



Joint Report on Social Protection and Social Inclusion [2006]

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European Commission

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Joint Report on Social Protection and Social Inclusion 2006

European Commission

Directorate-General for Employment, Social Affairs and Equal Opportunities

Manuscript completed in April 2006

1. Document drawn up on the basis of COM(2006)62 final and SEC(2006)523.

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Luxembourg: Office for Official Publications of the European Communities, 2006

ISBN 92-79-01936-8

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Printed in Belgium

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1. INTRODUCTION

Europe's policies on social protection and social inclusion face major challenges. Global competition, the impact of new technologies and an ageing population shape the long-term policy context; weak growth, high unemployment and persistent inequalities need to be addressed in the short term. At Hampton Court in October, the Heads of State and Government reflected on how Europe's social systems can be sustained in the face of such challenges and how they can, at the same time, contribute to meeting them. The Commission's contribution, strongly endorsed in the Presidency's conclusions, called for "strengthening instruments like the EU's integrated guidelines for growth and jobs and reinforcing their interaction with more effective EU level co-ordination in the area of social protection."

Earlier, the review of the Lisbon strategy in spring 2005 had posed a two-fold challenge for the work under the Open Method of Coordination (OMC) for social protection and social inclusion. It found a gap between the common European objectives and the policies established to address them – for the OMC, this means that the process should move beyond identifying broad principles to focus on the effectiveness of policies. Secondly, while restating the importance of the social dimension of the strategy, it sought a concentration of policy effort on creating higher growth and more and better jobs. Thus close interaction between the social protection and social inclusion OMC, with its focus on providing a high level of social protection and social cohesion, and policies for employment and growth is required. At the same time, the European Council called on the Union and the Member States to give priority, under the social inclusion strategy, to improving the situation of the most vulnerable young people and to initiatives to prevent educational failure as a contribution to the European Youth Pact.

This second Joint Report on social protection and social inclusion responds directly to the challenge of the Hampton Court Summit and of Lisbon, and builds on the 2003 Communication "Strengthening the social dimension of the Lisbon strategy: Streamlining open coordination in the field of social protection"¹. It draws on the plans and policy statements produced by the Member States during 2005 under the three policy strands of social inclusion, pensions, and health and long-term care. It is guided by the views on the value of the OMC expressed by Member States and stakeholders. And it anticipates the structure of OMC exchanges under the future streamlined process².

2. OVERARCHING ISSUES FACING SOCIAL PROTECTION AND SOCIAL INCLUSION POLICIES.

The Commission's Communication on a new framework for the OMC outlines three overarching challenges for policies in the social protection and inclusion fields. This section uses this framework to review current policies and reform strategies.

¹ 2003)261
² See COM(2005)706

(a) Promote social cohesion and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies

Member States have to meet core social objectives efficiently and cost effectively while adapting to new challenges and circumstances. To this end, in 2003 Member States spent on aggregate around 28% of GDP in gross terms on social protection³, a figure which has edged upwards after being broadly stable over recent years, also in the context of ageing populations⁴.

Systems of cash transfers (other than pensions) account for 5% of GDP. Reform efforts in this area are mainly focused on strengthening incentives to take up work. Use of in-work benefits to support incomes for those making the transition to (low-paid) employment is growing, albeit slowly. Social assistance is increasingly linked closely with locally provided social and employment services as a means to achieving synergies and efficiencies. Notable reform efforts relate to long-term sickness/invalidity schemes, where many States are taking measures to ensure that they are not a form of disguised early retirement but promote job-retention and return to the labour market.

Spending on pensions, which averaged 13% of GDP in the EU (in 2003), has ensured that being old is no longer associated with being poor or being dependent on one's children. This has mainly been achieved through the provision of public pensions, and the adequacy of retirement income will continue to be a public responsibility. Successive European Councils have highlighted that increasing the effective retirement age would make the most decisive impact both to adequacy and sustainability of pension systems, especially in the light of the long-term implications for pension expenditures of increased life expectancy.

Reforms are being made in most Member States to reverse the trend of previous decades which reduced the effective retirement age and cope with future increases in life expectancy. Public pay-as-you-go pension schemes are expected to remain the principal source of income of pensioners in coming decades, while the contribution of privately managed pension schemes is expected to increase in many but not all Member States. The solidarity principle continues to be important for our pension systems, by ensuring access for all workers to pension provision, a form of guaranteed minimum for older people, a replacement income and finally the recognition for pensions of time spent out of the labour market (notably caring for children or older people and periods of unemployment).

In health and long-term care, where spending averaged 8% of GDP in 2003, Member States continue to aim to ensure access for all to high quality care, while adjusting their systems to ever growing demand linked to ageing, patients' expectations and technology development. They are seeking greater effectiveness and efficiency as well as aggregate cost containment through reorganisation, prioritisation and the development of incentive structures to users and providers. Health promotion and disease prevention policies are expected to play an increasing role. To ensure that health inequalities are not aggravated by a lack of

³ ESSPROS data

⁴ See also Economic Policy Committee: Restructuring public expenditure: challenges and achievements, January 2006.

access to care, the growing use of charges and co-payments is accompanied by a wide array of reductions of fees, targeted at disadvantaged groups.

Europe's population will be slightly smaller, but significantly older in 2050. There will be two workers per elderly citizen as opposed to a ratio of four to one now. Recent long-term projections show that the pension, health and long-term care costs linked to an ageing population will lead to significant increases in public spending in most Member States by 2050. On the basis of current policies, total age-related public expenditure is projected to increase by 3.4 percentage points of GDP, while expenditure on pensions, health and long-term care alone is projected to increase by 4.4 percentage points for the EU-25 and up to 10 percentage points in some Member States⁵.

The way in which Europe can hope to meet these needs is not by giving up its ambitious social policies, but by making use of their potential contribution to economic performance. Financial sustainability can only be ensured through modernisation of institutions and delivery mechanisms, respecting the diversity of Member States social organisation.

Reform in social protection has been progressing at a steady pace. As this review shows, reforms are not synonymous with cutting back, and their impact on social cohesion should be carefully monitored. Drawing from those countries with the longest experience suggests that good activation, involving integrated and tailored interventions, does not come cheaply and cannot be a quick-fix strategy.

For example, increased use of income-tested minimum retirement provisions should not weaken incentives for pension saving. Minimum social assistance levels are already, in many Member States, below the at-risk-of-poverty line and, from a social inclusion perspective, the scope for attaching conditions to them needs to be carefully monitored. The growing emphasis on benefit conditionality is not, to date, accompanied by systematic monitoring of its impact on the most marginalised groups. The trend towards decentralising responsibility to the regional and/or local level has considerable potential for integrated delivery of social protection and social services. Again, however, the impact needs to be monitored. Evaluation must also be "joined up" across different policy spheres. The growing use of health co-payments, accompanied by measures to alleviate their cost to lower income groups, has already been noted; within the most recent inclusion reports, the impact of increased health and health insurance costs is seen as an increasingly significant pressure on people in lower income groups.

(b) Interact closely with the Lisbon objectives on achieving greater economic growth and more and better jobs and with the EU's Sustainable Development Strategy.

The interaction between the OMC and the revised Lisbon process should be a dual one – social protection and inclusion policies should support growth and

⁵ See Economic Policy Committee/European Commission: the impact of ageing populations on public spending on pensions, health and long-term care, education and unemployment benefits for the elderly, February 2006, available under: http://europa.eu.int/comm/economy_finance/epc/epc_sustainability_ageing_en.htm . The focus of these projections is forward-looking and they are not directly comparable with ESSPROS figures as they do not include occupational private expenditure and private healthcare.

employment objectives, and growth and employment policies should support social objectives. Among the Member States, Belgium, Hungary and Finland offer clear examples of this dynamic interaction in their National Reform Programmes (NRPs), by placing social objectives at the heart of their Lisbon planning, stating that their medium-term economic and employment planning should support the future sustainability and development of their social policies.

Social protection and employment

Reviewing the work across the three OMC policy strands alongside the National Reform Programmes, the role that social protection can play in improving employment performance emerges strongly. However, links between the OMC and the NRPs are not always clearly drawn.

In the fight against social exclusion, "facilitating access to employment" is at the heart of Member States strategies, even more so given the increased stress on transition to work in recent reforms. Active labour market policies and a review of tax and benefit systems are being carried out, or planned, in most Member States. Where economic and employment performances have been good, and salaries and benefits were comparatively low, as in the Baltic states, employment and inclusion policies have been integrated by linking a rise in benefit levels with a rise in minimum wages, as a means both to spread the benefits of recent growth and enhance incentives to work.

A number of Member States outline in their NRPs the important role which immigration is expected to play in sustaining their labour markets in the future. However, acknowledgement of the challenge of integrating immigrants, a big issue in recent NAPs for inclusion, is not evident in the NRPs.

Pension reforms affect employment directly, by strengthening incentives to work longer and restricting early exit from the labour market. By tightening the link between contributions and benefits, they also encourage activity and declared work across the whole working life cycle. But the success of this approach does not solely depend on the incentive structures of pension systems. A key issue for labour market reform and future NRPs is to open labour markets for older workers and to help them to remain in work longer, including through the efficient use of ICT.

Good healthcare improves the quantity and quality of the labour force, and in particular the employability of older people. Moreover, health and long-term care sectors are large employers and will become even more so in the future. Member States placed major emphasis in their preliminary policy statements on the challenge of ensuring adequate human resources to meet future demands on the sector. How systems manage the future supply of care, including through the efficient use of new technologies, will have important employment implications. The balance between informal care (within families, outside of the labour market) and formal care (through social services or market mechanisms) will have a big impact on labour supply, particularly of women. Health issues are cited in broad terms as playing a part in future strategies by several of the new Member States, particularly Hungary.

Social protection and growth

Links between social protection and growth issues can clearly be drawn in the area of pensions. Financially sound public pensions and sustainable public finances mutually reinforce each other, which in turn supports long-term economic performance. There is general recognition of the importance of a healthy population – both the population as a whole and the older age group in particular – for economic growth. Regarding inclusion policy, the exclusion of people and groups, such as immigrants and ethnic minorities, from participation in work and society represents a waste of resources, to be addressed for economic as well as social justice reasons. At the same time, the sustainability of social protection schemes depends on growth prospects and therefore on the success of national reform strategies to promote competitiveness and productivity.

The EU's Sustainable Development Strategy⁶ outlines long-term aspirations for European society and threats and challenges to be addressed if we are to meet these aspirations. Social policy concerns form part of both the aspirations (e.g. for a cohesive society) and the challenges (e.g. gaps between rich and poor; ageing society). The perspective of sustainability places the long-term dimensions of social protection and social inclusion policies firmly in the policy frame, giving added impetus to focus on child poverty, through which poverty and exclusion pass from generation to generation and Europe's future human resources are diminished. More generally, it identifies a need for developing a focus on sustainability in the OMC.

(c) Strengthen governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy

One of the key policy messages emerging from work under the OMC is that policy making, and delivery, bears fruit if all actors, branches and levels of government work together. The OMC has had some impact in reinforcing this message, particularly in the social inclusion area. All EU10 Member States have created new structures to involve civil society in their social policy planning. The implementation NAPs of the EU15 reveal a wide spread of measures to improve cooperation between central, regional and local authorities. There is clear evidence that Member States have been learning from one another. Good governance also includes the aim of mainstreaming social inclusion concerns in public policy making (including budget setting) and stronger evaluation and monitoring. In both these areas, there is progress but it has been limited. Governments should invest more on monitoring and evaluation in order to have an exchange of best practices based on robust analysis.

For pensions, it is essential that reforms, given their long-term impact, are built on consensus. Transparency in decision-making is needed so that citizens can have certainty and understanding in the often complex task of planning retirement. Commitments to automatic or regular review mechanisms help citizens to plan. Greater decentralisation of funds and increased choices regarding investment vehicles or retirement ages all increase complexity and need to be accompanied by means to provide information and guidance to citizens.

⁶ COM(2001)264 and COM(2005)37

At the level of systems, the health sector shows great complexity in the roles of insurers and providers, and of central and regional/local authorities. The interface between health providers and care providers will increasingly be crucial for efficient coordination. Clarity in the roles of different institutions and good coordination between them is vital. Relations between policy makers and citizens are similarly important, given citizens' high expectations of health systems and the stress placed by all Member States on promoting prevention, healthy life styles and healthy ageing.

3. KEY CHALLENGES IN THE DIFFERENT STRANDS OF WORK UNDER THE OMC

3.1 Fighting poverty and exclusion: sustained effort but an implementation gap.

The Implementation National Action Plans (NAPs) submitted by the EU 15 and NAP updates (submitted by four of the EU10 States) show progress in several fields but, against the background of an economic performance which is at best mixed, no significant improvement in the situation. They show clear evidence of the finding in the Lisbon review of an implementation gap between what Member States commit to in common objectives and the policy effort to implement them.

Analysis of the 2005 reports confirms the seven key policy priorities identified in last year's Joint Report. These are: to increase labour market participation, modernise social protection systems, tackle disadvantages in education and training, eliminate child poverty and enhance assistance to families, ensure decent housing, improve access to quality services and to overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants. The reports also highlight the concentration of multiple disadvantages in certain urban and rural communities and among some groups. Member States need to develop integrated and co-ordinated responses to multiple disadvantages and the needs of groups at particular risk such as people with disabilities, migrants and ethnic minorities (including the Roma), homeless, ex-prisoners, addicts and isolated older people. There needs to be both improved access to mainstream provision and, where necessary, targeted measures.

Three current developments emerge more strongly. These are: challenges linked to increasing immigration; rising health and insurance costs; and the need for affordable care provision for children, disabled and elderly dependants in the light of both demographic change and increasing female labour force participation.

Challenges for the future include the need for *mainstreaming* – i.e., to better integrate the NAPs with national policy making, including budgetary processes, and with the revised Lisbon process; *better governance* – i.e., better mobilisation of actors and links between different levels (national, regional and local) of government and clearer responsibility for implementation, monitoring and evaluation; and better links between the NAPs for inclusion and the *Structural Funds*, in particular the European Social Fund and the European Regional Development Fund.

3.2 Adequate and sustainable pensions: reform efforts continue

The second round of National Strategy Reports on pensions submitted in July 2005 shows substantial progress in reforms⁷ since the 2003 Joint Report. These reports highlight the interlinkages between the three broad objectives of adequacy, sustainability and modernisation. For reform strategies to be successful, all three elements must be present and considered together.

To ensure adequate and sustainable pension systems Member States are implementing the three-pronged strategy of reducing public debt, reforming pensions and increasing employment. While some Member States aim at reducing public debt in order to create room to address the sustainability of pension systems, only a few countries have succeeded to do so in recent years. Member States also pursue increasing employment and many have undertaken reforms that have begun to translate into higher employment rates of older people: disincentives to working longer have been reduced and incentives to remain active strengthened, links between contributions and benefits have been tightened and life expectancy has been further taken into account in the pension formula. Recent reforms tend to translate into a decrease in replacement rates at a given age, which can, however, be compensated by longer working lives and more saving, thereby maintaining the objective of adequate retirement income, avoiding pensioner poverty and maintaining a reasonable degree of income in retirement. Some Member States are increasing the level of guaranteed minimum pensions; many recognise periods of care work for the calculation of pension entitlements. The provision of supplementary pensions, which in some Member States is expected to make a major contribution to maintaining living standards in retirement, has been developed and the relevant legislative framework strengthened. While the contribution of privately managed pensions is projected to increase over the coming decades, in all but a few Member States the public, pay-as-you-go schemes will remain the principal pension source. Concerns over unequal access to private pensions have been raised and some Member States are reviewing policy responses, including substantial fiscal incentives for low income workers. Linked to the greater use of privately managed pensions, Member States are moving to regulate and monitor systems to promote transparency, affordability and predictability of returns.

A new feature of recent reforms is the introduction of automatic or semi-automatic review mechanisms that ensure periodic monitoring of sources of pressure on the pension system, notably demographic trends, and force a debate on potential policy responses. Such mechanisms promote transparency of pension systems and, together with information to citizens about their pension rights, build public confidence in them.

⁷ For a more extensive discussion of the National Strategy Reports 2005, see the Commission Staff Working Document on Adequate and Sustainable Pensions.

3.3 Health and long-term care: first steps underline the importance of the issues in this field

Following the 2004 Council decision to extend the OMC to the areas of health and long-term care, Member States submitted National Preliminary Policy Statements in spring 2005. These reports identified issues for further work and contributed to the Commission's proposal for common objectives⁸.

The aim of ensuring access continues to be a fundamental challenge, together with pressures on public spending. Serious inequities, relating to supply difficulties, geographical barriers and gender, remain, as do disparities in how different socio-economic groups draw on health systems, and in the health outcomes they experience. In relation to long-term care, current provision is already seen as insufficient and will become more so given demographic development. However, only some Member States have incorporated the future care challenge into their social protection systems or have expanded social services to address it. The health status of elderly citizens may have a large effect on health spending. The challenge of human resources development to sustain health and long-term care services in the face both of increased demand and scarce labour resources is also widely flagged. One common response is the emphasis placed on promoting prevention, healthy lifestyles and healthy ageing. In relation to quality of provision, reforms promote the development of indicators and setting quality standards, practice guidelines and accreditation systems. Such approaches will also promote cost saving. Involving patients and promoting choice is seen as a way of building quality. Technology has clear potential to improve quality, but its impact in terms of cost requires monitoring, hence the effective management of technology will be of utmost importance.

Member States' efforts to secure financial sustainability focus heavily on increasing efficiency and effectiveness. Reforms stress the need for coherence and better coordination between different levels of government (national, regional, local) as well as between types of care, avoiding unnecessary interventions. Family doctors have a vital role, in their curative, guiding and gatekeeping functions. Actions in this area are expected to impact positively also on access and quality. Sustainability policies also aim to boost incentives to providers and users to use resources in a rational way by promoting cost-awareness (cost-sharing) and the use of primary care. Competition among providers (and in some countries among insurers) is seen as a means to reduce costs of care and to enhance quality, however, it has to be regulated so as to best balance access by all, high quality and financial sustainability. Also policy measures, which can either prevent disability, support informal care for elderly citizens with disabilities, or which favour formal care at home rather than in institutions can have a very large impact on public spending.

⁸ See the memorandum of the Social Protection Committee, *Review of Preliminary National Policy Statements on Health Care and Long-Term Care*, 2005.

Carrying forward the OMC in a streamlined context: key messages

From the analysis above, the following key messages can be distilled:

There needs to be a more strategic approach to the formulation of NAPs for inclusion, to bring about more precise, systematic and transparent setting out of policies. The OMC needs to develop a strong focus on poverty among children and their families. The multiple exclusion faced by young people from ethnic minorities in poor neighbourhoods also needs increased attention. In this context, the fundamental role of education and training to break the intergenerational transmission of poverty should also be highlighted.

As shown by projections, demographic changes will have strong effects, but social protection reforms can improve the outlook. The NSRs on pensions highlight the interlinkages between the three broad objectives of adequacy, sustainability and modernisation and the synergies and trade-offs between them. For reform strategies to be successful, notably in dealing with increases in life expectancy, all three elements must be present and considered together. Reforms should continue to remove disincentives and strengthen incentives for working longer and need to be matched by progress in how employers and labour markets treat older workers. This will make a crucial contribution to maintaining adequacy and living standards and fighting pensioner poverty. The trend towards a decline of replacement rates provided by pensions should be carefully monitored, as well as the design of incentives to work longer, including for potential beneficiaries of minimum benefits for pensioners.

Modernisation of pension provision needs to take better account of new forms of working and of career breaks notably for care, and to ensure that women can build up their own pension rights. The development of private provision can complement public schemes, but affordability and security need to be ensured. Regular reviews enable the systems to be adapted and information on people's pension entitlements helps to build confidence.

Building on the good first steps, future exchanges on health and long-term care should focus on how to ensure access and reduce inequalities; on adapting to evolving needs and increasing patient choice and involvement; promoting quality; securing sound financing of efficient systems and appropriate aggregate cost containment; improving the coordination across different levels of government; strengthening incentives to users and providers for rational resource use; promoting prevention, active life-styles and healthy ageing; and developing human resource strategies to meet future staff shortages. There are substantial challenges in relation to long-term care: to estimate future needs and to develop the necessary provision and funding mechanisms.

The challenge of ensuring that the OMC and the revised Lisbon process mutually reinforce each other is vital. The Commission and Member States should develop the appropriate framework to ensure the best interaction, including the further improvement of indicators, to measure it. Monitoring and evaluation of social policies should be strengthened. This will involve, for example, assessing the extent to which employment opportunities are reaching groups at highest risk of poverty and social exclusion (e.g. jobless households, the very long-term unemployed, single parents, large families, young people at risk, ethnic minorities, people with a disability) and how reforms to promote employment impact on them.

Looking across social protection systems as a whole, there needs to be a long-term and holistic approach which focuses on sustainability as a challenge not just for pensions and health; on indicators to monitor the effectiveness and efficiency of systems, policies and

funding mechanisms; and on the distribution of spending across different branches and the balances to be struck between public provision and self-reliance.

COUNTRY PROFILES

INTRODUCTION

These 25 country profiles aim at providing a synoptic view of key trends, major efforts and challenges ahead in each of the Member States with respect to their policies in the fields of social inclusion, pensions and health and long-term care.

The first section of the fiches, “situation and key trends”, identifies those aspects of performance deserving to be highlighted in the OMC context or presenting greater risks and therefore calling for particular policy efforts from the viewpoint of social protection and social inclusion. The social inclusion section describes and analyses major policy initiatives taken in the context of the implementation of the National Action Plans for inclusion. The section on pensions draws upon the national strategy reports on pensions of 2005 and on the Commission Services Document that analyses them. The section on health and long term care is based on the Preliminary National Policy Statements that the Member States presented in 2005 and on the Memorandum of the Social Protection Committee that reviews them. The final section of the country profiles lists for each country the key challenges that the Commission services have identified on the basis of the analysis carried out in the context of the OMC. All sections have benefited from bilateral exchanges with the Member States.

A specific sub-section of the fiche also presents a short analysis of the national reform programmes that all Member States presented in 2005 in the framework of the revised Lisbon strategy. When reading these analyses one should also consider the wider context that is set in the country chapters of the first Annual Progress Report on the implementation of the Lisbon strategy.

BELGIUM

Situation and key trends: GDP went from a near-stagnation growth rate in 2002 (0.9%) to 2.9% in 2004 but growth slowed to 1.4% in 2005. The overall employment rate remains significantly below the EU average (60.3% compared to 63.3% in 2004). With just over a quarter of people aged 55-64 in employment, Belgium has one of the lowest employment rates for older workers in the EU. Important regional disparities persist in both employment (63% in Flanders, 55% in Wallonia, 53% in Brussels) and unemployment (6% in Flanders, 11% in Wallonia, 16% in Brussels). Long-term unemployment, at almost half of the overall unemployment rate, remains proportionally high and also shows stark regional variation. Employment of low-skilled, non-EU nationals and disabled workers remains a challenge. In 2003, transfers (excl. pensions) reduced the overall at-risk-of-poverty rate from 28% to 15%. Categories with a high poverty risk are: women, older persons, persons relying on social transfers including the unemployed, single elderly persons, and persons living in single parent households. Social protection expenditure rose by 0.5 percentage points over the 2002-2003 period (to 29.7% of GDP – ESSPROS data), but this has gone together with greater efforts as regards activation of those claiming benefits. Total health expenditure as a percentage of GDP at 9.1% in 2002 (WHO-HFA database) is relatively high and the expenditure dynamics have been strong in recent years.

Social Inclusion: The Belgian NAP shows a good understanding of the multi-dimensional nature of exclusion. The *"active welfare state approach"* to social inclusion dominates very strongly. While benefits are increasingly linked to activation, steps have been taken to link the lowest benefits to wages and to reduce the tax wedge. But improvements in minimum benefits are often absorbed by rising housing costs. The monitoring of the challenges stressed in 2003 is being well followed-up; policy measures are numbered and listed in a publicly accessible data-base. Almost half the measures in the NAP are related to increasing labour market participation and some of these have produced encouraging results. The social economy and, in particular, "service vouchers" have been used to reach some vulnerable groups and to tackle undeclared work with a good deal of success. While the greater part of financial resources goes into employment creation, there are efforts to tackle early school leaving, the lack of formal qualifications and lifelong learning, which will be necessary to create a true knowledge economy. There are some measures to make life easier for working parents and carers. The legislative and institutional framework to prevent and tackle over-indebtedness is being worked on. In spite of budgetary pressures, free medical care has been introduced for very young children, attention has been paid to health needs of refugees and the Maximum Health Bill reduces patients' own contribution. However, few measures have been designed to address the difficulties faced by immigrants. Overall, the Belgian approach is one of consolidation while its well identified challenges demand continuing integration efforts from different levels of government.

Pensions: The Belgian government has taken steps to enhance the adequacy of pensions. In particular, the design of minimum retirement income has been strengthened in recent years. Recently reforms with regard to early retirement to encourage a higher labour-force participation of people in their 50s and 60s have been agreed in the so called *"Pacte entre les generations"* that was adopted at the end of 2005. This reform should make an important contribution to adequacy and financial sustainability. Moreover, the promotion of occupational pension schemes could raise replacement rates in the long run and hence the relative living standards of pensioners. While a guaranteed minimum return is provided on the contributions paid by the employee and the employer in all complementary pensions, further efforts to ensure a high coverage of the working population (especially women) by occupational pension schemes might be needed. Besides the measures already taken and

approved to raise the labour force participation of people in their 50s and 60s, the strategy for securing financial sustainability continues to rely strongly on the global management of the social security and reallocation of contribution therein and on the reduction of public debt (and hence reduced future interest payments). Savings resulting from the reduction of public debt are transferred to a reserve fund and thus earmarked for future expenditure on ageing related needs. For salaried workers, the legal retirement age for women (and the required number of years for a full pension) will be equalised with that of men (65) by 2009.

Health and long-term care: Although the Belgian system ensures high population coverage (99%) there is concern that co-payments for several services, introduced as a response to expenditure pressure, could create a high financial burden for vulnerable groups. Authorities are addressing this through an array of measures including annual limits, favourable reimbursement and free preventive care for all. The Government intends to address the challenge of growing health care expenditure by improving care coordination and promoting rational use of resources through, for instance, plans to prioritize the use of primary care via financial incentives and the promotion of the use of the patient's file and patient long-term care plan. Other related measures include technology assessment, a more favourable reimbursement of generics and better prescription practices, hospital peer reviews and hospital prospective financing. The challenge of improving long-term care is being addressed through home and day care services; its quality is to be ensured through training, assessment and accreditation of practitioners.

National Reform Programme: There is clear and coherent policy integration (both as regards process and policies) between the growth and jobs strategy in the Belgian National Reform Programme and the social inclusion and social protection policies covered under the open method of co-ordination. The NRP presents a comprehensive strategy through the "contract for solidarity between generations" based on fiscal consolidation aimed at financial sustainability, socially adequate pensions and increasing labour market participation. The programme also covers recent measures taken to limit the growth of healthcare expenditure but does not fully explain how the authorities plan to achieve the budgetary surpluses announced. The social inclusion progress report forms an annex to the National Reform Programme.

Challenges ahead:

- To balance budgetary restrictions with good social protection;
- To accelerate the rise in labour-force participation, in particular for older workers, for unqualified workers in long-term unemployment areas, for women and the long-term unemployed;
- To better address the social and labour market integration of immigrants;
- To guarantee the sustainability of pension schemes by further reducing the public debt, and to make second-pillar pension schemes more accessible especially to women;
- To address the financial burden of care on disadvantaged groups, enhance long-term care provision and promote use of primary care and care coordination.

CZECH REPUBLIC

Situation and key trends: Economic growth has been robust in recent years. It accelerated to 4.4% in 2004, driven mainly by investment and strong exports. In 2004, both the total employment rate (64.2%) and the employment rate for older workers aged 55-64 (42.7%) stayed above EU average but below the Lisbon targets. There were slight increases in the unemployment rate (8.3%) and the long-term unemployment rate (4.2%) in 2004. The population is ageing and the fertility rate is one of the lowest in the world. Life expectancy (males 72.1, females 78.7 in 2002) is below EU average but it has consistently increased over the last decade. The at-risk-of-poverty rate is the lowest in EU (8% in 2002). Most at risk are the unemployed (36%) and single-parent families with at least one dependent child (30%). The disadvantaged Roma experience higher risk as well. The poverty-reducing effect of social transfers is particularly evident, as they reduce the poverty risk from 39%. Social protection expenditure is steadily increasing, having reached 20.1% of GDP in 2003 (ESSPROS data). Total health expenditure reached 7.1% of GDP. Both are below EU average.

Social inclusion: The Czech Republic continues to follow a multi-dimensional approach to social inclusion as set out in the NAP Inclusion 2004-2006. The objectives identified remain valid and are long-term; however, social inclusion could be further mainstreamed and better addressed at the regional and local levels. Nevertheless, there has been progress in several areas. A significant shift in emphasis towards proactive measures can be observed. The basic principle of the Czech strategy is that employment is the most important means to prevent or tackle poverty and thus, the main focus is on facilitating access to the labour market. Recently, new measures have been implemented or proposed to provide financial incentives for the transition from social benefits to work and for making work pay, but a comprehensive reform of the social benefits system, though drafted, has not been adopted yet. Facilitating access to social services and increasing their quality is addressed by the Bill on Social Services, which intends to introduce personal benefits – allowing persons with disabilities to choose between services – and set of compulsory quality standards.

Regarding the most vulnerable, some progress is evident especially at overall planning level. In relation to education, the so-called "special schools" attended especially by Roma children were dissolved and instead the conditions should be created within the primary schools to provide all pupils with education according to their needs. Moreover, the Czech Republic joined the Decade of Roma Inclusion 2005-2015 and drafted an NAP. The role of the ESF in promoting social inclusion has been growing and it should make an important contribution to specific groups (including the Roma and the homeless) and to improving the quality of social services through targeted grant schemes. To improve the situation of the most disadvantaged regions with over 14% unemployment an additional investment incentives programme, which also finances training, was introduced in June 2004. Although the Committee on Social Inclusion was set up in 2003, there has not been systematic follow-up of the NAP on Inclusion so far. However, recent initiatives such as the information project "Stop Social Exclusion" and regional conferences of the "Forum on Social Inclusion" could help raise general awareness.

Pensions: The Czech Republic managed to ensure adequate pensions over the last decade, achieving a low rate of poverty among older people, but replacement rates are projected to decline and future adequacy needs to be carefully addressed. While the employment rate of people aged 55-64 increased significantly in recent years, the creation and the take-up of jobs for older workers should be further encouraged so as to help balance financial sustainability and pension adequacy, while incentives to work longer need to be strengthened. While budgetary pressures are growing due to the ageing population, the extent to which further reform efforts will help strengthen the sustainability of pensions, while securing adequacy,

remains to be seen. A new pension reform is expected to follow from further negotiations based on the final report of the Expert Team. Measures suggested include further increasing retirement age, changing the calculation and indexation of benefits, reviewing non-contributory periods and possibly creating a reserve fund and increasing the state support for private pensions.

Health and long-term care: According to the preliminary health policy statement, Czech authorities consider the development of and access to long-term care as their main priority in terms of ageing and socio-economic policy. Current supply appears insufficient and there are large regional differences. Moreover, a large part of the costs of long-term care is paid by patients or their relatives, constituting a financial barrier to access. New legislation, allowances to carers, the combination of allowances with other income, grants to NGOs, and stronger regional and local authority involvement in care provision are some of the measures proposed to improve access to and quality of long-term care services. The authorities also wish to improve the general quality of health care through an array of policies including: setting standards, inspecting facilities, accrediting institutions, training social workers, developing and using indicators, evaluating technology and increasing patient choice. Some of these measures are expected to improve system efficiency, too. Finally, performance-related remuneration, prospective global budgets, needs-based provision, stronger promotion and prevention are strategies intended to control costs and ensure financial sustainability.

National Reform Programme: The NRP recognises that long-term sustainability is a central problem of public finance and must be addressed by a coordinated approach to medium-term budgetary consolidation, systemic pension reform, healthcare financing reform and labour market reform, aiming at increasing the employment rate. Other issues addressed by the NRP are modernizing the social benefits system, making work pay, increasing employability and modernizing education. Several groups are identified as clear priorities: the young, older workers, women, and foreign workers. The NRP does not cover measures targeted at promoting the inclusion of disabled people or of resident ethnic minorities such as the Roma population, though the Czech authorities have indicated some separate information on this.

Challenges ahead:

- To support the implementation of social inclusion policies at regional and local level;
- To improve the situation of vulnerable groups (for example the Roma) and support disadvantaged regions;
- To encourage the creation and take-up of jobs for older workers so as to help balance financial sustainability and pension adequacy;
- To improve access to long-term care services and ensure general quality of health and long-term care services while promoting system efficiency.

DENMARK

Situation and key trends: The Danish economy is showing clear signs of recovery with GDP growth reaching 2.4% in 2004. Denmark continues to record employment rates well above the EU targets (75.7% in 2004), particularly for women (71.6%) and older workers (60.3%). Unemployment is decreasing (5.4%). Long-term unemployment (1.2%) and unemployment among young people are among the lowest in EU. At the same time, Denmark has a good record as regards the risk of financial poverty (11% in 2003), though the income of people aged 65+ (for whom the at-risk-of-poverty rate is 17%, still below the EU average) as a group relative to that of people under 65 is low⁹. Immigrants and the long-term unemployed are overrepresented in the lower income brackets. The social protection system is based on the principle of universality with all citizens guaranteed fundamental protection against social risks, such as unemployment, sickness or dependency. The Danish model is based on close involvement of social partners, local authorities and other stakeholders. Danish gross expenditure on social protection ranks as one of the highest in EU (30.9% of GDP in 2003 – ESSPROS data). Data on life expectancy situates Denmark at the bottom in the EU, and the increase between 1960 and 2000 has been the lowest in the EU25.

Social inclusion: The overall strategic approach to tackling poverty and social exclusion in Denmark is to develop an inclusive labour market by increasing the labour market participation of vulnerable groups. The short-term focus of the NAP 2003-2005 is on vulnerable, disadvantaged and already socially excluded groups, notably immigrants. The strategy for integrating immigrants has so far not been particularly successful and is being reoriented. New initiatives imply further requirements to learn Danish, the involvement of local authorities and anti-ghetto measures. The long-term focus of the NAP 2003-2005 is on combating “negative intergenerational transmission”, by requiring early and targeted intervention, improved early learning among children and an increased focus on formal qualifications. The strength of the NAP is its focus on very specific groups. The weakness of the NAP is its lack of more strategic aspects, targets and indicators to help monitor the activities. The latter implies a risk of limited evaluability, fragmented management and blurred accountability. Measures to combat negative intergenerational transmission have been continued as the major tool for preventing the risk of social exclusion in the long term. Basic education is seen as important in this regard, coupled with a more individualised focus on the pupil. Special attention has been paid to trafficking in women and on informing ethnic minority women about their rights.

Pensions: The Danish public pension scheme pays out a universal, flat-rate pension, complemented by occupational pension schemes which have developed rapidly in the recent decades and now cover almost the entire population in employment. Replacement rates are therefore expected to rise significantly and reduce the current relative income gap between people aged more than 65 and people below the age of 65. The first pillar will nevertheless continue to play a dominant role in pension provision. The strategy for ensuring adequacy and financial sustainability of public pension provision seems appropriate. A budget policy leading to quick debt reduction has already been sustained for some years and all major parties support the continuation of this policy until 2010, by which time the public debt is expected to be substantially lower. New rules introduced in 2004 allow people (including people over 65, who are already in receipt of their pension) to opt for a deferred old-age

⁹ This figure does not include as income negative capital income and imputed rent from private housing, which gives an incomplete picture of income situation, in particular for older people. When taking into account this more comprehensive definition of income, the risk of poverty in Denmark for elderly people is fairly the same as in the rest of the population (8.7% for people aged more than 65).

pension and to remain longer in (or return to) the labour market in exchange for a higher pension at a later stage.

Health and long-term care: Regarding access, the main issues revolve around waiting times and provision of long-term care. Strategies like State pooling of non-emergency cases and free choice of hospital aim at decreasing waiting times with apparent positive results. Concerning long-term care, to continue ensuring timely and financially easy access for all in view of ageing and growing demand, the authorities foresee: a) an increase in the provision of home care including personal care and practical assistance (following an assessment of each individual's functional capacities and needs and irrespective of whether the person lives at home, in a residential home or sheltered housing), day care and homes with associated care facilities and staff and b) the establishment of a two-month home guarantee and legislation to limit the use of patient charges in this area. This is to be coupled with availability of financial allowances and offers of relief care to support informal carers. Personal budgets attributed to dependent elderly people, allowing them to acquire services from whoever they wish, are being piloted to increase provision and choice of care. The authorities are also focusing on improving care quality via the use of standards, the use and publication of indicators and other survey data, hospital self-evaluations with external validation, increased patient choice and surveys of patients' experience. To address the recent expenditure dynamics, the authorities wish to develop an effective referral system, based on a GP/family doctor as the first point of access to care, which guides patients towards specialist and hospital care (and thus acts as gatekeeper). Whenever feasible, care should be pursued within the primary and outpatient sectors to lead to a more rational use of resources. Activity-based hospital financing, sale and reimbursement based on the cheapest same-active-substance product and stronger prevention policies aim at ensuring financial sustainability. The current local government reform will also allow centralisation and specialisation of care with potential efficiency gains, while ensuring better care coordination.

National Reform Programme: The NRP is very convincing in demonstrating how the social inclusion and protection processes are seen as integrated parts of the programme. The policies on social inclusion and social protection are presented as an integrated part of the Danish Lisbon strategy, and measures are seen as key elements in pursuing the targets of this strategy. The NRP identifies higher labour force participation as a key challenge against the background of the ageing population.

Challenges ahead:

- To safeguard the current high level of protection while satisfying increasing demands for health and welfare services in view of the ageing population;
- To develop labour market tools designed to improve integration of ethnic minorities into the labour market;
- To encourage more people with disabilities and older workers to stay on in the labour market;
- To continue the on-going restructuring of the health care system in order to improve effectiveness and efficiency.

GERMANY

Situation and key trends: In 2004, GDP grew at nearly 1.6%, bringing a period of stagnation to an end (EU: 2.5%). Social protection expenditure as percentage of GDP stood at 30.2% in 2003 compared with 28% in the EU in 2003 (ESSPROS data). The unemployment rate rose to 9.5% in 2004 (EU: 9%) with a persisting high disparity between East and West. The employment rate of the total population was 65% in 2004. For older people, it has been on a steady growth path since 2000, and from 2003 to 2004 it increased from 39.5% to 41.8%, the gap to the Lisbon target remaining still substantial. The overall risk-of-poverty-rate in Germany stood at 16% in 2003 and at 20% for the age group up to 15 years of age¹⁰. Older people (65+) had a risk of poverty of 15% (Eurostat) in 2003. Life expectancy (75.7 and 81.4 years for males and females in 2003) and healthy life expectancy (65 and 64.7 for males and females in 2003) are high and above EU average. Total health expenditure (10.9% of GDP and 2817 PPP\$ in 2002 – WHO-HFA) is among the highest in the EU, though it is noticeable that the growth of health expenditure has decelerated in recent years compared to GDP growth.

Social inclusion: The strategic approach of the NAP 2003-2005 follows three strands: encouraging participation, opening up opportunities, especially in education and training, and securing basic needs. A number of initiatives focus on integrating young people into the labour market, including special provisions of the Hartz reforms and the "National Pact for Training and the Next Generation of Skilled Craftsmen" (in June 2004) addressing the lack of apprenticeship places which presented a serious challenge in recent years. A number of initiatives have been launched at all government levels for people with disabilities in order to improve their integration into the labour market, as well as into social life. Furthermore, the Health System Modernisation Act now gives access to health services for all recipients of social assistance on an equal footing, independent of the contribution paid. The Government adopted a law which aims at drastically expanding the number of child care facilities in particular in the West, while stabilising the supply in the new Länder. By 2010, the local authorities are encouraged to create 230.000 care places for children in the age group 0-3, a third of which should be all-day care facilities. The Federal Immigration Act, which came into force on 1 January 2005, concerns various dimensions of integration of immigrants, who face a significantly higher rate of poverty than the rest of the population. Nationwide courses should facilitate the integration process of this group typically at a high risk of social exclusion. First interim evaluation reports will be submitted in early 2006.

Pensions: The last pension reform made substantial progress in terms of financial sustainability of the statutory pension scheme, and at the same time foresees a significant reduction of future replacement rates (at a given age). From 2005 on, the introduction of the sustainability factor in the pension adjustment formula will automatically slow down annual pension adjustments, including new pensioners, due to changes in the ratio of pensioners and contribution payers. In addition, Germany introduced a gradual change in taxation from the accrual to the pay-out phase. In order to contribute to future adequacy, voluntary private provision, either through occupational or personal pension schemes, are heavily subsidised through tax allowances and direct public grants, especially for low income groups and for people who bring up children. Future adequacy of overall pension provisions will depend on

¹⁰ The data are derived from the GSOEP survey following, as far as possible, the EU-SILC methodology. During the transition to data production under the EU-SILC regulations, it has been agreed to use indicators derived from national sources harmonised ex-post according to a commonly agreed methodology. While such indicators cannot be considered to be fully comparable with those produced for other countries or with EU-level aggregates combining data for different countries, every effort has been made to ensure the maximum comparability. See the methodological note in the statistical annex on data sources for at-risk-of-poverty rates.

the take-up rates of these new opportunities and on the improvement in the employment of older workers. Finally, the new Government has announced its intention to raise the retirement age from 65 to 67 (beginning in 2012 until 2035).

Healthcare and long-term care: The most recent policy measures focused on stabilising the financial situation of the statutory health insurance systems, and reducing the effects of insurance contributions on general non-wage-salary-costs and employment. It also included several measures to improve quality further, provide more even choice for patients, provide more integrated health care services and support more preventive care and actions. Given the high expenditure level, there is consensus on the need to improve the long-term sustainability of health care system financing, maintaining high quality, universality and equity of health care, but opinions differ on the way forward. Since 1995 Germany also has an insurance system for the long-term care of disabled elderly people, and other disabled people (*Pflegeversicherung*). A major objective was to make long-term care a general social insurance function and make such services less dependent on local social assistance. The long-term care insurance seems to have helped start a market for services in this field, with considerable job growth potential. The key issues remain to safeguard the quality and scope of long-term care provision by finding a sustainable financing model that takes account of the significant demographic changes and of the upcoming new needs of elderly and dependent people, and to address the need for better care coordination between health care, long-term care and social care. Finally, preparations continue under the new government on a law regarding prevention measures to improve the health of the population, in order to save on the costs of acute treatment in the medium- and longer-term perspective.

National Reform Programme: The NRP proposes that major reforms in the field of inclusion, pension and health are carried out. Reconciliation of work and family life, ensuring full participation of people with disabilities in working life, and improving chances in the education system for disadvantaged groups are major elements of the NRP. The NRP commits Germany to continue reforming the social protection systems to improve sustainability while maintaining adequacy in pensions, health and long-term care. In healthcare the focus is on improving resource use and the intention is stated to establish prevention as a full pillar.

Challenges ahead:

- To ensure that the ongoing and planned labour market reforms, especially the Hartz IV reforms, do not have negative effects on the social and economic integration of groups at risk;
- To ensure the sustainable integration of migrants – in particular second and third generation migrants – into the labour market, notably through adequate access to education;
- To prevent an adequacy gap in pension provision, by promoting longer working life and increased participation in supplementary pension provision;
- To reach a broad consensus in 2006 on sustainable long-term financing for both the health care system and the long-term care system, and maintain high quality standards for both.

ESTONIA

Situation and key trends: A strong growth performance in Estonia is translating into sustained employment gains and lower unemployment. Also, regional disparities in the labour market are starting to decline. While the Lisbon employment targets for older workers and women have already been achieved, the overall employment rate, at 63%, is 7 percentage points below the overall EU target level. The unemployment rate decreased to 9.2% in 2004 but is still higher than the EU average; the long-term unemployment rate is also high, at 4.8%. The unemployment rate of non-Estonians remains higher than that of Estonians. There is great potential for increasing employment among the inactive population. The overall education level is high but the skills of the labour force often do not correspond to the needs of the labour market. Overall living standards in the country remain well below the EU average: GDP per capita in PPS in 2004 was 50.6% of the EU average. The at-risk-of-poverty rate has remained high at 18% in 2003. The Estonian NAP and other available evidence point to serious problems of material deprivation in the country, especially as regards quality of housing. Negative demographic developments have resulted in a decrease in population in recent years. Life expectancy (66 and 76.9 years for males and females in 2002) is among the lowest in the EU. In 2003, 13.4% of GDP was spent on social protection, the lowest share in the EU (ESSPROS data). Total health expenditure as a percentage of GDP and as per capita PPP\$ (respectively 5.1% and 625.26 in 2002 – WHO-HFA database) is the second lowest in the EU, having decreased over time.

Social inclusion: Estonia's first NAP on inclusion for 2004-2006 is a well focused plan which builds on the long term objectives identified in its 2003 Joint Memorandum on Social Inclusion. It outlines clear objectives, includes quantified targets and, in the main, proposes specific actions to achieve them. The main emphasis is on expanding active labour market measures for the reintegration of the long-term unemployed and other groups at risk into the labour market. Significant attention is also given to measures to prevent and tackle educational disadvantage and to promote lifelong learning. The implementation of the NAP on inclusion is supported by the ESF through various activities. Improvements in social protection so as to decrease and prevent child and family poverty and to secure appropriate income for the elderly are proposed. Attention is also given to the protection of children's rights, to improving access to social services and to affordable housing as well as to increasing e-inclusion. However, the plan is somewhat cautious in relation to the scale of the poverty and social exclusion problems in Estonia. Sometimes the objectives are not translated into specific measures but simply point to areas for action.

Pensions: The reform of Estonian public pension scheme introduced a strong link between pensions and individual contributions as well as mandatory and voluntary funded tiers. Transition costs are estimated to be moderate, requiring additional public subsidies only during the period from 2007 to 2012. The implementation of the mandatory funded scheme also had a positive impact on the coverage of voluntary funded schemes. While poverty rates among the elderly are moderate at present, the main challenge concerns the future adequacy of pensions, as already current replacement rates are rather low and projected to decline even further. Although the employment rate of older workers is in line with the Lisbon target, attention should be paid to special retirement schemes where retirement ages remain considerably lower than in the public PAYG old-age pension scheme. Moreover, the mandatory funded component of the system still requires further legislation to define the modalities for paying out benefits from 2009 onwards.

Healthcare: Regarding access, the high and growing share of private expenditure (partly due to the high level of direct payments for care) results in a substantial financial burden for the

most vulnerable groups. Another challenge is geographical accessibility in remote areas. The authorities recognise the need to address these issues. Strong emphasis is placed on providing adequate long-term care. Additional funding is being allocated and the existing overcapacity in hospitals is to be released and allocated to nursing care. Other strategies include increasing the provision of home and day care services particularly via joint provision by local authorities, financial and non-financial help to carers, and individual assessment of long-term care needs via multidisciplinary geriatric teams. The authorities also wish to promote more efficient use of resources through the development of an effective referral system based on family doctors as the first point of access. The provision of home and close to home long-term care services vis-à-vis institutional care may also lead to better use of resources and care quality via increased personal freedom and flexibility.

National Reform Programme: In the National Reform Programme (NRP) there are several policy measures that are likely to have a positive impact on social inclusion. One of the key challenges targeted by the NRP is low employment, structural unemployment, skills and lifelong learning. It is planned to further develop public employment services and to improve the coordination of labour market and social services. These measures are supplemented by special instruments aimed at risk groups. However, some categories of inactive and unemployed people, such as ethnic minorities, are not covered by the NRP. In order to increase the female employment rate, the availability of childcare services will be improved. Further measures to increase the female participation rate, including gender mainstreaming measures, are not considered in the NRP. Several policy measures, particularly related to vocational training and support for lifelong learning, are presented in order to improve quality and access to education and training. The NRP highlights the importance of achieving both adequate and sustainable pensions, notably through an increase in retirement age, but also mentions the need for further pension reform, and stresses the importance of improving access to health care.

Challenges ahead:

- To increase the labour market participation of ethnic minorities and at risk groups and strengthen the institutional arrangements for mainstreaming social inclusion in national policy making and ensuring better coordination between the organisations involved;
- To reduce the high proportion of people at risk of income poverty and ensure an adequate income for those in need, especially families with children, the elderly and persons with disabilities;
- To ensure that sufficient resources are available to guarantee adequate pensions and to organise the conversion of pension savings into safe annuities;
- To improve system efficiency via a stronger primary care sector and enhanced long-term care provision.

GREECE

Situation and key trends: Over the last decade, real GDP has been growing at an accelerated pace, outstripping the EU25 average. In 2003 the growth rate was 4.7% and in 2004 it was 4.2%. Projections for 2005-2006 indicate that, although slightly lower, it will remain at high levels. However, with the notable exception of 2004, employment creation was generally low and the employment rate continues to lag behind the EU25 average (59.4% against 63.3% in 2004). The employment rate of older workers was 39.4% in 2004, down 2 p.p. from 2003 and far below the Lisbon target. Unemployment has been declining gradually since 2000 but remains higher than the EU-25 average and continues to affect mainly the young people and women. Social protection expenditure as a percentage of GDP has reached almost the level of the EU average and in 2003 stood at 26.3 (ESSPROS data). Still in 2004, Greece exhibited a poverty rate of 20%. Expenditure on pensions was 12.3% in 2004 but is projected to increase sharply until 2050. Life expectancy (76.5 years for males and 81.3 for females in 2003) is one of the highest in EU, while healthy life expectancy (66.7 years for males and 68.4 for females in 2003) is as well above average. Total health expenditure as percentage of GDP (9.5% in 2002 WHO-HFA database) is above EU average, while expenditure has stabilised in recent years. However, per capita spending on health in purchasing power parity (1814 in 2002 WHO-HFA database) is below EU average and high private health care expenditure – almost half of the total – may signal inequities in access for vulnerable groups.

Social inclusion: Over recent years, there has been an increasing level of policy reform to improve the ability to meet existing and emerging needs of all citizens at risk of social exclusion and poverty. The strategy followed has been based on a combination of general and specific policies to address the key social problems of the country. The employment policy mix pursued since the establishment of the NAP-inclusion reflects a shift of emphasis towards improving the employability of socially vulnerable groups instead of relying on income support and other passive measures. For certain vulnerable groups, a number of integrated action plans are also under way, complementing the employability measures. Income support measures have been extended to cover more social groups in need, but no commitment to a form of “guaranteed minimum income” has been recorded so far. A substantial increase in the number of structures and programmes providing community social support and care services throughout the country has also been observed. These are largely co-financed by the ESF. A limited number of actions taken towards improving governance and mobilizing all relevant bodies have not had satisfying results up to now, which has hindered the effective implementation of strategy interventions.

Upgrading and extending, in qualitative and quantitative terms, the provision of services to the most vulnerable social groups constitutes the main overriding concern. In this respect, increasing the efficiency of the social protection expenditure is crucial. Particularly important steps are efforts to combat early school leaving and to promote lifelong learning. However, rapid and effective implementation will be essential if they are to succeed. Other challenges remain to be adequately addressed such as extending a “safety net” for all groups experiencing poverty, integrating immigrants and reducing regional inequalities.

Pensions: Implementation of the 2002 reform is considered to be crucial for modernising the pension system and rebuilding confidence in it, as well as for laying the groundwork for further reform efforts, certain aspects of which are under way. In order to meet the significant financial challenge of ageing, the process of pension reform needs to continue and to be strengthened. Pending further reform, which is subject to the results of the social dialogue recently launched, the system's sustainability relies heavily on increasing employment rates and curbing contribution evasion. The unification of the fragmented pension system is also a

challenge. Recent measures such as the unification of different funds point in the right direction.

While most recent reforms have translated into strengthened incentives to work longer, further measures are needed to help raise employment rates especially for women and older workers. Gradually equalising the legal retirement age for men and women and also for people already contributing to the system before 1993, might be taken into consideration.

Health and long-term care: The authorities are concerned to improve general access to services, including geographical disparities. Thus extra funding has been allocated to the sector to increase its capacity and distribution (including primary care centres and hospital care).

The authorities' main goal is to improve the quality of health and long-term care through various measures. According to the preliminary policy statement, one priority covers generalised use of ICT, more data gathering and use, exchange of information and improved access to it, and system efficiency. Other measures proposed include: quality requirements, accreditation, inspection and quality control of facilities, and stronger enforcement of patient rights (e.g. an Ombudsman). Focusing on home and close to home day care centres (developed locally) and support for informal carers aims to bring both quality gains and more efficient use of resources in view of an ageing population.

Ageing, socio-economic changes, excessive and unjustified use of medicines and technology, and supply-induced demand are challenges to the financial sustainability of the system. Responses to these challenges include computerisation and better data utilisation, more rational prescription and use of medicines and technology, transparent procurement, effective primary care referral system, prevention-based policies and promotion of active ageing.

National Reform programme: In the NRP particular emphasis has been placed on the expected inclusion effects of the outlined policy reforms. The upcoming setting-up of the National Council of Social Protection which, amongst other tasks will study the need to set a poverty line was presented. Actions for supporting the family, for financially assisting vulnerable social groups and tackling the social exclusion of various groups at such risk, including people with disabilities or immigrants are mentioned. Other issues that could have a positive impact on growth and jobs such as strengthening lifelong learning especially for vulnerable groups, the reform of the social security system acting as a "safety net" for certain groups among those experiencing poverty, the fight against youth unemployment and promoting policies for older workers would benefit from greater clarity. Moreover, integrating immigrants needs to be given further attention.

The NRP does not present a comprehensive strategy for reforming the pension system, with the exception of the banking sector, and actions on meeting important challenges are postponed to a future social agreement, reflecting the fact that there is substantial scope for improving the adequacy and sustainability of the pension system.

Regarding health care reform, the measures announced in the NRP go in the right direction, although their presentation could benefit from more clarity and detail which might support their projected effectiveness.

Challenges ahead:

- To upgrade and extend in qualitative and quantitative terms, the provision of services to the most vulnerable social groups;

- To mobilise the full range of relevant actors, also in order to increase the efficiency of the social protection expenditure;
- To implement multidimensional policy approaches in order to make progress towards the integration of immigrants into all aspects of life;
- To ensure current and future pensions are adequate, while pursuing efforts aimed at improving the financial sustainability of the pension system in the medium-to long term, notably by increasing employment so as to broaden the contribution base;
- To improve the quality of care and control costs e.g. by using more effective referral systems, more rational use of care and effective prevention.

SPAIN

Situation and key trends: During 2003 and 2004, Spain experienced high economic and employment growth. Economic growth stood at 3.0% in 2003 and 3.1% in 2004 (1.2% and 2.4% in the EU25). Despite economic growth, 20% of the population was below the at-risk-of-poverty threshold in 2003 (16% in the EU) and older people are particularly at risk. Spain continues to have one of the lowest levels of social expenditure as a percentage of GDP of the EU (19.7% compared with 28% in the EU – ESSPROS data). Life expectancy (76.9 years for males and 83.6 years for females, 2003) and healthy life expectancy (66.8 years for males and 70.2 years for females, 2003) are among the highest in the EU. Total health expenditure as a percentage of GDP and as per capita PPP\$ (7.6% and 1646 in 2002 – WHO-HFA database) are below the EU average. Spain has witnessed a significant population increase, of more than 3 million people between 1998 and 2005, as a result of migration flows. These migration flows are also likely to have a favourable effect on the old-age dependency ratio. The number of foreign workers entering the labour market and the increase in women's employment are the main factors responsible for the increase in the general employment rate (more than 10 percentage points since 1996), to 61.1% in 2004. Nevertheless, the employment rate continues to be below the EU average, and fixed-term employment (33.3% in the second quarter of 2005) is the highest in the EU, affecting women and young people in particular.

Social inclusion: The main aim of the Spanish NAP on inclusion is to combine economic growth with social welfare, correcting territorial imbalances, reducing disparities and preventing social exclusion. A key element is the increase both in the minimum wage and in the lowest pensions. In addition, some measures relating to people with disabilities, a new national housing plan, a revision of the grant system to NGOs and actions to combat early school leaving were also included in the NAP. One important development has been the regularisation of undocumented immigrants, which has helped to reduce undeclared work and increase the social protection of immigrant workers. Regarding long-term care, the drafting of a White Paper and the preparation of a new Law, along with the establishment of a specific public fund, should be mentioned. In relation to gender violence, the new Law on Domestic Violence provides physical protection and legal defence for victims. Vulnerable groups face specific problems: young people have a high rate of fixed-term contracts and difficult access to housing; women face higher unemployment, a high rate of fixed-term and (unwanted) part-time contracts and lower salaries than men; people with disabilities have a much higher rate of unemployment and added difficulties due to physical barriers; immigrants have difficulties regarding the adequate integration in the school system, and poor housing conditions, the Roma, despite a general improvement of their living conditions, still face a situation of clear inequality with respect to the rest of the population, especially in the fields of health, employment, housing and household income. An improvement of the national statistical data and official reports and surveys is also needed, with the objective of quantifying the impact of social inclusion policies on Roma population. Between 2000 and 2003, more than 1,500,000 people participated in activities co-financed by the ESF and the EQUAL Community Initiative in the field of social inclusion.

Pensions: Recent reforms, in particular through strengthening the link between contributions and benefits and the gradual implementation of the reform of minimum pensions, should translate into an improvement in the adequacy of pensions and into a reduction of gender differences in living standards and poverty risks. Thanks to sustained economic growth and the discipline required by the budgetary stability Law, Spain has made major efforts to achieve balance in public finances. Moreover, the national social security system acknowledges surpluses since 1999. Spain faces a major challenge with regard to financial sustainability due to demographic trends. Nearly all the pension expenditure increase is

projected to occur after 2015. Although a reserve fund exists that would enable deficits to be delayed until 2020, additional reforms ensuring the financial sustainability of the pension system in the long-term will be needed soon to ensure a smooth transition. In this regard, actual work in the Social Dialogue Table on social Protection has been recently intensified. Given the low female employment rate, and the low participation rate of older people, further efforts are also necessary to enable a greater participation in the labour market, which would help sustainability and adequacy. This could be achieved through further measures proposed by the government, notably linking the level of contributions more closely to the level of benefits for earnings related pensions, further facilitating of flexible and gradual retirement, and further restricting early retirement schemes.

Health and long-term care: The Government considers that the main challenges concern the consolidation of system financing, cost control, service coordination and integration of the various health services into the National Health Service. According to a preliminary policy statement, adequate provision and equitable financing of long-term care services are among the authorities' main goals, as these services are deemed insufficient and unevenly developed across the regions to cope with growing demand for care due to socio-economic changes and ageing. Long-term care supply – at home or in day centres, hospitals, or nursing institutions – will require better coordination between health and social services in each autonomous region, and the involvement of and coordination between regional and local authorities. Allowances, fiscal benefits and family leave support informal care, primary health care, and the provision of home help. The development of long-term care provision is linked to a country-wide discussion process which has informed the drafting of the White Paper on dependency, which contains various innovative actions. A draft Law promoting personal autonomy and ensuring care for persons in situations of dependency will now be presented to Parliament, after having been agreed with the Social Partners, local and regional governments and participatory bodies of the elderly and people with disabilities. On the financing side, income-base cost sharing aims to increase the funding of the long-term care system while guaranteeing access for those more vulnerable. Finally, this process is to be linked to health promotion and disease risk prevention programmes dedicated to the elderly population, aimed at increasing healthy life expectancy.

National Reform Programme: The NRP acknowledges several specific issues highlighted in the NAP on inclusion, such as the high number of early school leavers (in this regard the NRP sets the objective of halving the proportion of early school leavers (from 30% in 2004 to 15% in 2010); the need to better integrate immigrant pupils in the school system; and the need to facilitate access to housing for young people, even if there is not an explicit mention of the NAP on inclusion in the NRP. Concerning the pension system, the NRP reflects the importance of further steps in pension reform, notably reform of minimum pensions and of the design of earnings-related pensions, and in particular a strengthened link between contributions and benefits (renewed Toledo pact).

Challenges ahead:

- To address the needs and demands arising from the progressive ageing of the population, including ensuring the provision and equitable financing of long-term care services;
- To enable a greater participation, notably of women, in the labour market; this would help secure the sustainability and adequacy of the pension system;
- To develop and implement appropriate measures to support the integration of immigrants;

- To address the alarming early school leaving rate (and the consequent increased risk of social exclusion).

FRANCE

Situation and key trends: After a sustained recovery of growth in 2004 (2.3%), economic activity again slowed down in 2005. Employment has risen only very slightly since 2001. The overall employment rate (63.1%) is close to the European average, but the situation is less favourable for older workers (37.3%) despite a steady increase since 2001. The unemployment rate, which continued to rise in 2004, reaching 9.6% (23.3% for young people), has shown signs of improving since mid-2005. The rate of long-term unemployment among the labour force is 3.9%. The fact that structural unemployment remains high is a major factor in the poverty risk, and the situation for non-EU nationals is even more serious, with an unemployment rate of 29.8% in 2003 (national data). Although the poverty risk, estimated at 14% in 2003, has changed little since 2001, “administrative poverty” (recipients of minimum social income) has increased, especially as a result of a rise in the number of people receiving “RMI” (minimum income benefit) following the reform of the unemployment benefit system. Social protection expenditure as a proportion of GDP, at 30.9% in total and 13% in respect of pensions (2003 – source: ESSPROS), remains steady. Life expectancy (75.9 for men and 82.9 for women in 2003) is above the European average. Health expenditure, the second-highest in Europe as a percentage of GDP and per capita in PPP\$ (9.7% and 2736 in 2002 - WHO-HFA), has risen steadily in recent years.

Social inclusion: Continuing the policies followed since 1998, the strategy applied in 2003-2005 was based on a wide range of measures responding to the four Nice objectives, with employment as the priority. 90% of the planned measures were implemented. From 2004 on, action to promote inclusion benefited from renewed political impetus, with the 2005-2009 social cohesion plan (SCP) devoted to employment, housing and equal opportunities, supplemented in 2005 by an emergency employment plan. The SCP puts the emphasis on restructuring the public employment service, reorganising subsidised contracts and reinforcing personal support — a priority action for the benefit of young people. Employment measures are intended to give integration pathways sufficient security to make unemployment a genuine period of preparation for return to work. The enhanced role of the commercial sector in occupational integration is now flanked by a recent increase in subsidised employment in the public and community sectors in support of a social approach to dealing with unemployment. The phenomenon of poor workers (2 million in 2001 at the threshold of 60% of the median standard of living) is being addressed by means of various instruments, including the gradual phasing-out of benefits. The SCP steps up the efforts to increase the volume of housing available and to promote equal opportunities for areas and groups threatened with exclusion (for example by setting up “HALDE”, a senior authority for combating discrimination and boosting action aimed at vulnerable schoolchildren and areas where a large proportion of the population are in difficulties).

