SOCIAL PROTECTION COMMITTEE ANNUAL REPORT 2018

REVIEW OF THE SOCIAL PROTECTION PERFORMANCE MONITOR AND DEVELOPMENTS IN SOCIAL PROTECTION POLICIES

Annex 1. Detailed review of developments in the social situation in the EU: SPPM dashboard results

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Annex 1. Detailed review of developments in the social situation in the EU: SPPM dashboard results

Introduction

This annex provides a more detailed review of the latest social developments[1] than in the main body of the Annual SPC report, and is based on a more extensive examination of the trends in the indicators in the Social Protection Performance Monitor (SPPM) dashboard together with supplementary indicators and information. It should be borne in mind that the analysis mainly focuses on the indicators included in the SPPM, which present a summary picture of the social situation in the EU, and that data used in the report can refer to different years for different types of information (e.g. income versus labour market developments), due to the different sources and reference periods of the data collected. It draws upon some additional context information, including the broad macro-economic and labour market situation in the EU and specific administrative data on benefit recipients collected through SPC delegates, in order to provide a comprehensive view on the main developments in social outcomes across Member States.

The annex shows that Europe is showing visible signs of progress. In most countries, labour markets are healthier than they have been in a decade, while deprivation and social exclusion is declining. 2017 was a good year for many European economies, with more people than ever in employment, and with unemployment, including youth unemployment, continuing to drop steadily. The recovery in growth and jobs contributed to an increase in disposable income for many people, resulting in an increase in living standards and a reduction in material deprivation. Nevertheless, several areas of concern are still apparent, including the still widening depth of poverty risk in many Member States, the rising trend in in-work poverty risk in several countries, and the still increasing risk of poverty for people in (quasi-)jobless households.

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[1] The figures quoted in this annex are based on data available around mid-June 2018, unless otherwise stated.

Summary of developments in the social situation in the EU

1. The EU economy is now showing moderated but solid growth, following the previous period of strong growth over 2017. Employment has now been growing for four and a half years in a row, and over the latest quarters, employment in the EU has reached the highest levels ever recorded with more than 236 million people in jobs, and with permanent jobs and full-time employment being the main contributors to employment expansion over the last year. Even though large differences remain between EU countries, unemployment decreased in all Member States in 2017, and the unemployment rates in the EU and euro area are approaching their pre-crisis values at a steady pace. Youth unemployment in particular is falling steadily. With employment responding promptly to economic growth, the financial situation of EU households continues to show some moderate improvement overall, mainly driven by an increase in income from work[2], but in general economic growth and the improvement of the labour market have, so far, had a rather mixed and sometimes somewhat limited impact on the other social indicators. Against this background, social conditions generally continue to improve but challenges in insuring the inclusiveness of the recovery remain, especially regarding progress towards the Europe 2020 target to reduce poverty and social exclusion, and the rise in in-work poverty risk as well as the risk of poverty of people in (quasi-)jobless households.

2. The latest update of the Social Protection Performance Monitor points to a continued improvement in the social situation in the EU, with around two-thirds of the indicators in the SPPM flagging up a noticeably higher number of Member States with positive changes than negative ones. Of particular note is the continued improvement in the labour market, with further reductions in unemployment, including youth and long-term unemployment, as well as continued improvements in the participation of older workers. The improvement in the employment situation has resulted in reductions in the share of the population in (quasi-)jobless households. There are also reductions in the share of the population suffering from severe material deprivation and in the share of children at risk of poverty or social exclusion in many Member States.

3. Reflecting these developments, significant falls in the at-risk-of-poverty-or-social-exclusion rate were observed in 12 Member States over 2015-2016, driven by declines in the rate of severe material deprivation and in the share of the population living in (quasi-)jobless households. Nevertheless, with regard to the Europe 2020 poverty and social exclusion target of lifting at least 20 million people from the risk of poverty or social exclusion by 2020, in 2016 there were still around 0.8 million more people living at risk of poverty or social exclusion in the EU compared to 2008[3], with a total of 118 million people or close to 1 in 4 Europeans.

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[2] See Figure 8

[3] The reference year, due to data availability, for the target adopted in 2010

4. Despite the generally positive developments, the following main negative trends, or "trends to watch", are identified for the most recent period (2015-2016[4]):

    –   Deterioration with regard to the **depth of poverty risk** in many Member States, and with regard to **in-work poverty risk** in several countries.

    –   Rises in the **at-risk-of-poverty rates for people in (quasi-)jobless households**, pointing to a continued deterioration in the adequacy of social benefits in several countries.

5. At the same time, there are signs of a decline in the relative income of the elderly, with falls in the median relative income ratio of the elderly in around half of Member States. To a large extent this reflects the reversal of the general trend observed in the years following the crisis in which their situation relative to the rest of the population improved, while now the relative income situation of the working age population is doing better as the labour market situation and incomes from work have improved.

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[4]   These income and household work intensity trends in fact refer to the data period 2014-2015 with the exception of the UK where income collected via EU-SILC in any one year relates to that year, rather than the previous one.

The social situation in the European Union

Continued positive macro-economic and labour market context

The EU economy is now showing moderated but solid growth, following the previous period of strong growth over 2017. The economy grew at its fastest rate in ten years in 2017, as the recovery spread to all Member States. However, the increase in GDP outpaced the rise in household income (i.e. Gross Domestic Household Income, GDHI), raising questions about the inclusiveness of the recovery (Figure 1). For the first time since 2007, all Member States saw their economies expand. The strengthened economic expansion has led to a further improvement in the labour market situation. Even though large differences remain between EU countries, unemployment decreased in all Member States over 2017, and the unemployment rate in the EU is approaching its pre-crisis value at a steady pace. Employment in terms of both the number of workers and working hours is rising; and there is less slack in the labour market, leading to an expected pick up in wages and salaries. Over the latest quarters, employment in the EU has reached the highest levels ever recorded, with more than 236 million people in jobs, and with permanent jobs and full-time employment being the main contributors to employment expansion over the last year.

With employment responding promptly to economic growth, the financial situation of EU households continues to show some improvement, mainly driven by an increase in income from work (see Figure 8). Against this background, social conditions generally continue to improve, but challenges remain, especially regarding progress towards the Europe 2020 target to reduce poverty and social exclusion, and the rise in in-work poverty risk in several MS, as well as the risk of poverty of people living in (quasi-)jobless households.

Figure 1: Real GDP, GDHI and employment growth in the EU
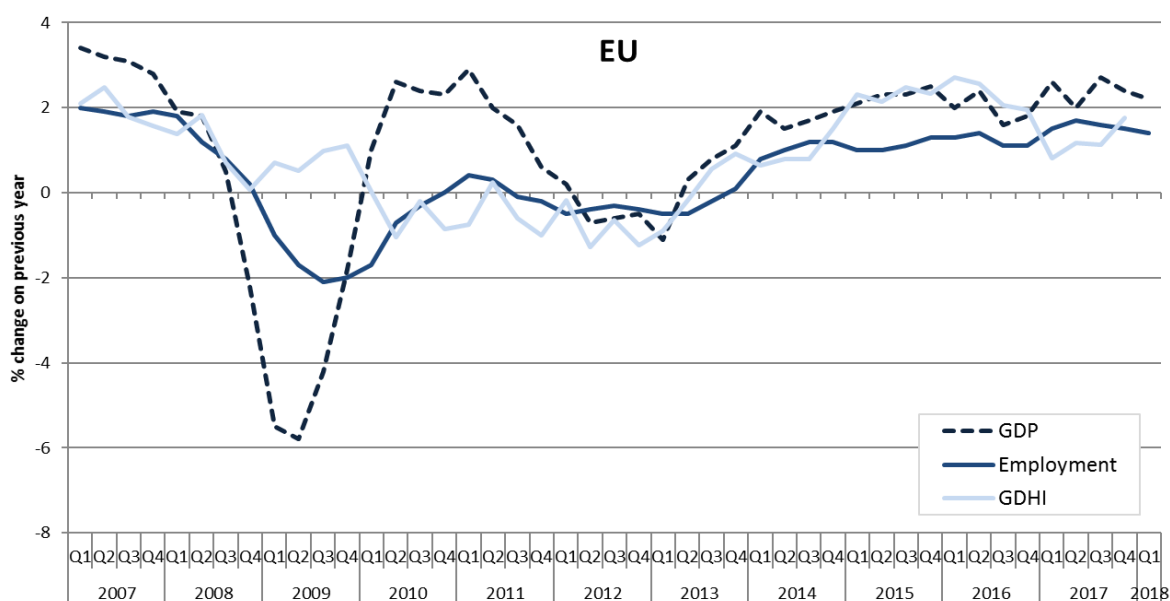
Source: Eurostat, National Accounts (DG EMPL calculations for GDHI)
Note: GDHI EU aggregate for Member States for which data are available, GDP for EU28

EU

Legend:
- Compensation of employees
- Compensation of self-employed
- Net property income
- Net other current transfers
- Net social benefits
- Taxes on income, wealth (negative)
- Real GDHI
- Real GDP
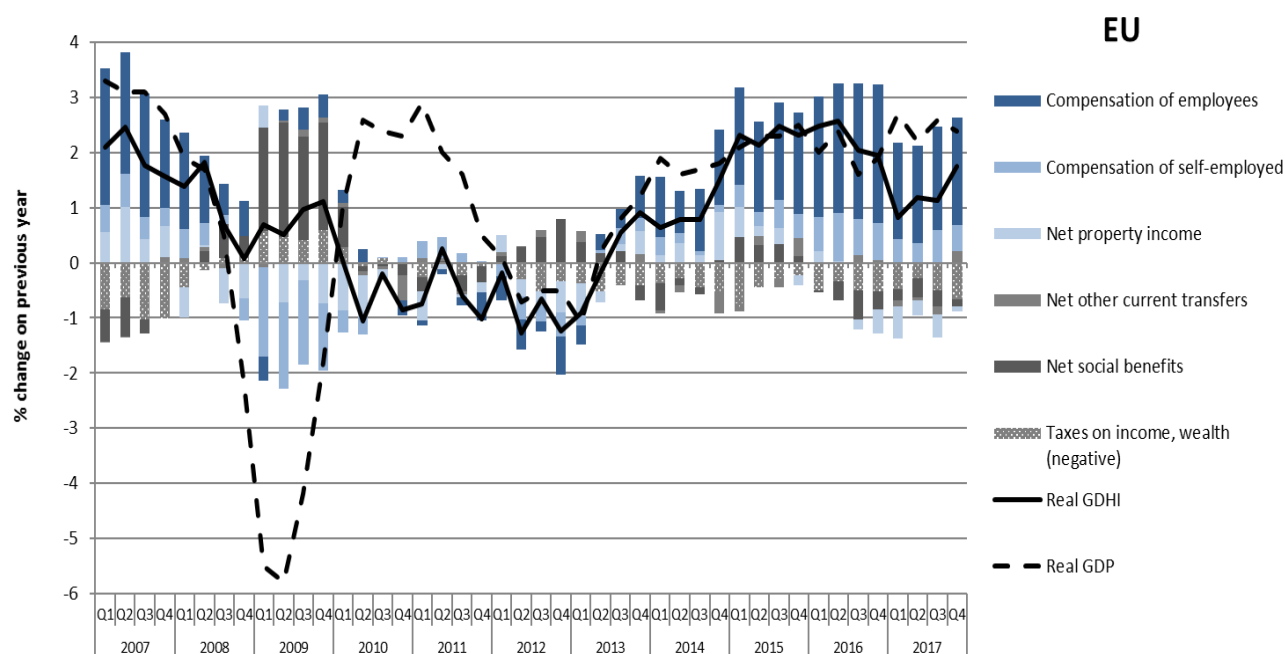
Source: Eurostat, National Accounts, data non-seasonally adjusted (DG EMPL calculations for GDHI)

In the first quarter of 2018, real GDP was higher than in the same quarter of the previous year in all Member States except DK. Among the largest Member States, the year-on-year growth was strongest in Poland, where the economy expanded by around 5%, while in Spain growth was 2.6%, in France, Germany and Italy between 1-2%, and in the UK 0.8%. Among the remaining Member States, real GDP growth continued to be strongest in Ireland (around 9%), followed by Luxembourg, Slovenia, Hungary and Malta, all with year-on-year growth of over 4% (Figure 3).

Figure 3: Real GDP growth - EU, EA and Member States, 2018Q1

2018Q1

Legend:
- on previous quarter
- on previous year
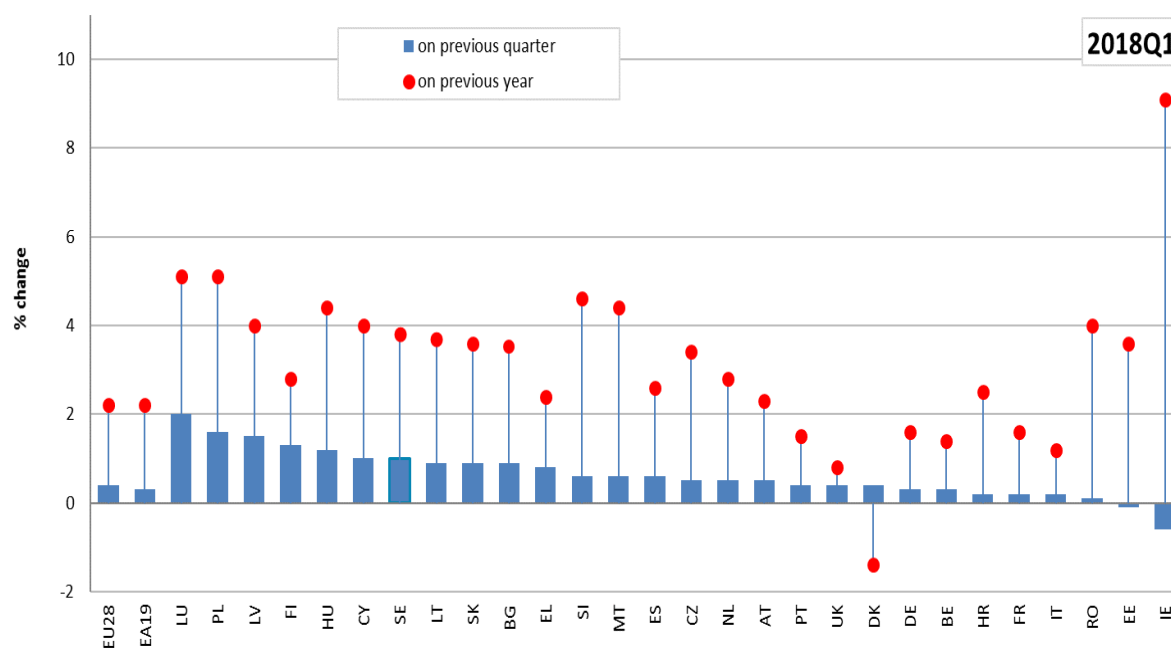
Source: Eurostat, National Accounts, data seasonally adjusted

The summer 2018 European Commission Interim Economic Forecast (European Commission (2018a)) reports that growth is set to remain strong in 2018 and 2019, although after five consecutive quarters of vigorous expansion, the economic momentum moderated in the first half of 2018. The moderation in growth rates is partly the result of temporary factors, but rising trade tensions, higher oil prices and political uncertainty in some Member States may also have played a role. Nevertheless, the fundamental conditions for sustained economic growth in the EU and the euro area remain in place, and growth momentum is expected to strengthen somewhat in the second half of this year, as labour market conditions improve, household debt declines, consumer confidence remains high and monetary policy remains supportive. As a result, real GDP growth is expected to be 2.1% this year and 2% next year in both the EU and the euro area. Employment growth in 2018 and 2019 should continue benefitting from the economy's continued robust expansion, although growth is nevertheless expected to slow due to tightening labour markets in some Member States. Overall, employment growth in the EU is projected to average 1.1% this year and 0.9% in 2019. This slowdown, combined with steady growth in the labour force, is expected to limit further declines in the unemployment rate compared to previous years: the EU unemployment rate is projected to fall from 7.6% in 2017 to 7.1% this year and 6.7% next year.

The EU28 unemployment rate was 7.1% in April 2018, compared with 7.8% one year earlier. The number of (seasonally adjusted) unemployed in the EU28 reached a high of 26.6 million in April 2013, but subsequently has been declining at a fairly constant rate down to around 17.5 million in April 2018, the lowest since October 2008 (Figure 4). This nevertheless still represents an increase of 1.3 million on the low of 16.2 million recorded in March 2008. Youth unemployment has been falling strongly in the EU since the peak of 5.8 million in December 2012, and had decreased to 3.4 million by April 2018.

Figure 4: Monthly change in youth and adult unemployment and the total level of unemployment in the EU, January 2007 - April 2018
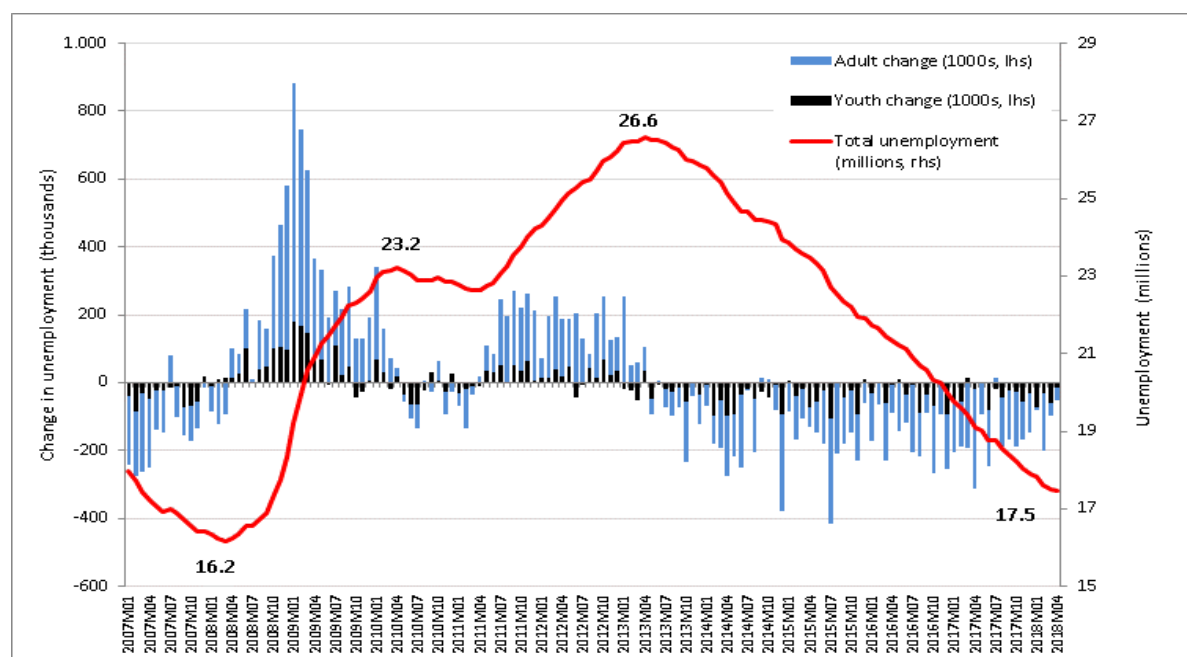
Source: Eurostat, data seasonally adjusted

In the year to April 2018, the unemployment rate declined in the EU for both youth (aged under 25) and adults (25-74) and for both men and women (Figure 5). In that period, it declined slightly more strongly for men than women (by 0.8 pp for men and 0.6 pp women). For those aged 25-74, the unemployment rate in the EU declined by 0.5 pp in the year to April, with a sharper 1.9 pp decrease observed for youth aged 15-24. As a result of these latest declines, the unemployment rate for women and youth has now returned to the levels observed in April 2008, but still remain around 0.5 pp higher for men and adults aged 25-74.

Figure 5: EU unemployment rate by population group - change to April 2018
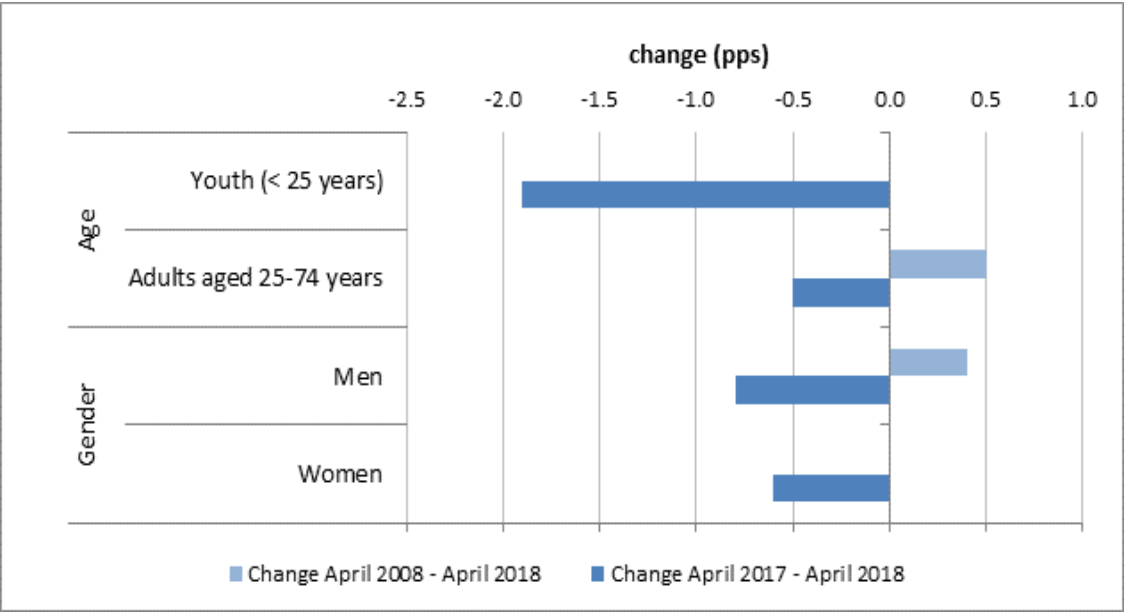
Source: Eurostat, series on unemployment and LFS

The increased divergence between countries in terms of labour market and social impacts which resulted from the recent crisis still remains a key feature, especially within the Euro Area. This divergence is clearly evident in the change in unemployment rates compared to 2008 (Figure 6), with huge increases still observed in many southern Member States (IT (up 4.5 pp), ES (5.9 pp), CY (7.4 pp), and EL (13.7 pp)) compared to more subdued remaining gaps in many other Member States. In a few Member States, unemployment rates are actually substantially below those recorded in 2008 – in MT and PL rates are around 2 pp lower, and in HU and DE 3.6 pp lower.

In terms of the more recent trends, compared with a year earlier the unemployment rate in 2017 decreased in all Member States without exception. Despite the recent improvement in the EU labour market, and the relatively stronger falls in the unemployment rates in many of the central and southern Member States (CY, EL, ES, HR and PT all recorded falls of around 2 pp or more), the rates in these Member States generally remain far above those of the central and northern Member States, especially in EL and ES. In contrast, some of the other Member States hit particularly hard by the crisis, namely the Baltic States (EE, LV and LT) and IE, have seen a very strong recovery in their labour markets over recent years which has led to a substantial fall in unemployment in those countries compared to their post-crisis peaks.

Figure 6: Unemployment rate developments across EU Member States, 2008, 2016 and 2017
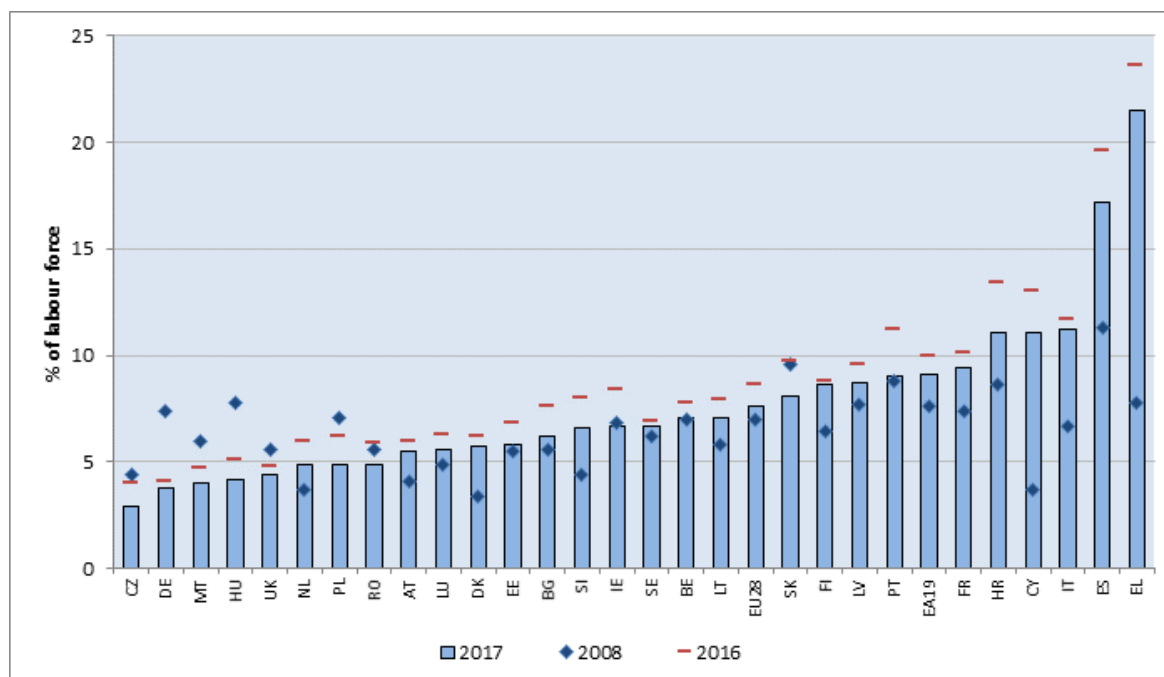
Source: Eurostat (LFS)
Note: For RO, break in series in 2010

The long-term unemployment rate for the EU continued to reduce over 2017 but remains relatively high. The rate fell 0.6 pp year-on-year to the last quarter of 2017, similar to the drop observed over the previous year. Nevertheless, in the last quarter of 2017, those unemployed for more than a year continued to represent 3.2% of the EU labour force or around 7.8 million people, some 1.8 million more than at the end of 2008. Long-term unemployment rates continue to be particularly high in IT and ES, at around 6% and 7% respectively, and above all in EL, at 15%.

Around 3.4 million young persons (aged 15-24 years) were unemployed in the EU28 in April 2018, representing around one in six young people in the labour market. Nevertheless, driven by strong falls in DE and ES, and to a lesser extent in FR and PL, compared with April 2017 the situation of youth has continued to improve noticeably. Youth unemployment decreased by 0.5 million at EU level, following on to a similar fall the year before. Despite recent progress, in April 2018, the seasonally adjusted youth unemployment rate was still a high 15.3% in the EU28 and 17.2% in the euro area, compared with 17.2% and 19.3% respectively in April 2017. The lowest rate was observed in DE (6.0%), followed by CZ, NL and MT with rates of around 7%, while, in contrast, the highest rates were observed in IT (33.1%), ES (34.4%) and EL (43.2%).

The proportion of young people (aged 15-24 years) who are neither in employment, education, nor in training (NEET) increased sharply since the start of the crisis but peaked in 2012 at 13.2% and has subsequently been falling. By 2017 the average NEET rate had dropped back to the same level as at the start of the crisis in 2008 (10.9%). A large majority of Member States recorded falls in NEET rates over the last year, the main exceptions being DK and LU. Nine Member States recorded declines of 1 pp or more, including some of the Member States experiencing the highest rates, namely BG, ES, HR and RO although rates in all these except ES remain above 15%. In

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contrast, rates remain comparatively low in many northern Member States, especially in LU, NL and SE.

Migrants have tended to be more affected by unemployment than the general population (Figure 7), with 15.9% of economically active third-country nationals in the EU without a job in the last quarter of 2017 compared to only 6.9% for nationals. The gap between the unemployment rates of non-EU migrants and natives already existed before the crisis but increased markedly once it hit. Although broadly declining over recent years, at 9 pp at the end of 2017 the gap still remains some 2 pp higher than before the crisis. As for intra-EU mobile citizens, even though the gap for their unemployment rates rose to around 3 pp after the crisis, they have generally been much closer to those of nationals, and over 2017 the gap closed to only 0.6 pp by the end of 2017.

