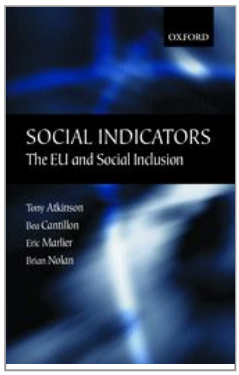

Social Indicators: The EU and Social Inclusion
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Setting the Scene

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Abstract and Keywords

The purpose of this book is to make a scientific contribution to the development of social indicators as part of the social agenda in the EU. It assesses the strengths and weaknesses of different indicators relevant to social inclusion in Europe, and their usefulness in promoting good practice by member state governments and allowing comparable assessment of social outcomes. The aim is that the book will play a role in widening public debate about the social dimension of Europe, will be of value to the social partners, to non-governmental and grass-roots organizations, and to the socially disadvantaged. It seeks to provide both a constructive background document at a crucial stage in the evolution of the social dimension of the EU and a reference work of continuing value. This first chapter sets the scene, providing background information about social indicators and about the development of the social agenda in the EU; in particular, it seeks to make clear both what the book tries to achieve and what it is not intended to provide. The four sections of the chapter (1) introduce social indicators, (2) look at social policy in Europe, (3) discuss the development of the European social agenda since the agreement reached by the Lisbon European Council in March 2000 that the EU should adopt for the next decade the strategic goal of becoming ‘the most competitive and dynamic knowledge-based economy . . . with more and better jobs and greater social cohesion’, and (4) provide an outline of the structure of the book.

Keywords: EU, social agenda, social agenda, social dimension, social inclusion, social indicators, social policy

The purpose of this book is to make a scientific contribution to the development of social indicators as part of the social agenda in the European Union. It assesses the strengths and weaknesses of different indicators relevant to social inclusion in Europe, and their usefulness in promoting good practice by member state governments and allowing comparable assessment of social outcomes. It is hoped that the book will play a role in widening public debate about the social dimension of Europe, and that it will be of value to the social partners, to non-governmental and grass-roots organizations, and to the socially disadvantaged. It seeks to provide both a constructive background document at a crucial stage in the evolution of the social dimension of the European Union and a reference work of continuing value.

In this chapter we set the scene, providing background about social indicators and about the development of the social agenda in the European Union. In particular, it seeks to make clear both what the book tries to achieve and what it is not intended to provide.

1.1. Social Indicators

Social indicators are an important tool for evaluating a country's level of social development and for assessing the impact of policy. Such indicators are already in use in several member states of the European Union (EU) and have begun to play a significant role in advancing the social dimension of Europe. This has been underpinned by the work carried out by the European Commission on the construction of indicators. Publications such as *The Social Situation in Europe, Social Protection in Europe*, and the *Social Portrait of Europe* have disseminated the social monitoring of the EU. On a wider geographical scale, international agencies such as OECD, WHO, UNICEF, and UNDP have contributed to the development of social indicators.

There is an extensive literature on social indicators, stemming from what is sometimes called the ‘social indicator movement’ of the 1960s. **(p.2)** At that time, a number of factors combined to generate interest in social indicators, including the ambition to add a system of social accounts to the System of National Accounts, and interest (in a number of countries) in constructing ‘a parsimonious set of specific indices covering a broad range of social concerns’ (Vogel 1997*b*: 105). These countries included the United States, as in the work of Bauer (1966) and in the publication of the US government of *Toward a Social Report* (US Department of Health, Education, and Welfare 1969). For Europe, reference should be made to Delors (1971).

