

Eurostat

Domain: ILC - Income and Living Conditions

The open method of coordination to monitor social inclusion policies

(a) General background

The Lisbon process

Building on the ‘social chapter’ incorporated in the Amsterdam Treaty (1999), at the March 2000 meeting of the European Council in Lisbon, the EU set itself the strategic goal to become:

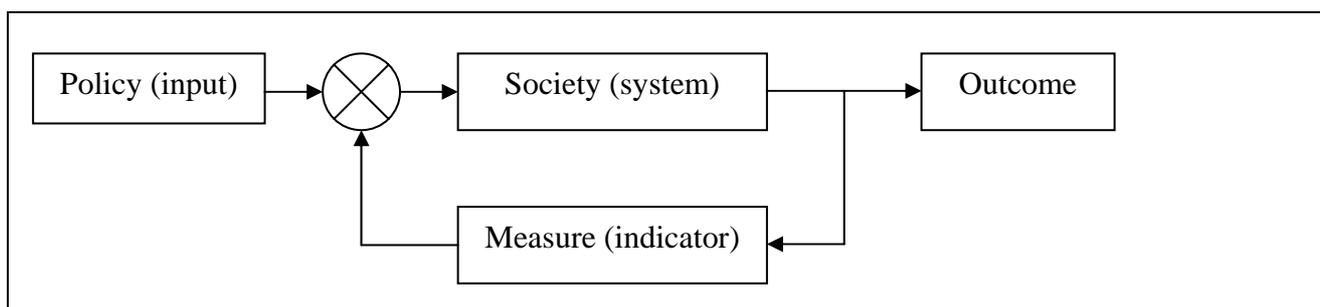
“the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion” .

This strategic goal was clarified by a ‘Social Policy Agenda’ adopted at the European Council meeting in Nice in December 2000 (subsequently updated at the 2002 meeting of the Employment, Health and Social Affairs Council in Brussels). It includes an explicit commitment to fight against poverty and social exclusion.

The open method of co-ordination: a closed loop control system

An important aspect of the Lisbon commitment is the introduction of an ‘open method of co-ordination’¹ which in essence is a closed loop control system: common goals are agreed; policies are designed and implemented; results are monitored; review/feedback generates revised policies. Clearly, statistical indicators play a key role in this process.

Figure 1: closed-loop control system

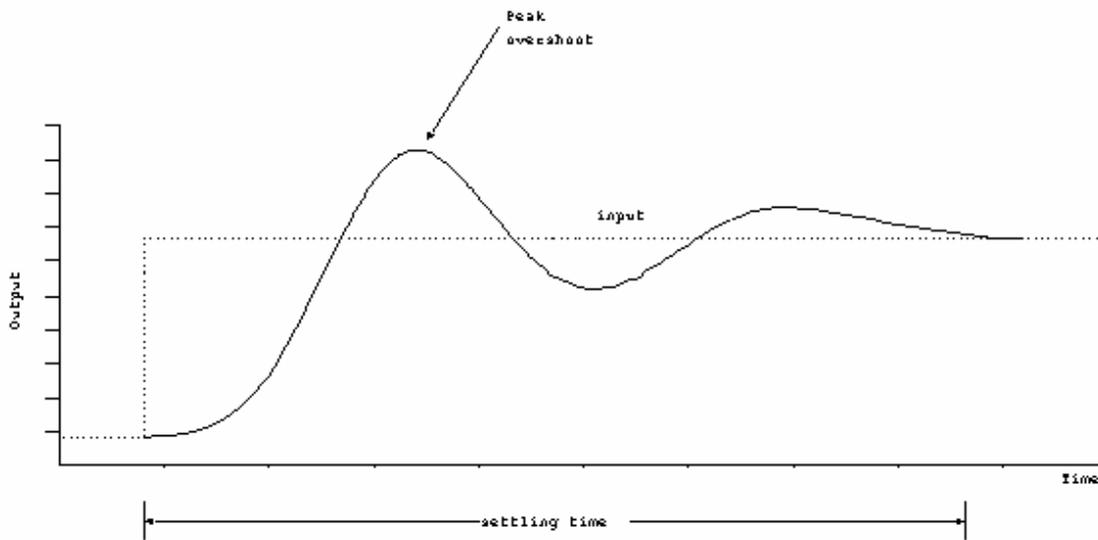


The open method of co-ordination: a dynamic process

This is a dynamic model: evaluation of measured outcomes generates new policy inputs. In the short-term this is likely to result in under- and over-shooting of targets. Pessimistically, this could degenerate into a cycle of ever-larger “booms” and “busts”. More optimistically, targeted interventions will create a virtuous spiral towards attainment of the desired objective. The time to this steady-state equilibrium can be illustrated graphically.

