



“The ABSPO project – Measuring and monitoring absolute poverty in Europe”

Bálint Menyhért
Joint Research Centre, European Commission

EMOS Webinar, 29 March 2023

Outline of today's presentation

1. EU policy context and ABSPO project overview
2. Absolute poverty measurement - concepts, data, strategies & procedures & methodologies
3. New ABSPO poverty estimates
4. Contextualisation, validation, forward-looking considerations
5. Summary and conclusions

EU Policy context

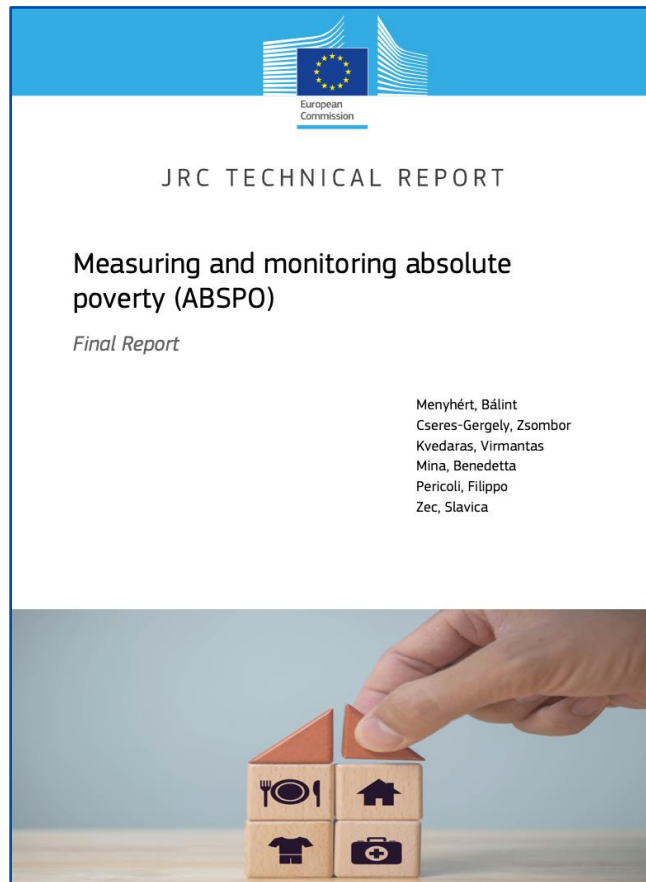
- **Social monitoring in the EU relies on several different indicator portfolios (SPPM, JAF, Social Scoreboard etc.)**
- **Poverty measurement and headline social policy objectives (EU 2030 targets) are formulated in terms of the AROPE ('At risk of poverty and social exclusion') framework**
- **AROPE 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 composite indicator of enforced inability
 - Low-work intensity (LWI) – indicator of social exclusion targeting HHs that work less than 20% of their work-time potential
- **Covers various dimensions of poverty and social exclusion, but additional perspectives can yield new insights**
 - allow for direct comparability at the local / regional / national / supra-national levels alike
 - combine the monetary character of AROP and the needs-based absolute perspective of the SMDS
 - support efforts to operationalise thematic social policy concepts like energy poverty, transport poverty, housing affordability
 - 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

