Population and social conditions

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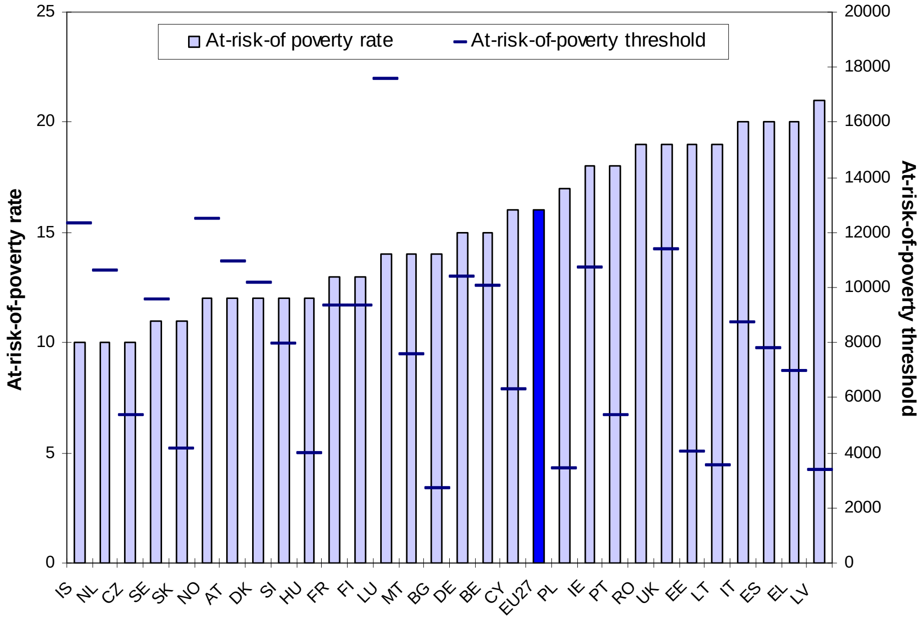
Author: Pascal WOLFF

79 million EU citizens were at-risk-of-poverty in 2007, of whom 32 million were also materially deprived

In 2007, 16% of the population was assessed to be at-risk-of-poverty following the concept of relative poverty adopted in the European Union. The risk of poverty is more than 30% for the elderly population in Cyprus, Estonia and Latvia. Among children, the at-risk-of poverty rate is highest in Italy, Romania, Spain and Poland. Social protection reduces poverty by 36% on average in the EU. A new indicator of material deprivation completes the social exclusion picture. New Member States (Romania, Latvia, Poland, Hungary, Cyprus, Lithuania and Slovakia) have the highest shares of the population who are materially deprived. Finally, 32 million people could be considered as both at-risk-of-poverty and materially deprived, i.e. with a very high likelihood of poverty and social exclusion.

In 2007, in EU-27, approximately 79 million people (16%) lived below the poverty threshold, a situation likely to hamper their capacity to fully participate in society. This figure, calculated as a weighted average of national results, masks considerable variation between Member States. At one extreme, the Member States with the highest poverty rates are the Baltic countries: Latvia (21%), Lithuania (19%), Estonia (19%) as well as Greece, Spain and Italy (all 20%), and the United Kingdom and Romania (both 19%). At the other extreme, the share of the population at risk of poverty is around 10% in the Czech Republic, the Netherlands and Iceland, and 11% in Sweden and Slovakia.

Chart 1: At-risk-of poverty rate and At-risk-of-poverty threshold in the EU (%), 2007



Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys)

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Although some statistical considerations have guided its selection, the choice of the poverty threshold at 60% of national median equivalised disposable income is conventional. In each country, it represents the level of income that is considered necessary to lead an adequate life.

The poverty threshold varies greatly across the EU. When taking account of the differences in the cost of living (values expressed in purchasing power standards), the annual threshold for a single person household varies from less than PPS 4000 in Bulgaria[1] Latvia, Poland, Lithuania and Hungary up to more than PPS 10000 in eight Member States, as well as Iceland and Norway. This suggests that the standard of living of the poor is 3 to 4 times higher in the countries with the highest income than in the countries with the lowest income.

