

Living standards falling in most Member States

Living standards, as measured by the median equivalised disposable income, fell in 15 Member States in 2010 compared with a year earlier, after adjusting for inflation. The median is the point on the income scale at which half earn more and half earn less, and equivalised disposable income corresponds to the income that households have available for spending and saving, adjusted for household size and composition.

The sharpest drops occurred in Greece, where median income decreased by 12.3 %, Bulgaria (-6.6 %), Latvia (-6.1 %) and Spain (-5.8 %) (Figure 1).

In the vast majority of Member States the median income fell most for the unemployed and least for people in employment.

Income decreased in the bottom quintile of the income distribution in most Member States. In 15 Member States, income inequality increased

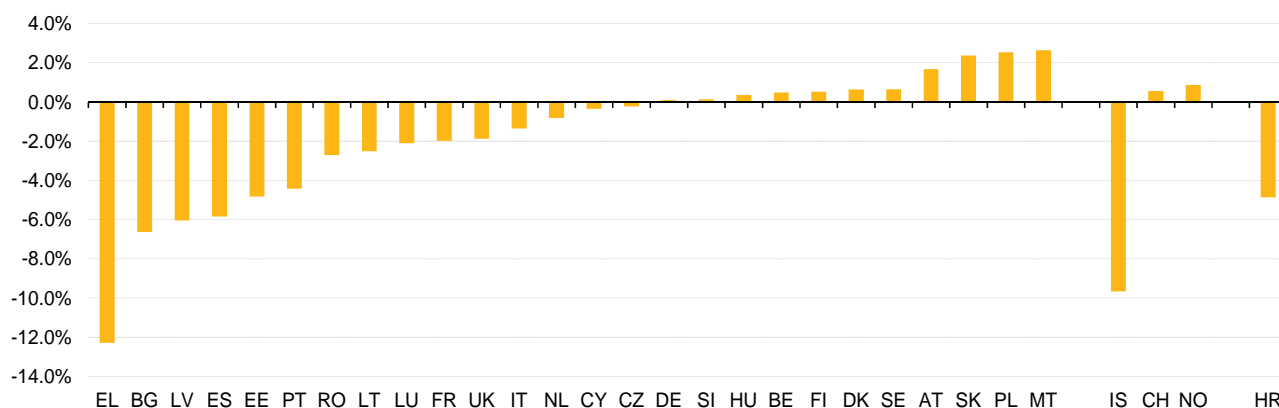
because income in the top quintile decreased less or increased more than in the bottom quintile. Each quintile represents 20 % of the population and the first or bottom quintile represents the part of the population with the lowest income while the fifth or top quintile represents the part with the highest income.

When looking at households' material conditions, in 2011 around 10 % of the EU population reported that they could not afford a meal with meat, chicken, fish or a vegetarian equivalent every second day. This represents an increase of 1 percentage point (pp) compared with 2010.

All figures are based on the latest EU-SILC (Statistics on Income and Living Conditions) data collected in 2011.¹

¹ See methodological notes

Figure 1: Change in median income in 2010 compared with 2009 after adjusting for inflation



Note: data not available for IE

Source: Eurostat (online data codes: [ilc_di03](#) and [prc_hicp_aind](#))

Household disposable income corresponds to income from market sources and cash benefits after deduction of direct taxes and regular inter-household cash transfers. It can be considered as the income available to the household for spending or saving. The living standards achievable by a household with a given disposable income depend on how many people and of what age live in the household.

Household income is thus ‘equivalised’ i.e. adjusted for household size and composition so that the incomes of all households can be looked at on a comparable basis. Equivalised disposable income is an indicator of the economic resources available to a standardised household. For a lone-person household it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would be needed by a lone person household to enjoy the same level of economic wellbeing. This income concept, based on the assumption of income sharing within the household, and of economies of scale resulting from living together, is used in this report.

