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Employment and Social Developments in Europe

*Sustainable growth for all:
choices for the future of Social Europe*



Annual Review 2019

Social Europe

Foreword



In 2018, we witnessed positive developments in the European economy, labour markets and society. For the sixth consecutive year, the EU's ambitious agenda for jobs, growth and investment boosted a robust and job-rich recovery.

As we come to the end of this political mandate, it is a good time to reflect on how to keep sustaining growth and spread its benefits across the EU in the future. Sustainability cannot be an afterthought. All our policies need to integrate the economic, social and environmental dimensions of sustainability from the design phase on, to keep our economy competitive and entrepreneurship innovative, to maintain our valued welfare state and our ambitious climate-change engagements. In May, EU citizens made choices during the European elections that will help to define the future

of our Union. In June, EU leaders advanced this reflection by adopting the EU's strategic agenda for the next five years and a vision of the Europe we want to live in by 2030 and beyond. Fostering a protective, competitive and fair Europe and sustaining it for future generations is at the heart of this.

The Employment and Social Developments in Europe (ESDE) review is here again to provide evidence-based groundwork for this reflection. The 2019 edition focuses on **“Sustainable growth for all: choices for the future of social Europe”**. It explores the EU's understanding of sustainable development and its links to economic growth, social inclusion, equality and well-being, climate and natural resources, and labour market institutions. The news from ESDE's analysis is good. Making Europe's development sustainable is a perfectly realistic goal. Mainstreaming our actions upfront in the social domain as well as on climate and the environment can be a productive investment in economic performance. This is key to preserve our living standards. In addition, it is less costly than compensating in hindsight for unfavourable social outcomes. Therefore, this year's review analyses specific policies through which the EU and the Member States, with the support of the social partners, could accompany our workforce and citizens in the sustainability transition. Social investment in education, skills and childcare, as well as affordable housing and energy, can bring more people to better employment, help them to fulfil their dreams and participate in society. It can also support them through the increasing number of life-course transitions that we face in the changing world of work, and improve people's well-being overall. The simulations in this report also point to measures that could boost the impact of EU funding, such as the European Social Fund +, in Member States and regions for the benefit of all EU citizens, as we are heading into a new financing period under the 2021-2027 Multiannual Financial Framework. If we want to implement people's social rights across the board, we have to combat social and territorial inequalities. Everybody needs access to opportunities, despite constraints such as demographic ageing, technological upheaval and public finances.

This year's analysis follows in the footsteps of our previous ESDE editions that look at policy-relevant long-term global trends.

The strategic choices the EU is facing make me confident that the valuable insights of this new edition of ESDE will again resonate widely across academic circles and policymakers.



Marianne Thyssen
Commissioner for Employment,
Social Affairs, Skills and Labour Mobility

The provision of formal care and the policy context matter for employment outcomes. The employment rate among frequent carers in countries where formal long-term care is least common is 10 percentage points below that of other people. In countries where formal care is most common, this informal care employment gap is about three times lower: 3 percentage points. Multiple explanations are possible. People in employment are less likely to provide frequent informal care in countries with wider formal care availability if this implies loss of employment, as there is an alternative. In these countries, formal care is also more effectively combined with informal care in preventing loss of employment.⁽³⁸⁷⁾ It is thus important for increased provision of flexible long-term care options to be combined with measures which facilitate flexible work options, such as reversible partial retirement schemes. As women continue to perform most of the informal care and housework, it is important to complement such policy measures with general policies to stimulate gender equality.

Political attention to long-term care is increasing as, despite significant differences in national systems, the challenges are similar across the EU. Analytical work is ongoing to help deepen the understanding of these challenges, including the adequacy of social protection for long-term care, the long-term care workforce, the quality and efficiency of long-term care and the economic value of informal care. To enable monitoring of the situation across the EU, the Commission together with Member States is developing a common portfolio of indicators for long-term care at EU level, which should help future analyses. These efforts will feed into a report on long-term care to be produced jointly by the European Commission and the Social Protection Committee in 2020.

5. INVESTING IN AFFORDABLE AND ADEQUATE HOUSING

5.1. Introduction

Housing as a sector and policy field is clearly distinct from social policies which aim to invest directly in people's skills and employability. Nonetheless, affordable and adequate housing is often an important factor in social investment.

Housing is closely linked to the life course, and is of particular concern to young adults. While securing and maintaining adequate housing is important for all age groups, young adults in particular consider lack of availability of accommodation as an immediate short-term risk to themselves and their families.⁽³⁸⁸⁾ Early adulthood is a period when major transitions tend to follow in close succession or to

coincide: studying, beginning a career, starting a family and having children. Such changes in professional and private life may trigger a need to find new accommodation. Later in life, new housing needs may also arise after a separation or job loss.

Housing may be a decisive factor in accessing enabling public services.⁽³⁸⁹⁾ Where public services are conditional on out-of-pocket-payments, very high housing costs may become a factor limiting access. The distance or time needed to travel from home can be an obstacle to accessing public services. In some cases (e.g. schools or childcare centres) priority in the allocation of places may be given to people living near the facility.

Inadequate housing can have adverse long-term effects on health and social inclusion. Where there is a lack of affordable accommodation, households may need to share a dwelling that is not adapted to the number of people living there (in terms of rooms or available living space). Homes with major structural problems such as leaks or damp may have long-term adverse consequences on their occupants' health.

5.2. Housing affordability: concepts and main facts

Accommodation is a basic need. Since housing is a fundamental need, households' accommodation-linked expenses are to some extent 'inelastic'. If the cost of housing increases, households cannot reduce their demand indefinitely. In most European countries, the cost of covering basic needs, including housing, rose more strongly than the cost of other goods and services between 2001 and 2015. Low-income households typically spend a larger share of their income on such basic needs than do medium or high-income households. As a consequence, inequalities in 'disposable' income tend to increase after factoring in these costs.⁽³⁹⁰⁾

The cost of housing is a major expense for most households and for many it is a burden. On average, households in the EU spend more than one fifth of their disposable income on housing. One in ten Europeans live in a household that spends 40% or more of its income on housing costs. If housing expenses are deducted from the households' disposable income, the population at risk of poverty in 2017 increases from 17% to 32%. Almost one third of the EU population considers housing costs to be a very heavy financial burden on their household.

