Social Situation Report 2007 – Social cohesion through equal opportunities

What is the Social Situation Report (SSR) and what issues does it cover?

The Social Situation Report is the Commission's main tool for monitoring developments in the social field across the EU Member States. The annual report aims to inform the public debate on social policy by providing key data and in depth analyses. The SSR provides some key indicators covering all social policy areas and analyses some specific issues in more detail. Most of these indicators are derived from a major European survey on income and living conditions (EU-SILC). The focus of the latest report is on equal opportunities.

The Report complements other regular Commission analyses in the social field, such as the Employment in Europe report and annual report on gender equality.

How even is income distribution in the EU?

The Report shows that income in EU Member States is more evenly distributed than in the US. This is true both within Member States and across the EU as a whole, despite the large differences in GDP per head across the EU Member States.

Taking the population of EU-25 as a whole, the measurement of inequality, the 'Gini coefficient', can be estimated for the EU-25 at around 35.0[1] compared to an estimate of 35.7 for the US. The results also show that Portugal, Latvia and Lithuania surpass the US level.

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[1] The Report uses a measurement of the extent to which the total sum of incomes goes to high earners rather than being evenly spread across the population. A coefficient of 0 implies that all get an equal share of the total sum of income; while a coefficient of 100 would be the other extreme in which the total income goes to one individual only.

**Measurement of inequality (Gini coefficient), 2004**
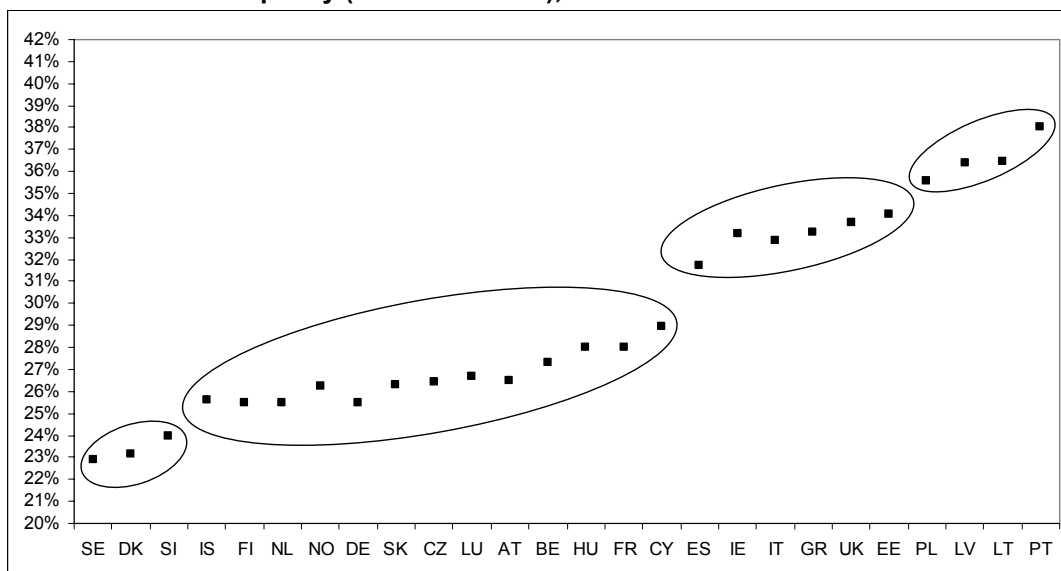
The chart shows the latest available coefficients for a large number of EU and some other European countries. The most equal income distributions can be found in the Nordic countries, notably Sweden and Denmark. Portugal has the most unequal distribution.

Does income equality come at a cost in terms of economic performance?

International comparisons of income equality and economic performance – as measured by GDP per capita – show no trade-off between the two. Indeed, comparing the income equality coefficients of EU countries against their GDP per capita shows that those countries with a higher GDP also tend to be more egalitarian.