The latest data, collected during 2011, include income for the reference period 1 January – 31 December 2010 and non-income variables referring to 2011.²

The median is the income value which divides a population, when ranked by income, into two equal-sized groups: exactly 50 % of people fall below that value and 50 % are above it. When analysing income, this is the measure most commonly used to represent average income because the highly skewed nature of the income distribution can lead to the very high incomes of a few having a disproportionate impact on the mean. Poverty thresholds are calculated on the basis of the median equivalised disposable income.

Median equivalised disposable income in national currencies fell in eight Member States in nominal terms (without adjusting for inflation) in 2010 compared with a year earlier (Table 1).

The sharpest drops occurred in Greece, where median income fell by 8.2 %, Latvia (-7.2 %) and Spain (-4.0 %). It increased the most in Poland (+5.3 %), Hungary (+5.1 %) and Malta (+4.7 %).

However, nominal changes do not tell the whole story about income changes as inflation should also be considered.

Median incomes have thus been adjusted by the annual rate of change in the Harmonised Index of Consumer Prices (HICP) for 2010 to obtain real changes.

After adjusting for inflation, median equivalised disposable income in national currencies fell in 15 Member States in 2010 compared with a year earlier (Table 1 and Figure 1).

The sharpest drop in real terms occurred in Greece, where the median equivalised disposable income fell by 12.3 %. It fell by 6.6 % in Bulgaria, 6.1 % in Latvia, 5.8 % in Spain, 4.8 % in Estonia and 4.4 % in Portugal. A sharp decrease of 9.7 % was also registered in Iceland. Median income stagnated or increased in real terms by less than 1 % in Belgium, Denmark, Germany, Hungary, Slovenia, Finland and

Table 1: Median equivalised disposable income in 2010 and change 2009-2010

	Currency	Median income 2010	Change in nominal terms 2010/2009	HICP 2010	Change in real terms 2010/2009
BE	EUR	20 008	2.8%	2.3%	0.5%
DE	EUR	19 043	1.3%	1.2%	0.1%
IE	EUR	:	:	-1.6%	:
EL	EUR	10 986	-8.2%	4.7%	-12.3%
ES	EUR	12 514	-4.0%	2.0%	-5.8%
FR	EUR	19 995	-0.3%	1.7%	-2.0%
IT	EUR	15 972	0.2%	1.6%	-1.4%
CY	EUR	17 207	2.2%	2.6%	-0.4%
LU	EUR	32 538	0.6%	2.8%	-2.1%
MT	EUR	10 862	4.7%	2.0%	2.6%
NL	EUR	20 310	0.1%	0.9%	-0.8%
AT	EUR	21 319	3.4%	1.7%	1.7%
PT	EUR	8 410	-3.1%	1.4%	-4.4%
SI	EUR	11 999	2.2%	2.1%	0.1%
SK	EUR	6 306	3.1%	0.7%	2.4%
FI	EUR	21 826	2.2%	1.7%	0.5%
BG	BGN	5 674	-3.8%	3.0%	-6.6%
CZ	CZK	188 400	1.0%	1.2%	-0.2%
DK	DKK	196 566	2.8%	2.2%	0.6%
EE	EEK	87 588	-2.3%	2.7%	-4.8%
LV	LVL	2 972	-7.2%	-1.2%	-6.1%
LT	LTL	13 827	-1.3%	1.2%	-2.5%
HU	HUF	1 249 250	5.1%	4.7%	0.4%
PL	PLN	20 075	5.3%	2.7%	2.5%
RO	RON	8 915	3.2%	6.1%	-2.7%
SE	SEK	214 650	2.6%	1.9%	0.6%
UK	GBP	14 874	1.4%	3.3%	-1.9%
IS	ISK	3 071 616	-2.9%	7.5%	-9.7%
NO	NOK	291 777	3.2%	2.3%	0.9%
CH	CHF	46 842	1.2%	0.6%	0.6%
HR	HRK	40 400	-3.8%	1.1%	-4.9%

Source: Eurostat (online data codes: [ilc_di03](#) and [prc_hicp_a1nd](#))

² See methodological notes

Sweden, while it increased by more than 1 % in Malta (+2.6 %), Poland (+2.5 %), Slovakia (+2.4 %) and Austria (+1.7 %).

