

Statistics in focus

POPULATION AND SOCIAL CONDITIONS

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POPULATION AND LIVING CONDITIONS

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Social benefits and their redistributive effect in the EU

- Latest data available -

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This study was carried out jointly by Eurostat and the "DREES" Directorate of the French Ministry of Employment and Solidarity. Based on the 1996 wave of the European Community Household Panel (ECHP), it analyses social benefits in the European Union (EU). The results cover the 13 countries for which the required data are now available: all Member States of the EU except Finland and Sweden.

More than 70% of Europeans are "beneficiaries" of social benefits, i.e. live in households receiving social benefits. However, this figure varies widely from country to country: from 50% in Greece to 90% in Ireland. In most Member States these benefits account, on average, for about 25% of the total income of each "adult equivalent".

The standard of living (as measured by income) of those resident in households drawing pensions is, again on average, close to the figure for the population as a whole. In France it is virtually identical and in Italy and the Netherlands it is actually higher than the average standard of living: these three countries show the smallest difference in living standards between beneficiaries of earned income and beneficiaries of pensions.

Throughout the EU, but to differing degrees, social benefits **other than pensions** are heavily concentrated amongst those with a low standard of living. How such benefits affect the proportion of the population on a low income varies noticeably from country to country, however.

In all Member States except Greece, Italy and Portugal, this proportion drops by more than a quarter after social benefits other than pensions are paid.

In these three countries, the relatively small reduction in inequality is explained by the negligible share of social benefits (other than pensions) in total income and, in Greece and Italy, by the low percentage of beneficiaries. In Italy, the percentage of persons still on a low income after receiving social benefits is only slightly above the Community average; this is because Italy has the lowest "poverty rate" in the EU before benefits. Greece and Portugal are the Member States with the highest proportion of the population still affected by poverty after benefits.

As in Greece and Portugal, inequalities in Ireland and the United Kingdom remain higher than average after social benefits. However, the United Kingdom and Ireland - which, before social benefits, have the highest rates of poverty in the EU - differ from Greece and Portugal in terms of the far stronger impact of social benefits.

After social benefits Denmark shows the sharpest drop, of almost two-thirds, in the proportion of the population on a low income, and also has the lowest poverty rate.

Belgium, France, Luxembourg, the Netherlands and Austria are between these extremes. Before benefits, about a quarter of the population has a low income. Once benefits have been distributed this proportion falls by 40-50%. In Germany and Spain the reduction in poverty rates is close to the EU average, at around 30%.

1. Pensions, other social benefits and standard of living

More than 70% of all EU citizens live in households receiving some form of social benefit¹. This percentage is significantly smaller in Greece, Spain and Italy (50-60%). Portugal, on the other hand, together with Belgium, Denmark, Ireland, Luxembourg, Austria and the United Kingdom, has one of the highest proportions of "beneficiaries" (85% or more). This

disparity is mainly due to the proportion of individuals drawing social benefits other than pensions. In fact, whilst half of all EU citizens draw such benefits, this proportion ranges from under 20% in Greece and Italy to 82% in Ireland; whereas the proportion drawing pensions is everywhere between 20% and 40% (Table 1).

Table 1
Percentage of social benefit "beneficiaries" in the EU

	pensions	other social benefits	all social benefits together
B	28	69	89
DK	19	75	85
D	29	57	78
EL	39	19	50
E	34	33	58
F	25	62	79
IRL	23	82	90
I	40	18	51
L	29	66	86
NL	19	66	81
A	34	69	86
P	36	68	89
UK	28	71	85
EU-13	30	52	73

Example: 39% of Greeks live in households where at least one member draws a pension. For other social benefits, the figure is 19%. For all social benefits together, the figure is 50% (not 58%, i.e. 39% + 19%, since some households receive more than one type of social benefit).

