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Reassessing the 2025 EU-SILC break in Luxembourg

A sensitivity analysis of administrative income integration, apparent non-reporting and source misclassification

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Résumé / Abstract

FR

L'enquête EU-SILC 2025 du Luxembourg a introduit l'intégration à grande échelle des données administratives sur les revenus, parallèlement à un système de pondération révisé. Ce changement a coïncidé avec une baisse du taux de risque de pauvreté publié, qui est passé de 18.1% en 2024 à 14.8% en 2025, soulevant des questions quant aux mécanismes de mesure à l'origine de cette rupture.

Le présent article élabore une analyse par scénarios autour de la distribution des revenus publiée, enrichie par les données administratives. Un scénario strict de non-déclaration apparente est utilisé comme diagnostic intermédiaire, tandis que le scénario de sensibilité principal ne retient les déductions de revenus qu'après avoir pris en compte une classification erronée plausible des sources de revenus. Les estimations utilisant les nouvelles et les anciennes pondérations permettent de distinguer les effets liés à la mesure des revenus de la contribution directe de la pondération révisée.

Les résultats indiquent que la mesure des revenus est le principal facteur à l'origine de cette rupture, tandis que l'effet de la pondération est relativement modeste. Avec les nouvelles pondérations, le taux de risque de pauvreté s'élève à 14.8% dans le scénario publié et à 17.7% dans le scénario de sensibilité principal. Les écarts résiduels se concentrent sur certaines sources de revenus et entraînent une reclassification asymétrique de la pauvreté : 4.3% de la population passe de la catégorie des non-pauvres à celle des pauvres, contre 1.4% dans le sens inverse.

Un modèle de probabilité linéaire montre en outre que l'incidence sur la pauvreté des revenus apparemment non déclarés qui subsistent après prise en compte d'une classification erronée plausible des sources dépend non seulement de leur fréquence, mais aussi de la composante de revenu et de la position du ménage par rapport au seuil de pauvreté.

L'analyse ne vise pas à reconstituer l'ancien système de production basé sur les enquêtes ni à proposer une estimation officielle alternative de la pauvreté. Elle montre comment une intégration administrative partielle peut modifier le revenu mesuré et la classification de la pauvreté, tout en fournissant un cadre transparent pour interpréter les ruptures résultant des changements dans la production des données officielles.

EN

Luxembourg's EU-SILC 2025 introduced the large-scale integration of administrative income records alongside a revised weighting scheme. The change coincided with a decline in the published at-risk-of-poverty rate from 18.1% in 2024 to 14.8% in 2025, raising questions about the measurement mechanisms underlying the break.

This paper develops a scenario-based bridge around the published administrative-enhanced income distribution. A strict apparent non-reporting scenario is used as an intermediate diagnostic, while the principal sensitivity scenario retains income deductions only after allowing for plausible source misclassification. Estimates using new and old weights distinguish income-measurement effects from the direct contribution of revised weighting.

The results indicate that income measurement dominates the break, while the weighting effect is comparatively modest. Under new weights, the at-risk-of-poverty rate is 14.8% in the published scenario and 17.7% in the principal sensitivity scenario. Residual discrepancies are concentrated in particular income sources and produce asymmetric poverty reclassification: 4.3% of the population moves from non-poor to poor, compared with 1.4% in the opposite direction.

A linear probability model further shows that the poverty relevance of apparent non-reported income that remains after accounting for plausible source misclassification depends not only on their frequency, but also on the income component and the household's position relative to the poverty threshold.

The analysis does not reconstruct the former survey-based production system or propose an alternative official poverty estimate. It shows how partial administrative integration can alter measured income and poverty classification, while providing a transparent framework for interpreting breaks arising from changes in official data production.

Keywords: EU-SILC; administrative data linkage; income measurement; poverty measurement; survey error; non-reporting; source misclassification; linear probability model; Luxembourg.

JEL codes: C81; C83; D31; I32; I38.

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1. Introduction

Changes in poverty indicators are generally interpreted as changes in household living standards. That interpretation becomes less straightforward when the underlying system of income measurement also changes. Luxembourg provides a particularly clear example. The published at-risk-of-poverty rate fell from 18.1% in 2024 to 14.8% in 2025, while the same survey wave introduced the large-scale integration of administrative income records and a revised weighting scheme. Understanding this movement requires separating changes in measured income from changes in population weighting and from possible differences in survey reporting.

EU-SILC is the harmonised European framework used to measure household income, poverty and living conditions. Its poverty indicators are constructed from numerous personal- and household-level income components. Differences in the receipt, amount or classification of these components can consequently affect household disposable income, the income distribution and poverty status.

In Luxembourg, the 2025 integration of administrative records from the General Inspectorate of Social Security (IGSS) substantially strengthened the measurement of covered income components. However, the resulting production system remains hybrid. Administrative coverage does not extend to every income source, not every respondent is affiliated with Luxembourg social security, and some affiliated individuals cannot be linked successfully. Survey information and imputation therefore continue to contribute to the final income variables.

The official STATEC publication documented the 2025 break and examined its broader implications for income and living-conditions indicators. The present paper builds on that work by examining the mechanisms underlying the break. It compares the published administrative-enhanced income distribution with a conservative sensitivity scenario in which administrative amounts identified as residual apparent non-reporting are deducted only after allowing for plausible source misclassification. A stricter apparent non-reporting scenario is used solely as an intermediate diagnostic in constructing this bridge.

The analysis proceeds in four stages. First, it separates the contribution of income measurement from that of the revised weights. Second, it examines the incidence and monetary importance of apparent non-reported income that remains after accounting for plausible source misclassification across detailed income sources and the income distribution. Third, it links these discrepancies to movements into and out of relative poverty. Fourth, it uses a linear probability model to summarise how these remaining component-specific amounts are associated with poverty entry among persons who are not poor under the published income concept. This design does not attempt to reconstruct the former survey-based production system or to estimate an alternative official poverty rate. Its purpose is to assess the sensitivity of the 2025 income distribution to clearly specified reporting discrepancies.

The results show that income measurement accounts for most of the observed break, while the direct weighting effect is comparatively modest. Residual discrepancies remain concentrated in particular income sources and generate asymmetric poverty reclassification, with substantially more individuals moving from non-poor under the published income concept to poor under the sensitivity scenario than in the opposite direction. The paper therefore contributes evidence on how partial administrative integration changes not only aggregate poverty estimates, but also the income sources and population groups underlying those changes.

2. Related literature and research gap

Household surveys remain essential for measuring income distribution and living conditions, but income is particularly vulnerable to reporting error. Respondents may omit a source, report an inaccurate amount or duration, or assign income to the wrong questionnaire category. These errors are not necessarily random and may vary with the type, regularity and salience of the income concerned (Bound, et al., 2001; Angel et al., 2019). Bollinger and Tasseva (2023) show that income-source confusion is especially relevant in EU-SILC, where conceptually related earnings and benefit components may be reported under different categories.

