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Recent Trends in Household Financial Behaviour

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## Recent Trends in Household Financial Behaviour

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### Abstract

This paper identifies general patterns of household financial behaviour for three groups of countries: The *Early Financialisers*, the *Economic and Monetary Union Core* and the *Latecomers*. Even though they stand in different positions as regards the development of their respective financial systems and household engagement with finance, there is a shared trend of growth of household debt and financial wealth, denoting common institutional changes across Europe and thus the systematic character of financialisation as an overall process of transformation of the economy and society. The evolution of pension and life insurance funds is highlighted, becoming the second most important financial asset held by households. This underlines the role of reforms of pension systems in promoting household financial relations, more than a shift towards investment in capital markets stimulated by new investment opportunities supplied by finance. Despite the exposure of private schemes to the financial turmoil, the current crisis has presented itself as an opportunity to bring the pension reform agenda even further forward. However, the trend towards the privatisation of social protection systems, enhancing individual responsibility through growing access to financial markets, must be assessed against the background of greater levels of unemployment and increasingly precarious employment relations that undermine it.

Key words: Financialisation, Households, Debt, Financial Assets, EU

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## Recent Trends in Household Financial Behaviour

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### 1 Introduction

Having ignited the financial crisis of 2008-09, the US subprime crisis has brought close attention to the rising involvement of households with the financial system, not only in the economies first hit by the financial crisis, such as the US and the UK, but also in other developed and developing countries. Although this new engagement of households with the financial sector has been explained by an array of both demand and supply factors (e.g. new norms of consumption and technological innovation), social constraints have been pointed to as primary causes by the burgeoning financialisation literature.

This literature has related rising levels of household debt to stagnant income, rising inequality and the retrenchment of the welfare state. Faced with new consumption norms and real income stagnation, low and medium-income households incurred in rising levels of debt, it has been argued, in order to keep up with consumer demand emerging in an increasingly unequal society marked by the growing privatisation of public provision (Barba and Pivetti, 2009; Cynamon and Fazzari, 2009; Montgomerie, 2009), promoting the expansion of finance into new areas of provision (Fine, 2010). The vulnerable position of low and medium-income households has forced households to engage with the financial sector from a disadvantageous position, entailing new forms of income extraction from workers (dos Santos, 2009; Lapavitsas, 2009).

But the role of social constraints in the analysis of household financialisation is not limited to debt incurred by vulnerable households. The social context also affects the evolution of the financial position of the better positioned segments of this very heterogeneous sector. Diverse social standings imply different, but inter-connected, relations – in terms of access, types of assets and liabilities, and costs and returns – with the financial sector. Other factors



influencing the relation between inequality and household financialisation have thus been pointed out, namely the propensity to speculate as richer households tend to hold riskier financial assets than other groups (Hein, 2009) and the facilitated access to debt markets favoured by growing financial wealth (Palley, 2007). Thus, the evolution of social conditions influence the distribution of both assets and liabilities among households and its impact on household financial situation.

The growing relations of households with the financial sector by allowing the latter to acquire more information on households' financial situation (e.g. their level and composition of financial assets) further stimulated the segmentation of particular financial markets, such as pension funds and mortgage debt, particularly tailored for different household financial standings. This suggests that besides the mere intensification of households' financial dealings, more qualitative transformations may have also been occurring and reflected in the diversification of market segments.

However, these accounts are mainly based on the US and the UK cases, where financial markets are more relevant and the embroiling of households with finance is more salient and historically rooted. Though at a lesser pace and scale, other countries have undergone processes of financialisation, which have also involved individuals and households. This therefore poses the question of whether the same causes explain financialisation processes in Europe. Extending the analysis of financialisation for the EU countries will thus not only allow us to assess the extent of this phenomenon, it will also allow us to assess the relevance of different historical and institutional backgrounds on the content and form of households' new financial relations.

This chapter starts, in section 2, to trace the evolution of household indebtedness in Europe over the last 15-20 years. Section 3 looks at households' financial wealth for the same countries and time span. In section 4, the relation between household financialisation and inequality is scrutinised. Section 5 brings the results of the previous sections together, signalling that the growth of household debt and financial wealth has been a shared trend



across Europe. Given the increasing relevance of pension funds in the composition of household financial wealth, EU policy on pension reforms is given closer attention in section 6. Despite the exposure of private pension schemes to the financial turmoil, the current crisis has presented itself as an opportunity to bring this agenda further forward. The trend towards the privatisation of social protection systems, enhancing individual responsibility through growing access to financial markets, must then be assessed against the background of greater levels of unemployment and increasingly precarious employment relations with the likely result of greater inequality and social vulnerability across Europe.

Some preliminary methodological notes are in order before moving to the analysis of household financial activity. The analysis carried out focuses on the period from 1995 to 2011, for which there are comparable data available for the majority of EU countries. This period does not cover all the transformations of liberalisation, privatisation and deregulation of the financial sphere for all the European countries, which dates back to the beginning of the eighties in some cases. However, it covers relevant historical landmarks, namely the nominal convergence path launched by the Treaty of Maastricht, signed in 1992, that setup the Economic and Monetary Union, crucial to understanding the expansion of the financial sphere in the EU, and the most significant periods of financial boom and bust, namely the euphoria periods of the dot.com bubble during 1995-2000, the building up of the unsustainable path of indebtedness during the 2000s and the financial recessive periods of 2001 and 2008.

The use of national financial accounts, although prone to some methodological difficulties (e.g. household positions are derived from data collected from other sectors), allows us to identify wider trends within the EU, as well as some structural transformations regarding the evolution of households' financial assets and liabilities over the last two decades. In order to achieve comparable household data, all statistics are computed relative to the disposable income of households (instead of GDP), which is less affected by demographic changes and by differences in the distribution of the domestic income among different

sectors. The data on household debt and disposable income was obtained from the European Credit Research Institute. Data on household financial assets was retrieved from Eurostat financial sector accounts.

It should also be noted that not all EU countries have been considered in the analysis, due to tractability reasons. 16 countries were selected based on their distinctive financial position and data availability for the period under analysis. However, data for the 27 EU countries were collected and are presented in Annex 2 (when available).

Given the descriptive nature of this exercise, the selection of the countries did not follow any *a priori* theorisation, neither of households, nor of the financial system of each country. However, to facilitate the presentation and analysis of a varied number of indicators and wide range of countries, we had to have recourse to some non-arbitrary criterion to group the various countries. The groups were formed based on Bruno Amable's (2003) taxonomy of financial systems for Europe, which draws on the classic bank-based versus market-based dichotomy. Based on a large number of financial indicators and the identification of three relevant factorial axes – the size of the economy, the presence of foreign banks, the bank balance sheet structure or ownership – Amable grouped four different clusters of countries, one market-based and three bank-based, concluding that a slow convergence to the more liberal market-based model was taking place. For the purposes of the analysis, three different groups of EU countries were composed:

- 1) The *Early Financialisers* comprises the UK, the Netherlands, Ireland, Denmark and Sweden. It gathers countries (UK, NL) that qualify as market-based systems as put forward by Amable in that they "are characterized by the importance of institutional investors and particularly pension funds, the importance of the stock market indicated by a high capitalization relative to GNP, a well-developed venture-capital system, high mergers and acquisitions activity, and a low concentration of ownership" (Amable 2003: 145, 149). They also include bank-based systems (IE, DK, SE) that have more developed capital markets, where "banks have a somewhat

'passive' role: bonds and securities represent a large part of the banks' assets and the debt/GNP ratio is significantly lower than in other countries" (Amable 2003: 149). The rates of household participation in debt and financial asset markets are high.

- 2) The *EMU core* corresponds to the bank-based ideal type, being composed of the Economic and Monetary Union members, including the main continental European economies – Germany, France and Italy – and the peripheral ones – Portugal, Greece and Spain. They are deemed to have "a high credit/GDP ratio as well as an important share of insurance companies among institutional investors [...] show(ing) little mergers and acquisitions activity, weak development of accounting standards, and a lagging venture-capital sector. Ownership is concentrated and the State plays a relatively important role in the control of some large corporation" (Amable 2003: 149). The level of participation of households in financial markets is close to the Euro Area average.
- 3) The group of the *Latecomers* is composed by Eastern European countries – Bulgaria, Hungary, Poland, Romania and Slovakia – that have engaged in processes of financial liberalisation and privatisation at a later stage, after the collapse of their planned economies. They also share a strong foreign banking presence that is characteristic of Amable's third cluster. Household engagement with the financial system is relatively low.

## 2 Household indebtedness in Europe

This section analyses the engagement of European households with debt markets. It aims at assessing whether the growth of household debt relative to disposable income has been a general trend and the composition of household debt broken down into its various components (housing loans, consumer and other loans).

### 2.1 Total debt

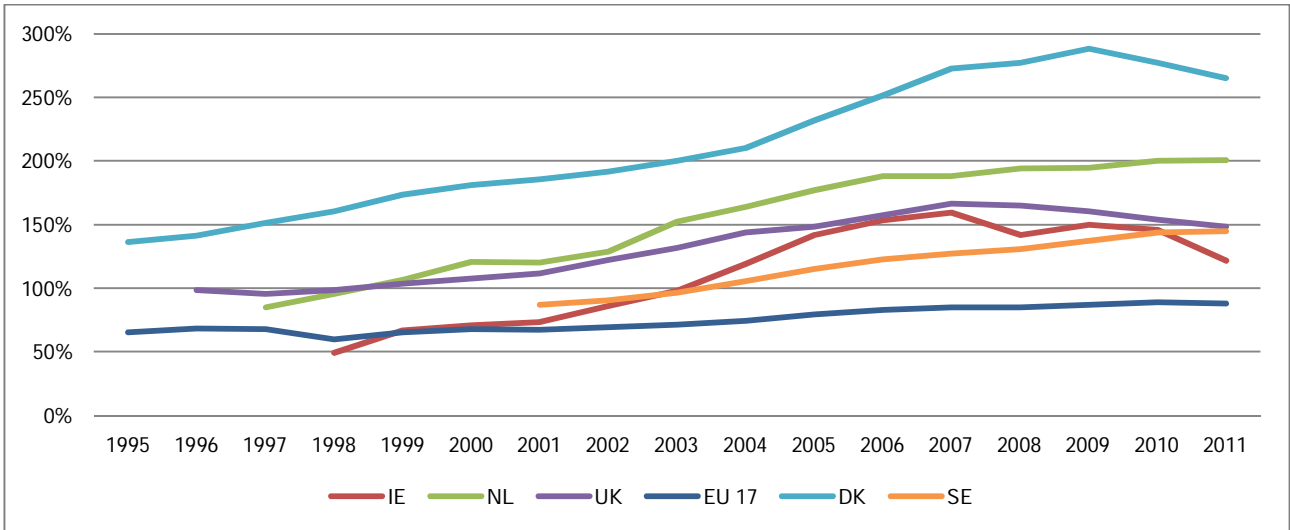


As expected, the group of the *Early financialisers* has the highest level of total household debt, well above the average of the Euro area (EU 17), ranging, in 2007, from 127 per cent of disposable income in Sweden to 267 per cent in Denmark, where this value is about 85 per cent for the EU 17 (Figure 1). Although the growth of debt relative to disposable income occurs primarily in the 1990s, it is in the run up years to the international crisis (2003-07) that the rate of growth accelerates.

In the group of the *EMU core*, with the notable exception of Germany that registered a declining trend in the period, the ratio of household debt to disposable income rose more intensively during the 2000s. Despite their different positions in 1995, peripheral Southern European countries, such as Spain, Portugal, Italy and Greece registered the highest growth rates. Household indebtedness ranged, in 2011, from 60 per cent in Italy to 120 per cent in Spain (Figure 2).

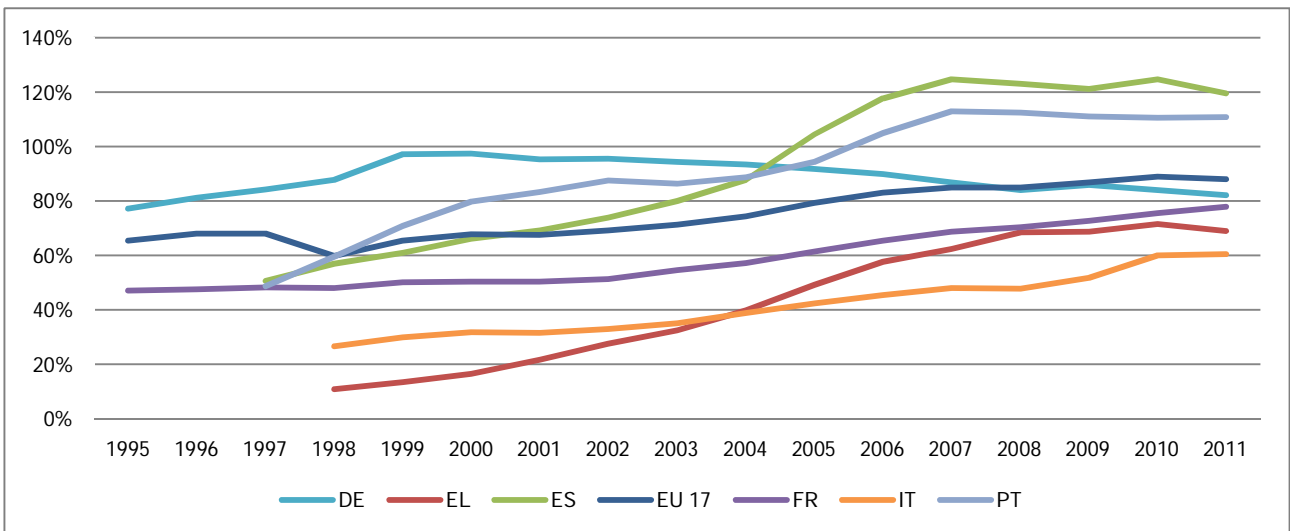
In the group of the *Latecomers*, despite the overall growth, two significant differences are noticeable. First, the levels of indebtedness are below 60 per cent of household disposable income in all countries. Second, and contrary to what happened in the first and second group of countries that either stabilised or saw a decline of household debt relative to disposable income, these countries registered a steady growth of debt during the crisis years, slowly catching-up with the Euro area average (Figure 3).

**Figure 1 Household debt to disposable income 1995-2011: Early Financialisers**



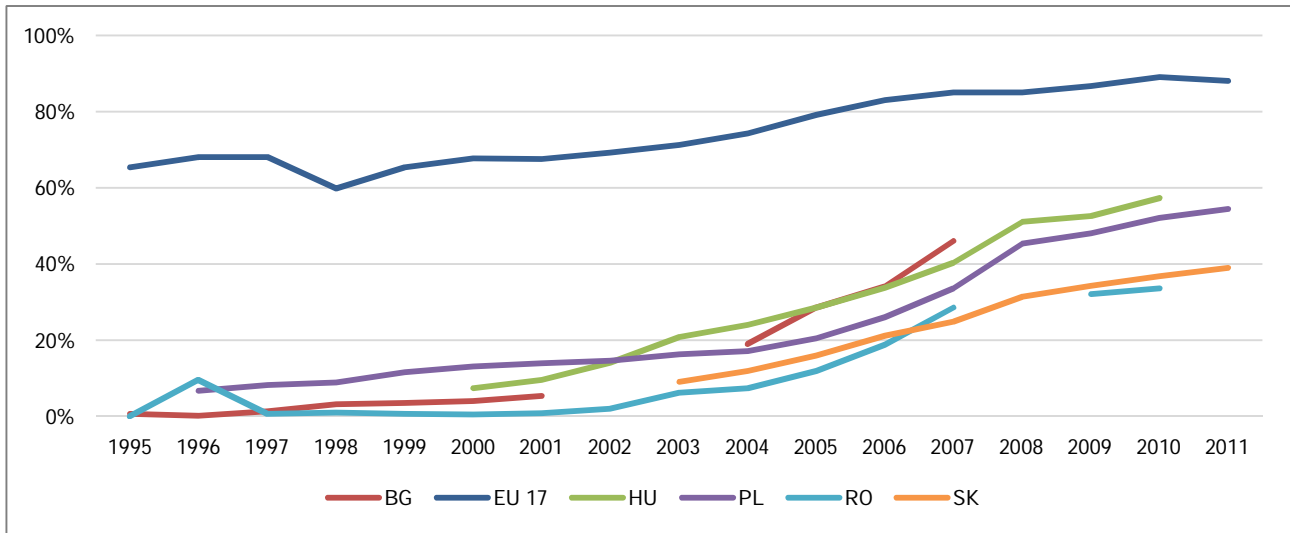
Source: ECRI

**Figure 2 Household debt to disposable income 1995-2011: EMU core**



Source: ECRI

**Figure 3 Household debt to disposable income 1995-2011: Latecomers**

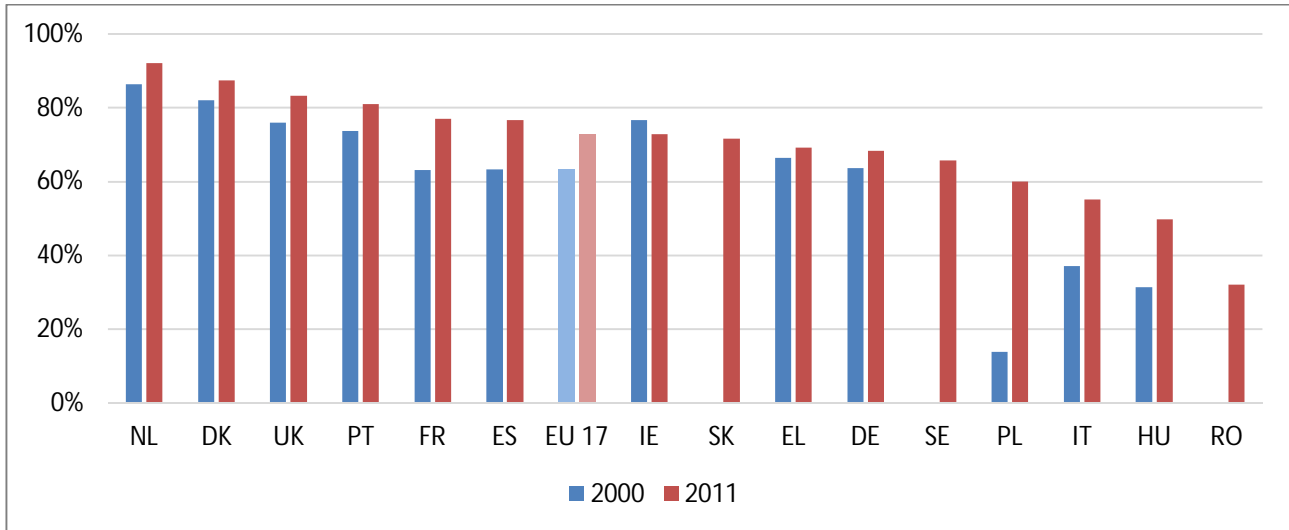


Source: ECRI

## 2.2 Housing Loans

The distribution of household debt shows the overwhelming weight of mortgage loans for all countries totalling, in 2011, around 75 per cent of total debt for the Euro area (EU 17) countries. This result no doubt challenges common sense ideas about the recent profligacy of households in times of abundant credit, as housing can hardly fall into the category of conspicuous consumption (though in some countries housing finance may have been related to household funding of consumption; see Chapter 4). Moreover, not only do housing loans make up the bulk of household indebtedness, but their relative weight has grown in the last decade in most European countries, most notably in Poland, Italy, Hungary, France and Spain (Figure 4).

Figure 4 Housing loans to total household debt 2000 vs 2011

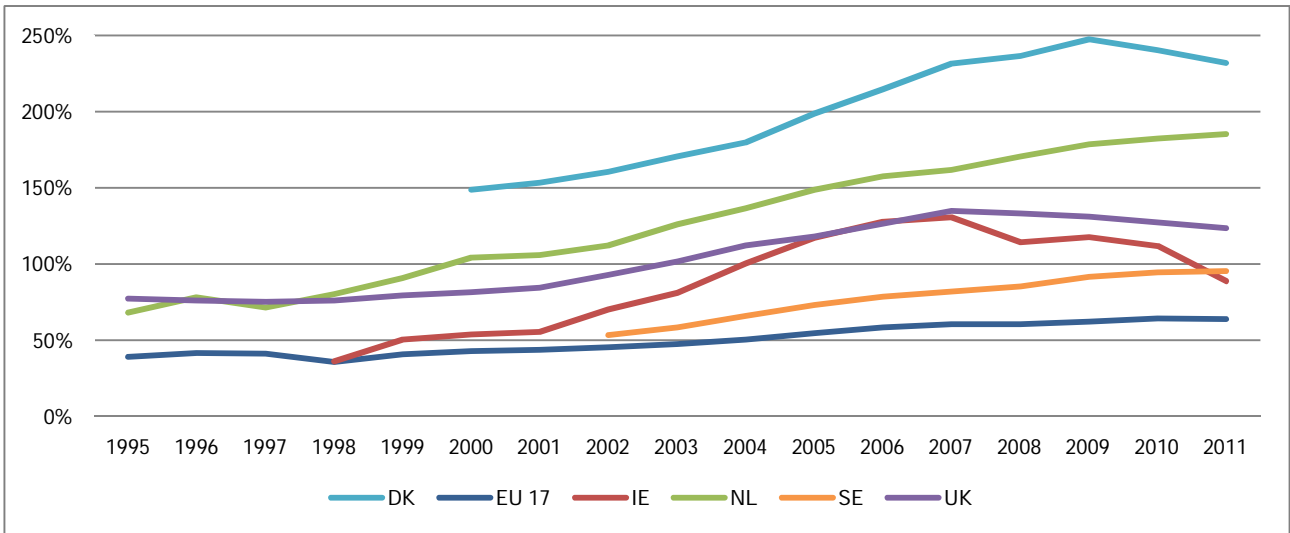


Source: ECRI

Although at different paces, the weight of housing loans to disposable income rose during the period from 1995 to 2011 in all countries, rising 25 percent points for the 17 Euro area countries, from around 40 per cent to 65 per cent (Figure 5).

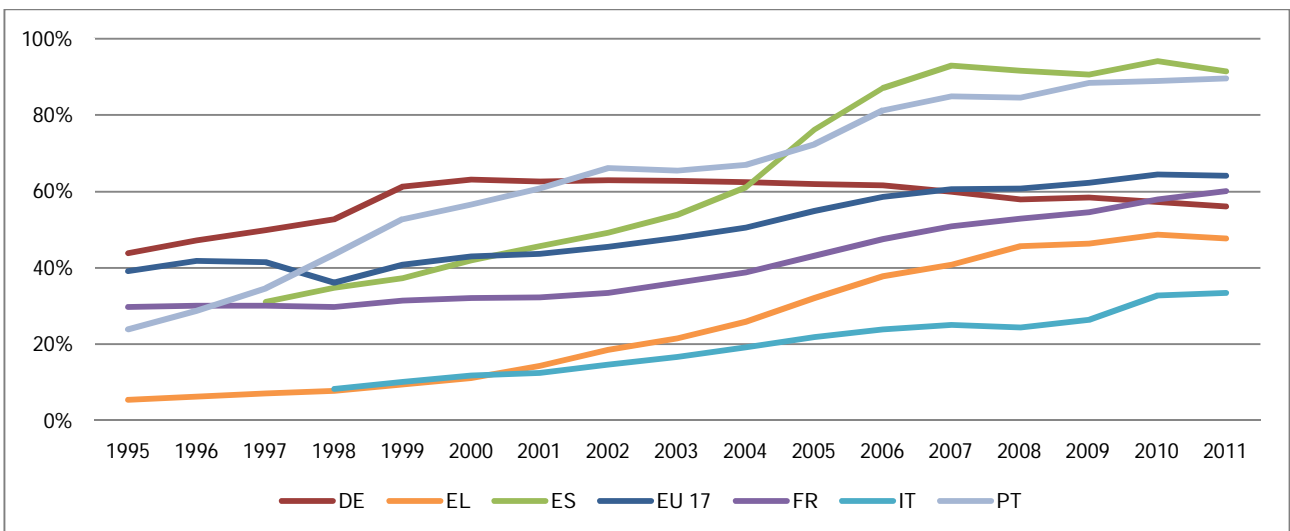
Households from the group of the *Early financialisers* have a ratio of housing loans to household disposable income well above the European average with Denmark (231%) and the Netherlands (185%) at the top of the ranking of the most indebted, having more than double this value for the Euro area average. Looking at the evolution in the period considered, it seems that it was mainly during the 2000s that most of this growth took place, although some of the relevant data are unavailable (Figure 5).

**Figure 5 Housing loans to disposable income 1995-2011: Early financialisers**



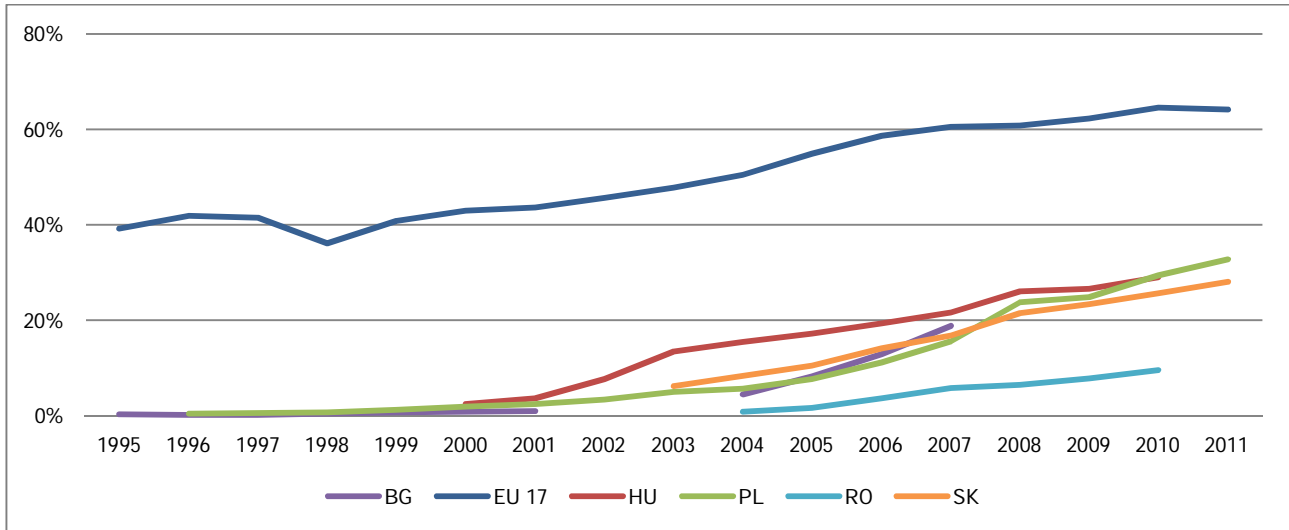
Source: ECRI

**Figure 6 Housing loans to disposable income 1995-2011: EMU core**



Source: ECRI

**Figure 7 Housing loans to disposable income 1995-2011: Latecomers**



Source: ECRI

There are significantly distinct situations in the *EMU core* countries. While Spain and Portugal are above the EU17 average, as a result of the rapid growth of housing loans during the 2000s, reaching 90 per cent of disposable income in 2011, Italy, France and Greece are below average (with mortgage debt below 60% of household disposable income), notwithstanding the rise of housing loans in the period. Germany stands out as the outlier, with mortgage debt receding during the 2000s, from 63 per cent in 2000 to 56 per cent in 2011 (Figure 6).

The group of the *Latecomers* is remarkably below the EU17 average of household housing debt (Figure 7). Countries such as Hungary, Bulgaria and Poland saw their housing debt rapidly rise during the 2000s, but it has never surpassed 35 per cent of household disposable income. There is thus no discernible convergence between these countries and the rest of Europe.

### 2.3 Consumer Credit

The recent evolution of consumer credit differs significantly from that of housing debt. While consumer credit has grown in most European countries, resulting in an increase of the Euro

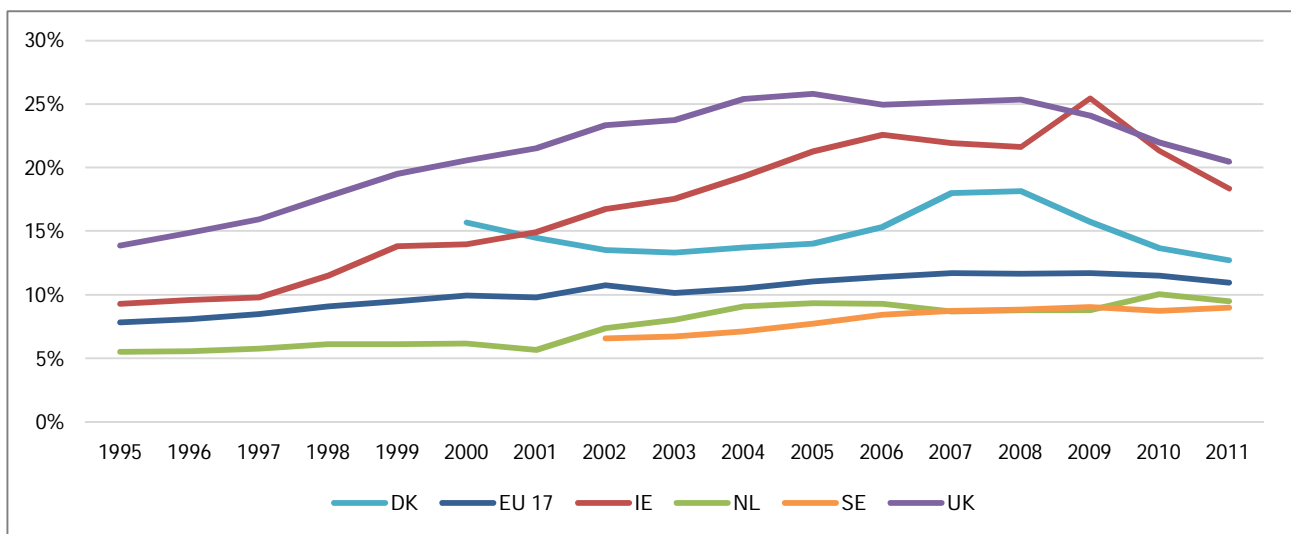
area average from 8 per cent to 11 per cent of disposable income between 1995 and 2011, there is no identifiable trend across the various countries under consideration.

Within the group of *Early financialisers*, the level of consumer debt is higher than the EU17 average for some of the countries, reaching, in 2011, 20 per cent of disposable income in the UK and 18 percent in Ireland, being lower in the Netherlands and Sweden (around 9 %) (Figure 8).

The *EMU core* countries converge around the EU17 average, particularly so after the crisis (Figure 9). Greece is the clear outlier in this group. From negligible levels of consumer credit in 1995, it became the country with the highest household consumer debt in this group, representing more than 20 per cent of disposable income, as a result of its high growth rates during the 2000s, stabilising at this high level after 2007. However, as seen above, Greece has relatively low levels of mortgage debt.

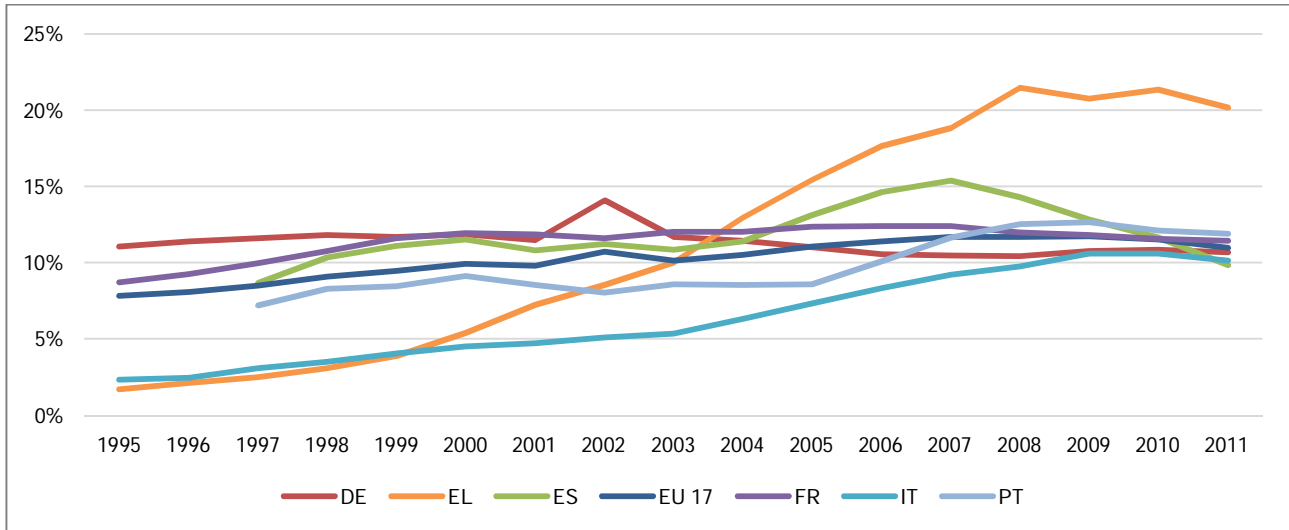
With the exception of Slovakia, the *Latecomers* have levels of household consumer debt above the Euro area average, namely Hungary (26% in 2010) and Romania (21% in 2010) (Figure 10).

**Figure 8 Consumer credit to disposable income 1995-2011: Early financialisers**



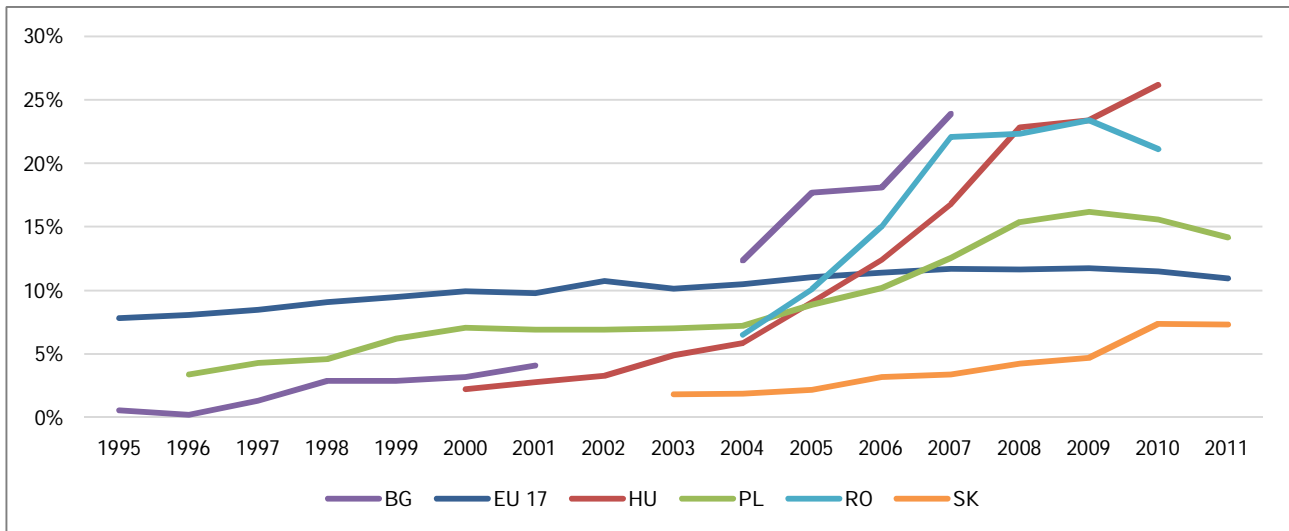
Source: ECR

Figure 9 Consumer credit to disposable income 1995-2011: EMU core



Source: ECRI

Figure 10 Consumer credit to disposable income 1995-2011: Latecomers



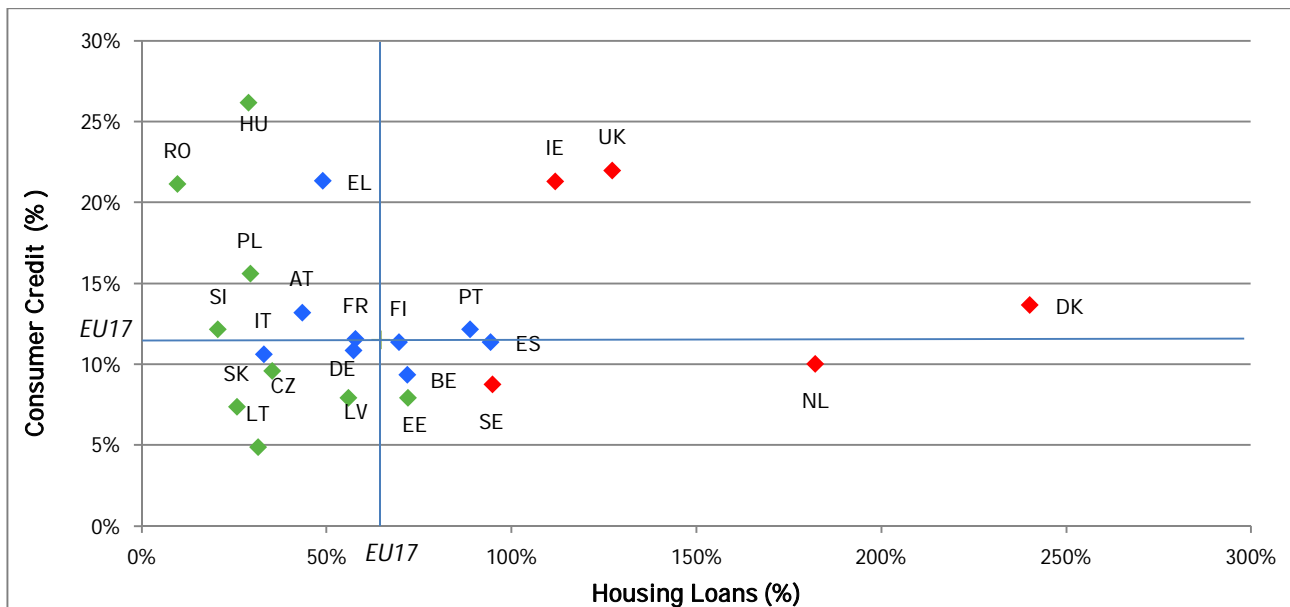
Source: ECRI

The evolution of household debt across Europe points to two distinct patterns of household indebtedness: one marked by a prevalence of mortgage debt and the other by relatively higher levels of consumer debt, the former being most characteristic of the *Early financialisers* (e.g. DK, NL, UK, IE), with the latter being most characteristic of the



*Latecomers* (e.g. HU, RO and PL) and a few outliers with lower levels of housing loans (e.g. IT), (Figure 11). However, in some countries consumer credit has grown considerably in the period, which may be an indication that in these countries consumer credit may have played some role in sustaining norms of consumption, especially in Ireland, the UK, Greece, Romania and Hungary.