On average, social benefits account for a quarter of the total income of each "adult equivalent"² in the 13 Member States analysed in this study (Table 2). In most of these countries, the share of social benefits in total income is also around a quarter. In Belgium it is higher (a third) while in Greece and Portugal it is only a fifth (even though a high percentage of the Portuguese population receives social benefits).

Again on average, pensions account for two-thirds of income from social benefits, but this proportion varies considerably from country to country, depending on demographic factors and social-protection systems. It is very high in Greece and Italy (around 90%), but less than 45% in Denmark and Ireland. In the United Kingdom, the amount paid in social benefits other than pensions is virtually identical to that paid in pensions.

"Pension beneficiaries" in the EU have a standard of living close to that of the population as a whole

Almost a third of all EU citizens live in households receiving pensions (part of which may be private); the mean equalised

amount received from pensions is about 7 200 PPS³ per annum and accounts for 60% of the total income of beneficiaries. Pensions, again per equivalent, are lowest (between 3 500 and 5 000 PPS) in Greece, Spain, Ireland and Portugal, and are also below the Community average (6 000 PPS) in Italy and the United Kingdom (Table 2a). In these six countries, pensions account for 48-56% of the total income of pension beneficiaries.

The average pension in Austria is slightly higher than the Community average, but accounts for only 55% of the total income of beneficiaries. In the six remaining Member States, pensions are between 8 400 and 13 500 PPS, or 65-77% of the total income.

In the EU as a whole, the standard of living (as measured by income) of pension beneficiaries is, on average, 5% below that of the population as a whole. In Denmark, Ireland and the United Kingdom it is about 10% lower than the average national standard of living; in France the two are more or less identical. Pension beneficiaries in Italy and the Netherlands actually enjoy a higher standard of living than the national average.

¹ As stated in the introduction, all of the data presented in this study are "EU-13" data - in other words, the Twelve plus Austria (see also "Methods and Concepts" on page 7). **Beneficiaries of social benefits** are defined here as persons living in households receiving social benefits. Social benefits are divided into two groups: pensions (including retirement pensions and survivor's pensions) and all other social benefits (unemployment, sickness/invalidity, family, housing benefits, etc.). Indirect social benefits (such as reimbursements of medical expenses) and income in kind are not included.

² As stated in "Methods and Concepts" (page 7), all amounts quoted in this study are per "adult equivalent". This concept is based on household income, not on the income of each member of the household taken separately.

³ The **Purchasing Power Standard (PPS)** measures the purchasing power of one ECU in the country concerned.

One reason for the result observed in France is that the retirement and old-age pension insurance system includes compulsory supplementary pension schemes⁴. In Italy more than in other Member States, households drawing pensions are often complex - in other words, they include both pensioners and persons receiving earned income (children and others). This raises the total income per adult equivalent in these households. The result for the Netherlands is due in part to the high basic benefits for any person aged 65 and over and to a well-developed supplementary pension scheme. By way of comparison, the living standard of persons resident

in households with at least one member receiving income from work is on average 6% higher than that of the population as a whole (Table 2b). The living standard of "earned-income beneficiaries" is appreciably above the general national average in every EU Member State; the difference is as much as 12% in Ireland and the United Kingdom, which show the biggest gap between the standards of living of earned-income and pension beneficiaries. The gap between pension and earned-income beneficiaries is smallest in France, Italy and the Netherlands, where pension beneficiaries also have the highest relative standard of living (see above).

Tables 2., 2a., 2b.
Total income per "adult equivalent" in the EU
Per capita average (PPS); Percentage of income from social benefits other than pensions in total income,
relative standard of living for pension beneficiaries and for earned-income beneficiaries

