Population and social conditions

Author: Pascal WOLFF

eurostat
Statistics in focus
9/2010

17 % of EU citizens were at-risk-of-poverty in 2008

In 2008 as in 2007, 17% of the population was assessed to be at-risk-of-poverty following the concept of relative poverty adopted in the European Union. Despite this overall stability the risk of poverty rose by 5 percentage points in Latvia, and decreased significantly only in Ireland and Romania (both -2 percentage points).

20% of children were at-risk-of poverty in the EU in 2008 with the highest figures in Romania, Bulgaria, Italy, and Latvia. The at-risk-of-poverty rate exceeded 30% for the elderly population (aged 65 and more) in Latvia, Cyprus, Estonia and Bulgaria. On average, social protection reduced poverty by 32% in the EU with large discrepancies between countries.

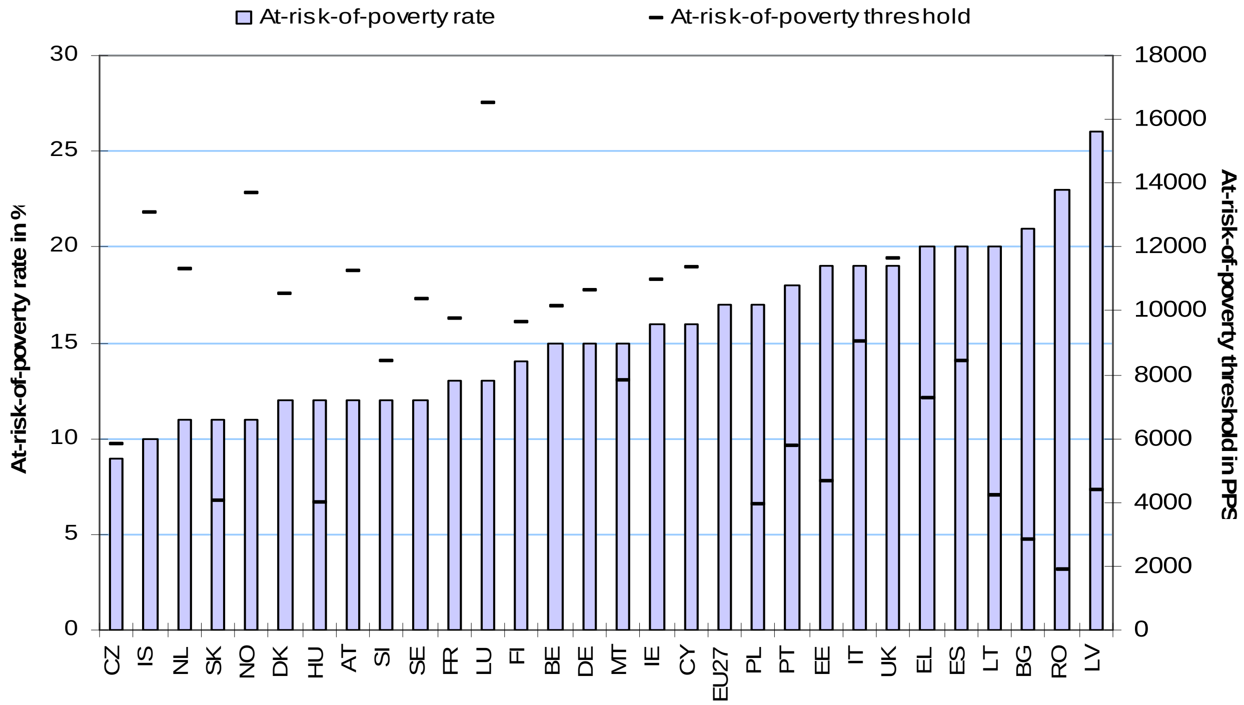
Holding a job is not always sufficient to escape from poverty and 8% of the EU population were at-risk-of-poverty in 2008 despite having a job.

Material deprivation affected 17% of the EU population in 2008 and some of the new Member States (Bulgaria, Romania, Hungary, Latvia and Poland) recorded the highest values.

All figures are based on the EU-SILC (Statistics on Income and Living Conditions) source.

