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COVER NOTE

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Subject:	Social Situation Report 2009

Delegations will find attached Commission document SEC(2010) 55 final - Part 1.

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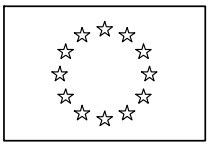

EUROPEAN COMMISSION

Brussels, 20.1.2010
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COMMISSION STAFF WORKING DOCUMENT

SOCIAL SITUATION REPORT 2009

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Key Messages

- **While there are signs that the recession is bottoming out, its full social consequences have yet to materialise across the EU. Unemployment is likely to rise further. Previous recessions have shown that the people hardest hit by unemployment are men working in the construction and manufacturing sectors and young people arriving on the labour market. In several Member States there appear to be gaps in benefit systems, with the result that many unemployed people do not receive any form of social benefit.**
- **Over the longer term, the social consequences of the recession will depend partly on the speed of the recovery. Slow growth might result from weak consumer demand due – for instance – to employment insecurity and inadequate social protection or to reduced housing wealth and access to credit. A long period of slow economic growth would imply a prolonged lack of job opportunities and a risk that many people – in particular young people entering the labour market – will suffer long spells of unemployment. To prevent these people from being permanently excluded from the labour market and thus falling into the poverty trap, governments must ensure adequate provision of unemployment benefits and must actively support employment. There will also be a need to closely monitor the social consequences of budget consolidations.**
- **Public spending cuts may also affect the welfare of households in the longer run, for instance, if social benefits and public services (education, child care, health and long-term care) are reduced. Moreover, the financial situation of households could be affected by various policy measures. The Social Protection Committee is constantly monitoring all these social impacts of the economic crisis and the policy responses in the Member States[1].**
- **A recent Eurobarometer survey on the social climate in the EU (fieldwork between 25 May and 17 June 2009) shows that people are now less optimistic about the prospects for the next twelve months, in terms of their living conditions in general and their personal finances and job situation. In all countries, people tend to expect the overall situation in the country to get worse, especially the economy, employment and living costs. The survey also shows that many people are dissatisfied with key social policies, including pensions and unemployment benefits, and are concerned about inequalities, poverty and relations between people from different cultural backgrounds or nationalities. The survey is to be repeated annually.**
- **The housing sector has played a crucial role in the present economic crisis. Rising house prices, and the expectation that this trend would continue, led to imprudent lending and borrowing. The bursting of the bubble exposed the vulnerability of the financial sector. It has also caused significant job losses in the construction sector in some countries.**
- **A majority of Europeans live in their own homes. However, this does not mean that they have low housing costs. Even those without a mortgage face significant costs for heating, maintenance and repairs, particularly in the former communist Member States where home ownership rates are high following the privatisation of the housing stock. The burden of housing costs relative to disposable income is highest for people on low income. Thus, when housing costs are taken into account, there is an even wider gap is spending power between people at risk of poverty and better-off people.**

[1] See the report *Updated joint assessment by the Social Protection Committee and the European Commission of the social impact of the crisis and of policy responses* (2009).

PART I

1. INTRODUCTION AND SUMMARY

The recession may be bottoming out, but its social consequences will unfold over the months and years to come.

This edition of the Social Situation Report has been drawn up in the midst of the worst recession the world has experienced since the 1930s. While there are signs that the recession is now bottoming out, its social consequences – which are the main focus of this report – will take months or even years to manifest themselves fully. They will depend on a number of factors. The main social impact comes from people losing their jobs and becoming unemployed. Unemployment has already started to rise — in some countries dramatically (see Employment in Europe Report) — but it is still far from reaching its peak.

Unemployment will be a key factor shaping the social impact of the crisis, but it is not the only one…

The extent to which this rise in unemployment translates into major social problems will depend on who is worst hit, for how long they are excluded from the labour market and how effective are the social safety nets. It will also depend on how earnings and benefits are adjusted and how their real value is affected by the lower inflation resulting from the recession. This report indicates the broad groups most likely to be affected by the fall in employment and the extent to which unemployed people can rely on social benefit safety nets across the EU.

A slow recovery could lead to long-term exclusion from the labour market, and to cuts in social spending

In the long term, the extent of the real social challenges will depend on how far unemployment rises and how fast it can be brought back down. One major risk would be a slow recovery caused by weak consumer demand (people have less access to borrowing and might, in any case, be reluctant to accumulate large debts again). It is also important that the social consequences of budget consolidations are closely monitored. The impact on individual households will depend on how well benefit systems protect them, notably beyond the first period of unemployment when social insurance benefits run out and they become entitled only to less generous means-tested support. All households, whether or not affected by unemployment, may be hit either by tax cuts (which will mean less government spending on education, child care, health and long-term care) or by higher taxes, social security contributions and user fees. The Social Protection Committee[2] is constantly monitoring these social impacts of the recession and the policy responses in the Member States.

This report provides background information to help prepare for the social impact of the crisis.

This report looks first at the findings of a recent survey on the social climate in the EU, showing how people across the European Union perceive the recession and the outlook for the year ahead. It then seeks to shed light on the possible social consequences of the current crisis by examining previous economic downturns, particularly the recession of the early 1990s. Finally, it focuses on housing, presenting results from a special EU-SILC module and analyzing some key housing data. After all, the financial crisis originated in the housing market and initially caused massive job losses in the construction industry.

1.1. A new survey on the social climate in the European Union

A new regular Eurobarometer survey will monitor how people perceive the current social situation and trends.

It will be several years before the social impact of the recession can be fully analysed, using solid evidence from surveys such as EU-SILC[3]. However, a more immediate assessment can be made using opinion polls. Chapter 2.1 of this Social Situation Report presents the results of a new 'Eurobarometer' social climate survey, collecting the views of some 1000 people in each country[4]. This survey should complement existing regular surveys on how people see the economic and political situation. It is to be repeated every year so that trends can be monitored. For this first year, trend data are only available for a few of the 45 variables measured, but comparisons over time will eventually make it possible to gauge the full impact of the current crisis on public perceptions.

The survey covers the

The new social climate survey covers 15 areas and asks people to assess, for each

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2 See the report Updated joint assessment by the Social Protection Committee and the European Commission of the social impact of the crisis and of policy responses (2009).

3 European Union Statistics on Income and Living Conditions

4 Special Eurobarometer EB315. Field work conducted from 25 May to 17 June 2009.

personal situation, the country's situation and some key social policy areas.

of these areas, the current situation, how it has evolved over the past five years and how they expect it to change over the coming year – altogether forming a set of 45 variables. The 15 areas cover three broad sets of issues. The first concerns the personal situation of each respondent, including their satisfaction with life in general, with the area where they live, with their personal job situation and with the financial situation of their household. The second set covers the economic and social situation of the country and includes the cost of living, the affordability of energy and of housing, the quality of public administration and the general economic and employment situation. The third set focuses on social protection and social inclusion in the country and contains questions on health care provision, pensions, unemployment benefits, the way inequalities and poverty are addressed and relations between people from different cultural or religious backgrounds.

Trend data are already available for some of the variables. They show a close link between people's expectations and GDP growth.

Some of the questions in the social climate survey have been included in standard Eurobarometer surveys for many years, allowing trends to be monitored. These seem to indicate that Europeans' expectations with regard to their general living conditions are closely related to GDP growth. Confidence reached an extreme low point in the autumn of 2008, probably because of the financial crisis which was reaching its climax at that time. Since then, confidence has picked up again, but remains at a very low level. People's expectations about their job situation follow the trend in employment growth, as do their expectations about the employment situation in the country over the next year.

The survey can help gauge the impact of the recession, but it may also highlight structural issues.

The social climate survey not only measures how Europeans perceive the current recession and its social impact but also reveals interesting differences between countries which seem to reflect the strengths and weaknesses of national policies and institutions.

Most Europeans are satisfied with their personal situation, but there are big differences between countries.

When asked about their personal situation, most Europeans express satisfaction with their life in general, but there are huge differences between the Member States. The lowest levels of satisfaction are reported in Bulgaria, Hungary, Greece and Romania and the highest in Denmark, Sweden, the Netherlands and Finland. People's perception of how things have changed over the past five years and the outlook for the year ahead is related to their current level of satisfaction: the most satisfied citizens also expect the biggest improvements; in the countries with the lowest satisfaction levels, people expect things to get worse. If this happens, it would mean a widening gap between the most satisfied and the least satisfied countries; but it could simply be that people who are currently in a bad situation tend to be more pessimistic about the future.

Europeans are more satisfied with the area where they live than with their life in general.

Surprisingly, Europeans are more satisfied with their neighbourhood than with their life in general, and the gap between the most and least satisfied countries is smaller. Again, the Swedes are by far the most satisfied, followed by the Irish, the Finns, the Dutch and the Belgians. At the other end of the scale, there are once again Bulgaria, Greece, Hungary and Romania, but also Italy. When assessing their neighbourhood, people's positive or negative perception of changes over the past five years and over the coming year is not as closely related to their current satisfaction level as it is in the case of general life satisfaction. Most Europeans perceive little change in their neighbourhood, and most of those who do perceive or expect change see it as positive.

People are less satisfied with their personal job situation than with their life in general or with the area where they live.

When asked about their personal job situation, the average EU citizen has a satisfaction score[5] 1.4 – significantly lower than for life in general (3.2) and for the residential area (4.2). The country ranking, however, is very similar in each case with only slight variations in the order of countries at the top and bottom. Danes express the highest level of satisfaction with their job situation, Hungarians the lowest. Hungarians and Lithuanians are the ones who perceive the worst deterioration over the past five years and they are also the least optimistic for the year to come. In Denmark and Sweden, by contrast, more people see their job situation as having improved than having deteriorated over the past five years — and more expect the situation to improve rather than worsen over the next year. Interestingly, for the EU as a whole, there seem to be slightly more optimists than pessimists about prospects for the coming year.

Europeans are also fairly satisfied with their household's financial situation, but many feel that it has deteriorated.

A very similar picture emerges when people are asked about the financial situation of their household. Hungarians and Bulgarians are by far the least satisfied, while Swedes, Danes and Dutch are the most satisfied. The overall satisfaction score for the EU as a whole is slightly below that for the personal employment situation, but it is still positive (1.2). The perception of past and future trends is strongly correlated with the current situation, and for the EU as a whole; a majority of respondents report that their personal financial situation has deteriorated over the past five years. This majority is larger than in the case of personal job situation, suggesting that the deterioration in personal finances may be primarily caused by other factors, such as rising living costs.

The cost of living is a major source of dissatisfaction, and many Europeans feel that the situation is worsening.

Indeed, turning to the perception of the general situation and living conditions, a strong feeling of dissatisfaction with the cost of living is evident across the EU with a negative satisfaction score of 3.0. The scores are lowest in Greece, Hungary, Latvia, Bulgaria, Ireland, Malta and Portugal, all with scores of -5.5 and below. Sweden, the Netherlands and Denmark display the highest scores with positive values between 1.4 and 1.9. However, in all countries, there is a clear majority of people who consider that the cost of living has risen over the past five years and that this will continue over the coming year.

Dissatisfaction with energy costs is also high…

Expenditures on energy are a major determinant of living costs. Europeans express dissatisfaction with the affordability of energy (the score is -2.2); they feel that the situation has deteriorated over the past five years and a majority expect the situation to become worse over the coming year. While the same countries as before can be found at the bottom of the satisfaction scale, there are some surprises at the top: Estonians, Latvians, Czechs, Spaniards and Danes have the highest satisfaction scores (between 1.1 for Denmark and 3.8 for Estonia).

…and housing is seen as too expensive in most Member States.

The affordability of housing also causes dissatisfaction among most Europeans: the score for the EU is -3.1. Cypriots are the by far the most dissatisfied with a score of -7.5. Bulgaria, Latvia, Romania, Spain, Hungary, Poland and Malta also have low scores, all below -5.0. At the other end of the scale are Sweden and Estonia with positive scores of 1.1 followed by Denmark, Lithuania and Germany (above 0.7). There is a strong feeling that the situation has deteriorated over the past five years in almost every country, and most people think that the situation will not improve over the next twelve months.

Europeans are pessimistic about the economic situation, and pessimism is strong…

Not surprisingly in view of the financial crisis and recession, general satisfaction with the economic situation is very low, scoring -4.1. Denmark has the highest level of satisfaction at 2.4, and Luxembourg, Cyprus and the Netherlands also have positive scores. This contrasts with the lowest score of -8.3 in Latvia, while Hungary, Ireland and Greece also have scores below -6. Everywhere, the situation is perceived to have worsened compared to five years ago, and in no Member

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[5] The satisfaction score was calculated by giving the value -10 to the response 'not at all satisfied', -5 to 'not very satisfied', +5 to 'fairly satisfied' and +10 to 'satisfied'. The average score for a country, socio-economic group or the EU as a whole can therefore, in theory, range from -10 (all respondents saying that they are not at all satisfied) to +10 (all respondents saying that they are satisfied). For changes over the past five years or the next twelve months, respondents had the choice between 'better', 'worse' or 'the same'. A score was obtained by calculating the difference between those who said that things are getting better and those who said that they are getting worse. The resulting score can thus vary between -100 (all respondents saying that things are getting worse) and +100 (all respondents saying that things are getting better).

State is there a majority of respondents expecting an improvement over the coming year.

…particularly with regard to employment.

Satisfaction with the employment situation in the EU as a whole is even lower at -4.4. The Netherlands and Denmark are the only two countries to have a positive score (below 1). The lowest scores are in Latvia, Ireland, Spain, Hungary and Portugal, all below -6. There is an overwhelming sense that the situation is worse than five years ago, and, again, a clear majority are pessimistic about the near future.

Satisfaction with public administration is generally low and no improvement seems to be in sight.

One issue not directly affected by the recession is the way public administration is run. More Europeans are dissatisfied than satisfied with this, and the most dissatisfied are the Greeks, Latvians and Irish. The highest satisfaction scores are in Denmark, Sweden, Luxembourg, Estonia, Finland, Austria and Germany (all above 1). However, even in most of the countries at the top of the ranking, a majority think that the situation has deteriorated over the past five years, and the pessimists about the future are also in the majority.

Health care provision satisfies many Europeans, but the differences between countries are considerable.

The social climate survey also yields interesting results about how people see some key social policy issues. With a satisfaction score of 1.3, health care provision is regarded as satisfactory by a majority of Europeans. Most satisfied are respondents in Belgium (5.5), followed by those in the Netherlands, Luxembourg, Austria and the United Kingdom, all scoring above 4. The lowest levels of satisfaction are in Bulgaria, Greece and Romania where scores are all below -3. In most countries, there is a majority who see past and likely future changes as being for the worse, but there are some exceptions, notably Cyprus, Spain, Malta and Belgium.

There are only few countries where people are satisfied with pension provision and there is a strong sense that the situation is getting worse.

Pension provision is perceived much more negatively, with an EU-wide satisfaction score of -1.0. The countries with the highest levels of satisfaction are Luxembourg followed by the Netherlands, Denmark and Austria with scores ranging from 4.6 to 2.9. The least satisfied are the Greeks, Bulgarians and Portuguese, all with scores below -4. In almost all countries, a negative view of past and future changes prevails, with two notable exceptions: the Cypriots see an improvement over the past five years and a slight majority of them expect further improvements; Estonians also acknowledge progress over the past five years, but they are pessimistic about the coming twelve months.

Low satisfaction and a pessimistic assessment of trends also applies to unemployment benefits.

With a score of -1.2, the level of dissatisfaction with unemployment benefits is similar to that for pensions. The countries with the lowest scores are Greece, Bulgaria, Romania and Hungary, all scoring below -4. The highest score is in the Netherlands at 3.5, followed by Austria, Luxembourg, Denmark and Belgium (1.9). In all Member States, a majority of respondents expect the situation to worsen over the next twelve months, and there is only one country, Cyprus, where more people perceive an improvement than a deterioration over the past five years.

Europeans express strong dissatisfaction with the way inequalities and poverty are addressed.

There is strong feeling of dissatisfaction with the way inequalities and poverty are addressed. The score for the EU as a whole is -2, and there are only four countries scoring 0 or above. Luxembourg comes top (0.9), followed by the Netherlands, Sweden and Finland. Dissatisfaction is greatest in Latvia, Hungary, Greece, Bulgaria and Lithuania, all scoring -4 or below. France, at -3.8, also displays a strong feeling of discontent in this regard. With the exception of Malta, the prevailing sentiment is that the situation has worsened over the past five years and will continue to do in the near future.

They are happier about community relations, but fear that the situation is getting worse.

Relations between people from different cultural backgrounds or of different nationalities are seen in a much more positive light than inequalities and poverty. The satisfaction score for the EU as a whole is positive, although only 0.3. It is highest by far in Luxembourg (2.5), followed by Finland, the United Kingdom, Lithuania, Estonia, Romania and Latvia, all between 1.3 and 1.5. The countries with the lowest scores are Greece, the Czech Republic, Italy, Denmark, Hungary and France, scoring between -1.7 and -0.6. People in the countries with low scores also perceive a deterioration, both in the past and near future, but strong pessimism about the quality of community relations is also evident in the Netherlands, Austria and Slovenia.

There is a contrast between the rather high level of satisfaction about people's personal situation and their negative view of many aspects of the country's situation and the direction in which things are going.

The overall picture that emerges from this first European social climate survey is a contrast between relatively high levels of satisfaction and confidence regarding people's personal situation and a very negative perception of the general economic situation and living conditions and of key social policy areas. While the apprehension about the general economic situation and living conditions is perfectly understandable under current circumstances, policymakers should be concerned about the public's dissatisfaction with key social policy areas and their strongly negative view of how things are evolving in these areas. Indeed, these views seem to be more deep-seated and might call for a review of policies to ensure that they are better designed and better explained.

Countries with poor levels of satisfaction are also most pessimistic about trends. Does this imply increasing disparities?

Another important observation is that, in general, it is in some of the most prosperous Member States that people have the highest levels of satisfaction and are most likely to perceive a positive trend. This may be because the recession hits some of the poorer Member States harder. However, over the long run, it would be reasonable to expect that the poorer Member States would display a positive trend given that they are in the process of catching up with the richer countries, raising hopes for better social conditions and policies. However, this is clearly not the current perception in most of the poorer countries. Many of them are at the bottom of the satisfaction ranking and at the same time among the least optimistic about the changes that have occurred or will occur across the wide range of areas covered by the survey. If these perceptions are not just the reflection of a temporary mood caused by the recession, they might point to a beginning process of divergence: countries with good social conditions making further progress and countries with the poorest social conditions falling even further behind.

1.2. The social impacts of previous recessions

Looking at the social impact of previous recessions may help prepare for tackling the consequences of the current one.

One way of trying to understand the possible impact of the 2008-2009 recession is to look back at earlier recessions and how they affected different social groups. The latest recession differs, of course, from previous ones both in its severity and in the way it began (a financial crisis linked, in some countries, to unsustainable developments in the housing sector). Moreover, social policies and institutions have changed in the Member States. Nevertheless, a look back at these earlier crises can still help policymakers to assess what policy responses may be necessary and to prepare for them in good time.

The 1990-94 economic downturn particularly affected job opportunities for men, and accelerated the trend towards early retirement.

Chapter 2 of this Social Situation Report examines the economic downturn of the early 1990s which affected all EU15 countries. (It also looks at the less pronounced downturn of the early 2000s). Between 1990 and 1994, the EU15 employment rate fell by 2.5 percentage points, with a loss of 6.4 million jobs. However, these job losses mostly affected men, who are over-represented in the manufacturing and construction sectors of the economy. It also hit young people aged 15–24, whose participation in the labour force fell by around 10 percentage points. This decline was reversed only in 1997, long after the economy had started recovering. The downturn of the early 1990s also accelerated an ongoing trend towards early retirement for men. The employment rates for men aged 55–64 fell below 50 % and stagnated at this low level until the end of the decade, while the employment rates for women in this age group were steadily rising.

Social benefit expenditure rose fast, notably on unemployment benefits. Subsequently spending on these benefits fell faster than unemployment.

The economic downturn of the early 1990s also led to a sharp increase in expenditure on social benefits. Expenditure on benefits for people of working age in unemployment or inactivity rose from 4 % of GDP to just over 5.5 % between 1990 and 1993, mostly due to increased unemployment benefits, but also to rising disability benefits and housing allowances. Subsequently, spending on unemployment benefits fell at a faster rate than the number of unemployed, although the pattern differed from one country to another. Over the 1990s as a whole, there seems to have been a shift of reliance from unemployment benefits to other forms of support for the non-employed in most of the EU15 countries.

Survey data show that, in 2006, many people who were unemployed did not receive any benefits.

The social impact of a recession depends to a large extent on how well people who lose their job are protected by benefit systems. It is important to look not only at aggregate spending levels on social benefits for people of working age but also at the proportion of unemployed people receiving social benefits. Data on who receives what are analysed in the Report for 2006. This shows that, across the EU, significantly less than two thirds of people who had been unemployed for at least one month during the year actually received unemployment benefits. If other types of benefits are taken into consideration, the proportion rises to around 70 %. There are, however, considerable differences between countries. In Belgium, Austria and Finland, more than 90 % of those aged 25–59 who had been unemployed for more than six months during 2006 received unemployment benefits; in Estonia, Lithuania, Poland and Slovakia, by contrast, the proportion is below 15 %, although in Slovakia most of these unemployed (59 %) received at least some form of benefit.

Long unemployment spells were associated with a high risk of poverty, even in some countries where most unemployed people did receive benefits.

A spell of unemployment for more than six months of the year is associated with a high probability of being at risk of poverty (i.e. of having an income below 60 % of median income in the country concerned). Across the EU25, 43 % of those aged 25–59 who had been unemployed for most of the year had an income this low. The proportion was high in Estonia (65 %) and Lithuania (59 %), where benefit coverage was very low, but it also exceeded 60 % in the United Kingdom where almost three-quarters of those unemployed received some form of benefit. In Denmark, France, Cyprus, the Netherlands and Sweden, on the other hand, just under a third of these unemployed were at risk of poverty.

Young people are less likely to receive benefits, and it is essential to prevent their long-term unemployment and lasting exclusion from the labour market.

Young people are particularly vulnerable in a recession. In 2007, around 56 % of young people under 25 were potentially available for employment (because they were not in full-time education or training). Young people, however, are less likely to be entitled to benefit; in the EU25 as a whole, less than 40 % of those who had been unemployed in 2006 had received any form of social benefit. But here too, there were big differences between countries; the figure ranged from more than 80 % in the Nordic countries and Austria to less than 20 % in Estonia, Lithuania, Cyprus, Poland, Slovakia, Spain and Greece. More than half of the young people who had experienced unemployment were not living in their parents' household, and just over 40 % of those who had been unemployed for over six months during the year were at risk of poverty. This highlights the importance of preventing long term unemployment in the current economic crisis; long spells of unemployment increase the risk of poverty and diminish the chance of returning to the labour market. The adequate provision of unemployment benefits therefore needs to be combined with active employment support in order to avoid long-term youth unemployment and a risk of permanent exclusion from the labour market. It is also important to tailor employment incentives to the needs of the individual and to ensure that these measures apply to both women and men in the labour market.

The latest employment data again show that the recession affects men and young people in particular; but so far, there are no indications of a strong rise in early retirement.

The latest employment data available at the time of writing of this report (for the first quarter of 2009) show a large diversity of developments across the Member States. For the EU as a whole, the employment rate for men fell by almost two percentage points over the twelve months up to and including the first quarter of 2009, while women's employment rates hardly changed at all. Although unemployment rose, it was associated with an increase in activity rates rather than job losses. Employment rates for young people aged 15–24 fell by two percentage points. By contrast, unlike in the early 1990s, the employment rate for men aged 55–64 remained much the same. Employment of women in this age group continued to rise. Unlike in the early 1990s, therefore, there is yet no evidence of a widespread shift towards early retirement in response to the crisis. However, these figures show only the initial impact of the recession on employment; further and possibly greater labour market adjustments are still to come.

1.3. Housing and social inclusion in the EU

Most Europeans live in their own home, particularly in the former communist countries.

The chapter on housing first looks at housing tenure in 2007, showing that more than 70 % of Europeans live in a house or flat owned by (a member of) their household. The proportion of owner-occupiers is particularly high in most of the former communist countries. Because of the way housing was privatised in these

countries in the post-communist period, the share of home owners with mortgage obligations is also very low – in most cases less than 10 % of the population). The countries with the largest unsubsidised rental sectors are Denmark, Germany, the Netherlands, Austria and Sweden where between 28 % and 36 % of the population live in accommodation rented at market prices, compared to 13 % of the EU25 population as a whole. Subsidised rented or rent-free housing is particularly common in the Czech Republic, France, Cyprus, Poland, Finland and the UK, with more than 15 % of the population living in such accommodation. Cyprus and Poland stand out due to the large proportion of the population living in rent-free accommodation (15 % and 34 % respectively). More than 55 % of people whose income is below the poverty threshold also live in owner-occupied housing, the vast majority of them without mortgages to service. A significant proportion of people on low income, however, live in rented accommodation, many paying market rates.

There are no comparable data on homelessness, but the report presents some national survey results.

Homelessness is a major social problem, but difficult to define (sleeping rough is only its most extreme manifestation) and even more difficult to measure. Consequently, this report cannot present comparable figures. It does, however, give an indication of the scale of the problem based on a brief overview of national surveys, some of which focus on the major cities where the problem tends to be most acute.

Europeans spend about one fifth of their income on housing, and charges for fuel, maintenance and repairs represent the major share of this. The relative burden of housing is highest for people on low incomes.

A detailed review of housing costs shows that Europeans spend on average about one fifth of their disposable income on accommodation. This spending comprises not only rent and mortgage interest but also other charges such as for repairs, maintenance and fuel, which together account for the bulk of the total housing cost. People in homes rented at market rates devote the largest share of their income, around a third, to housing, whereas those in properties without mortgages or in rent-free accommodation have the lowest housing costs (around 16 % and 18 % of disposable income, respectively). The relative burden of housing costs is much greater for people with income below the poverty threshold, amounting to 36.5 % of disposable income across the EU25 and as much as 48 % for people paying full market rents.

High home-ownership rates in the former communist countries do not result in lower housing cost burdens.

Both the level of housing costs in relation to income and their composition vary markedly across countries. Due to the high ownership rates in most former communist Member States and the fact that few people have mortgage debt, rents and mortgage interest represent a very small proportion of household income in these countries. Nevertheless, total housing costs can be as high in relation to income as elsewhere in the EU, due to the large burden of fuel, repair and other such costs. Indeed, living in a privatised home does not appear to come cheap and many owner-occupiers in these countries may find it difficult to afford to maintain their property.

The cost of housing relative to incomes rose in most EU15 countries between 1994 and 2005.

EU-SILC does not yet allow housing costs to be monitored over time, but data from the European Household Budget surveys in 1994 and 2005 suggest that the cost of housing relative to income has risen over time, by almost four percentage points in the EU15, with a slightly bigger increase for those in the bottom quintile of the income distribution. Such an increase can be observed in most of the EU15 countries, but there has been a decline in Belgium and the Netherlands. The biggest increases (by around seven percentage points) occurred in Spain, Portugal and Italy.

There is no clear link between housing costs and satisfaction with accommodation.

Are people forced to spend a large share of their income on housing or do they choose to do so in order to enjoy a better standard of accommodation? If high spending is a matter of choice, then one might expect a positive relationship between spending and satisfaction with housing. However, on average across the EU, the proportion of income that housing costs represent tends to be higher for those who are dissatisfied than for those who are satisfied, though this is not the case in all Member States. Moreover, for people on low incomes (below the poverty threshold) the opposite tends to be the case: those who are satisfied with their housing also tend to spend a larger share of their income on it. Overall, no clear trend emerges.

Deducting housing costs from disposable income tends to increase income disparities and poverty risks because of a higher housing cost burden on the poor.

Assuming that housing costs are to a large extent unavoidable expenditure, it makes sense to have a closer look at disposable income housing costs are deducted. The Report does this and calculates a new median income after allowing for housing costs. Taking 60 % of this median income as a poverty threshold, some 22 % of the population are estimated to be at risk of poverty after taking account of housing costs, compared to 16 % using the conventional definition. This is because people on lower incomes spend a larger share of that income on housing. The biggest increases in the at-risk-of-poverty rates after this adjustment are for lone parents and people living alone, especially those aged 65 and over, the majority of whom tend to be women.

By contrast, adding imputed rent to income would result in a more equal income distribution as imputed rent represents a larger share of low incomes.

An alternative method for taking into account housing in the measurement of poverty and income distribution is to include imputed rent as part of household income. Imputed rent accrues to all households which either own their accommodation or do not pay the full market rent for it. The estimated amount of imputed rent is higher for people at the bottom of the income distribution than at the top, ranging from 40 % of disposable income in the first quintile (or the fifth of the population with the smallest income) across the EU as a whole to just over 10 % in the top quintile. Including imputed rent therefore results in a more equal distribution of income and a slightly lower at-risk-of-poverty rate of 15 instead of 16 %.

How to adjust for housing costs depends on whether one considers that poorer people have the opportunity to make different spending choices.

The at-risk-of-poverty rate is higher when housing costs are deducted from income than when imputed rent is added to it. It is possible that low-income households have few possibilities for saving on their housing costs, and we therefore could consider that they cannot choose to spend an imputed rent differently. In such a case it would make more sense to examine incomes and their distribution after deducting housing costs, an analysis which makes the contrast between richer and poorer households starker.

People at risk of poverty are more likely to suffer from poor housing conditions, mostly in the form of leaking roofs, damp walls/floors or rot in window frames.

The general EU-SILC survey and its special module on housing also offer a wealth of information on housing deficiencies, such as a lack or inadequacy of sanitary and electrical installations, poor heating or cooling, leaking roofs and damp walls, inadequate light, a lack of space and unfavourable neighbourhood conditions. The most frequently reported problem with housing quality concerns leaking roofs, damp walls, floors or foundations or rot in window frames or floors (all covered in a single question in the survey). In most Member States, between 12 % and 18 % of the population report such problems, but the proportion is as high as 28 % in Cyprus and 33 % in Poland. People at risk of poverty, i.e. with income below 60 % of the national median, are much more likely to report this or other kinds of housing problems. In the Baltic countries, between a quarter to a third of people living at risk of poverty had no indoor bath, shower or toilet. In addition, people in these countries are more likely to experience difficulties in paying their utility bills, as was highlighted in the 2007 edition of this report. These results suggest that there is a serious need for action by the public authorities to improve the quality and energy efficiency of housing. Some Member States have policies tackling fuel poverty by reducing the cost for low-income households of keeping their homes warm. Improving energy efficiency within the home simultaneously reduces energy consumption and improves the financial situation of poorer households. Where energy is derived from fossil fuels, these policies will promote reductions in greenhouse gas emissions. New rules allow the European Regional Development Fund to support programmes that invest in energy efficiency. Several measures within the Economic Recovery Programme also reflect the fact that such action would improve social cohesion and help tackle climate change.

Shortage of space is particularly severe in the former communist countries, but people's subjective perception of the situation is better than objective indicators would suggest.

The Report also compares the result of an objective indicator of shortage of space, which relates the number of rooms to the household size and composition, and to people's subjective assessment of whether they suffer from a shortage of space. The objective indicator shows a clear East-West divide with around 40 % or more of the population suffering from a shortage of space in most former communist countries, compared to less than 10 % in most other Member States. By contrast, people's own assessment of their housing space differs much less from one country to another; typically, between 10 and 20 % of the population find it inadequate, rising to a quarter or a third in the Baltic countries and Poland.

Poor neighbourhood conditions do not seem to affect people on low incomes much more than people above the poverty threshold.

In most Member States, between 15 % and a quarter of the population report that they suffer from noise problems. Somewhat fewer people report problems with pollution or safety (crime, violence or vandalism) in their neighbourhood. There is no clear link between these problems and the average level of income in the country, nor do people on incomes below the poverty threshold appear to be much more exposed to such problems than those with higher incomes.

Access to services is mainly a problem in non-urban areas, with the non-urban poor worst affected.

Another important aspect of housing quality is access to services, including shops, banks, post offices, health care, schools and public transport. Within countries, the main difference in terms of access to such services appears between urban and non-urban areas, rather than between richer and poorer people. However, people on low incomes in thinly populated areas are much more likely to report difficulties accessing two or more of these services. Over a third of the non-urban population at risk of poverty find it difficult to access at least two services, and one quarter lack access to three or more services.

Housing can represent more than 60 % of household wealth; house prices have risen faster than earnings, and mortgage debt relative to income has exploded in some countries.

The housing sector, although not primarily in Europe, has been at the heart of the present economic crisis. Almost 70 % of Europeans own their homes, and the value of the primary residence represents more than 60 % of household wealth in countries such as Finland, Germany, Italy, Sweden and the UK. Over the past decade, house prices have risen much faster than wages in most Member States (Germany and Portugal being notable exceptions in this regard). In parallel, mortgage debt has risen sharply in relation to annual household income, reaching more than 200 % in Denmark and the Netherlands. The increase has been particularly rapid in the former communist countries, albeit less spread and to levels that remain generally well below those in the EU15 countries.

The bursting of the housing market bubble has led to significant job losses in the construction industry.

These trends on the housing market fuelled consumer demand and boosted economic growth in some Member States as they did in the US but they turned out to be unsustainable. The bursting of the bubble on the housing market is having a direct impact on the construction industry. In Spain alone, employment fell by 21 % in the year up to the last quarter of 2008, a loss of more than half a million jobs, many of them relatively low-skilled and held by migrant workers who are particularly vulnerable.

The recession will result in more people risking losing their homes as they become unable to pay their rents and mortgages. Some Eastern Europeans have problems with mortgages in foreign currencies.

The recession and the consequent decline in employment and incomes it implies also means that increasing numbers of people can no longer pay their mortgages, rents and utility bills. A specific problem in some Eastern European Member States is that much of the increase in household debt has been in foreign currencies. Thus, in Poland, two thirds of the outstanding borrowing for housing purposes in October 2008 was in the form of foreign currency loans. This adds the risk of currency fluctuations to the risks of unemployment and income loss. Repossessions and evictions could eventually lead to an increase in homelessness, although this depends very much on the extent to which the people concerned can rely on help from relatives and friends and on support provided by public authorities and voluntary organisations.

PART I

2. SOCIAL TRENDS – SOCIAL IMPACTS OF THE CRISIS

A new regular Eurobarometer survey will monitor how people perceive the current social situation and trends. It covers the respondent's personal situation, the national economic and social situation and some key social policy areas. For some variables trend data are available, showing the impact of the recession on people's expectations. The data also highlight structural issues, reflecting the strengths and weaknesses of national policies and institutions. People appear relatively well satisfied with their personal situation and neighbourhood; by contrast, they are negative many aspects of their country's situation and the direction in which things are going. Citizens in countries with poor average levels of satisfaction are also the most pessimistic about trends.

2.1. A new survey on the social climate in the European Union

It will be several years before the social impact of the recession can be fully analysed, using solid evidence form surveys such as EU-SILC[6]. However, a more immediate assessment can be made using opinion polls. This chapter presents the results of a new 'Eurobarometer' social climate survey, collecting the views of some 1000 people in each country (see box). The survey is to be repeated every year so that trends can be monitored. For this first year, trend data are only available for a few of the 45 variables measured, but comparisons over time will eventually make it possible to gauge the full impact of the current crisis on public perceptions.

The new social climate survey covers 15 areas and asks people to assess, for each of these areas, the current situation, how it has evolved over the past five years and how they expect it to change over the coming year — altogether forming a set of 45 variables. The 15 areas cover three broad sets of issues. The first concerns the personal situation of each respondent, including their satisfaction with life in general, with the area where they live, with their personal job situation and with the financial situation of their household. The second set covers the economic and social situation of the country and includes the cost of living, the affordability of energy and of housing, the quality of public administration and the general economic and employment situation. The third set focuses on social protection and social inclusion in the country and contains questions on health care provision, pensions, unemployment benefits, the way inequalities and poverty are addressed and relations between people from different cultural or religious backgrounds.

The social climate survey not only measures how Europeans perceive the current recession and its social impact but also reveals interesting differences between countries which seem to reflect the strengths and weaknesses of national policies and institutions.

Survey and methods

The results in this chapter are based on the special Eurobarometer survey No 315 for which field work was carried out between 25 May and 17 June 2009. All interviews were conducted face to face in people's homes and in their national language. Further details on methodology and background data can be found at: http://ec.europa.eu/public_opinion/index_en.htm

The satisfaction score used in the analyses below was calculated by giving the value -10 to the response 'not at all satisfied', -5 to 'not very satisfied', +5 to 'fairly satisfied' and +10 to 'satisfied'. The average score for a country, socio-economic group or the EU as a whole can therefore, in theory, range from -10 (all respondents saying that they are not at all satisfied) to +10 (all respondents saying that they are satisfied).

For changes over the past five years or the next twelve months, respondents had the choice between 'better', 'worse' or 'the same'. A score was obtained by calculating the difference between those who said that things are getting better and those who said that they are getting worse. The resulting score can thus vary between -100 (all respondents saying that things are getting worse) and +100 (all respondents saying that things are getting better).

The advantage of this approach is that various aspects of people's assessments can be presented and analysed in a comprehensive way. However, the scores presented do not give the full picture since they only indirectly take into account the very common response that the situation has stayed about the same during the

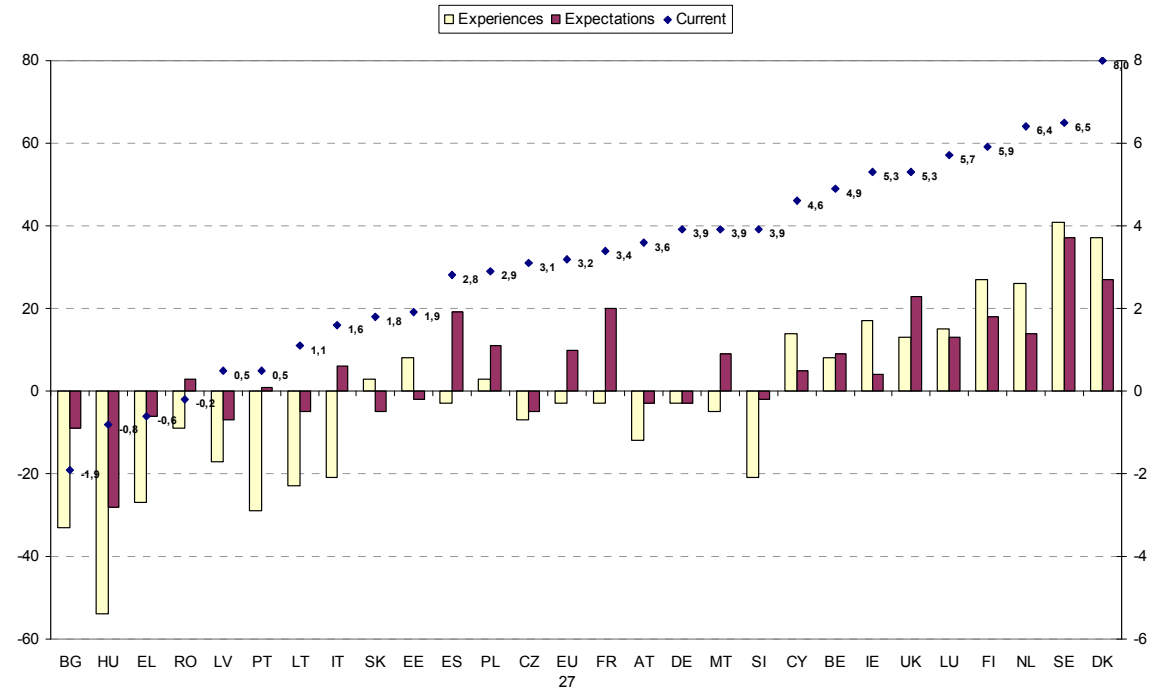
[6] Community Statistics on Income and Living Conditions

past five years or will be about the same over the next twelve months. If a high proportion of people think that there has been or will be no change, this limits the maximum score. A low positive or negative score could be the result of a most people perceiving no change, or of a divided public opinion, with many people seeing a positive change and many seeing a negative change. The same score can therefore hide very different situations in different countries. However, there are relatively few cases in which a strong polarisation has been observed in the current survey.

2.1.1. Personal situation

Most Europeans express satisfaction with their life in general, but there are huge differences between the Member States. The lowest levels of satisfaction are reported in Bulgaria, Hungary, Greece and Romania and the highest in Denmark, Sweden, the Netherlands and Finland. People's perception of how things have changed over the past five years and the outlook for the year ahead is related to their current level of satisfaction: the most satisfied citizens also expect the biggest improvements; in the countries with the lowest satisfaction levels, people expect things to get worse. If this happens, it would mean a widening gap between the most satisfied and the least satisfied countries; but it could simply be that people who are currently in a bad situation tend to be more pessimistic about the future.

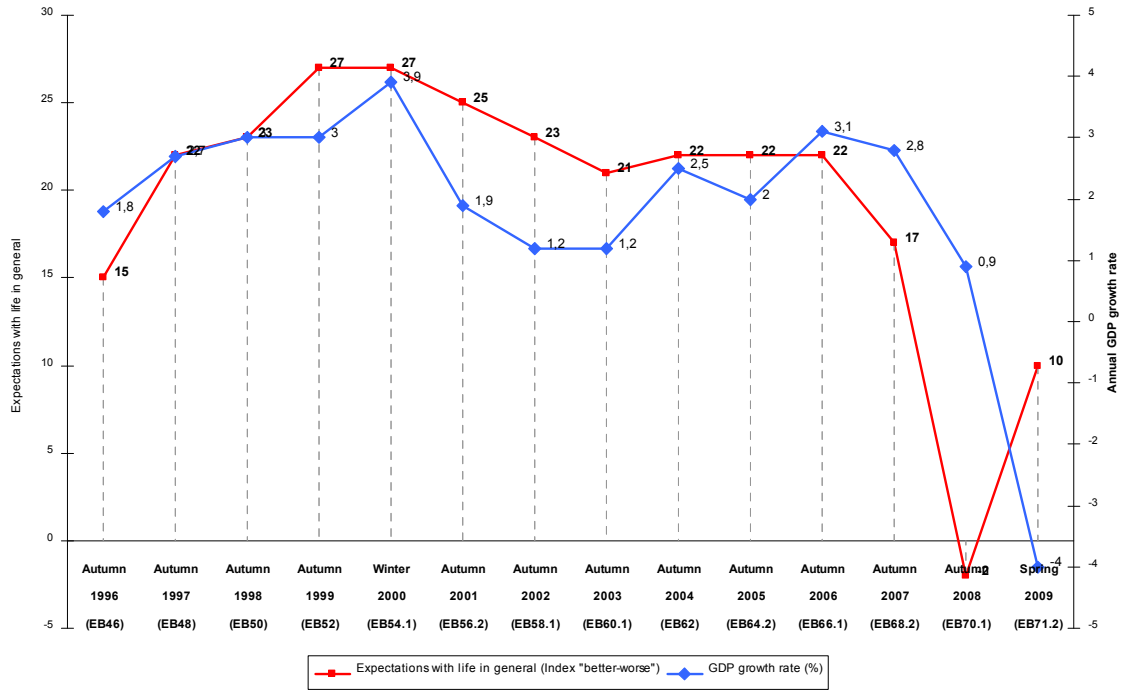
Figure 1: Life in general



Source: Special Eurobarometer no 315.

Some of the questions included in the social climate survey have been part of the standard Eurobarometer surveys for many years, allowing the trends to be monitored. These seem to indicate that expectations of Europeans with regard to their general living conditions are closely related to GDP growth. However, between the autumn 2008 survey (field work in October and November) and spring 2009, there was a big rise in confidence despite GDP probably falling rather than growing. The exceptionally low level of confidence in autumn 2008 may have been a consequence of the financial crisis, which was reaching its climax at that time.

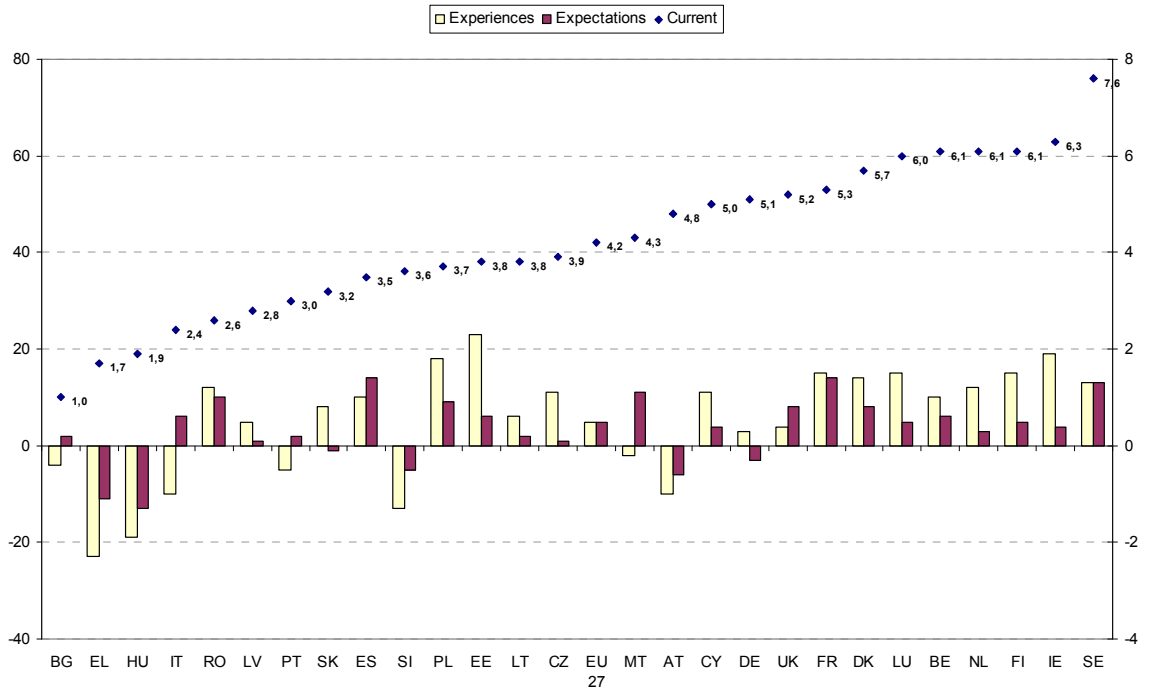
Figure 2: Expectations with life in general and GDP growth rate 1996-2009



Sources: Special Eurobarometer no 315 (index calculated as difference between "better" and "worse" - see methodology in the introduction of this section) and Eurostat 1996-2008 and ECFIN forecast for 2009.

Surprisingly, Europeans are more satisfied with *the area they live* in than with their life in general, and the gap between the most and least satisfied countries is smaller. Again, the Swedes are by far the most satisfied, followed by the Irish, the Finns, the Dutch and the Belgians. At the other end of the scale, there are once again Bulgaria, Greece, Hungary and Romania, but also Italy. When assessing their neighbourhood, people's positive or negative perception of changes over the past five years and over the coming year is not as closely related to their current satisfaction level as it is in the case of general life satisfaction. Most Europeans perceive little change in their neighbourhood, and most of those who do perceive or expect change see it as positive.

Figure 3: The area you live in

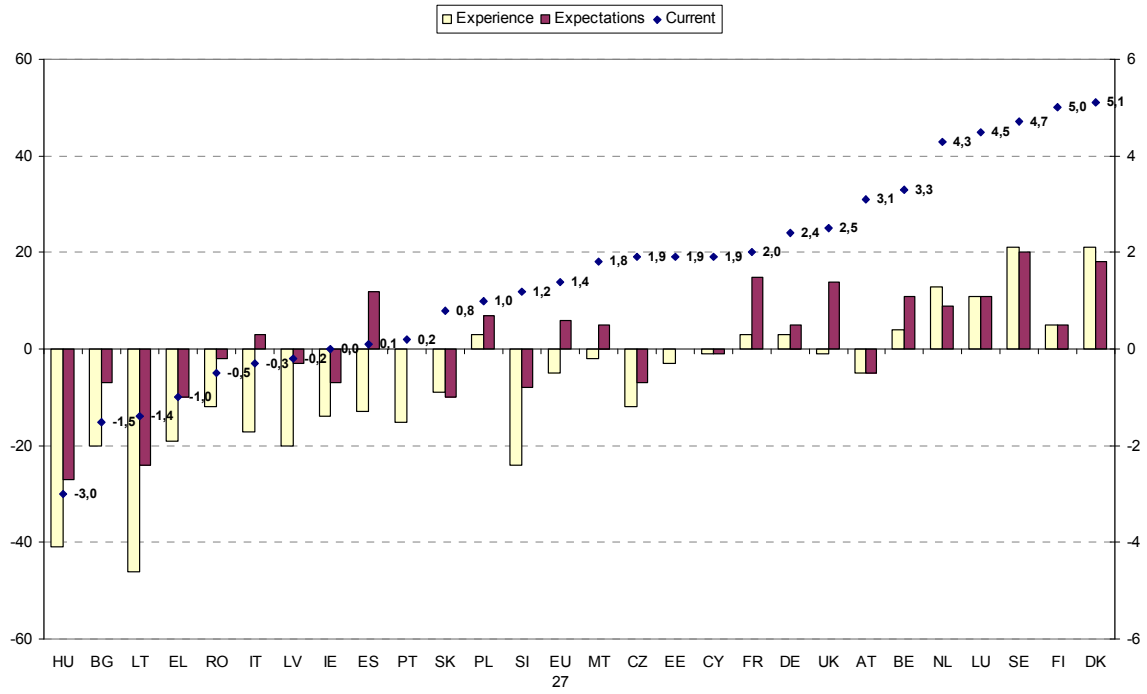


Sources: Special Eurobarometer no 315.

When asked about their personal job situation, the average EU citizen has a satisfaction score of 1.4 — significantly lower than for life in general (3.2) and for the residential area (4.2). The country ranking, however, is very similar in each case with only slight variations in the order of countries at the top and bottom. Danes express the highest level of satisfaction with their job situation, Hungarians the lowest. Hungarians and Lithuanians are the ones who perceive the worst deterioration over the past five years and they are also the least optimistic for the year to come. In Denmark and Sweden, by contrast, more people see their job situation as having improved than having deteriorated over the past five years — and more expect the situation to improve rather than worsen over the next year. Although a majority of the respondents perceive little change, interestingly, for the EU as a whole, there seem to be slightly more optimists than pessimists about prospects for the coming year.

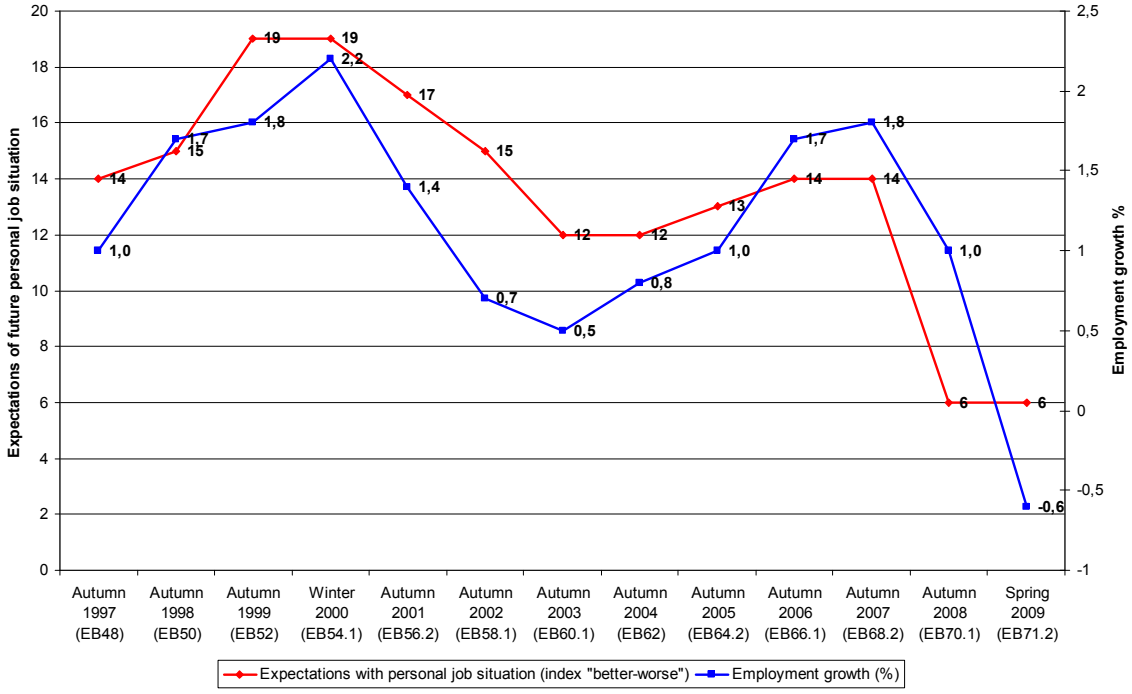
The trend in people's expectations about their job situation closely follows the trend in employment growth. The slowdowns in employment growth and in the economy more generally, which took place at the beginning of this decade and at the start of the current crisis, can thus be traced in the expectations reported in the survey.

Figure 4: Personal job situation



Source: Special Eurobarometer no 315.

Figure 5: Expectation of future personal job situation and annual employment growth



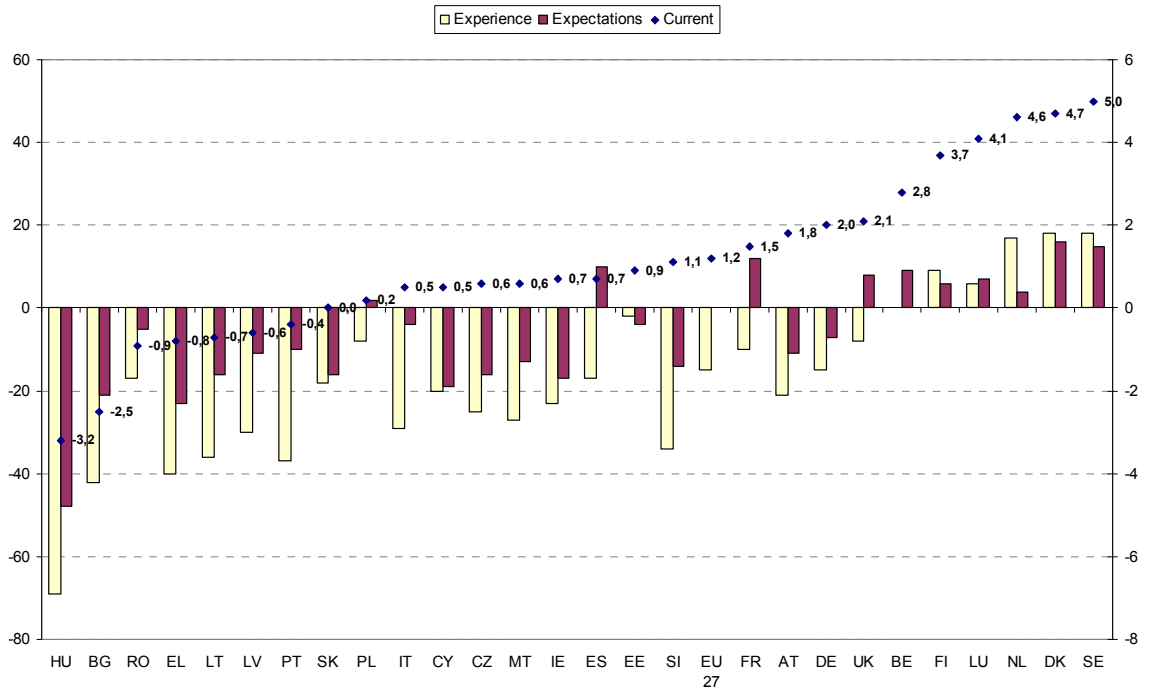
Sources: Eurobarometer surveys 1996–2009 (index calculated as difference between "better" and "worse" - see methodology in the introduction of this section) and Eurostat 1997–2008 and ECFIN forecast for 2009.

A very similar picture emerges when people are asked about the financial situation of their household. Hungarians and Bulgarians are by far the least satisfied, while Swedes, Danes and Dutch are the most satisfied. The satisfaction score for the EU as a whole is slightly below that for the personal employment situation, but it is still positive (1.2).

The perception of past and future trends is strongly correlated with the current situation, and for the EU as a whole; a majority of respondents report that their personal financial situation has deteriorated over the past five years. This majority is larger than in the case of personal job situation, suggesting that the deterioration in personal finances may be primarily caused by other factors, such as rising living costs. In both cases, however, a larger number of respondents report that the situation has stayed and will stay about the same.

Not surprisingly, the perceived financial situation of the household tends to be closely related to the economic climate in the respondent's country and it is thus strongly correlated with GDP, both current and over time. More directly relevant to households is the index of material deprivation[7] which is even more strongly correlated to people's perception of their household's financial situation[8].

Figure 6: Financial situation in household

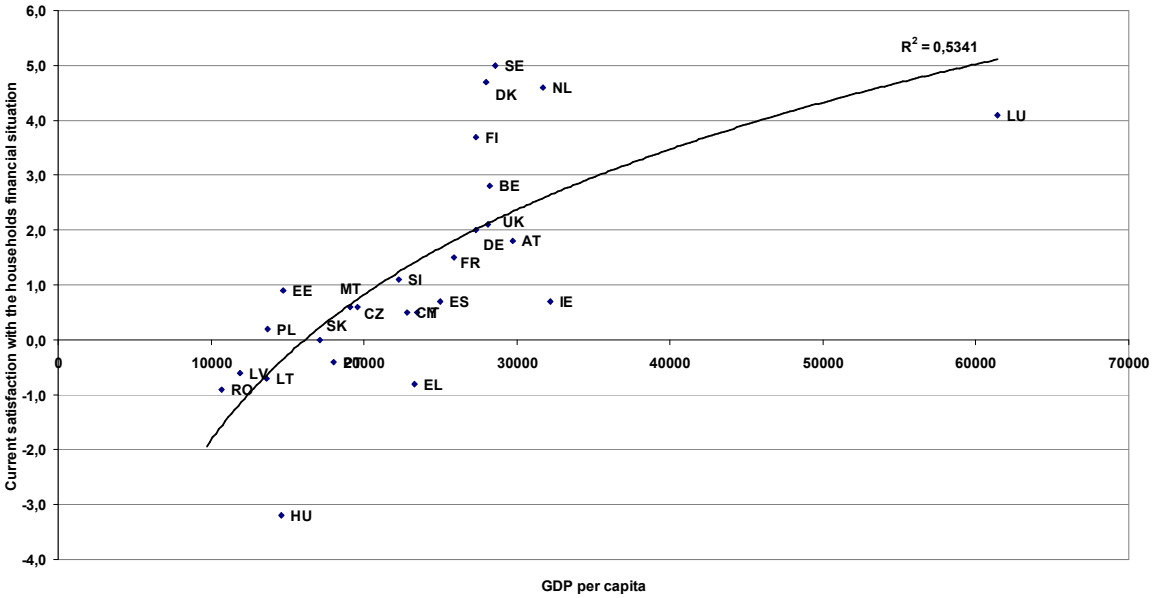


Source: Special Eurobarometer no 315

[7] The material deprivation measure used here is the one adopted by the Indicator subgroup of the Social Protection Committee. It is the share of population facing severe financial constraints defined as the proportion of people lacking at least three items among the nine following: The household could not afford: i) to face unexpected expenses, ii) one week annual holiday away from home, iii) to pay for arrears (mortgage or rent, utility bills or hire purchase instalments), iv) a meal with meat, chicken or fish every second day, v) to keep home adequately warm, or could not afford (even if wanted to): vi) a washing machine, vii) a colour TV, viii) a telephone, ix) a personal car.

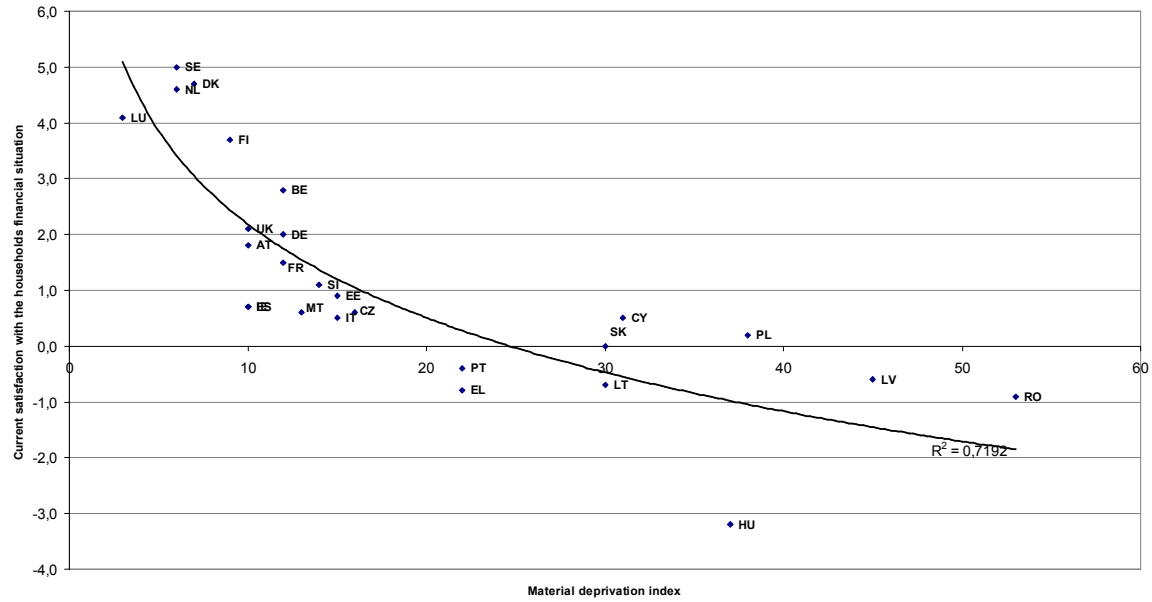
[8] Note that the reference year differs between the two measures. Generally, for the objective measures used in the correlation graphs have been relative stable over time.

Figure 7: Current satisfaction with the household's financial situation and GDP per capita



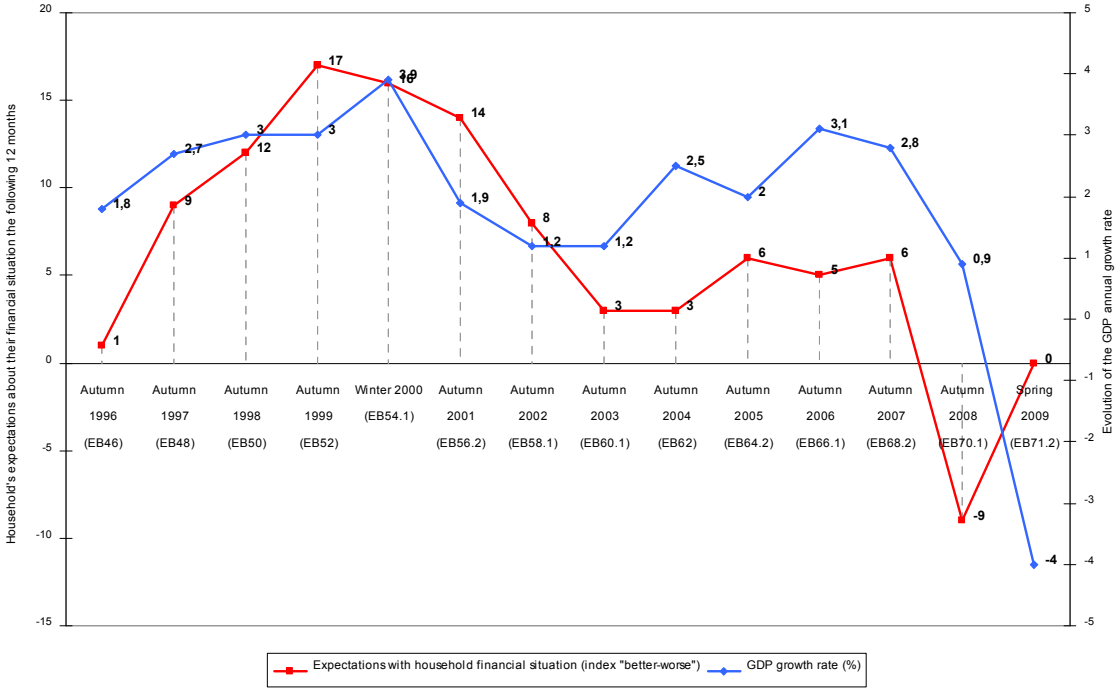
Sources: Special Eurobarometer no 315 and Eurostat (GDP refers to ECFIN forecast for 2009).

Figure 8: Current satisfaction with the household's financial situation and material deprivation



Sources: Special Eurobarometer no 315 (index for current situation - see methodology in the introduction of this section) and EU-SILC 2006 (for a definition of the material deprivation index see footnote 7).

Figure 9: Households' expectations about their financial situation the following 12 months and GDP growth rate, 1997-2009. EU averages

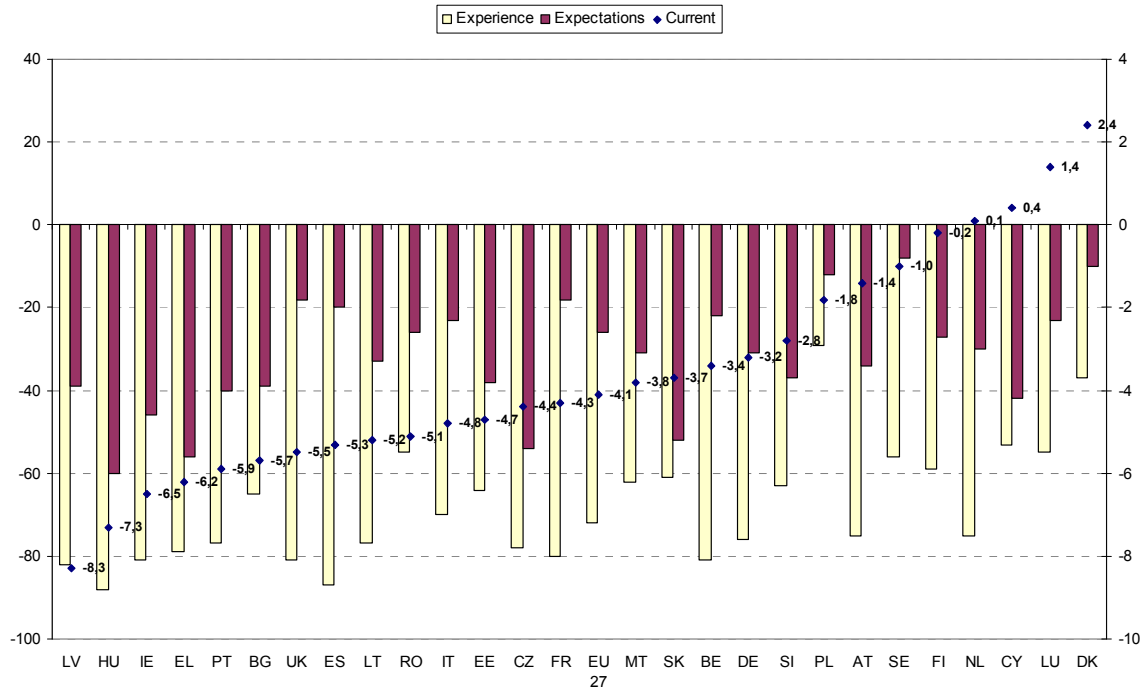


Sources: Eurobarometer surveys 1996–2009 (index calculated as difference between "better" and "worse" - see methodology in the introduction of this section) and Eurostat 1996-2008 and ECFIN forecast for 2009.

2.1.2. General situation in the country

Turning to the perception of the general situation and living conditions, general *satisfaction with the economic situation* is (not surprisingly) very low at -4.1. Denmark has the highest level of satisfaction at 2.4, and Luxembourg, Cyprus and the Netherlands also have positive scores. This contrasts with the lowest score of -8.3 in Latvia, while Hungary, Ireland and Greece also have scores below -6. Everywhere, the situation is perceived to have worsened compared to five years ago, and in no Member States is there a majority of respondents expecting an improvement over the coming year.

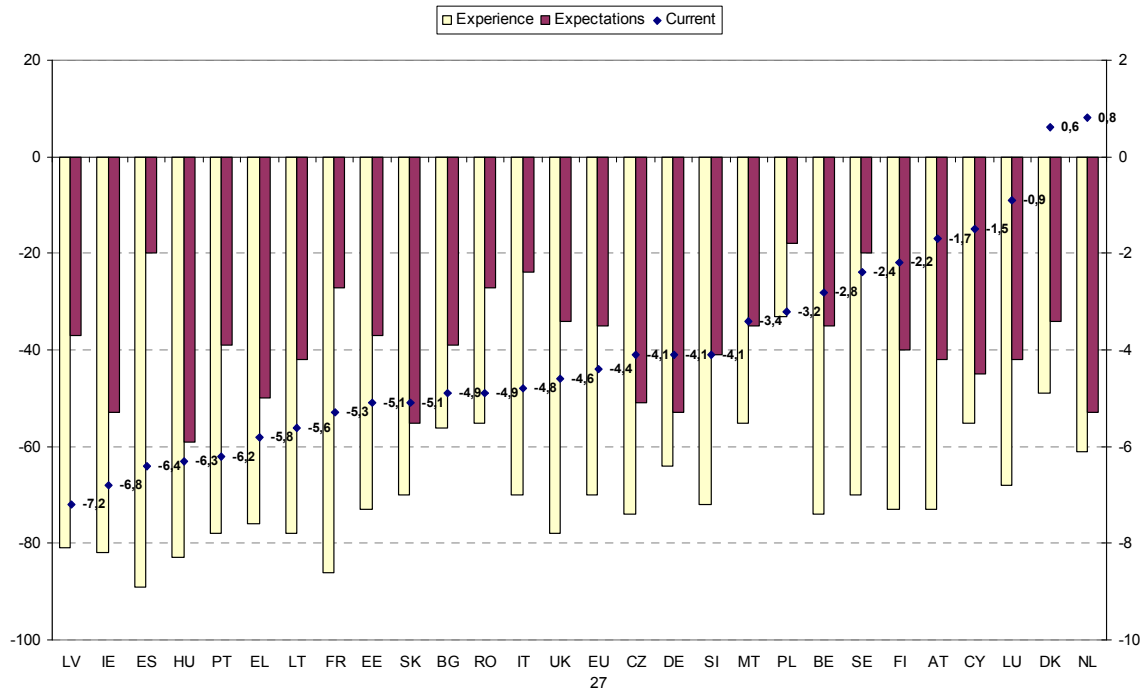
Figure 10: Economic situation in country



Source: Special Eurobarometer no 315.

Satisfaction with the employment situation is even lower at -4.4 for the EU as a whole. The Netherlands and Denmark are the only two countries to have a positive score (below 1). The lowest scores are in Latvia, Ireland, Spain, Hungary and Portugal, all below -6. There is an overwhelming sense that the situation is worse than five years ago, and for the EU as a whole a clear majority are either pessimistic about the near future or expect no changes for the following year.

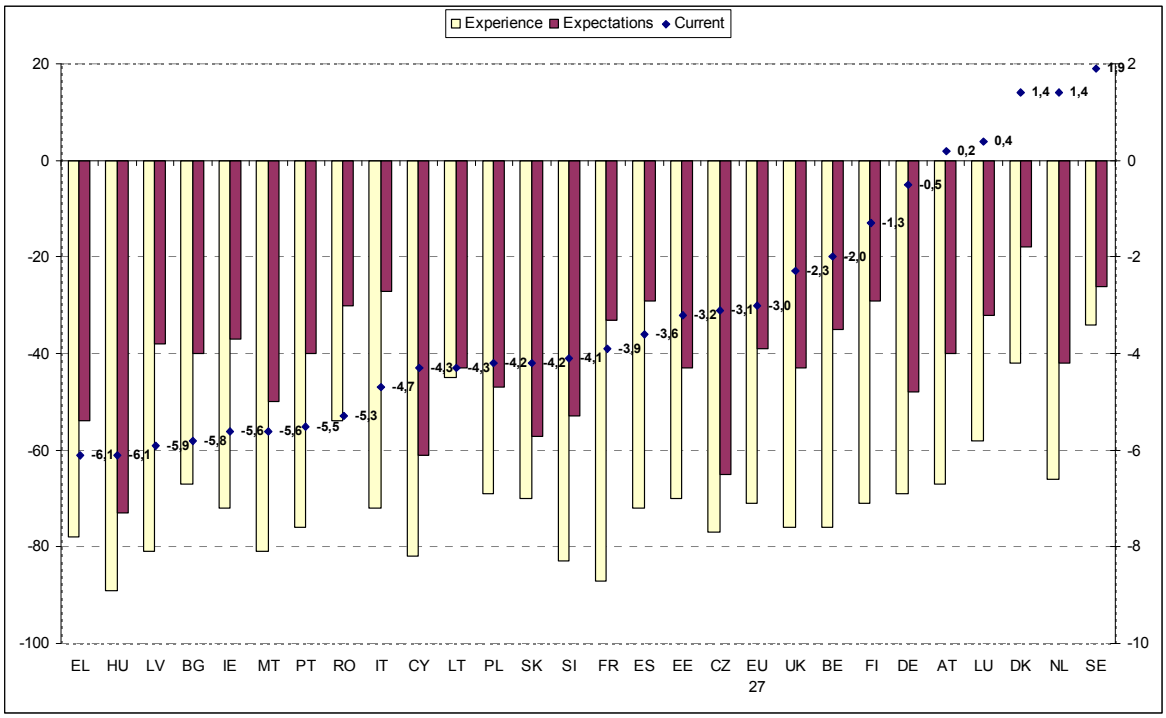
Figure 11: Employment situation in country



Source: Special Eurobarometer no 315.