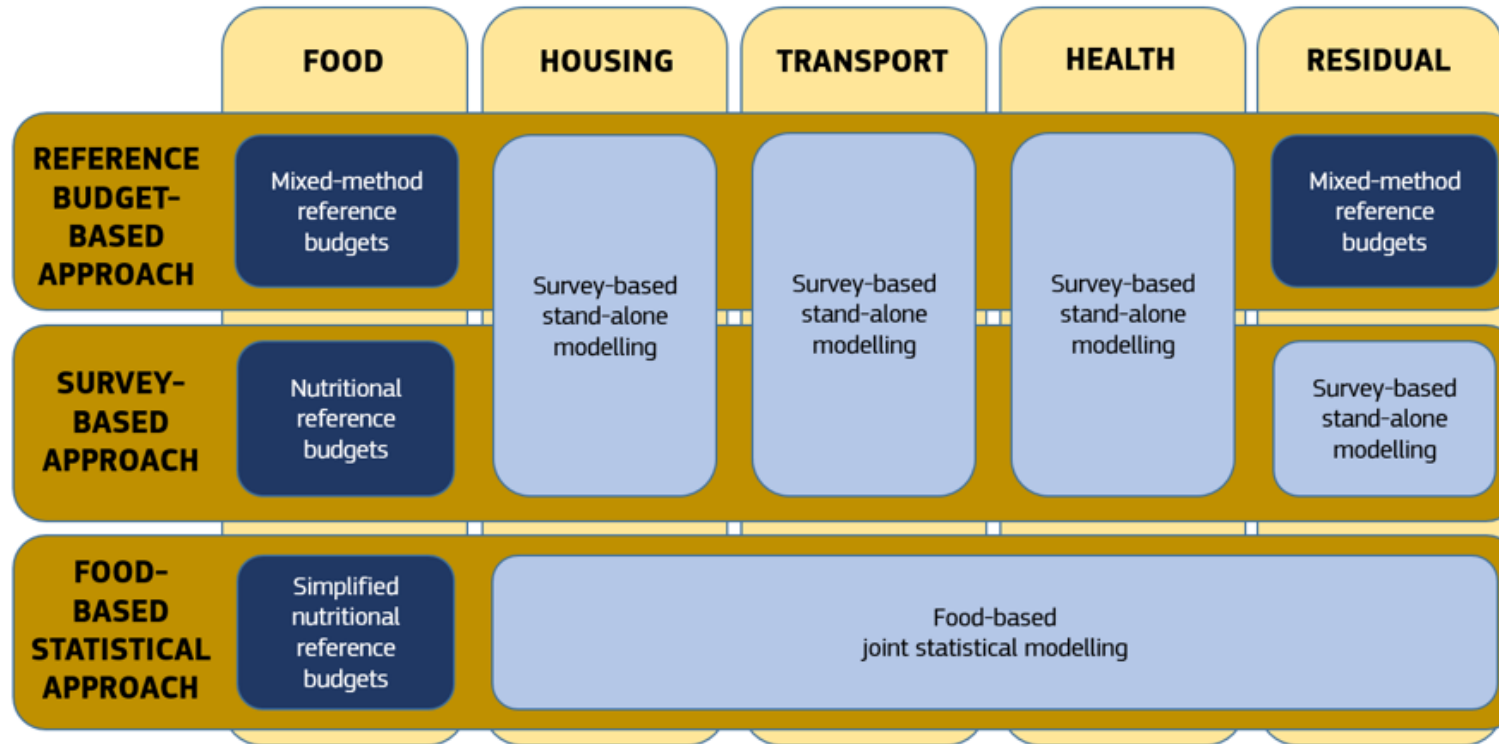
FULL REPORT AVAILABLE in the JRC Publications Repository:
<https://publications.jrc.ec.europa.eu/repository/handle/JRC127444>