In 2008, approximately 85 million people in EU-27 (17%) 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 Latvia (26%), Romania (23%), Bulgaria (21%), Lithuania, Greece and Spain (all 20%). At the other extreme, the share of the population at risk of poverty is around 9% in the Czech Republic, 10% in Iceland, and 11% in the Netherlands, Slovakia and Norway.

Chart 1: At-risk-of poverty rate (%) and At-risk-of-poverty threshold (PPS), 2008



Note: provisional data for UK
Source: Eurostat (ilc_li01, ilc_li02)

eurostat
EUROPEAN COMMISSION

In general, the at-risk-of-poverty rate is very stable from one year to the following. Between 2007 and 2008, the main exceptions to this were Latvia with a sharp increase by 5 percentage points (pp), as well as Ireland and Romania with a reduction by 2pp. The evolution of the indicator in Latvia, in a context of fast economic growth in 2007 (+10.0% for GDP in volume), illustrates an increase of inequalities in the income distribution.

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 about PPS 1900 in Romania, 2800 in Bulgaria and around 4000 in Poland, Hungary and Slovakia up to PPS 16500 in Luxembourg and more than PPS 10000 in nine other Member States, as well as Iceland and Norway.

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

With a rate of 20% in EU-27, children were at greater risk-of-poverty in 2008 than the rest of the population in 21 of the 29 countries covered by the survey, with the highest relative gap in the Czech Republic, Hungary, Luxembourg, Romania and Slovakia. In contrast, the risk was lower for children in 6 countries (Denmark, Estonia, Cyprus, Latvia, Finland and Norway) and similar in two countries (Germany and Slovenia).

Child poverty rates ranged from 9% in Denmark to 26% in Bulgaria and 33% in Romania. The main factors affecting child poverty levels 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, for whom the at-risk-of-poverty rate reached 35% in the EU-27 in 2008.

The elderly also faced a higher risk of poverty in 2008 than the overall population both at EU-27 level (19% as opposed to 17%) and in most countries. The risk of poverty faced by people aged 65 or more ranged from 4% in Hungary and 5% in Luxembourg to 30% and more in the United Kingdom, Bulgaria, Estonia, Cyprus (49%) and Latvia (51%).

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 (%), 2008

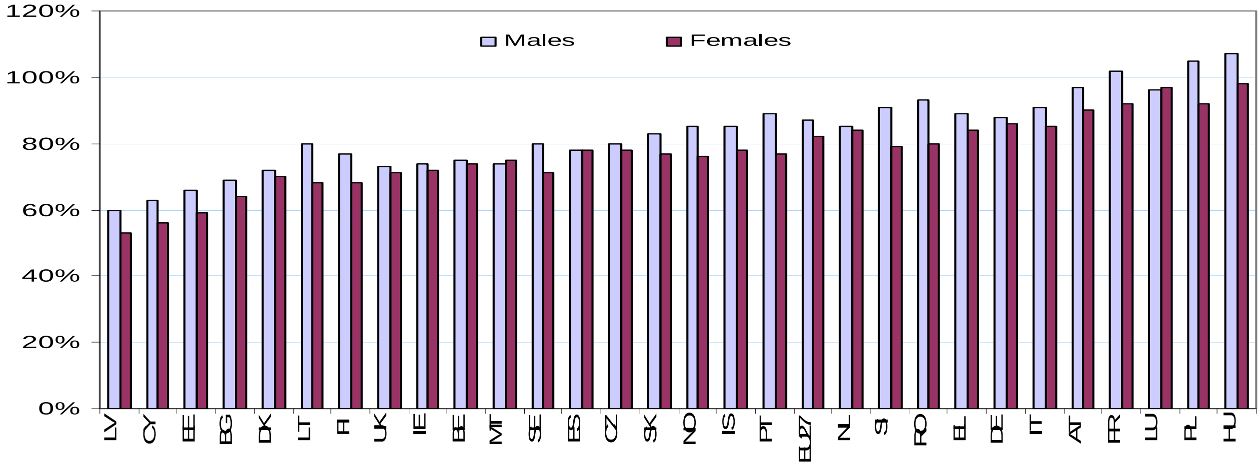
	Total population	Children (0-17)	People aged 18-64	Elderly (65 and more)
EU27	**17 p**	**20 p**	**15 p**	**19 p**
BE	15	17	12	21
BG	21	26	17	34
CZ	9	13	8	7
DK	12	9	11	18
DE	15	15	15	15
EE	19	17	15	39
IE	16	18	14	21
EL	20	23	19	22
ES	20	24	16	28
FR	13 b	17 b	13 b	11 b
IT	19	25	16	21
CY	16	14	11	49
LV	26	25	20	51
LT	20	23	17	29
LU	13	20	13	5
HU	12	20	12	4
MT	15	20	12	22
NL	11	13	10	10
AT	12	15	11	15
PL	17	22	16	12
PT	18	23	16	22
RO	23	33	20	26
SI	12	12	10	21
SK	11	17	10	10
FI	14	12	12	23
SE	12	13	11	16
UK	19 p	23 p	15 p	30 p
IS	10	11	9	15
NO	11	10	11	15

