



Social Investment Package

Key facts and figures

Table of Contents

Table of Contents	2
At risk of poverty and social exclusion	3
Unemployment.....	3
In-work poverty	4
The gender dimension	5
The situation of migrants	6
Housing deprivation and homelessness	7
Demographic Statistics.....	8
Demographic changes	8
Differences in life expectancy	9
Investing in Children.....	10
Child poverty statistics	10
Intergenerational transmission of disadvantage	10
Early childhood education and care	11
Investing in youth	12
Early school leaving	12
Youth unemployment	13
Young people not in employment, education or training (NEETS)	14
Investing in education	14
Pursuing Activating and enabling policies	16
Activation.....	16
Lifelong learning.....	16
Adequate livelihoods	17
Childcare and female employment.....	18
Investing in health.....	19
Health inequalities	19
Long-term care	20
Ensuring the adequacy and sustainability of budgets	22
Expenditure on Social Protection	22
Room for efficiency gains.....	23

General Social and Employment Statistics

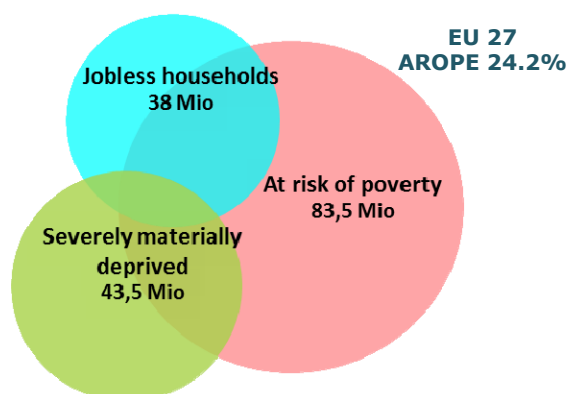
At risk of poverty and social exclusion

In 2011, 24.2% of the population in the EU27, almost 119.6 million people, were at risk of poverty or social exclusion. The figure has crept up almost 1 percentage point in the past year.

This means that 1 person out of 4 in the EU experience at least in one of the following three conditions:

- They have an income below the risk-of-poverty threshold (below 60% of the median income)
- They are severely materially deprived (and cannot for example keep home adequately warm, face unexpected expenses, or eat meat every second day)
- They live in jobless households (households where adults do not work or where they work less than 20% of their total work potential, students excluded).

Population at risk of poverty and social exclusion in the EU and in selected Member States



Source: Eurostat, EU-SILC 2011, 2010 data for Ireland.

These figures are at odds with the Europe 2020 strategy, which aims to reduce the number of people at risk of poverty or social exclusion by at least 20 million by 2020.

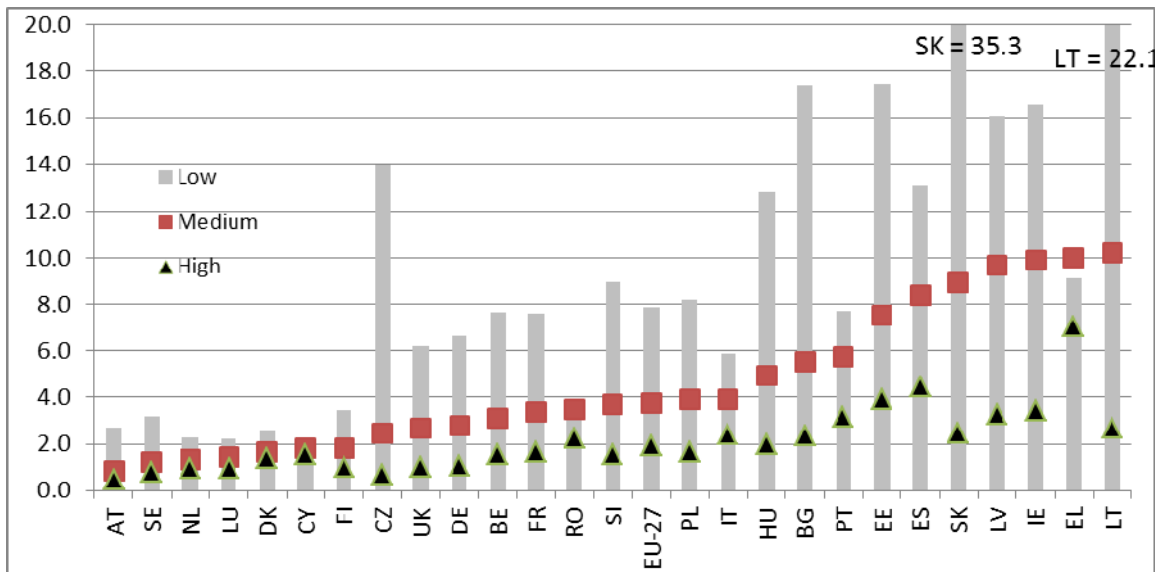
In 2011, the highest shares of people at risk of poverty or social exclusion were recorded in Bulgaria (49%), Romania and Latvia (both 40%), Lithuania (33%), Greece and Hungary (both 31%), and the lowest in the Czech Republic (15%), the Netherlands and Sweden (both 16%), Luxembourg and Austria (both 17%).

Unemployment

Unemployment has reached a new high of more than 26 million people or 10.7 % of the active population. Education and skills level is a major factor influencing a person's risk of unemployment.

In 2011, the long-term unemployment rate was 4.6 % in the 3rd quarter of 2012. It was more than four times higher for those with lower education levels (7.9 %) than it was for the highly educated (1.9 %) and more than twice as high as it was for those with a medium education level (3.7 %).

Long-term unemployment rate by educational level, as a percentage of the active population, 2011



Source: DG EMPL calculations based on Eurostat, EU-LFS

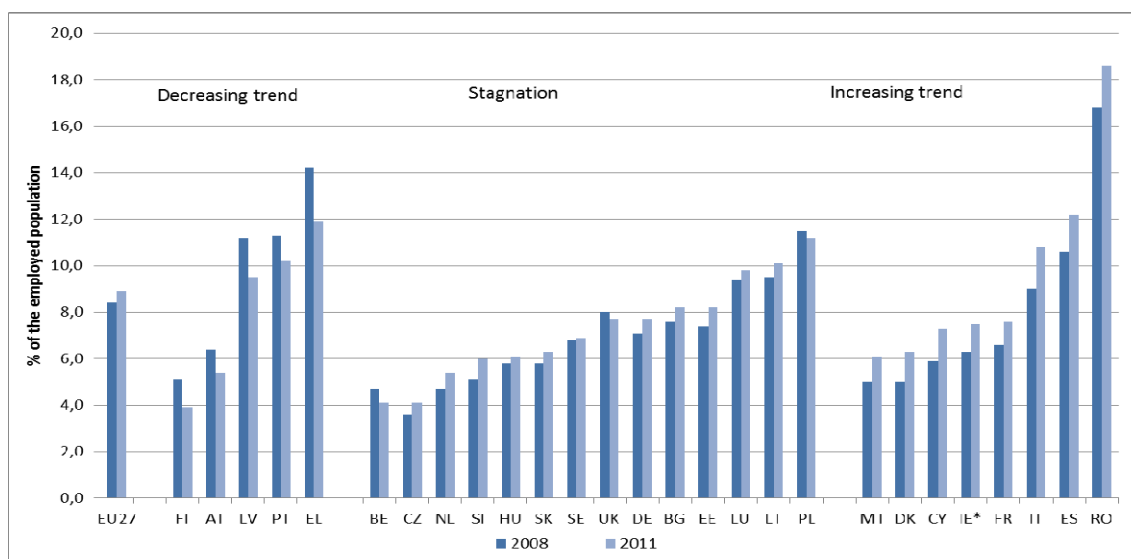
In-work poverty

The working poor account for a third of adults of working age at risk of poverty. In 2010, 8 % of those in employment were living under the poverty threshold.

In-work poverty is linked to aspects of poor-quality jobs, such as low pay, low skills, precarious employment and under-employment.

In-work poverty is also related to low work intensity in the household, i.e. situations where there are too few adults working in the household, or not working enough to earn a living (working too few hours or for only part of the year). Among these, single-parent households where the parent is not working full-time, and single-earner families face the highest risks of poverty.

In-work poverty: at-risk-of-poverty rate of persons employed, change since 2008



Source: Eurostat – EU-SILC

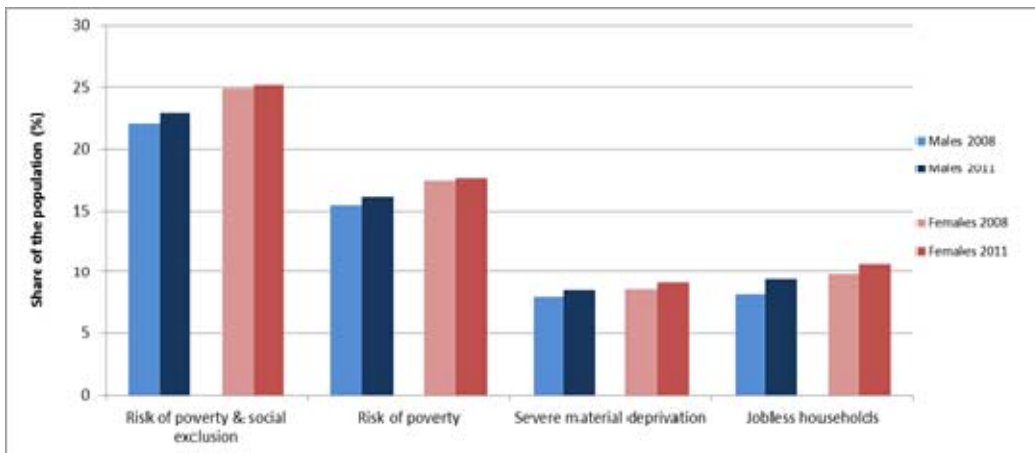
The gender dimension

Women are not significantly more likely to face unemployment (9.8% compared to 9.7% for men) but they face a higher risk of poverty and exclusion (25.2) than men (23 %). Lone mothers, inactive women of working age and elderly women over 75 are particularly at risk.