	2. All households				
	IBB	P	SBOTP	TI	SBOTP/TI
B	9 250	2 609	1 961	13 820	14%
DK	10 034	1 635	2 338	14 007	17%
D	10 180	2 818	1 018	14 015	7%
EL	6 577	1 626	169	8 372	2%
E	6 784	1 647	662	9 093	7%
F	9 855	2 337	1 285	13 475	10%
IRL	8 416	1 112	1 406	10 935	13%
I	7 389	2 383	313	10 085	3%
L	15 988	3 965	2 003	21 956	9%
NL	9 686	2 045	1 651	13 382	12%
A	10 144	2 600	1 589	14 334	11%
P	6 058	1 234	418	7 710	5%
UK	10 506	1 677	1 524	13 707	11%
EU-13	9 078	2 203	1 040	12 320	8%

	2a. Households receiving pensions					Standard of living
	IBB	P	SBOTP	TI	SBOTP/TI	
B	3 100	9 177	848	13 125	6%	95
DK	2 774	8 407	1 201	12 382	10%	88
D	3 201	9 661	650	13 513	5%	96
EL	3 586	4 207	219	8 012	3%	96
E	3 258	4 843	546	8 647	6%	95
F	3 378	9 301	684	13 363	5%	99
IRL	4 010	4 923	959	9 892	10%	90
I	4 431	5 993	342	10 767	3%	107
L	6 427	13 507	954	20 889	5%	95
NL	2 308	10 621	790	13 719	6%	103
A	5 120	7 674	1 065	13 860	8%	97
P	3 475	3 479	283	7 237	4%	94
UK	4 815	6 027	1 435	12 277	12%	90
EU-13	3 784	7 233	692	11 708	6%	95

	2b. Households receiving earned income					Standard of living
	IBB	P	SBOTP	TI	SBOTP/TI	
B	12 601	777	1 781	15 159	12%	110
DK	12 555	318	1 979	14 853	13%	106
D	13 211	699	901	14 812	6%	106
EL	8 018	768	137	8 923	2%	107
E	8 442	747	529	9 718	5%	107
F	12 144	539	1 321	14 004	9%	104
IRL	10 612	548	1 093	12 254	9%	112
I	9 302	1 182	224	10 707	2%	106
L	19 649	1 405	1 939	22 992	8%	105
NL	12 659	378	1 255	14 292	9%	107
A	12 144	1 105	1 612	14 861	11%	104
P	7 170	628	390	8 189	5%	106
UK	13 601	624	1 072	15 297	7%	112
EU-13	11 498	738	881	13 117	7%	106

Key: IBB=income before benefits; P=Pensions; SBOTP=social benefits other than pensions; TI=total income; SBOTP/TI=Proportion of income from social benefits other than pensions in total income.

Example 1: In Denmark, a SBOTP/TI of 17% (Table 2.) indicates that 17% of total (equivalised) income in this country comes from social benefits other than pensions.

Example 2: The average standard of living (as measured by income) of the population as a whole in a given country is 100. A relative standard of living of 88 for beneficiaries of pensions in Denmark (Table 2a.) means that these persons have a standard of living 12% lower than the national average for Denmark; the relative standard of living for earned-income beneficiaries (Table 2b.) is constructed in the same way.

2. Original income and social benefits other than pensions

Income from social benefits other than pensions makes up 8% of the total equivalised income of EU citizens ...

Income from social benefits other than pensions makes up 8% of the equivalised income of EU citizens and is approximately half the income from pensions (Table 2). The share of these benefits is over 10% in Belgium, Denmark, Ireland, the Netherlands, Austria and the UK and ranges from 2% to 5% in

the southern Member States, where there are relatively few beneficiaries (Greece, Spain and Italy: see Table 1) and/or where social benefits other than pensions account for only a small proportion of total income (Greece, Italy and Portugal: see Table 2). In Spain and Italy, however, these benefits - mainly linked to sickness/invalidity and unemployment - account for a high proportion of beneficiaries' income.

⁴ In France and also in Belgium, Germany, Luxembourg and Austria, the basic pension insurance system provides for pensions proportionate to income from previous activity. In these Member States the share of pensions in the total income of those receiving them therefore falls only slightly as living standards rise. The distribution of income amongst people drawing pensions is thus close to that observed for the population as a whole.

