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# Some suggestions for improving the monitoring of minimum income protection in Europe

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Minimum income across all ages: a focus on elderly people

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Institute for  
**New Economic Thinking**  
AT THE OXFORD MARTIN SCHOOL

# This presentation

- A more consistent way of ranking countries and monitoring trends in poverty: the EHC
- Monitoring adequacy of minimum income schemes: the added value of reference budgets



# 1. The extended headcount ratio (EHC)

Dashboard of indicators

Recurring discussions:

- Fast economic growth or decline
- Comparisons across countries

In sum:

- Conflicting results, for some purposes: too many indicators
- Need to add pan-European perspective



# 1. The extended headcount ratio (EHC)

- Goedemé et al. (2022) A new poverty indicator for Europe : the extended headcount ratio, *Journal of European Social Policy*, <https://doi.org/10.1177/09589287221080414>.
- Simultaneously and consistently captures:
  - Importance of social context for poverty
  - Level of threshold is important (pan-EU perspective)
  - Intensity of poverty is important
  - Avoid being relativistic for changes across time
- Furthermore: non-binary + focus on poorest of the poor + income-based



# 1. The extended headcount ratio (EHC)

Two thresholds: fixed threshold + floating threshold

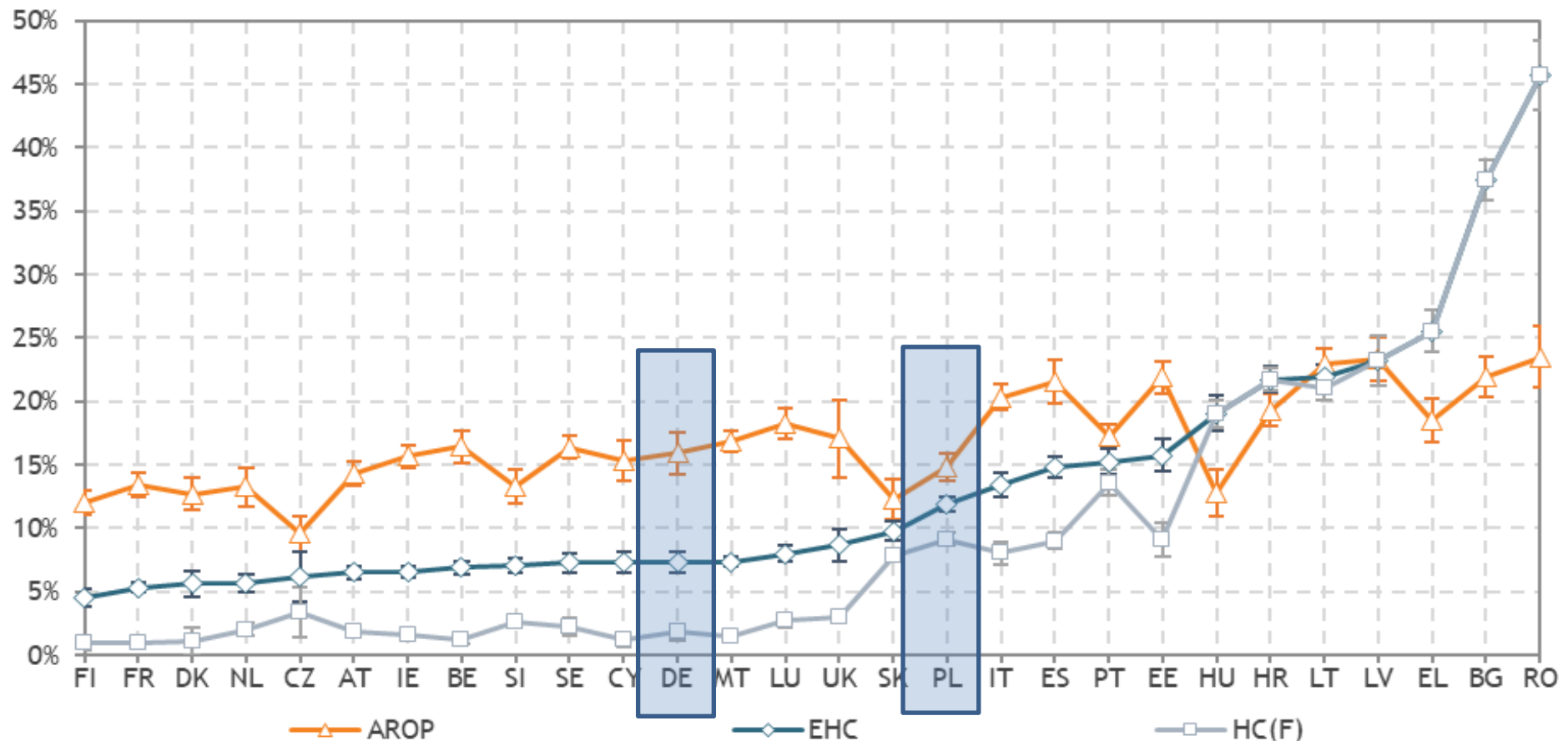
- Fixed threshold: minimum necessities, same for everyone, always.
  - Average cost healthy diet + rent for small apartment + 10%, constant prices
- Floating threshold: AROP60 threshold, if higher than fixed threshold