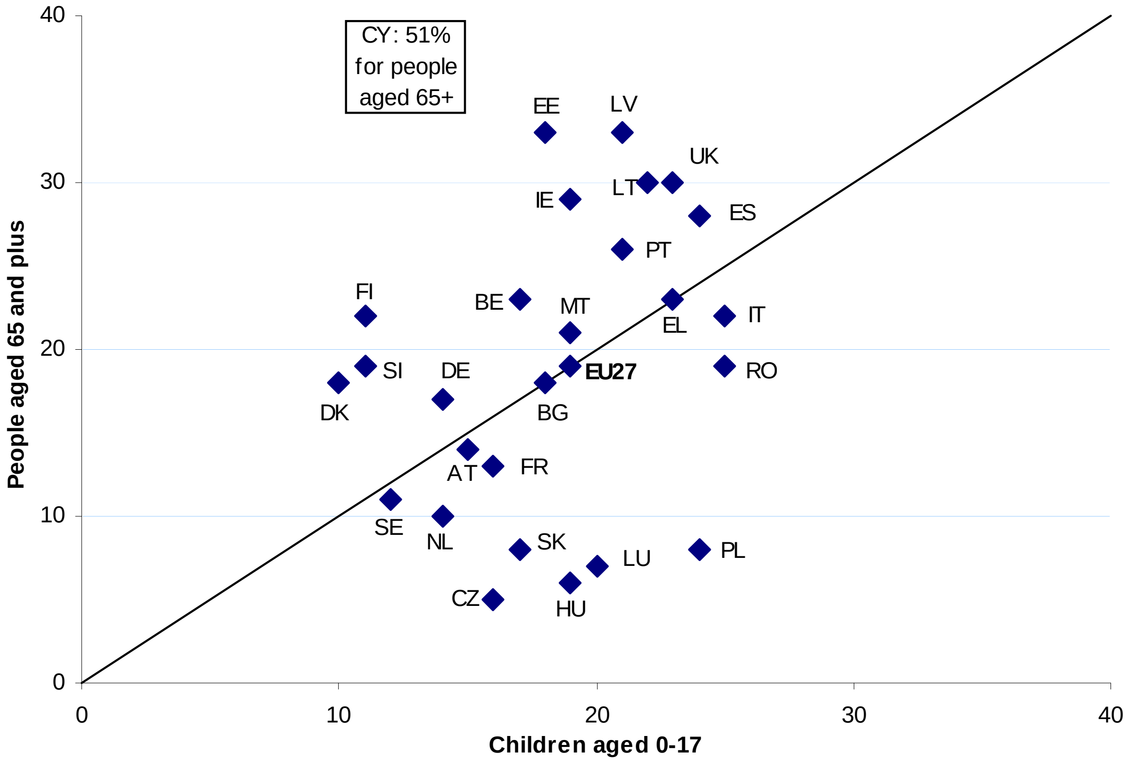
[1] *Source: National household budget survey.No data currently available for Romania*

Both children and the elderly more at-risk-of-poverty than the whole population

With a rate of 19% in EU-27, children are at greater risk-of-poverty than the rest of the population in most countries. Child poverty rates are higher than rates for the total population in 21 of the 29 countries covered by the survey, by 50% or more in the Czech Republic, Hungary and Slovakia. On the contrary, this risk is lower for children in 6 countries (Denmark, Germany, Estonia, Cyprus, Slovenia and Finland) and similar in two countries (Latvia, Norway).

Child poverty rates range from 10% in Denmark to 25% in Italy and Romania. The main factors affecting child poverty levels in the EU are the labour market situation of their parents and the effectiveness of government intervention through income support and the provision of enabling services such as childcare. This is particularly evident in the case of lone parents, who face a risk of poverty of 46%.

Chart 2: At-risk-of poverty rate for children (0-17 years) and the elderly (65 and over) in the EU (%), 2007



Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys)

While on average the elderly also face a higher risk of poverty than the overall population (19% as opposed to 16%) substantial differences exist across countries as illustrated in Chart 2 and Table 1. 20 of the 29 countries covered by the survey follow this EU trend. More than half of these countries recorded a gap higher than 50%. On the contrary, the poverty risk for the elderly is half that of the overall population in four countries, i.e. the Czech Republic, Luxembourg, Hungary and Poland while it is similar or slightly inferior for the elderly in France, the Netherlands, Romania, Sweden and Slovakia.