**Figure 11 Housing and Consumer credit to disposable income 2010**



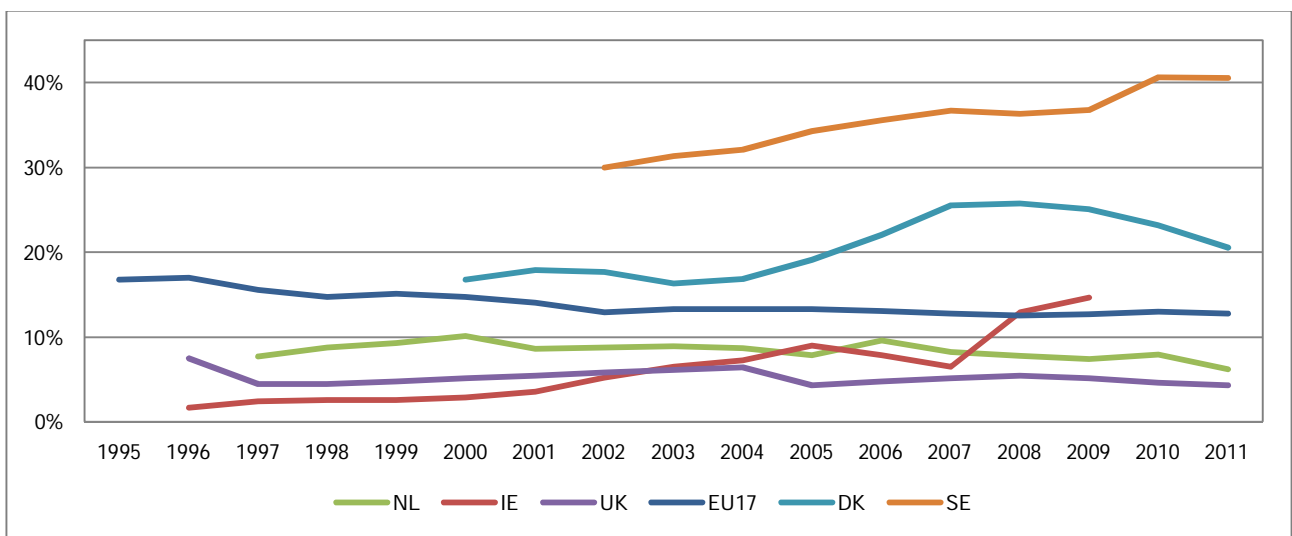
Source: ECRI

## 2.4 Other Loans

The third remaining category, “other loans”, includes different types of debt with very diverse purposes such as “business needs, the procurement of office equipment, debt consolidation, education, the purchase of securities, etc.” (ECRI, 2012). This means that it is difficult to discern what is included in this category in each country, which probably depends on the criteria adopted by the respective official body. This might account for the wide differences among countries. For example, in Sweden, a country with a seemingly low level of consumer debt, households have the highest rate of “other loans” (around 40%). In contrast, in Greece, a country with a high rate of consumer debt, households have a

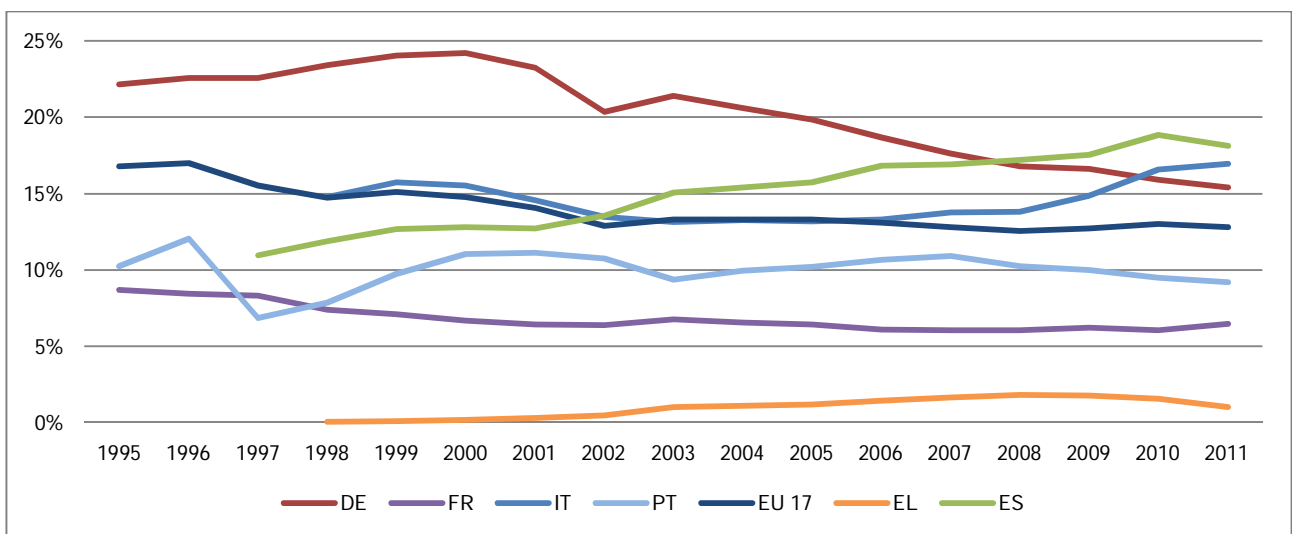
negligible level of “other loans”, indicating probable accounting differences. Although these data may be important to complement consumer credit evolution, it is difficult to draw from it any significant conclusion due to both its level of aggregation and the absence of clear discernible tendencies across Europe (Figure 12-14).

**Figure 12 Other loans to disposable income 1995-2011: Early financialisers**



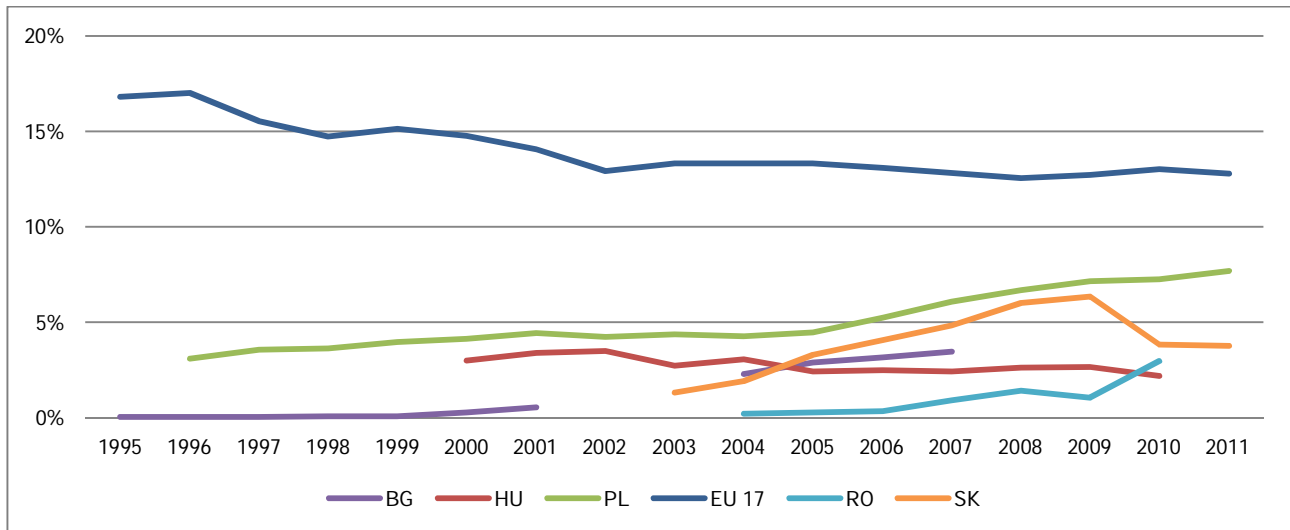
Source: ECRI

**Figure 13 Other loans to disposable income 1995-2011: EMU core**



Source: ECR

Figure 14 Other loans to disposable income 1995-2011: Latecomers



Source: ECRI

### 3 Household Financial Assets

#### 3.1 Total Financial assets

Total financial assets holdings have grown for the Euro area countries – from 220 per cent of disposable income in 1995, to 290 per cent in 2011. Two periods of strong growth can be identified: 1) the period from 1995 to 2000, corresponding to the financial market boom, when total financial assets holdings grew from 220 per cent of household disposable income in 1995, to 300 per cent in 2000; and 2) the recovery period from 2003 to 2007, where the weight of these assets on household disposable income grew from 290 to 318 per cent. This trajectory came to a halt in 2008 with the international financial crisis, mildly recovering afterwards.

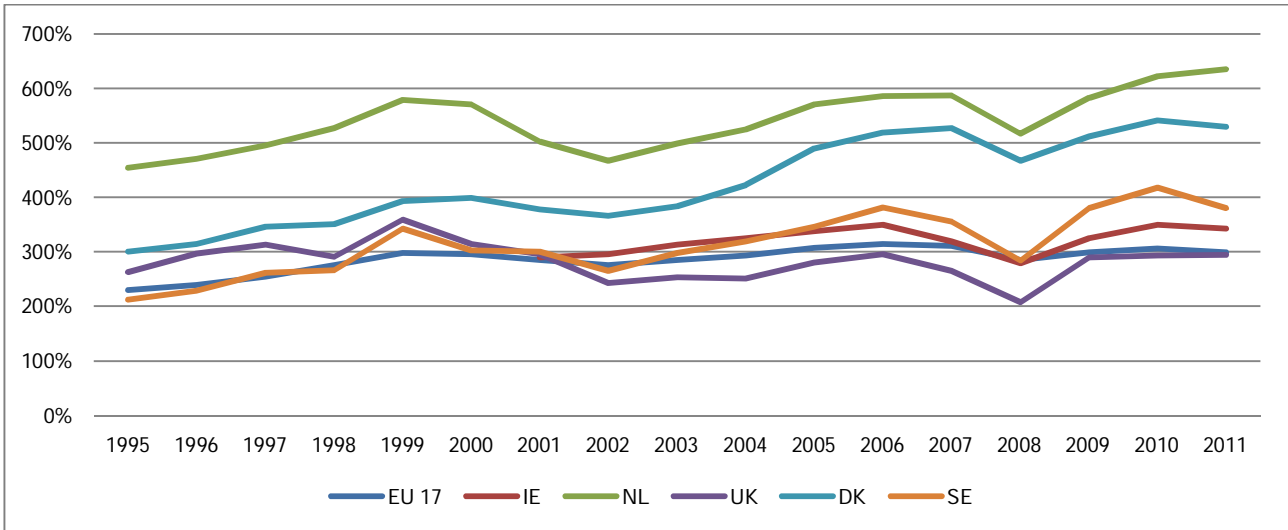
The growth of total financial assets for the Euro area countries disguises very different situations. The first group of the *Early financialisers* – with the notable exception of the UK – is not only consistently positioned above the EU17 average, but the evolution during this period is more volatile than that of the rest of the European countries. A result that should not come as a surprise since more holdings of financial assets is more susceptible to the

evolution of the financial markets both in their boom and bust periods. Household holdings of financial assets is higher in the Netherlands, growing from 470 per cent of household disposable income in 1995, to 636 per cent in 2011, followed by Denmark (300% in 1995 and 530% in 2011). With the exception of the UK, all the countries in this group depart further from the EU17 average, suggesting that *Early financialisers* have intensified their financialisation processes. The UK reached the EU17 average in 2011 with household financial assets amounting to 290 per cent of household disposable income (Figure 15).

The *EMU core countries* closely follow the EU17 average, with outliers such as Italy (314%) above the average and Greece (148%) far below it (290% in 2011). Despite the expected drop after 2008, it should be noted that the Greek position was already well below average before the crisis. During the period from 1995 to 2011 the countries in the core diverge, with Greece, Spain and Germany distancing themselves from the Euro area average, especially after 2008 (Figure 16).

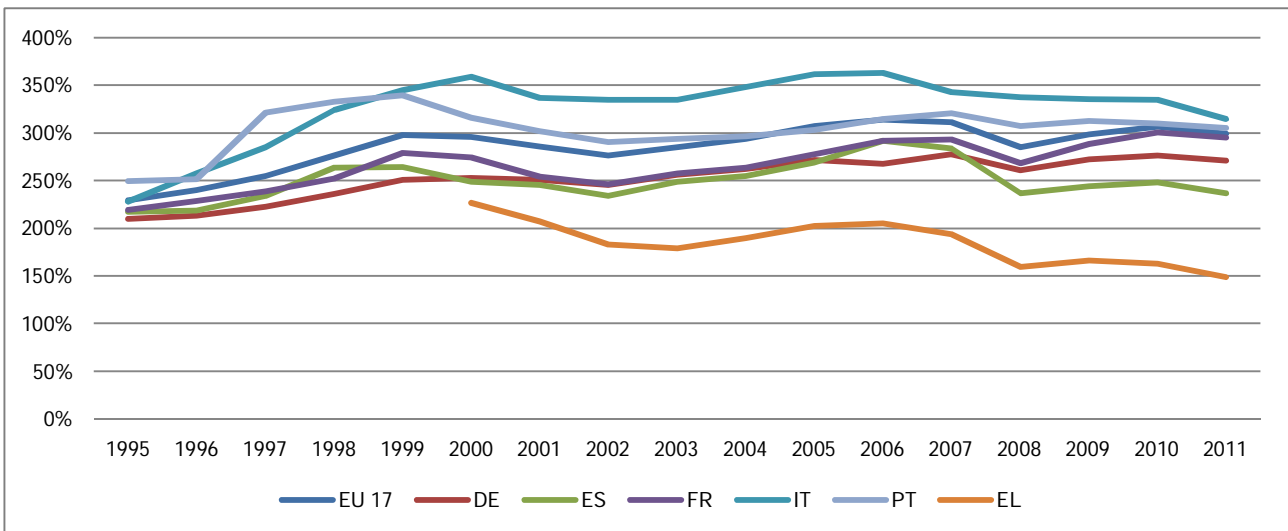
The group of the *Latecomers* registers slow but steady growth, remaining well below the EU17 average. Differences of pace are also noticeable among these countries. Hungary and Poland clearly stand out, particularly the former in that household financial assets grew from 53 to 193 percent of household disposable income. It should also be noted that, with the exception of Hungary, there is no trend of convergence towards the EU17 average. They roughly keep their distance throughout the whole period (Figure 17).

**Figure 15 Total financial assets to disposable income 1995-2011: Early financialisers**



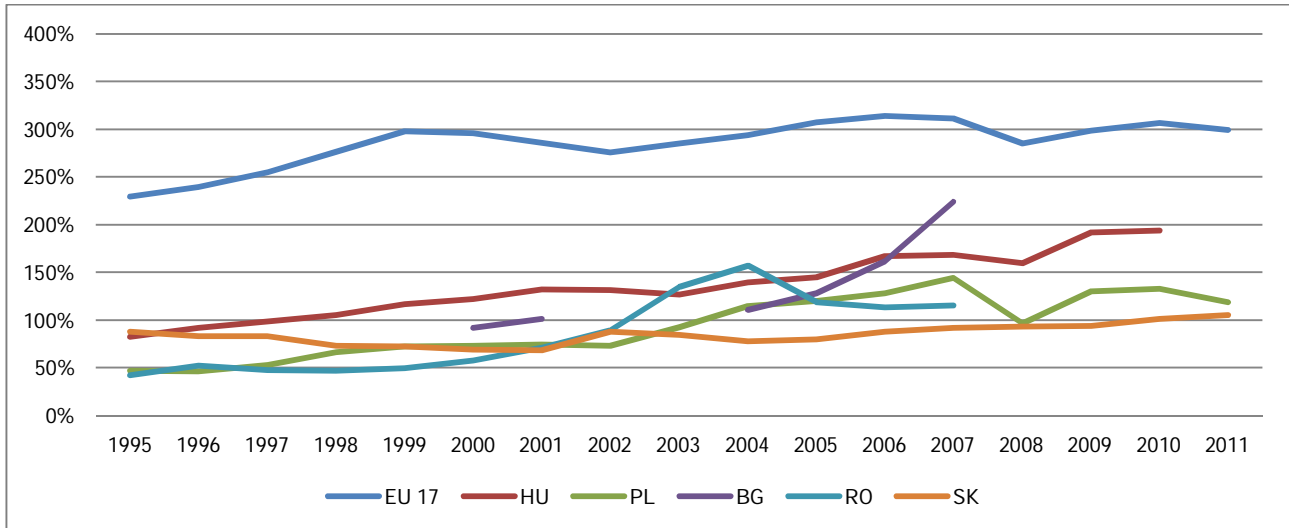
Source: Eurostat and ECRI

**Figure 16 Total financial assets to disposable income 1995-2011: EMU core**



Source: Eurostat and ECRI

**Figure 17 Total financial assets to disposable income 1995-2011: Latecomers**



Source: Eurostat and ECRI

To summarise, despite a common trend of growth in households' holdings of financial assets there is no distinguishable pattern among the European countries. The *Early financialisers* grew faster than the *Latecomers* which followed far behind the *EMU core countries*. More interestingly, after 2008 we observe a growing divergence among countries within each group, perhaps reflecting the differentiated impact of the crisis on these countries. Thus, while the general trend of growth of household holdings of financial assets may signal a shared economic and institutional environment (namely the consolidation of the EMU), the diverging paths after the crisis may instead indicate different national conditions to withstand its impact, where Dutch and Danish households continued to accumulate financial wealth, while Greek and Spanish households decreased theirs. But this is a very crude picture, one that may disguise wider disparities among EU countries as regards the relative composition of financial wealth, namely the distribution between, for example, more 'traditional' assets, such as deposits and currency, and sophisticated and risky assets such as pension and mutual funds.

### 2.3.2 Currency and deposits to disposable income

Three different periods mark the evolution of households' holdings of deposits and currency in the Euro area: 1) a slow decline during the mid-1990s; 2) a mild recovery at the turn of the millennium, during the economic recession; and 3) a more rapid growth after the international financial crisis. However, the overall growth is rather small – from 93 per cent of disposable income in 1995, to 113 per cent in 2011. The lowest value was registered in 2000 when currency and deposits reached 89 per cent of household disposable income. Again, the evolution of this class of asset varies widely across countries.

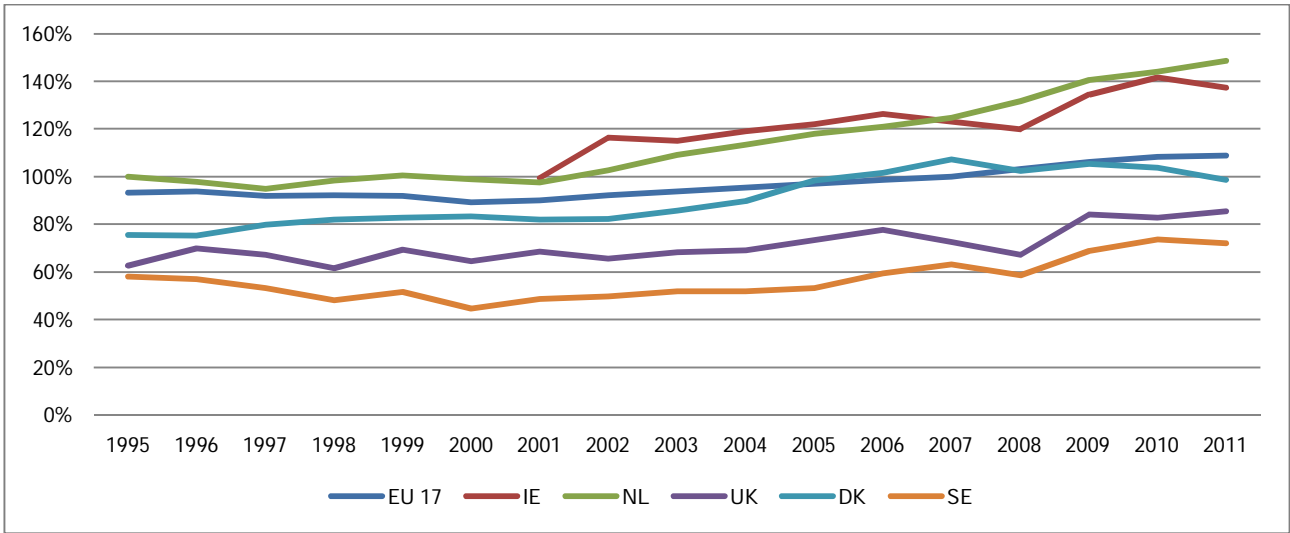
In all *Early financialisers* there is a substantial growth of household holdings of this class of asset, particularly in countries with already high values, such as the Netherlands (from 100% in 1995 to 148% in 2011) and Ireland (from 100% in 2001 to 137% in 2011). This is a somewhat puzzling result as it could be expected that *Earlier financialisers* would stand below the average (though some actually do). However, before the crisis, booming financial markets did lead to the substitution of this class of 'safe' asset by more risky assets. And, in contrast, after the international financial crisis of 2008, in an environment marked by austerity and still depressed financial markets, risky financial assets were replaced by currency and deposits (Figure 18).

The *EMU core* closely follows the path of mild growth of the Euro area, with the exception of Portugal where household holdings of currency and deposits dropped from 125 percent in 1995 to 103 percent in 2005. However, after 2007 this class of asset became more predominant in all countries, particularly in those most struck by the crisis – Portugal, Greece and Spain, reaching a total amount of around 120 percent of household disposable income, indicating an abrupt deleveraging process during this period of falling disposable income (Figure 19).

Finally, in the *Latecomers* group, the percentage of currency and deposits relative to disposable income is well below the EU17 average, showing either a stabilising trend or mild growth until 2008. Since then the pace has accelerated as happened in the countries from the other groups. Again, different economic performances may explain the evolution

of currency and deposits in each country, with Poland (from 31% to 54%) and Romania (from 18% to 40%) registering the highest growth rates (Figure 20).

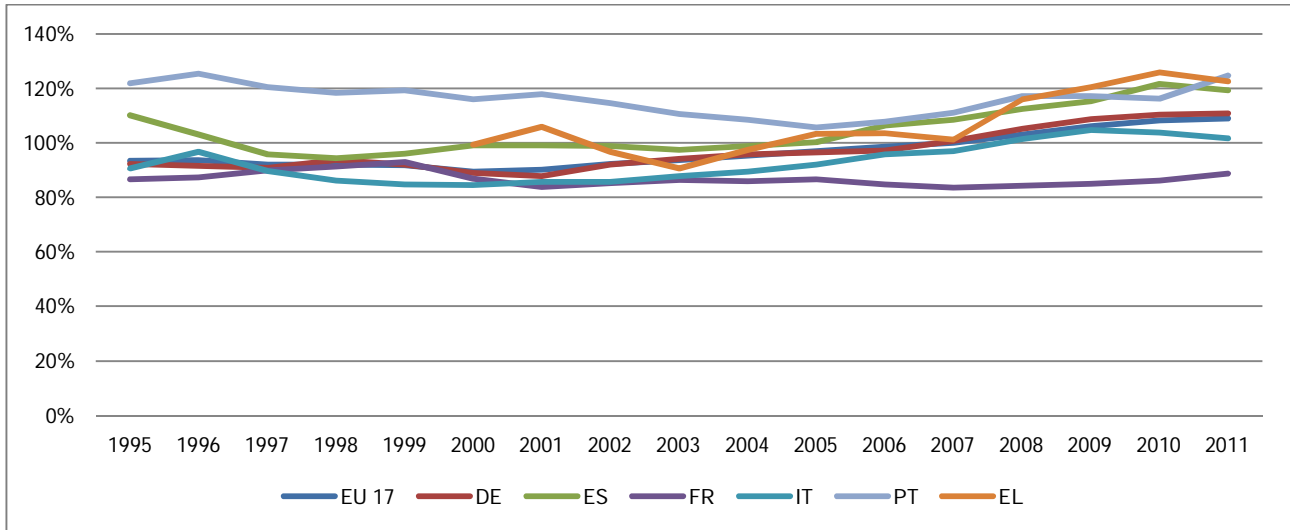
**Figure 18 Currency and deposits to disposable income 1995-2011: Early Financialisers**



Source: Eurostat and ECRI

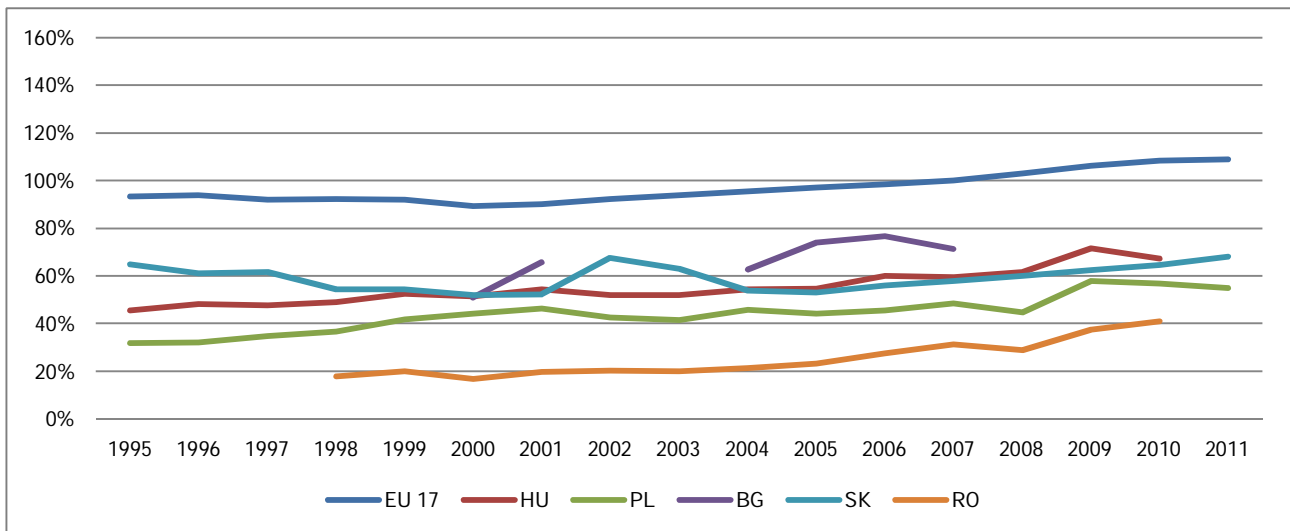


**Figure 19 Currency and deposits to disposable income 1995-2011: EMU Core**



Source: Eurostat and ECRI

**Figure 20 Currency and deposits to disposable income 1995-2011: Latecomers**

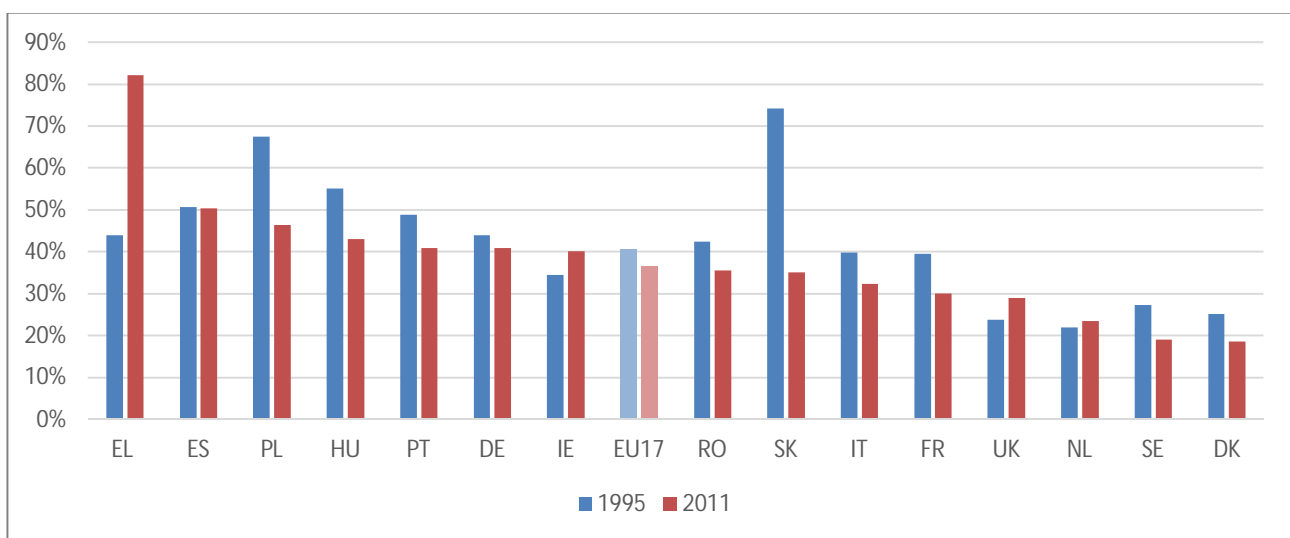


Source: Eurostat and ECRI

Despite its relative growth to disposable income, the weight of currency and deposits in total household financial wealth has dropped during the period 1995-2011, but not very significantly so for the Euro area (from 40% to 36%). Thus, currency and deposits are still the most significant type of financial asset held by households. A result that does not come

as a surprise given the lasting importance of deposits as a liquid and riskless asset and the multiple uses it may be put to relative to other assets (e.g. means of payment). Nonetheless, the share of deposits and currency and its evolution in household's balance sheet varies widely across the European countries (Figure 21).

**Figure 21 Currency and deposits to total financial assets 1995-2011**



Source: Eurostat. Due to data unavailability, the years in some countries are distinct. Greece: 2000; Hungary: 2010; Ireland: 2001, Romania: 1998 and 2010.

With exception of Ireland, the UK and most notably Greece, the fall of the share of deposits and currency in total financial assets might be the result of financial markets development, making more financial instruments available to households, and/or a change in household behaviour towards a riskier investment profile – an hypothesis supported by the fact that the relative share of these assets is smaller among the *Early financialisers* (e.g. NL, SE, DK) and higher among the *Latecomers* (e.g. PL and HU).

### 3.3 Securities other than shares

In the class of securities other than shares – which is the next most secure financial asset held by households – the average for the Euro area has shown a contrasting trend to the

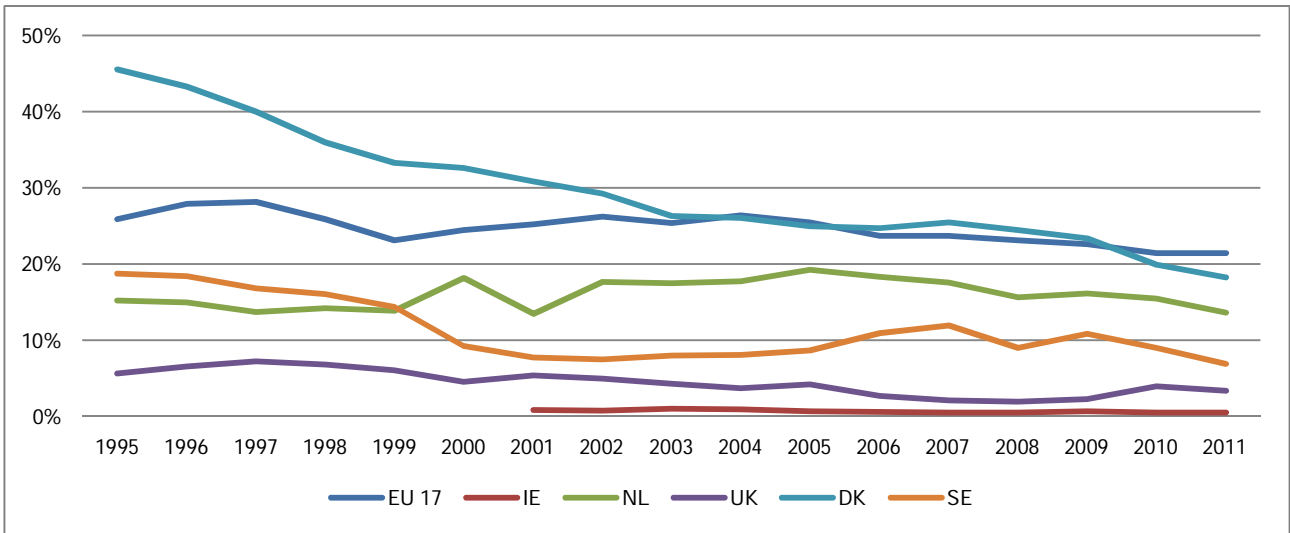
one observed for total financial assets, dropping from 28 per cent of disposable income in 1995 to 21 per cent in 2011.

The evolution of this class of financial asset in the group of the *Early financialisers* varies between steep drops in Denmark (from 45% in 1995 to 18% in 2011) and Sweden (from 18% to 7%), and a relative stability in the Netherlands, the UK and Ireland, which have values below the EU17 average and remained at these low levels. Hence, and somewhat surprisingly, debt securities are relatively less important in these countries than in the rest of Europe (Figure 22).

In the *EMU core*, and despite the growth observed in Portugal (from 1% to 14% between 1997 and 1999) and the gradual decline observed in Greece prior to the current crisis (from 29% in 1997 to 10% in 2006), the holdings of this class of security has remained fairly stable and low in most countries of this group. There is however a notable exception: Italy. In contrast to other EU countries, securities are the most relevant financial asset held by Italian households reaching 60/70 percent of household disposable income, whereas the EU17 average is around 25/30 percent in the same period. This difference may partially explain the higher level of financial assets held by Italian households relative to other *EMU core* countries (Figure 23).

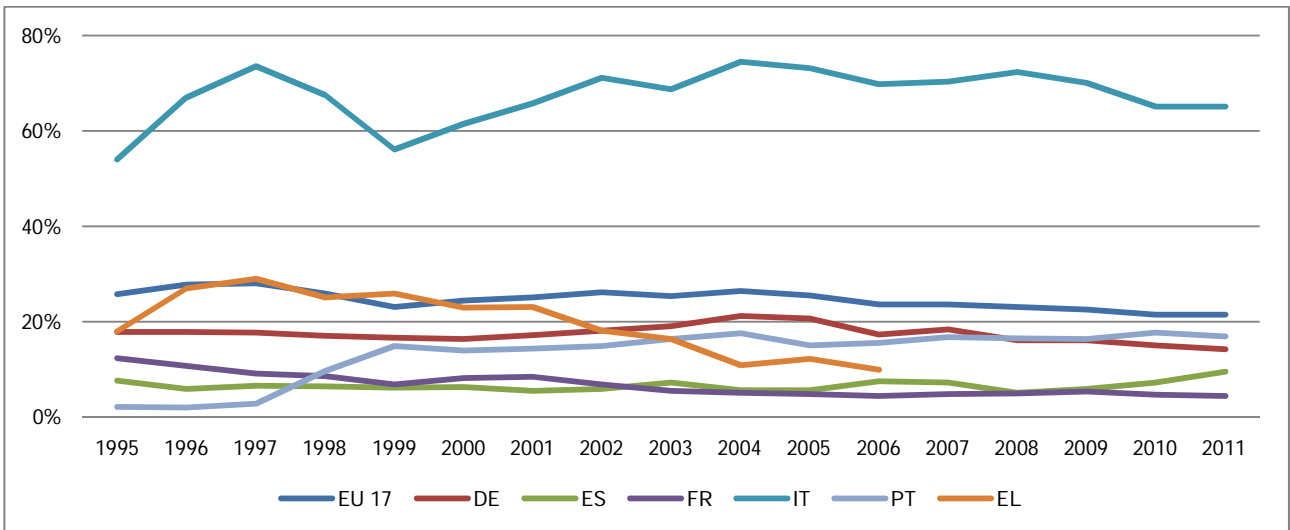
The position of *Latecomers* is compatible with their overall standing. With the exception of Hungary, households' holdings of these assets relative to disposable income are marginal and stable during the whole period (Figure 24).

