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Trends in poverty and social exclusion between 2012 and 2013

This supplement to the Quarterly Review provides in-depth analysis of recent labour market and social developments. It was prepared by V. Maestri and C. Thévenot from the Employment Analysis and Social Analysis Units in DG EMPL.

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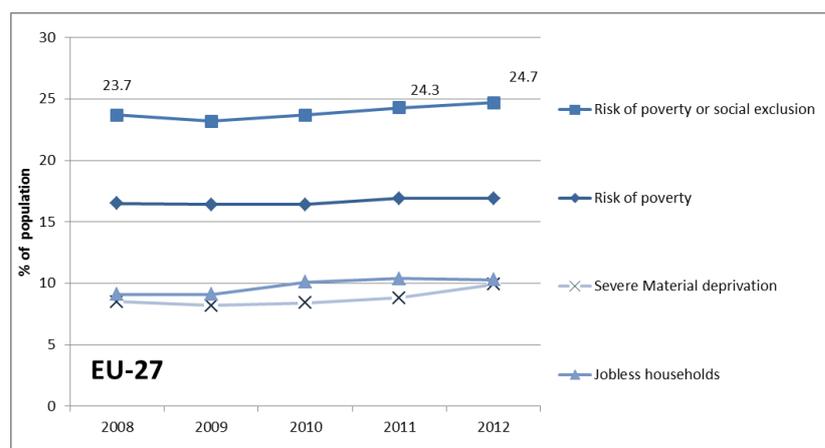
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Trends in poverty and social exclusion between 2011 and 2012

The latest survey data indicated that poverty would continue to increase in 2012, particularly in a few countries where economic and labour market conditions had continued to deteriorate. In the EU-28,¹ 24.8% of Europeans were affected by the risk of poverty or social exclusion² in 2012, an increase of 0.5 pps since 2011 (see Chart 1). This corresponds to 124 million people (123 million in the EU-27).³

Chart 1- Recent trends in poverty and social exclusion in Europe (% of the population)



Source: Eurostat, EU-SILC

The at-risk of poverty or social exclusion increased in one third of the Member States between 2011 and 2012

Between 2011 and 2012, the share of the population at risk of poverty or social exclusion increased in a third of the EU's Member States (see Chart 2): EL, CY, IE, IT, RO, HU, MT and PT. It dropped in HR, BG, BE and ES, but this decrease is partly explained by a fall in the poverty threshold, reflecting lower overall living standards in these countries (see below). Rates also increased in countries with relatively low levels of poverty and social exclusion, such as the UK, LU and AT.⁴ In the Baltic States, especially LV, the situation remained stable or even improved due to economic recovery in recent years, following a profound shock just after the crisis. Nevertheless, poverty and social exclusion remain high in these Member States.

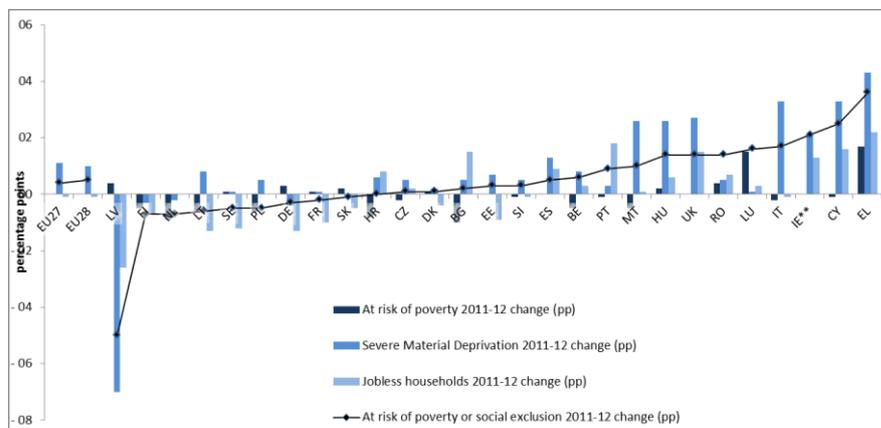
¹ NB: Croatia did not join the EU until 2013.

