

## Annex 1.2

### Context indicators – 2008

#### Summary

This paper outlines major trends and emerging challenges shown by the context indicators of commonly agreed indicators and statistics.

The key trends in the indicators show the following:

##### Employment and Economic

- The UK performs consistently better than the EU-25 average for nearly all of the employment and economic indicators in 2007, where we can determine a trend.
- The UK has one of the highest employment rates in the Europe which increased from 70.5 per cent in 1998 to 71.3 per cent in 2007.
- GDP at constant prices (2000) increased from 2.9 per cent in 2006 to 3.0 per cent in 2007 and was higher than the EU-25 average of 2.9 per cent in 2007. However the more recent economic outlook shows that the twin global shocks of financial market disruption and rising food and energy prices has affected all the world's economies, including here in the UK.
- Around two thirds of children in workless households in 2006 live in households that contain a lone parent and accordingly our key focus is to support and consolidate the existing lone parent employment strategy.
- The UK performs better than the EU-25 average for the 'unemployment trap' indicator.

##### Income and Living conditions

- The highest proportion of social protection benefits expenditure in the UK was on the old age and survivor's benefits group at 45 per cent which was the equivalent of 11.8 per cent of GDP.

##### Life expectancy and Pensions

- Since 1995 the life expectancy for UK citizens has risen significantly both at birth and after 65 demonstrating UK citizens are living longer.
- The old age dependency ratio in the UK is expected to increase from 24.4 in 2005 to 45.3 in 2050.
- Theoretical replacement rates are set to improve by 2 percentage points by 2046, as against the drop expected for the EU-25.

#### Background

1. This paper outlines major trends and emerging challenges shown by the context indicators, which inform the Overview chapter of the National Action Strategy report. This paper is produced in conjunction with the overarching paper which highlights main indicators to achieve the 3 overarching objectives of the social protection and social inclusion processes, agreed at the Employment, Social Policy, Health and Consumer Affairs council.

2. As agreed by the March 2006 Employment and Social Policy Council, the 3 overarching objectives of the social protection and social inclusion processes are to promote:
  - (a) social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
  - (b) effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy;
  - (c) good governance, transparency and the involvement of stakeholders in the design, implementation and monitoring of policy.
3. On the basis of these objectives, the Indicators Sub Group of the Social Protection Committee, comprising representatives from the Member States and the Commission, has defined a reduced set of new or already agreed EU or national indicators to monitor each of these broad objectives.
4. The overarching indicators are assessed in the light of key context information and by referring to past and, where relevant, future trends. The list of context indicators and statistics are provided by Eurostat with the purpose of framing and providing a better understanding of the national socio-economic context.

### **Context indicators summary**

5. The indicators summary table provides an outline of the trends in the data underlying the context indicators. It assesses overall progress by looking at the direction of movement since the baseline year.
6. The UK and EU-25 Average columns show the latest available data, corresponding to 2006 unless stated otherwise. All EU averages refer to the EU-25 unless stated otherwise.
7. Eurostat produces the data for the streamlined indicators. They have recently replaced the European Community Household Panel (ECHP) with the European Union Survey of Income and Living Conditions (EU-SILC). This means there has been a break in the time series data for the majority of the income poverty measures. UK data from the EU-SILC is available from 2005 and 2006. It is also important to note that in the previous NAP national data was used from the Family Resources Survey due to this transition period. Therefore, figures in this report are not directly comparable to the last NAP.
8. **Due to the change in the survey it is important to note that for most of the income poverty indicators there are only two data points. Therefore we cannot make a robustness judgement on the trends in these indicators. Any trends provided using EU-SILC data are indicative at this stage.**

9. Progress has been made on a range of indicators since the relevant baselines, with 3 of the indicators moving in the right direction. There are three indicators where the trend has remained broadly constant and no indicators where the trend has worsened. There is not enough data available to determine a trend for 20 of the indicators.

Progress since baseline	Numbers of indicators
Improving trend	3
Broadly constant trend	3
Worsening trend	0
Cannot determine trend	20
Total	26

#### Trend

- ✓ data moving in right direction
- ✗ data moving in wrong direction
- ≈ data show broadly constant trend or no significant movement
- ▲ only baseline data available or insufficient data available to determine a trend

#### Context Indicators

	Indicator	Baseline year	UK Trend since baseline	Latest data UK	Latest data EU Average
1	Growth rate of GDP at constant prices (2000) –percentage over previous year	2004	≈	3.0% <sup>1</sup>	2.9%
2a	Employment rate	1998	≈	71.3% <sup>2</sup>	65.8%
2b	Unemployment rate	1998	✓	5.2% <sup>3</sup>	7.2%
2c	Long-term unemployment rate by gender, selected years	1998	✓	1.3% <sup>4</sup>	3.0%
3	Life expectancy at birth and at 65			77.1 <sup>5</sup>	*
	-Life expectancy at birth, males	1995	✓	17	*
	-Life expectancy at 65, males	1995			

<sup>1</sup> The latest GDP data is for 2007

<sup>2</sup> The latest employment rate data is for 2007

<sup>3</sup> The latest unemployment rate data is for 2007

<sup>4</sup> The latest long-term unemployment rate data is for 2007

<sup>5</sup> The latest data for male life expectancy at birth and at 65 is for 2005.

