



“The ABSPO project – A new absolute measure for EU-wide poverty assessment”

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Outline of presentation

1. EU policy context and ABSPO project overview
2. ABSPO measurement concepts, procedures and methodologies
3. New ABSPO poverty estimates
4. Some forward-looking considerations about potential EU-wide use
5. Summary and conclusions

EU Policy context

- **Social monitoring in the EU relies on several different indicator portfolios (SPPM, JAF, Social Scoreboard etc.)**
- **Poverty measurement and headline social policy objectives (EU 2030 targets) are formulated in terms of the AROPE ('At risk of poverty and social exclusion') framework**
- **AROPE is a composite indicator featuring both relative and absolute components**
 - At-risk-of-poverty (AROP) – relative monetary measure based on 60% of the (equivalised) national median income
 - Severe material and social deprivation (SMDS) – absolute non-monetary indicator of enforced inability
 - Low-work intensity (LWI) – indicator of social exclusion targeting HHs that work less than 20% of their work-time potential
- **Offers a comprehensive account of various dimensions of poverty and social exclusion, but additional perspectives may yield new and relevant insights**
 - allow for cross-country comparability yet are not defined exclusively at the national level
 - combine the monetary character of AROP and the needs-based absolute perspective of the SMDS
 - sensitive and responsive to inflation and adjustments in the cost of living

ABSPO project overview

- **Joint co-operation between DG EMPL and JRC between December 2018 and October 2021**
- **Main project objectives**
 - Design, develop and pilot an absolute poverty measure that is suitable for EU-wide measurement
 - Create implementation guidelines for future EU-level scale-up and regular measurement
- **Small JRC project core team (2.5 FTE researchers)**

Zsombor Cseres-Gergely, Virmantas Kvedaras, Balint Menyhart, Benedetta Mina, Filippo Pericoli, Slavica Zec
- **Main stakeholders and participants**
 - Internal Commission functions

ABSPO Inter-Service Steering Group, DG.EMPL.F4, JRC.B1, administrative/communication/legal support
 - Advisory Board

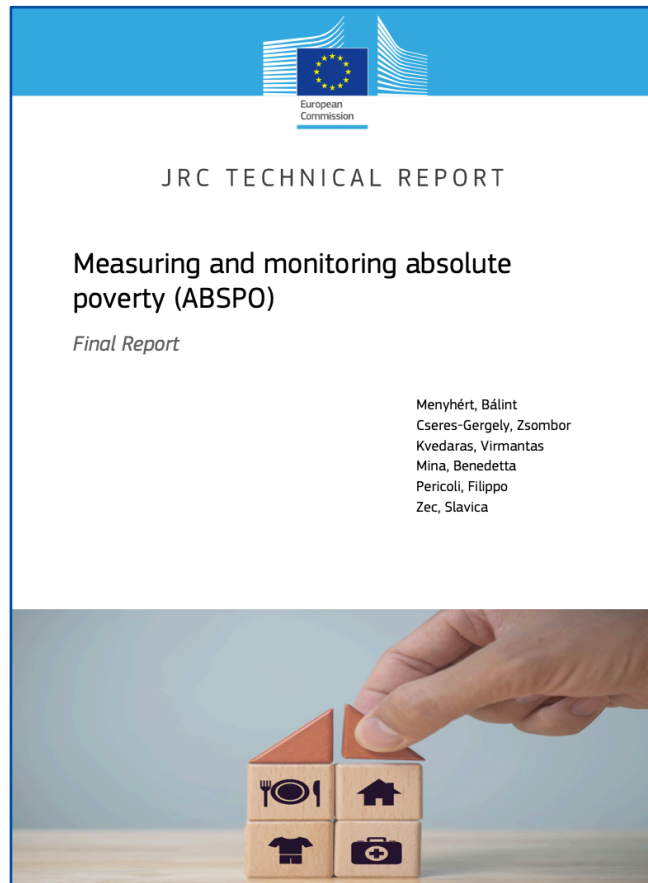
Carlotta Balestra & Romina Boarini (OECD), Andrea Brandolini (Bank of Italy), Anne Franziskus & Elsa Pirenne (STATEC), Paul Ginnell & Vera Hinterdorfer (EAPN), Stephen Jenkins (LSE), Monica Pratesi (U Pisa)
 - National expert teams

CEBUD (Belgium), University of Turku (Finland), Táarki Zrt. (Hungary)
 - External consultants and data providers

University of Antwerp, AiMark Foundation, ife Institute of Food Economics in Kiel
 - National and European statistical authorities