¹ For a more detailed explanation of the open method of coordination, see Appendix 38.

Figure 2: time to steady-state equilibrium



Institutional arrangements

One of the key decisions to implement the 'open method of co-ordination' has been to create a Social Protection Committee, and a related Indicators Sub-Group, to develop actions in this area. This group has been instrumental in translating political objectives into statistical indicators.

Appendix: The Open Method of Coordination

General remarks

“Open coordination is a mutual feedback process of planning, examination, comparison and adjustment of the policies of [EU] Member States, all of this on the basis of common objectives.” (Vandenbroucke).

Effectiveness of the process depends on the development of common indicators, benchmarks, and targets, accompanied by peer review and exchange of good practices, in order to facilitate mutual learning and monitor progress towards agreed goals.

Both the legitimacy and the effectiveness of the OMC also depend on the participation of the widest possible range of actors in policy formulation, implementation, and evaluation at all levels (EU, national, regional/local) in order to:

- ensure the representation of diverse perspectives
- tap the benefits of local knowledge
- hold public officials accountable for carrying out mutually agreed commitments

There are differing procedural variants of the OMC, especially between:

- highly institutionalized treaty-based coordination processes (eg. European Employment Strategy, Broad Economic Policy Guidelines)
- more loosely structured coordination processes (eg. social inclusion, pension reform)

These variations in modalities and procedures depend on:

- the specific characteristics of the policy field;
- the Treaty basis of EU competence;
- the willingness of the Member States to undertake joint action

Proposals have been made to streamline certain processes (economic policy; employment; social inclusion; pensions), with the aim, *inter alia*, of synchronising timetables, clarifying responsibilities, harmonising focus.

Comments relating to the OMC in the field of social inclusion

- Established at the Lisbon European Council in March 2000.
- The key elements are:
 1. Common objectives on poverty and social exclusion (these were eventually agreed at the Nice Summit in December 2000: see part (b) of these explanatory notes).
 2. National action plans against poverty and social exclusion.
 3. Joint Reports on social inclusion of the Commission and the Council, based upon regular monitoring, evaluation and peer review (the first was formally adopted in December 2001; the second was adopted in March 2004)
 4. A set of common indicators of poverty and social exclusion: see part (c) of these explanatory notes (a first set was adopted at the Laeken Council in December 2001, and work has continued to develop and refine that list)
 5. A Community Action Programme to encourage co-operation. (the 2002-2006 programme was adopted in November 2001)

By comparison with the OMC for Employment, it is interesting to note the absence (to date) of recommendations, guidelines in the field of social inclusion.

A (non-exhaustive!) taxonomy of OMC processes

- The Lisbon Process (structural indicators)
 - **social inclusion** (objectives, NAPs, Laeken indicators)
 - other elements of 'Lisbon Strategy': R&D/innovation, information society, enterprise policy (annual scorecards)
- The Luxembourg process for **employment**.
- The Cardiff process for structural reform of **product and capital markets** (annual reports, feeds into BEPG)
- The Cologne process for **macro-economic policy** coordination.
- The Bologna process for **Education**: common objectives, voluntary harmonization or 'interoperability' of tertiary degree structures.
- **Immigration and environment**: OMC as a tool for monitoring/completing implementation of EU legislation
- Social Dialogue: implementation of European framework agreements through OMC-like process of follow-up and monitoring (teleworking, lifelong learning)

A brief evaluation

- Represents a new mode of 'soft' EU governance, as opposed to independent action (subsidiarity) or centralised action (Treaty-based).
- Encourages convergence of objectives, policies, performance – but not of specific rules.
- Encourages experimentation, peer review, exchange of best practices.
- May not be appropriate when legislative action under Treaty is possible. Could be transitional stage towards legislation.
- May not be appropriate when infringes subsidiarity. Could be collaborative approach which extends and improves subsidiarity.
- Most suitable when EU competence is limited; complex/diverse/sensitive subjects preclude binding harmonisation; rapid, practical, flexible solutions necessary.
- Most effective when seen as broad process open to all stakeholders; least effective when seen as narrow technocratic reporting process.