Increases or decreases in median income can essentially be explained by changes in family situation, employment situation, the welfare system and taxes.

Median income fell most for the unemployed

The activity status presented in the analysis is self-declared as measured by EU-SILC. Data are presented for persons who declared their main activity status as being: employees, employed persons other than employees (e.g. self-employed), retired and unemployed.

The median equivalised disposable income for a specific category of persons has to be regarded in the household context as it is influenced also by the income of other persons in the household.

In the vast majority of Member States median equivalised disposable income fell in real terms most for the unemployed in 2010 compared with 2009 (Table 2).

Only in Denmark, Germany, France, Cyprus, the Netherlands, Finland and the United Kingdom was the income change of the unemployed better than for employees or the self-employed.

Median income for the unemployed fell by 15.2 % in Greece, 12.2 % in Bulgaria, 12.0 % in Estonia, 8.9 % in Italy, 8.8 % in Spain and 8.7 % in Latvia. It grew by 5.8 % in Denmark, 4.3 % in Poland, 4.2 % in Finland and 4.1 % in Germany.

The fall in median income for the unemployed can partly be explained by the rise in long-term unemployment and by the fact that in most countries the unemployed have access to unemployment benefits only for a limited time. Changes in the benefit system in some countries could also be part of the explanation.

In some countries other categories faced the sharpest income fall.

In Luxembourg and the Netherlands median income fell most for employees, by 4.3 % and 1.5 % respectively. In Poland it increased for employees (+0.9 %) but less than for other categories.

Income fell most for employed persons other than employees in France (-11.1 %), Romania

(-10.6 %), Portugal (-9.0 %), Cyprus (-5.2 %), the United Kingdom (-3.6 %) and Slovenia (-2.7 %).

The income change for retired people was smaller than for other categories only in Denmark (+1.1 %), Germany (+0.2 %), Lithuania (-7.1 %), Finland (+0.3 %) and Sweden (-2.6 %).

Table 2: Change in median disposable income by economic status 2009-2010 (%)

	Employees	Employed persons other than employees	Retired persons	Unemployed persons
BE	-0.2	0.2	-1.2	-6.9
BG	-4.4	-5.1	-6.0	-12.2
CZ	0.4	4.3	-0.2	-4.2
DK	1.8	1.7	1.1	5.8
DE	1.1	0.9	0.2	4.1
EE	-4.4	-2.7	-3.3	-12.0
IE	:	:	:	:
EL	-11.0	-8.8	-13.2	-15.2
ES	-2.8	-3.3	-5.3	-8.8
FR	-1.7	-11.1	0.2	-0.1
IT	-0.9	-3.3	-2.8	-8.9
CY	-1.8	-5.2	-0.3	2.6
LV	-4.2	6.4	3.1	-8.7
LT	0.2	10.8	-7.1	-1.1
LU	-4.3	7.8	1.1	-2.3
HU	3.7	2.3	-0.4	-2.2
MT	1.8	-2.1	3.8	-4.2
NL	-1.5	1.0	0.0	1.6
AT	2.7	-1.8	1.5	-3.1
PL	0.9	4.7	2.4	4.3
PT	-3.1	-9.0	-0.1	-3.4
RO	-4.5	-10.6	-0.2	-7.6
SI	1.1	-2.7	0.0	0.7
SK	1.1	5.0	4.2	0.9
FI	1.7	2.0	0.3	4.2
SE	1.5	3.3	-2.6	0.2
UK	-2.2	-3.6	-2.2	-1.1
IS	-9.4	-7.3	-12.7	-6.7
NO	0.3	-8.7	1.1	-4.1
CH	1.1	4.6	-1.4	6.4
HR	-5.2	-16.0	-1.5	-2.3

Note: main economic status is self-declared; incomes are in national currencies, equivalised and adjusted for inflation.

