

Brussels, 16 October 2008

## Social Protection and Social Inclusion in Europe – Key facts and figures

### *What is the report and what are the main highlights?*

The European Commission today published its yearly review of social trends in EU countries under the common objectives of the EU strategy for social protection and social inclusion<sup>1</sup>. Highlights of this report<sup>2</sup> include the following:

16% of Europeans were at risk of poverty in 2006.

Despite overall progress on the labour markets, 9.3% of working age adults live in jobless households and 8% of the employed live under the poverty threshold.

Social transfers reduce the risk of poverty by 38% on average in the EU, but this impact varies from less than 10% to nearly 60% across EU.

The employment rate of older workers reached 45% in 2007 against 37% in 2001.

Current pension systems have generally reduced poverty among the elderly, but single elderly women face a much higher risk than single elderly men (28% against 20%).

In the future, a greater share of pensioners' income is likely to come from private pensions.

Life expectancy is today 82 years for women and 76 years for men. This follows a gain in longevity of 4 years for women and 5 years for men over the last 20 years.

The gap in life expectancy between European countries is 8 years for women and 13 years for men.

Total expenditure on health has increased throughout the EU in the last 20 years. Today it ranges from 10% of GDP or more in some countries to 6% or less in others.

### **Social inclusion**

#### **How many Europeans live in poverty?**

In 2006, 16% of EU-27 citizens lived under the poverty threshold defined as 60% of their country's median income, a situation likely to hamper their capacity to fully participate in society. This rate ranged from 10% in the Czech Republic and the Netherlands to 21-23% in Greece and Latvia.

Children are often at greater risk-of-poverty than the rest of the population (19% in the EU-27). This is true in most countries except in the Nordic States, Greece, Cyprus and Slovenia. The main factors affecting child poverty levels in the EU are the labour market situation of their parents and the effectiveness of governmental

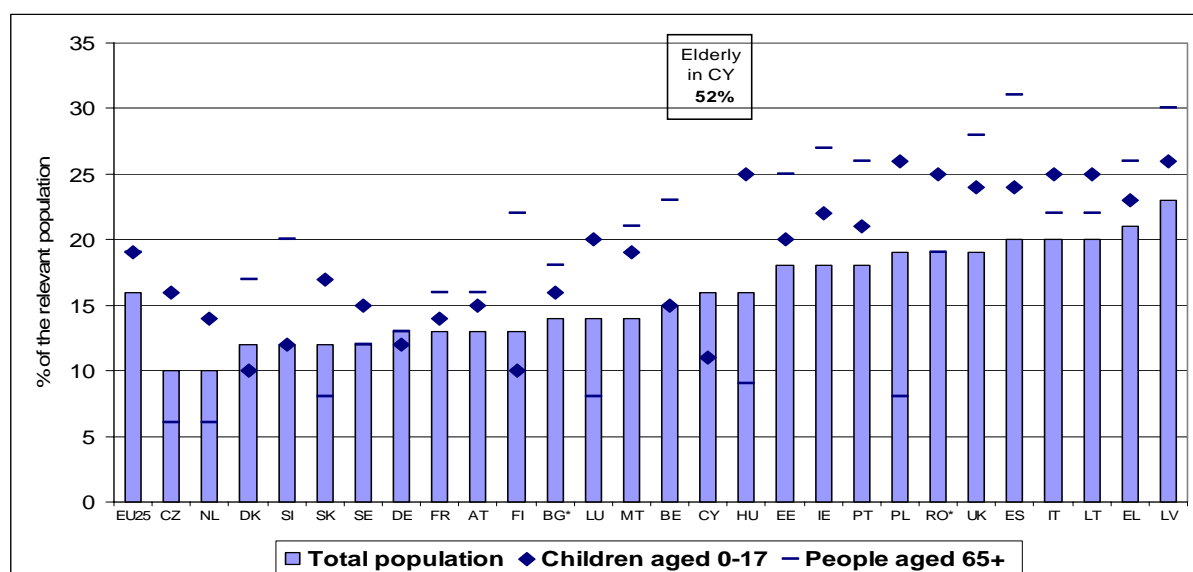
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<sup>1</sup> [http://ec.europa.eu/employment\\_social/spsi/the\\_process\\_en.htm](http://ec.europa.eu/employment_social/spsi/the_process_en.htm)

<sup>2</sup> Monitoring progress towards the objectives of the European Strategy for Social Protection and Social Inclusion, Commission staff working document. See [http://ec.europa.eu/employment\\_social/spsi/docs/social\\_inclusion/2008/omc\\_monitoring\\_en.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_inclusion/2008/omc_monitoring_en.pdf)

intervention through income support and the provision of enabling services such as childcare. This is particularly evident in the case of lone parents who face a risk of poverty of 32%.