The greater exposure of women to the risk of poverty and exclusion partly results from 42% lower overall earnings, through the combination of three gender gaps.

- Women's activity rate is still 12.7 percentage points below that of men (64.9 % against 77.6 % for the 15-64 age bracket in 2011), reflecting persistent gender divisions in household and care responsibilities.
- A higher proportion of women works part-time, which means that on average women work 17.0 % less hours than men (33.7 hours per week against 40.6 in 2011).
- There is a gender pay gap of 17 % (in average hourly gross wage) is partly due to women earning lower pay for work of equal value, and partly due to women being concentrated in jobs that pay less.

Male and female at-risk-of-poverty-and-social exclusion rates, and the underlying three components, 2008 and 2011

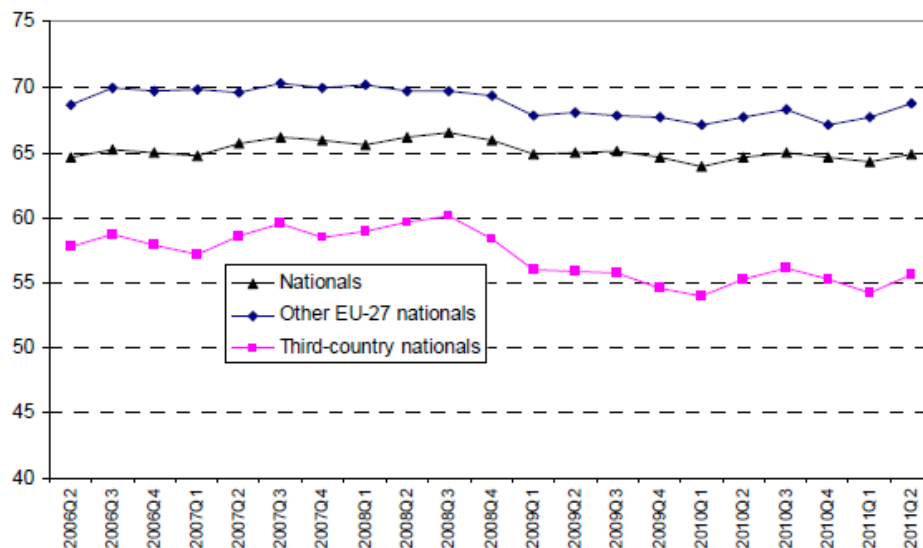


Source: Eurostat, EU-SILC

The situation of migrants

During the last quarter available (2011q2) the employment rate of third-country nationals was 55.6%, much below the level recorded for nationals (64.8%) and other EU nationals (68.7%).

Employment rates by groups of citizenship in the EU (%)



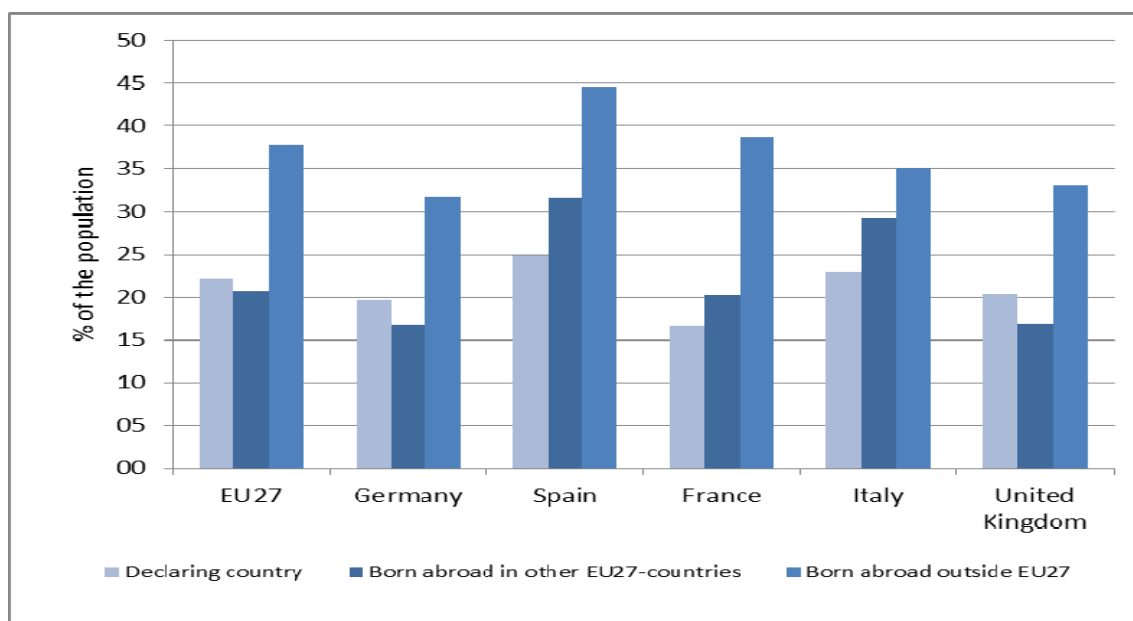
Source: ESSQR December 2011; EU LFS

Difference in employment rates can be explained by the combination of:

- The lower labour market participation rate of third country migrant women;
- Greater labour market integration difficulties for third-country migrants (e.g., language barriers, discrimination, etc.)

The risk of poverty or exclusion among the migrant population remains much higher than the overall EU population. The risk of poverty or exclusion for people 18+ born outside the EU-27 stood at 37.8% in 2011, compared to 20.8% for those born in the country and 22.2% for those born in another EU country.

At-risk of poverty and social exclusion of people aged 18+ by country of birth, 2011



Source: Eurostat – EU SILC 2011¹

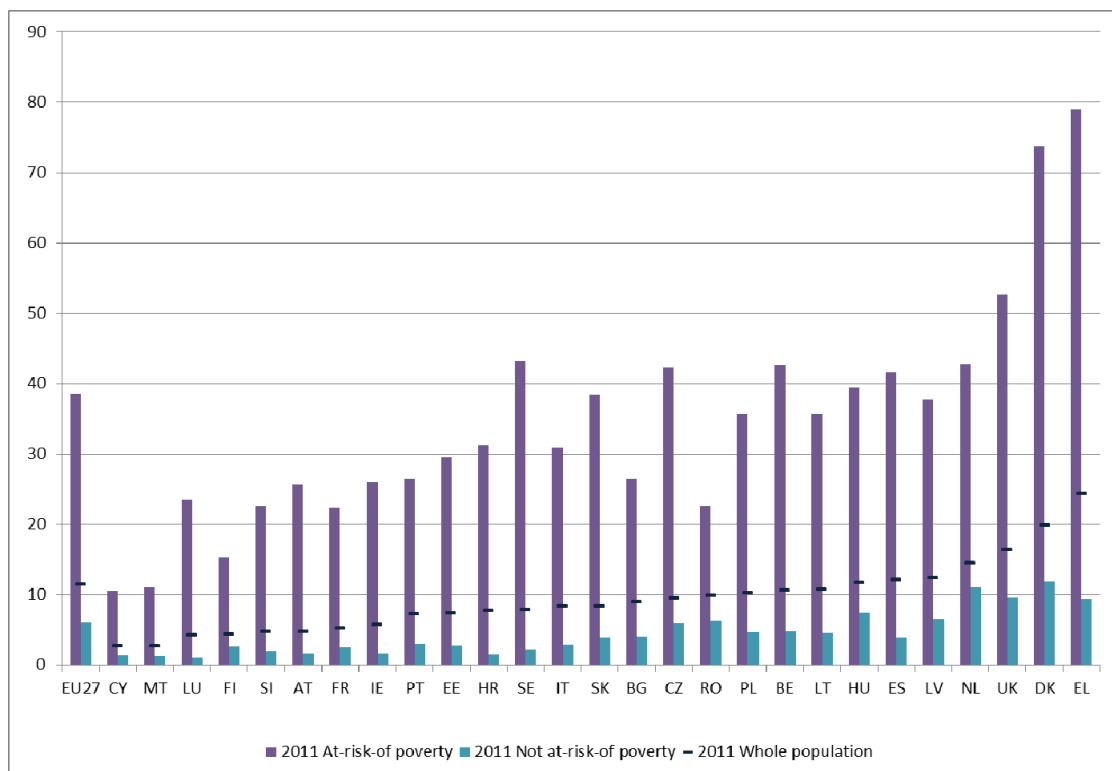
Young people with a migration background are also at greater risk of dropping out from school (with the exception of the UK and Portugal). In 2011 the early school leaving (ESL) rate of young people born abroad was on average double the ESL rate of natives (24.9% compared to 12.4%).

Housing deprivation and homelessness

In 2011, on average 12% of the EU-27 population was **overburdened by housing costs**, but for those at risk of poverty the figure was 39%. For the non-poor it stood at less than 6%.

¹ 2010 data for IT and UK

Share of population overburdened by housing costs² in 2011



Source: EUROSTAT; EU-SILC 2011

The percentage of Europeans who say they are very and/or quite likely to have to leave their accommodation within the next six months has increased from 4% in 2007 to almost 6% in 2011.