A number of texts were prepared on the construction and use of indicators, such as Carley (1981), as well as studies of their impact on policy (e.g. De Neufville 1975; MacRae 1985). In Scandinavia the desire to move beyond purely monetary

indicators of well-being led to a broader concept of social welfare. In 1968, for example, Sweden launched its *Level of Living Survey* (see Johansson 1973; Erikson and Åberg 1987; Erikson and Uusitalo 1987; Erikson 1993). The Nordic countries have since the 1980s coordinated such surveys and have published common social reports. These have drawn on the work in the early 1980s by the OECD, which published a list of social indicators (OECD 1982) and, subsequently, a compendium of indicators (OECD 1986). The OECD has just returned to this subject and has published an extensive report entitled *Society at a Glance:* OECD Social Indicators (2001*b*). On a world scale, the World Bank publishes *Social Indicators of Development* (the last print version is World Bank 1996) and the *World Development Report* (e.g. World Bank 2001). Since 1990 the UNDP has published the *Human Development Report* (UNDP 2000), which contains a great deal of information by country about the level of social development. The UNDP constructs the Human Development Index, which is a composite of three basic components: longevity, knowledge, and standard of living, and the Human Poverty Index 2, which combines longevity, illiteracy, poverty rate, and long-term unemployment. (For a review of social reporting, see Berger-Schmitt and Jankowitsch 1999.)

In this literature on social indicators, much consideration has been given to their relation with concepts of social welfare. Important work has been undertaken on 'the Social Quality of Europe' as part of an initiative during the Netherlands presidency, reported in Beck *et al.* (1997); and this is now being taken further in a network on social quality that forms part of the Fifth Framework Programme. The Eu-Reporting Project, coordinated by ZUMA at Mannheim, has been concerned with the conceptual basis for social reporting (see e.g. Berger-Schmitt 2000). **(p.3)** Berger-Schmitt and Noll (2000) provide a very clear account of the relation between concepts of quality of life, social cohesion, social capital, and social exclusion. In seeking to establish analytical foundations, one can draw on academic research in statistics, sociology, social policy, geography, welfare economics, and political science.

It is not our purpose to cover the same field here. Our aim is more pragmatic: to take forward the development of indicators for social inclusion at this crucial stage for the European social agenda. (In some respects we cover similar ground to the report of the Observatoire Social Européen, 2001.) We do not, therefore, discuss social indicators in general. We concentrate on their use for a specific—very important—purpose. The focus on social inclusion in the European Union gives a particular direction to our recommendations, notably our emphasis on measuring social outcomes, rather than the means by which they are achieved.

Equally, we do not attempt to provide a thorough grounding for the terms 'social exclusion' or 'social inclusion'—even though the latter appears in our title. These terms are employed in a wide variety of different ways. While this is part of their (political) appeal, it can undermine their value in an analytical context. Ideally,

we would have considered more thoroughly the precise distinctions of meaning, and the relation between ‘intermediate’ indicators and more fundamental social goals. However, in line with our pragmatic objective of contributing to the policy-making process, we simply accept here the use of the terms as *shorthand* for a range of concerns considered to be important in setting the European social agenda. There is, we believe, broad agreement about the list of such concerns, which encompass poverty, deprivation, low educational qualifications, labour market disadvantage, joblessness, poor health, poor housing or homelessness, illiteracy and innumeracy, precariousness, and incapacity to participate in society. These are the fields that people have in mind when they talk about the social rights of EU citizens. As we argue in Chapter 3, while member states differ in their emphases, there is considerable common ground in the fifteen countries about the issues that they include under the heading of ‘social inclusion’.

1.2. Social Europe

In the early days of the European Communities, social policy received little attention, and the Community organizations were provided with very limited powers in the social field. Social policy was, to a large **(p.4)** extent, a means of achieving other objectives. The restructuring of the coal and steel industries, through the European Coal and Steel Community, involved social measures in aid of training, and financing the necessary adjustments. There was concern with removing barriers to labour mobility and ensuring that differences in the costs of social protection did not prevent competition in the supply of goods. Later, in the 1970s, the social dimension of the Community began to play a more important role. The Commission produced a Social Action Programme, accepted in 1974, which recognized that the Communities had an independent role to play in the formation of social policy and agreed on the implementation, in cooperation with member states, of specific measures to combat poverty.