Linked survey-administrative data provide a means of identifying these discrepancies and assessing their distributional consequences. Evidence from Austrian SILC shows that differences between survey and register income can affect the measured poverty headcount (Angel, Heuberger and Lamei, 2018). Meyer and Mittag (2019) similarly demonstrate that incomplete reporting of transfers can materially distort measured income, poverty and the estimated effectiveness of public programmes. More generally, administrative linkage can improve the measurement of income distribution, inequality and mobility by recovering information that is missing or inaccurately reported in surveys (Medalia et al., 2019).

The implications for poverty measurement depend on more than the frequency of reporting discrepancies. Their monetary size, the affected income source and the household's position in the income distribution are also important. A discrepancy involving a relatively small group may have a substantial poverty effect if the amounts are large or concentrated among households around the poverty threshold. Conversely, frequent discrepancies in high-income households or involving small amounts may have limited effects on aggregate poverty indicators.

Administrative records nevertheless cannot be treated mechanically as a complete representation of the corresponding survey concept. Differences may arise from source classification, gross and net reporting, reference periods, administrative coverage and linkage. Kapteyn and Ypma (2007) therefore distinguish measurement error from misclassification and show the importance of considering errors in both survey and administrative sources. These considerations motivate analytical approaches that distinguish apparent omission from discrepancies arising through source classification or differences in income concepts.

Existing studies have primarily used linked data for validation, retrospective correction or comparison between survey and administrative measures. Less attention has been given to the interpretation of a break arising when administrative income enters official statistical production directly, particularly where income integration and revised weighting occur simultaneously. The Luxembourg case addresses this gap by showing how partial administrative integration affects the measurement and interpretation of official poverty statistics.

3. Data, income construction and scenarios

3.1 Data sources and weights

The analysis uses Luxembourg EU-SILC 2025, which combines survey information with administrative income records from IGSS. Survey data provide household composition, living conditions, socio-demographic characteristics and income components outside administrative coverage. They also remain necessary for individuals who are not affiliated with Luxembourg social security or cannot be linked successfully. In 2025, linkage was achieved for 84.6% of eligible individuals overall and for 89.8% of those affiliated with Luxembourg social security. The resulting income system is therefore hybrid rather than fully administrative.

Administrative records cover major components of employment income, pensions, replacement income and selected social transfers. Other components, including parts of property, capital and transfer income, remain survey-based.

The 2025 weighting revision introduced administrative totals for selected income components as additional calibration margins alongside demographic population benchmarks. The revision did not apply a uniform adjustment to all observations. It changed the relative representation of groups that were underrepresented in the achieved sample, including respondents combining low earnings or weak labour-market attachment with benefit receipt.

Results are estimated using both the new 2025 weights and an alternative old-weight variant constructed under the previous calibration framework using the same 2025 analytical records. The old-weight variant is therefore a methodological comparison, not the application of 2024 sample weights to the 2025 data.

The revised weights can affect monetary and non-monetary indicators differently. AROP depends on the administrative-enhanced income distribution and is affected jointly by income construction and weighting. Indicators such as material deprivation and very low work intensity remain based primarily on survey responses; weighting affects their level by changing the population representation of respondents reporting these conditions. Greater representation of economically vulnerable groups can therefore raise some non-monetary indicators even when administrative integration increases their measured disposable income.

Throughout the analysis, the income scenario and weighting scheme are varied separately. The scenario determines the income attributed to each person and household, while the weights determine how those observations are extrapolated to the population.

3.2 Analytical units and income-family classification

Income components are processed at the unit at which they are collected and assigned. Personal components remain attached to the recipient, whereas household-level transfers are represented once per household. This prevents the same household amount from being counted repeatedly for different household members.

Alimony is treated separately but is not reported in the main family-level results because of the very small number of cases and negligible aggregate contribution.

For interpretation, detailed components are grouped into six income families with similar economic functions and reporting mechanisms (Table 1). This classification is used throughout the analysis to summarise where residual survey-administrative discrepancies are concentrated.

Table 1. Income-family classification used in the analysis

Income family	Main components included	Unit
Work income	Salary, second salary, bonus, 13th/14th salary, self-employment income	Person
Short-term replacement income	Unemployment, sickness/maternity, parental leave	Person
Old-age pension-related income	Pension 1, pension 2, forfait d'éducation / Mammerent, survivor benefits	Person
Long-term insurance / disability	Invalidity, accident pension, severely disabled income, long-term care benefits	Person
Family/child benefits	Family allowances, school allowance, birth-related allowances	Household
Means-tested / social assistance	REVIS, AVC / cost-of-living allowance	Household

3.3 Scenario bridge

The scenarios are designed to interpret the 2025 income-measurement break rather than to recreate the former production system. The published administrative-enhanced income concept is taken as the baseline. A comparable survey-only 2025 income concept is not observed, because survey amounts for cases covered by administrative data were not processed through a full survey-only validation workflow. The scenarios therefore provide a sensitivity bridge around selected survey-administrative discrepancies in the published income distribution, not an alternative official estimate (Table 2).

S1 provides the first diagnostic step by identifying strict apparent non-reporting: cases in which an administrative amount is observed but the corresponding survey source is absent. For these cases, the corresponding annual net amount is deducted, since disposable income is measured after taxes and social contributions. This rule is deliberately restrictive, because it treats each unmatched amount as if it had not been captured elsewhere in the survey. S1 is therefore interpreted as an upper-bound diagnostic of apparent survey-administrative gaps, not as the main analytical scenario.

S2 is the principal sensitivity scenario. It starts from the same apparent gaps identified in S1 but allows for the possibility that some amounts were reported under a related survey source rather than omitted. Where a predefined neighbouring survey component contains sufficient excess to explain the apparent gap, the S1 deduction is not retained. Where no sufficient neighbouring excess exists, the deduction remains. S2 therefore represents residual apparent non-reporting after allowing for plausible source misclassification.

Table 2. Income scenarios used in the sensitivity analysis

Scenario	Label	Operational rule	Interpretation
S0	Baseline: **Published 2025**	Published administrative-enhanced income concept	Official post-admin integration regime
S1	Intermediate diagnostic: **Strict apparent non-reporting**	Deduct admin amount when admin receipt is positive and corresponding survey receipt is absent	Upper-bound sensitivity to apparent omission
S2	Main sensitivity scenario: **Misclassification-adjusted**	Retain the S1 deduction only where neighbouring survey excess does not cover at least 80% of the apparent missing amount	Preferred scenario allowing likely source misclassification

S2 is implemented through a predefined component-level neighbour structure[1]. For each apparent gap identified under S1, the analysis considers only survey components that are conceptually close enough for source confusion to be plausible. This includes, for example, movements between salary and short-term replacement income. The purpose is not to reclassify income, but to assess whether the strict S1 deduction is still credible once adjacent reported sources are considered.

