

The ABSPO project – A new absolute measure for EU-wide poverty analysis

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ABSTRACT

The fight against poverty and social exclusion remains at the top of the EU's social and political agenda. For successful implementation of this agenda, sound statistical measurement and social monitoring is required. The EU's existing measurement framework and headline AROPE indicators, along with a wide range of auxiliary measures and targets, ensure comprehensive and multi-dimensional measurement and monitoring of poverty in Europe. However, given the large differences in living standards and socio-economic conditions across Member States, alternative concepts and definitions can offer valuable new insights and perspectives. An absolute monetary measure of poverty, in particular, that represents constant and/or comparable purchasing power standards across countries and time periods could complement existing indicators.

The development of an EU-wide absolute measure is a challenging task as it requires common definitions, sound methodologies and harmonised data sources. The joint pilot initiative between DG Employment, Social Affairs and Inclusion and the Joint Research Centre, called "Measuring and monitoring absolute poverty (ABSPO)", was launched in December 2018 in order to explore the technical, methodological, and data requirements of developing a cross-country comparable absolute poverty measure for EU-wide use. Such a new standard, along with the new data and methodological insights gained during its development, could help contextualise existing EU indicators and policies.

The ABSPO Final Report published in December 2021 reviews the methodological feasibility of constructing a new monetary indicator of absolute poverty in the EU. It develops new methodologies and presents new absolute poverty thresholds that are robust to different modelling choices, aligned with most European citizens' subjective views on poverty, and consistent with the observed patterns of material and social deprivation. They yield a series of new and policy-relevant insights about the extent, distribution and dynamics of poverty between and within Member States. The Report also indicates how the derived ABSPO measures and related findings may complement the current European measurement framework.

For the calculation of ABSPO poverty measures, three different modelling strategies are employed. These represent the same targeted living standards and minimum needs, feature the same modelling tools and data sources, and yield comparable poverty estimates in a disaggregated manner. Their main difference stems from mixing reference budgets and statistical data from price and household surveys (such as the EU-HBS and the EU-SILC) in different manners and

proportions, using alternative means to identify households' minimum needs. ABSPO implementation covers all EU Member States (except for Austria due to lack of data), and produces multiple poverty lines in the pilot countries of Belgium, Finland, Hungary and Italy.

The resulting ABSPO poverty estimates can complement the picture of European poverty based on existing indicators. As of 2018, the overall incidence of absolute poverty is similar to the at-risk-of-poverty (AROP) rate at the EU level (15.2% vs. 16.8% in 2018), but considerably lower than the relevant composite AROPE indicator (21.6%). The difference between ABSPO and AROPE rates is even more pronounced at the national level: absolute poverty is visibly higher than the risk of poverty and social exclusion in most Central and Eastern European countries (23.9% vs. 22.2% on average), but substantially lower in most EU15 Member States (9.1% vs. 20.2% on average). The distribution of ABSPO poverty across countries is more similar to that of material and social deprivation indicators, albeit even more uneven. Estimated poverty trends are also divergent: in a typical EU country, the volatility of absolute poverty during the 2008-2018 period was considerably higher than the fluctuation of the corresponding AROP and AROPE rates. In particular, our estimates indicate a large cyclical increase of 13 million in the number of European ABSPO poor following the 2008 financial and economic crisis, and an even larger reduction of 18 million during the subsequent recovery period (2013-2018) – trends that are relatively similar to the ones observed for the agreed indicator of poverty anchored in time. ABSPO estimates exhibit more similarities with AROPE indicators when considering geographic or socio-demographic dispersions within countries, and they are also broadly consistent with indicators of subjective poverty and monetary deprivation.

The Report also examines the methodological, technical and data-related requirements of scaling up the presented ABSPO methodologies for regular EU-wide measurement. The proposed modelling strategies and newly produced data outputs provide detailed guidance and practical tools for future development. The related investment needs depend on the chosen modelling strategy, with the more statistical approaches being ready for straightforward implementation using existing data sources. Future improvements in the European data infrastructure could increase the reliability and consistency of ABSPO-based poverty measures, especially through further harmonisation and integration of European household surveys (such as the EU-HBS and the EU-SILC), broader access to microdata, and targeted extensions in national and European survey data collection.

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