Distribution of EU Member States by GDP per capita (in PPS and Gini index, 2004)

Gini Index
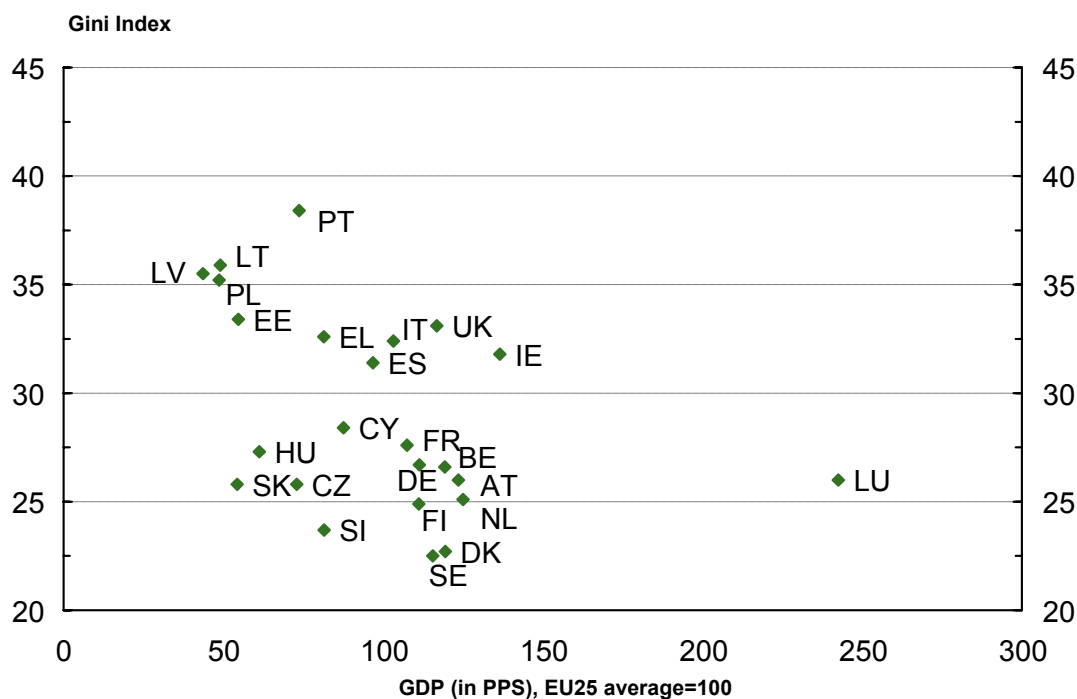
Source: EU-SILC User's Data Base, version 30 March 2008 and Eurostat.

Of course this does not mean that reducing inequalities will automatically raise economic performance. Rather, if people have a more equal access to opportunities and can develop their full productive potential, this implies reduced inequality and would also allow a stronger economic performance. Promoting equal opportunities makes it possible to boost growth by mobilising resources that were previously blocked by discrimination and social exclusion.

How can better access to opportunities help reduce inequalities?

The analysis presented in the Report suggests that promoting equal opportunities in the European Union could make a major contribution to both greater social cohesion and economic growth.

For example, children of parents with a high level of education are four times as likely to attain a higher level of education themselves as children from a low-education background. Higher education levels are of course associated with higher incomes and a much reduced risk of unemployment.