Operationally, the neighbouring component is used only when the corresponding survey amount exceeds its administrative benchmark. This excess is treated as potential evidence that the missing amount may have been reported under a related source. If the neighbouring excess covers at least 80%[2] of the apparent S1 gap, the deduction is not retained in S2. Otherwise, it remains. The threshold is deliberately conservative, requiring the neighbouring source to explain most of the apparent gap before source misclassification is accepted.

A further safeguard is applied where several apparent gaps could draw on the same neighbouring excess. In such cases, the combined excess must be sufficient to cover the combined proposed deductions. This prevents the same reported amount from being used repeatedly to explain several discrepancies. The detailed component-level neighbour matrix is reported in Annex Table A1.

3.4 Reconstruction of scenario-specific indicators

Once the scenario-specific deductions are defined, adjusted income components are aggregated back to household disposable income. Personal deductions are applied to the relevant individual components, while household-level deductions are applied once at household level. No income is reallocated between survey components.

For each income scenario, household disposable income is equivalised using the standard EU-SILC equivalence scale. The national median, the 60% poverty threshold, individual poverty status and aggregate poverty and inequality indicators are then recalculated, together with other indicators. Each scenario therefore has its own income distribution and its own relative poverty threshold.

The same reconstruction is performed under both weighting schemes. This allows the analysis to distinguish the income-measurement effect, captured by changes across scenarios, from the weighting effect, captured by comparing new and old weights within the same income scenario.

[1] Neighbouring components are restricted to conceptually proximate EU-SILC income sources where benefit classification and aggregation are known comparability issues, notably through misclassification or omitted sources (Zardo Trindade and Goedemé, 2020).

[2] The 80% coverage threshold was retained as a conservative operational rule, requiring the neighbouring excess to explain most of the missing administrative amount before cancelling the S1 deduction; alternative thresholds of 50%, 60%, 70% and 90%, tested under both weighting systems, led to very similar results, supporting the robustness of this assumption.

4. Results

4.1 Headline indicators: income-scenario sensitivity exceeds weighting effects

The headline results are reported in Table 3 and summarised for AROP in Figure 1. The figure focuses on the main analytical bridge between the published 2025 income concept, the S2 sensitivity scenario and the two weighting schemes. The 2024 published rate is included only as a contextual reference for the observed break.

Under the published 2025 income concept, AROP is 14.8% with the new weights and 14.4% with the old-weight variant. Under S2, the corresponding rates are 17.7% and 17.4%. The direct contribution of the revised weights is therefore limited, increasing AROP by around 0.3 to 0.4 percentage points within the same income scenario. By contrast, the S0–S2 difference is around 3 percentage points under both weighting schemes.

Table 3. Headline indicators by income scenario and weighting scheme

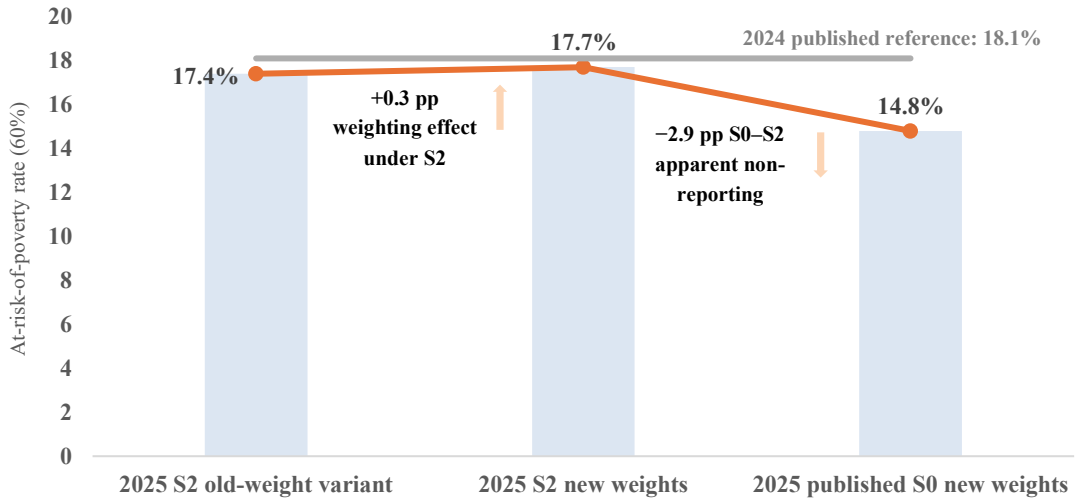
Indicator	2024 *(old weights)*	Scenario S0		Scenario S1		Scenario S2	
		new weights	old weights	new weights	old weights	new weights	old weights
AROP 60%	18.1	14.8	14.4	19.1	18.7	17.7	17.4
Gini	30.1	30.5	30.1	34.2	33.1	32.8	32.1
S80/S20	4.7	4.6	4.5	6.1	5.7	5.5	5.3

Note: Values are percentages for AROP and Gini; ratio for S80/S20.

The comparison between S1 and S2 also supports this choice of analytical focus. Among the income families where the neighbouring-source rule is applied, between 43% and 51% of the strict S1 amount is not retained under S2. This indicates that a sizeable part of the initial apparent gap is consistent with source misclassification rather than omission. S1 is therefore retained in Table 3 as an upper-bound diagnostic, while the remaining analysis focuses on the residual amounts retained under S2.

This distinction is central to the interpretation of the 2025 break. The revised weights remain important, particularly because they may improve the representation of vulnerable groups and affect broader distributional and living conditions indicators. However, the main measurable movement in the headline poverty and inequality indicators is linked to the income values assigned to households, as captured by the S0–S2 scenario comparison. This should not be read as a complete measure of all reporting, validation or conceptual differences. The S0–S2 difference captures residual apparent non-reporting as defined by the S2 rule, while other measurement and production effects remain outside the scope of the scenario bridge.

Figure 1. AROP reference and 2025 S0–S2 bridge



The comparison with 2024 helps situate the size of the observed break but is not treated as a fully decomposed counterfactual. Under the old-weight variant, the published 2025 S0 AROP rate remains 3.7 percentage points below the 2024 published rate. Under S2, this gap narrows to 0.7 percentage points. The remaining distance may combine actual income change with unresolved measurement and production effects not captured by the S0–S2 comparison.

As a robustness check, the same scenario comparison was also calculated at alternative poverty thresholds. The results show that the sensitivity scenarios affect not only the standard 60% threshold, but also deeper parts of the lower tail, particularly at the 30%, 40% and 50% thresholds. These results are reported in Annex Table A2.