... but half of it goes to persons with a low original income

In all Member States, social benefits other than pensions fall as original income rises (Table 3). Original income includes

income from economic activity, private income and pensions, but not from other social benefits (unemployment benefits, sickness/invalidity benefits, family benefits, etc.). It therefore represents total income before social benefits (other than pensions).

Table 3
Quintile distribution of mean equivalised income in terms of original income - EU figures (PPS)

	Quintile 1			Quintile 2			Quintile 3			Quintile 4			Quintile 5			Total		
	OI	SBOTP	TI	OI	SBOTP	TI	OI	SBOTP	TI	OI	SBOTP	TI	OI	SBOTP	TI	OI	SBOTP	TI
B	2 304	4 399	6 703	7 799	1 789	9 589	11 031	1 678	12 709	14 431	1 212	15 643	23 703	729	24 432	11 859	1 961	13 820
DK	2 767	6 027	8 794	7 950	2 280	10 230	11 211	1 491	12 702	14 305	1 130	15 434	22 103	767	22 870	11 668	2 338	14 007
D	3 658	2 433	6 091	8 896	1 138	10 034	12 022	596	12 618	15 545	532	16 077	24 868	391	25 259	12 998	1 018	14 015
EL	2 529	314	2 842	4 986	236	5 222	6 975	145	7 120	9 656	87	9 742	16 815	64	16 879	8 204	169	8 372
E	1 970	1 784	3 754	4 997	590	5 587	7 093	376	7 469	9 975	369	10 344	18 121	191	18 312	8 431	662	9 093
F	3 333	2 932	6 264	7 584	1 490	9 074	10 849	911	11 759	14 524	677	15 202	24 667	417	25 084	12 192	1 285	13 475
IRL	819	3 919	4 738	4 779	1 441	6 221	7 969	800	8 770	12 133	537	12 670	21 939	334	22 273	9 529	1 406	10 935
I	2 930	688	3 618	6 117	326	6 443	8 435	250	8 685	11 472	197	11 669	19 856	109	19 965	9 772	313	10 085
L	6 409	4 559	10 968	12 734	2 021	14 755	17 466	1 173	18 639	23 648	1 259	24 906	39 404	1 024	40 428	19 953	2 003	21 956
NL	2 141	4 790	6 931	7 593	1 242	8 834	10 293	890	11 183	14 028	762	14 790	24 607	574	25 181	11 731	1 651	13 382
A	4 506	2 844	7 350	8 497	1 835	10 332	11 310	1 351	12 661	14 964	1 177	16 141	24 387	745	25 132	12 744	1 589	14 334
P	1 805	790	2 594	3 978	458	4 436	5 851	327	6 177	8 394	295	8 689	16 434	221	16 654	7 292	418	7 710
UK	1 633	4 366	5 999	6 353	1 490	7 843	10 337	822	11 159	15 048	570	15 618	27 538	375	27 913	12 183	1 524	13 707
EU-13	2 771	2 605	5 376	7 001	1 074	8 075	9 959	659	10 617	13 513	524	14 037	23 144	342	23 486	11 281	1 040	12 320

Key: OI=Original income; SBOTP=Social benefits other than pensions; TI=Total income

N.B.: For each country, the population is divided into five groups of the same size according to their equivalised original income: the 20% with the lowest income (quintile 1), the next 20% (quintile 2), ..., the 20% with the highest income (quintile 5).

There are two reasons for this fall-off. First, the proportion of social beneficiaries drops as original income increases (Table 4). The EU average ranges from 73% for the bottom quintile of

equivalised original income (made up of the 20% of the population on the lowest original income per adult equivalent) to 33% for the top.