Figure 7: Unemployment rate breakdown for native workers, EU27 nationals and third-country workers, 2007-2017
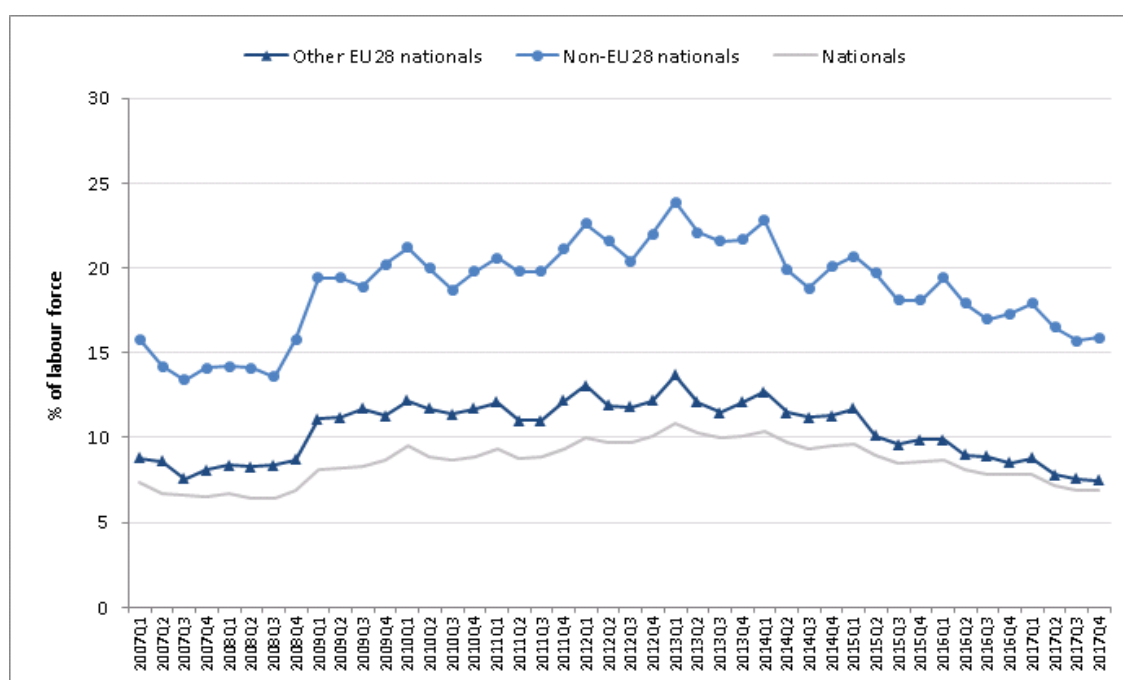
Source: Eurostat (LFS)

One important issue relevant to understanding developments in the social situation, especially regarding the progress towards the target on the reduction of the population living at risk of poverty or social exclusion, is the change in the size of the overall population since 2008, which has been quite dramatic in certain Member States. For example, between 2008 and 2017 the total population in LV and LT had declined by around 11%, and in BG and RO by around 5%, while it expanded by over 10% in CY and MT, and by as much as 22% in LU (Table 14). Other Member States with sizeable relative increases in the population include AT (5.6%), BE (6.4%), UK (6.9%), IE (7.3%) and SE (8.8%). For the EU as a whole, the total population increased by around 2% or 11 million, mainly reflecting net rises of over 800 thousand in ES and SE, 3 million in FR, around 2 million in IT and 4.2 million in the UK.

Table 14: Population change between 2008 and 2017

	2008	2017	% change
EU28	500,297,033	511,522,671	2.2
EU27	495,985,066	507,368,458	2.3
EA19	333,096,775	340,720,409	2.3
EA18	329,884,170	337,872,505	2.4
BE	10,666,866	11,351,727	6.4
BG	7,518,002	7,101,859	-5.5
CZ	10,343,422	10,578,820	2.3
DK	5,475,791	5,748,769	5.0
DE	82,217,837	82,521,653	0.4
EE	1,338,440	1,315,635	-1.7
IE	4,457,765	4,784,383	7.3
EL	11,060,937	10,768,193	-2.6
ES	45,668,939	46,528,024	1.9
FR	64,007,193	66,989,083	4.7
HR	4,311,967	4,154,213	-3.7
IT	58,652,875	60,589,445	3.3
CY	776,333	854,802	10.1
LV	2,191,810	1,950,116	-11.0
LT	3,212,605	2,847,904	-11.4
LU	483,799	590,667	22.1
HU	10,045,401	9,797,561	-2.5
MT	407,832	460,297	12.9
NL	16,405,399	17,081,507	4.1
AT	8,307,989	8,772,865	5.6
PL	38,115,641	37,972,964	-0.4
PT	10,553,339	10,309,573	-2.3
RO	20,635,460	19,644,350	-4.8
SI	2,010,269	2,065,895	2.8
SK	5,376,064	5,435,343	1.1
FI	5,300,484	5,503,297	3.8
SE	9,182,927	9,995,153	8.8
UK	61,571,647	65,808,573	6.9

Source: Eurostat, population statistics.

Notes: Population figures on 1 January of given year.

Despite recent improvements, still little progress overall towards the Europe 2020 poverty and social exclusion target

The commitment made in 2010 by the EU Heads of States and Governments to lift at least 20 million people out of being at risk of poverty or social exclusion, in the context of the Europe 2020 strategy, was a significant step forward. It stressed the equal importance of inclusive growth alongside economic objectives for the future of Europe, and it introduced a new monitoring and accountability scheme[5]. Within the framework of the Europe 2020 target, Member States set national poverty and social exclusion targets (Table 15), although the individual poverty-reduction ambitions of the Member States sum to a figure much lower than the EU level commitment. In June 2016 the Council invited the Commission, in the Council Conclusions of the meeting, to keep the prevention of, and fight against, poverty high on the political agenda and to support Member States in delivering on their national EU2020 targets. The adoption by the Commission in spring 2017 of the European Pillar of Social Rights, which was subsequently proclaimed and signed by the Council of the EU, the European Parliament and the Commission during the Gothenburg Social Summit for fair jobs and growth in November 2017, aims to strengthen the social dimension of Europe through a renewed process of upward convergence towards better working and living conditions.

The EU poverty and social exclusion target is based on a combination of three indicators – the at-risk-of-poverty rate, the severe material deprivation rate, and the share of people living in (quasi-)jobless (i.e. very low work intensity) households. It considers people who find themselves in any of these three categories and, while very broad, it reflects the multiple facets of poverty and social exclusion across Europe. This definition extends the customary concept of relative income poverty to cover the non-monetary dimension of poverty and labour market exclusion.

In 2016, twelve Member States registered significant falls in the share of the population at risk of poverty or social exclusion and only two recorded significant rises, with overall figures for the EU pointing to a fall of around one million between 2015 and 2016 in the population at risk of poverty or social exclusion. Nevertheless, in 2016 there were still around 0.8 million more people living at risk of poverty or social exclusion in the EU compared to 2008[6], with a total of 118 million people or close to 1 in 4 Europeans, indicating that the EU has still not made any significant progress towards achieving its Europe 2020 poverty and social exclusion target (see Figure 8, which shows the time series for the at-risk-of-poverty-or-social-exclusion rate and its components since 2005 for the EU27 aggregate[7]).

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[5] COM (2010) 758 final
[6] The reference year, due to data availability, for the target adopted in 2010
[7] Note figures here refer to the EU27 aggregate, since time series for the EU28 aggregate not available back to 2005.

Table 15: Europe 2020 poverty and social exclusion target – national targets

	National 2020 target for the reduction of poverty or social exclusion (in number of persons)
EU28	**20,000,000**
BE	380,000
BG	260,000 persons living in monetary poverty*
CZ	100,000
DK	Reduction of the number of persons living in households with very low work intensity by 22,000 by 2020*
DE	Reduce the number of long-term unemployed by 320,000 by 2020*
EE	Reduction of the at risk of poverty rate after social transfers to 15%, equivalent to an absolute decrease by 36,248 persons*
IE	Reduce the number of person in combined poverty (either consistent poverty, at-risk-of-poverty or basic deprivation) by at least 200,000*
EL	450,000
ES	1,400,000-1,500,000
FR	1,900,000
HR	Reduction of the number of persons at risk of poverty or social exclusion to 1,220,000 by 2020
IT	2,200,000
CY	27,000 (or decrease the percentage from 23.3% in 2008 to 19.3% by 2020)
LV	Reduce the number of persons at the risk of poverty and/or of those living in households with low work intensity by 121 thousand or 21 % until 2020*
LT	170,000 (and the total number of people at risk of poverty or social exclusion must not exceed 814,000 by 2020)
LU	6,000
HU	450,000
MT	6,560
NL	Reduce the number of people aged 0-64 living in a jobless household by 100,000 by 2020*
AT	235,000
PL	1,500,000
PT	200,000
RO	580,000
SI	40,000
SK	170,000
FI	140,000 (Reduce to 770,000 by 2020 the number of persons living at risk of poverty or social exclusion)
SE	Reduction of the % of women and men aged 20-64 who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14%*
UK	Nine national indicators (2 statutory and 7 non-statutory) underlying measures to track progress in tackling the disadvantages that affect outcomes for children and families*

*Source: National Reform Programmes. Notes: * denotes countries that have expressed their national target in relation to an indicator different to the EU headline target indicator (AROPE). For some of these Member States (BG, DK, EE, LV) it is expressed in terms of one or more of the components of AROPE, but for the others (DE, IE, NL (age range differs), SE and UK (not yet defined)) it is neither in terms of AROPE nor the standard definition of one or more of its components.*

Figure 8: Evolution of the Europe 2020 poverty and social exclusion target in the EU27 (figures in 1000s)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
AROPE	124.656	122.936	119.205	116.070	114.390	116.585	119.474	122.390	121.579	120.783	117.833	116.876		96070	
AROP	79.498	80.159	80.989	80.984	80.573	81.146	82.967	83.160	82.589	85.146	85.915	86.094			
SMD	52.254	48.283	44.834	41.556	40.137	41.074	43.357	48.820	47.453	43.874	39.786	37.281	32.960		
(Quasi-)Jobless HHs	39.520	40.051	37.114	34.697	34.699	38.528	39.161	39.322	40.670	41.660	39.380	38.732			

Source: Eurostat (EU-SILC)

Note: AROPE - at-risk-of poverty-or-social-exclusion rate; AROP - at-risk-of-poverty rate; (Quasi-)jobless HHs - share of population living in (quasi)-jobless households (i.e. very low work intensity (VLWI) households); SMD - severe material deprivation rate. For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year except for the UK (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-)jobless households rate refers to the previous calendar year while for the severe material deprivation rate the current survey year. The 2017 figure for SMD is provisional.

Underlying the fall in the overall at-risk-of-poverty-or-social-exclusion rate (AROPE) figure were continued strong reductions in the population experiencing severe material deprivation (down around 2.5 million), and to a lesser extent in the number of people living in (quasi-)jobless households (down 0.7 million), although the population at risk of poverty remained broadly stable after the notable rises in preceding years. This suggests that while improvements in economic activity and labour markets have led to reductions in the number of (quasi-)jobless households and improvements in living standards, leading in turn to reductions in severe material deprivation, the benefits of the economic recovery have not been distributed so as to bring down the risk of poverty among the overall population at EU level. On the positive side, the most recent figures for SMD point to a further reduction in the EU over 2016-2017, with a drop of around 4.3 million.

The overall trend masks persisting divergence between Member States. Substantially higher AROPE rates in 2016 compared to 2008 are still observed mainly in the countries most affected by the economic crisis (CY, EL, ES and IT), but higher rates have more recently been observed also in BG and LU. For half of Member States the AROPE rate in 2016 is not significantly different to the 2008 figure, while in six countries it is considerably lower, most notably in PL, LV and RO (Figure 9). Many Member States registered significant improvements over the latest year for which data are available (between 2015 and 2016), most notably LV and MT.

Figure 9: At-risk-of-poverty-or-social-exclusion rate (in %), evolution (in pp) 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	23.5	23.5	23.0	23.1	20.7	40.4	13.3	16.7	19.7	24.4	24.2	35.6	27.9	18.2	27.9	30.0
2015-2016 change in pp	~	~	~	~	~	~	-0.7	~	~	~	-1.8	~	-0.7	~	-1.2	1.3
2008-2016 change in pp	n.a.	~	~	~	~	3.2	-2.0	n.a.	~	~	~	7.5	4.1	~	n.a.	4.5
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	27.7	28.5	30.1	19.8	26.3	20.1	16.7	18.0	21.9	25.1	38.8	18.4	18.1	16.6	18.3	22.2
2015-2016 change in pp	-1.2	-2.4	~	n.a.	-1.9	-2.3	~	~	-1.5	-1.5	1.4	-0.8	~	~	~	-1.3
2008-2016 change in pp	4.4	-5.7	~	3.0	~	~	~	-2.6	-8.6	~	-5.4	~	-2.5	~	~	~

Source: Eurostat (EU-SILC)

Notes: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change), "n.a." refers to data not (yet) being available; ii) For BG, major break in the time series in 2014 for the material deprivation indicators, so for SMD and AROPE the change 2008-2013 is used for the longer period compared to 2008. Also a break in 2016 for EU-SILC based indicators, but comparisons of changes are still valid; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes and to a lesser degree variables highly correlated with incomes ("n.a." shown for the period compared to 2008 for these); iv) For EE, major break in series in 2014 for variables in EU-SILC. Hence change 2008-2013 used for the longer period compared to 2008; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; ix) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); x) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; xiii) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious; ix) For some indicators (SMD rate, LTU rate, early school leavers, youth unemployment ratio, NEETs, ER (55-64)) the changes generally refer to the periods 2016-2017 and 2008-2017.

The relative poverty risk has now broadly stabilised, following the period of rises post 2008

Looking at the evolution in the at-risk-of-poverty rate, we can see that for the EU27 it was generally quite stable at around 16.5% up until 2010, after which it started to increase noticeably. Although it broadly stabilised in 2012 and 2013, there was again a notable increase in the rate after 2013[8] and by 2016 it had increased to 17.3%. Increases in the at-risk-of-poverty rate have been more marked for the Euro area, where it has increased almost continuously over the last decade, from a level of 15.5% in 2005, 1 pp below the EU average, to 17.4% in 2016, essentially the same as the EU average (Figure 10).

Between 2015 and 2016, only 3 Member States (BG, IT and NL) experienced significant increases in at-risk-of-poverty rates (reflecting changes in the income situation between 2014 and 2015), while 6 countries recorded decreases. In a large majority of Member States, the poverty risk rate remained broadly stable during this period (Figure 11). However, the changes in the at-risk-of-poverty rate must be assessed in parallel with the underlying developments in the poverty risk threshold. In this regard, for the vast majority of Member States there was no significant change in the threshold between 2015 and 2016, while for those few that did record a substantial change (EE, HU, LV, LT, NL, PL and RO) these were all related to an improvement (i.e. a rise) in the threshold.

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[8] Income data actually generally refer to the year before that quoted, which is the EU-SILC survey reference year.

Figure 10: At-risk-of-poverty rate (EU27, EA19), 2005-2016
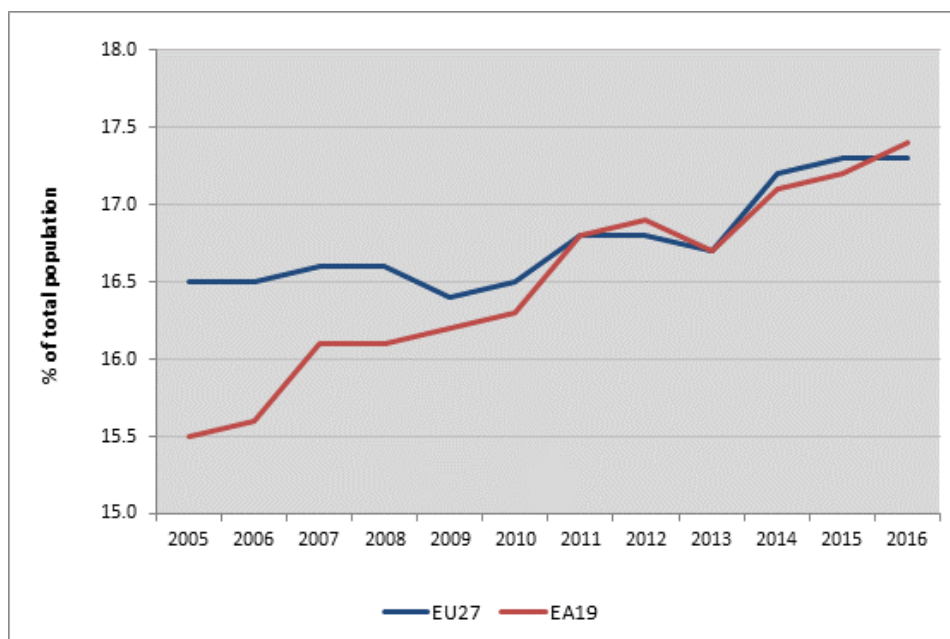
Source: Eurostat (EU-SILC)

Figure 11: Evolution (in pp) of the at-risk-of-poverty rate and associated threshold (in %, as real change in national currency terms), 2015-2016 and 2008-2016

AROP

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	17.3	17.3	17.4	17.4	15.5	22.9	9.7	11.9	16.5	21.7	16.6	21.2	22.3	13.6	19.5	20.6
2015-2016 change in pp	~	~	~	~	~	0.9	~	~	~	~	~	~	~	~	-0.5	0.7
2008-2016 change in pp	n.a.	~	1.4	1.3	~	~	~	n.a.	1.3	~	~	~	2.5	~	n.a.	1.7
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	16.1	21.8	21.9	16.5	14.5	16.5	12.7	14.1	17.3	19.0	25.3	13.9	12.7	11.6	16.2	15.9
2015-2016 change in pp	~	~	~	n.a.	-0.4	~	1.1	~	~	-0.5	~	-0.4	~	-0.8	~	-0.7
2008-2016 change in pp	~	-4.1	~	~	2.1	~	2.2	~	~	~	~	1.6	1.8	-2.0	2.7	-2.8

AROP threshold (real change in national currency)

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	n.a.	n.a.	n.a.	n.a.	12492	4046	7508	12672	12726	7116	10895	5297	9105	12450	5297	9739
2015-2016 change in %	n.a.	n.a.	n.a.	n.a.	~	~	~	~	~	9.5	~	~	~	~	~	~
2008-2016 change in %	n.a.	n.a.	n.a.	n.a.	~	18.7	~	n.a.	~	20.4	~	-37.7	-13.1	~	n.a.	~
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	9591	5554	5567	16843	5032	10155	12596	13514	6510	6429	2877	9300	6304	11859	12424	10512
2015-2016 change in %	~	9.0	9.7	n.a.	5.0	~	6.5	~	6.6	~	6.2	~	~	~	~	~
2008-2016 change in %	-22.4	~	~	~	~	14.4	~	~	30.5	~	21.3	~	25.9	~	13.1	~

Source: Eurostat (EU-SILC)

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available. Eurostat calculations on statistical significance of net change have been used where available, combined with checks for substantive significance. ii) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey); iii) For

Focusing on the longer term, 8 Member States still had substantially higher poverty risk rates compared to the onset of the crisis in 2008, with the highest increases (in excess of 2 pp) in ES, HU, NL and SE. Around half of Member States had poverty risk thresholds in 2016 which were not significantly different to those in 2008, while in a further 7 countries the threshold has increased substantially. The tables also highlight the still especially worrying situation in CY and EL, where there have been substantial falls in the poverty risk threshold of 22% and 38% respectively (real change in national currency terms).

Taking a slightly different perspective in terms of looking at combined changes in the at-risk-of-poverty rate and the poverty risk threshold in terms of purchasing power parities[9] (

Figure 12), confirms the marked differences in patterns of developments across Member States since 2008. Making reference to the threshold in purchasing power parities (and not in national currency), developments of the threshold in an EU comparative perspective are measured. The graph shows the combined evolution in the at-risk-of-poverty rate and the associated at-risk-of-poverty threshold over the period 2008-2016, although with no indication of the statistical significance of the changes. The arrows depict how Member States have moved on the two indicators over the full period since the start of the crisis. Arrows pointing to the top left corner (in green) point to improvement on both indicators, while arrows pointing to the bottom right corner (in red) point to a negative development on both indicators. This visual representation can contribute to a better understanding of the development of the risk of poverty at Member State level. It also helps in assessing the situation at the level of the EU, e.g. by showing whether trends are converging or diverging between the Member States.

An increase in the threshold with a decreasing poverty risk rate points to stronger increases among the lowest incomes compared to the median income, while increasing poverty risk rates with a decreasing poverty risk threshold points to incomes (just) above the threshold dropping faster than the median. Increases in both the threshold and the rate points to increasing median income, while the lowest incomes remain stable or are increasing more slowly than the median. Finally, a situation of both a decreasing rate and threshold points to a drop in median income, while incomes (just) below the threshold remain stable (or increase).

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[9] Purchasing power parities (PPPs) are used as currency conversion rates to convert income or expenditures expressed in national currencies into an artificial common currency (the Purchasing Power Standard, PPS), thus eliminating the effect of price level differences across countries.

Figure 12: Combined evolution in the at-risk-of-poverty rate (in %) and associated threshold (in PPS), 2008-2016
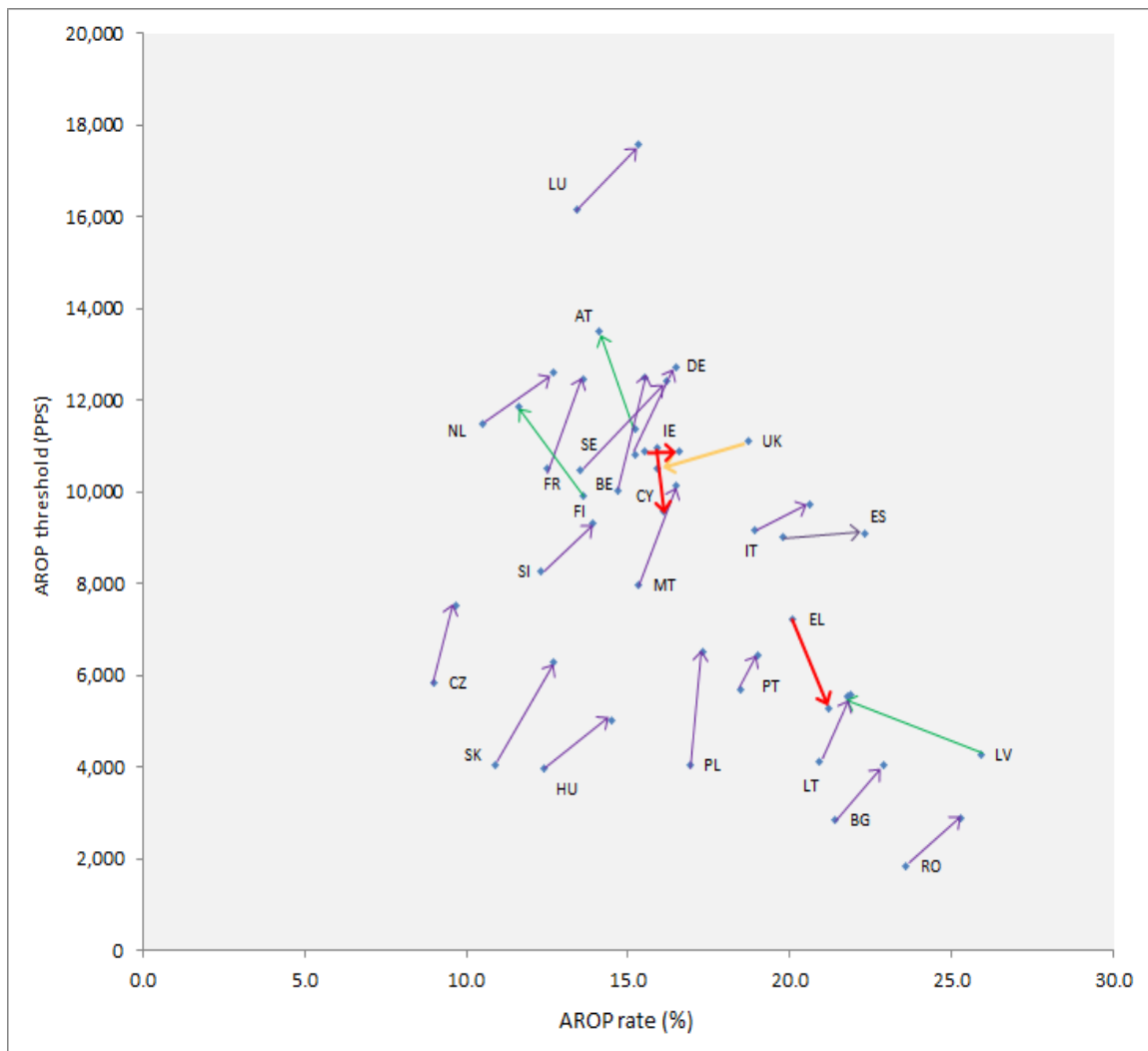
Source: Eurostat (EU-SILC)

*Notes: i) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes, so change 2008-2016 not shown; ii) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes 2008-2016 not shown; iii) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; iv) For LU, major break in series in 2016 for EU-SILC based indicators, so figures for 2008 and 2015 are shown; v) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; vi) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious; vii) The income reference year is the calendar year prior to the survey year except for the UK (survey year) and Ireland (12 months preceding the survey); viii) Line colours reflect the combined movement of the threshold and AROP rate: **Green** = threshold up and rate down, **purple** = both threshold and rate up, **orange** = threshold down and rate down, **red** = threshold down and rate up); vi) In this chart all changes are shown without regard to the statistical significance of the change.*

The results again highlight the especially worrying developments in EL where a 1.1 pp rise in the risk of poverty is combined with a substantial fall in the poverty risk threshold of close to 27% in PPS terms. Similarly, although CY has not recorded a significant rise in the risk of poverty, this is

nevertheless associated with a fall of around 12% in the poverty risk threshold in PPS. Around two thirds of Member States have experienced a combined significant rise in both the poverty risk and the threshold, but a few (AT, FI and LV) have registered a significant fall in the poverty risk combined with a rise in the threshold. Finally, the UK has seen a fall in the poverty risk combined with a drop in the threshold (expressed in PPS).

In periods of sudden changes in the median income of the population, as has been the case in many Member States during the economic crisis, the poverty risk threshold can move quite substantially. As highlighted in the above results, a full understanding of the situation thus requires a simultaneous assessment of both the poverty risk rate and threshold.

An additional way to account for this is to keep the threshold fixed in real terms over a longer period, therefore controlling for the effects of a moving threshold, and reflect the evolution of the real income of the poor and the effectiveness of social inclusion policies. In the current context, this method reflects better the deterioration of the real income of the poor and the lack of effectiveness of social inclusion policies.

Figure 13 shows the evolution of the at-risk-of-poverty rates anchored in 2008 poverty risk threshold levels. Results suggest that between 2015 and 2016 almost all Member states saw the rate decline, with the most notable falls in EE, LV and LT (all down around 4 pp). As a result, the EU average decreased from 18.6% in 2015 to 17.5% in 2016. Only BG recorded a significant rise, of around 2.5 pp. Looking at the longer timeframe 2008-2016, EL has clearly seen the most dramatic increase in its anchored poverty risk rate (up 27.7 pp), followed by CY (17 pp), ES (9.4 pp) and IT (6.3 pp). The biggest improvement was observed in PL, with a decrease of around 8 pp, while EE, LV and MT also saw declines of the order of 6-7 pp. In absolute terms, 17.5 % of the population in the EU were at risk of poverty in 2016, anchored at 2008 poverty risk threshold levels, which is now only 0.2 pp higher than the ordinary rate of 17.3 %.