The risk of poverty faced by people aged 65 or more ranges from 5% in the Czech Republic to 30% in Lithuania and the United Kingdom, 33% in Estonia and Latvia, and even reaches 51% in Cyprus. These differences in the relative situation of the elderly depend on a number of factors including the adequacy of the pension systems for current pensioners and the age and gender structure of the elderly population, since elderly women and the very old tend to face much higher risks.

Table 1: At-risk-of poverty rate by age group in the EU (%), 2007

	Total population	Children aged 0-17	People aged 18-64	People aged 65+
EU27	**16** s	**19** s	**15** s	**19** s
BE	15	17	13	23
BG	14 p	18 p	12 p	18 p
CZ	10	16	8	5
DK	12	10	11	18
DE	15 p	14 p	15 p	17 p
EE	19	18	16	33
IE	18	19	15	29
EL	20	23	19	23
ES	20	24	16	28
FR	13	16	12	13
IT	20	25	18	22
CY	16	12	10	51
LV	21	21	18	33
LT	19	22	16	30
LU	14	20	13	7
HU	12	19	12	6
MT	14	19	12	21
NL	10	14	9	10
AT	12	15	11	14
PL	17	24	17	8
PT	18	21	15	26
RO	19 p	25 p	17 p	19 p
SI	12	11	10	19
SK	11	17	9	8
FI	13	11	11	22
SE	11	12	10	11
UK	19	23	15	30
IS	10	12	8	15
NO	12	12	12	14

p provisional
s Eurostat estimate

Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys*)*

Social protection decreases the risk of poverty

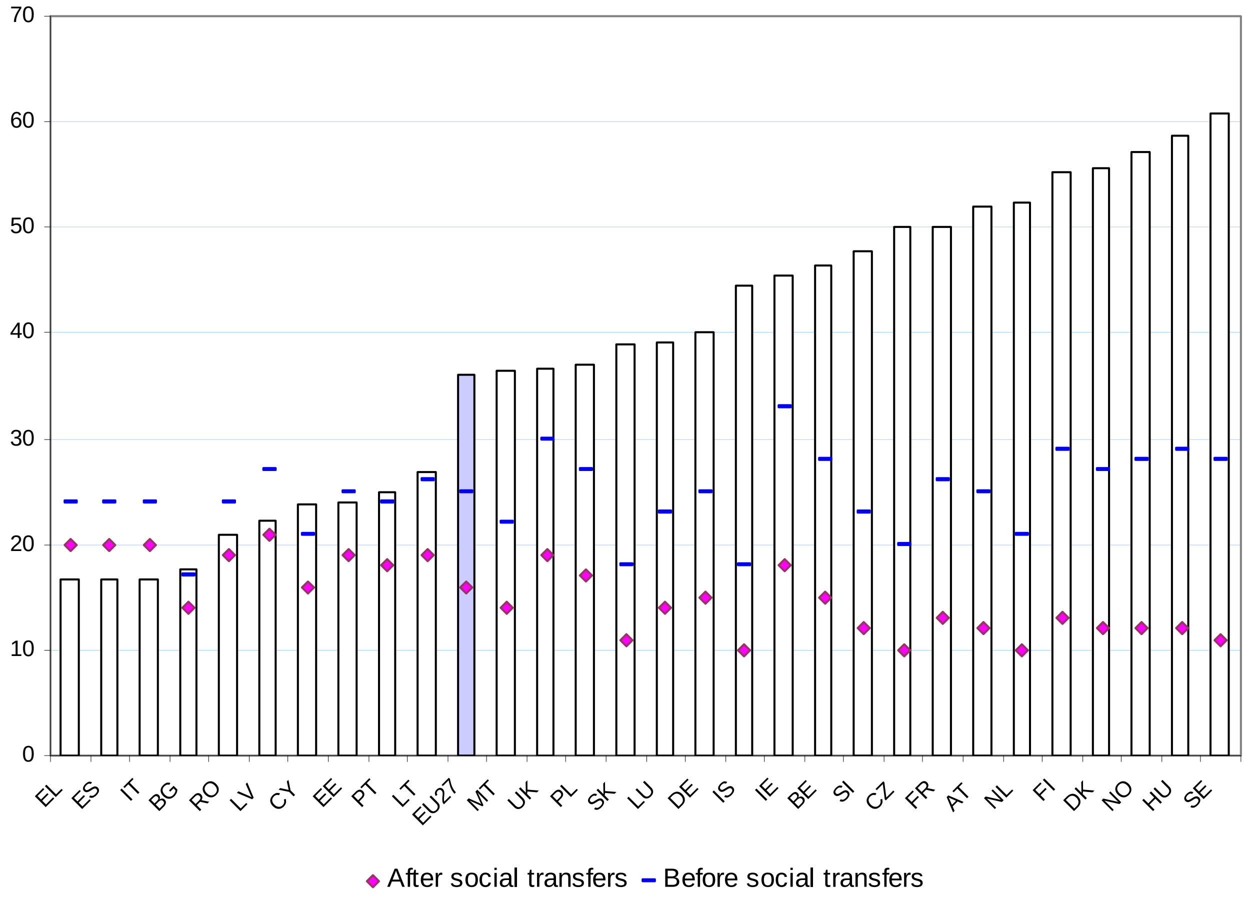
The indicator of at-risk of poverty rate before social cash transfers (but excluding pensions) measures a hypothetical situation where social transfers are absent. Its comparison with the standard at-risk-of-poverty rate shows that such transfers have an important re-distributive effect that helps to reduce the number of people who are at risk of poverty. In each country, these rates are calculated with the same threshold, namely the nationally-defined 60% threshold calculated on the basis of total household income, i.e. including all social transfers.