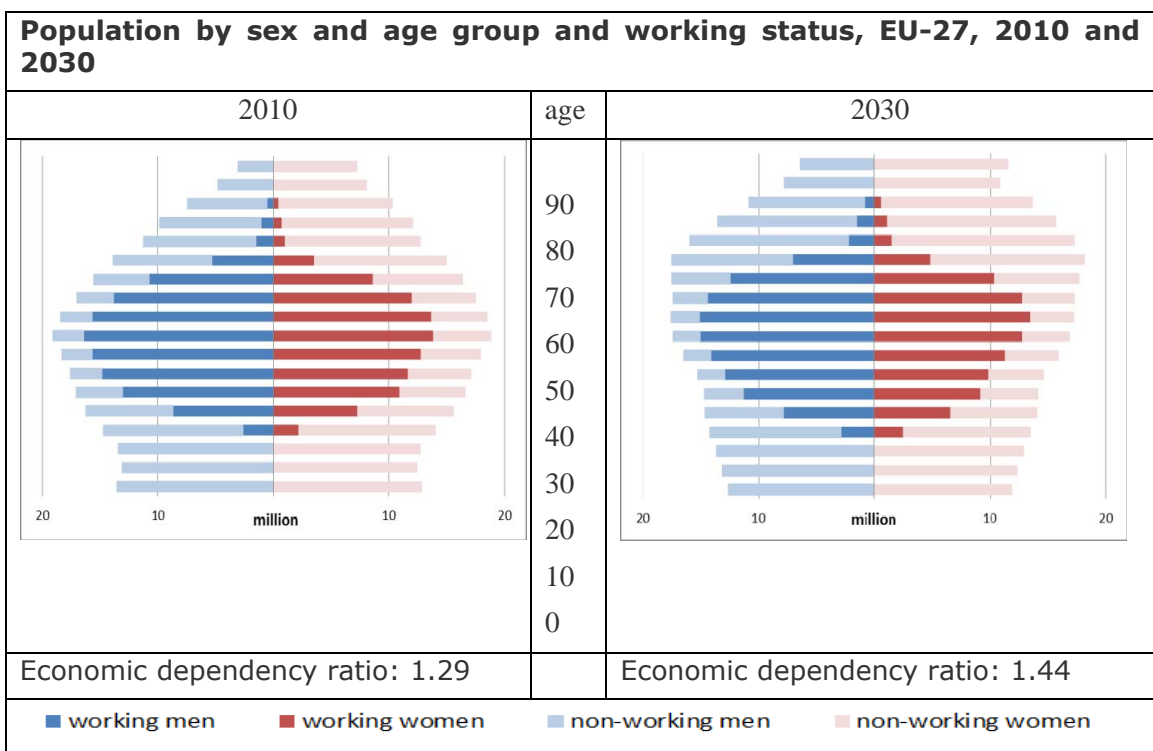
In most Member States for which recent data are available, homelessness seems to be on the rise. According to national experts, homelessness increased over the past five years up to mid-2011 in fifteen Member States (AT, CZ, DE, EL, ES, FR, HU, IE, IT, LT, PL, PT, SI, SW, UK), it decreased in two (FI, NL) and it remained stable in one (DK).

Demographic Statistics

Demographic changes

By 2030, the number of older people will increase by 46% and the number of people 80+ will increase by 68%. Simultaneously, the working age population is expected to decline by 15%.

² Refers to the share of the population living in a household where housing costs (net of housing allowances) represent more than 40% of the total household income). Data on DE omitted because key components of the housing cost variable were missing. Data for IE refer to 2010.

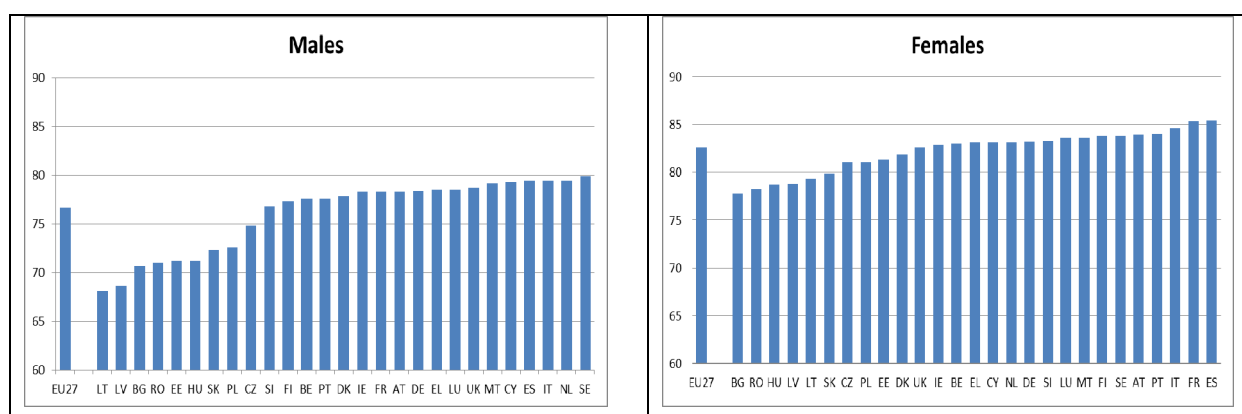


Source: Eurostat, LFS and projections, computations

Differences in life expectancy

Though as a whole, the EU is ageing, there are still large differences in healthy life years and life expectancies at 65 between Member States. The gap in life expectancy at birth between the highest and lowest values for EU27 Member States was 11.6 years for males in 2010 and 7.9 years for females. This is partially attributed to differences in the accessibility and quality of health care.

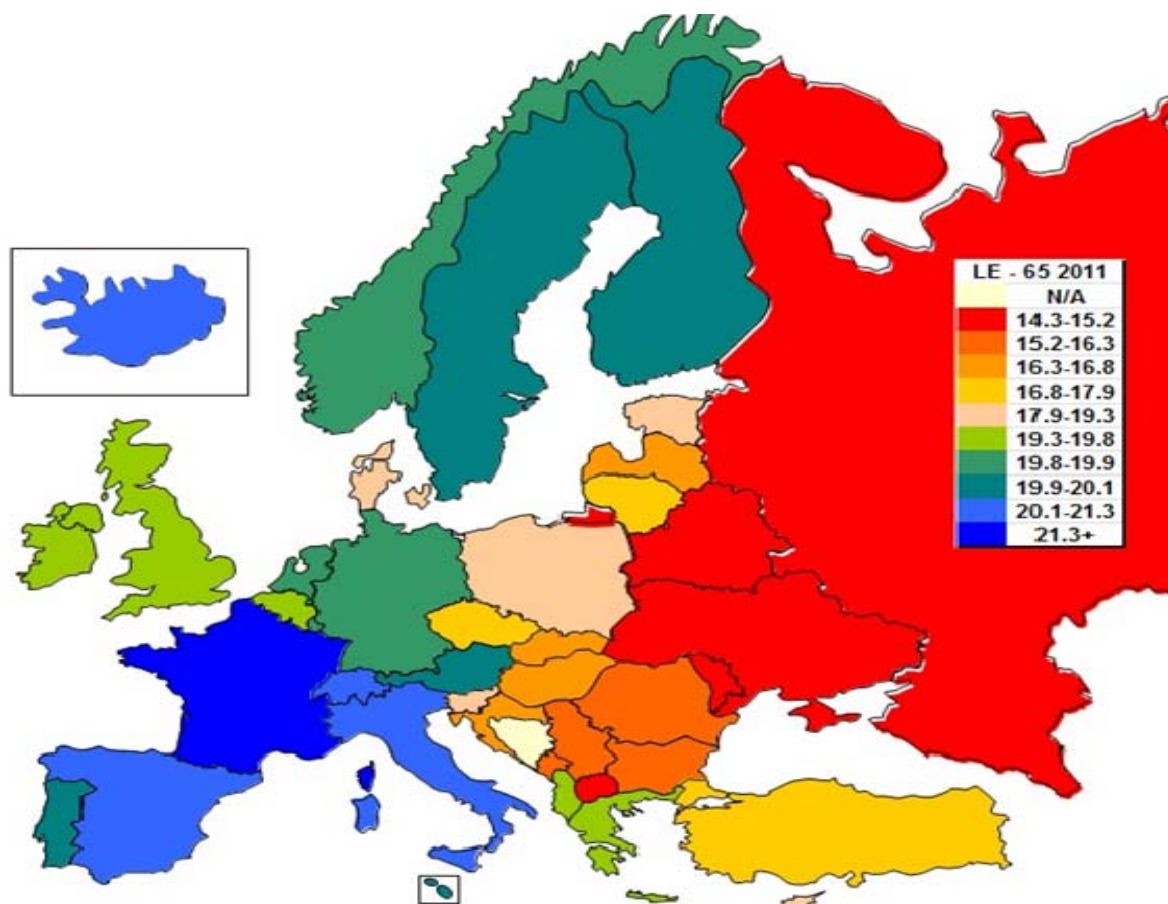
Life expectancy at birth for males and females in 2011³



³ Or latest year available. 2010 data used for BE, FR, UK and MT. 2009 data used for IT. EU27 average is from 2010.

As you can see below, remaining life expectancy across 65 also varies greatly across Member States.

Remaining life expectancy at 65 across Europe, 2010



Source: Eurostat (data code demo_mlexpec)

Investing in Children

Child poverty statistics

Children are generally more at risk of poverty or social exclusion than the overall population, with a rate of 27.1% as against 24.2% for the population as a whole in the EU in 2011.