We stay as close as possible to AROP60 (facilitating understanding), with same pitfalls and potential for improvement

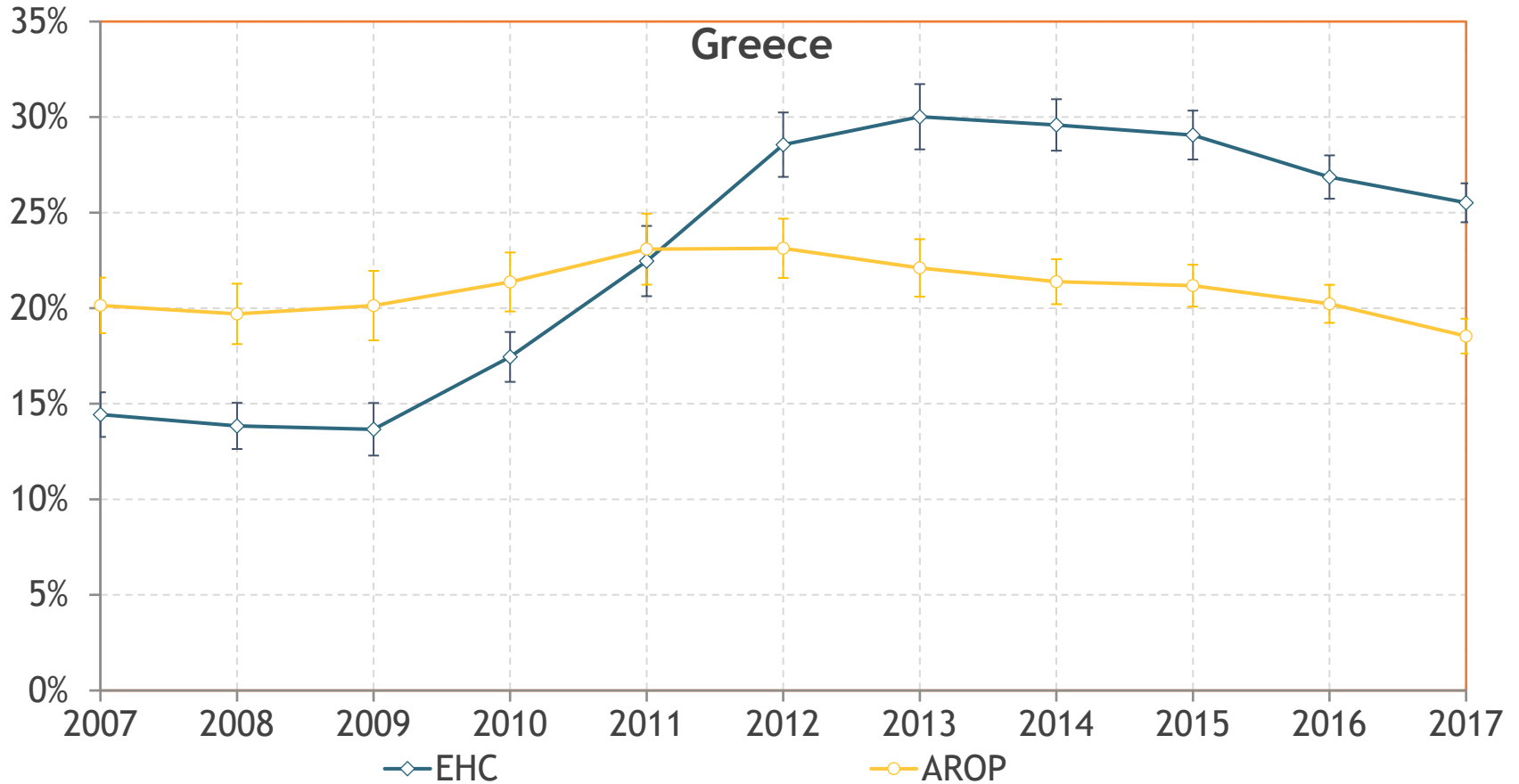


# 1. The extended headcount ratio (EHC)

The at-risk-of-poverty rate, the extended headcount ratio and  $HC_F$  in 2017



# 1. The extended headcount ratio (EHC)



## 2. Income AND expenditures

Adequate minimum income:

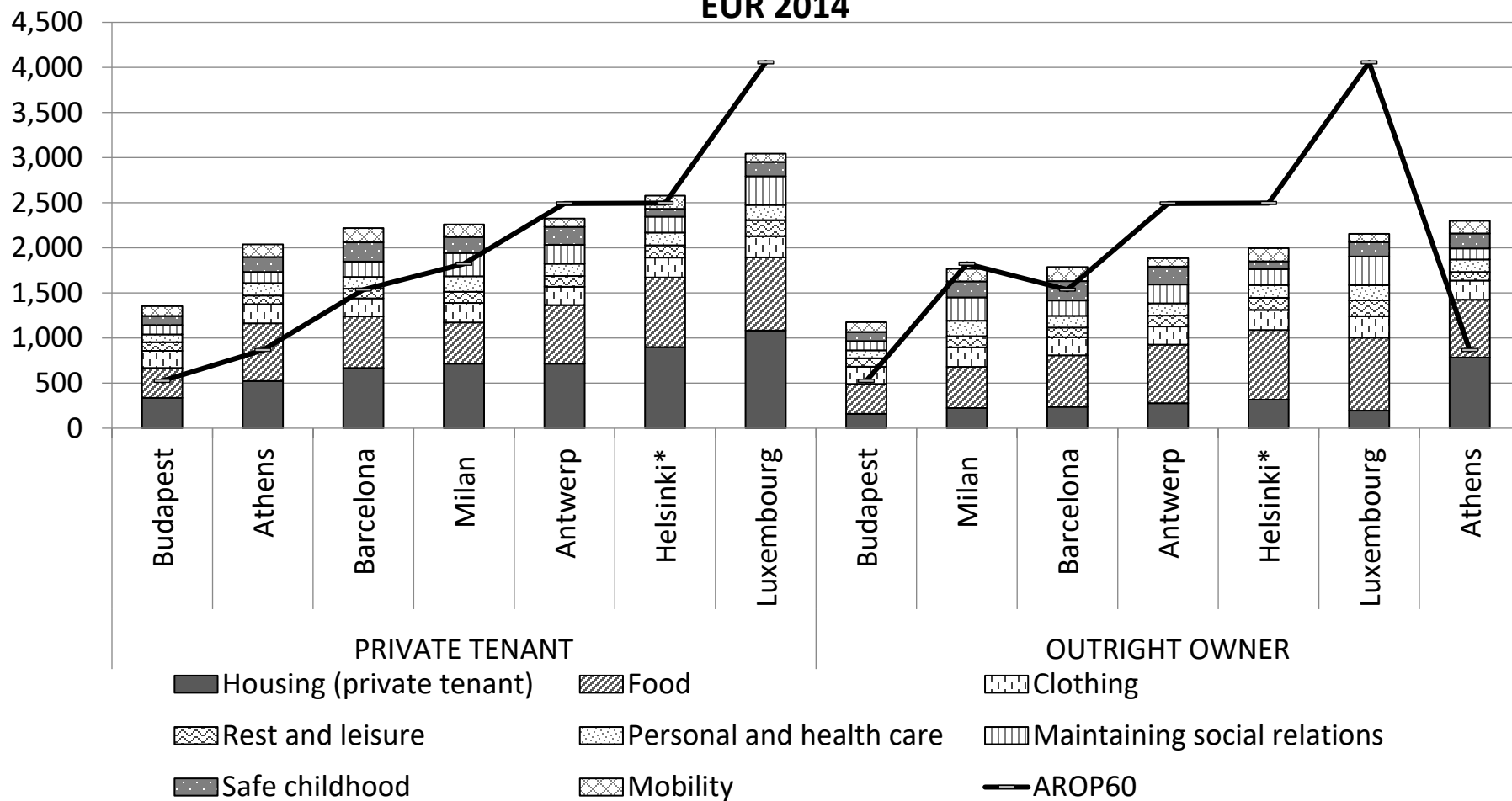
- Income provides autonomy
- Requires affordable goods and services: their cost is key





# 2. Income AND expenditures

The cost of essential goods and services compared to AROP60, couple + 2 kids, EUR 2014



# Conclusion

- There are alternative poverty measures that would be better lead indicators
- Income is one side of the story, cost of essential goods and services is key
- Reference budgets could provide more insight into this
- Political strategy is extremely important: no time to ditch AROP60.