	-Life expectancy at birth, females	1995		80.7 <sup>6</sup> <sub>e</sub>	
	-Life expectancy at 65, females	1995		19.1	
4	Old age dependency ratio (current and projected)	2005 2050	▲	24.4% 45.3%	24.9% 52.8%
5a	Distribution of households by age and household type (private/institutional), total	2000/01	▲	98.2%	98.7%
5b	Population living in private households by household type (percentage of total population), single adults no children	2007	▲	14%	13%
6	Projected evolution of debts levels up to 2050 (in % of GDP)				
	-Programme scenario	2004	▲	110.3%	*
	-Budget scenario	2004	▲	186.7%	*
7a	Social protection benefits by group of functions – old age and survivors (as a percentage of total benefits, 2005)	2005	▲	45.0% <sub>oe</sub>	45.9%
7b	Social protection benefits by group of functions – old age and survivors (as a percentage of GDP, 2005)	2003	≈	11.8% <sub>oe</sub>	12.0%
8a	Adults aged 18-59 living in jobless households by household types, in % of total number of adults living in jobless households				
	-Alone without children	2006	▲	27.2%	24.1%
	-Alone with children		▲	23.5%	10.9%
8b	Children aged 0-17 living in jobless households by household types, in % of total number of children living in jobless households				
	-Alone with child(ren)-no elderly	2006	▲	66.5%	47.5%
	-Couple with child (ren) –total		▲	26.1%	38.4%
9a	Unemployment traps				
	single person, no children, moving to 50% of average production worker	2006	▲	78%	*
	single person, no children, moving to 67% of average production work		▲	68%	*

<sup>6</sup> The latest data for female life expectancy at birth is for 2003 and at 65 is for 2002.

9b	Inactivity Trap at 67% of APW, with and without childcare costs two-earner couple with two children, no childcare two-earner couple with two children, with childcare	2002	▲ ▲	25% <sup>7</sup> 89%	* *
9c	Inactivity traps, for inactive persons entering work at 2 different wage levels <sup>1</sup> single person, no children, moving to 50% of average production worker single person, no children, moving to 67% of average production work	2006	▲ ▲	78% 71%	* *
9d	Low wage traps single person, no children, moving to 33%-67% of average production worker single person, no children, moving to 67%-100% of average production work	2006	▲ ▲	77% 33%	* *
10	Net income of social assistance recipients as % of the at-risk-of poverty rate threshold for 3 jobless households types	We are awaiting interpretation on this indicator from the OECD.			
11	At risk-of-poverty rate before social transfers by gender and selected age group	2006	▲	30%	26%
12	Change in projected theoretical replacement ratio	2004	▲	2	-4

e= Eurostat estimate

<sup>7</sup> Inactivity Trap at 67% of APW, with and without childcare costs is for 2002.

## Context Indicators

### Employment and Economy

10. Overall, employment and economic indicators where a trend can be determined showed that the UK was in a strong position in 2007 with employment indicators performing better than the EU-25 average and economic growth being higher than most European countries. However, the more recent economic outlook shows that the twin global shocks of financial market disruption and rising food and energy prices affect all the world's economies, including here in the UK. There are real reasons to be confident about the UK economy's prospects, but the Government recognises that this is going to be a challenging year for all. The past decade of rising incomes and job creation puts the UK in a strong position to deal with today's challenges<sup>8</sup>.

### Employment rate

11. The UK has one of the highest employment rates in the Europe which rose from 70.5 per cent in 1998 to 71.3 per cent in 2007. This was higher than the EU-25 employment rate of 65.8 per cent in 2007, though the EU-25 employment rate increased faster than the UK employment rate from 1998 to 2007. In the UK the male employment rate was 77.3 per cent in 2007 and the female employment rate was 65.5 per cent in 2007. More recent national data (UK Labour Force Survey) shows that like other countries, the UK is dealing with global economic challenges, and unemployment rose in August 2008. However, the number of vacancies remains over 600,000 and the employment rate is still at 74.7 per cent (the UK LFS).

### Unemployment rate

12. The numbers of people claiming unemployment benefits have fallen most in areas where they were previously highest, and the total number of claimants has almost halved<sup>9</sup> since 1997. The unemployment rate in the UK decreased from 6.1 per cent in 1998 to 5.2 per cent in 2007. This remains lower than the EU-25 average unemployment rate of 7.2 per cent in 2007.

### Long-term unemployment rate

13. The UK's long term unemployment rate has dropped substantially since 1998 from 1.9 per cent to 1.3 per cent in 2007 and the UK continues to have one of the lowest long-term unemployment rates in Europe. The EU-25 average had a rate of 3.0 per cent in 2007. Women in the UK had a lower long-term unemployment rate of 0.9 per cent compared to men whom had a rate of 1.6 per cent. This can be explained by women having lower activity rates compared to men.

---

<sup>8</sup> The figure is the stock of vacancies taken from the ON vacancy survey where vacancies are defined as "positions for which employers are actively seeking recruits from outside their business".