Chart 3 below compares the different at-risk-of-poverty rates before and after social transfers and ranks countries following the impact in percentage of social transfers on the at-risk-of-poverty rate before social transfers.

In the absence of social transfers other than pensions (such as unemployment, family and housing benefits), the poverty risk for the EU population as a whole would be considerably higher than it is in reality (25% instead of 16%): on average, social transfers reduce the risk of poverty by 36%.

Social transfers are most effective in the Nordic countries (Sweden, Norway, Denmark, Finland) Hungary, the Netherlands, Austria, France, the Czech Republic and Slovenia where they reduce poverty by 50% or more. Conversely, in Greece, Spain, Italy and Bulgaria, social transfers only reduce the risk of poverty by less than 20%.

Chart 3: Percentage reduction in the At-risk-of poverty rate, before and after social transfers in the EU (%), 2007



Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys)

Holding a job does not always protect people from the risk of poverty

The fact that being in employment is an effective way to secure oneself against the risk of poverty and social exclusion is clearly borne out by the evidence and has been recognised by the European Council which highlighted the importance of promoting participation in employment as a means of preventing and alleviating poverty and social exclusion. But Member States also recognised that holding a job is not always sufficient to escape poverty. "In-work poverty", i.e. the risk of poverty for those who are actually employed, is linked to low pay, low skills, precarious employment and often involuntary part-time working. It is also linked to the type of household in which workers live and to the economic status of other members of the household. In households with children for instance, the single-earner family model is no longer sufficient to ward off the risk of poverty.

In 2007, only 8% of the employed population in the EU-27 had an income below the national poverty line, compared with 42 % for the unemployed (see Table 2). However, even if people in employment are less exposed to the risk of poverty than other groups, they represent a large share of those at risk of poverty, since a large part of the adult population is at work (65% in the EU-27).

Table 2: At-risk-of poverty rate by employment status in the EU (%), 2007

	Employed	Unemployed
EU27	**8 s**	**42 s**
BE	4	34
BG	5 p	38 p
CZ	3	48
DK	4	31
DE	7 p	51 p
EE	8	62
IE	6	43
EL	14	35
ES	11	36
FR	6	33
IT	10	44
CY	6	28
LV	10	57
LT	8	57
LU	9	46
HU	6	46
MT	4	39
NL	5	27
AT	6	42
PL	12	43
PT	10	32
RO	4 p	37 p
SI	5	36
SK	5	45
FI	5	41
SE	7	26
UK	8	58
IS	7	21 u
NO	6	44