**Figure 22 Securities other than shares to disposable income 1995-2011: Early Financialisers**



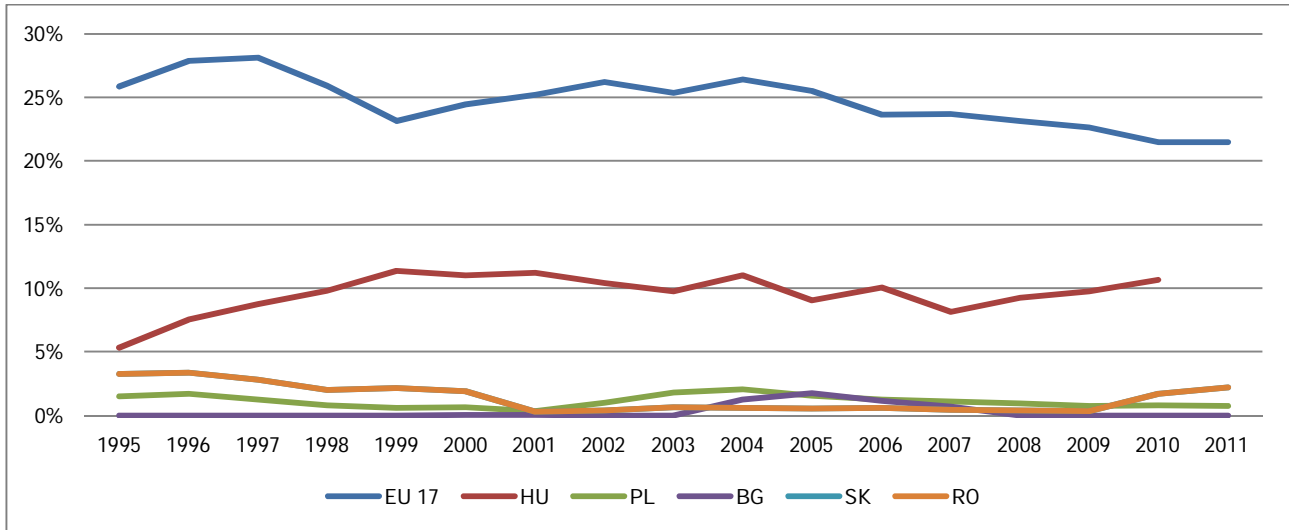
Source: Eurostat and ECRI

**Figure 23 Securities other than shares to disposable income 1995-2011: EMU core**



Source: Eurostat and ECRI

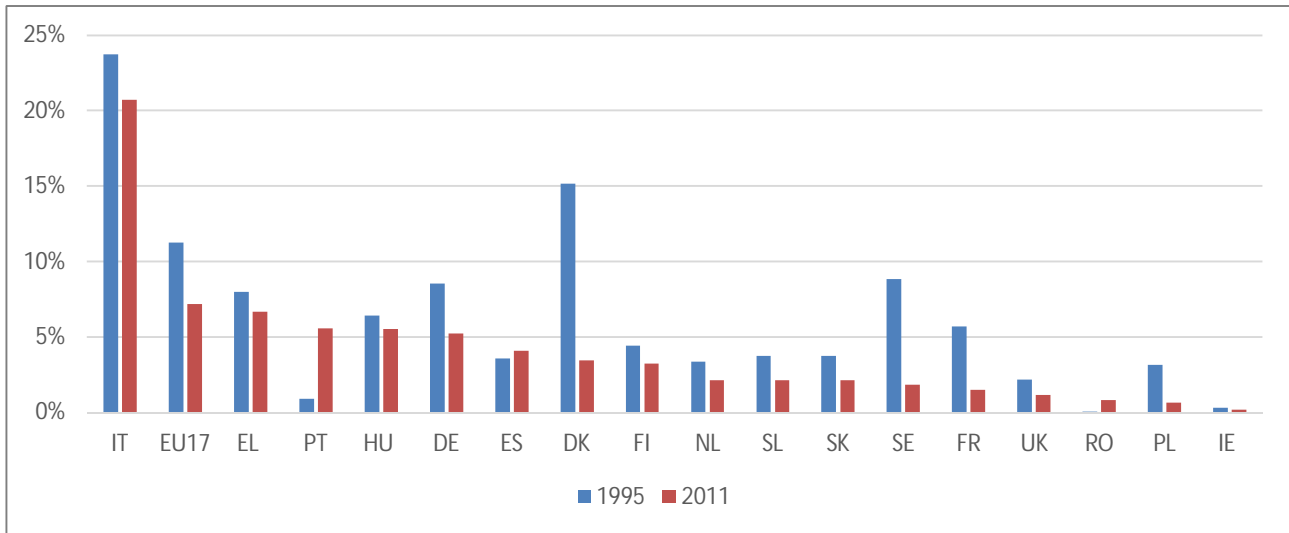
**Figure 24 Securities other than shares to disposable income 1995-2011: Latecomers**



Source: Eurostat and ECRI

Securities other than shares are the fourth type of household financial assets. Its relative weight in total household financial wealth has fallen in most European countries (with the notable exception of Portugal), suggesting the presence of a riskier profile in household financial behaviour (Figure 25). However, this hypothesis should be considered with caution since this class of asset may be mainly constituted by public securities which may have become a less interesting investment. With the development of bond markets, governments have increasingly funded themselves through open market auctions instead of general public subscriptions, which may have resulted in lower interest payments offered by these assets relative to other “secure” saving products such as deposits. Thus, the loss of attractiveness of these securities may instead be better explained by a change of incentives rather than by a shift in household risk taking profile.

**Figure 25 Securities other than shares to total assets (%)**

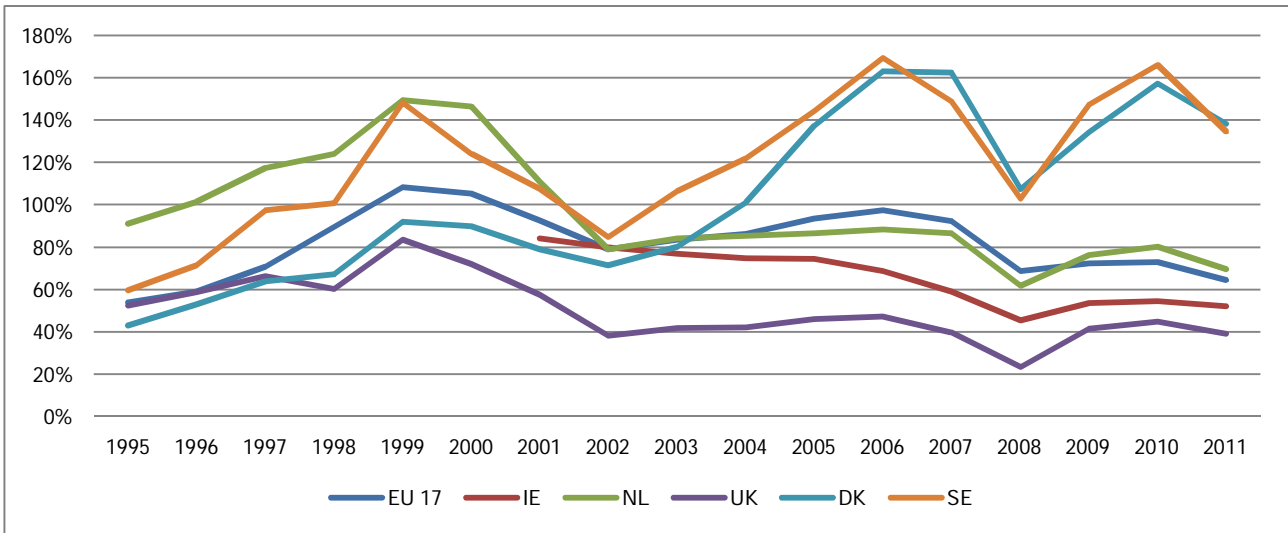


Source: Eurostat and ECRI. Due to data unavailability, the years in some countries are distinct. Greece: 2000; Hungary: 2010; Ireland: 2001, Romania: 1998 and 2010.

### 2.3.4 Shares and other equity

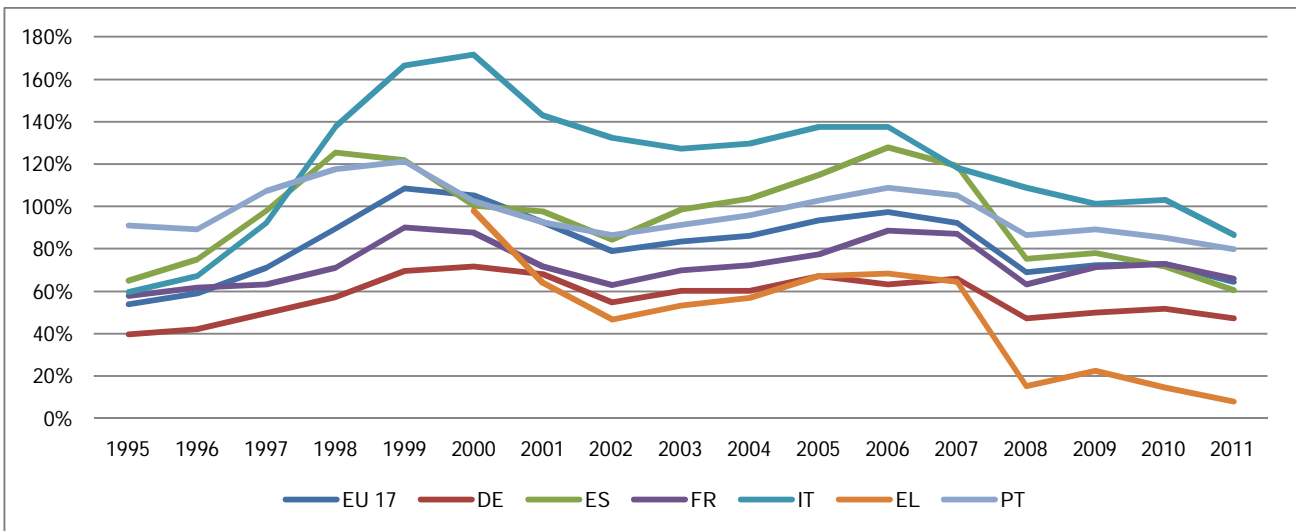
Shares and other equity is an important category of household financial assets in the Euro area. It is also the most volatile, registering values between 60 and 110 percent of household disposable income during the period considered. Shares and other equity is the class of financial asset most affected by the performance of financial (in this case capital) markets. Its relative weight in household disposable income registered considerable growth during the boom of the second half of the 1990s, almost doubling its weight, to decline abruptly in 2000, to start gradually recovering in 2002 to fall again in 2008. It should be noted however that its lowest value after the financial crisis of 2008 is still higher (64% in 2011) than the lowest pre-crisis value (58% in 1995) (Figure 26).

**Figure 26 Shares and other equity to disposable income 1995-2011: Early Financialisers**



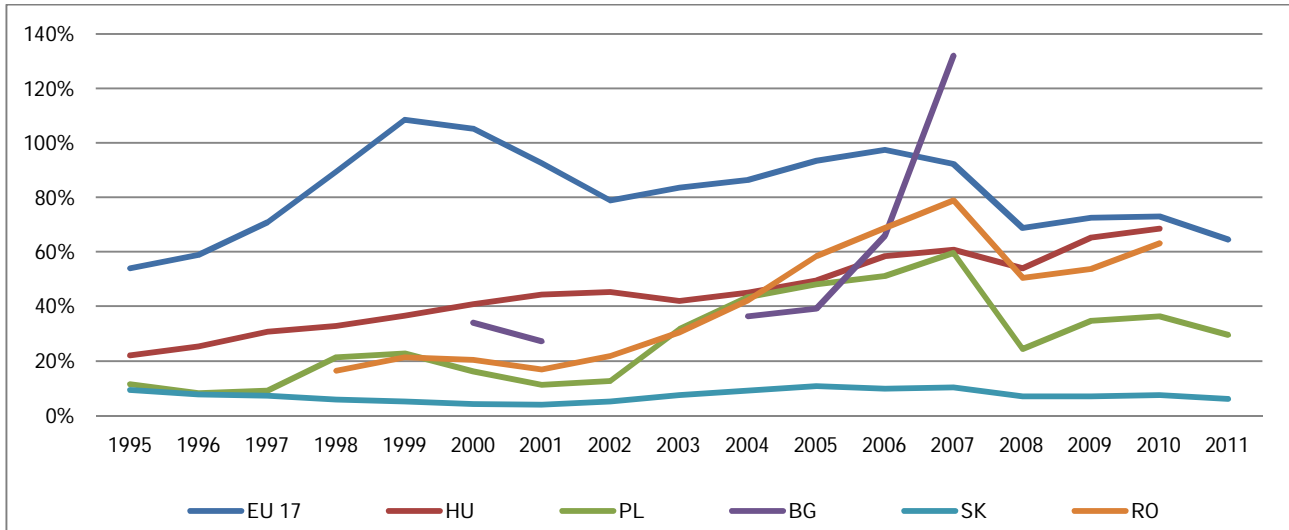
Source: Eurostat and ECRI

**Figure 27 Shares and other equity to disposable income 1995-2011: EMU core**



Source: Eurostat and ECRI

**Figure 28 Shares and other equity to disposable income 1995-2011: Latecomers**



Source: Eurostat and ECRI

*Early financialisers* present distinct situations. The UK is surprisingly below the EU17 average throughout the period, registering a steep decline in the early 2000s from which it has never recovered (from 83% in 1999 to 23% in 2008). The Netherlands also registers a significant decline, dropping from values high above the Euro area average (146% in 2000) to reach the European average in 2011 (70%). On the contrary, households' holdings of these financial assets have rapidly increased in Denmark (from 43% in 1995 to over 157% in 2011) and in Sweden (from 60% in 1995 to over 166% in 2011). Even though the evolution of these assets has been volatile, registering a steep drop in 2008, they have subsequently rapidly recovered. The whole group taken together diverged during the period (Figure 26).

The countries of the *EMU core* followed roughly the same trajectory, revealing a smoother pattern than that of the group of the *Early financialisers*, being nonetheless affected by the economic cycle and the evolution of financial markets. Italian households again stand out in that they possess a higher proportion of shares relative to disposable income (obtaining the highest value of 172% in 2000), but start to converge to the EU17 average especially after 2006 (reaching the value of 87% in 2011). Greece, on the contrary, standing close to the Euro area trend, in 2000 started to diverge to reach a mere 8 per cent of household holdings of

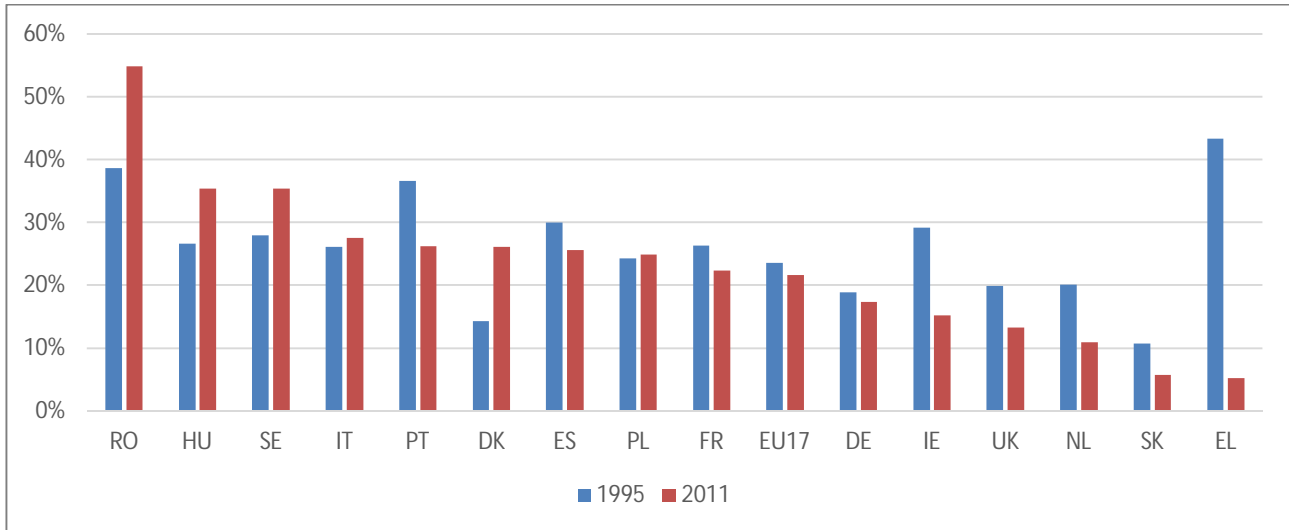


shares and other equity to disposable income in 2011 (for a EU17 average of 65%). After 2007 there is a generalised decline in the proportion of shares and other equity in this group of countries, being milder in France and Germany and sharper in Greece, Italy and Spain, reflecting the varied impact of the financial crisis in these countries. This group has thus diverged in the period considered (Figure 27).

With the exception of Slovakia, the *Latecomers* converge to the Euro area average until 2007. In Hungary, Romania, Poland and Bulgaria the percentage of household holdings of shares to disposable income grew at a much faster pace than the EU17 average: in Romania these assets rose from under 20 per cent of disposable income in 1998 to 79 per cent in 2007, in Hungary they rose from about 20 per cent in 1995 to 60 per cent in 2007, in Poland shares and other equity grew from 11 per cent in 1995 to 60 per cent in 2007, and in Bulgaria the percentage of these assets relative to disposable income grew from 39 per cent in 2005 to an astonishing 132 per cent in 2007. These countries also register a high rate of growth of household holdings of these assets after the crisis, accelerating their convergence trajectory. The outlier of this group is Slovakia where the level of shares and other equity relative to disposable income is marginal and stable throughout the same period, reaching the highest value of 10 per cent in 2007 (Figure 28).

The evolution of the weight of shares and other equity in total household financial assets does not seem to support the hypothesis of a growing appetite for these riskier assets since there is no distinctive trend among the countries. The *Early financialisers* again show a divergent path, with Swedish and Danish households increasing holdings of these assets while the contrary happened in the UK, the Netherlands and Ireland. The relative importance of these assets grew during the past 15 years in all *Latecomers* – Romania, Hungary and Poland to a much lesser extent. But these results should be put in the context of the low levels of financial assets relative to disposable income as shown above. The relative weight of these assets fell for all the *EMU core countries* with bigger declines in crisis struck-countries such as Greece and Portugal (Figure 29).

**Figure 29 Shares and other equity to total financial assets 1995 vs 2011**



Source: Eurostat. Due to data unavailability, the years in some countries are distinct. Greece: 2000; Hungary: 2010; Ireland: 2001, Romania: 1998 and 2010.

### 3.5 Mutual funds

Mutual funds, an important asset of the class of shares and other equity, deserve a more detailed analysis. Mutual funds have special interest since they include most shares and equity invested by households with the more explicit motive of obtaining financial gains in the stock market – different, say, from the equity of small businesses.

For the Euro area the evolution is one of growth during the 1990s – from 19 to 37 per cent – slow decline during the first decade of the 2000s – from 36 to 29 per cent – and a steep drop in the following years to 20 per cent.

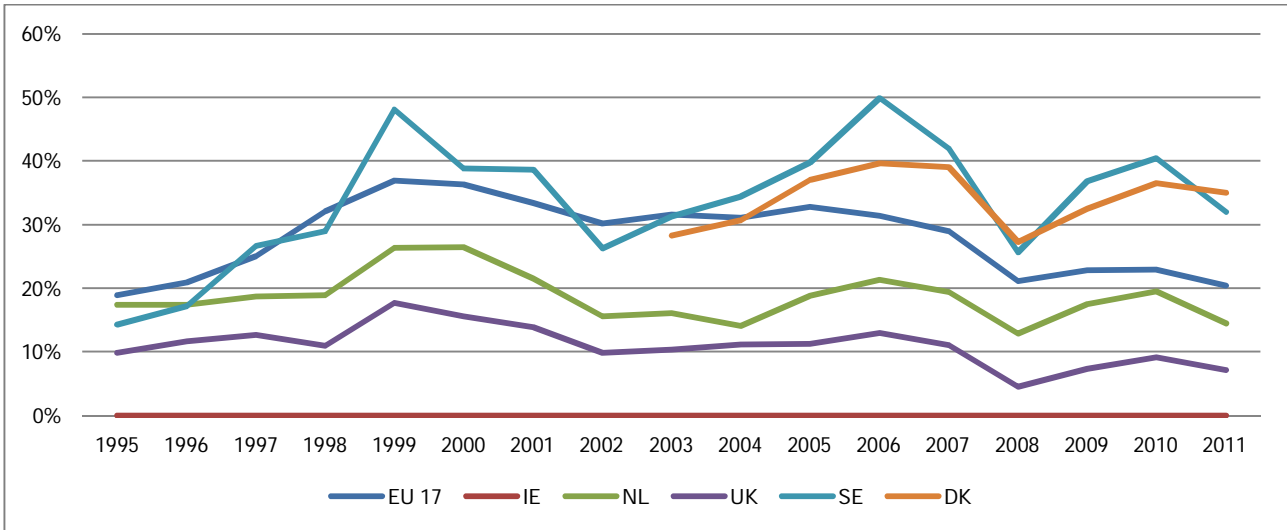
In contrast to the Euro area, in the group of the *Earlier financialisers* household holdings of mutual funds grew during the late 1990s, declined with the recession of 2001-02, recovered during 2003-07, dropped abruptly in 2008 to rapidly recover in the subsequent years. However, the countries below the EU17 average – the UK and the Netherlands – ended the period with a lower relative weight of these assets to disposable income in 2011 compared to the 1995 values. The countries above the EU17 average, Denmark and Sweden,

maintained their relative position in 2011. Despite their higher sensitivity to the economic cycle, Denmark and the Netherlands were the two countries that registered an overall increase of household holdings of this class of asset (Figure 30).

In the *EMU core countries*, mutual funds registered rapid growth during the 1990s, most notably in Italy (from 19% in 1995 to 64% in 1999) and Spain (from 30% in 1995 to 50% in 1998). In the following decade there was either a trend of relative stability (in Germany, Portugal and France) or decline (in Spain, Italy and Greece) until the international financial crisis. After 2008, the countries most hit by the euro crisis (Portugal, Greece and Spain) saw their relative positions decline, with the rest of the countries experiencing a mild recovery. Nonetheless, with the exception of Italy and Germany all countries ended 2011 with lower levels than those observed in 1995 (Figure 31).

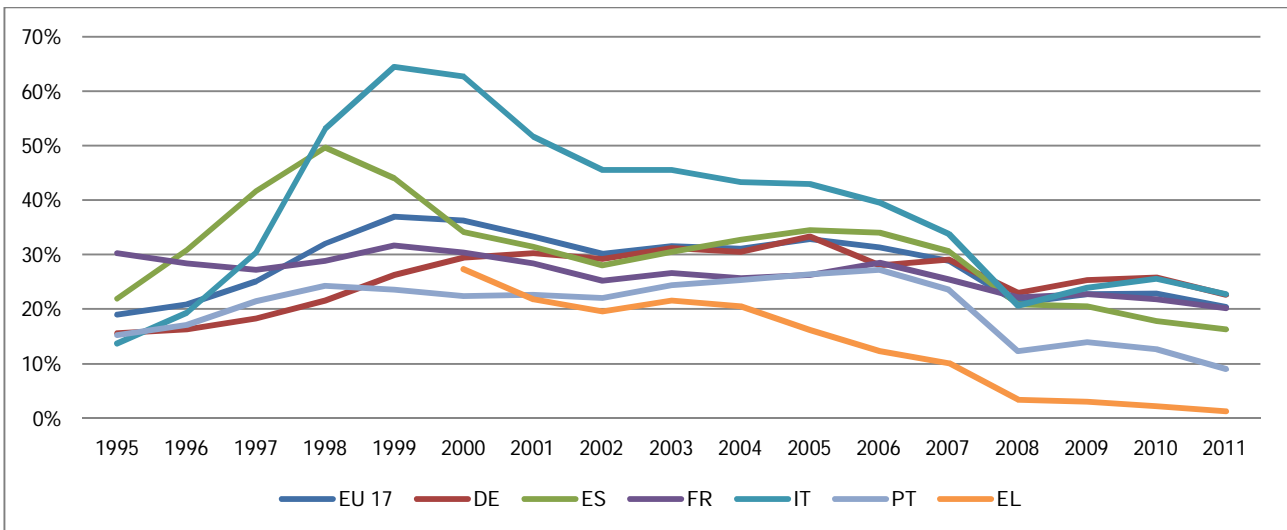
The trend is different for the group of the *Latecomers*. Until the mid-2000s this class of asset was marginal, with household holdings relative to disposable income well below EU17 average. From that period onwards there was a fast convergence to the EU17 levels, interrupted in 2008, to recover slowly afterwards. Still, it should be noted that for countries such as Poland, Romania and Slovakia the importance of these holdings is small, less than 10 per cent of household disposable income (Figure 32).

**Figure 30 Mutual funds to disposable income: Early Financialisers**



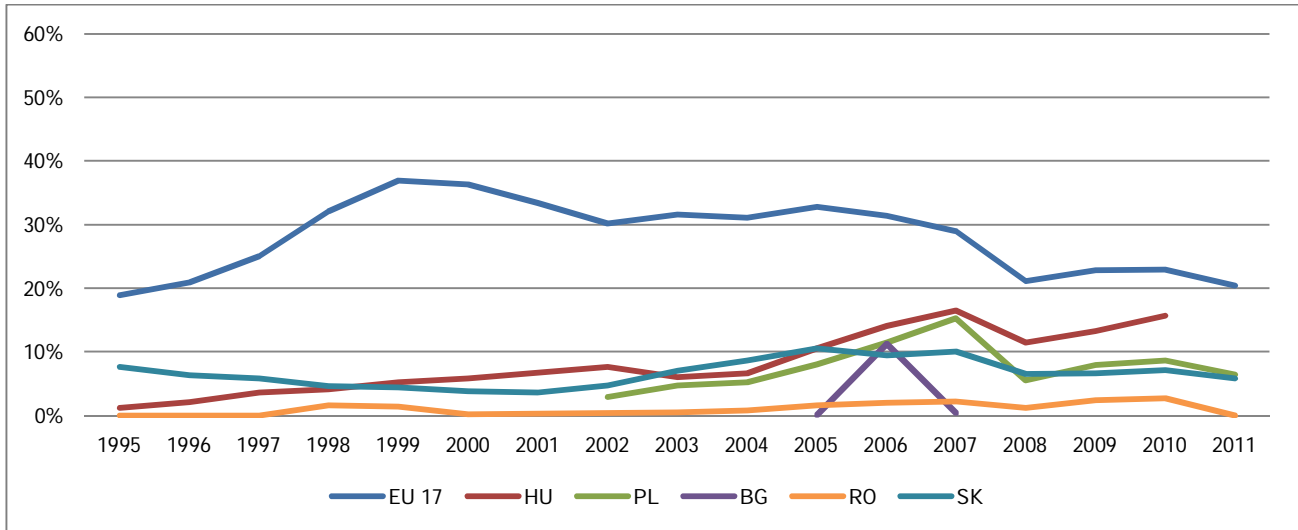
Source: Eurostat and ECRI

**Figure 31 Mutual funds to disposable income: EMU core**



Source: Eurostat and ECRI

Figure 32 Mutual funds to disposable income: Latecomers (Source: Eurostat and ECRI)



Source: Eurostat and ECRI

### 3.6 Net equity in life insurance and pension funds

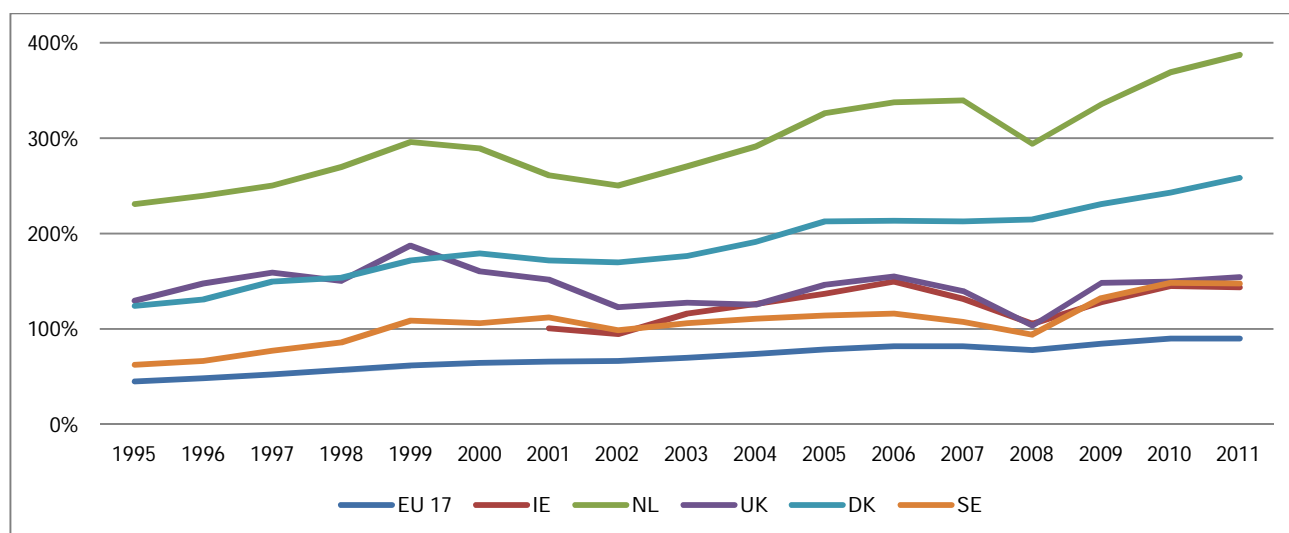
Net equity in life insurance and pension funds is the most relevant financial asset of our analysis in that this is the only class of asset that has grown steadily in most countries – from 45 per cent of disposable income in 1995 to 90 per cent in 2011 in the Euro area – being almost unaffected by the financial crises of 2001 and 2008.

This class of financial asset is the most important for households belonging to the *Early financialisers* group. All these countries have percentages above the EU17 average throughout the period, with the UK registering the most stable pattern, contrary to Denmark, Sweden and the Netherlands that have had considerably higher growth rates. The Netherlands is clearly an outlier, starting with a value of around 240 per cent in 1995 it reached the highest value of all the countries in that household holdings of net equity in life insurance and pension funds reached 390 per cent of disposable income in 2011. In Denmark, household holdings of this class of asset have steadily grown from 130 per cent in 1995 to 240 per cent in 2011. After the 2008 crisis, the other countries reached the pre-crisis values of around 150 per cent of household disposable income (Figure 33).

In the *EMU core* group, Greek households again stand out for not having significant holdings of net equity in life insurance and pension funds. France and Germany are above the EU17 average while Portugal, Spain and Italy fall below the average throughout the period, showing relative stability since 2005. Italy is below the Euro area average (with 55% of household disposable income), which might help explaining the higher levels of holdings of the other assets (namely securities other than shares) (Figure 34).

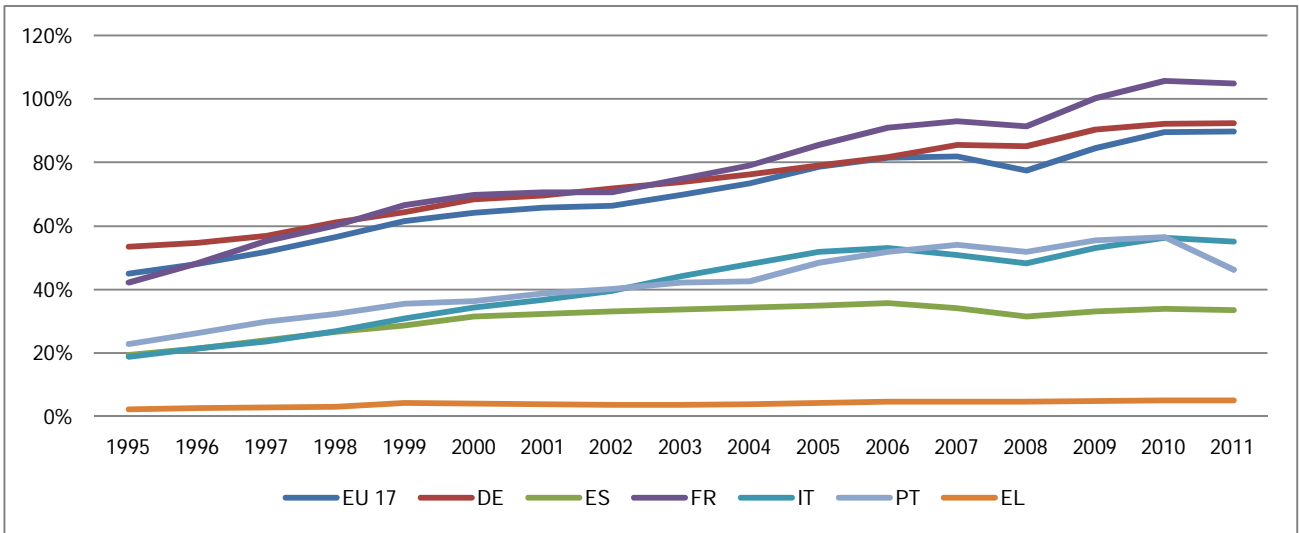
While well below average, households in the group of the *Latecomers* also started to acquire a life insurance and pension funds from the 2000s onwards, remaining below the Euro area average, with holdings of this class of asset representing less than 40 per cent of household disposable income. Romanian households barely possess this kind of asset (Figure 35).

**Figure 33 Net equity in life insurance and pension funds to disposable income: Early financialisers**



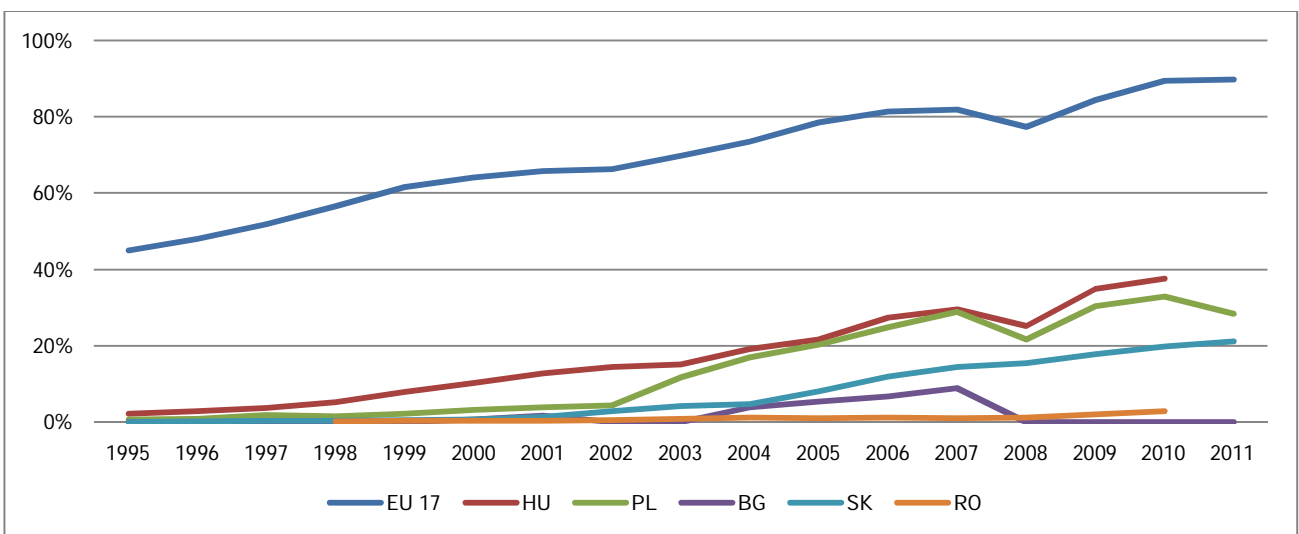
Source: Eurostat and ECRI

**Figure 34 Net equity in life insurance and pension funds to disposable income: EMU core**



Source: Eurostat and ECRI

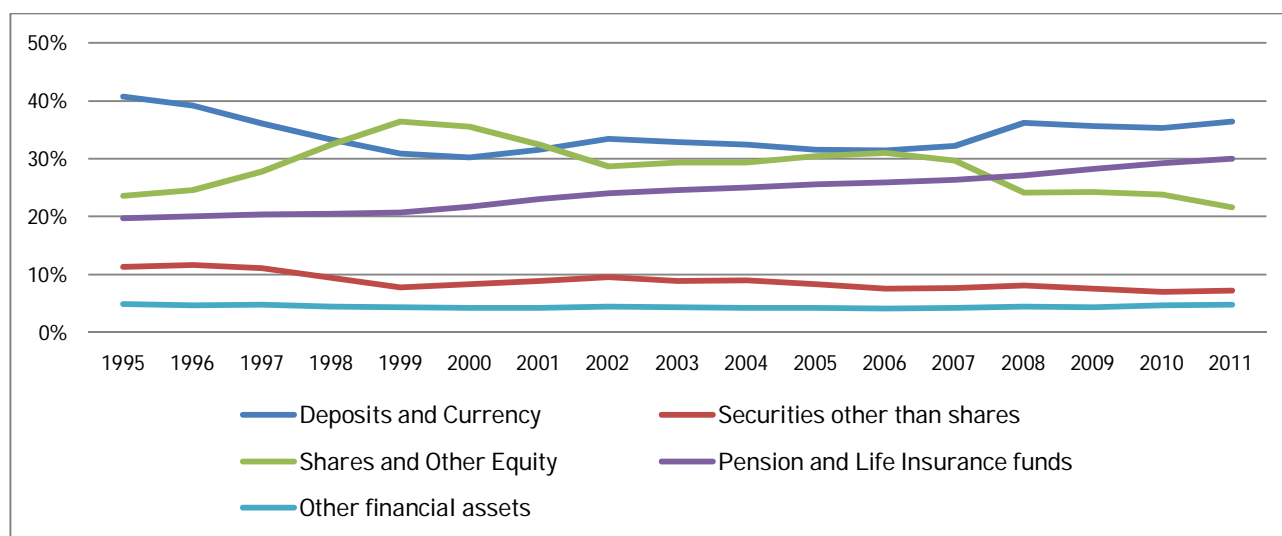
**Figure 35 Net equity in life insurance and pension funds to disposable income: Latecomers**



Source: Eurostat and ECRI

The evolution of this class of asset shows a distinctive trend compared to that observed in the other categories of financial assets. This is the only type of financial asset that registers steady growth and resilience to financial volatility, suggesting that the evolution of these assets might be more directly related with shared institutional changes, namely those driving reform in pension systems. Moreover, not only has the relative weight of net equity in life insurance and pension funds grown for all the European countries considered, with the sole exception of Ireland, but these assets have also become the second most relevant category of financial asset (approx. 30% of total financial assets in 2011), almost reaching the first most secure asset, deposits and currency (approx. 36% of total financial assets in 2011) (Figures 36 and 37).

**Figure 36 Household Financial Asset Composition in the Euro area**



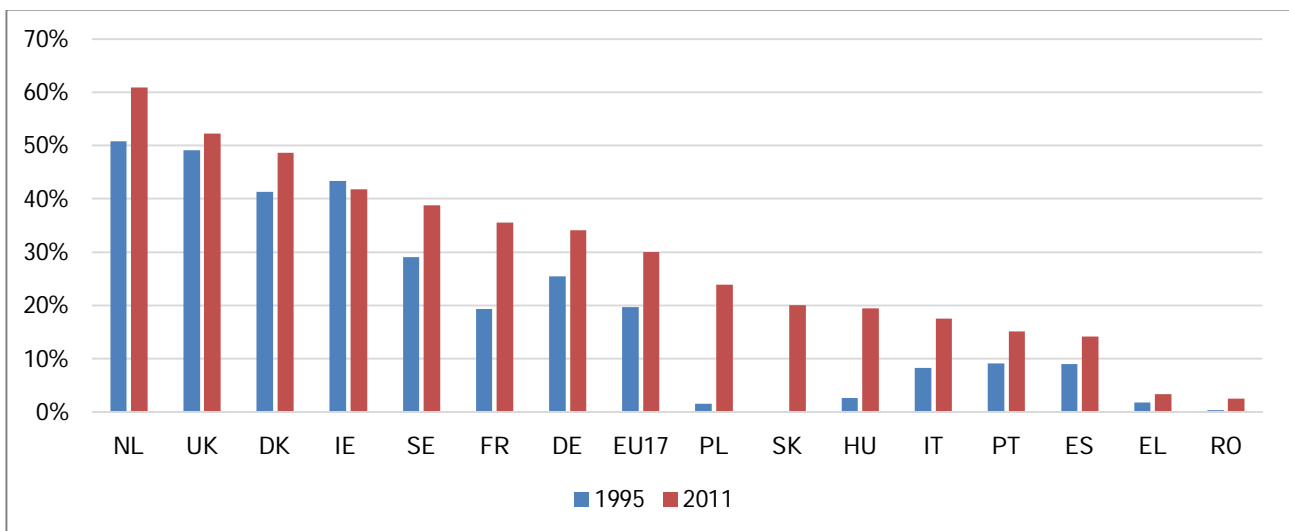
Source: Eurostat

The importance of these assets varies widely, however. Countries such as the Netherlands or the UK have more than 50 per cent of household financial wealth held in these types of financial product, while the importance of pension funds and life insurance is marginal, albeit rising, in Greece and in Romania (Figure 37). These common trends and disparities



put into perspective the hypothesis advanced above of a more risky investment profile of households. They instead suggest the critical role of recent reforms of pensions systems in Europe that have promoted private provision as well as that of the institutional settings of various countries, which is further analysed below (see also Chapters 5 and 6 of this report).