Eurostat, Belgian / Finnish / Hungarian / Italian NSIs

ABSPO Final Report published in December 2021



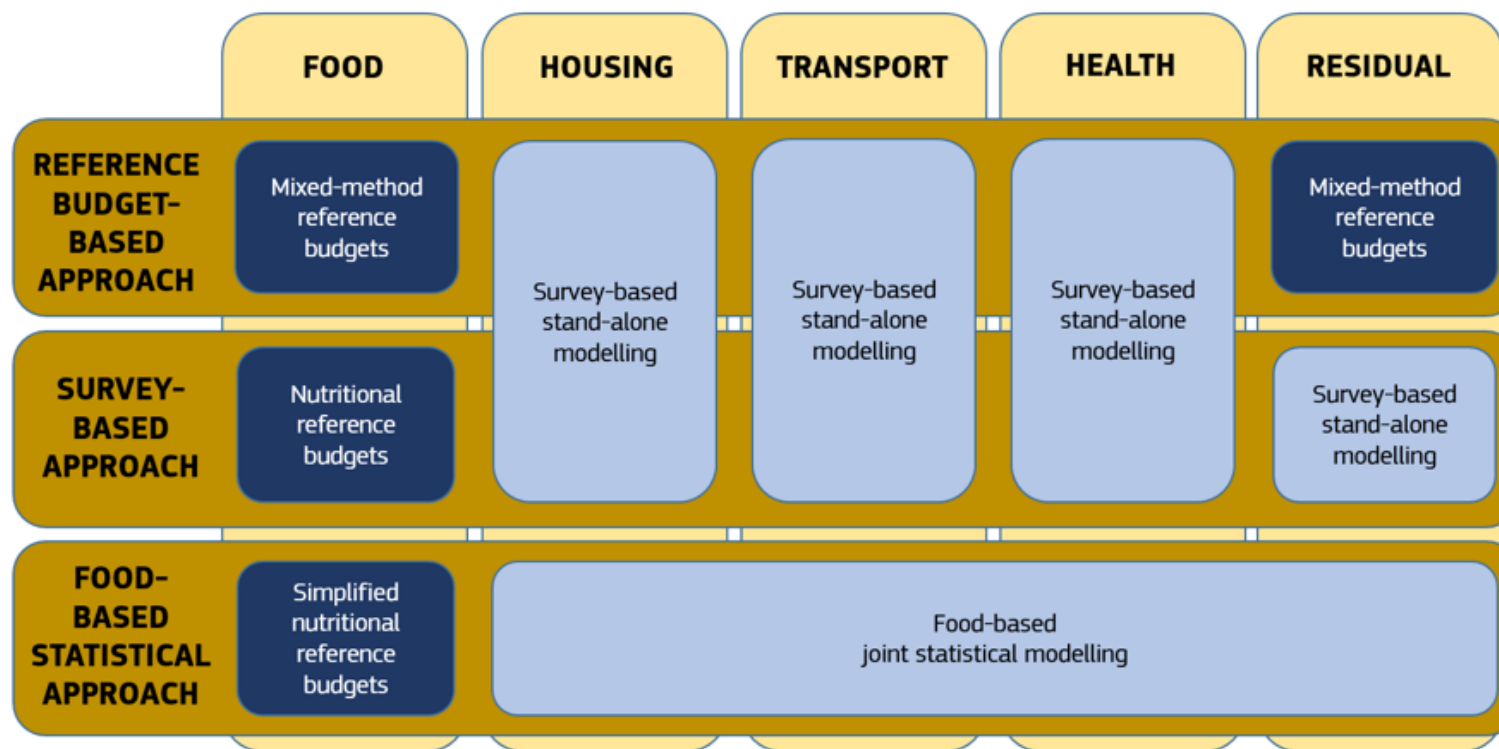
- CHAPTER 1. Introduction
- CHAPTER 2. Poverty measurement in the EU: Current indicators and an absolute measure
- CHAPTER 3. Conceptual background, measurement strategy, data use
- CHAPTER 4. Reference budget-based approach to ABSPO measurement
- CHAPTER 5. Survey-based approach to ABSPO measurement
- CHAPTER 6. Food-based statistical approach to ABSPO measurement
- CHAPTER 7. Thematic aspects of EU-wide absolute poverty measurement
- CHAPTER 8. New absolute poverty estimates for the EU
- CHAPTER 9. ABSPO methodology for regular EU-wide measurement