**Figure 1: At-risk-of poverty rate in the EU (%), total and children, 2006**



Source: EU-SILC (2006); income year 2005; except for UK (income year 2006) and for IE (moving income reference period 2005-06); BG: National Household Budget Survey 2006.

The standards of living of “poor” people vary greatly across the EU. In the Baltic States, Hungary, Poland and Slovakia, people at-risk of poverty live with less than 200€ per month, whereas in Denmark, Ireland, Luxembourg, Finland and the UK the poverty threshold stands at 900€ a month. When taking account of the differences in the cost of living (values expressed in purchasing power standards) the monthly income of the people at risk of poverty vary from 230 €PPS to 890 €PPS (and up to 1400 €PPS in LU). This suggests that the standard of living of the poor is 3.5 times higher in the richest EU countries than in the poorest countries.

### Have improvements in the labour market contribute to social inclusion?

On average in the EU, the general improvement in the labour market observed since 2000 have had a limited impact on the people that are most excluded. The number of people living in jobless households remains high, despite recent improvements. In-work poverty is a matter of growing concern in most Member States, as is the labour market integration of migrants.

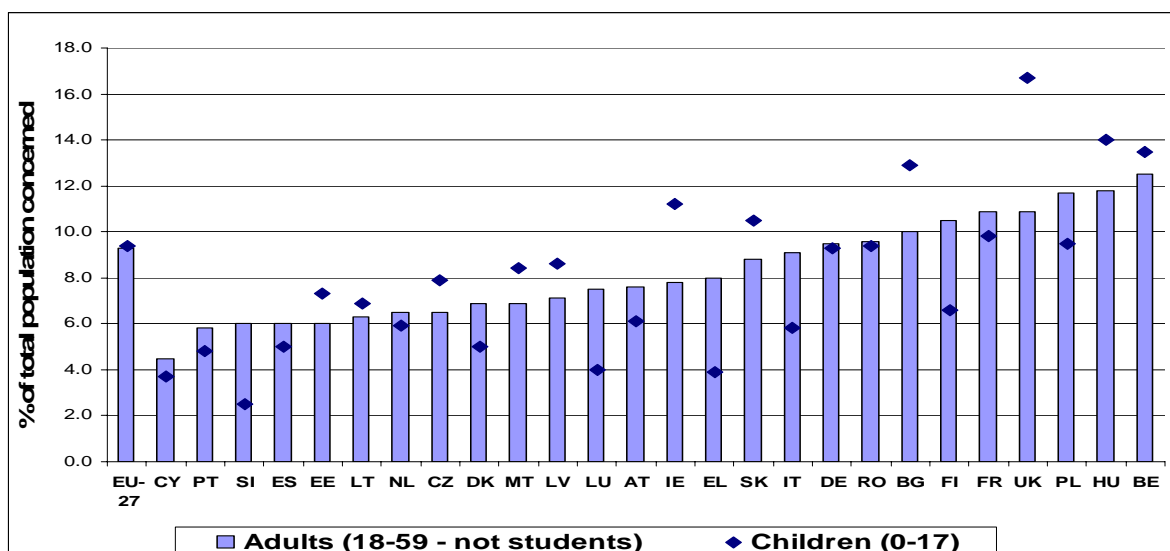
### How many Europeans live in jobless households?

In 2007, almost 9.3% of EU27 working age adults (aged 18-59, and not students) lived in households where no-one was in paid employment. This rate ranged from 4.5% in Cyprus to 11% or more in Belgium, France, Hungary, Poland and the United Kingdom. On average, a similar proportion of children lived in jobless households, 9.4% in the EU-27 in 2007. However, families with children are more affected by joblessness in some countries than in others. The share of children living in jobless households varies greatly across Member States, and ranges from 2.5% in Slovenia to 16.7% in the United Kingdom. Living in a household where no one works affects both children's current living conditions, and the conditions in which they develop.