4.2 Income-family analysis: the mechanism behind the S0-S2 difference

The preceding section showed that the main measurable sensitivity of the headline poverty indicator is associated with the income scenario rather than with the revised weights alone. This section examines where the residual S2 amounts are concentrated. The analysis follows the income-family classification defined in Section 3.2 and uses the relevant reporting unit for each income family: person-level income components are analysed at person level, while household-level transfers are analysed at household level.

Table 4 reports, by S0 income decile and income family, two indicators of residual apparent non-reporting under S2. The first is the weighted incidence among administrative recipient units. The second is the aggregate S2 residual amount divided by the corresponding aggregate administrative amount. Deciles are defined using S0 equivalised disposable income, so that income position is fixed under the published 2025 income concept before the S2 adjustment is evaluated.

For each income family k, the indicators are calculated using the relevant reporting unit i. Let A_{ik} denote the administrative amount, R_{ik} the residual amount retained under S2, w_i the weight, and D_i the S0 income decile:

$$\text{S2 incidence}_{kd} = 100 \times \frac{\sum_i w_i \, \mathbf{1}(A_{ik} > 0,\ R_{ik}^{S2} > 0,\ D_i = d)}{\sum_i w_i \, \mathbf{1}(A_{ik} > 0,\ D_i = d)}$$

$$\text{S2/admin}_{kd} = 100 \times \frac{\sum_i w_i \, R_{ik}^{S2} \, \mathbf{1}(D_i = d)}{\sum_i w_i \, A_{ik} \, \mathbf{1}(D_i = d)}$$

Table 4. S2 incidence and amount by S0 income decile and income family, new weights

Decile	Work		Replacement		Old-age		Long-term insurance/disability		Family		Means-tested	
	S2 incidence	S2 / admin	S2 incidence	S2 / admin	S2 incidence	S2 / admin	S2 incidence	S2 / admin	S2 incidence	S2 / admin	S2 incidence	S2 / admin
1	73.3	11.8	57.8	54.9	11.7	9.4	27.4	29.1	4.2	1.3	17.4	5.9
2	60.6	8.7	37.6	22.5	7.1	3.6	36.7	27.3	4.5	4.6	34.6	20.8
3	58.2	8.6	38.2	26.7	10.6	6.8	48.8	43.0	4.6	3.1	53.9	13.3
4	57.9	8.5	41.6	39.4	16.0	8.1	21.1	14.1	6.5	2.9	49.7*	13.8*
5	60.2	7.3	31.3	28.8	12.4	4.2	46.6	21.5	7.6	4.6	8.8*	2.4*
6	65.8	6.9	39.1	35.8	10.3	5.5	27.5	27.1	2.9	1.8	0.0*	0.0*
7	62.8	6.1	40.1	28.4	10.5	5.3	28.1*	18.6*	1.0	0.9	0.0*	0.0*
8	59.3	6.0	39.5	34.8	7.6	3.9	49.5*	15.0*	1.8	1.3	0.0*	0.0*
9	52.4	5.6	38.0	29.2	9.1	5.8	21.2*	25.5*	4.7	3.7	n/a	n/a
10	47.4	7.8	32.8	37.1	8.5	7.1	77.0*	77.7*	7.2	7.3	0.0*	0.0*
Total	**59.2**	**7.1**	**39.6**	**33.2**	**10.3**	**5.7**	**35.6**	**27.0**	**4.5**	**3.1**	**29.1**	**10.2**

*Note: Deciles are based on S0 equivalised disposable income. Values marked with * are based on fewer than 30 unweighted administrative recipient units and should therefore be interpreted with caution. Cells with no administrative recipient units are reported as n.a.*

As shown in Table 4, residual S2 amounts are concentrated in specific income families rather than distributed uniformly across income sources. Work income has the highest overall incidence: 59.2% of administrative recipient units have a positive S2 residual amount. However, these residuals represent only 7.1% of administrative work income, indicating a broad but relatively low-intensity discrepancy.

Short-term replacement income shows a different pattern. Its overall incidence is lower, at 39.6%, but the residual amount represents 33.2% of administrative replacement income. Long-term insurance and disability-related benefits display a similar profile, with an incidence of 35.6% and a residual-to-administrative amount ratio of 27.0%. These income families are therefore less widespread than work income, but the remaining amounts are more material when they occur.

By contrast, old-age pension-related income and family/child benefits contribute less to the residual S2 adjustment. Means-tested and social-assistance benefits occupy an intermediate position, with an overall incidence of 29.1% and a residual-to-administrative amount ratio of 10.2%. These benefits remain important for social-policy interpretation, but they are not the main aggregate driver of the S0–S2 poverty bridge.

The decile profile adds a distributional dimension to this mechanism. Residual S2 amounts are not confined to the lowest decile: work-income residuals appear across the income distribution, while replacement-income residuals remain visible across several deciles and are relatively large compared with administrative replacement income. The relevance for AROP therefore depends not only on the income source and amount, but also on whether the affected households are located close enough to the poverty threshold for the residual amount to change their poverty status.

Some decile-family cells, particularly for long-term insurance/disability and means-tested benefits in the upper part of the distribution, are based on small administrative-recipient counts and should not be interpreted individually. The substantive interpretation therefore rests on the income-family totals and broader decile patterns rather than on isolated cells.

Annex Table A3 complements Table 4 by measuring the S2 residual amount relative to disposable income. Unlike Table 4, this indicator is calculated at person level after equivalising household-level family amounts. It therefore captures the income relevance of the S2 residual for different positions in the S0 income distribution.

The income-impact indicators use a person-level denominator. Let p denote persons, g an income-position group, k an income family, w_p the person weight, Y_p^{S0} S0 equivalised disposable income, and $\hat{R}_{pk}^{S2}$ the S2 residual amount for income family k, equivalised at household level and assigned to person p:

$$\text{S2 income impact}_{kg} = 100 \times \frac{\sum_{p \in g} w_p \widetilde{R}_{pk}^{S2}}{\sum_{p \in g} w_p Y_p^{S0}}$$

$$\text{Poor60 high-impact share}_k = 100 \times \frac{\sum_{p \in Poor60} w_p \mathbf{1}\left(\frac{\widetilde{R}_{pk}^{S2}}{Y_p^{S0}} \geq 0.10\right)}{\sum_{p \in Poor60} w_p}$$

The annex results confirm the poverty relevance of work and replacement income. Among persons who are at risk of poverty under S0, the S2 residual amount represents 4.9% of disposable income for work income and 4.9% for short-term replacement income. Replacement income is particularly important in terms of material exposure: 18.5% of S0-poor persons have a family-specific replacement-income S2 amount equal to at least 10% of their disposable income. The corresponding share is 11.1% for work income. Long-term insurance and disability-related benefits are smaller in population terms but remain non-negligible among the S0-poor, where the S2 amount represents 1.5% of disposable income.