There is a strong feeling of dissatisfaction with the *cost of living* across the EU, with respondents giving on average a satisfaction score of -3.0. The scores are lowest in Greece, Hungary, Latvia, Bulgaria, Ireland, Malta and Portugal, all with scores of -5.5 and below. Sweden, the Netherlands and Denmark display the highest scores with positive values between 1.4 and 1.9. However, in all countries, most people clearly consider that living costs have increased over the past five years and that there will be no improvement over the coming year.

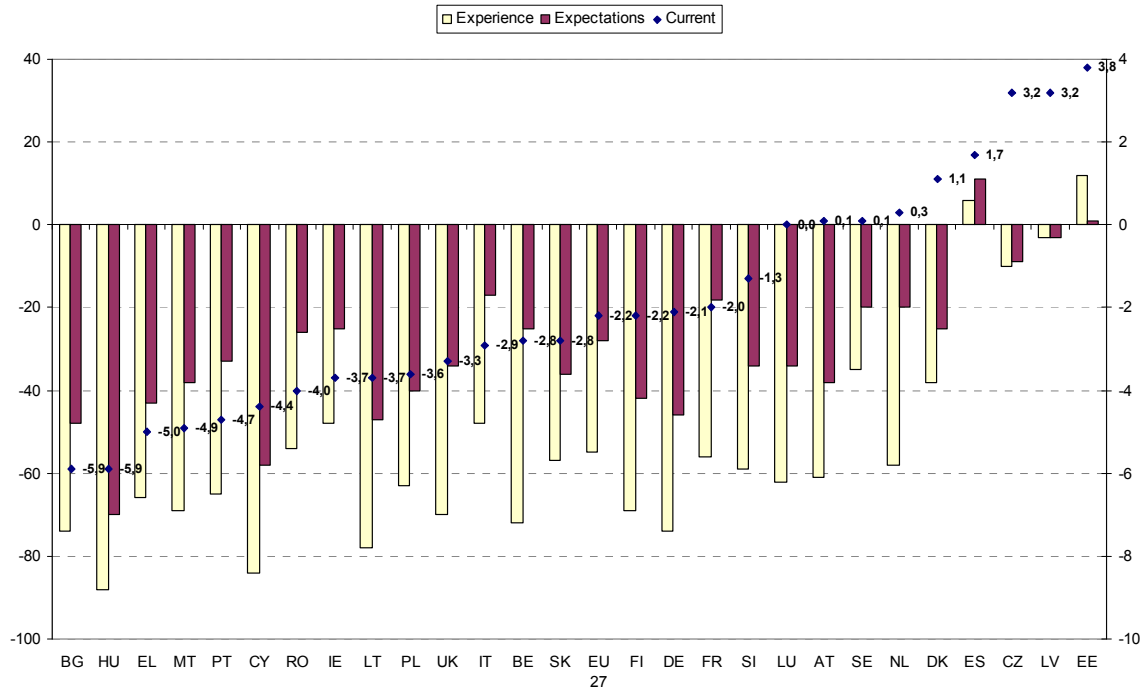
Figure 12: Cost of living



Source: Special Eurobarometer no 315.

Expenditures on energy are a major determinant of living costs. Europeans express dissatisfaction with the *affordability of energy* (the score is -2.2); they feel that the situation has deteriorated over the past five years and a majority expect the situation to become worse or stay the same over the coming year. While the same countries as before can be found at the bottom of the satisfaction scale, there are some surprises at the top: Estonians, Latvians, Czechs, Spaniards and Danes have the highest satisfaction scores (between 1.1 for Denmark and 3.8 for Estonia).

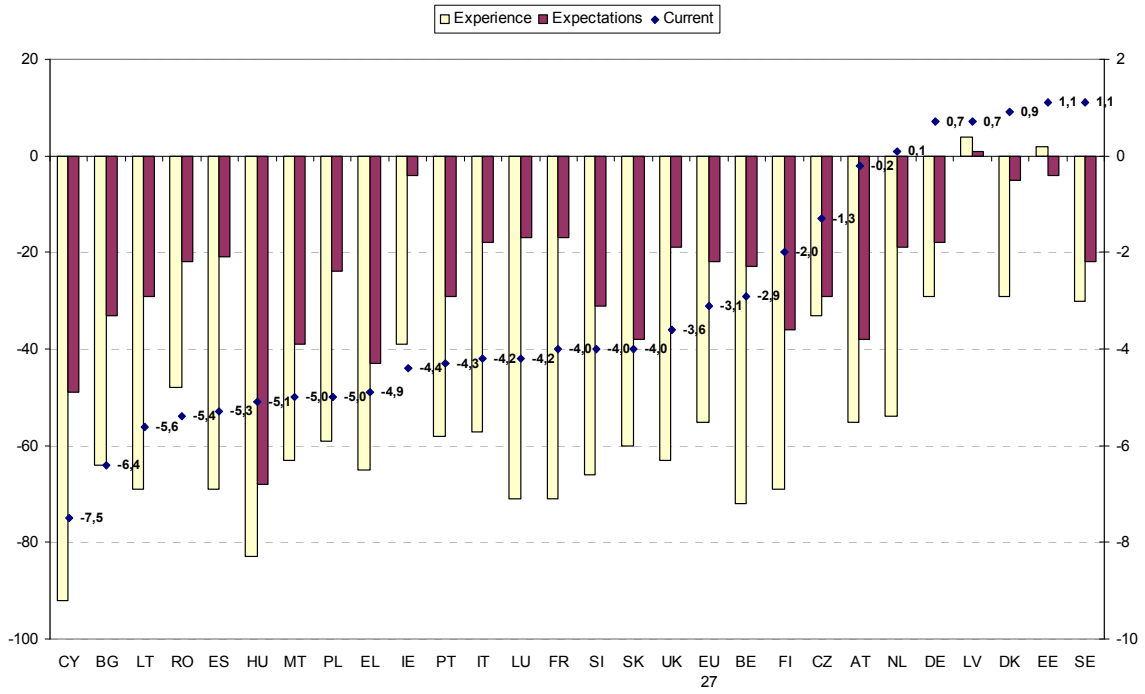
Figure 13: Affordable energy



Source: Special Eurobarometer no 315.

The *affordability of housing* also causes dissatisfaction among most Europeans: the score for the EU is -3.1. Cypriots are the by far the most dissatisfied with a score of -7.5. Bulgaria, Latvia, Romania, Spain, Hungary, Poland and Malta also have low scores, all below -5.0. At the other end of the scale are Sweden and Estonia with positive scores of 1.1, followed by Denmark, Lithuania and Germany (above 0.7). There is a strong feeling that the situation has deteriorated over the past five years in almost every country, and a most people think that the situation will not improve over the next twelve months.

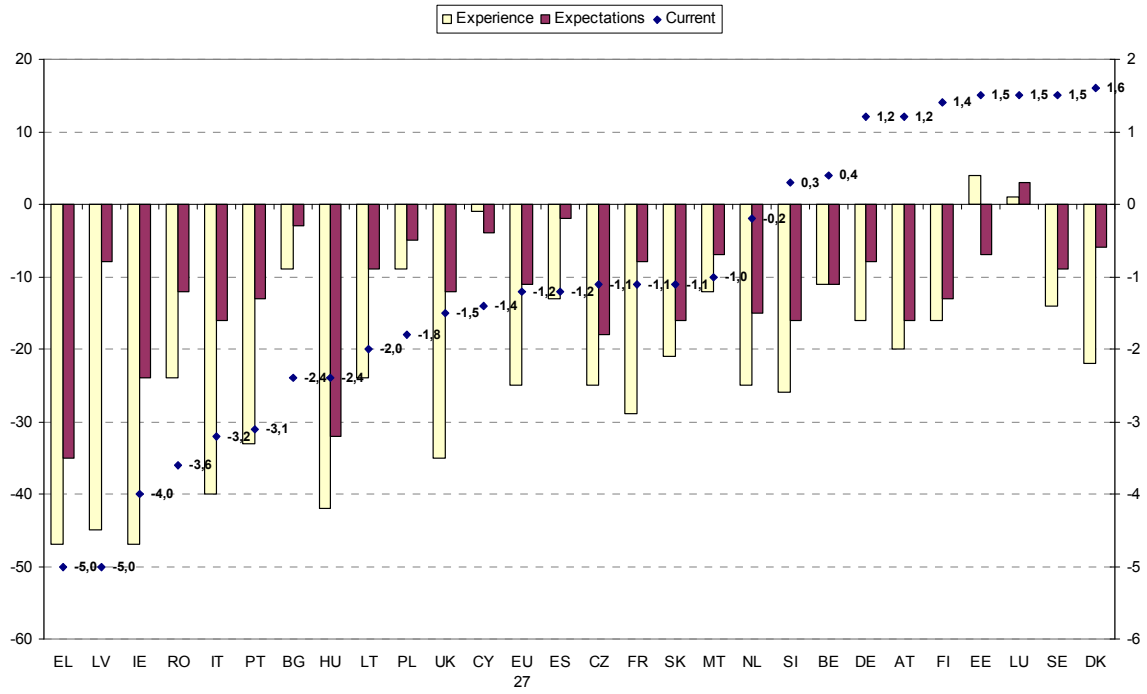
Figure 14: Affordable housing



Source: Special Eurobarometer no 315.

One survey issue not directly affected by the recession is the way public administration is run. More Europeans are dissatisfied than satisfied with this, and the most dissatisfied are the Greeks, Latvians and Irish. The highest satisfaction scores are in Denmark, Sweden, Luxembourg, Estonia, Finland, Austria and Germany (all above 1). However, even in most of the countries at the top of the ranking, a large proportion of the people think the situation has got worse over the past five years, and the pessimists outnumber the optimists in all countries except Luxembourg.

Figure 15: The way public administration runs

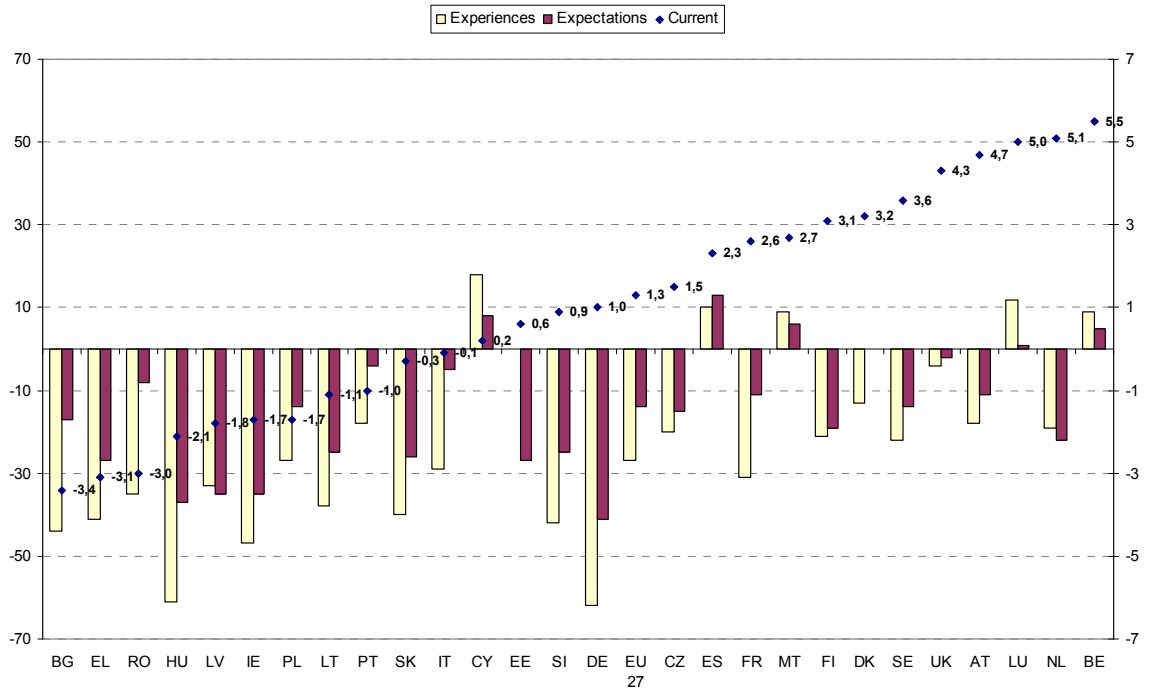


Source: Special Eurobarometer no 315.

2.1.3. Social protection and social inclusion

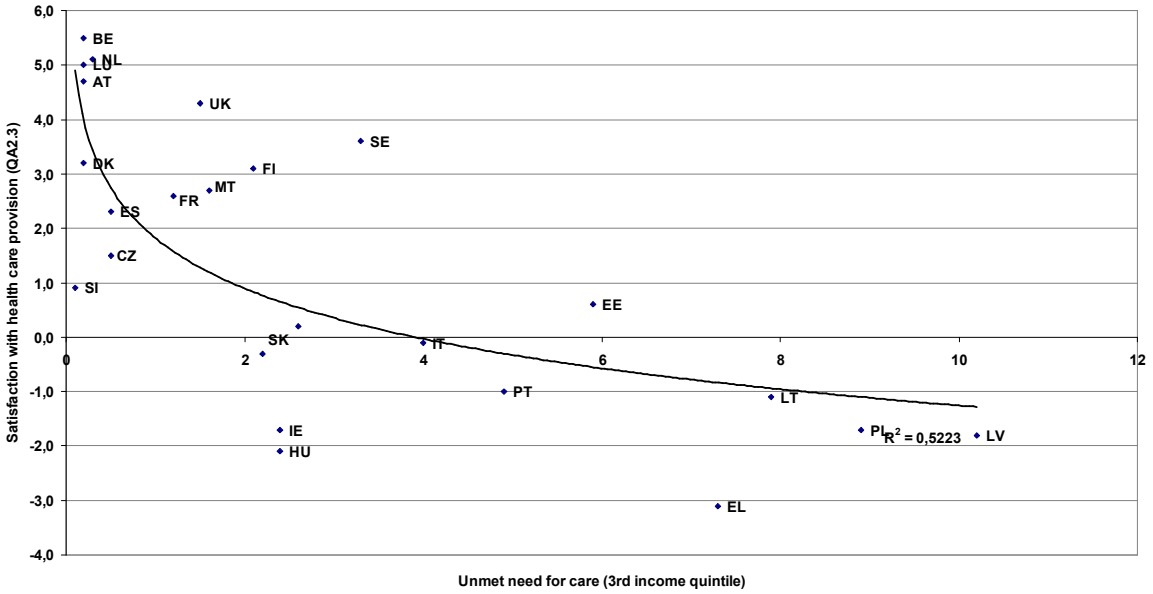
The social climate survey also yields interesting results about how people see some key social policy issues. With a satisfaction score of 1.3, *health care provision* is regarded as satisfactory by a majority of Europeans. Most satisfied are respondents in Belgium (5.5), followed by those in the Netherlands, Luxembourg, Austria and the United Kingdom, all scoring above 4. The lowest levels of satisfaction are in Bulgaria, Greece and Romania where scores are all below -3. In most countries, more people tend to see past and likely future changes as being for the worse rather than the better, but there are some exceptions — notably Cyprus, Spain, Malta and Belgium. The people least satisfied are those who report health care needs that are not being met.

Figure 16: Health care provision



Source: Special Eurobarometer no 315.

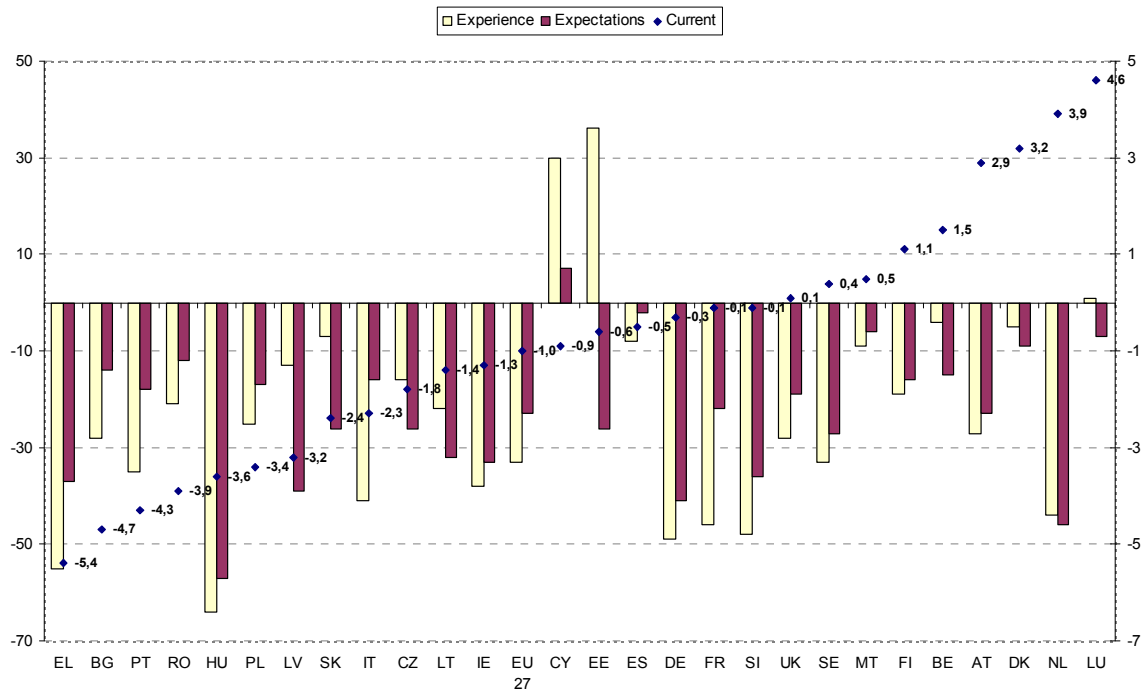
Figure 17: Satisfaction with health care provision (QA 2.3) and unmet need for care (in 3rd income quintile)



Sources: Special Eurobarometer no 315 and EU-SILC 2006. Total self-reported unmet need for medical care for the following three reasons: financial barriers + waiting times + too far to travel.

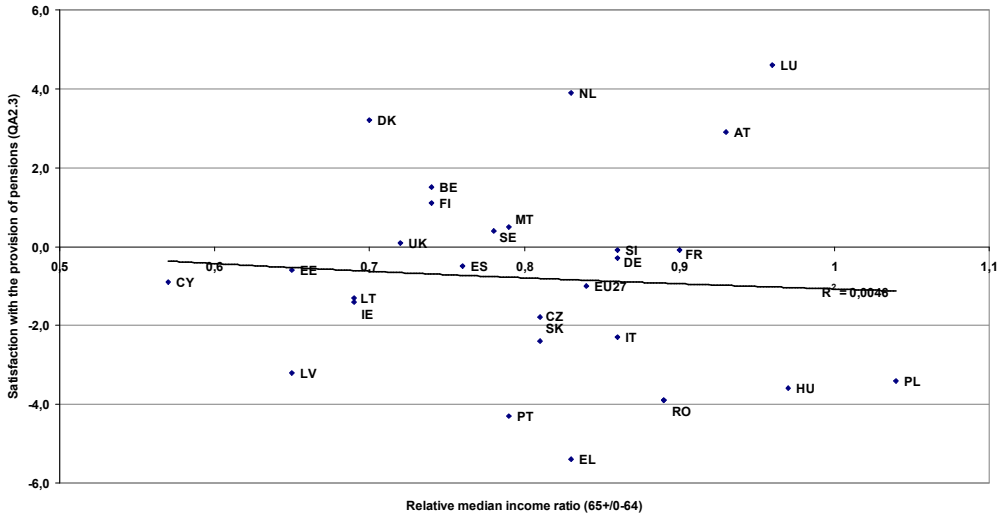
Pension provision is perceived much more negatively with an EU-wide satisfaction score of -1.0. The countries with the highest levels of satisfaction are Luxembourg, the Netherlands, Denmark and Austria with scores ranging from 4.6 to 2.9. The least satisfied are the Greeks, Bulgarians and Portuguese, all with scores below -4. In almost all countries, a negative view of past and future changes prevails, with two notable exceptions: Cypriots tend to see an improvement over the past five years, and a larger proportion of them expect further improvements; Estonians also acknowledge progress over the past five years, but they are pessimistic about the coming twelve months. People's current satisfaction with pension provision seems to be poorly correlated to the relative income of pensioners.

Figure 18: Provision of pensions



Source: Special Eurobarometer no 315.

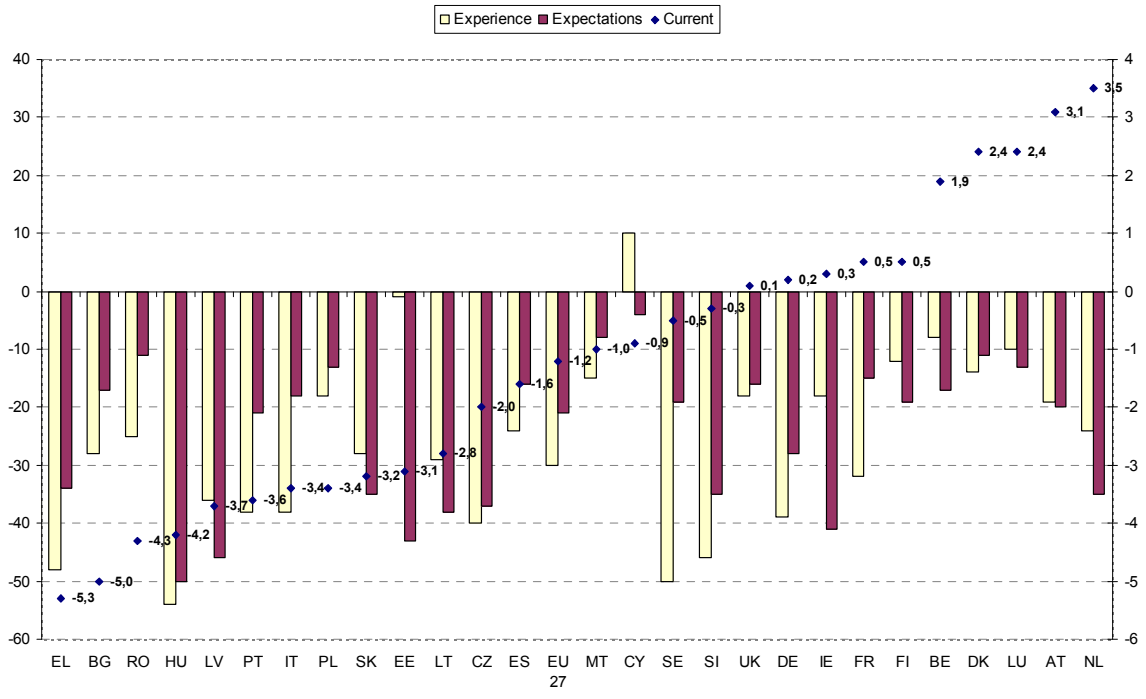
Figure 19: Satisfaction with the provision of pensions (QA2.3) and Relative median income ratio (65+/0-64)



Sources: Special Eurobarometer no 315 (index for current situation - see methodology in the introduction of this section) and EU-SILC 2006.

With a score of -1.2, the level of dissatisfaction with *unemployment benefits* is similar to that for pensions. The countries with the lowest scores are Greece, Bulgaria, Romania and Hungary, all scoring below -4. The highest score is in the Netherlands at 3.5, followed by Austria, Luxembourg, Denmark and Belgium (1.9). In all Member States, a majority of respondents expect the situation to worsen or stay the same over the next twelve months, and there is only one country, Cyprus, where a larger proportion perceive an improvement rather than a deterioration over the past five years.

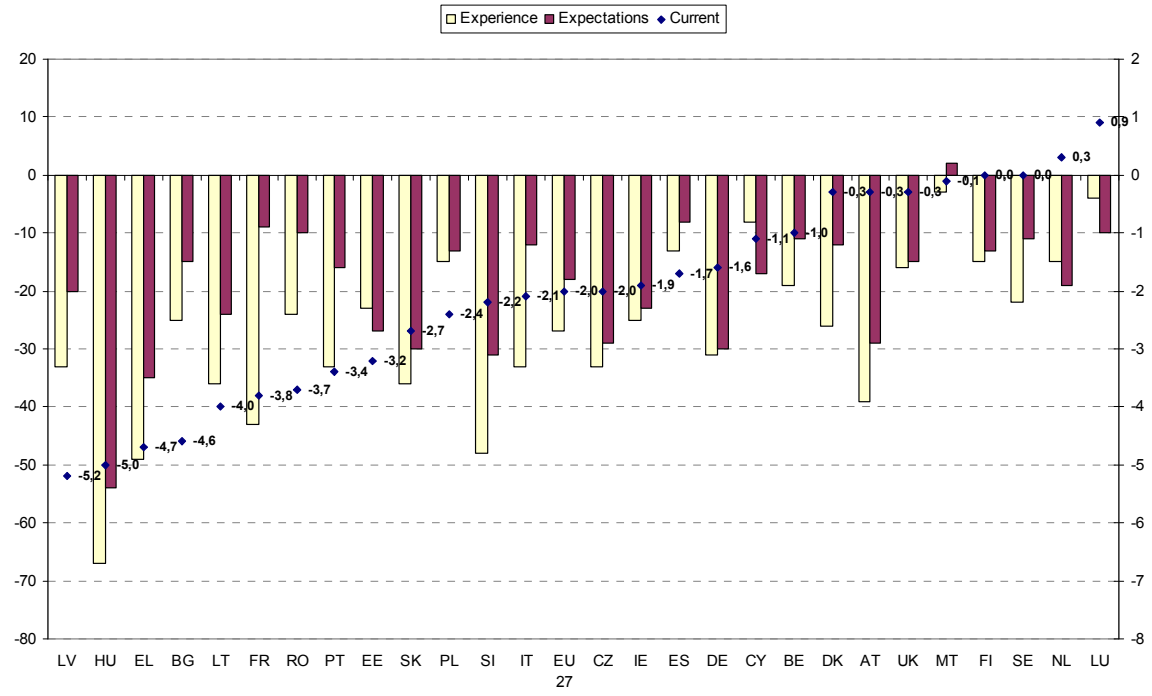
Figure 20: Unemployment benefits



Source: Special Eurobarometer no 315.

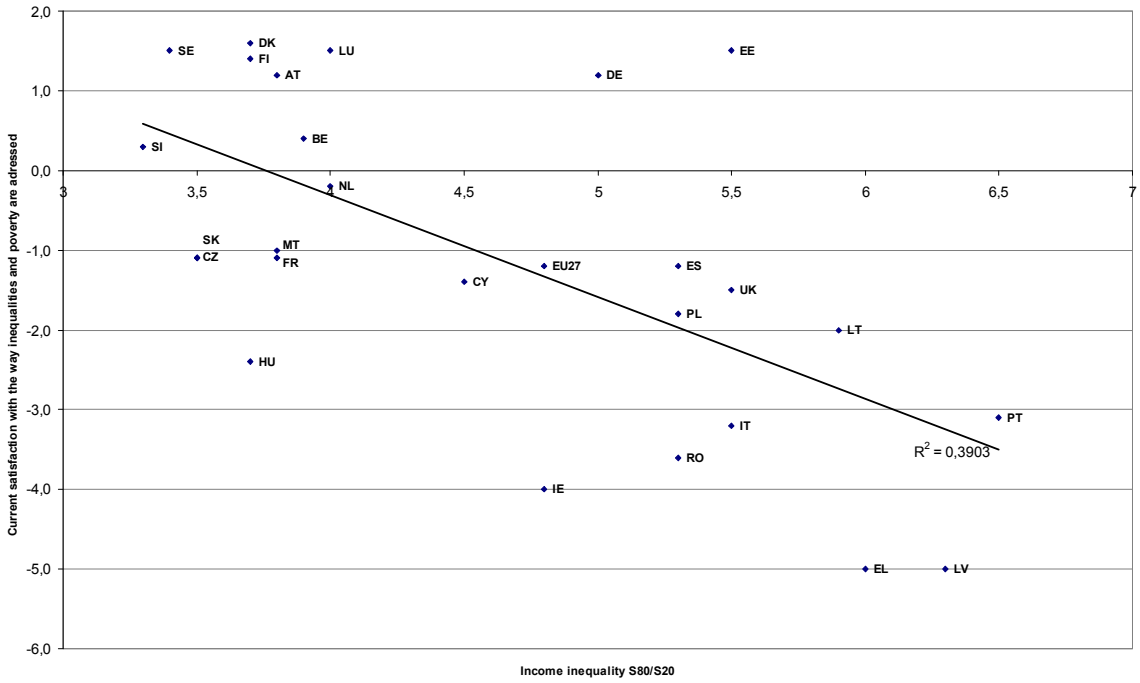
There is strong feeling of dissatisfaction with *the way inequalities and poverty are addressed*. The score for the EU as a whole is -2, and there are only four countries scoring 0 or above. Luxembourg comes top (0.9), followed by the Netherlands, Sweden and Finland. Dissatisfaction is greatest in Latvia, Hungary, Greece, Bulgaria and Lithuania, all scoring -4 or below. France, at -3.8, also displays a strong feeling of discontent in this regard. With the exception of Malta, the prevailing sentiment is that the situation has not improved but rather deteriorated over the past five years and will continue to do in the near future. There is a correlation between a country's income inequality and the way that country addresses inequality and poverty.

Figure 21: The way inequality is addressed



Source: Special Eurobarometer no 315.

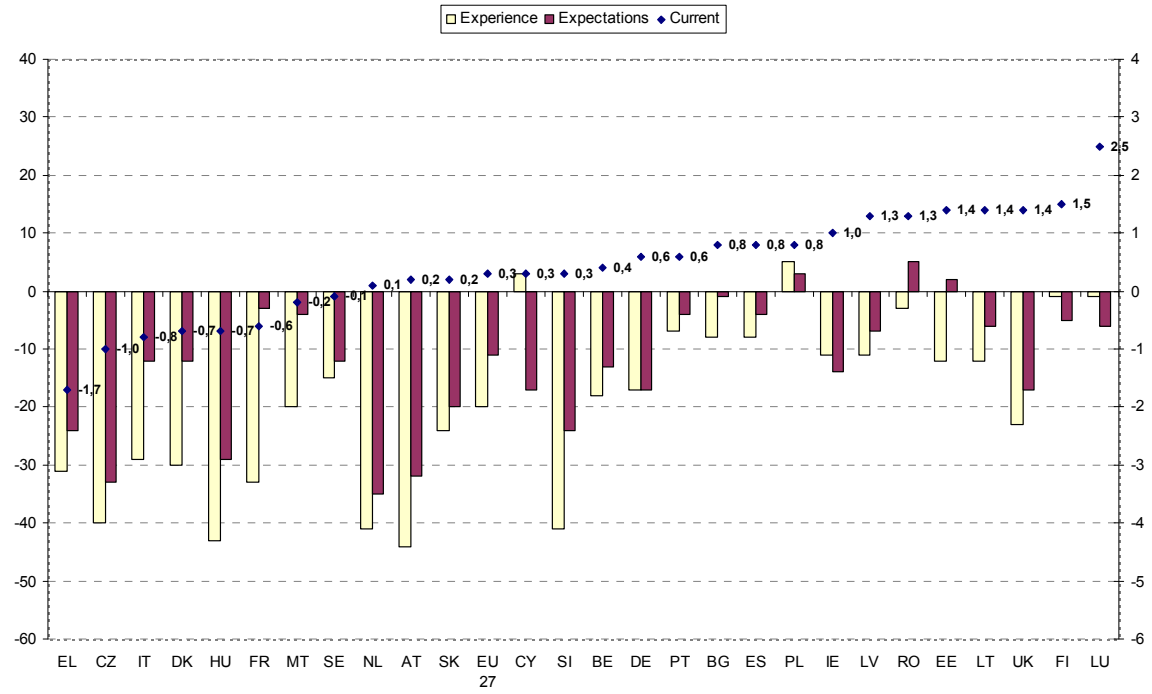
Figure 22: Current satisfaction with the way inequalities and poverty are addressed in the country (June 2009) and income inequality S80/S20 (2007)



Sources: Special Eurobarometer no 315 (index for current situation - see methodology in the introduction of this section) and Eurostat – EU-SILC 2006 for the S80/S20.

Relations between people from different cultural backgrounds or of different nationalities are seen in a much more positive light than inequalities and poverty. The satisfaction score for the EU as a whole is positive, although only 0.3. It is highest by far in Luxembourg (2.5), followed by Finland, the United Kingdom, Lithuania, Estonia, Romania and Latvia, all between 1.3 and 1.5. The countries with the lowest scores are Greece, the Czech Republic, Italy, Denmark, Hungary and France, scoring between -1.7 and -0.6. People in the countries with low scores also perceive a deterioration, both in the past and near future, but strong pessimism about the quality of community relations is also evident in the Netherlands, Austria and Slovenia.

Figure 23: Relation between groups



Source: Special Eurobarometer no 315.

The overall picture that emerges from this first European social climate survey is a contrast between relatively high levels of satisfaction and confidence regarding people's personal situation and a very negative perception of the general economic situation and living conditions and of key social policy issues. While apprehension about the general economic situation and living conditions is perfectly understandable under current circumstances, policymakers should be concerned about people's dissatisfaction with key social policy issues and their strongly negative view of the way things are going in these areas. Indeed, these views seem to be deep-seated and might call for a review of policies to ensure that they are better designed and better explained.

Another important observation is that, in general, it is in some of the most prosperous Member States that people have the highest levels of satisfaction and are most likely to perceive a positive trend. This may be because the recession hits some of the poorer Member States harder. However, over the long run, it would be reasonable to expect that the poorer Member States would display a positive trend given that they are in the process of catching up with the richer countries, raising hopes for better social conditions and policies. However, this is clearly not the current perception in most of the poorer countries. Many of them are at the bottom of the satisfaction ranking and at the same time among the least optimistic about the changes that have occurred or will occur across the wide range of areas covered by the survey. If these perceptions are not just the reflection of a temporary mood caused by the recession, they could point to an increasing and worrying divergence: countries with good social conditions making further progress and countries with the poorest social conditions falling even further behind.

2.2. Effects of the current recession on social exclusion

Reductions in employment rates during the 1990-94 economic downturn affected men and young people in particular, as well as accelerating the trend towards early retirement. Social benefit expenditures rose fast, in particular spending on unemployment benefits, and, in general, this level of spending generally fell more quickly than the numbers of unemployed. In 2006 many people, particularly young people, who experienced unemployment did not receive any social benefits. Long unemployment spells were associated with a high risk of poverty, even in countries where the unemployed did receive benefits. Unlike the situation in the early 1990s, there is currently no widespread shift towards early retirement in response to the recession. However unemployment levels are again rising most quickly for men and young people.

In recent times, all European countries have been hit to varying degrees by the global recession. The same is true of social groups within those countries. However, given the inevitable lag in statistics becoming available, it is not yet clear how badly different groups have been affected or how well they are being protected by the social welfare system in different countries. It is therefore difficult to know how far these systems are doing their job of maintaining the income of the most vulnerable in society at an acceptable level and of preventing them from suffering excessive deprivation.

However, some lessons can be learned from the experience of past recessions, particularly the early-1990s downturn, in terms of which social groups were hardest hit, what happened to social expenditure and how the level and composition of social spending subsequently changed.

This chapter analyses the changes that have taken place in social expenditure in most countries over the past 15–20 years and indicates the widely varying degrees to which those becoming unemployed are likely to receive income support across the EU. In addition, this chapter uses the latest data to compare the current recession with previous downturns and see which groups are most affected.

Its first aim is to review what happened in the EU15 countries in the early 1990s, when GDP either fell or failed to grow more than marginally and unemployment increased, so as to identify the effect on different social groups, the social support provided and the lessons which might be drawn from the experience[9].

This chapter also reviews what happened during the more recent economic downturn in the early part of the present decade. This was less widespread and, in general, less severe than the early 1990s recession, especially in terms of employment. Nevertheless, a number of EU15 Member States, including Germany and Portugal, were significantly affected and their experience during this period is certainly relevant.

The second broad aim is to examine what happened during the initial stages of the present recession, insofar as the data allow, to see how far these developments are in line with – or differ from – the downturn in the early 1990s in terms of their differential effects on social groups.

The present recession is somewhat different from earlier post-war downturns in that it stems from problems in the financial market and the collapse of a number of financial institutions. There is, accordingly, a widespread view that its social consequences are also likely to differ. Specifically, the view is that this recession is affecting include more higher and middle-income earners than previously, as a result of the closure or downsizing of banks and similar companies. In practice, however, relatively few people tend to be employed in the financial sector in EU Member States despite its economic importance. Consequently, although many of these people may have lost their jobs, they account for only a small part of the increase in unemployment which has occurred since the recession began. Moreover, while the precise origins of the present recession may differ from earlier downturns, these, too, usually involved financial problems, even if as an effect rather than a cause. The difference in social effects should therefore not be exaggerated.

Nevertheless, it is instructive to examine the evidence available to date — specifically up to the first quarter of 2009 — in order to assess whether and to what extent those effects differ from those of the earlier downturn. The present recession began in countries such as Ireland, Spain, the UK and the Baltic States which were particularly hard hit by the financial crisis and its impact on the housing market and the construction sector. Nevertheless, by the end of the first quarter of 2009 the recession was evident, to varying degrees, in all Member States.

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[9] There was also a major recession in the early 1990s in most of the countries which joined the EU in 2004 and 2007, though this was as due to the collapse of trade with the former Comecon countries as to the global economic downturn. As it occurred early in these countries' transition to becoming market economies, their experience at that time is likely to be very different from that of the present recession.

Finally, it is important to note that a more comprehensive assessment of the social impact of the crisis needs to take into account, as data become available, of the crisis' effect on additional dimensions such as poverty, income distribution, gender equality, social participation and individual health. In relation to health in particular, concerns have been raised about the negative direct and indirect impacts of the crisis on population health[10].

Outline of analysis

We shall begin with the early 1990s economic downturn. This occurred at slightly different times in the EU15 countries: earlier in Finland, Sweden and the UK; later in other Member States — particularly Germany, where activity was boosted by integration of the Eastern Länder at the end of 1990. We shall examine the effect of this downturn on the employment and unemployment of men and women in different age groups and in different types of job between 1990 and 1994. We shall also look at what happened to these same groups during the period 2001–2004 in those countries which were affected by economic downturn and in which unemployment rose.

Secondly, we shall consider how the social protection system in the different countries responded to the increased numbers of people needing support during those two periods. Thirdly, we will look at how labour market policies across the EU reacted to the rising level of unemployment and the extent to which active measures were expanded to increase the employability of people out of work in order to give them a better chance of finding a job once the economy picked up.

The analysis then shifts to what has happened during the initial phases of the present recession in terms of its effect on the employment and unemployment of different groups, and on different sectors of the economy. The aim is not only to review the differential effects of the present recession but also to compare them with those of the earlier downturns. We shall thus see whether lessons can be learnt from past experiences and whether these can help us predict how the present recession is likely to develop and thus provide better protection for the people most at risk.

Unfortunately, there is a lack of up-to-date information on how social protection systems and labour market policies have been working in recent years. However, using data from national sources, we shall examine the extent to which short-time working has been used during the early months of 2009 to keep people in employment, albeit on reduced hours, and to avoid greater job losses.

In addition, we shall analyse data from the EU-SILC to investigate the extent to which people who lose their jobs are likely to receive income support from social transfers. While the data in question come from the 2007 survey and relate to the situation in 2006, they give an indication of the coverage in different countries and of the scale of support provided.

2.2.1. Employment and unemployment during earlier downturns

The early 90s

During the period 1990–93, GDP growth slowed in nearly all EU15 countries to an annual average well under 1 %, in contrast to the 3 % a year or so experienced over the preceding five years. In most countries, GDP fell during at least one of these years and in Finland and Sweden there was a significant decline in three years. As a result, employment fell relative to the working-age population and unemployment went up.

In the EU15 as a whole, the proportion of people of working age (here defined conventionally as those aged 15–64) in employment declined from just over 62 % in 1990 to 59.5 % in 1994. This meant a net loss of over 4 million jobs, or a reduction of almost 6.4 million in relation to what was necessary to keep the employment rate unchanged[11]. At the same time, unemployment increased from 5.7 % of the population in this age group to 7.7 %, while there was a rise of almost one percentage point in those who were economically inactive. In other words, the job losses led not only to higher unemployment (the rate as conventionally measured in relation to the labour force rising to over 11 %) but also to a significant number of people of working age leaving the labour force, in the sense of neither being in work nor actively looking for a job.

The decline in employment was on a similar scale in most Member States, though there were large differences in the extent to which it was associated with a rise in unemployment as opposed to withdrawals

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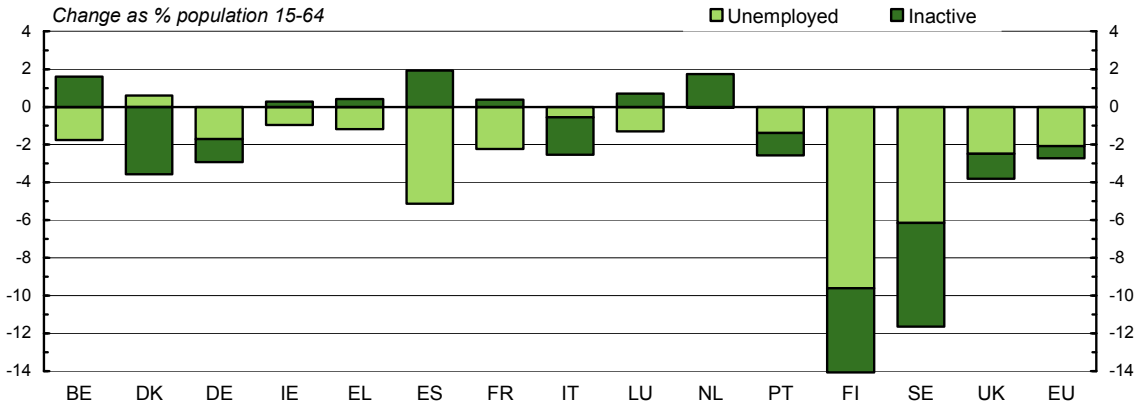
[10] See for example: WHO (2009) Health amid a financial crisis: complex diagnosis. Bulletin of the World Health Organisation, 87, 180. Marmot, M and Bell, R. (2009) How will the financial crisis affect health? BMJ, 338, b1314-.

[11] The working-age population increased over this period, so that an additional 2.4 million jobs were required to prevent the employment rate from declining.

from the labour force. For example, over this period, employment relative to the working-age population – the employment rate – fell by just over three percentage points over the period in both Spain and the UK (slightly more in the UK than in Spain). In the UK, however, unemployment among people aged 15-64 rose by just under 2 % and by 1.5 % among those who were inactive. In Spain, by contrast, there was a rise of just over 5 % in unemployment, measured in the same terms, and the proportion of inactive people fell by 2 % (Figure 24, note that the figures have been adjusted for the effect of German unification).

Figure 24: Change in employment and counterpart changes in unemployment and inactivity of people aged 15-64 in EU15, 1990-94



Note: BE, LU, NL: 1991-94; IE, UK: 1990-93. Increases in unemployment and inactivity shown as negative changes. Reduction in employment rate equals the negative section of the bar minus any positive section

Source: EU Labour Force Survey. Note: the figures have been adjusted for the effect of German unification.

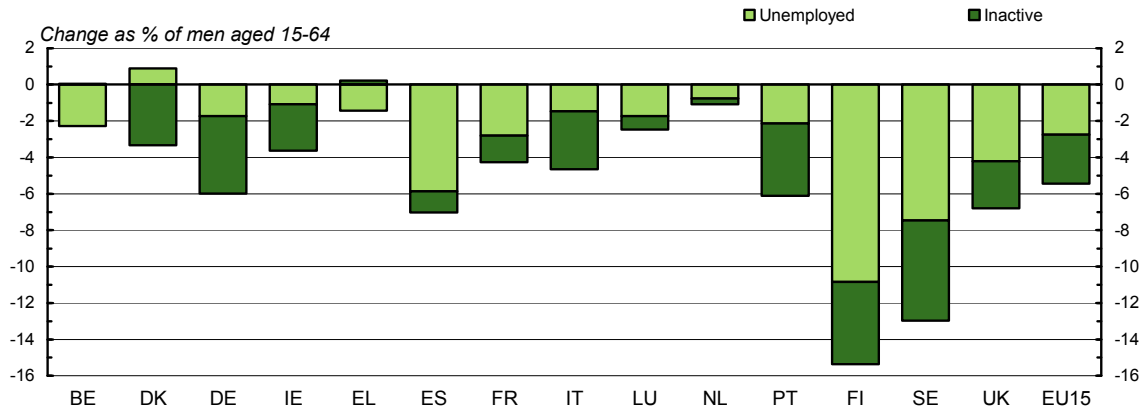
This has potential implications for the income support received by the people concerned, since entitlement to unemployment benefit tends to be dependent on actively looking for a job. However, people withdrawing from the labour force may also be eligible for other benefits of different kinds, in particular early retirement pensions or disability benefits (a point picked up below when examining the changing amounts paid out in social transfers).

In practice, most countries were more similar to the UK in this respect than Spain, with the loss of jobs being reflected partly in a rise in unemployment and partly in a rise in inactivity. Inactivity is associated in turn with more people in older age groups taking early retirement and more younger people remaining in education longer before trying to find a job, as described in greater detail below. It may also be associated with more people participating in active labour market programmes, since when they are doing so they are no longer actively looking for a job or available for work and, accordingly, are recorded as being inactive.

The loss of jobs was especially large in Finland and Sweden, where GDP fell by much more than elsewhere, notably as a result of the collapse in trade with the former Soviet Union. The employment rate, therefore, declined by some 14 percentage points in Finland and almost 12 percentage points in Sweden, and in both countries the rate of inactivity rose significantly and unemployment increased.

Not all workers were equally affected by job losses in the different countries. Men were hit much harder women, reflecting the differential effect of the downturn on different sectors of activity. Manufacturing was much more affected than services, and hardest hit were the engineering and construction industries – which employ many more men than women (Figure 25).

Figure 25: Change in employment and counterpart changes in unemployment and inactivity of men aged 15-64 in EU15, 1990-94



Note: BE, LU, NL: 1991-94; IE, UK: 1990-93. EU15 excluding AT. Increases in unemployment and inactivity shown as negative changes. Reduction in employment rate equals the negative section of the bar minus any positive section

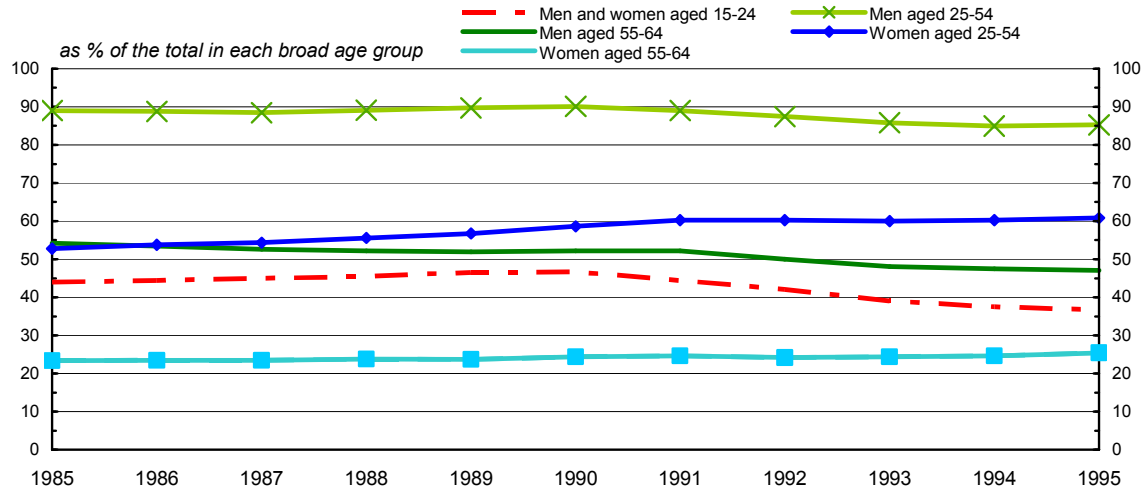
Source: EU Labour Force Survey.

Employment of younger people also fell by more than those in older age groups, since fewer new jobs were being created and, consequently, young people leaving the education and initial vocational training system had great difficulty in finding their first job.

The reduction in employment, therefore, was very much concentrated on men, the proportion of those aged 15–64 in work falling from around 75.5 % in 1990 to 70 % in 1994 in the EU15 as a whole. By contrast, the proportion of women in this age group in employment continued to increase in 1991 and though it fell subsequently it was only around 1 percentage point lower by 1994 (Figure 26).

Moreover, while unemployment among women rose over the period (from just under 6 % of the age group to just over 7 %), this was as much a consequence of a decline in economic inactivity — i.e. of more women joining the work force and actively looking for work — as of a fall in employment. Among men, unemployment increased by much more (from around 5.5 % of the age group in 1990 to a peak of just over 8 % in 1994) and at the same time inactivity rose in a comparative way (from just over 19 % in 1990 to 22 % in 1994 and further to around 22.5 % in 1995).

Figure 26: Employment rates, 1985-1995



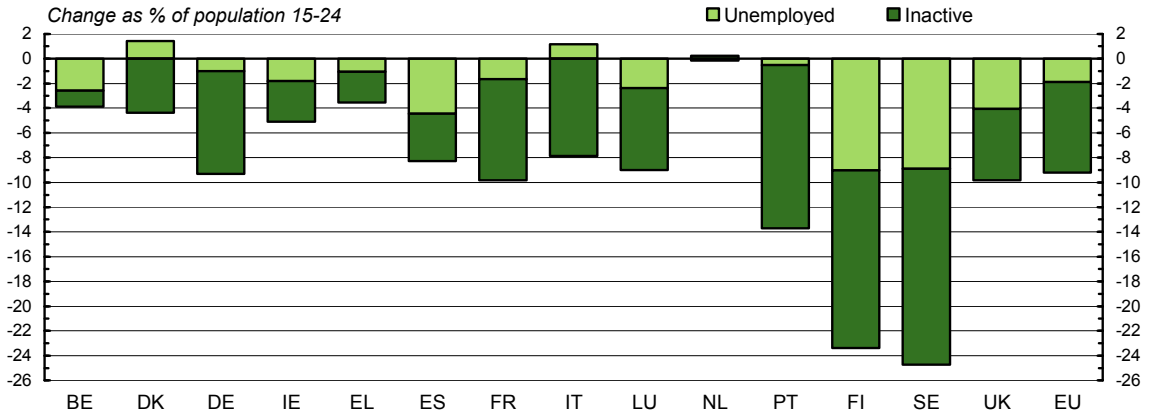
Source: EU Labour Force Survey.

The pronounced effect of the downturn on men is common to nearly all countries. Across the EU, the employment rate of men fell between 1990 and 1994, while in most countries, the employment rate of women rose, even if only slightly. In some countries it fell but by less than the employment rate for men. The only exception is Denmark, where the rate for women, which was already relatively high at the beginning of the period, fell more than the rate for men. In Finland and Sweden too, there was a large fall in the employment of both women and men, though in both cases the fall was slightly smaller for women than for men.

In nearly all countries also, the reduction in employment of men was accompanied by a rise in inactivity as well as in unemployment, whereas inactivity among women fell in most countries rather than increasing.

The reduction in employment over the period, moreover, was disproportionately concentrated on those aged under 25, both women and men: the number in work relative to the population in this age group in the EU15 fell from around 46.5 % in 1990 to 37.5 % in 1994 and further to 36 % in 1996 (Figure 27).

Figure 27: Change in employment and counterpart changes in unemployment and inactivity of people aged 15-24 in the EU15, 1990-94



Note: BE, LU, NL: 1991-94; IE, UK: 1990-93. Increases in unemployment and inactivity shown as negative changes. Reduction in employment rate equals the negative section of the bar minus any positive section

Source: EU Labour Force Survey.

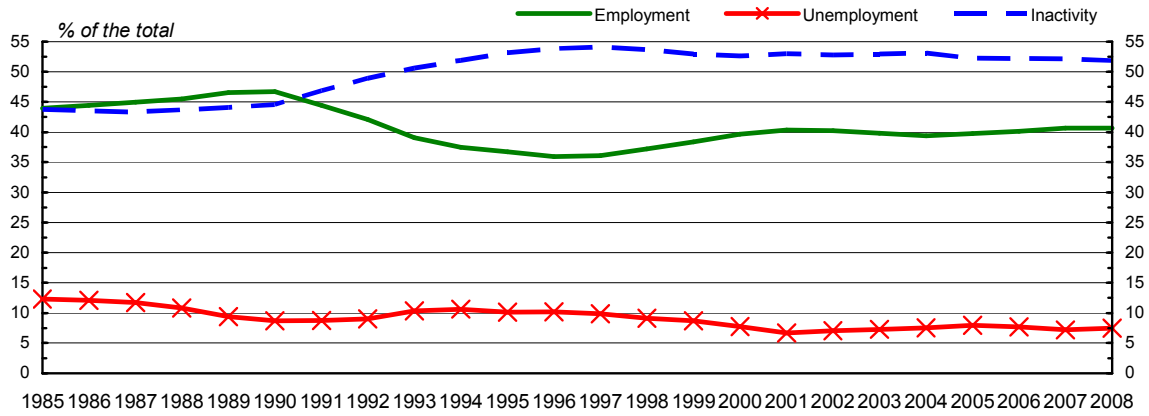
This might be partly a consequence of more young people wishing to remain longer in education or initial vocational training in order to acquire the qualifications needed to obtain better jobs. However, the main reason is almost certainly that there were few jobs available. In the five years leading up to the downturn the employment rate of those aged 15–24 increased rather than fell.

During the downturn, the employment rate of young people under 25 declined in all Member States apart from the Netherlands, where it remained broadly unchanged. In nearly all cases it fell by much more than the decline in total employment. In Finland and Sweden, the decline amounted to almost 25 % of the population aged 15–24, — roughly twice the reduction in the overall employment rate.

Both women and men in this age group were affected by the decline in employment: nevertheless, proportion of women in work fell slightly less (by around 8 percentage points in the EU15) than the proportion of men (10 percentage points). In both cases, the fall in employment was associated much more with a rise in inactivity than with an increase in unemployment. This is partly because more young people remained longer in education: but is also partly because there is little incentive to actively look for a job when there are few jobs available and when in many countries people under 25 are not entitled to unemployment benefit. The proportion of those aged 15–24 in the EU15 who were inactive therefore rose from around 44.5 % in 1990 to 52 % in 1994, with a similar rise for women as for men, whereas the proportion who were unemployed increased by just two percentage points (Figure 28). Again, this pattern was repeated across most Member States.

While overall employment began to increase across the EU15 after 1994, if only very slowly, the employment rate of young people continued to decline up to 1996 and rose hardly at all in 1997, it was still 1.5 percentage points below the 1994 level. This reflects the delayed pick-up in new job creation which is a feature of the uncertainty about future prospects created by economic downturns.

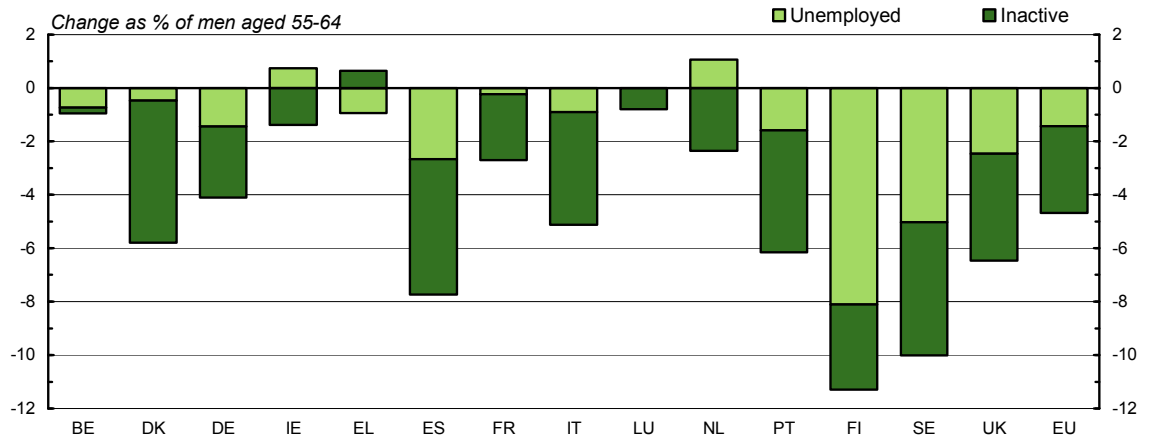
Figure 28: Employment, unemployment and inactivity of those aged 15-24 in the EU15, 1985-1995



Source: EU Labour Force Survey.

Although those in work aged 25 and over also experienced job losses, these were very much smaller than for those in the younger age group — both among those aged 55 and over and those aged 25–54. Moreover, in both age groups, it is men who were chiefly affected. Across the EU15 as a whole, employment continued to increase among women, even if at a much slower rate than over the preceding 5 years. By contrast, for men, the proportion of those aged 25–54 in work declined by over five percentage points. In the case of those aged 55–64, it fell by just under five percentage points (Figure 29).

Figure 29: Change in employment and counterpart changes in unemployment and inactivity of men aged 55-64 in the EU15, 1990-94



Note: BE, LU, NL, PT: 1991-94; IE, UK: 1990-93

Source: EU Labour Force Survey.

Job losses, therefore, seem to have affected men aged 25–54 to much the same extent as those aged 55–64 over this period. Not surprisingly perhaps, most of the fall in employment among men in this age group was accompanied by an increase in inactivity, with a withdrawal into early retirement, rather than by a rise in unemployment. Accordingly, the decline in the employment rate of older men continued the trend towards early retirement that had begun after the mid-1970s recession, which was prompted by the oil crisis. In the five years leading up to the early 1990s downtrun, the employment rate of men aged 55–64 declined across the EU15 by two percentage points. Between 1990 and 1994, it fell by 10–11 percentage points in Finland and Sweden by almost ten percentage points in Luxembourg, by nearly eight points in Spain and by around six

points in Denmark and the UK. Moreover, the employment rate of men aged 55–64 showed little sign of any increase across the EU throughout the rest of the 1990s and remained below 50 % until 2002.

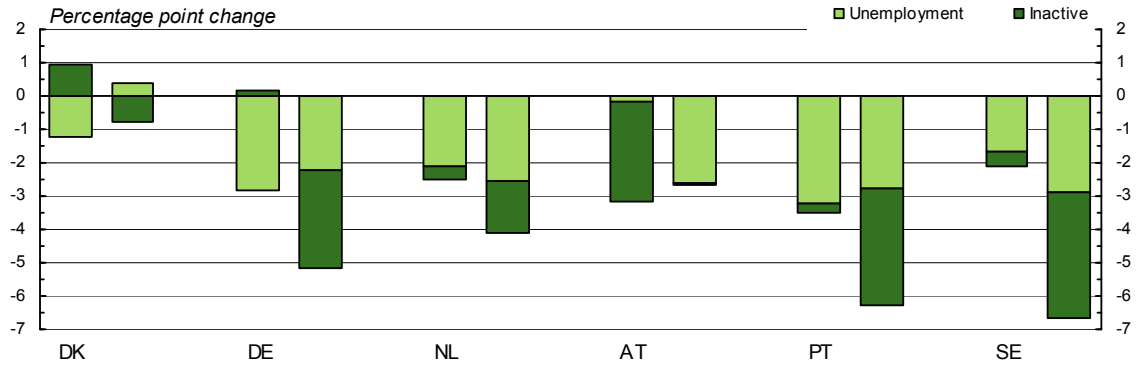
The early 2000s

The economic downturn in the early years of the present decade was less widespread and generally less severe than the one a decade earlier. There were, however, exceptions. In Germany, Italy, the Netherlands and Portugal, GDP remained much the same in real terms over the years 2001–2003, while in Denmark it grew but only slightly. Even in these worst-hit countries, however, the effect on employment was less marked than it had been in the early 1990s, perhaps because of an expectation that the downturn would not last for very long and employers were, therefore, more prepared to maintain their work force.

In the worst-affected countries — apart from Italy where employment continued to grow — the employment rate declined by between 1 and 1.5 percentage points over a 2–3 year period (mostly from 2001 to 2004, but from 2000 to 2003 in Denmark). Although the slow-down in GDP growth was smaller in Sweden than in the other countries, it was nevertheless sufficient to prompt a decline in employment.

As in the early 1990s, job losses in the countries concerned primarily affected men, again reflecting the fact that the industries hardest hit by the downturn were the manufacturing sectors, principally the engineering industries, and construction, which predominantly employed men rather than women. The employment rate of men, therefore, fell by 2-3 percentage points over the period in all these countries apart from Denmark, while the employment rate of women fell at most marginally, except in Denmark and Sweden (Figure 30).

Figure 30: Change in employment and counterpart changes in unemployment and inactivity of men aged 15-24, 2000 and 2004



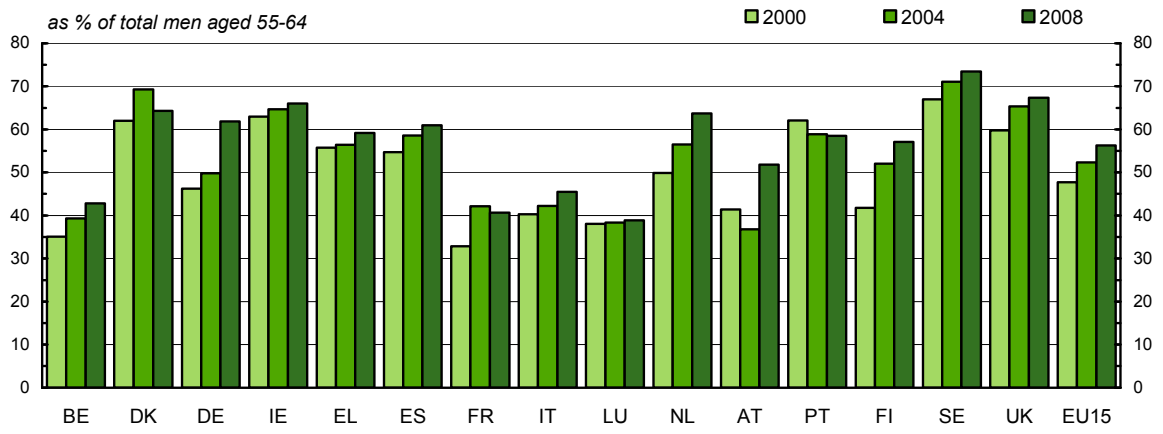
Left bar: men aged 15-64; right bar: young people aged 15-24
Note: DK, DE, NL, SE: 2001-2004; PT: 2001-2005

Source: EU Labour Force Survey.

Again as a decade earlier, young people aged 15–24 were affected much more than older age groups. The employment rate for the young accordingly fell by around 4.5 percentage points in the Netherlands, over 5 percentage points in Germany and Portugal and 7–8 percentage points in Sweden. In all EU countries, apart from Sweden, men (as before) were worse affected than women and their rate of inactivity increased by more than the unemployment rate.

Unlike in the early 1990s, however, there was no reduction in employment among people aged 55–64. Indeed, in all of the countries where overall employment declined, there was a fall in the employment rate of men aged 25-54: but at the same time, in all those countries except Portugal, the proportion of men aged 55–64 actually increased. This increase has, in nearly all cases, continued since then (Figure 31).

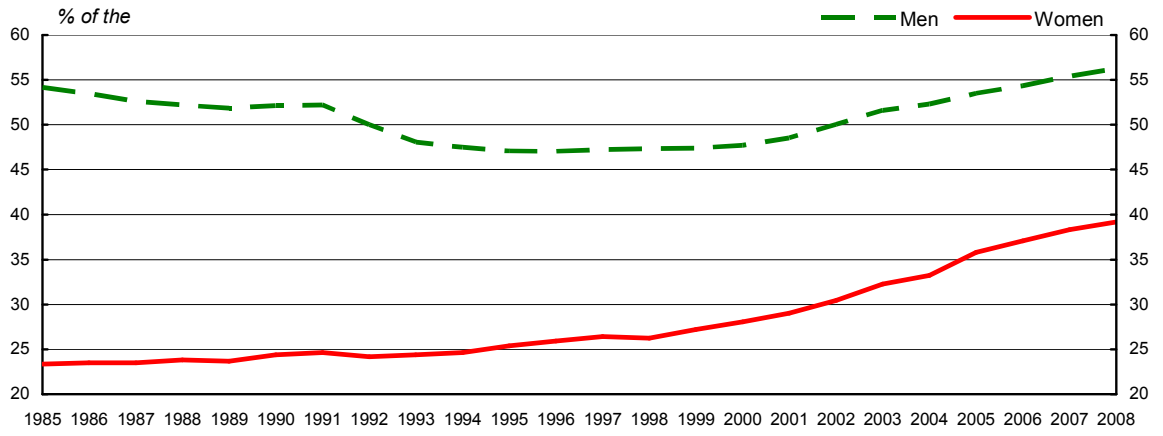
Figure 31: Employment rate of men aged 55-64 in the EU15, 2000, 2004 and 2008



Source: EU Labour Force Survey.

As a result, in the EU15 as a whole, the employment rate of men of this age had risen to 56.5 % by 2008, some 9 percentage points higher than a decade earlier (Figure 32).

Figure 32: Employment of those aged 54-64 in the EU15, 1985-2008



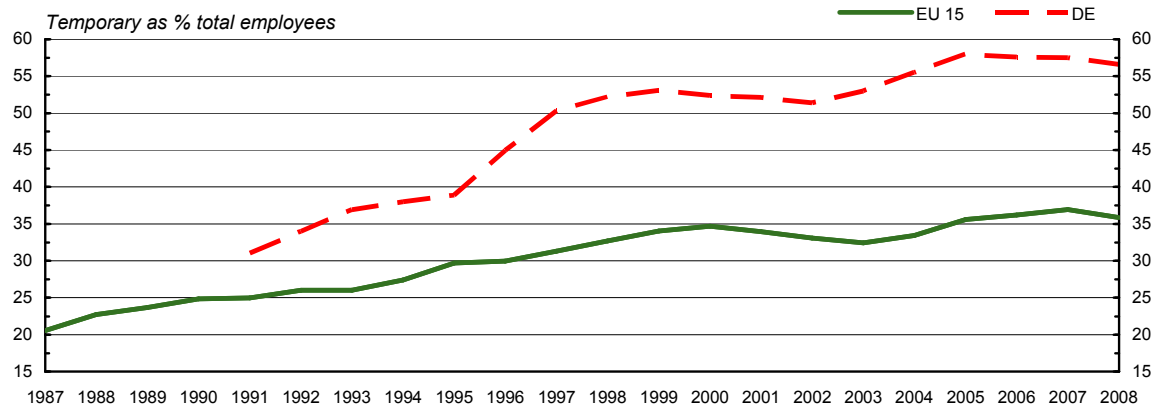
Source: EU Labour Force Survey.

Jobs with fixed-term contracts

Young people experienced a decline in employment during the downturns in the early 1990s and the early years of the present decade. In addition, there was a shift an increasing tendency for those in work to have temporary contracts of employment. This shift was not necessarily a direct response by employers to the downturn as such, since it seems to have been part of a long-term trend. It means, however, that the declining numbers or young people in work were increasingly in relatively precarious jobs which, in some countries, do not necessarily entitle the worker to unemployment benefits.

In 1990, across the EU15, one in four people under 25 who were in work had temporary jobs. (These figures exclude Germany because of the difficulties of adjusting for the effects of unification at the end of 1990). By 1994, however, this figure had increased from 25 % to around 27.5 % and it continued to rise in subsequent years to reach 35 % by 2000 (and 40 % if Germany is included) (Figure 33). In Germany, the share of young temporary jobs rose from 31 % in 1991 to 38 % in 1994 and to 53 % by 1999.

Figure 33: Employment of young people aged 15-24 in temporary jobs in the EU15, 1987-2008

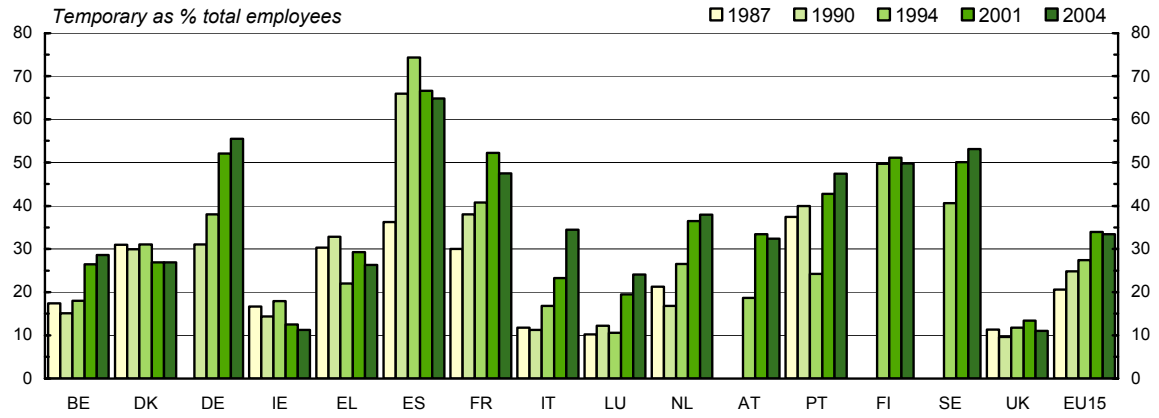


Note: EU 15 excl DE, AT, FI and SE

Source: EU Labour Force Survey.

Accordingly, as the recovery took place, a large proportion of the net additional jobs which young people moved into were fixed-term in nature, though this proportion varied markedly across the EU. In 2001 in France, Finland, Sweden and, Germany and — above all — in Spain over half of all those in work aged 15–24 were employed in temporary jobs, while in Portugal the figure was over 40 % (Figure 34).

Figure 34: Employment of young people aged 15-24 in temporary jobs in the EU15, 1987, 1990, 1994, 2001 and 2004



Note:DE: 1991; AT, FI, SE: 1995; EU 15 excl DE, AT, FI and SE

Source: EU Labour Force Survey.

The relative number of young people with fixed-terms contracts continued to increase during the downturn after 2001 as well as during the subsequent period of recovery. In Germany, it had risen to 58 % by 2005 and in Sweden to 59 % a year later, while in Portugal it reached almost 53 % in 2007 (10 percentage points more than in 2001). In the Netherlands it was 45 % (almost 9 percentage points higher) and in Italy over 42 % (19 percentage points higher than just 6 years earlier).

The upward trend in temporary employment among young people under 25 has been mirrored by a similar trend in some of the Member States which have entered the EU from 2004 onwards. This is especially the case in Poland and Slovenia, where over 60 % of those in this age group in work have fixed-term contracts (in Slovenia it is almost 70 %), so that in the EU27, some 40 % of jobs performed by young people are temporary.

Although this upward trend in fixed-term contracts also affects people aged 25 and over, it is much less the case than for the younger age group. In most countries, comparatively few people (under 10 %) have jobs of this kind. Nevertheless, during the downturn in the early 1990s, there was an increase in the proportion of employees across the EU15 with fix-term contracts, which suggests that many of the comparatively few new jobs created over this period were fixed-term in nature. The increase was especially large in Spain (over 5 percentage points), though it was also significant in the Netherlands, Denmark, France and Italy (around 2 percentage points in each).

On the other hand, the proportion of those aged 25 and over in temporary jobs declined markedly (by 5–6 percentage points) in Greece and Portugal, suggesting that the reduction in employment was concentrated on such jobs.

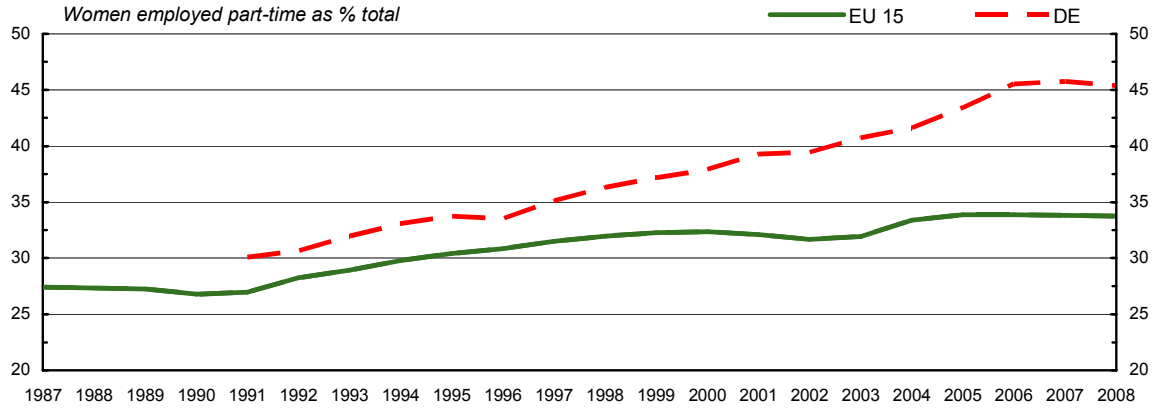
The relative number of employees with fixed-term contracts continued to rise after the downturn, albeit fairly slowly in most countries, so that in 2008 before the onset of the present recession, only around 11 % of employees in the EU15 were employed under this kind of contract. In Belgium, Denmark, Ireland, Luxembourg, Austria and the UK, the figure was 6 % or less, giving employers only limited scope for using the non-renewal of temporary contracts as a means of shedding jobs. In Portugal, by contracts, the figure was over 19 % and in Spain, 26 %, though the latter had declined from 30 % in 2006. Moreover, the proportion was also relatively high in Poland, at around 23 % in 2008, up from under 5 % in 2000, implying that many of the new jobs created in recent years have been fixed-term ones.