<http://www.statistics.gov.uk/about/data/guides/LabourMarket/sources/business/vacancysurvey.asp>

<sup>9</sup> IMF Article IV Concluding Statement, 23 May 2008

#### Growth rate of GDP at constant prices (2000)

14. The UK economy continues to perform well compared with its major competitors. GDP at constant prices (2000) rose from 2.9 per cent in 2006 to 3.0 per cent in 2007 and was higher than the EU-25 average of 2.9 per cent in 2007. More recent data from Her Majesty's Treasury shows that UK GDP growth was flat in the second quarter of 2008, at 0.0%, following growth of 0.3% in the first quarter of 2008. The Government has put in place the right frameworks for economic stability, and has promoted open and flexible markets, providing us with a strong platform from which to face economic challenges, including the ongoing disruption in global financial markets and high commodity prices. But after a decade of rising incomes and job creation the UK faces these challenges from a position of strength.

#### Projected evolution of debt levels up to 2050 (in % of GDP)

15. Budget 2008 projected that the Government will meet its fiscal rules, over the economic cycle on the basis of cautious, audited, assumptions. The sustainable investment rule requires that public sector net debt, as a percentage of GDP, will be held, over the economic cycle, at a stable and prudent level.
16. In the UK, general Government consolidated gross debt as a percentage of GDP is expected to be 44.8 per cent in 2008 and 45.6 per cent in 2009. This is far lower than the EU-27 average which was 58.3 per cent in 2008 and 57.0 per cent in 2009.
17. Long-term budgetary projections produced by the Economic Policy Committee showed that UK general Government gross debt is estimated to be 110.3 per cent of GDP in 2050 for a programme scenario and 186.7 per cent of GDP in 2050 for a budget scenario. The projections are an illustration of the impact that demographic change would have on debt over the coming decades in the absence of any high-level constraints on the public finances. However, the public finances are managed in line with the Government's objectives for fiscal policy and therefore we do not expect debt to reach these levels.

#### Adults in jobless households by household types

18. Of adults living in jobless households, 27.2 per cent in the UK live alone with no children. This composition is higher than the EU-25 average for the same group, which was 24.1 per cent in 2006. In the UK 23.5 per cent of adults living in jobless households live alone with child(ren). This is substantially higher than the EU-25 average where 10.9 per cent of adults in jobless households live alone with child(ren). In contrast to this the UK has a lower composition of jobless households without children compared to the EU-25 average. This was 12.0 per cent in 2006 for the UK and 19.8 per cent for the EU-25 average for the same period.

## Children in jobless households by household types

19. Around two thirds of children in jobless households live in households that contain a lone parent in 2006 and accordingly our key focus is to support and consolidate the existing lone parent strategy. This is higher than the EU-25 average which was 44.6 per cent during the same period. However, national data shows that there has been considerable progress made as the number of children in workless households in GB has fallen by around 445,000 since 1997<sup>10</sup>. The Government remains fully committed to our ambitious targets of halving child poverty by 2010 and eradicating it by 2020. To help children we must help their families. And for most families, paid work is the most important route out of poverty. Our fundamental objective is to support better more lone parents into employment and to lift more children out of poverty.

## Making work pay

**Marginal effective tax rates (METR)** also known as Marginal Deduction Rates are defined as the proportion of extra earnings that is lost through higher income tax and NICs, and lower entitlement to in-work benefits.

## Unemployment traps

20. The marginal effective tax rate for an unemployed person measures the short-term financial incentive to move from unemployment where benefits are received into paid work and is the rate at which taxes increase and benefits decrease as an unemployed person takes up a job. The 'unemployment trap' arises when the difference between in and out of work incomes is too small to provide an incentive for those currently out of work to take a job. For an unemployed person previously employed at a wage of 67 per cent of average national earnings (here measured as the average earnings of a full-time manual worker in the manufacturing industry – Average Production Worker), taking up a new job at the same wage as before the unemployment spell would imply facing a marginal effective tax rate of 68 per cent in the UK for a single person with no children. This means that by taking up a new job net income would increase by 32 per cent. In particular, for couples with two children and only one potential earner, the unemployed individual faces a marginal effective tax rate of 78 per cent, in 2006. However, this is fairly low compared to other European countries where on average most countries exceed 80 per cent for this group.

---

<sup>10</sup> Labour force survey, 2008

### **Making work pay**

The National Minimum Wage is part of an overall strategy to make work pay. Together with the Working and Child Tax Credits, in October 2008, the National Minimum Wage will guarantee that every family with one child and one person working 35 hours per week will receive a minimum income of £292 per week. The bite (National Minimum Wage as a percentage of median earnings) is now 50 per cent of the median wage. The UK minimum wage is now around the OECD average and is one of the highest in the OECD in terms of purchasing power.

The Government increased the adult rate of the national minimum wage on 1 October 2007 from £5.35 to £5.52, and from October 2008 it will be raised again to £5.73. The minimum wage plays a part in narrowing the gender pay gap, as women are more likely to work in lower paid and often part-time jobs than men. Therefore more women than men will benefit from raising the minimum wage.

We are piloting a Better Off In Work Credit to ensure that all long-term claimants see a significant rise in their incomes when they take a job. We are also introducing a number of measures for lone parents (the majority of whom are women) to make work pay, help sustainability and progression once in work. These include: the national roll out of In-Work Credit, In-Work Advisory Support and an In-Work Emergency Discretion Fund for lone parents. We will also ensure that programmes and policies meet the needs of people who are disadvantaged in the labour market by offering targeted back to work programmes.