⁽³⁸⁹⁾ Omic (2018).

⁽³⁹⁰⁾ Gürer and Weichenrieder (2018).

⁽³⁸⁷⁾ Eurofound (2019, forthcoming); Walsh and Murphy (2018).

⁽³⁸⁸⁾ OECD (2019a).

Box 4.4: Housing cost affordability indicators

Housing costs in the EU-SILC survey include the monthly costs connected with the household's right to live in the accommodation. For homeowners, this includes any mortgage payments for the main dwelling (net of tax relief). For tenants, rental payments (gross of housing allowances) are included. For all types of occupant, the costs of utilities (water, electricity, gas and heating) resulting from the actual use of the accommodation are included. Where applicable, housing costs include taxes on the dwelling, structural insurance, mandatory services and charges (sewage removal, refuse removal, etc.), regular maintenance and repairs (including all those undertaken regularly to keep the home in good working order, but excluding those which change its performance, capacity or expected service life).

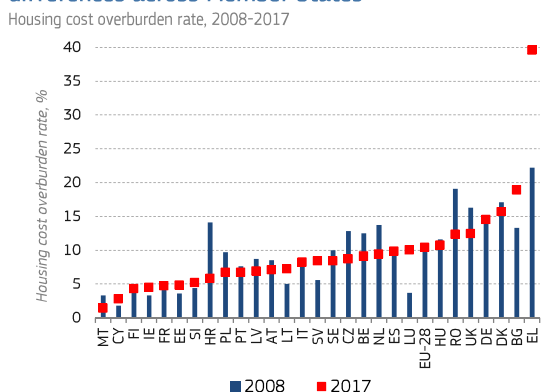
Housing cost burden is defined as total housing costs (net of housing allowances) as a percentage of total disposable household income (net of housing allowances).

The housing cost overburden rate is the percentage of the population living in a household where the housing cost burden is higher than 40%.

The at-risk-of-poverty rate after housing expenses is the percentage of the population living in a household whose equivalised disposable income minus housing costs is below the poverty threshold (set at 60% of median equivalised disposable income).

Self-reported heavy burden of total housing cost indicates the percentage of the population living in a household where the person responsible for accommodation considers their total housing cost to be a heavy financial burden (as opposed to either a slight burden, or no burden at all).

Chart 4.38
One in ten Europeans live in a household that spends 40% or more of its income on housing costs, with large differences across Member States

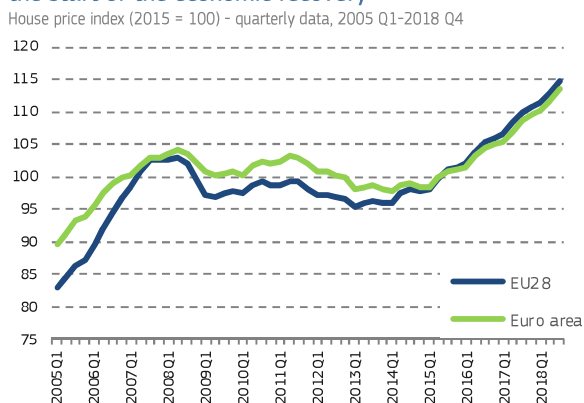


Note: Percentage of the population living in a household where total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances).

Source: Eurostat, EU-SILC (ilc_lvho07a)

[Click here to download chart.](#)

Chart 4.39
House prices in the EU have increased markedly since the start of the economic recovery



Source: Eurostat [prc_hpi_q]

[Click here to download chart.](#)

Recent improvements in the affordability of housing expenses contrast with dynamic increases in house prices. House prices in the EU have increased steadily since the start of the economic recovery and have accelerated recently. In a growing number of countries, house price trends are showing signs of possible overvaluation. At the same time, prices in countries where house overvaluation was most pressing have recently seen a moderation, linked to policy interventions, or affordability issues. ⁽³⁹¹⁾

House prices and housing costs reflect different aspects of affordability. The housing costs that are the focus of this section cover the current accommodation expenses households must meet to continue to live in their dwellings, along with costs for the use, including utilities (See Box 4.4). For the affordability of housing costs, income pooling and cost sharing at the household level can play an important role. House prices, by contrast, reflect the value of real estate transactions for houses including land. Such transactions include not only houses acquired as a main dwelling, but also second homes, holiday homes or dwellings used for investment. House prices provide an indication of the state of the housing market and they are monitored ⁽³⁹²⁾ to identify potential housing bubbles, when prices move beyond fundamentals. ⁽³⁹³⁾ House prices can provide an indication of affordability for prospective buyers. They do not convey direct information on the current affordability of housing costs for substantial categories of the population, including tenants paying reduced rent or current

⁽³⁹¹⁾ European Commission (2019c).

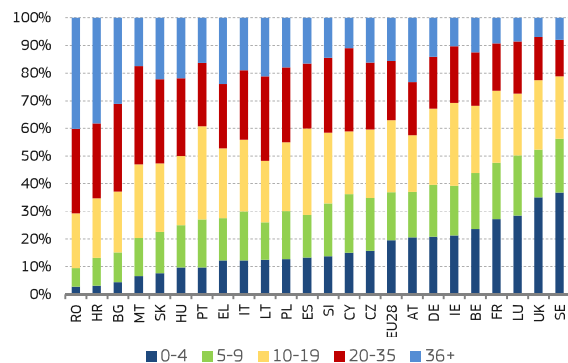
⁽³⁹²⁾ Indicator in the Macro-Economic Imbalance Procedure: year-on-year changes in house prices relative to a Eurostat consumption deflator, with a threshold of 6%.