On average in the EU, general improvements on the labour market have only started benefiting people living in jobless households over the past two years (-0.9 percentage points between 2005 and 2007). It is too early to judge whether the reduction will last and be significant. These improvements have not reached families

with children to the same extent, since the reduction in the share of children in jobless households was only 0.3 p.p. between 2005 and 2007.

**Figure 2: Adults and children living in jobless households, 2007**

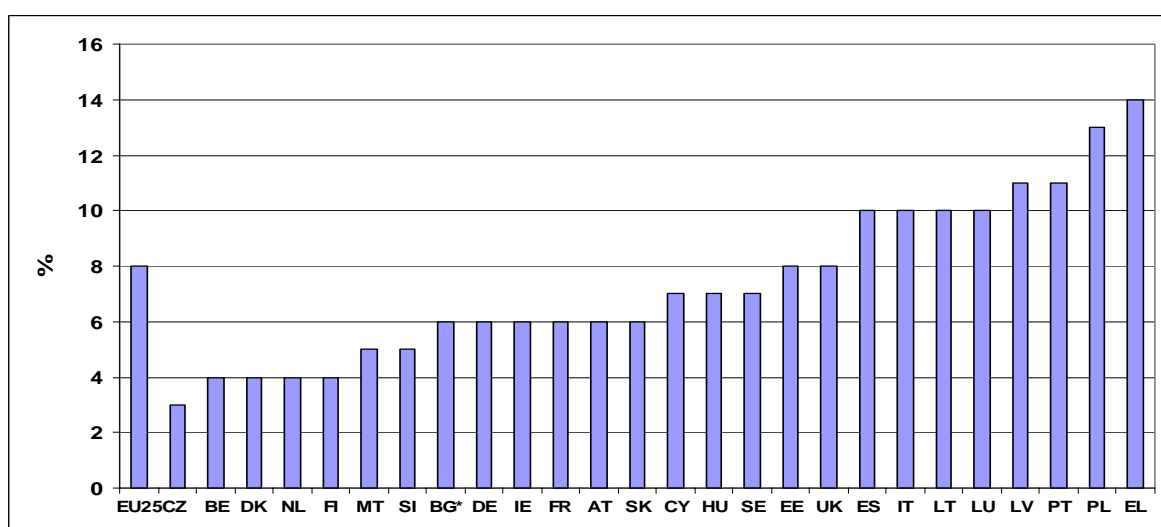


Source: Eurostat Labour Force Survey, spring results, data missing for SE

### What about poverty among those in work?

Having a job does not always protect people from the risk of poverty. In 2006, 8% of EU-25 citizens in employment (aged 18 and over) lived under the poverty threshold, thereby facing difficulties in participating fully in society. This rate ranged from 4% or less in the Czech Republic, Belgium, Denmark, the Netherlands and Finland to 13% in Poland and 14% in Greece. In-work poverty is linked to low pay, low skills, precarious employment and often involuntary part-time working. It is also linked to the type of household in which workers live and with the economic status of other members of the household. In households with children for instance, the single-earner family model is no longer sufficient to ward off the risk of poverty.

**Figure 3: In work poverty: at-risk-of-poverty rate of people in employment aged 18 and over, 2006**



Source: EU-SILC (2006); income year 2005; except for UK (income year 2006) and for IE (moving income reference period 2005-06); BG: National Household Budget Survey 2006; data missing for RO