Appendix: Action programmes

Community Action Programme to Combat Social Exclusion 2002-06

The programme is meant to support cooperation which enables the Community and the Member States to enhance the effectiveness and efficiency of policies to combat poverty and social exclusion by:

1. improving the understanding of social exclusion and poverty with the help in particular of comparable indicators;
2. organising exchanges on policies which are implemented and promoting mutual learning *inter alia* in the context of national action plans;
3. developing the capacity of actors to address social exclusion and poverty effectively, and to promote innovative approaches, in particular through networking at European level, and by promoting dialogue with all those involved at national and regional level.

The programme is also open to the EFTA/EEA and Candidate/Accessing Countries.

To ensure the consistency and complementarity of the programme with other relevant Community policies, instruments and actions (in particular the structural funds, and earlier preparatory actions by the Commission) and activities carried out at national, regional and local levels, there is an organisational committee. Links are maintained with the Social Protection Committee.

The proposal was presented by the Commission in June 2000 and approved by the Council in November 2001. It runs from 1 January 2002 to 31 December 2006. The budget amounts to 75 million euro over 5 years.

In the annex, indications of possible actions are classified under three "strands":

Strand 1: analysis of characteristics, processes, causes and trends in social cohesion. A major element under this strand is initial financing of Member State obligations under the EU-SILC regulation. Other measures include financing of studies and meetings.

Strand 2: policy cooperation and exchange of information and best practices. This includes financing of transnational exchanges, peer reviews and other expert studies, annual reporting.

Strand 3: Participation of the various actors and support for networking at European level. A major element under this strand is the funding of associations such as EAPN (European Anti-Poverty Network), EFCW (European Forum for Child Welfare), EPSP (European Public Social Platform), FEANTSA (Fédération Européenne des Associations Nationales Travaillant avec les Sans-Abri), RETIS (Réseau Européen Transrégional pour l'Inclusion Social). A second element is the funding of an annual round table conference on social exclusion².

For full details, including information about calls for tender which have been launched/concluded, see DG.EMPL. website:

http://www.europa.eu.int/comm/employment_social/soc-prot/soc-incl/ex_prog_en.htm.

Overview of the regional, structural and cohesion funds

Current actions relate to the period 2000-2006 and include:

- Objective 1 funding: Development of the least favoured regions
- Objective 2 funding: Conversion of regions facing difficulties
- Interreg III: Interregional cooperation
- Urban II: Sustainable development of urban areas
- Innovative actions: Development of innovative strategies to make regions more competitive
- Applicant countries: Transport and the environment in the applicant countries

Additional actions are coordinated by DG.EMPL and DG.AGRI

² A first was held in October 2002 in Aarhus, Denmark. A second will be held in October 2003 in Turin (Italy).

For details, see DG.REGIO website:

http://europa.eu.int/comm/regional_policy/index_en.htm.

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(b) Common objectives...

The Nice European Council (December 2000) adopted a first set of common objectives in the fight against social exclusion and poverty.

The common objectives were reviewed and revised at the Employment, Social Policy, Health and Consumer Affairs Council in December 2002.

1. To facilitate participation in employment and access by all to resources, rights, goods and services

1.1. Facilitating participation in employment

In the context of the European employment strategy, and the implementation of the guidelines in particular:

(a) To promote access to stable and quality employment for all women and men who are capable of working, in particular:

– by putting in place, for those in the most vulnerable groups in society, pathways towards employment and by mobilising training policies to that end;

– by developing policies to promote the reconciliation of work and family life, including the issue of child- and dependent care;

– by using the opportunities for integration and employment provided by the social economy.

(b) To prevent the exclusion of people from the world of work by improving employability, through human resource management, organisation of work and life-long learning.

1.2. Facilitating access to resources, rights, goods and services for all

(a) To organise social protection systems in such a way that they help, in particular, to:

– guarantee that everyone has the resources necessary to live in accordance with human dignity;

– overcome obstacles to employment by ensuring that the take-up of employment results in increased income and by promoting employability.

