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EXECUTIVE SUMMARY

The intention of this study is to provide an overview of demographic, labour market, income and housing situation of households in Europe with a special emphasis on presenting Hungarian data in cross national comparisons. The basic data source we use is the ‘Community Statistics on Income and Living Conditions’ survey of the European Union (EU-SILC) of 2005.¹ This is the first time that survey data gathered using a standardized method have been available for the entire European Union, including the countries that joined in 2004 after EU expansion.

The 2005 survey has been fielded in 26 countries (n = 196,686 households). Alongside the 15 old EU member states, the database covers all but one of the 10 countries that joined in 2004 (the one exception being Malta), as well as Iceland and Norway. The latter two countries are excluded from this analysis to leave just the members of the European Union as the focus of our inquiry. Our working database therefore includes data on 24 EU countries, since Malta did not take part in the survey and Romania and Bulgaria were not at the time EU members. The data cover private households; people living in institutions are not included in the sample. With the exception of the Scandinavian countries and Slovenia, the survey was conducted at household level, and most of our analyses take the household as their unit of analysis. The weighted dataset represents almost 190 million European households. The analysis in some of the following sections (such as those in the third chapter on labour markets) are, however, based on individual-level data. In an effort to obtain results that are as balanced and evidence-based as possible, in addition to the EU-SILC database our research makes use of other available data sources relevant to each topic of investigation.

As was noted above, our study exploits the unique opportunity offered by the availability of data to build a truly comparative analysis of the countries under consideration. Furthermore, the individual chapters introduce several methodological innovations. Most importantly, wherever the data allow it, we attempt to describe the population of the countries of the EU as if they were a single unified society. Wherever possible, the analyses do not simply juxtapose the societies of the EU, but also attempts to locate the people living in the individual countries within the context of the EU as a whole. This method allows us, for instance, to determine not only the magnitude of inequality in one or another of the countries, but also the relative position of a given individual or household within the ‘cross-European society’.

Secondly, our labour market analyses attempt to relate education inequalities within the individual countries to differences observed in employment levels. We are aware of no other such analysis that covers such a wide range of countries.

Thirdly – as data now allows – we combine demographic analyses with an examination of income distribution. This allows us to apply a uniform method in assessing the relative income positions of households that belong to different categories.

Finally, the chapter on people’s financial position and their housing conditions introduces a new indicator – housing integration. This allows us to deepen our knowledge of the circumstances of households living in the different countries of the European Union to an extent that previous – sporadic – analyses could not hope to attain.

TÁRKI, with this report, launches a new series on social reporting, in addition to the Hungarian Social Reports, of which the 2008 edition is already 10th in a row since 1990.

¹ This report is research output from the Tarki research project ‘Monitoring income distribution and poverty in an international context’. Data access was licensed to this project by the contract between TÁRKI Social Research Institute and Eurostat, signed on 31 January 2007 (Contract No. EU-SILC 2006/23). As stated in the above contract, the appropriateness of the statistical methods of analysis applied to the data and the conclusions drawn from the analyses are the sole responsibility of TÁRKI; Eurostat and the statistical authorities of individual member states cannot be held responsible. The analyses used the 27 June 2007 version of the EU-SILC 2005/2 database (European Commission, Eurostat, EU-SILC UDB 2005/2 version 2007/06/27). For some key indicators, the March 2008 update contains somewhat modified values: this is taken into account in chapter 3. Details of regulatory framework and methods of EU-SILC can be found at http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1913,47567825,1913_58814988&_dad=portal&_schema=PORTAL