**Figure 37 Net equity in pension funds and life insurance to disposable income 1995 vs. 2011**



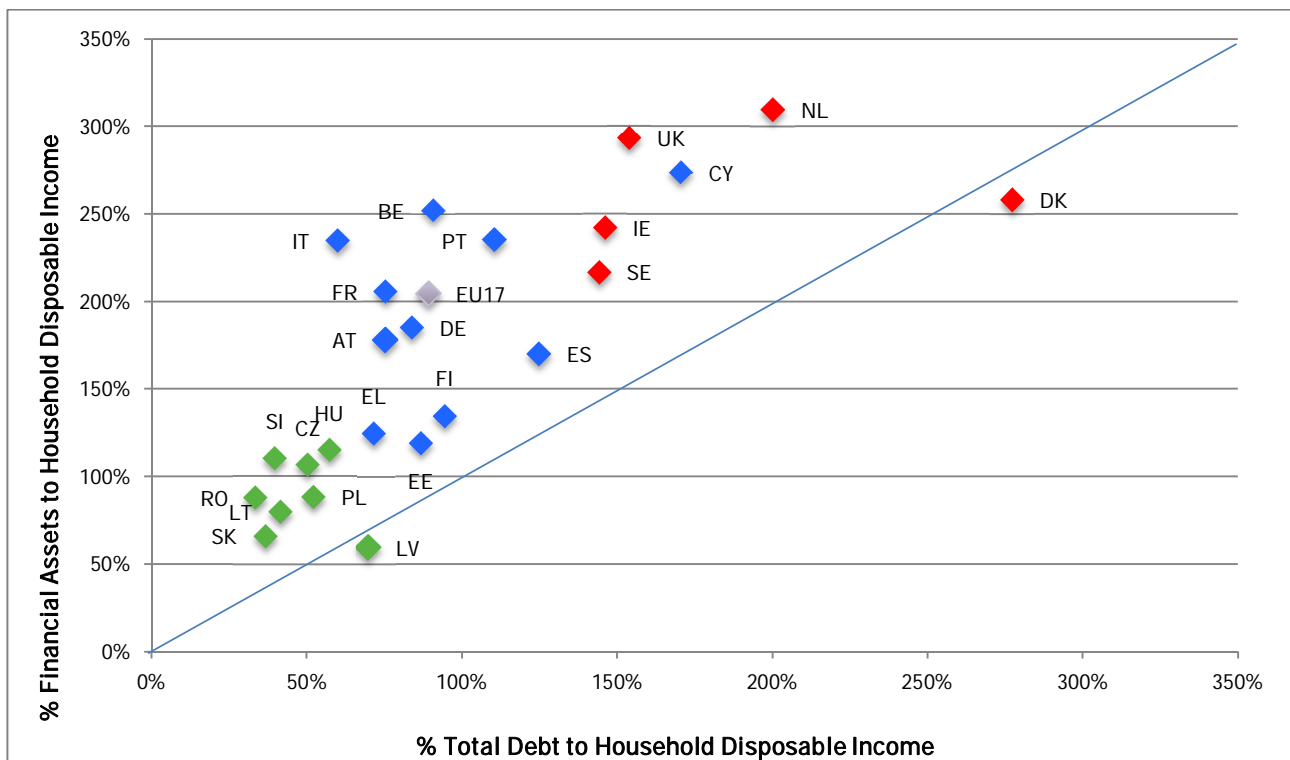
Source: Eurostat. Due to data unavailability, the years in some countries are distinct. Greece: 2000; Hungary: 2010; Ireland: 2001, Romania: 1998 and 2010.

### 3.7 Household debt and household financial wealth

Despite the clear relevance of specific assets and liabilities in the growing engagement of households with finance, pointing to the relevance of how the systems of provision of different goods (housing, pension systems) structure household financialisation, there is a clear relation between household debt and household financial wealth, suggesting that household relationships with the financial sector are strongly determined by the evolution and the characteristics of the financial system.

Household debt seems to have a close relation with financial wealth, particularly in the group of the *Early financialisers*, indicating that the engagement of households with the financial sector is generally made on both sides of the balance sheet. Moreover, with the exception of Denmark and Latvia, at least at the aggregate level, in most countries households have more financial assets than liabilities, which could be interpreted as a balanced, not to say positive, relationship between debt and assets, with assets more than covering liabilities (Figure 38).

**Figure 38 Household debt and household financial wealth 2010**

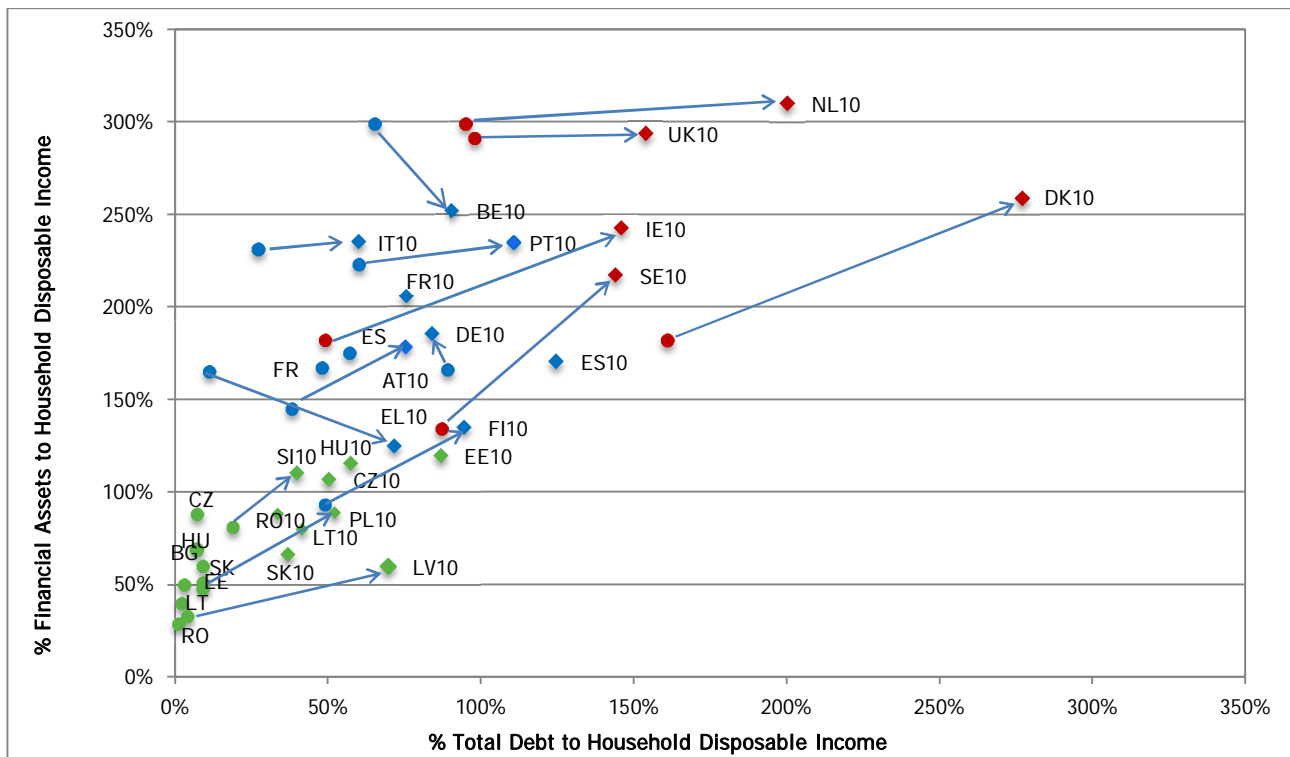


Source: ECRI, EUROSTAT

Acknowledging the expansion of both household financial wealth and debt, two different results emerge. The first refers to how rising assets and liabilities seem to be increasingly correlated ( $R^2=0.475$  in 1998,  $R^2=0.556$  in 2010) for the EU countries, thus pointing to some degree of convergence across Europe – which might be partly explained by the

financialisation processes taking place in Eastern Europe in the 2000s. The second result points to a faster rate of growth of household debt compared to household holdings of financial assets. This evolution is particularly marked in most financialised countries, such as the Netherlands, the UK and Denmark. Germany is the notable outlier (Figure 39).

**Figure 39 Household debt and household financial wealth evolution 1998 vs 2010**



Source: ECRI, EUROSTAT

These results offer a seemingly different picture of household financialisation across Europe than that highlighted in the literature that focuses on the US and UK cases. They suggest that the analysis of the relation between households and the financial sector should pay more attention to the latter. Besides the transformations occurring in the household sector, which might work as a “push factor”, for example, by inducing households to incur debt to fill the gap between stagnating income and evolving norms of consumption, ongoing transformations in the financial sector deserve more scrutiny, especially its ability to attract

the household sector in many various ways, acting as a “pull factor”. Where the financial sector is more predominant, its role in the provision of particular goods to households is also more relevant, as is the case of pensions, thus signalling the systemic character of financialisation as an overall process of transformation of the economy and society with shared effects across Europe.

## **4 Inequality and financialisation**

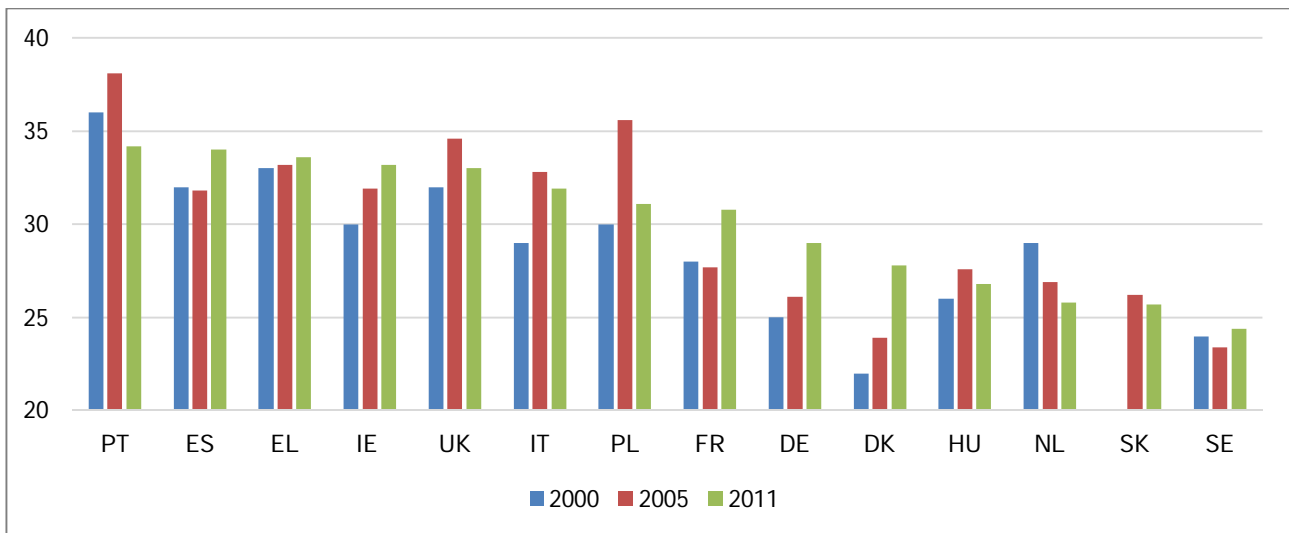
As mentioned in the introduction, inequality and stagnant wages have been identified as the main driving forces that pushed households into financial markets, particularly into debt markets. In this section, we provide a brief overview of the evolution of these two factors in Europe and their potential relation to household participation in financial markets.

The analysis of various measures of income inequality and of the evolution of wage income in Europe does not provide strong support for the hypothesis that higher inequality is associated with higher household indebtedness. At the aggregate level, at least, the extraordinary involvement of the generality of European households in financial markets over the last two decades is not clearly matched by a sharp intensification of inequality. Not only do EU countries have very different levels of inequality, but they have also followed different trajectories in recent years. Thus, in some countries a reduction of inequality has actually been compatible with growing household indebtedness. And there is also the exceptional case of Germany where growing inequality occurred in tandem with households' withdrawal from debt markets. Moreover, cross-country differences in terms of inequality are not matched by different stages of household financialisation, as might be expected. On the contrary, in Central and Northern European countries households are more intricately involved in financial markets and fare better in distributional matters, as compared to Southern and Eastern European countries.

### **4.1 Inequality and stagnant income in Europe**

The Gini coefficient is the standard measure of income inequality. The values for the European countries for which there is data available for a longer period show relevant differences in terms of inequality and its evolution in recent years (Figure 40). Lower levels of inequality are to be found in the Scandinavian countries and higher levels in the UK and in Southern European countries, such as Portugal, Greece and Spain. Continental European economies such as France, Germany and Italy, range somewhere in between. However, in the period considered, countries with relatively lower levels of income inequality have witnessed a deterioration in income distribution (most notably Denmark, France and Germany) while countries with higher income inequality have, in contrast, improved their situation (the UK, Portugal and Poland). In the other countries income inequality has more or less stabilised in recent years.

**Figure 40 Gini coefficient in EU countries 2000-2011<sup>1</sup>**



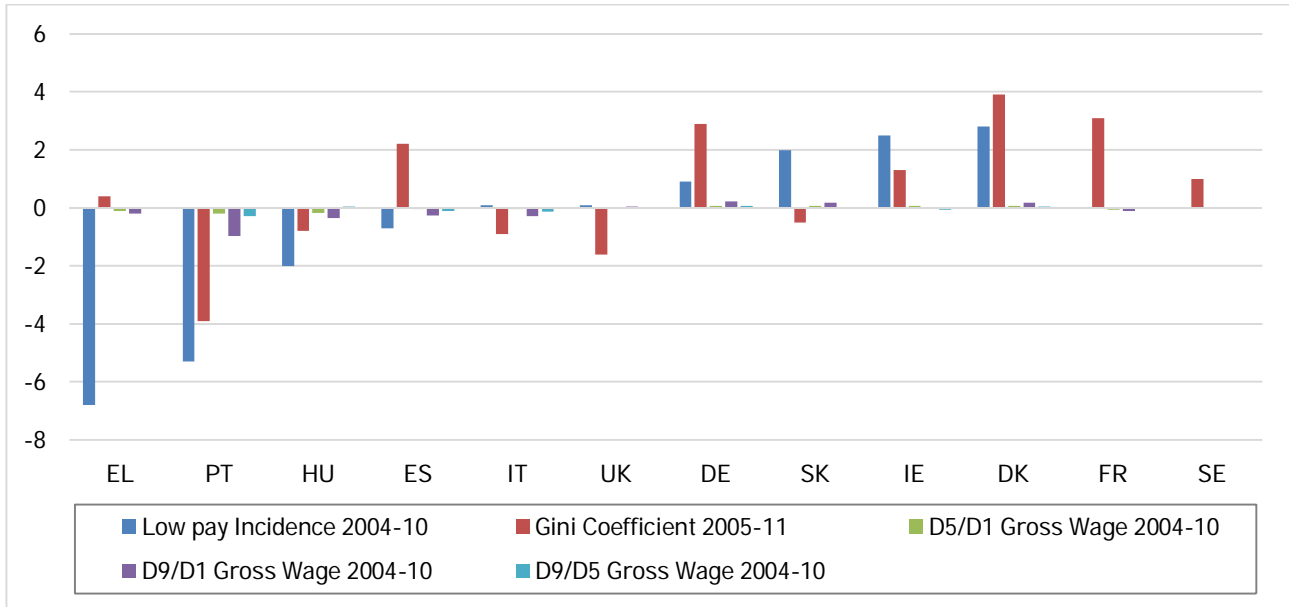
Source: Eurostat

<sup>1</sup> The Gini coefficient ranges from 0 to 100, 0 corresponds with perfect equality and 1 corresponds with perfect inequality. Due to data unavailability, the years in some countries are distinct. Denmark and Sweden: 2001; Ireland: 2010.

The Gini coefficient is but a partial measure of income inequality. Of particular relevance for the present analysis is wage inequality insofar as workers are more deeply engaged in financial markets, and this engagement is highly asymmetric depending on income levels.

The evolution of gross wage inequality, as measured by low pay incidence (defined as less than two-thirds of gross median earnings of all full-time workers) and by the ratios of higher to lower deciles of gross wage, reveals some consistency with the evolution of the Gini coefficient. Indeed, the countries that have registered a more marked deterioration of the Gini coefficient have also observed an increase of low pay incidence and a detrimental distribution of wage income to low wage earners. This has been the case of Denmark and Germany, where low pay incidence increased around 3 per cent in the former and 1 per cent in the latter during 2004-10, and where the ratio between high and low wage earners (D9/D1 ratio) has risen the most among the countries selected (by around 0.2). By the same token, in Greece, Portugal and Hungary low pay incidence reduced in the same period (around 7%, 5% and 2%, respectively), as well as the share of income held by the highest income group relative to the lowest (0.2; 1.0 and 0.4 respectively) (Figure 41). Taken together, analysis of the Gini coefficient and of various indicators of wage inequality shows different trajectories among EU countries. It also shows a trend towards convergence in that income and wage inequality reduced the most in countries with higher levels of inequality while it deteriorated in countries with better equality records.

Figure 41 Variation of Low pay incidence and Gross Wage 2004-2010

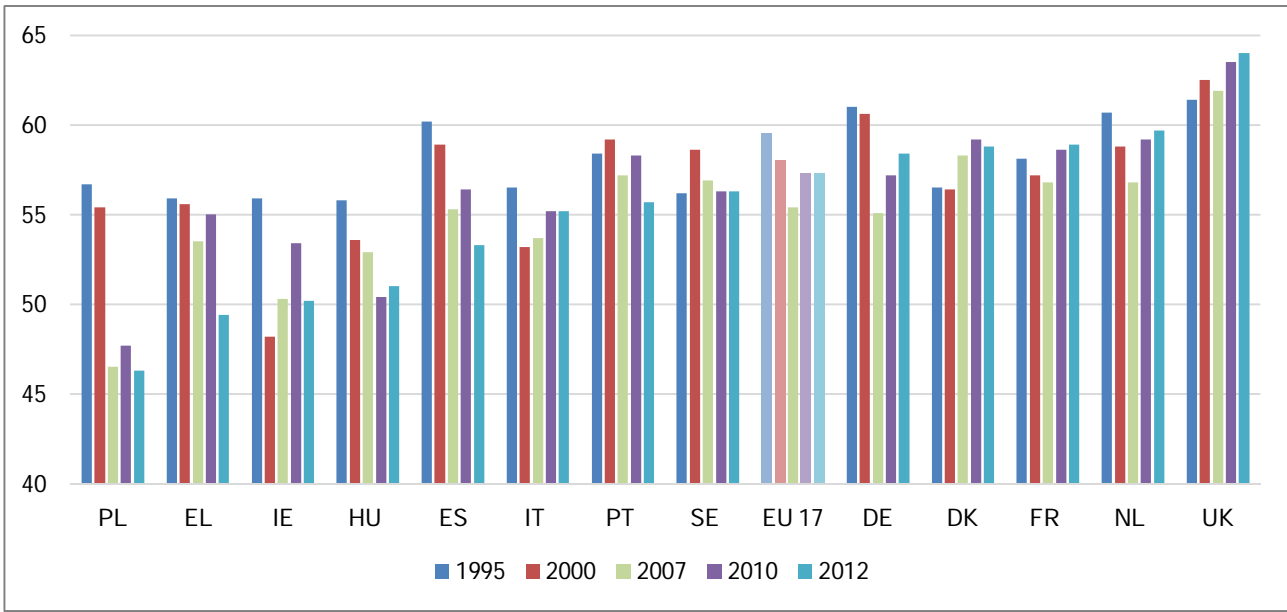


Source: OECD. Due to data unavailability, the calculation of the variation of low pay incidence and gross wage used values of 2009 in the case of France.

#### 4.2 Primary distribution of income and stagnant wages

The primary distribution of income between labour and capital, measured by the adjusted wage share in national income, is also a relevant measure to assess the relative position of workers. Since 1995 the share of wage income has declined in most European countries, with the exception of Denmark and the UK where it has increased. The Euro area average drops from 59.5 per cent in 1995, to 57.3 per cent in 2012 (Figure 42).

**Figure 42 Adjusted wage share as percentage of GDP at current market prices 1995-2012**

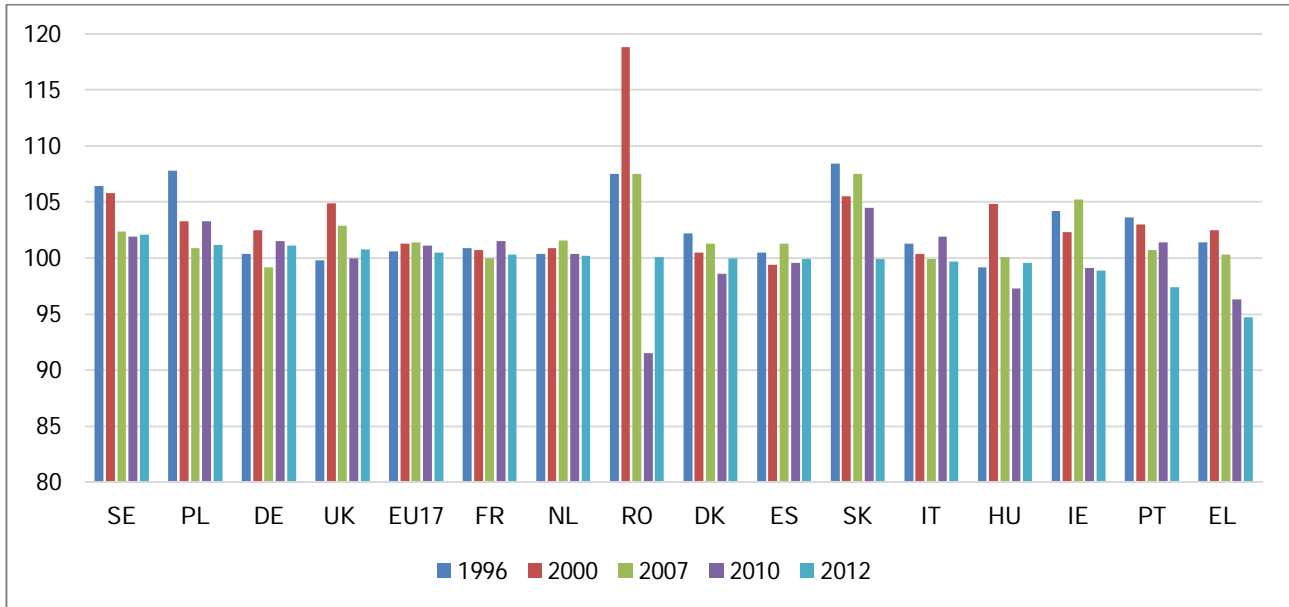


Source: Eurostat

The rise of primary income inequality is partly explained by the stagnation of real wages in most European countries since 1996 until the years that preceded the 2007-08 crisis, thus confirming the previous data on the relative loss of labour share to capital. However, after the 2007-08 crisis wage compensation dropped in many countries, especially in Romania, Slovakia, Ireland and Greece (Figure 43).



Figure 43 Real compensation of employees (1995=100)



Source: Eurostat

This is consistent with recent studies from the International Labour Office (ILO) that has confirmed an overall decline of wage shares in high-income OECD countries, which has been attributed to financialisation (IILS, 2011; ILO 2013). According to these studies, the international integration of financial markets has been a major driver of falling wages shares in advanced economies, more than globalisation, technology and broad changes in government consumption and union density. According to these studies, while the diminution, on average, of government consumption as a share of GDP and union density (measured in terms of trade union members as a percentage of total employees) has contributed to a decline of wage shares, the growth in magnitude of financialisation, globalisation and technological progress has had a more marked negative effect in income shares between 1990-04 and 2000-04.

Although financialisation may have contributed to falling or stagnant wage shares, the claim that the deterioration of living and working conditions has been a primary cause of households' engagement with finance to fill the gap between income and extant or new

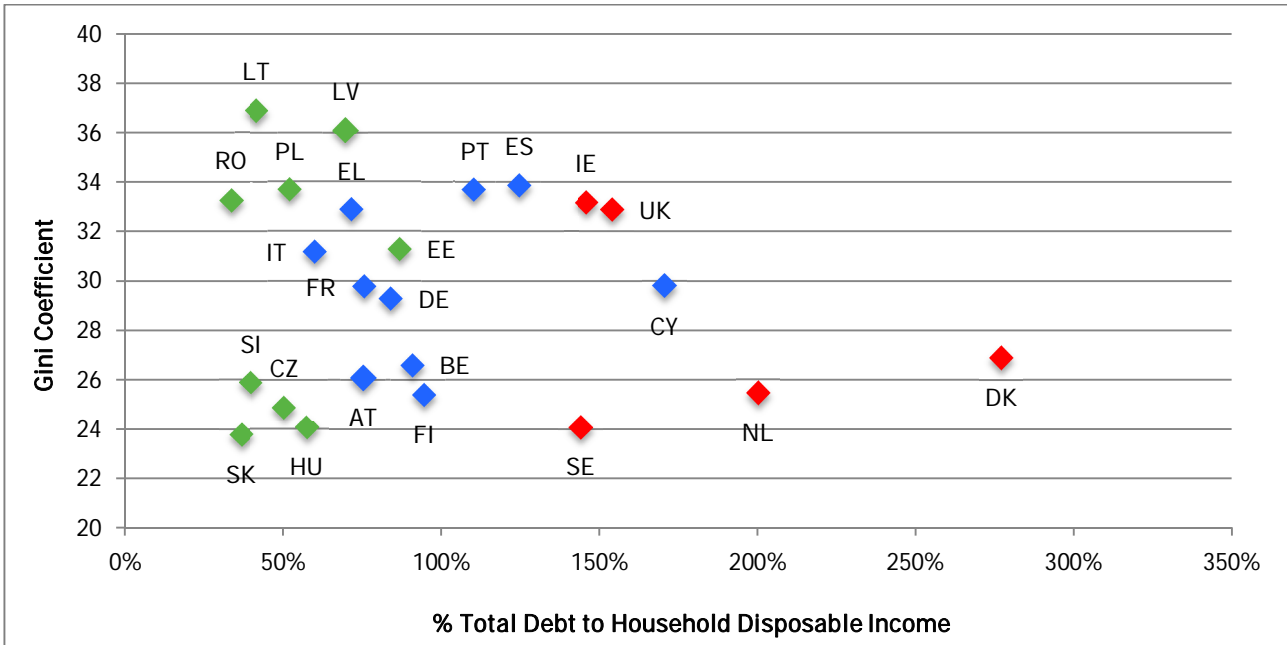
norms of consumption is a far more intricate issue. As we have seen, the differentiated evolution of various indicators of income and wage inequality across Europe does not unambiguously support the conjecture that the remarkable increase of household debt across the EU is the result of the falling income of the most destitute. Quite the contrary, not only are higher rates of household indebtedness found in the most advanced and egalitarian countries, such as Denmark and Sweden, but the most significant rise of household debt is also concentrated on housing.

This suggests that the engagement of households with finance also seems to be related to the development of the financial sectors in each country – thus accounting for the strong relation between financial liabilities and assets – and the forms and organization of provision of specific goods – such as housing (as a source of liabilities) and pensions (as a source of assets). Moreover, as we shall see below, both household holdings of assets and debt is concentrated in higher income brackets.

### **4.3 Inequality and household financialisation**

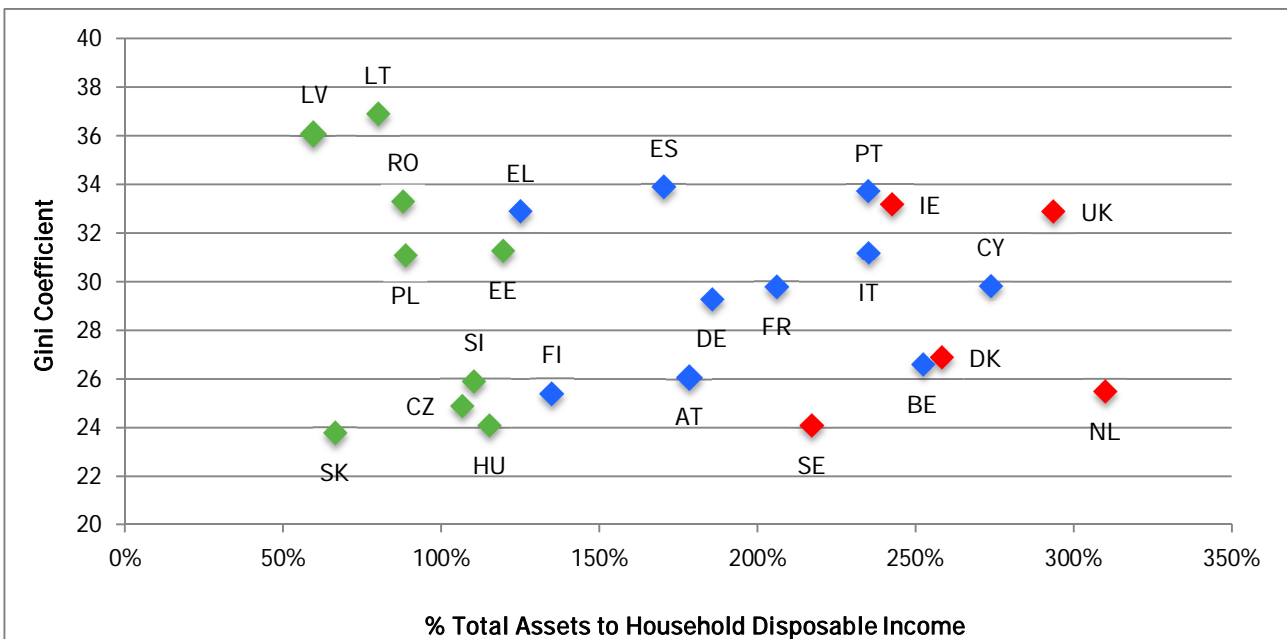
At the country level, we do not find sound support for the hypothesis that high inequality has been the driving force of households' engagement with finance in Europe. Countries with comparable values for the Gini coefficient present disparate household financial situations, both in terms of indebtedness and financial wealth (e.g. Slovakia and Denmark). By the same token, countries with similar household financial situations present different values of income inequality (Ireland and Sweden) (Figures 44 and 45). And even though inequality grew most in countries where households became more involved with the financial sector (e.g. Denmark), households in countries with declining Gini coefficients and general improvements in wage distribution (e.g. Portugal) registered a similar strong involvement with finance. On the other hand, countries such as Germany, where income inequality increased, have witnessed the opposite trend.

Figure 44 Income Inequality and Household Debt 2010



Source: Eurostat and ECRI

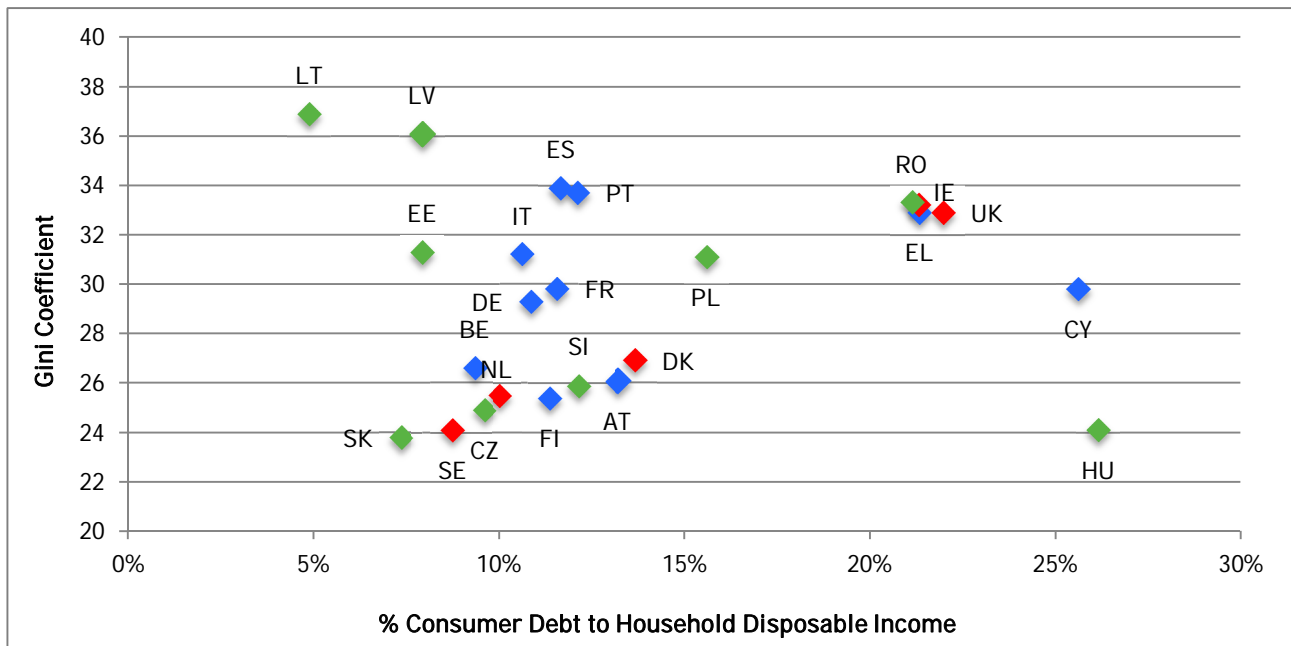
Figure 45 Income Inequality and Household Financial Wealth 2010



Source: Eurostat and ECRI

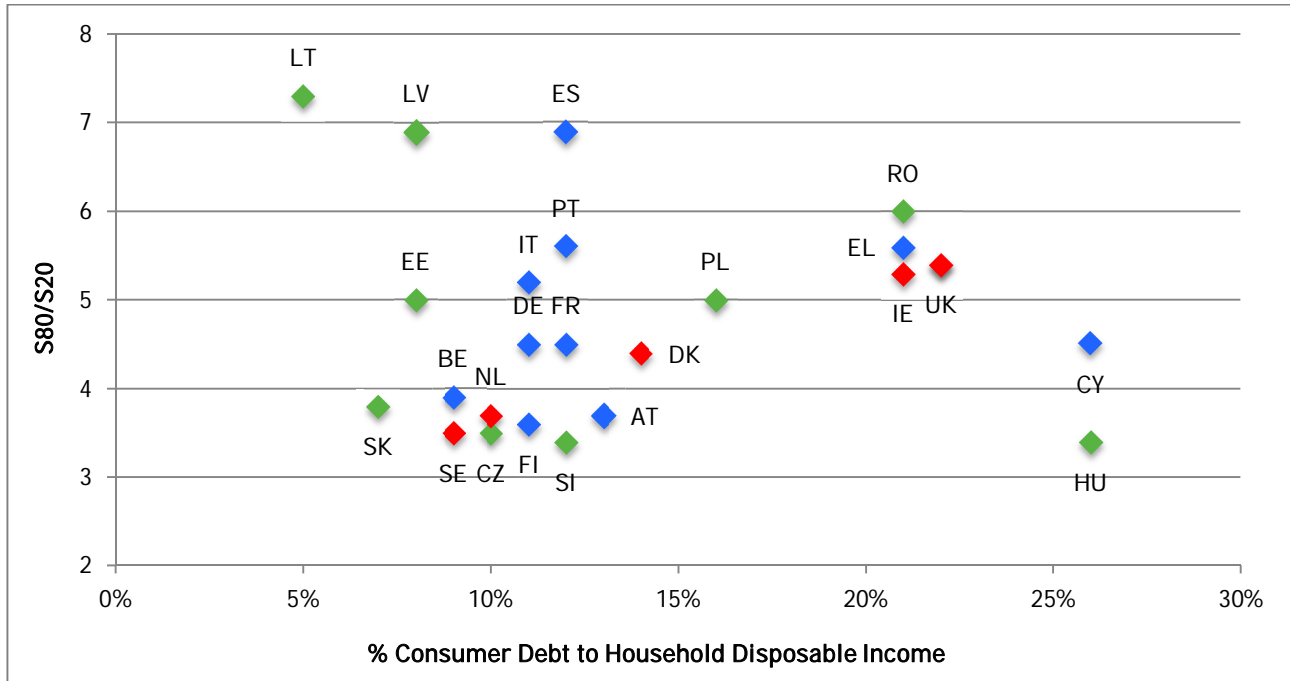
The relatively higher proportion of consumer debt in Eastern European countries might suggest that wage stagnation and income inequality could have led households in these countries into consumer debt markets to make ends meet. But the more detailed analysis of consumer debt and income inequality does not support this conjecture, either. Notwithstanding the distinctive case of Eastern countries, high levels of consumer debt are again associated with different levels of inequality, and vice versa across Europe (Figure 46). This situation is replicated with other measures of income inequality, such as the ratio between the top (S80) and the bottom (S20) quintile of income (Figure 47).

**Figure 46 Consumer Debt and the Gini Coefficient 2010**



Source: Eurostat and ECRI

Figure 47 Consumer Debt and the S80/S20 Ratio 2010



Source: Eurostat and ECRI

#### 2.4.4 Inequality and participation in financial markets

Even though it cannot be established, at EU level, that inequality and wage stagnation have been a driving force of household financialisation, inequality is clearly reflected in the distributional patterns of financial wealth and debt as access to financial markets varies significantly among different income groups.