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ABSP0 conceptual background

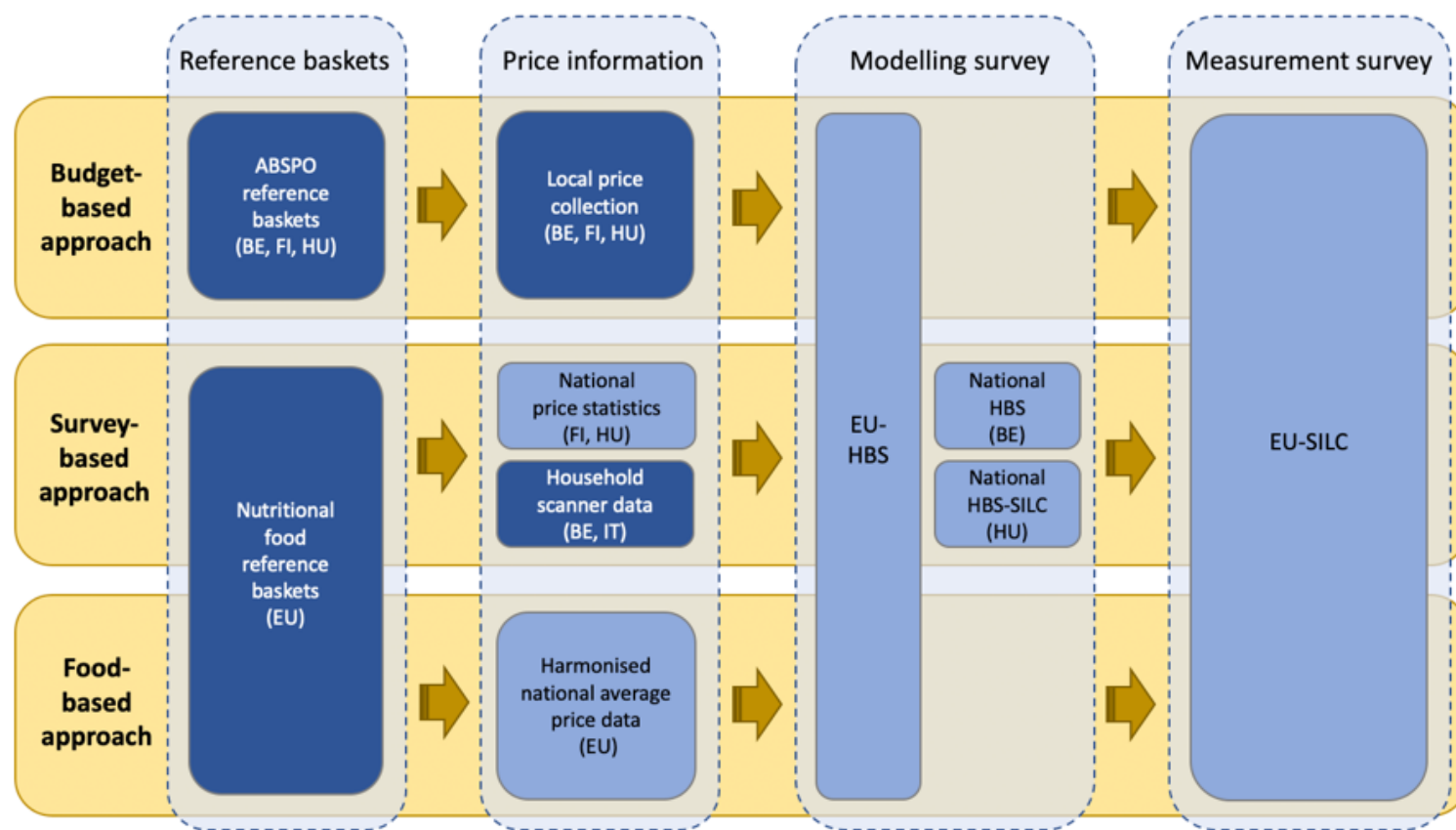
- **Absolute vs. relative poverty measurement**
 - Fixed needs-based standards vs. context-specific mainstream standards
- **Absolute monetary poverty thresholds rarely used in the EU**
 - Previous Commission-funded projects for international reference budget development (ImPRovE/EURB)
 - ISTAT methodology for absolute poverty measurement in Italy
 - Statistical techniques used for poverty measurement in developing countries
- **Three different layers of modelling ABSP0 poverty lines**
 - EU-wide component - Adequate social participation as the common EU-wide targeted living standard
 - National component - Individuals' and households' minimum needs defined at the national level
 - Local component - Poverty thresholds defined in spatially disaggregated manner at the sub-national level
- **Different modelling strategies based on common elements and procedures**
 - measurement focus (income-based measurement, out-of-pocket expenditures)
 - measurement structure (e.g. expenditure categories)
 - measurement tools (e.g. reference budgets, statistical methods using household survey data)
 - technical definitions (welfare aggregate, equivalence scales),
 - individual and household profiles (e.g. age and gender types)