Demographic processes

- European societies are facing a hitherto unseen demographic challenge, featuring population ageing and an expected decline in the population. The continent's share of the world's population is decreasing and is predicted to fall further in both absolute and relative terms within the foreseeable future. The proportion of active-age cohorts is on the decline relative to inactive groups, especially the elderly.
- These processes are primarily determined by fertility, life expectancy and migration. The countries of Europe are characterized by low or, in some places, exceptionally low fertility. This is accompanied by a high and steadily rising life expectancy, while the migration balance of the continent is positive. Demographic estimates forecast that childbearing propensity will converge at a total fertility rate of about 1.6, that we will see an increase in health and life expectancy, and that there will be a larger scale of immigration flow. These processes are expected to lead to population decline, population ageing and a decrease in the proportion of the economically active population.
- Hungary belongs in the group of countries with very low fertility and unfavourable mortality conditions; in addition, it was the first country in Europe to experience a population decline. Although we have little information on emigration, Hungary's migration balance is estimated to be positive, though the figures are low.
- The ageing and the expected decline of the population of Europe will inevitably have certain economic and political consequences. Demographic processes have an impact on economic progress, the labour market and major welfare programmes (pension system, health insurance programme, long-term care services). As well as national strategies, this calls for strategic thinking on intervention policies at the level of the European Union.
- The number of households generally increases at a greater rate than the size of the population; the average size of households is steadily decreasing. The EU-15 average household size of 3.2 individuals typical in 1960 had fallen to 2.4 by 2001. The average number of people living in a household continues to be higher in countries where fertility decline started relatively late (Ireland and the countries of Southern Europe). The typical age at which children leave the parental home varies from country to country, and there is variation in the living arrangements of elderly people left by themselves after the death of a spouse.
- The increase in the share of single-person households is a dominant trend throughout the European Union: the ratio of such households in the EU-15 had risen from 16 per cent in 1960 to 28 per cent in 2001. In 2004, single-person households made up 16–43 per cent of households in the various EU countries. In Denmark and Sweden, more than four households in ten consist of just one member. At the other end of the spectrum come Cyprus, Spain and Portugal, where only around 16 per cent of households belong in this category. Single-person households constitute 29 per cent (1,167,000 households) of all households in Hungary.
- The proportion of households with a single generation ranged from about 40 to 70 per cent in 2004. There are pronounced differences between the old and the new EU member states with regard to the likelihood of one or more generations living in a household. In the new EU countries, the proportions of single-generation households do not substantially exceed 50 per cent and the ratios of multi-generation households approach 10 per cent. In the countries of the EU-15, there tend to be higher proportions of single-generation households, although there is considerable variation. Households with three or more generations, however, constitute less than 1 per cent of all households in the Northern regions of the continent.
- Low fertility, the delayed age of childbearing and changes in cohabitation patterns bring about changes in the composition of households with children, and in their proportion of the population. Households with children occur with highest frequencies (40–45 per cent) in the new member states, in Portugal and Ireland, while the proportion of such households is lowest (25–30 per cent) in the United Kingdom, the countries of Northern Europe and Germany. Households with children have 1.5–2.0 children living in them on average.
- Due to population ageing in Europe, the relative income position of the increasingly frequent single-person household type is below average in each of the countries under consideration. Within this type, households with 2–4 members, i.e. those where at most two generations live with a small number of children, are in the best position.

- Men live in relatively better circumstances than women in every country. Among elderly people living alone, men are in a better income position than women almost everywhere. Women over the age of 65 clearly have the worst position within the group of single-person households.
- The EU-SILC data show that lone-parent households do not even approach the average income level in any of the 24 EU countries under consideration. Among nuclear family households, where children are raised by two parents, income position declines as the number of children increases.
- One-third of households in Hungary have children under 18 living in them. Their position is exceptional, in the sense that the income level of two adults living with one child still does not exceed the average. We also find, however, that there is very little difference between the relative positions of one- and two-child households. The educational attainment of the head of the household is a decisive factor in households with three or more children in Hungary as well, but this effect is not comparable to the effect observed among lone-parent households.