Table 4
Percentage of beneficiaries of social benefits other than pensions and share of these benefits in total income
Distribution by each quintile of the population in terms of original income, EU figures

	Quintile 1		Quintile 2		Quintile 3		Quintile 4		Quintile 5		Total	
	Beneficiaries	SBOTP/TI	Beneficiaries	SBOTP/TI	Beneficiaries	SBOTP/TI	Beneficiaries	SBOTP/TI	Beneficiaries	SBOTP/TI	Beneficiaries	SBOTP/TI
B	86	66	69	19	69	13	68	8	54	3	69	14
DK	92	69	80	22	77	12	71	7	57	3	75	17
D	76	40	64	11	55	5	51	3	38	2	57	7
EL	31	11	22	5	18	2	14	1	9	0	19	2
E	68	48	38	11	26	5	23	4	11	1	33	7
F	86	47	73	16	61	8	52	4	39	2	62	10
IRL	99	83	90	23	83	9	78	4	59	2	82	13
I	31	19	22	5	17	3	12	2	7	1	18	3
L	90	42	76	14	60	6	60	5	47	3	66	9
NL	91	69	79	14	72	8	54	5	34	2	66	12
A	84	39	79	18	71	11	64	7	48	3	69	11
P	69	30	67	10	72	5	67	3	66	1	68	5
UK	96	73	75	19	74	7	64	4	47	1	71	11
EU-13	73	48	58	13	51	6	45	4	33	1	52	8

Key: SBOTP=Social benefits other than pensions; TI=Total income

N.B.: For each country, the population is divided into five groups of the same size according to their equivalised original income: the 20% with the lowest income (quintile 1), the next 20% (quintile 2), ..., the 20% with the highest income (quintile 5).

Example: In Ireland, 99% of people on the lowest level of income are "beneficiaries" of social benefits, which account for 83% of their (total equivalised) income.

Secondly, the relative share of these benefits in the total income of beneficiaries drops even more sharply as original income rises: from 48% for the bottom quintile in terms of original income to 13% for the second quintile and 1% for the top quintile. The differences between countries are particularly striking for those on a low original income: social benefits other than pensions account for between 66% and 83% of total income in this group in Belgium, Denmark, Ireland, the Netherlands and the United Kingdom, but for only 11-30% in Greece, Italy and Portugal; the figures for Spain and the other Member States are between 39% and 48%.

Social benefits are strongly targeted: for the EU as a whole, half of them go to the first quintile in terms of original income (Table 5). This share decreases rapidly with rising original income, falling to 21% for the second quintile and to 7% for the top quintile. In Ireland, the Netherlands and the United Kingdom, social benefits are concentrated on those on the lowest original incomes (the bottom quintile receive between 56% and 58% of all social benefits); at the other extreme, Greece, Austria and Portugal pay out less than 40% to this group.

Table 5

Distribution of social benefits other than pensions by quintiles of the population in terms of original income - EU percentages

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Total
B	45	18	17	12	7	100
DK	52	20	13	10	7	100
D	48	22	12	10	8	100
EL	37	28	17	10	8	100
E	54	18	11	11	6	100
F	46	23	14	11	6	100
IRL	56	21	11	8	5	100
I	44	21	16	13	7	100
L	46	20	12	13	10	100
NL	58	15	11	9	7	100
A	36	23	17	15	9	100
P	38	22	16	14	11	100
UK	57	20	11	7	5	100
EU-13	50	21	13	10	7	100

3. Redistributive effect of social benefits other than pensions

Between 21% and 33% of the population is on a low income before social benefits ...

A comparison of the number of people on low incomes before and after social benefits other than pensions illustrates one of their main purposes: their redistributive effect and, in particular, their ability to reduce the percentage of the population on low incomes. A person on a low income is defined here as someone whose equivalised income (original or total, depending on the context) is less than 60% of the national median of the total equivalised income distribution. Such people are sometimes referred to as "poor", poverty being defined here in strictly monetary and relative terms⁵.

The low-income thresholds thus defined are between 5 200 and 7 800 PPS in nine of the 13 countries covered: in Greece, Spain and above all Portugal they are much lower. In Luxembourg the threshold is 1.8 times the threshold for the EU as a whole (Table 6).