The recent Household Finance and Consumption Survey (HFCS) from the European Central Bank (ECB), despite its many caveats (see Box 1), is the only database that provides information about the distribution of assets and liabilities according to income. The HFCS microdata is therefore used to calculate participation rates across different income quintiles for each participating country. As the results of this survey have given rise to intense debate, a more cautious approach was adopted in order to obtain household participation rates in different financial markets across Europe (not provided in the first ECB report, ECB 2013). A key concern was to avoid as much as possible the use of imputed

values. To this end, only data pertaining to questions about participation in specific markets – which involve a simple “yes” or “no” answer - were used, thus avoiding questions asking about the value of assets and liabilities, which have a higher incidence of imputed values. The database was then cleaned from remaining imputed values for these questions, which did not imply a considerable loss of information. It was also cleaned from imputed values for income variables, which implied a considerable loss of information for particular countries. This was most notably the case of Italy, which is not considered in our microdata analysis, and some classes of assets for specific countries (credit card debt in France and Finland).

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### **BOX 1 - The ECB survey and the polemic around wealth inequality among countries**

The ECB has recently published a “companion report” that presents the results of the Eurosystem Household Finance and Consumption Survey, which collected data on households’ assets and liabilities from a sample of over 62,000 households from 15 European countries: Belgium (2010), Germany (2010), Greece (2009), Spain (2008), France (2010), Italy (2010), Cyprus (2010), Luxembourg (2010), Malta (2010), the Netherlands (2009), Austria (2010), Portugal (2010), Slovenia (2010), Slovakia (2010) and Finland (2009).

The unexpected result that German households had a significant lower net wealth than households from the European periphery such as Cyprus, Greece and Portugal, produced considerable public awe, especially in Germany, where public opinion tends to perceive these countries as being exclusively accountable for the critical situation they are in while diverting resources from the richer Member States.

The ECB report recognises some of the caveats of the survey. One pertains to the use of different reference years for different countries, a particularly critical factor considering that the survey was carried out during the crisis which severely and variedly affected the value of households’ assets and liabilities (e.g. in 2008 housing prices in Spain hit the highest

levels of its real estate bubble). The ECB report also highlights the implications of the definition and size of households in that the computation of assets and liabilities for households tends to overestimate the wealth and debt of larger households, with non-negligible impact on cross-country comparisons given that there are pronounced differences across Europe: “while in Germany, Austria and Finland close to 40% of all households are one-person households, this share is below 20% in Spain, Malta and Portugal” (ECB, 2013: 36). Another problem refers to the sampling of the survey, being particularly sensitive to high levels of inequality. As the ECB also acknowledges, insofar as “a small sub-population holding a large part of assets and/or liabilities is not sufficiently captured in the sample, the wealth totals and means will be disproportionately affected” (ECB, 2013: 10).

The political relevance of the results of this survey drew the attention of public intellectuals who raised further criticisms to the ECB report. Paul Grauwe (2013) pointed out, “the larger the difference between the mean and the median [net wealth among households], the greater is the inequality in the distribution of wealth”. And since this difference is highest in Germany, given that the mean household wealth is almost four times larger than the median, and that in most other countries this ratio is between 1.5 and 2, then “household wealth in Germany is concentrated in the richest households more so than in the other Eurozone countries”, which renders the sampling problem mentioned above particularly acute in this country.

In a more detailed analysis, Fessler and Schurz (2013) point to a further array of problems for cross-country analysis. The authors underline the difficulties posed by cross-country comparisons as countries with different levels of economic development, welfare states and systems of provision cannot be directly comparable in wealth terms. For example, savings should be smaller in countries with public systems of pension provision than in countries where occupational and voluntary pension funds are more prevalent. The same example

can be given for health provision: households in countries with universal single-payer systems do not need to save as much as countries where access to health is private.

Housing provision is another critical dimension when assessing household wealth since the main residence is the most relevant asset households hold. For example, in Slovakia home ownership is much higher than in Germany because in the former the previously public housing systems are privatised whereas in East Germany households remained tenants of the state. Another relevant factor that affects housing provision is the tax policy that has encouraged home ownership in some countries (e.g. Spain) (Fessler and Schurz, 2013).

Thus, many factors may account for the different levels of household wealth affecting a straight association between wealth and welfare: the coverage and support provided by the national welfare states (and thus the level of public and private savings and other forms of wealth); housing policy, inheritance policy and housing prices, which affect home ownership and the value of houses; historical and institutional factors that affect the credibility of “self-reporting” in surveys; and, last but not least, inequality.

Finally, methodological problems with data collection and treatment may also have an impact on the results obtained as, for example: the adoption of diverse surveying methods in different countries, the weighting methods and the imputation models to deal with non-responses, and the use of the household as the unit of analysis – as already mentioned, larger households (particularly with more adults) may be artificially wealthier.

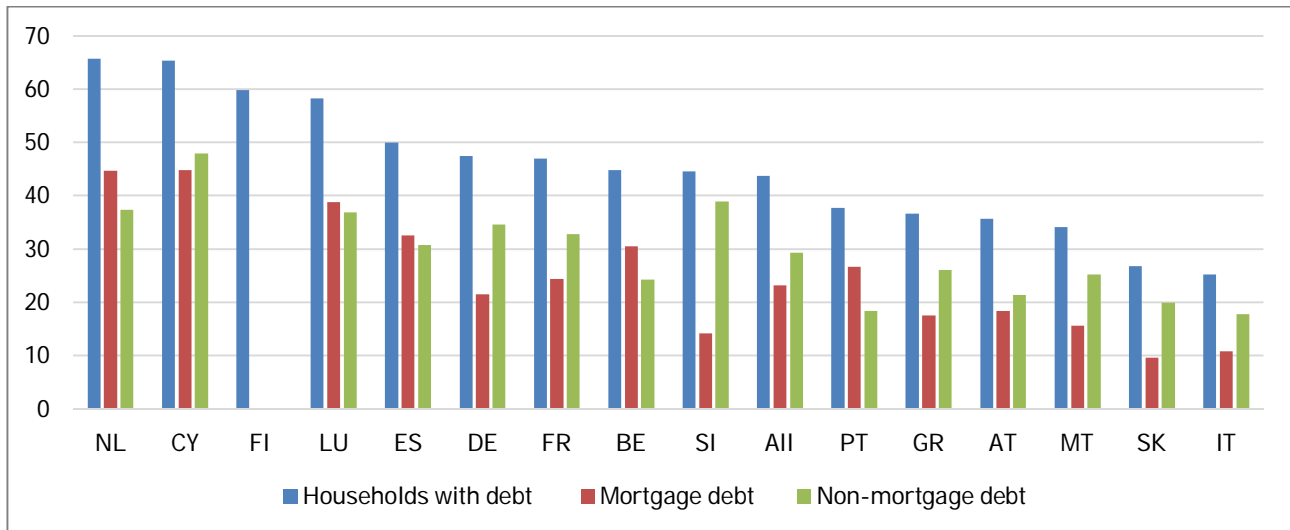
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### ***Participation in Debt Markets***

According to the ECB survey, only 44 per cent of households has some kind of debt. The diversity of situations across Europe is evident, with the higher percentage of indebted households in the Netherlands (66%) and the lowest in Italy (25%) (Figure 48).



**Figure 48 Household Participation in Debt Markets 2009-10 (% of households)**

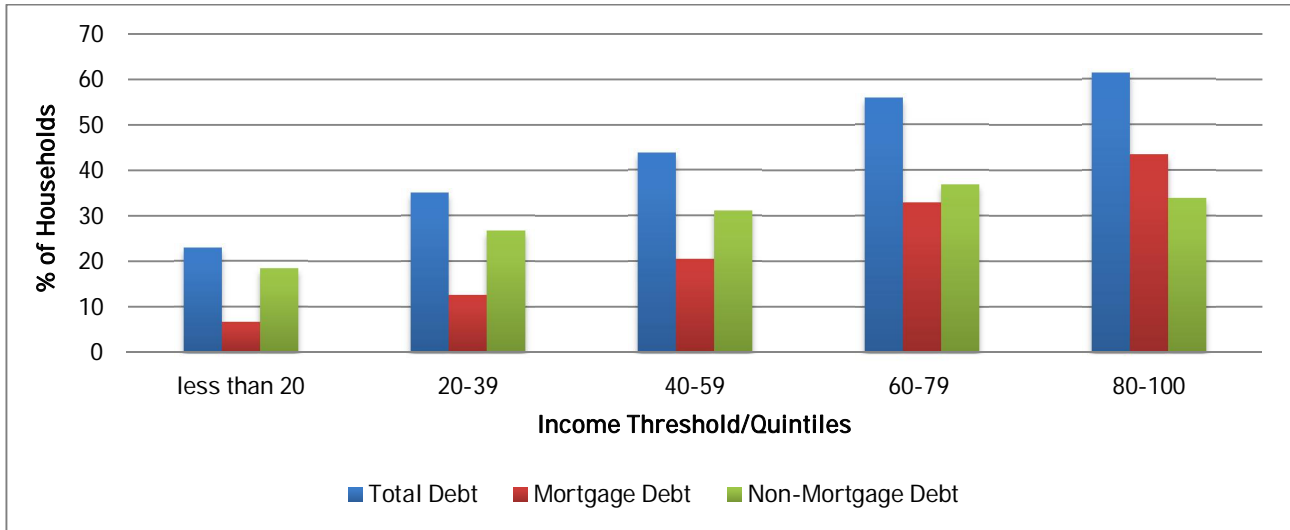


Source: ECB

Participation in debt markets is higher among households whose reference person is around 35-44 years old (62%), have 5 or more members (64%), and belong to the top quintile (61%). Debt burden, as measured by the ratio of debt service to income, is, as expected, much higher for the lowest income quintile (27%) than for the highest income quintile (11%) (ECB, 2013). This pattern may result not only from lower incomes but also from both the better standing of wealthier households in regard to financial institutions – benefitting from lower interest rates – and from the higher weight of mortgage debt in the latter segment – normally associated with lower interest rates.

Despite being the most relevant kind of household debt, the distribution of mortgage debt among the various income brackets is very concentrated – only 23 per cent of all respondents reported having mortgage debt, with 7 per cent of households in the lowest income quintile reporting having such debt, 13, 20, 33 and 43 per cent in the consecutive four thresholds (Figure 49). According to the ECB report, the weight of mortgage debt to total household debt grows with income (from 70% to total debt in the lowest income quintile to 86% in the highest quintile), thus indicating the wider access of higher-income households to mortgage markets (ECB, 2013).

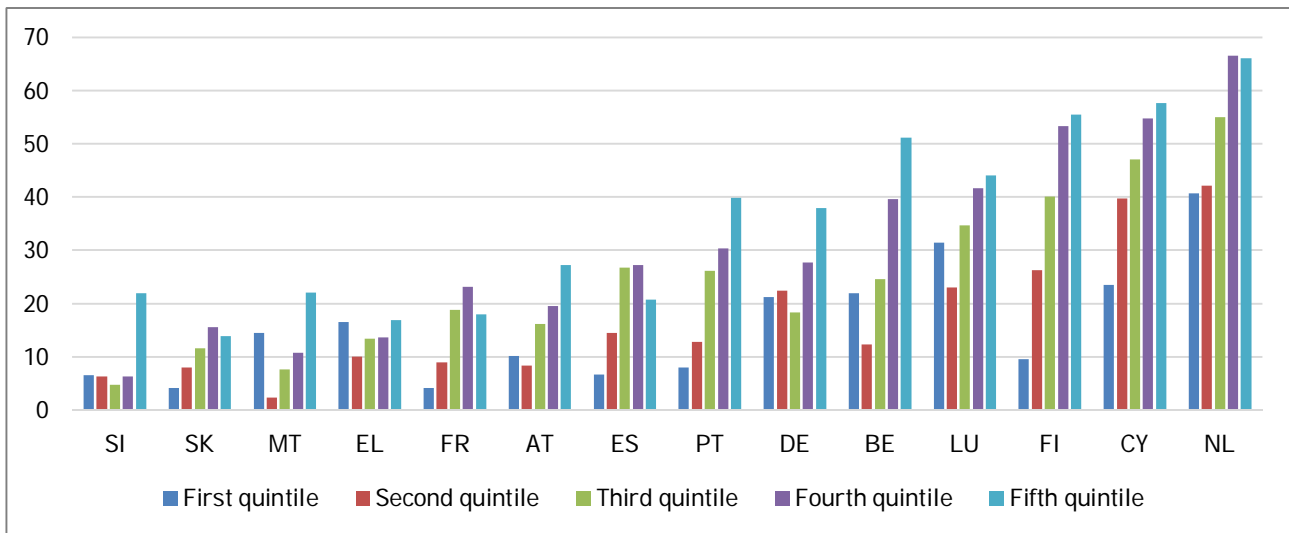
**Figure 49 Household Participation in Debt Markets by Income Threshold 2009-10**



Source: ECB

The participation rate in mortgage debt markets tends to increase with income in all countries, particularly in Cyprus, Finland and Portugal. However, this trend is not straightforward in all countries. In some countries, the first income quintile has a higher participation rate than the second income quintile (e.g. Greece and Luxembourg) or the participation rate of the fifth income quintile is lower than that of the fourth quintile (e.g. France and Spain). This suggests that participation rates may not only be determined by ease of access to the mortgage market, but on how the financial sector and housing provision are organised, as well as the household financial situation and its need to resort to debt (Figure 50).

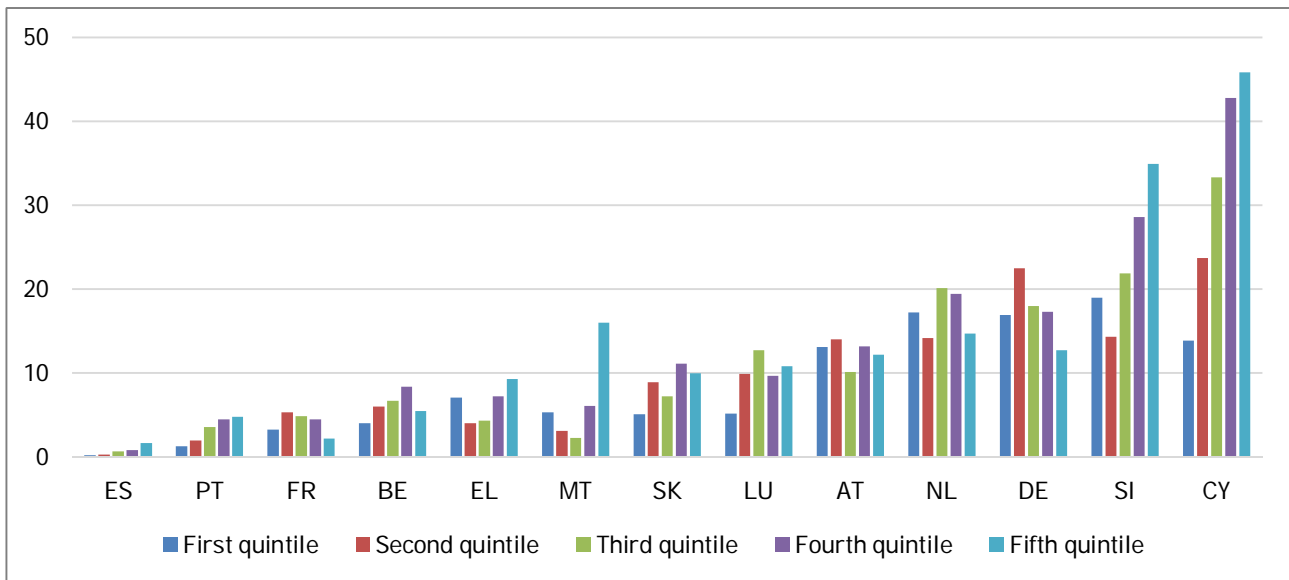
**Figure 50 Household Participation in Mortgage Debt Markets by Income Threshold 2009-10 (% of households)**



Source: HFCS

Other types of debt are more evenly distributed among different income brackets, though they are less relevant in terms of its weight to total household debt. The dispersion of outstanding credit lines/overdraft balances varies sharply among countries, with an overall rate of participation for the whole sample of 11 per cent. For most countries it is difficult to identify any discernible pattern according to income distribution. In the two countries where this kind of debt is more prevalent (Slovenia and Cyprus), the rate of participation tends to increase with household income (Figure 51). However, the next three countries with high participation rates – Austria, the Netherlands and Germany – the opposite happens, i.e. participation rates decrease with income. These results suggest that this kind of debt seems to be most prevalent among poorer households in richer countries, perhaps due to financial distress, and among richer households in poorer countries, signalling, in this latter case, differentiated access to financial markets.

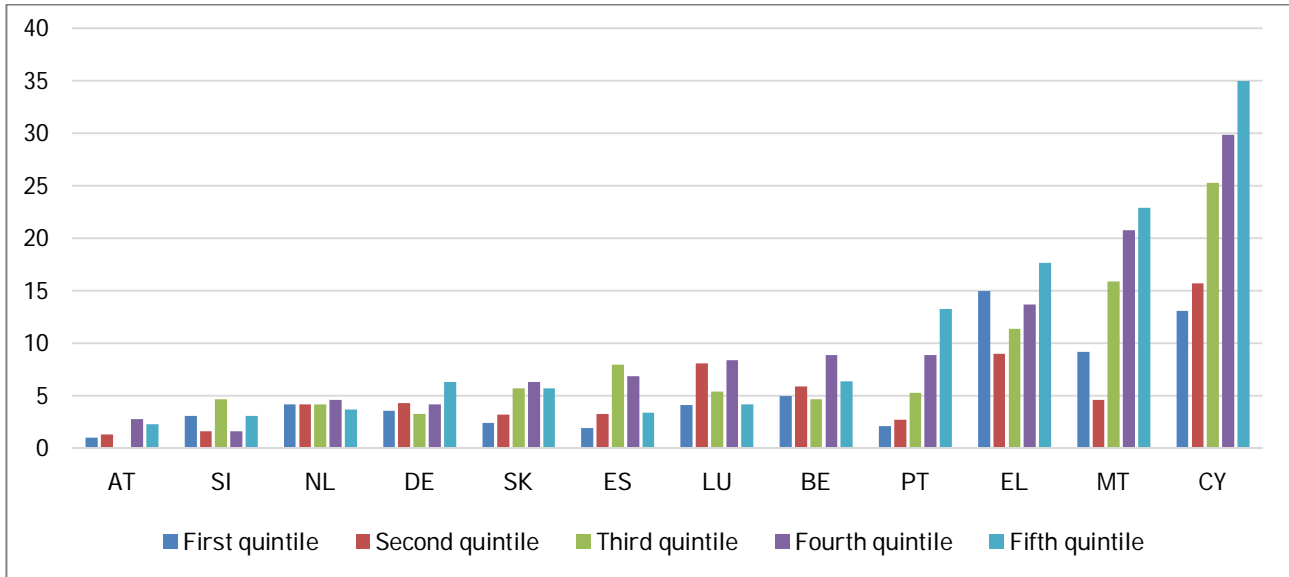
**Figure 51 Outstanding credit line, participation rates 2009-10 (% of households)**



Source: HFCS

Credit card debt is generally more common in Southern European countries. In the countries where this type of debt is more prevalent – Portugal, Greece, Malta, and Cyprus – participation rates also increase with income, thus indicating that access to this kind of debt follows income distribution in these countries. Nonetheless, in Greece and Malta outstanding credit card debt is more prevalent in the first quintile than in the second quintile. In these cases, the use of this type of credit may signal household financial distress in order to make ends meet. The remaining countries, where outstanding balances are less prevalent, have a more uniform distribution. Overall participation rate in this market is about 8 per cent (Figure 52).

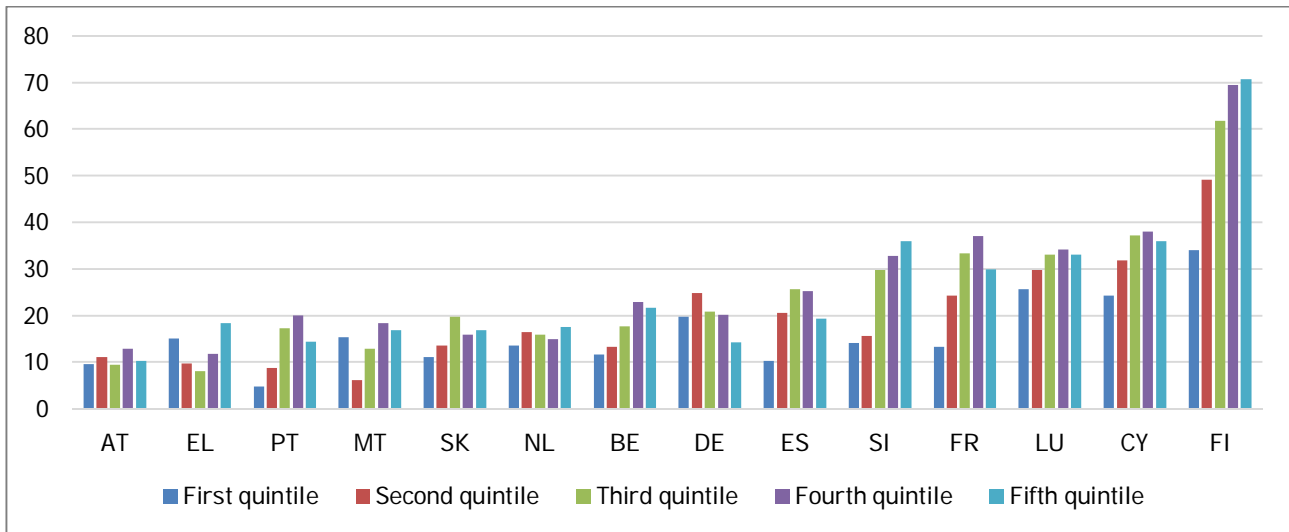
Figure 52 Outstanding credit card debt, participation rates 2009-10 (% of households)



Source: HFCS

Similarly to what was observed above, also in the case of non-collateralised loans, a discernible pattern can be found in countries with higher participation rates: rising participation with income. This is the case of Belgium, Slovenia and Finland. The latter, with a rate of participation of 70 per cent in its fifth quintile and a 34 per cent participation rate in its first quintile, stands out as the country where this kind of debt is more prevalent among households. However, in some countries the top quintile households have lower rates of participation than households in the fourth income group (e.g. Spain and France). Overall participation rate in this market is about 22 per cent (Figure 53).

**Figure 53 Non-collateralised loans, participation rates 2009-10 (% of households)**



Source: HFCS

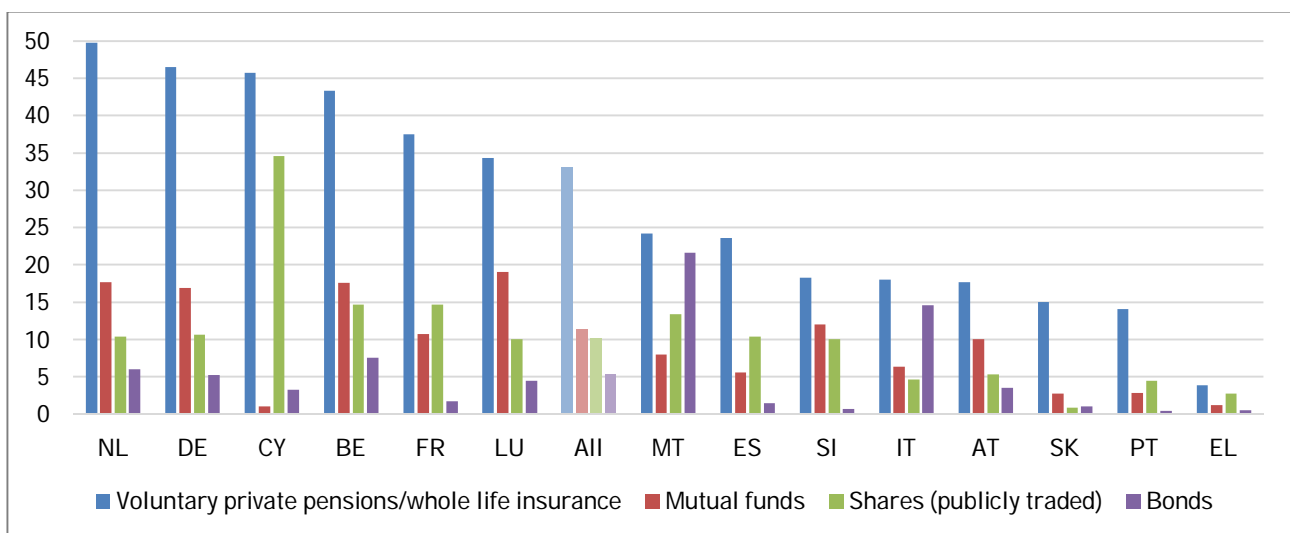
These results suggest that as participation rates in debt markets increase, they increase for all income groups, though at a faster pace for higher income groups, resulting in unequal levels of participation. It also shows that participation rates differ in the various debt markets, within and among countries. The relative position of the various countries, in turn, suggests that the different rates of participation may reflect the relative state of development of the national financial systems as well as that of the socioeconomic standing of the country. For example, countries such as the Netherlands and Finland tend to have high rates of participation in mortgage markets, but low levels of participation in markets where low income households of EU peripheral countries have a more significant participation, such as in credit card debt markets, which might be associated with a higher incidence of financial strain on lower-income households in these countries.

### ***Participation in Financial Asset Markets***

Similarly to what was observed in debt markets, participation in financial asset markets varies widely across countries and with the level of household income within each country. While most households in most countries have bank deposits, household participation in

bonds, mutual funds and shares markets is relatively low. The unequal pattern of the distribution of financial assets, again, may be due to differences in the level of development of the country's financial systems and socioeconomic situation. While the Netherlands, Germany, Belgium and Luxembourg have the highest participation rates, Greece, Portugal and Slovakia have relatively low rates of participation in most of these financial markets (Figure 54).

**Figure 54 Financial Assets Participation Rates 2009-10 (% of households)**

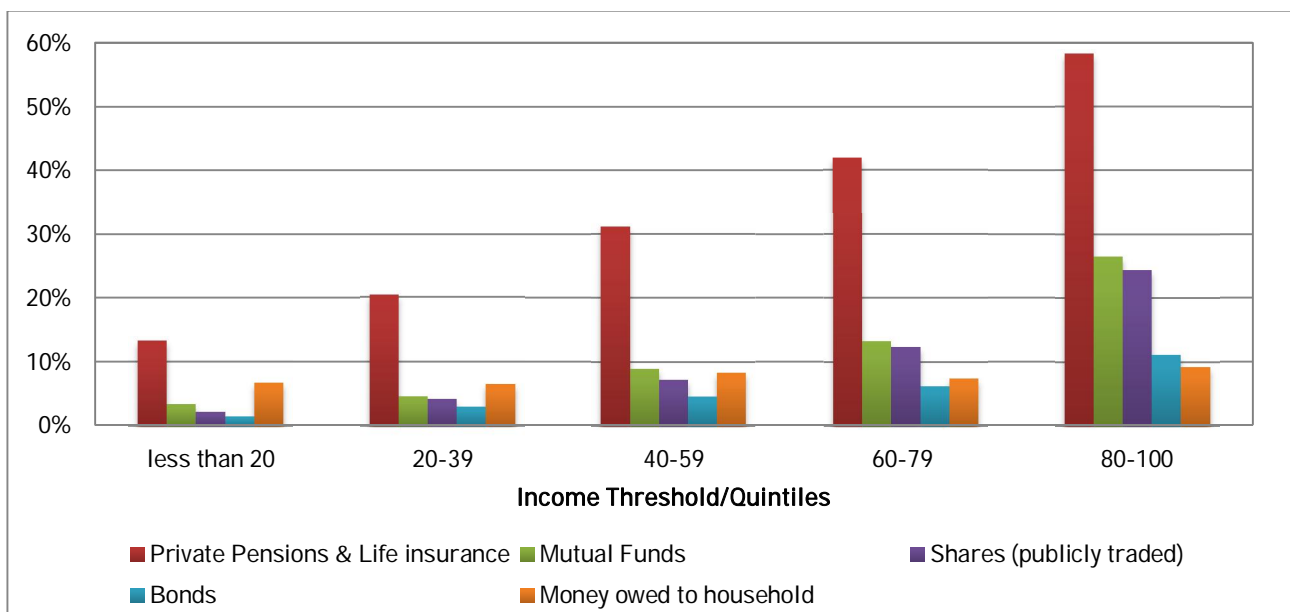


Source: HFCS

Similarly to what was observed in debt markets, participation in financial asset markets not only varies across countries, it also varies with the financial situation of the household, being highly concentrated in higher income groups when all countries are taken into account (Figure 55). Indeed, households in the top income quintile tend to have a higher proportion of more sophisticated (and riskier) financial assets, such as mutual funds (27%) and shares (25%), doubling their prevalence relative to the income quintile immediately below, whose holdings of these assets correspond, respectively, to 13 and 12 per cent. Even though they are not as concentrated as the riskier financial assets, private pensions and life insurance are also unevenly distributed among income thresholds, and they are the most important

financial assets for all income groups. However, while 58 per cent of households in the top quintile hold this kind of asset, only 13 per cent of households in the lowest quintile do so.

**Figure 55 Financial Assets Participation Rates by Income Threshold 2009-10 (% of households)**

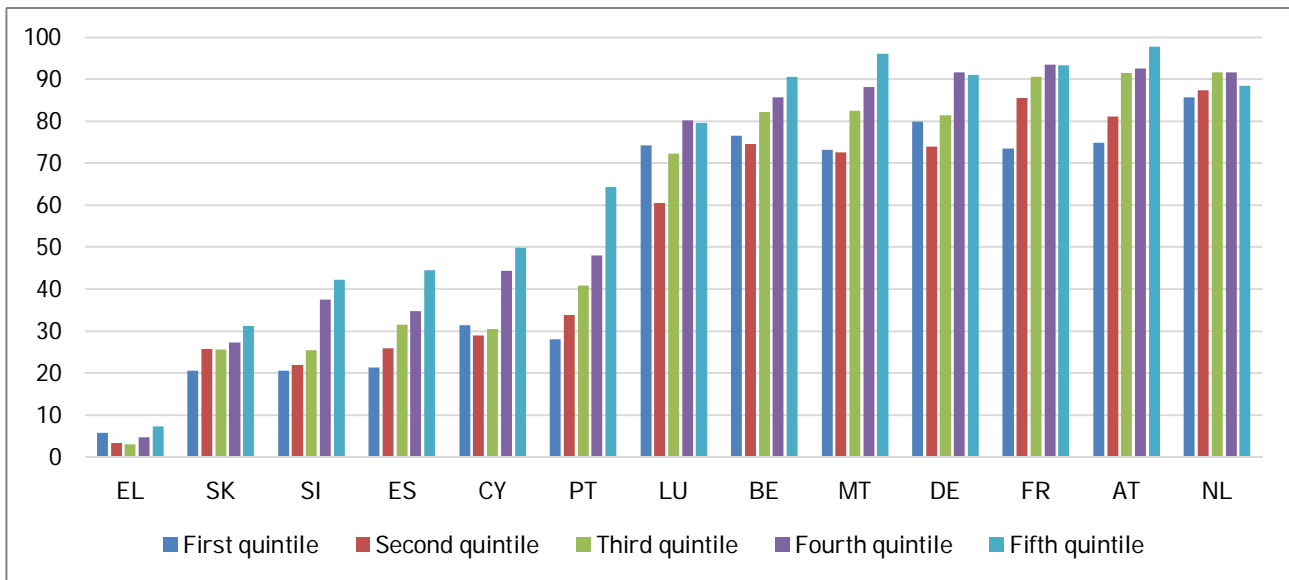


Source: HFCS

A more detailed picture can be obtained from the analysis of participation rates in financial assets markets across different income brackets for the different countries. While there are wide differences across countries, where the possession of a savings account is close to universal coverage (between 75 and 95 per cent) in the Netherlands, Austria, France and Germany, less than 50 per cent of households in Greece, Slovakia, Slovenia and Spain have such a bank account, where the rate of participation for all countries is 58 per cent. With the sole exception of Greece and the Netherlands, having a savings account varies positively with income (Figure 56).



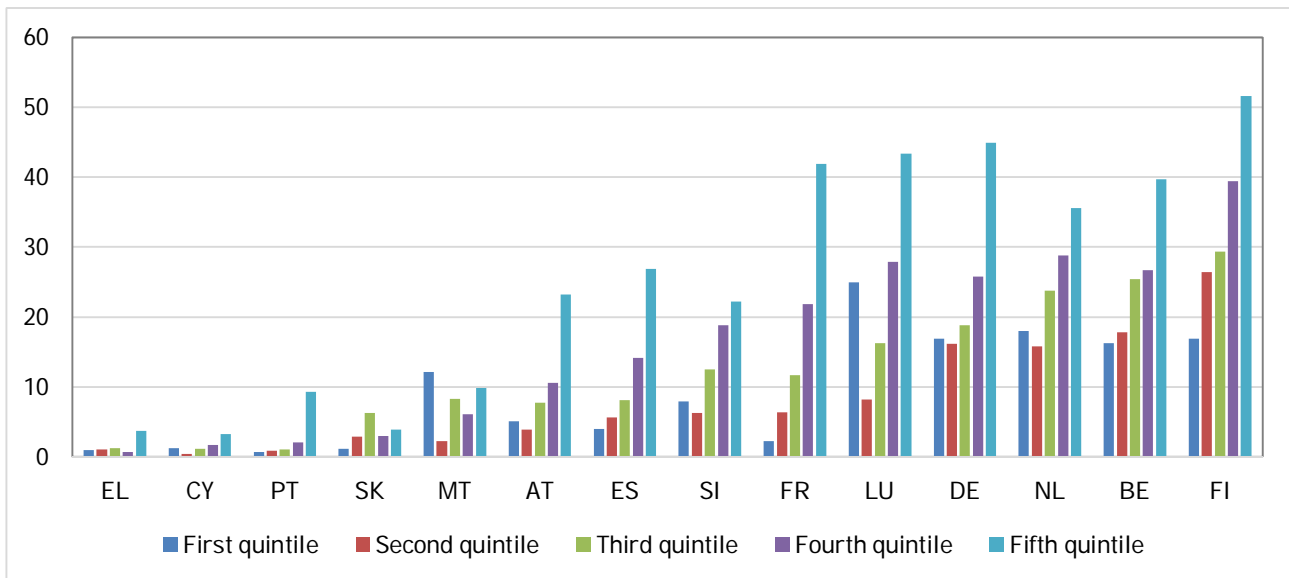
**Figure 56 Savings accounts, participation rates by income threshold 2009-10 (% of households)**



Source: HFCS

There is a strong concentration of mutual funds in the highest income quintile in all countries, followed far behind by the fourth income quintile. France, Luxembourg, Germany, Belgium and Finland show particularly uneven distributions. For example, the rate of participation in Finland ranges from 17 per cent belonging to the bottom income group, to 52 per cent in the top income group. In contrast, the total participation rate in Greece, Cyprus, Portugal, and Slovakia is marginal. The overall participation rate in this market is about 14 per cent for the considered countries (Figure 57).