### What about the situation of migrants on the labour markets?

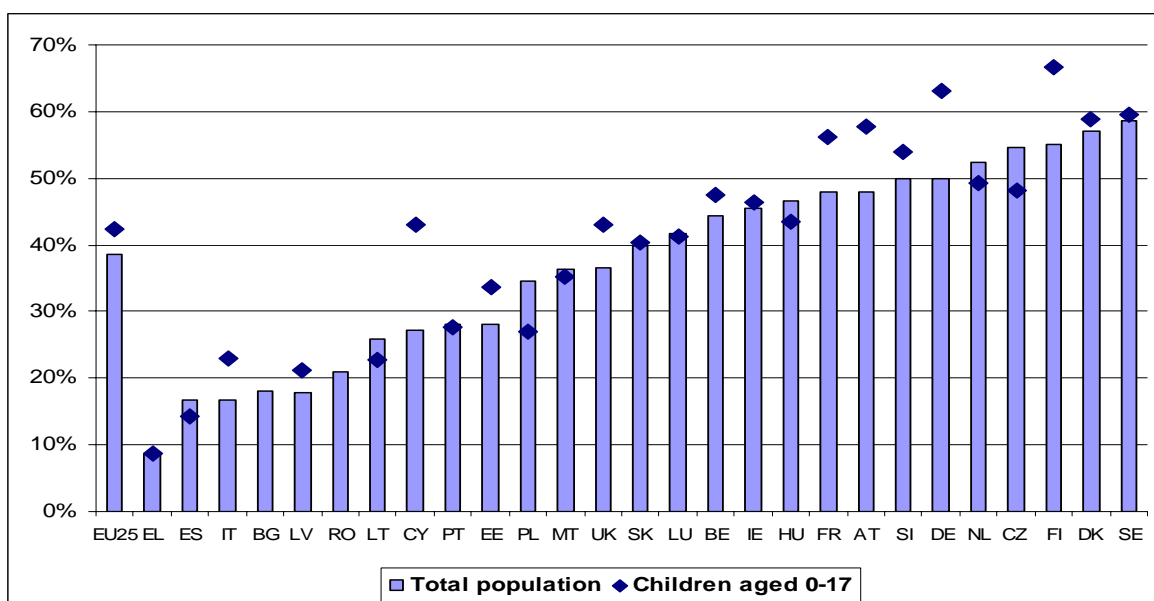
In 2007, the employment rate of migrants born outside the EU was 2.6 percentage points lower than the host population, a similar gap to that recorded in 2006 (2.7 p.p.). This masks strong differences across the EU. In Spain, Greece, Italy and Portugal, where migration is a recent phenomenon and mainly economic, migrants have higher employment rates than the native-born population. By contrast, in Belgium, Denmark, Germany, France, Austria, Sweden and the United Kingdom, migrants have much lower employment rates than the host population, with employment gaps ranging from 6% in the United Kingdom to 16% in Denmark.

### To what extent do social transfers reduce the risk of poverty?

On average in the EU, social transfers other than pensions (such as unemployment, family and housing benefits) reduce the risk of poverty by 38%. In the absence of all social transfers, the average poverty risk for EU Member States would be 26% (as against 16% after receipt of government support). Social transfers are most effective in the Czech Republic, Germany, the Netherlands, Slovenia and the Nordic countries, where they reduce poverty by 50% or more. Conversely, in Bulgaria, Greece, Spain, Italy and Latvia, social transfers only reduce the risk of poverty by 18% or less.

The impact of social transfers in reducing the risk of poverty is higher for **children**, with the EU average reaching 42% in 2006. This is true in most EU countries, except in BE, CZ, MT, NL, PL, PT and SK, where it is slightly smaller. In the Nordic countries, DE, FR and AT, social transfers (other than pensions) reduce the risk of poverty for children by more than 55%, while in EL and ES the reduction is less than 20% (also for the overall population).

**Figure 4: Impact of social transfers (excluding pensions) on the at-risk-of-poverty rate for the total population and for children, 2006 — %**