Overall, the income-family and decile results clarify the mechanism behind the S0–S2 difference. The residual sensitivity is not a uniform adjustment across the income distribution. It is concentrated in a limited set of income sources, especially work income, short-term replacement income and long-term insurance/disability-related benefits. Work income matters because residual discrepancies are widespread; replacement and long-term insurance/disability benefits matter because the remaining amounts are large relative to the corresponding administrative income. This provides the basis for the reclassification analysis in the next section.

4.3 Poverty reclassification under S2

The preceding section identified the income sources through which residual S2 amounts remain concentrated. This section examines the distributional consequence of these amounts by comparing individual poverty status under the published S0 income concept and under S2. The analysis focuses on persons who are non-poor under S0 but become poor under S2, referred to here as the poverty-entry group. This group captures individuals whose measured poverty status is sensitive to the residual S2 adjustment.

The comparison also produces a smaller movement in the opposite direction, from poor under S0 to non-poor under S2. This reverse movement has a different interpretation. Since S2 does not increase household income, these cases do not represent an improvement in measured living standards. They arise from the change in the scenario-specific poverty threshold and are therefore reported only as part of the overall reclassification balance.

Table 5 reports both directions of reclassification and the resulting net S2-S0 effect.

Table 5. Poverty reclassification between S0 and S2

Weights	S0 AROP	S2 AROP	Non-poor in S0, poor in S2	Poor in S0, non-poor in S2	Net S2-S0 effect
New weights	14.8%	17.7%	4.3% (≈ 29,199 persons)	1.4% (≈ 9,165 persons)	≈ 3.0 pp
Old weights	14.4%	17.4%	4.4% (≈ 29,518 persons)	1.4% (≈ 9,685 persons)	≈ 3.0 pp

Note: The table compares individual poverty status under S0 and S2. Percentages are weighted population shares; person counts are rounded.

As shown in Table 5, under the new weights, the poverty-entry group represents 4.3% of the population, corresponding to approximately 29,199 persons. The reverse movement concerns 1.4% of the population, or approximately 9,165 persons. The resulting net effect is close to 3 percentage points, consistent with the headline S0–S2 difference reported in Section 4.1. The old-weight variant produces a very similar reclassification pattern, confirming that the main result is not driven by the revised weights.

The profile analysis that follows is calculated under the new weights. Over-representation is assessed by comparing each group's share among the poverty-entry group with its share in the relevant reference population. Household-level characteristics, such as household type, are assigned to all individuals in the household, while individual characteristics are analysed using the corresponding person-level denominator.

The poverty-entry group is not evenly distributed across population groups (Table 6). Couples with children are strongly over-represented: under the new weights, they account for 39.1% of the population but 58.9% of the poverty-entry group. Children, unemployed persons, inactive persons and low-education groups are also over-represented. This profile is consistent with the income-family results in Section 4.2, which showed that residual S2 amounts are particularly relevant for work income, short-term replacement income and benefit-related income sources near the poverty threshold.

The poverty-entry rate provides a complementary reading of the same reclassification process. While the composition columns show which groups account for the largest share of poverty entries, the poverty-entry rate measures the weighted share of individuals within each category who enter poverty under S2. This confirms that the pattern is not only a reflection of group size: several over-represented groups also face above-average within-group reclassification rates.

Table 6. Selected profile of persons entering poverty under S2 (%), new weights

Dimension	Category	Population share	Poverty-entry share	Poverty-entry rate
Age	Under 18	19.9	25.0	5.5
Age	18-64	66.6	65.1	4.2
Age	65+	13.5	9.8	3.2
Household type	Couple with children	39.1	58.9	6.5
Household type	Single parent	4.3	3.9	3.9
Activity	Unemployed	2.7	4.3	6.8
Activity	Inactive	32.4	41.6	5.6
Education	Low	15.5	26.2	7.4
Mode	CAPI	14.7	14.9	4.4
Mode	CAWI	70.6	70.3	4.3

Note: The table refers to persons who are non-poor under S0 and poor under S2, using new weights. Only selected categories are shown.

A distance-to-threshold diagnostic qualifies the interpretation of the reclassification results. For the poverty-entry group, the analysis measures how far S0 equivalised disposable income was above the S0 poverty threshold before the S2 adjustment. Under the new weights, around one third of this group was within 20% above the S0 threshold, while around two thirds were more than 20% above it. The median distance was around 29% above the S0 threshold and the mean around 38%. This indicates that poverty entries are not limited to individuals located just above the poverty line; in many cases, the income-measurement difference between S0 and S2 is sufficiently large to change poverty status even when the S0 income position is further above the threshold.

Together, the reclassification and distance-to-threshold diagnostics show that the S0–S2 difference is not only an aggregate shift in the poverty rate. It also changes the measured poverty status of a sizeable and socio-demographically structured group, including many individuals who were not located immediately above the S0 threshold.

4.4 Modelling residual S2 amounts and poverty entry

The preceding sections show that residual S2 amounts are concentrated in specific income sources and that some persons who are not poor under S0 are reclassified as poor under S2. This section links these two results by modelling the association between residual S2 amounts and poverty entry.

The analysis is restricted to persons who are not at risk of poverty under S0. The dependent variable equals one if the person becomes at risk of poverty under S2, and zero otherwise. We estimate a linear probability model, which allows coefficients to be interpreted directly as changes in the probability of poverty entry.

The model is estimated at person level, in line with the AROP indicator. However, the residual amounts are expressed in equivalised terms rather than as raw personal or household amounts. This is because AROP is calculated using equivalised household disposable income and then assigned to each person in the household. A residual amount originating from one person's salary, unemployment benefit or pension changes the household income pool and may therefore affect the poverty status of all household members. For this reason, component-specific residual amounts are aggregated at household level, divided by the household equivalence scale, and assigned to each person. The model therefore captures the poverty relevance of residual income differences within the household, not individual reporting behaviour.

The first specification uses the total equivalised residual S2 amount. Among persons who are not poor under S0, each additional euro of equivalised residual S2 amount is associated with a 0.001 percentage-point increase in the probability of becoming poor under S2. Equivalently, an additional €100 of residual S2 amount is associated with an increase of around 0.10 percentage points[3].