Source: Eurostat (online data codes: [ilc_di05](#) and [prc_hicp_aind](#))

Income fell most in the bottom income quintile in most Member States

Median equivalised disposable income does not give a complete picture of changes across the income distribution.

Table 3 shows the change in real terms between 2009 and 2010 of equivalised disposable income for the first and fifth quintiles of the income distribution. As a basis for calculations, the median of the interval covered by each quintile is used. This is a measure of the average situation in each quintile.

Income decreased from 2009 to 2010 in the bottom quintile in 18 Member States after adjusting for inflation. The sharpest fall occurred in Greece, where the median income of this quintile decreased by 17.3 %, in Estonia (-11.4 %) and in Bulgaria (-10.2 %). It increased the most in Lithuania (+3.5 %), Luxembourg and Poland (both +2.9 %).

For the top quintile income also decreased in 18 Member States but with different patterns and intensity. The sharpest fall occurred in Lithuania, where the median of this quintile decreased by 12.4 %, in Greece (-11.1 %) and in Latvia (-7.4 %). It increased the most in Hungary (+9.1 %), Denmark (+4.3 %) and Finland (+2.5 %).

All in all, income inequality is rising in 15 Member States, because income in the fifth quintile decreased less or increased more than in the first quintile.

In order to explore in greater depth the effects of income changes on income inequalities we need to gain a better understanding of the income dynamics in different parts of the income distribution. For this purpose we divided countries into groups sharing similar characteristics in terms of changes in income in the five quintiles between 2009 and 2010.

In the first group presented in Figure 2 and composed of Bulgaria, the Czech Republic, Estonia, Greece, Spain, Hungary, Portugal, Romania, Finland and Sweden, income decreased

most in the lower quintiles and decreased less (or increased) in the upper quintiles, thereby contributing to an increase in income inequality. This pattern is particularly clear (i.e. systematic over all quintiles) in Bulgaria, Greece and Hungary.

Table 3: Change in equivalised disposable income for first and fifth quintiles 2009-2010

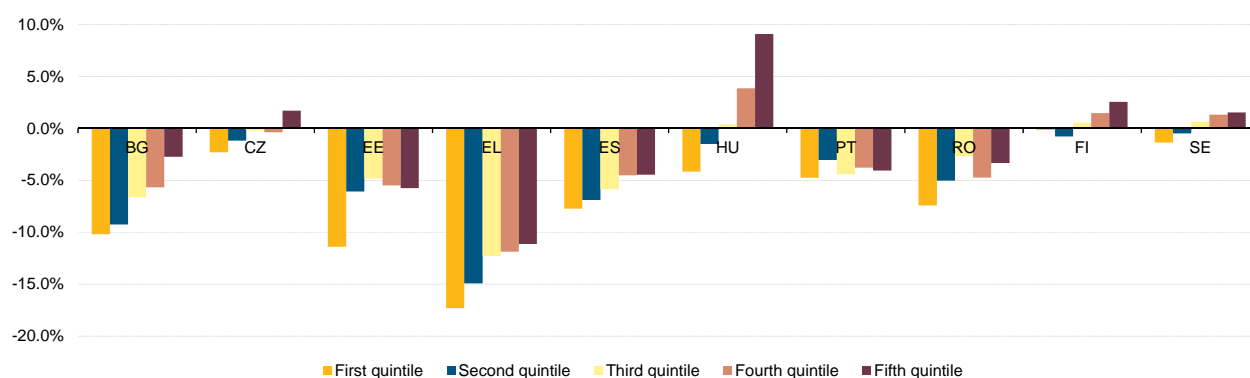
	Currency	Median of first quintile 2010	Change in real terms 2010/2009	Median of fifth quintile 2010	Change in real terms 2010/2009
BE	EUR	10 592	-0.9%	33 772	-1.0%
DE	EUR	9 612	-1.6%	34 790	-1.1%
IE	EUR	:		:	
EL	EUR	4 762	-17.3%	21 710	-11.1%
ES	EUR	4 977	-7.7%	25 800	-4.5%
FR	EUR	10 935	-1.7%	38 539	-0.4%
IT	EUR	7 172	-6.3%	30 227	-3.0%
CY	EUR	9 195	1.5%	33 087	1.9%
LU	EUR	18 279	2.9%	59 829	-0.2%
MT	EUR	5 709	0.7%	19 385	-1.3%
NL	EUR	11 861	-2.7%	35 302	-1.4%
AT	EUR	11 898	1.7%	36 822	-1.4%
PT	EUR	4 038	-4.8%	18 458	-4.1%
SI	EUR	6 453	-3.4%	19 676	-0.9%
SK	EUR	3 483	0.8%	10 928	1.3%
FI	EUR	12 185	-0.2%	37 194	2.5%
BG	BGN	2 269	-10.2%	11 760	-2.7%
CZ	CZK	113 919	-2.3%	331 053	1.7%
DK	DKK	108 712	2.3%	325 921	4.3%
EE	EEK	41 633	-11.4%	180 578	-5.8%
LV	LVL	1 250	-4.7%	6 565	-7.4%
LT	LTL	5 919	3.5%	28 778	-12.4%
HU	HUF	672 596	-4.2%	2 264 233	9.1%
PL	PLN	9 869	2.9%	38 829	1.8%
RO	RON	3 463	-7.4%	18 163	-3.3%
SE	SEK	116 645	-1.4%	346 987	1.5%
UK	GBP	7 581	-0.2%	30 101	-2.1%
IS	ISK	1 895 225	-8.2%	4 916 121	-16.4%
NO	NOK	171 809	3.1%	459 950	1.1%
CH	CHF	24 549	0.9%	85 875	0.9%
HR	HRK	17 357	-4.5%	78 424	-9.5%