Employment, inactivity and the labour market

- Although economic activity and employment rates are on the increase in almost all the countries, the effects of regime change on the labour market can still be felt in the former socialist new member states. This is indicated by activity and employment rates that fall below the EU average in some of these countries, including Hungary. In terms of Europe overall, Hungary fares especially poorly: according to the Eurostat data, Hungary has the lowest activity rate (62 per cent) and the second lowest employment rate (57.3 per cent) – and has been left trailing by a dynamically developing Poland.
- The expansion of the workforce follows similar patterns throughout Europe: wherever the overall activity rate increases, this is thanks to a growing level of activity among women and people aged 55–64 years. This pattern holds for the new member states as well, where the development is driven by an increase in the statutory age of retirement on the one hand, and on the other by a gradual process whereby the human capital that was rendered obsolete following regime change is replaced by more active generations.
- Two of our findings may give pause for thought, however: the employment rate among men aged 25–54 (the most productive age) has declined in some of the countries, and rising unemployment among young people (15–24 years) is a serious concern in a number of countries.
- The aggregate indicators of household labour activity, which are indicative of labour supply, reveal that around 20 per cent of households in the European Union have no working members. This means that around 10 per cent of the population live in jobless households, most of which are households with elderly people and no children, or parents raising their children alone. In practice, barely 50 per cent of households devote their entire theoretical working months to work activities. Working-age people living in households with children work the longest hours. Two facts – that 50 per cent of households have some non-working members and that 20 per cent have no workers at all – suggest that there are labour reserves in the European economy.
- The question of how employability affects labour supply is captured by examining educational attainment. Our results indicate that higher average levels of education and greater proportions of people with higher education are positively correlated with the employment rate; the same correlation holds true for inequalities and lower levels of education. Nevertheless, we can identify regimes (several of the new EU member states, including Hungary) where, owing to the nature of the education system, a lower employment rate (relative to the EU-24 average) is coupled with lower education inequality. These countries need to avoid shifting towards a pattern of low employment with high education inequality (the Mediterranean scenario) and should tend, instead, towards the developed pattern of high employment with low education inequality.

Income distribution

- Our study compares the countries of the EU with regard to income inequality and poverty, and with respect to the individual elements that have the strongest effects on income differences: age, educational attainment and employment. Our analysis of income inequalities and poverty follows the methodology of the Laeken indicator system endorsed by the European Commission at its December 2001 meeting in Laeken.
- Our results unequivocally show that inequalities are highest in Portugal, which has a Gini index value of 38 per cent, but the Ginis of Lithuania, Latvia and Poland also reach 35–36 per cent. The countries of Southern Europe (Spain, Greece and Italy), the Anglo-Saxon countries (the United Kingdom and Ireland) and Estonia cluster into a third group, characterized by relatively high levels of inequality. At the other end of the scale ranked according to the Gini indicator come Sweden, Denmark and Slovenia, with Ginis of below 25 per cent.
- The highest rate of poverty in the EU is to be found in the countries of Eastern and Southern Europe. A fifth of the population of Poland, Lithuania, Spain, Portugal and Ireland live on an income of less than 60 per cent of the median. High poverty rates are to be found in other countries of Eastern and Southern Europe as well: 19 per cent of people live in poverty in Latvia, Greece and Italy, and 18 per cent in Estonia. At the other end of the scale we find the countries of Northern Europe with poverty rates of around 10 per cent. Countries characterized by relatively low rates of poverty further include the Czech Republic and the Netherlands, where a tenth of the population are poor. The remaining countries of Europe, including the majority of the Western European continental states, are classed as having moderate levels of poverty, with poverty rates of between 12 and 16 per cent.
- There are substantial income differences between the EU countries; income inequalities among citizens of the European Union are, to a considerable extent, attributable to income differences between the states. Among the EU countries, Lithuania has the lowest standard of living and the former socialist countries generally belong in the group of states with the lowest average incomes. The people in the top decile in terms of income distribution in the former socialist countries have an average standard of living that corresponds to the living standards of the middle classes in the developed states of Western Europe (France and Germany). The highest average income is observed in Luxembourg, where the average income is over five times that of the country with the lowest standard of living.
- Looking at the positions of households within the combined income distribution of the EU countries, we find that, with the exception of Slovenia and the Czech Republic, the majority of the inhabitants of the former socialist countries belong in the bottom quintile of the overall European income distribution. Around 70 per cent of the population of the Baltic states live on incomes of less than half the overall European median income; this also applies to 56 per cent of households in Hungary, for instance. In Luxembourg and Denmark, by contrast, the proportion of those with incomes of below half the overall European median is less than 2 per cent.
- Inequalities were broken down into individual factors to investigate the contribution of major personal traits to income inequality. Since labour income makes up the largest portion of household income, employment and the two most important determinants of earnings – education and age – were examined.
- Inequalities follow a similar pattern in the Anglo-Saxon and the Baltic states: educational attainment and employment status play a significant role in shaping inequalities, while age does not. The countries of Northern Europe form another clearly distinguishable group, where, in addition to education and employment status, age also contributes to inequality patterns. Each of the three factors accounts for around a tenth of inequalities. The countries of Western Europe, Central and Eastern Europe and the Mediterranean region are similar, in that education is the factor that has the strongest effect on inequalities, although this effect is somewhat weaker in the Western European countries than in the states of the other two regions. While inequalities are also highly sensitive to employment status in the countries of Western Europe and Central and Eastern Europe, this factor, like age, accounts for less than 5 per cent of inequalities in the Mediterranean countries.
- The greatest growth in inequality is observed in Italy and Ireland. In Italy, changes in income differences due to age and education had a significant effect on the development of inequality. The growth of income differentials