² The EU poverty and social exclusion headline target is determined on the basis of three indicators: the at-risk-of-poverty rate, the severe material deprivation rate and the share of people living in very low work-intensity (quasi-jobless) households. It covers people in any of these categories and, while very broad, reflects the many facets of poverty and social exclusion across Europe.

³ See also annexes to the Communication *Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth*. Social Europe, *Many ways, one objective*, March 2014.

⁴ In AT, the information process has changed; information from additional administrative sources (mainly as regards income) was introduced between 2011 and 2012. This resulted in a change in income distribution and a break in series. For this reason, SILC results regarding incomes for AT are not commented on further. However, as the Euromod nowcast exercise is based on *ex-ante* information, it is not affected by the break in series and is commented on.

Chart 2- 2011-2012 changes in the components of the at risk of poverty or social exclusion (pp)



Source: Eurostat, EU-SILC

In a number of countries, the poverty threshold declined, reflecting a general deterioration of living conditions

The average at-risk-of-poverty rate (relative income poverty) remained stable at EU level between 2011 and 2012, but this hid diverging national developments, with a particularly sharp increase in EL. However, changes in the rate must be considered alongside changes in the poverty threshold, which shifts in line with total income. The combination of labour market deterioration and the weakening stabilising effect of social protection over time⁵ may result in marked declines of household disposable incomes and thereby drops in the poverty threshold (defined as 60% of median equivalised income). In such cases, changes in the (relative) risk-of-poverty rate do not necessarily reflect changes in the actual income situation of households. The anchored poverty rate, using a threshold fixed at 2008 value (updated by inflation) over time, helps to disentangle the two effects.

EL has seen a strong increase in the risk of poverty (by 1.7 pps since 2011), accompanied by a strong drop in the risk-of-poverty threshold (by 14.3% since 2011). If the poverty threshold had remained at the 2008 level (updated by inflation), the risk of poverty in EL would have increased by 15.7 pps between 2008 and 2012 (see Chart 3). In ES, IT, IE, EE and LT, poverty rates and poverty thresholds have decreased or stagnated. However, the anchored poverty rates increased significantly in these countries, indicating a deterioration of households' social situation.

Nowcasting the at-risk of poverty to 2013

Currently available Eurostat statistics on poverty and social exclusion go up to 2012, i.e. covering 2011 income distribution. The lack of timely information⁶ from income surveys has led to the development of alternative indicators, such as financial distress.⁷ A micro-level approach, 'nowcasting', is also possible. This has the advantage of reflecting changes in different parts of the income distribution, shifts in tax-benefit policies and developments on the labour market.

Nowcast exercises provide estimates of change in the distribution of income between households over the period for which EU-SILC data are not yet available, on the basis of changes in household income and employment, taking account of changes in tax-benefit

⁵ See 'Employment and social developments in Europe', Chapter 3.

⁶ Eurostat indicators on poverty and social exclusion based on 2014 EU-SILC survey (where income data will still refer to 2013) will be released in December 2015.

⁷ See *Data sources for the timely monitoring of the social situation in EU Member States* — DG EMPL Working Paper 2/2013 (30.7.2013), I. Engsted-Maquet and P. Minty.

policies.⁸ On average, past nowcast exercises have been 95 % accurate,⁹ although accuracy has varied across Member States and over time.¹⁰

Between 2011 and 2013, the at-risk of poverty is estimated to rise in a number of countries and further in Greece

Results¹¹ up to 2013 are available for a subset of 13 Member States: DE, EE, EL, ES, FR, IT, LV, LT, AT, PL, PT, RO and FI (see Chart 4). The latest nowcast estimates that at-risk-of-poverty rates will increase further between 2011 and 2013 in EL (by 1.8 pp), RO (1.1 pp), LV (0.9 pps) and EE (0.7 pp), decrease slightly in PT (by 0.8 pps), FR (0.8 pps) and AT (0.6 pps), and stabilise in IT, ES, DE and LT. The estimated decrease in PT is explained by a considerable drop in the poverty threshold (by 5% in 2012-14). The threshold is also expected to decrease in ES (by 2%) and more dramatically in EL (by 20%), which shows the worst combination of increasing relative poverty and falling median income.

Anchored poverty (using a fixed 2009 poverty threshold) is expected to increase in 2011-13 in all of the 13 Member States in question, with the exception of the three Baltic countries and PL (drops of 2.2 % in EE and LT, 1.6 % in LV and 0.7 % in PL).