Source: Eurostat (online data codes: [ilc_di11](#) and [prc_hicp_aind](#))

In the second group in Figure 3, composed of Latvia, Lithuania, Poland, the United Kingdom, Iceland, Norway and Croatia, income decreased most (or increased least) for the highest quintiles and decreased least (or increased most) in the lower quintiles, thereby contributing to a decrease in income inequality. This is particularly visible in Lithuania and Iceland.

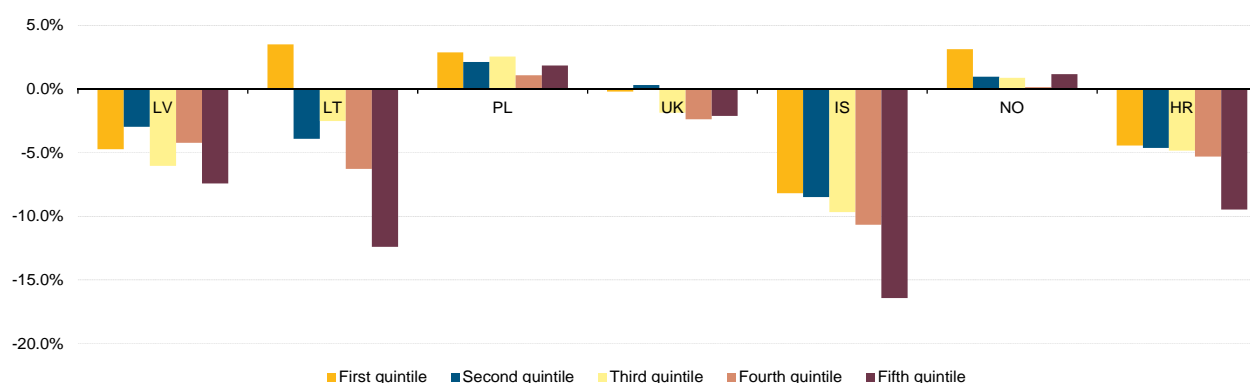
However, for the other countries there was no clear trend along the income distribution and mixed effects on income inequality were registered.