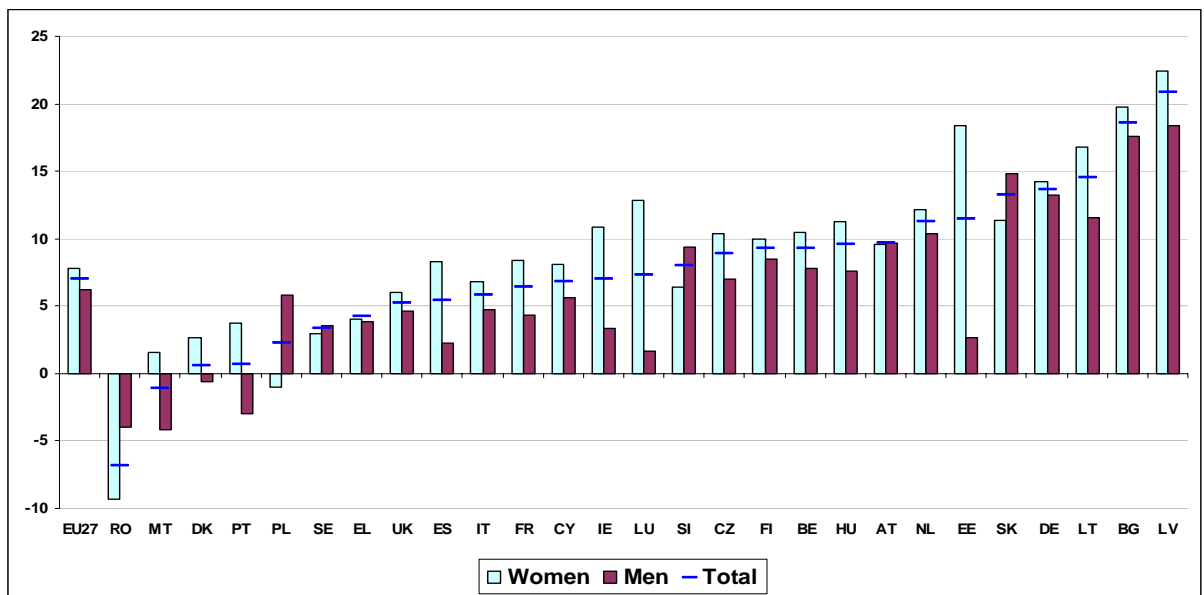
Source: EU-SILC (2006); income year 2005; except for UK (income year 2006) and for IE (moving income reference period 2005-06); BG: National Household Budget Survey 2006; data missing for RO

## Pensions

Why is employment important for pensions?

One of the ways to ensure both sustainability of pension systems and an adequate level of income for pensioners is by extending working lives. The EU's target under the growth and jobs strategy is to reach a 50% employment rate for older workers by 2010. In 2007, the employment rate for older workers in the EU-25 was 45% compared to 37% in 2001, and 11 countries now exceed the 50% target (Denmark, Germany, Estonia, Ireland, Cyprus, Latvia, Lithuania, Portugal, Finland, Sweden, and the UK). However, the target is still far away for a group of countries where the employment rate for older workers is still around 30%. The general increase in employment rates results from two main factors: a demographic effect and the increased participation of women. Due to the ageing of the baby-boom generation, the relative share of people aged 55-59 - who have a higher employment rate - has grown. In addition, most Member States experienced a higher increase in the employment rate for women than for men between 2001 and 2007.

**Figure 5: Change in employment rate of older workers (aged 55-64), 2001-2007**

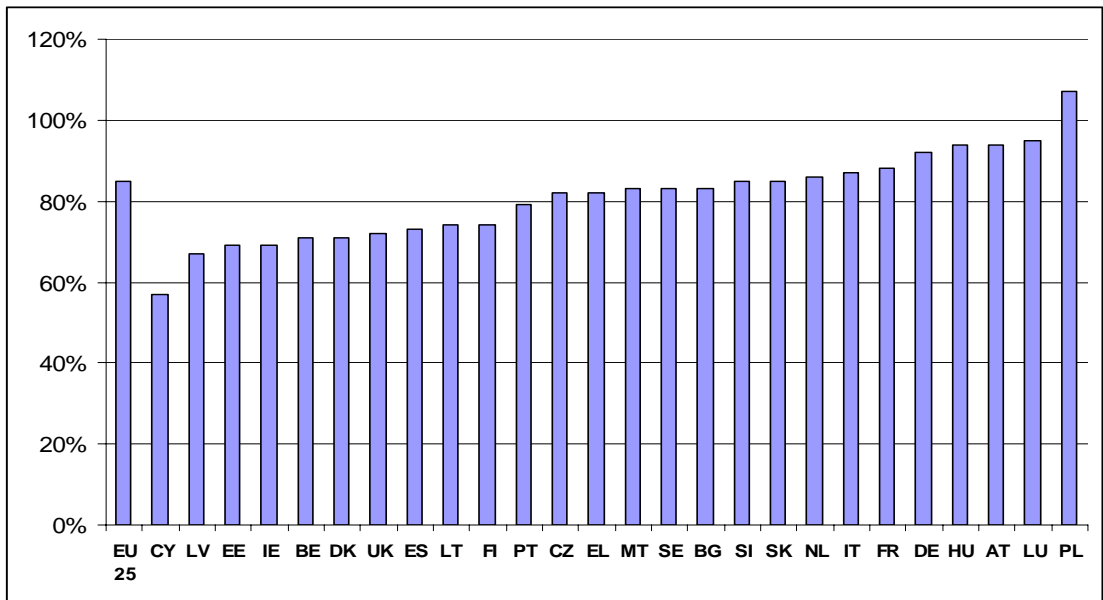


Source: Eurostat Labour Force Survey, annual averages

## **How does the income of the elderly compare to the rest of the population?**

Currently, pension systems have virtually managed to eliminate poverty among older people, and people aged 65+ have an income which is around 85% of the income for younger people, ranging from 57% in Cyprus to more than 100% in Poland. However, single elderly women still face a much higher risk of poverty than single men (28% against 20%).