In terms of concrete action, the achievements were limited in scale and scope. The Regional Development Fund was put in place. The Social Fund was increased in size, with an emphasis on the education, training, and insertion into the labour market of young persons, and on regional redistribution. Policy to combat poverty led in July 1975 to the first European Action Programme covering the period 1975–80. In December 1981 the Commission made an evaluation report, containing an estimate of 36.8 million poor people in the Community (of 12 countries) in 1975. This was based on a poverty line drawn at half the average income of the member state, which was the concrete implementation of the definition adopted by the Council of Ministers of the poor as ‘individuals or families whose resources are so small as to exclude them from the minimal acceptable way of life of the member state in which they live’ (Council Decision, 22 July 1975: see European Commission, 1985; also used in the second poverty programme—see European Commission, 1989: 11).

The social dimension increasingly received more attention in the European Communities. In 1989 the Commission put forward a draft of the ‘Community Charter of Fundamental Social Rights’, and this was adopted in modified form by 11 of the 12 then member states. The opposition of the United Kingdom (UK) at the time led to the Social Chapter as such being excluded from the final Treaty on European Union, but there was an attached Social Protocol, in which the other members expressed their wish to continue along the path laid down in the 1989 Social Charter. Since the election of the Labour Government in the UK in May 1997, the ‘opt-out’ by that member state has ended, and the Social Protocol has been incorporated.

Central to progress in European social policy has been the principle of subsidiarity, according to which the European Union can take action **(p.5)** only if, and in so far as, the objectives of the proposed action cannot be sufficiently achieved by the member states. This means that policy to combat poverty and social exclusion is first and foremost the responsibility of member states.

1.3. Lisbon and Post-Lisbon

New urgency has been given to the development of the European social agenda by the agreement reached at the Lisbon European Council. In March 2000, the Council decided that the Union should adopt the strategic goal for the next decade of becoming ‘the most competitive and dynamic knowledge-based economy . . . with more and better jobs and greater social cohesion’. It is with the social wing of this goal that this book is concerned. The incorporation of the promotion of social inclusion within the overall strategy of the EU, and the agreement at the Nice Summit in December 2000 to advance social policy on the basis of an open method of coordination at Union level, represented a major step, and gave an express role for social indicators.

The open method of coordination, which is designed to help member states progressively to develop their own policies, involves fixing guidelines for the Union, establishing quantitative and qualitative indicators to be applied in each member state, and periodic monitoring. At Lisbon, the Council called on the Commission to report annually on the structural indicators of progress in member states towards the Union's strategic goal (*Synthesis Report*), and at Feira in June 2000 it requested the Commission to ensure the necessary coherence and standard presentation. In the field of social inclusion, in particular, an important role has been given to the Social Protection Committee (formerly the High Level Group on Social Protection), which has 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.)

Policy to promote social inclusion is—under subsidiarity—the responsibility of member states. At the Nice Summit it was agreed that by June 2001 member

states should implement a national two-year action plan for combating poverty and social exclusion, setting specific targets and taking into account national, regional, and local differences. These National Action Plans on Social Inclusion—referred to as NAPincl, to distinguish them from the National Action Plans on employment—are **(p.6)** to state the progress aimed for by national policies and to list the indicators used to assess progress. The Commission is requested to monitor the implementation of the social agenda and to prepare an annual scoreboard of progress. It is invited to identify good practice and to promote its common acceptance. Once the set of indicators has been adopted by the European Council, it will be important to set the quality standards for the construction of indicators and to ensure comparability across member states.

At the Stockholm Summit in March 2001, the Commission in its *Synthesis Report* presented initial data on indicators, building on its September 2000 Communication on 'Structural Indicators' (European Commission 2000*a*). In the field of social inclusion, it proposed seven indicators:

1. distribution of income (ratio of share of top 20% to share of bottom 20%);
2. share of population below the poverty line before and after social transfers (defined as 60% of national median equivalized income);
3. persistence of poverty (share of population below the poverty line for three consecutive years);
4. proportion of jobless households;
5. regional disparities (coefficient of variation of regional unemployment rates);
6. low education (proportion of people aged 18–24 who are not in education or training and have only lower secondary education);
7. long-term unemployment rate.

