**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.

**At-risk-of-poverty rate** (may also be shortened to the *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 in kind**: The provision of social services, such as child or elderly care, at a subsidised 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](http://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 time-series 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).

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.

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.

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 from 2007 it will cover Bulgaria and Romania as well (together with Turkey and Switzerland). Additional information can be found at: http://forum.europa.eu.int/Public/irc/dsis/eusilc/library

EUROMOD: A tax–benefit microsimulation model of households in EU Member States, which enables the effects on income of policies and policy reforms to be estimated in a comparative way across countries.

Eurostat: The Statistical Office of the European Communities and part of the European Commission.
**Glossary**

**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** (or **Gini index**): 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.

**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**: Someone who is economically inactive.

**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 $\text{MLD} = (1/n) \sum_{i=1}^{n} \log(\mu/y_i)$, 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.

**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.

**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](http://ec.europa.eu/eurostat/ramon/nuts/home_regions_en.html)

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

**Participation rate**: The proportion of working-age population that is either employed or unemployed.

**Poverty gap** (or **At-risk-of-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** (or **threshold**): 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**.

**Purchasing Power Standard (PPS) or Parity (PPP)**: 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 those 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.

**Unemployed person**: Defined according to international conventions as somebody 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.
**Glossary**

**Unemployment rate:** The number of unemployed as a percentage of the labour force.

**Work intensity:** 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.