ABSP0 measurement strategies



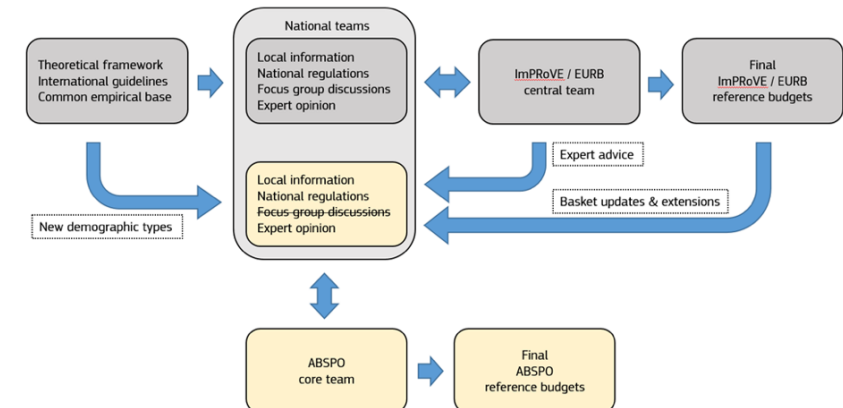
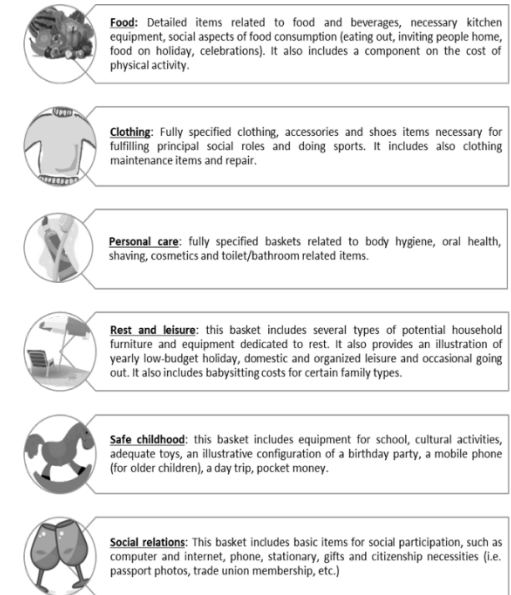
- Different mix of reference budgets and survey-based statistical methods across 5 expenditure categories
- Different implementation costs, resource needs, country coverage

ABSP0 modelling procedure and data universe



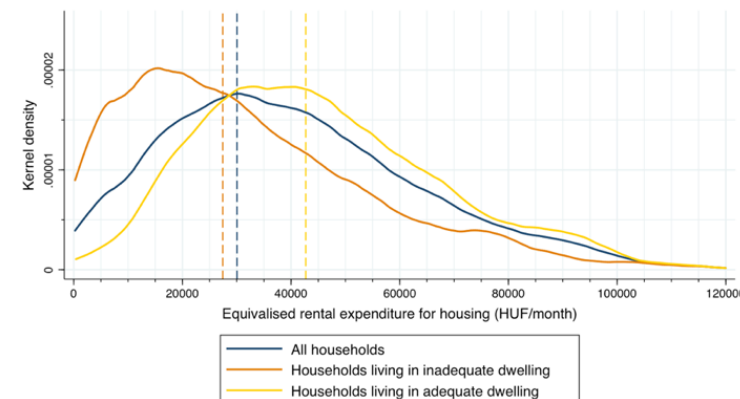
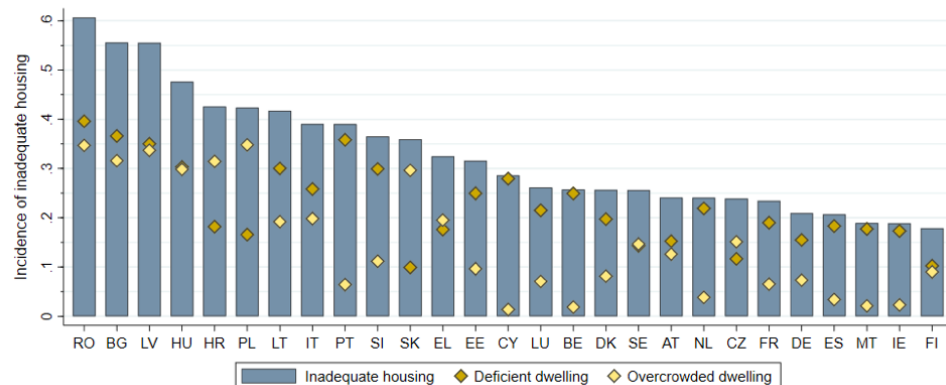
Reference budget-based approach to ABSPO modelling

- **Objective** Explore the use of reference budgets for national poverty measurement by building on existing ImPRovE/EURB inputs
- **Challenge** Ensure comprehensive population focus based on illustrative ImPRovE/EURB reference budget inputs
- **Implementation strategy**
 - Focus exclusively on food and residual needs
 - Validate/update reference baskets for existing reference types
 - Extend demographic coverage of reference budgets
 - introduction of new individual types - older adults, small children
 - modular consideration of household-level needs (fixed vs. variable items)
 - Extend geographic coverage of reference budgets
 - small-scale price collections in non-capital regions, intermediate and rural areas
- **Country coverage** ABSPO pilot countries of Belgium, Finland and Hungary
- **Modelling procedure** Same national experts teams and coordination methods as featured in the ImPRovE/EURB projects