The advantages of nowcasting where there are structural breaks in EU-SILC data

Nowcast results based on microsimulations are not only useful to overcome the problem of the timeliness of data, but also where there is a break in the series of survey data. EU-SILC data were recently revised on the basis of 2011 censuses. As a result, Eurostat reports series breaks in the 2011 data for LV and 2012 data for LT. In AT, data were adjusted on the basis of administrative data, producing a structural break in 2012 EU-SILC data. For these three Member States, Eurostat statistics on monetary poverty cannot distinguish between actual change in the at-risk-of-poverty rate and the effect of the statistical break. Nowcast results are expected to be more reliable, as they are not based on revised survey data. For LT, for instance, nowcast estimates capture much better the effect of temporary cuts in social benefits since 2010, showing a rising trend in the at-risk-of-poverty rate, while Eurostat statistics show a falling trend. For AT, nowcast estimates show a decrease in the rate, while Eurostat statistics show an increase. For LV, the structural break in EU-SILC data does not significantly affect poverty figures.

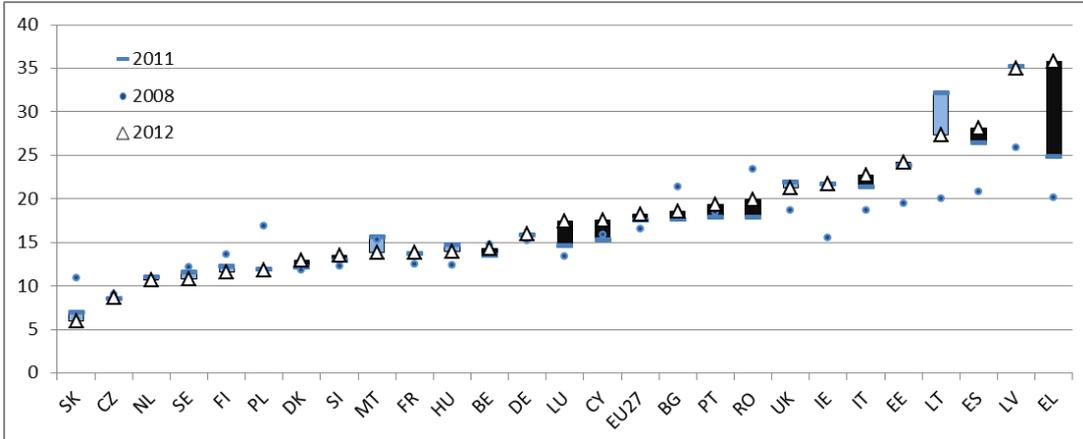
⁸ Thanks to the more timely release of labour force data, it is possible to take advantage of employment transitions and changes from short- to long-term unemployment, as well as the tax-benefit policy changes included in the EUROMOD microsimulation model, to nowcast the risk of poverty up to 2014.

⁹ Average of the absolute deviation of calibrated nowcast estimates from Eurostat figures for the years in which both sets of data are available (2010-12), excluding the years in which there is a structural break in the data for some MS (2012 for LT and AT, 2011 for LV).

¹⁰ While for most Member States and years the level of accuracy is close to 100 %, some problems are reported for LT. This might be explained by large macro-economic shocks. In general, nowcast estimates tend to underestimate the rise in the at-risk-of-poverty rate in the Member States most affected by the crisis (by, on average, 5 % in EL, ES and IT) and in RO (by, on average 9 %) and to overestimate poverty figures for FR (by 4 %).