Figure 2: Change in income in the five quintiles between 2009 and 2010 in real terms, countries of Group 1 (increasing inequality)



Source: Eurostat (online data codes: [ilc_di11](#) and [prc_hicp_aind](#))

Figure 3: Change in income in the five quintiles between 2009 and 2010 in real terms, countries of Group 2 (decreasing inequality)



Source: Eurostat (online data codes: [ilc_di11](#) and [prc_hicp_aind](#))

Around 10% of EU citizens cannot afford a meal with meat, chicken, fish or a vegetarian equivalent every second day

Material deprivation complements the income perspective by providing an estimate of the proportion of people whose living conditions are severely affected by a lack of resources.

Among material deprivation items, the inability to afford a meal with meat, chicken, fish or a vegetarian equivalent every second day showed the greatest change in 2011 at EU-27 level compared with 2010. The change in Member States of this deprivation item is also in some cases correlated with the decrease in income in the lowest quintiles.

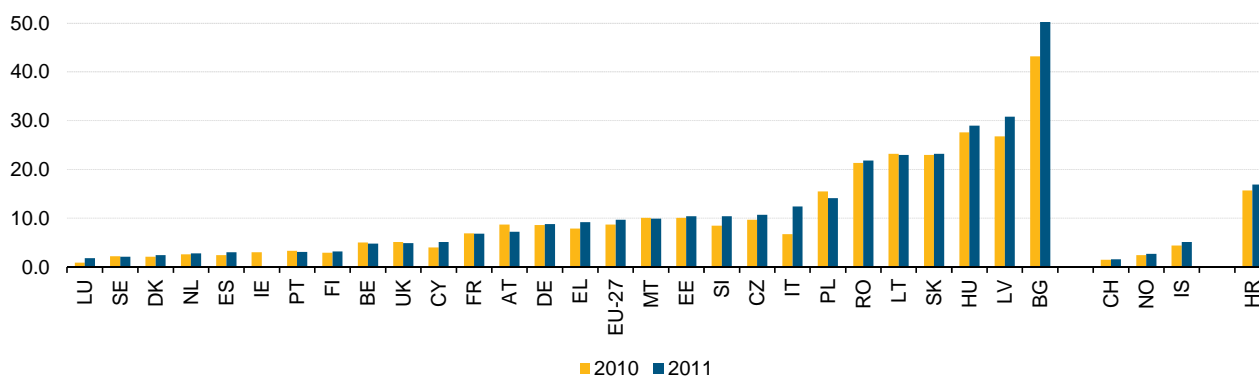
In 2011 9.7 % of the EU population reported that they could not afford this item. This represents an increase of 1 pp compared with 2010.

There is considerable variation among Member States. The percentage of people reporting this deprivation item ranged from 3 % or less in Spain, the Netherlands, Denmark, Sweden and Luxembourg to 29 % in Hungary, 30.8 % in Latvia and a maximum of 50.8 % in Bulgaria in 2011.

Compared with 2010, the percentage of people reporting that they could not afford such a meal every second day increased by 7.6 pp in Bulgaria, 5.7 pp in Italy and 4.0 pp in Latvia.

At the same time it fell by more than 1 pp only in Poland (-1.4 pp) and in Austria (-1.5 pp).

Figure 4: Inability to afford a meal with meat, chicken, fish or a vegetarian equivalent in 2010 and 2011 (% of total population)



Note: EU-27 Eurostat estimation; data not available for IE in 2011

Source: Eurostat (online data code: [ilc_mdcs03](#))

Methodological notes

Background

The reference source for statistics and indicators on income and living conditions is EU-SILC (EU Statistics on income and living conditions). This survey is organised under the [Framework Regulation 1177/2003](#).

EU-SILC is the main source of information used in the European Union to develop indicators monitoring poverty and social exclusion.

Definitions

Income

Gross income includes income from market sources and cash benefits. The former includes employee cash or near-cash income, non-cash employee income, cash benefits from self-employment, income from rental of property or land, regular inter-household cash transfers received, interest, dividends, profit from capital investments in unincorporated businesses, income received by people aged under 16 and pensions from individual private plans. Cash benefits are the sum of all unemployment, old-age, survivor's, sickness and disability benefits; education-related, family/children-related and housing allowances; and benefits for social exclusion or those not elsewhere classified. Direct taxes and regular inter-household cash transfers paid are deducted from gross income to give disposable income.