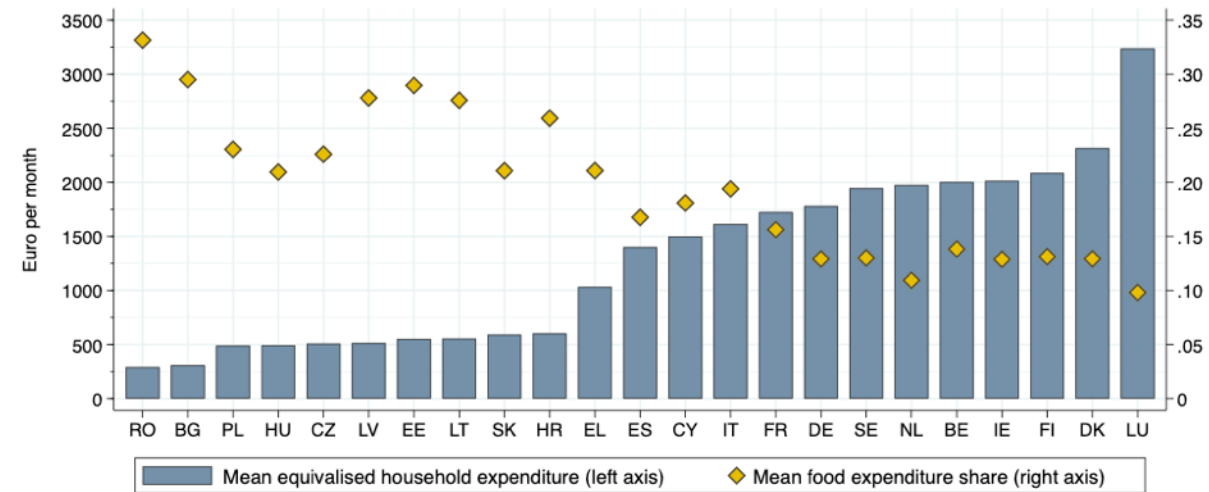
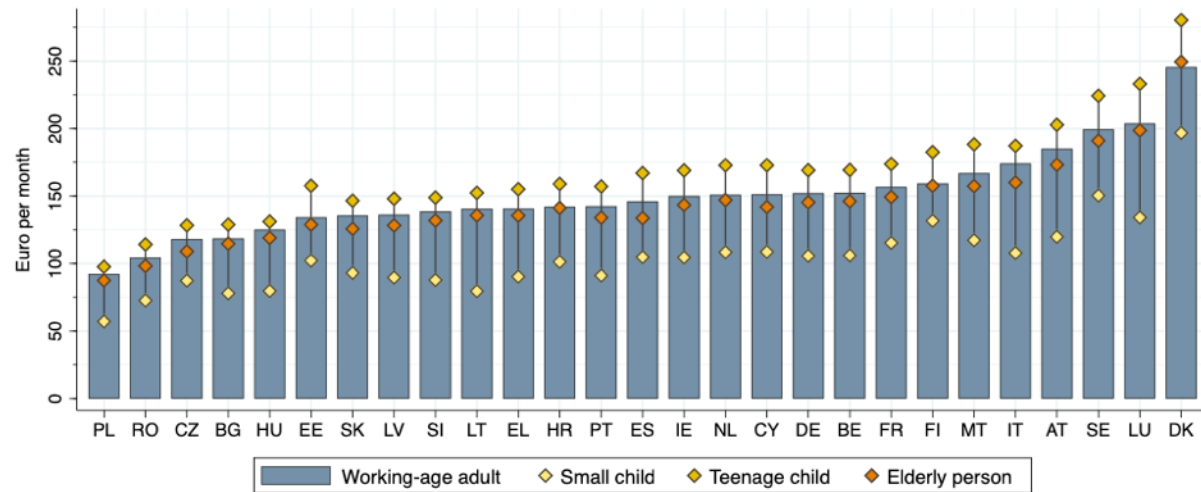
Survey-based approach to ABSPO modelling

- **Objective** Statistical modelling of minimum thresholds based by non-food expenditure category using HH survey data
- **Challenge** Identify the relevant information on individuals' and households' minimum needs in a cross-country comparable way
- **Implementation strategy**
 1. Calculate deprivation incidence using HHs' subjective responses to thematic questions from EU-SILC / Eurobarometer surveys
 - **HOUSING**: Overcrowding rate, housing deprivation indicators (EU-SILC)
 - **TRANSPORTATION**: Daily transportation use (Special Eurobarometer #406)
 - **HEALTH**: Suffering from chronic illness and limitations in daily activities (EU-SILC)
 - **RESIDUAL**: Ability to make ends meet without difficulty (EU-SILC)
 2. Use the relevant (cell-level) percentile of HHs' observed expenditure distribution from the EU-HBS as the minimum threshold