Another issue of concern is the still high share of the EU population suffering from persistent poverty risk compared to 2008 (Figure 14). In 2016, the persistent at-risk-of-poverty rate[10] in the EU was 11%, up from 8.7% in 2008, and still showing no signs yet of reducing. A significant rise in the persistent poverty risk rate for the latest year of data available was only seen in one Member State, (LV (up 5.1 pp)), but significant longer-term increases since 2008 are still apparent in DE, ES, MT and SE.

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[10] The indicator shows the percentage of the population whose equivalised disposable income was below the 'at-risk-of-poverty threshold' for the current year and at least 2 out of the preceding 3 years

Figure 13: At-risk-of-poverty rate anchored in 2008 for 2008, 2015 and 2016
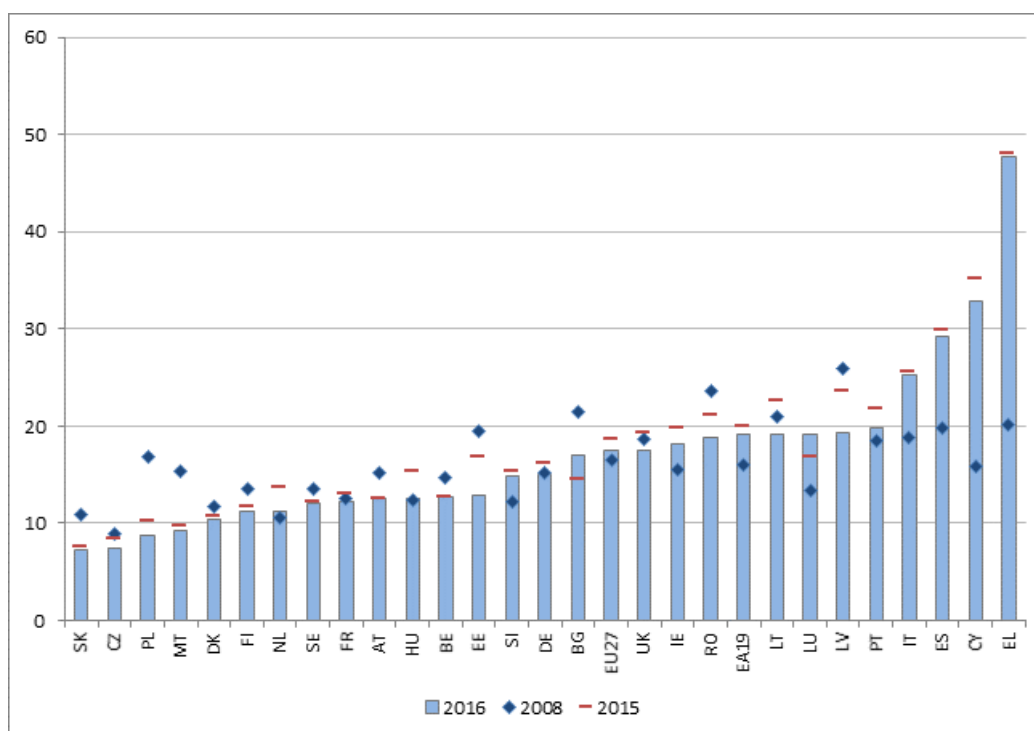
Source: Eurostat (EU-SILC)

Note: i) Sorted on the anchored-AROP rate for 2016; ii) break in series in 2014 for EE and over 2008-2015 in DK iii) For LU, major break in series in 2016 for EU-SILC based indicators For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; iv) for the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year (i.e. 2013) except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Figure 14: Persistent at-risk-of-poverty rate (in %), evolution (in pp) 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	11.0	10.9	11.2	11.2	10.0	15.3	4.3	7.2	10.5	13.5	9.4	15.2	14.8	8.0	14.5	14.5
2015-2016 change in pp	~	~	~	~	~	~	~	~	~	~	n.a.	~	~	~	~	~
2008-2016 change in pp	n.a.	2.2	2.2	2.2	~	n.a.	~	n.a.	3.3	-4.3	n.a.	~	3.8	n.a.	n.a.	~
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	7.6	15.2	13.5	9.7	7.9	11.3	7.2	8.1	9.7	11.5	20.2	8.5	7.7	6.0	6.1	9.4
2015-2016 change in pp	~	5.1	~	n.a.	~	~	~	~	~	~	~	~	~	-2.3	~	~
2008-2016 change in pp	~	~	~	~	~	3.6	~	n.a.	~	~	n.a.	~	~	~	3.5	~

Source: Eurostat (EU-SILC)

Note: i) For AT, break in series in 2011 for persistent poverty risk ("n.a." shown for the period compared to 2008); ii) Major break in series in 2014 in EE for income variables in EU-SILC, so changes are presented for the period 2008-2013 only; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008); iv) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; v) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); vi) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; vii) Data missing for early years of the time series around 2008 for IE, FR, HR and RO.

Mixed developments in the depth of poverty risk, while more timely data on material deprivation and household income suggest a continuing improvement in living standards in many Member States

The poverty risk gap shows what is happening in terms of the depth of income poverty, indicating the extent to which the incomes of those at risk of poverty fall below the poverty risk threshold on average (i.e. how poor the poor actually are). The poverty risk gap in the EU in 2016 was 25% of the at-risk-of-poverty threshold, and has expanded by around 3 pp since 2008. The poverty risk gap in individual EU countries varied between 13.9% (in FI) to over 30% in BG, EL, ES, IT and RO. It is especially concerning that the poverty risk gap has increased in half of Member States since 2008, and in some countries substantially so (by 5 pp or more in EL, ES, IT, and SK) (Figure 15). Also of concern is the fact that the gap widened considerably in around a third of Member States over 2015-2016, with particularly marked jumps of 2pp or more in BE, IT, LT, PL and the UK, with the result that the depth of income poverty remains identified as a trend to watch for the latest year.

Figure 15: Relative median at-risk-of-poverty gap, evolution in pp, 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	25.0	25.0	24.8	24.8	19.4	30.4	19.5	20.8	20.7	20.5	18.1	31.9	31.4	16.6	28.2	31.6
2015-2016 change in pp	~	~	~	~	2.0	~	~	-1.2	-1.3	~	~	1.3	-2.4	~	1.8	2.3
2008-2016 change in pp	n.a.	3.1	3.4	3.4	2.2	3.4	~	n.a.	~	~	~	7.2	5.8	2.1	n.a.	8.4
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	17.3	24.0	28.0	23.2	18.8	15.9	17.3	19.8	24.4	26.7	36.2	20.2	26.1	13.9	21.1	22.4
2015-2016 change in pp	-2.5	-1.5	2.0	n.a.	-3.0	-1.4	~	~	2.1	-2.3	-2.0	~	-2.8	~	1.2	2.0
2008-2016 change in pp	2.0	-4.6	2.4	~	~	-4.4	2.4	~	3.8	3.5	3.9	~	8.0	-1.8	3.1	~

Source: Eurostat (EU-SILC)

Notes: i) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes "n.a." shown for the period compared to 2008).; ii) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes for these are presented for the period 2008-2013 only; iii) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010;; iv) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); v) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; vii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; viii) For the at-risk-of poverty rate, the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

In the period 2016-2017[11], almost half (12) of Member States recorded statistically significant reductions in severe material deprivation (Figure 16) linked to improving living standards, with particularly notable improvements in HR (down 2.2 pp), IT (down 2.9 pp) and especially RO (down 4.4 pp), and with no Member State registering a significant deterioration. As a result, the longer-

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[11]   Member States have provided early delivery severe material deprivation figures to Eurostat. As a result, for many countries more recent figures or estimates for SMD are already available for the changes between 2016 and 2017. It should be noted, however, that these are not yet final figures.

term trend now points to a clear recovery, with two-thirds of countries recording SMD rates not significantly different to those in 2008, while a further 8 show a clear improvement. For only two (EE and EL) is the SMD rate still substantially worse than it was in 2008. Among the countries having seen a clear improvement compared to 2008, PL and RO stand out with considerable reductions in SMD rates of around 11 and 13 pp respectively, reflecting strong improvements in living standards.

Figure 16: Severe material deprivation rate, evolution in pp, 2016-2017 & 2008-2017

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2017	6.7	6.6	5.7	5.8	5.2	30.0	3.7	3.1	3.6	4.1	6.5	21.1	5.1	4.1	10.3	9.2
2016-2017 change in pp	~	-0.9	-0.9	~	~	-1.9	-1.1	~	~	~	n.a.	-1.3	~	~	-2.2	-2.9
2008-2017 change in pp	n.a.	~	~	~	~	~	-3.1	~	~	2.7	~	9.9	~	~	n.a.	~
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2017	11.7	11.3	12.4	1.6	14.5	3.3	2.6	3.0	6.7	6.9	19.4	4.5	8.2	2.1	0.8	4.9
2016-2017 change in pp	-1.9	-1.5	~	n.a.	-1.7	-1.1	~	n.a.	n.a.	-1.5	-4.4	-0.9	n.a.	~	n.a.	~
2008-2017 change in pp	~	-8.0	~	~	-3.4	~	~	-2.9	-11.0	-2.8	-13.3	~	-3.6	~	~	~

Source: Eurostat (EU-SILC)

Notes: i) For BG, major break in the time series in 2014 for the material deprivation indicator (SMD), so change 2008-2013 is used for the longer period compared to 2008. Also a break in 2016 for EU-SILC based indicators, but comparison of changes are still valid;; ii) For EE, major break in series in 2014 for variables in EU-SILC. Hence change 2008-2013 used for the longer period; iii) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; iv) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); v) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;; vi) Only significant changes have been marked in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change); vii) SMD figures for CY, DE, EE, FR, HR, IT, LT, NL, PT, RO and the UK are provisional.

As highlighted in last year's report, in 2017 a new indicator of material and social deprivation was adopted by the Indicators Sub-Group of the Social Protection Committee. It is an improvement on the existing material deprivation indicators, which have some limitations, the most important ones being the small number of items on which they rely and the saturation of some deprivation items that are no longer relevant. The new deprivation indicator is based on 13 items whose selection results from a systematic item by item robustness analysis (see Guio et al, 2012, 2016 and 2017; as well as Chapters 10 and 21 in Atkinson et al, 2017[12]. In the new indicator, a person is considered as materially and socially deprived when he/she experiences an enforced lack of 5 or more of the 13 deprivation items in the new list.

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[12] Guio, A.-C., Gordon, D. and Marlier, E. (2012), "Measuring material deprivation in the EU: Indicators for the whole population and child-specific indicators", Eurostat Methodologies and Working Papers, Publications office of the European Union, Luxembourg.
Guio, A.-C., Gordon, D. and Marlier, E. (2016), "Improving the measurement of material deprivation at the European Union level", Journal of European Social Policy, 26(3), pp. 219-333.
Guio, A.-C., Gordon, D., Najera, H. and Pomati, M. (2017), "Revising the EU material deprivation variables, Eurostat Statistical Working Papers, Publications office of the European Union, Luxembourg.
Atkinson, A.B., Guio, A.-C. and Marlier, E. (2017), "Monitoring social inclusion in Europe", Publications Office of the European Union, Luxembourg.

The results for this new indicator show that in the period 2015-2016, half of Member States recorded statistically significant reductions in deprivation, with particularly notable improvements of 4 pp or more in HU, IT, MT and PL, and no country recording a deterioration (Figure 17).

Figure 17: Material and social deprivation rate, 2016 level and evolution in pp, 2015-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	15.7	15.7	13.9	14.0	13.3	47.9	8.9	6.1	9.4	7.7	19.3	35.6	17.4	12.7	16.1	17.2
2015-2016 change in pp	-1.5	-1.5	~	~	~	-2.7	-1.7	~	-1.5	-2.2	n.a.	-2.1	~	~	-3.1	-4.4
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	21.0	24.8	28.9	4.8	31.9	10.5	6.5	7.0	12.0	18.9	49.7	10.0	15.3	4.2	2.9	13.0
2015-2016 change in pp	-1.8	-3.9	~	n.a.	-5.2	-4.8	~	~	-4.0	-3.2	~	-2.0	~	~	~	~

Source: Eurostat (EU-SILC)

Notes: Data series only available since 2014.

The indications of the ongoing improvement in living standards are supported by the latest figures on the real change in Gross Household Disposable Income (GHDI) across the EU between 2015 and 2016 (Figure 18). Among those Member States for which figures are available, 19 have seen a significant rise in real household incomes, and none has seen a noticeable worsening of GHDI. BG, CY and PL had the highest year-on-year increases in GHDI over 2015-2016. In a longer-term perspective, for a few (4) countries real incomes are still markedly below those just before the crisis hit, with strong falls still in evidence in IT (-7.1%), LV (-7.3%), CY (-11.5%), and above all in and EL (-33.2%). However, in contrast positive developments in GHDI in comparison to 2008 are now observed in 12 Member States, with real changes in GHDI over this period being the largest in BG, PL, RO and SE.

Figure 18: Real change in gross household disposable income 2015-2016 and 2008-2016

|	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2015-2016 change in %	n.a.	n.a.	n.a.	1.8	~	10.4	2.8	4.1	2.3	3.9	3.0	~	2.0	1.9	n.a.	~
2008-2016 change in %	n.a.	n.a.	n.a.	~	~	24.9	9.0	15.7	8.9	9.1	~	-33.2	~	~	n.a.	-7.1
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2015-2016 change in %	5.9	3.7	4.4	2.9	n.a.	n.a.	2.2	2.6	6.0	2.7	n.a.	4.6	3.2	~	3.3	~
2008-2016 change in %	-11.5	-7.3	~	21.4	~	n.a.	~	~	25.8	~	30.6	~	9.7	6.9	24.3	9.2

Source: DG EMPL estimates based on Eurostat (National Accounts)

Notes: i) Growth for the EU28 in real terms is estimated from existing Member States' data which must cover at least 85% of the EU nominal GDHI

Strong declines in exclusion from the labour market

Rises in unemployment and long-term unemployment were some of the more immediate and tangible effects of the economic crisis. The long-term unemployment rate rose sharply from 2008 onwards, and by 2013 had doubled to 5.1% of the active population before reducing sharply over 2014-2017. The rates for men and women converged following the crisis and since 2011 have been very similar, although with rates decreasing for men at a slightly higher rate than for women since 2015. Both peaked at just over 5% in 2013 and have declined subsequently towards 3.3% for men and 3.5% for woman in 2017 (Figure 19). As a result, rates are continuing to fall towards the levels seen before the crisis hit, but nevertheless currently still remain almost 1 pp higher than corresponding figures in 2008.

Figure 19: EU long-term unemployment rate by gender, 2008-2017
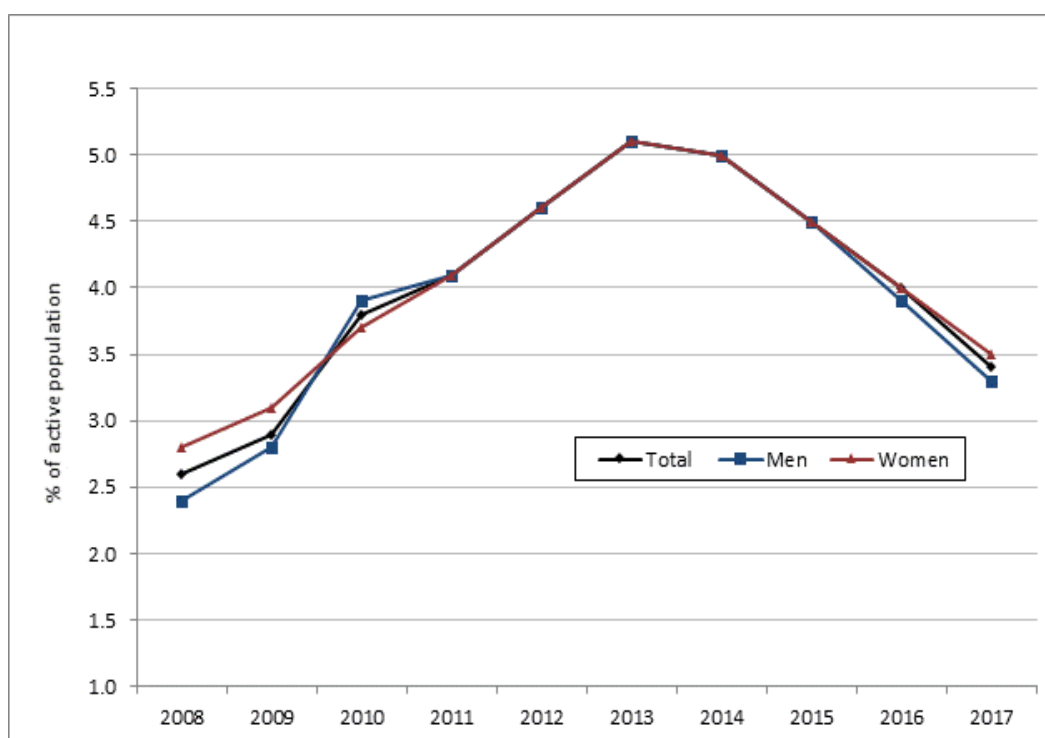
Source: Eurostat (LFS)

Over the latest year, all Member States recorded a fall in the LTU rate. The reductions have been among the strongest in some of the Member States hit hardest by the crisis, including CY, EL, ES, IE and PT. In all these except ES the fall was larger for men than for women. Among the remaining countries, the fall was generally either the same for men and women or larger for women, the only exceptions being AT, BG, LV, FR, HU and the UK (Figure 26). Overall, at EU level the LTU rate decreased by 0.6 pp for men and 0.5 pp for women, similar to the falls recorded in the preceding year. However, it is not just a case of reducing unemployment, it is also necessary to seek ways to integrate more the economically inactive population in the labour market, as many of these are also motivated to work (see Box 8).

Figure 20: Changes in LTU rates across Member States 2016-2017, by gender
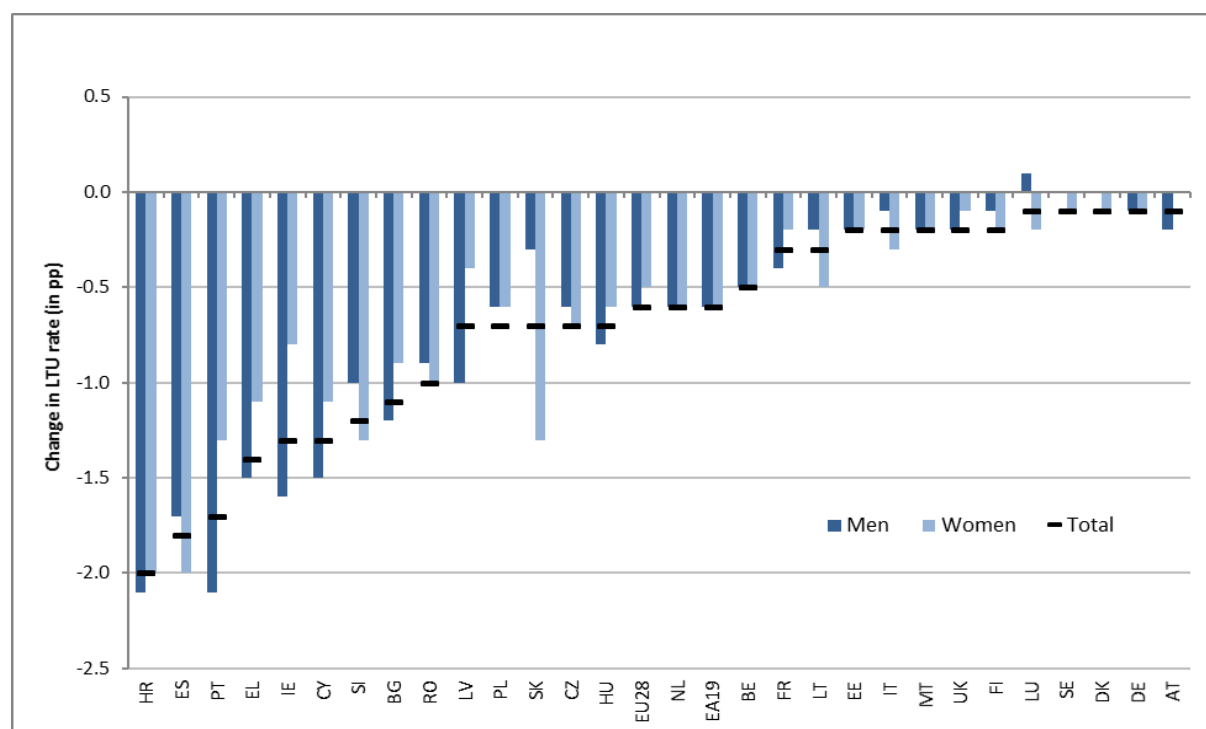
Source: Eurostat (LFS)

In line with the ongoing reduction in unemployment, the most recent data available show that the share of (quasi-)jobless households fell in 10 countries over 2015-2016, reflecting the widespread improvement in labour markets. The biggest improvements were observed in MT and PT. Only 2 countries (IT and FI) registered a significant rise in that period (Figure 21). With reference to 2008, the work-intensity situation of households has still not recovered to the pre-crisis position in around half of Member States, with three countries still recording rises in the share of (quasi-)jobless households of the order of 6-10 pp (CY, EL and ES).

Figure 21: Evolution of the share of people living in (quasi-)jobless households, 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	10.5	10.5	11.1	11.1	14.6	11.9	6.7	10.6	9.6	5.8	18.2	17.2	14.9	8.4	13.0	12.8
2015-2016 change in pp	~	~	~	~	~	~	~	-1.0	~	-0.8	-1.0	~	~	~	-1.4	1.1
2008-2016 change in pp	n.a.	~	1.8	1.8	2.9	3.8	~	2.1	-2.1	3.1	4.5	9.7	8.3	~	n.a.	2.4
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	10.6	7.2	10.2	6.6	8.2	7.3	9.7	8.1	6.4	9.1	8.2	7.4	6.5	11.4	8.5	11.3
2015-2016 change in pp	~	-0.6	~	n.a.	-1.2	-1.9	~	~	~	-1.8	~	~	-0.6	0.6	~	-0.6
2008-2016 change in pp	6.1	1.8	4.1	~	-3.8	~	~	~	~	2.8	~	~	~	3.9	~	~

Source: Eurostat (EU-SILC)

Notes: i) For EE, major break in series in 2014, so change 2008-2013 used for the longer period compared to 2008; ii) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; iii) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); iv) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious;; vi) Only significant changes have been marked in green/red (positive/negative changes).

Box 8. Employment opportunities for economically inactive people – main findings from a recent study by the European Foundation for the Improvement of Living and Working Conditions

Raising employment levels remains a key EU objective as all Member States subscribe to the European Employment Strategy and the Europe 2020 targets. There has been an entirely justifiable emphasis from policymakers on people out of work following the financial crisis, finding clear pathways towards meaningful employment. While unemployed people are relatively well studied and the principal target of many employment strategies, this is less the case for the inactive population. Eurofound's report (Eurofound 2017a) shows that there is a substantial inactive population in Europe: Eurostat data shows that in 2015 27.5% of people aged 15–64 years were economically inactive. And, although the figures have been steadily declining from 31% in 2002, this is still a considerable group.

The Eurofound report shows a great heterogeneity of the inactive population (Figure 22). In some countries, such as Italy, Malta, Greece and Ireland, homemakers form a particularly large group. Ireland also has a relatively large proportion of people with a disability among the inactive population, something that is also true of Belgium, Denmark, Estonia and Finland. The wide heterogeneity among the inactive population means that they also face very different barriers to (re-)integration into the labour market. Knowing and understanding those barriers is critical for policymakers tasked with designing appropriate active inclusion policies and/or initiatives that can effectively address those challenges[13].

What is common to many countries is that large numbers of inactive people face multiple barriers to employment and this makes activation policies even more challenging. For example, inactive people with a low level of education and those caring for elderly people often have to care for children as well. Inactive people who feel socially excluded often lack work experience, have physical or mental health problems, act as sole carers for elderly relatives or are at risk of depression.

Despite the many hurdles that inactive people may face on their path to a job, a significant majority report that they would like to work (Figure 23). Moreover, as many as 70% said they would like to work 16 hours or more per week. Retirees and people unable to work due to illness or disability are least likely to express a desire to work. However, even among these groups, the majority wants to work (76% of the disabled and 63% of retirees); a high proportion even wants to work 32 hours or more (47% of the disabled and 38% of retirees of working age).

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[13] For example, Ireland has the "Comprehensive Employment Strategy for People with Disabilities 2015-2024", which aims to ensure that all people with disabilities who are able and willing to work are enabled to do so through a variety of different supports.