b break
p provisional

Source: Eurostat (ilc_li02)

Pension systems have significantly reduced poverty among older people, and people aged 65 and more had on average in 2008 an income which was around 84% of the income for the population below the age of 65, ranging from 54% in Latvia and 58% in Cyprus to 100% in Hungary. Except for Malta and Luxembourg, the gap between genders was always to the detriment of women with a maximum in Poland and Romania (13 pp) followed by Lithuania, Portugal and Slovenia (12 pp).

Chart 2: Relative median income ratio (%), 2008
(Median income of people aged 65+ as a ratio of income of people aged 0-64)



Note: provisional data for UK -Source: Eurostat (ilc_pnp2)

Social protection decreased the risk of poverty by 32%

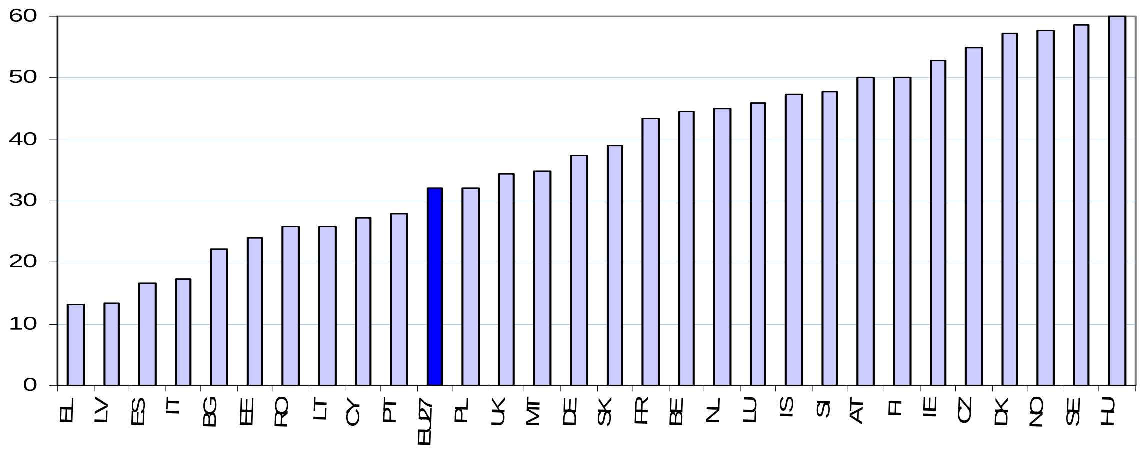
The indicator of at-risk of poverty rate before social cash transfers measures a hypothetical situation where social transfers are absent. Its comparison with the standard at-risk-of-poverty rate shows that such transfers have an important re-distributive effect that helps to reduce the number of people who are at risk of poverty. In each country, these rates are calculated with the same poverty threshold, i.e. including social transfers in the total household income.

Chart 3 below ranks countries following the impact of social transfers on the at-risk-of-poverty rate before social transfers, in percentage of the latter.