Those worst-off are in households in which nobody works.

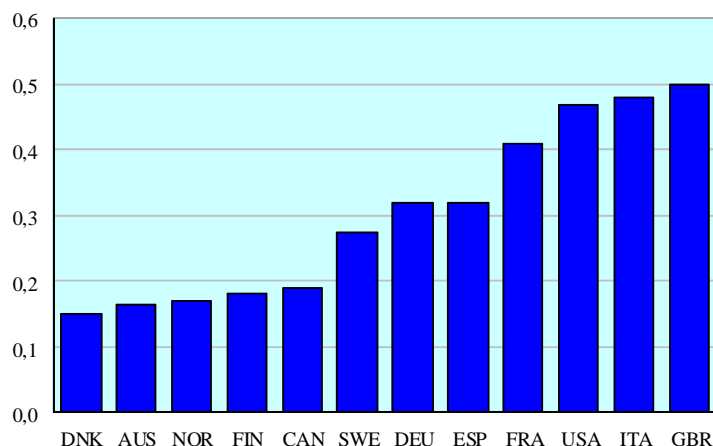
- In 2010 in the EU-27, 9.9% of children and adults of working age were living in jobless households (i.e., in households with zero or very low work intensity), against 9% in 2008. The crisis has already started to increase the number of families having to rely entirely on social benefits.

Intergenerational transmission of disadvantage

Children growing up in poverty and social exclusion are less likely than their better-off peers to do well at school, to enjoy good health or to realise their full socio-economic potential later in life.

The link between individual and parental earnings varies across various countries

Intergenerational earnings elasticity for selected countries⁴

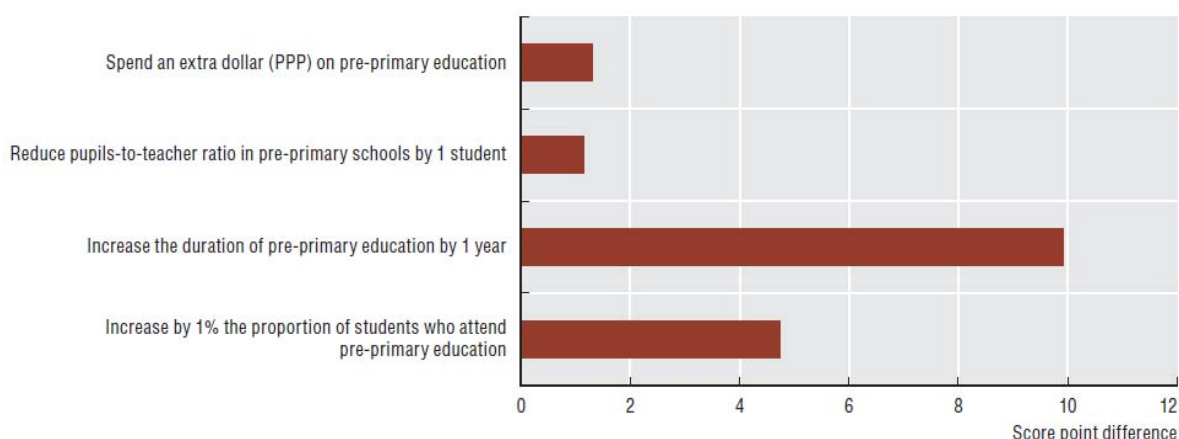


Source: d'Addio (2007)

Early childhood education and care

Results from the OECD's PISA assessment of students at age 15 show that, for most countries, **students who have attended pre-primary education do better than those who have not**. This strongly suggests that early education can improve education outcomes and overall skill levels later on in life. **This has profound consequences in terms of human capital stock and overall labour force competitiveness.**

Influence of pre-primary education policies on PISA results, 2009



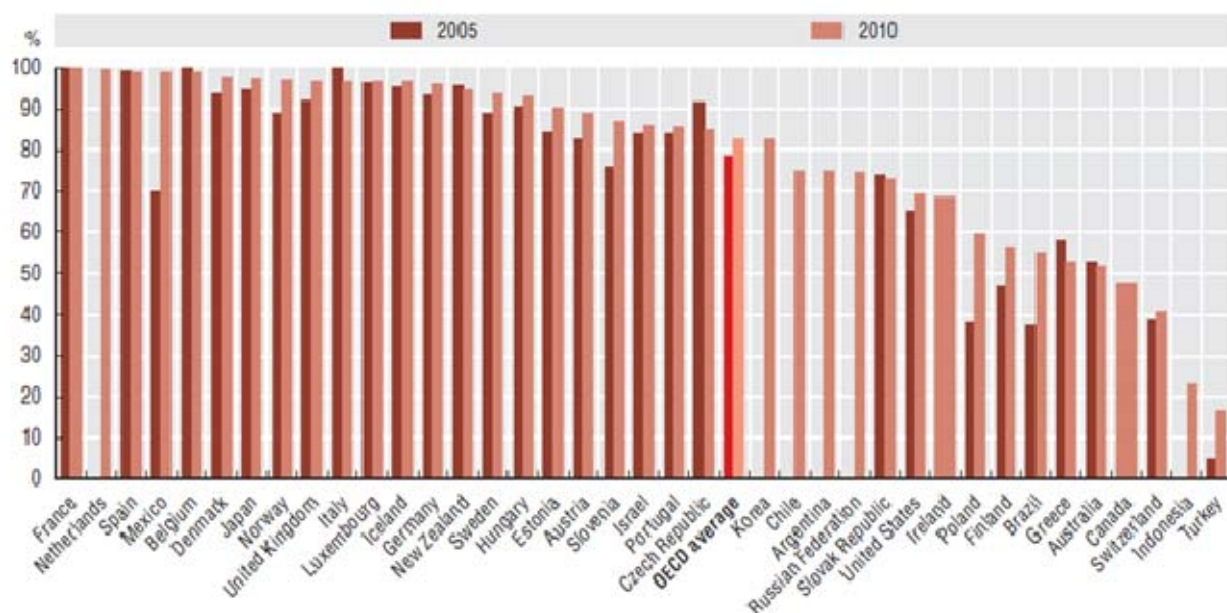
Source: OECD (2012)

There is a large divergence between some EU countries in terms of investment and participation in pre-primary education. For instance, enrolment in education at the age of four is 100 % in France, while only slightly over 50 % in Greece. While there has

⁴ This reflects the extent to which sons' earnings levels reflect those of their fathers.

been a trend among Member States and OECD countries in general to increase enrolment in early education between 2005 and 2010 (such as FI, DK, DE, SI, EE, AT, and PL) there has been a worrying decline in some Member States (EL, CZ, IT).

Enrolment rates at the age of four in education (2005 and 2010)



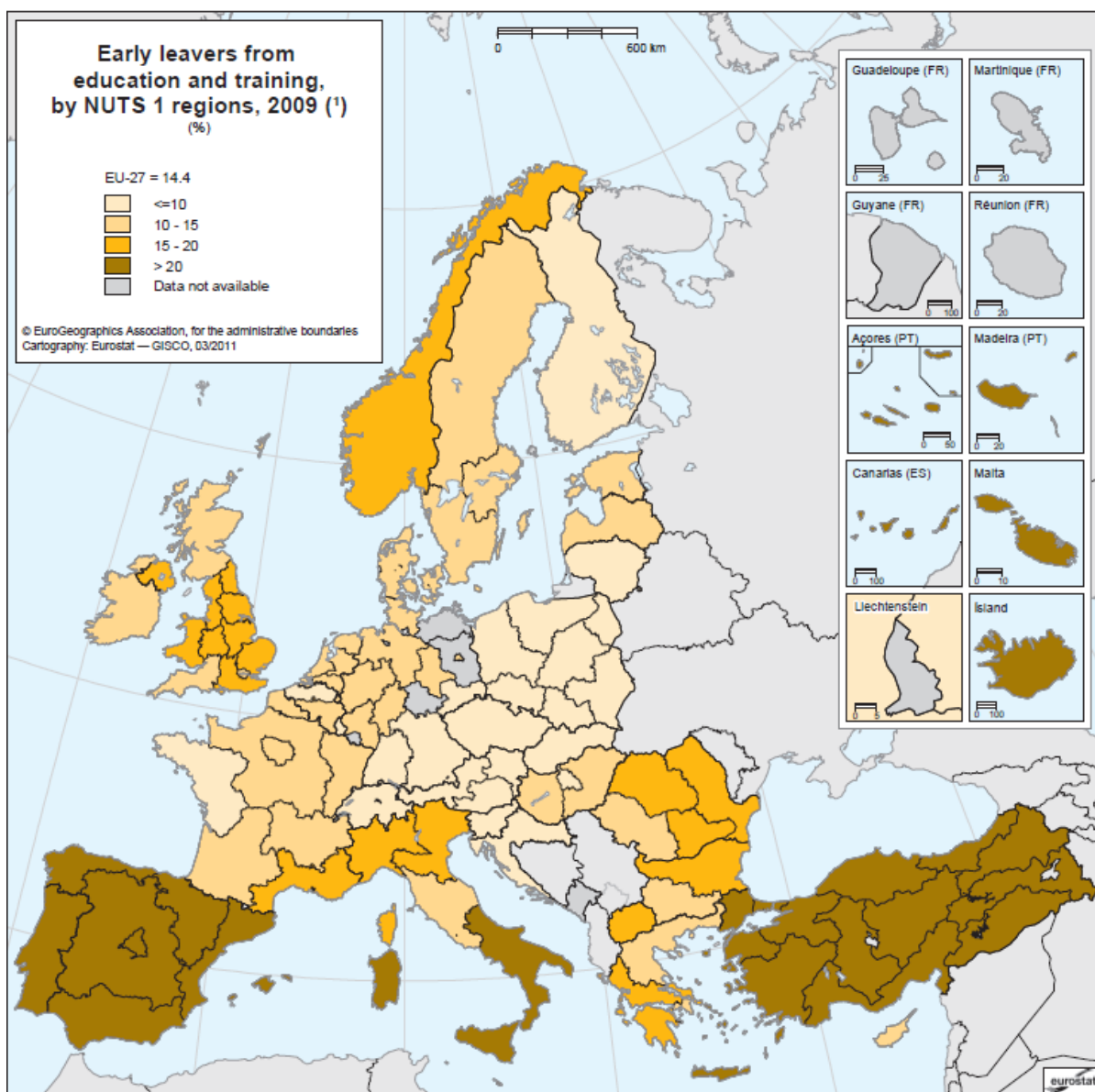
Source: OECD (2012)