[3] The approximate 95% confidence interval is [0.078; 0.126] percentage points per €100, with $p<0.0001$

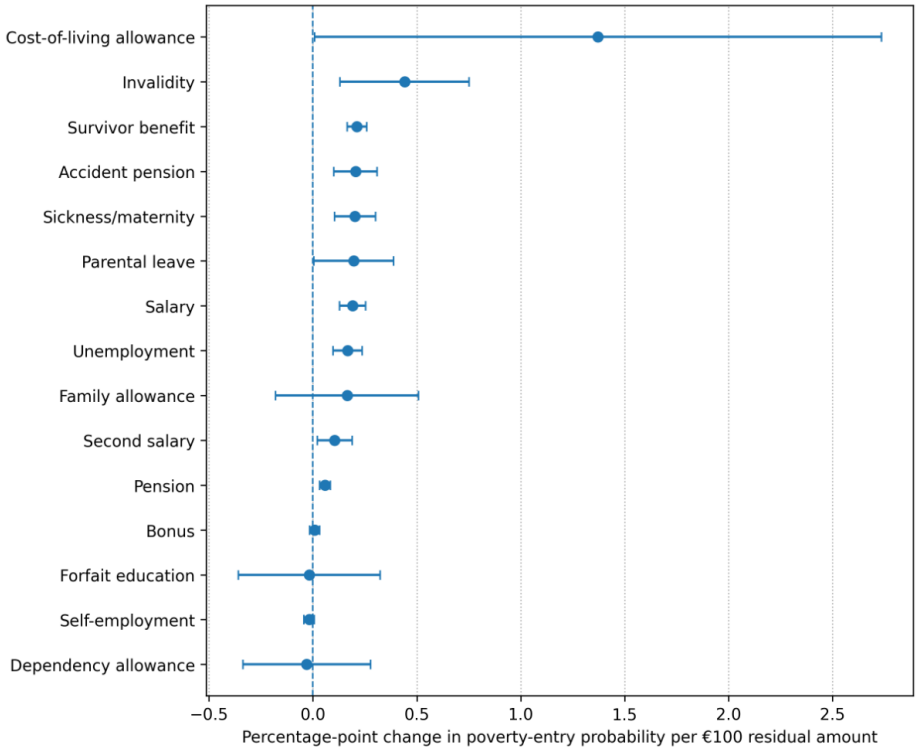
The second specification decomposes the total residual amount into detailed component-specific residual amounts and includes a limited set of controls: age group, sex, migrant origin, household type, panel status and interview mode. Education and activity status are not included in the main specification, because the model covers all persons and these variables partly overlap with child status. The controls are included to account for the composition of affected persons and households, but the main quantities of interest are the component-specific residual amounts.

The component model is:

$$Entry_p = \alpha + \sum_k \beta_k R_{pk}^{S2} + X_p'\gamma + \varepsilon_p$$

where $Entry_p$ equals one if person p is non-poor under S0 but poor under S2, R_{pk}^{S2} is equivalised residual S2 amount for component k, and X_p contains the control variables. The coefficients β_k are reported as percentage-point changes in the probability of poverty entry per €100 of residual amount.

Figure 2. Component-specific residual S2 amounts and poverty entry, new weights



Note: The figure reports linear probability model coefficients expressed as percentage-point changes in the probability of poverty entry per €100 of component-specific residual S2 amount. The sample is restricted to persons who are not poor under S0. Horizontal lines show approximate 95% confidence intervals. Components with fewer than 30 unweighted positive residual cases are excluded from the figure but retained in Annex Table A5.

The component ranking also shows that frequency and poverty relevance are not the same. Bonus residuals are the most frequent among the detailed components, but their estimated association with poverty entry is close to zero. By contrast, salary and second-salary residuals are less frequent but more strongly associated with poverty entry. This suggests that residual work-income amounts differ in where they occur in the income distribution: bonus residuals more often appear in households with enough income distance from the poverty threshold, while salary residuals more often occur in households for which the deduction is large enough to affect poverty status.

A similar interpretation applies to short-term replacement income. Residual unemployment, sickness/maternity and parental-leave amounts are positively associated with poverty entry, indicating that these residuals are more likely to occur in households for which the residual deduction is large enough relative to their pre-S2 distance from the poverty threshold. This supports the earlier income-family analysis, where replacement income appeared as one of the clearest poverty-relevant channels.

Old-age, survivor and long-term/disability-related components are less frequent than work-income residuals, but some are highly poverty-relevant when they occur. Invalidity, survivor benefits and accident pensions show comparatively strong positive associations with poverty entry. The cost-of-living allowance also has a large estimated coefficient, although the confidence interval is wider, so it should be interpreted with caution.

These estimates should not be interpreted as causal effects of reporting behaviour. Since S2 poverty status is calculated after deducting residual amounts, the relationship is partly mechanical. The purpose of the model is instead to summarise a measurement-sensitivity mechanism: how residual S2 amounts, by component and household context, translate into poverty reclassification. A larger coefficient does not mean that one euro has a different accounting value across components; it means that residual euros in that component tend to occur in households for which the deduction is more likely to change poverty status.

5. Discussion: key findings and interpretation

The results support a clear interpretation of the 2025 EU-SILC break in Luxembourg. The fall in the published AROP rate should be read primarily as a break in the income-measurement regime, rather than as direct evidence of a sudden structural improvement in living conditions. This does not imply that the 2025 estimate is less reliable. On the contrary, administrative integration strengthens the measurement of covered income components. The analytical issue is that the new measurement framework changes the interpretation of the poverty series, and this change needs to be documented transparently.

The scenario bridge provides the main evidence for this interpretation. Within the same 2025 data, the difference between S0 and S2 is much larger than the direct difference between old and new weights. This indicates that the income values assigned to households play a larger role in the observed break than the weighting revision alone. S1 remains useful as a strict diagnostic of apparent non-reporting, but it is not the preferred interpretation scenario. The comparison between S1 and S2 shows that a sizeable share of the strict S1 deduction amount is not retained once plausible source misclassification is allowed. At the same time, the residual S2 effect remains substantial, which means that the break cannot be explained away as a purely mechanical result of the strict S1 assumption.

The income-family and decile results clarify the mechanism behind the S0–S2 difference. Residual S2 amounts differ both in frequency and monetary relevance. Work-income residuals are widespread, but relatively low-intensity compared with administrative work income. Short-term replacement income and long-term insurance/disability-related benefits are less widespread, but more material when they occur. The decile results add an important distributional qualification: residual amounts are not confined to the bottom of the distribution, but their relevance for AROP depends on where affected households are located relative to the poverty threshold.

The reclassification analysis shows that the S0–S2 difference is not only an aggregate shift in the poverty rate. It changes poverty status for a sizeable group of individuals, and this group is socially patterned. Couples with children account for a large share of poverty entries, while low education, unemployment and living in a couple-with-children household show higher within-category entry rates. The distance-to-threshold diagnostic also shows that poverty entries are not limited to individuals located immediately above the S0 poverty line. In many cases, the residual income difference is large enough to change poverty status even when the initial S0 position is further above the threshold.