Figure 22 - Disaggregating the inactive population in sub-groups, EU by Member State, 2014 (% of total population aged 18-64 year)
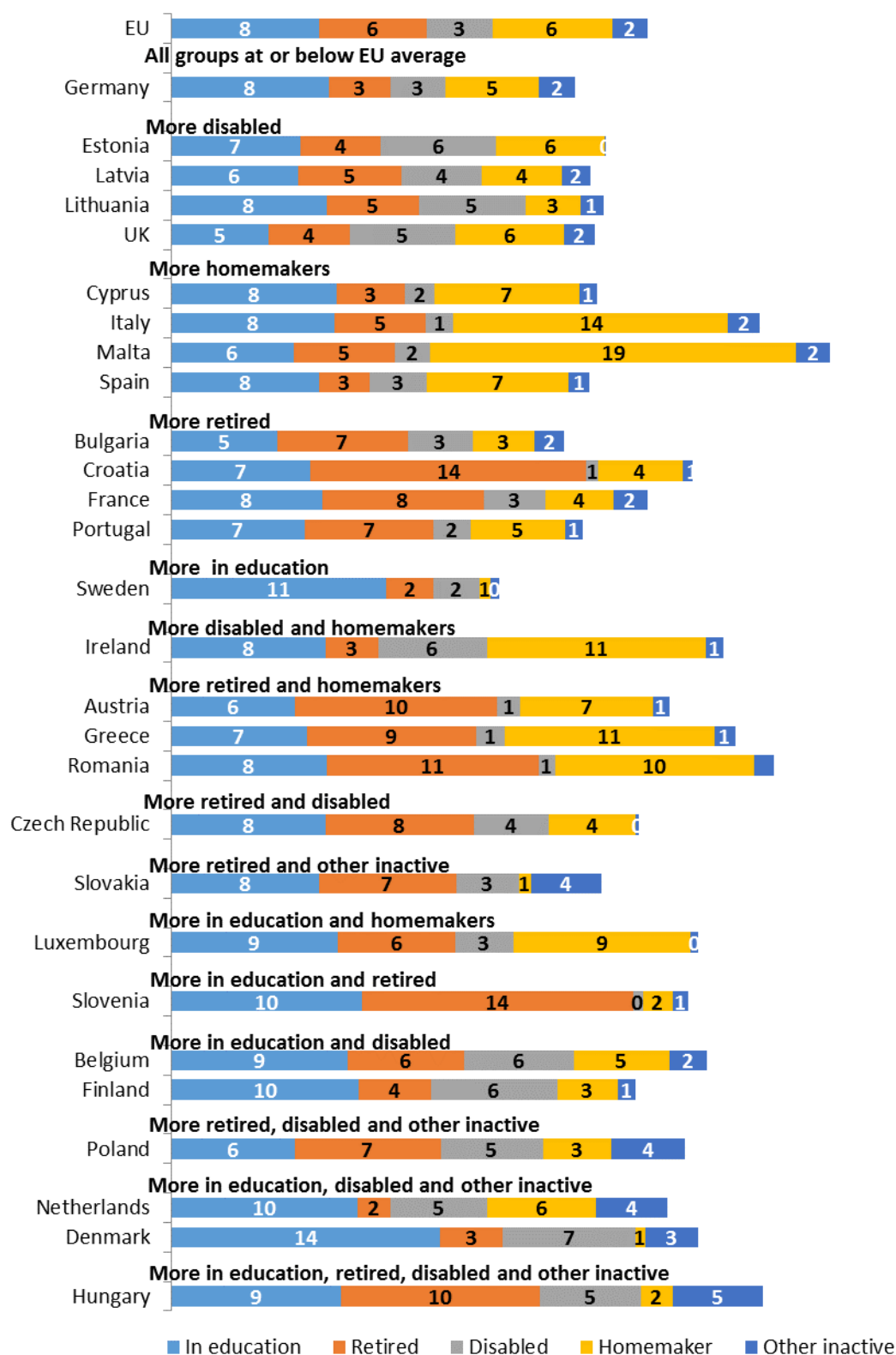
Notes: *People aged 18–64 years. Weighted with PB040 variable, age on date of interview. No significance test was carried out; subgroups are judged more prevalent if the rounded full percentage was at least one percentage point above the EU average. 'Inactive' are defined here as those who self-identify as belonging to any of the five categories indicated.*

Source: *Eurofound analysis of EU-SILC 2014 cross-sectional microdata, July 2016 release*

Figure 23 Preferred working hours among inactive groups, EU, 18–64 years
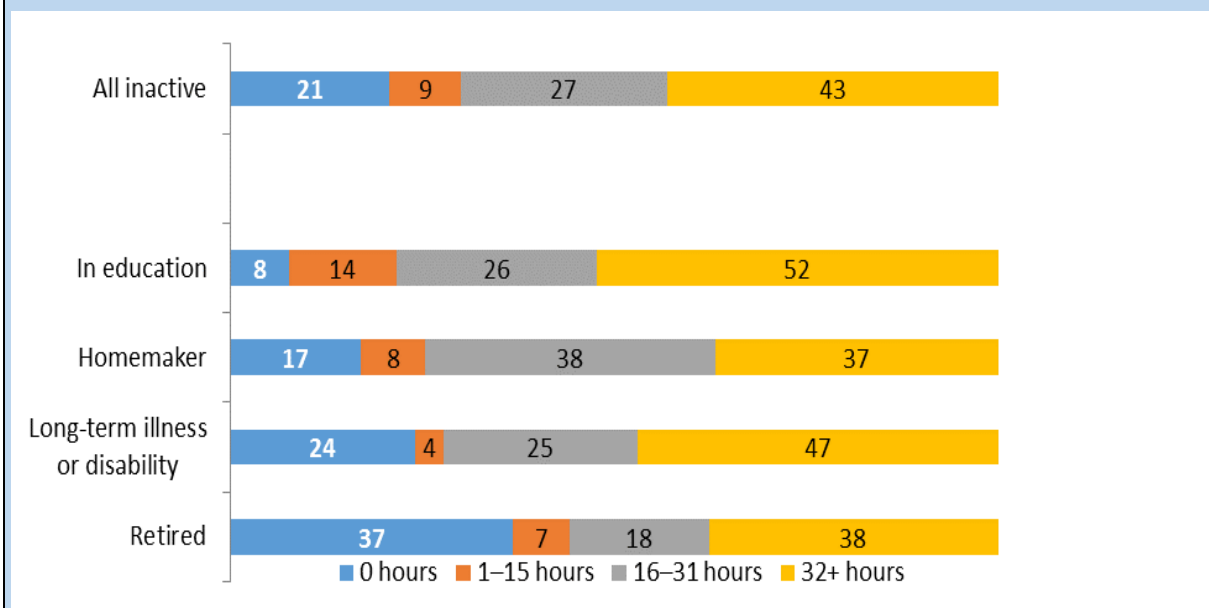
Notes: *People aged 18–64 years. Question 8 asks: 'If you could freely choose the number of your working hours while taking into account the need to earn your living, how many hours per week would you prefer to work at present? If you would prefer not to work at all, indicate zero.' 'Inactive' are defined here as those who self-identify as belonging to any of the four categories indicated.*

Source: *Eurofound analysis of EQLS microdata*

This positive desire to work should encourage policymakers to seek more actively for policies and initiatives that capitalise on this motivation. However, designing tailored activation policies means challenges for service providers tasked with labour market integration. National and local policymakers should acknowledge the challenges that many public employment services face in trying to reach out to the inactive population and address their often complex needs. This is a role that goes beyond the standard and typical array of services they offer. Policies could seek to strengthen the capacity of local labour offices, as well as encourage stronger links with other services such as social care and healthcare, and even reach out to civil society to offer a more comprehensive range of services.

The rising share of the working poor in several Member States is an increasing concern

Having a job is not always a guarantee against the risk of poverty, as the working poor represent around a third of working-age adults who are at risk of poverty. In 2016, 9.6% of people aged 18-64 in employment in the EU were living under the poverty risk threshold, little changed from the previous year. Compared to rates in 2008, the risk of in work poverty has increased significantly in a third of Member States, most notably in BG, CY, DE, HU, IT and LU where rates have all risen by over 2 pp (Figure 24). Over 2015-2016, the risk increased in 7 Members States, most notably in BG, while, in contrast, improvements were recorded in 6 Member States. The highest rates of in-work poverty risk are now observed in RO (18.6%), EL (14%) and ES (13.1%), but rates also exceed 10% in IT, LU, PL and PT. The lowest rates are observed in BE, CZ and FI.

Figure 24: Evolution of the share of working poor, 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	9.6	9.6	9.5	9.5	4.7	11.6	3.8	5.3	9.5	9.9	4.8	14.0	13.1	8.0	5.5	11.8
2015-2016 change in pp	~	~	~	~	~	3.8	~	~	~	~	~	0.6	~	0.5	~	~
2008-2016 change in pp	n.a.	1.1	1.4	1.4	~	4.0	~	n.a.	2.4	~	-1.5	~	1.8	1.5	n.a.	2.7
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	8.4	8.5	8.7	12.0	9.7	5.7	5.6	8.3	10.9	10.8	18.6	6.1	6.5	3.1	6.8	8.6
2015-2016 change in pp	-0.8	-0.9	-1.5	n.a.	0.4	~	0.5	~	~	~	~	-0.6	0.4	-0.4	-1.3	0.4
2008-2016 change in pp	2.1	-2.2	~	2.2	3.9	~	~	~	~	~	1.7	~	~	-2.0	~	~

Source: Eurostat (EU-SILC)

Notes: i) For DK, breaks in series 2008-2016 mainly affecting indicators related to incomes ("n.a." shown for period compared to 2008); ii) For EE, major break in series in 2014, so change 2008-2013 used for the longer period compared to 2008; iii) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; iv) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); v) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; vii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious; viii) For the in-work at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).

Recent Commission analysis (European Commission 2016) has highlighted the important impact of developments in the intensity and type of work on the risk of poverty, in particular the fact that average working hours in the EU declined after the crisis hit in 2008, and that while EU full-time workers are relatively well protected against income poverty, part-time workers face a significantly higher risk. Poverty risks are highly related to work situation, and employment alone is not always enough to lift individuals out of the risk of poverty. Thus, income from employment often needs to be complemented by family benefits and in-kind benefits such as affordable childcare. The need for such measures is also supported by a recent EUROFOUND study (Box 9), which explored the social consequences of being in-work poor and argues that in-work poverty risk requires heightened attention due to growing divergence between Member States. The study identified in particular indirect measures that can help to improve the living standards of the in-work poor.

Box 9. In-work poverty in the EU – main findings from a study by the European Foundation for the Improvement of Living and Working Conditions

With one worker in ten in the EU at risk of poverty, the EU's 2020 headline target to reduce poverty and social exclusion needs to focus not only on getting people into work but also on improving the situation of the in-work poor. In a recent report (Eurofound 2017b), Eurofound noted that the development of in-work poverty risk in the EU deserves attention because of growing divergence between Member States.

The study also drew attention to the fact that that the increase in non-standard forms of employment in many countries appears to have contributed to rising in-work poverty risk. Considering the poverty risk that these workers face during spells of unemployment, measures are needed to facilitate the transition between jobs and to provide financial support while they are between jobs.

In the study, Eurofound also looks at what it means to be working poor and finds that in-work poverty risk is associated with lower levels of subjective and mental well-being, problems with accommodation, as well as poorer relationships with other people and feelings of social exclusion (see Table 16). The analyses consider both the relative at-risk-of-poverty measure and material deprivation. Data from the European Quality of Life Survey show that the working poor are more likely to report mental health problems than the working population in general: 22% of those experiencing material deprivation reported having felt tense and 12% felt lonely or downhearted and depressed. For the working population at large the figures are significantly lower.

Table 16: Mental well-being among the working poor, working population and working-age population, EU, 2016

	Over the last two weeks, I have most of the time felt …		
	Tense %	Lonely %	Downhearted or depressed %
Working, at risk of poverty	17.3	7.9	7.3
Working, in deprivation	22.0	11.8	11.5
Working population	10.5	4.3	3.9
Working-age population	11.9	5.5	5.7

Note: *Data based on population aged 18–64 years.*
Source: *EQLS 2016 microdata*

The report argues the case for greater policy attention and action on the part of governments, employers and social partners, not only through direct measures associated with both the minimum and living wage, progressive taxation, in-work benefits and social assistance, but also and more importantly through indirect measures that aim at helping to improve the living standards of the in-work poor. One such example is subsidised childcare. The availability and use of affordable childcare enables parents to work and, by doing so, increases the number of earners

in a household and/or the number of hours worked. However, parents also need to be made aware of the availability of services and helping parents overcome negative attitudes towards childcare may also be required to ensure good uptake of subsidised childcare. Housing support is another good example of an indirect measure. Through housing support, the living standards of low-income households are improved because the cost of housing is lowered.
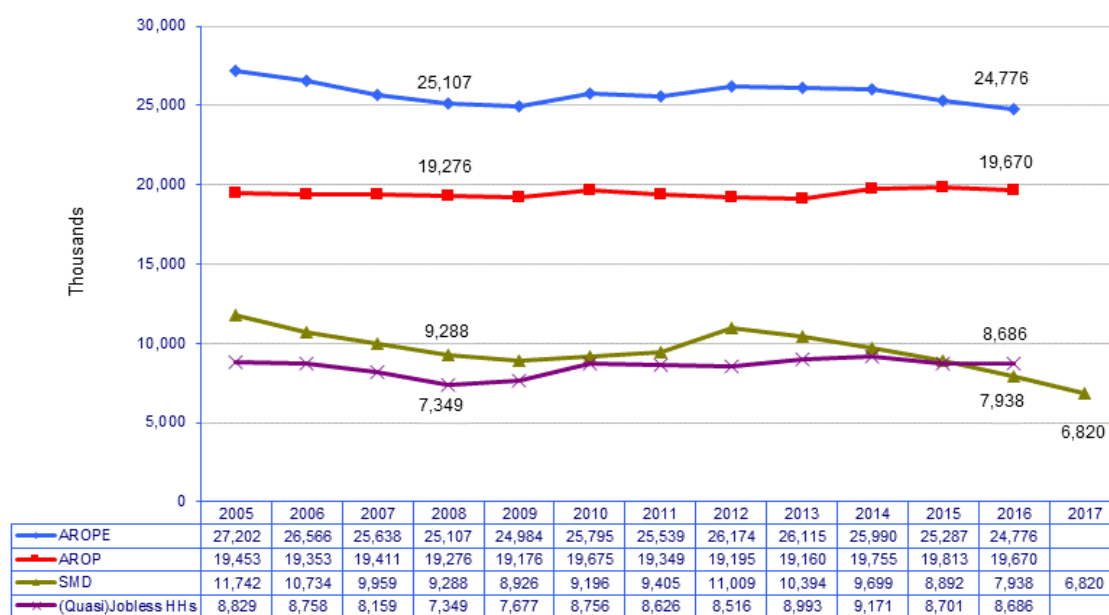
Whilst such measures are promising, there is also the risk that they will not reach the working poor. This has been found to be the case with subsidised childcare, where the target group is often not aware of the availability of the services. Equally, for various reasons, those in the most precarious jobs often do not have access to training, which is another example of an indirect measure. The Eurofound study therefore concludes that more policy evaluations are needed to better understand the effectiveness of indirect measures. Even so, the study highlights the value of paying particular attention to the working poor and of better documenting their social situation.

Clear signs of improving child poverty and youth exclusion, but levels remain high in many Member States

There were around 25 million children in the EU28 living at risk of poverty or social exclusion in 2016, 0.5 million fewer than the previous year and accounting for around 1/5 of all people living in poverty or social exclusion. The situation of children had been improving up until the crisis but worsened subsequently, adding around another million children to the total at risk by 2012, and mainly reflecting rises in severe material deprivation among children and in the number of children living in (quasi-)jobless households (Figure 25). However, the overall risk of poverty or social exclusion for children has declined since 2012, with particularly strong reductions in 2015 and 2016, and mainly reflecting declines in severe material deprivation among the child population. As a result of these recent developments, the number of children at risk of poverty or social exclusion has now fallen below the level recorded in 2008. Moreover, the trend of decreasing severe material deprivation among children is estimated to have continued into 2017 figures.

In 2016, compared to the year before 13 Member States registering significant reductions in the poverty or social exclusion rate for children, most notably LV (down 6.6 pp), MT (4.2 pp) and the UK (3.1 pp). Only 3 Member States (BG, FR and RO) recorded significant increases. While for many Member States rates are now not significantly different to those in 2008, the situation with respect to the longer-term trend is still alarming in some countries, which have seen significant increases in the rate of child poverty or social exclusion since 2008. Rates remain considerably higher compared to 2008 in BG, CY, EL and IT, while only two Member States (LV and PL) have recorded a substantial decrease in the child poverty or social exclusion rate (Figure 26). Rates of around 30% or more are still observed in 8 Member States, and among these rates of over 45% in BG and RO are of particular concern.

Figure 25: Evolution in child poverty risk and social exclusion and its components in the EU-27, 2005 to 2016

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AROPE	27,202	26,566	25,638	25,107	24,984	25,795	25,539	26,174	26,115	25,990	25,287	24,776	
AROP	19,453	19,353	19,411	19,276	19,176	19,675	19,349	19,195	19,160	19,755	19,813	19,670	
SMD	11,742	10,734	9,959	9,288	8,926	9,196	9,405	11,009	10,394	9,699	8,892	7,938	6,820
(Quasi)Jobless HHs	8,829	8,758	8,159	7,349	7,677	8,756	8,626	8,516	8,993	9,171	8,701	8,686	

Source: Eurostat (EU-SILC)

Note: i) Figures are in 1000s; ii) AROPE – at risk of poverty or social exclusion rate; AROP - at-risk-of-poverty rate; (quasi)-Jobless households - share of population living in (quasi-)jobless (i.e. very low work intensity) households; SMD - severe material deprivation rate; iii) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, the (quasi-)jobless household (i.e. very low work intensity) rate refers to the previous calendar year while for the severe material deprivation rate the reference is the current survey year.

Figure 26: Evolution of the share of children (0-17) at risk of poverty or social exclusion, 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	26.4	26.4	25.2	25.3	21.6	45.6	17.4	13.8	19.3	21.2	27.3	37.5	32.9	22.6	26.6	33.2
2015-2016 change in pp	~	~	~	~	-1.7	1.9	~	~	~	-1.3	-1.5	~	-1.5	1.4	-1.6	~
2008-2016 change in pp	n.a.	~	~	~	~	7.3	~	n.a.	~	~	~	8.8	~	~	n.a.	4.8
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	29.6	24.7	32.4	22.7	33.6	24.0	17.6	20.0	24.2	27.0	49.2	14.9	24.4	14.7	19.9	27.2
2015-2016 change in pp	~	-6.6	~	n.a.	-2.5	-4.2	~	-2.3	-2.4	-2.6	2.4	-1.7	~	~	~	-3.1
2008-2016 change in pp	8.1	-7.7	~	~	~	~	~	~	-8.7	~	~	~	~	~	~	~

Source: Eurostat (EU-SILC)

Notes: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change), "n.a." refers to data not (yet) being available; ii) For BG, major break in the time series in 2014 for the material deprivation indicators, so for SMD and AROPE the change 2008-2013 is used for the longer period compared to 2008. Also a break in 2016 for EU-SILC based indicators, but comparisons of changes are still valid; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes and to a lesser degree variables highly correlated with incomes ("n.a." shown for the period compared to 2008 for these); iv) For EE, major break in series in 2014 for variables in EU-SILC. Hence change 2008-2013 used for the longer period compared to 2008; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; ix) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); x) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; xiii) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious;

Box 10. A new EU indicator of child deprivation

A new indicator on child deprivation (the child deprivation rate) has recently been adopted by the Indicators Sub-Group of the Social Protection Committee. The adoption of this child-specific indicator is an important step in the direction of the European Commission's and Member States' commitment to including (at least) one indicator on "child well-being" in the EU portfolio of social indicators and to improving the EU toolbox needed for monitoring progress in the implementation of the EU Recommendation on "Investing in Children: breaking the cycle of disadvantage" endorsed by all EU countries in 2013. The indicator will usefully complement the picture provided by other household-centred indicators of poverty and social exclusion that may not adequately reflect the specific situation of children.

The child deprivation rate is the percentage of children aged between 1 and 15 years who suffer from the enforced lack of at least three items out of the following 17 (unweighted) items:

1. Child: Some new clothes
2. Child: Two pairs of shoes
3. Child: Fresh fruits and vegetables daily
4. Child: Meat, chicken, fish daily
5. Child: Suitable books
6. Child: Outdoor leisure equipment
7. Child: Indoor games
8. Child: Leisure activities
9. Child: Celebrations
10. Child: Invite friends
11. Child: School trips
12. Child: Holiday
13. Household: Replace worn-out furniture
14. Household: Arrears
15. Adults in the household: Internet[14]
16. Household: Home adequately warm
17. Household: Car

The indicator will be computed every three years, based on a detailed set of items collected through the thematic EU-SILC module on children. The most recently available figures are shown in Figure 27. For further details on the indicator see Guio, A.-C., Gordon, D., Marlier, E., Najera, H. and Pomati, M. (2017), *"Towards an EU measure of child deprivation"*, Child indicators research, 11(3), pp. 835–860: https://link.springer.com/article/10.1007/s12187-017-9491-6.

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[14] If at least half of the adults in the household are deprived of this item, child is considered deprived of the item.

Figure 27: Proportion of children (aged between 1 and 15 years) who lack at least three items (out of 17) EU-28 Member States, 2014
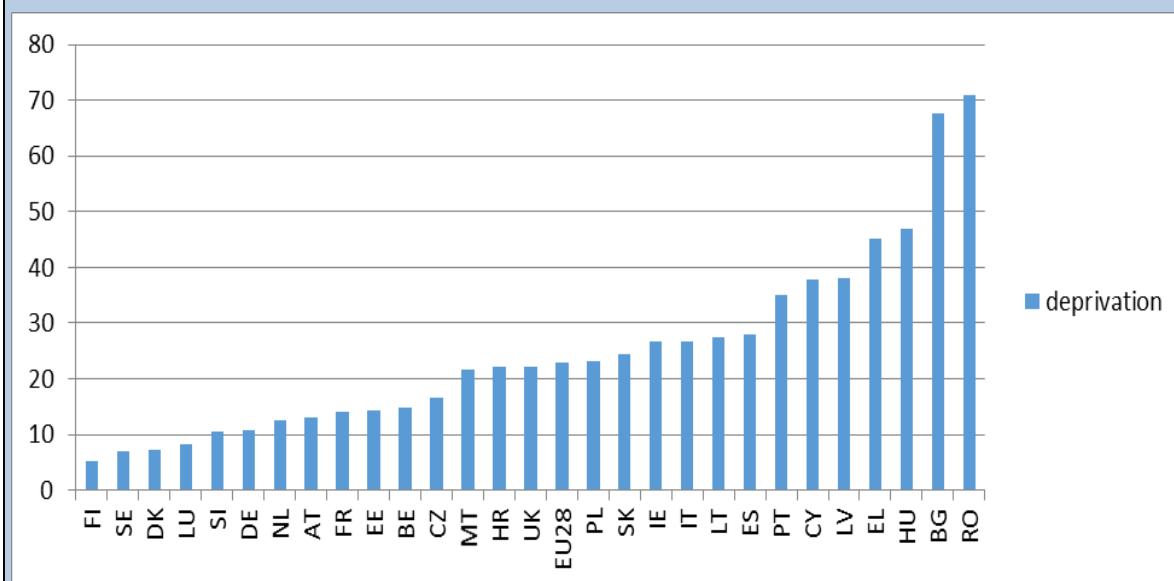
Source: EU-SILC 2014 cross-sectional data

This new indicator should be analysed in combination with a complementary indicator on the depth, or intensity, of child deprivation (the mean number of deprivation items among the deprived children), in order to allow to show progress even in Member States with a high average number of deprivation items among the deprived

As a result of improvements in EU labour markets in recent years as well as initiatives to support the labour market integration of young people such as the Youth Guarantee (2013)[15] policy framework and the financial assistance provided through the Youth Employment Initiative[16], in 2017 the youth unemployment ratio[17] showed further significant declines in several Member States. Of particular note were year-on-year reductions of the order of 2 pp in CY, ES, IE and HR. In around three quarters of Member States the youth unemployment ratio has now fallen back to levels not significantly different to those recorded in 2008. Nevertheless, in a few Member States (CY, EL, FI, IT and NL) the ratio remains considerably higher, especially so in CY and EL where the overall picture is still one of strong deterioration in the labour market situation of young people. Clear

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[15] http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013H0426(01).

[16] http://ec.europa.eu/social/main.jsp?catId=1176&langId=en.

[17] The reason for looking at both youth unemployment rates and ratios is that a use of only the unemployment rate can produce a distorted picture when comparing the youth labour markets of different countries. One difficulty with using the unemployment rate as an indicator for the labour market performance, especially of young people, is that it shows the number of unemployed youth as a percentage of the youth labour force. Using the youth labour force as a denominator can lead to distortions when comparing countries with great differences in youth activity rates or when activity rates change significantly over time. For instance, youth unemployment rates for two countries with identical numbers of youth and unemployed youth will differ if one country has a higher share of youth not available for the labour market because of, for example, a higher number of youth in education. More concretely, the country with a higher share of youth in education (or otherwise inactive) will display a higher youth unemployment rate.

improvements over the longer-term reference period have only been registered in DE, IE and the UK (Figure 28).

## Figure 28: Evolution of youth unemployment ratio (15-24), 2016-2017 and 2008-2017

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2017	7.0	7.0	7.5	7.5	5.4	3.4	2.5	7.0	3.4	5.6	6.7	10.9	12.9	8.2	9.8	9.1
2016-2017 change in pp	~	~	~	~	~	~	~	~	~	~	-1.8	~	-1.8	~	-1.8	~
2008-2017 change in pp	~	~	~	~	~	~	~	~	-2.1	~	-2.2	4.3	~	~	~	2.6
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2017	9.0	6.8	4.6	4.7	3.5	5.5	6.1	5.5	5.2	8.1	5.5	4.4	6.3	10.7	9.8	7.0
2016-2017 change in pp	-1.8	~	~	-1.1	~	~	-1.3	~	~	-1.2	~	~	~	~	~	~
2008-2017 change in pp	5.2	~	~	~	~	~	2.2	~	~	~	~	~	~	1.9	~	-2.2

Source: Eurostat (LFS)

Notes: i) For FR, there is a break in series in 2014; ii) For RO, breaks in series in 2010 for LFS-based indicators, so change relative to 2010 shown for the period 2008-2017.

At EU level, the 0.8 pp fall in the youth unemployment ratio over the latest year reflects very similar changes for male and female youth (Figure 29). However, the situation varies across individual Member States. For a large majority of Member States, the reduction in the ratio for male youth has been noticeably more pronounced than for young women, the only exceptions being CY, ES, FR, LU, MT and SK. In FI and LV, rates increased for young females while they dropped for young males.

Figure 29: Changes in the youth unemployment ratio 2016-2017, by gender
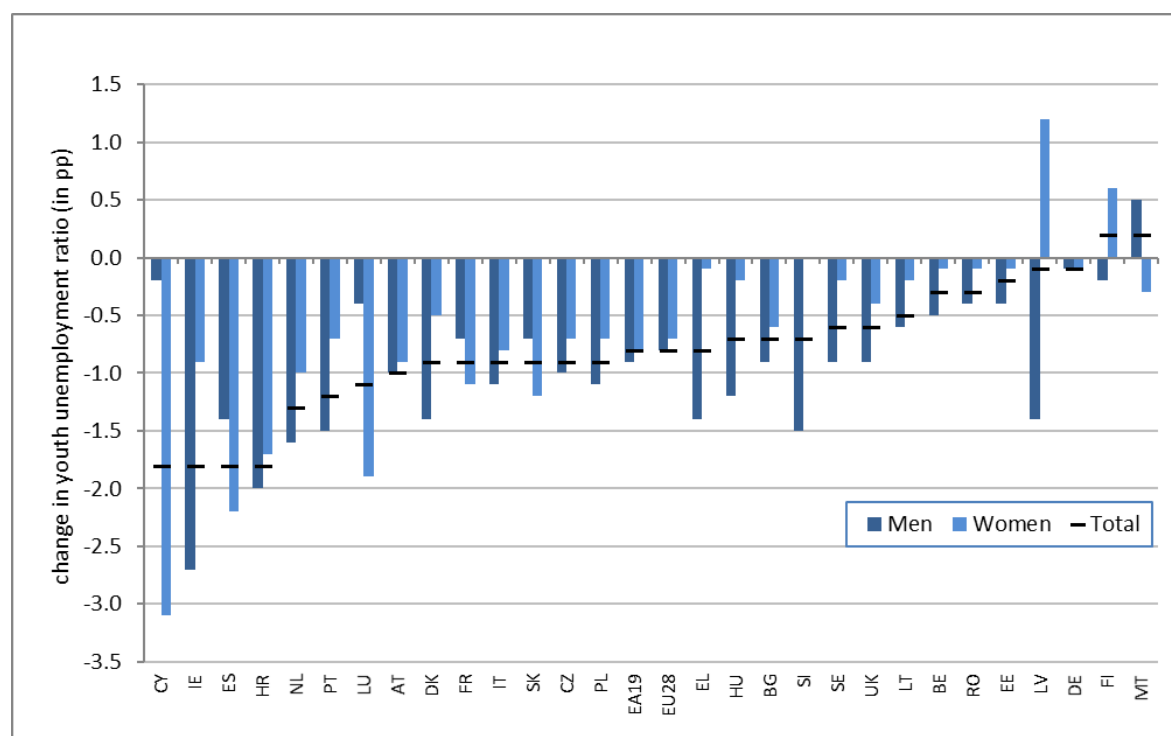
Source: Eurostat (LFS)

Low economic activity among young people should not be the main concern, given the high proportion of students among the young generation. However, the proportion of young people who are neither in employment nor in education and training (NEET) could be a concern. The share of NEETs in the EU in the age group 15-24 had been shrinking up until 2008 (when the share was 10.9%), but then grew substantially through to 2012 when it reached 13.2%. However, since then there has been a steady reduction in the rate, so that by 2017 it had fallen back to the same level as prior to the crisis in 2008. Over the latest year, 2016-2017, developments have been generally positive, with the NEET rate falling in a large majority of Member States, and with significant falls recorded in 10 countries, most notably BG, IE, RO and SI (Figure 30). As a result, in 2017 a much reduced number of Member States still showed any significant increases in their NEET rates compared to 2008, with only CY, DK, EL, HR and IT still flagging up significant deterioration. A few Member States (BG, DE, IE and the UK) had significantly lower NEET rates than were recorded in 2008. While generally coming down, and notwithstanding the recent improvements, NEET rates in 2017 were still around 15% or more in BG, CY, EL, HR and RO, and around 20% in IT. In contrast, rates were below 7% in AT, CZ, DE, LU, NL, SI and SE.

Figure 30: Evolution in NEET (not in employment, education or training) rates (15-24), 2016-2017 and 2008-2017

|	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2017	10.9	10.9	11.2	11.2	9.3	15.3	6.3	7.0	6.3	9.4	10.9	15.3	13.3	11.5	15.4	20.1
2016-2017 change in pp	-0.7	-0.6	~	~	-0.6	-2.9	~	1.2	~	~	-1.7	~	-1.3	~	~	~
2008-2017 change in pp	~	~	~	~	~	-2.1	~	2.7	-2.1	~	-3.0	3.9	~	~	3.8	3.5
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2017	16.1	10.3	9.1	5.9	11.0	8.0	4.0	6.5	9.5	9.3	15.2	6.5	12.1	9.4	6.2	10.3
2016-2017 change in pp	~	~	~	~	~	~	-0.6	-1.2	-1.0	-1.3	-2.2	-1.5	~	~	~	~
2008-2017 change in pp	6.4	~	~	~	~	~	~	~	~	~	~	~	~	~	~	-1.8

Source: Eurostat (LFS)

Notes: i) For FR, there is a break in series in 2013 and 2014; ii) For RO, breaks in series in 2010, so change relative to 2010 shown for the period 2008-2015.