Before social benefits are taken into account, Denmark, Ireland and the United Kingdom show a high percentage (30-33%) of people on low incomes. The figures for the other Member States vary between 21% (Italy) and 28% (Belgium). The Community average is 26%.

Table 6

Low income thresholds (PPS) and distribution of the population (%) in the EU

	Threshold	Distribution by OI				Distribution by TI			
		< 60%	60-100	100-140	140% et +	< 60%	60-100	100-140	140% et +
B	7 562	28	31	24	17	33	28	22	
DK	7 883	30	33	25	12	11	39	17	
D	7 675	23	32	25	20	16	34	23	
EL	4 313	23	29	22	27	21	29	28	
E	4 558	26	28	19	26	18	31	29	
F	7 166	27	29	23	21	16	34	23	
IRL	5 362	33	23	16	28	18	32	31	
I	5 188	21	31	21	27	19	31	28	
L	11 409	24	31	21	23	12	37	26	
NL	6 891	24	34	20	22	12	38	25	
A	7 733	24	36	23	18	13	37	23	
P	3 772	27	27	19	27	22	28	29	
UK	6 800	32	23	18	27	19	31	29	
EU-13	6 452	26	29	22	23	17	33	24	

Key: OI=Original income; TI=Total income

N.B.: The low-income or monetary poverty threshold is set at 60% of the national median OI. In each Member State, the population is divided into four groups, first according to equivalised OI and then according to equivalised TI: less than 60% of the national median TI (poverty threshold); 60 - <100% of this median; 100 - <140% of this median; 140% and more of this median. For both distributions (OI and TI), the median used is that relating to the distribution of TI (see footnote 5).

Example: In Portugal the low-income threshold is 3 772 PPS. 27% of the population has an OI and 22% a TI below this threshold.

⁵The low-income threshold is defined by reference to equivalised total income and is kept unchanged before and after benefits have been paid. It would also have been possible to define the population on a low income before benefits by reference to initial income and the population on a low income after benefits by reference to total income. This was not done because it would have a dual effect: the proportion of the population below the initial threshold would drop, but the low-income threshold would rise because of the inclusion of benefits; a person classed as "not poor" on the basis of original income could become "poor" according to total income. By keeping the threshold constant, the chosen option concentrates on the same population and reveals the impact of benefits more clearly.

... but the impact of the benefits is significant, particularly in Denmark

Social benefits reduce the percentage of "poor" people in all the Member States, but to very disparate degrees. The reduction is smallest - between 8% and 20% - in Greece, Italy and Portugal. In all other Member States it is well over 25% (Figure 1); in Denmark it is around two-thirds, almost double the EU average. Denmark also has the lowest "poverty rate" after payment of benefits.

After benefits, Greece and Portugal have the highest percentages of people on low equivalised incomes. Ireland and the United Kingdom have the highest poverty rates in the EU before benefits, and the inequalities remain higher than the Community average after payment of benefits. However, these two Member States differ from Greece and Portugal by having a far greater redistribution effect. Because Italy has the lowest poverty rate before benefits, its percentage of "poor" people is only slightly above the EU average despite the low impact of benefits.

Gini coefficients provide an overall indicator of disparities in income distribution (Table 7). These recapitulative benchmarks do not depend on the choice of low-income threshold and can vary, in theory, between 0% (zero inequality) and 100% (total inequality). The ability of social benefits to reduce (monetary) inequality is somewhat different from their ability to reduce poverty rates.