Figures 1.1–1.7 show the values of these indicators for the EU member states, and in some cases for the whole EU15 (or those member states available), drawing on the indicators presented at Stockholm (European Commission 2001*a*) and on Eurostat (2000*a*). In each case member states are ordered, not alphabetically, but in increasing size of the indicator in question. The position of different member states is interesting. To take just one example, Portugal has the highest values for income inequality, persistent poverty, and low education, but is in the middle for long-term unemployment and has the second lowest values for jobless households and variation in the unemployment rate. Seeing the patterns revealed by these figures, one is immediately challenged to explain the differences between member states. How are they related to the policies pursued in different countries? How far are variations in poverty, unemployment, educational attainment, and inequality the product of different historical **(p.7)**

(p.8) (p.9)

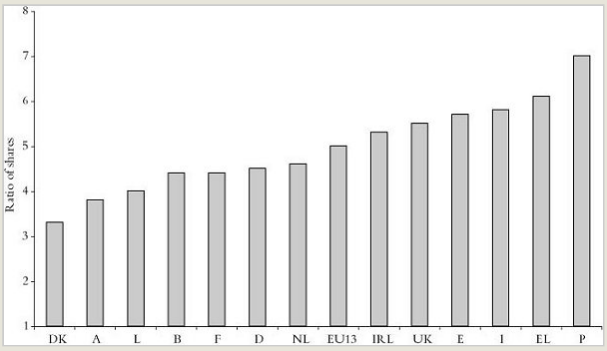

Figure 1.1. Distribution Of Income (Share Of Top 20% Divided By Share Of Bottom 20%), 1996

Country codes: B, Belgium; DK, Denmark; D, Germany; EL, Greece; E, Spain; F, France; IRL, Ireland; I, Italy; L, Luxembourg; NL, Netherlands; A, Austria; P, Portugal; FIN, Finland; S, Sweden; UK, United Kingdom.

Source: Eurostat (2000*b*: table 2.1).

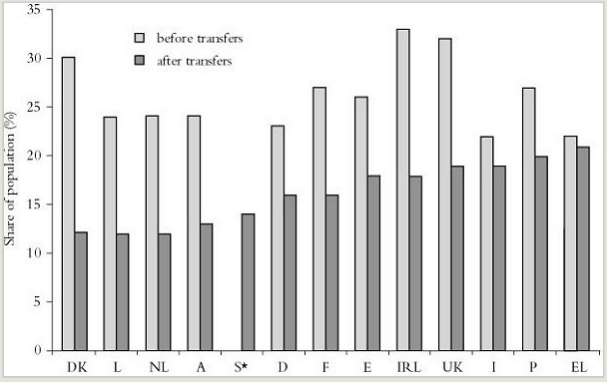

Figure 1.2. Poverty Rate Before and After Transfers (Poverty Line 60% Median, Transfers Excluding Pensions), 1996 (*1997)

Country codes: see Figure 1.1.

(p.10) (p.11)

Source: European Commission (2001*a*: 51).

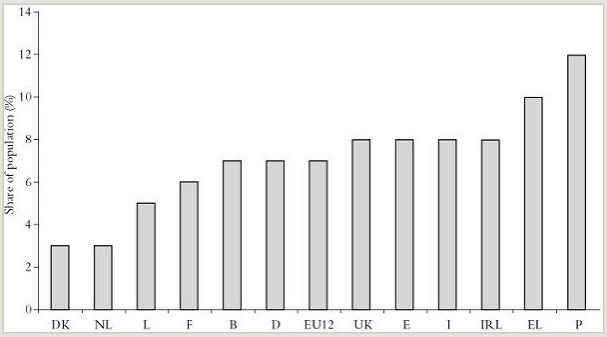

Figure 1.3. Persistence Of Poverty (Share Of Population Consistently Below Poverty Line For Three Years), 1994–6

Country codes: see Figure 1.1.

