

Concept

The EU Social Inclusion Index

04.09.07

Definition

The Social Inclusion Index examines the extent of social exclusion¹ and poverty in EU countries.²

Relevancy

The goal of the "Top 15 Vision" is to see Israel achieve a significant socioeconomic advancement that would put Israel among the 15 leading countries in terms of quality of life within fifteen years.

Quality of life is a subjective term determined by various components. Numerous indices attempt to measure the quality of life of individuals in different countries. The most prominent indices among them are the Economist's Quality of Life Index, the UN Human Development Index, and the Quality of Life chapter in the OECD Factbook. These indices utilize a range of methodologies and examine diverse components of quality of life.

In order to pursue the Top 15 Vision, the Government of Israel should first define the key components relevant to Quality of Life³ in Israel. Thus the Reut Institute identified three main areas that affect quality of life in Israel directly and enable a basis for comparison to other countries:

- **Economic well-being** reflects the individual's ability to secure financial stability for himself and for his family.
- **Social well-being** reflects the desire and ability of an individual to identify with his community and to play an active role in it.
- **Personal-physical well-being** reflects the extent to which an individual's life or health is exposed to danger.

The Social Inclusion Index allows assessment of two of the components of economic well-being: material well-being and human capital. In this capacity, the index examines different aspects of poverty, social exclusion, as well as efficient use and enhancement of human capital.

The Reut Institute has concluded that the Social Inclusion Index is the most appropriate⁴ index to estimate the aforementioned components of quality of life.

¹ Social exclusion relates to the alienation or disenfranchisement of certain people within a society. It is often connected to a person's social class, educational status and living standards and how these might affect access to various opportunities.

² The index provides a basis for monitoring progress in combating social exclusion and poverty. See Council of the European Union, [Joint Inclusion Report](#), 2003.

³ See: Reut Institute paper: Quality of Life.

⁴ In order for international indices to affect the design and implementation of policy they must help identify groups, geographical areas, institutions, or sectors of the economy that need to be addressed. Indices should also help evaluate the success of past policy. Finally, indices have a role in affecting the national discourse and guiding public opinion. See: Reut Institute Policy Position: [Competitiveness Indices - Tools for Policy Design](#).

Israel in Comparison to the Top 15

The index examines countries in the European Union, hence Israel is not included in the analysis. However, it is possible to estimate Israel's relative ranking compared to other European Union countries using data provided by the Israeli Bureau of Statistics (IBS).⁵ For example, according to the IBS, the Gini Coefficient for Israel in 2001 was 0.34. In the same year, countries that displayed highest income equality were Denmark, Sweden and Finland with Gini Coefficients of 0.22, 0.24 and 0.24 respectively.⁶

The Publisher

The European Council of Lisbon in 2000, decided to publish the Social Inclusion Index as part of an annual report. During the EU Council meeting in Laeken-Brussels in 2001, a set of indicators on social inclusion was commonly agreed on. The objective of the Index is to support policy toward the eradication of poverty by 2010.

Structure and Limitations

The Social Inclusion Index *does not* rank the countries on overall performance. Instead, the index is composed of 20 variables that can be grouped into 6 topics:

- **Extent of poverty** – this group of variables estimates the number of individuals whose income is lower than the poverty line.⁷ An example of a variable in this category is poverty risk according to household type.
- **Poverty severity** – this group of variables estimates the depth of poverty that individuals experience. An example of a variable in this category is the income quintile ratio (S80/S20): the ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile).
- **Time in poverty** – this group of variables estimates the amount of time during which a person is classified poor. An example of a variable in this category is the persistent at-risk-of poverty rate: the share of persons with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years
- **Inequality** – this group of variables estimates the income gap between sectors of society, based on variables such as the Gini coefficient.⁸
- **Health** – this group of variables estimates different aspects of morbidity and mortality, based on variables such as life expectancy.

⁵ See the [Bureau of Statistics Website](#). See also, Reut Institute Policy Position: [Economic Resilience Index for Evaluating Poverty in Israel](#), for a survey of indices and variables that can be used for a comparative analysis of poverty.

⁶ International comparisons should be conducted with caution. For example, while the poverty line in Israel is defined 50% of median income, in the EU it is 60% of median income.

⁷ The European Union's definition of poverty line is 60% of median income.

⁸ See, Reut Institute term: [Gini Index](#).

- **Efficient use and enhancement of human capital** – this group of variables estimates the ratio between the population's degree of education and training versus the labor market's demand. An example of a variable in this category is the long term unemployment rate: those in the population who have been unemployed for over a year as a proportion of the total active adult population..

The index presents data for relevant variables as described above, which have been collected by each of the European Union member countries.

Data Sources

The index is based on statistical data drawn from sources such as: the European Union Labor Force Survey as well as the Eurostat's demographic information.⁹

Usage

The Social Inclusion Index enables European countries to perform periodic comparison of the state of poverty in each country, taking into consideration the complexity of analyzing poverty and social inclusion. Finally, the index supports designing anti-poverty policy and assessing the success of previous policies.

End.

⁹ For further information regarding data sources on which the Social Inclusion Index is based see Council of the European Union, [Joint Inclusion Report](#), 2003, p. 5.