A Proposal to Broaden Poverty Indicators in the EU based in Key Social Needs

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There is a widely recognised collective demand to develop welfare measures that incorporate indicators of social needs beyond monetary poverty. For this reason, studies have paid attention to the best way of assessing the quality of the population's living conditions. For many years, the United Nations used the Gross Domestic Product (GDP) per capita as a proxy for measuring the material standard of living of countries in its well-known Human Development Index (HDI). The OECD has also stressed that the population satisfies its most immediate needs through income.

A straightforward indicator such as per capita income approximates the average value of household income in an economy, but it does not capture how economic growth is distributed among the population. Therefore, from a broad well-being perspective, other indicators that assess the extent and intensity of social needs in different population groups should be incorporated. These expanded indicators are linked to different dimensions (economic well-being, employment, education, health, or housing) and to diverse concepts, such as vulnerability, subjective economic dissatisfaction, personal autonomy, risk of poverty or material deprivation. All these concepts inform which part of the population has resources and to what extent these are not sufficient to achieve a decent standard of living in their society.

This idea has already been explored by the Unsatisfied Basic Needs (UBN) approach, introduced by the Economic Commission for Latin America and the Caribbean (ECLAC) at the end of the 1980s. This strategy proposed the use of indicators of economic capacity, for instance the probability of insufficient income enabling households to reach minimum levels of consumption. However, these sources do not include complete data on income, consumption, or wealth, so researchers must use proxy variables as the number of income earners in the household or the years of education of the main breadwinner. An aggregate index is then constructed from these

indicators, which allows to determine a minimum acceptable degree of need satisfaction or ""critical level"" and to identify deprived households in that basic need.

On the other hand, more current approaches such as the OECD's ""Measuring Progress"" or ""Better Life Index"", together with those developed by the European Union ("Beyond GDP initiative"" and ""Quality of life indicators""), use indicators of material living conditions focused on the direct analysis of the economic situation, such as material deprivation or income. Similarly, the development of the European Social Agenda prompted the elaboration of a broad set of social indicators to monitor the compliance of countries within its strategy to promote social inclusion. As Atkinson et al. (2002) point out, the selection of a common set of indicators would allow countries to use the ""same language"" in assessing social reality. All these more modern approaches are based on detailed and individualised information on both income and the possession of certain material goods obtained from specific household surveys.

In the analysis of poverty-related social needs, the selection of sub-dimensions and indicators capable of identifying situations of social need must be based on both theoretical and empirical criteria, in addition to the normative criteria implicit in the social rights approach. In particular, the multidimensional deprivation literature offers several possibilities for choice. The key question is, in general, whether the multifaceted character of social needs can be measured and whether it is possible to define comparable indicators in space and time. Therefore, the main aim is not to use completely alternative concepts and indicators to the traditional ones, but to improve the measurement of social needs through broader and more systematic indicators than income poverty or other strictly distributional outcomes.

The European Commission offered a catalogue of "good practices" when selecting indicators of social needs. The key proposals would be the following: a) any indicator of social needs should capture the essence of the problem; b) a second desirable characteristic is sufficient normative content; c) indicators should be statistically robust; d) they should reflect the effect of social intervention; e) they should allow comparability across countries; and f) they should have sufficient periodicity. A common problem with these indicators is the gap that usually exists between the time at which the observed reality takes place and the date of publication of the data. The changing nature of the processes determining the generation of social needs −e.g., immigration or other demographic changes− may render results obsolete before they are disseminated.

In practice, there may be several indicators that fit most of the above criteria. However, although a wide range of variables adds richness and nuance to the analysis, an excessive number of indicators is not advisable, as it may hinder the agile and accurate monitoring of the coverage of social needs related to material living conditions.

In this paper, we propose a broad set of social indicators grouped into six dimensions: economic well-being and material poverty, employment, education, health, housing and social environment. Our aim is to provide alternative procedures for aggregating these social needs and to analyse their evolution in a selection of EU countries representative of different welfare regimes. The advantage over previous studies is the number of indicators and the availability of homogeneous information for different moments in time and different phases of the economic cycle. For this purpose, we will use different microdata sources such as European Union Statistics on Income and Living Conditions (EU-SILC), Labour Force Survey (LFS), European Working Conditions Survey (EWCS), Structure of Earnings Survey (SES), Programme for International Student Assessment (PISA), European Health Interview Survey (EHIS) or European Social Survey (ESS). Furthermore, we will use diverse aggregation and weighting strategies in order to produce a composite indicator of social needs that will allow us to study which countries are failing in

covering up individuals' basic needs. In this context, we will explore alternative aggregation procedures combining multivariate analysis techniques with Data Envelopment Analysis.