METHODOLOGICAL HANDBOOK forthcoming by Palgrave Macmillan

ABSPO conceptual background

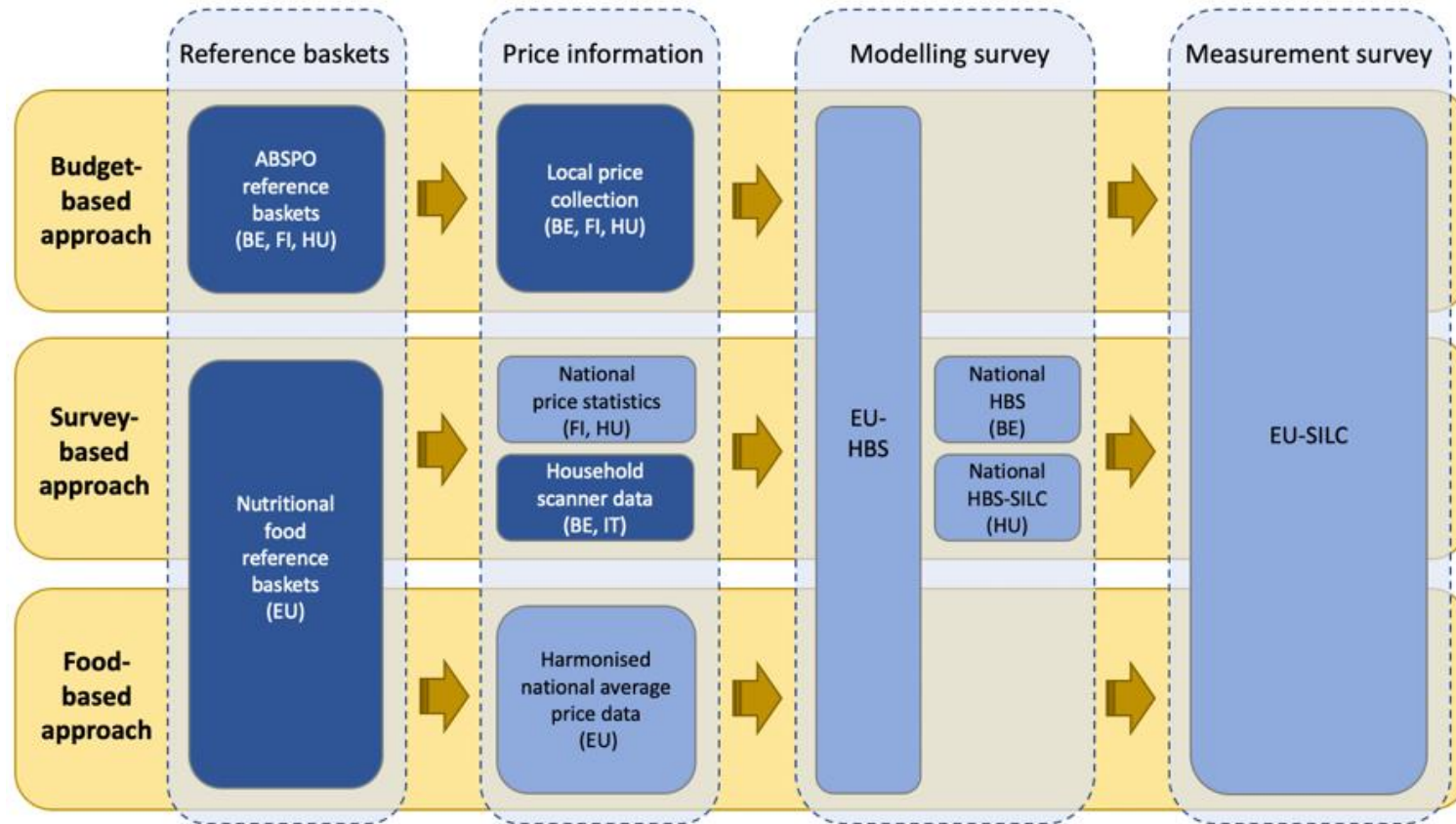
- **Absolute vs. relative poverty measurement**
 - Fixed needs-based standards vs. context-specific social standards
- **Absolute monetary poverty thresholds rarely used in the EU**
 - Previous Commission-funded projects for international reference budget development (ImPRovE/EURB)
 - ISTAT methodology for absolute poverty measurement in Italy
 - Statistical techniques used for poverty measurement in developing countries
- **Three different layers of modelling ABSPO 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)

ABSPO measurement strategies



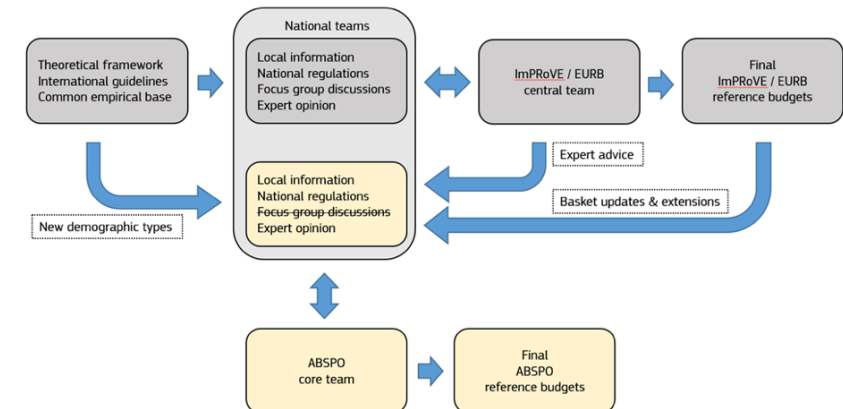
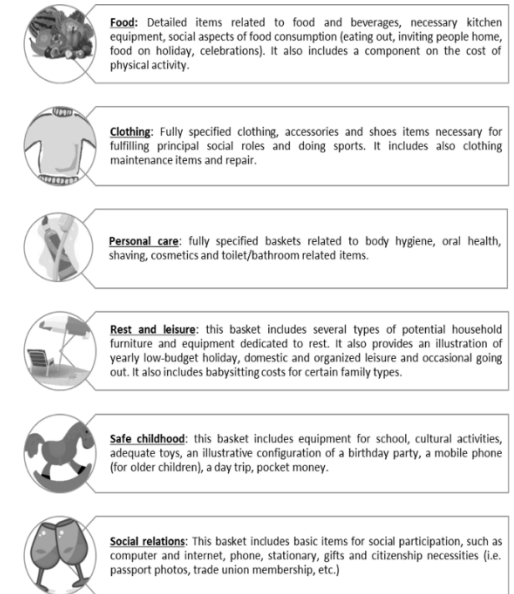
- Different mix of reference budgets and survey-based statistical methods across 5 expenditure categories
- Different implementation costs, resource needs, country coverage