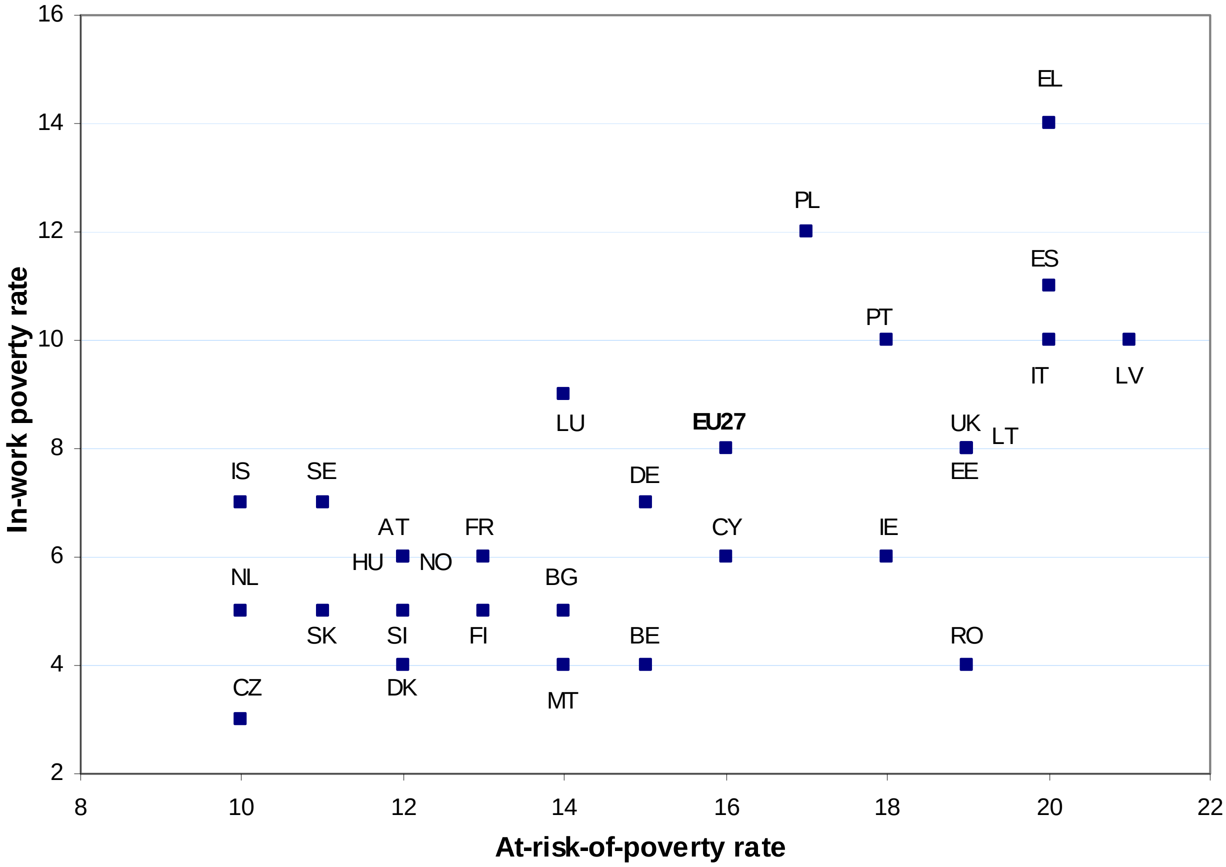
p: provisional, s: Eurostat estimate, u: unreliable

Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys)

As can be seen in Chart 4, in general, the in-work poverty risk varies very much with the total poverty risk, with Baltic and Southern countries facing high poverty risk for both the employed and the total population.

On the other side of the distribution, the Czech Republic, Denmark, the Netherlands, Slovakia and Slovenia have low poverty rates for both the employed and the total population.

Chart 4: At-risk-of poverty rate and In-work poverty in the EU (%), 2007



Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys)