Since 2004, the State has stepped up its steering role (inter-ministerial coordination based on a cross-departmental document setting out indicators and performance targets, national conferences in 2004 and 2006 preceded by local forums). Although the approach in terms of objectives remains cautious (essentially limited to the implementation of measures), budgetary reform should enable those objectives to be fleshed out.

Pensions: The financing of the pension system for the decades ahead has been significantly improved by the 2003 reform, which preserved the basic architecture of the current system and contributed to more equitable treatment of members of different schemes. However, further measures will be needed in order to put the pension system on a financially sustainable footing in the long run. While current adequacy does not constitute a key issue, projected

replacement rates are expected to decline in the future and the level of pensions will have thus to be monitored attentively, in particular for the most vulnerable groups of the population. The employment rate for older workers remains relatively low, in spite of recent increases. While incentives to work longer have been strengthened by the last reform, further steps may be necessary as regards early exit from the labour market. Current reforms will only be fully effective if they are accompanied by an effective and sustainable strategy to increase participation by older workers in the labour market and to raise employment in general.

Health and long-term care: The French system provides extensive care coverage to all residents. However, there are variations in care use across social groups. To avoid co-payments and complementary insurance premiums resulting in a financial burden for disadvantaged groups, the “Couverture Maladie Universelle Complémentaire” covers the fees and insurance premiums of low income groups. Moreover, there are numerous fee exemptions / reductions including 100% state care coverage of those with long-term illnesses. Geographical disparities of supply (across regions, urban versus rural areas) constitute another challenge. The authorities are considering increasing the supply of primary care doctors in deficit areas and needs-based provision is implemented in hospital care supply.

High and rising care expenditure has led to the implementation of several measures to control costs and rationalise the use of resources, including assessment-based reimbursement, encouraging the prescription of generics, activity-based hospital financing and a new contribution of 0.3% of wages as a result of an extra working day and 0.3% on certain incomes to support long-term care. The 2004 reform aims at making the referral system more effective through financial incentives and the use of a patient's file to ensure more rational resource use. Technology assessment and the development and use of a wide array of indicators should lead to increasing quality and efficiency of the system.

National Reform Programme: The NRP, drafted through an inter-ministerial process, is consistent in overall terms with the challenges identified in the 2005 joint report on social protection and social inclusion, with regard to employment, pensions reform and implementation of a new budgetary culture based on performance. The “social inclusion” perspective appears in measures to promote access or return to work — with emphasis on young people and recipients of minimum social income — which are already found in the social cohesion plan. The creation of HALDE is also mentioned, as is the territorial dimension of social inclusion.

Challenges ahead:

- In the context of employment development policy, to promote access or return to the labour market for those people furthest away from it, paying special attention to the effective occupational and socio-economic integration of people from visible minorities, particularly second and third-generation young people of foreign origin.
- To overcome the housing crisis, especially in the hardest-hit urban areas.
- To consolidate the mainstreaming of social inclusion in connection with budgetary reform and to ensure consistency between action by the State and the regional/local authorities.
- To ensure pension adequacy and financial sustainability by putting in place the conditions for older workers to remain longer in employment and positively respond to improved employment incentives in the pension system.

- To keep addressing the financial burden of care for disadvantaged groups and those with a long-term illness, tackle geographical disparities of supply and improve care quality whilst controlling care costs notably by making referral systems more effective, better incentive structures and use of generics.

IRELAND

Situation and key trends: Ireland's performance is characterised by sustained economic growth (GDP +5.4% in 2004), an improving employment rate and continued low levels of unemployment (4.5%) and long-term unemployment (1.6%). In this context, inactivity levels are relatively high (30.5%, close to the EU average), and Ireland is increasingly dependent on migrant workers to meet the demand for labour. Significant increases in incomes from employment, and particularly the growth of two-income households, contributes to the proportion at risk of poverty (21%) remaining amongst the highest in the EU, with elderly people, larger families and lone parents particularly at risk. The moderate level of coverage of income-related pension provision is reflected in the average incomes of older people (about 60% of that of the population aged 0-64). Expenditure on social protection has increased substantially in real terms in recent years, and has also increased as a proportion of GDP – from 15% (2001) to 16.5% (2003) (EU 28% in 2003 – ESSPROS data). Life expectancy (75.8 and 80.7 years for males and females in 2003) is about average as is healthy life expectancy (63.4 and 65.4 years for males and females in 2003). Total health expenditure as a percentage of GDP (7.3% in 2002 – WHO-HFA database) is below average, while per capita PPP\$ (2367 in 2002 – WHO-HFA database) is above average.

Social inclusion: Ireland has continued to follow the strategic approach set out in 2003, which takes into account the multi-dimensional and complex nature of poverty and social exclusion, and is centred on increased employment and employability and improvements in benefit levels and in access to services. A shift in emphasis towards addressing the issue of jobless households (and inactivity) is signalled in the 2005-06 update report. Progress across the range of 35 targets set out in the 2003-05 NAP has been variable. Increases in social security payments should ensure that the key income support target will be met while progress is also being made on reaching employment rate targets. A more mixed picture emerges in relation to other areas such as health and education but the recent establishment of the Health Services Executive and the recent publication of an action plan on educational inclusion (Delivering Equality of Opportunity in Schools) are both potentially positive steps. As regards vulnerable groups, progress is particularly evident in relation to people with disabilities and the elderly, compared with other groups, notably Travellers. The absence of base-line data limits reporting capacity but efforts are underway to address these deficiencies. While progress is being made in raising awareness among policy makers of gender issues, continuing efforts are required to ensure that the gender dimension is fully taken into account in the development and implementation of policies.

Pensions: Ireland has made progress in making provisions for increasing the adequacy of pensions and further steps have been announced by the government. Nevertheless, extended coverage of supplementary pension provisions is important to ensure the effectiveness of the income replacement function of pension systems. The national strategy report pointed out that early retirement is still common, in particular for reasons of illness or disability. Although employment rates of older workers have already reached the European target of 50%, further strengthening of incentives to work longer would contribute to ensuring future adequacy and sustainability.

The government is committed to accumulating a considerable reserve fund in order to partially pay for future liabilities, and thus make a significant contribution to financial sustainability, despite projected major increases in future pensions expenditure. The commitment to monitoring the adequacy of contribution rates through regular actuarial reviews should help to react to indications of a need for adjustments, and thus help to keep the system on a sustainable footing.

Health and long-term care: One challenge identified is service fragmentation and lack of service coordination, which has impacted negatively on access and on the quality and financial sustainability of the system. The authorities consider the creation of the Health Service Executive as a first step towards improved coordination bringing together various health-related agencies in charge of care delivery. The lack of capacity in the acute system and the organisation of emergency services are addressed by the government through increased funding and capacity, through better coordination and through a clearer definition of tasks to improve patient flows. Measures to reduce waiting times include a fund to facilitate treatment for all those waiting more than three months. Addressing the potential financial burden on patients in the health and long-term care sectors remains a challenge, as does the provision of long-term care services.

Standards and guidelines, inspection of facilities and accreditation involving self-assessment and peer review are means to bring about quality gains. Finally, a focus on technology assessment and evidence-supported best practice is thought to improve both quality and efficiency of care. Indicative drugs targets for GPs, emphasis on the use of generics and centralised procurement of drugs are some measures to curb increases in expenditure on medicines. A process of consulting older users and carers is intended to increase system responsiveness. Several prevention and promotion initiatives are intended to tackle health inequalities and improve the general health status of the population.

National Reform Programme: The NRP notes explicitly that Ireland's approach to social inclusion is set out in the 2003-05 NAP, as well as in the National Anti-Poverty Strategy 2002-07. The need to extend coverage of supplementary pension provision is a key part of a Pensions review cited in the NRP, and the NRP also addresses the need to have a more inclusive labour market and measures to tackle educational disadvantage.

Challenges ahead:

- To sustain investment in service provision, notably in relation to childcare and elder care;
- To address the high proportion at risk of poverty, affected particularly in recent years by increased employment and economic growth, and reflected in income disparities which are amongst the highest in the EU;
- To ensure the ongoing adequacy of income support for pensioners, in order to avoid their exclusion in a context of rapidly rising general living standards and to achieve wider coverage by supplementary private schemes;
- To increase healthcare capacity in various areas and improve service integration and coordination to improve patient flows.

ITALY

Situation and key trends: Despite weak economic growth, job creation has continued and the employment rate has risen to 57.6% in 2004 while unemployment has declined (to 8%). Gains have particularly benefited women and, to a lesser degree, older workers (although the employment rate of 55 to 64-year-old workers remains low, at 30.5% in 2004), but structural weaknesses have not been overcome yet: regional differentials are still wide and employment rates remain overall quite low. In 2003 Italy's at-risk-of-poverty rate was 19%, and national data based on income show the situation to be stable since 2000. However, official figures for the year 2003 based on consumption expenditure show a slight decrease in the number of individuals below the poverty line. The profile of poverty and exclusion has not changed, since it affects mainly the larger households and those whose head is unemployed and it remains overwhelmingly concentrated in the South. In 2003, Italy spent 26.4% of its GDP on social protection. Considering only pensions, such expenditure corresponded to 15% of the GDP (ESSPROS data). Life expectancy (76.8 and 82.5 years for males and females) and healthy life expectancy (70.9 and 74.4 years for males and females) are high and above EU average (the latter is the highest in the EU) (2003). Total health expenditure (including public and private) as a percentage of GDP (8.5%) and as per capita PPP\$ (2166)¹¹ are about average.

Social inclusion: The legislative agenda regarding social inclusion progressed during the period 2003-05 (especially as regards the labour market and re-conciliation of work and family life, but with the relevant exception of "essential levels of assistance", which have yet to be determined); however, the ongoing process of building a new institutional framework, coupled with the need to contain expenditure, has resulted in some of the envisaged initiatives not being re-financed through the national budget. Measures such as childcare services and minimum income schemes are therefore being carried out at regional or local level and their overall impact is uneven, depending on the regional and local authorities' administrative and financial capacity, which is not always adequate to the task. In this sense the ongoing attempt at mapping out social protection expenditure at national and sub-national level may also help determine the areas in which more equity in outcomes could be needed.

Pensions: Italy undertook reforms in the 1990s leading to a gradual shift from the defined-benefit scheme to a notional defined-contribution scheme. These reforms created a stronger link between contributions and benefits, thus providing appropriate incentives for new entrants to the labour market to work longer, but entailed a long transition period. After the increase of minimum pensions in 2002, new measures introduced in 2004 strengthen these reforms and also affect those who still have the right to retire early under the old rules. Raising employment rates, particularly those of women and older workers, remains crucial for meeting future challenges, and continuing the process aimed at equalising the effective retirement age for men and women would help to reduce the gender gap in pension entitlements and would also contribute to increasing the employment rates of older workers. Future pensions adequacy will also depend developing supplementary social security entitlements, by transforming the TFR (a firm-based compulsory saving scheme for private employees). The mechanism of automatic transfer of TFR contributions (starting from 2008) to private pension schemes (except where the employee refuses) could contribute strongly to the development of supplementary pensions. Pension rights for atypical workers also remain to be improved.

Health and long-term care: Some concern has been expressed about the impact of cost-sharing on vulnerable groups. There are exemptions from co-payments based on age, income, disability/dependency and chronic or rare disease. Local authorities take charge of the

¹¹ Data for 2002, WHO-HFA database.

institutional care costs of people on low incomes. Regarding long-term care, although some specific initiatives have been adopted at regional and local level, in accordance with the institutional reform, they are deemed insufficient for an ageing population and there are significant geographical disparities in supply and quality. The strategies proposed include enhanced provision of home, day and residential (in small units) care, financial aid and vouchers to dependents to buy services – although only in some regions – and better care coordination via the family doctor and the "Custode Sociale", who look at the healthcare and social needs of elderly dependent people and draft a patient care plan. Besides, some regions have instituted a dedicated Fund for ageing people in dependency aiming at financing services and allowances, within the framework of the essential levels of health services. Furthermore, the (national) definition of essential levels of social service provision and quality should help to address regional differences in standards. In this light, provinces, regions and local authorities are to plan and work together on the definition and provision of services and establish their respective responsibilities. Finally, a set of measures has been adopted to promote quality and financial sustainability. These measures include the increased use of indicators to produce better monitoring of activity, quality standards, a public relations office to help users, patient surveys, technology assessment and benchmarking/rating. To control the rising cost of pharmaceuticals, staff will be given incentives to improve their prescription practice and centralise the purchasing of drugs.

National Reform Programme: Italy's National Reform Programme does not refer to the social protection and social inclusion OMCs, nor does the contribution of the relevant government entities appear to be taken into account in the programme. The 2004 pension reform is mentioned only in the context of budgetary consolidation; the importance of monitoring it for adequacy and sustainability outcomes could have been highlighted. Some measures to promote inclusive training and education activities are part of the NRP, such as projects on e-inclusion and interventions to address early-school leave, but the contribution of social policies to job creation and the need of specific policies to raise the inclusiveness of employment and to decrease regional disparities have been neglected.

Challenges ahead:

- To raise employment rates, particularly those of women and older workers and bring forward the entry into the labour market in order to further raise the overall participation level as well as to meet future challenges of the pension system, in particular increasing the volume of social contributions;
- To develop the South and strengthen co-ordination between national and sub-national interventions in order to reduce regional disparities;
- To continue the reform of “shock absorber” systems in order to accompany the reforms of labour markets already adopted and to reduce the risk of creating a two-tier labour market;
- To take steps to improve health care services for ageing people and improve coordination to achieve better use of resources.

CYPRUS

Situation and key trends: Cyprus maintains a record of sound macro-economic performance with real GDP growth standing at 3.8% in 2004 and projected to remain at least as high in 2005. Despite this, the long-term sustainability of public finances is not guaranteed, due to poor government finances, for example the high debt ratio (72%) and decreasing but still relatively high deficit (4.1% of GDP in 2004), plus the implications of an ageing population. Unemployment remains low by EU standards (5.2% in 2004). It is higher for young people (10.6%) and people with low educational attainment. The total employment rate (68.9% in 2004) and that of women (58.7%) are well on track to meet the Lisbon 2010 target, whilst that of older people has surpassed it (49.9%). Foreign workers make up 14% of the gainfully employed. The gender pay gap, although steadily decreasing, remains as high as 23.8% (2004). Cyprus boasts high levels of educational attainment. Data from the 2003 Family Budget Survey (FBS) point to an improvement in poverty indicators. People at risk of poverty represented 15% of the population, on a par with the EU average. However, and despite a decreasing trend attributed to the progressive maturity of the current social insurance scheme (introduced in 1980), the figure rises substantially (52%) for persons over 65 years of age. The risk of poverty amongst elderly single people remains very high, at 73%. Child poverty has decreased to 11%. Social protection expenditure as a share of the GDP was estimated at 16.4% in 2002 (ESSPROS data). Life expectancy (77 for males and 81.4 years for females in 2003) is high and above the EU average and healthy life expectancy (68.4 for males and 69.6 years for females in 2003) is also high (second highest in the EU). On the other hand, total health expenditure as a percentage of GDP and as per capita PPP\$ (respectively 6.4% and 1161.6 in 2002 – WHO-HFA database) is one of the lowest in Europe despite some increases in recent years.

Social inclusion: Cyprus' comprehensive approach to social inclusion is confirmed both in the NAP 2004-6 and the 2005 update. While conditions of social cohesion prevail, pockets of exclusion exist amongst the elderly, people with disabilities, single-parent families, and people falling outside social networks, for example immigrants, to whom efforts are directed. Policies seek to make effective use of domestic labour reserves, focusing on facilitating access to and the return to employment of vulnerable groups, through properly defined activation measures which include tailor-made training programmes, the promotion of flexible forms of employment and the improvement of care services. Access to good accommodation and education for all and the importance of life-long learning are also treated as fundamental. Special attention is paid to improving the situation of the people with disabilities and the elderly. Quantified targets, set on the basis of the 2003 FBS figures, cover crucial areas and poverty indicators, and vulnerable groups. A long tradition of partnership with social partners and NGOs exists and the government appears committed to furthering the involvement of all relevant partners and strengthening their capacity. This would add to the ability to serve special groups of the population through swift and frequent contact. Developing the role of local authorities poses a particular challenge. The geographical dimension of poverty and social exclusion is acknowledged but the implementation of relevant policies or initiatives is expected to be spread over time. Efforts are also directed towards improving the social and economic status of women.

Pensions: The statutory General Social Insurance Scheme, compulsory for every employed or self-employed person, consists of two parts: a pay-as-you-go basic part replacing 60% of the lower part of earnings and a partially funded supplementary part replacing earnings in excess. The pension accrual rate is 1.5%. Access to second pillar schemes seems to pose difficulties and in particular a shift from lump sum payments to annuities would contribute to further accumulation of pension rights. The amounts of minimum pensions (85% of the full basic old

age pension) and social pensions (81%) for people aged over 65 do not protect against the risk of poverty. Reforms under consideration refer mainly to the General Social Insurance Scheme and include a gradual increase in social insurance contributions, an increase in the minimum qualifying period for pensions and a change in the indexation formula.

Health and long-term care: The health system provides extensive but not full population coverage (85-90%) and it suffers from fragmented financing and supply with a large share of private funding and provision. This leads to supply weaknesses, little care continuity, geographical disparities in supply and financial barriers for vulnerable groups (reinforced by a large proportion of out-of-pocket payments). Currently, means-tested free/reduced cost (public sector) care is offered to those groups and various allowances contribute to the income of the disabled and the elderly. Although a National Health Insurance Scheme is to be introduced to guarantee universal comprehensive care, to improve public-private coordination and to increase system funding, delays have been experienced. The new scheme will establish compulsory income-based contributions coupled with government funding and a health insurance organisation will acquire services from both public and private providers. A medical school, a new hospital and new primary care facilities in areas of need are to increase overall supply and address geographical disparities. Legislation, increased provision of home, day and residential care, financial aid for carers and NGOs all aim at enhancing access to long-term care. A referral system based on the family GP and emphasis on primary care are to improve access and care coordination. Whilst the authorities acknowledge the need to raise expenditure to a level closer to the EU level they wish to do so in an efficient manner through referral-based reimbursement, well-organised staff and hospital payment systems. The authorities also stress promotion and prevention (using routine screening, free maternal and child care) so as to control the overall costs of care and maintain the high health status of the population.

National Reform Programme: The enhancement of social cohesion is central to Cyprus' development policy. The NRP is strong on activation measures that target vulnerable groups. Furthermore, the improvement of public finances is attached to reforms in the social insurance and healthcare systems. The social inclusion and protection perspective forms an integral part of the programme, although the OMC is not mentioned explicitly. The policies set out are consistent with the corresponding challenges facing Cypriot society.

Challenges ahead:

- To continue to better the position of vulnerable groups in society, mainly through pathways to employment and through ensuring equal access to services;
- To develop methods for effectively monitoring and evaluating the implementation of interventions and orienting future policy formulation, including the use of indicators; and to help strengthen the institutional capacity of local authorities, NGOs and social partners in the field;
- To address the high risk of poverty among people aged 65 and over;
- To guarantee universal comprehensive care coverage and equitable financing through new organisation and financing of health services and increased funding and provision in an efficient manner.

LATVIA

Situation and key trends: Since 2000, annual average real GDP growth in Latvia (largely supported by domestic demand) has exceeded 7% (8.5% in 2004). Regional disparities are considerable and there is a rural-urban divide. Overall living standards are low (GDP per capita in purchasing power standards stands at 43% of the EU-25 average). Growing inflation (6.2% in 2004) erodes the income of low and average income groups and hinders efforts to make work pay. Income inequalities are increasing (the Gini coefficient increased from 34 in 2000 to 36 in 2004). The at-risk-of-poverty rate after social transfers in 2003 was 16% (14% of people aged 65 and more). Social protection expenditure is low (13.4% of GDP in 2003, pension expenditure representing 7.5% in 2001 – ESSPROS data). The employment rate for older workers (47.9%) is above the EU average, but still below the Lisbon target. Long term and youth unemployment remain issues for Latvia. The unemployment rate for ethnic minorities is higher, though poverty rates are similar to those for Latvians (except for Roma who are exposed to a higher poverty risk). Access to affordable housing remains a problem. The mismatch of skills and education with labour market requirements and school drop-out rates need to be addressed. The health situation of the population, as measured by life expectancy (65.7 years for males and 75.9 for females in 2002) is not satisfactory. Total health expenditure as a percentage of GDP and in per capita purchasing power standards (4.9% and 451.29 in 2002 - WHO-HFA database) are the EU's lowest.

Social inclusion: Following the Poverty Reduction Strategy (2000), the first National Action Plan for tackling poverty and social exclusion (2004-2006) encompassing a multi-dimensional approach has outlined a great number of general objectives and priorities, however, overall coherence and co-ordination of policies must be improved and future tasks better addressed. The objectives set relate primarily to national policies and measures already in place. Measures are implemented within the framework of the annual budget and with significant support from structural funds. The gender perspective is not consistently mainstreamed. The national implementation report on 2004 activities lists actions taken, but these do not sufficiently target specific social exclusion risk groups or concentrate on preventive measures. Measures aiming to ensure adequate income have been implemented or planned for 2006, including an increase in social security benefit amounts for families with children; pension increases, supplements and special adjustments for those receiving low pensions; gradual increases in the tax-free personal income threshold; higher guaranteed minimum income benefit and higher minimum wage. The issue of un-declared work remains high on the political agenda.

Pensions: The national pension system was transformed into 3-tier pension system consisting of a notional defined contribution scheme (NDC pay-as-you-go pension scheme), a state funded pension scheme and private pension schemes. Contributions to the pay-as-you-go public scheme will decrease, while those to the mandatory private pensions will increase. Regarding the impact of ageing on pensions, policy aims at a balanced budget position in the long term. The government expects to compensate the decline in contribution rate in the NDC scheme by increased employment and an increase in the declaration of work.

The early retirement option is to be eliminated by 2008 under present plans. The risk of poverty of the 65+ age group is currently lower than for the working-age population. Still the new pension formula, which establishes a strong link between personal contributions to the system and benefits, could lead to adequacy issues as the overall replacement rate is expected to fall until 2030, before increasing again when the mandatory private pensions come to fruition. This could affect lower income earners and people who have taken career breaks, notably women.

Health and long-term care: Present health care policy aims to promote primary and preventive health care to reduce the high dependency on hospital care. One important task is to develop adequate provision of long-term care services. This implies efficient cooperation between social and health sectors. Current discussion is about financing and delivery of long-term care services according to patient need, given long queues for institutional care and a lack of alternative services. To improve access and quality, the focus is to be put on a variety of home and close-to-home care, following individual patient assessments. The authorities are concerned about potential staff shortages (e.g. due to emigration and ageing) and need to further develop and implement strategy in this area. The family doctor has a gate-keeping role in order to provide the patient with necessary care and effectively use allocated resources. Cost-sharing brings funding to the sector whilst exemptions and ceilings reduce the financial burden for disadvantaged groups.

National Reform Programme: Governance structure, ensuring inter-ministerial coordination, and the participation of social partners and other stakeholders have been enhanced in Latvia by their involvement in the drafting of the NRP. Civil society and local and regional government bodies have also participated in the discussion. An ambitious policy intention is expressed to reduce the at-risk-of-poverty rate to 11% by 2008, although no details have been given as to how this will be achieved. Minimum wages are being increased gradually, however, in future they will benefit by being balanced against the risk to job creation for the low-skilled. Measures aimed at ensuring inclusive labour markets will improve active labour market measures, provision of child care and social services. Detailed measures targeting the young and the disabled are envisaged.

Pension reform is described, although the implications for adequacy and sustainability would gain from being described in more detail. Although further efforts are planned to promote a life cycle approach in employment and longer working lives, there may be slight inconsistencies between the employment targets set out in the NRP and forecasts of funding for future pensions.

Challenges ahead:

- To develop a coherent strategic approach to promoting social inclusion, including quantified targets, which take into account regional and gender dimensions of poverty and social exclusion and further enhances employment opportunities;
- To tackle poverty and social exclusion by introducing more targeted measures for vulnerable groups and by addressing the adverse effects of inflation on low and medium income groups;
- To ensure that sufficient resources for adequate pensions are available until the funded schemes have matured and to monitor future adequacy;
- To improve the health status of the population through effective health promotion and disease prevention and ensure better access to care for all.

LITHUANIA

Situation and key trends: The pace of economic growth remains favourable (6.7% GDP growth in 2004). However, GDP per capita in purchasing power standards was only 48.2% of the EU-25 average in 2004. Although the unemployment rate decreased from 12.7% in 2003 to 10.8% in 2004, the employment rate remained stable (61.2%), partly due to economic emigration. Employment rates for older workers (47.1% in 2004) and women (57.8%) are above the EU average. Youth unemployment (20.8%) and long-term unemployment (5.6%) are still high. Social protection expenditure is among the lowest in the EU (13.6% of GDP in 2003, including 6.8% for pensions – ESSPROS data). Social transfers are increasing, but remain modest. The at-risk-of-poverty rate remains close to the EU average (15% after and 23% before social transfers, excluding pensions in 2003). Life expectancy (66.5 and 77.7 years for males and females in 2002) is one of the lowest in the EU. Total healthcare expenditure as a percentage of GDP and as per capita PPP\$ (respectively 5.7% and 588.24 in 2002 – WHO-HFA database) are among the lowest in the EU, the former having even decreased over time.

Social inclusion: The 2005 NAP update aims to make the 2004 NAP's strategy more operational by identifying more specific measures, and the institutions responsible, and estimating the resources needed. All previous objectives and targets remain valid. The main focus of the update is on measures for social integration through employment, better access to the labour market (in particular for disabled, young and elderly people), and optimisation of labour market policies. Many measures are planned to assist the most vulnerable (especially children) and improve the social protection system, including the recently approved tax reform introducing a better balance between capital and labour taxes. A number of labour market and social inclusion measures are supported by the structural funds. Regional development measures focus on the diversification of rural activities. However, drafting a coherent and integrated regional development policy remains a recognised challenge. No specific measures have been envisaged for the declared objective of preventing homelessness and indebtedness, nor for the provision of housing. The establishment of the NAP's monitoring group should facilitate the mobilisation of all the relevant bodies and strengthen the NAP's coordinating role.

Pensions: Since the 2004 reform, the State-managed statutory pay-as-you-go pension scheme has been associated with a privately managed funded pension scheme. These schemes cover gainful employment, while a social assistance pension provides a minimum retirement income to those not entitled to a social insurance pension, including farmers and the self-employed. Legislation on voluntary supplementary pension provision is in place, and tax incentives were recently introduced. The financial sustainability of the public pension scheme will have to be closely monitored, although the transition costs are not expected to cause problems before 2020. However, thereafter, the ageing of the population could result in a deficit in the social insurance pension scheme. Further measures to increase employment rates, and the retirement age (including equalising statutory retirement ages for men and women) would contribute to both the future adequacy and sustainability of pensions. In that respect, while early retirement provisions were terminated in 1995, the introduction of an early retirement pension scheme for the long-term unemployed in 2004 seems to be in contradiction to the general trend.

Health and long-term care: The main issues for the healthcare system are to reinforce the primary care sector, to reduce the high dependency on hospital care and develop adequate provision of long-term care that is currently lacking. The authorities are apprehensive about possible staff shortages, particularly due to emigration of workers. Measures to improve primary care (which is to also provide health promotion and prevention services) include

raising the qualifications and motivation of staff (partly through increased wages) and allowing private provision. A stronger focus on primary, outpatient care and day case surgery vis-à-vis in-patient hospital care, reduced length of stay, increased bed use and needs-based provision is to render the services more efficient, as well as tackling regional differences in access. Improving population health status and tackling health inequalities through effective promotion and prevention (e.g. promote healthy life-styles, ensure healthy environment, strengthen prevention mechanisms – screening and immunisation – and timely diagnosis, ensure accessible care of quality) is a main goal of the authorities pursued through intersectoral collaboration.

National Reform Programme: The NRP refers to the National Action Plan on Social Inclusion, as an instrument for coordination of the social inclusion policies and actions. The implementation of the NAP is one of the NRP measures. The main synergies of the two strategic documents have been exploited in the area of making work pay and improving access to the labour market for vulnerable groups, where social integration measures have a strong emphasis on disabled and young people. The NRP also includes plans, though not always very concrete, to optimise labour market policies and institutions, and to improve healthcare and social partnership. The NRP also acknowledges the need for reforms of the pension and health care system, while further measures with the aim of increasing employment rates and increasing the retirement age would contribute to both the future adequacy and sustainability of pensions. The NRP sets a regional unemployment target for 2013 (unemployment per region should not exceed the national average by more than 35%). The 2004-2006 structural funds programme should provide essential funding for the social inclusion measures.

Challenges ahead:

- To develop and implement a comprehensive regional and local development policy, taking into account regional imbalances, the needs of the most deprived areas and the widespread rural poverty;
- To further strengthen the NAP's coordinating role and its strategic focus, develop monitoring and evaluation arrangements, further mobilise all the stakeholders and ensure visibility of the social inclusion policy;
- To ensure wider coverage of the population by the statutory pension system and the availability of adequate minimum pensions and sufficiently high replacement rates from the modernised pension system, as well as address transition costs beyond 2020;
- To improve access to care via a stronger primary care sector and an enhanced long-term care provision;
- To improve the health status of the population through effective health promotion and prevention.

LUXEMBOURG

Situation and key trends: Luxembourg's economy continues to grow much more quickly compared with its neighbours (4.5% of GDP in 2004). Its domestic employment situation also continues to improve in a much more satisfactory manner: 1.8% in 2003 and 2.6% in 2004. However, as in previous years, this growth in employment has mainly benefited non-residents. Job creation has not been sufficient to prevent a further rise in domestic unemployment, from 3.7% of the labour force in 2003 to 4.8% in 2004, as well as a further slight fall in the employment rate, which in 2004 was below the EU average at 61.6%. The employment rate is particularly low among older workers: 30.8% in 2004. However, generally speaking the standard of living is very high in Luxembourg; the poverty risk rate is quite low (11% in 2004) and in 2003 the level of social protection expenditure stood at 23.8% of GDP (source: ESSPROS). Life expectancy (75 for men and 81 for women in 2003) is about EU average. Total health expenditure as a percentage of GDP (6.2% in 2002, WHO-HFA database) is below the EU average, although it has shown a steady increase and a strong momentum in recent years, while per capita spending on health in PPP\$ (3065) is the highest in the EU.

Social inclusion: Luxembourg is maintaining a complex strategy based on five specific fields and implemented via 115 measures, the outcome of the 2001 and 2003 NAPs. 27 of these measures have been completed and 74 are in progress. The rest have been abandoned or merged with others. However, the report on the implementation of this strategy presents analyses that tend to be incomplete. Where measures have been completed, it does not always say whether the initial objective has been achieved. Where measures are still being implemented, it does not say whether any progress has been made since 2003 (or even 2001). It does not consider whether measures in progress still serve a purpose, in the light of more recent indicators and comments from their promoters. The challenges identified in 2003 in terms of housing and prevention have been taken up, for example by substantially improving the status of tenants and strengthening preventive instruments, such as youth centres and social support services. As regards promotion of access to employment, the most encouraging results have been in the organisation and attendance of courses, getting recipients of *RMG* (guaranteed minimum income) into active employment and increasing the amount of nursery care available. With a view to reducing the risks of persistent poverty, progress has been made in setting up a social emergency service, improving the status of people with disabilities and helping drug addicts. In an effort to reduce social exclusion affecting children, activities were concentrated on improving the services of the State socio-educational centres. Questionnaires were distributed to *RMG* applicants to give them an opportunity to participate and express their views. The laudable initiatives intended to make inclusion policy an integral part of other policies have not yet made any measurable progress. Finally, the fact that the membership of two consultation bodies has been widened suggests that the dialogue and partnership between all the stakeholders might be stepped up.

Pensions: The Luxembourg pension system is based on a solid political consensus and guarantees adequate pensions. Nevertheless, its financial viability depends not only on relatively high rates of economic growth in the future, but also on non-resident workers making a very substantial contribution to Luxembourg's economy and pension scheme. Although a reserve fund has been established, a drop in the number of non-resident workers employed in Luxembourg would mean that an ageing resident population would have to finance the pensions of both resident pensioners and a large number of pensioners living outside Luxembourg. Despite new and greater incentives to prolong working life, the employment rate for the age group 55-64 years remains well below the Lisbon objective.

Financial viability would depend less on non-resident workers if the employment rate for residents — especially women and the over-55s — were higher.

Healthcare and long-term care: regarding access, inequalities appear not to be a major issue. Nevertheless, to take into account more vulnerable people, both favourable reimbursement and pre-financing of health interventions are foreseen. Also, ongoing extra investment in capacity aims at improving general service access. Long-term care has been defined as a social risk requiring specific social security. Thus a compulsory contribution based on various revenues has been established in return for access to a whole range of services independently of ability to pay. Moreover, for the elderly, greater emphasis has been placed on geriatric care, gerontology education and the establishment of requirements for facilities and staff. The authorities put great emphasis on the development of strategies aimed at simultaneously improving quality and the financial sustainability of services. Measures include the definition of clinical practice recommendations based on assessment and evidence-based studies. They also relate to evaluating doctors' prescription behaviour, controlling antibiotic overuse and encouraging the use of generics, and to hospital collaboration and the designation of centres of excellence, the development of new management practices and centralised procurement of medicines. Finally, strong health promotion and prevention policies (e.g. screening, immunisation, AIDS, TB, nutrition and physical activity campaigns), pursued in a global and multidisciplinary way, are intended to improve the long-term financial sustainability of the system.

National Reform Programme: the Inclusion plan is referred to in the context of certain measures incorporated in the NRP — mainly relating to nursery care, the review of disincentives, employment measures and economic solidarity.

Challenges ahead

- To improve steering of the inclusion strategy followed: simplification of arrangements, better coordination and more precise formulation of objectives and results achieved.
- To analyse the social implications of the continuing rise in unemployment.
- To raise the employment rate of the resident population aged 55-64.
- To develop financially sustainable long-term care provision accessible for all and simultaneously improve the quality and financial sustainability of services.

HUNGARY

Situation and key trends: Following a temporary slowdown in 2003, GDP growth accelerated to reach around 4% in 2004 and 2005 – well above the EU average. The general government deficit has increased to over 6% of GDP in 2005. After a long-awaited acceleration in 2003, employment growth turned negative in 2004 and stagnated in 2005. As a result, both the overall employment rate (56.8%) and the employment rate for women (50.7%) declined by 0.2% percentage points from 2003 to 2004, thus drifting further away from the respective Lisbon targets. In addition, continuing the trend since 1999, employment among the 15-24 age group fell further to 23.6% (EU: 36.8%) from 26.8% in 2003. Despite further growth of 2 percentage points in their employment rate, older workers' employment was still only 31.1% in 2004. At the end of 2004, unemployment started to rise and the unemployment rate has now stabilised at around 7% according to the national definition; the long-term unemployment share continued to increase to 44%. Low employment, coupled with relatively low unemployment, results in the second lowest activity rate in the EU (60.5% in 2004). The problems of joblessness and poverty continue to have strong educational, ethnic, health and regional-related origins. The health status of the population continues to remain a real concern. Social protection expenditure rose to 21.4% of GDP in 2003 (EU: 28% - ESSPROS data).

Social inclusion: The 2004-2006 NAP had set five strategic objectives including employment, access to services and poverty reduction. The priority groups are the Roma, the disabled and children. A wide range of measures is aimed at the most disadvantaged, promoting their employment, training and life-long learning, but policy coherence and coordination could still be improved. Under the SZOLID initiative, important steps in the revision of cash allowances and personal care services have been taken, though other important elements of the reform plan of the social benefit system still have to be implemented. The elimination of certain disincentives to return to the labour market and the integration of the employment and social services system with ESF assistance are steps into the right direction. However, the social benefits system as a whole, including disability benefits, needs to be further reviewed to make work pay. The NAP and the update present a wide range of measures under the medium-term Roma Program and the “Decade of Roma Integration”, but it remains to be seen how progress will be monitored. Measures aimed at children broaden their access to free school meals and books and increase the preschool attendance rate. In terms of access to financial provisions, the design of a new family support system has been a significant step in the framework of the government's “100 steps” programme. In a number of areas, the lack of targets, deadlines for action, assignment of responsibilities and details of funding will render implementation and monitoring difficult.

Pensions: A major reform package came into effect in 1998, overhauling the public pension scheme and introducing a mandatory funded scheme, while the voluntary funded pillar was established by 1993. The introduction of the funded tier, though, will cause transition costs which will constitute a major challenge for the sustainability of public finances. Further reforms may be required as regards limiting the scope for early retirement in order to motivate people working longer. Contribution evasion also remains a problem. Older people in general enjoy incomes almost comparable to those of the active population. Nevertheless, some measures of the recent reforms may pose adequacy risks in the future. In addition, some categories of workers (farmers) are not covered by the mandatory pension insurance system. Further policy efforts would be necessary to increase the employment rates of older people. The 2013 introduction of linear accrual rates in the pension formula will enhance incentives to longer working lives and fairness, but the acceleration of this process could be envisaged.

Health and long-term care: A significant part of the government's "100 steps" programme is devoted to improving the health status of the work force and the general population and to restructuring the health care system. In terms of access, the Hungarian authorities have committed themselves to enhancing provision and to improving emergency and long-term care currently deemed insufficient and of poor quality. All local authorities are required to provide information about social services, meals provision, home care and the access to any other social services, while means-tested cash and in-kind benefits and informal care allowances are to directly help dependents and their carers. New rehabilitation facilities (day care or home services) are being developed and emphasis is being placed on geriatric care and gerontology training in view of an ageing population. Increased cancer mortality and high disability rates have urged the government to increase the population's health status through stronger promotion and prevention policies in various sectors (cancer screening, tackling tobacco addiction, environment, and public health training for health professionals). The health problems of the population create a high financial burden which is amplified by low income base and high tax evasion and rising expenditures at the same time. Against this background, to improve system efficiency, measures are being taken to replace the current excessive use of in-patient and specialist care by increasing day care surgery, increasing the use of out-patient care, which has so far expanded more slowly than desirable and by ensuring an effective referral system based on guiding and gatekeeping general practitioners, which is also to improve care coordination.

National Reform Programme: Activation policies targeted on disadvantaged groups, policies promoting the reconciliation of work and family life and policies ensuring an employment-friendly economic environment have been fed into the NRP from the social inclusion agenda to contribute to attracting and retaining more people in employment. The NRP also stresses the importance of a comprehensive approach to promoting longer working lives. On the other hand, other synergies between activation and the modernisation of the social protection system have not been fully used but the steps taken to revise the family support system and the plans to integrate social and PES services and link healthcare entitlements to activity are encouraging.

Challenges ahead:

- To improve employment performance and, crucially, to address the issue of high inactivity, including the review of benefit systems;
- To ensure that sufficient resources for adequate pensions are available in the long run, in particular by implementing measures to reduce the evasion of contributions and handling effectively the transition costs;
- To increase resources dedicated to fighting poverty and exclusion, in particular among the Roma minority, to improve cooperation among the relevant governmental bodies and better mobilise civil society in the preparation and implementation of policies;
- To improve the health status of the population through healthy life styles and to improve health and safety in the work place;
- To increase system efficiency in the area of health care.

MALTA

Situation and key trends: Although Malta has recorded a slight economic improvement (GDP growth in 2004 of 1%) coupled with a lower unemployment rate (8.0% in 2003 and 7.3% in 2004, LFS data), activity and employment rates remain low. According to Eurostat data, female participation has worsened with the female employment rate decreasing from 33.6% in 2003 to 32.7% the following year. However, important positive trends have been reinforced in education (youth school attainment increasing from 43% in 2003 to 47.9% in 2004 and the rate of early school-leavers dropping from 48.2% to 45%) even if educational attainments remain below EU averages. Pension expenditure increased from 8.5% of GDP in 2000 to 9.4% in 2003, while total expenditure on social protection moved from 16.9% of GDP in 2000 to 18.5% in 2003 (ESSPROS data). Older people (aged 65 or older) record living standards close to the average for the population as a whole, although the risk of poverty is higher among older people. Life expectancy (75.9 and 81 years for males and females) is around the EU average, as is healthy life expectancy (65.1 and 65.7 years for males and females) (2002). Total health expenditure as a percentage of GDP (9.7%) is above average with a consistent increase witnessed in recent years, while per capita PPP\$ (1709.32) is lower than EU average¹².

Social inclusion: Measures to improve access to employment constitute the bulk of the policy instruments, with emphasis on promoting reconciliation of work and family life, making work pay and preventing early school-leaving. One important sign of progress is the finalisation of Child Care Regulations providing standards for childcare centres. Given the decreasing trend in women's employment rate, such measures are to be welcomed and should be sustained.

The objectives of preventing the risk of exclusion and helping the most vulnerable have been reinforced with 10 new policy measures in the “light update” of the NAP 2005. The government took some initiatives to standardize the national approach to immigrants, refugees and integration in response to an unprecedented increase in the number of asylum seekers coming to Malta. This influx is forcing a substantial upgrading of accommodation facilities, which have already been the subject of a number of recommendations from the Council of Europe. New legislation regarding domestic violence is also in discussion, which may remedy the current legal void in this domain. Still to come is a white paper containing proposals for an urgently needed reform of rental housing.

Pensions: The government has issued the final report on pension reform in the 2006 budget. The precise way forward regarding various aspects of pension reform still remains to be determined. The government has to decide whether the system will develop in the direction of more flat-rate benefits or of strengthening the link between contributions and benefits. If it opts for flat-rate minimum pensions, a reasonable level should be set in order to cope with the risk of poverty among older people, especially women. The proposed new system may translate into lower pension entitlements from the current mandatory pensions, which should be offset by the introduction of a new pillar. In order to ensure adequate replacement income and sustained incentives to contribute in the scheme, easy access to the new mandatory scheme (SPPS) is essential.

Health and long-term care: Ageing, increasing expenditure on medicines and technology, and patients' growing expectations are reported as the main challenges to the system. Furthermore, staff shortages emerge as a real threat to the system's sustainability. Regarding access, the issue of waiting times is being addressed. A new hospital which is expected to replace the main acute general hospital is currently the main focus of activity and planned

¹² Data for 2002, WHO-HFA database.

reforms. An increase in rehabilitation facilities is being contemplated. A policy document on the future of long-term care is currently being drawn up to enhance long-term provision. On staff shortages, a staff strategy is under development, focusing on post-graduate training and continuous professional development, balancing work and private life, providing greater autonomy and accountability, establishing support mechanisms and managing performance. On quality, the emphasis is placed on developing a monitoring system using process and outcome indicators and on improving coordination between primary and hospital care and between health and social care. To control upward expenditure pressure, the authorities are introducing a system of pricing for pharmaceuticals and introducing corporate management and technology assessment into the system. Strengthening primary and community services vis-à-vis hospital care is another key response. Stronger health promotion and prevention policies are also intended to bring expenditure gains in the long run.

National Reform Programme: The Ministry of Social Solidarity and the social partners were consulted when drafting the Maltese National Reform Programme; still, the link with the Social Inclusion and Social Protection processes is not explicit. Nevertheless, the challenge of ensuring a sustainable social protection system and the need to promote female participation in the workforce, either through the review of tax and pension system or some family-friendly measures, are taken into full consideration. Overall, the contribution to growth of social inclusion policies is limited, since the strategic approach does not give priority to ensuring inclusive labour markets.

Challenges ahead:

- To increase the overall – particularly female – employment rate and develop policies to make work pay while promoting more and better jobs for both women and men who are currently inactive or who are recipients of social benefits, while encouraging labour market integration of the most vulnerable groups;
- To combat illiteracy and improve the educational attainment levels of both young students and adults;
- To reform the pension system by strengthening the incentives to work and to remain in the labour market and ensuring adequate replacement income, notably through easy access to pension provision;
- To control cost pressure, particularly on medicines and high technology procedures in the healthcare system, through various types of measures including health promotion and prevention policies; retain staff in the sector, avoiding brain drain; and address the increasing need for long-term care as a result of the larger numbers of elderly persons.

THE NETHERLANDS

Situation and key trends: With weak economic growth between 2001 and 2004, unemployment increased from 2.8% in 2002 to 4.6% in 2004 and long-term unemployment to 1.6% of the labour force in 2004 (0.7% in 2002). The number of people entitled to social assistance also rose in these years and over-indebtedness became more persistent. In 2003, 12% of the population was at risk of poverty; although growing, this remains one of the lowest shares within the EU-25 (15%). While employment rates are well above the Lisbon targets, inactivity (23.4%) remains relatively high. The upward trend in the employment rate for older workers continued, reaching 45.2% in 2004. According to national data, the employment rates for ethnic minorities were 48% overall in 2004 and 39% for women (50% and 36% in 2002). While the percentage of early school leavers slightly decreased, the nationally targeted 54% employment participation rate of ethnic minorities was not achieved. Life expectancy (76.2 years for males and 80.9 for females in 2003) and healthy life expectancy (61.7 for males and 58.8 for females in 2003) are high. Total health expenditure increased to 9.1% of GDP (EU-25: 8.7%) and to 2643 PPP\$ per capita in 2002 (WHO-HFA database). Social protection expenditure was 28.1% of GDP in 2003 (EU: 28%, ESSPROS data).

Social inclusion: The primary focus in the Netherlands is on activating social systems. The emphasis has shifted from the role of government to fostering greater personal responsibility. Under a policy of decentralisation over recent years many key decisions on social inclusion policy are now taken at the local level. Policy measures are increasingly focused on improving individuals' chances and competences while, to a lesser extent, also addressing direct and indirect poverty risk factors including gender, age or ethnicity. A new decentralised social benefit system (Work and Social Assistance Act, 1.1.2004) gives municipalities a direct interest in achieving a strong benefit-to-work performance while facilitating a more tailor-made approach at individual level. While since its introduction slightly fewer people are dependent on social assistance, the act runs the risk that difficult-to-place individuals may be left behind. The future role of national policy in implementing measures in a decentralised model needs to be monitored in the context of strengthening the links between the national and locally-based approaches. From 2003 a mix of policy measures has been applied to prevent youth unemployment and to improve cooperation between institutions dealing with youth. Nevertheless youth unemployment increased in 2004. In relation to immigrants, integration policies have been firmer in tone, focusing on promoting active participation in society including acquaintance with the Dutch language and culture. The gender dimension of poverty and social exclusion is less developed in the implementation report, as was the case in the 2003 NAP. In 2005 and 2006 a number of new plans were proposed in the area of health, social support, income and work capacity; the impact of these acts should be closely monitored.

Pensions: The Dutch pension system performs well in terms of adequacy, as it is based on a universal flat-rate public pension and on earnings-related supplementary pensions which cover a very large share of the population. The Dutch strategy for the first pillar relies on an ambitious goal of achieving budgetary surpluses over a long period of time (though this strategy may be weakened by the risk of remaining public deficits), supported by intensified employment policies and reduced incentives to early exit from the labour market. Regarding second-pillar pensions, the strategy relies on conducting sound macroeconomic policies and reinforcing surveillance, in particular through safe funding margins. The employment rate for people aged 55-64 has increased significantly in the past decade but it remains to be seen whether increased labour-force participation and the inclusion of part-time workers in occupational pension schemes will allow women to catch up with men in terms of incomes in

old age. While further steps are planned to be taken in order to remove obstacles preventing people from working after they reach the current retirement age of 65, measures aiming at reducing the use of early exit from the labour market (early retirement and disability schemes) are being implemented and could be further strengthened.

Health and long-term care: The new Health Insurance Act and Health Care Allowance Act took effect on 1 January 2006, aiming to contain health care costs by encouraging competition between care insurers and to obtain more efficient health care through better negotiated contracts between care insurers and health care providers. The authorities expect this to help match the needs of different consumer groups, increase citizens' choice between different options and give them more responsibility for their health care insurance. The new legislation unifies the former social health insurance scheme that covered 63% of the population and private health insurance. A care insurer is legally obliged to offer the same premium to all applicants for a standard health care package, although care insurers can compete on price (the premium) and on additional care packages they offer. To further prevent risk selection by the insurers, they must accept any citizen as a customer regardless of age and health risk profile, and are compensated through a risk adjustment scheme. Further restructuring measures are likely, e.g. significant amendments are also expected to the Exceptional Medical Expenses Act (AWBZ) to make it more effective in the longer term. It is also intended to introduce a Social Support Act in 2006 that should transfer responsibility for some elements of care from the AWBZ to local authorities.

National Reform Programme: The NRP focuses mainly on labour supply and deals in depth with measures aimed at "activating" the social security system and the reforms in health care. It addresses the educational problems of ethnic minority youth through a general, integrated approach to disadvantaged youth and extra efforts to reduce early school leaving in general. The NRP cites continued efforts to raise the effective exit age from the labour market. Early labour market exits due to long-term sickness and invalidity benefits should be reduced by the new disability scheme that contains financial incentives for both employers and employees to keep the partially disabled at work or help them to acquire a job. The NRP also cites the creation of a new surveillance scheme for pension funds. However, the NRP does not assess the impact of activation policies on the most vulnerable groups.

Challenges ahead:

- To closely monitor the impact of reforms in the area of social support, income and work capacity;
- To facilitate the integration of ethnic minorities and to recognize and take into account their cultural diversity in the development of social inclusion policies;
- To further reduce the number of early labour market exits, in particular due to long-term sickness and invalidity benefits;
- To implement the major health reform successfully and to monitor its medical, social and financial effects, and safeguard the functioning of the newly formed health insurance market.

AUSTRIA

Situation and key trends: GDP growth accelerated from 1.4% in 2003 to 2.4% in 2004. The overall employment rate stood at 67.8% in 2004, well above the EU average, whereas for older people, at 28.8% in 2004, it is among the lowest in the EU. The unemployment rate has increased for the third consecutive year, to 4.8% of the labour force in 2004, affecting youth in particular. The youth unemployment ratio increased from 3.8% in 2003 to 5.6% in 2004. Social protection expenditure, as a percentage of GDP, has increased since 2000, reaching 29.5% in 2003 (ESSPROS data). Life expectancy (75.9 and 81.6 years for males and females in 2003) and healthy life expectancy (66.2 and 69.6 for males and females in 2003) are high and above the EU average. People aged 65 and above have a living standard, as measured by average income, close to that of the 0-64 population. The at-risk-of-poverty rate was 13% in 2003, with a higher risk for women, elderly people, children, people with disabilities and immigrants. Total health expenditure as a percentage of GDP (7.7% in 2002 – WHO-HFA database) is below the EU average and has increased only moderately in recent years, while per capita PPP\$ (2220) is slightly above EU average.

Social inclusion: Under the Austrian inclusion strategy, the promotion of employment, reconciliation of family life and work, development and improvement of social services for people with high social risks and investment in education are identified as the key policy levers. The Implementation Report of the NAP on inclusion advocates a continuation of the present policies and mentions a number of upcoming initiatives to address the challenges. As a measure to improve the situation of the working poor, a monthly minimum wage of EUR 1000 is now part of almost all collective agreements. While the reform of the pension system aims at financial sustainability, measures have been introduced to maintain the incomes of people on low pensions. To address the needs of the long-term unemployed, expenditure on active labour market policy will be raised further in 2005 and 2006. With a view to increasing the very low employment rate of older workers, incentives in the pension system to remain active have been strengthened, and the 56/58 campaign has been launched. This campaign entails the reduction of statutory non-wage costs for 56 to 58-year-old workers. The employment campaign "A billion for people with disabilities" is also intended to continue in 2005 and 2006. The "equalisation package for people with disabilities" (*Behinderten-Gleichstellungspaket*) will come into effect on 1 January 2006. The aim is to abolish all forms of discrimination. Starting from the school year 2005/2006, children who do not yet know enough German are to be supported in pilot experiments in the year before school entrance. The 2005 package of legislation concerning foreigners (*Fremdenrechtspaket*) further expands the "integration agreement" (extension of the target group, better knowledge of the German language, access to the labour market). The harmonisation of the social assistance schemes of the Länder has not yet been implemented and remains a major challenge.

Pensions: Austria harmonised the pension systems of blue-collar workers, white-collar workers, the self-employed, farmers and especially federal civil servants by introducing a uniform pension law for all these professions for persons aged less than 50. The last pension reform contains a fairly thorough redesign of the calculation of the benefits leading to a much stronger link between contributions and benefits, including a "bonus malus" system for deferred and earlier retirement (a cap has been introduced with a maximum loss of pension rights from 5% to maximum 10% by 2024), and a switch in the indexation of pensions to consumer prices as of 2006). The retirement age for women will remain lower than for men for a long time and will be raised from 60 to 65 years between 2024 and 2033. While early retirement options will be restricted to people with long careers after a transition period until

2014, there is a possibility that such long phasing-in periods could weaken the message that change is necessary.

Health and long-term care: Eurobarometer indicates that the Austrian health care system receives a relatively high satisfaction rating. On the financing side, it is basically a compulsory social insurance system, but significant funding comes also from regional governments, private co-payments and additional private insurances. On the provision side, it is a mixture of mostly private self-employed doctors and mainly public hospitals. The Austrian Preliminary National Report on health care and long-term care of May 2005 describes various measures implemented for persons in need of long-term care. The Report stresses that it is a continuing challenge to improve the situation of informal care providers. To this end, various measures have to be adopted, e.g. offers of regular counselling and measures to reduce the strain on care providers, and improved social security. Social policies supporting people in need of long-term care will also lead to increased financial requirements. The higher expenditure is, however, counter-balanced by significant employment effects.

National Reform Programme: The Federal Ministry of Social Security, Generations and Consumer Protection, responsible for social inclusion, has been involved in the development of the National Reform Programme (NRP). The NRP emphasises the contribution of the latest pension reforms to ensuring financial and social sustainability, notably through the importance given to the issue of working longer. The programme underlines Austria's good performance with regard to the poverty rate and the long-term unemployment rate (respectively fifth and third lowest in EU25). The NRP also addresses a number of measures for target groups announced in the Implementation Report on the NAP on inclusion. In relation to lifelong learning (IG 22), the NRP refers explicitly to measures from the NAP on inclusion targeting early school leavers (18 to 24-year-olds). Reforms of the tax and the social benefit system are designed to reduce both the risk of poverty and the risk of unemployment.

Challenges ahead:

- To step up efforts to address the increasing risk of social exclusion, especially with respect to elderly workers, the long-term unemployed, immigrants and young people, in particular against the background of the rising unemployment; in this context to pay special attention to the low participation in lifelong learning of the less qualified;
- To ensure both adequacy and sustainability of future pensions by significantly increasing the employment of older workers. It will be important to monitor the poverty risk for pensioners as well as replacement rates, in particular for women, and review policy options if necessary;
- To maintain the relatively good health care expenditure trends through continuous work to counteract various cost-raising factors, such as pharmaceuticals. In order to raise the overall efficiency of the system, special efforts have to be made to address issues of quality, telematics and interface management;
- To continue to improve various support functions for informal carers, e.g. to address care quality, and at the same time recruit and train care workers that will be needed for future long-term care, especially with changing family conditions.

POLAND

Situation and key trends: In 2004, Poland experienced strong economic growth (5.3%), which has not translated into employment creation. Poland's employment rate is still the lowest in the EU (51.7%), particularly for women (46.2%) and older workers (26.2%). The unemployment rate declined by 0.4 percentage points from 2003 to 18.8%. The youth unemployment ratio of 14.2% remains a concern, as does the long-term unemployment rate of 10.2%. Total social protection expenditure as a percentage of GDP reached 21.6% in 2003 (14.3% are related to pensions – ESSPROS data). The at-risk-poverty rate stood at 17% in 2003. Life expectancy (70.4 and 78.7 years for males and females in 2002) is below EU average but has consistently increased over the last decade. Healthy life expectancy (62.5 and 68.9 years for males and females in 2002) is about average for men and quite high for women. Total health expenditure as a percentage of GDP (6.1%) and per capita (654 PPP\$) in 2002 (WHO-HFA) is below EU average and indeed one of the lowest in the EU.

Social inclusion: Poland adopted a National Social Inclusion Strategy (NSIS) in June 2004 setting out objectives and targets until 2010. The NAP reflects the most urgent priorities set out in the NSIS, but fails to define in operational terms (including budgetary aspects) how the strategic objectives will be achieved. The NAP signals the shift from traditional income redistribution to a more multidimensional approach in promoting social inclusion. The key policy measures aim at both activating vulnerable groups and improving the institutional effectiveness of the welfare system and the labour market. Newly implemented principles for determining means tests for social assistance and family benefits should simplify the complicated benefit system. But the complex institutional structure at local level will continue to hamper efficient implementation of social programmes. The supportive role of the ESF is visible in measures related to education, employment and inclusion. It concentrates mainly on the vocational and social integration of at-risk groups. The short time since the launch of the NAP, and lack of a monitoring system, do not allow an overall assessment of NAP's performance so far.

Pensions: Poland has introduced significant reforms in its old-age pension system, the new system being in place since 1999. It has, however, created high transition costs, the financing of which will require a major effort over the coming decades. The reform also introduced options for voluntary pension insurance, but as the participation in the scheme remained very low, a new scheme offering tax incentives – voluntary individual retirement accounts – was set up in 2004. A major challenge is to increase the currently low level of employment (partly linked to undeclared work and a high level of unemployment). Whether incentives in the new pension system translate into higher employment and hence improved financial sustainability will, however, depend on the employability of older workers and overall demand for labour. Following the projected decline in the replacement rate, adequacy of pensions may translate into an issue in the future, notably in connection with shorter contribution periods and lower average earnings (due to high unemployment, especially for women). Moreover, equalising the legal retirement age for men and women would help reduce the gender gap in pension entitlements and would contribute to increased employment rates. Other major issues that remain to be addressed are a comprehensive reform of the farmers' pension scheme and of disability pensions, which have become a major pathway for early labour market exit.

Health and long-term care: The main problem is the low level of public funding compared to the high growth-rate of costs, which are external to the health care system (e.g. increasing prices of medicines and medical equipment), growing health care demands (as a result of e.g. raised educational levels, advertising), and the ageing of the Polish population. To increase the financial resources flowing into the healthcare system, the contribution rate of insured

persons in the National Health Fund is steadily increasing and is expected to reach 9% in 2007. This, and the tasks of public authorities aimed at ensuring equal access to health care service, is laid down in the Act of 27 August 2004 on health care benefits financed from public funds. In November 2004, the Ministry of Health presented a “Green Paper on the Financing of Health Care in Poland”, with a view to obtaining a comprehensive picture of the current situation and holding a broad public debate. One of the challenges noted in the report concerns the remuneration of employees in public healthcare, which has become more acute with growing economic emigration of medical staff since Poland joined the EU. Quality improvement is one strategic, self-standing objective for the health care system, as well as a precondition for increasing patient satisfaction. Several activities are being undertaken to improve the quality of service provided, as reported in the Polish Preliminary National Report on health care and long-term care in 2005.

National Reform Programme: Although the NRP does not refer directly to the NAP on inclusion, it includes plans, some lacking in detail, for optimising labour market policies and institutions, integrating disadvantaged persons into the labour market and activating disabled people. The NRP sets the ambitious target of reducing the unemployment rate to 14.6% by 2008. The NRP identifies poor housing as a factor in social exclusion, unemployment and lack of labour mobility and proposes initiatives to address this problem. The programme acknowledges the need for continuing reforms of the pension and health care system, while further measures with the aim of increasing the employment rate of older people would contribute to strengthening the future adequacy and stability of pensions. The issue of removing barriers to access to education, particularly those resulting from poverty and disability, is also addressed in the NRP.

Challenges ahead:

- To reverse the negative poverty trend by defining a policy framework encompassing social inclusion priorities and employment creation measures, while ensuring adequate support for those most at risk of poverty;
- To step up administrative capacity, strengthen social policy institutions and improve policy coordination at local level;
- To raise the overall employment rate (particularly of older workers and people with disabilities), ensuring that sufficient resources for adequate pensions are available until the funded schemes have matured, while monitoring future adequacy;
- To reform the farmers' pension scheme and organise the conversion of funded pension savings into safe annuities;
- To continue with further improvements in the provision of various interrelated health and social services for the care of elderly, as done within the Long-term Care Development Programme, e.g. to meet the changing family situations due to emigration for work.

PORTUGAL

Situation and key trends: Key social and economic indicators underline a worrying situation that has deteriorated since 2001. Portugal is close to achieving the Lisbon target on overall employment (67.8% in 2004) and slightly exceeds the employment targets for women (61.7% in 2004) and older workers (50.3% in 2004). However, the economic slowdown has strongly increased unemployment, in particular long-term unemployment which now accounts for around 50% of the total. The labour market continues to be highly segmented, with a large number of working poor. In spite of recent progress in educational attainment levels, almost 40% of young people leave the education system with at most lower secondary education. The at-persistent-risk-of-poverty rate (15% in 2001) and inequality of income distribution (ratio 7.4 in 2003) are the highest in the EU and show little improvement since 1995. At-risk-of-poverty levels, however, fell to 19% in 2003 (was 23% in 1995). In 2003, social protection expenditure represented 24% of GDP, far below the EU average of 28%, and pension expenditure was 11.9% of GDP (ESSPROS data).

Population health has improved considerably in the last 20 years. Nevertheless, life expectancy (74.2 and 80.5 years for males and females in 2003 ESTAT) and healthy life expectancy (59.8 and 61.8 years for males and females in 2003 ESTAT) remain below the EU average. Mortality rates from cardiovascular disease and from stomach and lung cancers are higher than the EU average. Total health expenditure as a percentage of GDP (9.3% in 2002 – WHO-HFA) is above the EU average, while per capita PPP\$ (1702 in 2002 – WHO-HFA) is below.