(b) To implement policies which aim to provide access for all to decent and sanitary housing, as well as the basic services necessary to live normally having regard to local circumstances (electricity, water, heating etc.).

(c) To put in place policies which aim to provide access for all to healthcare appropriate to their situation, including situations of dependency.

(d) To develop, for the benefit of people at risk of exclusion, services and accompanying measures which will allow them effective access to education, justice and other public and private services, such as culture, sport and leisure.

2. To prevent the risks of exclusion

(a) To exploit fully the potential of the knowledge-based society and of new information and communication technologies and ensure that no-one is excluded, taking particular account of the needs of people with disabilities.

(b) To put in place policies which seek to prevent life crises which can lead to situations of social exclusion, such as indebtedness, exclusion from school and becoming homeless.

(c) To implement action to preserve family solidarity in all its forms.

3. To help the most vulnerable

(a) To promote the social integration of women and men at risk of facing persistent poverty, for example because they have a disability or belong to a group experiencing particular integration problems such as those affecting immigrants.

(b) To move towards the elimination of social exclusion among children and give them every opportunity for social integration.

(c) To develop comprehensive actions in favour of areas marked by exclusion.

These objectives may be pursued by incorporating them in all the other objectives and/or through specific policies or actions.

4. To mobilise all relevant bodies

(a) To promote, according to national practice, the participation and self-expression of people suffering exclusion, in particular in regard to their situation and the policies and measures affecting them.

(b) To mainstream the fight against exclusion into overall policy, in particular:

- by mobilising the public authorities at national, regional and local level, according to their respective areas of competence;
- by developing appropriate coordination procedures and structures;
- by adapting administrative and social services to the needs of people suffering exclusion and ensuring that front-line staff are sensitive to these needs.

(c) To promote dialogue and partnership between all relevant bodies, public and private, for example:

- by involving the social partners, NGOs and social service providers, according to their respective areas of competence, in the fight against the various forms of exclusion;
- by encouraging the social responsibility and active engagement of all citizens in the fight against social exclusion;
- by fostering the social responsibility of business.

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(c) Common indicators...

NB: This is the original report...additional methodological development has continued since it was adopted.



Social Protection Committee

Social Protection Committee

Report on Indicators in the field of poverty and social exclusion

October 2001

Social Protection Committee

Report on Indicators in the field of Poverty and Social Exclusion

October 2001

Following the mandate from the Lisbon European Council, the Member States and the Commission have sought to develop common approaches and compatibility in regard to indicators. The work has been carried out by the Social Protection Committee and its technical subgroup on Indicators that started meeting in February 2001. In particular, the sub-group was concerned with improving indicators in the field of poverty and social exclusion. This follows from the political agreement reached at the European Council in Nice, defining appropriate objectives in the fight against poverty and social exclusion, and inviting Member States and the Commission to seek to develop commonly agreed indicators.

At the Stockholm European Council, in March 2001, Heads of State and Government gave the mandate to the Council to adopt a set of commonly agreed social inclusion indicators by the end of this year. Such indicators should allow the Member States and the Commission to monitor progress towards the goal set by the European Council of Lisbon of making a decisive impact on the eradication of poverty by 2010, to improve the understanding of poverty and social exclusion in the European context and to identify and exchange good practice.

When selecting the indicators, the Social Protection Committee has considered all the main areas to be covered and taken account of national differences in the importance that Member States attach to different areas. It is important that the portfolio of EU indicators should command general support as a balanced representation of Europe's social concerns and because of this, the proposed set of indicators should be considered as a whole rather than a set of individual indicators.

In the suggested set of indicators, the Social Protection Committee agreed to focus on indicators that address social outcomes rather than the means by which they are achieved. The Social Protection Committee agreed on the following methodological principles:

- an indicator should capture the essence of the problem and have a clear and accepted normative interpretation;
- an indicator should be robust and statistically validated;
- an indicator should be responsive to policy interventions but not subject to manipulation;
- an indicator should be measurable in a sufficiently comparable way across Member States, and comparable as far as practicable with the standards applied internationally;
- an indicator should be timely and susceptible to revision;
- the measurement of an indicator should not impose too large a burden on Member States, on enterprises, nor on the Union's citizens;
- the portfolio of indicators should be balanced across different dimensions;
- the indicators should be mutually consistent and the weight of single indicators in the portfolio should be proportionate;
- the portfolio of indicators should be as transparent and accessible as possible to the citizens of the European Union.