Part-time working

The upward trend in temporary employment in the EU has been accompanied by a similar trend in part-time working, though this was concentrated more among those aged 25 and over and among women in particular. This upward trend, moreover, seems to have gathered pace after 1990 as the downturn began and continued during the subsequent upturn.

Between 1990 and 1994, therefore, the share of employed people working in part-time jobs in the EU15 — again excluding Germany for the same reason as above — increased from 13 % to over 15 % and went on rising to reach 17 % by 1999. This rise partly reflects the fact that women took a growing share of jobs, and many more women than men were employed part-time. At the same time, the proportion of working women employed in part-time jobs rose from just under 27 % of the total in employment in 1990 to just under 30 % in 1994 (and in Germany, from 30 % in 1991 to 33 % in 1994). The rise continued after 1994 during the recovery years, though at a slower pace, the share reaching just over 32 % in 1999 (Figure 35).

Figure 35: Employment of women working part-time in the EU15, 1987-2008



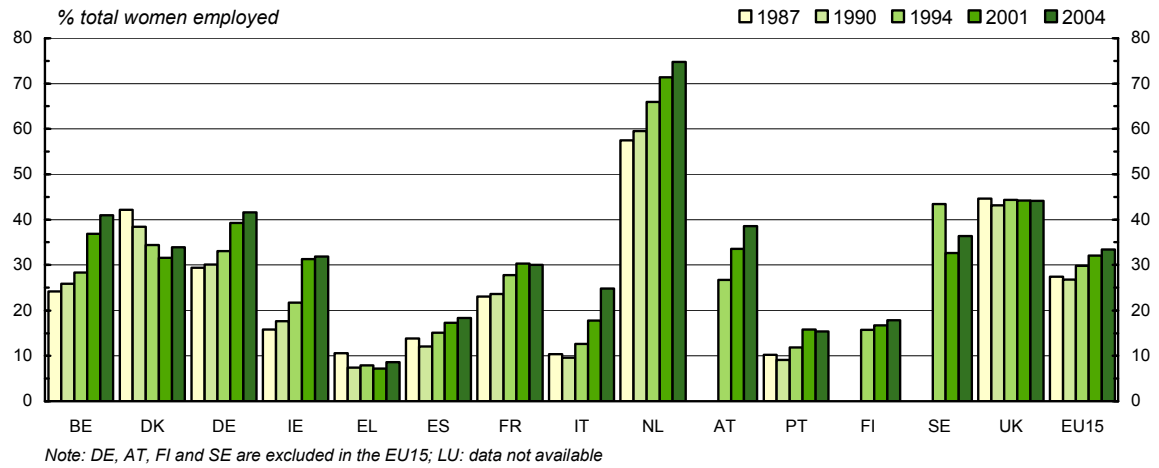
Note: EU15 excl DE, AT, FI and SE

Source: EU Labour Force Survey.

There was equally a growth in the share of part-time work during the downturn after 2001 in most of the countries which experienced a reduction in overall employment. In Germany, the share of women in work employed part-time increased from 38 % in 2000 to over 43 % in 2005, in Austria, from 33 % to 39 % over the same period and in Denmark, from 37 % in 2001 to 41 % four years later. In the Netherlands, the figure rose from 71 % to 75 % over the same period and in Sweden from just under 33 % to almost 40 % after a number of years when part-time working had declined (Figure 36). Since the rise in the employment of women over

this period was accompanied by an increasing share of part-time working, the increase in female employment could offset only to a limited extent the reduced earnings caused by the decline in employment among men.

Figure 36: Women employed part-time as a share of total women in work in the EU15



Note: DE, AT, FI and SE are excluded in the EU15; LU: data not available

Source: EU Labour Force Survey.

2.2.2. Trends in social protection

Against this background of a growing share of employment in temporary and part-time jobs, it is also important to examine what has happened to social protection systems across the EU15. Some of these developments occurred during recent economic downturns; others reflect longer-term trends in both the level and structure of support provided. The main source of data is the European System of Integrated Social Protection Statistics (ESSPROS), which covers expenditure on social protection in all the EU Member States, though for varying periods of time. For EU15 countries, there is reasonably consistent data going back to 1990, but at the time of writing the figures only go up to 2006. These statistics do not tell us how many people, or which social groups, received social transfers. Nevertheless, they do give an indication of how the amount spent on social protection interventions in the different countries changed over the period in question, relative to the changing number of people requiring assistance.

The focus is on transfers designed primarily to provide support to those of working age who are not in employment. These transfers represent a small proportion of total expenditure, the largest being old-age benefits. While some spending on these benefits go to those of working age who have chosen to take early retirement, the amount involved tends to be swamped by transfers to those above the age of retirement and there is no straightforward way which allows the former to be distinguished from the latter. Accordingly, the analysis is concentrated exclusively on expenditure on unemployment benefits, disability or invalidity benefits, social exclusion benefits (i.e. between them the main are payments under minimum income guarantee schemes of one kind or another) and housing allowances, all of which go mainly to the unemployed or the economically inactive[12]. Social exclusion benefits and housing allowances also go to people above the age of retirement and to people of working age who stand to be affected by downturns in economic activity. Unfortunately, however, there is no way of identifying the extent to which they do so and how this has tended to changed over time.

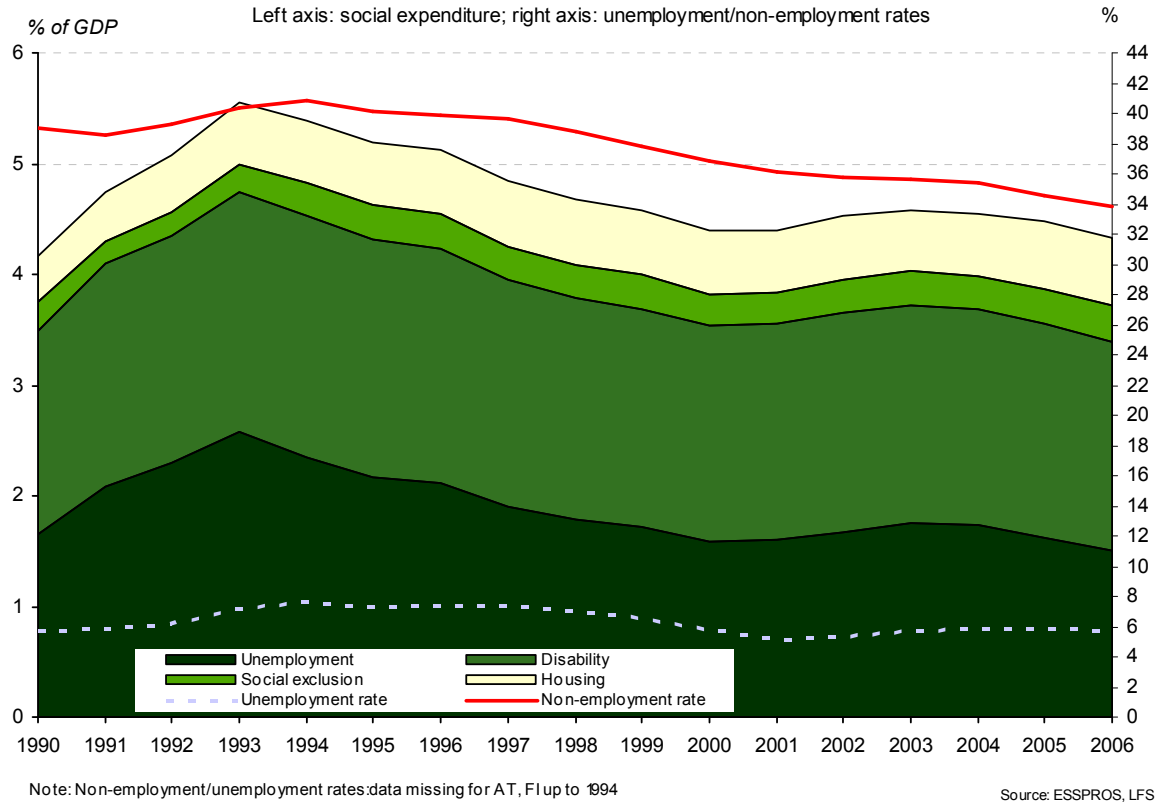
Child and family benefits as well as old-age benefits, survivors' and sickness/health care benefits are left out of account since, in most countries, the bulk of this expenditure does not vary with changes in unemployment and inactivity.

[12] In ESSPROS methodology the function of a social benefit refers to the primary purpose for which social protection is provided. Given a specific benefit, the exact reason for which the benefit is granted and the main risk to be covered has to be identified even in cases of overlapping objectives.

There are two points of interest here. First, the overall level of expenditure on the benefits concerned. This is related to GDP (thus indicating how the expenditure changes in relation to income) and to the relative number of people of working age who are either unemployed or inactive and, therefore, potentially in need of support. The second point of interest is the composition of the expenditure — for example, the amount spent on unemployment benefits as against disability benefits or minimum income payments. This indicates the way in which support is delivered and how it has changed over time, as well as how this support changed during earlier periods of economic downturn.

Starting first with developments in the EU15 as a whole over the period 1990-2006, overall expenditure on the social benefits concerned increased sharply between 1990 and 1993 as the downturn led to rising unemployment and a growing proportion of people of working age were not in work (Figure 37, shows both the unemployment and non-employment rate — i.e. the unemployed plus the inactive — as percentage of the population aged 15–64. It also shows expenditure on the four broad categories of social transfer indicated above). Expenditure on these benefits, therefore, rose from just over 4 % of GDP to just over 5.5 % between 1990 and 1993. This was chiefly because unemployment benefits increased by almost 1 % of GDP (from 1.7 % of GDP to 2.6 %), but it was also driven by a rise in disability benefits (from 1.8 % to 2.2 % of GDP) and by a modest increase in housing allowances (from 0.4 % to 0.6 % of GDP).

Figure 37: Figure composition of social expenditure (% of GDP) in the EU15 (excl. Sweden), 1990-2006



Source: ESPROSS and EU Labour Force Survey.

From 1993, expenditure declined in relation to GDP, falling back to under 4.5 % by 2001, primarily as a result of a reduction in spending on unemployment benefits – although unemployment declined by less than the fall in spending. Over this same eight-year period, expenditure on disability benefits also fell relative to GDP (albeit by much less), and spending on housing allowances declined in parallel with the fall in the relative number of people of working age not in employment. Despite this latter fall, however, social exclusion benefits (or minimum income payments, which tend to be a transfer 'of last resort') rose by some 22 % relative to GDP — in part reflecting the decline in the other benefits. Overall, therefore, expenditure on income support for people of working age fell roughly twice as fast as the proportion of working-age people not in work.

From 2001 to 2003, expenditure on the transfers concerned increased again relative to GDP. This was largely because unemployment benefits rose as unemployment increased during the economic downturn — though it was also partly because of a rise in social exclusion benefits. At 4 % the increase was comparatively modest, but it coincided with a continuing (if slower) fall in the proportion of people of working age not in employment.

Between 2003 and 2006, expenditure on transfers in relation to GDP declined, once more primarily because of a reduction in unemployment benefits – even though the number of people of working age who were unemployed remained broadly unchanged. Again this was offset to a small extent by an increase in social exclusion benefits and housing allowances, so that overall, over this four-year period, total expenditure on support to people of working age declined at much the same rate as the numbers of non-employed.

At the end of the period, therefore, expenditure in the EU15 on these social transfers in relation to GDP was much the same as it had been in 1990 before the downturn, though significantly less than in 1993. Moreover, unemployment represented the same proportion of the working-age population as 16 years earlier, but the relative number of those who were inactive was much smaller so that there were fewer people of working age not in employment. At the same time, however, the composition of support was slightly different: less was being spent on unemployment benefits and more on disability benefits, social exclusion payments and housing allowances. So, although fewer people were inactive relative to the numbers of unemployed, governments were spending less on unemployment benefits relative to other forms of income support. To put it another way, unemployed people accounted for a greater proportion of the non-employed – i.e. the proportion of people actively looking for a job[13] – yet the support being provided was shifting away from unemployment benefits towards other kinds of transfer.

This emerges more clearly if expenditure on supporting the unemployed and, more generally, the non-employed is related directly to the numbers involved by calculating the average amount spent on benefits per person and if this is then compared with GDP per head in order to put the changes which occurred into perspective. There was, therefore, in many countries a sharp increase in the average expenditure on unemployment benefits relative to GDP per head in 1991 as unemployment rose (Table 1)[14]. This partly reflects the larger benefit supplied to the newly unemployed than to those who had been unemployed for some time as well as a possible tendency for those entitled to unemployment benefit to increase relative to those defined as unemployed according to the international convention. From 1992 on, however, the average amount of spent on benefits calculated in this way declined markedly, increasing again in the early part of the present decade as unemployment rose, followed by a further decline.

In 2006, therefore, the average amount of expenditure on unemployment benefits relative to GDP per head in the EU15 as a whole was less than in the late 1990s and much less than in the early 1990s. By contrast, the average amount of expenditure on support for the non-employed among the working-age population in the EU15 remained much the same over the period relative to GDP per head (Table 2)

Table 1: Expenditure on unemployment benefits per person unemployed relative to GDP per head, 1990-2006

% GDP per head

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	115	121	122	110	88	87	87	90	83	84	105	104	110	106	110	93	94
DK	90	89	96	93	121	123	115	129	128	117	125	129	117	103	102	98	98
DE	55	84	85	79	62	62	60	50	49	55	58	59	58	52	46	36	34
IE	49	49	56	54	52	58	55	52	55	59	65	71	67	63	63	61	60
EL	29	30	28	21	19	24	21	24	22	25	30	32	35	33	30	28	28
ES	55	64	60	56	42	37	33	32	33	36	38	53	50	49	48	58	62
FR	58	62	57	56	46	46	45	43	43	41	46	54	58	63	57	57	49
IT	15	15	19	20	18	15	14	13	12	11	9	10	12	13	15	16	18
LU	73	109	72	63	45	50	47	77	59	64	66	110	68	59	47	55	46
NL	71	74	99	97	89	85	92	90	88	84	92	113	102	88	68	65	59
AT						77	66	64	57	66	60	72	67	74	69	64	68
PT	19	25	34	37	33	30	30	29	37	30	37	37	36	38	40	34	32
FI	90	75	73	67	64	54	57	52	49	84	44	45	45	47	48	49	47
SE				89	83	80	71	63	66	69	79	75	70	65	57	46	45
UK	36	42	39	38	36	35	32	29	28	29	28	40	29	29	30	30	23
EU15	49	58	59	56	48	47	45	41	41	42	45	51	49	48	45	43	40

Source: ESPROSS.

[13] And also being available to take a job.

[14] The average amount of benefit is calculated in relation to those defined as unemployed according to the ILO convention rather than to those registered as unemployed. In practice, there may be significant differences between the two.

Table 2: Expenditure on support for the non-employed of working age relative to GDP per head, 1990-2006

% GDP per head

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	18.4	19.6	19.6	21.8	20.8	22.0	22.2	21.2	21.0	21.6	22.3	21.9	24.0	22.3	23.0	23.3	22.7
DK	52.0	53.9	56.1	53.3	56.7	57.3	54.2	53.7	52.4	54.8	51.4	50.9	52.2	53.1	55.1	53.4	52.6
DE	14.0	20.1	21.5	22.4	21.4	20.8	20.9	19.3	19.1	19.8	19.4	19.5	20.2	20.5	19.9	20.2	19.9
IE	14.7	15.7	16.4	16.6	16.1	12.8	15.2	13.6	12.8	12.0	10.9	11.0	11.8	12.2	12.4	12.8	13.2
EL	9.4	8.8	8.4	8.6	8.1	8.7	9.0	9.7	10.2	12.4	13.2	13.5	13.9	13.3	13.7	13.4	13.1
ES	15.5	17.2	17.7	19.2	16.7	14.9	14.3	13.8	13.7	13.7	14.0	14.7	15.6	15.8	16.2	17.8	18.5
FR	20.3	20.6	20.9	22.2	21.3	21.0	21.5	21.1	20.9	20.8	20.9	21.3	22.7	21.9	23.3	23.3	22.4
IT	7.5	7.4	7.7	8.1	7.8	7.1	7.1	6.8	6.4	6.4	6.0	5.9	6.7	7.1	7.6	7.5	7.7
LU	12.3	13.4	13.6	13.8	13.8	12.1	12.1	13.8	13.3	14.4	13.9	17.6	18.0	17.6	18.7	18.7	17.8
NL	32.2	33.1	34.6	34.9	36.1	34.5	34.1	33.6	33.4	32.2	32.1	33.2	34.6	35.1	33.2	31.6	33.5
AT						22.3	22.4	21.5	21.3	22.0	20.0	20.2	21.3	21.8	20.6	20.9	21.5
PT	11.1	12.4	13.2	14.7	15.0	13.2	13.6	13.8	15.4	14.9	16.1	16.4	18.0	19.3	18.2	18.2	18.3
FI	33.9	39.1	44.1	44.2	42.4	38.3	37.7	35.5	32.4	34.3	31.9	21.5	32.2	32.7	32.1	31.2	30.6
SE				60.9	57.5	51.6	47.2	42.9	40.8	42.4	39.2	42.6	42.9	43.9	42.9	42.4	40.9
UK	24.6	27.6	29.7	31.5	31.1	30.7	29.8	28.2	27.2	26.4	25.8	27.0	25.9	25.2	25.2	25.1	24.3
EU15	18.5	20.8	21.7	22.8	21.9	21.2	20.9	20.0	19.6	19.7	19.4	19.9	20.5	20.8	20.6	20.6	20.4

Source: ESPROSS.

The aggregate picture conceals marked differences between countries. The pattern is similar, however, in most cases. Average expenditure on unemployment benefits relative to GDP per head increased as unemployment rose during the early 1990s downturn and was the main factor in the rise in transfers to the non-employed over this period.

During the subsequent upturn, and from the peak in expenditure until the next economic downturn in 2001, spending on unemployment benefits was reduced by more than the fall in unemployment in Germany, Italy, Finland and Sweden, but by less than this amount in Denmark, Ireland and the Netherlands. In Greece, Luxembourg and Portugal, expenditure expanded despite unemployment either falling or rising less sharply. In the latter three countries, therefore, the rise in average expenditure per person unemployed suggests that the interventions (e.g. income support) provided were extended or increased over this period. In the other countries, expenditure and unemployment changed at similar rates.

At the same time, the overall support provided to the non-employed of working age – i.e. including disability and other benefits – declined by more than the proportion of the non-employed who were inactive in most countries, so that the average amount of support per person fell relative to GDP per head. The only exceptions were in Belgium (where expenditure and the non-employed declined by the same amount), Luxembourg, Greece and Portugal. In the latter two cases, this reflected the fact that the national welfare system was reinforced, increasing the coverage.

From 2001 to 2006, taking the downturn and the subsequent upturn together, expenditure on unemployment benefits failed to keep abreast of the changing number of unemployed people in most countries. Average expenditure on unemployment benefits, therefore, declined relative to GDP per head, the fall being especially large in Germany, Luxembourg, the Netherlands and Sweden. On the other hand, average benefits relative to GDP per head increased in Spain and Italy, though in Italy this increase was from a very low level. Overall expenditure on support for people of working age (including the unemployed), however, shows a somewhat different picture. The average amount of expenditure either increased or remained much the same relative to GDP per head over the period. In the majority of the EU15 countries, therefore, there seems to have been a shift from unemployment benefits to other forms of support for people of working-age not in employment. In most countries (as for the EU15 as a whole), this coincided with unemployment becoming a more rather than less important reason for non-employment.

Over the 16 years 1990-2006, average expenditure on unemployment benefits in relation to GDP per head increased in only five countries – Denmark, Ireland, Spain, Italy and Portugal – all except Denmark being countries in which in some degree the system was somewhat underdeveloped in 1990. In all the other EU15 countries, average expenditure on unemployment benefits declined relative to GDP per head (see Figures in Annex). In most of these countries, however, average expenditure on support for the non-employed was higher relative to GDP per head in 2006 than in 1990, the only exceptions being Ireland, Finland, the UK (where there was only a marginal decline) and, most markedly, Sweden (the latter over the period 1993-2006).

These indicative figures suggest that overall expenditure on income support of the non-employed changed broadly in line with the numbers of non-employed people over this 16-year period. However, we cannot be sure of this since there is no way of knowing how much of the support provided by social exclusion benefits and housing allowances went to those above retirement age or active people.

Nevertheless, it does seem that, over the period from 1990 as a whole, there was a decline in unemployment benefits relative to the unemployed proportion of the working-age population, and a shift to other kinds of support for the non-employed in most countries. There were also shifts in the composition of these other kinds of benefit. In particular, in Denmark and Sweden, and more recently in Ireland and Luxembourg, there has been an increase in expenditure on disability benefits both relative to total expenditure and relative to GDP, which, to some extent, has offset the reduction in unemployment benefits. By contrast, there has been a significant reduction in expenditure on disability benefits in the Netherlands, which had expanded to particularly high levels and which in recent years has been offset by an increase in social exclusion benefits (see Figures in Annex).

2.2.3. Developments in labour market policy

In addition to social protection trends, it is important to examine how expenditure on labour market measures – i.e. training, job search support and employment subsidies – changed over this period. The main point of interest is whether governments took the opportunity to expand such active labour market measures. Did they strive to improve people's employability in readiness for the eventual upturn, or simply expand (passive) income support? The available data come from the OECD, which maintained a database on such interventions during the downturn in the early 1990s, rather than from Eurostat which has maintained a more detailed and coherent database since 1997[15].

In the EU15 countries for which data are available, in this case excluding Italy, for which there was no complete set of data for much of the period, and Germany, where the series was interrupted by unification, overall expenditure on labour market interventions and support increased from 2.5 % of GDP in 1990 to a peak of 3.3 % in 1993 before gradually falling back to 2.9 % in 1996 and further in subsequent years. Within this, expenditure on active labour market policy (LMP) measures rose from 0.8 % of GDP in 1990 to 0.9 % in 1991 and to 1 % in 1992, but then remained unchanged up to 1996 (Table 3).

Table 3: Expenditure on labour market policies

% GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Active LMP measures	**0.80**	**0.88**	**0.89**	**0.87**	**0.83**	**0.83**	**0.89**	**0.96**	**1.03**	**1.03**	**1.03**	**1.00**
of which:												
Training for unemployed	0.31	0.33	0.36	0.36	0.35	0.35	0.37	0.41	0.44	0.42	0.38	0.35
Training for employed	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05
Emplloyment subsidies	0.19	0.23	0.22	0.20	0.16	0.16	0.18	0.20	0.23	0.25	0.29	0.31
Other	0.28	0.29	0.28	0.28	0.27	0.28	0.29	0.31	0.33	0.32	0.31	0.29
LMP intervention	**2.26**	**2.16**	**2.03**	**1.80**	**1.62**	**1.66**	**1.88**	**2.13**	**2.31**	**2.19**	**1.98**	**1.94**
of which:												
Early retirement	0.49	0.45	0.40	0.34	0.29	0.27	0.23	0.22	0.22	0.22	0.22	0.22
LMP measures and supports	**3.06**	**3.04**	**2.93**	**2.67**	**2.45**	**2.49**	**2.76**	**3.09**	**3.35**	**3.22**	**3.01**	**2.93**

Source: OECD.

Such expenditure, therefore, increased during the economic downturn but only slightly and by less than the rise in income support for the unemployed.

Expenditure on early retirement benefits, which is also included as part of income support for the unemployed, remained much the same relative to GDP during the downturn. This, however, does not necessarily capture the changing extent of support for early retirement, since in many countries that support takes other forms. Only in Denmark, Germany and Ireland, and only to a small extent, did expenditure on early retirement pensions increase relative to GDP between 1990 and 1994.

Although the situation differs from one country to another, in most cases expenditure on *active* labour market policies rose by less than the increase on overall spending on labour market policies. Only in France and Ireland is there clear evidence of a relative rise in such expenditure, and, in both cases, this took the form as much of an increase in subsidised employment as of training or job search assistance. In Denmark, there was a relative increase in spending on active LMP measures in 1992 and 1993, though this was followed by a decline in 1994 and further declines in 1995 and 1996. In the other countries, there was a relative decline in active expenditure over the period of the downturn, and an absolute decline in relation to GDP in Greece, Spain and the United Kingdom (See Annex for Figures for individual EU15 countries).

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[15] The OECD uses a somewhat different definition of compensation to the unemployed, which includes other kinds of transfer. Consequently, the OECD data on expenditure on unemployment benefits is not the same as the ESSPROS data described above, though the pattern of change shown is similar.

Labour market policy in the early 2000s downturn

As noted above, the downturn in the early 2000s was associated with comparatively little reduction in employment in most countries. In those countries where the downturn was most evident, there was, in general, little policy response in terms of intensifying active LMP measures. Indeed, in most of the countries, expenditure on such measures either remained unchanged or declined in relation to GDP (Table 4). The main exception is Italy, where there was a small increase in spending in 2001 and 2002, continuing the rise in earlier years, though this was more than reversed subsequently.

Table 4: Expenditure on labour market policy, 1998-2007

% GDP

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Denmark										
Total	4.62	4.45	4.12	3.99	4.05	4.28	4.18	3.60	3.08	2.53
Active measures	1.68	1.88	1.74	1.71	1.74	1.62	1.52	1.26	1.22	1.02
of which: Training	0.74	0.84	0.77	0.74	0.70	0.62	0.54	0.50	0.43	0.33
Passive measures	2.94	2.57	2.38	2.27	2.31	2.66	2.66	2.34	1.86	1.50
of which: Early retirement	0.93	0.85	0.80	0.77	0.76	0.77	0.72	0.67	0.57	0.52
Germany										
Total	2.27	2.11	2.92	2.95	3.17	3.22	3.17	2.94	2.68	2.13
Active measures	:	:	1.03	1.03	1.03	0.94	0.85	0.59	0.59	0.51
of which: Training	:	:	0.52	0.55	0.57	0.47	0.38	0.25	0.31	0.29
Passive measures	2.27	2.11	1.89	1.92	2.14	2.28	2.32	2.34	2.09	1.63
of which: Early retirement	0.00	0.01	0.01	0.02	0.03	0.04	0.04	0.05	0.05	0.06
Italy										
Total	1.22	1.19	1.18	1.24	1.37	1.35	1.28	1.29	1.20	1.08
Active measures	0.48	0.52	0.56	0.63	0.71	0.70	0.54	0.48	0.41	0.37
of which: Training	0.26	0.27	0.25	0.21	0.23	0.25	0.22	0.20	0.18	0.18
Passive measures	0.74	0.67	0.62	0.61	0.66	0.65	0.74	0.81	0.79	0.71
of which: Early retirement	0.17	0.12	0.11	0.08	0.10	0.10	0.10	0.10	0.11	0.09
Netherlands										
Total	3.34	3.02	2.72	2.68	2.76	2.95	2.99	2.83	2.43	2.07
Active measures	0.99	0.98	0.97	1.01	1.06	0.99	0.89	0.82	0.73	0.68
of which: Training	0.09	0.10	0.10	0.11	0.14	0.14	0.13	0.13	0.06	0.06
Passive measures	2.36	2.03	1.75	1.67	1.71	1.95	2.10	2.01	1.70	1.39
of which: Early retirement	-	-	-	-	-	-	-	-	-	-
Austria										
Total	1.75	1.74	1.58	1.63	1.67	1.84	1.86	1.97	1.94	1.76
Active measures	0.33	0.41	0.39	0.43	0.41	0.46	0.44	0.46	0.54	0.51
of which: Training	0.22	0.29	0.25	0.27	0.27	0.31	0.30	0.33	0.40	0.37
Passive measures	1.42	1.33	1.19	1.20	1.26	1.39	1.42	1.51	1.40	1.25
of which: Early retirement	0.07	0.06	0.06	0.08	0.15	0.26	0.30	0.28	0.25	0.22
Portugal										
Total	0.00	1.15	1.20	1.46	1.41	1.75	1.79	1.84	1.69	1.47
Active measures	:	0.35	0.37	0.49	0.44	0.51	0.55	0.52	0.46	0.39
of which: Training	:	0.20	0.22	0.19	0.17	0.27	0.29	0.29	0.26	0.20
Passive measures	:	0.81	0.82	0.98	0.98	1.24	1.24	1.32	1.23	1.09
of which: Early retirement	:	0.16	0.16	0.29	0.17	0.20	0.14	0.13	0.11	0.10
Sweden										
Total	3.98	3.59	2.85	2.46	2.36	2.19	2.27	2.24	2.09	1.57
Active measures	2.19	1.95	1.51	1.42	1.34	1.01	0.98	1.07	1.13	0.91
of which: Training	1.27	0.90	0.66	0.67	0.60	0.36	0.32	0.33	0.33	0.20
Passive measures	1.79	1.64	1.34	1.05	1.02	1.18	1.29	1.17	0.96	0.66
of which: Early retirement	0.11	0.09	0.06	0.03	0.01	-	-	-	-	-

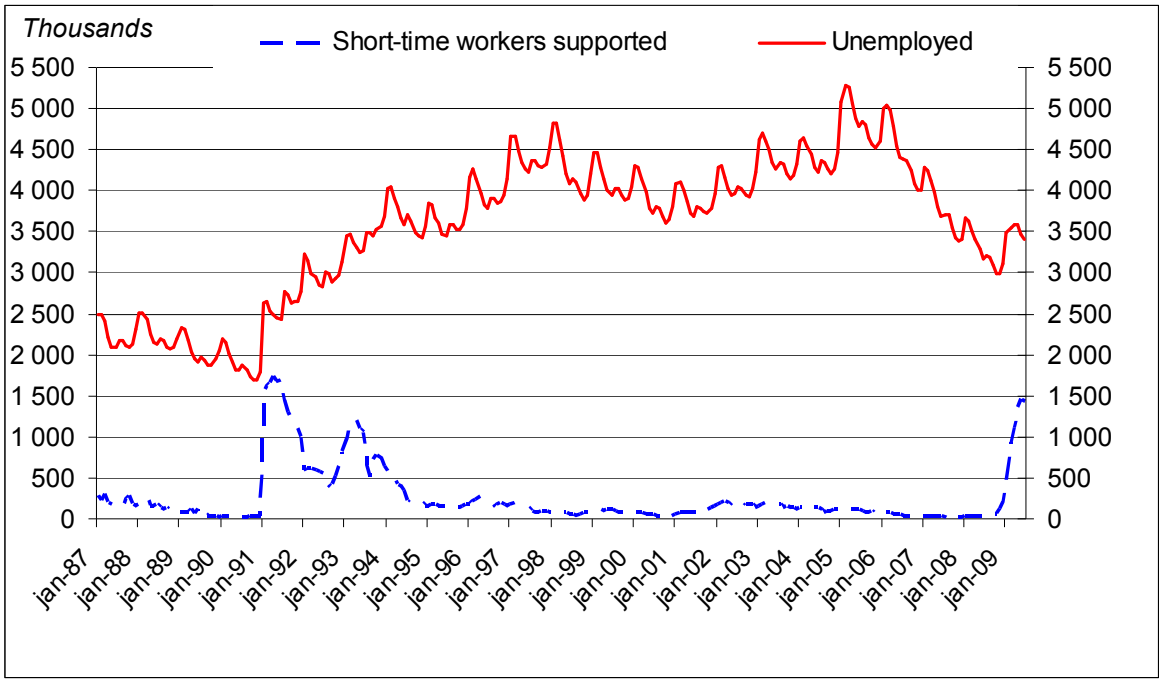
Source: EU Labour Market Policy database.

2.2.4. Short-time working

A number of EU Member States, provide support for shorter working hours during economic downturns, to mitigate the effects on employment. These interventions include partial unemployment benefits, paid to people

who work a reduced number of hours or days a week, and temporary support for short-time working, paid to employers to enable them to maintain jobs at times of reduced demand for their products. The latter has been particularly important in Germany. In the early 1990s especially, the short-time working allowance was used extensively to preserve jobs and keep down unemployment. At its peak in April 1991, shortly after German unification, it provided support for over 1.7 million workers at a time when unemployment was almost 2.5 million (Figure 38). Then, as unemployment rose again to over 3.3 million in the early months of 1993, it provided support to almost 1.2 million workers. As unemployment continued to increase, however, the number of workers supported by the scheme declined to around 640 thousand at the end of 1993. Nevertheless, it served to moderate significantly the extent of the rise in unemployment, and to mitigate the social consequences, at times when unemployment was increasing most rapidly.

Figure 38: People supported by short-time working allowance in Germany, monthly data, Jan. 1987 to Jan. 2009



Source: Bundesagentur für Arbeit.

Short-time working was used much less extensively during the downturn in the early part of the present decade, largely because this downturn had much less effect on jobs. In early 2002 and again in early 2003, support was provided for only just over 200 thousand workers. This figure was reached again in December 2008 at the start of the present recession. From then on, however, there was a steep rise in short-time working: the number supported by the scheme increasing to 1.46 million by May 2009. Though it fell slightly in June, it remained above 1.4 million, equivalent to over 40 % of the number unemployed. Nevertheless, this is below the number supported at the peak in the early 1990s when unemployment was lower but when it was rising particularly sharply after unification. Of those supported by the scheme, only 12 % were in the new Länder (where the rate of unemployment was much higher than in the rest of the country) and some 80 % were men. Both these figures reflect the industrial nature of the jobs supported.

2.2.5. Income support for those affected by recession

As noted above, there are no direct data on the extent to which people hit by an economic downturn are protected by the social welfare system in different countries across the EU. The data on expenditure on social transfers to working-age people give some indication of the way this support has changed since 1990 and of the changes in support which occurred during earlier economic downturns. Data from the EU-SILC relate to the situation some three years ago, which may well have changed since then. Nevertheless, they too give an indication of how likely it is that people who lose their jobs will receive income support, and how much. These data suggest that both the extent of support and its scale varies markedly across countries, both for young people under 25 and for older workers. Young people, as we have seen, find it especially hard to get jobs during a recession and may also be less eligible for income support.

Income support to the unemployed aged 25-59

In many Member States, nearly everyone aged 25 and over is likely to receive unemployment benefit if they lose their job, especially if they are unemployed for any length of time. In Belgium, Denmark, Germany, Austria and Finland, therefore, over 90 % of those aged 25-59 who were unemployed for more than three months during 2006 received unemployment benefit, while in France and Hungary, the proportion was two-thirds or more (Table 5).

In a number of other countries, however, only a minority of those unemployed for this length of time during the year received unemployment benefit. The figure was less than a third in Estonia, Lithuania, Poland, Slovakia and the United Kingdom.

Table 5: Proportion of those aged 25-59 receiving social benefit by number of months unemployed, 2006

	% receiving unemployment benefits				% receiving some form of benefit*			
	Months unemployed in 2006:				*Months unemployed in 2006:*			
	1	2-3	4-6	7-12	1	2-3	4-6	7-12
Belgium	75	82	95	95	75	83	95	97
Czech Republic	75	75	71	23	88	87	85	63
Denmark	76	73	94	85	90	88	97	93
Germany	86	87	90	84	92	90	97	90
Estonia	12	17	22	11	34	32	40	16
Ireland	46	23	51	59	65	31	58	71
Greece	17	47	53	17	17	49	55	22
Spain	61	64	63	39	64	67	67	43
France	67	74	73	67	74	83	81	87
Italy	60	66	67	22	65	68	70	27
Cyprus	48	40	61	26	59	43	66	34
Latvia	9	27	39	28	30	52	52	41
Lithuania	16	17	15	8	32	49	23	23
Luxembourg	44	62	64	38	63	65	69	67
Hungary	64	70	76	74	68	77	80	79
Netherlands	71	58	74	31	88	90	98	100
Austria	84	90	98	93	89	90	99	96
Poland	22	24	29	10	32	36	46	25
Portugal	53	48	40	50	57	48	43	56
Slovenia	29	60	32	40	69	83	69	73
Slovakia	36	46	35	14	46	59	55	59
Finland	72	84	91	93	82	89	96	95
Sweden	41	58	68	49	78	85	79	87
UK	13	19	21	41	27	40	44	74
EU25	59	63	64	50	68	71	72	63

** One or more of sickness, disability and social exclusion benefits and education allowances*
Note: the EU25 do not include Malta
Source: EU-SILC 2007

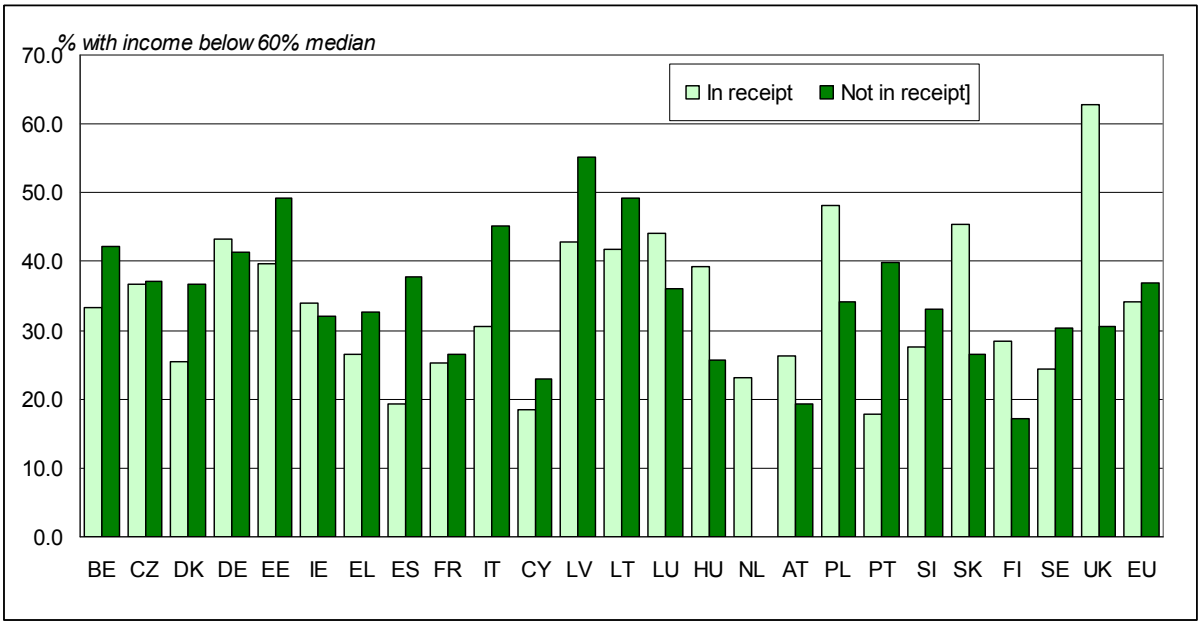
In most of the latter countries, however, social exclusion benefits or minimum income schemes of some kind provided support to many of those not receiving unemployment benefits, especially if they had been unemployed for a relatively long period of time. This was especially the case in Slovakia and the United Kingdom, where 59 % and 74 %, respectively, of those who had been unemployed for over six months during the year received a benefit of some kind, or lived in a household which received at least one benefit.

In Estonia, Lithuania and Poland only a small minority of those unemployed for more than six months received any benefit. In addition, a similarly small proportion of such people were in receipt of benefit in Greece, Italy and Cyprus. The situation was somewhat better in Spain and Latvia, but still only just over 40 % of those who had been unemployed for more than six months received benefits.

Receiving benefits, however, does not necessarily protect a person from the risk of poverty. In the EU25 as a whole, the proportion of people who had experienced unemployment during the previous year and whose income was below 60 % of the national average was only slightly larger for those who received benefit than for those who did not. It was smaller in a number of countries, including Hungary, Poland, Slovakia, Finland, the United Kingdom and the Netherlands — where none of the very few people not receiving benefits had income below the poverty threshold (Figure 39). This reflects a number of different factors, including the differing household circumstances of the people concerned and the income earned by other members. In the UK, for example, a person will not receive benefit if the income or accumulated savings of the household in which they

live is above the eligibility ceiling for means-tested income support. In all these countries, the risk of poverty was high for the people receiving benefits. For the others the risk was lower, but still relatively high.

Figure 39: Proportion of those aged 25-59 unemployed for at least a month during 2006 at risk of poverty, by receipt of benefits



Source: EU-SILC 2007

In many other countries (including all four southern Member States, Cyprus, the three Baltic States, Denmark and Sweden), the proportion with income below the poverty threshold was much larger for those who did not receive benefit. This reflects the relatively limited coverage of the social welfare system, except in the two Nordic countries. At the same time, it is worth noting that in Spain, Cyprus and Portugal, those who did receive benefits had a relatively low risk of poverty as compared with most other countries.

Nevertheless, the evidence suggests that – in most countries – people who experience unemployment have a relatively high risk of poverty, irrespective of whether they receive income support. This risk, moreover, tends to increase significantly with the duration of unemployment. In the EU as a whole, of the people aged 25–59 who were unemployed for more than six months during 2006, some 43 % had income below the poverty threshold — as against 18 % of those who had been unemployed for three months or less. The increased risk is evident in all countries, and it is particularly marked in the three Baltic States and the UK. Only in the Netherland and Sweden did less than 30 % of those unemployed for over six months have income below the poverty threshold (Table 6).

Table 6: Relative number of people aged 25-59 at risk of poverty by months of unemployment in 2006

% with income below 60% of median

	Number of months unemployed			
	1	**2-3**	**4-6**	**7-12**
Belgium	**15.2**	17.1	22.5	37.5
Czech Republic	8.1	11.3	18.0	49.1
Denmark		**14.8**	13.2	32.8
Germany	14.2	19.6	18.8	52.9
Estonia	**6.7**	15.4	34.6	65.3
Ireland	**10.0**	8.6	23.4	45.4
Greece	**51.5**	21.0	21.1	36.3
Spain	19.2	15.4	17.4	35.5
France	12.7	12.0	16.8	31.3
Italy	19.1	19.6	27.4	45.3
Cyprus	**15.4**	16.8	19.3	31.5
Latvia		**39.0**	24.8	60.0
Lithuania		17.2	36.3	58.7
Luxembourg	**19.8**	39.7	36.6	46.9
Hungary	12.9	14.5	31.4	46.4
Netherlands	7.9	12.9	18.6	28.5
Austria	6.3	11.0	17.7	41.4
Poland	22.5	22.8	28.6	43.4
Portugal	**8.9**	17.7	22.4	33.4
Slovenia	27.4	13.7	28.7	35.4
Slovakia	**7.2**	16.6	25.3	47.1
Finland	4.7	12.7	17.7	41.6
Sweden	**22.0**	19.7	25.0	29.3
UK	**41.1**	31.7	**38.9**	60.9
EU25	18.0	17.8	22.0	43.0

Note: Figures in bold indicate a relatively high degree of uncertainty because of the small number of observations. Missing figures indicate that the number of observations is too small to be reliable.
Source: EU-SILC 2007

Income support to the unemployed aged 18-24

According to the EU-SILC for 2007, around 52 % of young people aged 18–24 (i.e. above the age of being defined as a child in the survey) were economically active in the EU25 in 2007, defining themselves as being either employed or unemployed. Of these, around 20 % (11 % of the total) were also in education or training, the proportion being relatively high in countries, such as Denmark and Germany, where the dual system is important. A further 4 % classed themselves as being inactive but were not in education or training (Table 7).

This means that around 56 % of this age group (the economically active together with the inactive not in education or training) who were potentially vulnerable to the recession, though the figure varied from over 70 % in the United Kingdom to only just under a third in Slovenia. It was over half of the age group in all countries apart from Denmark, Cyprus, Luxembourg, Slovakia and Slovenia.

Table 7: Distribution of those aged 18-24 by employment status, 2007

% Distribution of young people aged 18-24

Country	Employed or unemployed and studying	Employed or unemployed and not studying	Inactive and not studying	In full-time education or training	Inactive and studying
Belgium	7.7	41.9	3.2	46.2	1.0
Czech Republic	1.6	48.1	2.9	47.2	0.2
Denmark	21.7	23.7	2.0	51.4	1.1
Germany	24.0	26.4	2.5	46.7	0.4
Estonia	11.4	42.4	5.8	39.6	0.7
Ireland	12.7	46.6	4.2	35.6	1.0
Greece	3.3	41.1	6.0	49.5	0.2
Spain	5.3	46.3	4.0	42.7	1.8
France	7.0	44.7	3.0	44.9	0.5
Italy	3.3	45.4	7.2	43.9	0.2
Cyprus	4.9	32.1	3.6	59.4	0.1
Latvia	15.1	44.2	7.7	32.7	0.4
Lithuania	14.5	33.3	4.0	48.2	0.0
Luxembourg	4.2	34.5	2.5	58.8	0.0
Hungary	4.4	44.7	6.6	42.7	1.6
Netherlands	10.1	40.7	1.7	47.4	0.1
Austria	8.2	52.8	5.7	33.2	0.1
Poland	13.2	35.9	4.0	46.4	0.5
Portugal	4.6	50.3	4.6	40.4	0.2
Slovenia	6.8	25.1	0.6	67.4	0.1
Slovakia	2.4	43.1	3.3	50.8	0.3
Finland	16.1	37.9	3.7	41.5	0.8
Sweden	4.4	56.2	1.9	37.5	0.0
UK	13.5	51.7	5.6	28.7	0.6
EU25	10.7	41.4	4.1	43.2	0.6

Source: Eurostat, EU-SILC, 2007

Of this group of young people, almost a quarter (around 23 %) experienced at least one month of unemployment in 2006 across the EU25, this proportion varying from over 30 % in Belgium, the Czech Republic, Italy and Cyprus – and as much as 36 % in Greece and Poland – to only around 6 % in Denmark and the Netherlands, the only countries where the figure was under 10 % (Table 8).

The survey also indicates that experiencing unemployment tends to significantly increase the risk of poverty among young people. Around 42 % of those with income below the poverty threshold in the EU25 had been unemployed at some point during the year as opposed to around 20 % of those with higher income. This broad picture is common to all Member States, but unemployment seems to be a particularly important reason for having low income in the Czech Republic and Slovakia (where around two-thirds of people at risk of poverty in this age group had experienced unemployment) and to a lesser extent in Belgium, Ireland, Luxembourg and Poland (where well over half had been unemployed).

Table 8: Proportion of young people aged 18-24 and economically active who have been unemployed for at least one month in 2006

Country	Total (%)	Above poverty threshold (%)	Below poverty threshold (%)	Below threshold as % total
Belgium	30.7	26.2	52.8	29.4
Czech Republic	32.0	25.8	69.7	31.1
Denmark	5.9	5.0	9.1	34.1
Germany	16.8	14.1	31.3	29.1
Estonia	16.3	12.0	43.5	36.4
Ireland	23.0	18.9	53.6	27.5
Greece	35.7	33.4	42.8	28.8
Spain	24.7	21.6	41.9	25.5
France	26.9	22.5	45.9	32.2
Italy	30.6	25.9	44.1	37.4
Cyprus	31.7	30.2	43.4	15.4
Latvia	14.8	12.0	31.6	30.9
Lithuania	10.8	9.4	20.4	24.3
Luxembourg	29.7	23.7	54.2	36.1
Hungary	24.8	20.3	47.4	31.4
Netherlands	6.4	5.6	15.5	18.7
Austria	17.0	15.3	31.2	19.5
Poland	35.9	30.2	56.3	34.3
Portugal	23.9	21.7	34.4	24.3
Slovenia	17.0	14.1	43.8	25.3
Slovakia	29.5	25.0	64.4	24.8
Finland	22.5	18.1	44.1	33.4
Sweden	18.6	14.7	33.7	37.4
UK	14.0	11.2	28.7	32.7
EU25	23.4	19.5	41.5	31.4

Source: Eurostat, EU-SILC, 2007

Overall, almost a third of people in this age group who had experienced unemployment had income below the poverty threshold in the EU25 as a whole, the figure varying from over 37 % in Italy and Sweden to only just over 15 % in Cyprus. It was, however, above 20 % in all countries apart from Cyprus, the Netherlands and Austria, and over 30 % in half the Member States for which there are data.

In most countries, people in this young age group were less likely than those in older groups to receive income support if they experienced unemployment. In the EU25 as a whole, less than 40 % of these young people who had been unemployed in 2006 were in receipt of a social benefit, and the figure was only slightly higher for those with an income below the poverty threshold than for the others (Table 9).

The proportion receiving benefits varied markedly across countries, from 84-86 % in the three Nordic Member States and over 80 % in Austria to less than 20 % in Estonia, Lithuania, Cyprus, Poland, Slovakia and Spain, and under 10 % in Greece. As in the case of the older age group, in around half the countries the proportion receiving benefits was larger for people with incomes below the poverty threshold than for the others, for the reasons already stated. In the other countries the reverse was the case. The difference between the two groups, however, was in most cases much smaller than for people aged 25–59. So, if you were a young person aged 18–24, as for the older age group, receiving benefit did not necessarily prevent your income from falling below the poverty threshold. Nevertheless, in many countries, the proportion of those with income below the poverty threshold was very small — under 10 % in Greece and Spain and under 20 % in Italy, Portugal, Cyprus, Estonia, Lithuania and Poland.

Table 9: Proportion of those aged 18-24 economically active and in receipt of income support by income above or below the risk-of-poverty threshold, 2006

% in receipt of at least one benefit

Country	Total	Above 60% of median	Below 60% of medan
Belgium	61.1	54.5	77.0
Czech Republic	51.4	49.5	55.8
Denmark	84.1	80.0	92.1
Germany	75.1	73.6	78.7
Estonia	14.5	15.2	13.4
Ireland	50.1	39.1	78.9
Greece	9.0	10.2	5.9
Spain	18.7	22.1	8.6
France	48.3	49.3	46.2
Italy	22.7	26.0	17.1
Cyprus	16.5	17.5	10.6
Latvia	22.0	21.6	23.0
Lithuania	14.9	14.8	15.4
Luxembourg	31.1	28.3	36.1
Hungary	53.3	51.8	56.4
Netherlands	67.9	70.6	56.3
Austria	82.2	85.3	69.5
Poland	16.0	15.8	16.4
Portugal	23.2	25.6	15.9
Slovenia	50.4	51.8	46.5
Slovakia	18.0	15.1	26.8
Finland	86.2	88.7	81.3
Sweden	85.6	83.7	88.7
UK	43.1	26.3	78.1
EU25	38.4	37.8	39.8

Note: Social benefits here include unemployment, sickness and disability benefits and education allowances, plus social exclusion benefits going to the households of young people who are no longer living with their parents
Source: EU-SILC, 2007

The majority of young people who were economically active and had at least one spell of unemployment lived independently from their parents (around 53 % in the EU25 as a whole, much the same proportion as those not experiencing unemployment), and therefore had no immediate potential access to other sources of income. Of these, most lived in a couple household, in most cases without children. The only countries in which a clear majority lived with their parents were Ireland, Luxembourg, the Netherlands and Slovakia (Table 10).

As in the case those aged 25 and over, the risk of poverty among young people tends to increase the longer they have been unemployed or the more spells they experienced. Again, over 40 % of those aged 18–24 across the EU who had experienced six months or more of unemployment during 2006 had incomes below the poverty threshold – almost twice the proportion of those unemployed for fewer months during the year (Table 11). This higher risk is evident in all Member States except Portugal.

However, recession not only increases the risk of poverty for young people but also delays their entry into the labour market, which could cause lasting damage to their future career prospects. Those leaving the education and initial vocational training system when few jobs are available may, when the recession eases, find themselves competing for jobs with those who left a year later and who, therefore, do not have the stigma of unemployment on their record.

Table 10: Distribution of economically active aged 18-24 unemployed for at least one month in 2006 by type of household

Country	Living alone	Lone parent	Couple with no	Couple with	Other
Belgium	3.8	2.8	28.2	13.8	51.4
Czech Republic	1.2	3.7	33.1	16.8	45.1
Denmark	0.0	0.0	34.8	18.4	46.9
Germany	5.2	3.0	30.6	12.4	48.7
Estonia	5.4	0.9	32.4	11.3	49.9
Ireland	2.8	3.6	23.3	13.2	57.2
Greece	0.9	1.3	55.6	5.6	36.7
Spain	1.5	0.8	45.4	10.6	41.7
France	5.8	6.0	22.6	16.6	49.2
Italy	2.4	3.0	28.1	21.3	45.2
Cyprus	3.8	0.4	37.8	9.5	48.5
Latvia	0.5	2.4	27.6	18.2	51.3
Lithuania	3.4	2.5	53.4	9.6	31.0
Luxembourg	6.0	0.3	31.6	2.3	59.8
Hungary	0.9	2.7	29.0	20.8	46.6
Netherlands	15.7	4.6	11.8	7.2	60.7
Austria	6.1	8.6	30.0	28.5	26.8
Poland	1.2	2.9	31.3	13.7	51.0
Portugal	2.0	2.4	31.6	16.7	47.3
Slovenia	2.5	4.4	27.4	17.5	48.1
Slovakia	1.6	0.8	31.3	10.1	56.2
Finland	19.2	2.2	14.8	19.1	44.6
Sweden	23.5	3.0	16.6	16.9	39.9
UK	2.7	12.2	21.0	20.1	44.1
EU25	3.1	3.7	31.0	15.4	46.8

Note: 'Other' shows in most cases young people living with their parents
Source: EU-SILC

Table 11: Relative number of people aged 18-24 at risk of poverty by months of unemployment in 2006

% with income below 60% of median

	1-6 Months	7-12 Months	Total
Belgium	14.0	42.9	29.4
Czech Republic	15.8	44.3	31.1
Denmark			34.1
Germany	25.5	34.1	29.1
Estonia	27.2	49.4	36.4
Ireland	17.5	35.5	27.5
Greece	27.5	29.7	28.8
Spain	17.1	33.4	25.5
France	20.3	45.5	32.2
Italy	24.3	41.3	37.4
Cyprus	14.6	17.8	15.4
Latvia	18.7	41.6	30.9
Lithuania	17.3	35.0	24.3
Luxembourg	32.6	42.4	36.1
Hungary	19.8	45.7	31.4
Netherlands	10.3		18.7
Austria	4.2	49.2	19.5
Poland	23.9	43.2	34.3
Portugal	26.2	22.5	24.3
Slovenia	19.3	42.0	25.3
Slovakia	15.5	36.5	24.8
Finland	24.3	46.8	33.3
Sweden	36.5	40.0	37.4
UK	21.6	51.0	32.7
Total	21.5	40.6	31.4

Note: EU25 excluding Malta. Missing figures indicate that the number of observations is too small to be reliable, though in both Denmark and the Netherlands, they show a large difference in relative numbers between those unemployed for 6 months or less and those unemployed for more.
Source: EU-SILC 2007

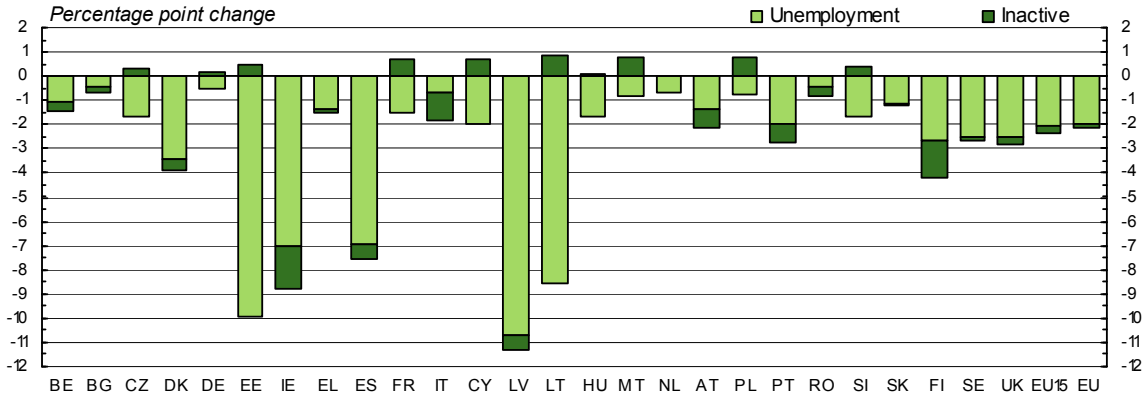
2.2.6. Employment and unemployment in the present recession

The initial phases of the present recession look very similar to the earlier economic downturns described above, and there is little evidence that the present recession is affecting people any differently.

In most countries where the recession was under way by the first part of 2009, job losses and the reduced rate of new job creation affected men much more than women – again because it primarily hit the investment goods and construction industries – and young people under 25 were also affected by the lack of job opportunities.

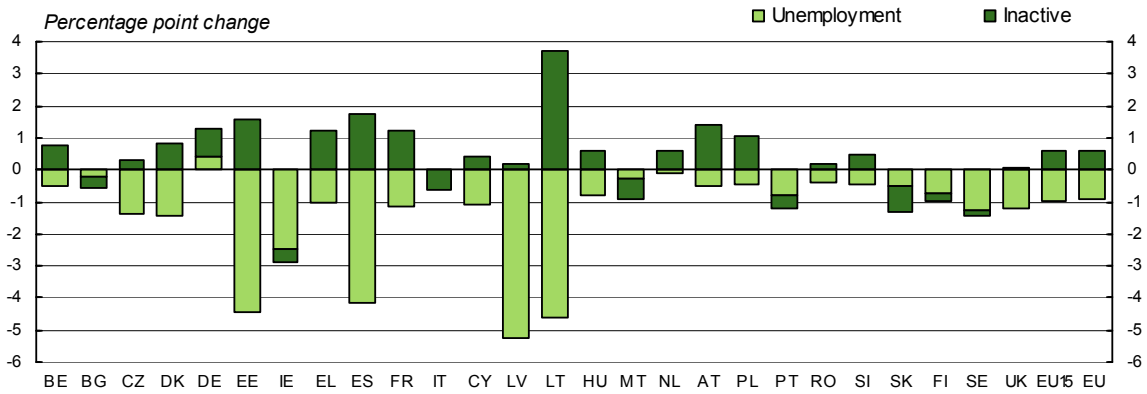
The employment rate of women changed by relatively little in the EU between the second quarter of 2008 and the second quarter of 2009, falling significantly (by over 1 percentage point) only in Estonia, Latvia, Spain, Ireland, the Czech Republic, Slovakia, Portugal, the United Kingdom and Sweden. For men, on the other hand, the employment rate fell by 2.3 percentage points in the EU as a whole, rising only in Luxembourg. In Latvia, the rate declined by over 11 percentage points; in Estonia, by almost 10 percentage points; in Ireland, by around 9 points; and in Spain and Lithuania, by just under 8 points. (See Figures 40 and 41 – note that these and the following charts divide the change in the employment rate into its constituent parts: the change in unemployment and the change in inactivity. Increases in unemployment and inactivity are, therefore, represented as negative items in the chart and the total change in employment is the sum of the two. Where there is a reduction in inactivity, shown as a positive part of the bar in the chart, the change in employment is given by the increase in unemployment less the reduction in activity. For example, in Lithuania, the reduction in the employment rate of men over the period is the sum of the rise in unemployment, 8.6 % of those aged 15-64, less the decline in inactivity, 0.8 % of the age group, which makes a total change in the employment rate of 7.8 %; whereas in Latvia, the rise in unemployment is 10.7 %, to which must be added 0.6 % for the rise in inactivity, to create a total change in the employment rate of 11.3 %).

Figure 40: Change in employment rate of men aged 15-64 in Member States, 2008.Q2 to 2009.Q2



Note: LU data too small to be reliable
Source: EU Labour Force Survey

Figure 41: Change in employment rate of women aged 15-64 in Member States, 2008.Q2 to 2009.Q2



Note: LU data too small to be reliable
Source: EU Labour Force Survey

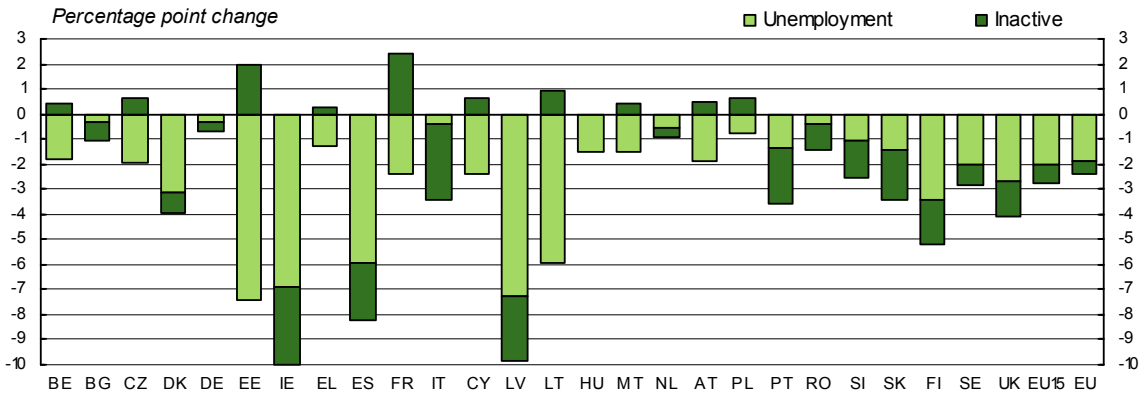
In Germany, by contrast, the employment rate fell only slightly, reflecting to a significant extent, as noted above, the substantial number of men working reduced hours and supported by the short-time working allowance.

For young people under 25, the decline in the employment rate was even greater – around 2.5 percentage points over the year up to the second quarter of 2009 and around 3.5 percentage points in the case of men in this age group. In both Ireland and Latvia, the employment rate of young people fell by around 10 percentage points (from 46 % of population aged 15-24 to only 36 % in Ireland and from 38 % to 28 % in Latvia), and in Spain it fell by just over 8 percentage points (Figure 42). Only in Luxembourg was there any rise in the employment rate.

Unlike in the downturn in the early 1990s, the decline in employment during the recent recession was accompanied, across the EU, by much more of a rise in unemployment than in inactivity, suggesting that the prevailing tendency was for young people to continue actively looking for a job rather than to remain in, or return to, education and training. There are, however, a number of exceptions, including Bulgaria, Germany, Portugal, Slovenia and Slovakia, where most of the decline in employment was associated with a rise in

inactively rather than higher unemployment. In Italy, most of the fall in employment was matched by a rise in inactivity, with only a small increase in unemployment. In 11 of the 27 Member States, inactivity rates fell over this 12-month period as more young people joined the work force, many of them going into unemployment rather than a job.

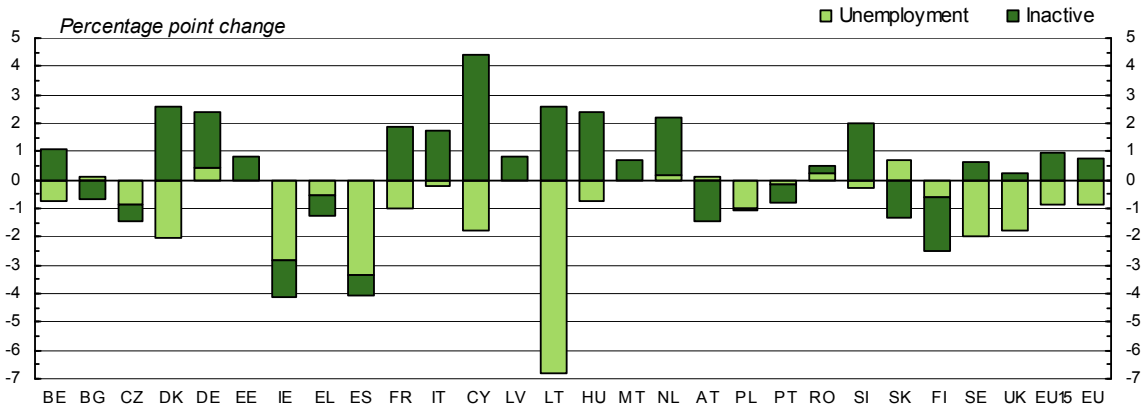
Figure 42: Change in employment rate of people aged 15-24 in Member States, 2008.Q2 to 2009.Q2



Note: LU data too small to be reliable
Source: EU Labour Force Survey

Also unlike the situation in the early 1990s, older people in the work force have, in general, been less affected by job losses than younger age groups. There is, therefore, no sign of any widespread move to use early retirement as a way to cut jobs. As indicated above, employment rates of men aged 55 and over, which had declined markedly during the downturns of the 1970s and 1980s, have shown an upward trend since 2000 or so. This seems to have continued in many countries in the early phases of the recession – though often at a much reduced rate, with only a slight increase in the overall employment rate for people aged 55–64 across the EU from the second quarter of 2008 to the second quarter of 2009 (Figure 43).

Figure 43: Change in employment rate of men aged 55-64 in Member States, 2008.Q2 to 2009.Q2



Note: LU data too small to be reliable
Source: EU Labour Force Survey

In those countries where employment has been hit especially hard – the three Baltic States, Ireland and Spain – the employment rate for men aged 55–64 declined by much less than for men as a whole. Indeed, in Estonia, the employment rate increased over the year up to the first quarter of 2009, and in Latvia and Lithuania, it fell by only around half as much or less than the rate for all men). In none of the countries, did the

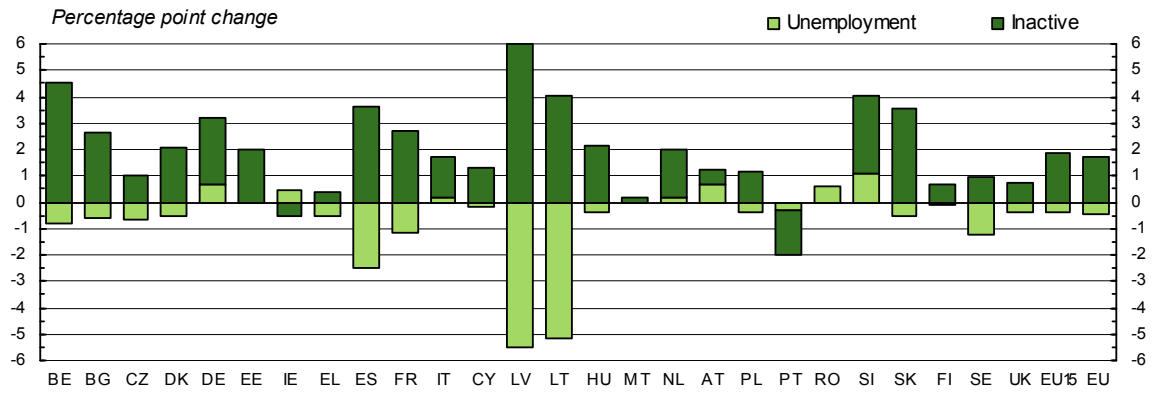
employment rate for older men fall by more than the overall rate for men and in a number, it rose while the overall rate fell.

There has also been no general tendency in the EU for more men in this age group to leave the workforce during the initial phases of the recession. As employment declined, inactivity rates went up in nine Member States. However, in 17 other countries they went down, in some cases considerably (by over 2 percentage points in Denmark, Cyprus, Lithuania, Luxembourg and Hungary).

However, it will be crucial for Member States to avoid resorting to early retirement in order to free up jobs for young people as the recession (or, more precisely the low rate of new job creation) continues – which was a major motive for adopting this policy in the 1970s and 1980s. If this were to happen, it could undo the progress made over the present decade in keeping older people in work. This would have significant longer-term implications for the growth of the labour force across the EU, given the prospective decline in the number of people of working age.

Employment rates for older women, as also for younger women, have similarly continued their upward trend in most countries in the early phases of recession. In the EU as a whole they rose by 1.5 percentage points over the year up to the second quarter of 2009, falling only in Ireland, Greece, Lithuania, Luxembourg, Portugal and Sweden. Most of the increase in employment, moreover, was associated with an increase in activity rates (Figure 44).

Figure 44: Change in employment rate of women aged 55-64 in Member States, 2008.Q2 to 2009.Q2



Note: LU data too small to be reliable
Source: EU Labour Force Survey

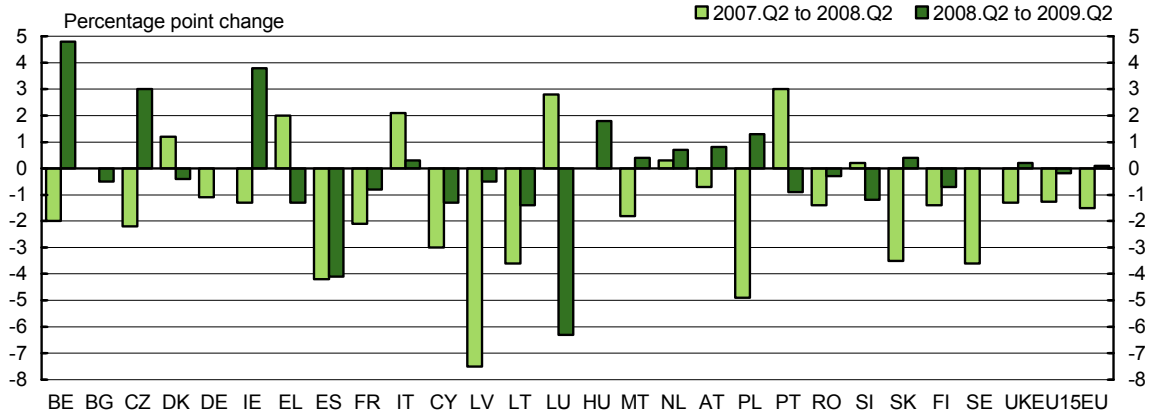
Temporary jobs

There was an overall decline in the proportion of people employed in temporary jobs in the EU in the initial phases of the recession, especially in the EU15. The decline, however, was largely concentrated in Spain, where the proportion of employees in such jobs fell by around 3.5 percentage points over the year up to the second quarter of 2009 for people aged 25 and over, and to a lesser extent in France, Italy, Portugal and Sweden (where it fell by around one percentage point in each case). Except in these countries, therefore, there is little evidence that people in temporary jobs are the first victims of the downturn in economic activity.

At the same time, a large proportion of those employed in temporary jobs are young people under 25 – and their relative number has, until recently, tended to increase in most Member States. Over the past few years, however, there has been a widespread tendency for the upward trend to moderate and to go into reverse. In the year up to the second quarter of 2009, however, there was a slightly increase in the EU as a whole in the proportion of people aged 15–24 in jobs with fixed-term contracts. The increase was concentrated in relatively few countries: in a number of the EU12 countries, especially the Czech Republic (where it rose by three percentage points), Hungary and Poland, though also in Belgium (by almost five percentage points), Ireland (almost four percentage points), the Netherlands and Austria. In these countries, therefore, a growing proportion of young people who either remained in or entered employment over the period were in insecure positions, perhaps reflecting increased uncertainty about future employment needs. The increase in these countries offset the large reduction in Spain (where the proportion of employees in temporary jobs fell by 4

percentage points) and to a lesser extent in Greece, Lithuania, Luxembourg and Slovenia, where, therefore, there is some evidence that job losses have primarily affected temporary jobs (Figure 45).

Figure 45: Change in temporary employees as share of total employees 15-24, 2007.Q2 to 2009.Q2



Note: EE: no data available

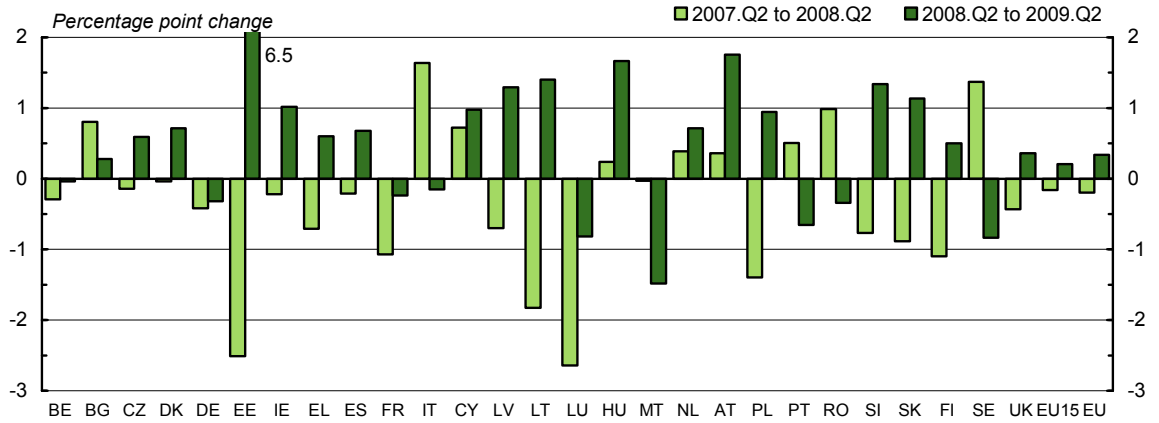
Source: EU Labour Force Survey.