Social inclusion: The 2003-2005 NAP presented a broad list of principles and described more than 207 policy instruments to support a set of key challenges. The Plan brought some coherence to widespread and piecemeal existing measures, but failed to provide a clear strategic focus or set of priorities. A significant number of measures made no reference to financial resources, and lacked both precise deadlines and clear measurable monitoring/impact indicators. The fact that three governments were in power between 2002 and 2004 partly explains the difficulties in pursuing a coherent strategy amidst sometimes conflicting political priorities and unstable administrative structures. The implementation process has also suffered from weaknesses in intra-governmental coordination and the participation of the major stakeholders. The NAP is not part of the political debate, but it has contributed to increasing debate among experts in the field, and improved general awareness of social exclusion issues.

The "Social Network" has been a major achievement, bringing together local authorities, social partners and civil society, all with extensive knowledge of local realities. Reinforcing these networks and providing them with resources to improve their social intervention should be strongly pursued. The vocational training and apprenticeship measures aimed at reducing the number of early school leavers and improving their employment prospects have made important progress. The Social Integration Income scheme (SII) focusing on those living in poverty and most vulnerable to exclusion has been reviewed. Public services need to adapt to the increased demand for SII support, and reinforce its social integration approach to prevent the system from becoming a simple monetary subsistence scheme.

Pensions: In response to the adequacy challenge, a major priority has been to improve the level of the minimum old-age pension, which should alleviate poverty risks. To further reduce old age poverty, a new tax-financed social benefit (Solidarity Supplement for the Elderly) will start to be implemented as from 2006. Furthermore, complete insurance careers in better-paid employment will produce higher pensions for new generations. The most recent reforms will strengthen incentives to work longer and also contribute to more equitable treatment of

members of different schemes. Further harmonisation of the pension system and measures to promote longer working lives would contribute to strengthening adequacy and sustainability. The Government intends to create incentives to expand supplementary pension schemes. It remains to be seen whether this modernisation of the legal framework for private pensions will allow occupational pension schemes to make an appropriate contribution to future adequacy.

Health and long-term care: Weaknesses in the primary care sector, including a lack of primary care physicians, undermine the primary-care-led national health system. In view of the ageing population, long-term care services need to be further improved. Proposals include an increase in home and close to home services, day care, hospital care for chronic patients, support to families (relief), use of ICT (call centres, patient file, email consultations, internet prescriptions) and partnerships between primary care and social services. An effective referral system based on the family GP is seen to promote access, care coordination and system efficiency, whilst choice and patient involvement are to increase quality and system responsiveness. Further reforms are necessary to firmly establish a primary-care-led system. This should include improved access for patients and autonomy for providers. To control the high medicines expenditure, strategies include use of generics, evidence-based reimbursement and liberalisation of non-prescription medicine sale. Day case surgery, bed turnover and common management of beds are to improve hospital efficiency. To reduce the current disease burden various health promotion and disease prevention programmes are being developed. A national coordinator for the Health of Elderly People and Citizens with Handicaps has been appointed. His responsibilities include implementing national health policies that promote the adequacy of health care for the elderly and citizens with handicaps; interventions for active and healthy ageing; a network of long-term care facilities, and continuous education and research.

National Reform Programme: Social cohesion is rightly presented as a fundamental challenge in the NRP, but this lacks a focused approach on fighting poverty and only partially addresses the challenge by including measures for the disadvantaged and socially excluded among other items such as education, active labour market policies and the modernisation of social protection. The NRP stresses the importance of modernising the pension system by reducing access to early retirement schemes and bringing effective retirement age closer to legal retirement age. This is welcome, but the links with the OMC on social protection and inclusion could be more developed.

Challenges ahead:

- Mainstream social inclusion in all relevant policy initiatives with the aim of addressing the high poverty levels, inequalities in income distribution, high numbers of early school leavers, large numbers of working poor, and the significant gender pay gap in the private sector;
- Streamline and define targets and implementation frameworks for the large number of existing social inclusion measures, while closely involving stakeholders from the stage of conception through implementation, monitoring and evaluation of the policy instruments;
- Continue to harmonise the civil service pension scheme with the general scheme, and introduce further steps towards ensuring that sufficient resources for adequate pensions are available, notably through the promotion of longer working lives;
- Ensure provision of long-term health care services and address primary care weaknesses, while providing an effective referral system and improving the efficiency of the services.

SLOVENIA

Situation and key trends: After three years of moderate slowdown in economic growth, the pace of economic activity picked up in 2004. GDP per capita measured in purchasing power standards stood at around 80% of the EU average in 2004. Total expenditure for social protection as a percentage of GDP (24.6% in 2003) was below the EU average (ESSPROS data). Total health expenditure was also below the EU average as a percentage of GDP and as per capita PPP\$ (respectively 8.2% and 1404.66 in 2001, WHO-HFA database). The at-risk-of-poverty rate has been declining since 1997 and stood at 10% in 2003 (below the EU average). While the employment rate is at the EU average, and the unemployment rate is one of the lowest, the labour market is characterised by a low employment rate for older workers (29% in 2004) and high youth unemployment (15.9%). Regional disparities are considerable, with Eastern Slovenia significantly lagging behind. Life expectancy (72.6 and 80.4 years for males and females in 2003) is below the EU average, but has consistently increased over the last decade.

Social inclusion: The adoption of the Programme to Combat Poverty and Social Exclusion in 2000 defined and recognised social inclusion as a government policy priority. This is well reflected in the 2004-2006 NAP, whose comprehensive strategy focuses on the four EU common objectives in the fight against poverty and social exclusion. Although key priorities, such as the inclusive labour market, appropriate education, suitable living conditions and reducing regional differences, are well identified in the NAP, the measures envisaged do not always respond adequately to the challenges, and do not cover the broad range of priorities listed in the strategy. A number of objectives are not sufficiently translated into operational measures and quantified targets. Although the reference in the NAP to the use of structural funds is not precise or clear, some measures are in fact supported by the ESF. The majority of the measures announced in the NAP have given rise to some initiatives. However, in the absence of a formal implementation report or an update in 2005 and given the lack of monitoring data, an assessment of their adequacy and efficiency is not possible.

Pensions: Although the most recent reform constitutes an important step towards ensuring adequate and sustainable pensions, budgetary pressures due to age-related expenditure are significantly stronger in Slovenia than in most other Member States. This highlights the need for further measures. Improving incentives to work longer is urgently needed as the employment rate among older workers is very low. Reducing early exit from the labour market is a major challenge and would contribute to ensuring future adequacy (through further accrual of pension rights which are otherwise planned to decrease) and sustainability. Following the introduction of strong incentives to participate in voluntary provision, about half of all actively insured persons currently have voluntary supplementary pension schemes, highlighting the importance of adequate portability as well as risk sharing rules. While the 1999 reform provides for a long-term difference in retirement ages of women (61) and men (63), further reduction of the gap in retirement age would also contribute to ensuring future adequacy.

Health and long-term care: Regarding access, the issues revolve around primary care shortages, regional disparities, waiting lists and out of pocket payments. To decrease the financial barrier for the more vulnerable groups, amendments to the law provide for discounts and exemptions for people on low incomes. The authorities have established regional targets for staff supply. Regarding system efficiency, the authorities are aiming at improving the referral system, increasing the use of day care surgery, reducing the length of hospital stays and promoting prevention. While institutional and non-institutional capacity for long-term care for the elderly is insufficient, the need for long-term care and social services will rise

further as a result of ageing. A major part of long-term care is provided as institutional care, while long-term care at home is still developing gradually. To meet this need for long-term care, capacities were increased to serve 4.5% of the population over 65, giving priority to home care. Efforts have been geared towards increasing the share of health care services within institutional care and at the patient's home with the aim out of providing and improving the quality of rehabilitation services, especially physiotherapy and occupational therapy. To further reduce inequalities, the government envisages the introduction of a special compulsory social insurance, covering all long-term care services on an equal footing.

National Reform Programme: The majority of the challenges in social protection and inclusion are recognised in the NRP, and modernising social protection systems is one of the key development priorities of the NRP. The NRP highlights the fact that further reforms of pension and health systems are needed, notably in order to promote longer working lives, which would contribute to the sustainability and adequacy of social protection provisions. However, the priority measures in these fields are rather general, thus limiting the scope for assessing their actual contribution to the reform programme. The priority measures to combat discrimination are limited to gender. Among the most disadvantaged groups, the NRP targets people with disabilities and older workers with priority measures. Roma and other ethnic groups are mentioned, but concrete measures for their social inclusion are not provided. A reform of social transfers is planned. The new national programme of social protection up to 2010 announced in the NRP and the new Social Protection Act will target unemployed people on benefits to promote their return to the labour market.

Challenges ahead:

- To introduce new and further develop existing measures for bringing people who depend on benefits back to the labour market, while maintaining a proper level of social security and avoiding poverty and disability traps;
- To increase access to accommodation especially for the most vulnerable groups, to fight against discrimination as one of the major obstacles to social inclusion with the introduction of a concrete strategy and measures and to tackle the existing regional disparities;
- To implement the rise in the pension age, moving towards increasing the employment rates of older workers and full equality between men and women;
- To enhance and ensure long-term care provision and health care services for elderly people (patients) in accordance with their specific and changing needs within health care institutions and in their home environment; to improve policy coordination and service organisation in these fields in order to reduce incapacities and inequalities further and to reach efficiency gains.

SLOVAK REPUBLIC

Situation and key trends: In 2004, GDP growth kept its high level from the previous years and reached 5.5%. The overall employment rate (57.0%) is well below the EU25 average (63.3%). The employment rate of older workers (26.8%) is far from the Lisbon 2010 goal, with extremely low employment rate of older female workers (12.6%). The unemployment rate increased again reaching 18%, but is expected to decrease below 17% in 2005. The long-term unemployment rate (11.7%) and the youth unemployment rate (32.3%) remain very high. The at-risk-of-poverty rate (21%) is one of the highest in the EU with unfavourable dispersion around the threshold: 12% of the population in 2003 had incomes lower than 40% of the national threshold. Social protection expenditure is on a declining trend (from 20.2% of GDP in 1998/9, to 19.2% in 2002 and 18.4% in 2003 – ESSPROS data); the relative decline is, however, partly related to strong GDP growth. At 7.5% of GDP in 2003, pension expenditures are low in comparison with the EU average. Life expectancy (69.9 and 77.8 years for males and females in 2003) is below the EU average (5th and 4th lowest respectively). Total health expenditure as a percentage of GDP (5.7%) and per capita (698 PPP\$) in 2002 (WHO-HFA database) is among the lowest in the EU.

Social inclusion: The Slovak Republic did not submit an update of the NAP on inclusion in 2005, but several strategic documents have been adopted in the meantime. In February 2004 the Government adopted the Competitiveness Strategy for the Slovak Republic to 2010 (National Lisbon Strategy) with two main objectives: completion of structural reforms in the social area, health care and pension insurance, and development of priority areas such as education and development.

In May 2005 the Ministry of Labour, Social Affairs and Family introduced the Action Plan for preventing and alleviating poverty and social exclusion in Slovakia for 2005/06. It concentrates on intergenerational poverty: main focus is on children and the promotion of social and community services.

In July 2005, a new measure supporting mothers with children under 3 years of age came into effect. In 2006, new social inclusion measures are planned to be adopted, in particular focusing on education of the unemployed and on the implementation of new types of social services, with higher availability and quality. Measures supporting active ageing policy need to be defined.

Employment and integration of the marginalized Roma community (estimated at 320,000, with 150,000 in desperate living conditions) represents a key challenge. In addition, the situation of Roma people is characterised by social segregation, unequal access to health care (plus increased risk of various diseases and accidents), unequal access to legal protection, and insufficient political participation.

Pensions: The Slovak pension system underwent major reform in 2005 which split the statutory old age pension scheme into pay-as-you-go financed and privately managed funded pension tiers. The introduction of the latter tier entails a significant loss of contribution revenues, creating a large deficit in the financing of the public PAYG scheme and thus also limiting the scope for improving current pensions. The voluntary supplementary pension saving scheme consists of pension insurance provided by employers or trade union organisations and since 2005 other financial tax deductible products from other financial institutions.

A key challenge for the Slovak Republic is to raise its employment rates in general and of older workers in particular and to lower unemployment, which would both strengthen the contribution base and allow people to accrue additional pension rights. The new system design also establishes a strong link between personal contributions to the system and benefits that could lead to adequacy issues in the future for the lower income earners and people who have taken career breaks, notably women.

Health and long-term care: The health care system in Slovakia has been experiencing consistent problems since the 1990s, characterized by payment difficulties, poor quality of service delivery and a lack of social cohesion. The new government in 2002 looked for new solutions to stabilise the financial situation for health care, focusing on deregulation, decentralisation, increased competition and the mobilisation of private resources.

In October 2004 the government enacted six interconnected laws on: health insurance; health care insurance companies and the health care surveillance authority; health care providers; emergency services; health care services; and a basic treatment/benefit package, which took effect in January 2005. The Health Insurance Act defines (public) social health insurance and private health insurance. The compulsory social health insurance entitles each citizen to basic healthcare and related services to the extent specified in the Treatment Act. The actual provision of health care is entrusted to community health centres, hospitals, polyclinics, sanatoria and spas. The voluntary private health insurance schemes provide coverage for services not included in the compulsory package.

Long-term care provision is currently based on legislation for disabled persons and for a number of other risks (invalidity, old age, health care), and financed partly through contributions of employers, the self-employed and employees and partly through the state budget. The benefits are provided as a combination of benefits in kind and cash benefits. From the 2005 Statement on health care and long-term care it seems that the government is considering a new set of legislation for long-term care.

National Reform Programme: All relevant ministries under the leadership of the Office of the Government participated in the NRP process, together with social partners, academic representatives and members of the Parliament. Social inclusion has been recognised as one of the four target areas required for increasing employment, which is seen as the most efficient method to support economic growth under the development of an inclusive society. However, the programme does not address the integration of the Roma minority or the impact of reform of the social protection system on marginalized groups in a comprehensive manner. The future housing policy described in the NRP should support first-time occupation and social housing opportunities. However, there are concerns over its funding, since the resources of the State Housing Development Fund have seen recent cuts.

Challenges ahead:

- To increase the overall employment rate and of older workers in particular, to make work pay while promoting more and better jobs, to encourage inclusive labour market;
- To monitor the impact of the reforms on vulnerable groups, and to monitor and assess the implementation of programmes prepared for the Roma and to increase public awareness in relation to this minority;
- To continue to tackle the housing shortage and to combat homelessness;

- To ensure that sufficient resources for adequate pensions are available until the funded schemes have matured and to work out effective strategies to cope with transition costs;
- To successfully carry through the implementation of the new health care legislation, and follow up its medical, social and financial effects.

FINLAND

Situation and key trends: Finland expects to reach just 2% growth in total output in 2005 due to production stoppages in the forest industry. The forecast growth rate for 2006 amounts to 3% and thereafter less than 2.5% a year for a few years. Employment growth is set to slow down (employment rate 2004 67.6%), but the unemployment rate (8.8% in 2004) is projected to fall due to a decline in the labour supply. The employment rate among 55 to 64-year-olds was 50.9%, and has risen by 9 percentage points since 2000. Finland spent 26.9% of GDP on social protection in 2003, more than one third of which was pension expenditure (11.4% of GDP). The share of GDP spent on social expenditure has been slightly below the EU average since 1998 (ESSPROS data). Finland's relative poverty rate, at 11% in 2003, has nevertheless remained one of the lowest in the EU.

Life expectancy (in 2003, 75.1 and 81.8 years for males and females respectively) is high and above the EU average although healthy life expectancy (57.3 and 56.5 years for males and females respectively) lags behind. Total health expenditure as a percentage of GDP and per capita PPP\$ (7.3% and 1943 in 2002 – WHO-HFA database) is below the EU average. The expenditure dynamic has been in line with GDP growth in recent years.

Social inclusion: The starting point of Finland's 2003-5 NAP on inclusion was to preserve the basic structure of the social policy system. The groups threatened by social exclusion were to be catered for mainly by coverage of services and benefits for the entire population, and by emphasizing the primacy of work; but the need to supplement the universal system with measures targeted at risk groups was underlined as well. The plan set out policy objectives for employment, development of the service system, income support, education, and housing, together with complementary objectives for measures targeted at risk groups. The overall strategic approach has been adhered to and all the objectives have been pursued.

The most important measures started by Finland with a view to reducing social exclusion are the measures and reforms to facilitate participation in employment, the National Health Project and the National Development Project for Social Services, the development of pupil welfare and counseling, and the programs to reduce homelessness. Practically all the measures identified in the NAP on inclusion for 2003-5 have been or are being implemented. The Structural Funds, namely the ESF, have played a useful role in supporting the implementation of the NAP on inclusion, especially in the fields of employment, education and measures targeted at risk groups.

The Government's budget proposal for 2006 comprises a multifaceted package of measures, consistent with the previous strategy, to improve the situation of the most vulnerable.

Pensions: In 2005, Finland introduced a reform of the earnings related scheme which aimed at dissuading people from early retirement and at encouraging them to remain in the labour market. With this reform Finland has made significant progress in meeting the challenge of financial sustainability of its pension system, while ensuring adequate pensions and adjusting the system to changing social circumstances, in particular through mechanism to adjust pensions to increases in life expectancy. In the long run, the last reforms will entail raising the age of retirement by about two or three years between now and 2050.

Finland has developed a strategy of accumulation of surpluses both in the private and public sector (in total, the assets of social security pension schemes accounted for 59% of GDP in 2004). However, it is expected that a further increase in the contribution rate will be needed in the statutory scheme for the private sector.

Health and long-term care: Additional resources (including staff) will improve access and address regional variations in provision. Time guarantees for non-emergency treatment (access by phone, first visit to the GP, treatment, referral to hospital) aim at reducing waiting times and regional differences. Emphasis is placed on providing access to quality long-term care. Policy in the area aims at helping people continuing living at home, following a patient care plan, through the supply (namely via local authority collaboration) of home and close-to-home multidisciplinary care, allowances and vouchers for dependents, and financial aid and relief for carers.

Healthy ageing is central to the system's financial sustainability. It assumes a holistic approach with measures to be proposed in the different sectors affecting health and coordinated by the public health committee. For instance, regarding occupational health, employers are responsible for preventive care for their employees (including monitoring health hazards and organising medical check-ups). The use of indicators and data collection, technology assessment, an effective referral system and close integration of primary and hospital care also contribute to improve access, quality and financial sustainability.

National Reform Programme: Similarly to the NAP on inclusion, the NRP is based on the Government programme and the State budget and it was prepared in co-operation with all the relevant ministries, social partners and civil society. The NRP refers to the 2005 NAP implementation report as one of the measures to ensure inclusive labour markets. The social dimension is incorporated under all the three strands (macro, micro, and employment). The NRP prepares Finland for population ageing by underlining the necessity of sustainable fiscal policy in order to be able to safeguard welfare services also in the future and reflects as a main ongoing measure the phasing-in of the pension reform, which nevertheless will need careful monitoring. It also calls for improvement in competitiveness and productivity, more participation in employment, renovating the municipal and social service structures, and reforming the system of government transfers and grants to local authorities.

Challenges ahead:

- With an ageing population, to increase the employment rate at both ends at the age bracket, as well as among the disadvantaged, to avoid eroding the financial base of the welfare system;
- To reduce the relatively high unemployment, a major part of which is structural by nature;
- To ensure that the recent pension reforms will effectively translate into further increases in the employment rate of older workers, thus contributing to adequacy and sustainability, notably by maintaining surpluses in general government finances and accumulation of pension reserves;
- To ensure access to quality long-term care, enhance care coordination and improve population health status (i.e. reduce the burden of disease) through effective health promotion and disease prevention.

SWEDEN

Situation and key trends: GDP growth improved in 2004 to 3.6%. Employment rates overall (72.1%), for women (70.5%) and older workers (69.1%) are high in an EU perspective. Despite a strong economic performance, employment growth is still negative and the total employment rate has shown a decreasing trend since 2001. Recently, there has been a worrying trend of increasing unemployment and long-term unemployment, especially for young persons. Sweden continues to have the highest gross spending on social protection in the EU, at 33.5% in relation to GDP in 2003 (ESSPROS data – but net expenditure is significantly lower, at around 30% in 2001 according to OECD estimates), of which 12.7% corresponds to pension expenditure. The trend of increased spending on sickness, disability and administrative costs seems to have reversed last year. The poverty risk is one of the lowest in the EU at 11% (2003), although groups such as immigrants, young people, older people and lone parents are exposed to higher risk. Life expectancy (77.9 years for males and 82.5 for females) and healthy life expectancy (62.5 years for males and 62.2 for females) are high and above EU average (2003). Total health expenditure, as a percentage of GDP (9.2%) and as per capita (2517 PPP\$), is also high and above the EU average.¹³ Furthermore, expenditure has increased more rapidly in recent years.

Social inclusion: The ‘primacy of work’ principle and a universal social security system continue to be the cornerstone of the Government's strategy to fight poverty and social exclusion. The two national targets for 2004 on employment (80% for 20 to 64-year-olds) and on social assistance dependency (to be halved compared to 1999) have not been reached, although for the latter there has been progress. The targets have been retained and should be reached as soon as possible. The Government estimates that the target to halve the number of sick leave days between 2002 and 2008 can be reached. There is a strong focus on policies aiming at promoting an inclusive labour market, an efficient social security system and the importance of education and training in preventing poverty and social inclusion. Measures emphasise tackling youth long-term unemployment, integrating immigrants, including combating discrimination, reducing the number of sick leave days and improving the situation of elderly people.

The Government also encourages the production of new housing units for rent and will ensure that young people in particular should have easy access. National plans to tackle the abuse of alcohol and drugs have been implemented. Increased resources have been allocated to support people in vulnerable situations, such as drug abusers, mentally disabled persons, homeless people, people under threat of honour-related violence and newly released prisoners. There is continued emphasis on mainstreaming (gender, immigrants, children and young people), with the situation of disabled people as a new mainstreaming field.

Pensions: Sweden has managed to create a public pension system which is both adequate and financially stable, as long as people compensate for the significant projected decrease of replacement rates by leaving the labour market later. Sweden is also ensuring the financial sustainability of the pension system by expanding a reserve fund created at the beginning of the 1960s (amounting to almost 30% of GDP in 2005). Occupational pensions also make a notable contribution as they cover around 90% of employees and usually provide an extra income amounting to approximately 10-15% of a person's final wages/salary.

The Swedish pension system provides very comprehensive information to individuals by, for instance, sending out annual statements of pension capital accumulated so far and a projection of future pension entitlements. Although actuarial neutrality in the system and possibilities for flexible retirement would keep people from retiring early, some channels of early exit from

¹³ 2002 data, WHO-HFA database.

the labour market are tending to develop, in particular through sick leave and disability benefit.

Health and long-term care: The confidence of citizens in the public health care is to be reinforced by improving existing health care and care for the elderly, and by investing in new technology. Monitoring and evaluation of health care and care of the elderly is to play a key role, and continued financial support will be given to strengthen primary care. The health care sector is also to be adapted to an ageing population by measures to increase the status and quality of the caring professions.

This work has started and is in progress, but it must be pursued on a broad front and with a long-term perspective. It is possible that work on shortening queues and waiting times for health care is strategically the most important measure to be able to retain confidence in publicly run and funded health care. Achieving this requires not only internal work to improve efficiency in the health care organisation, but also much more developed cooperation between the different political and administrative levels responsible and between different care providers.

National Reform Programme: Many of the measures in the NRP have a strong social focus and are in line with social inclusion and social protection priorities. Many initiatives are related to social welfare and education policies, in particular a reinforced active labour market policy to tackle increased unemployment, and specific challenges as regards social inclusion (such as improving the situation of various groups at risk of exclusion, including immigrants) and social protection (such as reducing flows into sick leave and its duration) have received a lot of attention in the programme. The NRP was prepared in co-operation with all relevant ministries, and social partners and civil society were given the opportunity to contribute in the preparatory phase.

Challenges ahead:

- To maintain a high level of welfare services through a further increase in labour force participation, given the high dependency ratio, while keeping a balance between incentives and solidarity in welfare systems;
- To continue efforts to make the labour market inclusive, in particular to ensure better and quicker integration of immigrants into the labour market;
- To continue to address early exit from the labour market through sick leave and disability pensions and to monitor the outcome of current pension reforms;
- Demographic developments will require not only a much more streamlined organisation of care services and cooperation between different care providers, but also significant reorganisation of the political and administrative levels responsible.

UNITED KINGDOM

Situation and key trends: Recent UK GDP growth has been relatively strong and labour market outturns favourable. However, GDP growth has now slowed from 3.2% in 2004 to probably just around 1.6% in 2005. Strong economic performance over recent years has been combined with record levels of high employment (71.6% in 2004) and low unemployment (4.7% in 2004); the UK exceeds all quantitative Lisbon employment targets. Notwithstanding this positive overall climate, the proportion of the UK population at risk of poverty remains higher than the EU average (18% as against 15% in 2003). Relatively high inequalities persist such as those in income and wealth (Gini co-efficient of 34 in 2003), and in some cases such as health may be widening. Economic inactivity remains relatively high at 24.8% and concentrations of unemployment, inactivity and poverty persist among particular groups (lone parents, old people, those with few or no qualifications; ethnic minority groups; and residents of deprived neighbourhoods) but tailored measures have had some success in helping eg. lone parents and ethnic minorities. Life expectancy (76.2. and 80.7 years for males and females in 2003) is above the EU average with healthy life expectancy (61.5 and 60.9 for males and females in 2003) around average. There are significant variations between and within regions. Expenditure on social protection was 26.7% of GDP in 2003 (ESSPROS data), and whilst still below the EU average (28%), a trend of significant increased investment has continued in recent years. Total health expenditure as a percentage of GDP and as per capita PPP\$ (respectively 7.7% and 2160 in 2002, WHO-HFA database) was below EU average but growing as a share of GDP.

Social inclusion: The UK adopts a multifaceted approach to combating poverty and social exclusion founded on a principle of 'work for those who can and support for those who cannot'. Work is seen as the primary route out of poverty and to strengthen social cohesion and many of the UK's initiatives find their foundation in activation measures, facilitating access to the labour market, and providing financial incentives to work. Substantial additional resources are being made available to key initiatives and to the reorientation of public services, particularly social protection, health and education. Progress is reported against a majority of the wide range of established targets, including the key aim of eradicating child poverty and an aspiration declared to raise the employment rate to 80%¹⁴. Nonetheless, some concerns remain regarding the quality and sustainability of work and the risk of in-work poverty, and personal debt is at record high levels. Recent years have seen the introduction of additional measures to 'make work pay', in order to guarantee a minimum income for working households and encourage people to move into work (eg. National Minimum Wage and Working Tax Credit). Unemployment is at record low levels; the focus for significant further increases in employment is now those without work but not registered unemployed, such as the high number of people out of work for reasons of ill-health. The pilot scheme 'Pathways to Work' is showing encouraging early results and will be rolled-out. The scheme combines employment advice, health support and financial incentives to take up work. A number of initiatives and benefits have been introduced to deliver the key commitment to eradicating child poverty. Progress has been made, but initial momentum seems to be slowing and more will need to be done by the UK to achieve its own ambitious target of eradicating child poverty by 2020. The European Social Fund in the UK contributes significantly to combating poverty and social exclusion; particularly via focused delivery models such as Global Grants.

Pensions: Through recent reforms of the State Second Pension and 'Pension Credit', the UK has made progress in addressing the adequacy of pensions. Pensioner poverty rates have been declining in recent years and are expected to decline further once the full effect of Pension Credit appears. The UK Pensions system is also characterised for many workers by significant

¹⁴ This aspiration is based on the national measure, which is different from the one used by Eurostat

contributions from occupational and personal pension schemes, and it is possible to contract out of the State Second Pension (but not the out of the Basic State Pension) into such schemes. Subsequently, the adequacy, as well as the sustainability of pensions depends to a larger extent than in other countries on the coverage and performance of private pensions.

In this respect, at least three issues arise concerning future adequacy. The first is the impact of the shift to DC pension plans on the level of contributions to occupational pension schemes, the second is how to ensure that people enhance the rate of the Basic State Pension through increases in other sources of retirement income, and thirdly, how to continue to improve incentives to work later and save adequately.

The UK Government appointed a Pensions Commission in 2002 in order to keep under review the adequacy of private pension saving and in particular to assess whether there is a need to “move beyond a voluntary approach”. In its recently published second report, the Pensions Commission made a number of proposals, such as an increase in the state pension age, a return to earnings indexation for the Basic State Pension, and the setting up of a low-cost and centrally-organised National Pension Savings Scheme into which workers would be auto-enrolled (with the right to opt-out). The UK government has now opened a new stage in the national pensions debate with the intention of presenting a White Paper containing its proposals for pension reform in Spring 2006.

Health and long term care: Healthcare is delivered through the mainly tax-funded National Health Service (NHS), which provides care services free of charge at the point of delivery, with universal coverage based on residency in the UK. The responsibility for healthcare is devolved to England, Scotland, Northern Ireland and Wales, their health departments together agreeing with the UK Treasury the budget allocations to the NHS for three to four years. Funding and decision-making are increasingly devolved to the local community level.

Waiting times have for a long time been a major issue in UK health service provision, and there have been substantial increases in public healthcare investment and expenditure in recent years to enable the NHS to modernise and expand its care capacity. Waiting times continue to give cause for concern for some types of treatments and in some geographic areas, although in some key specialties, such as cardiovascular treatment, waiting times have reduced considerably. The UK government is committed to investing further. However, some other countries have achieved high-quality and efficient health care with sustainable (lower than) average total health expenditure as a share of GDP. It would seem important to look both at necessary investment and at continuous efficiency improving measures, including the incentives for various health care actors.

National Reform Programme: Whilst the UK NRP does not specifically refer to the OMC on Social Inclusion, Pensions and Health, it is clear that the strategic approach put forward by the UK in the NRP is consistent. The UK stresses the importance of extending the opportunity of work to all and of providing specific assistance to people facing particular disadvantage in the labour market. The recent Pensions Commission report is likely to set the scene for more integrated provision and necessary reforms.

Challenges ahead:

- To continue efforts to reduce persistent inequalities such as those in income, health, skills and 'life chances';

- To tackle levels of economic inactivity by engaging those people traditionally hardest to reach via a holistic and tailored approach;
- To continue to address the pensions adequacy gap, in particular for those with more modest incomes;
- To continue improvements in health care service quality and capacity (addressing shortages of qualified medical staff and reducing waiting times) without increasing public health expenditure (investment) above the average as a share of GDP for EU/OECD countries.

Technical Annex

Commission staff working paper

SEC(2006) 523

INTRODUCTION

This Technical Annex underpins the Joint Report on Social Protection and Social Inclusion with more detailed analysis of specific aspects pertaining to social protection and social inclusion. It was drafted under the full responsibility of the relevant Commission departments. It complements other inputs to the Joint Report that have been produced recently under the open method of coordination in the areas of social protection and social inclusion, namely the 2006 Report on the Implementation of the 2003-2005 NAPs/Inclusion (and update of the 2004-2006 NAPs/Inclusion)¹⁵ and the Synthesis Report on Adequate and Sustainable Pensions.¹⁶

The first chapter analyses the situation and trends of social inclusion in the 25 Member States, on the basis of recently issued results for the commonly agreed indicators of poverty and social exclusion. The second chapter analyses social protection expenditure and receipts in the 25 EU Member States, mainly on the basis of data drawn from the ESSPROS database compiled by Eurostat. The analysis provides an overview of both the scale of expenditure on social protection and its evolution over recent years, highlighting differences across Member States and distinguishing between the various social protection functions involved and types of benefits. The means of financing expenditure and developments in sources of funding are also described. In addition, the analysis focuses on the relationship between poverty risk and social protection, by examining the extent to which social transfers reduce the poverty risk in the various Member States on the basis of available microdata. Finally, the last chapter of this Technical Annex analyses indicators of financial incentives to work and the effect of tax and benefit systems on incentives to work and household incomes from a social inclusion perspective. It highlights some of the difficulties that policy makers are faced with when reforming tax and benefit systems in order to balance the two goals of increasing labour supply incentives and at the same time alleviating poverty.

¹⁵ Commission Staff Working Paper SEC(2006)410.

¹⁶ Commission Staff Working Paper SEC(2006)304 of 27 February 2006.

CHAPTER I - POVERTY AND SOCIAL INCLUSION IN THE EU: A MULTI-DIMENSIONAL ANALYSIS BASED ON THE COMMONLY AGREED INDICATORS FOR THE EU

1. Introduction

Poverty and social exclusion take complex and multi-dimensional forms. They relate to income and living standards, access to good quality health services, educational and work opportunities. This chapter aims at giving a snapshot of the poverty and social inclusion situation in the European Union from this multidimensional perspective, based on the set of indicators agreed at EU level to monitor progress in this area.

A description of these indicators, together with background information on their adoption process, the methodological notes on how they are constructed and the statistical sources used, is included in Box 1.1 and in Annex I. The latter also contains tables showing the results of the indicators on the basis of common EU sources. Unfortunately, changes in methodology and data sources, as described in Box 1.1 and in Annex I, do not allow analysis of recent trends for most of the indicators discussed in this chapter.

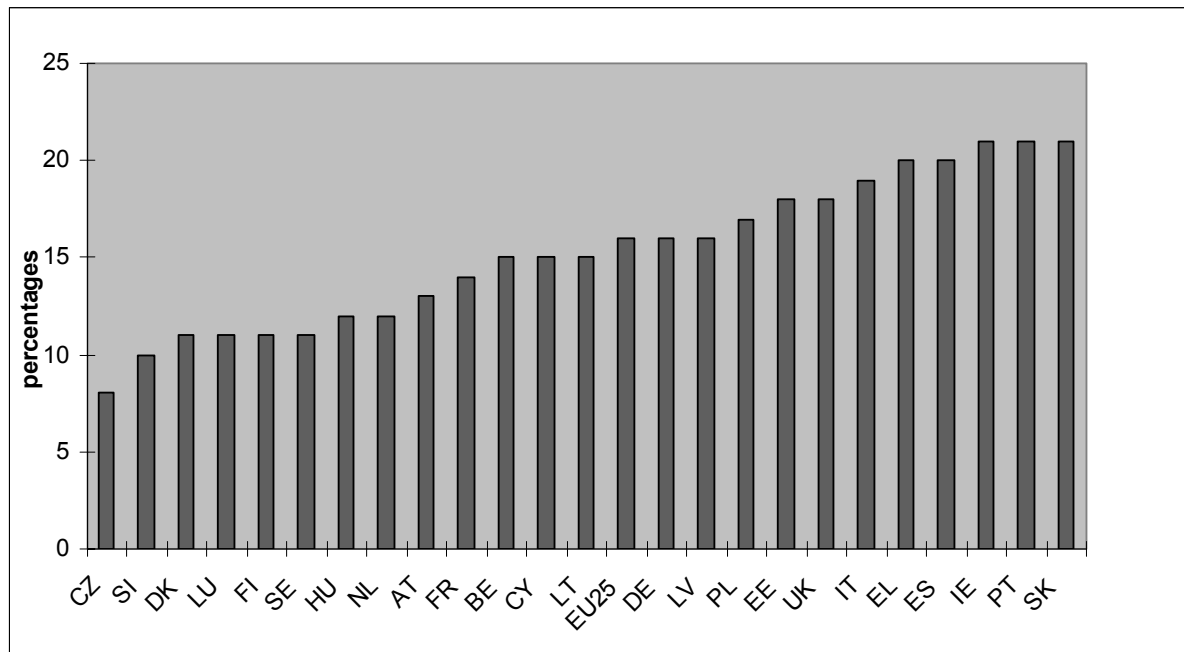
This analysis will first look at the income dimension of poverty, which resonates well with what is commonly referred to as "poverty". Being at risk of poverty is a relative concept, it refers to the capacity of the individual to fully participate in the society in which she or he lives and the income measures of poverty are related to some extent to the overall income distribution at national level.

The analysis will continue by looking at what has been identified as the best safeguard against social exclusion – employment. A job not only provides the individual with a source of income and better living conditions, it also facilitates social participation and allows people to fully realise their potential. But if employment significantly reduces the poverty risk for the individual, it is not always a sufficient condition to lift people out of poverty, and the chapter will also look at the issue of in-work poverty

Similarly, education and health are both of value in themselves and an investment to improve living conditions over the life course. The analysis of the skill and health dimensions of poverty and social inclusion will be dealt with in the last part of the chapter.

1.1. The income dimension of poverty and social exclusion

Figure 1.1: At-risk-of-poverty rate by country – 2003 - percentages



Notes: provisional data for NL and SK. Data for MT not available.

Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

According to the agreed definition at EU level, individuals are considered to be at risk of poverty if they live in households where the household income is below 60% of the national equivalised median income. In 2003, the average **at-risk-of-poverty rate** in the EU¹⁷ was 16% while national figures ranged from 8% in the Czech Republic (2002 data) and 10% in Slovenia to 21% in Ireland, Portugal and Slovakia¹⁸

In most countries, the at-risk-of-poverty rate (for the population aged 16 or more) was higher for women, the difference reaching 5 percentage points in Germany and in Ireland, while at EU level the gender gap was 3 percentage points. Only in Poland and Slovakia was the at-risk-of-poverty rate marginally greater for men. However, when looking at the gender

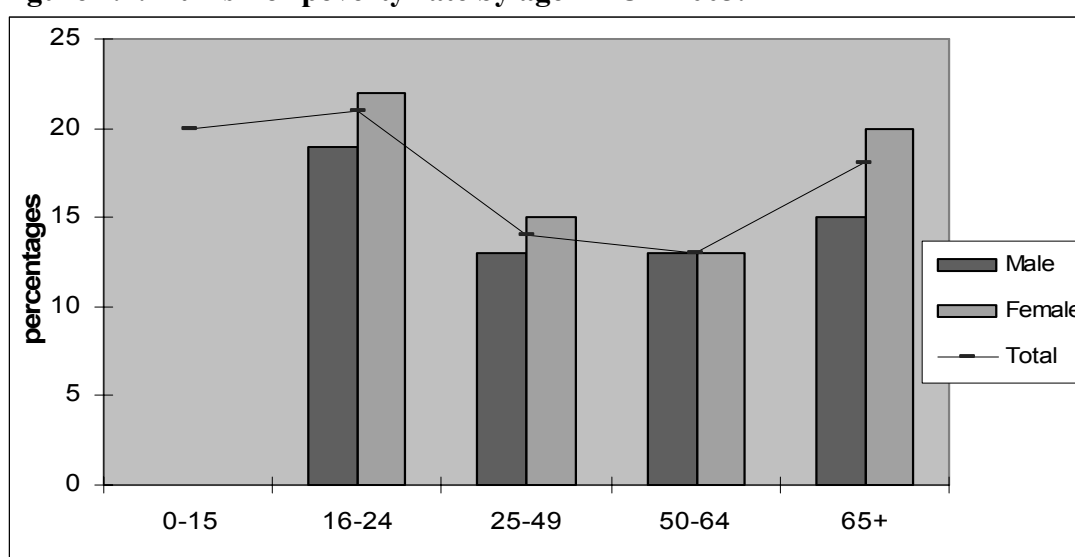
¹⁷ Unless otherwise indicated, "EU" refers to the "EU25", even for data covering the pre-enlargement period.

¹⁸ These figures are based on a definition of income that does not include imputed rent and mortgage interest payments. The imputed rent refers to the value that would be imputed to all households that do not report paying full rent, either because they are owner-occupiers or they live in accommodation rented at a lower price than the market price, or because the accommodation is provided rent-free. For instance, the full income definition of private house owners would include an estimate of the rent that the owner would have had to pay for his accommodation on the private market, minus the value of mortgage interest payments. When taking into account this more comprehensive definition of income, the at-risk-of poverty rate can change significantly for some categories of the population, notably those, like the elderly, that count a greater proportion of house owners. Although certain countries, such as DK, are already able to supply income including imputed rent, for reasons of comparability, the income definition underlying the calculation of indicators currently excludes imputed rent. In the statistical tables in the annex, data for DK is shown without and with imputed rent. Differences are particularly important for people aged 65 or more, the inactive other than pensioners and those living in owner occupied accommodation for which the at-risk-of-poverty rate is reduced once imputed rent is taken into account.

dimension, it is important to interpret figures with caution since they assume equal distribution of resources within the household, which might not necessarily be the case.

The younger segment of the population is the one with the highest at-risk-of-poverty rate, at 20% for children aged 0-15, and 21% for the 16-24 age groups. Young adults are therefore the group with one of the highest risk of poverty as support from their parental household diminishes and integration into the labour market is still at its early stage. After this peak, the at-risk-of-poverty rate decreases with age as individuals progress in the labour market, before it rises again after people retire and cannot rely anymore on income from work. The risk of poverty for the population group aged 65 and more is particularly severe in Ireland and Cyprus, where it reaches respectively 40% and 52% of the population in that age group (see Table 7a in the Annex).

Figure 1.2: At-risk-of-poverty rate by age – EU – 2003.



Source: Eurostat, see Box 1.1 and Annex I for more detail.

Box 1.1: Methodological note on the data sources of income-related indicators of social exclusion and poverty used in this report

The Report on Indicators in the field of poverty and social exclusion that was endorsed by the Laeken European Council in December 2001 set out an initial portfolio of 18 common indicators to underpin the Open Method of Coordination in the area of social inclusion. Since then, the Indicators Sub-Group has continued to work on refining and consolidating the original list of indicators. It highlighted the need to give children a special focus and, for this purpose, to have a standard breakdown by age of all the Laeken indicators, where relevant (and conditional upon statistical reliability) and it redefined the indicator of the share of the population living in jobless households. A new indicator of in-work poverty was developed, together with a new breakdown of the at-risk-of-poverty indicator according to the work intensity of the household. Finally, a new indicator of low reading literacy performance of 15-year old pupils was added.

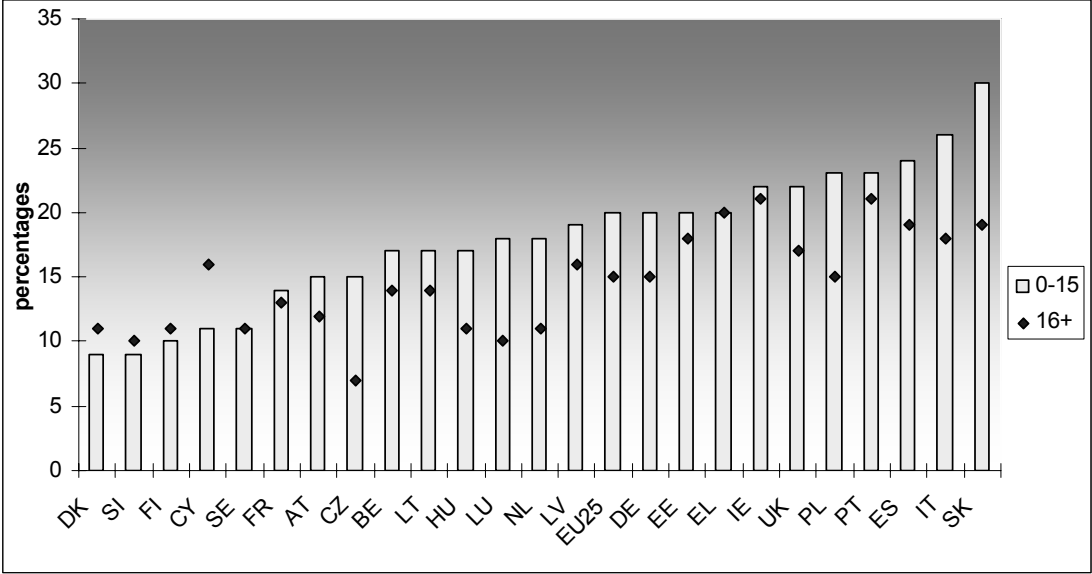
In order to maximise cross-country comparability of the EU commonly agreed indicators, the Laeken European Council also agreed upon common definitions as well as common data sources for their calculation.

While labour market indicators were and still are to be calculated on the basis of the European Labour Force Survey (EU-LFS), income-based indicators were specified to be calculated on the basis of the European Community Household Panel survey (ECHP). This pioneering survey was developed in collaboration with Member States and was implemented on a 'gentleman's agreement' basis with effect from 1994. The survey was discontinued in 2001. The reference source of statistics on income and social exclusion is now data collected under the European Survey on Income and Living Conditions (EU-SILC) framework regulation (No 1177/2003). Technical aspects of this instrument are laid down in Commission implementing regulations, which are published in the Official Journal. Improving timeliness is one of the core objectives of the new tool. The recommendations of the UN 'Canberra Manual' on income measurement (2001) have been followed as closely as possible.

The EU-SILC project was launched in 2003 in six member states (Belgium, Denmark, Greece, Ireland, Luxembourg and Austria). With effect from the 2005 exercise there will be complete coverage of the EU and some neighbouring countries. Validated cross-sectional microdata covering all EU countries are thus expected to be available in late 2006. During the transition to EU-SILC, Eurostat is coordinating data collection on the basis of national sources, harmonised as far as possible with the EU-SILC methodology. Whilst every effort is made to maximise consistency of definitions and concepts, the indicators cannot be considered to be fully comparable, due to differences in underlying data sources. For additional information, see the Eurostat working paper KS-CC-05-006-EN-N "Continuity of indicators during the transition between ECHP and EU-SILC". Unless otherwise specified, the income-related data used in this report are those collected by Eurostat following the common methodological framework as explained above and released on the Eurostat free dissemination database. The reference year for the data is the income year, which in most cases differs from the survey year in which the data were collected. For example, 2003 data refer to the income situation of the population in 2003, even if the information was collected in 2004. EU aggregates are computed as population-weighted averages of available national values.

Income poverty among children is a matter of serious concern, as it is generally recognised that it can affect their development and future opportunities. This is why the EU has set itself the objective of moving towards the elimination of social exclusion among children and giving them every opportunity for social integration. Children experience levels of income poverty that are higher than those for adults, except in Cyprus, Finland, Slovenia and Denmark, where the at-risk-of-poverty rate for children reaches its lowest level at 9% in the latter two Member States. At the other end of the scale, Italy and Slovakia have the highest incidence of poverty risk for children at 26% and 30% respectively.

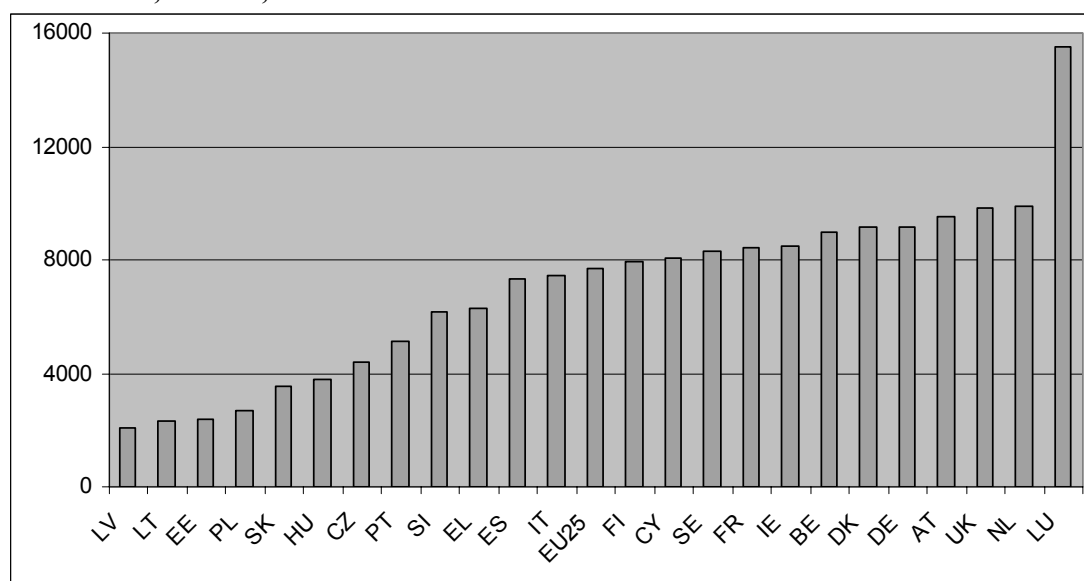
Figure 1.3: At-risk-of-poverty rate for children (aged 0-15) and for the population aged 16 and over – 2003 – percentages.



Notes: provisional data for NL and SK. Data for MT not available.
 Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

The comparative analysis of the national thresholds helps to illustrate the relative dimension of the poverty measure that is being used. This comparison is important to an understanding of the different level of economic well-being across countries, whereby, for example, individuals with similar real incomes are classified as being at risk of poverty in one Member States but would not be in another. The following graph presents the illustrative values of the **at-risk-of-poverty thresholds** for a single adult household, expressed in purchasing power parities. Member States with the lowest at-risk-of-poverty threshold include all new Eastern European Member States and Portugal. At the other end of the distribution, the highest at-risk-of-poverty threshold is that of Luxembourg, where it is more than seven times higher than in Latvia.

Figure 1.4: Illustrative value of the at-risk-of-poverty threshold for a single adult households, in PPS, 2003.



Notes: provisional data for NL and SK. Data for MT not available.

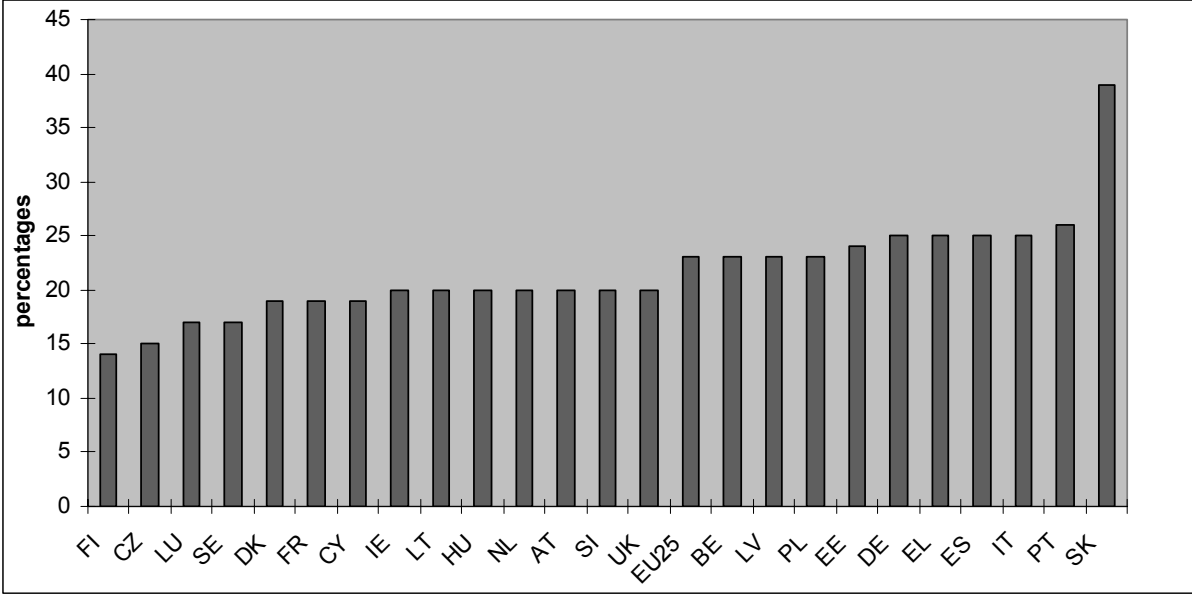
Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

The at-risk-of-poverty indicators illustrated so far measure the proportion of individuals below a certain threshold. These headcount figures give an indication neither of "how poor are the poor", nor of the proportion of national income that is absorbed by those at the bottom of the income distribution relative to better-off groups.

Information on the intensity of poverty can be obtained from the **relative median at-risk-of-poverty gap indicator**, defined as the difference between the median equivalised income of people below the at-risk-of-poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of-poverty threshold. In other words, this indicator measures how far below the threshold the income of people at risk of poverty is. In 2003 the median at-risk-of-poverty gap for the EU was 23%, and it was one percentage point higher for men than for women.

Member States with low headcount measures of poverty, such as Finland, the Czech Republic, Luxembourg, Sweden and Denmark, tend to have the lowest intensity of poverty as well. On the other hand, countries with a high at-risk-of-poverty headcount, such as Slovakia, Portugal, Spain, Greece and Italy, tend to have a relatively higher median at-risk-of-poverty gap as well. This is particularly high in Slovakia, where it reaches 39% of the at-risk-of-poverty threshold. A clear exception is Ireland, which, despite having (together with Portugal and Slovakia) the highest at-risk-of-poverty rate in the EU, also has a median gap below the EU average and equal to 20% of the threshold.

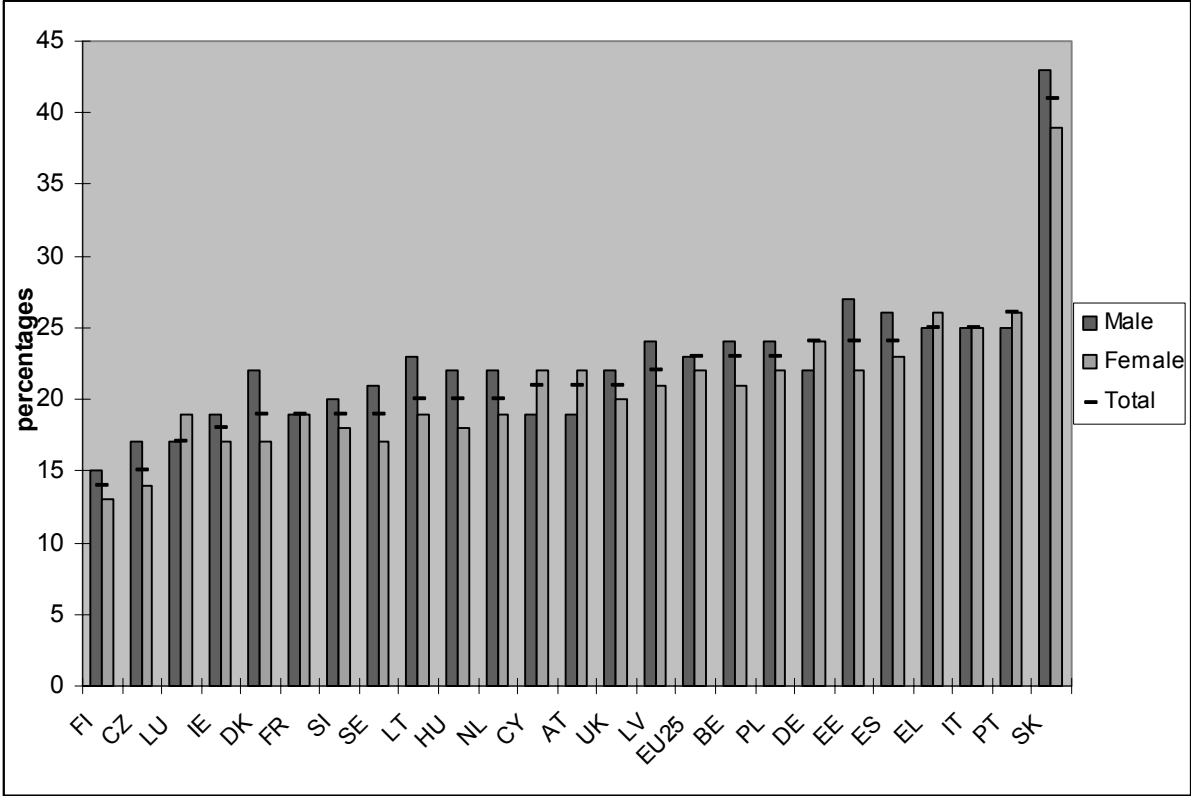
Figure 1.5: Relative median at-risk-of-poverty gap – total population – 2003 - percentages



Notes: provisional data for NL and SK. Data for MT not available.
 Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

In relation to the gender dimension for the population aged 16 or more, it is interesting to note that, although the incidence of the risk of poverty, i.e. the at-risk-of-poverty rate, is higher for women than for men, the opposite is true, at least in the majority of Member States, for the intensity of poverty, the median at-risk-of-poverty gap. In other words, although women are more likely to be at risk of poverty, for people that are in that situation, the shortfall in income with respect to the median is greater for men. The difference between the median gap for men and women aged 16 or more reaches 5 percentage points in Denmark and Estonia.

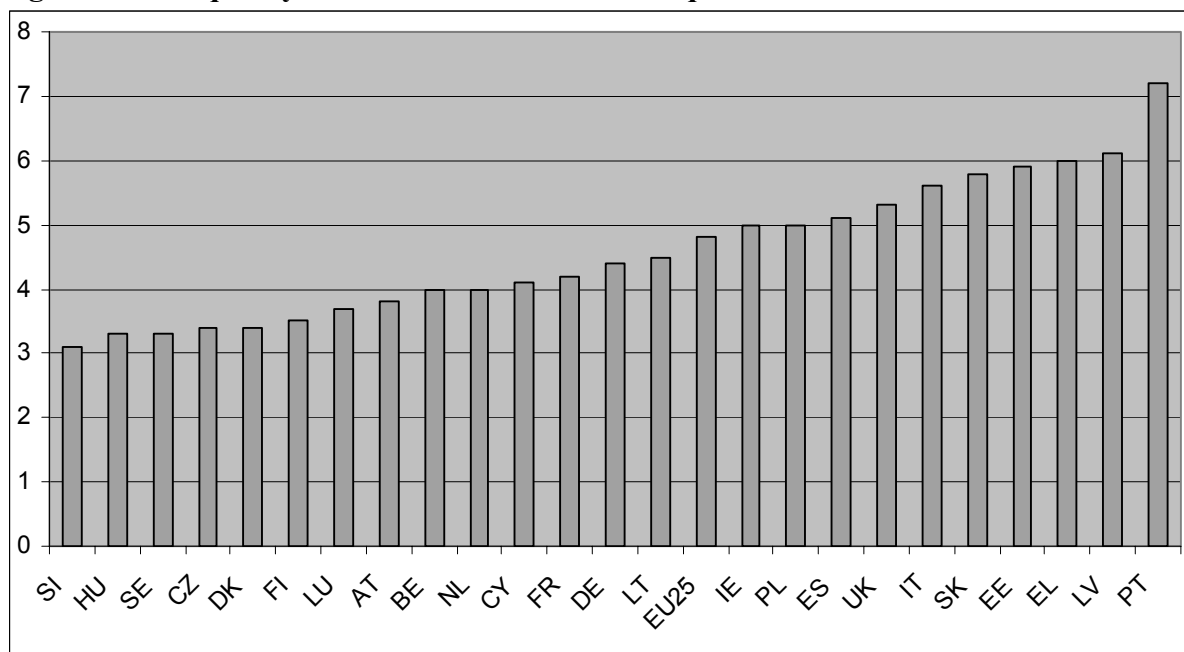
Figure 1.6: Relative median at-risk-of-poverty gap by gender – population aged 16 or more - 2003 – percentages.



Notes: provisional data for NL and SK. Data for MT not available.
 Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

The relative position of those at the bottom of the income distribution with respect to those at the top, as an indication of inequalities within Member States and of the cohesiveness of their societies, can be measured by the **income quintile ratio**. The value for this indicator was 4.8 for the EU in 2003, which means that the ratio of total income received by the 20% of the EU population with the highest income (top quintile) was nearly 5 times that received by the 20% of the EU population with the lowest income (lowest quintile). Member States with the lowest income inequality include Slovenia, Hungary and Sweden, which are also among the countries with the lowest at-risk-of-poverty rate. Member States with the highest disparities between those at the top and those at the bottom of the income distribution are Portugal (with a ratio of more than 7 to 1), followed by Latvia and Greece.

Figure 1.7: Inequality of income: S80/S20 income quintile share ratio – 2003.



Notes: provisional data for NL and SK. Data for MT not available.

Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

To summarise, the commonly agreed indicators for poverty and social exclusion look at the income dimension from three different angles:

- The at-risk-of-poverty **headcount** or the relative size of the population at risk of poverty, as measured by the at-risk-of-poverty rate,
- The **intensity** of poverty ("how poor are the poor") as measured by the relative median poverty risk gap,
- Overall income **inequality**, as measured by the income quintile ratio.

The following table classifies Member States according to the aforementioned indicators of income poverty, where the distinction between high, medium and low is made with reference to the EU average. Member States with higher than average income inequality are highlighted in bold. As can be seen, most Member States fall in the diagonal of the table with headcount and intensity both classified as low, medium or high. The only exceptions are the following ones. **Ireland** and the **United Kingdom** are countries with a high at-risk-of-poverty headcount and high inequality, but relatively low poverty intensity. **Germany** has a medium at-risk-of poverty headcount, high at-risk-of poverty intensity and overall low income inequality. **Estonia** has a high headcount and inequality, but medium at-risk-of-poverty intensity. All Member States with high at-risk-of-poverty headcount also have high inequality, together with Latvia and Poland in the medium headcount category.

Table 1.1: At-risk-of-poverty headcount, median poverty gap and income inequality - 2003

		At-risk-of-poverty headcount		
		Low	Medium	High
At-risk-of-poverty intensity	Low	CZ, SI, DK, LU, FI, SE, HU, NL, AT, FR	CY, LT	UK, IE
	Medium		BE, LV, PL	EE
	High		DE	IT, EL, ES, PT, SK

Notes: Member States are classified as having a medium at-risk-of-poverty headcount (or rate) and at-risk-of-poverty intensity (or gap) if the corresponding figure is respectively within +/- 1 point from the EU average. Member States marked in bold have higher-than-average income inequality.