⁽³⁹³⁾ Trends in house prices can be benchmarked against trends in income, rent, population, real housing investment and real long-term interest rates. Philipponnet and Turrini (2017).

homeowners. For tenants in the private sector, increases in house prices may only become a factor in the rent after a time lag, for example, when a new lease is signed. ⁽³⁹⁴⁾

Chart 4.40
The degree of housing mobility varies greatly across Member States

Population by number of years since household's installation in current dwelling, %, 2016



Note: No information for DK, EE, FI, LV, NL.

Source: DG EMPL calculations based on EU-SILC Users' database 2016

[Click here to download chart.](#)

The link between house prices and households' current housing expenses depends crucially on mobility. There are major differences between Member States in terms of how long households have lived in a dwelling since acquiring their home or starting or renewing their lease. Housing mobility is linked to differences in housing markets, patterns of household formation and policies such as taxes on housing transactions. Just one fifth of homeowners with a mortgage had acquired their property in the previous 5 years. Private tenants tend to be most mobile, but even among this category more than half have lived in their current dwelling for 5 years or more. This implies that households' decisions regarding housing and relevant policies typically have effects over the long-term.

High transaction costs on properties may limit mobility on the housing market. Many Member States still levy transaction taxes on immovable property. Tax rates and revenue vary substantially across Member States ⁽³⁹⁵⁾. Transaction taxes tend to discourage property sales and purchases. As such, these taxes can reduce volatility of house prices and likelihood of bubbles, which have a major impact on housing affordability. However, they may also restrict workers' mobility and add to imperfections in the labour market. In such cases, a shift away from transaction taxes towards recurrent property taxes would maintain a constant level of revenue while reducing the distortions caused by transaction taxes. ⁽³⁹⁶⁾

⁽³⁹⁴⁾ Le Roux and Roma (2018).

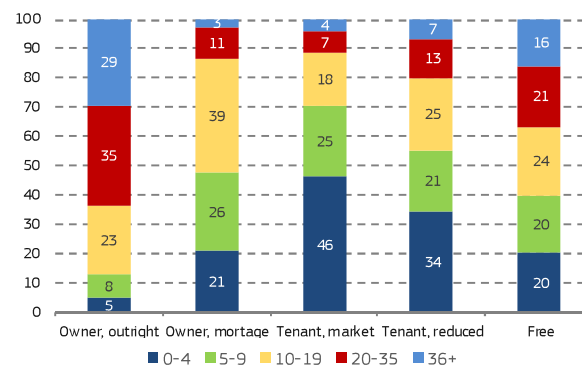
⁽³⁹⁵⁾ European Commission (2018b).

⁽³⁹⁶⁾ European Commission (2015).

Chart 4.41

Tenants are the most mobile, whereas owners without a mortgage are the least

Population by number of years since household's installation in current dwelling and tenure status, %, EU, 2016



Note: No information for DK, EE, FI, LV, NL.

Source: DG EMPL calculations, based on EU SILC Users' database

[Click here to download chart.](#)

5.3. Housing cost affordability by tenure status

There are major differences between European Member states in terms of housing tenure. Across the EU, 43% of the population own their homes outright, living in a dwelling on which there is no outstanding mortgage or home loan. Several Central and Eastern European Member States have exceptionally high rates of outright homeownership. This is a legacy from the transition to a market economy. Many of these countries adopted a policy of privatisation of formerly public housing, often selling homes to tenants at relatively low prices. Private mortgage markets in these countries started to develop mainly in the 2000s, in some cases quite dynamically. ⁽³⁹⁷⁾ EU-wide, 26% are homeowners with an outstanding mortgage or home loan. In Sweden and the Netherlands, there are many households with mortgages, which are at least partly linked to generous systems of mortgage tax relief in these countries. Across the EU, approximately one fifth of the population are tenants paying rent at private market rates. In Germany and Austria, the proportion of tenants is relatively large. These Member States each have a large and relatively strongly-regulated private rental sector. A further 6.5% of the EU population are tenants paying rent at a reduced rate, either renting social housing, or renting at a reduced rate from an employer, or renting accommodation where the rent is fixed by law. The UK, Malta, Ireland, France and Finland have relatively large proportions of reduced-rent tenants. Finally, a relatively small minority EU-wide live in accommodation that is provided rent-free, either by an employer or another private source.

⁽³⁹⁷⁾ Hegedus, Horvath and Somogyi (2017).

Table 4.1

Tenants generally have more difficulties with housing cost affordability than homeowners

Selected housing cost affordability indicators and poverty indicators, by tenure status, 2016

	Median housing cost (%income)	Housing cost overburden (>40% income)	At-risk-of-poverty (AROP, income)	AROP (income after housing expenses)	Self-reported heavy burden of housing cost
Owner, outright	12	7	16	27	32
Owner, mortgage	15	8	8	16	29
Tenant, market	30	28	27	56	35
Tenant, reduced	23	16	30	59	36
Free	12	9	29	30	39

Note: Shading applied by column, to highlight tenure status with most favourable outcomes (green) or least favourable (red)

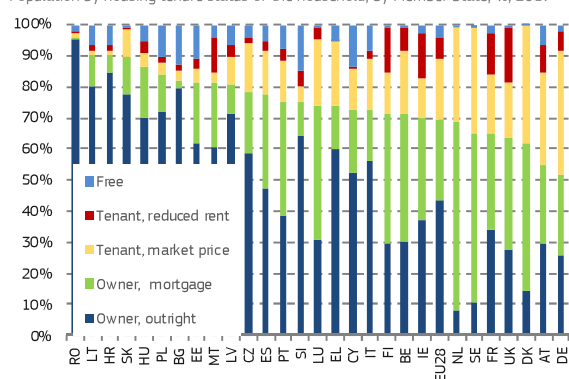
Source: DG EMPL calculations, based on EU SILC Users' database.