In the absence of social transfers other than pensions, the poverty risk for the EU population as a whole would be considerably higher than it is in reality (25% instead of 17%): on average, social transfers reduce the risk of poverty by 32%.

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

Chart 3: Reduction in the At-risk-of poverty rate, comparison before and after social transfers (%), 2008



Note: provisional data for UK - Source: Eurostat (ilc_li02, ilc_li10)

8% of people holding a job were at-risk-of-poverty

Being in employment is an effective although not always sufficient way to secure oneself against the risk of poverty and social exclusion. "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 2008, 8% of the employed population in the EU-27 had an income below the national poverty line, compared with 44 % 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 (65.9% in the EU-27 in 2008). As may be expected, persons holding a temporary contract are more exposed to poverty (13%) than persons with a permanent contract (5%).

The highest in-work poverty rates were recorded in Romania (17%), followed by Greece (14%), Poland and Portugal (both 12%). The lowest were observed in the Czech Republic (4%), followed by Belgium, Denmark, Hungary, Malta, the Netherlands, Slovenia, Finland and Norway (all 5%).

Table 2: At-risk-of poverty rate by labour status (%), 2008

	Employed			Unemployed	Other inactive
	Total	Permanent contract	Temporary contract		
EU27	**8 p**	**5 p**	**13 p**	**44 p**	**27 p**
BE	5	3	11	35	26
BG	7	6	16	55	24
CZ	4	2	6	48	12
DK	5	4	:	34	31
DE	7	5	14	56	23
EE	7	6	5	61	32
IE	6	3	12	28	27
EL	14	5	16	37	26
ES	11	5	14	38	31
FR	7 b	4 b	12 b	39 b	27 b
IT	9	6	16	42	29
CY	6	5	18	31	20
LV	11	10	18	53	33
LT	9	7	14	51	32
LU	9	9	15	52	16
HU	5	4	12	48	24
MT	5	4	5	31	20
NL	5	4	4	36	19
AT	6	5	8	41	22
PL	12	5	13	39	25
PT	12	7	11	35	28
RO	17	5	22	43	32
SI	5	4	10	38	22
SK	6	5	11	43	16
FI	5	3	13	43	29
SE	7	5	18	38	31
UK	9 p	:	:	55 p	36 p
IS	7	5	12	25	19
NO	5	5	20	40	40

b: break
p: provisional

Source: Eurostat (ilc_li04, ilc_iw05)