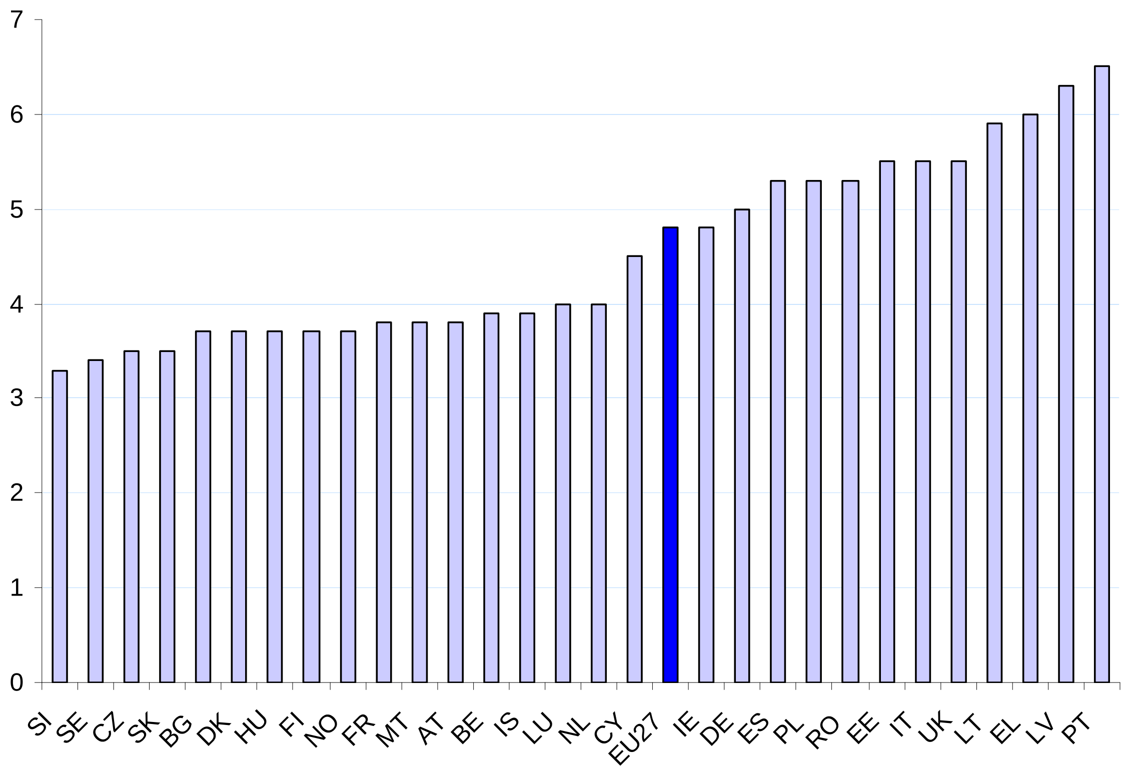
The richest have 5 times higher income than the poorest

The focus of all the indicators presented so far is on the bottom part of the income distribution. It can also be interesting to look at the relative position of the bottom group with regard to that of the top group. This can be illustrated by the S80/S20 ratio. For each country, this ratio compares the total equivalised income received by the top income quintile (20% of the population with the highest equivalised income) to that received by the bottom income quintile (20% with lowest equivalised income).

The EU27 average is 4.8 in 2007, which means that the wealthiest quintile had nearly 5 times more income than the poorest. Ratios range from 3.3 in Slovenia and 3.4 in Sweden to 6.5 in Portugal and 6.3 in Latvia.

While inequality in the income distribution is high in all southern countries and the UK and low in all Nordic countries, the situation is diverse among the new Member States with high level of the ratio in the 3 Baltic countries plus Romania and Poland, as opposed to all the other New Member countries.

Chart 5: Income quintile share ratio (S80/S20) in the EU (%), 2007



Source: SILC 2007 for all countries except Bulgaria and Romania (National household budget surveys)

Another facet of social exclusion: 17% of Europeans are materially deprived

In order to draw a broader picture of social exclusion in the EU, the income-related indicators have to be complemented by non-monetary indicators of living standards. Therefore an indicator called the "Material deprivation rate" was recently adopted by the Indicators Sub-Group of the Social Protection Committee.

