# Social Situation Monitor - Glossary

### Active labour market policies

Measures aimed at improving recipients' prospects of finding gainful employment or increasing their earnings capacity or, in the case of employers, at encouraging them to take on people or to maintain jobs. These include public employment services, vocational training programmes, job subsidies and job creation measures.

### Activity rate

The proportion of working-age population that is either employed or unemployed.

### At-risk-of-poverty rate

The proportion of people with an equivalised disposable income below the at-risk-of-poverty threshold, which is conventionally set at 60% of the national median equivalised disposable income (after social transfers and direct taxes). The at-risk-of-poverty rate is part of the set of indicators adopted by the Laeken European Council.

### Benefits

Include all the main cash benefits and public pensions received by households. In some cases, we divide benefits further into public pensions, means-tested benefits and non means-tested benefits.

### Benefits in kind

The provision of social services, such as child or elderly care, at a subsidized price or free of charge.

### Canberra Group on Household Income Statistics

A group set up to improve national household income statistics by developing relevant standards on conceptual and practical issues. To improve international comparability, the Group has developed and recommended international guidelines and standards. For more information, see: www.lisproject.org/links/canbaccess.htm

### Cash benefits

Income support for individuals in the form of monetary payments, in contrast to benefits in kind.

### Citizenship

The legal nationality of the person concerned.

### Confidence interval

An interval that is known to include the true value of a variable with a certain, and relatively high, probability (generally 95% or 99%).

### Contributory pension scheme

A pension scheme funded by contributions from the individuals concerned and, in many cases, by their employers.

### Cross-sectional data set

Data that relate to a single point in time, rather than a timeseries data set, which consists of observations over successive periods of time (e.g. monthly or annually).

### Decile

One of the nine variate values that divide a total frequency distribution (such as that of disposable income) into 10 equal parts in terms of the population covered, once the population has been ranked in terms of a particular variable (such as disposable income).

### Decile group

The population included within one of the 10 equal parts. For example, the bottom income decile group represents the 10% of the population with the lowest income in a country or region.

### Disposable income

Gross income less income tax, regular taxes on wealth, compulsory social insurance contributions paid by the individual concerned plus social transfers and any private transfers received.

### Duration of unemployment

The (continuous) period during which a person is both available for work and actively seeking work.

### ECHP

The European Community Household Panel, a panel survey in which the same selected sample of households and the people living in them were interviewed each year about their income, financial situation, working life, housing situation, social relations, health and other aspects of their living conditions. Altogether, there were eight annual surveys, or waves, of ECHP between 1994 and 2001, before it was terminated, to be replaced by the EU-SILC (see below).

### Educational attainment

The highest education or training level successfully completed, usually defined in terms of the International Standard Classification of Education (ISCED). http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:International_standard_classification_of_education_%28ISCED%29

### Employed person

Defined according to international conventions as anyone aged 15 and over who, during a particular week (the reference week), worked at least one hour in a job or business, or had a job or business from which they were temporarily absent. The definition includes unpaid family workers. In some parts of the EU-SILC or Labour Force Survey (see below), employment can also be self-defined.

### Employment rate

The proportion of those aged 15–64 who are in employment.

### Equivalised (household) disposable income

The total disposable income of a household (i.e. the sum of the income of all members) divided by the number of people living in the household, weighted to allow for the economies associated with collective consumption. The weights used in the analysis here, and in most studies, conform to the modified OECD scale, which attributes weight of 1.0 to the first adult, 0.5 to everyone else aged 14 and over, and 0.3 to each child aged under 14. Each person in the household is, therefore, assigned the same 'equivalised disposable income', on the implicit assumption that the income of the household is shared equally between the members.

## EU-27

The EU25 plus Bulgaria and Romania.

## EU10

The Member States that entered the EU on 1 May 2004 — i.e. the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

## EU15

The 15 Member States prior to the accession of the EU10 — i.e. Belgium, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom.

## EU25

The EU15 plus the EU10.

## EUROMOD

A tax-benefit microsimulation model of households in EU Member States, which enables to estimate, in a comparative way across countries, the effects of taxes and benefits on household income and work incentives.
https://www.iser.essex.ac.uk/euromod

## Eurostat

The Statistical Office of the European Communities and part of the European Commission.
http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/

## EU–SILC

The EU Statistics on Income and Living Conditions, an annual survey to collect comparable data in EU Member States on these and related aspects. The survey project was launched in 2003 and covered six Member States (Belgium, Denmark, Greece, Ireland, Luxembourg and Austria) plus Norway; it was extended in 2004 to a further seven (to the EU15 — with the exceptions of Germany, the Netherlands and the UK — plus Estonia). In 2005, the survey covered all EU25 countries, and as from 2007 it covers Bulgaria and Romania as well (together with Turkey and Switzerland). Additional information can be found at:
http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc

## Fiscal drag

The process by which tax revenue tends to increase with inflation or growth because tax thresholds or allowances are not adjusted in line with inflation or the growth of income.