The current definition of total household disposable income used for calculating the indicators presented excludes imputed rent – i.e. money that the household saves on full (market) rent by living in its own accommodation or in accommodation it rents at a price that is lower than the market rent. The definition of income currently used also excludes non-monetary income components, in particular the value of goods produced for own consumption, social transfers in kind and non-cash employee income except company cars.

Income reference period

The income reference period is a fixed 12-month period (such as the previous calendar or tax year) for all countries except the UK, for which the income reference period is the current year, and IE, for which the survey is continuous and income is collected for the last twelve months. The data used in this publication are derived from EU-SILC operation 2011. With the exception of the UK and IE, the income reference period is therefore 1/1/2010 to 31/12/2010.

Equivalised disposable income

In order to reflect differences in household size and composition, the income figures are given per equivalent adult. This means that the total household income is divided by its equivalent size using the 'modified OECD equivalence scale' and the resulting figure is allocated to each member of the household, whether adult or children. The scale gives a weight of 1.0 to the first adult, 0.5 to any other household member aged 14 and over and 0.3 to each child below the age of 14. The equivalent size of a household that consists of 2 adults and 2 children below the age of 14 is therefore: $1.0 + 0.5 + (2 \times 0.3) = 2.1$. Equivalised disposable income is therefore an indicator of the economic resources available to a standardised household. For a lone-person household it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would be needed by a lone-person household to enjoy the same level of economic wellbeing.

Inflation adjustment

In order to take account of inflation in year-to-year income changes we have used the HICP (Harmonised Index of Consumer Prices). The HICP is the consumer price index as it is calculated in the European Union, according to a harmonized approach and a single set of definitions.

Self-declared main economic status

Main economic status is self-defined and acquired by means of an EU-SILC target variable. This variable captures the person's own perception of his or her main activity at the time of the survey. It differs from the ILO concept to the extent that people's own perception of their main status differs from the strict definitions used in the ILO classifications of employment and unemployment. For instance, many people who would regard themselves as full-time students or homemakers may be classified by the ILO criteria as employed if they have a part-time job. Similarly, some people who consider themselves 'unemployed' may not meet the strict ILO criteria of taking active steps to find work and being immediately available.

Income quintiles

Quintiles refer to the position in the frequency distribution. The quintile cut-off value is obtained by sorting all incomes, from lowest to highest, and then choosing the value of income under which 20 % (lower limit), 40 % (second limit), 60 % (third), 80 % (fourth) and 100 % (upper limit) of the sample are located. A quintile as such is associated with the segment boundaries between two quintiles. The first segment includes income below the lower quintile cut-off (20 %), the second segment includes income located between the lower cut-off and the second quintile cut-off, and so on. In total, there are five segments. From these segments, the median income by quintile is calculated using cut-off points of 1st, 3rd, 5th, 7th and 9th deciles that correspond respectively to the median of 1st, 2nd, 3rd, 4th and 5th quintiles.

Inability to afford a meal

The *severe material deprivation rate* is defined as the percentage of the population with an enforced lack of at least four out of nine material deprivation items in the 'economic strain and durables' dimension.

Not being able to afford a meal with meat, chicken, fish (or a vegetarian equivalent) every second day is one of the deprivation items.

EU -average

EU aggregates are computed as the population-weighted averages of national indicators.

Abbreviations

EU-27 Member States: Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK). Iceland (IS), Norway (NO), Switzerland (CH) and Croatia (HR) are also referred to in this publication.

Further information

Eurostat website: <http://ec.europa.eu/eurostat>

Data on 'Income and living conditions'

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

Data on 'Harmonised Indices of Consumer prices (HICP)'

<http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/data/database>

Further information about 'Income and living conditions'

http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/introduction

Further information about 'Harmonised Indices of Consumer prices (HICP)'

<http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>

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