**Figure 6: Relative income of the elderly: Median income of people aged 65+ as a ratio of income of people aged 0-64, 2006**

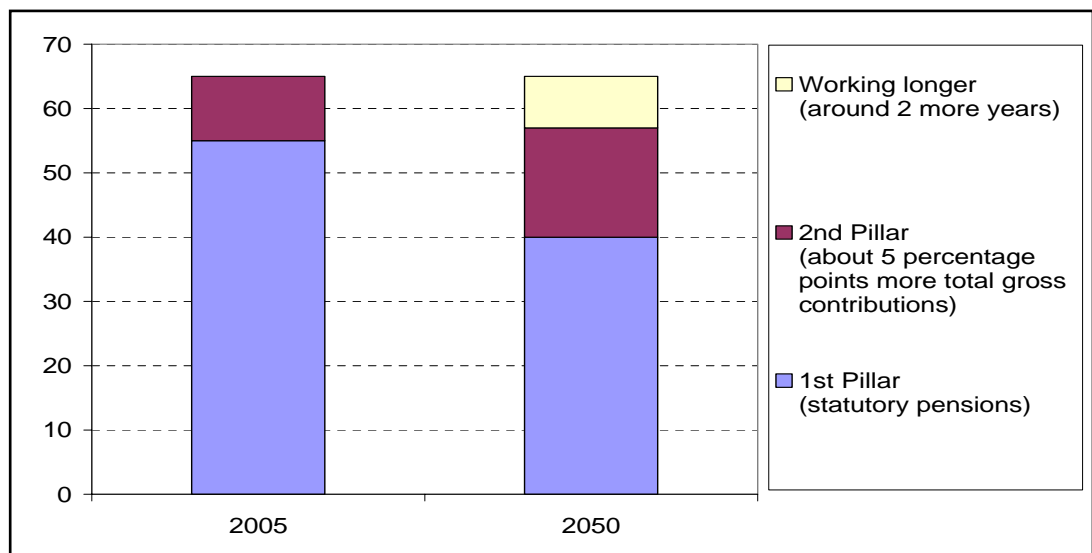


Source: SILC (2006) Income reference year 2005; except for UK (income year 2006) and for IE (moving income reference period 2005-2006). BG: National HBS 2006, income data 2006. RO: missing data. MT and PT: provisional data. Extraction date: 16 May 2008.

### How are pension levels expected to develop?

Recent reforms in many Member States though, have tended to translate into a decrease in replacement rates (the average pension compared to the average wage of an average worker) at a given retirement age. The stylised graph below illustrates how retirement income, as a percentage of working income is composed today and how it could evolve in 2050: less income would arise from public retirement provision, but this would be compensated by private provision and working longer.

**Figure 7: Projected evolution of pension replacement rates, 2005 and 2050**



Source: Stylised illustration from results of the Indicators Subgroup of the social protection Committee on gross replacement rates