While at EU level, the NEET rate has returned to its pre-crisis level of 10.9%, there has been an underlying shift in the relative situation of young men and women. NEET rates converged between young males and young females aged 15-24 following the 2008 crisis, which saw rates for both rise but more so for young males (Figure 31). Rates for both peaked in 2012 and have been falling at a similar rate since. By 2017 the rate had fallen to 11.2% for women (some 0.8 pp below its pre-crisis level) and 10.7% for men (1 pp above its pre-crisis level).

Early school leaving increases the likelihood of young people entering the labour market without adequate skills, who then may face unemployment or the risk of in-work poverty. Across Europe, rates of early leavers from education and training range from as low as around 3-6% in EL, HR, IE, LT, PL and SI to as high as around 18% in ES, MT and RO. Developments since 2008 have been widely positive across the EU, with significant reductions in early school leavers rates in around two thirds of Member States, most notably in the southern Member States of EL, ES, MT and especially

PT. In the latest year for which data are available, 4 Member States (IE, MT, NL and PT) recorded a significant further improvement, while 2 (DK and SK) showed signs of the rate picking up again (Figure 32).

Figure 31: EU NEETs rate by gender, 2006-2017
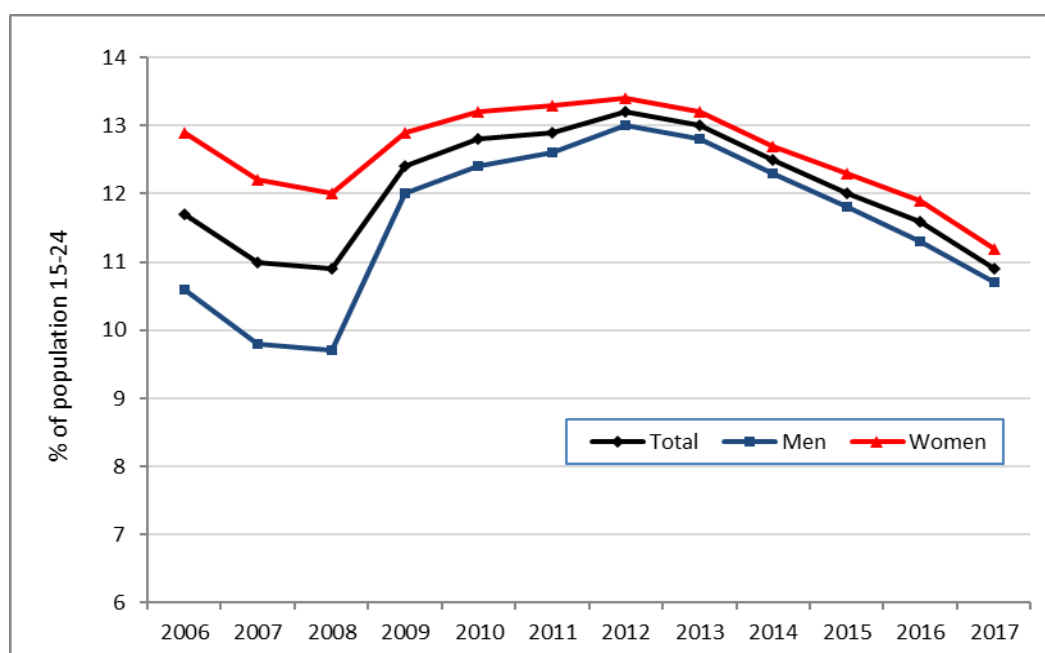
Source: Eurostat (LFS)

Developments in early school leaving rates by gender show large variations across countries. For those countries where there has been a strong decrease in the early school leavers rate, it has generally been stronger for male youths, although MT and NL are exceptions. In countries where the early school leavers' rate has risen over the latest year, the rise is mainly driven by females in CY, HU, SE and SK, in comparison to AT, DK, FI, IT, LT and LU where it has mainly been due to sharper rises among male youths (Figure 33).

Figure 32: Evolution in early school leavers' rates (in %) from education and training (18-24), 2016-2017 and 2008-2017
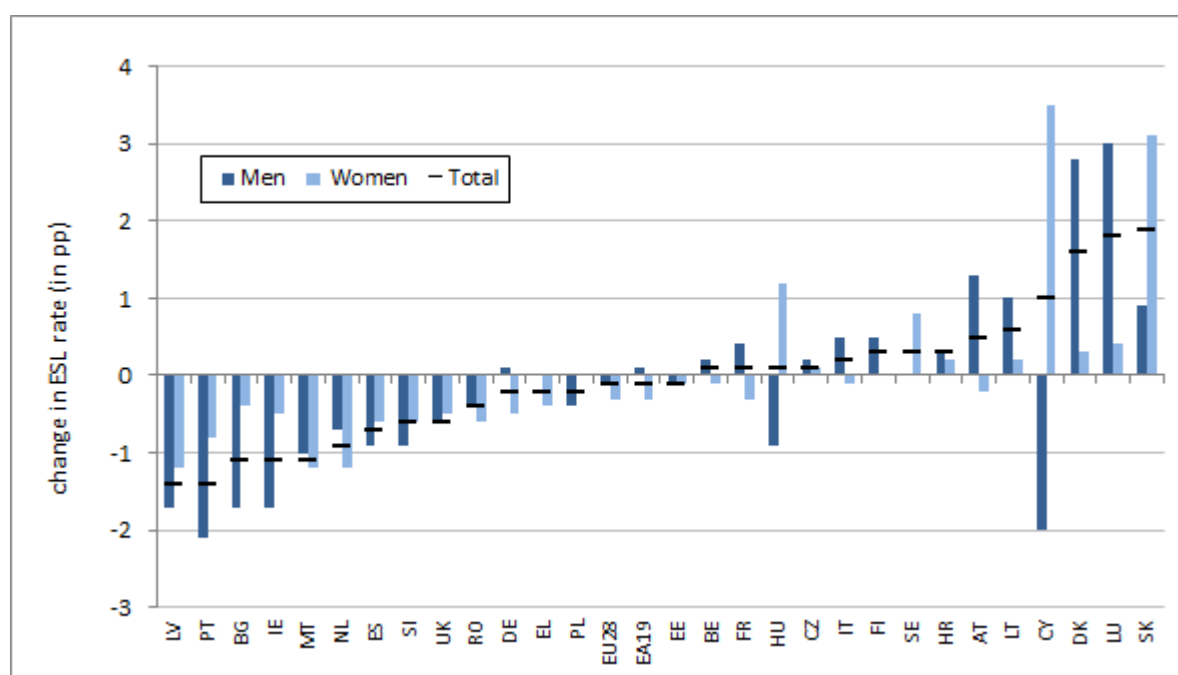
	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2017	10.6	10.6	11.0	11.0	8.9	12.7	6.7	8.8	10.1	10.8	5.1	6.0	18.3	8.9	3.1	14.0
2016-2017 change in pp	~	~	~	~	~	~	~	1.6	~	~	-1.1	~	~	~	~	~
2008-2017 change in pp	-4.1	-4.2	-5.4	-5.3	-3.1	~	~	-3.7	~	-3.2	-6.6	-8.4	-13.4	-2.9	~	-5.6
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2017	8.6	8.6	5.4	7.3	12.5	18.6	7.1	7.4	5.0	12.6	18.1	4.3	9.3	8.2	7.7	10.6
2016-2017 change in pp	~	~	~	~	~	-1.1	-0.9	~	~	-1.4	~	~	1.9	~	~	~
2008-2017 change in pp	-5.1	-6.9	~	-6.1	~	-8.6	-4.3	-2.8	~	-22.3	~	~	3.3	~	~	-6.3

Source: Eurostat (LFS)

Notes: i) For RO, breaks in series in 2010 for LFS-based indicators, so change relative to 2010 shown for the period 2008-2016.

The 2012 SPC Advisory Report on "Tackling and Preventing Child Poverty, Promoting Child Well-being"[18] and the European Commission Social Investment Package[19] highlighted the importance of following a comprehensive approach to tackle early school leaving. This means integrated multi-level responses linking the home, the child, the school, adult education, community and relevant services. Schools, social and employment services and parents should combine their efforts and work together to prevent early school leaving. Offering a greater variety of education and training possibilities, both formal and informal as well as after school programmes, creating flexible education pathways, forming smaller classes and preparing individualised education plans, may help reduce early school leaving. According to the OECD's PISA study a 2-year part–time participation in early childhood education and care for disadvantaged children under 3 will add on average one year of extra school at the age of 14 and thus significantly lower the risk of early school leaving. Providing quality vocational training options, educational experimental frameworks aimed at boosting the attractiveness of schools and enhancing motivation of pupils as well as special programmes for children with specific needs are vital to combat disadvantages. Improving availability of alternative or non-formal education, raising the compulsory schooling age or making secondary schools universally accessible will improve the flexibility of education systems.

Figure 33: Change in early school leavers' rate 2016-2017 by gender

Source: Eurostat (LFS)

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[18] http://ec.europa.eu/social/BlobServlet?docId=7849&langId=en
[19] http://ec.europa.eu/social/main.jsp?catId=89&langId=en&newsId=1807&moreDocuments=yes&tableName=news

Mixed developments in income inequality across Member States between 2015-2016, following longer-term rises

Over the last decade, income inequality has grown within many Member States, particularly in most of the Southern Member States and in several Central and Eastern European countries. In many countries, the crisis has intensified the long-term trends of wage polarisation and labour market segmentation, which together with less redistributive tax and benefit systems have fuelled rising inequalities. High levels of unemployment, and in some cases the impact of fiscal consolidation, also explain the significant increases in inequalities observed in the countries most affected by the crisis.

With regard to income inequality, the income quintile ratio (S80/S20) shows that while on average inequality has remained broadly stable between 2008 and 2016 at EU level, there is a wide dispersion and growing divergence in inequality between Member States. The S80/S20 inequality ratio has increased significantly in 11 Member States compared to 2008, especially in most of the Southern Member States (CY, EL, ES and IT), in several Central and Eastern European Member States (BG, EE, HU, LT, SI and SK) and also in SE (Figure 34 and Figure 35). In contrast, significant reductions have been registered in a few countries, namely BE, LV, PL and the UK over the same period. Over the most recent period 2015-2016, inequality has risen significantly in SK and SE, and especially sharply in BG and IT, but reduced substantially in 8 Member States, most notably in EE and RO. The highest income inequalities are currently found in BG, EL, ES, IT, LV, LT, and RO, in all of which the equivalised income of the richest 20% of the population is more than 6 times that of the poorest 20%.

Figure 34: Income quintile ratio (S80/S20), evolution (% change) 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	5.2	5.2	5.1	5.2	3.8	7.9	3.5	4.1	4.6	5.6	4.4	6.6	6.6	4.3	5.0	6.3
2015-2016 change in %	~	~	~	~	~	11.3	~	~	-4.2	-9.7	~	~	-4.3	~	-3.8	8.6
2008-2016 change in %	n.a.	~	~	6.1	-7.3	21.5	~	n.a.	~	10.0	~	11.9	17.9	~	n.a.	21.2

	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	4.9	6.2	7.1	5.0	4.3	4.2	3.9	4.1	4.8	5.9	7.2	3.6	3.6	3.6	4.3	5.1
2015-2016 change in %	-5.8	-4.6	-5.3	n.a.	~	~	~	~	~	~	-13.3	~	2.9	~	4.9	~
2008-2016 change in %	14.0	-15.1	16.4	~	19.4	~	~	~	-5.9	~	~	5.9	5.9	~	16.2	-8.9

Source: Eurostat (EU-SILC)

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available. Eurostat calculations on statistical significance of net change have been used where available, combined with checks for substantive significance. ii) The income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey); iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; iv) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes for these are presented for the period 2008-2013 only; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; vi) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); vii) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; viii) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious.

Figure 35: Income quintile ratio (S80/S20), evolution 2008-2016
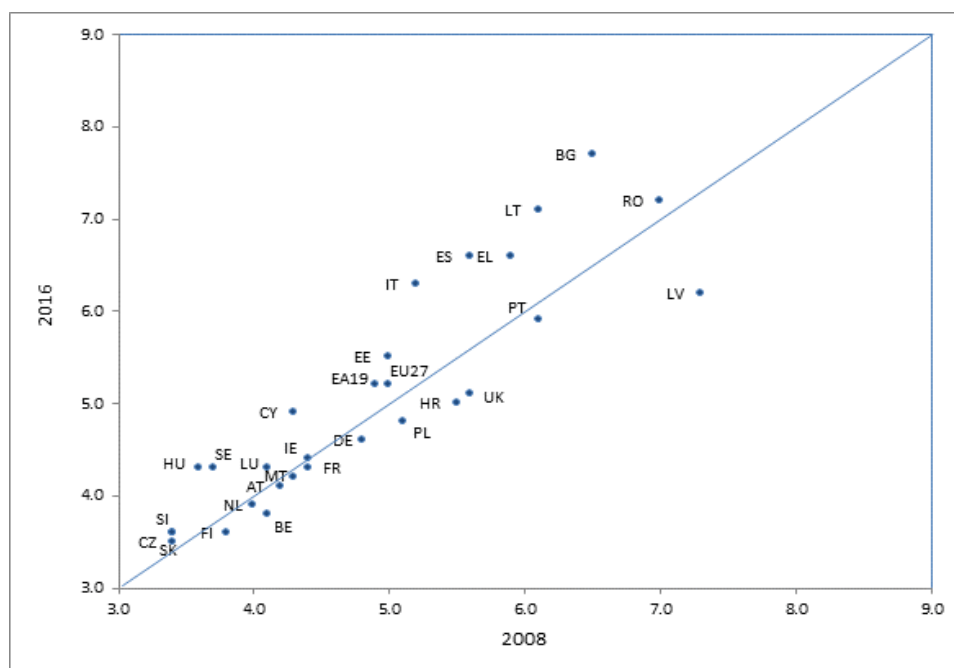
Notes: i) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes, so comparison not shown ii) For EE, major break in series in 2014 for variables in EU-SILC, so 2013 figure shown instead of 2016; iii) For HR, data refer to 2010 instead of 2008; iv) For LU, major break in series in 2016 for EU-SILC based indicators, so comparison is to 2015 instead of 2016; v) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; vi) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious; vii) The blue line shows equal inequality in 2008 and 2016, so countries to the left of the line have seen a rise in inequality, and those to the right a reduction.

The latest Commission's Employment and Social Developments in Europe report (Commission 2018b) highlights that both the risks and the opportunities the changing world of work brings about may result in new patterns of inequality across different socio-economic dimensions. On the one hand, a greater diversity of forms of work can enhance workers' choices, facilitate reconciliation between work and private life and ease access to the labour market for disadvantaged or underrepresented groups, including women and older workers. The flexibility offered by new forms of work can also be an element of resilience in the face of economic shocks. On the other hand, non-standard work has some negative implications for workers' well-being compared with that of standard workers. This is because new forms of work often imply fragmented careers and more frequent periods of inactivity, which may lead to greater earnings inequality (as a result of differences in hours worked) as well as to diminished access to training opportunities, social protection and services.

The European Pillar of Social Rights provides a compass for upward convergence in economic and social outcomes, mitigating within country as well as cross-country inequality. Ensuring rights that guarantee a decent life and improve living conditions is at the core of the Social Pillar. Addressing challenges such as the higher risk of poverty of workers in new non-standard contractual relationships requires action on several fronts, such as up-skilling and reskilling policies, "promoting fair wages and minimum incomes ensuring a life in dignity, gender equality, equal

access to quality education and training for all". It also requires effective social protection. In this context, as part of the Social Fairness Package, the Commission presented in March 2018 a proposal for a Council Recommendation on access to social protection for workers and the self-employed.

Continuing weakening in the effectiveness of income support systems for those furthest away from the labour market

Member States differ substantially in terms of the adequacy of the income benefits they provide to (quasi-)jobless households. In 2016 the poverty risk for people living in (quasi-)jobless households ranged between as much as over 75% in the three Baltic States of EE, LV and LT, to around 50% or under in DK, LU and the UK. Between 2015 and 2016, 8 Member States experienced a significant worsening of the poverty risk for people in (quasi-)jobless households, with particularly strong increases in BE, IE and the NL (Figure 36), with the result that this has been identified again, as in previous years, as a trend to watch. This suggests a reduction in the effectiveness of safety nets in terms of income support in these countries. Significant reductions were recorded only in a couple of Member States (BG and FR). The longer-term trend since the beginning of the crisis (2008) has also mainly been one of worsening income poverty among (quasi-)jobless households, with around half of Member States seeing an increased poverty risk for people in such households and only 5 seeing a reduction. Especially marked increases compared to 2008 of over 15 pp have been recorded in CZ, IE, NL, PL, RO and SE, and of over 20 pp in SK.

Figure 36: At-risk-of-poverty rate for the population living in (quasi-)jobless households (in %), evolutions 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	60.0	59.9	60.8	60.9	65.5	71.6	70.6	48.5	66.8	78.1	61.6	52.2	63.6	54.0	66.9	59.6
2015-2016 change in pp	~	~	~	~	7.0	-3.8	5.0	~	~	~	7.5	~	~	-8.4	~	2.4
2008-2016 change in pp	n.a.	~	5.6	5.6	10.8	-6.2	15.2	n.a.	~	~	15.0	11.9	12.2	~	n.a.	4.7
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	51.4	75.7	77.0	48.2	53.6	68.3	56.4	51.9	64.4	55.6	65.2	63.5	75.4	51.5	71.2	50.4
2015-2016 change in pp	~	~	~	n.a.	~	~	8.5	~	3.4	~	5.0	~	~	~	~	2.5
2008-2016 change in pp	~	-7.6	6.7	-8.1	5.1	6.7	16.7	~	15.2	~	16.5	8.5	22.3	-4.8	18.8	-12.7

Source: Eurostat (EU-SILC)

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available. Eurostat calculations on statistical significance of net change have been used where available, combined with checks for substantive significance. ii) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey). Similarly, (quasi-)jobless households (i.e. very low work intensity) refers to the household situation in the previous calendar year.; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; iv) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes for these are presented for the period 2008-2013 only; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; vi) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); vii) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; viii) For UK, changes in the EU-SILC survey vehicle and institution in 2012

Social protection systems can contribute to the smooth functioning of the labour market and to inclusive growth. The principles enshrined in the European Pillar of Social Rights provide a strong consensual basis for social protection systems that invest effectively and efficiently in people and support them through changes stemming from new and emerging challenges.

To support the needs of people at risk of poverty, governments provide social security in the form of social transfers. The effectiveness of social provision can be examined by comparing the at-risk-of-poverty rate before and after social transfers. The impact of social transfers on income poverty reduction varies greatly across Member States. In 2016, it ranged from under 20% in BG, EL and RO to over 50% in DK, FI and IE (Figure 37). These large differences highlight the potential for improvement in some Member States in the size and effectiveness of social protection expenditure. Between 2015 and 2016, however, there were no countries with significant improvements in the capacity of social transfers to reduce the risk of poverty, and in 2 Member States (HR and NL) the impact was significantly reduced. In the longer term (2008-2016) only 5 countries (AT, EE, LV, FI and the UK) have significantly strengthened the impact of social transfers in reducing the risk of poverty as opposed to 6 countries (CZ, HU, PL, RO, SK and SE) where the impact has significantly decreased. For the others, no significant changes were observed compared to the situation in 2008.

Figure 37: Impact of social transfers (excluding pensions)[20] on at-risk-of-poverty reduction, evolutions 2015-2016 and 2008-2016[21]

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	33.2	33.2	32.3	32.3	41.1	17.9	40.5	52.2	34.8	24.9	52.2	15.9	24.4	42.4	28.6	21.4
2015-2016 change in pp	~	~	~	~	~	~	~	~	~	~	~	~	~	~	-6.9	~
2008-2016 change in pp	n.a.	~	~	~	~	~	-14.5	n.a.	~	5.7	~	~	~	~	n.a.	~
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	35.6	21.6	21.5	39.1	43.8	30.7	42.5	46.4	24.5	24.0	14.2	42.8	31.0	57.0	45.8	43.4
2015-2016 change in pp	~	~	~	n.a.	~	~	-5.4	~	~	~	~	~	~	~	~	~
2008-2016 change in pp	~	7.3	~	~	-15.4	~	~	5.1	-8.2	~	-9.1	~	-9.8	6.9	-9.2	8.1

Source: Eurostat (EU-SILC)

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available. Eurostat calculations on statistical significance of net change have been used where available, combined with checks for substantive significance. ii) For the at-risk-of-poverty rate, the income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; iv) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes for these are presented for the

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[20] The trends in the impact of social transfers seems not to be entirely consistent with the trends in the risk of poverty of people living in (quasi-)jobless households. This reflects to a large extent the different significance thresholds used for each indicator, which are much larger for the impact indicator (5%) and leads to less flagging up of that indicator, as well as the fact that they focus on different age groups (0-59 for the AROP indicator and the whole population for the impact indicator).

[21] The impact of social transfers is a theoretical indicator which is calculated using a fixed income poverty line and ignores the influence of social transfers on median income. This should be taken into account when interpreting the figures.

The above assessment of the impact of social transfers does not consider non-cash benefits such as transfers in kind. As all Member States provide public services that contribute to the welfare of all individuals, purely income-based measures are not enough when analysing individual well-being and social protection.

High-quality welfare services in the form of healthcare, education, long-term care services for the elderly and childcare, etc., contribute strongly to a more equitable distribution of welfare, and have long been a feature especially of Nordic and West European welfare systems. Such support averages around 9.5% of GDP in the EU, and ranges from 3.7% of GDP in CY to 13.5% in SE (Figure 38). In general, the countries which achieve a low impact of social transfers on income poverty reduction tend also to be those that spend less on in-kind services. In most countries the spending on in-kind benefits has increased since 2008, and with more substantial rises of over 1.5 pp recorded in DE, FI and the UK. However, expenditure on in-kind benefits has been reduced substantially in EL and IE compared to levels in 2008.

Figure 38: Social benefits in-kind, as % of GDP, 2008 and 2015
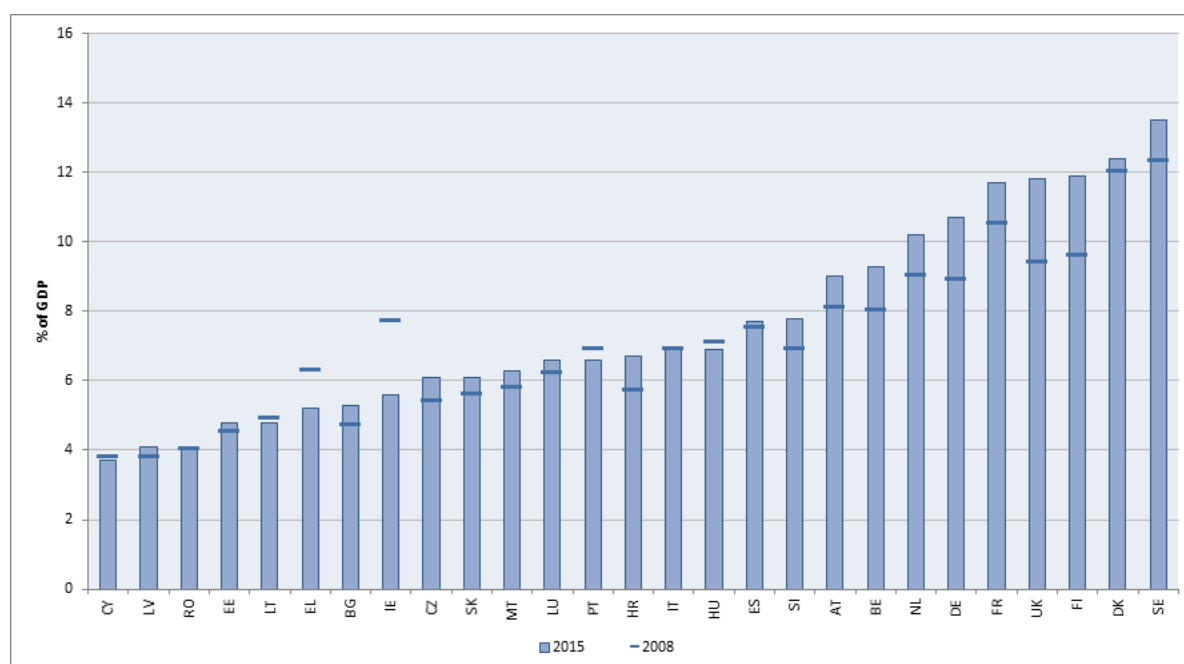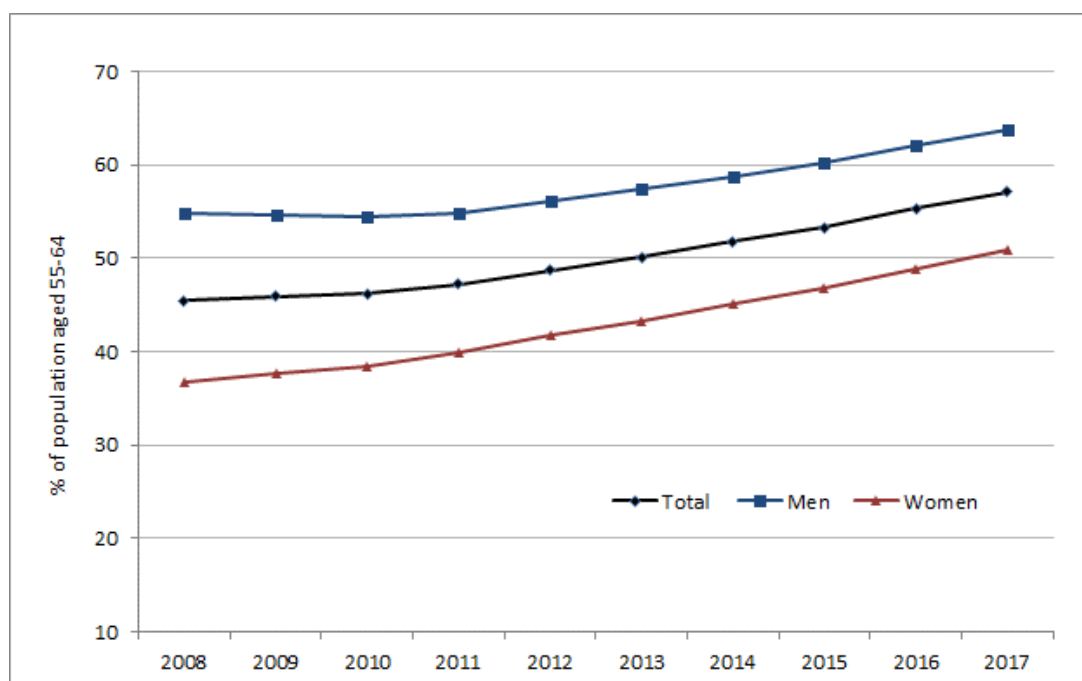

Source: Eurostat (Esspros)

Note: No 2015 figures for PL and EU and EA19 aggregates.

Continued widespread improvement in the employment rate of older workers

A notable feature of trends in the labour market since 2008 has been the significant increase in the employment rate for older workers (i.e. people aged 55-64) in the EU, which has seen a rise of close to 12 pp since the beginning of the crisis in 2008 (Figure 39). Rates currently range from 38.3% in EL to 76.4% in SE, and average 57.1% for the EU as a whole. Considerable effort has been made over the last decade or so to improve older people's labour market participation, and as can be seen in Figure 40, this is an area where substantial positive strides have been made, even during the period of the crisis. Increases since 2008 have been highest in DE, HU, IT, MT and PL, all seeing rises in excess of 15 pp, but substantial rises of over 10 pp were also recorded in AT, BE, BG, CZ, DK, FR, NL, LT and SK. This in part reflects that financial incentives to continue work at older ages have improved strongly in recent years.