1.2. The labour market dimension of poverty and social exclusion

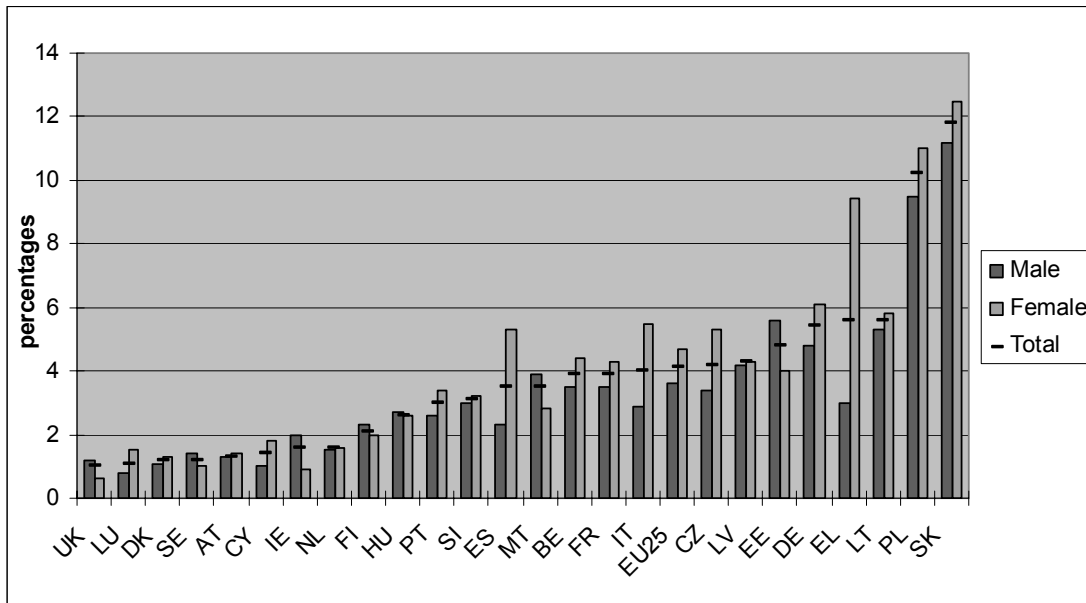
1.2.1. The individual perspective

Joblessness is not only one of the main causes of poor living standards but is also in itself a central dimension of social exclusion, since a job is a key determinant of people's ability to fully participate in society, build a social network and realise their potential. Among all the different types of joblessness, long-term unemployment is certainly one which is clearly associated with social distress. The term covers people who have been searching for a job, but who have been unable to find one, for a long period of time. Long-term unemployment¹⁹ represents an important loss of income for the individuals concerned, who also tend to lose their skills and the self-esteem necessary to regain a foothold in the labour market, unless appropriate and timely support is provided.

In 2004, **long-term unemployment** affected 4.1% of the active population, on average more women than men, at 4.7% and 3.1% respectively. The differences between Member States are considerable. Long-term unemployment rates are below 1.5% in Cyprus, Austria, Sweden, Denmark, Luxembourg and the United Kingdom, where only 1% of the active population is affected, but exceed 5% in Germany, Greece and Lithuania and 10% in Poland and Slovakia. The gender gap is particularly important in Italy, Spain and Greece where the long-term unemployment rates for women are respectively 2.6, 3 and 6.4 percentage points higher than for men. In only seven Member States - the United Kingdom, Sweden, Ireland, Finland, Hungary, Malta and Estonia - are long-term unemployment rates higher for men than for women.

¹⁹ Long-term unemployment is defined as the total long-term (over 12 months) unemployed population (ILO definition) as a proportion of the total active population aged 15 years or more.

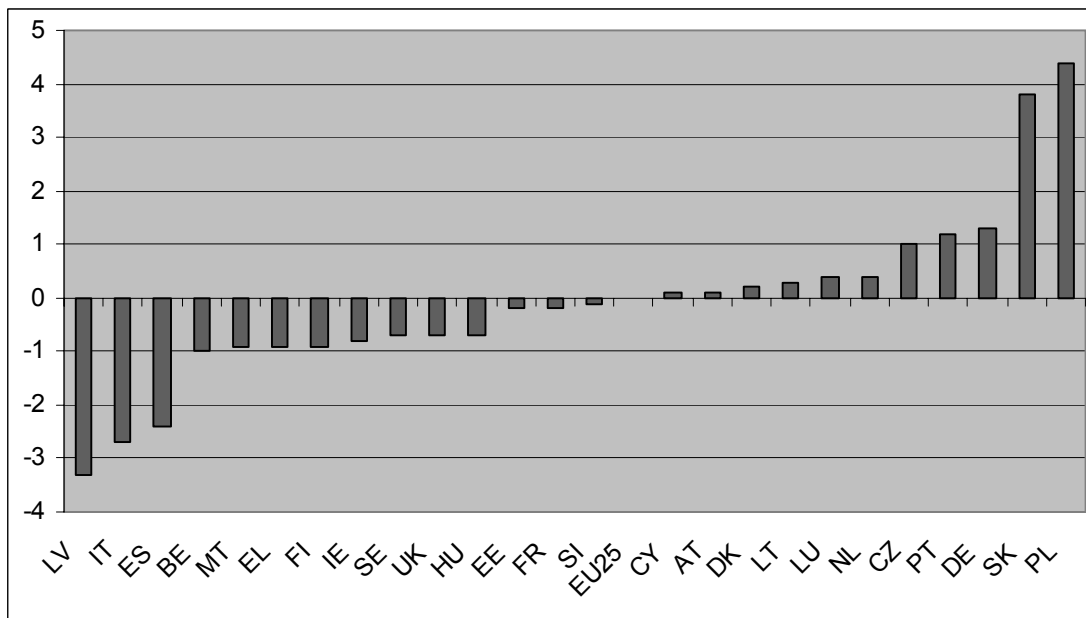
Figure 1.8: Long-term unemployment rate by country and gender – 2004.



Source: Eurostat, Labour Force Survey, annual averages, based on 1990 census.

Long-term unemployment has remained broadly unchanged in the five year period between 1999 and 2004 for the EU as a whole. Member States where the long-term unemployment rate decreased by more than 2 percentage points are Spain, Italy, and Latvia, while it increased by 3.8 percentage points in Slovakia and 4.4 in Poland.

Figure 1.9: Long-term unemployment rates by country – percentage point changes between 1999 and 2004.



Notes: for MT and CY percentage point changes between 2000 and 2004.

Source: Eurostat, Labour Force Survey, annual averages, based on 1990 census.

1.2.2. The household perspective

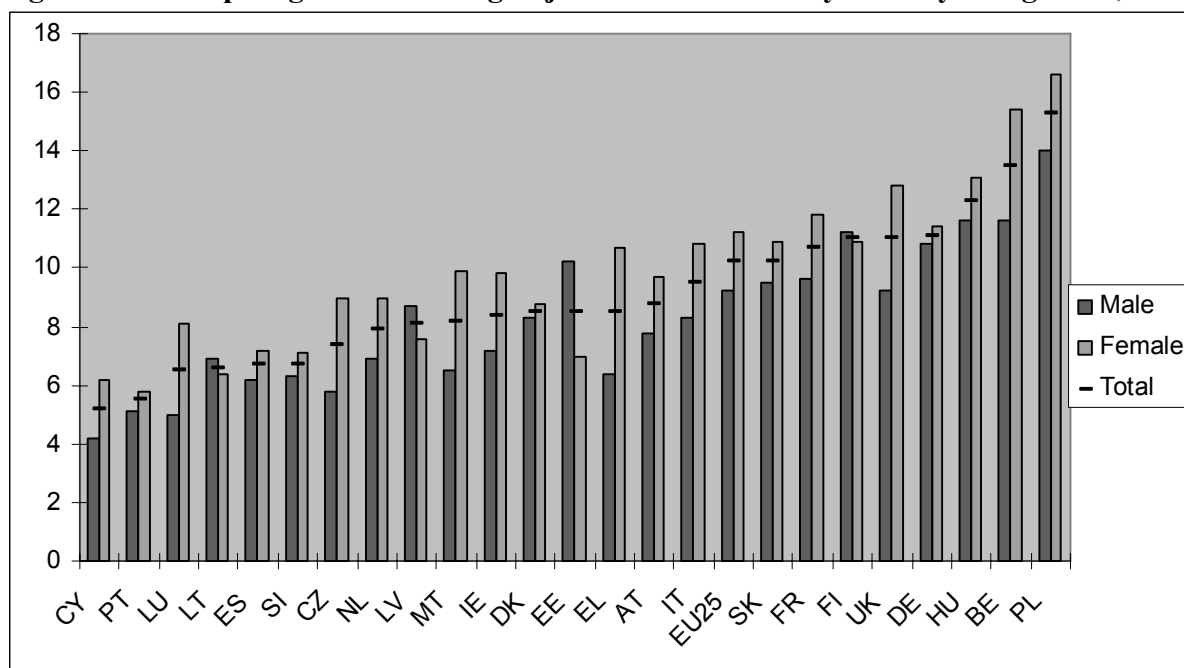
The term "at risk of poverty" refers to those individuals whose *household* income is below a certain threshold, since economic well-being depends on the sum of all the resources contributed by all members of the household. Therefore, joblessness is even more problematic when it concerns not only one individual, but all the members of his or her household.

Furthermore, the potentially negative impact of living in a **jobless household** goes beyond the lack of work income, as it extends to the lack of contact with the labour market.

In the EU, the percentage of people aged 18-59 and living in households where no one works was 10.2% in 2005. This proportion ranged from just over 5% in Cyprus and Portugal, to 13.5% in Belgium and 15.3% in Poland. It is interesting to note that even Member States with relatively high employment rates, such as Finland, Germany and the United Kingdom, also have above-the-average rates of people living in jobless households, pointing to a greater polarisation between "job-poor" and "job-rich" households in these countries.

In the EU, the proportion of women living in jobless households at 11.2% is two percentage points higher than for men, and this gap is more than 3 percentage points in Luxembourg, the Czech Republic, Malta, the United Kingdom, Belgium and Greece, where it reaches 4.3 percentage points.

Figure 1.10: People aged 18-59 living in jobless households by country and gender, 2005.

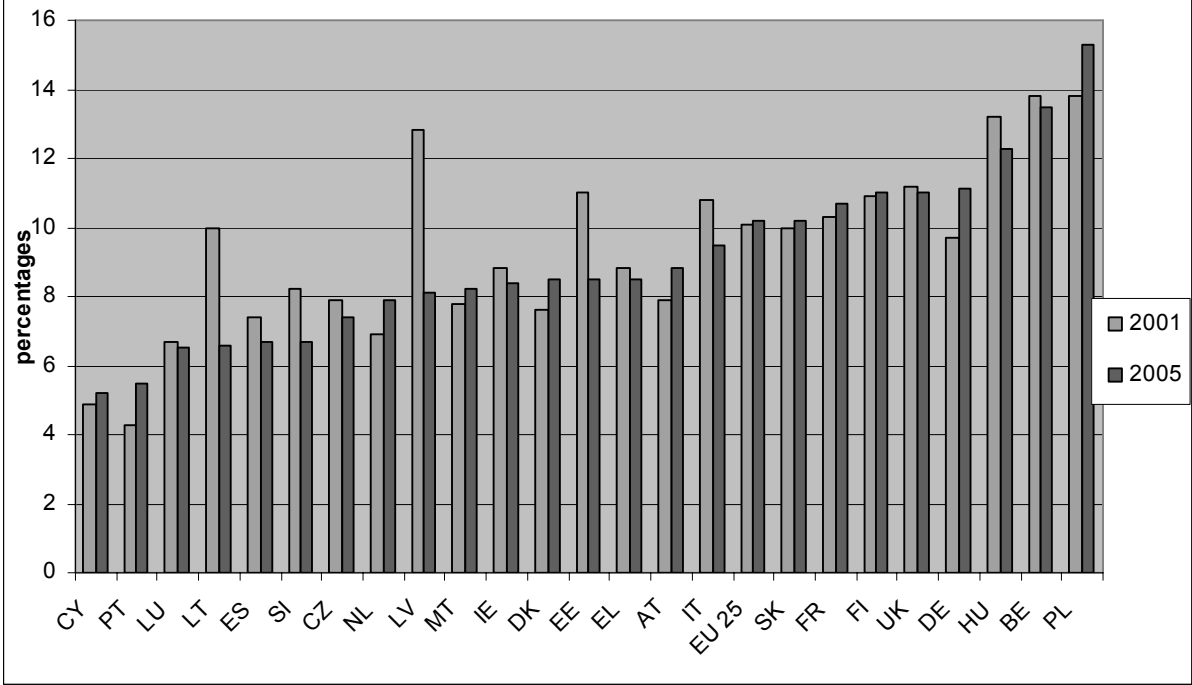


Notes: Students aged 18-24 who live in households composed solely of students of the same age class are not counted in either numerator or denominator. Data for SE not available. Provisional data for DK, DE, LU and FI. Source: Eurostat, Labour Force Survey - Spring results (except DK and FI: annual average)

Between 2001 and 2005, the proportion of prime-age adults living in jobless households has remained essentially unchanged in the EU. Only in the Baltic States there has been a marked

decrease in the proportion of people living in jobless households equal to more than 2.5 percentage points, while in Poland the figure increased by 1.5 percentage points.

Figure 1.11: People living in jobless households, 18-59 year old, 2001 and 2005.

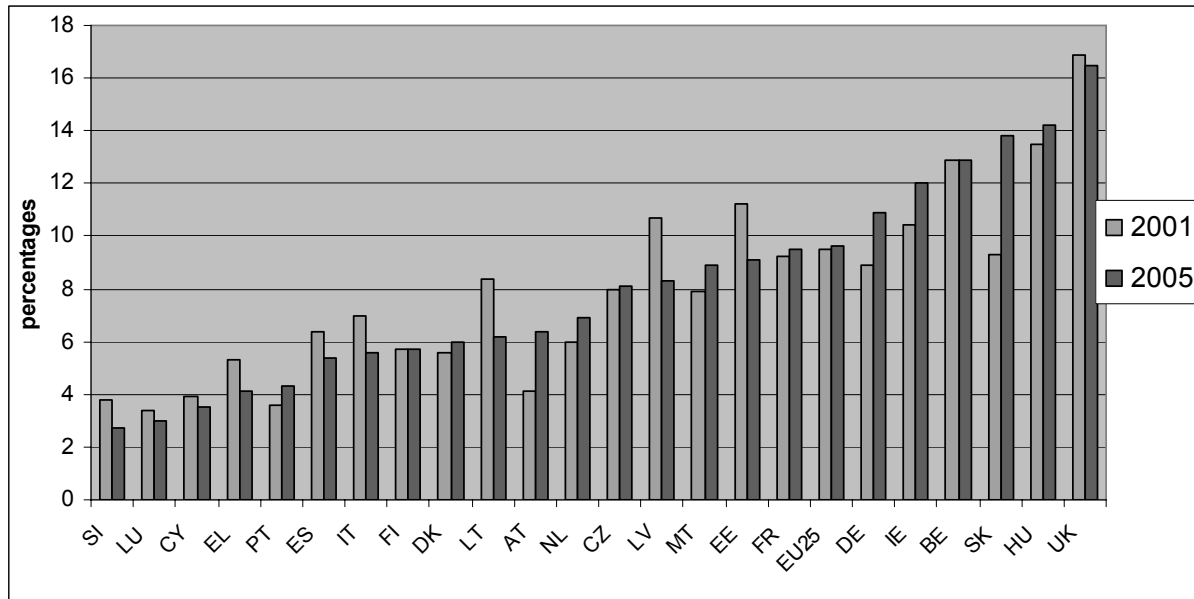


Notes: Students aged 18-24 who live in households composed solely of students of the same age class are not counted in either numerator or denominator. Data for SE not available. Provisional data for DK, DE, LU and FI. Source: Eurostat, Labour Force Survey - Spring results (except DK and FI: annual average). First figure refers to 2002 data for DK and 2003 for FI.

Children are a particularly vulnerable group with a risk-of-poverty rate higher than for any other age group. Particular concerns are raised when children are growing up in a jobless household, as the absence of a working adult as a role model could be a factor affecting the educational and future labour market achievement of children. In 2005, the proportion of **children living in jobless households** was slightly higher than that of prime-age adults (9.6%), but variations across Member States are more marked, ranging from 2.7% in Slovenia to 16.5% in the UK.

In the past five years, the proportion of children living in jobless households has not changed in the EU, but has decreased by over 2 percentage points in the Baltic States and increased by the same amount in Austria and Germany and 4.5 percentage points in Slovakia. In all other Member States it has remained constant or changed by only 1 percentage point.

Figure 1.12: Children living in jobless households, 2001 and 2005.



Notes: Data for the EU estimated; 2005 provisional data for DK, DE, LU and FI; first column refers to 2002 data for DK and LT; 2003 data for FI; PL and SE not available.

Source: Eurostat, Labour Force Survey - Spring results (except DK and FI: annual average).

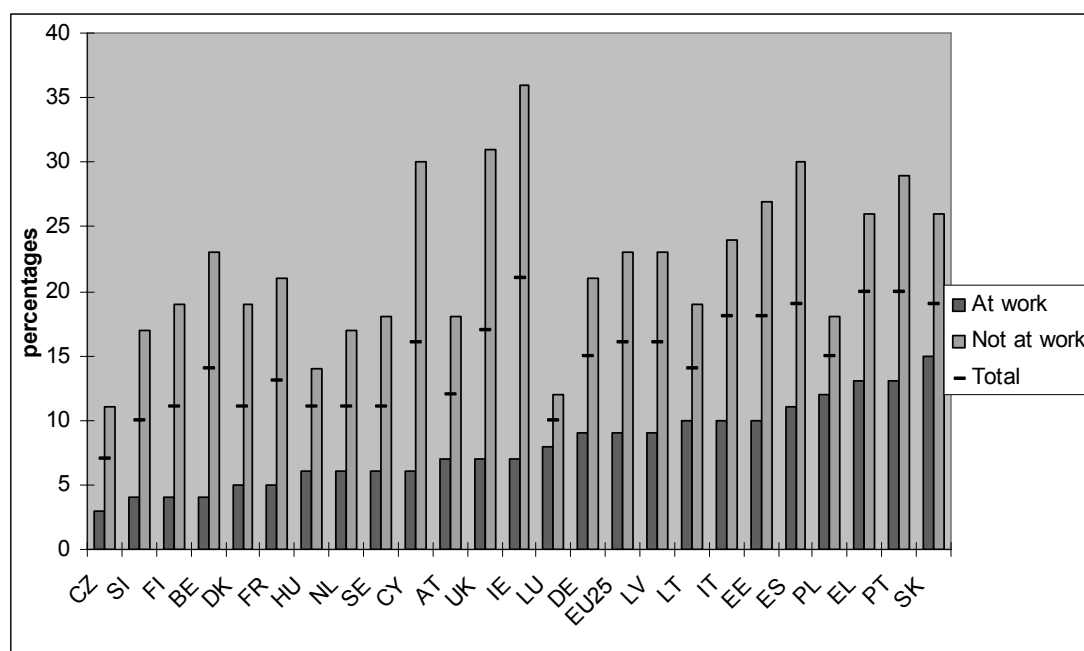
1.2.3. Income and employment

Joblessness is a key determinant of income poverty and that is why the 2000 Lisbon Council identified employment as the best safeguard against social exclusion. In the EU as a whole, the incidence of poverty risk is nearly 2.5 times greater for those who are not in work than for those in work. Policies aimed at facilitating and promoting labour market participation and employment are therefore particularly effective to combat poverty and social exclusion. Country differences are particularly marked, and the at-risk-of-poverty rate for those not working is particularly high (above 30%) in Cyprus, Spain, the United Kingdom and Ireland, where it stands at 36%.

Within the non working population, the poverty risk is particularly high for the unemployed, followed by the inactives (who are not retired) and then by the pensioners. In the EU as a whole the figures for the at-risk-of-poverty rates for the three groups just mentioned are 42%, 26% and 16% respectively (see table 7a in the annex for detailed figures by gender and by Member State).

However, the at-risk-of-poverty rate is still relatively high even for those in work. In the EU it stands at 9%, ranging from 3% in the Czech Republic and 4% in Slovenia, Belgium and Finland to 13% in Greece and Portugal and 15% in Slovakia. Furthermore, the proportion of those working within the income-poor population aged 16 or more is a significant 27%. Therefore, in order to achieve the objective stated by the Barcelona European Council of significantly reducing the number of people at risk of poverty and social exclusion by 2010, the problem of in-work poverty has to be addressed.

Figure 1.13: At-risk-of-poverty rate by labour force status – individuals aged 16 and over - 2003.



Notes: provisional data for NL and SK. Data for MT not available.

Source: Eurostat, see Box 1.1 and Annex I for more detail. 2003 survey data (referring to 2002 income year) for CZ.

The link between being at risk of poverty and the employment status of individuals highlights the necessary policy mix to fight against social exclusion. "Employment is the best safeguard against social exclusion"²⁰. But in-work poverty is a reality that affects a large number of people in the European Union. It is linked to low pay, low skills, precarious and often part-time employment²¹, but also to the characteristics of the household in which the individual lives, in terms of the number of dependants and the work intensity of the household.

Quality employment is essential to lift individuals out of poverty and "in order to promote [it] it is necessary to develop employability, in particular through policies to promote the acquisition of skills and life-long learning". It is also necessary to put in place sound macroeconomic policies to facilitate employment creation and a stable economic climate conducive to higher investment in human capital on the part of employers.

For those who cannot work, an adequate safety net is an essential element to combat poverty and social exclusion since almost a quarter of those not in work are at risk of poverty. That is why "social protection systems also play a key role. In this context, the national social assistance and minimum income schemes are important instruments in social protection policy"²².

²⁰ Quotes in this paragraph and in the following one are taken from Council of the European Union, 2002, "Fight against poverty and social exclusion: common objectives for the second round of National Action Plans", SOC 508.

²¹ See Bardone L. and A. Guio, 2005, "In-work poverty", *Statistics in Focus 2/2005*, Eurostat.

²² See also Chapters 2 and 3 on this topic.

As already pointed out, poverty risks are associated not only with the employment situation of individuals but also with the household type in which they live and with the economic status of those with whom they share the household. This relationship is presented in the table below that illustrates poverty risk in connection with the work intensity of the household. Households are classified by their composition (presence of dependent children or not) as well as by their work intensity (WI). WI = 0 corresponds to jobless households; WI = 1 to full-year work for all working age adults in the households; $0 < WI < 1$ corresponds to either less than full-year work for some or all members of the household or only some of the adults in the households being at work.

Table 1.2: Incidence and distribution of the poverty risk of household members by the work intensity of their households, EU-15, 2003 income year (percentages)

	EU15	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE
A. Incidence															
Households with no dependent children															
WI = 0	32	30	21	37	29	48	26	62	27	13	28	20	32	25	18
$0 < WI < 1$	12	7	7	13	14	15	10	10	12	9	6	10	15	9	14
WI = 1	5	3	5	6	10	7	3	5	4	6	4	6	9	5	5
Households with dependent children															
WI = 0	68	70	40	78	52	68	71	80	66	27	64	39	58	42	42
$0 < WI < 0.5$	44	28	7	45	46	57	40	35	51	28	45	44	41	29	26
$0.5 \leq WI < 1$	18	14	9	13	22	26	13	16	24	17	19	13	27	9	10
WI = 1	7	4	5	8	11	11	5	4	6	7	6	6	10	3	6
B. Distribution of the total reference population															
Households with no dependent children															
WI = 0	:	11	9	:	8	7	9	6	11	7	10	8	6	8	5
$0 < WI < 1$:	15	11	:	23	20	12	15	19	12	10	18	18	17	13
WI = 1	:	15	23	:	13	13	16	12	14	17	23	18	13	19	22
Households with dependent children															
WI = 0	:	6	3	:	2	3	4	7	4	2	4	2	2	2	3
$0 < WI < 0.5$:	4	1	:	3	5	4	4	7	4	1	4	4	3	3
$0.5 \leq WI < 1$:	20	13	:	27	33	21	31	26	31	15	25	24	22	15
WI = 1	:	30	40	:	25	20	34	26	21	28	36	26	33	29	39
C. Distribution of the poor reference population															
Households with no dependent children															
WI = 0	:	24	24	:	13	14	19	21	15	7	22	14	11	23	10
$0 < WI < 1$:	7	10	:	17	13	10	8	12	10	4	16	15	16	19
WI = 1	:	3	14	:	7	4	4	3	3	8	8	10	6	9	10
Households with dependent children															
WI = 0	:	30	14	:	7	8	21	28	14	5	22	6	7	11	12
$0 < WI < 0.5$:	9	1	:	9	14	11	7	17	10	3	14	9	10	7
$0.5 \leq WI < 1$:	20	15	:	33	38	22	26	33	44	23	28	35	20	16
WI = 1	:	8	23	:	15	10	14	6	7	17	18	13	18	10	26

Notes: provisional data for NL.

Source: Eurostat, see Box 1 and Statistical Annex for more detail.

The incidence of poverty risk is broadly similar for households with or without children when all working age members of the household are in full-time work. This fact points to the importance of adequate and affordable childcare facilities for households with children in order to increase the labour market attachment of the adult members and reduce their poverty-risk (see chapter III).

However, the combination of care responsibilities *and* exclusion from the labour market for all household members²³ produces the highest risk of poverty, where as many as 68% of those

²³ Of course, not only the presence of children is important but also the household size.

living in jobless households with dependent children are at risk of poverty in the EU15. This percentage rises to just over 70% in Belgium and France, to 78% in Germany and 80% in Ireland.

Limited labour market attachment can also be insufficient to safeguard individuals from poverty, especially in the case of households with dependent children. Households with a work intensity of less than 0.5 *and* dependent children have a particularly high incidence of poverty risk in Italy (51%) and Spain (57%).

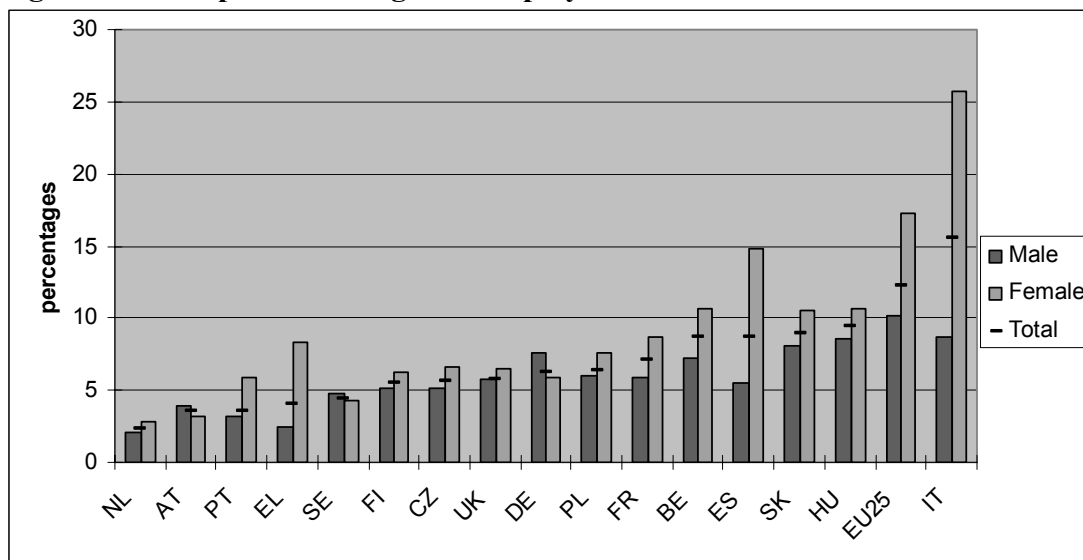
1.2.4. Regional cohesion and labour market outcomes

All the indicators that have been examined so far are calculated at national level. Yet territorial differences matter not only across but also within countries. A clear understanding of the nature and situation of poverty and social exclusion at sub-national level is important for the design and implementation of effective policies to combat them. Unfortunately, however, considerations of statistical reliability hinder the breakdown by region of most of the EU commonly agreed indicators.

A proxy measure of social cohesion across regions is represented by the dispersion (coefficient of variation) of employment rates at NUTS2 level. **Regional cohesion** is lowest in Italy, with a coefficient of variation which is seven times greater than the best performing country. Although regional cohesion tends to be greater in smaller countries, such as the Netherlands, Austria and Portugal, as might be expected, the correlation between regional cohesion and country size is not a perfect one; some of the bigger Member States, such as the UK and Germany, perform relatively better than some smaller countries. The gender gap is particularly marked in southern countries, including Greece, Spain and Italy, where it is 17 percentage points.

Since 1999, regional cohesion has increased slightly in the EU as a whole, with more consistent and substantial progress in Spain. Between 2003 and 2004 regional cohesion worsened in a number of Member States, including Belgium, Greece, Hungary, Austria and Slovakia, with a significant improvement only in Italy and Poland.

Figure 1.14: Dispersion of regional employment rates – 2004.



Notes: the dispersion of regional employment rates is measured by the Coefficient of variation of employment rates (of the age group 15-64) across regions (NUTS 2 level) within countries. Data for DK, IE, EE, CY, LV, LT, LU, MT and SL not applicable. EU average includes all countries.

Source: Eurostat - Labour Force Survey, Annual averages.

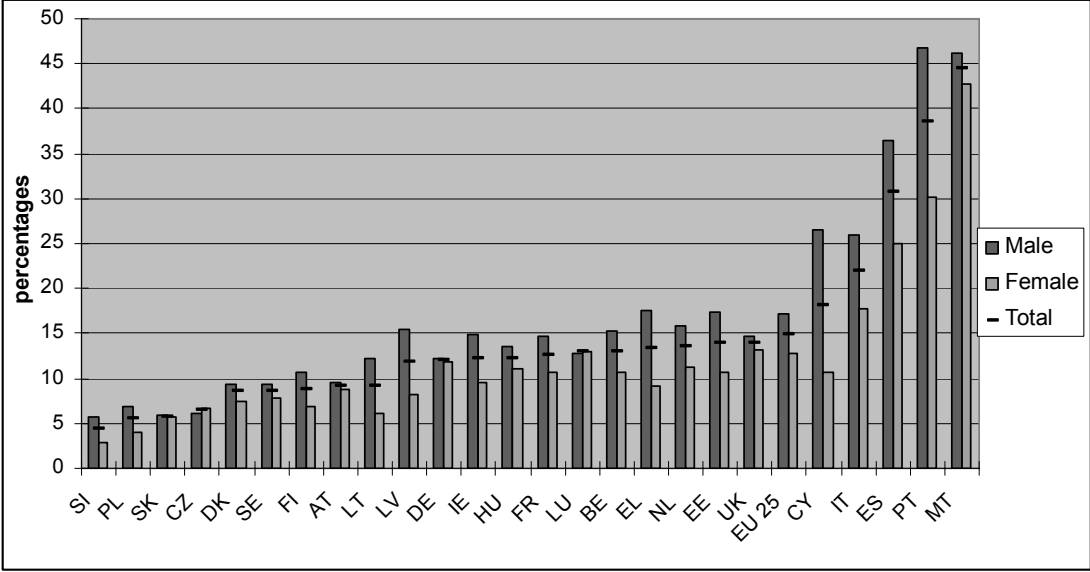
1.3. The skills and health dimensions

The lack of basic competencies and qualifications is a major barrier to inclusion in society. This is even more the case in an increasingly knowledge-based society and economy. There is thus a growing danger of new cleavages in society being created between those who have access to lifelong learning to enhance their employability and adaptability and to facilitate their personal development and active citizenship, and those who remain excluded.

Those without adequate skills are more likely to spend long periods out of work and if they do work they are more likely to be in low paid-jobs. Young people have to face the important challenge of entering the labour market and finding a quality job, but without appropriate skills or the opportunity to acquire them it is increasingly difficult to compete for the available jobs in today's labour market. Better educated people are also more likely to benefit from training opportunities over their life course and this is why a solid skill base is necessary for young cohorts.

However, in the EU almost 15% of young people aged 18-24 have at most lower secondary education and are not in further education or training (this group will be referred to as 'early school leavers'). This percentage reaches 31% in Spain, 39% in Portugal and almost 45% in Malta. On the other hand, countries with the lowest proportion of early school leavers include Slovakia, Poland and Slovenia, where the figures are below 6%. In all Member States, the percentage of early school leavers is higher for young men, except in Germany, the Czech Republic and Luxembourg where they are broadly similar.

Figure 1.15: Early school leavers (% of the total population aged 18-24 who have at most lower secondary education and are not in further education or training) – 2005.



Notes: data for SI and gender breakdown for EE and LV lack reliability due to low sample size; provisional data for IE, LU, MT, FI, SE and UK. In CY, the reference population (denominator) excludes students abroad. In DE (2004), participation to personnel interest courses is excluded.

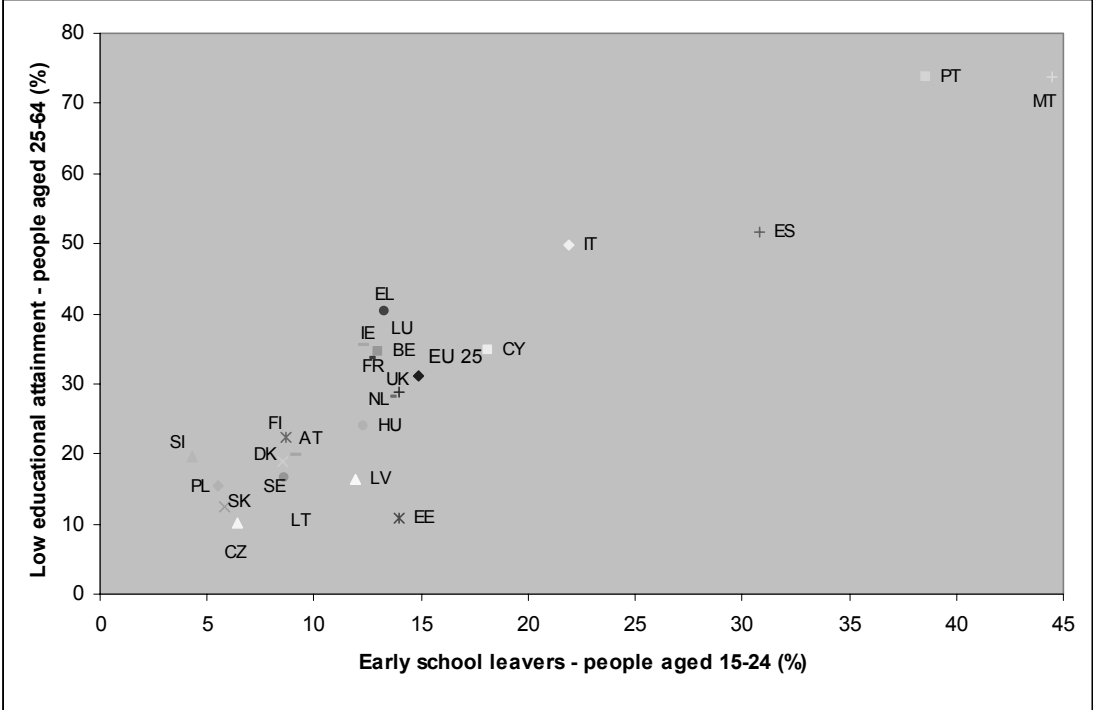
Source: Eurostat, Labour Force Survey - Quarter 2 results (except FI Q1); 2004 data for DE.

The "early school leavers" indicator focuses on the young segment of the population. A similar indicator measures the proportion of individuals aged 25 or more whose highest level of education or training corresponds to at most lower secondary education. The detailed table with the age breakdown can be found in the Annex I. The value of this indicator increases with progressively older cohorts from 22% for those aged 25-34 to 66% for those aged 65 and over, pointing to improved educational attainment for younger cohorts.

The two indicators are highly correlated. Participation in education and training leading to a recognised qualification for those aged 25 and more – and in particular for the low-qualified in this age group – is still very limited. Therefore the skill-base of adults reflects very much the levels of qualification attained when the individuals were younger. Member States in which educational attainment is low both for young people and adults include Cyprus, Italy, Spain and especially Portugal and Malta.

A second group of countries has a higher than average score for low educational attainment among of adults, but also has a relatively low percentage of early school leavers. This will lead to future improvement of the skill base of adults as the younger and better educated cohort becomes older. This group of countries comprises France, Belgium, Ireland, Luxembourg and Greece. The remaining Member States have a relatively low percentage of both early school leavers and adults with low educational attainment.

Figure 1.16: Low educational attainment of individuals aged 25-65 and early school leavers aged 15-24 – 2005 – percentages



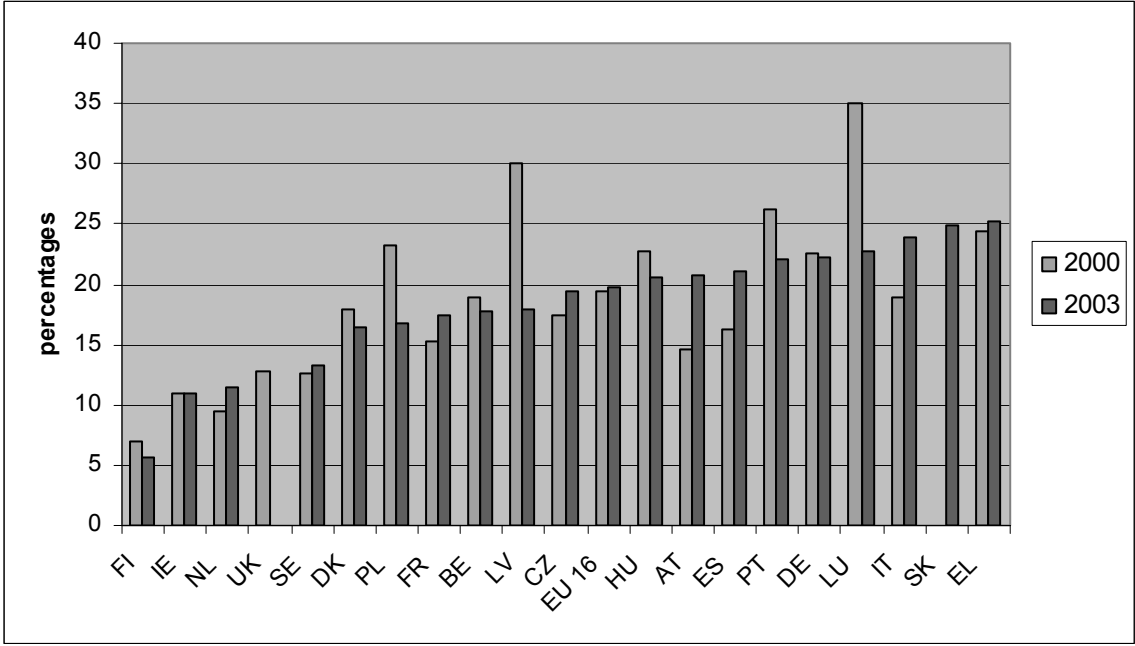
Notes: CY: students usually living in the country but studying abroad are not yet covered by the survey. DE, LU, FI 2005: 2004 data. IE, provisional.

Source: Eurostat, Labour Force Survey - Quarter 2 results (except FR: Q1 for the low educational attainment indicator and FI 2004 and 2005: Q1, AT 1999: Q1 for the early school leaving indicator)

The level of the education attained – used in the 'early school leavers' and 'low educational attainment' indicators – gives only a broad indication of the actual competences acquired. Much more detailed measures of the individual skills can be obtained from the Programme for International Student Assessment (PISA) conducted by the OECD every 3 years. In particular, one indicator has been adopted at the EU level: the share of 15-year-old pupils who are at level 1 or below of the PISA combined reading literacy score.

At the EU level, there was no improvement between 2000 and 2003, and the percentage of low achievers in reading performance remained just below 20%. Finland has the lowest proportion of low performers at 5.7% (less than one third of the EU average), while Greece has the highest proportion (25.2%). Countries which performed poorly in the first PISA round, namely Latvia, Portugal and Poland have improved in 2003. By contrast, Italy and Austria performed significantly worse than the 2000 result. The reasons for Italy are unclear, while in Austria this result has to do with a different weighting for vocational schools.

Figure 1.17: Share of 15-year-old pupils who are at level 1 or below of the PISA combined reading literacy scale



Source: OECD, PISA Survey

An indicator in the area of health that can be seen as expressing the health status as well as the general well being of nations is life expectancy (see Annex I). This is a complex indicator reflecting several dimensions including access to health services and wider socio-economic factors, and therefore it cannot be strictly considered as a specific health indicator²⁴. The EU typically has high life expectancy at birth. Concerning men, national figures are between around 66 years in Estonia and Latvia to over 78 in Sweden, with an EU average of just below 75. Life expectancy for women is around 6 years higher, ranging from just under 77 in Estonia and Hungary to 83.8 in France and Spain.

²⁴ Further indicators in the health domain are being developed, namely an indicator on access to healthcare services by socioeconomic status and other factors, based on the relevant variables in EU-SILC.

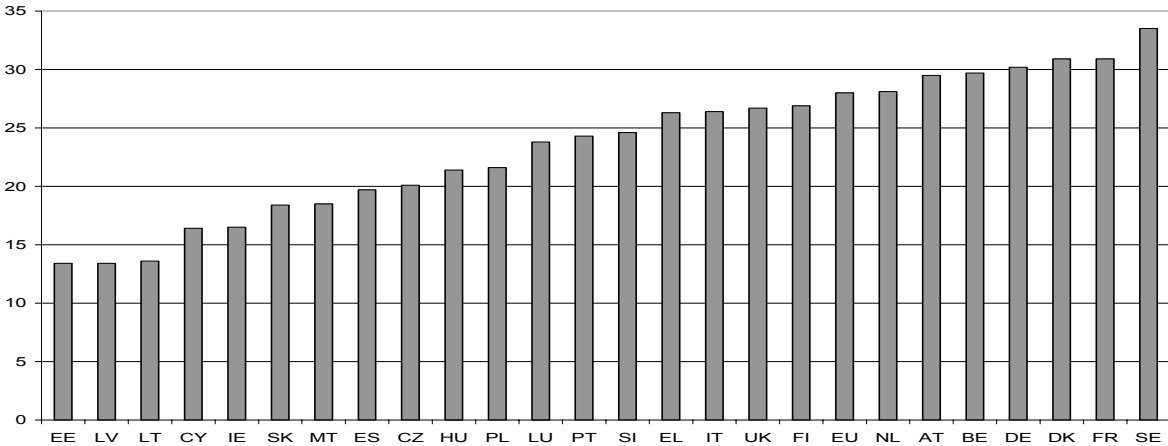
CHAPTER II: SOCIAL PROTECTION EXPENDITURE AND FINANCING IN THE EU

2. The scale of social protection expenditure

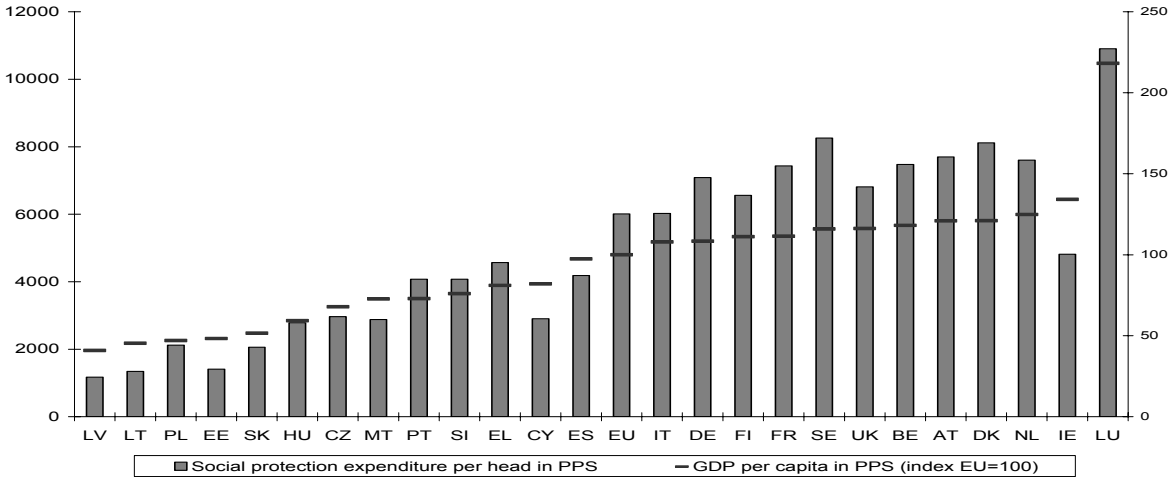
Average gross spending on social protection in the Union in 2003 represented 28% of GDP (Figure 2.1, Panel A), translating into a figure of average spending per head of population of around 6012 PPS (Figure 2.1, Panel B). Taking account of differences in price levels between countries, expenditure varied between around 1300 PPS units or less in Latvia, Estonia and Lithuania and over 10000 PPS units per capita in Luxembourg²⁵; in Denmark and Sweden, social protection expenditure is also high, above 8000 PPS units per head and 30% of GDP, with Germany and France joining the higher ranks in terms of the latter measure.

²⁵ The peculiar structural composition of the labour force in Luxembourg explains why its social protection expenditure per head greatly exceeds that of any other EU country. Cross-border workers represent a large share of the labour force (36% in 2001) and of benefit recipients in Luxembourg. They contribute to increase the nominator of the ratio but are not taken into account in the denominator, as only the resident population is considered.

Figure 2.1 The scale of social protection expenditure in 2003
Panel A. Social protection expenditure as a % of GDP



Panel B. Social protection expenditure (left axis) and GDP (right axis) per head in PPS^{1, 2}



1) Luxembourg has to be considered as an outlier given that cross-border workers constitute a large share of the country's labour force and benefit recipients but they are not counted in the denominator of the ratio as only the resident population is considered.
 2) Countries are ranked in ascending order by level of GDP per capita in PPS.
Source: Eurostat - ESSPROS and structural indicators databases. Data for Cyprus refer to 2002.

Besides the generosity of the social protection system (both in terms of levels and coverage), some of the factors that influence the level of social protection spending and developments thereof in the Member States are the demographic structure of the population, particularly in terms of age, the level of unemployment/non-employment, the role of private social services, the economic situation and technological developments (particularly in the area of health care). In general, there is a positive relationship between expenditure on social protection and the level of prosperity as measured by GDP per capita in each country. This is to be expected given the greater capacity of the more prosperous countries to finance social protection. The variation in social expenditure per head, however, is greater than that of GDP per head: when

excluding Luxembourg from the observation, the ratio between the lowest (Latvia) and the highest (Sweden) social protection spending per head was around seven to one in 2003, as compared with a gap of just above three to one in respect of GDP per capita. This suggests that the countries tend to spend proportionately more on social welfare as their resources increase.

Nevertheless, this tendency is not systematic. In Cyprus, Spain and especially Ireland, social protection expenditure per head was significantly lower than would have been expected given the level of GDP per head in these countries. In the case of Ireland, this has partly to do with measurement problems: on the one hand, private pensions and private provision for health care are only partly covered in the ESSPROS data; on the other hand, GNP would be a better measure than GDP to assess the scope of social protection expenditure for this country, since the former excludes profits earned by foreign-owned companies which are not wholly available to finance social protection spending. By contrast, in Germany, France and Sweden, as well as Poland, social protection expenditure per head was higher than would have been expected given their comparative levels of GDP per head. The observation of the structure of social protection expenditure, namely by function, allows a better understanding of why some countries spend more than others.

Box 2.1 - The European System of Social Protection Statistics

The data on social protection expenditure and receipts that are used in this analysis have been compiled by Eurostat in accordance with the methodology of the European System of Integrated Social Protection Statistics "ESSPROS Manual 1996". Social protection is defined as encompassing *"all interventions from public and private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved"*. As such, the field of observation of the ESSPROS goes beyond that of social security (i.e. social protection offered or imposed by government) to include benefits provided by private social protection schemes, in so far as they have similar effects to social security for the beneficiary. Social protection expenditure includes social benefits, classified by function (see Box 2.2), and administrative and other costs incurred by social protection schemes.

The ESSPROS is designed to provide comparable information on the scale of expenditure and receipts in the EU Member States together with developments over time. However, because of the marked differences in social protection systems across the Union and the difficulties of allowing for them, the data cannot be considered fully comparable between Member States. There are limits to data comparability as regards both the overall scale of social protection expenditure and its composition by function.

With regard to the overall scale of expenditure, two issues need to be highlighted. First, social benefits are recorded gross, without deduction of taxes or other compulsory levies payable on benefit income; furthermore, fiscal advantages granted to households as part of social protection are excluded. As is shown in this analysis, the contribution of the tax system to social protection varies considerably across countries. Second, the borderline between social protection and other areas of social policy or services is not always clear-cut and is established differently across Member States according to the various national contexts: so for example there are variations in the borderline between social protection and education, in the case of childcare services, and in the distinction between social protection and private expenditure in the case of private health care expenditure.

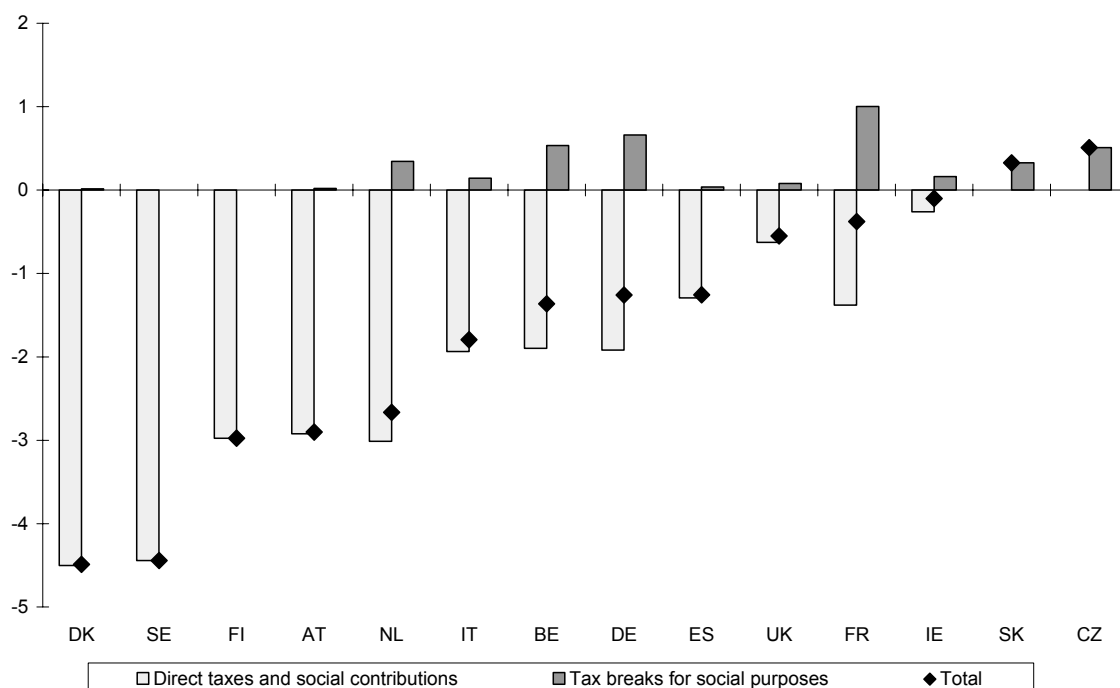
As for the division of spending between functions, and their comparability across countries, there are a number of difficulties. Specifically, in most Member States old age, survivors' and disability benefits are part of a coherent group set up as one system. ESSPROS rules classify these benefits under their respective functions, but the strong interdependence between them may make it difficult for some countries to implement the rules.

The ESSPROS system has so far been compiled on the basis of a 'gentleman's agreement' by the EU Member States and EFTA countries. A draft Framework Regulation (COM(2006)0011), providing the methodological framework for compiling statistics on social protection on a comparable basis and setting time limits for their transmission by the Member States, has now been proposed by the Commission for adoption by the Council and the Parliament. The Framework Regulation will be implemented through Commission Regulations. This will give the European Statistical System the opportunity to revise the ESSPROS methodology either where it has proved too difficult to implement or in order to reflect new developments in social protection.

Comparisons of gross social protection expenditure across countries, as well as analysis of trends over time, can be misleading if account is not taken of the contribution of the tax system. *Net* social protection expenditure, after direct taxes are accounted for, provides a clearer indication of the proportion of an economy's output that is reallocated to individuals or households facing social risks or needs. Estimates of the scale of taxes and social charges levied on benefits, on the one hand, and tax breaks for social purposes, on the other, are regularly carried out by the OECD for a selection of countries. Because these estimates are often derived from micro-data sets and micro-simulation models, they inevitably involve some degree of uncertainty and should therefore be interpreted with caution. Figure 2.2 suggests that, in 2001, in most EU countries for which data are available, direct taxes and/or social charges levied on social transfers were more important than fiscal advantages provided for social purposes (namely, tax credits for dependent children), resulting in a negative net contribution of the tax system to total social spending. By contrast, in the Czech and Slovak Republics, social benefits were largely exempt from direct taxes and social contributions, whereas tax advantages to families were worth around 0.5% of GDP, thus contributing positively to net expenditure.

Figure 2.2 The effect of the tax system on gross social protection spending in selected EU Member States, 2001

Percentage point change in the share of total spending in GDP allowed by the tax system



1) Account is taken, on the one hand, of the government "claw-back" on social spending through direct taxation and social security contributions of benefit income; and, on the other hand, of tax advantages for social purposes. Only tax breaks for social purposes which mirror the effect of cash benefits (namely, in support of families) are included; tax breaks aimed at stimulating take-up of private social benefits, whether current or future (i.e. pensions), are not included. Indirect taxation is not taken into account.

The OECD database of social spending (SOCX) underlying these results differs from the ESSPROS database, however the scale of total gross expenditure and the underlying definition do not greatly differ.

Source: author's calculation based on Adema, W. and Ladaique, M. (2005), "Net Social Protection Expenditure, 2005 Edition – More comprehensive measures of social support", Social Employment and Migration Working Paper No. 29, OECD, Paris. For Germany: national submission.

Thus, accounting for the impact of the tax system on social expenditure has an equalising effect on the levels of social effort across countries: in 2001, the highest-spending countries in gross terms were also those where expenditure was reduced most by the tax system. In particular, in Denmark and Sweden, direct taxation of benefit income amounting to around 4.5% of GDP in 2001 resulted in a significant reduction of net social expenditure. But, again, this tendency is not systematic. In the relatively high-spending France, extensive use of fiscal advantages for families with dependent children restrained the negative impact of the tax system on net social expenditure. By contrast, in Spain and Ireland, use of tax breaks for social purposes was relatively limited and the tax system did not contribute to improving the relative position of these countries in terms of overall net social protection spending.

Fiscal advantages for social purposes that are taken into account in the calculations shown in Figure 2.2 are those that can be seen as replacing cash benefits, normally concerning support for families. Governments sometimes also use the tax system to stimulate the take-up of private social insurance coverage by individuals and/or employment-related plans. These tax

breaks are not included in the estimates of net social protection expenditure so as to avoid double counting. They are categorised by the OECD in two groups. First, there are tax breaks towards current private²⁶ social benefits, i.e. favourable tax treatment aimed at stimulating the provision of private social benefits in the current year such as voluntary private unemployment coverage or private health insurance. This type of fiscal advantage is important in Germany where a large share of the population is covered by private health insurance. Second, there are tax breaks towards the take-up of private pensions. Reliable comparable data for the value of such tax breaks are not available; OECD estimates for 2001 indicate that it was relatively high (at just above 1% of GDP) in Ireland and the United Kingdom.

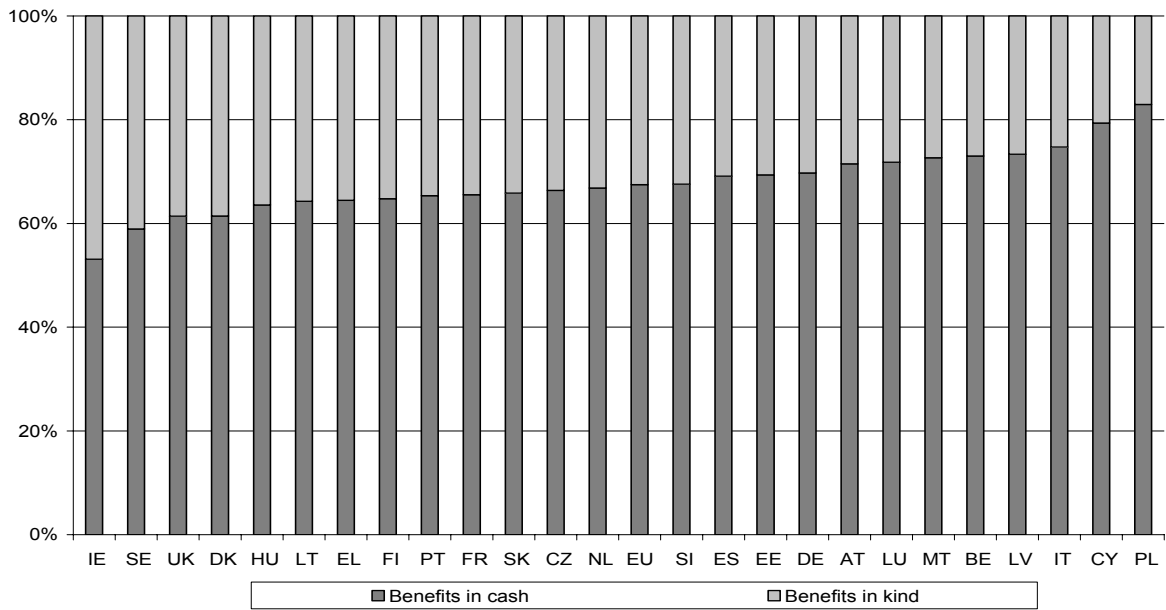
2.1. The structure of social protection expenditure

Expenditure in cash and in kind

Benefits in cash are the predominant form of benefit expenditure in the EU – almost 68% in 2003 (Figure 2.3). They are paid out either regularly (e.g. pensions) or as lump sums: indeed, almost two thirds of cash benefit expenditure is classified under the "old age" and "survivors" functions (see Box 2.2 on the functions of social protection), and takes the form of pension payments. The share of cash benefits in total benefits is highest in Poland and Italy, reflecting the predominance of old age spending in total expenditure. Benefits in kind are benefits granted in the form of goods and services and may be provided by way of reimbursement or directly. Health care typically comprises the provision of goods (pharmaceutical products) and services (in-patient and out-patient health care, rehabilitation services), and accounts for 75% of total benefits in kind. The share of benefits in kind in total benefit expenditure is highest in Ireland, followed by Sweden, the United Kingdom and Denmark, reflecting greater use of services and provision of goods across all the protection functions.

²⁶ In the OECD classification, the distinction between public and private social expenditure is on the basis of whoever controls the relevant financial flows; public institutions or private bodies. Social benefits are regarded as public when general government controls the relevant financial flows.

Figure 2.3 Benefits in cash and in kind, 2003
As a % of total benefit expenditure



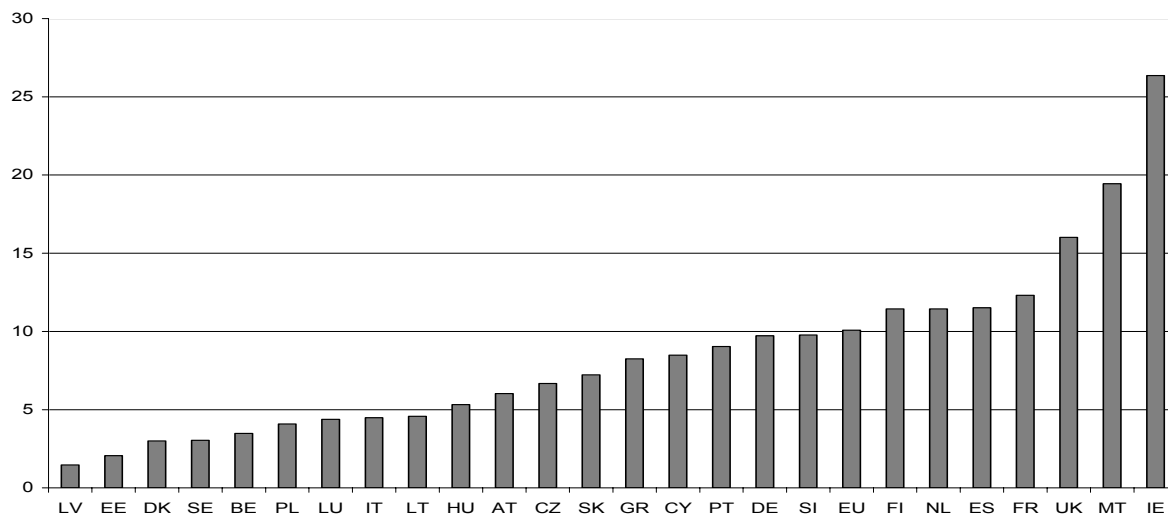
Source: Eurostat – ESSPROS database. Data for Cyprus refer to 2002.

Means-tested expenditure

In 2003, one tenth of total benefit expenditure in the EU was means-tested, that is, conditional upon the beneficiary's income and/or wealth falling below a specified level determined according to standards laid down by the public authorities. In principle, means-tested benefits may be granted for any function. They are particularly common, however, in the area of housing and social exclusion, but it is the family function that accounts for the largest share of means-tested expenditure. There is great variation across countries in the extent to which Member States use means-tests to grant benefits: expenditure subject to means-testing amounted to around 26% of total benefits in Ireland, followed by Malta (19%) and the United Kingdom (16%), whereas it was very limited – accounting for 3% or below – in Latvia, Estonia, Denmark and Sweden (Figure 2.4).

Figure 2.4 Means-tested benefits, 2003

As a % of total benefit expenditure



Source: Eurostat – ESSPROS database. Data for Cyprus refer to 2002.

These figures give only a partial picture of the extent to which social benefits are directed to the lower income groups across the Union. They leave out of the account fiscal measures taken to claw back some of the benefit amounts paid to higher income groups, as well as fiscal advantages for social purposes that benefit proportionally more the lower income groups. As noted above, the revenue yielded by taxes and contributions levied on benefits is relatively large in Denmark, the Netherlands and Sweden, countries in which the extent of means-testing is below the Union average. Furthermore, social protection can benefit proportionally more the most vulnerable sections of the population without being means-tested, for example through the use of categorical benefits or of flat-rate benefit minima or universal benefits.

Expenditure by social protection function

Table 2.1 The structure of social protection benefit expenditure by groups of functions, 2003

Share of each group of functions in total benefit expenditure

	Old age and survivors	Sickness and health care	Disability	Family	Unemploy- ment	Housing and social exclusion
<i>EU</i>	45.7	28.3	8.0	8.0	6.6	3.5
Belgium	44.5	27.0	6.6	7.8	12.4	1.7
Czech Republic	41.3	35.6	8.2	7.5	3.9	3.5
Denmark	37.2	20.5	13.5	13.2	9.8	5.7
Germany	42.9	27.7	7.8	10.5	8.6	2.5
Estonia	44.8	31.8	9.3	10.0	1.8	2.2
Greece	50.8	26.5	5.1	7.3	5.7	4.6
Spain	43.8	30.7	7.4	3.0	13.3	1.7
France	43.3	30.5	4.8	9.0	7.9	4.5
Ireland	23.2	41.8	5.1	16.0	8.4	5.6
Italy	61.8	25.7	6.4	4.1	1.8	0.2
Cyprus	49.4	25.2	3.8	8.0	5.7	7.9
Latvia	53.1	22.9	8.5	10.8	3.2	1.5
Lithuania	47.4	29.8	9.7	7.9	1.8	3.3
Luxembourg	37.2	24.8	13.4	17.7	4.2	2.8
Hungary	41.3	29.7	10.3	13.0	2.8	2.9
Malta	52.3	26.0	6.5	5.6	6.7	2.9
Netherlands	40.3	31.4	11.1	4.9	6.2	6.2
Austria	48.2	24.8	8.6	10.8	6.0	1.7
Poland	58.5	20.5	12.2	4.7	4.0	0.2
Portugal	46.2	28.8	11.5	6.5	5.5	1.6
Slovenia	45.0	32.4	8.2	8.6	3.1	2.6
Slovak Republic	39.4	32.8	8.9	8.3	5.8	4.9
Finland	37.0	25.1	13.3	11.5	9.9	3.3
Sweden	40.1	26.3	14.2	9.5	5.9	4.0
United Kingdom	44.9	29.6	9.4	6.9	2.7	6.5

Source: Eurostat - ESSPROS database. Data for Cyprus refer to 2002.