ABSPO modelling procedure and data universe



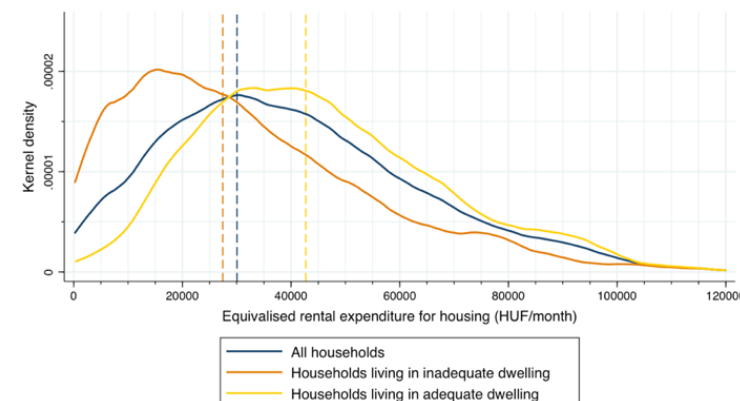
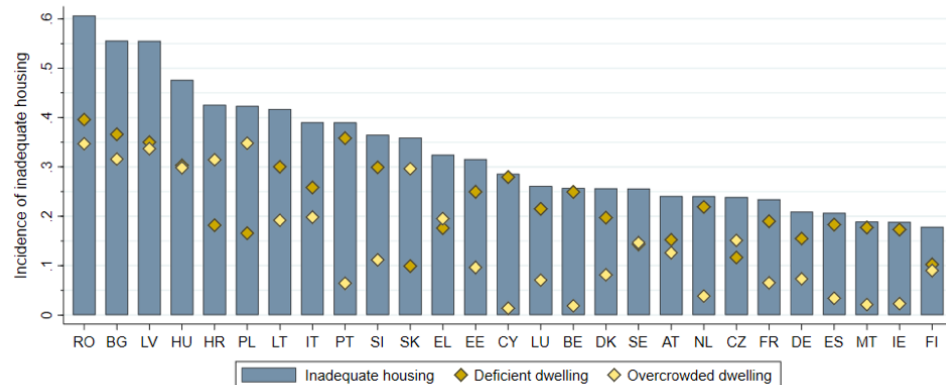
Reference budget-based approach to ABSPO modelling