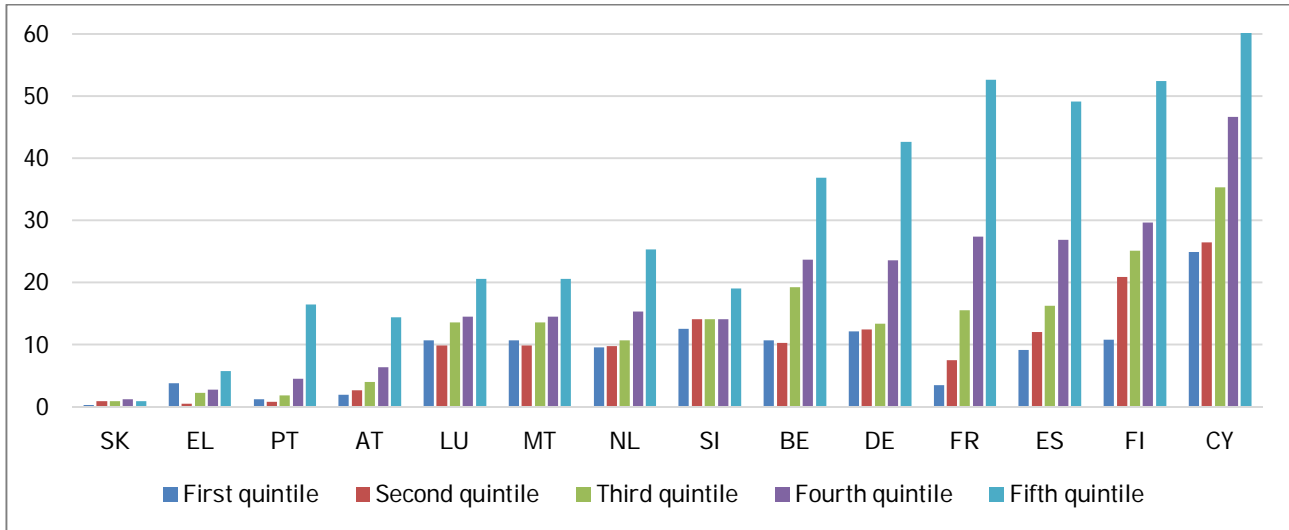
**Figure 57 Mutual funds, participation rates by income threshold 2009-10 (% of households)**



Source: HFCS

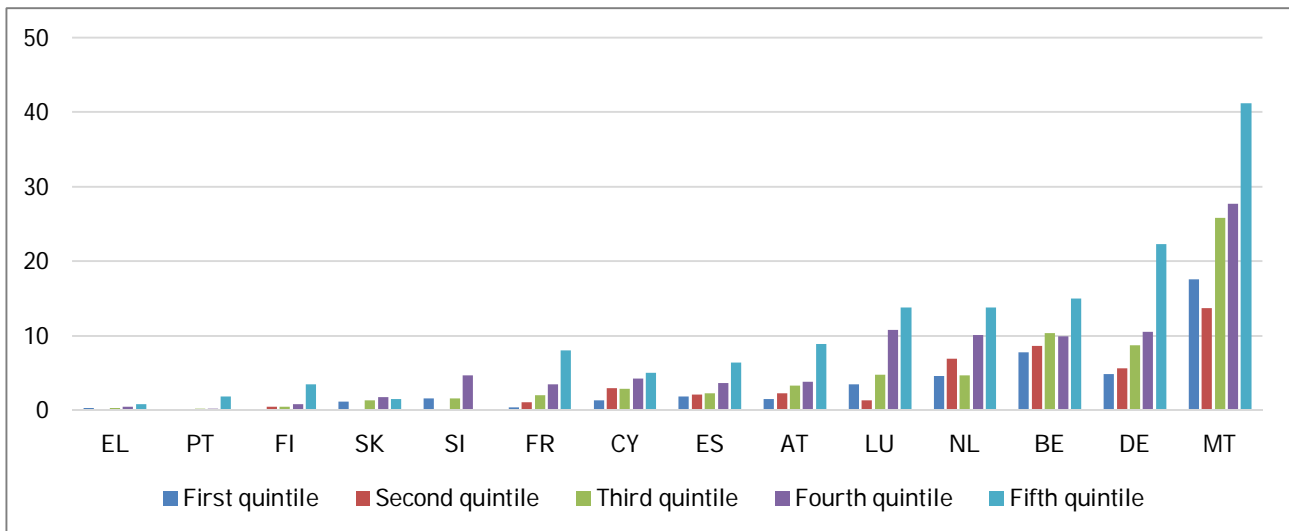
The same pattern is observed in the distribution of tradable shares and, to a lesser extent, in the distribution of bonds, although participation rates in the latter market are generally lower. Overall, 16 per cent of European households hold shares and 6 per cent of these households have bonds (Figures 58 and 59). The market of tradable shares is highly concentrated in the 5th quintile, especially in Belgium, Germany, France, Spain, Finland and Cyprus. Again taking the example of Finland, while the participation of households in the bottom income group is about 11 per cent, the participation rate of the top income group is about 52 per cent. Thus, and similarly to the market of mutual funds, EU peripheral countries, such as Slovakia, Greece and Portugal, show very low levels of participation, with no particularly discernible distribution between income brackets. The exception is Cyprus, with low participation in the market of mutual funds and high participation in the market of tradable shares (Figure 58). In the case of bonds, average participation rates are most relevant in Malta, Germany, Belgium and the Netherlands, where there is also a remarkably uneven distribution across income groups (Figure 59)

**Figure 58 Shares, participation rates by income threshold 2009-10 (% of households)**



Source: HFCS

**Figure 59 Bonds, participation rates by income threshold 2009-10 (% of households)**

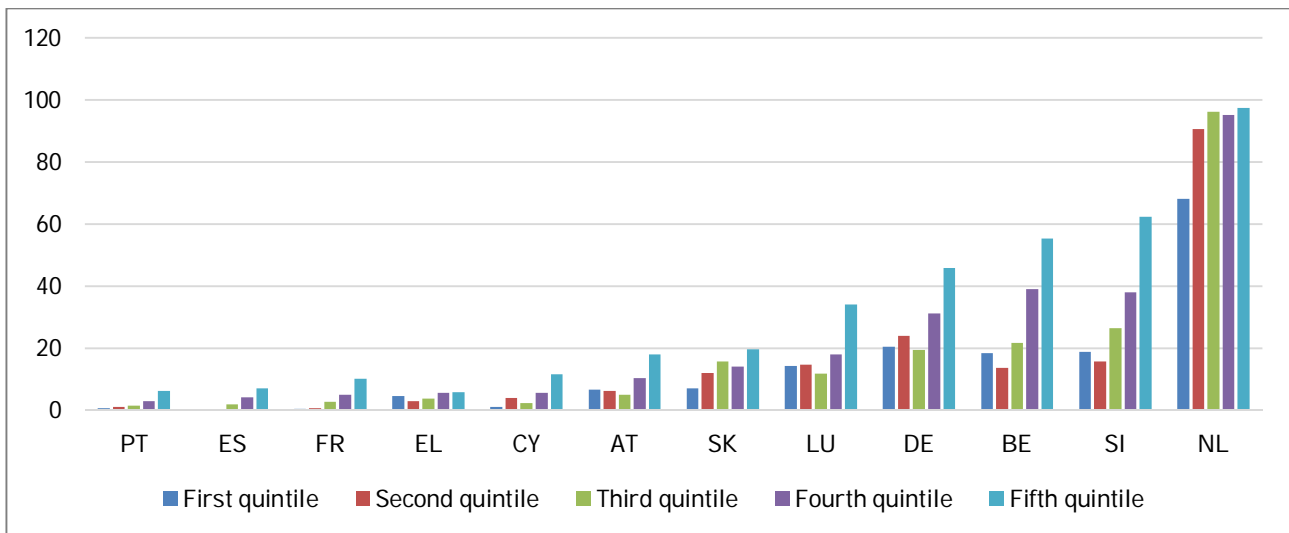


Source: HFCS

The distribution of pension funds in the various countries naturally reflects the different pension systems prevalent therein, namely the prevalence (or not) of occupational pension plans. Participation rates in occupational pension plans are significant in a few countries (Luxembourg, Germany, Belgium, Slovenia and Netherlands). Again, we also observe a

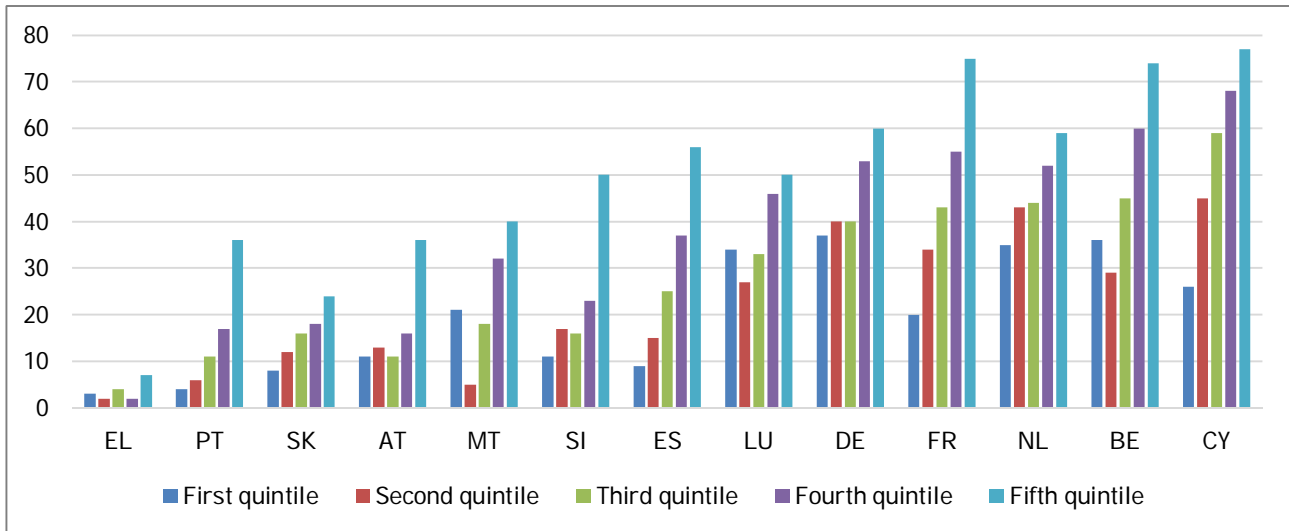
concentration of these assets in the top quintile in most countries, particularly in Luxembourg, Germany, Belgium and Slovenia. The notable exception is the Netherlands where such plans have quasi universal coverage with just the first quintile lagging somewhat behind, with a participation rate of 70 per cent while the participation of the top quintile is 97 per cent (Figure 60). The distribution is even more unequal in voluntary pension plans, revealing a strong concentration in the fifth income quintile in Austria, Spain, Slovenia and Portugal. Greece is an exception where this asset has but marginal relevance (Figure 61). Overall participation rates are 20 per cent in occupational pension plans and 31 per cent in the case of voluntary pension plans.

**Figure 60 Occupational pension plans, participation rates by income threshold 2009-10 (% of households)**



Source: HFCS

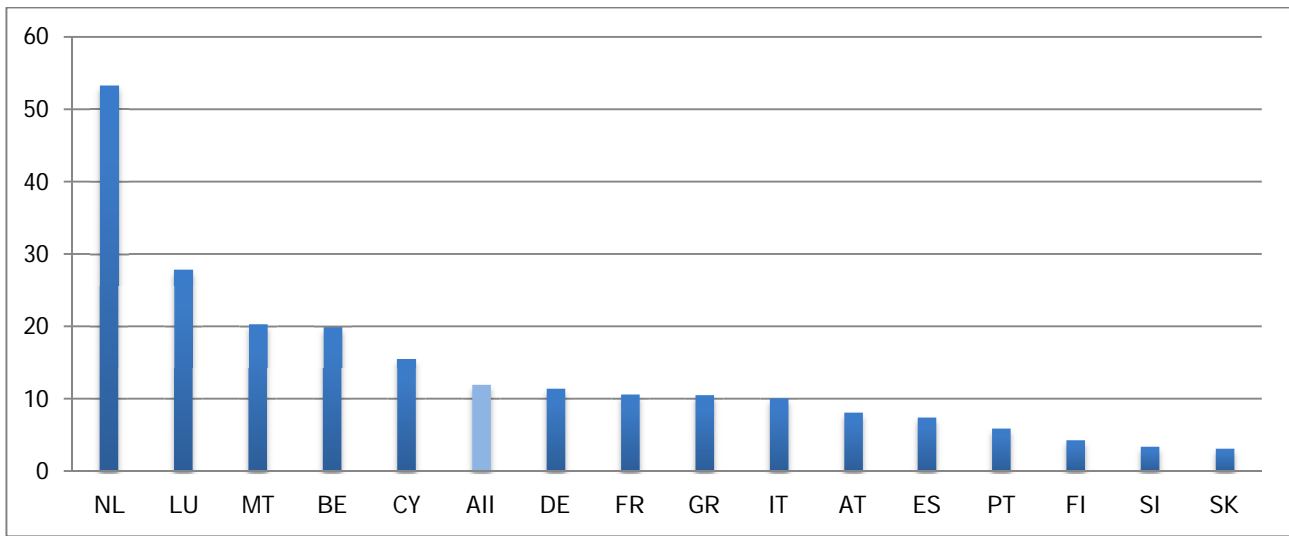
**Figure 61 Voluntary pension plans, participation rates by income threshold 2009-10**  
 (Source: % of households)



Source: HFCS

According to the ECB (2013), the diversity of situations across the countries is also manifested in the median value of voluntary private pensions and whole life insurance, reflecting different levels of disposable income as well as different systems of pension provision in Europe, ranging from 53 thousand euros in the Netherlands, where private mandatory pensions schemes are prevalent (see Chapters 5 and 6 of this report), to just around 3 thousand euros in Slovakia. The median value for all the countries considered in the survey is about 12 thousand euros (Figure 62).

**Figure 62 Medians of Voluntary Private Pensions and Whole Life Insurance 2009-10 (EUR Thousands)**



Source: HFCS

## 5 Recent trends in household financial behaviour

The descriptive analysis of aggregate data from such a high number of countries advises parsimony on the conclusions to be drawn. However, some preliminary results already emerge.

First, there is a shared trend of growth in both household debt and financial wealth, denoting common institutional changes that have equally affected households across Europe. The significant exceptions are Germany, where household debt has decreased, and Belgium and Greece where household holdings of financial assets have declined over the last two decades, though in the latter cases this evolution seems to be related to the financial crisis of 2008. Thus, financialisation understood in terms of increasing household engagement with financial markets, both in terms of rising financial liabilities and assets relative to disposable income, is a common trend across Europe, notwithstanding different scales and paces among the EU countries.

Second, housing loans is by far the most significant category of debt, with its weight growing for most countries over the last two decades. It is thus this type of debt that most accounts for rising household indebtedness, which may or may not result in real wealth growth depending on the evolution of housing prices. As mentioned above, Germany is the only exception among the EU countries analysed in that housing loans declined throughout the 2000s. On the contrary, peripheral EMU countries such as Spain and Portugal, and countries with the most mature financial systems, such as Denmark, the Netherlands, Ireland and Sweden, saw their levels of indebtedness rise steeply in the same period compared to other European countries. These common trends among countries with very different socioeconomic conditions may explain the differentiated impact of the recent euro-crisis, which has hit the Southern European Countries and Ireland with particular severity (cf. Santos et al., 2013).

Third, consumer credit, despite its relatively low weight in disposable income in most countries, has registered a more varied evolution. It has generally grown in all countries, but at very different paces - rising faster in the *Latecomers* group made up of Eastern European countries and in Greece, declining or stabilizing among the *Early financialisers* and the *EMU core* countries. There is thus some convergence across Europe, where countries with low levels of household indebtedness, the *Latecomers*, became increasingly involved with finance, especially due to the evolution of consumer credit that became relatively more prevalent.

Fourth, total household debt seems to bear a close relation with household financial asset holdings, hinting that the general engagement of household with financial sector is generally made on both sides of the balance sheet.

Fifth, besides the growth of total financial assets, the composition of household financial wealth registered substantial transformations over the last two decades. The most significant is the growth of riskier assets, such as shares and pension funds, which have become more relevant, especially pension and life insurance funds that became the second

most important financial asset held by households. This growth, almost immune to financial market cycles, suggests that the rising engagement of households with financial markets seems to be more related to reforms and incentives on pension systems than a shift to capital markets stimulated by new investment opportunities provided by liberalisation and privatisation. Low-risk assets registered either a stable or mild growth trend. Currency and deposits have actually grown after the crisis as a result of deleveraging and escape to a more secure financial portfolio.

Sixth, and contrary to some popular ideas, there is no generalised direct engagement of households with financial markets as investors. The evolution of shares and equity has been relatively discreet; particularly during the 2000s after the “dot.com” bubble. Denmark and the Netherlands are the clearest exceptions where households hold high levels of this class of asset.

Seventh, the relevance of both housing and pension funds to households' balance sheet urge caution on the implications of financialisation to this sector. If, on the one hand, housing loans represent a liability, they may nonetheless improve household real wealth in the form of home ownership, depending on the timing of purchase and the evolution of housing prices; on the other hand, even though pension funds and life insurance are part of household financial wealth, they may imply welfare losses if these are to replace public pension provision.

Ninth, the 2008 financial crisis has amplified the disparity among European countries. The differences from which they departed in the mid-nineties have now widened. This is the result of countries' divergent fortunes in recent years: deep recession in Southern European countries such as Greece, Ireland, Portugal, Spain and Italy; stagnation in most of the Euro area countries and the UK, and recovery in Northern European countries such as Sweden and Denmark. This therefore means that the impact of financialisation on households may be very unequally distributed across countries. For example, while in Denmark and Sweden household financial wealth recovered remarkably well after the rebound of stock markets,



in stagnant economies household financial wealth followed the general economic evolution, stabilising or even declining its weight relative to household disposable income (e.g. Greece intensified a declining trend; Italy, an outlier as regards household financial wealth, has converged to the more modest situation of Spain and Portugal).

Tenth, at the EU level there is no clear-cut relation between inequality and household engagement with finance. While workers in most EU countries have experienced stagnant real wages and inequality grew in some of these countries during the first decade of the 2000s, it is in the high income and in the more generous welfare states that household engagement with finance is more intense. However, growing inequality does seem to play an important role in the extent and content of household participation in debt and financial assets markets. Both financial assets and debt are very unequally distributed within each country. In all countries high-income households tend to have substantially higher rates of participation in financial markets, both as debtors and holders of financial assets, and this participation is quite differentiated. High-income households have higher rates of participation in housing loans, mutual funds, shares, bonds and voluntary private pension markets. In contrast, low-income groups have higher rates of participation in outstanding credit lines, credit card debt and savings accounts markets. The concentration of specific financial liabilities, such as mortgage debt, and of financial assets, such as mutual and pension funds, in high-income households suggests that the latter have a more balanced relation with finance. This is so not only because financial liabilities are contracted on debt that can be converted into real wealth and are obtained on more favourable terms, but also because these households have a more diversified and balanced set of financial assets, being thus better able to hedge their portfolios against financial volatility. This in turn indicates that financialisation amplifies extant inequality, manifested in the rates and the particular debt and/or financial markets in which households participate. This result is further supported by the fact that inequality is more pronounced in markets and/or countries with higher participation rates.

## 6 Recent trends in pension reform in the EU

### 6.1 Pension reform, an international trend

The recent evolution of pension reforms in the EU follows broader international trends. International organisations such as the World Bank and the Organization for Economic Cooperation and Development have launched discussion on the need to start structural reforms of public pension systems to deal with the demographic challenges of developed countries (WB, 1994; OCDE, 1996). These institutions have been successful in turning this into a global agenda, reaching middle-income countries in Latin America as well as the European Nordic countries known for their robust welfare states (Orenstein, 2005).

Taking as a point of departure the pressure of an ageing population on government budgets, and its alleged impact on the sustainability of pension provision, the main concern driving this policy agenda has been the control of public expenditure on pensions. By fixing budget constraints as the goal that is to guide pension reforms, the proposals turned pension architecture as the variable of adjustment. The burden which recent economic and financial crises have put on public budgets has accelerated the opportunity to speed up these reforms. This has been clearly the case in Greece, Hungary, Ireland and Portugal that have all had to accept substantial pension reforms as part of the fiscal consolidation required for international bailouts (see Chapters 5 and 6). The recessive effects of the financial and economic crisis on lower growth prospects and increasing public deficits and public debt levels have extended this pressure to other countries.

Control of public expenditure on pensions can be achieved in two different ways. First, by changing the balance between the active and the retired population prolonging working lives by, for example, increasing the statutory retirement age, imposing tighter qualifying conditions for early retirement, introducing greater benefit penalties for early retirees or greater pension increments for people retiring after the normal pension age. Second, by

changing the balance between contributions and entitlements, reducing the rate of return of public pensions, which require developing supplementary schemes of pension provision. These changes introduce a major shift in the philosophy of public provision, replacing the principle of redistribution by the principle of capitalisation, where the redistributive function of public pensions will be gradually concentrated on ensuring a minimum standard of living for the most vulnerable. This means that the guarantee of a smooth transition from work to retirement life must be guaranteed by supplementary pension schemes based on individual contributions. An important outcome of these reforms at EU level is a growing diversification of pension systems, mixing public and private provision, that combines pay-as-you-go regimes and pre-funding as sources of finance. But as pension systems diversify, the cost of providing for pensions as life expectancy increases is to be borne by individual retirees, who will not only have to work for longer but will also have to contribute more for a lower pension in retirement.

## 6.2 Pension Reform in the EU

Pension reform across Europe has been a pressing topic in policy debates since the early 1990s. A dominant theme has been the detrimental role of a high level of social contributions to competitiveness, being held accountable for the so-called "Eurosclerosis" of European economies marked by high unemployment and low growth. The introduction of the Maastricht criteria for accession to the Monetary Union further pressed members to cut social expense in order to comply with the limit of public deficit of 3 per cent of GDP. From the mid-nineties onwards, major economies such as France, Germany and Italy tried to cut public pension benefits. These initial efforts were nonetheless met either with unexpected social upheaval (as in France during the "Juppé" Government) or strong political resistance (in Germany and Italy), undermining this policy goal (Blackburn, 2004).

Although the EU does not have a binding policy on social policy, it embraced the pension reform agenda. The first step towards the reform of the pension systems was taken on 14 July 1999 with the Commission Communication on “A Concerted Strategy for Modernising Social Protection” (COM(99)347 final). At the time, the call for reform of social protection systems was framed in the broader context of the changing nature of European society and the need for social protection systems to adapt to “the new social and economic circumstances in which they operate: the changing nature of work, demographic ageing, the new gender balance and developments in relation to the free movement of workers” (ibid). The opportunity for reform was reinforced by economic and political developments at the turn of the century, namely the deepening of economic integration through the Economic and Monetary Union, which would speed up the process of structural economic change in the EU, with an expected uneven distribution of costs and benefits. Social protection systems should then be capable of adjusting to these challenges, with a strong emphasis on its becoming employment-friendly, in that they should “help workers to embrace new forms of work organisation and working time arrangements as well as to acquire new skills, thereby enhancing adaptability within the labour market” (ibid). With these goals in mind, the sustainability of the social protection system would be tackled in its intersection with the European Employment Strategy through the removal of incentives for older workers to withdraw early from the labour market.

Four key objectives were then advanced to guide future action: 1) “to make work pay and to provide secure income”; 2) “to make pensions safe and pension systems sustainable”; 3) “to promote social inclusion”; and 4) “to ensure high quality and sustainable health care”. Based on these major common objectives, the role of the Commission was, then, to coordinate the exchange of information and monitor the process of reform so that member states could learn reflections and experiences from each other (COM(99)347 final).

A series of studies and reports have since been commissioned and soon the issue of the sustainability of public finances in the light of an ageing population became a key topic on

the EU policy agenda. The Göteborg European Council in June 2001 stressed the need for a comprehensive approach in order to meet the challenges of an ageing society and endorsed three broad principles for securing the long-term sustainability of pension systems: 1) to safeguard the capacity of pension systems to meet their social aims of providing safe and adequate incomes to retired persons; 2) to ensure the financial sustainability of pension systems; and 3) to enhance the ability of pension systems to respond to the changing needs of society and individuals. That is, the reforms would have to promote the adequacy of pensions, the financial sustainability and the modernisation of pension provision.

At EU level, action would, then, be based on the setup of an integrated framework for the exchange of information on national strategies for securing adequate and sustainable pension provision in the long run. A critical aspect in this process was the setup of the *Open Method of Co-ordination* (OMC) on pensions that would involve setting common objectives, translating these objectives into national policy strategies and, finally, as part of a mutual learning process, periodic monitoring on the basis of commonly agreed and defined indicators.

Progress towards the objectives was to be measured periodically by developing appropriate indicators which should aim at providing comparable information on the major economic, financial and demographic trends affecting the long-term sustainability of pensions, as well as on the progress of pension reform and its likely impact. National strategy reports on pensions were first submitted in September 2002, in which member states presented in detail how they were to meet the common objectives,<sup>2</sup> which were subsequently assessed

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<sup>2</sup> The common objectives were: 1) Preventing social exclusion; 2) Enabling people to maintain living standards, 3) Promoting solidarity, 4) Raising employment levels; 5) Extending working lives; 6) Making pension systems sustainable in a context of sound public finances; 7) Adjusting benefits and contributions in a balanced way; 8) Ensuring that private pension provision is adequate and financially sound; 9) Adapting to more flexible employment and career patterns; 10) Meeting aspirations for greater equality between women and men; and 11) Demonstrating the ability of pension systems to meet the challenges.

by the commission in the first report *On Adequate and Sustainable Pensions*, published in 2003.

Notwithstanding country differences, the first report concluded that “[a]ll Member States ensure that most people earn pension rights and provide a minimum level of income to older people who earned insufficient pension entitlements” and that pension systems “provide good opportunities for most Europeans to maintain their living standards after retirement” (EC, 2003: 6). Achievements at the level of the modernisation of European pension systems were, however, more varied with positive results on statutory schemes, which “by and large, respond well to the challenge of providing pensions for atypical (part-time, temporary, self-employed workers) and mobile workers”. In contrast, the situation in the second-pillar schemes was not satisfactory in that “atypical workers continue to be less well covered by occupational schemes” and “significant differences between women’s and men’s pension entitlements will persist for a long time to come” (EC, 2003: 8). The major issue of concern in many EU Member States was, however, long-term fiscal sustainability and, thus, “financial challenges have been the main driving force for reforms” (EC, 2003: 9). The report thus concluded, “[a]n approach based on raising employment rates, reducing public debt levels and reforming pensions systems [...] has been widely incorporated in Member States’ strategies” (EC, 2003: 7). The implications of the reforms for citizens’ aspirations and their increased responsibility for maintaining their standards of living were already foreseen in that it was then perceived as urgent to “give clear signals to citizens about what they can expect from their pension systems and what they have to do to achieve an adequate living standard in retirement” (EC, 2003: 9).

In 2006, in its first annual progress report 'Time to move up a gear', the Commission recognises globalisation and ageing, and in particular, the reform of public pension systems, as one of the main actions to be undertaken in Europe (EC, 2006). In the second round of the OMC in the field of pensions, the summary report based on the national strategy reports submitted in 2005 confirmed that “there has been substantial progress in reforming

pension systems since the 2003 Joint Report" (EC, 2006: 11). Besides the measures proposed to curb public expenditure by prolonging working lives and strengthening the link between contributions and benefits, in this second report the development of private schemes that complement or partially replace public pension provision is reinforced. In this regard, Denmark, the Netherlands and the UK stand out in the bigger role given to private pension provision. Other countries have gradually increased the importance of private provision through the introduction of a funded tier of statutory schemes (Sweden, Poland, Hungary, Estonia, Latvia, Lithuania and Slovakia) or by increasing provision for occupational or private schemes that complement public pensions (Germany, Italy and Austria). While the public pay-as-you-go pension schemes remain the principal source of pensioner income, the expected contribution of privately managed pension schemes is projected to increase in the coming decades (EC, 2012a).

Over the last decade most Member States have reformed their pension systems, aiming at improving their medium and longer-term sustainability and they have been deemed effective to the extent that "public pension schemes have become much more able to withstand the pressures of population ageing and their future contribution to pension incomes is better assured" (EC, 2012a: 13). Four major trends in pensions reforms in the EU have been highlighted (EC, 2010, 2012a):

- 1) Tightening the link between contributions paid into the system and benefits paid out, using lifetime earnings as the basis for benefit calculation (instead of final pay or best years), requesting a minimum number of contribution years (instead of solely reaching a pensionable age) or increasing the number of years required to receive a full pension;
- 2) Increasing the pensionable age and removing incentives to early retirement aiming at a convergence to 65 years by 2050 for both sexes (pension eligibility ages at present are 63 for men and 62 for women);

3) Adoption of mechanisms for automatic adjustment or periodic review of pension schemes as demographic and economic conditions change, linking, for example, pension eligibility ages with gains in life expectancy, or the indexation of benefits with GDP growth.

4) Enhancing pre-funding via the introduction of new defined-contribution (DC) schemes (either mandatory with automatic enrolment or voluntary with tax incentives) or the expansion of existing occupational schemes.

It is thus clear that the outcomes of ongoing reforms are a reduced level of coverage (i.e. of the number of beneficiaries), and of the benefits paid by the public pension systems, as we shall see below, implying “a transfer of risk from pension scheme sponsors to beneficiaries” (EC, 2012a: 33). These reforms have also increased the complexity of pension systems in that pension provision is now based on contributions from more pillars and new incentive structures have been introduced. However, these reforms will affect the current working population as the changes introduced have been phased out. This means that, while European pension systems have been deemed capable of guaranteeing a minimum level of income for older people who earned insufficient pension entitlements and the maintenance of the living standards after retirement, the ongoing reforms seriously compromise the adequacy of retirement income of future pensioners.

The impact of the reforms on retirement income means that achieving adequate income in old age will be more dependent on people's working lives and on supplementary pension schemes, which in turn depend on returns of highly volatile financial markets. This means not only that the higher sustainability of public pension expenditure is to be achieved at the expense of pension adequacy, but also at the expense of pensioners' security, for they “will have to shoulder a larger share of the particular and systemic risks of their future pensions” (EC, 2012a: 34).

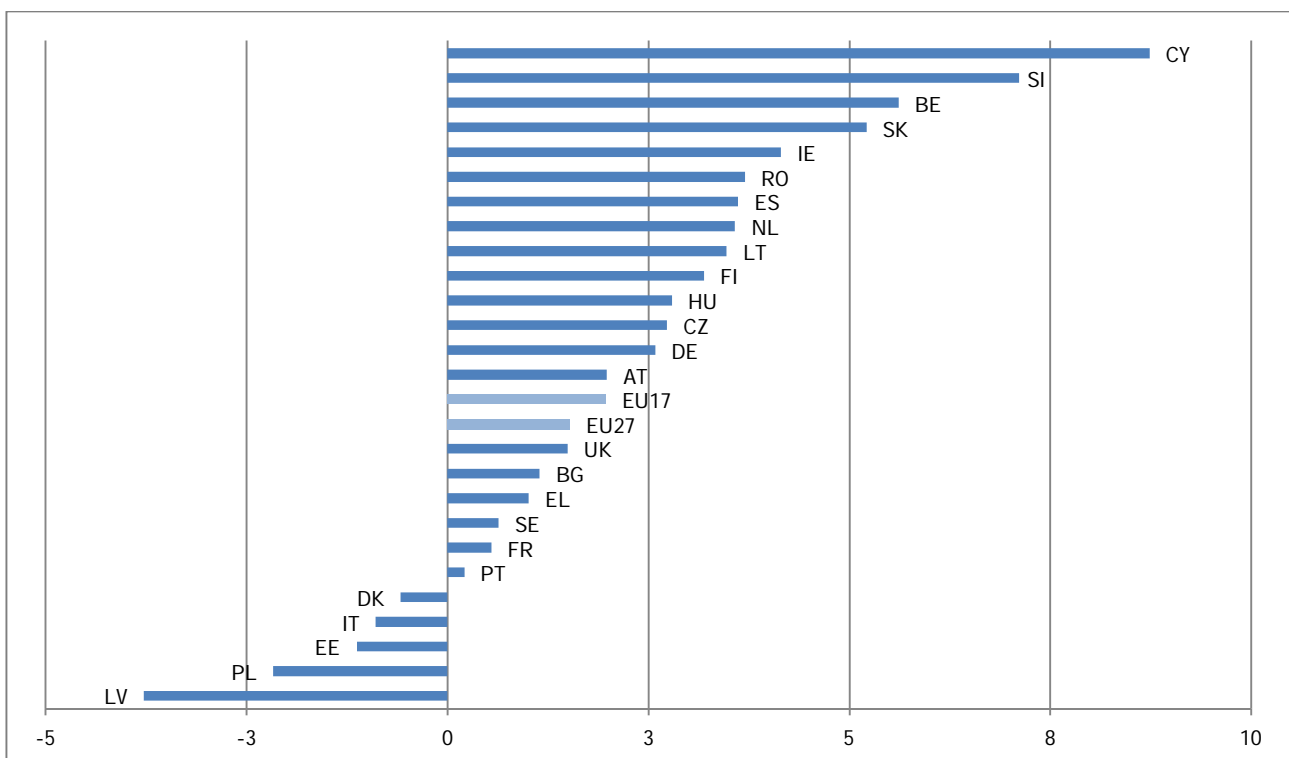


The financial and economic crises introduce further strains on future pensions through the effects of lower growth prospects and rising public deficits on public debts. Future pensioners will, then, not only be affected by prolonged unemployment periods and thus lower contribution careers, but also by poorer returns in financial markets (in case of funded schemes), and a new round of reforms introducing ever more demanding eligibility conditions.

### 6.3 The impact of pension reform in the EU

The effectiveness of reforms of pension systems has already been measured in various projections for the evolution of public pension expenditure. A recent projection for the period 2010-60 predicts a mild growth of this expenditure of only 1.5 p.p. of GDP for the 27 European Union countries, notwithstanding the very different situations (Figure 63).

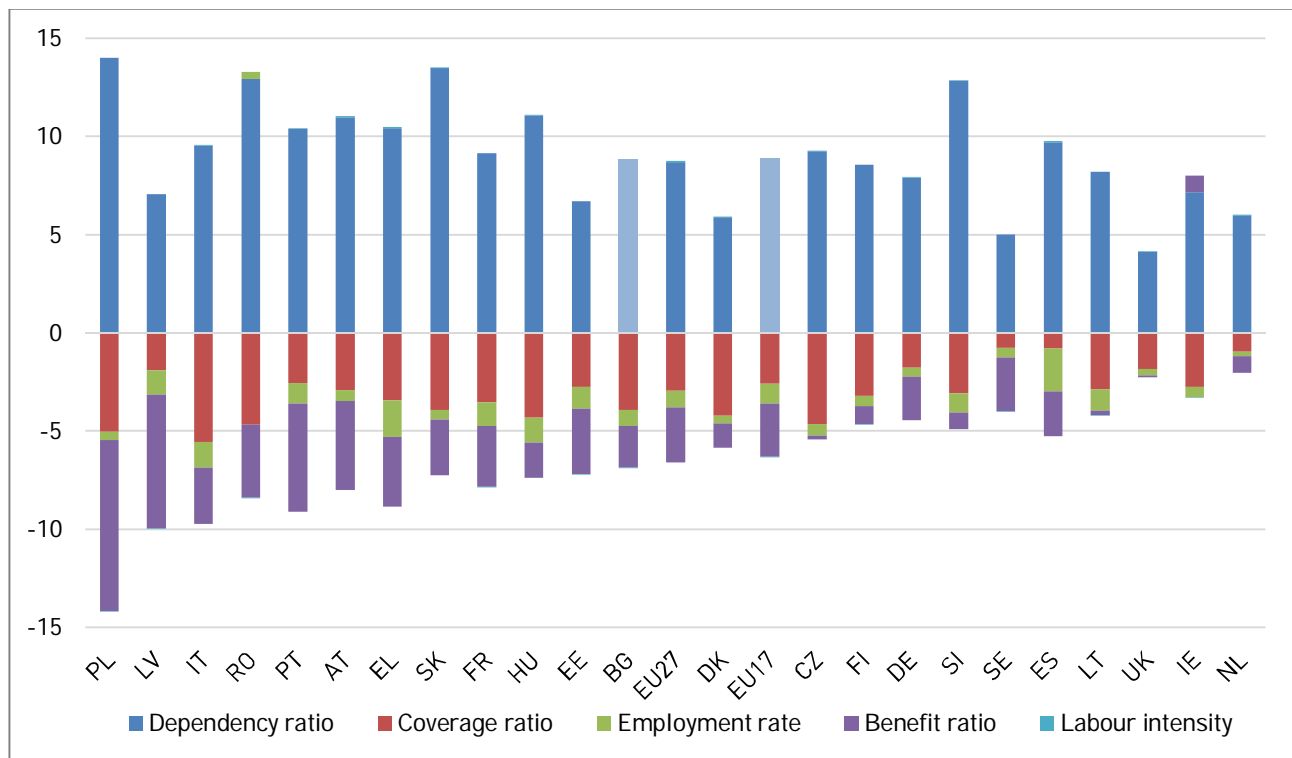
**Figure 63 Change in gross public pension expenditure over 2010-2060 (in p.p. of GDP)**



Source: Commission Services (DG ECFIN), EPC (AWG)

This moderate growth of public pension expenditure, as hinted at above, is to be obtained at the expense of the *coverage ratio*, i.e. the number of pensioners to population over 65, and the *benefit ratio*, i.e. the value of the average pension with respect to the average wage. The analysis of the various factors contributing to the evolution of public expenditure shows that, at EU level, the 9 per cent of the expected increase of pension expenditure due to the *dependency ratio* (defined as a ratio of the population aged over 65 to the population aged from 20 to 64) is to be partially offset by a 4 per cent decrease of coverage and a 3 per cent reduction of benefits. The effects of the *employment ratio* (defined as a ratio of population aged 20-64 to the number of working people aged 20-64) and of *labour intensity* (defined as a ratio of 20-64 working people to the hours worked by the 20-64 population) are marginal in most countries (Figure 64).

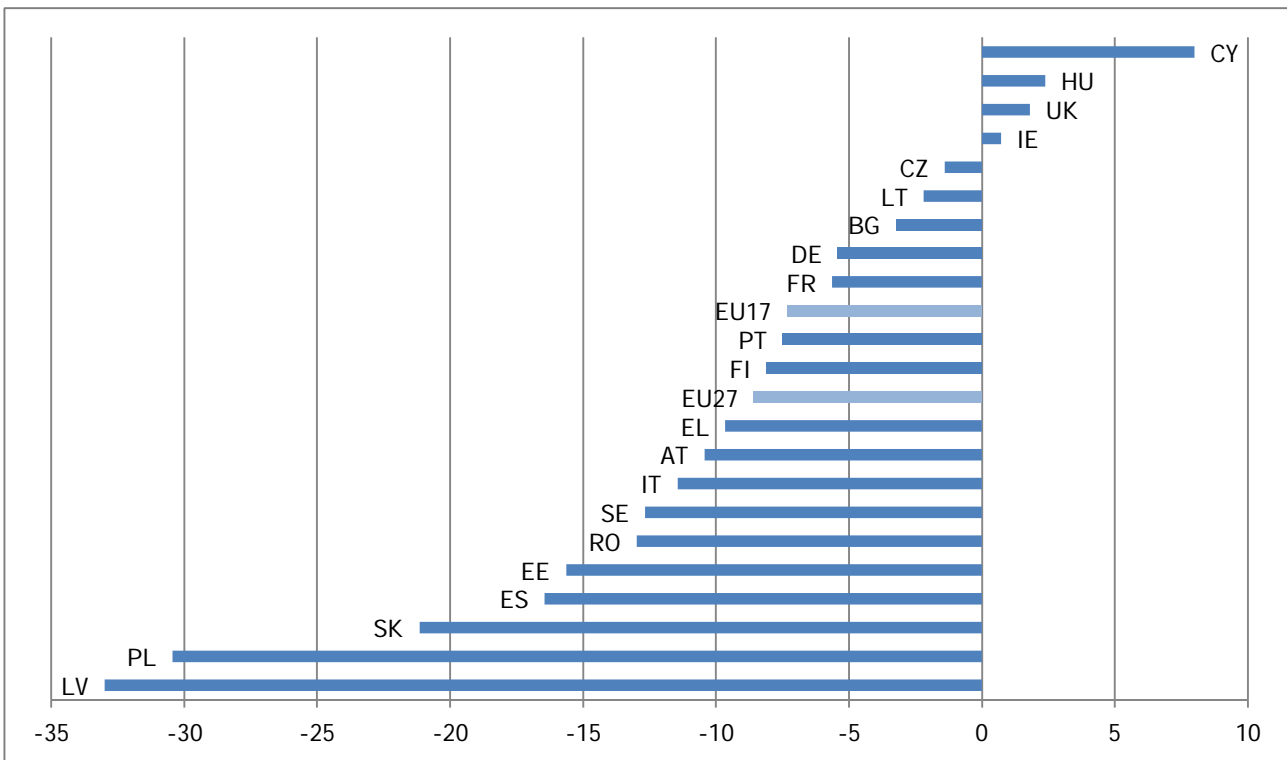
**Figure 64 Decomposition of gross public pension expenditure change 2010-60 (in p.p. of GDP)**



Source: Commission Services (DG ECFIN), EPC (AWG)

The effect of ongoing reforms on public pensions is also very clearly reflected in the projections of the replacements rates at retirement for the same period, with an expected reduction of 9 per cent for the EU 27 countries. Among the 21 countries considered in the analysis, only four of them do not expect a reduction of replacement rates (Cyprus, Hungary, The UK and Ireland), 14 expect a decrease of at least 5 p.p., and 5 of these countries expect reductions of more than 15 p.p. (Latvia, Poland, Slovakia, Spain and Estonia), (Figure 65).