Probability of children with higher educated parents attaining high level of education compared to those with lower educated parents
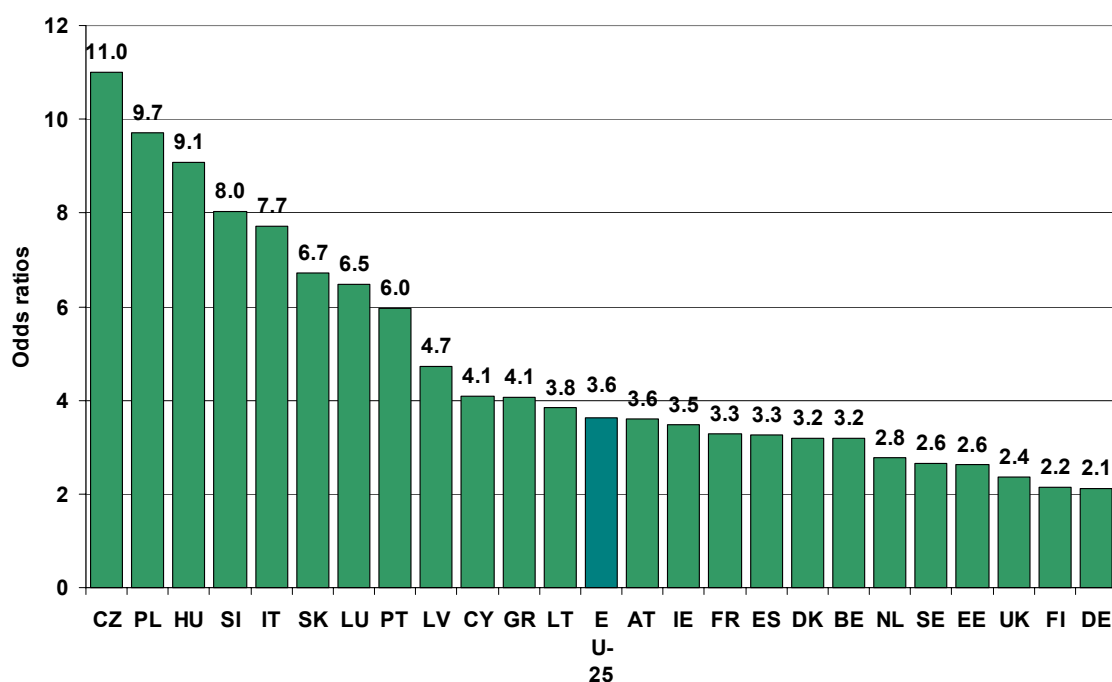
Source: Eurostat – EU-SILC Users' Data Base, version 27 June 2007.

Another indication of poor opportunities highlighted in the SSR is the risk of poverty affecting particularly children from a migrant background. Children with parents born outside the EU are about twice as likely to grow up in poverty as those with parents born in the country of residence. This is likely to limit their chances in life and prevent many of these children from developing their full potential. The OECD's PISA study confirms that children from a migration background tend to do less well at school.