- **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



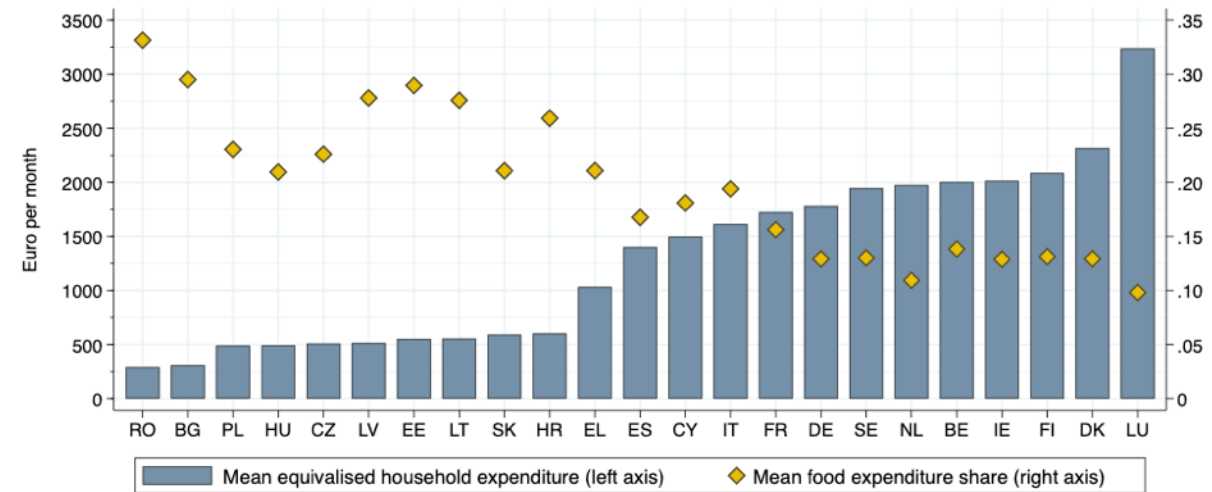
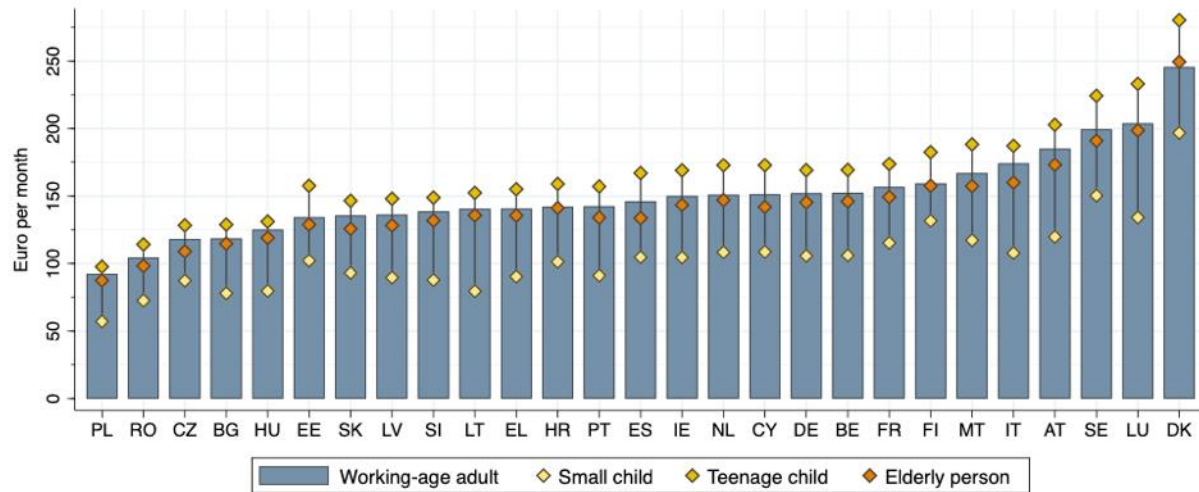
Survey-based approach to ABSPO modelling

- **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

When discussing ABSPO poverty estimates, we focus on the poverty thresholds and the headcount ratio only as the headline measures.