Overall, since 2008, 23 Member States have significantly improved their employment rates for older workers, and the widespread positive impetus is continuing as significant rises were also recorded between 2016 and 2017 in 21 Member States. Only in EL were older workers' employment rates in 2017 significantly below those observed in 2008 (down almost 5pp), while the rates were not significantly different compared to 2008 in CY, HR, LV and RO.

Figure 39: Employment rate of older workers (55-64) in the EU, 2008-2017

Source: Eurostat (LFS)

Figure 40: Employment rate of older workers (55-64), evolution 2016-2017 and 2008-2017

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2017	57.1	57.2	57.1	57.2	48.3	58.2	62.1	68.9	70.1	68.1	58.4	38.3	50.5	51.3	40.3	52.2
2016-2017 change in pp	1.8	1.8	1.9	1.9	2.9	3.7	3.6	1.1	1.5	2.9	1.6	2.0	1.4	1.5	~	1.9
2008-2017 change in pp	11.6	11.7	12.8	12.8	13.8	12.2	14.5	10.5	16.4	5.8	4.6	-4.7	5.0	13.1	~	17.9
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2017	55.3	62.3	66.1	39.8	51.7	45.1	65.7	51.3	48.3	56.2	44.5	42.7	53.0	62.5	76.4	64.1
2016-2017 change in pp	3.1	~	~	~	1.9	~	2.2	2.1	2.1	4.1	1.7	4.2	4.0	~	0.9	~
2008-2017 change in pp	~	~	13.1	5.7	20.8	15.0	12.7	12.5	16.7	5.5	~	9.9	13.8	6.0	6.3	6.1

Source: Eurostat (LFS)

Notes: i) For RO, breaks in series in 2010 for LFS-based indicators, so change relative to 2010 for the period 2008-2015 is shown.

At EU level, the increase in the employment rate of older workers in the latest year was slightly higher for women (up 2 pp) than for men (up 1.7 pp). However, slightly more (around half) Member States recorded a noticeably stronger increase for male older workers than female older workers (most notably in EL, HU, HR and MT), while the opposite was observed in around 11 Member States, especially LT, LU, SK and the UK (Figure 41).

Figure 41: Change in employment rates of older workers (aged 55-64) 2016-2017 by gender
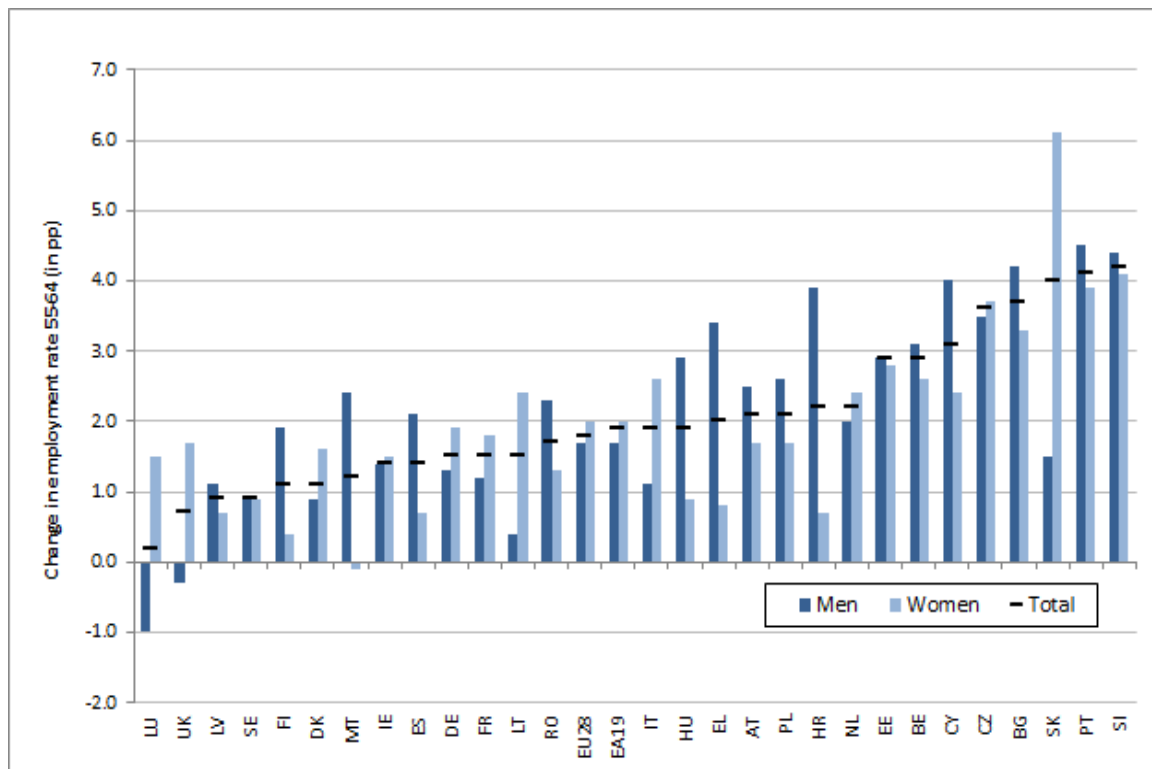
Source: Eurostat (LFS)

Reasons for the overall positive trend, which was already on-going before the crisis, include a continuing upward shift across later cohorts in healthy life years, educational achievement levels and participation of female workers aged 55-64, along with the impact of tax/benefit reforms restricting access to early retirement and early exits from the labour market, hence encouraging longer working lives, and some changes in age management in work places. All this has contributed to extending the effective retirement age.

Social protection systems that effectively contribute to maintaining the health of the population and provide adequate long-term care play a key role in enabling participation in society and the labour market and ensuring independent living by older people. Beyond health services, working and living environments should also be better adapted to the needs of older people, including adapted housing and transport services, local libraries, and home support, which enable the elderly to live independently for longer.

Signs of a decline in the relative income of the elderly, reversing the improving trend following the crisis

Pension income constitutes by far the main source of income for older Europeans, who represent a large and growing share of the EU population. They are also the largest element in social protection systems, affecting the primary incomes of more people than any other component. The adequacy of pension benefits is measured by, among other things, their ability to prevent the risk of income poverty, the degree to which they replace income before retirement and how they compare to the average incomes of people below pensionable age.

Regarding the ability of pensions to prevent the risk of income poverty in old age, until recently the trend in the income situation of the elderly following the 2008 crisis has been generally much better than for other age groups, mainly due to the stability of pension income while income from work declined. The share of the elderly aged over 65 at risk of poverty or social exclusion is now lower than that for the working-age population, although there remain wide disparities across Member States. In 2016, the share averaged 18.2% at EU level, but was above 40% in BG, EE and LV and above 30% in LT, HR and RO, while being 10% or less in CZ, DK, FR, LU and NL. In total, 16 Member States show significantly reduced shares of the elderly at risk of poverty or social exclusion compared to 2008 (Figure 42), although the changes over the latest year show significant increases in 5 MS and continued reductions in only 2.

Pensions also play a key role in allowing people to maintain their living standards in old age. At EU level, the relative median income ratio of older people (i.e. the ratio of the median equivalised disposable income of people aged above 65 to the median equivalised disposable income of those aged below 65) was 0.93 in 2016, but there are substantial differences across countries (Figure 43). The ratio ranged from 0.60 in EE and 0.63 in LV, to ratios equal to or greater than 1 in EL, ES, FR, HU, IT, LU and RO, highlighting the relative importance of financial allocations to pension systems in these Member States. Although the median relative income ratio remained stable at EU level between 2015 and 2016, it has shown rather more volatility across individual Member States, with significant declines in the ratio recorded in 13 Member States and significant

improvements in only 4. Nevertheless, the ratio remains higher in around half of Member States when comparing to the figures in 2008, and with no country showing a significant decline. Since 2008 the ratio has increased by more than 20% in 4 countries (BG, CY, EL and ES), and for the EU as a whole has risen by 9.4%.

Figure 42: At risk of poverty or social exclusion rate for the elderly (65+), evolution 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	18.2	18.1	17.1	17.3	16.4	45.9	10.1	9.2	18.3	41.4	17.4	22.0	14.4	10.0	32.8	23.2
2015-2016 change in pp	~	~	1.3	1.4	~	-5.9	~	~	~	4.4	~	~	~	~	~	3.3
2008-2016 change in pp	n.a.	-5.2	~	~	-6.5	-7.9	~	n.a.	~	-12.9	-5.1	-6.1	-11.8	~	n.a.	~
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	22.9	43.1	37.4	9.1	15.1	26.1	10.0	13.7	16.1	21.8	34.0	19.9	12.3	13.6	17.0	18.0
2015-2016 change in pp	2.1	~	~	n.a.	-2.0	2.4	3.9	~	~	~	~	~	~	~	~	~
2008-2016 change in pp	-26.4	-15.7	~	~	~	~	~	-7.5	-10.8	-5.9	-15.4	-4.5	-9.6	-10.3	~	-10.5

Source: Eurostat (EU-SILC)

Notes: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change), "n.a." refers to data not (yet) being available; ii) For BG, major break in the time series in 2014 for the material deprivation indicators, so for SMD and AROPE the change 2008-2013 is used for the longer period compared to 2008. Also a break in 2016 for EU-SILC based indicators, but comparisons of changes are still valid; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes and to a lesser degree variables highly correlated with incomes ("n.a." shown for the period compared to 2008 for these); iv) For EE, major break in series in 2014 for variables in EU-SILC. Hence change 2008-2013 used for the longer period compared to 2008; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; ix) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); x) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; xiii) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious;

Figure 43: Median relative income ratio for the elderly, evolution 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	0.93	0.93	0.94	0.94	0.76	0.80	0.79	0.75	0.84	0.60	0.86	1.07	1.01	1.02	0.84	1.01
2015-2016 change in %	~	~	~	~	-3.8	12.7	-2.5	-2.6	-3.4	-3.2	~	2.9	~	-1.9	~	2.0
2008-2016 change in %	n.a.	9.4	8.0	9.3	~	21.2	~	n.a.	~	11.3	16.2	24.4	21.7	7.4	n.a.	14.8
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	0.79	0.63	0.71	1.22	1.01	0.72	0.82	0.97	0.97	0.91	0.97	0.89	0.91	0.83	0.77	0.89
2015-2016 change in %	~	-3.1	-2.7	n.a.	~	-4.0	-7.9	~	-2.0	~	-3.0	~	~	2.5	-2.5	~
2008-2016 change in %	33.9	18.9	~	11.3	~	~	~	10.2	~	9.6	14.1	~	15.2	15.3	~	20.3

Source: Eurostat (EU-SILC)

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available. For year-on-year change, Eurostat estimates of statistical significance are used, while for change since 2008 a 5% threshold has been used; ii) The income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; iv) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes for these are presented for the period 2008-2013 only; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; vi) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison

When analysing trends in the median relative income ratio it is important to be aware that this is a relative measure and it is influenced by changes in the income of both the elderly (numerator) and the working age population (denominator). A decrease in the income of the working age population when the income position of people aged 65+ remains stable might give the impression that the actual position (i.e. income level) of the elderly has improved. The indicator thus needs to be assessed together with some absolute variables, such as the evolution in per capita incomes.

To assess the extent to which pensions fulfil their role of replacing income after retirement, it is also important to consider how many people are covered by pension systems and how large a proportion of their income is derived from pensions. The aggregate replacement ratio measures the median individual gross pension (including old-age and other pension benefits) of people aged 65-74 relative to median individual gross earnings of people aged 50-59. At EU level the ratio was 0.58 in 2016, although there are substantial variations across countries (see Figure 44). In general, the aggregate replacement ratios show that current median pension levels are lowest compared to current median earnings of people aged 50-59 in CY, HR, IE and LV (all below 0.45). The ratio is above 0.6 in 11 Member States, and are highest in FR (0.68), IT (0.69) and LU (0.88).

As for its evolution, the value of the ratio for the EU-27 increased by 18%, from 0.49 in 2008 to 0.58 in 2016. This upward trend reflects significant rises in around two-thirds of Member States, although primarily the result of the crisis-related decline in wage incomes of people aged 50-59, while only IE recorded a significant drop in the ratio. Significant rises were also recorded across around a third (9) of Member States in the most recent year, with only 2 countries (IE and NL) showing significant falls.

Figure 44: Aggregate replacement ratio, evolution 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	0.58	0.58	0.58	0.58	0.48	0.45	0.50	0.47	0.46	0.45	0.35	0.63	0.66	0.68	0.39	0.69
2015-2016 change in %	~	~	~	~	~	9.8	~	4.4	~	4.7	-7.9	3.3	~	~	~	4.5
2008-2016 change in %	n.a.	18.4	18.4	18.4	~	32.4	~	n.a.	~	11.1	-28.6	53.7	57.1	~	n.a.	35.3
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	0.44	0.42	0.45	0.88	0.67	0.54	0.50	0.62	0.62	0.64	0.66	0.47	0.62	0.53	0.57	0.53
2015-2016 change in %	~	~	~	n.a.	3.1	~	-3.8	~	~	3.2	4.8	~	~	~	~	6.0
2008-2016 change in %	33.3	40.0	~	37.9	9.8	31.7	16.3	~	10.7	25.5	32.0	~	14.8	~	~	23.3

Source: Eurostat (EU-SILC)

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available. For year-on-year change, Eurostat estimates of statistical significance are used, while for change since 2008 a 5% threshold has been used; ii) The income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; iv) For 2014 EE registered a major break in series for EU-SILC variables, so longer-term changes for these are presented for the period 2008-2013 only; v) For HR, no long-term comparison for EU-SILC-based indicators compared to 2008 as no EU-SILC data published by Eurostat before 2010; vi) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); vii) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; viii) For UK, changes in the EU-SILC survey vehicle and institution in 2012.

In the longer term, the Commission's 2017 Employment and Social Developments in Europe review (European Commission (2017)) reports that demographic ageing will bring higher economic dependency of the older on the younger generations in almost all EU countries, and with fewer contributors paying in to redistributive systems on which more pensioners will depend. In addition, since the 1970s, the number of years spent in retirement has increased considerably until recently, despite rising pensionable ages. Ageing report projections point to a continuing increase in the ratio between the average number of years spent in retirement and those spent working. Pensions systems are therefore being challenged by higher demographic dependency - declining numbers of workers have to feed and care for growing numbers of inactive pensioners[22].

The gender gap in pensions is an important issue to address, as highlighted in the Conclusions adopted by the Council in June 2015 on "*Equal income opportunities for women and men: Closing the gender gap in pensions*" and emphasised strongly in the Commission's 2018 Pension Adequacy Report. The Commission has recognised that an important dimension of the pension adequacy challenge is gender-specific, and closing the gender gap in pensions remains high on the political agenda.

In 2018 the SPC adopted its latest report on the adequacy of pensions (*The 2018 Pension Adequacy Report: current and future income adequacy in old age in the EU[23]*), which analyses how current and future pensions help prevent old-age poverty risk and maintain the income of men and women for the duration of their retirement. It highlights that Member States pay more and more attention to the sustainability and adequacy of pensions in their reforms, but additional measures are needed to strengthen these further, especially to prevent the risk of poverty and social exclusion among older women and to make sure that people in non-standard work or self-employment are also covered (Box 11).

Box 11.   Key conclusions of the 2018 Pension Adequacy Report: current and future income adequacy in old age in the EU

The Pension Adequacy Report (European Commission 2018c) is prepared every three years by the European Commission and the Social Protection Committee. The 2018 edition analyses how current and future pensions help prevent old-age poverty risk and maintain the income of men and women for the duration of their retirement. The report is devoted to comparative analysis of pension adequacy in the EU-28, and examines the current living standards of older people and how they are shaped by pension systems. In addition, it presents an overview of recent pension reforms and concludes by analysing the main challenges to the adequacy of future pensions and ways of tackling them.

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[22] Although account should also be taken of increasing opportunities for "flexible arrangements for retirement" including the possibility of combining pensions with income from gainful activity, as mentioned in the key conclusions to PAR 2018.

[23] http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8084&furtherPubs=yes

According to the report, today some 17.3 million or 18.2% of all older people (aged 65 and over) in the EU remain at risk of poverty or social exclusion. This amount has remained nearly unchanged since 2013. In addition, significant differences between countries and population groups remain. For instance, women's pension benefits are still 37% lower than men's due to lower salaries and shorter working lives linked to caring responsibilities. Similarly, people in non-standard or self-employment often face less favourable conditions for accessing and accruing pension rights than those in standard employment. The risk of poverty and social exclusion in old age also increases with age - more than half of all older people at risk of poverty or social exclusion in the EU are aged 75 or over.

Although the duration of working life is increasing, the average expected duration of retirement is expected to grow even faster, as life expectancy continues to increase. On average in the EU, the time spent in retirement is about half (51%) of that spent in employment. This ratio is projected to increase to 53% by 2060, highlighting the need to find a new balance between working life and retirement. As life expectancy improves, longer working lives will be vital to enable men and women to acquire adequate pensions. People retiring in 2056 will have lower pensions in most Member States compared to their work income than a similar career would have earned them in 2016.

Many Member States have put measures to safeguard the adequacy of pensions more prominently at the heart of their policy efforts, in particular for low-income pensions, but more needs to be done. To ensure the adequacy and sustainability of current and future pensions, pension systems need to promote longer working lives, in accordance with continuously increasing life expectancy. Longer working lives can be encouraged through more life-long learning, providing a safe and healthy work environment, adjusting pensionable ages, rewarding later retirement, and discouraging early exit from the labour market. Flexible working options, including the possibility to combine pension with income from work, and tax incentives promoting later retirement are becoming increasingly widespread and will continue to be important.

Member States should also take steps to close the gender gap in pensions, by putting in place equal opportunity policies targeted at women and men of working age - for instance, promoting better work-life balance and more equal distribution of caring responsibilities, addressing labour market participation, work intensity and career breaks. Pension policies should adequately protect care-related breaks. In line with the European Pillar of Social Rights, the Commission aims at supporting Member States in these efforts, for instance with its proposal to create a better balance between private life and professional career[24] for working parents and carers. Finally, it is also important to continue to extend pension coverage to people in non-standard or self-employment, and to promote supplementary pension savings. In this vein, and also under the banner of the Pillar of Social Rights, the Commission has recently put forward a proposal for a Recommendation on access to social protection[25].

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[24] http://europa.eu/rapid/press-release_IP-17-1006_en.htm
[25] http://europa.eu/rapid/press-release_IP-18-1624_en.htm

The European Pillar of Social Rights provides a relevant framework for guiding future action by Member States. For pensioners, it establishes the principle of a right for women and men to receive a pension commensurate with the contributions paid and to have an adequate income in retirement, thus ensuring a decent life. For working age people, it puts forward a number of principles relating to equal opportunities, access to the labour market and fair working conditions that support the full realisation of their potential in active life. The Pillar calls for an adequate pension for both workers and the self-employed and for equal opportunities for both women and men to acquire old-age pension rights. The implementation of these principles would contribute to reducing the burden of demographic change and improving employment prospects for all, and would help to secure good living standards in retirement, now and for future generations.

Health outcomes and access to health services

Health status is a key determinant of the well-being, and labour market participation of individuals. A healthy population is associated with better educational attainment, better earnings and wages, higher labour market participation and a higher number of hours worked in adulthood. The health of the general population is also shown to be positively associated with economic growth and social welfare.

Objective and subjective measures of health can provide a snapshot of the health status of society as a whole. At EU level, the number of remaining healthy life years (HLY) at 65 was close to 10 years in 2016 for both women (10.1 years) and men (9.8 years). For men it ranged from around 4.5 years in LV and SK to 15.1 years in SE, while for women it ranged from 4.2 years in SK and 4.5 years in LV to 16.6 years in SE. Over the period 2008-2016[26], there was a significant increase in the remaining healthy life expectancy for women in 13 Member States (Figure 45), with particularly strong improvements in CY, DE, EE, IT and SK. There were nevertheless 5 countries where HLY at 65 for women decreased significantly, most notably LU[27] and RO. The change in HLY at 65 for men in the years 2008 – 2016 (Figure 46) has generally been even more positive than that for women, with 15 Member States recording rises for men, although there were significant decreases in 5 (EL, LV, LU[57], RO and SI). The largest increases for men were in DE, EE, IT and SK.

A significant increase between 2008 and 2016 in the share of the population reporting unmet needs for medical care was recorded in 4 Member States, with particularly strong rises in EE and EL (Figure 47). In contrast, 7 countries registered significant improvements in access, most notably BG. In terms of the most recent changes for the period 2015-2016, there was only 1 country that noted a significant increase in unmet need (EE), while 5 showed a significant reduction.

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[26] Note that for several countries mentioned significant breaks in series occurred during the period 2008 to 2016 in the healthy life years indicator, so the changes compared to 2008 should be read with caution.
[27] For LU, a significant break in time series for EU-SILC based indicators occurred in 2016, which strongly affects the comparison to 2008.
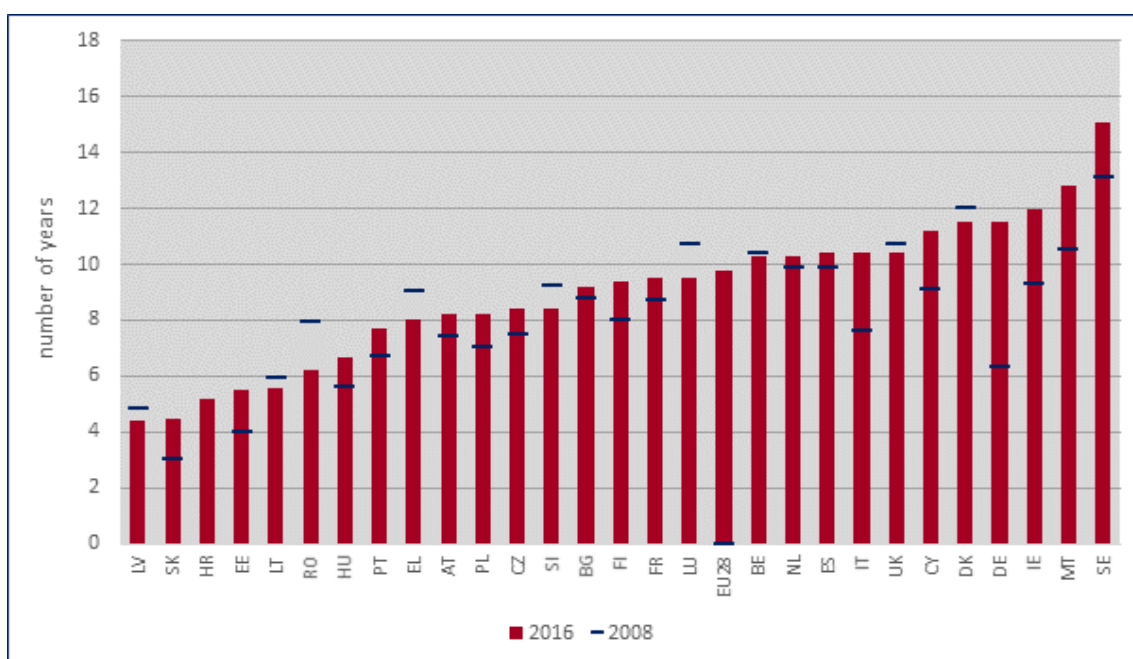
Figure 45: Healthy life years at 65 for females, 2008 and 2016
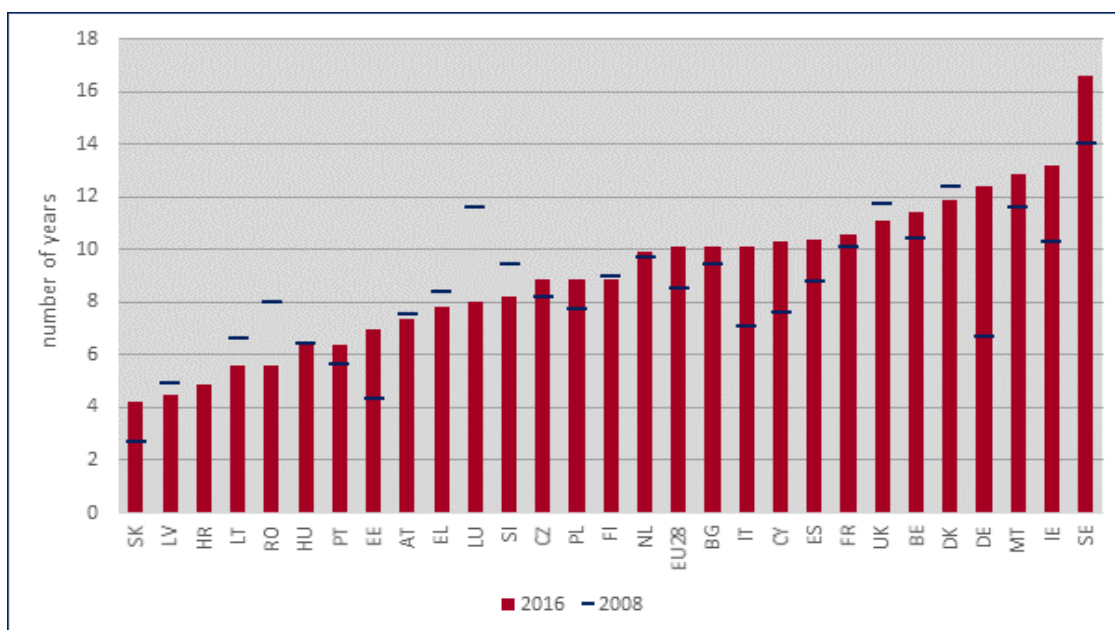
Source: Eurostat

Note: For LU, LV and SI, significant breaks in time series in the Healthy Life Years indicator in the period since 2008, which affects the comparison of changes since 2008, so the changes should be read with caution.

Figure 46: Healthy life years at 65 for males, 2008 and 2016

Source: Eurostat

Note: For LU, LV and SI, significant breaks in time series in the Healthy Life Years indicator in the period since 2008, which affects the comparison of changes since 2008, so the changes should be read with caution.

Figure 47: Self-reported unmet need for medical care[28], in %, and changes (in pp) 2015-2016 and 2008-2016

	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	2.5	2.5	2.3	2.3	2.4	2.8	0.7	1.3	0.3	15.3	2.6	13.1	0.5	1.3	1.7	5.5
2015-2016 change in pp	~	~	~	~	~	-1.9	~	~	~	2.6	~	~	~	~	~	-1.7
2008-2016 change in pp	n.a.	~	~	~	n.a.	-12.5	~	~	-1.9	8.0	~	7.7	~	~	n.a.	~

	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	0.6	8.2	3.1	0.4	1.3	1.0	0.2	0.2	6.6	2.4	6.5	0.4	2.3	4.1	1.6	1.0
2015-2016 change in pp	~	~	~	~	-1.3	~	~	~	~	~	-2.9	~	~	~	~	-1.8
2008-2016 change in pp	-2.2	-1.7	-2.6	~	-2.1	~	~	~	~	1.3	-4.6	~	~	3.3	~	~

Source: Eurostat (EU-SILC)

Note: i) Break in series in BE in 2011 means that evolutions between years before 2011 and years from 2011 on cannot be interpreted; ii) For UK, changes in the survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer-term trend must therefore be particularly cautious; iii) Only statistically significant changes have been marked in green/red (positive/negative changes) with a 1pp threshold. "~" stands for stable performance (i.e. statistically insignificant change).

Box 12: Recent developments on indicators to monitor the situation of persons with disabilities

In early 2018, the Indicators Sub-Group of the Social Protection Committee adopted some new indicators focusing on the situation of persons with disabilities, and agreed to include some of them in the standard monitoring tools of the SPC.

For a long time, disability was predominantly understood as an individual problem whose causes are biopsychic. Persons with disabilities were considered to be dependent and in need of help, so the state provided some caring help to them. However, with the adoption of the UN Convention on the Rights of Persons with Disabilities (UNCRPD), this setting has changed. Today, the image of persons with disabilities being only persons with impairments seen as dependent and in need of help is outdated. Their human rights claim to a self-determined life and social participation is – as written down in the UNCRPD – recognized.