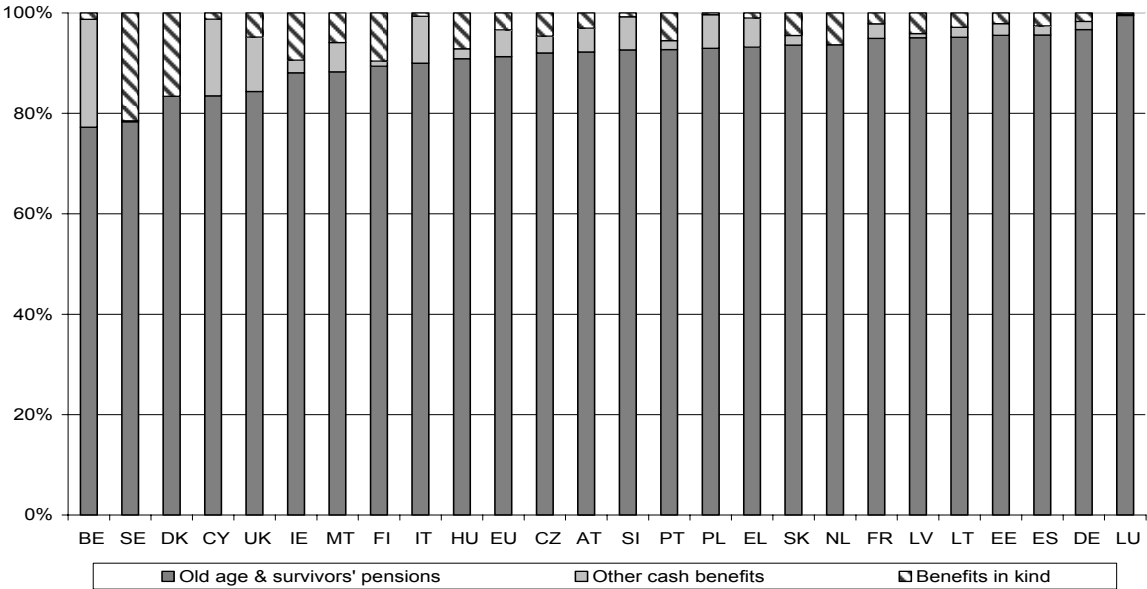
Spending on **old age and survivors** remains the largest component of total social protection benefit spending across the Union in 2003. In the EU as a whole, it accounted for some 46% of the total, or over 12% of GDP (see Table 2.1 and Table 4 in Annex I). Except in Ireland, it was by far the largest spending component in all Member States, reaching over half of total outlays in Greece, Italy, Latvia, Malta and Poland. Given the different levels of overall social protection spending in these countries, old age and survivors' benefits account for widely different shares of GDP, ranging from less than 7% in Latvia to almost 16% of GDP in Italy.²⁷ The Irish exception, with just 23% of total benefits or 3½% of GDP, reflects the

²⁷ The Italian figure for old age spending includes expenditure on the severance pay (Trattamento di Fine Rapporto - TFR). The inclusion of this item in the old age function is questionable. First, the TFR can be granted to employees at any age upon the termination of an employment relationship; in this respect, spending on this benefit should partially be considered under other functions (namely, unemployment). Secondly, and more importantly, such payments could be considered as enforced saving or deferred wages rather than as social protection. Expenditure on the TFR accounted for around 1.5% of GDP in

comparatively small proportion of people above retirement age but also the higher weight of private funds in the pension system, which are only partly covered in the Irish data. Denmark, Luxembourg, Slovakia and Finland also devote a lower share of social benefit spending to old age and survivors' benefits, at less than 40% of total spending.

Old age and survivors' pensions represent the largest spending component in the total for old age and survivors – more than 90% on average in the EU and in most countries (Figure 2.5). In Sweden, Denmark, Finland and Ireland, benefits in kind in the form of social services to the elderly (e.g. accommodation, assistance in carrying out daily tasks and reductions in fares and prices enabling older people to take part in leisure and cultural life) represent 9% or more of total expenditure. These benefits are normally means-tested.

Figure 2.5 The components of old age and survivors' benefit expenditure, 2003
Percentage share of total



For Italy, see footnote 15.

Source: Eurostat - ESSPROS database. Data for Cyprus refer to 2002.

The use of means-testing in order to provide minimum guaranteed incomes to older people who have not accrued sufficient pension entitlements in the contributory schemes is not widespread: in some countries, basic, flat-rate pensions are based on residency regardless of individual contributions, such as in Denmark and the Netherlands; in a number of other countries, the minimum guarantee is tested only against income from the statutory earnings-related pension scheme (for example, in Italy, Finland and Sweden); in other countries, tighter means-tests only apply to top-up benefits in order to raise incomes to the guaranteed minimum levels. As a consequence, the share of means-tested benefits in total benefit spending on old age/survivors is generally quite low, with the exception of Ireland, Finland,

2003; without it, benefit spending on old age and survivors would account for 14.5% of GDP, still the highest in the EU.

Spain and the United Kingdom, where it represented 10% or more of total benefit expenditure.²⁸

Box 2.2 - The functions of social protection in the ESSPROS

The broad functions or areas of need distinguished in the ESSPROS classification system are defined as follows:

Sickness/health care: income maintenance and support in cash in connection with physical or mental illness, excluding disability. Health care intended to maintain, restore or improve health irrespective of the origin of the ailment, includes, inter alia, paid sick leave, medical care and the supply of pharmaceutical products.

Disability: income maintenance and support in cash or kind (except health care) in connection with the inability of people with physical or mental disabilities to engage in economic and social activities, includes, inter alia, disability pensions and the provision of goods and services (other than medical care) to the disabled.

Old age: income maintenance and support in cash or kind (except health care) in connection with old age, includes, inter alia, old-age pensions and the provision of goods and services (other than medical care) to the elderly.

Survivors: income maintenance and support in cash or kind in connection with the death of a family member (e.g. survivor's pensions).

Family/children: support in cash or kind (except health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members.

Unemployment: income maintenance and support in cash or kind in connection with unemployment, includes, inter alia, unemployment benefits and vocational training financed by public agencies.

Housing: help towards the cost of housing, includes interventions by public authorities to help households meet the cost of housing.

Social exclusion not elsewhere classified: benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions, includes income-support benefits, rehabilitation of alcoholics and drug addicts, and various other benefits (other than medical care).

Sickness and health care represent the second largest component of total expenditure on social protection at EU level as well as in all Member States, except for Ireland where it is the largest. In 2003, it accounted for 28% of total spending, or almost 8% of GDP for the Union as a whole. The share was lowest, at around 20%, in Denmark and Poland, representing 6% and 4% of GDP respectively. For Denmark, this is not so much a reflection of a low level of spending but of a clearer distinction than elsewhere between the provision of long-term care for the elderly (included under old age) and health care as such. Health care and other benefits in kind accounted for over 80% of total expenditure for this function in all countries except Sweden, where sick leave payments represent almost 30% of expenditure, mainly due to the very high number of working days lost due to sickness in this country. Means-tested expenditure for this function is negligible except in Ireland and Malta (above 10% of total expenditure).

²⁸ For more details on minimum guaranteed income benefits to older people, see the Commission Staff working paper: Synthesis Report on Adequate and Sustainable Pensions (SEC(2006)304 of 27 February 2006).

In 2001, **disability** represented just under 8% of total expenditure in the EU as a whole, or 2% of GDP. The Nordic countries, Luxembourg and Poland devoted 12% or more of their total benefit expenditure to this function. As explained in more detail in Box 2.1, differences across countries in the relative share of this spending category reflect to some extent a different demarcation between functions, as disability pensions paid to people above retirement age should, in principle, be included under old age but this has not always been possible.

The **family function** covers a variety of benefits like maternity benefits, family allowances, parental leave benefits and some services like child care and home help. There is great variety in the share of total benefit expenditure that is devoted to this function, ranging from below 5% in Spain, Italy, the Netherlands and Poland to 13% or more in Denmark, Ireland, Luxembourg and Hungary. Around 27% of expenditure for this function was means-tested, and 73% was paid out as cash benefits. Comparability of this category of expenditure across countries is limited by the fact that transfers to families are often paid out in the form of fiscal advantages, which are not accounted for in ESSPROS, and by the fact that in some countries some social services for families with dependent children may be considered part of the education system and are therefore not included in the scope of social protection expenditure. Fiscal support for families (Figure 2.2) is significant in France and Germany, and, to a lesser extent, in Belgium, the Czech Republic, the Netherlands and the Slovak Republic. It is low in Spain and Italy, thus leaving these countries further behind in terms of support for families. As concerns the borderline between education and social protection, a notable problem is the treatment of the “pre-school” system (after nurseries and before primary school): in some countries (e.g. France) the “pre-school” system is considered wholly as part of the national education system and outside ESSPROS, whereas in others attempts are made to distinguish between education expenditure proper (outside ESSPROS) and social protection expenditure (child day care after school hours). Methodological discussions to try and solve this issue are ongoing in the context of the revision of the ESSPROS methodological framework.

Unemployment is the most variable category of expenditure, given the cyclical nature of the risk it covers. Expenditure on this function reflects, obviously, the unemployment to population ratio in each country. However, other factors play a role, namely the generosity of the benefit system (i.e. coverage, level and duration of benefits) but also the structure of unemployment - for example, if unemployment is concentrated among young people and women with low employment records, or the long-term unemployed, expenditure per unemployed person will tend to be lower. Furthermore, comparability of expenditure data in this function may be affected by differences in the extent to which assistance given to the unemployed to find a job or increase their employability or early retirement programmes for older workers due to labour market problems are taken into account. In 2003, social transfers under the unemployment function (including unemployment benefits but also directly provided labour market programmes) absorbed less than 7% of total benefit expenditure or 1.8% of GDP in the EU. In Belgium and Spain, their share was much higher, above 12%, whereas Italy, Estonia and Lithuania spent less than 2% of total benefits: clearly, there is little relationship across countries between the relative effort devoted by Governments and the social partners to protection against the unemployment risk and the extent of unemployment in the Member States. This relationship is no stronger over time within countries, as, in the recent period 2000 to 2003, in some countries expenditure on this function declined relative to the number of the unemployed and in other countries it increased.

In the EU, less than one fifth of unemployment expenditure was means-tested, but in Ireland and the Netherlands this share was more than one third and in Malta means-tested benefits largely predominated.

Finally, benefits under the **housing** and **social exclusion** functions accounted for just 3.5% of total benefit expenditure or 1% of GDP in 2003. With a share of less than 0.3% in total spending, this group of benefits appears largely underdeveloped in Italy and Poland. In Italy, there is no general minimum guaranteed income: a minimum insertion income was introduced in 2000 on an experimental and decentralised basis in some 300 municipalities (out of 8000 for the whole country), but was terminated in 2004.²⁹ For Poland, this figure must be seen in conjunction with the information provided in Chapter III of this Technical annex showing that social assistance in this country appears to be capable of lifting the net incomes of their recipients just above the national at-risk-of-poverty threshold. Combined with the very low figures for overall spending on this type of benefits, this suggests that coverage of social assistance schemes is very low.³⁰ Benefits in support of housing are by definition means-tested, since the purpose of more general housing support measures goes beyond that of social protection (such measures may be aimed at encouraging the building industry or home ownership). Benefits for the socially excluded are normally means-tested. However, not all the benefits included in this function require a means-test. Sometimes, a lack of adequate resources is implicit, as is for example the case of refugees. In other cases, the benefits are provided regardless of the financial situation of the beneficiary, for example for drug addicts. Therefore, although more than 90% of expenditure for the social exclusion function in the EU is means-tested, in Latvia, Greece, Austria, Sweden and the United Kingdom only half or less of this expenditure is means-tested.

2.2. Recent trends in social protection expenditure

The analysis of social protection expenditure in the Technical Annex to last year's edition of the Joint Report of Social Protection and Social Inclusion showed that social protection expenditure grew continuously over the past decades in most countries for which data were available for a long time series. This steady growth reflected increases in benefit levels and coverage, the growing proportion of elderly people, increasing costs associated with health care and care for the elderly and the gradual extension of welfare support to people not eligible for social insurance on the basis of their employment records.

This section concentrates on more recent trends, from the mid-'90s, for which data are available for most countries, until 2003 (Table 2.2). The pick-up in expenditure that had already been noted last year on the basis of data up to 2001/2002 has continued and between 2002 and 2003 most countries recorded annual real growth rates above the average for the period under observation. A notable exception is the Slovak Republic where real expenditure even fell by 2.7% over the year. Following a major overhaul of the welfare system, the fall in real expenditure in this country was spread across all the functions except unemployment. In Germany, Italy, Portugal and Slovenia, too, real expenditure per capita has grown by a mere

²⁹ After this experiment, the Government had foreseen the introduction of a new programme – the Last Resort Income –, fully administered at regional level and co-funded by the State and the regions, but there has been no application of it.

³⁰ This explanation seems to be confirmed in European Commission (2003), *Social Protection in the 13 Candidate Countries: a comparative analysis*, DG Employment and Social Affairs, Brussels.

1% or less. On the other hand, in Estonia, Cyprus, Lithuania and Hungary the annual growth rate has been above 8.5%.

Over the whole period 1996-2003, the highest real growth rates, above 6% per year, were recorded in Greece and Ireland and most of all Hungary (almost 8% per annum, but data for the latter country are only available from 1999). Between 2000 and 2003, real expenditure in the EU as a whole grew at an annual average rate of 2.7%, and went from just below 27% to 28% of GDP, reflecting faster growth in social protection expenditure than in GDP, which slowed down considerably (for the EU as a whole, the average growth rate of GDP was of 1.4% per annum, as against an average rate of 3.3% per year in the period from 1997 to 2000).

Table 2.2 Real growth of social protection expenditure per capita, 1996-2003
Average annual percentage growth

	1996-99	1999-2002 ¹	2002-2003 ²	1996-2003 ³
EU	:	2.3	3.5	2.7
BE	1.6	2.4	4.5	2.4
CZ	3.9	5.1	3.5	4.4
DK	0.6	1.2	3.8	1.3
DE	1.4	1.6	0.1	1.3
EE	:	3.1	10.7	5.5
EL	7.5	5.4	3.7	6.1
ES	1.2	1.6	3.2	1.7
FR	2.4	2.3	2.7	2.4
IE	4.0	9.5	5.2	6.5
IT	2.4	2.4	1.0	2.2
CY	:	:	8.7	:
LV	:	2.8	5.6	3.7
LT	:	-0.1	8.7	2.8
LU	4.0	4.2	7.5	4.6
HU	:	7.2	10.0	7.9
MT	-0.5	3.2	4.2	1.7
NL	0.9	2.7	1.4	1.7
AT	2.2	1.6	1.6	1.9
PL	:	5.6	2.1	4.4
PT	6.9	2.5	0.4	4.1
SI	5.8	3.5	0.1	4.0
SK	3.4	1.1	-2.7	1.5
FI	-0.9	0.9	4.8	0.7
SE	1.3	2.8	4.4	2.4
UK	1.1	3.4	4.3	2.5

1) 2000-2002 for Estonia, Latvia, Lithuania, Poland and the EU average (excluding Cyprus).

2) 2001-2002 for Cyprus.

3) 1999-2003 for Hungary and 2000-2003 for Estonia, Latvia, Lithuania, Poland and the EU average (excluding Cyprus).

Source: Eurostat – ESSPROS database

Over the last two decades, social protection expenditure in the various Member States has shown a tendency to converge to the EU average. Recent trends seem to point to a departure from this trend, as the gap (calculated as a ratio) between the lowest and the highest share

increased between 2000 and 2003, from 2.2 to 2.5 in terms of share in GDP, and from 8.2 to 9.2 in terms of PPS per capita.

The changes observed in total expenditure are the results of social benefits developing at different speeds in respect of the different functions. Table 2.3 shows that there is a wide range of variation in the average rate of increase of benefits for each function and in each country, as well as in the pace at which such developments occurred within the period 1996-2003. Below, the main developments are only briefly summarised.

Table 2.3 Growth of social benefit expenditure by function in real terms, 1996-2003

	EU ^{1,4}	BE ²	CZ	DK	DE	EE ^{1,4}	GR	ES	FR	IE	IT	CY ³	LV ^{1,4}	LT ^{1,4}	LU	HU ⁴	MT	NL	AT	PL ^{1,4}	PT	SI	SK	FI	SE	UK	
Total																											
1996-1999	:	1.9	3.8	1.0	1.5	:	8.3	1.6	2.7	5.0	2.4	:	:	:	5.6	:	0.2	1.3	2.4	:	6.4	5.6	3.6	-0.5	1.3	1.6	
1999-2002 ¹	2.7	3.0	4.9	1.5	1.7	2.7	6.0	2.8	2.5	11.4	2.5	:	2.1	-0.5	5.9	7.0	4.6	3.3	1.9	5.6	4.7	3.7	1.1	1.0	2.4	3.7	
2002-2003 ²	3.8	5.3	3.6	4.1	0.1	10.3	3.4	5.0	3.4	6.9	1.9	10.0	5.0	7.9	8.5	9.6	5.1	1.8	2.0	2.7	2.5	0.3	-2.6	5.0	4.8	4.8	
1996-2003 ³	3.1	2.8	4.2	1.7	1.4	5.2	6.6	2.6	2.7	8.0	2.4	:	3.1	2.2	6.1	7.6	2.8	2.2	2.1	4.6	5.1	4.0	1.6	0.9	2.2	2.9	
Sickness and health care																											
1996-1999	:	1.5	0.0	4.3	-0.1	:	7.4	2.4	2.7	9.6	2.9	:	:	:	5.2	:	1.3	3.2	4.2	:	7.4	5.5	0.4	1.9	5.9	3.8	
1999-2002 ¹	4.5	2.2	7.0	3.8	1.5	1.1	8.4	3.8	4.7	12.9	6.0	:	11.5	-0.1	5.3	7.6	6.7	5.1	0.6	7.1	3.1	4.3	1.3	3.7	5.0	7.6	
2002-2003 ²	4.7	19.2	3.9	2.1	-1.0	12.9	4.5	5.8	5.2	7.3	0.4	4.1	23.1	7.0	6.0	16.6	7.4	4.0	0.1	1.5	-4.5	3.9	-6.8	6.0	1.1	8.7	
1996-2003 ³	4.6	4.2	3.5	3.8	0.4	4.9	7.4	3.5	3.9	10.6	3.9	:	15.2	2.2	5.3	9.8	4.5	4.1	2.0	5.2	3.8	4.8	-0.3	3.2	4.8	6.1	
Disability																											
1996-1999	:	3.3	3.3	5.2	4.2	:	8.4	2.5	2.3	4.7	-1.9	:	:	:	9.9	:	2.5	0.3	0.7	:	5.1	7.0	5.7	-1.7	3.8	-1.0	
1999-2002 ¹	2.6	3.9	3.3	3.6	1.3	19.3	8.7	1.3	-3.8	11.7	1.9	:	-0.6	3.5	4.8	8.6	6.1	1.4	0.5	0.5	3.3	2.3	10.4	-0.9	5.5	3.2	
2002-2003 ²	2.9	-25.5	5.4	8.9	1.0	15.1	1.0	3.3	3.5	7.9	5.1	13.1	-4.1	15.3	4.3	11.0	13.7	0.7	3.4	-1.1	0.7	-3.0	-2.0	3.8	8.1	2.4	
1996-2003 ³	2.7	-1.2	3.6	5.0	2.5	17.9	7.4	2.1	-0.2	8.1	0.7	:	-1.8	7.3	6.9	9.2	5.6	0.8	1.0	-0.1	3.7	3.5	6.5	-0.6	5.1	1.3	
Old age and survivors																											
1996-1999	:	3.1	6.7	0.2	1.9	:	7.5	2.1	3.1	4.2	3.0	:	:	:	2.7	:	0.5	3.2	2.6	:	6.8	4.9	3.7	0.9	1.5	3.3	
1999-2002 ¹	1.7	3.6	3.9	1.2	2.0	2.1	4.9	2.1	2.1	9.0	1.2	:	0.3	-0.9	3.4	8.7	5.4	3.1	2.5	6.8	5.2	4.7	2.8	2.6	2.4	2.8	
2002-2003 ²	3.4	4.5	2.1	2.9	0.8	10.2	3.9	3.4	2.5	5.4	1.7	15.8	-1.0	7.8	8.0	4.9	3.4	-1.5	1.3	5.4	4.2	-3.0	-0.2	5.3	6.6	3.9	
1996-2003 ³	2.2	3.5	4.9	1.0	1.8	4.7	5.9	2.3	2.6	6.4	2.0	:	-0.1	1.9	3.7	7.7	3.0	2.5	2.3	6.3	5.7	3.6	2.7	2.2	2.6	3.2	
Family																											
1996-1999	:	2.7	-3.8	2.5	4.8	:	3.2	4.6	2.6	6.1	4.3	:	:	:	12.0	:	-7.3	0.3	-0.2	:	5.7	6.6	-4.0	0.2	-3.2	-2.5	
1999-2002 ¹	2.4	0.4	2.1	2.4	2.7	0.3	3.6	2.2	0.5	17.5	4.4	:	2.1	-4.0	8.4	5.0	-5.2	6.7	3.5	3.5	13.1	3.0	-5.4	-1.8	2.8	-0.6	
2002-2003 ²	3.2	-0.4	-2.5	3.2	-1.2	-3.3	8.1	27.1	0.6	7.8	6.1	6.9	9.8	4.4	14.6	14.0	-5.6	5.6	4.8	-5.2	2.7	1.1	-0.1	2.9	4.2	3.7	
1996-2003 ³	2.6	1.3	-1.1	2.6	3.0	-0.9	4.1	6.5	1.4	11.1	4.6	:	4.6	-1.3	10.8	7.2	-6.2	3.7	2.1	0.5	8.4	4.2	-4.0	-0.3	0.4	-0.8	
Unemployment																											
1996-1999	:	0.0	15.9	-6.0	0.1	:	20.3	-3.1	0.1	-6.2	-6.4	:	:	:	1.8	:	6.8	-14.6	-1.1	:	-8.1	10.0	29.7	-7.4	-5.0	-10.0	
1999-2002 ¹	3.3	2.7	2.2	-4.7	0.7	-5.0	9.6	4.6	3.5	2.5	-4.1	:	-7.9	-0.8	12.5	-7.3	5.0	-1.4	2.6	1.3	6.5	-10.0	-14.4	-3.6	-9.3	-2.3	
2002-2003 ²	6.8	8.9	19.7	11.0	1.5	82.4	-6.8	5.1	7.4	4.5	6.2	-6.9	9.2	9.2	26.1	4.3	6.5	20.8	10.8	-5.6	43.2	-1.9	36.5	5.8	4.9	0.7	
1996-2003 ³	4.5	2.4	10.3	-3.2	0.6	18.1	11.4	1.3	2.5	-1.0	-3.7	:	-2.5	2.4	9.5	-4.6	6.0	-4.5	2.1	-1.1	4.3	-0.7	9.3	-4.0	-5.5	-5.3	
Housing and social exclusion																											
1996-1999	:	-14.7	38.6	-0.9	-1.5	:	19.9	0.3	4.2	4.7	11.2	:	:	:	2.2	:	-4.3	4.7	10.6	:	61.7	:	20.1	-0.3	-5.9	-1.2	
1999-2002 ¹	2.4	7.5	8.7	0.7	-0.4	1.2	0.9	-1.9	3.0	11.5	13.4	:	4.8	0.9	48.9	0.8	-2.9	1.4	0.0	:	3.6	:	2.5	-2.4	-2.7	2.5	
2002-2003 ²	0.4	0.2	11.6	0.2	-0.6	-7.1	1.3	9.0	-1.0	10.1	13.3	12.4	7.7	4.2	2.6	-3.0	20.0	-3.9	0.4	:	-0.3	:	-24.2	4.1	2.9	0.0	
1996-2003 ³	1.7	-3.6	21.1	0.0	-0.9	-1.7	8.7	0.6	2.9	8.3	12.4	:	5.8	2.0	20.2	-0.2	-0.5	2.0	4.5	:	24.7	:	5.1	-0.6	-3.3	0.5	

1) 2000-2002 for Estonia, Latvia, Lithuania, Poland and the EU average (excluding Cyprus).

2) For Belgium, there is a break in the series for the disability function between 2002 and 2003, due to a change in methodology.

3) 2001-2002 for Cyprus.

4) 1999-2003 for Hungary and 2000-2003 for Estonia, Latvia, Lithuania, Poland and the EU average (excluding Cyprus).

Source: Eurostat – ESSPROS database

The highest rate of growth in expenditure in the EU over the recent period 2000-2003 occurred in sickness/health care and in unemployment – in both cases, the annual growth rate in real terms was between 4 and 5%, well above the average for total benefit expenditure (3.1%). Benefit expenditure on sickness and health care has grown at a faster rate than total benefit expenditure in all countries except the Czech Republic, Germany, Greece, Luxembourg, Portugal and Slovakia. In most countries, growth of benefit spending for this function reflected increased spending on health care. For unemployment benefits, the picture is more mixed, with some countries recording annual growth rates above 10% (the Czech Republic and Greece between 1996 and 2003 and Estonia between 2000 and 2003) and others recording a decrease of more than 5% a year (Sweden and the United Kingdom, 1996-2003).

Spending on housing and social exclusion recorded the lowest growth rate – 1.7% in the EU between 2000 and 2003. Again, the picture is mixed, with the Czech Republic, Greece, Italy, Luxembourg and Portugal recording high growth rates. In the case of Portugal, this reflects the development of the minimum income guaranteed scheme in the mid-'90s. In Italy, which started from a negligible level of benefit spending on this group of functions, real growth reflects locally-administered housing support and the pilot experiments with the Minimum Insertion Income, discontinued in 2004 (see footnote 14).

As regards old age and survivors, the average growth rate over the whole period has been relatively moderate both in the EU and in individual countries, except Ireland and Hungary (annual growth rates of 6.4% between 1996 and 2003 and 7.7% between 1999 and 2003 respectively). Furthermore, in Belgium, Denmark, Spain, Luxembourg, Finland and Sweden, real growth, albeit moderate overall, appears to have accelerated over the period 1996-2003.

In the light of the considerations above, it appears that the recent growth of social protection expenditure cannot be attributed exclusively to countercyclical factors (i.e. as the increase in unemployment and the general deterioration in economic conditions trigger higher expenditure on unemployment benefits, social assistance, early retirement pensions or even sickness cash benefits and housing payments). In particular, the rise in health care expenditure seems to be driven by structural factors.

The different trends in expenditure by function have resulted in a change of the structure of social benefits by functions. The relative importance of the sickness/health care function has increased everywhere except in the Czech Republic, Luxembourg, Germany, Austria, Portugal and the Slovak Republic. In Ireland, followed by the Netherlands, Finland, Sweden and the United Kingdom, the share of this function in total benefit spending has increased considerably, by 3.7 percentage points or more. The share of old age/survivors has remained virtually stable or decreased in many countries, particularly in Luxembourg (down 6.6 percentage points, which have been shifted to the family/maternity and housing/social exclusion functions), but has increased by around 3 percentage points in Slovakia and Finland.

2.3. The age orientation of social protection expenditure

The changes observed in the above section may be the result of changing needs and demographic developments as much as a reflection of social protection reforms. The analysis that follows represents an attempt to throw light on the relationship between transfers and recipients for two types of social expenditure – expenditure geared to the elderly, on the one

hand, and spending on families and children, on the other – by using estimates of the number of people potentially eligible for benefits, in the sense that they fall into the category of those at risk or in need. It must be emphasised from the outset that, given the lack of appropriate data on the number of people in receipt of benefits under the headings examined, this analysis is tentative and at best only indicative of the determinants of social protection expenditure.

In Panel A of Figure 2.6, spending on the elderly is considered in the light of evidence of the age structure of the population, thus attempting to differentiate between the generosity of benefits for this population group and the relative numbers of people of (effective) retirement age – taken as those aged 60 years and over in all countries. In addition to spending on the old age function, all expenditure (in cash and in kind) on survivors³¹ and early retirement benefits³² is considered as spending geared towards the elderly.

Box 2.3: Age-related expenditure projections

In 2003, the ECOFIN Council gave the Economic Policy Committee (EPC) the mandate to produce a new set of age-related public expenditure projections for all twenty-five Member States covering pensions, health care, long-term care, education, unemployment transfers and, where possible, contributions to pensions/social security systems. The projections are intended to provide an indication on the potential timing and scale of budgetary challenges that could result from ageing population.

The projections were carried out by the Ageing Working Group of the EPC and the European Commission's Directorate-General for Economic and Financial Affairs. They are made on the basis of a common population and labour force projections and agreed common underlying economic assumptions and assuming "no policy change" – i.e. they only reflect enacted legislation but no possible future policy changes (although account is taken of provisions in enacted legislation that enter into force over time). They are also made on the basis of the current behaviour of economic agents, without assuming any future change in behaviour over time: for example, the assumptions on participation rates are based on the most recently observed trends by age and gender.

Compared to the previous exercise of public spending projections, carried out in 2001, this pension projection exercise is broader, going beyond public pensions to include statutory private pensions and, in some cases, occupational pensions as well as contributions and pension assets. Social security and other public pensions are broken down into two categories: old age and early retirement pensions (also including, in principle, disability and widow's pensions paid out to persons over retirement age); and other pensions (e.g. disability and survivors' pensions without any lower age limit).

The figures on pensions for the base year 2004 were collected on an ad-hoc basis through the national authorities, following common guidelines. As such, they are not directly comparable with ESSPROS figures, mainly because they do not include all occupational pension expenditure. The projections based on these figures were carried out by the Member States.

³¹ Part of expenditure on survivors goes to younger people (orphans and young widow(er)s). However, it can reasonably be expected that the large majority of this expenditure goes to the elderly and it is therefore included here. It is worth reminding that in the ESSPROS system, disability pensions paid after standard retirement age are in principle included under the old age function (see Box 2.1). Where it has been possible to implement this rule, the spending on the elderly considered in this exercise also includes disability pensions paid to them.

³² In the ESSPROS system, early retirement benefits are included under the disability function, when they are paid out to "older workers who retire before reaching standard retirement age ... as a result of reduced ability to work", and under the unemployment function, when they are paid out "due to unemployment or to job reduction caused by economic measures."

As for health and long-term care, the figures on public expenditure for the base year 2004 were collected from Member States but the projections were made by Commission services. They are based on the current institutional provision of services and on a prudent scenario taking account of the effect of ageing on the health status of elderly people and of the income elasticity of demand.

Overall, ageing populations are projected to lead to significant increases in public spending in most Member States by 2050. On the basis of current policies, total age-related public expenditure is projected to increase by 3.4 percentage points of GDP, while expenditure on pensions, health and long-term care alone is projected to increase by 4.4 percentage points for the EU and over 10 percentage points in some Member States³³.

Projected changes in public expenditure for pensions, health care and long-term care between 2004 and 2030/50 (% of GDP)

	Pensions			Health care			Long-term care		
	Level*	Change from 2004		Level*	Change from 2004		Level*	Change from 2004	
	2004	2030	2050	2004	2030	2050	2004	2030	2050
BE	10.4	4.3	5.1	6.2	0.9	1.4	0.9	0.4	1
DK	9.5	3.3	3.3	6.9	0.8	1	1.1	0.6	1.1
DE	11.4	0.9	1.7	6	0.9	1.2	1	0.4	1
EL				5.1	0.8	1.7			
ES	8.6	3.3	7.1	6.1	1.2	2.2	0.5	0	0.2
FR	12.8	1.5	2	7.7	1.2	1.8			
IE	4.7	3.1	6.4	5.3	1.2	2	0.6	0.1	0.6
IT	14.2	0.8	0.4	5.8	0.9	1.3	1.5	0.2	0.7
LU	10	5	7.4	5.1	0.8	1.2	0.9	0.2	0.6
NL	7.7	2.9	3.5	6.1	1	1.3	0.5	0.3	0.6
AT	13.4	0.6	-1.2	5.3	1	1.6	0.6	0.3	0.9
PT	11.1	4.9	9.7	6.7	-0.1	0.5			
FI	10.7	3.3	3.1	5.6	1.1	1.4	1.7	1.2	1.8
SE	10.6	0.4	0.6	6.7	0.7	1	3.8	1.1	1.7
UK	6.6	1.3	2	7	1.1	1.9	1	0.3	0.8
CY	6.9	5.3	12.9	2.9	0.7	1.1			
CZ	8.5	1.1	5.6	6.4	1.4	2	0.3	0.2	0.4
EE	6.7	-1.9	-2.5	5.4	0.8	1.1			
HU	10.4	3.1	6.7	5.5	0.8	1			
LT	6.7	1.2	1.8	3.7	0.7	0.9	0.5	0.2	0.4
LV	6.8	-1.2	-1.2	5.1	0.8	1.1	0.4	0.1	0.3
MT	7.4	1.7	-0.4	4.2	1.3	1.8	0.9	0.2	0.2
PL	13.9	-4.7	-5.9	4.1	1	1.4	0.1	0	0.1
SK	7.2	0.5	1.8	4.4	1.3	1.9	0.7	0.2	0.6
SI	11	3.4	7.3	6.4	1.2	1.6	0.9	0.5	1.2
EU-25	10.6	1.3	2.2	6.4	1	1.6	0.9	0.2	0.6

NB: The EU25 averages are calculated excluding countries for which data were not available.

Source: See footnote 19

As is to be expected, given that old age involves by definition a social protection need and reflecting the income replacement role of pensions, the elderly receive a higher share of social protection expenditure than the rest of the population. Spending per capita on the elderly, adjusted by the share of the elderly in total population, is more than twice that on the total

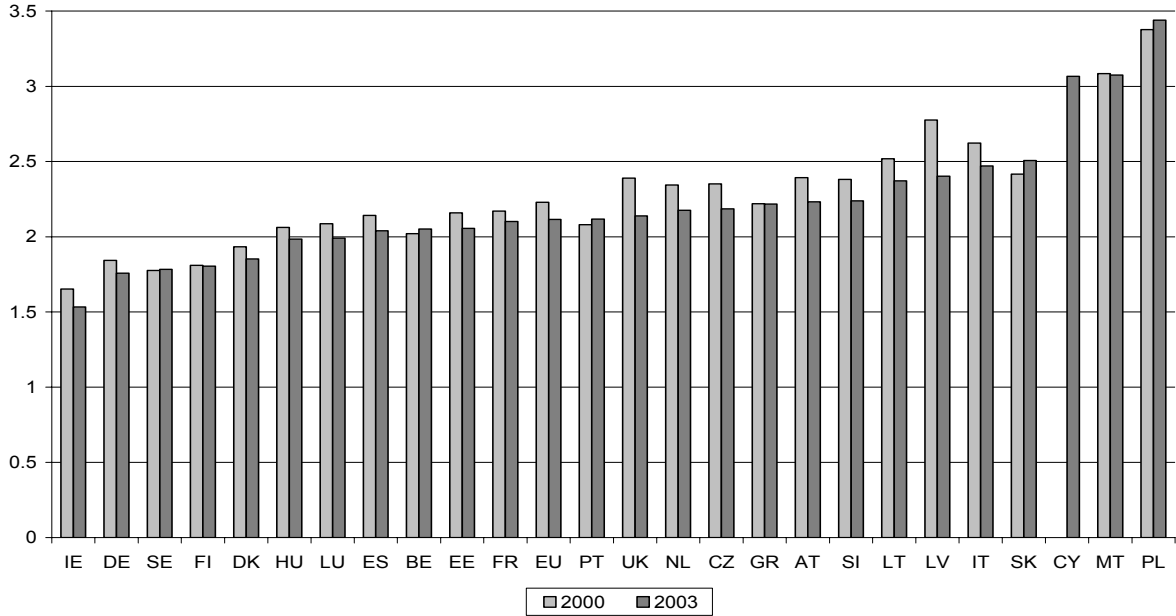
³³ See Economic Policy Committee/European Commission (2006): The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050), European Economy, Special Report 1/2006, available under: http://europa.eu.int/comm/economy_finance/publications/european_economy/2006/eespecialreport0106_en.htm.

population, with Cyprus, Malta and Poland recording much higher values – three times or more. Differences across countries reflect wide variations in effective retirement ages, the coverage and replacement rates offered by pension systems, as well as the time spent receiving an old age pension. Where the old age orientation of social spending is very high, high pension and other old age-related spending takes its toll on spending directed at other groups of the population, namely children and those with insufficient resources.

The age orientation of social spending on the elderly has fallen between 2000 and 2003 in almost all countries, with the exception of Belgium and Portugal, the Slovak Republic and Poland. This certainly reflects the increase in employment rates of older workers (aged 55-64 years) in recent years, which in the EU went from 36.6% in 2000 to 41% in 2004, partly as a result of reforms to pension systems.

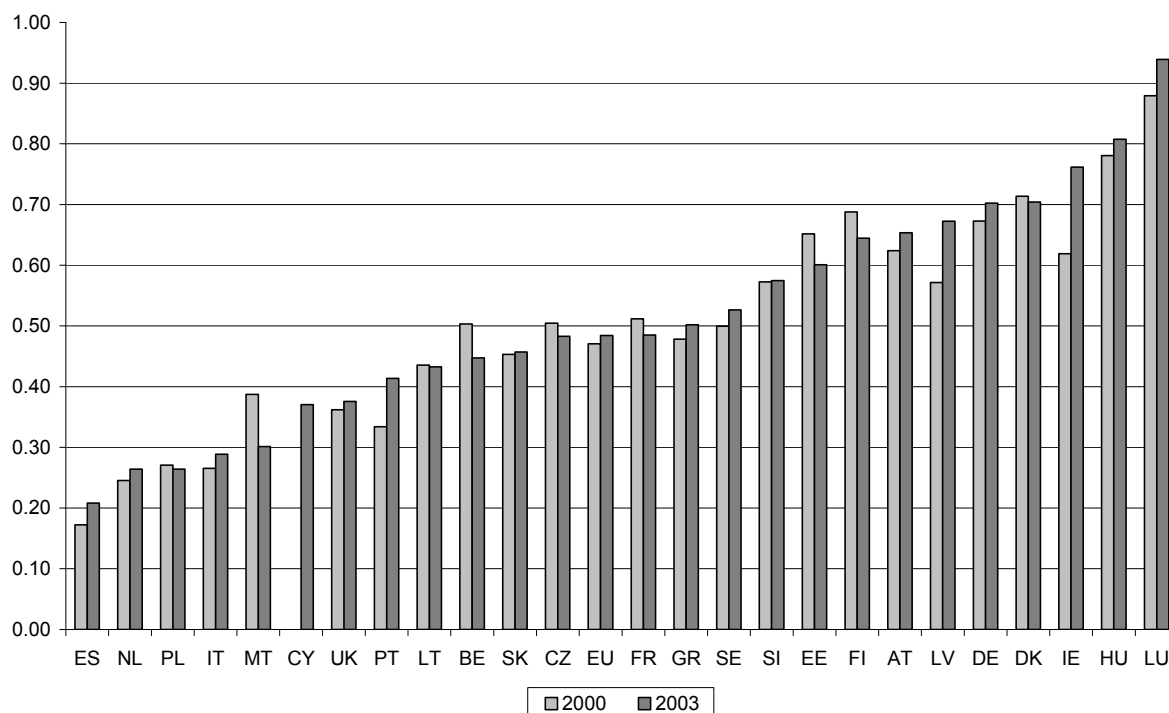
Figure 2.6 The age orientation of social protection expenditure, 2000 and 2003

Panel A. Relative spending on old age¹



1) Social spending on old age, survivors' and early retirement benefits as a share of total social benefit spending, divided by the share of the elderly (aged 60 or more) in total population.

Panel B. Relative spending on children aged 0-14²



2) Benefit spending on the family/children function as a share of total social benefit spending, divided by the share of people aged 0-14 years in total population.

Source: Eurostat - ESSPROS database and demographic statistics. Data for Cyprus refer to 2002 instead of 2002.

In Panel B of Figure 2.6, the generosity of benefits in the family/children function is assessed against the relative numbers of children (aged 0-14 years) in the total population. Benefit spending on family/children, adjusted by the proportion of young children in the total population, is everywhere lower than social spending on the overall population; in 2003, in Spain, the Netherlands, Poland, Italy and Malta, it was even 30% or less of such expenditure, having increased only slightly since 2000 or even decreased in Poland and Malta. By contrast, Ireland, Hungary and Luxembourg devote a relatively high share of social protection expenditure to children. Most countries, and particularly Portugal, Latvia and Ireland, have recorded an increase in the orientation of social protection expenditure towards children, no doubt as a result of improvements in family allowances and childbirth assistance benefits. This is reflection of the fact that the promotion of birth, help for families most in need and facilitating reconciliation of work and family life are becoming a central issue in national legislation policies. For the latter purpose, there is a growing concern in the Member States to encourage applications for childcare benefits from certain categories of parents, either through direct assistance or tax credits. For the reason mentioned in Box 2.1, however, this latter type of measures may not be fully taken into account in the ESSPROS database (and, more generally, in interpreting Figure 2.6 account needs to be taken of the comparability problems for the family/children function highlighted in section 2.2).

Obviously, it is the education system that plays the most fundamental social role with regard to children, and the assumption inherent in social protection systems is that children's main resource is their parents' earnings from work. For these reasons, childhood is identified as a social protection risk as such to a limited extent and intervention mainly takes place to

support families financially or through child care provision for small children not yet in the education system, primarily in order to encourage reconciliation of work and family life.

2.4. The poverty reduction function of social protection

A high level of social protection expenditure alone cannot in general be taken to indicate a high degree of social protection. A more in-depth quality analysis of social services and delivery systems is necessary in order to assess the extent to which resources are used efficiently and social benefits perform their key redistributive functions. It is also necessary to take into account the role of private resources and services/benefits, and of informal solidarity links in ensuring adequate protection, in addition to those provided by public systems.

In particular, the extent to which social protection systems perform social redistribution towards low-income groups, thus helping to reduce poverty risk, depends on the structure of social protection expenditure, including the degree to which it is (implicitly or explicitly) targeted on the most vulnerable sections of the population. This section attempts to explore the relationship between social protection expenditure and the poverty risk rate on the basis of the available evidence drawn from microdata.

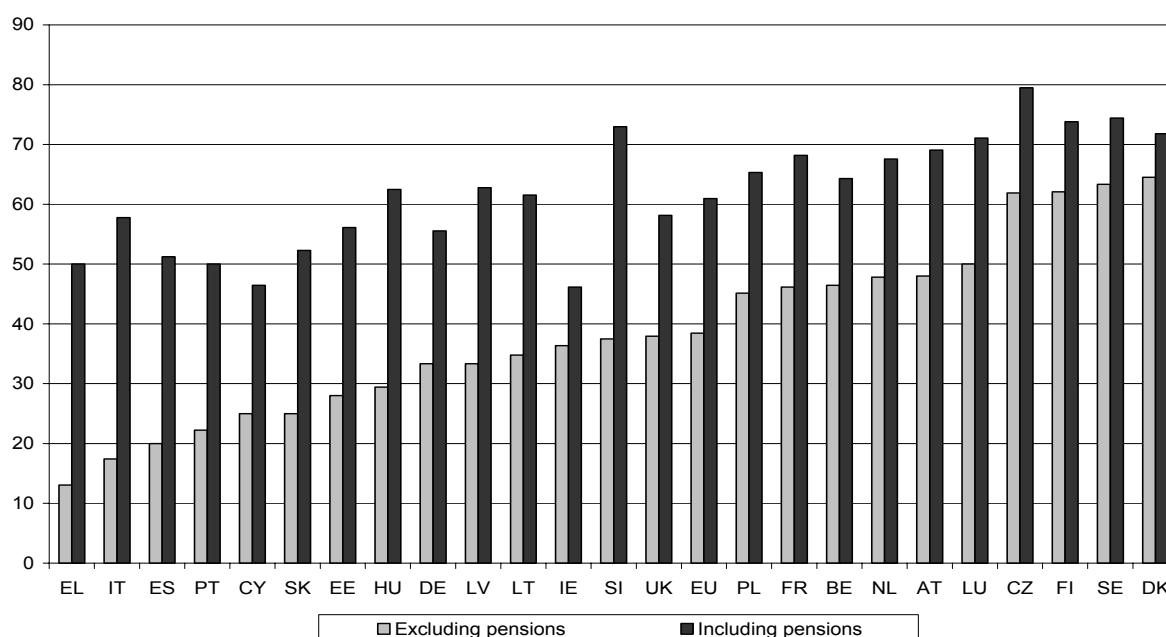
A comparison between the standard at-risk-of-poverty rate and the hypothetical situation where social transfers are absent *ceteris paribus* shows that such transfers have an important redistributive effect that helps reduce the number of people who are at risk of poverty. In the absence of all social transfers, the average poverty risk for EU Member States would be considerably higher than it is in reality, by the order of 25 percentage points (average pre-transfer risk rate of 42% instead of the post-transfer value of 16% - see Chapter I and Annex I). The status of pensions is however rather different from that of other transfers, as their primary role is not only to redistribute resources across income groups but also, or primarily, over the life-cycle of individuals and/or across generations. If, therefore, pensions are considered as primary income rather than social transfers, the pre-transfer poverty risk rate would be 26% on average in the EU.

Figure 2.7 shows the percentage drop (in absolute value) of the at-risk-of-poverty rate allowed by social transfers, both excluding and including pensions from the notion of "social cash transfers".³⁴

³⁴ In each country, these rates are calculated with the same threshold, namely the nationally-defined 60% threshold calculated on the basis of total household income, i.e. including all social transfers.

Figure 2.7 The impact of social transfers (including and excluding pensions) on the at-risk-of-poverty rate, 2003¹

% reduction in the total poverty-risk rate allowed by social transfers



1) Czech Republic: 2002. Data for Slovakia are provisional.

Countries are ranked by the % drop of the at-risk-of poverty rate allowed by social transfers other than pensions.

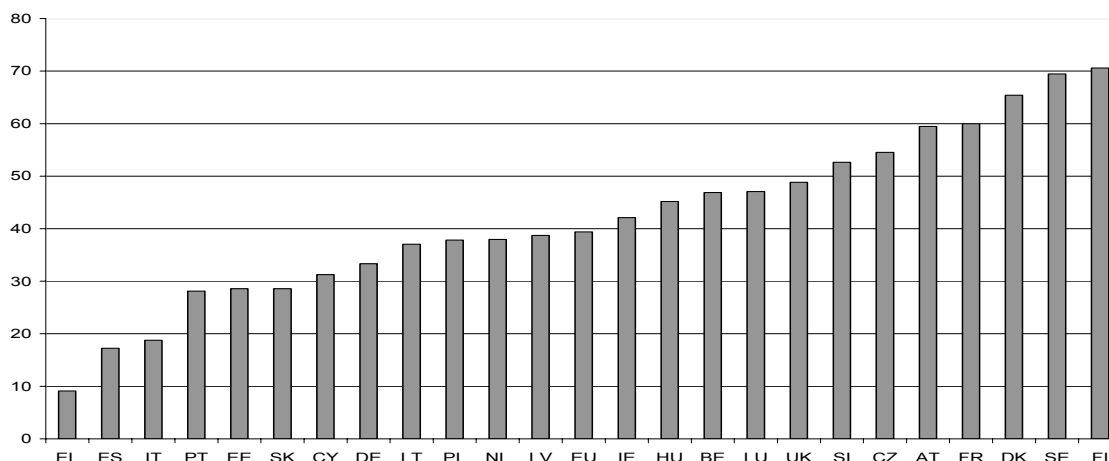
Source: Eurostat. See Chapter I and Annex I for more detail.

The poverty-reducing effect of social transfers, both with and without taking account of pensions, is particularly evident in the Czech Republic, Finland, Sweden and Denmark, where all social transfers reduce poverty by three fourths or more. In the remaining countries, the poverty-risk-reducing impact of social transfers depends on whether pensions are considered as social transfers or primary income. In Greece and Italy, there is a marked difference between the two situations: when pensions are considered as primary income, social transfers reduce the number of those with an income below the poverty risk threshold by less than 20%. By contrast, in Ireland, pensions do not appear to have a decisive impact on the reduction of poverty. To some extent, these patterns reflect the emphasis that Member States place on the various functions of social protection, as reflected in the structure of expenditure (Table 2.2): in Italy and, to a lesser extent, Greece, expenditure on old age takes its toll on other forms of social expenditure, whereas in Ireland old age and survivors represented, in 2003, less than one fourth of total expenditure.

The impact of social cash transfers on the poverty risk rate differs across age groups. Figure 2.8 illustrates the percentage drop in the poverty risk rate for children aged 0-15 years allowed by social transfers (excluding pensions). In the Nordic countries, the drop in the poverty risk rate for children allowed for by social transfers other than pensions was as high as 65% or more; on the other hand, in Greece, Spain and Italy, children are the group who benefit least from poverty relief allowed by social benefits (the percentage drop was of less than 20%).

Figure 2.8 The impact of social transfers on the at-risk-of-poverty rate for children, 2003¹

% reduction in the total poverty-risk rate for children (aged 0-15) allowed by social transfers other than pensions



1) Czech Republic: 2002. Data for Slovakia are provisional.

Source: Eurostat. See Chapter I and Annex I for more detail.

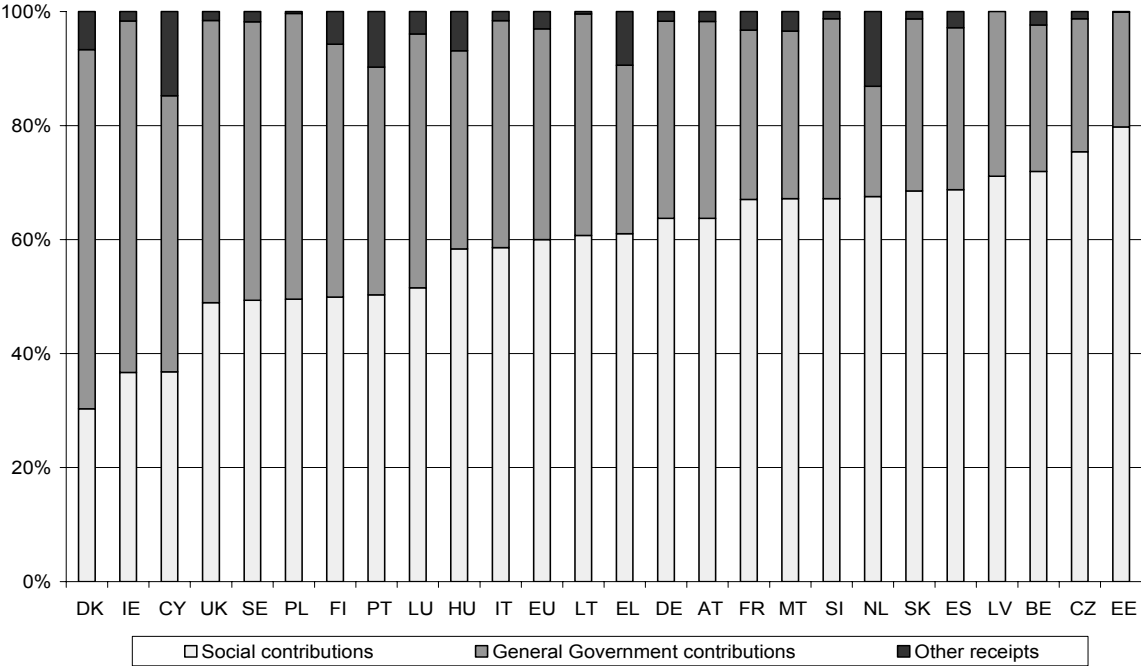
The indicator of poverty risk before social transfers must be interpreted with caution for a number of reasons. First, no account is taken of interventions that, like social cash transfers, can have the effect of raising the disposable incomes of households and individuals, namely transfers in kind as well as tax credits and tax allowances. Second, the pre-transfer poverty risk is compared to the post-transfer risk keeping all other things equal – namely, assuming unchanged household and labour market structures, thus disregarding any possible behavioural changes that the situation of absence of social transfers would involve. Finally, social protection can provide relief from poverty but does not in itself help individuals and families durably elude poverty. If they are to be effective in combating poverty and social exclusion, social transfers in cash must be accompanied by adequate health care, education, social services and measures facilitating integration into the labour market for those capable of working. This is why many Member States are increasingly focusing their policies on promoting individual self-sufficiency through an employment-friendly social protection system that fosters participation in the labour market.

2.5. Sources of finance

Across the EU, social protection spending is to a large extent financed through contributions from wages paid by employers and employees, plus contributions paid by benefit recipients on benefit income. In 2003, social contributions accounted for 60% of all social protection receipts (Figure 2.9); general Government contributions financed through taxes represented 37% of the total. The EU average masks large national differences in the structure of social protection funding. Denmark, Ireland and Cyprus finance social spending mainly through general taxes; in the remaining countries, social contributions (either paid by employers or by employees) play a far more important role, up to more than 70% of total receipts in Latvia, Belgium, the Czech Republic and Estonia. Other receipts are relatively more important, with a share of 9% in the total or more, in Cyprus, Portugal, Greece and the Netherlands.

Over the period 2000 to 2003, in the EU as a whole, the share of social contributions in total receipts has continued to decline, from 61% in 2000 to 60% in 2003. This fall was particularly evident in Ireland, Poland and the United Kingdom. On the other hand, the relative importance of contributions increased over the period by more than 2 percentage points in Luxembourg, where it was counterbalanced by a decrease in the share of general Government contributions.

Figure 2.9 The structure of social protection financing by source, 2003



Countries are ranked in ascending order by share of social contributions in total receipts.

Source: Eurostat, ESSPROS database. Data for Cyprus refer to 2003.

Chapter III: Financial incentives to work: A social inclusion perspective

3. Introduction

One of the key areas of reform aimed at supporting the general objective of the renewed Lisbon strategy to attract more people in the labour market is to ensure that work pays and that the underlying incentive structure in the tax and benefit systems is supportive to employment. In Integrated Guideline No 19, Member States are asked to conduct a *"continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably for those on low incomes, whilst ensuring adequate levels of social protection"*.

Indeed, strengthening incentives and support for labour market participation continues to be the main driver of many welfare and tax reforms in the Member States. The concern is to reduce reliance on social protection and increase self-sufficiency by supporting labour market participation and "making work pay", that is, making work an economically attractive option relative to welfare. While of interest from a work incentive perspective, the design of welfare and tax systems is also crucial from a social inclusion perspective. In reviewing tax and benefit systems, Member States also need to make sure that social transfers and income support schemes for those who remain out of the labour market are effective in relieving poverty. Balancing the two goals of increasing labour supply incentives and at the same time alleviating poverty is a challenge for policy-makers, who also have to take account of the budgetary costs that any tax and benefit reform may involve.

It is therefore important to regularly assess both the financial consequences of labour market transitions and the degree of protection from poverty risk related to situations of joblessness. Indicators of financial incentives to work have been developed with the aim of identifying any adverse effect of taxes and social transfers on people's work decisions and conducting a prior assessment of the impact of 'making work pay' policies on household incomes, as well as the potential for further reform. The analysis that follows reflects on the use of such indicators in a social inclusion perspective. It highlights the income adequacy aspects related to these indicators and discusses some of the contextual information that needs to be taken into account when interpreting them.

3.1. The scope of the analysis

The evidence reviewed in this chapter looks at the impact of individual earnings' changes following employment transitions on total household incomes, in order to assess the financial gains resulting from these transitions. Three different types of transitions are considered: from unemployment to work; from inactivity to work; and a change in working hours or work effort for those already in employment. The situations where these transitions are characterised by low or even negative financial returns are commonly referred to as the unemployment trap, the inactivity trap and the low wage trap. Specifically:

- the term **unemployment trap** refers to the situation where out-of-work income for the unemployed (and their families), as provided by the tax-benefit system, is high relative to net in-work earnings;
- the **inactivity trap** is a situation similar to the unemployment trap except that it applies to jobless people who are not or no longer eligible for unemployment benefit but receive social assistance and other income-tested benefits. A situation where work does not pay may be brought about by minimum income or other income-related benefits which are withdrawn upon taking up paid work;

- the **low-wage trap** is related not to a transition into work but to the financial consequences of increasing working hours or work effort for those already in work. The “trap” refers to a situation where an increase in gross earnings fails to translate into a net income increase that can be felt by the individual to be a sufficient return for the additional effort.

Only transitions to work in the formal economy are considered: in reality, under certain conditions, for individuals who are inactive or unemployed or are working only a limited number of hours, the choice is not only between work and non-work, but between non-employment, work in the formal economy, either part-time or full-time, undeclared work and a combination of these.

The indicators are calculated as marginal effective tax rates (METRs), showing the share of a change in gross earnings following a labour status transition¹ that is taxed away by the combined operation of taxes, social security contributions and withdrawal of social benefits (see Box 3.1). They are derived from a joint OECD-EC project aiming to provide tools for assessing the impact of social transfers and fiscal policies on the incomes of employees and non-employed working-age individuals and their families and thus on financial incentives to work. Model results are used for calculating relevant policy indicators monitoring employment, social and fiscal policy developments across countries and to evaluate reform options.

The impact of financial disincentives on labour supply – that is, the extent to which potential traps are actual ones – is an empirical question that is not discussed in this chapter. It is just worth mentioning here that the elasticity of labour supply to changes in the tax and benefit systems, as far as it can be determined, appears to vary between Member States and, within Member States, across different population groups depending on a multitude of factors ranging from access to and availability of services to the conditions of national and local labour markets. Thus, financial incentives, as measured by the trap indicators, only partly explain labour market outcomes. Furthermore, to be effective in bringing more people into the labour market, policies aimed at reducing financial disincentives to work must be firmly embedded in a coherent and comprehensive policy package that acts on both the supply and demand side of the labour market.

3.2. Does work pay? An analysis of the evidence

The text that follows focuses on individuals with low incomes and low wage potential. This is the group for whom decisions on the most appropriate tax-benefit rules raise the hardest policy dilemmas. If, on the one hand, low-income individuals can potentially gain most from financially rewarding their entry to employment, measures to do so risk aggravating their economic hardship if labour demand for this segment of workers remains weak.

¹ For all three traps examined in this chapter, the observed changes in net incomes are induced by jumps in earnings and not to marginal changes – ie. from 0 earnings to the specified level of earnings (expressed as a share of the APW level) in the unemployment and inactivity traps and from a low level of earnings to a higher one in the case of the low wage trap (with earnings changing by 33 p.p. of the APW) .

Box 3.1. Reading Tables 3.1 to 3.4 and Figures 3.1 to 3.4: methodological notes

Marginal Effective Tax Rates measure the percentage share of any additional earnings following a labour status transition that is taxed away through the combined effect of any relevant tax-benefit parameters. Formally, they are calculated as followed:

$$\text{METR} = 1 - (\Delta y_{\text{net}}) / (\Delta y_{\text{gross}})$$

where Δy_{gross} are the additional gross earnings stemming from the new labour market status and Δy_{net} is the change in net income obtained after taxes and benefits.

The higher the value of the METR, the lower the financial incentive to work. Thus, for example, a value of 100 for the indicator shows that moving from inactivity to work leads to no additional net income. A value bigger than 100 indicates that net earnings in work are less than total out-of-work net income.

The benefits that are taken into account in available estimates include social assistance, unemployment, housing, family and in-work benefits.¹ Only cash benefits are taken into account; benefits in kind provided directly or by way of reimbursements, including reductions in prices or fares of essential services like transport, health care and culture, are not included. Where there is regional variation in the rates of some of the tax and benefit parameters used in the calculations, namely in social assistance and housing benefits, one of three alternatives has been chosen: the average of the different local regimes, the regime applying in a particular region which can be considered typical, or national guidelines.

For the calculation of housing benefits, it is assumed that housing costs consist entirely of rent, and the level of rent for all family types regardless of income level and income source is 20% of the gross earnings of an average production worker. Albeit transparent and easy to understand, this is a very simple assumption and needs to be taken into account when interpreting the results.

Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months.

The results shown in tables and figures of this analysis refer to four family types: a single person without dependants (which can be treated as the benchmark case), a lone parent with two children, a one-earner couple with two children and a two earner-couple with two children. Unless otherwise specified, children are aged 4 and 6 and neither childcare benefits nor childcare costs are included. For married couples, the second spouse is assumed to be inactive with 0 earnings in a one-earner couple and to have full-time earnings equal to 67% of APW in a two-earner couple. In practice, in the case of unemployment and inactivity traps, the one-earner married couple must be understood as a jobless household with one potential worker; the two-earner married couple represents a couple with one worker and a potential second earner.

Finally, the results shown do not take into account of existing minimum wage provisions, nor of the shape of the earnings distribution in each country. Results shown for people with low earnings in full-time employment may not actually be relevant if employees are covered by minimum wage legislation, whereby minimum wages are higher than the 50% or 67% of APW level. However, the results generally are still valid for part-time workers.

3.2.1. The unemployment trap

Unemployment benefit systems are intended to provide income security during unemployment. By doing so, they can result in a better and more efficient match between workers and jobs as they allow individuals to spend more time on job searching. At the same time, unemployment benefits

¹ For a detailed methodological discussion of these indicators and the model underlying their calculation, see Carone, G., Salomäki, A., Immervoll, H. and Paturot, D. (2004), "Indicators of unemployment and low-wage traps (Marginal Effective Tax Rates on Employment Incomes)", European Economy Economic Papers No 197, European Commission, DG for Economic and Financial Affairs, Brussels, and OECD (2004), "Benefits and Wages – OECD Indicators", Paris.

can reduce the financial incentives to return to work and thus lower job search intensity and result in benefit dependency if they are not carefully designed. In what follows, only some of the key parameters of the design of unemployment benefit systems, namely those determining amounts paid, are discussed; eligibility conditions are not discussed but it is recognised that they are key features that need to be taken into account in assessing making work pay strategies.