**Figure 65 Change of gross replacement rates at retirement 2010-60 (%)**



Source: Commission Services (DG ECFIN), EPC (AWG)

Having succeeded in putting in place major reforms that substantially decrease public expenditure on pensions, and awareness that “the greater sustainability of public pensions in most Member States has, to a significant extent, been achieved through reductions in future adequacy”, attention now turns to a new challenge: “to devise means by which people can recoup the decline in replacement rates.” (EC, 2012a: 10). This is to be achieved by

building additional entitlements in complementary retirement saving schemes. And there is still much room for expansion, considering that pension incomes derive primarily from public schemes financed on a pay-as-you-go basis.

#### 6.4 Reform impacts on income distribution

The expected evolution of gross replacement rates – as measured by the Theoretical Replacement Rate (TRR)<sup>3</sup> – for different income brackets is far from clear. Countries vary between a progressive TRR (higher for low income earners) and similar TRR for all income groups (EC, 2012b). These results should be taken with caution since the TRR assumes a stable career of contributions, with no or few years of unemployment. It is thus to be expected that low-income earners will be in a more disadvantaged position than these measures suggest since they are more likely to be unemployed and to participate in atypical work relations (part-time, temporary, self-employment). This means that the present reforms (linking career contributions to pension income) will magnify and prolong labour market inequality to retirement.

In 2010, the policy option advocated to mitigate the problem was quite straightforward: “giving people the incentives to compensate this by working more and longer and/or by building supplementary entitlements and savings in occupational and personal schemes” (EC, 2010: 75). But this emphasis on labour market activity and on the promotion of private or semi-private schemes must face the problem of the unequal participation in these complementary schemes due to income inequality since “the proportion of income coming from occupational or statutory funded pensions is lower for low-wage earners and higher

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<sup>3</sup> The theoretical replacement rate is calculated for a base-case scenario of a male worker who retires now with 40 years of contributions. Prospective theoretical replacement ratios project the evolution of pension income for the same base-case scenario.

for high-wage earners [...] because benefits are earnings-related and statutory PAYG schemes with their redistributive features play a more significant role for people with lower earnings" (EC, 2012b: 57).

Moreover, the promotion of privately funded schemes usually results in a higher coverage for higher income deciles, as seen above. Even in countries, such as the Netherlands, where private schemes are almost universal, lower income brackets do not have the same coverage level (approx. 65%), (EC 2012a). Unequal coverage also affects women, who earn less than men and are disproportionately in atypical jobs. But this is not as yet a significant effect given the relatively new role of private pensions. The impact of pension reforms on inequality will be materialised in the future, when the current working population retires. At present, the percentage of individuals receiving benefits from private arrangements is still significantly lower than the percentage of active workers covered by such schemes – ranging from less than 2 per cent in Spain and Italy to more than 60 per cent in the Netherlands and the UK (EC, 2012b).

## **6.5 Private pension provision**

Despite the still low weight of third pillar pension schemes (voluntary pensions and life insurance funds), private provision of pensions has been rising across Europe, particularly in privately managed occupational schemes. According to the OECD (2012) the weighted average of asset-to-GDP ratio for pension funds increased from 67 per cent of GDP in 2001, to 72 per cent of GDP in 2011, a rising trend confirmed by the collected data on these assets for the EU.

Private provision arrangements vary across countries. In the Netherlands they are part of collective agreements and quasi-mandatory, and thus they cover more than 90 per cent of the labour force. In other countries, such as Germany, the UK and Ireland, where private provision is significant, coverage ranges from 41 to 53 per cent of the labour force (EC, 2012b). On the other hand, individual contributions are higher in countries that have above

average household holdings of financial assets, particularly pension and life insurance funds. This is the case of the Netherlands, Denmark, the UK and Sweden. The catching-up of Eastern European countries, in turn, is explained by the recent introduction of private schemes coupled with mandatory enrolment requirements in some of them, as in Poland (OECD, 2012). The countries with more mature private pension schemes are deemed to be “moving ahead” while the countries most affected by the financial crisis (e.g. Hungary and Portugal) are falling behind other OECD members.

The growing relevance of pension funds and life insurance in household financial wealth represents increased individual and collective risk. Although many of these funds have an investment profile where foreign assets are relevant, in all countries the domestic share of assets is considerable – from 99.5 per cent in Poland to 24.6 per cent in Estonia (OECD, 2012). This means that risk cannot be wholly transferred to the individual since these assets contain an element of “sovereign” risk, which can ultimately compromise the goals set for public debt if governments are to offer public guarantees when these pension arrangements derail. It also means that private schemes may not be more resilient to the evolution of the domestic economy than public statutory schemes.

Relatedly, the discussion on the role of private systems does not address their future sustainability. Focusing only on the current or recent returns in investment, it ignores the fact that the level of benefits paid by the private sector will also grow as the current working population retires. Given the relative novelty of these schemes at present, the level of contributions surpasses the benefits paid, even among the EU countries with higher pension funds relative to GDP (e.g. Finland, the Netherlands, and Denmark). But the ageing problem at some point will impact private pension funds as well when the contribution/benefit ratio reverses, affecting the value of financial assets and future pensions/supplements.

## **6.6 The impact of the current crisis**

Many of the assumptions of EU projections have dramatically changed with the international financial crisis. This means that both the sustainability and adequacy of future pensions are now compromised. This is acknowledged by the European Commission. Of major concern is the contagion of the crisis to the “real economy”, particularly to employment and governments’ fiscal positions. The rise of unemployment to unprecedented values and its persistence threatens the adequacy of future pensions due to its detrimental impact on contributory careers. On the other hand, the eventual need for additional measures of fiscal consolidation “stemming from bank rescues” (EC, 2010: 46) counsel the speeding up of pension reform to ensure the sustainability of pension systems. This means that the pressure for reform is escalating in the aftermath of the crisis, with a new emphasis: it is now part of the strategy for economic recovery. The question is “whether the crisis will weaken the incentives for structural reform and thereby affect potential growth further, or whether it will provide an opportunity to undertake far reaching policy actions” (EC 2010: 46). Surprisingly, the impact of the crisis on the market value lost by pension funds is not considered very troublesome since they are deemed to “have been able to recoup some of their losses in 2009 and early 2010” (EC, 2010: 7).

The European Union thus insists on the same policy options advanced before the crisis: pensionable age and contribution rate increases for PAYG schemes and a “greater sharing of risks between scheme members and employers” for defined benefit (DB) and hybrid schemes (EC, 2010: 57). Defined contribution (DC) schemes are however taken with complacency. Although DC members are identified as being more vulnerable to unemployment as contributions either fall or are suspended in these situations, concern is devoted to the public costs that migration from DB to DC schemes pose. In the light of the deterioration of public fiscal positions, the entailed public costs are perceived as a potential hurdle for the migration process.

A more proactive stance for financial regulation can be expected with the impact of the financial crisis on the value of pension funds. However, financial market instability is taken

as an exogenous factor, “volatility is a fact of life” (EC, 2010: 57), where public policy has no significant role to play. Policy recommendations instead address transparency and the promotion of smarter investment strategies such as “life-styling” – higher investment risk when scheme members are younger – in order to minimise the losses of those entering retirement age in periods of financial crisis.

A new reform impetus is thus to be expected since fiscal constraints have deepened. The deterioration of fiscal balances across Europe, particularly in the countries struck by sovereign debt crises, and the recent European agreements on stricter fiscal policy - the “six-pack” legislation that imposes EU surveillance on national budgets and the “fiscal compact” treaty that imposes the golden rule of a 0.5 per cent of GDP of structural deficit – provide a new institutional framework to exercise further pressure on national governments in their pension reforms (see Chapters 5 and 6).

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## **ANNEX 1: The ECB Survey**

The ECB survey compiles household data for 14 Eurozone countries, being conducted in each country by the respective National Central Bank. Given its wide scope – with a sample made up of more than 60,000 households –, and the use of different questionnaires in each country, the ECB applies a method of imputation of missing values for a number of variables. This imputation results in five different datasets of estimated data that are then subjected to a weighted average (ECB, 2013a).

The results of the ECB survey have been under close scrutiny and have given rise to intense polemic as many of its conclusions have been found unsound (see Box 1 above). For the purpose of the present report a more parsimonious approach was followed in order to obtain the distribution of household participation in different debt and financial asset markets by income threshold, which the ECB report does not provide (ECB, 2013a). To this end, only data pertaining to questions of participation in specific markets – with dichotomic “yes” or “no” answers - were used to avoid the use of imputed values prevalent in questions about the amounts of household assets and liabilities. The database was nonetheless cleaned from imputed values for these dichotomic questions, which did not represent a considerable loss of information – in most cases it represented less than 5 per cent of the national sample. Imputed values for income variables were also eliminated, which implied a further and more considerable loss of information though not more than 10 per cent of the national sample. Country participation rates are nonetheless close to those obtained by the ECB (2013b).

Even though the procedures chosen may have non-negligible effects on the analysis of the participation of different income groups in debt and financial asset markets, they ensure the utilisation of more reliable data, based on actual answers rather than on imputed values. This means, however, that some countries have missing values in some classes of asset, i.e. they do not have any registered answer (e.g. France and Finland for credit card debt)



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and others have only imputed values in income variable (the case of Italy), having thus been excluded from the analysis.



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## ANNEX 2

**Table 1 Total Household debt to disposable income 1995- 2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
AT				38,4%	40,8%	43,4%	44,9%	46,9%	47,1%	61,8%	68,3%	67,5%	68,2%	68,9%	72,7%	75,3%	74,9%
BE			64,6%	65,1%	67,3%	65,2%	61,9%	63,5%	65,8%	69,4%	73,8%	77,6%	81,2%	83,5%	86,1%	90,7%	90,1%
BG	0,8%	0,3%	1,5%	3,3%	3,5%	4,2%	5,5%			19,0%	28,7%	34,1%	46,1%		na	na	na
CY											2187,7%	2120,6%			163,8%	170,6%	na
CZ			7,6%	6,5%	6,3%	6,7%	7,2%	13,3%	16,7%	21,2%	26,5%	31,8%	39,0%	43,6%	47,1%	50,3%	52,1%
DE	77,1%	81,1%	84,1%	87,8%	97,0%	97,4%	95,3%	95,6%	94,4%	93,3%	91,6%	89,7%	86,9%	84,1%	85,8%	83,9%	82,2%
DK	136,4%	141,5%	151,4%	160,6%	173,6%	181,2%	185,5%	191,5%	200,0%	210,1%	232,0%	251,8%	272,7%	277,5%	288,1%	277,1%	264,9%
EE			9,6%	8,9%	10,8%	12,5%	14,9%	18,8%	25,9%	36,6%	54,1%	73,5%	81,9%	84,5%	89,2%	86,8%	80,1%
EL				10,9%	13,4%	16,7%	21,8%	27,5%	32,6%	39,9%	49,3%	57,8%	62,4%	68,4%	68,8%	71,6%	68,9%
ES			50,6%	57,0%	61,0%	66,2%	69,2%	73,8%	80,0%	87,7%	104,5%	117,7%	124,6%	123,1%	121,0%	124,6%	119,5%
FI				48,8%	49,4%	50,7%	56,9%	60,0%	64,7%	69,6%	78,3%	84,7%	88,6%	90,3%	92,2%	94,4%	97,3%
FR	47,1%	47,6%	48,3%	47,9%	50,0%	50,5%	50,4%	51,3%	54,7%	57,2%	61,5%	65,4%	68,8%	70,4%	72,6%	75,5%	77,9%
HU						7,5%	9,6%	14,3%	20,8%	24,1%	28,7%	33,9%	40,3%	51,2%	52,5%	57,3%	
IE				49,3%	66,8%	70,6%	73,1%	86,1%	98,0%	119,0%	141,8%	153,6%	159,5%	141,8%	149,8%	145,9%	121,8%
IT				26,5%	29,9%	31,8%	31,7%	33,1%	35,1%	38,8%	42,4%	45,4%	48,1%	47,7%	51,7%	60,0%	60,5%
LT				1,8%	2,3%	1,9%	2,3%	3,7%	6,8%	12,2%	20,0%	29,6%	41,9%	42,8%	42,5%	41,5%	na
LU															128,3%	na	na
LV					4,4%	6,5%	7,4%	12,0%	18,7%	27,3%	42,9%	61,7%	69,4%	61,0%	70,2%	69,7%	60,8%
MT	11,6%	14,7%	16,2%	17,1%	21,4%	24,7%	39,5%	43,9%	60,9%						na	na	na
NL			85,1%	95,2%	106,5%	120,7%	120,3%	128,7%	152,3%	164,2%	176,9%	188,0%	188,3%	194,2%	194,7%	200,1%	200,9%
PL		6,8%	8,3%	9,0%	11,6%	13,1%	13,9%	14,7%	16,4%	17,1%	20,5%	26,1%	33,7%	45,4%	48,0%	52,1%	54,5%
PT			48,7%	59,7%	70,9%	79,9%	83,2%	87,6%	86,4%	88,6%	94,4%	104,8%	113,0%	112,3%	111,0%	110,6%	110,8%
RO		9,6%	0,8%	1,1%	0,7%	0,6%	1,0%	2,0%	6,3%	7,4%	11,9%	18,9%	28,7%		32,2%	33,6%	
SE							86,8%	90,2%	96,7%	105,4%	115,2%	122,9%	127,4%	130,8%	137,5%	144,0%	144,8%
SI										19,5%	22,7%	27,3%	31,9%	33,6%	36,6%	39,8%	40,0%
SK									9,2%	12,0%	16,0%	21,2%	24,9%	31,5%	34,3%	36,8%	39,0%
UK		98,6%	95,6%	98,4%	103,5%	107,4%	111,4%	122,2%	131,6%	144,0%	148,4%	157,6%	166,4%	165,1%	160,4%	153,8%	148,2%

Source: ECRI

**Table 2 Mortgage debt to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
AT				18,33%	18,79%	19,83%	22,12%	26,32%	27,50%	31,60%	34,02%	36,48%	36,99%	39,22%	40,39%	43,23%	44,15%
BE			38,42%	40,97%	43,55%	43,84%	41,36%	43,91%	47,32%	49,82%	54,10%	57,84%	60,86%	62,99%	66,42%	71,65%	71,57%
BG	0,22%	0,08%	0,14%	0,39%	0,57%	0,71%	0,91%			4,32%	8,14%	12,90%	18,78%				
CY											42,80%	52,24%	60,71%	67,53%	82,53%	90,37%	
CZ			0,59%	0,93%	1,28%	1,80%	2,52%	7,71%	10,30%	13,21%	16,79%	20,80%	26,79%	30,11%	33,08%	35,08%	36,67%
DE	43,88%	47,16%	49,93%	52,63%	61,32%	63,14%	62,53%	62,87%	62,80%	62,51%	61,99%	61,55%	59,93%	57,91%	58,36%	57,18%	56,11%
DK						148,73%	153,16%	160,33%	170,38%	179,59%	198,85%	214,42%	231,25%	236,27%	247,29%	240,24%	231,70%
EE			4,93%	6,07%	6,75%	7,68%	9,81%	13,39%	19,61%	29,28%	44,43%	62,11%	67,80%	68,83%	73,04%	71,85%	66,84%
EL	5,30%	6,26%	7,10%	7,77%	9,43%	11,07%	14,27%	18,47%	21,53%	25,78%	32,00%	37,83%	40,72%	45,64%	46,26%	48,71%	47,72%
ES			30,99%	34,79%	37,22%	41,93%	45,73%	49,19%	53,88%	61,10%	76,22%	87,13%	92,90%	91,62%	90,71%	94,11%	91,51%
FI				30,99%	33,01%	34,69%	36,87%	40,09%	43,97%	48,17%	54,97%	60,12%	63,64%	65,26%	67,32%	69,45%	72,30%
FR	29,67%	29,97%	30,05%	29,79%	31,36%	32,00%	32,22%	33,41%	36,11%	38,83%	43,16%	47,48%	50,94%	52,96%	54,55%	57,89%	60,03%
HU						2,37%	3,54%	7,60%	13,36%	15,43%	17,20%	19,28%	21,62%	26,02%	26,53%	29,00%	
IE				36,16%	50,59%	54,07%	55,66%	70,47%	81,31%	100,54%	117,33%	127,79%	130,50%	114,47%	117,86%	111,66%	88,78%
IT				8,23%	10,13%	11,78%	12,38%	14,53%	16,56%	19,20%	21,89%	23,80%	25,02%	24,38%	26,29%	32,79%	33,40%
LT					0,39%	0,40%	1,10%	2,05%	4,05%	8,32%	13,71%	19,15%	27,73%	29,66%	30,65%	31,33%	
LU												89,90%	102,81%	102,61%	106,24%		
LV				1,17%	2,12%	3,92%	4,04%	6,60%	11,94%	18,96%	30,74%	46,77%	55,06%	48,89%	55,65%	55,94%	48,34%
MT	5,89%	7,25%	9,07%	9,67%	12,31%	13,88%	27,36%	31,70%	39,22%								
NL	68,14%	78,32%	71,65%	80,40%	91,01%	104,18%	105,79%	112,22%	126,17%	136,63%	148,75%	157,42%	161,69%	170,74%	178,51%	182,17%	185,21%
PL		0,35%	0,49%	0,69%	1,22%	1,79%	2,43%	3,37%	4,90%	5,57%	7,63%	11,14%	15,58%	23,67%	24,73%	29,29%	32,68%
PT	23,79%	28,65%	34,63%	43,49%	52,72%	56,55%	60,79%	66,07%	65,46%	66,94%	72,30%	81,22%	84,97%	84,59%	88,40%	88,95%	89,71%
RO										0,72%	1,57%	3,53%	5,69%	6,33%	7,78%	9,52%	
SE								53,66%	58,60%	66,17%	73,13%	78,87%	81,97%	85,19%	91,64%	94,61%	95,29%
SI										4,55%	7,33%	9,93%	12,46%	14,67%	17,10%	20,73%	21,84%
SK									6,07%	8,25%	10,47%	14,02%	16,74%	21,45%	23,27%	25,59%	27,98%
UK	77,51%	76,28%	75,24%	76,22%	79,31%	81,62%	84,47%	93,09%	101,80%	112,12%	118,28%	126,45%	134,69%	133,36%	131,13%	127,29%	123,44%

Source: ECRI

Table 3 Consumer debt to disposable income 1995-2011

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
AT				12,25%	13,12%	18,02%	17,34%	16,27%	14,70%	16,14%	18,07%	15,80%	14,91%	14,13%	13,48%	13,20%	12,35%
BE	6,67%	6,80%	7,08%	7,56%	7,88%	7,96%	7,89%	7,95%	7,98%	8,03%	8,15%	8,49%	8,97%	9,18%	9,09%	9,34%	9,15%
BG	0,59%	0,22%	1,32%	2,89%	2,89%	3,18%	4,08%			12,37%	17,67%	18,09%	23,86%				
CY											26,69%	27,43%	27,29%	33,75%	37,80%	25,62%	
CZ			0,68%	1,65%	2,05%	1,77%	2,15%	3,03%	3,61%	4,30%	5,33%	6,12%	7,22%	8,30%	8,97%	9,59%	9,30%
DE	11,06%	11,39%	11,61%	11,80%	11,68%	11,85%	11,48%	14,08%	11,69%	11,46%	11,01%	10,56%	10,45%	10,45%	10,79%	10,85%	10,67%
DK						15,67%	14,45%	13,52%	13,32%	13,70%	14,01%	15,33%	17,99%	18,13%	15,74%	13,66%	12,70%
EE			3,42%	2,44%	3,49%	0,43%	0,66%	1,05%	1,44%	2,64%	4,76%	7,72%	9,48%	9,36%	8,99%	7,93%	6,69%
EL	1,71%	2,14%	2,50%	3,08%	3,91%	5,41%	7,22%	8,56%	10,03%	12,97%	15,43%	17,64%	18,81%	21,47%	20,77%	21,32%	20,16%
ES			8,67%	10,34%	11,11%	11,51%	10,83%	11,24%	10,84%	11,40%	13,10%	14,62%	15,40%	14,31%	12,80%	11,66%	9,83%
FI				4,82%	4,56%	4,41%	8,54%	8,61%	8,94%	9,34%	10,66%	11,33%	11,50%	11,64%	11,60%	11,36%	11,34%
FR	8,72%	9,27%	9,97%	10,78%	11,60%	11,96%	11,85%	11,61%	12,03%	12,04%	12,37%	12,40%	12,39%	12,00%	11,82%	11,55%	11,45%
HU						2,22%	2,79%	3,27%	4,92%	5,87%	9,07%	12,38%	16,80%	22,83%	23,37%	26,16%	
IE	9,26%	9,60%	9,77%	11,48%	13,82%	13,95%	14,92%	16,71%	17,56%	19,29%	21,25%	22,57%	21,93%	21,63%	25,45%	21,30%	18,35%
IT	2,33%	2,45%	3,11%	3,53%	4,08%	4,51%	4,74%	5,09%	5,38%	6,33%	7,33%	8,34%	9,22%	9,77%	10,59%	10,61%	10,14%
LT				0,42%	0,33%	0,31%	0,40%	0,92%	1,81%	3,23%	4,74%	6,06%	6,20%	5,22%	4,88%		
LU												9,02%	8,64%	8,24%	7,76%		
LV					1,38%	1,69%	2,18%	2,35%	3,41%	4,33%	6,38%	8,51%	8,43%	7,67%	8,26%	7,91%	7,01%
MT	2,90%	3,95%	4,16%	4,69%	5,08%	5,36%	4,34%	3,74%	4,16%								
NL	5,52%	5,56%	5,74%	6,10%	6,12%	6,18%	5,64%	7,38%	8,02%	9,07%	9,32%	9,30%	8,68%	8,80%	8,78%	10,02%	9,50%
PL		3,39%	4,29%	4,59%	6,20%	7,05%	6,89%	6,90%	7,00%	7,23%	8,86%	10,16%	12,55%	15,39%	16,19%	15,58%	14,17%
PT			7,21%	8,30%	8,46%	9,11%	8,56%	8,02%	8,57%	8,56%	8,58%	10,09%	11,65%	12,51%	12,66%	12,13%	11,89%
RO										6,50%	10,08%	15,01%	22,08%	22,32%	23,37%	21,12%	
SE								6,58%	6,73%	7,13%	7,73%	8,42%	8,75%	8,82%	9,04%	8,74%	8,98%
SI										10,49%	10,55%	11,61%	12,81%	12,46%	12,62%	12,14%	11,51%
SK									1,81%	1,86%	2,18%	3,21%	3,41%	4,26%	4,70%	7,36%	7,31%
UK	13,87%	14,88%	15,91%	17,75%	19,49%	20,56%	21,54%	23,33%	23,74%	25,41%	25,81%	24,95%	25,15%	25,36%	24,07%	21,97%	20,48%

Source: ECRI



**Table 4 Other loans to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
AT				7,83%	8,91%	5,22%	5,29%	4,10%	4,68%	13,68%	19,18%	18,56%	18,49%	18,47%	18,81%	18,89%	18,44%
BE	17,80%	18,35%	19,10%	16,53%	15,83%	13,34%	12,52%	11,48%	10,38%	11,39%	11,42%	11,25%	11,03%	10,64%	10,63%	9,69%	9,37%
BG	0,01%	0,01%	0,03%	0,07%	0,07%	0,26%	0,52%			2,28%	2,87%	3,14%	3,45%				
CY											58,06%	54,33%	53,14%	50,29%	43,42%	54,58%	
CZ			6,33%	3,94%	3,02%	2,81%	2,13%	1,75%	1,85%	2,34%	2,74%	3,13%	3,79%	4,45%	5,07%	5,62%	6,13%
DE	22,18%	22,59%	22,58%	23,42%	24,03%	24,21%	23,25%	20,34%	21,41%	20,61%	19,84%	18,66%	17,62%	16,79%	16,63%	15,88%	15,42%
DK						16,77%	17,89%	17,66%	16,31%	16,86%	19,13%	22,05%	25,50%	25,79%	25,07%	23,17%	20,55%
EE			1,21%	0,36%	0,60%	4,21%	4,23%	4,29%	4,42%	4,80%	4,77%	5,51%	6,38%	6,78%	7,15%	7,00%	6,56%
EL				0,06%	0,08%	0,19%	0,30%	0,45%	1,02%	1,11%	1,17%	1,42%	1,66%	1,81%	1,75%	1,54%	1,02%
ES			10,97%	11,90%	12,68%	12,80%	12,74%	13,56%	15,07%	15,42%	15,75%	16,83%	16,91%	17,19%	17,52%	18,83%	18,13%
FI				12,99%	11,79%	11,59%	11,49%	11,30%	11,77%	12,07%	12,64%	13,29%	13,48%	13,24%	13,25%	13,55%	13,61%
FR	8,69%	8,41%	8,29%	7,38%	7,08%	6,66%	6,42%	6,37%	6,75%	6,57%	6,42%	6,09%	6,05%	6,03%	6,23%	6,04%	6,47%
HU						2,98%	3,39%	3,47%	2,69%	3,03%	2,40%	2,46%	2,42%	2,61%	2,65%	2,17%	
IE				1,69%	2,41%	2,58%	2,55%	2,91%	3,57%	5,21%	6,52%	7,24%	8,97%	7,84%	6,49%	12,91%	14,66%
IT				14,78%	15,74%	15,52%	14,57%	13,47%	13,15%	13,28%	13,17%	13,29%	13,78%	13,82%	14,86%	16,57%	16,96%
LT					1,49%	1,15%	0,84%	1,18%	1,74%	1,95%	2,92%	5,42%	7,66%	6,96%	6,66%	5,25%	
LU												9,91%	10,57%	10,98%	14,29%		
LV					0,89%	1,28%	1,61%	3,04%	3,31%	4,07%	5,96%	6,44%	6,52%	5,37%	6,25%	5,82%	5,48%
MT	2,78%	3,49%	3,00%	2,73%	3,97%	5,47%	7,75%	8,46%	17,49%								
NL			7,71%	8,74%	9,32%	10,13%	8,58%	8,76%	8,90%	8,68%	7,86%	9,59%	8,25%	7,77%	7,44%	7,90%	6,19%
PL		3,06%	3,54%	3,62%	3,94%	4,12%	4,43%	4,23%	4,35%	4,25%	4,44%	5,24%	6,08%	6,67%	7,13%	7,24%	7,69%
PT	10,24%	12,04%	6,82%	7,87%	9,75%	11,04%	11,14%	10,73%	9,36%	9,94%	10,18%	10,65%	10,90%	10,25%	9,98%	9,49%	9,21%
RO										0,19%	0,27%	0,33%	0,88%	1,40%	1,01%	2,93%	
SE								29,99%	31,35%	32,07%	34,32%	35,60%	36,68%	36,32%	36,79%	40,65%	40,54%
SI										4,32%	4,87%	5,78%	6,57%	6,69%	6,90%	6,91%	6,63%
SK									1,31%	1,91%	3,29%	4,04%	4,82%	5,99%	6,32%	3,82%	3,75%
UK		7,47%	4,49%	4,45%	4,74%	5,17%	5,42%	5,81%	6,09%	6,43%	4,31%	4,80%	5,12%	5,42%	5,14%	4,58%	4,31%

Source: ECRI

**Table 5 Total financial assets to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	245,2%	254,9%	269,3%	298,8%	325,2%	316,3%	304,6%	262,5%	265,2%	270,9%	278,9%	278,7%	265,1%	238,1%	266,7%	252,3%	255,1%
BG						50,0%	54,3%	52,9%	56,8%	61,1%	65,8%	82,5%	117,8%	90,4%	96,6%	97,6%	105,9%
CZ	84,4%	81,6%	82,3%	88,1%	87,8%	87,2%	91,7%	86,0%	89,3%	89,9%	89,1%	89,8%	96,3%	84,7%	99,9%	106,8%	103,2%
DK	162,2%	167,4%	177,8%	181,5%	192,6%	191,9%	184,8%	180,3%	190,3%	206,3%	231,9%	241,0%	241,7%	212,8%	246,8%	258,3%	261,8%
DE	140,4%	145,9%	156,7%	166,4%	176,1%	175,4%	175,4%	171,9%	180,9%	181,4%	189,0%	181,1%	183,1%	174,3%	186,2%	185,5%	180,9%
ET	57,2%	61,3%	61,2%	50,7%	57,9%	61,4%	58,6%	67,4%	79,8%	87,8%	104,8%	133,6%	126,3%	118,5%	141,7%	119,5%	110,7%
IE							182,5%	171,7%	177,3%	186,6%	196,3%	198,0%	187,4%	183,8%	230,8%	242,4%	246,4%
EL						164,7%	151,2%	132,1%	128,0%	134,8%	150,4%	151,3%	152,6%	120,0%	128,5%	124,9%	121,2%
ES	144,9%	144,0%	156,9%	175,5%	179,0%	168,0%	165,4%	155,7%	165,3%	168,8%	177,9%	191,4%	186,7%	161,6%	172,9%	170,3%	164,5%
FR	147,8%	152,2%	160,4%	167,2%	181,5%	178,9%	167,9%	166,0%	172,6%	176,7%	184,3%	193,5%	194,8%	179,6%	199,5%	206,0%	201,3%
IT	188,6%	195,9%	208,0%	231,4%	243,2%	249,1%	235,7%	235,8%	235,5%	242,3%	251,7%	251,2%	236,4%	236,9%	238,9%	235,1%	223,4%
CY	182,7%	185,8%	187,4%	164,2%	267,6%	231,9%	229,6%	229,1%	221,3%	231,0%	284,3%	310,9%	332,5%	250,4%	284,5%	273,9%	256,7%
LV		27,1%	30,7%	32,5%	36,3%	39,6%	41,3%	41,5%	40,1%	57,2%	66,4%	75,0%	56,8%	49,1%	57,7%	59,7%	57,0%
LT	33,4%	36,2%	46,5%	39,6%	44,0%	41,6%	41,6%	47,8%	51,0%	57,2%	60,3%	65,4%	65,1%	76,7%	76,0%	79,9%	74,4%
LU												170,3%	177,5%	204,9%	217,9%	203,2%	189,0%
HU	57,2%	62,6%	65,1%	68,9%	76,8%	77,6%	83,6%	83,1%	80,0%	88,8%	92,7%	105,8%	106,6%	97,7%	117,9%	115,3%	93,4%
MT																	271,0%
NL	239,0%	255,2%	274,6%	299,3%	312,8%	300,7%	275,9%	253,1%	263,3%	270,1%	293,1%	287,9%	287,6%	255,4%	296,4%	309,9%	306,4%
AT	136,0%	136,6%	142,3%	145,1%	148,6%	149,3%	149,5%	147,5%	152,4%	155,9%	162,8%	170,2%	169,4%	160,3%	178,5%	178,4%	170,1%
PL	34,5%	33,2%	38,4%	47,7%	51,7%	52,3%	54,4%	53,1%	65,4%	81,3%	81,8%	86,1%	95,4%	63,0%	87,0%	88,7%	78,9%
PT	169,5%	169,3%	214,3%	222,6%	225,6%	222,0%	212,5%	203,3%	207,3%	210,1%	217,4%	225,1%	229,2%	226,4%	238,6%	235,2%	231,2%
RO				28,9%	35,1%	32,5%	32,2%	31,5%	32,3%	43,2%	53,0%	77,8%	91,1%	74,9%	68,9%	56,2%	52,5%
SL							80,6%	85,8%	90,1%	96,6%	99,8%	105,0%	110,6%	98,4%	108,0%	110,4%	104,9%
SK	64,7%	64,7%	65,0%	59,0%	67,0%	61,7%	61,4%	78,7%	73,9%	65,1%	64,4%	66,7%	63,7%	59,7%	62,0%	66,4%	69,0%
FI	78,2%	83,0%	82,2%	93,2%	113,2%	111,5%	103,8%	99,4%	109,4%	111,6%	123,1%	127,7%	121,6%	106,8%	128,1%	134,9%	123,2%
SE	116,6%	122,0%	135,9%	134,5%	170,4%	150,7%	157,3%	139,1%	151,8%	161,5%	172,7%	187,0%	173,1%	142,5%	207,2%	217,1%	196,4%
UK	263,2%	296,8%	313,0%	291,0%	358,9%	313,9%	295,7%	242,5%	253,1%	251,4%	280,6%	295,9%	264,8%	207,0%	289,5%	293,6%	294,7%

Source: Eurostat and ECRI

**Table 6 Currency and deposits to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	70,8%	72,6%	75,3%	73,9%	70,6%	66,6%	65,7%	67,8%	71,7%	76,0%	78,0%	78,0%	76,6%	75,5%	83,2%	81,7%	82,8%
BG						27,7%	35,3%	30,3%	30,9%	34,6%	38,0%	39,3%	37,4%	35,0%	38,3%	40,9%	43,1%
CZ	34,3%	35,2%	39,7%	43,7%	44,3%	44,6%	48,4%	44,1%	44,5%	47,2%	46,2%	47,6%	52,6%	48,3%	56,8%	59,5%	57,8%
DK	40,8%	40,0%	41,1%	42,4%	40,5%	40,2%	40,1%	40,4%	42,6%	43,9%	46,6%	47,2%	49,3%	46,6%	50,7%	49,6%	48,7%
DE	61,8%	62,7%	64,0%	66,0%	64,7%	61,6%	61,4%	64,5%	66,5%	66,2%	67,2%	65,8%	66,4%	70,3%	74,5%	74,1%	73,9%
ET	8,3%	8,7%	10,8%	12,2%	16,2%	17,8%	19,5%	18,5%	19,6%	20,1%	21,8%	23,5%	22,1%	24,3%	32,0%	31,1%	32,4%
IE							62,8%	67,6%	65,0%	68,4%	70,8%	71,5%	72,4%	79,0%	95,6%	98,0%	98,9%
EL						72,3%	77,3%	69,8%	64,8%	69,3%	76,7%	76,5%	79,7%	87,3%	93,0%	96,5%	99,7%
ES	73,5%	68,0%	64,3%	62,9%	65,2%	66,8%	66,7%	65,9%	64,7%	65,5%	66,4%	69,8%	71,5%	76,7%	81,7%	83,5%	82,8%
FR	58,5%	58,2%	60,3%	60,7%	60,4%	56,6%	55,4%	57,5%	58,1%	57,6%	57,5%	56,1%	55,5%	56,5%	58,8%	59,1%	60,6%
IT	75,1%	73,5%	65,5%	61,5%	59,7%	58,8%	59,9%	60,3%	61,9%	62,3%	64,1%	66,4%	66,8%	71,2%	74,6%	73,0%	72,2%
CY	120,1%	123,1%	129,6%	115,1%	87,4%	98,9%	116,8%	129,0%	123,9%	131,7%	171,0%	163,8%	177,6%	165,4%	182,1%	178,2%	172,0%
LV		11,4%	13,6%	12,4%	14,6%	16,3%	19,1%	20,3%	21,6%	23,5%	29,1%	33,4%	28,2%	23,1%	24,2%	28,1%	27,6%
LT	10,2%	7,7%	8,7%	9,1%	12,9%	13,6%	16,2%	17,7%	19,8%	21,5%	24,4%	28,7%	29,3%	26,1%	30,8%	32,8%	31,1%
LU												79,5%	87,2%	110,6%	109,6%	102,3%	101,2%
HU	31,5%	33,0%	31,5%	32,1%	34,5%	32,6%	34,5%	32,8%	32,7%	34,6%	35,1%	38,0%	37,7%	37,8%	43,9%	40,0%	36,8%
MT																	140,1%
NL	52,6%	53,1%	52,6%	55,9%	54,4%	52,1%	53,7%	55,7%	57,6%	58,4%	60,7%	59,4%	61,2%	65,1%	71,6%	71,7%	71,7%
AT	77,6%	76,8%	78,8%	78,7%	78,5%	76,3%	76,8%	76,6%	78,6%	77,8%	76,8%	75,0%	75,2%	77,0%	82,8%	80,2%	78,3%
PL	23,3%	23,2%	25,2%	26,5%	29,9%	31,6%	34,1%	30,8%	29,5%	32,5%	30,1%	30,6%	32,1%	29,0%	38,8%	38,0%	36,6%
PT	82,9%	84,4%	80,4%	79,1%	79,4%	81,6%	83,0%	80,1%	78,1%	76,8%	75,8%	77,2%	79,4%	86,3%	89,5%	88,3%	94,7%
RO				12,3%	13,4%	11,5%	13,5%	13,0%	11,2%	12,9%	13,8%	15,9%	18,2%	18,2%	22,9%	20,0%	18,4%
SL							42,0%	43,8%	45,7%	48,3%	50,3%	50,9%	48,9%	50,1%	53,5%	55,2%	55,7%
SK	48,0%	47,5%	48,2%	44,0%	50,3%	46,5%	47,2%	60,6%	55,2%	45,3%	43,0%	42,8%	40,1%	38,5%	41,2%	42,6%	44,8%
FI	43,3%	41,4%	38,3%	37,5%	37,0%	34,4%	33,7%	33,6%	35,5%	35,4%	38,1%	37,1%	38,5%	42,0%	45,5%	46,0%	46,9%
SE	31,9%	30,4%	27,6%	24,3%	25,7%	22,3%	25,4%	26,2%	26,5%	26,3%	26,6%	29,1%	30,8%	29,4%	37,4%	38,3%	37,3%
UK	62,6%	70,0%	67,3%	61,6%	69,3%	64,4%	68,5%	65,7%	68,3%	69,1%	73,5%	77,6%	72,6%	67,2%	84,2%	82,8%	85,6%