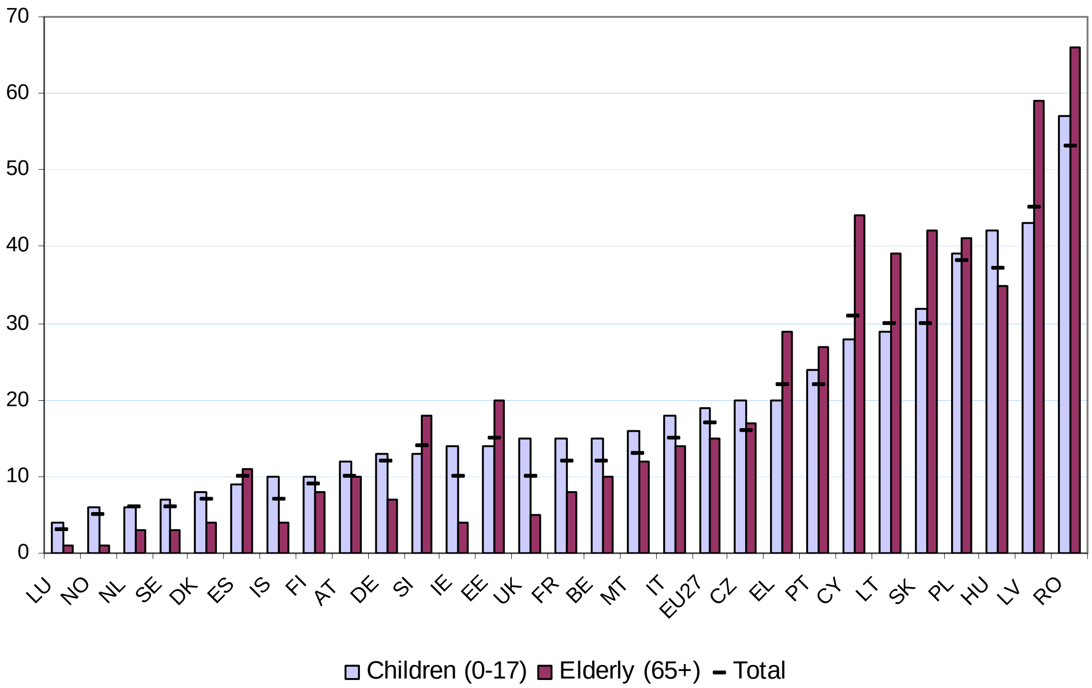
Material deprivation is defined as the enforced lack of at least three of the nine following items[2]; ability to face unexpected expenses, ability to pay for one week annual holiday away from home, existence of arrears (mortgage or rent payments, utility bills, or hire purchase instalments or other loan payments),capacity to have a meal with meat, chicken or fish every second day, capacity to keep home adequately warm, possession of a washing machine, a colour TV, a telephone or a personal car.

Following this definition, 17% of the EU-27 population could be considered materially deprived in 2007, with great discrepancies between Member States, mainly old and new Member States. On one hand only 3% of the population was deprived in Luxembourg and 10% or less in all Nordic countries, the Netherlands, Austria, Spain, Ireland and the United Kingdom. On the other hand, the Material deprivation rate was beyond 50% in Romania, 40% in Latvia and over 30% in Poland, Hungary, Cyprus, Slovakia and Lithuania. Material deprivation was higher for women than for men in all countries, except Sweden.

In a majority of countries material deprivation was higher for children than for the whole population (2pp at EU-27 level). The only exceptions were Cyprus (-3 pp), Greece and Latvia (both 2pp), and Spain, Slovenia, Estonia, and Lithuania (all -1 pp). As for the elderly population (persons aged 65 plus) they usually live in households which are less confronted by material deprivation. Nevertheless in some of the new member States the Material deprivation rate was much higher for the elderly than for the whole population. This is particularly the case in Latvia (difference of 14 pp), Romania and Cyprus (both 13 pp) and Slovakia (12 pp).

[2] *The indicator makes an essential distinction between the persons who cannot afford a certain good or service, and those who do not have this good or service for any other reason, e.g. because they do not want or do not need it.*

Chart 6: Material deprivation rate by age group in the EU (%), 2007



Source: SILC 2007, No data for Bulgaria

Table 3: Material deprivation rate by poverty status in the EU(%), 2007

	Not at risk of poverty	At risk of poverty
EU27	**12 s**	**40 s**
BE	7	42
CZ	12	55
DK	5	20
DE	8 p	34 p
EE	9	41
IE	6	30
EL	15	50
ES	7	21
FR	8	35
IT	10	36
CY	25	64
LV	36	76
LT	22	61
LU	1	17
HU	33	71
MT	10	28
NL	4	19
AT	7	33
PL	32	67
PT	16	50
RO	43	85
SI	11	41
SK	26	67
FI	6	32
SE	4	20
UK	7	26
IS	7	15
NO	4	16

p: provisional, s: Eurostat estimate

Source: SILC 2007, No data for Bulgaria

A relatively low correlation between material deprivation and risk of poverty

Material deprivation was also significantly higher for the population at-risk-of-poverty, 40% on average in the EU-27 as opposed to 12% for the population above the poverty threshold. This means that among the 495 million EU citizens in 2007, 32 million were both at-risk-of poverty and materially deprived. In general, the correlation between the standard At-risk-of-poverty rate and the Material deprivation rate is quite low (0.42 at country level), given essentially that in most countries different subsets of the population are affected by each of them.