Investing in youth

Early school leaving

In 2011, **nearly six million young people between 18 and 24 years old had not finished upper secondary education and were not in education and training.** The proportion of people who leave school early, however, varies across the EU. On average, **54.8% of these early-school leavers are unemployed** - twice that of the overall youth unemployment rate in Europe.⁵

⁵ http://ec.europa.eu/europe2020/pdf/themes/21_early_school_leaving.pdf



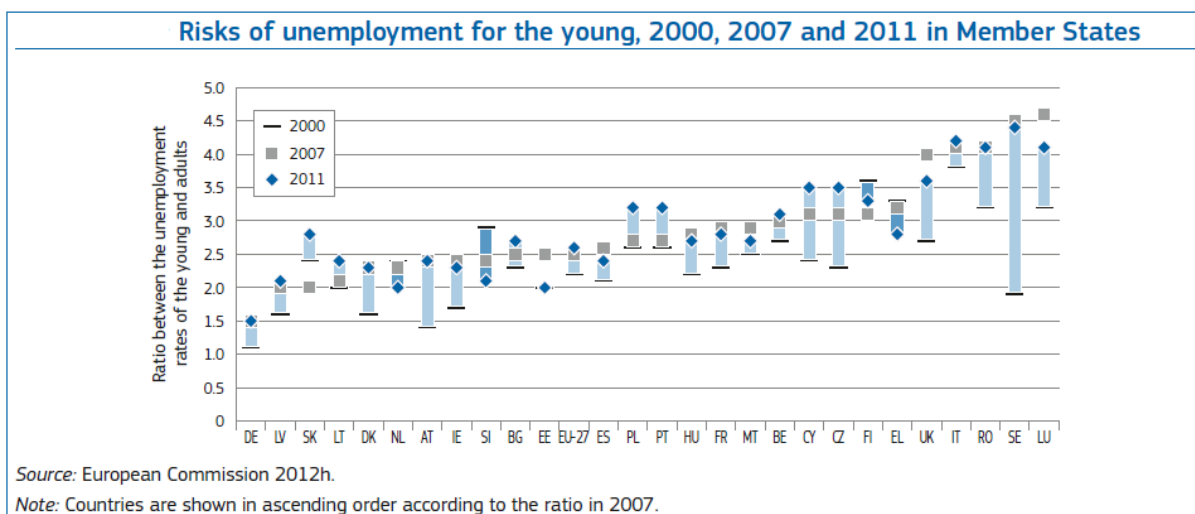
(*) Slovenia and Croatia, data lack reliability due to small sample size; Luxembourg, Malta and Sweden, provisional data.

Source: Eurostat (online data code: edat_lfse_16)

Despite progress in recent years, there are 3 Member States with ESL rates **above 20%**, **Spain** (26.5%), **Portugal** (23.2%) and **Malta** (33,5%). Malta displays the highest ESL rate among all MS (33.5%), but it showed progress between 2010 and 2011 (36.9 to 33.5%). The ESL rate for Spain in 2011 improved furthermore – from 28.4 to 26.5%. Portugal has achieved steady improvements since 2002 and has now reduced its ESL rate to 23.2%.

Youth unemployment

The youth unemployment rate (15-24 years old) in the EU stood at 23.7% in December 2012. This has dramatically increased over the last four years.



Young people not in employment, education or training (NEETS)

The percentage of young people under 25 who are neither in employment nor in education or training (so-called NEETs) is rising. NEET status is more linked to low educational attainment and early school leaving.

In 2011, 7.5 million young Europeans (12.9%) between 15 and 24 were not employed, not in education and not in training. This is 2 percentage points more than four years earlier.

NEET rates across EU Member States (2008-2011)



A December 2011 Eurofound study estimates the economic cost of the group of NEETS in 21 EU countries. The yearly total cost for these countries amounts to approximately €100 billion, which corresponds to 1% of their aggregated GDP. It can be split into €94 billion in foregone earnings and €7 billion in excess transfers.

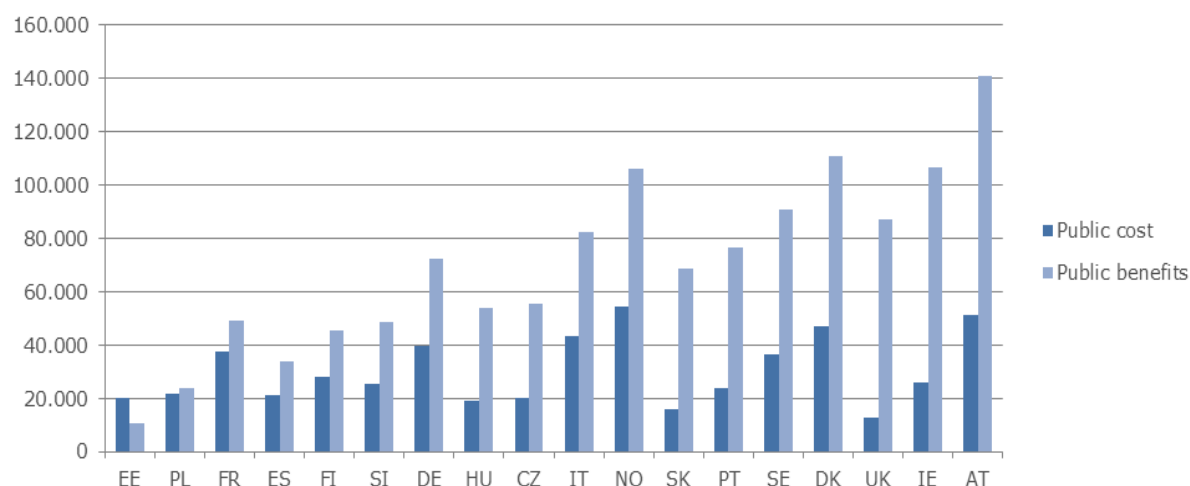
The cost for some countries, such as Bulgaria, Cyprus, Greece, Hungary, Ireland, Italy, Latvia and Poland, is estimated to be 2% or more of their GDP.

Investing in education

When comparing the public monetary costs (direct costs and foregone taxes on earnings) to the public monetary benefits of education reaped over an individual's working life (income taxes, increased social insurance payments and lower social

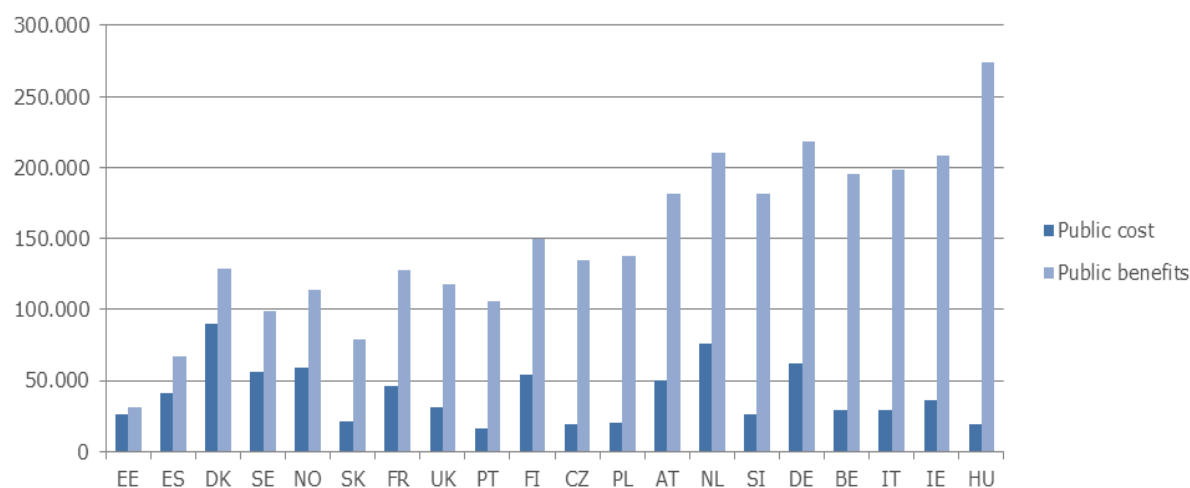
transfers), investing in education is shown to lead to large efficiency gains in most Member States.

Public cost and benefits (USD) for a man obtaining ISCED 3/4 (upper-secondary or post-secondary, non-tertiary education), 2008



Source: OECD Education at a Glance. Note: countries are ranked in ascending order of the net present value. Deviating source years for Portugal (2006) and Slovenia (2007).

Public cost and benefits (USD) for a man obtaining ISCED 5/6 (tertiary level education), 2008



Source: OECD (2012) Education at a Glance. Note: countries are ranked in ascending order of the net present value. Deviating source years for Portugal (2006) and Slovenia (2007).