[Click here to download table.](#)

Chart 4.42

The majority of Europeans are homeowners, but the rates differ strongly across countries

Population by housing tenure status of the household, by Member State, %, 2017



Note: In the Netherlands, Denmark and Sweden, tenants paying rents at reduced rates are included under the category 'Tenant, market price'.

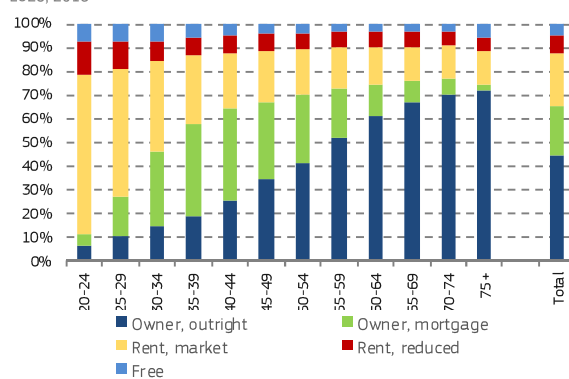
Source: DG EMPL calculations based on EU-SILC Users' database 2016)

[Click here to download chart.](#)

Chart 4.43

Housing tenure is closely linked to the life course

Tenure status by age category of the oldest person in charge of accommodation, %, EU28, 2016



Note: The data refer only to the oldest person in charge of accommodation in the household (not including any other household members living in their dwelling).

Source: DG EMPL calculations based on EU-SILC Users' database 2016

[Click here to download chart.](#)

Housing tenure is closely linked to the life course.

For households headed by young householders (including single person households), renting on the private market is the most common tenure status. Rental housing does provide flexibility, which may fit well the certain demands of a mobile workforce and in some cases reflect tenants' own preferences. ⁽³⁹⁸⁾ For tenants, rent paid to a landlord is

⁽³⁹⁸⁾ Haffner, Hegedus and Knorr-Siedow (2018).

essentially housing 'consumption', in the sense that its cost only contributes to meeting current needs. For many households, however, homeownership plays an important role in wealth accumulation. Acquiring a home can be considered an investment, in the sense that it contributes to a right to future use of the dwelling. However, in view of strong increases in house prices, there are concerns that homeownership may become unattainable for lower income groups and for younger cohorts. ⁽³⁹⁹⁾

Across the EU, homeowners with mortgages tend to face relatively few issues with housing cost affordability.

At least part of the explanation is a selection effect: the conditions for accessing such loans may include a steady income, while credit is often capped to reflect the borrower's ability to service debts. In addition, for owners with more mature loans, the recent macro-economic context has been favourable, with low interest rates allowing some renegotiation of existing loans. ⁽⁴⁰⁰⁾ Also, several Member States apply mortgage interest deductibility, which reduces the cost of debt-financed housing. In general, tax relief for homeowners tends to benefit higher income households, thereby generating an inequality-increasing effect, which may be offset by caps. ⁽⁴⁰¹⁾ Outright homeowners generally have lower housing costs than owners with a mortgage, but more low-income households are in this category: owners without mortgages include many elderly people, who may have relatively low income from pensions.

Taxation of housing in many countries still favours homeownership.

Since 2009, property taxes on real estate have increased quite substantially as a share of total revenue (6.6% in 2017 vs. 5.6% in 2009). This is mainly due to the increased use of recurrent property taxes. These are considered to be the revenue source least detrimental to growth, while the immobility and visibility of its tax base makes evasion difficult. ⁽⁴⁰²⁾ In all EU Member States, owner-occupied housing is taxed in a favourable way. Except in the Netherlands, the return on investment of owner-occupied housing (i.e. imputed rent) is not included in

⁽³⁹⁹⁾ OECD (2019b).

⁽⁴⁰⁰⁾ Le Roux and Roma (2018).

⁽⁴⁰¹⁾ World Bank (2018).

⁽⁴⁰²⁾ European Commission (2018b).

the personal income tax base. Nevertheless, in several Member States owner-occupiers can, fully or partly, deduct mortgage interest payments from their income for tax purposes. In addition, capital gains from the sale of a primary residence are typically exempt from capital gains tax. Moreover, recurrent property taxes, which are a kind of user charge to finance locally rendered public services, are often based on outdated housing values (for example in Luxembourg, France, Ireland and Latvia). This favourable tax treatment of owner-occupied housing produces a tax bias towards homeownership in all EU Member States. In 2017, Denmark introduced a reform to re-align property taxes with actual property values, which will come into force in 2021.

Preferential tax treatment of owner-occupied housing tends to be regressive. Favourable taxation of owner-occupied housing is mainly justified by positive spillover effects on society, such as wealth accumulation and more stable neighbourhoods. Neutrality and efficiency, however, would call for removing the preferential tax treatment of homeownership. There are also distributional reasons in favour of taxing net imputed rent to ensure the equal treatment of homeowners and renters.⁽⁴⁰³⁾ Mortgage interest deductibility tends to benefit high-income earners disproportionately, as the advantage often depends on the taxpayer's marginal tax rate.⁽⁴⁰⁴⁾ Correction for this homeownership bias and taxing net imputed rent in the personal income tax system has been shown to have no adverse effects on income inequality.⁽⁴⁰⁵⁾ Other factors, like the distribution of homeownership across the population, contribute to the distributional impact of taxing imputed rent.⁽⁴⁰⁶⁾

Tax expenditures for homebuyers and homeowners represent substantial amounts in certain Member States. Tax expenditures include exclusions, deductions, credits and reduced rates for specific activities or for specific groups of taxpayers. While they can be justified in some cases, they narrow the tax base and are costly in terms of revenue foregone. Moreover, they make the tax system complex, increase tax governance costs and are often not means-tested. Therefore, they do not necessarily have a positive impact on income distribution and may even be regressive.⁽⁴⁰⁷⁾ As such, these benefits are considered by some as part of 'the hidden welfare state'.⁽⁴⁰⁸⁾ In certain countries, including Belgium, Italy, Luxembourg and the Netherlands, the monetary value of these expenditures is larger than that of housing

allowances (cash transfers for tenants or owners) and housing development combined.⁽⁴⁰⁹⁾

Tenants on the private market are a vulnerable group when it comes to affordability of housing expenses. Their median housing cost burden is the highest of all categories considered, with half of private tenants spending at least 30% of their disposable income on housing, and more than a quarter spending 40% or more. Private tenants also make up a relatively large proportion (over one quarter) of the households that are at risk of poverty based on their income. In combination with housing costs, private tenants become particularly vulnerable.

