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## **MEASURING POVERTY AND INEQUALITY WITHIN THE EU**

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### **Outline**

At the Lisbon meeting in 2000, the European Council set the strategic goal of ‘greater social cohesion’ and committed to take steps ‘to make a decisive impact on the eradication of poverty’. The ‘Lisbon strategy’ led to the adoption in 2001 of the Laeken social indicators, deemed to monitor the social performance of each member state of the European Union (EU). The picture of the Union emerges only by aggregation of the national evidence, and no attempt is made to directly estimate EU-wide values: these are typically computed as population-weighted averages of available national values. Yet the level and evolution of inequality and poverty measured for the EU as if it was a single country are basic information in evaluating the progress of the Union towards greater social cohesion.

This paper studies poverty and inequality in the EU as if it was a single country.

First, it briefly recapitulates the methodological problems that arise in the estimation of income distribution in a supranational entity like the EU: conversion to a common currency standard; regional differences in price levels; sample surveys vs. national accounts; income equalization procedure. Previous work by the author [“Measurement of Income Distribution in Supranational Entities: The Case of the European Union”, forthcoming in S. P. Jenkins and J. Micklewright (eds.), *Inequality and Poverty Re-examined*, Oxford, Oxford University Press, 2007] showed that these methodological choices matter.

The second aim of the paper is to discuss the implications for measurement when there are considerable differences in real income levels, as in the EU. How does the understanding of the EU distribution change when measurement accounts for absolute income differences? Is it desirable to adopt mixed absolute-relative poverty lines?

The practical relevance of these issues is examined on the basis of data from the new source on European household incomes, the European Union Statistics on Income and Living Conditions (EU-SILC).