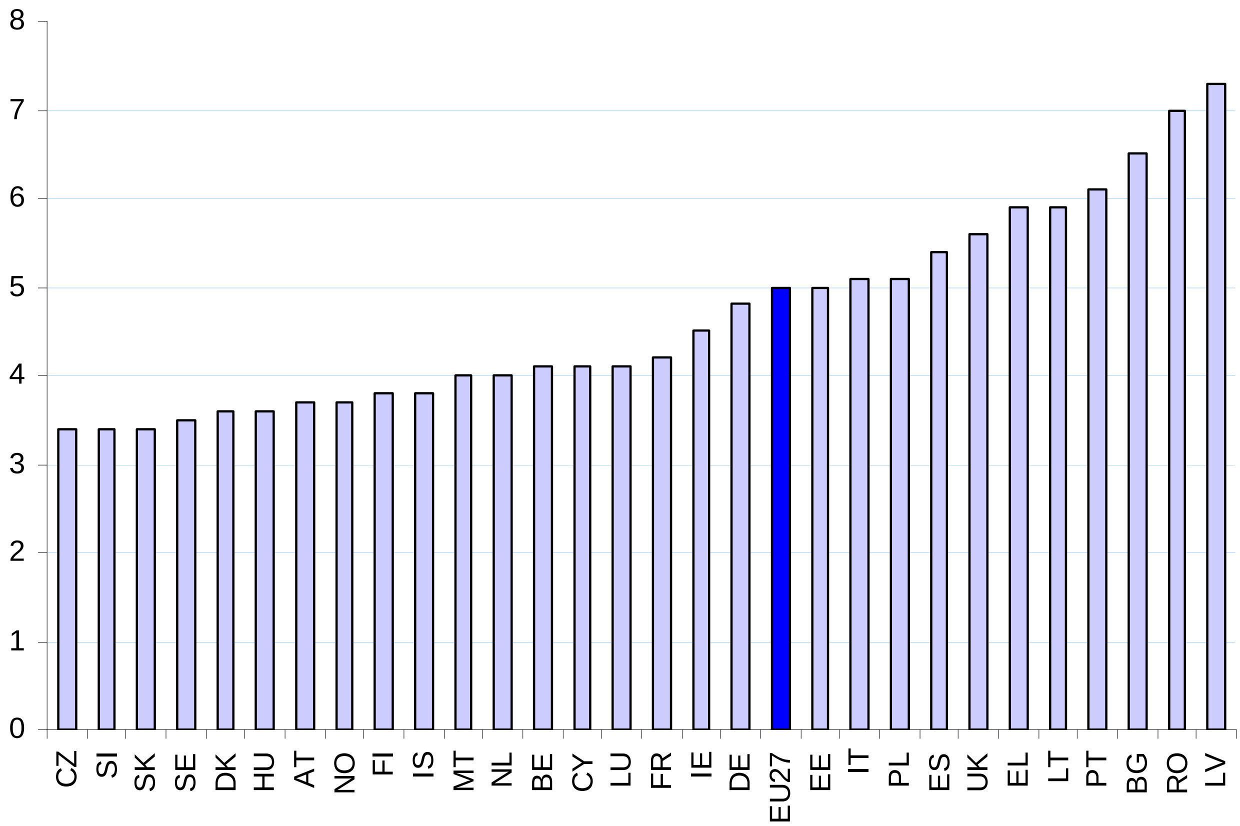
The richest have 5 times higher income than the poorest

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 is illustrated by the S80/S20 ratio, which 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 was 5.0 in 2008, which means that the wealthiest quintile had 5 times more income than the poorest. Ratios range from 3.4 in the Czech Republic, Slovenia and Slovakia to 7.0 and more in Romania and Latvia. In this latter country the indicator has increased from 6.3 to 7.3 between 2007 and 2008.

The situation in terms of inequality in the income distribution is extremely diverse among the new Member States with a high level of the ratio in the 3 Baltic countries plus Bulgaria, Poland and Romania, as opposed to all the other new Member countries.

Chart 4: Income quintile share ratio (S80/S20), 2008



Note: provisional data for UK
Source: Eurostat (ilc_di11)