On the other hand, in Germany, Italy, Belgium, the Netherlands and Austria, there was an increase in the proportion of young people in work employed in temporary jobs – in contrast to the fall in the previous year. Accordingly, in these countries, there was a shift towards jobs of this kind, or, more tentatively, the creation of opportunities for young people to gain work experience.

Part-time employment

There was an increase in the proportion of men and women employed in part-time rather than full-time jobs in the EU as a whole between the second quarters of 2008 and 2009 The increase was widespread across the EU and was particularly pronounced among both men and women in the three Baltic States (especially in Estonia), Ireland, Slovenia and Slovakia. In both Hungary and Austria, the proportion of women in work employed part-time went up by almost two percentage points. The reduction in the number of people employed was, therefore, accompanied in many cases by more of those remaining in employment working part-time (Figure 46).

Figure 46: Change in part-time working of women, 2007.Q2 to 2009.Q2

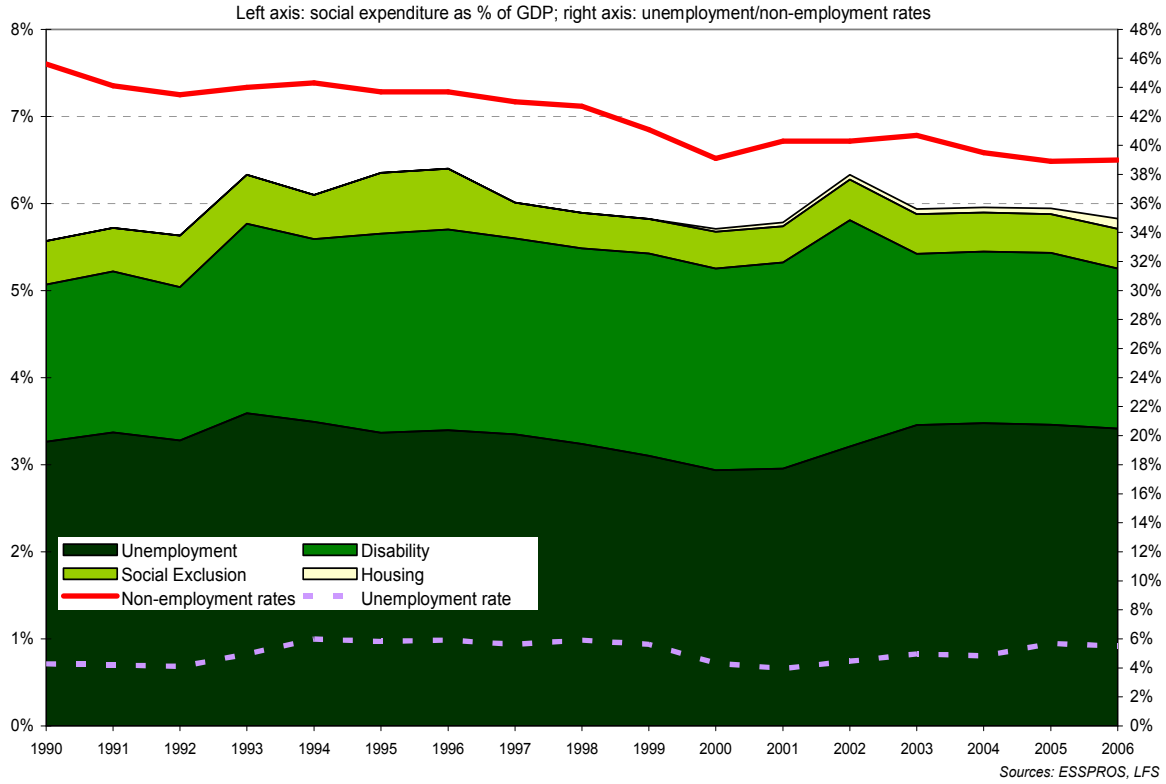


Source: EU Labour Force Survey.

Annex

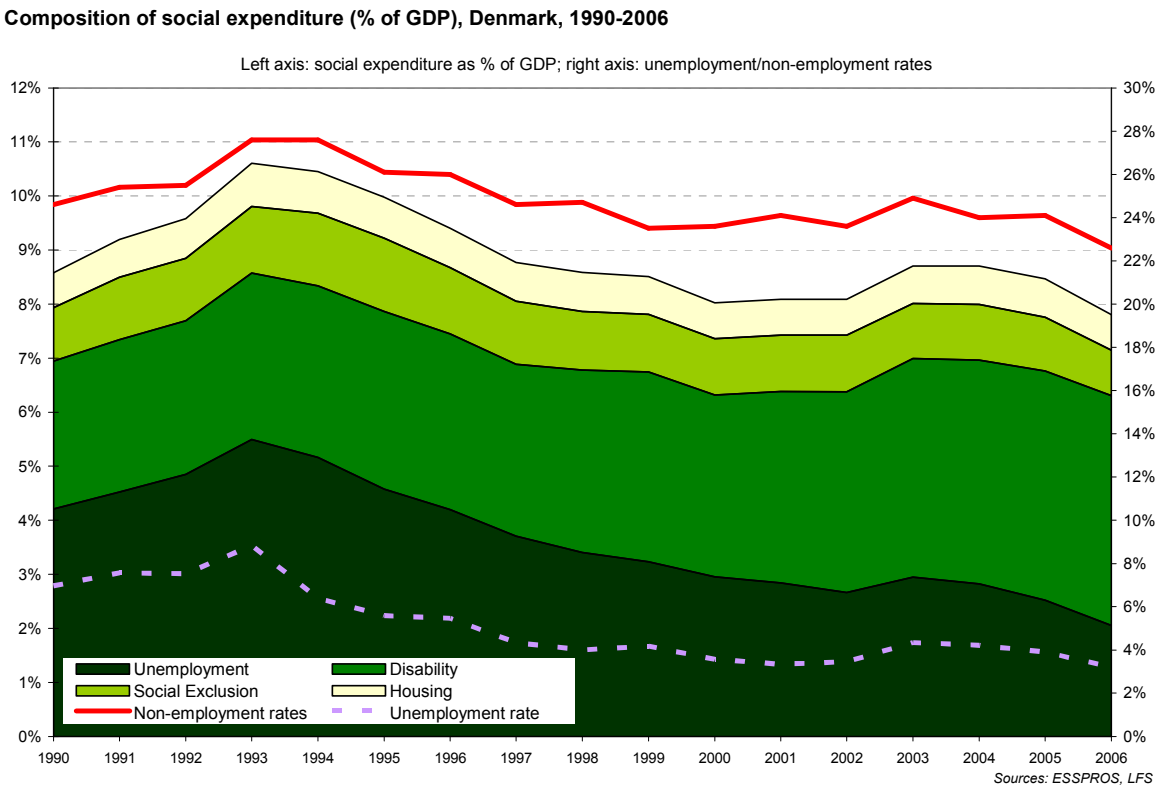
Figure A 1: Expenditure on income support of those of working age in EU15 Member States, 1990-2006

Composition of social expenditure (% of GDP), Belgium, 1990-2006



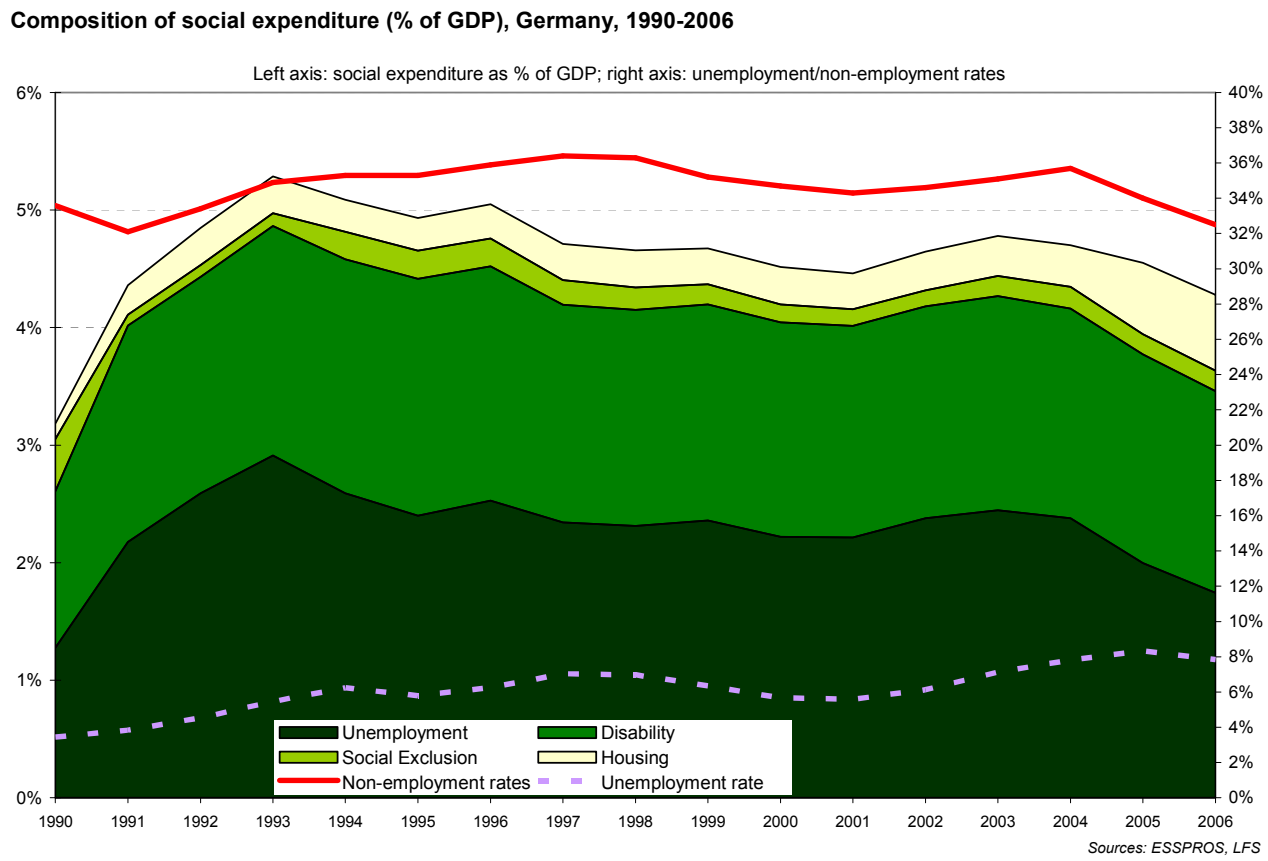
Source: EU LFS and ESPROSS

Figure A 2: Composition of social expenditure (% of GDP), Denmark, 1990-2006



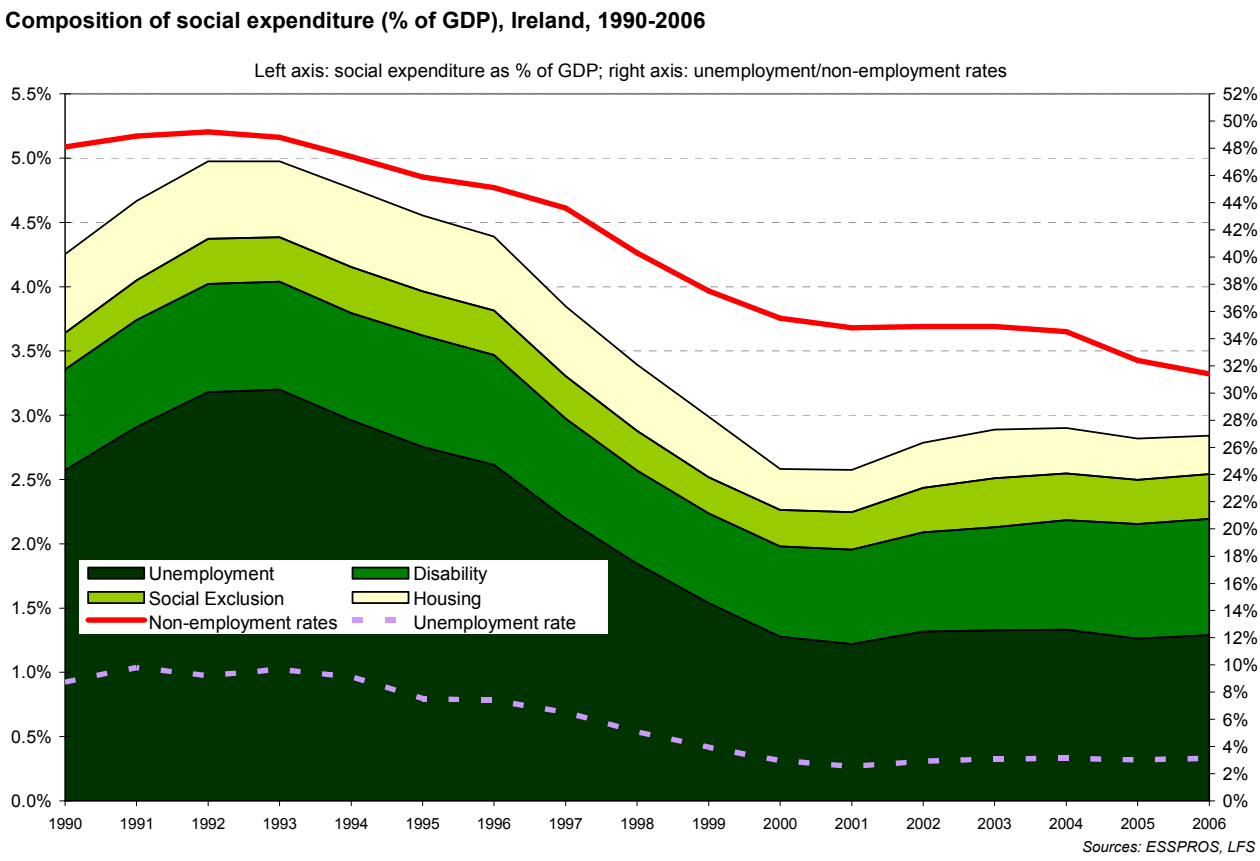
Source: EU LFS and ESPROSS

Figure A 3: Composition of social expenditure (% of GDP), Germany, 1990-2006



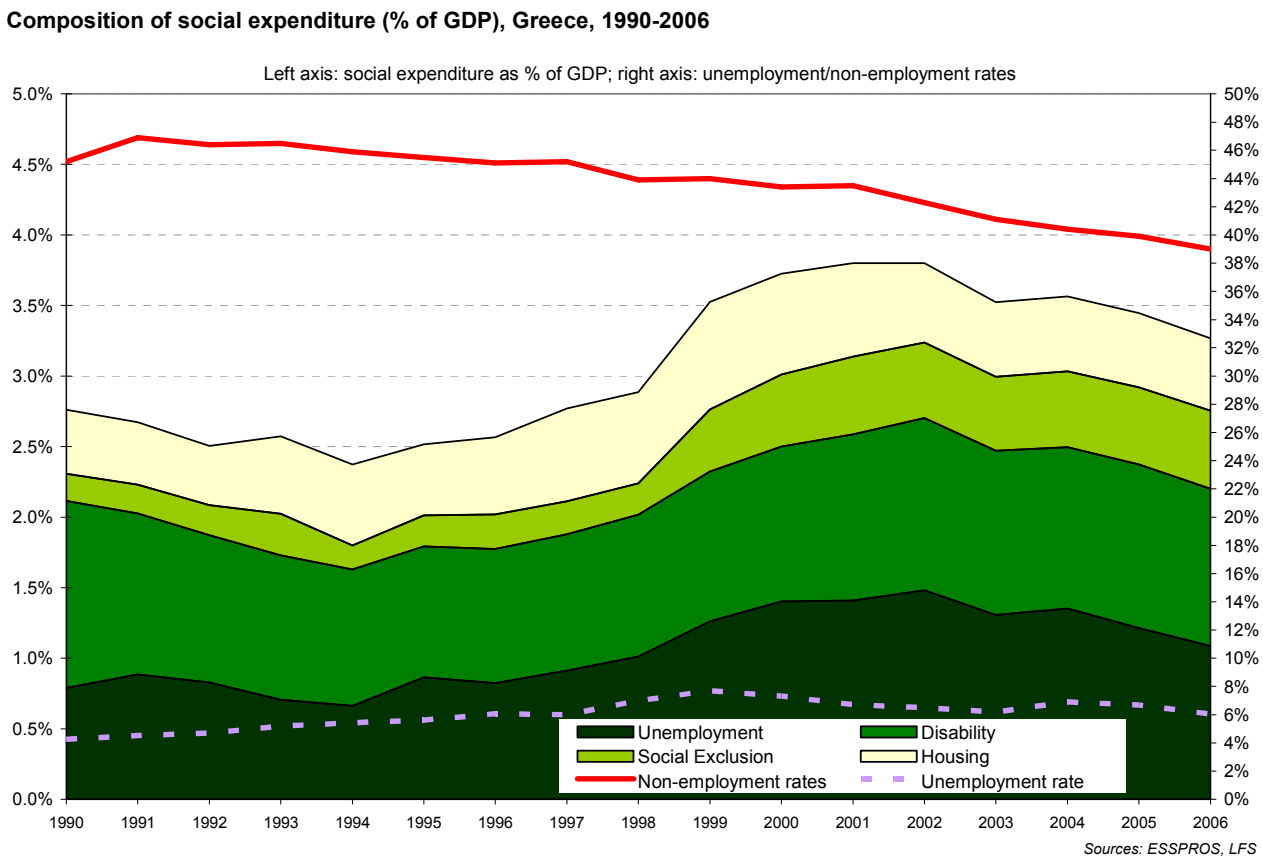
Source: EU LFS and ESPROSS

Figure A 4: Composition of social expenditure (% of GDP), Ireland, 1990-2006



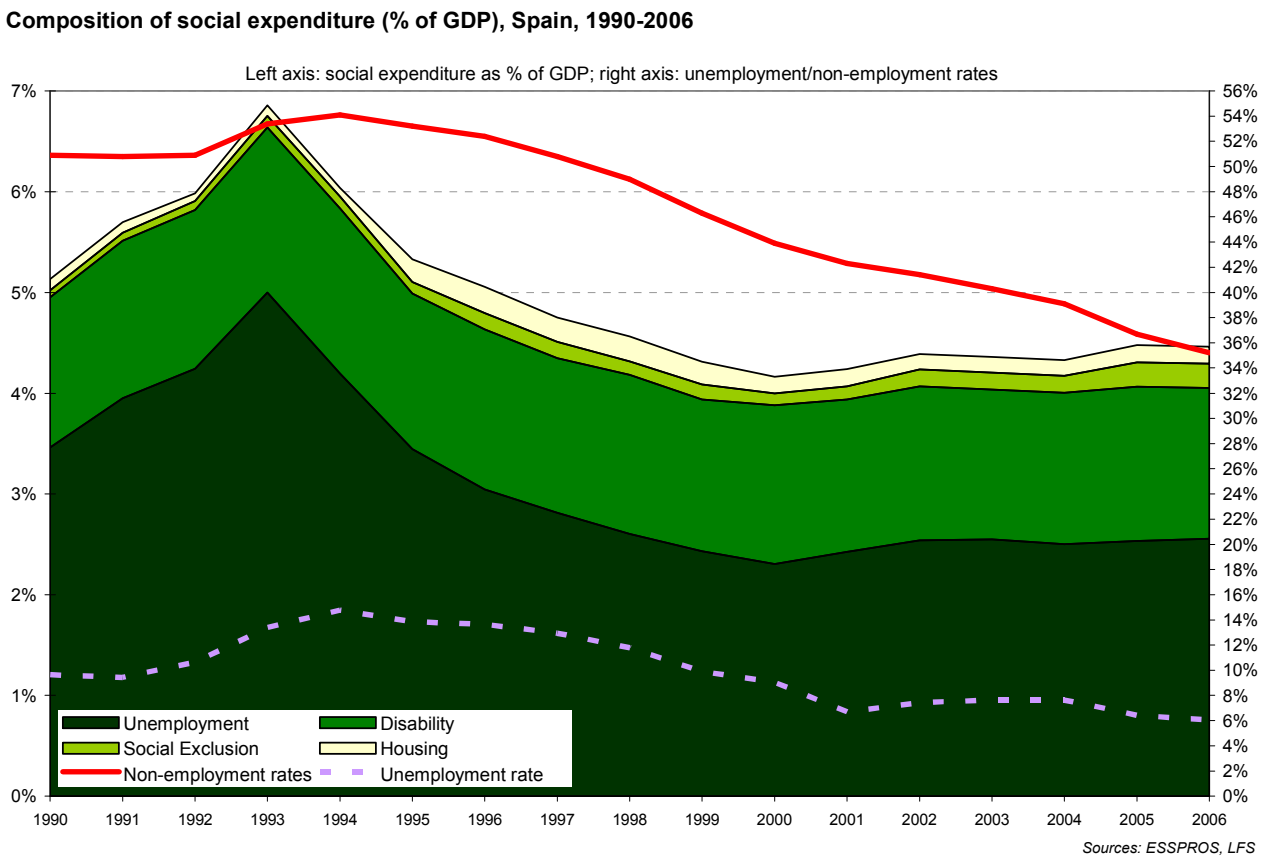
Source: EU LFS and ESPROSS

Figure A 5: Composition of social expenditure (% of GDP), Greece, 1990-2006



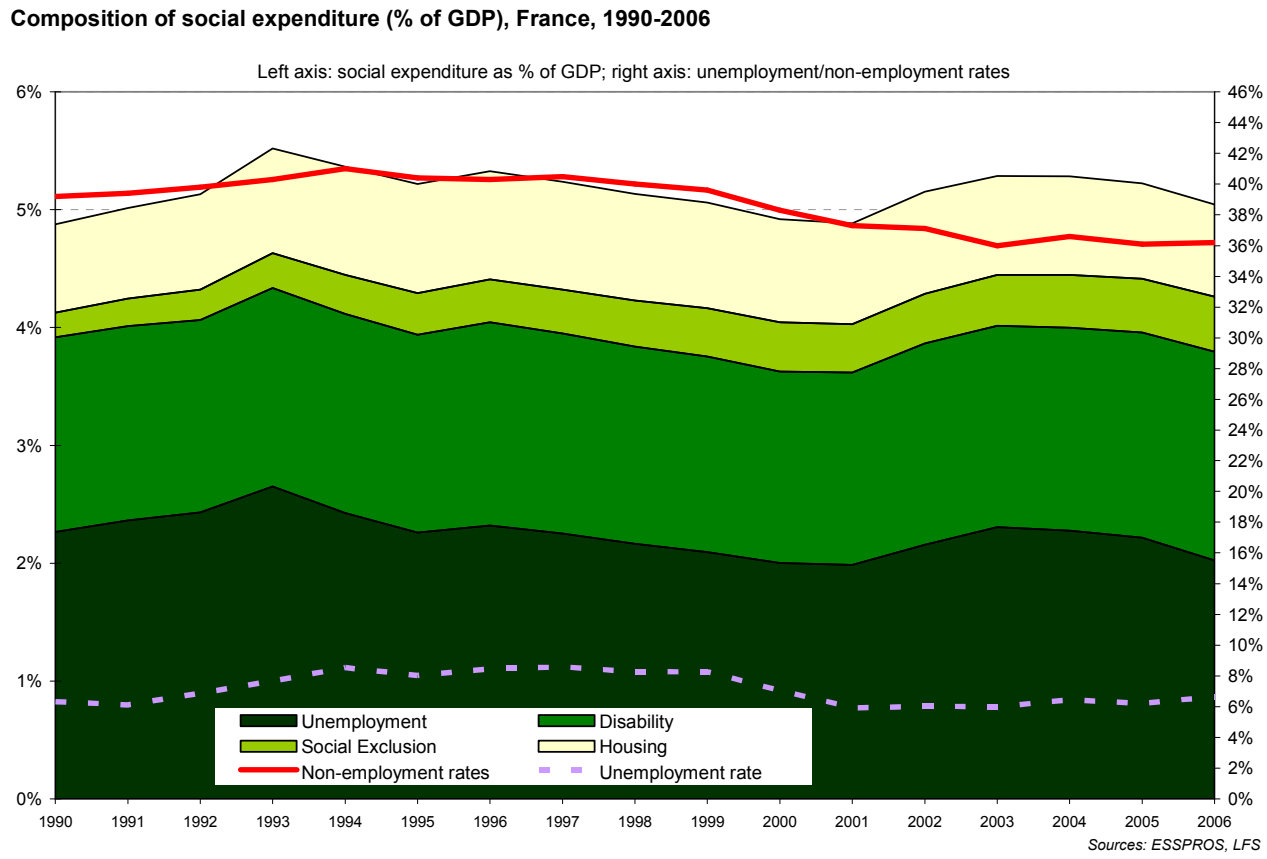
Source: EU LFS and ESPROSS

Figure A 6: Composition of social expenditure (% of GDP), Spain, 1990-2006



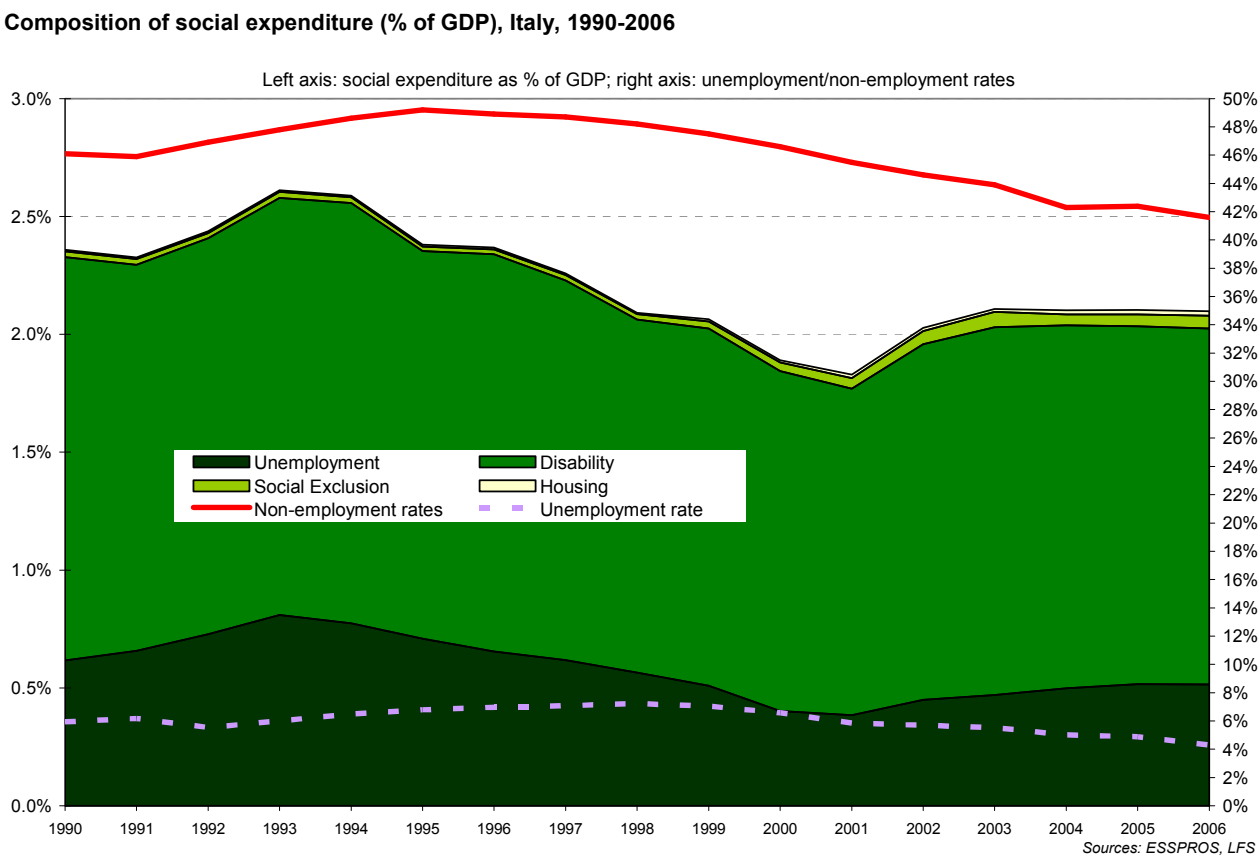
Source: EU LFS and ESPROSS

Figure A 7: Composition of social expenditure (% of GDP), France, 1990-2006



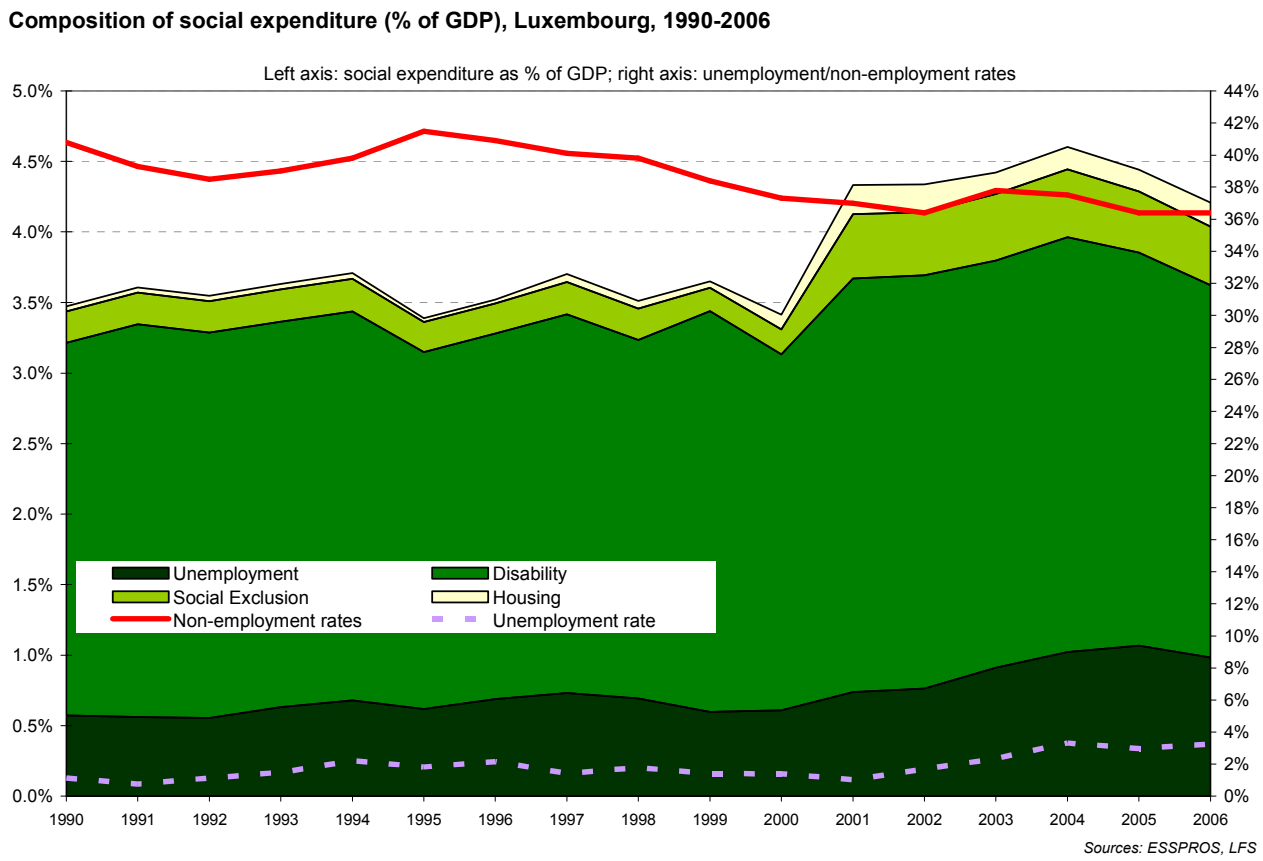
Source: EU LFS and ESPROSS

Figure A 8: Composition of social expenditure (% of GDP), Italy, 1990-2006



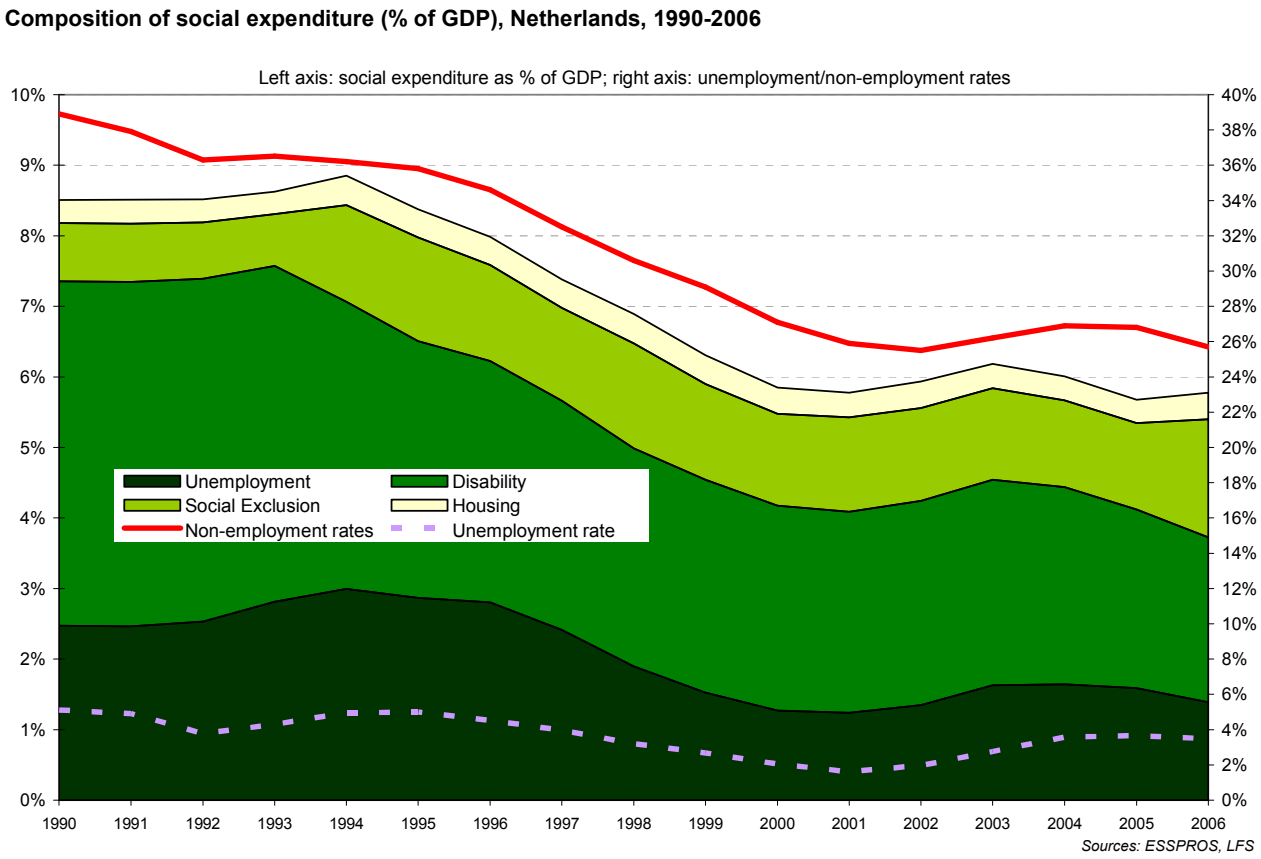
Source: EU LFS and ESPROSS

Figure A 9: Composition of social expenditure (% of GDP), Luxembourg, 1990-2006



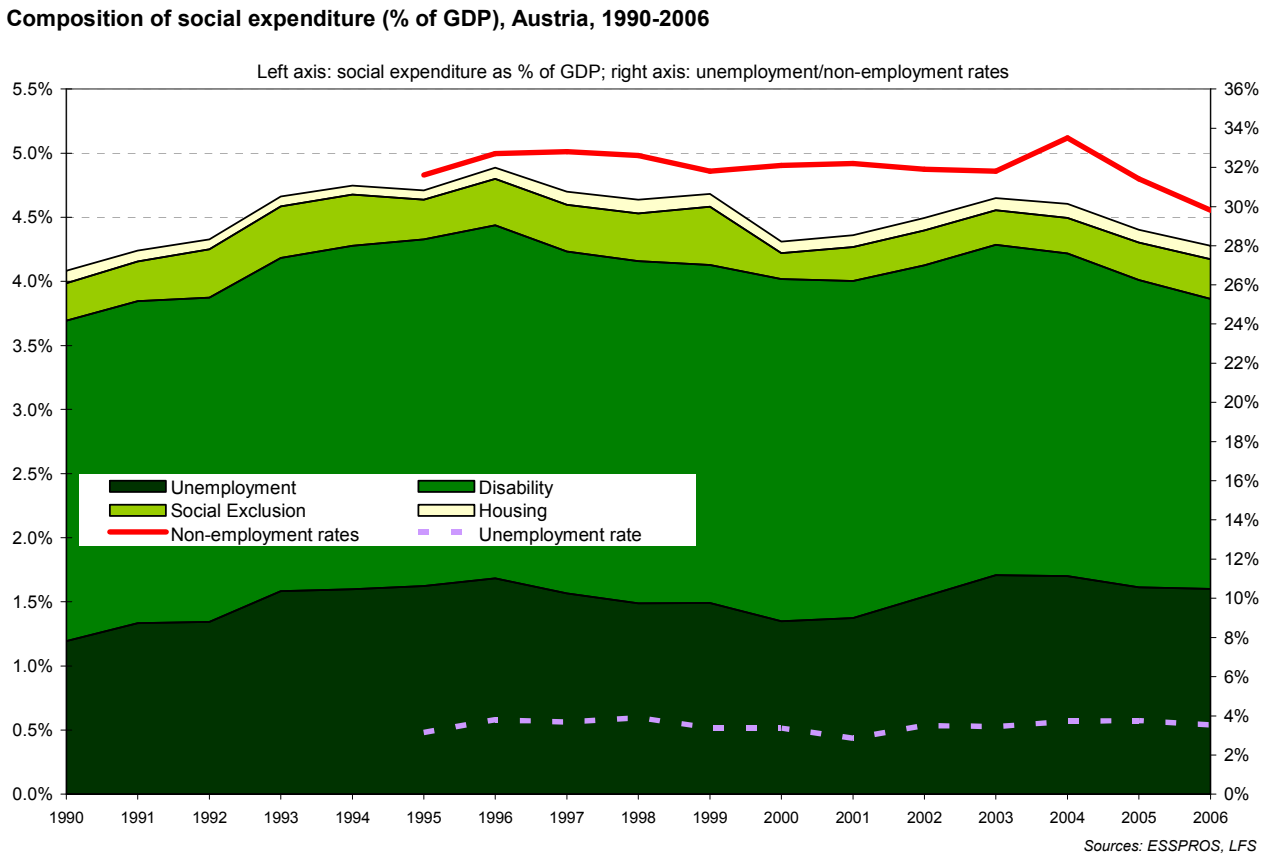
Source: EU LFS and ESPROSS

Figure A 10: Composition of social expenditure (% of GDP), The Netherlands, 1990-2006



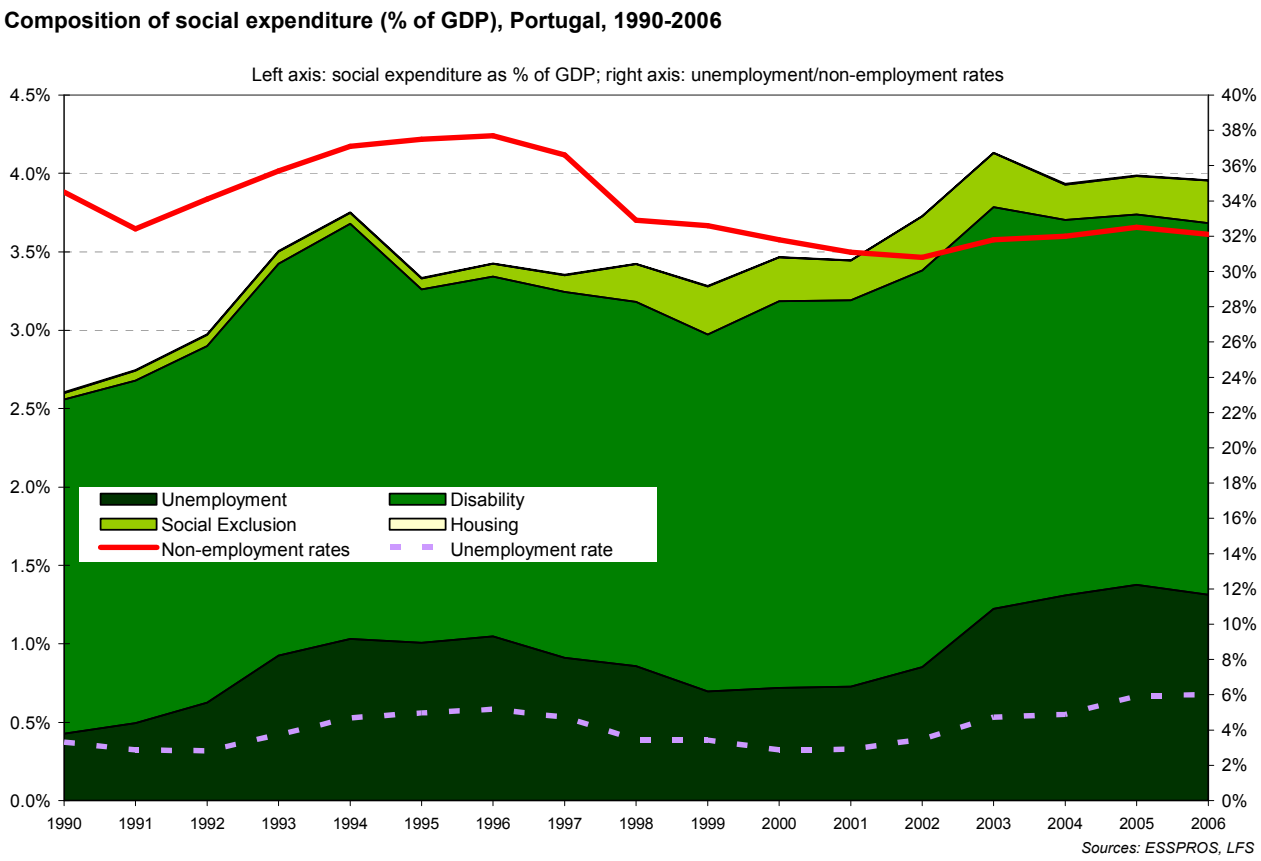
Source: EU LFS and ESPROSS

Figure A 11: Composition of social expenditure (% of GDP), Austria, 1990-2006



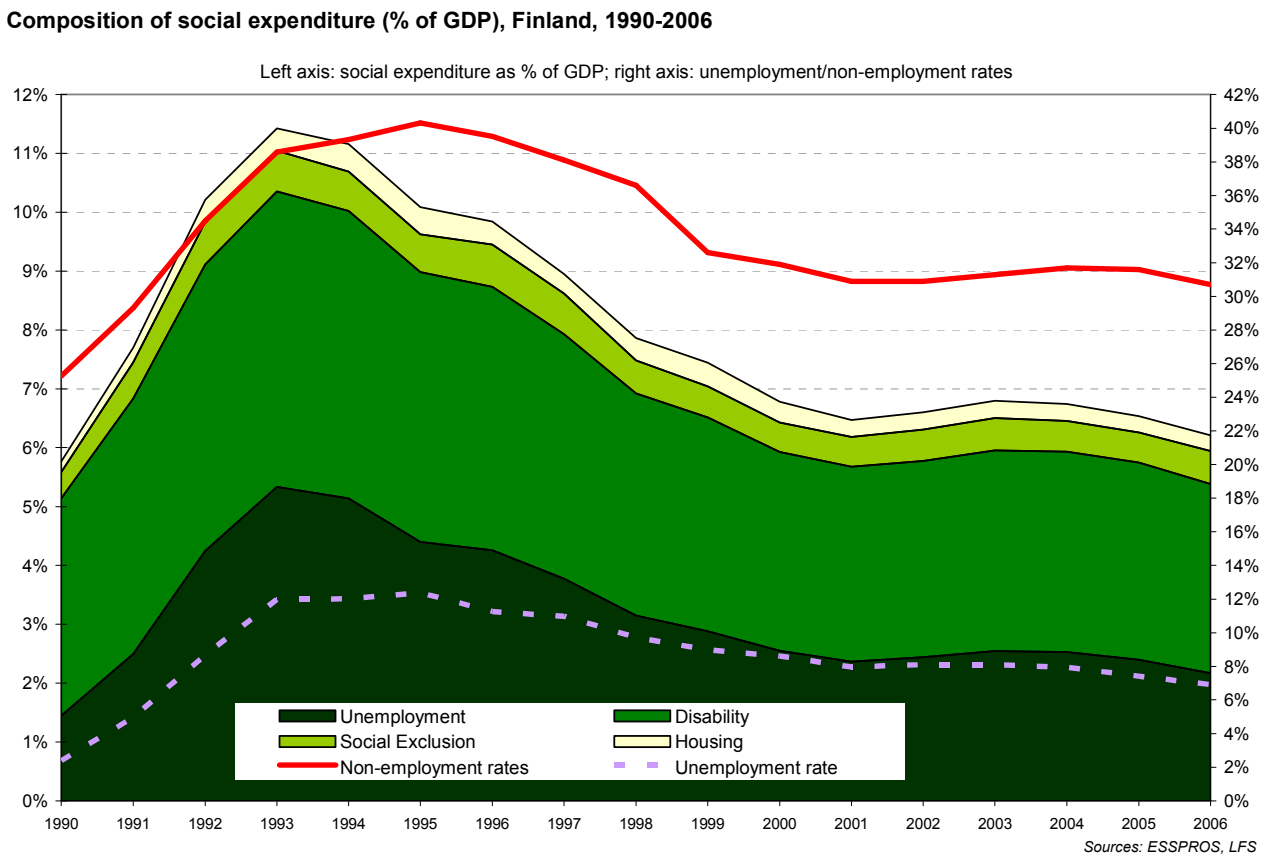
Source: EU LFS and ESPROSS

Figure A 12: Composition of social expenditure (% of GDP), Portugal, 1990-2006



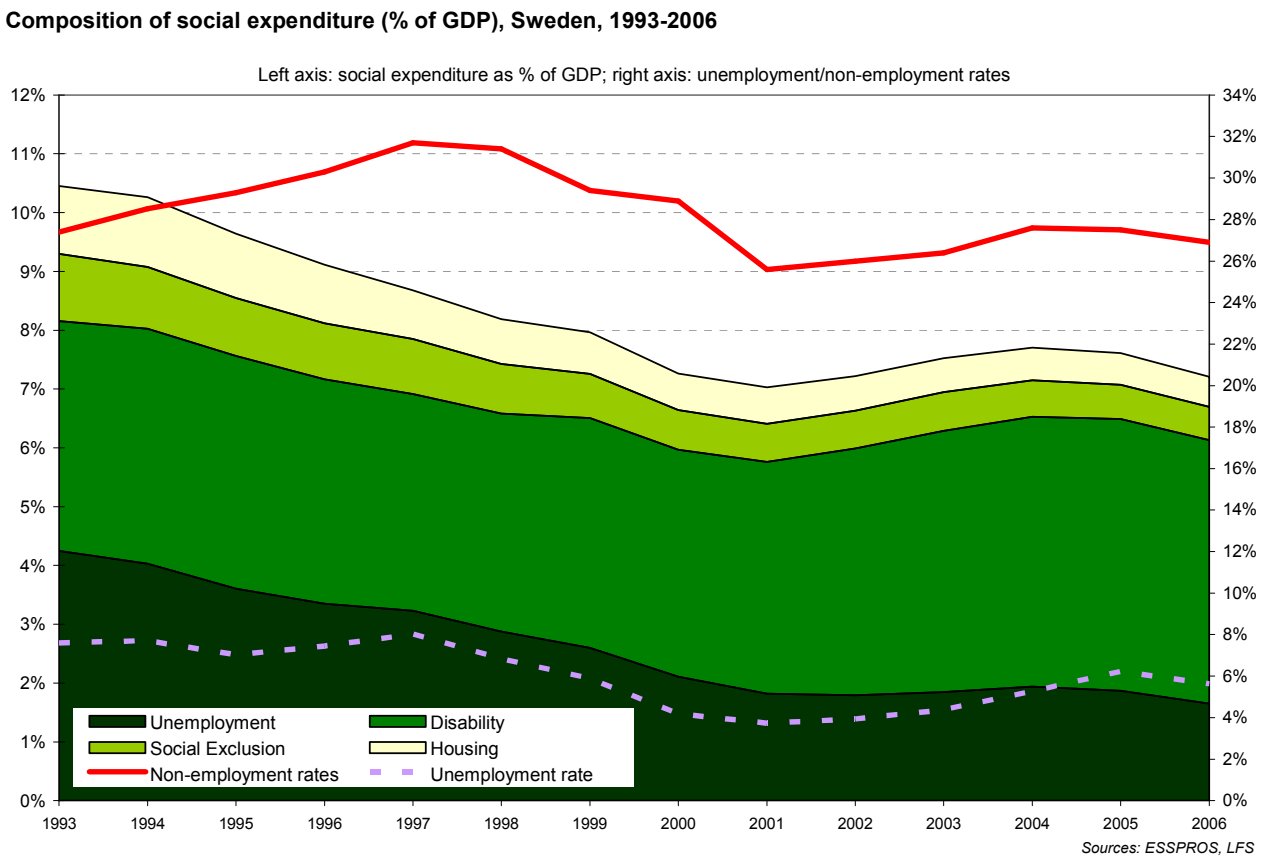
Source: EU LFS and ESPROSS

Figure A 13: Composition of social expenditure (% of GDP), Finland, 1990-2006



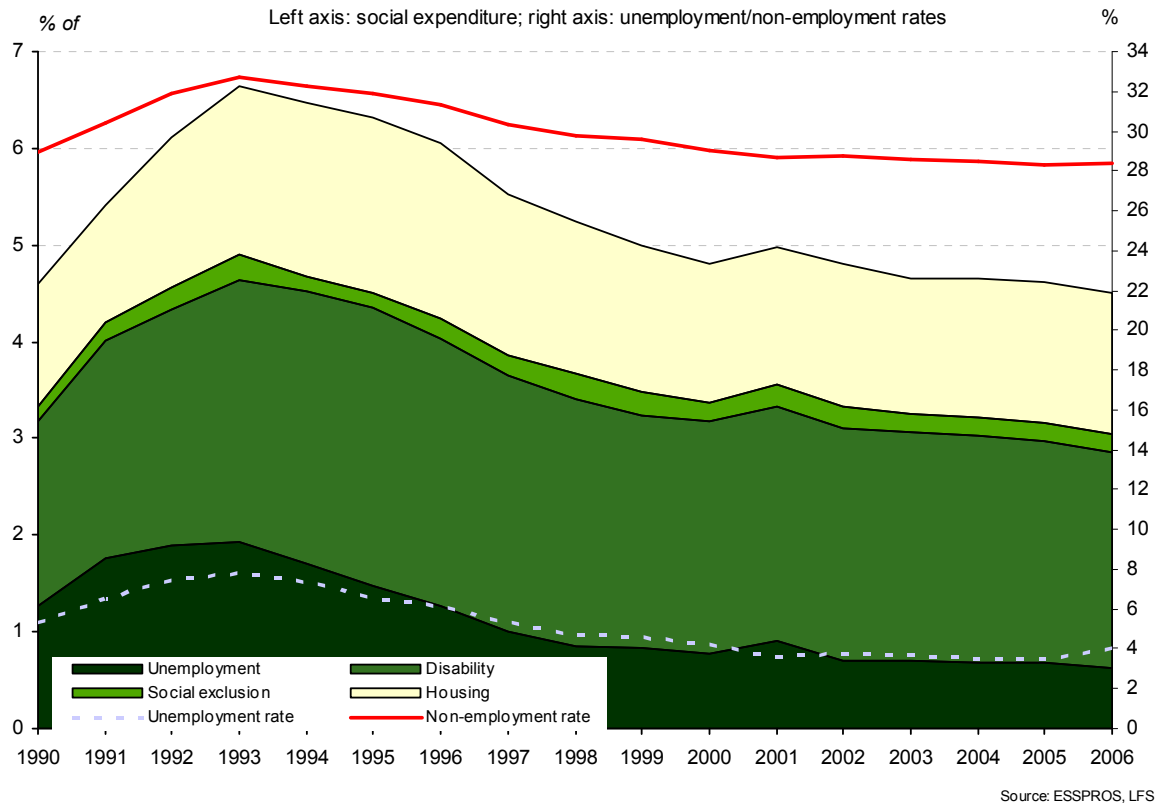
Source: EU LFS and ESPROSS

Figure A 14: Composition of social expenditure (% of GDP), Sweden, 1993-2006



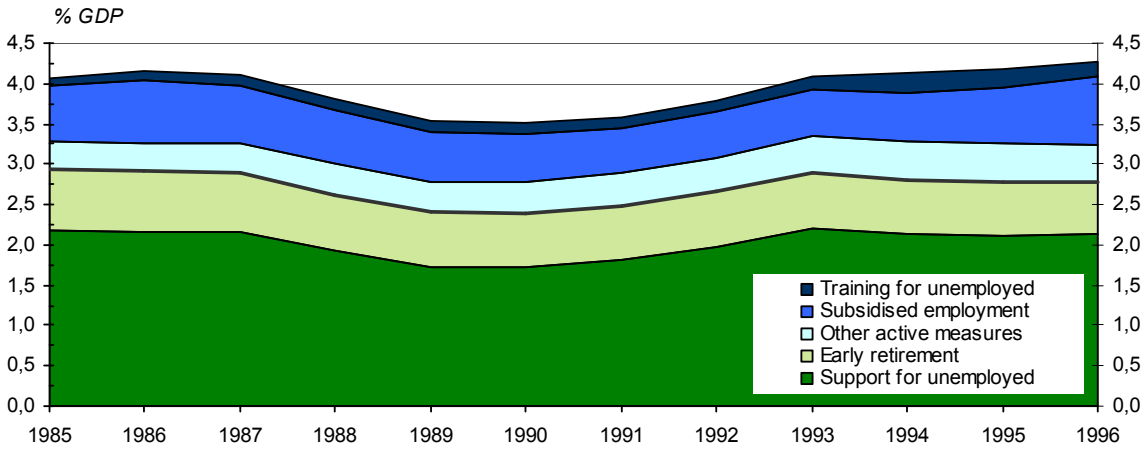
Source: EU LFS and ESPROSS

Figure A 15: Composition of social expenditure (% of GDP), UK, 1990-2006



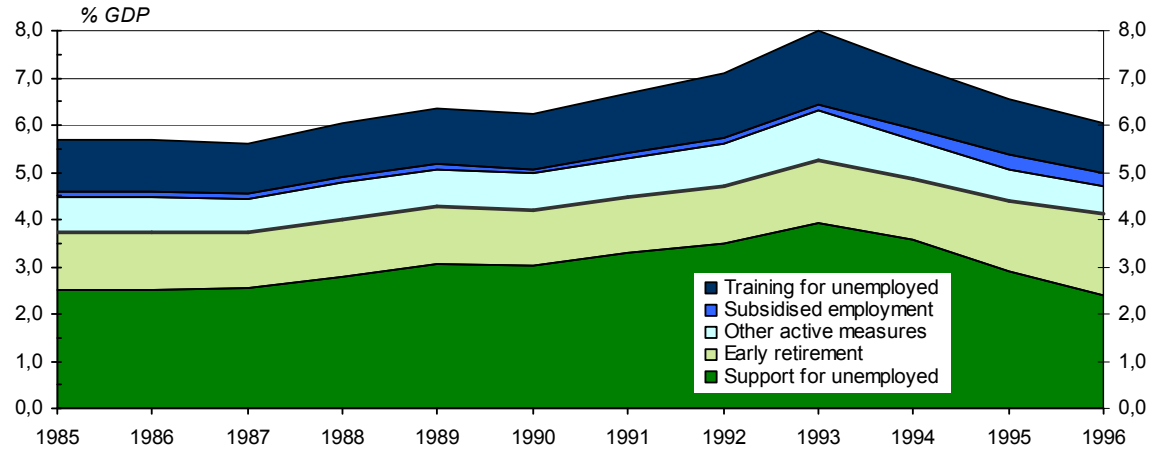
Source: EU LFS and ESPROSS

Figure A 16: Labour market expenditure on active LMP measures and LMP support (passive) in the EU15, 1985-1996



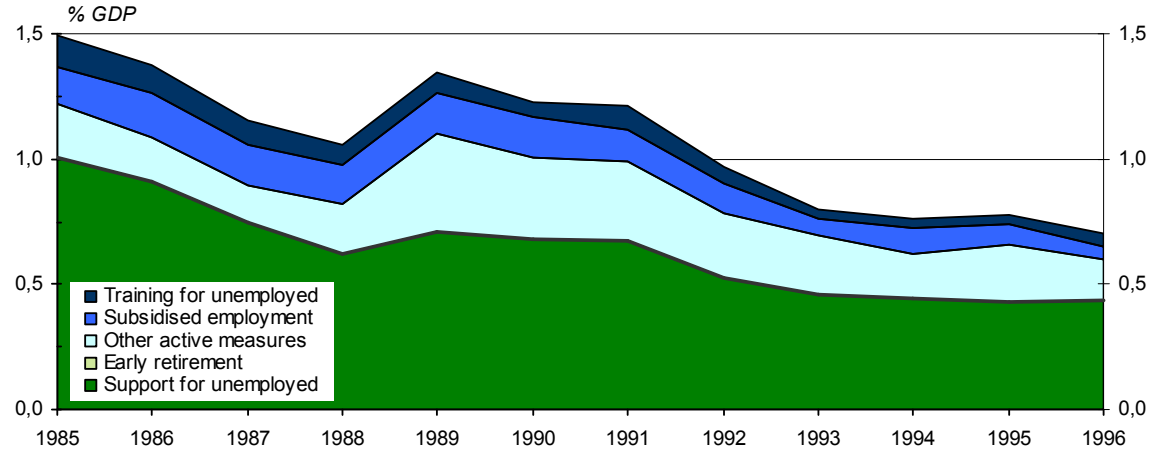
Source: OECD.

Figure A 17: Labour market expenditure on active LMP measures and LMP support (passive) in Denmark, 1985-1996



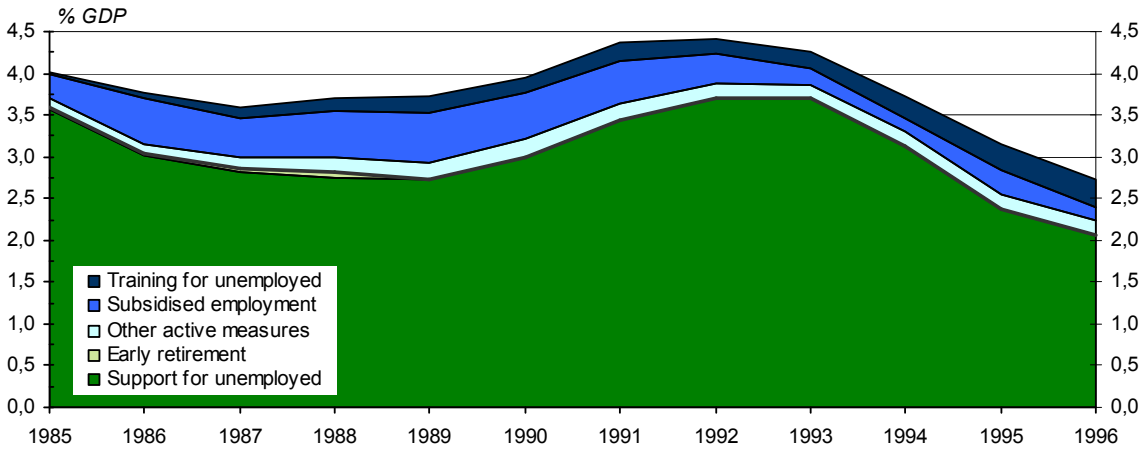
Source: OECD.

Figure A 18: Labour market expenditure on active LMP measures and LMP support (passive) in Greece, 1985-1996



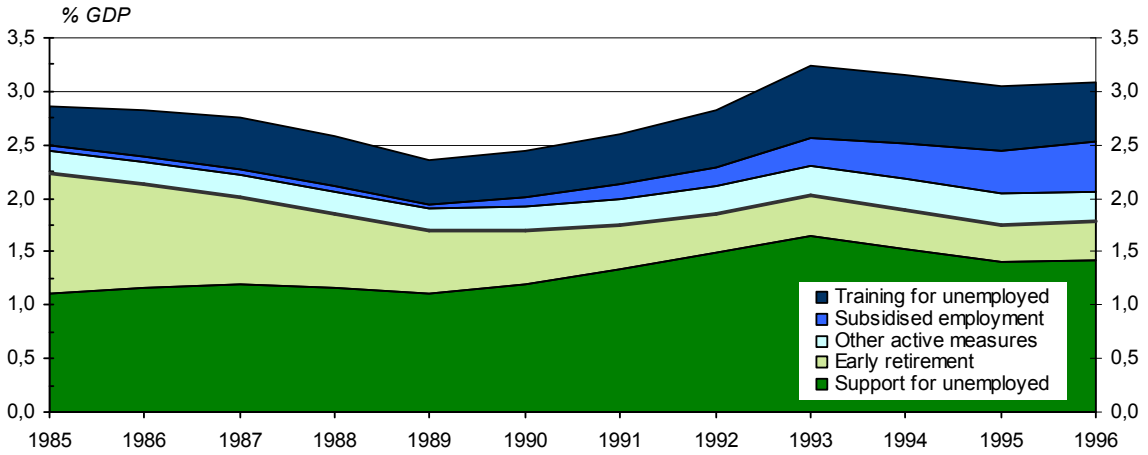
Source: OECD.

Figure A 19: Labour market expenditure on active LMP measures and LMP support (passive) in Spain, 1985-1996



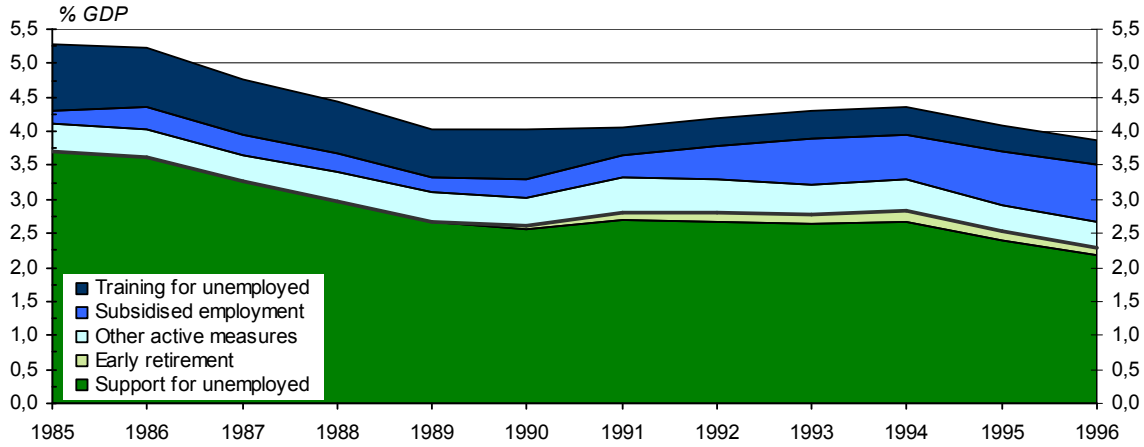
Source: OECD.

Figure A 20: Labour market expenditure on active LMP measures and LMP support (passive) in France, 1985-1996



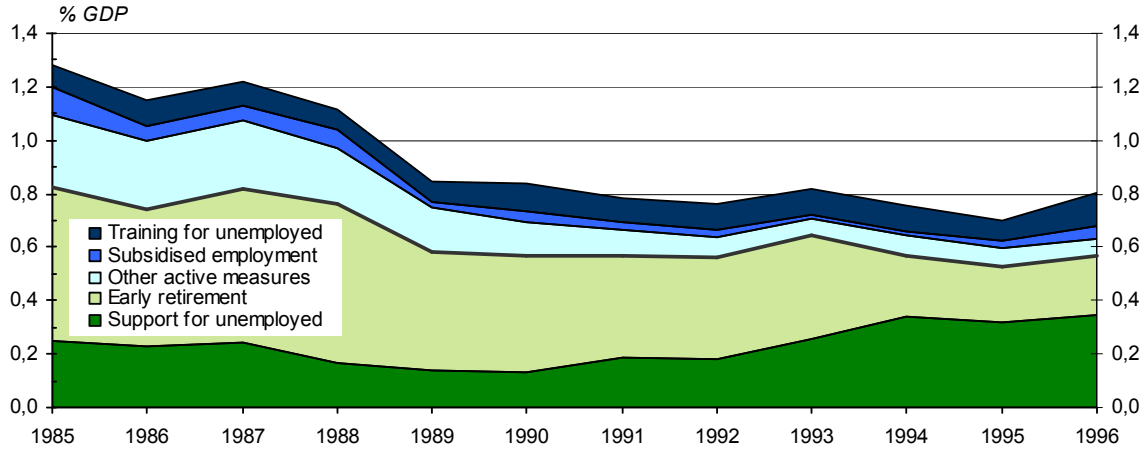
Source: OECD.

Figure A 21: Labour market expenditure on active LMP measures and LMP support (passive) in Ireland, 1985-1996



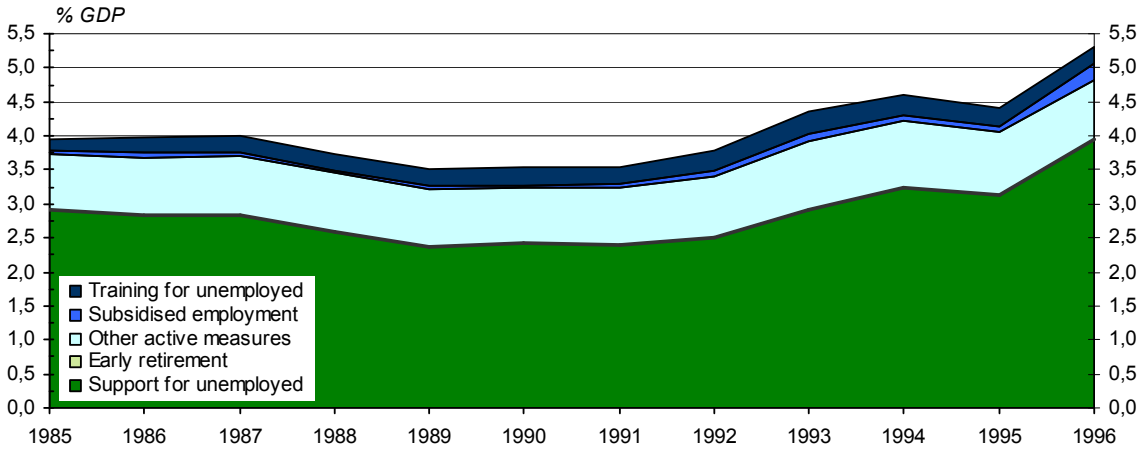
Source: OECD.

Figure A 22: Labour market expenditure on active LMP measures and LMP support (passive) in Luxembourg, 1985-1996



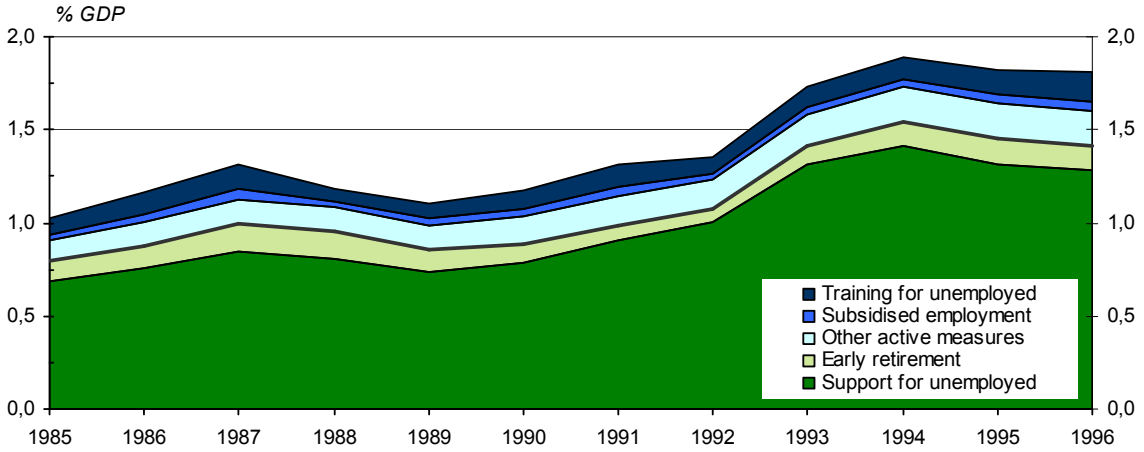
Source: OECD.

Figure A 23: Labour market expenditure on active LMP measures and LMP support (passive) in the Netherlands, 1985-1996



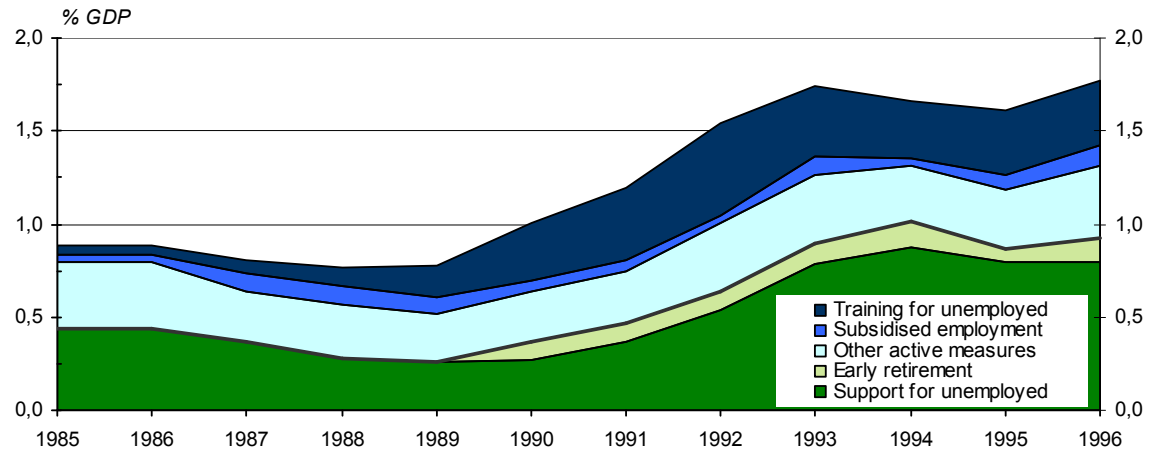
Source: OECD.

Figure A 24: Labour market expenditure on active LMP measures and LMP support (passive) in Austria, 1985-1996



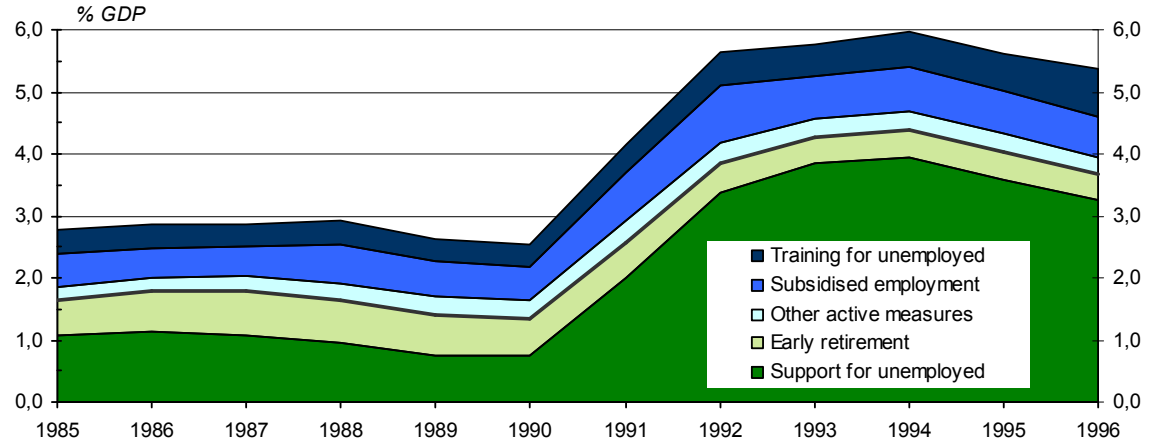
Source: OECD.