Source: Eurostat (2000*b*: table A2.5.1).

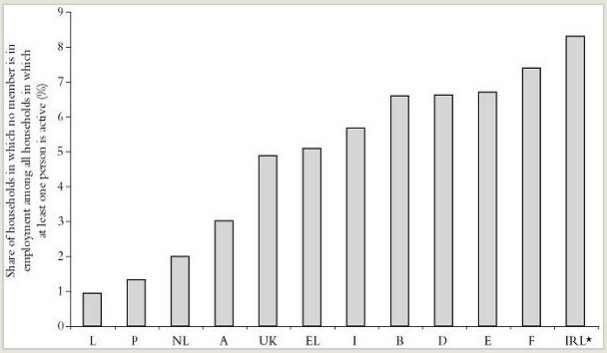

Figure 1.4. Jobless Households, 1999 (*1995)

Country codes: see Figure 1.1.

Source: European Commission (2001*a*: 53).

(p.12) (p.13)

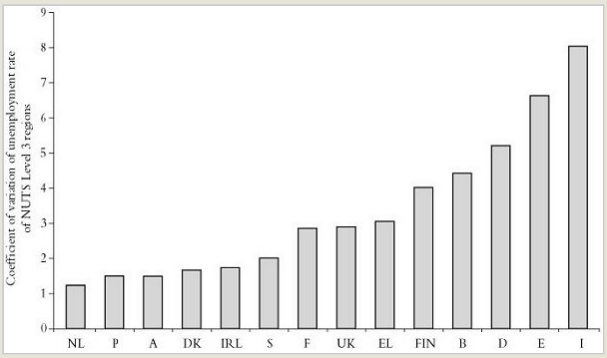

Figure 1.5. Variation In Unemployment Rate Across Regions, 1999

Country codes: see Figure 1.1.

Source: European Commission (2001*a*: 54).

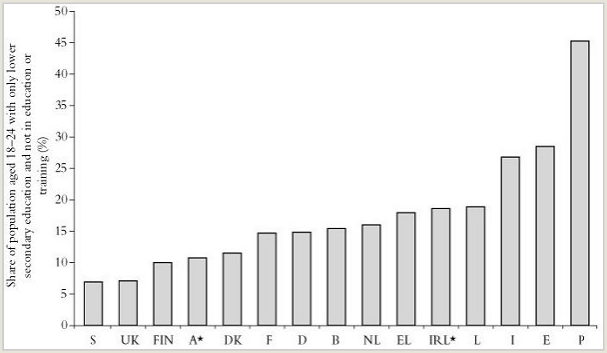

Figure 1.6. Population Aged 18–24 With Only Lower Secondary Education, 1999 (*1997)

Country codes: see Figure 1.1.

Source: European Commission (2001*a*: 55).

(p.14) paths? These are fascinating questions, but they are not the issues we seek to address here. We intend these figures to be illustrative, rather than to contribute to a substantive analysis of the state of social Europe, and therefore we do not discuss the findings in depth. Figures 1.1–1.7 should give readers a sense of the magnitude involved and the extent of differences between member states. They also give us a foretaste of the methodological problems with which we shall be confronted. Behind each of the indicators lie questions of definition. Why do we measure income inequality by the ratio of the share of the top 20% to that of the bottom 20%? Why should 60% of median income be taken as a poverty line? What do 'jobless households' mean? Is variation in unemployment rates the only dimension of regional difference in which we are interested? Are there important dimensions of social inclusion that are missing?