Table 3.1 Unemployment traps for unemployed persons returning to full-time work at two different wage levels¹, 2004 and changes 2001-2004

Panel A. 2004 levels(%)

<i>moving to % of APW</i>	Single person, no children		Lone parent		One-earner couple, 2 children		Two-earner couple, 2 children	
	50	67	50	67	50	67	50	67
Belgium	96%	88%	83%	79%	82%	76%	81%	77%
Czech Republic	79%	65%	71%	69%	97%	78%	78%	65%
Denmark	105%	89%	98%	89%	86%	89%	103%	92%
Germany	100%	87%	100%	93%	100%	84%	114%	98%
Greece	96%	76%	106%	83%	106%	83%	70%	56%
Spain	97%	80%	100%	79%	100%	78%	100%	81%
France	100%	82%	100%	90%	99%	90%	101%	82%
Ireland	88%	73%	-3%	12%	94%	87%	59%	52%
Italy	67%	59%	63%	54%	63%	52%	84%	74%
Luxembourg	99%	85%	103%	88%	103%	104%	100%	82%
Hungary	77%	66%	86%	68%	86%	68%	80%	63%
Netherlands	93%	87%	90%	85%	92%	88%	86%	76%
Austria	87%	73%	98%	81%	100%	96%	88%	75%
Poland	99%	83%	83%	73%	100%	95%	85%	78%
Portugal	110%	87%	95%	97%	82%	82%	110%	85%
Finland	88%	80%	92%	86%	92%	94%	89%	76%
Slovak Republic	56%	43%	45%	34%	46%	31%	62%	47%
Sweden	105%	87%	103%	91%	100%	100%	105%	87%
United Kingdom	78%	71%	55%	64%	67%	73%	70%	61%

Panel B. Percentage point changes between 2001 and 2004

<i>moving to % of APW</i>	Single person, no children		Lone parent		One-earner couple, 2 children		Two-earner couple, 2 children	
	50	67	50	67	50	67	50	67
Belgium	-4	-1	-3	0	-5	0	-5	-2
Czech Republic	0	-2	-11	-1	-3	-11	-4	-9
Denmark	-2	-2	3	-2	-1	-1	-3	-3
Germany	0	-1	0	0	0	0	0	0
Greece	9	7	9	7	9	7	-5	-3
Spain	0	1	4	1	4	-1	1	1
France	-4	-5	-2	-1	-2	-1	-4	-5
Ireland	0	0	-8	-8	-1	-1	-7	-5
Italy	-2	0	0	1	0	-2	4	4
Luxembourg	-5	-3	-3	2	0	0	-5	-4
Hungary	-7	-9	-2	-3	-2	-3	-5	-10
Netherlands	0	1	-1	-2	-1	-1	-2	-1
Austria	-1	-2	-2	-1	0	-1	1	1
Poland	7	5	0	3	0	4	-7	0
Portugal	-2	-1	-9	11	0	0	-2	-1
Finland	-1	-1	-2	-2	-8	-5	-2	-2
Slovak Republic	-37	-38	-61	-72	-60	-80	-23	-22
Sweden	0	0	0	0	0	0	0	0
United Kingdom	-1	0	8	6	4	3	10	8

1. Results relate to the situation of a person who has just become unemployed and receives unemployment benefits (following any waiting period) based on previous earnings equal to 67% of APW (full-time work). Social assistance top-ups and housing benefits are assumed to be available in either the in-work or out-of-work situation where applicable. See Box 3.1.

Source: Joint EC-OECD project using OECD tax-benefit models.

Panel A of Table 3.1 shows that for an unemployed person previously employed at a wage of 67% of average national earnings (here measured as the average earnings of a full-time manual worker in the manufacturing industry – APW), taking up a new job at the same wage as before the unemployment spell would imply facing a marginal effective tax rate of over 70% in almost all countries and for all four household types shown in the Table. This means that taking up a new job would increase net income by just 30% or less of the increase in gross earnings. There are notable exceptions to this pattern, and low METRs are found in countries where in-work benefits are in place (e.g. Ireland, the United Kingdom) or in countries with low net incomes during unemployment (e.g. Italy). The Slovak Republic combines low social assistance benefits with their gradual phasing out if the recipient begins to earn income from work.

With few exceptions, the financial rewards for taking up a job would be even smaller if the new job pays less than before the unemployment spell: if the new job pays only half of average national earnings, not only are earnings lower, but proportionally more of the additional gross income generated by the new job would be taxed away as a result of the withdrawal of out-of-work payments. In many countries – Denmark, Greece, Germany, France, Luxembourg, Portugal, and Sweden – unemployed persons face marginal tax rates of 100% or more – that is, entering a new job at a low wage would imply no net income gain or even a net income loss compared to the situation when out of work.

Comparing across family types, the Table shows that unemployed people with a non-working spouse and dependent children are faced with the highest METRs in several countries. This is due not only to the withdrawal of unemployment benefits but also to the phasing out of the additional social assistance payments to which this household type may be entitled to.

Panel B of Table 3.1 shows percentage point changes in METRs faced by unemployed persons between 2001 and 2004: for most countries the figures are negative, which shows that policy efforts to review tax and benefit systems to enhance financial incentives to work, as part of a wider policy package to make work pay, are bearing fruit. In most cases, reductions in METRs have been achieved through mechanisms that allow in-work earnings to be topped up, rather than by reducing out-of-work incomes, notably by allowing beneficiaries to retain part of their benefits upon taking up work. In general, reforms of benefit systems aimed at getting beneficiaries into work tend to attach conditions with regard to active job search or participation in active labour market programmes, affecting benefit coverage rather than levels. However, in some countries, benefits have been increased by less than nominal wages, resulting in lower replacement rates and lower METRs. In the Slovak Republic, the remarkable reduction in financial disincentives to work stems in large part from the relatively low level of social assistance that is now offered following the welfare reform that came into force on 1 January 2004, together with the fact that social assistance is reduced less abruptly if the recipient begins to earn labour income.¹

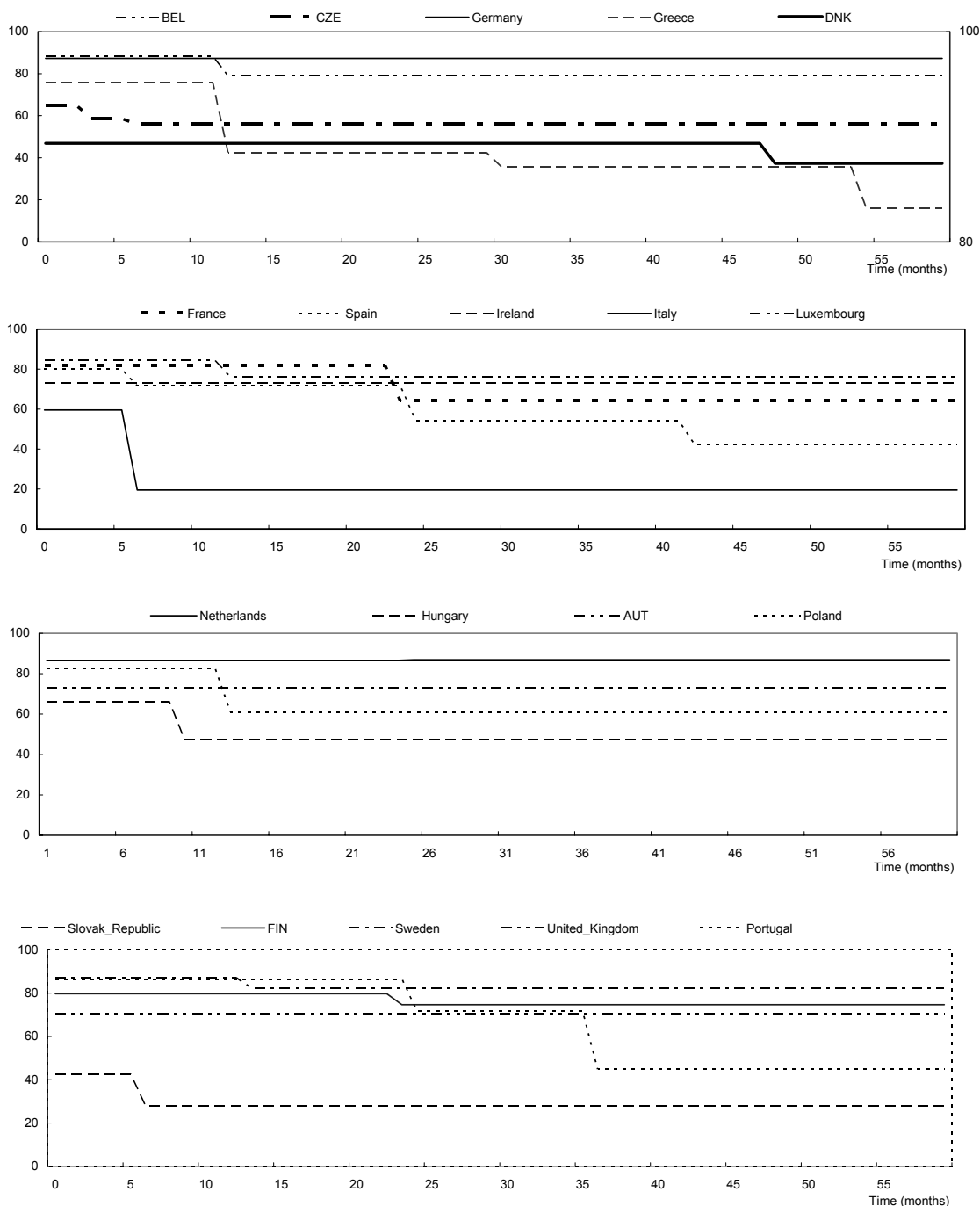
Figure 3.1 shows what happens when long-term unemployment sets in, that is, when transitions to work occur after one year of unemployment or more. In about half the countries for which data are available, the 12th and 13th months of unemployment do not see any relevant change in the METR. Even after five years of unemployment, the financial disincentive to work remains considerable, with a METR above 60%, in many countries. This is the result of the fact that, in most Member States, unemployment and social assistance replace the unemployment insurance scheme after its expiry, often with more favourable tax treatment. By contrast, Greece, Italy, Hungary, Spain and Portugal see a substantial drop in the level of the indicator even after a short unemployment spell.

An important assumption in the model underlying these calculations is that the unemployed person receives unemployment and related benefits for the maximum period to which he or she is legally

¹ Brook, A. and Leibfritz, W., (2005) *Slovakia's introduction of a flat tax as part of wider economic reforms*, Economics Department Working Papers No 448, OECD, Paris.

entitled. This implies that the individual satisfies whatever requirements for actively seeking work are imposed throughout the period of legal entitlement. Should the price of refusing a job offer or discontinuing active job search be the (partial) withdrawal of benefits, as occurs in many countries, the METR would obviously decrease by the same degree. On the other hand, long-term unemployment may lead to a depreciation of skills and decreased employability, thus lowering the probability of re-entering the labour market at the same wage as before the unemployment spell (as assumed in the calculations). If a lower re-entry wage is assumed, financial incentives to work would be lower. For these reasons, the picture depicted in Figure 3.1 is somewhat simplified. However it provides important information which allows assessing how and when financial incentives change over different unemployment spells.

Figure 3.1 The unemployment trap for a single person over five years¹, 2004



1) In-work and previous earnings are equal to 67% of APW. Month one refers to a transition from unemployment to employment during the first month of benefit receipt, i.e. following any waiting period. For these charts, transitions from unemployment assistance have been treated as transitions from unemployment insurance for the calculation of in-work income, where applicable. Social assistance top-ups and housing benefits are assumed to be available in either the out-of-work or in-work situation where applicable. See Box 3.1.

Source: Joint EC-OECD project using OECD tax-benefit models.

3.2.2. The inactivity trap

Table 3.2 shows the combined effect of tax and benefit systems on the financial incentives of entering low-wage employment or part-time work for inactive persons. The indicator is shown with respect to two entry wages (50% and 67% of APW) and four family types.

Table 3.2 Inactivity traps for inactive persons entering work at two different wage levels¹, 2004 and changes 2001-2004.

Panel A. 2004 levels (%)

	Single person, no children		Lone parent		One-earner couple, 2 children		Two-earner couple, 2 children						
	50	67	50	67	50	67	50	67					
Belgium	66%	66%	75%	66%	73%	66%	70%	67%	38%	45%			
Czech Republic	66%	56%	71%	69%	69%	66%	97%	78%	44%	39%			
Denmark	103%	88%	90%	95%	84%	95%	90%	95%	92%	63%	61%		
Germany	89%	79%	90%	85%	85%	85%	90%	76%	49%	49%			
Greece	16%	16%	16%	16%	16%	16%	16%	16%	16%	16%			
Spain	47%	42%	63%	52%	52%	52%	69%	54%	16%	19%			
France	80%	58%	67%	87%	55%	81%	100%	54%	90%	28%	27%		
Ireland	88%	73%	-3%	45%	12%	12%	94%	87%	30%	30%			
Italy	14%	19%	-10%	0%	0%	0%	-17%	-4%	-8%	39%	41%		
Luxembourg	89%	76%	85%	83%	83%	83%	75%	84%	48%	40%			
Hungary	51%	47%	51%	42%	42%	42%	51%	42%	13%	13%			
Netherlands	93%	87%	83%	79%	79%	79%	93%	89%	40%	42%			
Austria	87%	73%	98%	81%	81%	81%	100%	96%	22%	25%			
Poland	70%	61%	54%	51%	51%	51%	100%	95%	47%	50%			
Portugal	54%	45%	56%	55%	55%	55%	74%	70%	63%	50%			
Finland	81%	75%	62%	63%	63%	63%	92%	94%	35%	36%			
Slovak Republic	27%	28%	37%	35%	35%	35%	52%	42%	20%	22%			
Sweden	98%	83%	68%	65%	65%	65%	100%	100%	37%	36%			
United Kingdom	78%	79%	71%	55%	57%	64%	65%	67%	70%	73%	75%	60%	53%

Panel B. Changes 2001-2004

<i>moving to % of APW</i>	Single person, no children		Lone parent		One-earner couple, 2 children		Two-earner couple, 2 children	
	50	67	50	67	50	67	50	67
Belgium	-5	-1	-2	1	-8	-2	-7	-3
Czech Republic	-6	-7	-11	-1	-3	-11	3	-4
Denmark	-2	-2	-1	-5	-2	-2	-4	-4
Germany	0	-1	0	0	0	0	-2	-2
Greece	0	0	0	0	0	0	0	0
Spain	-3	-1	-5	-6	-8	-10	4	4
France	-3	-4	-1	-1	1	1	-6	-7
Ireland	0	0	-8	-8	-1	-1	1	1
Italy	-3	0	1	2	2	-1	-5	-3
Luxembourg	-3	0	-9	2	-13	-10	16	12
Hungary	-4	-6	7	3	7	3	-9	-14
Netherlands	1	2	0	-1	-1	-1	5	5
Austria	-1	-2	-2	-1	0	-1	2	0
Poland	-2	-2	-29	-19	0	4	0	6
Portugal	3	3	0	0	19	14	26	20
Finland	-5	-3	-3	-3	-8	-5	-2	-2
Slovak Republic	-85	-68	-88	-86	-73	-83	-54	-39
Sweden	0	0	4	3	0	0	0	0
United Kingdom	-1	0	8	6	4	3	6	5

1) Values in italics report METR values for inactive persons entering part-time work at hourly earnings corresponding to the APW level, where they differ from METR levels faced by inactive persons entering full-time work at 50% of APW. See Box 3.1.

Source: Joint EC-OECD project using OECD tax-benefit models.

METRs faced by inactive individuals considering taking up a job and who are not or no longer entitled to unemployment benefits are generally lower than those affecting unemployment-to-work transitions. This is to be expected given that out-of-work income support benefits on which these people can rely are lower than unemployment benefits. Still, in many cases, the entry into a low-paid job would result in an increase in net income of no more than 30-40% of the increase in gross terms. Greece, Italy and, to a lesser extent, Spain, Hungary and Portugal, are notable exceptions: in

these countries, the absence or shortage of minimum income schemes¹ explains the very low level of METRs in these countries. In Ireland, METRs are also low, due to in-work benefits to raise incentives to work for lone parents, whereas the combination of low out-of-work benefits and income supplements for workers explains the low inactivity METRs in the Slovak Republic.

Across family types, METRs are generally higher for members of workless households with a dependent spouse and children (i.e. the one-earner couple with two children), especially when entering a job that pays half the APW wage. METRs are close to or higher than 90% in 10 out of the 19 countries for which data are available: in these cases there is no or little pay-off from taking up employment. This is mainly due to the withdrawal of social assistance benefits, in some cases in combination with the withdrawal of housing benefits. On the other hand, employment, even if low-paid (or, more realistically, a part-time job that pays the hourly APW), appears to bring significant income gains to spouses whose partner is already working, by at least 40% of the additional gross income.

The values in italics in Table 3.2 indicate the values of METRs for inactive people entering part-time work, where they differ from the size of the financial disincentives related to a transition to a full-time job paying the same monthly wage. In France and, to a lesser extent, Belgium, taking up a part-time job that pays half the monthly rate of APW generates more income than working full-time at the same monthly salary; the opposite is true for lone parents in Ireland, as well as in Denmark and Italy.

Looking at changes in METRs over time, between 2001 and 2004 (Table 3.2, Panel B), confirms the observations made above when looking at changes in unemployment traps, as virtually all countries record a reduction of METRs. The spectacular decrease of the inactivity traps in the Slovak Republic, already explained in the context of unemployment traps, shows up the strong financial disincentives to work that potential workers were faced with before welfare reform (in 2001, METRs for lone parents and one-earner couples with children were above 120%).

The case of the two-earner couple with children can be seen to illustrate the case of potential second earners, normally women, who have to choose between staying at home and looking after their children or work and use childcare services. While the availability of quality childcare services is essential to ensuring the participation of parents, especially mothers, in the labour market, childcare costs can be a major expenditure item for working parents. Such costs can, therefore, affect labour supply decisions of lone parents and second earners with low wage potential. In Table 3.3, OECD estimates of childcare fees (and benefits) have been incorporated into the calculations so as to obtain estimates of household incomes after childcare costs, assuming that households where all adults are employed purchase formal (centre-based) childcare services on a full-time basis (whereas families with at least one labour market inactive adult do not require any formal childcare). The calculations have been performed with respect to lone parents as well as the two-parent scenario. The available estimates refer to 2001/2002; this is why the values of inactivity traps in the absence of childcare costs do not correspond to those shown in Table 3.3 (they are generally higher). Furthermore, the estimates of childcare fees depend on a large number of assumptions, and where fees are not uniform across institutions or regions, averages or typical fees are shown: they therefore need to be considered with some caution. The results shown in Table 3.3 can, however, usefully

¹ In Greece, there is no universal guaranteed minimum income benefit, but a number of categorical social assistance benefits. In Italy, the experimental income support scheme adopted by some 300 municipalities out of 8000 for the whole country was terminated in 2004. In 2004, the Government had foreseen the introduction of a new scheme – the Last Resort Income - fully administered at regional level and co-funded by the State and the regions. This scheme, however, has not been applied (for more details, see http://europa.eu.int/comm/employment_social/social_inclusion/docs/2005/it_it.htm).

illustrate the important financial trade-offs between work and staying at home faced by families with children.

Once childcare costs are taken into account as work-related expenses, taking up work pays consistently, and in some cases considerably, less than when they are not included in the calculation. Low-wage second earners in about half the countries for which estimates are available see more than 70% of their additional earnings consumed by childcare fees, taxes and reduced benefits. For lone parents, the payoff from employment can be even lower. The best example is Ireland, where a METR of 54% for lone parents (with two children, but with no childcare costs) shoots up to 131% when childcare costs are included.

It must be kept in mind that it is assumed in the calculations that childcare services are always available, whenever parents decide to use them: this is unfortunately not always the case, and limited availability of good quality childcare services can represent a major barrier to work.

Table 3.3 Inactivity trap at 67% of APW¹, with and without childcare costs

Country and Year	Lone Parents, two children, no childcare	Lone Parents, two children, with childcare	Two-earner couple, two children, no childcare	Two-earner couple, two children, with childcare
Austria 2001	82%	95%	24%	63%
Belgium 2002	75%	82%	48%	73%
Denmark 2001	88%	93%	65%	85%
Finland 2001	66%	77%	38%	70%
France 2002	81%	107%	29%	59%
Germany 2001	85%	88%	51%	59%
Greece 2001	16%	21%	16%	29%
Hungary 2001	38%	67%	27%	80%
Ireland 2001	20%	131%	29%	101%
Netherlands 2001	80%	87%	38%	78%
Portugal 2001	55%	95%	30%	73%
Slovak Republic 2001	121%	141%	61%	82%
Sweden 2002	61%	64%	34%	41%
United Kingdom 2002	59%	69%	49%	82%

1) Transitions are from non-unemployment benefit reciprocity to full-time employment at 67% of APW. Both family types are assumed to have two children, **aged 2 and 3**, and are assumed to use, after transition, full-time childcare in public or publicly recognised facilities, where applicable. Calculations for Finland, Hungary and the Slovak Republic include a benefit payable to parents who stay at home to look after their children. Information on childcare fees or benefits is incomplete or unavailable in Italy, Luxembourg, Spain, the Czech Republic and Poland.

Source: Joint EC-OECD project using OECD tax-benefit models.

3.2.3. *The low wage trap*

Supplementing workers' incomes is an obvious way to improve financial incentives to enter work for the inactive and the unemployed without cutting social benefit levels. Workers' incomes can be improved through the tax-benefit system in a variety of ways (e.g. by introducing employment-conditional benefits, disregarding a certain level of earnings or number of hours worked for fiscal purposes, or operating gradual benefit phase-outs). The risk of these measures, however, is that they shift work disincentives to a higher income range. In fact, due to the combined effect of increasing taxes and withdrawing benefits, marginal effective tax rates at low earnings can be higher than at middle- and high-income levels. As a result, for low-income individuals who have a job, working longer hours or earning higher wages often entails little additional net income.

In Table 3.4, the ‘low wage trap’ indicator is used to measure these disincentives for low-income groups in the four different family types.

Table 3.4 Low wage traps for wage increases from two starting low wages, 2004 and 2001-2004

Panel A. 2004 levels (%)

<i>Income ranges:</i>	<i>from 33 to 67% of APW</i>				<i>from 67 to 100% of APW</i>			
	Single person, no children	Lone parent	One-earner couple, 2 children	Two-earner couple, 2 children	Single person, no children	Lone parent	One-earner couple, 2 children	Two-earner couple, 2 children
Belgium	58%	57%	43%	59%	57%	57%	50%	55%
Czech Republic	33%	39%	57%	30%	28%	52%	54%	34%
Denmark	81%	72%	89%	58%	52%	62%	59%	43%
Germany	75%	86%	69%	50%	53%	52%	51%	52%
Greece	16%	16%	16%	16%	18%	16%	16%	16%
Spain	24%	18%	15%	19%	29%	26%	24%	29%
France	37%	59%	75%	22%	40%	40%	40%	32%
Ireland	47%	53%	74%	25%	30%	84%	48%	30%
Italy	29%	0%	-12%	50%	42%	52%	60%	47%
Luxembourg	74%	94%	110%	14%	33%	14%	67%	20%
Hungary	32%	20%	20%	13%	39%	28%	28%	39%
Netherlands	76%	59%	79%	37%	47%	60%	64%	48%
Austria	47%	63%	92%	33%	45%	45%	45%	45%
Poland	65%	41%	91%	56%	35%	115%	47%	35%
Portugal	15%	92%	82%	12%	24%	20%	91%	23%
Finland	62%	60%	100%	32%	43%	59%	68%	43%
Slovak Republic	22%	25%	39%	31%	30%	29%	14%	30%
Sweden	66%	45%	100%	33%	36%	57%	52%	36%
United Kingdom	62%	77%	76%	51%	33%	73%	79%	33%

Panel B. Percentage point changes 2001-2004

<i>Income ranges:</i>	<i>from 33 to 67% of APW</i>				<i>from 67 to 100% of APW</i>			
	Single person, no children	Lone parent	One-earner couple, 2 children	Two-earner couple, 2 children	Single person, no children	Lone parent	One-earner couple, 2 children	Two-earner couple, 2 children
Belgium	-9	-11	-9	-8	0	0	1	0
Czech Republic	6	1	23	17	-2	10	-13	3
Denmark	3	9	5	2	3	5	2	7
Germany	1	0	1	1	0	-1	4	0
Greece	0	0	0	0	3	0	0	0
Spain	-5	-1	8	-4	1	-4	-7	0
France	8	-6	-7	5	-3	4	4	-3
Ireland	-1	5	1	0	0	-13	-8	0
Italy	0	-3	2	0	-2	3	-8	-1
Luxembourg	-10	-17	0	0	3	0	-25	5
Hungary	6	-4	-4	21	1	12	12	1
Netherlands	-3	8	5	0	-2	-10	-10	-3
Austria	4	2	-1	-5	-4	-2	-2	-4
Poland	-9	0	-9	1	0	-57	-12	0
Portugal	0	-34	0	-1	0	-4	-40	0
Finland	-5	1	-2	2	2	4	1	2
Slovak Republic	45	91	87	-9	-6	3	94	6
Sweden	0	-3	0	3	1	-1	-1	1
United Kingdom	-1	-39	-25	-20	-1	2	-1	-1

1) Results show how much of a given rise in earnings is taken away in the form of higher tax and lower welfare benefits. In-work benefits that depend on a transition from unemployment to work are not available since the person changing working hours is already in employment prior to the transition.

Source: Joint EC-OECD project using OECD tax-benefit models.

The effect of benefit withdrawal rules and their interaction with taxes can be significant for one-earner families with children and for single parents. In several countries, on average, these family types are able to retain only a small share of the increase in gross earnings resulting from increased work effort.

In many countries, METRs for a jump in earnings from 33% to 67% of APW are higher than those for a jump in the higher range, reflecting the fact that most income-tested social transfers are

already phased out in the higher ranges and only taxes and social security contributions play a role. However, in countries where minimum income schemes are not in place or pay low amounts – i.e. Greece, Hungary, Italy and Spain – the low wage trap is low even in the first income range.

The picture concerning changes in METRs between 2001 and 2004 (Table 3.4, Panel B) is far more mixed than in the case of unemployment and inactivity traps. This is evidence of the fact that accomplishing a substantial reduction of all three types of traps can prove a very hard task: either because the required measures would be inconsistent with other fundamental goals of the social protection system (namely, poverty alleviation), or because measures aimed at reducing one trap (e.g. through widespread use of in-work benefits) could cause another type of trap to arise at a higher income level, not to mention the budgetary implications of such measures. Policy-makers will have to make choices based on which goals and target groups are to be considered a priority and on a careful evaluation of the ensuing trade-offs. In this context, it is important that measures to make work pay are closely monitored from both a labour market and a social inclusion perspective.

In fact, this analysis has shown that, while of interest from a work-incentive perspective, the relative income gain following a transition from unemployment or inactivity to work, or between two working situations, is also interesting from a social inclusion perspective. High METRs faced by people with low income potential, in any of the three transitions considered, illustrate the little welfare gain resulting in taking up a job or increasing work effort, especially if this involves having to bear costs for childcare services. Considering that for many of these people low paid jobs are often not a stepping stone to higher paid jobs, work may not appear an attractive option to them. The analysis in this chapter has also shown that when METRs are low, they hide low levels of protection offered to those who are out of work.

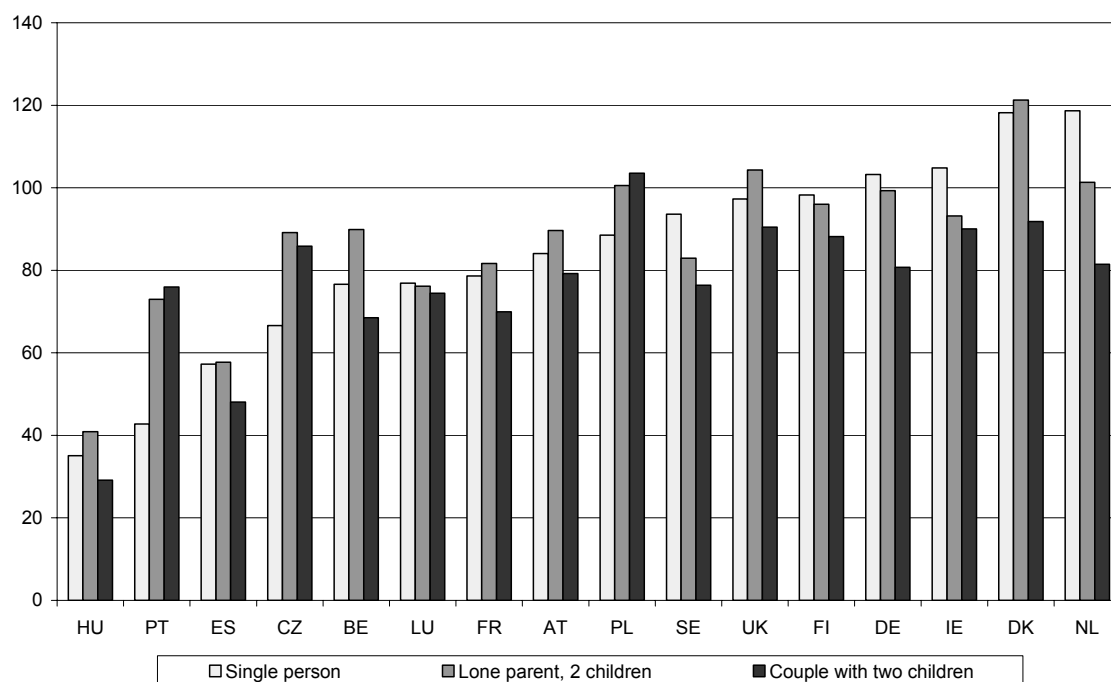
3.3. Do out-of-work benefits provide adequate incomes?

Clearly, potential “traps” of one kind or another exist in all Member States. Does this mean that social benefit levels should be cut in order to improve financial incentives to work? Or rather, is there any scope for reducing financial disincentives to work through cuts in benefit levels?

To answer this important question, the mechanics of tax-benefit systems are examined relative to the at-risk-of-poverty threshold, providing an additional perspective on the adequacy of social transfers and the payoffs from employment. Figure 3.2 compares net incomes of jobless households relying exclusively on social assistance benefits (and housing benefits) with the at-risk-of-poverty threshold defined at 60% of the median equivalised household income, as measured on the basis of household surveys (see Chapter I and Annex I).

Figure 3.2 Net income of social assistance recipients – 2003

As a % of the at-risk of poverty threshold for three jobless family types, including housing benefits.



Only countries where non-categorical social assistance benefits are in place are considered.

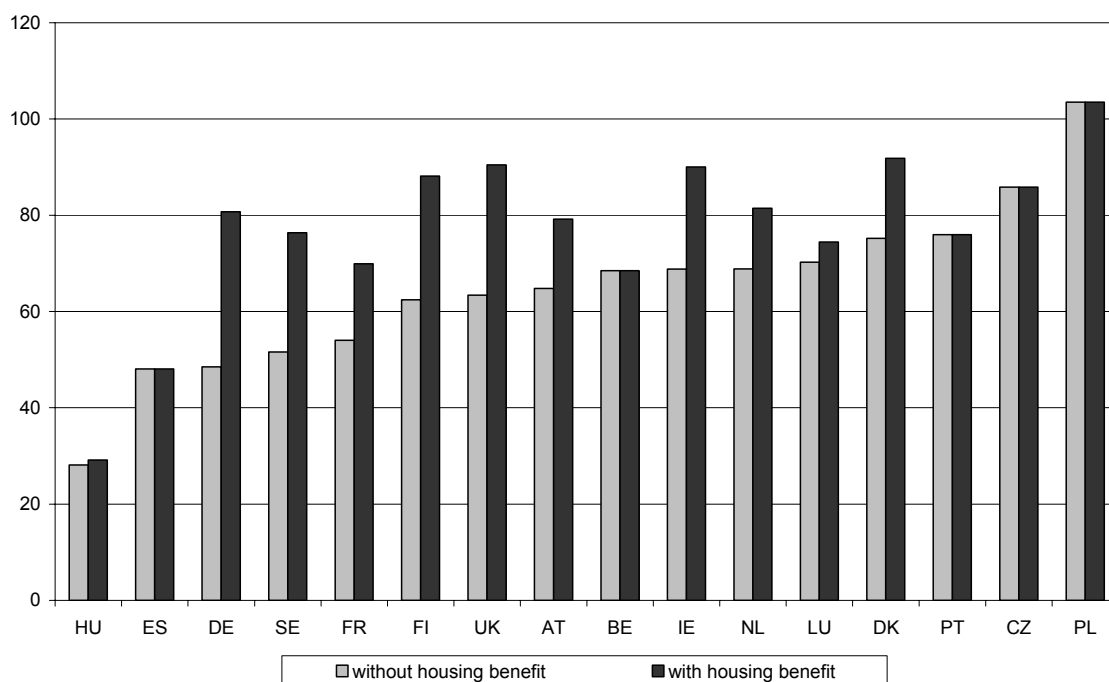
Source: Joint EC-OECD project using OECD tax-benefit models, and Eurostat (see Chapter I and Annex I).

Countries differ substantially in terms of the minimum safety nets they provide to workless households¹, even when comparing them relative to a measure – the at-risk-of-poverty threshold – that depends on the living standards within each country and varies itself considerably between Member States. Only a few countries provide workless households with a minimum income and related (i.e. housing) benefits that are sufficient to lift them close to or above the 60% of median income threshold, and this only with respect to some family types. So, for example, lone parents can receive benefit income at or above the poverty threshold level only in Poland, the United Kingdom, Germany, Denmark and the Netherlands; whereas in all countries but Poland, couples with two children relying on social assistance benefits would have disposable income levels below 60% of the median. In Hungary and Spain, all three family types are likely to experience deep poverty with out-of-work incomes below 40% of median income.

As specified in Box 3.1, the calculation of housing benefits relies on rather strong assumptions, which may be particularly unrealistic in some countries. For example, in Germany, housing benefits depend on the joint assessment of household characteristics and type of accommodation rented: the assumption of a uniform rent equal to 20% of APW irrespective of the size of the household therefore looks improbable. Figure 3.3 compares net incomes of social assistance recipients relative to the poverty threshold, including and excluding housing benefits. It refers to a married couple with two children. It shows that, if housing benefits are excluded, net incomes of social assistance recipients in Germany, Sweden, Finland and the United Kingdom are much lower than if they are included.

¹ This indicator reflects assumptions that households rely on social assistance benefits for the entire year, and that no other income stream (from other social protection benefits such as unemployment insurance or disability or from work) is available.

Figure 3.3 Net income of social assistance recipients – 2003
as a % of the at-risk of poverty threshold for a jobless married couple with two children, excluding and including housing benefit.

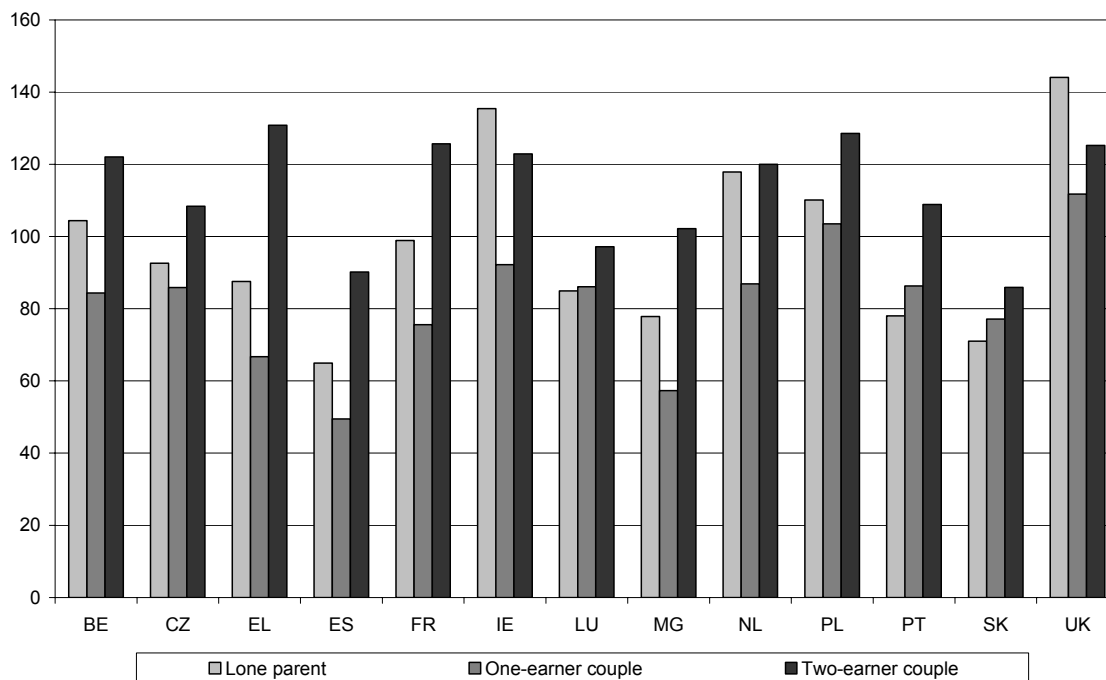


Only countries where non-categorical social assistance benefits are in place are considered. Countries are ranked by net income of social assistance as a % of the poverty risk threshold without housing benefits.

Source: Joint EC-OECD project using OECD tax-benefit models, and Eurostat (see Chapter I and Annex I).

On the other hand, even employment is not always sufficient to lift families out of poverty risk if it pays a low wage. In all countries except Poland and the United Kingdom, the net income of a one-earner family with two children remains below the 60% threshold if the only worker holds a full-time job paying the minimum wage (Figure 3.4). Lone parents holding a minimum wage job are in a better position in most countries but in this case childcare costs may greatly reduce the pay-off from employment, as was shown in section 3.2. These results underscore the role of other measures – such as the provision of adequate childcare services that help ensure the participation of parents in the labour market – in minimising the poverty risk of workers with low wage potential. They also highlight that, in married couples with children, employment of both parents is essential to avoid poverty risk – even if in some cases (Spain, Luxembourg and the Slovak Republic) even two minimum wages are not sufficient to lift household members out of poverty risk.

Figure 3.4 Net income of minimum wage earners¹ – 2003
as a % of the at-risk of poverty threshold for three family types with two children



1) Only countries where statutory minimum wages are in place are considered. In the two-earner case, both parents earn the statutory minimum wage. Household income is current cash income after tax and including child benefits, social assistance benefits and housing benefits where applicable.

Source: Joint EC-OECD project using OECD tax-benefit models. For minimum wage rates: Eurostat and national submissions.

These results are partly consistent with the findings derived from the observation of the incidence of poverty risk by the work intensity of households, on the basis of micro-data (see Chapter I and Annex I). People living in jobless households are clearly at a very high risk of poverty: on average in the EU-15 (for which data are available), the poverty risk rate for people in such households was as high as 68% where there were dependent children. At the other extreme, only 7% of individuals living in households where all working-age adults are working a full year are at poverty risk. People living in intermediate levels of work intensity face intermediate risks of poverty.

3.4. Context information

The results presented in this chapter refer to a limited range of standard household types and earnings situations and assume full benefit coverage. But structures of household populations and patterns of benefit receipt vary substantially across countries. It is therefore important to provide contextual information that can help in the interpretation of results across countries. Two recent OECD reports¹ prepared in the context of the joint EC-OECD project try to shed light on this issue. Much of the evidence discussed in this section draws from these sources.

¹ Immervoll, H., Marianna, P. and Mira D'Ercole, M. (2004) "Benefit coverage rates and Household Typologies: Scope and Limitations of Tax-Benefit Indicators", OECD Social, Employment and Migration Working paper No 20, Paris, and Immervoll, H., Marianna, P. and Hernanz, V., Malherbert, F., Pellizzari, M. (2004) "Take-up of Welfare Benefits in OECD Countries: A Review of the Evidence", OECD Social, Employment and Migration Working paper No 17, Paris.

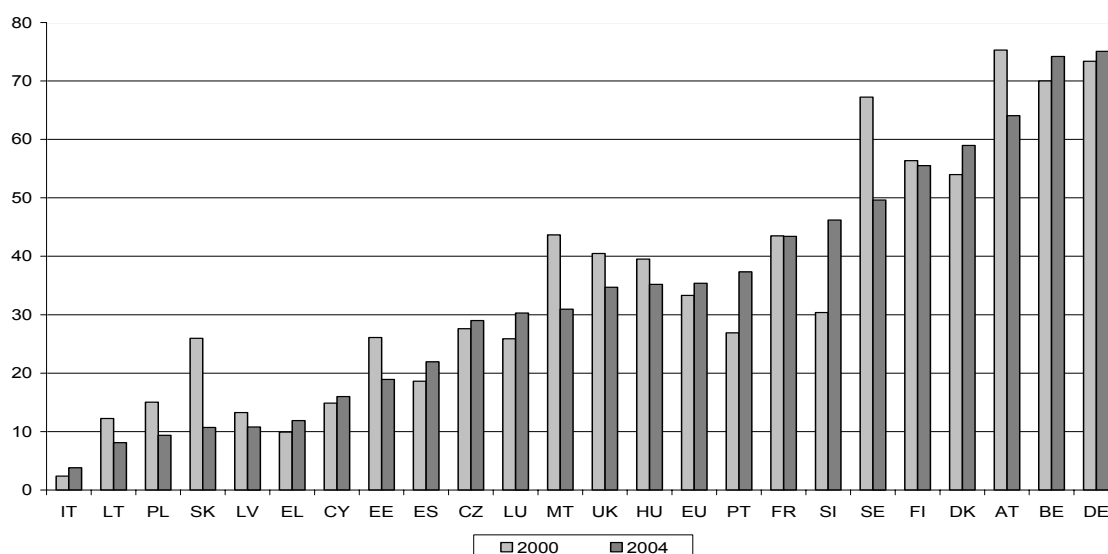
3.4.1. Benefit recipients

In the calculations, those becoming unemployed are assumed to be entitled to and in receipt of unemployment benefits which, in most countries, requires participation in certain job-search activities and may depend on whether job losses qualify as involuntary. Where means-tested benefits are included in the calculations, it is assumed that people do not have any assets that would make them ineligible and that they receive all the benefits to which they are entitled (i.e. there is full benefit take-up). Clearly, coverage of the benefit system and the way it is operated are two crucial factors that are not captured by the trap indicators. For example, the imposition of sanctions can substantially modify the impact of unemployment traps in a way that indicators cannot reflect. Eligibility conditions, the duration of benefits, and their coordination with active labour market policies (in particular, as specified in Integrated Guideline No 19, job search assistance, guidance and training as part of personalised action plans, and early identification of needs), are very important features of the design of social protection benefits that need to be taken into account when interpreting the indicators.

The coverage of unemployment and other benefits varies enormously between countries, reflecting different eligibility rules and the extent to which eligible individuals apply for benefits and administrative agencies grant access to them. Unfortunately, information about the number and characteristics of beneficiaries of social protection benefits is not easily available on a cross-country comparable basis. Administrative records provide little or no information on the characteristics of benefit recipients and their households and are often not comparable across countries. On the other hand, survey information can suffer from under-reporting or misclassifications. Evidence about the level of take-up of welfare benefits is even more limited, as few government agencies regularly compile and publish data about how many eligible people take up welfare benefits.

2004 data from Labour Force Surveys show that the coverage rates, i.e. the share of those reporting themselves to be unemployed and to be receiving unemployment benefits, range from less than 5% in Italy to over 70% in Belgium and Germany (Figure 3.5).

Figure 3.5 Share of ILO unemployed people who report receiving unemployment benefits or assistance¹, 2000 and 2004

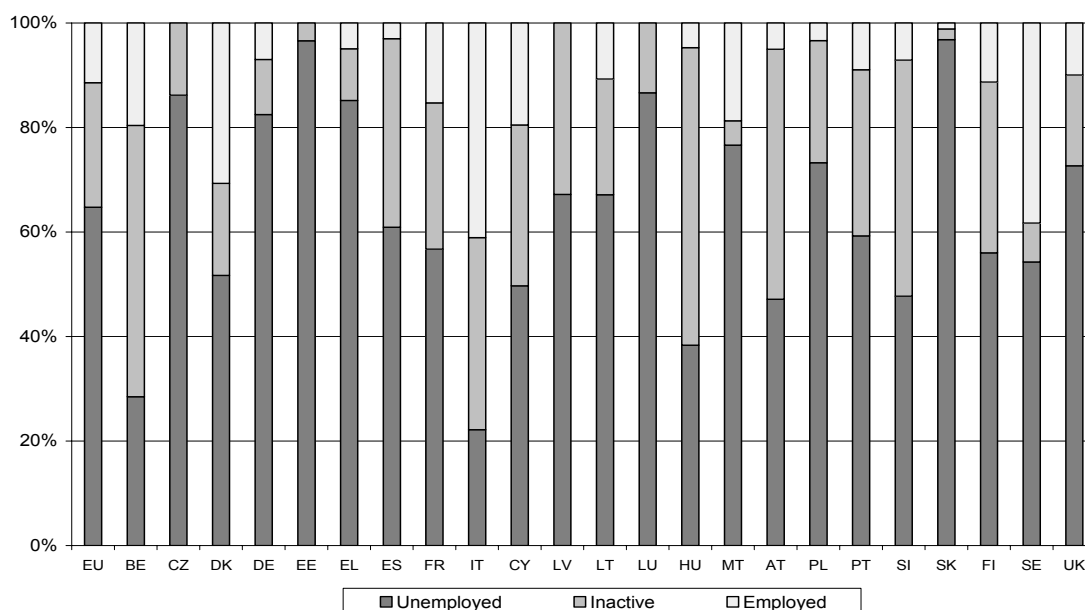


1) Countries differ in the exact wording of their questions relating to receipt of unemployment benefits or assistance. Such differences limit data comparability across countries.

Source: EU-LFS

The pattern of benefit receipt also varies significantly by age and gender. Because of their shorter (or non-existent) employment history, young people (aged 15-25 years of age) and women frequently do not have access to unemployment benefits and, when they do, the average amount of benefit paid to them tends to be lower. On average in the EU, only about 20% of the young unemployed were receiving unemployment benefit in 2004, as opposed to 40% of those aged 25 years and above. Benefit receipt is relatively high among prime-age individuals. The selection of an unemployed person who is assumed to be aged 40 and has been working without breaks from the age of 18 therefore introduces a generosity bias in the calculations of the unemployment trap. Furthermore, many individuals who receive unemployment benefits are not classified as unemployed in labour force surveys, but as inactive or employed (Figure 3.6). In some countries such as Belgium and Hungary, the proportion of unemployment benefit recipients who are classified as inactive is more than half the total number of recipients.

Figure 3.6 Share of persons receiving unemployment benefits or assistance¹ by labour force status, 2004



1) Countries differ in the exact wording of their questions relating to receipt of unemployment benefits or assistance. Such differences limit data comparability across countries.

Source: EU-LFS

As for the other type of benefits included in the calculations, household income survey-based evidence reviewed by Immervoll *et al* (2004)¹ reveals that on average in the countries where recent data are available, around 10% of non-elderly households report having received social assistance and housing benefits where they exist. Furthermore, large proportions of non-elderly households supported by unemployment-related benefits also receive some other types of social protection benefits at the same time. Unemployment benefits are most often combined with housing, sickness and, to a lesser extent, social assistance benefits.²

3.4.2. Representativeness of the household types

All indicators are computed for a particular set of individuals and families whose characteristics, including age, previous employment record and housing costs, have been chosen to illustrate the most relevant mechanisms built into the tax and benefit systems rather than being representative of

¹ *Op cit*, footnote 26.

² This analysis of multiple benefit reciprocity among households supported by unemployment benefits excludes "non work-related benefits" that are available on a quasi-universal basis (e.g. family benefits)

the underlying population. The particular circumstances of individuals and households can be chosen to illustrate policy-relevant situations, such as lone parenthood or low wage potential. Furthermore, calculations based on household types that do not change over time provide a stable point of reference and are therefore an essential prerequisite for identifying tax-benefit reform priorities (Immervoll *et al.* 2004). However, "stylised household" calculations cannot be used to address essential distributional issues such as how many individuals are faced with particular tax-benefit situations or what fraction of a population is likely to gain or lose from a specific policy reform, nor are they useful in measuring the budgetary cost of particular tax-benefit reforms.

It is useful to at least assess the degree of representativeness of the household types in the calculations of tax-benefit indicators, which are: single persons, lone parents, married couples without children and married couples with two children. These family types cover a large share of the population in all the countries. In EU countries, on average, something close to 50% of non-elderly households are either single or two-adult households, with or without children (Table 3.5). However, there are significant differences across countries in the relative numbers of each household type considered. Much the same can be said about the assumptions concerning earnings levels and hours of work.

Table 3.5 The structure of private households by type, 2004

	Single adults, no children	- Under 65	- 65 years and over	Single parents	Two adults below 65	Two adults at least one aged 65+, no children	Two adults, 1 child	Two adults, 2 children	Two adults, 3 or more children	Three or more adults
EU	28	16	12	4	16	13	9	10	3	16
BE	27	19	9	6	18	12	9	11	5	11
CZ	25	13	12	5	17	12	10	13	3	16
DK	33	27	6	4	24	11	8	10	3	7
DE	36	22	14	4	18	14	8	8	3	10
EE	25	18	7	6	15	11	11	11	3	17
EL	25	13	11	2	14	15	10	13	3	20
ES	16	7	8	2	13	14	12	13	3	29
FR	31	19	12	5	18	13	10	10	5	8
IE	:	:	:	:	:	:	:	:	:	:
IT	25	11	14	2	11	14	11	11	3	23
CY	15	8	7	2	15	14	10	13	8	24
LV	22	12	9	5	12	12	11	9	3	27
LT	24	11	13	5	10	11	11	11	3	25
LU	20	11	9	3	16	13	12	16	7	13
HU	25	12	14	4	15	12	10	11	4	19
MT	14	5	9	1	10	11	11	16	5	30
NL	32	21	12	3	22	11	7	10	4	12
AT	34	21	13	3	16	10	9	8	3	16
PL	19	9	9	4	12	11	12	12	5	26
PT	17	7	10	2	12	15	15	11	2	26
SI	23	11	13	3	13	13	10	10	2	25
SK	19	8	11	3	11	10	10	13	5	29
FI	34	26	8	2	20	13	7	7	4	14
SE	:	:	:	:	:	:	:	:	:	:
UK	31	18	13	7	19	12	7	9	4	12

Source: EU-LFS

Given the large number of individual and household characteristics that influence tax and benefit liabilities and entitlements, indicators of the type presented in this analysis are sensitive to the choice of particular circumstances. While a range of standard household types does provide a good

overall picture of many features of tax-benefit policies, particular family types may be subject to other, and possibly significantly different, tax-benefit rules. In order to be able to analyse these, it would be important not to concentrate on a limited number of household types and to allow for a different treatment of each country's particular situation.

3.4.3. Other driving forces affecting labour supply decisions of household members: long-term financial incentives and non-financial factors

All calculations relate to current income and therefore do not take into account any longer-term effects of today's labour market status on future earnings, pension entitlements, re-qualification for unemployment insurance benefits, etc. This results in a rather short-sighted view of the financial incentives potentially affecting the labour supply decisions of individuals. To the extent that individuals are aware of the future income implications of today's work and take them into account when considering their labour market status, it would clearly be desirable to allow for them when considering work incentives. For example, by considering the implications of out-of-work spells on future pension entitlements, a life-course perspective of the trap indicators could analyse additional aspects of the financial consequences resulting from different employment patterns. Due to the difficulties inherent in implementing this life-course approach, such an extension of the model is not (yet) foreseen. However, for groups with low wage potential who frequently face liquidity constraints and who may only be entitled to a minimum pension, current incomes may, in any case, often be the most immediate concern.

In general, financial incentives as measured by the trap indicators examined in this chapter constitute only one element in the labour supply decisions of individuals. Other important factors are at play in determining work attractiveness, such as the quality of work, the extent to which work and family life can be reconciled and access to quality childcare services. All these factors have to be considered in order to design a coherent and comprehensive policy package to make work pay.

METHODOLOGICAL NOTES AND STATISTICAL TABLES

ANNEX I.A. THE COMMONLY AGREED INDICATORS OF POVERTY AND SOCIAL EXCLUSION

Background

In December 2001, the Laeken European Council endorsed a set of 18 indicators of social exclusion and poverty, organised in a two-level structure of primary indicators – consisting of 10 leading indicators covering the broad fields considered to be the most important elements leading to social exclusion – and 8 secondary indicators – intended to support the leading indicators and describe other dimensions of the problem.

After the Laeken European Council, the Indicators Sub-Group has continued working with a view to refining and consolidating the original list of indicators. It highlighted the need to give children a special focus and, to this purpose, to have a standard breakdown by age of all the Laeken indicators, whenever relevant and meaningful (and conditional upon statistical reliability); it added two new indicators, in-work poverty and reading literacy under-performance of 15-year old pupils, and one new breakdown for the at-risk of poverty rate by work intensity of the household. The ISG also agreed on a set of mandatory guidelines for monitoring the social inclusion situation of immigrants: it adopted a new indicator of employment gap of immigrants, whereby immigrants are defined on the basis of their "country of birth" (leaving up to each Country to decide whether to include nationals born abroad or not, as appropriate); and stipulated that this indicator needs to be supplemented by relevant available national data covering other key aspects of the social inclusion of immigrants (e.g. in the form of breakdowns of other inclusion indicators by migrant/non migrant).

The revised list of commonly agreed indicators of social exclusion and poverty, together with their definition and an indication of where a breakdown by age and gender is recommended, is included in the table below.

The primary indicators of social exclusion and poverty

	Indicator	Definition	Age break-down	Gender break-down	Data source
1	At-risk-of poverty rate	Share of persons with an equivalised disposable income below 60% of the national equivalised median income. Equivalised median income is defined as the household's total disposable income divided by its "equivalent size", to take account of the size and composition of the household, and is attributed to each household member.	Yes. Age groups: 0-15; 16+; 16-24; 25-49; 50-64; 65+	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
1 a	Poverty risk by household type	Poverty risk for the total population in the following household types: <u>Households with no dependent children:</u> - Single person, under 65 years old - Single person, 65 years and over - Single women - Single men - Two adults, at least one person 65 years and over - Two adults, both under 65 years - Other households <u>Households with dependent children:</u> - Single parent, 1 or more dependent children - Two adults, one dependent child - Two adults, two dependent children - Two adults, three or more dependent children - Three or more adults with dependent children Dependent children are individuals aged 0 – 15 years and 16 – 24 years if inactive and living with at least one parent.	Already specified in the typology of households	Already specified in the typology of households	EU SILC/ Transitional national data sources
1 b	Poverty risk by the work intensity of households	Poverty risk for the total population in different work intensity categories and broad household types. The work intensity of the household refers to the number of months that all working age household members have been working during the income reference year as a proportion of the total number of months that could theoretically be worked within the household. Individuals are classified into work intensity categories that range from WI=0 (jobless household) to WI=1 (full work intensity).	No	No	EU SILC/ Transitional national data sources
1 c	Poverty risk by most frequent activity status	Poverty risk for the adult population (aged 16 years and over) in the following most frequent activity status groups: employment (broken down by wage and salary employment and self-employment); unemployment; retirement; other inactivity. The most frequent activity status is defined as the status that individuals declare to have occupied for more than half the number of months in the calendar year.	Yes	Yes	EU SILC/ Transitional national data sources

	Indicator	Definition	Age break-down	Gender break-down	Data source
1 d	Poverty risk by accommodation tenure status	Poverty risk for the total population in the following accommodation tenure categories: - Owner-occupied or rent free - Rented	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
2	At-risk-of-poverty threshold (illustrative values)	The value of the at-risk-of-poverty threshold (60% median national equivalised income) in PPS, Euro and national currency for two illustrative household types: - Single person household - Household with 2 adults, two children	No	No	EU SILC/ Transitional national data sources
3	Income quintile ratio (S80/S20)	Ratio of total income received by the 20% of the country's population with the highest income (top quintile) to that received by the 20% of the country's population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.	No	No	EU SILC/ Transitional national data sources
4	Persistent at-risk-of poverty rate	Share of persons with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years.	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
5	Relative median poverty risk gap	Difference between the median equivalised income of persons below the at-risk-of poverty threshold and the threshold itself, expressed as a percentage of the at-risk-of poverty threshold.	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
6	Regional cohesion	Coefficient of variation of employment rates at NUTS (Nomenclature of Territorial Units for Statistics) level 2. Employment rates are calculated as the share of the population (aged 15 years or more) who are in employment (ILO definition).	No	Yes	EU LFS
7	Long term unemployment rate	Total long-term unemployed population (≥ 12 months; ILO definition) as a proportion of total active population aged 15 years or more.	Yes	Yes	EU LFS
8 a	Population living in jobless households: children	Proportion of children (aged 0-17 years) living in jobless households, expressed as a share of all children.	No	No	EU LFS
8 b	Population living in jobless households: prime-age adults	Proportion of all people aged 18-59 years who live in a jobless household as a proportion of all people in the same age group. Students aged 18-24 years who live in households composed solely of students are not counted in neither numerator nor denominator.	No	Yes	EU LFS

	Indicator	Definition	Age break-down	Gender break-down	Data source
9	Early school leavers not in education or training	Share of persons aged 18 to 24 who have only lower secondary education (their highest level of education or training attained is 0, 1 or 2 according to the 1997 International Standard Classification of Education – ISCED 97) and have not received education or training in the four weeks preceding the survey.	No	Yes	EU LFS
10	Low reading literacy performance of pupils	Share of 15 years old pupils who are at level 1 or below of the PISA combined reading literacy scale	No	Yes	PISA Survey OECD
11	Life expectancy	Number of years a person aged 0, 1 and 60 may be expected to live.	No	Yes	Eurostat demographic stat.
12	Employment gap of immigrants	Employment gap of immigrants - i.e. "born abroad" (it is up to each Country to decide whether to include nationals born abroad or not, as appropriate) This indicator needs to be supplemented by relevant national data covering other key aspects of inclusion of immigrants.	Possibly	Yes	EU-LFS

The Secondary Indicators of social exclusion and poverty

	Indicator	Definition	Age break-down	Gender break-down	Data source
1 3	Dispersion around the at-risk-of-poverty threshold	Share of persons with an equivalised disposable income below 40%, 50% and 70% of the national equivalised median income.	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
1 4	At-risk-of-poverty rate anchored at a moment in time	In year <i>t</i> , share of persons with an equivalised disposable income below the at-risk-of-poverty threshold in year <i>t-3</i> , uprated by inflation over the three years.	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
1 5	At-risk-of-poverty rate before social cash transfers	Relative at-risk-of-poverty rate where equivalised income is calculated as follows: - excluding all social cash transfers - including retirement and survivors pensions and excluding all other social cash transfers. - including all social cash transfers (= indicator 1) The same at-risk-of-poverty threshold is used for the three statistics, and is set at 60% of the national median equivalised disposable income (after social cash transfers).	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
1 6	Gini coefficient	Summary measure of the cumulative share of equivalised income accounted for by the cumulative percentages of the number of individuals. Its value ranges from 0% (complete equality) to 100% (complete inequality).	No	No	EU SILC/ Transitional national data sources
1 7	Persistent at-risk-of-poverty rate (50% of median equivalised income)	Share of persons with an equivalised disposable income below 50% of the national median equivalised income in the current year and in at least two of the preceding three years.	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
1 8	In-work poverty risk	Individuals who are classified as employed (distinguishing between wage and salary employment and self-employment) according to the definition of most frequent activity status (indicator 1a) and who are at risk of poverty. This indicator needs to be analysed according to personal, job and household characteristics.	Yes	Yes (applying to people aged 16 years and over).	EU SILC/ Transitional national data sources
1 9	Long-term unemployment share	Total long-term unemployed population (≥ 12 months; ILO definition) as a proportion of the total unemployed population aged 15 years and over.	Yes	Yes	EU LFS

	Indicator	Definition	Age break-down	Gender break-down	Data source
20	Very long term unemployment rate	Total very long-term unemployed population (≥ 24 months; ILO definition) as a proportion of total active population aged 15 years and over.	Yes	Yes	EU LFS
21	Persons with low educational attainment	Share of the adult population (aged 25 years and over) whose highest level of education or training is ISCED 0, 1 or 2.	Yes. Age groups: 25-34; 35-44; 45-54; 55-64; 25-64; 65 years and over.	Yes	EU LFS

ANNEX I.B INDICATORS OF INCOME AND LIVING CONDITIONS: DATA SOURCES

EU-SILC

In order to improve cross-country comparability of the EU commonly-agreed indicators, the Laeken European Council agreed upon common definitions as well as common data sources for their calculation. This principle has also been applied, whenever possible, to indicators in the area of adequate and sustainable pensions.

The income-based indicators of poverty and social exclusion as well as pensions were originally specified to be calculated on the basis of the European Community Household Panel survey (ECHP). This pioneering survey was developed in collaboration with Member States and was implemented on a gentleman's agreement basis with effect from 1994; it was discontinued in 2001. The reference source of statistics on income and social exclusion is now data collected under the European Survey on Income and Living Conditions (EU-SILC) framework regulation (no.1177/2003). Technical aspects of this instrument are developed through Commission implementing regulations, which are published in the Official Journal.

The EU-SILC project was launched in 2003 in six Member States (Belgium, Denmark, Greece, Ireland, Luxembourg and Austria). With effect from the 2005 exercise there will be complete coverage of the EU and some neighbouring countries. Validated cross-sectional microdata covering all EU countries are thus expected to be available in late 2006.

Compared to the ECHP income definition, the EU-SILC total household gross and disposable income and the different income components were redefined to follow as closely as possible the international recommendations of the UN 'Canberra Manual'. A key objective of EU-SILC is to deliver timely, robust and comparable data on total disposable household income, total disposable household income before transfers, total gross income and gross income at component level (in the ECHP, the income components were recorded net). This objective will be reached in two steps, insofar as Member States will be allowed to postpone the delivery of gross income at component level and of total household gross income data until after the first year of their operations.