Figure A 25: Labour market expenditure on active LMP measures and LMP support (passive) in Portugal, 1985-1996



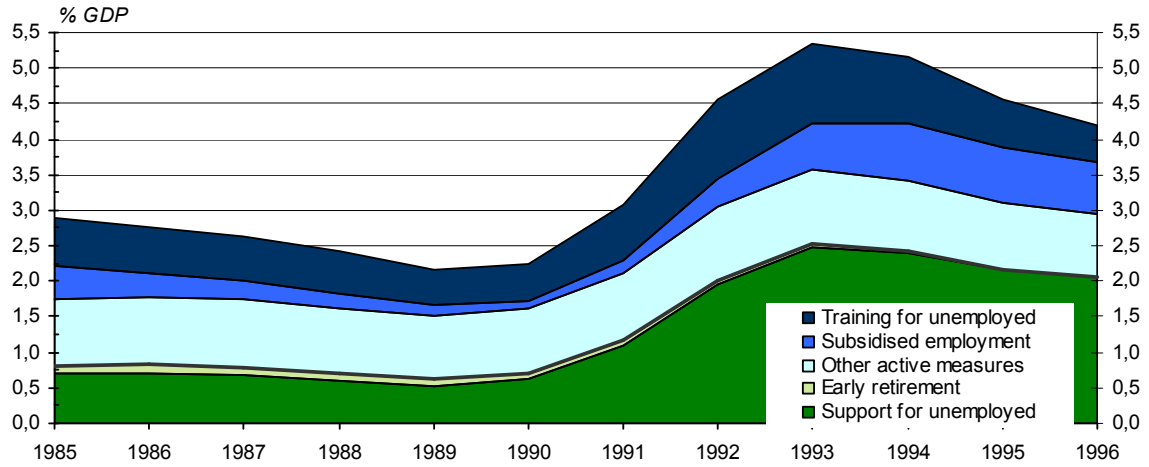
Source: OECD.

Figure A 26: Labour market expenditure on active LMP measures and LMP support (passive) in Finland, 1985-1996



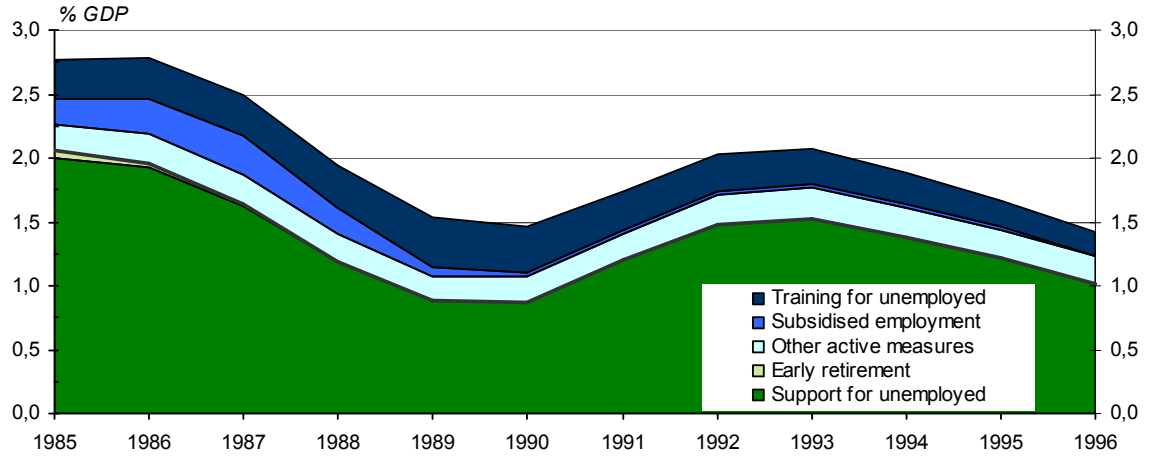
Source: OECD.

Figure A 27: Labour market expenditure on active LMP measures and LMP support (passive) in Sweden, 1985-1996



Source: OECD.

Figure A 28: Labour market expenditure on active LMP measures and LMP support (passive) in the UK, 1985-1996



Source: OECD.

3. HOUSING AND SOCIAL INCLUSION

Housing-related costs and expenditures consume a significant part of a household's income. As such, they can affect the extent to which households are at risk of poverty or deprivation: if a significant proportion of income is taken up in covering housing costs, then there may insufficient left over to cover other essentials. At the same time, those who own the homes they live, in or who enjoy rent-free or subsidised accommodation are at an advantage compared with others.

However, housing is also a durable consumer good which is a source of satisfaction like any other. Within limits, most people can choose to have a more or less attractive house depending on how much they are willing to spend on it, even if their choice is tightly constrained by their income and other circumstances.

Moreover, a house or an apartment is equally an asset, a store of wealth, which may increase in value and so yield a capital gain. At least it can be expected to maintain its value over the long run, and can therefore be used as collateral against which to borrow – thus adding to a household's purchasing power. This differentiates it from most other consumer durables.

These are complicating factors, since the cost of housing and its variation within and between countries reflects not only the situation in the housing market and the costs of maintaining, heating, cooling and lighting a house but also the individual's choice to opt for a more attractive house or to invest in this form of asset rather than others. In other words, if housing absorbs a high proportion of someone's disposable income, this may be because the person concerned chooses to have a high-quality home in an attractive and convenient location and/or to put their money into an asset which is expected to increase in value rather than to spend their income in other ways. This clearly has different policy implications than if people are obliged to pay a lot for housing and its associated costs because of the nature of the market or because their circumstances give them relatively little choice over how much they spend in this regard.

Thus, the main concern in this chapter is to examine the relative importance of housing as a charge on income and to consider how assessments of the risk of poverty and of the distribution of income (both in different EU Member States and across different social groups) are affected by taking account of housing. We shall see how the pattern of housing tenure varies across the EU and how this affects housing costs. We shall also consider the alternative ways of explicitly allowing for housing when measuring the risk of poverty.

A second concern is to try to distinguish between (i) high housing costs which represent a burden on households and (ii) high housing costs which reflect high-quality housing and the willingness of households to devote more of their income to paying for this.

A parallel concern is to distinguish the different elements of housing costs – to distinguish the costs of accommodation per se, in the form of rent or mortgage interest payments, from the cost of maintenance, fuel and so on. Whereas the former are the main element in many countries, in others they are of minor importance and the latter are the major element of costs. This is particularly the case in most of the countries which entered the EU in 2004 and 2007. Here, under the Communist system of government, all property was State-owned: since the demise of that system, many people have acquired ownership of their homes or apartments. In these countries, therefore, a key question is how far (despite widespread home ownership) housing still represents a major cost burden, especially for those on low incomes. This gives rise to a wider question about the importance of policies designed to combat poverty and deprivation by covering the cost of people's accommodation.

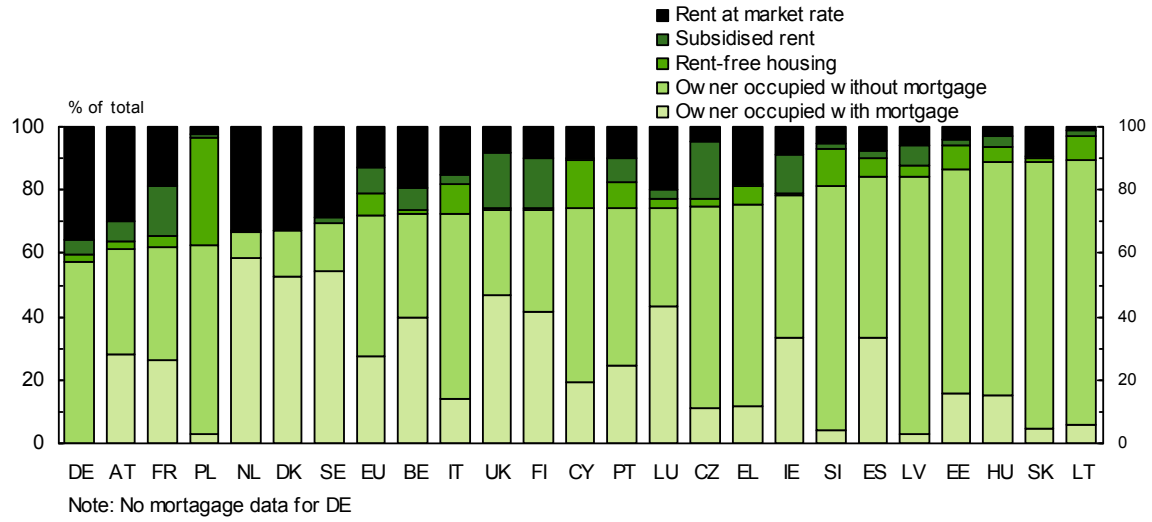
Access to good quality and affordable housing is a fundamental need and right, and a key factor determining people's social situation. However, access to adequate housing is not available for all and there are barriers and financial disincentives preventing or discouraging some groups from gaining such access. In addition, the economic crisis has adversely affected people's access to adequate housing.

3.1. The structure of housing in the EU

Housing is a major factor shaping social conditions and a key driver of economic development. More than 70 % of Europeans live in a home owned by a member of their household, with the proportion of owner-occupiers being particularly high in the former Communist countries. Certain countries in continental Europe have large unsubsidised rental sectors. Over half the people with incomes below the at-risk-of poverty threshold live in owner-occupied housing, the vast majority without mortgages to service. However a significant proportion pay market rates to live in rented accommodation. The major social problem of homelessness is difficult to define and measure, but we present a brief overview of national survey results.

The structure of housing tenure varies markedly across the EU. In all countries, most people own their own homes. This is especially so in the Central and Eastern European countries, where – with the transition to a market economy – most people acquired possession of the housing they occupied. The proportion owning their own homes, therefore, is as high as 85–90 % in the three Baltic States, Hungary and Slovakia and around three-quarters or more in all the other EU10 countries, except Poland. Home ownership is also high in Spain, Greece, Portugal, Ireland, the UK, Finland and Luxembourg, whereas in France, Poland and Austria, it is just over 60 % and in Germany, only 57 %. (Figure 47 and Table 12)

Figure 47: Division of population by housing tenure, 2007



Note: EU refers to EU25 but excluding MT.
Source: EU-SILC 2007

Table 12: Division of population by housing tenure, 2007

% proportion of individuals by tenure status for total population

Country	Owner occupied without mortgage	Owner occupied with mortgage	Rent at market rate	Subsidised rent	Rent-free housing	Total
Belgium	32.9	39.5	19.1	7.2	1.2	100.0
Czech Rep	63.3	11.3	4.8	17.8	2.8	100.0
Denmark	14.6	52.5	32.9	0.0	0.0	100.0
Germany	57.2		35.4	4.8	2.6	100.0
Estonia	70.9	15.9	4.4	1.6	7.3	100.0
Ireland	44.9	33.2	8.7	12.1	1.1	100.0
Greece	63.9	11.7	17.9	0.9	5.6	100.0
Spain	50.6	33.3	7.3	2.8	5.9	100.0
France	36.0	26.2	19.0	15.3	3.5	100.0
Italy	59.0	13.8	15.4	2.7	9.1	100.0
Cyprus	54.7	19.4	9.9	0.9	15.1	100.0
Latvia	81.5	2.9	5.7	6.4	3.4	100.0
Lithuania	83.5	5.8	1.2	1.8	7.8	100.0
Luxembourg	31.3	43.2	19.7	3.3	2.5	100.0
Hungary	73.7	14.9	2.7	3.7	5.0	100.0
Netherlands	8.5	58.5	32.7	0.0	0.3	100.0
Austria	33.1	28.1	29.6	6.6	2.6	100.0
Poland	59.4	3.0	2.6	1.1	34.0	100.0
Portugal	50.0	24.3	9.8	7.6	8.4	100.0
Slovenia	77.0	4.3	5.5	1.8	11.4	100.0
Slovakia	84.2	4.9	9.2	0.5	1.2	100.0
Finland	31.8	41.8	9.8	15.8	0.7	100.0
Sweden	15.2	54.3	28.5	2.0	0.0	100.0
UK	26.5	47.0	8.2	17.4	0.9	100.0
EU	44.8	27.2	13.1	7.7	7.2	100.0

Note: EU refers to EU25 but excluding MT. No available mortgage data for DE in year 2007
Source: EU-SILC 2007

The rest of the population live either in rented accommodation or as tenants in rent-free accommodation, in some cases because the house or apartment in question is tied to the job that they do. The proportion of tenants paying no rent tends to be larger in the newer Member States, varying from over a third in Poland, 15 % in Cyprus and around 11 % in Slovenia to zero in Denmark and Sweden and close to zero in the Netherlands.

At the same time, the large majority of those living in rented accommodation in several countries have their rents subsidised by the State, local authorities or housing associations. This is the case in Ireland (12 % of the total population), Finland (16 %), the UK and the Czech Republic (around 18 % of the total in both). The number of people receiving rent subsidies is also high in France (15 % of the population).

On the other hand, a substantial proportion of people live in rented housing and report paying market rents in Denmark, Germany and the Netherlands (around a third of the population) as well as Austria and Sweden (just under 30 %).

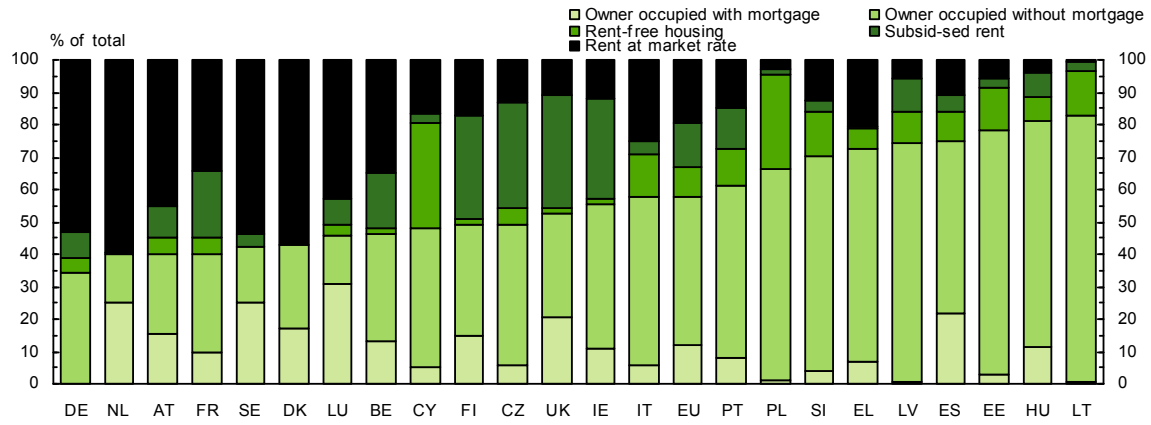
3.1.1. The housing status of people on low incomes

This raises the question of how far housing tenure is related to the distribution of income and whether, in particular, those at risk of poverty are more or less likely to live in rented accommodation.

The structure of housing tenure in the EU tends to vary with income. In all Member States except Poland, the proportion of people owning their own home increases as income rises. (In Poland, home ownership is highest among the lower income groups). Nevertheless, even among the bottom 20 % of income earners, home ownership is around 40 % or more in all countries except Germany (around a third) and over 50 % in the great majority of countries. Among the top 20 % of income earners, Poland apart, around 70 % or more of people are home-owners and in 16 EU countries the figure is over 85 %.

Accordingly, those on low incomes at risk of poverty are much more likely than those with higher incomes to live in rented accommodation, though they are also more likely to live in rent-free housing (Figure 48 and Table 13).

Figure 48: Division of population at risk of poverty by housing tenure, 2007



Note: No available mortagage information for DE in year 2007

Note: EU refers to EU25 excluding MT and SK.
Source: EU-SILC 2007

Table 13: Division of population at risk of poverty by housing tenure, 2007

Country	Owner occupied without mortgage	Owner occupied with mortgage	Rent at market rate	Subsidised rent	Rent-free housing	Total
Belgium	32.8	13.4	34.8	17.3	1.6	100.0
Czech Rep	43.4	6.0	13.1	32.7	4.8	100.0
Denmark	25.5	17.4	57.1	0.0	0.0	100.0
Germany	34.0		53.1	8.1	4.7	100.0
Estonia	75.7	2.8	5.5	2.8	13.2	100.0
Ireland	44.4	10.9	12.2	31.0	1.6	100.0
Greece	66.0	6.7	20.5	0.9	6.0	100.0
Spain	53.5	21.5	10.6	5.3	9.0	100.0
France	30.8	9.5	34.2	20.9	4.6	100.0
Italy	51.7	5.8	24.9	4.2	13.5	100.0
Cyprus	42.5	5.3	16.7	2.7	32.8	100.0
Latvia	73.8	0.7	5.8	10.2	9.5	100.0
Lithuania	82.2	0.6	0.6	2.7	13.9	100.0
Luxembourg	14.4	31.1	42.8	8.2	3.4	100.0
Hungary	69.9	11.4	4.2	7.3	7.2	100.0
Netherlands	14.9	25.0	59.7	0.0	0.4	100.0
Austria	24.6	15.6	45.4	9.3	5.1	100.0
Poland	65.0	1.3	2.9	1.9	28.9	100.0
Portugal	53.1	8.1	14.8	12.3	11.6	100.0
Slovenia	66.3	4.1	12.6	3.7	13.4	100.0
Slovakia	79.4	3.9	14.5	0.8	1.4	100.0
Finland	33.9	15.0	17.3	31.6	2.1	100.0
Sweden	17.6	24.9	53.8	3.8	0.0	100.0
UK	32.1	20.5	10.8	35.2	1.5	100.0
EU	45.8	12.2	19.6	13.4	9.1	100.0

Note: EU refers to EU25 excluding Malta. No available mortgage data for DE in year 2007.
Source: EU-SILC 2007

The proportion of people paying no rent is around a third in Cyprus, just under 30 % in Poland (where it was smaller than the figure for those with high incomes) and around 13 % in Estonia, Lithuania, Italy and Slovenia. By contrast, it is only around 2 % or less in the three Nordic countries, Belgium, the Netherlands, Ireland, the UK and Slovakia.

In Finland, Ireland, the UK, and the Czech Republic, the large majority of people with income below the poverty threshold who live in rented accommodation have their rent subsidised (around a third of the total population with income of this level). Accordingly, only 10–15 % of people at risk of poverty report paying market rent in the last three of these countries. (In Finland the figure is 17 %.) The proportion is even smaller in many of the EU10 countries where most people, even with incomes this low, own their own home.

By contrast, over 40 % of people at risk of poverty in Luxembourg and Austria, around 55 % in Denmark, Germany and Sweden and around 60 % in the Netherlands report paying market rent.

In addition, some 30 % of people with income at this level in Luxembourg and around 25 % in the Netherlands and Sweden own their own homes but have mortgages to service, while the proportion is around 15-17 % in Denmark and Austria (there are no data on mortgage interest payments for Germany). Only a small minority of people at risk of poverty in these countries, therefore, have free or subsidised rents or are home-owners without mortgage costs to meet. This is in sharp contrast to the situation in all other countries where the majority – in nearly all cases, a large majority – fall into this category. The exceptions are Belgium and France where the proportion is just over 50 %.

3.1.2. Housing status and age

In half of the 24 countries for which data are available, there is no (or hardly any) tendency for the extent of home ownership to increase with age. In these countries, the proportion of home owners among people aged 65 and over is, therefore, much the same as or smaller than among those aged 25–64. On the other hand, in all countries except Cyprus (where home ownership is much lower among the older generation), the proportion of people aged 65 and over who are both home owners and have no mortgage is higher than among 25–64 year olds, in many cases considerably so. This is not too surprising since it is only to be expected that, once people are 65 or over and (in most cases) retired, they will already have paid off any mortgage they might have taken out to purchase their home.

In the majority of countries, most older people with income below the poverty threshold own their own home and have no mortgage to pay. The main exceptions are Germany (though there are no data on mortgages), Austria (where only just over 40 % fall into this category), Cyprus (35 %) and, most notably, the Netherlands (only 28 %). In the Netherlands, moreover, over half the people aged 65 and over with income this low are paying market rent, and around 20 % are paying mortgages on their homes. These two figures combined are much higher than anywhere else in the EU. The next highest figures are in Denmark and Sweden where around 45–50 % of older people at risk of poverty either pay market rent or have a mortgage. This is probably also the case in Germany, but there are currently no data on this. In most other countries, the proportion of older people with low income paying either market rent or a mortgage is considerably smaller — less than 15 % or so, except in Luxembourg and Austria. At the other end of the age spectrum, the proportion of children living in households with income below the poverty threshold and with either market rents to pay or mortgages to meet was high in Denmark and Austria (75–80 %, as probably also in Germany), and in Luxembourg, the Netherlands and Sweden (around 80–85 %). In most other countries, less than half of the people concerned (and in most cases much less than half) fell into this category. The exceptions are Belgium (65 %), Spain and France.

3.1.3. Housing status in urban and non-urban areas

Significantly fewer people live in owner-occupied housing in cities (61 % in the EU as a whole) than in other areas, especially thinly populated, or other non-urban, areas (78 %) and more people rent their accommodation[16]. The difference is especially marked in Denmark, Germany, France, Austria, Finland and Poland. The only countries where the opposite is the case are the three Baltic States and Spain, where there is relatively little difference between the two types of area. There is also relatively little difference in the UK, where over 70 % of people in cities live in owner-occupied housing (Table 14).

[16] The types of areas in which people live are divided between densely populated areas, which are termed ‘urban’ or ‘cities’ here, intermediate areas and thinly populated areas, which here are termed ‘non-urban.

Table 14: Division of population in urban and non-urban areas by housing tenure, 2007

% total population in each area

	Owner occupied without mortgage	Owner occupied with mortgage	Rent at market rate	Subsid-ised rent	Rent-free housing	Owner occupied without mortgage	Owner occupied with mortgage	Rent at market rate	Subsid-ised rent	Rent-free housing
	Urban areas					Non-urban areas				
BE	29.0	36.8	23.7	9.3	1.2	36.8	41.7	13.6	4.4	3.5
CZ	56.7	8.6	5.9	27.6	1.2	66.4	13.1	3.7	13.1	3.7
DK	10.3	39.8	49.9	0.0	0.0	20.5	58.2	21.3	0.0	0.0
DE	44.9		47.1	6.4	1.6	69.4		24.2	2.5	3.9
EE	70.8	16.8	5.7	1.3	5.4	70.9	15.1	3.1	1.8	9.1
IE	34.2	37.3	14.0	13.6	1.0	59.5	26.1	4.1	8.9	1.4
EL	54.6	13.1	25.3	1.5	5.6	73.2	9.2	11.8	0.5	5.4
ES	48.9	35.6	8.2	3.3	3.9	56.6	26.9	5.7	2.2	8.6
FR	27.9	22.0	25.6	20.3	4.2	49.0	28.1	9.5	10.2	3.1
IT	53.9	15.2	19.6	4.2	7.2	65.7	9.5	11.1	1.5	12.2
CY	48.7	20.8	12.2	0.9	17.4	61.1	15.8	9.1	1.0	12.9
LV	83.6	2.6	6.1	6.4	1.4	79.7	3.3	5.3	6.5	5.3
LT	81.4	9.4	2.1	2.0	5.1	85.0	3.2	0.5	1.6	9.7
LU	27.8	41.3	25.3	3.7	1.8	35.2	46.7	11.6	2.5	4.0
HU	65.6	15.9	4.2	7.8	6.5	79.2	13.7	1.3	1.5	4.3
NL										
AT	17.8	14.2	53.1	13.2	1.7	45.4	36.5	12.7	1.9	3.5
PL	34.1	3.7	4.3	1.4	56.5	75.0	2.4	1.4	0.9	20.3
PT	36.8	30.6	11.4	13.1	8.1	62.3	21.0	5.9	2.8	7.9
SI										
SK	82.8	3.5	13.0	0.1	0.6	85.8	5.0	7.7	0.4	1.1
FI	24.3	35.5	13.4	26.7	0.1	37.0	44.0	7.8	10.3	1.0
SE	10.7	47.3	40.4	1.6	0.0	16.6	56.5	24.7	2.2	0.0
UK	25.1	46.5	8.4	19.1	0.8	35.5	39.8	10.3	11.8	2.6
EU	37.7	27.7	15.0	11.4	8.2	59.6	20.4	7.8	3.8	8.3

Note: EU refers to EU25 excluding Malta. No available mortgage data for DE in year 2007.
Source: EU-SILC 2007

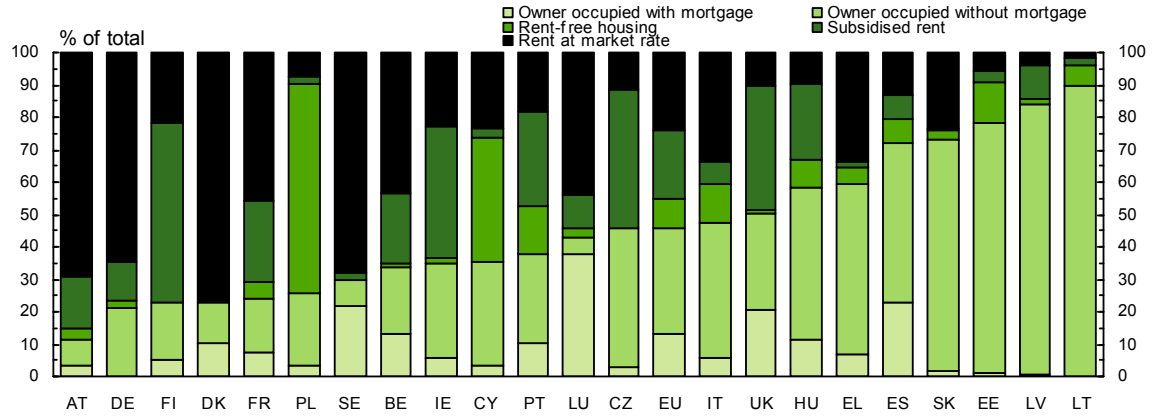
Only a minority of people living in cities in Poland live in owner-occupied housing (38 % as against 77 % in non-urban areas), most of the remainder (57 % of the total in cities) live in rent-free accommodation. The only other country where the proportion of people in cities living in such accommodation is in double figures is Cyprus. In the Czech Republic and Finland, however, 27–28 % of those in cities have their rents subsidised and in France and the UK the figure is 19–20 %.

On the other hand, around half of the city dwellers in Denmark, Germany and Austria, and 40 % in Sweden, pay market rents. In Denmark and Sweden, moreover, a large proportion of people in owner-occupied housing have mortgages to pay, so that only just over 10 % have either no mortgage payments or live in subsidised or rent-free accommodation. This is much smaller than in other countries (there are no data for the Netherlands and Slovenia by type of area). Nevertheless, except in the southern countries and Finland, over half of the people living in cities in EU15 countries either pay market rent or have a mortgage. In all EU10 countries apart from Cyprus, the figure is around 20 % or less.

The pattern of difference in housing tenure between cities and non-urban areas is in general more pronounced for those with income below the poverty threshold. Many fewer of these live in owner-occupied housing in cities than in non-urban areas (Figures 49 and 50 and Table 14). The difference is especially marked in EU15 countries (except for Spain and the UK) and in Poland. In these countries, a large proportion of those with incomes below the poverty threshold in cities live in rent-free accommodation.

In Germany, Austria and Sweden, therefore, around two-thirds of those living in cities with income below the poverty threshold pay market rent. In Denmark the figure is 75 %, while in Belgium, France and Luxembourg, it is around 45 %. In all these cases, the proportion is much greater than for people with higher income levels. Moreover, when we add in all those who are still in the process of buying their homes it means that, in these 7 countries, well over half (the people on low income (over 80 % in Luxembourg and over 85 % in Denmark and Sweden) either pay market rent or have a mortgage. In non-urban areas, there are only three countries — Denmark, Sweden and Luxembourg — where this is the case. Elsewhere in the EU, the proportion of those at risk of poverty paying market rents or having a mortgage is less than a third in all countries (and much less than a third in most EU10 countries) apart from Spain (35 %) and Italy (40 %).

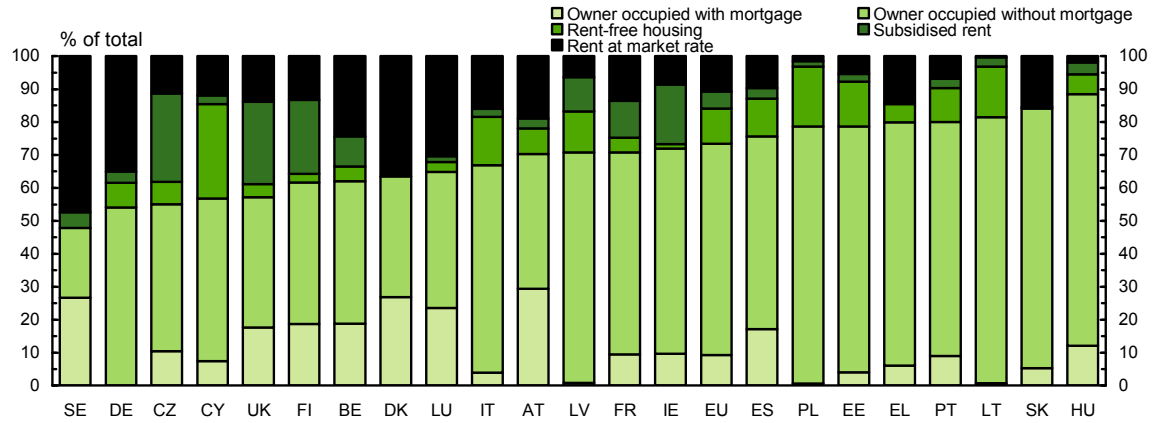
Figure 49: Division of population at risk of poverty in urban areas by housing tenure, 2007



Note: Countries are ranked by the share of population at risk of poverty ow ning their ow n homes in urban areas. No data for mortagages for DE; no data for type of location for NL and SI.

Note: EU refers to EU25 excluding Malta.
Source: EU-SILC 2007

Figure 50: Division of population at risk of poverty in non-urban areas by housing tenure, 2007



Note: Countries are ranked by the share of population at risk of poverty in non-urban areas owning their own homess. No data for mortagages for DE; no data for type of location for NL and SI.

Note: EU refers to EU25 excluding Malta.
Source: EU-SILC 2007

3.1.4. Social housing

The purpose of social housing is to provide decent and affordable accommodation to people with low income and others who have difficulty accessing the private housing market, such as socially disadvantaged and vulnerable people. While in most countries social housing tends to be targeted at the poorest members of society, in some, such as Germany and the Netherlands, it covers a wider range. Nevertheless, in general, those living in social housing tend to consist disproportionately of people living alone, the elderly, ethnic minorities and migrant families.

As such, social housing potentially shelters the most vulnerable groups from the adverse effects of the housing market. At the same time, in countries where the social housing sector is extensive, it arguably represents a source of stability in the market by providing an alternative means of obtaining accommodation and, accordingly, a buffer against excessive increases in rents or house prices – provided, of course, that the sector is sufficiently large and can meet the demand.

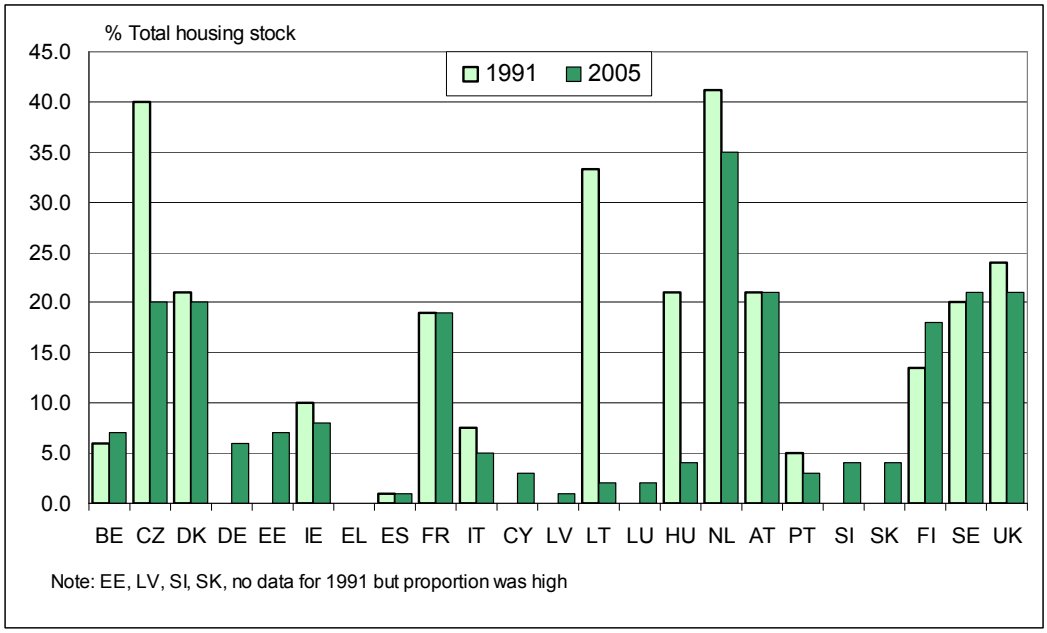
The protection it affords to vulnerable groups can be particularly important in the current recession when the people concerned are the ones most likely to lose their jobs and, therefore, have difficulty paying their rents. By the same token, however, social housing associations, local authorities and other providers are tending to experience a reduction in their income, and their growing financial difficulties make it hard to maintain expenditure on maintenance and repairs and to fund investment in new housing.

The scale of social housing

The importance of social housing varies considerably across the EU. According to CECODHAS (European Committee for Social Housing) estimates, it is especially high in the Netherlands, where it accounted for some 35 % of the housing stock in 2005, while in Denmark, Austria, Sweden, the UK and the Czech Republic, the figure was around 20 % and in France and Finland only slightly lower (Figure 51)[17]. On the other hand, except in the Czech Republic and Estonia, social housing amounted to 5 % of the housing stock or less in the new Member States and in the southern countries of the EU. The figure was only slightly higher in Belgium and Germany. Moreover, except in Belgium, Finland and Sweden, there has been a decline in the share of social housing since 1991.

[17] These figures do not seem to be consistent with the data from the EU-SILC on housing tenure described above, which indicate that most people living in rented accommodation in the Netherlands, Denmark, Sweden and the Czech Republic paid market rent, whereas social housing is intended to provide low cost accommodation. It would, therefore, appear that many of those living in social housing and reporting to the EU-SILC considered themselves to be paying market rent.

Figure 51: Social housing as a share of total housing stock, 1991 and 2005



Source: CECODHAS

Problems of social housing

In many countries, the problems of social housing are almost synonymous with those of post-war industrially built housing estates: poverty and unemployment, an unbalanced social mix, juvenile crime and rundown buildings. The policy in France, England and the Netherlands has tended to be to demolish the large estates and to replace them by mixed-tenure housing and mixed communities.

The timing and nature of the process of privatising of social housing has varied across the EU. In the former communist countries, as noted above, there was large-scale privatisation in the early 1990s. In Ireland and the UK, sales have been encouraged for many years, while in other countries (such as Denmark), privatisation initiatives are of more recent origin. In all cases, privatisation has tended to mean the better quality housing being sold off.

There is still a high demand for social housing and long waiting lists in many countries, especially in large cities. In Copenhagen, for example, people can wait many years before obtaining a house, while in France each year there are 1.2 million applicants for housing but only 450,000 homes available for letting.

The rent charged for social housing varies from country to country. In Italy for instance, the level is linked to the income of the tenant, which gives rise to a strong demand. In Ireland, and to a lesser extent, in some parts of Germany, rents are also related to tenant incomes. Such a system, however, has disadvantages, since rents set in this way do not necessarily cover costs or reflect the attractiveness of (and demand for) different homes[18]. In other countries, rents are often based on the historic costs incurred when the housing in question was first built or renovated which often means that older, often larger and better located estates have lower rents than newer, smaller, less well-located ones.

[18] *Social Housing in Europe*, London School of Economics and Political Science, 2007 http://www.lse.ac.uk/collections/LSELondon/pdf/SocialHousingInEurope.pdf

The importance of social housing across the EU

Although there is no formal common definition of social housing, it can be identified in terms of its features – the rents charged, which are intended to be affordable; its ownership and management by public bodies, cooperatives or non-profit making organisations; and its social aims.

In *the Netherlands*, the high share of social housing is associated with a relative low share of home ownership. Almost all the housing concerned (around 2.4 million units) is owned by 500 housing associations, which freely buy and sell the homes. In Amsterdam and Rotterdam, social housing accounts for around 55 % of the total stock.

In *France*, where social housing amounts to around 19 % of the housing stock, there are big differences in its location across cities, with housing in the peripheral, most deprived areas often being rundown in contrast to the more desirable properties in the centre. The tenants of social housing are tending to become poorer over time, with some 40 % in the bottom quartile of the income distribution as opposed to 12 % in the 1970s.

In *Austria*, where the share of social housing amounts to 21 % of the total stock, some 53 % is owned by cooperatives and housing associations, 40 % by municipalities and the rest by states, provinces and others.

In *the UK*, social housing also accounts for 21 % of the total stock and this proportion has declined over time as a result of a policy of encouraging tenants to buy their homes. Ownership is spread across 2 000 or so housing associations and around 200 local authorities.

In *Denmark*, social housing is owned largely by non-profit making housing associations though some is also owned by municipalities for short-term emergency use. Social housing accounts for around a third of the stock in the greater Copenhagen region, though there is excess demand here and in Aarhus, and excess supply in Jutland and other non-urban areas[19]. A similar situation exists in Sweden.

In *Finland*, social housing is mainly provided by municipalities, though increasingly by non- profit making organisations.

In *Germany*, the stock of social housing (6 % of the total) is much smaller than that of the private rental sector, and has tended to decline over time. Unlike in other countries, it is targeted at skilled workers and the lower middle class rather than those with low incomes as such, who accordingly can have great difficulty finding decent reasonably-priced accommodation.

In *Belgium*, social housing has been provided by the regions since 1980 and unlike in most countries, its share has tended to increase (to around 7 % in 2005).

In *Ireland*, social housing is provided by local authorities and non-profit making organisations and is targeted specifically at the poorest households. Its share has declined since 1991 (to around 8 % in 2005).

In the southern EU Member States, the share of social housing is very small. In Greece, there is no public rental sector at all, though OEK (the social housing organisation) provides a small amount of social housing (around 1 500 units a year).

In *Spain*, social housing accounts for only around 1 % of the total stock, while in Portugal, it makes up around 3 %, (down from 5 % in 1991), owned two-thirds by municipalities and a third by cooperatives. In Italy, social housing, which is managed by the regions, accounts for 5 % of the stock, a decline from 8 % in 1991, which has resulted in a serious shortage.

In the former communist Member States in Central and Eastern Europe, most housing was publicly owned before the transition, though there were relatively high rates of private ownership in Hungary, Lithuania and Slovenia. As a result of privatisation, social housing now accounts for a very small share of the total stock. What remains is largely managed by municipalities, and houses the most needy families, but tends to be in poor condition.

The Czech Republic and Poland are exceptions. In Poland, housing cooperatives manage some 20 % of the housing stock and accommodate nearly a third of the population, though the housing tends to be concentrated

[19] *Social Housing in Europe*, op cit

in large estates with a high turnover of tenants and significant rent arrears as a result of unemployment[20]. In the Czech Republic, social housing is also managed by housing cooperatives, rents being linked directly to floor space[21].

3.1.5. The scale and nature of homelessness in the EU

The number of people who are homeless across the EU is difficult to estimate. They are, for the most part, not included in household surveys by definition, since these cover only people living in private households. Consequently, homeless people do not feature in statistics of those at risk of poverty or social exclusion. Moreover, there is no uniform way of defining them in Member States let alone recording the numbers concerned or their characteristics. This is a serious problem, since they tend to suffer most from deprivation and extreme poverty and, accordingly, are arguably the group most in need of social support and assistance. There is an even more serious lack of information about the personal characteristics and wider circumstances of the people concerned, about their age, nationality and the period of time they are homeless for – whether temporarily or long-term – and about those who might be dependent on them or about their income and the extent of their deprivation.

While definitions of homelessness vary across countries, there is broad agreement on a few of the categories of people who should be included. In particular, there is little question that the definition should cover those sleeping rough or on the streets or those sleeping in shelters run by local authorities or charities. There is more of a question about the extent to which those living with friends or relatives or in precarious or unsuitable accommodation should be included, especially if they are doing so voluntarily rather than because they have no choice, and if they are included, how they should be identified and counted.

In a number of countries, homelessness is defined by legislation. In Ireland for instance, it is defined by the Housing Act 1988, which includes people sleeping rough but excludes those living in state institutions. In the UK, several categories of homeless are defined by the law: the street homeless (or those sleeping rough), the statutory homeless (households for which local authorities have a statutory duty to provide temporary accommodation) and the non-statutory homeless (who are regarded as “voluntarily” homeless). Similarly, in the Czech Republic and Italy, the homeless are considered to be those living on the streets and those using specific social services.

In Finland and France, 'the homeless' covers all who have no permanent accommodation and who sleep in places not meant for human habitation as well as in various types of temporary shelter, including those living in long-term hostels (such as women living with their children in refuges). In France, however, statistics on homelessness exclude those forced to stay in ‘bed-and-breakfasts’ or with friends or relatives. In Latvia, on the other hand, the homeless are more widely defined, under the law on social aid, as 'people with no permanent housing'.

It is therefore difficult to compare statistics between countries and over time because the definitions differ and change over time. Although FEANTSA[22], the European Federation of National Organisations Working with the Homeless, has developed a typology of the different categories of homelessness (see Box), this has yet to be adopted by governments, and the data which it has compiled on the scale of the problem and its different components remain non-comparable between Member States.

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[20] Happach, M., *Housing Policy in Poland,* Warsaw University of Technology, 2008 http://www.slideshare.net/dziarski/housing-policy-in-poland This is should be noted seems to be inconsistent with the EU-SILC data described above, which show a comparatively small proportion of people living in subsidised rented accommodation but a relatively large proportion living in rent-free accommodation. It may be that many of those living in social housing, therefore, pay little or no rent.

[21] ICA Housing, *Housing Co-operatives in the Czech Republic:* http://www.ica.coop/al-housing/attachments/Housing%20co-ops%20in%20Czech%20Republic%20-%20FINAL.pdf

[22] Edgar, B. and H. Meert, *Fifth Review of Statistics on Homeless in Europe,* FEANTSA (European Federation of National Organisations Working with the Homeless), 2006. http://www.feantsa.org/files/transnational_reports/2006reports/06RSen.pdf

The ETHOS categories of homelessness

According to ETHOS – the European Typology of Homelessness and Housing Exclusion - the homeless can be classified into four categories:

- people without a roof over their heads who sleep rough or in overnight shelters;
- people without a home who, while they have a roof over their heads, are excluded from the legal rights of occupancy and do not have a place to pursue normal social relations (such as those living in hostels or temporary accommodation for the homeless, women living in refuge accommodation, migrants living in specific accommodation and people living in institutions);
- people living in insecure housing, who do not have a secure tenancy and/or are threatened with eviction or are a victim of domestic violence;
- people living in inadequate housing conditions (such as with friends or relatives, in squats, in caravans or illegal campsites, in conditions of extreme over-crowding and in other generally unsuitable places).

The problem of comparability, moreover, has to do not only with the categories of homelessness covered by national statistics but also with differing interpretations, or definitions, of what is included under each category. While sleeping rough, therefore, is interpreted and defined in much the same way in each country, the interpretation of what constitutes precarious or inadequate housing varies between them, partly according to what is regarded as the norm. Acute shortage of space or lack of access to an inside flushing toilet or to hot running water, for example, would be regarded as a sign of inadequacy in many countries, but not necessarily in those where a significant proportion of the population is accustomed to living in housing which suffers from such problems.

The size of the Roma population in a country can also affect the data since, in many parts of Central and Eastern Europe, a large number of Roma live in poor housing with a lack of amenities.

Differing methods of counting the homeless

Relatively few countries regularly collect data on homelessness and even fewer have legislation in place regarding data collection. Nevertheless, some data are available for most EU countries, even if they differ in terms of coverage and the period to which they refer. They also differ in terms of the unit of measurement used. While most relate to individuals, some, such as in Ireland, relate to households. Moreover, whereas most statistics refer to the number of homeless at a particular point in time, some relate to the prevalence of homelessness, or the number who have experienced homelessness over a particular period, such as a year, or even over their lifetime.

Several methods are used to collect data. The most common way of counting the people sleeping rough or in overnight hostels is through surveys conducted on a particular day or over a given period. Some surveys take a sample of places which are reckoned to be reasonably representative in terms of the numbers involved; others attempt to count all the people sleeping rough or in shelters in a particular city or area on a given night or sequence of nights.

Municipalities and local authorities, therefore, carry out *ad hoc* surveys of people sleeping rough in a number of countries. In the UK, for example, such surveys are undertaken regularly by London boroughs and in Ireland by the Homeless Agency in Dublin. Similarly, regular counts of those sleeping rough are conducted in Prague in the Czech Republic and in Pomorskie (Pomerania) in Poland.

Homelessness in Major Cities

Ile-de-France (Paris metropolitan area)

In January 2001, 15 000 people were recorded as being homeless in Ile-de-France, 35 % of whom were women, 34 % were less than 30 years old, 36 % were unemployed, but 35 % had a job (though two-thirds of these had only a temporary employment contract)[23]. Between April 2002 and April 2006, the region's capacity to accommodate the homeless expanded by around 55 %, from 17 211 to 26 642 places. There was also a big increase in emergency accommodation, from 4 746 places in 1999 to 7 237 in 2006. The system, however, remains incapable of accommodating everyone in need.

The people who are homeless or have particular difficulty in finding housing in the region include those unable to obtain social housing, who might be on the waiting list, victims of discrimination in the private rental sector, asylum seekers and young people unable to find a decent job[24].

London

Some 3 017 people were counted as sleeping rough in London in 2008, of whom 87 % were men, 39 % were non-nationals and 11 % nationals of new Member States[25]. In February 2009, Homeless Link (the national organisation for frontline homelessness agencies in England) carried out a survey of eight cold weather shelters in London[26], in which 265 people using the facility were interviewed. Some 86 % of the people concerned were men and 39 % of them were less than 33 years old. The majority were unemployed and in receipt of social benefits. During the night before entering the shelter, 55 % slept rough and 16 % in the homes of friends or relatives. Around half had been sleeping rough for more than three months. Organisations working with the homeless in London have the capacity to help around 25 000 people every day[27].

Madrid

In 2006, a survey conducted by an organisation working with the homeless counted 621 people sleeping rough in Madrid [28]. Some 86 % were men (much the same as in London) and 55 % were foreigners. The majority (75 %) was living on the streets and had been doing so for around three years on average. During winter 2008, two years later, the organisation recorded 651 people[29], the majority (70 %) of whom were unemployed. Of those who had a job, 27 % worked in the construction sector and 15 % in hotels or restaurants. Most of the people surveyed were either illegal immigrants (13 %) or had become homeless after losing their job (23 %) or because of family problems (21 %).

In many countries, surveys are carried out of the number of people in temporary accommodation provided by public authorities. For example, in North Rhine-Westphalia in Germany, a one-day count covers all homeless people in accommodation of this kind, while in Finland, municipalities have since 1986 recorded the number of homeless in contact with their services during one week in November.

Such counts are supplemented by administrative data in some cases, particularly from the local or regional authorities responsible for implementing housing and social welfare legislation. For instance, in the UK, data are collected on people who apply for homelessness assistance as well as on those deemed to be homeless under the formal definition used.

In addition, a number of countries keep official registers of organisations legally entitled to provide services to the homeless, or funded by public agencies, which can include information on the number of beds provided and their occupancy over a given period. In Belgium, for example, the Centres for General Welfare set up by the Flemish regional government, which cater for the homeless, are legally obliged to provide the authorities with information on those using their services. In the Netherlands, the Dutch Federation of Shelters and the

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[23] *Approches de la pauvreté en Ile-de-France,* INSEE, 2007 http://www.insee.fr/fr/regions/idf/default.asp?page=publications/dossiers/pauvrete.htm

[24] Fondation Abbé Pierre, *État des lieux: entre pénurie et segregation, quelles perspectives pour le logement en Ile-de-France?*, Colloque ESH-FAP, November 2006 http://www.fondation-abbe-pierre.fr/_pdf/cahier_logement_idf.pdf

[25] Homeless Link, *Rough Sleeping – Key Facts:*http://www.homeless.org.uk/policyandinfo/facts/rskeystats1

[26] Homeless Link, *Cold Weather - Shelter Report 2009* http://www.homeless.org.uk/inyourarea/london/CWS2009report/

[27] Resource Information Service, *London's Homeless Sector – Results of the State of the Sector Survey,* 2008. http://www.ris.org.uk/downloads/StateOfTheSectorReport.pdf

[28] Cabrera, P.J., Operación de recuento nocturno de personas viviendo sin techo en las calles de Madrid, Universidad Comillas de Madrid, 2006 http://www.enredpsh.org/documentacion_docu.php3?id_article=1199

[29] Red Nacional de Entidades que trabajan con personas sin Hogar, *Informe del segundo recuento nocturno de personas sin hogar en Madrid*, Winter 2008 http://www.enredpsh.org/documentacion_docu.php3?id_article=1267

Salvation Army both systematically record and report the number they give accommodation to, while in the Czech Republic, the Naděje organisation, an NGO working with the homeless, does the same.

National censuses and household surveys are also used as sources of information on the homeless living in institutions, with friends or relatives or in special accommodation for the homeless, as well as on those living in overcrowded conditions, in unfit housing or in accommodation lacking basic amenities. Indeed, the EU-SILC is a potential source of information on the latter, though there is a questionmark over the representativeness of the sample of households covered.

These various methods of data collection each has potential limitations. In particular, the period when the data are collected can significantly affect the results because of seasonal variations and changes from day to day in the numbers involved. Reliable sampling methods for counting those sleeping rough are difficult to establish and it is equally hard to identify people living temporarily with friends or relatives, or in unofficial shelters.

In practice, it is easier to count users of services for the homeless, but here the difficulty is to allow for those using multiple services and to record the number of individual people using the services rather than the number of uses as such.

Nevertheless, despite these limitations, the data collected in different countries provides some insight – albeit partial and incomplete – into the scale of homelessness across the EU. The data relate mainly to estimates of those sleeping rough or in overnight shelters and only in a few cases to those living with friends or relatives and not at all to those living in unsuitable accommodation.

Recent data on homelessness in Member States

Belgium	There are estimated to be around 17 000 homeless people in the country, though these figures do not include the growing number of people 'without official papers'. In the Walloon region, therefore, some 5 000 were counted as being homeless in 2006[30], while according to a recent study, nearly 12 000 people in the Flemish region use accommodation for the homeless (emergency shelters, accommodation for migrants, refuges for women, etc.). In November 2008, a census carried out in Brussels[31], found that there were 1 771 homeless at the time, among whom some 545 lived on the streets or were squatters, and that the 950 places in shelters for the homeless were all occupied.
Czech Republic	Estimates by NGOs of the number of homeless in Prague put the figure at almost 5 000. According to Naděje, the NGO working with the homeless, there are around 1 000 living on the streets and another 1 000 in shelters[32].
Denmark	A Census conducted across the country in February 2007 found that 5 200 people were homeless at the time, some 3 000 of them in Copenhagen. This compares with the 580 or so places available that exist to accommodate the homeless, though there is a network of 'night-time cafés' open all night where people can stay. A new survey is planned in 2009[33].
Finland	At the end of 2007, there were some 7 300 homeless people and around 300 families living in 'precarious' housing, this being defined as covering those living on the street or, more commonly, those with housing difficulties[34]. The people concerned are mainly in cities (some 75 % are in the 10 largest ones in the country, and 50 % in Helsinki alone). The number of homeless, however, has tended to decline over time, from around 15 000 in 1990 and 10 000 in 2000. In both years, some 20 % of the people concerned were non-nationals.
France	According to a one-week survey carried out across the country, some 86 500 people received social emergency help (accommodation in shelters and hot meals) in January 2001. Of these, 63 500 people, plus 16 000 children, had no home at all, while 6 500 were living in centres for asylum seekers[35]. In the same month, 15 000 people were recorded as being homeless in the Paris area, 35 % of whom were women, 34 % were less than 30, 36 % were

[30] A.M.A. (Association des Maisons d'Accueil et des Services d'Aide aux Sans-abri ASBL) : http://www.ama.be/projets/

[31] La Strada, *Une première tentative de dénombrement des personnes sans-abri dans la Région de Bruxelles-Capitale*, 2008 http://www.feantsa.org/files/freshstart/Working_Groups/Data_collection/Data/comptagelastrada.doc

[32] Naděje,: http://www.nadeje.cz/

[33] Benjaminsen, L. and I. Christensen, *Homelessness in Denmark 2007*, The Danish National Centre for Social Research. http://www.sfi.dk/Default.aspx?ID=4844&Action=1&NewsId=1275

[34] ARA (The Housing Finance and Development Centre of Finland): http://www.ara.fi/

[35] Brousse, C. et al., 'Hébergement et distribution de repas chauds – Le cas des sans-domicile', *INSEE Première n°823*, 2002. http://www.insee.fr/fr/ffc/docs_ffc/IP823.pdf

	unemployed, but 35 % had a job (though two-thirds one with a temporary contract of employment)[36].
Germany	There is no national system for surveying homelessness, but, according to the organisation managing social help, there were an estimated 250 000 living in precarious housing conditions over the period 2004–2006. In addition, according to the umbrella organisation of NGOs providing assistance to the homeless (*BAG-Wohnungslosenhilfe*), there were around 18 000 people living on the streets in 2006[37]. Estimates suggest that the number of homeless has tended to decline over recent years. In North Rhine-Westphalia, for instance, the number was estimated at around 14 000 in 2007 as against 52 000 ten years earlier[38].
Hungary	Estimates suggest that there are around 25-–30 000 people living on the streets in the country, of whom some 7–8 000 are thought to be in Budapest. Of these, 1 700–2 400 are sleeping rough, around 2 000 in night shelters for the homeless and the other 3 000 in temporary or long-term hostels[39].
Ireland	Some 2 366 people, or 2 144 households, were assisted by homeless services in Dublin in 2008, a rise of around 4 % over the three years since 2005 but a slight decline relative to population (which grew by 5 % over the period). Just over twice as many men as women (68 % of the total as against 32 %) made use of such services and almost half of the people concerned became homeless for the first time over the three years concerned. Some 110 people reported that they were sleeping rough (only 5 % of the total), down from 185 in 2005, though 38 % of those sleeping rough were non-Irish nationals as compared with only 9 % in 2005[40].
Italy	According to a national survey in 2000, around 17 000 people were homeless across the country, while NGOs estimate there to be some 7 000 homeless in Rome (2 000 sleeping on the streets – most of them non-nationals – 2 000 in squats and 3 000 in shelters)[41].
Latvia	In 2000, around 2 000 people were considered to be homeless in the sense of having no permanent accommodation[42].
Lithuania	The Population and Housing Census carried out in 2001 recorded 1 250 people as being homeless in the country, in the sense of living in publicly-provided accommodation, some 250 of whom were in the capital, Vilnius[43].
Luxembourg	Some 715 people were reckoned to be homeless in February 2006, of whom 30 were living on the streets and 38 sleeping with friends or relatives[44].
Malta	According to the main NGO working with the people concerned, there are around 300 homeless people in the country[45].
Netherlands	Estimates put the number of homeless people in the country at around 20–25 000[46].

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[36] *Approches de la pauvreté en Ile-de-France,* INSEE, 2007 http://www.insee.fr/fr/insee_regions/idf/rfc/docs/alapage259.pdf

[37] BAG-Wohnungslosenhilfe: http://www.bag-wohnungslosenhilfe.de/fakten/1.phtml

[38] Information und Technik Nordrhein-Westfalen, *Obdachlosigkeit in Nordrhein-Westfalen* http://www.it.nrw.de/statistik/g/daten/eckdaten/r312obdachlos.html

[39] Budapesti Módszertani Szociális Központ: http://www.bmszki.hu/english

[40] Homeless Agency Partnership, *Counted In, 2008 – A report on the extent of homelessness in Dublin* http://www.homelessagency.ie/About-Homelessness/Homeless-Figures.aspx

[41] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009 http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf

[42] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009 http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf

[43] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009 http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf

[44] Instead CEPS, *L'exclusion liée au logement des personnes prises en charge par les centres de jour, les foyers de nuit, les centres d'accueil et les logements encadrés ; dénombrement et caractéristiques*, 2007. http://www.gouvernement.lu/salle_presse/actualite/2007/03/29jacobs/etudeceps.pdf

[45] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009 http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf

Poland	While there are no precise data available at national level, some 30–50 000 people are estimated to have been homeless in 2003[47]. In Pomorskie (Pomerania), where Gdansk is situated, according to the surveys noted above, there were 2 144 people homeless in 2001, 2 384 in 2003 and nearly 2 800 in 2005[48]. Most of those concerned were men (nearly 80 %) and, in 2003, some 12 % were sleeping rough and 15 % were living with friends or relatives, the rest being in shelters or special accommodation.
Portugal	In Lisbon, a survey conducted at the end of 2008 estimated the number of homeless at around 1 200[49].
Romania	According to the emergency social service, there are around 5 000 people homeless in the capital, Bucharest, and only 330 places in overnight shelters[50]. A substantial number of other people, however, live in very poor housing conditions.
Slovakia	Local NGOs estimate the number of homeless in Bratislava at around 2–3 000[51].
Spain	Estimates made by NGOs are that there were 30–50 000 living on the streets across the country and over 300 000 living in precarious housing conditions in 2006[52]. In Madrid, in December, 2006, 1 400–1 500 people were recorded as being homeless (over 600 living on the street and 800 in shelters) [53]. In March 2008, the numbers were much the same[54].
Sweden	Around 18 000 people were recorded as being homeless in 2005[55], some 75 % of them men and 26 % non-nationals. Of the total, some 20 % were sleeping rough or lived in hostels, women's refuges, emergency accommodation or on campsites, while 26 % were living in temporarily with relatives or friends or had tenancies of less than three months. Between 2004 and 2008, the number of homeless is estimated to have declined in Stockholm from nearly 3 400 to 3 000[56].
UK - England	There are 187 day centres for the homeless in England serving an estimated 10 000 people a day, and around 50 000 beds in hotels and second-stage accommodation for the non-statutory homeless. At the end of 2008, around 12 000 households were agreed by local authorities to be officially homeless, in the sense that they had a statutory duty to house them, while 67 480 households were in temporary accommodation, some 15 % less than a year earlier[57]. In 2008, 3 017 people were counted as sleeping rough in London, of whom 87 % were men, 39 % were non-nationals and 11 % nationals of new Member States[58]. Since 2000, however, over 9 000 people have been helped off the streets of the city.

[46] Federatie Opvang: http://www.opvang.nl/leo/domeinen/raadplegen.asp?display=2&atoom=8046&atoomsrt=9&actie=2
[47] Pomeranian Forum in Aid of Getting Out of Homelessness, *The portrait of homeless community in the Pomeranian province 2003.* http://www.pfwb.org.pl/en/files/Survey%20reports%202001%20&%202003.pdf
[48] Pomeranian Forum in Aid of Getting Out of Homelessness : http://www.pfwb.org.pl/en/index.php?id=4.4.1
[49] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009
http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf
[50] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009
http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf
[51] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009
http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf
[52] Damon, J., *Les politiques de prise en charge des sans-abri dans l'Union Européenne*, Rapport au Ministre du Logement, 2009
http://www.julien-damon.com/IMG/pdf/RapportJDamonSansAbridansUnion.pdf
[53] Cabrera, P.J., Operación de recuento nocturno de personas viviendo sin techo en las calles de Madrid, Universidad Comillas de Madrid, 2006 http://www.enredpsh.org/documentacion_docu.php3?id_article=1199
[54] Red Nacional de Entidades que trabajan con personas sin Hogar, *Informe del segundo recuento nocturno de personas sin hogar en Madrid*, Winter 2008 http://www.enredpsh.org/documentacion_docu.php3?id_article=1267
[55]National Board of Health and Welfare, *Homelessness in Sweden 2005-scale and character.*
http://www.socialstyrelsen.se/Lists/Artikelkatalog/Attachments/9732/2006-131-23_200613123.pdf
[56] Stockholms Stad Socialtjänstförvaltningen, *Hemlösa i Stockholms Stad 15 april 2008 – tabeller och kommentarer*
http://www.feantsa.org/files/freshstart/Working_Groups/Data_collection/Data/stockholm.pdf
[57] *Statutory Homelessness 4th Quarter 2008 – England*, Communities and Local Government, Housing Statistical Release.
http://www.communities.gov.uk/documents/statistics/doc/1173145.doc
[58] Homeless Link, *Rough Sleeping – Key Facts*:http://www.homeless.org.uk/policyandinfo/facts/rskeystats1

3.2. Housing costs

On average, Europeans spend about one fifth of their disposable income on accommodation. Most of this is spent on charges for fuel, maintenance and repairs. The relative burden of housing is higher for people on low incomes, particularly if they rent accommodation at market rates. High home-ownership rates in the former communist countries do not result in lower housing cost burdens because substantial sums are still spent on fuel and maintenance charges. The cost of housing compared to incomes rose in most EU15 countries between 1994 and 2005. Poorer people have a higher housing costs burden: deducting housing costs from disposable income thus tends to increase income disparities and the proportion of people living in poverty. However, adding 'imputed rent' to income results in a more equal income distribution, as imputed rent represents a larger share of disposable income in low income households.

It might be expected that people who own their own homes would tend to have lower housing costs than those who rent accommodation, especially if they have paid off any mortgage taken out to purchase them. By the same token, it might also be expected that countries in which the extent of home ownership is relatively widespread would tend to have lower housing costs than those where it is more limited. The first of these assumptions seems to be borne out by the facts, up to a point, but there is only limited evidence to support the second one.

Definition of housing costs

Housing costs are measured to cover all the costs connected with the right of the household to live in the accommodation concerned, including the cost of utilities (water, electricity, gas and heating). For home owners, they include mortgage interest payments net of any tax relief, insurance on the house, mandatory services and charges (such as for sewage removal or refuse collection), and regular maintenance and repair costs. For tenants, they include rent payments (gross of housing benefits), any insurance on the house paid by the tenant, service charges where applicable and regular maintenance and repair costs, again if applicable.

Any housing allowances received are deducted from the gross housing costs as defined above to give the net amount paid.

In the first case, therefore, as might be expected, those living in owner-occupied houses or apartments on which there is no mortgage outstanding, tend to have lower housing costs than those with mortgage interest payments (N.B. only mortgage interest payments are included in housing costs in the EU-SILC). Across the EU as a whole, the former have housing costs which, on average, are just over 4 percentage points less than the latter relative to disposable income (Table 15 – See Box for details of the measurement of average housing costs).

Calculating average housing costs relative to income

Average housing costs are defined here as the mean net amount paid after deducting housing allowances. The net amount is related to disposable income less housing allowances in order to estimate the charge on income represented by housing costs. Housing allowances are measured throughout in net terms – i.e. after deducting any taxes paid on them – since the extent to which they add to income or reduce the effective cost of housing is net of any such taxes. (In practice, however, there is little or no difference between the net and gross amounts of allowances recorded by the EU-SILC).

It is not always straightforward to determine the level of income support received in respect of housing as this may be integrated into minimum income or social exclusion payments. In the EU-SILC, all social transfers relating to housing should be included under the heading Housing allowances. However, in the specific case of Germany, the data are not regarded as sufficiently reliable as certain benefits aimed at covering the costs of housing and heating were categorised as minimum income payments rather than as housing allowances for many of the households receiving these benefits. Consequently, the data from Germany in the 2007 EU-SILC do not reflect the full amount of support provided for housing costs. This results in the burden of housing costs relative to income being overstated (the full amount of housing support is not deducted from housing costs). For this reason, Germany is excluded from the relevant tables and figures. The German data is, however, included in the calculation of EU totals and averages, since the effect of the under-reporting of housing allowances at this scale is very small.

In calculating the mean across households, cases are assumed to equal 0 where net housing costs relative to disposable income are negative (because of allowances exceeding gross costs). Cases where net housing costs exceed 100 % of disposable income (because of households having very low or zero income) are assumed to equal 100 %.

Table 15: Housing costs as % of disposable income by tenure, 2007

Country	Owner occupied without mortgage	Owner occupied with mortgage	Rent at market rate	Subsid-ised rent	Rent-free housing	Total
Belgium	15.1	17.5	36.2	28.9	9.9	21.0
Czech Rep	22.3	25.2	33.0	24.8	20.3	23.5
Denmark	19.2	25.7	34.0			27.5
Estonia	15.2	12.7	30.6	17.9	16.8	15.6
Ireland	8.1	12.3	32.2	15.3	6.5	12.4
Greece	28.0	25.0	33.5	11.1	14.0	27.7
Spain	10.9	19.5	38.0	25.3	11.6	16.2
France	10.4	8.1	27.0	23.4	9.5	14.9
Italy	13.5	19.6	33.8	25.9	14.2	17.9
Cyprus	7.8	15.6	24.8	23.0	8.0	11.1
Latvia	19.4	30.9	21.3	22.7	16.2	19.9
Lithuania	15.3	19.0	34.7	21.5	17.0	16.0
Luxembourg	5.2	13.1	27.5	32.6	5.2	13.9
Hungary	20.6	21.1	20.3	18.1	21.8	20.7
Netherlands	16.3	28.8	38.7		12.4	30.9
Austria	12.2	14.9	25.6	21.5	16.6	17.7
Poland	21.5	21.2	35.8	30.5	24.1	22.8
Portugal	13.9	20.9	30.8	17.8	9.9	17.2
Slovenia	12.6	25.1	31.9	28.1	12.2	14.4
Slovakia	26.6	36.4	38.6	33.4	20.6	28.2
Finland	11.0	14.3	27.0	24.6	3.6	16.0
Sweden	13.5	12.0	32.7	30.1		18.5
UK	18.7	27.1	43.1	33.9	19.3	27.3
EU	16.0	20.3	33.4	27.3	18.4	20.5

Note: EU25 excluding Malta[59]*. Missing values signify that the number of people concerned is too small for the data to be reliable; the values with bold font imply the figures that should be used with a statistical caution because of number of observations. Data for DE not shown (see explanation in the introduction of this section).*
Source: EU-SILC 2007

As would also be expected, those living in rent-free accommodation tend to have even lower housing costs, though again there are two countries (Greece and Hungary) where the reverse is the case. This might reflect the different income levels of the people living in the two categories of housing (i.e. those on low incomes tend to have higher housing costs and are also more likely to have rent-free accommodation).

The difference in housing costs between those living in different types of housing follows a similar pattern for those with income below the at-risk-of poverty threshold, except that in each case the scale of costs relative to income is higher (Table 16).

There are, however, five Member States where the reverse is the case. It is also evident that housing costs tend to be higher (in many countries substantially higher) for those paying market rents than for owner-occupiers, and this is common across the EU – with the sole exception of Hungary, where housing costs for the two groups are much the same.

[59] Data for Malta is not available and including Malta would only marginally affect the estimate of the EU average.

People whose rents are subsidised tend to have lower housing costs than those paying market rents (the average difference is 6 percentage points relative to disposable income), though there are two countries (Latvia and Luxembourg) where this is not the case.

Table 16: Housing costs as % of disposable income by tenure for those at risk of poverty, 2007

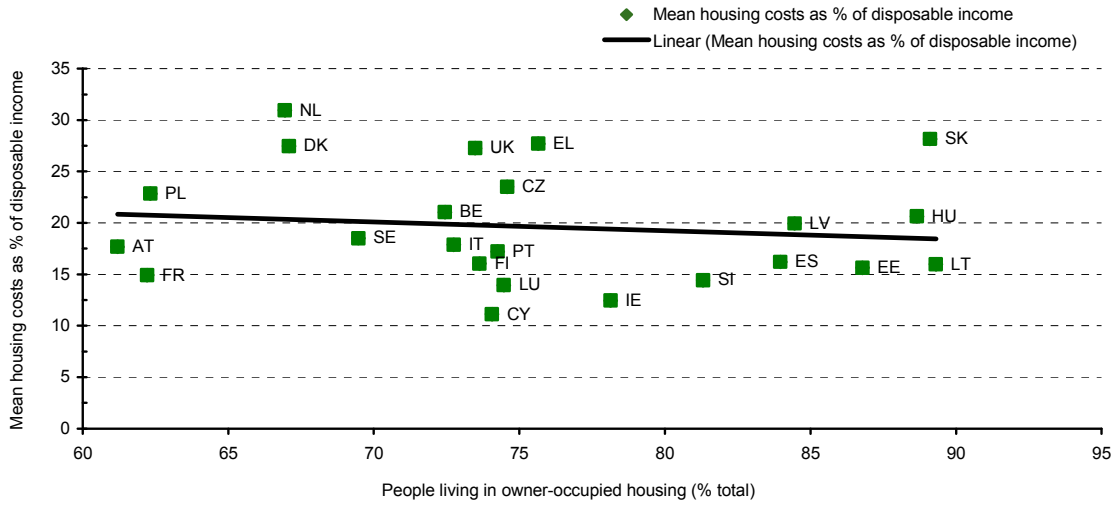
Country	Owner occupied without mortgage	Owner occupied with mortgage	Rent at market rate	Subsid-ised rent	Rent-free housing	Total
Belgium	30.6	38.6	52.2	35.7	**17.2**	39.9
Czech Rep	40.7	38.2	50.1	37.6	27.6	40.1
Denmark	35.3	64.8	55.3			51.9
Estonia	28.9	40.5	40.0	27.4	27.6	29.6
Ireland	16.3	26.9	55.7	18.1	14.3	22.8
Greece	51.9	56.1	59.8	**20.5**	31.6	52.3
Spain	22.7	41.0	56.3	38.5	20.9	30.9
France	22.7	12.9	27.5	25.8	15.7	23.7
Italy	27.2	40.4	49.5	39.7	26.8	34.0
Cyprus	13.2	22.8	37.9	**31.3**	10.3	17.4
Latvia	37.5		34.2	35.7	20.2	35.9
Lithuania	29.2			**33.2**	29.3	29.7
Luxembourg	13.1	19.9	38.9	50.9	10.7	29.3
Hungary	36.8	38.9	36.9	29.2	37.2	36.5
Netherlands	38.1	59.6	56.6			54.5
Austria	26.7	32.1	45.2	37.7	28.2	37.0
Poland	35.7	64.7	57.2	42.8	38.9	37.7
Portugal	24.3	34.9	48.7	27.3	17.0	28.3
Slovenia	24.1	48.2	46.5	49.6	22.7	28.6
Slovakia	45.6	67.5	63.9		**33.4**	49.0
Finland	19.7	27.3	39.4	29.5	4.3	27.1
Sweden	28.2	31.2	55.0	49.3		44.2
UK	36.9	55.7	62.8	46.7	36.3	47.0
EU	30.6	43.5	47.8	38.6	29.2	36.5

Note: EU25 excluding Malta. Missing values signify that the number of people concerned is too small for the data to be reliable; the values with bold font imply the figures that should be used with a statistical caution because of number of observations. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

An important point to note about the two tables is that for each type of housing tenure, differences in housing costs relative to income tend to be as wide if not wider between countries than between types of tenure within countries. The implication is that differences in the pattern of tenure from one country to another are unlikely to explain much of the variations between them in housing costs. This is confirmed if housing costs relative to income are related to the proportion of people living in owner-occupied housing (Figure 52).

The lack of a close relationship is emphasised by the fact that France, Poland and Austria have comparatively similar proportions of home-ownership but their average housing costs vary widely – from around 15 % of disposable income in France and 18 % in Austria to 23 % and in Poland. Similarly, around 75 % of people live in owner-occupied housing in Cyprus, Portugal and Greece, yet average housing costs amount to 11 %, 17 % and 28 % of disposable income, respectively. Housing costs average 20 % of disposable incomes in Latvia, 21 % in Hungary and 28 % in Slovakia, yet in all three countries just under 90 % of people own their own homes.

Figure 52: Relation between total housing costs and house ownership, 2007



Note: Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

The picture does not change significantly if housing costs are related to the proportion of home owners without a mortgage or to the proportion either with mortgages or paying markets rents. These relationships, or the lack of them, reflect not only the wide variation in costs across countries but also the fact that rents and mortgage payments are by no means the only elements nor, in many cases, the most important elements of housing costs — even though they are the ones which policy attention tends to focus on. Other components of housing costs, therefore, need equally to be taken into account and these can vary markedly in scale across countries.

