. The 2000 Budget law introduced a new maternity allowance for non-working mothers, later extended to mothers in non-permanent jobs. Recent Budget laws have also increased the tax credit for dependent children, introduced a tax allowance for care expenditures for children and the elderly, increased child benefits for large families and the amount of social assistance pensions for the elderly (pensioni sociali). The main goals of future actions are the reform of the education system, reform of the transfer system to promote employment, support of families with dependent children, and promotion of charitable organisations.

Luxembourg
Population 0.4 million, 1 € = 40.3399 Luxembourg francs

The NAPincl describes the general orientation adopted by the coalition for 1999-2004, including the role of the Revenu Minimum Garanti. Act of December 2000 contained measures to help those who are over indebted. Increase in family allowance from 1 January 2002 as part of the second stage of fiscal reform (cost 1.8 billion flux). Reduction in bottom income tax rate from 10% to 8%.

Netherlands
Population 15.7 million (7 million households), 1 € = 2.20371 Dutch guilder

Preparation of the NAPincl coincided with the drawing up of an evaluation of anti-poverty policies, the Balans van het armoedebeleid, covering the period 1995-2000. On 1 January 2001, a new tax system came into operation, containing measures to make work more attractive, and improving the purchasing power of households with a minimum income. In March 2000 measures were adopted to encourage older people to continue working. In 2001 agreement was made with local authorities regarding the package of support for single parents. The introduction of the employment discount and combination discount improved the position of working people with low incomes. For 1999-2002, additional resources for
housing benefit (€56.8 million), for the disabled and chronically ill (€102.3 million) and assistance with study fees (€113.8 million). Municipal Fund for special assistance and combating poverty increased by €182 million.

**Austria**
Population 8.1 million, 1 € = 13.7603 Austrian schilling

The NAPincl is largely based on ongoing measures, but a number of new developments are cited. A childcare allowance was introduced in 2002, replacing the previous parental leave allowance (an insurance benefit). All parents are eligible (there is no prior employment condition). Additional cost €654 million. The entitlement period has been extended and the earnings threshold raised. A person losing their job during or after the childcare allowance period is now entitled to unemployment benefit. Unemployment benefit for low-paid workers has been increased in 2001 and a voluntary unemployment insurance scheme is to be introduced for the self-employed.

**Portugal**
Population 10.0 million, 1 € = 200.482 escudo

The NAPincl lists a large number of measures in place for the promotion of employment. In the field of social protection, a key element is the guaranteed minimum income. In the area of pensions, there have been recent improvements in the minimum pensions concerning 2.1 million pensioners at an extra cost of 245 billion escudos. One of the policy aims is to raise family allowances by 16% (for first and second children) and 25% (for the third child), benefiting 0.7 million children.

**Finland**
Population 5.1 million, 1 € = 5.94573 Finnish marks

The NAPincl refers to a number of measures, including the following. The national pension was increased from June 2001 and the child allowance paid under the pension restored (cost FIM 611). The income-lowering effect of a spouse’s income on labour market support has been mitigated (cost FIM 95 million) and the child allowance of labour market support has been raised (cost FIM 160 million, of which FIM 30 million returns in income tax). Measures have been agreed for 2002-2005 to improve the position of persons who, if they become sick, received zero sickness allowance (cost FIM 55 million). From April 2002, 3-year trial of a new provision under social assistance for disregarding small amounts of earned income (cost FIM 90 million gross, but the reform will increase income tax revenue and reduce expenditure on other benefits).

**Sweden**
Population 8.8 million, 1 € = 9.1671 Swedish krona

The Swedish NAPincl referred to the employment promotion measures that form part of the Action Plan for Employment. The old-age pension system has been reformed and the new system will have been fully implemented by 2003. Under the new system, pensions will be based on lifelong earnings; there is a guaranteed pension for those with low income. A means-
tested housing supplement complements the guaranteed pension. The government has proposed introducing in 2003 a subsistence allowance for the elderly who do not meet the residence qualification for a pension. There have been recent proposals to replace disability pensions by sickness benefits and activity allowances integrated into the health insurance system rather than the old-age pension scheme. A new activity allowance is to be introduced in 2003 for those aged under 30. The Spring 2001 Finance Act limited property tax on households with average or low incomes to 5% of their income. The Government has allocated SEK 30 million to help the homeless. From January 2001, child allowances, extended child allowances, supplements for additional children, and the study allowance for young people have been increased.

UK
Population 59 million, 1 € = £0.6144

The NAPincl reports exclusively on existing policies. The policies directed at the first Objective include active labour market policies and tax and benefit reform. The portfolio of New Deal programmes is central to this approach, involving intensive support and training for a range of client groups. This has been coupled with the introduction of a National Minimum Wage, benefiting some 1.3 million workers from April 1999. Further to ensure that people gain financially from taking work, the tax and benefit system has been reformed since 1997, with the previous means-tested benefits being replaced by tax credits: the Working Families’ Tax Credit from October 1999, the Disabled person’s Tax Credit and the Children’s Tax Credit from April 2001. In 2003 there will be a further phase of reform bringing together the different elements of support for children (apart from child benefit) in a child tax credit, complemented with a working tax credit for those with or without children. These measures may be expected to have a major effect on the incomes of the poor.

Under Objective 2, the UK government argues that “breaking the cycle of deprivation and ending the inter-generational transmission of disadvantage from parent to child must lie at the heart of any effective strategy for tackling poverty and social exclusion” (page 15). Much of the emphasis is on helping children and a wide variety of measures are listed. In terms of the vulnerable elderly, the UK government has introduced the Minimum Income Guarantee, a means-tested benefit providing help to nearly 2 million of the poorest pensioners. In 2003 a new Pension Credit is to be introduced, from which 5 million pensioners stand to gain.
Table 4 Primary Indicators Agreed at Laeken December 2001

1. Percentage of individuals living in households below 60% of national median equivalised income; value of low income threshold;

2. Ratio of top quintile share in total income to bottom quintile share;

3. Persons living in low income households in year n and (at least) two years of years n-1, n-2, n-3;

4. Difference between the median income of persons below low income threshold and the low income threshold, expressed as a percentage of low income threshold;

5. Coefficient of variation of regional employment rates;

6. Long-term unemployment rate;

7. Rate of people living in jobless households;

8. Early school leavers not in further education/training;

9. Life expectancy at birth:

10. Self perceived health status by income level.
References to NAPincl


Figure 1 Actual and "Predicted" Poverty Rates 1997

Figure 2 Changes in poverty over time in UK
References


Blank, R M, 1993, "Why were Poverty Rates so High in the 1980s?”, in Papadimitriou, D B, and Wolff, E N, editors, Poverty and Prosperity in the USA in the Late Twentieth Century, Macmillan, Basingstoke.


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