Food-based statistical approach to ABSPO modelling

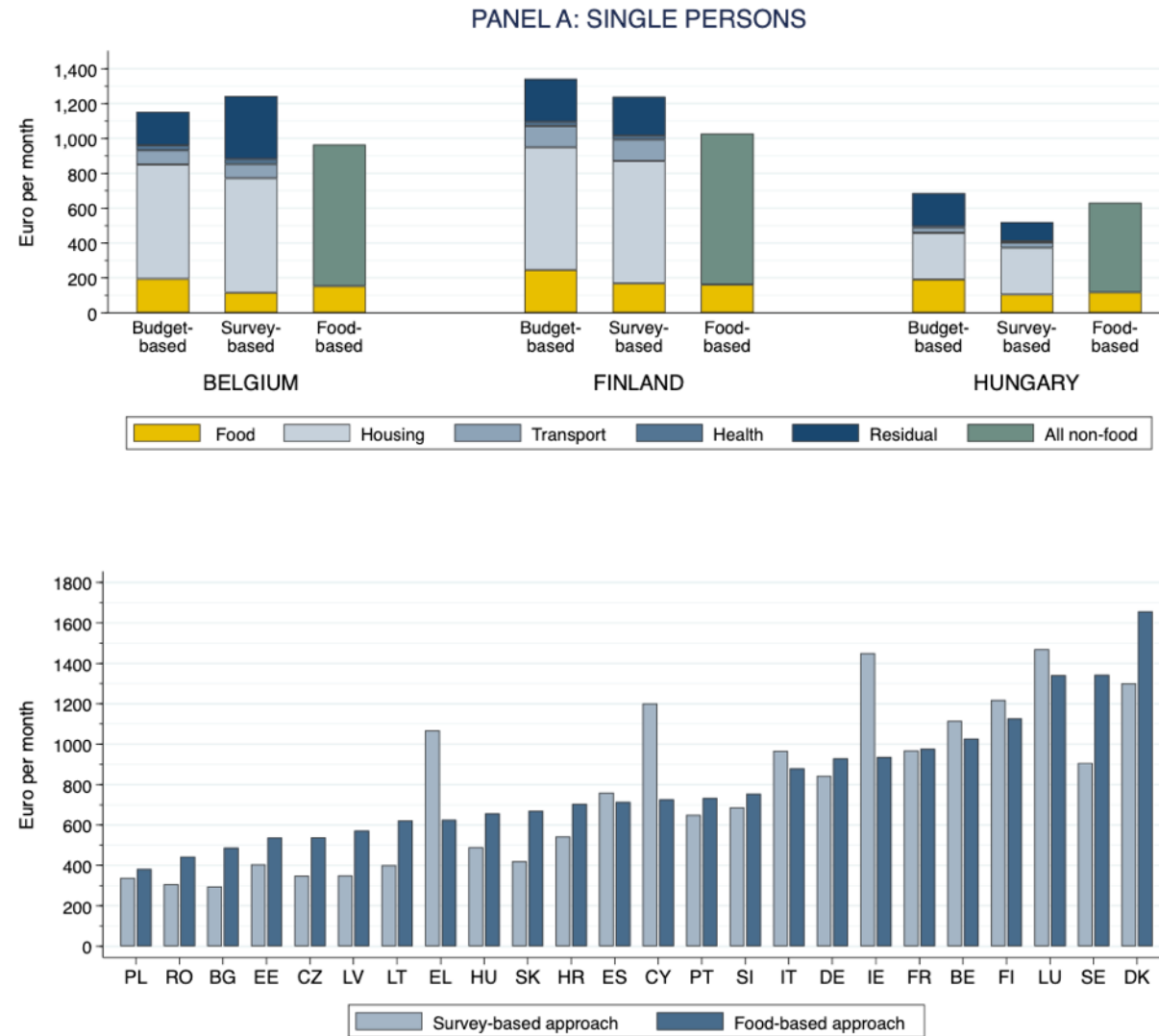
- **Objective** Simplest statistical approach to EU-wide modelling of poverty lines based on food budget inputs
- **Challenge** Produce highly consistent food reference budgets and adapt standard WB methodology
- **Implementation strategy**
 1. Produce new cross-country comparable nutrition-based food baskets for all EU Member States
 - Based on common European EFSA DRVs, national consumption habits and optimisation methods at 5-digit COICOP level
 - Monetised using harmonised Eurostat national average price data
 2. Develop a new simulation-based method to model overall poverty lines based on food inputs in advanced economies
 - Regression-based methods that approximate HHs' observed food expenditure share in the relevant food/non-food poverty thresholds