### Inactivity traps

21. The 'inactivity trap'<sup>11</sup> is a similar situation to the unemployment trap except that it applies to people of working-age not receiving any unemployment benefits. The marginal effective tax rates for the inactive shows the effect of tax and benefit systems on the financial incentives of entering low-wage employment or part-time work for inactive persons. In the UK the METRs faced by inactive individuals considering taking up a job and who are not or no longer entitled to unemployment benefits are broadly the same as those for the 'unemployment trap'. However, inactivity METR's are higher than the European average as the METR faced by inactive households in most European countries are lower in comparison to the unemployment METR's in 2006.

### Inactivity traps with and without childcare costs

22. The inactivity traps with and without childcare costs shows estimates of household incomes after childcare costs, assuming that households where all adults are employed purchase formal (centre-based) childcare services on a full-time basis<sup>12</sup>. The available estimates refer to 2002 and therefore the values of inactivity traps in the absence of childcare costs do not correspond to those shown in context indicator 9b (they are generally higher). This indicator illustrates the important financial trade-offs between work and staying at home faced by families with children.

---

<sup>11</sup> As defined by the OECD who produce the making work pay indicators for Eurostat. For the inactivity-related indicators, the OECD consider the definition of 'inactivity' as someone who is not entitled to unemployment benefits (JSA contribution based or income based in the UK case) but instead receives social assistance (income support).

<sup>12</sup> Families with at least one labour market inactive adult do not require any formal childcare

23. With childcare costs taken into account as work-related expenses, a low earner couple with two children would see 89 per cent of their earnings consumed by childcare fees, taxes and reduced benefits compared to 25 per cent for the same measure without childcare included. In the UK, a marginal effective tax rate of 59 per cent for lone parents (with two children, but with no childcare costs) increases to 84 per cent when childcare costs are included.

#### Low wage traps

24. The low-wage trap shows the financial consequences of increasing working hours or work effort for those already in work. This indicator measures the financial incentives to improve a household's income situation by increasing earnings, and is defined as the rate at which taxes are increased and benefits are reduced as a person increases his or her earnings by a small amount.
25. In the UK, METRs for the income range between 33 per cent and 67 per cent of APW are higher than those for the higher income range of 67 per cent to 100 per cent of APW, reflecting the fact that most income dependent social transfers are already phased out in the higher ranges and only taxes and social security contributions play a role.

### **Income and living conditions**

#### Social protection benefits by group of functions(as a percentage of total benefits), 2005

26. The highest proportion of social protection benefits in the UK is spent on the old age and survivor's benefits group at 45 per cent which was the equivalent of 11.8 per cent of GDP. This is similar to the EU-25 average where 45.9 per cent of social protection benefits were spent on old age and survivors benefits, which represented 12 per cent of GDP. In the UK the lowest proportion of social protection spending was spent on unemployment benefits at 2.6 per cent of total benefits expenditure in 2005 which was the equivalent of 0.7 per cent of GDP. This was lower than the EU-25 average of benefit expenditure on unemployment benefits which was 6.1 per cent of all benefit expenditure and 1.6 per cent of GDP.

#### Distribution of households by age and household type (private and/institutional)

27. In the UK 98.2 per cent of the population live in private households and 1.8 per cent live in institutional households (2000-01). This is similar to the EU-25 average where 98.7 per cent of people live in private households and 1.3 per cent live in institutional households. The highest group of the UK population that live in institutional households was the 75 plus age group at 8.5 per cent. For this indicator there is considerable variation across the EU, the majority of the accession countries have less than 2% of the 75 plus age group living in institutional households.

## Population living in private households by household type (percentage of total population)

28. In the UK 14 per cent of the population that live in private households live in a single adult and no children household in 2000-01. This is similar to the EU-25 average which is 13 per cent for the same indicator. In the UK, 8 per cent of private households live in a single parent household, which is much higher than the EU-25 average where only 5 per cent live in a single parent household.

## The at-risk-of-poverty rate before social transfers

29. In 2006, the UK at-risk-of-poverty rate was 30 per cent before all social transfers except pensions. This is significantly higher than the EU-25 average at-risk-of-poverty rate before transfers except pensions, which was 26 per cent during the same time period. The difference can be explained by the UK's high at risk-of-poverty rate before social transfers for children which was 41 per cent and the rate for women aged 65 years and more which was 39 per cent. The EU-25 average is substantially lower than the UK as the at-risk-of-poverty rate for children is 33 per cent and for women aged 65 years and more the rate is 25 per cent.

## Life expectancy and Pensions indicators

### Theoretical replacement rates

30. Projections of theoretical replacement rates are based on the Indicators Steering Group assumptions, with a standard career length of 40 years and a given net return on pension saving. This indicator suggests that the decline in the UK's replacement rate will be similar to that of the EU-25 average. However, recent pension reforms have raised the State Pension Age to 68 by 2046, while legislation is being put in place to change private pension provision by, for instance, introducing a system of low-cost personal accounts. Taking these into consideration, theoretical replacement rates are set to improve by 2 percentage points by 2046, as against the drop expected for the EU-25. Reforms are projected to have decreased the expected decline in the generosity of state provision, while boosting significantly the future return from private provision.