The ISG has agreed to base the proposed indicators for persons with disabilities on the Global Activity Limitation Indicator (GALI)[29] approach, using the broader definition to cover persons with moderate as well as severe limitations in line with the concept of disability enshrined in the UN Convention on the Rights of Persons with Disabilities. The use of GALI as a proxy for disability has been adopted as a standard way to measure self-reported disability in European statistical surveys

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[28] This indicator is defined on the basis of self-reported unmet need related to three reasons – too far to travel, waiting list, too expensive

[29] GALI – a single-item survey instrument – self-reported by the individual him or herself to assess health-related activity limitations: "For at least the past six months, to what extent have you been limited because of a health problem in activities people usually do?" Possible responses are: severely limited, moderate limited and not limited.

(it was created specifically to answer the need to examine the disabled population over a large scope of surveys).

The new indicators highlighting the situation of persons with disabilities will be integrated in the SPC monitoring framework as follows:

- Six indicators focusing on the situation of the population aged 16+ with disabilities (AROPE, SMD (severe material deprivation), the share of (quasi-)jobless households, AROP, MSD (Material and social deprivation) and the impact of social transfers on poverty risk reduction) will be included in the social inclusion branch of the Portfolio of EU social indicators, and also in a table in the country profiles at annex to the SPC report (see Annex 2);

- For the moment, the indicators should be used to look at changes over time, gaps between persons with and without disabilities and not for comparison across Member States, as further work is needed to improve the GALI approach to allow for comparison across countries;

- The indicator on the "At-risk-of-poverty-or-social-exclusion rate for persons with disabilities (16+)" is now included in the SPPM dashboard;

Developments in access to housing and homelessness

Housing costs represent an important share of a household's income, especially for lower income groups. An increasing burden of housing costs on a household's income as well as the over-indebtedness of many households might result in the inability of households to pay mortgages, rent or utility bills, increasing vulnerability for repossessions, foreclosures and evictions and in some cases, homelessness. There is a growing need for available affordable housing, including social housing and affordable rentals, as well as a sufficient level of housing and heating allowances[30]

In 2016, the housing cost overburden rate[31] varied between a minimum of 1.4% in MT to a maximum of 40.5% in EL, with the average for the EU28 at 11.1%. Other countries with a relatively high share of around 15% or more were BG, DE, DK and RO (Figure 48). Significant increases in the average share of housing costs in disposable household income have been recorded in 6 Member States between 2008 and 2016. Of particular note is the sharp increase in EL, where the rate has risen by around 18 pp over this period. For the change over the latest year, only 3 Member States recorded significant rises (AT, BG and IT) while a larger group of 11 countries saw the share of housing costs in income decline, most notably the NL.

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[30] Commission Staff Working Document (2013)42 final on Confronting homelessness in the European Union
[31] The percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).

Figure 48: Housing cost overburden rate, in %, and changes (in pp) 2015-2016 and 2008-2016

|	EU28	EU27	EA18	EA19	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT
2016	11.1	11.1	11.0	11.0	9.5	20.7	9.5	15.0	15.8	4.9	4.6	40.5	10.2	5.2	6.4	9.6
2015-2016 change in pp	~	~	~	~	~	5.9	-0.9	~	~	-1.9	~	~	~	~	-0.8	1.0
2008-2016 change in pp	n.a.	~	2.8	2.8	-3.0	7.4	-3.3	n.a.	n.a.	3.6	~	18.3	~	~	n.a.	~
	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
2016	3.1	7.0	7.8	9.5	8.8	1.4	10.7	7.2	7.7	7.5	14.4	5.7	7.7	4.4	8.5	12.3
2015-2016 change in pp	-0.8	-1.1	-1.3	n.a.	~	~	-4.2	0.8	-1.0	-1.6	-1.5	~	-1.4	~	~	~
2008-2016 change in pp	~	-1.7	2.8	2.3	-2.8	-1.9	-3.0	~	-2.0	~	-4.7	~	2.1	~	~	-4.0

Source: Eurostat

Note: i) Only significant changes have been highlighted in green/red (positive/negative changes). "~" refers to stable performance (i.e. insignificant change). "n.a." refers to data not (yet) being available; ii) The income reference year is the calendar year prior to the survey year except for the United Kingdom (survey year) and Ireland (12 months preceding the survey).; iii) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; iv) For EE, major break in series in 2014 for variables in EU-SILC, so change 2008-2013 used for the longer period compared to 2008; v) Evolutions for the period 2008-2016 for EU28, DE and HR are not available vi) For LU, major break in series in 2016 for EU-SILC based indicators ("n.a." shown for latest year comparisons, and long-term comparison is for period 2008-2015); vii) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; viii) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious.

In many countries the increase in the housing cost overburden rate since 2008 has been much more prominent for people living at risk of poverty (Figure 49), For the EU as a whole, the increase for the population at risk of poverty was 5 pp, compared to a drop of 0.4 pp for those living above the poverty risk threshold, and for BG and EL the rise for those at risk of poverty was over 20 pp. In general, for individuals with higher incomes the housing cost overburden rate has remained relatively stable, with the notable exception of EL, where it also increased substantially (by around 15 pp). In some countries such as AT, BE, HR, HU, LV, MT, SE and the UK where the housing cost overburden rate has declined overall, it has decreased more strongly for those living below the income poverty threshold than for those above it. In contrast, in CY, DE, EE, IE, ES, FR, IT, LT, LU, PT, SI and SK the rate increased significantly for those at risk of poverty, while for those not at risk it either remained stable or fell.

Further details on recent developments in relation to housing and homelessness is included in the following box (Box 13), which contains information and analysis provided by the European Federation of National Organisations Working with the Homeless (FEANTSA) using a range of data sources.

Figure 49: Evolution of the housing cost overburden rate by income poverty status, 2008-2016 (in pp)
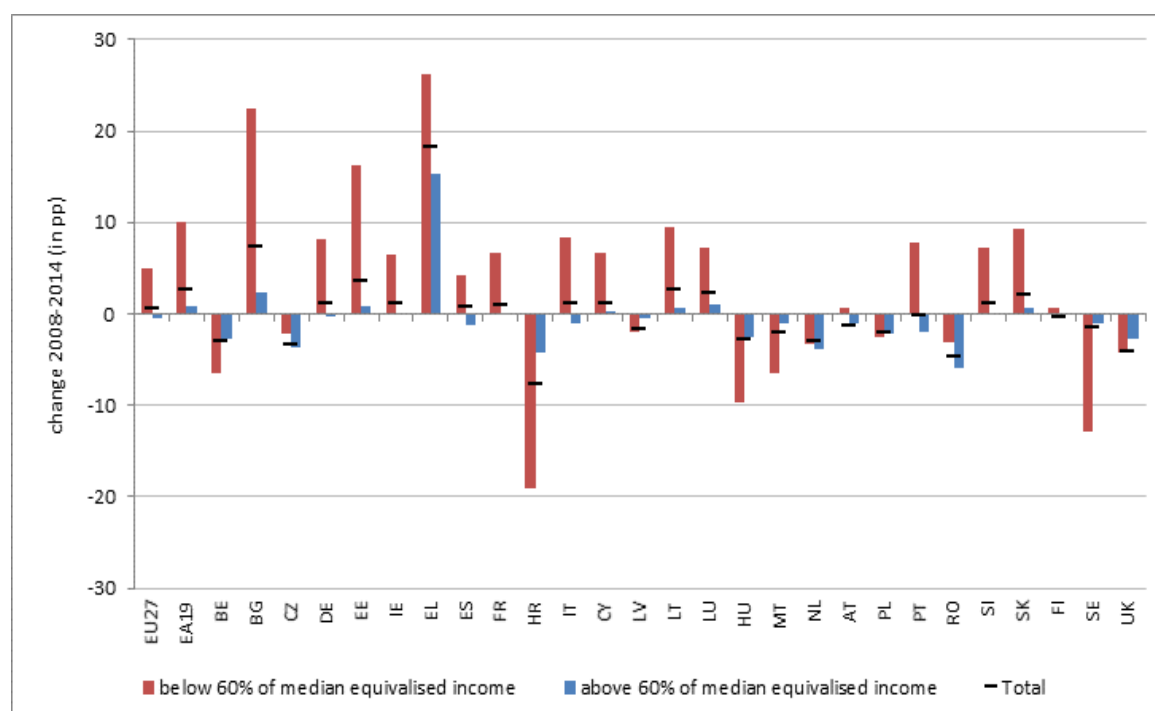
Source: Eurostat (EU-SILC)

Notes: i) For DK, breaks in series for the period 2008-2016 which mainly affect indicators related to incomes ("n.a." shown for the period compared to 2008).; ii) For EE, major break in series in 2014 for variables in EU-SILC, so change 2008-2013 used for the longer period compared to 2008; iii) Evolutions for DE and HR refer to the period 2010-2016 iv) For LU, major break in series in 2016 for EU-SILC based indicators so comparison is for period 2008-2015; vii) For NL, improvement to the definition of income in 2016 has some impact on comparison of income-based indicators over time; viii) For UK, changes in the EU-SILC survey vehicle and institution in 2012 might have affected the results on trends since 2008 and interpretation of data on the longer term trend must therefore be particularly cautious.

Box 13: Homelessness and Housing Exclusion in Europe – A summary of the latest Overview of Housing Exclusion in Europe 2018 by FEANTSA and Fondation Abbé Pierre[32]

According to the latest report by the European Federation of National Organisations working with the Homeless (FEANTSA) and Fondation Abbé Pierre, housing exclusion is still a fast-growing problem in all EU countries, leading to increasingly severe saturation of support systems, increased pressure on emergency services and ultimately, increasing homelessness.

The report highlights that between 2010 and 2016, the cost of housing for poor households (i.e. those with an average income lower than 60% of the national median) increased in three quarters of EU countries. This increase reached its highest levels in the United Kingdom (45%), Portugal (40%) and Bulgaria (54%). On average, one EU household in ten spent more than 40% of its disposable income on housing in 2016, versus four poor households out of ten.

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[32] https://www.feantsa.org/en/report/2018/03/21/the-second-overview-of-housing-exclusion-in-europe-2017

In 2016, almost 17% of all EU households and 30% of poor households were living in overcrowded conditions. More than a quarter of poor households were living in overcrowded conditions in 13 EU countries. Overcrowding and severe housing deprivation were problems which plagued a massive proportion of the population in Eastern and Central European countries. Difficulty in maintaining adequate household temperature is also a significant problem in numerous EU countries, and most especially in Eastern and Southern European countries.

Regarding social factors which worsen housing difficulties, a worrying and increasing proportion of young people in Europe are being excluded from the housing market or are in unfit housing. Among people aged between 18 and 24 living below the poverty risk line, 43% were overburdened by housing costs in Europe in 2016, four times the rate for the population as a whole. The countries where this level is more than 50% are Austria (50%), the United Kingdom (50%), Bulgaria (52%), the Czech Republic (54%), Sweden (54%), Germany (57%), the Netherlands (70%), Denmark (87%) and Greece, where 90% of young people at risk of poverty are overburdened by housing costs. Nationality has also a strong impact on housing conditions. In all EU countries without exception, foreign nationals (from outside the European Union) are more overburdened by housing costs and experience more overcrowding than nationals, especially in Belgium, Ireland, Austria, Sweden, Slovenia, Luxembourg, Portugal, Spain, the Netherlands, Poland, France and Greece. The report also finds that children now make up the largest group of people in emergency shelters. Women, young adults, people with a migration background and the working poor are also increasingly numerous among the homeless population.

Official harmonised data on homelessness are scarce in Europe. Most of homelessness statistics in European Member States are outdated, partial (they are not based on a comprehensive definition of homelessness, such as the ETHOS typology[33]), irregular and non-comparable. Nevertheless, available information at national level on homelessness and housing exclusion trends are increasingly worrying: in England, 78,170 households were in temporary accommodation in March 2017, an increase of 62% since March 2011. In Austria, the Ministry of Social Affairs estimated 15,090 people experiencing homelessness in 2016, a 32% increase since 2008. In Spain, according to the Spanish National Institute of Statistics, an average of 16,437 people were admitted to emergency shelters per day in 2016, a 20.5% increase since 2014. In Ireland in November 2017, the Department of Housing, Planning and Local Government counted 8,857 people in emergency accommodation managed by the State: since November 2014, the number of homeless people increased by 145%, the number of homeless families increased by 286% and the number of homeless children increased by 276%; in Ireland, more than one homeless person in three is a child. In the Netherlands, 4,000 children were registered homeless with the local authorities in 2015, 60% up on 2013. In Sweden, the number of children in emergency accommodation increased by 60% between 2011 and 2017. In France, on one night in September 2017, 66% of families having called the 115 helpline for emergency accommodation were left without a solution.

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[33]   https://www.feantsa.org/en/toolkit/2005/04/01/ethos-typology-on-homelessness-and-housing-exclusion?bcParent=27

The confusion over the causes of housing exclusion and the needs of the people who suffer from it leads to confusion over the solutions to be implemented in responding to this social emergency. Long-term housing is a prerequisite for well-being, recovery and social integration. It is a means – and not an end – to the protection of all social rights and personal development of an individual. The staircase model, which still dominates in the vast majority of Member States, can be likened to a meritocracy, deferring individuals' right to housing as they stay indefinitely in shelters, and confiscating the right to shelter from those who do not meet the prerequisites of community life laid down by the services. In Europe, consensus has been building for several years on a model that is the reverse of the staircase model: Housing First. This means putting housing back in its rightful place, namely a fundamental right guaranteed by international and European treaties.

Although this change has taken root in local and voluntary bodies, a systemic transformation – driven by real political will to reverse homelessness, is nonetheless still missing. EU institutions also have a key role to play in facilitating and supporting this transition.

Zero homeless people in Europe: how do we get there?

Over recent years, only two European countries have seen a reduction in the number of homeless people. In Finland, there was a 10% drop in the number of homeless individuals in 2016 compared to 2013. In Norway, there was a 36% drop observed in the number of homeless people between 2012 (6,259) and 2016 (3,909) (these are the lowest figures since records began in 1996). In both these cases, homelessness was approached as a housing problem and a violation of fundamental rights, both solvable, and not as an inevitable social problem resulting from personal issues. The above-mentioned countries established integrated and decentralised strategies that had specific, measurable and reachable targets, set in a clear timeframe.
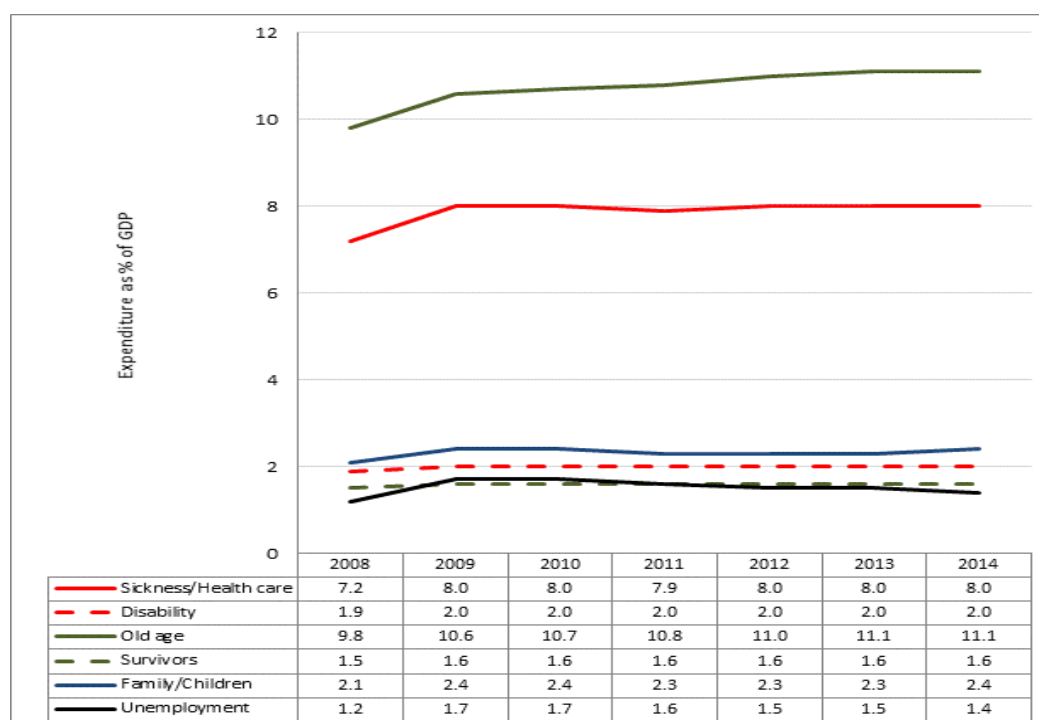
An integrated strategy is a detailed, sustainable and ongoing action plan directed and coordinated with a suitable and cross-cutting system of governance that is adequately financed, based on the reality of homelessness and an understanding of the needs of those targeted, and, finally, that is evaluated regularly in order to measure the progress towards the ultimate goal of eradicating homelessness.

Trends in social expenditure and the take-up of selected social benefits

At EU level, social expenditure on old age pensions is growing as a percentage of GDP[34], while the expenditure devoted to healthcare, family and unemployment benefits, has tended to either remain static or decrease after the initial increase between 2008 and 2009 (Figure 50).

This trend is also evident within many Member States (Figure 51), with rises over 2008 to 2015 in the percentage of GDP allocated to old age and survivors pensions being much larger than the changes in social benefits expenditure on other functions (especially on family, unemployment, and housing benefits) in the vast majority of countries, most notably in CY, EL, ES, PT and FI. At the same time, many countries have seen rises in expenditure on sickness, health and disability, most notably BE, DE and the UK, although some including EL, HU and IE have recorded sizeable decreases in the share of GDP allocated to this area. In contrast, most Member States have seen much more limited increases in expenditure on unemployment benefits and on family/child benefits, which have even declined as a share of GDP in several countries.

Figure 50: Trends in social expenditure by function at EU level, 2008-2014 (as % of GDP)

	2008	2009	2010	2011	2012	2013	2014
Sickness/Health care	7.2	8.0	8.0	7.9	8.0	8.0	8.0
Disability	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Old age	9.8	10.6	10.7	10.8	11.0	11.1	11.1
Survivors	1.5	1.6	1.6	1.6	1.6	1.6	1.6
Family/Children	2.1	2.4	2.4	2.3	2.3	2.3	2.4
Unemployment	1.2	1.7	1.7	1.6	1.5	1.5	1.4

Source: Eurostat (Esspros)

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[34] This partly reflects the impact of the crisis and the associated drop in EU GDP after 2008.
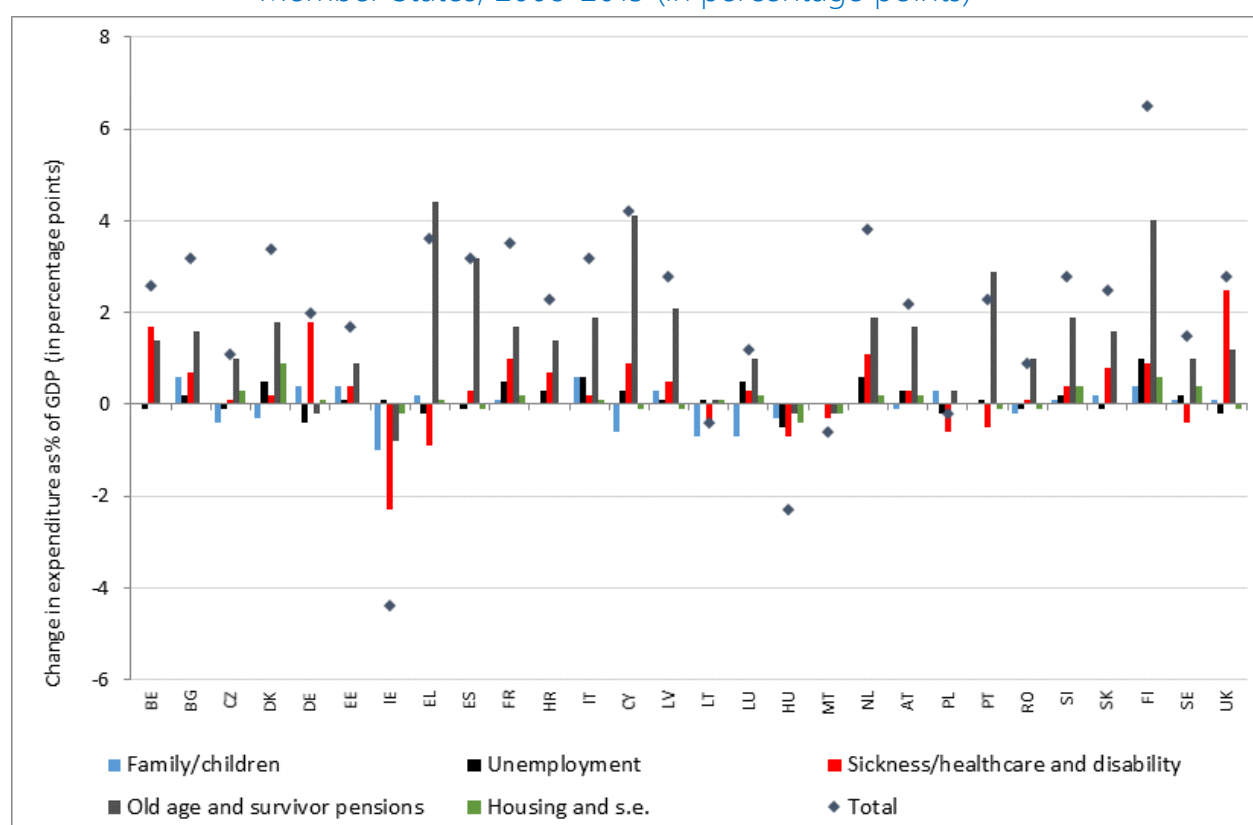
Source: Eurostat (Esspros)

The prolonged crisis has led to an increased dependence on social transfers in some Member States. The SPC started an ad-hoc collection of administrative data on benefit recipients for different social schemes in order to get timelier information on the pressure on social protection systems in the context of the economic crisis. In 2017 the SPC continued with this data collection which is very valuable for its timeliness, but needs to be assessed with due caution as it does not offer cross-country comparability due to the diversity of concepts and underlying definitions used.

The following sections analyse the major trends registered in 2017 and early 2018 comparing to the year before and also the general developments since the beginning of the crisis (2008). Individual country trends regarding the number of benefit recipients can be found in the country profiles produced as a separate annex to the SPC annual report. The latest figures, although only indicative, suggest that the pressure on social security systems has continued to ease in 2017 and early 2018 across many Member States, with a clear declining trend in the number of unemployment benefit recipients in around two-thirds of Member States and in social assistance recipients in around a half. Unlike previous years, this year no countries reported increasing numbers of beneficiaries on both unemployment benefit and social assistance schemes. Only 1 (FR) reported a clear rising trend in the number of unemployment benefit recipients, and only BE reported rising numbers of recipients of social assistance benefits.

Declining trends in the number of unemployment benefit and social assistance recipients

With the continued improvement in the labour market situation in the EU and declines in unemployment levels in the vast majority of Member States over the last year or so, there has been an easing in the pressure on unemployment benefit schemes across much of the EU. Over the year to spring 2018 around 2/3 of Member States recorded a generally decreasing year-on-year trend in the number of unemployment benefit recipients, generally mirroring the positive developments in the unemployment rate. Persistent increases were only registered in one country (FR) and more mixed developments in 7 (BG, DE, DK, EL, HU, LT and SE).

Overall, around a third of Member States reported clear decreasing trends in the numbers of beneficiaries for both unemployment benefit and social assistance schemes over the latest year. These included HR and MT (Figure 52 and Figure 53). Other countries with similar recent trends included CY, CZ, ES, LV, RO, SK and SE.

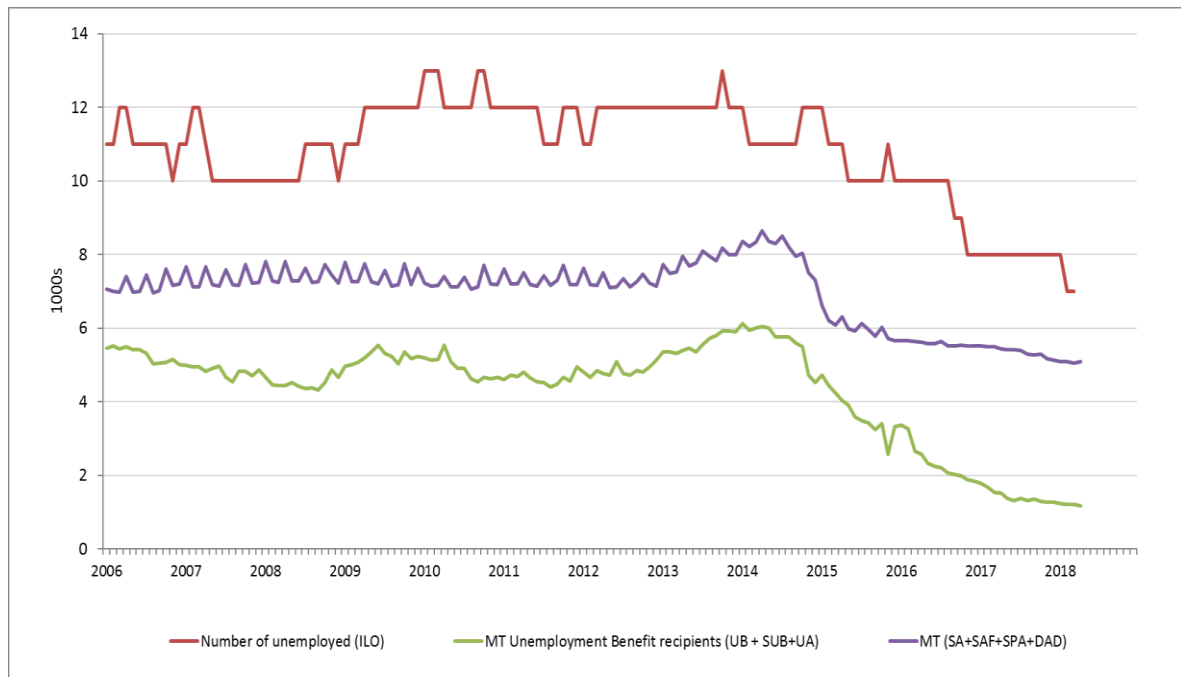## Figure 52: Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of Croatia
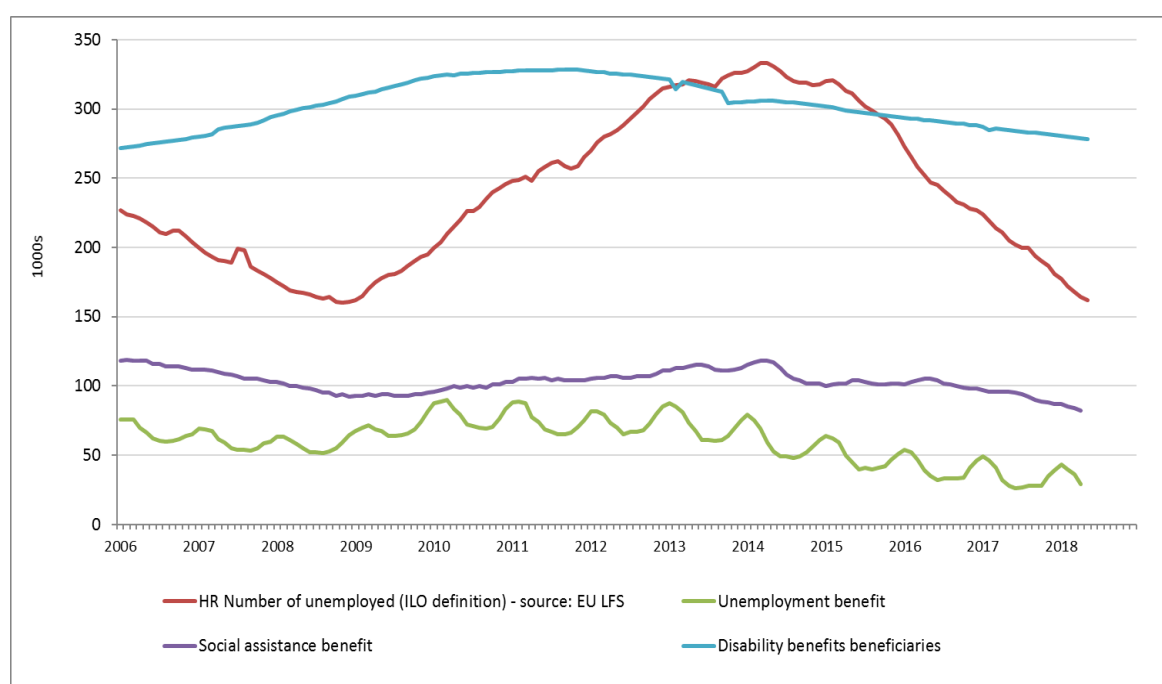
Source: Data collected from Member States through the SPC delegates

Potential continued gaps in social benefits' coverage in some Member States

The deterioration in the employment situation in many Member States in the years after the crisis hit, and the related growth in the number of unemployed, resulted in more people being in need of social transfers. In some countries, the growth in unemployment was not always matched by similar trends in benefit recipients, which led to a potential lack of benefits coverage. This was especially the case in countries like EL (Figure 54), and the mis-match remains substantial despite the recent easing in unemployment.