Main ABSPO findings – Poverty lines

Resulting ABSPO poverty lines for 2020

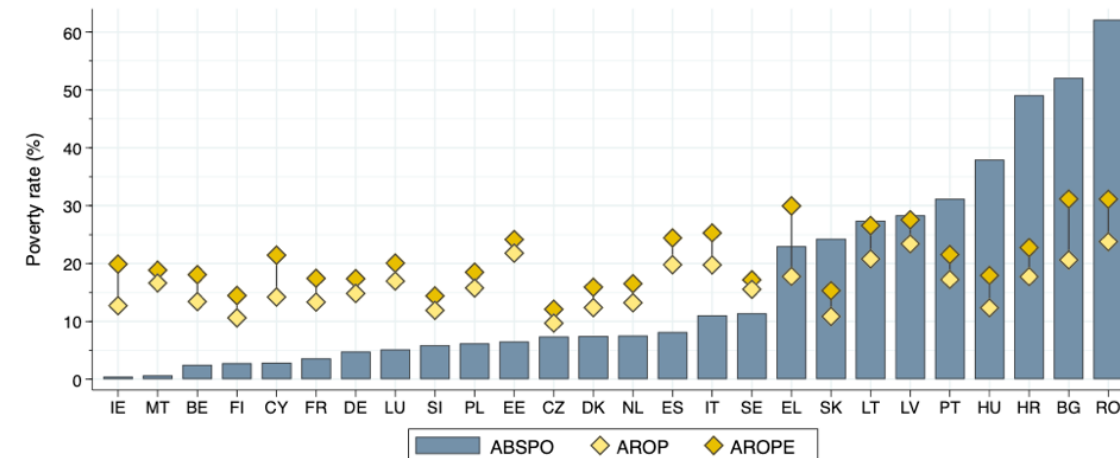
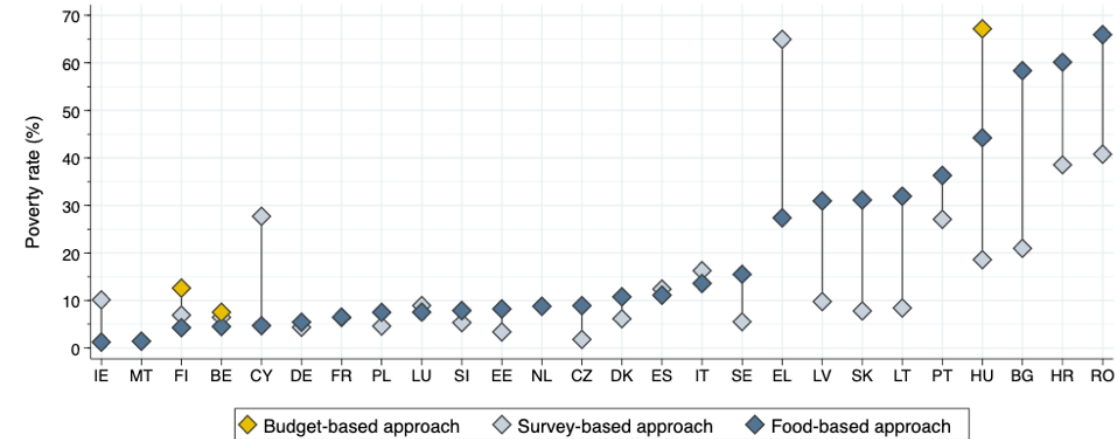
- are based on very different sources and identifying assumptions
- are nevertheless comparable across modelling strategies and broadly in line with existing minimum budgets
- are driven by food, housing and residual expenditures
- display robust cross-country rankings
- lend themselves to further inquiry in selected Member States (CY, EL, IE, SE)