Several Member States are reforming the regulation of the private rental market, to stimulate its development and foster mobility. In countries with high rates (and subsidisation) of homeownership, and/or a large social rent sector (such as the Netherlands), there may be limited supply in the private rental sector. The Dutch government has submitted a draft law to Parliament to increase the supply of mid-priced private rental housing. In other Member States, weak protection of landlords is seen as a factor behind low investment in rental housing. In Latvia, for example, the government is trying to address such issues via a draft rental law. Regulation of rent can also result in below-market levels (particularly in urban areas), with strong incentives for sitting tenants to remain in their accommodation, and difficulties for new entrants to access the market. In this regard, the Swedish government announced plans to introduce a more flexible rent-setting system for newly constructed housing.

The role of housing allowances varies considerably across Member States. While housing allowances tend to have a progressive design, favouring lower income groups, their inequality-reducing impact relies crucially on coverage, which is generally quite low.⁽⁴¹⁰⁾

Tenants paying reduced rent are vulnerable in terms of low income, and still sizeable housing costs. This is a fairly diverse group, including occupants of social housing along with tenants paying regulated rent. Ceilings related to income or wealth may apply to target the most needy. This may explain why this category has the highest risk of income poverty (if not housing cost burden, which is higher for tenants paying rent at private market rates).

In many countries, the demand for social housing far exceeds the supply, even despite recent initiatives. Several Member States have recently increased the supply of social housing (Germany, France Ireland), but still face sizeable waiting lists. In light of such shortages, there are debates in several

⁽⁴⁰³⁾ See for an overview of costs and benefits of homeownership, Andrews and Caldera Sánchez (2011); Harding and Marten (2018).

⁽⁴⁰⁴⁾ European Commission (2019, forthcoming).

⁽⁴⁰⁵⁾ Figari et al. (2017) analyse the distributional effect of removing income tax provisions favouring homeownership in Belgium, Germany, Greece, Italy, the Netherlands and the United Kingdom.

⁽⁴⁰⁶⁾ European Commission (2019, forthcoming).

⁽⁴⁰⁷⁾ European Commission (2014b).

⁽⁴⁰⁸⁾ Howard (1999).

⁽⁴⁰⁹⁾ World Bank (2018).

⁽⁴¹⁰⁾ Fatica and Prammer (2017); Figari et al. (2016); World Bank (2018).

Member States on allocation mechanisms, as well as rules regarding duration or succession rights. In France, the recently adopted ELAN law aims to target social housing better to those in need. The situation of tenants in high demand areas will be re-evaluated every 3 years, and a generalised scoring system will apply in large urban areas.

5.4. Housing cost affordability by degree of urbanisation

There are increasing concerns that housing in cities is becoming either unaffordable or a very large burden for low-income groups. ⁽⁴¹¹⁾ The high cost of housing in cities can be linked to growing demand (due to urbanisation), and limitations to expanding supply (constraints on providing new dwellings in densely built areas, including planning permissions).

Over the past decade, house price increases have been particularly strong in capital cities. During the upturn in the early 2000s and up to 2009, house prices in capital cities moved broadly in line with national aggregates. They started to diverge around 2010. ⁽⁴¹²⁾ In several Member States – and particularly in their capital cities – foreign investment in housing is substantial. Foreign investments in capital cities are part of a broad pattern of looser global financial conditions, whereby prices in major cities may become more sensitive to international conditions and prices. In some cases, these effects are mitigated by exchange rate flexibility or macro-prudential tools intended to protect the stability of the financial system, for example capital conditions banks to provide mortgages. ⁽⁴¹³⁾ As discussed earlier, the impact of house prices on housing expenses may be limited to certain population groups, indirect and subject to a lag. Given higher rates of housing mobility (but also more private tenants) in cities, the effects may be seen more quickly there.

Short-term rentals via on-line platforms may have an impact on private rental markets, particularly in popular tourist destinations. For homeowners seeking to rent out their property, offering accommodation to tourists and travellers via peer-to-peer platforms may be a lucrative alternative to long-term rents. There is a wide degree of variation in the offers online: some are available year-round, whereas others are only rented for a few months. Some accommodation offers refer to entire properties, others are for rooms or shared rooms. The displacement of long-term rents by peer-to-peer short-term accommodation may be particularly strong where local incomes and wages are below what is offered on the international market for short-term accommodation for example in Southern and Central

and Eastern Europe, ⁽⁴¹⁴⁾ while regulation also plays a role. However, the supply of short-term lets tends to be particularly concentrated in historic city centres. ⁽⁴¹⁵⁾, which implies that its broader impact remains to be seen.

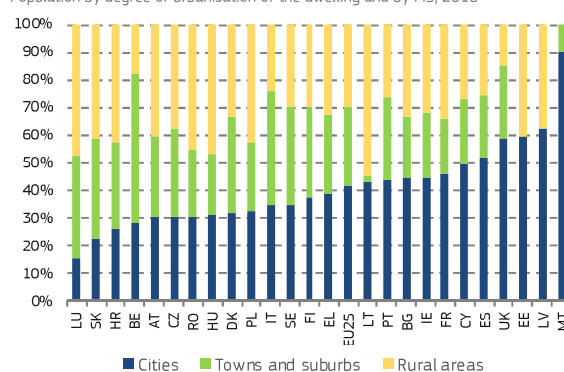
The affordability of housing costs in cities is subject to an urban ‘paradox’. Cities are hubs of innovation, productivity and employment, with opportunities for education and training and high income. Urban areas are often the destination of choice for young adults. However, in many cities unemployment rates are higher than in towns, suburbs or rural areas, ⁽⁴¹⁶⁾ while inequalities are larger.