A large number of indicators are needed to properly assess the multidimensional nature of social exclusion. The Social Protection Committee suggests that these indicators should be prioritised by

placing them in three levels. *Primary indicators* would consist of a restricted number of lead indicators which cover the broad fields that have been considered the most important elements in leading to social exclusion; *Secondary indicators* would support these lead indicators and describe other dimensions of the problem. Both these levels would be commonly agreed and defined indicators, used by Member States in the next round of National Action Plans on Social Inclusion and by the Commission and Member States in the Joint Report on Social Inclusion. There may also be a third level of indicators that Member States themselves decide to include in their National Action Plans on Social Inclusion, to highlight specificities in particular areas, and to help interpret the primary and secondary indicators. These indicators would not be harmonised at EU level.

On the basis of the above principles, the Social Protection Committee agreed the following indicators of Social Exclusion:

Primary Indicators

1. Low income rate after transfers with low-income threshold set at 60% of median income (with breakdowns by gender, age, most frequent activity status, household type and tenure status; as illustrative examples, the values for typical households);
2. Distribution of income (income quintile ratio)
3. Persistence of low income
4. Median low income gap
5. Regional cohesion
6. Long term unemployment rate
7. People living in jobless households
8. Early school leavers not in further education or training
9. Life expectancy at birth
10. Self perceived health status

Secondary Indicators

11. Dispersion around the 60% median low income threshold
12. Low income rate anchored at a point in time
13. Low income rate before transfers
14. Distribution of income (Gini coefficient)
15. Persistence of low income (based on 50% of median income)
16. Long term unemployment share
17. Very long term unemployment rate.
18. Persons with low educational attainment

The exact definitions of the agreed indicators are included in the annex.

Even though the Social Protection Committee is not yet able to put forward a proposal for a commonly agreed indicator on the key dimension of housing, its members agreed on a common approach to be followed: National Action Plans should contain quantitative information covering three issues: (1) decent housing, (2) housing costs, (3) homelessness and other precarious housing conditions.

The Social Protection Committee is satisfied with the degree of progress reached in 2001, as with this first set of indicators, Member States and the Commission will be able to measure, in a comparative way, several key aspects of the multidimensional phenomenon of poverty and social exclusion. However the Social Protection Committee is fully aware that the above list does not give

the same weight to all relevant dimensions. Therefore, the Committee recommends that further work be carried out in 2002 on indicators on poverty and social exclusion:

- ◆ Examining the possibility of developing additional commonly agreed indicators in a number of areas which are recognised as relevant for social exclusion: living conditions including social participation, recurrent and occasional poverty, access to public and private essential services, territorial issues and indicators at local level, poverty and work, indebtedness, benefit dependency and family benefits.
- ◆ Examining how the gender dimension of poverty and social exclusion can be perceived and measured in a more satisfactory manner.

The Committee also recommends that the following aspects should be given a more detailed technical examination in order to improve accuracy and comparability:

- ◆ Improving comparable information and reporting on decency of housing, housing costs and homelessness.
- ◆ Developing indicators on literacy and numeracy and on access to education.
- ◆ In the field of health, examining measures for quality adjusted life expectancy, premature mortality by socio-economic status and, as currently proposed in the Task Force on Statistics on Income and Living Conditions (EU-SILC), access to healthcare.
- ◆ Tackling groups not living in "private households", especially the homeless but also those living in institutions (old age homes, prisons, orphanages...)

Further developmental work should not be confined however to the task of reaching a set of commonly agreed indicators, on the basis of current data. Despite clear improvements in the EU data bases over recent years, there is still too little comparable data available, and much of it is not timely. In order to ensure the monitoring of the social inclusion process in its multi-dimensionality the development of the statistical capacity is crucial, while making full use of the data currently available. EU-SILC will be an important source of comparable data in the future. For this reason, it is important that the current exacting timetable does not slip.

Finally, the Social Protection Committee recognises the importance of increasing the involvement of excluded people in the development of indicators, and the need to explore the most effective means of giving a voice to the excluded.