Main ABSPO findings – Poverty rates

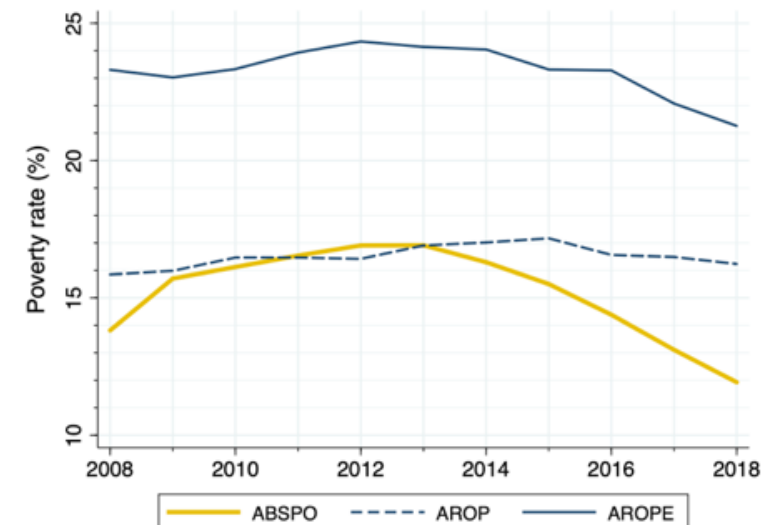
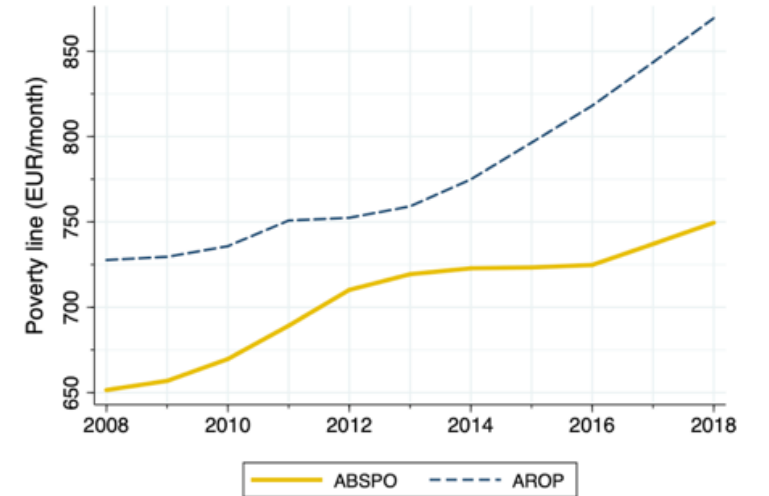
Resulting ABSPO poverty rates for 2018

- can differ considerably across measurement approaches
- are broadly comparable to existing national estimates (EE, HU, IT, NL, PL)
- are more variable across Member States than existing AROPE indicators
- reveal particularly strong wedge between EU15 and new CEE countries



Main ABSPO findings – Poverty trends

- Absolute poverty lines are driven by price (rather than income) changes over time
- ABSPO poverty rates are more cyclical over time than existing AROPE indicators
- Highlights the sensitivity of poverty to the economic booms and downturns
- Points to the importance of the business cycle in meeting long-term strategic social policy goals and targets



Contextualisation, validation, EU-wide scale-up

- **Contextualisation of ABSPO poverty estimates**
 - Indicators of material and social deprivation
 - Indicators of subjective poverty
 - Newly developed monetary deprivation indicator
 - Indicators based on common (weighted) European poverty lines
- **Validation and sensitivity analysis of ABSPO indicators**
 - Detailed comparative analysis of ImPRovE/EURB mixed-method food baskets and newly-developed ABSPO nutritional food baskets
 - Detailed comparison of pricing sources and pricing choices
 - Choice of equivalence scale
 - Definition of the welfare aggregate
 - Comparability and cross-consistency of EU-HBS and EU-SILC microdata
- **Consideration of EU-wide scale-up, future measurement and regular monitoring**
 - Technical, financial, organisational needs of an EU-wide scale-up of the ABSPO methodology
 - Annual price updating and periodic modelling updates
 - Potential COVID-19 related effects
 - Exploration of simplified (Orshansky-type) measurement solutions

Recommendations for future data collection

- **Cross-country harmonisation of EU-HBS**
 - Harmonisation: population coverage, COICOP classification, sample size and sampling methods
 - Extension: detailed quantity information at 5-digit COICOP level, at least for food
 - Revisions: calculation of imputed rent
- **Integration of European household survey data**
 - Cross-country harmonisation should proceed along the same lines in relation to all EU household surveys
 - Same territorial classification of settlement type
 - Extend the overlap between data scope of EU-HBS and EU-SILC surveys
 - Introduce information on HHS' living conditions in standard HBS surveys
 - Insert questions on main HH expenditures (as an ad-hoc module, maybe) into EU-SILC
 - Explore the use of integrated population samples for both surveys (as is currently done in the Czech Republic and Hungary)
- **Increased spatial disaggregation of survey data**
 - Regional information at least NUTS2 level for all MSs in both EU-HSB and EU-SILC
 - Settlement type data in national price statistics, and regional price adjustment factors for Eurostat average price data
- **New data collection aimed at poverty measurement**
 - New data collection focused on poor households and hard-to-reach/under-represented population groups
 - New SILC/Eurobarometer data collection on households' (financial and non-financial) minimum needs by expenditure category

Summary and conclusions

- The ABSPO project represents a novel approach and pilot initiative to poverty measurement in the EU
- It offers various innovative modelling strategies using reference budgets and survey-based statistical methods to measure poverty in all EU countries (except Austria)
- These yield new insights about the extent, distribution and persistence of poverty in the EU that may complement and contextualise existing EU social indicators
- In addition, the project produced a set of new data – such as harmonised nutritional food reference baskets – that can contribute to poverty measurement and social analysis beyond the ABSPO project
- Absolute poverty measurement at the EU level is methodologically and technically feasible using existing data and methods.
- ABSPO measurement tools appear promising when quantifying the distributional and social effects of ongoing inflation.

Thank you for the attention!

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