### Old age dependency ratio (current and projected)

31. The old age dependency ratio is the number of people in retirement compared with the number of people in the working age population. In Europe the number of pensioners has been increasing in relation to the numbers of workers available to produce the goods and services demanded by the entire population. This increase in the so-called "dependency ratio" in western Europe is largely due to the ageing of the population – more people are living longer, and pensions must provide for much longer periods of retirement. The old age dependency ratio in the UK is expected to increase from 24.4 in 2005 to 45.3 in 2050. This is lower than the EU-25 average where the old age dependency ratio is expected to increase from 24.9 in 2005 to 52.8 in 2050.

## Life expectancy at birth and at 65

32. Since 1995 the life expectancy for UK citizens has risen significantly both at birth and after 65 demonstrating UK citizens are living longer. For males, life expectancy at birth has risen from 74 years in 1997 to 77.1 in 2005. For females, life expectancy has increased slightly from 79.2 years to 80.7 years. Both life expectancy indicators are higher than the average for the European countries. It's worth noting that in general the accession countries have the lowest life expectancy in the EU and Scandinavian countries have the highest life expectancy.
33. In addition, the life expectancy from 65 has also increased in the UK. For males this has increased from 14.6 years in 1995 to 17 years in 2005. Similarly for females, life expectancy after 65 has increased from 18.2 years to 19.1 years.

## Annex 1: Context Indicators

### Context 1: Growth rate of GDP at constant prices (2000) - percentage change over previous year

	UK	EU-25
2004	3.3	2.4
2005	1.8	1.9
2006	2.9	3.0
2007	3.0	2.9

**Data Source:** Eurostat, Structural Indicators database

The data differs from previously published data for the UK

[http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=EU\\_strind&root=EU\\_strind/strind/ecobac/eb012](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=EU_strind&root=EU_strind/strind/ecobac/eb012)

[http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=1996,39140985&\\_dad=portal&\\_schema=PORTAL&screen=detailref&language=en&product=EU\\_strind&root=EU\\_strind/strind/ecobac/eb011](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=EU_strind&root=EU_strind/strind/ecobac/eb011)

See also: <http://www.statistics.gov.uk/pdfdir/gdp0705.pdf> for national data and analysis.

**Definition:** Gross domestic product (GDP) is a measure of the results of economic activity. It is the value of all goods and services produced less the value of any goods or services used in producing them. The calculation of the annual growth rate of GDP volume allows comparisons of economic development both over time and between economies of different sizes, irrespective of changes in prices. Growth of GDP volume is calculated at previous years' prices.

**Context 2a: Employment rate (% of population aged 15-64)**

		<b>UK</b>	<b>EU-25</b>
1998			
	Total	70.5	61.2
	Male	77.3	70.6
	Female	63.6	51.8
2000			
	Total	71.2 <sup>b</sup>	62.4
	Male	77.8 <sup>b</sup>	71.2
	Female	64.7 <sup>b</sup>	53.6
2002			
	Total	71.3	62.8
	Male	77.6	71
	Female	65.2	54.7
2004			
	Total	71.6	63.3
	Male	77.8	70.9
	Female	65.6	55.7
2005			
	Total	71.7	63.9
	Male	77.6	71.3
	Female	65.9	56.5
2006			
	Total	71.5	64.7
	Male	77.3	72
	Female	65.8	57.4
2007			
	Total	71.3	65.8
	Male	77.3	73
	Female	65.5	58.6
<i>B: break in series. There has been changes in the methodology/data source so that data is not comparable from one year to the next</i>			

**Data source:** Eurostat, Labour Force Survey, Annual averages

**Definition:** The employment rate is calculated by dividing the number of persons aged 15 to 64 in employment by the total population of the same age group.

**Context 2b: Unemployment rate (% of labour force aged 15+)**

		<b>UK</b>	<b>EU-25</b>
1998			
	Total	6.1	9.3
	Male	6.8	8.0
	Female	5.3	11.2
2000			
	Total	5.5	8.6
	Male	6.0	7.4
	Female	4.9	10.2
2002			
	Total	5.1	8.7
	Male	5.6	7.8
	Female	4.5	10.0
2004			
	Total	4.7	9.1
	Male	5.0	8.1
	Female	4.2	10.2
2005			
	Total	4.8	8.7
	male	5.1	7.9
	female	4.3	9.8
2006			
	Total	5.3	7.9
	male	5.7	7.1
	female	4.9	9.0
2007			
	Total	5.2	7.2
	male	5.5	6.5
	female	4.9	7.9

**Data source:** Eurostat, Labour Force Survey, Annual averages

**Definition:** Unemployed persons aged 15 and more as a share of the active population in the same age group – harmonised with national monthly unemployment estimates.

**Context 2c Long-term unemployment rate by gender, selected years (% of the labour force 15+)**

		UK	EU-25
1998	Total	1.9	4.4
	Males	2.4	3.6
	Females	1.2	5.5
2000	Total	1.4	3.9
	Males	1.9	3.3
	Females	0.9	4.8
2002	Total	1.1	3.9
	Males	1.4	3.3
	Females	0.7	4.6
2004	Total	1	4.1
	Males	1.2	3.6
	Females	0.6	4.7
2005	Total	1	3.9p
	Males	1.3	3.5p
	Females	0.7	4.5p
2006	Total	1.2	3.9p
	Males	1.3	3.5p
	Females	0.7	4.5p
2007	Total	1.3	3.0
	Males	1.6	2.8
	Females	0.9	3.3

Source: Eurostat - Labour Force Survey, Annual averages

p = provisional value u = unreliable or uncertain data b= break in data series

**Data source:** Eurostat, Labour Force Survey, Annual averages

**Definition:** Long term unemployed (12 months or longer) as a share of the total active population – harmonised with national monthly unemployment estimates.