The component model reinforces this interpretation. It is descriptive rather than causal: it summarises how residual S2 amounts translate into poverty entry under the scenario assumptions, without explaining why the residual gaps arise. The results show that poverty relevance does not follow frequency alone. Salary, second-salary, replacement-income, invalidity, survivor and accident-related residuals are most clearly associated with poverty entry. This supports the broader finding that residual amounts matter most when they occur in household contexts where the deduction can affect poverty classification.

Complementary EUROMOD results provide a useful consistency check. Between the relevant reference years, the simulated 60% AROP rate is broadly stable, moving only from 14.6% to 14.5%[4]. This suggests that the observed EU-SILC break is unlikely to be explained primarily by major policy or population changes. The EUROMOD comparison is therefore used as contextual evidence rather than as a formal decomposition. It also points to a related but distinct future question: benefit non-take-up. The present paper analyses reporting and classification differences for observed administrative income; it does not identify households who were eligible for a benefit but did not receive it. A natural extension is therefore to compare simulated eligibility with observed administrative receipt, including in planned work on REVIS non-take-up with the JRC EUROMOD team.

Overall, the results tell a consistent story. The 2025 break is substantial, because the S0–S2 difference is large relative to the direct weighting effect. It is structured, because residual amounts differ by source, monetary relevance and income position. And it is policy-relevant, because the resulting poverty reclassification affects socially exposed groups rather than a random subset of the population.

6. Limitations

Several limitations are important. First, the scenarios are rule-based sensitivity exercises, not validated reconstructions of the previous survey-only production system. Previous survey data may have included amount errors, duration errors, gross/net confusion, imputation and validation adjustments that are not reproduced here. The scenarios therefore estimate the sensitivity of the 2025 income distribution to selected administrative-income corrections, not the exact counterfactual path of the official series.

Second, S1 should not be interpreted as pure non-reporting. Positive administrative receipt combined with no corresponding survey receipt may reflect omission, but it may also reflect source confusion, reporting under a neighbouring component, net/gross confusion or duration differences. S2 addresses part of this problem by using a conservative neighbouring-component rule, but it cannot validate the true source of every survey amount.

Third, the double-counting safeguard reduces but cannot eliminate all risks that one survey excess is used to explain more than one administrative component. A diagnostic check found that this risk is limited for old-age and long-term insurance/disability-related components and more visible for replacement income. The diagnostic supports retaining S2 as the main scenario while presenting it as a structured approximation rather than a definitive classification.

Fourth, the linear probability model is descriptive and should not be interpreted causally. Poverty entry under S2 is mechanically linked to the residual amounts deducted from S0 income, so the estimated coefficients do not measure behavioural effects or the independent impact of income components. They indicate where residual euros are more likely to coincide with a change in poverty status. The model is also estimated at person level using equivalised household residual amounts, which is appropriate for AROP but means that the results capture household-level poverty relevance rather than individual reporting behaviour. The model is therefore used as a compact sensitivity summary, not as a predictive or causal model.

[4] EUROMOD Country Report – Luxembourg 2022–2025, European Commission/JRC, JRC145901

Fifth, administrative coverage is selective in both components and persons. IGSS records do not cover all income components, and not all EU-SILC respondents are affiliated with the Luxembourg social security system. Among affiliated respondents eligible for linkage, approximately 90% were successfully matched; for unmatched cases, the relevant income information continues to rely on survey reporting. The analysis does not assess whether unmatched respondents differ systematically from matched respondents in terms of income, poverty status or socio-demographic characteristics. Potential selectivity in administrative coverage and record linkage therefore remains an open validation issue that is not captured by the present sensitivity scenarios.

7. Conclusion

This paper shows that the 2025 EU-SILC break in Luxembourg is mainly an income-measurement break. Within the same 2025 data, the difference between the published income concept and the S2 sensitivity scenario is much larger than the direct effect of the revised weights. The analysis therefore provides a transparent bridge for interpreting the break without proposing an alternative official poverty estimate.

The results also show that the break is not a uniform adjustment to the income distribution. Residual S2 amounts differ by income source, monetary relevance and income position, and the resulting poverty reclassification is sizeable and socially patterned. These findings do not weaken the 2025 estimate. They show that administrative integration improves income measurement while creating a break that must be interpreted carefully.

Looking forward, better linkage checks, continued EU-SILC improvements and richer administrative data can support higher-quality income statistics and stronger analysis of benefit coverage and potential non-take-up.

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Appendix A. Robustness and scrutiny material

Appendix Table A1. Neighbouring survey components used in S2

Administrative income component with apparent S1 gap	S2 neighbouring survey components allowed	S2 treatment
Salary, second salary, bonus, 13th/14th salary, self-employment income	None	Retained as residual S1 deduction
Unemployment benefit	Salary and sickness/maternity	Deduction cancelled if neighbouring excess covers at least 80% of the gap
Sickness benefit	Salary, unemployment and parental leave	
Parental leave	Salary and sickness/maternity	
Old-age pension 1	Survivor pension, invalidity, accident pension, severe disability, Mammerent and long-term care insurance benefit	
Old-age pension 2	None	Retained as residual S1 deduction
Survivor pension	Old-age pension 1 and old-age pension 2	Deduction cancelled if neighbouring excess covers at least 80% of the gap
Invalidity benefit	Old-age pension 1, old-age pension 2, accident pension, severe disability income and long-term care insurance benefit	
Accident pension	Old-age pension 1, old-age pension 2, invalidity, severe disability income and long-term care insurance benefit	
Severe disability income	Old-age pension 1, old-age pension 2, invalidity, accident pension and long-term care insurance benefit	
Mammerent	Old-age pension 1 and old-age pension 2	
Benefit from long-term care insurance	Old-age pension 1, old-age pension 2, survivor pension, invalidity, accident pension and severe disability	
Family allowances, school allowance, birth-related allowances, REVIS, AVC	None	Retained as residual S1 deduction

Appendix Table A2. Alternative AROP thresholds by scenario

Scenario	60%	30%	40%	50%	70%
S0 new weights	14.8	1.7	2.9	8.6	22.3
S0 old weights	14.4	2.0	3.2	8.9	22.5
S1 new weights	19.1	4.2	8.3	12.0	25.5
S1 old weights	18.7	4.1	7.9	12.6	25.5
S2 new weights	17.7	3.3	7.2	10.5	24.6
S2 old weights	17.4	3.3	6.9	10.4	24.7

Note: The table is a robustness check. The main poverty indicator remains the 60% AROP line.