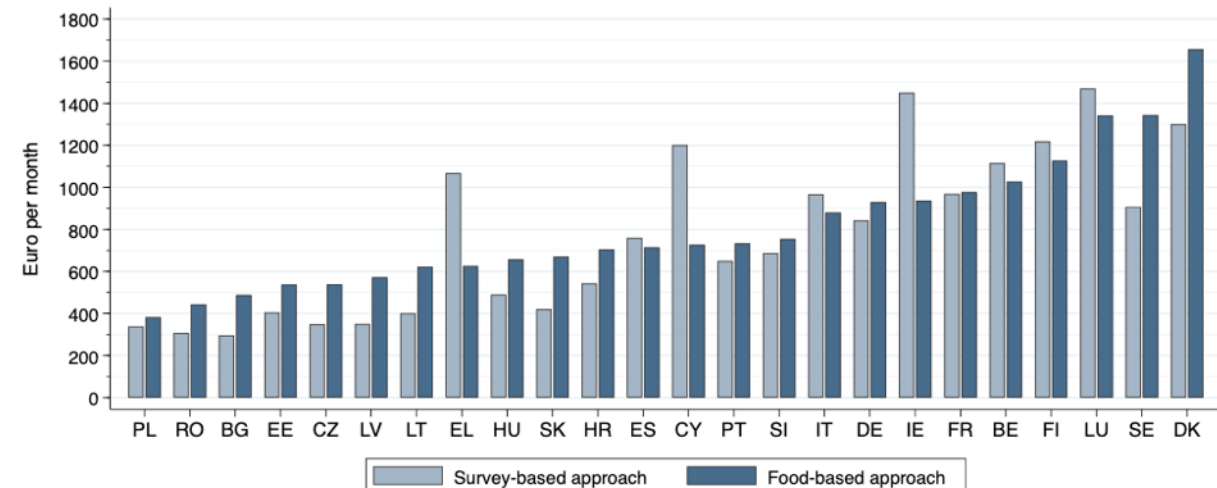
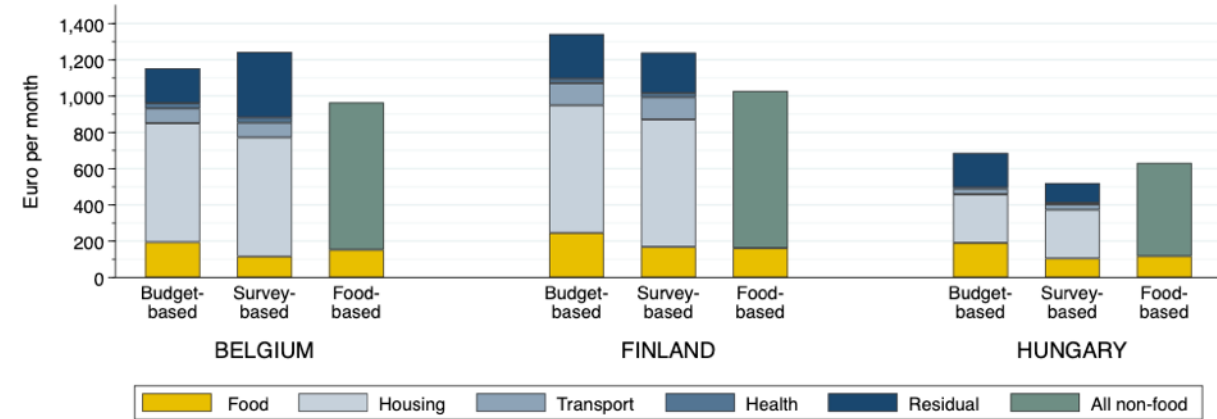
- Which measurement approach yields the highest/lowest poverty thresholds?
- What is the relationship between absolute and relative poverty in a country?
- What is the distribution of absolute and relative poverty rates across EU Member States?
- What is the cyclical and trend behaviour of absolute and relative poverty over time?

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)

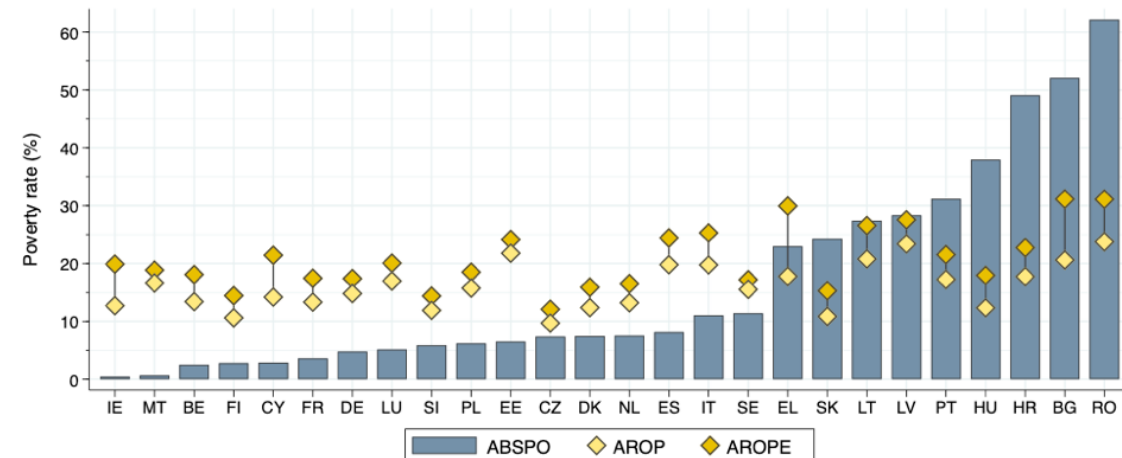
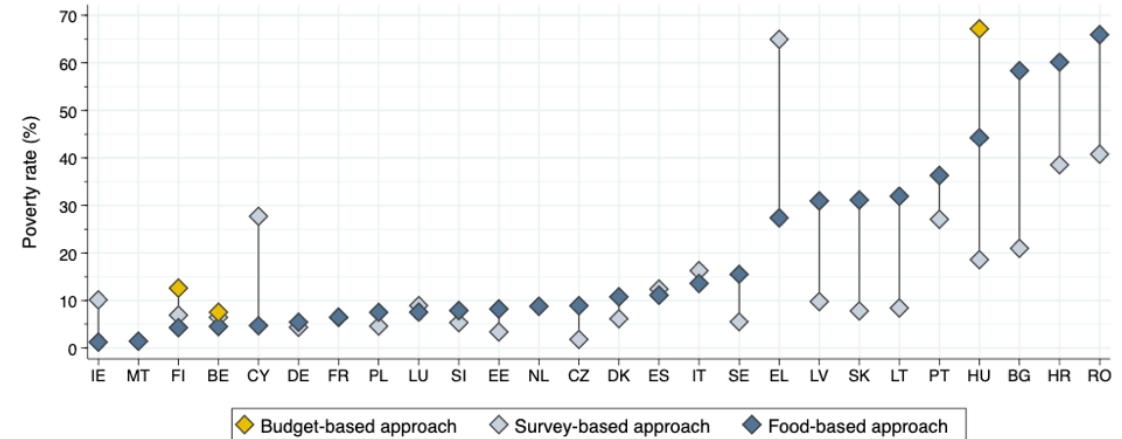
PANEL A: SINGLE PERSONS