**Context 3: Life expectancy at birth and at 65**

Life expectancy at birth and at 65, males

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Life expectancy at birth - males	UK	74	74.3	74.6	74.8	75	75.5	75.8	76	76.2	76.8	77.1
life expectancy at 65 - males	UK	14.6	14.9	15.1	15.3	15.4	15.8	16.1	16.2	16.3	16.8	17

Life expectancy at birth and at 65, females

		1995	1996	1997	1998	1999	2000	2001	2002	2003
Life expectancy at birth - females	<b>UK</b>	79.2	79.5	79.6 <sup>(e)</sup>	79.7 <sup>(e)</sup>	79.8	80.2	80.4 <sup>(p)</sup>	80.5	80.7 <sup>(e)</sup>
life expectancy at 65 - females	<b>UK</b>	18.2	18.4	18.5	18.5	18.9	19.1	19.1	19.1	-

**Definition:** Life expectancy at birth, at 65: the mean number of years that a newborn child can expect to live if subjected throughout his life to the current mortality conditions (age specific possibilities of dying). The latest available data for females is 2003 whereas the latest available date for males is 2005.

**Data source:** Eurostat, Demography

**Context 4: Old age dependency ratio, current and projected**

	<b>UK</b>	<b>EU-25</b>
2005	24.4	24.9
2010	25.1	26.3
2020	30.3	32.1
2030	37.4	40.3
2040	43.8	48.5
2050	45.3	52.8

**Data source:** Eurostat –demographic statistics; EPC-AWG projections

**Definition:** Ratio between the total number of elderly persons of an age when they are generally economically inactive (aged 65 and over) and the number of persons of working age (from 15 to 64).

**Context 5a: Distribution of households by age and household type (private/institutional), 2000-01**

		<b>UK</b>	<b>EU-25</b>
Total	Total ('000)	58789	441467
	Private households (%)	98.2	98.7
	Institutional household (%)	1.8	1.3
Children (0-17)	Total ('000)	13346	90525
	Private households (%)	99.3	99.4
	Institutional household (%)	0.7	0.6
18-64	Total ('000)	36103	279593
	Private households (%)	98.5	99.0
	Institutional household (%)	1.5	1.0
65+	Total ('000)	9341	71306
	Private households (%)	95.4	96.4
	Institutional household (%)	4.6	3.6
75+	Total ('000)	4405	30917
	Private households (%)	91.5	93.3
	Institutional household (%)	8.5	6.7
	Hospitals (%)	44.6	19.9
	Old people's homes (%)	46.0	68.0

**Data Source:** Eurostat Census data collection 2000-01

**Definition:** Number and % of people living in private collective households.

**Context 5b: Population living in private households by household type, 2007  
(percentage of total population)**

	UK	EU-25
<b>- Single adults, no children</b>	14	13
<i>of which:</i>		
- Single men	6	5
- Single women	7	8
- Under 65	8	7
- 65 and over	6	5
<b>- Single parents</b>	8	5
- 2 adults below 65, no children	17	13
- 2 adults, at least one aged 65+, no children	11	11
- 3 or more adults, no children	11	12
- 2 adults, 1 child	10	12
- 2 adults, 2 children	16	18
- 2 adults, 3 or more children	8	7
- 3 or more adults, with children	7	10

\*=EU aggregates based on available country data.

**Data source:** Eurostat-European Labour Force Survey

**Definition:** Number and % of people living in private collective households.

**Context 6: Projected evolution of debt levels up to 2050 (in % of GDP)****Context 6a: General government debt - General government consolidated gross debt as a percentage of GDP**

	<b>UK</b>	<b>EU-27</b>
2000	41.0	:
2001	37.7	61
2002	37.5	60.3
2003	38.7	61.8
2004	40.4	62.1
2005	42.1	62.7
2006	43.2	61.4
2007	43.8	58.7
2008	44.8	58.3
2009	45.6	57.0

**Data source:** Eurostat - General Government data (2000 to 2007) and ECFIN forecasts (2008-2009)

**Context 6b: Projected evolution of debt levels up to 2050 (in % of GDP)**

	<b>EU-25</b>	<b>UK</b>
<b>Programme scenario</b>		
2005	-	43.3
2010	-	44.4
2030	-	54.0
2050	-	110.3
<b>2005 budget scenario</b>		
2010	-	47.0
2030	-	90.1
2050	-	186.7

**Data source:** Commission services, 2005/06 updated stability and convergence programme.

**Definition:** Government debt is the consolidated gross debt of the whole general government sector outstanding at the end of the year (in nominal value). These data are reported to the European Commission in the framework of the Excessive Deficit Procedure (EDP). Projections are produced by the Commission Services in the context of the assessment of the long-term sustainability of the public finances based on the 2005/06 updates of Stability and Convergence Programmes (SCPs).