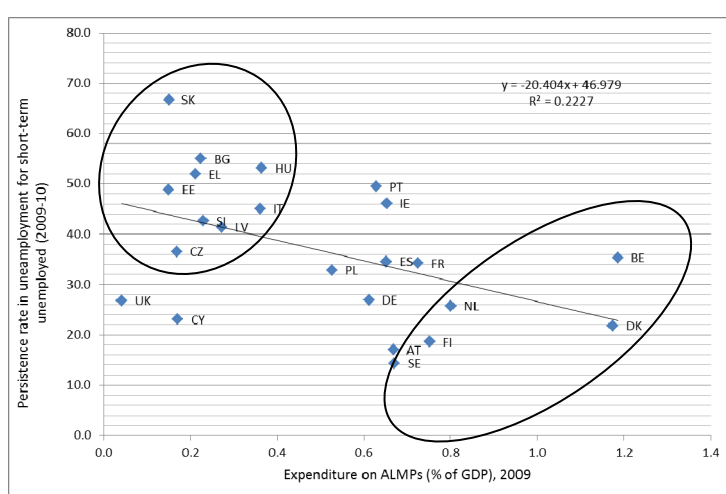
Pursuing Activating and enabling policies

Activation

There is broad evidence that spending on or participating in active labour market policies (ALMPs)⁶ decreases the duration of unemployment after taking into account the economic cycle.

For instance, the Nordic and continental countries tended in 2009 and 2010 to have the highest levels of expenditure on ALMPs, coupled with the lowest persistence rates in unemployment, while central and eastern Member States, and some southern European countries such as Italy and Greece, spend little on ALMPs and generally have a high persistent rate of unemployment.

Persistence of unemployment and ALMPs expenditures



Source: For persistence rate, DG EMPL calculations based on Eurostat, EU-LFS; for expenditures on ALMPs, Eurostat LMP database.

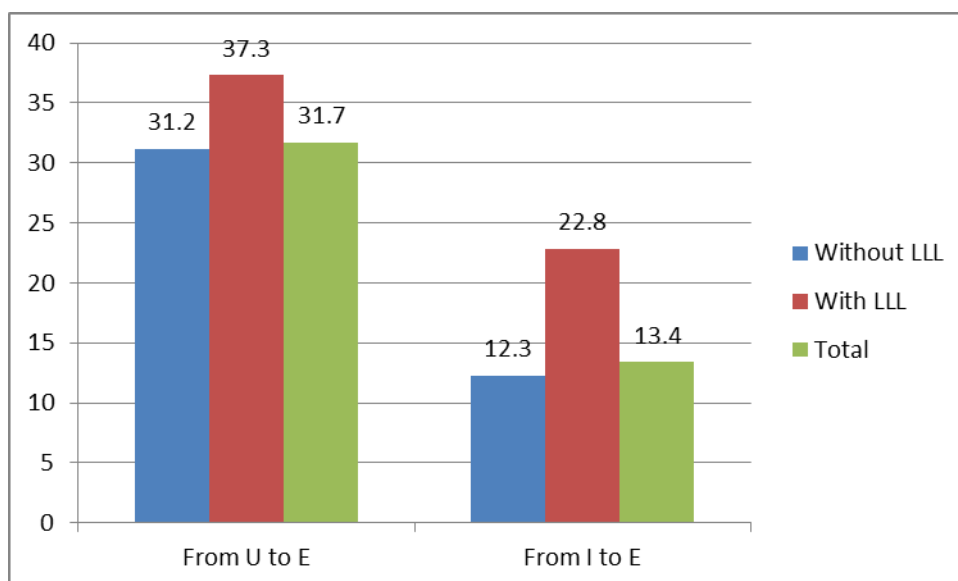
Lifelong learning

Participation in lifelong learning can increase the frequency of positive transitions (from unemployment or inactivity to employment) and reduce the frequency of negative transitions (staying in unemployment or in inactivity).

The transition rate out of unemployment to employment is 6 points higher for those having had some lifelong learning opportunities (37 % vs. 31 %).

⁶ ALMPs have been defined here as categories 2-7 in the LMP database: (2) training; (3) job rotation and job sharing, (4) employment services, (5) supported employment and rehabilitation, (6) direct job creation, and (7) start-up incentives

Transition rate to employment for unemployed and inactive persons, depending on participation in lifelong learning, 2010-2011 (EU-13)



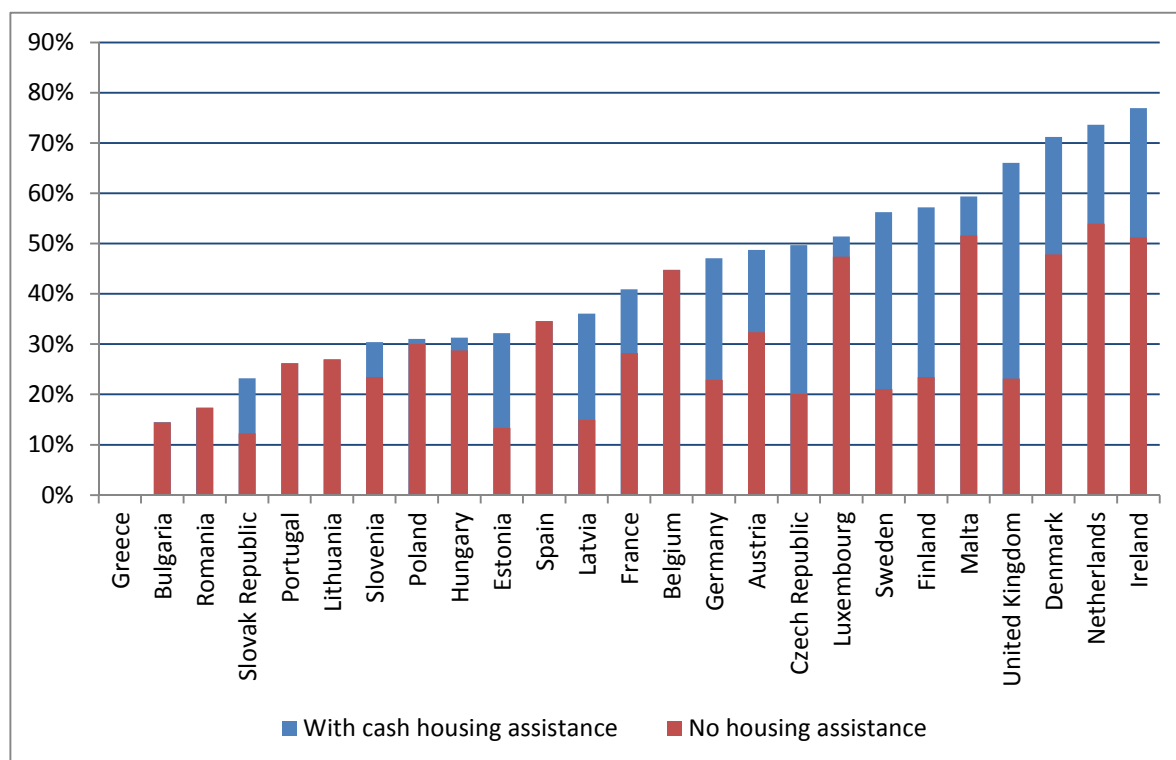
Source: Eurostat, EU-LFS, ad-hoc transitions calculations

Adequate livelihoods

Most Member States have some sort of minimum income scheme. Notable exception is Greece that does not have a minimum income. Italy and Bulgaria have arrangements that are left to the discretion of the local level.

Adequacy and coverage of minimum income can often be improved. Few Member States have an adequacy rate above 60% of median income.

The level of minimum income as a percentage of median household equivalised income in EU-27, Single household, 2010



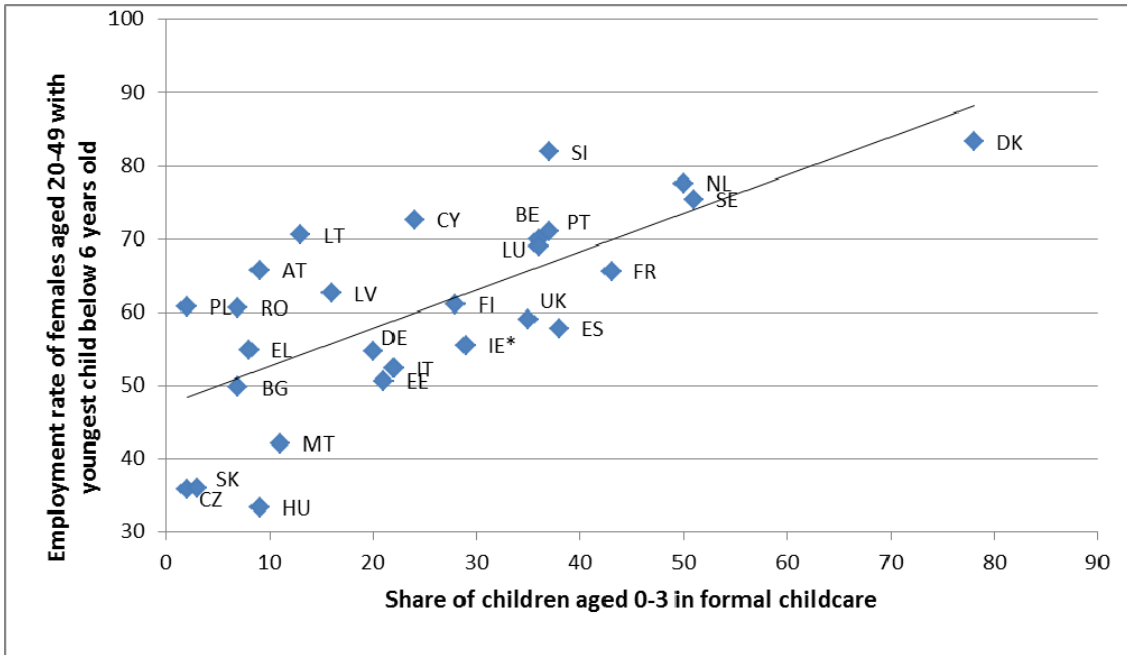
Coverage rates are not structurally measured, but Hernanz et al. (2004) report estimates of take-up for social assistance and housing benefits ranging **between 40% and 80%**. A more recently completed EUROMOD project (AIM-AP) has provided additional evidence for some EU countries and different types of benefit. It reports ranges between 33% and 88%.