3.2.1. Breakdown of housing costs

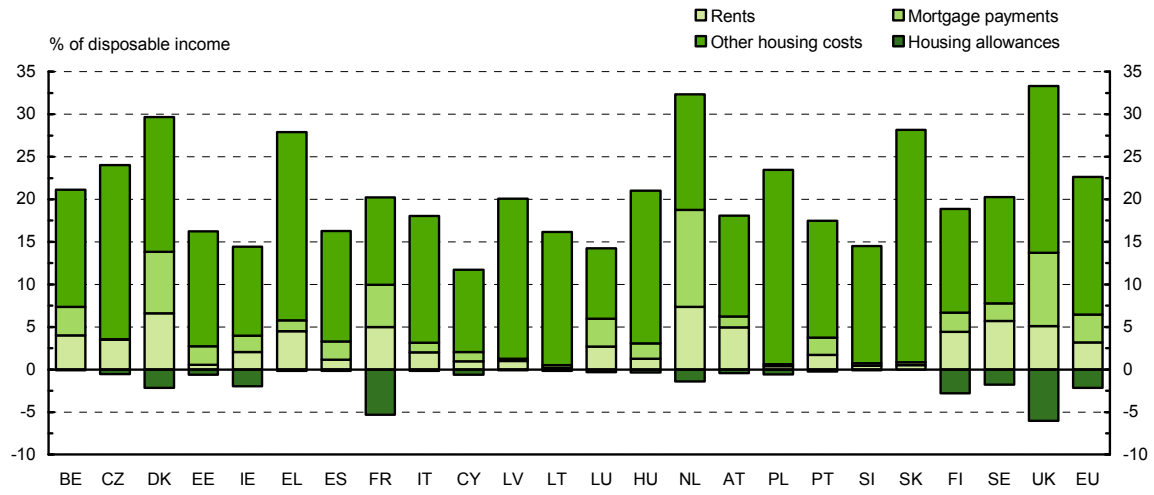
Across the EU as a whole, taking all households together, total rent payments on accommodation, whether subsidised or paid at the market rate, average just over 3 % of total disposable income, while interest paid on mortgage amount to much the same on average[60]. These make up only around 30 % of total gross housing costs (i.e. before deducting housing allowances), whereas other elements – repairs, maintenance, fuel and others costs of various kinds – make up some 70 %. At the same time, housing allowances, which are intended to help cover the housing costs of households with low income and/or in particular circumstances (such as in the event of unemployment), are equivalent, on average, to just over 2 % of disposable income and, therefore, effectively reduce housing costs by around 10 % (Figure 53, in which housing allowances are included as a negative item[61]).

The relative importance of these different components of costs varies considerably across the EU, in part reflecting the pattern of tenure. Member States can be divided, however, into three groups in this respect. The first group consists of the Central and Eastern European countries which entered the Union in 2004. Here, rent and mortgage interest payments account for under 10 % of gross housing costs in most cases and for 15-17 % in the Czech Republic and Cyprus and in all cases for under 4 % of disposable income (here defined to exclude housing allowances). In all cases too, housing allowances are very small amounting on average to less than 1 % of disposable income.

[60] It should be noted that rents paid and total housing costs refer to the survey year (i.e. 2007) while mortgage interest payments refer to the income year (i.e. 2006).

[61] Housing allowances are intended to help meet overall housing costs and as such cannot be attributed to any one individual component of these.

Figure 53: Average housing costs in relation to disposable income, 2007



Note: EU refers to EU25 excluding MT. DE not included in the EU average. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

The second group consists of the four southern Member States, where mortgage interest payments and rent amount to 17–21 % of gross housing costs and under 6 % of disposable income on average. The third group comprises the other EU15 countries, in which rent and mortgage interest payments account for over a third of total housing costs, apart from Ireland (28 %) and for over 6 % of disposable income, again apart from Ireland (4 %).

Total housing costs apart from rent and mortgage interest payments, therefore, amount to between 1 % and 27 % of total disposable income in the former communist countries in the first group (though less than 19 % in all but the Czech Republic, Poland and Slovakia) and between 10 % and 22 % of total disposable income in the four Southern Member States, while in the other EU15 countries, they average between 8 % (in Luxembourg) and 120 % (in the UK).

Housing allowances are significant only in this third group, amounting to 5-6 % of disposable income in France and the UK, 2-3 % in Ireland and the three Nordic countries and around 1.55 % of disposable income in the Netherlands.

For people with income below the poverty threshold, rent is a much more important component of housing costs on average, accounting for over 20 % of the total across the EU as a whole and amounting to 10 % of disposable income (again defined to exclude housing allowances), while mortgage interest payments are less important. (Figure 54). Costs other than rent and mortgage payments are still the main element, accounting for over 70 % of the total just as for people with higher incomes. Housing allowances are much more significant, averaging over 8 % of disposable income and reducing overall housing costs by over 18 %.

Member States can be divided into the same three groups as for the population as a whole, with similar differences between them.

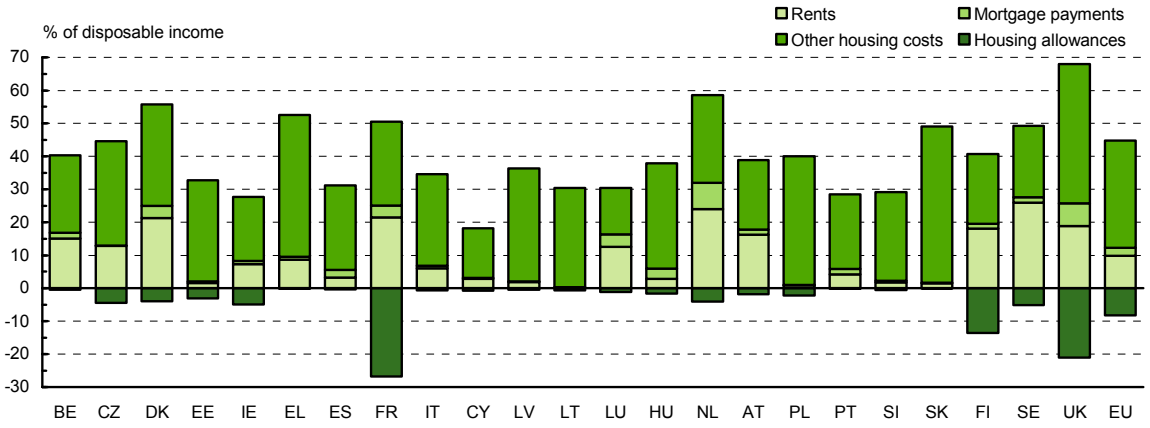
In the new Member States, rent and mortgage interest payments for those with income below the poverty threshold once more make up only a small proportion of total housing costs in most cases and amount to less than 6 % of disposable income in all but the Czech Republic. Other housing costs apart from rent and mortgage interest payments amount to over 30 % of disposable income for this group except in Cyprus and Slovenia. In most cases, housing allowances are of relatively minor importance, the main exception being the Czech Republic (where they amount to over 4 % of disposable income).

In the southern EU Member States, rent and mortgage interest payments account for 18–21 % of total housing costs for those at risk of poverty and amount to less than 10 % of disposable income on average. Other housing costs amount to 23–26 % of disposable income except in Greece (43 %, the highest in the EU apart from Slovakia). Housing allowances are of negligible importance in all cases.

In the other EU15 countries, rent and mortgage interest payments make up between 30 % (Ireland) and 56 % (Sweden) of total housing costs of those at risk of poverty and absorb on average 16–32 % of disposable income, except in Ireland (only just over 8 %). Other housing costs amount to over 19 % of disposable income except in Luxembourg (14 %) and housing allowances reduce effective housing costs markedly in France and the UK (by over 20 % of disposable income) as well as in Finland (by almost 14 %).

For most of these countries, therefore, the main burden on disposable income for people on low incomes, as for those with higher incomes, arises in general from maintenance, fuel and other housing costs and only to a minor extent from rent and mortgage interest payments.

Figure 54: Average housing costs relative to disposable income for those at risk of poverty, 2007



Note: EU refers to EU25 excluding MT. DE not included in the EU average. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

3.2.2. Changes in housing costs over time

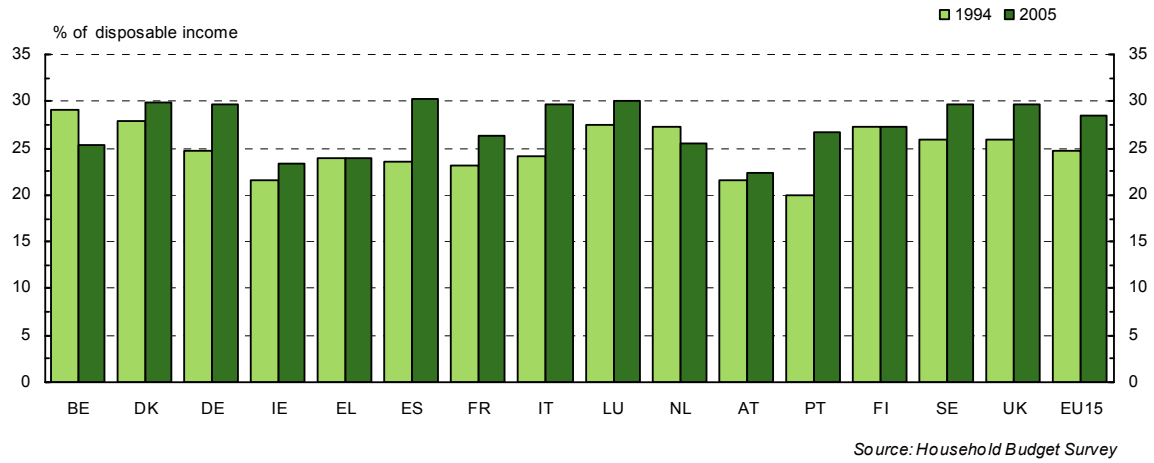
The Household Budget Survey (HBS) provides additional information on the components of housing costs and how they have changed over time in relation to income. Although the data are not fully comparable with those from the EU-SILC, because the terms are defined slightly differently, they are indicative of developments across the EU, at least for the EU15 countries.

The main difference between the data compiled by the HBS in the different Member States and those collected by the EU-SILC is that, in the HBS, mortgage interest payments are not included explicitly in housing costs: imputed rent of owner-occupation is included instead.

The slightly more detailed breakdown of housing costs in the HBS indicates that the main component of the 'other' cost element – i.e. of costs other than rent, actual and imputed – is electricity and gas, along with water charges. Together these amounted to around 7 % of the disposable income of households across the EU as a whole in 2005, and around 9 % for households in the bottom quintile of the income distribution (i.e. the 20 % with the lowest income levels). These costs, however, were much higher in many of the EU10 countries, amounting to between 15 % and 17 % of disposable income in Poland, Hungary and Slovakia and 13 % in the Czech Republic. For those on low incomes, these costs were higher still, amounting to 22 % of disposable income in Hungary and Slovakia as compared with 6 % or less in six of the EU15 Member States (Greece, Spain, Finland, Sweden, Ireland and the UK).

Over the 11 years 1994–2005, housing costs increased on average in the EU15 as a whole from just under 25 % of disposable income to just over 28 % – a rise of almost 4 percentage points. The increase, however, was slightly larger for those in the bottom quintile of the income distribution from just over 29 % of income to almost 34 % (Figure 55).

Figure 55: Average housing costs relative to disposable income, 1994 and 2005



Source: Household Budget Survey

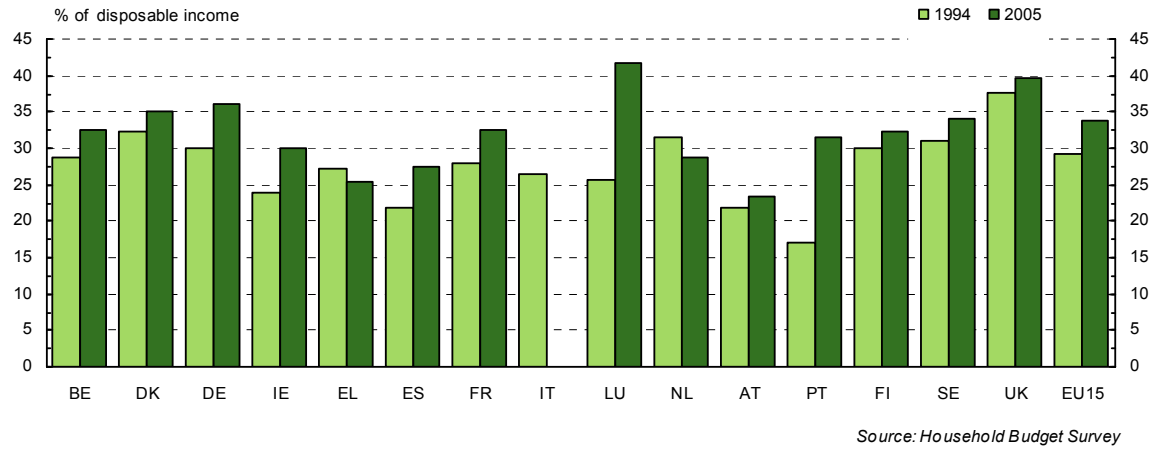
Although most countries experienced an increase in housing costs over this period relative to disposable income, they declined in Belgium (by almost 4 percentage points) and the Netherlands (by just under 2 percentage points), in both cases largely because of a fall in imputed rent[62], while they remained unchanged in Greece and Finland and rose by very little in Austria. On the other hand, the increase was particularly large in Spain and Portugal (almost 7 percentage points), in both cases because of a large rise in imputed rent. Imputed rent also rose markedly over the period in Italy and the UK (by 6–7 % percentage points relative to disposable income, as in Spain and Portugal).

On the hand, over the same period, there was little increase in energy and water costs; they rose by more than 1 percentage point of income only in Belgium, France and the Netherlands and declined relative to income in Austria, Ireland and the UK.

The EU-wide tendency for housing costs to rise more for people in the bottom 20% of the income distribution than for those with higher incomes is also evident in 9 of the 14 Member States for which data are available (there are no data for Italy). The rise was particularly large in Ireland (6 percentage points relative to income) and, most especially, in Luxembourg and Portugal (15–16 percentage points). In Spain, although the increase was slightly less than for those with higher income, it was still substantial (almost 6 percentage points relative to income) (see Figure 56). For those on low incomes, the main reason for the increase in most countries was a rise in (actual) payments of rent, which went up by 7–9 % of disposable income in Belgium and the UK and by 6 % in Luxembourg. In Spain, the Netherlands and Portugal, on the other hand, the main reason was a rise in imputed rent. Only in Denmark, France and Luxembourg was there much of a rise in energy and water costs relative to income over the period.

[62] Imputed rent is estimated as the market rent which home owners would pay on their house if they did not own it. A fall, therefore, reflects a decline in such rent relative to income. This could perhaps be a result of a spread of home ownership to lower value houses (which in itself would tend to reduce the average) and/or due to a decline in market rents as such.

Figure 56: Average housing costs relative to income for those in bottom quintile of income distribution, 1994 and 2005



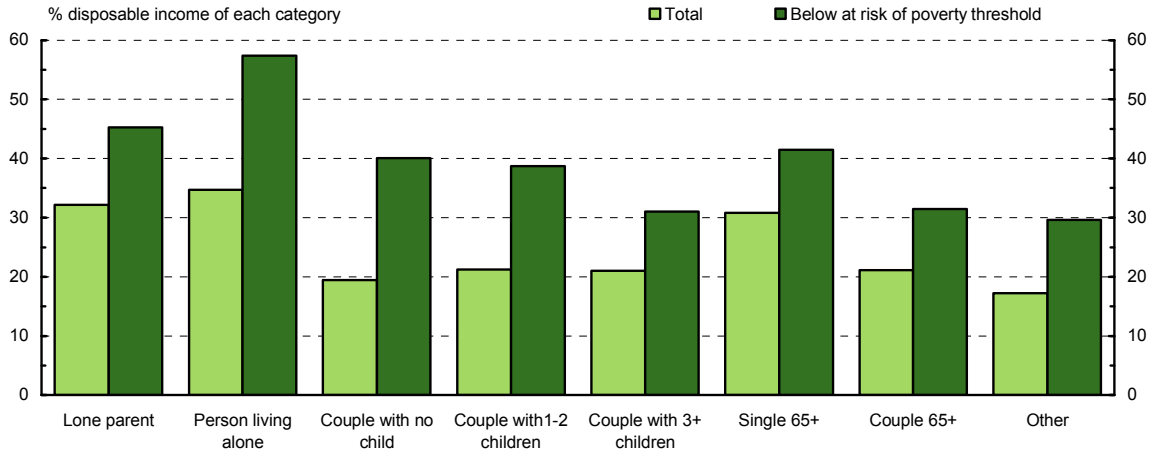
Source: Household Budget Survey.

3.2.3. Housing costs and household structure

Housing costs tend to represent a larger share of income for those living alone than for those sharing a household with other people. There is no tendency for housing costs to be higher for large families – those with three or more children – than for smaller ones. This reflects the fact that housing costs, considered overall, may be only slightly higher for larger families than smaller ones, given the large share of costs which are absorbed by fuel, maintenance, repair and so on, and given also the fact that house prices and rents do not tend to increase in proportion to the size of houses. Prices and rents are also affected by many factors other than size, especially location, while large families do not necessarily have larger houses than smaller ones.

In the EU as a whole, therefore, housing costs averaged around 34 % of disposable income for people of working age living alone and around 32 % for lone parents. Housing costs also represent a relatively large share of income (31 %) for those aged 65 and over living alone. These figures are substantially higher than for other households with more than one adult, whether they have children or not (Figure 57 and Table 17).

Figure 57: Average housing costs as % of disposable income by household type for total population and those at risk of poverty in the EU, 2007



Note: 'Other' includes households with more than two adults.
Source: EU-SILC, 2007

Table 17: Housing costs by household type, 2007

% disposable income

	Lone parent	Person living alone	Couple with no child	Couple with1-2 children	Couple with 3+ children	Single 65+	Couple 65+	Other	Total
BE	32.2	35.4	17.4	18.3	18.0	32.2	19.5	14.1	21.0
CZ	36.2	34.6	21.0	22.4	23.8	34.6	25.5	18.7	23.5
DK	32.0	39.4	22.6	24.7	25.2	32.0	26.5	19.5	27.5
EE	25.4	26.3	13.1	13.6	12.1	26.5	14.9	10.6	15.6
IE	19.1	22.6	12.3	12.6	11.2	13.7	8.6	7.4	12.4
EL	45.2	42.2	23.8	29.3	29.4	39.8	26.1	24.6	27.7
ES	32.2	31.3	13.6	17.3	20.8	21.5	13.9	13.1	16.1
FR	20.3	26.9	14.3	12.5	9.3	21.4	13.6	12.1	14.9
IT	29.4	28.5	14.2	17.6	19.5	26.1	17.7	15.2	17.9
CY	17.8	21.7	10.0	11.3	10.7	15.4	10.7	8.8	11.1
LV	28.8	36.2	18.1	18.3	23.9	36.0	22.5	14.3	19.9
LT	25.9	28.8	14.2	14.3	14.4	27.0	15.5	12.0	16.0
LU	24.9	23.9	11.5	14.1	14.1	13.9	8.4	9.9	13.9
HU	27.1	31.5	18.8	20.5	19.7	29.0	21.3	16.9	20.6
NL	46.9	41.3	27.1	28.8	30.8	42.7	29.7	19.4	30.9
AT	28.9	29.3	14.6	16.8	17.1	24.2	15.9	11.8	17.7
PL	31.1	34.1	22.0	24.1	22.8	31.0	20.4	18.9	22.8
PT	31.9	28.7	14.0	20.4	23.8	19.0	13.0	12.8	17.2
SI	20.6	27.3	13.7	13.8	12.2	25.7	15.3	11.2	14.4
SK	42.7	46.8	24.7	28.2	30.6	45.3	34.4	22.4	28.2
FI	23.0	25.3	13.1	14.6	14.7	21.1	12.5	10.5	16.0
SE	26.1	31.0	14.8	14.1	15.3	28.1	18.5	15.0	18.5
UK	38.4	40.2	23.6	27.3	28.4	35.3	22.5	20.5	27.3
EU	32.2	34.7	19.4	21.2	21.1	30.8	21.1	17.2	22.2

Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

The figures, moreover, show a similar pattern in most countries. In all Member States without exception, therefore, housing costs represent a larger share of disposable income for people of working age living alone and for lone parents than for the population as a whole. They also represent a larger share for those aged 65 and over living alone in all countries except Luxembourg, where the share is similar to that for the rest of the population.

For large families with three or more children, housing costs are lower in relation to income than for others in all Member States apart from Greece, Spain, Portugal, the Czech Republic (marginally), Latvia, Slovakia and the UK.

The picture is similar for those with income below the poverty threshold. In all countries, people of working age living alone have higher housing costs relative to income than those living in other households. The average across the EU amounts to 57 % of disposable income as opposed to a figure of 35 % of income for the population as a whole (Table 18). Lone parents with low income also have higher housing costs than others in all countries except Denmark, Sweden and the UK. This is equally the case for elderly people aged 65 and over living alone in the majority countries, though unlike for the total population, there are 10 countries where the cost of their housing is less than for other people.

For large families with three or more children, there are only three countries – Latvia, Portugal and Slovakia (marginally), where housing costs represent a larger share of income than for others.

Table 18: Housing costs for those at risk of poverty by household type, 2007

% disposable income

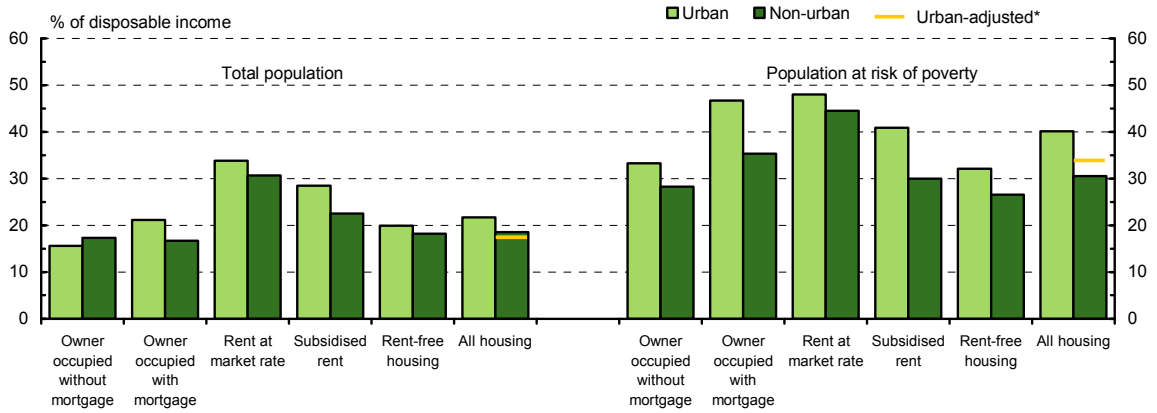
	Lone parent	Person living alone	Couple with no child	Couple with1-2 children	Couple with 3+ children	Single 65+	Couple 65+	Other	Total
BE	43.2	55.8	42.4	37.7	29.2	43.4	30.0	30.4	39.9
CZ	51.6	52.4	40.3	39.3	30.8	38.8	27.6	31.2	40.1
DK	44.4	62.4	50.1	69.8	40.8	42.5	31.7	57.7	51.9
EE	34.4	41.8	26.0	30.2	18.0	28.7	18.5	20.8	29.6
IE	27.1	32.4	25.2	25.7	17.5	15.8	15.6	15.6	22.8
EL	74.3	78.3	48.0	55.8	49.8	62.2	39.9	42.7	52.3
ES	56.3	60.1	30.2	32.1	32.7	27.2	19.1	26.5	30.9
FR	27.4	39.0	27.0	20.7	9.5	29.2	24.4	20.4	23.7
IT	52.5	58.0	30.8	33.3	30.2	38.4	26.6	25.7	34.0
CY	26.6	30.9	16.9	18.6	16.7	16.4	11.7	17.3	17.4
LV	38.6	54.9	34.6	33.6	35.2	38.2	28.1	26.2	35.9
LT	35.7	46.2	28.5	30.2	19.5	29.5	18.6	23.9	29.7
LU	37.7	46.8	29.3	25.5	24.0	36.7	17.2	21.0	29.3
HU	40.2	53.3	42.0	36.2	28.3	43.7	47.8	26.1	36.3
NL	66.4	61.1	62.3	53.1	45.2	61.0	41.6	28.4	54.5
AT	45.0	58.1	34.8	34.3	29.0	33.2	28.1	21.3	37.0
PL	44.6	47.3	41.4	44.9	32.1	36.3	27.6	29.8	37.7
PT	44.6	37.8	26.0	33.7	31.4	26.6	18.7	20.5	28.3
SI	32.7	38.1	25.0	30.5	23.4	30.1	24.0	24.0	28.6
SK	57.7	69.8	45.4	52.0	48.7	49.9	63.6	39.9	49.0
FI	31.0	36.3	26.8	28.2	20.2	22.4	14.1	14.5	27.1
SE	40.5	63.3	45.8	37.4	28.9	39.1	34.3	41.4	44.2
UK	45.3	68.7	50.3	52.8	37.5	47.8	35.7	35.9	47.0
EU	45.2	57.4	40.1	38.7	31.0	41.5	31.5	29.6	39.3

Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

3.2.4. Housing costs and urban non-urban differences

On average across the EU, housing costs represent a larger share of disposable income in urban areas than in non-urban ones – 22 % as against just over 19 % (Figure 58). This difference, however, is not common to all Member States. In 5 countries – Belgium, Greece, Sweden, Lithuania and Hungary – housing costs are lower relative to income in cities than in non-urban areas, though in all these cases the difference is small (less than 2 percentage points) (see Table 19).

Figure 58: Average housing costs as % of disposable income by housing tenure in urban and non-urban areas for total population and those at risk of poverty in the EU, 2007



** Applying the urban population housing tenure distribution to the non-urban housing cost ratios.*
Note: EU refers to EU25 excluding MT
Source: EU-SILC 2007

Table 19: Housing costs in urban and non-urban areas by type of housing tenure, 2007

% disposable income

	Owner occupied		Owner occupied with		Rent at market rate		Subsidised rent		Rent-free housing		All housing		
	Urban	Non-urban	Urban	Non-urban	Urban	Non-urban	Urban	Non-urban	Urban	Non-urban	Urban	Urban*	Non-urban
BE	15	17	18	20	38	38	29	33	9	14	23	20	22
CZ	23	21	24	25	33	32	26	23	18	20	25	24	22
DK	19	20	28	25	35	33					31	27	26
EE	17	14	13	12	36	21	25	14	23	13	18	17	14
IE	7	9	12	13	37	26	15	15	5	5	14	10	11
EL	27	29	24	26	32	36	10	11	12	16	27	26	29
ES	11	11	19	19	42	33	27	17	12	11	17	15	15
FR	11	10	8	8	27	26	24	21	10	10	17	13	12
IT	13	14	20	18	35	30	26	23	13	14	19	17	16
KY	8	8	15	16	25	22	19	27	8	9	11	11	11
LV	20	19	35	28	20	22	23	23	14	17	21	20	19
LT	15	16	17	23	38	25	19	24	13	18	15	15	16
LU	5	6	15	13	29	25	37	22	5	5	16	13	12
HU	20	21	20	23	18	23	18	20	23	21	20	20	22
NL													
AT	12	12	15	15	26	25	22	20	17	16	21	15	15
PL	22	21	22	20	39	27	33	29	25	23	24	23	22
PT	14	13	21	20	29	29	18	17	10	11	18	16	16
SI													
SK	27	26	39	36	39	42	80	27	19	18	29	29	28
FI	11	11	14	14	29	25	26	23	3	4	18	15	15
SE	7	15	8	13	33	33	33	30	0	0	18	15	18
UK	19	20	27	29	44	40	34	31	19	18	28	27	27
EU	16	17	21	17	34	31	29	23	20	18	22	19	19

** indicates housing costs assuming the same composition of housing tenure as in non-urban areas.*
Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

For those with income below the poverty threshold, the difference in costs between the two types of area tends to be much wider. On average, therefore, housing costs amount to almost 36 % of disposable income for such people living in cities across in the EU as a whole as against 31 % for those living in non-urban areas, Moreover, housing costs are higher relative to income in urban than in non-urban areas in all countries apart from Belgium and Greece, where there is no difference between the two types of area, though in Ireland, the UK, Sweden and Cyprus, the difference was very small (Table 20).

The question arises as to how far these variations in housing costs between the two types of area are related to difference in the pattern of housing tenure and to the age structure of the population. In particular, if people living in cities tend to have higher housing costs, to what extent is this related to them living in rented accommodation and/or being younger, on average, than those living in more non-urban areas?

Although the age structure of the population differs between cities and non-urban areas (there are more young people in cities and fewer people aged 65 and over), this in itself has only a marginal effect on the difference in average housing costs between the two, since housing costs vary only slightly between people in different age groups. On average, therefore, despite the larger extent of home ownership among those aged 65 and over and the fact that in most countries nearly all of those concerned no longer have mortgage interest payments, housing costs are slightly higher in relation to disposable income for older than for younger people. There are only five countries where this is not the case (Cyprus, Luxemburg, Portugal Finland and the UK), and in all but one of these cases (Luxembourg), the difference is small.

There is a difference, however, in average housing costs between age groups for those with income below the poverty threshold. In most countries, for those aged 65 and over with low incomes housing costs represented a smaller share of disposable income than for younger age groups. On average across the EU, the diference was almost 6 percentage points. This contributes to the difference in the weight of housing costs in cities as opposed to non-urban areas for this group.

There is also a difference in the pattern of tenure between the two types of area both for those with income above the poverty threshold and those with income below. This too is a factor underlying the difference in the importance of housing costs between the two. Taking the population as a whole irrespective of income levels, the difference in the pattern of tenure explains over 60 % of the difference in housing costs relative to income between cities and non-urban areas on average across the EU. In Ireland and Austria, this difference explains all or almost all of the difference in costs, and in France and Finland over 80 %.

For those with income below the poverty threshold living in cities, housing costs also tend to be higher relative to disposable income than for those living in non-urban areas in respect of all types of housing. For example, across the EU as a whole, for owner-occupiers with mortgages, housing costs average around 45 % of income for those at risk of poverty living in cities as against 35 % for those living in non-urban areas. For those renting accommodation and paying the market rate, costs are also higher in cities than in non-urban areas in most countries, though the difference tends to be smaller. Nevertheless, the difference in the pattern of housing tenure between the two types of region – between the extent of owner-occupation, accommodation rented at the market rate and so on – explains almost half the difference in overall housing costs between the two and all or nearly all of the difference in Belgium, Ireland and Cyprus (Table 20).

Table 20: Housing costs in urban and non-urban areas by type of housing tenure for those at risk of poverty, 2007

% disposable income

	Owner occupied		Owner occupied		Rent at market rate		Subsidised rent		Rent-free housing		All housing		
	Urban	Non-urban	Urban	Non-urban	Urban	Non-urban	Urban	Non-urban	Urban	Non-urban	Urban	Urban*	Non-urban
BE	29	28	35	20	52	53	35	50	10	20	41	35	34
CZ	48	34	32	39	51	48	41	35	20	29	45	43	36
DK	42	33	70	67	59	51					58	56	49
EE	33	26							37	22	36	37	26
IE	16	17	32	31	74	34	15	19			30	23	20
EL	58	49	59	51	60	57			27	34	56	57	50
ES	26	20	43	36	65	45	42	25	22	18	36	33	25
FR	28	18	11	10	27	29	26	20	20	12	25	26	19
IT	29	25	47	33	51	43	39	37	25	28	38	33	29
CY	12	14	25	20	38	35	21	44	10	10	18	16	16
LV	46	34					47	32		20	46	44	32
LT	37	27						34	20	30	36	34	28
LU	20	11	18	24	40	35	47	50			31	26	22
HU	46	36	42	35	31		30	27	58	31	41	45	35
NL													
AT	22	27	38	30	46	44	36	41	34	25	42	33	31
PL	49	34			65			38	42	35	47	49	34
PT	30	21	34	36	49	45	28	29	18	17	31	30	24
SI													
SK	56	42		65	60	61					56	59	46
FI	26	18	34	24	44	38	31	28			33	31	24
SE	10	30	25	34	53	56					44	37	44
UK	36	39	55	74	65	59	47	43			47	46	49
EU	33	28	47	35	48	44	41	30	32	27	40	36	31

*Notes: * indicates housing costs assuming the same composition of housing tenure as in non-urban areas. Missing values signify that the number of people concerned is too small to be reliable except for the Netherlands and Slovenia where disaggregation is not possible. Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).*
Source: EU-SILC 2007

Housing costs and housing policy – the example of the former Communist countries

As wee have seen, home ownership is especially widespread, as indicated above, in the former centrally-planned countries which entered the EU in 2004. This is a result of a policy of transferring ownership of houses and apartments to the people living in them before the transition from communism. This policy seems designed to reduce housing costs for most of the population, thus helping to reduce the risk of poverty by relieving people of the need to cover rental costs from their income.

In practice, however, the result is not quite as simple. The above analysis shows that, while rent and payments of mortgage interest tend to make up a much smaller share of total costs in the new Member States than in the EU15, this in itself does not necessary lead to overall lower housing costs in relation to disposable income. Although costs are lower than the EU25 average in 6 of the 9 countries for which data are available, they are higher in the Czech Republic, Poland and above all in Slovakia. They are also higher in the Czech Republic and Slovakia for people with income below the poverty threshold, whereas in the other countries, costs on average are lower than in most EU25 countries for people at risk of poverty. The fact that a larger proportion of people own their own homes in the countries concerned, therefore, seems in most cases to lead to housing costs being less of a burden for those on low incomes than in the rest of the EU. At the same time, however, the lower costs may mean that many of the people concerned are foregoing necessary repairs and maintenance of their homes. This, in turn, may in turn mean that they are both building up a future cost burden which will eventually have to be met and also putting up with living in low quality housing.

3.2.5. Housing costs: a financial burden or a reflection of better quality housing

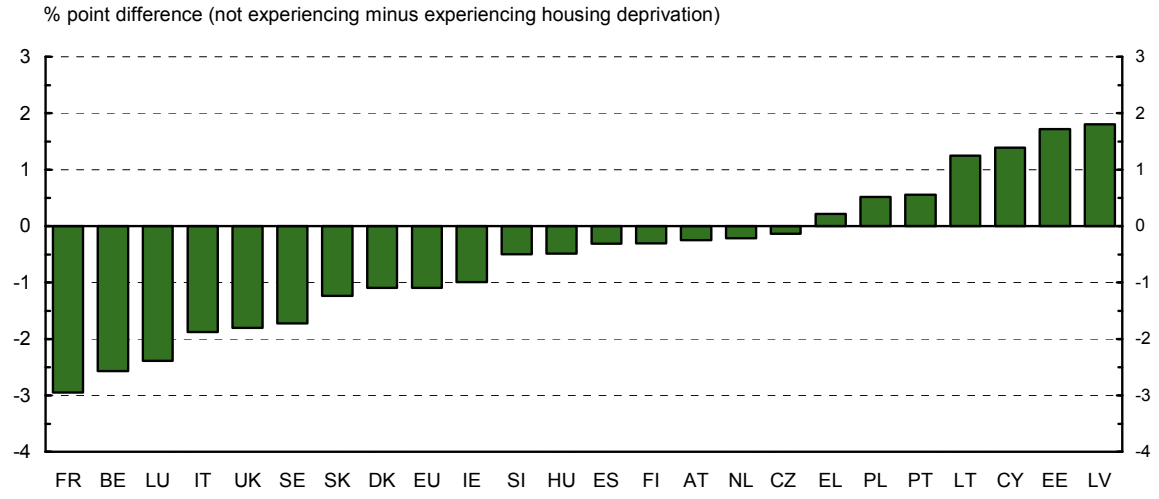
How housing costs should be treated when assessing income distribution and the risk of poverty depends in some degree on the extent to which people have an element of choice over the scale of the costs involved – whether, in other words, people who have high housing costs have chosen to pay more in order to have a better house or whether they have little choice but to bear the high costs because that is the nature of the market. Which of the two is more important is reflected to some extent in the relationship between housing costs and housing quality – whether the two tend to go together or whether people who have high housing costs also have poor quality housing.

Several indicators describing housing conditions, based on the information available in the EU-SILC, have recently been adopted by the European Commission to monitor the situation in this respect across Member States. One of them covers those who live in a home which has structural problems (such as a leaking roof, damp walls, rotten floors or window frames), lacks an indoor toilet and bath or shower or is too dark. In addition, the special ad hoc module included in the EU-SILC for 2007 questioned people on their views about various aspects of their housing, including whether or not they considered it short of space and their overall satisfaction with it, given its location and access to amenities as well as its quality relative to the cost. The relationship between each of these various indicators and the cost of housing relative to income is explored below.

Contrary to what might be expected, the housing costs for people with income above the poverty threshold but experiencing housing deprivation (i.e. reporting at least one of the three problems included in this indicator) tend, on average, to be higher relative to disposable income than for people not experiencing deprivation (Figure 59). In the EU as a whole, therefore, housing costs are some 1 % of disposable income less for people not reporting a housing problem than for those reporting one. There are only 7 Member States (6 of the new Member States plus Portugal) where housing costs were higher for those without problems.

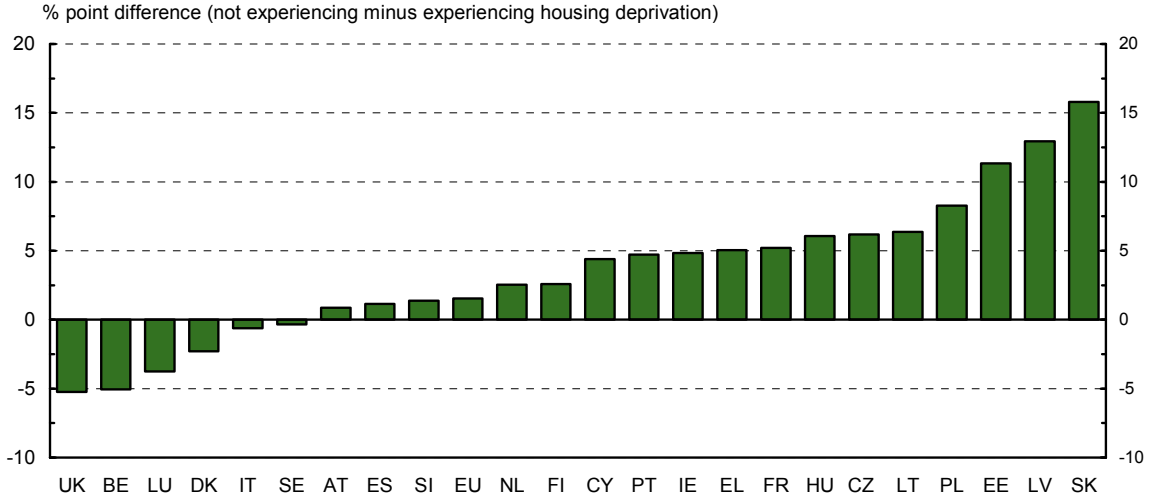
For people with lower incomes at risk of poverty, the pattern is the reverse. Those not experiencing housing deprivation according to the indicator tend to have higher housing costs on average than those experiencing such deprivation – around 1.5 % of disposable income across the EU as a whole (Figure 60). Costs are higher in 19 of the 24 countries, the only exceptions being the UK, Belgium, Denmark, Luxembourg and Italy. In most countries, therefore, people with low incomes who have relatively high housing costs tend, at least, to have a better quality house. Conversely, it might imply that many of those on low income are obliged to accept inferior standard housing as the price of keeping housing costs down.

Figure 59: Difference in housing costs as % of income between those experiencing and those not experiencing housing deprivation for those with income above the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Figure 60: Difference in housing costs as % of income between those experiencing and those not experiencing housing deprivation for those at risk of poverty, 2007



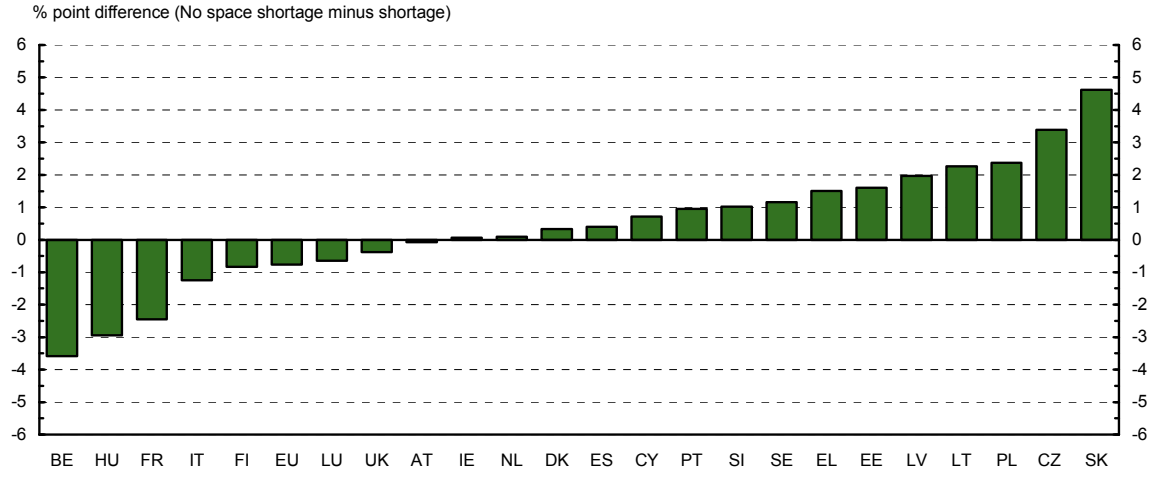
Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Size is a further dimension of housing quality, which again should be related to housing costs insofar as larger homes tend to be more expensive to purchase or rent and – in some degree – to maintain. In practice, there is a positive relationship between housing costs and spaciousness in some countries only: those reporting a shortage of space in their homes also tend on average to have lower housing costs in relation to disposable income.

For those with income above the poverty threshold, there are 10 countries where the difference in average housing costs between people reporting no shortage of space and those reporting a shortage was less than 1 % of disposable income. There are four countries (Belgium, France, Hungary and Italy), where housing costs relative to income are higher on average for people reporting a shortage of space. The opposite is true in just nine countries, in which shortage of space goes together with lower housing costs the opposite is the case. (Figure 61 and Table 21).

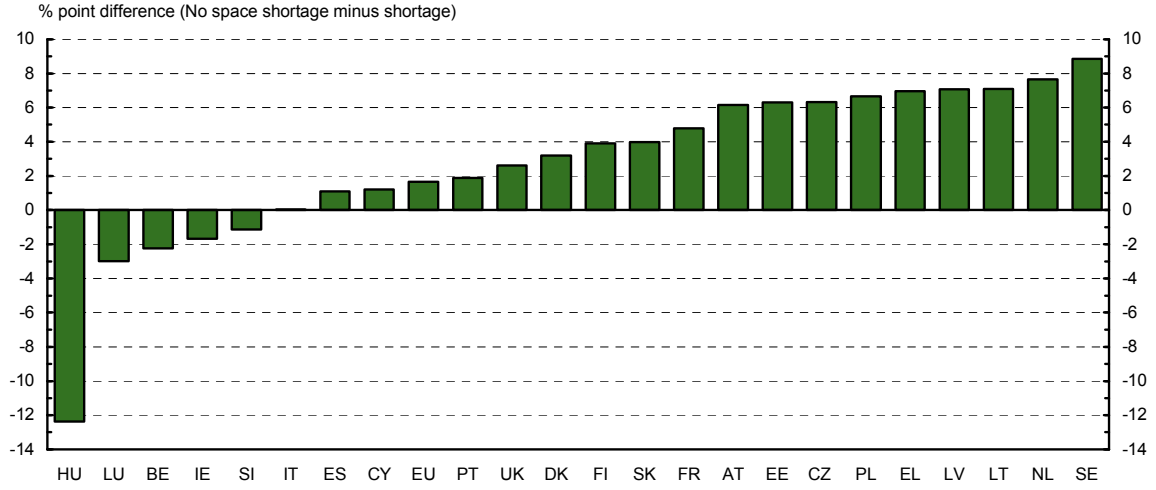
There is, however, a more widespread positive relationship between housing costs and space for people with income below the poverty threshold, suggesting that for those with low incomes, a shortage of space might be a price paid for keeping housing costs down. Across the EU as a whole, average housing costs relative to income are only marginally higher for those reporting no shortage of space than for those reporting a shortage (Figure 62). Nevertheless, in 17 of the 23 countries covered, housing costs are higher for people reporting no space shortage. There are only five countries (Luxembourg, Belgium, Ireland, Slovenia and, above all, Hungary) where the reverse is the case.

Figure 61: Difference in housing costs as % of income between those reporting no shortage of space and those reporting a shortage for the population with income above the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Figure 62: Difference in housing costs as % of income between those reporting shortage of space and those reporting no shortage for the population with income below the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Table 21: Housing costs and those reporting shortage of space problems, 2007

% disposable income

	Above 60% median		*Below 60% median*	
	No	**Yes**	**No**	**Yes**
BE	17.4	21.0	39.4	41.6
CZ	22.1	18.8	41.8	35.5
DK	24.3	24.0	52.6	49.4
EE	12.8	11.2	31.0	24.7
IE	10.3	10.2	22.3	24.0
EL	21.8	20.3	54.4	47.4
ES	12.6	12.2	31.1	30.0
FR	13.2	15.7	24.9	20.1
IT	13.8	15.0	34.0	34.0
CY	10.2	9.4	17.7	16.5
LV	16.6	14.7	37.3	30.3
LT	13.3	11.1	31.2	24.1
LU	11.5	12.1	28.4	31.4
HU	15.9	18.9	26.7	39.0
NL	28.3	28.2	56.4	48.7
AT	15.1	15.1	38.9	32.7
PL	20.3	18.0	40.2	33.5
PT	14.9	14.0	28.8	26.9
SI	12.7	11.7	28.4	29.6
SK	26.6	22.0	50.2	46.2
FI	14.2	15.1	27.8	23.9
SE	15.6	14.4	45.9	37.1
UK	22.6	23.0	47.7	45.1
EU	17.4	22.5	37.6	42.6

Note: 'No' No shortage of space in dwelling; 'Yes' dwelling is shortage of space. Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

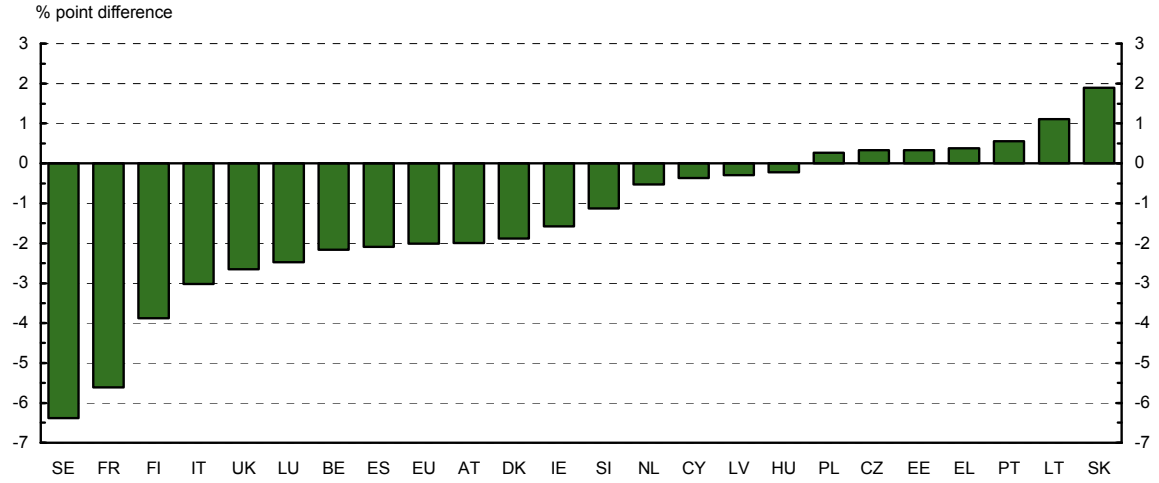
There does not appear to be a close relationship between housing costs and overall satisfaction with the house or apartment concerned – at least for those with income above the poverty threshold[63]. For such people, there are only two countries, Lithuania and Slovenia, where housing costs are, on average, higher relative to income for people expressing satisfaction with their home than for those expressing dissatisfaction (Figure 63). In 10 countries, there is not much difference in housing costs between the two groups, while in the remaining 12; housing costs are higher among the dissatisfied than the satisfied, which might be part of the reason for their dissatisfaction.

There are, again, many more countries where housing costs and housing quality seem to go together for those at risk of poverty. In 12 countries, housing costs are higher on average among those reporting being satisfied with their house than among the dissatisfied. There are eight other countries where the dissatisfied people have higher costs and four where there is not much difference (Figure 64 and table 22).

Accordingly, there is more evidence across the EU of a positive relationship between housing costs and housing quality for people on low income than for those with higher income levels.

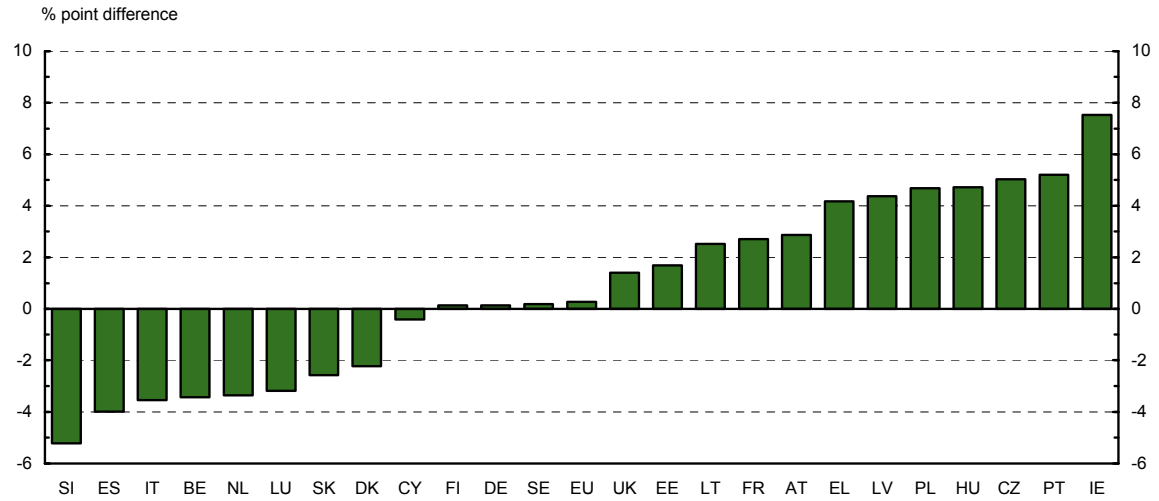
[63] People's overall satisfaction with their home relates to their feelings about whether it meets the household's needs, about the price, the space it provides, the neighbourhood, distance to work, housing quality and other aspects.

Figure 63: Difference in housing costs as % of income between those satisfied with their housing and those dissatisfied for the population with income above the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Figure 64: Difference in housing costs as % of income between those satisfied with their housing and those dissatisfied for the population with income below the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Table 22: Average housing costs in relation to satisfaction/dissatisfaction with housing, 2007

% disposable income

	Above 60% median income			*Below 60% median income*		
	Very dissatisfied	**Dissatisfied**	**Satisfied/ very satisfied**	**Very dissatisfied**	**Dissatisfied**	**Satisfied/ very satisfied**
BE	18.3	21.5	17.5	40.8	43.4	39.1
CZ	21.4	21.5	21.8	46.8	34.3	41.8
DK	25.8	26.2	24.2	55.1	52.9	51.5
EE	13.1	11.9	12.4	21.3	30.3	30.2
IE	10.9	12.2	10.0	15.8	18.2	24.8
EL	20.1	21.3	21.5	44.3	50.3	53.1
ES	15.1	14.2	12.3	34.9	33.9	30.2
FR	19.6	18.6	13.1	19.1	22.3	24.3
IT	17.9	16.3	13.5	40.8	35.4	33.0
CY	10.4	10.3	9.9	17.3	17.9	17.3
LV	15.6	16.3	15.8	36.5	31.7	37.6
LT	12.0	12.0	13.1	29.8	27.6	30.7
LU	14.5	13.8	11.4	41.2	28.3	28.8
HU	18.8	18.5	18.4	34.5	33.8	38.7
NL	27.6	29.1	28.2	76.8	41.6	54.3
AT	18.3	16.7	14.9	34.4	34.8	37.6
PL	19.9	19.4	19.8	34.3	34.6	39.3
PT	13.8	14.5	14.9	20.5	26.5	29.7
SI	14.5	13.2	12.4	38.8	30.4	27.6
SK	23.5	24.4	26.1	38.5	55.5	48.1
FI	18.7	17.8	14.1	26.0	27.5	27.2
SE	22.7	21.4	15.2	65.3	41.1	44.1
UK	27.7	24.6	22.5	49.6	45.4	47.4
EU	22.8	19.3	18.7	39.9	36.7	39.8

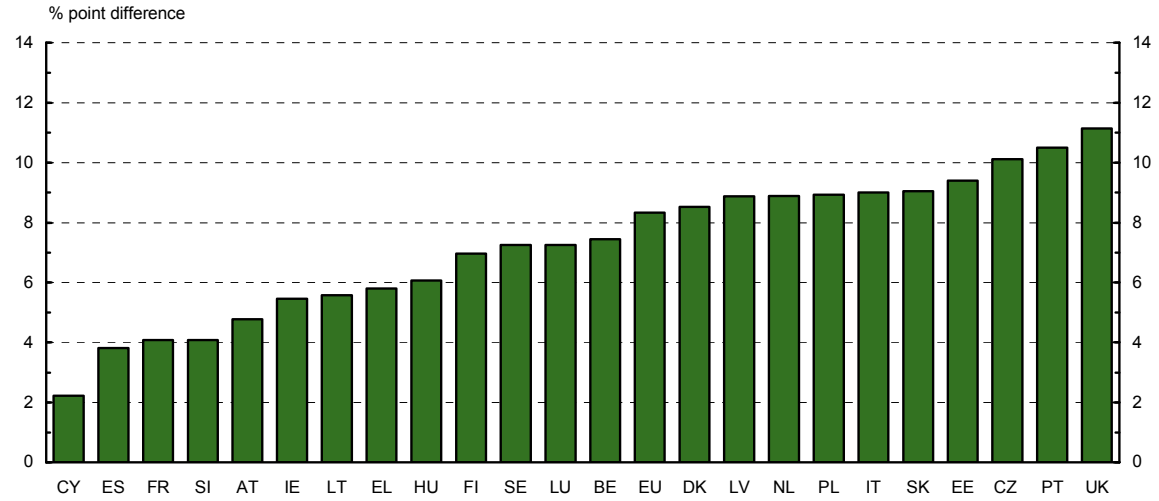
Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

3.2.6. Housing costs and financial burden

The extent to which housing costs represent a financial burden on households can be seen directly from the responses to the EU-SILC question on this subject. In particular, we can see the difference in housing costs between people who feel those costs to be 'a heavy financial burden' and those who say they are 'somewhat of a burden' or 'no burden at all'.

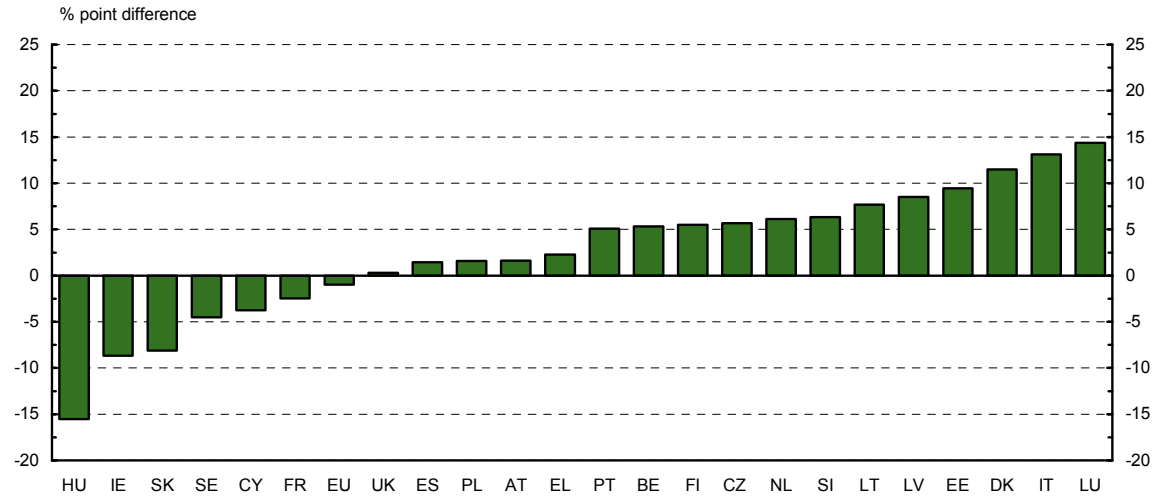
On average, across the EU, housing costs amount to around 23 % of disposable income for those with income above the poverty threshold who report housing costs are a heavy financial burden as against only around 14 % for those reporting no burden at all (Figure 65 and table 23).

Figure 65: Difference in housing costs as % of income between those reporting housing costs as a heavy burden and those reporting no burden for the population with income above the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Figure 66: Difference in housing costs as % of income between those reporting housing costs as a heavy burden and those reporting no burden for the population with income below the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Table 23: Housing costs relative to income by financial burden or not, 2007

% disposable income

	Above 60% median income			*Below 60% median income*		
	Heavy burden	**Some burden**	**No Burden**	**Heavy burden**	**Some burden**	**No Burden**
BE	22.4	17.9	14.9	40.8	38.6	33.6
CZ	27.4	21.2	17.3	42.4	37.7	35.8
DK	31.5	27.1	23.0	59.1	52.4	46.3
EE	18.0	12.8	8.6	31.6	27.6	22.3
IE	13.1	10.6	7.7	18.9	23.5	27.6
EL	23.4	21.1	17.6	53.1	49.5	52.0
ES	14.5	10.8	10.7	29.4	28.4	26.2
FR	16.2	14.0	12.1	21.5	24.8	22.1
IT	16.6	11.0	7.6	32.9	28.1	13.1
KY	10.6	8.7	8.4	17.2	17.0	20.3
LV	20.3	15.8	11.4	36.9	33.6	29.4
LT	15.8	12.5	10.2	31.5	27.3	24.8
LU	14.7	11.3	7.5	31.1	28.6	16.9
HU	20.3	18.2	14.2	34.3	37.4	49.4
NL	34.5	29.2	25.6	57.8	48.3	49.9
AT	18.7	14.9	14.0	38.0	36.6	36.4
PL	23.4	18.3	14.5	37.6	37.0	36.4
PT	20.4	14.6	9.9	30.0	27.6	24.9
SI	15.0	11.8	10.9	30.3	27.4	23.9
SK	28.7	25.0	19.7	46.9	51.3	55.3
FI	18.8	14.1	11.8	28.8	27.4	22.7
SE	21.5	16.2	14.2	37.8	46.9	40.2
UK	29.0	23.2	17.9	45.5	46.5	45.4
EU	21.1	19.1	16.1	36.7	39.4	36.5

Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

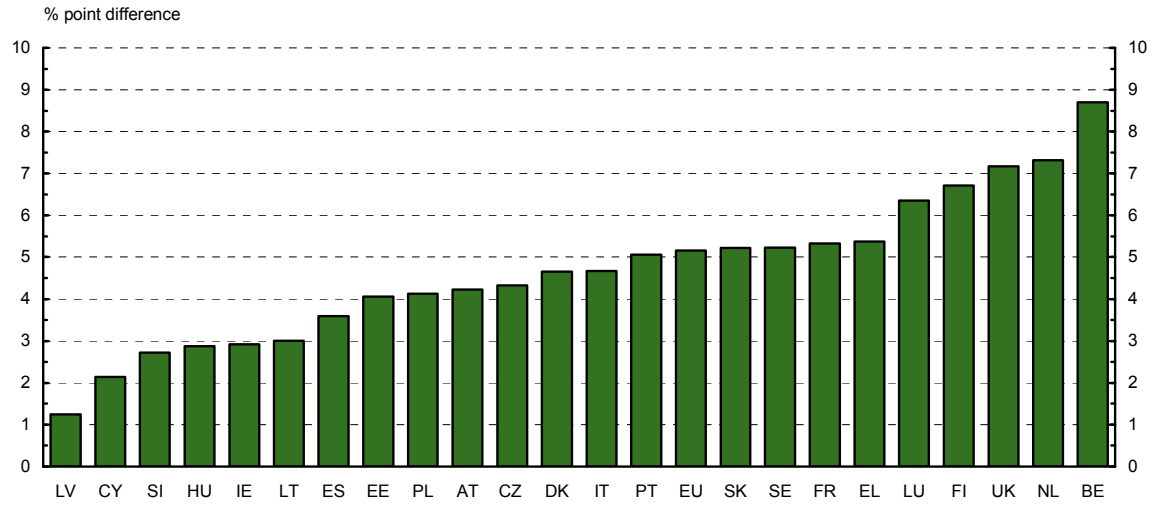
Moreover, though the extent of the difference between the two groups varies, in all countries people reporting housing costs to be heavy burden have higher costs than those for whom they are no burden. In most cases the difference in costs is more than 5 % of disposable income.

For those with income below the poverty threshold, however, the tendency is less marked. On average, the difference in housing costs relative to income between those reporting costs to be a heavy burden and those for whom they are no burden is only around half as large as for those with higher income levels (Figure 66). Nevertheless, in most Member States, housing costs are higher in relation to income among those reporting them to be a heavy burden than for those reporting no burden.

Housing costs are also higher in relation to income for people reporting in the EU-SILC that they are unable to face unexpected expenses than for people able to do so. In all countries, housing costs are higher for the first group than the second among those with income above the poverty threshold (Figure 67 and table 24).

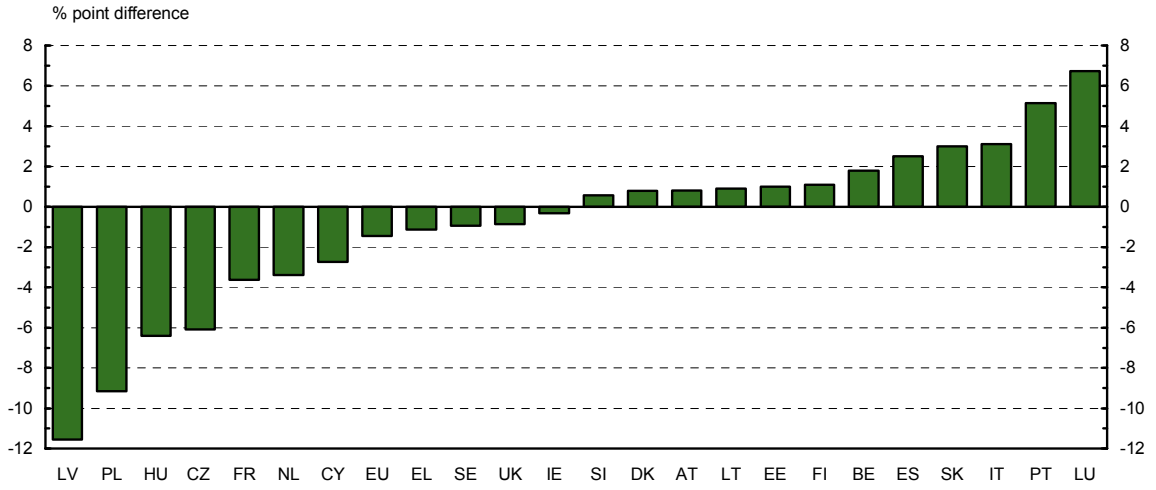
For those with income below the poverty threshold, however, there is no systematic relationship across the EU. In half the countries, housing costs are, on average, higher relative to income for people able to face unexpected expenses than those unable to do so; in 12 of the 24 countries they were lower for those able to face unexpected expenses (Figure 68).

Figure 67: Difference in housing costs as % of income between those reporting not being able to face unexpected expenses and those reporting to be able to for the population with income above the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Figure 68: Difference in housing costs as % of income between those reporting not being able to face unexpected expenses and those reporting to be able to for the population with income below the poverty threshold, 2007



Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source: EU-SILC 2007

Table 24: Housing costs by ability to face unexpected expenses, 2007

% disposable income

	Above 60% median		*Below 60% median*	
	Yes	**No**	**Yes**	**No**
BE	16.4	25.1	36.9	40.2
CZ	20.3	24.6	45.1	38.9
DK	23.6	28.2	48.1	51.3
EE	11.7	15.8	28.2	28.5
IE	9.3	12.2	22.2	22.1
EL	20.2	25.6	51.9	50.3
ES	11.6	15.2	27.9	30.1
FR	12.0	17.4	24.0	22.0
IT	12.7	17.4	30.2	32.3
KY	9.2	11.4	19.6	16.8
LV	15.1	16.3	44.6	33.6
LT	11.7	14.7	28.5	28.6
LU	10.6	16.9	24.9	31.5
HU	16.7	19.6	41.8	35.5
NL	26.9	34.3	50.5	52.5
AT	14.0	18.3	36.5	37.2
PL	17.7	21.8	44.0	35.8
PT	14.0	19.1	26.1	31.2
SI	11.5	14.3	28.0	28.8
SK	23.7	28.9	45.9	49.2
FI	12.6	19.3	25.6	27.6
SE	14.6	19.9	42.5	43.1
UK	21.2	28.3	46.3	45.4
EU	17.6	22.5	37.6	37.9

Note: 'Yes' Able to face unexpected expenses; 'No' unable to do so.
Note: EU refers to EU25 excluding MT. Data for DE not shown (see explanation in the introduction of this section).
Source:EU-SILC 2007

3.2.7. The effect of housing costs on the risk of poverty

The question now arises as to how far assessments of the risk of poverty are altered by taking explicit account of housing costs – i.e. whether disposable income is calculated before or after deducting housing costs.

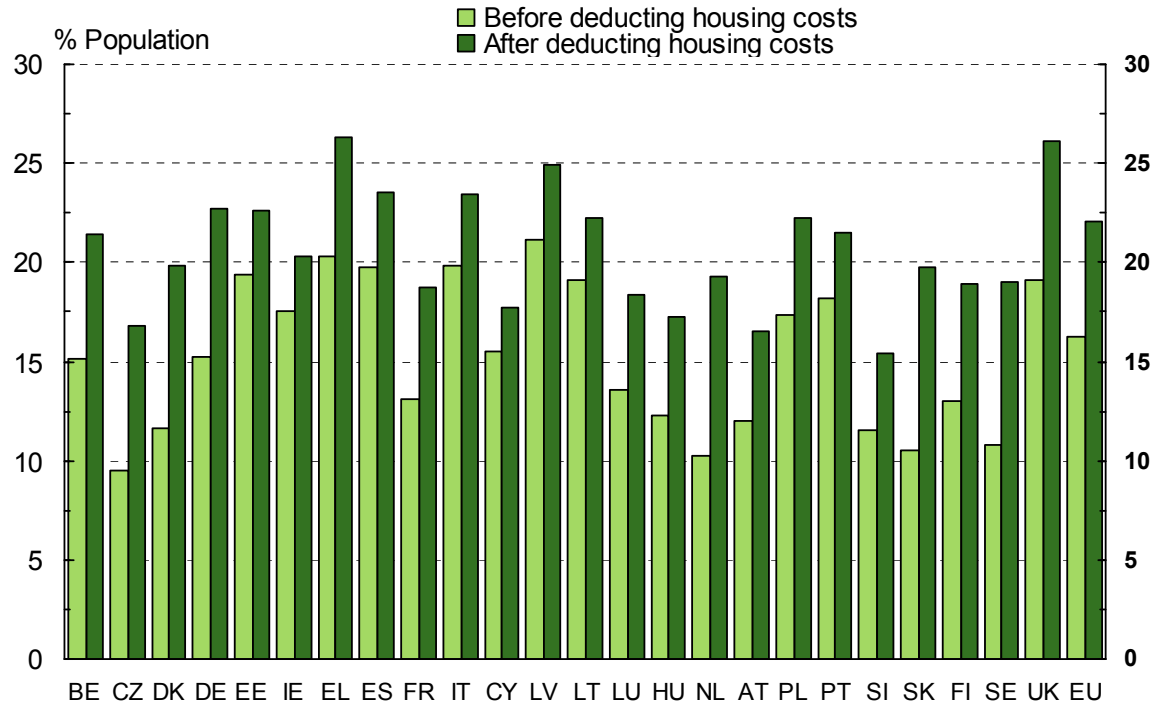
Since housing costs represent a charge on disposable income which arguably has to be met before other expenditure, there is a case for deducting such costs from income before assessing the distribution of purchasing power across society and identifying those whose income falls below a particular level relative to the median. On the other hand, people in most cases have some discretion over how much of their income they spend on housing, so that relatively high housing costs might reflect the choice of the people concerned to have a higher quality house in a more attractive and convenient area rather than to spend their income in other ways. As we have seen, however, there is no systematic relationship between costs and the quality and size of housing, so we cannot assume that most people who have higher housing costs relative to income than others live in a better or larger house. In practice, therefore, there are no clear grounds for deciding whether disposable income should be measured before or after housing costs when assessing income distribution and identifying the risk of poverty.

Nevertheless, it is instructive to see how assessment of the risk of poverty changes if disposable income is measured after deducting housing costs rather than before. For people on lower incomes, housing costs account, on average, for a larger proportion of their disposable income. Consequently, if we exclude housing costs when measuring disposable income, we increase the proportion of the population in all countries with income below the poverty threshold. This is true whether we define the poverty threshold as 60 %, 50 % or 40 % of median income. While, therefore, deducting housing costs reduces median income, the reduction is greater for people at the lower end of the scale.

Accordingly, if disposable income is defined after deducting housing costs, the proportion of people with income below 60 % of the (new) median is increased from 16 % to 22 % in the EU as a whole (Figure 69). Not

surprisingly, the increase is particularly large (8–9 percentage points) in countries where housing costs are high relative to income – in Denmark, the Netherlands, Sweden and Slovakia. On the other hand, the increase is relatively small in the southern countries, excluding Greece but including Cyprus, as well as in Ireland, Estonia, Lithuania and Slovenia, where housing costs were lower in relation to income.

Figure 69: Proportion of population below at risk of poverty threshold (60 % below median) before and after deducting housing costs, 2007



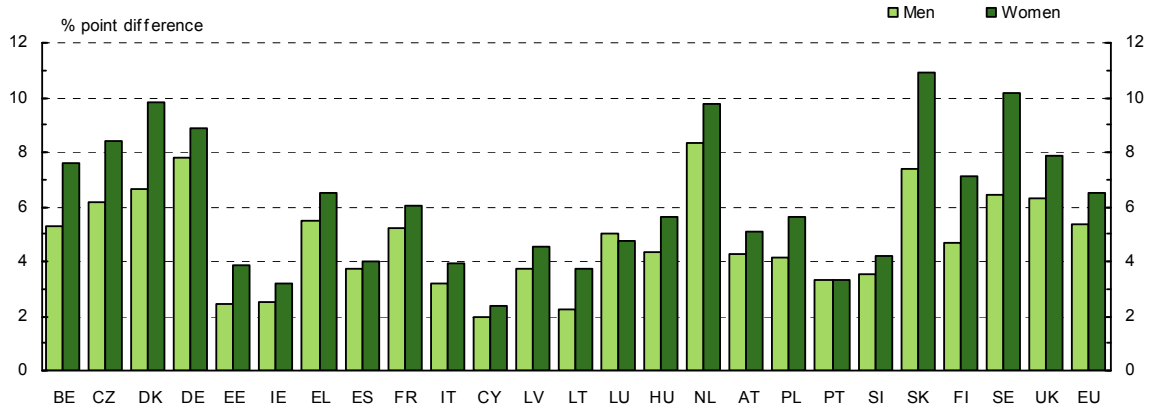
Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

As a result, after deducting housing costs, Germany becomes one of the countries with the largest proportions of the population having an income below the poverty threshold – above Portugal and to a lesser extent, Estonia, Lithuania and Poland, but still below Greece, Spain, Italy and the UK.

The risk of poverty after housing costs by gender and age group

The effect of measuring the risk of poverty after deducting housing costs varies between men and women and across broad age groups. In particular, defining income to exclude housing costs tends to result in the proportion below the poverty threshold being increased by more for women (by 6.5 percentage points on average across the EU) than for men (by 5.5 percentage points) (Figure 70). This is a reflection of the larger number of women, especially lone parents and those aged 65 and over, who live alone and who, accordingly, tend to have relatively high housing costs in relation to income. The larger effect on women is common to all countries, with the exception of Luxembourg and Portugal, where the effect is much the same for men as for women. It is especially large in Denmark, Sweden and Slovakia, where in each case the poverty rate among women is increased by around 10–11 percentage points. This is 3–4 percentage points more than for men.