**Context 7a: Social protection benefits by group of functions (as a percentage of total benefits), 2005**

	EU-25	UK
	2005	
Sickness, health care	28.6e	30.9
Disability	7.9e	9
Family and children <sup>1</sup>	8e	6.3
Unemployment	6.1e	2.6
Old age and survivors benefits	45.9e	45
Housing and social exclusion	3.5e	6.3

**Data source:** Eurostat – ESSPROS database

**Definition:** Total social protection expenditures broken down in social benefits, administration cost and other expenditure. In addition, social benefits are classified by functions of social protection. Net expenditures are not presented here since they are not available in ESSPROS yet.

**1** The child elements of Income Support and Jobseeker's Allowance started to migrate to child tax credits, administered by HMRC. Tax credits are not considered a benefit, therefore expenditure resulting from the migration will not be recorded in table 7a.

**Context 7b: Social protection benefits by group of functions (as a percentage of GDP), 2005**

	EU-25	UK	EU-25	UK
	2003		2005	
<b>Total</b>	Na	na	27.2e	26.8e
Sickness, health care	7.6	7.7	7.5e	8.1e
Disability	2.1	2.4	2.1e	2.4e
Family and children	2.1	1.8	2.1e	1.7e
Unemployment	1.8	0.7	1.6e	0.7e
Old age and survivors benefits	12.3	11.6	12e	11.8e
Housing and social exclusion	0.9	1.6	0.9e	1.7e

**Data source:** Eurostat – ESSPROS database

**Definition:** Total social protection expenditures broken down in social benefits, administration cost and other expenditure. In addition, social benefits are classified by functions of social protection. Net expenditures are not presented here since they are not available in ESSPROS yet.

**Context 8a: Adults aged 18-59 living in jobless households by household types, in % of total number of adults living in jobless households (2006)**

	UK	EU-25
Alone without children	27.2	24.1
Alone with child(ren)	23.5	10.9
Couple without children	16.6	22.1
Couple with child(ren)	15.4	15.0
Other households without children – total	12.0	19.8
- without elderly (65+)	7.1	9.5
- with at least 1 elderly (65+)	4.9	10.4
Other households with child(ren) – total	5.3	8.1
- without elderly (65+)	4.6	6.4
- with at least 1 elderly (65+)	0.7	1.7
Total number in 1000	3427	17763

**Definition:** Breakdown of jobless households by main household types  
Proportion of all people aged 18-59 years who live in a jobless household as a proportion of all people in the same age group. Students aged 18-24 years who live in households composed solely of students are counted in neither numerator nor denominator.

**Data source:** Eurostat – European Labour Force Survey

**Context 8b: Children aged 0-17 living in jobless households by household types, in % of total number of children living in jobless households (2006)**

	UK	EU-27
Alone with child(ren) - no elderly	66.5	47.5
Alone with child(ren) - at least 1 elderly	0.3	0.3
Couple with child(ren) - total	26.1	38.4
- without elderly (65+)	25.4	37.3
- with at least 1 elderly (65+)	0.7	1.1
Other households with child(ren) - no elderly	7.0	13.7
- without elderly (65+)	5.7	9.9
- with at least 1 elderly (65+)	1.3	3.9
Total number in 1000	2,038.4	6,438

**Data source:** Eurostat Labour Force Survey.

**Definition:** Proportion of all people aged 18-59 years who live in a jobless household as a proportion of all people in the same age group. Students aged 18-24 years who live in households composed solely of students are counted in neither numerator nor denominator.

**Context 9: Making work pay indicators (unemployment trap, inactivity trap (esp. second earner case), low-wage trap**

**Context 9a: Unemployment traps, 2006**

<i>For unemployed persons (previous work at 67% of APW, full-time) returning to full-time work at 2 different wage levels. Including social assistance where applicable.</i>								
	Single person, no children		Lone parent		One-earner couple, 2 children		Two-earner couple, 2 children	
<i>moving to % of APW</i>	50	67	50	67	50	67	50	67
United Kingdom	78%	68%	66%	72%	74%	78%	44%	41%

The wage level of the second earner is fixed at 67% of the APW.

**Data Source:** Joint EC-OECD project using OECD tax-benefit model.

**Definition:** Unemployment trap: Marginal effective tax rate (METR) on labour income taking account of the combined effect of increased taxes and benefits withdrawal as one takes up a job. Calculated as the ratio of change in gross income (net in work income minus net out of work income) divided by change in gross income for a single person moving from unemployment to a job with a wage level of 67% of APW.

**Context 9b: Inactivity trap at 67% of Average Production Worker, with and without childcare costs, 2002**

<b>Inactivity Trap at 67% of APW, with and without childcare costs,</b>				
<b>Lone parents and two-earner couples with two children, in percent</b>				
	Lone Parents with two children, no childcare	Lone Parents with two children, with childcare	Two-earner Couple with 2 children, no childcare	Two-earner Couple with 2 children, with childcare
United Kingdom 2002	59%	84%	25%	89%

**Data Source:** Joint EC-OECD project using OECD tax-benefit model.

Transition for lone parent is from non-UB recipient to full-time employment at 67% of APW. Transition for married couple is from a family with one full-time earner employed at 67% of APW to two full-time earners, each at 67% of APW. Both family types are assumed to have two children, aged 2 and 3, and are assumed to use full-time childcare after transition. Childcare in public or publicly sanctioned facilities, where applicable.