Appendix Table A3. S2 residual amount relative to disposable income, by income family and income position (%)

Income family	Population	Poor60	Near60–70	Low70	Poor60: share with family-specific S2 amount ≥10% of disposable income
Work income	4.5	4.9	4.6	4.7	11.1
Short-term replacement income	1.4	4.9	1.9	3.6	18.5
Old-age pension-related income	0.9	0.4	1.0	0.6	0.6
Long-term insurance/disability ben.	0.4	1.5	0.7	1.2	3.0
Family/child benefits	0.1	0.3	0.2	0.2	1.5
Means-tested/social assistance	0.1	1.3	0.2	0.8	3.1

Note: "Poor60" refers to people below the S0 60% AROP threshold. "Near60–70" refers to people between the 60% and 70% thresholds. "Low70" refers to people below the 70% threshold.

Appendix Table A4. Component-level model of poverty entry under S2, new weights

Income family / component	Unweighted S2 residual units	S2 incidence among admin recipients (%)	S2 amount / admin amount (%)
Salary	411	8.7	1.4
Second salary	381	93.9	90.0
Bonus	2,717	71.9	48.4
Self-employment	181	57.8	47.0
Unemployment	179	32.6	34.3
Sickness/maternity	883	39.3	36.4
Parental leave	58	25.9	21.9
Old-age pension	103	4.9	4.4
Forfait d'éducation	48	28.1	26.8
Survivor benefits	67	19.2	13.7
Invalidity	57	29.8	23.2
Accident pension	31	47.5	56.0
Severe disability pension	20	31.4	25.3
Long-term care	27	36.3	38.9
Family allowances	85	4.5	3.2
REVIS	32	16.3	9.4
Cost-of-living allowance	119	25.5	12.4

Note: Income components with fewer than 30 unweighted administrative recipient units are not shown.

Appendix Table A5. Component-level model of poverty entry under S2, new weights

Component	Positive residual cases	Poverty-entry rate among positive residuals (%)	pp per €100	95% CI	p-value
Salary	973	22.3	0.191	[0.128; 0.254]	<0.0001
Second salary	856	17.9	0.105	[0.021; 0.189]	0.014
Bonus	5,193	6.1	0.008	[-0.016; 0.032]	0.519
Self-employment	420	4.7	-0.018	[-0.043; 0.007]	0.166
Unemployment	432	20.0	0.167	[0.096; 0.238]	<0.0001
Sickness/maternity	1,961	10.7	0.203	[0.105; 0.301]	<0.0001
Parental leave	195	9.2	0.196	[0.005; 0.387]	0.045
Old-age pension	192	20.8	0.058	[0.032; 0.084]	<0.0001
Forfait education	74	9.6	-0.017	[-0.358; 0.324]	0.924
Dependency allowance	52	25.1	-0.030	[-0.337; 0.277]	0.850
Survivor benefits	118	26.4	0.212	[0.166; 0.258]	<0.0001
Invalidity	108	74.7	0.441	[0.130; 0.752]	0.005
Accident pension	73	22.6	0.205	[0.101; 0.309]	0.0001
Severe disability pension	18*	23.4	0.195	[-0.044; 0.434]	0.110
Family allowance	249	14.1	0.165	[-0.179; 0.509]	0.346
REVIS	9*	44.8	0.581	[0.268; 0.894]	0.0003
Cost-of-living allowance	187	17.0	1.372	[0.009; 2.735]	0.049

*Note: The table reports the full component-level linear probability model of poverty entry under S2. The dependent variable equals one if the person becomes poor under S2. The model controls for age group, sex, migrant origin, household type, panel status and interview mode. "pp per €100" reports the percentage-point change in the probability of poverty entry associated with an additional €100 of component-specific residual S2 amount. Confidence intervals are approximate 95% intervals. Values marked with * are based on fewer than 30 unweighted positive residual cases and should be interpreted with caution. Negative coefficients should not be interpreted as protective effects; they reflect conditional associations in a model including all component residuals and may be affected by support size, component overlap and distance to the poverty threshold.*

Appendix Table A6. Various indicators under different scenarios

Indicators	2024 published	2025: Scenario 0		2025: Scenario 1		2025: Scenario 2	
		new wgh	old wgh	new wgh	old wgh	new wgh	old wgh
Median equivalised disposable income	50799.3	50045.5	51884.7	44755.1	46830.9	46260.9	47922.1
AROP threshold, Single person household, EUR	30479.6	30027.3	31130.8	26853.1	28098.6	27756.6	28753.2
AROP, %	18.1	14.8	14.4	19.1	18.7	17.7	17.4
AROP before social transfers, HY022, %	24.8	26.5	25.0	26.4	25.8	27.6	26.2
AROP before all social transfers, HY023, %	40.5	42.6	40.7	41.5	40.8	43.3	41.6
Poverty reduction effect of transfers, pp	6.7	11.7	10.6	7.3	7.1	9.9	8.8
Relative median poverty gap, %	19	18.6	21.4	26.2	25.5	23.6	23.2
Gini coefficient	30.1	30.5	30.1	34.2	33.1	32.8	32.1
S80/S20	4.7	4.6	4.5	6.1	5.7	5.5	5.3
AROPE, %	20.0	18.2	17.4	22.2	21.3	21.1	20.2
Housing cost overburden, %	8.0	8.1	7.9	13.6	12.7	11.8	11.3
AROP, 70% median, %	26.3	22.3	22.5	25.5	25.5	24.6	24.7
Near poor, 60–70% band, pp	8.2	7.5	8.1	6.4	6.8	6.9	7.3

AROP (%)	2024 published	2025					
		Scenario 0		Scenario 1		Scenario 2	
		new wgh (published)	old wgh	new wgh	old wgh	new wgh	old wgh
Total population	18.1	14.8	14.4	19.1	18.7	17.7	17.4
Men	16.6	14.2	13.7	17.8	17.6	17.0	16.5
Women	19.7	15.4	15.2	20.5	19.9	18.5	18.3
Under 18	24.1	22.2	21.4	26.3	25.8	25.6	24.5
18–64	18.3	14.2	13.8	18.3	18.2	17.3	17
65+	9.4	6.9	7.4	12.5	10.8	8.3	8.7

AROP (%) by household type	2024 published	2025: Scenario 0		2025: Scenario 1		2025: Scenario 2	
		new wgh	old wgh	new wgh	old wgh	new wgh	old wgh
Total population	18.1	14.8	14.4	19.1	18.7	17.7	17.4
Single person	18.2	15.6	16	21.8	20.1	17.6	17.5
Single parent	31.8	40.5	40.7	41.2	39.3	39.8	39.3
Two adults with one dependent child	12.9	11.5	10.6	15.4	15.5	14.7	14.3
Two adults with two dependent children	15.3	15.4	15	23.9	23.6	23.1	22.5
Two adults with three or more dependent children	38.5	36.7	34.7	40.2	38.9	39.9	36.9
Households without dependent children	11.6	9.8	10	14	13.5	11.8	11.9