associated with level of education explains 28 per cent of the increase in inequality, while the widening gap between the incomes of different age groups accounts for 18 per cent of the increase in inequality. In Ireland, the factor where the development of income differences between population groups was found to have a significant effect was employment status: the increase in income differentials associated with employment status accounts for 49 per cent of the increase in inequality.

Housing and material conditions

- Compared to Europe as a whole, Hungary has a high proportion of households living in family houses and households living in apartment buildings with over 10 apartments. Also, a relatively high proportion of people live in owner-occupied accommodation.
- Approximately a quarter of families in Hungary report that the cost of keeping up their home constitutes a major challenge. This figure does not appear to be especially high.
- The quality of dwellings falls below the European average in several respects. There is a high proportion of buildings with structural defects and of dwellings that lack basic facilities.
- The average number of rooms in dwellings in Hungary is below the average for the old EU members, but the living density is comparable to that of countries that joined the EU in 2004. In other words, in terms of the number of rooms, people in Hungary live in smaller apartments, but in terms of the average number of rooms per person, the dwellings are neither more nor less crowded than they are in countries similar to Hungary.
- With respect to housing integration, overall Hungary does not fare well within Europe. This is due to the indicators of the quality of housing mentioned above, i.e. the higher than average incidence of housing with no basic facilities and of buildings in need of renovation.
- With respect to the availability of appliances in households, Hungarian households perform at about the level of the EU average in terms of the availability of colour televisions (97 per cent), telephones (92 per cent) and washing machines (96 per cent). This typically places Hungary at around the middle or upper middle of the range, in the vicinity of the former socialist new EU countries; and those do not lag substantially behind the older member states.
- Hungary's distance from the EU average and the relatively more affluent old member states is considerably greater when it comes to the penetration of computers and cars. Looking at the availability of PCs in the home, we find that, while over half of all European households are equipped with computers, in Hungary only four households in ten are in the same position, which puts Hungary towards the bottom of the European scale, in a group with Greece, Poland and Slovakia.
- Hungary's poor showing is even more marked with respect to cars, and this finding is reinforced by a number of indicators: the country brings up the rear in terms of the number of cars per thousand people (287), and only 46 per cent of households own a car (by contrast with an average of 73 per cent in the EU-24). The Hungarian population is the least likely to travel by car, and the share of train (and bus or coach) travel in the total number of passenger kilometres is highest in Hungary.

AT	Ausztria	Österreich
BE	Belgium	Belgique/België
CY	Cyprus	Cyprus
CZ	Czech Republic	Czech Republic
DE	Germany	Deutschland
DK	Denmark	Danmark
EE	Estonia	Estonia
ES	Spain	España
FI	Finland	Suomi
FR	France	France
GR	Greece	Ellada
HU	Hungary	Hungary
IE	Ireland	Ireland
IT	Italy	Italia
LT	Lithuania	Lithuania
LU	Luxembourg	Luxembourg
LV	Latvia	Latvia
NL	Netherlands	Nederland
PL	Poland	Poland
PT	Portugal	Portugal
SE	Sweden	Sverige
SI	Slovenia	Slovenia
SK	Slovakia	Slovak Republic
UK	United Kingdom	United Kingdom

List of names and abbreviations of countries analysed in the study