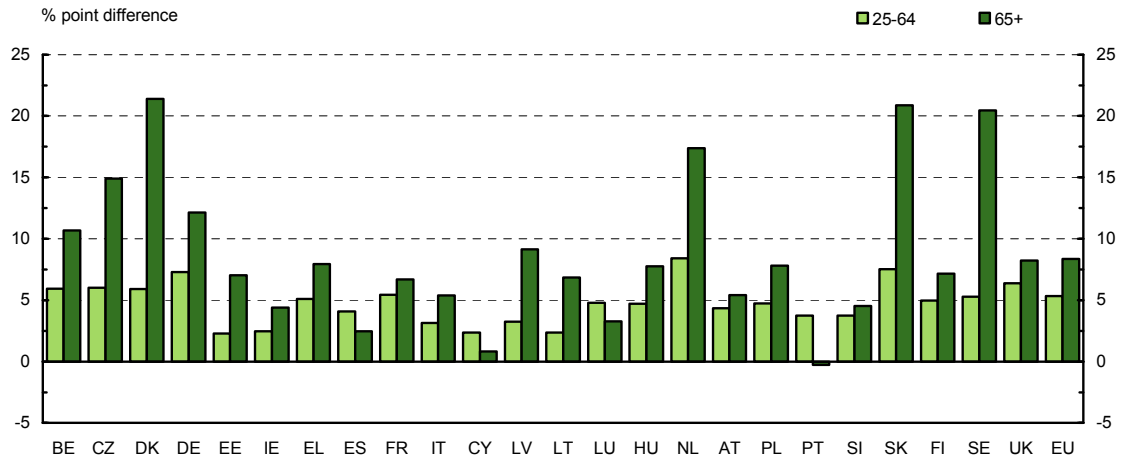
Figure 70: Difference in the proportion of the population at risk of poverty before and after the deduction of housing costs, 2007



Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

Housing costs also tend to affect people aged 65 and over more than younger age groups, though the scale of the effect varies greatly from country to country. The proportion of people aged 65 and over at risk of poverty is increased, on average, by around 8.5 percentage points if income is measured after housing costs as opposed to before. This is some 3 percentage points more than for those aged 25–64 (Figure 71). There are, however, four countries – Spain, Cyprus, Luxembourg and Portugal – where the effect of excluding housing costs is smaller for the older age group than for the younger one. (In Portugal, the effect of deducting housing costs from income is to reduce the risk of poverty among those aged 65 and over.) Conversely, measuring income after housing costs increases the proportion with income below the poverty threshold substantially more for those aged 65 and over than for those aged 25–64 in Denmark, Sweden and Slovakia, the same countries as in the case of women and for a similar reason.

Figure 71: Difference in risk of poverty measured including and excluding housing costs for the population aged 25-64 and 65+, 2007



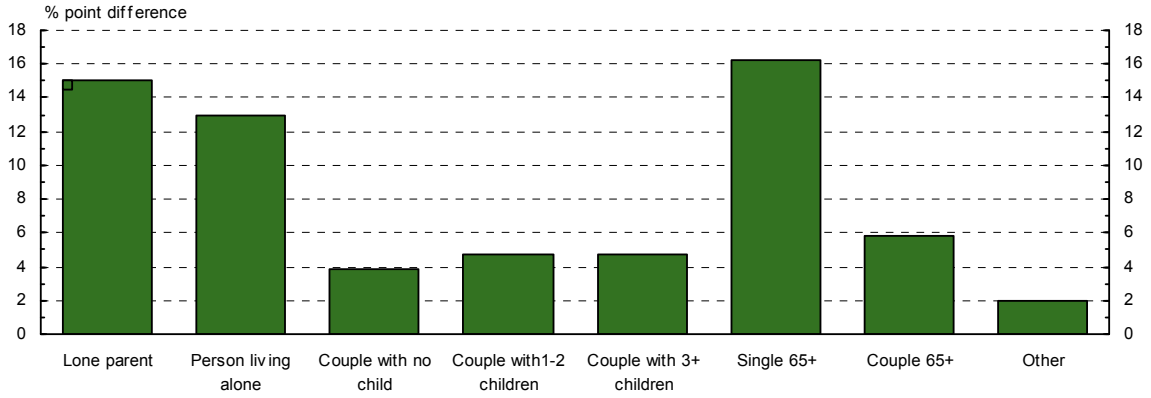
Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

Overall, housing costs have a similar effect on the risk of poverty among children as on those aged 25–64, the proportion with income below the poverty threshold being increased by 5–6 percentage points, on average, in both cases. The effect, however, varies markedly between countries. In around half, it increases the risk among children by more than among those aged 25–64 – the effect being especially large in Germany and the UK. In the other half, it increases the risk by less.

The risk of poverty after housing costs by household type and location

Measuring the risk of poverty after deducting housing costs rather than before has a much bigger effect on people living alone than on those living in households with other people. This reflects the higher costs of housing relative to income for the former than for the latter. The proportion with income below the poverty threshold is raised, on average, by between 13 and 16 percentage points for lone parents, those living alone under 65 and those living alone aged 65 and over, whereas for couple households, whether with children or not, the increase is only around 4–5 percentage points (Figure 72 and Table 25).

Figure 72: Difference in the proportion of the population at risk of poverty before and after the deduction of housing costs by household type, 2007



Note: EU25 excluding MT.
Source: EU-SILC 2007

Table 25: Difference between the proportion at risk of poverty before and after housing costs by household type, 2007

	Lone parent	Person living alone	Couple with no child	Couple with1-2 children	Couple with 3+ children	Single 65+	Couple 65+	Other
BE	15,4	14,3	4,3	4,3	1,3	23,0	4,5	2,1
CZ	16,1	17,4	4,6	5,9	4,6	34,6	6,1	2,1
DK	19,4	14,0	2,9	1,8	3,0	31,9	15,4	1,9
DE	14,7	10,4	6,2	6,7	8,7	19,8	8,4	2,4
EE	9,8	4,9	2,4	2,0	1,5	10,7	5,7	-0,4
IE	7,5	6,0	2,5	2,5	1,6	8,1	4,0	-0,2
EL	13,7	14,3	3,9	6,2	6,8	14,6	9,2	3,2
ES	11,0	12,0	2,9	4,7	6,3	4,4	2,5	1,6
FR	16,3	15,8	3,7	2,8	3,5	12,4	4,1	2,0
IT	6,2	8,1	2,2	3,4	-0,2	8,3	5,9	2,4
CY	8,7	8,7	2,2	2,1	3,1	0,1	0,6	0,3
LV	8,0	6,5	4,5	3,6	-0,9	8,0	19,7	0,5
LT	9,6	6,9	3,5	1,9	-2,7	12,4	5,5	-0,4
LU	5,9	10,5	2,1	6,1	5,1	4,1	4,2	2,1
HU	11,0	12,0	3,6	4,2	4,1	16,1	4,2	2,6
NL	23,7	21,2	5,5	4,3	8,2	28,1	12,7	-2,3
AT	12,1	10,0	2,2	4,6	6,2	11,8	2,6	0,6
PL	12,4	15,3	4,7	4,8	3,2	17,6	2,8	1,5
PT	10,9	12,5	0,8	6,2	3,1	2,1	-2,2	2,4
SI	5,5	10,0	2,9	3,9	5,0	8,8	4,4	2,3
SK	23,9	26,7	5,8	7,9	7,6	39,9	17,5	3,0
FI	16,4	11,7	3,1	3,8	5,9	17,1	1,1	0,9
SE	22,7	12,7	2,5	3,3	2,1	38,5	8,8	2,5
UK	18,8	14,7	3,8	6,3	6,5	17,4	4,0	3,3
EU	15,1	13,0	3,8	4,7	4,8	16,2	5,8	2,0

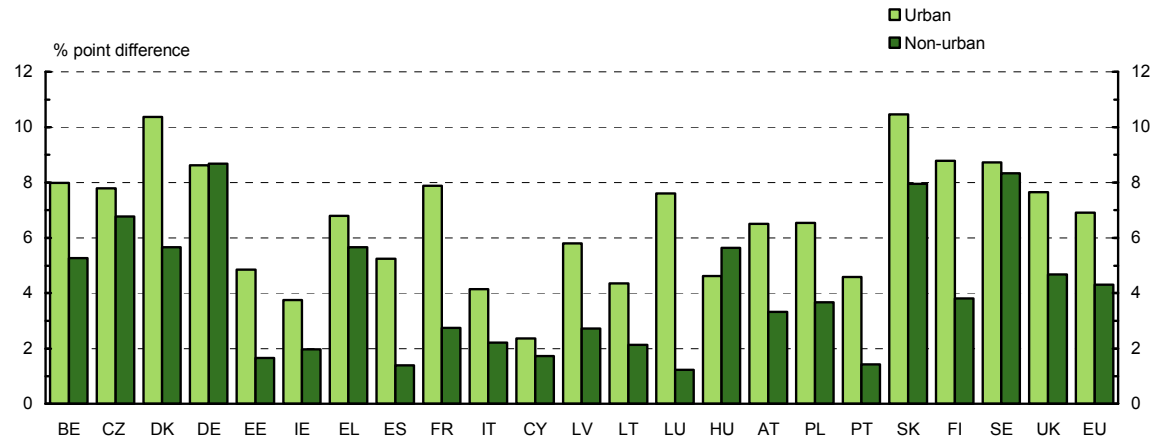
Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

A similar pattern of difference is evident for all Member States. However, in Denmark, Slovakia and Sweden (the three countries noted above) as well as in the Czech Republic, housing costs have an especially large effect on the risk of poverty among those aged 65 and over living alone and, to a lesser extent, among lone parents. Most of these people are women.

Equally, and partly reflecting the differential effect on lone-person households, measuring disposable income after housing costs increases the risk of poverty among those living in urban areas more than for those living in non-urban locations – on average, by some 7 percentage points as opposed to just over 4 percentage points (Figure 73).

The greater effect of housing costs on those living in urban areas is common to all countries apart from Germany (where there is not much difference between areas) and Hungary (where the effect is greater on those living in non-urban areas). It is especially marked in Denmark, France, Luxembourg and Finland: in each of these countries the risk of poverty in urban areas is increased by around 5–6 percentage points more than in non-urban areas.

Figure 73: Difference in the proportion of the population at risk of poverty before and after the deduction of housing costs by type of area, 2007



Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

Effect of housing costs on the composition of the population at risk of poverty

Thus, measuring income after housing costs rather than before has the effect of increasing the risk of poverty among:

- women relative to men,
- those aged 65 and over relative to younger age groups,
- those living alone, including lone parents, relative to those living in couple households with and without children,
- those living in urban – or densely populated – areas relative to those living in non-urban, or sparsely populated, ones.

These groups, therefore, would account for a larger proportion of the population with income below the poverty threshold if income is defined to exclude housing costs. Since the groups concerned already have a relatively high risk of poverty in most countries, the effect of taking explicit account of housing costs when assessing this risk is to widen the gap between population groups distinguished in this way.

3.2.8. The effect of including imputed rent as part of income

An alternative means of allowing explicitly for the differential effect of housing on living standards is to estimate the imputed rent associated with housing, either from home-ownership or from living in subsidised or rent-free accommodation, and to include this in the measurement of income. To do so, therefore, takes account of the fact that home owners and people living in either rent-free or subsidised housing effectively enjoy an income stream, as their housing costs are below what they would pay if they were charged the market rent for their accommodation. (In addition, for home owners, housing is also an asset and a store of wealth, which they can potentially borrow against to increase their purchasing power relative to people living in rented housing.)

A counter-argument to including imputed rent in income is that there are other consumer durables, such as cars, which equally provide an effective income stream over time and which should, therefore, also be included as part of income.

A more practical objection is that imputed rent is a fictitious sum which it is difficult to estimate with any precision because often the market does not exist, or exists on too small a scale, to provide a reliable measure of what the market rent would be for the house or apartment in question. This point is important for many of the Member States providing estimates at the present time, especially the former Communist countries in which there is very little rented accommodation and even less which is rented at a 'market' rate. Given the often small scale of the rental market and the limited information available on how the estimates of imputed rent included in the EU-SILC for 2007 have been made, there is a serious question mark over their

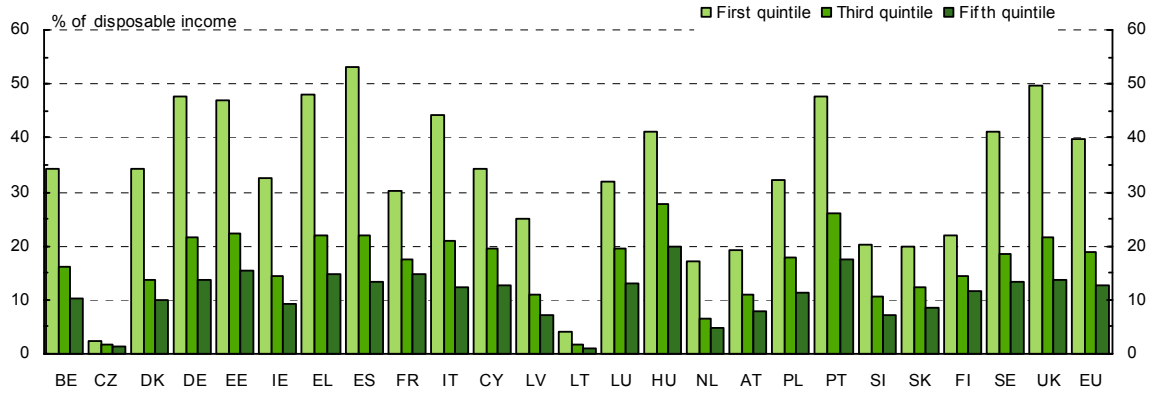
reliability. Moreover, for many countries, estimates are not included for a significant number of households, especially those with subsidised rent or paying no rent at all.

Nevertheless, despite the shortcomings and the evident problems in some countries, it is instructive to examine the estimates of imputed rent included in the EU-SILC for the first time, noting and how they vary from one household to another and the effect which treating imputed rent as part of disposable income would have on the assessment of the risk of poverty across the EU.

Imputed rent relative to income

In practice, imputed rent in relation to household income tends to vary in a similar way to housing costs. It represents, in general, a larger share of income for households at the bottom end of the income scale, many of which, as noted above, pay lower rents than the market rate or no rent at all. Conversely, the share is smaller for households at the upper end of the scale, reflecting the fact that the value of housing tends to increase by less than income as the latter rises. On average across the EU, imputed rent is estimated at around 40 % of disposable income for those in the bottom quintile of the income distribution, at 19 % for those in the middle fifth and just under 13 % for those in the top fifth (Figure 74).

Figure 74: Estimated imputed rent as % of disposable income by selected income quintiles, 2007



Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

This general pattern of variation is common to all countries. The overall scale of imputed rent estimated and the extent of its variation across income quintiles differ markedly from country to country, but this reflects measurement problems as much as, if not more than, genuine differences. (The estimates, for example, represent under 2 % of disposable income on average in the Czech Republic and Lithuania but around 29 % in Hungary despite the similarity in the pattern of housing tenure in these countries as well as in the nature of the housing market.

The estimates show less of a variation in relation to income between owner-occupiers and those living in rent-free accommodation (an average of 18 % across the EU for the former and 15 % for the latter). As would be expected, the figures for both groups are higher than for people paying subsidised rents (10 %). Again the pattern of variation, if not the overall level, is similar in all countries.

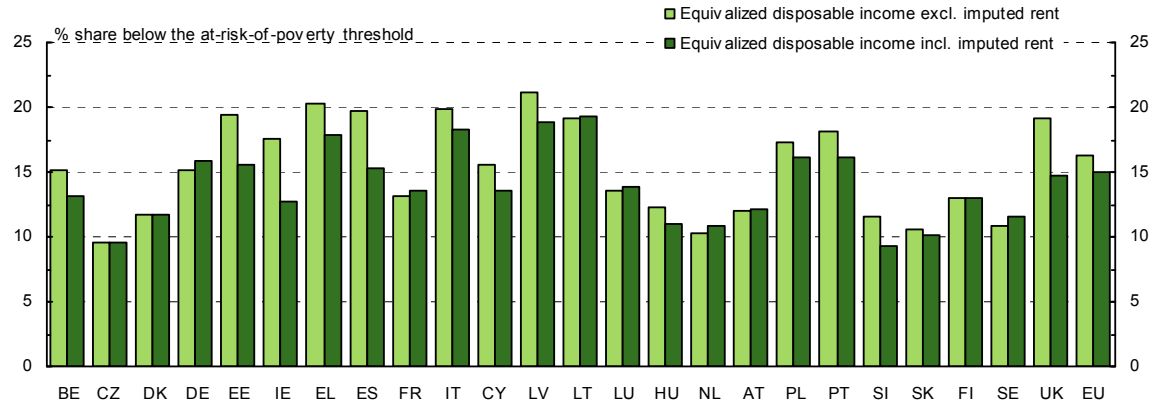
There are, however, national variations between age groups, reflecting differences in the pattern of housing tenure. Imputed rent is higher, on average, in relation to income for people aged 65 and over (almost 20 % at the EU-level) than among those aged 25–64 (just over 14 %). Moreover, in the same way as housing costs, imputed rent is estimated to be higher relative to income for people living alone than for those living in couple households (whose income tends to be higher) and higher in urban areas than in non-urban locations, though the difference in general is not large (around 3 % of disposable income on average).

The effect of including imputed rent in income on the risk of poverty

The implication is that because imputed rent is estimated to be higher in relation to income for those towards the bottom of the income scale than for those further up, its inclusion in disposable income would tend to narrow disparities in income distribution. It would, accordingly, tend to reduce the number of people with income below 60 % of the median even though the median itself is increased by the addition of imputed rent.

Across the EU, therefore, the inclusion of imputed rent has the effect of reducing the risk of poverty, measured in the usual way, from 16 % to just under 15 % (Figure 75). The effect, however, is not universal across the EU. In eight Member States, the effect is to increase the risk of poverty, though in all cases only slightly (by less than 1 percentage point). The reduction in the proportion of people with income below the poverty threshold is particularly large in Spain, Ireland and the UK (by 4–5 percentage points in each case).

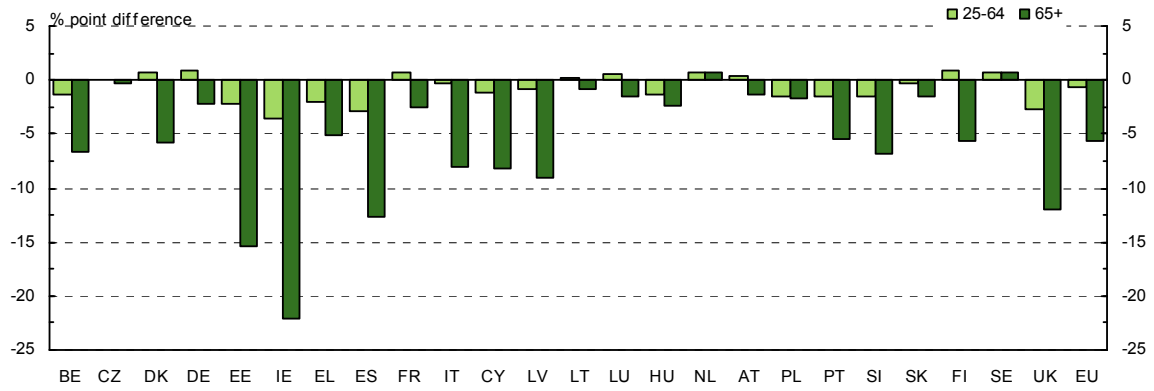
Figure 75: Risk of poverty measured including and excluding imputed rent, 2007



Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

The reduction in all countries is very much concentrated among people aged 65 and over. The proportion of these people at risk of poverty declines on average by almost 6 percentage points across the EU, as opposed to just 1 percentage point for people aged 25–64 (and very little effect as regards those younger than this) (Figure 76). This reflects the wider extent of home ownership and of free or subsidised rents among the older age group. The reduction, moreover, is especially large in countries where the risk of poverty among those aged 65 and over is relatively high – in Ireland, Spain, the UK, Estonia and Latvia – bringing down the proportion of people concerned closer to that of those aged 25–64, and in the case of Ireland, below this.

Figure 76: Difference in risk of poverty measured including and excluding imputed rent for the population aged 25-64 and 65+, 2007



Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

The effect differs not only between age groups but also between genders: the proportion of women at risk is reduced by more than for men (by around 2 percentage points on average across the EU as against 1 percentage point). The effects also varies between households: the risk among people aged 65 and over living alone is reduced by much more (by almost 10 percentage points) than for other types of household. Indeed, the effect generally is to reduce the risk of poverty among those living alone by more than for couple households (by 1.5 percentage points on average across the EU as against only around 1 percentage point or less). For couples with three or more children, the overall effect is to increase the risk (by 3 percentage points on average). However, in Spain, Ireland, Cyprus, the Netherlands, Portugal and, most especially the UK, the risk is actually reduced by 4 percentage points. This implies that for large families imputed rent tends, in general, to be relatively less important for those towards the bottom end of the income distribution than is the case for smaller families.

Finally, the inclusion of imputed rent in income has the effect, on average across the EU, of reducing the risk of poverty in urban areas by more than in non-urban ones, but the difference is relatively small – and in 11 of the 21 countries for which data are available the reverse is the case.

3.3. The quality of housing and social exclusion

The general EU-SILC survey and its special module on housing offer detailed information on housing deficiencies. People at risk of poverty, defined as those with incomes under 60 % of the national median, are more likely to suffer from poor housing conditions. Shortage of space is particularly severe in the former communist countries although, across Europe, people's subjective perceptions of their situations are better than objective indicators would suggest. Poor people do not seem to be more exposed to problems of noise, pollution and crime in their neighbourhoods than people living above the at-risk-of poverty threshold. The main differences in terms of access to services such as shops, banks, health care and public transport seem to be between urban and non-urban areas, with the non-urban poor worst affected.

The quality of housing is an important aspect of living standards. To live in an attractive and spacious house or apartment in a pleasant and convenient location is one of the main aspirations of most people, while, by the same token, living in a place which is the reverse of this is something to be avoided. The quality of housing, therefore, is a major element of a person's well-being and, conversely, housing deficiencies – defined in a broad sense to encompass environmental factors and the lack of accessibility of essential services – are a significant indicator of deprivation.

Although the quality of housing tends to be positively related to income, the relationship is by no means perfect, especially at the lower end of the income scale, where the standard of accommodation depends not only on relative income but more generally on the housing available in the location in question and prevailing

levels of house prices and rents. These factors can vary from one region and even from one local area to another.

They can also vary from one country to another. The quality of housing is thus an important means of assessing living standards and the extent of deprivation in different parts of the EU. Since it is independent of income levels, it avoids having to compare income between countries with very different price levels and patterns of consumption. As such, it adds an extra dimension to comparisons of material deprivation based on what people can afford to purchase, and it is of major importance in its own right.

The specific issues examined here are:

- to what extent living in low quality housing goes together with a low income level and thus reinforces the risk of poverty and social exclusion;
- how far problems of low standard accommodation are further compounded by living in an area with environmental problems;
- to what extent difficulties of accessing essential services are more acute for people at risk of poverty than for those with higher income levels, especially if they live in more non-urban areas;
- to what extent problems of accessibility have different effects on different age groups, especially older people who may be less mobile;
- how far problems of low quality housing, an unfavourable environment and lack of access to services extend to those with income above the poverty threshold in different countries.

On the measuring of housing quality

The EU-SILC annual survey includes questions on housing quality. A first set relates to the physical condition of the accommodation (whether it has a leaking roof, damp walls or floor, rotten window frames and so on), whether there is a bath or shower or indoor flushing toilet for the sole use of household members and whether the accommodation is too dark. A second set of questions relates to local environmental factors, which to some extent are more subjective and likely to vary between individuals according to their attitudes, background and so on. They include problems of excessive noise from neighbours or the street, of pollution or grime or other environmental problems in the neighbourhood caused by traffic or industry, and of crime and vandalism.

In addition, there is a question on the number of rooms in the house which can, in principle, be compared with the number of people living in the house to obtain an indication of whether or not it is over-crowded. It is, however, hard to judge this without knowing the size of the rooms concerned, which is especially relevant in the case of someone living alone in one room which might be either small and cramped or large and spacious.

The first set of questions on housing conditions has been combined with a measure of shortage of space (relating the number of rooms to the number of household members) to give an indicator of housing deprivation, recently agreed at EU level. Specifically, someone is considered to be deprived if their home suffers from any one of the three first set of problems listed above (i.e. it is in a poor physical condition, or has no bath and indoor toilet or is too dark) and is also short of space.

A further insight into the quality of housing, broadly defined, can, however, be obtained from the information collected through a special *ad hoc* module to the 2007 EU-SILC survey. This contains a supplementary set of questions about the physical condition of the house and its amenities, and also questions on the accessibility of certain essential services, the frequency of moving and the reasons for doing so (see Box). We shall focus on what can be learned from this module, and from the annual questions on housing quality in different parts of the EU, with regard to the situation of different social groups including, in particular, people at risk of poverty.

Questions relating to housing in the EU-SILC

1) Main survey

Areas	List of variables
Housing condition and facilities	Leaking roof, damp walls/floors/foundation, or rot in window frames or floor *(yes, no)*Bath or shower in dwelling *(yes, no)* Indoor flushing toilet for sole use of household *(yes, no)* Problems with the dwelling: too dark, not enough light *(yes, no)*
Neighbourhood characteristics	Noise from neighbours or from the street *(yes, no)* Pollution, grime or other environmental problems *(yes, no)* Crime violence or vandalism in the area *(yes, no)*

2) Special module on housing (2007)

Areas	List of variables
Shortage of space in dwelling	Shortage of space in dwelling: respondent's opinion *(yes, no)*
Dwelling installations and facilities	Adequate electrical installations *(yes, no)* Adequate plumbing/water installations (*yes, no)* Dwelling equipped with heating facilities *(yes, no)* Dwelling comfortably warm during winter time *(yes, no)* Dwelling equipped with air conditioning facilities *(yes, no)* Dwelling comfortably cool during summer time *(yes, no)*
Overall satisfaction with dwelling	Overall satisfaction with dwelling (very dissatisfied, somewhat dissatisfied, satisfied, very satisfied)
Accessibility of basic services	Accessibility of grocery services *(with great difficulty, with some difficulty, easily, very easily)* Accessibility of banking services *(see above)* Accessibility of postal services *(see above)* Accessibility of public transport *(see above)* Accessibility of primary health care services *(see above)* Accessibility of compulsory school *(see above) (only concerns children whose age corresponds to the compulsory school attendance in the country)*
Change of dwelling	Change of dwelling *(yes, no)* Main reasons for change of dwelling *(family, employment, housing, eviction/distraint, landlord did not prolong contract, financial, other)* Main reasons for change of dwelling *(family, employment, housing, eviction/distraint, landlord did not prolong contract, financial, other)*

3.3.1. Living in poor housing conditions

Although attempts have been made to include quantitative aspects in the EU-SILC questions on housing quality, the information obtained is bound to be somewhat subjective. While a home either does or does not have a bath and an indoor toilet, it remains a matter of individual judgement whether a leaking roof, damp walls or poor lighting are problems serious enough to report. Prevailing views on and attitudes to housing conditions — the state that people have come to expect houses to be in — are likely to affect the responses that people give. This can make comparisons between countries hazardous – as can major differences in climate and, therefore, in the protection which houses need to provide from the elements.

In practice, the proportion of people reporting the deficiencies in question varies little from one country to another. In most EU countries, the vast majority of people have housing with a bath or shower and an indoor toilet: only in the three Baltic States do more than 5% of the population lack these facilities (Table 26). In all countries, however, it is people at risk of poverty (with income below 60 % of the national median) who tend to report the lack of these amenities rather than those with higher income levels. In the three Baltic States, even for people with income above the poverty threshold, the proportion is over 10 %: for those at risk of poverty it rises to around 25 % in Estonia, over a third in Latvia and close to 40 % in Lithuania.

Table 26: Aspects of housing deprivation for those with income above and below the at-risk-of-poverty threshold, 2007

	No bath, shower and toilet		Leaking roof		Dwelling too dark		Deprived of at least 1 of 3	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	0.2	0.7	13.2	22.9	4.2	9.6	15.8	27.8
UK	0.0	0.0	13.3	20.0	10.4	13.6	20.9	28.8
CY	0.6	5.5	28.4	39.3	6.1	8.5	31.3	43.1
AT	0.4	2.6	8.9	13.5	5.4	7.8	12.7	20.3
IE	0.2	0.7	12.7	24.9	8.2	13.7	17.5	28.2
NL	0.0	0.3	17.1	28.9	5.1	6.7	20.5	33.3
DE	0.2	0.5	12.0	19.8	3.7	8.3	14.4	25.2
DK			10.2	14.0	4.5	5.7	13.3	18.3
BE	0.2	0.9	12.7	22.2	7.9	12.5	18.0	30.5
SE			5.9	9.9	6.7	6.4	11.4	14.9
FR	0.4	1.0	12.8	23.8	7.9	11.8	18.0	30.4
FI	0.3	2.1	4.5	7.2	5.0	6.7	9.4	14.0
IT	0.1	0.2	19.3	28.1	7.3	12.4	22.3	31.9
SI	0.3	3.4	15.8	30.5	9.0	14.9	22.6	40.2
ES	0.1	0.7	16.0	26.0	10.1	11.9	23.5	32.5
EL	0.4	2.6	17.6	26.5	6.6	11.3	20.2	30.8
PT	1.9	7.1	16.8	31.6	15.5	24.9	28.3	45.7
CZ	0.3	3.1	14.1	30.0	3.7	10.5	16.4	34.7
SK	0.8	6.0	5.5	11.2	3.2	7.9	7.9	17.0
EE	9.7	24.2	17.7	38.1	6.2	11.1	25.8	50.1
HU	2.6	15.1	17.4	32.2	9.5	17.2	21.9	39.5
LT	11.6	40.4	21.7	39.5	9.7	14.4	32.6	60.2
PL	3.7	14.8	33.4	56.9	8.1	14.1	36.8	60.4
LV	13.3	37.4	23.0	38.6	11.2	15.1	34.9	57.7

Note: 'Deprived of at least 1 of 3' signifies a problem with one or more of the aspects in the first 3 columns
Source: EU-SILC 2007

Outside of the Baltic States, more people report problems of a leaking roof and damp walls – more than 10 % in all countries apart from Austria, Sweden, Finland and Slovakia. Again, the proportion is larger for those at risk of poverty (around 10 percentage points more in most cases), the figure rising to around a quarter or more in Ireland, the Netherlands, Italy, Spain, Greece, Portugal, Slovenia, the Czech Republic and Hungary, close to 40 % in Cyprus and the three Baltic States and around 57 % in Poland.

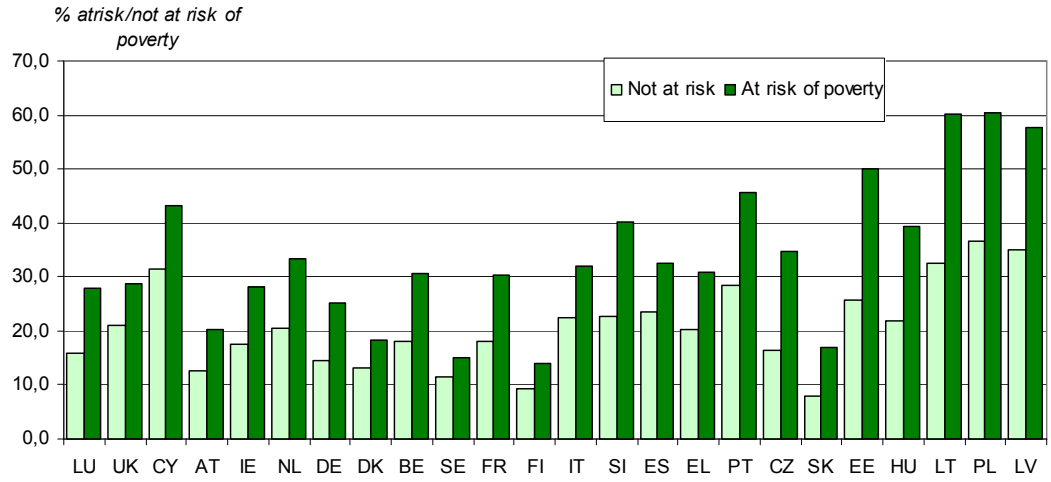
Fewer people report that their homes are too dark, the proportion slightly exceeding 10 % only in the UK, Spain and Latvia. In Portugal, however, it is just over 15 % even for people with income above the poverty threshold. Once again, in all countries the proportion is larger among those at risk of poverty, though in most cases by less than 5 percentage points. Only in Slovenia, Hungary, Poland and Portugal, does the proportion

of those at risk of poverty reporting their home being dark exceed 15 % and then only slightly, except in Portugal where it reaches 25 %.

Taking these three aspects together, the proportion of people reporting at least one of these problems varies from just under 10 % in Slovakia and Finland to close to 40 % in Lithuania, Latvia and Poland. In the latter three countries, around 33–37 % of people with income above the poverty threshold report at least one problem of this kind and 58–60 % of those with income below the threshold. The proportions are also relatively high in Estonia and Portugal (50 % and 47 % respectively for those at risk of poverty, 27–28 % for those with higher incomes) — two other Member States with relatively low levels of income per head (Figure 77).

Outside these five countries, however, there is only a limited tendency for the extent of housing problems to be related to the prosperity of households (Figure 78, in which countries in descending order of income per head, measured in purchasing power parity terms to adjust for differences in price levels between countries[64]). Nevertheless, there is a systematic tendency in nearly all countries for the proportion of people reporting at least one housing problem to decline as income increases.

Figure 77: Proportion of people with income above and below the at-risk-of-poverty threshold experiencing housing problems, 2007

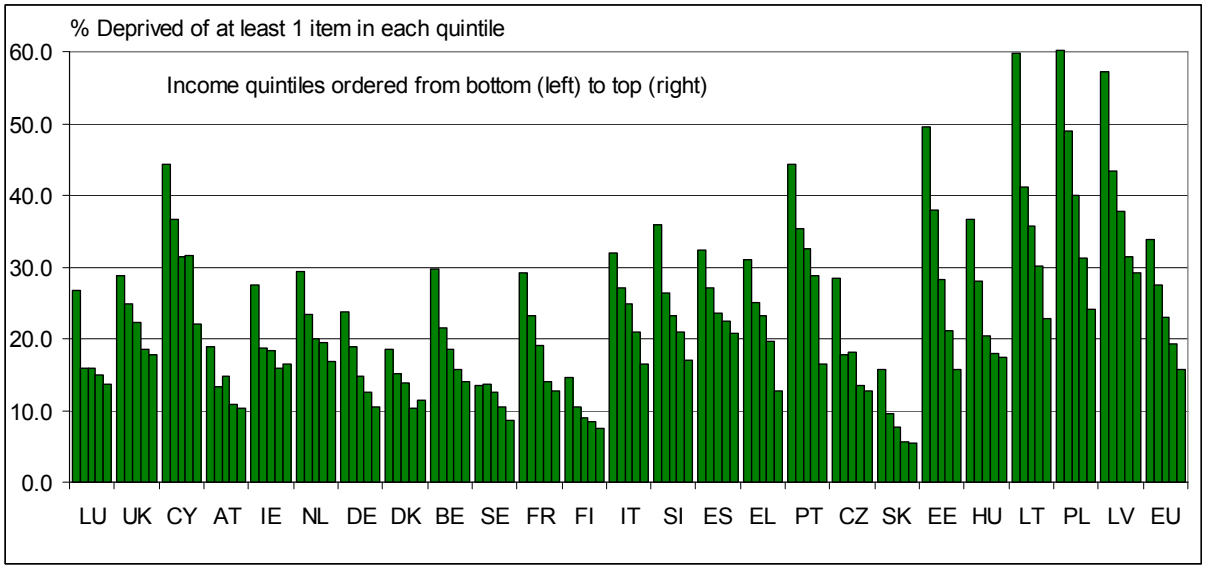


Experiencing at least one of three types of housing problem indicated in EU-SILC

Source: EU-SILC 2007

[64] It should be noted that when median income is measured in purchasing power parity terms instead of in Euros, Cyprus moves from having the 12th highest level to having the third highest level because of the relatively low prices in this country compared to the EU average.

Figure 78: Proportion of people by income quintiles experiencing housing problems, 2007



Countries are ordered in terms of income per head, measured in purchasing power parity terms to adjust for differences in price levels across countries.
Note: EU refers to EU25 excluding MT.
Source: EU-SILC 2007

Indicators of poor housing conditions

The special EU-SILC module on housing, which formed part of the 2007 survey, also included a set of questions on the state of people's homes, intended to supplement the annual questions described above. In practice, the answers to the questions in the module (at least, those on home amenities) show only a very limited tendency to vary in line with the answers to the annual questions. This suggests that the specific questions asked have an important effect on the impressions gained of housing quality, and they highlight the many different aspects of housing quality which assessments must take into account.

The proportion of people reporting that their accommodation is not adequately equipped with electrical installations exceeds 10 % only in France, Italy, Portugal and Latvia, and is less than 13 % in all countries (Table 27, in which countries are in descending order of average household income). In every country, the proportion so reporting is higher among those at risk of poverty than for those with higher incomes. It was nevertheless below 10 % in the majority of cases and above 20 % only in Italy, Portugal and Latvia.

Those reporting inadequate plumbing installations also represent a similarly small proportion, the share being above 10 % only in France, Portugal and the three Baltic States[65]. Again in all countries, more of those at risk of poverty report such problems than those with higher income, but only in France, Portugal and Latvia is the proportion greater than 20 % (only slightly so in France and Portugal). In Latvia, however, as well as in Estonia and Lithuania, the proportions concerned are smaller than those reporting no indoor toilet and bath, indicating that the inadequacy of plumbing installations is not interpreted by many people as encompassing a lack of these amenities.

[65] A relatively small proportion of those reporting inadequate plumbing installations only report having no bath or indoor toilet. In the three Baltic States, where a relatively large number of people say they have no bath or indoor toilet, less than 20 % of these people reported problems with the plumbing.

Table 27: Proportion of people with income above and below the at-risk-of-poverty threshold reporting inadequate electrical and plumbing installations, 2007

% people at risk/not at risk of poverty

	No adequate electrical installations		No adequate plumbing/ water installations	
	Not at risk	At risk	Not at risk	At risk
LU	5.0	13.1	8.3	14.7
UK	9.1	10.4	9.2	10.9
CY	7.1	14.3	7.3	13.9
AT	1.8	5.9	1.0	3.5
IE	8.4	13.0	5.0	11.7
NL	1.3	*3.9*	5.5	9.8
DE	4.3	9.1	5.4	10.3
DK	3.5	*4.4*	5.1	*7.4*
BE	3.7	11.4	2.4	7.0
SE	3.7	5.5	4.5	6.7
FR	10.2	17.7	14.1	21.8
FI	4.9	7.6	5.5	7.8
IT	12.6	20.2	7.0	14.3
SI	0.9	3.4	2.1	5.1
ES	4.3	9.4	3.8	8.2
GR	4.6	7.5	6.1	10.7
PT	12.4	21.5	11.8	20.7
CZ	7.8	12.7	5.2	10.3
SK	4.7	8.1	4.8	9.4
EE	7.9	17.1	10.4	17.8
HU		*0.8*	1.6	10.1
LT	8.7	15.5	11.3	16.4
PL	3.8	5.8	7.1	14.7
LV	9.9	20.9	14.4	27.2

Note: In Hungary, the question on 'plumbing/water installations' referred to the availability of running water, whereas in others it specified whether the installation was sufficient to satisfy the general needs of the household.
Note: Figures in italics uncertain because of a small number of observations; data for Hungary in first column, too small to be reliable.
Source: EU-SILC, 2007

Equally, relatively few people across the EU report their home not being comfortably warm in the winter. In this case, the proportion is above 15 % only in Italy, Latvia, Poland, Cyprus and, above all, in Portugal, where the proportion is well over 50 %. This is remarkable in a country which, like Cyprus and Italy, is not renowned for having cold winters (Table 28). Once again, a larger proportion of people at risk of poverty than of those with higher incomes report having a cold house in winter, though the figure exceeds 25 % only in the five countries listed above.

More people report their home not being comfortably cool in the summer in all countries apart from Portugal, and, in eight countries the proportion is above 30 % even among people with income above the poverty threshold. It is around 40 % in Cyprus, Portugal and Poland and only slightly below this in the Czech Republic, Slovakia and Latvia. There is, however, generally less of a difference in the proportions reporting their house being too warm in summer between those with income above the poverty threshold and those below.

Table 28: Proportion of people with income above and below the at-risk-of-poverty line reporting problems with their housing, 2007

% people at risk/not at risk of poverty

	Not comfortably warm during winter time		Not comfortably cool during summer time		Deprived of at least 1 of 3 aspects of housing conditions*	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	7.6	17.3	15.9	30.9	15.8	27.8
UK	4.5	9.3	10.6	10.8	20.9	28.8
CY	24.3	44.8	39.9	46.8	31.3	43.1
AT	2.2	6.9	17.1	25.6	17.5	28.2
IE			7.2	10.4	12.7	20.3
NL	4.4	9.3	17.4	24.8	20.5	33.3
DE	10.4	21.0	21.4	29.9	14.4	25.2
DK	9.3	18.2	17.1	22.4	13.3	18.3
BE	4.4	14.8	12.9	22.0	18.0	30.5
SE	5.9	9.8	11.0	12.6	9.4	14.0
FR	9.8	16.3	28.9	30.2	11.4	14.9
FI	8.2	14.7	20.3	20.3	18.0	30.4
IT	15.1	32.0	30.9	43.8	22.3	31.9
SI	2.9	8.1	20.5	25.0	23.5	32.5
ES	9.9	21.9	24.6	31.3	22.6	40.2
GR	13.9	24.3	27.4	37.4	20.2	30.8
PT	54.0	63.4	40.5	51.3	28.3	45.7
CZ	9.4	14.0	38.6	43.8	16.4	34.7
SK	11.7	23.9	37.3	39.2	25.8	50.1
EE	14.2	22.6	23.4	22.8	7.9	17.0
HU	14.1	24.8	28.6	27.6	21.9	39.5
LT	16.4	24.3	35.5	22.8	36.8	60.4
PL	21.1	33.9	39.7	46.9	34.9	57.7
LV	16.7	32.8	37.6	46.2	32.6	60.2

** One of leaking roof, damp walls and so on; lack of bath, shower or indoor toilet; problem of house being too dark*
Source: EU-SILC, 2007

Indeed, in the three Baltic States, most especially in Latvia, a larger proportion of those at risk of poverty report their house being insufficiently cool in Summer than those with higher income levels, while in another five countries (the UK, France, Finland, Sweden and Slovakia), there is very little difference between the two proportions (less than 2 percentage points). Nevertheless, there are five countries (Cyprus, Italy, the Czech Republic, Latvia and Poland), where 44–47 % of those at risk of poverty report having a home which is not comfortably cool and another one (Portugal), where the figure is over 50 %.

In practice, there is a relatively close association across countries between the proportion with a home which is uncomfortably warm in summer and the proportion experiencing at least one of the three problems with their house examined earlier (a leaking roof, damp wall, etc; no bath and indoor toilet and the house being too dark – see the last two columns of the table). In both cases, therefore, the proportion tends to be higher in countries where average household income is lower, and to some extent the countries which are exceptions to this (Cyprus, Sweden and, Estonia) are the same.

3.3.2. Shortage of space

There is equally a tendency for housing with potential space problems to vary across countries with the level of disposable income. The indicator adopted to gauge such problems, which relates the number of rooms in the house to the number of people, taking account of their age and sex (see Box), suggests that problems of overcrowding are particularly acute in many of the former communist countries which entered the EU in 2004, where disposable income in most cases is well below the EU average (Figures 79 and 80). In these eight countries, even among people with income above the poverty threshold, some 40 % or more (30% in the Czech Republic) live in housing which, by this measure, suffers from space problems. This is much more than in any of the other Member States, except Greece (27 %) — and only Greece and Italy have a figure of over

15 %. Indeed, in the EU15 and Cyprus, few people seem to be affected by overcrowding — and even fewer if their income is above the poverty threshold (under 5 % of these in 9 of the 16 countries).

Definition of space shortages

The EU's agreed indicator of space shortages specifies that a house or apartment is short of space if it does not contain at least:

- one room for the household (in addition to the other rooms below)
- one room for each couple
- one room for each single person aged 18 and over
- one room - for two single people of the same sex between 12 and 17 years of age
- one room - for each single person of different sex between 12 and 17 years of age
- one room - for each two children under the age of 12

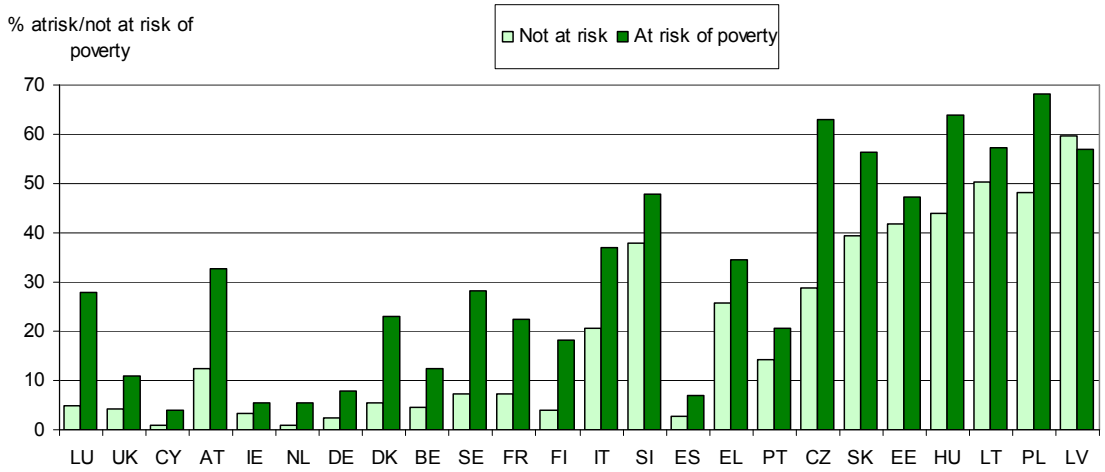
To be counted, rooms have to be at least 4 square metres in size, have a height of over two metres and be accessible from inside the unit. Kitchens used solely for cooking, bathrooms, toilets and corridors are not counted.

The main potential defect of this measure is that it denotes all single-room accommodation, such as studios, as being short of space, irrespective of the size of the room concerned. This poses a particular problem in respect of people living alone. However, for most countries, the result does not change much if those living alone are excluded from the measure. The main change is for the former communist countries, where the proportion of people living in housing with space shortages is increased – largely for those in the bottom quintile (i.e. the bottom 20 % of the income distribution) – though less so in Slovenia and Poland than the other eight. On the other hand, in Finland, the proportion is reduced if such households are excluded, again the reduction being concentrated in the bottom quintile.

In all countries, however, overcrowding seems to go with having a low level of income. In the Czech Republic, Hungary and Poland, well over 60 % of those at risk of poverty are identified as having a problem of shortage of space in their house or apartment, and in Latvia, Lithuania and Slovakia over 55 %. In the EU15, the figure is around 35–37 % for this group in Greece and Italy and around a third in Austria, while in Denmark, Sweden, France, Portugal and Luxembourg it is over 20 % in each case.

Figure 79: Proportion of people defined as having shortage of space, by income above and below the at-risk-of poverty threshold, 2007

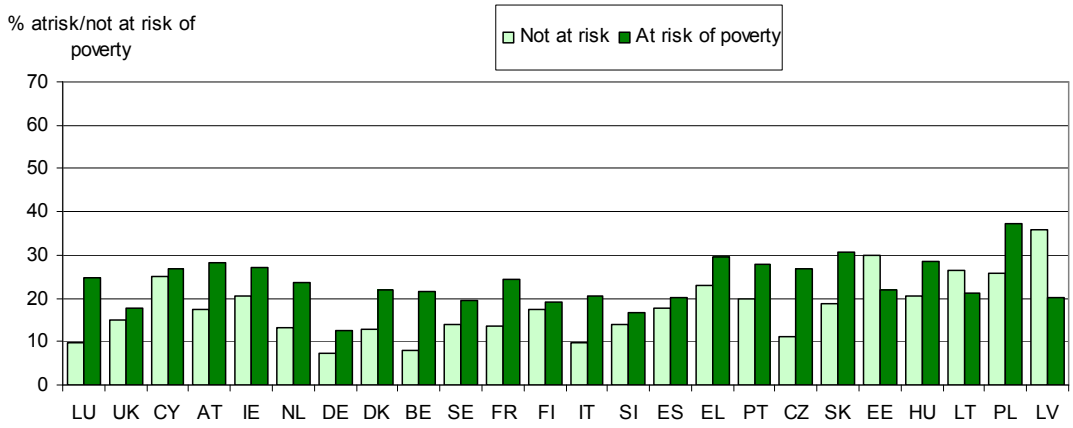
Short of space according to indicator of number of rooms relative to people in household



Source: EU-SILC 2007

Figure 80: Proportion of people reporting having shortage of space, by income above and below the at-risk-of poverty threshold, 2007

Shortage of space according to self-assessment



Source: EU-SILC 2007

At the same time, people identified by the EU indicator as being short of space do not always consider themselves as living in cramped conditions. In general, in the countries where the indicator showed most overcrowding, many fewer people actually reported having a shortage of space in their home than the indicator suggested. In all countries where the indicator shows more than 20 % of people living in houses which are short of space — mainly those in Central and Eastern Europe — the proportion of people reporting space problems is much smaller than 20%, and in many cases only around 10%. Conversely, in all the countries where the indicator shows less than 20 % having space shortages, the proportion reporting a problem is larger. So the difference between countries in terms of reported space shortages is much narrower than on the basis of the more 'objective' indicator.

In general, the gap between people at risk of poverty and those with higher income levels is also smaller when measured in terms of how many consider they are short of space than when measured by the indicator. Indeed, in all three of the Baltic States, the proportion reporting a problem in this respect is larger for those with income above the poverty threshold than for those with income below it.

3.3.3. Poor housing conditions and space shortages

The recently-agreed EU indicator of housing deprivation [is based on having a home with both a shortage of space (as measured by the number of rooms relative to the number of people) and one of the three kinds of problem covered in the annual EU-SILC survey — a leaking roof, damp walls and so on, no bath and indoor toilet or the house being too dark. This indicator] shows a relatively wide variation across the EU, though mainly between six countries — Slovenia, Hungary, Slovakia, Lithuania, Latvia and Poland — and the rest. These six are the only countries where the indicator shows more than 10 % of the population as being deprived. Among the remaining 21 countries there is a further divide, albeit less marked, between the Czech Republic, Greece, Italy and Portugal (where the proportion is 7–8 %) and the others, where it is below 5 % (Table 29).

In all countries, the proportion assessed by the indicator as being deprived is larger among people at risk of poverty than among those with higher incomes. However, the deprived proportion of people at risk of poverty is indicated as less than 10 % — except in Estonia, the six EU10 countries referred to above and the four Southern Member States. On the other hand, in seven of the countries listed, the proportion is over 20 %, and in three (Poland, Lithuania and Latvia) it is over a third.

The replies to the special module on housing problems do not entirely accord with the results of applying the new indicator. The proportion reporting that their home suffered from at least three of the five main problems covered by the module is small in most countries, but those where it is relatively large are not always the same as shown by the indicator. There are only three countries where the proportion is over 10 % — Cyprus, Portugal and Latvia — and apart from the last, these do not stand out when the indicator is applied. Equally, many of the countries which the indicator shows as having a relatively large proportion, such as Slovenia or the Czech Republic, do show up as having especially serious problems from the replies to the module.

The same is broadly the case if the comparison is confined to people with income below the poverty threshold, who — again in all countries — tend to experience problems to a greater extent than those with higher income levels. According to the module, the relative number of people at risk of poverty who have multiple housing problems is especially high in the three countries listed above — Cyprus, Italy and, above all, in Portugal — but also in Poland and Latvia.

Finally, it is also possible to compare the relative numbers assessed as being deprived in terms of housing with the relative number who report being dissatisfied with their housing. This shows much more of a variation across countries, although this is broadly in line with relative levels of household income. (The proportion of people dissatisfied tends to be larger in the low-income countries.) There are, however, some countries with levels of household income above the EU average where the proportion of dissatisfied people is relatively high. One of these is Cyprus, where a large proportion of people report housing problems in response to the questions in the module, but not in the main survey. Another is Portugal. However, Austria, Ireland and Germany, where housing problems seem to be relatively mild according to both the indicator and the questions in the module, also register a relatively large proportion of people reporting being dissatisfied with their housing.

Table 29: Proportion of people with income above and below the at-risk-of-poverty threshold with housing problems according to different measures, 2007

% people at risk/not at risk of poverty

	Deprived of 1 of 3 and overcrowded		Reporting 3 of 5 'module problems		Overall dissatisfied with housing	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	1.1	8.4	2.9	13.0	4.3	15.5
UK	1.5	3.5	3.3	5.3	5.8	8.6
CY	0.6	2.2	10.2	16.7	13.1	22.7
AT	3.0	9.3	1.0	5.0	7.0	20.0
IE	1.0	2.3	1.4	4.9	14.6	27.0
NL	0.4	3.2	1.7	***3.9***	2.8	6.8
DE	0.6	2.8	3.5	8.5	16.0	21.3
DK	1.2	5.7	2.5	***7.0***	5.2	14.9
BE	0.9	5.1	1.7	8.3	9.6	22.5
SE	0.7	3.6	1.8	2.8	4.2	9.2
FR	2.4	8.1	5.0	11.9	7.8	22.1
FI	0.5	2.3	3.0	6.8	6.2	10.1
IT	5.4	13.8	5.6	16.4	12.2	28.8
SI	10.7	22.3	1.0	3.3	10.5	19.3
ES	1.2	3.9	3.2	9.6	10.1	16.6
GR	6.6	14.1	6.4	12.6	11.3	18.6
PT	6.2	13.3	15.0	26.8	16.2	25.9
CZ	6.2	25.3	4.3	11.1	13.1	31.9
SK	3.4	12.3	5.9	11.3	22.4	36.1
EE	12.2	23.8	5.9	10.4	29.1	34.5
HU	12.0	29.3	2.2	7.5	36.6	50.6
LT	18.3	35.3	8.9	10.2	37.2	41.7
PL	21.5	45.9	7.4	16.5	19.6	32.2
LV	24.8	34.5	10.0	19.5	30.2	39.6

Note: 'Deprived of 1 of 3 and overcrowded' indicates having at least one of a leaking roof, damp walls, etc., no bath and indoor toilet, too dark a house plus a shortage of space as measured by the number of rooms relative to the number of people .
Reporting 3 of 5 'module' problems indicates having at least 3 out of 5 of the aspects covered by the EU-SILC housing module - inadequate electrical installation, inadequate plumbing/water installations, dwelling not comfortably warm during winter, dwelling not comfortably cool during summer, shortage of space in dwelling.
Overall dissatisfied with housing' indicates those reporting being either greatly dissatisfied or somewhat dissatisfied with their dwelling.
Figures in bold italics uncertain because of small number of observations.
Source: EU-SILC, 2007

In Hungary, Lithuania and Poland, dissatisfaction with their housing is expressed by more than 30 % of respondents, even among those with income above the poverty threshold. Among those with income below this level, the proportion is some 40 % or more in these three countries (over 50 % in Hungary) and over 30 % in another four countries which entered the EU in 2004. Even outside the new Member States, the proportion at risk of poverty reporting dissatisfaction with their housing is over a quarter in Austria, Italy and Portugal and below 10 % only in the UK, the Netherlands and France.

3.3.4. Environmental problems

The quality of housing is not only to do with the houses or apartments in which people live but also the environment in which they are situated. To live in noisy or polluted surroundings or to face a high risk of crime or vandalism can be as distressing as living in house in need of repair or one which is cramped or too dark. In practice, however, the subjective nature of environmental problems and the differing attitudes towards them make it difficult to compare circumstances — not only between countries but also between individuals and social groups within the same country. At the same time, however, it is arguably the subjective views of people which matter in this respect since they affect their well-being. If people are bothered by what they consider excessive noise from the street or from their neighbours, or by dirt and pollution, then it hardly matters whether or not these are objective realities measured against a particular standard. Similarly, perceptions of crime and feeling at risk are arguably as important as the actual chances of being a victim. In addition there is evidence suggesting that the social distribution of environmental quality is unequal, and often biased against poorer or socially excluded groups, i.e. such groups are more likely to live in areas of poorer air quality than other groups.

In practice, the responses to the EU-SILC questions on environmental aspects of housing bear very little relation to differences in levels of household income between countries and have only a limited relationship to differences within countries. Thus the proportion of people reporting noise problems varies from 37 % in Cyprus and 32 % in the Netherlands to around 13 % in Ireland and Sweden — in each case, two pairs of different countries (Table 30). Moreover, while in most countries (18 of the 24) the proportion of people reporting noise problems is larger for those at risk of poverty than for those with higher income levels (the bold figures in the Table), in three of these countries the difference in the proportion is very small (less than 2 percentage points).

Much the same picture emerges for people reporting problems of dirt and pollution in their neighbourhood (in places where people usually walk or shop). The proportion is highest in Latvia, the country with the lowest level of income per head, but again shows little systematic variation with income. Poland, with the next lowest income levels, has among the smallest proportions reporting problems, while Cyprus (with the third highest income level) has among the largest proportions[66]. The relative number of people at risk of poverty reporting pollution problems is larger than for those with higher income in half of the countries but smaller in the other half. Having problems with pollution, therefore, does not invariably go together with having a low income.

Nor is there any evidence that the numbers of people bothered by crime varies with income either between or within countries. The proportion is highest, again, in Latvia — though it is only slightly less in the UK, the country with the second highest level of household income. It is also relatively high in Estonia, but in Lithuania (another Baltic State) it is lower than anywhere else in the EU. While in the majority of countries (17 of the 24) the proportion of people at risk of poverty reporting crime problems is larger than for people with higher incomes, in seven of these countries the difference is very small, so that overall there is no clear tendency for problems of crime to be experienced more by people with low income.

Clearly, therefore, perceived environmental problems — unlike many aspects of deprivation — are not closely linked to levels of household income. This might reflect a tendency for people with lower income to be more tolerant of such problems rather than a genuine lack of relationship. It is also evident, however, that there is equally little relationship between the three types of environmental problem, in the sense that countries in which a relatively large number of people report problems of noise are not typically the same as those in which large numbers report problems of pollution or crime. Exceptions are Latvia and Estonia — where the proportions reporting problems are high for all three types — and Sweden and Hungary (to a lesser extent), where the proportions are relatively low for all three.

[66] It may seem surprising that median income is so high in Cyprus but, as noted above, this is because the average price level according to the purchasing power parity estimate is relatively low.

Table 30: Proportion of people with income above and below the at-risk-of-poverty threshold reporting environmental problems, 2007

% people at risk/not at risk of poverty

	Noise		Pollution		Crime, violence or vandalism	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	20.7	30.0	15.9	18.5	**9.7**	**9.7**
UK	19.3	22.0	**13.2**	**12.2**	26.5	28.2
CY	36.7	37.1	**26.3**	**23.0**	**13.6**	**13.3**
AT	19.1	25.4	7.6	10.4	11.4	11.6
IE	12.3	16.0	8.8	11.8	14.1	21.1
NL	31.9	34.0	13.6	15.2	17.6	18.2
DE	25.8	34.7	21.1	25.6	11.4	18.3
DK	18.9	27.0	7.2	14.2	13.5	17.6
BE	22.3	25.9	16.7	21.0	16.7	20.9
SE	12.4	15.6	**7.2**	**5.3**	12.6	16.5
FR	18.0	25.4	16.5	18.0	15.6	21.9
FI	15.6	18.9	**14.2**	**12.5**	12.3	16.4
IT	25.1	26.5	**21.3**	**20.4**	15.5	18.3
SI	18.3	21.6	19.7	20.8	**10.2**	**10.0**
ES	**26.1**	**25.5**	**16.5**	**15.8**	18.0	18.1
GR	**22.6**	**18.4**	**19.8**	**14.6**	**10.8**	**8.7**
PT	**28.2**	**24.4**	21.8	23.3	12.4	13.5
CZ	18.3	20.0	16.7	20.2	12.6	17.8
SK	18.5	22.1	17.9	20.4	**8.3**	**7.5**
EE	**23.8**	**18.8**	**27.3**	**22.8**	21.1	22.7
HU	14.3	17.9	**13.5**	**12.9**	12.1	18.4
LT	**19.2**	**15.4**	**15.9**	**13.6**	**7.8**	**4.1**
PL	19.3	19.7	**13.2**	**11.3**	7.8	8.5
LV	**22.6**	**19.3**	**37.4**	**34.6**	**30.6**	**25.2**

Note: Bold figures show those where the difference in the proportions reporting problems between those at risk of poverty and those not at risk is less than 2 percentage points
Source: EU-SILC, 2007

3.3.5. Access to essential services

Although access to services is not an integral part of the quality of housing, it is an important aspect of the location in which people live and, therefore, of their living standards. In practice, such access tends to vary not only between people at risk of poverty and those with higher income levels, but also between people living in densely-populated – or urban – areas and those living in non-urban – or sparsely populated – areas. Unlike environmental problems, difficulty of access to services also varies from country to country, tending to be more difficult in countries where household income is relatively low. Consequently, someone with income below the poverty threshold living in a non-urban area is likely to find it much more difficult to access a range of essential services than someone living in a city with income above the poverty threshold, and even more so if they live in a low-income country.

In all countries apart from Hungary, therefore, a larger proportion of people living in sparsely populated areas report having difficulty or great difficulty in accessing grocery services than those living in densely populated zones. This is particularly the case in Belgium, Austria, Ireland, Luxembourg and Estonia (Table 31). At the same time, in all countries apart from Spain, the Czech Republic, Slovakia and Luxembourg, the proportion reporting difficulty of access is larger for those at risk of poverty than for those with higher income in both types of area. The difference, however, is relatively small in non-urban areas in Belgium and Sweden and in urban areas in Germany, Portugal and Poland, as well as in the Netherlands, where different types of area are not distinguished in the data.

Table 31: Proportion of people with income above and below the at-risk-of-poverty threshold reporting difficulty of access to grocery and banking services, 2007

% those at risk/not at risk of poverty

	Access to grocery services				Access to banking services			
	Urban area		Non-urban area		Urban area		Non-urban area	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	10.0	8.2	23.7	33.9	9.0	8.5	24.1	29.1
UK	2.8	6.3	=	>>	10.6	13.9	8.9	***24.3***
CY	5.8	20.5	9.6	28.8	4.8	18.3	8.3	24.2
AT	5.7	***6.4***	25.7	38.3	9.6	8.9	26.6	36.8
IE	3.9	9.9	18.1	25.5	15.9	24.5	29.2	38.9
NL	4.2	5.5			4.1	5.7		
DE	5.9	7.3	14.1	18.9	11.5	11.7	18.3	19.3
DK	4.5	=	10.2	***15.4***	9.1	***15.3***	15.9	20.9
BE	8.7	13.6	48.1	***48.8***	13.4	16.1	57.1	62.0
SE	2.7	=	4.5	6.3	10.0	14.8	11.0	15.8
FR	2.8	3.1	3.2	9.0	7.5	8.1	10.2	15.3
FI	4.3	>	5.4	14.2	7.7	13.0	6.8	14.3
IT	18.1	26.3	26.8	31.7	24.9	41.7	32.9	41.9
SI	12.6	26.4			16.4	33.4		
ES	9.3	7.6	18.2	18.1	7.6	7.5	20.6	21.4
EL	8.4	11.0	14.1	23.7	15.4	18.9	42.1	56.4
PT	6.2	***6.8***	17.1	24.1	9.9	15.8	19.8	32.4
CZ	10.8	*7.1*	16.4	16.4	14.4	9.9	35.6	37.7
SK	10.3	=	11.1	9.5	26.6	20.6	43.8	53.7
EE	8.8	16.2	22.1	36.3	11.2	18.7	32.8	49.0
HU	8.0	14.3	7.4	9.7	19.8	28.4	33.7	41.8
LT	11.5	23.5	18.0	40.1	15.6	18.6	28.7	49.9
PL	7.2	9.0	14.4	19.4	13.9	16.7	34.0	46.0
LV	17.0	21.7	23.6	36.3	19.7	24.0	33.5	51.8
EU	7.1	9.9	13.8	20.5	12.5	16.3	24.5	33.7

Note: Data under 'urban area' for the Netherlands and Slovenia relate to the whole of the country. EU refers to EU25 excluding MT.
Blanks in columns indicate that the number reporting was too small to be reliable. An indication is given of whether the figure is higher (>) or lower (<) than those not at risk of poverty or similar - within 5 percentage points - (=). In the UK, for access to grocery services, the observations are too small to be reliable for both those at risk and not at risk of poverty in non-urban areas. The '=' sign is intended to indicate that the proportion reporting problems is similar (within 5 percentage points) to that for those in the same income group living in urban areas. For those in non-urban areas, the two '>' signs indicate that the proportion reporting problems is larger than for both those at risk of poverty in urban areas and those not at risk in non-urban areas.
Figures in bold italics are uncertain because of small number of observations.
Source: EU-SILC 2007

A similar pattern of disparities, though more pronounced, is evident for access to banking services. In all countries, apart from the UK and Finland, the proportion of people reporting difficulty in accessing these is larger in non-urban areas than in urban ones, considerably so in a number of cases including Belgium, Austria and Ireland (as in the case of grocery services, as well as most of the Central and Eastern European countries

In non-urban areas in all countries, accessing banking services is more problematic for people with income below the poverty threshold, while in urban areas in a number of countries (Luxembourg, Austria, Germany, France and Spain) the proportion reporting difficulties is much the same among people with low income as among those with higher levels. In the Czech Republic, the low-income proportion is actually smaller.

Disparities in access to postal services as between urban and non-urban areas are in general less marked, though again the proportion reporting difficulty of access is greater in non-urban in most countries. There also tends to be less difference between the proportion of people at risk of poverty reporting difficulties and the proportion of those with higher incomes (Table 32).

Table 32: Proportion of people with income above and below the poverty threshold reporting difficulty of access to postal services and primary health care, 2007

% those at risk/not at risk of poverty

	Access to postal services				Access to primary health care			
	Urban area		Non-urban area		Urban area		Non-urban area	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	11.4	7.0	24.2	25.7	7.9	5.3	15.7	19.4
UK	6.2	7.9	=	*18.3*	6.2	9.0	*5.2*	*16.6*
CY	10.0	18.6	9.9	23.1	11.7	36.1	17.7	41.2
AT	14.9	14.3	32.6	42.7	7.8	8.4	28.9	37.3
IE	10.1	14.2	20.6	25.2	10.2	20.2	28.9	32.4
NL	11.2	11.9			9.6	7.8		
DE	23.4	22.5	32.0	34.3	7.5	8.7	21.4	24.7
DK	16.8	*12.3*	18.5	19.9	13.4	*12.8*	29.1	32.6
BE	20.8	20.0	61.8	59.9	6.8	9.8	31.9	*35.7*
SE	9.2	14.5	9.5	8.7	15.3	29.2	17.6	17.2
FR	17.7	12.2	23.1	17.5	4.9	4.6	8.4	6.9
FI	10.3	13.2	7.5	15.8	15.6	14.2	17.1	23.9
IT	25.4	34.7	28.1	37.4	26.9	41.1	33.1	41.3
SI	14.7	26.1			22.6	35.3		
ES	20.5	19.4	21.1	17.4	13.5	14.6	25.4	28.9
GR	19.1	22.2	30.8	42.7	13.0	16.1	33.3	46.4
PT	16.5	21.4	18.5	28.2	23.1	38.3	29.9	40.3
CZ	13.1	*7.1*	24.9	28.8	11.3	*8.0*	29.2	34.6
SK	21.4	*17.7*	23.6	24.3	19.9	*18.2*	37.6	37.9
EE	11.1	18.3	20.2	33.6	20.2	23.1	26.8	39.8
HU	18.8	22.1	12.8	16.8	11.8	16.9	17.1	22.5
LT	12.9	23.4	15.7	31.4	23.2	29.5	30.7	44.5
PL	12.2	11.0	28.6	41.2	17.0	18.2	35.9	45.0
LV	18.6	25.2	26.0	37.8	26.9	42.3	34.7	50.9
EU	17.1	17.8	23.6	30.5	11.6	15.3	25.0	33.2

Note: Data under 'urban area' for the Netherlands and Slovenia relate to the whole of the country. EU refers to EU25 excluding MT.
In the UK, the observations on the access to postal services are too small to be reliable for those not at risk of poverty in non-urban areas. The '=' sign is intended to indicate that the proportion reporting problems is similar to those in the same income group living in urban areas.
Figures in italics are uncertain because of small number of observations.
Source: EU-SILC 2007

Access to primary healthcare is particularly critical. Again, however, access tends to be more difficult in non-urban areas than in cities. Except in the UK, the proportion who say they have problems accessing such services is larger in sparsely populated areas than in densely populated ones.

In most countries, healthcare access problems reportedly affect people with income below the poverty threshold more than those with higher incomes. However, in a number of countries, the reverse is the case, or there is little difference between the two in one or other of the two types of area. (This is particularly the case in the three Nordic countries, France, Luxembourg, the Czech Republic and Slovakia.) At the same time, there are several countries (notably Cyprus, Italy, Portugal and Latvia) where the proportion of people at risk of poverty reporting difficulties is substantially larger in both types of area

Access to public transport

In nearly all countries access to public transport is significantly more difficult for people living in non-urban areas than in urban areas. This is especially so in Belgium, Ireland, Germany and Estonia, where over half of those in non-urban areas report problems. By contrast the gap in reported access difficulties is much smaller between people with income below the poverty threshold and those who are better off. In other words, where you live is more important than your income in determining whether you will have difficulty accessing public transport (Table 33).

Table 33: Proportion of people with income above and below the at-risk-of-poverty threshold reporting difficulty of access to public transport and compulsory schools, 2007

	Access to public transport				Access to compulsory school			
	Urban areas		Non-urban areas		Urban areas		Non-urban areas	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	6.5	*3.2*	21.5	18.1	15.3	7.3	16.7	*14.4*
UK	9.2	11.9	24.2	**<**	9.3	14.3	**=**	**= >**
CY	51.0	39.2	41.5	51.4	7.8	**7.5**	8.3	*13.4*
AT	3.9	*3.6*	37.7	41.2	12.9	*17.0*	17.1	34.6
IE	6.5	5.3	50.2	53.4	11.0	*6.9*	15.7	19.4
NL	20.2	17.3			9.3	*9.7*		
DE	8.4	5.4	52.0	42.6	12.2	11.7	24.2	21.2
DK	6.0	**=**	21.9	26.7	8.3	**>**	10.3	**>**
BE	7.7	8.9	73.7	82.6	6.2	**<**	*17.5*	**<**
SE	5.0	**=**	22.0	17.8	10.1	**=**	8.4	*12.4*
FR	11.4	14.0	23.1	**>**	9.1	8.8	9.1	**=**
FI	8.3	*7.3*	47.4	52.3	6.0	**=**	9.7	17.7
IT	23.3	35.5	34.6	37.4	16.6	27.3	25.9	26.6
SI	22.6	28.0			15.1	15.2		
ES	10.2	9.3	23.5	25.9	16.6	13.7	20.4	21.7
GR	9.1	15.2	28.4	37.5	7.8	*11.7*	13.5	19.4
PT	15.0	14.6	23.7	37.6	16.3	20.2	27.7	38.4
CZ	5.6	**=**	27.6	24.4	7.6	**=**	19.0	25.8
SK	8.1	**=**	25.4	23.4	8.5	**=**	22.8	24.2
EE	5.9	12.8	32.5	44.8	9.7	**=**	17.3	26.7
HU	9.5	18.8	24.6	26.1	10.8	*23.3*	13.8	16.5
LT	12.6	18.7	31.5	46.0	12.9	11.7	14.4	30.4
PL	11.6	11.3	33.5	42.7	9.1	8.1	23.9	31.3
LV	15.8	26.8	25.3	38.1	23.4	*19.9*	21.5	37.2
EU	11.3	13.8	34.0	37.3	11.7	14.4	18.9	24.6

Note: Data under 'urban area' for the Netherlands and Slovenia relate to the whole of the country. EU refers to EU25 excluding MT.
Blanks in columns indicate that the number reporting was too small to be reliable. An indication is given of whether the figure is higher (>) or lower (<) than those not at risk of poverty or similar - within 5 percentage points - (=). In the UK, for access to compulsory school, the observations are too small to be reliable for both those at risk and not at risk of poverty in non-urban areas. An indication is given of whether the proportion reporting problems is (first sign) larger (>) or smaller (<) than for those in the same income group living in urban areas, as well as of the difference between income groups in non-urban areas (second sign).
Figures in italics are uncertain because of small number of observations.
Source: EU-SILC 2007

Households with children tend to find access to compulsory schools more difficult in non-urban areas. This is especially the case for those with income below the poverty threshold. Thus in non-urban areas in most countries, a larger proportion of poor households with school-age children report difficulties accessing schools than those with higher levels of income. The exceptions are in Luxembourg, Belgium, Germany and France, where the proportions are much the same. In turn, more of those with low incomes in non-urban areas report difficulties than equivalent households in urban areas in all countries except Italy, Hungary, the UK and France. Low-income families in non-urban areas in Austria, Portugal and Latvia suffer particularly from poor access to schools.

Older people aged 65 and over seem to face particular problems in accessing services in many countries, but especially public transport and primary health care if they live in non-urban areas – the more so if they have low income. In all countries, therefore, more of those aged 65 and over in non-urban areas report difficulties of access to public transport than those in urban areas, the difference being especially large in Ireland, Germany, Finland and Greece as well as most of the new Member States (Table 34). In non-urban areas in most countries, the proportion of older people reporting such difficulties is greater among those with income below the poverty threshold than among the better off. However, the main factor seems to be where people live rather than their income level.

The difficulties older people report in accessing public transport in non-urban areas may either be because public transport in these areas does not suit their particular needs or because they have to rely on public transport more than younger people and are therefore more affected by deficiencies in the service. In practice, both factors are probably important.