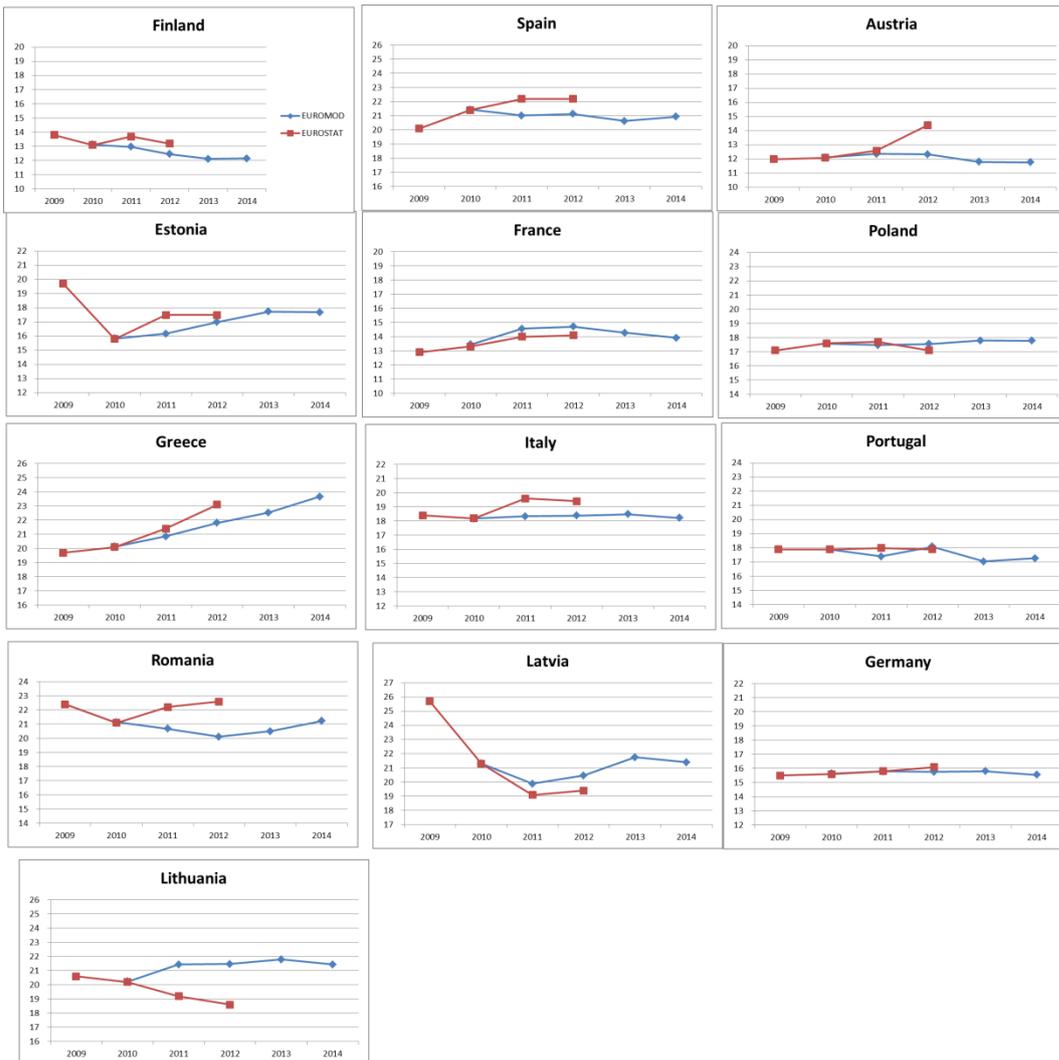
¹¹ Results are extracted from *Nowcasting: estimating developments in the risk of poverty and income distribution in 2012 and 2013*, Social Situation Monitor, research note 1/2013.

Chart 3: Anchored poverty rates (2008 thresholds)



Source: Eurostat, EU-SILC.

Chart 4 – Nowcast estimates of the at risk of poverty rates - 2011-13



Source: Euromod

In 2012, severe material deprivation rose, while the share of people living in jobless households stabilized

Between 2008 and 2010, following deterioration in the labour markets and the ensuing rise in unemployment, an upward trend in poverty and social exclusion was driven by the increasing share of individuals living in jobless households. In 2010-11, when growth resumed in many Member States, the share of people living in jobless households tended to stabilise (down 0.1 pps in EU-27 between 2011 and 2012, reference years 2010 and 2011). Joblessness decreased in LV, LT, EE, but also in FI, SE, DE and FR (see Table 1). However, it continued to rise in EL, CY, IE, the UK, PT, ES, BG and HR.

From 2010, as a consequence of sustained hardship, severe material deprivation started to increase significantly across Europe (down by 0.1 pps between 2008 and 2010, but up by 1.1 pps between 2010 and 2012), rising especially sharply in EL, CY, IE, IT, HU, MT, ES and the UK.