## GDP

Gross domestic product, an aggregate measure of output produced or income generated in an economy.

### Gini coefficient

A measure of inequality or concentration, here used mainly in respect of income. The Gini coefficient is derived from the Lorenz curve (see below), which plots cumulative shares of the population, from the poorest upwards, against the cumulative share of incomes that they receive. The Gini coefficient is defined as the ratio of the area between the Lorenz curve and the total area delineated by the 45-degree line, which indicates an equal distribution of income, with everyone receiving the same amount. The Gini coefficient, therefore, varies between 0, when it would be the same as the 45-degree line and 1, when a single individual (person or household) has all the income.

### Gross income

Original income plus cash benefits.

### Household

One or more persons living in the same place, or at the same address, and, by assumption, sharing income and purchases.

### Household Budget Surveys

Sample surveys of household expenditure on various goods and services.

### Imputed rent

An estimate of the equivalent market rent for a household that is owned by the occupier(s) or for which the actual rent paid is subsidised or free of charge.

### Inactive person

Defined according to international conventions as someone who is economically inactive, i.e. not part of the labour force. So inactive people are neither employed nor unemployed.

### Inactivity rate

The proportion of the population of working age (conventionally taken as 15–64) that is neither employed nor recorded as being unemployed.

### Income quintile share ratio (S80/S20)

The ratio of total equivalised disposable income received by the 20% of the population with the highest income (top quintile) to that received by the 20% with the lowest income (lowest quintile).

### Indexation

The periodic adjustment of the monetary value of regular payments, allowances or thresholds to take account of inflation.

### Labour force

The sum of those recorded as being employed and unemployed.

### Labour Force Survey

A quarterly household survey of the employment circumstances of people living in a representative sample of households.

### Laeken indicators

A set of indicators of key aspects of social exclusion and poverty agreed by the Laeken European Council in December 2001. A new set of overarching indicators was adopted by the Social Protection Committee in June 2006.

## Lorenz curve

A curve that plots the cumulative percentages of income received by individuals or households ranked in terms of income.

## Material deprivation

The enforced lack of particular items, services or facilities considered important for an acceptable standard of living.

## Mean Log Deviation (MLD) index

The MLD index is a measure of inequality. It takes its minimum of zero when every individual in society has the same income, and higher levels of the MLD index show higher inequality. The MLD index belongs to the so-called Generalised Entropy Family of indices, members of which share the property of 'additive decomposability'. This property can be exploited when one seeks to quantify the importance of a grouping variable (e.g. region of residence, age or education) in 'explaining' inequality. 'Additive decomposability' means that the index can be written as the sum of two components: a weighted sum of within-group inequalities and between-group inequality — that is, inequality that would be observed if the incomes of all individuals were replaced by their respective group means. Formally the MLD = $(1/n)\Sigma_{i=1,\dots,n} \log(\mu/y_i)$, where $y_i$ are individual incomes, n is sample size, $\mu$ is sample mean income.

## Means-tested benefits

Social transfers that are subject to a means test, i.e. an assessment of the income and accumulated savings of households to determine whether the level of the two is low enough to entitle them to payment. They are specifically targeted at those with larger needs or lower resources and, therefore, explicitly involve redistribution.

## Median

The value of the variate which divides a total frequency distribution into two halves. Median income is, therefore, the level at which 50% of the population has income higher than this and 50% lower than this.

## Minimum income schemes

Social transfers designed to bring the income of households up to a minimum level.

## MLD

Mean Log Deviation index = $(1/n)S_i \log(m/y_i)$, where $y_i$ are individual incomes, n is sample size, m is sample mean income.

Formally, total inequality, as measured by the MLD index can be decomposed as the sum of two components: $MLD = S_k v_k MLD_k + S_k v_k \log(m/m_k)$, where $v_k$ refers to the population share of subgroup k, and other notations are the same as before. The first part of the right hand side of the equation relates to the "within group" inequalities: it denotes the weighted average of inequalities within the subgroups. The second part of the expression relates to "between group inequalities": the part of inequalities, which would remain if the income of each individual in a subgroup were replaced by the average of the subgroup.