Table 34: Proportion of those aged 65 and over with income above and below the at-risk-of-poverty threshold reporting difficulty of access to public transport and primary healthcare, 2007

	Access to public transport				Access to primary healthcare			
	Urban areas		Non-urban areas		Urban areas		Non-urban areas	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	At risk	Not at risk
LU	***8.7***	**>**	***24.0***	**=**	17.0	**>**	***20.6***	**>**
UK	9.8	10.8	**>**	**><**	13.4	13.4	**<**	**>=**
CY	53.8	48.7	***60.0***	63.1	24.4	47.7	28.2	56.4
AT	***7.0***	**=**	41.6	52.4	11.5	**>**	37.4	50.9
IE	7.6	***17.1***	55.7	57.5	14.9	***24.1***	39.8	45.4
DE	8.1	7.0	43.1	***39.2***	8.5	***9.6***	20.1	***26.8***
DK	***8.3***	**=**	23.4	***22.0***	14.3	**=**	32.4	***31.2***
BE	9.9	***18.6***	***73.8***	**>**	9.0	***14.7***	**>**	**>>**
SE	***5.1***	**=**	19.5	***30.2***	***10.2***	**>**	17.4	***17.1***
FR	9.1	**>**	**>**	**>>**	4.0	**=**	***5.1***	**=**
FI	***9.7***	**>**	49.3	54.4	17.5	**>**	22.3	31.8
IT	22.0	26.3	45.0	44.4	28.7	34.7	39.9	50.9
ES	8.5	10.7	24.1	24.4	18.1	22.2	32.5	35.1
GR	8.1	**=**	39.0	52.3	15.4	**=**	44.1	58.9
PT	15.0	**=**	25.6	41.5	27.4	***38.1***	33.0	54.4
CZ	10.0	**=**	34.1	***46.7***	17.4	**=**	37.4	47.5
SK	***11.0***	**=**	31.1	***46.9***	24.8	**=**	49.0	***52.7***
EE	***7.1***	17.5	37.1	43.3	19.2	30.8	35.6	43.9
HU	9.9	**>**	22.2	28.8	12.4	**>**	18.7	***24.1***
LT	18.3	***29.1***	47.7	58.5	34.2	40.5	47.9	57.8
PL	16.7	**<**	42.1	51.1	23.0	**=**	44.3	54.3
LV	18.4	32.1	38.2	49.2	34.0	47.2	47.8	63.2
EU	11.3	13.3	37.2	42.8	14.6	17.5	29.5	38.0

Note: In many cases, the number of observations is too small for the data to be reliable. These relate mainly to those at risk of poverty. In these cases, an indication is given of whether the figure is higher (>) or lower (<) than those not at risk of poverty or similar - within 5 percentage points - (=). In the UK and France for public transport and the UK and Belgium for primary care, the observations are too small to be reliable for both those at risk and not at risk of poverty in non-urban areas. For these countries, an indication is given of whether the proportion reporting problems is (first sign) larger (>) or smaller (<) than for those in the same income group living in urban areas, as well as of the difference between income groups in non-urban areas (second sign).
Figures in bold italics are uncertain because of the small number of observations.
EU refers to EU25 excluding MT.
Source: EU-SILC 2007

A relatively large proportion of older people living in non-urban areas also report difficulties in accessing primary care in many countries, especially in Italy, Greece, Slovakia, Poland, Lithuania and Latvia (over 40 % in each case). Moreover, the proportion of people at risk of poverty reporting such problems is significantly greater. It exceeds 50 % in all of the above countries as well as in Austria, Portugal, Cyprus and the Czech Republic.

In urban areas, the relative number of people in this age group reporting difficulties of access to care also tends to be larger among those with low income, but the proportion in most cases is much smaller than their counterparts in non-urban areas.

Multiple problems of access to services

Many of the people who report difficulty accessing one service also say they have difficulty accessing other services. (This does not apply to compulsory schooling, as the question is addressed only to households with school-age children). This is especially so in the case of people living in non-urban areas, particularly if they have low income.

Table 35: Proportion of people in urban areas with income above and below the at-risk-of-poverty threshold reporting difficulty of access to more than one essential service, 2007

% those at risk/not at risk

	2 services		3 services		4 services		5 services	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	10.6	9.4	6.3	5.7	4.1	*2.5*	1.8	=
UK	6.2	9.6	2.7	5.6	1.7	3.5	0.5	=
CY	8.7	27.0	4.3	17.7	2.1	10.4	0.8	=
AT	9.6	9.3	5.7	***4.4***	3.5	=	1.7	=
IE	10.4	19.7	4.6	8.8	2.1	*5.8*	0.9	=
DE	13.2	13.4	5.5	5.0	2.5	***1.9***	1.1	=
DK	11.0	***11.3***	4.8	=	2.3	=	***1.0***	=
BE	14.4	18.3	7.1	9.9	3.8	5.8	1.3	***2.8***
SE	8.4	13.4	2.9	=	*1.0*	=		=
FR	7.1	8.5	1.3	***2.1***		=		=
FI	10.6	12.0	5.2	***8.3***	2.3	=	***0.8***	3.3
IT	28.8	44.1	20.8	**33.2**	14.7	22.9	8.8	14.7
ES	12.1	11.5	5.9	4.0	2.5	1.7	0.4	=
EL	16.8	20.6	11.7	16.5	7.5	11.8	4.1	***6.5***
PT	11.9	14.5	6.1	8.9	3.4	***4.7***	***0.8***	=
CZ	14.0	9.3	8.2	***5.5***	5.5	=	3.1	=
SK	24.6	21.7	12.9	<	6.1	=	3.4	=
EE	13.4	21.3	7.5	15.3	4.4	***7.2***	1.7	=
HU	18.1	27.2	10.7	17.7	5.6	***11.1***	3.0	***6.7***
LT	18.2	27.7	8.9	16.8	4.8	10.8	2.9	***6.9***
PL	15.0	16.6	9.2	9.7	6.3	7.2	4.3	4.0
LV	19.0	29.4	13.7	17.7	10.3	12.8	5.2	=
EU	13.1	16.7	6.9	9.7	4.1	6.0	2.1	3.1

Note: In many cases, the number of observations is too small for the data to be reliable. These relate mainly to those at risk of poverty. In these cases, an indication is given of whether the figure is higher (>) or lower (<) than those with higher income or similar - within 5 percentage points - (=). In the UK and France for public transport and the UK and Belgium for primary care, the observations are too small to be reliable for both those at risk and not at risk of poverty in non-urban areas. For these countries, an indication is given of whether the proportion reporting problems is (first sign) larger (>) or smaller (<) than for those in the same income group living in urban areas, as well as of the difference between income groups in non-urban areas (second sign).
Figures in bold italics are uncertain because of the small number of observations.
EU refers to EU25 excluding MT.
Source: EU-SILC 2007

Among people living in urban areas, the proportion who report difficulty of access to at least two services tends to be larger if their income is below the poverty threshold. This is the case in most countries, but not in Luxembourg, Austria, Spain, the Czech Republic or Slovakia (Table). In Italy, the figure is as high as 44 %, but it is below 30 % everywhere else and below 25 % in countries other than Latvia, Lithuania and Hungary. In Italy, one third of people on low income in densely populated areas report difficulties of access to at least three services — almost twice as much as in any other country — and 15 % report difficult access to all five services.

In non-urban areas, the relative number reporting difficulties of access to more than one service is much higher. For those with income below the poverty threshold, it amounts to 35 % across the EU as a whole, and a quarter report difficulty accessing three or more services (Table 36). In Greece, over half of those at risk of poverty in non-urban areas report having difficult access to at least two services and over 40 % say that have difficulty accessing at least three, while over 15 % report access problems in respect of all five. In Italy and Estonia, the proportion is even higher at 18–19 %, and in both countries, a third or more of the people report difficulties in accessing three or more services. This, however, is also the case in the other two Baltic States, and in Austria and Poland – which goes to show the relatively widespread problem of access to services across the EU, especially for people with low income.

Table 36: Proportion of people in non-urban areas with income above and below the at-risk-of-poverty threshold reporting difficulty of access to more than one essential service, 2007

% those at risk/not at risk

	2 services		3 services		4 services		5 services	
	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk	Not at risk	At risk
LU	26.3	28.6	21.7	27.2	8.5	15.0	3.9	11.5
UK	6.4	23.1	3.3	**>**		**>**		**=**
CY	13.3	33.7	7.4	25.9	4.3	17.2	1.8	***6.3***
AT	33.2	45.2	27.2	37.1	22.7	30.8	14.8	21.4
IE	32.7	38.7	23.9	30.3	18.4	25.0	14.3	22.1
DE	33.9	35.3	19.6	21.1	11.8	12.3	5.8	***6.2***
DK	22.6	27.8	13.7	15.6	8.4	***12.7***	3.8	***10.1***
BE	67.3	62.0	53.9	51.5	39.7	***40.0***	19.9	***31.4***
SE	14.1	14.4	5.4	6.2	2.1	***2.8***	0.7	0.7
FR	9.2	10.1	1.5	***7.6***		**=**		**=**
FI	14.6	22.5	6.2	16.4	4.1	11.8	2.1	7.1
IT	35.0	44.1	27.4	33.2	22.8	27.8	13.9	17.9
ES	22.8	23.3	14.4	13.3	7.3	6.0	1.3	**=**
EL	38.6	50.6	29.9	42.6	19.6	31.4	8.6	15.6
PT	13.9	21.2	9.0	13.2	6.9	7.8	2.6	***3.8***
CZ	31.7	32.9	23.8	25.5	16.5	18.6	8.7	10.0
SK	36.9	40.9	23.8	25.0	12.6	11.2	5.2	***4.9***
EE	31.9	46.6	23.5	37.6	15.5	28.3	8.6	***19.2***
HU	24.4	30.1	13.0	16.3	6.7	10.6	3.6	5.2
LT	30.3	45.4	17.2	33.8	9.1	24.8	3.9	12.4
PL	36.0	48.7	28.1	39.5	21.0	29.8	9.6	12.6
LV	31.4	44.6	25.2	35.7	19.7	25.9	9.1	12.9
EU	26.8	35.0	17.9	25.3	12.1	17.8	6.2	9.4

Note: In some cases, the number of observations is too small for the data to be reliable. In these cases, an indication is given of whether the figure for those at risk of poverty is higher (>) or lower (<) than those with higher income or similar - within 5 percentage points - (=). Blanks indicate that the figure is too small to be reliable for those not at risk of poverty as well.
Figures in bold italics are uncertain because of the small number of observations.
EU refers to EU25 excluding MT.
Source: EU-SILC 2007

3.4. Housing and the economic crisis

In many Member States housing represents a large proportion of household wealth and in most Member States house prices have risen faster than earnings. Mortgage debt has also risen sharply in relation to household income, especially in former communist countries. The recession is likely to increase the numbers of people unable to afford mortgage or rent payments, as well as the number of evictions and repossessions. The bursting of the housing market bubble has caused extensive job losses in the construction industry, many of them among low-skilled and migrant workers. In some Eastern European countries, much of the increase in household debt had been in foreign currencies, adding the risk of currency fluctuations to those of unemployment and income loss.

The present recession, which has spread throughout Europe, has its origins in the financial crisis in the US which, in turn, arose from problems in the sub-prime mortgage market. A growing volume of bad debts and a substantial downward revaluation of assets led to the collapse of a number of major lending institutions. While developments in the housing market ignited the financial crisis, the financial crisis and subsequent economic recession have hit the housing market in various ways and thus households too. These effects have potentially increased the number of people at risk of poverty and exclusion.

In this chapter we shall examine both the role of housing in the recession and how housing is being affected by the economic downturn – or more specifically, how people are being affected by problems in the housing market. We shall look at:

- the importance of houses in the wealth of households,
- the extent to which this has been affected by fluctuations in house prices,
- the consequences of market developments for employment in the construction industry,
- the risk to people of losing their home through repossession or eviction, and
- the chances of this leading to homelessness.

There are two main ways in which the housing market can affect households and their income. The first is the through its direct effect on employment. Problems in the housing market as a result of an actual or anticipated decline in demand mean a cutback in new house-building and a consequent fall in activity in the construction industry. This can lead to job losses not only among construction workers but also in industries supplying the construction industry or dependent on it in other ways, such as estate agents, solicitors and removal firms. Many workers are likely to be affected, since construction represents a sizable part of the overall European economy in terms of the value-added it produces and the number of people it employs.

Secondly, problems in the housing market mean that house prices will fall. Houses or apartments are an important component of household wealth — indeed, for most people, the major component. A reduction in house prices, together with a cutback in mortgage lending because of financial market turbulence, can therefore significantly affect the wealth of home-owners and, accordingly, their ability or willingness to spend — either directly or through the increased difficulty of borrowing against their home.

The two effects are, of course, linked. In other markets, a decline in supply would tend to moderate the reduction in prices: in the housing market, however, this moderation tends to be minimal since the construction of new houses typically represents only a very small part of the total housing stock.

The people vulnerable to losing their jobs in a downturn in the housing market are, in the first instance, those employed in the construction industry. As the downturn persists, however, jobs in other sectors are also put at risk, especially those in companies supplying the industry, though, in addition, those in wider economy through the multiplier effects caused by a decline in income and, therefore, spending from both the contraction of construction and the effects on asset values – i.e. on the price of housing.

The scale of these effects across the EU depends on a number of factors:

- on the size of the construction industry and the extent of the downturn in it;
- on the nature of the housing market in different countries;
- on the importance of housing in the wealth of households and, accordingly, on the prevalence of home ownership;

- on the value, or price, of housing itself; and

- on the level of mortgage debt among the households concerned.

By the same token, these factors equally affect the vulnerability of the economy, and the stability of the financial system, to fluctuations in the housing market.

These factors and the extent to which they vary across the EU are considered in turn below, focusing on those Member States which have been particularly affected by developments in the housing market over the recent past and attempting to put recent events into a longer-term perspective.

We begin by examining the extent of home ownership across the EU and how it varies between Member States as well as between income groups, and the extent to which the value of the homes concerned is offset by debt in the form of mortgages taken out to purchase them.

Secondly, we consider the change in house prices, and, therefore, in the value of housing, which has occurred across the EU in recent years and, in particular, during 2008 and the beginning of 2009. The fall in prices was both a trigger for the downturn and a consequence of it. We compare this with changes over the preceding years, noting how the rise in house prices boosted investment in housing and how this increased demand, fuelled by the easing of credit, became a source of economic and financial imbalance.

Thirdly, we examine the effect of the downturn in the housing market on the construction industry and, in particular, on value-added and employment, in relation to the marked growth in a number of countries over the preceding decade.

Fourthly, we consider the housing difficulties of the people hardest hit by the recession, in particular the greater financial stress and the increases in repossessions and evictions. We compare what happened during the initial months of the present recession (insofar as it can be identified from the data available) with what happened during similar downturns in the past.

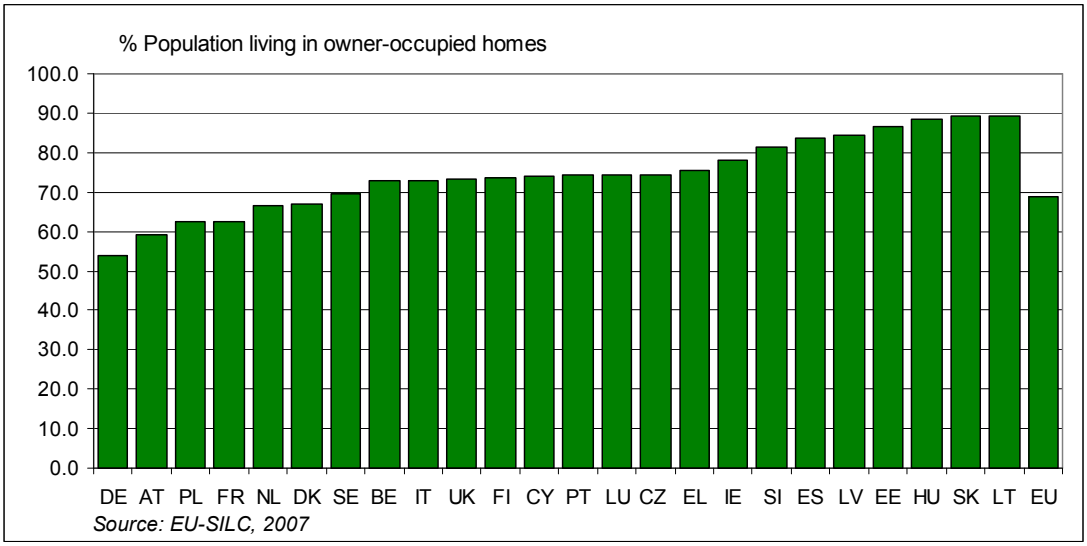
Finally, we look at possible pathways into homelessness. Although repossession or eviction does not necessarily lead to homelessness, in many instances it does — at least temporarily. Even when it does not lead directly to homelessness, it can be an important step on the way.

3.4.1. Housing as a component of wealth

Across the EU as a whole, according to the latest data available (from the EU-SILC for 2007), almost 70 % of the population live in houses or apartments which they own – or, more precisely, which one or more of the people living in the household own (Figure 81). This proportion is similar to that in the US, but it varies markedly across Member States, from around 54 % in Germany and just under 60 % in Austria to close to 90 % in Hungary, Slovakia and Lithuania.

Apart from Germany, Austria, Poland and France, over two-thirds of people in the EU live in homes they own: and in the majority of the EU10 countries plus Spain, 80 % do so. Accordingly, the great majority of the population in most parts of the EU have their homes as a part of their wealth, but by the same token they are exposed to fluctuations in the value of this component as house prices vary. Any fall in house prices during the recession, therefore, are likely to have a widespread effect on wealth portfolios across the EU.

Figure 81: Home ownership in the EU, 2007



At the same time, not all the people concerned wholly own their own home, many have a mortgage on the house and, consequently, debt which offsets in some degree the value of the house as part of their wealth. Moreover, since house prices fluctuate while mortgages tend to be related to the initial price paid, the value of a house and the mortgage outstanding on it can diverge markedly from each other. The property's value exceeds the mortgage by an increasing amount as house prices rise, but the reverse happens when house prices fall. Such a fall can lead to home owners having negative equity when the price declines below the value of the mortgage. In the US, this led many of the people concerned to default on their debt and relinquish the house to the bank or other lender, so leaving the latter with the financial loss and, accordingly, adding to the credit crisis. In the EU, by contrast, borrowers cannot escape from mortgage agreements simply by handing over possession of their homes to the lender.

In the EU, as in the US, while the proportion of people owning their own homes tends to increase significantly with income, the proportion of home owners with mortgages also tends to increase equally significantly – and most home-owners with low incomes have little or no such debt (Table 37).

Indeed, in most of the EU10 countries, those in the bottom 10% of the income range (the bottom ‘decile’) tend to live in houses or apartments which they own outright. This is also the case in Poland, where — unlike elsewhere — home ownership tends to decline with income. While these people, along with those on higher incomes, will experience a decline in their wealth as house prices fall, they do not risk losing their home because of not being able to afford their monthly mortgage payments. On the other hand, they still have to meet energy, maintenance and other costs which are often high (see section above).

Table 37: Home ownership and the proportion of home owners without mortgages by income quintile, 2007

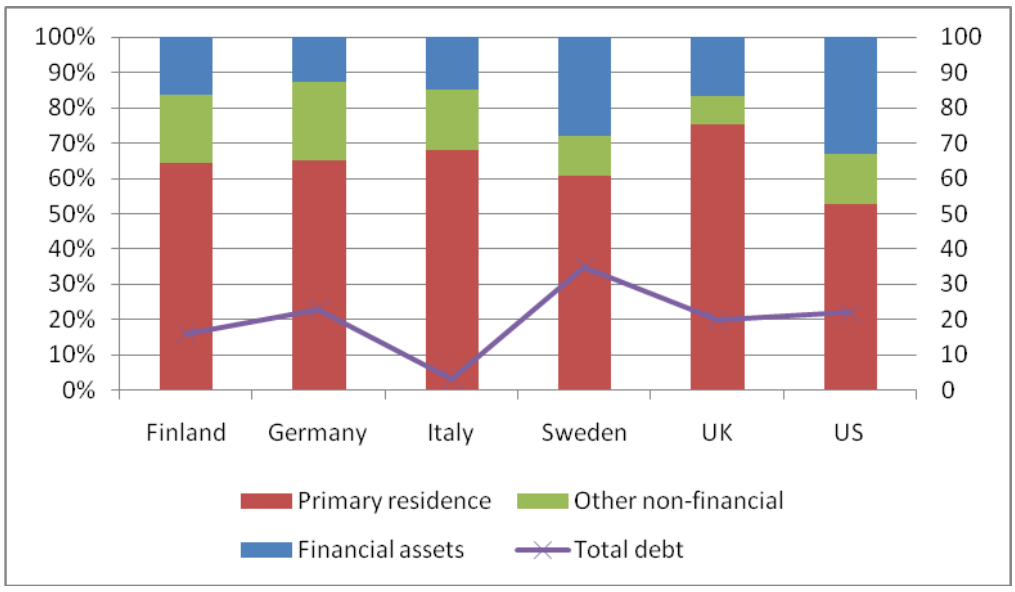
	1st quintile		2nd quintile		3rd quintile		4th quintile		5th quintile	
	% own	% wholly	% own	% wholly	% own	% wholly	% own	% wholly	% own	% wholly
BE	49,6	68,1	67,7	55,4	77,6	43,2	83,0	36,1	86,6	37,4
CZ	57,7	88,0	75,8	88,4	78,9	87,6	80,0	82,0	80,0	79,3
DK	42,9	52,6	53,9	30,7	69,0	16,8	81,9	13,0	87,7	14,0
DE	32,8	na	47,4	na	58,0	na	60,7	na	70,6	na
EE	78,6	96,5	85,4	88,8	90,0	85,1	90,5	77,4	89,4	62,6
IE	56,7	80,1	72,2	60,0	82,4	58,0	88,8	49,9	90,6	48,3
EL	72,9	91,0	71,0	90,9	77,0	85,5	78,4	80,3	78,9	75,8
ES	74,3	71,0	82,8	67,4	84,4	63,4	86,9	53,2	89,7	49,0
FR	39,3	73,9	55,3	59,3	63,9	53,9	72,9	53,2	80,4	56,4
IT	57,8	90,0	67,9	83,7	74,2	81,2	80,8	76,8	84,5	76,9
CY	53,6	86,6	72,3	75,1	77,0	73,7	81,3	70,7	86,1	68,1
LV	73,6	99,0	84,5	97,4	87,0	97,5	88,7	96,9	88,5	92,6
LT	83,2	98,7	88,3	98,2	91,4	95,7	90,5	92,9	93,2	82,9
LU	49,2	33,8	77,7	40,1	77,8	47,5	84,7	38,6	82,6	47,1
HU	82,4	84,1	87,7	82,5	90,0	82,4	90,8	84,5	91,4	82,4
NL	40,6	29,5	50,7	11,2	72,4	10,9	80,8	8,7	88,3	10,9
AT	41,0	60,1	55,8	57,6	62,4	52,0	67,1	50,1	69,7	53,2
PL	66,0	97,9	64,6	98,2	62,6	97,4	58,8	94,5	59,6	87,7
PT	62,6	86,5	64,5	74,5	76,1	64,7	79,8	60,7	88,2	56,7
SI	72,5	94,5	79,6	96,6	80,0	94,8	85,7	93,6	88,7	94,3
SK	83,8	95,6	88,8	97,4	91,4	94,8	89,8	92,8	91,7	91,9
FI	51,2	65,7	66,7	48,9	77,8	38,8	82,1	37,0	90,4	35,7
SE	45,2	38,8	64,5	30,1	74,1	18,8	78,4	16,5	85,0	14,3
UK	53,0	58,6	60,6	43,3	75,8	31,6	85,0	28,6	92,5	26,8
EU25	52,6	68,5	62,9	58,9	71,1	52,1	75,8	48,0	81,2	45,8

Source: EU-SILC, 2007
Note: '% own' shows the % in each income quintile owning their own homes; '% wholly' shows the % of these who have no mortgage

Although the proportion of people who own their homes is a guide, data are not available for most countries either on the value of the houses concerned or on that of other assets. It is therefore impossible to say with certainty what proportion of a household's wealth is accounted for by its housing. Nevertheless, for some EU Member States, this proportion has been estimated (largely on the basis of data compiled as part of the Luxembourg Wealth Survey Study). According to these estimates, in 2002 or thereabouts, housing represented at least 60 % of the total wealth of households in all the countries concerned. The figure was close to 70 % in Italy and around 75 % in the UK (Figure 82). This compares with just over 50 % in the US. Other types of non-financial assets, such as holiday homes and other property, are estimated to account for around 20 % of total assets in Finland and Germany and 10–15 % in Italy, Sweden and the UK.

The scale of borrowing used to finance the purchase of both housing and consumer goods varies between countries, reflecting their different institutional arrangements. It ranges from less than 5 % of the value in Italy and between 15 % and 25 % in Finland, Germany and the UK (as well as the US) to 35 % in Sweden. In net terms, therefore, housing makes up a large element in the accumulated wealth of households. Consequently, changes in house prices can have a major effect on the real value of this wealth and thus on the purchasing power of households.

Figure 82: The composition of household wealth portfolios (% of total assets), 2002



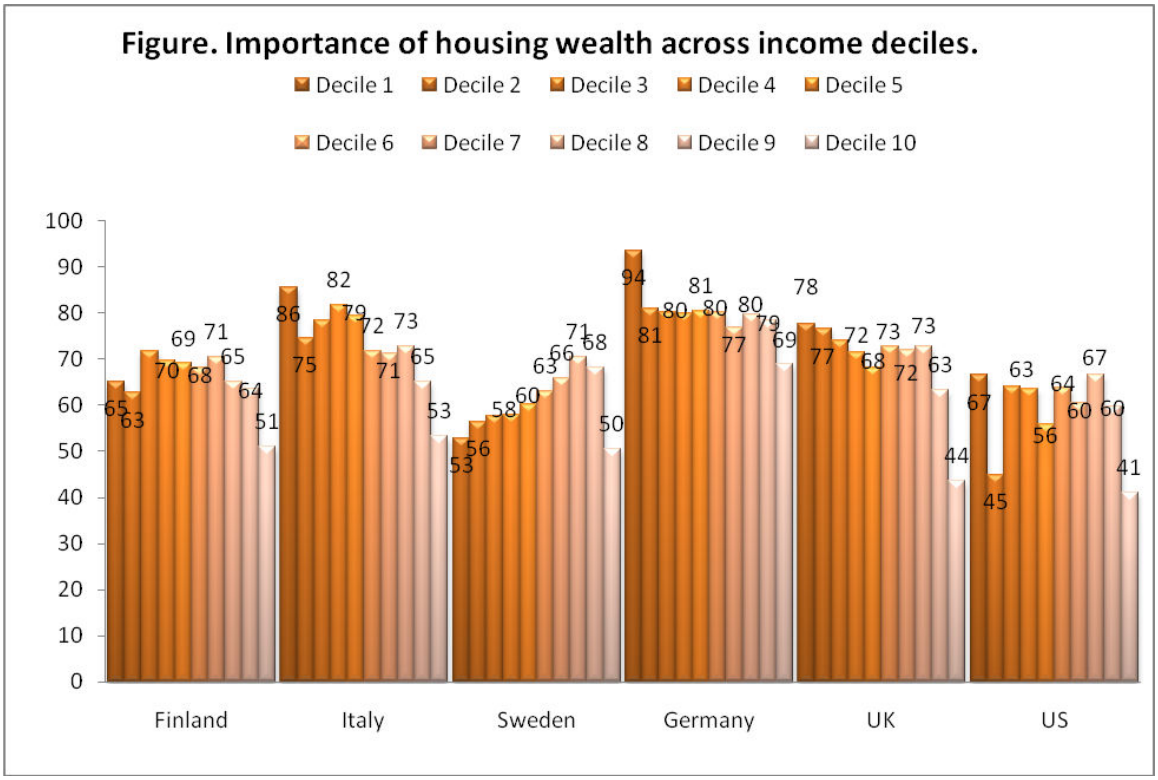
Note: The data relate to 1998 for Finland and 2000 for the UK.
Source: Luxembourg Wealth Study

Unquestionably, therefore, the fall in house prices which has occurred from mid-2008 onwards in many countries (and which is examined below) has significantly reduced the real wealth of households and reinforced the effect of the recession on their income and purchasing power.

The above figures on the distribution of home ownership across income groups in the different EU countries indicate the widespread nature of this effect. While home ownership tends to increase with income, and so is less widespread for those on low incomes, this tendency is offset in some degree by the smaller proportion of home owners who have mortgages. The relative importance of the two tendencies varies from country to country: in some, housing is a more important component of household wealth for people at the bottom end of the income scale than for those further up; in other countries the reverse is true (Figure 83).

Thus in Italy, Germany and the UK, the share of a household's assets accounted for by housing tends to decline as income rises so that it represents a larger share of assets for people with low incomes than for those who are better off. For people in the middle part of the income distribution, the decline is only modest in Germany and the UK. In Sweden, on the other hand, the share of housing in household wealth tends to increase with income at least up to the 8th decile. For those in the top decile, however, the share is smaller than for those at the very bottom of the income scale. In Finland as in the US, there is no systematic tendency for the share of housing in wealth to vary with income.

Figure 83: Importance of housing wealth across income deciles



Note: Housing wealth is calculated as a share of total assets.
Source: Luxembourg Wealth Study.

Given the importance of housing in the accumulated assets of people of all income levels, changes in house prices are likely to affect nearly everyone's wealth to a major extent, though in some countries (Italy, Germany and the UK), this is particularly the case for people with low incomes.

3.4.2. Changes in house prices

This section examines the changes in house prices which occurred in the run-up to the current recession and in the first few months of the economic downturn.

The price of housing has changed in very different ways across the EU over recent years, reflecting differences in the nature of the housing market, in the extent of home ownership and its growth over time, in the availability of credit for house purchase and in the regulations governing access to this credit.

In most countries, prices rose markedly in the 10 years preceding the onset of the current recession, and even earlier than that in many cases. However, in a few countries, house prices showed little tendency to change much faster than the general rate of inflation. Similarly, though prices in a number of countries declined significantly during 2008 and in the early months of 2009, elsewhere prices have fallen hardly at all or have continued to rise, albeit at a slower rate (though see Box on the difficulty of measuring changes in house prices).

Thus, in 11 of the EU15 Member States, prices more than doubled in the 10 years 1997–2007, and in Finland they increased by 86 % (Table 38). In eight of these countries, moreover, prices increased at a faster pace in the second half of the period than the first half. In Greece and France, houses prices almost trebled over these 10 years. In Germany, in sharp contrast, prices declined slightly over the period, while in Austria they rose by only 4 % over the five years 2002–2007 and in Portugal by only 9 %.

Measuring changes in house prices

It is not easy to tell how far house prices have changed. A complicating factor is that the market consists of both newly-built houses and existing properties which are changing hands. In addition, as for any other good, when measuring changes in price allowance needs to be made for differences in quality. In the case of housing, quality is multi-faceted, encompassing the location of house as well as its size, state of repair, level of equipment, the grounds it stands in and so on. Moreover, the quality of housing which is bought and sold tends to change over the cycle, with lower value houses becoming more difficult to sell as the market declines (see below), and this has to be taken into account when estimating price developments.

However, the method typically used to measure price changes – and which underlies the estimates shown in Table 38 – leaves such quality changes out of account by taking as its basis the average price of houses on the market. This can lead to a significant under-estimate of price falls at times of downturn in the market when the houses changing hands tend to be the higher quality ones which are easier to sell. The Irish experience illustrates this very well: the average price of houses sold during the year up to the first quarter of 2009 fell by 11 % while estimates comparing like with like (and thus allowing for changes in the quality of the houses sold) show a decline of around 24 % over the same period[67]. The figures shown in Table 38 need to be interpreted with this in mind.

Table 38: Change in house prices, 1997-2009

	% change in average house prices			% change relative to average wages			% change in house prices
	1997-02	2002-07	1997-07	1997-02	2002-07	1997-07	2008-09, Q2
BE	31	59	108	13	41	60	6
DK	46	63	138	20	34	61	-11
DE	-1	-3	-3	-7	-6	-13	1
IE	79	39	149	34	6	42	-11
EL	57	84	189	10	44	58	-3
ES	41	75	146	23	51	86	-8
FR	100	48	196	77	27	125	-7
IT	40	46	105	31	30	70	3
LU	45	52	120	8	20	30	
MT	na	57		na	38		-10
NL	82	25	127	48	10	62	0
AT	na	4		na	-7		4
PT	33	9	45	4	-6	-2	-2
FI	35	38	86	15	17	34	-3
SE	53	58	141	28	33	70	-2
UK	79	61	188	41	31	85	-12

Source: European Mortgage Federation. Hypostat 2007, A Review of Europe's Mortgage and Housing Markets for change in house prices 1997-2007,; Eurostat, National accounts for changes in average earnings and Global Porperty Guide Europe, for changes in the year up to mid-2009. (http://www.globalpropertyguide.com/Europe/)

This means that, in most countries, house prices rose substantially relative to average earnings over these 10 years, implying an increase in the real value of housing as an asset relative to income from employment. It is also likely to have acted as an incentive to invest in housing in expectation of a future capital gain. In France, house prices more than doubled relative to average wages over the period 1997–2007, while in Spain and the UK, they rose by 85–86 %, in Italy and Sweden, by 70 % and in Belgium, Denmark and the Netherlands, by 60–-62 %.

On the other hand, over the same period, prices in Germany fell by 13 % relative to wages, and in Portugal by 2 %, while in Austria they fell by 7 % over the last five years of the period. In the other EU15 countries,

[67] See David Duffy, 'Measuring house price rises', *ESRI, Working paper, No. 291*, April 2009.

although house prices did not rise as much, they nevertheless went up by 30 % or more relative to wages over this ten-year period – which is still a significant rate of increase.

During 2008, house prices began to stabilise or to decline in most countries. Indeed, in Ireland, they started falling during 2007. In the year up to mid-2009, prices fell in 10 of the 15 Member States and remained unchanged in the Netherlands. In Denmark, Ireland, the UK and Malta, they fell by 10–12 % and in Spain and France, by 7–8 %. In Belgium, however, average house prices rose by 6 % and in Austria, by 4 %.

The decline in the average price of houses sold in these countries, moreover, is likely to understate the actual reduction which occurred once account is taken of the change in the types of houses changing hands over the period (see Box).

A similarly large increase in house prices was evident in a number of the new Member States over the years leading up to the financial crisis. In Slovenia, for example, average prices rose by 1–14 % over the three years 2004–2006, while in Poland they rose by almost 20 % in 2007 and in Slovakia, by 24 % that same year. In the year up to mid-2009, however, prices fell in most of these countries – dramatically in a number of cases. In Lithuania, they fell by 20 %, in Bulgaria, by 22 %, in Estonia, by 31 % and in Latvia by a staggering 60 %.

3.4.3. The build-up of mortgage debt

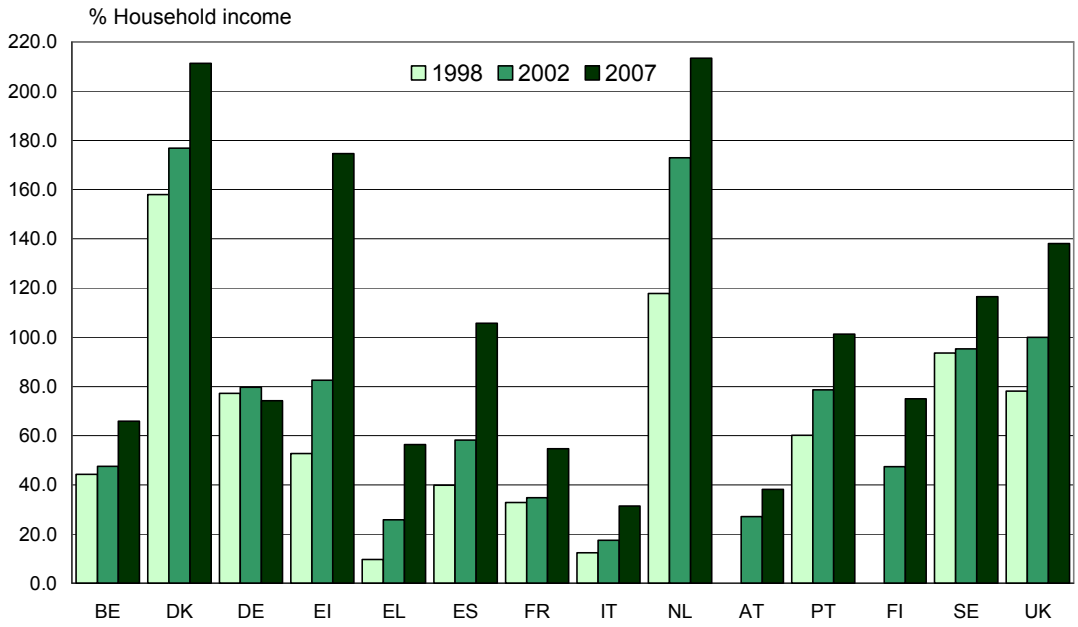
The substantial rise in house prices over the 10 years leading up to the financial crisis in much of Europe was accompanied by a significant expansion of household debt as people borrowed more to finance house purchases. This growth in borrowing, in part a consequence of the easing of credit and the increasing willingness of banks and building societies to extend loans against assets which were rising in value, fed an upward spiral in which price increases resulting from higher demand for houses led to additional speculative demand because by raising expectations of further price increases and the prospect of larger capital gains.

With the exception of Germany, therefore, outstanding mortgage debt increased in all countries over the 10 years leading up to the financial crisis, most especially in the last five years. In Ireland, mortgage debt more than tripled relative to household income over the nine years 1998-2007, more than doubling over the last five years of the period from just over 80 % of household income to 175 % (Figure 84). In Spain, such debt increased by a factor of over 2.5 times during the 9-year period, and again the increase was especially steep in the second part of that period, rising to over 100 % of household income. In the Netherlands and the UK, where it was already high in 1998, mortgage debt increased by around 80 % — to over twice household income in the Netherlands and to almost 1.4 times household income in the UK.

In Germany, on the other hand, the amount of mortgage debt outstanding was slightly smaller in relation to household income in 2007 than in 1998 and some 7 % smaller than in 2002.

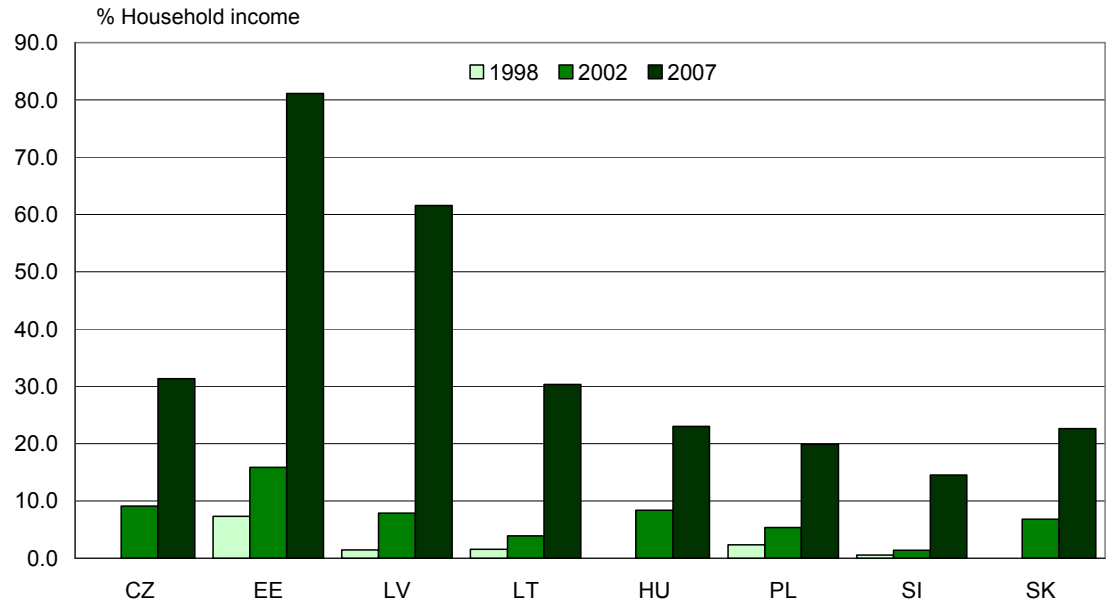
An even larger increase in borrowing to finance house purchases occurred in the Member States in Central and Eastern Europe which entered the EU in 2004. Here, the growth in mortgage debt was at least three times as great as the rise in household income in all countries in the five years 2002–2007, though it rose from a much lower level (Figure 85). In Estonia, it increased by five times more than the growth of household income over this period, eventually exceeding 80 % of household income — more than in many EU15 countries. In Latvia, meanwhile, it increased by almost eight times to over 60 % of household income. Much of this increase in debt in both cases, as elsewhere in the region, took the form of mortgages denominated in foreign currency terms, mostly Euros or Swiss francs.

Figure 84: Mortgage debt as % of household income in EU15 Member States, 1998, 2002, 2007



PT: 1999, AT, FI: no data for 1998
Source: European Mortgage Federation. Hypostat 2007, A Review of Europe's Mortgage and Housing Markets, plus own calculations

Figure 85: Mortgage debt as % of household income in the new Member States, 1998, 2002 and 2007



LV, SI: 1999; CZ, HU, SK: no data for 1998
Source: European Mortgage Federation. Hypostat 2007, A Review of Europe's Mortgage and Housing Markets, plus own calculations

Mortgage debt outstanding has risen to significant levels in a number of other new Member States as well, increasing in the Czech Republic and Lithuania to over 30 % of household income and in Hungary and Slovakia to well over 20 %. It is all the more significant since, as noted below, much of the debt is denominated in Euros rather than domestic currency, which means that its value, and the potential burden it poses for households, is sensitive to exchange rate fluctuations. Any significant fall in the domestic exchange rate, therefore, has the potential to substantially increase the value of outstanding debt and the mortgage payments on this debt.

While the value of houses rose over the years preceding the financial crisis, thus increasing household wealth, so too did household debt — imposing a growing burden of servicing costs which needed to be met from income. Although interest rates have been cut to combat recession, this reduction has typically not been fully passed on in lower mortgage rates because of the increased insecurity attached to housing and the pressure on lenders to protect and strengthen their financial position. Moreover, many people have fixed-rate mortgages, unaffected by interest rate falls, and although they could — in theory — remortgage their house, in practice this might involve significant cost. According to the European Central Bank, around 60 % of household debt in the Euro zone is fixed rate, while in the UK it is around half. For two-thirds of the debt concerned in both cases, however, the fixed rate period is less than two years.

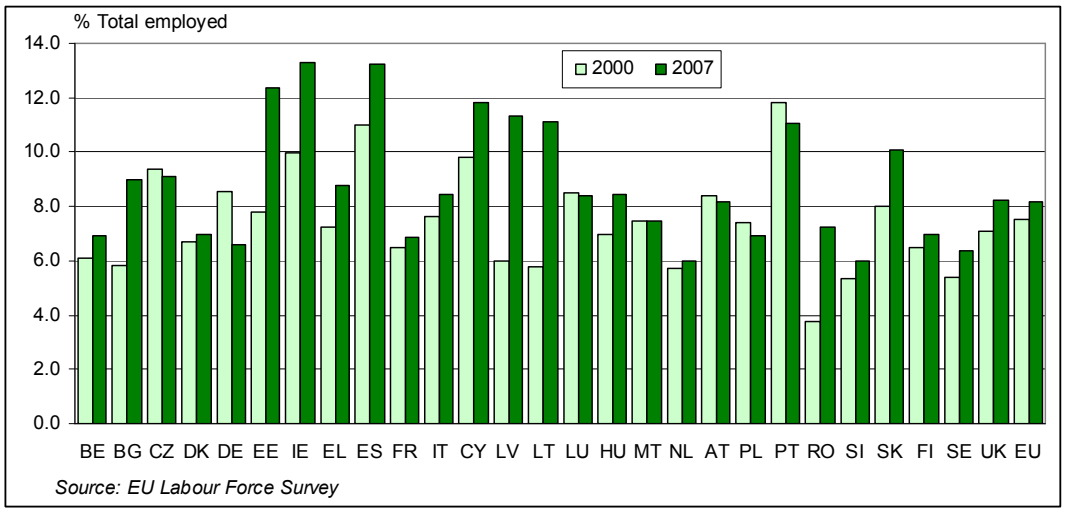
At the same time, despite possibly lower mortgage payments, many households have faced mounting difficulties in meeting these payments as their income has declined. Moreover, borrowing to cover this cost has become increasingly difficult due to the fall in house prices, the financial problems of banks and other lenders and their growing reluctance to extend loans. New mortgages declined markedly during 2008 and the early months of 2009. In the UK, for example, the number of mortgages granted to first-time buyers and existing home-owners moving house halved during 2008, while the overall number of housing transactions in the year were at a lower level than at any time since the 1950s[68]. Moreover, in Spain, mortgage lending in August 2008 was almost 45 % down on a year earlier[69].

In a number of cases, home owners have found themselves with negative equity as price falls have lowered the value of their home below the amount of their outstanding mortgage.

3.4.4. Developments in the construction industry

The trend in house prices throughout much of Europe (a substantial increase over the years leading up to the financial crisis followed by a fall during 2008) is mirrored by developments in the building industry. This industry accounts for a significant number of jobs in all Member States. In 2007, in the EU as whole, eight out of every hundred workers — some 18 million people — were employed in the construction industry. The figure was even higher (almost 14 %) in Ireland and Spain, and was around 11–12 % in the three Baltic States and Cyprus (Figure 86). Fluctuations in the housing market, therefore, can have a major direct effect on a sizable proportion of jobs across the EU

Figure 86: Employment in construction in EU Member States, 2000 and 2007



[68] See Council of Mortgage Lenders, *Annual Report, 2008*

[69] *European Housing Review — February 2009*, published by RICS (Royal Institution of Chartered Surveyors) http://www.eukn.org/binaries/eukn/eukn/research/2009/05/2009europeanhousingreviewl.pdf

As prices (and the demand for housing) went up, providing an incentive to construct new houses, activity in the industry increased and the number of people employed expanded — considerably in some countries. Similarly, as prices began to fall along with sales, and more importantly as sales deteriorated (see Box), builders cut back on new construction and began to lay off workers, on a large scale in some countries.

Between 2003 and 2007, therefore, employment in the construction industry increased by around 12 % in the EU15. Between the last quarter of 2007 and the last quarter of 2008, it declined by almost 7 % — a loss of some 700 000 jobs — with further losses occurring in early 2009.

In Spain, the turn-around in employment from growth to decline was even more dramatic. Over the five years 2002–2007, employment in construction increased by 36 %: by 2007, the construction industry was employing 14 out of every hundred workers. In the year up to the last quarter of 2008, the number employed fell by 21 %, or by some 550 000. In Ireland, in the years preceding the financial crisis, jobs in construction grew by much the same as the EU average but the industry accounted for a similar proportion of employment as in Spain. Then, between the end of 2007 and the end of 2008, the number of construction jobs fell by 20 %. The fall was 25 % over the two years up to the last quarter of 2008.

Developments in the housing market in 2008

In France, housing transactions declined by an estimated 30 % between 2007 and 2008 and the number of houses on the market waiting to be sold increased substantially[70]. The fall continued in the first two months of 2009, when transactions were down by 37 % as compared with the same months a year earlier. In Paris, they were 47 % lower in January 2009 than in January 2008.

In Italy, the number of house sales declined by 13 % in 2008, when sales were 23 % below the peak in 2003[71]. In Cyprus, the number of properties registered with estate agents was 24 % lower in October 2008 than in October 2007 and sales in coastal areas were down by 40 % over the same period because of a decline in foreign buyers[72].

In Spain, the slowdown in the housing market intensified during 2008. In the first quarter of that year 28 percent fewer homes were sold compared to the same period the previous year[73], and in the third quarter housing transactions were 30 % lower than a year earlier. At the end of 2008, some 1.1 million housing units remained unsold[74].

In Ireland, the number of new houses completed in 2008 (as indicated by new connections to the electricity network) was down by a third as compared with 2007 and by 45 % as compared with 2006. Moreover, since houses completed fell steadily month by month during 2008 and continued to fall in the first few months of 2009, the number completed in March 2009 was two-thirds lower than two years earlier and 70 % less than in March 2006[75].

In the UK, in mid-Summer 2008, site visits and reservations of sites by builders were around 80 % fewer than a year earlier[76], and private housing starts in England in the third quarter of 2008 were 55 % down on the same period in 2007[77]. Sales of new houses were down by 64 % in August 2008 as compared with a year earlier[78] and reached record lows in November 2008.

Most of the workers affected by job losses in the housing industry are manual workers with either low skills or skills which are specific to construction, limiting their chances of finding another job. Many in both Spain and Ireland, moreover, are migrant workers with limited access to income support, while many of the other workers are either self-employed (in Ireland) or with temporary contracts of employment, which also limits their entitlement to social benefits.

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[70] FNAIM (Fédération Nationale de l'Immobilier): http://www.fnaim.fr/index.html

[71] *European Housing Review — February 2009*, published by RICS (Royal Institution of Chartered Surveyors) http://www.eukn.org/binaries/eukn/eukn/research/2009/05/2009europeanhousingreviewl.pdf

[72] *RICS: Cyprus economy and financial system will weather the crisis*, Financial Mirror, 15 March 2009 http://www.financialmirror.com/News/Cyprus_and_World_News/14461

[73] According to the data from the Housing Ministry, APCE and the National Central Bank, see *Real Estate Crisis Threatens Spanish Economy*, Der Spiegel, 18 July 2008. http://www.spiegel.de/international/business/0,1518,566701,00.html

[74] *Los españoles huyen de la vivienda*, ABC, 3 May 2009 http://www.abc.es/20090503/economia-economia/espanoles-huyen-vivienda-20090503.html

[75] Data from the Department of Environment, Heritage and Local Government, *Housing Statistics*.

[76] According to the Home Builders Federation: http://www.hbf.co.uk/Research-Home-Builders-Federation-81cfaf9

[77] Communities and Local Government: http://www.communities.gov.uk/housing/

[78] According to the Land Registry: http://www.landregistry.gov.uk/

Although in other parts of the EU15 employment in construction had not yet fallen by the end of 2008, there were signs of an impending steep decline in the figures for new orders. In Portugal, for example, new orders for building work were down by 23 % in the last quarter of 2008 as compared with a year earlier, while in the UK, they were down by 35 %, in Sweden, by 38 % and in Luxembourg, by 60 %.

The growth in employment in construction in the years preceding the crisis was even more substantial in many of the new Member States, though this reflected investment in infrastructure rather than new house building. Moreover, the recession in the industry had not yet reached most of them by the end of 2008 and employment continued to rise during the year. In both Slovenia and Slovakia, the number employed in construction increased by around 25 % in the four years 2003–2007 and by a further 10–11 % in 2008. In both Estonia and Lithuania it rose by over 50 % over the five years taken together, while in Latvia it more than doubled between 2003 and 2007. However, employment in Latvia fell by 23 % in the year up to the first quarter of 2009.

Employment in construction also declined during 2008 in Hungary, where recession hit earlier than in other countries because of budgetary and financial problems. In the two years up to the last quarter of 2008 it fell by 17 % — more than offsetting the increase in the three years 2003–2006. Figures for new orders, moreover, fell by around 45 % between the last quarter of 2007 and the last quarter of 2008, making it likely that there will be a continuing decline in the number of people employed in the industry in Hungary. These figures also indicate an impending decline in employment in other new Member States, showing a fall over this period of 15 % in Slovenia and 21 % in Poland.

3.4.5. The effect of the recession on housing

The onset of the recession has seen many people across the EU facing financial difficulties which have led to them being unable to meet their mortgage payments or pay their rents. In extreme cases, such difficulties can result in them having their home repossessed by the bank or mortgage company or, in the case of people in rented accommodation, being evicted from their house or apartment. From one country to another there are variations in the attitudes taken by financial institutions and landlords to such extreme action — i.e. in their willingness to see families forced to leave their homes. There are also variations in the measures taken by governments to help people meet their payments, or to prevent them being evicted. This is reflected in the relevant statistics.

Mortgage arrears and repossessions

In Greece, it has been observed that many cases of repossession occur when relatively small amounts of debt are outstanding[79]. In Ireland, by contrast, repossession seems to be the very last resort and is seldom implemented in practice. Thus in 2008, despite the sharp fall in GDP and employment and the equally large rise in unemployment, there were just 96 cases of home-owners having their house repossessed.

In France, in the same year, according to a study by CREDOC, some 12 % of households on low income faced the threat of repossession during the three months preceding the survey — three times more than the proportion for households in general[80].

In Spain, the number of cases of repossession more than doubled in 2008 to almost 58 700, as compared with around 25 950 in 2007[81]. There was a tendency, moreover, for the relative number of repossessions to be higher in the less prosperous regions. Thus Andalucía, the largest but one of the least prosperous regions, had the largest number of repossession cases — almost 20 % of the national total, which is more than its share of the national population (around 18 %). More strikingly, some 18 % of repossession cases were in Valencia, again a region with a relatively low level of GDP per head and which accounts for just 11 % of Spain's population.

At the same time, Cataluña, one of the most prosperous regions, also accounted for a larger share of repossessions (19 %) than its share of population (16 %)[82]. This was equally the case for the Basque country

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[79] *The role of housing in pathways into and out of homelessness,* FEANTSA, 2008. http://www.feantsa.org/files/Housing_Annual_Theme/European_Report/08_European_Report_FEANTSA_Housing_final_EN.pdf

[80] Angotti, M. et al., *Les conséquences de la crise auprès des ménages et plus particulièmenet des plus pauvres*, CREDOC (Centre de recherché pour l'étude et l'observation des conditions de vie), 2008. http://doc.politiquessociales.net/serv1/credoc.pdf

[81] Data from the General Council of Judiciary Power (Consejo General del Poder Judicial –CGPJ).

[82] *La ruta de las casas embargadas*, El País, 3 May 2009 http://www.elpais.com/articulo/andalucia/ruta/casas/embargadas/elpepiespand/20090503elpand_1/Tes

(Pais Vasco), another relatively industrialised region which was badly hit by the recession and which accounted for 2.5 % of repossession cases but only 2 % of the population[83].

For 2009, estimates suggest that the number of repossessions could increase further, by around 44 % to around 84 500[84], potentially increasing the number of homeless people while simultaneously pushing up the number of unsold houses on the housing market.

In the UK, around 182,600 mortgages (1.6 % of the total) were in arrears of more than 2.5 % of the balance outstanding at the end of 2008, — up from 1.3 % of the total at the end of the third quarter and 1.1 % at the end of 2007. This is a rise of some 50 % over the year. The number of loans with arrears of more than 2.5 % of the outstanding balance went up to 205 300 by the end of the first quarter of 2009, which is 62 % higher than in the first quarter of 2008. In the second quarter of 2009, however, the number of mortgages in arrears increased only slightly, partly reflecting low interest rates and the policy of lenders to try to help borrowers get through their temporary payment problems.[85].

Since 2003, the number of court orders made for repossession in the UK has risen significantly from under 40 000 to just over 110 000 in 2008 (Figure 87). Actual repossessions are much less than court orders, since many of them are never served or result in a negotiated agreement to reschedule repayments. Nevertheless, there were some 40 000 repossessions in 2008 (1 in 290 mortgages) according to the Council of Mortgage Lenders. In the first quarter of 2009, the rate of repossessions rose, the number increasing to 12 700 over the three months, around 50 % more than in the first quarter of 2008[86], In the second quarter, however, the number fell back, however, to 11 400. At the same time, the number of possession orders made by the courts also declined and in the first half of 2009 was 30 % less, on a seasonally adjusted basis, than a year earlier.

The reduction in court orders and in actual repossessions by lenders during a time a deepening recession and rising unemployment reflect the UK's adoption of the 'Mortgage Pre-action Protocol' in November 2008. This Protocol encouraged lenders to regard repossession very much as a last resort and to search instead for ways of helping people in arrears to reschedule their repayments. Accordingly, possession orders have so far peaked at a level significantly below what they reached in the recession of the early 1990s, though this does not necessarily mean that if the recession continues they will not begin to rise again. It is still the case, however, that repossessions are well above what they have been for most of the past 20 years.

Although it is important to recognise that repossessions do not necessarily lead to homelessness, a significant number do, as discussed further below.

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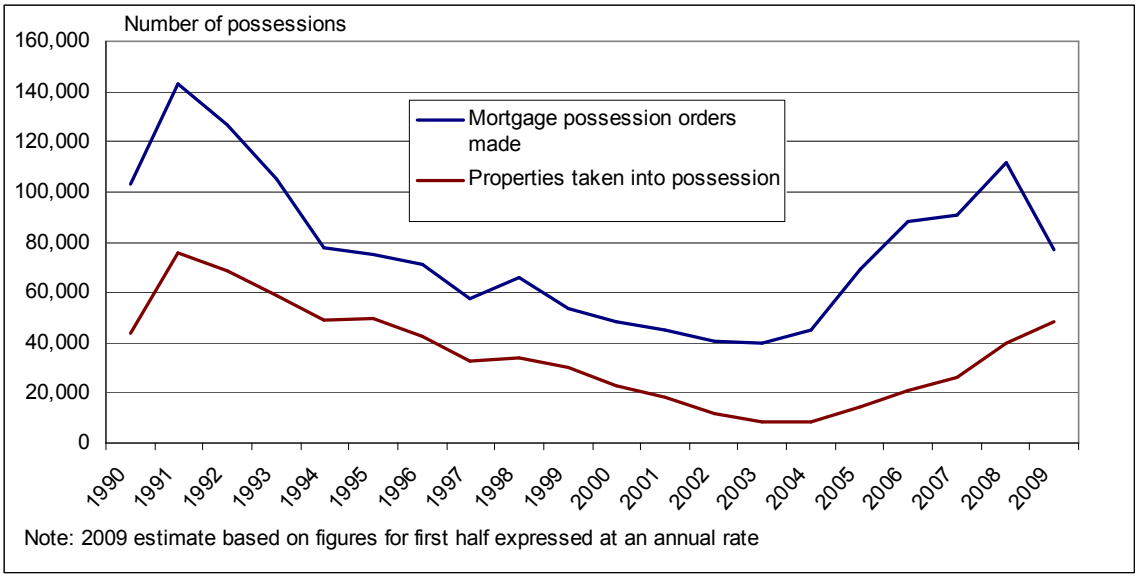
[83] *1400 familias vascas perdieron sus casas por embargo en 2008*, Gara, 18 April 2009 http://www.gara.net/azkenak/04/132859/es/1400-familias-vascas-perdieron-casas-embargo-2008

[84] Estimates made by the CGPJ: *La crisis duplica los embargos de inmuebles a lo largo de 2008*, El País, 13 April 2009. http://www.elpais.com/articulo/economia/crisis/duplica/embargos/inmuebles/largo/2008/elpepueco/20090413elpepueco_2/Tes

[85] Council of Mortgage Lenders: http://www.cml.org.uk/cml/media/press

[86] Council of Mortgage Lenders: http://www.cml.org.uk/cml/media/press

Figure 87: Court orders made for repossession and the number of repossessions in England and Wales



Source: Ministry of Justice and Council of Mortgage Lenders

Rents arrears and evictions

The importance of the rented part of the housing market varies across the EU inversely with the extent of home-ownership. It is particularly important in Germany, where almost half of housing is rented, and only slightly less important in Austria, France and the Netherlands, where the rented sector accounts for around 40 % of the total (There are more homes than people, since a disproportionate number of people living alone are in rented accommodation, so that the average size of a household in the rented sector tends to be smaller). On the other hand, the rental market is very small in Spain and also in most of the new Member States where most people acquired the housing they are living in with privatisation.

The importance of social housing within the rented sector (which affects the scale of evictions) also varies across countries. In the Netherlands it accounts for around three-quarters of all rented accommodation[87], while in France it accounts for just under 40 %. It is also relatively important in the Nordic countries, but elsewhere makes up only a small proportion of the rented sector.

Just as the financial strain of the recession can make it difficult for people to meet their mortgage payments, so it can also mean that people in rented accommodation fall behind with their rents, which could lead to them being evicted from their home. Indeed, many of the most vulnerable groups live in rented accommodation and are more at risk from the recession than home-owners. Eviction, of course is not only the result of the non-payment of rent: it can also be a consequence of anti-social behaviour, problems with neighbours, disagreement over the revision of terms at end of a contract period or simply the landlord wishing to terminate the rental agreement. In practice, however, non-payment seems to be the most frequent cause of eviction. The Centre for Secure Tenancy (*Fachstelle für Wohnungssicherung*) in Vienna, for example, has estimated that over 90 % of all evictions in the city occur because of financial problems and consequent rent arrears.

Keeping up with rental payments can be difficult, especially where they absorb a large proportion of income. This is often the case for younger people with relatively low earnings, particularly for those starting families. In Spain, for example, the Youth Council has estimated that, on average, young people need to spend almost 60 % of their salary on rent if they rent accommodation in the private market[88].

Legislation governing evictions and the rights of landlords relative to the rights of tenants vary across markedly across the EU. In Germany and Italy it is particularly difficult to evict tenants and landlords have an obligation to renew contracts if the tenant so wishes. In a number of countries, however, vulnerable groups are not fully protected by law. In the UK, for example, many private tenants have very limited security of tenure, landlords

[87] 'Housing Finance in the Euro Area', European Central Bank, *Occasional Paper Series n°101*, March 2009 http://www.ecb.int/pub/pdf/scpops/ecbocp101.pdf

[88] Consejo de Juventud de España: http://www.cje.org/C18/Inicio/default.aspx?lang=es-ES

being required in many cases to give tenants only 28 days written notice to quit (though, by the same token, tenants can leave by giving the same period of notice).

In addition, particularly vulnerable groups, such a illegal migrants, drug users or those with a criminal record may be forced to rent accommodation without any legally-binding contract at all, which can mean immediate eviction if they fall behind with their payments.

The impact of the recession on the number of people being evicted from their homes is hard to estimate because of the limited data available. However, it is not difficult to identify those who will be most affected, namely the most disadvantaged groups on the labour market who are at greater risk of unemployment and of a sudden reduction in income. In the Paris area, the number of evictions was increasing even before the onset of recession, rising to over 19 000 in 2007[89]. According to a survey carried out by ADIL (*Association Departmentale d'Information sur le Logement*) between July and November 2008, some 29 % of the people interviewed reported either being behind with their rents or being at risk of falling behind[90]. In Spain, the number of evictions in Barcelona is reported to have increased by 16 % in 2008 as compared with 2007, largely because tenants were in financial difficulties as a result of the recession.[91].

In the countries which have entered the EU over the past five years, the great majority of people own their own homes and do not have mortgages. Thus the threat of repossession or eviction is limited to a smaller group of people. The cost of housing in these countries, however, still represents a significant burden for many people, even if they have no rent or mortgages to pay, because of the high price of energy — coupled, in many cases, with the high cost of maintaining their homes. In most of these countries, housing costs are lower in relation to income than in other parts of the EU. However, the difference is not large and for many of the poorer households these costs still amount to a substantial proportion of their income.

In Hungary in 2008, for example, nearly 270 000 households are estimated to have accumulated debts on maintaining their homes and were over three months in arrears on repaying these debts. According to recent surveys, some three-quarters of homes are in need of repair, 40 % require partial restoration and another 20 % full restoration. The situation is particularly bad in Budapest, where 90 % of homes are thought to require work and almost 40 % full restoration or demolition.

A further problem is that the outstanding amount of borrowing by households, as indicated above, has increased rapidly over recent years. Moreover, much of this is denominated in foreign currency, thus putting households at risk from exchange rate fluctuations, or more specifically from a depreciation of the domestic currency against the foreign currency concerned. Such depreciation has, indeed, occurred in recent years, resulting in a substantial increase in the domestic currency value of loans which households need to service. In Hungary, loans in foreign currency accounted for 60 % of net household borrowing in 2008[92], while in Poland, they accounted for two-thirds of outstanding borrowing for housing purposes in October 2008[93] and in Romania for nearly 90 % at the end of 2007[94].

3.4.6. Social housing in the recession

Although the full effects of the recession on social housing cannot yet be identified, some things are obvious. In countries where there is a policy of selling off social housing, sales have fallen. In the UK for example, they declined by 20 % in 2008. At the same time, advocates of social housing have pointed to the potential in this sector for alleviating the effects of the recession and saving jobs through renovating homes and building new ones[95].

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[89] *Recueil statistique relatif à la pauvreté et à la précarité en Île-de-France,* MIPS, 2008 http://www.ile-de-france.pref.gouv.fr/mipes/documents/Mipes_donnees_31_12_2007.pdf

[90] *La part du loyer dans le budget des ménages parisiens*, ADIL75 (Association départementale d'information sur le logement), 2009 http://www.adil75.org/pdf/LA%20PART%20DU%20LOYER%20DANS%20LE%20BUDGET%20DES%20MENAGES%20PARISIENS.pdf

[91] *La crisis dispara hasta un 15 % los desahucios por impagos en BCN*, el Periódico, 27 January 2009 http://www.elperiodico.com/default.asp?idpublicacio_PK=46&idioma=CAS&idnoticia_PK=581991&idseccio_PK=1022

[92] Hegedüs, J., *Housing affordability issues in Eastern and Central European countries*, seminar on Housing, social inclusion and the economy, April 2009, Brussels http://www.socialsituation.eu/WebApp/Events.aspx

[93] National Central Bank (Narodowy Bank Polski): http://www.nbp.pl/Homen.aspx?f=en/onbp/informacje/funkcje_banku_centralnego.html

[94] 'Housing Finance in the Euro Area', European Central Bank, *Occasional Paper Series n°101*, March 2009 http://www.ecb.int/pub/pdf/scpops/ecbocp101.pdf

[95] National Housing Federation: http://www.housing.org.uk/Default.aspx?tabid=232&mid=1150&ctl=Details&ArticleID=1996

In some countries, social housing providers have experienced problems accessing credit. In Belgium and the Netherlands for example, fewer banks are prepared to provide finance for building new homes or renovating existing ones[96].

As noted above, income from rents is tending to decline as tenants lose their jobs or experience a reduction in earnings. This means less finance for maintenance and repair work, which is badly needed in Central and Eastern European countries in particular.

Conversely, social housing offers a potential safety net for people losing their jobs and not being able to pay their mortgage. In Italy, for instance, a new scheme was introduced at the end of 2008 which allows social housing associations to buy the houses of people in this position who then rent them back from the association but with the option of repurchasing them in the future[97].

In Spain, the housing department in the Basque region has implemented a similar policy of buying houses from people who have been unemployed for at least three months and cannot pay their mortgage (so long as their income in the previous year was below a certain amount) again with the option of buying back in the future. Under this scheme, the department undertakes to pay off the remainder of the mortgage to the bank, though at a reduction of around 20 % on the amount due[98].

Through such schemes, the recession could lead to an expansion of the social housing sector in a number of countries. In Sweden, for example, social housing providers report being able to buy property at lower prices, while the housing itself is viewed as a more attractive and safe option by potential tenants[99]. Moreover, investment in social housing, as noted above, offers a way of overcoming the downturn in the private housing market and so of combating the recession by assisting the construction industry. At the same time it helps meet the additional demand for low-cost accommodation from people hit by the recession.

3.4.7. Pathways into homelessness

The reasons why people become homeless are multiple and complex and in most cases involve factors stretching back over many years. These include, in particular, behavioural and social problems including mental health disorders, drug abuse, low education levels, family conflict or domestic violence and social isolation. Repossession or eviction do not necessarily lead to homelessness, nor are they the primary reasons for it: but in many instances they can be the final trigger or, at least, an important step on the way.

Recent studies on the pathways into homelessness in the EU highlight the many contributory factors and emphasise that a single event, such a eviction for failing to pay rent, is rarely the sole or even major cause of homelessness. Accordingly, it is difficult to judge how far the current recession is likely to lead to a big increase in homelessness, given the dearth of statistics on the numbers at risk and the differing degrees to which governments strive to prevent evictions and repossessions and to assist those who lose their home.

The factors likely to contribute to someone becoming homeless can be divided into three broad groups:

- structural factors, such as lack of access to, or unavailability of, affordable housing; limited access to the labour market; lack of social services;
- social factors, such as barriers to social inclusion or the marginalisation of a particular group in society;
- personal factors, such as poor mental health, alcohol or drug addiction, a low level of education and lack of qualifications, gambling problems, a criminal record, exposure to domestic violence or lack of family support.

These factors can not only lead to someone being evicted, or having their home repossessed, but also be obstacles to that person finding a new home[100].

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[96] Cecodhas, *Newsletter March 2009*: http://www.cecodhas.org/
[97] Federcasa: http://www.federcasa.it/
[98] El País: http://www.elpais.com/buscar/vivienda
[99] Cecodhas, *Newsletter March 2009*: http://www.cecodhas.org/
[100] Pillinger, J., *Homeless Pathways*, Focus Ireland, 2007
http://www.focusireland.ie/htm/research_policy/pdfs/HomPat07.pdf

Evidence for the link between loss of home and homelessness is sparse, but the data available suggests that a significant proportion of the people concerned do indeed become homeless and have difficulty obtaining another place of their own. In Denmark, for example, where there has been a substantial rise in the number of evictions since 2002, in 25 % of the cases, the people concerned were still homeless one year after eviction[101].

In the Netherlands, a survey was carried out in 2004 of 120 homeless adults in Amsterdam living on the streets, in day centres and overnight shelters. Of these, 88 % were men with an average age of 38. The survey found that eviction was a significant direct cause of their situation (accounting for 38 % of cases), while the break-up of a relationship was almost as important (35 % of cases). Among those evicted, alcohol abuse was a significant contributory factor, while many of those experiencing the break-up of a relationship had a drug addition problem. Most of them (62 %) had had no contact with social services before becoming homeless and only just over a quarter (27 %) had had contact with medical services[102].

In Ireland, a survey carried out in 2007 indicated that loss of tenancy was the most important factor triggering homelessness, especially for women, while health problems were an important longer-term contributory factor for men. For around two-thirds of the people surveyed, therefore, the loss of a tenancy or insecure housing was the main direct reason for them becoming homeless, while 28 % had experienced marital breakdown, 44 % family breakdown and 61 % suffered from alcohol or drug addiction[103].

In the UK, statistics have been compiled from local authority records of people accepted as being homeless — in the statutory sense that local authorities are obliged to house them. These figures indicate that, while eviction or repossession are significant direct causes, other factors tend to be more important[104]. For 14 % of the households concerned, the main direct cause was the end of a short-term tenancy. However, for another 6 % it was mortgage or rent arrears, and for 5 % the loss of rented or tied housing. For 57 % of them, the main reason was the breakdown of a relationship, or the fact that family or friends were no longer able or willing to provide accommodation. This breakdown in personal relationships also emerged as the main cause of homelessness — or 'rooflessness' — from a survey carried out in England in 2007 of people living rough on the streets[105].

Moreover, a recent survey in the UK on families' concerns about how the current recession would affect them revealed that their main worry was not repossession or eviction but rather losing their job. While, in practice, the one could lead to the other, most people did not think this likely[106].

In Spain, according to a survey carried out in Madrid in the winter of 2008, the main reasons for people living rough on the street were unemployment (23 %) and family problems (21 %). Difficulties in paying rent or a mortgage were mentioned by only 7 % of the people surveyed, though this was twice as many as two years earlier[107].

These surveys, therefore, show that although repossession or eviction may trigger homelessness, they do not seem to be the major reason why people are homeless in the sense of living on the streets. However, they are an important factor in people becoming homeless in the broader sense of living with friends or relatives or in temporary accommodation of various kinds. What happens to these people once they lose their home depends not only on the friends and relatives that they are able to call on for help but also the accommodation and wider support provided by public authorities and voluntary organisations. This support is not only crucial in preventing them ending up on the street but also in enabling them to get out of the situation they are in, in particular to find a job and to avoid becoming marginalised in society.

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[101] *The role of housing in pathways into and out of homelessness,* FEANTSA, 2008 http://www.feantsa.org/files/Housing_Annual_Theme/European_Report/08_European_Report_FEANTSA_Housing_final_EN.pdf

[102] van Laere IR, de Wit MA,and Klazinga NS, *Pathways into Homelessness*,, GGD Municipal Public Health Service, Amsterdam, 2009.

[103] See Jane Pillinger, *Homeless Pathways*, Focus Ireland, 2007 (http://www.focusireland.ie/htm/research_policy/pdfs/HomPat07.pdf) and Megan Ravenhill, *The Culture of Homelessness*, Ashgate Publishing, 2008.

[104] Communities and Local Government: http://www.communities.gov.uk/housing/

[105] *Reaching out – a consultation with street homeless people 10 years after the launch of the Rough Sleepers Unit,* Shelter, 2007 http://england.shelter.org.uk/__data/assets/pdf_file/0019/66421/1385_Reaching_Out_report_FIN_Lo.pdf

[106] *The economic downturn – the concerns and experiences of women and families*, Government Equalities office, March 2009 http://www.equalities.gov.uk/pdf/GEO%20Summary-%20WEB.pdf

[107] Red Nacional de Entidades que trabajan con personas sin Hogar, *Informe del segundo recuento nocturno de personas sin hogar en Madrid*, Winter 2008 http://www.enredpsh.org/documentacion_docu.php3?id_article=1267