The housing cost overburden tends to be highest in cities (13% EU-wide), compared with towns and suburbs and rural areas. Income poverty tends to be highest in rural areas, where overall income and living standards may be somewhat lower. To some extent, these two factors tend to cancel each other out when the risk of poverty after housing expenses is calculated, the risk is similar in cities and rural areas, and slightly lower in towns and suburbs.

Chart 4.44

About two fifths of the population lives in cities, with major differences across Member States

Population by degree of urbanisation of the dwelling and by MS, 2016



Note: No data for DE, NL, SI.

Source: DG EMPL calculations, based on EU SILC Users' database

[Click here to download chart.](#)

⁽⁴¹⁴⁾ Adamiak (2018).

⁽⁴¹⁵⁾ Artioli (2018).

⁽⁴¹⁶⁾ Nevertheless, cities have potentially more job opportunities and allow for wider job choices. See Eurostat (2017).

⁽⁴¹¹⁾ Grabka, Goebel and Liebig (2019).

⁽⁴¹²⁾ European Central Bank (2017), data for the Eurozone.

⁽⁴¹³⁾ Alter et al (2018).

Table 4.2

Housing cost affordability and poverty are subject to an 'urban' paradox

Selected housing cost affordability and poverty indicators, by degree of urbanisation of the dwelling, EU25, 2016

	Median housing cost (%income)	Housing cost overburden (>40% income)	At-risk-of-poverty (AROP, income)	AROP (income after housing expenses)	Self-reported heavy burden of housing cost
Cities	16	13	16	31	36
Towns and suburbs	15	10	16	30	37
Rural areas	14	9	21	33	37

Note: No data for DE, NL, SI. Shading applied by column, to highlight which areas have most favourable outcomes (green) or least favourable (red)

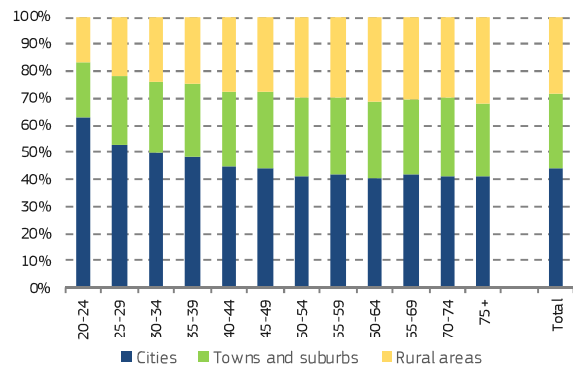
Source: DG EMPL calculations, based on EU SILC Users' database

[Click here to download table.](#)

Chart 4.45

Households headed by young adults are more likely to be in the cities

Tenure status by age category of the oldest person in charge of accommodation, %, EU25, 2016



Note: No data for DE, NL, SI.

Source: DG EMPL calculations, based on EU SILC Users' database

[Click here to download chart.](#)

A lack of affordable housing in areas with many job opportunities may hamper labour mobility, or lead to long commutes and traffic congestion. In certain countries (including Finland) regional differences in housing costs are larger than the respective wage premiums. This may hinder mobility to the regions with the highest demand and largest job opportunities. Limited supply of rental housing may also be a factor limiting mobility within a country, even leading some jobseekers to move abroad instead (e.g. Latvia). In other cases, a high housing cost relative to income may provide incentives to commute across the border rather than to take up residence there (e.g. Luxembourg).

5.5. Housing cost affordability by household type

There are large differences between Member States in the structure of households. This applies particularly to single person households, which account for more than one fifth of the population in Denmark, Sweden or Germany, but less than one tenth in several Member States, including Cyprus, Slovakia and Poland. There are also major differences in the prevalence of households with three or more adults. This is linked both to children continuing to cohabit with their

parents into young adulthood and to elderly persons residing with their children.

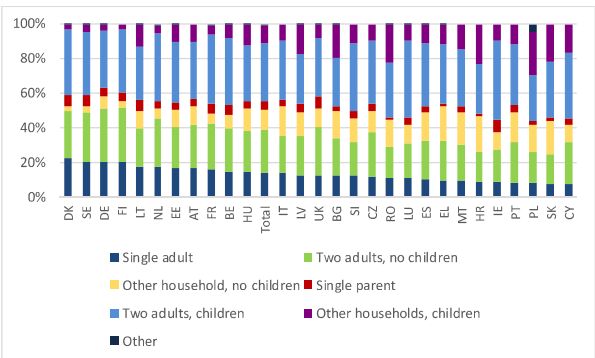
In terms of housing cost affordability, cohabiting can have advantages.

On the cost side, it allows for economies of scale: the required living space or consumption of utilities may increase as more people live in a dwelling, but the increase is not proportional to the number of persons in the household. On the income side, having several adults in a household can help to pool and diversify income.

Chart 4.46

Diversity of household types in EU Member States

Population by household type and Member State, 2016.



Note: Children refer household members aged 17 or less or household members aged between 18 and 24; economically inactive and living with at least one parent.

Source: DG EMPL calculations, based on EU SILC Users' database

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One possible effect of limited availability of affordable housing is overcrowding.

The overcrowding rate takes into account the number of rooms available to the household and the number of household members (see Box 4.5). The proportion of people living in overcrowded households has declined gradually, from 18.7% in 2007 to 15.5% in 2017 (EU27, not including Croatia). Bulgaria, Croatia, Hungary, Poland and Romania still have overcrowding rates of 40% or more. Not only the number of rooms, but also the size of dwellings differs strongly across Member States, and is closely related to overall living standards. Whereas an overcrowded household in Italy had a median living space of 20m² per household member in 2012, the equivalent in Romania was only 10m².