Figure 53: Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of Malta

Source: Data collected from Member States through the SPC delegates

Figure 54: Evolution of the number of benefit recipients and number of unemployed (in 1000) – the example of Greece
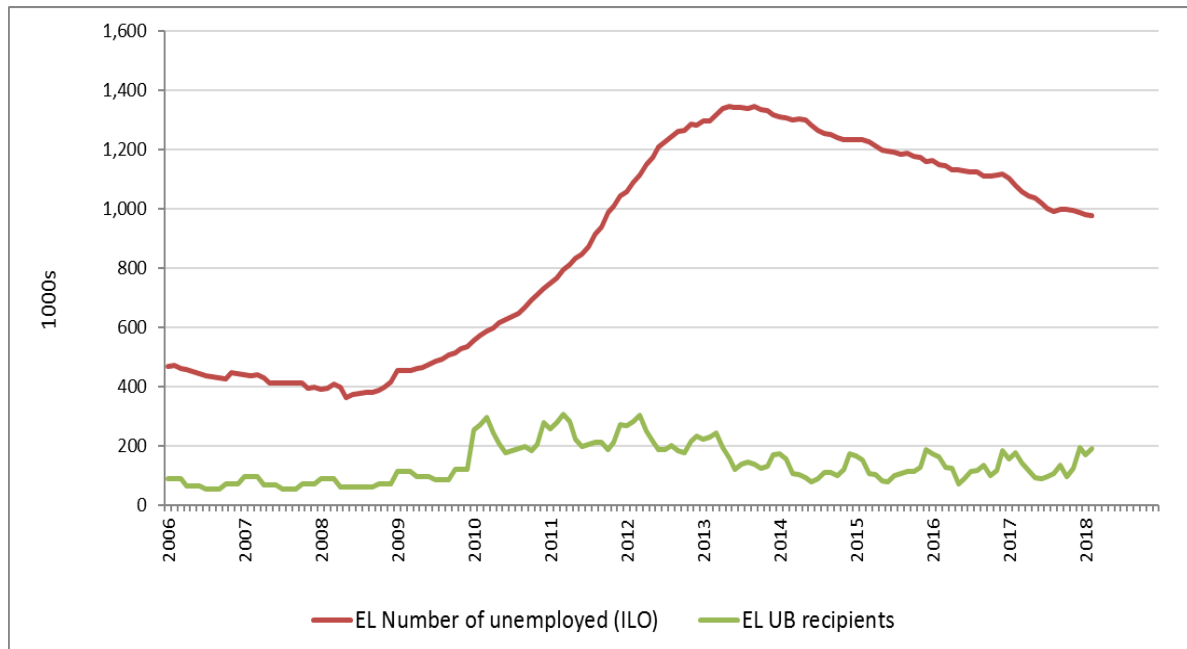
Source: Data collected from Member States through the SPC delegates

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Guio, A.-C., Gordon, D., Najera, H. and Pomati, M. (2017), *"Revising the EU material deprivation variables*", Eurostat Statistical Working Papers, Publications office of the European Union, Luxembourg.

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SPPM dashboard methodology

The Council endorsed on 4 October 2012 the main features of a new instrument, proposed by the Social Protection Committee (SPC), called the "Social Protection Performance Monitor" (SPPM) aimed at contributing to strengthening the monitoring of the social situation and the development of social protection policies in the EU, according to the Treaty mandate (art. 160 of TFEU) of the SPC to work in this area. One key element of this is a dashboard of key social indicators.

What is the objective?

The objective of the SPPM dashboard is to identify annual "social trends to watch" and "positive recent social trends" in the EU, common to several Member States, which can stimulate in-depth review and targeted multilateral surveillance. Given the objective of the dashboard, the focus is on both most recent changes and changes in comparison to 2008, as the base year for monitoring progress for the social aspects of the European 2020 Strategy.

What is the basis of the SPPM dashboard?

The SPPM makes use of the EU portfolio of social indicators[35], recognizing effectively the importance of the overarching portfolio as a summary set/first tier of indicators to be used for monitoring the major social trends in EU countries across the relevant social policy areas.

How are trends identified?

The indicators are monitored on the basis of levels and evolutions. In order to assess the statistical significance of the year-to-year changes and the changes in comparison to the reference year 2008, use is made of accuracy estimates, developed by Eurostat in cooperation with the Second Network for the analysis of EU-SILC (Net-SILC 2, an EU funded network consisting of a group of institutions and researchers conducting analysis using EU-SILC). For certain of the indicators in the dashboard further work to produce estimates of the significance of net changes is ongoing. Where such estimates are not yet available, specific tentative criteria have been agreed, awaiting further statistical developments. In addition to the checks for statistical significance of changes, in March 2018 the SPC ISG and the Employment Committee's Indicators Group agreed on a common methodology to apply to assess the substantive significance of changes[36] (a second criterion of substantive significance is applied in parallel to the statistical significance checks to avoid flagging up very small changes in the indicator). The current situation regarding the statistical and substantive significance rules applied for each SPPM indicator is summarised in the following table.

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[35] http://ec.europa.eu/social/BlobServlet?docId=14239&langId=en

[36] This consists of setting thresholds based on the historical variability in the distribution of each indicator rather than using a rule-of-thumb approach. This allows for tailoring of the checks for substantive changes with regard to the historical volatility of the different indicators. Common parameter values to use for the cut-off point for outliers in the distribution and the significance threshold for the remaining distribution have been agreed - a 7.5% cut-off value for outliers and a threshold of 1 Standard Deviation for flagging up significant changes.

Table 17: Summary table of the current statistical and substantive significance rules applied for the SPPM indicators

Indicator	Significance thresholds used			
	change 2015-2016		change 2008-2016	
	Statistical	*Substantive*	*Statistical*	*Substantive*
At risk of poverty or social exclusion (in %)	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
At-risk-of-poverty rate (in %)	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
At-risk-of-poverty threshold for a single person household (in national currency, adjusted for HICP)	>+-5%	EMPL estimates based on variability of series	>+-5%	EMPL estimates based on variability of series
Severe material deprivation rate (in %)	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
Population living in (quasi-)jobless (i.e. very low work intensity) households (in %)	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
Relative median at-risk-of-poverty gap (in %)	>+-1pp	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Persistent at-risk-of-poverty rate (in %)	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
Material and social deprivation	Estat estimates	EMPL estimates based on variability of series	n.a.	n.a.
Income quantile ratio (S80/S20)	Estat estimates	EMPL estimates based on variability of series	>+-5%	EMPL estimates based on variability of series
Children at risk of poverty or social exclusion (in %)	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
Impact of social transfers (excluding pensions) on poverty reduction (in %)	>+-5%	EMPL estimates based on variability of series	>+-5%	EMPL estimates based on variability of series
At-risk-of-poverty rate for the population living in (quasi-) jobless households (in %)	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
In-work at-risk-of-poverty rate (in %)	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Long-term unemployment rate (in %)	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Early school leavers (in %)	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Youth unemployment ratio (15-24)	>+-1pp	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
NEET (15-24)	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Employment rate for older workers (55-64), in %	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
At risk of poverty or social exclusion rate for the elderly (65+), in %	Estat estimates	EMPL estimates based on variability of series	Estat estimates	EMPL estimates based on variability of series
Median relative income ratio of elderly people	Estat estimates	EMPL estimates based on variability of series	>+-5%	EMPL estimates based on variability of series
Aggregate replacement ratio	Estat estimates	EMPL estimates based on variability of series	>+-5%	EMPL estimates based on variability of series
Self-reported unmet need for medical care	>+-1pp	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Healthy life years at 65 - males	n.a	n.a.	>+-5%	EMPL estimates based on variability of series
Healthy life years at 65 - females	n.a.	n.a.	>+-5%	EMPL estimates based on variability of series
At risk of poverty or social exclusion rate for persons with disabilities (in %)	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Housing cost overburden rate	Estat estimates	EMPL estimates based on variability of series	>+-1pp	EMPL estimates based on variability of series
Real change in gross household disposable income (in %)	-	EMPL estimates based on variability of series	-	EMPL estimates based on variability of series

Notes:

i) The method used to estimate the statistical significance of the net changes, based on regression and developed by Net-SILC2 (an EU funded network consisting of a group of institutions and researchers conducting analysis using EU-SILC) is still under improvement; ii) Substantive changes are assessed with regard to the historical volatility of the different indicators using common parameters of a 7.5% cut-off value for outliers and a threshold of one Standard Deviation for flagging up significant changes.

A trend needs to be evident in a certain number of Member States in order to qualify as a "social trend to watch" or a "positive recent social trend." The general criterion of at least around 1/3 of Member States is used in order to ensure that there is a significant basis for conclusions. However, a certain level of flexibility is kept and if a strong trend is evident in a smaller number of countries

or this is the case for a specific group of countries, it could still be considered as a "trend to watch" or a "positive trend."

How are the SPPM results used?

The SPPM results are presented in the SPC annual report and are endorsed by the EPSCO Council. On the basis of the identified social trends to watch, the SPC undertakes thematic in-depth reviews where drivers and policy solutions for the identified challenges are discussed among Member States.

SPPM methodology used for the identification of Member States' key social challenges and good social outcomes

Introduction

SPPM Country Profiles are presented as an annex to the SPC Annual Report. For all Member States, Country Profiles provide, among other elements of analysis, a summary table giving an overview of the key social challenges (KSCs) and good social outcomes (GSOs) identified for each country.

This appendix describes the methodology established by the SPC Indicators' sub-group (ISG) to identify each Member States' KSCs and GSOs. The results of this process are compiled at the end of each Country Profile in the form of summary tables. As they constitute part of the Country Profile, their content will contribute to shape the Key Messages of the SPC for the October EPSCO as concerns the social policy priorities for the Annual Growth Survey.

Scope of the exercise

The assessment of KSCs and GSOs included in the SPPM Country Profiles broadly reflects the structure of the Joint Assessment Framework (JAF) Policy Area 11 – *Poverty and Social Exclusion*, to which selected indicators from the JAF module on Health have been added to make the indicators' framework more exhaustive.

The summary table is therefore divided in six policy areas:

1.   Preventing poverty and social exclusion through inclusive labour markets, adequate and sustainable social protection and high quality services

2.   Breaking the intergenerational transmission of poverty – tackling child poverty

3.   Active inclusion – tackling poverty in working age

4.   Elderly poverty/adequate income and living conditions of the elderly

5.   Health and long-term care

6.   Other key issues

Each policy area is further broken down into sub-categories which cluster a number of more granular metrics and specific areas which have been agreed with the SPC-ISG, as indicated in the table at the end of this appendix.

Methodology

The identification of the key social challenges and good social outcomes follows a "two-step" methodology, which foresees the use of both quantitative and qualitative sources of information, in this order[37].

- The quantitative step of the exercise is based on an assessment of levels[38] and three-year changes[39] in relation to the EU average for selected JAF indicators. In the JAF methodology, the values of each indicator are standardised, in order to put different indicators on the same scale and compare them to the EU28 average.

The standardised scores for levels (1) and changes (2) are calculated as follows:

(1) Standardised score indicator x =

*[(value of indicator x – EU average of x)/standard deviation across EU MS of x] * 10*

(2) Standardised 3-year change score indicator x =

*[(3-year change value of indicator x – 3-year change of EU average of x)/standard deviation of 3-year changes across EU MS of x] * 10*

Standardised scores for changes should be interpreted as relative changes with respect to the EU average[40].

The SPC-ISG agreed to develop a scale that sets five performance bands based on the following standardised scores' intervals/thresholds:

a. (-7; +7): the performance of an indicator is classified as *around the EU average (0)* <u>for levels</u> and *constant (0)* <u>for changes</u>;

b. (-7; -13 **or** +7; +13): the performance of an indicator is classified as *better (+) / worse (-) than the EU average* <u>for levels</u>, and *registering a positive (+) / negative (-) development* <u>for changes</u>, depending on the polarity of the indicator;

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[37] The methodology is analogous to the one set in place for the identification of key employment challenges (KECs) and good labour market outcomes (GLMOs) in the context of the Employment Performance Monitor (EPM) by the EMCO Committee.

[38] The latest year available for EU28 – e.g. the SPC Annual Report 2017 looks at 2015 data for levels.

[39] From [latest year available for EU28 – 3 years] to [latest year available for EU28] - e.g. the SPC Annual Report 2017 looks at 2012-2015 data for changes.

[40] E.g. there may be cases in which a 3-year positive change in absolute values can correspond to a relative negative change of the standardised score.

c. (< -13 **or** > +13): the performance of an indicator is classified as *significantly better (++) / significantly worse (--) than the EU average* <u>for levels</u>, and *registering a significantly positive (++) / significantly negative (--) development* <u>for changes</u>, always depending on the polarity of the indicator.

The identification of KSCs and GSOs takes into account both levels and changes as reflected in the following 5 x 5 two-way table below:

		Changes				
		"--"	"-"	"0"	"+"	"++"
Levels	"--"	KSC	KSC	KSC	KSC	KSC
	"-"	KSC	KSC	KSC	KSC	KSC
	"0"	KSC	KSC			
	"+"	KSC				GSO
	"++"			GSO	GSO	GSO

When a break in the time series of an indicator is flagged for a country, the assessment of changes over the three-year time span might not be reliable. In this case, the identification of KSCs and GSOs is based on the identification of levels of performance only - changes over the three-year time span affected by the break in the time series are therefore assumed to be constant (0) as per the reading of the two-way table above.

- The second, qualitative step of the assessment is based on a wider set of (*non-JAF based*) information, taking into account expert knowledge from country analysts and the findings of the relevant literature. This step aims at qualifying the findings and deepening the understanding of the challenges identified by the first-step quantitative screening. Qualitative data available from verified sources (e.g. OECD Reports, European Commission Country Reports) are used by country analysts to complement the identification of KSCs and GSOs with additional country-specific evidence and to prioritise the key issues based on their impact and relevance in the national context.

The non-JAF based challenges stemming from the results of the second-step analysis are identified in a transparent manner and presented during the consultation phase on the basis of a reasoned assessment detailed by the Commission as per the table below:

Description of the challenge
Reasoning, including reference to data (not already included in JAF) when available
Data sources
Additional background information

The draft country-specific sets of KSCs and GSOs (both JAF-based and non JAF-based) are checked with SPC and ISG delegates via written procedure, followed by bilateral clarifications if needed, as a last step in the process of finalisation of the SPC Country Profiles.

Social Policy areas covered by the assessment and subcategories[41]

Social policy area		Subcategory
1. Preventing poverty and social exclusion through inclusive labour markets, adequate and sustainable social protection and high quality services	1.1	At-risk-of-poverty-or-social-exclusion for general population (AROPE)
	1.1.1	At-risk-of-poverty
	1.1.2	Severe material deprivation
	1.1.3	(Quasi-)jobless households (very low work intensity [VLWI]) People in very low work intensity households (T 0-59, M 0-59, W 0-59)
	1.2	Severe poverty and/or inequality for general population
	1.2.1	Severe or persistent poverty risk (gap, persistence)
	1.2.2	Income inequality (S80/S20)
	1.3	Housing situation for general population • Housing cost overburden • Housing deprivation
	1.4	*Poverty and social exclusion of persons in vulnerable situations*
	1.4.1	*Poverty and social exclusion of persons with disabilities (e.g. gap between the risk of poverty and social exclusion for persons with and without disabilities much higher than EU average)*
	1.4.2	*Poverty and social exclusion of Roma (e.g. high levels of poverty, lower employment, health, and educational attainment)*
	1.4.3	*Poverty and social exclusion of migrants and refugees*
	1.4.4	*Poverty and social exclusion of low-skilled and unemployed*
	1.5	*Regional dimension of poverty and social exclusion (e.g. geographical or urban/ rural disparities)*
2. Breaking the intergenerational transmission of poverty – tackling child poverty	2.1	At-risk-of-poverty-or social-exclusion for children (AROPE)
	2.1.1	At-risk-of-poverty
	2.1.2	Severe material deprivation
	2.1.3	(Quasi-)jobless households (VLWI)
	2.2	Effectiveness of social protection for children • Impact of social transfers (excluding pensions) in reducing child poverty risk • Impact of social transfers (including pensions) in reducing child poverty risk • At-risk-of-poverty rate for children living in households at work

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[41] Elements written in roman are based on an assessment of JAF-based information.
Elements written in *italics* are based on an assessment of non-JAF based information.

		0.2<WI<=0.55 and 0.55<WI<=1 • Poverty risk gap (0-17)
	2.3	Housing situation for children • Housing cost overburden (0-17) • Housing deprivation (0-17)
3. Active inclusion - tackling poverty in working age	3.1	At-risk-of-poverty-or–social-exclusion for working age population (AROPE) T(18-64)
	3.1.1	At-risk-of-poverty (T 18-64, M 18-64, W 18-64)
	3.1.2	Severe material deprivation (T 18-64)
	3.1.3	(Quasi-)jobless households (VLWI) Adults in very low work intensity households (T 18-59)
	3.2	In work poverty risk (T 18-64, M 18-64, W 18-64)
	3.3	Effectiveness of social benefits • Impact of social transfers (excluding pensions) in reducing working age poverty risk • Impact of social transfers (including pensions) in reducing working age poverty risk • *Adequacy, coverage and take-up of social assistance or unemployment benefits*
	3.4	*Effectiveness of social services* (e.g. access, quality, or co-operation with the employment services)
	3.5	Inclusive labour markets • At-risk-of-poverty rate for population living in (quasi-)jobless households (18-59) • Poverty risk gap (18-64)
	3.6	Housing situation for working age population • Housing cost overburden (18-64) • Housing deprivation (18-64)
4. Elderly poverty/adequate income and living conditions of the elderly	4.1	Poverty and social exclusion in old age (AROPE) T 65+
	4.1.1	At-risk-of-poverty (AROP 65+ T, AROP 65+ M, AROP 65+ W)
	4.1.2	Severe material deprivation (SMD 65+ T, SMD 65+ M, SMD 65+ W)
	4.2	Effectiveness of social protection in old age
	4.2.1	Poverty prevention • Impact of social transfers (including pensions) on reducing old-age poverty risk

		• Poverty risk gap 65+
	4.2.2	**Income replacement aspects** • Aggregate replacement ratio (excluding other social benefits) • Median relative income 65+
	4.3	*Equal pension rules*
	4.4	**Housing situation for the elderly** • Housing deprivation (65+)
5. Health and long-term care	5.1	**Health status** • Life expectancy at birth and 65 (T, M, W) • Healthy life years (HLY) at birth and 65 (M, W) • Child mortality, 1-14
	5.2	**Effectiveness of curative or preventive health care** • Potential years of life lost (T) • Amenable mortality standardized rate per 100.000 population aged (T) • Preventable mortality standardized rate per 100.000 population aged (T) • Vaccination coverage rates for children
	5.3	**Access to health care** • Self-reported unmet need for medical care (total and by reason: cost, waiting time, distance) • Self-reported unmet need for medical care – income quintile gap (q1-q5 by the three reasons: cost + waiting time + distance)
	5.4	*Cost-effectiveness of health systems (e.g. balance between in-patient and out-patient care, inefficiencies in the allocation of resources in the hospital sector, issues with pharmaceutical pricing and reimbursement, or insufficient availability and coverage of e-Health services)*
	5.5	*Long-term care (e.g. insufficient provision of long-term care services or sub-optimal design of the long-term care system)*

Definitions and data sources

Indicator	Definition	Data source
At risk of poverty or social exclusion rate	The sum of persons who are: at risk of poverty and/or severely materially deprived and/or living in (quasi-)jobless households (i.e. with very low work intensity) as a share of the total population.	Eurostat – EU SILC
At-risk-of-poverty rate	Share of persons aged 0+ with an equivalised disposable income below 60% of the national equivalised median income. Equivalised median income is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member. Equivalisation is made on the basis of the OECD modified scale. This relative measure of poverty is also referred to as "income poverty".	Eurostat – EU SILC
Severe material deprivation rate	Share of population living in households lacking at least 4 items out of the following 9 items: i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, or could not afford (even if wanted to) vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.	Eurostat – EU SILC
Material deprivation rate	Share of population living in households lacking at least 3 items out of the following 9 items: i) to pay rent or utility bills, ii) keep home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, or could not afford (even if wanted to) vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.	Eurostat – EU SILC
Share of population(0-59) in (quasi-)jobless, i.e. very low work intensity (VLWI), households	People aged 0-59, living in households, where working-age adults (18-59) work 20% or less of their total work potential during the past year.	Eurostat – EU SILC
Relative poverty risk gap rate	Difference between the median equivalised income of persons aged 0+ below the at-risk-of poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of poverty threshold.	Eurostat – EU SILC

Persistent at-risk-of-poverty rate	Share of persons aged 0+ with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years.	Eurostat – EU SILC
Material and social deprivation rate	Share of people in the total population lacking at least five items out of the following 13 deprivation items: Household items 1. face unexpected expenses; 2. afford one week annual holiday away from home; 3. avoid arrears (in mortgage, rent, utility bills and/or hire purchase instalments); 4. afford a meal with meat, chicken or fish or vegetarian equivalent every second day; 5. afford keeping their home adequately warm; 6. have access to a car/van for personal use; and 7. replace worn-out furniture. Personal items 8. replace worn-out clothes with some new ones; 9. have two pairs of properly fitting shoes; 10. spend a small amount of money each week on him/herself ("pocket money"); 11. have regular leisure activities; 12. get together with friends/family for a drink/meal at least once a month; 13. have an internet connection.	Eurostat – EU SILC
Income quintile ratio S80/S20	The ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.	Eurostat – EU SILC
At risk of poverty or social exclusion rate of children	The sum of children (0-17) who are: at risk of poverty and/or severely materially deprived and/or living in (quasi-)jobless households (i.e. households with very low work intensity (below 20%) as a share of the total population aged 0-17.	Eurostat – EU SILC
Impact of social transfers (excluding pensions) on poverty risk reduction	Reduction in the at-risk-of-poverty rate in % due to cash social transfers, calculated as the percentage difference between the at-risk-of-poverty rate before and after social transfers	Eurostat – EU SILC
At-risk-of-poverty rate for the population living in (quasi-)jobless (i.e. very low work intensity) households	Share of persons aged (0-59) with an equivalised disposable income below 60% of the national equivalised median income who live in households where working-age adults (18-59) worked 20% or less of their total work potential during the past year.	Eurostat – EU SILC
In-work at-risk-of-poverty rate	Individuals (18-64) who are classified as employed according to their most frequent activity status and are at risk of poverty. The distinction is made between "wage and salary employment plus self-employment" and "wage and salary	Eurostat – EU SILC

	employment" only.	
Long-term unemployment rate (active population, 15+)	Total long-term unemployed population (≥12 months' unemployment; ILO definition) as a proportion of total active population.	Eurostat – LFS
Youth unemployment ratio	Total unemployed young people (ILO definition), 15-24 years, as a share of total population in the same age group (i.e. persons aged 15-24 who were without work during the reference week, were currently available for work and were either actively seeking work in the past four weeks or had already found a job to start within the next three months as a percentage of the total population in the same age group).	Eurostat - LFS
Early leavers from education and training	Share of persons aged 18 to 24 who have only lower secondary education (their highest level of education or training attained is 0, 1 or 2 according to the 1997 International Standard Classification of Education – ISCED 97) and have not received education or training in the four weeks preceding the survey.	Eurostat – LFS
NEETs (15-24)	Share of young people aged 15-24 not in employment, education or training	Eurostat - LFS
Employment rate of older workers	Persons in employment in age group 55-64, as a proportion of total population in the same age group.	Eurostat – LFS
At risk of poverty or social exclusion rate of the elderly	The sum of elderly (65+) who are: at risk of poverty and/or severely materially deprived and/or living in (quasi-)jobless households (i.e. with very low work intensity) as a share of the total population in the same age group.	Eurostat – EU SILC
Median relative income ratio of elderly people	Median equivalised disposable income of people aged 65+ as a ratio of income of people aged 0-64.	Eurostat – EU SILC
Aggregate replacement ratio	Median individual gross pension income of 65-74 relative to median individual gross earnings of 50-59, excluding other social benefits[42]	Eurostat – EU SILC
Share of the population with self-reported unmet need for medical care	Total self-reported unmet need for medical examination for the following three reasons: financial barriers + waiting times + too far to travel.	Eurostat – EU SILC
Healthy life years at 65	Number of years that a person at 65 is still expected to live in	Eurostat

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[42] Pension income covers pensions from basic (first pillar) schemes, means-tested welfare schemes, early retirement widow's (first pillar) and other old age-related schemes. Other social benefits include unemployment-related benefits, family-related benefits, benefits relating to sickness or invalidity, education-related allowances, and any other personal social benefits. Work income includes income from wage and salary employment and income from self-employment.

	a healthy condition. To be interpreted jointly with life expectancy (included in the SPPM contextual information).	
At risk of poverty or social exclusion rate for persons with disabilities (16+)	The sum of persons with disabilities who are: at risk of poverty and/or severely materially deprived and/or living in households with very low work intensity as a share of the total population of persons with disabilities. Here the reference population is persons aged 16+ with moderate or severe disabilities, based on the Global Activity Limitation Indicator (GALI) approach (i.e. persons who report either moderate or severe health-related activity limitations).	Eurostat – EU SILC
Housing cost overburden rate	Percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).	Eurostat – EU SILC
Change in real gross household disposable income (GHDI)	Real growth in gross household disposable income (GHDI). Real GDHI is calculated as nominal GDHI divided by the deflator of household final consumption expenditure.	Eurostat - National accounts

Definition of the in-work at-risk-of-poverty rate

Individuals who are classified as employed, defined here as being in work for over half of the year and who are at risk of poverty, i.e. live with an equivalised disposable income after social transfers below 60% of the national median equivalised disposable income.

In defining in-work poverty risk, the income for people who are employed is for the total household income, but the poverty status is assigned to the individual. This means that in-work poverty risk, when measured, is influenced by both the total disposable income (including non-wage income) of the household and the household composition. The assumption of equal sharing of resources within households (giving the so-called equivalised income) that underlies the definition of poverty risk means that the economic well-being of individuals depends on the total resources contributed by all members of the households. In this respect, some income can move from one household member to the other without affecting the actual income of the individual. Hence, measuring attachment to the labour market at the level of households provides a better indicator of the welfare implications associated with labour market status than individual employment rates.

Income/disposable income

Household income comes from different sources. Employment is generally the main source of income but it is not the only one. Individuals may receive transfers from the state (e.g. unemployment benefits, pensions, etc.); property income (e.g. dividends from financial assets, etc.); and income from other sources (e.g. rental income from property or from the sale of property or goods, etc.).

Employed

In EU SILC, people are defined as employed based on the self-declared economic status.

Working full year/less than full year

Working full year corresponds to working during the total number of months for which information on the activity status has been provided. Less than full year corresponds to working for more than half, but less than all, the numbers of the months for which information on activity status is provided.