Although certain countries (eg. Denmark) are already able to supply income including imputed rent - i.e. the money that one saves on full (market) rent by living in one's own accommodation or in accommodation rented at a price that is lower than the market rent -, for reasons of comparability, the income definition underlying the calculation of indicators currently excludes imputed rent. This could have a distorting effect in comparisons between countries, or between population sub-groups, when accommodation tenure status varies. This impact may be particularly apparent for the elderly who may have been able to accumulate wealth in the form of housing assets. In the tables of Annex III, data for Denmark are shown both with and without imputed rent, so as to provide an illustration of the impact of this income component on the results. Once imputed rent is taken into account, the at-risk-of-poverty rate is reduced for people aged 65 years or more, the inactive other than pensioners and those living in owner-occupied accommodation.

Data sources used during the transition to EU-SILC

During the transition to EU-SILC, Eurostat is coordinating data collection on the basis of national sources for those countries that have not yet launched EU-SILC. These national

sources have been harmonised as far as possible with the EU-SILC methodology. Whilst every effort is made to maximise consistency of definitions and concepts, the resulting indicators cannot be considered to be fully comparable. For additional information, see the Eurostat working paper KS-CC-05-006-EN-N “Continuity of indicators during the transition between ECHP and EU-SILC”.

The table below presents the different sources used for the calculation of income-based indicators of poverty and social exclusion used in this report and shown in the tables of Annex III.

Country	Source	Country	Source
BE	EU-SILC 2004	LU	EU-SILC 2004
CZ ¹	Microcensus 2003	HU	Household Budget Survey 2003
DK	EU-SILC 2004	MT ²	Household budget survey 2003
DE	German Socio-Economic Panel (GSOEP) 2004	NL	Income Panel Survey 2003
EE	Household Budget Survey 2003	AT	EU-SILC 2004
EL	EU-SILC 2004	PL	Household Budget Survey 2003
ES	EU-SILC 2004	PT	EU-SILC 2004
FR	EU-SILC 2004	SI	Household Budget Survey 2003
IE	EU-SILC 2004	SK	Extrapolations based on Microcensus 2003
IT	EU-SILC 2004	FI	EU-SILC 2004
CY	Family expenditure survey 2003	SE	EU-SILC 2004
LV	Household Budget Survey 2003	UK	Family resources survey 2003
LT	Household Budget Survey 2003		

1) Data for the Czech Republic refer to income year 2002.

2) The latest available data for Malta, referring to income year 2000, are shown in the statistical annex but they are not analysed in Chapter I of the Technical Annex.

The reference year for the data is the year to which information on income refers (i.e., the "income year"), which in most cases differs from the survey year in which the data have been collected. Namely, 2003 data refer to the income situation of the population in 2003, even if the information has been collected in 2004. EU aggregates are computed as population-weighted averages of available national values.

Limitations

The limited sample size of certain data sources used for the collection of income data and the fact that data on disposable income are based on information provided by respondents, rather than from administrative registers or other sources, raises some concerns of data quality. This is particularly the case for information on income at the two ends of the income distribution.

Furthermore, household surveys do not cover persons living in collective households, homeless persons or other difficult-to-reach groups.

It must also be acknowledged that self-employment income is difficult to collect, whatever the data source. And last but not least, it must be kept in mind that the difficulty to capture income from the informal economy can introduce a bias in the income distribution as measured by surveys.

Finally, whilst it is considered to be the best basis for such analyses, income is acknowledged to be an imperfect measure of consumption capabilities and welfare as amongst other things it does not reflect access to credit, access to accumulated savings or ability to liquidate accumulated assets, informal community support arrangements, aspects of non monetary deprivation, differential pricing and other aspects. These factors may be of particular relevance for persons at the lower end of the income distribution. The bottom 10 per cent of the income distribution should not, therefore, necessarily be interpreted as having the bottom 10 per cent of living standards. This is why reference is made to the "at-risk-of-poverty" rate rather than simply the poverty rate.

ANNEX IC. STATISTICAL TABLES

Table 1. Economic context

	EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK
Growth rate of GDP at constant prices (2000) - percentage change over previous year																										
2004	2.4	2.6	4.7	1.9	1.6	7.8	4.7	3.1	2.3	4.5	1.1	3.9	8.5	7	4.5	4.6	-1.5	1.7	2.4	5.3	1.1	4.2	5.5	3.6	3.7	3.1
2005	1.6	1.4	6	3.4	0.9	8.4	3.7	3.4	1.5	4.4	0	3.8	10.2	7.5	4.2	4.1	2.5	0.9	1.7	3.2	0.3	3.9	6	2.1	2.7	1.8
2006 f	2.1	2.1	4.4	2.3	1.2	7.2	3.4	3.2	1.8	4.8	1.5	4	7.7	6.2	4.4	3.9	0.7	2	1.9	4.3	0.8	4	5.5	3.5	3	2.3
GDP per capita in Purchasing Power Standards (PPS), (EU-25 = 100)																										
1995	100	120.4	68.3	122.9	119.4	33.3	70.3	86.8	113.5	97.8	116.4	80.8	29.3	33.5	174.2	48.6		117.2	125.9	40.4	75.1	67.7	43.7	104.1	116.5	107.7
2000	100	116.9	63.8	126.4	112.1	41.1	73.0	92.5	113.8	126.3	113.5	81.0	35.4	38.2	215.5	53.0	78.0	119.8	126.0	46.9	80.6	73.0	47.2	113.2	119.2	112.7
2004	100	118.4	70.3	121.8	108.7	51.2	82.0	97.6	109.3	137.1	105.8	82.8	42.8	47.8	226.2	60.1	69.2	124.4	122.7	48.8	72.4	79.1	51.9	112.3	117.4	116.2
2005 f	100	118.1	73.3	123.9	108.2	54.9	83.7	98.0	109.0	138.1	103.7	83.8	46.8	51.0	230.8	61.9	69.5	123.6	122.2	49.8	71.2	80.9	54.2	112.7	118.5	116.0
2006 f	100	118.1	75.0	124.3	107.5	58.0	84.7	97.9	108.3	139.5	103.1	84.6	49.6	53.2	235.0	63.3	68.4	123.4	121.6	51.0	70.0	82.6	56.1	114.2	119.3	115.9
General government debt - General government consolidated gross debt as a percentage of GDP																										
2000	62.9	109.1	18.2	52.3	60.2	4.7	114	61.1	56.8	38.3	111.2	61.6	12.9	23.8	5.5	55.4	56.4	55.9	67	36.8	53.3	27.4	49.9	44.6	52.8	42
2002	61.4	105.4	29.8	47.6	61.2	5.8	111.6	53.2	58.8	32.4	108.3	65.2	14.2	22.4	6.8	55.5	63.2	51.3	66.7	41.2	56.1	29.8	43.7	42.3	52.4	38.2
2003	63	100	36.8	45	64.8	6	108.8	49.4	63.2	31.5	106.8	69.8	14.6	21.4	6.7	57.4	72.8	52.6	65.1	45.3	57.7	29.4	43.1	45.2	52	39.7
2004	63.4	95.7	36.8	43.2	66.4	5.5	109.3	46.9	65.1	29.8	106.5	72	14.7	19.6	6.6	57.4	75.9	53.1	64.3	43.6	59.4	29.8	42.5	45.1	51.1	41.5
Employment growth - Annual percentage change in employed population																										
Total																										
2002	0.5	-0.2	0.8	-0.2	-0.6	1.3	0.1	2.4	0.7	1.8	1.8	2	2.3	4	3	0	-0.7	0.5	-0.1	-1.9	0.5	1.6	-0.5	0.9	0.1	0.8
2003	0.3	-0.1	1.8	-1.2	-1	1.5	1.6	2.6	-0.1	2	1.2	1.1	1	2.3	1.8	1.3	-0.7	-0.6	0.1	-1.2	-0.4	-0.2	1.8	0	-0.3	1
2004	0.6	0.6	0.1	0	0.4	0	4.1	2.6	0	3.1	0.9	1.5	1.1	-0.1	2.6	-0.7	1.4	-1.4	0	-0.3	0.1	0.4	-0.3	0.3	-0.5	1
Women																										
2002	1.2	0.8	0.3	-0.1	0.5	1.4	1.2	3.9	1.7	3.3	2.5	4.1	1.2	1.6	5.8	0.2	4.5	1.5	1.8	-1.3	0.8	1.7	-1.4	2.2	0.5	1.2
2003	0.7	1.2	1.6	-2	-0.3	1.3	2.5	4.6	0.4	2.7	1.7	2.1	0.5	1.9	10.5	2.1	-0.7	0.3	-0.2	-1.2	0.4	-0.8	1.8	-0.2	-0.3	0.9
2004	1.1	0.7	0.1	0.8	0.6	1.3	5.1	4.6	0.5	3.3	4.3	-0.6	1.3	-1.3	1.6	-0.8	-0.9	-1	0.3	-0.8	0.3	0.8	-1.7	0.2	-0.7	1.2
Men																										
2002	0.0	-0.8	1.1	-0.3	-1.4	1.1	-0.5	1.5	-0.1	0.7	1.4	0.5	3.3	6.5	1.4	-0.1	-2.8	-0.3	-1.7	-2.3	0.2	1.4	0.2	-0.2	-0.2	0.4
2003	0.0	-1	1.9	-0.5	-1.4	1.7	1.1	1.4	-0.5	1.5	0.8	-0.1	1.6	2.6	-3.6	0.6	-0.7	-1.3	0.4	-1.2	-1.1	0.3	1.8	0.2	-0.4	1
2004	0.1	0.5	0	-0.6	0.2	-1.4	3.5	1.4	-0.5	2.9	-1.2	3.5	1	1.1	3.2	-0.6	2.4	-1.7	-0.3	0.2	-0.1	0	0.8	0.4	-0.4	0.8

f = forecast r = revised value e = estimate

Source: Eurostat, Structural indicators database

Table 2. Demographic context

	EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK
Total population (in thousands)																										
1.1.2004	457189	10396	10212	5398	82532	1351	11041	42345	60200	4028	57888	730	2319	3446	452	10117	400	16258	8140	38191	10475	1996	5380	5220	8976	59700
1.1.2005	459488	10446	10221	5411	82501	1347	11076	43038	60561	4109	58462	749	2306	3425	455	10098	403	16306	8207	38174	10529	1998	5385	5237	9011	60035

Source: Eurostat - First demographic estimates.

Population growth rates (per 1000 population)

Average annual growth rate 1980-1990

Total increase	3.0	0.9	0.4	0.3	1.2	6.7	5.6	4.3	5.3	3.4	0.5	12.3	6.3	8.5	4.3	-3.1	9.3	5.7	1.3	7.4	2.9	5.5	6.5	4.3	2.7	2.1
Natural increase	2.6	1.1	0.7	-0.4	-1.0	3.9	3.5	4.7	4.8	9.8	0.9	10.9	2.9	6.2	1.1	-1.5	8.9	4.7	0.2	8.8	4.4	4.0	8.0	3.9	1.3	1.9
Net migration	0.3	-0.1	-0.2	0.7	2.2	2.8	2.1	-0.4	0.5	-6.4	-0.3	1.4	3.4	2.3	3.2	-1.6	0.4	1.0	1.1	-1.4	-1.5	1.4	-1.4	0.4	1.4	0.2

Average annual growth rate 1990-2000

Total increase	2.8	2.9	-0.8	3.8	3.9	-12.6	7.7	2.9	3.8	7.7	0.4	20.6	-10.7	-4.9	14.3	-1.5	7.9	6.5	4.7	1.6	2.0	-0.4	2.1	4.0	3.9	3.8
Natural increase	1.1	1.5	-1.2	1.4	-1.1	-3.3	0.3	0.9	4.1	6.3	-0.3	8.2	-4.4	0.5	4.5	-3.6	6.3	4.5	1.0	2.0	1.0	0.2	2.7	2.8	1.4	2.1
Net migration	1.7	1.4	0.4	2.4	4.9	-9.4	7.5	2.0	-0.2	1.4	0.7	12.4	-6.3	-5.4	9.9	2.1	1.6	2.0	3.6	-0.4	1.0	-0.6	-0.6	1.2	2.5	1.7

Average annual growth rate 2000-2004/5

Total increase	2.0	2.0	-0.6	1.5	0.4	-1.8	1.6	7.2	3.0	8.4	2.7	8.2	-3.2	-2.5	4.8	-1.2	5.7	2.7	2.5	-1.2	3.2	0.5	-0.3	1.3	1.7	2.1
Natural increase	0.3	0.5	-0.8	0.7	-0.7	-1.9	0.0	0.7	2.0	3.8	-0.2	2.1	-2.6	-1.3	1.9	-1.8	1.3	1.9	0.1	0.0	0.4	-0.3	0.0	0.7	0.1	0.7
Net migration	1.7	1.5	0.2	0.8	1.1	0.0	1.6	6.5	1.0	4.6	2.8	6.1	-0.6	-1.2	2.9	0.6	4.5	0.9	2.4	-1.2	2.8	0.8	-0.3	0.5	1.5	1.4

Total fertility rate*

1970	2.3	2.3	1.9	2.0	2.0	2.2	2.4	2.9	2.5	3.9	2.4	2.5	2.0	2.4	2.0	2.0	2.0	2.6	2.3	2.2	2.8	2.1	2.4	1.8	1.9	2.4
1980	1.9	1.7	2.1	1.6	1.6	2.0	2.2	2.2	2.0	3.3	1.6	2.5	1.9	2.0	1.5	1.9	2.0	1.6	1.7	2.3	2.2	2.1	2.3	1.6	1.7	1.9
1990	1.6	1.6	1.9	1.7	1.5	2.0	1.4	1.4	1.8	2.1	1.3	2.4	2.0	2.0	1.6	1.9	2.1	1.6	1.5	2.0	1.6	1.5	2.1	1.8	2.1	1.8
2000	1.5	1.7	1.1	1.8	1.4	1.3	1.3	1.2	1.9	1.9	1.2	1.6	1.2	1.4	1.8	1.3	1.7	1.7	1.4	1.3	1.6	1.3	1.3	1.7	1.5	1.6
2004	1.5	1.6	1.2	1.8	1.4	1.4	1.3	1.3	1.9	2.0	1.3	1.5	1.2	1.3	1.7	1.3	1.4	1.7	1.4	1.2	1.4	1.2	1.3	1.8	1.8	1.7

* The total fertility rate is the average number of children that would be born alive to a woman during her lifetime if current fertility rates were to continue.

Population structure by age (percentage of total), 2004

Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
0-14	16	17	15	19	15	16	15	15	19	21	14	20	15	18	19	16	18	19	16	17	16	15	18	18	18	18
15-24	13	12	14	11	12	15	13	13	13	16	11	16	15	15	12	13	15	12	12	17	13	14	17	13	12	13
25-49	37	36	37	36	37	35	37	40	35	37	38	36	35	36	39	36	35	37	38	36	37	38	38	34	34	35
50-64	18	18	20	20	19	18	17	16	17	15	19	16	18	16	17	19	19	18	18	17	17	18	17	20	20	18
65-79	13	13	11	11	14	13	15	13	12	9	14	9	13	12	11	12	10	10	11	11	13	12	9	12	12	12
80 and over	4	4	3	4	4	3	3	4	4	3	5	3	3	3	3	3	3	3	4	2	4	3	2	4	5	4

Source: Eurostat - Demographic statistics.

Table 2. Demographic context (cont.)

Average number of persons per household

2004	2.5	2.5	2.5	2.2	2.1	2.6	2.6	2.9	2.3	:	2.6	3.0	2.8	2.9	2.7	2.6	3.1	2.3	2.4	3.0	2.8	2.6	3.1	2.3	:	2.3
2005	2.5	2.4	2.5	2.2	2.1	2.5	2.5	2.9	2.4	:	2.5	3.0	2.7	2.9	2.7	2.6	3.1	2.3	2.3	3.0	2.8	2.7	3.1	2.3	:	2.3

Source: Eurostat - European Labour Force Survey, Spring results

Population living in private households by household type, 2005 (percentage of total population)

- Single adults, no children	14.6	12.5	10.3	14.9	17.2	9.7	9.9	5.8	13.1	7.6	11.4	5.1	7.8	8.5	7.7	9.7	4.2	14.1	14.9	0.0	5.9	9.1	5.5	15.7	:	13.5	
<i>of which:</i>																										:	
- Single men	6.1	5.4	3.8	7.7	7.3	3.9	3.7	2.4	5.3	3.4	4.4	1.6	2.8	2.4	3.2	3.0	1.6	6.4	6.3	0.0	2.0	3.1	1.6	6.9	:	6.0	
- Single women	8.5	7.1	6.5	7.2	9.8	5.8	6.1	3.4	7.8	4.2	7.1	3.5	4.9	6.2	4.5	6.7	2.6	7.8	8.6	0.0	4.0	6.0	3.9	8.9	:	7.5	
- Under 65	8.8	7.7	5.3	12.0	10.6	6.7	5.4	2.7	7.8	4.1	5.2	2.8	4.5	3.6	4.3	4.4	1.6	9.3	9.6	0.0	2.4	4.2	2.3	12.0	:	7.9	
- 65 and over	5.9	4.8	5.0	2.9	6.5	3.0	4.5	3.0	5.2	3.6	6.3	2.2	3.3	4.9	3.4	5.3	2.6	4.9	5.3	0.0	3.5	4.9	3.2	3.7	:	5.6	
- Single parents	4.5	6.6	4.6	4.9	4.4	6.4	1.6	1.9	5.3	3.4	2.0	2.1	4.8	4.2	3.3	3.8	1.8	3.5	3.8	0.0	2.5	2.3	2.4	2.4	:	8.4	
- 2 adults below 65, no children	14.4	14.1	13.6	21.7	16.9	11.5	10.3	9.2	14.7	11.4	9.1	10.3	9.6	6.8	12.1	11.5	7.1	18.6	13.8	0.0	8.4	8.9	7.3	17.8	:	16.7	
- 2 adults, at least one aged 65+, no children	11.5	11.3	9.6	9.7	12.9	11.0	12.5	9.3	10.9	6.6	11.0	9.5	9.2	7.2	9.7	9.4	8.3	9.7	9.2	0.0	10.3	8.8	7.1	10.3	:	10.6	
- 3 or more adults, no children	14.9	10.3	13.5	6.3	9.7	11.6	20.0	23.0	7.2	25.8	19.2	15.5	17.4	11.7	9.3	14.6	21.3	10.9	14.1	0.0	19.8	21.7	17.4	13.0	:	11.3	
- 2 adults, 1 child	12.4	10.5	12.5	10.2	11.5	14.3	11.2	12.2	12.4	6.8	13.3	10.6	11.0	10.7	12.6	11.4	10.1	9.2	11.0	0.0	16.7	10.9	8.7	9.6	:	9.6	
- 2 adults, 2 children	17.1	16.9	20.0	17.8	14.3	16.1	18.6	17.3	18.9	10.8	17.2	16.8	10.8	15.4	23.0	15.8	18.4	16.6	14.2	0.0	15.7	17.0	15.9	13.2	:	13.8	
- 2 adults, 3 or more children	7.4	10.0	5.5	8.2	6.1	5.5	5.4	4.1	11.0	9.9	5.2	12.3	4.9	5.8	12.5	8.1	8.5	8.3	5.9	0.0	4.0	5.0	8.7	9.0	:	7.7	
- 3 or more adults,	12.4	7.8	10.4	6.4	7.0	13.8	10.5	17.2	6.5	17.6	11.7	17.9	24.6	29.6	9.7	15.6	20.2	9.1	13.2	0.0	16.7	16.3	27.1	9.0	:	8.4	

EU aggregates based on available country data

Source: Eurostat - European Labour Force Survey 2003, Spring results. Annual averages for DK and FI.

Table 3. Labour market context

		EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SL	SK	FI	SE	UK
Activity rates (% of population aged 15-64)																											
1998																											
	Total	68	63.5	72	79.7	70.8	72.2	63.2	63	68.4	65.6	59	:	69.8	72.1	62.1	58.7	:	73	71	65.7	70.6b	68.2	69.3	72.3	76.2	75.4
	Male	77.4	72.8	80	83.8	79.2	79	77.6	77.3	75.2	78.2	73.6	:	76.4	78.2	75.9	66.6	:	82.6	80.3	72.8	79.3b	72.6	77.2	75.6	79	83.2
	Female	58.7	54	64	75.6	62.2	66.4	49	48.9	61.9	52.9	44.6	:	63.9	66.5	48.1	51.2	:	63.2	61.7	58.8	62.3b	63.6	61.7	69.1	73.5	67.4
2000																											
	Total	68.7	65.1	71.3	80	71.1	70.2	63.8	65.4	68.7	68.2	60.1	69.1	67.2	70.8	64.1	60.1	58	75.2	71	65.8	71.4	67.5	69.9	74.5	77.3	75.4b
	Male	77.4	73.7	79.1	84.2	78.9	75.6	77.4	78.8	75.2	79.9	74.1	81.4	72.7	74.5	76.3	67.9	80.5	84.1	80.1	71.7	79.2	71.9	76.8	77.2	79.8	82.8b
	Female	60	56.4	63.6	75.6	63.3	65.3	50.5	52	62.4	56.3	46.3	57.7	62.1	67.3	51.6	52.7	35.2	66	62	59.9	63.9	62.9	63.2	71.9	74.8	68.2b
2002																											
	Total	69	64.8	70.6	79.6	71.7	69.3	64.2	66.2	69.1	68.6	61.1	71.2	68.8	69.6	65.2	59.7	58.5	76.5	71.6	64.6	72.7	67.8	69.9	74.9	77.6	75.2
	Male	77.3	73.2	78.6	83.6	78.8	74.6	77.6	79.1	75.5	79.2	74.3	81.3	74.1	73.6	76.7	67.1	80.1	84.5	79.6	70.6	80	72.5	76.7	77	79.4	82.3
	Female	60.7	56.3	62.7	75.5	64.4	64.4	51	53.1	63	57.8	47.9	61.8	63.9	65.8	53.6	52.7	36.7	68.3	63.7	58.7	65.6	63	63.2	72.8	75.8	68.3
2004																											
	Total	69.7	65.9	70	80.1	72.6	70	66.5	68.7	69.5	69.5	62.7b	72.6	69.7	69.1	64.7	60.5	58.2	76.6	71.3b	64	73	69.8	69.7	74.2	77.2	75.2
	Male	77.5	73.4	77.9	84	79.2	74.4	79	80.4	75.3	79.9	74.9b	83	74.3	72.8	74.8	67.2	80.2	83.9	78.5b	70.1	79.1	74.5	76.5	76.4	79.1	82
	Female	62	58.2	62.2	76.2	65.8	66	54.1	56.8	63.9	59	50.6b	62.8	65.3	65.6	54.3	54	36	69.2	64.2b	57.9	67	65	63	72	75.2	68.6

Source: Eurostat - Labour Force Survey, Annual averages.

Employment rate (% of population aged 15-64)

1998																											
	Total	61.2	57.4	67.3	75.1	63.9	64.6	56	51.3	60.2	60.6	51.9	:	59.9	62.3	60.5	53.7	:	70.2	67.9	59	66.8b	62.9	60.6	64.6	70.3	70.5
	Male	70.6	67.1	76	79.9	71.9	69.6	71.7	66.8	67.4	72.1	66.8	:	65.1	66.2	74.5	60.5	:	80.2	77	66.5	75.9b	67.2	67.8	67.8	72.8	77.3
	Female	51.8	47.6	58.7	70.2	55.8	60.3	40.5	35.8	53.1	49	37.3	:	55.1	58.6	46.2	47.2	:	60.1	58.8	51.7	58.2b	58.6	53.5	61.2	67.9	63.6
2000																											
	Total	62.4	60.5	65	76.3	65.6	60.4	56.5	56.3	62.1	65.2	53.7	65.7	57.5	59.1	62.7	56.3	54.2	72.9	68.5	55	68.4	62.8	56.8	67.2	73	71.2b
	Male	71.2	69.5	73.2	80.8	72.9	64.3	71.5	71.2	69.2	76.3	68	78.7	61.5	60.5	75	63.1	75	82.1	77.3	61.2	76.5	67.2	62.2	70.1	75.1	77.8b
	Female	53.6	51.5	56.9	71.6	58.1	56.9	41.7	41.3	55.2	53.9	39.6	53.5	53.8	57.7	50.1	49.7	33.1	63.5	59.6	48.9	60.5	58.4	51.5	64.2	70.9	64.7b
2002																											
	Total	62.8	59.9	65.4	75.9	65.4	62	57.5	58.5	63	65.5	55.5	68.6	60.4	59.9	63.4	56.2	54.4	74.4	68.7	51.5	68.8	63.4	56.8	68.1	73.6	71.3
	Male	71	68.3	73.9	80	71.8	66.5	72.2	72.6	69.5	75.4	69.1	78.9	64.3	62.7	75.1	62.9	74.7	82.4	76.4	56.9	76.5	68.2	62.4	70	74.9	77.6
	Female	54.7	51.4	57	71.7	58.9	57.9	42.9	44.4	56.7	55.4	42	59.1	56.8	57.2	51.6	49.8	33.9	66.2	61.3	46.2	61.4	58.6	51.4	66.2	72.2	65.2
2004																											
	Total	63.3	60.3	64.2	75.7	65	63	59.4	61.1	63.1	66.3	57.6b	68.9	62.3	61.2	61.6	56.8	54	73.1	67.8b	51.7	67.8	65.3	57	67.6	72.1	71.6
	Male	70.9	67.9	72.3	79.7	70.8	66.4	73.7	73.8	69	75.9	70.1b	79.8	66.4	64.7	72.4	63.1	75.1	80.2	74.9b	57.2	74.2	70	63.2	69.7	73.6	77.8
	Female	55.7	52.6	56	71.6	59.2	60	45.2	48.3	57.4	56.5	45.2b	58.7	58.5	57.8	50.6	50.7	32.7	65.8	60.7b	46.2	61.7	60.5	50.9	65.6	70.5	65.6

Source: Eurostat - Labour Force Survey, Annual averages.

Table 3. Labour market context (cont.)**Unemployment rate** (% of labour force aged 15+)

1998

Total	9.4	9.3	6.4	4.9	8.8	9.2	10.9	15.3	11.1	7.5	11.3	:	14.3	13.2	2.7	8.4	:	3.8	4.5	10.2	5.2	7.4	12.7	11.4	8.2	6.1
Male	7.9	7.7	5	3.9	7.1	9.9	7.1	11.3	9.5	7.7	8.8	:	15.1	14.6	1.9	9	:	3	3.8	8.5	4.2	7.3	12.2	10.9	8.4	6.8
Female	11.2	11.6	8.1	6	11.1	8.3	16.7	21.9	12.9	7.3	15.4	:	13.6	11.7	4	7.8	:	5	5.4	12.2	6.4	7.5	13.4	12	8	5.3

2000

Total	8.6	6.9	8.7	4.4	7.2	12.5	11.3	11.4	9.1	4.3	10.1	5.2	13.7	16.4	2.3	6.3	6.7	2.8	3.6	16.4	4.1	6.6	18.7	9.8	5.6	5.4
Male	7.4	5.6	7.3	4.1	6	13.4	7.5	8	7.6	4.3	7.8	3.2	14.4	18.6	1.8	6.8	6.4	2.2	3.1	14.6	3.3	6.4	18.9	9.1	5.9	5.8
Female	10.2	8.5	10.3	4.8	8.7	11.5	17.2	16.8	10.9	4.3	13.6	7.8	12.9	14.1	3.1	5.6	7.4	3.6	4.3	18.6	5	6.8	18.5	10.6	5.3	4.8

2002

Total	8.8	7.3	7.3	4.6	8.2	9.5	10.3	11.5	8.9	4.3	8.6	3.9	12.6	13.5	2.8	5.6	7.7	2.8	4.2	19.8	5	6.1	18.7	9.1	4.9	5.1
Male	7.8	6.7	5.9	4.4	7.1	10.1	6.8	8.2	7.9	4.6	6.7	3	13.6	13.6	2.1	6	6.7	2.5	4	19	4.1	5.8	18.6	9.1	5.3	5.6
Female	10	8.2	9	4.7	9.4	8.9	15.6	16.4	10	3.9	11.5	4.9	11.4	13.4	3.8	5.1	9.9	3.1	4.4	20.7	6	6.5	18.9	9.1	4.6	4.5

2004

Total	9	7.9	8.3	5.4	9.5	9.2	10.5	11	9.6	4.5	8	5.2	9.8	10.9	4.8	6	7.7	4.6	4.8	18.8	6.7	6	18.2	8.8	6.3	4.7
Male	8.1	7.1	7.1	5.1	8.7	10.4	6.6	8.1	8.7	4.9	6.4	4.1	9.4	10.5	3.3	5.9	7.1	4.3	4.4	18	5.9	5.6	17.3	8.7	6.5	5
Female	10.2	8.9	9.9	5.7	10.5	8	16.2	15	10.5	4	10.5	6.5	10.1	11.2	6.8	6.1	9	4.8	5.3	19.8	7.6	6.4	19.3	8.9	6.1	4.2

2005

Total	8.7p	8.4p	7.9p	4.9p	9.4p	7.5p	:	9.2p	9.5p	4.3p	:	6.1p	9.1p	8.2p	5.3p	7.1p	7.9p	4.7p	5.2p	17.9p	7.3p	5.8p	16.5p	8.3p	6.3p	4.6p
Male	7.8p	7.6p	6.5p	4.2p	8.8p	9p	:	7p	8.7p	4.6p	:	4.9p	9.4p	8.1p	3.8p	6.8p	7.1p	4.5p	4.8p	16.8p	6.4p	5.4p	15.7p	8.2p	6.4p	5p
Female	9.7p	9.4p	9.8p	5.7p	10.1p	6p	:	12.2p	10.4p	3.9p	:	7.7p	8.7p	8.4p	7.5p	7.4p	9.7p	5p	5.6p	19.1p	8.3p	6.2p	17.4p	8.4p	6.3p	4.2p

Source: Eurostat - Harmonised unemployment series, Annual average

Youth unemployment rate (% of labour force aged 15-24)

1998

Total	19.2	22.1	12.8	7.3	15	15.2	30.1	31.3	25.6	11.3	29.9	:	26.8	25.5	6.9	15	:	7.6	6.4	22.5	10.1	17.8	25.3	23.5	16.1	13.1
Male	17.4	20.2	11.5	7.1	12.3	16.7	21.7	25.1	23.3	11.6	25.4	:	27.4	30.1	6.5	16.6	:	7.4	5	20.2	8.1	16.9	26.5	22.8	16.4	14.8
Female	21.3	24.5	14.4	7.4	17.9	13.1	39.7	39.1	28.3	11	35.5	:	26	18.4	7.3	13	:	7.9	7.9	25.1	12.5	18.8	23.8	24.3	15.8	11.3

2000

Total	17.4	17	17.8	7	10.6	23.6	29.2	22.9	20.1	6.6	27	11.5	21.4	30.6	7.2	12.1	13.7	5.7	5.3	36.3	8.4	16.2	37.1	21.4	10.5	12.2
Male	16	14.7	18.5	7	9.4	23	21.6	17.6	18	6.4	23.1	7.1	21.2	32.3	6.6	13.1	14.9	4.9	4.7	34.6	6.3	14.9	39.9	21.1	11	13.3
Female	19	19.8	17	7.1	11.9	24.5	38.2	29.6	22.5	7	31.9	15.3	21.6	28.3	7.9	10.7	12.3	6.5	6	38.2	10.9	18	33.9	21.6	9.9	11.1

2002

Total	18.2	18.5	16.9	7.9	14.2	19.3	26.8	22.3	20	8	23.1	9.7	23.9	23.8	8.3	12	18.3	5	6.7	41.8	11.6	15.3	37.6	21	11.9	12.1
Male	17.3	18.9	16.6	9.3	13	15.6	19.9	18.5	18.9	8.8	19.4	9.3	22.4	22	6.8	12.6	18.4	5.2	6.4	40.9	9.7	13.8	38.8	21.2	12	13.7
Female	19.1	18	17.2	6.3	15.4	24.8	35.3	27.3	21.4	7	27.8	10	25.8	26.2	10.1	11.2	18.1	4.8	7.1	42.9	13.9	17.4	36.2	20.9	11.8	10.2

2004

Total	18.7	20.4	21.1	8.4	15.1	21.3	26.9	22.1	21.8	8.4	23.6	11.3	19.2	20.8	18.1	15.4	19	8	9.5	40	15.4	14.4	32.7	20.7	16.3	12.1
Male	18.2	18.9	22.3	8.6	15.3	21	19.1	18.7	20.8	8.9	20.7	10.3	14.9	22.1	13.6	15.4	18.8	7.9	9.3	38.8	13.6	11.7	34.4	22	15.7	13.4
Female	19.3	22.1	19.4	8.1	14.9	21.7	36.3	26.5	23	7.8	27.2	12.3	25.2	18.7	23	15.5	19.2	8.1	9.9	41.6	17.7	17.9	30.7	19.4	16.9	10.7

Source: Eurostat, Harmonised unemployment series - Annual average

Table 4. Social Protection expenditure

	EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SL	SK	FI	SE	UK	
Total social protection expenditure (as a % of GDP)																											
1992	:	27.7	:	29.7	27.2	:	21.2	22.4	28.7	20.3	26.2	:	:	:	22.5	:	:	31.9	26.9	:	18.4	:	:	33.6	37.1	27.9	
1995	:	28.1	17.2	31.9	28.2	:	22.3	22.1	30.3	18.8	24.8	:	:	:	23.7	:	17.5	30.9	28.9	:	21.3	:	18.7	31.4	34.6	28.2	
2001	27.1	27.7	19.5	29.2	29.3	13.6	27	19.4	29.5	15	25.6	15.2	14.3	14.7	21.3	19.8	17.7	26.5	28.6	21.5	22.8	25.3	19.1	25.5	31.5	27.5	
2003	28	29.7	20.1	30.9	30.2	13.4	26.3	19.7	30.9	16.5	26.4	:	13.4	13.6	23.8	21.4	18.5	28.1	29.5	21.6	24.3	24.6	18.4	26.9	33.5	26.7	
Total social protection expenditure (in PPS per capita)																											
1992	:	4913	:	5404	4993	:	2343	2860	5076	2616	4473	:	:	:	5850	:	:	5598	5172	:	2012	:	:	5185	6063	4298	
1995	:	5148	1835	6123	5260	:	2450	2931	5382	2862	4393	:	:	:	6468	:	1892	5658	5678	:	2465	:	1267	5109	6235	4696	
2001	5576	6641	2637	7610	6731	1247	4084	3767	7006	4025	5825	2777	1093	1234	9302.6	2287	2669	7018	7289	2014	3789	3896	1924	6001	7501	6441	
2003	6012	7476	2964	8115	7087	1411	4567	4186	7434	4814	6024	:	1174	1342	10905	2783	2879	7605	7700	2121	4076	4076	2063	6560	8258	6812	

2002 data are provisional.

Source : Eurostat - ESSPROS database.

Social protection benefits by group of functions (as a percentage of GDP)Old age and survivors benefits

1995	:	11.4	6.6	11.7	11.6	:	11.2	9.4	12.5	4.8	15.2	:	:	:	10.3	:	8.8	11.1	13.2	:	7.9	:	6.9	10	12.8	11.6	
2001		12.1	11.7	8.2	10.8	12.1	5.9	13.5	8.6	12.2	3.5	15.3	7	7.9	6.8	7.8	8.2	9.4	10.4	13.5	11.8	9.1	11.3	7.1	9.1	12.1	12.2
2003		12.3	12.6	8.2	11.1	12.4	5.9	12.9	8.5	12.6	3.7	15.7	:	6.9	6.3	8.7	8.6	9.5	10.6	13.8	12.4	10.5	10.8	7	9.7	12.9	11.6

Sickness, health care

1995	:	6.3	6.4	5.5	8.4	:	5.6	6.1	8.1	6.5	5.5	:	:	:	5.7	:	4.2	8.3	7.1	:	7	:	6	6.4	7.5	6.5	
2001		7.3	6.3	6.6	5.8	8.1	4.3	6.8	5.7	8.2	6.1	6.4	4	2.7	4.3	5.3	5.3	4.4	7.5	7	4.1	6.3	7.7	6.5	6.1	8.1	7.3
2003		7.6	7.6	7.1	6.1	8.1	4.2	6.7	5.9	8.9	6.6	6.5	:	3	3.9	5.8	6.2	4.8	8.2	7.1	4.3	6.5	7.8	5.8	6.5	8.5	7.7

Disability

1995	:	2.4	1.4	3.3	1.9	:	1	1.6	1.7	0.9	1.7	:	:	:	2.9	:	0.8	3.7	2.5	:	2.3	:	1.2	4.6	4.2	2.9	
2001		2.1	2.4	1.6	3.5	2.2	1.1	1.3	1.4	1.3	0.7	1.4	0.6	1.3	1.3	3	2	1	2.8	2.4	2.8	2.5	2.2	1.5	3.4	4	2.5
2003		2.1	1.9	1.6	4	2.3	1.2	1.3	1.4	1.4	0.8	1.6	:	1.1	1.3	3.1	2.2	1.2	2.9	2.4	2.6	2.6	2	1.6	3.5	4.6	2.4

Unemployment

1995	:	3.5	0.4	4.6	2.4	:	1	3.5	2.3	2.8	0.7	:	:	:	0.7	:	0.9	2.9	1.6	:	1	:	0.6	4.4	3.7	1.5	
2001		1.6	3	0.6	2.8	2.3	0.2	1.6	2.4	2	1.2	0.4	1	0.5	0.3	0.8	0.7	1.1	1.2	1.4	0.9	0.7	0.9	0.7	2.4	1.9	0.9
2003		1.8	3.5	0.8	2.9	2.5	0.2	1.5	2.6	2.3	1.3	0.5	:	0.4	0.2	1	0.6	1.2	1.6	1.7	0.9	1.2	0.7	1	2.6	1.9	0.7

Family and children

1995	:	2.3	2	3.8	2	:	1.9	0.4	2.9	2.1	0.8	:	:	:	3	:	2	1.3	3.1	:	1	:	2.5	4.1	3.9	2.4	
2001		2.1	2.2	1.6	3.8	2.9	1.5	1.8	0.5	2.6	2.1	1	1.2	1.5	1.2	3.3	2.5	1.1	1.1	2.9	1.1	1.1	2.2	1.5	3	2.9	1.8
2003		2.1	2.2	1.5	4	3.1	1.3	1.9	0.6	2.6	2.5	1	:	1.4	1	4.1	2.7	1	1.3	3.1	1	1.5	2.1	1.5	3	3.1	1.8

Housing and social exclusion n.e.c.

1995	:	0.7	0.2	2.2	0.8	:	0.8	0.3	1.3	0.9	0	:	:	:	0.2	:	0.5	1.9	0.4	:	0.1	:	0.8	1.1	2.1	2.1	
2001		0.9	0.4	0.6	1.7	0.7	0.4	1.3	0.4	1.3	0.8	0	1.1	0.2	0.5	0.7	0.7	0.3	1.6	0.5	:	0.3	:	1.3	0.8	1.3	1.7
2003		0.9	0.5	0.7	1.7	0.7	0.3	1.2	0.4	1.3	0.9	0	:	0.2	0.4	0.6	0.6	0.5	1.6	0.5	:	0.3	:	0.9	0.9	1.3	1.6

Social protection benefits by group of functions (as a percentage of total benefits)Old age and survivors benefits

1995	:	43.1	38.8	37.7	42.8	:	52.1	43.9	43.5	26.5	63.4	:	:	:	45.1	:	51.4	38.0	47.2	:	41.1	:	38.1	32.8	37.5	43.1	
2001		46.3	44.9	42.7	38.0	42.8	44.2	51.4	45.2	44.2	24.4	62.3	46.9	56.3	47.6	37.4	42.4	54.0	41.9	48.8	56.9	45.8	45.5	38.3	36.6	39.9	46.3
2003		45.7	44.5	41.3	37.2	42.9	44.8	50.8	43.8	43.3	23.2	61.8	49.4	53.1	47.4	37.2	41.3	52.3	40.3	48.2	58.5	46.2	45.0	39.4	37.0	40.1	44.9

Sickness, health care

1995	:	23.6	37.5	17.8	31.0	:	26.0	28.6	28.3	36.2	23.2	:	:	:	24.9	:	24.4	28.5	25.5	:	36.2	:	33.0	20.9	22.0	24.0	
2001		27.9	24.2	34.6	20.3	28.5	31.9	25.8	30.0	29.7	42.2	26.1	26.6	19.1	30.1	25.6	27.6	25.5	30.4	25.4	19.8	31.3	31.4	35.0	24.5	26.8	27.6
2003		28.3	27.0	35.6	20.5	27.7	31.8	26.5	30.7	30.5	41.8	25.7	25.2	22.9	29.8	24.8	29.7	26.0	31.4	24.8	20.5	28.8	32.4	32.8	25.1	26.3	29.6

Disability

1995	:	8.8	8.2	10.6	6.8	:	4.8	7.4	5.9	4.8	7.0	:	:	:	12.7	:	4.8	12.6	9.1	:	11.8	:	6.8	15.0	12.2	10.9	
2001		8.0	9.3	8.2	12.5	7.8	8.2	5.0	7.7	4.8	5.1	5.7	3.7	9.4	8.9	14.4	10.2	5.9	11.5	8.7	13.6	12.3	8.7	8.1	13.7	13.3	9.3
2003		8.0	6.6	8.2	13.5	7.8	9.3	5.1	7.4	4.8	5.1	6.4	3.8	8.5	9.7	13.4	10.3	6.5	11.1	8.6	12.2	11.5	8.2	8.9	13.3	14.2	9.4

Unemployment

1995	:	13.0	2.3	14.8	9.0	:	4.5	16.5	7.9	15.3	3.0	:	:	:	3.1	:	5.0	9.9	5.8	:	5.3	:	3.5	14.4	10.8	5.6	
2001		6.3	11.6	3.1	10.0	8.2	1.4	6.0	12.8	7.2	8.5	1.6	6.8	3.3	1.8	3.6	3.4	6.1	5.0	5.0	4.4	3.6	3.7	3.6	9.8	6.1	3.5
2003		6.6	12.4	3.9	9.8	8.6	1.8	5.7	13.3	7.9	8.4	1.8	5.7	3.2	1.8	4.2	2.8	6.7	6.2	6.0	4.0	5.5	3.1	5.8	9.9	5.9	2.7

Family and children

1995	:	8.8	11.8	12.4	7.5	:	8.8	2.0	10.0	12.0	3.2	:	:	:	13.1	:	11.8	4.6	11.2	:	5.2	:	14.0	13.4	11.3	8.9	
2001		8.0	8.5	8.1	13.3	10.4	11.5	6.7	2.6	9.5	14.4	4.1	8.2	10.5	8.3	16.0	12.9	6.6	4.4	10.5	5.1	5.6	8.9	8.2	12.1	9.6	6.8
2003		8.0	7.8	7.5	13.2	10.5	10.0	7.3	3.0	9.0	16.0	4.1	8.0	10.8	7.9	17.7	13.0	5.6	4.9	10.8	4.7	6.5	8.6	8.3	11.5	9.5	6.9

Housing and social exclusion n.e.c.

1995	:	2.7	1.3	6.8	2.9	:	3.8	1.6	4.5	5.2	0.1	:	:	:	1.2	:	2.5	6.5	1.3	:	0.4	:	4.6	3.6	6.2	7.5	
2001		3.5	1.6	3.3	6.0	2.4	2.9	5.1	1.7	4.7	5.3	0.3	7.8	1.4	3.3	3.0	3.5	2.0	6.8	1.7	:	1.3	:	6.8	3.3	4.3	6.4
2003		3.5	1.7	3.5	5.7	2.5	2.2	4.6	1.7	4.5	5.6	0.2	7.9	1.5	3.3	2.8	2.9	2.9	6.2	1.7	0.2	1.6	2.6	4.9	3.3	4.0	6.5

2003 data are provisional.

Source : Eurostat - ESSPROS database.

Table 5. Common indicators of social exclusion and poverty

Table 5. Common indicators of poverty and social exclusion

	EU	BE	CZ ¹	DK	DK ²	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT ³	NL	AT	PL	PT	SI	SK	FI	SE	UK	
At-risk-of-poverty threshold (illustrative values), PPP																												
- One-person household	7716 s	8963	4382 i	9176	9224	9175 i	2352 i	6272	7254	8643	8502	7450	7822 i	2064 i	2298 i	15522	3722 i	5711 i	9869 pi	9630	2662 i	4697	6088 i	3554 pi	7931	8501	9783 i	
- Two adults with two dep. children	16204 s	18822	9202 i	19270	19370	19268 i	4939 i	13171	15233	18150	17854	15645	16426 i	4334 i	4826 i	32596	7816 i	11993 i	20725 pi	20223	5590 i	9864	12785 i	7463 pi	16655	17852	20544 i	
At-risk-of-poverty rate by age and gender																												
<i>Incidence</i>																												
- Total population	16 s	15	8 i	11	10	16 i	18 i	20	20	14	21	19	15 i	16 i	15 i	11	12 i	15 i	12 pi	13	17 i	21	10 i	21 pi	11	11	18 i	
- Children aged 0-15 years	20 s	17	15 i	9	9	20 i	20 i	20	24	14	22	26	11 i	19 i	17 i	18	17 i	21 i	18 pi	15	23 i	23	9 i	30 pi	10	11	22 i	
- People aged 16 years and more	Total	16 s	14	7 i	11	10	15 i	18 i	20	19	13	21	18	16 i	16 i	14 i	10	11 i	13 i	11 pi	12	15 i	21	10 i	19 pi	11	11	17 i
	Men	14 s	13	6 i	11	10	12 i	16 i	19	18	12	18	16	14 i	15 i	13 i	10	10 i	13 i	10 pi	11	16 i	20	9 i	20 pi	11	10	15 i
	Women	17 s	15	8 i	12	10	17 i	20 i	22	21	14	23	19	18 i	17 i	15 i	10	11 i	14 i	11 pi	14	14 i	21	12 i	19 pi	12	12	18 i
- People aged 16-24 years	Total	21 s	16	9 i	27	27	24 i	21 i	24	19	20	18	25	9 i	19 i	15 i	12	14 i	10 i	20 pi	13	21 i	21	11 i	24 pi	20	26	18 i
	Men	19 s	15	8 i	25	25	20 i	19 i	23	18	18	16	24	9 i	19 i	14 i	14	14 i	10 i	18 pi	11	21 i	19	10 i	25 pi	18	26	16 i
	Women	22 s	17	10 i	30	30	27 i	24 i	24	21	21	21	26	9 i	20 i	16 i	10	14 i	10 i	22 pi	15	20 i	23	12 i	23 pi	21	26	19 i
- People aged 25-49 years	Total	14 s	12	8 i	9	9	13 i	18 i	16	16	11	14	18	9 i	15 i	14 i	12	11 i	14 i	11 pi	11	17 i	17	8 i	22 pi	8	8	13 i
	Men	13 s	11	7 i	9	9	11 i	18 i	15	15	10	13	17	8 i	16 i	15 i	12	11 i	13 i	10 pi	11	17 i	17	8 i	21 pi	10	8	12 i
	Women	15 s	12	9 i	8	9	16 i	19 i	17	16	12	16	20	9 i	15 i	14 i	12	11 i	14 i	12 pi	12	17 i	17	8 i	22 pi	7	9	15 i
- People aged 50-64 years	Total	13 s	13	5 i	4	5	12 i	16 i	19	17	12	22	14	13 i	16 i	15 i	7	9 i	12 i	7 pi	10	11 i	19	9 i	15 pi	8	5	16 i
	Men	13 s	11	5 i	5	5	11 i	18 i	18	16	12	22	14	9 i	17 i	15 i	6	9 i	10 i	7 pi	9	13 i	18	9 i	16 pi	8	6	16 i
	Women	13 s	15	4 i	4	4	13 i	15 i	19	17	12	23	15	17 i	16 i	14 i	8	9 i	14 i	7 pi	11	10 i	20	8 i	14 pi	7	4	16 i
- People aged 65 years and more	Total	18 s	21	4 i	17	8	15 i	17 i	28	30	16	40	16	52 i	14 i	12 i	6	10 i	20 i	7 pi	17	6 i	29	19 i	11 pi	17	14	24 i
	Men	15 s	20	1 i	16	8	10 i	7 i	26	27	14	34	13	48 i	7 i	5 i	6	6 i	19 i	6 pi	13	4 i	29	11 i	11 pi	11	9	21 i
	Women	20 s	21	6 i	18	8	18 i	22 i	30	32	17	45	18	55 i	17 i	15 i	6	12 i	21 i	7 pi	20	7 i	30	23 i	11 pi	20	18	27 i
<i>Distribution of at-risk-or-poverty population</i>																												
- Total population	100 s	100	100 i	100	100	100 i	100 i	100	100	100	100	100	100 i	100 i	100 i	100	100 i	100 i	100 pi	100	100 i	100	100 i	100 pi	100	100	100 i	
- Children aged 0-15 years	23 s	22	32 i	17	18	:	20 i	15	19	21	23	21	17 i	19 i	23 i	30	25 i	30 i	30 pi	21	30 i	19	14 i	25 pi	17	20	25 i	
- People aged 16 years and more	Total	78 s	78	68 i	83	82	:	80 i	85	81	80	77	79	83 i	81 i	77 i	70	75 i	70 i	70 pi	79	70 i	82	86 i	75 pi	83	80	75 i
	Men	75 s	77	64 i	82	80	:	77 i	83	78	78	75	77	78 i	77 i	74 i	68	71 i	66 i	68 pi	77	70 i	81	84 i	74 pi	82	79	71 i
	Women	79 s	80	71 i	84	83	:	83 i	86	84	81	78	81	87 i	84 i	79 i	71	79 i	74 i	72 pi	80	71 i	82	87 i	76 pi	85	80	78 i
- People aged 16-24 years	Total	15 s	12	14 i	24	28	:	17 i	13	11	17	14	13	8 i	15 i	14 i	12	14 i	9 i	18 pi	11	19 i	12	14 i	17 pi	20	25	11 i
	Men	15 s	13	14 i	23	26	:	19 i	13	11	17	14	14	9 i	17 i	14 i	63	16 i	10 i	17 pi	11	20 i	12	16 i	19 pi	20	28	10 i
	Women	14 s	12	13 i	25	29	:	15 i	12	11	17	13	12	7 i	14 i	13 i	10	13 i	8 i	18 pi	11	18 i	12	12 i	16 pi	20	23	11 i
- People aged 25-49 years	Total	31 s	29	35 i	29	33	:	34 i	30	31	28	22	37	19 i	33 i	35 i	41	33 i	31 i	34 pi	33	35 i	30	29 i	40 pi	26	25	27 i
	Men	32 s	30	33 i	32	34	:	36 i	30	33	28	22	37	19 i	37 i	39 i	39	34 i	31 i	33 pi	37	35 i	32	35 i	38 pi	33	28	27 i
	Women	31 s	28	37 i	26	31	:	32 i	29	30	28	22	36	20 i	31 i	32 i	42	31 i	31 i	34 pi	31	36 i	28	25 i	41 pi	20	23	27 i
- People aged 50-64 years	Total	14 s	15	12 i	8	9	:	15 i	17	13	16	20	14	14 i	18 i	16 i	10	16 i	16 i	11 pi	15	12 i	16	15 i	13 pi	15	8	16 i
	Men	15 s	14	14 i	9	10	:	17 i	17	14	16	22	14	11 i	18 i	17 i	9	15 i	13 i	12 pi	15	12 i	16	19 i	14 pi	16	11	18 i
	Women	14 s	16	10 i	7	8	:	13 i	16	13	15	18	14	17 i	18 i	16 i	11	16 i	19 i	10 pi	15	11 i	16	13 i	13 pi	13	6	15 i
- People aged 65 years and more	Total	18 s	22	7 i	23	12	:	15 i	26	26	19	21	16	42 i	14 i	12 i	7	12 i	14 i	8 pi	20	4 i	24	27 i	5 pi	23	21	21 i
	Men	14 s	20	2 i	19	10	:	5 i	22	21	16	18	12	40 i	5 i	4 i	6	6 i	12 i	6 pi	14	2 i	21	15 i	4 pi	13	13	17 i
	Women	21 s	24	11 i	27	14	:	22 i	28	30	22	24	19	43 i	21 i	18 i	8	18 i	16 i	9 pi	24	6 i	26	37 i	6 pi	32	29	25 i

1) Data for the Czech Republic refer to income year 2002

2) Including imputed rent. See methodological note for an explanation

3) Data for Malta refer to income year 2000, and they are not analysed in Chapter 1 of the Technical Annex.

Source: Eurostat - See Annex IA. i = national source harmonised ex-post for maximum consistency with EU-SILC methodology. p = provisional. s = estimated by Eurostat. u = result based on small sample (20-49 observations)

Table 5. Common indicators of social exclusion and poverty (cont)

At-risk-of-poverty rate by most frequent activity status and by gender and selected age group																												
Incidence																												
- Total	Total	16 s	14	7 i	11	9	15 i	18 i	20	19	13	21	18	16 i	16 i	14 i	10	11 i	13 i	11 pi	12	15 i	20	10 i	19 pi	11	11	17 i
	Men	14 s	13	6 i	10	9	12 i	17 i	18	18	12	18	16	14 i	15 i	13 i	10	10 i	13 i	10 pi	11	16 i	19	9 i	20 pi	11	10	15 i
	Women	17 s	16	8 i	11	10	17 i	20 i	22	21	14	23	19	18 i	17 i	15 i	10	11 i	14 i	11 pi	14	14 i	21	12 i	19 pi	12	12	18 i
- At work	Total	9 s	4	3 i	5	5	9 i	10 i	13	11	5	7	10	6 i	9 i	10 i	8	6 i	6 i	6 pi	7	12 i	13	4 i	15 pi	4	6	7 i
	Men	9 s	5	3 i	5	5	6 i	9 i	14	12	6	7	12	6 i	9 i	10 i	8	7 i	7 i	6 pi	8	13 i	14	4 i	14 pi	5	6	7 i
	Women	8 s	4	3 i	4	4	9 i	10 i	12	9	5	6	7	5 i	8 i	10 i	8	5 i	:	6 pi	7	10 i	12	3 i	16 pi	4	6	7 i
* Wage/salary employees	Total	:	:	2 i	:	:	9 i	:	:	:	:	:	:	6 i	7 i	7 i	:	6 i	6 i	5 pi	:	8 i	:	3 i	14 pi	:	:	6 i
	Men	:	:	1 i	:	:	8 i	:	:	:	:	:	:	6 i	7 i	7 i	:	6 i	8 i	4 pi	:	9 i	:	3 i	13 pi	:	:	5 i
	Women	:	:	3 i	:	:	10 i	:	:	:	:	:	:	5 i	8 i	7 i	:	5 i	:	5 pi	:	6 i	:	3 i	15 pi	:	:	6 i
* Self-employed	Total	:	:	7 i	:	:	16 i	:	:	:	:	:	:	8 i	23 i	24 i	:	10 i	:	17 pi	:	21 i	:	7 i	24 pi	:	:	17 i
	Men	:	:	7 i	:	:	16 i	:	:	:	:	:	:	8 i	26 i	25 i	:	11 i	:	17 pi	:	21 i	:	7 i	24 pi	:	:	18 i
	Women	:	:	6 i	:	:	:	:	:	:	:	:	:	5 i	17 i	24 i	:	9 i	:	15 pi	:	21 i	:	8 i	26 pi	:	:	17 i
- Not at work	Total	23 s	23	11 i	19	15	21 i	27 i	26	30	21	36	24	30 i	23 i	19 i	12	14 i	20 i	17 pi	18	18 i	29	17 i	26 pi	19	18	31 i
	Men	23 s	23	11 i	19	16	20 i	26 i	25	30	21	37	22	30 i	23 i	18 i	12	14 i	23 i	18 pi	16	19 i	28	16 i	29 pi	18	16	31 i
	Women	24 s	24	12 i	19	15	22 i	28 i	27	30	21	36	25	30 i	23 i	19 i	11	14 i	19 i	16 pi	19	17 i	29	18 i	24 pi	20	19	30 i
* Unemployed	Total	42 s	28	36 i	33	34	46 i	49 i	31	40	34	44	49	22 i	51 i	40 i	46	37 i	52 i	42 pi	31	38 i	32	38 i	50 pi	33	26	54 i
	Men	46 s	29	39 i	34	35	50 i	49 i	34	50	41	49	54	31 i	52 i	42 i	48	39 i	58 i	42 pi	35	38 i	35	39 i	54 pi	39	31	56 i
	Women	37 s	27	34 i	32	33	41 i	49 i	29	33	26	31	44	12 i	50 i	36 i	42	34 i	:	41 pi	26	38 i	30	38 i	47 pi	24	18	50 i
* Retired	Total	16 s	18	4 i	19	20	14 i	19 i	26	25	13	35	11	50 i	15 i	13 i	5	10 i	18 i	6 pi	14	7 i	26	14 i	9 pi	15	14	25 i
	Men	15 s	19	2 i	25	23	11 i	15 i	23	26	14	36	11	46 i	9 i	6 i	5	9 i	19 i	6 pi	11	7 i	27	11 i	8 pi	11	11	22 i
	Women	17 s	17	5 i	14	16	17 i	22 i	30	22	13	34	11	53 i	17 i	16 i	6	11 i	18 i	7 pi	16	8 i	26	16 i	10 pi	18	16	27 i
* Other inactive	Total	26 s	26	13 i	14	8	24 i	31 i	26	30	27	36	27	16 i	21 i	20 i	12	16 i	18 i	21 pi	21	21 i	30	16 i	28 pi	20	24	34 i
	Men	26 s	25	11 i	13	7	25 i	30 i	27	27	26	34	26	12 i	18 i	20 i	16	14 i	11 i	27 pi	21	21 i	25	15 i	28 pi	20	23	37 i
	Women	26 s	27	15 i	15	9	24 i	31 i	25	31	28	36	27	18 i	22 i	20 i	11	17 i	19 i	19 pi	21	21 i	32	17 i	28 pi	21	25	33 i
<i>Distribution of at-risk-or-poverty population</i>																												
- Total	Total	100 s	100	100 i	100	100	100 i	100 i	100	100	100	100	100	100 i	100 i	100 i	100	100 i	100 i	100 pi	100	100 i	100	100 i	100 pi	100	100	100 i
	Men	100 s	100	100 i	100	100	100 i	100 i	100	100	100	100	100	100 i	100 i	100 i	100	100 i	100 i	100 pi	100	100 i	100	100 i	100 pi	100	100	100 i
	Women	100 s	100	100 i	100	100	100 i	100 i	100	100	100	100	100	100 i	100 i	100 i	100	100 i	100 i	100 pi	100	100 i	100	100 i	100 pi	100	100	100 i
- At work	Total	27 s	14	22 i	26	30	:	28 i	32	26	21	17	25	20 i	28 i	38 i	44	27 i	20 i	33 pi	34	37 i	36	18 i	43 pi	21	31	26 i
	Men	36 s	20	28 i	33	37	:	34 i	46	40	25	24	41	28 i	37 i	46 i	55	37 i	38 i	41 pi	48	45 i	46	25 i	46 pi	28	37	32 i
	Women	19 s	9	19 i	19	24	:	24 i	20	14	17	12	12	14 i	22 i	32 i	34	18 i	4 i	27 pi	24	29 i	27	12 i	40 pi	16	26	21 i
* Wage/salary employees	Total	:	:	14 i	:	:	24 i	:	15	:	:	:	16 i	21 i	21 i	:	20 i	19 i	23 pi	:	18 i	:	13 i	37 pi	:	:	19 i	
	Men	:	:	12 i	:	:	27 i	:	22	:	:	:	20 i	24 i	24 i	:	27 i	38 i	25 pi	:	23 i	:	18 i	38 pi	:	:	20 i	
	Women	:	:	15 i	:	:	22 i	:	9	:	:	:	13 i	19 i	18 i	:	15 i	4 i	21 pi	:	13 i	:	10 i	36 pi	:	:	18 i	
* Self-employed	Total	:	:	8 i	:	:	4 i	:	11	:	:	:	4 i	7 i	17 i	:	6 i	0 i	10 pi	:	19 i	:	5 i	6 pi	:	:	7 i	
	Men	:	:	16 i	:	:	7 i	:	18	:	:	:	7 i	13 i	22 i	:	10 i	1 i	16 pi	:	22 i	:	7 i	8 pi	:	:	12 i	
	Women	:	:	3 i	:	:	2 i	:	5	:	:	:	1 i	3 i	14 i	:	4 i	0 i	6 pi	:	17 i	:	3 i	4 pi	:	:	4 i	
- Not at work	Total	73 s	86	78 i	75	70	:	72 i	68	74	79	83	75	80 i	72 i	62 i	56	73 i	81 i	67 pi	66	63 i	65	82 i	57 pi	79	70	74 i
	Men	51 s	80	72 i	67	63	:	66 i	54	60	75	76	59	72 i	63 i	54 i	45	63 i	62 i	59 pi	52	55 i	54	75 i	54 pi	72	64	68 i
	Women	64 s	91	81 i	81	76	:	76 i	80	86	83	88	86	86 i	78 i	68 i	66	82 i	96 i	73 pi	76	71 i	73	88 i	60 pi	85	74	79 i
* Unemployed	Total	12 s	16	32 i	31	38	:	19 i	8	14	14	8	16	3 i	28 i	15 i	9	15 i	14 i	19 pi	9	22 i	8	16 i	27 pi	16	7	9 i
	Men	14 s	19	41 i	31	37	:	24 i	8	16	20	14	19	6 i	38 i	21 i	12	20 i	25 i	18 pi	13	24 i	10	19 i	32 pi	24	10	12 i
	Women	12 s	14	26 i	32	39	:	16 i	8	12	10	3	14	1 i	20 i	11 i	7	12 i	4 i	20 pi	6	21 i	7	14 i	22 pi	10	4	6 i
* Retired	Total	17 s	25	13 i	6	7	:	29 i	27	18	25	15	12	53 i	24 i	20 i	7	33 i	22 i	11 pi	28	11 i	27	39 i	9 pi	36	32	33 i
	Men	21 s	29	5 i	8	8	:	19 i	30	28	27	26	15	54 i	11 i	7 i	10	26 i	29 i	9 pi	23	8 i	28	29 i	5 pi	24	25	27 i
	Women	21 s	22	18 i	4	6	:	35 i	25	10	23	6	9	53 i	33 i	30 i	4	39 i	16 i	13 pi	31	14 i	26	47 i	14 pi	45	39	37 i
* Other inactive	Total	37 s	45	32 i	37	25	:	24 i	33	42	41	60	47	24 i	20 i	27 i	40	25 i	45 i	36 pi	30	30 i	29	27 i	21 pi	27	31	33 i
	Men	24 s	32	25 i	28	18	:	23 i	16	17	28	35	24	13 i	14 i	27 i	24	17 i	7 i	32 pi	16	23 i	15	26 i	17 pi	24	29	28 i
	Women	47 s	55	37 i	45	32	:	24 i	47	64	50	79	65	32 i	24 i	27 i	55	31 i	77 i	40 pi	40	36 i	40	27 i	24 pi	30	32	36 i

1) Data for the Czech Republic refer to income year 2002

2) Including imputed rent. See methodological note for an explanation

3) Data for Malta refer to income year 2000, and they are not analysed in Chapter 1 of the Technical Annex.