Table 4.3

Single adults, and particularly single parents, tend to be most vulnerable to poverty and problems with housing expenses

Selected housing cost affordability and poverty indicators, by household type, EU28, 2016

	Median housing cost (%income)	Housing cost overburden (>40% income)	At-risk-of-poverty (AROP, income)	AROP (income after housing expenses)	Self-reported heavy burden of housing cost
Single adult	26	26	26	50	28
Two adults, no children	16	9	12	19	24
Other, no children	11	6	11	32	38
Single parent	23	21	34	63	43
Two adults, children	16	10	17	30	32
Other, children	13	6	20	31	47

Note: Shading applied by column, to highlight which household types have the most favourable outcomes (green) or least favourable (red)

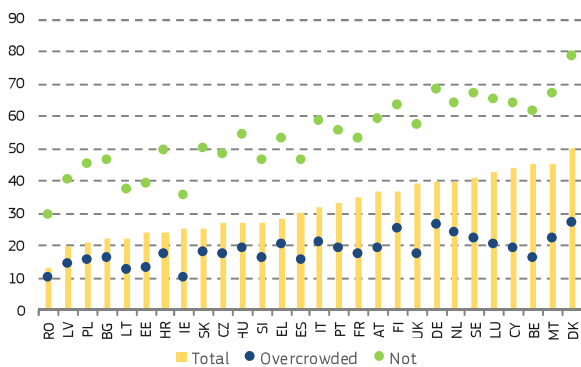
Source: DG EMPL calculations, based on EU SILC Users' database

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Chart 4.47

Dwelling size varies considerably across countries, including for overcrowded households

Median average living space (m2) per household member, by country and overcrowding status, 2012



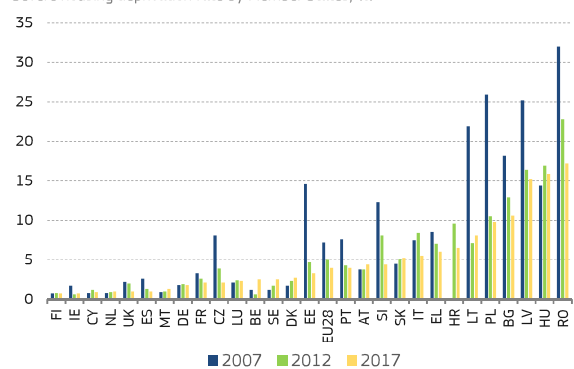
Source: DG EMPL calculations, based on EU SILC Users' database

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Chart 4.48

Fewer Europeans experience severe housing deprivation than ten years ago

Severe housing deprivation rate by Member States, %



Note: EU28 refers to EU27 (-HR) for 2007

Source: Eurostat, EU-SILC [ilc_mdho06a].

[Click here to download chart.](#)

5.6. Housing deprivation

The quality of housing, in terms of the properties of the dwellings in which Europeans live, varies considerably across Member States, as well as within countries. Some aspects of housing quality are closely linked to the overall living standards of the country or households, whereas others can be seen as providing possible indications of the energy-efficiency of the building.

Severe housing deprivation rates have been declining in Europe over the past ten years. The strongest progress was recorded between 2007 and 2012 in all the Central and Eastern European Member States, followed by a period of relative stability in several countries, and a renewed decline shown in the most recent data. A few countries with low rates of deprivation have seen minor increases, such as Belgium, Sweden and Denmark, although it remains to be seen whether this is a robust trend.

Homes that lack basic plumbing installations are concentrated in certain Central and Eastern European Member States.

In Romania, Latvia, Lithuania and Bulgaria, more than 10% of the population live in a dwelling that is not equipped with either a shower or a bath (compared with 2% in the EU28). A similar proportion of households does not have an indoor flushing toilet for the sole use of the household. In fact, dwellings that lack one tend to lack the other as well. One exception is Bulgaria, where nearly twice as many homes lack an indoor flushing toilet as lack a shower or bath. While major improvements have been observed, in line with current trends, these issues will only be fully resolved by 2040.

Box 4.5: Housing deprivation indicators

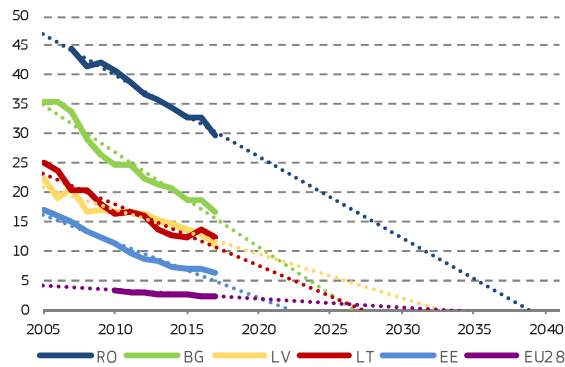
The **severe housing deprivation** rate is the percentage of population living in a dwelling considered to be overcrowded which also exhibits at least one of the housing deprivation measures.

Housing deprivation is a measure of poor amenities, referring to households whose dwellings have a leaking roof, have no bath/shower and no indoor toilet, or are considered too dark.

An overcrowded household is one which does not have at least: one room for the household; one room per couple in the household; one room per single person aged 18 or more; one room per pair of single people of the same gender aged 12-17; one room per single person aged 12-17 and not included in the previous category; and one room per pair of children aged under 12.

Chart 4.49
Homes which lack basic plumbing facilities are becoming rarer, with the remaining ones concentrated in a few Member States

Population not having indoor flushing toilet for the sole use of their household, %



Note: Dotted lines represent linear extrapolation of trend 2005-2017 (2008 for RO, 2010 for EU)

Source: Eurostat, EU-SILC survey [ilc_mdho03].