Table 7
Measures of inequality in income distribution in the EU

	Gini coefficient (%)		Quintile ratio S80/S20	
	OI	TI	OI	TI
B	32	28	10.3	4.4
DK	30	23	8.0	3.3
D	30	28	6.8	4.5
EL	35	34	6.7	6.3
E	36	33	9.2	5.7
F	34	29	7.4	4.4
IRL	39	33	26.8	5.4
I	34	33	6.9	5.8
L	32	28	6.2	4.1
NL	33	29	11.5	4.5
A	31	26	5.4	3.9
P	39	37	9.1	7.1
UK	39	33	16.9	5.5
EU-13	35	31	8.4	4.9

Key : OI=Original income; TI=Total income

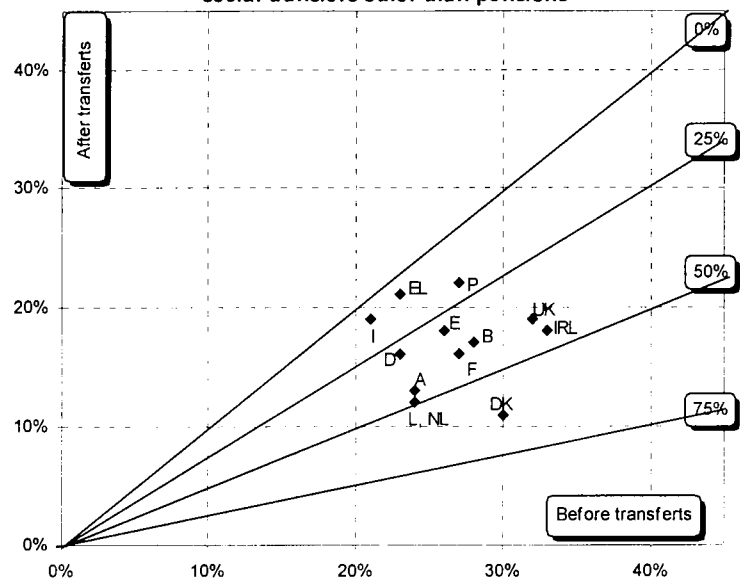
N.B.1 : Gini coefficients vary, in theory, between 0% (zero inequality) and 100% (total inequality).

N.B.2 : The quintile ratio represents the OI (TI) of the top quintile divided by the OI (TI) of the bottom quintile. The ratios apply to amounts per *adult

Example : On average, for EU-13, the entire income received by the 20% of the population with the highest original income is 8.4 times greater than that received by the 20% of the population with the lowest original income. For total income, this ratio falls to 4.9.

Figure 1

Percentage of the population on a low income before and after social transfers other than pensions



Example: Before income from social benefits (other than pensions) is taken into account, the proportion of poor people in Denmark is 30%. Afterwards, this figure drops to 11%.

Before social benefits, Portugal, Ireland and the United Kingdom show the widest disparities in income. After benefits, these three countries remain above the EU average, as do Greece, Spain and Italy, but Portugal distinguishes itself with a coefficient 6 points above the EU average.

At the other extreme, Denmark and Germany have the smallest disparities in income before social benefits, but the disparity in Denmark after benefits is far smaller than in any other Member State.

Another measure of inequality in income distribution is the S80/S20 income quintile ratio. For any given country, this is the ratio between the share of the total (equivalised) income received by the top 20% and the bottom 20% of the country's population (Table 7). Applied to original income (i.e. income before social benefits other than pensions), the ratios in Ireland and the UK are two to three times the ratio for the Community as a whole, pointing to very wide gaps between high and low original incomes. After benefits, exactly as in the Gini coefficients, Greece, Spain, Ireland, Italy, Portugal and the United Kingdom show above-average income dispersions and Denmark the smallest.

As pointed out above, social benefits have least impact on poverty rates in Greece (8%), Italy (12%) and Portugal (20%). The Gini coefficients and the income quintile ratios show similar results: the effect of social benefits on these two indicators is very slight and, if these three Member States are placed in order of magnitude of this impact, the classification is the same as for poverty rates.