Proportion of children with income below the at-risk-of-poverty threshold, parents born outside the EU and parents born in the country of residence, 2004
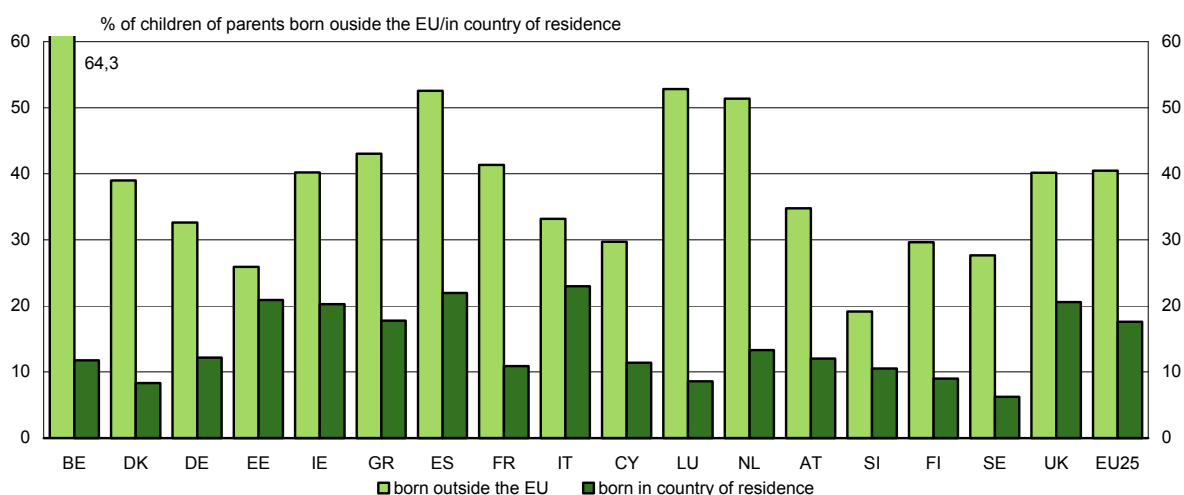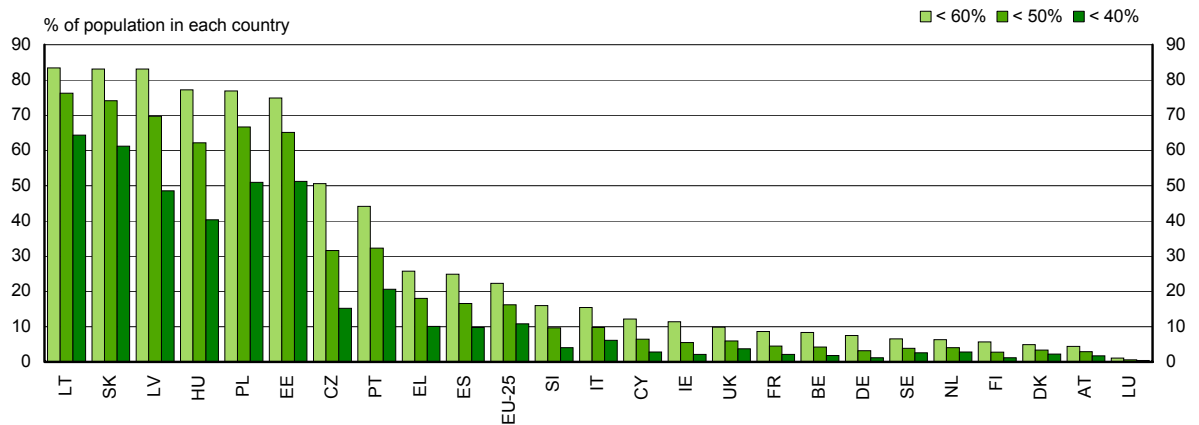

Source: Eurostat – EU-SILC Users' Data Base, version 27 June 2007.

How many people have to get by on very low incomes?

In 2004, around 100 million Europeans (22% of the total population) had less than 60% of the EU median income of around € 8000 per year for a single person or € 22 a day. These amounts are adjusted for purchasing power and household size, so the actual amounts would differ from one country to another and would also depend on household composition. Some 23.5 million had to get by on less than € 10 a day.
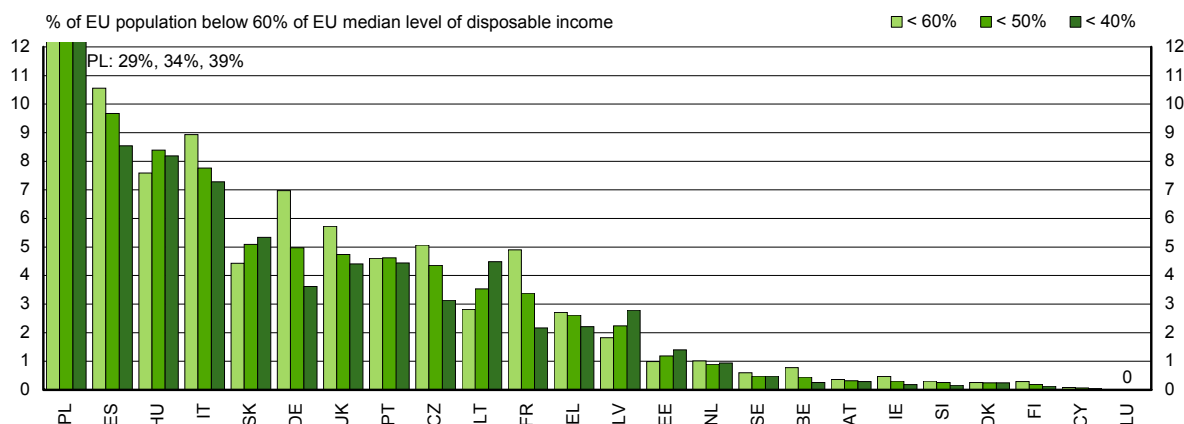
Proportion of people with income below 60%, 50% and 40% of the EU median level of disposable income (in PPS), 2004