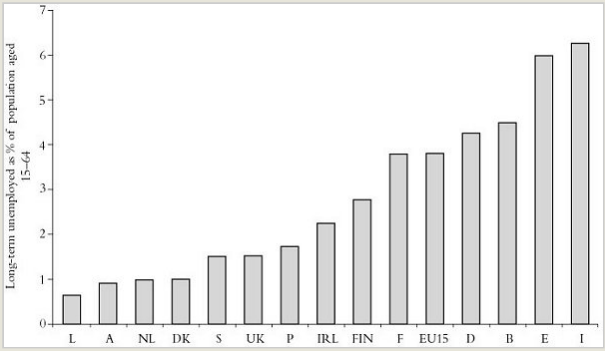

Figure 1.7. Long-Term Unemployment Rate, 2000

Country codes: see Figure 1.1.

Source: European Commission (2001*a*: 56).

Definitional issues arise in purely national studies, but here we are concerned with comparison across member states, each of which has its own institutional and cultural specificity. Looking at Figures 1.1–1.7 instantly raises questions of *comparability*. Does 'lower secondary education' mean the same in all member states? Does the UK score highly because it has a key examination at the age of 16 rather than 18? The exclusion of pensions from transfers in Figure 1.2 clearly has different implications in different countries, depending on the form and extent of pension provision.

Comparability applies not only to definitions but also to the underlying data. There has been a major investment in European Union statistics, which we discuss later; but one still has to ask how far the indicators can be implemented in a consistent way across member states. In some cases the data do not exist. Limitations of data availability mean that not all member states are covered in all of these figures.

The seven indicators proposed by the Commission in its initial documents, and illustrated in Figures 1.1–1.7, receive particular attention in this book, but we have proposed a number of modifications of these indicators and suggested alternatives and extensions. We have considered other fields, notably health,

housing, and homelessness; literacy and numeracy; access to essential services; financial precariousness; and social participation. In this respect, we are following others who have suggested enlarging the scope of indicators. The Observatoire Social Européen (2001), in its report on monetary and non-monetary indicators, proposed adding housing, health, information and communication, mobility, security and justice, leisure and culture. In their National Action Plans, member **(p.15)** state governments have suggested a variety of indicators in addition to the seven proposed by the Commission.

1.4. Structure of the Book

In this book we aim to provide an analytic framework for the construction of indicators of social inclusion and to examine their implementation in the European Union. In particular, we consider:

- principles underlying the construction of policy-relevant indicators and the properties of indicators;
- experience with the use of indicators in the field of social inclusion in member states of the European Union;
- definition of indicators;
- issues that arise in their implementation;
- role of social indicators in the future development of the EU social agenda.

In Chapter 2 we begin with an examination of the principles underlying the construction of indicators to be used for the express purpose of assessing performance in achieving the social agenda of the European Union. The end product in the present context is a portfolio of common indicators applied across the European Union. The principles involved in its construction may concern the single indicators or the portfolio as a whole. Indicators can take different forms, and in the second part of Chapter 2 we consider the properties of indicators. Since any portfolio of indicators involves selecting from a range of competing alternatives, it is essential to understand the full set of possibilities. Choice of indicators involves compromise over objectives, but will also be constrained by data limitations and by institutional differences across countries. These are the subjects of the third part of Chapter 2.

In designing indicators for use in the EU monitoring process, a great deal can be learned from the experience of member states in their national policies to combat social exclusion. In Chapter 3 we review, country by country, social indicators from a member state perspective. In doing so, our aim is to illustrate the range of current practice in the use of social indicators in the field of social inclusion, not to provide a comprehensive assessment. Member states differ in the degree to which they have embarked on strategies aimed at promoting social inclusion that already include explicit targets and indicators against which to measure the effectiveness of policy. For this reason, the amount of space

allocated to each **(p.16)** country varies. In each case, however, we discuss the National Action Plan on Social Inclusion (NAPincl) submitted to the European Commission in June 2001. Our concern here is not with the policies proposed but with the method by which the plans were produced, their relation with previous policy formation, the use made of the seven indicators proposed by the Commission, and other indicators employed by member states which seem of wider interest, particularly where they relate to fields not covered by the Commission's indicators.