Annex: List of Indicators

PRIMARY INDICATORS

| | Indicator | Definition | Data sources + most recent year available |
|----|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| 1a | Low income rate after transfers with breakdowns by age and gender | Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. Age groups are: 1. 0-15, 2. 16-24, 3. 25-49, 4. 50-64, 5. 65+. Gender breakdown for all age groups + total | Eurostat ECHP 1997 |
| 1b | Low income rate after transfers with breakdowns by most frequent activity status | Percentage of individuals aged 16+ living in households where the total equivalised household income is below 60% national equivalised median income. Most frequent activity status: 1.employed, 2.self- employed, 3.unemployed, 4.retired, 5.inactives-other. Gender breakdown for all categories + total | Eurostat ECHP 1997 |
| 1c | Low income rate after transfers with breakdowns by household type | Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. 1. 1 person household, under 30 yrs old 2. 1 person household, 30-64 3. 1 person household, 65+ 4. 2 adults without dependent child; at least one person 65+ 5. 2 adults without dep. child; both under 65 6. other households without dep. Children 7. single parents, dependent child 1+ 8. 2 adults, 1 dependent child 9. 2 adults, 2 dependent children 10. 2 adults, 3+ dependent children 11. other households with dependent children 12. Total | Eurostat ECHP 1997 |
| 1d | Low income rate after transfers with breakdowns by tenure status | Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. 1. Owner or rent free 2. Tenant 3. Total | Eurostat ECHP 1997 |
| 1e | Low income threshold (illustrative values) | The value of the low income threshold (60% median national equivalised income) in PPS, Euro and national currency for: 1. Single person household 2. Household with 2 adults, two children | Eurostat ECHP 1997 |

| | | | |
|-----|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| 2. | Distribution of income | S80/S20: Ratio between the national equivalised income of the top 20% of the income distribution to the bottom 20%. | Eurostat ECHP 1997 |
| 3. | Persistence of low income | Persons living in households where the total equivalised household income was below 60% median national equivalised income in year n and (at least) two years of years n-1, n-2, n-3. Gender breakdown + total | Eurostat ECHP 1997 |
| 4. | Relative median low income gap | Difference between the median income of persons below the low income threshold and the low income threshold, expressed as a percentage of the low income threshold. Gender breakdown + total | Eurostat ECHP 1997 |
| 5. | Regional cohesion | Coefficient of variation of employment rates at NUTS 2 level. | Eurostat LFS (2000) |
| 6. | Long term unemployment rate | Total long-term unemployed population (≥ 12 months; ILO definition) as proportion of total active population; Gender breakdown + total | Eurostat LFS (2000) |
| 7. | Persons living in jobless households | Persons aged 0-65 (0-60) living in households where none is working out of the persons living in eligible households. Eligible households are all except those where everybody falls in one of these categories: - aged less than 18 years old - aged 18-24 in education and inactive - aged 65 (60) and over and not working | Eurostat LFS (2000) |
| 8. | Early school leavers not in education or training | Share of total population of 18-24-year olds having achieved ISCED level 2 or less and not attending education or training. Gender breakdown + total | Eurostat LFS 2000 |
| 9. | Life expectancy at birth | Number of years a person may be expected to live, starting at age 0, for Males and Females. | Eurostat Demography Statistics |
| 10. | Self defined health status by income level. | Ratio of the proportions in the bottom and top quintile groups (by equivalised income) of the population aged 16 and over who classify themselves as in a bad or very bad state of health on the WHO definition. Gender breakdown + total | Eurostat ECHP 1997 |
| | | | |

SECONDARY INDICATORS

| | Indicator | Definition | Data sources + most recent year available |
|-----|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| 11. | Dispersion around the low income threshold | Persons living in households where the total equivalised household income was below 40, 50 and 70% median national equivalised | Eurostat ECHP 1997 |