% of population in each country   □ < 60% ■ < 50% ■ < 40%

Source: EU-SILC Users' Data Base, version 30 March 2008.

Not surprisingly, the concentration of people with low incomes relative to the EU median is highest in the poorer new Member States, but a large proportion of the low income population can be found in the richer EU-15 countries which comprise the largest Member States. Almost half (just under 48%) of people with income below 60% of the EU median live in the EU-15, some 11% of them in Spain, another 9% in Italy and just under 7% in Germany. At the same time, 29% live in Poland, the most populous of the new Member States.

People with income below 60%, 50% and 40% of the EU median level of disposable income (in PPS), 2004

% of EU population below 60% of EU median level of disposable income   ■ < 60%   ■ < 50%   ■ < 40%

PL: 29%, 34%, 39%

Chart categories (left to right): PL, ES, HU, IT, SK, DE, UK, PT, CZ, LT, FR, EL, LV, EE, NL, SE, BE, AT, IE, SI, DK, FI, CY, LU
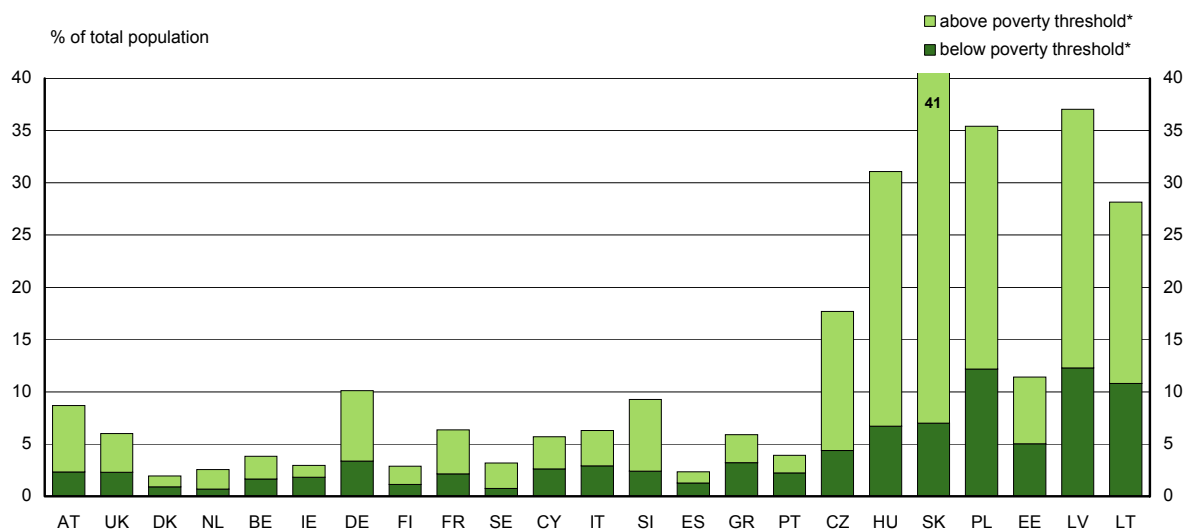
Source: EU-SILC Users' Data Base, version 30 March 2008.