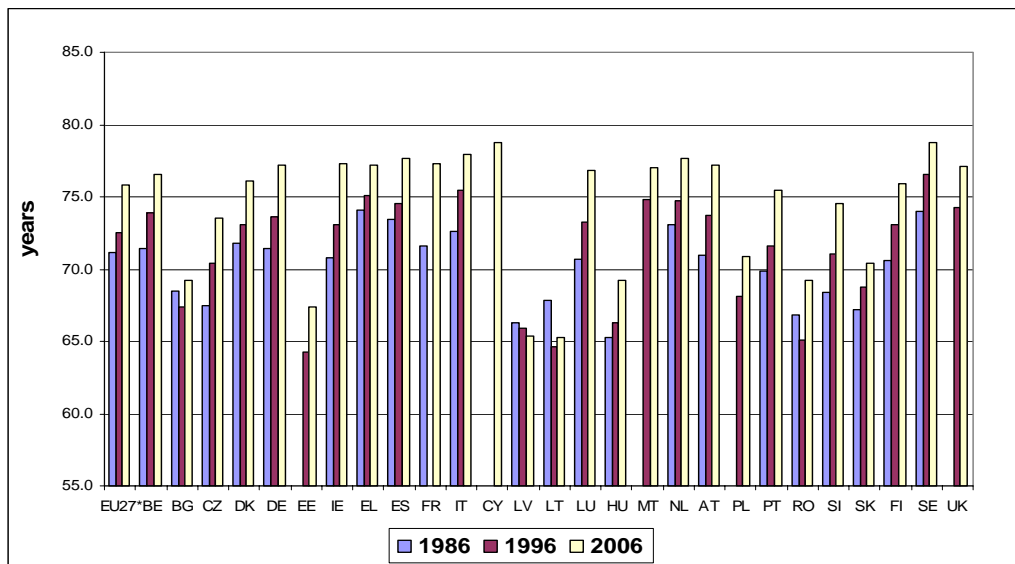
## Health and long-term care

### How does life expectancy vary across the EU?

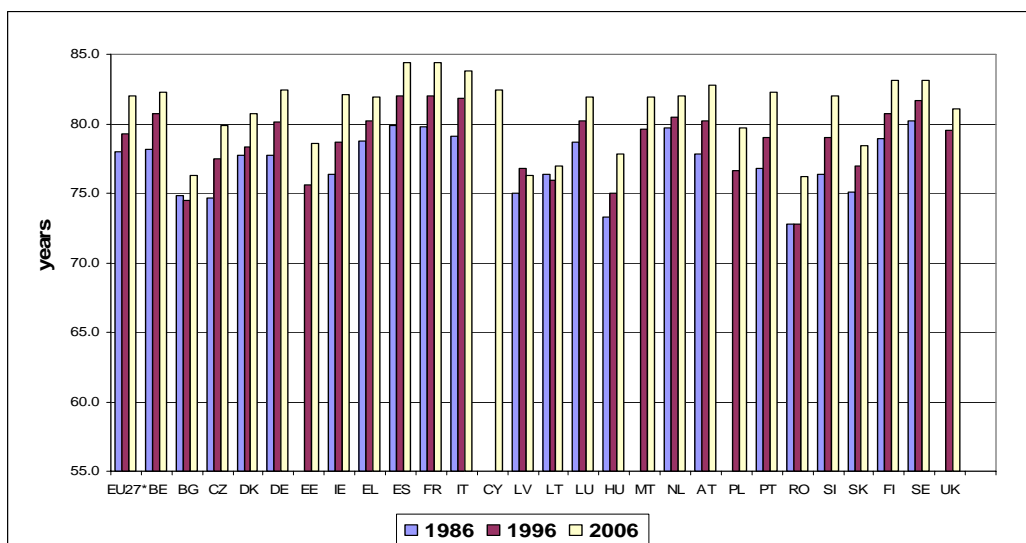
Life expectancy in the EU has generally increased over the past two decades. In 2006 the EU-27 average was 82 years for women and 76 years for men — a gain in longevity of about 4 and 5 years, respectively in 20 years. However, life expectancy dropped in the Baltic States, Bulgaria and Romania during the economic transition of the early 1990s. Life expectancy in these countries has now recovered but it is still below the level of 1986 in Latvia and Lithuania (for men only).

The gap in life expectancy across European countries is 8 years for women and 13 years for men. Women in Bulgaria, Latvia and Romania can expect to live up to 76 years, against 84 years in Spain, France and Italy. Men in Latvia and Lithuania can expect to live until 65 years, against 79 years in Cyprus and Sweden. Some countries are not catching up with the EU average: in Bulgaria, Lithuania, Romania and Slovakia the difference between the national life expectancy and the EU average has actually increased in the last 20 years.

**Figure 8a: Life expectancy at birth, men, 1986, 1996, 2006**



**Figure 8b: Life expectancy at birth, women, 1986, 1996 and 2006**



Source: Eurostat. LV (1986, 1996): national sources. FR(1986) is for FR Metropolitaine. EU averages are population weighted averages. EU27\*(2006) based on 2006 except UK(2005) and IT(2004).