The reasons for this vary widely. Information costs, administrative costs, disincentives (due to low benefit levels and short duration), social and psychological costs, errors in evaluation procedures and discretionary assessment may be among the explanations.

Childcare and female employment

Childcare provision is a key factor in enabling female employment and fostering labour market participation. There is a strong correlation between the employment rates of women with young children and the proportion who have access to formal childcare, especially in the first three years of a child's life.

Employment rates of women 20-49 with youngest child below six years old and share of children in formal childcare (2010)



Source: EU-SILC and Labour Force Survey, DG EMPL calculations. Note : For a child to be considered as being in formal childcare, at least one hour per week of formal childcare is required.

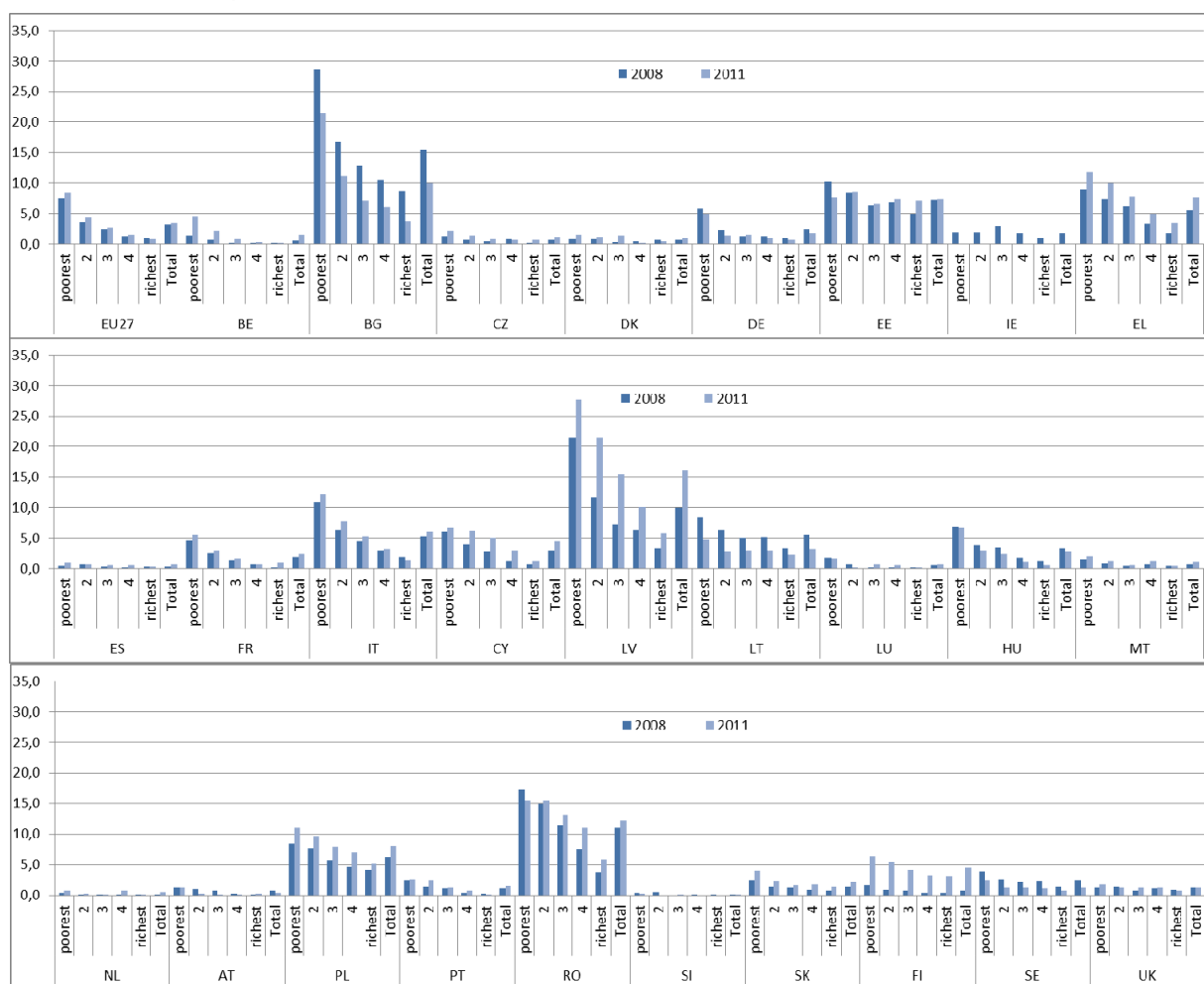
Investing in health

Health inequalities

Health status is also strongly linked to poverty. Direction of causality may be uncertain, but health and poverty cause a vicious downward cycle. Ill health may sometimes be a cause of poverty (health problems might prevent people from fully participating in the labour market or may be a cause of discrimination), evidence suggests that poverty is also often a causal factor of poor health.

In the figure below, you can see great differences in the 'unmet need for medical care' between the poorest and richest sectors of the populations.

Self-reported unmet need for medical care⁷, by income quintiles in selected Member States, 2008-2010



Source EU SILC 2008 2010

Long-term care

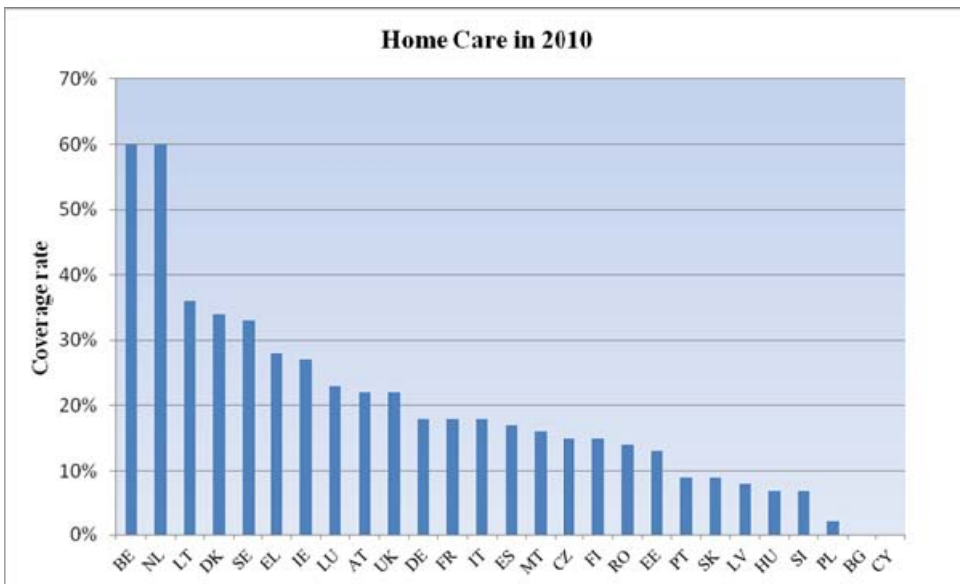
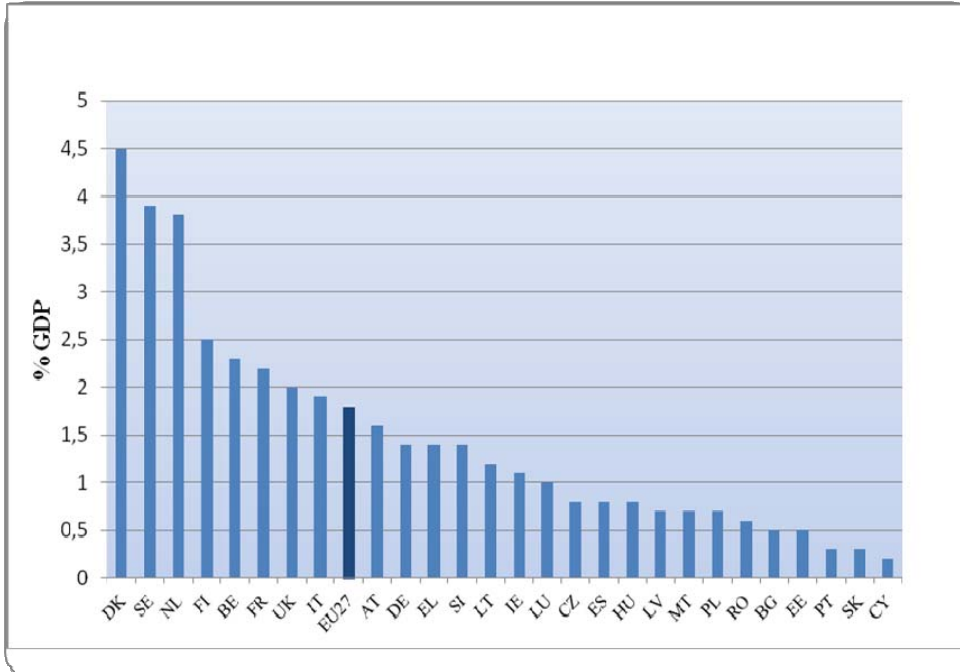
The Ageing Report 2012 expects that a substantial increase in the need and demand for LTC will lead to an expansion of formal LTC provisions and a growth in public spending. Assuming no change in existing legislation, public spending on LTC for the EU27 would double i.e. rise from 1.8% to 3.6% of GDP.