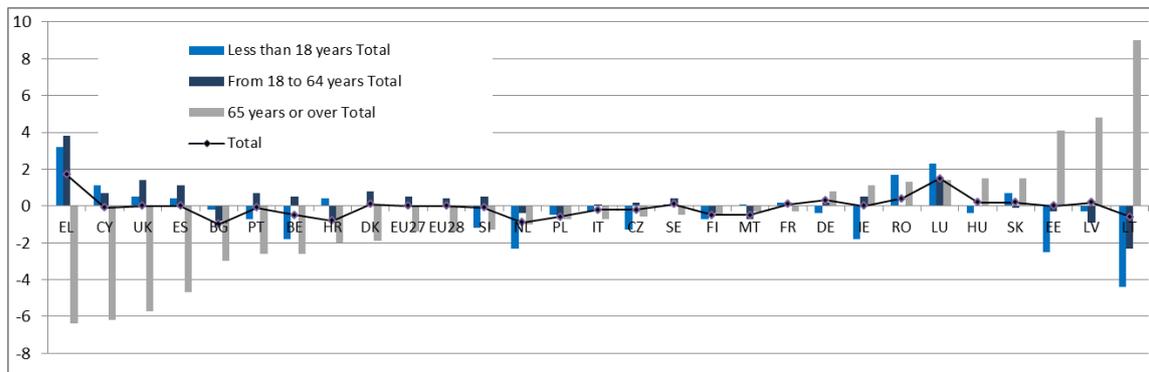
Elderly people facing biggest changes in poverty

The elderly are the age group that has experienced the biggest change in poverty rates (see Chart 5). The risk of poverty for older persons had declined in most Member States since 2008, and continued to fall between 2011 and 2012 in many (EL, CY, the UK, ES, BG, PT, BE, HR and DK). The improvement in the relative situation for the elderly reflects the fact that pensions have remained to a large extent unchanged during the crisis, and have in some cases brought pensioners' income above the poverty threshold; however, this is due to changes in total income distribution rather than their economic situation in real terms). Conversely, in the Baltic States, where increases in the poverty threshold were marked between 2011 and 2012 following the sharp drop between 2008 and 2010, the older age group faced an increased risk of poverty.

Working-age adults have been strongly hit in EL, reflecting the deterioration in labour market conditions. As many working-age adults live in households with children, child poverty has also been impacted. In other Member States, poverty among working-age adults remained stable between 2011 and 2012 in a context of resuming growth. It decreased slightly in some Member States where the poverty threshold also fell, e.g. the NL, BE, the CZ and IE.

Between 2011 and 2013, nowcast estimates that the biggest changes in poverty levels in most Member States will continue to affect the elderly. Among Member States where monetary poverty declines are estimated between 2011 and 2013 (FR, IT, AT, PT, FI and particularly ES), the elderly will probably be the group with the most significant decreases. However, in countries where the risk of poverty is expected to increase (EE, LT, RO) or remain stable (LV), the elderly are expected to experience a considerable increase in monetary poverty, particularly in EE and LV (+6 pps). Nowcast estimates that anchored poverty among the elderly will increase in LT and particularly in RO (+1.1 pps) and decrease in EE (following an increase of 7 pp between 2010 and 2012) and LV. The increase in anchored poverty in EE is explained by the slower growth of pensions when economic growth resumed. In EL, working-age adults are expected to be the group most exposed to poverty increases between 2011 and 2013 (+3.0 pps).

Chart 5 – Changes in risk of poverty by age group, 2011-2012



Source: EU SILC, Eurostat; 2011 for IE

Table 1 - Developments in main social and complementary indicators (2008-2012) and nowcast estimates