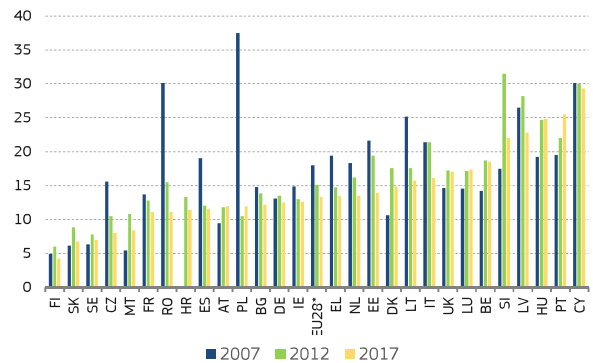
[Click here to download chart.](#)

Damp living conditions are relatively widespread across EU Member States. Approximately one in seven Europeans lives in a dwelling that has a leaking roof, or has walls, floors or foundations which are damp, or has rot in window frames or the floor. These deficiencies may have a negative impact not only on the occupants' comfort, but also on their health.⁽⁴¹⁷⁾ Those living in rented accommodation, and particularly those with reduced rent are especially affected by these issues. Damp living conditions may also indicate poor insulation or ventilation of the home and be considered as a proxy for low energy efficiency.

⁽⁴¹⁷⁾ Eurofound (2016).

Chart 4.50
Damp living conditions are generally on the decline, but remain widespread in the EU

Population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames of floor, by MS, %



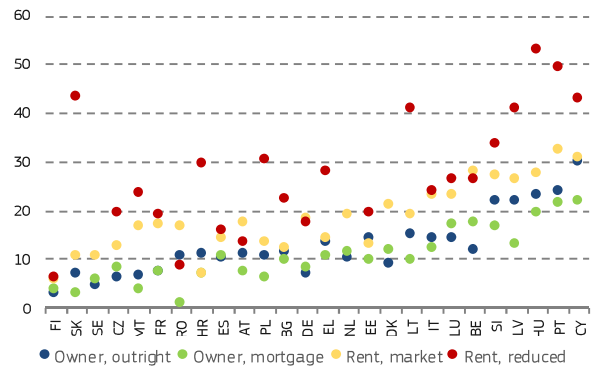
Note: For 2007, EU28 refers to EU27 (-HR).

Source: Eurostat, EU-SILC survey [ilc_mdho01].

[Click here to download chart.](#)

Chart 4.51
Tenants are most likely to have damp living conditions

Population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor, by tenure status, 2016



Source: DG EMPL calculations, based on EU SILC Users' database

[Click here to download chart.](#)

6. CONCLUSIONS AND POLICY CHOICES

Given major demographic and technological shifts, there is a broad consensus in Europe on the need to invest in people and social sustainability. Such investments help to prevent and mitigate social risks by enabling citizens to acquire new skills and be active on the labour market and by providing them with support during critical life course transitions (such as re-entering the labour market after studies, childbirth, unemployment or inactivity).

Investing in children and their families through affordable and quality childcare services and income support is an effective investment for the development of children and for parents' (especially mothers') employment. Despite increases in family expenditure per capita, and increases in the use of formal childcare in most Member States after 2008, there is still room for improvement.

More efforts are needed to avoid vicious cycles which could reinforce existing inequalities between children from disadvantaged and advantaged backgrounds. At present, the disadvantaged are less likely than the advantaged to use childcare services. While childcare choices are influenced by factors ranging from affordability and availability to proximity, opening hours, quality, preferences and social norms, the data analysed in this Chapter show that lack of affordability is the main reason for not making more use of formal childcare. High childcare costs for low-income families, and low progressivity in these costs, are likely to be a major cause of the existing inequality in childcare use. The analysis in this Chapter also shows that reducing childcare costs in countries where these costs are relatively high has a positive effect on the use of childcare, and, allows mothers to work more if they wish to. In countries where these costs are low, other policies focused on increasing availability might work better in enhancing childcare use and employment of mothers.

Education and training remain very important in the European Social Model. Expenditure on education and training has continued to grow over the last decade in absolute terms, although less than GDP. There is a statistically significant relationship between higher educational attainment levels on the one hand, and higher employment likelihood and higher salaries on the other. Unsurprisingly, work experience during studies has an analogous (if smaller) effect on the probability of a student becoming employed. This probability is stronger if the work experience is paid. These relationships are linked with the transformation affecting European labour markets, which increases the demand for highly qualified and experienced individuals. Thus further investment in education and training systems is recommended. Yet a signalling effect is likely to play a role in wages and employment

differentials, and across Member States there are signs of overqualification. Moreover, tertiary qualification attainments are significantly correlated across generations, which raises the issue of public investment in education and training having a 'Matthew effect'.

Adult education training is increasing in EU, a positive sign likely to be linked with the spread of upskilling and reskilling policies. However, this increase is primarily driven by non-formal training, whereas formal training is reported to have higher positive outcomes in terms of better performance, salaries, tasks, promotion and the chances of finding a new job.

An increase in formal long-term care can lead to advantages both for carers and for the state. Formal long-term care reduces burdens on family or informal carers, allowing them to stay in paid employment, and so increases tax revenues. Paid carers make social contributions, thereby supporting the financial sustainability of social protection systems, while giving these workers access to insurance-based benefits and pension entitlements. Better data and indicators on this important policy area would allow further investigations and, ultimately, better policies.

Access to affordable and adequate housing is an important factor enabling Europeans to fulfil their potential in the labour market. There are concerns that housing is becoming less affordable, due to dynamic house prices, particularly in capital cities, which are major centres of productivity. This may limit opportunities for workers, particularly at the start of their careers. Very high housing costs may also prevent some households from investing in skills or making use of childcare. Affordability of housing costs has generally improved in recent years. However, there remain many Europeans who face difficulties in meeting the monthly cost of accommodation. These include in particular tenants (both on the private market and paying reduced rent) and single persons, particularly single parents. Likewise, severe housing deprivation is generally declining in Europe, but specific groups remain at high risk (including tenants in the private rented sector). The increase in homelessness (Chapter 1) that has been observed in many countries points to severe forms of exclusion. Many Member States provide extensive support for homeowners, but there may be scope to further developing policies for more vulnerable groups.