**Definition:** Inactivity trap: METR on labour income taking account of the combined effect of increased taxes and benefits withdrawal as one takes up a job while previously inactive. Calculated as the ratio of change in gross income minus (net in work income minus net out of work income) divided by change in gross income for a single person moving from inactivity to a job with a wage level of 67% of APW.

**Context 9c: Inactivity traps for inactive persons entering work at 2 different wage levels<sup>1</sup>, 2006**

For inactive persons entering work at 2 different wage levels <sup>1</sup> , 2004								
	Single person, no children		Lone parent		One-earner couple, 2 children		Two-earner couple, 2 children	
moving to % of APW	50	67	50	67	50	67	50	67
UK	78	71	66	72	74	78	40	38

**Data Source:** Joint EC-OECD project using OECD tax-benefit model.

**Definition:** Inactivity trap: METR on labour income taking account of the combined effect of increased taxes and benefits withdrawal as one takes up a job while previously inactive. Calculated as the ratio of change in gross income minus (net in work income minus net out of work income) divided by change in gross income for a single person moving from inactivity to a job with a wage level of 67% of APW.

**Context 9d: Low wage traps, 2006**

METR as wage increases by 33% of the APW wage level from two starting low wages

	<i>from 33 to 67% of APW</i>				<i>from 67 to 100% of APW</i>			
	Single person, no children	Lone parent	One-earner couple, 2 children	Two-earner couple, 2 children	Single person, no children	Lone parent	One-earner couple, 2 children	Two-earner couple, 2 children
<i>Income ranges:</i>								
United Kingdom	77%	89%	89%	33%	33%	33%	55%	33%

**Data source:** Joint EC-OECD project using OECD tax-benefit models.

**Definition:** Low wage trap: METR on labour income taking account of the combined effect of increased taxes on labour and in-work benefits withdrawal as one increases the work effort (increased working hours or moving to a better job). Calculated as the ratio of change in personal income tax and employee contributions plus change (reductions) in benefits, divided by increases in gross earnings, using the "discrete" income changes from 34-66% of APW. Breakdown by family types: one-earner couple with two children and single parent with two children.

**Context 10: Net income of social assistance recipients as % of the at-risk of poverty rate threshold for 3 jobless household types 2006**

We are awaiting interpretation from the OECD on this indicator.

**Definition:** This indicator refers to the income of people living in households that only rely on "last resort" social assistance benefits (including related housing benefits) and for which no other income stream is available (from other social protection benefits – e.g. unemployment or disability schemes – or from work). The aim of such an indicator is to evaluate if the safety nets provided to those households most excluded from the labour market are sufficient to lift people out of poverty. This indicator is calculated on the basis of the tax-benefit models developed jointly by the OECD and the European Commission. It is only calculated for Countries where non-categorical social benefits are in place and for 3 jobless household types: single, lone parent, 2 children and couple with 2 children. This indicator is especially relevant when analysing MWP indicators.

**Context 11: At-risk-of-poverty rate before social transfers by gender and selected age group, 2006**

*Before all social transfers except old-age/survivors' pensions*

		UK	EU-25
			2006
Total population	Total	30	26s
	Men	28	25s
	Women	32	27s
Children aged 0-17 years		41	33s
People aged 18-64 years	Total	25	24s
	Men	23	24s
	Women	27	25s
People aged 65 years and more	Total	36	23s
	Men	31	20s
	Women	39	25s

s = estimated by Eurostat. i = national source harmonised ex-post for maximum consistency with EU-SILC methodology.

**Data source:** EU-SILC 2006

**Definition:** Relative at-risk-of-poverty rate where equivalised income is calculated as follows:

- 'Before all transfers': excluding all social cash transfers
- 'Including pensions': including retirement and survivors pensions and excluding all other social cash transfers
- Other results: including all social cash transfers (= indicator 1)

The same at-risk-of-poverty threshold is used for the three statistics, and is set at 60% of the national median equivalised disposable income (after social cash transfers).

## Context indicator 12: Theoretical replacement rates

### Change in Gross Replacement Rate between 2006 and 2046: Base case – Worker retiring after 40 years with average earnings

	<i>Total</i>	<i>Statutory</i>	<i>Occupational</i>
UK	<b>-6</b>	-6	-1
EU25*	<b>-6</b>	-10	4

\* Average across all countries weighted by population size.

**Data source:** National calculations made by each Member State.

### Change in Gross Replacement Rate between 2006 and 2046 – taking into account higher SPA and introduction of personal accounts

	<i>Total</i>	<i>Statutory</i>	<i>Occupational</i>
UK	<b>2</b>	-5	7
EU25*	<b>-4</b>	-10	6

\* Average across all countries weighted by population size.

**Data source:** National calculations made by each Member State.

### Change in Gross Replacement Rate between 2006 and 2046 had the pre-reform system remained in place

	<i>Total</i>	<i>Statutory</i>	<i>Occupational</i>
UK	<b>-8</b>	-7	-1
EU25*	<b>-6</b>	-10	4

\* Average across all countries weighted by population size.

**Data source:** National calculations made by each Member State.

**Definition:** Change in the theoretical level of income from pensions at the moment of take-up related to the income from work in the last year before retirement for a hypothetical worker (base case), percentage points, 2004-2050. The base case reflects the standard assumptions set by the Indicators Sub-Group. The other two cases reflect the legislated increase in state pension age and the introduction of personal accounts in the UK.