Source : Eurostat - See Annex IA and IB. i = national source harmonised ex-post for maximum consistency with EU-SILC methodology. p = provisional. s = estimated by Eurostat. u = result based on small sample (20-49 observations)

Table 5. Common indicators of social exclusion and poverty (cont)

At-risk-of-poverty rate by household type																													
<i>Incidence</i>																													
-	Households without dependent children	Total	15 s	14	4 i	14	12	14 i	17 i	20	19	13	24	14	28 i	15 i	13 i	8	9 i	12 i	9 pi	13	:	21	13 i	15 pi	14	13	16 i
*	One-person households	Total	24 s	21	13 i	24	21	23 i	33 i	29	39	19	55	23	50 i	25 i	24 i	13	18 i	25 i	18 pi	21	12 i	36	35 i	24 pi	27	23	27 i
		Men	22 s	18	13 i	25	22	20 i	29 i	20	28	18	49	17	31 i	21 i	29 i	13	18 i	17 i	20 pi	16	21 i	34	30 i	32 pi	28	21	24 i
		Women	26 s	23	13 i	23	20	26 i	35 i	34	46	20	60	26	57 i	26 i	23 i	13	17 i	29 i	17 pi	25	9 i	37	38 i	19 pi	27	25	30 i
		Aged < 65 yrs	22 s	19	16 i	26	26	23 i	32 i	21	23	20	39	21	25 i	21 i	25 i	15	17 i	24 i	24 pi	20	18 i	28	30 i	28 pi	25	22	24 i
		Aged 65+	26 s	23	9 i	20	10	23 i	35 i	37	52	19	68	25	73 i	28 i	24 i	8	18 i	25 i	7 pi	23	7 i	41	40 i	17 pi	32	24	32 i
*	Two-adult households	Both < 65 yrs	10 s	11	3 i	5	5	8 i	13 i	14	12	9	19	11	12 i	14 i	12 i	7	8 i	11 i	6 pi	11	10 i	19	8 i	15 pi	7	6	11 i
		At least one 65+	15 s	20	2 i	13	6	11 i	9 i	29	30	13	29	12	51 i	10 i	6 i	5	6 i	24 i	6 pi	14	8 i	31	12 i	5 pi	7	6	21 i
*	Other households		9 s	5	1 i	3	3	11 i	11 i	15	11	9	9	12	10 i	12 i	11 i	5	5 i	3 i	4 pi	5	8 i	13	5 i	13 pi	4	1	8 i
-	Households with dependent children	Total	18 s	15	11 i	7	7	17 i	19 i	20	23	14	19	24	9 i	18 i	15 i	14	14 i	17 i	15 pi	13	:	21	8 i	25 pi	8	10	20 i
*	Single parents	at least 1 dep child	34 s	36	30 i	16	16	38 i	33 i	38	40	30	56	36	22 i	35 i	27 i	21	16 i	59 i	39 pi	25	22 i	30	25 i	41 pi	16	19	40 i
*	Two-adult households	1 dep. child	12 s	10	7 i	4	4	14 i	15 i	15	14	10	13	15	10 i	13 i	11 i	6	8 i	14 i	8 pi	10	12 i	14	4 i	22 pi	5	8	13 i
		2 dep. children	15 s	9	8 i	4	3	10 i	18 i	19	24	9	10	24	6 i	13 i	12 i	17	10 i	16 i	10 pi	9	17 i	25	8 i	26 pi	5	5	14 i
		3+ dep. children	27 s	18	20 i	14	13	24 i	24 i	32	39	17	23	36	15 i	32 i	28 i	18	23 i	31 i	24 pi	22	35 i	34	9 i	34 pi	12	14	24 i
*	Other households		18 s	17	9 i	4	5	18 i	16 i	26	22	17	12	24	6 i	18 i	14 i	12	17 i	5 i	12 pi	10	19 i	18	8 i	19 pi	9	9	14 i
<i>Distribution of at-risk-or-poverty population</i>																													
-	Households without dependent children	Total	42 s	47	25 i	68	64	:	41 i	50	45 b	46 b	45	38 b	58 i	38 i	35 i	29	32 i	71 i	39 pi	50	17 i	44 b	51 i	29 pi	64 b	57 b	48 i
*	One-person households	Total	17 s	19	15 i	48	48	:	21 i	11	12 b	20 b	20	13 b	15 i	14 i	15 i	13	14 i	9 i	23 pi	24	4 i	10 b	28 i	10 pi	44 b	42 b	19 i
		Men	7 s	8	6 i	24	50	:	6 i	3	3 b	8 b	8	4 b	3 i	3 i	30 i	6	4 i	2 i	11 pi	7	2 i	3 b	8 i	5 pi	19 b	18 b	8 i
		Women	11 s	11	9 i	24	50	:	16 i	8	9 b	12 b	12	10 b	12 i	10 i	70 i	7	9 i	7 i	12 pi	17	2 i	7 b	20 i	5 pi	25 b	24 b	12 i
		Aged < 65 yrs	9 s	11	10 i	35	84	:	11 i	4	3 b	13 b	7	6 b	4 i	6 i	51 i	10	6 i	4 i	20 pi	14	3 i	3 b	10 i	8 pi	26 b	25 b	9 i
		Aged 65+	8 s	8	5 i	13	16	:	10 i	7	9 b	8 b	13	7 b	11 i	8 i	49 i	3	7 i	4 i	3 pi	10	1 i	7 b	18 i	3 pi	18 b	16 b	10 i
*	Two-adult households	Both aged < 65 yrs	8 s	10	6 i	9	10	:	8 i	6	6 b	10 b	9	6 b	5 i	10 i	9 i	8	8 i	6 i	8 pi	12	5 i	8 b	6 i	1 pi	12 b	9 b	12 i
		At least one age 65+	10 s	14	2 i	11	5	:	6 i	17	15 b	11 b	10	8 b	30 i	5 i	4 i	4	5 i	11 i	5 pi	9	6 i	15 b	10 i	7 pi	6 b	5 b	12 i
*	Other households		7 s	4	2 i	1	1	:	5 i	16	12 b	4 b	6	11 b	7 i	8 i	8 i	4	6 i	3 i	3 pi	5	3 i	12 b	7 i	11 pi	2 b	0 b	5 i
-	Households with dependent children	Total	:	53	75 i	32	36	:	59 i	50	55 b	55 b	55	63 b	42 i	62 i	65 i	71	68 i	71 i	62 pi	50	0 i	56 b	49 i	71 pi	36 b	43 b	52 i
*	Single parents	at least 1 dep. child	9 s	14	20 i	9	11	:	12 i	3	3 b	12 b	16	5 b	3 i	8 i	9 i	7	5 i	6 i	14 pi	7	5 i	4 b	9 i	8 pi	7 b	14 b	17 i
*	Two-adult households	1 dep. child	9 s	7	10 i	4	5	:	13 i	9	9 b	10 b	6	10 b	6 i	12 i	13 i	7	8 i	11 i	7 pi	9	9 i	11 b	5 i	9 pi	5 b	7 b	7 i
		2 dep. children	16 s	10	20 i	6	6	:	15 i	25	22 b	14 b	8	22 b	9 i	11 i	16 i	28	14 i	22 i	14 pi	11	17 i	20 b	15 i	21 pi	8 b	9 b	11 i
		3+ dep. children	12 s	14	12 i	12	13	:	8 i	2	7 b	12 b	16	10 b	17 i	9 i	12 i	18	15 i	26 i	17 pi	12	24 i	6 b	5 i	14 pi	14 b	11 b	11 i
*	Other households		13 s	9	13 i	1	1	:	11 i	12	15 b	7 b	10	16 b	8 i	22 i	14 i	11	25 i	6 i	10 pi	10	28 i	15 b	16 i	19 pi	3 b	2 b	5 i
At-risk-of-poverty rate by accommodation tenure status and by gender and selected age group																													
<i>Incidence</i>																													
-	Owner-occupier or rent-free	Total	13 s	11	:	8	5	10 i	18 i	20	19	10	18	17	15 i	14 i	14 i	8	11 i	11 i	5 pi	10	:	20	9 i	:	8	7	14 i
		Men	:	:	:	:	:	7 i	:	:	:	:	:	:	13 i	14 i	14 i	:	11 i	11 i	5 pi	:	:	:	8 i	:	:	:	:
		Women	:	:	:	:	:	12 i	:	:	:	:	:	:	16 i	15 i	15 i	:	11 i	12 i	5 pi	:	:	:	11 i	:	:	:	:
-	Tenant	Total	25 s	27	:	18	19	22 i	23 i	20	31	19	37	30	21 i	26 i	24 i	23	15 i	29 i	22 pi	18	:	25	24 i	:	20	19	30 i
		Men	:	:	:	:	:	20 i	:	:	:	:	:	:	19 i	26 i	22 i	:	14 i	29 i	22 pi	:	:	:	23 i	:	:	:	:
		Women	:	:	:	:	:	23 i	:	:	:	:	:	:	23 i	26 i	27 i	:	15 i	29 i	22 pi	:	:	:	24 i	:	:	:	:
<i>Distribution of at-risk-or-poverty population</i>																													
-	Owner-occupier or rent-free	Total	63 s	53	:	46	37	:	87 i	81	84	49	70	71	87 i	68 i	92 i	52	90 i	61 i	23 pi	51	69 i	79	86 i	:	50	43	56 i
		Men	:	:	:	:	:	:	:	83	:	:	:	:	38 i	30 i	92 i	:	91 i	30 i	11 pi	:	:	:	35 i	:	:	:	25 i
		Women	:	:	:	:	:	:	:	84	:	:	:	:	49 i	38 i	91 i	:	90 i	32 i	12 pi	:	:	:	51 i	:	:	:	30 i
-	Tenant	Total	37 s	47	:	54	63	:	13 i	19	16	51	30	29	13 i	32 i	8 i	48	10 i	39 i	77 pi	49	31 i	21	14 i	:	50	57	44 i
		Men	:	:	:	:	:	:	:	17	:	:	:	:	6 i	15 i	8 i	:	9 i	19 i	37 pi	:	:	:	7 i	:	:	:	21 i
		Women	:	:	:	:	:	:	:	16	:	:	:	:	7 i	17 i	9 i	:	10 i	20 i	40 pi	:	:	:	7 i	:	:	:	24 i

1) Data for the Czech Republic refer to income year 2002

2) Including imputed rent. See methodological note for an explanation

3) Data for Malta refer to income year 2000, and they are not analysed in Chapter 1 of the Technical Annex.

Source: Eurostat - See Annex IA and IB. i = national source harmonised ex-post for maximum consistency with EU-SILC methodology. p = provisional. s = estimated by Eurostat. u = result based on small sample (20-49 observations)

Table 5. Common indicators of social exclusion and poverty (cont)

At-risk-of-poverty rate by work intensity of the household																												
<i>Incidence</i>																												
- Households without dependent children	WI = 0	:	30	:	21	21	37 i	:	29	48	26	62	27	:	:	:	13	:	31 i	28 pi	20	:	32	:	:	25	18	:
	0 < WI < 1	:	7	:	7	7	13 i	:	14	15	10	10	12	:	:	:	9	:	3 i	6 pi	10	:	15	:	:	9	14	:
	WI = 1	:	3	:	5	5	6 i	:	10	7	3	5	4	:	:	:	6	:	0 i	4 pi	6	:	9	:	:	5	5	:
- Households with dependent children	WI = 0	:	70	:	40	43	78 i	:	52	68	71	80	66	:	:	:	27	:	78 i	64 pi	39	:	58	:	:	42	42	:
	0 < WI < 0.5	:	28	:	7	7	45 i	:	46	57	40	35	51	:	:	:	28	:	27 i	45 pi	44	:	41	:	:	29	26	:
	0.5 <= WI < 1	:	14	:	9	8	13 i	:	22	26	13	16	24	:	:	:	17	:	16 i	19 pi	13	:	27	:	:	9	10	:
	WI = 1	:	4	:	5	4	8 i	:	11	11	5	4	6	:	:	:	7	:	1 i	6 pi	6	:	10	:	:	3	6	:
<i>Distribution of at-risk-or-poverty population</i>																												
- Households without dependent children	WI = 0	:	24	:	24	25	:	:	13	14	19	21	15	:	:	:	7	:	17 i	22 pi	14	100 i	11	:	:	23	10	:
	0 < WI < 1	:	7	:	10	9	:	:	17	13	10	8	12	:	:	:	10	:	4 i	4 pi	16	:	15	:	:	16	19	:
	WI = 1	:	3	:	14	15	:	:	7	4	4	3	3	:	:	:	8	:	0 i	8 pi	10	:	6	:	:	9	10	:
- Households with dependent children	WI = 0	:	30	:	14	15	:	:	7	8	21	28	14	:	:	:	5	:	24 i	22 pi	6	:	7	:	:	11	12	:
	0 < WI < 0.5	:	9	:	1	1	:	:	9	14	11	7	17	:	:	:	10	:	3 i	3 pi	14	:	9	:	:	10	7	:
	0.5 <= WI < 1	:	20	:	15	14	:	:	33	38	22	26	33	:	:	:	44	:	51 i	23 pi	28	:	35	:	:	20	16	:
	WI = 1	:	8	:	23	21	:	:	15	10	14	6	7	:	:	:	17	:	1 i	18 pi	13	:	18	:	:	10	26	:
Inequality of income : S80/S20 income quintile share ratio																												
		4.8 s	4,0	3.4 i	3,4	3,4	4.4 i	5.9 i	6,0	5,1	4,2	5,0	5,6	4.1 i	6.1 i	4.5 i	3,7	3.3 i	4.6 i	4.0 pi	3,8	5.0 i	7,2	3.1 i	5.8 pi	3,5	3,3	5.3 i
Relative median at-risk-of-poverty gap by gender and selected age group																												
- Total population		23 s	23	15 i	19	20	25 i	24 i	25	25	19	20	25	19 i	23 i	20 i	17	20 i	17 i	20 pi	20	23 i	26	20 i	39 pi	14	17	20 i
- Children aged 0-15 years		24 s	22	15 i	19	20	31 i	24 i	19	26	19	24	28	12 i	25 i	21 i	15	19 i	20 i	18 pi	18	25 i	29	22 i	38 pi	14	13	17 i
- People aged 16 years and more	Total	23 s	23	15 i	19	20	24 i	24 i	25	24	19	18	25	21 i	22 i	20 i	17	20 i	17 i	20 pi	21	23 i	26	19 i	41 pi	14	19	21 i
	Men	23 s	24	17 i	22	24	22 i	27 i	25	26	19	19	25	19 i	24 i	23 i	17	22 i	18 i	22 pi	19	24 i	25	20 i	43 pi	15	21	22 i
	Women	22 s	21	14 i	17	19	24 i	22 i	26	23	19	17	25	22 i	21 i	19 i	19	18 i	17 i	19 pi	22	22 i	26	18 i	39 pi	13	17	20 i
- People aged 16-64 years	Total	25 s	24	16 i	24	23	25 i	28 i	25	27	22	22	28	17 i	26 i	23 i	19	22 i	18 i	22 pi	20	23 i	29	21 i	42 pi	16	26	23 i
	Men	25 s	25	17 i	27	26	23 i	29 i	25	27	22	21	28	15 i	25 i	24 i	17	23 i	19 i	24 pi	18	24 i	29	21 i	45 pi	17	26	25 i
	Women	25 s	24	15 i	21	20	27 i	27 i	25	27	22	23	29	18 i	26 i	22 i	20	22 i	17 i	21 pi	23	23 i	30	20 i	41 pi	15	23	21 i
- People aged 65 years and more	Total	16 s	18	7 i	8	9	19 i	11 i	26	21	11	11	13	24 i	8 i	13 i	14	10 i	14 i	7 pi	21	15 i	18	17 i	17 pi	9	13	18 i
	Men	15 s	19	6 i	7	8	17 i	:	23	24	10	13	13	23 i	6 i	11 i	14	9 i	18 i	8 pi	26	16 i	17	17 i	18 pi	9	10	15 i
	Women	16 s	17	8 i	9	10	19 i	10 i	27	20	12	10	13	25 i	8 i	14 i	14	11 i	17 i	7 pi	20	15 i	19	16 i	16 pi	10	13	19 i

1) Data for the Czech Republic refer to income year 2002

2) Including imputed rent. See methodological note for an explanation

3) Data for Malta refer to income year 2000, and they are not analysed in Chapter 1 of the Technical Annex.

Source : Eurostat - See Annex IA and IB. i = national source harmonised ex-post for maximum consistency with EU-SILC methodology. p = provisional. s = estimated by Eurostat. u = result based on small sample (20-49 observations)

Table 5. Common indicators of social exclusion and poverty (cont)

At-risk-of-poverty rate before and after social transfers by gender and selected age group																												
<i>Before all social transfers except old-age/survivors' pensions</i>																												
- Total population	26 s	28	21 i	31	:	24 i	25 i	23	25	26	33	23	20 i	24 i	23 i	22	17 i	19 i	23 pi	25	31 i	27	16 i	28 pi	29	30	29 i	
- Children aged 0-15 years	33 s	32	33 i	26	:	30 i	28 i	22	29	35	38	32	16 i	31 i	27 i	34	31 i	28 i	29 pi	37	37 i	32	19 i	42 pi	34	36	43 i	
- People aged 16 years and more	Total	24 s	27	18 i	32	:	22 i	22 i	23	24	24	32	21	20 i	23 i	21 i	19	14 i	17 i	21 pi	23	30 i	26	16 i	25 pi	27	29	26 i
	Men	22 s	25	16 i	31	:	19 i	26 i	21	23	23	29	20	18 i	22 i	20 i	19	14 i	16 i	19 pi	21	30 i	25	14 i	25 pi	27	26	24 i
	Women	26 s	28	19 i	33	:	25 i	25 i	25	26	25	34	23	23 i	23 i	22 i	20	14 i	19 i	22 pi	24	29 i	27	17 i	24 pi	28	31	28 i
- People aged 16-64 years	Total	24 s	27	19 i	29	:	22 i	25 i	20	22	25	28	22	14 i	24 i	22 i	21	15 i	16 i	22 pi	23	32 i	24	15 i	26 pi	28	29	25 i
	Men	23 s	26	18 i	28	:	19 i	24 i	19	22	24	27	21	12 i	24 i	22 i	21	15 i	15 i	20 pi	22	32 i	23	14 i	27 pi	28	29	24 i
	Women	25 s	28	20 i	31	:	24 i	25 i	21	23	26	30	24	16 i	24 i	23 i	22	15 i	17 i	23 pi	24	31 i	25	15 i	26 pi	28	30	27 i
- People aged 65 years and more	Total	24 s	25	9 i	44	:	24 i	22 i	33	32	21	51	18	56 i	18 i	17 i	10	8 i	26 i	15 pi	19	18 i	34	20 i	13 pi	25	26	28 i
	Men	20 s	23	6 i	45	:	19 i	11 i	30	29	19	45	15	51 i	9 i	7 i	9	7 i	23 i	14 pi	15	15 i	33	13 i	13 pi	18	15	23 i
	Women	26 s	25	12 i	42	:	28 i	28 i	36	35	23	57	19	59 i	23 i	22 i	11	10 i	28 i	17 pi	23	19 i	34	24 i	13 pi	29	34	31 i
<i>Before all social transfers including old-age/survivors' pensions</i>																												
- Total population	42 s	42	39 i	39	39	36 i	41 i	40	41	44	39	45	28 i	43 i	39 i	38	32 i	30 i	37 pi	42	49 i	42	37 i	44 pi	42	43	43 i	
- Children aged 0-15 years	35 s	33	35 i	26	27	26 i	31 i	23	32	36	38	35	17 i	37 i	31 i	36	23 i	29 i	31 pi	40	44 i	36	25 i	48 pi	34	37	44 i	
- People aged 16 years and more	Total	43 s	44	39 i	42	42	38 i	43 i	43	43	46	39	47	31 i	44 i	41 i	39	33 i	30 i	38 pi	42	51 i	44	39 i	43 pi	43	45	43 i
	Men	40 s	41	36 i	39	39	33 i	39 i	40	41	43	37	44	27 i	41 i	38 i	36	30 i	27 i	34 pi	38	49 i	41	36 i	41 pi	41	42	39 i
	Women	46 s	47	43 i	45	45	43 i	46 i	46	45	49	42	50	33 i	47 i	43 i	41	36 i	33 i	42 pi	46	52 i	46	43 i	45 pi	46	48	46 i
- People aged 16-64 years	Total	32 s	33	30 i	30	30	25 i	32 i	31	32	33	31	36	20 i	35 i	31 i	29	24 i	24 i	27 pi	33	45 i	34	30 i	38 pi	32	32	31 i
	Men	30 s	30	27 i	28	29	21 i	30 i	29	31	31	30	34	17 i	34 i	30 i	27	22 i	21 i	25 pi	30	44 i	32	29 i	38 pi	32	31	28 i
	Women	35 s	35	33 i	31	32	29 i	33 i	34	34	35	33	39	22 i	36 i	31 i	32	25 i	26 i	30 pi	36	46 i	36	32 i	39 pi	32	33	34 i
- People aged 65 years and more	Total	88 s	92	89 i	95	95	86 i	87 i	85	85	95	87	85	88 i	81 i	83 i	86	79 i	70 i	91 pi	86	86 i	82	82 i	79 pi	93	94	92 i
	Men	88 s	93	92 i	93	93	84 i	88 i	83	86	95	86	84	85 i	81 i	83 i	88	81 i	65 i	90 pi	86	88 i	81	82 i	81 pi	90	91	91 i
	Women	88 s	91	88 i	96	96	88 i	86 i	86	84	95	89	85	90 i	80 i	83 i	84	78 i	74 i	92 pi	86	85 i	82	81 i	78 pi	94	97	93 i
Inequality of income distribution : Gini coefficient																												
	30 s	26	25 i	24	24	28 i	34 i	33	31	28	32	33	27 i	36 i	29 i	26	27 i	30 i	27 pi	26	31 i	38	22 i	33 pi	25	23	34 i	

1) Data for the Czech Republic refer to income year 2002

2) Including imputed rent. See methodological note for an explanation

3) Data for Malta refer to income year 2000, and they are not analysed in Chapter 1 of the Technical Annex.

Source : Eurostat - See Annex IA and IB. i = national source harmonised ex-post for maximum consistency with EU-SILC methodology. p = provisional. s = estimated by Eurostat. u = result based on small sample (20-49 observations)

Table 5. Common indicators of social exclusion and poverty (cont)

		EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SL	SK	FI	SE	UK
Long-term unemployment rate by gender, selected years (% of the labour force 15+)																											
1999																											
	Total	4.1	4.9	3.2	1	4.1	5	6.5	5.9	4.1	2.4	6.7	:	7.6	5.3	0.7	3.3	:	1.2	1.2	5.8	1.8	3.2	8	3	1.9	1.7
	Male	3.4	4.1	2.4	0.9	3.2	5.5	3.8	3.6	3.4	3	5.2	:	7.6	6.1	0.6	3.6	:	0.9	0.9	4.5	1.6	3.4	7.5	3.2	2.2	2.2
	Female	5	5.9	4.2	1.2	5.2	4.5	10.7	9.4	4.9	1.6	9	:	7.6	4.4	0.8	2.9	:	1.5	1.5	7.4	2.1	3	8.5	2.8	1.4	1
2002																											
	Total	3.9	3.6	3.7	0.9	3.9	5	5.3	3.9	3.1	1.3	5.1	0.8	5.7	7.2	0.8	2.4	3.4	0.7	1.1	10.8	1.7	3.4	12.2	2.3	1	1.1
	Male	3.3	3.2	3	0.8	3.3	5.9	3.1	2.3	2.6	1.7	4	0.6	6.5	7.3	0.6	2.7	3.6	0.6	1	9.7	1.4	3.4	11.9	2.5	1.2	1.4
	Female	4.6	4.1	4.6	1	4.8	4.1	8.6	6.2	3.5	0.7	6.9	1.2	4.8	7.1	0.9	2.1	2.6	0.9	1.2	12.2	2.1	3.4	12.6	2	0.8	0.7
2004																											
	Total	4.1	3.9	4.2	1.2	5.4	4.8	5.6	3.5	3.9	1.6	4	1.4	4.3	5.6	1.1	2.6	3.5	1.6	1.3b	10.2	3	3.1	11.8	2.1	1.2	1
	Male	3.6	3.5	3.4	1.1	4.8	5.6	3	2.3	3.5	2	2.9	1	4.2	5.3	0.8	2.7	3.9	1.5	1.3b	9.5	2.6	3	11.2	2.3	1.4	1.2
	Female	4.7	4.4	5.3	1.3	6.1	4	9.4	5.3	4.3	0.9	5.5	1.8	4.3	5.8	1.5	2.6	2.8	1.6	1.4b	11	3.4	3.2	12.5	2	1	0.6

Source: Eurostat - Labour Force Survey, Annual averages, based on 1990 census

Long-term unemployment share by gender, selected years (% of the unemployed population)

1999																											
	Total	45.2	56.9	36.7	21.6	51.2	44.4	54.3	45.5	39.2	42.9	61.5	:	54.2	38.4	30.4	48.1	:	36.3	30.3	43.1	39.3	44.8	47.8	29.3	28.1	28.3
	Male	43.6	56.1	32.4	21.2	49.6	44.4	47.2	39.6	38	52.4	61.9	:	52.8	40.1	36.2	49.1	:	40	28.4	37.8	38.6	48.5	45.4	32.4	33.6	33.5
	Female	46.7	57.6	40.5	22	53	43.9	59	49.9	40.2	28.8	61.1	:	55.8	36.1	25.6	46.7	:	33.7	32.6	48.3	40	40.6	50.6	26.1	21	20.1
2002																											
	Total	44.3	48.8	50.2	19.1	48.2	52.4	51.3	33.7	34.4	30.1	59.6	21.1	45.3	53.5	26.8	43.4	44	26.5	26.7	54.7	34.6	55.6	65.2	24.9	19.9	21.7
	Male	42.7	47.4	50	17.4	46.3	58.3	45.6	28.4	33.3	37.1	59.4	18.1	47.6	53.8	29.9	45.5	53.3	24.9	26.2	51	33.3	58.3	63.9	27.9	22.2	25.5
	Female	45.9	50.2	50.4	20.8	50.7	45.6	55.1	37.7	35.4	18.8	59.8	23.5	42.3	53.1	24.2	40.6	26.1	28.1	27.4	58.8	35.6	52.8	66.8	21.7	16.9	16
2004																											
	Total	45.3	49	51	21.5	56.3	52.2	53.1	32	40.4	34.9	49.2	26.2	43.8	51.2	22.6	44	46.7	34.2	27.5b	54	44.4	51.5	64.7	24	19.3	20.6
	Male	44.5	48.9	48.4	21	55.3	54.2	44.9	27.8	40.1	41.7	46.1	25.1	45	50.2	24.1	45.7	55.4	35.6	28.6b	52.7	43.7	53.4	64.9	25.9	21.4	24.3
	Female	46	49.2	53.3	21.9	57.5	49.7	57.9	35.2	40.7	23.6	51.9	27	42.6	52.2	21.6	41.9	32.9	32.6	26.3b	55.5	45	49.5	64.5	22	16.6	15.3

Source: Eurostat - Labour Force Survey, Annual averages, based on 1990 census

Table 5. Common indicators of social exclusion and poverty (cont)**Very long-term unemployment rate by gender, selected years (% of the labour force 15+)**

1999																										
Total	2.5	3.5	1.4	0.5	2.6	3	3.8	3.9	2.3	1.7	4.8	:	5.3	2.6	0.4	1.6	:	0.7	0.6	2.2	0.9	2.4	4.6	1.7	:	1
Male	2	2.9	1.1	0.4	2	3.4	2.1	2.3	1.9	2.2	3.8	:	5.3	3.1	0.3	1.8	:	0.6	0.6	1.6	0.7	2.6	4.2	1.9	:	1.4
Female	3.1	4.4	1.9	0.5	3.5	2.6	6.4	6.4	2.8	0.9	6.3	:	5.3	2.1	0.5	1.4	:	0.8	0.7	3.1	1.1	2.2	5.2	1.4	:	0.5
2002																										
Total	2.2	2.4	2.3	0.3	2.4	3.2	3.1	2.2	1.6	0.7	3.7	0.4	4	4.8	0.3	1.1	1.8	0.4	0.4	4.8	0.9	2.2	7.6	1.2	0	0.6
Male	1.9	2.1	1.9	0.3	2	4	1.7	1.2	1.4	1	2.9	0.3	5	5	0.2	1.3	2	0.3	0.4	4	0.7	2.2	7.3	1.5	0	0.8
Female	2.7	2.8	2.8	0.4	3.1	2.5	5.3	3.6	1.9	0.3	4.9	0.4	3	4.5	0.3	0.9	1	0.4	0.4	5.6	1.1	2.2	7.9	0.9	0	0.4
2004																										
Total	2.3	2.5	2.6	0.4	3.5	3.1	3.1	1.9	1.8	0.8	2.6	0.4	2.5	3.5	0.3	1.2	2	0.6	0.5b	5	1.6	1.7	8.2	1	0	0.5
Male	2	2.2	2.1	0.4	3	3.6	1.6	1.2	1.7	1.1	2	0.3	2.4	3.2	0.3	1.3	2.3	0.6	0.5b	4.6	1.3	1.7	7.7	1.1	0	0.6
Female	2.7	2.9	3.2	0.4	4	2.7	5.3	2.9	2	0.4	3.6	0.6	2.5	3.8	0.3	1.2	1.4	0.7	0.5b	5.5	1.8	1.8	8.9	0.8	:	0.3

Source: Eurostat - Labour Force Survey, Annual averages, based on 1990 census

People living in jobless households: children (0-17 years) and prime-age adults (18-59 years), selected years (% of population in the relevant age group)

1999																										
Children	:	11.3b	7.2	:	9.5	10.2	5.2	7.3	9.9	11.7	8.3	:	12b	:	4	15.5	:	6.9	4.2	:	4.5	4.1	10.6	:	:	18.4
Adults:																										
Total	:	13b	7.2	:	10.5	10.4	9.6	8.5	11.3	9.8	11.7	:	14.9b	8.8	6.7	14.2	:	7.8	8.2	:	4.7	9.6	9.8	:	:	11.8
Male	:	11.2b	5.6	:	9.5	10.5	7	7.7	10.1	8.5	9.8	:	13.4b	9	5.1	12.8	:	6.3	6.5	:	4.1	8.7	8.8	:	:	9.6
Female	:	14.8b	8.8	:	11.4	10.4	12.1	9.3	12.5	11.1	13.5	:	16.4b	8.5	8.4	15.6	:	9.4	9.8	:	5.3	10.5	10.9	:	:	13.9
2002																										
Children	9.8e	13.8	7.6	5.6	9.3	10.1	5.1	6.6	9.6	10.8	7.2	3.9	10.6b	8.4	2.8	14.3	7.6	6	4.4	:	4.2	3.8	12.1	:	:	17.4
Adults:																										
Total	10.2e	14.2	7.3	7.6	10	10.8	8.9	7.3	10.4	8.5	10.2	5.3	10.5b	9.1b	6.3	13	7.2	6.7	7.5	15.1	4.6	8	10.9	:	:	11.3
Male	8.9e	11.9	5.6	7.2	9.4	10.6	6.5	6.6	9.1	7.3	8.6	3.9	10.7b	8.5b	5.6	12	5.8	5.3	6.2	14.1	3.9	7	10.4	:	:	9.2
Female	11.4e	16.6	9.1	8	10.7	10.9	11.2	8	11.8	9.7	11.8	6.5	10.3b	9.7b	7	14	8.6	8.1	8.8	16.1	5.2	8.9	11.4	:	:	13.3
2004																										
Children	9.8e	13.2	9	6	10.9	9.6	4.5	6.3	9.6	11.8	5.7	2.6	7.2	6.5	3	13.2	9.2	7	5.6i	:	4.3	3.8	12.8	5.7	:	16.8
Adults:																										
Total	10.3e	13.7	8	8.5	11.1	9.5	8.5	7.3	10.8	8.6	9.1	5	7.8	8.1	6.5	11.9	8.6	8	8.8i	15.8	5.3	7.5	10.8	11	:	11
Male	9.3e	11.3	6.4	8.3	10.8	10.2	6.2	6.7	9.5	7.2	7.9	3.8	7.1	8.3	5	11.1	6.8	6.7	7.6i	14.8	5	7	10	11.2	:	9
Female	11.4e	16	9.6	8.8	11.4	8.7	10.7	7.9	12.1	10.1	10.4	6.1	8.4	8	8.1	12.7	10.4	9.3	10i	16.8	5.7	8	11.6	10.9	:	13
2005																										
Children	9.6e	12.9	8.1	6p	10.9p	9.1	4.1	5.4	9.5	12	5.6	3.5	8.3	6.2	3p	14.2	8.9	6.9	6.4	:	4.3	2.7u	13.8	5.7p	:	16.5
Adults:																										
Total	10.2e	13.5	7.4	8.5p	11.1p	8.5	8.5	6.7	10.7	8.4	9.5	5.2	8.1	6.6	6.5p	12.3	8.2	7.9	8.8	15.3	5.5	6.7	10.2	11p	:	11
Male	9.2e	11.6	5.8	8.3p	10.8p	10.2	6.4	6.2	9.6	7.2	8.3	4.2	8.7	6.9	5p	11.6	6.5	6.9	7.8	14	5.1	6.3	9.5	11.2p	:	9.2
Female	11.2e	15.4	9	8.8p	11.4p	7	10.7	7.2	11.8	9.8	10.8	6.2	7.6	6.4	8.1p	13.1	9.9	9	9.7	16.6	5.8	7.1	10.9	10.9p	:	12.8

Source: Eurostat, Labour Force Survey - Spring results (except DK, LU (2003) and FI: annual average)

Table 5. Common indicators of social exclusion and poverty (cont)

Dispersion of regional employment rates*, selected years (%)

1999	13.4	8	5.6	-	5.4	-	5.2	10.7	7.1	-	17.4	-	-	-	-	9.1	-	2.3	2.3	4.8	2.6	-	8.1	6.7	5	7.1
2004	12.2	8.7	5.6	-	6.2	-	4.1	8.7	7.1	-	15.6	-	-	-	-	9.4	-	2.3	3.5	6.4	3.5	-	9	5.5	4.4	5.8

* Coefficient of variation of employment rates across regions at NUTS2 level

e = estimate; p = provisional figure

Source : Eurostat - Labour Force Survey, Annual averages

Table 5. Common indicators of social exclusion and poverty (cont)

	EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SE	UK
Early school-leavers (% of the total population aged 18-24 who have at most lower secondary education and not in further education or training)																										
1999																										
Total	:	15.2b	:	11.5	14.9	14	18.6	29.5	14.7	:	27.2	17.5	:	:	19.1b	13	:	16.2	10.7	:	44.9	:	:	9.9	6.9	19.7
Female	:	12.7b	:	9.1	15.6	9.2	15.4	23.6	13.4	:	24.2	12.3	:	:	19.4b	12.7	:	14.9	11.9	:	38.9	:	:	7.9	6.1	19.3
Male	:	17.7b	:	14.2	14.2	19	22.1	35.3	16	:	30.3	24.6	:	:	18.9b	13.3	:	17.5	9.6	:	50.8	:	:	12	7.7	20.2
2004																										
Total	15.6i	11.9b	6.1	8.5	12.1	13.7	14.9	31.7	14.2	12.9p	22.3	20.6	15.6	9.5b	12.9	12.6	42b	14	8.7i	5.7b	39.4b	4.2u	7.1	8.7	8.6	14.9i
Female	13.1i	8.3b	6.5	6.7	11.9	:u	11.6	24.6	12.3	9.7p	18.4	14.9	10.7	7.4u	13	11.4	39.5b	11.9	7.9i	3.7b	30.6b	2.6u	6.4	6.9	7.9	14.2i
Male	18i	15.6b	5.8	10.4	12.2	20.5	18.3	38.5	16.1	16.1p	26.2	27.2	20.5	11.6u	12.8	13.7	44.2b	16.1	9.5i	7.7b	47.9b	5.8u	7.8	10.6	9.3	15.7i
2005																										
Total	14.9i	13	6.4	8.5	:	14	13.3	30.8b	12.6	12.3p	21.9	18.1	11.9	9.2	12.9p	12.3	44.5p	13.6	9.1	5.5	38.6	4.3u	5.8	8.7p	8.6p	14p
Female	12.7i	10.6	6.6	7.5	:	10.7u	9.2	25b	10.7	9.6p	17.8	10.6	8.2	6.2u	13p	11.1	42.8p	11.2	8.7	4	30.1	2.8u	5.7	6.9p	7.9p	13.2p
Male	17.1i	15.3	6.2	9.4	:	17.4u	17.5	36.4b	14.6	14.9p	25.9	26.6	15.5	12.2u	12.8p	13.5	46.2p	15.8	9.5	6.9	46.7	5.7u	6	10.6p	9.3p	14.7p

u = data lack reliability due to low sample size / : = not available or unreliable data / b = break / p = provisional

In DK, LU, IS, NO, EE, LV, LT, CY, MT and SI, the high degree of variation of results over time is partly influenced by a low sample size.

In CY, the reference population (denominator) excludes students abroad. In DE (2003 and 2004), participation to personnel interest courses is excluded

Source: Eurostat, Labour Force Survey - Quarter 2 results (except FI 2004 and 2005: Q1, AT 1999: Q1)

Percentage of low-achieving (level 1 and lower) 15 years old in reading literacy

2000	19.4	19.0	17.5	17.9	22.6	:	24.4	16.3	15.2	11.0	18.9	:	30.1	:	35.1	22.7	:	9.5	14.6	23.2	26.3	:	:	7.0	12.6	12.8
2003	19.8	17.8	19.4	16.5	22.3	:	25.2	21.1	17.5	11	23.9	:	18	:	22.7	20.5	:	11.5	20.7	16.8	22	:	24.9	5.7	13.3	:

Note: Luxembourg, Netherlands: results not fully comparable between surveys, therefore not included in EU average.

Source: OECD, PISA survey

Table 5. Common indicators of social exclusion and poverty (cont)**Persons with low educational attainment by age and gender, 2005** (% of total population in the relevant age group)

25-34 years																										
Total	22.0	19.9	6.1	13.1	14.7	11.5	23.1	36.7	19.5	18.3	33.7	20.6	20.1	12.6	26.5	15.4	56.6	18.6	12.6	8.3	57.7	8.6	7.5	10.6	9.4	22.5
Female	20.5	17.5	6.7	13.3	16.2	8.5u	19.2	31.5	18.1	15.3	29.7	20.2	15.6	10.1	26.5	14.6	61.7	17.7	14.4	7.7	51.5	7.7	7.8	7.6	8.4	23.5
Male	23.5	22.2	5.5	13.0	13.3	14.6u	26.8	41.6	21.0	21.3	37.6	21.1	24.6	15.2	26.5	16.2	51.8	19.5	10.9	8.8	63.8	9.6	7.3	13.4	10.5	21.5
35-44 years																										
Total	27.5	28.4	7.0	15.2	13.8	4.7u	32.3	46.3	28.6	30.4	45.3	24.4	6.8	5.1	36.0	19.2	69.3	24.2	15.7	10.5	74.1	16.3	7.5	13.7	10.5	29.2
Female	27.9	26.3	8.6	14.3	15.7	0.0	31.7	45.2	29.2	26.7	42.4	24.7	5.3	3.4u	38.8	21.5	77.4	25.2	20.0	10.6	71.5	15.8	8.6	11.3	8.8	32.3
Male	27.1	30.4	5.4	16.1	11.9	0.0	32.9	47.4	27.8	34.2	48.2	24.0	8.3	7.0u	33.3	16.8	61.6	23.2	11.5	10.4	76.8	16.7	6.4	16.1	12.1	26.0
45-54 years																										
Total	33.4	40.5	11.7	22.7	15.6	9.0	46.6	59.2	40.0	44.5	53.8	42.2	11.7	7.7	41.6	24.3	82.9	30.9	23.3	16.5	81.0	25.3	14.6	24.1	18.1	30.0
Female	36.5	42.3	16.9	24.1	19.4	7.5u	49.2	61.6	43.4	41.6	55.9	45.2	10.0	6.8u	47.8	30.2	88.9	35.6	29.3	17.3	80.5	28.6	18.8	22.1	15.1	36.7
Male	30.2	38.8	6.4	21.4	11.9	10.8u	43.9	56.8	36.6	47.4	51.8	39.2	13.8	8.7u	35.7	17.9	76.7	26.2	17.2	15.7	81.6	22.2	10.2	26.2	21.0	23.2
55-64 years																										
Total	44.2	52.7	16.7	25.3	21.1	20.3	66.8	74.9	49.4	59.9	70.8	60.3	29.5	31.3	49.5	39.9	86.6	41.1	30.6	30.3	87.2	30.3	24.1	41.4	28.4	34.7
Female	50.2	57.0	24.1	30.1	28.9	19.0	73.1	79.8	54.0	57.9	75.2	67.7	26.0	32.3	61.5	46.3	91.3	51.0	38.5	34.0	88.5	39.7	31.3	41.7	25.9	44.9
Male	38.2	48.3	8.5	20.4	13.2	22.1u	60.0	69.8	44.5	61.9	66.0	52.5	34.1	30.0	37.7	32.2	81.4	31.3	22.1	26.0	85.8	20.8	15.5	41.0	30.8	27.5
65+ years																										
Total	66.1	73.1	36.5	54.4	38.0	35.7	83.0	88.7	74.6	74.9	86.1	78.2	50.1	70.8	64.3	72.2	91.9	58.2	48.9	58.3	94.3	51.3	58.8	70.9	44.1	37.4
Female	73.1	77.2	48.6	64.5	52.2	35.3	87.7	92.2	79.1	75.3	89.3	85.5	51.5	73.1	76.9	75.8	94.7	68.4	58.6	64.8	95.5	63.7	69.6	73.4	45.3	53.3
Male	56.4	67.3	17.6	40.9	18.6	36.4	77.2	83.9	68.4	74.4	81.8	69.3	47.9	66.4	47.3	66.7	88.1	44.8	34.7	47.6	92.5	31.5	40.8	67.1	42.8	27.7
25-64 years																										
Total	31.1	34.5	10.1	18.9	16.1	10.9	40.3	51.6	33.6	35.4	49.7	34.7	16.4	12.9	37.7	23.9	73.8	28.2	19.9	15.4	73.8	19.5	12.4	22.4	16.6	28.8
Female	32.9	34.9	13.8	20.2	19.8	9.0	41.5	51.5	35.4	32.3	49.5	36.8	13.8	12.1	42.3	27.7	80.1	31.6	24.9	16.5	71.7	22.0	15.4	20.8	14.6	33.2
Male	29.2	34.2	6.4	17.6	12.5	13.0	39.2	51.7	31.8	38.4	50.0	32.5	19.2	13.8	33.2	20.0	67.5	24.8	14.9	14.3	75.9	17.1	9.2	24.1	18.5	24.5

u = data lack reliability due to low sample size

CY: students usually living in the country but studying abroad are not yet covered by the survey. DE, LU, FI 2005: 2004 data. IE, provisional

Source : Eurostat, Labour Force Survey - Quarter 2 results (except FR: Q1)

Table 5. Common indicators of social exclusion and poverty (cont)

		EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SL	SK	FI	SE	UK	
Life expectancy by age and gender, selected years																												
Life expectancy at birth																												
1970	Women	74.4	74.2	73	75.9		74.14	73.8	74.8	75.9	73.5	74.9		74.4	74.75	73.4	72.08	72.56	76.5	73.44	73.3	70.8	72.35	72.92	75	77.06	75	
	Men	68	67.8	66.1	70.7		65.5	70.1	69.2	68.4	68.8	69		66	66.92	67.1	66.31	68.4	70.7	66.52	66.6	64.2	65.04	66.73	66.5	72.2	68.7	
1980	Women	76.8	76.8	73.9	77.3	76.1	74.11	76.8	78.6	78.4	75.6	77.4	77	74.2	75.36	75.9	72.7	72.71	79.3	76	75.4	75.2	75.21	74.25	77.58	78.81	76.2	
	Men	69.8	70	66.8	71.2	69.6	64.14	72.2	72.5	70.2	70.1	70.6	72.3	63.6	65.49	69.1	65.45	68.49	72.7	69	66.9	67.7	67.42	66.75	69.16	72.76	70.2	
1990	Women	78.8	79.4	75.4	77.72	78.43	74.9	79.45	80.3	80.9	77.61	80.13	78.6	74.6	76.2	78.51	73.71	78.09	80.89	78.8	76.3	77.36	77.38	75.44	78.88	80.38	78.6	
	Men	71.7	72.7	67.6	72	71.96	64.7	74.64	73.3	72.8	72.08	73.64	74.1	64.3	66.4	72.33	65.13	73.7	73.83	72.2	66.7	70.41	69.54	66.64	70.94	74.81	72.9	
1995	Women	79.7	80.2	76.6	77.8	79.7	74.5	80.3	81.5	81.8	78.4	81.3	79.8	73.1	75	80.2	74.5	79.5	80.4	79.9	76.4	78.7	77.8	76.3	80.2	81.4	79.2	
	Men	72.8	73.4	69.7	72.7	73.3	61.9	75	74.3	73.9	72.9	74.9	75.3	60.3	63.3	73	65.3	74.9	74.6	73.3	67.6	71.6	70.3	68.4	72.8	76.2	74	
2002	Women	81.2	81.1	78.7	79.5	81.2	77.1	81.1	82.9	83	80.3	82.9	81.4	76	77.5	81.5	76.7	81	80.7	81.7	78.7	80.5	80.5	77.7	81.5	82.1	80.5	
	Men	75	75.1	72.1	74.8	75.4	65.3	76.4	76.2	75.8	75.2	76.8	77	64.8	66.3	74.9	68.4	75.9	76	75.8	70.4	73.8	72.6	69.8	74.9	77.7	75.9	
2004	Women	81.2*	81.7*	79	79.9	81.4	76.9*	81.4	83.8	83.8	80.7*	82.5*	81.4*	77.2p	77.8	81*	76.9	80.7*	81.1p	82.1	79.2	80.5*	80.4*	77.8	82.3	82.7	80.7*	
	Men	75.1*	75.9*	72.6	75.2	75.7	66*	76.6	77.2	76.7	75.8*	76.8*	77*	65.5p	66.4	75*	68.6	76.7*	76.4p	76.4	70	74.2*	72.6*	70.3	75.3	78.4	76.2*	
Life expectancy at age 1																												
1970	Women	:	74.5	73.3	75.9	:	74.2	74.3	75.6	76.1	73.8	75.8	:	74.5	:	73.7	73.4	73.3	76.3	74.1	74.5	73.4	73	73.8	:	76.8	75.2	
	Men	:	68.4	66.7	71	:	65.9	72.2	70.4	68.8	69.2	70.1	:	66.4	:	67.7	68.1	69.4	70.8	67.5	68.2	67.2	65.9	67.8	:	72.1	69.1	
1980	Women	:	76.6	73.9	76.8	:	74.2	76.7	78.4	78.1	75.3	77.4	76.8	74.1	75.4	75.7	73.2	72.6	78.9	76	75.8	76	75.2	74.8	77.1	78.3	76.1	
	Men	:	70	67.1	69.9	:	64.4	72.8	72.5	70	69.9	70.7	72.4	63.7	65.7	68.9	66.2	68.8	72.4	69.2	67.5	68.7	67.5	68.7	67.5	68.7	72.4	70.2
1990	Women	:	78.8	75	77.2	77.9	74.7	79.2	79.9	80.4	77.2	79.7	78.4	74.4	75.9	78.1	73.7	77.7	79.6	78.3	76.3	77.1	76.9	75.5	78.3	79.8	78.1	
	Men	:	72.3	67.4	71.6	71.5	64.7	74.4	72.9	72.4	71.7	73.3	74	64.3	66.2	71.9	65.2	73.5	73.4	71.9	66.9	70.3	69.3	66.7	70.3	74.3	72.6	
1995	Women	:	79.6	76.1	77.2	79.1	74.4	79.8	80.9	81.2	77.9	80.7	79.4	73.3	74.9	79.7	74.2	79	79.7	79.3	76.3	78.2	77.2	76	79.5	80.7	78.7	
	Men	:	73	69.3	72.1	72.7	61.9	74.7	73.7	73.3	72.4	74.4	75	60.5	63.2	72.3	65	74.7	74.1	72.8	67.6	71.2	69.7	68.2	72.1	75.5	73.5	
2002	Women	80.4	80.4	78	78.8	:	76.5	:	:	:	79.7	:	:	75.7	77.1	80.9	76.3	80.3	80.1	80.9	78.2	79.9	79.7	77.4	80.7	81.4	:	
	Men	74.2	74.5	71.5	74.2	:	64.7	:	:	:	74.6	:	:	64.5	65.8	74.3	67.9	75.2	75.4	75.2	70	73.2	72.1	69.4	74.1	77	:	
2003	Women	80.5	:	77.9	79.2	80.7	:	:	:	:	80	:	:	75.5	77.2	80.3	76.2	79.8	80.3	:	78.3	79.8	79.7	77.3	:	81.7	:	
	Men	74.4	:	71.4	74.4	75.1	:	:	:	:	75.3	:	:	65.5	66	74.4	67.9	76.1	75.6	:	70	73.5	71.9	69.5	:	77.2	:	

Table 5. Common indicators of social exclusion and poverty (cont)

		Life expectancy at age 60																									
1970	Women	19.7e	19.2	18	20.6	:	19.4	19.1	20	20.8	18.7	20.2	:	19.9	:	18.8	:	:	20.5	18.8	:	18.9	:	18.7	:	20.9	19.8
	Men	15.8e	15.2	14.1	17.1	:	15.2	17.5	16.8	16.2	15.6	16.7	:	16.5	:	15.2	:	:	16.8	14.9	:	15.5	:	15.7	:	17.8	15.2
1980	Women	20.9e	20.9	18.2	21.4	:	19.4	20.8	22.1	22.4	19.5	21.2	:	19.7	20.5	19.9	:	:	22.6	20.2	:	20.6	:	19.2	20.5	22.1	20.4
	Men	16.5e	16.3	14.3	17	:	14.8	18.2	18.4	17.3	15.9	16.8	:	15.1	16.5	15.5	:	:	17.5	16.3	:	16.3	:	15.5	15.6	17.9	15.9
1990	Women	22.1e	22.7	19.1	21.6	21.7	19.5	22.3	23.3	24.1	20.9	23	:	19.6	20.7	22.4	:	:	23.1	22	:	21.3	:	20	21.9	23.2	21.8
	Men	17.7e	17.9	14.6	17.4	17.4	14.8	19.4	19.1	19	16.7	18.6	:	14.9	16.2	17.8	:	:	18.1	17.8	:	17.5	:	15.2	17.1	19.1	17.5
1995	Women	22.8e	23.3	20	21.3	22.7	19.9	22.8	24.2	24.9	21.4	24	22.9	19.7	20.6	23.2	:	:	23.2	22.8	:	22	:	20	22.9	23.9	22.2
	Men	18.3e	18.5	15.9	17.6	18.2	14.4	19.8	19.7	19.7	17.3	19.5	20.1	13.8	15.5	18.2	:	:	18.5	18.5	:	18.2	:	15.6	18.1	19.8	18.3
2002	Women	23.8e	23.9	21.5	22.4	:	21.3	:	:	:	22.9	:	:	20.8	21.7	24.2	20.9	23.3	23.5	24.1	22	23.3	23.1	21	24	24.3	:
	Men	19.6e	19.6	17.3	19.1	:	15.4	:	:	:	19.2	:	:	15.2	16.1	19.6	16.1	19	19.5	20.2	17.1	19.4	18	16.4	19.5	20.9	:
2003	Women	23.9	:	21.4	22.7	23.9	:	:	:	:	23.1	:	:	20.6	21.9	23.2	20.8	22.7	23.7	:	22	23.3	23.1	21	:	24.6	:
	Men	19.8	:	17.3	19.3	19.9	:	:	:	:	19.6	:	:	15.4	16.2	19.3	15.9	19.8	19.7	:	17.1	19.4	17.9	16.4	:	21	:

p = provisional value; e = Eurostat estimate

* = 2003

Source: Eurostat - Demographic statistics

Table 6. Common indicators of adequate and sustainable pensions*

	EU	BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT	SL	SK	FI	SE	UK
Employment rate of older workers (% of population aged 55-64), selected years																										
1998																										
Total	35.8	22.9	37.1	52	37.7	50.2	39	35.1	28.3	41.7	27.7	:	36.3	39.5	25.1	17.3	:	33.9	28.4	32.1	49.6b	23.9	22.8	36.2	63	49
Male	46.6	32.1	53.2	61.3	47.2	62	56	52.6	32.5	60.2	41.4	:	48.1	54.4	35.2	27	:	47.5	40.5	41.5	62.9b	31.8	39.1	38.4	66.1	59.1
Female	25.5	14	22.9	42	28.3	41.6	23.5	18.8	24.4	23.1	15	:	27.5	28.3	15.5	9.6	:	20.3	17.1	24.1	38b	16.1	9.4	34.1	60	39.2
2000																										
Total	36.6	26.3	36.3	55.7	37.6	46.3	39	37	29.9	45.3	27.7	49.4	36	40.4	26.7	22.2	28.5	38.2	28.8	28.4	50.7	22.7	21.3	41.6	64.9	50.7b
Male	46.9	36.4	51.7	64.1	46.4	55.9	55.2	54.9	33.6	63.2	40.9	67.3	48.4	50.6	37.2	33.2	50.8	50.2	41.2	36.7	62.1	32.3	35.4	42.9	67.8	60.1b
Female	26.9	16.6	22.4	46.6	29	39	24.3	20.2	26.3	27.2	15.3	32.1	26.7	32.6	16.4	13.3	8.4	26.1	17.2	21.4	40.6	13.8	9.8	40.4	62.1	41.7b
2002																										
Total	38.7	26.6	40.8	57.9	38.9	51.6	39.2	39.6	34.7	48	28.9	49.4	41.7	41.6	28.1	25.6	30.1	42.3	29.1	26.1	51.4	24.5	22.8	47.8	68	53.4
Male	48.8	36	57.2	64.5	47.3	58.4	55.9	58.4	38.7	65	41.3	67.3	50.5	51.5	37.7	35.5	50.8	54.6	39.6	34.5	61.9	35.4	39.1	48.5	70.4	62.6
Female	29.2	17.5	25.9	50.4	30.6	46.5	24	21.9	30.8	30.8	17.3	32.2	35.2	34.1	18.4	17.6	10.9	29.9	19.3	18.9	42.2	14.2	9.5	47.2	65.6	44.5
2004																										
Total	41	30	42.7	60.3	41.8	52.4	39.4	41.3	37.3	49.5	30.5b	49.9	47.9	47.1	30.8	31.1	31.5	45.2	28.8b	26.2	50.3	29	26.8	50.9	69.1	56.2
Male	50.7	39.1	57.2	67.3	50.7	56.4	56.4	58.9	41	65	42.2b	70.8	55.8	57.6	38.5	38.4	53.4	56.9	38.9b	34.1	59.1	40.9	43.8	51.4	71.2	65.7
Female	31.7	21.1	29.4	53.3	33	49.4	24	24.6	33.8	33.7	19.6b	30	41.9	39.3	22.9	25	11.5	33.4	19.3b	19.4	42.5	17.8	12.6	50.4	67	47

Source: Eurostat - Labour Force Survey, Annual averages.

Average exit age from the labour force, selected years

2002																										
Total	60.4	58.5	60.2	60.9	60.7	61.6	61.3	61.5	58.8	63.1	59.9	61.4	:	:	59.3	59.1	58.2	62.2	59.3	56.9	63	56.6	57.5	60.5	63.3	62.3
Male	60.8	58.6	62.2	61.9	61.1	:	61.1	61.4	58.9	62.8	60.2	:	:	:	59.6	:	62.9	59.4	58.1	62.9	:	59.6	60.6	63.4	62.7	
Female	60	58.4	58.4	59.8	60.3	:	61.5	61.6	58.7	63.5	59.7	:	:	:	58.8	:	61.6	59.2	55.8	63.1	:	55.7	60.4	63.1	61.8	
2004																										
Total	60.7p	59.4	60	62.1	61.3	62.3	59.5	62.2	58.9	62.8	:	62.7	62.9	60.8	57.7	60.5	57.7	61.1	:	57.7	62.2	:	58.5	60.5	62.8	62.1
Male	60.9p	59.1	61.3	62.6	61.4	:	60.3	61.5	58.4	63.4	:	:	:	:	60.3	:	61.1	:	60	61.2	:	60.3	60.2	63.1	62.9	
Female	60.4p	59.6	58.9	61.6	61.1	:	58.8	62.9	59.4	62.3	:	:	:	:	60.7	:	61.1	:	55.8	63.1	:	57	60.8	62.4	61.4	

e = Eurostat estimate; p = provisional figure

Source: DG Employment / Eurostat, Labour Force Survey - Annual average

* Selection of the common indicators of adequate and sustainable pensions that were presented in the Commission Staff working paper: Synthesis Report on Adequate and Sustainable Pensions (SEC(2006)304 of 27 February 2006).

Table 6. Common indicators of adequate and sustainable pensions* (cont.)**Pension expenditure, selected years (% of GDP)**

1995	:	12.1	7.3	11.3	12.5	:	11.2	10.3	13.4	5.0	14.5	:	:	:	12.7	:	8.1	14.1	14.3	:	9.8	:	7.4	12.7	12.8	11.9	
2000		12.5	11.1	8.7	10.5	13.0	6.9	12.5	9.6	13.0	3.6	14.7	:	9.6	7.8	9.7	8.7	8.2	13.0	14.2	13.0	10.5	11.4	7.5	10.7	11.7	12.2
2003		12.6	11.5	8.8	11.1	13.4	6.3	12.9	9.2	13.0	3.9	15.1	:	7.5	6.8	10.9	9.3	9.4	12.6	14.7	14.3	11.9	11.2	7.5	11.4	12.7	11.0

Source : Eurostat - ESSPROS database

Risk of poverty of people aged 60+, 65+, 75+ and <60, <65, <75 (%), 2003**Total**

Total	16	15	8	11	15	18	20	20	14	21	19	15	16	15	11	12	15	12	13	17	21	10	21	11	11	18
Men	15	14	7	11	13	17	19	19	13	19	18	14	16	14	11	12	15	12	11	17	20	9	21	11	10	17
Women	17	16	9	11	17	20	21	21	14	23	20	17	17	15	11	12	15	12	14	16	22	11	21	11	12	19

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Total	16	14	9	10	15	19	18	18	13	19	20	10	17	15	12	12	14	13	12	18	19	9	22	10	11	17
Men	16	13	8	10	13	18	18	18	13	17	19	10	17	15	12	12	14	12	11	19	18	8	22	10	11	16
Women	17	15	9	10	17	19	19	18	14	20	21	11	17	15	12	12	14	13	13	18	20	9	22	10	11	17

65+

Total	18	21	4	17	16	17	28	30	16	40	16	52	14	12	6	10	20	7	17	6	29	19	13	17	14	24
Men	15	20	1	16	11	7	26	27	14	34	13	48	7	5	6	6	19	6	13	4	29	11	12	11	9	21
Women	20	21	6	18	19	22	30	32	17	45	18	55	17	15	6	12	21	7	20	7	30	23	13	20	18	27

75+

Total	:	21	7	23	17	18	35	34	18	44	15	67	16	15	8	14	21	7	18	6	35	25	20	25	20	30
Men	:	20	2	25	9	3	35	32	15	35	12	67	5	6	7	11	18	7	10	4	35	17	20	15	14	28
Women	:	21	9	22	20	24	34	35	19	50	17	67	21	19	9	15	24	7	21	7	36	28	20	30	24	32

Source : Eurostat - See Annex IB

Relative income of people aged 65+ (relative to the complementary age groups) (%), 2003

Total	:	0.8	0.8	0.7	0.9	0.8	0.8	0.8	0.9	0.6	1.0	0.6	0.8	0.9	1.0	0.9	0.9	0.8	0.9	1.1	0.8	0.9	0.9	0.8	0.8	0.7
Men	:	0.8	0.9	0.7	:	0.8	0.8	0.8	0.9	0.6	1.0	0.6	0.8	1.0	1.0	0.9	1.0	0.9	1.0	1.2	0.8	0.9	0.9	0.8	0.8	0.8
Women	:	0.8	0.8	0.7	:	0.7	0.8	0.8	0.9	0.6	0.9	0.5	0.8	0.9	1.0	0.8	0.9	0.8	0.9	1.1	0.8	0.8	0.9	0.7	0.7	0.7

Source : Eurostat - See Annex IB

Inequality of income distribution (S80/S20) among people aged 60+, 65+, 75+ and <60, <65, <75 in 2001 (%)

65+	:	3.4	2.1	2.8	3.9	4.7	5.1	4.2	4.2	3.4	4.2	4.3	3.5	3	3	2.5	4.5	3.2	4.5	3.3	6.5	3.3	5.8	2.8	2.7	4
0-64	:	4.1	3.5	3.4	4.4	6.1	6	5.2	4.2	5.1	6	3.7	6.6	4.8	3.8	4	4.6	4.2	3.7	5.2	7.3	3.1	3.2	3.6	3.3	5.9

Source : Eurostat - See Annex IB

* Selection of the common indicators of adequate and sustainable pensions that were presented in the Commission Staff working paper: Synthesis Report on Adequate and Sustainable Pensions (SEC(2006)304 of 27 February 2006).

European Commission

Joint Report on Social Protection and Social Inclusion 2006

Luxembourg: Office for Official Publications of the European Communities

2006 — 169 pp. — 21 × 29.7 cm

ISBN 92-79-01936-8