The former indicator measures relative poverty expressed in monetary terms while the latter follows a more absolute approach in terms of incapacity to afford some items which are considered desirable or even necessary by most people to have an adequate life. Following this pattern, in most old Member States, less than one third of the population at-risk-of-poverty was also concerned with material deprivation. On the other extreme, monetary poverty was often a synonym of material deprivation in Romania (85% of the population at risk of poverty), Latvia (76%) and Hungary (71%).

Methodological notes

Background

At the Laeken European Council in December 2001, Heads of State and Government endorsed a first set of common statistical indicators of social exclusion and poverty that are subject to a continuing process of refinement by the Indicators Sub-group (ISG) of the Social Protection Committee (SPC). These indicators are an essential element in the Open Method of Coordination (OMC) to monitor the progress of Member States in the fight against poverty and social exclusion.

In order to provide underlying data for indicators, the EU-SILC (Community Statistics on Income and Living Conditions) instrument was implemented. The EU-SILC, organised under a Framework Regulation of the European Parliament and the Council (N°1177/2003), is now the reference source for statistics on income and living conditions and for common indicators for social inclusion in particular.

Data source

The EU-SILC instrument was launched in 2003 on the basis of a 'gentleman's agreement' in six Member States (Belgium, Denmark, Greece, Ireland, Luxembourg, and Austria) as well as in Norway. From 2005 onwards EU-SILC covered the then EU 25 Member States plus Norway and Iceland. Bulgaria, Romania, Switzerland and Turkey have launched EU-SILC in 2007.

Income

A key objective of EU-SILC is to deliver robust and comparable data on total disposable household income. Income components were defined to follow as closely as possible the international recommendations of the UN 'Canberra Manual'.

The income reference period is a fixed 12-month period (such as the previous calendar or tax year) for all countries except UK for which the income reference period is the current year and IE for which the survey is continuous and income is collected for the last twelve months.

The EU-SILC definition of total household disposable income used for the calculation of presented indicators excludes imputed rent – i.e. money that one saves on full (market) rent by living in one's own accommodation or in accommodation rented at a price that is lower than the market rent. It should also be noted that the definition of income currently used excludes as well non monetary income components, and thus in particular value of goods produced for own consumption and non-cash employee income except company car.

Equivalence scale

In order to reflect differences in household size and composition, the income figures are given per equivalent adult. This means that the total household income is divided by its equivalent size using the so-called modified OECD equivalence scale. This scale gives a weight of 1.0 to the first adult, 0.5 to any other household member aged 14 and over and 0.3 to each child below age 14. The resulting figure is attributed to each member of the household, whether adult or children. The equivalent size of a household that consists of 2 adults and 2 children below the age of 14 is therefore: 1.0 + 0.5 + (2*0.3) = 2.1

Indicators

The indicators used to monitor progress at EU level (under the Open Method of Coordination) on social inclusion are mainly based on monetary income. The leading indicator, the at-risk-of-poverty rate, relies on a relative income definition and counts poor individuals as living in households where equivalised disposable income is below the threshold of 60% of the national equivalised median income. Given the essentially arbitrary nature of the retained threshold, and the fact that having an income below this threshold is neither a necessary nor a sufficient condition of having a low standard of living, this indicator is referred to as a measure of *poverty risk*. As a complement to these monetary indicators, a new indicator of material deprivation was added in February 2009 to the EU set. It should be followed by indicators describing the housing conditions.

EU-average

EU poverty rates are computed on the basis of micro data using national poverty threshold. EU aggregates appear as the population-weighted averages of national indicators.

Purchasing Power Parities and Purchasing Power Standards

PPPs are a fictitious currency exchange rate, which eliminate the impact of price level differences. Thus 1 PPS will buy a comparable basket of goods and services in each country.

Abbreviations

For the purpose of this publication EU means EU-27 including Bulgaria and Romania, which joined the EU on 1 January 2007.

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

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