Main ABSPO findings – Poverty rates

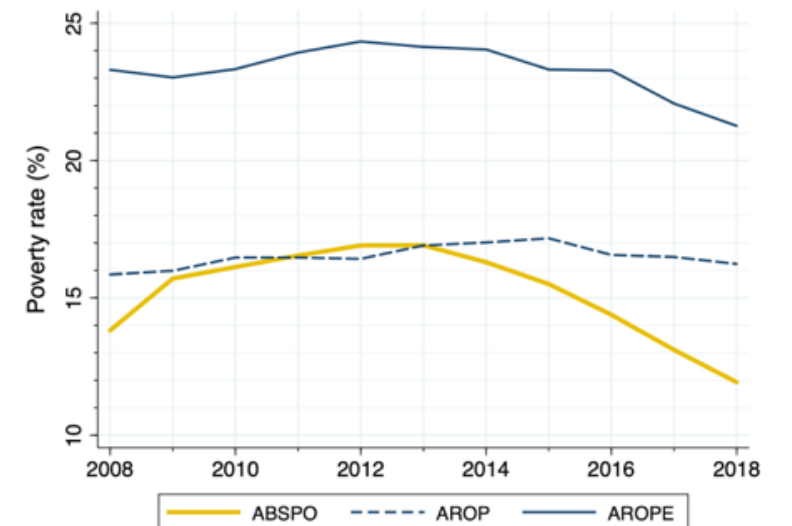
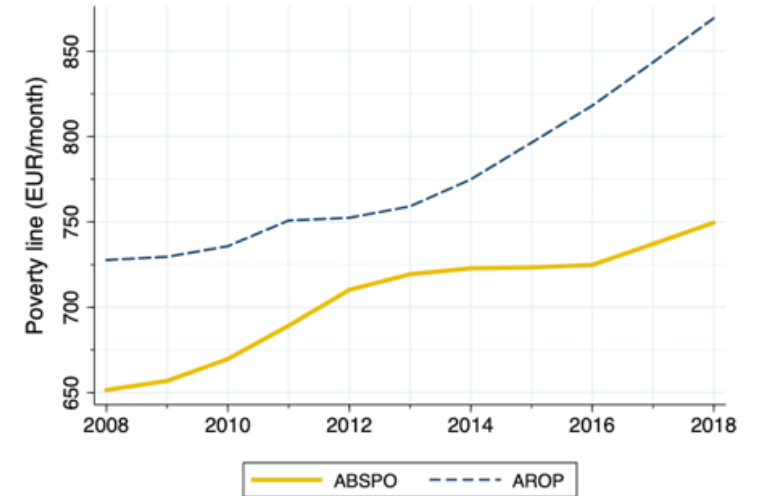
Resulting ABSPO poverty rates for 2018

- 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 available 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 are suitable for quantifying the distributional and social effects of ongoing inflation.

Thank you for the attention!

Contact: Bálint Menyhért (balint.menyhert@ec.europa.eu)