Source: Eurostat and ECRI

**Table 7 Securities other than shares to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	72,0%	73,4%	70,6%	62,9%	63,3%	60,4%	58,4%	52,5%	44,7%	36,2%	31,1%	24,0%	22,4%	25,2%	25,6%	22,5%	25,3%
BG						0,0%	0,0%	0,3%	0,7%	0,7%	0,9%	0,6%	0,3%	0,2%	0,1%	0,1%	0,2%
CZ	0,1%	0,2%	0,2%	0,3%	0,4%	0,5%	0,4%	0,4%	0,4%	0,3%	0,3%	0,3%	0,3%	0,6%	0,9%	1,3%	2,1%
DK	24,6%	23,0%	20,6%	18,6%	16,3%	15,7%	15,1%	14,4%	13,0%	12,7%	11,8%	11,5%	11,7%	11,1%	11,3%	9,5%	9,0%
DE	12,0%	12,2%	12,5%	12,0%	11,7%	11,4%	12,0%	12,7%	13,5%	14,7%	14,4%	11,8%	12,2%	10,8%	11,1%	10,1%	9,5%
ET	0,0%	0,0%	0,0%	0,0%	0,2%	0,2%	0,1%	0,1%	0,2%	0,3%	0,3%	1,6%	2,5%	0,3%	0,8%	0,7%	2,1%
IE							0,5%	0,5%	0,6%	0,5%	0,4%	0,4%	0,3%	0,4%	0,5%	0,4%	0,4%
EL						13,2%	19,7%	20,9%	18,0%	18,4%	17,0%	17,1%	14,3%	12,4%	8,5%	9,4%	8,1%
ES	5,2%	3,9%	4,4%	4,3%	4,2%	4,3%	3,7%	3,9%	4,9%	3,8%	3,8%	5,0%	4,8%	3,5%	4,2%	5,0%	6,7%
FR	8,4%	7,2%	6,1%	5,8%	4,5%	5,4%	5,6%	4,6%	3,7%	3,4%	3,2%	3,0%	3,2%	3,4%	3,8%	3,2%	3,0%
IT	44,7%	51,0%	53,8%	48,3%	39,6%	42,8%	46,1%	50,2%	48,4%	51,9%	51,0%	48,4%	48,5%	50,9%	49,9%	45,8%	46,3%
CY	2,7%	3,6%	4,6%	4,3%	13,6%	7,2%	6,4%	6,1%	7,1%	9,0%	9,5%	13,1%	9,0%	6,0%	6,4%	6,5%	5,4%
LV		0,0%	0,1%	0,1%	0,1%	0,1%	0,4%	0,6%	0,3%	0,2%	0,1%	0,0%	0,0%	0,0%	0,0%	0,1%	0,1%
LT	0,3%	0,1%	0,1%	0,3%	0,2%	0,1%	0,0%	0,0%	0,0%	0,6%	1,4%	1,6%	1,7%	1,7%	3,2%	3,2%	3,0%
LU												17,7%	18,0%	26,6%	31,8%	29,1%	20,6%
HU	3,7%	5,2%	5,8%	6,4%	7,5%	7,0%	7,1%	6,6%	6,1%	7,0%	5,8%	6,4%	5,2%	5,6%	6,0%	6,3%	6,0%
MT																	41,4%
NL	8,0%	8,1%	7,6%	8,1%	7,5%	9,6%	7,4%	9,6%	9,2%	9,1%	9,9%	9,0%	8,6%	7,8%	8,2%	7,7%	6,6%
AT	16,5%	14,7%	12,8%	11,0%	9,9%	10,3%	10,0%	10,4%	10,8%	11,5%	11,7%	13,5%	14,3%	15,5%	16,5%	16,4%	16,0%
PL	1,1%	1,2%	0,9%	0,6%	0,4%	0,5%	0,2%	0,7%	1,3%	1,4%	1,0%	0,8%	0,7%	0,6%	0,5%	0,5%	0,5%
PT	1,5%	1,4%	1,9%	6,5%	10,0%	9,9%	10,1%	10,5%	11,6%	12,5%	10,8%	11,2%	12,0%	12,2%	12,5%	13,5%	12,9%
RO				0,0%	0,5%	0,8%	1,3%	1,4%	0,8%	0,8%	0,2%	0,5%	0,2%	0,6%	0,6%	0,5%	0,5%
SL							1,6%	2,6%	2,3%	2,8%	1,8%	1,7%	1,5%	1,4%	1,5%	1,4%	1,4%
SK	2,4%	2,6%	2,2%	1,6%	2,0%	1,7%	0,3%	0,4%	0,6%	0,5%	0,4%	0,4%	0,3%	0,2%	0,2%	1,1%	1,5%
FI	3,5%	3,7%	2,9%	2,2%	1,5%	1,2%	1,7%	1,2%	1,3%	2,0%	2,4%	3,1%	2,4%	2,4%	3,4%	4,2%	4,0%
SE	10,3%	9,9%	8,8%	8,1%	7,1%	4,6%	4,1%	3,9%	4,1%	4,1%	4,3%	5,4%	5,8%	4,5%	5,9%	4,7%	3,6%
UK	5,7%	6,6%	7,3%	6,9%	6,1%	4,6%	5,4%	5,0%	4,4%	3,7%	4,2%	2,7%	2,1%	2,0%	2,3%	4,0%	3,4%

Source: Eurostat and ECRI

**Table 8 Shares and other equity to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	66,3%	71,5%	83,4%	118,4%	143,2%	140,5%	129,3%	90,2%	93,8%	103,8%	108,1%	113,5%	102,5%	75,7%	89,4%	78,7%	77,7%
BG						18,5%	14,6%	17,7%	19,7%	20,0%	20,1%	33,7%	69,4%	39,0%	39,5%	37,0%	43,3%
CZ	43,9%	39,5%	35,5%	36,8%	35,2%	33,8%	33,7%	31,8%	33,9%	30,4%	29,8%	28,3%	29,0%	22,9%	26,7%	27,1%	24,8%
DK	23,2%	28,3%	32,9%	34,7%	45,2%	43,3%	38,7%	35,1%	39,9%	49,3%	65,1%	75,8%	74,5%	48,8%	64,7%	75,0%	68,3%
DE	26,5%	28,9%	35,1%	40,2%	48,9%	49,6%	47,6%	38,2%	42,5%	41,7%	46,7%	42,8%	43,4%	31,6%	34,1%	34,9%	31,4%
EE	45,2%	49,0%	46,4%	34,1%	35,7%	37,0%	32,8%	41,8%	52,1%	57,7%	71,0%	94,4%	87,0%	80,0%	90,4%	68,5%	59,0%
IE							53,2%	46,3%	43,6%	43,0%	43,3%	38,9%	34,8%	29,9%	38,1%	37,7%	37,5%
EL						71,4%	46,7%	33,6%	38,2%	40,5%	49,9%	50,5%	50,7%	11,5%	17,2%	11,1%	6,3%
ES	43,5%	49,5%	65,7%	83,5%	82,6%	67,8%	65,8%	56,2%	65,5%	68,6%	76,0%	83,9%	78,5%	51,4%	55,4%	49,3%	42,1%
FR	38,9%	41,2%	42,4%	47,3%	58,6%	57,3%	47,4%	42,6%	46,9%	48,6%	51,5%	58,7%	57,8%	42,4%	49,3%	50,1%	44,9%
IT	49,2%	51,0%	67,4%	98,2%	117,5%	119,2%	100,1%	93,3%	89,7%	90,3%	95,7%	95,3%	81,5%	76,5%	72,1%	72,3%	61,5%
CY	33,2%	29,8%	23,6%	18,3%	132,0%	94,0%	76,0%	64,2%	60,0%	59,8%	70,6%	99,3%	110,0%	47,4%	60,2%	53,4%	42,1%
LV		12,5%	13,2%	15,5%	16,9%	19,2%	17,5%	17,0%	13,8%	23,8%	22,7%	25,1%	19,2%	13,3%	16,6%	13,9%	12,0%
LT	19,9%	25,0%	22,6%	17,4%	19,1%	16,6%	14,5%	19,6%	20,3%	23,7%	24,1%	24,1%	22,1%	37,1%	26,6%	29,1%	23,9%
LU												56,1%	55,2%	45,3%	49,7%	44,4%	39,4%
HU	15,2%	17,3%	20,4%	21,5%	24,0%	26,0%	28,1%	28,6%	26,4%	28,6%	31,8%	37,1%	38,5%	33,1%	40,1%	40,8%	36,1%
MT																	51,3%
NL	48,0%	54,9%	65,0%	70,5%	80,7%	77,2%	60,9%	42,9%	44,4%	43,9%	44,5%	43,3%	42,4%	30,6%	38,8%	39,9%	33,6%
AT	23,4%	25,3%	29,0%	31,4%	34,1%	35,6%	34,6%	31,1%	32,8%	35,5%	40,6%	48,2%	46,4%	34,9%	43,0%	45,6%	40,5%
PL	8,4%	5,8%	6,6%	15,4%	16,4%	11,5%	8,2%	9,2%	22,4%	30,8%	32,7%	34,4%	39,5%	15,9%	23,2%	24,3%	19,6%
PT	62,0%	60,1%	71,7%	78,6%	80,5%	72,0%	65,2%	60,4%	64,5%	67,8%	73,7%	77,9%	75,2%	63,7%	68,1%	64,7%	60,7%
RO				11,2%	14,2%	13,9%	11,5%	13,9%	17,0%	25,6%	34,9%	39,8%	45,9%	31,9%	32,8%	30,8%	27,1%
SI							23,6%	25,8%	27,0%	30,9%	30,8%	34,8%	42,3%	29,2%	33,0%	32,6%	28,4%
SK	6,9%	6,0%	5,6%	4,7%	4,7%	3,7%	3,5%	4,6%	6,5%	7,6%	8,6%	7,4%	7,2%	4,4%	4,6%	4,9%	4,0%
FI	21,3%	26,0%	28,2%	37,3%	56,6%	53,6%	44,1%	40,1%	46,9%	48,3%	55,5%	60,1%	54,3%	38,0%	51,2%	57,3%	47,0%
SE	32,6%	38,1%	50,6%	50,9%	73,7%	61,7%	56,1%	44,5%	54,3%	61,7%	72,0%	83,1%	72,5%	51,5%	80,2%	86,3%	69,5%
UK	52,5%	58,7%	66,4%	60,4%	83,5%	72,0%	57,5%	38,1%	41,9%	42,1%	46,2%	47,4%	39,8%	23,3%	41,4%	44,9%	39,1%

Source: Eurostat and ECRI

**Table 9 Mutual funds to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	21,2%	23,8%	28,8%	37,1%	46,0%	45,3%	45,3%	39,0%	40,8%	42,7%	48,6%	48,8%	43,9%	32,3%	33,4%	30,2%	27,9%
BG						0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	5,8%	0,2%	0,3%	0,4%	0,2%	0,3%
CZ	5,0%	4,2%	3,3%	1,1%	0,6%	1,4%	1,4%	3,3%	4,4%	5,4%	6,6%	6,8%	7,4%	4,5%	5,4%	5,3%	4,3%
DK									14,0%	15,0%	17,5%	18,4%	17,9%	12,4%	15,7%	17,5%	17,3%
DE	10,4%	11,1%	12,9%	15,2%	18,5%	20,4%	21,2%	20,4%	22,1%	21,1%	23,2%	19,0%	19,1%	15,4%	17,3%	17,3%	15,1%
EE	0,0%	0,1%	0,2%	0,1%	0,1%	0,2%	0,4%	0,6%	0,8%	1,0%	1,5%	1,6%	1,5%	0,4%	0,5%	0,6%	0,7%
IE							0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EL						19,9%	15,9%	14,1%	15,4%	14,6%	12,0%	9,1%	7,9%	2,5%	2,4%	1,7%	1,0%
ES	14,6%	20,3%	27,9%	33,0%	29,8%	23,0%	21,2%	18,7%	20,3%	21,7%	22,9%	22,3%	20,2%	14,3%	14,6%	12,3%	11,3%
FR	20,4%	18,9%	18,3%	19,2%	20,6%	19,8%	18,8%	17,0%	17,9%	17,2%	17,5%	18,9%	16,9%	14,8%	15,8%	15,0%	13,8%
IT	11,4%	14,7%	22,2%	37,9%	45,5%	43,6%	36,1%	32,1%	32,1%	30,2%	29,9%	27,4%	23,3%	14,5%	17,1%	17,9%	16,1%
CY	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
LV		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%			0,3%	0,3%	0,6%	1,1%	0,5%	0,3%	0,7%	0,3%
LT			0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,1%	0,4%	0,8%	0,9%	0,4%	0,5%	1,0%	0,7%
LU												26,3%	24,3%	20,9%	23,0%	20,4%	16,4%
HU	0,8%	1,4%	2,4%	2,7%	3,4%	3,7%	4,2%	4,8%	3,8%	4,2%	6,8%	8,9%	10,5%	7,0%	8,2%	9,4%	7,7%
MT																	14,7%
NL	9,2%	9,4%	10,4%	10,8%	14,2%	13,9%	11,8%	8,5%	8,5%	7,2%	9,6%	10,5%	9,5%	6,4%	8,9%	9,7%	7,0%
AT	7,1%	8,7%	10,9%	12,4%	13,8%	15,1%	14,7%	13,0%	13,5%	14,9%	17,2%	19,7%	18,5%	13,2%	15,5%	16,7%	14,3%
PL	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,1%	3,4%	3,7%	5,5%	7,7%	10,1%	3,6%	5,3%	5,7%	4,3%
PT	10,4%	11,5%	14,3%	16,2%	15,6%	15,7%	15,9%	15,4%	17,2%	18,0%	18,9%	19,5%	16,8%	9,1%	10,6%	9,6%	6,9%
RO				1,1%	0,9%	0,1%	0,2%	0,2%	0,2%	0,4%	1,0%	1,1%	1,3%	0,7%	1,4%	1,3%	1,3%
SL							2,9%	3,8%	4,0%	5,8%	6,5%	8,1%	10,2%	5,2%	6,7%	7,4%	6,6%
SK	5,6%	4,9%	4,5%	3,8%	4,0%	3,4%	3,2%	4,2%	6,2%	7,3%	8,6%	7,2%	7,0%	4,2%	4,4%	4,7%	3,8%
FI	0,6%	1,1%	1,4%	2,4%	4,8%	5,6%	5,3%	5,1%	6,4%	7,8%	10,7%	13,2%	12,2%	6,5%	9,7%	10,5%	8,2%
SE	7,8%	9,2%	13,8%	14,6%	23,9%	19,4%	20,2%	13,8%	15,9%	17,4%	19,8%	24,5%	20,4%	12,8%	20,0%	21,0%	16,5%
UK	9,8%	11,7%	12,6%	10,9%	17,6%	15,5%	13,8%	9,9%	10,3%	11,2%	11,3%	13,0%	11,0%	4,5%	7,3%	9,2%	7,1%

Source: Eurostat and ECRI

**Table 10 Net equity in life insurance and pension funds to disposable income 1995-2011**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	30,7%	32,4%	35,2%	38,2%	41,2%	42,6%	44,1%	44,5%	46,9%	48,7%	52,2%	53,4%	53,4%	51,2%	57,6%	59,8%	59,8%
BG	30,7%	32,5%	35,3%	38,3%	41,2%	42,6%	44,2%	44,6%	47,0%	48,8%	52,2%	53,5%	53,5%	51,3%	57,7%	59,9%	59,9%
CZ	19,1%	21,1%	24,0%	29,3%	33,8%	35,1%	37,5%	38,6%	42,0%	46,1%	53,0%	54,5%	54,6%	53,1%	59,7%	61,0%	61,0%
DK						0,4%	0,9%	1,2%	1,6%	2,1%	2,7%	3,4%	4,7%	4,0%	5,4%	6,4%	6,8%
DE	3,8%	4,0%	4,2%	4,6%	5,1%	5,6%	6,2%	6,6%	7,5%	8,8%	9,6%	10,4%	11,1%	10,0%	12,3%	13,5%	13,3%
EE	67,1%	69,6%	76,9%	79,2%	84,1%	86,1%	84,1%	83,6%	87,7%	93,2%	100,8%	99,1%	97,6%	97,8%	111,2%	115,8%	127,5%
IE							48,7%	50,2%	52,2%	52,7%	55,0%	55,3%	56,4%	56,9%	61,9%	61,9%	61,7%
EL	0,1%	0,1%	0,2%	0,3%	0,3%	0,5%	0,6%	0,9%	1,8%	3,1%	4,8%	6,3%	7,3%	6,5%	10,1%	11,6%	10,5%
ES							63,3%	54,7%	65,6%	72,1%	79,2%	84,7%	77,3%	69,2%	91,1%	100,3%	103,0%
FR						2,9%	2,9%	2,6%	2,7%	2,8%	3,3%	3,5%	3,7%	3,6%	3,8%	4,0%	4,1%
IT	12,9%	14,1%	16,1%	17,7%	19,5%	21,2%	21,8%	22,1%	22,4%	22,8%	23,2%	23,5%	22,5%	21,5%	23,5%	23,3%	23,2%
CY	28,5%	32,2%	37,2%	40,0%	43,3%	45,5%	46,7%	47,6%	50,2%	53,1%	56,8%	60,3%	61,7%	61,2%	69,4%	72,5%	71,5%
LV	15,5%	16,3%	17,2%	19,1%	21,8%	23,8%	25,7%	27,8%	31,2%	33,4%	36,1%	36,8%	35,1%	33,8%	37,8%	39,5%	39,1%
LT	21,0%	22,9%	22,8%	20,4%	27,6%	24,9%	23,7%	23,1%	23,4%	23,5%	25,1%	27,2%	28,0%	23,6%	26,6%	26,3%	27,6%
LU		0,1%	0,2%	0,2%	0,3%	0,3%	0,4%	0,6%	0,8%	1,1%	1,5%	1,8%	2,4%	3,6%	6,0%	7,7%	7,5%
HU	0,3%	0,3%	0,3%	0,3%	0,4%	0,4%	0,4%	0,5%	0,7%	1,1%	1,6%	2,5%	3,4%	3,2%	5,1%	5,2%	5,5%
MT												14,9%	14,5%	21,1%	24,8%	26,1%	26,7%
NL	1,5%	1,9%	2,5%	3,4%	5,2%	6,5%	8,0%	9,1%	9,5%	12,2%	13,9%	17,3%	18,7%	15,5%	21,5%	22,4%	9,2%
AT																	26,0%
PL	121,4%	129,9%	138,7%	153,2%	159,9%	152,4%	143,6%	135,8%	142,7%	149,8%	167,7%	165,8%	166,5%	145,4%	171,0%	183,8%	186,7%
PT	15,0%	16,3%	17,8%	19,7%	21,8%	22,6%	23,7%	24,0%	24,9%	25,8%	27,5%	28,0%	27,9%	27,0%	29,5%	29,7%	28,6%
RO	0,5%	0,7%	1,3%	1,1%	1,5%	2,3%	2,9%	3,2%	8,3%	12,0%	13,8%	16,8%	19,2%	14,1%	20,4%	22,0%	18,8%
SL	15,5%	17,6%	20,0%	21,6%	23,6%	25,5%	27,3%	28,1%	29,8%	30,2%	34,7%	37,1%	38,6%	38,2%	42,3%	42,9%	35,1%
SK				0,1%	0,2%	0,2%	0,3%	0,3%	0,5%	0,7%	0,6%	0,6%	0,6%	0,7%	1,3%	1,4%	1,6%
FI							2,7%	3,2%	3,8%	4,9%	5,8%	6,9%	7,5%	7,4%	9,1%	10,1%	10,0%
SE	0,0%	0,1%	0,2%	0,2%	0,5%	0,5%	1,2%	2,5%	3,7%	4,0%	6,5%	9,1%	10,0%	9,9%	11,7%	13,0%	13,9%
UK	129,3%	147,2%	158,8%	150,2%	186,9%	160,3%	151,5%	122,4%	127,2%	125,5%	145,8%	155,1%	139,3%	103,4%	148,0%	149,3%	154,0%

Source: Eurostat and ECRI

Table 11 Gini coefficient of equivalised disposable income 2000-11

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
BE	30	28		28,3	26,1	28	27,8	26,3	27,5	26,4	26,6	26,3
BG	25	26	26	24	26	25	31,2	35,3	35,9	33,4	33,2	35,1
CZ		25				26	25,3	25,3	24,7	25,1	24,9	25,2
DK		22		24,8	23,9	23,9	23,7	25,2	25,1	26,9	26,9	27,8
DE	25	25				26,1	26,8	30,4	30,2	29,1	29,3	29
EE	36	35	35	34	37,4	34,1	33,1	33,4	30,9	31,4	31,3	31,9
IE	30	29		30,6	31,5	31,9	31,9	31,3	29,9	28,8	33,2	
EL	33	33		34,7	33	33,2	34,3	34,3	33,4	33,1	32,9	33,6
ES	32	33	31	31	30,7	31,8	31,2	31,3	31,3	32,3	33,9	34
FR	28	27	27	27	28,2	27,7	27,3	26,6	29,8	29,9	29,8	30,8
IT	29	29			33,2	32,8	32,1	32,2	31	31,5	31,2	31,9
CY				27		28,7	28,8	29,8	28,3	29,1	29,2	28,8
LV	34					36,1	39,2	35,4	37,7	37,4	36,1	35,4
LT	31	31				36,3	35	33,8	34	35,5	36,9	32,9
LU	26	27		27,6	26,5	26,5	27,8	27,4	27,7	29,2	27,9	27,2
HU	26	25	24	27		27,6	33,3	25,6	25,2	24,7	24,1	26,8
MT	30					26,9	27	26,3	27,9	27,2	28,4	27,4
NL	29	27	27	27		26,9	26,4	27,6	27,6	27,2	25,5	25,8
AT	24	24		27,4	25,8	26,2	25,3	26,2	26,2	25,7	26,1	26,3
PL	30	30				35,6	33,3	32,2	32	31,4	31,1	31,1
PT	36	37			37,8	38,1	37,7	36,8	35,8	35,4	33,7	34,2
RO	29	30	30	30	31	31	33	37,8	36	34,9	33,3	33,2
SL	22	22	22	22		23,8	23,7	23,2	23,4	22,7	23,8	23,8
SK						26,2	28,1	24,5	23,7	24,8	25,9	25,7
FI	24	27	26	26	25,5	26	25,9	26,2	26,3	25,9	25,4	25,8
SE		24	23		23	23,4	24	23,4	24	24,8	24,1	24,4
UK	32	35	35	34		34,6	32,5	32,6	33,9	32,4	33	33

Source: EU-SILC



**Table 12 - Variation of Low pay incidence and Gross Wage 2004-10**

		2004	2005	2006	2007	2008	2009	2010
DK	Low Pay Incidence	10,6609	11,2708	11,8889	11,9626	13,0475	13,6019	13,4412
	Decile 5/Decile 1	1,5152	1,5298	1,5423	1,5467	1,57	1,596	1,5842
	Decile 9/Decile 1	2,6061	2,6429	2,6697	2,6925	2,7313	2,7262	2,7992
	Decile 9/Decile 5	1,72	1,7276	1,731	1,7408	1,7397	1,7081	1,7669
FI	Low Pay Incidence	6,9571	6,9134	7,4814	7,9095	8,4732	8,4821	8,123
	Decile 5/Decile 1	1,4275	1,4201	1,4317	1,448	1,46	1,4733	1,4497
	Decile 9/Decile 1	2,416	2,4867	2,47	2,5528	2,5661	2,5922	2,5187
	Decile 9/Decile 5	1,6925	1,751	1,7252	1,7631	1,7577	1,7595	1,7374
FR	Low Pay Incidence	..	..	..	..	..	..	..
	Decile 5/Decile 1	1,5206	1,4662	1,4649	1,4686	1,4737	1,4605	..
	Decile 9/Decile 1	2,9936	2,9065	2,9046	2,9126	2,9092	2,8882	..
	Decile 9/Decile 5	1,9688	1,9824	1,9828	1,9833	1,974	1,9775	..
DE	Low Pay Incidence	17,923749	17,648784	18,498482	18,150865	17,491511	18,639965	18,775522
	Decile 5/Decile 1	1,7787551	1,8441379	1,8888097	1,8347578	1,7944444	1,8472222	1,85
	Decile 9/Decile 1	3,1065583	3,1708046	3,355904	3,2576638	3,2	3,287	3,3333333
	Decile 9/Decile 5	1,7464789	1,7193967	1,7767296	1,775528	1,7832817	1,7794286	1,8018018
EL	Low Pay Incidence	20,0489	19,7461	19,9844	17,6307	13,4888	..	13,2794
	Decile 5/Decile 1	1,7178	1,7289	1,7146	1,7219	1,587	..	1,6049
	Decile 9/Decile 1	3,4374	3,3632	3,3253	3,4282	3,2597	..	3,2446
	Decile 9/Decile 5	2,0011	1,9453	1,9394	1,9909	2,054	..	2,0216
HU	Low Pay Incidence	22,95	23,09	23,11	21,16	20,79	21,79	21
	Decile 5/Decile 1	1,9655	1,9439	1,944	1,7783	1,7381	1,7612	1,7825
	Decile 9/Decile 1	4,6096	4,463	4,5574	4,1966	4,1054	4,2811	4,254
	Decile 9/Decile 5	2,3453	2,2959	2,3443	2,36	2,362	2,4307	2,3866
IE	Low Pay Incidence	17,6	20,1	21,2	21,69	20,55	20,22	20,1
	Decile 5/Decile 1	1,7477	1,8333	1,9068	1,858	1,8466	1,8594	1,8135
	Decile 9/Decile 1	3,6136	3,7326	3,916	3,777	3,7456	3,9378	3,6326
	Decile 9/Decile 5	2,0677	2,0359	2,0538	2,0328	2,0284	2,1178	2,0031

	Series	2004	2005	2006	2007	2008	2009	2010
IT	Low Pay Incidence	9,4419	..	9,6894	..	8,0933	..	9,5316
	Decile 5/Decile 1	1,5	..	1,4778	..	1,4545	..	1,453
	Decile 9/Decile 1	2,5	..	2,3585	..	2,2727	..	2,2222
	Decile 9/Decile 5	1,6667	..	1,5959	..	1,5625	..	1,5294
NL	Low Pay Incidence	..	..	..	..	..	..	..
	Decile 5/Decile 1	1,6482	1,6495	..	..	..	..	..
	Decile 9/Decile 1	2,9043	2,9065	..	..	..	..	..
	Decile 9/Decile 5	1,7621	1,7621	..	..	..	..	..
PL	Low Pay Incidence	..	24,0066	24,8363	21,794	21,0932	..	19,5758
	Decile 5/Decile 1	..	1,8526	1,86	1,8245	1,7273	..	1,6923
	Decile 9/Decile 1	..	4,1331	4,4	4,0767	3,6364	..	3,523
	Decile 9/Decile 5	..	2,2309	2,3656	2,2345	2,1053	..	2,0818
PT	Low Pay Incidence	14,1465	15,9866	15,5532	17,4481	14,2189	..	8,8891
	Decile 5/Decile 1	1,6364	1,6146	1,6026	1,6491	1,5521	..	1,4442
	Decile 9/Decile 1	4,6451	4,3141	4,2857	4,3113	4,2545	..	3,6889
	Decile 9/Decile 5	2,8387	2,672	2,6743	2,6144	2,7412	..	2,5543
SK	Low Pay Incidence	18,0018	18	17,9964	18	19,0019	19,996	20,002
	Decile 5/Decile 1	1,7446	1,7236	1,7498	1,7491	1,7909	1,8009	1,8094
	Decile 9/Decile 1	3,487	3,4012	3,5098	3,4631	3,5371	3,6016	3,6657
	Decile 9/Decile 5	1,9987	1,9734	2,0059	1,98	1,975	1,9998	2,0259
ES	Low Pay Incidence	16,279	15,8943	17,6009	16,0062	15,6976	16,4299	15,6042
	Decile 5/Decile 1	1,6894	1,6667	1,75	1,6841	1,6618	1,705	1,6521
	Decile 9/Decile 1	3,5505	3,4722	3,5	3,468	3,2836	3,3695	3,2951
	Decile 9/Decile 5	2,1016	2,0833	2	2,0592	1,976	1,9762	1,9945
SE	Low Pay Incidence	..	..	..	..	..	..	..
	Decile 5/Decile 1	1,3783	1,3539	1,3844	1,4001	1,3744	1,3605	1,3795
	Decile 9/Decile 1	2,242	2,2306	2,3121	2,3435	2,2776	2,2798	2,2339
	Decile 9/Decile 5	1,6266	1,6475	1,6701	1,6738	1,6572	1,6757	1,6194
UK	Low Pay Incidence	20,5381	20,7344	20,7437	20,5435	21,1941	20,6114	20,6663
	Decile 5/Decile 1	1,8122	1,8236	1,8206	1,8105	1,8284	1,8084	1,8092
	Decile 9/Decile 1	3,5262	3,6031	3,6201	3,5908	3,6299	3,5978	3,5807
	Decile 9/Decile 5	1,9458	1,9758	1,9884	1,9833	1,9853	1,9895	1,9791



Source: OECD

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**Table 13 Adjusted wage share as percentage of GDP at current market prices 1995-2012**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
BE	62,4	62,5	62,1	61,6	62,3	61,3	62,6	62,8	62,2	60,5	60,0	59,8	59,6	60,9	62,6	61,1	61,5	62,1
BG	56,0	54,9	47,7	55,2	53,1	50,6	51,4	49,9	49,6	48,6	47,7	46,1	46,1	47,8	51,7	53,1	51,1	51,3
CZ	46,2	47,3	48,5	47,4	47,2	47,8	47,9	49,6	50,7	50,2	49,9	49,9	49,5	50,3	50,2	50,9	51,9	53,1
DK	56,5	56,7	56,3	57,5	57,8	56,4	57,5	58,0	58,3	57,3	56,9	56,9	58,3	59,4	62,5	59,2	58,9	58,8
DE	61,0	60,8	59,9	59,6	59,8	60,6	60,1	59,7	59,6	58,7	57,8	56,4	55,1	55,9	58,4	57,2	57,5	58,4
IE	56,1	53,6	52,3	51,9	50,6	49,7	48,5	48,1	48,6	49,1	48,0	48,2	50,6	55,1	56,6	52,7	50,5	51,3
EL	55,9	55,2	52,9	51,5	49,9	48,2	48,2	46,4	46,7	47,6	48,6	48,7	50,3	55,3	55,9	53,4	51,6	50,2
ES	55,9	55,1	56,4	56,2	56,4	55,6	53,7	57,2	55,9	55,5	55,8	53,9	53,5	53,6	55,7	55,0	53,4	49,4
FR	60,2	60,2	60,0	59,6	59,2	58,9	58,3	57,6	56,8	55,9	55,4	54,9	55,3	57,1	57,8	56,4	55,1	53,3
IT	58,1	58,0	57,5	56,9	57,3	57,2	57,4	57,9	57,9	57,5	57,5	57,3	56,8	57,2	58,9	58,6	58,8	58,9
CY	56,5	56,7	56,8	54,2	54,0	53,2	53,2	53,3	53,8	53,6	53,9	54,1	53,7	54,7	55,7	55,2	55,0	55,2
LV	57,8	58,3	59,1	57,1	56,5	56,2	55,1	57,1	59,7	58,9	58,1	56,7	55,0	53,5	55,5	55,3	55,5	54,5
LT	51,5	54,1	54,6	51,7	51,9	49,1	47,4	45,3	46,0	45,7	47,9	50,1	53,0	56,6	52,8	47,9	47,7	46,9
LU	45,8	49,1	50,6	52,2	53,7	48,8	47,3	48,0	48,9	49,3	49,0	50,6	49,7	50,1	51,1	46,6	44,1	44,2
HU	51,3	51,3	52,2	51,9	49,6	49,9	53,1	53,1	50,8	50,5	49,3	46,7	45,8	49,9	53,2	50,2	49,4	49,7
MT	55,8	55,3	54,6	53,7	52,8	53,6	53,4	53,5	53,7	53,2	53,3	52,5	52,9	52,5	52,1	50,4	49,7	51,0
NL	49,4	51,0	50,1	50,5	49,9	48,9	51,2	50,6	51,8	52,0	50,5	51,2	50,3	50,6	52,2	50,4	50,2	50,1
AT	60,7	60,2	59,4	59,9	59,6	58,8	58,8	59,4	59,5	59,2	57,6	56,9	56,8	57,3	60,3	59,2	59,2	59,7
PL	61,8	60,8	60,5	60,1	59,9	59,0	58,6	57,9	58,0	56,8	56,4	55,9	55,5	56,6	58,5	57,5	56,8	57,4
PT	56,7	58,2	58,3	57,7	56,9	55,4	57,1	54,6	52,5	49,4	48,3	47,1	46,5	48,5	47,8	47,7	46,6	46,3
RO	58,4	59,3	59,3	59,1	58,5	59,2	59,4	59,1	59,5	58,7	59,3	58,2	57,2	58,3	59,6	58,3	57,9	55,7
SL	59,0	60,7	54,5	64,5	62,6	72,1	75,9	61,7	60,5	54,1	58,8	55,8	56,6	60,4	59,7	55,1	59,4	59,5
SK	68,6	66,2	64,1	62,8	61,6	62,8	63,0	62,0	61,4	61,6	61,4	60,8	59,9	61,2	64,1	65,0	64,0	63,6
FI	42,8	44,2	45,9	45,7	44,3	45,2	44,2	44,4	43,8	42,5	43,1	42,6	42,3	43,0	46,0	45,3	44,5	43,5
SE	57,3	57,8	56,1	54,9	54,8	53,8	54,1	53,8	54,6	54,3	55,3	55,0	53,7	55,6	59,7	58,5	57,8	58,3
UK	56,2	58,4	57,9	57,6	56,4	58,6	60,1	59,5	58,6	57,9	57,5	56,1	56,9	56,9	58,2	56,3	55,4	56,3

Source: AMECO

**Table 14 Real compensation of employees (1995=100)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
BE	100	101,2	102,4	99,5	103,2	100,1	101,6	101,8	99,9	99,4	99,4	101,2	101,0	101,4	100,0	99,4	101,0	100,7
BG	100	86,7	88,1	122,6	102,6	103,1	106,8	101,2	101,8	101,9	101,8	99,5	103,2	107,3	104,9	108,2	102,2	103,1
CZ	100	106,6	102,4	99,1	103,6	106,4	103,6	105,0	106,9	104,0	104,1	105,5	102,8	102,2	97,1	105,0	103,5	100,9
DK	100	102,2	101,1	102,9	102,2	100,5	101,7	101,4	102,0	101,0	100,7	101,4	101,3	99,3	101,7	98,6	100,9	100,0
DE	100	100,4	100,4	100,3	100,7	102,5	100,5	99,9	100,3	99,3	99,3	100,7	99,2	101,3	99,0	101,4	102,2	101,1
ET	100	103,6	109,0	108,1	101,7	109,3	103,0	104,2	107,3	107,5	104,5	104,8	112,0	104,0	98,2	101,1	97,0	102,7
IE	100	104,2	101,1	97,7	101,1	102,3	102,1	100,1	102,8	102,9	103,0	101,2	105,2	108,8	103,9	99,1	100,0	98,9
EL	100	101,4	106,5	100,1	103,4	102,5	100,6	107,8	102,3	101,2	99,8	100,0	101,3	98,9	101,2	96,3	95,6	94,7
ES	100	100,5	99,9	99,5	99,4	99,4	99,3	99,1	99,3	98,9	99,2	99,7	101,4	104,4	104,3	99,6	99,7	99,9
FR	100	100,9	100,8	100,8	101,9	100,7	100,3	100,9	100,7	101,7	101,1	101,0	100,0	100,2	101,3	101,5	101,5	100,3
IT	100	101,3	101,6	96,0	100,5	100,4	100,1	99,5	100,6	100,9	101,2	101,0	99,9	101,3	99,6	101,9	100,0	99,7
CY	100	102,3	103,1	99,8	101,8	102,8	99,8	103,7	102,7	99,1	98,9	99,9	98,7	98,7	102,4	100,7	100,5	99,4
LV	100	111,7	105,4	100,1	105,4	103,4	102,3	99,8	107,0	107,0	113,5	110,8	111,9	102,4	88,4	94,4	114,2	100,8
LT	100	111,9	110,7	111,9	104,2	98,1	107,5	104,7	109,9	108,2	104,6	109,4	104,8	104,3	93,3	97,6	98,3	101,7
LU	100	98,9	104,6	101,3	98,7	103,3	103,4	101,0	95,5	101,5	99,8	96,1	100,0	103,0	101,3	95,4	97,1	98,7
HU	100	99,2	101,6	100,7	98,7	104,8	103,5	104,7	104,3	104,8	104,5	102,0	100,1	101,9	95,0	97,3	99,9	99,5
MT	100	105,8	102,6	104,4	102,2	105,5	103,0	101,0	103,5	99,6	99,0	102,9	99,8	101,7	101,0	97,4	98,5	99,1
NL	100	100,4	99,9	101,9	102,1	100,9	100,3	101,3	102,0	102,8	99,3	100,7	101,6	101,1	102,4	100,4	100,5	100,2
AT	100	100,4	101,6	102,5	102,2	101,5	100,2	101,3	100,5	99,0	100,7	101,9	100,6	101,4	101,0	99,6	100,1	100,6
PL	100	107,8	105,8	102,6	107,3	103,3	106,5	100,0	101,2	97,9	99,1	100,4	100,9	105,6	99,8	103,3	100,9	101,2
PT	100	103,6	101,7	101,8	101,7	103,0	100,5	99,6	100,5	100,2	102,1	99,1	100,7	101,4	101,9	101,4	99,2	97,4
RO	100	107,5	88,7	118,7	100,4	118,8	112,5	95,2	103,2	98,5	115,1	101,7	107,5	114,5	94,1	91,5	111,0	100,1
SL	100	102,0	103,6	101,5	101,7	104,7	102,7	100,7	102,2	104,3	104,3	103,2	101,9	102,9	98,3	105,0	100,6	98,8
SK	100	108,4	109,4	104,5	99,5	105,5	100,6	104,8	102,4	102,1	106,6	104,8	107,5	104,0	103,7	104,5	99,4	99,9
FI	100	103,0	99,6	101,0	101,2	101,2	101,5	100,4	103,4	103,2	103,3	102,0	100,6	101,4	100,8	101,3	100,3	100,6
SE	100	106,4	103,2	102,0	100,4	105,8	101,9	101,3	101,4	103,7	102,2	100,1	102,4	98,4	99,6	101,9	99,7	102,1
UK	100	99,8	101,2	104,1	102,5	104,9	103,5	100,8	102,2	101,3	101,0	102,0	102,9	98,5	101,5	100,0	99,5	100,8

Source: Eurostat

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## THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

## THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain

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