What chances are there for reducing the number of people on low incomes in the EU?

As the new Member States catch up in terms of economic performance, rising incomes - both in absolute terms and relative to the EU average - should result in a speedy reduction in the number of people with very low incomes. The speed with which this happens will reflect how successful the process of economic and social convergence is – both in terms of the EU's cohesion policies and national economic and social policies. Indeed, a speedy reduction in the number of people on low incomes may not be automatic if large population groups (e.g. low-skilled workers or pensioners) cannot benefit from better earnings opportunities and transfer incomes do not rise in line with earnings.

What are the actual living conditions of people with low incomes?

The Report also tries to assess the extent to which low incomes are linked to access to various goods and services considered essential for a good life, such as consumer durables, an annual holiday and basic necessities. The results show that it is not only people with incomes below the national at-risk-of-poverty threshold who experience material deprivation. For example, in almost all Member States, more people above the poverty threshold are unable to afford a square meal at least once every other day than those below the poverty threshold.

Proportion of population not able to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day, 2005

% of total population

Legend:
- above poverty threshold*
- below poverty threshold*

Chart bars by country (AT, UK, DK, NL, BE, IE, DE, FI, FR, SE, CY, IT, SI, ES, GR, PT, CZ, HU, SK, PL, EE, LV, LT). SK bar labeled 41.

* at-risk-of-poverty threshold: 60 % of the national median equivalised income. Countries are ranked by average disposable income per (equivalised) head measured in PPP terms.
Source: Eurostat – EU-SILC Users' Data Base, version 27 June 2007.

Link to report:

http://ec.europa.eu/employment_social/spsi/reports_social_situation_en.htm

Annex

Inequality of income distribution

Income quintile share ratio

The ratio of total income received by the 20 % of the population with the highest income (top quintile) to that received by the 20 % of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
EU (25 countries)	:	:	:	4.6 (s)	4.6 (s)	4.5 (s)	4.5 (s)	: (i)	4.6 (s)	4.8 (s)	4.9 (s)	4.8 (s)
EU (15 countries)	5.1 (s)	4.8 (s)	4.7 (s)	4.6 (s)	4.6 (s)	4.5 (s)	4.5 (s)	: (i)	4.6 (s)	4.8 (s)	4.8 (s)	4.7 (s)
Euro area (13 countries)	:	:	:	:	:	:	:	:	:	:	4.6 (s)	4.6 (s)
Euro area (12 countries)	5.1 (s)	4.8 (s)	4.7 (s)	4.5 (s)	4.5 (s)	4.4 (s)	4.4 (s)	: (i)	4.5 (s)	4.8 (s)	4.6 (s)	4.6 (s)
Belgium	4.5	4.2	4.0	4.0	4.2	4.3	4.0	: (i)	4.3 (b)	4 (p)	4	4.2
Bulgaria	:	:	:	:	:	3.7 (i)	3.8 (i)	3.8 (i)	3.6 (i)	4 (i)	3.7 (i)	3.5 (i)
Czech Republic	:	:	:	:	:	:	3.4 (i)	:	:	:	3.7 (b)	3.5
Denmark	2.9 (i)	:	2.9 (i)	:	3.0 (i)	:	3.0 (i)	: (i)	3.6 (b)	3.4	3.5	3.4
Germany	4.6	4.0	3.7	3.6	3.6	3.5	3.6	:	:	:	3.8 (b)	4.1
Estonia	:	:	:	:	:	6.3 (i)	6.1 (i)	6.1 (i)	5.9 (i)	7.2 (b)	5.9	5.5
Ireland	5.1	5.1	5.0	5.2	4.9	4.7	4.5	: (i)	5 (b)	5	5	4.9
Greece	6.5	6.3	6.6	6.5	6.2	5.8	5.7	: (i)	6.4 (b)	5.9	5.8	6.1
Spain	5.9	6.0	6.5	5.9	5.7	5.4	5.5	5.1 (bi)	5.1 (i)	5.1 (b)	5.4	5.3
France	4.5	4.3	4.4	4.2	4.4	4.2	3.9 (bi)	3.9 (i)	3.8 (i)	4.2 (b)	4	4
Italy	5.9	5.6	5.3	5.1	4.9	4.8	4.8	: (i)	: (i)	5.7 (b)	5.6	5.5
Cyprus	:	:	: (i)	:	:	:	: (i)	: (i)	4.1 (i)	: (i)	4.3 (b)	4.3
Latvia	:	:	:	:	:	5.5 (i)	: (i)	:	:	:	6.7 (b)	7.9
Lithuania	:	:	:	:	:	5.0	4.9 (i)	:	:	:	6.9 (b)	6.3
Luxembourg	4.3	4.0	3.6	3.7	3.9	3.7	3.8	: (i)	4 (b)	3.9	3.8	4.2
Hungary	:	:	:	:	:	3.3 (i)	3.1 (i)	3.0 (i)	3.3 (i)	: (i)	4 (b)	5.5
Malta	:	:	:	:	:	4.6 (i)	: (i)	: (i)	: (i)	: (i)	4.1 (p)	4.2 (p)
Netherlands	4.2	4.4	3.6	3.6	3.7	4.1 (ip)	4.0 (ip)	4.0 (ip)	4.0 (ip)	: (i)	4 (b)	3.8
Austria	4.0	3.8	3.6	3.5	3.7	3.4	3.5	: (i)	4.1 (b)	3.8	3.8	3.7
Poland	:	:	:	:	:	4.7 (i)	4.7 (i)	:	:	:	6.6 (b)	5.6
Portugal	7.4	6.7	6.7	6.8	6.4	6.4	6.5	7.3 (ip)	7.4 (ip)	6.9 (b)	6.9	6.8 (p)
Romania	:	:	:	:	:	4.5 (i)	4.6 (i)	4.7 (i)	4.6 (i)	4.8 (i)	4.9 (i)	5.3 (i)
Slovenia	:	:	:	:	:	3.2 (i)	3.1 (i)	3.1 (i)	3.1 (i)	: (i)	3.4 (b)	3.4
Slovakia	:	:	:	:	:	:	: (i)	:	:	:	3.9 (b)	4
Finland	:	3.0	3.0	3.1	3.4	3.3	3.7 (bi)	3.7 (i)	3.6 (i)	3.5 (b)	3.6	3.6
Sweden	:	:	3.0 (i)	:	3.1 (i)	:	3.4 (i)	3.3 (bi)	: (i)	3.3 (b)	3.3	3.5
United Kingdom	5.2	5.0	4.7	5.2	5.2	5.2 (bi)	5.4 (i)	5.5 (i)	5.3 (i)	: (i)	5.8 (b)	5.4
Croatia	:	:	:	:	:	:	: (i)	: (i)	4.6 (i)	: (i)		
Macedonia, the former Yugoslav Republic of	:	:	:	:	:	:	:	:	:	:		
Turkey	:	:	:	:	:	: (i)	10.8 (i)	9.9 (i)	: (i)	:		
Iceland	:	:	:	:	:	:	: (i)	: (i)	: (i)	3.4 (b)	3.5 (p)	3.7 (p)
Norway	:	:	3.3 (i)	3.4 (i)	3.3 (i)	3.3 (i)	3.5 (i)	3.2 (i)	3.8 (b)	3.6	4.1	4.6
Switzerland	:	:	:	:	:	:	: (i)	: (i)	: (i)	: (i)		
United States	:	:	:	:	:	:	:	:	:	:		
Japan	:	:	:	:	:	:	:	:	:	:		

Source: Eurostat, Structural indicators.
http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/&product=STRIND_SOCOHE&depth=2
(:) Not available
(s) Eurostat estimate
(i) See explanatory text
(b) Break in series
(p) Provisional value