	Risk of poverty or social exclusion		At risk of poverty rate		Poverty threshold change (2011-12) (%)	Severe material deprivation		Jobless households		Anchored poverty rate (2008)		Nowcasted at risk of poverty rate		Poverty threshold change (2011*-13*) (%)
	2012, %	2011-12 change (pp)	2012, %	2011-12 change (pp)		2012, %	2011-12 change (pp)	2012, %	2011-12 change (pp)	2012, %	2011-12 change (pp)	2013*, %	2011*-13* change (pp)	
EU27	24.7	0.4	16.9	0.0		9.9	1.1	10.3	-0.1	18.2	1.7			
EU28	24.8	0.5	16.9	0.0		9.9	1.0	10.3	-0.1					
EL	34.6	3.6	23.1	1.7	-14.3	19.5	4.3	14.2	2.2	35.8	15.7	23.7	1.8	-19.7
CY	27.1	2.5	14.7	-0.1	-3.4	15.0	3.3	6.5	1.6	17.6	1.7			
IE**	29.4	2.1	15.2	0.0	-4.9	7.8	2.1	24.2	1.3	21.7	6.2			
IT	29.9	1.7	19.4	-0.2	-2.8	14.5	3.3	10.3	-0.1	22.7	4.0	18.2	-0.2	2.3
AT	18.5	1.6				4.0	0.1	7.7	-0.4			11.8	-0.6	2.5
LU	18.4	1.6	15.1	1.5	-2.1	1.3	0.1	6.1	0.3	17.5	4.1			
RO	41.7	1.4	22.6	0.4	-2.7	29.9	0.5	7.4	0.7	19.9	-3.5	21.2	1.1	3.7
UK	24.1	1.4	16.2	0.0	0.8	7.8	2.7	13.0	1.5	21.3	2.6			
HU	32.4	1.4	14.0	0.2	0.6	25.7	2.6	12.8	0.6	14.0	1.6			
MT	23.1	1.0	15.1	-0.5	2.1	9.2	2.6	9.0	0.1	13.8	-1.5			
PT	25.3	0.9	17.9	-0.1	-3.7	8.6	0.3	10.1	1.8	19.4	0.9	17.3	-0.8	-4.7
BE	21.6	0.6	14.8	-0.5	-2.4	6.5	0.8	14.1	0.3	14.3	-0.4			
ES	28.2	0.5	22.2	0.0	-3.6	5.8	1.3	14.3	0.9	28.1	7.3	20.9	-0.2	-2.0
SI	19.6	0.3	13.5	-0.1	-1.7	6.6	0.5	7.5	-0.1	13.5	1.2			
EE	23.4	0.3	17.5	0.0	2.6	9.4	0.7	9.1	-0.9	24.2	4.7	17.7	0.7	13.4
BG	49.3	0.2	21.2	-1.0	-4.2	44.1	0.5	12.5	1.5	18.6	-2.8			
DK	19.0	0.1	13.1	0.1	-1.6	2.8	0.2	11.3	-0.4	13.0	1.2			
CZ	15.4	0.1	9.6	-0.2	-1.8	6.6	0.5	6.8	0.2	8.7	-0.3			
HR	32.3	0.0	20.5	-0.8	-4.6	15.4	0.6	16.2	0.8					
SK	20.5	-0.1	13.2	0.2	5.9	10.5	-0.1	7.2	-0.5	6.0	-4.9			
FR	19.1	-0.2	14.1	0.1	0.8	5.3	0.1	8.4	-1.0	13.8	1.3	13.9	-0.8	-0.3
DE	19.6	-0.3	16.1	0.3	0.7	4.9	-0.4	9.9	-1.3	16.0	0.8	15.5	-0.2	3.0
PL	26.7	-0.5	17.1	-0.6	0.2	13.5	0.5	6.9	0.0	11.8	-5.1	17.8	0.2	5.0
SE	15.6	-0.5	14.1	0.1	3.0	1.3	0.1	5.7	-1.2	10.8	-1.4			
LT	32.5	-0.6	18.6	-0.6	9.0	19.8	0.8	11.4	-1.3	27.4	7.4	21.4	0.0	9.9
NL	15.0	-0.7	10.1	-0.9	-1.5	2.3	-0.2	8.9	0.0	10.7	0.2			
FI	17.2	-0.7	13.2	-0.5	0.8	2.9	-0.3	9.3	-0.7	11.6	-2.0	12.1	-0.3	4.6
LV	35.1	-5.0	19.4	0.4	3.7	24.0	-7.0	10.0	-2.6	35.0	9.1	21.4	0.9	9.4

Source: EU SILC, Eurostat and Euromod (nowcast). Data for IE refer to the year before (no data for 2012)

Poverty threshold changes measured using the Harmonized Consumer price index in national currency.

* figures for Nowcast refer to the reference year