In Chapter 4 we commence our analysis of social indicators for use in the EU monitoring process, starting with the portfolio as a whole. We envisage a three-tier structure of indicators. There would be a small set of lead ‘headline’ indicators (Level 1), supported by a wider range of indicators at Level 2, where both levels would be common across member states. To these, member states would be encouraged to add their choice of Level 3 indicators, to highlight specificities in particular areas, and to help interpret the Level 1 and 2 indicators. The Level 1 and 2 indicators would be disaggregated in a number of ways, and we highlight the importance of giving separate indicators for women and men, and for examining the regional dimension wherever possible.

In Chapters 5–8 we examine individual indicators. We begin with a single field: the risk of financial poverty. We devote a whole chapter to this one indicator for two reasons. Poverty is intrinsically important, and, as described above, estimates of the extent of poverty in Europe have played a major role in the evolution of European social policy. Moreover, the design of poverty indicators serves to illustrate the issues that arise with indicators in general. The chapter reviews the many different approaches that have been adopted to the measurement of poverty, and sets out the choices that have to be made in arriving at a concrete implementation.

The indicators of financial poverty described in Chapter 5 provide a measure of the degree to which people face the risk of serious deprivation in terms of their standard of living or to which they fall below a specified minimum level of resources. To measure the seriousness of the risk people face, or the depth of their poverty, we have to associate further indicators. In Chapter 6 we consider the persistence of poverty, measures of the poverty gap, and the extent to which those with low financial resources are suffering enforced deprivation. In the final section of this chapter we turn to the broader issue of the overall distribution of income.

The twin aims of creating a dynamic knowledge-based economy and of ensuring social inclusion meet in the labour market. In Chapter 7 we **(p.17)** examine the fields of education, unemployment, and employment. We start from the social indicators on low education, joblessness, and long-term unemployment proposed

by the Commission, but we go beyond these, covering access to education, employment activation, and the working poor.

In Chapter 8 we consider indicators of health, housing and homelessness, functional illiteracy and innumeracy, access to essential services, financial precariousness, and social participation. These are all potentially important fields that are not covered by the Commission's original proposals. In each case, our interest is in indicators relevant to social inclusion. Homelessness, for example, is clearly a major reason for concern about social exclusion. In the case of health, however, it is not mortality as such that concerns us, but differential mortality according to socio-economic or other characteristics, and the impact that poor health or disability has in exacerbating social exclusion. We are concerned, for example, that the disadvantage of those with low incomes may be compounded by a lack of adequate medical facilities.

The end result of our investigation is a list of 33 recommendations. These are printed in bold type, and are summarized at the end of the book, preceding a list of the proposed indicators. The recommendations and proposed indicators are intended as a contribution to the debate about European Union policy-making, and in Chapter 9 we consider the future policy process.

Our coverage has necessarily been selective. We draw attention in the course of the book to areas that need further investigation, but here we should note that a serious form of social exclusion not considered here is that associated with ethnicity or immigration. Discrimination against particular ethnic groups may be a causal factor in the dimensions we examine, such as poverty or unemployment. Social disadvantage in terms of housing or access to public services may be greater for ethnic minorities. Moreover, there are undoubtedly people who are not deprived according to the indicators covered here and yet are excluded from full participation in the society in which they are living. These are important concerns, but we cannot do them justice in this book.

Environmental issues impinge on a number of fields, such as the environmental quality of housing (Chapter 8), but we do not consider explicitly indicators relating to the environment. Again, this does not reflect any wish to downplay its importance.

Finally, we make no attempt to stand back and analyse the process by which European social policy is being formed, not least because this **(p.18)** book is, in a small way, part of that process. The book should be seen as the response of scientific researchers to the request to contribute, to a tight timetable, a background paper to be used in the formation of policy. In writing the report we have taken as given the objectives to which Member States have collectively subscribed, such as the target of raising employment rates, and have not subjected them to critical scrutiny. Study as to how the European social agenda

has evolved following the Lisbon Council, and evaluation of the significant decisions made collectively by member states, are important topics for future social science research.