17% of Europeans were materially deprived

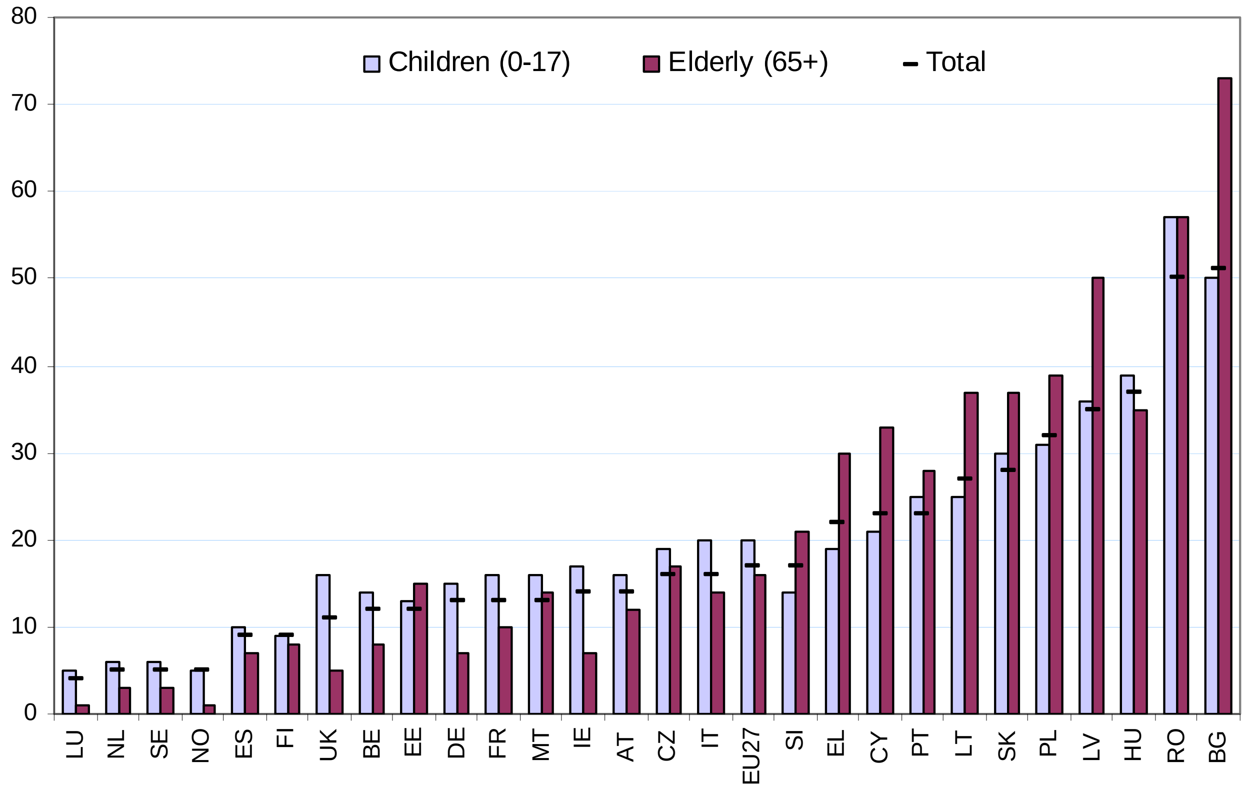
Material deprivation rates complement the social exclusion picture by providing an estimate of the proportion of people whose living conditions are severely affected by a lack of resources. The material deprivation rate provides a headcount of the number of people who cannot afford to pay at least three of the nine following items: unexpected expenses, one week annual holiday away from home, mortgage or utility bills, a meal with meat, chicken or fish every second day, keep home adequately warm, 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 2008, with great discrepancies between Member States, mainly old and new Member States. On one hand, only 4% of the population was deprived in Luxembourg and 10 % or less in the Nordic countries, the Netherlands and Spain.

On the other hand, the material deprivation rate reached 50% or more in Bulgaria and Romania, and exceeded 30% in Hungary, Latvia and Poland.

Material deprivation was higher for children than for the whole population (3pp at EU27 level) in most countries. As for the elderly population (persons aged 65 plus) they usually live in households which are less confronted by material deprivation than the average (1pp at EU27 level). Nevertheless the material deprivation rate was much higher for the elderly than for the whole population in Bulgaria (difference of 22pp) and Latvia (15 pp).

Chart 5: Material deprivation rate by age group (%), 2008



No data for DK and IS
Source: Eurostat (ilc_sip8)

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 pensions from private plans and non-monetary income components, in particular value of goods produced for own consumption and non-cash employee income except company cars.

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 as poor individuals those living in households where equivalised disposable income is below the threshold of 60% of the national equivalised median income. Given the 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 2008.

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.

Further information

Eurostat Website: http://ec.europa.eu/eurostat

Data on "Population and social conditions – Income and living conditions"
http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

More information about "Population and social conditions – – Income and living conditions"
http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/introduction

Journalists can contact the media support service:

Bech Building Office A4/125 L - 2920 Luxembourg
Tel. (352) 4301 33408 Fax (352) 4301 35349
E-mail: eurostat-mediasupport@ec.europa.eu

European Statistical Data Support:

With the members of the 'European statistical system', Eurostat has set up a network of support centres in nearly all Member States and in some EFTA countries.

Their mission is to provide help and guidance to Internet users of European statistical data.

Contact details for this support network can be found on our Internet site:
http://ec.europa.eu/eurostat/

All Eurostat publications can be ordered via EU Bookshop
http://bookshop.europa.eu/

Manuscript completed on: 2.02.2010
Data extracted on: 21.12.2009
ISSN 1977-0316
Catalogue number: KS-SF-10-009-EN-N