| | | | |
|-----|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| | | income | |
| 12. | Low income rate anchored at a moment in time | Base year ECHP 1995. 1. Relative low income rate in 1997 (=indicator 1) 2. Relative low income rate in 1995 multiplied by the inflation factor of 1994/96 | Eurostat ECHP 1997 |
| 13. | Low income rate before transfers | Relative low income rate where income is calculated as follows: 1. Income excluding all social transfers 2. Income including retirement pensions and survivors pensions. 3. Income after all social transfers (= indicator 1) Gender breakdown + total | Eurostat ECHP 1997 |
| 14. | Gini coefficient | The relationship of cumulative shares of the population arranged according to the level of income, to the cumulative share of the total amount received by them | Eurostat ECHP 1997 |
| 15. | Persistence of low income (below 50% of median income) | Persons living in households where the total equivalised household income was below 50% median national equivalised income in year n and (at least) two years of years n-1, n-2, n-3. Gender breakdown + total | Eurostat ECHP 1997 |
| 16. | Long term unemployment share | Total long-term unemployed population (≥ 12 months; ILO definition) as proportion of total unemployed population; Gender breakdown + total | Eurostat LFS 2000 |
| 17. | Very long term unemployment rate | Total very long-term unemployed population (≥ 24 months; ILO definition) as proportion of total active population; Gender breakdown + total | Eurostat LFS 2000 |
| 18. | Persons with low educational attainment | Educational attainment rate of ISCED level 2 or less for adult education by age groups (25-34, 35-44, 45-54, 55-64). Gender breakdown + total | Eurostat LFS 2000 |

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(a) General background

The European Council in Stockholm and Goteborg called in 2001 for the application of the open method of coordination to the domain of pensions policy on the basis of joint work to be undertaken by the Social Protection Committee and the Economic Policy Committee.

(b) Common objectives

A set of common objectives was adopted by a joint report of the Social Protection Committee and Economic Policy Committee in November 2001:

Objective 1: preventing social exclusion

Objective 2: Enabling people to maintain living standards

Objective 3: Promoting solidarity within and between generations

Objective 4: Raise employment levels

Objective 5: Extend working lives

Objective 6: Sustainable pension systems in a context of sound public finance

Objective 7: Adjust benefits and contributions in a balanced way

Objective 8: Ensure that private pension provision is adequate and financially sound

Objective 9: Adapt pensions systems to more flexible employment and career patterns

Objective 10: Meet the expectations for greater equality of women and men

Objective 11: Make pension systems more adaptable and transparent

(c) Common indicators

A provisional list of indicators has been developed by the Indicators Sub-Group of the Social Protection Committee. Work is ongoing to refine and extend this list:

ANNEX:

- LIST OF VARIABLES AND INDICATORS FROM THE ISG'S SECOND PROGRESS REPORT

- ECHP DATA TABLE FROM THE JOINT PENSION REPORT

CONTEXT VARIABLES AND COMMON INDICATORS RELATING TO NATIONAL STRATEGIES FOR ADEQUATE AND SUSTAINABLE PENSIONS

N.B.: The new indicators are inserted in Italics.

| No. | Title | Source | Status |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------|
| <u>Context information</u> | | | |
| i) Demographic information | | | |
| P0.01 | Population breakdown by age groups 0-14, 15-24, 25-44, 45-59, 60-64, 65-74, 75+ (current and projected) | EUROSTAT, Demographic statistics | |
| P0.02 | Life expectancy at birth and at ages 60 and 65, by gender (current and projected for 2010, 2030, 2050) | EUROSTAT, Demographic statistics | |
| P0.03 | Demographic old-age dependency ratio (current and projected for 2010, 2030, 2050): number of persons aged 65+ (60+) in relation to number of working age population (aged 15-64 and 15-59) | EUROSTAT, Demographic statistics | |
| ii) Household information | | | |
| | | | |
| P0.04 | Housing tenure status: percentage of people aged 65+ (60+) and for complementary age groups (below 65 and below 60) by the housing tenure status of the household they live in (owner-occupied, rent-free and rented accommodation) (men/women/total). | EUROSTAT ECHP | |
| P0.05 | Distribution of people who are at risk of poverty and aged below 65, below 60, 65+ and 60+ by the housing tenure status of their households. | EUROSTAT – ECHP | |
| P0.06 | Percentage of people aged 65+ (60+) living with their children (men/women/total). | EUROSTAT – ECHP | |
| P0.07 | Percentage of people aged 65+ (60+) living with another adult aged 65+ (60+), men/women/total. | EUROSTAT – LFS | |
| P0.08 | Percentage of people aged 65+ (60+, 75+) living alone, men/women/total. (Source: LFS) | EUROSTAT – LFS | |
| P0.09 | Percentage of people aged 65+ (60+, 75+) living in institutions, men/women/total. (Source: administrative data from the Member States) | Administrative data – national sources | |
| iii) Social protection expenditure | | | |
| P0.10 | Social protection expenditure and pension expenditure as a % of GDP. | EUROSTAT, ESSPROS | |
| iv) Pensions' regulatory framework | | | |
| | <i>Work in progress, in particular to cover the area of modernisation of pension systems</i> | | |
| | | | |