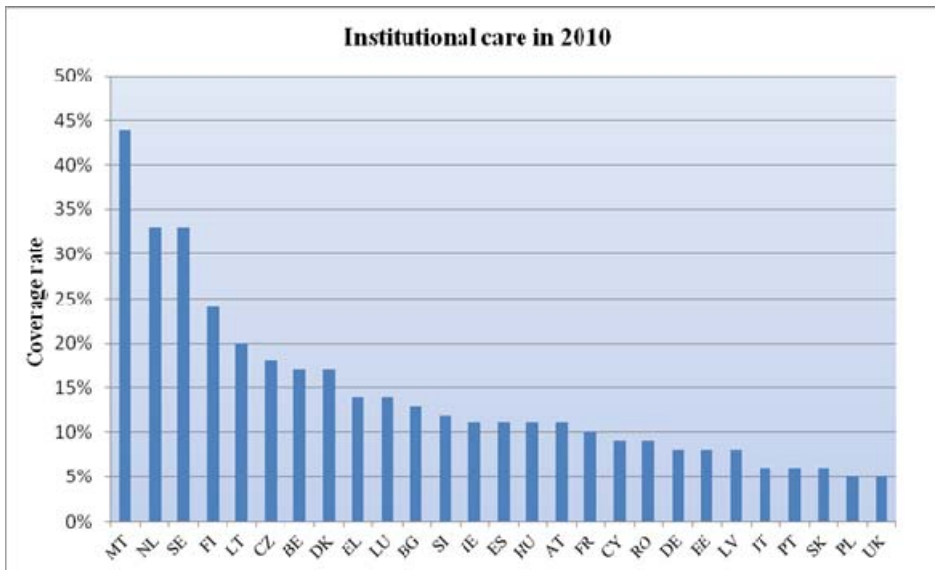
Long term care however varies across Member States both in terms of size and type of expenditure.

Public spending ranges from 4.5% of GDP in DK to 0.2% in CY or by more than a factor 20. The average for the EU27 is 1.8% of GDP. SE, NL and DK are high-spending countries, with more than twice the EU average of their GDP devoted to long-term care. Five Member States spend between 2% and 2.5%, seven countries are in the 1-1.5% range, nine in the 0.5-0.8% span, and the remaining three spend 0.3% or less.

⁷ This indicator refers to people who declare that they did not seek health care even if they needed it because it was too expensive, the waiting list was too long or because it was too far to travel (reasons linked to the organisation of the health care system).

Public expenditure on long-term care as percentage of GDP in 2010, all ages





Ensuring the adequacy and sustainability of budgets

Expenditure on Social Protection

Social Protection as % of GDP (EU 27) in 2010

Sickness/health: 8.3%

Disability: 2.2 %

Old age and survivors: 12.7 %

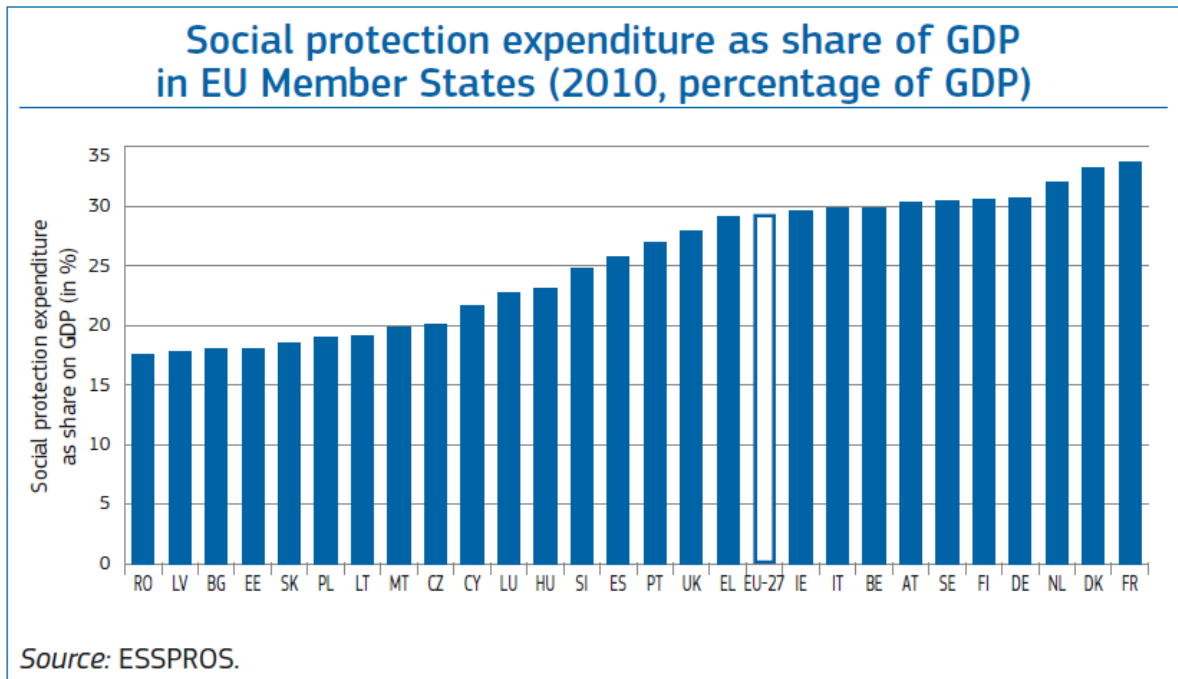
Family/Children: 2.3%

Unemployment: 1.7 %

Housing and social exclusion: 1.0 %

Total: 29.4 %

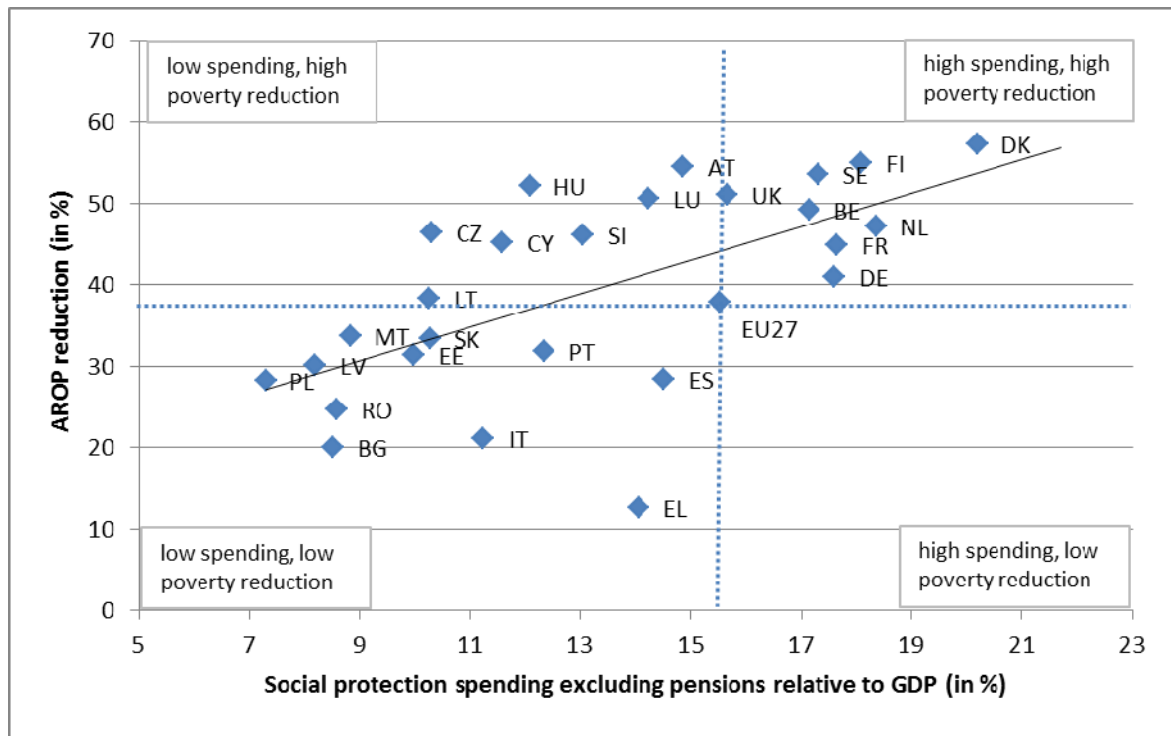
Source: ESDE 2012



Room for efficiency gains

As shown in the chart below, similar levels of spending on social protection can lead to different results:

Relationship between social protection spending (excluding pensions, relative to GDP) and relative reduction in the share of population (aged 0-64) at risk of poverty (as a percentage) (2010)



Source: ESSPROS and EU-SILC.

Efficiency and effectiveness of social policy expenditure is highly dependent on the 1) the design of benefit administration (one stop shops vs. decentralised support centres), the types of policies (e.g., a great focus on cash unemployment benefits but little focus on activation measures), and policy design (thresholds, benefit size, etc.).