The general increase in life expectancy has been accompanied by a general but small increase in healthy life years. However, there is no clear reduction in the gap between life expectancy and healthy life years. For the EU-15 the number of healthy life years increased from 64.5 in 1999 to 66 years in 2003 for women and from 62.8 in 1999 to 64.5 years in 2003 for men. Even if women live longer lives they spend a higher proportion of their lives with a disability compared with men.

**Figure 9: Changes in Life Expectancy and Healthy Life Years between 1995 and 2003**

Country	Males		Females	
	Change in Life Expectancy	Change in Healthy Life Years	Change in Life Expectancy	Change in Healthy Life Years
BE	1.8	4.1	0.7	2.8
DK	2.3	1.4	1.9	0.2
DE	2.5	5	1.4	0.4
IE	3.1	0.2	2.5	-2.2 (1999-2003)
EL	1.5	0.9	1.1	-0.8
ES	1.9	2.6	1.2	2.5
FR	1.9	0.6	0.9	1.5
IT	2	4.2	1.2	4.4
NL	1.7	0.6	0.5	-3.3
AT	2.5	6.2	1.4	1.6 (2000-2003)
PL	2.8	2.6 (1996-2002)	2.4	2.1 (1996-2002)
PT	2.5	0.2	1.6	-1.3
FI	2.3	2.7 (1996-2003)	1.5	-1.2 (1996-2003)
SE	1.8	0.4 (1997-2003)	0.8	2.2 (1997-2003)
UK	2.2	0.9	1.2	-0.3

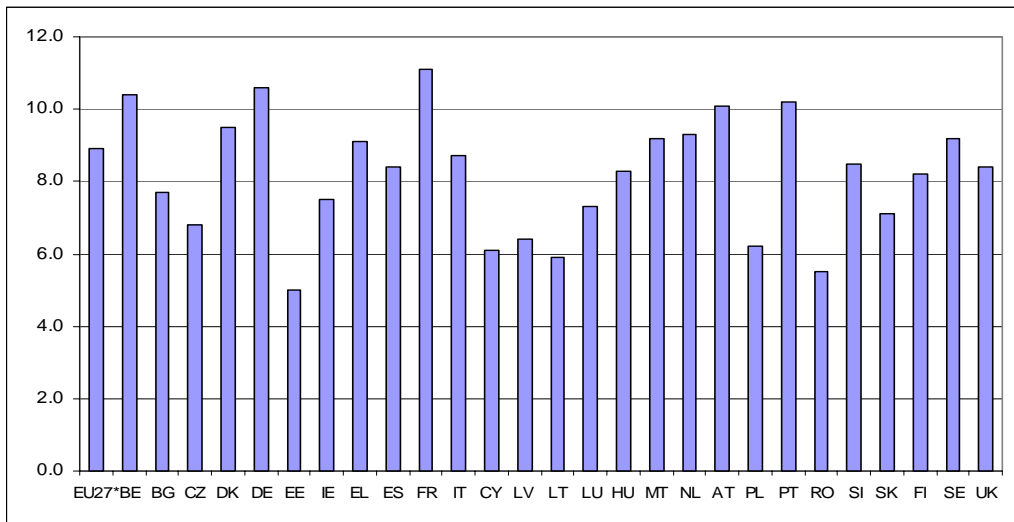
Source: Eurostat

### What about resources allocated to healthcare?

In the last two decades total public and private expenditure on health as a percentage of GDP rose throughout the EU. There are substantial differences across countries. Austria, Belgium, France and Portugal spend 10% or more of GDP on health, while the Baltic States, Cyprus, Poland, and Romania spend 6 % of GDP or less. The proportion of public sector expenditure in total expenditure on health is in general substantial (more than 70%). Nevertheless, private health care expenditure (mostly out-of-pocket payments) constitutes a significant source of funding in most Member States. In Cyprus and Greece private expenditure represents more than 50%, and in Latvia and Bulgaria more than 40%.

**Figure 10: Total health expenditure as a % of GDP (2006 or latest available)**





Source: OECD health data 2008 and WHO "Health for All" Database. Data refers to 2006; except for RO, BG, EE, LV, LT, CY, SK, MT and SI: 2005. LU data corrected for cross-border workers, EU27\*: population weighted average of the values in the graph.