METHODS AND CONCEPTS

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- The **European Community Household Panel (ECHP)** is a survey based on a standardised questionnaire that involves annual interviewing of a representative panel of households and individuals in each country, covering a wide range of topics: income (including the various social benefits), health, education, housing, demographics and employment characteristics, etc. The longitudinal structure of the ECHP makes it possible to follow up and interview the same households and individuals over several consecutive years. The first wave of the ECHP was conducted in 1994 in the then twelve EU Member States, on a sample of some 60 500 households (about 170 000 individuals). Since then, Austria (in 1995) and Finland (in 1996) have joined the project. Sweden is not taking part.

Those interested in other ECHP findings may refer to the first **major ECHP publication** "*European Community Household Panel (ECHP): Selected indicators from the 1995 wave*" (OPOCE, Luxembourg, 1999), which covers income, housing and employment.

- The **results** set out in this study were calculated from the ECHP "**users' database**", which contains longitudinal microdata on households and persons interviewed, harmonised and interlinked as the various survey waves are completed. For more details of direct access to ECHP microdata, see: "*EC Household Panel Newsletter 3/99*" (OPOCE, Luxembourg, 1999). This base now includes 100% of the German sample.

The figures analysed in this study are **estimates**, whose precision - all other things being equal - depends on the size of the sample and the percentage. They cover the **thirteen Member States** for which the required data are **currently available**: all EU Member States except Finland and Sweden. The data for Austria are still provisional.

- **Total household income** is taken to be all the net monetary income received during the survey reference year (1995) by the household and its members at the time of the interview (1996). This includes income from work (employed and self-employed), private income (rents, income from capital and private transfers to the household), as well as pensions and other social benefits directly received. Indirect social transfers (such as the reimbursement of medical expenses), income in kind and imputed rents for owner-occupied accommodation are excluded.
- **Figures for France**: The incomes declared in France are gross of tax. Those that are taxable, such as pensions, have been converted to figures net of tax by applying the household's average tax rate.
- **Equivalised income**: In order to take into account differences in household size and composition when comparing income levels, **all** the amounts given here are per "adult equivalent": for the sake of consistency, the Gini coefficients and the income quintile ratios (S80/S20) are also defined on the basis of income per "adult equivalent". The amounts received by a household are divided by its "equivalent size", computed using the modified OECD equivalence scale, which gives a weight of 1.0 to the first adult in the household, 0.5 to each other member aged 14 or over, and 0.3 to each child aged under 14. The household composition is as defined at the time of the interview. The same household equivalised income is assigned to each household member (adults and children). This concept is therefore based on the household income, not the income of each of its members taken separately: for example, a person with no personal income whatever might not have a "low equivalised income" if the other members of his or her household compensate for this absence of income with individual incomes which are average or high. Conversely, a person with a high personal income could be considered to have a low equivalised income if the members of his or her household have little or no income of their own. In this study, people classed as having a low income are in fact those on a "low equivalised income". The same goes for people classed as "high-income", "poor", "wealthy" etc. It should be borne in mind that the statistical unit used in calculating mean and median equivalised incomes is the person, not the household. Such incomes are therefore "per capita equivalised" incomes.
- **Purchasing Power Parities (PPP)** convert national currencies into *Purchasing Power Standards (PPS)*, of which every unit can buy the same amount of goods and services in every Member State in a specific year. Converting these amounts, which are received in national currency, into amounts expressed in PPS allows income comparisons between EU countries. For 1995, the conversion rates between PPS and the national currencies are: B (42.13); DK (9.740); D (2.148); EL (236.5); E (134.9); F (7.274); IRL (0.7032); I (1.696); L (40.79); NL (2.250); A (15.19); P (142.7); UK (0.731).

Further information:

➤ Reference publications

Title European Community Household Panel (ECHP):
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Catalogue No CA-22-99-765-EN-C Price EUR 45,00

➤ Databases

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This analysis is mainly an update of a study produced in 1999 by the same authors and Isabelle Terraz (then working for DREES): *Statistics in Focus 13/1999*, "Social benefits and their redistributive effect in the EU".

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