| Indicators: Adequacy of pensions | | | |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------|
| Objective 1. Preventing social exclusion | | | |
| P1.01 | Risk of poverty for people aged 60+, 65+ and 75+ and below 60, 65, 75 (men/women/total, by household type) | EUROSTAT – ECHP | |
| P1.02 | Incidence of risk of poverty for people belonging to the above age groups by the housing tenure status of their households (owner-occupied, rent-free and rented accommodation) | EUROSTAT - ECHP | |
| P1.03 | Risk of poverty for people whose main activity status is 'retired' (men/women/total) | EUROSTAT – ECHP | |
| Objective 2. Enabling people to maintain living standards | | | |
| P2.01 | Relative income, i.e. the ratio of median equivalised income of people aged 60+, 65+ and 75+ relative to median equivalised income of people aged <60, <65 and <75 respectively and of people aged 45-54. | EUROSTAT – ECHP | |
| P2.02 | Composition of income by source, for people aged 60+, 65+, 75+, below 60, below 65, below 75. For each age group: income composition for the group as a whole and for each income quintile. Sources of income: pensions; other social benefits; earnings from work; other sources. | EUROSTAT – ECHP | Context information related to indicator P2.01 |
| P2.03 | <i>Prospective replacement ratios for a person having worked for 40 years at average earnings and retiring at 65 years of age. Breakdown by pension component (pillars) and contribution of taxes and contributions.</i> | <i>National administrative data and calculations</i> | <i>Work in progress</i> |
| Objective 3. Promoting solidarity within and between generations | | | |
| P3.01 | Inequality of income distribution (S80/S20), 60+, 65+ and 75+, men/women/total. | EUROSTAT – ECHP | |
| P3.02 | Relative income inequality: income share ratio S80/S20 for age groups 60+, 65+ and 75+ relative to the income share ratio for complementary age groups, men/women/total. | EUROSTAT – ECHP | |
| P3.03 | Relative risk of poverty: risk of poverty for age groups 60+ and 65+ relative to the risk of poverty for complementary age groups (men/women/total) | | |
| P3.04 | Risk of poverty calculated at different income thresholds (40%-50-70% of median national equivalised income) for people aged 60+, 65+ and 75+. | EUROSTAT – ECHP | |
| Indicators: Financial sustainability | | | |
| Objective 4. Raise employment levels | | | |
| P4.01 | Total employment rate: Percentage of people aged 15-64 in employment (total/males/females). Current and Lisbon scenario projected. | EUROSTAT – LFS, national projections | |
| P4.02 | Economic or effective old-age dependency ratio (current and projected): non-active population 65+ (60+) in relation to employed population (aged 15-64; 15-59) | EUROSTAT – LFS, national projections | |
| Objective 5. Extend working lives | | | |
| P5.01 | Employment rates of older workers: Percentage of people aged 55-59, 60-64, 55-64, and 65-69 in employment (men/women/total). Current and projected scenario (Stockholm target) | EUROSTAT – LFS, national projections | |
| P5.02 | <i>Effective age of withdrawal from the labour market (men/women/total)</i> | <i>EUROSTAT – LFS</i> | <i>Work almost finalised</i> |

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| Objective 6. Sustainable pension systems in a context of sound public finances | | | |
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| Objective 7. Adjust benefits and contributions in a balanced way | | | |
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| Objective 8. Ensure that private pension provision is adequate and financially sound | | | |
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| <u>Indicators: Modernisation of pension systems</u> | | | |
| Objective 9. Adapt pension systems to more flexible employment and career patterns | | | |
| | <i>Work in progress</i> | | |
| Objective 10. Meet the aspirations for greater equality of women and men | | | |
| | <i>Work in progress</i> | | |
| Objective 11. Make pension systems more adaptable and transparent | | | |
| | <i>Work in progress</i> | | |