## Net worth

Net worth is one of the many ways of defining wealth. It measures the value of financial assets and real estate less liabilities (debt). Financial assets include deposit accounts, stocks, bonds, mutual funds, life insurance and pensions) and non-financial ones include main residence, property investment, collectibles and businesses. Debts refer both to secured debt (mortgages and home loans) as well as non-secured debt (personal loans, educational loans and credit card debt).

**Non-means-tested benefits**

Social transfers usually based on contingencies such as disability, or intended for horizontal redistribution (e.g. to children) or as earnings replacement incomes (sickness, maternity/paternity or unemployment).

**NUTS**

The Nomenclature of Territorial Units for Statistics. This is a multi-level hierarchical system for classifying regions in the EU, which is based to some extent on the administrative structure in place at regional level in the different countries. Each Member State above a minimum size is subdivided into NUTS 1 regions, each of which is, in turn, subdivided into NUTS 2 regions, and so on. For more details, see http://ec.europa.eu/eurostat/ramon/nuts/home_regions_en.html

**Original income**

Income before taxes are deducted or cash benefits added. It includes earnings from employment, income from self-employment, income from capital, private pension income (i.e. market income) plus transfers from other households (such as alimony and child maintenance).

**Outlier**

A data value that diverges a long way from that of most observations.

**Participation rate**

See Activity rate

**Poverty gap**

A measure of the extent of risk of poverty, defined as the difference between the median income of those with income below the poverty threshold and the threshold itself, expressed as a percentage of the latter.

**Poverty line**

The income chosen to denote an acceptable level. Those with income below this level, here taken to be 60% of the median, are defined as being at risk of poverty.

**Poverty rate**

See at-risk-of-poverty rate

**Public pensions**

Defined as restricted to those aged 65 or over (67+ for Denmark, since that was the Danish pension age in 2001) and to benefits specifically intended to provide income during old age or to replace earnings during retirement. Any other pensions paid to younger people or other benefits paid to the elderly are included in one or other of the cash benefit categories, rather than as pension income.

**Purchasing power standard (PPS)**

A unit of account that measures the ability to purchase a given basket of goods and services in different countries, which accordingly adjusts for differences in price levels.

**Social assistance**

Transfers by government to households, intended to provide income support for households that are either not eligible for social insurance benefits or for which the amount of the benefits received is considered insufficient to bring their income up to an acceptable level.

### Social exclusion and inclusion

A multi-dimensional view of poverty and deprivation, which includes non-monetary as well as monetary aspects.

### Social insurance benefits

Transfers, usually funded mainly by contributions to social insurance, or security and schemes, entitlement to which is typically determined by a person's contribution record.

### Tax allowances

Amounts deducted from gross earnings to arrive at taxable income.

### Tax credits

Amounts that are subtracted from a person's tax liability to determine the tax payable. In a number of countries, they represent a form of transfer to those in work with low earnings and a means of increasing their income to a more acceptable level.

### Taxes

Include income taxes and employee and self-employed social contributions, together with other direct taxes customarily included in the concept of disposable household income, such as Council Tax in the UK and Church taxes in Finland. Locally administered income taxes are included along with national taxes, while indirect taxes are not included.

### Unemployed person

Defined according to international conventions as somebody aged 15 and over who is available for work and actively seeking work, though in some parts of the EU-SILC or Labour Force Survey (see above), such as when indicating employment status during the previous year, unemployment can also be self-defined.

### Unemployment rate

The number of unemployed as a percentage of the labour force.

### Wealth

See net worth

### Work intensity – alternative measure

The indicator included in the EU-SILC database makes no allowance for part-time working or the number of hours usually worked per week. The proposed alternative measure is similar to the EU-SILC variable, but makes an explicit adjustment for hours worked if they are less than full-time hours (taken to be 35 hours a week or more). It is calculated to cover all members of a household aged 18-64.

### Work intensity – EU-SILC indicator

A Eurostat measure, calculated as the ratio between the number of months spent in employment during the year by household members of working age (i.e. those aged 16–64) and the number of months they could potentially spend in work, if they were all employed. A work intensity index value of 0 corresponds to no one being in employment – i.e. a jobless household. A work intensity index value equal to 1 means that all the household members of working age have been employed for the entire year, while an index value of between 0 and 1 reflects a situation in which either only one household member has worked for the full year, or household members have worked for only part of the year.

**Working-age population**

Defined as those aged 15-64 in the European Labour Force Survey, but as 16-64 in the EU-SILC which is the main source of data in the report. In some contexts, such as when calculating work intensity, working-age population may be defined differently in order to exclude some of the younger (or older) age groups.